Posted
Tuesday
October 21, 2009

BOARD FINANCE COMMITTEE MEETING

PALOMAR POMERADO HEALTH

TUESDAY, OCTOBER 27, 2009
7:30 p.m. Meeting

PALOMAR MEDICAL CENTER
555 E. VALLEY PARKWAY, ESCONDIDO, CA
GRAYBILL AUDITORIUM

❖ ***CALL TO ORDER*** ..... ***7:30 p.m.***

- Public Comments ..... 5 ..... 7:35 p.m.

(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)

- Information Item(s)
  - Licensure of PMC-West and PMC-East ..... 5 ..... 7:40 p.m.

1. * Review/Approval: Draft Audited Financial Statements for Years Ended June 30, 2009 and 2008 *(Addendum A)* ..... 20 ..... **AG3** 8:00 p.m.
2. * Approval: Minutes – Tuesday, September 29, 2009 *(Addendum B)* ..... 5 ..... **AG4** 8:05 p.m.
3. Review: First Quarterly Update – FY2010 Initiatives *(Addendum C)* ..... 20 ..... **AG5** 8:25 p.m.
4. * Approval: September 2009 & YTD FY2010 Financial Report *(Addendum D)* ..... 20 ..... **AG6** 8:45 p.m.
5. * Review/Approval: Physician Independent Contractor Agreements – Electronic Healthcare Record Projects – Information Systems Services ..... 5 ..... **AG7-16** 8:50 p.m.
   - Kevin Daly, MD
   - Lachlan Macleay, MD
   - Stephen F. Signer, MD
   - Steven Zgliniec, MD
   - Julie Chuan, MD
   - Marc Gipsman, MD
   - Roger Acheatel, MD
   - Sabiha Pasha, MD
6. * Review/Approval: Emergency On-Call Agreements – POM ..... 15 ..... 9:05 p.m.
   - Gilbert Ho, MD – Neurology **AG17-19**
   - Maria Castillo, MD – Obstetrics & Gynecology **AG20-22**
   - Helen Chang, MD – Obstetrics & Gynecology **AG23-25**
   - Karen Kohatsu, MD – Obstetrics & Gynecology **AG26-28**
   - Gregory Langford, MD – Obstetrics & Gynecology **AG29-31**
   - Robert Lasting, MD – Obstetrics & Gynecology **AG32-34**
   - Hanh Le, MD – Obstetrics & Gynecology **AG35-37**
   - Timothy Maresh, MD – Obstetrics & Gynecology **AG38-40**
   - Nicole Nguyen, MD – Obstetrics & Gynecology **AG41-43**
   - Lorne Kapner, MD – Ophthalmology **AG44-46**
   - Howard Krausz, MD – Ophthalmology **AG47-49**
   - Erwin Omens, MD – Ophthalmology **AG50-52**
   - Robert Gramins, DDS – Oral & Maxillofacial Surgery **AG53-55**
   - Albert Lin, DDS – Oral & Maxillofacial Surgery **AG56-58**
   - Antoine Hallak, MD – Plastic Surgery **AG59-61**
7. * Review/Approval: Emergency On-Call Agreements – Contract Extension ..... 5 ..... 9:10 p.m.
   - Brian Le, MD – Ophthalmology – POM **AG62-64**
   - Lillian Lee, MD – Ophthalmology – POM **AG65-67**
   - Pacific Center for Neurological Disease, Inc. (PCND) – Neurology – POM **AG68-70**
   - Southwest Neurology Medical Group (SWNMG) – Neurology – PMC **AG71-73**
8. * Review/Approval: Physician Recruitment Agreement – Amendment to Start Date ..... 5 ..... **AG74-76** 9:15 p.m.
   - Brian A. Link, MD and Thomas A. Jones, MD, Inc. - Urology

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

"In observance of the ADA (American with Disabilities Act), please notify us at 760-740-6383 48 hours prior to the meeting so that we may provide reasonable accommodations"

- ***ADJOURNMENT TO CLOSED SESSION*** ..... ***9:15 p.m.***

  ~ pursuant to California Government Code §54954.5(h)

  REPORT INVOLVING TRADE SECRET

  30 ..... ***9:45 p.m.***

  Discussion Will Concern Proposed New Service
  Estimated date of public disclosure: December 2009

- ***RESUMPTION OF OPEN SESSION*** ..... ***9:45 p.m.***
  - **Action Resulting From Closed Session Discussion, *IF ANY*** ***5*** ..... ***9:50 p.m.***
- ***FINAL ADJOURNMENT*** ..... ***9:50 p.m.***

Draft Audited Financial Statements for Years Ended June 30, 2009 and 2008 & Independent Auditors' Report

TO: Board Finance Committee

DATE: Tuesday, October 27, 2009

FROM: Tim Nguyen, Corporate Controller

BY: Bob Hemker, CFO

BACKGROUND: The draft Audited Financial Statements for the Years Ended June 30, 2009 and 2008, and the Independent Auditors' Report are respectfully submitted for approval *(Addendum A).*

BUDGET IMPACT: N/A

STAFF RECOMMENDATION: Approval of the draft Audited Financial Statements for the Years Ended June 30, 2009 and 2008, and the Independent Auditors' Report as submitted.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Minutes
Finance Committee – Tuesday, September 29, 2009

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

FROM: Tanya Howell, Secretary

BY: Bob Hemker, CFO

Background: The minutes of the Board Finance Committee meeting held on Tuesday, September 29, 2009, are respectfully submitted for approval *(Addendum B)*.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval of the Tuesday, September 29, 2009, Board Finance Committee minutes.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

First Quarterly Update – FY2010 Initiatives

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

FROM: Robert Hemker, CFO

Background: Pursuant to direction of the Board upon adoption of the FY2010 Initiatives, we will be reviewing those associated with Finance Committee oversight. This will be the first quarterly review of the FY2010 Initiatives, which have been updated and are appended as Addendum C.

Budget Impact: N/A

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

September 2009 & YTD FY2010 Financial Report

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

FROM: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for September 2009 and YTD FY2010 are submitted for the Finance Committee's approval *(Addendum D).*

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH
PHYSICIAN INDEPENDENT CONTRACTOR AGREEMENTS
ELECTRONIC HEALTHCARE RECORD PROJECTS –
INFORMATION SYSTEMS SERVICES

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

FROM: Ben Kanter, MD, CMIO

BACKGROUND: Palomar Pomerado Health (PPH) requires the active involvement of physicians in many aspects of Information Systems programs. Currently, PPH employs a CMIO (Benjamin Kanter, MD) who is solely responsible for the relationship between the medical staff and information systems. PPH is actively working on expanding the functions and features of our electronic healthcare record in order to prepare clinicians for their migration to PMC-West, to improve quality and safety, and to meet the goals set forth by the Obama administration in the ARRA of 2009. As part of the electronic healthcare record suite of projects being implemented, physician involvement is critical for success. Physicians will be asked to participate on these projects (CPOE, physician documentation, ICU integration of monitors with the records, and more) and—depending upon their work effort—will need to be reimbursed according to standard and customary manners and rates.

THERE IS A SEPARATE CONTRACT WITH EACH OF THE FOLLOWING PHYSICIANS:

- Kevin Daly, MD
- Lachlan Macleay, MD
- Stephen F. Signer, MD
- Steven Zgliniec, MD
- Julie Chuan, MD
- Marc Gipsman, MD
- Roger Acheatel, MD
- Sabiha Pasha, MD

BUDGET IMPACT: After discussion with many different sites across the U.S., a fair market value was established for the mean value hourly reimbursement for such work. All fees payable to medical staff members have been budgeted within the IT projects listed above.

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	2009 Physician Independent Contractor Agreement
9.1	**AGREEMENT DATE**	September 1, 2009
	PARTIES	Kevin Daly, MD Lachlan Macleay, MD Stephen F. Signer, MD Steven Zgliniec, MD Julie Chuan, MD Marc Gipsman, MD Roger Acheatel, MD Sabiha Pasha, MD
Sec.1	**PURPOSE**	To assist the CMIO in the implementation of Computerized Physician Order Entry, computerized physician documentation, and any other required work on the Cerner Roadmap projects.
1.1	**SCOPE OF SERVICES**	The physicians will work as subject matter experts, may be asked to lead development teams, travel with PPH employees to do off-site evaluations, and attend Cerner training sessions here and in Kansas City.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
9.1	**TERM**	1 year
9.1	**RENEWAL**	No automatic renewal
9.2	**TERMINATION**	10-day notice by either party without cause
2.1	**COMPENSATION METHODOLOGY**	Hourly rate - itemized
	BUDGETED	■ **YES** – **IMPACT:** None
	EXCLUSIVITY	■ **NO**
	JUSTIFICATION	Medical and IT subject matter expert required to assist in the planning and design of the electronic record. Fee is standard for this process and is based upon analysis from similar projects across the U.S.
	AGREEMENT NOTICED	■ **NO** **Methodology & Response:**
	ALTERNATIVES/IMPACT	n/a
	Duties	☐ **Provision for Staff Education** ☐ **Provision for Medical Staff Education** ☐ **Provision for participation in Quality Improvement** ☐ **Provision for participation in budget process development**
	COMMENTS	Renewal of contract backdated to reflect expiration of contract from prior year.
	APPROVALS REQUIRED	■ VP ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Kevin Daly, MD ("Contractor"), with a principal place of business at 555 East Valley Parkway, Escondido, CA 92025 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

Signed

AG9

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Lachlan Macleay, MD ("Contractor"), with a principal place of business at 2015 Karren Lane, Carlsbad, CA 92008 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

AG10

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Stephen Fortus Signer, MD ("Contractor"), with a principal place of business at 11770 Bernardo Plaza Court, Suite 370, San Diego, CA 92128 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

AG11

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Steve Zgliniec, MD ("Contractor"), with a principal place of business at 488 East Valley Pkwy #314, Escondido, CA 92025 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

Signed

AG12

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Julie Chuan, MD ("Contractor"), with a principal place of business at 11670 Chippenham Way, San Diego, CA 92128 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

Signed AG13

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Marc Gipsman MD ("Contractor"), with a principal place of business at 332 Juniper Street, Suite 108, Escondido, CA 92025 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

AG14

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Roger Acheatel, MD ("Contractor"), with a principal place of business at 488 East Valley Pkwy #201, Escondido, CA 92025 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

Signed AG15

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between Sabiha Pasha MD ("Contractor"), with a principal place of business at 555 E. Valley Parkway, Escondido, CA 92025 and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

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1.1 Scope of Services:

1.1.1 Contractor shall provide consulting services on an as-needed basis as agreed to between Contractor and PPH. Contractor will assist the CMIO with the implementation of an electronic health record and other "EHR Roadmap" projects as deemed required. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH.

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1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;

AG16

POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
GILBERT HO, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Gilbert Ho, 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 Neurology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Gilbert, Ho 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 Neurology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Gilbert Ho, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
MARIA CASTILLO, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Maria Castillo, 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 Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	November 1, 2009
	PARTIES	1) Pomerado Hospital 2) Castillo, Maria, 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 Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of November 1, 2009 through October 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of November, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Maria Castillo, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
HELEN CHANG, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Helen Chang, 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 Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Chang, Helen 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 Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Helen Chang, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
KAREN KOHATSU, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Karen Kohatsu, 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 Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Kohatsu, Karen
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 Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Karen Kohatsu, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
GREGORY LANGFORD, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Gregory Langford, 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 Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Langford, Gregory 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 Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Gregory Langford, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
ROBERT LASTING, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Robert Lasting, 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 Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Lasting, Robert 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 Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Robert Lasting, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
HANH LE, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Hanh Le, 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 Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Le, Hanh, MD
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 Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Hanh Le, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
TIMOTHY MARESH, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Timothy Maresh, MD. Physician shall serve as a member of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Maresh, Timothy MD
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 Surgery, Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Timothy Maresh, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
NICOLE NGUYEN, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Nicole Nguyen, MD. Physician shall serve as a member of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Obstetrics and Gynecology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	November 1, 2009
	PARTIES	1) Pomerado Hospital 2) Nguyen, Nicole, MD
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 Surgery, Obstetrics and Gynecology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of November 1, 2009 through October 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of November, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Nicole Nguyen, 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

POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
LORNE KAPNER, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Lorne Kapner, 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 Ophthalmology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Kapner, Lorne 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 Ophthalmology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Lorne Kapner, 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

POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
HOWARD KRAUSZ, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Howard Krausz, 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 Ophthalmology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Krausz, Howard 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 Ophthalmology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Howard Krausz, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
ERWIN OMENS, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Erwin Omens, MD. Physician shall serve as a member of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Ophthalmology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Omens, Erwin
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 Surgery, Ophthalmology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Erwin Omens, 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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
ROBERT GRAMINS, DDS

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Robert Gramins, DDS. Physician shall serve as a member of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Surgery, Oral & Maxillofacial in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	November 1, 2009
	PARTIES	1) Pomerado Hospital 2) Gramins, Robert DDS
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 Surgery, Oral and Maxillofacial at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of November 1, 2009 through October 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of November, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Robert Gramins, DDS ("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

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POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
ALBERT LIN, DDS

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Albert Lin, DDS. Physician shall serve as a member of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Surgery, Oral and Maxillofacial in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Lin, Albert, DDS
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 Surgery, Oral and Maxillofacial at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Albert Lin, D.D.S.("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

AG58

POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT
ANTOINE HALLAK, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the On-Call Agreement with Antoine Hallak, 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 Plastic Surgery in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	September 1, 2009
	PARTIES	1) Pomerado Hospital 2) Hallak, Antoine, DDS
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 Plastic Surgery at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this agreement shall commence effective as of September 1, 2009 through August 31, 2012.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL AGREEMENT ("Agreement") is made and entered into effective as of the first day of September, 2009 by and between Palomar Pomerado Health, a California local health care district ("PPH"), and Antoine Hallak, 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

AG61

POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT EXTENSION
BRIAN LE, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the extension of the On-Call Agreement with Brian Le, 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 Ophthalmology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	Original agreement of January 1, 2009 will be extended effective January 1, 2010.
	PARTIES	1) Pomerado Hospital 2) Le, Brian, 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 Opthamalogy at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this extension shall commence effective as of January 1, 2010 through December 31, 2013.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Replacement of retired physician leaving the call pool. Need for continued Obstetrics and Gynecology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

CONTRACT AMENDMENT #1
BETWEEN
PALOMAR POMERADO HEALTH
AND
BRIAN LE, M.D.

This Amendment is made by and between **PALOMAR POMERADO HEALTH**, a local healthcare district organized under Division 23 of the California Health and Safety Code, and **Brian Le, M.D.**, on this the 1st day of January, 2010 ("Effective Date of Amendment").

In consideration of the mutual promises of the parties, the receipt and sufficiency of which are hereby acknowledged, the **Emergency On-Call Agreement** between the parties ("Agreement") that was entered into effective January 1, 2009, and is hereby amended as follows:

5. Term of Agreement.

Notwithstanding its date(s) of execution by the parties, the term of this Agreement shall commence effective as of January 1, 2009 and shall continue through December 31, 2013, unless earlier terminated as hereinafter provided.

All other terms of the Agreement remain in full force and effect. In the event of a conflict, the provisions, terms and conditions of this Amendment shall prevail.

The parties have executed this Amendment on the date set forth below.

BRIAN LE, M.D.	**PALOMAR POMERADO HEALTH**
By:_____	By:_____
Brian Le, MD	Robert A. Hemker Chief Financial Officer
Date: _____	Date:_____

POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT EXTENSION
LILLIAN LEE, M.D.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

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

BACKGROUND: This contract represents the extension of the On-Call Agreement with Lillian Lee, 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 Ophthalmology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH.

BUDGET IMPACT: None

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	Original agreement of February 1, 2009 will be extended effective February 1, 2010.
	PARTIES	1) Pomerado Hospital 2) Lee, Lillilan, MD
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 Opthamalogy at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this extension shall commence effective as of February 1, 2010 through January 31, 2013.
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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Replacement of retired physician leaving the call pool. Need for continued Obstetrics and Gynecology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

CONTRACT AMENDMENT #1
BETWEEN
PALOMAR POMERADO HEALTH
AND
LILLIAN LEE, M.D.

This Amendment is made by and between **PALOMAR POMERADO HEALTH**, a local healthcare district organized under Division 23 of the California Health and Safety Code, and **Lillian Lee, M.D.**, on this the 1st day of February, 2010 ("Effective Date of Amendment").

In consideration of the mutual promises of the parties, the receipt and sufficiency of which are hereby acknowledged, the **Emergency On-Call Agreement** between the parties ("Agreement") that was entered into effective February 1, 2009, and is hereby amended as follows:

5. Term of Agreement.

Notwithstanding its date(s) of execution by the parties, the term of this Agreement shall commence effective as of February 1, 2009 and shall continue through January 31, 2013, unless earlier terminated as hereinafter provided.

All other terms of the Agreement remain in full force and effect. In the event of a conflict, the provisions, terms and conditions of this Amendment shall prevail.

The parties have executed this Amendment on the date set forth below.

LILLIAN LEE, M.D.	**PALOMAR POMERADO HEALTH**
By:_____	By:_____
Lillian Lee, MD	Robert A. Hemker Chief Financial Officer
Date: _____	Date:_____

POMERADO HOSPITAL
EMERGENCY ON-CALL AGREEMENT EXTENSION
PACIFIC CENTERS FOR NEUROLOGICAL DISEASE, INC.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

FROM: Kim Colonnelli, RN, BSN, MA, NE-BC, Chief Nursing Officer, Pomerado Hospital

BACKGROUND: This is a request to approve the extension of the Emergency On-Call Agreement with Pacific Centers for Neurological Disease, Inc. Physicians in the group shall continue to serve as members of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Neurology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH

BUDGET IMPACT: None

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	Original agreement of November 1, 2006 will be extended effective October 2, 2009.
	PARTIES	1) Pomerado Hospital 2) Pacific Centers for Neurological Disease, Inc.
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 Neurology at Pomerado Hospital.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
5	**TERM**	The term of this extension shall commence effective as of October 2, 2009 through October 1, 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 15th of the month with supporting documentation.
	BUDGETED	■ **YES** ☐ **NO – IMPACT:**
	EXCLUSIVITY	■ **NO** ☐ **YES – EXPLAIN:**
	JUSTIFICATION	Need for continued Neurology consultation call coverage for the Emergency Department.
	AGREEMENT NOTICED	☐ **YES** ■ **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	■ Officers ■ CFO ■ CEO ■ BOD Committee Finance ■ BOD

CONTRACT AMENDMENT #1 BETWEEN
PALOMAR POMERADO HEALTH
AND
PACIFIC CENTER FOR NEUROLOGICAL DISEASE, INC.

1.) This Amendment is made by and between PALOMAR POMERADO HEALTH ("PPH"), a local healthcare district organized under Division 23 of the California Health and Safety Code, and Pacific Center for Neurological Disease, Inc. on this 2nd day of October 2009.

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

2.) In consideration of the mutual promises of the parties, the receipt and sufficiency of which are hereby acknowledged, the Emergency On-Call Agreement between the parties ("Agreement"), dated November 1, 2006, is hereby amended as follows:

3.) This Agreement is hereby extended until October 1, 2010.

All other terms of the Agreement remain in full force and effect. In the event of a conflict, the provisions, terms and conditions of this Amendment shall prevail.

The parties have executed the Amendment as of the date set forth below.

Gilbert Ho, MD
Pacific Center for Neurological Disease, Inc.

By: _____
Date:_____

PALOMAR POMERADO HEALTH

By:_____
Robert A. Hemker
Chief Financial Officer
Date:_____

PALOMAR MEDICAL CENTER
EMERGENCY ON-CALL AGREEMENT EXTENSION
SOUTHWEST NEUROLOGY MEDICAL GROUP

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 2009

FROM: Kim Colonnelli, RN, BSN, MA, NE-BC, Chief Nursing Officer, Pomerado Hospital

BACKGROUND: This is a request to approve the extension of the Emergency On-Call Agreement with Southwest Neurology Medical Group. Physicians in the group shall continue to serve as members of the On-Call Panel on a rotating basis and provide On-Call Coverage for the specialty of Neurology in accordance with the Hospital bylaws, rules and regulations, policies and procedures of PPH

BUDGET IMPACT: None

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	Professional Services Agreement
	AGREEMENT DATE	October 2, 2009
Section 1	**PARTIES**	Southwest Neurology Medical Group and PPH
	PURPOSE	To provide professional neurology medical coverage in all departments of the Palomar Medical Center.
1.1, 1.7	**SCOPE OF SERVICES**	Professional medical coverage 24 hours per day, 365 days per year at PMC.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
6, 7.1	**TERM**	October 2nd, 2009 through October 1st, 2010 (one year)
	RENEWAL	None and can be terminated upon 90 days written notice prior to the anniversary date
8.2.1.1 8.2.2	**TERMINATION**	For cause as defined in the agreement
3.1 Exhibit B	**COMPENSATION METHODOLOGY**	Monthly payment on or before the 15th day of each calendar month commencing with the second (2nd) calendar month of the term of this Agreement.
	BUDGETED	■ **YES** ☐ **NO** – **IMPACT:**
	EXCLUSIVITY	■ **NO** ☐**YES – EXPLAIN:**
	JUSTIFICATION	Required for standard of care for patients who develop a neurological condition
	POSITION POSTED	☐ **YES** ■ **NO** **Methodology & Response:**
	Duties	All included ☐ **Provision for Staff Education** ☐**Provision for Medical Staff Education** ☐**Provision for participation in Quality Improvement**
	COMMENTS	This is an update of the previous agreement.
	APPROVALS REQUIRED	☐ VP ☐ CFO ☐ CEO ☐ BOD Committee _____ ☐ BOD

CONTRACT AMENDMENT #1 BETWEEN
PALOMAR POMERADO HEALTH
AND
SOUTHWEST NEUROLOGY MEDICAL GROUP

1.) This Amendment is made by and between PALOMAR POMERADO HEALTH ("PPH"), a local healthcare district organized under Division 23 of the California Health and Safety Code, and Southwest Neurology Medical Group on this 2nd day of October 2009.

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

2.) In consideration of the mutual promises of the parties, the receipt and sufficiency of which are hereby acknowledged, the Emergency On-Call Agreement between the parties ("Agreement"), dated November 1, 2006, is hereby amended as follows:

3.) This Agreement is hereby extended until October 1, 2010.

All other terms of the Agreement remain in full force and effect. In the event of a conflict, the provisions, terms and conditions of this Amendment shall prevail.

The parties have executed the Amendment as of the date set forth below.

Robert Warren, M.D. Southwest Neurology Medical Group	PALOMAR POMERADO HEALTH
By: _____	By:_____ Robert A. Hemker Chief Financial Officer
Date:_____	Date:_____

Amended Physician Recruitment Agreement
Brian A. Link, M.D. & Thomas A. Jones, M.D., Inc.

TO: Board Finance Committee

MEETING DATE: Tuesday, October 27, 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 recruited Brian A. Link, M.D., to join the practice of Thomas A. Jones, M.D., Inc., and has obtained both Board Finance Committee approval (at 4/20/09 meeting) and Full Board approval (at 5/11/09 meeting) for his recruitment agreement. Dr. Link, however, had a delay in his availability and intends to begin practicing in February 2010, so we are seeking approval of the amendment to change his original start date.

Budget Impact: None

Staff Recommendation: Approval of the Amendment to Physician Recruitment Agreement with Brian A. Link, M.D., and Thomas A. Jones, M.D., Inc., and recommend approval by the full Board of Directors.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Amendment to Physician Recruitment Agreement—General Urology with expertise in robotic procedures
	AGREEMENT DATE	Original Agreement - April 20, 2009, Amendment to reflect new start date of February 2010
	PARTIES	1) PPH 2) Brian A. Link, M.D. 3) Thomas A. Jones,M.D., Inc.
Recitals	**PURPOSE**	Approve amendment to recruitment contract.
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	X **YES** ☐ **NO** – **IMPACT:** None
5.1; 9.19	**EXCLUSIVITY**	X **NO** ☐ **YES – EXPLAIN:** Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital. The contract does include a non-compete clause.
	PHYSICIAN MANPOWER STUDY	Medical Development Specialists, a national consulting firm who performed our Physician Manpower Study, completed an analysis which confirmed there is a justifiable community need for this recruitment
	EXTERNAL FINANCIAL VERIFICATION	X **YES** ☐ **NO** **Methodology:** Medical Development Specialists (MDS) developed a pro forma for the practice to establish the contract value to cover income guarantee and cash flow needs. MDS also provided the market comparison to establish an appropriate income guarantee.
	LEGAL COUNSEL REVIEW	X **Yes** ☐ **NO** Exceptions to the standard agreement are noted in redlined agreement. Legal Counsel has approved this amendment.
	APPROVALS REQUIRED	X Director, Physician & Business Development X General Counsel X CFO X CEO X BOD Finance Committee on October 27, 2009 X BOD

CONTRACT AMENDMENT #1
BETWEEN
PALOMAR POMERADO HEALTH
AND
BRIAN A. LINK, M.D.
AND
THOMAS A. JONES, M.D., INC.

This Amendment is made by and between **PALOMAR POMERADO HEALTH**, a local healthcare district organized under Division 23 of the California Health and Safety Code, and **Brian A. Link, M.D., and Thomas A. Jones, M.D., Inc.**, on this the Fifteenth day of October, 2009. ("Effective Date")

In consideration of the mutual promises of the parties, the receipt and sufficiency of which are hereby acknowledged, the **PHYSICIAN RECRUITMENT AGREEMENT** between the parties ("Agreement"), dated **April 20, 2009**, is hereby amended as follows:

WHEREAS, the Physician is not available to begin practice in the PPH Service Area until January 11, 2010, the Parties, by signing below, hereby amend the Agreement as follows:

3.1 Length of Practice. Physician agrees to begin Full-time practice in the Service area no later than February 1, 2010, to maintain an unrestricted California license to practice medicine and all other unrestricted licenses or certifications necessary to maintain the Practice.

All other terms of the Agreement remain in full force and effect. In the event of a conflict, the provisions, terms and conditions of this Amendment shall prevail.

The parties have executed this Amendment on the date set forth below.

PHYSICIAN & GROUP

By:_____
Brian A. Link, M.D.

Date:_____

By:_____
Thomas A. Jones, M.D., Inc.

Date: _____

PALOMAR POMERADO HEALTH

By:_____
Robert A. Hemker
Chief Financial Officer

Date:_____

ADDENDUM A

Palomar Pomerado Health

Consolidated Financial Statements as of and for the Years Ended June 30, 2009 and 2008, and Independent Auditors' Report

PALOMAR POMERADO HEALTH

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PALOMAR POMERADO HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Palomar Pomerado Health (PPH) is a public healthcare district and is a political subdivision in the State of California (the "State") organized pursuant to Division 23 of the Health and Safety Code of the State of California.

This section of PPH's annual financial report presents our analysis of PPH's financial performance for the years ended June 30, 2009 and 2008. Although the 2007 condensed consolidated balance sheet, statement of revenue, expenses, and changes in net assets, and statement of cash flows are presented in this section, they are not presented in the accompanying consolidated financial statements and notes to the consolidated financial statements. Please read this analysis in conjunction with the consolidated financial statements that follow this section.

This annual financial report includes:

- Management's Discussion and Analysis
- Independent Auditors' Report
- Consolidated Financial Statements of Palomar Pomerado Health, including notes that explain in more detail some of the information in the consolidated financial statements

PPH's consolidated financial statements report information using accounting methods required by the Governmental Accounting Standards Board (GASB) which, while similar to those used by private sector healthcare organizations, include some differences as described further in this management's discussion and analysis. These consolidated financial statements contain short-term and long-term financial information about PPH's activities.

Required Financial Statements

Consolidated Balance Sheets — The consolidated balance sheets include all of PPH's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to PPH's creditors (liabilities), and net assets — the difference between assets and liabilities — of PPH and the changes in them. The balance sheets also provide the basis for evaluating the capital structure of PPH and assessing the liquidity and financial flexibility of PPH.

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009, 2008, AND 2007
($000s)

	2009	2008	2007
ASSETS			
Current assets	$ 245,862	$ 217,613	$ 236,948
Capital assets	568,152	379,286	272,211
Noncurrent assets	287,946	351,425	165,152
TOTAL	$ 1,101,960	$ 948,324	$ 674,311
LIABILITIES AND NET ASSETS			
Current liabilities	$ 108,901	$ 102,455	$ 77,105
Other long-term liabilities (long-term workers' compensation)	1,714	2,511	5,024
Fair value of interest rate swap	16,752	6,025	
Long-term debt — net of current portion	645,744	531,954	294,724
Total liabilities	773,111	642,945	376,853
Invested in capital assets — net of related debt	149,971	126,940	92,944
Restricted for repayment of debt	13,923	20,708	29,698
Restricted for capital acquisitions	14,382	14,266	13,747
Restricted for other purposes	312	304	296
Unrestricted	150,261	143,161	160,773
Total net assets	328,849	305,379	297,458
TOTAL	$ 1,101,960	$ 948,324	$ 674,311

2009: Analysis of the Consolidated Balance Sheets

- Current assets increased $28,249,000 in 2009 primarily due to increases in investments of $33,435,000 and Patient Accounts Receivable of $8,057,000, which were offset by decreases in cash of $2,224,000, other receivables of $1,279,000, assets whose use is limited – current portion of $8,032,000 and assets whose use is limited – GO Bonds of $1,435,000.

- Capital assets increased by $188,866,000 primarily due to purchases related to PPH's major building projects of $210,391,000 offset by net disposals of $264,000, and depreciation expense of $21,261,000.

- Noncurrent assets decreased by $63,479,000 primarily due to the decrease of trustee-held funds of $54,706,000; a decrease in Board Designated funds of $12,117,000 and an increase in deferred financing costs of $4,307,000.

- Current liabilities increased by $6,446,000, primarily due to a $4,601,000 increase in accounts payable, a $1,688,000 increase in accrued compensation and related liabilities, a $1,536,000 increase in estimated third-party payor settlements and a $1,182,000 increase in other current liabilities. These increases were offset by a decrease in accrued interest payable of $2,681,000.

- Long-term debt increased by $113,790,000 primarily as a result of the issuance of $110,000,000 of Series 2009 General Obligation Bonds, plus the original issue premium of $5,364,000 less the principal payments on all PPH's bond issues of $9,660,000.

- Net assets increased $23,470,000 primarily due to results of operations of $9,469,000, property tax revenue of $25,505,000, offset by unrealized loss on interest rate swap of $10,727,000.

2008: Analysis of the Consolidated Balance Sheets

- Current assets decreased $19,335,000 in 2008 primarily due to a decreases in investments of $34,148,000; estimated third party payor settlements of $2,580,000 and the current portion of assets whose use is limited of $7,323,000 which were offset by increases in cash of $11,213,000; assets whose use is limited – GO Bonds - of $4,613,000; accounts receivable (net) of $6,741,000 and in prepaid expenses of $1,720,000.

- Capital assets increased by $107,075,000 primarily due to purchases related to PPH's major building projects of $128,511,000 offset by net disposals of $38,000, and depreciation expense of $21,398,000.

- Noncurrent assets increased by $186,273,000 primarily due to the increase of trustee-held funds of $169,955,000 and an increase in Board Designated funds of $12,117,000.

- Current liabilities increased by $25,350,000, primarily due to a $17,000,000 increase in accounts payable owed for the building project, and a $6,159,000 increase in accrued interest payable for the 2007 General Obligation bonds.

- Long-term debt increased by $237,230,000 primarily as a result of the issuance of $241,083,000 of Series 2007 General Obligation Bonds, plus the original issue premium of $5,708,000 less the principal payments on all PPH's bond issues of $13,220,000.

- Net assets increased $7,921,000 primarily due to investment income and tax revenue.

Consolidated Statements of Revenue, Expenses, and Changes in Net Assets — All of PPH's revenue, expenses, and other changes in net assets are accounted for in the consolidated statements of revenue, expenses, and changes in net assets. This statement measures the success of PPH's operations during the years presented and can be used to determine whether PPH has successfully recovered all of its costs through its fees and other sources of revenue. It also shows profitability and creditworthiness. Over time, increases or decreases in PPH's net assets are one indicator of whether its financial health is improving or deteriorating.

CONDENSED CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009, 2008 AND 2007
($000s)

	2009	2008	2007
OPERATING REVENUE:			
Net patient service revenue	$ 397,544	$ 370,661	$ 336,292
Net premium revenue	40,890	38,003	40,404
Other revenue	7,571	10,904	9,299
Total operating revenue	446,005	419,568	385,995
OPERATING EXPENSES	436,536	429,010	385,356
INCOME (LOSS) FROM OPERATIONS	9,469	(9,442)	639
NONOPERATING INCOME (EXPENSES):			
Investment income	4,290	6,698	7,275
Unrealized (loss) gain on interest rate swap	(10,727)	(10,398)	4,373
Interest expense	(5,353)	(4,514)	(3,337)
Property tax revenue	13,505	13,346	12,562
Property tax revenue — general obligation bonds	12,000	11,708	11,016
Other — net	286	252	468
Total non operating income — net	14,001	17,092	32,357
EXCESS OF REVENUE OVER EXPENSES	23,470	7,650	32,996
OTHER CHANGES IN NET ASSETS		271	193
INCREASE IN NET ASSETS	23,470	7,921	33,189
NET ASSETS — Beginning of year	305,379	297,458	264,269
NET ASSETS — End of year	$ 328,849	$ 305,379	$ 297,458
ADJUSTED DISCHARGES	40,052	40,309	40,507

2009: Analysis of the Consolidated Statement of Revenue, Expenses, and Changes in Net Assets

- In accordance with generally accepted accounting principles for governmental healthcare providers, PPH's consolidated statements of revenue and expenses and changes in net assets reflect the following: (1) net patient service revenues includes the provision for bad debts, which for nongovernmental hospitals is shown as an operating expense, and (2) Nonoperating income (expenses) includes interest expense, which for nongovernmental hospitals is typically grouped as an operating expense. While these GASB requirements make district hospitals conform to other governmental entities, such as colleges and universities, they are less comparable to nongovernment hospitals because the GASB requirements do not apply to them. This must be considered in order to compare PPH to nonprofit and for-profit hospitals. The provision for bad debts was $54,464,000 in fiscal year 2009 and $41,358,000 in fiscal year 2008, and interest expense was $5,353,000 in fiscal year 2009 and $4,514,000 in fiscal year 2008.

- Adjusted discharges are utilized as an aggregate indicator of hospital activity. The calculation of adjusted discharges applies factors representing outpatient activity and skilled nursing activity to inpatient discharges.

- Operating revenue is generated by PPH's primary activity of treating patients and other revenue. Operating revenue increased $26,437,000 in 2009 due to increases in net patient service revenue of $26,883,000, increase in net premium revenue of $2,887,000, and decrease in other revenue $3,333,000. Increases in inpatient and outpatient ancillary revenue and negotiated increases in contracted rates resulted in an increase in net charges during the year. Other revenue decreased due to disaster relief revenue and insurance recovery related to the wildfires recorded in prior fiscal year.

- Operating expenses are those expenses related to the treatment of patients, including overhead and administration expenses. Operating expenses increased by $7,526,000 in 2009 primarily due to increases in labor costs of approximately $9,419,000, supplies of $4,204,000, utilities expense of $1,010,000 and rent expense of $912,000, and decreases in professional fees of $4,944,000 and other expenses of $2,655,000. The labor increase is due to PPH's commitment to its employees through contracted wage increases. The increase in supplies is due to increased complexity of cases and increased implantable device surgical cases. The rent increase is due to having one of the first image-guided radiosurgery Novalis Tx machines in the country for the treatment of tumors. Professional fees decreased due to the creation of a legal counsel department within PPH and the completion of an information technology upgrade project last fiscal year. Other expenses decreased due to reductions in advertising, training, and travel expenses.

- Operating income in 2009 was $9,469,000. This operating income is a result of operating revenues in excess of expenses.

- Non operating income (expenses) consists of interest earned on invested monies, interest expense, and PPH's share of property taxes collected by the County of San Diego. PPH's non operating income was $14,001,000 in 2009 and $17,092,000 in 2008. Investment income decreased $2,408,000 due to current economic conditions.

- As a result of the factors noted above, net assets increased by $23,470,000 in 2009, which is $15,549,000 more than the 2008 increase in net assets of $7,921,000.

2008: Analysis of the Consolidated Statement of Revenue, Expenses, and Changes in Net Assets

- In accordance with generally accepted accounting principles for governmental healthcare providers, PPH's consolidated statements of revenue and expenses and changes in net assets reflect the following: (1) net patient service revenues includes the provision for bad debts, which for nongovernmental hospitals is shown as an operating expense, and (2) Nonoperating income (expenses) includes interest expense, which for nongovernmental hospitals is typically grouped as an operating expense. While these GASB requirements make district hospitals conform to other governmental entities, such as colleges and universities, they are less comparable to nongovernment hospitals because the GASB requirements do not apply to them. This must be considered in order to compare PPH to nonprofit and for-profit hospitals. The provision for bad debts was $41,358,000 in fiscal year 2008 and $41,968,000 in fiscal year 2007, and interest expense was $4,514,000, in fiscal year 2008 and $3,337,000 in fiscal year 2007.

- Operating revenue is generated by PPH's primary activity of treating patients. Operating revenue increased $33,573,000 in 2008 primarily due to an increase in inpatient and outpatient ancillary revenue and negotiated increases in contracted rates, resulting in an increase in net charges during the year.

- Operating expenses are those expenses related to the treatment of patients, including overhead and administration expenses. Operating expenses increased by $43,654,000 in 2008 primarily due to increases in labor costs of approximately $21,895,000, purchased services of $4,873,000, professional fees of $4,458,000, depreciation expense of $1,938,000, supplies expense of $5,319,000, and rent expense of $3,704,000. The labor increase is due to PPH's commitment to its employees through contracted wage increases and an enhanced Deferred Compensation Program; which provides for an employer match component. Additionally, premium pay for overtime and contract labor to clinical workforce exceeded budgeted amounts. Increases in purchased services are primarily the result of license and maintenance fees associated with financial and clinical information technology systems. There was also an increase in hospital equipment maintenance. The increase in professional fees is for consulting fees used for information technology systems recently installed and upgraded. PPH's investment in its physician for trauma and emergency on-call coverage also contributed to the increase in professional fees. The increase in supplies is due to increased complexity of cases, increased implantable activity, and implementation of da Vinci Robot technology. The increase in other direct is due to lease rent expense associated with ambulatory services in the new Pomerado Outpatient Pavilion on the Pomerado Hospital campus.

- Operating loss in 2008 was $(9,442,000). This operating loss is a result of operating expenses in excess of revenues.

- Non operating income (expenses) consists of interest earned on invested monies, interest expense, and PPH's share of property taxes collected by the County of San Diego. PPH's non operating income was $17,092,000 in 2008 and $32,357,000 in 2007. The unrealized loss on the 2006 Certificates of Participation of $10,398,000 in 2008 compares unfavorably to the unrealized gain of $4,373,000 posted in 2007. PPH experienced increased property tax revenue of $1,477,000. Property tax revenues applicable to Measure BB ad valorem taxes for general obligation bonds were $11,708,000 and are in addition to the unrestricted property tax revenues of $13,346,000. In June 2008 PPH performed an organization restructure and reduction of system-wide positions. Severance packages paid amounted to $1,452,000 and is included in other nonoperating expenses.

- As a result of the factors noted above, net assets increased by $7,921,000 in 2008, which is $25,268,000 less than the 2007 increase in net assets of $33,189,000.

Consolidated Statements of Cash Flows — The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, which provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009, 2008, AND 2007
($000s)

	2009	2008	2007
CASH FLOWS FROM:			
Operating activities	$ 23,602	$ 9,980	$ 15,687
Noncapital financing activities	20,297	20,203	13,754
Capital and related financing activities	(97,791)	115,282	50,067
Investing activities	51,668	(134,252)	(80,143)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,224)	11,213	(635)
CASH AND CASH EQUIVALENTS — Beginning of year	12,579	1,366	2,001
CASH AND CASH EQUIVALENTS — End of year	$ 10,355	$ 12,579	$ 1,366

See notes to consolidated financial statements.

2009: Analysis of the Consolidated Statement of Cash Flows

- Operating activities cash inflow reflected an increase of approximately $13,622,000 in 2009 over 2008. This increase is attributed to increases in cash collections of patient accounts of $25,431,000 offset by increased payments to suppliers and employees of $11,802,000.

- Net cash outflows from capital and related financing activities in 2009 were $97,791,000 primarily due to the funding of PPH's building projects of $181,211,000, interest payments of $23,598,000 and the payment of long-term debt of $9,660,000 offset by the receipt of $110,000,000 of proceeds from the 2009 General Obligation Bonds and $12,000,000 of property taxes for debt service.

- Investing activities cash inflows were $51,668,000 in 2009. This inflow is mainly comprised of the sales of longer-term investments to fund the capital activities.

- The ending cash and cash equivalents of $10,355,000 reflect the checking account and overnight investment balances held by PPH. In addition, there were current investments of $107,135,000 at June 30, 2009.

2008: Analysis of the Consolidated Statement of Cash Flows

- Operating activities cash inflows reflected a decrease of approximately $5,707,000 in 2008 over 2007. This decrease is attributed to increased payments to suppliers and employees of $46,474,000 offset by increases in cash collections of patient accounts of $36,628,000.

- Noncapital financing activities consist primarily of property taxes received, which increased by $785,000 in 2008 compared to 2007 due to increased property values in the district.

- Net cash inflows from capital and related financing activities in 2008 were $115,282,000 primarily due to the receipt of $241,083,000 of proceeds from the 2007 General Obligation Bonds and $11,708,000 of property taxes for debt service, offset by the funding of PPH's building projects of $107,156,000, the payment of long-term debt of $13,220,000.

- Investing activities cash outflows were $134,252,000 in 2008. This outflow is mainly comprised of the remaining proceeds of the 2007 Certificates of Participation, which were invested in money market funds.

- The ending cash and cash equivalents of $12,579,000 reflect the checking account and overnight investment balances held by PPH. In addition, there were current investments of $73,700,000 at June 30, 2008.

2009: Capital Assets and Long-Term Debt

The Board of Directors has approved a Master Facility Plan project that is estimated at approximately $983,000,000. In November 2004, the residents of the district voted and approved to fund $496,000,000 of this expansion by the issuance of general obligation bonds. Payment for these bonds will be funded by ad valorem property tax levied on the district residents. The approximate amount for each resident is $17.75 per $100,000 of assessed value.

The major building expansion will include a new acute care hospital and trauma center in the North Inland San Diego area, expansion of the Pomerado Hospital in Poway, renovation of Palomar Medical Center in Escondido, and adding satellite facilities in various geographical locations of the district.

In connection with the major building expansion, three new buildings had been purchased during fiscal year 2008 to expand the Palomar Medical Center site. An additional building was purchased in FY2009. Land purchases of $56 million are reflected in construction in progress to facilitate the overall accounting of the major building expansion. Permitting for the new hospital and Pomerado Hospital expansion has been submitted to the Office of Statewide Health Planning and Development.

Currently, steel erection and other infrastructure projects have been completed for the new hospital; as well as the majority of the expansion efforts at Pomerado Hospital.

PPH has two outstanding insured revenue bond issues that are classified as long-term debt. These are the 1999 Insured Revenue Bonds and the 2006 Certificates of Participation. PPH made principal payments on these issues totaling $8,785,000, bringing the net long-term bond principal to $216,310,000. All debt payments were made timely and PPH was in good standing on all bond covenants throughout the year. More detailed information about PPH debt is presented in Note 8 to the consolidated financial statements. PPH has an underlying Moody's rating of Baa1 on its revenue bonds and certificates of participation. PPH has an underlying Moody's rating of A1 on its G.O. bonds. In July 2005, PPH issued its first series of general obligation bonds in the amount of $80,000,000 for use in funding the building expansion project. In December 2007, PPH issued its second series of general obligation bonds in the amount of $241,083,000. In March 2009, PPH issued its third series of general obligation bonds in the amount of $110,000,000. A principal payment of $875,000 reduced the general obligation bond principal to $418,568,000 as of June 30, 2009.

2008: Capital Assets and Long-Term Debt

The Board of Directors has approved a Master Facility Plan project that is estimated at approximately $983,000,000. In November 2004, the residents of the district voted and approved to fund $496,000,000 of this expansion by the issuance of general obligation bonds. Payment for these bonds will be funded by ad valorem property tax levied on the district residents. The approximate amount for each resident is $17.75 per $100,000 of assessed value.

The major building expansion will include a new acute care hospital and trauma center in the North Inland San Diego area, a significant expansion of the Pomerado Hospital in Poway, renovation on the Palomar Medical Center site, and adding satellite facilities in various geographical locations of the district.

In connection with the major building expansion, three new buildings were purchased during fiscal year 2008 to expand the Palomar Medical Center site. Land purchases of $55 million are reflected in construction in progress to facilitate the overall accounting of the major building expansion. Permitting for the new hospital and Pomerado Hospital expansion has been submitted to the Office of Statewide Health Planning and Development.

PPH has two outstanding insured revenue bond issues that are classified as long-term debt. These are the 1999 Insured Revenue Bonds and the 2006 Certificates of Participation. PPH made principal payments on these issues totaling $7,765,000, bringing the net long-term bond principal to $225,095,000. All debt payments were made timely and PPH was in good standing on all bond covenants throughout the year. More detailed information about PPH debt is presented in Note 8 to the consolidated financial statements. In July 2005, PPH issued its first series of general obligation bonds in the amount of $80,000,000 for use in funding the building expansion project. In December 2007, PPH issued its second series of general obligation bonds in the amount of $241,083,000. A principal payment of $5,455,000 reduced the general obligation bond principal to $309,443,000 as of June 30, 2008.

Liquidity and Capital Resources

PPH's unrestricted liquidity position as of June 30, 2009, was $117,490,000, including $10,355,000 in operating cash and $107,135,000 in unrestricted investments stated at fair market value. PPH's unrestricted liquidity position as of June 30, 2008, was $86,279,000, including $12,579,000 in operating cash and $73,700,000 in unrestricted investments stated at fair market value. The available liquidity of $117,490,000 represents a 36% increase over the $86,279,000 in available liquidity as of June 30, 2008, and equaled 54% of total outstanding debt exclusive of the general obligation bonds, which are funded separately from ad valorem taxes as of June 30, 2009 (as compared to available liquidity representing 40% of total outstanding debt as of June 30, 2008).

Economic and Other Factors

A number of significant factors are affecting the financial health of healthcare providers. Some major factors are as follows:

Insurance Reimbursement — Healthcare providers are taking advantage of higher premium increases by insurers in recent years by negotiating improved reimbursements and restoring cost coverage and profitability to the commercial managed care business segment.

Medicare Reimbursement — The Benefits Improvement and Protection Act and the Balanced Budget Relief Act allow for a declining adverse financial impact originally imposed by the Balanced Budget Act of 1997. Medicare reimbursements are not expected to increase materially.

Demand for Services — Due to the aging of the population and a steady growth in overall population in PPH's primary and secondary service areas, there is a continued increase in hospital admissions and overall demand for healthcare services.

Labor Shortages — Lack of availability for nursing and other key technical positions increases the cost for providers significantly. Additionally, the State of California mandated nurse staff ratios have increased demand for nursing personnel and increased salary and wages expenses.

Pharmaceutical Costs — the continued escalation of pharmaceutical drug costs remains a challenge for providers.

State Budget Difficulties — This has a multiple effect on providers as state Medicaid budget is impacted, investment portfolios are depressed, and employers shift more of the cost of healthcare to employees.

American Recovery & Reinvestment Act of 2009 (ARRA) – ARRA is an economic stimulus package enacted by Congress in February 2009. Among some of the measures included in the Act includes expansion of social welfare provisions and domestic spending in health care. The ARRA provides funds to States in the form of a temporary increase in contributions toward Medicaid. As of June 30, 2009, PPH did not receive any funding from ARRA.

Heightened Competition — Services that have a profit margin are becoming more competitive as entrepreneurial physicians and for-profit entities migrate to services with a return on investment, putting further stress on hospital providers that traditionally cover core and safety net services with returns on profitable services.

The Health Insurance Portability and Accountability Act (HIPAA) – HIPAA among other things establishes privacy and security regulations over patient information that may have significant cost implications for healthcare providers.

Seismic Compliance — California Senate Bill 1953 (SB 1953) requires hospitals to meet more stringent seismic guidelines, which represent an unfunded mandate and impose a financial burden by 2008 under current regulation. Under certain criteria, it is possible to extend the SB 1953 deadline. PPH applied for an extension from the California Department of Health Services, moving PPH's deadline to 2030, and has received approval for the extension.

Finance Contact

PPH's financial statements are designed to present users with a general overview of PPH's finances and to demonstrate PPH's accountability. If you have any questions about the report or need additional financial information, please contact the Chief Financial Officer, Palomar Pomerado Health, 456 E. Grand Avenue, Escondido, California 92025.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Palomar Pomerado Health

We have audited the accompanying consolidated balance sheets of Palomar Pomerado Health (PPH) as of June 30, 2009 and 2008, and the related consolidated statements of revenue, expenses, and changes in net assets and of cash flows for the years then ended. These consolidated financial statements are the responsibility of PPH's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PPH's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of PPH as of June 30, 2009 and 2008, and the results of its operations, its changes in net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1–11 is not a required part of the basic consolidated financial statements but is supplementary information required by the Government Accounting Standards Board. This supplementary information is the responsibility of PPH's management. We have applied certain limited procedures, which consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Deloitte & Touche LLP

October 19, 2009

PALOMAR POMERADO HEALTH

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009 AND 2008
($000s)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,355	$ 12,579
Investments	107,135	73,700
Patient accounts receivable — net of allowances for uncollectible accounts of $20,965,000 in 2009 and $18,681,000 in 2008	94,279	86,222
Other receivables	4,443	5,722
Supplies/inventories	6,347	6,826
Prepaid expenses and other	3,996	3,790
Assets whose use is limited — current portion	5,068	13,100
Assets whose use is limited — general obligation bonds — current portion	14,239	15,674
Total current assets	245,862	217,613
ASSETS WHOSE USE IS LIMITED:		
Held by trustee under indenture agreements	42,500	74,384
Held by trustee under general obligation bonds indenture	222,012	254,417
Held in escrow for street improvements	14,382	14,266
Board-designated for capital improvements		12,117
Restricted by donor	312	304
Total assets whose use is limited	279,206	355,488
Less current portion	19,307	28,774
Total assets whose use is limited — long-term portion	259,899	326,714
CAPITAL ASSETS — Net	568,152	379,286
OTHER ASSETS:		
Deferred financing costs — net	19,952	15,645
Investment in and amounts due from affiliated entities	2,803	4,414
Other	5,292	4,652
Total other assets	28,047	24,711
TOTAL	$1,101,960	$948,324

(Continued)

PALOMAR POMERADO HEALTH

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009 AND 2008
($000s)

LIABILITIES AND NET ASSETS	2009	2008
CURRENT LIABILITIES:		
Accounts payable	$ 49,102	$ 44,501
Accrued compensation and related liabilities	25,295	23,607
Current portion of long-term debt	8,835	8,785
Current portion of general obligation bonds	945	875
Estimated third-party payor settlements	2,343	807
Other accrued liabilities	16,997	15,815
Accrued interest payable	5,384	8,065
Total current liabilities	108,901	102,455
WORKERS' COMPENSATION — Net of current portion	1,714	2,511
LONG-TERM DEBT — General obligation bonds — Net of current portion	439,722	317,478
LONG-TERM DEBT — Net of current portion	206,022	214,476
FAIR VALUE OF INTEREST RATE SWAP	16,752	6,025
Total liabilities	773,111	642,945
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS:		
Invested in capital assets — net of related debt	149,971	126,940
Restricted for repayment of debt	13,923	20,708
Restricted for capital acquisitions	14,382	14,266
Restricted for other purposes	312	304
Unrestricted	150,261	143,161
Total net assets	328,849	305,379
TOTAL	$1,101,960	$948,324

See notes to consolidated financial statements. (Concluded)

PALOMAR POMERADO HEALTH

CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
($000s)

	2009	2008
OPERATING REVENUE:		
Net patient service revenue	$ 397,544	$ 370,661
Net premium revenue	40,890	38,003
Other revenue	7,571	10,904
Total operating revenue	446,005	419,568
OPERATING EXPENSES:		
Salaries, wages, and benefits	259,737	250,318
Professional fees	23,708	28,652
Supplies	70,224	66,020
Purchased services	33,873	34,117
Depreciation and amortization	21,215	21,391
Rent expense	8,407	7,495
Utilities expense	5,989	4,979
Other	13,383	16,038
Total operating expenses	436,536	429,010
INCOME (LOSS) FROM OPERATIONS	9,469	(9,442)
NONOPERATING INCOME (EXPENSES):		
Investment income	4,290	6,698
Unrealized loss on interest rate swap	(10,727)	(10,398)
Interest expense	(5,353)	(4,514)
Property tax revenue	13,505	13,346
Property tax revenue — general obligation bonds	12,000	11,708
Other — net	286	252
Total nonoperating income — net	14,001	17,092
EXCESS OF REVENUE OVER EXPENSES	23,470	7,650
OTHER CHANGES IN NET ASSETS		271
INCREASE IN NET ASSETS	23,470	7,921
NET ASSETS — Beginning of year	305,379	297,458
NET ASSETS — End of year	$ 328,849	$ 305,379

See notes to consolidated financial statements.

PALOMAR POMERADO HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
($000s)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from:		
Patients, insurers, and other third-party payors	$ 456,372	$ 431,941
Other sources	9,821	8,828
Payments to:		
Employees	(258,846)	(251,618)
Suppliers	(183,745)	(179,171)
Net cash provided by operating activities	23,602	9,980
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipt of district taxes	13,505	13,346
Other	6,792	6,857
Net cash provided by noncapital financing activities	20,297	20,203
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(181,211)	(107,156)
Interest paid	(23,598)	(13,868)
Deferred financing costs	(5,322)	(3,266)
Proceeds from issuance of debt	110,000	241,084
Repayment of long-term debt	(9,660)	(13,220)
Receipt of property taxes restricted for debt service on general obligation bonds	12,000	11,708
Net cash (used in) provided by capital and related financing activities	(97,791)	115,282
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(211,161)	(567,037)
Sale of investments	262,309	432,217
Interest received on investments and notes receivable	520	568
Net cash provided by (used in) investing activities	51,668	(134,252)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,224)	11,213
CASH AND CASH EQUIVALENTS — Beginning of year	12,579	1,366
CASH AND CASH EQUIVALENTS — End of year	$ 10,355	$ 12,579

(Continued)

PALOMAR POMERADO HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
($000s)

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (loss) from operations	$ 9,469	$ (9,442)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation and amortization	21,215	21,391
Provision for bad debts	54,464	41,358
Equity in earnings of affiliates	1,611	(831)
Changes in assets and liabilities — net of effect of acquisition of controlling interest in Escondido Surgery Center:		
Patient accounts receivable	(62,521)	(48,099)
Other receivables	1,279	(628)
Supplies/inventories	479	200
Prepaid expenses and other	(206)	(1,720)
Accounts payable	(5,157)	2,552
Accrued compensation and related liabilities	891	(1,300)
Other accrued liabilities	1,182	1,070
Estimated third-party payor settlements	1,536	3,387
Other — net	(640)	2,042
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 23,602	$ 9,980
NONCASH INVESTING AND CAPITAL AND FINANCING ACTIVITIES — Capital expenditures included in accounts payable	$ 36,163	$ 26,405

See notes to consolidated financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Palomar Pomerado Health (PPH), a public healthcare district, is organized under the provisions of the Health and Safety Code of the state of California to provide and operate healthcare facilities. The accompanying consolidated financial statements include the accounts of the following commonly controlled divisions and entities of PPH:

- Palomar Medical Center, located in Escondido, California, including Palomar Continuing Care Center, a convalescent facility
- Pomerado Hospital, located in Poway, California, includes Villa Pomerado, a convalescent and sub-acute facility
- Home Health, located in Escondido, California
- San Marcos Ambulatory Care Center, located in San Marcos, California
- San Marcos Behavioral Medicine Center, located in San Marcos, California
- Central Office, providing management, financial, data processing, materials management, and public affairs services to the other divisions
- Health Development, a charitable nonprofit organization created to provide assistance and support for PPH by obtaining grant funding from federal, state, local, and private sources
- PPH expresscare, located in Albertson Grocery stores in Escondido and Rancho Penasquitos, retail health centers

Basis of Presentation — The consolidated financial statements have been prepared in accordance with the applicable provisions of the American Institute of Certified Public Accountants' (AICPA) Audit and Accounting Guide, Health Care Organizations, and pronouncements of the Governmental Accounting Standards Board (GASB). PPH uses proprietary (enterprise) fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting — PPH utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

Accounting Standards — Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, PPH has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents — Cash and cash equivalents include highly liquid debt instruments with original maturities of three months or less and are intended for use in daily operations.

Investments — Investments in debt securities are carried at fair value, as determined by quoted market prices, in the consolidated balance sheets. Investment income or loss is included in nonoperating income, unless the income or loss is restricted by donor or law.

Supplies/Inventories — Inventories are stated at the lower of cost (first-in, first-out) or market value.

Assets Whose use is Limited — Assets whose use is limited primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors for future capital improvements over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of PPH have been classified as current assets in the accompanying consolidated balance sheets.

PPH has entered into an agreement with the City of Escondido (the "City") to finance jointly street improvements near the site of PPH's new hospital to be constructed in the City. Under the agreement, PPH was required to deposit $13,000,000 into a jointly managed account between the City and PPH. The balance of $14,382,000 and $14,266,000 on June 30, 2009 and 2008, respectively, is included in assets whose use is limited in the accompanying 2009 consolidated balance sheet.

Capital Assets — Property, plant, and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset (the shorter of the estimated useful life or the lease term for leasehold improvements) as follows:

	Years
Land improvements	15
Buildings and building improvements	10–40
Leasehold improvements	3–15
Equipment	3–15

Interest cost incurred on borrowed funds during the period of construction of capital assets, net of interest earned of $4,457,000 and $6,982,000 for the years ended June 30, 2009 and 2008, respectively, on temporary investments of the proceeds for construction projects funded by tax-exempt borrowings, is capitalized as a component of the cost of acquiring those assets. Net interest cost capitalized was $25,331,000 and $10,960,000 for the years ended June 30, 2009 and 2008, respectively.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support in other changes in net assets and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support in other changes in net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained and expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal lifecycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment, or approval of laws or regulations or other changes in environmental factors; technological changes or evidence of obsolescence; changes in the manner or duration of use of a capital asset; and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses are recorded in the consolidated statements of revenue, expenses, and changes in net assets. Impairment losses were $218,000 and $0 for the years ended June 30, 2009 and 2008, respectively.

Debt Discounts and Deferred Financing Costs — Debt discounts and deferred financing costs are amortized by the bonds' outstanding method over the life of the related bonds. Deferred financing costs included $24,246,000 and $18,924,000, net of accumulated amortization of $4,294,000 and $3,279,000, as of June 30, 2009 and 2008, respectively.

Interest Rate Swap — PPH has entered into a variable-to-fixed interest rate swap, which is reflected at fair value in the 2009 consolidated balance sheet. The fair value of the interest rate swap will fluctuate based generally on changes in market rates of interest. Any unrealized gains or losses resulting from changes in fair value are reported as nonoperating gains or losses in the statements of revenue, expenses, and changes in net assets. Interest cost on variable interest rate debt is reported based on the fixed interest rate paid by PPH under the interest rate swap. Severe fluctuations in the municipal bond market resulted in an interest rate increase of 2006 auction rate securities (ARS) obligations. As of June 30, 2009, the interest rate swap was recorded as a liability of $16,752,000.

Net Assets — Net assets of PPH are classified in four components. Net assets invested in capital assets — net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets. Net assets restricted for repayment of debt are amounts deposited with trustees as required by bond indentures, as described in Note 8. Net assets restricted for other purposes are noncapital net assets that must be used for a particular purpose, as specified by contributors external to PPH. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets — net of related debt or restricted.

Consolidated Statements of Revenue, Expenses, and Changes in Net Assets — All revenues and expenses directly related to the delivery of healthcare services are included in operating revenue and expenses in the consolidated statements of revenue, expenses, and changes in net assets. Nonoperating income and expenses consist of those revenues and expenses that result from nonexchange transactions and interest expense and investment income.

Net Patient Service Revenue — PPH has agreements with third-party payors that provide for payments to PPH at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Premium Revenue — PPH has agreements with various third-party payors to provide medical services to subscribing participants. Under some of these agreements, PPH receives monthly capitation payments based on the number of each payor's participants, regardless of services actually performed by PPH. Under these agreements, PPH also participates in shared risk pools with medical groups, through which it could receive additional reimbursement or pay additional amounts to the medical groups. In conjunction with the shared risk pools, PPH estimates incurred but not reported (IBNR) claims for medical services provided to patients. IBNR liabilities of $4,750,000 and $5,090,000 are included in other accrued liabilities in the accompanying consolidated balance sheets as of June 30, 2009 and 2008, respectively.

Charity Care — PPH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as revenue in the accompanying consolidated financial statements. Charity care charges forgone, at established rates, for the years ended June 30, 2009 and 2008, were approximately $20,093,000 and $22,601,000, respectively.

Property Taxes — PPH receives financial support from property taxes. Property taxes are levied by the county on behalf of PPH to finance PPH's activities. Amounts levied are based on assessed property values. Property tax revenue for the years ended June 30, 2009 and 2008, consists of the following:

	2009	2008
To support operations, unrestricted use	$13,505,000	$13,346,000
For debt service on general obligation bonds, restricted use	12,000,000	11,708,000
Total	$25,505,000	$25,054,000

Recent Accounting Pronouncements — In June 2007, the GASB issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. PPH will adopt GASB Statement No. 51 effective for the fiscal year beginning July 1, 2009. GASB Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. This statement also provides guidance on recognition and amortization of intangible assets. Management is currently evaluating the impact of applying the provisions of this statement on PPH's consolidated financial statements.

In November 2007, the GASB issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 is effective for periods beginning after June 15, 2008, and establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. Implementation of this statement did not have a material effect on PPH's consolidated net assets or revenue, expenses, and changes in net assets.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is effective for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Management does not believe that the adoption of this statement will have a material impact on PPH's consolidated net assets or revenue, expenses, and changes in net assets.

In March 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 55 was effective upon issuance and is intended to assist preparers of state and local government financial statements to identify and apply the GAAP hierarchy. This statement did not have an impact on PPH's consolidated net assets or revenue, expenses, and changes in net assets.

In March 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting guidance Contained in the AICPA Statements on Auditing Standards.* GASB Statement No. 56 is an effort to codify all generally accepted accounting principles for state and local governments. GASB Statement No. 56 was effective upon issuance. GASB Statement No. 56 guidance addresses three issues from the AICPA's literature — related party transactions, going concern considerations, and subsequent events. Adoption of this statement did not have a significant impact on PPH's consolidated net assets or revenue, expenses, and changes in net assets.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. FASB Statement No. 165 establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. PPH has adopted FASB Statement No. 165 for the year ended June 30, 2009. PPH has assessed subsequent events through the date of this report.

Income Taxes — PPH is a governmental subdivision of the state of California and is exempt from federal income and state franchise taxes.

2. NET PATIENT SERVICE REVENUE

PPH renders services to certain patients under contractual arrangements with the Medicare and Medi-Cal programs and various health maintenance and preferred provider organizations. The Medicare program generally pays a prospectively determined fee for services rendered to Medicare patients. Additionally, Medicare reimburses PPH for certain inpatient services (primarily mental health unit services) on the basis of costs incurred. The Medi-Cal program provides for payment on a prospectively negotiated contractual rate per day, percentage-of-charges for services rendered, or capitated payment arrangement.

Revenue from the Medicare and Medi-Cal programs, inclusive of risk (capitated) and nonrisk managed care programs, accounted for approximately 56% of PPH's net patient service revenue for the year ended June 30, 2009, and 59% for the year ended June 30, 2008.

Third-party settlements are recorded when received, which includes tentative settlements, lump sum adjustments, for prior or current cost reporting periods. The cost reports for Medicare and Medi-Cal programs have been settled through fiscal year 2007. Results of cost report settlements, as well as estimates for settlements of all fiscal years through 2009, have been reflected in the accompanying consolidated financial statements.

As of June 30, 2009 and 2008, estimated third-party settlements resulted in a $2,343,000 and $807,000 liability, respectively. During fiscal 2009 and 2008, PPH settled various prior-year cost reports and appeal issues. These settlements resulted in approximately $3,840,000 and $1,722,000 of additional revenues in fiscal 2009 and 2008, respectively, which are included in net patient service revenue in the accompanying consolidated statements of revenue, expenses, and changes in net assets.

PPH also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to PPH under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The State of California Government Code (the "Government Code") generally authorizes PPH to invest unrestricted and board-designated assets in obligations of the U.S. Treasury and certain U.S. government agencies, obligations of the state of California and local government entities, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, and mortgage securities. Certain of these investments may be purchased only in limited amounts, as defined in the Government Code.

PPH's bond indenture agreements authorize trustee-held assets to be invested in obligations of the U.S. Treasury and certain U.S. government agencies, repurchase agreements, and obligations of financial institutions meeting certain criteria defined in the indentures.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to $40,000,000 of unrestricted monies in the fund and an unlimited amount of qualified bond proceeds. As of June 30, 2009, PPH has invested $77,717,000 of their bond proceeds in this fund and $34,062,000 in unrestricted funds. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. PPH is a voluntary participant in the LAIF. The fair value of PPH's investments in the LAIF is reported in the accompanying consolidated financial statements based on PPH's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio.

As of June 30, 2009 and 2008, PPH had investments and maturities as follows:

	2009		
		Investment Maturities (in years)	
Investment Type	**Fair Value**	**Less Than 1**	**1–5**
LAIF	$111,779,000	$111,779,000	$ -
U.S. Government Bonds	35,929,000	7,957,000	27,972,000
U.S. Treasury Bills	23,017,000	3,146,000	19,871,000
Corporate Bonds	13,617,000	1,794,000	11,823,000
Money Market Mutual Funds	201,999,000	201,999,000	
Total	$386,341,000	$326,675,000	$59,666,000

	2008		
		Investment Maturities (in years)	
Investment Type	**Fair Value**	**Less Than 1**	**1–5**
LAIF	$166,168,000	$166,168,000	$ -
U.S. Government Bonds	29,630,000	6,374,000	23,256,000
U.S. Treasury Bills	28,453,000	5,069,000	23,384,000
Corporate Bonds	10,498,000	1,001,000	9,497,000
Money Market Mutual Funds	194,439,000	194,439,000	
Total	$429,188,000	$373,051,000	$56,137,000

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Interest Rate Risk — Interest rate risk is the risk that the value of fixed income securities will decline due to increasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. As a means of limiting exposure to fair value losses arising from increasing interest rates, PPH's investment policy, as per statutory requirements, limits the term of any investment to a maturity not exceeding five years.

Similarly, PPH has an exposure to variable interest rate risk stemming from volatility in the auction-rate bond market. The auction-rate bond market allows public agencies to issue long-term debt at short-term rates that typically reset in weekly or monthly auctions. PPH's ARS are subject to weekly resets.

Credit Risk — Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. State law limits PPH's investment in commercial paper, corporate bonds, and bond mutual funds with an "A" rating issued by nationally recognized statistical rating organizations. PPH has no investment policy that would further limit investment choices. As of June 30, 2009 and 2008, PPH's investments, excluding U.S. government obligations, consisted of the following: corporate bond investments rated "A" or better by Standard & Poor's and Moody's Investor Services,

U.S. Government Agency investments rated "AAA" by Standard & Poor's and Moody's Investor Services, negotiable certificates of deposit rated Superior or better by Interactive Data Corp., and PPH's investments in LAIF were not rated.

Concentration of Credit Risk — Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing PPH to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as LAIF, are not considered subject to concentration of credit risk. In accordance with state law, no more than 5% of total investments may be invested in the securities of any one issuer, except obligations of the U.S. government, no more than 10% may be invested in any one mutual fund, and no more than 30% may be invested in bankers' acceptances of any one commercial bank.

Investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of the total investments at June 30, 2009 and 2008, are as follows:

Issuer	Investment Type	2009	2008
Federal National Mortgage Association	Federal Agency Securities	$ 23,018,000	$ -
US Bank, Trustee	First American Treasury Obligation Class D		64,428,000
US Bank, Trustee	US Bank Money Market	42,485,000	
Wells Fargo Advantage Government Money Market	US Government Money Market Funds	158,692,000	118,878,000
Total		$ 224,195,000	$ 183,306,000

Custodial Credit Risk — Investments — All of PPH's investments are insured or registered or are held by PPH's agent in the agent's nominee name, with subsidiary records listing PPH as the legal owner. For these reasons, PPH is not exposed to custodial credit risk for its investments.

Custodial Credit Risk — Deposits — Custodial credit risk is the risk that in the event of a bank failure, PPH's deposits may not be returned to it. PPH does not have a policy for custodial credit risk. As of June 30, 2009 and 2008, PPH's bank balances totaled $19,843,000 and $14,394,000, respectively, and were not exposed to custodial credit risk, as the uninsured deposits are with financial institutions that are individually required by state law to have government deposits collateralized at a rate of 110% of the deposits.

4. CONCENTRATIONS OF CREDIT RISK

PPH grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2009 and 2008, was as follows:

	2009	2008
Medicare	19 %	20 %
Medi-Cal	15	13
HMO/PPO/commercial	38	40
Patient	15	16
Others	13	11
Total	100 %	100 %

5. CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2009 and 2008, is as follows:

	Beginning Balance Fiscal 2009	Additions	Disposals	Transfers	Ending Balance Fiscal 2009
Land improvements	$ 5,038,000	$ -	$ (639,000)	$ 10,819,000	$ 15,218,000
Buildings and leasehold improvements	190,420,000	4,000	(2,240,000)	(10,069,000)	178,115,000
Equipment	181,607,000	3,906,000	(18,194,000)	19,078,000	186,397,000
Land	10,346,000			4,939,000	15,285,000
Construction in progress	218,854,000	206,481,000		(24,767,000)	400,568,000
	606,265,000	210,391,000	(21,073,000)	-	795,583,000
Less accumulated depreciation and amortization	(226,979,000)	(21,261,000)	20,809,000		(227,431,000)
Capital assets — net	$ 379,286,000	$ 189,130,000	$ (264,000)	$ -	$ 568,152,000

	Beginning Balance Fiscal 2008	Additions	Disposals	Transfers	Ending Balance Fiscal 2008
Land improvements	$ 5,221,000	$ -	$ (188,000)	$ 5,000	$ 5,038,000
Buildings and leasehold improvements	172,599,000	15,979,000	(370,000)	2,212,000	190,420,000
Equipment	185,819,000	4,105,000	(16,203,000)	7,886,000	181,607,000
Land	9,632,000	714,000			10,346,000
Construction in progress	121,244,000	107,713,000		(10,103,000)	218,854,000
	494,515,000	128,511,000	(16,761,000)	-	606,265,000
Less accumulated depreciation and amortization	(222,304,000)	(21,398,000)	16,723,000		(226,979,000)
Capital assets — net	$ 272,211,000	$ 107,113,000	$ (38,000)	$ -	$ 379,286,000

6. INVESTMENT IN AND AMOUNTS DUE FROM AFFILIATED ENTITIES

PPH's investments in affiliated entities are accounted for under the equity method because PPH does not control these entities. At June 30, 2009 and 2008, these investments include $1,413,000 and $2,923,000, respectively, related to PPH's investment in PDP Pomerado, LLC, and $1,385,000 and $1,304,000, respectively, related to PPH's investment in the ALPHA fund (see Note 12).

During fiscal year 2007, PPH entered into a partnership agreement with PDP Pomerado, LLC in exchange for a ground lease agreement.

A partnership with San Diego Radiosurgery (SDRS) was created in April 2008. SDRS offers a new option for treating harmful tumors that does not require an invasive procedure or anesthesia and lets the patient go home immediately afterwards. Under this partnership, PPH and SDRS entered into a reciprocal leasing arrangement wherein the equipment is leased in exchange for office space.

During fiscal year 2009, the radiology agreement between PPH and Valley Radiology Consultants was discontinued.

During fiscal year 2008, two partnerships were dissolved. The partnership with Escondido Surgery Center (EASCI Investors, L.P.) was dissolved on September 17, 2007, and the partnership with 343 E. 2nd Avenue Investors, LTD was dissolved on November 12, 2007. Escondido Surgery Center is now one of the outpatient departments of PPH effective December 1, 2007. Since Escondido Surgery Center is 100% owned by PPH, all the intercompany transactions, including partnership investment accounts, were eliminated.

7. RELATED ORGANIZATIONS

Palomar Pomerado Health Foundation — Palomar Pomerado Health Foundation (the "Foundation") is a charitable nonprofit organization created to provide assistance and support for PPH. The Foundation is a separately governed organization. Its net assets and results of operations are not included in the accompanying consolidated financial statements of PPH.

The Foundation funds various programs on behalf of PPH. Funding for these programs provided by the Foundation totaled $1,700,000 and $1,667,000 for the years ended June 30, 2009 and 2008, respectively.

In September 2005, PPH entered into a management services agreement with the Foundation, whereby PPH provides administrative support to the Foundation. Support provided to the Foundation totaled $1,721,000 and $2,494,000 for the years ended June 30, 2009 and 2008, respectively. The management services agreement includes a line of credit with a $5,000,000 limit that expires on June 30, 2010. The amount drawn on the line of credit was $1,569,000 and $1,341,000 as of June 30, 2009 and 2008, respectively.

A summary of the Foundation's assets, liabilities, and net assets at June 30, 2009 and 2008, is as follows:

	2009	2008
Assets	$7,555,000	$8,207,000
Liabilities	$4,794,000	$4,382,000
Net assets	2,761,000	3,825,000
Total liabilities and net assets	$7,555,000	$8,207,000

8. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES

PPH's long-term debt and other noncurrent liabilities for 2009 and 2008 were as follows:

	Beginning Balance Fiscal 2009	Additions	Reductions	Ending Balance Fiscal 2009	Amounts Due Within One Year
Bonds payable:					
Series 2009 general obligation bonds	$ -	$ 115,364,000	$ (74,000)	$ 115,290,000	$ -
Series 2007 general obligation bonds	246,663,000		(256,000)	246,407,000	
Series 2006 certificates of participation	177,050,000	93,000	(3,000,000)	174,143,000	2,775,000
Series 2005 general obligation bonds	71,689,000		(1,069,000)	70,620,000	945,000
Series 1999 insured refunding revenue bonds	46,212,000	322,000	(5,818,000)	40,716,000	6,060,000
Accrued interest on capital appreciation bonds		8,348,000		8,348,000	
Total long-term debt	541,614,000	124,127,000	(10,217,000)	655,524,000	9,780,000
Other liabilities — workers' compensation reserves	3,385,000	2,221,000	(3,221,000)	2,385,000	671,000
Total long-term liabilities	$ 544,999,000	$ 126,348,000	$ (13,438,000)	$ 657,909,000	$ 10,451,000

	Beginning Balance Fiscal 2008	Additions	Reductions	Ending Balance Fiscal 2008	Amounts Due Within One Year
Bonds payable:					
Series 2007 general obligation bonds	$ -	$ 246,663,000	$ -	$ 246,663,000	$ -
Series 2006 certificates of participation	179,176,000	99,000	(2,225,000)	177,050,000	3,000,000
Series 2005 general obligation bonds	77,342,000		(5,653,000)	71,689,000	875,000
Series 1999 insured refunding revenue bonds	51,425,000	364,000	(5,577,000)	46,212,000	5,785,000
Total long-term debt	307,943,000	247,126,000	(13,455,000)	541,614,000	9,660,000
Other liabilities — workers' compensation reserves	6,820,000	619,000	(4,054,000)	3,385,000	874,000
Total long-term liabilities	$ 314,763,000	$ 247,745,000	$ (17,509,000)	$ 544,999,000	$ 10,534,000

The terms and due dates of PPH's long-term debt at June 30, 2009 and 2008, are as follows:

- Series 2009A General Obligation Bonds, accreted interest compounds at 6.84% to 9.00% on $50,001,000 Capital Appreciation Bonds with the first payment to bondholders on August 1, 2019. Accreted interest compounds at 7.00% on $59,999,000 Convertible Capital Appreciation Bonds with the first payment to bondholders on August 1, 2033. Principal amounts due in annual amounts ranging from $327,000 in fiscal 2021 to $18,868,000 in fiscal 2039, net of unamortized premium of $5,290,000 in 2009.

- Series 2007A General Obligation Bonds, interest at 4.50% to 5.125% is due semiannually on $175,000,000 of Current Interest Bonds. Interest on the $66,083,000 Capital Appreciation Bonds is compounded at 3.67% to 4.92% with the first payment to bondholders on August 1, 2011. Principal amounts due in annual amounts ranging from $557,000 in fiscal 2012 to $21,585,000 in fiscal 2038, net of unamortized premium of $5,324,000 and $5,580,000 at June 30, 2009 and 2008, respectively.

- Series 2006 Certificates of Participation, a portion of which refunded the Series 1993 Insured Refunding Revenue Bonds, interest at 3.218%, which is the fixed rate to be paid by PPH under the swap agreement, due semiannually, principal due in annual amounts ranging from $2,775,000 in fiscal 2009 to $12,350,000 in fiscal 2037, net of unamortized loss on refunding of $632,000 and $725,000 at June 30, 2009 and 2008, respectively, collateralized by PPH revenues as defined in the indenture.

- Series 2005A General Obligation Bonds, interest at 3.00% to 5.00% due semiannually, principal due in annual amounts ranging from $945,000 in fiscal 2009 to $5,115,000 in fiscal 2035, net of unamortized premium of $3,135,000 and $3,329,000 at June 30, 2009 and 2008, respectively.

- Series 1999 Insured Refunding Revenue Bonds, interest at 4.375% to 5.375% due semiannually, principal due in annual amounts ranging from $6,060,000 in fiscal 2009 to $7,855,000 in fiscal 2015, net of unamortized premium of $95,000 and $128,000 at June 30, 2009 and 2008, respectively, and unamortized loss on defeasance of $914,000 and $1,236,000 at June 30, 2009 and 2008, respectively, collateralized by PPH revenues as defined in the indenture agreement.

During March 2009, PPH issued $110,000,000 of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2009A (the "2009 G.O. Bonds"). This bond issue consists of $50,001,000 Capital Appreciation Bonds and $59,999,000 Convertible Capital Appreciation Bonds. The net proceeds of the 2009 G.O. Bonds will be used by PPH to pay a portion of the costs to construct a new acute care and trauma hospital facility, expand Pomerado Hospital, renovate Palomar Medical Center, and open satellite ambulatory care facilities in PPH's service area (see Note 12).

During December 2007, PPH issued $241,083,000 of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "2007 G.O. Bonds"). The net proceeds of the 2007 G.O. Bonds will be used by PPH to pay a portion of the costs to construct a new acute care and trauma hospital facility, expand Pomerado Hospital, renovate Palomar Medical Center, and open satellite ambulatory care facilities in PPH's service area (see Note 12).

During December 2006, PPH issued $180,000,000 of Palomar Pomerado Health Certificates of Participation. The net proceeds of the 2006 Certificates of Participation will be used by PPH to pay a portion of the costs to construct a new acute care and trauma hospital facility, expand Pomerado Hospital, renovate Palomar Medical Center, and open satellite ambulatory care facilities in PPH's service area (see Note 12). The refunding of the 1993 Insured Revenue Bonds ($23,348,000) resulted in a loss on extinguishment of debt of $884,000, which has been deferred and is being amortized as a component of interest expense over 16 years.

During July 2005, PPH issued $80,000,000 of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A (the "2005 G.O. Bonds"). The net proceeds of the 2005 G.O. Bonds will be used by PPH to pay a portion of the costs to construct a new acute care and trauma hospital facility, expand Pomerado Hospital, renovate Palomar Medical Center, and open satellite ambulatory care facilities in PPH's service area (see Note 12).

All the G.O. Bonds represent the general obligation of PPH, in an amount sufficient to service the obligation, and PPH has the power and is obligated to cause to be levied and collected by the County of San Diego annual ad valorem taxes upon all property within PPH's boundaries subject to taxation by PPH for payment when due of the principal of and interest on the bonds. However, PPH is legally required to repay the 2005, 2007, and 2009 G.O. Bonds if collected ad valorem taxes are insufficient.

In June 1999, PPH issued its Series 1999 insured refunding revenue bonds to refund its Series 1989A bonds. The refunding resulted in a loss on extinguishment of debt of $5,241,000, which has been deferred and is being amortized as a component of interest expense over 15 years.

Under the indenture agreements of the 2009 G.O. Bonds, 2007 G.O. Bonds, 2006 Certificates of Participation, the 2005 G.O. Bonds, and the Series 1999, PPH is subject to compliance with certain debt covenants, including restrictions on additional indebtedness, which PPH believes it is in compliance with as of June 30, 2009 and 2008.

The estimated fair value of PPH's long-term debt was approximately $534 million and $501 million as of June 30, 2009 and 2008, respectively, based on quotations from independent third parties.

Future principal and interest payments on long-term debt as of June 30, 2009 are as follows:

Years Ending June 30	Principal	Interest	Total
2010	$ 9,780,000	$ 19,849,000	$ 29,629,000
2011	7,395,000	19,404,000	26,799,000
2012	8,367,000	19,109,000	27,476,000
2013	9,312,000	18,880,000	28,192,000
2014	10,263,000	18,601,000	28,864,000
2015–2019	52,499,000	91,952,000	144,451,000
2020–2024	74,411,000	145,790,000	220,201,000
2025–2029	105,690,000	183,782,000	289,472,000
2030–2034	183,244,000	209,053,000	392,297,000
2035–2039	173,917,000	98,757,000	272,674,000
Total	$634,878,000	$825,177,000	$1,460,055,000

9. OPERATING LEASES

PPH leases certain office space and equipment under operating leases. Lease expense on all such leases for the years ended June 30, 2009 and 2008, totaled $9,380,000 (including $973,000 in nonoperating expense) and $7,495,000, respectively. PPH also leases to others office space under operating leases. Future minimum lease payments and receipts under noncancelable space leases as of June 30, 2009 are as follows:

Years Ending June 30	Lease Payments	Lease Receipts
2010	$ 3,457,000	$1,096,000
2011	3,450,000	991,000
2012	3,274,000	373,000
2013	3,021,000	70,000
2014	3,011,000	70,000
2015–2019	15,994,000	211,000
2020–2024	16,585,000	
2025–2029	9,990,000	
Total	$58,782,000	$2,811,000

10. DEFERRED ANNUITY CONTRACTS

PPH offers its employees a deferred compensation plan, which has an employer match component created in accordance with Internal Revenue Code (IRC) Section 457. Employees who elect to participate in the plan make contributions through a reduction in salary. All participating employees manage their contribution and investment choices through a funding agency selected by PPH.

The investments of PPH's IRC Section 457 plan and earnings thereon are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Accordingly, the accompanying consolidated balance sheets do not include the funds deposited with financial institutions pursuant to deferred annuity contracts.

11. RETIREMENT PLAN

PPH sponsors a defined contribution retirement plan under which benefits are limited to amounts accumulated from total contributions by PPH and by the employees, plus accrued interest. Prior to January 1, 2004, all employees with three years of service are covered by the plan. On January 1, 2004, the plan was revised to change the eligibility for all employees with one year of service. Contributions under the plan by PPH equal 6% of covered employees' basic compensation and are funded as accrued. Total PPH contributions expensed for the years ended June 30, 2009 and 2008, were $11,132,000 and $10,922,000, respectively.

12. COMMITMENTS AND CONTINGENCIES

Legal Matters — The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medi-Cal programs, is subject to government review and interpretation, as well as regulatory actions. Claims for payment for services rendered to Medicare and Medi-Cal beneficiaries must meet applicable billing laws and regulations, which, among other things, require that the services are medically necessary, accurately coded, and sufficiently documented in the beneficiaries' medical

records. Allegations concerning possible violations of regulations can result in the imposition of significant fines and penalties, as well as significant repayment of previously billed and collected revenues for patient services.

PPH has ongoing efforts to comply with laws and regulations and to assess its prior compliance and the potential impact of noncompliance. PPH with its ongoing compliance program will continue to monitor, investigate, and correct any potential areas of noncompliance. No regulatory action has been asserted against PPH to date; although, such action could occur in the future.

PPH is a party to certain other legal actions arising in the ordinary course of business. In the opinion of PPH management, the liability, if any, under these claims is adequately covered by insurance. PPH is insured for medical malpractice under a claims made and reported policy.

PPH is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Workers' Compensation Program — PPH is a participant in the Association of California Healthcare Districts ALPHA Fund (ALPHA Fund) that administers a self-insured workers' compensation plan for participating districts and other qualifying nonprofit entities. PPH pays premiums to ALPHA Fund that are adjusted annually. Effective July 1, 2002, PPH changed its participation in ALPHA Fund from first dollar coverage of workers' compensation claims to self-insured retention by PPH of the first $350,000 of each claim. Effective July 1, 2003, PPH increased its retention level to the first $500,000 of each claim. Effective July 1, 2004, PPH increased its retention level to the first $750,000 of each claim. Effective July 1, 2008, PPH eliminated its retention and currently has a guaranteed loss/zero deductible. At June 30, 2009 and 2008, estimated claims liabilities for workers' compensation totaled $2,385,000 and $3,385,000, respectively.

ALPHA Fund was in a deficit position for several years prior to fiscal year 2007 as actuarial claims estimates had exceeded cash reserves. However, ALPHA Fund has been able to maintain positive cash flow. If ALPHA Fund were terminated, PPH would be liable for its share of any additional premiums necessary for final disposition of claims and losses covered by ALPHA Fund. If PPH were to withdraw from ALPHA Fund, it would be required to fund its share of a deficit as defined under the joint powers agreement. In fiscal years 2009, 2008, and 2007, the ALPHA Fund has been in a surplus position. PPH accounts for its investment in the ALPHA Fund under the equity method and has recorded its share of $1,385,000 and $1,304,000 as an asset within other assets at June 30, 2009 and 2008, respectively.

Comprehensive Liability Insurance Coverage — PPH is insured for comprehensive liability (professional liability, bodily injury and property damage liability, personal injury, advertising injury and discrimination liability, and employee benefit liability) under a claims-made policy, which covers asserted claims and incidents reported to the insurance carrier, and has a per-claim deductible of $50,000 for professional liability. PPH's comprehensive liability insurance was renewed effective July 1, 2009, and the current policy expires on June 30, 2010. PPH has reserved for estimated claims through 2009, including an estimate of IBNR. Such reserves totaled $425,000 and $289,000 as of June 30 2009 and 2008, respectively.

Seismic Compliance — California Senate Bill 1953 (SB 1953) requires hospital acute care buildings to meet more stringent seismic guidelines by 2008. In fiscal 2005, PPH received approval from the Office of Statewide Health Planning and Development of a time extension for compliance with SB 1953 until January 1, 2013. The Board of Directors of PPH has approved a $982 million expansion plan, which includes building a new hospital in the City, downsizing the existing facility in the City (altering the use

of the sections that are not compliant with SB 1953), expanding the hospital facility in Poway, and building new outpatient satellite clinics. This plan will enable PPH to comply with SB 1953 seismic guidelines. Subsequently, as a result of new criteria established by the state of California (HAZUS), it was determined that PPH's non-compliant buildings are in fact compliant at a SPC-2 rating. This has resulted in those buildings being eligible for rendering acute inpatient care until 2030.

* * * * * *

Deloitte.

Palomar Pomerado Health

Report to the Audit Committee on the Audit of the Fiscal 2009 Consolidated Financial Statements

DRAFT

Deloitte & Touche LLP
October 20, 2009

Audit . Tax . Consulting . Financial Advisory.

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Section 1

Summary of Significant Conclusions

We have performed an audit of the consolidated financial statements of Palomar Pomerado Health (PPH) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated October 19, 2009.

Based on our work performed:

- We have issued an unqualified opinion on the consolidated financial statements of PPH.
- Our audit scope was described to you in our engagement letter dated June 30, 2009, and 2009 Audit Service Plan we presented to you on July 21, 2009. Our audit scope was not restricted in any way throughout the course of the audit.
- No significant scope changes resulted from the execution of our 2009 Audit Service Plan.
- Our auditing procedures addressed the risks identified during our planning procedures; no new risk areas were identified during the course of our audit.

The following pages provide the details of our audit procedures and required communications in accordance with AU 380, *The Auditor's Communication with Those Charged with Governance*.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management, and others within PPH and is not intended to be, and should not be, used by anyone other than these specified parties.

Section 2

Scope of the Audit

As described in our 2009 Audit Service Plan, we planned and performed our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. Our risk-based audit approach focuses on certain financial statement items that present greater-than-normal risk. During our planning stages of our audit, we identified certain significant risks. No new risks were identified during our audit procedures. The risks identified and the results of our related audit procedures are as follows:

Significant Risk	Audit Procedures	Results
Due to PPH's outstanding bonds, the organization has significant public accountability	During the course of the audit, Deloitte will review transactions to ensure the substance equals the form. We will meet with management regularly to discuss key issues relevant to PPH.	During the course of the audit, we discussed key issues in detail with PPH management to ensure proper accounting and recording in PPH's consolidated financial statements. In addition, we performed testing over a sample of journal entries using file interrogation software to ensure they were appropriate and properly supported. Further, we reviewed PPH's compliance with debt covenants, noting PPH appeared to be in compliance.
Management Override of Internal Controls	We will (1) scrutinize areas of estimate or judgment for a pattern of bias, (2) examine documentation from independent sources, (3) inquire of others within or outside of PPH, and (4) perform selection sampling using file interrogation software.	We gained a thorough understanding of the estimates and judgments used by PPH management and performed a combination of detailed testing and substantive analytical review to test those estimates. Based on procedures performed, we noted no management bias or override. In addition, we performed testing over a sample of journal entries using file interrogation software to ensure they were appropriate and properly supported. Based on the testing performed on these estimates, we identified two misstatements that we deemed immaterial, both individually and in aggregate, by management. We agreed with management's assessment.

Significant Risk	Audit Procedures	Results
New Significant Transactions and Proper Accounting	From time to time, PPH enters into new joint ventures and/or partnership agreements, such as the Gateway-Parkway Joint Venture. We will work with management to understand all aspects of the transaction and read all related agreements to ensure the accounting for such transactions is appropriately reflected in the consolidated financial statements.	We thoroughly reviewed the Board of Director minutes and followed up on any transactions mentioned within the minutes to ensure proper accounting treatment. Specifically, we reviewed the dissolution of Gateway-Parkway Joint Venture for proper accounting. We noted no adjustments based on our testing.
Unpaid Claims Liability (IBNR)	Deloitte actuaries will assist in evaluating whether PPH's estimates are reasonable. We will also perform detailed testing of the underlying claims data used to estimate the incurred but not reported (IBNR) liability.	Due to the significant estimates involved in the calculation of the potential liability related to IBNR claims, Deloitte actuaries evaluated the liability at year-end utilizing schedules prepared by PPH. The underlying claims data utilized to prepare the IBNR liability was tested by the audit team. Based on testing performed, no adjustments were identified.
Contractual and Bad Debt Allowances	We will assess contractual and bad debt allowances based on historical collections and write-offs, and will perform detailed substantive procedures on individual financial classes.	The contractual and bad debt allowance testing was performed by an experienced member of our audit team with health care experience. PPH's methodology was reviewed for consistency with the prior year. We increased our level of focus on the individual financial classes and identified no adjustments.
Interest Rate Swaps	Deloitte valuation specialists will assist in evaluating whether the swap valuations are reasonable. We will also perform testing of the underlying data used to determine the swap valuations.	We obtained confirmations for the value of the interest rate swaps. Deloitte Capital Markets specialists were utilized to test the reasonableness of the swap valuations. Our specialists, along with our audit team, concluded that the valuation of the swaps, recorded by management, was reasonably stated and no adjustments were recorded.

Significant Risk	Audit Procedures	Results
Accounting for 2009 Capital Appreciation Bonds	The 2009 Capital Appreciation Bonds (CABs) may have complex accounting requirements attached due to the nature of the bonds. We will audit the accounting related to these bonds and consult with our specialists, as needed, to ensure this issuance has been appropriately recorded in the consolidated financial statements.	We assessed whether any embedded derivatives existed within the convertible CABs. We consulted with specialists to review the specific nature of these CABs, and based on the procedures performed, no embedded derivative was identified, and management's accounting treatment appeared to be reasonable.
Classification of Net Assets	This continues to be an area of focus. We will perform a focused level of testing in this area, specifically on the classification of net assets and appropriate reflection in the consolidated financial statements.	We focused our testing of net assets specifically on classification of net assets in fiscal 2009 and found no material errors.
Significant increase in Construction in Progress in fiscal 2009	Due to the significant increase in Construction in Progress (CIP) in fiscal 2009, we will perform a focused level of testing in CIP additions. Additionally, we will review PPH's methodology for capitalizing costs (including construction costs and interest expense) to ensure items are recorded in accordance with generally accepted accounting principles.	A focused level of detailed testing was performed of CIP items to ensure all items being capitalized were properly recorded. In addition, we reviewed PPH's methodology for capitalizing interest costs in accordance with Statement of Financial Accounting Standards ("SFAS") No. 34, *Capitalization of Interest Cost*. No material errors were identified.
Revenue Recognition – Medicare prior year settlements – net premium revenue and deductions to revenue	We will increase our substantive procedures to ensure revenue is recognized in accordance with generally accepted accounting principles ("GAAP") and PPH's policy.	A focused level of detailed testing was performed of this area. Based on procedures performed, no material adjustments were noted.

Section 3

Required Communications with the Audit Committee

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of PPH is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described to you in our engagement letter dated June 30, 2009, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of PPH's consolidated financial statements for the year ended June 30, 2009, in conformity with generally accepted accounting standards, in all material respects.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the consolidated financial statements does not relieve management or the Audit Committee of their responsibilities.

We considered PPH's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PPH's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PPH's internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events.

Significant accounting estimates reflected in PPH's 2009 consolidated financial statements include:

- Contractual allowances
- Allowance for bad debts
- Capitated contracts
- Workers' compensation liabilities:

- Incurred But Not Reported (IBNR)
- Alpha Fund

- Professional tail liability reserves

During the year ended June 30, 2009, there were no significant changes in accounting estimates or in management's judgments relating to such estimates.

Uncorrected Misstatements

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A, a summary of uncorrected misstatements and a summary of disclosures passed aggregated by us during the current engagement and pertaining to the latest period and prior period presented that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Material Corrected Misstatements

Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We identified two reclassification entries that were brought to the attention of management as a result of our audit procedures and were corrected by management as of June 30, 2009. The two entries related to reclassifying the accrued interest on the 2009 and 2007 CAB issuances from current liabilities to long-term liabilities. As a result of recording these entries, there was no change in total liabilities or net assets in the consolidated balance sheets.

Significant Accounting Policies

PPH's significant accounting policies are set forth in Note 1 to the PPH's 2009 consolidated financial statements. During the year ended June 30, 2009, there were no significant changes in previously adopted accounting policies or their application.

We had no discussions with management regarding alternative accounting treatments within U.S. GAAP for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions or general accounting policies, related to the year ended June 30, 2009.

Documents Containing Audited Financial Statements

When audited financial statements are included in documents containing other information, such as the pending Offering Documents related to the Series 2009 Certificates of Participation offering, we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the consolidated financial statements audited by us. We have read the other information in PPH's pending Offering Documents, as referred to above, and have inquired as to the methods of measurement and presentation of such information. If we noted a material inconsistency or if we obtained any knowledge of a material misstatement of fact in the other information, we discussed this matter with management.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to PPH's June 30, 2009, consolidated financial statements.

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during the year ended June 30, 2009.

Significant Issues Discussed, or Subject of Correspondence, with Management Prior to Our Retention

Throughout the year, routine discussions regarding the application principles or accounting principles or auditing standards were held with management in connection with transactions that occurred, transactions that were contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as independent auditors.

Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of PPH's management and staff and had unrestricted access to its senior management in the performance of our audits.

Management's Representations

We have made specific inquiries of PPH's management about the representations embodied in the consolidated financial statements. Additionally, we have requested that management provide to us the written representations PPH is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix B, a copy of the representation letter we obtained from management. There were no other written communications between management and us that we believe represent material written communications related to the audit of the consolidated financial statements for the year ended June 30, 2009.

* * * * * *

Appendix A

Uncorrected Misstatements

	Assets	Liabilities	Net Assets Beginning of Year	Statement of Revenue, Expenses, and Changes in Net Assets
Current Year Likely Misstatements – Uncorrected	**Dr (Cr)**	**Dr (Cr)**	**Dr (Cr)**	**Dr (Cr)**
1. Correction to reserves for IBNR-medical malpractice*		$ (1,400,000)	$ 1,400,000	
2. Correction to Recovery Audit Contractor ("RAC") reserves		$ 801,000		$ (801,000)
Total Current Year Likely Misstatements	$ 0	$ (599,000)	$ 1,400,000	$ (801,000)

* Represents adjustments to prior year Balance Sheet.

Disclosures Passed

Footnote Number	Footnote Title	Description of Omitted or Unclear Disclosure	Authoritative Literature Reference	Dollar Amount of Omitted or Unclear Disclosure (if applicable)
6	Investment in and Amounts Due From Affiliated Entities	The dollar amount of the equipment rental from San Diego Radiosurgery was not disclosed.	GASB Statement No. 13, Appendix A, Paragraph 24 (SFAS No. 13.29)	$1.3M
9	Operating Leases	Equipment rental from San Diego Radiosurgery was not included within minimum lease payment schedule.	GASB Statement No. 13, Appendix A, Paragraph 24 (SFAS No. 13.23(b))	$1.3M/year through 2013

APPENDIX B

October 19, 2009

Deloitte & Touche LLP
701 "B" Street, Suite 1900
San Diego, CA 92101

We are providing this letter in connection with your audits of the consolidated balance sheets of Palomar Pomerado Health ("PPH") as of June 30, 2009 and 2008 and the related consolidated statements of revenue, expenses, and changes in net assets and cash flows for the years then ended for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets, and cash flows of PPH in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

a. The fair presentation in the consolidated] financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP")

b. The fair presentation of the additional information in Management's Discussion and Analysis accompanying the consolidated basic financial statements that is presented for the purpose of additional analysis of the consolidated basic financial statements

c. The design and implementation of programs and controls to prevent and detect fraud

d. Establishing and maintaining effective internal control over financial reporting

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic consolidated financial statements referred to above are fairly presented in conformity with GAAP. In addition:

    a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

    b. The financial statements properly classify all funds and activities, including special and extraordinary items.

    c. All funds that meet the quantitative criteria in Statement No. 34 and Statement No. 37 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements – and*

Management's Discussion and Analysis – for State and Local Governments, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

d. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.

e. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

f. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal

g. Interfund, internal, and intra- entity activity and balances have been appropriately classified and recorded.

h. Deposits and investment securities are properly classified in category of custodial risk.

i. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

j. Applicable laws and regulations are followed in adopting, approving and amending budgets.

2. PPH has made available to you all:

a. Minutes of the meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

b. Financial records and related data for all financial transactions of PPH and for all funds administered by PPH. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by PPH and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

b. Peer review organization, fiscal intermediary, and third-party payor reports and information.

3. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning noncompliance with laws and regulations in any jurisdictions (including those related to the Medicare and Medicaid antifraud and abuse statutes) or noncompliance with or deficiencies in financial reporting practices.

4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

5. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are

immaterial, both individually and in the aggregate, to the financial statements for the year ended June 30, 2009 taken as a whole.

6. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that, although required by generally accepted accounting principles, have been omitted from our financial statements. Those omitted disclosures that are more than inconsequential are attached as Appendix B. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.

7. PPH has made available to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.

8. We have no knowledge of any fraud or suspected fraud affecting the PPH involving:

    a. Management

    b. Employees who have significant roles in the PPH's internal control over financial reporting

    c. Others if the fraud could have a material effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting PPH received in communications from employees, former employees, analysts, regulators, short sellers, or others.

10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies.*

11. PPH is a governmental subdivision of the state of California and is exempt from federal income and state franchise taxes.

12. Tax-exempt bonds issued have retained their tax-exempt status.

Except where otherwise stated below, matters less than $200,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

13. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

14. PPH has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

15. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

    a. Related party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral)

    b. Guarantees, whether written or oral, under which PPH is contingently liable

16. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

17. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

18. There are no:

    a. Violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Anti-Kickback Act, Limitations on Certain Physician Referrals (commonly referred to as the "Stark law"), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5, *Accounting for Contingencie*s.

19. PPH has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.

20. PPH has complied with all aspects of contractual agreements, bond indentures or other debt instruments, grants, and donor restrictions that may have an effect on the financial statements in the event of noncompliance.

21. No department or agency of PPH has reported a material instance of noncompliance to us.

22. The Entity has identified all derivative instruments as defined by GASB Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets (TB 03-1)*, and appropriately disclosed such derivatives in accordance with TB 03-1.

23. No events have occurred subsequent to June 30, 2009 that requires consideration as adjustments to or disclosures in the financial statements.

24. Management has disclosed whether, subsequent to June 30, 2009, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weakness, have occurred.

25. We have disclosed to you any change in PPH's internal control over financial reporting that occurred during PPH's most recent fiscal year that materially affected, or is reasonably likely to affect, PPH's internal control over financial reporting.

26. PPH has disclosed all contracts or other agreements with PPH's service organizations.

27. With regard to the fair value measurements and disclosures of certain assets and liabilities, such as investments and debt, we believe that:

    a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied in accordance with GAAP.

    b. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting principles generally accepted in the United States of America.

    c. Other than disclosed in the notes to the financial statements, no events have occurred subsequent to June 30, 2009 that require adjustment to the fair value measurements and disclosures included in the financial statements

28. PPH, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets in accordance with Governmental Accounting Standards Boards Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. Other than those disclosed in the notes to the financial statements, no adjustments under Statement No. 42 were necessary.

29. PPH has no interests in or transactions with (1) variable interest entities ("VIEs"), (2) potential VIEs that we considered but judged not be VIEs, and (3) entities that were afforded the scope exceptions of FASB Interpretation No. 46, Consolidation of Variable Interest Entities (revised December 2003) ("FIN 46R").

30. In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. PPH will adopt GASB Statement No. 51 effective for the fiscal year beginning July 1, 2009. GASB Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. This statement also provides guidance on recognition and amortization of intangible assets. Management is currently evaluating the impact of applying the provisions of this statement on PPH's consolidated financial statements.

31. In November 2007, the GASB issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments as Endowments.* GASB Statement No. 52 is effective for periods beginning after June 15, 2008, and establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Implementation of this statement did not have a material effect on the District's consolidated net assets or revenue, expenses, and changes in net assets.

32. In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* GASB Statement No. 53 is effective for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Management is

currently evaluating the impact of applying the provisions of this statement on PPH's consolidated net assets or revenue, expenses, and changes in net assets.

33. In March 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB Statement No. 55 was effective upon issuance, and is intended to assist preparers of state and local government financial statements to identify and apply the GAAP hierarchy. This statement did not have an impact on PPH's consolidated net assets or revenue, expenses, and changes in net assets.

34. In March 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting guidance Contained in the AICPA Statements on Auditing Standards.* GASB Statement No. 56 is an effort to codify all generally accepted accounting principles for state and local governments. GASB Statement No. 56 was effective upon issuance. Statement 56 guidance addresses three issues from the AICPA's literature – related party transactions, going concern considerations, and subsequent events. Adoption of this statement did not have a significant impact on PPH's consolidated net assets or revenue, expenses, and changes in net assets.

35. In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. FASB Statement No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company has adopted FASB Statement No. 165 for the Company's financial statements for the year ended June 30, 2009.

36. We agree with the findings of the specialist in evaluating workers' compensation and IBNR reserves for capitation and medical malpractice, and have adequately considered the qualifications of the specialist in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to the specialist with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have affected the independence or objectivity of the specialists.

37. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

38. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.

39. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net receivable value.

40. Provision has been made to reduced excess or obsolete inventories to their estimated net realizable value. All inventories are the property of PPH and do not include any items consigned to it, any items billed to customers or any items for which the liability has not been recorded.

41. We believe that all expenditures that have been deferred to future periods are recoverable.

42. Employee layoffs that would be otherwise lead to a curtailment of a benefit plan are intended to be temporary.

43. We have no intention of terminating our defined contribution pension plan or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of our pension plan to which we contribute.

44. Provision has been made for any loss to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.

45. Provision has been made for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

46. Provision has been made for losses to be sustained in the fulfillment of, or from the inability to fulfill, any commitments to purchase or sell securities under forward-placement, financial futures contracts, and standby commitments.

47. PPH's billings to third-party payers comply with applicable coding and principles and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, properly approved by regulatory bodies, if required, and properly documented.

48. There have been no internal or external investigations relating to PPH's compliance with applicable laws and regulations (including investigations in progress) that would have an effect on the amounts reported in the financial statements or on the disclosure in the notes to the financial statements.

49. With respect to third-party cost reports:

    a. All required Medicare, Medicaid, and similar reports have been properly filed.

    b. Management is responsible for the accuracy and propriety of all cost reports filed.

    c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.

    d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

    e. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payers, or other regulatory agencies.

    f. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.

    g. Recorded third-party settlements include differences between filed (and to-be-filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the Entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

50. The recorded valuation allowances for accounts receivable and settlements with third parties are necessary, appropriate, and properly supported. Provision has been made for estimated retroactive adjustments by third-party payers under reimbursement agreements.

51. In determining the allowance for accounts receivable, adequate consideration has been given to, and adequate provision made for, estimated adjustments to revenue, such as for denied claims and changes to home resource group ("HRG"), resource utilization group ("RUG"), ambulatory payment classification ("APC"), and diagnosis-related group ("DRG") assignments.

52. Accruals for losses from malpractice, workers compensation, and other types of self-insured risk, including accruals for claims incurred but not reported, have been properly recorded and disclosed in the financial statements.

53. PPH has reported to its risk management department all known asserted and unasserted claims and incidents. Adequate and reasonable provision has been made for losses related to the asserted and unasserted malpractice.

54. PPH has recorded all contributions received during the year and has maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.

55. PPH is party to certain other legal actions arising out of ordinary course of business. In the option of management, the liability, if any, under these claims is adequately covered by insurance. PPH is insured for medical malpractice under a claims made and reported basis policy.

56. In accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, PPH's interest rate swap agreement is reflected at fair value in the accompanying balance sheets. The fair value of the interest swap agreement will fluctuate, generally based on changes in market rates of interest. Any unrealized gains or losses resulting from changes in fair value are reported in the statements or revenues, expenses and changes in net assets. At June 30, 2009, PPH's interest rate swap agreement was in a liability position, based on market prices of similar financial instruments, of approximately $16,752,000 resulting primarily from an in market interest rates subsequent to the inception of the interest rate swap agreement

57. PPH has recorded as of June 30, 2009 and 2008, its best estimate of its anticipated asset for FY09 and FY08 for its share of the accumulated surplus/deficit of the Association of California Hospital Districts ALPHA Fund.

58. PPH has not met the base criteria of its incentive compensation plan program for the year ended June 30, 2009, and therefore, did not record an incentive payable at June 30, 2009.

Michael Covert, Chief Executive Officer

Robert Hemker, Chief Financial Officer

Tim Nguyen, Controller

Stephanie Love, General Accounting Manager

APPENDIX A

PALOMAR POMERADO HEALTH
SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS
Year Ended June 30, 2009

Misstatements identified in 2009 year				
	Assets	**Liabilities**	**Retained Earnings Beg of Year**	**Statement of Revenue, Expenses, and Changes in Net Assets**
	Dr (Cr)	**Dr (Cr)**	**Dr (Cr)**	**Dr (Cr)**
1. Correction to reserves for IBNR-medical malpractice**		$ (1,400,000)	$ 1,400,000	
2. Correction to 3rd party settlements for RAC reserves		$ 801,000		$ (801,000)

** Represents adjustment to prior year Balance Sheet

APPENDIX B

PALOMAR POMERADO HEALTH
SUMMARY OF OMITTED DISCLOSURES
Year Ended June 30, 2009

Footnote Number	Footnote Title	Description of Omitted or Unclear Disclosure	Authoritative Literature Reference	Dollar Amount of Omitted or Unclear Disclosure (if applicable)
6	Investment in and Amounts Due From Affiliated Entities	The dollar amount of the equipment rental from San Diego Radiosurgery was not disclosed.	GASB Statement No. 13, Appendix A, Paragraph 24 (SFAS No. 13.29)	$1.3M
9	Operating Leases	Equipment rental from San Diego Radiosurgery was not included within minimum lease payment schedule.	GASB Statement No. 13, Appendix A, Paragraph 24 (SFAS No. 13.23(b))	$1.3M/yr through 2013

ADDENDUM B

PALOMAR POMERADO HEALTH

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	P	P	P	P	P	P		
TED KLEITER – CHAIR	P	P	P	P	P	P	E	P	P		
MARCELO RIVERA, M.D.	P	E	P	E	P	P	C	P	P		
MICHAEL COVERT, FACHE	P	P	P	P	P	P	P	P	P		
FRANK MARTIN, M.D.	P	P	P	P	P	P	P	P	E		
JOHN LILLEY, M.D.	P	P	P	P	A	P	E	P	P		
BRUCE KRIDER – ALTERNATE		P	G	E		G	P	G			
LINDA GREER, R.N. – 2ND ALTERNATE			G	P			G				
– 3RD ALTERNATE											
– 4TH ALTERNATE											
STAFF ATTENDEES											
BOB HEMKER	P	P	P	P	P	P	P	P	P		
GERALD BRACHT	P	P	P	P	P	P	P	P	P		
DAVID TAM	P	P	P	P	P	P	P	E	P		
TANYA HOWELL – SECRETARY	P	P	P	P	P	P	P	P	P		
INVITED GUESTS	SEE TEXT OF MINUTES FOR NAMES OF GUEST PRESENTERS										

ADD B-2

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009			
1. AGENDA ITEM			
• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
CALL TO ORDER			
• The meeting – held in the1st Floor Conference Room at 456 E. Grand Avenue, Escondido, CA – was called to order at 6:04 p.m. by Chair Ted Kleiter			
ESTABLISHMENT OF QUORUM			
• See roster			
PUBLIC COMMENTS			
• There were no public comments			
INFORMATION ITEM(S)			
• As a follow-up to a request at last month's meeting, a copy of the District's procedure regarding patient financial assistance was distributed *(Attachment 1)* • Status update on the Proposition 1A (Prop 1A) Securitization Program o The State intends to borrow 8% of property tax revenues for FY2010 from all counties and local agencies ▪ Management has confirmed that only unsecured tax revenues – not revenues from special bond issues such Prop BB – can be borrowed ▪ The legislation requires that it be repaid in 2013, with interest ➢ The State announced this week that interest will be paid at 2% ➢ The State can only borrow property tax revenues twice in 10 years ➢ First borrowed taxes must be repaid in full before State can borrow a second time o Under Prop 1A, state and local agencies may opt to join a Joint Powers Authority (JPA) ▪ JPA would issue bonds in an amount that would provide the borrowed taxes to the agencies now ▪ State would pay both issuance costs and interest on the bonds ▪ Documents to opt in are all templated ➢ Over 400 agencies have taken the opt-in paperwork to consider o A "clean-up" bill is awaiting the Governor's signature ▪ If not signed into law, the use of the JPA would no longer be a viable solution ▪ Management will not finalize a decision on whether to recommend that the District join the JPA until action is taken on bill o Decision to opt in must be made by November 6th o District would forego well over $1M for this fiscal year in cash flow	***Information Only***	Forwarded to the October 12, 2009, Board of Directors meeting as Information	

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009			
1. **AGENDA ITEM**			
• **DISCUSSION**	**CONCLUSION/ACTION**	**FOLLOW UP/RESPONSIBLE PARTY**	**FINAL?**
▪ Would still be booked as a receivable and, thus, no P/L implication ▪ Joining JPA (if viable) would avoid potential compromise of days cash on hand o If a decision is made to recommend joining the JPA, the full Board will be apprised next month at the Special Board meeting to review and approve bond documents			
1. **MINUTES – AUGUST 25, 2009**			
• No discussion.	**MOTION:** By Director Bassett, seconded by Director Dr. Lilley and carried to approve the minutes of the August 25, 2009, Board Finance Committee meeting as presented. All in favor. None opposed.		**Y**
2. **STATUS UPDATE ON REVENUE BOND ISSUE AND PLAN OF FINANCE**			
• Utilizing the attached presentation *(Attachment 2)*, Bob Hemker provided an informational update o Nothing actionable for this evening o Bonds to be issued will be Certificates of Participation (CoPs) [Revenue Bonds] o *Slide 2* – A premium bond generates additional dollar value vs. a discount bond to help fund the costs of issuance – A Debt Service Reserve Fund holds one year's debt service on reserve 1) Held in escrow 2) Would issue additional dollars to cover that reserve – Bond ratings 1) Have historically used one rating agency (Moody's) for Revenue Bond issues, as opposed to 2 or 3 ratings for GO Bonds 2) Will be talking to Standard & Poor's and Fitch about adding on at least one other rating a) Second or third rating may improve access to market 3) Actual rating is based on our creditworthiness, including: revenue base, performance, as well as the uncertainty associated with a construction project of this magnitude – Contemplating use of a dual instrument (e.g., both tax-exempt bonds and Build America Bonds [BABs]) – There may also be an opportunity to restructure the 1999 bonds in the issue o Timeline *(Slide 3)* – Joint Powers Authority (JPA) Board is comprised of CEOs and CFOs from PPH, Tri-City and Grossmont Districts	***Information only***	Forwarded to the October 12, 2009, Board of Directors meeting as information.	**N**

ADD B-4

1. AGENDA ITEM			
• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
1) JPA is a conduit for the transaction a) Provides ability for a negotiated sale b) No risk/liability to the other agencies – Preliminary Official Statement tells potential investors who we are, what we are, and why they might want to buy our bonds – Potential investor reviews are scheduled the week of November 1st 1) Pricing could occur at the end of that week o *Slide 6* charts the buying trends of various investors o Overview of BABs *(Slides 9-14)* – Allows access to the tax-exempt arena for traditional sellers – Opens up a new layer of investors who don't usually have access to our bonds – Pros/Cons ■ Provides basis points benefits – *pro* ■ Potential that tax credit could be removed – *con* ➢ Basis point benefit would be eradicated, as well as the reduced rate ■ Most transactions so far are by non-healthcare entities (municipalities, cities, etc.) – *neither pro/con* ■ Benefit derived at the back end – *could be pro/con* ■ Tax-exempt at this point would have the same yield as BABs – *con*			
3. PHYSICIAN AGREEMENTS			
• DISCUSSION o All agreements can be motioned and voted on at the same time o Insurance coverage is automatically provided for Committee Chairs o The on-call contracts are for specialties that were not included in the contract with NCEMA	**MOTION:** By Director Rivera seconded by Director Bassett and carried to recommend approval of All four (4) physician agreements as presented below. All in favor. None opposed.	Forwarded to the October 12, 2009, Board of Directors meeting with a recommendation for approval	**Y**
• Jeffrey Rosenburg, MD – Chair – Medical Staff Peer Review Committee – PMC o 15-month **[September 1, 2009 to December 31, 2010]** Agreement			
• Paras Shah, MD – Emergency On-Call Agreement – Ophthalmology – POM o One year **[August 1, 2009 to July 31, 2010]** Agreement			
• Sudabeh Moein, MD – Emergency On-Call Agreement Extension – Obstetrics & Gynecology – POM o Two year extension **[November 1, 2009 to October 31, 2011]** to the Agreement			

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009			
1. **AGENDA ITEM**			
• **DISCUSSION**	**CONCLUSION/ACTION**	**FOLLOW UP/RESPONSIBLE PARTY**	**FINAL?**
• MICHAEL S. RAFFII, MD – MEDICAL DIRECTOR – NEUROLOGY – PMC o One year **[October 1, 2009 to September 30, 2010]** Agreement			
4. **UPDATED BOARD PROGRAM REVIEW SCHEDULE**			
• Management has reviewed and compiled a list of approved, ongoing programs o Determined when the programs were approved and begun, as well as when they are due to be brought back for review of progress o Several are on cycle for review at October Board Finance Committee – October's schedule is busy, so those listed as scheduled for October will likely move at least to December o Chairman Kleiter requested that the schedule be forwarded to the Board for review, along with a request for input from the Board regarding any programs that were not on the list that warranted financial review at Board Finance – Upon receipt of those additions, a final schedule will be compiled – Courtesy copy of the final schedule will be provided to other members of the Board so they may attend meetings as guests during which a program in which they are interested will be reviewed	**MOTION:** By Director Rivera, seconded by Director Bassett and carried to approve the Board Program Review Schedule as presented. All in favor. None opposed.	Forwarded to the October 12, 2009, Board of Directors meeting with a request for input from the Board regarding any programs that were not on the list that warranted financial review at Board Finance.	**N**
5. **AUGUST 2009 AND YTD FY2010 FINANCIAL REPORT**			
• Utilizing the presentation included in the agenda packet as Addendum B, Bob Hemker presented the August 2009 and YTD FY2010 financial statements. Only select slides were presented for discussion. o Balanced Scorecard (BSC) *(Slide B-4)* – Actual consolidated OEBITDA Margin is at 10.80% 1) 10.88% was budgeted – only off .08% 2) Marked red as budgeted target wasn't reached a) Shows rigidity of monitoring o Executive Summary & Highlights – Statistics *(Slide B-5)* 1) Summer seasonality in terms of volumes 2) Total Surgeries – 8.5% negative variance to budget 3) Births – 8.7% negative variance to budget – Key Indicators Summary *(Slide B-6)* 1) ED Visits – positive variances to budget a) 4.9% MTD b) 7.8% YTD	**MOTION:** By Director Rivera seconded by Director Bassett and carried to recommend approval of the Financial Report for August 2009 and YTD FY2010 as presented. All in favor. None opposed.	Forwarded to the October 12, 2009, Board of Directors meeting with a recommendation for approval.	**Y**

ADD B-6

1. AGENDA ITEM

• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
2) ED Conversions to Admissions – negative variances to budget a) 2.5% MTD b) 2.1% YTD 3) Case Mix Index shows a slight positive variance both MTD & YTD 4) Total Surgeries – negative variances to budget a) 8.5% MTD b) 5.1% YTD c) Can be attributed to physician vacation schedules 5) Productivity is just under budget both MTD & YTD 6) Total Net Revenues – positive variances to budget a) $224K MTD b) $1.19M YTD 7) Salaries, Wages & Contract Labor (SWC) a) $141K positive variance MTD b) $54,400 negative variance YTD (i) Due to settling up on union contracts 8) Cash Collections – positive variances to budget a) $1.8M MTD b) $2M YTD c) Were at $99M the first quarter of last year (i) Tracking to be up at least $20M year on year by end of this fiscal year – *Slide B-9* 1) Discharges show a negative variance to budget of almost 10% 2) ER Visits show a positive variance to budget of about 3% a) Visits are not translating to admissions 3) Total Revenue YTD a) At $77.1M (excluding capitation) 4) SWB YTD a) Up about 5.8% b) Trued up from union contract adjustments based on new contract terms c) All labor is at $45.5M compared to $43.7M prior year, approximating budget o YTD Variance Explanations *(Slide B-13)* – Income from Operations showed a $152K positive variance to budget			

ADD B-7

1. AGENDA ITEM

• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?

- Benefits showed significant negative variances to budget
  1) Group Health Insurance will continue to be negative
     a) Contract renewal for health benefits is in January
     b) Adjustments based on savings from the dependent benefits audit will start soon
        (i) Ongoing adjustments, so savings will continue through the year
  2) Pension
     a) Budgeted at 3%
     b) Union contracts settled at 5% for FY2010
     c) Paying 6% until plan adjustment can be made

o YTD Variance Explanations *(Slide B-14)*

- Supplies showed a negative variance to budget of $612K
  1) Pharmaceuticals up $180K against budget
     a) Could be inventory related to stock up at beginning of fiscal year
     b) Will continue to monitor
  2) Regular flu vaccines are budgeted
  3) H1N1 is "free" from the Government
     a) Will only cost us labor to administer

o YTD Variance Explanations *(Slide B-15)*

- *Investment Income showed a p*ositive variance to budget of $116K
  1) Net cash position is up $9M year on year this month

o Consolidated Balance Sheet *(Slide B-16)*

- *Total Assets of $1.09M*

o MTD Income Statement *(Slide B-18)*

- Volumes for August are patterning July
- Total net revenues show a positive variance of $224K
- Total expenses are just negative to budget by $189K
- Net Income from Operations shows a slight positive variance to budget of almost $35K
- Bottom bottom line shows a positive variance to budget of $287K
- OEBITDA margin is just short of budget at 10.7% vs. 10.8%
- Net income margin has a slight variance to budget of .7%

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009			
1. AGENDA ITEM			
• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
o YTD Income Statement *(Slide B-19)* – Erratic volume has been managed with expenses, including productivity, achieving adjusted volume indicators 1) Within about $50K on productivity management and premium pay – Net Income from Operations has a positive variance to budget of about $150K – Adjusted Discharges 1) Negative variance of just over 2% against budget 2) Negative variance of about 5% year on year 3) Bottom bottom line shows a positive variance to budget of about $400K			
ADJOURNMENT	**The meeting was adjourned at 7:15 p.m.**		
SIGNATURES: • **COMMITTEE CHAIR** _____ Ted Kleiter • **COMMITTEE SECRETARY** _____ Tanya Howell			

ATTACHMENT 1

I. PURPOSE:

Defines Palomar Pomerado Health's (PPH) procedure for the identification, documentation and determination of eligibility for PPH's discount or charity care programs. In accordance with its Mission Statement, it is the policy of PPH to provide a reasonable amount of hospital services without charge to eligible patients who cannot afford to pay for care, or offer discounted payment arrangements for those who qualify.

II. DEFINITIONS:

Patient: defined as the person receiving services at PPH or their guarantor ultimately responsible for the financial resolution of an account.

Charity Care: defined as medically necessary health care services provided for no charge to the patient who does not have or cannot obtain adequate financial resources to pay for his/her health care services.

Discounted Care: defined as medically necessary health care services provided at a reduced charge for patients who meet eligibility criteria as described in this policy. This is in contrast to bad debt, which occurs when a patient who, having the requisite financial resources to pay for health care services, has demonstrated by his/her actions an unwillingness to resolve his/her bill. Charity or Discounted Care eligibility may be determined prior to or at the time of an admission, during a hospital stay or after a patient is discharged. Each situation is different and shall be evaluated at the time of the application based upon the patient's circumstances. Eligibility for Charity Care or Discounted Care does not apply to services rendered by any physician, whether rendered on an inpatient or outpatient basis, or to health care providers other than PPH.

Medically Necessary Health Care Services: Services or supplies that are determined to be:

- proper and needed for the diagnosis, or treatment of the patient's medical condition
- are provided for the diagnosis, direct care, and treatment of the patient's medical condition
- meet the standards of good medical practice in the local area
- Are not mainly for the convenience of the patient or the patient's doctor

High Medical Costs

- exceed 10% of the patient's family income in the prior 12 months; or
- exceed 10% of the patient's family income in the prior 12 months, if the patient provides documentation of the patient's medical expenses paid by the patient or the patient's family in the prior 12 months; or
- A lower level as determined by hospital administration

III. TEXT / STANDARDS OF PRACTICE:

1. The General guidelines for Financial Assistance approval are:
   a. Patients who do not have or cannot obtain adequate financial resources to pay for their health care services.
   b. Uninsured patients, as well as insured patients for the portion of their bill not covered by insurance, may be eligible.
   c. Resources from third party payors, local charitable agencies, Victim of Crime, Medi-Cal, Healthy Families, etc. must be exhausted before a charity or discount adjustment can be applied.
   d. Only hospital services provided by PPH shall be considered.
   e. Eligibility determinations shall be based primarily upon income and family size. While expenses and other factors may be considered, these shall not serve as the primary basis for determining eligibility.
2. Clinical Determination:
   a. The evaluation of the necessity for medical treatment of any patient shall be based upon clinical judgment, regardless of insurance or financial status, in compliance with PPH's Mission Statement. The clinical judgment of the patient's personal physician or the Emergency Department (ED) staff physician shall be the primary determining criteria for a patient's admission. In cases where an emergency medical condition exists, any evaluation of possible payment alternatives occur after an appropriate medical screening examination has occurred and necessary stabilizing services have been provided in accordance with all applicable State and Federal laws and regulations
3. Exclusions:
   a. Patients who are not permanent citizens or permanent residents of the United States. (refer to Section 1011

Undocumented Procedure).

b. Patients whose account balance is due solely to Medi-Cal Share of Cost.

STEPS OF PROCEDURE:

1. Provide uninsured patients and those with potentially high medical expenses with a copy of the Notice of Health Care Financial Assistance (Attachment A). The uninsured patients should be directed to applications, as applicable, for Medi-Cal, CMS, CCS or Healthy Families.
2. For patients interested in financial assistance, complete a Financial Assistance Application for ED, Outpatients or cases identified after admission. All ED non-scheduled outpatients and patients identified after admission shall be handled as indicated below. The Financial Assistance Application process can be triggered by the ED Registration Clerk, Financial Counselor, the patient, Patient Service Representative (PSR) or Customer Service Representative (CSR)
   a. If, after a medical screening exam, a patient in the ED is determined to have no financial means to pay, and appears that they may not qualify for Medi-Cal or any other service, give the patient the PPH Application for Financial Assistance (Attachment B). If the patient is homeless or cannot complete the application, offer assistance in completing the form and obtain the patient's signature. If the patient is unable or unwilling to sign, then note this on the form
   b. If a patient is currently in-house and it is determined that he/she may not have appropriate coverage or other means necessary to pay for services, the PSR shall give the patient a Financial Assistance Application.
      i. Patients scheduled as elective inpatient or scheduled outpatient services shall be referred to Patient Financial Services for consideration and approval.
   c. Determine if there are alternative means (i.e., external agency or foundation) to cover the cost of services.
   d. Make appropriate referrals to HealthCare Advocates, local county agencies, Healthy Families, Medi-Cal or other programs to determine potential eligibility.
   e. In the event the patient is denied or is determined to be ineligible for any of these services or it appears this may qualify as a charity case, Patient Services Representative shall give the patient the Financial Assistance Application and a return envelope. It is the responsibility of Patient Business Services to track the receipt of the Financial Assistance Application and make sure it is complete. The documentation required to be submitted with the Financial Assistance Application shall be dependent on the amount of charity care requested. the following documents, as applicable, should submitted with the Financial Assistance Application:
      i. Current period pay stub; and/or,
      ii. Prior years tax return
      iii. If the other documents are not available, a verification of employment and wages from the employer may act as a substitute
   f. Enter account comments in PPH Information System: "Financial Assistance Application given to "name and relation to patient for patient's name", date(s) of service, date provided and when expected from patient." This level of documentation shall generally be placed at the specific visit level, although at times it could apply to all accounts for the patient.
   g. Follow-up with patient or family member to see if they require assistance in completing the Financial Assistance Application.
      I. Offer assistance and/or meet with patient or family if guidance is needed to complete the form.
      II. If needed, conduct a verbal interview with the patient and have them sign the form.
   h. The patient should be advised to return the completed Financial Assistance Application to a PSR. If the form is incomplete or missing information, reasonable efforts should be made to contact the patient for the missing information and advise them that if the information is not provided, a decision on their eligibility will be made based on the incomplete application.
   i. Forward the completed Financial Assistance Application to Patient Business Services, Attn: Customer Service for processing.
3. Guidelines for Reviewing Financial Assistance Applications:
   a. Determination – is based upon 350% of the established Federal Poverty Guidelines (FPG) as published yearly by the Department of Health and Human Services (DHHS) (http://aspe.hhs.gov/poverty/index.shtml). This means that a patient has to have an income level less than or equal to 350% of the FPG in order to qualify for either Charity Care or the Discount Care programs with High Medical Costs. These guidelines and rates of discount are noted on Attachment C.
      i. Patients or their guarantors who earn 250% or less of the Federal Poverty Guidelines (based on the date of discharge of the most recent admission being considered) are eligible for Charity Care: a write-off of 100% of charges.
      ii. Patients or their guarantors who earn between 251% and 350% of the current Federal Poverty Guidelines (based on the date of discharge of the most recent admission being considered) are eligible for Discounted Care. The billed charges for these patients will be reduced to the highest government payers (Medi-Cal, Medicare or Healthy Families) rates.
      iii. Patients or their guarantors who earn 351% or more of the Federal Poverty Guidelines (based on the date of discharge of the most recent admission being considered) are eligible for the standard self-pay discount as defined in the PPH Self Pay Discount Procedure.

iv. If a patient maintains current eligibility with local and state health programs (e.g. CMS, Medi-Cal, etc), then the patient will be determined as eligible The likelihood of future earnings sufficient to meet the obligation within a reasonable period of time shall be considered. Documentation of income may be requested of the patient if eligibility is questionable.

b. Assets Owned – Eligibility for Charity Care may be considered including all liquid assets owned (e.g., bonds, stocks, bank accounts) less liabilities and claims against assets. The first $10,000 in assets will not be counted in determining eligibility; in addition, 50% of all assets valued over $10,000 will also not be used in determining eligibility. Eligibility for Discounted Care does not factor in the availability of monetary assets. PPH uses a credit-reporting agency, Transunion, to evaluate assets and liabilities. Determination of assets and their impact on eligibility will be determined on a case by case basis.

c. Income – Examples of sources of income* include, but are not limited to:
   i. Recent pay stub
   ii. Income tax returns
   iii. If the above items are not available, upon Business Office Manager's discretion, other statements or documents may be acceptable (e.g. a signed and written statement by the employer of wages)
   iv. *Income source restrictions imposed by AB774:
      - Excludes the use of retirement, deferred-compensation plans and non-qualified deferred-compensation plans when determining eligibility for Charity Care.
      - Mandates that determinations for Discounted Care are to only consider recent pay stubs or income tax returns.
   v. Employment status shall be considered along with future earning capacity.

d. Deductions - Other financial obligations including living expenses and other items of reasonable and necessary nature shall be considered.

e. Reevaluation-Charity Care or Discounted Care provisions shall be reevaluated when any one of the following occur:
   I. Subsequent rendering of services
   II. Income change
   III. Family size change
   IV. When any part of the patient's account is written off as a bad debt or is in collections
   V. When an account that is closed is to be reopened
   VI. When an account is equal to, or greater than 6 months old

f. Management's Discretion - PPH's management shall have a reasonable amount of discretion in approving the provision of Charity Care or Discounted Care for patients who do not meet the provisions set forth above.

4. Processing the Financial Assistance Application:
   a. Review each completed application upon receipt and determine if all information has been completed or attached, as applicable.
   b. Enter notes in the "account comments" section of PPH's Information System indicating receipt of the request for charity. If incomplete, note the follow-up action, missing items and date.
      i. If additional information is required, send the Financial Assistance Request for Information Letter (Attachment D). The patient shall be requested to provide this information within 15 working days.
      ii. If the patient does not return the requested information or contact PPH within 20 working days, contact the patient to inquire into the status of the additional information. Advise the patient that unless PPH receives the information within 10 working days, a decision on their eligibility for financial assistance will be made without the requested information. If the patient does not return the requested information or contact PPH within the additional 10 day period, the application should be forwarded for review and eligibility determination. Enter into the "account comments" section of PPH's information system: "Patient did not return required financial assistance information."
   c. If the Financial Assistance Application is complete, prepare the Financial Assistance Checklist (Attachment E) within 24 hours.
   d. Once the packet is complete, forward to the appropriate person as per the following approval schedule:
      i. $0 - $ 1,000 PFS Representative
      ii. $1,001 - $5,000 Manager Patient Financial Services
      iii. $5,001 - $10,000 Director Patient Financial Services
      iv. $10,001 - $50,000 Executive Director Revenue Cycle
      v. > $50,000 Chief Financial Officer
   e. Enter the date the packet was sent into the "account comments" section of PPH's information system.
   f. If a patient is approved for Financial Assistance, the person approving the Financial Assistance shall enter the appropriate adjustment into the PPH information system as "approved and write off completed," and complete the Financial Assistance Approval Letter (Attachment F).
   g. For approved Charity Care, the full amount of the bill is to be written off and the account documented.
   h. For approved Discounted Care, the account should be adjusted to the Medicare reimbursement rate and the remaining balance to be paid by the patient. The patient is eligible for an interest free payment plan on the remaining balance in accordance with the Self Pay Discount procedure or Extended Payment Plan (Care Payment) procedure.

i. If a patient is not approved for Financial Assistance, forward the Financial Assistance Application and the supporting documentation to the Patient Business Services manager for final review.
j. If a patient is denied Financial Assistance, send the Financial Assistance Denial Letter (Attachment G).
k. If the patient appeals the denial and submits additional information within 15 working days of the date of the denial notice, this information should be evaluated within five days. If the supplemental information results in the patient qualifying for Financial Assistance, send the Financial Assistance Approval Letter. If the supplemental information does not change the denial determination, send the patient the Financial Assistance Denial Letter (Attachment G) and edit to include the wording related to the denial based upon the additional documents submitted.

5. Guidelines for Collection on Accounts of Patients Eligible for Financial Assistance:
   a. All non-Charity Care patients must first have been offered an interest free extended payment plan subject to negotiation and PPH procedures.
   b. Asset review is to be done as described in section 3(b) above.
   c. PPH and affiliated collection agencies cannot report adverse information to a consumer credit reporting agency or commence civil action against the patient for non-payment at any time prior to 150 days after initial billing. All agencies used by PPH (Progressive Management Systems and CMRE Financial Services) have been confirmed to be compliant with AB774.
   d. PPH will not send any accounts to agency if the patient is:
      i. Attempting to qualify for Financial Assistance eligibility, or
      ii. Attempting in good faith to settle an outstanding bill with PPH by negotiating a reasonable payment plan or by making regular partial payments or a reasonable amount.
   e. PPH or affiliated agencies will not use wage garnishments or liens on primary residences as a means of collecting on unpaid or underpaid accounts.
   f. Unaffiliated agencies will not use:
      i. Wage garnishments, except upon order of a court, or
      ii. Notice or conduct a sale of primary residence either during the life of the patient or spouse or in some instances a child of the patient that attains the age of majority.

Documentation:
PPH shall maintain detailed records of the numbers of patients and circumstances under which it provides free or reduced cost care under this procedure. PPH shall also maintain records of the costs incurred in providing free or reduced care to eligible patients.

Confidentiality:
PPH shall maintain all information received from patients requesting eligibility under the Financial Assistance procedure confidential.

IV. ADDENDUM:

(all patient documents, with the exception of internal documents C and E, are available in English and Spanish)

1. Attachment A: Notice of Healthcare Financial Assistance
2. Attachment B: Financial Assistance Application
3. Attachment C: Financial Assistance Guideline Determination
4. Attachment D: Financial Assistance Request for Information Letter
5. Attachment E: Financial Assistance Checklist
6. Attachment F: Financial Assistance Approval Letter
7. Attachment G: Financial Assistance Denial Letter

V. DOCUMENT / PUBLICATION HISTORY: (template)

Revision Number	Effective Date	Document Owner at Publication	Description
(this version)	09/24/2009	Krystle Galaviz	updating correct title

1

(Changes) 0 07/21/2009 Krystle Galaviz New Procedure for Charity

Authorized Promulgating Officers: (09/24/2009) Bob Hemker, Chief Financial Officer

VI. CROSS-REFERENCE DOCUMENTS:(template)

Reference Type	Title	Notes

ATTACHMENT 2

PALOMAR POMERADO HEALTH

SPECIALIZING IN YOU

Market Update

KaufmanHall

September 29, 2009
Strictly Private and Confidential

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Series 2009 Revenue Bond Update

- PPH is currently targeting an issuance of revenue bonds to generate up to $175 million in proceeds for the construction project consistent with the Master Facility Plan
  - Bonds will be sold at either a premium or a discount
  - A Debt Service Reserve Fund will need to be funded
  - Cost of Issuance expenses will be incurred
  - Bonds will be sold based on the rating of PPH (currently Baa1)
    - Additional ratings are being requested from Standard & Poor's and Fitch on the Revenue Bonds
- PPH is dual tracking possible enhancements to the Series 2009 plan of finance including:
  - The applicability of Build America Bonds to achieve a lower borrowing cost
  - Refunding/Restructuring of the Series 1999 bonds for cash flow savings

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Timeline for The Execution of Series 2009 Bonds

- October 5th & 6th – Rating agency update meetings
- October 20th – Audit committee approval meeting
- October 23rd – Joint Powers Authority approval meeting
- October 27th – PPH Board Meeting - approval
- October 28th – Print Preliminary Official Statement
- November 12th – Price Series 2009 Revenue Bonds *(possibly 1 week earlier)*
- November 19th – Close Series 2009 Revenue Bonds

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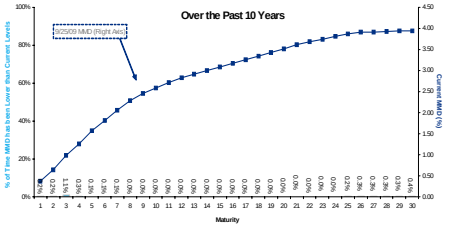
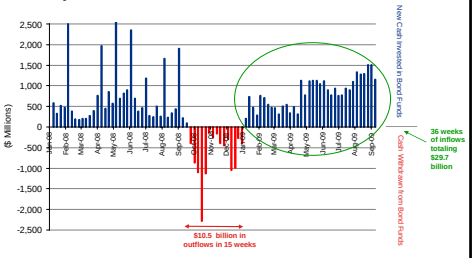
Current Market Conditions Have Improved – Presents PPH with Low Cost Opportunity Relative to Last 18 Months

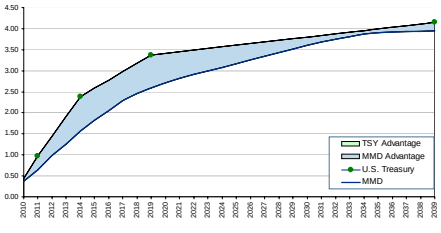
MMD Has Rarely Been Lower



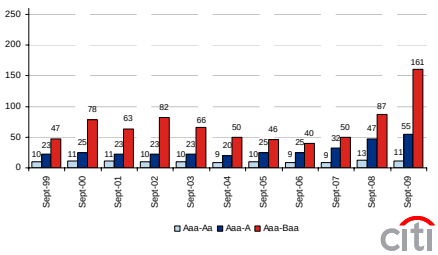
Municipal Bond Flows Remain Positive



MMD is Trending Towards More Traditional Ratios



Credit Spreads Are Wide, But Starting to Improve



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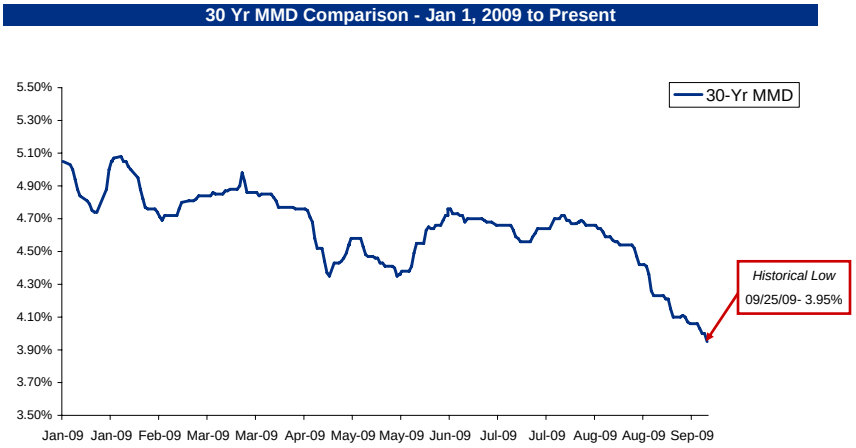
Low cost opportunity with the recent significant drop in MMD



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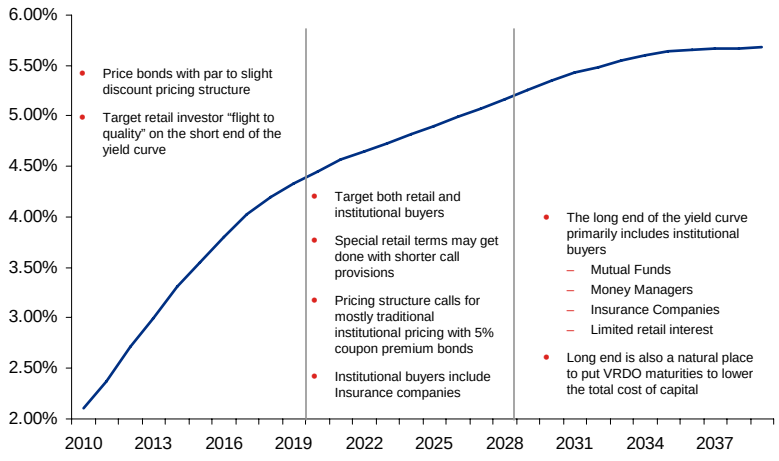
Marketing Strategy For Structuring Series 2009 Bonds

Targeting specific buyers along the yield curve, namely retail participants on short end and institutions for longer bonds, guarantees the lowest fixed rate funding cost.



Rates as of 9/25/2009. Assuming a constant spread to MMD of +174bps

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ATT 2-4

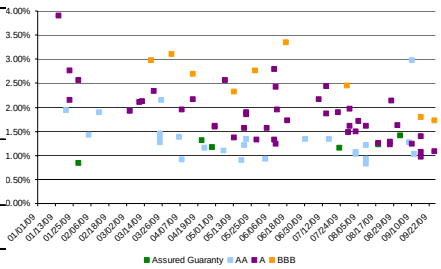
ADD B-19

Selected Recent Tax-Exempt Fixed Rate Health Care Offerings

- The majority of healthcare financings since late 2008 have been in the "A" or higher rating category
- Activity in the "BBB" area started to increase in April and gained some momentum through July
- Spreads have varied dramatically by credit and by timing of issuance

System	State	Par ($MM)	Pricing Date	Final Maturity	Final Maturity Yield	Spread to MMD
A- / A3 / A-						
Anne Arundel Health System	MD	120.00	1/22/2009	2039	7.15%	2.15%
Rush University Medical Center	IL	176.27	1/28/2009	2038	7.60%	2.56%
Evangelical Lutheran Good Samaritan Soci	CO	80.98	5/21/2009	2038	6.20%	1.85%
Albert Einstein Healthcare Network	PA	148.02	6/9/2009	2023	6.50%	2.79%
Health First, Inc.	FL	85.85	6/10/2009	2039	7.10%	2.42%
Rush University Medical Center	IL	200.00	7/9/2009	2039	6.72%	2.16%
Sharp Healthcare	CA	140.00	7/14/2009	2039	6.43%	1.87%
Memorial Healthcare (CO Springs)	CO	101.95	7/22/2009	2033	6.40%	1.90%
North Shore Long Island Jewish Obligated	NY	235.62	8/26/2009	2037	5.75%	1.23%
North Shore Long Island Jewish Obligated	NY	60.89	8/26/2009	2033	5.70%	1.28%
Aurora Healthcare System	WI	27.53	8/27/2009	2020	5.24%	2.14%
BBB+ / Baa1 / BBB+						
Mountain States Health	TN	115.96	3/18/2009	2038	7.95%	2.97%
Butler Health System	PA	75.99	4/15/2009	2039	7.40%	2.69%
University Medical Center Corporation	AZ	61.80	5/13/2009	2039	6.75%	2.32%
Provena Health	IL	200.00	6/17/2009	2034	8.00%	3.35%
Palmetto Health	SC	128.70	9/16/2009	2039	5.90%	1.79%
BBB / Baa2 / BBB						
University of Medicine & Dentistry	NJ	258.08	4/1/2009	2032	7.80%	3.11%
Silver Cross Hospital and Medical Center	IL	260.00	5/27/2009	2044	7.25%	2.76%
Central Washington Health Services	WA	116.54	7/28/2009	2039	7.17%	2.45%
BBB- / Baa3 / BBB-						
Community Hospitals of Central California	CA	210.00	9/24/2009	2039	5.72%	1.72%

Recent Fixed Rate Spreads



Note: Transaction information not adjusted for state or specific issuer trading differentials.

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Overview of Build America Bonds

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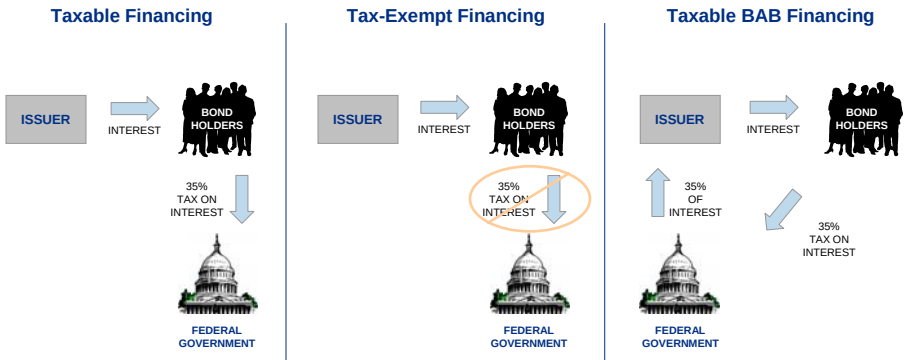
Overview of Build America Bonds

The American Recovery and Reinvestment Act of 2009 (the "Act") provides issuers with a new financing alternative – Build America Bonds

- Build America Bonds provide issuers with a new cost-effective financing alternative
- Build America Bonds combine the issuance of taxable bonds with a 35% issuer interest subsidy or a 35% investor tax credit
- The taxable market is showing strong current fundamentals with attractive US Treasury benchmark rates and reduced credit spreads, and with investors looking to diversify portfolios
- By accessing the taxable bond market, issuers now have access to both the expansive global taxable investor base as well as to the traditional municipal investor base
  - Citi recommends "dual tracking" the tax-exempt and taxable markets to minimize overall borrowing costs
- Build America Bonds priced to date have provided issuers with savings of approximately 40-70 basis points for longer maturities when compared to tax-exempt borrowing rates

Municipal Finance Interest Payment Mechanics



Note: Tax rates shown on taxable and tax-exempt financings reflect current highest personal income tax rate for Federal taxes.

BABs Considerations

Based on current rates, a BAB financing could produce meaningful savings for the Issuer. However, the Issuer should address the following considerations before executing a BABs transaction.

Considerations:

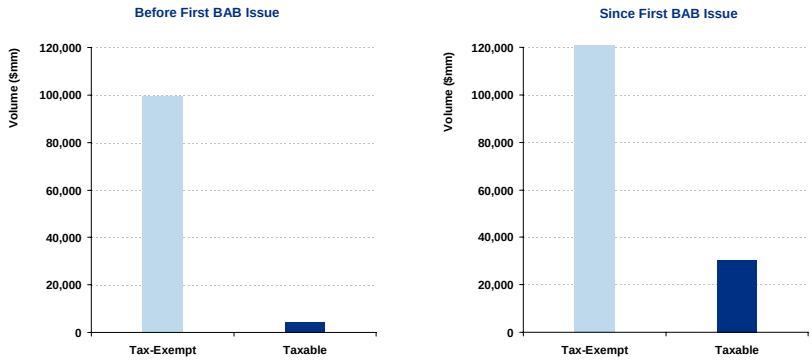
- Treatment of BAB rebate in the Legal Covenant
- Ongoing Risk of Federal Repayment
- Callability of BABs

Status:

- For purposes of the additional bonds test and the rate maintenance tests, the Issuer will only need to include the net interest on BABs
  - i.e., it will be able to take the "BAB Credit" into account for these purposes
- Under a fixed rate “BABs” issuance, the Issuer will maintain the Risk of Federal Repayment rather than passing it along to investors
- Taxable bonds are sold with a Make-Whole Call; currently a Par Call will cost an additional 50-75 bps
  - To date, less than 10% of the BABs issuances have been sold with a par call.
  - BABs with a par call may still produce substantial savings relative to tax-exempt bonds.

Market Context: Tax-Exempt vs. Taxable Financings in 2009

Since 4/15, approximately $21 billion of BABs have been issued, buoying a taxable municipal market that offered few taxable issuances during the first 3 ½ months of 2009.

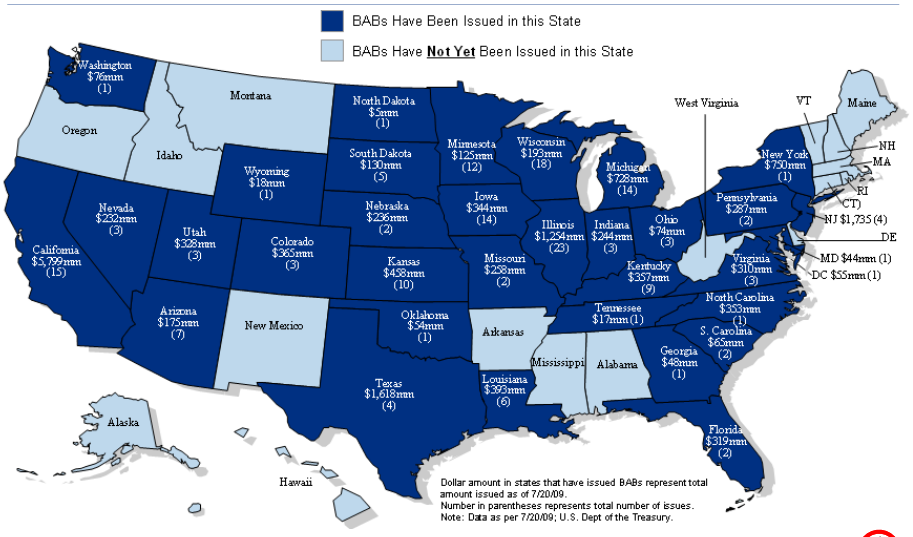


	Before First BAB Issue		Since First BAB Issue	
Share of Market:	96%	4%	81%	19%

Source: Thomson Financial. Data as of August 2009.

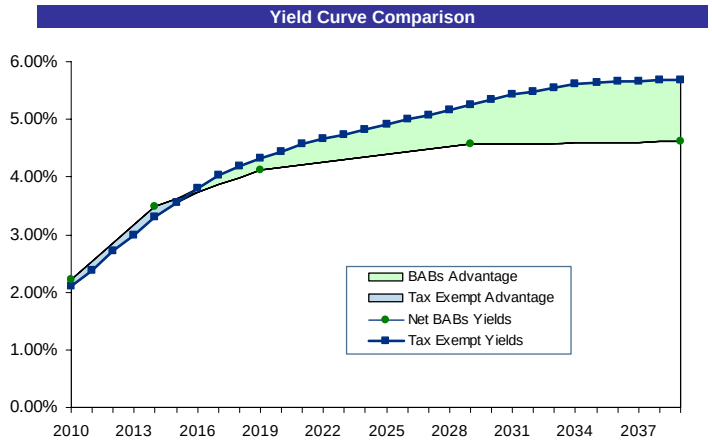
National BABs Issuance Since Inception

The Federal subsidy of interest of BABs is not subject to appropriation. Any change to the Federal subsidy would require Federal legislation. To date, BABs have been issued in 34 states.



Comparison of BABs vs. Revenue Bonds

Tax Exempt Advantage on the short-end of the yield curve but opposing story on the long-end.



Note: BAB structure does not provide a 10 year call option. Assumes a constant spread to MMD of +174bps for the Revenue Bonds.

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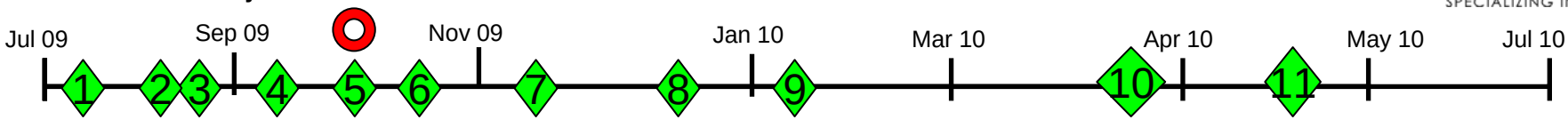
Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

ADDENDUM C

FY10 Initiative: 1.1 (a) Achieve Realizable Net Revenue Optimization through implementation of **Clinical Documentation Integrity initiative** and implementation of a Chargemaster Build/Rebuild Project

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



Report Date: October 19, 2009

EMT Sponsor: Opal Reinbold/Bob Hemker
Initiative Manager: Jeanette Ebalo-Gangoy
Lidiya Ter-Markarova

Outcome Measure: OEBITDA Margin % with Property Tax

Initiative Budget: FY10 Budgeted
$275,000 + expenses for FTI
$362,731 annually - Staff Salaries

Budget Status: Within FY10 Budget

Initiative Status:

- First three months (starting in March 09 - August 09) preliminary $ 2,153,437.00

Milestones:

1. Full staffing for CDI Project
2. Finalize CDI Data Base Upgrade
3. Finalize FTI Benchmarks with PPH Finance
4. CDS In-service Education Plan Completed
5. CDI Physician Performance Report #1 to Medical Staff leadership (UR, Data Trends, QMC, MECs)
6. Physician Department Specific action plans completed for Physician Performance Report #1
7. Physician Department Specific Education Presentations (FTI MD) completed
8. Year-end evaluation of Q1+2 data, productivity and target to goal
9. FY10 Action Plan Complete for CDI staff/MDs
10. Quarter 3 Data Review/Action planning
11. FY11 Planning/Budget review – CDI completed

Initiative Risks:

- Making sure to maximize productivity for a new program
- Continued physician support

Outcome Measure: (OEBITDA Margin %)

- Threshold: 10.87%
- Target: 10.9%
- Maximum: 10.95%

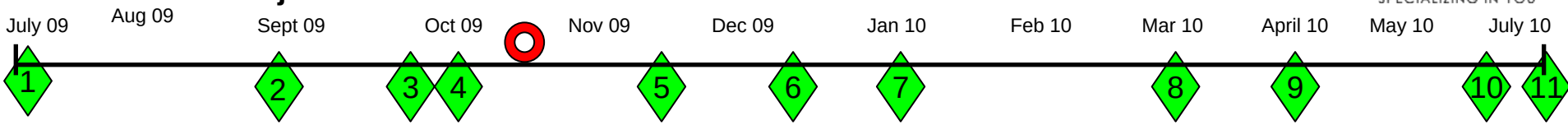
Sub-initiative Outcome Measure:

- $3,000,000 additional net revenue included in FY10 budget

ADD C-2

FY10 Initiative: 1.1(b) Achieve Realizable Net Revenue Optimization through implementation of Clinical Documentation Integrity initiative and implementation of a **Chargemaster Build/Rebuild Project**

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



Report Date: October 19, 2009

EMT Sponsor: Bob Hemker

Initiative Manager: Lidiya Ter-Markarova

Outcome Measure: OEBITDA Margin % with Property Tax

Milestones:

1. Create interview and implementation schedule and work plan
2. **Complete training - implementation, tracking and education**
3. Complete interviews & process analysis of current state
4. **Complete initial scrub of CDM to identify deficiencies**
5. **Complete build/rebuild plan for 3 departments** by performing detailed study of CDM and Charge Capture Processes and Procedures, updating CDM, Updating policies and procedures, Automating/Upgrading Cerner where possible, creating Virtual Views aligned to appropriate cost center and providing training to staff.
6. Develop new/revised org structure as needed
7. Write/revised job descriptions and policies/procedures
8. **Complete Build/Rebuild of next 3 departments**
9. Complete training plan – best practice & new procedures
10. **Complete Build/Rebuild of next 3 departments**
11. Create schedule for FY11 department's to Build/Rebuild

Initiative Budget: Included in approved FY10 operating

Budget Status: On budget

Initiative Status

- Completed Interviews and Process analysis of 3 department's CDM
- Initial Scrub of 3 Departments CDM's completed,
- Deficiencies identified and process of updating CDM is In progress

Initiative Risks:

- Significant systems issues from initial build & ongoing maintenance
- Minimal documentation exists – significant time to create
- System enhancements delay documentation and training
- Current state identified significant training gaps
- Resource allocation of IT Support and / or Departmental staff

Outcome Measure: (OEBIDA Margin %)

- Threshold: 10.87%
- Target: 10.9%
- Maximum: 10.95%

Sub-initiative Outcome Measure:

- Complete Build / Rebuild of CDM and charge capture processes for 9 departments
- Clean Claim Rate = 70%
- Implant Gross Revenue increase = 10%

ADD C-3

FY10 Initiative: 1.1(c) Achieve efficient resource consumption/utilization through the establishment/implementation of resource optimization committees for **clinical supplies** and labor resources.

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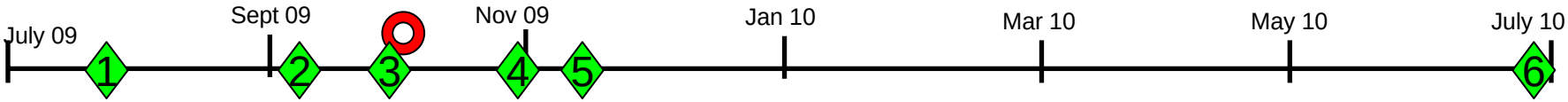


Report Date: October 19, 2009

EMT Sponsor: David Tam

Initiative Manager: Steve Ellis

Outcome Measure: Total operating expenses per adjusted discharge

Milestones:

1. Finalize membership of Supply Optimization Committee
2. Identify High Cost / High Volume Clinical Supply Targets
3. Research best practices in supply cost management
4. Develop Plan for Cost Reduction of High Cost / High Volume Clinical Supplies
5. Re-develop new process for Value Analysis Teams focused on the identified supply areas
6. Report year-end results to EMT and Board

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget

Initiative Status:

- Membership of Committee under review
- Target areas being studied

Initiative Risks:

- Completion of Recruitment of new Corporate Supply Chain Director
- Coordination with Physician Champions

Outcome Measure: Total operating expenses per adjusted discharge

- Threshold: $11,200
- Target: $11,065
- Maximum: $10,930

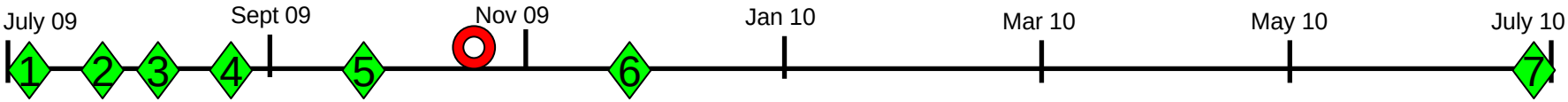
Sub-initiative Outcome Measure:

- Departmental Supply Costs per unit of Service at or better than Budget
- District wide total implant costs per adjusted discharge at or better than Budget

ADD C-4

FY10 Initiative: 1.1(d) Achieve efficient resource consumption/utilization through the establishment/implementation of resource optimization committees for clinical supplies and **labor resources**

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



Report Date: October 19, 2009

EMT Sponsor: Lorie Shoemaker

Initiative Manager: Lorie Shoemaker, Carrie Frederick, Leanne Cooney

Outcome Measure: Total operating expenses per adjusted discharge

Milestones:

1. Finalize membership
2. Gain EMT approval of plan
3. Research best practices in labor cost management
4. Institute monthly meetings for monitoring, problem-solving and accountability
5. Complete and review results of aggregate cause and effect diagram
6. Complete performance improvement activities identified in step 5
7. Report year-end results to EMT and Board

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget

Initiative Status:

- Membership finalized
- Approved by EMT
- Monthly meetings scheduled
- Fishbone diagrams completed – each department to identify their top 4 opportunities for improvement and develop action plans to correct
- The discharge process was identified as an opportunity for improvement across the system; therefore, a Discharge Taskforce has been commissioned under the leadership of Debra Hodges and Maria Sudak to improve this process.

Initiative Risks:

- Unpredictable/low census and minimal staffing levels
- The need to backfill positions for people working on initiatives
- Turnover and related orientation/training requirements

Outcome Measure: Total operating expenses per adjusted discharge

- Threshold: $11,200
- Target: $11,065
- Maximum: $10,930

Sub-initiative Outcome Measure:

- Departmental salary/contract labor expense per unit of service at or better than budget
- Total labor expense per adjusted discharge at or better than budget

ADD C-5

FY10 Initiative: 1.2(a) Increase collective contribution margin for the service lines of **Cardiovascular**, Orthopedics, General Surgery and Neurosciences

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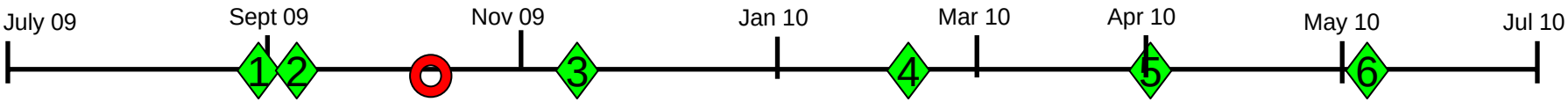


Report Date: October 19, 2009

EMT Sponsor: Gerald Bracht

Initiative Manager: Paul Patchen

Outcome Measure: Increase overall contribution margin over FY10 budget for service lines

Cardiovascular Milestones:

1. Targeted CRM campaign with direct mail
2. POM – Develop Strategic Business Plan for EP program and diagnostic Cardiac Services
3. Revenue enhancement by implementing charge master and coding corrections
4. Develop Chest Pain algorithm with cardiology, ED, and hospitalist to improve patient through put
5. PMC - Increase throughput for cath lab
6. POM point of access for PMC cardiac interventional cases
7. Initiate geographic outreach to outer borders of the service area North and South

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget

Initiative Status:

- CRM campaign underway
- EP business plan completed and under review by POM Administration for approval process to proceed thereafter to determine funding.

Initiative Risks:

Outcome Measure:

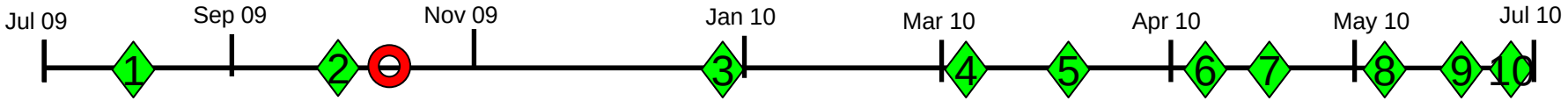
- Threshold: 1.1 Million (equivalent to 2%)
- Target: 2.8 Million (equivalent to 5%)
- Maximum: 4.0 Million (equivalent to 7%)

- Performance through 9/09: $414,614

ADD C-6

FY10 Initiative: 1.2(b) Increase collective contribution margin for the service lines of Cardiovascular, **Orthopedics**, General Surgery and Neurosciences

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



Report Date: October 19, 2009

EMT Sponsor: Gerald Bracht

Initiative Manager: Natalie Bennett

Outcome Measure: Increase overall contribution margin over FY10 budget for service lines

Orthopedic Milestones:

1. Submit application for BCBS Center of Excellence
2. Complete implant process analysis and develop work plan
3. Identify and partner with champion physician to evaluate and pursue business growth opportunities
4. Further refine web microsite
5. Engage new Orthopedic surgeons in practice growth
6. Further develop and strengthen relationship between primary care referral base and Orthopedic surgeons
7. Improve continuum of care referral process and service delivery
8. Community Education focused on orthopedic topics
9. Continued monitoring of Kaiser Orthopedic business at PMC
10. CRM and direct mail campaign

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget

Initiative Status:

- Implant Workgroup – completed assessment, now working with operational team to address identified problems
- Aligning coding and operations – providing procedure based education for the coding staff
- BCBS application submitted
- Ongoing discussions with orthopedic surgeons
- Interfacing with supply chain to ensure alignment on implant costs
- Microsite development – version 1 of joint, spine, shoulder surgery completed. Awaiting PPH Web redesign.
- Kaiser program management and development continuing
- Direct mail for 5 ortho lectures with strong community response

Initiative Risks:

Outcome Measure:

- Threshold: 1.1 Million (equivalent to 2%)
- Target: 2.8 Million (equivalent to 5%)
- Maximum: 4.0 Million (equivalent to 7%)
- Performance through 9/09: $414,614

ADD C-7

FY10 Initiative: 1.2(c) Increase collective contribution margin for the service lines of Cardiovascular, Orthopedics, **General Surgery** and Neurosciences

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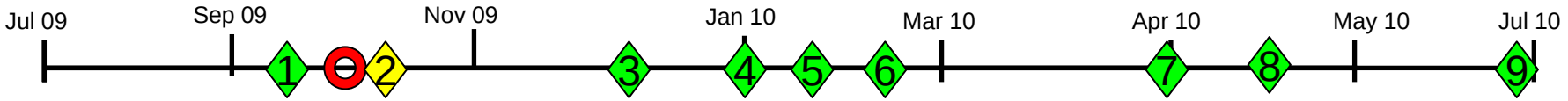

Report Date: October 19, 2009

EMT Sponsor: Gerald Bracht

Initiative Manager: Natalie Bennett

Outcome Measure: Increase overall contribution margin over FY10 budget for service lines

General Surgery Milestones:

1. Secure Kaiser volume at POM
2. Ensure general surgeon contracts are in place with medical groups and IPA
3. Charging and coding improvement for revenue enhancement for robotic assisted surgery
4. Initiate geographic outreach in the primary and secondary service areas
5. Successfully recruit new Urologist
6. Further develop and strengthen relationship between primary care referral base and general surgeons
7. Finalize program development around urologic cancer
8. Reduce outmigration to free-standing centers
9. Highlight minimally invasive techniques in marketing campaign

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget

Initiative Status:

- Kaiser finalized their contract with NCTA – estimated 10 cases/week at PMC
- DaVinci Case Audit completed – coding robotic assisted procedure
- Held DaVinci kick-off meeting to identify program opportunities (operations, community outreach, marketing and contracting)
- Dr. Brian Link – Urologist – robotic surgery starting Jan 2010

Initiative Risks:

Outcome Measure:

- Threshold: 1.1 Million (equivalent to 2%)
- Target: 2.8 Million (equivalent to 5%)
- Maximum: 4.0 Million (equivalent to 7%)
- Performance through 9/09: $414,614

ADD C-8

FY10 Initiative: 1.2(d) Increase collective contribution margin for the service lines of Cardiovascular, Orthopedics, General Surgery and **Neurosciences**

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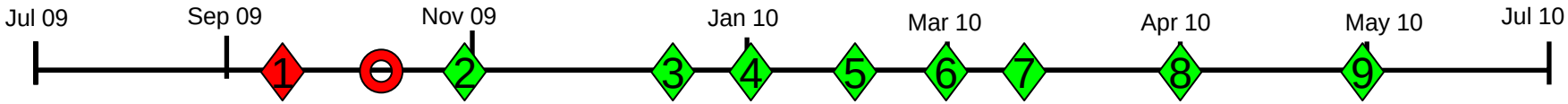

Report Date: October 19, 2009
EMT Sponsor: Gerald Bracht
Initiative Manager: Lisa Hudson

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget

Outcome Measure: Increase overall contribution margin over FY10 budget for service lines

Initiative Status:

- Engaged a recruiter to find a neurosurgeon
- Two spine lectures conducted to date
- Stroke Medical Director named and meetings with groups underway

Neurosciences Milestones:

1. Successfully recruit an additional Neurosurgeon to PPH and establish an Escondido office
2. Secure SCMG medical group capitated contract with PPH neurosurgeons for spine and neurosurgery
3. Obtain more loyalty from neurosurgeons who split
4. Complete Spine Center Business Plan
5. Achieve redirection of out of network cases for cap
6. Initiate geographic outreach to outer borders of the service area North and South
7. Work with Neurosurgeons for outreach to PCP and general neurologists including CME and Grand Rounds
8. Develop web micro site including assessment tool
9. Conduct community programs

Initiative Risks:

Outcome Measure:

- Threshold: 1.1 Million (equivalent to 2%)
- Target: 2.8 Million (equivalent to 5%)
- Maximum: 4.0 Million (equivalent to 7%)
- Performance through 9/09: $414,614

FY10 Initiative: 1.2 (e) Pursue partnerships that support PPH strategic goals: **e) Rady Children's Hospital**, f) RehabCare, and g) North County Radiology

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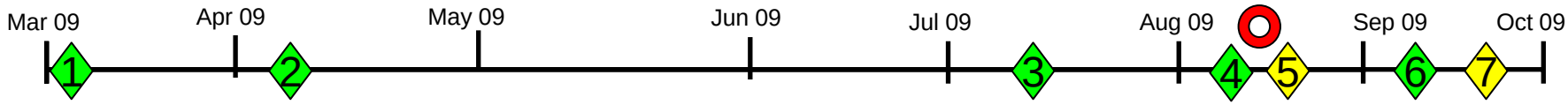
SPECIALIZING IN YOU



Report Date: October 19, 2009

EMT Sponsor: Gerald Bracht

Initiative Manager: Gerald Bracht

Outcome Measure: Partnership decision made (go/no-go)

Milestones:

1. All parties meet to understand goal.
2. Communicate to all constituencies.
3. Conduct reference checks.
4. Complete financial pro-forma.
5. Complete agreement negotiations.
6. Communicate to all constituencies.
7. Secure Board approval.

Initiative Status:

- Parties have met and key participants identified.
- Pro-forma 90% complete.
- Draft agreement complete, negotiations continuing.
- Medical staff leadership and hospital leadership informed of discussions.
- Negotiations continue productively, follow up with Licensing and certification whether unit may continue to be used for L&D overflow. The outcome impacts ability to expand L&D.

Initiative Risks:

- Ability to obtain waiver from L&C to use Peds for L&D overflow.

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget

Outcome Measure:

- Threshold: 1 completed by end of fiscal year
- Target: 2 completed by end of fiscal year
- Maximum: 3 completed by fiscal year

Sub-initiative Outcome Measure:

- This initiative part is on target to be completed by end of fiscal year.

FY10 Initiative: 1.2 (f) Pursue partnerships that support PPH strategic goals: e) Rady Children's Hospital, **f) RehabCare**, and g) North County Radiology

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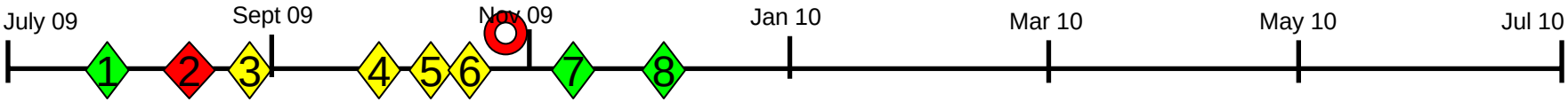


Report Date: October 19, 2009
EMT Sponsor: Sheila Brown
Initiative Manager: Sheila Brown

Outcomes Measures: Partnership decisions made (go/no-go)

Initiative Status:
- Preliminary Analysis of and assessment of patient need
- Preliminary Analysis-Concept Site Planning for Hospital
- Preliminary Analysis and Business Plan
- RFQ, and Response Potential Developers

Milestones:

1.	Present Terms to PPH Finance Committee	7-28-09
2.	Full Board Approval	8-10-09
3.	Execute Agreement Term Sheet	8-11-09
4.	Valuation of Existing Rehab Unit	10-5-09
5.	Select Developer	10-5-09
6.	Architectural Plan Review/Concept Cost	10-5-09
7.	Confirmation & Decision-Rehab Care	11-7-09
8.	PPH Board Review	12-14-09

Initiative Risks:
- CMS Ruling regarding the moratorium on the LTACH until 2013
- Environmental Analysis
- Project Site Constraints-Costs Associated
- Existing Soil Conditions

Initiative Budget: FY10 Budgeted

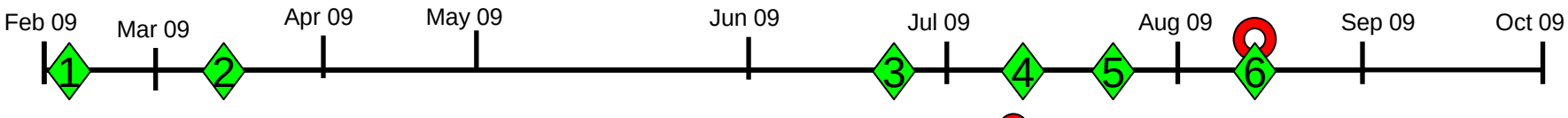
Budget Status: Within FY10 Budget

Outcome Measure::
- Threshold: 1 completed by end of fiscal year
- Target: 2 completed by end of fiscal year
- Maximum: 3 completed by fiscal year

Sub-initiative Outcome Measure:
- This initiative part is on target to be completed by end of fiscal year.

FY10 Initiative: 1.2 (g) Pursue partnerships that support PPH strategic goals: e) Rady Children's Hospital, f) RehabCare, and **g) North County Radiology**

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



Report Date: October 19, 2009

EMT Sponsor: Gerald Bracht

Initiative Manager: Gerald Bracht

Outcome Measure: Partnership decision made (go/no-go)

Milestones:

1. All parties meet to understand each other's goals and concerns.
2. Develop a schematic defining the structure to be memorialized in an agreement.
3. Negotiate the terms for an agreement.
4. Present structure to Board Strategic Planning Committee.
5. Present agreement to Board Finance Committee.
6. Obtain Board approval.

Initiative Budget: $10,000 on approval

Budget Status: Within FY10 Budget

Initiative Status:

- Parties have agreed to terms of an agreement.
- Structure shared with Board Strategic Planning Committee on 7-7-09.
- Present to Board Finance in July 09.
- Board approved August 09.
- Legal working to set up Venture

Initiative Risks:

Outcome Measure: Partnership decision made (go/no-go)

- Threshold: 1 completed by end of fiscal year
- Target: 2 completed by end of fiscal year
- Maximum: 3 completed by fiscal year

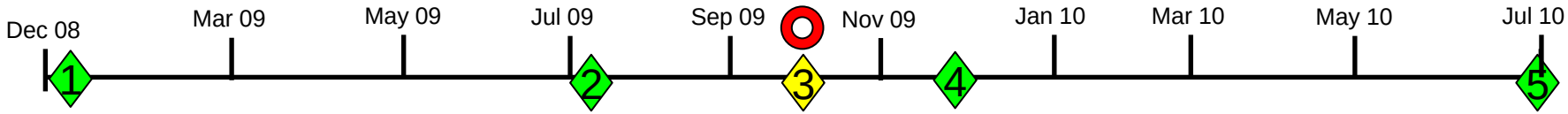
Sub-initiative Outcome Measure:

- Complete

ADD C-12

FY10 Initiative: 2.2 Evaluate, gain approval, and if approved, establish a functioning Not-for-Profit Physician Organization

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



Report Date: October 19, 2009

EMT Sponsor: Gerald Bracht / Bob Hemker

Initiative Manager: Robert Trifunovic MD

Outcome Measure: Establishment of Functioning Not-for-Profit Physician Organization

Milestones:

1. Signed letters of interest with Graybill Medical Group and CHC.
2. Obtain PPH Board Approval and signature for non-binding LOI between PPH and CHC to proceed to phase III.
3. File exemption applications with the IRS and FTB.
4. Signing of Definitive Agreement and Asset Purchase Agreements between CHC and PPH.
5. First patient seen under the Not-for-Profit Physician Organization Business Model.

Initiative Budget: FY10 Budgeted

Budget Status: Within FY10 Budget.

Initiative Status:

- Reviewed and presented VMG Health valuation assessments of both medical groups 6-10-09.
- Graybill Medical Group opts out 6-23-09.
- CHC agrees to proceed and a non-binding letter of intent is signed between the Board of PPH and CHC 7-12-09.
- Finalizing the structure, governance and legal concerns and issues of phase III.
- Articles of Inc filed and awaiting State approval
- Finalizing the PSA Agreements with CHC Physicians.
- Presentation to Board Finance in October

Initiative Risks:

- Federal Healthcare Reform Plan.
- Projected costs and year of positive cash flow, if any.
- Board does not approve funds necessary to acquire assets.

Outcome Measure:

- Threshold: Board Decision made by 11-1-09.
- FY10 Target: Operational by 7/1/2010
- FY10 Maximum: Operational by 4/1/2010

FY10 Initiative: 5.2(c) Realize Year 2 Capital Campaign Commitments through external, physician and employee plans

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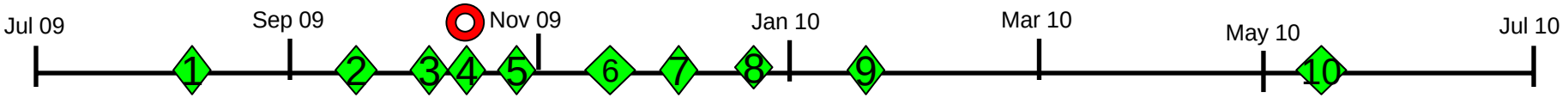

Report Date: October 19, 2009

EMT Sponsor: Terry Green

Initiative Managers: Marsha Bryan, Tina Pope, Lori Geist, Charity Smith, Carolyn Zollars

Outcome Measure: Capital campaign

Milestones:

1. Approval of Gift Acceptance Policies and Gift Recognition opportunities
2. Recruit community campaign leadership
3. Launch Moves Management program
4. Re-launch Physician campaign component
5. Launch monthly direct mail program
6. Launch Grateful Patient program
7. Launch Nurse-retiree program
8. Complete PPHF board development program
9. Launch Planned Giving marketing program
10. Generate $800k cash from sponsorship and auction from Night of Nights Gala

Initiative Budget: FY10 Foundation budget

Budget Status: Within FY10 Budget

Initiative Status:

- Wealth Engine/Moves Management contract signed
- Direct mail contract being finalized (CPI)
- Community leader meetings being scheduled
- Planned giving vendor selected (Virtual Giving)
- Nursing needs identified

Initiative Risks:

- State of the economy
- Volunteer commitments to other charities/priorities

Outcome Measures:

- Threshold: $7,000,000
- Target: $11,000,000
- Maximum: $15,000,000

ADDENDUM D

Financial Statements

Fiscal Year 2010

September

PALOMAR POMERADO HEALTH

SPECIALIZING IN YOU

pph.org

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Financial Results
Executive Summary & Highlights

July	August	September					YTD 2009			
Actual	Actual	Actual	Budget	Variance	% Actual to Budget		Actual	Budget	Variance	% Actual to Budget
						PPH Indicators:				
10.86%	10.74%	11.09%	10.70%	0.39%	103.6%	OEBITDA Margin w/Prop Tax	10.89%	10.82%	0.07%	100.6%
$ 11,285.17	$ 11,506.89	$ 10,557.76	$ 11,006.61	$ 448.85	95.9%	Expenses/Adj Discharge	$ 11,116.52	$ 10,967.40	$ (149.12)	101.4%
$ 6,727.10	$ 6,838.73	$ 6,180.25	$ 6,473.58	$ 293.33	95.5%	SWB/Adj Discharge	$ 6,582.11	$ 6,472.43	$ (109.68)	101.7%
6.37	6.34	6.31	6.26	(0.05)	100.8%	Prod FTE's/Adj Occupied Bed	6.35	6.26	(0.09)	101.4%
						PPH North Indicators:				
8.60%	11.56%	5.68%	10.38%	(4.70%)	54.7%	OEBITDA Margin w/Prop Tax	8.73%	10.51%	(1.78%)	83.1%
$ 10,751.31	$ 10,458.17	$ 9,569.54	$ 10,142.89	$ 573.35	94.3%	Expenses/Adj Discharge	$ 10,256.29	$ 10,106.99	$ (149.30)	101.5%
$ 5,571.03	$ 5,360.24	$ 5,106.37	$ 5,264.99	$ 158.62	97.0%	SWB/Adj Discharge	$ 5,345.21	$ 5,262.33	$ (82.88)	101.6%
5.2	5.03	5.13	5.09	(0.04)	100.8%	Prod FTE's/Adj Occupied Bed	5.12	5.09	(0.03)	100.6%
						PPH South Indicators:				
12.70%	7.12%	17.62%	9.00%	8.62%	195.8%	OEBITDA Margin w/Prop Tax	12.55%	9.21%	3.34%	136.3%
$ 11,622.84	$ 12,924.93	$ 12,316.80	$ 12,242.37	$ (74.43)	100.6%	Expenses/Adj Discharge	$ 12,266.82	$ 12,200.45	$ (66.37)	100.5%
$ 5,753.95	$ 6,240.82	$ 6,248.98	$ 6,067.88	$ (181.10)	103.0%	SWB/Adj Discharge	$ 6,069.48	$ 6,070.13	$ 0.65	100.0%
6.68	7.05	6.63	6.34	(0.29)	104.6%	Prod FTE's/Adj Occupied Bed	6.79	6.31	(0.48)	107.6%

Statistics

CONSOLIDATED	Aug	Sep	Aug vs Sep % Change	Sep Budget	Act vs Bud % Variance
Patient Days Acute	8,998	8,745	(2.8%)	9,270	(5.7%)
Patient Days SNF	6,563	6,346	(3.3%)	6,375	(0.5%)
ADC Acute	290.24	291.49	0.4%	309.00	(5.7%)
ADC SNF	211.71	211.53	(0.1%)	212.50	(0.5%)
Surgeries CVS Cases	13	8	(38.5%)	11	(27.3%)
Surgeries Total	1,494	1,550	3.7%	1,581	(2.0%)
Number of Births	409	456	11.5%	434	5.1%
NORTH					
Patient Days Acute	6,977	6,613	(5.2%)	6,902	(4.2%)
Patient Days SNF	2,740	2,680	(2.2%)	2,685	(0.2%)
ADC Acute	225.06	220.43	(2.1%)	230.06	(4.2%)
ADC SNF	88.39	89.33	1.1%	89.50	(0.2%)
SOUTH					
Patient Days Acute	2,021	2,132	5.5%	2,368	(10.0%)
Patient Days SNF	3,823	3,666	(4.1%)	3,690	(0.7%)
ADC Acute	65.19	71.07	9.0%	78.94	(10.0%)
ADC SNF	123.32	122.20	(0.9%)	123.00	(0.7%)

Financial Results
Executive Summary of Key Indicators

	SEPTEMBER 2009			FY 10 Y-T-D @SEPTEMBER 2009			
	Actual	Budget	Variance	Actual	Budget	Variance	Moody Benchmark
Statistics:							
Acute Admissions	2,260	2,375	(115)	6,766	7,283	(517)	
Acute Patient Days	8,745	9,270	(525)	26,810	28,426	(1,616)	
Acute ALOS	3.84	3.90	(0.06)	3.91	3.90	0.01	
Case Mix Index (w/o Births)	1.49	1.46	0.03	1.51	1.46	0.05	
Total Surgeries	1,550	1,581	(31)	4,648	4,847	(199)	
Births	456	434	22	1,286	1,330	(44)	
E/R Visits & Admissions	8,041	7,252	789	24,207	22,242	1,965	
ER to Admit Rate	14.6%	17.4%	(2.8%)	15.1%	17.4%	(2.3%)	
Productivity %	99.3%	100%	(0.7%)	98.9%	100%	(1.1%)	
Income Statement:							
Net Patient Revenue	35,774,327	37,127,982	(1,353,655)	113,820,146	113,813,228	6,918	
Total Net Revenue	36,480,520	37,765,235	(1,284,715)	115,631,861	115,724,987	(93,126)	
Sal., Wages, Cont. Lbr	16,785,894	17,408,551	622,657	52,799,603	53,367,861	568,258	
Supplies	6,041,313	6,013,474	(27,839)	18,760,252	18,446,413	(313,839)	
Total Expenses	35,421,296	36,714,427	1,293,131	111,920,630	112,174,416	253,786	
Net Inc. (Loss) before Non-Op	**1,059,224**	**1,050,808**	**8,416**	**3,711,231**	**3,550,571**	**160,660**	
Net Income (Loss)	**2,143,974**	**2,080,126**	**63,848**	**7,120,918**	**6,638,525**	**482,393**	
Cash Flow:							
Cash Collections	35,500,000	38,800,000	(3,300,000)	115,300,000	116,400,000	(1,100,000)	
Days Cash on Hand	115.4	80	35.4	115.4	80	35.4	
Ratios:							
OEBITDA w/ Prop. Tax	11.09%	10.70%	0.39%	10.89%	10.82%	0.07%	
Net Income Margin	5.88%	5.51%	0.37%	6.16%	5.74%	0.42%	
Bad Debt % of Net Revenue	18.9%	15.1%	(3.8%)	17.8%	15.2%	(2.6%)	6.6%
Return On Assets				3.1%	2.9%	(0.2%)	2.3%
Annual Debt Service Coverage				3.3			3.1
Cushion Ratio				8			9.6

Balance Sheet

Current Cash & Cash Equivalents increased $7.6 million from $112.7 million in August to $120.3 million in September. Total Cash and Investments are $133.9 million, compared to $127.0 million at August. Days Cash on Hand went from 107.7 days in August to 115.4 days in September.

Net Accounts Receivable decreased $0.2 million from $90.5 million in August to $90.3 million in September. Gross A/R days increased from 43.6 days in August to 44.0 days in September.

September YTD collections including capitation are $115.3 million compared to budget of $116.4 million.

Construction in Progress increased $13.1 million from $408.4 million in August to $421.5 million in September. The increase is attributed to Building Expansion A & E services, construction and permitting costs of $12.8 million, Electronic Health Record project $0.2 and Other $0.1 million.

Other Current Liabilities decreased $0.9 million from $30.6 million to $29.7 million. The decrease is due to the realization of deferred property tax revenue of $1.2 million; offset by increases in capitation liability accounts of $0.2 million and other current liabilities of $0.1 million.

Income Statement

Gross Patient Revenue reflects a YTD favorable budget variance of $1.1 million. Reference table for detail.

North	South	Outreach	Consolidated
3,641,801	(2,022,980)	(501,322)	1,117,499
(3,447,875)	(2,246,488)	-	(5,694,363)
(2,720,320)	(3,069,508)	-	(5,789,828)
9,809,996	3,293,016	(501,322)	12,601,690

Net Capitation reflects an YTD favorable budget variance of $2.1 million. Cap Premium shows a favorable budget variance of $3.6 million. This favorable variance is due to retro 2008 premium adjustments in July and August. Cap Valuation and Out of Network Claim Expense both show an unfavorable budget variance of $0.7 million and $0.8 million, respectively.

Other Operating Revenue has a YTD unfavorable budget variance of $0.1 million. This is due to a $0.1 million unfavorable budget variance in the Grant programs.

Salaries, Wages & Contract Labor has a YTD favorable budget variance of $0.6 million. Reference table for detail.

	YTD Actual	YTD Budget	Variance
Consolidated	52,799,603	53,367,861	568,258
North	31,171,571	31,680,094	508,523
South	12,998,870	13,640,703	641,833
Central	6,832,116	6,209,084	(623,032)
Outreach	1,797,046	1,837,980	40,934

Employee Benefits Expense has a YTD unfavorable budget variance of $0.6 million due to unfavorable budget variances of $0.3 million in pension expense, $0.2 million in Group Health Insurance and $0.1 million in other employee benefits.

Supplies Expense reflects a YTD unfavorable budget variance of $0.3 million primarily due to Pharmaceutical expense.

Professional Fees & Purchased Services reflect a YTD favorable budget variance of $0.2 million due to Purchased Services.

Ratios & Margins

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

Financial Results
Executive Summary & Highlights

Stat	MTD	Budget	YTD	Budget	PY
Patient Days - Acute	8,745	9,270	26,810	28,426	28,176
Discharges - Acute	2,279	2,375	6,860	7,283	7,405
OP Registrations *	3,549	4,055	12,255	12,435	12,799
Total ER Visits (includes Trauma & Admissions)	8,041	7,252	24,207	22,242	22,455
Deliveries	456	434	1,286	1,330	1,412

Profit & Loss (in millions)	MTD	Budget	YTD	Budget	PY
Capitation	(0.3)	Breakeven	1.8	(0.4)	(0.5)
Net Patient Revenue	35.8	37.1	113.8	113.8	109.9
Total Revenue	36.5	37.8	115.6	115.7	111.2
SWB	20.4	21.3	65.4	65.2	62.6
Contract Labor	0.4	0.3	0.8	1.1	2.4
Supplies	6.0	6.0	18.8	18.4	17.2
Total Expense	35.4	36.7	111.9	112.2	108.9
Net Income from Ops	1.1	1.1	3.7	3.5	2.3
Net Income	2.1	2.1	7.1	6.6	5.4

* Beginning in July, recurring patients have been omitted as new registrations.

Key Variance Explanations
Month-To-Date

	Actual	Budget	Variance Detail	Variance
Net Income From Operations	**1,059,224**	**1,050,808**		**8,416**
Total Net Revenue				**(1,353,655)**
Net Patient Revenue			(1,353,655)	
Other Operating Revenue				**68,940**
Licenses and Taxes (Tax Increment Allocation - City of San Marcos)			142,993	
PPNC Health Development and Research Institute			(18,378)	
Welcome Home Baby			(27,052)	
Corporate Health			(27,427)	
Other			(1,196)	
Salaries & Wages				**627,560**
Volume Variance			(92,020)	
Rate & Efficiency			719,580	
Benefits				**244,931**
Group Health Insurance			292,229	
Other			(47,298)	
Contract Labor				**(4,903)**
Volume Variance			(1,883)	
Rate & Efficiency			(3,020)	

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

	Actual	Budget	Variance Detail	Variance
Professional Fees				**(59,873)**
Professional Fees			(59,873)	
Supplies				**(27,839)**
Volume Variance			(32,437)	
Rate & Efficiency			4,598	
Breakdown of Variance:				
Prosthesis	181,508			
Pharmaceutical	(49,602)			
Other	(159,745)			
Purchased Services				**193,967**
Purchased Services			193,967	
Depreciation				**3,021**
Depreciation			3,021	
Other Direct Expenses				**316,267**
Utilities			105,756	
Other			210,511	
Total Actual to Budget MTD Variance for September 2009			**8,416**	**8,416**

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

Total Actual to Budget MTD Variance for September 2009				**8,416**
Non-Operating Income (Expense)	**1,084,750**	**1,029,318**		**55,432**
Property Tax	**1,166,666**	**1,166,666**	**0**	
Investment Income (Loss)	**331,052**	**314,432**	**16,620**	
Breakdown of Actual:				
Salomon Bros (68% Gov't Sec, 29% Corp Bonds; 3% MMF)	156,508			
Pacific Inc (90% Gov't Sec, 6% Corp Bonds, 4% MMF)	118,832			
LAIF	27,996			
Other	27,716			
Interest Expense	**(418,809)**	**(481,154)**	**62,345**	
Other	**5,841**	**29,374**	**(23,533)**	
Net Income	**2,143,974**	**2,080,126**		**63,848**

Key Variance Explanations
Year-To-Date

	Actual	Budget	Variance Detail	Variance
Net Income From Operations	**3,711,231**	**3,550,571**		**160,660**
Total Net Revenue				**6,918**
Net Patient Revenue			6,918	
Other Operating Revenue				**(100,044)**
Welcome Home Baby			(113,861)	
PPNC Health Development and Research Institute			(55,134)	
Corporate Health			(52,390)	
Licenses and Taxes (Tax Increment Allocation - City of San Marcos)			117,993	
Other			3,348	
Salaries & Wages				**322,513**
Volume Variance			838,234	
Rate & Efficiency			(515,721)	
Benefits				**(610,960)**
Pension			(326,427)	
Group Health Insurance			(189,109)	
Other			(95,424)	
Contract Labor				**245,745**
Volume Variance			17,154	
Rate & Efficiency			228,591	

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

	Actual	Budget	Variance Detail	Variance
Professional Fees				**(107,409)**
Revenue Cycle Consulting			(88,064)	
Internal Audit			(41,203)	
Other			21,858	
Supplies				**(313,839)**
Volume Variance			295,662	
Rate & Efficiency			(609,501)	
Breakdown of Variance:				
Pharmaceutical	(230,073)			
Prosthesis	(79,052)			
Other	(4,714)			
Purchased Services				**260,785**
Purchased Services			260,785	
Depreciation				**86,868**
Depreciation			86,868	
Other Direct Expenses				**370,083**
Utilities			128,012	
Other			242,071	
Total Actual to Budget YTD Variance for September 2009			**160,660**	**160,660**

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

	Actual	Budget	Variance Detail	Variance
Total Actual to Budget YTD Variance for September 2009				**160,660**
Non-Operating Income (Expense)	**3,409,687**	**3,087,954**		**321,733**
Property Tax	**3,499,998**	**3,499,998**	**0**	
Investment Income (Loss)	**1,075,966**	**943,296**	**132,670**	
Breakdown of Actual:				
Salomon Bros (68% Gov't Sec, 29% Corp Bonds; 3% MMF)	603,622			
Pacific Inc (90% Gov't Sec, 6% Corp Bonds, 4% MMF)	303,400			
LAIF	85,806			
Other	83,138			
Interest Expense	**(1,270,694)**	**(1,443,462)**	**172,768**	
Other	**104,417**	**88,122**	**16,295**	
Net Income	**7,120,918**	**6,638,525**		**482,393**

Balance Sheet
Consolidated

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	$12,434,361	$18,835,605	$10,354,783
Cash Marketable Securities	107,817,464	93,899,868	107,135,131
Total Cash & Cash Equivalents	120,251,825	112,735,473	117,489,914
Patient Accounts Receivable	203,796,009	201,275,151	196,918,121
Allowance on Accounts	(113,489,942)	(110,794,443)	(102,639,179)
Net Accounts Receivable	90,306,067	90,480,708	94,278,942
Inventories	6,390,462	6,304,412	6,346,391
Prepaid Expenses	4,059,203	4,068,724	3,996,246
Other	20,426,048	20,174,654	4,443,168
Total Current Assets	241,433,605	233,763,971	226,554,661
Non-Current Assets			
Restricted Assets	232,097,820	246,128,793	278,894,137
Restricted by Donor	312,345	312,345	312,345
Board Designated	13,310,581	13,924,814	0
Total Restricted Assets	245,720,746	260,365,952	279,206,482
Property Plant & Equipment	391,380,645	392,585,262	395,014,891
Accumulated Depreciation	(228,698,412)	(228,347,272)	(227,431,539)
Construction in Process	421,541,550	408,405,120	400,568,817
Net Property Plant & Equipment	584,223,783	572,643,110	568,152,169
Investment in Related Companies	1,064,800	1,167,759	1,418,426
Deferred Financing Costs	19,672,260	19,763,166	19,951,541
Other Non-Current Assets	7,306,320	7,124,487	6,676,688
Total Non-Current Assets	857,987,909	861,064,474	875,405,306
Total Assets	$1,099,421,514	$1,094,828,445	$1,101,959,967

	Current Month	Prior Month	Prior Fiscal Year End
Liabilities			
Current Liabilities			
Accounts Payable	$18,550,836	$19,838,800	$49,101,571
Accrued Payroll	17,635,278	17,257,017	12,894,999
Accrued PTO	13,766,048	13,750,209	14,113,565
Accrued Interest Payable	2,862,894	2,079,112	5,384,506
Current Portion of Bonds	9,860,000	9,860,000	9,780,000
Est Third Party Settlements	2,627,655	2,396,976	2,343,270
Other Current Liabilities	29,721,528	30,592,446	16,996,638
Total Current Liabilities	95,024,239	95,774,560	110,614,549
Long Term Liabilities			
Bonds & Contracts Payable	665,428,118	663,228,704	662,496,664
General Fund Balance			
Unrestricted	325,346,231	321,588,022	328,536,409
Restricted for Other Purpose	312,345	312,345	312,345
Board Designated	13,310,581	13,924,814	0
Total Fund Balance	338,969,157	335,825,181	328,848,754
Total Liabilities / Fund Balance	$1,099,421,514	$1,094,828,445	$1,101,959,967

Income Statement: Monthly Trend
Consolidated

	Jul	Aug	Sep	YTD
Statistics:				
Admissions - Acute	2,318	2,188	2,260	6,766
Admissions - SNF	96	91	93	280
Patient Days - Acute	9,067	8,998	8,745	26,810
Patient Days - SNF	6,497	6,563	6,346	19,406
LOS - Acute	3.86	4.03	3.84	3.91
LOS - SNF	65.63	73.74	69.74	69.56
Adjusted Discharges	3,416	3,298	3,355	10,068
Revenue:				
Gross Revenue	$ 148,271,360	$ 140,677,712	$ 137,924,256	$ 426,873,328
Deductions from Rev	(108,819,120)	(102,084,134)	(102,149,929)	(313,053,182)
Net Patient Revenue	39,452,240	38,593,578	35,774,327	113,820,146
Other Oper Revenue	496,566	608,956	706,193	1,811,715
Total Net Revenue	39,948,806	39,202,534	36,480,520	115,631,861
Expenses:				
Salaries, Wages & Contr Labor	18,174,843	17,838,866	16,785,894	52,799,603
Benefits	4,804,941	4,715,266	3,948,844	13,469,051
Supplies	6,504,026	6,214,913	6,041,313	18,760,252
Prof Fees & Purch Svc	4,813,171	5,026,545	4,730,236	14,569,952
Depreciation	1,773,400	1,789,000	1,820,103	5,382,504
Other	2,479,232	2,365,131	2,094,906	6,939,268
Total Expenses	38,549,613	37,949,721	35,421,296	111,920,630
Net Inc Before Non-Oper Income	1,399,193	1,252,813	1,059,224	3,711,231
Property Tax Revenue	1,166,666	1,166,666	1,166,666	3,499,998
Non-Operating Income	(124,084)	115,689	(81,916)	(90,311)
Net Income (Loss)	$ 2,441,775	$ 2,535,168	$ 2,143,974	$ 7,120,918
Net Income Margin	6.11%	6.47%	5.88%	6.16%
OEBITDA Margin w/o Prop Tax	7.94%	7.76%	7.89%	7.86%
OEBITDA Margin with Prop Tax	10.86%	10.74%	11.09%	10.89%

Income Statement: Month-to-Date
Consolidated – Adjusted Discharges

	Actual	Budget	Variance		Variance Volume	Variance Rate/Eff	$/Adjusted Discharges Actual	$/Adjusted Discharges Budget	$/Adjusted Discharges Variance
Statistics:									
Admissions - Acute	2,260	2,375	(115)						
Admissions - SNF	93	88	5						
Patient Days - Acute	8,745	9,270	(525)						
Patient Days - SNF	6,346	6,375	(29)						
ALOS - Acute	3.84	3.90	(0.06)						
Adjusted Discharges	3,355	3,337	18						
Revenue:									
Gross Revenue	$ 137,924,256	$ 138,825,734	$ (901,478)	U	$ 748,835	$ (1,650,313)	$41,110.06	$ 41,601.96	$ (491.90)
Deductions from Rev	(102,149,929)	(101,697,752)	(452,177)	U	(548,564)	96,387	(30,447.07)	(30,475.80)	28.73
Net Patient Revenue	35,774,327	37,127,982	(1,353,655)	U	200,271	(1,553,926)	10,662.99	11,126.16	(463.17)
Other Oper Revenue	706,193	637,253	68,940	F	3,437	65,503	210.49	190.97	19.52
Total Net Revenue	36,480,520	37,765,235	(1,284,715)	U	203,708	(1,488,423)	10,873.48	11,317.12	(443.64)
Expenses:									
Salaries, Wages & Contr Labor	16,785,894	17,408,551	622,657	F	(93,903)	716,560	5,003.25	5,216.83	213.58
Benefits	3,948,844	4,193,775	244,931	F	(22,622)	267,553	1,177.00	1,256.75	79.75
Supplies	6,041,313	6,013,474	(27,839)	U	(32,437)	4,598	1,800.69	1,802.06	1.37
Prof Fees & Purch Svc	4,730,236	4,864,330	134,094	F	(26,239)	160,333	1,409.91	1,457.70	47.79
Depreciation	1,820,103	1,823,124	3,021	F	(9,834)	12,855	542.50	546.34	3.83
Other	2,094,906	2,411,174	316,268	F	(13,006)	329,274	624.41	722.56	98.14
Total Expenses	35,421,296	36,714,427	1,293,131	F	(198,040)	1,491,171	10,557.76	11,002.23	444.46
Net Inc Before Non-Oper Income	1,059,224	1,050,808	8,416	F	5,668	2,748	315.72	314.90	0.82
Property Tax Revenue	1,166,666	1,166,666	-	-	6,293	(6,293)	347.74	349.62	(1.88)
Non-Operating Income	(81,916)	(137,348)	55,432	F	(741)	56,173	(24.42)	(41.16)	16.74
Net Income (Loss)	$ 2,143,974	$ 2,080,126	$ 63,848	F	$ 11,220	$ 52,628	$ 639.04	$ 623.35	$ 15.69
Net Income Margin	5.88%	5.51%	0.37%						
OEBITDA Margin w/o Prop Tax	7.89%	7.61%	0.28%						
OEBITDA Margin with Prop Tax	11.09%	10.70%	0.39%						

F= Favorable variance
U= Unfavorable variance

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

	Actual	Budget	Variance		Variance: Volume	Variance: Rate/Eff	$/Adjusted Discharges: Actual	$/Adjusted Discharges: Budget	$/Adjusted Discharges: Variance
Statistics:									
Admissions - Acute	6,766	7,283	(517)						
Admissions - SNF	280	270	10						
Patient Days - Acute	26,810	28,426	(1,616)						
Patient Days - SNF	19,406	19,551	(145)						
ALOS - Acute	3.91	3.90	0.01						
ALOS - SNF	69.56	73.22	(3.66)						
Adjusted Discharges	10,068	10,232	(164)						
Revenue:									
Gross Revenue	$ 426,873,328	$ 425,755,829	$ 1,117,499	F	$ (6,824,077)	$ 7,941,576	$42,399.02	$ 41,610.23	$ 788.79
Deductions from Rev	(313,053,182)	(311,942,601)	(1,110,581)	U	4,999,862	(6,110,443)	(31,093.88)	(30,486.96)	(606.92)
Net Patient Revenue	113,820,146	113,813,228	6,918	F	(1,824,215)	1,831,133	11,305.14	11,123.26	181.88
Other Oper Revenue	1,811,715	1,911,759	(100,044)	U	(30,642)	(69,402)	179.95	186.84	(6.89)
Total Net Revenue	115,631,861	115,724,987	(93,126)	U	(1,854,857)	1,761,731	11,485.09	11,310.10	174.98
Expenses:									
Salaries, Wages & Contr Labor	52,799,603	53,367,861	568,258	F	855,388	(287,130)	5,244.30	5,215.78	(28.52)
Benefits	13,469,051	12,858,091	(610,960)	U	206,091	(817,051)	1,337.81	1,256.65	(81.15)
Supplies	18,760,252	18,446,413	(313,839)	U	295,662	(609,501)	1,863.35	1,802.82	(60.54)
Prof Fees & Purch Svc	14,569,952	14,723,328	153,376	F	235,988	(82,612)	1,447.15	1,438.95	(8.21)
Depreciation	5,382,504	5,469,372	86,868	F	87,664	(796)	534.62	534.54	(0.08)
Other	6,939,268	7,309,351	370,083	F	117,155	252,928	689.24	714.36	25.12
Total Expenses	111,920,630	112,174,416	253,786	F	1,797,948	(1,544,160)	11,116.47	10,963.10	(153.37)
Net Inc Before Non-Oper Income	3,711,231	3,550,571	160,660	F	(56,909)	217,571	368.62	347.01	21.61
Property Tax Revenue	3,499,998	3,499,998	-	-	(56,098)	56,098	347.64	342.06	5.57
Non-Operating Income	(90,311)	(412,044)	321,733	F	6,604	315,129	(8.97)	(40.27)	31.30
Net Income (Loss)	$ 7,120,918	$ 6,638,525	$ 482,393	F	$ (106,403)	$ 588,798	$ 707.28	$ 648.80	$ 58.48
Net Income Margin	6.16%	5.74%	0.42%						
OEBITDA Margin w/o Prop Tax	7.86%	7.79%	0.07%						
OEBITDA Margin with Prop Tax	10.89%	10.82%	0.07%						

Income Statement: Current vs. Prior Year-to-date

Consolidated – Adjusted Discharges

	September 09 YTD	September 08 YTD	Variance		Variance Volume	Variance Rate/Eff	$/Adjusted Discharges Actual FY09	$/Adjusted Discharges Actual FY08	$/Adjusted Discharges Variance
Statistics:									
Admissions - Acute	6,766	7,361	(595)						
Admissions - SNF	280	303	(23)						
Patient Days - Acute	26,810	28,176	(1,366)						
Patient Days - SNF	19,406	19,382	24						
ALOS - Acute	3.91	3.81	0.10						
ALOS - SNF	69.56	65.04	4.52						
Adjusted Discharges	10,068	10,373	(305)						
Revenue:									
Gross Revenue	$ 426,873,328	$ 390,358,894	$ 36,514,434	F	$ (11,477,823)	$ 47,992,257	$ 42,399.02	$ 37,632.21	$ 4,766.81
Deductions from Rev	(313,053,182)	(280,473,177)	(32,580,005)	U	8,246,825	(40,826,830)	(31,093.88)	(27,038.77)	(4,055.11)
Net Patient Revenue	113,820,146	109,885,717	3,934,429	F	(3,230,998)	7,165,427	11,305.14	10,593.44	711.70
Other Oper Revenue	1,811,715	1,330,797	480,918	F	(39,130)	520,048	179.95	128.29	51.65
Total Net Revenue	115,631,861	111,216,514	4,415,347	F	(3,270,128)	7,685,475	11,485.09	10,721.73	763.36
Expenses:									
Salaries, Wages & Contr Labor	52,799,603	52,135,858	(663,745)	U	1,532,964	(2,196,709)	5,244.30	5,026.11	(218.19)
Benefits	13,469,051	12,819,326	(649,725)	U	376,930	(1,026,655)	1,337.81	1,235.84	(101.97)
Supplies	18,760,252	17,157,610	(1,602,642)	U	504,490	(2,107,132)	1,863.35	1,654.06	(209.29)
Prof Fees & Purch Svc	14,569,952	14,561,127	(8,825)	U	428,145	(436,970)	1,447.15	1,403.75	(43.40)
Depreciation	5,382,504	5,662,221	279,717	F	166,488	113,229	534.62	545.86	11.25
Other	6,939,268	6,591,356	(347,912)	U	193,807	(541,719)	689.24	635.43	(53.81)
Total Expenses	111,920,630	108,927,498	(2,993,132)	U	3,202,823	(6,195,955)	11,116.47	10,501.06	(615.41)
Net Inc Before Non-Oper Income	3,711,231	2,289,016	1,422,215	F	(67,305)	1,489,520	368.62	220.67	147.95
Property Tax Revenue	3,499,998	3,499,998	-	-	(102,911)	102,911	347.64	337.41	10.22
Non-Operating Income	(90,311)	(397,147)	306,836	F	11,677	295,159	(8.97)	(38.29)	29.32
Net Income (Loss)	$ 7,120,918	$ 5,391,867	$ 1,729,051	F	$ (158,538)	$ 1,887,589	$ 707.28	$ 519.80	$ 187.48
Net Income Margin	6.16%	4.85%	1.31%						
OEBITDA Margin w/o Prop Tax	7.86%	7.15%	0.71%						
OEBITDA Margin with Prop Tax	10.89%	10.30%	0.59%						

F= Favorable variance
U= Unfavorable variance

Cash Flow Statement

	September	YTD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss) from operations	1,059,224	3,711,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,820,103	5,382,504
Provision for bad debts	6,750,387	20,244,790
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,575,746)	(16,271,915)
Property Tax and other receivables	(875,953)	(17,346,327)
Inventories	(86,050)	(44,071)
Prepaid expenses and Other Non-Current assets	112,480	290,669
Accounts payable	(1,287,964)	(30,550,735)
Accrued compensation	394,100	4,392,762
Estimated settlement amounts due third-party payors	230,680	284,385
Other current liabilities	1,295,747	19,224,890
Net cash provided by operating activities	2,837,008	(10,681,819)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales of investments	727,610	32,803,403
Income (Loss) on investments	331,052	1,075,966
Investment in affiliates	(37,248)	(225,879)
Net cash used in investing activities	1,021,414	33,653,490
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	171,300	338,492
Receipt of District Taxes	263,732	501,544
Net cash used in non-capital financing activities	435,032	840,036
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(9,833,779)	(12,790,183)
Proceeds from sale of asset	0	0
Deferred Financing Costs	90,906	279,281
G.O. Bond Interest paid	0	(6,022,313)
Revenue Bond Interest paid	(951,824)	(2,253,914)
Proceeds from issuance of debt	0	0
Payments of Long Term Debt	0	(945,000)
Net cash used in activities	(10,694,697)	(21,732,129)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,401,244)	2,079,578
CASH AND CASH EQUIVALENTS - Beginning of period	18,835,605	10,354,783
CASH AND CASH EQUIVALENTS - End of period	12,434,361	12,434,361

Summary of Key Indicators & Results

Fiscal Year-to-Date

	ACTUAL	BUDGET	VARIANCE	FY 2009
ADMISSIONS - Acute:				
Palomar Medical Center	5,128	5,466	(338)	5,514
Pomerado Hospital	1,638	1,817	(179)	1,847
Total:	6,766	7,283	(517)	7,361
ADMISSIONS - SNF:				
Palomar Medical Center	122	107	15	116
Pomerado Hospital	158	163	(5)	187
Total:	280	270	10	303
PATIENT DAYS - Acute:				
Palomar Medical Center	20,486	21,170	(684)	20,815
Pomerado Hospital	6,324	7,256	(932)	7,361
Total:	26,810	28,426	(1,616)	28,176
PATIENT DAYS- SNF:				
Palomar Medical Center	8,067	8,235	(168)	8,115
Pomerado Hospital	11,339	11,316	23	11,267
Total:	19,406	19,551	(145)	19,382

Summary of Key Indicators & Results

Fiscal Year-to-Date

	ACTUAL	BUDGET	VARIANCE	FY 2009
EMERGENCY ROOM VISITS & TRAUMA CASES:				
Palomar Medical Center	14,207	12,393	1,814	12,368
Pomerado Hospital	6,348	5,977	371	6,160
Total:	20,555	18,370	2,185	18,528
EMERGENCY & TRAUMA ADMISSIONS:				
Palomar Medical Center	2,758	2,822	(64)	2,852
Pomerado Hospital	894	1,050	(156)	1,075
Total:	3,652	3,872	(220)	3,927
SURGERIES:				
Palomar Medical Center	3,095	3,104	(9)	3,152
Pomerado Hospital	1,553	1,743	(190)	1,796
Total:	4,648	4,847	(199)	4,948
BIRTHS:				
Palomar Medical Center	976	1,033	(57)	1,093
Pomerado Hospital	310	297	13	319
Total:	1,286	1,330	(44)	1,412

Summary of Key Indicators & Results

Fiscal Year-to-Date

	ACTUAL	BUDGET	VARIANCE	FY 2009
ADJUSTED DISCHARGES				
Palomar Medical Center	7,338	7,417	(79)	7,469
Pomerado Hospital	2,676	2,745	(69)	2,848
Other Activities	54	70	(16)	56
Total:	10,068	10,232	(164)	10,373
AVERAGE LENGTH OF STAY- Acute:				
Palomar Medical Center	3.95	3.87	0.08	3.77
Pomerado Hospital	3.77	3.99	(0.22)	3.92
Total:	3.91	3.90	0.01	3.81
AVERAGE LENGTH OF STAY - SNF:				
Palomar Medical Center	67.79	79.18	(11.39)	71.18
Pomerado Hospital	70.87	69.42	1.45	61.23
Total:	69.56	73.22	(3.66)	65.04

Supplies Expense

Year-to-Date

Account	Description	Actual	Budget	Variance
638000	Supplies Pharmaceutical	3,757,290	3,527,217	(230,073)
632000	Sutures/Surgical Needles	511,951	415,925	(96,026)
631000	Prosthesis	4,821,598	4,742,546	(79,052)
633000	Supplies Surgical Pack	560,838	503,183	(57,655)
634000	Supplies Surgery General	1,315,496	1,268,959	(46,537)
639000	Supplies Radioactive	190,865	153,322	(37,543)
648000	Instruments/Minor Equipment	149,969	121,947	(28,022)
645000	Supplies Cleaning	122,238	108,719	(13,519)
646000	Supplies Office/Administration	230,963	224,319	(6,644)
640000	Supplies X-ray Material	11,761	5,391	(6,370)
637000	Supplies IV Solutions	128,220	122,581	(5,639)
649000	Other Minor Equipment	234,846	231,814	(3,032)
647000	Supplies Employee Apparel	41,941	39,308	(2,633)
635000	Supplies Anesthesia Material	13,715	11,869	(1,846)
644000	Supplies Linen	8,880	30,256	21,376
642000	Supplies Food/Meat	127,813	154,619	26,806
646100	Supplies Forms	93,450	125,309	31,859
636000	Supplies Oxygen/Gas	20,077	56,332	36,255
650000	Other Non Medical	1,903,534	1,949,344	45,810
641000	Supplies Other Medical	3,895,382	3,959,392	64,010
643000	Supplies Food Other	619,425	694,061	74,636
	TOTAL	**18,760,252**	**18,446,413**	**(313,839)**

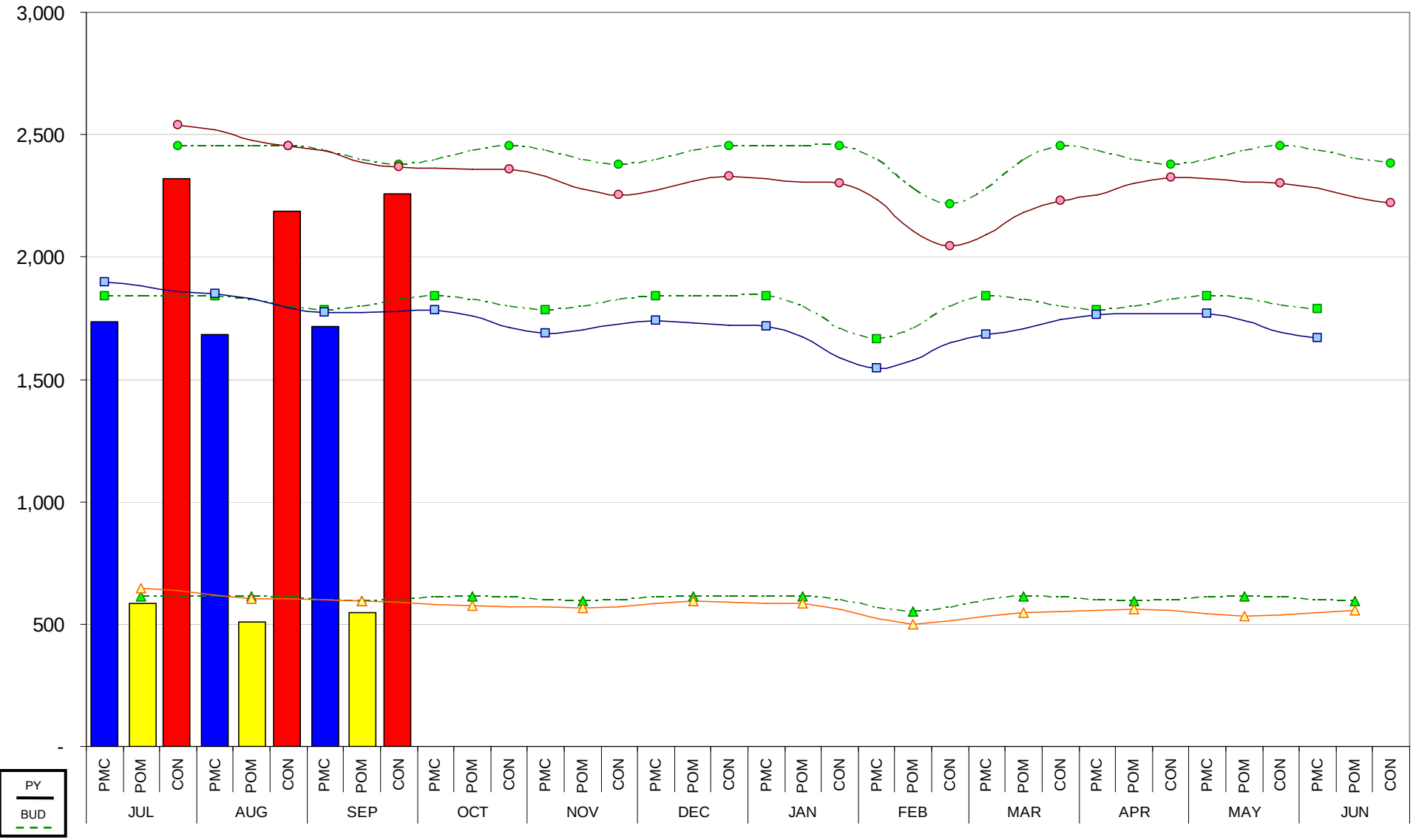
Bond Covenant Ratios

Cushion Ratio	Jun-08	Jun-09	Sep-09
Cash and Cash Equivalents	86,122,696	117,489,914	120,251,825
Board Designated Reserves	12,117,325	-	13,310,581
Trustee-held Funds (Revenue Fund only)	185,981	34,351	42,026
Total	98,426,002	117,524,265	133,604,432
Divided by:			
Annual Debt Service (excludes GO Bonds) (Bond Year 11/1/2009)	16,972,692	16,639,112	16,639,112
Cushion Ratio	**5.8**	**7.1**	**8.0**
REQUIREMENT	**1.5**	**1.5**	**1.5**
	Achieved	**Achieved**	**Achieved**

Days Cash on Hand	Jun-08	Jun-09	Sep-09
Cash and Cash Equivalents	86,122,696	117,489,914	120,251,825
Board Designated Reserves	12,117,325	-	13,310,581
Trustee-held Funds (Revenue Fund only)	185,981	34,351	42,026
Total	98,426,002	117,524,265	133,604,432
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	428,153,444	436,536,225	111,920,630
Less: Depreciation	21,572,031	21,214,879	5,382,504
Adjusted Expenses	406,581,413	415,321,346	106,538,126
Number of days in period	366	365	92
Average Adjusted Expenses per Day	1,110,878	1,137,867	1,158,023
Days Cash on Hand	**88.6**	**103.3**	**115.4**
REQUIREMENT	**80**	**80**	**80**
	Achieved	**Achieved**	**Achieved**

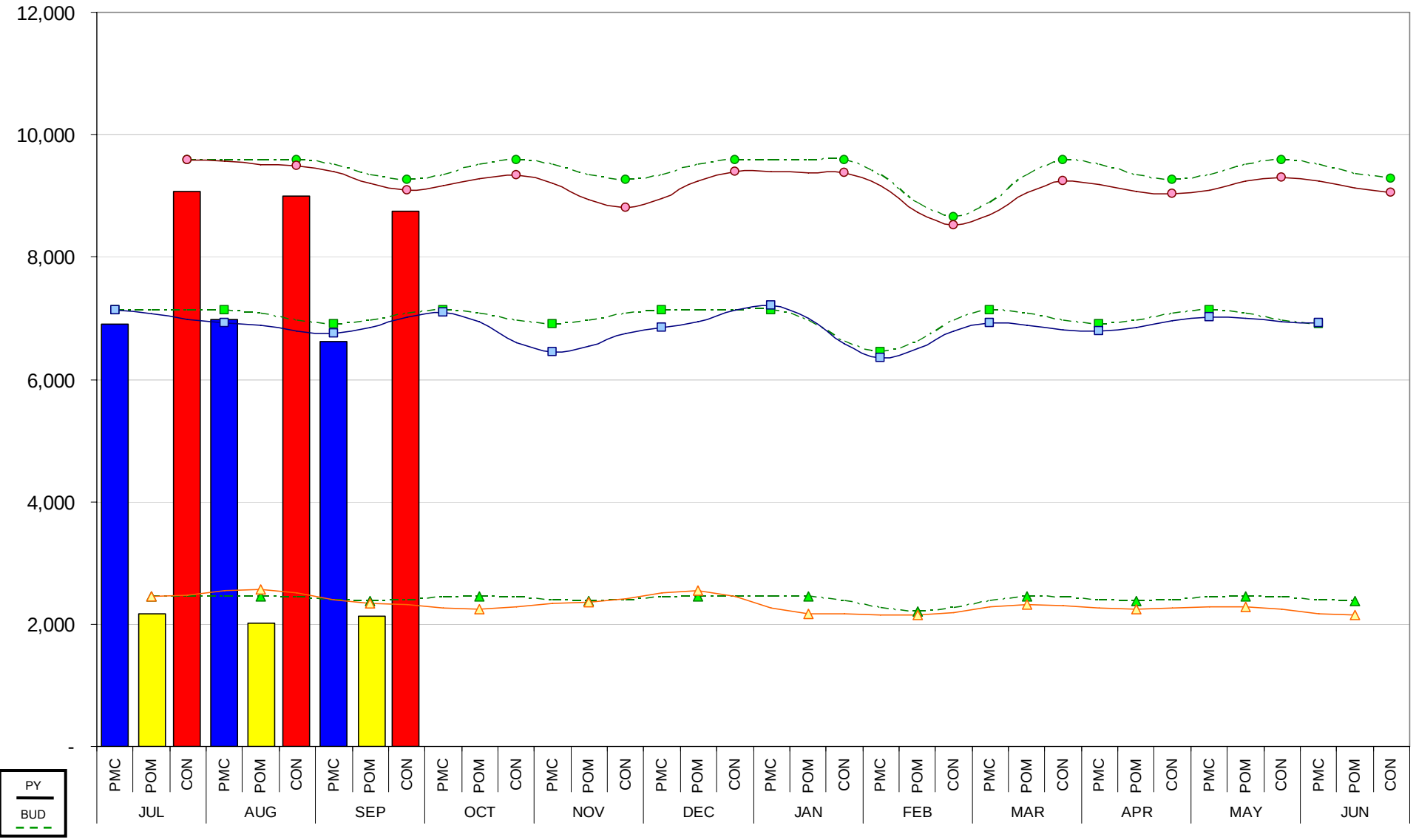
Net Income Available for Debt Service	Jun-08	Jun-09	Sep-09
Excess of revenue over expenses Cur Mo.	(12,441,012)	(8,535,867)	2,143,974
Excess of revenues over expenses YTD (General Funds)	(4,053,517)	11,477,380	7,120,918
ADD:			
Depreciation and Amortization	21,391,200	21,214,879	5,382,504
Interest Expense	14,912,181	16,079,661	1,270,694
Net Income Available for Debt Service	32,249,864	48,771,920	13,774,116
Aggregate Debt Service			
1999 Insured Refunding Revenue Bonds	8,248,018	8,252,512	2,063,869
2006 Certificates of Participation	8,316,457	8,497,794	2,095,909
Aggregate Debt Service	16,564,475	16,750,305	4,159,778
Net Income Available for Debt Service	**1.95**	**2.91**	**3.31**
Required Coverage	**1.15**	**1.15**	**1.15**
	Achieved	**Achieved**	**Achieved**

Statistical Indicators
Admissions – Acute



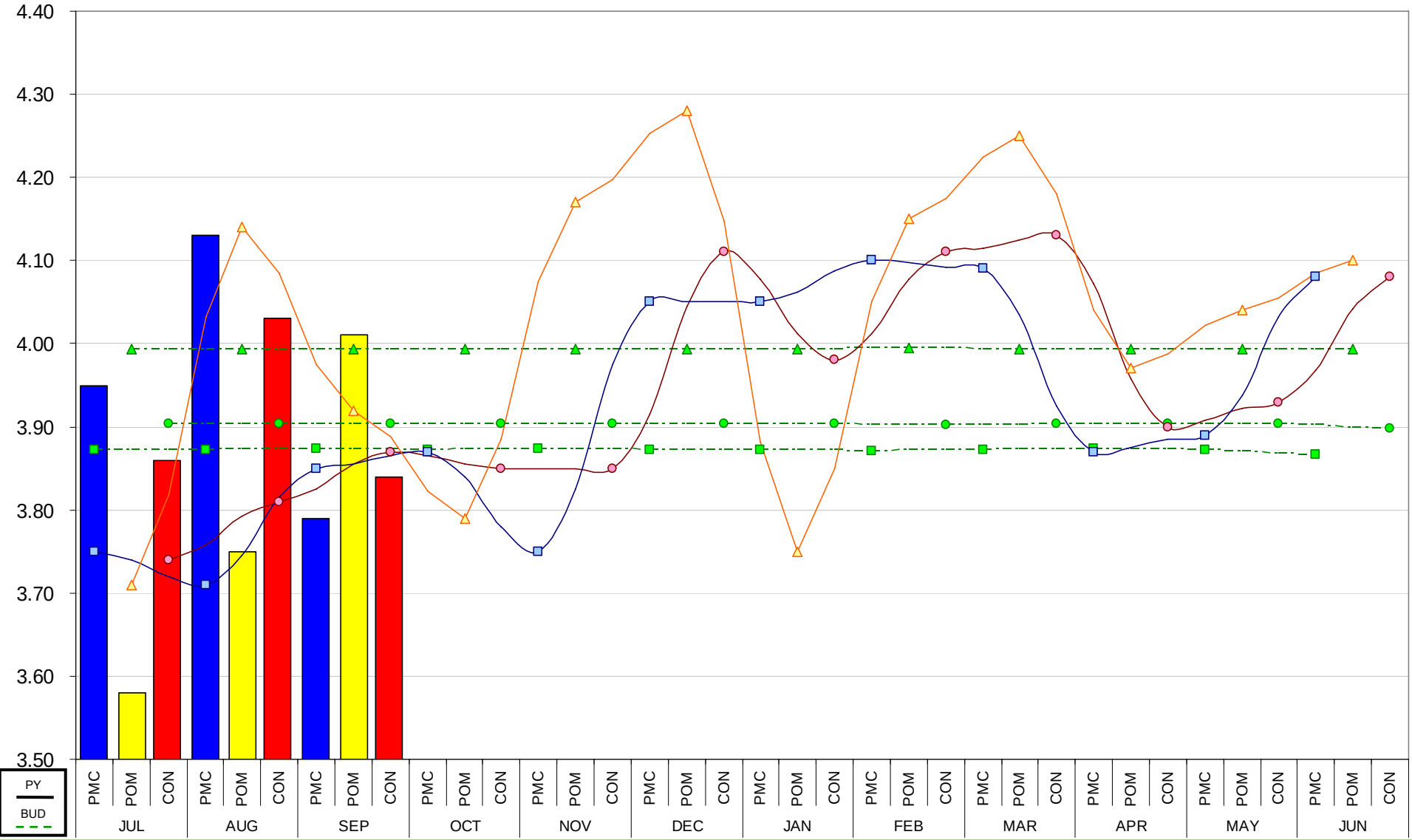
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,733	1,681	1,714	-	-	-	-	-	-	-	-	-	5,128	5,466
POM	585	507	546	-	-	-	-	-	-	-	-	-	1,638	1,817
CON	2,318	2,188	2,260	-	-	-	-	-	-	-	-	-	6,766	7,283

Statistical Indicators
Patient Days – Acute



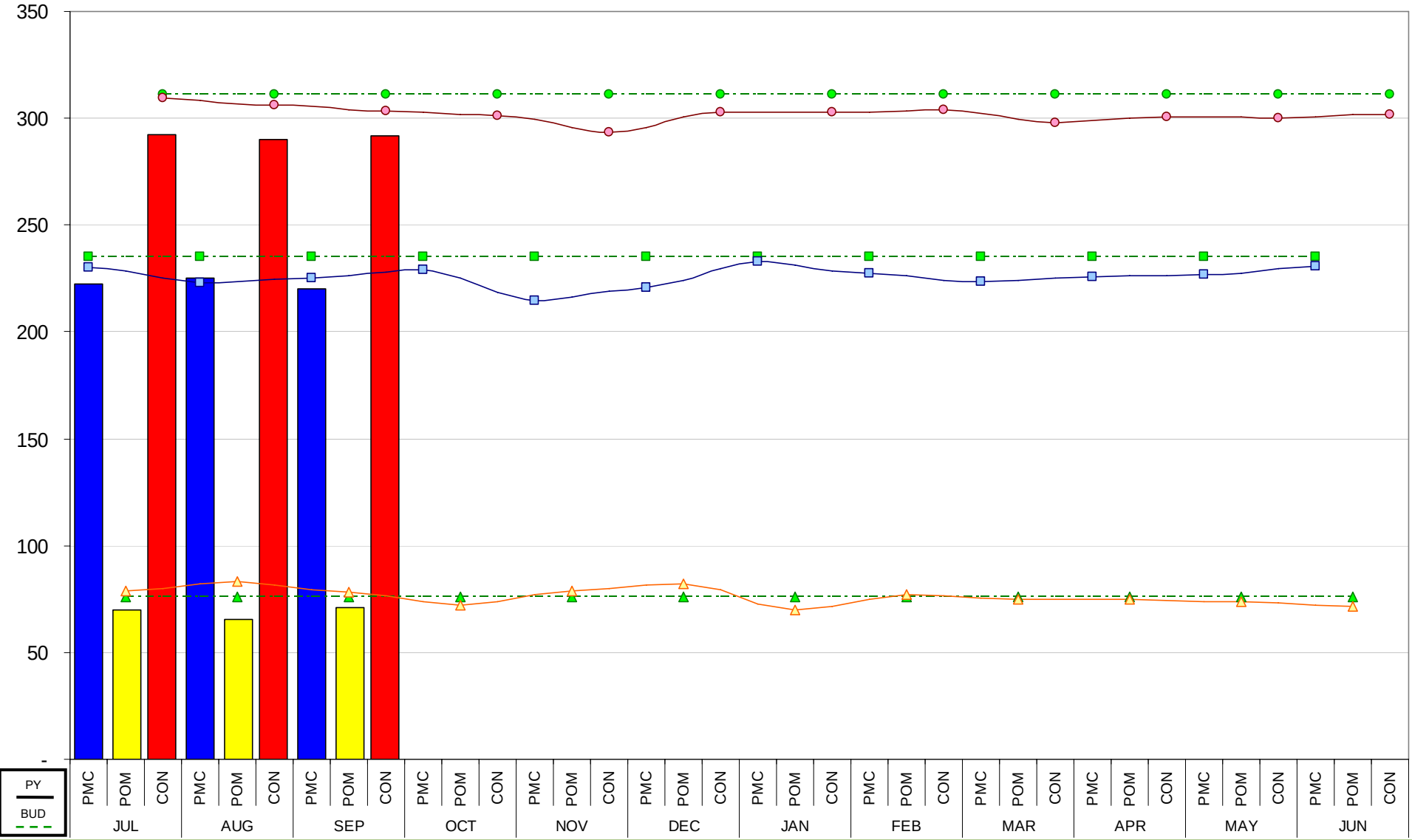
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	6,896	6,977	6,613	-	-	-	-	-	-	-	-	-	20,486	21,170
POM	2,171	2,021	2,132	-	-	-	-	-	-	-	-	-	6,324	7,256
CON	9,067	8,998	8,745	-	-	-	-	-	-	-	-	-	26,810	28,426

Statistical Indicators
Average Length of Stay – Acute



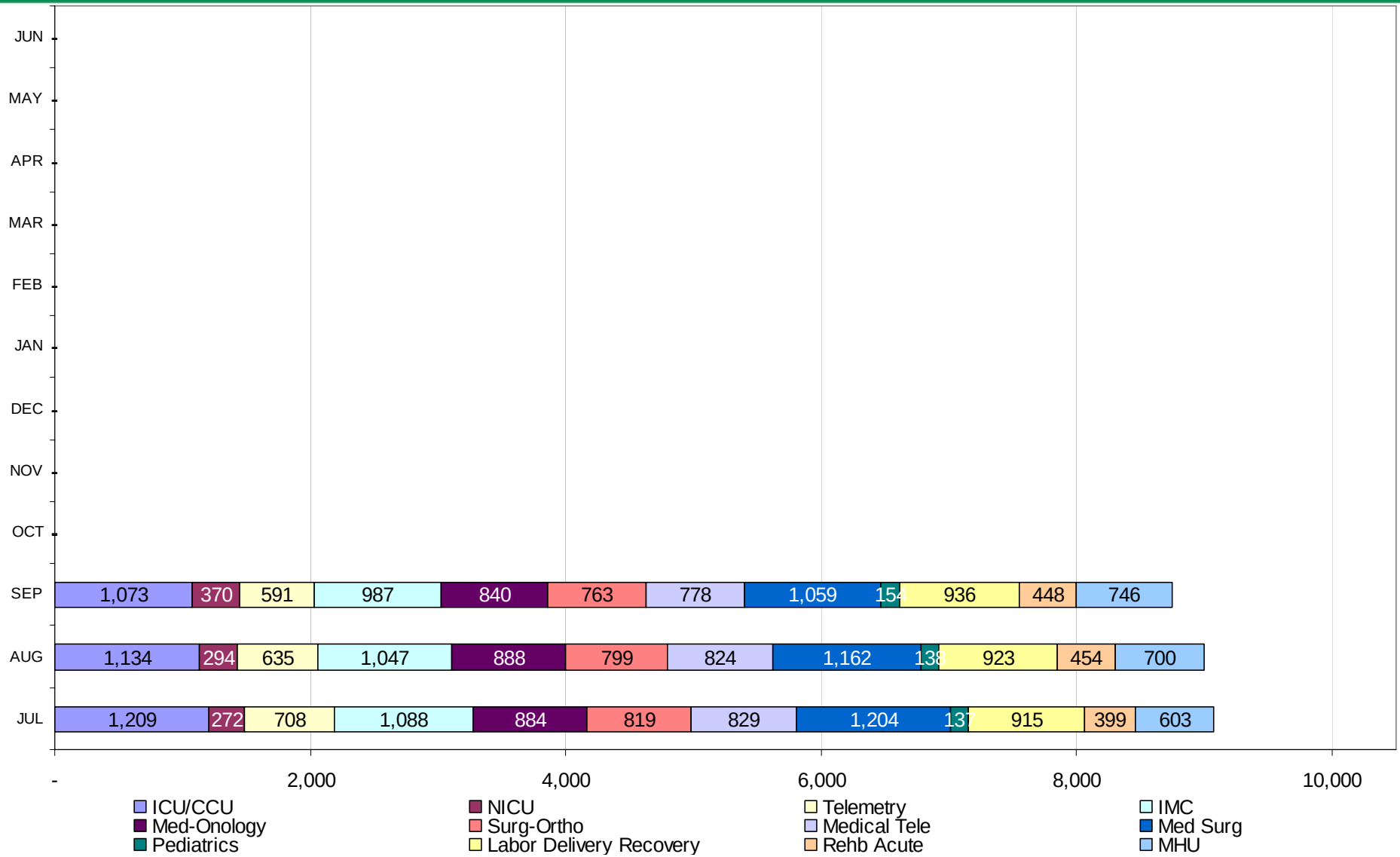
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	3.95	4.13	3.79	-	-	-	-	-	-	-	-	-	3.95	3.87
POM	3.58	3.75	4.01	-	-	-	-	-	-	-	-	-	3.77	3.99
CON	3.86	4.03	3.84	-	-	-	-	-	-	-	-	-	3.91	3.90

Statistical Indicators
Average Daily Census – Acute



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	222	225	220	-	-	-	-	-	-	-	-	-	223	230
POM	70	65	71	-	-	-	-	-	-	-	-	-	69	79
CON	292	290	291	-	-	-	-	-	-	-	-	-	291	309

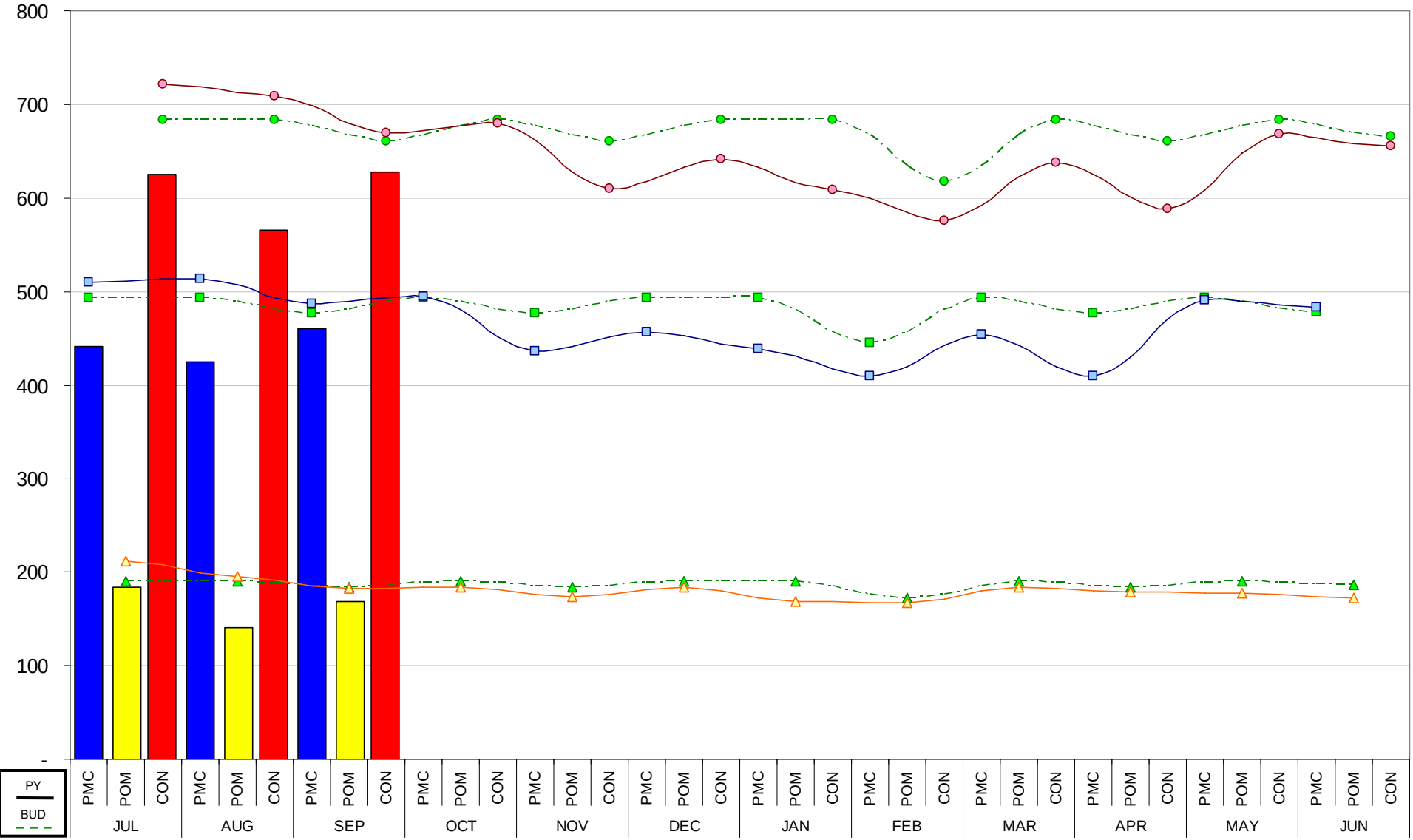
Statistical Indicators
Patient Days



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	6,896	6,977	6,613	-	-	-	-	-	-	-	-	-	20,486	21,170
POM	2,171	2,021	2,132	-	-	-	-	-	-	-	-	-	6,324	7,256
CON	9,067	8,998	8,745	-	-	-	-	-	-	-	-	-	26,810	28,426

Statistical Indicators

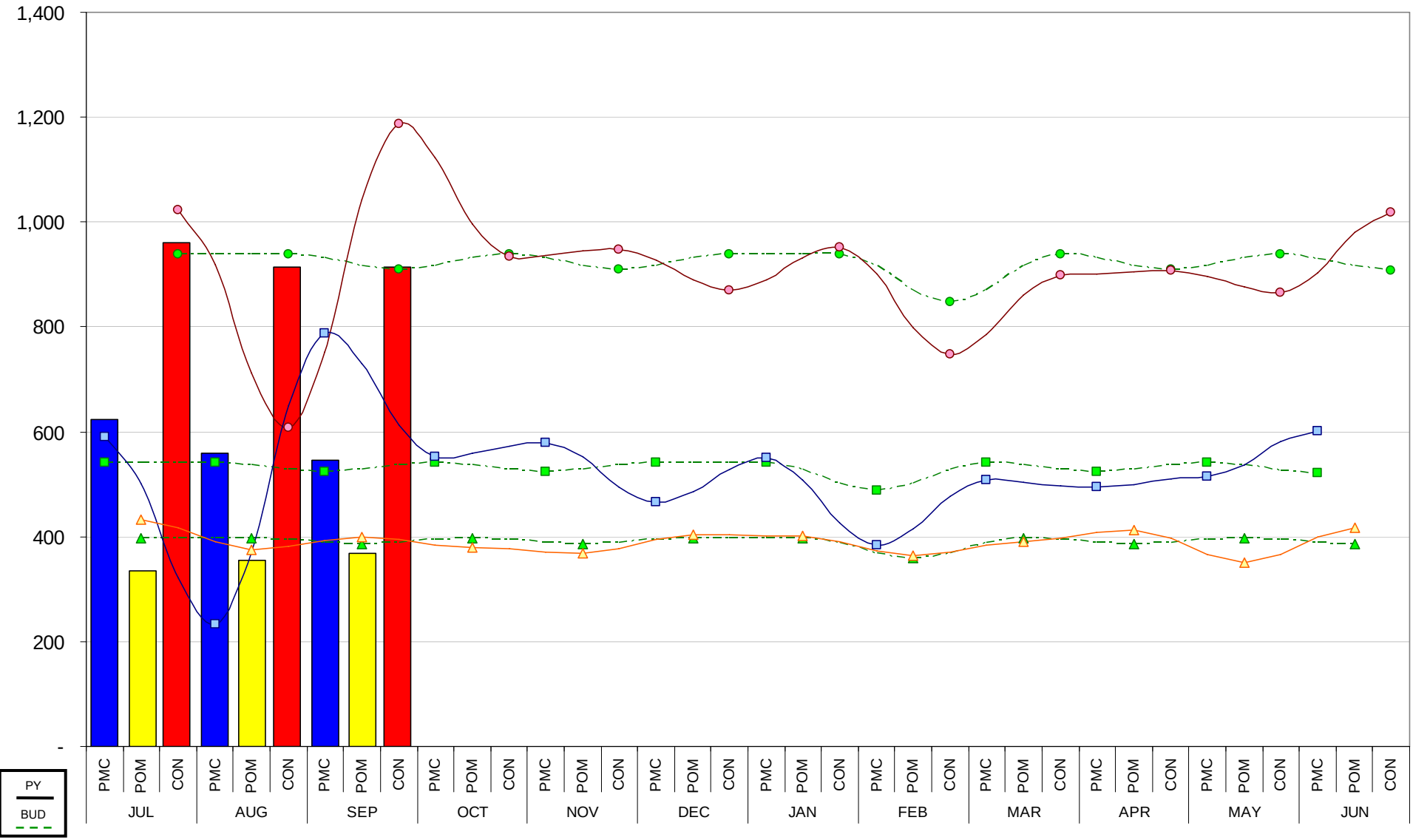
Surgeries (*Inpatient only*)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	441	425	460	-	-	-	-	-	-	-	-	-	1,326	1,463
POM	184	141	168	-	-	-	-	-	-	-	-	-	493	564
CON	625	566	628	-	-	-	-	-	-	-	-	-	1,819	2,027

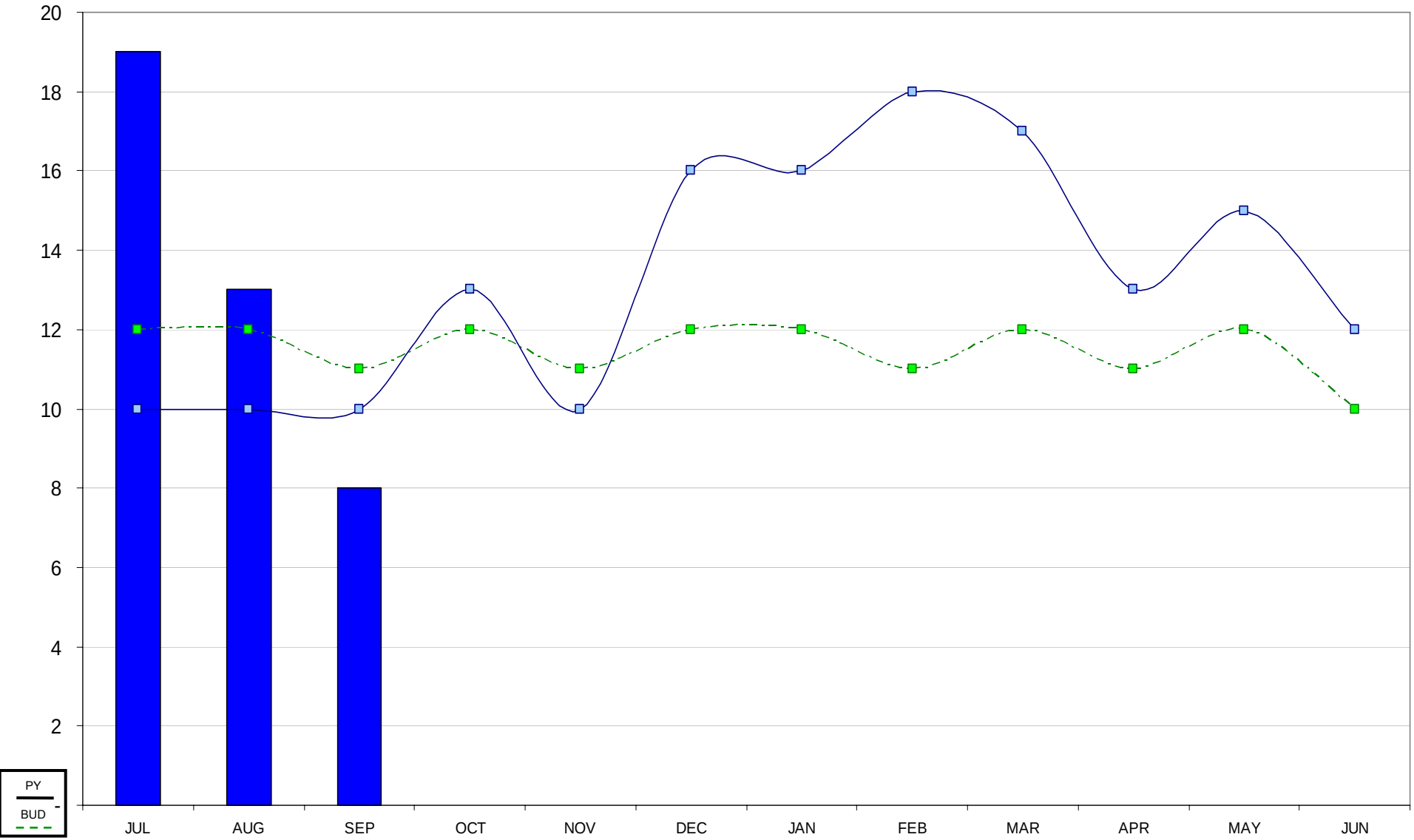
Statistical Indicators

Surgeries (*Outpatient only*)



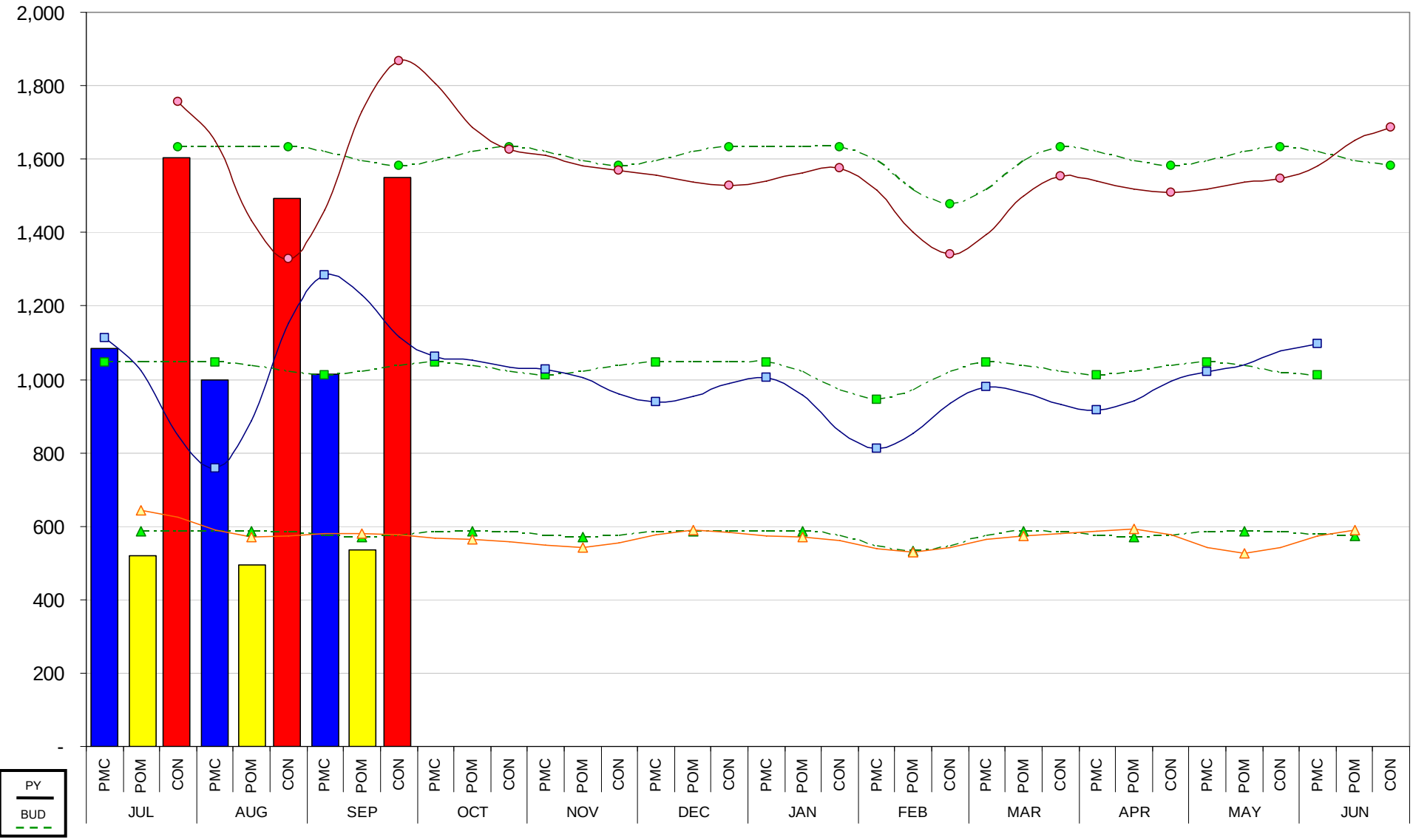
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	624	560	545	-	-	-	-	-	-	-	-	-	1,729	1,606
POM	336	355	369	-	-	-	-	-	-	-	-	-	1,060	1,179
CON	960	915	914	-	-	-	-	-	-	-	-	-	2,789	2,785

Statistical Indicators
Surgeries – CVS (*PMC only*)



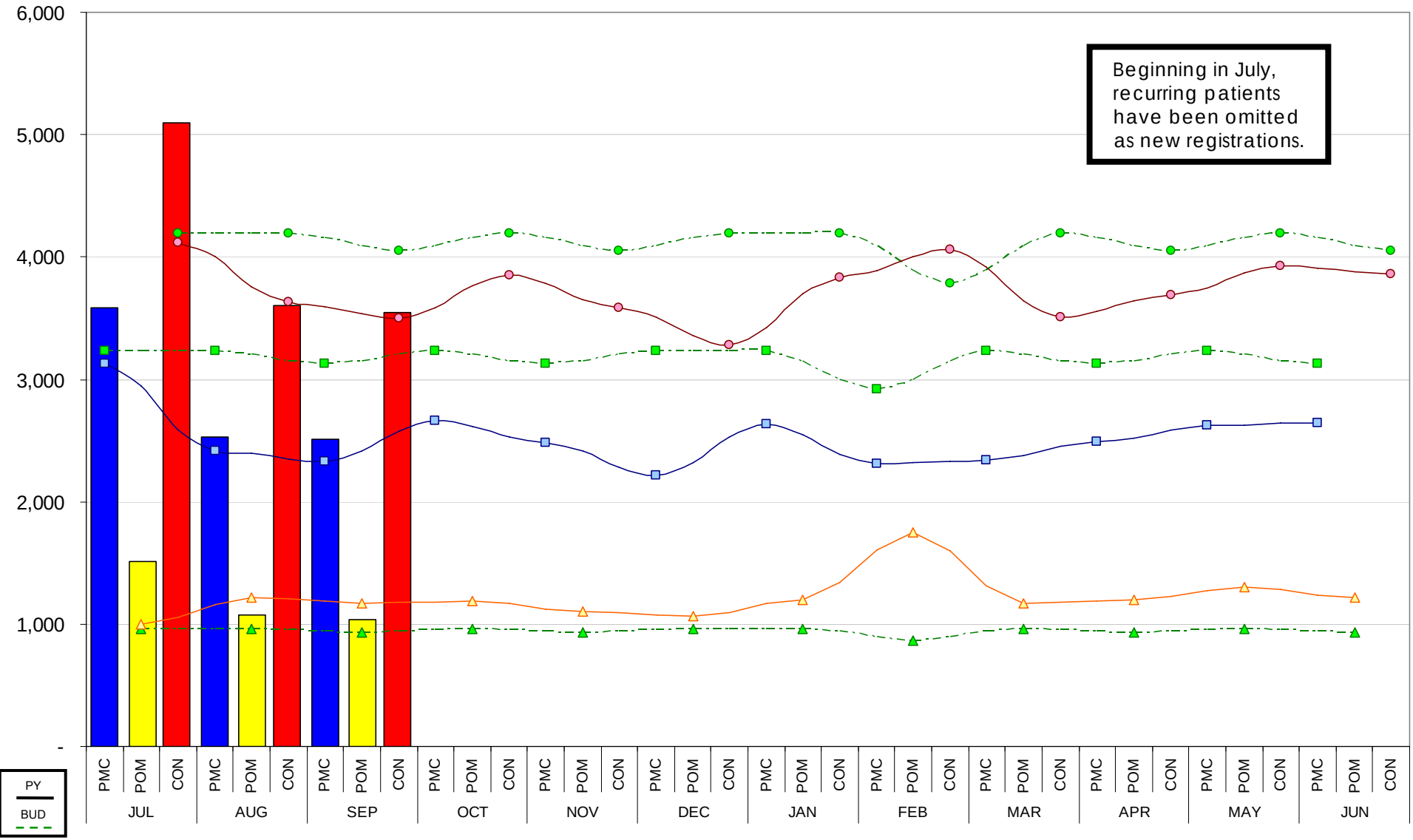
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	19	13	8	-	-	-	-	-	-	-	-	-	40	35
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	19	13	8	-	-	-	-	-	-	-	-	-	40	35

Statistical Indicators
Total Surgeries



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,084	998	1,013	-	-	-	-	-	-	-	-	-	3,095	3,104
POM	520	496	537	-	-	-	-	-	-	-	-	-	1,553	1,743
CON	1,604	1,494	1,550	-	-	-	-	-	-	-	-	-	4,648	4,847

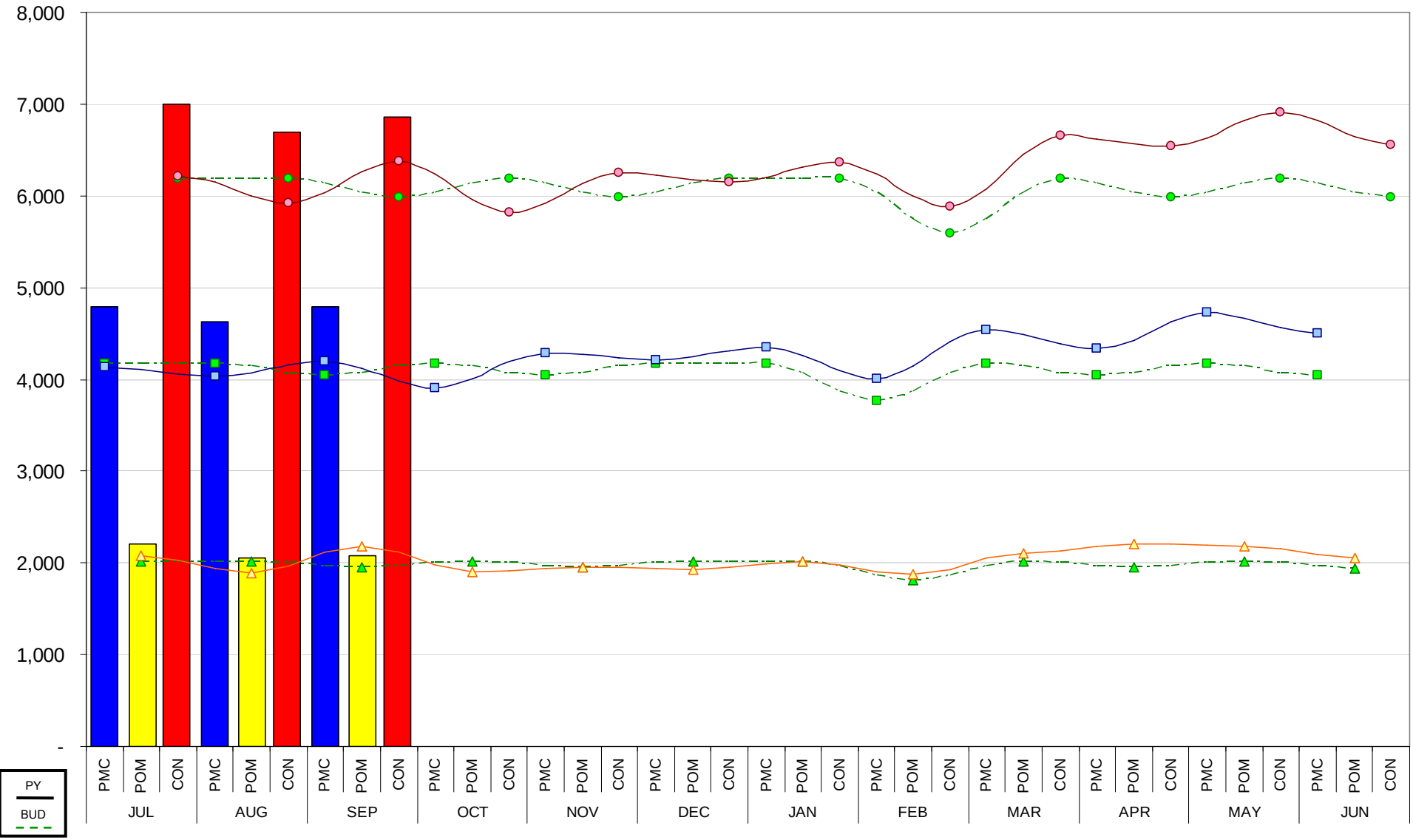
Statistical Indicators
Outpatient Registrations (*excludes Lab*)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	3,587	2,533	2,510	-	-	-	-	-	-	-	-	-	8,630	9,583
POM	1,512	1,074	1,039	-	-	-	-	-	-	-	-	-	3,625	2,852
CON	5,099	3,607	3,549	-	-	-	-	-	-	-	-	-	12,255	12,435

Statistical Indicators

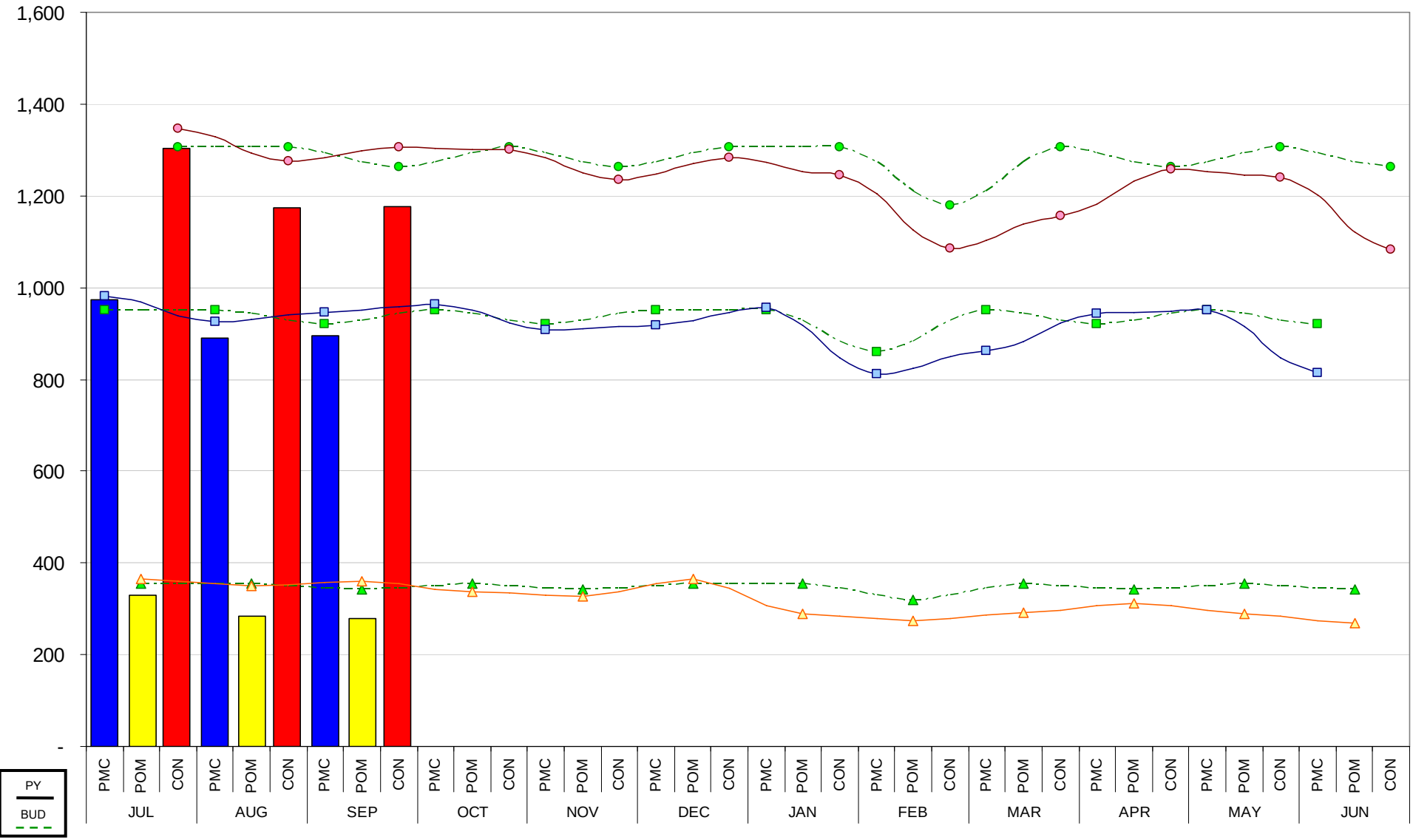
ER Visits (*includes Trauma, Outpatient only*)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,788	4,632	4,787	-	-	-	-	-	-	-	-	-	14,207	12,393
POM	2,211	2,059	2,078	-	-	-	-	-	-	-	-	-	6,348	5,977
CON	6,999	6,691	6,865	-	-	-	-	-	-	-	-	-	20,555	18,370
CON/DAY	226	216	229	-	-	-	-	-	-	-	-	-	223	200

Statistical Indicators

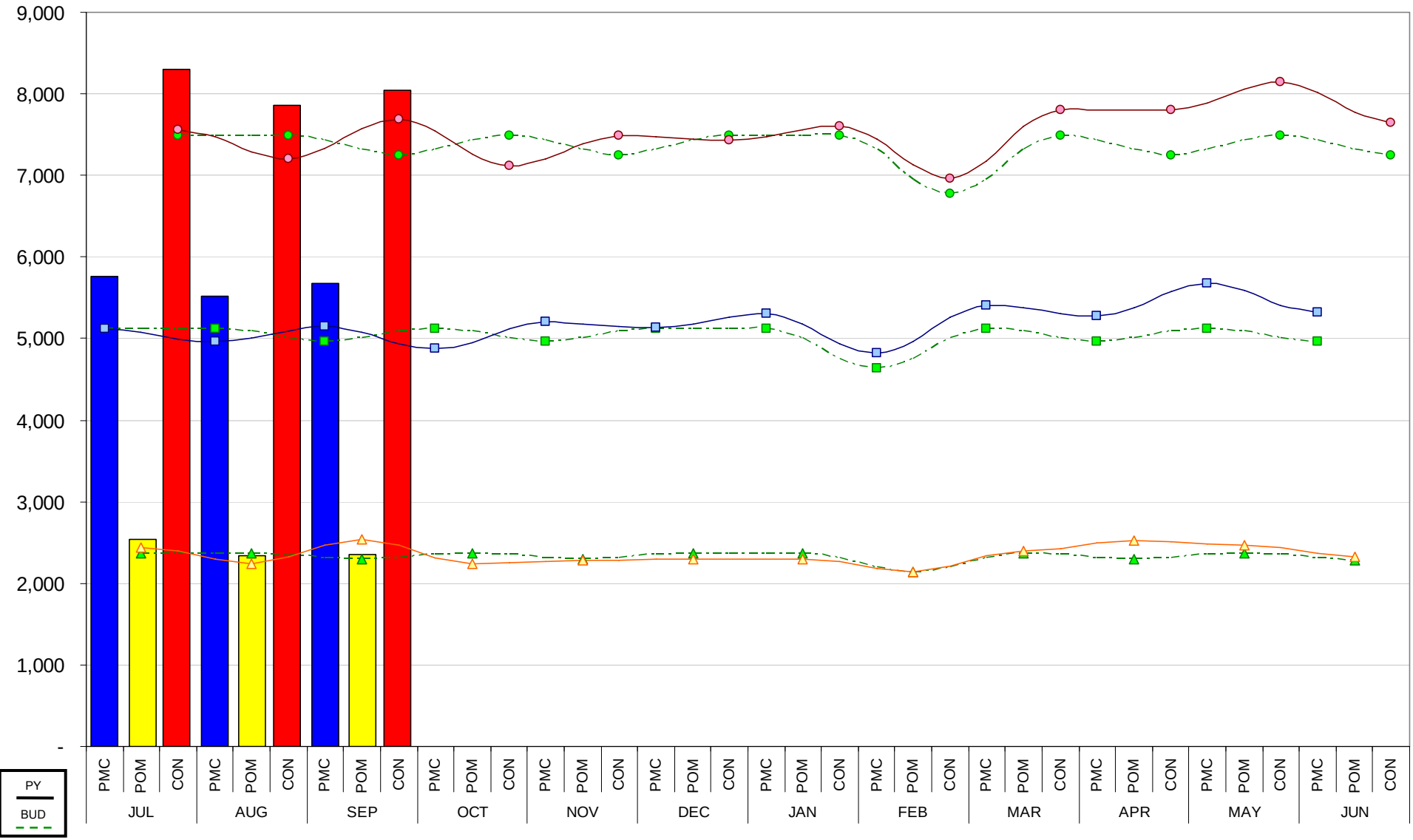
ER Admissions (*includes Trauma, Inpatient only*)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	973	889	896	-	-	-	-	-	-	-	-	-	2,758	2,822
POM	330	284	280	-	-	-	-	-	-	-	-	-	894	1,050
CON	1,303	1,173	1,176	-	-	-	-	-	-	-	-	-	3,652	3,872

Statistical Indicators

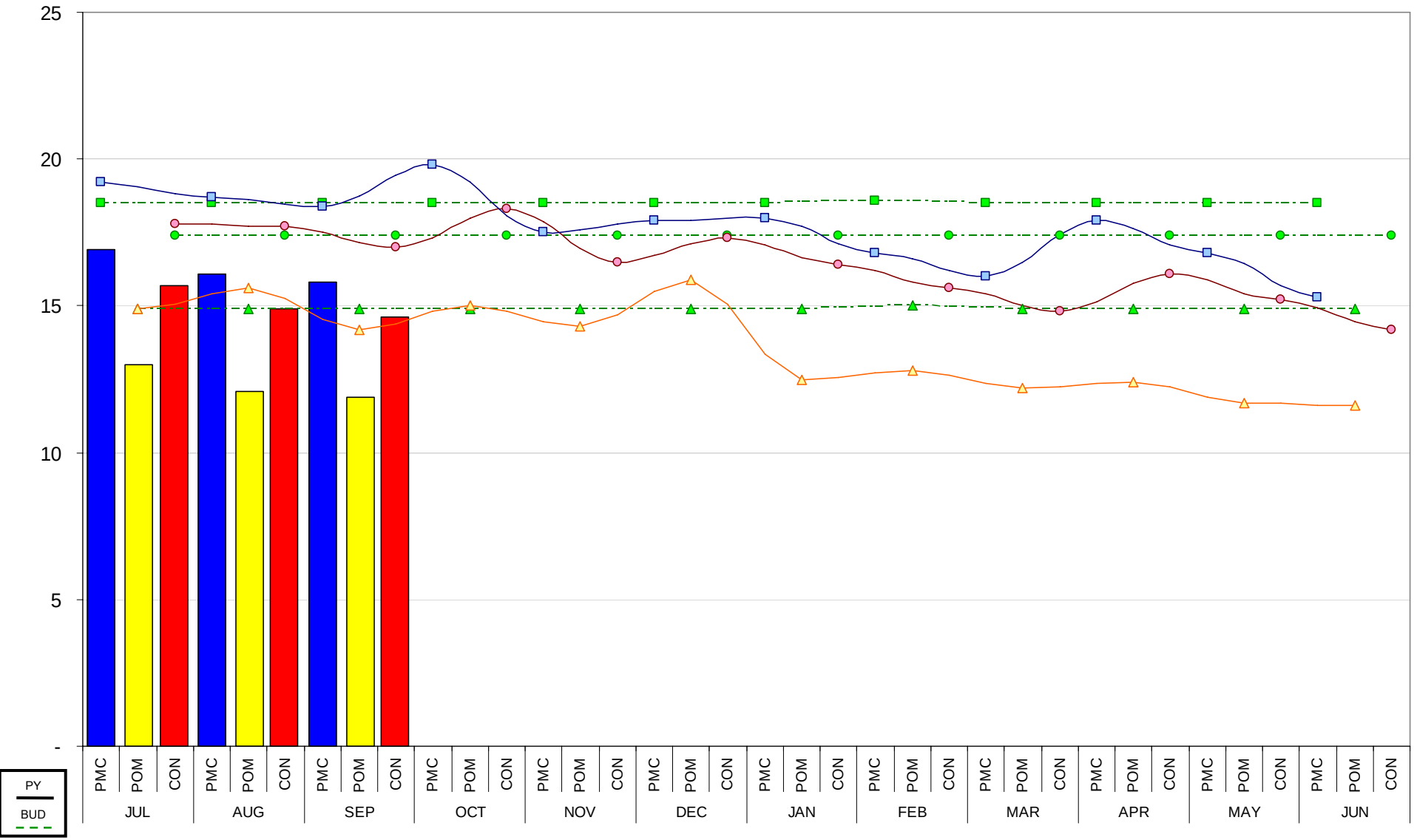
Total ER Visits (*includes Trauma & Admissions*)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	5,761	5,521	5,683	-	-	-	-	-	-	-	-	-	16,965	15,215
POM	2,541	2,343	2,358	-	-	-	-	-	-	-	-	-	7,242	7,027
CON	8,302	7,864	8,041	-	-	-	-	-	-	-	-	-	24,207	22,242

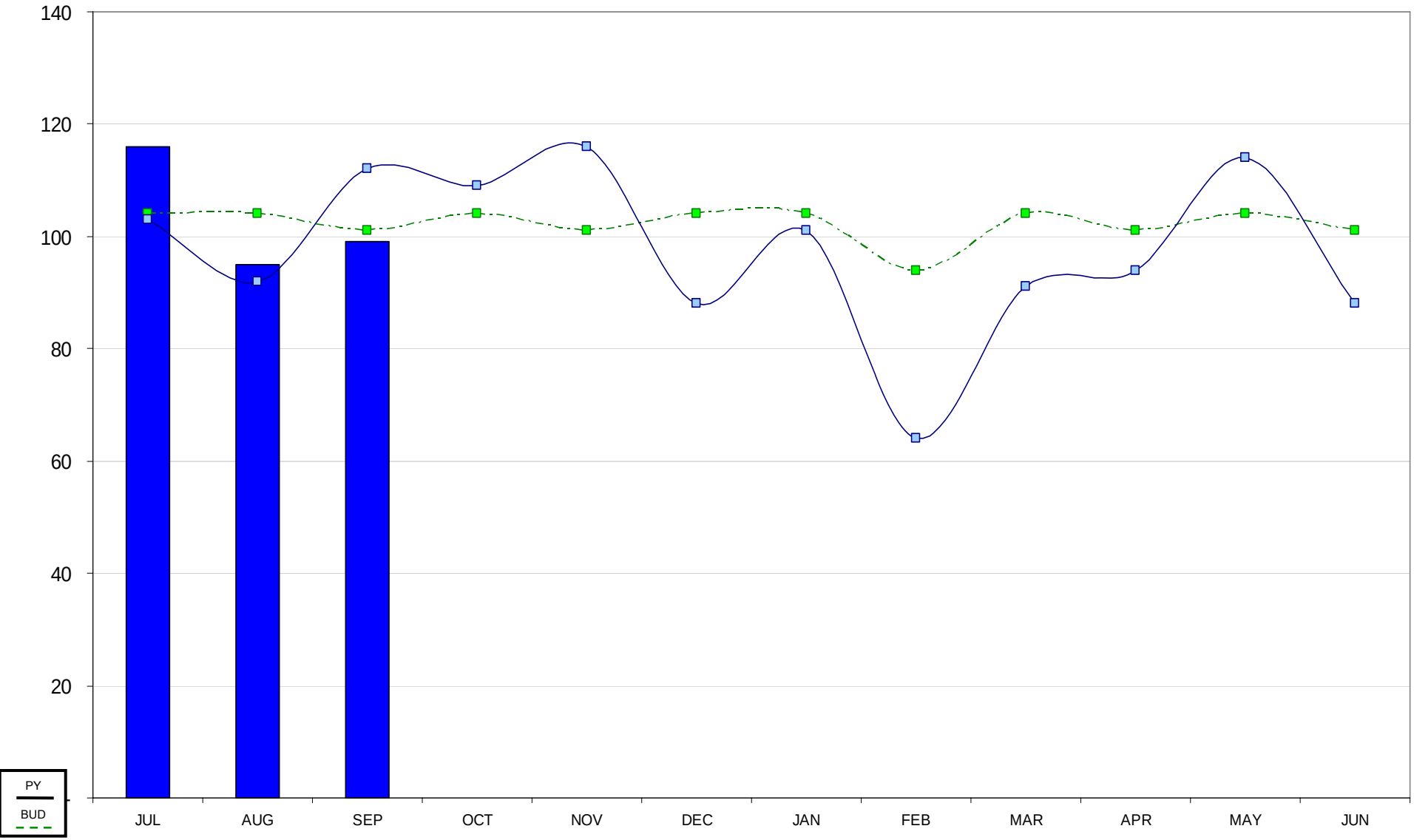
Statistical Indicators

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



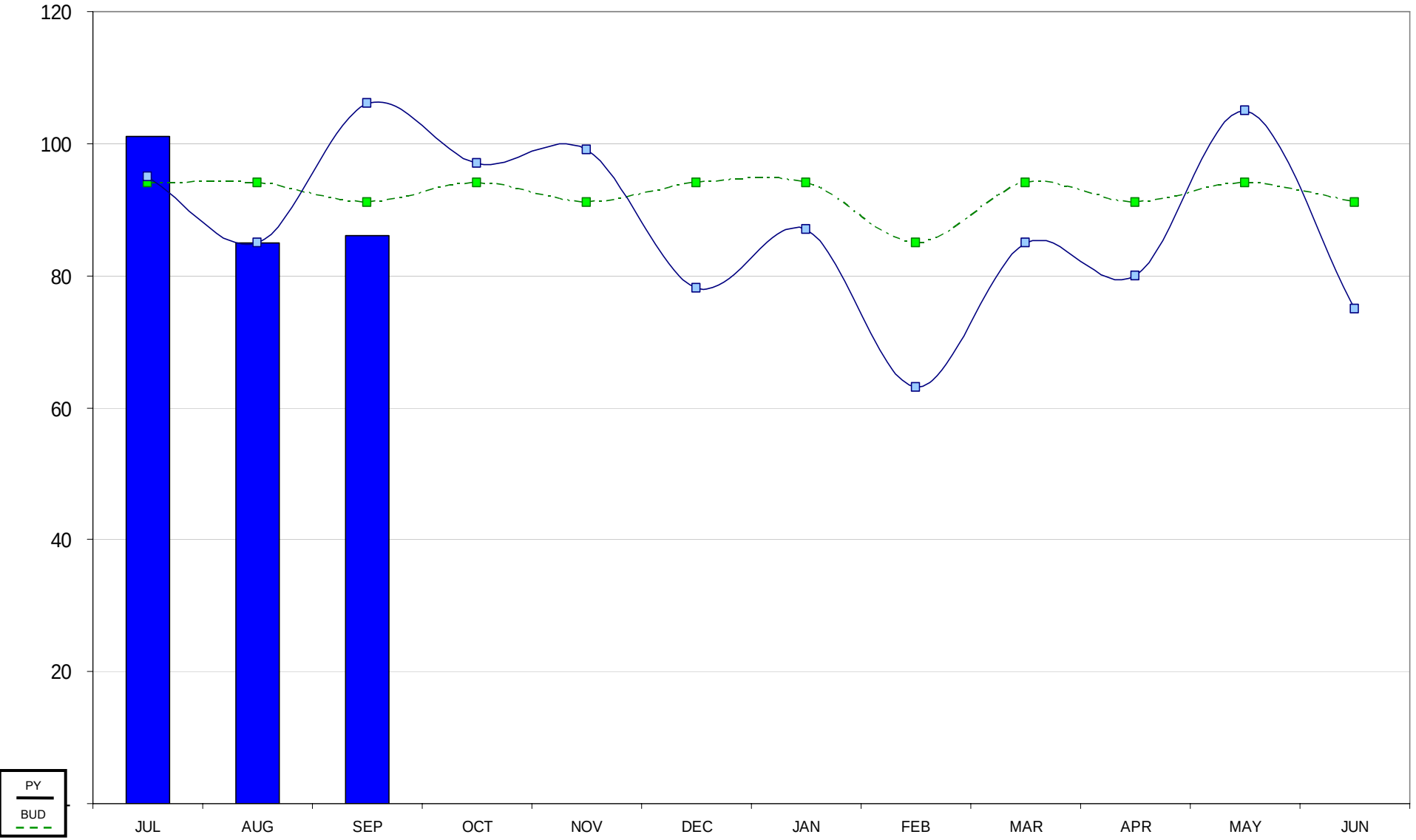
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	16.9	16.1	15.8	-	-	-	-	-	-	-	-	-	16.3	18.5
POM	13.0	12.1	11.9	-	-	-	-	-	-	-	-	-	12.3	14.9
CON	15.7	14.9	14.6	-	-	-	-	-	-	-	-	-	15.1	17.4

Statistical Indicators
Trauma Cases (*PMC only*)



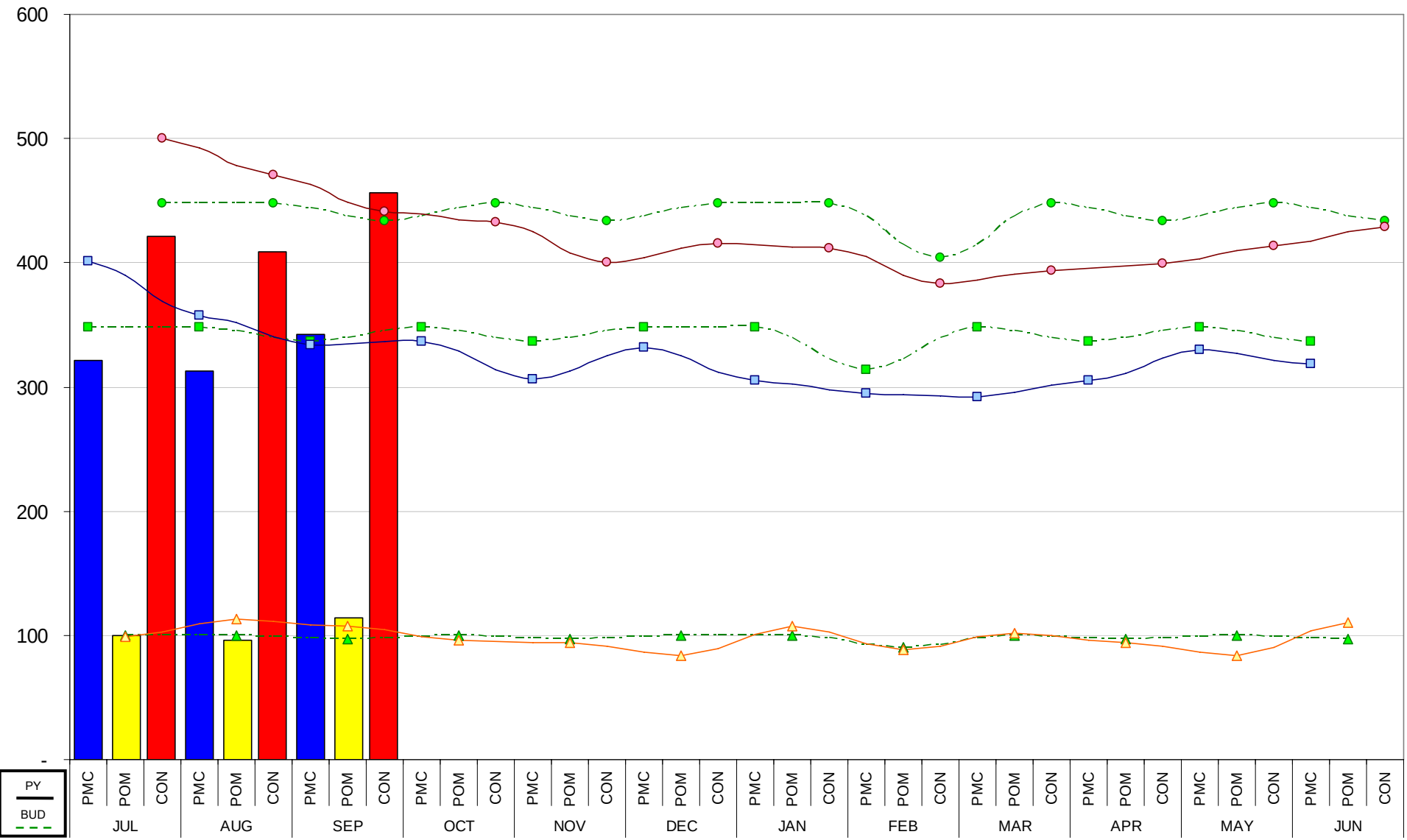
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	116	95	99	-	-	-	-	-	-	-	-	-	310	309
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	116	95	99	-	-	-	-	-	-	-	-	-	310	309

Statistical Indicators
Trauma Admissions (*PMC only*)



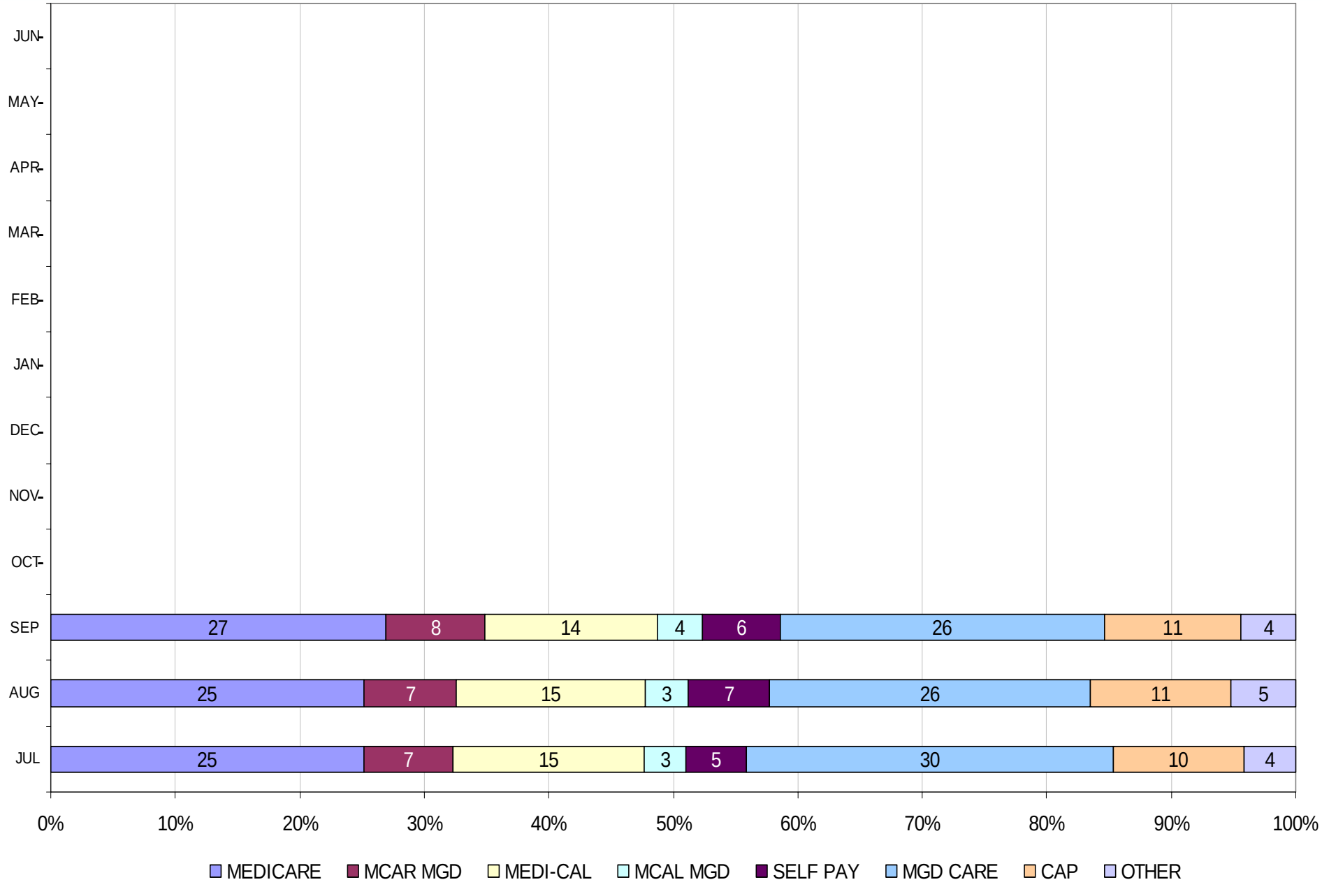
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	101	85	86	-	-	-	-	-	-	-	-	-	272	279
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	101	85	86	-	-	-	-	-	-	-	-	-	272	279

Statistical Indicators
Deliveries

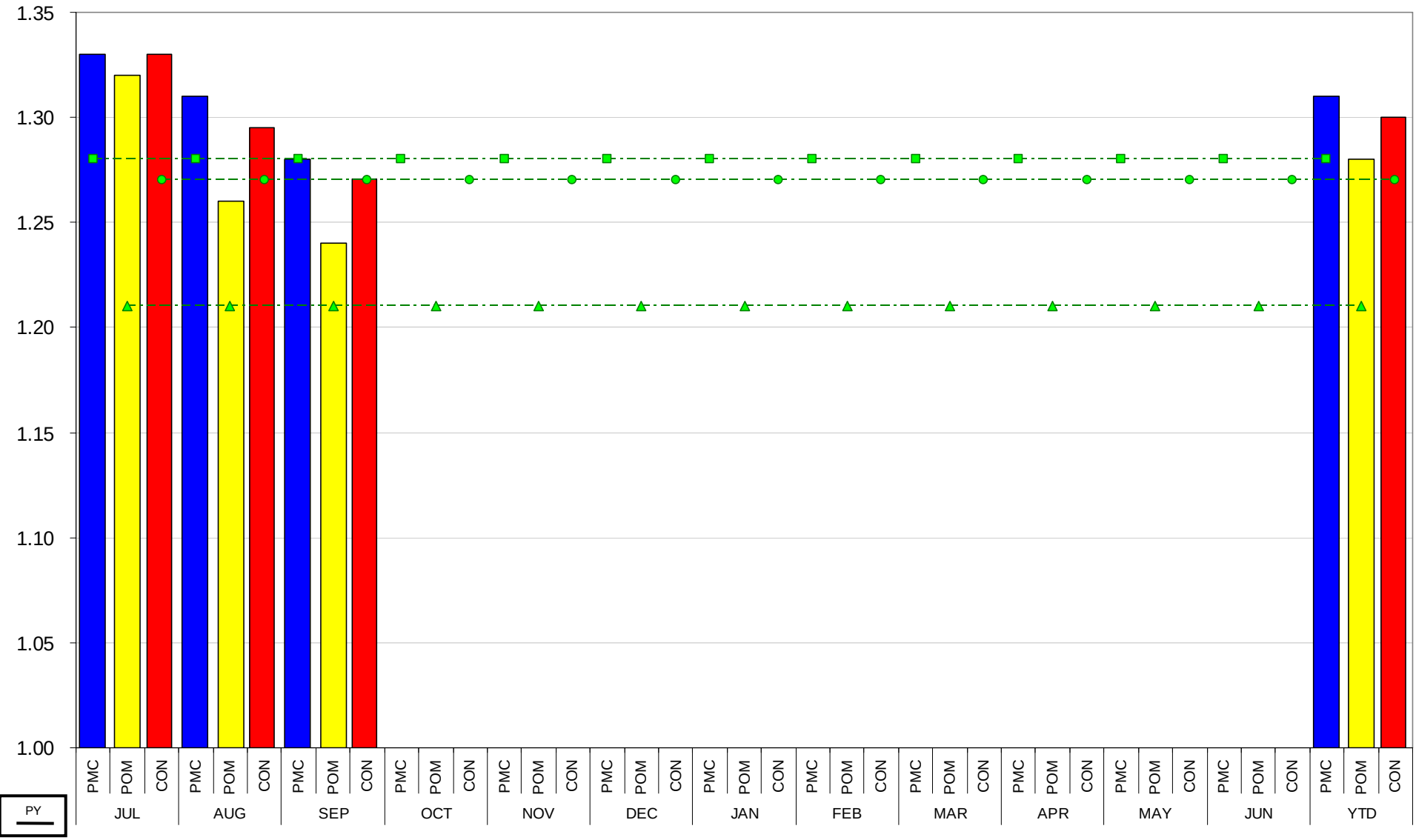


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	321	313	342	-	-	-	-	-	-	-	-	-	976	1,033
POM	100	96	114	-	-	-	-	-	-	-	-	-	310	297
CON	421	409	456	-	-	-	-	-	-	-	-	-	1,286	1,330

Payor Mix
Based on Gross Revenue



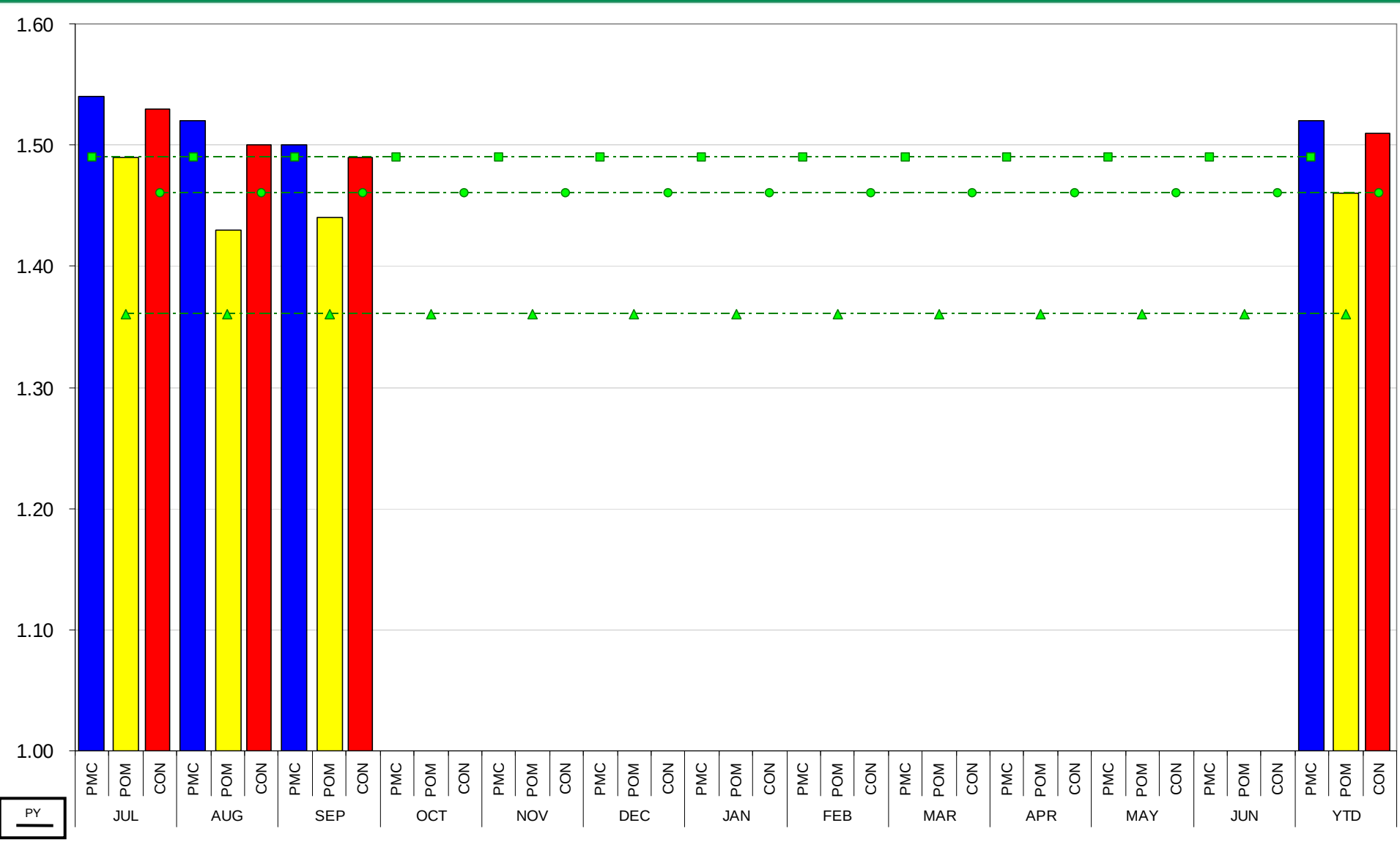
Case Mix Index



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.33	1.31	1.28	-	-	-	-	-	-	-	-	-	1.31
POM	1.32	1.26	1.24	-	-	-	-	-	-	-	-	-	1.28
CON	1.33	1.30	1.27	-	-	-	-	-	-	-	-	-	1.30

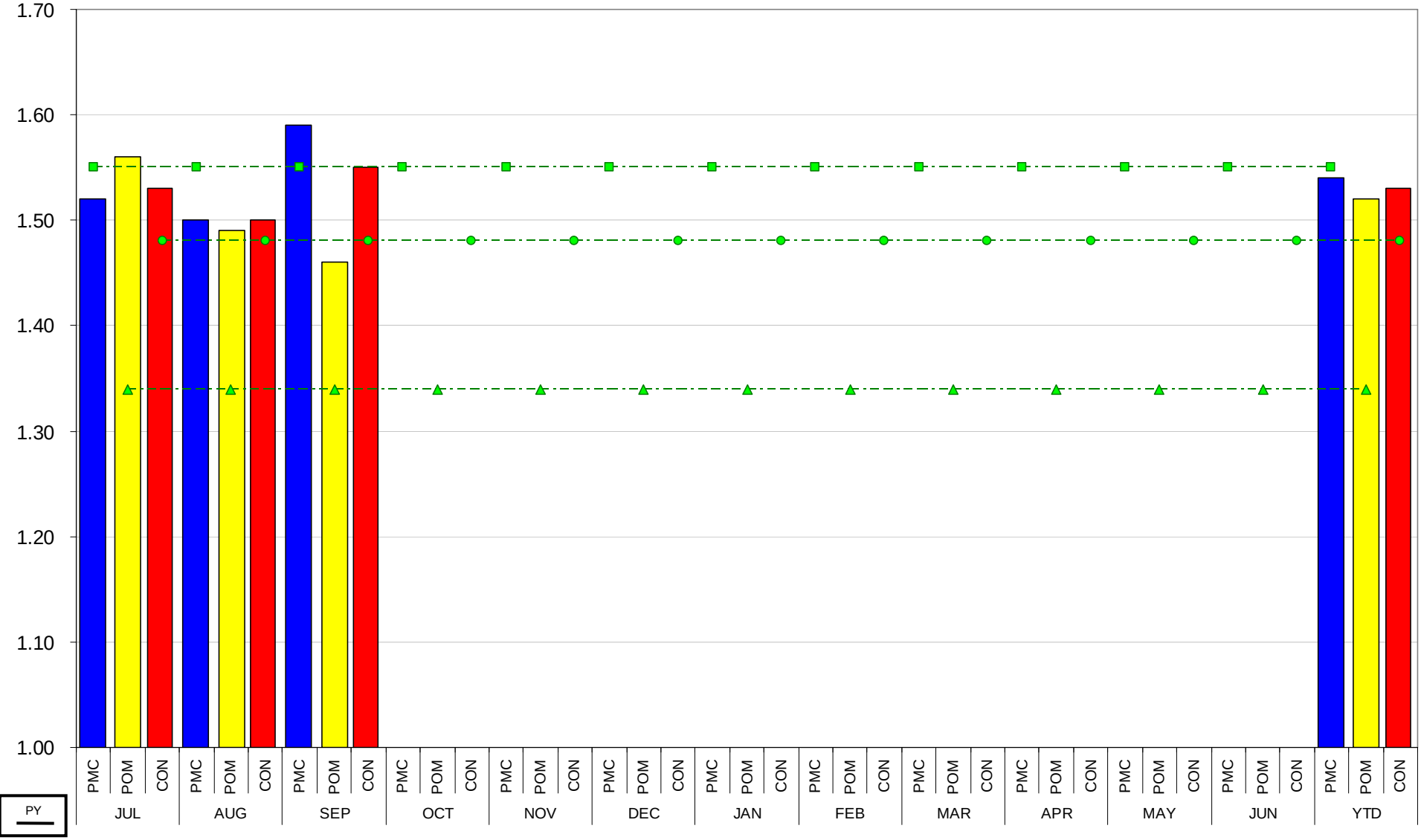
Case Mix Index by Region

(excludes Deliveries)



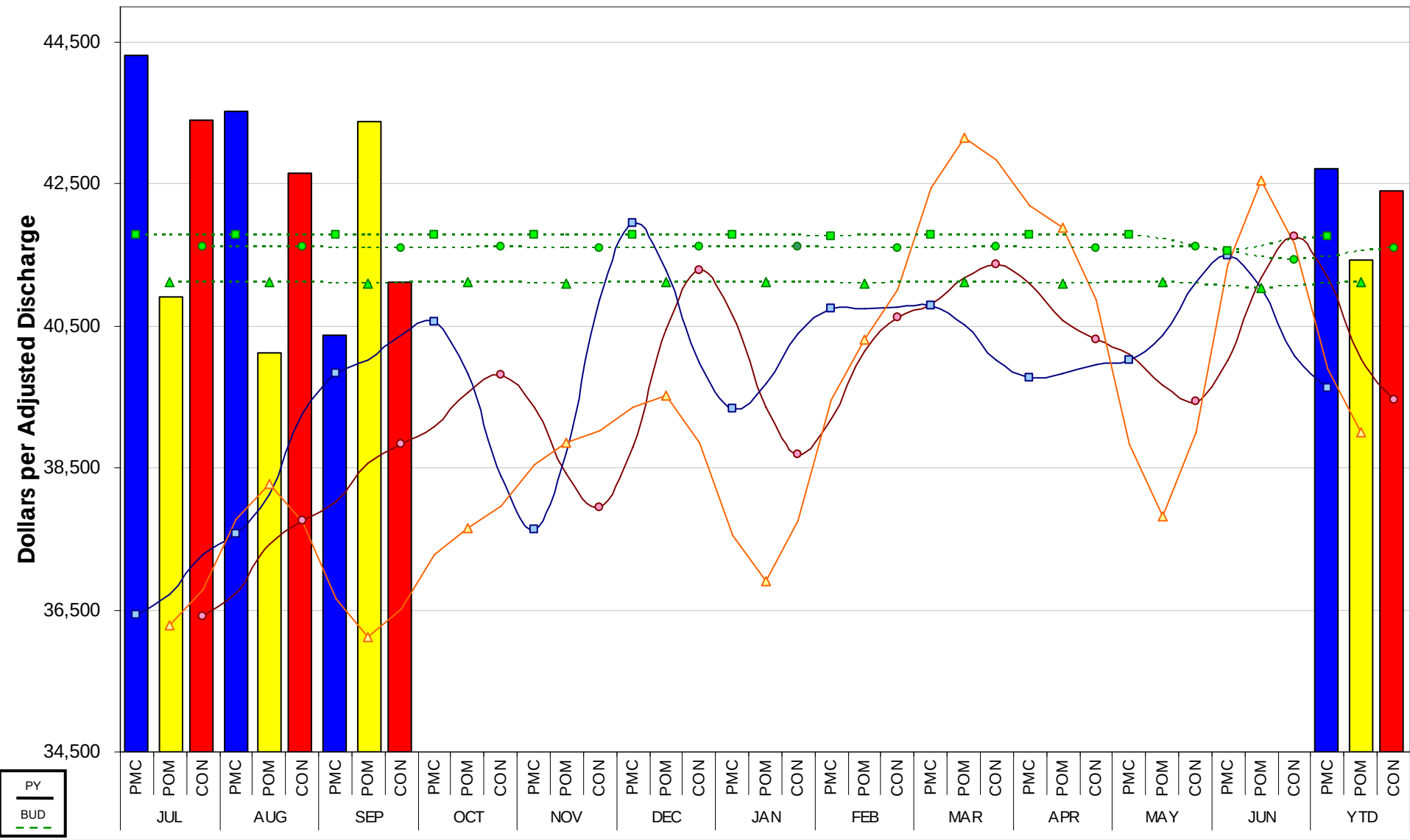
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.54	1.52	1.50	-	-	-	-	-	-	-	-	-	1.52
POM	1.49	1.43	1.44	-	-	-	-	-	-	-	-	-	1.46
CON	1.53	1.50	1.49	-	-	-	-	-	-	-	-	-	1.51

Case Mix Index by Region
Medicare



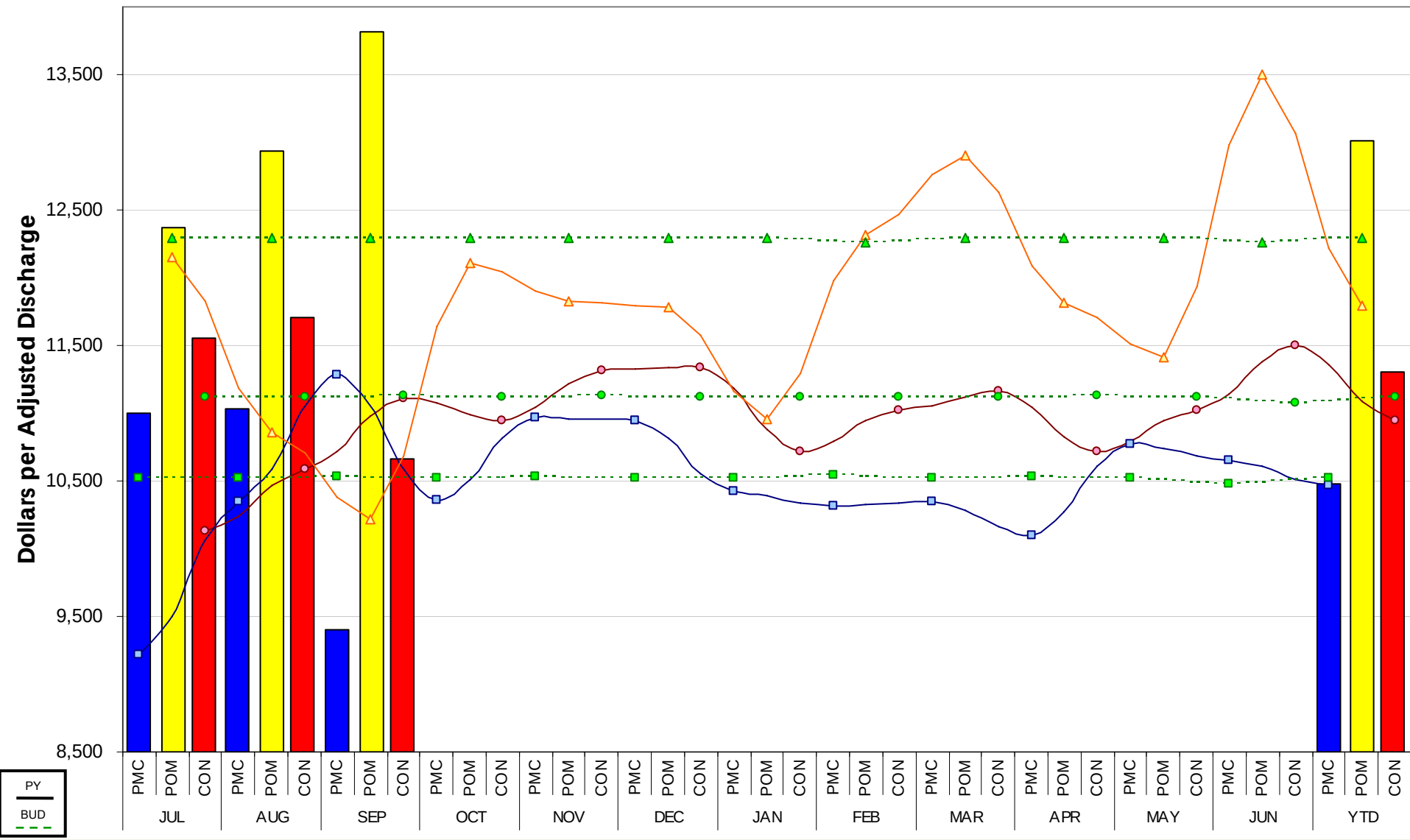
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.52	1.50	1.59	-	-	-	-	-	-	-	-	-	1.54
POM	1.56	1.49	1.46	-	-	-	-	-	-	-	-	-	1.52
CON	1.53	1.50	1.55	-	-	-	-	-	-	-	-	-	1.53

Adjusted Discharges
Gross Patient Revenue per Adjusted Discharges



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	44,320	43,521	40,373	-	-	-	-	-	-	-	-	-	42,727	41,781
POM	40,910	40,127	43,371	-	-	-	-	-	-	-	-	-	41,436	41,132
CON	43,405	42,655	41,110	-	-	-	-	-	-	-	-	-	42,399	41,610

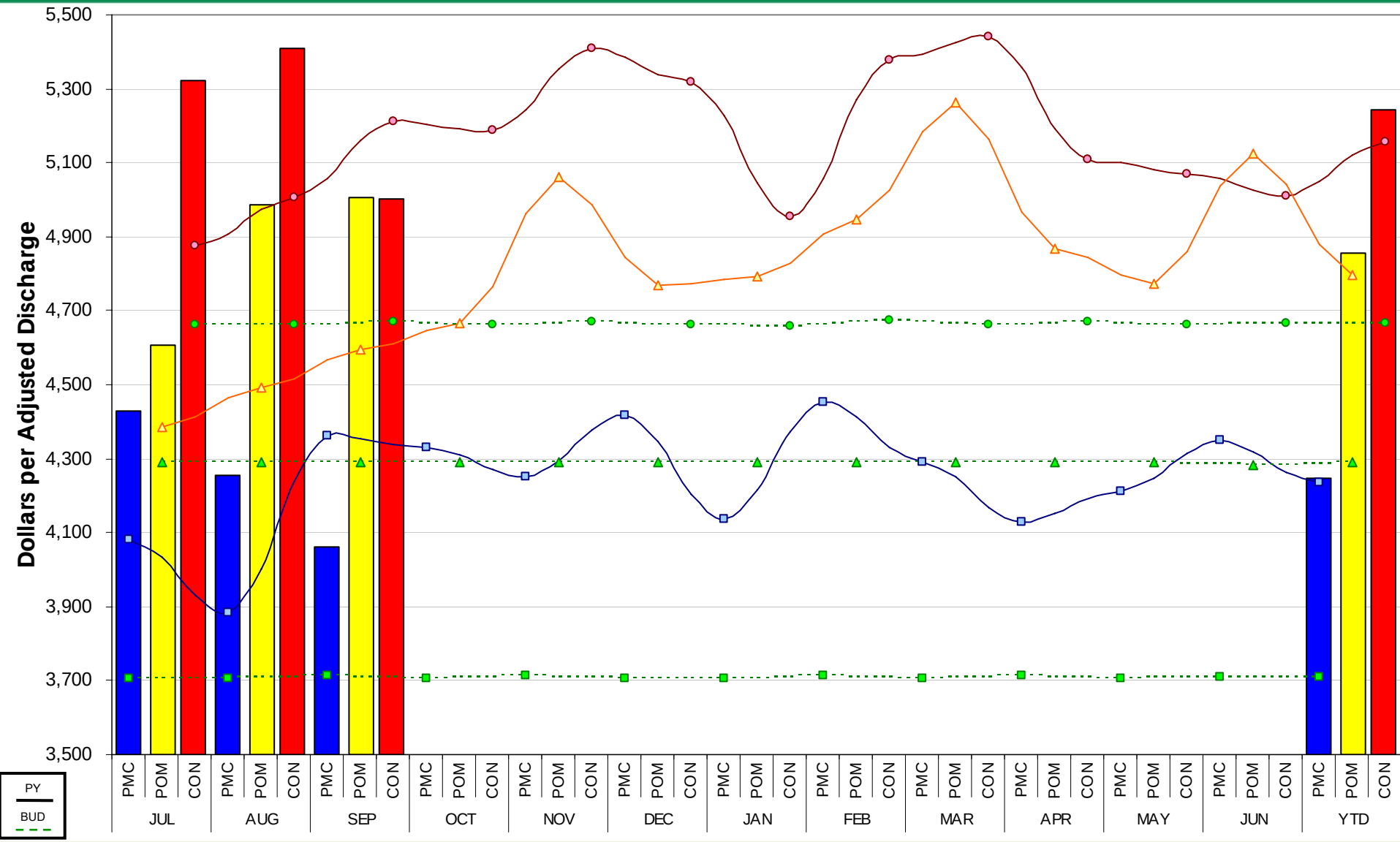
Adjusted Discharges
Net Patient Revenue per Adjusted Discharges



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	11,005	11,032	9,404	-	-	-	-	-	-	-	-	-	10,473	10,522
POM	12,371	12,936	13,812	-	-	-	-	-	-	-	-	-	13,012	12,302
CON	11,549	11,702	10,663	-	-	-	-	-	-	-	-	-	11,305	11,123

Adjusted Discharges

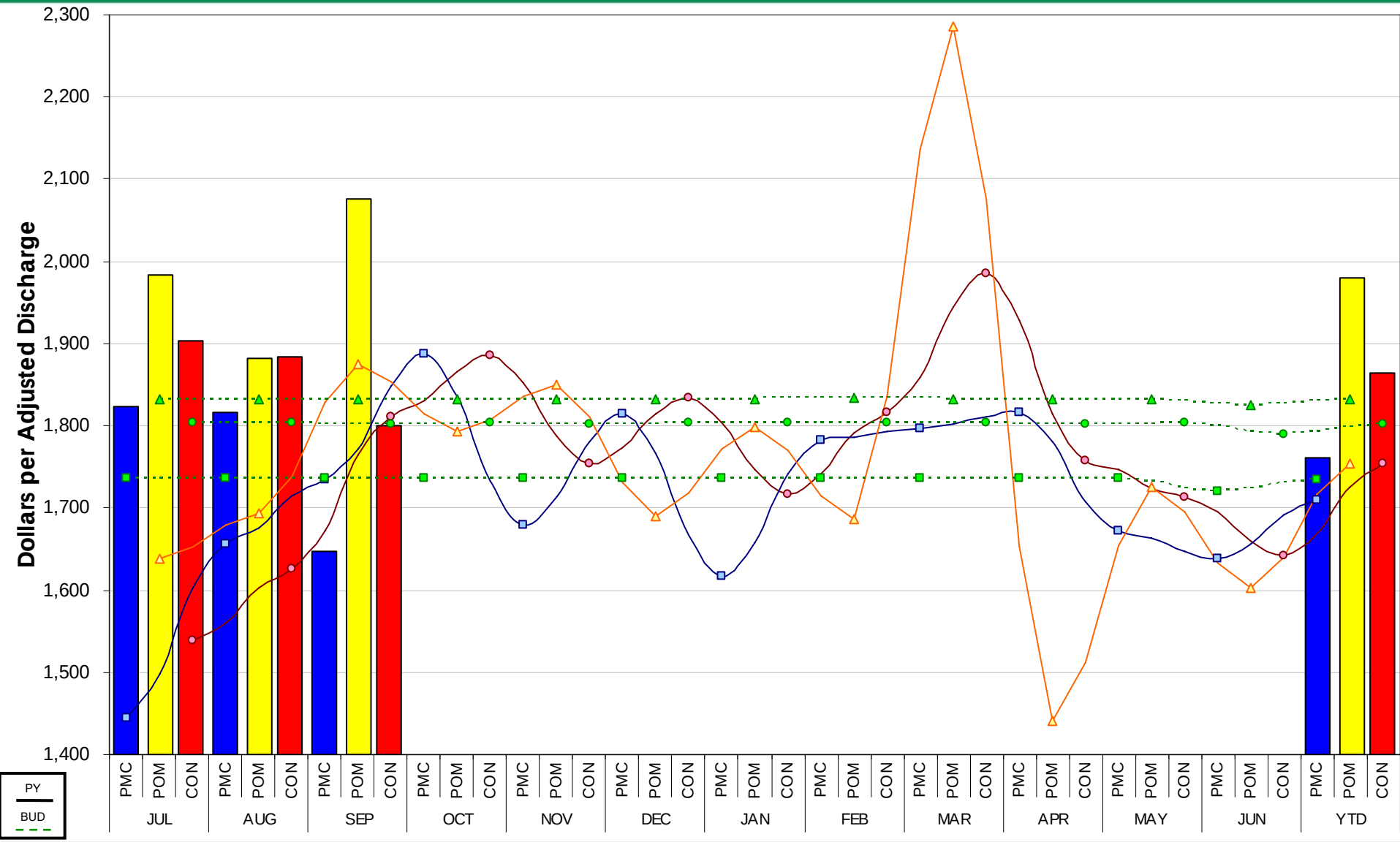
Salaries per Adjusted Discharges



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,429	4,253	4,063	-	-	-	-	-	-	-	-	-	4,248	4,271
POM	4,608	4,987	5,005	-	-	-	-	-	-	-	-	-	4,858	4,969
CON	5,321	5,409	5,003	-	-	-	-	-	-	-	-	-	5,244	5,216

Adjusted Discharges

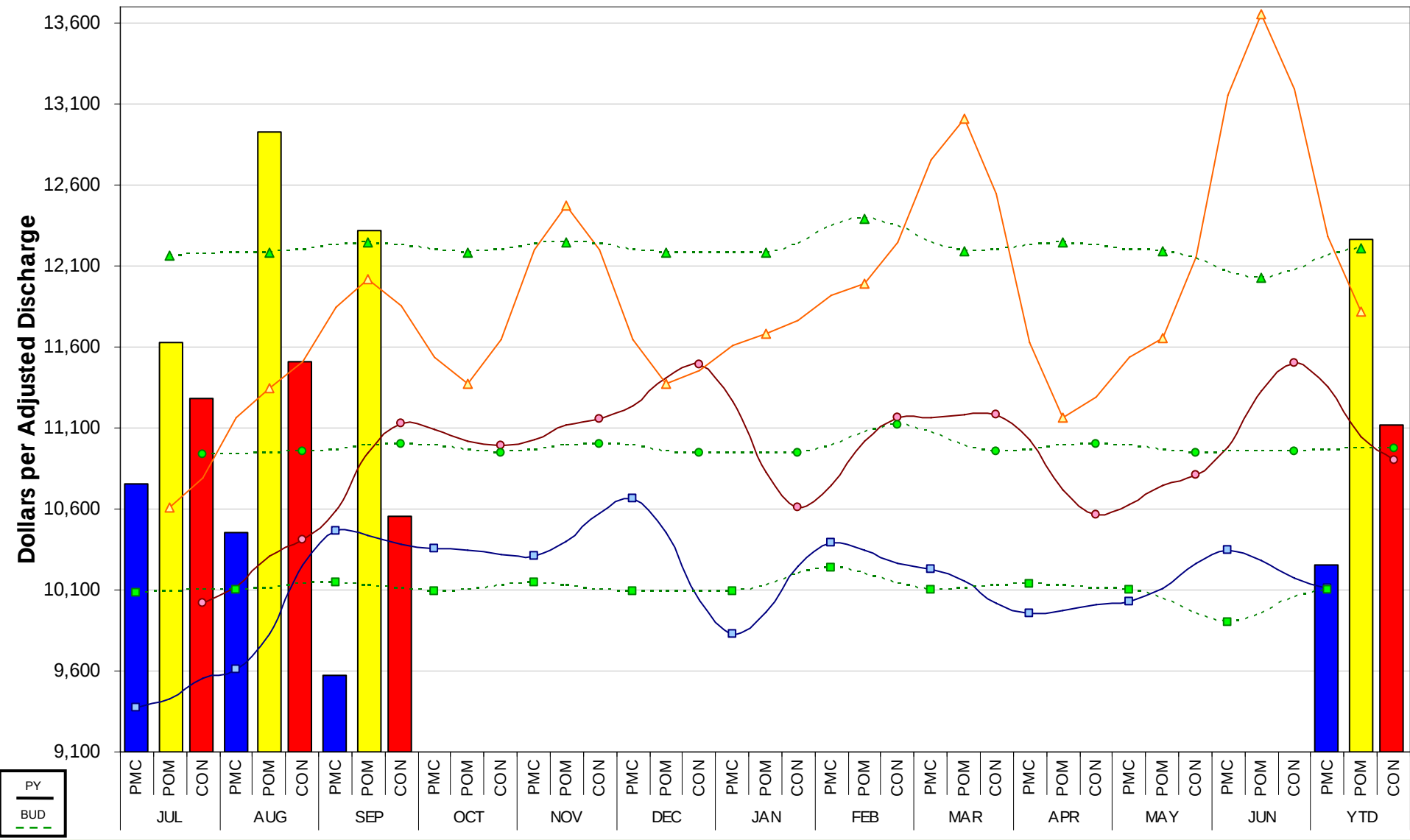
Supplies per Adjusted Discharges



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,823	1,816	1,647	-	-	-	-	-	-	-	-	-	1,761	1,736
POM	1,984	1,882	2,075	-	-	-	-	-	-	-	-	-	1,980	1,833
CON	1,904	1,884	1,801	-	-	-	-	-	-	-	-	-	1,863	1,803

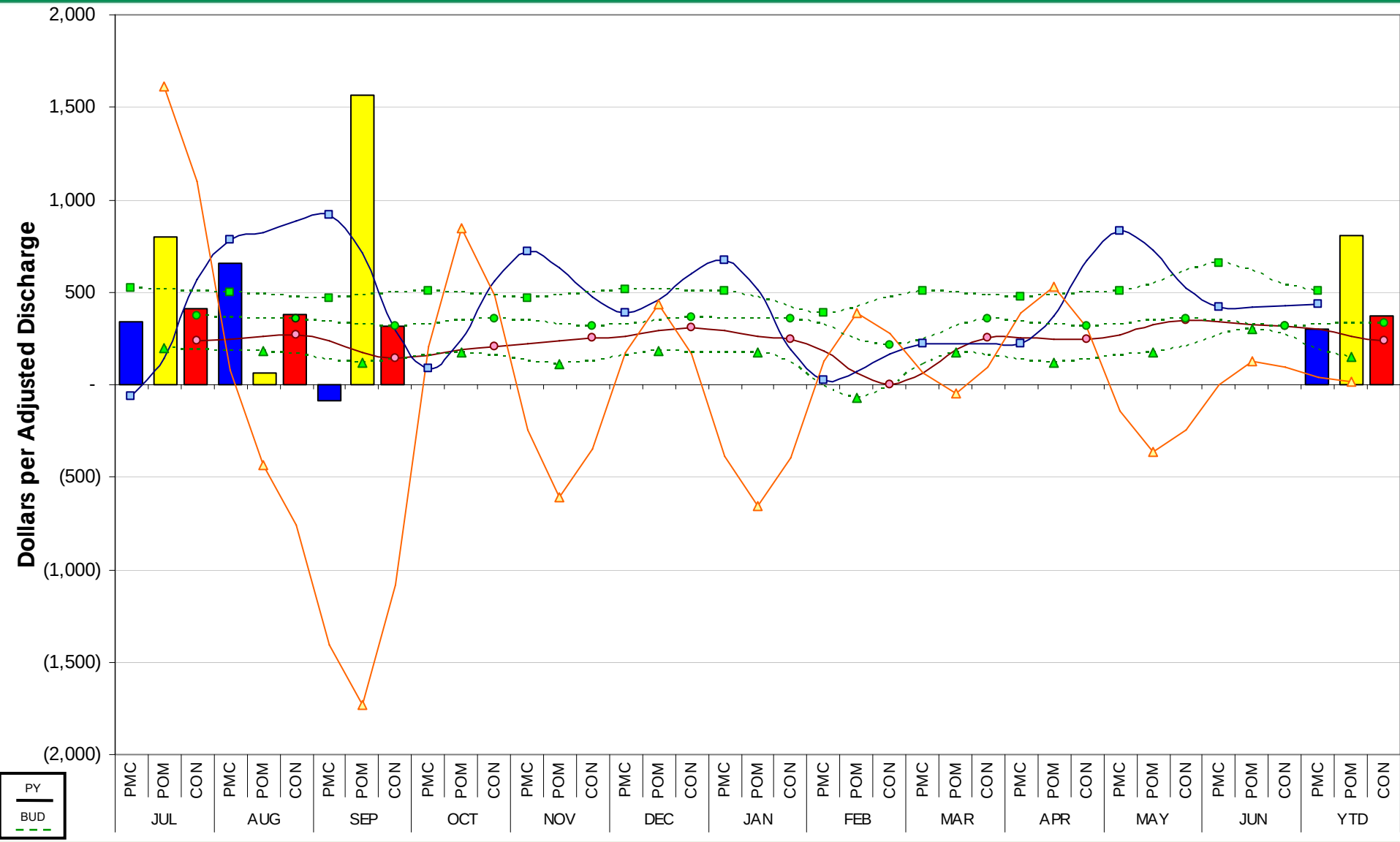
Adjusted Discharges

Total Expenses per Adjusted Discharges



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	10,751	10,458	9,570	-	-	-	-	-	-	-	-	-	10,256	10,107
POM	11,623	12,925	12,317	-	-	-	-	-	-	-	-	-	12,267	12,200
CON	11,285	11,507	10,558	-	-	-	-	-	-	-	-	-	11,116	10,963

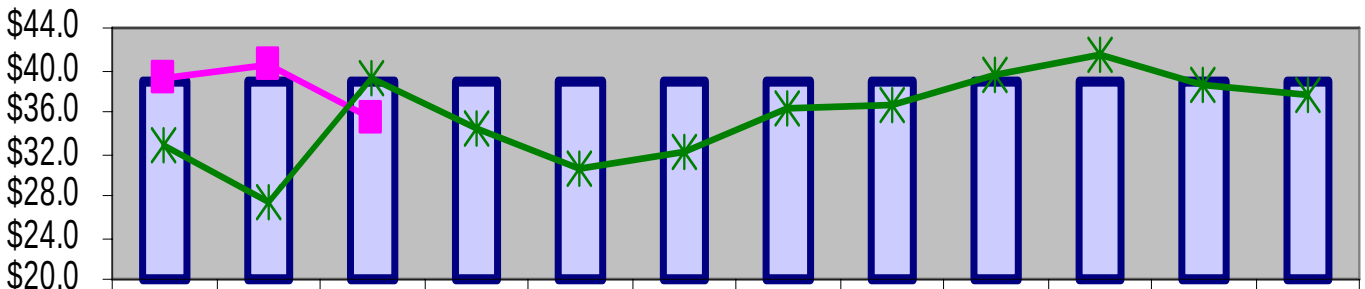
Adjusted Discharges
Net Operating Income per Adjusted Discharges



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	340	654	(86)	-	-	-	-	-	-	-	-	-	299	497
POM	795	67	1,565	-	-	-	-	-	-	-	-	-	802	165
CON	410	380	316	-	-	-	-	-	-	-	-	-	369	347

PBS Monthly Cash Collections

PPH Monthly Collections
in Millions



	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
FY09 Goal	$38.8	$38.8	$38.8	$38.8	$38.8	$38.8	$38.8	$38.8	$38.8	$38.8	$38.8	$38.8
Pr. Yr Actual	$32.8	$27.3	$39.3	$34.5	$30.5	$32.3	$36.3	$36.5	$39.5	$41.5	$38.6	$37.7
Curr. Yr Actual	$39.2	$40.6	$35.5									

SUPPLEMENTAL INFORMATION

Weekly Flash Report

Week Ending

		10/8/2009	10/15/2009	10/22/2009	10/29/2009	MTD Total	MTD Budget	% Variance
Volume	Palomar Medical Center							
	Average daily census	216	220	-	-	218	230	(5.27)
	Acute Patient Days	1,514	1,538			3,052	3,222	(5.27)
	PCCC Days	614	566			1,180	1,253	(5.84)
	Acute Discharges	413	403			816	832	(1.92)
	Births	71	79			150	157	(4.46)
	OP Visits w/o Lab	370	383			753	1,458	(48.35)
	Lab Registrations	713	679			1,392	1,391	0.07
	ED Visits	1,276	1,371			2,647	2,315	14.34
	Trauma Admits	24	16			40	42	(4.76)
	Trauma Outpatient	3	3			6	5	20.00
	Inpatient surgeries	118	89			207	228	(9.21)
	Outpatient surgeries	138	122			260	244	6.56
	Pomerado Hospital							
	Average daily census	64	59	-	-	61	79	(22.17)
	Acute Patient Days	446	413			859	1,104	(22.17)
	VP Days	849	845			1,694	1,722	(1.63)
	Acute Discharges	122	122			244	276	(11.59)
	Births	21	23			44	45	(2.22)
	OP Visits w/o Lab	171	197			368	434	(15.21)
	Lab Registrations	430	426			856	812	5.42
	ED visits	556	610			1,166	1,069	9.07
	Inpatient surgeries	27	28			55	71	(22.54)
	Outpatient surgeries	45	49			94	85	10.59

Weekly Flash Report

		Week Ending						
		10/8/2009	10/15/2009	10/22/2009	10/29/2009	MTD Total	MTD Budget	% Variance
Financial and Acuity	Palomar Medical Center							
	Gross Inpatient Charges	$ 15,739,440	$ 17,306,501			$ 33,045,941	$ 35,417,537	(6.70)
	Gross Outpatient Charges	$ 6,723,757	$ 6,540,974			$ 13,264,731	$ 11,742,437	12.96
	Net Revenue per Adj. Patient Day (est.)	$ 2,129	$ 2,336			$ 2,231	$ 2,238	(0.31)
	Total Expense per Adj. Patient Day (est.)	$ 2,075	$ 2,075			$ 2,075	$ 2,097	1.05
	Supply Expense per Adj. Patient Day (est.)	$ 343	$ 343			$ 343	$ 336	(2.08)
	Acute Case Mix Index	1.12	1.19					
	Pomerado Hospital							
	Gross Inpatient Charges	$ 5,366,343	$ 5,040,708			$ 10,407,051	$ 12,391,797	(16.02)
	Gross Outpatient Charges	$ 2,787,441	$ 2,995,427			$ 5,782,868	$ 4,788,559	20.76
	Net Revenue per Adj. Patient Day (est.)	$ 1,608	$ 1,609			$ 1,608	$ 1,590	1.13
	Total Expense per Adj. Patient Day (est.)	$ 1,550	$ 1,550			$ 1,550	$ 1,478	(4.87)
	Supply Expense per Adj. Patient Day (est.)	$ 256	$ 256			$ 256	$ 237	(8.02)
	Acute Case Mix Index	1.31	1.39					
Productivity and Cash	Cash Collection	9,958,248	8,236,569			18,194,817	21,142,375	(13.94)
	Days Cash on Hand	118	123			118	80	
	Productivity Hrs (PP 8)		217,289			217,289	206,215	(5.37)
	PMC		127,377			127,377	122,400	(4.07)
	POM		56,446			56,446	52,582	(7.35)
	Others	-	33,466	-	-	33,466	31,233	(7.15)
	Productivity $$$ (PP 8)		7,238,798			7,238,798	6,989,729	(3.56)
	PMC		4,256,947			4,256,947	4,173,600	(2.00)
	POM		1,821,417			1,821,417	1,719,215	(5.94)
	Others	-	1,160,434	-	-	1,160,434	1,096,914	(5.79)

Investment Fund - Quarter Ended September 30, 2009 Yield Analysis

Investment Account:	% of Portfolio at 9/30/09	Maturity Date	Yield	Benchmark		Actual to Benchmark Variance	Total Yield
Fidelity-Institutional Portfolio Treasury Fund	0.83%	Demand	0.12%	0.00%	(1)	0.12%	0.00%
State Treasurer Local Agency Investment Fund	32.11%	Demand	0.90%	0.00%	(1), (2)	0.90%	0.29%
Salomon Brothers	30.95%	Various	1.70%	3.30% 15.60%	(3) (4)	-1.60% -13.90%	0.53%
Pacific Income Advisors, Inc.	29.21%	Various	0.90%	0.90% 15.60%	(5) (4)	0.00% -14.70%	0.26%
Morgan Stanley & Co.	6.90%	Various	0.08%	0.00%	(1)	0.08%	0.01%
Total:	100.00%					TOTAL YIELD:	1.08%

(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

HealthWoRx Dashboard

Revenue Cycle Key Indicators

Revenue Optimization Pillar Team - Key Performance Indicator as of September 30, 2009

	Current	Goal	Trend	
Charge Services			MTD	YTD
CDM Build/Rebuild Clean Claim	46%	70%		
Case Management				
CDI	$ 461 K	$ 250 K		
Patient Access				
Co-Pay Collections	$ 527 K	$ 741 K		
Coding				
DNFB	0.2 days	0.5 Days		
Patient Financial Services				
Billing Edits	$ 7 M	< $ 6 M		
RAC				
Case Mgmt Review Medicare 1 Day Stays	94%	100%		

FY10 Cash Goal