

BOARD FINANCE COMMITTEE MEETING

REVISED

**POSTED
FRIDAY
APRIL 24, 2009**

Tuesday, April 28, 2009
5:30 p.m. (Buffet Dinner for Committee Members & Invited Guests Only)
6:00 p.m. Meeting

456 E. Grand Avenue, Escondido, CA
1st Floor Conference Room

	<u>Time</u>	<u>Page</u>	<u>Target</u>
CALL TO ORDER			6:00 p.m.
➤ Public Comments <i>5 minutes allowed per speaker with a cumulative total of 15 minutes per group. For further details & policy, see Request for Public Comment notices available in meeting room.</i>			
➤ Information Item(s)			
• CSUSM Lease Renewal	5		6:05 p.m.
1. * Approval: Minutes – Tuesday, March 31, 2009 (<i>Addendum A</i>)	5	AG2	6:10 p.m.
2. * Approval: Emergency On-Call Agreement	5	AG3-5	6:15 p.m.
Maram F. Zakko, M.D. – Gastroenterology Services at POM			
3. * Approval: Physician Recruitment Agreement	5	AG6-8	6:20 p.m.
Thomas A. Jones, M.D. & Brian A. Link, M.D. – Urology			
4. * Approval: Center for Healthcare Electronic Healthcare Record (EHR) Agreement (<i>Addendum B</i>)	15	AG9	6:35 p.m.
5. * Approval: Friendly PC (Professional Corporation)	10	AG10	6:45 p.m.
6. * Review/Approval: Health Development and Research Institute YTD Financial Reports (<i>Addendum C</i>)	15	AG11	7:00 p.m.
7. Review: Cerner Optimization (<i>Addendum D</i>)	10	AG12	7:10 p.m.
8. * Approval: Cerner Remote Hosting Option (RHO) (<i>Addendum E</i>)	10	AG13	7:20 p.m.
9. * Approval: Cerner Fixed Technology Fee Extension for EHR Projects (<i>Addendum F</i>)	10	AG14	7:30 p.m.
10. * Review/Approval: ICOC Mid-Year Meeting and Recommendation for Officers for Fiscal Year 2010	10	AG15	7:40 p.m.
11. * Review/Approval: Follow-up Discussions on Criteria for Capital Allocation (<i>Addendum G</i>)	15	AG16	7:55 p.m.
12. * Approval: March 2009 & YTD FY2009 Financial Report (<i>Addendum H</i>)	15	AG17	8:10 p.m.
13. Review: Administration of Consultant Agreement	10	AG18-20	8:20 p.m.
Gilbane Building Company – PMC-West Transformation/Occupancy/Relocation Planning Services			
FINAL ADJOURNMENT			8:20 p.m.

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

* Asterisks indicate anticipated action. Action is not limited to those designated items.

Minutes
Finance Committee – Tuesday, March 31, 2009

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Tanya Howell, Secretary

BY: Bob Hemker, CFO

Background: The minutes of the Board Finance Committee meeting held on Tuesday, March 31, 2009, are respectfully submitted for approval (*Addendum A*).

Budget Impact: N/A

Staff Recommendation: Staff recommends approval of the Tuesday, March 31, 2009, Board Finance Committee minutes.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT**

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: David Tam, M.D., Chief Administrative Officer, Pomerado Hospital

BACKGROUND: This is a request to approve the Emergency On-Call Agreement with Maram F. Zakko, M.D. Physician shall serve as a member of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Gastroenterology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None. The addition of Dr. Zakko does not add to the overall budget of GI call coverage at Pomerado Hospital.

STAFF RECOMMENDATION: Approval

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Emergency On-Call Agreement
	AGREEMENT DATE	May 1, 2009
	PARTIES	1) Pomerado Hospital 2) Maram F. Zakko, M.D
Recitals E	PURPOSE	To serve on the On-Call Panel as required by the medical staff bylaws, and rules and regulations, of Pomerado Hospital.
Exhibit A	SCOPE OF SERVICES	To provide On-Call coverage pursuant to the On-Call Agreement for the specialty of Gastroenterology at Pomerado Hospital.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
5	TERM	The term of this agreement shall commence effective as of May 1, 2009 through April 30, 2010.
N/A	RENEWAL	None
6	TERMINATION	1. Immediate for cause 2. Not less than 90 days of written notice without cause
2	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th of the month with supporting documentation.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Replacement of retired physician leaving the call pool. Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
1	Duties	Physician shall provide On-Call Panel Coverage and professional services in accordance with the Hospital's bylaws, rules and regulations, policies and procedures.
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> Officers <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee <input checked="" type="checkbox"/> Finance <input checked="" type="checkbox"/> BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT (“Agreement”) is made and entered into effective as of the first day of May 1, 2009 by and between Palomar Pomerado Health, a California local health care district (“PPH”), and Maram F. Zakko, M.D. (“Physician”).

RECITALS

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

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

C. Physician is licensed to practice medicine in the State of California, is Board certified or eligible for certification in his or her appropriate specialty, is a member of the medical staff of one or both Hospitals, and is approved by one or both of the Hospital medical staffs to serve on the On-Call Panel.

D. PPH and Physician each recognize that the On-Call Panel performs a necessary patient care function at PPH and Physician agrees to render coverage and services as a member of said On-Call Panel in assuring prompt and continuous availability of services to PPH’s patients.

E. Physician acknowledges his or her responsibility to serve on the On-Call Panel as required by the medical staff bylaws, and rules and regulations, of the applicable Hospital(s).

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

1. Physician’s On-Call Panel Coverage Services.

1.1 Physician shall serve as a member of the On-Call Panel on a rotating basis, at such times as shall be determined by the appropriate PPH Department in accordance with Section 1.2 below, to provide On-Call Panel Coverage and professional services, regardless of payor class, to: (1) patients who are not currently assigned to any particular physician at the time coverage and services are provided, and (2) patients, including inpatients, who may be assigned to a particular physician, but who require consultation or other physician services from an On-Call Panel physician during the physician’s scheduled On-Call Panel period (collectively, “Coverage Patients”). Specifically, Physician shall provide those services set forth on Exhibit A, attached hereto and incorporated herein by this reference, which he or she is qualified and privileged by the

Physician Recruitment Agreement

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Lisa Hudson, Director, Physician & Business Development

Background: The PPH community lacks an adequate number of urologists with expertise in robotics as verified by Medical Development Specialists, a national consulting firm that specializes in physician manpower studies. PPH has an established physician recruitment and has allocated resources to attract additional urologists with this added expertise physicians to relocate to Inland North San Diego County. Dr. Brian Link, and Thomas Jones, MD, Inc. have signed the PPH Physician Recruitment Agreement in order for Brian Link, MD to join Dr. Jones' and establish a practice in their Escondido office. He intends to begin practicing in August 2009.

Budget Impact: None

Staff Recommendation: Approval of the Physician Recruitment Agreement with Dr. Brian Link and Thomas Jones, MD, Inc., and recommend approval by the full Board of Directors.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action: X

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Physician Recruitment Agreement—General Urology with expertise in robotic procedures
	AGREEMENT DATE	April 20, 2009, Start date August 2009
	PARTIES	1) PPH 2) Brian Link, M.D. 3) Dr. Thomas Jones, Inc.
Recitals	PURPOSE	Provide recruitment assistance to enable Dr. Link to join Dr. Thomas Jones, Inc.
Article 4	SCOPE OF SERVICES	Dr. Link will establish a full-time General Urology and robotic expertise practice in Dr. Jones' Escondido office, 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	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT: None
5.1; 9.19	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> 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	<input checked="" type="checkbox"/> YES <input type="checkbox"/> 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	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Exceptions to the standard agreement are noted in redlined agreement. Legal Counsel has approved this contract.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> Director, Physician & Business Development <input checked="" type="checkbox"/> General Counsel <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Finance Committee on April 28, 2009 <input checked="" type="checkbox"/> BOD

**PRACTICE RECRUITMENT AGREEMENT
AMONG PALOMAR POMERADO HEALTH,
THOMAS A. JONES, M.D.
AND
BRIAN A. LINK, M.D.**

This is an Agreement dated April 20, 2009 ("**Agreement**") among Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code ("**PPH**"), Thomas A. Jones, M.D., A Professional Corporation, a California professional medical corporation ("**Group**"), and Brian A. Link, 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 is the geographic area identified in Exhibit A attached hereto ("**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, urology. PPH has further determined that under available benchmark criteria, the number of physicians in its Service Area practicing in Physician's medical specialty of urology 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 the Service Area, join the medical staff of PPH, join an appropriate physician group in the Service Area, provide a reasonable amount of charity care, and serve the medical needs of the community located in the Service Area.

Group is an independent physician practice comprised of a licensed medical doctor who provides 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 urology who is relocating his medical practice to the Service Area to become a member of the PPH medical staff. Physician is willing to join Group and establish a medical practice in the Service Area and become a member of the PPH medical staff on the terms and conditions set forth below, and in exchange therefor PPH is willing to provide assistance to Physician.

Therefore, the parties agree as follows:

**ARTICLE 1
DEFINITIONS**

1.1 Definitions. As used in this Agreement, the following terms shall have the following definitions:

Electronic Health Record

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Robert Trifunovic, MD
Janine Sarti, General Counsel

Background: The contract to fund a portion of the Electronic Health Record (75%) for Centre for Healthcare is still under negotiation. The final contract will be substantially similar to the attached draft (*Addendum B*).

Budget Impact: Fiscal year 2009: \$336,023
Fiscal Years 10 – 12: \$38,852/yr

Staff Recommendation: Approval

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Friendly PC

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Robert Trifunovic, MD

Background: A request to approve a business model to facilitate growth of primary care and needed specialties for the District will be presented.

One of the largest problems within the District is the lack of a business model to help grow the physician presence within the District. This lack of assistance results in the physician leaving or never even coming to practice here. The Foundation Model will eventually be a superb modality to build and brand our District, but in the interim we need a nimble and quick version to facilitate some of the regional needs.

The Friendly PC can accommodate this as it is a private practice office setting that is unencumbered with the District's overhead structure. The District, though, will have the ability to make sure the partnering of the office to the District will serve the community needs that the District wants to be served. These ideals will be facilitated by entering into an Administrative Agreement and a Succession Agreement with the sole shareholder of the corporation. This sole shareholder would be an employee of the District in a liaison position to the workings of the medical staff. In this particular situation, I am the sole shareholder.

The office would then be run as a regular medical office providing care to the community. The District would then be able to help other providers move into and fill the needs of the community.

Budget Impact: Fiscal Year 2010: Initial Capitalization of \$300,000 to \$400,000, with a presumption that the corporation will be self-sustaining in the first year and the capitalization will be collateralized against the A/R

Staff Recommendation: Approval

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Presentation on Health Development and Research Institute Financial Performance

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Brad Wiscons, Director of Grant Services

Background: Palomar Pomerado North County Health Development, Inc. (Health Development) was created in 2005 as a non-profit corporation to research, apply for, and financially manage grants and contracts for Palomar Pomerado Health (PPH). As a separate corporation, with PPH as the single member, Health Development is governed by a Board of Directors composed of three members of PPH's Board of Directors, the PPH Chief Executive Officer and the PPH Chief Financial Officer.

In 2007, the Research Institute was created as a division of Health Development.

The staff of Health Development is presenting a financial update to the PPH Board (*Addendum C*).

Budget Impact: None

Staff Recommendation: None – Information Only

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Cerner Optimization Project

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Steve Tanaka, CIO

Background: An update on the Cerner Optimization project, which is scheduled for completion in May 2009, will be presented (*Addendum D*).

Budget Impact: None

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Cerner Remote Hosting Option (RHO)

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Steve Tanaka, CIO

Background: PPH can realize significant benefits in improved performance and reliability, reduced risk from systems outages and greater cost efficiencies through outsourcing our Cerner data center services to the Cerner Corporation (*Addendum E*).

Budget Impact:

7Yr Cost: PPH Hosted: \$24,518,479

Cerner RHO: \$20,857,440

Benefit/(Loss): \$3,661,039

Staff Recommendation: Board Approval for the adoption of the RHO model for Cerner Technology Support

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Cerner Fixed Technology Fee (FTF) Extension Electronic Health Record (EHR) Projects

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Steve Tanaka, CIO

Background: The Electronic Health Record (EHR) is required to support PPH strategic objectives including the design requirements for Palomar West. This proposal recommends the extension of current Cerner Millennium contract through 2016 to include PPH EHR Projects (*Addendum F*).

Budget Impact:

5 yr cost: \$ 25,867,761

Staff Recommendation: Board approval to extend the Cerner Master Fixed Technology Fee (FTF) Agreement thru 2016

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Palomar Pomerado Health Hospital, Emergency Care, Trauma Center
Improvement and Repair Measure Bonds
Independent Citizens' Oversight Committee (ICOC)**

TO: Board Finance Committee
MEETING DATE: Tuesday, April 28, 2009
FROM: Bob Hemker, CFO

Background: The ICOC held their mid-year meeting on Tuesday, April 21, 2009. A report will be made at the meeting on the following outcomes from that meeting, including:

- 1) Their comments/findings following their mid-year review of the District's FY2009 reimbursements from General Obligation (GO) Bond funds.
- 2) The outcome of discussions at the meeting with Tom Boyle, Internal Audit Officer, and Jeff Miller, the sub-contracted construction auditor.
- 3) The recommendations of the members of the ICOC for nomination for officers of that body: Chair, Vice Chair and Secretary.

Budget Impact: N/A

Staff Recommendation: Recommendations will be discussed at the meeting

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Criteria for Capital Allocation

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Bob Hemker, CFO

Background: At the Strategic Planning Workshop on April 18, 2008, the New Initiatives and other matters that have been presented at the various workshops were reviewed. In addition, various permutations of the Financial and Capital Plan resulting from inclusion of these initiatives and matters were also discussed.

It was further presented and recommended that the Board adopt Criteria for Capital Allocation to help prioritize the initiatives/matters to facilitate sensitivity analysis in determining which of the items can be funded and included in the plan. Background material on possible criteria was presented for follow up reading and review (*Addendum G*).

It was indicated at the workshop that the Finance Committee would continue to review the criteria and seek input from all Board members and stakeholders in the establishment of the criteria (and weighting). Upon finalization of the criteria, the initiatives/issues will be scored individually by Board members and key stakeholders, consolidated, and findings will be presented.

Budget Impact: None

Staff Recommendation: Follow up review of process, criteria elements and discussion on weighting. For Information and discussion only.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

March 2009 & YTD FY2009 Financial Report

TO: Board Finance Committee

MEETING DATE: Tuesday, March 31, 2009

FROM: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for March 2009 and YTD FY2009 are submitted for the Finance Committee's approval (*Addendum H*).

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Transformation and Occupancy Consultant Contract

TO: Board Finance Committee

MEETING DATE: Tuesday, April 28, 2009

FROM: Marcia Jackson, Director, Facilities Planning & Transformation

Background: The April 13, 2009, Facilities & Grounds Committee meeting was noticed and held as a special Board meeting. At that meeting, the Board reviewed and approved a contract with Gilbane Building Company in the amount of \$1,075,407 (*see attached documents*). The contract covers transition and occupancy planning services from May 2009 through March 2012. The scope of services and timeline were discussed with the Board. The contract was provided to the Board in advance of the meeting. Six members were present at the meeting on April 13, 2009, with Linda Greer, R.N., the only Board member not in attendance. The contract was unanimously approved.

Budget Impact: The cost of the consultant is estimated to be \$1,075,407, including project costs and reimbursable expenses. The cost is expected to come out of the Facilities Master Plan budget; however, it was not budgeted.

Staff Recommendation: This item is being brought to the Finance Committee as an opportunity for awareness of how we will administer the approved contract subject to accounting principles for capital versus operational expenses.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Palomar Pomerado Health
Special Full Board Meeting
Facilities and Grounds Board Committee**

**Monday – April 13, 2009
12:15 p.m. – 1:45 p.m.**

**Palomar Medical Center
555 E. Valley Parkway, Escondido
Graybill Auditorium – Back half**

**~ Box Lunch for Committee Members and Invited Guests Only
in Meeting Room at 11:45 a.m. ~**

A G E N D A

Call To Order

- Public Comments
- *Approval of Minutes – March 9, 2009

		<u>MINS</u>	<u>PAGE</u>
Education Session - N/A			
1 Project Updates – Information Only	Mike Shanahan	40	1
<ul style="list-style-type: none"> • PMC-West Hospital Construction Progress & Procurement Update • Pomerado Hospital Construction Progress Update • Satellite Updates 			
2 Actionable Items			
• *Transformation and Occupancy Consultant Contract	Marcia Jackson	20	2
• *Contract for Construction Management Services, DPR Construction – Recommendation – Action with provisions	David Tam & Mike Shanahan	25	3
3 * Date/Time/Location of Next Meeting & Advanced Calendar	Mike Shanahan	5	4
May 11, 2009–12:15 p.m., PMC – Back ½ of Graybill Auditorium			

ADJOURNMENT

Distribution:

Marcelo Rivera, M.D. Chairman	Jerry Kaufman	Bob Hemker, CFO
T.E. Kleiter	Alan Larson, M.D.	Gary Libak, R.N.
Bruce Krider, M.A.	Michael Covert, CEO	
Nancy Bassett, R.N., M.B.A., Alternate	David Tam, M.D., CAO	Nicole Dennis, Board Secretary
Linda Greer	Michael Shanahan, Dir Fac Planning	Pam Carner, F&G Secretary

NOTE: Asterisks indicate anticipated action; action is not limited to those designated items.
 “In observance of the ADA, Americans with Disabilities Act, please notify us at (858) 675-5583, forty-eight hours prior to meeting so that we may provide reasonable accommodations”.

Transformation and Occupancy Consultant Contract

TO: PPH Facilities and Grounds Committee

MEETING DATE: Monday April 13, 2009

FROM: Marcia Jackson, Director, Facilities Planning & Transformation

Background: The processes required to prepare our staff, formalize all of our new work processes, license, and move all of our patients, staff, supplies and equipment to PMC West are very significant. A summary of this work effort was presented and discussed with the Facilities & Grounds Committee at their March 9, 2009 meeting. Hospitals which undertake facility transitions such as ours commonly retain a consulting firm which specializes in these efforts. PPH management and staff will be very involved in every step of the process, but the key benefit of the consultants are that they have well established processes, tools and resources to help us undertake this significant effort successfully. The Transformation Steering Committee has undertaken a selection process for a consulting firm to work with us in these efforts and has selected Gilbane Transition Planning & Management as the preferred firm.

Budget Impact: The cost of the consultant is estimated to be \$1,075,407, including project costs and reimbursable expenses. The costs would come out of the Facilities Master Plan budget, however, it was not budgeted.

Staff Recommendation: Approval for Management to execute the contract with Gilbane Transition Planning & Management.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action: X

Information:

Required Time: 20 minutes

Transformation and Occupancy Consultant Contract

Required Time: 10 minutes

ADDENDUM A

**BOARD FINANCE COMMITTEE MEETING
ATTENDANCE ROSTER & MEETING MINUTES
CALENDAR YEAR 2009**

MEMBERS	MEETING DATES:										
	1/27/09	2/24/09	3/31/09	4/28/09	5/26/09	6/30/09	7/28/09	8/25/09	9/29/09	10/27/09	12/8/09
NANCY BASSETT, R.N.	P	P	P								
TED KLEITER – CHAIR	P	P	P								
MARCELO RIVERA, M.D.	P	E	P								
MICHAEL COVERT, FACHE	P	P	P								
FRANK MARTIN, M.D.	P	P	P								
JOHN LILLEY, M.D.	P	P	P								
<i>BRUCE KRIDER – ALTERNATE</i>		P	G								
<i>LINDA GREER, R.N. – 2ND ALTERNATE</i>			G								
<i>– 3RD ALTERNATE</i>											
<i>– 4TH ALTERNATE</i>											
STAFF ATTENDEES											
BOB HEMKER	P	P	P								
GERALD BRACHT	P	P	P								
DAVID TAM	P	P	P								
TANYA HOWELL – SECRETARY	P	P	P								
INVITED GUESTS	SEE TEXT OF MINUTES FOR NAMES OF GUEST PRESENTERS										

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
LOCATION	Conference Room, 456 E. Grand Avenue, Escondido, CA			
MEETING CALLED TO ORDER	6:00 p.m. by Chair Ted Kleiter			
ESTABLISHMENT OF QUORUM	See roster			
PUBLIC COMMENTS	Mr. Robroy Fawcett filed an informal request and inquired about particulars in the DPR contract			
INFORMATION ITEM(S)	<ul style="list-style-type: none"> • RAC Litigation – discussion was deferred to General Counsel Janine Sarti <ul style="list-style-type: none"> o One of PPH's RAC appeals was found to be of interest by a national advocacy group, and they requested we consider letting them file a case on our behalf <ul style="list-style-type: none"> ▪ Their national consortium reviewed the case and felt that it was mishandled by CMS, with no reason for their having overturned our originally successful reversal ▪ Any legal fees paid/expended on behalf of PPH will be paid by the national consortium, so there will be no out-of-pocket fees o The case was filed in US District Court in San Diego, with PPH as the plaintiff <ul style="list-style-type: none"> ▪ We are seeking to overturn the ruling by CMS <ul style="list-style-type: none"> ▲ The reclaimable amount is only \$7K, but the value to PPH and to other organizations across the country is immeasurable ▪ Defendant has 60 days in which to respond ▪ Janine will report back through this committee on case status <hr/> <ul style="list-style-type: none"> • PPH GO Bonds, Election of 2004, Series 2009A <ul style="list-style-type: none"> o Bob Hemker reported that we had successfully closed the latest issue of GO Bonds with a \$110M par value on March 18th <ul style="list-style-type: none"> ▪ Utilized Capital Appreciation Bonds (CABs) o Decision to pull back from the market last October due to the external conditions in the market (buyers, insurers, etc.) proved fruitful as there were strong sales on the day of pricing o PPH was able to insure the issue with Assured Guaranty <ul style="list-style-type: none"> ▪ Significant value added by saving us future interest cost by lowering the interest rate we will pay ▪ Interest rate was in line with all in costs (TIC) at approximately 7.15% o Had speculated on high retail interest, so brought in co-banker for broader based distribution, but institutional investors were back in the market place at the time of issue <ul style="list-style-type: none"> ▪ 95-96% went to institutional investors ▪ Bond Purchase Agreement was between Citi as lead, with Merrill Lynch as secondary, and PPH 	<i>Information Only</i>	Both items forwarded to the April 13, 2009, Board of Directors meeting as Information.	<p align="center">N</p> <hr/> <p align="center">Y</p>

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> o Positions PPH with well over 14 months of cash flow related to the PMC-West and Pomerado campuses current draw schedules o Will start discussions next month with financing team regarding whether next issue will utilize the remaining GO Bonds available or be via revenue bonds <ul style="list-style-type: none"> ▪ Have now issued \$431M of the authorized \$496M in Measure BB bonds o The final Official Statement was distributed to Board members for their information <ul style="list-style-type: none"> ▪ Because it's a GO Bond issue, the documentation provides a lot of demographic information on the district ▪ Document is available to members of the public on the Internet 			
<p>MINUTES – FEBRUARY 24, 2009</p>	<p>No discussion.</p>	<p>MOTION: By Dr. Lilley, seconded by Director Bassett and carried to approve the minutes of the February 24, 2009, Board Finance Committee meeting as presented. All in favor. None opposed. Dr. Rivera abstained due to his absence from that meeting.</p>		<p align="center">Y</p>
<p>DPR CONTRACT</p>	<p>David Tam, MD, FACHE, Chief Administrative Officer – POM, and Mike Shanahan, Director Facilities Planning & Development, presented information on the status of contract negotiations with DPR.</p> <ul style="list-style-type: none"> • Clarification as to purpose of the agreement <ul style="list-style-type: none"> o States that DPR is the construction manager o Sets the boundaries in which they'll operate • DPR has been performing duties under a Letter of Intent for several months while the terms of the agreement have been under negotiation <ul style="list-style-type: none"> o \$957M is listed as the project cost, which encompasses the total costs for the entire project o Dr. Tam has been working with DPR to develop incentives for DPR and the subcontractors to be lean <ul style="list-style-type: none"> ▪ An addendum will be provided in the next several months regarding how those incentives will be outlined ▪ Under review is where we think we can gain savings, as well as where savings can be discerned within the construction project itself o Base compensation was agreed upon when the initial bid went out • Substantial completion is still estimated as the latter part of 2011 	<p>MOTION: By Director Rivera to recommend approval of a final Construction Management Services Agreement between PPH and DPR Construction, Inc., that has been amended to identify final target costs and schedule prior to presentation at the Board meeting on April 13, 2009. Seconded by Director Bassett and carried. All in favor. None opposed.</p>	<p>Forwarded to the April 13, 2009, Board of Directors meeting with recommendation for approval of the amended Agreement as requested.</p>	<p align="center">Y</p>

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> o No projected target date has yet been set for DPR to incentivize them to meet a finishing date o Every month that goes past costs \$2M • Committee questions and discussions regarding lowered overall project cost and setting of monetary and time incentive goals <ul style="list-style-type: none"> o They get an incentive if they get below target and if they finish early <ul style="list-style-type: none"> ■ Nothing currently in the agreement that says DPR shall not go above any stated dollar amount ■ Contract also doesn't address timely incentive <ul style="list-style-type: none"> ▲ Both will be added o Discussed the fact that value engineering has brought cost down to \$912M <ul style="list-style-type: none"> ■ Still our best estimate, but not validated as the value engineering ideas have not yet been put into place <ul style="list-style-type: none"> ▲ Therefore not used as monetary target for incentive ■ Lowered figure also does not take into consideration the power plant or equipment, neither of which should they get an incentive for pulling o Just now getting bids on drywall, etc., and the market is softening <ul style="list-style-type: none"> ■ Those kinds of savings should not be incentivized to DPR as savings o If approval here, has to go back to facilities & grounds to finalize #s & \$s • Michael Covert recommended approval of the draft contract, pending finalization of costs, which would include the removal of the power plant & equipment, as well as an evaluation of the value engineering savings <ul style="list-style-type: none"> o Dr. Tam has 13 days in which to draft a final agreement before the next Board meeting, at which it is to be on the discussion agenda • After we move in, is there a timeframe for construction guarantee? <ul style="list-style-type: none"> o There is an owner-controlled insurance program, which is included in the Addenda <ul style="list-style-type: none"> ■ Everyone who contracts with PPH is required to have a warranty and bonded process because we're a government agency <ul style="list-style-type: none"> ▲ Warranty must include their time & labor, not just materials 			
ICOC	<p>Bob Hemker provided an update regarding pending vacancies on the ICOC, as well as information on the activities and requests of the members:</p> <ul style="list-style-type: none"> • There are two impending vacancies, which will occur upon final expiration of the terms of office of two members on June 30, 2009 <ul style="list-style-type: none"> o One will leave a vacancy at required member seat of member of a <i>bona fide</i> taxpayers' organization • Requested the authority to proceed with typical protocol as to notice of impending vacancies and review of applications 	<p>MOTION: By Director Rivera seconded by Director Bassett and carried to recommend approval for: 1) Posting of the two pending vacancies on the ICOC; 2) Establishment of May 15, 2009, as the deadline for receipt of applications; &</p>	<p>Both items forwarded to the April 13, 2009, Board of Directors meeting with recommendations for approval of actions as noted.</p> <ul style="list-style-type: none"> • Tom Boyle and the construction auditor are to be invited to attend 	<p align="center">Y</p>

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> o Notices will be posted on the website and in other media outlets, as well as distributed to area taxpayers' organizations <ul style="list-style-type: none"> ■ Will also be noticed via word of mouth ■ Requested to ensure that the notice clearly states that one vacancy is for a taxpayer organization representative ■ Recommended deadline is May 15, 2009 o Finance Committee will review applications and make recommendations to the Board regarding finalists <ul style="list-style-type: none"> ■ May Finance Committee meeting for June Board meeting • The ICOC has also requested more frequent meetings, so they have moved to holding two a year <ul style="list-style-type: none"> o The next meeting has been scheduled at the PMC-West site to allow a tour • The Chair of the ICOC and several of the members have recently met with Mr. Hemker to discuss growing concerns regarding how they can best meet their fiduciary responsibilities <ul style="list-style-type: none"> o The way the ICOC was set up, they are technically the auditors, as the Measure specifies that the purpose of the ICOC is to review GO Bond expenditures to ensure funds have been spent appropriately, making recommendations to District on those considered potentially improper <ul style="list-style-type: none"> ■ They are provided with the bank statements, draw schedules, approval processes and detailed invoices—basically a full paper trail down to the source document level <ul style="list-style-type: none"> ▲ The true scope of their purview and responsibilities is a learning process for existing and new members ▲ They want to do more than just review invoices o They are concerned about their capabilities as a stand-alone auditing entity and inquired about the ability and/or willingness of the District to have an external audit of Measure BB expenditures <ul style="list-style-type: none"> ■ Would be a “sources & uses” type audit ■ There is nothing in the Measure to fund that type of effort ■ It would not make sense to add the request to the scope of the audit currently performed for PPH by Deloitte & Touche <ul style="list-style-type: none"> ▲ As a national firm, the additional work would be costly ▲ They already validate aggregate CIP account information, as well as the internal controls that govern those accounts ■ If an auditor were to be hired, it would be either a boutique or a regional firm <ul style="list-style-type: none"> ▲ Likely highest cost (not based on actual requests for pricing) is estimated at 25K for purposes of discussion 	<p>3) Review of qualified applicants—with interviews if warranted—at the May Board Finance Meeting. All in favor. None opposed.</p> <p>MOTION: By Michael Covert seconded by Director Bassett and carried to recommend that the ICOC visit with Internal Audit Officer Tom Boyle (and with the subcontracted construction auditor, if available), to determine if the current audit work being conducted and/or that could be conducted through the Internal Audit function would meet the intent, needs and desires of the ICOC. All in favor. None opposed.</p>	<p>the next ICOC meeting in April</p> <ul style="list-style-type: none"> • Outcome of that meeting will be reported back through this Committee 	<p align="center">N</p>

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> ■ There is nothing in the PPH budget to cover the additional expenses of either type firm <ul style="list-style-type: none"> ▲ Would have to be approved by the Board first ○ Tom Boyle has contracted with a construction auditor who's doing equivalent audit testing of expenditures <ul style="list-style-type: none"> ■ Raised meeting with Mr. Boyle and the construction auditor as a compromise recommendation to the Chair ○ Recommended that the ICOC visit with Tom Boyle and the construction auditor before reviewing other auditing alternatives 			

RECRUITMENT & CLINICAL DIRECTOR AGREEMENT

IRINEL CHIRIAC, MD	<p>INPATIENT BEHAVIORAL HEALTH PROGRAM AT PMC</p> <ul style="list-style-type: none"> • Susan Linback, Director of Behavioral Health, presented the agreement • In addition to the standard template, this agreement contains a component that will allow Dr. Chiriac to relocate into the community <ul style="list-style-type: none"> ○ \$10K startup allowance for relocation ○ Meets the standards of a typical of recruitment agreement ○ Physician Recruitment has validated the community need ○ Legal Department approved the marriage of the two types of agreement • Dr. Chiriac is responsible for staff education 	<p>MOTION: By Dr. Lilley, seconded by Director Bassett and carried to recommend approval of the 31-month [May 1, 2009 to December 31, 2011] Clinical Director Agreement with Irinel Chiriac, MD, for the Inpatient Behavioral Health Program at PMC. All in favor. None opposed.</p>	<p>Forwarded to the April 13, 2009, Board of Directors meeting with a recommendation for approval.</p>	Y
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PHYSICIAN INDEPENDENT CONTRACTOR AGREEMENTS

CERNER OPTIMIZATION EMR –	<p>CERNER PHYSICIAN ADVISORY COUNCIL (CPAC)</p> <ul style="list-style-type: none"> ▪ GREG HIRSCH, MD ▪ FRANK MARTIN, MD ▪ JOHN STEELE, MD ▪ ROBERT REICHMAN, MD ▪ MIKHAIL MALEK, MD ▪ NABIL FATAYERJI, MD ▪ JAIME RIVAS, MD ▪ GEORGE MOORE, MD <p>Ben Kanter, MD, Chief Medical Informatics Officer, presented the Agreements, which are for ongoing work associated with the Electronic Medical Record and Cerner Optimization</p> <ul style="list-style-type: none"> ○ Physicians work in an advisory capacity ○ Not to exceed 6 hours per month/physician <ul style="list-style-type: none"> ■ \$125 per hour ○ Aggregate cost is \$72K 	<p>MOTION: By Michael Covert seconded by Dr. Lilley and carried to recommend approval of the one-year [May 3, 2009 to May 2, 2010] Independent Contractor Agreements with Drs. Hirsch, Martin, Steele, Reichman, Malek, Fatayerji, Rivas and Moore to provide assistance to the CMIO in the development and maintenance of the Electronic Medical Record with regard to Cerner Optimization. All in favor. None opposed. Dr. Martin & Director Bassett abstained.</p>	<p>Forwarded to the April 13, 2009, Board of Directors meeting with a recommendation for approval</p>	Y
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EMERGENCY ON-CALL AGREEMENTS

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<p>OPHTHALMOLOGY SERVICES AT POM</p> <ul style="list-style-type: none"> ▪ LILLIAN LEE, M.D. ▪ BRIAN LE, M.D. <p>David Tam, MD, Chief Administrative Officer at POM, presented the Agreements</p> <ul style="list-style-type: none"> • Replacement for a physician who left the medical staff <ul style="list-style-type: none"> o Reimbursement of \$400 per response 	<p>MOTION: By Director Bassett seconded by Director Rivera and carried to recommend approval of the one-year Emergency On-Call Agreements for Ophthalmology Services at POM with Lillian Lee, MD [February 1, 2009 to January 31, 2010] and with Brian Le, MD [January 1, 2009 to December 31, 2009]. All in favor. None opposed.</p>	<p>Forwarded to the April 13, 2009, Board of Directors meeting with a recommendation for approval</p>	<p align="center">Y</p>
	<p>GASTROENTEROLOGY SERVICES AT POM</p> <ul style="list-style-type: none"> ▪ DANIEL Y. LEE, MD ▪ ALAN LARSON, MD ▪ RICHARD SNYDER, MD ▪ TED W. SCHAFER, MD ▪ HYUN SIL KIM, MD <p>David Tam, MD, Chief Administrative Officer at POM, presented the Agreements</p> <ul style="list-style-type: none"> • POM has never had a GI call panel, although some have responded <ul style="list-style-type: none"> o Only on call for uncompensated care o Reimbursement of \$400 per response • Currently no such coverage at PMC 	<p>MOTION: By Director Rivera seconded by Director Bassett and carried to recommend approval of the one-year [April 1, 2009 to March 31, 2010] Emergency On-Call Agreements with Drs. Daniel Y. Lee, Alan Larson, Richard Snyder, Ted W. Schafer and Hyun Sil Kim, for Gastroenterology Services at POM. All in favor. None opposed. Dr. Martin abstained.</p>	<p>Forwarded to the April 13, 2009, Board of Directors meeting with a recommendation for approval</p>	<p align="center">Y</p>
<p>FEBRUARY 2009 AND YTD FY2009 FINANCIAL REPORT</p>	<p>Utilizing the presentation included in the agenda packet, Bob Hemker, CFO, presented the February 2009 & YTD FY2009 financial statements. As has been done the last several months, only selected slides were discussed.</p> <ul style="list-style-type: none"> • Highlighted Feb 2009 <ul style="list-style-type: none"> o ADC has averaged 304 on the acute side o Case mix showed an upward spike <ul style="list-style-type: none"> ■ Surgeries are down for the month ■ Heavier medicine admissions ■ CV Surgeries had a caseload of 18 vs. a budget of 12 ■ ER visit to admit rate was lower for the month, but up YTD ■ Net revenues were strong both for the month and YTD ■ There was a significant increase in gross revenues from operations, driven by outpatient services 	<p>MOTION: By Director Bassett seconded by Director Rivera and carried to recommend approval of the Financial Report for February 2009 and YTD FY2009. All in favor. None opposed.</p>	<p>Forwarded to the April 13, 2009, Board of Directors meeting with a recommendation for approval.</p> <ul style="list-style-type: none"> • Exact number of employees enrolled in HMO, PPO and POS programs requested as information at the next Board HR Committee meeting – Brenda Turner to be 	<p align="center">Done 4/1/09</p>

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> o Positive bottom line for the month o Bottom-bottom line took a negative \$700K hit due to mark to market investment income adjustments o Cash flow above budget line for month of February <ul style="list-style-type: none"> ■ Picked up 1 day cash on hand from January ■ Up \$10M on cash reserves since June 30th of last year o OEBITA is at 10% YTD o Slight spike in the bad debt area due to market conditions • YTD <ul style="list-style-type: none"> o Admissions are down 5% o Acute patient days are down 2.72% o SNF patient days are up .5% o Adjusted discharges are up 1.3% o Negative driver for benefits is health & welfare costs, which show a negative variance both year-on-year and against budget <ul style="list-style-type: none"> ■ Due to a rate adjustment with a 9% increase for the year ■ New pricing included for 2 months ■ More on PPO side in terms of utilization <ul style="list-style-type: none"> ▲ PPO vs HMO enrollment is about 12-14% vs 86-88% HMO o Total uncompensated care has a unique mix, with an aggregate \$9M over budget <ul style="list-style-type: none"> ■ Bad debt is up \$40.7M ■ Charity is down \$2.2M ■ Undocumented is up \$9.9M ■ Watching closely, and we are seeing gross revenue to go with a portion of the increase, but not to that magnitude • Bottom-bottom line MTD is a negative \$313K • Current vs. prior year <ul style="list-style-type: none"> o Admissions are down o Patient days are down o Adjusted discharges are up slightly o Net revenues are up 4.9% o Total expenses have a negative variance year on year of 1.1% o Net income before non-operating income is \$9.2M stronger than prior year o Overall stronger month than the previous year <ul style="list-style-type: none"> ■ Bad debt is \$10.8M higher than last year and we gave up market income ■ Would have almost doubled the bottom line w/out market conditions 		<p>notified</p>	

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> ▲ Market conditions are being considered in FY10 budgeting • Cash collections <ul style="list-style-type: none"> ○ Collected \$39.3M for the month of March (highest monthly collection) <ul style="list-style-type: none"> ■ Does not include a \$1.4M IOU from Medi-Cal <ul style="list-style-type: none"> ▲ Don't know when payable as it is in legislation ▲ Targeted for 30 days, but State is allowed to extend on a weekly basis thereafter 			
ADJOURNMENT	The meeting was adjourned at 7:24 p.m.			
SIGNATURES: <ul style="list-style-type: none"> • COMMITTEE CHAIR _____ Ted Kleiter • COMMITTEE SECRETARY _____ Tanya Howell 				

ADDENDUM B

**ELECTRONIC HEALTH RECORD
DONATION AND CONTRIBUTION AGREEMENT**

This Electronic Health Record Donation and Contribution Agreement (the "Agreement") is made and entered into this the ____ day of _____ 2009, by and between **Palomar Pomerado Health** ("PPH"), a local health care district created under Division 23 of the California Health and Safety Code, and **PIMG, A Professional Medical Corporation** ("Group"), for the benefit and on behalf of the Group physicians (each a "Physician" and collectively, the "Physicians") under the following terms and conditions:

RECITALS:

A. PPH exists to provide comprehensive health care services and facilities to the residents of North San Diego County, California, and the surrounding communities (collectively, the "PPH Communities").

B. Group is a medical corporation organized under the laws of the State of California that provides or arranges for the provision of medical services by its Physicians for patients in the PPH Communities.

C. PPH and Group have established a positive working relationship and desire to continue that relationship on an enhanced basis for the benefit of patients in the PPH communities.

D. In order to improve patient safety, quality of care and the efficiency of the delivery of care in their facilities and the community, PPH and Group desire to implement an electronic health records ("EHR") system to electronically link health care providers who treat patients in the PPH Communities.

E. In furtherance of its charitable purpose of enhancing the quality of health care services in the PPH Communities through the widespread adoption and implementation of an EHR system, PPH is willing to share the cost of the EHR software with Group.

F. The EHR system implemented under this Agreement is intended to enable PPH and Group to freely exchange, as appropriate and permitted by applicable laws, detailed clinical information in an effort to (1) improve patient care, (2) integrate patient care services at all levels of delivery, (3) enhance measurement of patient outcomes, (4) comply with regulatory and accreditation agency reporting requirements, and (5) assist PPH and Group in effectively providing care and in collecting, storing, retrieving and protecting patient care and related information.

G. The EHR system is designed to comply with all applicable requirements of the final rules on electronic health records issued by the Centers for Medicare and Medicaid Services ("CMS") and the U.S. Department of Health and Human Services' Office of the Inspector General ("OIG").

TERMS OF AGREEMENT:

1. Applicability of Agreement. Pursuant to the terms of this Agreement, PPH shall pay a portion of the costs incurred by Group to obtain from vendors selected by Group and approved by PPH, as identified in attached **Schedule 1-A** (collectively, the “Vendors”), certain EHR software and information technology and training services necessary and used predominantly to create, maintain, transmit or receive EHR and updates and/or upgrades to items and services that achieve standardization necessary to enhance the functionality of EHR systems (and that have electronic prescribing capability) (collectively, “Covered EHR Items”). A detailed list of the Covered EHR Items being subsidized by PPH pursuant to this Agreement is set forth on **Schedule 1-B**. This Agreement does not cover and PPH will not provide or subsidize the cost of (i) any hardware which may be required by Group or the Physicians to use or operate the EHR software in the Physician’s office; (ii) personnel to staff Physician’s office; (iii) software used primarily to conduct personal business or business unrelated to the Physician’s medical practice; or (iv) software with core functionality other than EHR which can be separated from the EHR software, such as billing and collection functions (“Excluded Items”).

2. Eligibility Requirements. In order to receive subsidy payments for Covered EHR Items under this Agreement, Group and Group’s Physicians shall comply with the following, as applicable:
 - a. Physicians receiving Covered EHR Items pursuant to this Agreement shall be engaged in the business of providing medical services to patients in the PPH Communities.
 - b. Each Physician shall remain duly licensed to practice medicine in the State of California and shall maintain all certificates, registrations or other licenses necessary to practice medicine.
 - c. Neither Group nor any Physician shall have received Covered EHR Items equivalent to the Covered EHR Items being provided under this Agreement.
 - d. During the term of this Agreement, neither Group nor any Group Physician shall enter into an Agreement or negotiate with a non-PPH entity for similar or the same Covered EHR Items as are subsidized pursuant to this Agreement.
 - e. Neither Group nor any Physician shall make the receipt of EHR items of services subsidized by PPH, or the amount or nature of them, a condition of doing business with PPH.

4. Contribution.

- 4.1 The total initial cost of all Covered EHR Items covered by this Agreement, as described in **Schedule 1-B**, shall not exceed \$448,031.00 (“Permitted Costs”). For the benefit of PPH and its patients, PPH shall pay seventy five percent (75%) of the Permitted Costs (the “PPH Contribution”); but only after PPH has received written confirmation from the Vendors that Group has paid the Vendors a total of twenty five percent (25%) of the Permitted Costs (\$112,007.75) (the “Group Contribution”). The PPH Contribution shall not exceed \$336,023.25. PPH shall make payments for the Covered EHR Items directly to the Vendors pursuant to a subsidy agreement entered into between PPH and the Vendors for the benefit of Group. Payments shall be made by PPH to the Vendors promptly upon receipt of an invoice from the Vendors to PPH until the entire PPH Contribution has been paid, at which point PPH’s payment obligations under this paragraph 4.1 shall cease. No payments, in cash or otherwise, shall be made by PPH to Group or the Physicians for the Covered EHR Items. Group acknowledges and agrees that neither Group nor any Physician shall receive the Covered EHR Items unless and until Group has paid the Group Contribution to the Vendors. PPH shall not pay nor loan funds to Group or any Physician to pay the Group Contribution for the Covered EHR Items. PPH shall not pay for any Excluded Items. Group agrees that Group and the Physicians are solely financially responsible for any and all costs or expenses associated with Excluded Items.
- 4.2. Future Contributions. PPH acknowledges and agrees it will pay an amount not to exceed \$38,851.60 (*i.e.*, 40% of \$97,129) per year (“Annual Contribution”) for three (3) years, commencing one year after the installation of the first EHR system pursuant to this Agreement, to offset the costs of future upgrades of Covered EHR Items, which shall be comprised of maintenance on provider licenses (\$37,980/year), interfaces (\$5,790/year), and third-party software (\$53,359/year). All conditions and limitations set forth this Agreement shall apply. Group is solely responsible for other amounts not paid for by PPH.
- 4.3 Asset Valuation in Connection with Foundation Relationship. The parties have commenced and intend to continue good faith negotiations with respect to the possibility of PPH’s formation of a foundation (the “Foundation”) to purchase the assets of Group and to contract with Group’s Physicians directly for the provision of professional services. If the Foundation is established by PPH and if Group’s assets are purchased by the Foundation, then the Foundation shall not be obligated to pay to Group an amount equal to 75% of the agreed value of Covered EHR Items that were purchased with the PPH Contribution pursuant to this Agreement.

5. Access to EHR. Group agrees that PPH shall have access to electronic medical records created by the Physicians using the EHR software to the extent necessary and appropriate for PPH to provide services and obtain payment for patients for whom the medical records were created and to the extent permitted by and consistent with federal, state, and local laws related to privacy and confidentiality of records, including, without limitation, the Health Insurance Portability and Accountability Act of 1996, 42 U.S.C.A. Sections 1320d-1320d-7, 45 C.F.R., Parts 142 and 160 through 164, as amended ("HIPAA"), and the Confidentiality of Medical Information Act, California Civil Code Section 56 et seq. ("CMIA") (collectively, the "Confidentiality Laws"). Neither Group nor any Physician shall take any action which would limit PPH's access to such records, except to the extent necessary or appropriate to comply with applicable Confidentiality Laws. PPH shall not restrict or limit any Physician's right or ability to use the Covered EHR Items for any patients, without regard to payor status or receipt of health care services from PPH.
6. Compatibility With Other Systems. The parties will not, and will use their best efforts to ensure that the Vendors do not, take any action to limit or restrict the use, compatibility or interoperability of the Covered EHR Items with other electronic prescribing or EHR systems.
7. Term. This Agreement shall commence on the Effective Date and shall remain in effect until December 31, 2014 ("Term"), unless otherwise terminated as provided herein.
8. Termination.
 - 8.1 Termination Upon Default. Either party (the "Nondefaulting Party") shall have the right to terminate this Agreement, effective immediately upon written notice to the other party (the "Defaulting Party"), upon the first to occur of any of the following events, each of which shall be deemed a material default by the Defaulting Party:
 - a. Defaulting Party's breach of any material provision of this Agreement to be performed by Defaulting Party where such breach continues for a period of 30 days after written notice to Defaulting Party from Nondefaulting Party stating the specific breach, unless such breach is not subject to cure within 30 days and Defaulting Party shall have demonstrated to the reasonable satisfaction of Nondefaulting Party within such 30-day period that Defaulting Party has taken sufficient remedial action to cure such breach in a reasonable period of time, in which case, the notice of termination shall not be effective, and this Agreement shall not be terminated;
 - b. commencement of proceedings, voluntary or involuntary, for the winding up and dissolution of Defaulting Party, the appointment of a receiver for the assets of Defaulting Party, the assignment by Defaulting Party of its assets for the benefit of creditors or any action or relief taken or suffered by Defaulting Party under any bankruptcy or insolvency laws; or

c. the failure of PARK TERRACE MEDICAL ASSOCIATES, INC., a California medical corporation doing business as CENTRE FOR HEALTH CARE MEDICAL ASSOCIATES (“CHC”), without fault of PPH, to join a medical foundation created by and with PPH (the “Foundation”) on or before January 1, 2010 (the “Target Date”), unless the parties to this Agreement extend the Target Date by amendment of this Agreement. If CHC fails to join the Foundation on or before the Target Date without fault of PPH, and if PPH terminates this Agreement pursuant to this paragraph 8.1(c) within 2 months after the Target Date as a result of such failure, then the principal amount of the PPH Contribution actually made by PPH under this agreement will be deemed to be a loan to PIMG commencing as of the date the PPH Contribution was made, bearing interest at the annual rate of prime plus 1% (the “Loan”). Notwithstanding the foregoing, the parties agree the interest on the principal amount of the Loan shall be forgiven up to and including the Target Date as consideration for PIMG’s negotiation of the Foundation arrangement with PPH and PIMG’s agreement not to enter into an arrangement with Scripps Health (“Scripps”), Sharp HealthCare (“Sharp”), Kaiser Medical Foundation (“Kaiser”), University of California, San Diego (“UCSD”) or any affiliate of the above referenced organizations, or any other physician practice management group during the term of this Agreement, as set forth in paragraph 8.2. The Loan shall be repaid in 240 equal monthly installments of principal plus interest commencing on the first day of the first month immediately following termination of this Agreement pursuant to this paragraph 8.1(c). PIMG shall have the right to prepay the Loan without penalty at any time. If this Agreement is terminated pursuant to this paragraph 8.1(c), PIMG will sign an unsecured promissory note for the repayment of the Loan in a form substantially similar to the unsecured promissory note attached hereto as Exhibit A.

8.2 Termination Upon Group’s Affiliation. If Group enters into an arrangement with Scripps, Sharp, Kaiser, UCSD or any affiliate of the above referenced organizations, or any other physician practice management group, during the Term of this Agreement pursuant to which Scripps, Sharp, Kaiser, or UCSD pays Group directly for its provision of professional medical services pursuant to a 1206(d) outpatient clinic model, 1206(l) foundation model or other medical services arrangement pursuant to which a hospital is permitted to employ, retain or compensate physicians directly for their provision of medical services, then PPH shall have the right to terminate this Agreement immediately upon written notice to Group. PPH’s termination rights shall not be triggered by, and this paragraph 8.2 is not intended to restrict and shall not restrict, Group’s or the Physicians’ admission of patients to Scripps, Sharp, Kaiser or UCSD facilities, treatment of patients at Scripps, Sharp, Kaiser or UCSD facilities or provision of medical director or other administrative services on behalf of Scripps, Sharp, Kaiser, UCSD or any other physician practice management group.

- 8.3 Termination Upon Change in Law. Notwithstanding anything to the contrary in this Agreement, (i) if the performance by either party of any term, covenant, condition or provision of this Agreement (a) would jeopardize the licensure or certification of PPH or Group or their participation in Medicare, Medi-Cal, or other reimbursement or payment programs, or (b) would be in violation of any statute, rule, regulation or ordinance, or otherwise be deemed illegal, or be deemed unethical by any recognized body, agency, or association in the medical field whose approval is necessary or customary for PPH or Group to exist, operate, or obtain payment for their provision of medical services in California, then the parties shall negotiate in good faith for a mutually acceptable modification of this Agreement as to such matters. The parties may immediately suspend their obligations under this Agreement pending resolution of the negotiations pursuant to this paragraph. If the parties cannot agree to so amend this Agreement within 30 days of commencing the negotiations, either party may terminate this Agreement without liability. Notwithstanding the foregoing, termination of this Agreement pursuant to this paragraph 8.3 shall not relieve either party of any obligation to the other party incurred prior to the date of termination of this Agreement.
- 8.4 Effect of Termination. Upon termination, this Agreement shall be of no further force or effect, and the responsibility for the Covered EHR Items and any upgrades, maintenance or updates shall be solely that of Group and/or each Physician.
9. Repayment for Termination Upon Default or Group's Affiliation with Scripps or Sharp. Upon PPH's termination of this Agreement pursuant to paragraph 8.1(a) or paragraph 8.2, PPH may demand repayment of a prorated amount of the PPH Contribution and Annual Contribution paid by PPH under this Agreement.
10. Independent Parties. It is acknowledged and agreed by PPH and Group that neither the Agreement nor the relationships established to carry on the intent, purposes and terms of this Agreement are intended nor shall they be construed to create a joint venture or employment relationship or any relationship other than that of independent contracting parties. To the extent that any federal, state, or local laws or regulations require reporting, withholding or other obligations on a party, that party will perform them in accordance with such law and regulations and provide evidence of the same to the other party upon request.
11. Confidentiality of Information. Each party acknowledges that in connection with the performance of its duties and obligations under this Agreement, that party may be acquiring and making use of certain confidential information and trade secrets of the other party, which may include, without limitation, management reports, financial statements, internal memoranda, reports, and other materials, records and/or information of a proprietary nature ("Confidential Information"). Neither party shall use Confidential Information except in connection with this Agreement, or divulge Confidential Information to any third party, unless the party to whom the Confidential Information belongs consents in writing to such use or disclosure is required by law. Each party shall comply with the applicable federal, state and local laws and regulations governing the

confidentiality of all patient medical records and peer review information. Without limiting other possible remedies for breach of this covenant, the parties agree that injunctive or other equitable relief shall be available to enforce this covenant, such relief to be without the necessity of posting a bond, cash or otherwise.

12. Notices. Any notice, demand, or communication required, permitted, or desired to be given hereunder, shall be deemed effectively given and received when personally delivered, delivered by commercial courier service, transmitted by confirmed telefacsimile, or on the third (3rd) day after deposit if mailed by prepaid certified or registered mail, return receipt requested, addressed as follows:

PPH:

Medical Staff Development Officer
456 Grand Avenue
Escondido, CA 92025

cc: General Counsel
Legal Department
15255 Innovation Drive
San Diego, CA 92128

Group:

PIMG President
15611 Pomerado Road
Poway, CA 92064

or to such other address, and to the attention of such other person(s) or officer(s) as either party may designate by written notice.

13. No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties, their successors and permitted assigns. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights on any third party, including, without limitation any patients of the Physicians, to seek, enforce or recover any right or remedy with respect hereto.
14. Governing Law. This Agreement has been awarded, executed and delivered in, and shall be interpreted, construed, and enforced pursuant to and in accordance with the laws of the State of California excepting only to the extent preempted by or to which federal law prevails.
15. Assignment. Neither this Agreement nor any right or benefit under it may be assigned by Group without the specific written consent of PPH.

16. Referral Policy. The parties acknowledge and agree that nothing contained in this Agreement shall require (directly or indirectly, explicitly or implicitly) either party to refer or direct any patients or other business to the other, to any affiliate of a party, or to any other person. Neither Group's nor Physicians' eligibility for the Covered EHR Items is determined in a manner that directly takes into account the volume or value of referrals or other business generated between the parties. Group represents and warrants, for itself and on behalf of its Physicians, that it has not made the receipt or the amount or nature of the Covered EHR Items a condition of doing business with PPH.
17. Entire Agreement. This Agreement covers all of the EHR items and services to be provided by PPH to Group's Physicians. While this Agreement is in effect, the parties will comply with the final regulations issued by the U.S. Department of Health and Human Services relating to EHR items and services.
18. Dispute Resolution. All controversies, claims, disputes or counterclaims arising out of, relating to or in connection with this Agreement or any resulting transaction, whether involving a disagreement about meaning, interpretation, application, performance, breach, termination, enforceability or validity and whether based on statute, tort, contract, common law or otherwise ("Dispute"), shall be resolved by binding arbitration as set forth in this paragraph 18.
 - 18.1 Arbitration. At any time, any party may commence binding arbitration proceedings by providing the other party written notice of intent to arbitrate ("Notice"). Arbitration of the Dispute shall be conducted in accordance with the procedures set forth in Title 9 of Part III of the California Code of Civil Procedure (Sections 1280, *et seq.*). The arbitration shall be conducted in San Diego, California, and the proceedings shall be governed by California law. The arbitrator shall be any independent third party agreed upon by the parties, but if the parties cannot agree within 15 days from the date Notice is given, then any party may file a petition with the San Diego County Superior Court, North County Division, for the appointment of a neutral arbitrator pursuant to California Code of Civil Procedure Section 1281 *et seq.* The arbitration proceeding shall be completed within 60 days after appointment of the arbitrator and the arbitrator's award shall be issued within 30 days after termination of the arbitration proceeding, unless the parties otherwise agree.

The arbitrator shall have jurisdiction over the Dispute, and the decision of the arbitrator shall be final and binding upon the parties. Depositions may be taken and discovery may be conducted in the manner designated by the arbitrator with good cause shown by the parties. The cost of the arbitration and the arbitrator's fees shall be shared equally by the parties. The attorneys' fees and costs incurred by the prevailing party shall be paid by the nonprevailing party, as determined by the arbitrator, pursuant to paragraph 19. Judgment upon the arbitration award may be entered in any court having jurisdiction or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as applicable.

- 18.2 Provisional or Ancillary Remedies. The provisions of this paragraph shall not limit the right of any party under California Code of Civil Procedure Section 1281.8 to obtain or oppose provisional or ancillary remedies, including, without limitation, temporary protective or restraining orders, preliminary and permanent injunctions, writs of possession, appointment of a receiver and such other provisional relief as a court of competent jurisdiction may deem appropriate ("Provisional Remedies") before the commencement of arbitration proceedings under this Agreement. The arbitrator shall have the power to grant Provisional Remedies during or after the pendency of the arbitration proceedings under this Agreement and may modify any previous Provisional Remedies granted by a court.
- 18.3 Negotiation or Mediation. The parties may, by mutual written agreement only, stay the commencement of the arbitration proceedings from time to time as they may mutually agree to allow for any form of negotiation or mediation of the Dispute.
19. Attorneys' Fees. If any party commences or is made a party to any litigation or other judicial or administrative proceeding ("Proceeding") to enforce, interpret or obtain a declaration of rights under this Agreement, the prevailing party in any such proceeding shall be entitled to recover from the other party all attorneys' fees, costs (whether otherwise taxable or recoverable) and expenses incurred in connection with such a proceeding or any appeal or enforcement of any judgment obtained in any such proceeding. Any judgment or order entered in any proceeding shall contain a specific provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment or order. This attorneys' fees provision is intended to be severable from the other provisions of this Agreement, shall survive any judgment or order entered in any proceeding and shall not be deemed merged into any such judgment or order.
20. Counterparts. This agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Execution and delivery of this Agreement by delivery of a facsimile or electronically recorded copy (including a .pdf file) bearing a copy of the signature of a party shall constitute a valid and binding execution and delivery of this Agreement by such party. Such copies shall constitute enforceable original documents.
21. Construction. This agreement has been negotiated at arms length and each party has been given the opportunity to be represented by legal counsel and to the extent each party has deemed necessary, each party has consulted with independent legal counsel with respect to such party's rights and obligations under this Agreement. Accordingly, any rule of law (including without limitation California Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party drafting it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the parties and the purpose of this Agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the Effective Date above.

PPH:

PALOMAR POMERADO HEALTH

By: _____

Name: Robert A. Hemker

Title: Chief Financial Officer

Date: _____

GROUP:

PIMG, A PROFESSIONAL MEDICAL CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1-A

VENDORS

NextGen and associated vendors

SCHEDULE 1-B
COVERED EHR ITEMS

EXHIBIT A

PROMISSORY NOTE

\$442,578.05

[Date]
San Diego, California

For value received, PIMG, A PROFESSIONAL MEDICAL CORPORATION (“Maker”), promises to pay to the order of PALOMAR POMERADO HEALTH (“Payee”), at _____, or such other address as Payee may from time to time designate in writing, the principal sum of _____ (\$ _____), plus interest at the annual rate of prime plus 1%. Interest shall be calculated on the basis of a three hundred sixty-five (365) day year and thirty (30) day months, but shall accrue and be payable for the actual number of days in each month during which any part of Maker’s indebtedness to Payee under this Note is outstanding. Interest shall be due and payable in arrears as specified herein.

Payment shall be made in 240 equal monthly installments of principal plus interest, commencing on _____ and continuing on the first day of each calendar month thereafter until this Note is paid in full. In any event, this Note shall be fully due and payable no later than _____ (“Maturity Date”).

Maker shall have the right at any time to prepay without penalty all or any portion of the unpaid principal balance of this Note. Payment shall be in lawful money of the United States.

Each of the following events shall be an “Event of Default” hereunder:

- (a) Maker’s failure to timely pay any amount due under this Note on or before the date the same becomes due and payable, where such failure is not cured within 5 days after delivery of written notice of default from Payee;
- (b) Maker’s filing of a petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or making any assignment for the benefit of creditors or taking any action in furtherance of any of the foregoing;
- (c) the filing of an involuntary petition against Maker (unless such petition is dismissed or discharged within sixty (60) days) under any bankruptcy statute now or hereafter in effect, or appointment of a custodian, receiver, trustee or assignee for the benefit of creditors (or other similar official) to take possession, custody or control of any property of Maker;
- (d) the taking of any action by Maker to terminate the business affairs of Maker and/or to liquidate Maker’s assets or dissolve; or
- (e) the sale or other disposition of all or substantially all of the assets of Maker.

Upon the occurrence of an Event of Default, and in addition to all other remedies available to Payee, Payee may, at Payee’s option, declare all unpaid principal, accrued interest and other amounts owing under this Note automatically and immediately due, payable and collectible by Payee, without notice or demand.

Maker waives presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note, and shall pay all costs of collection as and when incurred by Payee, including, without limitation, reasonable attorneys' fees, costs and other expenses. Maker agrees to pay to Payee all sums owing under this Note without deduction, offset or counterclaim of any kind. The relationship of Maker and Payee under this Note is solely that of borrower and lender, and not partners or joint venturers.

If Maker fails to pay this Note in accordance with its terms and if any proceeding is instituted by Payee to collect payment under this Note, then Maker agrees to pay all attorneys' fees incurred by Payee with respect to any such proceeding and all costs and expenses incurred by Payee with respect to such proceeding or in the collection of the amounts due under this Note.

The provisions of this Note shall inure to the benefit of and be binding on any successor to Maker and shall extend to any holder of this Note, including the successors, assigns, representatives, heirs, legatees, devisees, administrators, executors, and trustees of Payee.

This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of California. Venue for all disputes and proceedings in connection with this Note shall be in San Diego, California.

MAKER:

PIMG, A PROFESSIONAL MEDICAL
CORPORATION

By: _____

Print Name: _____

Title: _____

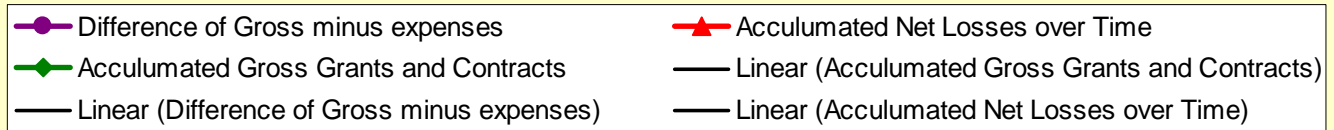
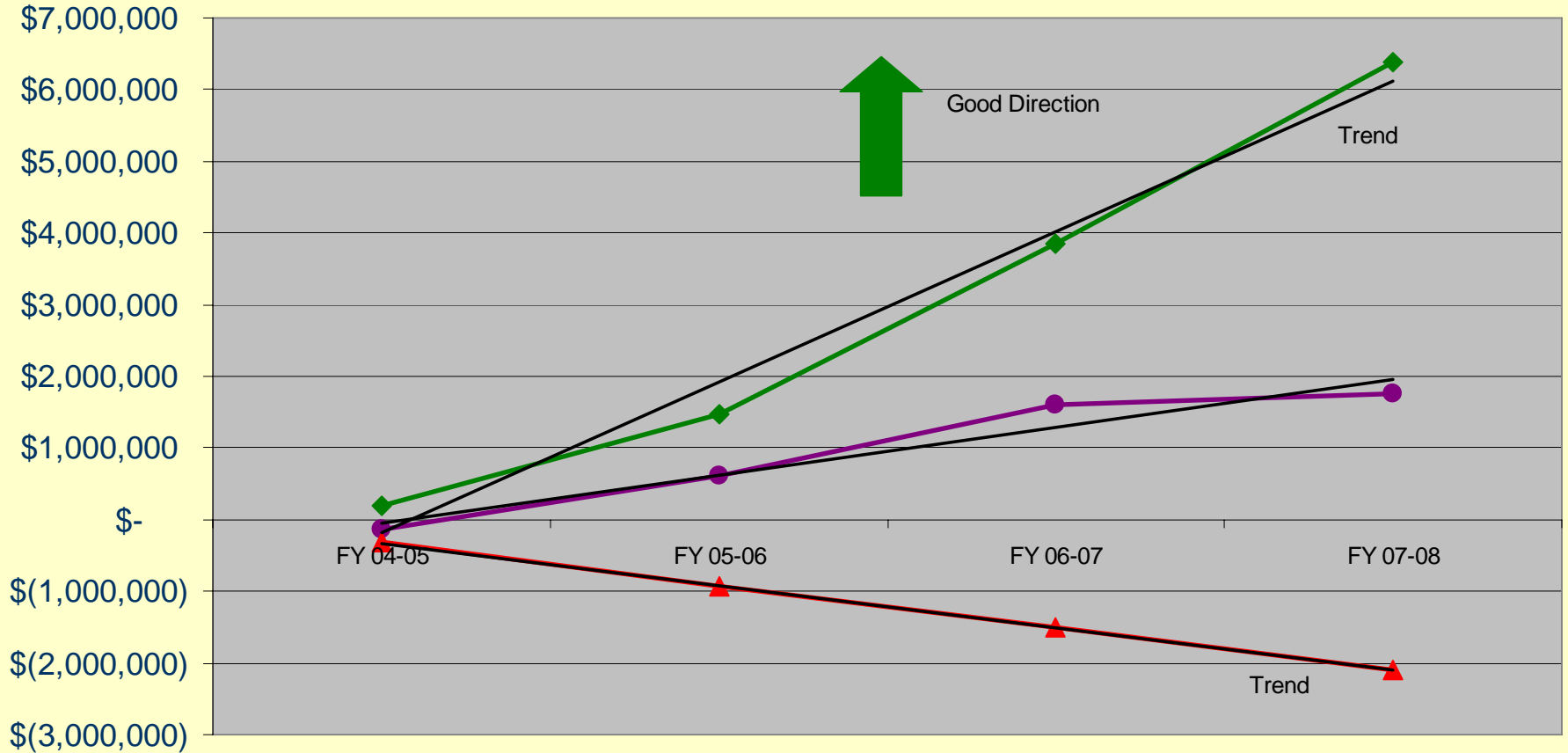
ADDENDUM C

Presentation to the Finance Committee of the Palomar Pomerado Health Board of Directors

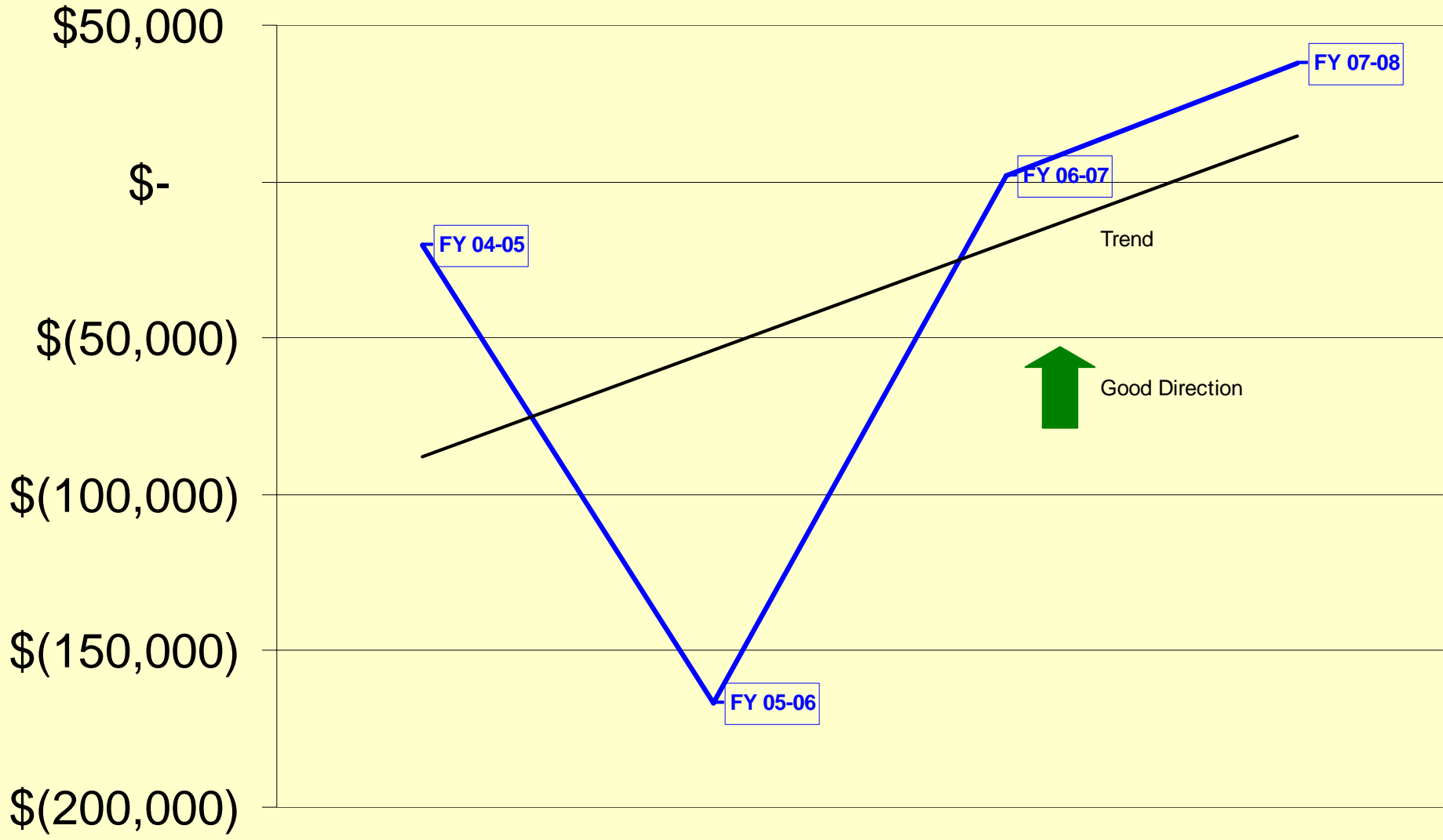
Health Development
April 28, 2009

Lifetime Analysis of Revenue and Expenses over Time

Health Development

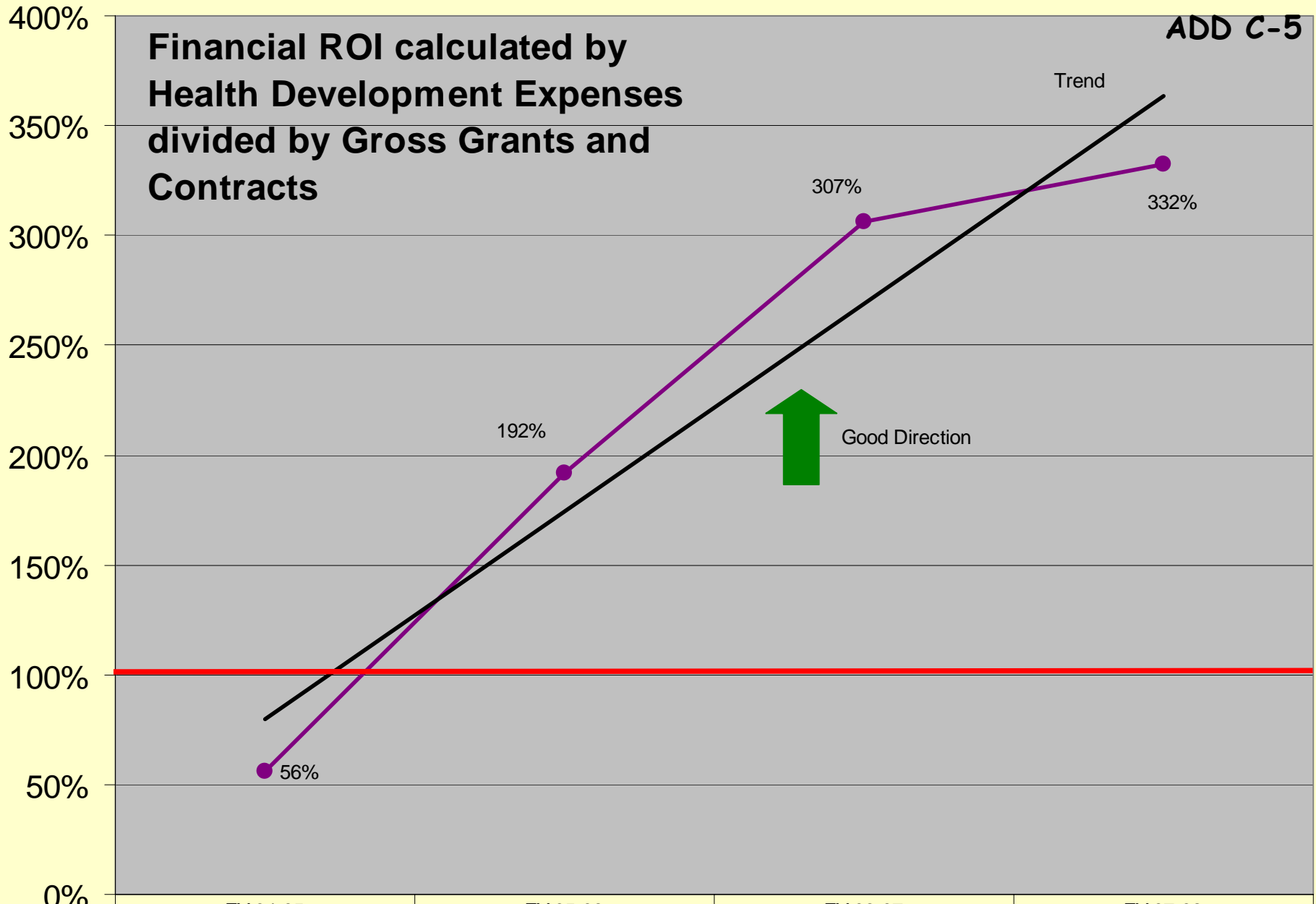


HD Net Losses against Actual Budgeted Losses



Financial ROI calculated by Health Development Expenses divided by Gross Grants and Contracts

ADD C-5



● PPH ROI

FY 04-05

FY 05-06

FY 06-07

FY 07-08

56%

192%

307%

332%

Trend

Good Direction

Health Development

Row #		FY 04-05	FY 05-06	FY 06-07	FY 07-08
1	Gross Grants and Contracts	\$ 184,762	\$ 1,287,980	\$ 2,376,698	\$ 2,522,960
2	Indirect	\$ 11,111	\$ 58,690	\$ 209,156	\$ 170,333
3	HD Expenses	\$ (331,169)	\$ (671,389)	\$ (775,379)	\$ (759,331)
4	Difference of Indirect minus expenses	\$ (320,058)	\$ (612,699)	\$ (566,223)	\$ (588,998)
5	Difference of Gross minus expenses	\$ (146,407)	\$ 616,591	\$ 1,601,319	\$ 1,763,629
6	HD Budget	\$ (300,000)	\$ (445,842)	\$ (568,134)	\$ (627,103)
7	HD Net Losses against Actual Budgeted Losses	\$ (20,058)	\$ (166,857)	\$ 1,911	\$ 38,105
8	Accumulated Net Losses over Time	\$ (320,058)	\$ (932,757)	\$ (1,498,980)	\$ (2,087,978)
9	Accumulated Gross Grants and Contracts	\$ 184,762	\$ 1,472,742	\$ 3,849,440	\$ 6,372,400

Research Institute

ADD C-7

FY 07-08

Net Revenue	\$ 3,306
HD Expenses	\$ 447,209
Difference of Net Revenue minus expenses	\$(443,903)
HD Budget	\$(458,351)
HD Performance against Budget	\$ 14,448

PPNC HEALTH DEVELOPMENT
Balance Sheet by Fund
As of 2/28/2009

Health Development Balance Sheet by Fund - 022009

	Bioterrorism Preparedness	Physical Health Services	The California Wellness Foundation	GO-MED Implementation	Physical Health Services 07/08	Welcome Home Baby FY08	Physical Health Services 08/09	Welcome Home Baby FY09	Partners for Community Access	Medi-Cal Administrative Activities	Parker Foundation - Student Navigator	ADE Evaluation Project-Cardinal	North County Breast Care 08/09	Parker Foundation/Komen 0809	HPP Year 6 Emergency Preparedness	United Way	Sub-Total Grants	PPNC Health Development	Total
Assets																			
Cash																			
Cash in Bank - Operating	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	106,725.78	106,725.78
Cash in Bank - Temporarily Restricted	413.45	0.00	0.00	85,261.10	0.00	0.00	8,937.12	374,000.99	18,033.68	0.00	23,000.00	0.00	8,628.16	(1,396.26)	0.00	33,531.00	550,409.24	0.00	550,409.24
Cash in Bank-Money Market	120,360.00	0.00	32,039.90	108,760.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00	8,800.00	0.00	0.00	0.00	294,960.35	3,743.66	298,704.01
Petty Cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash	120,773.45	0.00	32,039.90	194,021.55	0.00	0.00	8,937.12	374,000.99	18,033.68	0.00	23,000.00	25,000.00	17,428.16	(1,396.26)	0.00	33,531.00	845,369.59	110,469.44	955,839.03
Receivables																			
Accounts Receivable - Customer	0.00	0.00	0.00	0.00	0.00	(1.17)	20,656.00	311,371.75	0.00	0.08	0.00	0.00	0.00	634.95	104,364.74	0.00	437,026.35	363.01	437,389.36
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	92,463.04	92,463.04
Total Receivables	0.00	0.00	0.00	0.00	0.00	(1.17)	20,656.00	311,371.75	0.00	0.08	0.00	0.00	0.00	634.95	104,364.74	0.00	437,026.35	92,826.05	529,852.40
Prepaid Services																			
Prepaid Service Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,022.76	3,022.76
Prepaid Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,569.45	0.00	9,569.45	0.00	9,569.45
Total Prepaid Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,569.45	0.00	9,569.45	3,022.76	12,592.21
Equipment																			
Minor Moveable Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,410.87	13,410.87
Total Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,410.87	13,410.87
Software License	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,229.63	12,229.63
Accumulated Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(10,522.62)	(10,522.62)
Accumulated Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(10,458.41)	(10,458.41)
Total Assets	120,773.45	0.00	32,039.90	194,021.55	0.00	(1.17)	29,593.12	685,372.74	18,033.68	0.08	23,000.00	25,000.00	17,428.16	(761.31)	113,934.19	33,531.00	1,291,965.39	210,977.72	1,502,943.11
Liabilities & Fund Balance																			
Payables																			
Accounts Payable - Customer	0.00	0.00	0.00	6,240.00	0.00	(1,967.20)	29,594.00	675,912.54	467.94	220.00	0.00	670.70	5,496.90	0.00	1,814.33	1,750.00	720,199.21	197.66	720,396.87
Accounts Payable - Other	0.00	0.00	0.00	0.00	0.00	377.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	377.29	0.00	377.29
Interfund Payable	0.00	0.65	8,510.00	0.00	0.15	1,443.33	0.00	0.00	18,469.11	0.00	0.00	0.00	0.00	0.00	64,039.80	0.00	92,463.04	0.00	92,463.04
Total Payables	0.00	0.65	8,510.00	6,240.00	0.15	(146.58)	29,594.00	675,912.54	467.94	18,689.11	0.00	670.70	5,496.90	0.00	65,854.13	1,750.00	813,039.54	197.66	813,237.20
Note Payable - PPH	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,411,085.24	2,411,085.24
Accrued Payables																			
Accrued Audit Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,366.78	9,366.78
Other Accrued Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(100.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(100.00)	0.00	(100.00)
Total Accrued Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(100.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(100.00)	9,366.78	9,266.78
Deferred Revenue	0.00	0.00	23,529.90	187,781.55	0.00	0.00	0.00	0.00	17,565.74	0.00	23,000.00	24,329.30	11,814.33	0.00	9,569.45	31,781.00	329,371.27	0.00	329,371.27
Shareholder Contribution - PPH	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35,000.00	35,000.00
Fund Balance	0.00	(0.65)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.65)	(1,497,738.28)	(1,497,738.28)
Excess Revenue over Expenditures	120,773.45	0.00	0.00	0.00	(0.15)	145.41	(0.88)	9,560.20	0.00	(18,689.03)	0.00	0.00	116.93	(761.31)	38,510.61	0.00	149,655.23	(746,934.33)	(597,279.10)
Total Liabilities & Fund Balance	120,773.45	0.00	32,039.90	194,021.55	0.00	(1.17)	29,593.12	685,372.74	18,033.68	0.08	23,000.00	25,000.00	17,428.16	(761.31)	113,934.19	33,531.00	1,291,965.39	210,977.72	1,502,943.11

PPNC HEALTH DEVELOPMENT
Income and Expense Statement
9900 - PPNC Health Development
From 2/1/2009 Through 2/28/2009

	Current Period Actual	Current Period Budget	Budget Variance MTD	YTD Actual	YTD Budget	Budget Variance YTD
Revenue						
Grants and Contracts						
Revenue - Grants/Contracts	14,341.66	19,949.17	(5,607.51)	95,759.15	159,593.36	(63,834.21)
Total Grants and Contracts	14,341.66	19,949.17	(5,607.51)	95,759.15	159,593.36	(63,834.21)
MAA Admin Fees						
MediCal Administrative Activities	0.00	4,400.00	(4,400.00)	14,177.64	35,200.00	(21,022.36)
Total MAA Admin Fees	0.00	4,400.00	(4,400.00)	14,177.64	35,200.00	(21,022.36)
Other						
Revenue - Other	221.61	1,252.17	(1,030.56)	3,743.81	10,017.36	(6,273.55)
Total Other	221.61	1,252.17	(1,030.56)	3,743.81	10,017.36	(6,273.55)
Total Revenue	14,563.27	25,601.34	(11,038.07)	113,680.60	204,810.72	(91,130.12)
Expense						
Salaries & Wages						
Salaries Management/Supervision	6,722.96	12,506.42	5,783.46	62,272.98	100,051.36	37,778.38
Technical/Specialist	5,840.00	0.00	(5,840.00)	26,961.62	0.00	(26,961.62)
Clerical/Admin	0.00	1,336.50	1,336.50	10,085.26	10,692.00	606.74
PTO Expense	1,374.38	2,346.83	972.45	(10,134.93)	18,774.64	28,909.57
Total Salaries & Wages	13,937.34	16,189.75	2,252.41	89,184.93	129,518.00	40,333.07
Benefits						
Employee Benefits	1,795.25	4,468.58	2,673.33	18,816.22	35,748.64	16,932.42
Payroll Taxes	1,145.03	0.00	(1,145.03)	11,382.25	0.00	(11,382.25)
Total Benefits	2,940.28	4,468.58	1,528.30	30,198.47	35,748.64	5,550.17
Professional Fees						
Accounting Fees	1,658.34	1,091.67	(566.67)	19,666.78	8,733.36	(10,933.42)
Consulting Fees	0.00	4,166.67	4,166.67	31,483.00	33,333.36	1,850.36
Total Professional Fees	1,658.34	5,258.34	3,600.00	51,149.78	42,066.72	(9,083.06)
Supplies						
Supplies Hospitality	0.00	(2.17)	(2.17)	255.21	(17.36)	(272.57)
Supplies Office/Admin	156.98	92.58	(64.40)	701.83	740.64	38.81
Supplies Forms	0.00	31.25	31.25	0.00	250.00	250.00
Supplies Other	17.80	0.00	(17.80)	855.82	0.00	(855.82)
Total Supplies	174.78	121.66	(53.12)	1,812.86	973.28	(839.58)
Purchased Services						
Repair & Maintenance	251.86	259.08	7.22	2,015.16	2,072.64	57.48

PPNC HEALTH DEVELOPMENT

Income and Expense Statement
 9900 - PPNC Health Development
 From 2/1/2009 Through 2/28/2009

	Current Period Actual	Current Period Budget	Budget Variance MTD	YTD Actual	YTD Budget	Budget Variance YTD
Total Purchased Services	251.86	259.08	7.22	2,015.16	2,072.64	57.48
Depreciation						
Depreciation & Amortization	222.88	191.67	(31.21)	1,783.04	1,533.36	(249.68)
Total Depreciation	222.88	191.67	(31.21)	1,783.04	1,533.36	(249.68)
Interest						
Interest	8,416.35	0.00	(8,416.35)	87,848.00	0.00	(87,848.00)
Total Interest	8,416.35	0.00	(8,416.35)	87,848.00	0.00	(87,848.00)
Direct Expenses						
Postage	0.00	33.33	33.33	154.38	266.64	112.26
Printing & Copying	133.71	0.00	(133.71)	1,371.37	0.00	(1,371.37)
Dues & Subscriptions	0.00	166.67	166.67	99.00	1,333.36	1,234.36
Minor Equipment	107.73	(1.33)	(109.06)	107.73	(10.64)	(118.37)
Equipment Rental	0.00	91.67	91.67	0.00	733.36	733.36
Conferences, Conventions, Meetings	0.00	0.00	0.00	100.00	0.00	(100.00)
Insurance	0.00	57.50	57.50	1,380.00	460.00	(920.00)
Outside Training	0.00	0.00	0.00	750.00	0.00	(750.00)
Mileage	78.10	83.33	5.23	403.13	666.64	263.51
License Fees	0.00	12.50	12.50	0.00	100.00	100.00
Other Direct Expense	0.00	91.67	91.67	224.85	733.36	508.51
Total Direct Expenses	319.54	535.34	215.80	4,590.46	4,282.72	(307.74)
Total Expense	27,921.37	27,024.42	(896.95)	268,582.70	216,195.36	(52,387.34)
Net from Operations	(13,358.10)	(1,423.08)	(11,935.02)	(154,902.10)	(11,384.64)	(143,517.46)

RESEARCH INSTITUTE
 Statement of Revenues and Expenditures
 From 2/1/2009 Through 2/1/2009

	<u>Current Period Actual</u>	<u>Current Period Budget</u>	<u>Current Period Budget Variance</u>	<u>Current Year Actual</u>	<u>YTD Budget</u>	<u>YTD Budget Variance</u>
Net Revenues						
Grants & Contract Revenue	0.00	11,199.58	(11,199.58)	0.00	89,596.64	(89,596.64)
Fees Income	0.00	0.00	0.00	4,000.00	0.00	4,000.00
Total Net Revenues	<u>0.00</u>	<u>11,199.58</u>	<u>(11,199.58)</u>	<u>4,000.00</u>	<u>89,596.64</u>	<u>(85,596.64)</u>
Expenses						
Salaries & Wages						
Management/Supervision	0.00	3,552.29	3,552.29	35,154.11	28,418.32	(6,735.79)
Chief Innovation Officer	0.00	10,110.37	10,110.37	117,448.79	80,882.96	(36,565.83)
Clerical/Admin	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,251.45</u>	<u>0.00</u>	<u>(1,251.45)</u>
Total Salaries & Wages	0.00	13,662.66	13,662.66	153,854.35	109,301.28	(44,553.07)
Payroll Taxes & Benefits						
Benefits	<u>0.00</u>	<u>7,632.00</u>	<u>7,632.00</u>	<u>59,183.72</u>	<u>61,056.00</u>	<u>1,872.28</u>
Total Payroll Taxes & Benefits	0.00	7,632.00	7,632.00	59,183.72	61,056.00	1,872.28
Professional Fees						
Contracted Physician	0.00	0.00	0.00	0.00	0.00	0.00
Consulting Fees	0.00	6,283.33	6,283.33	0.00	50,266.64	50,266.64
Legal Fees	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Professional Fees	0.00	6,283.33	6,283.33	0.00	50,266.64	50,266.64
Supplies						
Hospitality	0.00	0.00	0.00	61.26	0.00	(61.26)
Forms	0.00	16.67	16.67	0.00	133.36	133.36
Office/Admin	<u>0.00</u>	<u>100.00</u>	<u>100.00</u>	<u>0.00</u>	<u>800.00</u>	<u>800.00</u>
Total Supplies	0.00	116.67	116.67	61.26	933.36	872.10
Purchased Services						
Repair & Maintenance	<u>0.00</u>	<u>2,140.92</u>	<u>2,140.92</u>	<u>8,686.52</u>	<u>17,127.36</u>	<u>8,440.84</u>
Total Purchased Services	0.00	2,140.92	2,140.92	8,686.52	17,127.36	8,440.84
Direct Expenses						
Telephone	0.00	0.00	0.00	0.00	0.00	0.00
Printing & Copying	0.00	0.00	0.00	33.12	0.00	(33.12)
Dues & Subscriptions	0.00	16.67	16.67	0.00	133.36	133.36
Insurance	0.00	57.50	57.50	0.00	460.00	460.00
Equipment Rental	0.00	91.67	91.67	0.00	733.36	733.36
Travel	0.00	0.00	0.00	0.00	0.00	0.00
Mileage	0.00	83.33	83.33	246.93	666.64	419.71
Outside Training	0.00	0.00	0.00	0.00	0.00	0.00
Postage	0.00	8.33	8.33	16.25	66.64	50.39
Other Direct Expense	<u>0.00</u>	<u>41.67</u>	<u>41.67</u>	<u>0.00</u>	<u>333.36</u>	<u>333.36</u>
Total Direct Expenses	0.00	299.17	299.17	296.30	2,393.36	2,097.06
Depreciation & Amortization	0.00	250.00	250.00	910.93	2,000.00	1,089.07
Interest Expense						

RESEARCH INSTITUTE
 Statement of Revenues and Expenditures
 From 2/1/2009 Through 2/1/2009

	<u>Current Period Actual</u>	<u>Current Period Budget</u>	<u>Current Period Budget Variance</u>	<u>Current Year Actual</u>	<u>YTD Budget</u>	<u>YTD Budget Variance</u>
Start-Up Costs	0.00	0.00	0.00	20,337.07	0.00	(20,337.07)
Indirect Overhead	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenses	<u>0.00</u>	<u>30,384.75</u>	<u>30,384.75</u>	<u>243,330.15</u>	<u>243,078.00</u>	<u>(252.15)</u>
Total Expense	<u>0.00</u>	<u>30,384.75</u>	<u>30,384.75</u>	<u>243,330.15</u>	<u>243,078.00</u>	<u>(252.15)</u>
Net Income & Expense	<u><u>0.00</u></u>	<u><u>(19,185.17)</u></u>	<u><u>19,185.17</u></u>	<u><u>(239,330.15)</u></u>	<u><u>(153,481.36)</u></u>	<u><u>(85,848.79)</u></u>

ADDENDUM D

Cerner Clinical Systems Optimization

April 2009

What is Optimization?

Definition: Optimize - To write or rewrite so as to maximize efficiency and speed in information access, quality, and use. (loosely based on Computer definition on dictionary.com)

The Optimization project was based on recommendations from an independent expert review of the original Cerner installation. The report contained recommendations to achieve optimal functionality for the original applications based on analysis of current workflow and processes.

The project scope focused on achieving optimal performance on existing Cerner clinical systems and laying the foundation for future EHR projects.

Optimization Deliverables

CLINICAL DOCUMENTATION DELIVERABLES

- Admission Process
- Ongoing Assessment Process
- Communication Process
- Ordering Process
- Documentation Process for Treatments
- Monitoring and Results Viewing Process
- Transfer and Discharge Process (Nursing and Physician)
- Physician Review– Charted values online
- Communication Process for Physicians
- Medication Process
- Monitoring and Results Viewing Process
- Physician Rounding Process
- Transfer and Discharge Process (Nursing and Physician)
- Forms: Standards, Norms
- Process, WorkFlow and Training

PERIOPERATIVE DELIVERABLES

- SurgiNet Redesign
- Surgical Case Tracking (white board)
- Inventory Management including Implants
- Management Reporting
- Nursing Documentation & Work Flow
- Invasive Scheduling (OR, Cath Lab, I/R)
- Anesthesia Assessment of work flow
- Scheduling, Physician Office Scheduling
- Mobile Devices - Network and Hardware
- SurgiNet Documentation
- Preference Cards
- Pick Lists
- Interfaces
- Management Reporting
- Process, WorkFlow and Training

Optimization Project Summary

- Project Start: March 2007
- Project End: May 31, 2009

- Project Budget: \$ 10.4 M
- Project Estimate to Complete: \$ 10.4 M
- Funded through Operating Capital and Operating Expenses

- Completion: 95%
- Go Live April 30, 2009
- Project Closure May 31, 2009

Questions?

ADDENDUM E

Cerner Clinical Systems Remote Hosting Option (RHO)

April 2009

Summary & Recommendation

Summary: PPH can realize significant benefits in improved performance and reliability, reduced risk from systems outages and greater cost efficiencies through outsourcing our Cerner data center services to the Cerner corporation

We recommend:

- Board Approval to adopt RHO model for Cerner Technology Support

- 7 Year Cost:

PPH Owned/Managed	\$24,518,479
Cerner RHO	<u>\$20,857,440</u>
Net Benefit/(Loss)	\$ 3,661,039

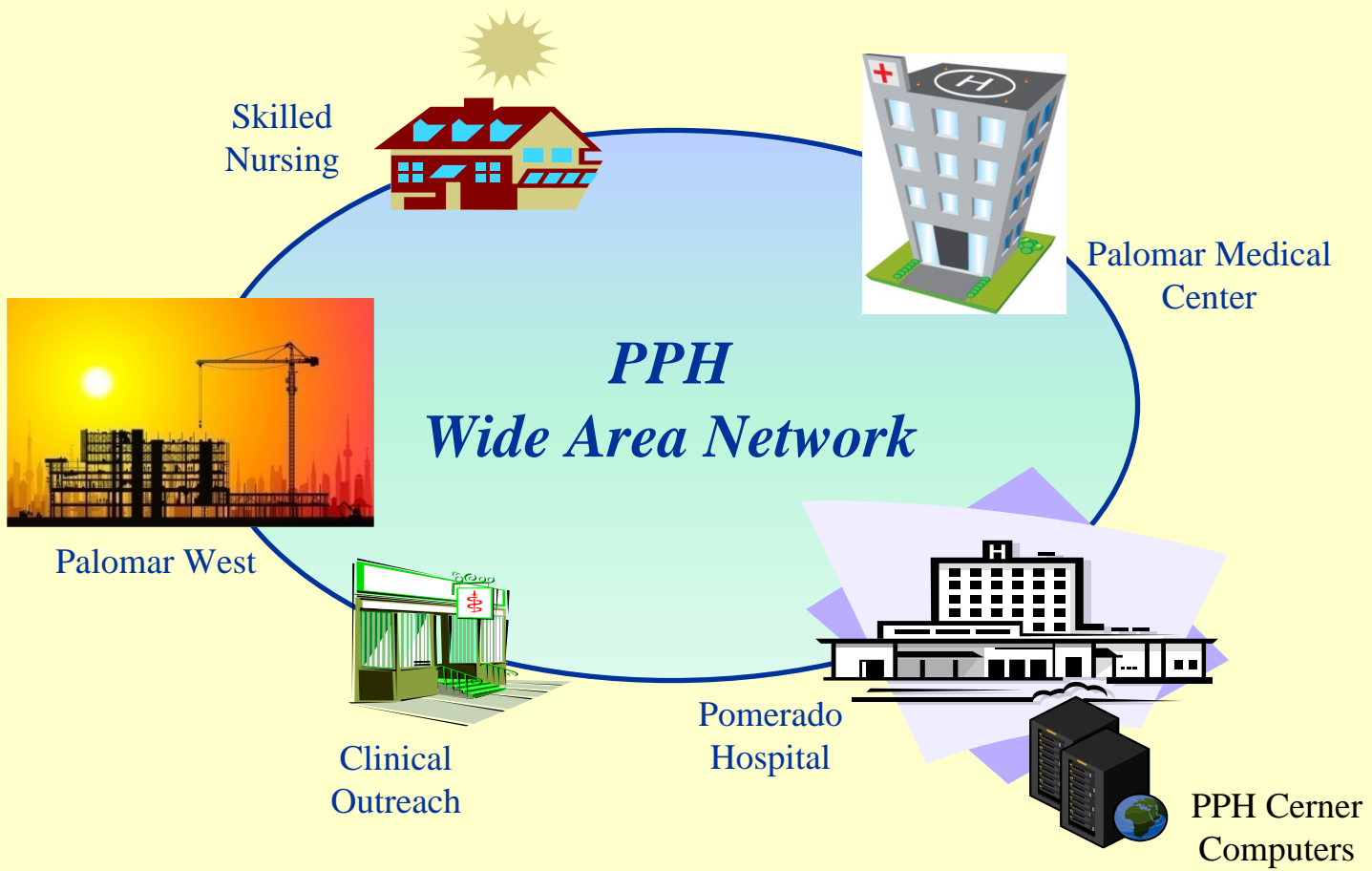
What is Remote Hosting?

Remote Hosting Option (RHO) - Cerner product name for their Data Center Outsourcing solution

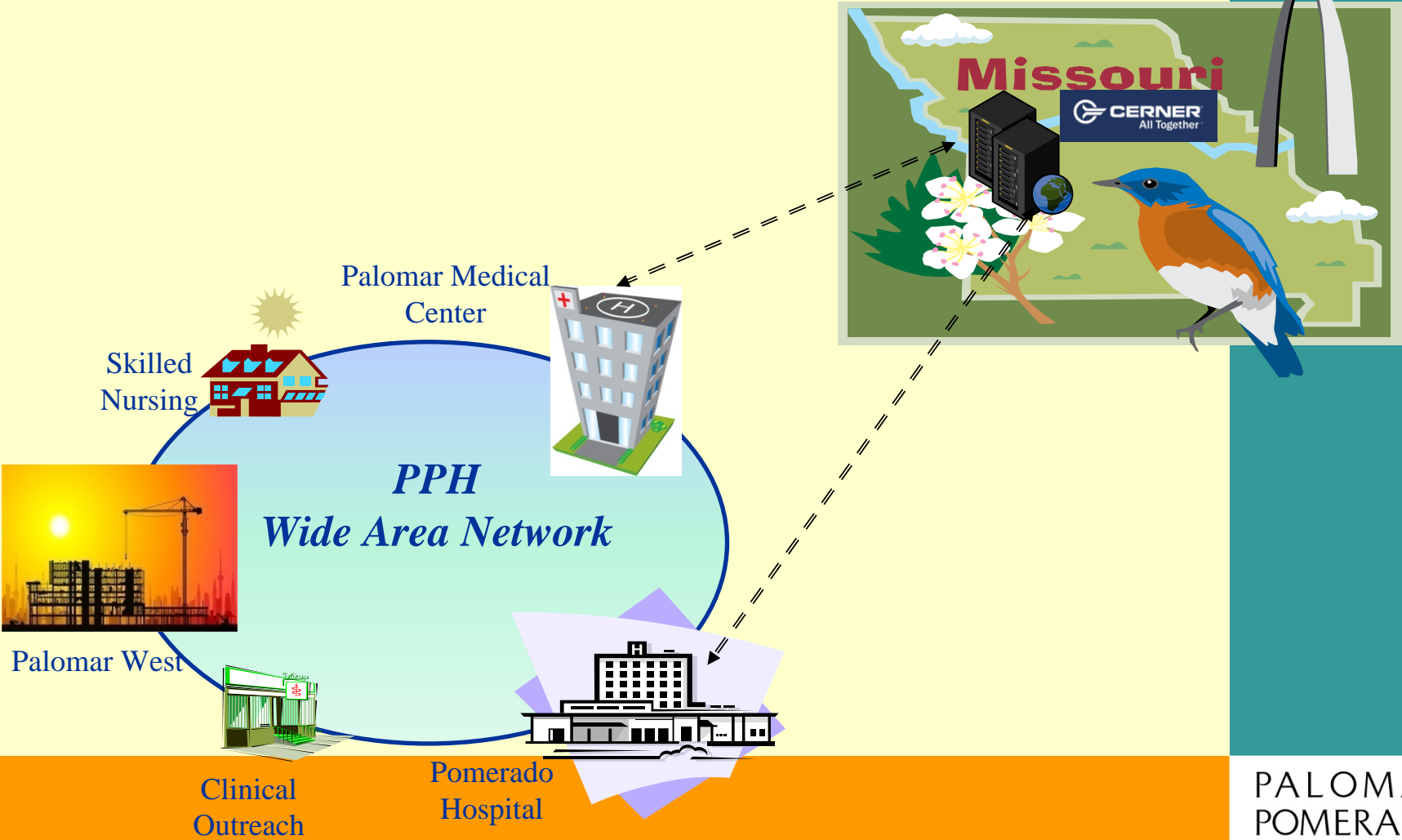
The services included within this offering include:

- Data Center, Power, A/C
- Hardware (e.g., Computers, Storage)
- Wide Area Network Connections - KC to PPH
- Operating System Administration - AIX Sys Admin
- Database Administration - Oracle DBA
- Some Local Area Network Admin - Citrix LAN Admin

PPH Cerner Clinical Systems- Current State: Client Hosted



PPH Cerner Clinical Systems- Future State: Remote Hosted



Why RHO Makes Sense Now...

- PPH EHR Plans require two major hardware purchases over next 2-3 years - RHO converts capital purchase to service fee
- Cerner RHO Service has matured significantly over past 3 years - Scheduled and unscheduled outages will decrease
- Cerner 7/24 addresses significantly addresses BC/DR “Islands of Survivability” considerations
- PPH management of Cerner “base technology” does not bring the best value to the organization

How was PPH Staff Impacted

3 PPH IS Technical Positions Eliminated

- AIX System Administrator
- Oracle DBA
- Citrix LAN Administrator

General IS Staff response

- Significant concern about job stability
 - Interpretation that this is first sign of layoffs to come
 - Shift in direction toward total outsourcing

Discussed in two department “town hall sessions” and on-going communication

Questions?

ADDENDUM F

Cerner Clinical Systems Fixed Technology Fee Master Cerner Extension

April 2009

Summary & Recommendation

Summary: The Electronic Health Record (EHR) is required to support PPH strategic objectives, including the design requirements for Palomar West

Recommendations:

- Board Approval to extend Cerner Master Fixed Technology Fee (FTF) Agreement thru 2016
- Timeliness of decision making is critical to opening of PMC West
- 5 year Investment Request
\$ 25,867,761

PPH EHR Stages

Content

Evidence Based
Medicine

Clinical
Informatics

Comprehensive
Clinical
Documentation

Integrated Departmental
Systems

Single Purpose Systems

PPH
Today

ADD F-4

PPH
Future

What is the FTF Agreement?

The Cerner Fixed Technology Fee Agreement is the extension of the initial Cerner contract for the seven years beginning in July 2009 and ending in 2016

The agreement includes continued contractual support for current production applications and includes fees for the implementation of strategic applications which will support the Electronic Health Record Strategy focused on the opening of Palomar Medical Center West

FTF Continued Support

- Ongoing seven (7) year license, subscription, maintenance and application support for all current clinical and financial core production Cerner applications

FTF New Strategic Projects

- Foundational Millennium Upgrades (3 in 7 years)
- Document Imaging - CPDI
- Advanced Clinical Views - (IVIEW/Apache)
- Knowledge Driven Physician Order Entry - CPOE with Zynx
- Bar Code Med Administration - PPOC
- Enhanced Clinical Reporting - Power Insight
- Handheld Specimen Collection Bar Coding
- Anesthesia
- Nursing Indicators/Monitors - Lighthouse

FTF Optional Strategic Projects

- Web based Clinical reporting - mPages
- Enhanced Patient Financials - Transaction Services
- Discharge Instructions - Exit Care
- Rehabilitation Clinical Content

What is the FTF 5-yr Cost?

Category	FY10	FY11	FY12	FY13	FY14	5 Year Cost
CERNER FTF PROGRAM COSTS						
FTF Total Capital Impact	\$ 92,484	\$ 92,484	\$ 1,903,470	\$ 2,537,960	\$ 2,537,960	\$ 7,164,359
FTF Operating Expense Impact	\$ 928,663	\$ 1,085,447	\$ 1,683,097	\$ 1,889,460	\$ 1,910,898	\$ 7,497,564
FTF Financing Cost	\$ -	\$ -	\$ 170,164	\$ 226,886	\$ 226,886	\$ 623,935
PPH Project Costs						
IVIEW/CareAware/Apache	\$ 1,847,479	\$ 152,568	\$ 152,568	\$ 152,568	\$ 152,568	\$ 2,457,751
Anesthesia				\$ 677,305	\$ 93,600	\$ 770,905
CPOE	\$ 3,728,278	\$ 731,538	\$ 731,538	\$ 731,538	\$ 731,538	\$ 6,654,430
Spec Collection HH		\$ 1,121,700	\$ 46,800	\$ 46,800	\$ 46,800	\$ 1,262,100
PPOC		\$ 2,665,441	\$ 140,400	\$ 140,400	\$ 140,400	\$ 3,086,641
Power Insight		\$ 548,385	\$ 187,200	\$ 187,200	\$ 187,200	\$ 1,109,985
CPDI	\$ 1,189,597	\$ 136,236	\$ 136,236	\$ 136,236	\$ 136,236	\$ 1,734,541
Lighthouse		\$ 444,700	\$ 46,800	\$ 46,800	\$ 46,800	\$ 585,100
Cerner Travel to PPH	\$ 300,000	\$ 300,000	\$ 111,420	\$ 155,710	\$ 155,710	\$ 1,022,840
PPH Travel to Cerner	\$ 35,000	\$ 35,000	\$ 7,500	\$ 7,500	\$ 5,000	\$ 90,000
TOTAL Cerner FTF Program Costs	\$ 8,121,501	\$ 7,313,499	\$ 5,317,194	\$ 6,936,363	\$ 6,371,596	\$ 34,060,152
ROI Data						
CPDI - Document Imaging						\$ (8,192,391)
Net Investment Requested						\$ 25,867,761

Questions?

ADDENDUM G

Criteria for Capital Allocation

Bob Hemker, CFO

April 18, 2009

Capital Allocation – What it is and Why Bother

Capital allocation is a strategic, organizational process used to make capital investment decisions. Through this process, an organization deploys its available capital for investment in future growth, re-investment in the organization, or as cash reserves on its balance sheet. The purpose of true, corporate finance-based capital allocation is to ensure the continued financial strength and mission effectiveness of the organization through a process that enhances organization-wide decision making. A “best practices” capital allocation process provides tools or methods that support the organization’s strategic goals by:

- Linking financial planning and capital planning to the organization’s strategic plan;
- Providing a process that is rigorous and highly-organized;
- Providing a financial context for allocation decisions that also incorporates the strategic, mission and operational aspects of alternative investment decisions; and
- Ensuring rational comparisons among projects and strategic initiatives emerging throughout the entire organization.

Source:

Jason H. Sussman
Partner
Kaufman Hall & Associates

Future Strategies per HFMA Survey 3/09 ADD G-4

Ranking of Importance of Near-Term Actions*

1. Develop a long-term business plan for physician integration.
2. Implement substantial and sustainable cost-containment strategies.
3. Amend strategic and capital plans to account for potential shifts in revenue.
4. Develop a strategic plan for human resource recruitment, retention, and training.
5. Develop strategies to align IT with transformations in payment and care delivery structures.
6. Redesign care processes and delivery systems to better integrate professional and facility components of care.
7. Forge innovative alliances with other service providers, exploring such things as regional health initiatives, micro financing approaches, and employer relationships.
8. Ensure online customer service capabilities keep pace with consumer expectations.
9. Significantly increase resources/planning for services delivered outside the traditional hospital setting.
10. Seek merger partner(s) to gain efficiencies of increased size and access to capital.

* Ranked from highest to lowest by percentage indicating "extremely important"

Based on the likelihood of the various scenarios discussed, the next issue naturally becomes what hospitals should be doing to prepare.

To this end, HFMA had survey respondents rank in importance a series of near-term actions, spanning the drivers of change discussed.

Source: HFMA Healthcare
Finance Outlook 2009

Categories of Capital Projects

- Strategic: Furthers Long Term goals for success i.e. new service lines (best practices suggest these inherently have positive financial returns); enhancement of quality
- Revenue-generating: Expansion or creation of new revenue sources
- Mandated: Regulatory requirements such as seismic, HIPAA, patient safety
- Infrastructure: additive; replacements (usually routine capital)
- Major / Minor Routine: enhanced efficiency, replacements, cost savings

Development / Review of New Business Plan

BOD Policy requires the Business Plan to Address:

- Tie to Mission, Vision, Goals
- Tie to Existing Business Units / Entity
- Tie to Innovation
- Tie to Facility Master Plan
- Proposed Legal Structure
- Impact on Domains – Financial, Quality, Customer Service, Workforce, Workplace
- Market Share Opportunity
- Operational Considerations
- Identity / Branding Strategy

PPH's I.T. Project Prioritization Criteria

1. Safety – Impact on avoiding adverse events
2. Quality – Impact on improving patient outcomes and morbidity
3. Expected ROI – 4 year total cost of ownership; year profitable
4. Effectiveness – How likely is it that the intervention / technology will work well
5. System Benefit – Impact on Competitive Positioning
6. Workforce Development – Impact on obtaining, retaining, and managing workforce
7. Training & Implementing – Amt of training & extensiveness of implementation
8. Strategic Alignment – Degree to which technology furthers strategic goals (relational to other previous investments)
9. Customer Centered – Impact on providing direct benefit to the customer
10. Timely – Impact on providing the right care at the right time
11. Efficient – Impact on reducing cost of overall operations
12. Regulatory & Compliance – Impact on ability to meet Fed, State & Local requirements
13. Level & Effort – Impact on resources (people, \$) to complete and / or impacted by the project

Category	External Drivers	Internal Goals	Capital Responses
Competition	<ul style="list-style-type: none"> • Strategic efforts by other area hospitals • Emergence of specialty providers • Shift of volume to physician offices and other outpatient centers • Payer shifts of volume to lower-cost providers • Scarcity of medical professionals • Shifting regulated and negotiated payment incentives 	<ul style="list-style-type: none"> • Protect existing volume and market share • Create opportunities to expand market share • Avoid loss of profitable programs to specialty providers • Attract and retain valued employees and physicians • Retool programs that become unprofitable as a result of shifts in reimbursement 	<ul style="list-style-type: none"> • Facilities renovation or construction • Equipment purchases and upgrades • Automation and enhancement of digital capabilities • Information systems and technology upgrades
Technology / Regulation	<ul style="list-style-type: none"> • Advances in technology • Advances in pharmaceutical therapies • Shift in procedures to outpatient settings • Bio-terrorism preparedness • Privacy and security 	<ul style="list-style-type: none"> • Retain key physicians • Improve physician and patient satisfaction • Enhance quality of care and patient safety • Comply with regulatory mandates • Maintain community safety net services for health emergencies 	<ul style="list-style-type: none"> • Equipment purchases or upgrades • Process redesign around new equipment and treatment modalities • Renovations and expansion of ambulatory capacity • Joint ventures around ambulatory capacity • Implementation of digital capabilities
Consumers	<ul style="list-style-type: none"> • Rise of consumerism in selection of healthcare providers • External reporting of quality and safety data • Extension of life expectancy • Aging population that uses more services • Shifting regional demographics 	<ul style="list-style-type: none"> • Invest in programs and services for the changing needs of an aging population • Communicate quality externally • Report external information accurately 	<ul style="list-style-type: none"> • Facilities renovation or construction • Equipment purchases or upgrades • IT/IS enhancements to reporting

Sample Scoring Criteria & Weights

ABC Health System Capital Project Scoring Criteria and Weights		
Benefit Area	Criteria	Sample Weights/Scoring
Strategic/ Market	Fit with key strategic goals	0.5 point for each strategic goal met
	Support of clinical priorities	1 point if yes, 0 if no
	Effect on market position	1 if market share gain, -1 if market share loss, 0 if no change
MAXIMUM SCORE: 5 WITH SIX GOALS		
Financial/ Operational	Revenue potential	2 points for positive revenue impact
	Achievability of operating savings	2 points if yes, 0 if no
	Capacity to increase productivity	2 points if yes, 0 if no
	Return on investment	2 if >10%, 0 if 0-10%, -2 if <0%
	Level of investment	0.5 for every \$x million in costs
MAXIMUM SCORE: 8 IF NO CAPITAL COST		
Stakeholder/ Community Impact	Effect on quality of care	1 for improvement, 0 for no change
	Effect on patient satisfaction	-1, 0, or 1 depending on level of improvement (negative to positive)
	Level of medical staff support	-1, 0, or 1 depending on level of support (negative to positive)
	Increases employee satisfaction	-1, 0, or 1 depending on amount of change (negative to positive)
MAXIMUM SCORE: 4		

Source: Johnson, Tracy K., "The Capital Challenge: Needs versus Resources," *hfm*, May 2003, pp. 62-68.

External / Marketplace Criteria in Use

<p>Competition</p>	<ul style="list-style-type: none"> • Protect existing volume and market share • Create opportunities to expand market share • Avoid loss of profitable programs to specialty providers • Attract and retain valued employees and physicians • Retool programs that become unprofitable as a result of shifts in reimbursement
<p>Technology / Regulation</p>	<ul style="list-style-type: none"> • Retain key physicians • Improve physician and patient satisfaction • Enhance quality of care and patient safety • Comply with regulatory mandates • Maintain community safety net services for health emergencies
<p>Consumers</p>	<ul style="list-style-type: none"> • Invest in programs and services for the changing needs of an aging population • Communicate quality externally • Report external information accurately

Possible Blending of Both

Benefit Area	Criteria
<p>Strategic/ Market</p>	<p>Fit with key strategic goals</p> <hr/> <p>Support of clinical priorities</p> <hr/> <p>Effect on market position</p>
<p>Financial/ Operational</p>	<p>Revenue potential</p> <hr/> <p>Achievability of operating savings</p> <hr/> <p>Capacity to increase productivity</p> <hr/> <p>Return on investment</p> <hr/> <p>Level of investment</p>
<p>Stakeholder/ Community Impact</p>	<p>Effect on quality of care</p> <hr/> <p>Effect on patient satisfaction</p> <hr/> <p>Level of medical staff support</p> <hr/> <p>Increases employee satisfaction</p>

Next Steps

- Review possible criteria elements as presented
- Identify preferred criteria to use
 - Determine scoring method i.e. +/o/-, 1/0/-1
 - Assign relative weight to each of the criteria i.e. equal or subjective weighting to each
- Team to prioritize each of the strategies, initiatives, issues
- Summarize and develop composite priority listing
- Update Financial and Capital Plan using prioritized list and sensitivity analysis

ADDENDUM H

Financial Statements

March 2009

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

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**Balanced Scorecard
Financial Indicators**

December		January		February		March		YTD 2009				
Actual	Actual	Actual	Actual	Budget	Variance	% Actual to Budget		Actual	Budget	Variance	% Actual to Budget	
PPH Indicators:												
	10.8%	9.7%	8.0%	9.4%	10.4%	(1.0%)	90.4%	OEBITDA Margin w/Prop Tax	9.9%	10.1%	(0.2%)	98.0%
\$	11,509.66	\$ 10,613.27	\$ 11,161.27	\$ 11,183.33	\$ 10,729.05	\$ (454.28)	104.2%	Expenses/Adj Discharge	\$ 10,885.40	\$ 10,755.78	\$ (129.62)	101.2%
\$	6,656.36	\$ 6,313.51	\$ 6,713.71	\$ 6,846.74	\$ 6,419.94	\$ (426.80)	106.6%	SWB/Adj Discharge	\$ 6,484.00	\$ 6,423.56	\$ (60.44)	100.9%
	6.21	6.06	6.20	6.37	6.60	0.23	96.5%	Prod FTE's/Adj Occupied Bed	6.36	6.60	0.24	96.4%
	3,209	3,391	3,065	3,315	3,391	(76)	97.8%	Adjusted Discharges	30,015	30,002	13	100.0%
PPH North Indicators:												
	10.4%	12.2%	6.7%	7.9%	11.3%	(3.4%)	69.9%	OEBITDA Margin w/Prop Tax	10.2%	11.1%	(0.9%)	91.9%
\$	10,663.44	\$ 9,823.61	\$ 10,387.22	\$ 10,226.35	\$ 9,953.99	\$ (272.36)	102.7%	Expenses/Adj Discharge	\$ 10,116.58	\$ 9,987.92	\$ (128.66)	101.3%
\$	5,439.63	\$ 5,232.59	\$ 5,520.30	\$ 5,390.53	\$ 5,230.79	\$ (159.74)	103.1%	SWB/Adj Discharge	\$ 5,264.28	\$ 5,246.46	\$ (17.82)	100.3%
	5.25	4.98	5.14	5.19	5.37	0.18	96.6%	Prod FTE's/Adj Occupied Bed	5.26	5.39	0.13	97.6%
	2,287	2,452	2,211	2,434	2,451	(17)	99.3%	Adjusted Discharges	21,713	21,668	45	100.2%
PPH South Indicators:												
	11.7%	1.3%	10.2%	6.3%	6.9%	(0.6%)	91.3%	OEBITDA Margin w/Prop Tax	7.1%	6.5%	0.6%	109.2%
\$	11,375.32	\$ 11,681.76	\$ 11,991.44	\$ 13,006.85	\$ 11,688.93	\$ (1,317.92)	111.3%	Expenses/Adj Discharge	\$ 11,729.90	\$ 11,665.14	\$ (64.76)	100.6%
\$	5,846.95	\$ 6,002.07	\$ 6,116.00	\$ 6,568.34	\$ 6,025.77	\$ (542.57)	109.0%	SWB/Adj Discharge	\$ 5,877.24	\$ 5,997.44	\$ 120.20	98.00%
	5.89	6.47	6.27	6.67	6.45	(0.22)	103.4%	Prod FTE's/Adj Occupied Bed	6.31	6.42	0.11	98.3%
	896	909	823	845	919	(74)	91.9%	Adjusted Discharges	8,078	8,151	(73)	99.1%

Financial Results

Executive Summary of Key Indicators

	March 2009			FY 09 Y-T-D @ MARCH 2009			Moody Benchmark
	Actual	Budget	Variance	Actual	Budget	Variance	
<i>Statistics:</i>							
Acute Admissions	2,230	2,502	(272)	20,875	22,114	(1,239)	
Acute Patient Days	9,242	9,654	(412)	82,855	85,324	(2,469)	
Acute ALOS	4.13	3.86	0.27	3.93	3.86	0.07	
Case Mix Index (w/o Births)	1.30	1.40	(0.10)	1.25	1.40	(0.15)	
Total Surgeries	1,553	1,658	(105)	14,137	14,655	(518)	
Births	394	454	(60)	3,850	4,014	(164)	
E/R Visits & Admissions	7,806	7,698	108	66,859	68,037	(1,178)	
ER to Admit Rate	14.8%	16.5%	(1.7%)	16.8%	16.5%	0.3%	
Productivity %	96.0%	100%	(4.0%)	98.4%	100%	(1.6%)	
<i>Income Statement:</i>							
Net Patient Revenue	36,992,818	36,599,787	393,031	327,353,731	323,065,522	4,288,209	
Total Net Revenue	37,910,320	37,206,606	703,714	333,087,542	328,756,893	4,330,649	
Sal., Wages, Cont. Lbr	18,029,612	17,501,159	(528,453)	155,690,178	154,941,851	(748,327)	
Supplies	6,583,678	5,647,308	(936,370)	53,124,712	49,909,863	(3,214,849)	
Total Expenses	37,072,533	36,382,202	(690,331)	326,628,911	322,694,892	(3,934,019)	
Net Inc. (Loss) before Non-Op	837,787	824,404	13,383	6,458,631	6,062,001	396,630	
Net Income (Loss)	1,633,322	2,166,354	(533,032)	16,624,616	18,139,551	(1,514,935)	
<i>Cash Flow:</i>							
Cash Collections	39,500,000	36,000,000	3,500,000	309,000,000	324,000,000	(15,000,000)	
Days in A/R - Gross				51.9	52.4	(0.5)	
Days Cash on Hand				97.1	80.0	17.1	
<i>Ratios:</i>							
OEBITDA w/ Prop. Tax	9.4%	10.4%	(1.0%)	9.9%	10.1%	(0.2%)	
Net Income Margin	4.3%	5.8%	(1.5%)	5.0%	5.5%	(0.5%)	
Bad Debt % of Net Revenue	3.6%	10.1%	6.5%	12.8%	10.1%	(2.7%)	7.1%
Return On Assets				2.8%	3.0%	0.2%	4.3%
Annual Debt Service Coverage				2.9			4.4
Cushion Ratio				6.6			15.3

Financial Results

Executive Summary & Highlights

Statistics

CONSOLIDATED	Feb	Mar	Feb vs Mar % Change	Mar Budget	Act vs Bud % Variance
Patient Days Acute	8,512	9,242	8.6%	9,654	(4.3%)
Patient Days SNF	5,778	6,451	11.6%	6,452	(0.0%)
ADC Acute	304.00	298.12	(1.9%)	311.42	(4.3%)
ADC SNF	206.36	208.10	0.8%	208.13	(0.0%)
Surgeries CVS Cases	18	17	(5.6%)	13	30.8%
Surgeries Total	1,341	1,553	15.8%	1,658	(6.3%)
Number of Births	383	394	2.9%	454	(13.2%)
NORTH					
Patient Days Acute	6,360	6,923	8.9%	7,155	(3.2%)
Patient Days SNF	2,461	2,650	7.7%	2,639	0.4%
ADC Acute	227.15	223.32	(1.7%)	230.80	(3.2%)
ADC SNF	87.89	85.48	(2.7%)	85.13	0.4%
SOUTH					
Patient Days Acute	2,152	2,319	7.8%	2,499	(7.2%)
Patient Days SNF	3,317	3,801	14.6%	3,813	(0.3%)
ADC Acute	76.85	74.81	(2.7%)	80.61	(7.2%)
ADC SNF	118.46	122.61	3.5%	123.00	(0.3%)

Financial Results

Executive Summary & Highlights

Balance Sheet

Current Cash & Cash Equivalents increased \$2.9 million from \$106.0 million in February to \$108.9 million in March. Total Cash and Investments are \$110.2 million, compared to \$108.8 million at February. Days Cash on Hand went from 95.9 days in February to 97.1 days in March.

Net Accounts Receivable decreased \$3.2 million from \$103.7 million in February to \$100.5 million in March. Gross A/R days decreased from 54.0 days in February to 51.9 days in March.

March YTD collections including capitation are \$309.0 million compared to budget of \$324.0 million.

Restricted Assets increased \$100.7 million and Bonds and Contracts Payable increased \$109.9 million due to General Obligation Bonds issued in March for \$110.0 million.

Construction in Progress increased \$11.5 million from \$324.7 million in February to \$336.2 million in March. The increase is attributed to Building Expansion A & E Services and construction costs of \$10.3 million, Cerner Optimization project \$0.8 million and Other \$0.4 million.

Other Current Liabilities decreased by \$1.5 million from \$27.4 million to \$25.9 million primarily due to the realization of deferred property tax revenue of \$1.2 million in March.

Financial Results

Executive Summary & Highlights

Income Statement

Gross Patient Revenue reflects a YTD favorable budget variance of \$49.0 million. The variance breakdown is as follows.

	North	South	Outreach	Consolidated
Total	32,005,604	15,524,480	1,492,409	49,022,493
Routine	(2,492,460)	(1,899,386)	-	(4,391,846)
IP Ancillary	(5,650,754)	6,835,819	-	1,185,065
OP	40,148,818	10,588,047	1,492,409	52,229,274

Deductions from Revenue reflect a YTD unfavorable budget variance of \$44.7 million. Total Deductions from Revenue is 72.13% of gross revenue compared to a budget of 71.29%.

Net Capitation reflects a YTD unfavorable budget variance of \$0.7 million. Cap Premium shows a favorable budget variance of \$6.4 million. This favorable variance is due to retro 2007 premium adjustments in July and August. Cap Valuation and Out of Network Claim Expense both show an unfavorable budget variance of \$4.0 million and \$3.1 million, respectively.

Other Operating Revenue is breakeven when compared to budget. The breakdown is a \$1.0 million favorable budget variance in Revenue Cycle Management; which is offset by a \$0.5 million unfavorable budget variance from Weight Solutions department, a \$0.3 million unfavorable budget variance from Health Development and the Research Institute combined, and Other unfavorable of \$0.2 million.

Financial Results

Executive Summary & Highlights

Income Statement (cont'd)

Salaries, Wages & Contract Labor has a YTD unfavorable budget variance of \$0.7 million. The breakdown is as follows:

	YTD Actual	YTD Budget	Variance
Consolidated	155,690,178	154,941,851	(748,327)
North	91,994,960	91,945,999	(48,961)
South	38,448,597	39,901,906	1,453,309
Central	19,859,556	18,431,364	(1,428,192)
Outreach	5,387,065	4,662,582	(724,483)

Employee Benefits Expense has a YTD unfavorable budget variance of \$1.1 million. This variance can be broken down into the following categories: Group Health Insurance – unfavorable by \$0.9 million, State Unemployment Insurance – unfavorable by \$0.3 million and all other employee benefits are favorable by \$0.1 million.

Supplies Expense reflects a YTD unfavorable budget variance of \$3.2 million primarily due to Prosthesis expense.

Professional Fees & Purchased Services reflect a YTD favorable budget variance of \$1.2 million primarily due to Purchased Services.

Non-Operating Income reflects a YTD unfavorable budget variance of \$1.9 million. This is due to an unfavorable Investment Income variance of \$1.8 million and unfavorable Other of \$0.1 million.

Ratios & Margins

All required Bond Covenant Ratios were achieved in March, 2009.

Financial Results

Executive Summary & Highlights

Stat	MTD	Budget	YTD	Budget	PY
Patient Days - Acute	9,242	9,654	82,855	85,324	86,476
Discharges - Acute	2,239	2,502	21,071	22,114	21,929
OP Registrations	4,731	4,119	38,534	36,403	35,621
ER Visits	6,651	6,427	55,631	56,806	56,228
Deliveries	394	454	3,850	4,014	4,119

Profit & Loss (in millions)

	MTD	Budget	YTD	Budget	PY
Capitation	(0.5)	Breakeven	(0.8)	(0.1)	(0.7)
Net Patient Revenue	37.0	36.6	327.4	323.1	311.4
Total Revenue	37.9	37.2	333.1	328.8	317.9
SWB	22.1	21.4	188.3	189.5	190.4
Contract Labor	0.6	0.4	6.3	3.2	8.4
Supplies	6.6	5.6	53.1	49.9	50.0
Total Expense	37.1	36.4	326.6	322.7	321.6
Net Income from Ops	0.8	0.8	6.5	6.1	(3.7)
Net Income	1.6	2.2	16.6	18.1	10.3

Key Variance Explanations
Month-To-Date

	<u>Actual</u>	<u>Budget</u>	<u>Variance Detail</u>	<u>Variance</u>
Net Income From Operations	837,787	824,404		13,383
Total Net Revenue				393,031
Net Patient Revenue			393,031	
Other Operating Revenue				310,683
ePayables rebate			148,752	
PPNC Health Development and Research Institute			(36,801)	
Weight Solutions - contra to Supplies			(60,309)	
Other			259,041	
Salaries & Wages				(270,044)
Volume Variance			384,032	
Rate & Efficiency (Nursing & Non-Nursing)			(654,076)	
Benefits				(398,460)
Group Health Insurance			(282,050)	
State Unemployment Insurance			(99,093)	
Other			(17,317)	
Contract Labor				(258,409)
Volume Variance			8,209	
Rate & Efficiency (Nursing & Non-Nursing)			(266,618)	

Key Variance Explanations
Month-To-Date (cont'd)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Detail</u>	<u>Variance</u>
Professional Fees				105,833
Legal Counsel			100,159	
Other			5,674	
Supplies				(936,370)
Volume Variance			126,569	
Rate & Efficiency			(1,062,939)	
Prosthesis		(523,396)		
Other Medical (Blood Bank -\$182k, Other \$-63k)		(244,543)		
Weight Solutions - contra to other revenue		31,347		
Other		(199,778)		
Purchased Services				614,681
Medi-Cal eligibility services			(193,259)	
Wound Care - contra to reduced Revenue			80,562	
Other			727,378	
Depreciation				296,811
Depreciation			296,811	
Other Direct Expenses				155,627
Radiosurgery - contra to revenue			(109,250)	
Marketing			(49,607)	
Gas			(41,126)	
Electricity			(24,946)	
Insurance - Liability			159,471	
Other			221,085	
Total Actual to Budget MTD Variance for March 2009			13,383	13,383

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Variance</u>
Total Actual to Budget MTD Variance for March 2009				13,383
Non-Operating Income (Expense)	795,535	1,341,950		(546,415)
Property Tax	1,166,666	1,166,666	0	
Investment Income (Loss)	362,857	548,526	(185,669)	
Interest Expense	394,635	488,038	93,403	
Other	(339,353)	114,796	(454,149)	
Net Income	<u>1,633,322</u>	<u>2,166,354</u>		<u>(533,032)</u>

Key Variance Explanations
Year-To-Date

	<u>Actual</u>	<u>Budget</u>	<u>Variance Detail</u>	<u>Variance</u>
Net Income From Operations	6,458,631	6,062,001		396,630
Total Net Revenue				4,288,209
Net Patient Revenue			4,288,209	
Other Operating Revenue				42,440
Revenue Cycle Management			1,000,000	
PPNC Health Development and Research Institute			(331,209)	
Weight Solutions - contra to Supplies			(542,781)	
Other			(83,570)	
Salaries & Wages				2,305,638
Volume Variance			(65,734)	
Rate & Efficiency (Nursing & Non-Nursing)			2,371,372	
Benefits				(1,149,437)
Group Health Insurance			(916,929)	
State Unemployment Insurance			(305,573)	
Other			73,065	
Contract Labor				(3,053,965)
Volume Variance			(1,403)	
Rate & Efficiency (Nursing & Non-Nursing)			(3,052,562)	

Key Variance Explanations
Year-To-Date (cont'd)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Detail</u>	<u>Variance</u>
Professional Fees				2,641
Consulting Services			(77,965)	
Legal Counsel			120,084	
Other			(39,478)	
Supplies				(3,214,849)
Volume Variance			(21,626)	
Rate & Efficiency			(3,193,223)	
Prosthesis		(3,287,777)		
Other Medical (Blood Bank -\$227k, Other -\$328k)		(554,539)		
Weight Solutions - contra to other revenue		277,068		
Other		350,399		
Purchased Services				1,153,570
Medi-Cal eligibility services			(352,404)	
Wound Care - contra to reduced Revenue			294,927	
Other			1,211,047	
Depreciation				626,117
Depreciation			626,117	
Other Direct Expenses				(603,734)
Radiosurgery - contra to revenue			(982,000)	
Marketing			(513,382)	
Electricity			(268,569)	
Governing Board (General Election \$232K)			(141,576)	
Gas			(135,034)	
Insurance - Liability			804,058	
Other			632,769	
Total Actual to Budget YTD Variance for March 2009			396,630	396,630

Key Variance Explanations
Year-To-Date (cont'd)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Variance</u>
Total Actual to Budget YTD Variance for March 2009				396,630
Non-Operating Income (Expense)	10,165,985	12,077,550		(1,911,565)
Property Tax	10,499,994	10,499,994	0	
Investment Income (Loss)	3,183,330	4,936,734	(1,753,404)	
Interest Expense	4,103,712	4,392,342	288,630	
Other	586,373	1,033,164	(446,791)	
Net Income	<u>16,624,616</u>	<u>18,139,551</u>		<u>(1,514,935)</u>

Balance Sheet
Consolidated

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$13,310,376	\$15,321,872	\$12,578,422
Cash Marketable Securities	95,601,827	90,700,066	73,699,656
Total Cash & Cash Equivalents	108,912,203	106,021,938	86,278,078
Patient Accounts Receivable	228,540,865	235,000,635	173,630,766
Allowance on Accounts	(128,037,042)	(131,318,162)	(87,408,726)
Net Accounts Receivable	100,503,823	103,682,473	86,222,040
Inventories	6,787,251	6,774,326	6,826,298
Prepaid Expenses	3,534,804	4,481,981	3,790,644
Other	13,202,121	12,003,893	5,722,105
Total Current Assets	232,940,202	232,964,611	188,839,165
Non-Current Assets			
Restricted Assets	327,426,292	226,692,268	343,067,128
Restricted by Donor	310,398	310,398	303,600
Board Designated	1,020,899	2,423,132	12,117,325
Total Restricted Assets	328,757,589	229,425,798	355,488,053
Property Plant & Equipment	372,796,931	373,997,904	387,410,913
Accumulated Depreciation	(226,018,159)	(225,764,320)	(226,979,355)
Construction in Process	336,170,359	324,680,107	218,854,882
Net Property Plant & Equipment	482,949,131	472,913,691	379,286,440
Investment in Related Companies	5,144,792	5,362,315	3,109,523
Deferred Financing Costs	15,403,248	15,357,616	15,644,785
Other Non-Current Assets	5,930,628	5,806,664	5,956,094
Total Non-Current Assets	838,185,388	728,866,084	759,484,895
Total Assets	\$1,071,125,590	\$961,830,695	\$948,324,060

	Current Month	Prior Month	Prior Fiscal Year End
Liabilities			
Current Liabilities			
Accounts Payable	\$24,822,720	\$30,596,358	\$44,500,881
Accrued Payroll	16,653,501	14,631,506	12,139,225
Accrued PTO	14,086,802	13,922,081	13,977,901
Accrued Interest Payable	7,732,392	6,180,157	8,065,133
Current Portion of Bonds	9,780,000	9,780,000	9,660,000
Est Third Party Settlements	3,112,984	2,873,332	807,165
Other Current Liabilities	25,889,696	27,427,355	15,815,317
Total Current Liabilities	102,078,095	105,410,789	104,965,622
Long Term Liabilities			
Bonds & Contracts Payable	638,147,558	528,153,291	537,979,367
General Fund Balance			
Unrestricted	329,568,640	325,533,085	292,958,146
Restricted for Other Purpose	310,398	310,398	303,600
Board Designated	1,020,899	2,423,132	12,117,325
Total Fund Balance	330,899,937	328,266,615	305,379,071
Total Liabilities / Fund Balance	\$1,071,125,590	\$961,830,695	\$948,324,060

FISCAL YEAR 2009

Income Statement: Monthly Trend

Consolidated

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Statistics:										
Admissions - Acute	2,540	2,454	2,367	2,357	2,253	2,330	2,299	2,045	2,230	20,875
Admissions - SNF	95	107	101	87	73	82	76	83	96	800
Patient Days - Acute	9,587	9,491	9,098	9,345	8,802	9,397	9,381	8,512	9,242	82,855
Patient Days - SNF	6,572	6,497	6,313	6,570	6,197	6,477	6,457	5,778	6,451	57,312
LOS - Acute	3.74	3.81	3.87	3.85	3.85	4.11	3.98	4.11	4.13	3.93
LOS - SNF	67.75	60.16	67.88	69.16	78.44	84.12	83.86	67.98	71.68	71.55
Adjusted Discharges	3,600	3,481	3,293	3,416	3,231	3,209	3,391	3,065	3,315	30,015
Revenue:										
Gross Revenue	\$ 131,046,951	\$ 131,438,267	\$ 127,873,677	\$ 135,991,410	\$ 122,619,993	\$ 132,503,423	\$ 131,229,449	\$ 124,523,304	\$ 137,155,192	\$ 1,174,381,663
Deductions from Rev	(94,593,925)	(94,598,259)	(91,280,996)	(98,599,181)	(86,064,844)	(96,106,528)	(94,874,508)	(90,747,322)	(100,162,374)	(847,027,932)
Net Patient Revenue	36,453,026	36,840,008	36,592,681	37,392,229	36,555,149	36,396,895	36,354,941	33,775,982	36,992,818	327,353,731
Other Oper Revenue	481,361	331,016	518,420	850,901	300,829	1,450,298	449,619	433,865	917,502	5,733,811
Total Net Revenue	36,934,387	37,171,024	37,111,101	38,243,130	36,855,978	37,847,193	36,804,560	34,209,847	37,910,320	333,087,542
Expenses:										
Salaries, Wages & Contr Labor	17,547,177	17,429,247	17,159,435	17,718,059	17,472,778	17,061,521	16,794,323	16,478,026	18,029,612	155,690,178
Benefits	4,496,086	4,177,042	4,146,197	4,187,628	4,239,835	4,298,735	4,614,774	4,099,486	4,667,333	38,927,117
Supplies	5,536,898	5,656,890	5,963,822	6,439,529	5,668,865	5,884,036	5,823,179	5,567,814	6,583,678	53,124,712
Prof Fees & Purch Svc	4,597,010	4,825,802	5,138,315	5,033,215	4,364,132	5,276,227	4,925,011	4,131,337	4,158,625	42,449,675
Depreciation	1,915,873	1,905,155	1,841,193	1,956,220	1,908,874	1,941,062	1,563,527	1,570,761	1,576,337	16,179,001
Other	1,975,226	2,233,503	2,382,627	2,203,375	2,392,334	2,403,317	2,251,771	2,359,127	2,056,948	20,258,228
Total Expenses	36,068,270	36,227,639	36,631,589	37,538,026	36,046,818	36,864,898	35,972,585	34,206,551	37,072,533	326,628,911
Net Inc Before Non-Oper Income	866,117	943,385	479,512	705,104	809,160	982,295	831,975	3,296	837,787	6,458,631
Property Tax Revenue	1,166,666	1,166,666	1,166,666	1,166,666	1,166,666	1,166,666	1,166,666	1,166,666	1,166,666	10,499,994
Non-Operating Income	69,375	147,884	(614,405)	75,236	831,064	513,358	(524,032)	(461,359)	(371,131)	(334,009)
Net Income (Loss)	\$ 2,102,158	\$ 2,257,935	\$ 1,031,773	\$ 1,947,006	\$ 2,806,890	\$ 2,662,319	\$ 1,474,609	\$ 708,603	\$ 1,633,322	\$ 16,624,616
Net Income Margin	5.7%	6.1%	2.8%	5.1%	7.6%	7.0%	4.0%	2.1%	4.3%	5.0%
OEBITDA Margin w/o Prop Tax	7.5%	7.7%	6.3%	7.0%	7.4%	7.7%	6.5%	4.6%	6.4%	6.8%
OEBITDA Margin with Prop Tax	10.7%	10.8%	9.4%	10.0%	10.5%	10.8%	9.7%	8.0%	9.4%	9.9%

FISCAL YEAR 2009
Income Statement: Fiscal Year-to-Date
Consolidated – Adjusted Discharges

				Variance		\$/Adjusted Discharges		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	20,875	22,114	(1,239)					
Admissions - SNF	800	795	5					
Patient Days - Acute	82,855	85,324	(2,469)					
Patient Days - SNF	57,312	57,059	253					
ALOS - Acute	3.93	3.86	0.07					
ALOS - SNF	71.55	72.59	(1.04)					
Adjusted Discharges	30,015	30,002	13					
Revenue:								
Gross Revenue	\$ 1,174,381,663	\$ 1,125,359,170	\$ 49,022,493 F	\$ 487,623	\$ 48,534,870	\$39,126.49	\$ 37,509.47	\$ 1,617.02
Deductions from Rev	(847,027,932)	(802,293,648)	(44,734,284) U	(347,637)	(44,386,647)	(28,220.15)	(26,741.34)	(1,478.82)
Net Patient Revenue	327,353,731	323,065,522	4,288,209 F	139,986	4,148,223	10,906.34	10,768.13	138.21
Other Oper Revenue	5,733,811	5,691,371	42,440 F	2,466	39,974	191.03	189.70	1.33
Total Net Revenue	333,087,542	328,756,893	4,330,649 F	142,452	4,188,197	11,097.37	10,957.83	139.54
Expenses:								
Salaries, Wages & Contr Labor	155,690,178	154,941,851	(748,327) U	(67,137)	(681,190)	5,187.08	5,164.38	(22.69)
Benefits	38,927,117	37,777,680	(1,149,437) U	(16,369)	(1,133,068)	1,296.92	1,259.17	(37.75)
Supplies	53,124,712	49,909,863	(3,214,849) U	(21,626)	(3,193,223)	1,769.94	1,663.55	(106.39)
Prof Fees & Purch Svc	42,449,675	43,605,886	1,156,211 F	(18,895)	1,175,106	1,414.28	1,453.43	39.15
Depreciation	16,179,001	16,805,118	626,117 F	(7,282)	633,399	539.03	560.13	21.10
Other	20,258,228	19,654,497	(603,731) U	(8,516)	(595,215)	674.94	655.11	(19.83)
Total Expenses	326,628,911	322,694,892	(3,934,019) U	(139,825)	(3,794,194)	10,882.19	10,755.78	(126.41)
Net Inc Before Non-Oper Income	6,458,631	6,062,001	396,630 F	2,627	394,003	215.18	202.05	13.13
Property Tax Revenue	10,499,994	10,499,994	- -	4,550	(4,550)	349.82	349.98	(0.15)
Non-Operating Income	(334,009)	1,577,556	(1,911,565) U	684	(1,912,249)	(11.13)	52.58	(63.71)
Net Income (Loss)	\$ 16,624,616	\$ 18,139,551	\$ (1,514,935) U	\$ 7,860	\$ (1,522,795)	\$ 553.88	\$ 604.61	\$ (50.73)
Net Income Margin	5.0%	5.5%	(0.5%)					
OEBITDA Margin w/o Prop Tax	6.8%	7.0%	(0.2%)					
OEBITDA Margin with Prop Tax	9.9%	10.1%	(0.2%)					

F I S C A L Y E A R 2 0 0 9
Income Statement: Month-to-Date
Consolidated – Adjusted Discharges

				Variance		\$/Adjusted Discharges		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	2,230	2,502	(272)					
Admissions - SNF	96	88	8					
Patient Days - Acute	9,242	9,654	(412)					
Patient Days - SNF	6,451	6,452	(1)					
ALOS - Acute	4.13	3.86	0.27					
ALOS - SNF	71.68	74.16	(2.48)					
Adjusted Discharges	3,315	3,391	(76)					
Revenue:								
Gross Revenue	\$ 137,155,192	\$ 127,385,269	\$ 9,769,923 F	\$ (2,854,993)	\$ 12,624,916	\$41,374.12	\$ 37,565.69	\$ 3,808.42
Deductions from Rev	(100,162,374)	(90,785,482)	(9,376,892) U	2,034,709	(11,411,601)	(30,214.89)	(26,772.48)	(3,442.41)
Net Patient Revenue	36,992,818	36,599,787	393,031 F	(820,284)	1,213,315	11,159.22	10,793.21	366.01
Other Oper Revenue	917,502	606,819	310,683 F	(13,600)	324,283	276.77	178.95	97.82
Total Net Revenue	37,910,320	37,206,606	703,714 F	(833,884)	1,537,598	11,435.99	10,972.16	463.83
Expenses:								
Salaries, Wages & Contr Labor	18,029,612	17,501,159	(528,453) U	392,241	(920,694)	5,438.80	5,161.06	(277.74)
Benefits	4,667,333	4,268,873	(398,460) U	95,675	(494,135)	1,407.94	1,258.88	(149.06)
Supplies	6,583,678	5,647,308	(936,370) U	126,569	(1,062,939)	1,986.03	1,665.38	(320.65)
Prof Fees & Purch Svc	4,158,625	4,879,139	720,514 F	109,353	611,161	1,254.49	1,438.85	184.36
Depreciation	1,576,337	1,873,148	296,811 F	41,981	254,830	475.52	552.39	76.87
Other	2,056,948	2,212,575	155,627 F	49,589	106,038	620.50	652.48	31.99
Total Expenses	37,072,533	36,382,202	(690,331) U	815,408	(1,505,739)	11,183.27	10,729.05	(454.22)
Net Inc Before Non-Oper Income	837,787	824,404	13,383 F	(18,477)	31,860	252.73	243.12	9.61
Property Tax Revenue	1,166,666	1,166,666	- -	(26,148)	26,148	351.94	344.05	7.89
Non-Operating Income	(371,131)	175,284	(546,415) U	(3,929)	(542,486)	(111.96)	51.69	(163.65)
Net Income (Loss)	\$ 1,633,322	\$ 2,166,354	\$ (533,032) U	\$ (48,553)	\$ (484,479)	\$ 492.71	\$ 638.85	\$ (146.15)
Net Income Margin	4.3%	5.8%	(1.5%)					
OEBITDA Margin w/o Prop Tax	6.4%	7.3%	(0.9%)					
OEBITDA Margin with Prop Tax	9.4%	10.4%	(1.0%)					

Income Statement: Current vs. Prior Year-to-date
Consolidated – Adjusted Discharges

				Variance		\$/Adjusted Discharges		
	Mar 09 YTD	Mar 08 YTD	Variance	Volume	Rate/Eff	Actual 09	Actual 08	Variance
Statistics:								
Admissions - Acute	20,875	21,817	(778)					
Admissions - SNF	800	804	10					
Patient Days - Acute	82,855	86,476	(2,609)					
Patient Days - SNF	57,312	56,979	170					
ALOS - Acute	3.93	3.94	(0.01)					
ALOS - SNF	71.55	71.58	(1.94)					
Adjusted Discharges	30,015	30,145	27					
Revenue:								
Gross Revenue	\$ 1,174,381,663	\$ 1,059,172,205	\$ 104,502,498 F	\$ 944,407	\$ 103,558,091	\$38,857.62	\$ 34,978.02	\$ 3,879.60
Deductions from Rev	(847,027,932)	(747,809,803)	(90,946,857) U	(664,134)	(90,282,723)	(27,979.83)	(24,597.57)	(3,382.26)
Net Patient Revenue	327,353,731	311,362,402	13,555,641 F	280,272	13,275,369	10,877.79	10,380.46	497.34
Other Oper Revenue	5,733,811	6,570,691	(1,226,021) U	6,118	(1,232,139)	180.43	226.59	(46.16)
Total Net Revenue	333,087,542	317,933,093	12,329,620 F	286,390	12,043,230	11,058.23	10,607.05	451.18
Expenses:								
Salaries, Wages & Contr Labor	155,690,178	154,782,740	71,375 F	(139,457)	210,832	5,157.18	5,165.08	7.90
Benefits	38,927,117	35,631,854	(1,096,907) U	(33,578)	(1,063,329)	1,283.47	1,243.64	(39.84)
Supplies	53,124,712	50,026,913	(2,560,663) U	(44,531)	(2,516,132)	1,743.57	1,649.31	(94.26)
Prof Fees & Purch Svc	42,449,675	46,600,186	2,553,169 F	(41,356)	2,594,525	1,434.50	1,531.70	97.20
Depreciation	16,179,001	16,087,119	(302,178) U	(14,480)	(287,698)	547.06	536.28	(10.78)
Other	20,258,228	18,495,337	(1,787,485) U	(16,619)	(1,770,866)	681.87	615.53	(66.34)
Total Expenses	326,628,911	321,624,149	(3,122,689) U	(290,021)	(2,832,668)	10,847.65	10,741.53	(106.12)
Net Inc Before Non-Oper Income	6,458,631	(3,691,056)	9,206,931 F	(3,631)	9,210,562	210.57	(134.48)	345.06
Property Tax Revenue	10,499,994	10,125,000	333,328 F	9,113	324,215	349.65	337.51	12.15
Non-Operating Income	(334,009)	3,873,530	(3,953,026) U	4,040	(3,957,066)	1.39	149.63	(148.24)
Net Income (Loss)	\$ 16,624,616	\$ 10,307,474	\$ 5,587,233 F	\$ 9,522	\$ 5,577,711	\$ 561.62	\$ 352.66	\$ 208.96
Net Income Margin	5.0%	3.2%	1.8%					
OEBITDA Margin w/o Prop Tax	6.8%	3.9%	3.1%					
OEBITDA Margin with Prop Tax	9.9%	7.1%	3.0%					

FISCAL YEAR 2009
Income Statement: Fiscal Year Projection
Consolidated – Adjusted Discharges

				Variance		\$/Adjusted Discharges		
	9 Act + 3 Bud	FY 09 Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	28,215	29,454	(1,239)					
Admissions - SNF	1,059	1,054	5					
Patient Days - Acute	111,187	113,656	(2,469)					
Patient Days - SNF	76,250	75,997	253					
Adjusted Discharges	39,964	39,951	13					
Revenue:								
Gross Revenue	\$ 1,548,254,446	\$ 1,499,231,953	\$ 49,022,493 F	\$ 487,848	\$ 48,534,645	\$ 38,741.23	\$ 37,526.77	\$ 1,214.46
Deductions from Rev	(1,113,325,614)	(1,068,591,330)	(44,734,284) U	(347,718)	(44,386,566)	(27,858.21)	(26,747.55)	(1,110.66)
Net Patient Revenue	434,928,832	430,640,623	4,288,209 F	140,130	4,148,079	10,883.02	10,779.22	103.80
Other Oper Revenue	7,554,268	7,511,828	42,440 F	2,444	39,996	189.03	188.03	1.00
Total Net Revenue	442,483,100	438,152,451	4,330,649 F	142,574	4,188,075	11,072.04	10,967.25	104.80
Expenses:								
Salaries, Wages & Contr Labor	206,843,372	206,095,045	(748,327) U	(67,063)	(681,264)	5,175.74	5,158.70	(17.05)
Benefits	51,433,120	50,283,683	(1,149,437) U	(16,362)	(1,133,075)	1,286.99	1,258.63	(28.35)
Supplies	69,710,632	66,495,783	(3,214,849) U	(21,638)	(3,193,211)	1,744.34	1,664.43	(79.90)
Prof Fees & Purch Svc	56,485,362	57,641,573	1,156,211 F	(18,756)	1,174,967	1,413.41	1,442.81	29.40
Depreciation	21,798,445	22,424,562	626,117 F	(7,297)	633,414	545.45	561.30	15.85
Other	26,825,671	26,221,940	(603,731) U	(8,533)	(595,198)	671.25	656.35	(14.89)
Total Expenses	433,096,602	429,162,583	(3,934,019) U	(139,649)	(3,794,370)	10,837.17	10,742.22	(94.94)
Net Inc Before Non-Oper Income	9,386,498	8,989,868	396,630 F	2,925	393,705	234.87	225.02	9.85
Property Tax Revenue	13,999,992	13,999,992	- -	4,556	(4,556)	350.32	350.43	(0.11)
Non-Operating Income	191,843	2,103,408	(1,911,565) U	684	(1,912,249)	4.80	52.65	(47.85)
Net Income (Loss)	\$ 23,578,333	\$ 25,093,268	\$ (1,514,935) U	\$ 8,165	\$ (1,523,100)	\$ 589.99	\$ 628.10	\$ (38.11)
Net Income Margin	5.3%	5.7%	(0.4%)					
OEBITDA Margin w/o Prop Tax	7.0%	7.2%	(0.2%)					
OEBITDA Margin with Prop Tax	10.2%	10.4%	(0.2%)					

Cash Flow Statement

	March	YTD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss) from operations	837,787	6,458,632
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,576,337	16,179,001
Provision for bad debts	1,346,803	42,042,155
Changes in operating assets and liabilities:		
Patient accounts receivable	1,831,847	(56,323,940)
Property Tax and other receivables	(1,941,419)	(24,112,517)
Inventories	(12,925)	39,047
Prepaid expenses and Other Non-Current assets	1,164,700	(1,779,429)
Accounts payable	(5,773,638)	(19,678,161)
Accrued compensation	2,186,716	4,623,177
Estimated settlement amounts due third-party payors	239,652	2,305,819
Other current liabilities	629,006	26,639,732
Net cash provided by operating activities	<u>2,084,866</u>	<u>(3,606,484)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales of investments	(105,451,730)	3,610,115
Income (Loss) on investments	362,857	3,183,330
Investment in affiliates	38,097	1,190,395
Net cash used in investing activities	<u>(105,050,776)</u>	<u>7,983,840</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	263,280	7,096,842
Receipt of District Taxes	317,850	8,370,730
Net cash used in non-capital financing activities	<u>581,130</u>	<u>15,467,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(9,581,084)	(105,404,016)
Proceeds from sale of asset	0	0
Deferred Financing Costs	(45,632)	241,537
G.O. Bond Interest paid	0	(13,059,705)
Revenue Bond Interest paid	0	(1,230,793)
Proceeds from issuance of debt	110,000,000	110,000,000
Payments of Long Term Debt	0	(9,660,000)
Net cash used in activities	<u>100,373,284</u>	<u>(19,112,976)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,011,496)	731,952
CASH AND CASH EQUIVALENTS - Beginning of period	<u>15,321,872</u>	<u>12,578,422</u>
CASH AND CASH EQUIVALENTS - End of period	<u><u>13,310,376</u></u>	<u><u>13,310,376</u></u>

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2008</u>
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	15,665	16,562	(897)	16,425
Pomerado Hospital	5,210	5,552	(342)	5,392
Total:	<u>20,875</u>	<u>22,114</u>	<u>(1,239)</u>	<u>21,817</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	321	372	(51)	381
Pomerado Hospital	479	423	56	423
Total:	<u>800</u>	<u>795</u>	<u>5</u>	<u>804</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	61,704	63,236	(1,532)	64,180
Pomerado Hospital	21,151	22,088	(937)	22,296
Total:	<u>82,855</u>	<u>85,324</u>	<u>(2,469)</u>	<u>86,476</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	24,225	23,326	899	23,051
Pomerado Hospital	33,087	33,733	(646)	33,928
Total:	<u>57,312</u>	<u>57,059</u>	<u>253</u>	<u>56,979</u>

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2008</u>
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	37,686	38,201	(515)	37,644
Pomerado Hospital	17,945	18,605	(660)	18,584
Total:	<u>55,631</u>	<u>56,806</u>	<u>(1,175)</u>	<u>56,228</u>
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	8,271	8,351	(80)	8,239
Pomerado Hospital	2,957	2,880	77	2,624
Total:	<u>11,228</u>	<u>11,231</u>	<u>(3)</u>	<u>10,863</u>
<u>SURGERIES:</u> - Escondido Surgery Center started in Dec-07.				
Palomar Medical Center	8,972	9,637	(665)	7,614
Pomerado Hospital	5,165	5,018	147	5,166
Total:	<u>14,137</u>	<u>14,655</u>	<u>(518)</u>	<u>12,780</u>
<u>BIRTHS:</u>				
Palomar Medical Center	2,960	3,112	(152)	3,221
Pomerado Hospital	890	902	(12)	898
Total:	<u>3,850</u>	<u>4,014</u>	<u>(164)</u>	<u>4,119</u>

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2008</u>
<u>ADJUSTED DISCHARGES</u>				
Palomar Medical Center	21,713	21,668	45	21,549
Pomerado Hospital	8,078	8,151	(73)	7,987
Other Activities	224	183	41	609
Total:	<u><u>30,015</u></u>	<u><u>30,002</u></u>	<u><u>13</u></u>	<u><u>30,145</u></u>
<u>AVERAGE LENGTH OF STAY- Acute:</u>				
Palomar Medical Center	3.91	3.82	0.09	3.89
Pomerado Hospital	4.01	3.98	0.03	4.10
Total:	<u><u>3.93</u></u>	<u><u>3.86</u></u>	<u><u>0.07</u></u>	<u><u>3.94</u></u>
<u>AVERAGE LENGTH OF STAY - SNF:</u>				
Palomar Medical Center	75.47	64.26	11.21	61.63
Pomerado Hospital	68.93	79.75	(10.82)	80.40
Total:	<u><u>71.55</u></u>	<u><u>72.59</u></u>	<u><u>(1.04)</u></u>	<u><u>71.58</u></u>

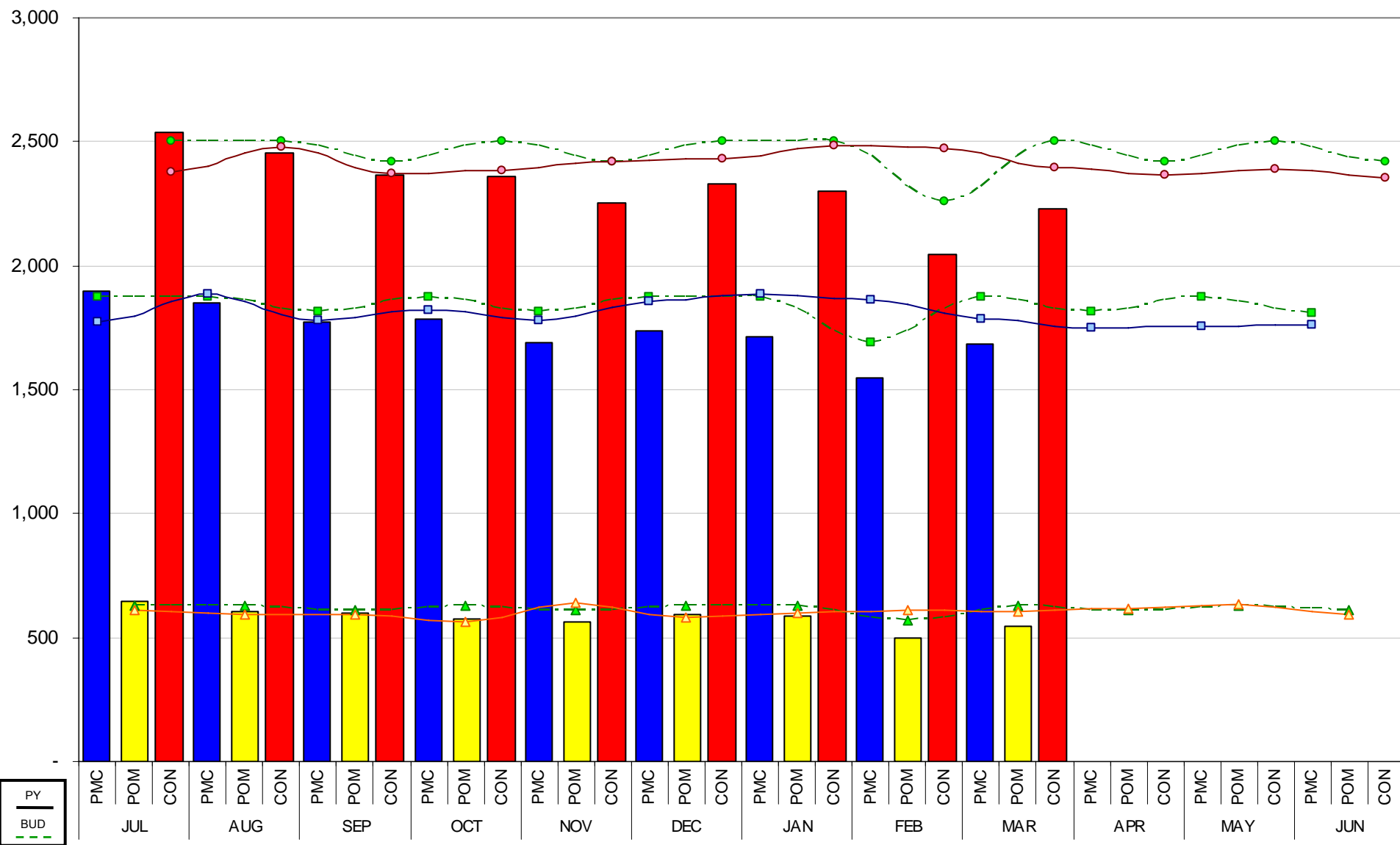
Supplies Expense
Year-to-Date

Account	Description	Actual	Budget	Variance
631000	Prosthesis	14,136,302	10,848,525	(3,287,777)
641000	Supplies Other Medical	11,458,649	10,904,110	(554,539)
632000	Sutures/Surgical Needles	1,310,022	1,159,640	(150,382)
634000	Supplies Surgery General	3,772,960	3,661,522	(111,438)
647000	Supplies Employee Apparel	204,556	111,252	(93,304)
648000	Instruments/Minor Equipment	351,938	285,515	(66,423)
633000	Supplies Surgical Pack	1,517,551	1,469,485	(48,066)
650000	Other Non Medical	5,211,466	5,170,587	(40,879)
642000	Supplies Food/Meat	436,948	408,273	(28,675)
645000	Supplies Cleaning	338,543	311,360	(27,183)
635000	Supplies Anesthesia Material	33,911	9,165	(24,746)
644000	Supplies Linen	20,244	28,887	8,643
637000	Supplies IV Solutions	356,045	368,631	12,586
640000	Supplies X-ray Material	2,973	20,463	17,490
643000	Supplies Food Other	1,945,403	1,984,736	39,333
639000	Supplies Radioactive	558,736	601,439	42,703
636000	Supplies Oxygen/Gas	118,114	215,444	97,330
646100	Supplies Forms	329,997	455,795	125,798
638000	Supplies Pharmaceutical	9,894,643	10,032,090	137,447
646000	Supplies Office/Administration	599,076	939,643	340,567
649000	Other Minor Equipment	526,635	923,301	396,666
	TOTAL	53,124,712	49,909,863	(3,214,849)

Bond Covenant Ratios

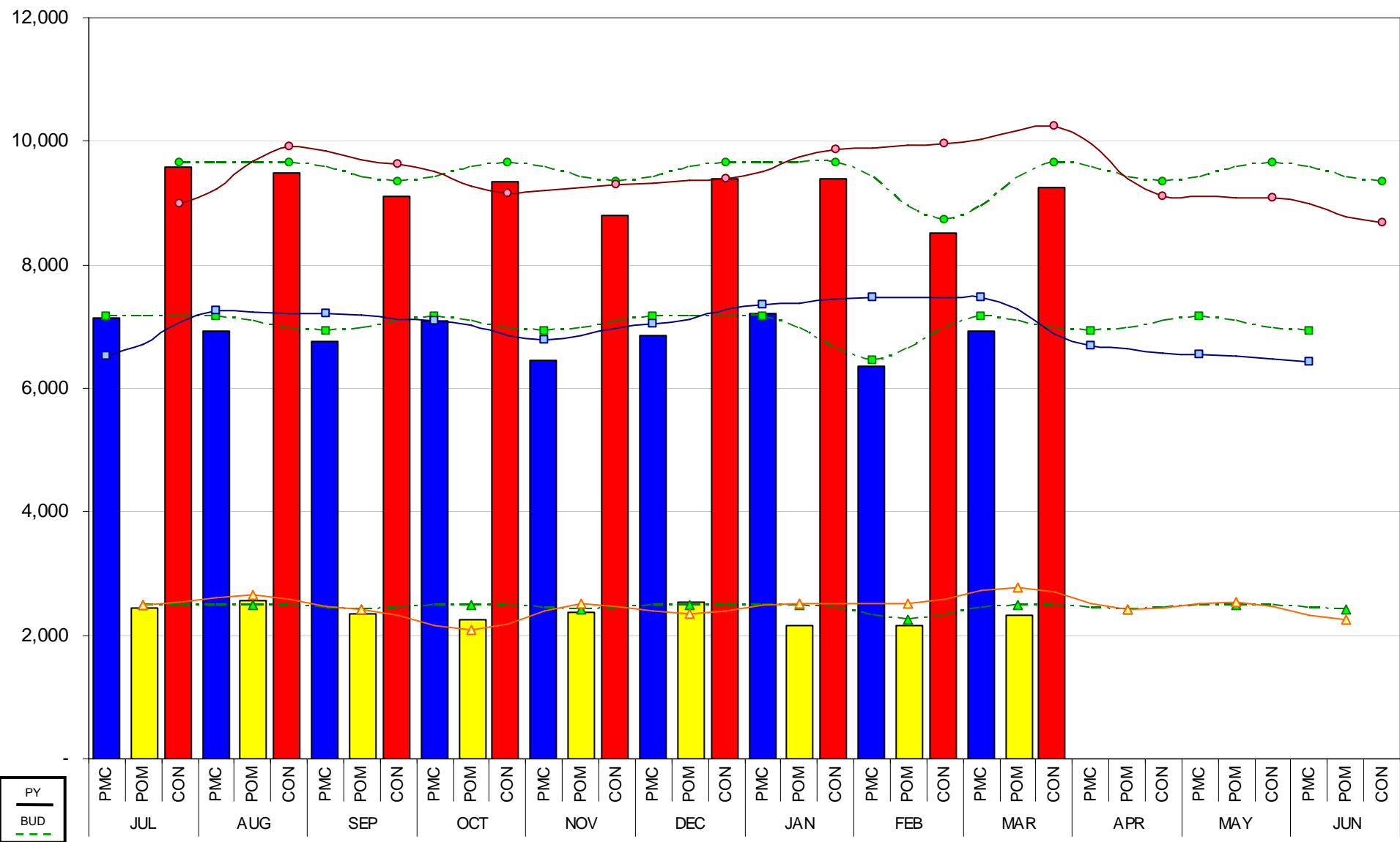
Cushion Ratio	Jun-07	Jun-08	Mar-09
Cash and Cash Equivalents	109,213,349	86,122,696	108,912,203
Board Designated Reserves	-	12,117,325	1,020,899
Trustee-held Funds (Revenue Fund only)	249,531	185,981	31,606
Total	109,462,880	98,426,002	109,964,708
Divided by:			
Annual Debt Service (excludes GO Bonds) (Bond Year 11/1/2009)	16,972,692	16,972,692	16,639,112
Cushion Ratio	6.4	5.8	6.6
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved
Days Cash on Hand	Jun-07	Jun-08	Mar-09
Cash and Cash Equivalents	109,213,349	86,122,696	108,912,203
Board Designated Reserves	-	12,117,325	1,020,899
Trustee-held Funds (Revenue Fund only)	249,531	185,981	31,606
Total	109,462,880	98,426,002	109,964,708
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	385,355,509	428,153,444	326,628,911
Less: Depreciation	19,453,013	21,572,031	16,179,001
Adjusted Expenses	365,902,496	406,581,413	310,449,910
Number of days in period	365	366	274
Average Adjusted Expenses per Day	1,002,473	1,110,878	1,133,029
Days Cash on Hand	109.2	88.6	97.1
REQUIREMENT	80	80	80
	Achieved	Achieved	Achieved
Net Income Available for Debt Service	Jun-07	Jun-08	Mar-09
Excess of revenue over expenses Cur Mo.	2,963,446	(12,441,012)	1,633,322
Excess of revenues over expenses YTD (General Funds)	21,974,509	(4,053,517)	16,624,616
ADD:			
Depreciation and Amortization	19,453,013	21,391,200	16,179,001
Interest Expense	3,343,683	14,912,181	4,103,712
Net Income Available for Debt Service	44,771,205	32,249,864	36,907,329
Aggregate Debt Service			
1999 Insured Refunding Revenue Bonds	8,249,916	8,248,018	6,188,643
2006 Certificates of Participation	4,373,342	8,316,457	6,401,884
Aggregate Debt Service	12,623,258	16,564,475	12,590,527
Net Income Available for Debt Service	3.55	1.95	2.93
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

Statistical Indicators
Admissions – Acute



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	1,895	1,848	1,771	1,782	1,687	1,738	1,715	1,545	1,684	-	-	-	15,665	16,562
POM	645	606	596	575	566	592	584	500	546	-	-	-	5,210	5,552
CON	2,540	2,454	2,367	2,357	2,253	2,330	2,299	2,045	2,230	-	-	-	20,875	22,114

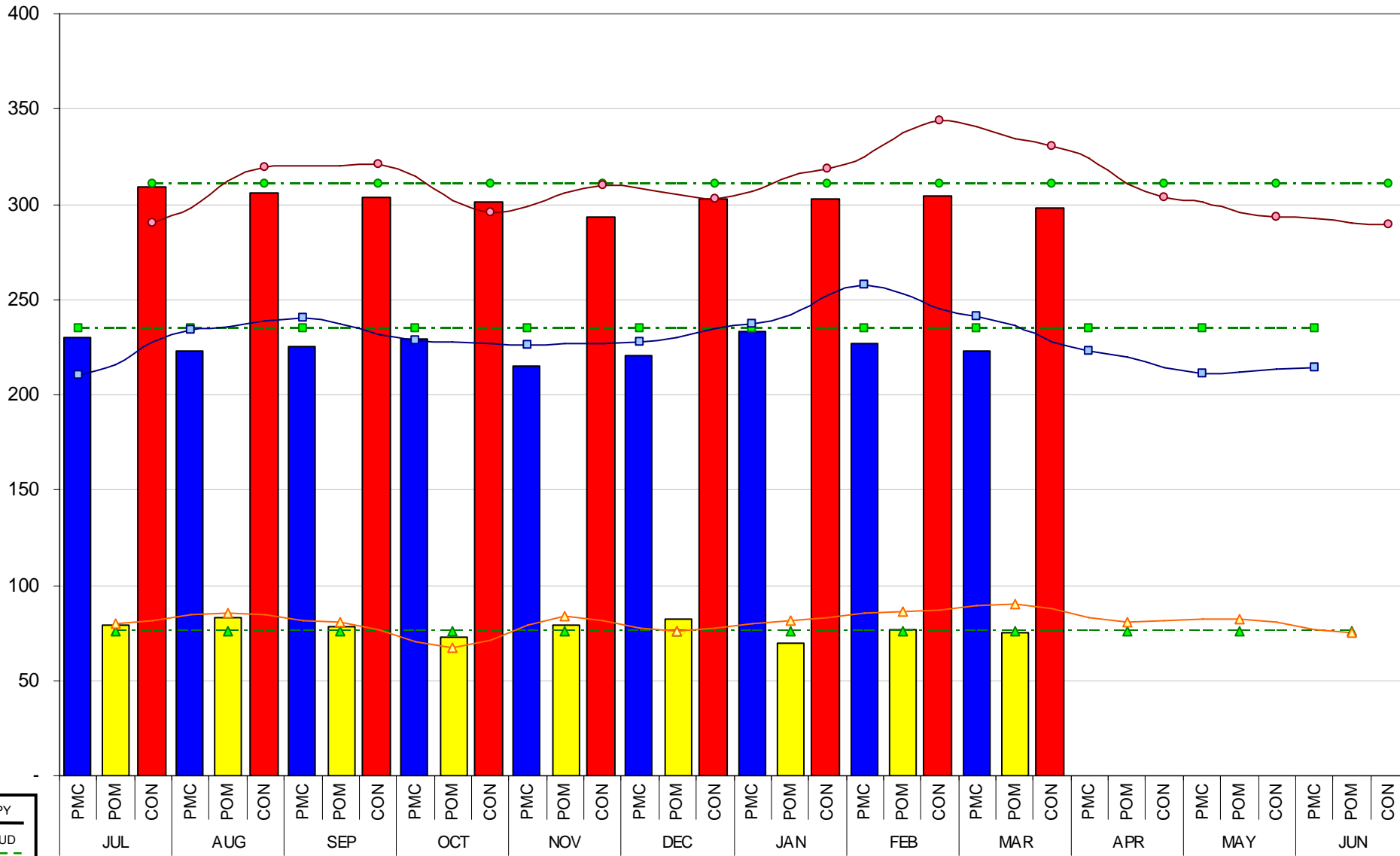
Statistical Indicators
Patient Days – Acute



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	7,138	6,920	6,757	7,101	6,440	6,848	7,217	6,360	6,923	-	-	-	61,704	63,236
POM	2,449	2,571	2,341	2,244	2,362	2,549	2,164	2,152	2,319	-	-	-	21,151	22,088
CON	9,587	9,491	9,098	9,345	8,802	9,397	9,381	8,512	9,242	-	-	-	82,855	85,324

Statistical Indicators

Average Daily Census – Acute

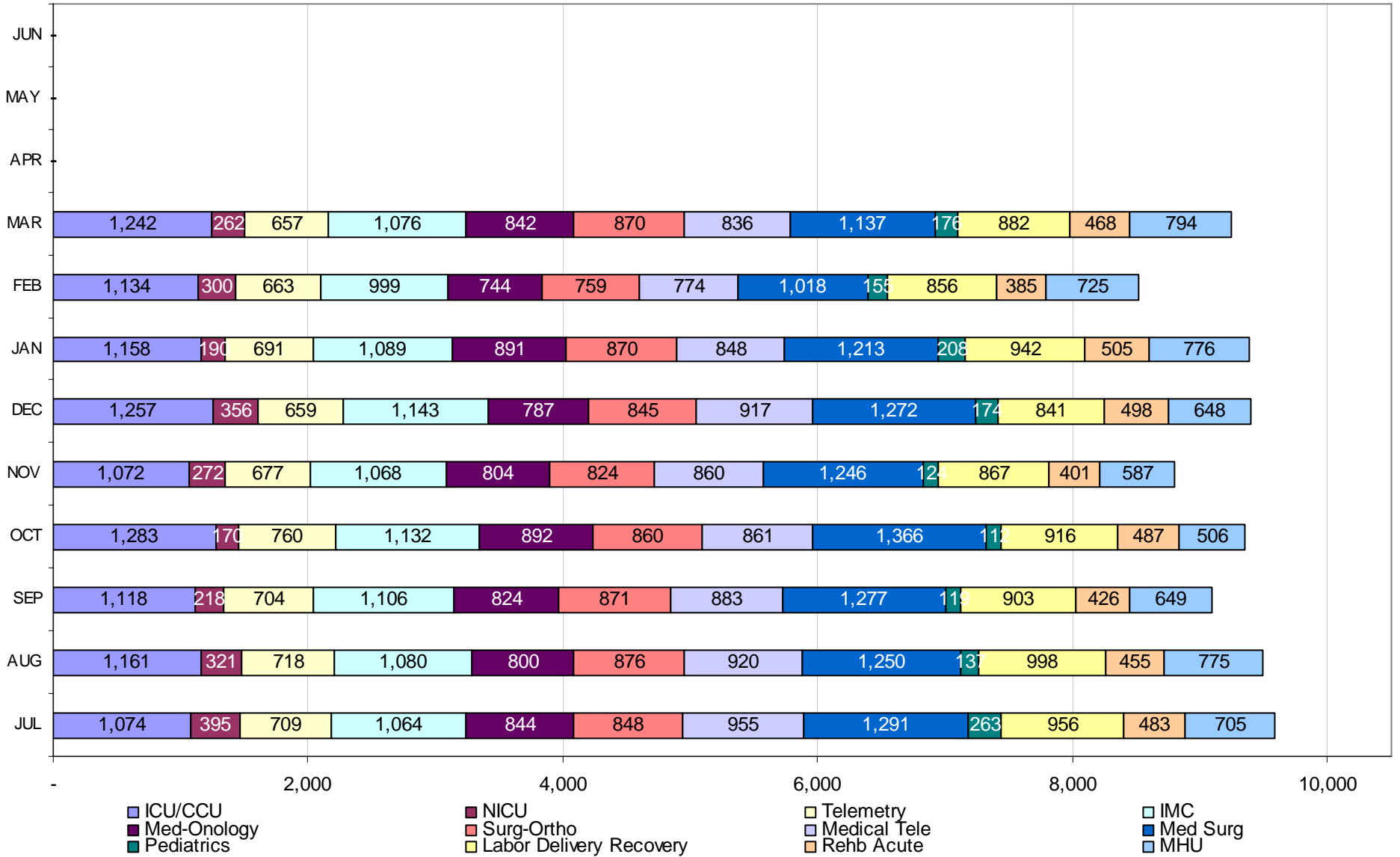


PY	—
BUD	—

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	230	223	225	229	215	221	233	227	223	-	-	-	225	231
POM	79	83	78	72	79	82	70	77	75	-	-	-	77	81
CON	309	306	303	301	293	303	303	304	298	-	-	-	302	312

Statistical Indicators

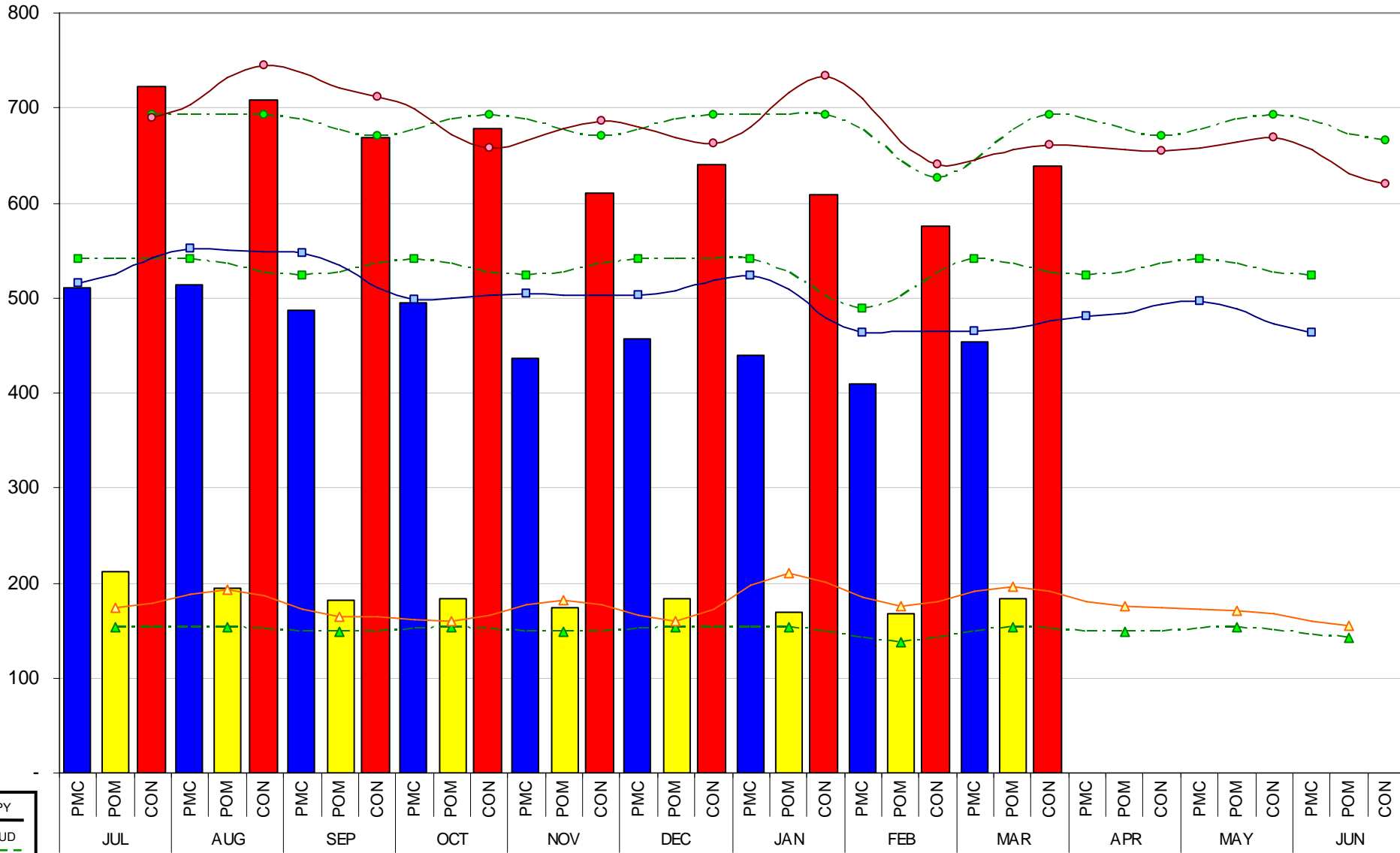
Patient Days



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	7,138	6,920	6,757	7,101	6,440	6,848	7,217	6,360	6,923	-	-	-	61,704	63,236
POM	2,449	2,571	2,341	2,244	2,362	2,549	2,164	2,152	2,319	-	-	-	21,151	22,088
CON	9,587	9,491	9,098	9,345	8,802	9,397	9,381	8,512	9,242	-	-	-	82,855	85,324

Statistical Indicators

Surgeries (Inpatient only)



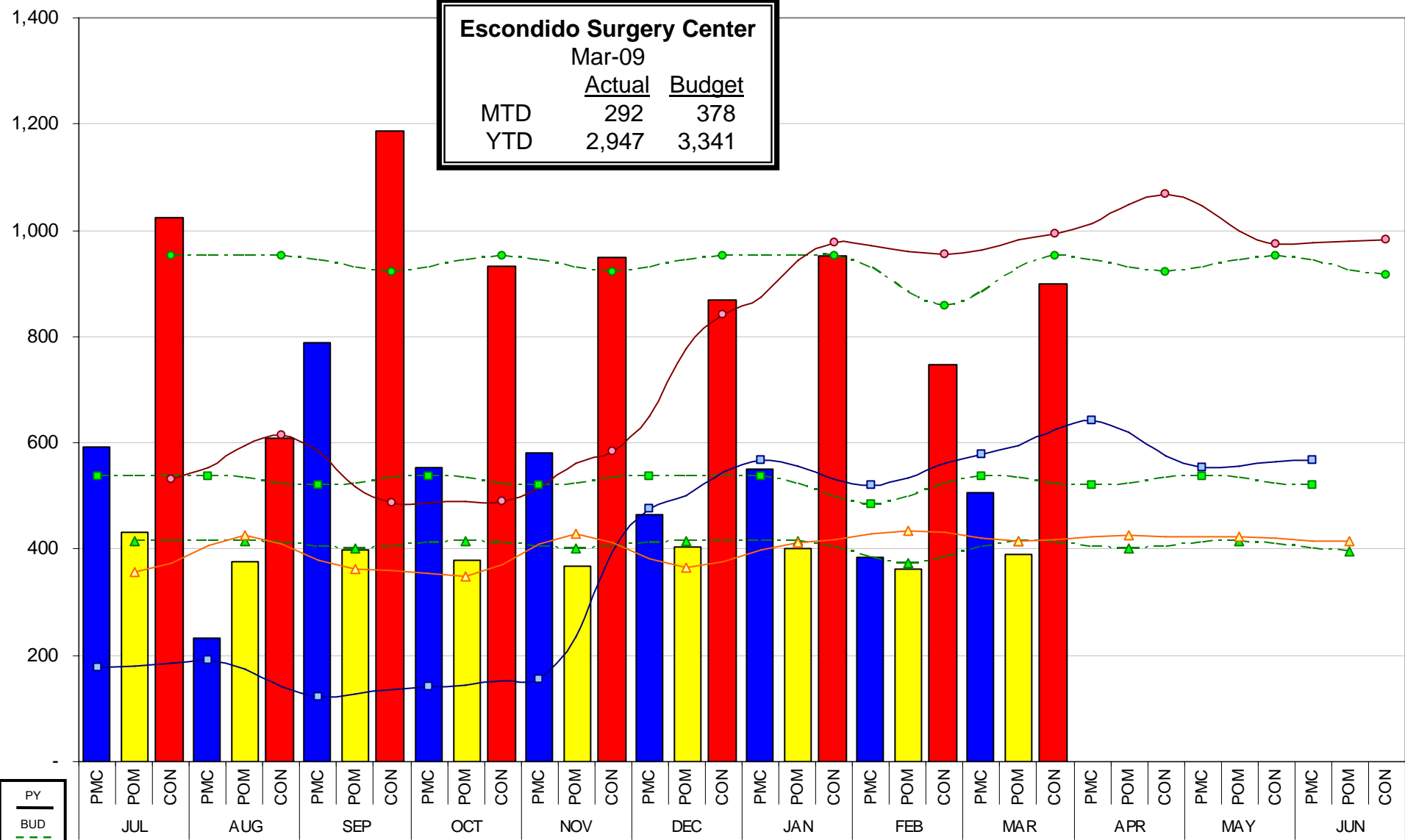
PY
BUD

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	510	514	487	495	436	457	439	409	454	-	-	-	4,201	4,774
POM	212	195	182	184	174	184	169	167	184	-	-	-	1,651	1,352
CON	722	709	669	679	610	641	608	576	638	-	-	-	5,852	6,126

Statistical Indicators

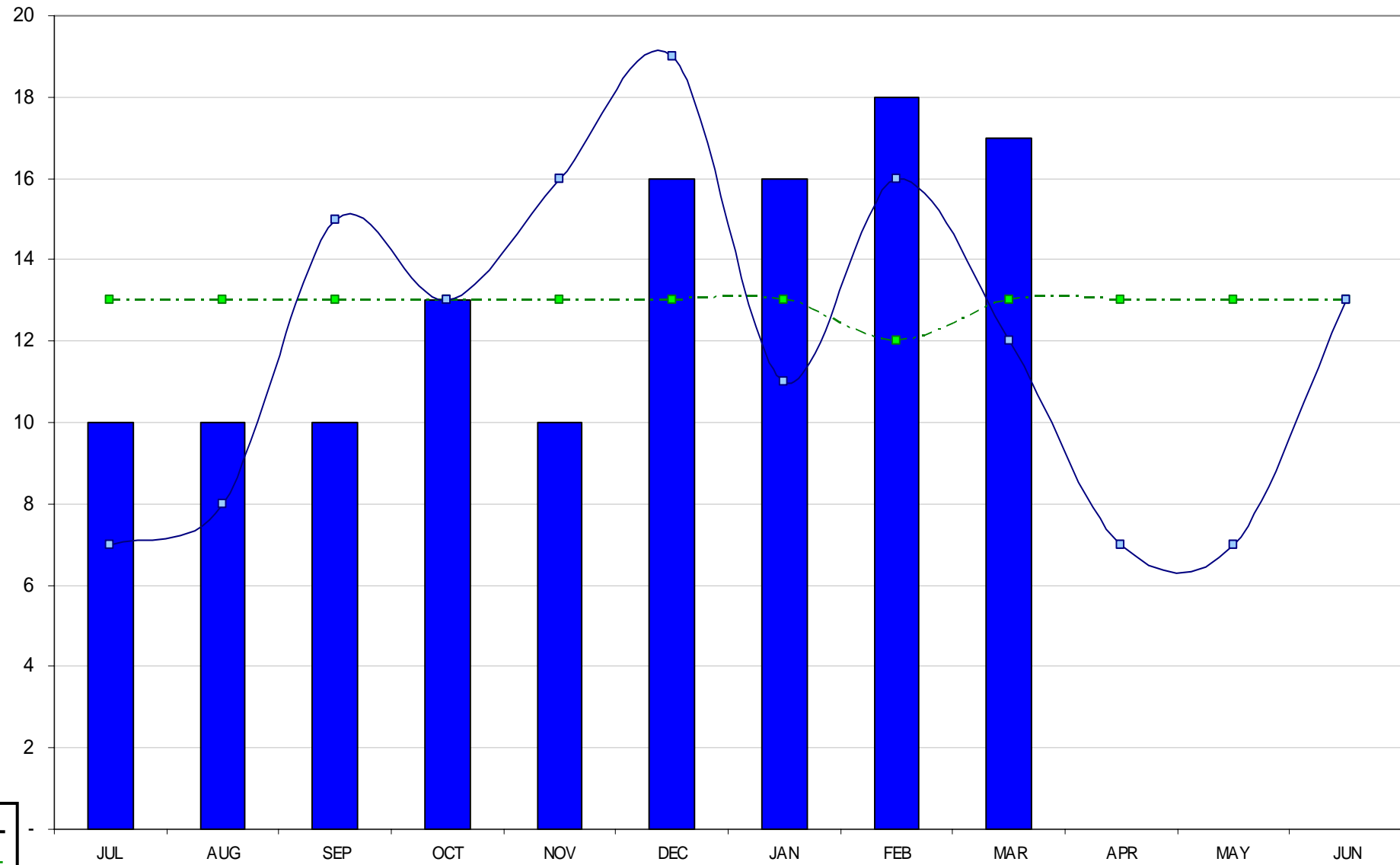
Surgeries (Outpatient only)

Escondido Surgery Center		
Mar-09		
	<u>Actual</u>	<u>Budget</u>
MTD	292	378
YTD	2,947	3,341



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	591	232	788	553	580	466	550	384	507	-	-	-	4,651	4,747
POM	432	376	399	380	368	404	401	363	391	-	-	-	3,514	3,666
CON	1,023	608	1,187	933	948	870	951	747	898	-	-	-	8,165	8,413

Statistical Indicators
Surgeries – CVS (PMC only)



PY
BUD

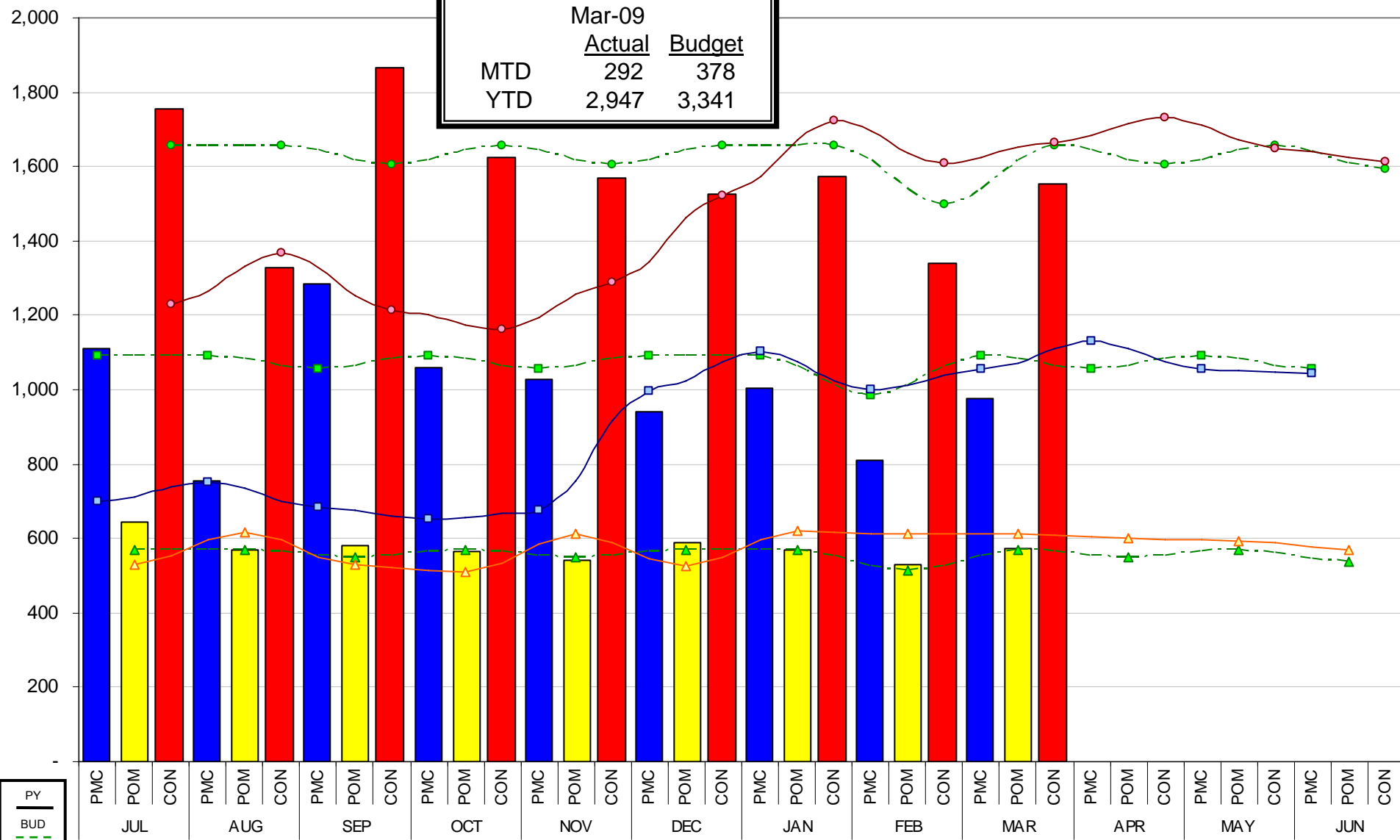
	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	10	10	10	13	10	16	16	18	17	-	-	-	120	116
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	10	10	10	13	10	16	16	18	17	-	-	-	120	116

Statistical Indicators

Total Surgeries

Escondido Surgery Center
 Mar-09

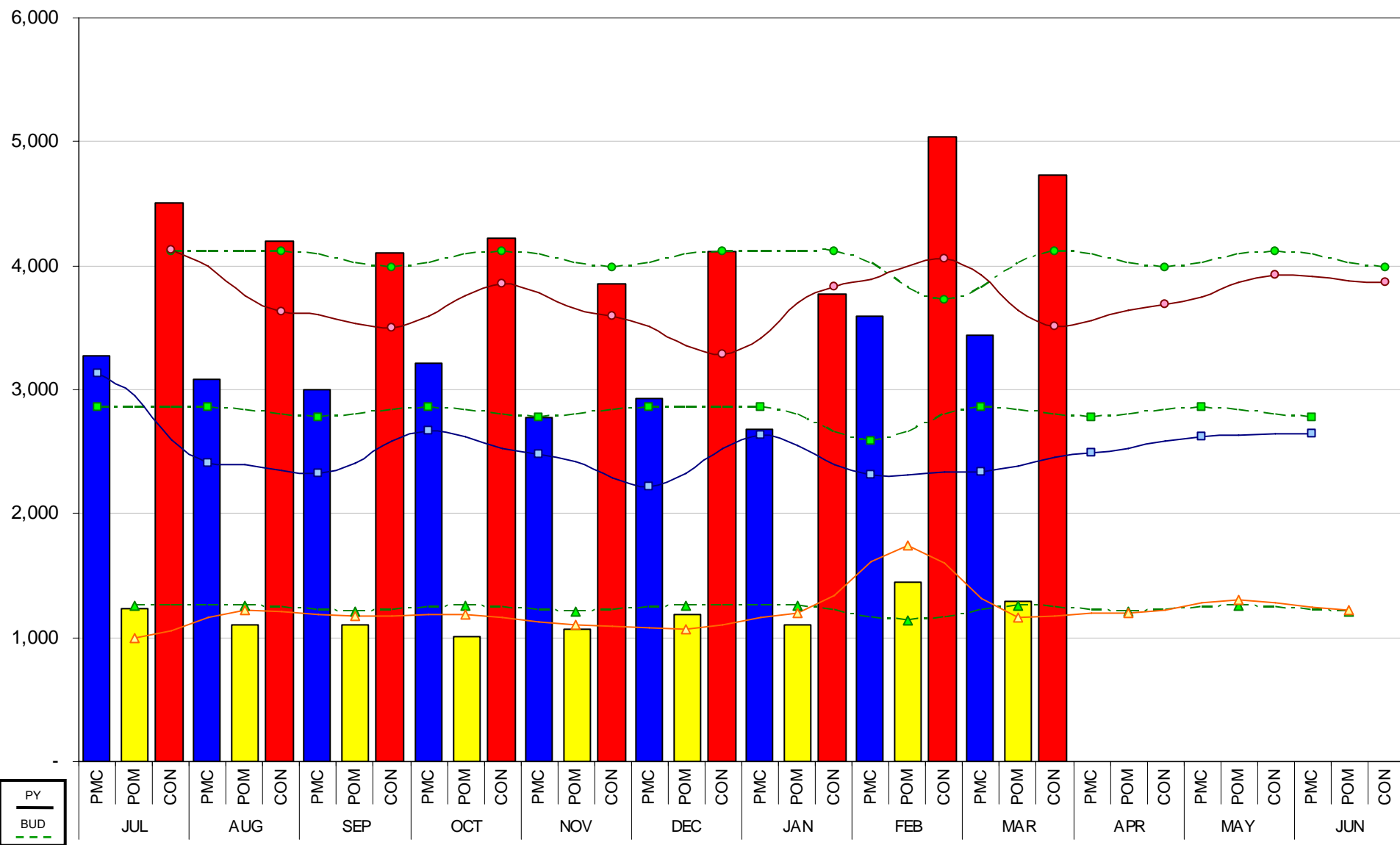
	<u>Actual</u>	<u>Budget</u>
MTD	292	378
YTD	2,947	3,341



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	1,111	756	1,285	1,061	1,026	939	1,005	811	978	-	-	-	8,972	9,637
POM	644	571	581	564	542	588	570	530	575	-	-	-	5,165	5,018
CON	1,755	1,327	1,866	1,625	1,568	1,527	1,575	1,341	1,553	-	-	-	14,137	14,655

Statistical Indicators

Outpatient Registrations (*excludes Lab*)

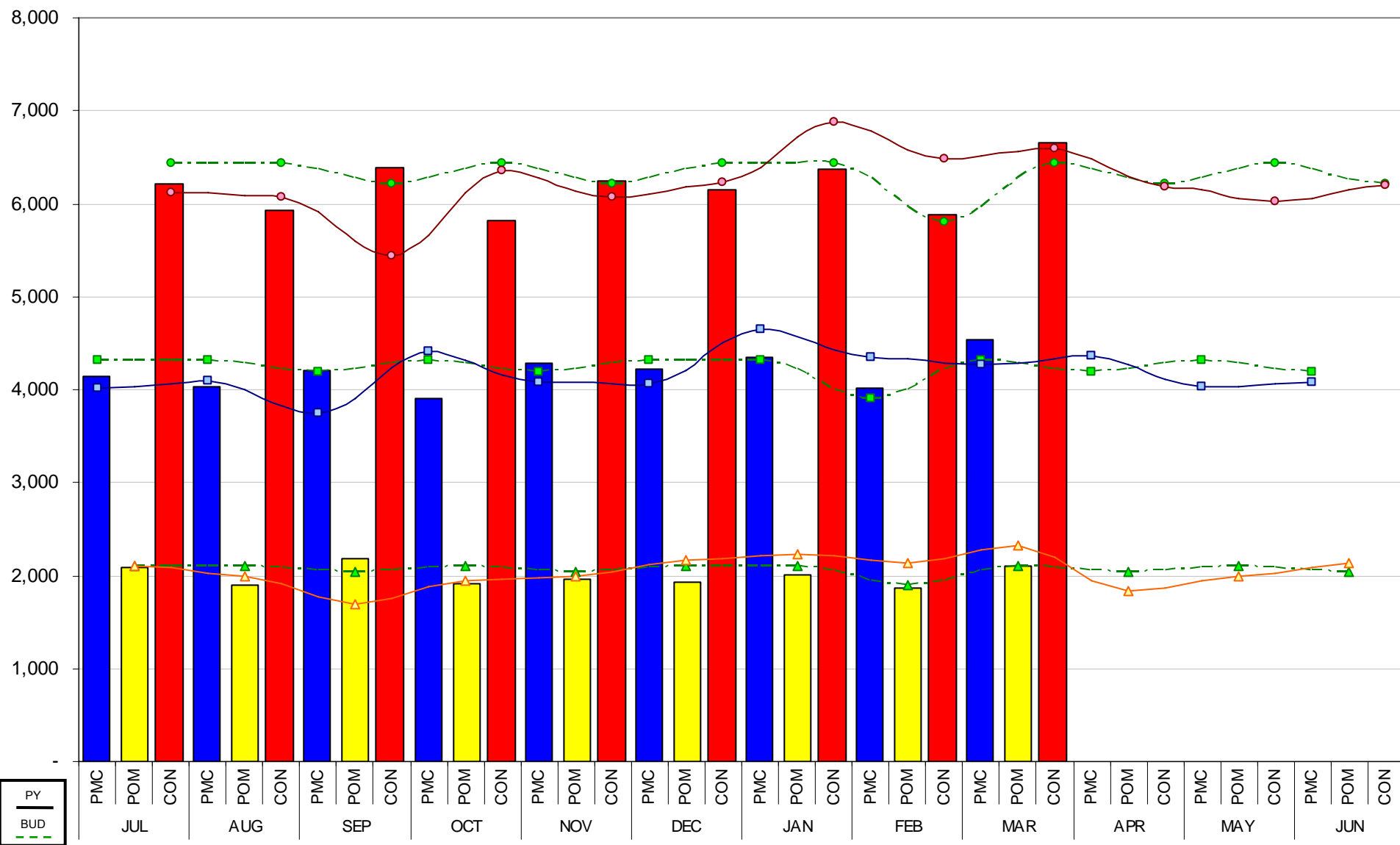


PY
 BUD

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	3,276	3,085	2,998	3,214	2,780	2,924	2,675	3,598	3,433	-	-	-	27,983	25,303
POM	1,231	1,108	1,101	1,013	1,069	1,190	1,100	1,441	1,298	-	-	-	10,551	11,100
CON	4,507	4,193	4,099	4,227	3,849	4,114	3,775	5,039	4,731	-	-	-	38,534	36,403

Statistical Indicators

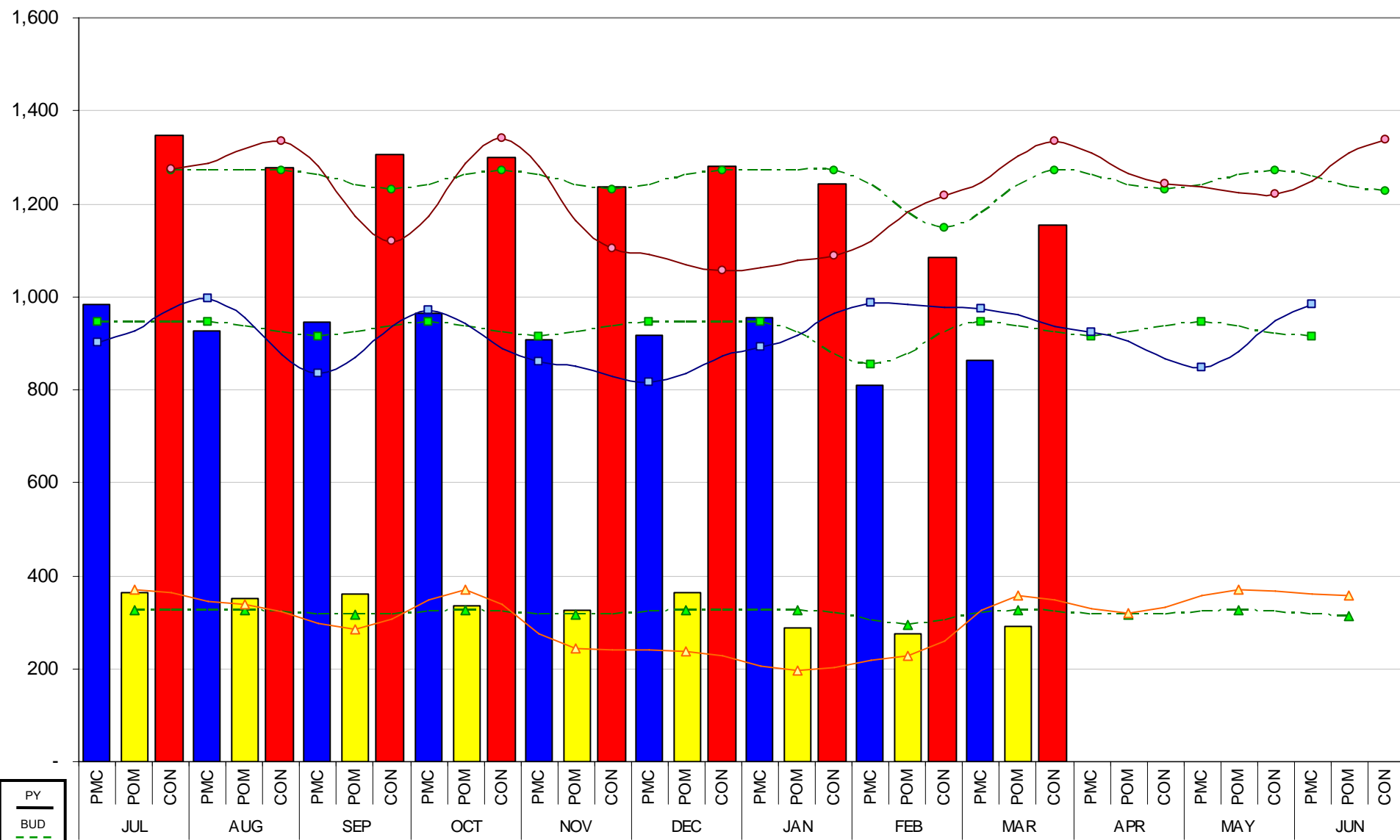
ER Visits (includes Trauma, Outpatient only)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,137	4,032	4,199	3,910	4,291	4,215	4,350	4,010	4,542	-	-	-	37,686	38,201
POM	2,081	1,895	2,184	1,906	1,956	1,929	2,014	1,871	2,109	-	-	-	17,945	18,605
CON	6,218	5,927	6,383	5,816	6,247	6,144	6,364	5,881	6,651	-	-	-	55,631	56,806
CON/DAY	201	191	213	188	208	198	205	210	215	-	-	-	203	207

Statistical Indicators

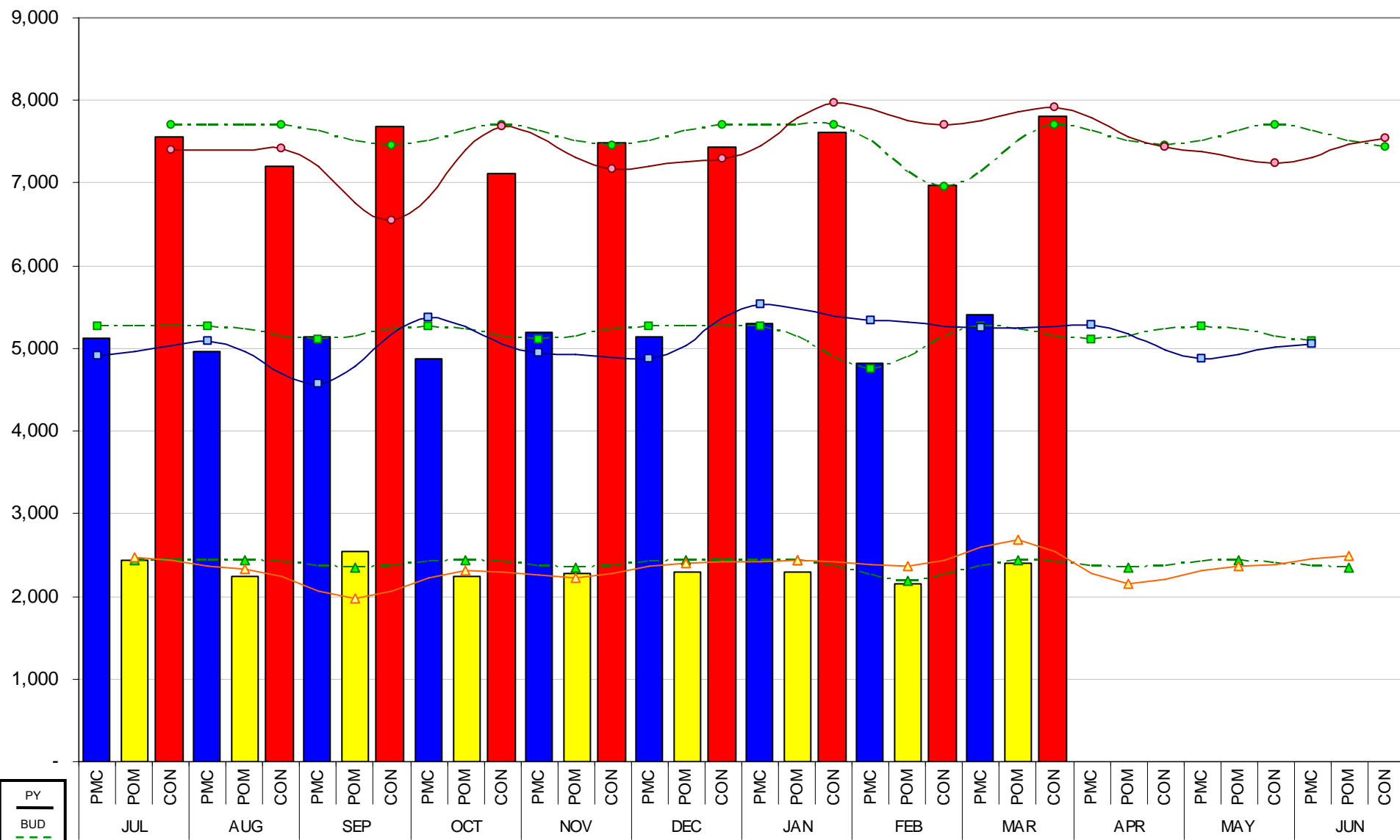
ER Admissions (includes Trauma, Inpatient only)



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	982	925	945	964	908	918	955	811	863	-	-	-	8,271	8,351
POM	364	351	360	336	327	364	289	274	292	-	-	-	2,957	2,880
CON	1,346	1,276	1,305	1,300	1,235	1,282	1,244	1,085	1,155	-	-	-	11,228	11,231

Statistical Indicators

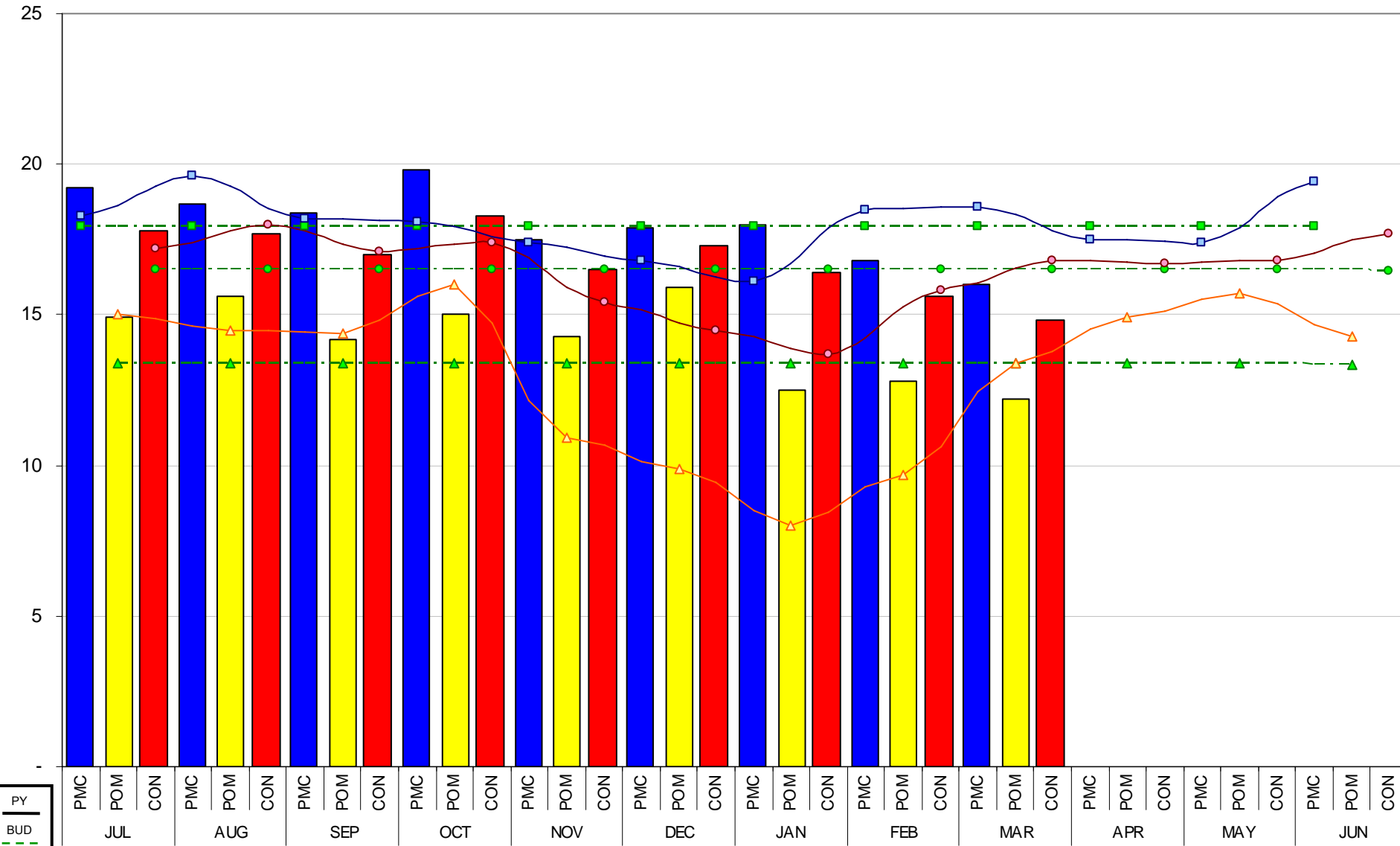
Total ER Visits (includes Trauma & Admissions)



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	5,119	4,957	5,144	4,874	5,199	5,133	5,305	4,821	5,405	-	-	-	45,957	46,552
POM	2,445	2,246	2,544	2,242	2,283	2,293	2,303	2,145	2,401	-	-	-	20,902	21,485
CON	7,564	7,203	7,688	7,116	7,482	7,426	7,608	6,966	7,806	-	-	-	66,859	68,037

Statistical Indicators

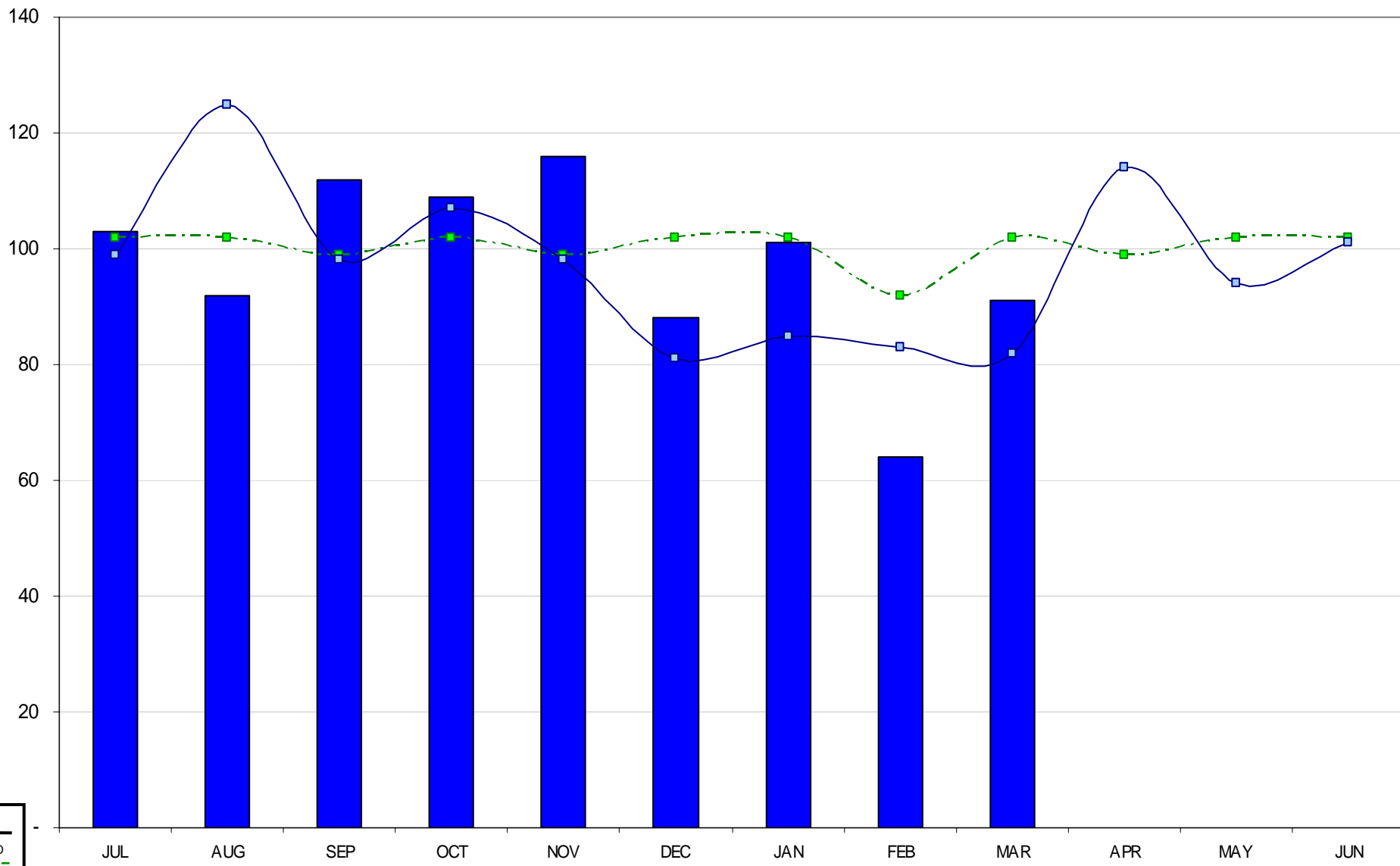
ER Conversion (ER Admits as % of ER Visits)



PY	—
BUD	- - - -

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	19.2	18.7	18.4	19.8	17.5	17.9	18.0	16.8	16.0	-	-	-	18.0	17.9
POM	14.9	15.6	14.2	15.0	14.3	15.9	12.5	12.8	12.2	-	-	-	14.1	13.4
CON	17.8	17.7	17.0	18.3	16.5	17.3	16.4	15.6	14.8	-	-	-	16.8	16.5

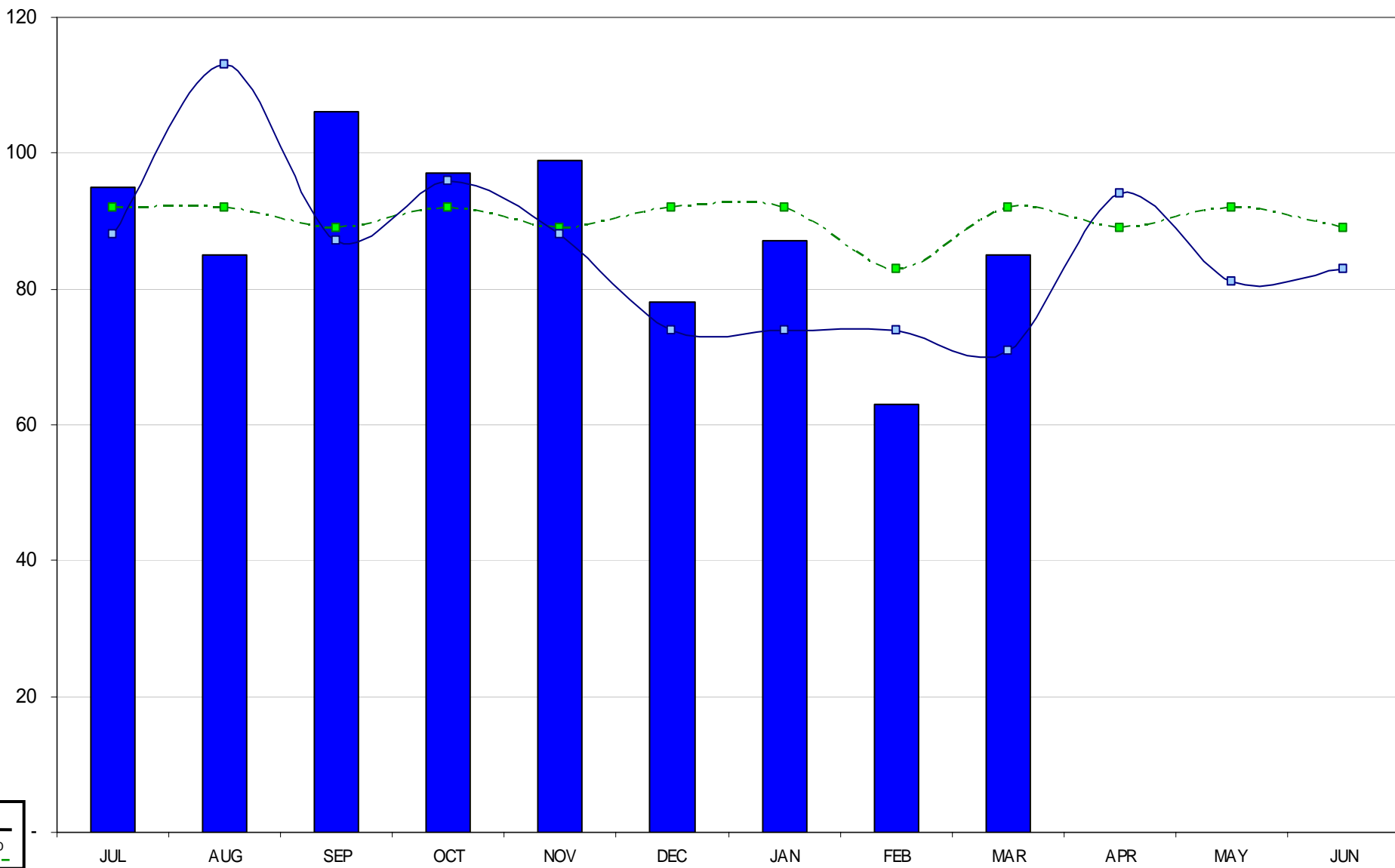
Statistical Indicators
Trauma Cases (PMC only)



PY
BUD

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	103	92	112	109	116	88	101	64	91	-	-	-	876	902
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	103	92	112	109	116	88	101	64	91	-	-	-	876	902

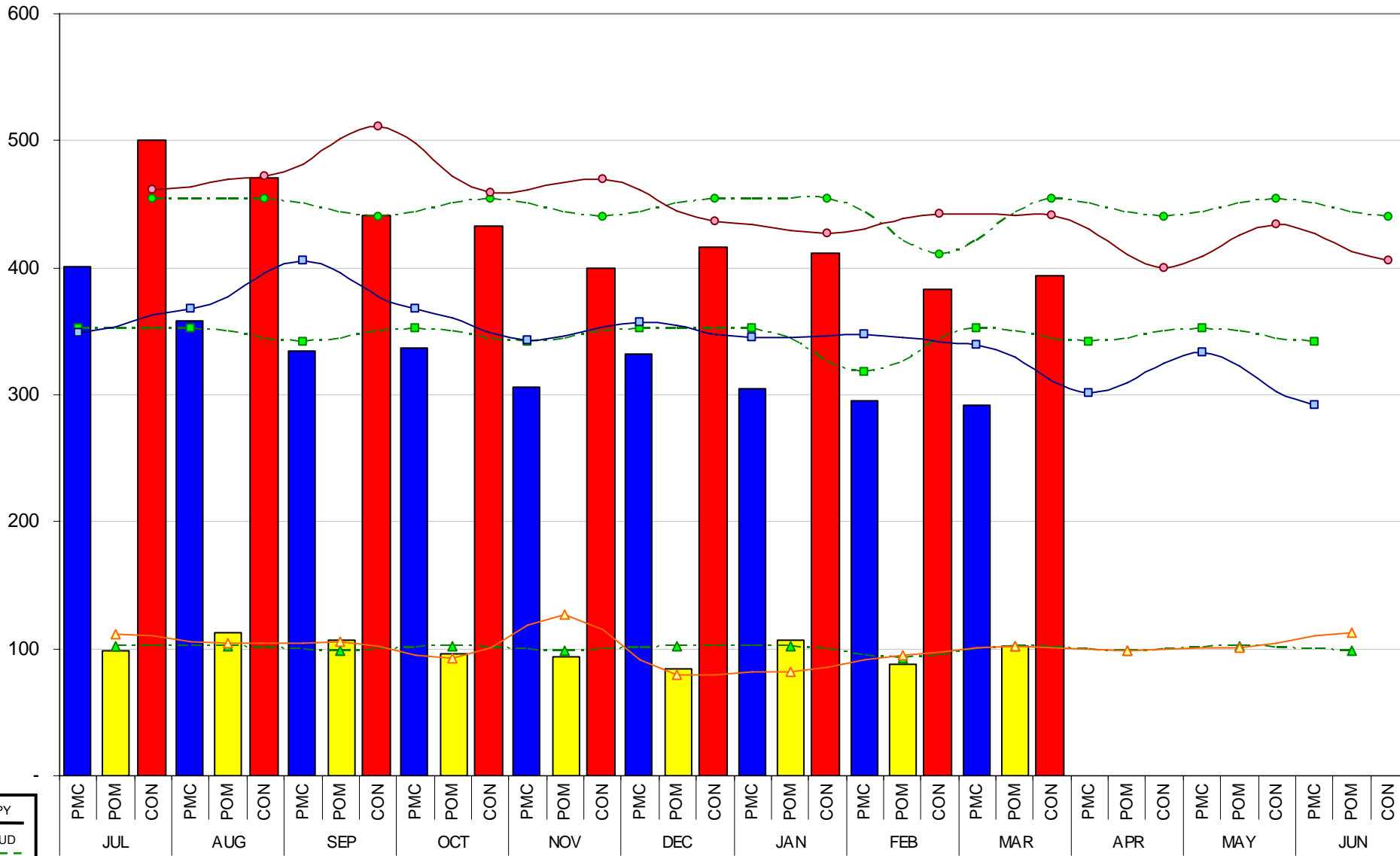
Statistical Indicators
Trauma Admissions (PMC only)



PY
BUD

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	95	85	106	97	99	78	87	63	85	-	-	-	795	813
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	95	85	106	97	99	78	87	63	85	-	-	-	795	813

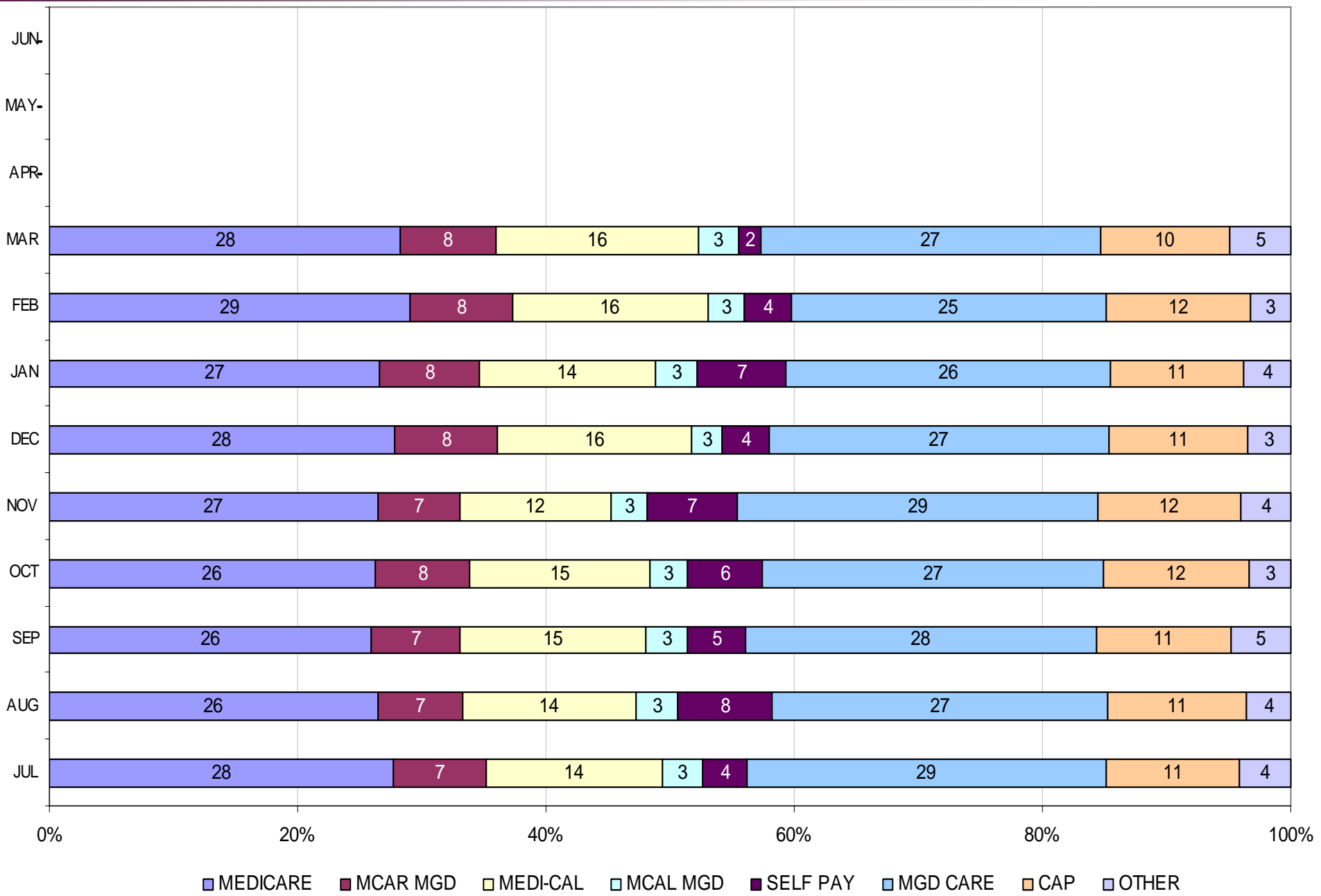
Statistical Indicators
Deliveries



PY	—
BUD	- - - -

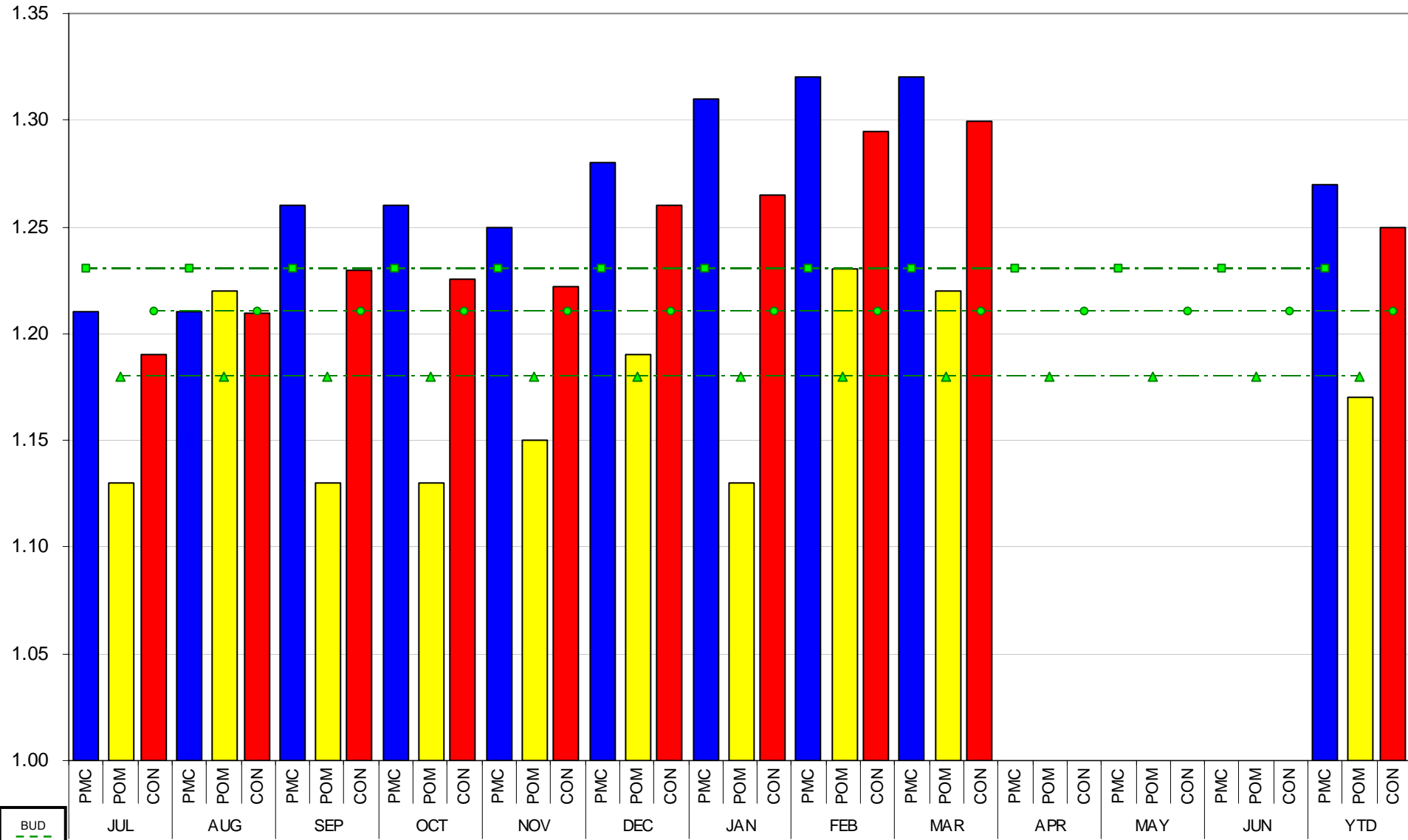
	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	401	358	334	337	306	332	305	295	292	-	-	-	2,960	3,112
POM	99	113	107	96	94	84	107	88	102	-	-	-	890	902
CON	500	471	441	433	400	416	412	383	394	-	-	-	3,850	4,014

Payor Mix Based on Gross Revenue



■ MEDICARE
 ■ MCAR MGD
 ■ MEDI-CAL
 ■ MCAL MGD
 ■ SELF PAY
 ■ MGD CARE
 ■ CAP
 ■ OTHER

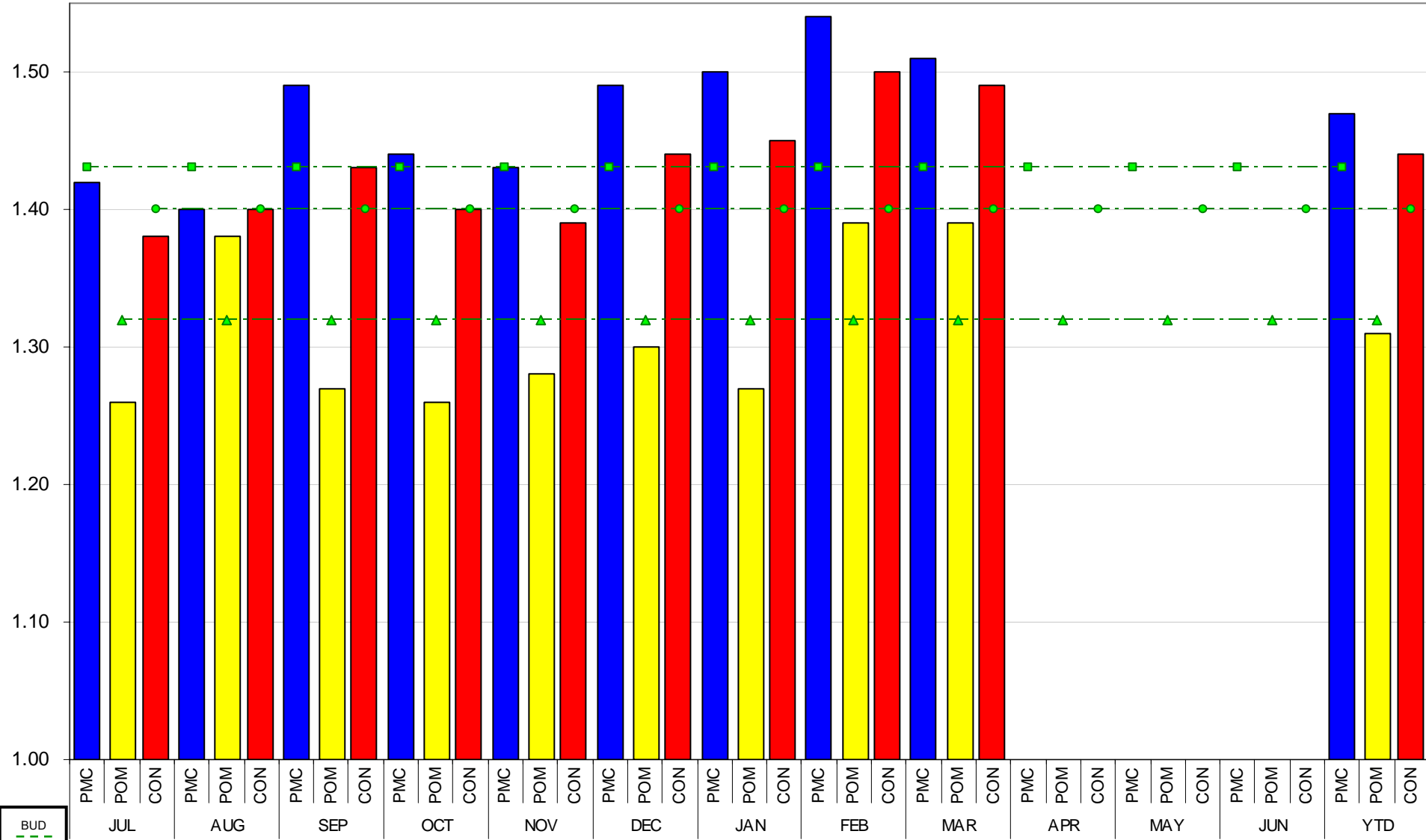
Case Mix Index



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>
PMC	1.21	1.21	1.26	1.26	1.25	1.28	1.31	1.32	1.32	-	-	-	1.27
POM	1.13	1.22	1.13	1.13	1.15	1.19	1.13	1.23	1.22	-	-	-	1.17
CON	1.19	1.21	1.23	1.23	1.22	1.26	1.27	1.29	1.30	-	-	-	1.25

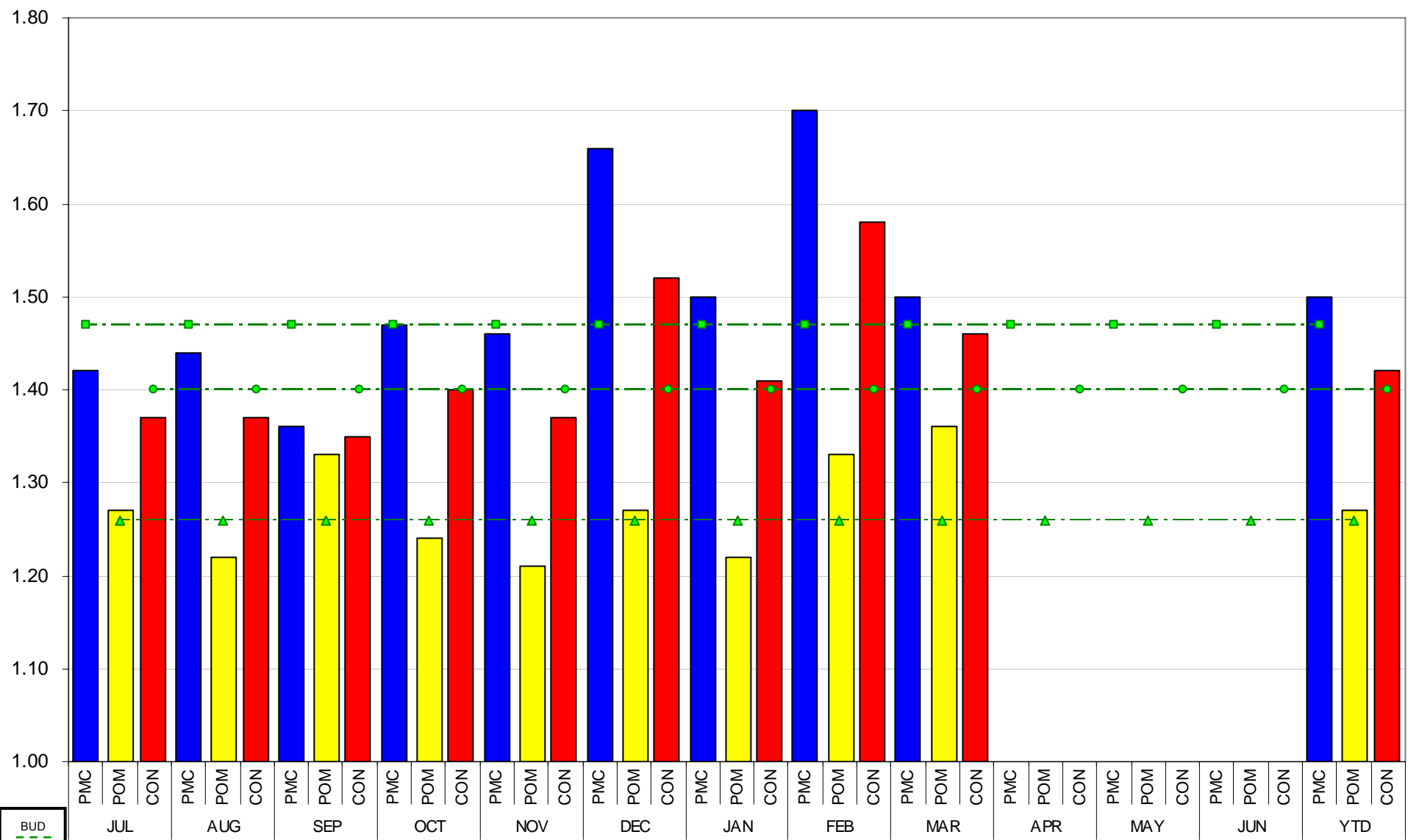
Case Mix Index by Region

(excludes Deliveries)



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>
PMC	1.42	1.40	1.49	1.44	1.43	1.49	1.50	1.54	1.51	-	-	-	1.47
POM	1.26	1.38	1.27	1.26	1.28	1.30	1.27	1.39	1.39	-	-	-	1.31
CON	1.38	1.40	1.43	1.40	1.39	1.44	1.45	1.50	1.49	-	-	-	1.44

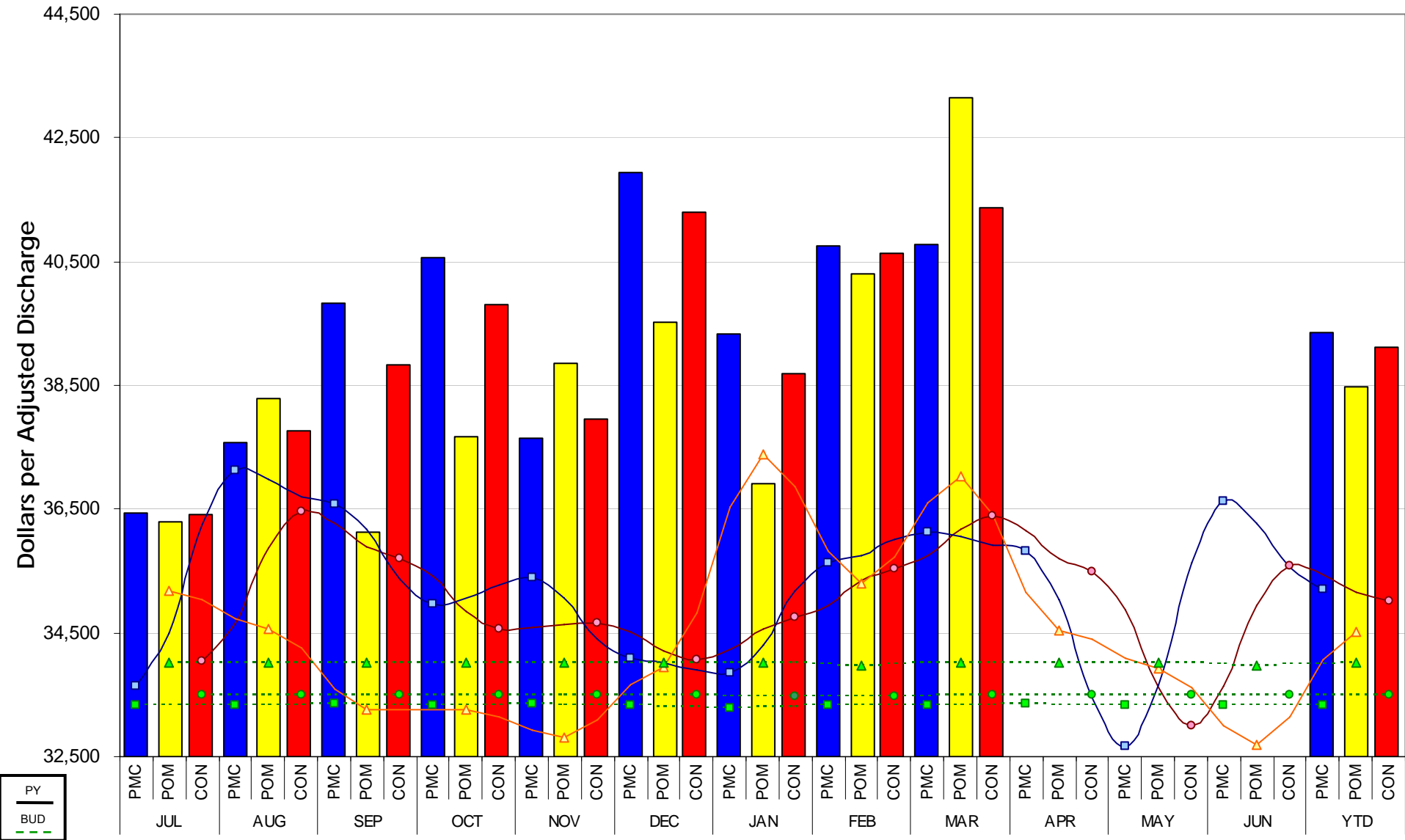
Case Mix Index by Region Medicare



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>
PMC	1.42	1.44	1.36	1.47	1.46	1.66	1.50	1.70	1.50	-	-	-	1.50
POM	1.27	1.22	1.33	1.24	1.21	1.27	1.22	1.33	1.36	-	-	-	1.27
CON	1.37	1.37	1.35	1.40	1.37	1.52	1.41	1.58	1.46	-	-	-	1.42

Adjusted Discharges

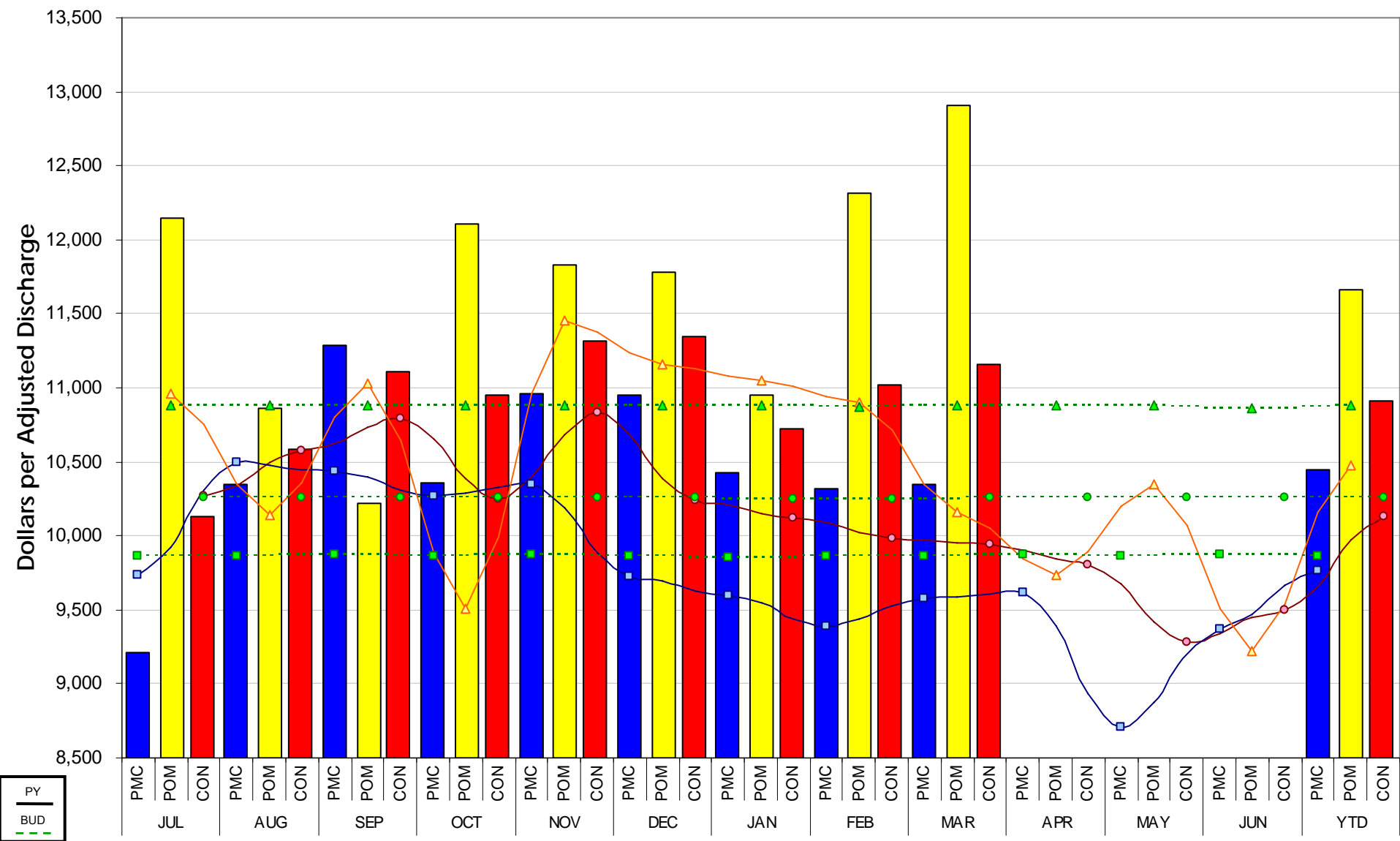
Gross Patient Revenue per Adjusted Discharges



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	36,434	37,574	39,830	40,564	37,640	41,941	39,327	40,742	40,777	-	-	-	39,361	37,966
POM	36,286	38,286	36,127	37,664	38,850	39,517	36,902	40,308	43,148	-	-	-	38,468	36,219
CON	36,402	37,759	38,832	39,810	37,951	41,291	38,699	40,628	41,374	-	-	-	39,126	37,509

Adjusted Discharges

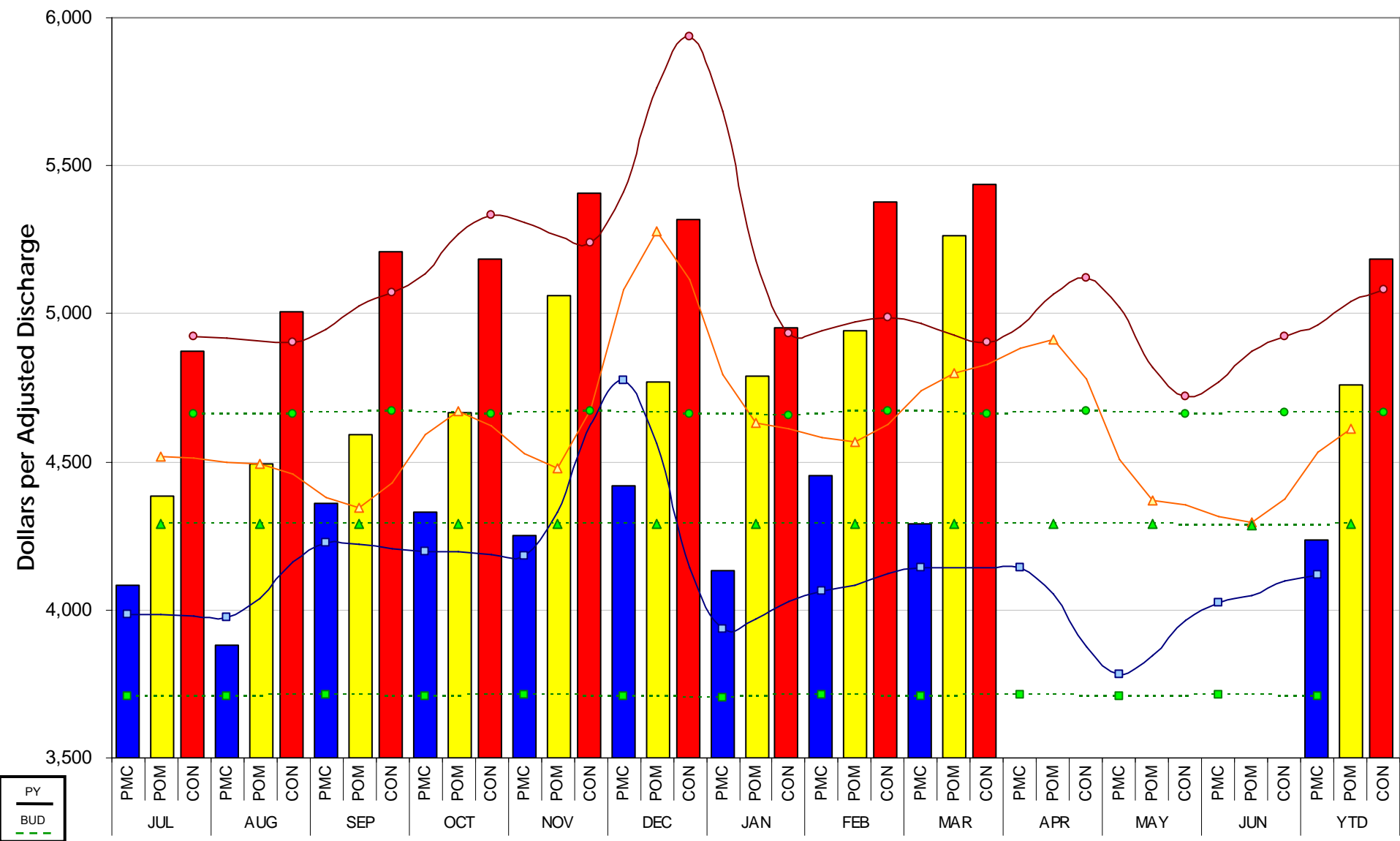
Net Patient Revenue per Adjusted Discharges



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	9,214	10,346	11,288	10,353	10,964	10,951	10,424	10,314	10,349	-	-	-	10,448	10,358
POM	12,150	10,864	10,216	12,110	11,826	11,779	10,955	12,318	12,907	-	-	-	11,661	11,420
CON	10,126	10,583	11,112	10,946	11,314	11,342	10,721	11,020	11,159	-	-	-	10,906	10,768

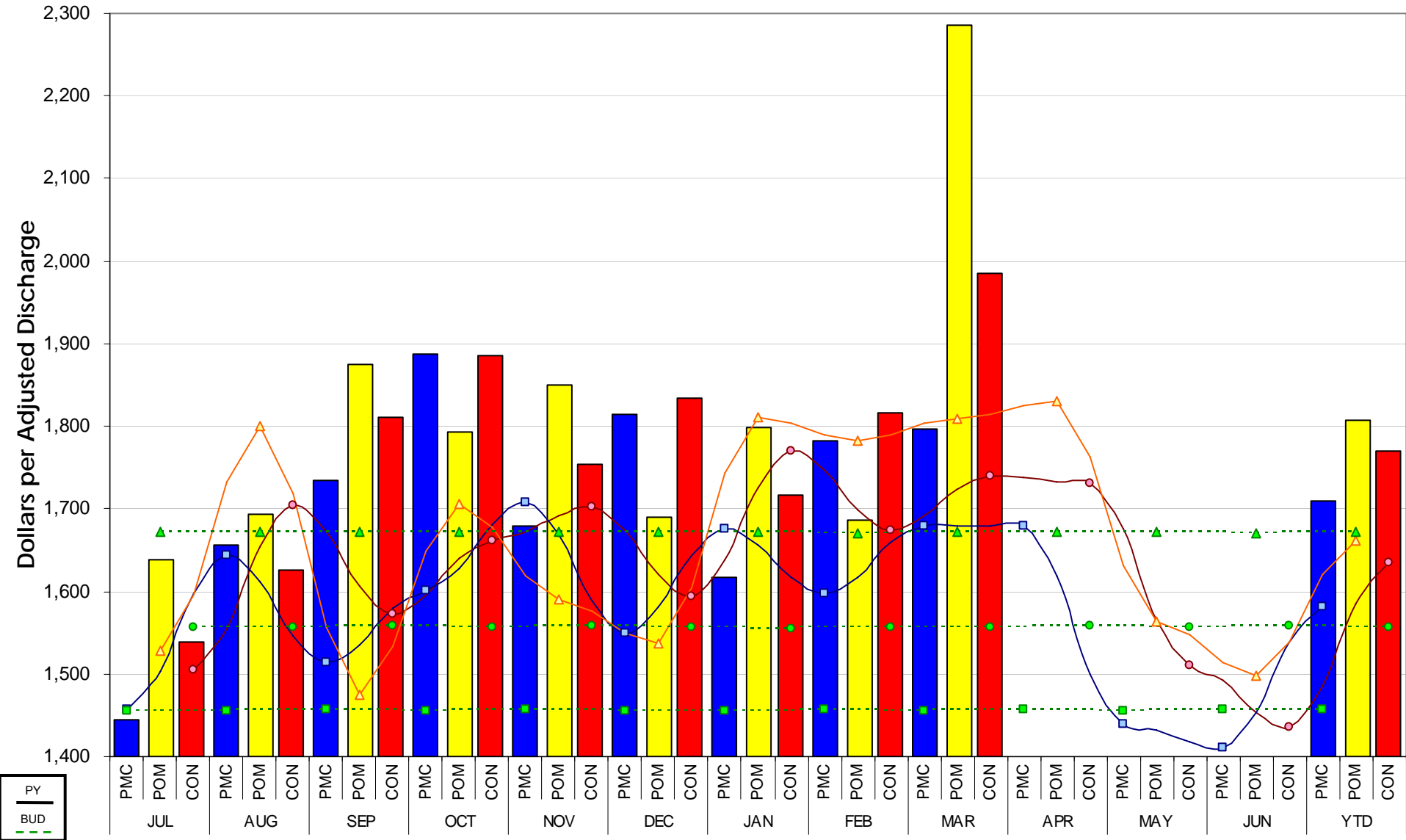
Adjusted Discharges

Salaries per Adjusted Discharges



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	4,083	3,882	4,360	4,330	4,251	4,418	4,135	4,452	4,290	-	-	-	4,237	4,243
POM	4,386	4,491	4,594	4,665	5,061	4,769	4,791	4,945	5,265	-	-	-	4,760	4,895
CON	4,874	5,007	5,211	5,187	5,408	5,317	4,953	5,376	5,439	-	-	-	5,187	5,164

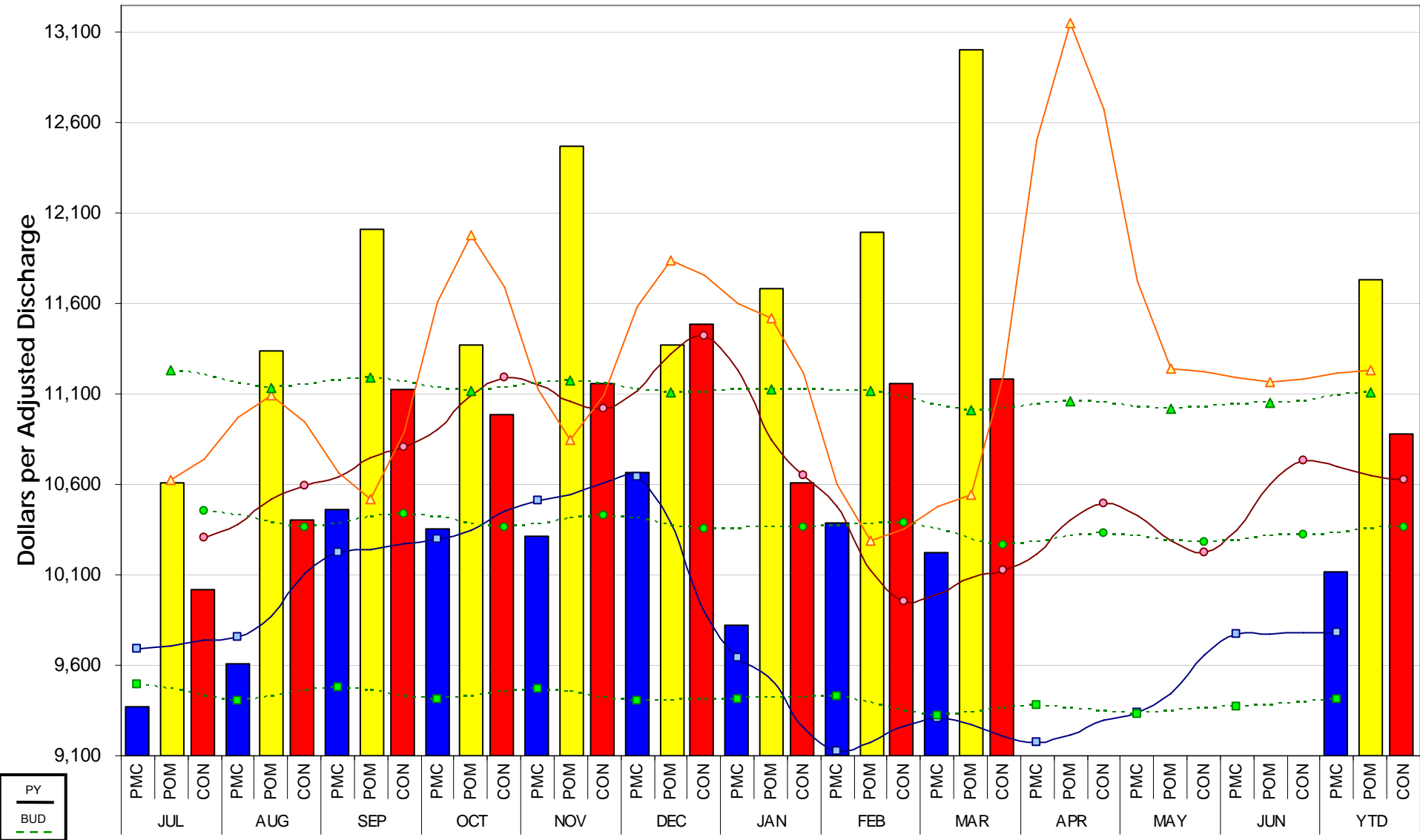
Adjusted Discharges Supplies per Adjusted Discharge



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	1,445	1,656	1,734	1,887	1,680	1,815	1,616	1,783	1,796	-	-	-	1,709	1,600
POM	1,639	1,693	1,874	1,794	1,850	1,691	1,798	1,686	2,286	-	-	-	1,807	1,687
CON	1,538	1,625	1,811	1,885	1,755	1,834	1,717	1,817	1,986	-	-	-	1,770	1,664

Adjusted Discharges

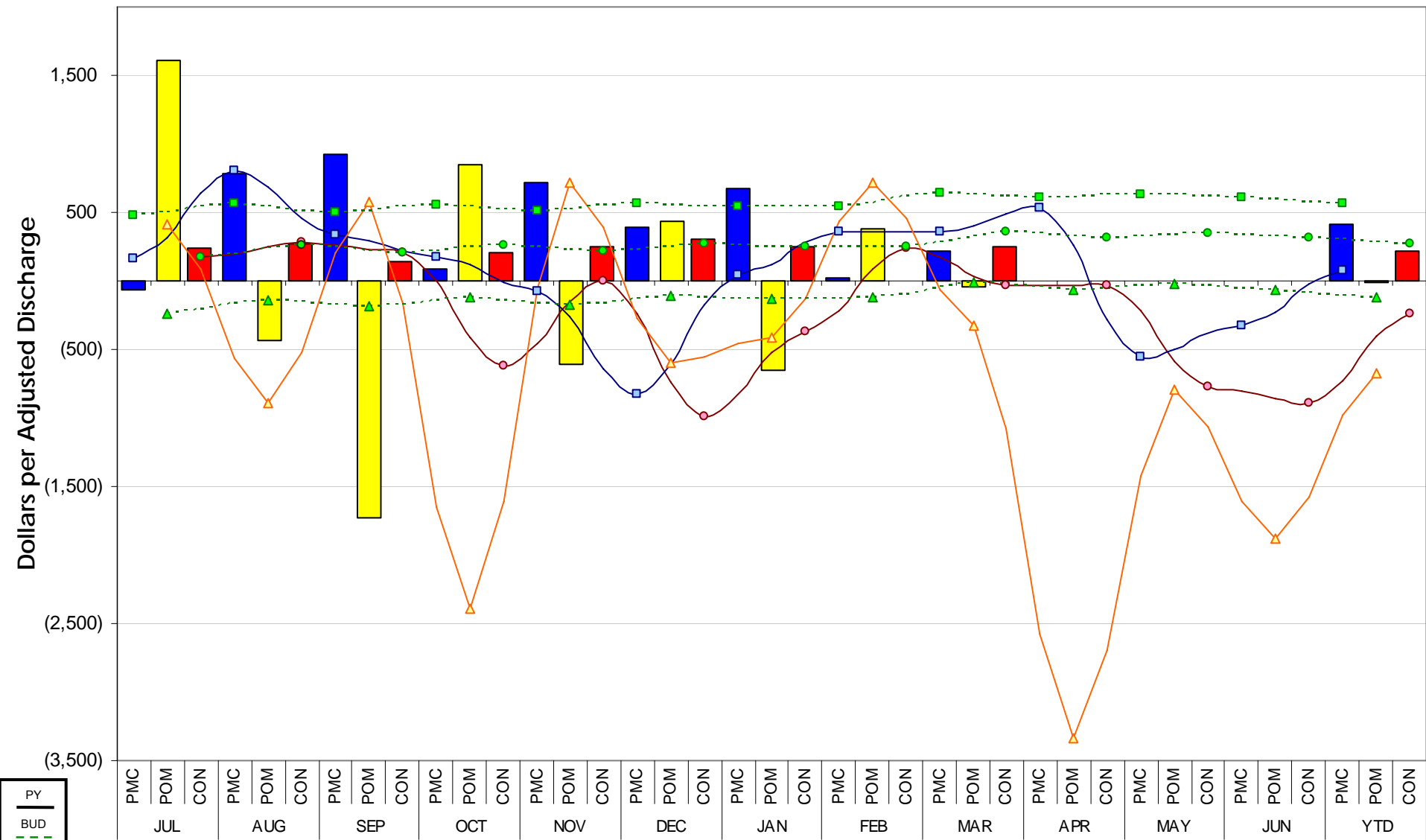
Total Expenses per Adjusted Discharges



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	9,372	9,612	10,465	10,352	10,312	10,663	9,823	10,387	10,226	-	-	-	10,116	9,988
POM	10,611	11,342	12,016	11,372	12,471	11,375	11,682	11,991	13,007	-	-	-	11,729	11,665
CON	10,019	10,407	11,124	10,989	11,157	11,488	10,608	11,160	11,183	-	-	-	10,882	10,756

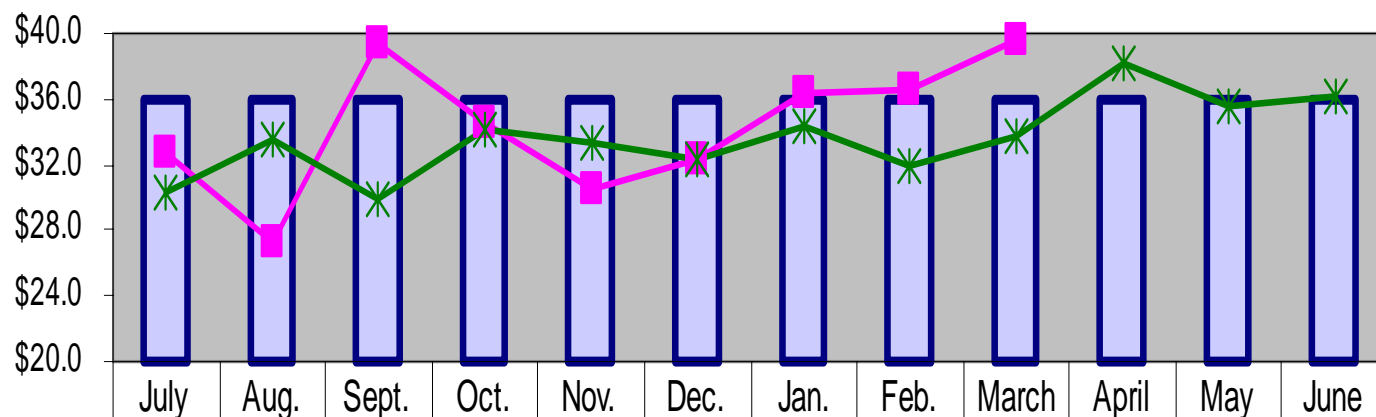
Adjusted Discharges

Net Operating Income per Adjusted Discharges



	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>B-YTD</u>
PMC	(67)	785	921	87	717	391	675	25	218	-	-	-	416	459
POM	1,610	(436)	(1,731)	846	(607)	436	(657)	386	(47)	-	-	-	(8)	(100)
CON	241	271	146	206	250	306	245	1	253	-	-	-	215	202

PPH Monthly Collections in Millions



FY09 Goal	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0
Pr. Yr Actual	\$30.2	\$33.6	\$30.0	\$34.1	\$33.4	\$32.4	\$34.4	\$32.0	\$33.6	\$38.2	\$35.5	\$36.2
Curr. Yr Actual	\$32.8	\$27.3	\$39.3	\$34.5	\$30.5	\$32.3	\$36.3	\$36.5	\$39.5			

Revenue Cycle Key Indicators
Trend Report



Source	Current Month End	Current Month End	Current Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Current Month End Previous FY	Change from Prior Month
Period Ending Days in Period	3/31/2009	2/28/2009	1/31/2009	3/31/2009	6/30/2008	3/31/2008	
	31	28	31	274	366	31	
Revenue							
Gross for Month - North & South	135,711,391	123,253,862	129,974,580	\$ 1,165,401,262	\$ 1,384,127,824	\$ 124,330,002	\$ 12,457,529
Net Revenue - North & South	36,094,720	32,943,237	35,517,143	\$ 321,053,967	\$ 398,939,675	\$ 37,547,661	\$ 3,151,483
Net:Gross %	26.6%	26.7%	27.3%	27.5%	28.8%	30.2%	-0.1%
Last 3 Month Daily Average (Gross)	4,321,554	4,272,822	4,163,833	\$ 4,253,289	\$ 3,781,770	\$ 3,966,440	\$ 48,732
Last 3 Month Daily Average (Net)	1,161,723	1,156,209	1,163,239	1,171,730	1,089,999	1,150,520	5,514
Cash Collections							
Month to Date	Cash Rpt 40,819,238	36,504,410	36,259,939	\$ 310,271,439	\$ 403,728,413	\$ 33,639,070	\$ 4,314,828
Month to Date Goal	Cash Rpt 35,998,045	35,998,045	35,998,045	323,982,405	396,657,548	35,911,050	\$ -
Over (under) Goal	4,821,193	506,365	261,894	\$ (13,710,966)	\$ 7,070,865	\$ (2,271,980)	\$ 4,314,828
% of Goal	Calc 113%	101%	101%	95.8%	101.8%	93.7%	12.0%
Point of Service Collections							
Cash 15 days	462,379	449,006	443,707	\$ 3,692,596	\$ 3,387,302	\$ 283,564	\$ 13,373
Month to Date Goal	Cash 15 days 385,000	385,000	385,000	3,250,400	3,843,000	328,000	\$ -
Over (under) Goal	\$ 77,379	\$ 64,006	\$ 58,707	\$ 442,196	\$ (455,698)	\$ (44,436)	\$ 13,373
% of Goal	Calc 120.1%	116.6%	115.2%	113.6%	88.1%	86.5%	3.5%
Accounts Receivable							
0-30	AR Comp 99,017,219	100,946,181	102,959,099		\$ 82,995,765	\$ 92,648,411	\$ (1,928,962)
31-60	AR Comp 36,155,292	39,144,713	42,483,181		25,895,259	33,589,285	(2,989,420)
61-90	AR Comp 24,109,935	23,199,732	33,217,649		14,408,929	15,439,708	910,203
91-180	AR Comp 34,610,374	37,736,455	40,531,348		23,299,340	27,323,121	(3,126,081)
Over 180	AR Comp 25,924,840	25,312,913	23,824,225		19,271,702	25,332,012	611,928
Total	Calc \$ 219,817,660	\$ 226,339,993	\$ 243,015,502		\$ 165,870,995	\$ 194,332,537	\$ (6,522,333)
A/R Days (Gross)	Calc 50.87	52.97	58.36		43.54	48.99	(2.11)
% of AR aged over 180 days	calc 11.8%	11.2%	9.8%		12%	13%	0.01
Number of Accounts	ATB 72,496	73,511	71,829		61,570	61,917	(1,015)
Credit Balance Accounts:							
Dollars ATB	\$ (4,790,368)	\$ (7,636,183)	\$ (5,472,002)		\$ (3,144,574)	\$ (1,580,476)	\$ 2,845,815
Number of Accounts ATB	9,624	10,211	8,885		4,136	1,847	(587)

Revenue Cycle Key Indicators Trend Report



Source		Current Month End	Current Month End	Current Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Current Month End Previous FY	Change from Prior Month
Period Ending		3/31/2009	2/28/2009	1/31/2009	3/31/2009	6/30/2008	3/31/2008	
Days in Period		31	28	31	274	366	31	
Accounts Receivable by Major Payer								
Medicare	AR Comp	45,401,048	50,474,856	51,336,100		\$ 32,549,770	\$ 47,068,606	\$ (5,073,808)
Last 3 months daily average revenue	Lawson	1,211,490	1,190,711	1,124,881		1,066,927	1,130,598	\$ 20,779
Gross Days revenue outstanding	Calc	37.48	42.39	45.64		30.51	41.63	(4.92)
MediCal (Includes M-Cal HMO)	AR Comp	39,004,300	39,166,139	37,237,765		27,638,700	28,438,805	(161,839)
Last 3 months daily average revenue	Lawson	797,259	766,732	702,215		660,788	708,846	30,527
Gross Days revenue outstanding	Calc	48.92	51.08	53.03		41.83	40.12	-2.16 0
Comm/Managed Care (Incl Mcare HMO)	AR Comp	98,096,668	96,549,065	112,807,456		78,740,548	86,482,646	1,547,603
Last 3 months daily average revenue	Lawson	2,137,131	2,105,778	2,084,776		1,908,593	1,978,207	31,353
Gross Days revenue outstanding	Calc	45.90	45.85	54.11		41.26	43.72	0.05
Self-Pay (Incl Client Accts)	AR Comp	37,315,645	40,149,932	41,634,181		26,941,976	32,342,481	(2,834,288)
Last 3 months daily average revenue	Lawson	180,325	209,601	251,960		172,970	148,789	(29,276)
Gross Days revenue outstanding	Calc	206.93	191.55	165.24		155.76	217.37	15.38
Accounts to Collections								
M-T-D Amount of BD to Collections	Adj Rpt	5,667,649	5,085,625	2,024,405	36,090,648	9,805,788	5,051,833	\$ 582,024
% of Gross Revenue (Target < 2%)		4.2%	4.1%	1.6%	0.03	8.6%	4.1%	0.1%
Charity & Undocumented Write-offs								
M-T-D Amount	Adj Rpt	2,713,221	1,159,840	2,716,295	15,897,465	2,847,359	2,909,266	\$ 1,553,381
% of Gross Revenue (Target < 2%)		2.0%	0.9%	2.1%	1.4%	2.5%	2.3%	1.1%
Administration Adjustments								
M-T-D Amount	Adj Rpt	60,031	133,187	127,194	958,064	624,358	397,845	\$ (73,156)
% of Gross Revenue (Target < 1%)		0.0%	0.1%	0.1%	0.1%	0.5%	0.3%	-0.1%

Revenue Cycle Key Indicators Trend Report



Source	Current Month End	Current Month End	Current Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Current Month End Previous FY	Change from Prior Month
Period Ending Days in Period	3/31/2009	2/28/2009	1/31/2009	3/31/2009	6/30/2008	3/31/2008	
Discharged Not Final Billed (DNFB)	31	28	31	274	366	31	
DNFB Action Required							
HIM (Waiting for Coding) DNFB Rpt	\$ 5,183,947	\$ 5,130,694	\$ 4,935,231		5,423,822	10,918,183	\$ 53,253
PBS (Correction required) DNFB Rpt	453,554	70,994	39,712		100,312	800,337	\$ 382,560
Other holds requiring correction DNFB Rpt						-	\$ -
Total Action Required	5,637,501	5,201,688	4,974,943		5,524,134	11,718,520	435,813
# of AR Days action Required	1.30	1.22	1.19		1.45	2.95	0.09
DNFB No Action Required							
4 Day Standard Delay DNFB Rpt	\$ 26,182,828	\$ 26,304,882	\$ 21,151,498		18,224,428	14,670,398	\$ (122,054)
Other DNFB Rpt	3,254,135	1,135,545	12,939,094		1,918,384	2,094,079	2,118,590
Total No Action Required	29,436,963	27,440,427	34,090,592		20,142,812	16,764,477	1,996,536
							0
Total DNFB	\$ 35,074,464	\$ 32,642,115	\$ 39,065,535		25,666,946	28,482,997	2,432,349
Total Days in DNFB	8.12	7.64	9.38		6.74	7.18	0.48

Late Charges

Late Charges from Date of Service 5 to 20 Days

Number of line items	7,758	15,029	30,488	106,759	8,261	5,838	(7,271)
Dollar amount of Charges	1,046,626	3,684,000	4,272,603	16,539,529	949,778	879,629	\$ (2,637,374)
Dollar amount of Credits	(1,060,158)	(3,159,187)	(11,677,135)	(20,906,744)	(660,172)	(829,375)	\$ 2,099,029
Net Dollar Amount	(13,531)	524,813	(7,404,532)	(4,367,215)	289,606	50,253	\$ (538,345)
Absolute Dollar Amount	\$ 2,106,784	\$ 6,843,187	\$ 15,949,739	\$ 33,758,754	\$ 949,778	\$ 879,629	\$ (4,736,403)

Late Charges from Date of Service > 21 Days

Number of line items	49,052	47,461	24,770	198,165	95,068	10,715	1,591
Dollar amount of Charges	1,713,383	2,208,497	2,277,278	19,275,632	1,987,236	1,829,359	(495,114)
Dollar amount of Credits	(2,455,328)	(2,607,710)	(20,864,653)	(37,826,862)	(1,321,540)	(2,133,056)	152,382
Net Dollar Amount	(741,945)	(399,213)	(18,587,376)	(18,551,231)	665,696	(303,697)	(342,732)
Absolute Dollar Amount	\$ 4,168,711	\$ 4,816,207	\$ 23,141,931	\$ 57,102,494	\$ 3,308,776	\$ 3,962,415	\$ (647,495)

SUPPLEMENTAL INFORMATION

Apr-09	Apr 3-Apr 9	Apr 10-Apr 16			MTD Total	MTD Budget	% Variance
ADC (Acute)	304	286	0	0	295	311	(5.39)
PMC	225	209	0	0	217	231	(5.93)
POM	78	77	0	0	78	81	(3.85)
PCCC	90	89	0	0	89	85	5.05
VP	121	121	0	0	121	123	(1.57)
Patient Days (Acute)	2125	1999	0	0	4,124	4,359	(5.39)
PMC	1576	1463			3,039	3,231	(5.93)
POM	549	536			1,085	1,128	(3.85)
PCCC	627	625			1,252	1,192	5.05
VP	845	850			1,695	1,722	(1.57)
Discharges	560	509	0	0	1,069	1,130	(5.40)
PMC	426	381			807	846	(4.61)
POM	134	128			262	284	(7.75)
Number of Surgeries	209	235	0	0	444	467	(4.93)
PMC	136	165			301	322	(6.52)
POM	73	70			143	145	(1.38)
Number of Births	74	93	0	0	167	206	(18.93)
PMC	59	71			130	160	(18.75)
POM	15	22			37	46	(19.57)

Weekly Flash Report

Apr-09	Apr 3-Apr 9	Apr 10-Apr 16			MTD Total	MTD Budget	% Variance
Outpatient Visits (inc. Lab)	1745	1704	0	0	3,449	4,112	(16.12)
PMC	1110	1114			2,224	2,806	(20.74)
POM	635	590			1,225	1,306	(6.20)
ER Visits	1825	1733	0	0	3,558	3,477	2.33
PMC	1242	1181			2,423	2,379	1.85
POM	583	552			1,135	1,098	3.37
Trauma Visits	20	18	0	0	38	47	(19.15)
IP	17	14			31	42	(26.19)
OP	3	4			7	5	40.00
Gross IP Revenue	21,692,073	21,431,322			43,123,395	43,933,966	(1.84)
Gross OP Revenue	8,347,738	8,479,506			16,827,244	13,613,997	23.60
Cash Collection	7,401,103	10,131,221			17,532,324	22,284,504	(21.33)
Days cash on hand	100	104			104	80	
Prod Hrs (PP 21)		218,755			218,755	213,072	(2.67)
PMC - North		127,811			127,811	125,922	(1.50)
POM - South		57,549			57,549	58,259	1.22
Others	-	33,395	-	-	33,395	28,891	(15.59)
Prod \$ (PP 21)		7,185,698			7,185,698	6,964,936	(3.17)
PMC - North		4,104,155			4,104,155	4,140,081	0.87
POM - South		1,861,783			1,861,783	1,839,666	(1.20)
Others	-	1,219,760	-	-	1,219,760	985,189	(23.81)

Investment Fund - Quarter Ended March 31, 2009 Yield Analysis

Investment Account:	% of Portfolio at 3/31/09	Maturity Date	Yield	Benchmark		Actual to Benchmark Variance	Total Yield
Fidelity-Institutional Portfolio Treasury Fund	1.03%	Demand	0.32%	0.00%	(1)	0.32%	0.00%
State Treasurer Local Agency Investment Fund	24.63%	Demand	1.91%	0.00%	(1), (2)	1.91%	0.47%
Salomon Brothers	37.83%	Various	0.80%	0.00%	(3)	0.80%	0.30%
				-11.00%	(4)	11.80%	
Pacific Income Advisers, Inc.	36.10%	Various	0.20%	0.30%	(5)	-0.10%	0.07%
				-11.00%	(4)	11.20%	
Morgan Stanley & Co.	0.40%	Various	0.32%	0.00%	(1)	0.32%	0.00%
Total:	<u>100.00%</u>					TOTAL YIELD:	0.85%

- (1) Approximate average of 90 day T-Bills
- (2) LAIF annual average return based upon monthly yields
- (3) LB Intermediate Government Credits
- (4) S&P 500
- (5) LB 1-3 yr Government Credits