

PALOMAR  
POMERADO  
HEALTH  
SPECIALIZING IN YOU

**BOARD OF DIRECTORS  
AGENDA PACKET**

November 10, 2008

*The mission of Palomar Pomerado Health  
is to heal, comfort and promote health  
in the communities we serve.*

*A California Health Care District (Public Entity)*

**PALOMAR POMERADO HEALTH  
BOARD OF DIRECTORS**

**Bruce G. Krider, MA, Chairman**  
**Marcelo R. Rivera, MD, Vice Chairman**  
**Linda Bailey, Secretary**  
**T. E. Kleiter, Treasurer**  
**Nancy L. Bassett, RN, MBA**  
**Linda C. Greer, RN**  
**Alan W. Larson, MD**

**Michael H. Covert, FACHE, President and CEO**

*Regular meetings of the Board of Directors are usually held on the second Monday  
of each month at 6:30 p.m., unless indicated otherwise  
For an agenda, locations or further information  
call (858) 675-5106, or visit our website at [www.pph.org](http://www.pph.org)*

**MISSION STATEMENT**

***The Mission of Palomar Pomerado Health is to:  
Heal, Comfort, Promote Health in the Communities we Serve***

**VISION STATEMENT**

***Palomar Pomerado Health will be the health system of choice for patients, physicians and employees,  
recognized nationally for the highest quality of clinical care and access to comprehensive services***

**CORE VALUES**

***Integrity***

*To be honest and ethical in all we do, regardless of consequences*

***Innovation and Creativity***

*To courageously seek and accept new challenges, take risks, and envision new and endless possibilities*

***Teamwork***

*To work together toward a common goal, while valuing our difference*

***Excellence***

*To continuously strive to meet the highest standards and to surpass all customer expectations*

***Compassion***

*To treat our patients and their families with dignity, respect and empathy at all times and  
to be considerate and respectful to colleagues*

***Stewardship***

*To inspire commitment, accountability and a sense of common ownership by all individuals*

***Affiliated Entities***

Escondido Surgery Center \* Palomar Medical Center \* Palomar Medical Auxiliary & Gift Shop \* Palomar Continuing Care Center \*  
Palomar Pomerado Health Foundation \* Palomar Pomerado Home Care \* Pomerado Hospital \* Pomerado Hospital Auxiliary & Gift Shop \*  
San Marcos Ambulatory Care Center \* Ramona Radiology Center \* VRC Gateway & Parkway Radiology Center \* Villa Pomerado  
• Palomar Pomerado Health Concern\* Palomar Pomerado Health Source\*Palomar Pomerado North County Health Development, Inc.\*  
• North San Diego County Health Facilities Financing Authority\*

**PALOMAR POMERADO HEALTH  
BOARD OF DIRECTORS  
REGULAR MEETING AGENDA**

**Monday, November 10 , 2008  
6:30 p.m.**

**Pomerado Hospital  
15615 Pomerado Road  
Poway, CA  
Meeting Room E**

**Mission and Vision**

*“The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.”*

*“The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.”*

**OPEN SESSION**

**6:30 p.m.**

	<u>Time</u>	<u>Page</u>
<b>I. CALL TO ORDER</b>		
<b>II. OPENING CEREMONY</b>	<b>2</b>	
a. Pledge of Allegiance		
<b>III. PUBLIC COMMENTS</b>	<b>5</b>	
<i>(5 minutes allowed per speaker, with a cumulative total of 15 minutes per group. For further details and policy see Request for Public Comments notices available in the meeting room).</i>		
<b>IV. MINUTES*</b>	<b>5</b>	<b>5-12</b>
a. Regular Board Meeting – October 20, 2008		
<b>V. APPROVAL OF AGENDA to accept the Consent Items as listed*</b>	<b>5</b>	<b>13-26</b>
<b>A. Consolidated Financial Statements</b>		
<b>B. Revolving Fund Transfers/Disbursements – September, 2008</b>		
1. Accounts Payable Invoices	<b>\$37,067,880.00</b>	
2. Net Payroll	<b>\$10,259,396.00</b>	
<b>TOTAL</b>	<b>\$47,327,276.00</b>	
<b>C. Ratification of Paid Bills</b>		
<b>D. September 2008 &amp; YTD FY2009 Financial Report (Addendum A)</b>		
<b>E. Audited Financial Statements for Years Ended June 30, 2008 and 2007 &amp; Independent Auditors’ Report (Addendums B and C)</b>		
<b>F. Formation of Palomar Pomerado Health Retail Group, LLC</b>		
<b>G. Operating Agreement of Palomar Pomerado Health Retail Group, LLC</b>		
<b>VI. PRESENTATIONS</b>		<b>27-28</b>
1. Health Academy in Valley Center – Nancy Roy, Joel Vexler, Shandrea Degen, Lou Obermeyer, MD, Olivia Leschick and students from Valley Center High School		
a. Presentation on establishment of a 7th - 12th grade Health Science Pathway Program		
<b>VII. REPORTS</b>		

<b>A. <u>Medical Staffs</u></b>	<b>10</b>	<b>29-49</b>
1. Palomar Medical Center – <i>John J. Lilley, M.D.</i>		
a. Credentialing/Reappointments		
2. Pomerado Hospital – <i>Benjamin Kanter, M.D.</i>		<b>50-51</b>
b. Credentialing/Reappointments		
<b>B. <u>Administrative</u></b>		
1. <u>Chairman of the Palomar Pomerado Health Foundation</u> – <i>Al Stehly</i>	<i>verbal report</i>	<b>5</b>
• Update on PPHF Activities		
2. <u>Chairman of the Board</u> – <i>Bruce G. Krider, M.A.</i>	<i>verbal report</i>	<b>10</b>
• Presentation of Resolution 11.10.08 (01) - 11 in Appreciation of Linda Bailey		
• Meeting with the City of Escondido Ad Hoc Committee		
3. <u>President and CEO</u> – <i>Michael H. Covert, FACHE</i>	<i>verbal report</i>	<b>10</b>
<b>VIII. INFORMATION ITEMS</b> ( <i>Discussion by exception only</i> )	<b>5</b>	<b>52-59</b>
1. Human Resources – Quarterly Report		
2. Human Resources – Recruitment Plan		
3. Human Resources – Updates on carpooling, Fidelity, OD Director status and benefits		
4. Strategic Planning – Behavioral Health Plan		
5. Strategic Planning – Rehabilitation Services Plan		
6. Strategic Planning – Long Term Care		
<b>IX. COMMITTEE REPORTS</b>	<b>10</b>	<b>60-70</b>
<b>A. Facilities and Grounds Committee – Marcelo Rivera, M.D., Chair</b>		
• <b>1. Proposal for Delegation of Signature Authority</b>		
<b>B. Governance Committee – Linda Greer, R.N., Chair * (Addendum D)</b>		
• <b>1. Annual Fees for Board Packet – Gov 19</b>		
• <b>2. Board Responsibilities – Gov 7</b>		
• <b>3. Governance – Gov 15</b>		
• <b>4. Naming Policy – Gov 23</b>		
• <b>5. Organizational Bylaws – Gov 2</b>		
• <b>6. Promulgation of PPH Procedures – Gov 13</b>		
• <b>7. Smoking Policy in PPH Facilities – HR 7</b>		
<b>B. Other Committee Chair Comments on Committee Highlights – (standing item)</b>		
<b>X. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH</b>		
<b>XI. ADJOURNMENT</b>		

Packet Distribution via e-mail: PPH Board of Directors; PPH Executive Management Team; PPH Chiefs of Staff and Chiefs of Staff-Elect; PPHF Board Chair; Tina Pope; Marsha Bryan

**If you have a disability please notify us 72 hours prior to scheduled meeting time by calling 858.675.5106 to arrange reasonable accommodations.**

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

Palomar Pomerado Health  
**BOARD OF DIRECTORS**  
**REGULAR BOARD MEETING**  
Palomar Medical Center/Graybill Auditorium  
Monday, October 20, 2008

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<b>CALL TO ORDER</b>	6:30 pm Quorum comprised Directors Bailey, Bassett, Greer, Kleiter, Krider, Larson and Rivera.		
<b>OPENING CEREMONY</b>	The Pledge of Allegiance was recited in unison.		
<b>MISSION AND VISION STATEMENTS</b>	The PPH mission and vision statements are as follows:  <i>The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.</i>  <i>The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.</i>		
<b>NOTICE OF MEETING</b>	Notice of Meeting was mailed consistent with legal requirements		
<b>PUBLIC COMMENTS</b>	Rob Roy Fawcett, a member of the Escondido community, discussed his concerns regarding the transparency of the board. He received via email, the agenda for the meeting but not the entire packet including addendums. Mr. Fawcett wanted to see documentation regarding the bonds being addressed in tonight's meeting. Mr. Fawcett also discussed his concerns for the McLeod tower and it's reclassification in order to operate after 2013. Mr. Fawcett also discussed the Kaiser agreement from 2007 in which PMC agreed to provide in patient/ out patient hospital services for a fee and that after the opening of		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>the new Palomar West hospital, a number of beds would be guaranteed to Kaiser. Mr. Fawcett stated his concern that a Union Tribune article quoted a PPH official denying that such a guarantee exists. He requested an answer as to whether or not there would indeed be a guarantee of beds and if there was not that PPH documents be revised to show such changes. Fixed rate interest rates were also addressed. Mr. Fawcett wanted confirmation that the certificate of participation bonds would indeed be at a fixed interest rate. Lastly, Mr. Fawcett provided a handout regarding bed count. PPH documents stated that there are 288 beds while Mr. Fawcett had a slide from the Citizen's Oversight Committee that counted 268. He suggested that the documents be revised so that they would be consistent.</p>		
<p><b>APPROVAL OF MINUTES</b></p> <ul style="list-style-type: none"> <li>• Regular Board Meeting September 8, 2008</li> <li>• Special Board Meeting –August 12, 2008</li> </ul>		<p><b>MOTION:</b> by Bailey, 2<sup>nd</sup> by Ted Kleiter and carried to approve the September 8 and August 14 minutes as submitted. All in favor. None opposed.</p>	
<p><b>APPROVAL OF AGENDA to accept the Consent Items as listed</b></p> <ul style="list-style-type: none"> <li><b>A. Consolidated Financial Statements</b></li> <li><b>B. Revolving Fund Transfers/Disbursements – August, 2008</b> <ul style="list-style-type: none"> <li>1. Accounts Payable Invoices \$30,823,944.00</li> <li>2. Net Payroll <u>\$10,084,288.00</u></li> </ul> </li> <li><b>TOTAL \$40,908,232.00</b></li> <li><b>C. Ratification of Paid Bills August 2008 &amp; YTD</b></li> <li><b>D. FY2009 Financial Report (Addendum A)</b></li> <li><b>E. Capitation for Plan Years 2009 &amp; 2010</b></li> </ul>	<p>Chairman Krider stated that Director Greer had asked that item J be pulled from the consent items for further discussion.</p> <p>Director Kleiter requested that Section Nine, Item B, the Facilities and Grounds Committee's proposal for delegation of signature authority be pulled from the agenda and sent back to committee.</p>	<p><b>MOTION:</b> by Bailey, 2<sup>nd</sup> by Kleiter and carried to approve the Consent Items A. – I. as submitted. All in favor. None opposed.</p> <p><b>MOTION:</b> by Bailey, 2<sup>nd</sup> by Kleiter and carried to approve sending the Facilities and Grounds Committee's proposal for delegation of signature authority back to committee. All in favor. None opposed.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p><b>F. PPH Independent Citizens' Oversight Committee Resignation of Edward R. Lehman – Next Steps Required of the Board</b></p> <p><b>G. Independent Citizens' Oversight Committee – Review of Annual Report for District Fiscal Year 2007-2008 (Addendum B)</b></p> <p><b>H. Medical Director Agreement – Diabetes Health Services - A. Conrad, M.D.</b></p> <p><b>I. Outpatient Behavioral Health – Clinical Director Agreement Amendment – M. Katz, M.D.</b></p> <p><b>J. Palomar Pomerado North County Health Development – Increase in Line of Credit</b></p>			
<b>PRESENTATIONS</b>			
<ul style="list-style-type: none"> <li>▪ None</li> </ul>			
<b>REPORTS</b>			
<b>Medical Staff</b>			
<p><b>Palomar Medical Center – John J. Lilley, M.D.</b></p> <ul style="list-style-type: none"> <li>▪ <b>Credentialing/Reappointments</b></li> </ul>	<p>John J. Lilley, M.D., presented Palomar Medical Center's request for approval of Credentialing Recommendations.</p>	<p><b>MOTION:</b> by Bassett, 2<sup>nd</sup> by Bailey and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the PMC Medical Staff, as presented. All in favor. None opposed.</p> <p>Directors Greer and Larson abstained to avoid potential conflict of interest.</p>	
<p><b>Pomerado Hospital – Benjamin Kanter, M.D.</b></p> <ul style="list-style-type: none"> <li>▪ <b>Credentialing/Reappointments</b></li> </ul>	<p>Benjamin Kanter, MD., Chief of Pomerado Medical Staff, presented Pomerado Hospital's</p>	<p><b>MOTION:</b> by Bassett, 2<sup>nd</sup> by Bailey and carried to approve the</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	requests for approval of Credentialing Recommendations.	Pomerado Hospital Medical Staff Executive Committee credentialing recommendations for the Pomerado Medical Staff, as presented. All in favor. None opposed.  Directors Greer and Larson abstained to avoid potential conflict of interest.	
<ul style="list-style-type: none"> <li>▪ <b>Amendments to Bylaws/Rules and Regulations</b></li> </ul>	Chairman Krider addressed the amendments to the bylaws and regulations in section 3.2.4 regarding clinical privileges for Palomar Medical Staff members.	<b>MOTION:</b> by Bassett, 2 <sup>nd</sup> by Kleiter and carried to approve the amendments to the bylaws/regulations as presented. All in favor. None opposed.	
<b>Administrative</b>			
<b>Chairman - Palomar Pomerado Health Foundation</b>	<i>Al Stehly, Chairman, PPHF</i>		
<ul style="list-style-type: none"> <li>▪ <b>Updates on PPHF Activities</b></li> </ul>	William Chaffin sat in for Al Stehly who was unable to attend the meeting.		
<ul style="list-style-type: none"> <li>▪ <b>Jean McLaughlin Women's Center Education Classroom</b></li> <li>▪ <b>*Action: Request to name in honor of Kymberli Parker.</b></li> </ul>	The Palomar Pomerado Health Foundation Board of Directors recommended that the PPH District Board of Directors name the Education classroom at the Jean McLaughlin Women's Center in honor of Kymberli Parker. Ms. Parker met all of the requirements outlined in the Foundation's naming policy which was approved by the Board of Directors in fiscal year 2008. It was stated that Ms. Parker's ongoing gifts for unfunded mammograms and her support of the Community Outreach Women's Education van warranted a naming opportunity at the Jean McLaughlin's Women's Center. It was stated that this would also be in recognition of her passion for educating women about mammograms and providing the service to women without adequate resources. <i>Bruce G. Krider, MA</i>	<b>MOTION:</b> by Bailey, 2 <sup>nd</sup> by Kleiter and carried to approve the naming of the Jean McLaughlin Women's Center Education Classroom in honor of Kymberli Parker as presented. All in favor. None opposed.	
<b>Chairman of the Board - Palomar</b>			



AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p><b>Pomerado Health</b></p> <ul style="list-style-type: none"> <li><b>Joint Conference Committee</b></li> </ul>	<p>Chairman Krider noted that Dr. Lilley was working on the Joint Conference Committee and reiterated the need for improved communications between medical staff, Board and administration. Chairman Krider inquired as to whether a date had been set for the Joint Conference Committee; however no date had yet been set.</p> <p>Chairman Krider stated that the October, 28<sup>th</sup> Finance meeting would be a full board meeting.</p>		
<p><b>President and CEO</b></p>	<p><i>Michael H. Covert, President and CEO</i></p> <p>Mr. Covert thanked the Foundation and employee campaign committee for facilitating the concrete pour event at Palomar West. Though the event was planned as a thank you, within the first hour another \$10,000 was raised.</p> <p>Mr. Covert noted that the Strategic Planning Committee meeting on Tuesday, October 21 would be a full board meeting and would focus on rehabilitation, behavioral health and long term care. A strategic planning retreat will be planned after the first of the year to discuss continuing care and the future of such care programs as part of PPH's larger strategic plan. November's strategic planning meeting will focus on out patient programs, women's activities and women's services. December's strategic planning meeting will focus on providing updates for the newly initiated or dropped programs that the Board of Director's asked be reviewed.</p> <p>The Building and Grounds Committee will have a special session in December to give an update on the financial status and how it relates to the issues discussed in tonight's meeting.</p> <p>Opal Reinbold announced some of the awards recently received by PPH including 2008 Top 100 Places to Work in Healthcare, Modern</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	Healthcare 2008 Premier Award for Quality and the current magnet process.		
<b>INFORMATION ITEMS</b>	<i>Discussion by exception only</i>		
<ul style="list-style-type: none"> <li>▪ Strategic Planning Committee Synopsis - Strategic Planning</li> </ul>			
<ul style="list-style-type: none"> <li>▪ Legal Department Strategic Plan – Finance (Addendum C)</li> </ul>			
<b>COMMITTEE REPORTS</b>			
<b>Finance</b>	<i>Ted Kleiter, Chair</i>		
<ul style="list-style-type: none"> <li>• PPH Independent Citizens' Oversight Committee – Appointment of Officers</li> </ul>	<p>Pursuant to the policy, procedures and guidelines (PP&amp;G) of the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds ICOC, the PPH Board of Directors was asked to appoint officers of the ICOC. At the July 2005 meeting, the PPH board delegated responsibility for those appointments to the Board Chair and the Board Finance Committee Chair. The PP&amp;G also specified a term limit for the chair of three consecutive terms. The FY2008 officers were Steve Yerxa, Chair; Bob Wells, Vice Chair; and John McIver, Secretary. Although their terms expired on June 30, 2008, the incumbents have continued in their duties pending nominations and appointments of officers by the Board Chair and Finance Committee Chair. At the annual ICOC meeting in Sept 2008, the incumbents were nominated by the committee for reappointment. Steve Yerxa was unable to accept as it would have been his fourth term. PPH staff recommended that the nominees for officers as submitted by the ICOC be appointed for FY2009.</p>	<p><b>MOTION:</b> by Bailey, 2<sup>nd</sup> by Kleiter and carried to approve the ICOC appointment of officers as presented. All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>• Issuance of GO Bonds, Election of 2004, Series 2008A, and Conversion of Certificates of Participation – ARS 2006 (Addendums D, E and F)</li> </ul>	<p>Bob Hemker presented information regarding the issuance of GO Bonds, the state of the market and the ability to place paper in the market. Mr. Hemker stated that volatility in the market fuels concerns. Credit and funding</p>	<p><b>MOTION:</b> by Bailey, 2<sup>nd</sup> by Kleiter and carried to approve the resolutions 10.20.08 (01) – 09 and 10.20.08 (02) – 10 as presented. All in favor. None opposed.</p>	


AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
(Resolution numbers 10.20.08 (01) – 09 and 10.20.08 (02) – 10)	markets were discussed and it was noted that market uncertainties had undermined confidence. The tax-exempt money market was shown to still be in the process of recovery and that dislocated markets had limited sales of new long term issues. There is Federal support of universal banks however and that is ensuring solvency and liquidity. Mr. Hemker noted that the Muni market started to open as of October 6 <sup>th</sup> . The week of October 13 <sup>th</sup> confirmed that there is money available in the market. The market has yet to return for any long term fixed rate healthcare deals. Pending prevailing market conditions PPH may delay the execution of plan of finance.		
<b>COMMITTEE CHAIR COMMENTS</b>			
• <b>Community Relations</b>	No Meeting in September		
• <b>Facilities and Grounds</b>	No Meeting in September		
• <b>Governance</b>	No Meeting in September		
• <b>Human Resources</b>	No Meeting in September		
• <b>Audit</b>	No Meeting in September		
• <b>Quality</b>	No Meeting in September		
• <b>Strategic Planning</b>	September 9 <sup>th</sup> , 2008 Items discussed included long term care plans, PPH needs assessments, HCAC name change, NICHE presentation, and the Foundation model/ECG update		
• <b>Finance</b>	September 30 <sup>th</sup> , 2008 Action items discussed included Capitation for Calendar Plan Years 2009 & 2010, Physician agreements, August 2008 and YTD FY2009 Financial Report, Line of Credit (LoC) with Palomar Pomerado North County Health Development, Annual Report of the ICOC for District Fiscal Year 2007-2008, Vacancy on the ICOC, and Appointment of Officers of the ICOC. Information items discussed included the legal department's strategic plan.		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
BOARD MEMBER COMMENTS and AGENDA ITEMS FOR NEXT MONTH			
ADJOURNMENT	7:05 p.m.		
SIGNATURES			
▪ Board Secretary	_____ Linda Bailey		
▪ Board Assistant	_____ Nicole Dennis		

**PALOMAR POMERADO HEALTH  
CONSOLIDATED DISBURSEMENTS  
FOR THE MONTH OF  
SEPTEMBER 2008**

09/01/08	TO	09/30/08	ACCOUNTS PAYABLE INVOICES	\$37,067,880.00
09/05/08	TO	09/19/08	NET PAYROLL	<u>\$10,259,396.00</u>
				\$47,327,276.00

I hereby state that this is an accurate and total listing of all accounts payable, patient refund and payroll fund disbursements by date and type since the last approval.

  
\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

APPROVAL OF REVOLVING, PATIENT REFUND AND PAYROLL FUND DISBURSEMENTS:

Treasurer, Board of Directors PPH \_\_\_\_\_  


Secretary, Board of Directors PPH \_\_\_\_\_  


This approved document is to be attached to the last revolving fund disbursement page of the applicable financial month for future audit review.

cc: M. Covert, G. Bracht, R. Hemker, D. Tam

## September 2008 & YTD FY2009 Financial Report

**TO:** Board of Directors

**MEETING DATE:** Monday, November 10, 2008

**FROM:** Board Finance Committee  
Tuesday, October 28, 2008

**BY:** Robert Hemker, CFO

**Background:** The Board Financial Reports (unaudited) for September 2008 and YTD FY2009 are submitted for the Board's approval.

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval.

**Committee Questions:**

### COMMITTEE RECOMMENDATION:

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**Draft Audited Financial Statements for Years Ended June 30, 2008 and 2007  
& Independent Auditors' Report**

**TO:** Board of Directors

**DATE:** Monday, November 10, 2008

**FROM:** Board Finance Committee  
Tuesday, October 28, 2008

**BY:** Bob Hemker, CFO  
Tim Nguyen, Corporate Controller

**BACKGROUND:** The draft Audited Financial Statements for the Years Ended June 30, 2008 and 2007, and the Independent Auditors' Report are respectfully submitted for approval (*Addendum C*).

**BUDGET IMPACT:** N/A

**STAFF RECOMMENDATION:** Approval of the draft Audited Financial Statements for the Years Ended June 30, 2008 and 2007, and the Independent Auditors' Report as submitted.

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

FORMATION OF PALOMAR POMERADO HEALTH RETAIL GROUP, LLC

**TO:** Board of Directors  
**MEETING DATE:** Monday, November 10, 2008  
**FROM:** Board Finance Committee  
Tuesday October 28, 2008  
**BY:** Janine Sarti, Esq., General Counsel

**BACKGROUND:** Over the past several years, PPH has expanded its business ventures to include healthcare retail operations, such as PPH expresscare and Weight Solutions. It is expected that PPH may develop additional retail operations in the future.

These retail operations have specific billing requirements that are different from an acute care hospital. Specifically, due to Medicare billing requirements, the retail operations may not use the same tax identification number as those currently used by a PPH facility. In order to bill for its services, each retail operation would need to obtain its own separate tax identification number.

Instead of requesting separate tax identification numbers for each operation, the recommendation is to create a separate taxable nonprofit Limited Liability Company (LLC) for all of PPH's retail operations (*Operating Agreement attached*). This LLC would have its own tax identification number under the name Palomar Pomerado Health Retail Group, LLC. PPH would be the sole member, and the LLC would be a PPH Board of Directors directed entity. Day-to-day management of the LLC would be under the direction of PPH staff.

Creation of the LLC will also involve banking authority and depository accounts, both of which will require future Board approvals.

**BUDGET IMPACT:**

**STAFF RECOMMENDATION:** Staff recommends approval

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X  
**Individual Action:**  
**Information:**  
**Required Time:**



**OPERATING AGREEMENT  
FOR  
PALOMAR POMERADO HEALTH RETAIL GROUP, LLC**

This Operating Agreement is entered into as of the \_\_\_ day of \_\_\_\_\_, 2008, by the person who has executed the signature page hereof (the “Member”).

A. The Member desires to form a limited liability company (the “Company”) under the Beverly-Killea Limited Liability Company Act.

B. The Member enters into this Operating Agreement in order to form and provide for the governance of the Company and the conduct of its business and to specify its relative rights and obligations.

NOW, THEREFORE, the Member hereby agrees as follows:

**ARTICLE 1  
DEFINITIONS**

The following capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in the California Corporations Code Section 17001:

1.1 “**Act**” means the Beverly-Killea Limited Liability Company Act (California Corporations Code Sections 17000-17705), including amendments from time to time.

1.2 “**Agreement**” means this Operating Agreement, as originally executed and as amended from time to time.

1.3 “**Articles of Organization**” is defined in California Corporations Code Section 17001(b).

1.4 “**Capital Contribution**” means the amount of the money and the Fair Market Value of any property (other than money) contributed to the Company in consideration of a Percentage Interest held by the Member. A Capital Contribution shall not be deemed a loan.

1.5 “**Capital Event**” means a sale or disposition of any of the Company’s capital assets, the receipt of insurance and other proceeds derived from the involuntary conversion of Company property, the receipt of proceeds from a refinancing of Company property or a similar event with respect to Company property or assets.

1.6 “**Code**” or “**IRC**” means the Internal Revenue Code of 1986, as amended, and any successor provision.

- 1.7     “**Company**” means the limited liability company.
- 1.8     “**Economic Interest**” means a Person’s right to share in the income, gains, losses, deductions, credit or similar items of, and to receive distributions from, the Company, but does not include any other rights of a Member, including the right to vote or to participate in management.
- 1.9     “**Encumber**” means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.
- 1.10    “**Encumbrance**” means a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option or preferential right to purchase.
- 1.11    “**Fair Market Value**” means, with respect to any item of property of the Company, the item's adjusted basis for federal income tax purposes, except as follows:
- (a)     The Fair Market Value of any property contributed by the Member to the Company shall be the value of such property, as mutually agreed by the Member and the Company.
- (b)     The Fair Market Value of any item of Company property distributed to the Member shall be the value of such item of property on the date of distribution, as mutually agreed by the Member and the Company.
- 1.12    “**Involuntary Transfer**” means, with respect to the Membership Interest, or any element thereof, any Transfer or Encumbrance, whether by operation of law, pursuant to court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise, including a purported transfer to or from a trustee in bankruptcy, receiver or assignee for the benefit of creditors.
- 1.13    “**Losses**” See “Profits” and “Losses”.
- 1.14    “**Manager**” means the individual who shall have day to day responsibility for operations of Company.
- 1.15    “**Member**” means the Member who acquires a Membership Interest, as permitted under this Agreement, and whom remains a Member.
- 1.16    “**Notice**” means a written notice required or permitted under this Agreement. A notice shall be deemed given or sent when deposited, as certified mail or for overnight delivery, postage and fees prepaid, in the United States mail; when delivered to Federal Express, United Parcel Service, DHL Worldwide Express or Airborne Express, for overnight delivery, charges prepaid or charged to the sender’s account; when personally delivered to the recipient; when transmitted by electronic means, and such transmission is electronically confirmed as having been successfully transmitted; or when delivered to the home or office of a recipient in the care of a

person whom the sender has reason to believe will promptly communicate the notice to the recipient.

1.17 “**Percentage Interest**” means a fraction, expressed as a percentage, the numerator of which is the total of a Member’s Capital Account and the denominator of which is the total of all Capital Accounts of all Members.

1.18 “**Person**” means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company or other entity, whether domestic or foreign.

1.19 “**Profits and Losses**” means, for each fiscal year or other period specified in this Agreement, an amount equal to the Company’s taxable income or loss for such year or period, determined in accordance with IRC Section 703(a).

1.209 “**Regulations**” (“Reg”) means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.21 “**Transfer**” means, with respect to a Membership Interest or any element of a Membership Interest, any sale, assignment, gift, Involuntary Transfer, or other disposition of a Membership Interest or any element of such a Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

1.22 “**Vote**” means a written consent or approval, a ballot cast at a meeting or a voice vote.

1.23 “**Voting Interest**” means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. A Member’s Voting Interest shall be directly proportional to that Member’s Percentage Interest.

## **ARTICLE 2** **ARTICLES OF ORGANIZATION**

2.1 The Member has caused Articles of Organization, in the form attached to this Agreement as Exhibit A, to be filed with the California Secretary of State.

2.2 The name of the Company shall be Palomar Pomerado Health Retail Group, LLC.

2.3 The principal executive office of the Company shall be at 15255 Innovation Drive, San Diego, California 92128, or such other place or places as may be determined by the Member from time to time.

2.4 The initial agent for service of process on the Company shall be Janine Sarti, Esq. The Member may from time to time change the Company’s agent for service of process.

2.5 The Company will be formed for the purpose of engaging in healthcare related retail businesses and operations.

2.6 The term of existence of the Company shall commence on the effective date of filing of Articles of Organization with the California Secretary of State, and shall continue indefinitely unless sooner terminated by the provisions of this Agreement or as provided by law.

2.7 Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code, shall be the sole Member and manager of the Company.

### **ARTICLE 3** **CAPITALIZATION**

3.1 The Member shall contribute capital to the Company as the Member's Capital Contribution the money and property specified in Exhibit B to this Agreement. The Fair Market Value of each item of contributed property as agreed between the Company and the Member is set forth in Exhibit B. The Member shall not be required to make additional Capital Contributions.

3.2 A Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company except as otherwise provided in the Act or in this Agreement.

### **ARTICLE 4** **ALLOCATIONS AND DISTRIBUTIONS**

4.1 The Profits and Losses of the Company and all items of Company income, gain, loss, deduction or credit shall be allocated, for Company book purposes and for tax purposes, to the Member at such times as the Member determines.

4.2 All cash resulting from the normal business operations of the Company and from a Capital Event shall be distributed to the Member at such times as the Member may determine.

4.3 If the proceeds from a sale or other disposition of an item of the Company consist of property other than cash, the value of such property shall be as determined by the Member. If such non-cash proceeds are subsequently reduced to cash, such cash shall be distributed to the Member in accordance with Section 4.2.

### **ARTICLE 5** **MANAGEMENT**

5.1 The business of the Company shall be managed by the Member set forth in Section 2.7. Unless otherwise provided in this Agreement, all decisions concerning the management of the Company's business shall be made by the Manager.

5.2 The Manager shall serve until the Manager's resignation, retirement, death or disability.

5.3 The Manager is not required to hold meetings.

5.4 The Manager shall not be entitled to compensation for his or her services.

5.5 The Company may have Officers. At a minimum, there shall be a President, who shall be an Officer of the Company. The Member may provide for additional Officers of the Company and for their election, and may alter the powers, duties and compensation of the President and of all other Officers. The President shall attend any meetings of Manager. The initial Officer shall be:

Michael H. Covert, President

5.6 All assets of the Company, whether real or personal, shall be held in the name of the Company.

5.7 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at such locations as shall be determined by the Member.

## **ARTICLE 6** **ACCOUNTS AND RECORDS**

6.1 Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office.

6.2 Financial books and records of the Company shall be kept on the accrual method of accounting, which shall be the method of accounting followed by the Company for federal income tax purposes. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be July 1<sup>st</sup> through June 30<sup>th</sup> of each year.

6.3 At all times during the term of existence of the Company, and beyond that term if the Member deems it necessary, the Member shall keep or cause to be kept the books of account referred to in Section 6.2, and also the following:

(a) A current list of the full name and last known business or residence address of each Member, together with the Capital Contribution and the Profits and Losses of the Member.

(b) A copy of the Articles of Organization, as amended.

(c) Copies of the Company's federal, state and local income tax or information returns and reports, if any, for the six (6) most recent taxable years.

(d) Executed counterparts of this Agreement, as amended.

(e) Any powers of attorney under which the Articles of Organization or any amendments thereto were executed.

(f) Financial statements of the Company for the six (6) most recent fiscal years.

(g) The books and records of the Company as they relate to the Company's internal affairs for the current and past four (4) fiscal years.

6.4 Within one hundred-twenty (120) days after the end of each taxable year of the Company the Company shall send to the Member all information necessary for the Member to complete its federal and state income tax or information returns, and a copy of the Company's federal, state and local income tax or information returns for such year.

6.5 PPH shall act as the Tax Matters Member of the Company under Internal Revenue Code section 6231(a)(7).

## **ARTICLE 7** **DISSOLUTION AND WINDING UP**

7.1 The Company shall be dissolved on the first to occur of the following events:

(a) The incapacity or withdrawal of the Member; or the bankruptcy or corporate dissolution of the Member.

(b) The expiration of the term of existence of the Company.

(c) The written authorization of the Member to dissolve the Company.

(d) The sale or other disposition of substantially all of the Company assets.

(e) Entry of a decree of judicial dissolution pursuant to California Corporations Code Section 17351.

7.2 Upon the notice to and/or decision to dissolve the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Persons winding up the affairs of the Company shall give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to the Member) the remaining assets of the Company shall be distributed in the following order of priority:

- (a) To pay the expenses of liquidation.
- (b) To repay outstanding loans to the Member. Such repayment shall first be credited to accrued and unpaid interest due and the remainder shall be credited to principal.
- (c) To the Member in accordance with the provisions of Article 4, Section 4.2.

**ARTICLE 8**  
**GENERAL PROVISIONS**

8.1 This Agreement constitutes the whole and entire agreement with respect to the subject matter of this Agreement, and it shall not be modified or amended in any respect except by a written instrument executed by all the parties.

8.2 This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

8.3 This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives and permitted successors and assigns.

8.4 Whenever used in this Agreement, the singular shall include the plural, the plural shall include the singular, the male gender shall include the female, and the neuter gender shall include the male and female as well as a trust, firm, company or corporation, all as the context and meaning of this Agreement may require.

8.5 The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices and other assurances, and shall do any and all other acts and things, reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

8.6 Except as provided in this Agreement, no provision of this Agreement shall be construed to limit the Member in any manner in the carrying on of their own respective businesses or activities.

8.7 Except as provided in this Agreement, no provision of this Agreement shall be construed to constitute a Member, in the Member's capacity as such, the agent of any other Member.

8.8 The Member represents that the Member has the capacity and authority to enter into this Agreement.

8.9 The article, section and paragraph titles and headings contained in this Agreement are inserted as matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

8.10 This Agreement may be altered, amended or repealed only by a writing signed by the Member.

8.11 Time is of the essence of every provision of this Agreement that specifies a time for performance.

8.12 This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

The Member intends the Company to be a limited liability company under the Beverly-Killea Limited Liability Company Act.

8.13 . The Member shall not take any action inconsistent with this express intent.

IN WITNESS WHEREOF, the party has executed or caused to be executed this Agreement on the day and year first above written.

“Member

Palomar Pomerado Health

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: -----



**EXHIBIT A**  
**ARTICLES OF ORGANIZATION**

(Attached)

**EXHIBIT B**  
**MEMBER CAPITAL**  
**CONTRIBUTIONS AND PERCENTAGE INTERESTS**

<u>Member</u>	<u>Contribution</u>	<u>Percentage Interest</u>
Palomar Pomerado Health		100%

## Informational: Health Academy in Valley Center

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Olivia Leschick from the Health Career Academy at Valley Center High School

**BACKGROUND:** Valley Center-Pauma Unified School District (VCPUSD) embarked on establishing a 7-12<sup>th</sup> grade Health Science Pathway Program when the School Board adopted new goals to begin planning career programs. In the Spring of 2007, Valley Center High School was awarded a \$150,000 grant that established and implemented the Health Science Pathway Program. A Health Science Pathway Committee was formed and comprised of teachers, principals, administrators, college representatives and health agency partners which included the Palomar Pomerado Hospital System.

As the Chair of the PPH Pala/Pauma/Valley Center Community Advisory Board, Olivia Leschick enlisted the assistance of the PPH Community Outreach department to assist in the establishment of a health career pathway program that would groom the next generation of healthcare workers needed in the area. The district's goal is to educate and prepare students starting in Middle School and High School for viable careers that have opportunities within the industry for growth through additional post secondary schooling through local community colleges and universities.

The California Department of Education's health career grant awarded to Valley Center High School has provided funds for the development of high school coursework and a planned pathway that includes options in Therapeutic Services, Diagnostics Services, Biotechnology Research, Health Informatics and/or Support Services leading to a license or post secondary entry requirements for an associate degree and/or a bachelor's degree in health or science. It also includes opportunities for work-based learning experiences, job shadowing, exploration & guided study tours, volunteer activities and internships. Valley Center High School students are part of the PPH Red Shirt program. PPH has also provided experts in the field of medicine at the Spring 2008 Health Faire that included the viewing of the DaVinci Robot. The lead health career pathway teacher, Joel Vexler, and high school students will give a brief presentation on the partnership between Valley Center High School and PPH regarding the Health Career Pathway program. A video clip of the student Health Faire that highlighted the DaVinci Robot will also be shown.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:** Information

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

# California Health Career Grant At Valley Center High School



- Health Careers Booming Industry
- \$150,000 Grant Provides New Health Careers Pathway Program for Valley Center-Pauma District
- Pathway transitions 7-12<sup>th</sup> grade students to postsecondary education and/or careers in the healthcare industry
- Program Develops a Coherent Sequence of Courses that provide Health Science Career Content in 7<sup>th</sup> through 12<sup>th</sup> grade
- Partnerships with Cal State San Marcos, Palomar College, the Palomar/Pomerado Health System, Neighborhood Health Care & Indian Health Council

MEDICAL STAFF SERVICES

PALOMAR  
POMERADO  
HEALTH

October 28, 2008

TO: Board of Directors

BOARD MEETING DATE: November 10, 2008

FROM: John J. Lilley, M.D., Chief of Staff  
PMC Medical Staff Executive Committee

SUBJECT: Palomar Medical Center Medical Staff Credentialing Recommendations

- I. Provisional Appointment (11/10/2008 – 10/31/2010)  
Robert J. Belsher, M.D., Family Practice  
Timothy A. Bemiller, M.D., Gastroenterology  
John H. Brady, M.D., Orthopaedic Surgery  
Cherif E. Girgis, M.D., Family Practice (Includes PCCC)  
Stephanie K. Iem, D.O., Family Practice  
Frederic L. Jackson, D.O., Family Practice (Includes PCCC)  
Mary E. Johnson, M.D., Emergency Medicine  
Brian B. Le, M.D., Ophthalmology  
Julie L. Le, D.O., Psychiatry (Includes PCCC)  
Parag R. Sanghvi, M.D., Radiation Oncology  
Mannuel Tanguina, III, M.D., Family Practice (Includes PCCC)  
Felisa U. Velezrubio, M.D., Infectious Disease (Includes PCCC)  
James D. Wolff, M.D., Diagnostic Radiology
- II. Reappointment and Advancement to Courtesy Status  
Lance L. Altenau, M.D., Neurosurgery (11/10/2008 – 04/30/2009)  
Chad Elsner, M.D., Orthopaedic Surgery (11/10/2008 – 07/31/2010)

- III. Additional Privileges  
Loan T. Dao, M.D., Family Practice  
    ▪ Privileges at Palomar Continuing Care Center (PCCC)  
Ronald E. Feldman, M.D., Gastroenterology  
    ▪ Endoscopic Ultrasound to include esophagus, stomach, pancreaticobiliary system and rectum with or without fine needle aspiration or injection.  
Afshin A. Nahavandi, M.D., Internal Medicine  
    ▪ Femoral Central Venous Line Placement  
Paul Neustein, M.D., Urology  
    ▪ da Vinci Surgical System  
Rhyl Ann Serruelo, M.D., Family Practice  
    ▪ Privileges at Palomar Continuing Care Center (PCCC)

- IV. Voluntary Resignations/Withdrawals  
Nicola Bugelli, M.D., Internal Medicine/Wound Care (Effective 11/30/2008)  
Nayan P. Desai, M.D., Neurology (Effective 11/10/08)  
Andrew D. Hull, M.D., Maternal-Fetal Medicine (Effective 11/30/2008)  
Timothy R. Kennedy, M.D., Pathology (Effective 10/07/08)  
Christine Q. Phan, D.O., Family Practice (Effective 11/30/2008) (Includes PCCC)  
Gladys A. Ramos, M.D., Maternal-Fetal Medicine (Effective 11/30/08)

PALOMAR MEDICAL  
CENTER  
555 East Valley Parkway  
Escondido, CA 92025  
Tel 760.739.3140  
Fax 760.739.2926

POMERADO  
HOSPITAL  
15615 Pomarado Road  
Poway, CA 92064  
Tel 858.613.4664  
Fax 858.613.4217

ESCONDIDO  
SURGERY CENTER  
343 East Grand Avenue  
Escondido, CA 92025  
Tel 760.480.6606  
Fax 760.480.1288

A California Health Care District

V. Allied Health Professional Appointments (11/10/2008 – 10/31/2010)  
 Emily K. Bowen, PNP, Pediatric Nurse Practitioner; Sponsors: Drs. Epstein, Marchese, Riley-Hagan, Rosenthal.  
 Julie D. Jarl, N.P., Expresscare Nurse Practitioner; Sponsors: Drs. Paz and Herip

VI. Allied Health Professional Additional Privileges  
 Priya V. Sapra, P.A.-C., Emergency Department Physician Assistant; Sponsors: CEP  
 ■ Naso-gastric intubation and gastric lavage

VII. Reappointments Effective 12/01/2008 – 11/30/2010  
 Tamara L. Aburto-Pratt, M.D. Family Practice Dept of Family Practice Active  
 Bradley S. Bailey, M.D. Wound Care Dept of Emergency Medicine Courtesy  
 (Includes PCCC)

Yoo Jin Chong, M.D. Internal Medicine Dept of Medicine Active  
 Lien T. Do, M.D. OB/GYN Dept of OB/GYN Active  
 Matthew A. Genovese, M.D. Family Practice Dept of Family Practice Active  
 Marc Gipsman, M.D. Anesthesiology Dept of Anesthesia Active  
 Daniel C. Harrison, M.D. Medicine/Pediatrics Dept of Medicine Active  
 (Includes PCCC)

Serge C. Kaska, M.D. Orthopaedic Surgery Dept of Ortho/Rehab Active  
 David M. Lee, M.D. Emergency Medicine Dept of Emergency Medicine Active  
 Damon N. London, M.D. Emergency Medicine Dept of Emergency Medicine Active  
 Peter M. Lucas, M.D. Anesthesiology Dept of Anesthesia Active  
 Kevin L. Metros, M.D. Orthopaedic Surgery Dept of Ortho/Rehab Active  
 Joann M. Meyer, D.P.M. Podiatry Dept of Ortho/Rehab Active  
 Glenn B. Rankin, M.D. Orthopaedic Surgery Dept of Ortho/Rehab Active  
 Roderick C. Rapiere, M.D. Gastroenterology Dept of Medicine Active  
 Richard C. Smith, M.D. Infectious Disease Dept of Medicine Active  
 Craig D. Stevenson, M.D. Orthopaedic Surgery Dept of Ortho/Rehab Active  
 Jeffrey B. Stork, M.D. Internal Medicine Dept of Medicine Active  
 Steven J. Taggart, M.D. Diagnostic Radiology Dept of Radiology Active  
 Bernard Wosk, M.D. Pediatrics Dept of Pediatrics Active

VIII. Allied Health Professional Reappointment Effective 12/01/2008 – 11/30/2010  
 Bethany J. Gonzalez, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Cerrone, Cizmar, Ghosh, Leon.  
 Jane Salinas-Morse, P.A.-C., Physician Assistant; Sponsors: CEP  
 Yong Sedonia Weary, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Cerrone, Cizmar, Ghosh, Leon.

Certification by and Recommendation of Chief of Staff:

As Chief of Staff of Palomar Medical Center, I certify that the procedures described in the Medical Staff Bylaws for appointment, reappointment or alteration of staff membership or the granting of privileges and that the policy of the Palomar Pomeroado Health System's Board of Directors regarding such practices have been properly followed. I recommend that the action requested in each case be taken by the Board of Directors.

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Robert J. Belsher, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Family Practice – Certified 2005
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**ORGANIZATIONAL NAME**

<i>Name</i>	Neighborhood Healthcare
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of Arizona, Tucson, AZ From: 09/01/1998 To: 05/11/2002 Doctor of Medicine Degree
<i>Internship Information</i>	Natividad Medical Center/University of California, San Francisco Family Practice From: 06/24/2002 To: 06/23/2003
<i>Residency Information</i>	Natividad Medical Center/University of California, San Francisco Family Practice From: 07/01/2003 To: 06/30/2005
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	University Physicians Healthcare Hospital at Kino, Tucson, AZ

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Timothy A. Bemiller, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center
<b><u>SPECIALTIES/BOARD CERTIFICATION</u></b>	
<i>Specialties</i>	Gastroenterology – Certified 1993; Re-Certified 2003 Internal Medicine – Certified 1989

**ORGANIZATIONAL NAME**

<i>Name</i>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Eastern Virginia Medical School, Norfolk, VA From: 06/01/1978 To: 06/20/1981 Doctor of Medicine Degree
<i>Internship Information</i>	Naval Hospital, Portsmouth, VA Internal Medicine From: 07/01/1981 To: 06/30/1982
<i>Residency Information</i>	Naval Medical Center, San Diego Internal Medicine From: 08/21/1985 To: 03/31/1988
<i>Fellowship Information</i>	Naval Medical Center, San Diego Gastroenterology From: 08/01/1990 To: 07/31/1992
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego



**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	John H. Brady, M.D.
<b>PHS Facilities</b>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Orthopaedic Surgery – Not Certified
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**ORGANIZATIONAL NAME**

<b>Name</b>	San Diego Arthroscopy & Sports Medicine
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	University of Utah, Salt Lake City, UT From: 08/01/1999 To: 05/24/2003 Doctor of Medicine Degree
<b>Internship Information</b>	N/A
<b>Residency Information</b>	University of Utah, Salt Lake City, UT Orthopaedic Surgery From: 07/01/2003 To: 06/30/2008
<b>Fellowship Information</b>	San Diego Arthroscopy & Sports Medicine, San Diego, CA Sports Medicine From: 08/01/2008 To: Present Expected Date of Completion: 07/31/2009
<b>Current Affiliation Information</b>	None

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Sandra L. Freiwald, M.D.
<i>PHS Facilities</i>	Pomero Hospital
<b>SPECIALTIES/BOARD CERTIFICATION</b>	
<i>Specialties</i>	Surgery, General – Certified 1999; Re-Certified 2007 Surgery, Critical Care – Certified 1999

**ORGANIZATIONAL NAME**

<i>Name</i>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of Michigan, Ann Arbor, MI From: 09/01/1989 To: 06/30/1993 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	University of Wisconsin, Madison General Surgery From: 07/01/1993 To: 06/30/1998
<i>Fellowship Information</i>	University of California, San Diego Surgical Critical Care From: 07/01/1998 To: 06/30/1999 Trauma
<i>Current Affiliation Information</i>	University of California, San Diego Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Cherif E. Girgis, M.D.
<i>PHS Facilities</i>	Pomeroado Hospital (Villa Pomeroado) Palomar Medical Center (Palomar Continuing Care Center)

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Family Practice – Not Certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	Neighborhood Healthcare
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of Cairo, Egypt, MD From: 10/01/1988 To: 07/31/1996 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	New York Presbyterian Hospital/Cornell University, New York, NY General Surgery From: 07/01/2000 To: 06/30/2002 Fletcher Allen Health Care/The University of Vermont, Milton, VT Family Practice From: 06/16/2005 To: 06/30/2008
<i>Fellowship Information</i>	New York Presbyterian Hospital, New York, NY Burns/Critical Care Surgery at The Burn Center From: 07/01/2003 To: 06/30/2004
<i>Current Affiliation Information</i>	None

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Stephanie K. Iem, D.O.
<i>PPHS Facilities</i>	Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Family Practice – Not Board Certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	Stephanie K. Iem, D.O.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Touro University College of Osteopathic Medicine, Vallejo, CA From: 08/08/2001 To: 06/05/2005 Doctor of Osteopathy Degree
<i>Internship Information</i>	Downey Regional Medical Center, Downey, CA Rotating From: 07/01/2005 To: 06/30/2006
<i>Residency Information</i>	Downey Regional Medical Center, Downey, CA Family Practice From: 06/19/2006 To: 09/21/2008
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	None

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Frederic L. Jackson, D.O.
<i>PPHS Facilities</i>	Pomeroado Hospital (Villa Pomeroado) Palomar Medical Center (Palomar Continuing Care Center)
<b>SPECIALTIES/BOARD CERTIFICATION</b>	
<i>Specialties</i>	Family Practice – Certified 2002 Preventive Medicine – Certified 1984 Hospice & Palliative Medicine – Certified 2007

**ORGANIZATIONAL NAME**

<i>Name</i>	Frederic L. Jackson, D.O.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Kirksville College of Osteopathic Medicine, Kirksville, MO From: 09/01/1970 To: 06/03/1974 Doctor of Osteopathy Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	Naval Hospital, Pensacola, FL Family Practice From: 07/01/1974 To: 06/30/1977
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	St. Joseph Hospital, Fort Wayne, IN

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Mary E. Johnson, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Emergency Medicine – Certified 2003
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**ORGANIZATIONAL NAME**

<i>Name</i>	California Emergency Physician
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of Oklahoma College of Medicine, Oklahoma City, OK From: 06/01/1995 To: 05/13/1999 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	Loma Linda University Medical Center, Loma Linda, CA Emergency Medicine From: 07/01/1999 To: 06/30/2002
<i>Fellowship Information</i>	Alameda County Medical Center, Highland Campus, Oakland, CA Emergency Ultrasound From: 08/01/2007 To: 07/31/2008
<i>Current Affiliation Information</i>	California Pacific Medical Center, Davies Campus, San Francisco, CA

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Jennifer L. Khoe, M.D.
<i>PPHS Facilities</i>	Pomero Hospital

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Surgery, General – Certified 2006
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**ORGANIZATIONAL NAME**

<i>Name</i>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	State University of New York at Buffalo, NY From: 08/01/1996 To: 06/01/2000 Doctor of Medicine Degree
<i>Internship Information</i>	University of North Carolina Hospitals, Chapel Hill, NC General Surgery From: 06/25/2000 To: 06/24/2001
<i>Residency Information</i>	University of North Carolina Hospitals, Chapel Hill, NC General Surgery From: 06/25/2001 To: 06/23/2005 Chief Resident: 06/24/04-06/23/05
<i>Fellowship Information</i>	Scripps Clinic and Research Foundation, La Jolla, CA Advanced Laparoscopic Surgery From: 07/01/2005 To: 06/30/2006
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Brian B. Le, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Ophthalmology – Not Certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	North County Eye Center, Inc.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	St. Louis University School of Medicine, St. Louis, MO From: 09/01/1995 To: 05/15/1999 Doctor of Medicine Degree
<i>Internship Information</i>	Mayo Clinic, Scottsdale, AZ Transitional From: 06/26/1999 To: 06/30/2000
<i>Residency Information</i>	University of Arizona Health Sciences Center, Tucson, AZ Ophthalmology From: 07/01/2000 To: 07/30/2003
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Scripps Memorial Hospital, Encinitas, CA



**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Julie L. Le, D.O.
<i>PHS Facilities</i>	Pomeroado Hospital (Villa Pomeroado) Palomar Medical Center (Palomar Continuing Care Center)

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Psychiatry – Not Certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	Julie L. Le, D.O.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Kirksville College of Osteopathic Medicine, Kirksville, MO From: 08/19/1999 To: 06/07/2003 Doctor of Osteopathy Degree
<i>Internship Information</i>	Los Angeles County, King Drew Medical Center, Los Angeles, CA Psychiatry From: 07/01/2003 To: 06/30/2004
<i>Residency Information</i>	University of California, San Diego Psychiatry/Family Practice From: 07/01/2004 To: 06/30/2008
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	University of California, San Diego

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Lillian C. Lee, M.D.
<i>PPHS Facilities</i>	Pomeroado Hospital

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Ophthalmology – Certified 2003
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**ORGANIZATIONAL NAME**

<i>Name</i>	Lillian C. Lee, M.D.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of California, San Francisco From: 09/01/1992 To: 06/08/1997 Doctor of Medicine Degree
<i>Internship Information</i>	Stanford University Medical Center, Stanford, CA Internal Medicine From: 06/25/1997 To: 06/24/1998
<i>Residency Information</i>	University of California, San Francisco Ophthalmology From: 07/01/1998 To: 06/30/2001
<i>Fellowship Information</i>	Massachusetts Eye and Ear Infirmary, Boston, MA Ophthalmology on the Glaucoma Service From: 07/09/2001 To: 07/07/2002
<i>Current Affiliation Information</i>	North Coast Surgery Center, Oceanside, CA Tri-City Medical Center, Oceanside, CA

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	David Poon, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Surgery, General – Certified 2002
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**ORGANIZATIONAL NAME**

<i>Name</i>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Vanderbilt University, Nashville, TN From: 08/01/1988 To: 05/10/1996 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	University of California, San Diego General Surgery From: 07/01/1996 To: 06/30/2001 Chief Resident: 07/01/00-06/30/01
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Parag R. Sanghvi, M.D.
<b>PPHS Facilities</b>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Radiation Oncology – Not Certified
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**ORGANIZATIONAL NAME**

<b>Name</b>	Radiation Medical Group, Inc.
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Medical College of Georgia, Augusta, GA From: 09/01/1999 To: 05/31/2003 Doctor of Medicine Degree
<b>Internship Information</b>	University of Washington Medical Center, Seattle, WA Medicine From: 06/25/2003 To: 06/24/2004
<b>Residency Information</b>	Oregon Health Sciences University, Portland, OR Radiation Oncology From: 07/15/2004 To: 07/14/2008 Chief Resident 07/15/07-07/14/08
<b>Fellowship Information</b>	N/A
<b>Current Affiliation Information</b>	Scripps Memorial Hospital, La Jolla, CA Kaiser Permanente, San Diego, CA Scripps Mercy Hospital, San Diego, CA Scripps Memorial Hospital, Encinitas, CA

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Manuel Tanguema, III, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center (Palomar Continuing Care Center)

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Family Practice – Certified 2006
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**ORGANIZATIONAL NAME**

<i>Name</i>	Graybill Medical Group
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of Texas, Houston Health Science Center, Houston, TX From: 08/01/1994 To: 07/31/1999 Doctor of Medicine Degree
<i>Internship Information</i>	Wilford Hall Medical Center, San Antonio, TX General Surgery From: 07/01/1999 To: 06/30/2000
<i>Residency Information</i>	Camp Pendleton Naval Hospital, Camp Pendleton, CA Family Practice From: 07/01/2004 To: 06/30/2006
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Camp Pendleton Naval Hospital, Camp Pendleton, CA

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Felisa U. Velesrubio, M.D.
<b>PPHS Facilities</b>	Pomerado Hospital (Villa Pomerado) Palomar Medical Center (Palomar Continuing Care Center)

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Infectious Disease – Certified 2006 Internal Medicine – Certified 2004
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**ORGANIZATIONAL NAME**

<b>Name</b>	Felisa U. Velesrubio, M.D.
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Cebu Institute of Medicine, Philippines From: 06/01/1996 To: 04/25/2000 Doctor of Medicine Degree
<b>Internship Information</b>	N/A
<b>Residency Information</b>	Harrisburg Hospital/Pinnacle Health, Harrisburg, PA Internal Medicine From: 07/01/2001 To: 06/30/2004 Pinnacle Health Hospitals
<b>Fellowship Information</b>	Medical College of Georgia Hospital and Clinics, Augusta, GA Infectious Diseases From: 07/01/2004 To: 06/30/2006
<b>Current Affiliation Information</b>	The Villages Regional Hospital, The Villages, FL Leesburg Regional Medical Center, Leesburg, FL

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Lynn A. Weston, M.D.
<b>PPHS Facilities</b>	Pomerado Hospital
<b>Specialties</b>	<b>SPECIALTIES/BOARD CERTIFICATION</b> Surgery, General – Certified 1995; Re-Certified 2003 Surgery, Colon & Rectal – Certified 1996; Re-Certified 2007

**ORGANIZATIONAL NAME**

<b>Name</b>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Harvard Medical School, Boston, MA From: 09/01/1984 To: 06/09/1988 Doctor of Medicine
<b>Internship Information</b>	Massachusetts General Hospital, Boston, MA General Surgery From: 07/01/1988 To: 06/30/1989
<b>Residency Information</b>	Massachusetts General Hospital, Boston, MA General Surgery From: 07/01/1989 To: 06/30/1991 Royal North Shore Hospital, Sydney, Australia Surgical Registrar From: 07/01/1991 To: 06/30/1992 Massachusetts General Hospital, Boston, MA General Surgery From: 07/01/1992 To: 06/30/1994
<b>Fellowship Information</b>	Lahey Clinic Hospital, Burlington, MA Colon-Rectal Surgery From: 07/01/1994 To: 06/30/1995
<b>Current Affiliation Information</b>	Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM  
PROVISIONAL APPOINTMENT  
November, 2008**

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	James D. Wolf, M.D.
<b>PPHS Facilities</b>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Diagnostic Radiology — Certified 2008
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**ORGANIZATIONAL NAME**

<b>Name</b>	Stat Radiology Medical Corporation
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Baylor College of Medicine, Houston, TX From: 08/01/1998 To: 05/21/2002 Doctor of Medicine Degree
<b>Internship Information</b>	Baylor College of Medicine, Houston, TX Pediatrics From: 06/24/2002 To: 06/23/2003
<b>Residency Information</b>	University of Oklahoma, Health Sciences Center, Oklahoma City, OK Radiology From: 03/18/2004 To: 03/17/2008
<b>Fellowship Information</b>	University of California, San Diego Musculoskeletal Radiology From: 07/01/2008 To: Present Expected Date of Completion: 06/30/2009
<b>Current Affiliation Information</b>	University of Oklahoma, Health Sciences Center, Oklahoma City, OK Stroud Regional Hospital, Stroud, OK Physicians' Hospital in Anadarko, Anadarko, OK Carnegie Tri-County Municipal Hospital, Carnegie, OK Drumright Regional Hospital, Drumright, OK Seminole Medical Center, Seminole, OK Newman Memorial Hospital, Shattuck, OK Johnston Memorial Hospital, Tishomingo, OK



**PALOMAR POMERADO HEALTH  
ALLIED HEALTH PROFESSIONAL  
APPOINTMENTS  
FOR NOVEMBER 2008**

<p><b>NAME:</b> <b>SPECIALTY:</b> <b>SERVICES:</b> <b>TRAINING:</b></p> <p><b>PRACTICE:</b></p> <p><b>SPONSORS:</b></p> <p><b>CERTIFICATION:</b> <b>FACILITY:</b></p>	<p><b>Emily K. Bowen, N.P.</b> Pediatric Nurse Practitioner Nurse Practitioner for the Pediatric Hospitalists California State University, Fresno Bachelor of Science Degree- R.N. University of San Diego, San Diego, CA Master of Science Nursing- Pediatric Nurse Practitioner Pediatric Nurse Practitioner, Children's Specialist of San Diego RN- Medical Surgery Unit, Rady Childrens Hospital of San Diego, San Diego, CA R. N.-Transplant/Oncology/Med-Surg Unit, Scripps Green Hospital San Diego, CA E. Epstein, M.D., J. Rosenthal, M.D. S. Marchese, M.D., M. Riley-Hagan, M.D. Pediatric Nursing Certification Board Palomar Medical Center</p>	<p>08/21/01-12/16/04</p> <p>09/01/06-05/24/08</p> <p>08/01/2008-Present</p> <p>03/10/06-Present</p> <p>02/07/05-03/02/06</p> <p>2008</p>
<p><b>NAME:</b> <b>SPECIALTY:</b> <b>SERVICES:</b> <b>TRAINING:</b></p> <p><b>PRACTICE:</b></p>	<p><b>Julie D. Jarl, N.P.</b> Family Nurse Practitioner Expresscare Nurse Practitioner for Palomar Pomerado Health Expresscare Clinics San Diego State University, San Diego, CA Bachelor of Science in Nursing California State University, Dominguez Hills Master of Science in Nursing – Family Nurse Practitioner University of San Diego Post MSN FNP program- Urgent/Emergent Advanced Practice ExpressCare Nurse Practitioner, Palomar Pomerado Health Retail Outpatient Clinics, Escondido&amp;Rancho Penasquitos,CA Escondido and Poway, CA Nurse Practitioner, Naval Hospital Camp Pendleton, Family Medicine Oceanside Clinic, Oceanside, CA Nurse Practitioner, Sterling Medical, Naval Medical Center, San Diego Nurse Practitioner, PhyAmerica Govt Services, Naval Medical Center, San Diego, CA Nurse Practitioner,PhyAmerica Govt Services, Naval Hospital, Camp Pendleton, Family Medicine Oceanside Clinic Nurse Practitioner, La Jolla Gastroenterology, La Jolla, CA RN, ICU, Cherokee Medical, Naval Medical Center, San Diego, CA RN/Nurse Practitioner, Scripps Encinitas Hospital, Encinitas, CA RN, Scripps Memorial Hospital, La Jolla, CA Alejandro Paz, M.D., Donald Herp, M.D., Lawrence Koenig, M.D. American Nurses Credentialing Center Palomar Medical Center and Pomerado Hospital</p>	<p>9/01/85-12/29/92</p> <p>09/01/97-06/16/00</p> <p>01/28/02-5/21/02</p> <p>8/25/08-Present</p> <p>09/01/06-Present</p> <p>04/01/05-09/30/05</p> <p>04/01/05-11/30/05</p> <p>08/01/03-09/01/06</p> <p>10/01/02-04/01/05</p> <p>08/13/02-08/16/05</p> <p>05/13/02-04/28/03</p> <p>10/12/94-04/28/03</p> <p>2006</p>
<p><b>SPONSORS:</b> <b>CERTIFICATION:</b> <b>FACILITIES:</b></p>		



**Pomerado Hospital Medical Staff Services**

15615 Pomerado Road  
Poway, CA 92064  
Phone – (858) 613-4664  
FAX - (858) 613-4217

DATE: October 29, 2008  
TO: Board of Directors - November 10, 2008 Meeting  
FROM: Benjamin Kanter, M.D., Chief of Staff, Pomerado Hospital Medical Staff  
SUBJECT: Medical Staff Credentials Recommendations – October 2008

Provisional Appointments: (11/10/ 2008 – 10/31/2010)

Robert J. Belsher, M.D. - Medicine  
John H. Brady, M.D. – Surgery (Assisting only)  
Sandra L. Freiwald, M.D. – Surgery  
Cherif E. Girgis, M.D. Medicine  
Frederic L. Jackson, D.O. – Medicine (includes Villa)  
Mary E. Johnson, M.D. – Emergency Medicine  
Jennifer L. Khoe, M.D. – Surgery  
Brian B. Le, M.D. - Surgery  
Julie L. Le, D.O. – Medicine (includes Villa)  
Lillian C. Lee, M.D. – Surgery  
David Poon, M.D. – Surgery  
Parag R. Sanghvi, M.D. –Radiation Oncology  
Felisa U. Velesrubio, M.D. – Medicine (includes Villa)  
Lynn A. Weston, M.D. – Surgery  
James D. Wolff, M.D. – Radiology

Advancements:

Philip J. Balikian, M.D. – Surgery - Active – 11/10/2008 – 05/31/2009 (includes Villa)  
Louise C. Laurent, M.D. – OB/GYN – Affiliate – 11/10/2008 – 04/30/2010  
David B. Schrimmer, M.D. – OB/GYN – Affiliate – 11/10/2008 – 06/30/2010  
Jeffrey M. Spier, M.D. – Surgery – Active – 11/10/2008 – 10/31/2009  
Douglas A. Woelkers, M.D. – OB/GYN – Affiliate – 11/10/2008 – 09/30/2010

Biennial Reappointments: (12/01/2008 – 11/30/2010)

Bradley B. Bailey, M.D. - Emergency Medicine – Active (includes Villa, Wound Care & Hyperbaric Oxygen Therapy)  
Yoo Jin T. Chong, M.D. – Medicine - Active  
Marc Gipsman, M.D. – Anesthesia - Active  
Neil D. Goldfinger, M.D. – Pediatrics - Active  
Daniel C. Harrison, M.D. – Medicine - Active  
Serge C. Kaska, M.D. – Surgery - Active  
Stuart D. Klein, M.D. – Medicine - Affiliate  
Dale A. Kooistra, M.D. – Medicine - Affiliate  
David M. Lee, M.D. – Emergency Medicine - Active  
Damon N. London, M.D. – Emergency Medicine - Active  
Peter M. Lucas, M.D. – Anesthesia - Active  
Sharna B. Shachar, M.D. – Medicine - Active  
Richard C. Smith, M.D. – Medicine – Active (includes Villa)  
Steven J. Taggart, M.D. – Radiology - Active

Resignations:

P. Gregory Bohart , M.D. – Surgery  
John E. Bokosky, M.D. – Surgery  
Nayan Desai, M.D. – Medicine  
Andrew D. Hull, M.D. – OB/GYN (Maternal-Fetal Medicine)  
Nicholas Jauregui, M.D.- Medicine  
Timothy R. Kennedy, M.D. – Pathology  
Gladys A. Ramos, M.D. – OB/GYN (Maternal- Fetal Medicine)

Allied Health Professional Appointment: (11/10/2008 – 10/31/2010)

Julie Jarl, N.P. – Sponsors Dr. Herip & Dr. Koenig

Allied Health Professional Reappointments: (12/01/2008 – 11/30/2010)

Jane Salinas-Morse, P.A.-C – Emergency Medicine – Sponsors CEP Physicians

Additional Privileges:

Naso-Gastric Intubation and Gastric Lavage - Priya Sapra, P.A.-C

POMERADO HOSPITAL: Certification by and Recommendation of Chief of Staff: As Chief of Staff of Pomerado Hospital, I certify that the procedures described in the Medical Staff Bylaws for appointment, reappointment, or alternation of staff membership or the granting of privileges and the policy of the Palomar Pomerado Health System’s Board of Directors regarding such practices have been properly followed. I recommend that the Board of Directors take the action requested in each case.

## Informational: HR Quarterly Report

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Human Resources Committee: October 21, 2008

**BACKGROUND:** The updated metrics for retention, turnover and other related measures was shared with the HR Board Committee.

1. Brenda Turner presented information comparing PPH turnover with the CHA data that reflects voluntary, non-per diem staff data.
2. Data for RN turnover rates are trending downward; again comparing PPH with CHA.
3. Days to fill data (the lower the better) indicate a downward trend. The benchmark used is compared to national data and PPH falls in the top quartile.
4. 90-day retention rates fell a bit during the lay-offs, but not dramatically. It currently stands at 87.6% which is close to the designated benchmark of 89.9%
5. The Retention Committee is actively working with areas having difficulties retaining employees.

**BUDGET IMPACT:** Not Applicable

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

1. N. Bassett asked if we received exit interview data from people who have left the area. B. Turner reported that we do get data and they indicate that PPH is a good place to work.
2. Gerald asked if reasons for leaving were going to be reviewed. Brenda noted that the top reason for leaving remains relocation.

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

## Informational: Recruitment Plan

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Human Resources Committee: October 21, 2008

**BACKGROUND:** Recruitment: FY 2008 review  
Introduction of 2009 recruitment advertising campaign

1. Janet Wortman presented a PowerPoint review of the past year relating to recruitment including:
  - a) Organizational challenges: fire disaster in October 2007; lack of experienced, qualified workforce; PPH restructure; changes in positions
  - b) Various types of Recruitment Advertising Spending were reviewed
  - c) Number of new hires encompassing FY'06 through FY'08 and what areas they were hired into system-wide
  - d) Average days to fill FY'06 through FY'08
  - e) Nursing hires FY'08: PPH Expresscare clinic nurse practitioners, 10 experienced PMC IMC nurses to meet staffing ratios, all ED positions at PMC have been filled.
  - f) RN target number for hires FY'07 through '09
2. J. Wortman also discussed hiring results over the past year for nursing, rehab services, and pharmacy.
  - a. Rehab hires FY'06 through FY'08 were compared, showing the successful hiring practices designed.
  - b. Pharmacy hires have filled all 11 open positions, including night shifts; All 21 Radiology imaging positions have been filled.
3. Future recruitment strategies and campaigns were outlined: hosting a PPH job fair; managing changing needs and developing skills of the PPH hiring teams. Creating exciting new hiring campaigns.
4. J. Wortman introduced the concept of the next campaign level, sharing the verbiage used in the campaign that shares stories from employees and how their journeys have brought them to PPH. The stories focus on attributes of PPH connecting them to the values and visions of PPH.
5. The two current radio campaigns were played. The goal of the new campaign is to attract and bring in the applicants that will enhance the PPH work culture.

**BUDGET IMPACT:** Not Applicable

**Informational: Recruitment Plan**

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

1. N. Bassett asked what is being done to interact with the military. Answer: Job fairs, advertising at the air shows, advertising in job fairs for military that are retiring or leaving the service. D. Tam shared that PPH is looking at ways to partner with the spouses of activate military to address their seniority established at their former workplace and place them in the appropriate PPH position.
2. A. Larson asked how economic changes will be affecting hiring practices. J. Wortman replied that strategies are evaluated monthly, especially with the challenge of the housing market at this point in time. Advertising will be more focused on local counties, especially Riverside County, rather than a national canvas.

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information: X**

**Required Time:**

**Updates: Car Pooling Status, Fidelity Issue, OD Director Status, Benefits**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Human Resources Committee: October 21, 2008

**BACKGROUND:** Brenda Turner provided updates to the HR Committee on the following initiatives:

Car Pooling Status: PPH will be working with SANDAG to promote their new RideLink service. This program will allow employees to connect with other commuters interested in carpooling or van pooling. In addition, information on mass transit systems and bike paths is also available on line.

Fidelity Issue: A bank has agreed to accept Trustee responsibilities for the 415m plan and will accept the IRS model plan language for the trust.

OD Director Status: Two candidates were brought in for a round of interviews. Results of these interviews were shared. A job offer has gone out to Jim O'Malley and he has accepted the position.

Benefits: The annual benefit open enrollment will begin on November 3. Enhancements this year include a new feature in the HMO plan called Elect Open Access has been added. With this enhancement, employees will now be able to obtain most outpatient services (i.e., lab, x-ray, physical therapy) at PPH facilities. The other major enhancement in the benefit package is in the dental plan. The new maximum benefit will be \$2,000 annually (currently \$1,600), with a change in the out-of-network deductible from \$50 to \$75/person. Note: the in-network deductible will remain at \$50/person.

**BUDGET IMPACT:** Not Applicable

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information: X**

**Required Time:**

## Informational: Behavioral Health Services Plan

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Alan Larson, Chair Strategic Planning Committee

**BACKGROUND:** Diamond Healthcare Corporation, a national Behavioral Health Planning and Management company, has performed a strategic assessment of Behavioral Health needs for PPH. PPH has worked successfully with Diamond Healthcare for a number of years. In July and August, Diamond executives conducted interviews with key PPH Management Team members, external stakeholders, physicians, and the community. They reviewed our current services, structure, and financial status compared to national trends, and assessed the current community needs. The findings of the assessment resulted in a range of options and pro forma analyses for each of the options, and recommendations. PPH will then be able to make an informed decision on the options and recommendations that best suit our organization and determine the short-term and long-term services PPH should provide.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:** Information

### COMMITTEE QUESTIONS:

1. T. Kleiter asked if there is a problem mixing the adult geropsychiatric population with military patients. Answer: This would not be recommended due to the frail condition of the elderly patient. Current environmental unit lay-out provide for separation of the patients.
2. M. Covert looks at the options presented as short term fixes. M. Covert is also looking for long term solutions.
  - a. Dick Woodward stated that the options presented would be Phase 1 in the development of psychiatric programs.
3. D. Tam questioned the need for military to avail themselves of public facilities since military facilities have expanded their facilities to accommodate returning military needs.
4. B. Hemker asked what the length of commitment would be for these patients. The response was 5 to 10 years.
5. T. Kleiter asked if projections for adult bed need over the next 5-10 years. Response: 200 to 270 beds.



**Informational: Behavioral Health Services Plan**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information: X**

**Required Time:**

**Informational: Rehabilitation Services Plan**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Alan Larson, Chair Strategic Planning Committee

**BACKGROUND:** PPH leaders partnered with RehabCare to perform a strategic assessment of Rehabilitation needs for the district. PPH has worked successfully with RehabCare for a number of years. Over the past 6 months, both RehabCare and PPH executives conducted interviews with key PPH members, external stakeholders, physicians, and the community. They reviewed our current services, structure, and financial status compared to national trends, and assessed the current community needs. The findings of this assessment resulted in a range of proposed programs with recommendations. From this, PPH will then be able to make an informed decision on the options and recommendations that best suit our organization and determine the short-term and long-term services PPH should provide.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:** Information

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

## **Informational: Long Term Care**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Alan Larson, Chair Strategic Planning Committee

**BACKGROUND:** As a follow-up to the September presentation by Health Dimensions regarding strategic planning for long term care, financial projections was presented for a 20 bed addition to Villa Pomerado and a new replacement facility of 170-222 beds for Palomar Continuing Care on the Palomar East Campus.

Financial projections / implications for the new facility included:

1. IRR, Net present value, capital investment, start-up capital, net present value, depreciated SNF, NVP + asset, 10-year total net income, operational margin and 10-year total EBIDA data.
2. Financial: build verse lease (cash flow variances)
3. Critical assumptions: excluded the value of PCCC facility sale; conservative construction costs; build vs. lease does not look beyond ten years; management fee is for direct expenses only, excluding system allocation; not transferring the balance sheet of the existing PCCC facility which if transferred would alter start-up operational requirements.
4. Krider asked what type of interest rate PPH would be looking at. A good credit rating would receive a lower rate, probably less than 10%.

Steve Gold provided a brief overview of the history of Villa Pomerado beds. Villa Pomerado – 20 bed expansion information included:

1. A financial analysis:
2. Assumptions
3. Projected 7-year income statement

Alternative space is being considered for the outpatient services that would be discontinued at Villa Pomerado. By moving to San Marcos, Poway patients would be lost.

**BUDGET IMPACT:** Preliminary financial projections

**STAFF RECOMMENDATION:** For information only

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

## Proposed Delegation of Signature Authority for Special Cases with respect to PMC-West Construction

**TO:** Board of Directors

**MEETING DATE:** 10 November 2008

**FROM:** PPH Board Facilities & Grounds Committee

**BY:** David A Tam, CAO Pomerado  
Executive in Charge of Construction

**Background:** PPH is committed to the use of Lean Construction Techniques in the building of the Palomar Medical Center – West (PMC-W) facility. As the cost of building materials and labor increase as a result of market forces beyond our immediate control, it will be necessary to utilize a construction management process that optimizes resources and maximally reduces building time, and, therefore, labor costs. The Lean Construction technique is a proven methodology that develops a collaborative relationship between owner, construction manager, architect, and sub-contractors to accelerate construction and reduce costs. PPH has committed to the use of these techniques through its work with a Lean Construction consultant, the use of Lean Construction techniques in two other smaller construction projects, and the selection of DPR Construction as the replacement construction manager for the PMC-W project.

During initial leadership integrative working sessions between PPH, DPR, and major subcontractor senior management, concerns have been raised by our partners that the signature / approval process currently approved for use by PPH may not be conducive to the implementation of an optimized Lean Construction process. Lean Construction, much like the Toyota Production System, is based upon the collaboration of knowledge workers at the appropriate front-line levels. For the PMC-W project, this often requires meetings daily amongst all the major partners with the need to make decisions rapidly in order to optimize resources and labor.

In an effort to create an environment in which emergent decisions must be made rapidly in a Lean Construction situation, it is proposed that the Board of Directors consider and adopt an alternate process for delegating signature authority under specific conditions as described below.

It is proposed that the Board of Directors delegate signature authority to a special ad hoc committee composed of the following four members of the Board Facilities and Grounds Committee:

## **Proposed Delegation of Signature Authority for Special Cases with respect to PMC-West Construction**

- Chair of the Board Facilities and Grounds Committee, or designee in the Chair's absence
- CEO, PPH
- CAO Pomerado, Executive in Charge of Construction for PPH
- Director, Facilities Construction

The ad hoc committee will have delegated signature authority from \$150,000 up to \$1 million only as it pertains to urgent construction decisions at the PMC-W site. All decisions made under the delegated authority will undergo review at the next Board Facilities and Grounds Committee meeting. Any decision involving amounts greater than \$1 million will proceed for Board approval as per currently existing processes. The ad hoc committee will have authority for up to \$40,000,000.00 in total change orders over the scope of the project.

This proposal was presented to the Board Facilities and Grounds Committee at its recent October meeting, and was approved for submission to the full Board of Directors.

**Budget Impact:** None

**Staff Recommendation:** Recommend approval of Delegation Authority

**Committee Questions:**

### **COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**I. PURPOSE:**

The delegation by the Board of Directors of signature authority for special circumstances with respect to the construction of Palomar Medical Center – West at the Escondido Research and Technology Center site

**II. DEFINITIONS:**

- A. **PMC-W:** Palomar Medical Center – West, the new medical facility currently under construction on the Escondido Research and Technology Center site
- B. **ERTC:** Escondido Research and Technology Center
- C. **Lean Construction:** A proven methodology that utilizes a collaborative relationship between the owner, construction manager, architect, and subcontractors to accelerate construction timelines and reduce costs.
- D. **Change Orders:** Modifications to an existing contract requested by the contractor.

**III. TEXT / STANDARDS OF PRACTICE:**

- A. **Background:** PPH is committed to the use of Lean Construction Techniques in the building of the Palomar Medical Center – West (PMC-W) facility. As the cost of building materials and labor increase as a result of market forces beyond our immediate control, it will be necessary to utilize a construction management process that optimizes resources and maximally reduces building time, and, therefore, labor costs. The Lean Construction technique is a proven methodology that develops a collaborative relationship between owner, construction manager, architect, and sub-contractors to accelerate construction and reduce costs. PPH has committed to the use of these techniques through its work with a Lean Construction consultant, the use of Lean Construction techniques in two other smaller construction projects, and the selection of DPR Construction as the replacement construction manager for the PMC-W project.

During initial leadership integrative working sessions between PPH, DPR, and major subcontractor senior management, concerns have been raised by our partners that the signature / approval process currently approved for use by PPH may not be conducive to the implementation of an optimized Lean Construction process. Lean Construction, much like the Toyota Production System, is based upon the collaboration of knowledge workers at the appropriate front-line levels. For the PMC-W project, this often requires meetings daily amongst all the major partners with the need to make decisions rapidly in order to optimize resources and labor.

B. **Action:** In an effort to create an environment in which emergent decisions must be made rapidly in a Lean Construction situation the Board of Directors will delegate signature authority under specific conditions as described below.

The Board of Directors will delegate signature authority to a special ad hoc committee composed of the following four members of the Board Facilities and Grounds Committee:

- Chair of the Board Facilities and Grounds Committee, or designee in the Chair's absence
- CEO, PPH
- CAO Pomerado, Executive in Charge of Construction for PPH
- Director, Facilities Construction

The ad hoc committee will have delegated signature authority from \$150,000 up to \$1 million only as it pertains to urgent construction decisions at the PMC-W site. All decisions made under the delegated authority will undergo review at the next Board Facilities and Grounds Committee meeting. Any decision involving amounts greater than \$1 million will proceed for Board approval as per currently existing processes. The ad hoc committee will have authority for up to \$40,000,000.00 in total change orders over the scope of the project.

**Consent Item: Annual Fees for Board Packet – Gov 19**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Governance Committee

**BACKGROUND:** Annual Fees for Board Packet – Gov 19  
Proposed addition of wording to the policy stating the Board Packet’s electronic availability in order to help reduce the number of hard copies requested.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**



**Consent Item: Board Responsibilities – Gov 7**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Governance Committee

**BACKGROUND:** Board Responsibilities – Gov 7  
Policy to establish and identify the Board’s responsibilities for the institution, protection of assets and the quality of services the District provides to its patients.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion: X**

**Individual Action:**

**Information:**

**Required Time:**

**Consent Item: Governance – Gov 15**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Governance Committee

**BACKGROUND:** Governance – Gov 15

Policy describes the roles and responsibilities of the Board of Directors as they relate to establishing and meeting standards and regulations. Proposed distributing copies to Board members and adding a list of all sixty Board policies to the Board Handbook.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion: X**

**Individual Action:**

**Information:**

**Required Time:**

**Consent Item: Naming Policy – Gov 23**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Governance Committee

**BACKGROUND:** Naming Policy – Gov 23

Policy to provide name recognition to various components within the Palomar Pomerado Health District as a result of philanthropic contributions. Proposed revision to combine paragraphs B and C and eliminate paragraph J, subsection 6.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**Consent Item: Organization Bylaws – Gov 2**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Governance Committee

**BACKGROUND:** Organization Bylaws – Gov 2

As the organized governing body of the Palomar Pomerado Health, the Board of Directors is responsible for establishing policy, maintaining quality patient care, providing institutional management and planning and other legal and fiduciary responsibilities of the District. The organizational structure and governance to fulfill these obligations shall be established by the bylaws that shall be consistent with the applicable government codes and JCAHO standards. The bylaws are adopted by resolution by majority vote of the board and may be amended or repealed in the same manner. Proposed change in the language to amend the review from annual to as needed or at least every three years.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**Consent Item: Promulgation of PPH Procedures – Gov 13**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Governance Committee

**BACKGROUND:** Promulgation of PPH Procedures – Gov 13  
Policy provides guidelines to clarify and standardize the process for the President and Chief Executive Officer and each member of the Executive Management Team (collectively, “EMT”) to develop and independently promulgate procedures for the purpose of implementing policies adopted by the Board of Directors (“Board”) of PPH.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**Consent Item: Smoking Policy in PPH Facilities – HR 7**

**TO:** PPH Board

**MEETING DATE:** November 10, 2008

**FROM:** Governance Committee

**BACKGROUND:** Smoking Policy in PPH Facilities – HR 7  
Policy in recognition of the danger to the health, safety, and welfare of employees, patients and visitors that is created by smoking, the Board of Directors prohibits smoking in the District facilities and on District property with possible exceptions.

**BUDGET IMPACT:** No budget impact

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

# Financial Statements

*September 2008*

PALOMAR  
POMERADO  
HEALTH  
SPECIALIZING IN YOU

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Financial Results  
Executive Summary of Key Indicators

Statistics:	September 2008			FY 09 Y-T-D @ September 2008			Moody Benchmark
	Actual	Budget	Variance	Actual	Budget	Variance	
Acute Admissions	2,367	2,421	(54)	7,361	7,425	(64)	
Acute Patient Days	9,098	9,341	(243)	28,176	28,649	(473)	
Acute ALOS	3.87	3.86	0.01	3.81	3.86	(0.05)	
Case Mix Index (w/o Births)	1.43	1.40	0.03	1.41	1.40	0.01	
Total Surgeries	1,866	1,605	261	4,948	4,921	27	
Births	441	440	1	1,412	1,348	64	
E/R Visits & Admissions	7,688	7,449	239	22,455	22,845	(390)	
ER to Admit Rate	17.0%	16.5%	0.5%	17.5%	16.5%	1.0%	
Productivity %	99.1%	100%	(0.9%)	99.6%	100.0%	(0.4%)	
<b>Income Statement:</b>							
Net Patient Revenue	36,592,681	35,399,916	1,192,765	109,885,716	108,335,687	1,550,029	
Total Net Revenue	37,111,101	36,006,735	1,104,366	111,216,513	110,156,144	1,060,369	
Sal., Wages, Cont. Lbr	17,159,435	17,060,398	(99,037)	52,135,858	52,245,507	109,649	
Supplies	5,960,700	5,466,487	(494,213)	17,154,488	16,744,835	(409,653)	
Total Expenses	36,629,508	35,630,660	(998,848)	108,925,418	108,427,009	(498,409)	
<b>Net Inc. (Loss) before Non-Op</b>	<b>481,593</b>	<b>376,075</b>	<b>105,518</b>	<b>2,291,095</b>	<b>1,729,135</b>	<b>561,960</b>	
<b>Net Income (Loss)</b>	<b>1,033,854</b>	<b>1,718,025</b>	<b>(684,171)</b>	<b>5,393,946</b>	<b>5,754,985</b>	<b>(361,039)</b>	
<b>Cash Flow:</b>							
Cash Collections	39,300,000	36,000,000	3,300,000	99,400,000	108,000,000	(8,600,000)	
Days in A/R - Gross				49.2	52.4	(3.2)	
Days Cash on Hand				85	80	5	
<b>Ratios:</b>							
OEBITDA w/ Prop. Tax	9.4%	9.5%	(0.1%)	10.3%	9.8%	0.5%	
Net Income Margin	2.5%	4.4%	(1.9%)	4.3%	4.8%	(0.5%)	
Bad Debt % of Net Revenue	12.5%	10.1%	(2.4%)	14.9%	10.2%	(4.7%)	6.6%
Return On Assets				3.0%	3.2%	0.2%	4.7%
Annual Debt Service Coverage				2.9			4.5
Cushion Ratio				5.6			15.5

**Financial Results  
Executive Summary & Highlights**

Statistics

	Aug	Sep	Aug vs Sep % Change	Sep Budget	Act vs Bud % Variance
<b>CONSOLIDATED</b>					
Patient Days Acute	9,491	9,098	(4.1%)	9,341	(2.6%)
Patient Days SNF	6,497	6,313	(2.8%)	6,322	(0.1%)
ADC Acute	306.16	303.28	(0.9%)	311.37	(2.6%)
ADC SNF	209.58	210.43	0.4%	210.73	(0.1%)
Surgeries CVS Cases	10	10	0.0%	13	(23.1%)
*Surgeries Total	1,327	1,866	40.6%	1,605	16.3%
Number of Births	471	441	(6.4%)	440	0.2%

\*Escondido Surgery Center Aug-08 total is corrected in Sep-08.

**NORTH**

Patient Days Acute	6,920	6,757	(2.4%)	6,923	(2.4%)
Patient Days SNF	2,698	2,694	(0.1%)	2,632	2.4%
ADC Acute	223.24	225.24	0.9%	230.77	(2.4%)
ADC SNF	87.03	89.80	3.2%	87.73	2.4%

**SOUTH**

Patient Days Acute	2,571	2,341	(8.9%)	2,418	(3.2%)
Patient Days SNF	3,799	3,619	(4.7%)	3,690	(1.9%)
ADC Acute	82.95	78.03	(5.9%)	80.59	(3.2%)
ADC SNF	122.55	120.63	(1.6%)	123.00	(1.9%)

## Balance Sheet

**Current Cash & Cash Equivalents** increased \$9.5 million from \$78.4 million in August to \$87.9 million in September. Total Cash and Investments are \$95.9 million, compared to \$89.9 million at August 31, 2008. Days Cash on Hand went from 81 days in August to 85 days in September.

**Net Accounts Receivable** decreased \$2.5 million from \$98.2 million in August to \$95.7 million in September. Gross A/R days decreased from 51.4 days in August to 49.2 days in September.

September YTD collections including capitation are \$99.4 million compared to budget of \$108.0 million.

**Construction in Progress** increased \$12.4 million from \$231.8 million in August to \$244.2 million in September. The increase is attributed to Building Expansion A & E Services and construction costs of \$11.3 million, Cerner Optimization project \$0.4 million, POP Building tenant improvements \$0.6 million and Other \$0.1 million.

**Other Current Liabilities** decreased by \$0.8 million from \$29.6 million to \$28.8 million primarily due to the realization of deferred property tax revenue of \$1.2 million.

**Income Statement**

**Gross Patient Revenue** reflects a YTD favorable budget variance of \$12.8 million. The variance breakdown is as follows.

	North	South	Outreach	Total
Consolidated	6,779,389	6,317,833	(282,895)	12,814,327
Routine	(145,273)	(145,803)	-	(291,076)
IP Ancillary	(1,850,772)	3,905,163	-	2,054,391
OP	8,775,434	2,558,473	(282,895)	11,051,012

**Deductions from Revenue** reflect a YTD unfavorable budget variance of \$11.3 million. Total Deductions from Revenue is 71.85% of gross revenue compared to a budget of 71.31%. Deductions from Revenue (excluding Bad Debt/Charity/Undocumented expenses) are 70.84% of YTD Gross Revenue compared to budget of 66.95%.

**Net Capitalization** reflects a YTD unfavorable budget variance of \$0.4 million. Cap Premium shows a favorable budget variance of \$4.7 million. This favorable variance is due to retro 2007 premium adjustments in July and August. Cap Valuation and Out of Network Claim Expense both show an unfavorable budget variance of \$1.4 million and \$3.7 million, respectively.

**Other Operating Revenue** reflects a YTD unfavorable budget variance of \$0.5 million. This is comprised of a \$0.2 million unfavorable budget variance from a new department, Weight Solutions; a \$0.1 million unfavorable budget variance from Health Development and the Research Institute, combined, and Other unfavorable of \$0.2 million.

**Income Statement (cont'd)**

**Salaries, Wages & Contract Labor** has a YTD favorable budget variance of \$0.1 million. The breakdown is as follows:

	YTD Actual	YTD Budget	Variance
Consolidated	52,135,858	52,245,507	109,649
North	30,641,578	31,150,091	508,513
South	12,789,269	13,366,562	577,293
Central	6,983,993	6,185,452	(798,541)
Outreach	1,721,018	1,543,402	(177,616)

**Employee Benefits Expense** has a YTD unfavorable budget variance of \$0.1 million. This variance can be broken down into the following categories: Work Comp Insurance – unfavorable by \$0.07 million and Other - unfavorable by \$0.03 million.

**Supplies Expense** reflects a YTD favorable budget variance of \$0.4 million. The breakdown is Prosthesis Supplies – unfavorable \$0.7 million and Other Supplies favorable at \$0.3 million.

**Professional Fees & Purchased Services** reflect a YTD favorable budget variance of \$0.01 million. The breakdown is Repairs & Maintenance - unfavorable \$0.25 million, Consulting – unfavorable \$0.15 million, Dr. Recruitment Income Guarantee – favorable \$0.18 million and Other – favorable \$0.23 million.

**Non-Operating Income** reflects a YTD unfavorable variance of \$0.9 million. This is due to an unfavorable investment income variance of \$1.2 million partially offset by a favorable \$0.3 million variance in interest expense.

**Ratios & Margins**

All required Bond Covenant Ratios were achieved in September, 2008.

**Financial Results  
Executive Summary & Highlights**

<b>Stat</b>	<b>MTD</b>	<b>Budget</b>	<b>YTD</b>	<b>Budget</b>	<b>PY</b>
Patient Days - Acute	9,098	9,341	28,176	28,649	28,527
Discharge - Acute	2,351	2,421	7,405	7,425	7,231
OP Regs	4,099	3,985	12,799	12,223	12,058
ER Visits	6,383	6,220	18,528	19,074	17,632
Deliveries	441	440	1,412	1,348	1,444

**Profit & Loss (in millions)**

	<b>MTD</b>	<b>Budget</b>	<b>YTD</b>	<b>Budget</b>	<b>PY</b>
Capitation	(0.2)	Break-even	(0.5)	(0.1)	0.9
Net Patient Revenue	36.6	35.4	109.9	108.3	104.3
Total Revenue	37.1	36.0	111.2	110.2	106.7
SWB	20.4	20.8	62.6	63.9	59.3
Contract Labor	0.9	0.4	2.4	1.1	2.7
Supplies	6.0	5.5	17.2	16.7	15.8
Total Expense	36.6	35.6	109.0	108.5	104.5
Net Income from Ops	0.5	0.4	2.3	1.7	2.2
Net Income	1.0	1.7	5.4	5.8	7.2

Key Variance Explanations  
Month-To-Date

	Actual	Budget	Variance Detail	Variance
<b>Net Income From Operations</b>	<b>481,593</b>	<b>376,075</b>		<b>105,518</b>
<b>Total Net Revenue</b>				<b>1,192,765</b>
Net Patient Revenue			1,192,765	
<b>Other Operating Revenue</b>				<b>(88,399)</b>
Weight Solutions			(60,309)	
PPNC Health Development and Research Institute			(36,801)	
Other			8,711	
<b>Salaries &amp; Wages</b>				<b>447,476</b>
Volume Variance			(631,799)	
Rate & Efficiency (Nursing & Non-Nursing)			1,079,275	
<b>Benefits</b>				<b>1,774</b>
No Significant Variances			1,774	
<b>Contract Labor</b>				<b>(546,513)</b>
Volume Variance			(13,409)	
Rate & Efficiency (Nursing & Non-Nursing)			(533,104)	



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

	Actual	Budget	Variance Detail	Variance
<b>Professional Fees</b>				<b>(45,143)</b>
Consulting			(120,098)	
Dr. Recruitment Income Guarantee			101,708	
Other			(26,753)	
<b>Supplies</b>				<b>(494,213)</b>
Volume Variance			(206,738)	
Rate & Efficiency			(287,475)	
Prosthesis (502,681)				
Other 8,468				
<b>Purchased Services</b>				<b>(166,510)</b>
Repairs & Maintenance			(178,445)	
Replace x-ray tube in imaging machine - (123,072)				
Other			11,935	
<b>Depreciation</b>				<b>23,086</b>
Depreciation			23,086	
<b>Other Direct Expenses</b>				<b>(218,805)</b>
Marketing FY08 Invoice			(122,835)	
Foundation			(95,563)	
San Diego Radiosurgery - contra to revenue			(31,500)	
Other			31,093	
<b>Total Actual to Budget YTD Variance for September 2008</b>			<b>105,518</b>	<b>105,518</b>

Key Variance Explanations  
Year-To-Date

	<u>Actual</u>	<u>Budget</u>	<u>Variance Detail</u>	<u>Variance</u>
<b>Net Income From Operations</b>	<b>2,291,095</b>	<b>1,729,135</b>		<b>561,960</b>
<b>Total Net Revenue</b>				<b>1,550,029</b>
Net Patient Revenue			1,550,029	
<b>Other Operating Revenue</b>				<b>(489,660)</b>
Weight Solutions			(180,927)	
PPNC Health Development and Research Institute			(110,403)	
Other			(198,330)	
<b>Salaries &amp; Wages</b>				<b>1,397,055</b>
Volume Variance			(1,966,651)	
Rate & Efficiency (Nursing & Non-Nursing)			3,363,706	
<b>Benefits</b>				<b>(108,167)</b>
Work Comp Insurance			(70,550)	
State Unemployment Insurance			(23,498)	
Other			(14,119)	
<b>Contract Labor</b>				<b>(1,287,406)</b>
Volume Variance			(41,786)	
Rate & Efficiency (Nursing & Non-Nursing)			(1,245,620)	

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

	Actual	Budget	Variance Detail	Variance
<b>Professional Fees</b>				<b>(4,550)</b>
Consulting			(150,579)	
Dr. Recruitment Income Guarantee			178,024	
Other			(31,995)	
<b>Supplies</b>				<b>(409,653)</b>
Volume Variance			(643,710)	
Rate & Efficiency (Nursing & Non-Nursing)			234,057	
Prosthesis (691,202)				
Other 281,549				
<b>Purchased Services</b>				<b>14,628</b>
Repairs & Maintenance			(248,435)	
Replace x-ray tube in imaging machine - (123,072)				
Other			263,063	
<b>Depreciation</b>				<b>(69,384)</b>
Depreciation			(69,384)	
<b>Other Direct Expenses</b>				<b>(30,932)</b>
San Diego Radiosurgery - contra to revenue			(257,258)	
Other			226,326	
<b>Total Actual to Budget YTD Variance for September 2008</b>			<b>561,960</b>	<b>561,960</b>

**Balance Sheet  
Consolidated**

	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	\$15,114,783	\$9,720,585	\$12,578,422
Cash Marketable Securities	72,744,164	68,634,989	73,699,656
<b>Total Cash &amp; Cash Equivalents</b>	<b>87,858,947</b>	<b>78,355,574</b>	<b>86,278,078</b>
<b>Patient Accounts Receivable</b>			
Allowance on Accounts	210,649,291	213,936,803	173,630,766
<b>Net Accounts Receivable</b>	<b>(114,940,942)</b>	<b>(115,732,167)</b>	<b>(87,408,726)</b>
Inventories	95,708,349	98,204,636	86,222,040
Prepaid Expenses	6,814,261	6,778,056	6,826,298
Other	4,389,574	3,726,476	3,790,644
<b>Total Current Assets</b>	<b>214,456,060</b>	<b>214,511,697</b>	<b>5,722,105</b>
<b>Non-Current Assets</b>			
Restricted Assets	295,579,400	316,955,457	343,067,128
Restricted by Donor	306,861	305,309	303,600
Board Designated	7,770,885	11,268,120	12,117,325
<b>Total Restricted Assets</b>	<b>303,657,146</b>	<b>328,528,886</b>	<b>355,488,053</b>
Property Plant & Equipment	379,142,654	388,022,889	387,410,913
Accumulated Depreciation	(223,483,810)	(230,800,382)	(226,979,355)
Construction in Process	244,162,567	231,804,807	218,854,882
<b>Net Property Plant &amp; Equipment</b>	<b>399,821,411</b>	<b>389,027,314</b>	<b>379,286,440</b>
Investment in Related Companies	3,055,523	3,055,523	3,109,523
Deferred Financing Costs	15,671,068	15,605,255	15,644,785
Other Non-Current Assets	6,143,590	6,013,822	5,956,094
<b>Total Non-Current Assets</b>	<b>728,348,738</b>	<b>742,230,800</b>	<b>759,484,895</b>
<b>Total Assets</b>	<b>\$944,575,929</b>	<b>\$950,747,239</b>	<b>\$948,324,060</b>

	Current Month	Prior Month	Prior Fiscal Year End
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$18,606,120	\$28,652,693	\$44,500,881
Accrued Payroll	15,774,557	14,841,606	12,139,225
Accrued PTO	13,662,524	13,537,166	13,977,901
Accrued Interest Payable	5,672,087	4,119,852	8,065,133
Current Portion of Bonds	9,730,000	9,730,000	9,660,000
Est Third Party Settlements	1,631,645	1,597,534	807,165
Other Current Liabilities	28,809,521	29,607,033	15,815,317
<b>Total Current Liabilities</b>	<b>93,886,454</b>	<b>102,085,884</b>	<b>104,965,622</b>
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	537,016,957	537,022,691	537,979,367
<b>General Fund Balance</b>			
Unrestricted	305,594,772	300,065,235	292,958,146
Restricted for Other Purpose	306,861	305,309	303,600
Board Designated	7,770,885	11,268,120	12,117,325
<b>Total Fund Balance</b>	<b>313,672,518</b>	<b>311,638,664</b>	<b>305,379,071</b>
<b>Total Liabilities / Fund Balance</b>	<b>\$944,575,929</b>	<b>\$950,747,239</b>	<b>\$948,324,060</b>

	Jul	Aug	Sep	YTD
<b>Statistics:</b>				
Admissions - Acute	2,540	2,454	2,367	7,361
Admissions - SNF	95	107	101	303
Patient Days - Acute	9,587	9,491	9,098	28,176
Patient Days - SNF	6,572	6,497	6,313	19,382
LOS - Acute	3.74	3.81	3.87	3.81
LOS - SNF	67.75	60.16	67.88	65.04
Adjusted Discharges	3,600	3,481	3,293	10,373

**Revenue:**

Gross Revenue	\$ 131,046,951	\$ 131,438,267	\$ 127,873,677	\$ 390,358,894
Deductions from Rev	(94,593,925)	(94,598,259)	(91,280,996)	(280,473,178)
Net Patient Revenue	36,453,026	36,840,008	36,592,681	109,885,716
Other Oper Revenue	481,361	331,016	518,420	1,330,797
<b>Total Net Revenue</b>	<b>36,934,387</b>	<b>37,171,024</b>	<b>37,111,101</b>	<b>111,216,513</b>

**Expenses:**

Salaries, Wages & Contr Labor	17,547,177	17,429,247	17,159,435	52,135,858
Benefits	4,496,086	4,177,042	4,147,369	12,820,498
Supplies	5,536,898	5,656,890	5,960,700	17,154,488
Prof Fees & Purch Svc	4,597,010	4,825,802	5,138,315	14,561,127
Depreciation	1,915,873	1,905,155	1,841,193	5,662,221
Other	1,975,226	2,233,503	2,382,496	6,591,226
<b>Total Expenses</b>	<b>36,068,270</b>	<b>36,227,639</b>	<b>36,629,508</b>	<b>108,925,418</b>

**Net Inc Before Non-Oper Income**

	866,117	943,385	481,593	2,291,095
Property Tax Revenue	1,166,666	1,166,666	1,166,666	3,499,998
Non-Operating Income	69,375	147,884	(614,405)	(397,147)

**Net Income (Loss)**

	\$ 2,102,158	\$ 2,257,935	\$ 1,033,854	\$ 5,393,946
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Net Income Margin

	5.2%	5.0%	2.5%	4.3%
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OEBITDA Margin w/o Prop Tax

	7.5%	7.7%	6.3%	7.2%
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OEBITDA Margin with Prop Tax

	10.7%	10.8%	9.4%	10.3%
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Income Statement: Fiscal Year-to-Date  
Consolidated – Adjusted Discharges

**Statistics:**

	Actual	Budget	Variance
Admissions - Acute	7,361	7,425	(64)
Admissions - SNF	303	295	8
Patient Days - Acute	28,176	28,649	(473)
Patient Days - SNF	19,382	19,388	(6)
ALOS - Acute	3.81	3.86	(0.05)
ALOS - SNF	65.04	66.40	(1.36)
Adjusted Discharges	10,373	9,989	384

**Revenue:**

	Actual	Budget	Variance	Rate/Eff	Actual	Budget	Variance
Gross Revenue	\$ 390,358,894	\$ 377,544,567	\$ 12,814,327	\$ (1,699,349)	\$ 37,632.21	\$ 37,796.03	\$ (163.82)
Deductions from Rev	(280,473,178)	(269,208,880)	(11,264,298)	(915,293)	(27,038.77)	(26,950.53)	(88.24)
Net Patient Revenue	109,885,716	108,335,687	1,550,029	(2,614,643)	10,593.44	10,845.50	(252.06)
Other Oper Revenue	1,330,797	1,820,457	(489,660)	(559,643)	128.29	182.25	(53.95)
<b>Total Net Revenue</b>	111,216,513	110,156,144	1,060,369	(3,174,285)	10,721.73	11,027.74	(306.01)

**Expenses:**

Salaries, Wages & Contr Labor	52,135,858	52,245,507	109,649	2,118,086	5,026.11	5,230.30	204.19
Benefits	12,820,498	12,712,331	(108,167)	380,524	1,235.95	1,272.63	36.68
Supplies	17,154,488	16,744,835	(409,653)	234,057	1,653.76	1,676.33	22.56
Prof Fees & Purch Svc	14,561,127	14,571,205	10,078	570,228	1,403.75	1,458.73	54.97
Depreciation	5,662,221	5,592,837	(69,384)	145,617	545.86	559.90	14.04
Other	6,591,226	6,560,295	(30,931)	221,262	635.42	656.75	21.33
<b>Total Expenses</b>	108,925,418	108,427,009	(498,409)	3,669,774	10,500.86	10,854.64	353.78

**Net Inc Before Non-Oper Income**

Net Inc Before Non-Oper Income	2,291,095	1,729,135	561,960	495,489	220.87	173.10	47.77
Property Tax Revenue	3,499,998	3,499,998	-	(134,548)	337.41	350.39	(12.97)
Non-Operating Income	(397,147)	525,852	(922,999)	(943,214)	(38.29)	52.64	(90.93)

**Net Income (Loss)**

Net Income (Loss)	\$ 5,393,946	\$ 5,754,985	\$ (361,039)	(582,273)	\$ 520.00	\$ 576.13	\$ (56.13)
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Net Income Margin	4.3%	4.8%	(0.5%)
OEBITDA Margin w/o Prop Tax	7.2%	6.6%	0.6%
OEBITDA Margin with Prop Tax	10.3%	9.8%	0.5%

F= Favorable variance

U= Unfavorable variance

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

	Actual			Budget			Variance		
	Actual	Budget	Variance	Actual	Budget	Variance	Volume	Rate/Eff	Actual
<b>Statistics:</b>									
Admissions - Acute	2,367	2,421	(54)						
Admissions - SNF	101	95	6						
Patient Days - Acute	9,098	9,341	(243)						
Patient Days - SNF	6,313	6,322	(9)						
ALOS - Acute	3.87	3.86	0.01						
ALOS - SNF	67.88	67.26	0.62						
Adjusted Discharges	3,293	3,173	120						

	Revenue			Expenses			Net Income			Property Tax			Net Income (Loss)		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
<b>Revenue:</b>															
Gross Revenue	\$ 127,873,677	\$ 123,167,142	\$ 4,706,535	\$ 127,873,677	\$ 123,167,142	\$ 4,706,535	\$ 38,831.97	\$ 38,817.25	\$ 14.72	\$ 38,831.97	\$ 38,817.25	\$ 14.72	\$ 38,831.97	\$ 38,817.25	\$ 14.72
Deductions from Rev	(91,280,996)	(87,767,226)	(3,513,770)	(91,280,996)	(87,767,226)	(3,513,770)	(27,719.71)	(27,660.64)	(59.06)	(27,719.71)	(27,660.64)	(59.06)	(27,719.71)	(27,660.64)	(59.06)
Net Patient Revenue	36,592,681	35,399,916	1,192,765	36,592,681	35,399,916	1,192,765	11,112.26	11,156.61	(44.34)	11,112.26	11,156.61	(44.34)	11,112.26	11,156.61	(44.34)
Other Oper Revenue	518,420	606,819	(88,399)	518,420	606,819	(88,399)	157.43	191.24	(33.81)	157.43	191.24	(33.81)	157.43	191.24	(33.81)
<b>Total Net Revenue</b>	<b>37,111,101</b>	<b>36,006,735</b>	<b>1,104,366</b>	<b>37,111,101</b>	<b>36,006,735</b>	<b>1,104,366</b>	<b>11,269.69</b>	<b>11,347.85</b>	<b>(78.16)</b>	<b>11,269.69</b>	<b>11,347.85</b>	<b>(78.16)</b>	<b>11,269.69</b>	<b>11,347.85</b>	<b>(78.16)</b>
<b>Expenses:</b>															
Salaries, Wages & Contr Labor	17,159,435	17,060,398	(99,037)	17,159,435	17,060,398	(99,037)	546,172	5,376.74	165.86	5,210.88	5,376.74	165.86	5,210.88	5,376.74	165.86
Benefits	4,147,369	4,149,143	1,774	4,147,369	4,149,143	1,774	1,259.45	1,307.64	48.19	1,259.45	1,307.64	48.19	1,259.45	1,307.64	48.19
Supplies	5,960,700	5,466,487	(494,213)	5,960,700	5,466,487	(494,213)	1,810.11	1,722.81	(87.30)	1,810.11	1,722.81	(87.30)	1,810.11	1,722.81	(87.30)
Prof Fees & Purch Svc	5,138,315	4,926,662	(211,653)	5,138,315	4,926,662	(211,653)	1,560.38	1,552.68	(7.69)	1,560.38	1,552.68	(7.69)	1,560.38	1,552.68	(7.69)
Depreciation	1,841,193	1,864,279	23,086	1,841,193	1,864,279	23,086	559.12	587.54	28.42	559.12	587.54	28.42	559.12	587.54	28.42
Other	2,382,496	2,163,691	(218,805)	2,382,496	2,163,691	(218,805)	723.50	681.91	(41.60)	723.50	681.91	(41.60)	723.50	681.91	(41.60)
<b>Total Expenses</b>	<b>36,629,508</b>	<b>35,630,660</b>	<b>(998,848)</b>	<b>36,629,508</b>	<b>35,630,660</b>	<b>(998,848)</b>	<b>11,123.45</b>	<b>11,229.33</b>	<b>105.88</b>	<b>11,123.45</b>	<b>11,229.33</b>	<b>105.88</b>	<b>11,123.45</b>	<b>11,229.33</b>	<b>105.88</b>
<b>Net Inc Before Non-Oper Income</b>	<b>481,593</b>	<b>376,075</b>	<b>105,518</b>	<b>481,593</b>	<b>376,075</b>	<b>105,518</b>	<b>146.25</b>	<b>118.52</b>	<b>27.72</b>	<b>146.25</b>	<b>118.52</b>	<b>27.72</b>	<b>146.25</b>	<b>118.52</b>	<b>27.72</b>
Property Tax Revenue	1,166,666	1,166,666	-	1,166,666	1,166,666	-	354.29	367.69	(13.40)	354.29	367.69	(13.40)	354.29	367.69	(13.40)
Non-Operating Income	(614,405)	175,284	(789,689)	(614,405)	175,284	(789,689)	(186.58)	55.24	(241.82)	(186.58)	55.24	(241.82)	(186.58)	55.24	(241.82)
<b>Net Income (Loss)</b>	<b>\$ 1,033,854</b>	<b>\$ 1,718,025</b>	<b>\$ (684,171)</b>	<b>\$ 1,033,854</b>	<b>\$ 1,718,025</b>	<b>\$ (684,171)</b>	<b>\$ 313.96</b>	<b>\$ 541.45</b>	<b>\$ (227.50)</b>	<b>\$ 313.96</b>	<b>\$ 541.45</b>	<b>\$ (227.50)</b>	<b>\$ 313.96</b>	<b>\$ 541.45</b>	<b>\$ (227.50)</b>

Net Income Margin 2.5% 4.4% (1.9%)  
 OEBITDA Margin w/o Prop Tax 6.3% 6.2% 0.1%  
 OEBITDA Margin with Prop Tax 9.4% 9.5% (0.1%)  
 F= Favorable variance  
 U= Unfavorable variance

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

	Sep 08 YTD		Sep 07 YTD		Variance		\$/Adjusted Discharges		
					Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>									
Admissions - Acute	7,361	7,227	134						
Admissions - SNF	303	276	27						
Patient Days - Acute	28,176	28,527	(351)						
Patient Days - SNF	19,382	19,418	(36)						
ALOS - Acute	3.81	3.95	(0.14)						
ALOS - SNF	65.04	71.65	(6.61)						
Adjusted Discharges	10,373	9,889	484						
<b>Revenue:</b>									
Gross Revenue	\$ 390,358,894	\$ 350,208,145	\$ 40,150,749	F	\$ 17,140,332	\$ 23,010,417	\$ 37,632.21	\$ 35,413.91	\$ 2,218.30
Deductions from Rev	(280,473,176)	(245,933,197)	(34,539,981)	U	(12,036,775)	(22,503,206)	(27,038.77)	(24,869.37)	(2,169.40)
Net Patient Revenue	109,885,716	104,274,948	5,610,768	F	5,103,557	507,211	10,593.44	10,544.54	48.90
Other Oper Revenue	1,330,797	2,407,231	(1,076,434)	U	117,818	(1,194,252)	128.29	243.43	(115.13)
<b>Total Net Revenue</b>	<b>111,216,513</b>	<b>106,682,179</b>	<b>4,534,334</b>	<b>F</b>	<b>5,221,375</b>	<b>(687,041)</b>	<b>10,721.73</b>	<b>10,787.96</b>	<b>(66.23)</b>
<b>Expenses:</b>									
Salaries, Wages & Contr Labor	52,135,858	49,100,668	(3,035,190)	U	(2,403,147)	(632,043)	5,026.11	4,965.18	(60.93)
Benefits	12,820,498	12,932,616	112,118	F	(632,965)	745,083	1,235.95	1,307.78	71.83
Supplies	17,154,488	15,775,478	(1,379,010)	U	(772,103)	(606,907)	1,653.76	1,595.26	(58.51)
Prof Fees & Purch Svc	14,561,127	14,989,975	428,848	F	(733,658)	1,162,506	1,403.75	1,515.82	112.07
Depreciation	5,662,221	5,377,807	(284,414)	U	(263,207)	(21,207)	545.86	543.82	(2.04)
Other	6,591,226	6,336,823	(254,403)	U	(310,145)	55,742	635.42	640.80	5.37
<b>Total Expenses</b>	<b>108,925,418</b>	<b>104,513,367</b>	<b>(4,412,051)</b>	<b>U</b>	<b>(5,115,226)</b>	<b>703,175</b>	<b>10,500.86</b>	<b>10,568.65</b>	<b>67.79</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,291,095</b>	<b>2,168,812</b>	<b>122,283</b>	<b>F</b>	<b>106,149</b>	<b>16,134</b>	<b>220.87</b>	<b>219.32</b>	<b>1.56</b>
Property Tax Revenue	3,499,998	3,375,000	124,998	F	165,184	(40,186)	337.41	341.29	(3.87)
Non-Operating Income	(397,147)	1,645,057	(2,042,204)	U	80,514	(2,122,718)	(38.29)	166.35	(204.64)
<b>Net Income (Loss)</b>	<b>\$ 5,393,946</b>	<b>\$ 7,188,869</b>	<b>\$ (1,794,923)</b>	<b>U</b>	<b>\$ 351,847</b>	<b>\$ (2,146,770)</b>	<b>\$ 520.00</b>	<b>\$ 726.96</b>	<b>\$ (206.96)</b>
Net Income Margin	4.3%	6.3%	(2.0%)						
OEBITDA Margin w/o Prop Tax	7.2%	7.1%	0.1%						
OEBITDA Margin with Prop Tax	10.3%	10.2%	0.1%						

F= Favorable variance  
U= Unfavorable variance



Statement of Cash Flows

	September	YTD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss) from operations	481,593	2,291,095
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation Expense	1,841,193	5,662,221
Provision for bad debts	4,575,703	16,384,183
<b>Changes in operating assets and liabilities:</b>		
Patient accounts receivable	(3,071,800)	(26,862,877)
Property Tax and other receivables	(945,279)	(17,765,929)
Inventories	(36,205)	12,037
Prepaid expenses and Other Non-Current assets	(3,973,573)	(3,855,405)
Accounts payable	(9,079,128)	(24,927,316)
Accrued compensation	1,386,450	3,648,096
Estimated settlement amounts due third-party payors	34,112	824,481
Other current liabilities	4,725,759	22,850,814
Net cash provided by operating activities	(4,061,175)	(21,738,599)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales of investments	20,762,565	52,786,399
Interest (Loss) received on investments	(311,620)	412,502
Investment in affiliates	989,950	1,233,474
Net cash used in investing activities	21,440,895	54,432,374
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	93,563	358,406
Receipt of District Taxes	114,439	472,141
Net cash used in non-capital financing activities	208,002	830,548
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(11,972,326)	(22,893,903)
Proceeds from sale of asset	0	0
Deferred Financing Costs	(65,813)	(26,283)
G.O. Bond Interest paid	0	(7,037,392)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of Long Term Debt	0	(875,000)
Net cash used in activities	(12,038,139)	(30,832,578)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	5,549,582	2,691,745
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>		
	9,565,202	12,423,039
<b>CASH AND CASH EQUIVALENTS - End of period</b>		
	15,114,783	15,114,783

Summary of Key Indicators & Results  
Fiscal Year-to-Date

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2008</u>
<b><u>ADMISSIONS - Acute:</u></b>				
Palomar Medical Center	5,514	5,561	(47)	5,432
Pomerado Hospital	1,847	1,864	(17)	1,795
<b>Total:</b>	<u>7,361</u>	<u>7,425</u>	<u>(64)</u>	<u>7,227</u>
<b><u>ADMISSIONS - SNF:</u></b>				
Palomar Medical Center	116	148	(32)	134
Pomerado Hospital	187	147	40	142
<b>Total:</b>	<u>303</u>	<u>295</u>	<u>8</u>	<u>276</u>
<b><u>PATIENT DAYS - Acute:</u></b>				
Palomar Medical Center	20,815	21,233	(418)	20,976
Pomerado Hospital	7,361	7,416	(55)	7,551
<b>Total:</b>	<u>28,176</u>	<u>28,649</u>	<u>(473)</u>	<u>28,527</u>
<b><u>PATIENT DAYS- SNF:</u></b>				
Palomar Medical Center	8,115	8,072	43	8,088
Pomerado Hospital	11,267	11,316	(49)	11,330
<b>Total:</b>	<u>19,382</u>	<u>19,388</u>	<u>(6)</u>	<u>19,418</u>



Summary of Key Indicators & Results  
Fiscal Year-to-Date

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2008</u>
<b><u>ADJUSTED DISCHARGES</u></b>				
Palomar Medical Center	7,469	7,245	224	6,985
Pomerado Hospital	2,848	2,682	166	2,675
Other Activities	56	62	(6)	229
<b>Total:</b>	<u>10,373</u>	<u>9,989</u>	<u>384</u>	<u>9,889</u>
<b><u>AVERAGE LENGTH OF STAY - Acute:</u></b>				
Palomar Medical Center	3.77	3.82	(0.05)	3.88
Pomerado Hospital	3.92	3.98	(0.06)	4.14
<b>Total:</b>	<u>3.81</u>	<u>3.86</u>	<u>(0.05)</u>	<u>3.95</u>
<b><u>AVERAGE LENGTH OF STAY - SNF:</u></b>				
Palomar Medical Center	71.18	55.67	15.51	63.19
Pomerado Hospital	61.23	76.98	(15.75)	79.23
<b>Total:</b>	<u>65.04</u>	<u>66.40</u>	<u>1.36</u>	<u>71.65</u>

Supplies Expense

Year-to-Date

Account	Description	Actual	Budget	Variance
631000	Prosthesis	4,334,918	3,643,716	(691,202)
641000	Supplies Other Medical	3,905,383	3,648,889	(256,494)
632000	Sutures/Surgical Needles	458,545	389,361	(69,184)
643000	Supplies Food Other	694,475	666,415	(28,060)
647000	Supplies Employee Apparel	55,442	37,354	(18,088)
642000	Supplies Food/Meat	149,618	137,085	(12,533)
634000	Supplies Surgery General	1,235,111	1,229,329	(5,782)
648000	Instruments/Minor Equipment	101,156	95,865	(5,291)
645000	Supplies Cleaning	108,060	104,544	(3,516)
635000	Supplies Anesthesia Material	6,039	3,078	(2,961)
637000	Supplies IV Solutions	121,517	123,758	2,241
644000	Supplies Linen	6,612	9,699	3,087
636000	Supplies Oxygen/Gas	66,924	72,441	5,517
639000	Supplies Radioactive	196,042	201,917	5,875
633000	Supplies Surgical Pack	480,887	493,091	12,204
640000	Supplies X-ray Material	(11,098)	6,871	17,969
646100	Supplies Forms	119,521	153,037	33,516
638000	Supplies Pharmaceutical	3,248,436	3,368,155	119,719
646000	Supplies Office/Administration	189,567	315,503	125,936
649000	Other Minor Equipment	149,764	310,013	160,249
650000	Other Non Medical	1,537,569	1,734,714	197,145
<b>Total</b>		<b>\$ 17,154,488</b>	<b>\$ 16,744,835</b>	<b>\$ (409,653)</b>

<b>Cushion Ratio</b>	<b>Jun-07</b>	<b>Jun-08</b>	<b>Sep-08</b>
Cash and Cash Equivalents	109,213,349	86,122,696	87,858,947
Board Designated Reserves	-	12,117,325	7,770,885
Trustee-held Funds (Revenue Fund only)	249,531	185,981	234,496
<b>Total</b>	<b>109,462,880</b>	<b>98,426,002</b>	<b>95,864,328</b>
Divided by:			
Annual Debt Service (excludes GO Bonds)	16,972,692	16,972,692	16,972,692
(Bond Year 11/1/2008)			

**Cushion Ratio** **6.4** **5.8** **5.6**  
**REQUIREMENT** **1.5** **1.5** **1.5**  
 Achieved Achieved Achieved

<b>Days Cash on Hand</b>	<b>Jun-07</b>	<b>Jun-08</b>	<b>Sep-08</b>
Cash and Cash Equivalents	109,213,349	86,122,696	87,858,947
Board Designated Reserves	-	12,117,325	7,770,885
Trustee-held Funds (Revenue Fund only)	249,531	185,981	234,496
<b>Total</b>	<b>109,462,880</b>	<b>98,426,002</b>	<b>95,864,328</b>

Divide Total by Average Adjusted Expenses per Day  
 Total Expenses 385,355,509 428,153,444 108,925,418  
 Less: Depreciation 19,453,013 21,572,031 5,662,221  
 Adjusted Expenses 365,902,496 406,581,413 103,263,197

Number of days in period 365 366 92  
 Average Adjusted Expenses per Day 1,002,473 1,110,878 1,122,426

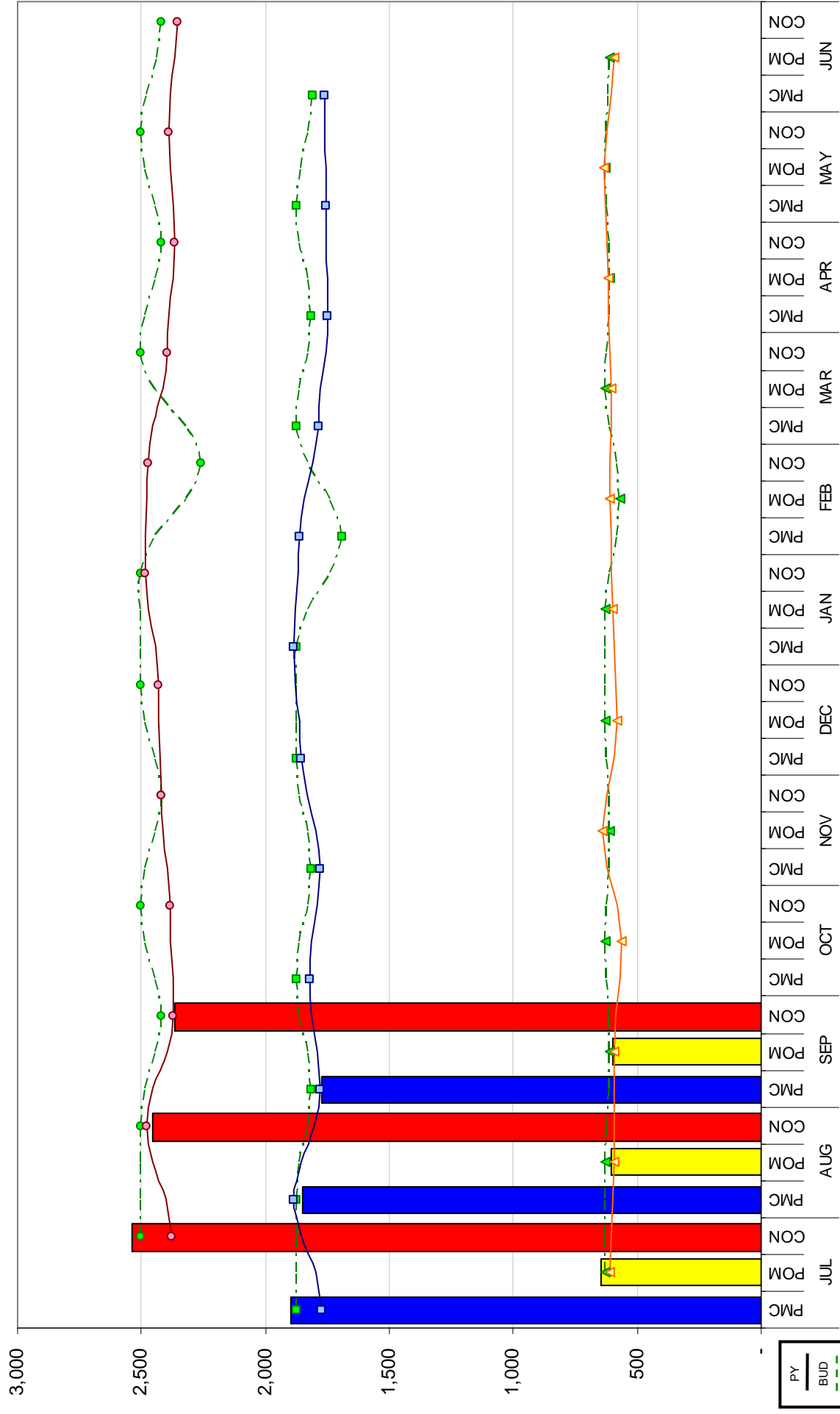
**Days Cash on Hand** **109** **89** **85**  
**REQUIREMENT** **80** **80** **80**  
 Achieved Achieved Achieved

<b>Net Income Available for Debt Service</b>	<b>Jun-07</b>	<b>Jun-08</b>	<b>Sep-08</b>
Excess of revenue over expenses Cur Mo.	2,963,446	(13,859,525)	1,033,854
Excess of revenues over expenses YTD (General Funds)	21,974,509	(5,472,030)	5,393,946
ADD:			
Depreciation and Amortization	19,453,013	21,572,031	5,662,221
Interest Expense	3,343,683	14,912,181	1,148,332
<b>Net Income Available for Debt Service</b>	<b>44,771,205</b>	<b>31,012,182</b>	<b>12,204,499</b>

<b>Aggregate Debt Service</b>	<b>Jun-07</b>	<b>Jun-08</b>	<b>Sep-08</b>
1999 Insured Refunding Revenue Bonds	8,249,916	8,248,018	2,061,646
2006 Certificates of Participation	4,373,342	8,316,457	2,181,527
<b>Aggregate Debt Service</b>	<b>12,623,258</b>	<b>16,564,475</b>	<b>4,243,173</b>

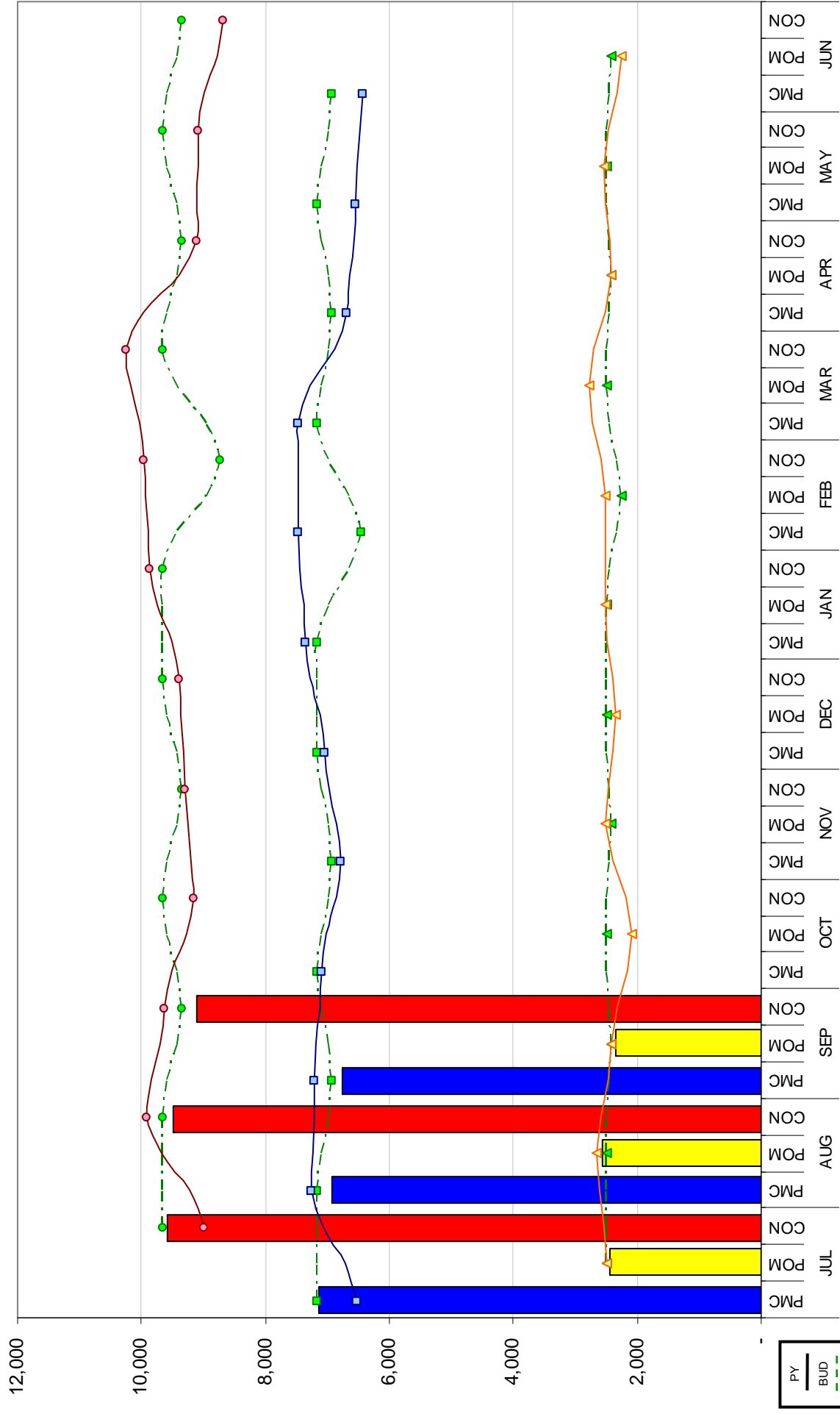
**Net Income Available for Debt Service** **3.55** **1.87** **2.88**  
**Required Coverage** **1.15** **1.15** **1.15**  
 Achieved Achieved Achieved

Statistical Indicators  
Admissions – Acute



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,895	1,848	1,771	-	-	-	-	-	-	-	-	-	5,514	5,561
POM	645	606	596	-	-	-	-	-	-	-	-	-	1,847	1,864
CON	2,540	2,454	2,367	-	-	-	-	-	-	-	-	-	7,361	7,425

Statistical Indicators  
Patient Days - Acute

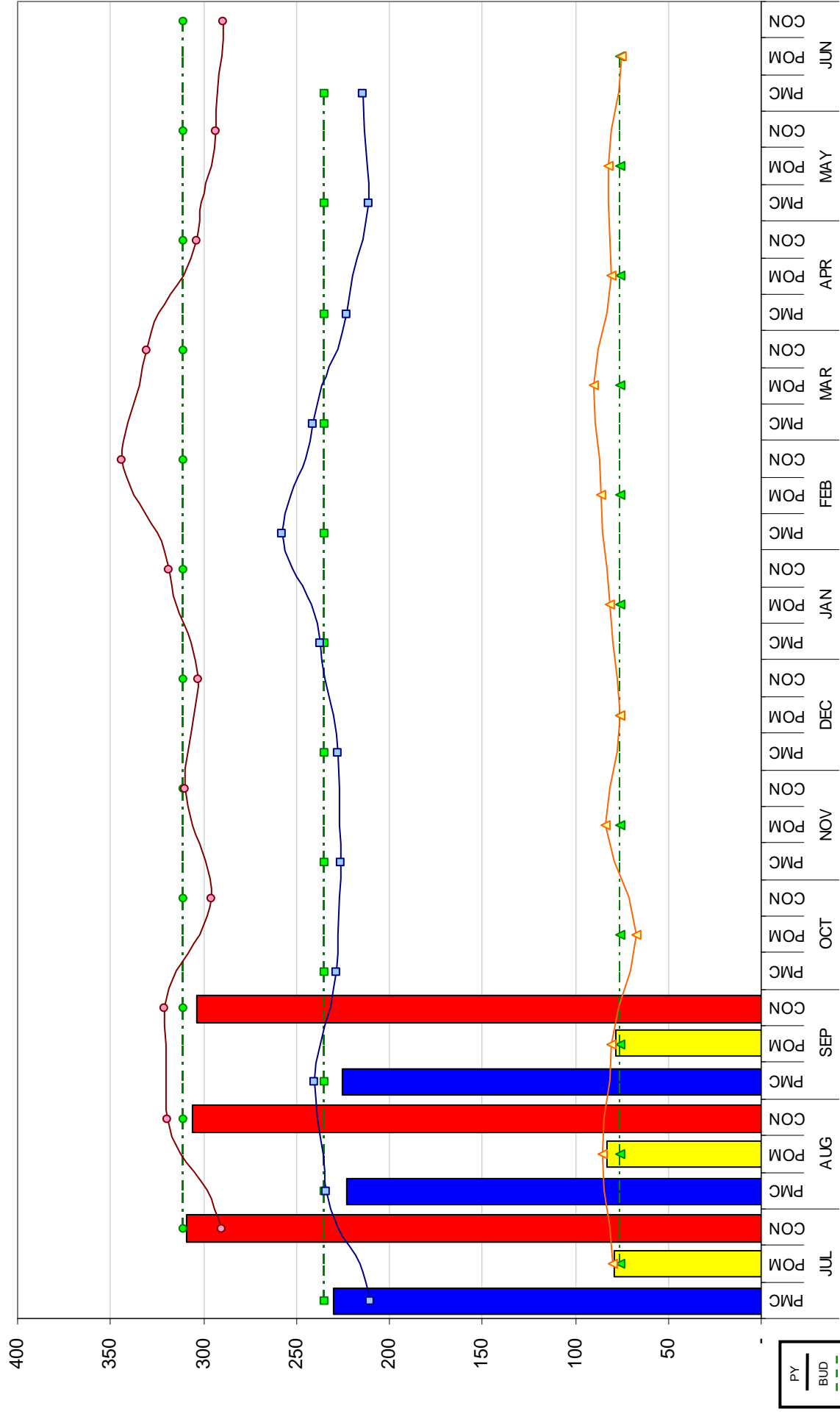


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	7,138	6,920	6,757	-	-	-	-	-	-	-	-	-	20,815	21,233
POM	2,449	2,571	2,341	-	-	-	-	-	-	-	-	-	7,361	7,416
CON	9,587	9,491	9,098	-	-	-	-	-	-	-	-	-	28,176	28,649



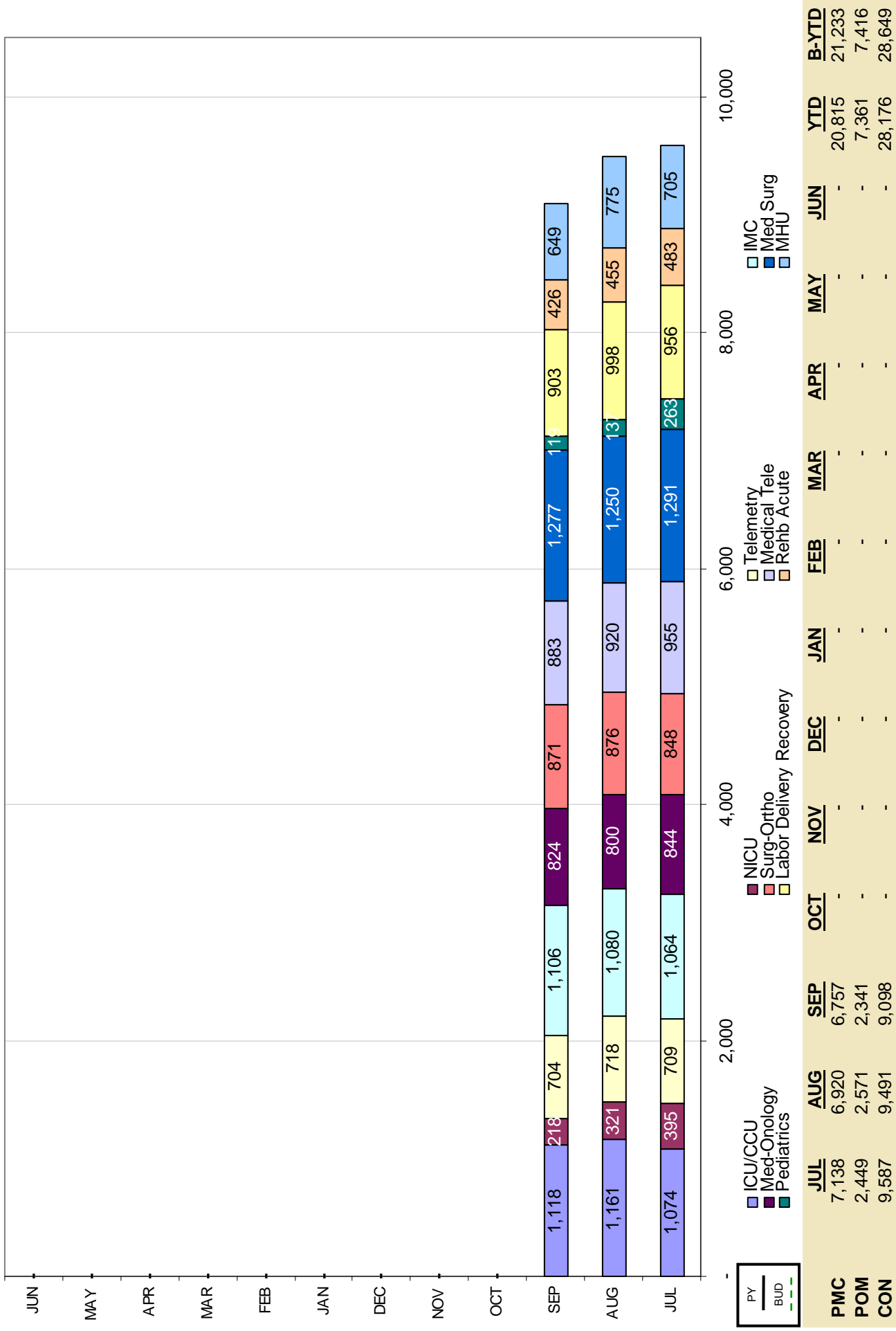
Statistical Indicators

Average Daily Census - Acute

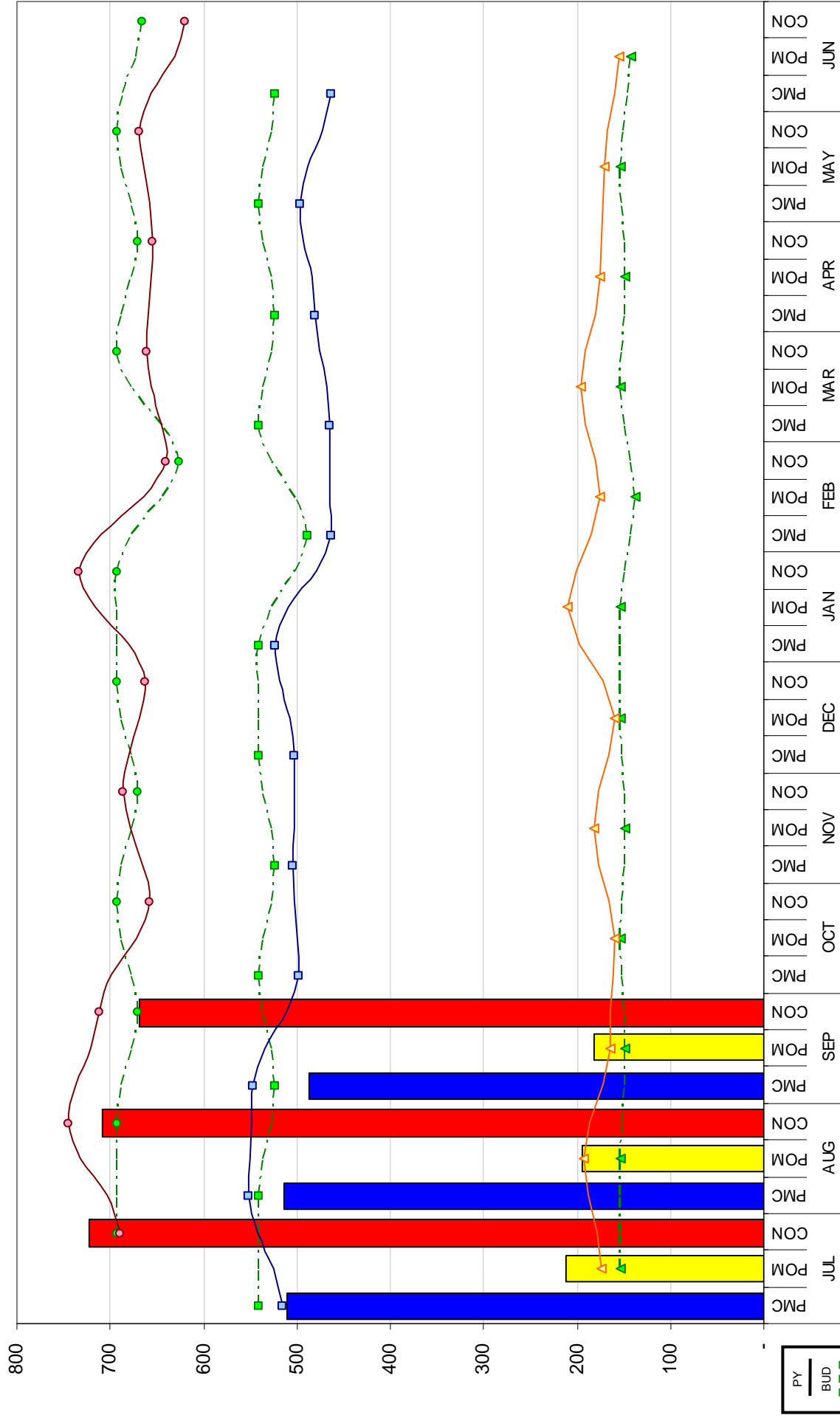


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	230	223	225	-	-	-	-	-	-	-	-	-	226	231
POM	79	83	78	-	-	-	-	-	-	-	-	-	80	81
CON	309	306	303	-	-	-	-	-	-	-	-	-	306	312

Statistical Indicators  
Patient Days



Statistical Indicators  
Surgeries (Inpatient only)

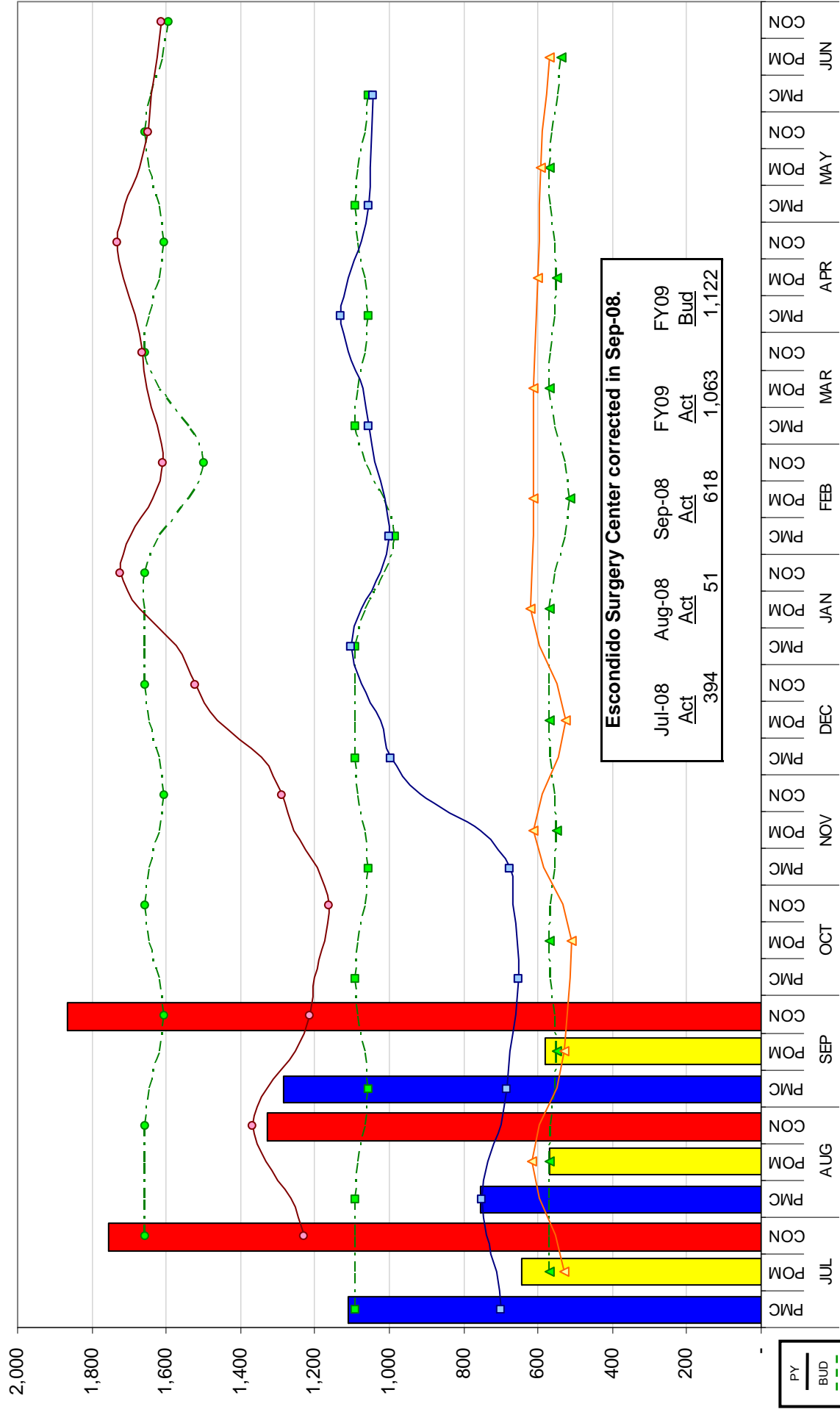


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	510	514	487	-	-	-	-	-	-	-	-	-	1,511	1,603
POM	212	195	182	-	-	-	-	-	-	-	-	-	589	454
CON	722	709	669	-	-	-	-	-	-	-	-	-	2,100	2,057



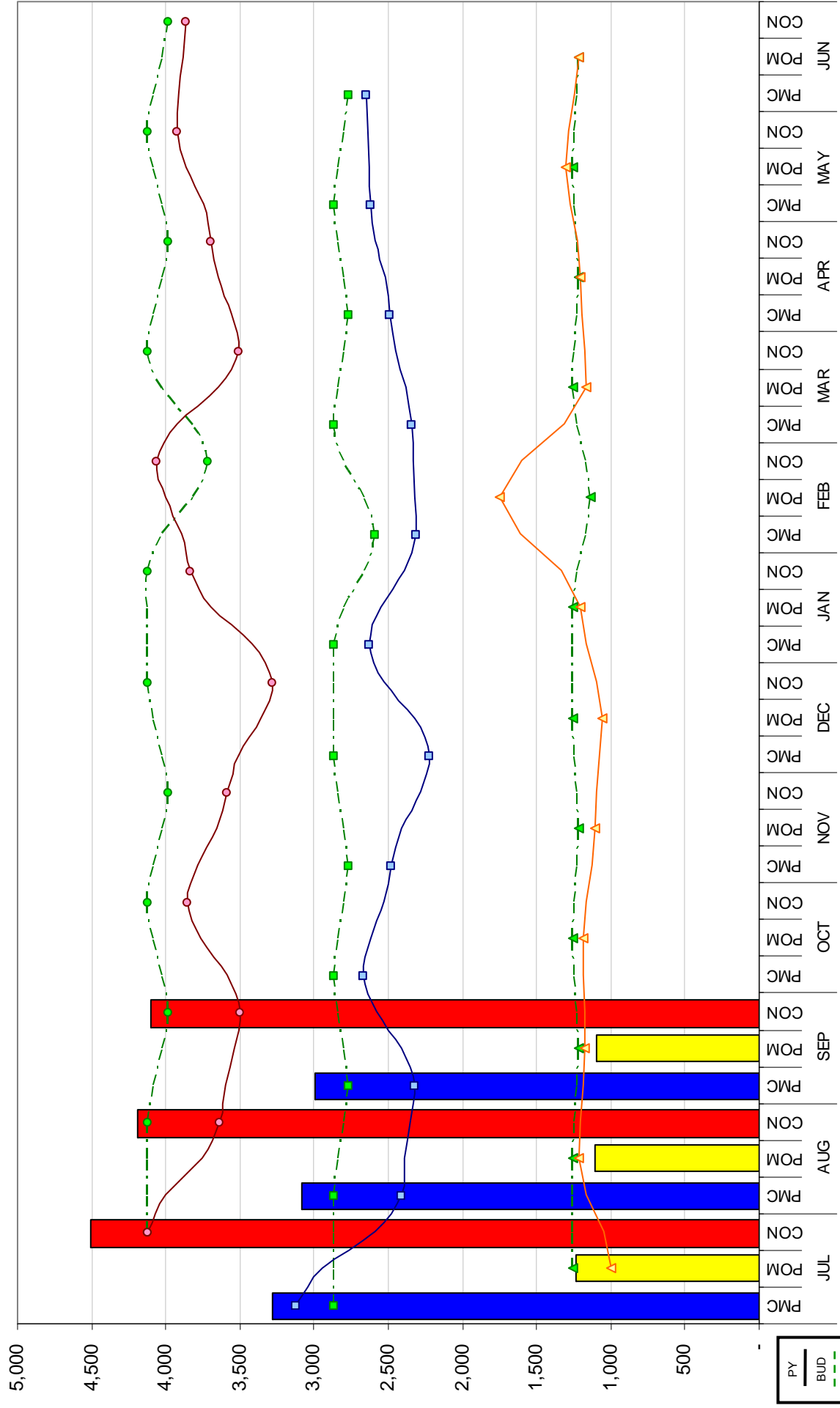


Statistical Indicators  
Total Surgeries



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,111	756	1,285	-	-	-	-	-	-	-	-	-	3,152	3,236
POM	644	571	581	-	-	-	-	-	-	-	-	-	1,796	1,685
CON	1,755	1,327	1,866	-	-	-	-	-	-	-	-	-	4,948	4,921

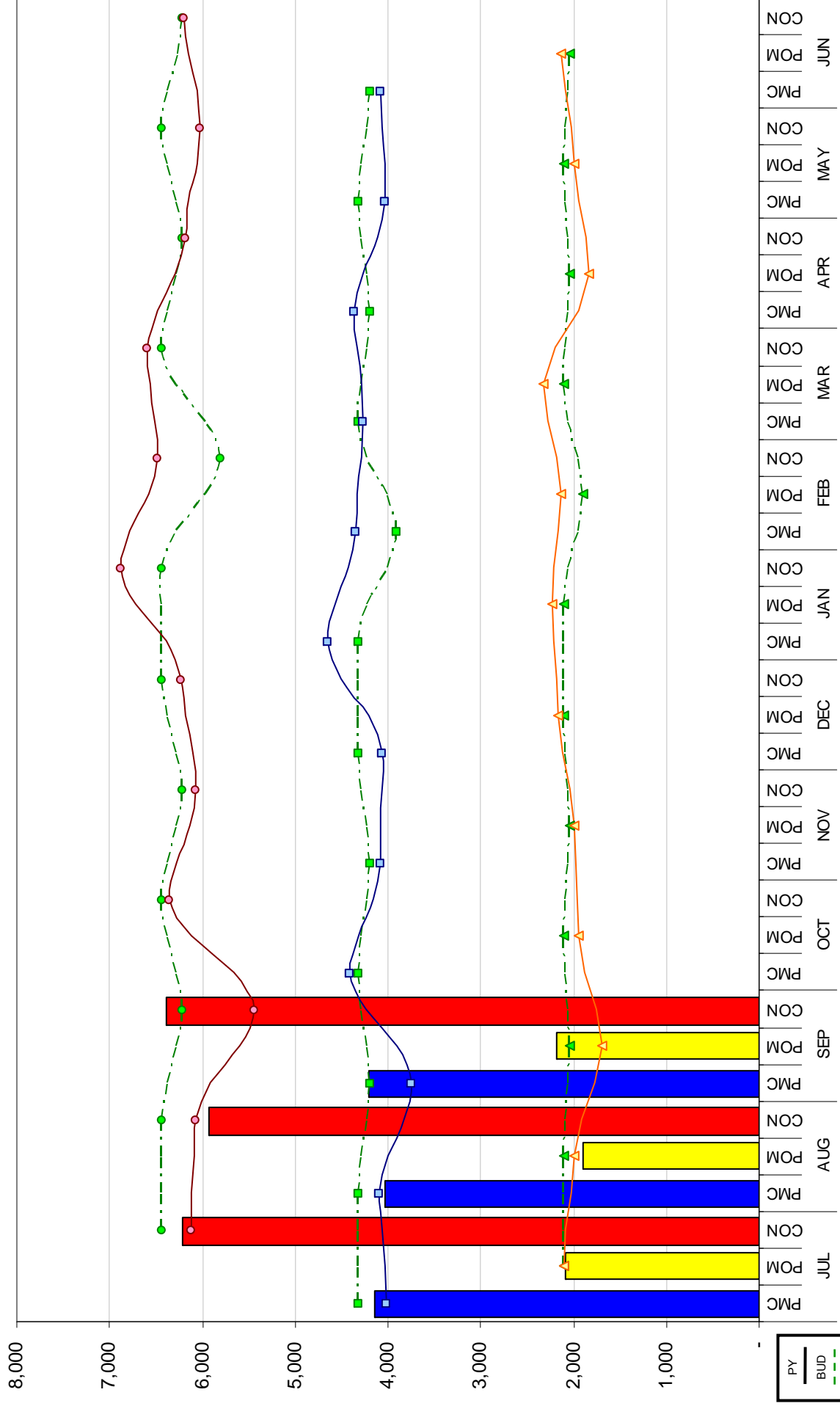
Statistical Indicators  
Outpatient Registrations (excludes Lab)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	3,276	3,085	2,998	-	-	-	-	-	-	-	-	-	9,359	8,496
POM	1,231	1,108	1,101	-	-	-	-	-	-	-	-	-	3,440	3,727
CON	4,507	4,193	4,099	-	-	-	-	-	-	-	-	-	12,799	12,223

Statistical Indicators

ER Visits (includes Trauma, Outpatient only)

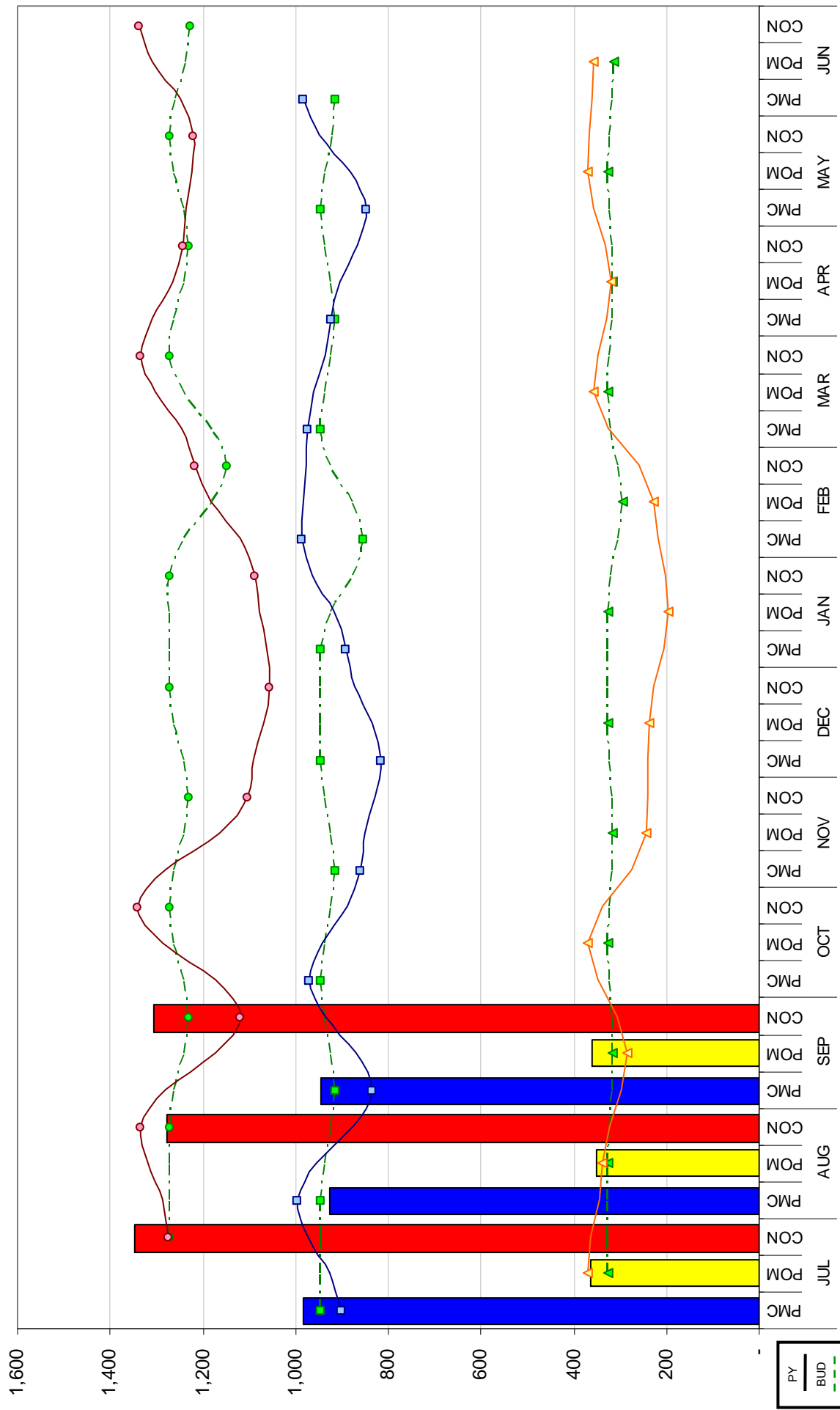


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMc	4,137	4,032	4,199	-	-	-	-	-	-	-	-	-	12,368	12,827
POM	2,081	1,895	2,184	-	-	-	-	-	-	-	-	-	6,160	6,247
CON	6,218	5,927	6,383	-	-	-	-	-	-	-	-	-	18,528	19,074
CON/DAY	201	191	213	-	-	-	-	-	-	-	-	-	201	207



Statistical Indicators

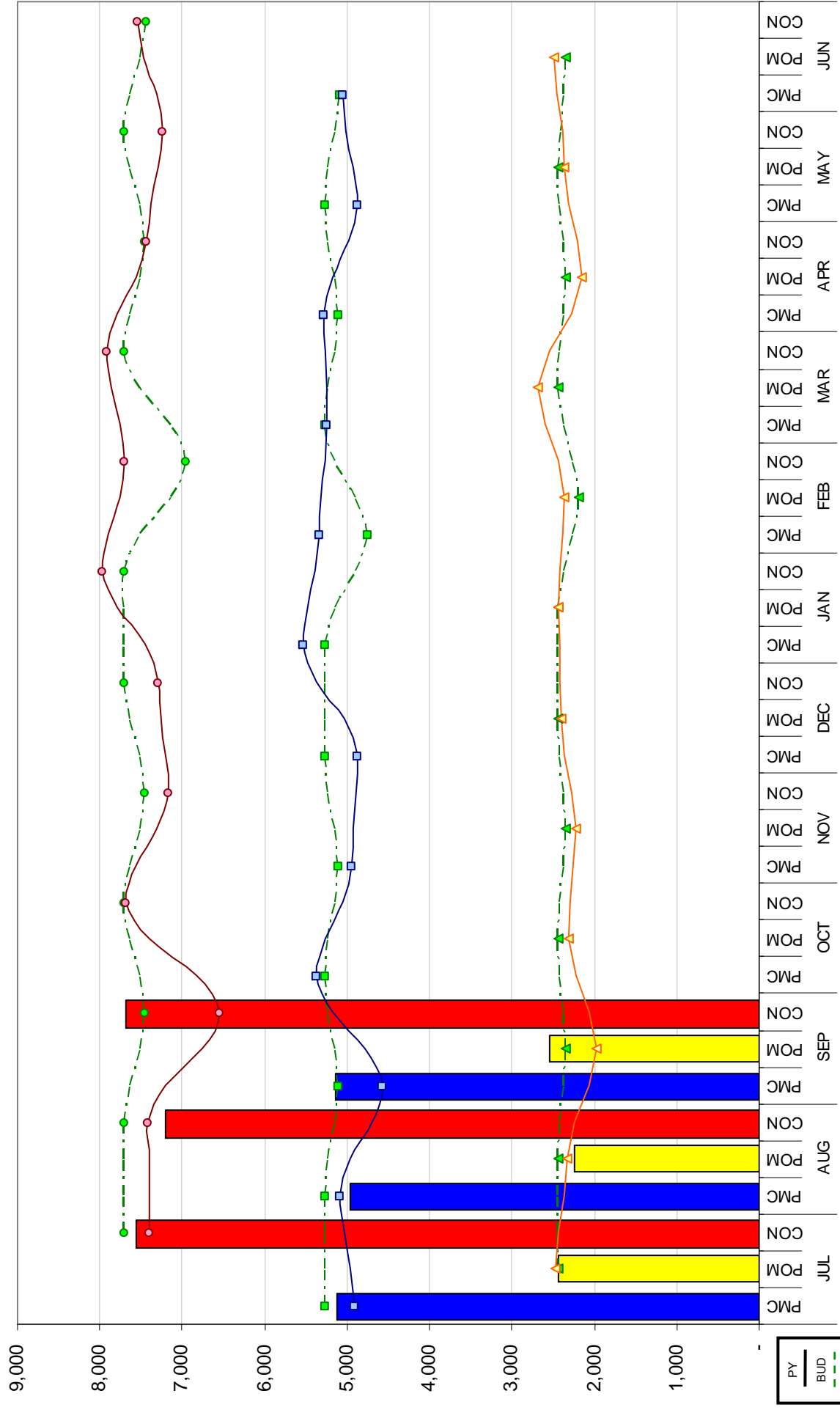
ER Admissions (includes Trauma, Inpatient only)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	982	925	945	-	-	-	-	-	-	-	-	-	2,852	2,804
POM	364	351	360	-	-	-	-	-	-	-	-	-	1,075	967
CON	1,346	1,276	1,305	-	-	-	-	-	-	-	-	-	3,927	3,771

Statistical Indicators

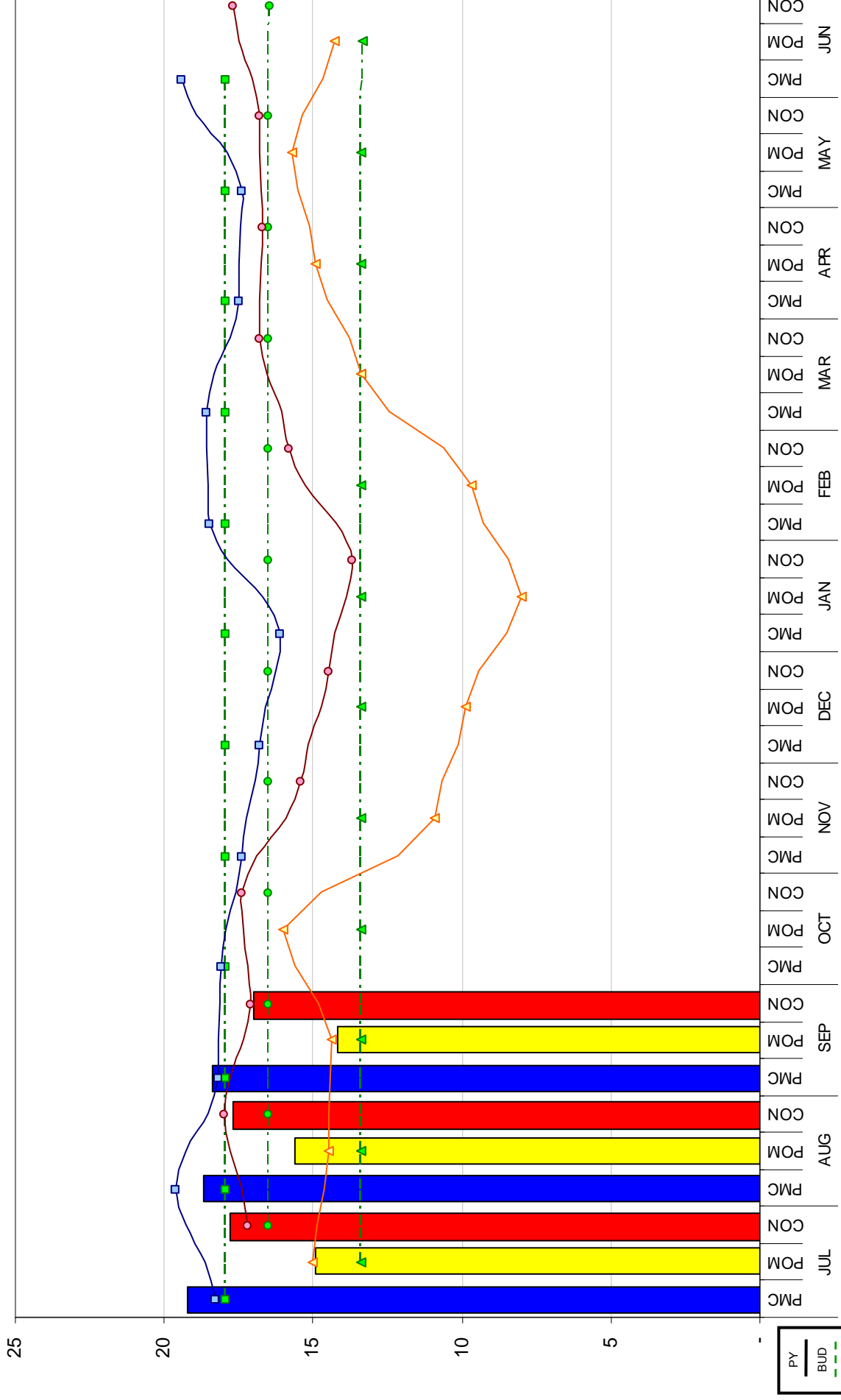
Total ER Visits (includes Trauma & Admissions)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMc	5,119	4,957	5,144	-	-	-	-	-	-	-	-	-	15,220	15,631
POM	2,445	2,246	2,544	-	-	-	-	-	-	-	-	-	7,235	7,214
CON	7,564	7,203	7,688	-	-	-	-	-	-	-	-	-	22,455	22,845

Statistical Indicators

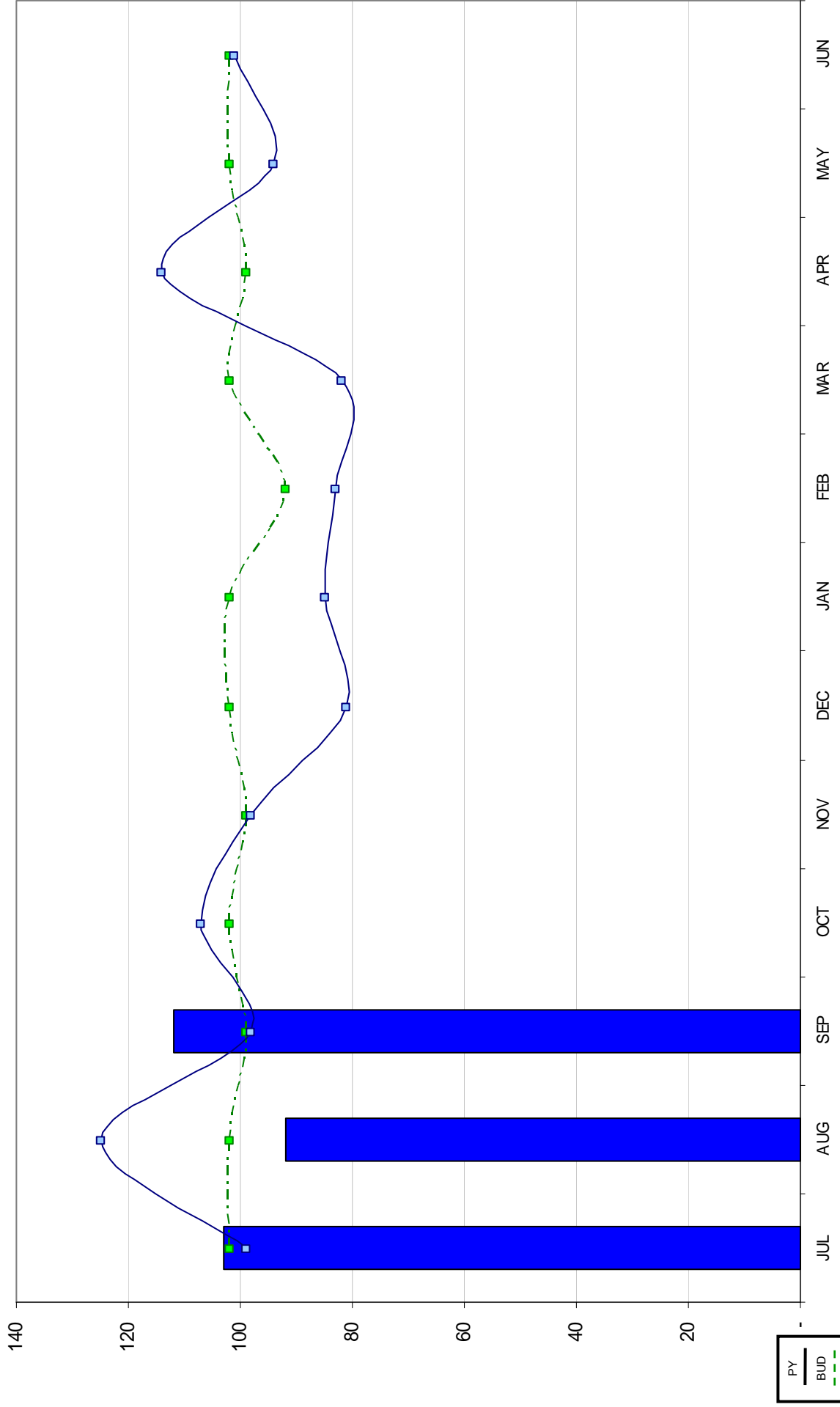
ER Conversion (ER Admits as % of ER Visits)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	19.2	18.7	18.4	-	-	-	-	-	-	-	-	-	18.7	17.9
POM	14.9	15.6	14.2	-	-	-	-	-	-	-	-	-	14.9	13.4
CON	17.8	17.7	17.0	-	-	-	-	-	-	-	-	-	17.5	16.5

Statistical Indicators

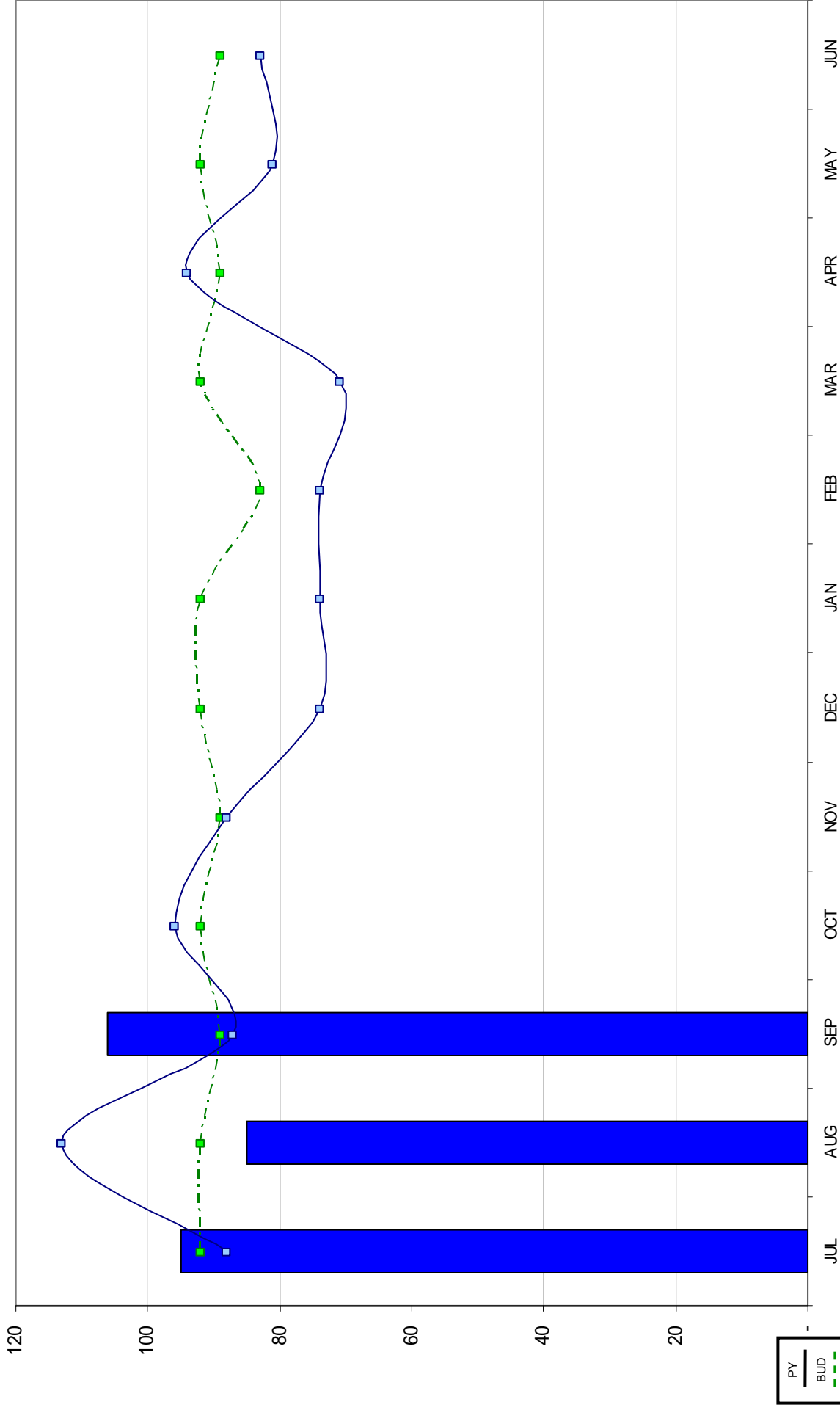
Trauma Cases (PMC only)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	103	92	112	-	-	-	-	-	-	-	-	-	307	303
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	103	92	112	-	-	-	-	-	-	-	-	-	307	303

Statistical Indicators

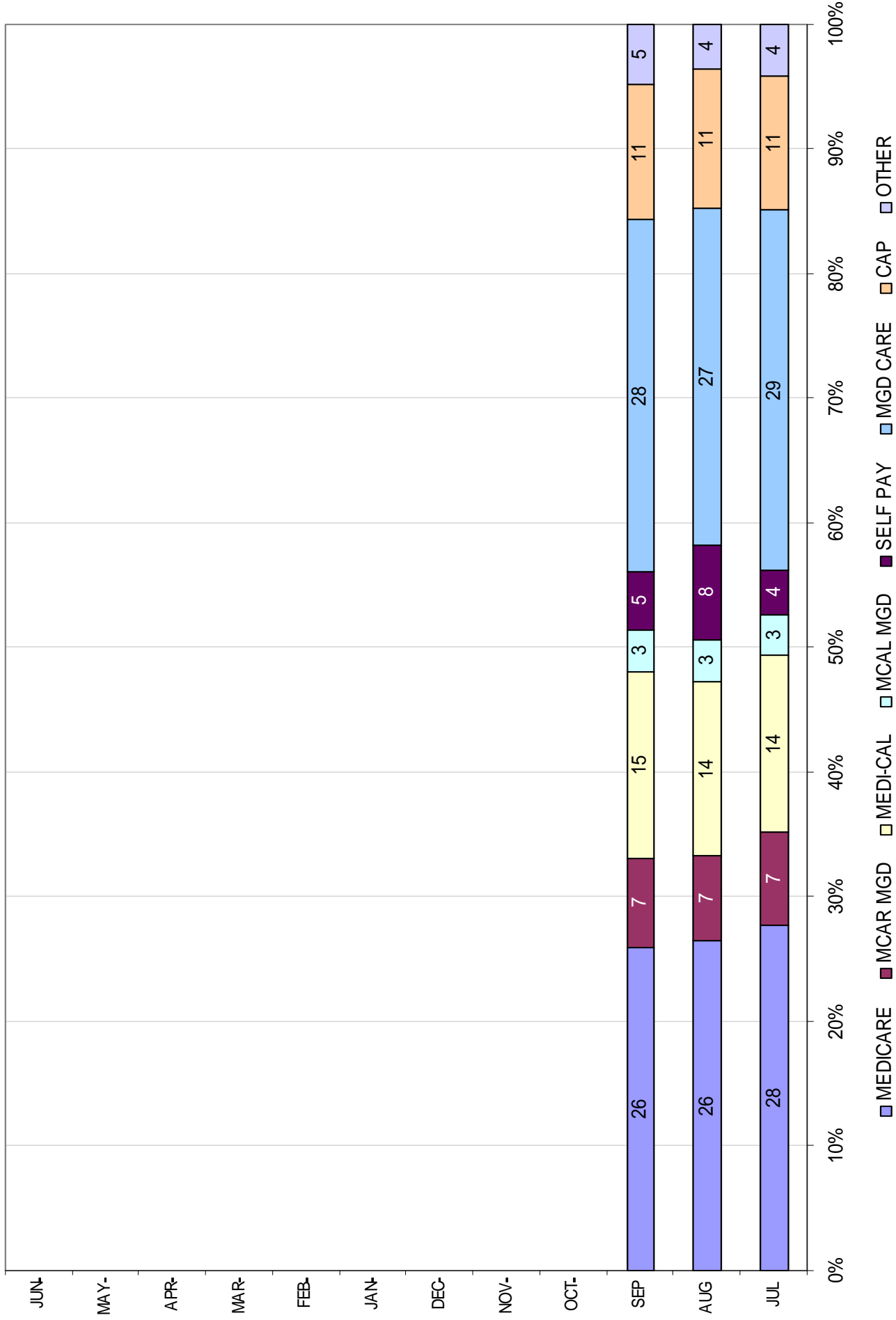
Trauma Admissions (PMC only)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	95	85	106	-	-	-	-	-	-	-	-	-	286	273
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	95	85	106	-	-	-	-	-	-	-	-	-	286	273



Payor Mix  
Based on Gross Revenue



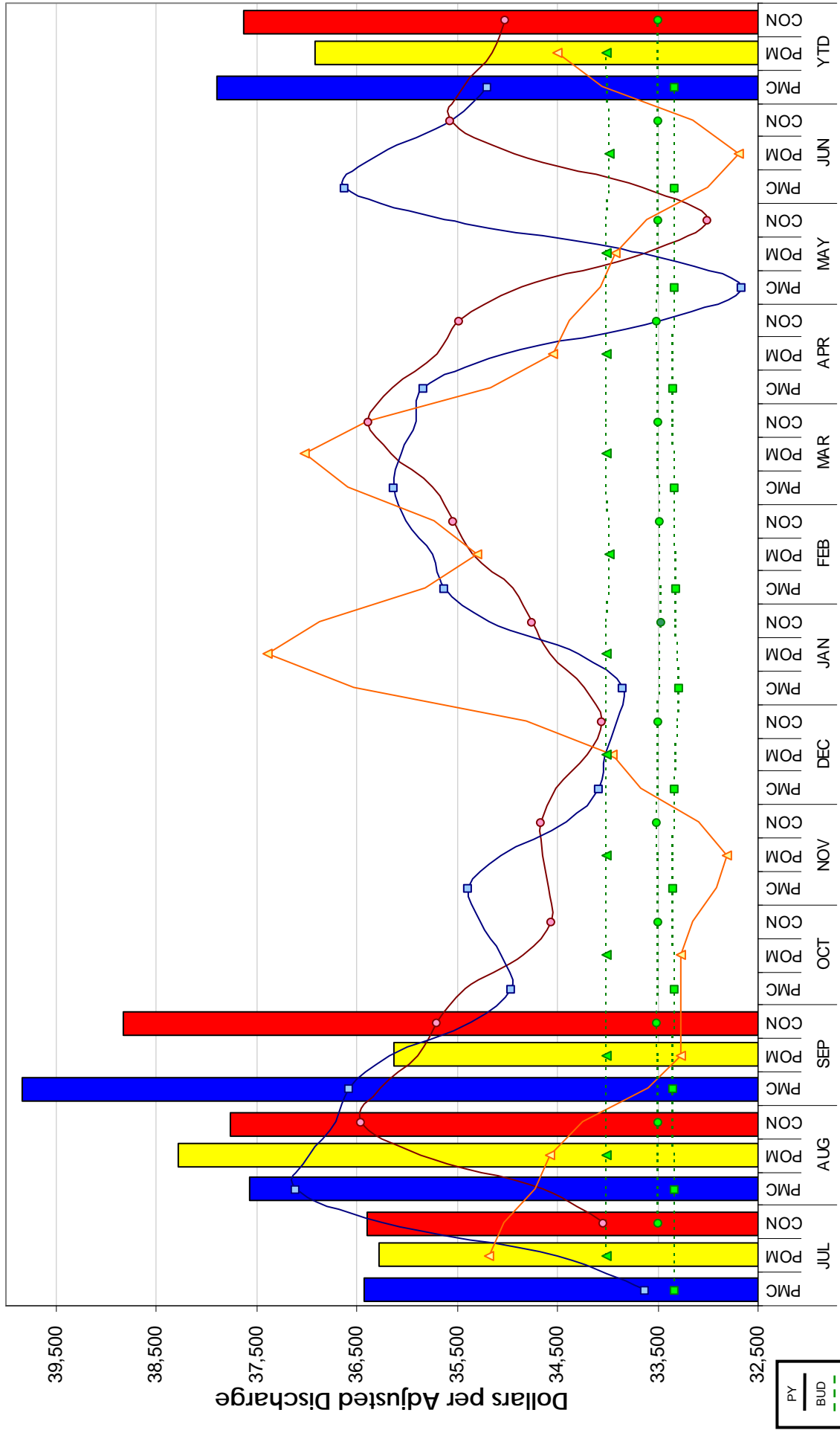






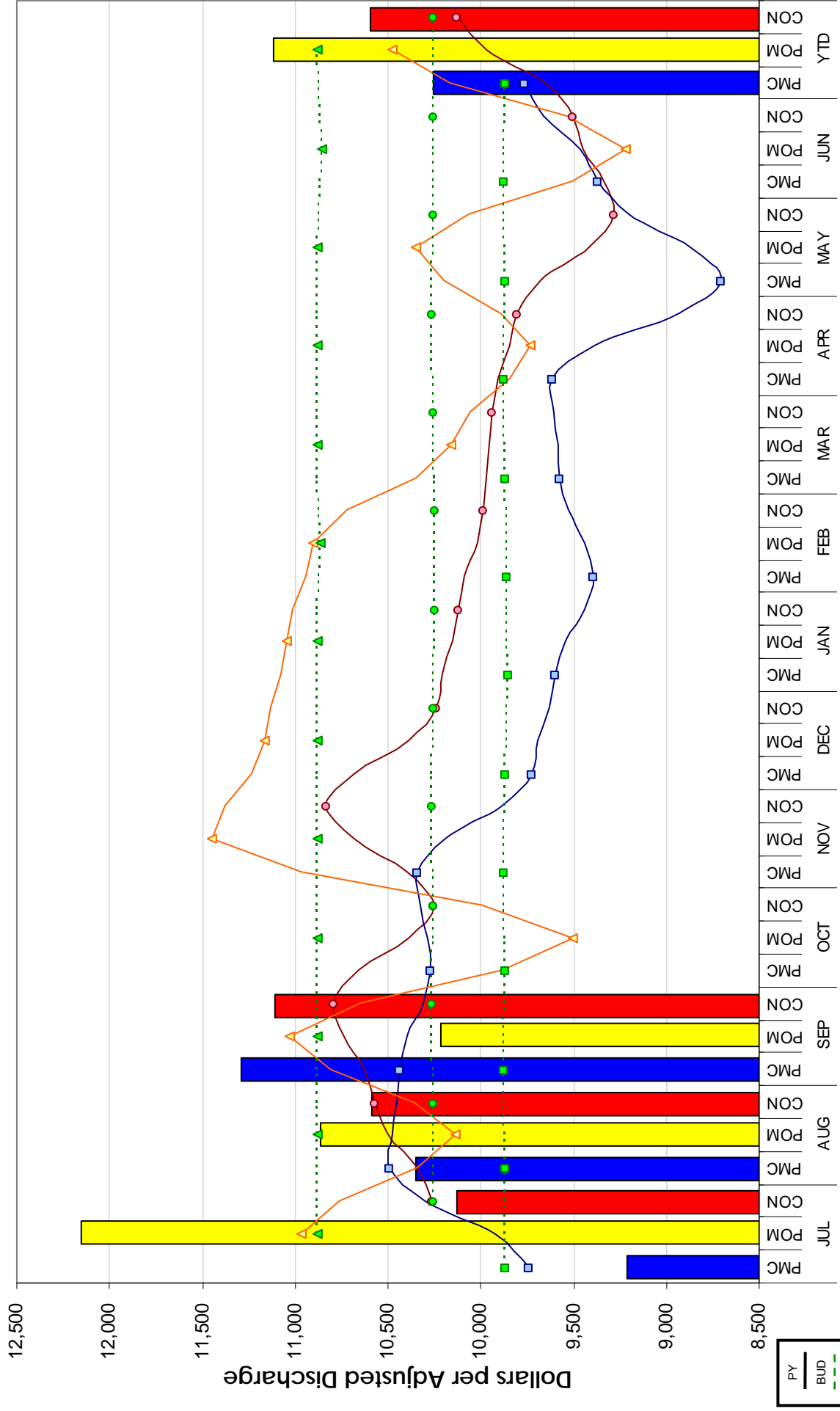


Adjusted Discharges  
Gross Patient Revenue per Adjusted Discharge



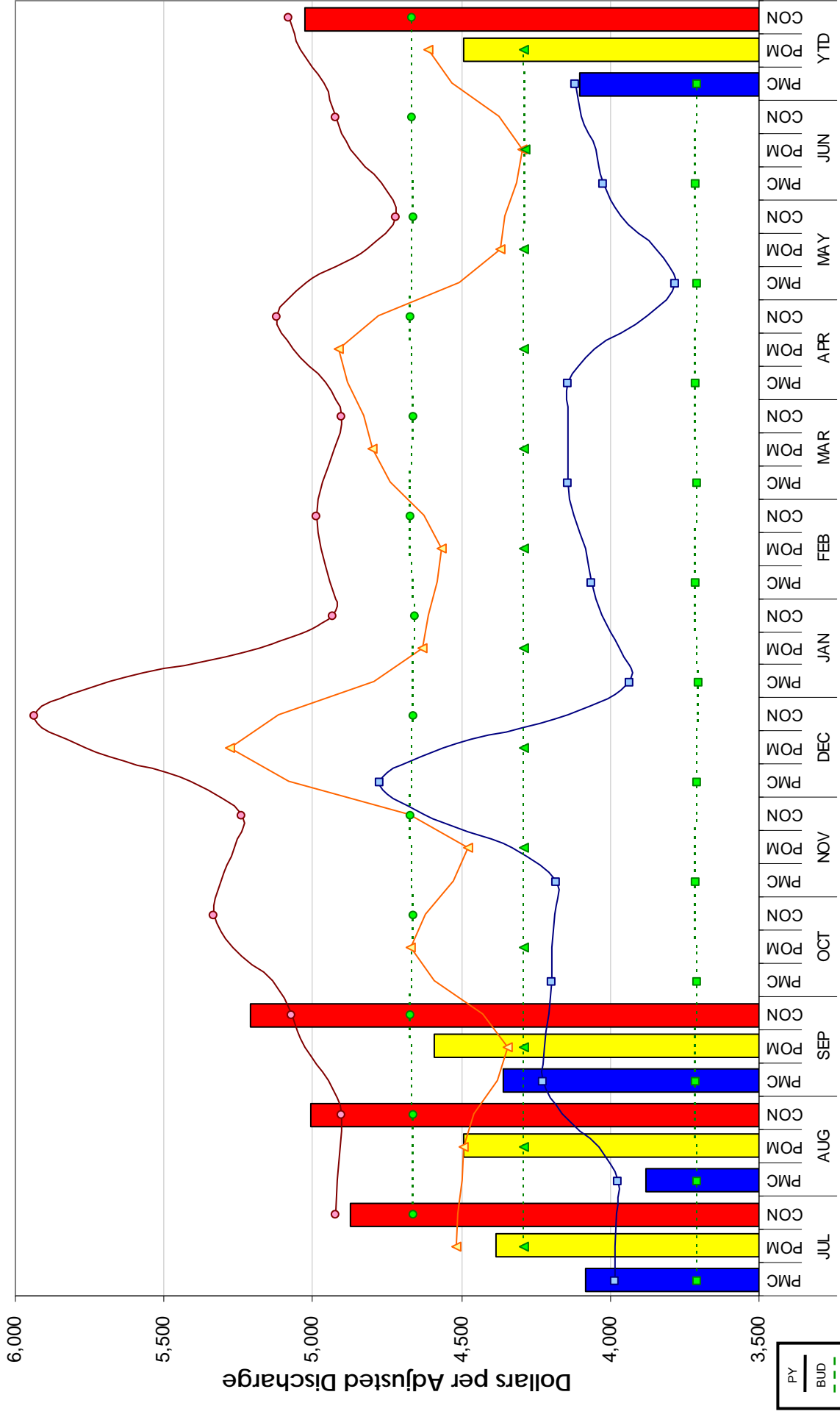
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	36,402	37,574	39,830	-	-	-	-	-	-	-	-	37,893	37,893	38,128
POM	36,286	38,286	36,127	-	-	-	-	-	-	-	-	36,915	36,915	36,845
CON	36,434	39,574	39,830	-	-	-	-	-	-	-	-	37,893	37,893	37,796

Adjusted Discharges  
Net Patient Revenue per Adjusted Discharges



Category	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	9,214	10,346	11,288	-	-	-	-	-	-	-	-	-	10,252	10,412
POM	12,150	10,864	10,216	-	-	-	-	-	-	-	-	-	11,114	11,586
CON	10,126	10,583	11,112	-	-	-	-	-	-	-	-	-	10,593	10,845

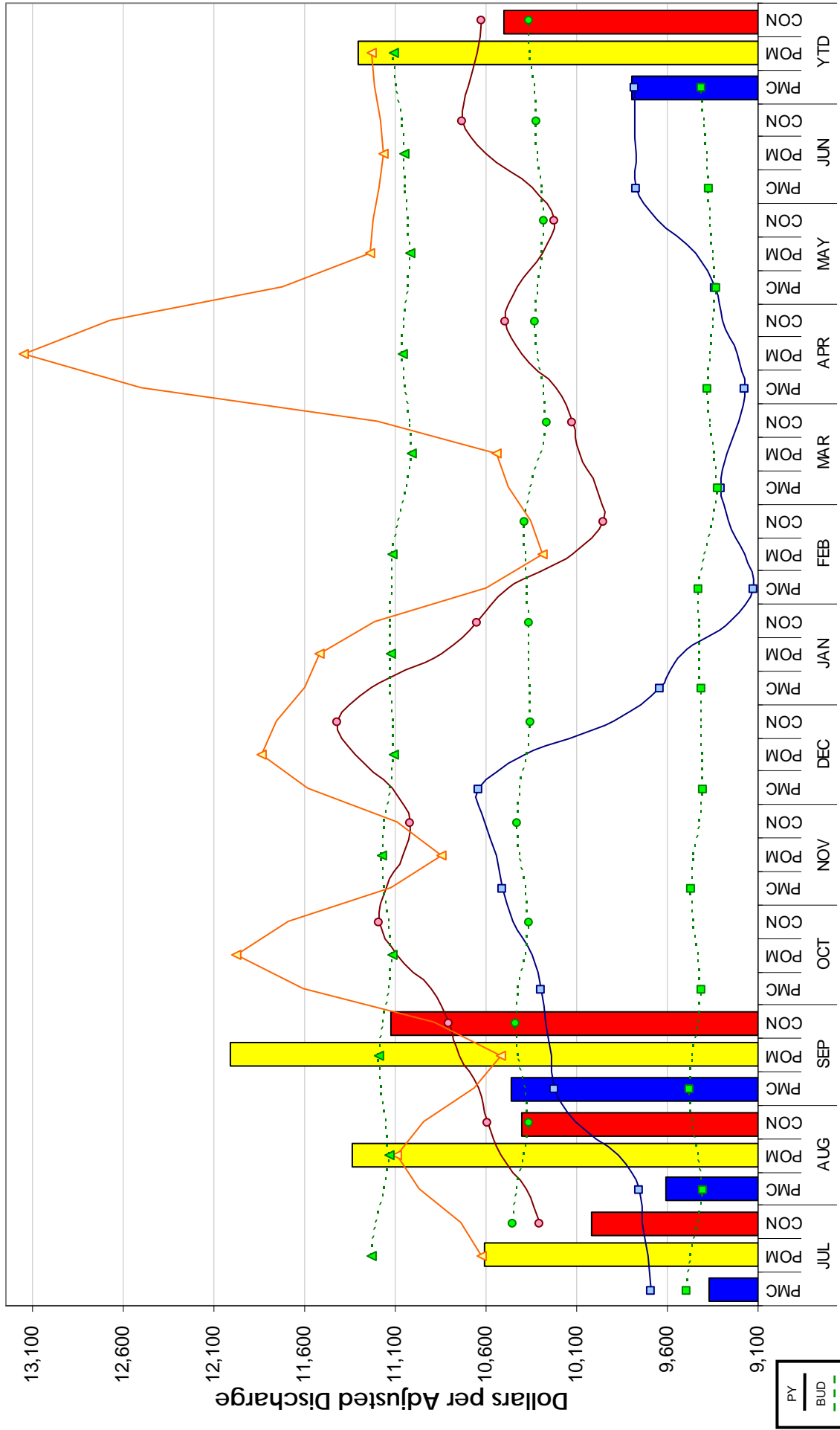
Adjusted Discharges  
Salaries per Adjusted Discharge



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,083	3,882	4,360	-	-	-	-	-	-	-	-	-	4,103	4,300
POM	4,386	4,491	4,594	-	-	-	-	-	-	-	-	-	4,491	4,984
CON	4,874	5,007	5,211	-	-	-	-	-	-	-	-	-	5,026	5,230

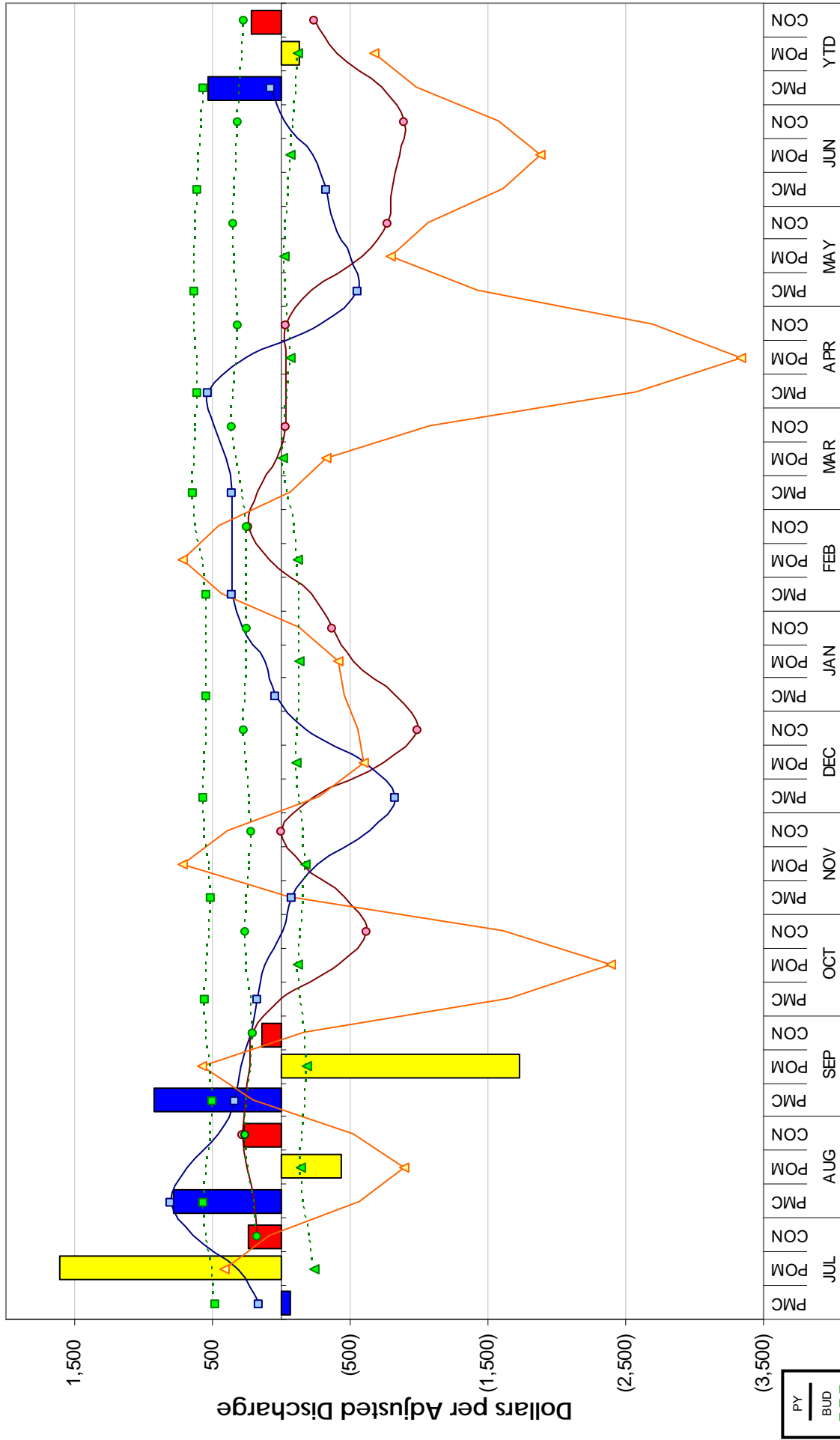


Adjusted Discharges  
Total Expenses per Adjusted Discharge



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	9,372	9,612	10,465	-	-	-	-	-	-	-	-	-	9,798	10,068
POM	10,611	11,342	12,012	-	-	-	-	-	-	-	-	-	11,310	11,868
CON	10,019	10,407	11,123	-	-	-	-	-	-	-	-	-	10,501	10,855

Adjusted Discharges  
Net Operating Income per Adjusted Discharge



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	(67)	785	921	-	-	-	-	-	-	-	-	-	533	431
POM	1,610	(436)	(1,728)	-	-	-	-	-	-	-	-	(135)	(135)	(136)
CON	241	271	146	-	-	-	-	-	-	-	-	221	221	173





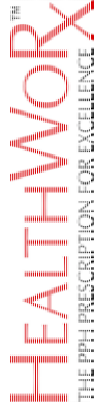
Revenue Cycle Key Indicators  
Trend Report



	Current Month End	Previous Month End	Previous Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Prior Year End	Change from Prior Month
	9/30/2008	8/31/2008	7/31/2008	9/30/2008	6/30/2008	9/30/2007	
	30	31	31	122	366	30	
	Period Ending	Days in Period					
<b>Revenue</b>							
Gross for Month - North & South	127,123,758	130,708,523	130,322,021	\$ 388,154,302	\$ 1,384,127,824	\$ 113,132,629	\$ (3,584,765)
Net Revenue - North & South	36,006,068	36,291,304	35,928,601	\$ 108,225,973	\$ 398,939,675	\$ 34,166,054	\$ (285,236)
Net:Gross %	28.3%	27.8%	27.6%	27.9%	28.8%	30.2%	0.6%
Last 3 Month Daily Average (Gross)	4,219,069	4,083,531	3,913,967	\$ 3,181,593	\$ 3,781,770	\$ 3,715,034	\$ 135,537
Last 3 Month Daily Average (Net)	1,176,369	1,112,262	1,062,581	887,098	1,089,999	1,099,209	64,108
<b>Cash Collections</b>							
Month to Date	39,257,070	27,339,450	32,750,655	\$ 99,347,175	\$ 403,728,413	\$ 29,998,440	\$ 11,917,620
Month to Date Goal	35,998,045	35,998,045	35,998,045	107,994,135	411,670,610	34,331,679	\$ -
Over (under) Goal	3,259,025	(8,658,595)	(3,247,390)	(8,646,960)	(7,942,197)	(4,333,239)	\$ 11,917,620
% of Goal	109%	76%	91%	92.0%	98.1%	87.4%	33.1%
<b>Point of Service Collections</b>							
Month to Date	280,771	422,071	383,610	\$ 1,086,452	\$ 3,387,302	\$ 268,468	\$ (141,300)
Month to Date Goal	347,800	328,800	328,800	1,005,400	3,843,000	297,000	\$ 19,000
Over (under) Goal	(67,029)	93,271	54,810	\$ 81,052	(455,698)	(28,532)	\$ (160,300)
% of Goal	80.7%	128.4%	116.7%	108.1%	88.1%	90.4%	-47.6%
<b>Accounts Receivable</b>							
0-30	102,872,276	97,586,631	93,803,057	\$	\$ 82,995,765	\$ 92,326,129	\$ 5,285,645
31-60	32,283,591	41,452,186	29,189,957		25,895,259	23,662,650	(9,168,595)
61-90	25,618,090	21,011,517	17,733,598		14,408,929	15,517,444	4,606,573
91-180	29,109,510	26,237,085	23,200,921		23,299,340	27,989,145	2,872,425
Over 180	20,327,950	20,247,593	19,299,986		19,271,702	27,971,945	80,357
Total	\$ 210,211,417	\$ 206,535,012	\$ 183,227,519	\$	\$ 165,870,995	\$ 187,467,313	\$ 3,676,405
A/R Days (Gross)	49.82	50.58	46.81	43.54	43.54	50.46	(0.75)
% of AR aged over 180 days	9.7%	9.8%	10.5%	12%	12%	15%	0.00
Number of Accounts		66,295	64,652	61,570	61,570	61,972	(66,295)
<b>Credit Balance Accounts:</b>							
Dollars	\$ (3,758,240)	\$ (3,678,701)	\$ (3,353,734)	\$	\$ (3,144,574)	\$ (2,818,162)	\$ (79,538)
Number of Accounts	5,576	5,206	4,741	4,136	4,136	1,776	370



Revenue Cycle Key Indicators  
Trend Report



	Current Month End	Previous Month End	Previous Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Prior Year Month End	Change from Prior Month
Period Ending Days in Period	9/30/2008 30	8/31/2008 31	7/31/2008 31	9/30/2008 122	6/30/2008 366	9/30/2007 30	
<b>Discharged Not Final Billed (DNFB)</b>							
<b>DNFB Action Required</b>							
HIM (Waiting for Coding)	\$ 5,562,221	\$ 4,929,977	\$ 8,532,373	5,423,822	8,126,127	\$ 632,244	
PBS (Correction required)	1,323,821	1,229,060	775,767	100,312	340,901	\$ 94,761	
Other holds requiring correction							
<b>Total Action Required</b>	<b>6,886,042</b>	<b>6,159,037</b>	<b>9,308,140</b>	<b>5,524,134</b>	<b>8,467,028</b>	<b>-</b>	<b>727,005</b>
<b># of AR Days action Required</b>	<b>1.63</b>	<b>1.51</b>	<b>2.38</b>	<b>1.45</b>	<b>2.28</b>	<b>0.12</b>	
<b>DNFB No Action Required</b>							
4 Day Standard Delay	\$ 14,463,924	\$ 19,781,424	\$ 15,004,930	18,224,428	23,613,635	\$ (5,317,500)	
Other	2,545,009	2,246,400	2,005,116	1,918,384	4,008,534	298,609	
<b>Total No Action Required</b>	<b>17,008,933</b>	<b>22,027,824</b>	<b>17,010,046</b>	<b>20,142,812</b>	<b>27,622,169</b>	<b>(5,018,891)</b>	
<b>Total DNFB \$</b>	<b>23,894,975</b>	<b>28,186,861</b>	<b>26,318,186</b>	<b>25,666,946</b>	<b>36,089,197</b>	<b>(4,291,886)</b>	
<b>Total Days in DNFB</b>	<b>5.66</b>	<b>6.90</b>	<b>6.72</b>	<b>6.74</b>	<b>9.71</b>	<b>(1.24)</b>	
<b>Late Charges</b>							
<b>Late Charges from Date of Service 5 to 20 Days</b>							
Number of line items	8,765	14,642	8,188	31,595	8,261	25,759	6,454
Dollar amount of Charges	1,629,642	1,576,679	1,230,162	4,436,483	949,778	715,422	346,517
Dollar amount of Credits	(919,338)	(1,528,785)	(1,008,136)	(3,456,259)	(660,172)	(268,183)	(520,649)
Net Dollar Amount	710,304	47,894	222,026	980,224	289,606	447,239	(174,132)
Absolute Dollar Amount	\$ 1,629,642	\$ 1,576,679	\$ 1,230,162	\$ 4,436,483	\$ 949,778	\$ 983,604	\$ 346,517
<b>Late Charges from Date of Service &gt; 21 Days</b>							
Number of line items	15,525	16,377	7,400	39,302	95,068	70,743	8,977
Dollar amount of Charges	1,076,002	1,986,513	832,617	3,895,132	1,987,236	1,157,895	1,153,896
Dollar amount of Credits	(1,806,663)	(2,705,300)	(983,240)	(5,495,203)	(1,321,540)	(1,157,359)	(1,722,060)
Net Dollar Amount	(730,661)	(718,787)	(150,623)	(1,600,071)	665,696	536	(568,164)
Absolute Dollar Amount	\$ 2,882,665	\$ 4,691,813	\$ 1,815,857	\$ 9,390,335	\$ 3,308,776	\$ 2,315,253	\$ 2,875,956

# SUPPLEMENTAL INFORMATION

Weekly Flash Report

October 08	Sep 26-Oct 2			Oct 3-Oct 9		Oct 10-Oct 16		MTD Total	MTD Budget	% Variance
ADC (Acute)	306	291	290	0	296	311	(4.98)			
PMC	233	220	222	0	225	231	(2.43)			
POM	73	71	67	0	71	81	(12.28)			
PCCC	92	92	93	0	92	85	8.18			
VP	121	122	119	0	121	123	(1.66)			
Patient Days (Acute)	2145	2040	2029	0	6,214	6,540	(4.98)			
PMC	1632	1540	1557		4,729	4,847	(2.43)			
POM	513	500	472		1,485	1,693	(12.28)			
PCCC	642	644	648		1,934	1,788	8.18			
VP	849	856	835		2,540	2,583	(1.66)			
Discharges	543	549	542	0	1,634	1,694	(3.54)			
PMC	400	415	416		1,231	1,269	(2.99)			
POM	143	134	126		403	425	(5.18)			
Number of Surgeries	237	237	231	0	705	700	0.71			
PMC	160	168	152		480	482	(0.41)			
POM	77	69	79		225	218	3.21			
Number of Births	107	108	94	0	309	308	0.32			
PMC	83	86	71		240	239	0.42			
POM	24	22	23		69	69	-			

Weekly Flash Report

October 08	Sep 26-Oct 2			Oct 3-Oct 9		Oct 10-Oct 16		MTD Total	MTD Budget	% Variance
Outpatient Visits (inc. Lab)								6,049	6,168	(1.93)
PMC	2311	1941	1797	1252	1225	4,121	4,209	4,121	4,209	(2.09)
POM	1644	1252	1225	689	572	1,928	1,959	1,928	1,959	(1.58)
ER Visits								5,177	5,464	(5.25)
PMC	1769	1759	1649	1198	1134	3,541	3,568	3,541	3,568	(0.76)
POM	1209	1198	1134	561	515	1,636	1,896	1,636	1,896	(13.71)
Trauma Visits								75	69	8.70
IP	30	22	23	16	22	66	62	66	62	6.45
OP	28	16	22	6	1	9	7	9	7	28.57
	2	6	1							
Gross IP Revenue	21,994,415	22,167,646	22,425,361	7,715,536	7,635,949	66,587,422	65,804,031	66,587,422	65,804,031	1.19
Gross OP Revenue	7,885,644	7,715,536	7,635,949			23,237,129	20,414,374	23,237,129	20,414,374	13.83
Cash Collection	3,365,503	7,675,866	6,831,451			17,872,820	20,346,721	17,872,820	20,346,721	(12.16)
Days cash on hand	100	99	101			101	80	101	80	
Prod Hrs (PP 7 & 8)	218,690		217,681			436,371	423,766	436,371	423,766	(2.97)
PMC - North	131,210		131,413			262,623	254,941	262,623	254,941	(3.01)
POM - South	55,906		55,355			111,261	111,586	111,261	111,586	0.29
Others	31,574		30,913			62,487	57,239	62,487	57,239	(9.17)
Prod \$ (PP 7 & 8)	7,001,104		6,962,266			13,963,370	13,816,948	13,963,370	13,816,948	(1.06)
PMC - North	4,219,232		4,251,129			8,470,361	8,363,210	8,470,361	8,363,210	(1.28)
POM - South	1,721,930		1,673,282			3,395,212	3,501,162	3,395,212	3,501,162	3.03
Others	1,059,942		1,037,855			2,097,797	1,952,576	2,097,797	1,952,576	(7.44)

## Investment Fund - Quarter Ended September 30, 2008 Yield Analysis

Investment Account:	% of Portfolio at 9/30/08	Maturity Date	Yield	Benchmark	Actual to Benchmark Variance	Total Yield
Fidelity-Institutional Portfolio Treasury Fund	1.24%	Demand	1.72%	0.40%	1.32%	0.02%
State Treasurer Local Agency Investment Fund	13.26%	Demand	2.77%	0.40%	2.37%	0.37%
Salomon Brothers	43.08%	Various	-0.70%	-1.20% -8.40%	0.50% 7.70%	-0.30%
Pacific Income Advisors, Inc.	41.94%	Various	1.20%	1.40% -8.40%	-0.20% 9.60%	0.50%
Morgan Stanley & Co.	0.48%	Various	2.51%	0.40%	2.11%	0.01%
<b>Total:</b>	<u>100.00%</u>				<b>TOTAL YIELD:</b>	<b>0.60%</b>

- (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



# Palomar Pomerado Health

Consolidated Financial Statements  
as of and for the Years Ended  
June 30, 2008 and 2007, and  
Independent Auditors' Report

# PALOMAR POMERADO HEALTH

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# **PALOMAR POMERADO HEALTH**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Overview**

This section of Palomar Pomerado Health's (PPH) annual financial report presents our analysis of PPH's financial performance for the years ended June 30, 2008 and 2007. Although the 2006 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. Subsequent to the issuance of PPH’s 2006 consolidated financial statements, PPH’s management determined that it had improperly classified \$41,294,000 in PPH’s consolidated balance sheet as of June 30, 2006. As a result, the consolidated balance sheet has been restated from amounts previously reported to properly classify such amounts as invested in capital assets, net of related debt; restricted for prepayment of debt; and unrestricted net assets. This change is considered a restatement; however, it did not result in a change in the overall net assets.

### CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2008, 2007, AND 2006

(\$000s)

	2008	2007	2006
ASSETS			
Current assets	\$ 217,613	\$ 236,948	\$ 214,291
Capital assets	379,286	272,211	208,739
Noncurrent assets	<u>351,425</u>	<u>165,152</u>	<u>65,316</u>
TOTAL	<u>\$ 948,324</u>	<u>\$ 674,311</u>	<u>\$ 488,346</u>
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 102,455	\$ 77,105	\$ 66,589
Other long-term liabilities (long-term workers’ compensation)	2,511	5,024	5,697
Fair Value of Interest Rate Swap	6,025		
Long-term debt — net of current portion	<u>531,954</u>	<u>294,724</u>	<u>151,347</u>
Total liabilities	<u>642,945</u>	<u>376,853</u>	<u>223,633</u>
Minority interest	<u>          </u>	<u>          </u>	<u>444</u>
Invested in capital assets — net of related debt	126,940	92,944	74,835
Restricted for repayment of debt	20,708	29,698	12,361
Restricted for capital acquisitions	14,266	13,747	13,115
Restricted for other purposes	304	296	288
Unrestricted	<u>143,161</u>	<u>160,773</u>	<u>163,670</u>
Total net assets	<u>305,379</u>	<u>297,458</u>	<u>264,269</u>
TOTAL	<u>\$ 948,324</u>	<u>\$ 674,311</u>	<u>\$ 488,346</u>

## **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 \$21,391,000.
- Noncurrent assets increased by \$293,349,000 primarily due to the increase of trustee-held funds of \$169,955,000; an increase in capital assets (net) of \$107,075,000 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 \$234,717,000 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.

## **2007: Analysis of the Consolidated Balance Sheets**

- Current assets increased \$22,657,000 in 2007 primarily due to increases in accounts receivable (net) of \$8,514,000 and the current portion of the bond trustee funds of \$15,360,000.
- Capital assets increased by \$63,472,000 primarily due to purchases related to PPH’s major building projects of \$83,071,000 offset by net disposals of \$166,000 and depreciation expense of \$19,453,000.
- Noncurrent assets increased by \$99,836,000 primarily due to the increase of trustee-held funds of \$105,745,000, less a decrease in board-designated funds of \$9,268,000.
- Current liabilities increased by \$10,516,000 primarily due to a \$4,346,000 increase in accounts payable owed for the building project, a \$3,451,000 increase in salaries and vacation payable, and an increase of \$475,000 in the current portion of long-term debt.
- Long-term debt increased by \$143,377,000 primarily as a result of the issuance of \$180,000,000 of Series 2006 Certificates of Participation, less the principal payments on PPH’s other bond issues of \$12,745,000 and the refunded portion of the 1993 bond issue of \$23,245,000.
- Net assets increased \$33,189,000 primarily due to results of operations, 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, 2008, 2007, AND 2006  
(\$000s)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
OPERATING REVENUE:			
Net patient service revenue	\$ 370,661	\$ 336,292	\$ 312,329
Net premium revenue	38,003	40,404	41,953
Other revenue	<u>10,904</u>	<u>9,299</u>	<u>9,835</u>
Total operating revenue	<u>419,568</u>	<u>385,995</u>	<u>364,117</u>
OPERATING EXPENSES	<u>429,010</u>	<u>385,356</u>	<u>364,120</u>
(LOSS) INCOME FROM OPERATIONS	<u>(9,442)</u>	<u>639</u>	<u>(3)</u>
NONOPERATING INCOME (EXPENSES):			
Investment income	6,698	7,275	4,088
Unrealized (loss) gain on interest rate swap	(10,398)	4,373	
Interest expense	(4,514)	(3,337)	(4,406)
Property tax revenue	13,346	12,562	11,495
Property tax revenue — general obligation bonds	11,708	11,016	9,423
Other — net	<u>252</u>	<u>468</u>	<u>384</u>
Total non operating income — net	<u>17,092</u>	<u>32,357</u>	<u>20,984</u>
EXCESS OF REVENUE OVER EXPENSES	7,650	32,996	20,981
OTHER CHANGES IN NET ASSETS	<u>271</u>	<u>193</u>	<u>22</u>
INCREASE IN NET ASSETS	7,921	33,189	21,003
NET ASSETS — Beginning of year	<u>297,458</u>	<u>264,269</u>	<u>243,266</u>
NET ASSETS — End of year	<u>\$ 305,379</u>	<u>\$ 297,458</u>	<u>\$ 264,269</u>
AVERAGE DAILY CENSUS	310	308	308

## **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, the District'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) net operating 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 the District to nonprofit and for-profit hospitals. The provision for bad debts was \$41,357,000 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.
- The average daily census is the number of acute care inpatients in PPH's hospitals every day and is consistent in 2008 and 2007. Although this volume measure is not formally a part of the statement of revenue, expenses, and changes in net assets, it does assist in interpreting the statement because revenue and expenses are closely tied to patient activity. Not included in this number are the skilled nursing facilities patients.
- Operating revenue is generated by PPH's primary activity of treating patients. Operating revenue increased \$33,572,000 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.

### **2007: Analysis of the Consolidated Statement of Revenue, Expenses, and Changes in Net Assets**

- In accordance with generally accepted accounting principles for governmental healthcare providers, the District'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) no operating 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 the District to nonprofit and for-profit hospitals. The provision for bad debts was \$41,968,000 in fiscal year 2007 and \$22,113,000 in fiscal year 2006, and interest expense was \$3,337,000 in fiscal year 2007 and \$4,406,000 in fiscal year 2006.
- The average daily census is the number of acute care inpatients in PPH's hospitals every day and is consistent in 2007 and 2006. Although this volume measure is not formally a part of the statement of revenue, expenses, and changes in net assets, it does assist in interpreting the statement because revenue and expenses are closely tied to patient activity. Not included in this number are the skilled nursing facilities patients.
- Operating revenue is generated by PPH's primary activity of treating patients. Operating revenue increased \$21,878,000 in 2007 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 \$21,236,000 in 2007 primarily due to increases in labor costs of approximately \$16,413,000, purchased services of \$1,097,000, professional fees of \$3,310,000, depreciation expense of \$716,000, and a decrease in supplies expense of \$2,853,000. The labor increase is due to PPH investment in its employees through wage increases and the implementation of a new benefit; where the employer provides a 50% match, up to limits, of the employee's contribution to the Deferred Compensation Program. Increases in purchased services are primarily the result of license, consulting, and maintenance fees for the replacement of all financial and clinical information technology (IT) systems during fiscal years 2004 to 2007, collection fees on bad debt recoveries, and administration of the Medi-Cal Administrative Activities Program. The increase in professional fees represents PPH's commitment to healthcare, especially in pediatrics, trauma, and emergency on-call doctors. Devising strategic business plans and implementing revenue cycle management also attributed to increased professional costs. The decrease in supplies is due to improved contracts with vendors and management of supplies.
- Operating income in 2007 was \$639,000. This favorable operating gain 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 (the County). PPH's non operating income was \$32,357,000 in 2007 and \$20,984,000 in 2006, due to the 2006 interest rate swap amount of \$4,373,000 and increased property tax revenue received of \$2,660,000. Property tax revenues applicable to Measure BB ad valorem taxes for general obligation bonds were \$11,016,000 and are in addition to the unrestricted property tax revenues of \$12,562,000.
- As a result of the factors noted above, net assets increased by \$33,189,000 in 2007, which is \$12,186,000 greater than the 2006 increase in net assets of \$21,003,000.

**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, 2008, 2007, AND 2006**  
**(\$000s)**

	2008	2007	2006
CASH FLOWS FROM:			
Operating activities	\$ 9,980	\$ 15,687	\$ 13,496
Noncapital financing activities	20,203	13,754	11,830
Capital and related financing activities	115,282	50,067	13,290
Investing activities	<u>(134,252)</u>	<u>(80,143)</u>	<u>(49,278)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	11,213	(635)	(10,662)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,366</u>	<u>2,001</u>	<u>12,663</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 12,579</u>	<u>\$ 1,366</u>	<u>\$ 2,001</u>

See notes to consolidated financial statements.

**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 \$134,000 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.

### **2007: Analysis of the Consolidated Statement of Cash Flows**

- Operating activities cash inflows reflected an increase of approximately \$2,191,000 in 2007 over 2006. This increase is attributed to increased payments to suppliers and employees of \$7,221,000 offset by increases in cash collections of patient accounts of \$12,095,000.
- Noncapital financing activities consist primarily of property taxes received, which increased by \$1,131,000 in 2007 compared to 2006 due to increased property values in the district.
- Net cash inflows from capital and related financing activities in 2007 were \$50,067,000 primarily due to the receipt of \$180,000,000 of proceeds from the 2006 Certificates of Participation and \$11,016,000 of property taxes for debt service, offset by the funding of PPH's building projects of \$83,071,000, the payment of long-term debt of \$12,745,000, and a refund of debt of 23,245,000 and deferred financing fees of \$9,986,000.
- Investing activities cash outflows were \$80,143,000 in 2007. This outflow is mainly comprised of the remaining proceeds of the 2006 Certificates of Participation, which were invested in money market funds.
- The ending cash and cash equivalents of \$1,366,000 reflect the checking account and overnight investment balances held by PPH. In addition, there were current investments of \$107,848,000 at June 30, 2007.

### **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 the PPH debt is presented in Note 8 to the consolidated financial statements. PPH has an underlying Moody's rating of A3, outlook of negative, the underlying rating to the PPH 2006 Revenue and Refunding Certificates of Participation that were issued on December 7, 2006. This rating is still effective as of June 30, 2008. 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.

## **2007: 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.

During fiscal years 2005 through 2007, PPH completed the design and purchased land and for the new hospital campus and a new satellite facility. In connection with the major building expansion, two buildings were purchased during fiscal year 2007 for an additional satellite facility and to expand the Palomar Medical Center site. The land purchases are reflected in construction in progress. 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. During 2007, PPH issued \$180,000,000 Certificates of Participation and refunded the remaining portion (\$23,245,000) of the 1993 revenue bonds. PPH made principal payments on these issues totaling \$6,560,000, bringing the net long-term bond principal to \$232,860,000. All debt payments were made timely and PPH was in good standing on all bond covenants throughout the year. More detailed information about the PPH debt is presented in Note 8 to the consolidated financial statements. PPH has an underlying Moody's rating of A3, outlook of negative, the underlying rating to the PPH 2006 Revenue and Refunding Certificates of Participation that were issued on December 7, 2006. This rating is still effective as of June 30, 2007. 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. A principal payment of \$6,185,000 reduced the general obligation bond principal to \$73,815,000.

## **Liquidity and Capital Resources**

PPH's unrestricted liquidity position as of June 30, 2008, was \$86,278,000, including \$12,578,000 in operating cash and \$73,700,000 in unrestricted investments stated at fair market value. PPH's unrestricted liquidity position as of June 30, 2007, was \$109,213,000, including \$1,366,000 in operating cash and \$107,848,000 in unrestricted investments stated at fair market value. The available liquidity of \$86,278,000 represents a 21% decrease over the \$109,213,000 in available liquidity as of June 30, 2007, and equaled 40% of total outstanding debt exclusive of the general obligation bonds, which are funded separately from ad valorem taxes as of June 30, 2008 (as compared to available liquidity representing 47% of total outstanding debt as of June 30, 2007).

## **Economic and Other Factors**

A number of significant factors are affecting the financial health of healthcare providers. Some major factors working in favor of healthcare providers 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.

Some major factors working against healthcare providers are as follows:

*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.

*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.

*HIPAA* — The Health Insurance Portability and Accountability Act (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 to 2013. The District applied for an extension from the California Department of Health Services, moving our deadline to 2013, 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, 15255 Innovation Drive, San Diego, California 92128.

## 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, 2008 and 2007, 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 consolidated 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, 2008 and 2007, and the results of its operations, changes in its 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 1–10 is not a required part of the basic consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of PPH's management. We have applied certain limited procedures, which consisted principally 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.



October 31, 2008

# PALOMAR POMERADO HEALTH

## CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2008 AND 2007

	2008	2007
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,578,422	\$ 1,365,825
Investments	73,699,656	107,847,524
Patient accounts receivable — net of allowances for uncollectible accounts of \$18,680,880 in 2008 and \$25,091,024 in 2007	86,222,040	79,480,764
Other receivables	5,722,105	5,094,079
Supplies/inventories	6,826,298	7,025,980
Prepaid expenses and other	3,790,644	2,071,008
Estimated third-party payor settlements		2,579,788
Assets whose use is limited — current portion	13,100,285	20,423,102
Assets whose use is limited — general obligation bonds — current portion	<u>15,673,263</u>	<u>11,059,835</u>
Total current assets	<u>217,612,713</u>	<u>236,947,905</u>
ASSETS WHOSE USE IS LIMITED:		
Held by trustee under indenture agreements	74,383,931	143,415,962
Held by trustee under general obligation bonds indenture	254,417,149	15,948,450
Held in escrow for street improvements	14,266,048	13,747,385
Board-designated for capital improvements	12,117,325	
Restricted by donor	<u>303,600</u>	<u>296,184</u>
Total assets whose use is limited	355,488,053	173,407,981
Less current portion	<u>28,773,548</u>	<u>31,482,937</u>
Total assets whose use is limited — long-term portion	<u>326,714,505</u>	<u>141,925,044</u>
CAPITAL ASSETS — Net	<u>379,286,440</u>	<u>272,211,204</u>
OTHER ASSETS:		
Deferred financing costs — net	15,644,785	12,872,644
Fair value of interest rate swap		4,372,610
Investment in and amounts due from affiliated entities	4,413,999	922,555
Other	<u>4,651,618</u>	<u>5,058,653</u>
Total other assets	<u>24,710,402</u>	<u>23,226,462</u>
TOTAL	<u>\$948,324,060</u>	<u>\$674,310,615</u>

(Continued)

# PALOMAR POMERADO HEALTH

## CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2008 AND 2007

	2008	2007
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 44,500,881	\$ 27,500,589
Accrued compensation and related liabilities	23,606,587	22,392,538
Current portion of long-term debt	8,785,000	7,765,000
Current portion of general obligation bonds	875,000	5,455,000
Estimated third-party payor settlements	807,165	
Other accrued liabilities	15,815,317	12,085,067
Accrued interest payable	8,065,133	1,906,574
	<u>102,455,083</u>	<u>77,104,768</u>
Total current liabilities	102,455,083	77,104,768
WORKERS' COMPENSATION — Net of current portion	2,510,539	5,024,092
LONG-TERM DEBT — General obligation bonds — net of current portion	317,477,705	71,887,529
LONG-TERM DEBT — Net of current portion	214,476,441	222,836,295
Fair Value of Interest Rate Swap	6,025,221	
	<u>642,944,989</u>	<u>376,852,684</u>
Total liabilities	642,944,989	376,852,684
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS:		
Invested in capital assets — net of related debt	126,939,548	92,943,745
Restricted for repayment of debt	20,708,414	29,697,684
Restricted for capital acquisitions	14,266,048	13,747,385
Restricted for other purposes	303,600	296,184
Unrestricted	143,161,461	160,772,933
	<u>305,379,071</u>	<u>297,457,931</u>
Total net assets	305,379,071	297,457,931
TOTAL	<u>\$948,324,060</u>	<u>\$674,310,615</u>

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, 2008 AND 2007

	2008	2007
OPERATING REVENUE:		
Net patient service revenue	\$ 370,660,715	\$ 336,292,010
Net premium revenue	38,002,581	40,404,661
Other revenue	10,904,475	9,298,680
	<u>419,567,771</u>	<u>385,995,351</u>
Total operating revenue		
OPERATING EXPENSES:		
Salaries, wages, and benefits	250,318,616	228,423,416
Professional fees	28,651,792	24,194,148
Supplies	66,020,102	60,701,511
Purchased services	34,116,714	29,243,490
Depreciation and amortization	21,391,200	19,453,012
Rent expense	7,495,277	3,791,199
Utilities expense	4,978,704	4,380,474
Other	16,037,810	15,168,756
	<u>429,010,215</u>	<u>385,356,006</u>
Total operating expenses		
(LOSS) INCOME FROM OPERATIONS	<u>(9,442,444)</u>	<u>639,345</u>
NONOPERATING INCOME (EXPENSES):		
Investment income	6,697,732	7,275,455
Unrealized (loss) gain on interest rate swap	(10,397,831)	4,372,610
Interest expense	(4,514,350)	(3,336,726)
Property tax revenue	13,346,453	12,561,796
Property tax revenue — general obligation bonds	11,708,250	11,015,695
Other — net	251,648	468,491
	<u>17,091,902</u>	<u>32,357,321</u>
Total nonoperating income — net		
EXCESS OF REVENUE OVER EXPENSES	7,649,458	32,996,666
OTHER CHANGES IN NET ASSETS	<u>271,682</u>	<u>192,678</u>
INCREASE IN NET ASSETS	7,921,140	33,189,344
NET ASSETS — Beginning of year	<u>297,457,931</u>	<u>264,268,587</u>
NET ASSETS — End of year	<u>\$ 305,379,071</u>	<u>\$ 297,457,931</u>

See notes to consolidated financial statements.



# PALOMAR POMERADO HEALTH

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from:		
Patients, insurers, and other third-party payors	\$ 431,941,146	\$ 395,313,638
Other sources	8,827,258	4,926,968
Payments to:		
Employees	(251,618,120)	(225,644,550)
Suppliers	<u>(179,170,616)</u>	<u>(158,909,078)</u>
Net cash provided by operating activities	<u>9,979,668</u>	<u>15,686,978</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipt of District taxes	13,346,453	12,561,795
Other	<u>6,856,603</u>	<u>1,192,150</u>
Net cash provided by noncapital financing activities	<u>20,203,056</u>	<u>13,753,945</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(107,155,701)	(84,606,632)
Proceeds from the sale of capital assets		97,225
Interest paid	(13,868,483)	(10,463,983)
Deferred financing costs	(3,265,502)	(9,985,588)
Proceeds from issuance of debt	241,083,318	180,000,000
Repayment of long-term debt	(13,220,000)	(35,990,000)
Receipt of property taxes restricted for debt service on general obligation bonds	<u>11,708,250</u>	<u>11,015,694</u>
Net cash provided by capital and related financing activities	<u>115,281,882</u>	<u>50,066,716</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(567,037,203)	(387,468,888)
Sale of investments	432,216,720	303,045,970
Interest received on investments and notes receivable	568,474	4,695,139
Net distributions and payments from affiliated entities and others	<u>                    </u>	<u>(415,316)</u>
Net cash used in investing activities	<u>(134,252,009)</u>	<u>(80,143,095)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,212,597	(635,456)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,365,825</u>	<u>2,001,281</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 12,578,422</u>	<u>\$ 1,365,825</u>

(Continued)

# PALOMAR POMERADO HEALTH

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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	2008	2007
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) Income from operations	\$ (9,442,444)	\$ 639,345
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	21,391,200	19,453,012
Provision for bad debts	41,357,543	41,968,210
Equity in earnings of affiliates	(831,444)	(623,763)
Minority interest		(28,297)
Changes in assets and liabilities — net of effect of acquisition of controlling interest in Escondido Surgery Center:		
Patient accounts receivable	(48,098,819)	(50,482,348)
Other receivables	(628,026)	(1,255,766)
Supplies/inventories	199,682	(88,334)
Prepaid expenses and other	(1,719,636)	222,985
Accounts payable	2,551,660	4,549,545
Accrued compensation and related liabilities	(1,299,504)	2,778,866
Other accrued liabilities	1,070,250	2,602,145
Estimated third-party payor settlements	3,386,953	(1,584,736)
Other — net	<u>2,042,253</u>	<u>(2,463,886)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,979,668</u>	<u>\$ 15,686,978</u>
NONCASH INVESTING AND CAPITAL AND FINANCING ACTIVITIES — Capital expenditures included in accounts payable	<u>\$ 26,405,064</u>	<u>\$ 11,956,432</u>

See notes to consolidated financial statements.

(Concluded)

# PALOMAR POMERADO HEALTH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** — Palomar Pomerado Health (PPH or the “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 of PPH:

- Palomar Medical Center, located in Escondido, CA, including Palomar Continuing Care Center, a convalescent facility
- Pomerado Hospital, located in Poway, CA, includes Villa Pomerado, a convalescent facility and Pomerado Outpatient Pavilion, an ambulatory center
- San Marcos Ambulatory Care Center, located in San Marcos, CA
- 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 the Albertson’s store in Escondido and Rancho Penasquitos, retail health centers

In fiscal year 2008, PPH agreed to a joint venture with US Radiosurgery using the latest in Trilogy stereotactic radio-surgery systems. This new technology starts in fiscal year 2009.

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 partnership with 343 E. 2<sup>nd</sup> Avenue Investors, LTD was dissolved on November 12, 2007. PPH owned 100% of EASCI Investors, L.P. upon dissolution. Escondido Surgery Center is now one of the outpatient departments of PPH effective December 1, 2007. The purpose of the partnership with 343 E. 2<sup>nd</sup> Avenue Investors, LTD was to lease property located at 343 E. 2<sup>nd</sup> Avenue to Escondido Surgery Center. PPH acquired 100% of the land from this partnership in dissolution. All transactions between the District’s divisions and with the Escondido Surgery Center have been eliminated in the accompanying consolidated financial statements. All assets and liabilities of Escondido Surgery Center became assets and liabilities of PPH.

**Basis of Presentation** — The consolidated financial statements have been prepared in accordance with the applicable provisions of the American Institute of Certified Public Accountants’ 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 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 million into an escrow account. The balance in the escrow account of \$14,266,000 and \$13,747,000 on June 30, 2008 and 2007, respectively, is included in assets whose use is limited in the accompanying 2008 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:

	<b>Years</b>
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 \$6,982,000 and \$5,010,000 for the years ended June 30, 2008 and 2007, 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 \$10,960,000 and \$3,313,000 for the years ended June 30, 2008 and 2007, 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. There were no impairment losses recorded in the years ended June 30, 2008 and 2007.

**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 \$18,924,000 and \$15,033,000, net of accumulated amortization of \$3,279,000 and \$2,160,000, as of June 30, 2008 and 2007, respectively.

**Interest Rate Swap** — PPH has entered into a variable-to-fixed interest rate swap, which is reflected at fair value in the 2008 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 PPH's bond obligations. This translated into a year-end exposure of \$6,025,000.

**Net Assets** — Net assets of the District 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 the District. 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 these agreements, PPH receives monthly capitation payments based on the number of each payor’s participants, regardless of services actually performed by PPH. Under some of 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 risk pools, PPH estimates incurred but not reported (IBNR) claims for medical services provided to patients. IBNR liabilities of \$5,090,000 and \$5,656,000 are included in other accrued liabilities in the accompanying consolidated balance sheets as of June 30, 2008 and 2007, 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, 2008 and 2007, were approximately \$22,601,000 and \$22,473,000, 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, 2008 and 2007, consists of the following:

	2008	2007
To support operations	\$ 13,346,453	\$ 12,561,796
For debt service on general obligation bonds	<u>11,708,250</u>	<u>11,015,695</u>
Total	<u>\$25,054,703</u>	<u>\$23,577,491</u>

**Recent Accounting Pronouncements** — In September 2006, the GASB issued GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. PPH adopted GASB Statement No. 48 effective for the fiscal year beginning July 1, 2007. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. Adoption of the statement did not have a material effect on PPH’s net assets or revenue, expenses, and changes in net assets.

In May 2007, the GASB issued GASB Statement No. 50, *Pension Disclosure*. The District has adopted GASB Statement No. 50 effective for the fiscal year beginning July 1, 2007. GASB Statement No. 50 establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. Adoption of this statement did not have a material effect on the District’s consolidated net assets or revenue, expenses, and changes in net assets.

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 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. Management does not believe that implementation of this statement will have a material effect on the District'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 is currently evaluating the impact of applying the provisions of this statement on PPH's consolidated financial statements.

**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 59% of PPH's net patient service revenue for the year ended June 30, 2008, and 60% for the year ended June 30, 2007.

The administrative procedures for the cost-based programs preclude final determination of the amounts payable or receivable until after cost reports of PPH are audited or otherwise reviewed and settled with the respective agencies. The cost reports for Medicare and Medi-Cal programs have been settled through fiscal 2002 and 2004, respectively. Results of cost report settlements, as well as estimates for settlements of all fiscal years through 2008, have been reflected in the accompanying consolidated financial statements.

At June 30, 2008, estimated third-party settlements resulted in an \$807,000 liability. Conversely, at June 30, 2007, estimated third-party settlement resulted in a \$2,580,000 receivable. During fiscal 2008 and 2007, PPH settled various prior-year cost reports and appeal issues. These settlements resulted in approximately \$1,722,000 and \$1,677,000 of additional revenues in fiscal 2008 and 2007, 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 INVESTMENTS

The State of California Government Code (the "Government Code") generally authorizes the District 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.

The District'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. Additionally, as of June 30, 2008, PPH has invested \$150,000,000 of their bond proceeds in this fund. 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, 2008 and 2007, PPH had investments and maturities as follows:

Investment Type	2008			
	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	More Than 5
LAIF	\$ 166,167,864	\$ 166,167,864	\$ -	\$ -
U.S. Government Bonds	29,630,045	6,374,208	23,255,837	
U.S. Treasury Bills	28,453,053	5,068,805	23,384,248	
Corporate Bonds	10,497,944	1,001,389	9,496,555	
Money Market Mutual Funds	<u>194,438,803</u>	<u>194,438,803</u>		
Total	<u>\$ 429,187,709</u>	<u>\$ 373,051,069</u>	<u>\$ 56,136,640</u>	<u>\$ -</u>
Investment Type	2007			
	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	More Than 5
LAIF	\$ 576,618	\$ 576,618	\$ -	\$ -
U.S. Government Bonds	23,538,638	2,326,311	21,212,327	
U.S. Treasury Bills	31,890,686	3,803,767	28,086,919	
Corporate Bonds	11,600,798	5,468,367	6,132,431	
Money Market Mutual Funds	<u>213,648,765</u>	<u>213,648,765</u>		
Total	<u>\$ 281,255,505</u>	<u>\$ 225,823,828</u>	<u>\$ 55,431,677</u>	<u>\$ -</u>



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, the District’s investment policy 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.

**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 the District’s investment in commercial paper, corporate bonds, and bond mutual funds with an “A” rating issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit investment choices. As of June 30, 2008 and 2007, 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 CDs rated Superior or better by Interactive Data Corp., and the District’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 the District 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, 2008 and 2007, are as follows:

Issuer	Investment Type	2008	2007
US Bank, Trustee	First Amer Treas Oblig, Class D	\$ 64,427,857	\$ 133,567,962
AAA Inst Money Trust	Money Market (Morgan Stanley)		39,363,317
Wells Fargo Advantage Government Money Market	US Government Money Market Funds	<u>118,878,337</u>	<u>29,824,421</u>
Total		<u>\$ 183,306,194</u>	<u>\$ 202,755,700</u>

**Custodial Credit Risk — Investments** — All of the District’s investments are insured or registered or are held by the District’s agent in the agent’s nominee name, with subsidiary records listing the District as the legal owner. For these reasons, the District 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, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2008 and 2007, the District’s bank balances totaled \$14,394,000 and \$3,768,000, 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.

Subsequent to June 30, 2008, the fair value of certain investments held by PPH declined as a result of the recent credit crisis in the U.S. marketplace. As a result of this, PPH experienced unrealized losses of \$668,000 for the three months ended September 30, 2008.

#### 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, 2008 and 2007, was as follows:

	<b>2008</b>	<b>2007</b>
Medicare	20 %	20 %
Medi-Cal	13	12
HMO/PPO/commercial	40	43
Patient	16	18
Others	<u>11</u>	<u>7</u>
Total	<u>100 %</u>	<u>100 %</u>

## 5. CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2008 and 2007, is as follows:

	<b>Beginning Balance Fiscal 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance Fiscal 2008</b>
Land improvements	\$ 5,220,870	\$ -	\$ (188,188)	\$ 4,800	\$ 5,037,482
Buildings and leasehold improvements	172,598,980	15,979,366	(370,304)	2,212,404	190,420,446
Equipment	185,819,139	4,104,615	(16,202,612)	7,886,003	181,607,145
Land	9,632,103	714,140			10,346,243
Construction in progress	<u>121,244,344</u>	<u>107,713,342</u>		<u>(10,103,207)</u>	<u>218,854,479</u>
	494,515,436	128,511,463	(16,761,104)	-	606,265,795
Less accumulated depreciation and amortization	<u>(222,304,232)</u>	<u>(21,398,118)</u>	<u>16,722,995</u>		<u>(226,979,355)</u>
Capital assets — net	<u>\$ 272,211,204</u>	<u>\$ 107,113,345</u>	<u>\$ (38,109)</u>	<u>\$ -</u>	<u>\$ 379,286,440</u>

	<b>Beginning Balance Fiscal 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance Fiscal 2007</b>
Land improvements	\$ 5,967,718	\$ -	\$ (746,848)	\$ -	\$ 5,220,870
Buildings and leasehold improvements	139,817,526	129,259	(6,292,056)	38,944,251	172,598,980
Equipment	187,918,226	6,303,557	(10,710,833)	2,308,189	185,819,139
Land	9,632,103				9,632,103
Construction in progress	<u>85,858,904</u>	<u>76,637,880</u>		<u>(41,252,440)</u>	<u>121,244,344</u>
	429,194,477	83,070,696	(17,749,737)	-	494,515,436
Less accumulated depreciation and amortization	<u>(220,455,460)</u>	<u>(19,432,400)</u>	<u>17,583,628</u>		<u>(222,304,232)</u>
Capital assets — net	<u>\$ 208,739,017</u>	<u>\$ 63,638,296</u>	<u>\$ (166,109)</u>	<u>\$ -</u>	<u>\$ 272,211,204</u>

## 6. INVESTMENT IN AND AMOUNTS DUE FROM AFFILIATED ENTITIES

PPH's investment in affiliated entities, which are accounted for under the equity method because PPH does not control the entities, was \$3,218,000 and \$265,000 at June 30, 2008 and 2007, respectively.

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 partnership with 343 E. 2<sup>nd</sup> 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.

During fiscal 2007, PPH increased its ownership of Escondido Surgery Center (the Surgery Center) to 100% by purchasing an additional 8.5 units for \$757,000. Consequently, PPH consolidated the Surgery Center's results in fiscal 2007. Prior to fiscal 2007, PPH accounted for its investment in the Surgery Center using the equity method of accounting.

## 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 \$1,667,000 and \$498,000 in the years ended June 30, 2008 and 2007, 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 \$2,494,000 and \$1,568,000 in the years ended June 30, 2008 and 2007, 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 \$1,341,000 and \$1,078,000 as of June 30, 2008 and 2007, respectively.

A summary of the Foundation’s unaudited assets, liabilities, and net assets at June 30, 2008 and 2007, is as follows:

	<b>2008</b>	<b>2007</b>
Assets	<u>\$ 8,207,092</u>	<u>\$ 6,568,286</u>
Liabilities	\$ 4,381,834	\$ 2,648,827
Net assets	<u>3,825,258</u>	<u>3,919,459</u>
Total liabilities and net assets	<u>\$ 8,207,092</u>	<u>\$ 6,568,286</u>

## 8. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES

PPH's long-term debt and other noncurrent liabilities for 2008 and 2007 were as follows:

	<b>Beginning Balance Fiscal 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance Fiscal 2008</b>	<b>Amounts Due Within One Year</b>
Bonds payable:					
Series 2007 general obligation bonds	\$ -	\$ 246,663,242	\$ -	\$ 246,663,242	\$ -
Series 2006 certificates of participation	179,176,214	98,691	(2,225,000)	177,049,905	3,000,000
Series 2005 general obligation bonds	77,342,529		(5,653,066)	71,689,463	875,000
Series 1999 insured refunding revenue bonds	<u>51,425,081</u>	<u>363,961</u>	<u>(5,577,506)</u>	<u>46,211,536</u>	<u>5,785,000</u>
Total long-term debt	307,943,824	247,125,894	(13,455,572)	541,614,146	9,660,000
Other liabilities — workers' compensation reserves	<u>6,820,001</u>	<u>618,408</u>	<u>(4,054,370)</u>	<u>3,384,039</u>	<u>873,500</u>
Total long-term liabilities	<u>\$ 314,763,825</u>	<u>\$ 247,744,302</u>	<u>\$ (17,509,942)</u>	<u>\$ 544,998,185</u>	<u>\$ 10,533,500</u>
	<b>Beginning Balance Fiscal 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance Fiscal 2007</b>	<b>Amounts Due Within One Year</b>
Bonds payable:					
Series 2006 certificates of participation	\$ -	\$ 180,883,604	\$ (1,707,390)	\$ 179,176,214	\$ 2,225,000
Series 2005 general obligation bonds	83,741,472	59,817	(6,458,760)	77,342,529	5,455,000
Series 1999 insured refunding revenue bonds	56,379,859	404,391	(5,359,169)	51,425,081	5,540,000
Series 1993 insured refunding revenue bonds	<u>23,971,064</u>		<u>(23,971,064)</u>		
Total long-term debt	164,092,395	181,347,812	(37,496,383)	307,943,824	13,220,000
Other liabilities — workers' compensation reserves	<u>7,324,498</u>	<u>3,271,776</u>	<u>(3,776,273)</u>	<u>6,820,001</u>	<u>1,795,908</u>
Total long-term liabilities	<u>\$ 171,416,893</u>	<u>\$ 184,619,588</u>	<u>\$ (41,272,656)</u>	<u>\$ 314,763,825</u>	<u>\$ 15,015,908</u>

The terms and due dates of PPH's long-term debt at June 30, 2008 and 2007, are as follows:

- Series 2007A General Obligation Bonds, interest at 4.50% to 5.125% due semiannually on \$175,000,000 of Current Interest Bonds and interest at 3.67% to 4.92% on \$66,083,000 Capital Appreciation Bonds. Principal amounts due in annual amounts ranging from \$635,000 in fiscal 2012 to \$21,585,000 in fiscal 2038 net of unamortized premium of \$5,580,000 in 2008.

- Series 2006 Certificates of Participation, which refunded the 1993 insured 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 \$2,225,000 in fiscal 2008 to \$12,350,000 in fiscal 2037, net of unamortized loss on refunding of \$725,000 and \$824,000 at June 30, 2007, 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 \$5,455,000 in fiscal 2008 to \$5,115,000 in fiscal 2035, net of unamortized premium of \$3,329,000 and \$3,528,000 at June 30, 2008 and 2007, respectively.
- Series 1999 insured refunding revenue bonds, interest at 4.375% to 5.375% due semiannually, principal due in annual amounts ranging from \$5,540,000 in fiscal 2008 to \$7,855,000 in fiscal 2015, net of unamortized premium of \$128,000 and \$165,000 and June 30, 2008 and 2007, respectively, and unamortized loss on defeasance of \$1,236,000 and \$1,600,000 at June 30, 2008 and 2007, respectively, collateralized by PPH revenues as defined in the indenture agreement.

During December 2007, the District 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 the District 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 the District’s service area (see Note 12).

During December 2006, the District issued \$180,000,000 of Palomar Pomerado Health Certificates of Participation. The net proceeds of the 2006 Certificates of Participation will be used by the District 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 the District’s service area (see Note 12). The refunding 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, the District 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 the District 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 the District’s service area (see Note 12).

The 2005 G.O. Bonds represent the general obligation of the District, and the District 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 the District’s boundaries subject to taxation by the District for payment when due of the principal of and interest on the bonds. However, PPH is legally required to repay the 2005 G.O. Bonds if 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 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.

The estimated fair value of PPH’s long-term debt was approximately \$501 million and \$310 million as of June 30, 2008 and 2007, respectively, based on quotations from independent third parties.

Future principal and interest payments on long-term debt are as follows:

<b>Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 9,660,000	\$ 16,861,703	\$ 26,521,703
2010	9,780,000	19,848,737	29,628,737
2011	7,395,000	19,403,735	26,798,735
2012	8,366,793	19,108,804	27,475,597
2013	9,311,650	18,880,612	28,192,262
2014–2018	51,377,816	91,843,186	143,221,002
2019–2023	64,241,098	97,098,399	161,339,497
2024–2028	82,230,962	111,740,784	193,971,746
2029–2033	141,340,000	53,664,543	195,004,543
2034–2038	150,835,000	19,898,327	170,733,327
Total	<u>\$ 534,538,319</u>	<u>\$ 468,348,830</u>	<u>\$ 1,002,887,149</u>

## 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, 2008 and 2007, totaled \$7,495,000 and \$3,875,000, respectively. PPH also leases to others office space under operating leases. Future minimum lease payments and receipts under noncancelable operating leases are as follows:

<b>Years Ending June 30</b>	<b>Lease Payments</b>	<b>Lease Receipts</b>
2009	\$ 4,461,428	\$ 1,142,599
2010	4,356,255	936,313
2011	4,341,052	941,294
2012	4,129,520	316,025
2013	3,890,982	
2014–2018	20,383,518	
2019–2023	21,718,077	
2024–2028	<u>17,182,181</u>	
Total	<u>\$ 80,463,013</u>	<u>\$ 3,336,231</u>

## 10. DEFERRED ANNUITY CONTRACTS

PPH offers its employees a deferred compensation plan 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 employee contributions are invested by 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, 2008 and 2007, were \$10,922,000 and \$9,511,000, 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, are 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.

The District 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 Hospital Districts ALPHA Fund (ALPHA Fund) that administers a self-insured workers' compensation plan for participating districts and other qualifying nonprofit entity employees. 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-insurance by PPH of the first \$350,000 of each claim. Effective July 1, 2003, PPH increased its self-insurance level to the first \$500,000 of each claim. Effective July 1, 2004, PPH increased its self-insurance level to the first \$750,000 of each claim. At June 30, 2008 and 2007, estimated claims liabilities for workers' compensation total \$3,384,000 and \$6,820,000, respectively.



ALPHA Fund was in a deficit position for several years prior to fiscal year 2007 as actuarial claims estimates had exceeded revenues. 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 the deficit as defined under the joint powers agreement. In fiscal years 2007 and 2008, the ALPHA Fund has been in a surplus position. PPH accounts for their investment in the ALPHA Fund under the equity method and has recorded its share of \$1,304,000 and \$657,000 as an asset within other assets at June 30, 2008 and 2007, 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, the District 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 of Escondido, 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. The financing for this expansion plan has multiple parts, including \$496 million of general obligation bonds to be repaid through ad valorem property taxes of the residents of the District (see Note 8). Additionally, PPH expects to issue revenue bonds to raise approximately \$210 million and use future income to repay them over 30 years. The remaining funds are expected to be obtained from fundraising and/or cash reserves. The new hospital is scheduled to be completed in calendar year 2010.

\* \* \* \* \*

# PALOMAR POMERADO HEALTH

PALOMAR  
POMERADO  
HEALTH  
SPECIALIZING IN YOU

The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.

## **REPORT TO THE AUDIT AND FINANCE COMMITTEES ON THE AUDIT OF THE FISCAL 2008 CONSOLIDATED FINANCIAL STATEMENTS**

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# Section 1

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## *Summary of Significant Conclusions*

**W**e have performed an audit of the consolidated financial statements of Palomar Pomerado Health (“PPH”) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America and expect to issue our report thereon shortly.

Based on our work performed:

- We expect to issue an unqualified opinion on the consolidated financial statements of PPH.
- Our audit scope was described to you in our engagement letter dated May 20, 2008, and was not restricted in any way throughout the course of the audit.
- No significant scope changes resulted from the execution of this audit plan.
- Our auditing procedures addressed the risks identified during our planning procedures; no new risk areas were identified during the course of our audit.

This report is intended solely for the information and use of the Audit and Finance Committees, 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**

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### *Required Communications with the Audit Committee*

**W**e 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 auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) has been described to you in our engagement letter dated May 20, 2008, 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, 2008, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the consolidated financial statements that have been prepared by management with the oversight of the Audit and Finance Committees 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 and Finance Committees 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 2008 consolidated financial statements include:

- Contractual allowances
- Allowance for bad debts
- Evaluation of long-lived assets for impairment
- Capitated contracts
- Workers' compensation liabilities:
  - Incurred But Not Reported
  - Alpha Fund

During the year ended June 30, 2008, 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 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. The following material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period:

	Assets	Liabilities	Net Assets Beg of Year	Statement of Revenue, Expenses, and Changes in Net Assets
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
<b>Current Year Known Misstatements-Corrected</b>				
1. Expensing of items inappropriately recorded to bond issuance costs	(\$104,111)			\$104,111
2. Write off HBOC credit balances	267,091			(267,091)
3. Record additional accrual of pension expense		(328,140)		328,140
4. Record AP invoices that had not been accrued at year end		(256,705)		256,705
5. To record investment in PDP, record amortization on PPH's books of the liability, and also to eliminate amortization of 55-year lease with investee	2,551,190	(2,551,190)		
6. To eliminate goodwill for the Escondido Surgery Center, and adjust asset balances accordingly as a result of a fair value analysis	1,635,218 (1,635,218)			
<b>Total Current Year Known Misstatements</b>	<b>\$2,714,170</b>	<b>(\$3,136,035)</b>	<b>0</b>	<b>\$421,865</b>

## ***Significant Accounting Policies***

PPH's significant accounting policies are set forth in Note 1 to PPH's 2008 consolidated financial statements. During the year ended June 30, 2008, there were no significant changes in previously adopted accounting policies or their application.

We will discuss with you our views about the quality, not just the acceptability, of PPH's accounting policies as applied in its financial reporting. Objective criteria have not been developed to aid in the consistent evaluation of the quality of an entity's accounting policies as applied in its consolidated financial statements. However, we will discuss with you the consistency of PPH's accounting policies and their application, and the clarity and completeness of PPH's consolidated financial statements, which include related disclosures. We will also discuss, as applicable, any items that have a significant impact on the representational faithfulness, verifiability, and neutrality of the accounting information included in the consolidated financial statements.

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, 2008.

### ***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 2008A General Obligation Bond Offering, and the conversion and remarketing of the Series 2006A, 2006B and 2006C Certificates of Participation, 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, 2008, 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, 2008.

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

Throughout the year, routine discussions regarding the application of 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 will request that management provide to us the written representations PPH is required to provide to its independent auditors under generally accepted auditing standards.

## ***Control-Related Matters***

We plan to issue a separate report to you containing certain matters involving PPH's internal control over financial reporting that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants.

\* \* \* \* \*

# Appendix A

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## *Uncorrected Misstatements*

	Assets	Liabilities	Retained Earnings Beg of Year	Statement of Revenue, Expenses, and Changes in Net Assets
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
<b>Current Year Known Misstatements-Uncorrected</b>				
<b><u>PY uncorrected misstatements identified in the CY:</u></b>				
1. Correction of current year expensing of PY 2006 bond issuance amortization			(\$232,905)	\$232,905
2. Correction of current year expensing of HOA fees related to ERTC that were inappropriately capitalized in the prior year			(430,459)	430,459
3. Recording of CIP invoices not recorded at year end	\$3,539,293	(\$3,539,293)		
<b>Total Current Year Known Misstatements</b>	<b>\$3,539,293</b>	<b>(\$3,539,293)</b>	<b>(\$663,364)</b>	<b>\$663,364</b>

**PALOMAR Palomar Pomerado Health**  
**POMERADO Board of Directors**  
**HEALTH Annual Fees for board Packet**  
 GOV-19

Policy

(Rev: 0)Official

SPECIALIZING IN YOU Applicable to:

Affected Departments:

**I. PURPOSE:**

In accordance with current statute, Palomar Pomerado Health shall have the option of establishing and charging for the costs of notices of public Board meetings. Such fees shall be based on the actual cost of providing the service..

**II. DEFINITIONS:**

None.

**III. TEXT / STANDARDS OF PRACTICE:**

- A. The cost of providing simple notices of Board meetings is minimal. Therefore, Palomar Pomerado Health shall bear the cost for those residents and members of the press who so request in writing.
- B. The information packet which accompanies the board and/or committee agendas shall be provided free of charge to members of the board, staff and medical staff leaders. Members of the public and the press who so request in writing may be provided with Board information packets, subject to Section D below and any applicable laws and regulations, though such requesting parties may be charged reproduction and postage costs, payable in advance on an annual basis. However, such charges have not normally been levied as a goodwill gesture within the community, so long as printing and distribution of the number of packets is not considered exorbitant.
- C. All requests for notice shall be honored for a period of one year.
- D. Notwithstanding the foregoing, in the event the Board deems that certain portions of a Board information packet and/or committee meeting agenda should not be disclosed to the public or the news media pursuant to applicable laws and regulations, included but not limited to the Public Records Act, the Board shall remove such protected and/or non-disclosable information from any materials provided pursuant to this Policy.
- E. This policy will be reviewed and updated as required or at least every three years.

**IV. ADDENDUM:**

Original Document Date: 11/14/85

Reviewed: 1/93; 1/99; 2/02; 9/05; 2/06

Revision Number: 1 Dated: 9/20/05

Document Owner: James Neal

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman.

**V. DOCUMENT / PUBLICATION HISTORY: (template)**

Revision Number	Effective Date	Document Owner at Publication	Description
(this version) 0	11/14/2007	James Neal, Director of Corporate Integrity	Reviewed and changed by Board

**Authorized Promulgating Officers:**

( 10/08/2007 ) James Neal, Director of Corporate Integrity  
 ( 11/14/2007 ) Dr. Marcelo R Rivera, Director, PPH Board  
 ( unsigned ) Janine Sarti, General Counsel

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

<b>Reference Type</b>	<b>Title</b>	<b>Notes</b>
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*version is in Lucidoc at .*

[https://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:26893\\$0](https://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:26893$0)

**PALOMAR Palomar Pomerado Health  
POMERADO Board of Directors**

**Board Responsibilities**

GOV-7

(Rev: 0)Official

SPECIALIZING IN YOU **Applicable to:**

**Affected Departments:**

**I. PURPOSE:**

A. To establish policy, to identify the Board of Directors responsibility for the institution, protection of assets and the quality of services the District provides to its patients.

**II. DEFINITIONS:**

None.

**III. TEXT / STANDARDS OF PRACTICE:**

A. **Board Member Position Description:** It is the responsibility of the Board Member to develop and ensure that the organization's mission and vision statements are carried out in an effective and ethical manner. To that end, the member is accountable for oversight and implementation of policies and monitoring of the organizations performance in establishment of strategic direction, financial stewardship, quality outcomes and leadership of the Healthcare District.

**1. Specific Responsibilities:**

- a. Regularly review and where appropriate, update, the mission and vision statements for the System and subsidiaries to ensure the needs of the citizens of the District are being met in accordance with its Charter.
- b. Approve a system-wide quality assurance plan and monitor the effectiveness of the organization in meeting targets of performance to insure the health, well-being and safety of those served.
- c. Work closely with Medical Staff and Administrative Leadership to insure that effective clinical care is being provided in the system's facilities and that competency of Medical and Allied Health staff are assured on behalf of the citizens of the District.
- d. Review and approve all financial policies, plans and programs for the system and enhance the preservation of the organization's assets and resources on behalf of the District.
- e. Review and approve a comprehensive strategic plan, consistent with the organization's mission and vision that aligns the system's financial, human resources, facilities, technology and quality plans.
- f. Advocate on behalf of the Healthcare District's policies, programs and plans within the community served and with other constituency groups.
- g. Recruit, employ and evaluate the performance of the Chief Executive Officer in accordance with goals and objectives established on a short and long term basis with the CEO.
- h. Establish and implement ethical policies that minimize conflicts of interest and insure compliance with governmental, regulatory and other agency standards, laws and principles relative to excellent stewardship of the Public Healthcare District.
- i. Regularly evaluate the Board's performance and the individual performance of each Board member to continually enhance the effective stewardship of the system.
- j. Perform other duties as may be assigned by the Board.

**2. Requirements:**

- a. Interest and willingness to commit time and energy to completion of Board responsibilities and meeting requirements.
- b. Ability to work in a civil, ethical and collaborative manner with other members of the Board.
- c. Have an appreciation for group process, open-mindedness, respect for others and an ability to think objectively, logically and analytically.
- d. Have effective oral and written communication and negotiation skills.
- e. A knowledge of health and medical care issues and a willingness to expand one's knowledge through various educational opportunities.

**B. Board Audit Committee:** It is the responsibility of the Board Member to insure that appropriate review mechanisms and management of the District's assets and resources are in place and that the organization complies with all applicable state and federal regulations relative to the audit and financial stewardship of Palomar Pomarado Heath.

**1. Responsibilities:**

- a. Approve the annual program and scope of all audits to be performed by the Director of Audit Services.
- b. Routinely review the system of internal controls for the organization and its subsidiaries.
- c. Recommend a qualified audit firm to complete independent financial audits of the system and review reports, management letters and recommendations from the firm to assure compliance with recognized audit principles and standards throughout PPH.
- d. Participate in special investigations for the Board as may be assigned.
- e. Regularly review reports from the Director of Audit Services and the CEO and where appropriate make recommendations on system controls and improvements that could insure effective stewardship of the organization.
- f. Keep up with trends in the field of health care audit and compliance to help educate other Board members on the latest trends in the industry.
- g. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.
- h. Complete other duties as may be assigned by the Chairman.

**2. Requirements:**

- a. Interest and willingness to commit the time and energy necessary to meet committee responsibilities and meeting requirements.
- b. Knowledge of health care finance audit processes and compliance is helpful.
- c. Compliance with other Board position description requirements.

**C. Board Community Relations Committee:** It is the responsibility of the Board Member to develop plans and programs that help to communicate the District's mission and vision to various constituents and related groups and to educate the public on Healthcare and wellness issues facing the citizens of the District.

**1. Responsibilities:**

a. Review and make recommendations to the Board on Community Relations and outreach policies and procedures including marketing, community education and wellness activities in accordance with the System's mission and vision.

b. Support the efforts of the Systems Healthcare and other Advisory Councils and Advocacy groups in the promotion of the District's communication efforts.

c. Provide advice and council to the organization in the development and maintenance of a governmental liaison program and ensure local, State and National governmental leaders understand the Healthcare challenges and issues faced by the District; and support the organization in achievement of its mission.

d. Develop educational programs and endeavors to help the Board understand Healthcare issues facing the District and communicate/advocate on behalf of the System.

e. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.

f. Complete other duties as assigned by the Chairman.

2. Requirements:

a. Interest and willingness to commit the time and energy to complete committee responsibilities and meeting requirements.

b. Interest and willingness to advocate on behalf of the Board.

c. Knowledge of marketing, research and communications techniques used in promotion of organization and a willingness to expand ones knowledge in this arena.

d. Compliance with other Board member position description requirements.

**D. Board Facilities & Grounds Committee:** It is the responsibility of the Board Member to provide oversight for the development, expansion, modernization and replacement of the Health District facilities and grounds in order to promote the physical life of the assets belonging to the District; and to insure the safety and well being of those working in and being served in the facilities and on the grounds.

1. Responsibilities:

a. To insure that a long-term master facility is developed and updated regularly.

b. To provide oversight regarding the maintenance of facilities and grounds and implementation of improvement projects.

c. To insure that the District is in compliance with governmental agency and accreditation requirements with respect to earthquake and disaster preparedness, fire and safety codes, environmental standards and physical security needs, etc.

d. Provide guidance in the selection of architects, and general construction vendors.

e. To advise the Finance Committee with respect to the need of adequate projects funding.

f. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.

g. Complete other duties as may be assigned by the Chair of the Committee.

2. Requirements:

- a. An interest and willingness to commit time and energy to provide input to the committee membership.
- b. A background in design, construction and financing of construction projects and/or facilities management preferred.
- c. A willingness to update one's knowledge in this arena on a regular basis.
- d. Compliance with other Board position description requirements.

E. Board Finance Committee: It is the responsibility of the Board Member to monitor and ensure the financial viability of the organization through the effective establishment of sound policies and development of a system of controls to safeguard the preservation and use of assets and resources.

1. Responsibilities:

- a. Review and approve annual and long range operating cash, operational and Capital Budgets for the System.
- b. Develop and maintain sound understanding of the services of the District's revenues and expenses and its economic environment.
- c. Approve methods of financing major capital asset renovations, replacements and additions.
- d. Review financial reports and operating statistics on a regular basis to ensure that the organization takes appropriate action in response to operating trends in achievement of financial goals.
- e. Evaluate and approve financial plans for new business ventures, programs, and services and establish criteria to measure their ongoing viability.
- f. Develop programs and communications in order to enhance the understanding of other members in regard to financial matters of the system.
- g. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.
- h. Performs other duties as may be assigned by the committee chair/Treasurer of the Board.

2. Requirements:

- a. Interest and willingness to commit time and energy to completion of Finance Committee responsibilities and meeting requirements.
- b. A knowledge of basic Healthcare finance issues and economics and a willingness to expand ones knowledge in the areas of financial management, productivity, revenue and cash management, alternative delivery systems and prepared health plans, governmental payor systems, etc.
- c. An understanding of systems of Internal control and Audit Committee.
- d. An interest in the development of information technology and systems that support the use of such.
- e. Commitment to comply with the other requirements of Board members as outlined in the member's position description.



**F. Board Governance Committee:** It is the responsibility of the Board Member to help insure the effective and efficient management of the governmental processes of the Board.

1. Responsibilities:

- a. Complete an annual review of the Board's by-laws and policies and where appropriate make recommendations for changes that enhance the functioning of the District Board.
  - b. Provide guidance to the CEO in the development of education and orientation programs that enhance member understanding of Board stewardships, health care, issues and management of the system.
  - c. Assist in development and completion of an annual Board self-assessment and where appropriate make recommendations to enhance governance of the organization by its members.
  - d. Review and where appropriate make recommendations to the Board on pending or existing state and federal legislation that could affect the direction of the District and Board member responsibilities.
  - e. Annually review the boundaries of the District to insure compliance with its charter in the completion of health care stewardship responsibilities.
  - f. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.
  - g. Complete other duties as may be assigned by the Chairman.
2. Requirements:
- a. Interest and willingness to commit time and energy necessary to meet committee responsibilities in meeting requirements.
  - b. Have an interest in issues of governance and good stewardship.
  - c. Strong communication and negotiation skills preferred.
  - d. Compliance with other Board position description requirements.

**G. Board Human Resources Committee:** It is the responsibility of the Board Member to help develop a workforce environment that effectively translates the District's mission and vision into reality on a daily basis.

1. Responsibilities:

- a. Review and assess regular reports from administration on the education and development of staff, turnover, completion of performance appraisals, staffing plans, etc. to identify trends and needs and to ensure that governmental agency requirements are met.
- b. Review, understand and recommend Human Resource policies and compensation programs in order to provide an excellent work environment and stewardship of the workforce.
- c. Monitor labor relations program as established by the District and review/recommend changes (in conjunction with the District's Labor Attorney and Administration) to the Board when appropriate.
- d. Keep abreast of changes in Healthcare workforce issues and develop educational programs and communications for the Board to keep them up-to-date on challenges faced by the District.

- e. Review and make recommendations to the Board regarding executive salary and incentive compensation programs.
- f. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.
- g. Perform such other duties as may be assigned by the Chair of the Committee.

2. Requirements:

- a. Interest and willingness to commit the time and energy necessary to meet Committee responsibility and meeting requirements.
- b. Knowledge of compensation and benefit programs, labor relations, education and development of staff, labor workforce complexities and issues is helpful.
- c. A willingness to advocate on behalf of staff and organization needs with external groups.
- d. Compliance with other Board position description requirements.

H. Board Quality Committee: It is the responsibility of the Board Member to assure the quality of care rendered in the District's facilities is at the highest possible level when compared to national standards and that actions are taken on behalf of the Board to ensure the safety and wellbeing of the citizens served.

1. Responsibilities:

- a. Regularly review and approve the systems annual and long term quality assurance plans to ensure the identification, assessment and resolution of patient care issues.
- b. Ensure that the system is meeting regulatory and governmental requirements and standards pertaining to the delivery of quality medical clinical care in all of its facilities and programs.
- c. Monitor Institutional liability/Risk experience and ensure that proper systems are put into place to reduce exposure to loss.
- d. Ensure that credentials of Medical and Allied Health staff are reviewed and privileges granted and renewed on the basis of demonstrated professional competence and adherence to the bylaws and code of conduct set forth by the Medical Executive Committee of the Healthcare practitioners involved.
- e. Provide oversight to the development and management of educational endeavors to improve staff performance and skills in the completion of their clinical care responsibilities.
- f. Regularly review and assess Quality care reports, statistics and programs from Medical Staff and System departments to identify trends or clinical care issues and to recommend stewardship action where appropriate.
- g. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.
- h. Perform other duties as may be assigned by the Committee Chair.

2. Requirements:

- a. Interest and willingness to commit the time and energy necessary to complete Board committee responsibilities and meeting obligations.

- b. Background and familiarity with aspects of clinical care issues and willingness to expand knowledge in this arena.
  - c. An appreciation for risk management and the relationship of medical care, clinical competence and financial/legal issues resulting from potential adverse events.
  - d. Compliance with other Board member requirements.
1. Board Strategic Planning Committee: It is the responsibility of the Board Member to ensure that the mission and vision of the Board are implemented in an effective and meaningful manner through the establishment and implementation of plans and programs that enhance the well being of the citizens of the District.
1. Responsibilities:
- a. To review and make recommendations to the Board regarding the District's short and long range plans and strategic collaborative relationships.
  - b. Develop and approve physician development plans and oversee the implementation of physician recruitment and retention programs on an annual basis.
  - c. Monitor completion of annual goals in order to ensure their effective completion on behalf of the system.
  - d. Develop educational programs and enhance Board members understanding of trends in the local, state and national health care arena and issues affecting the system.
  - e. Review the development of new programs and system initiatives to ensure their direction is in accordance with the mission and vision of the organization and support the strategic plans of the District.
  - f. Provide a brief one page summary of committee accomplishments to the board as part of the Board annual self evaluation.
  - g. Complete other duties as may be assigned by the Chair of the Committee.
2. Requirements:
- a. Interest and willingness to commit time and energy to completion of Strategic Planning Committee responsibilities and meeting requirements.
  - b. A general knowledge of Healthcare issues and trends affecting Healthcare organizations and medical staffs; a willingness to actively expand ones knowledge in this arena.
  - c. A commitment to the general requirements of Board members as outlined in the Palomar Pomerado Health Board member position description.
  - j. This policy will be reviewed and updated as required or at least every three years.

**IV. ADDENDUM:**

Prior to 2005, this policy was Board Policy 10-101

**V. DOCUMENT / PUBLICATION HISTORY: (template)**

<b>Revision Number</b>	<b>Effective Date</b>	<b>Document Owner at Publication</b>	<b>Description</b>
(this version) 0	11/14/2007	James Neal, Director of Corporate Integrity	Board approved updates

**Authorized Promulgating Officers:** ( 10/08/2007 ) James Neal, Director of Corporate Integrity  
( 11/14/2007 ) Dr. Marcelo R Rivera, Director, PPH Board  
( unsigned ) Janine Sarti, General Counsel

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

<b>Reference Type</b>	<b>Title</b>	<b>Notes</b>
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**PALOMAR Palomar Pomerado Health  
POMERADO**  
HEALTH Board of Directors

**Governance**  
GOV-15

(Rev: 1) Official

SPECIALIZING IN YOU **Applicable to:**

**Affected Departments:**

**I. PURPOSE:**

To describe the roles and responsibilities of the Board of Directors as they relate to establishing and meeting standards and regulations.

**II. DEFINITIONS:**

Type your definitions here.

**III. TEXT / STANDARDS OF PRACTICE:**

A. The Board of Directors will:

1. Establish bylaws for the governance of Palomar Pomerado Health addressing its Legal accountabilities and seeking appropriate consultations while maintaining responsibility to the patient population.
2. Select the Chief Executive Officer on a criteria based system.
3. Provide for appropriate medical staff participation in governance.
4. Delegate the responsibility of oversight, analysis, trending and performance improvement activities to the medical staff.
5. Provide for compliance with applicable laws and regulations.
6. Provide for the collaboration of leadership in developing, reviewing and revising policies.
7. Provide policies to direct the facility's operations.
8. Provide sufficient resources to realize the system's mission, goals and objectives.
9. Provide for conflict resolution.
10. Identify lines of authority for key planning management and operations activities.
11. Provide for organizational management and planning.
12. Provide for coordination and integration among the districts leaders to maintain quality care and patient safety.
13. Annually evaluate facilities performance in relation to its vision, mission and goals.
14. This policy will be reviewed and updated as required or at least every three years.

**IV. ADDENDUM:**

Reviewed 12/17/07

**V. DOCUMENT / PUBLICATION HISTORY: (template)**

Revision Number	Effective Date	Document Owner at Publication	Description
(this)	12/30/2007	James Neal, Director of Corporate	Reviewed and approved by

version) 1	Integrity	Board 12/17/07. No changes
(Changes) 10/09/2007	James Neal, Director of Corporate	Review and update
0	Integrity	

**Authorized Promulgating Officers:** ( 12/18/2007 ) James Neal, Director of Corporate Integrity  
 ( 12/30/2007 ) Dr. Marcelo R Rivera, Director, PPH Board  
 ( unsigned ) Janine Sarti, General Counsel

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

Reference Type	Title	Notes
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**PALOMAR Pomerado Health  
POMERADO** Board of Directors

**Naming Policy**  
GOV-23

(Rev: 0) Official

SPECIALIZING IN YOU **Applicable to:**

**Affected Departments:**

**I. PURPOSE:**

To provide named recognition to various components within the Palomar Pomerado Health District as a result of philanthropic contributions.

**II. DEFINITIONS:**

None

**III. TEXT / STANDARDS OF PRACTICE:**

- A. Palomar Pomerado Health (PPH) shall adhere to the following standardized procedures for naming buildings, rooms, public spaces, programs, awards, and scholarships;
- B. Naming for new or unnamed buildings, building additions or for renaming existing buildings are subject to approval by the Palomar Pomerado Health District Board of Directors;

- C. Naming or renaming of a room, part of a building, public space, program, scholarship or award is subject to approval by the President and CEO, PPH through written notification by the Chair of the Board, Palomar Pomerado Health Foundation;

- D. The naming or renaming of a building, room, part of a building, public space, program, award or scholarship shall be considered in accordance with the following principle:

- 1. That a significant or substantial donation is made to the Palomar Pomerado Health Foundation towards the cost of the naming opportunity as determined by PPH Foundation

- E. Each proposal for naming in recognition of a gift shall be considered on it's own merit;

- F. No more than one building, room, part of a building or public space on each campus site shall hold a similar name with the exception of a single named opportunity towards the entire Health System;

- G. The naming of any entity within PPH should not conflict with "way finding"

- H. Removing a name will be upon recommendation of the PPH President and CEO, the decision of the District Board in consultation with the Foundation Board of Directors. That decision should also include a

conversation with the donor or if the donor is deceased with a family member or Trustee;

- I. Naming opportunities for components are applicable for the duration of the useful life of the component;
- J. In the exercise of its discretion, the PPH Board of Directors may waive any limitations contained in subsection 6;
- K. In considering potential named components, the PPH District Board of Directors may consult the Foundation Board of Directors, PPH constituents and community groups;
- L. For buildings a) located on PPH property and not owned by PPH or b) built cooperatively in partnership with another entity, the selection of a name shall be done in consultation with the President and CEO of PPH and the partner;
- M. The PPH District Board maintains the right to name in tribute buildings, rooms, public spaces, scholarship and awards in recognition of years of community service to PPH without consideration of a philanthropic gift.
- N. The Palomar Pomarado Health Facility Naming Policy applies to all PPH facilities including but limited to: buildings, rooms, specific interior or exterior locations, real property and signage on any portion of any PPH facility. The Policy is also intended to provide named recognition for PPH programs scholarships and awards
- M. This policy will be reviewed every three years or as necessary.

**IV. ADDENDUM:**

Original Document Date: 12/07

Reviewed:

Revision Number:

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

**V. DOCUMENT / PUBLICATION HISTORY: (template)**

Revision Number	Effective Date	Document Owner at Publication	Description
(this version) 0	12/30/2007	James Neal, Director of Corporate Integrity	New Policy approved by Board 12/17/07

**Authorized Promulgating Officers:** ( 12/18/2007 ) James Neal, Director of Corporate Integrity



( 12/30/2007 ) Dr. Marcelo R Rivera, Director, PPH Board  
( unsigned ) Janine Sarti, General Counsel

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

**Reference Type**

**Title**

**Notes**

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**Palomar Pomerado Health  
Organizations Bylaws**

Policy

(Rev: 2) Official

**PALOMAR POMERADO HEALTH**  
Policies, BOD only  
SPECIALIZING IN YOU All PPH Entities - 00

**Affected Departments:**  
All Departments  
Board of Directors

**I. PURPOSE:**

As the organized governing body of the Palomar Pomerado Health, the Board of Directors is responsible for establishing policy, maintaining quality patient care, providing institutional management and planning and other legal and fiduciary responsibilities of the District. The organizational structure and governance to fulfill these obligations shall be established by the bylaws that shall be consistent with the applicable government codes and JCAHO Standards. The bylaws are adopted by resolution by majority vote of the board and may be amended or repealed in the same manner. The Bylaws will be reviewed as needed or at least annually, through the Governance Committee has provided below, oversee and ensure collaboration between the Board District management for the purpose of developing, reviewing and revising the district bylaws, policies, procedures and other rules were regulations.

**II. DEFINITIONS:**

**III. TEXT /STANDARDS OF PRACTICE:**

- A. Consistent with the JCAHO standards, the bylaws shall specify at least the following:
1. The role and purpose of the health district;
  2. The duties and responsibilities of the governing body;
  3. The process and criteria for the selection of members of the governing body;
  4. The governing body's organizational structure, including at least:
    - a. the mechanism for selection officers;
    - b. the responsibilities of officers;
    - c. the procedures for meetings;
    - d. the composition and responsibilities of governing body committees; and
    - e. the inclusion of medical staff members on governing body committees that deliberate issues affecting the discharge of medical staff responsibilities.
  5. The relationship of the responsibilities of the governing body as they relate to:
    - a. any authority superior to the governing body;
    - b. the chief executive officer; and
    - c. the medical staff.
  6. The requirement for the establishment of a medical staff and an auxiliary organization;
  7. The mechanism for adopting, reviewing and revising the governing body bylaws; and
  8. The authority and responsibility of each level of the organization shall be specified with respect to:
    - a. quality of care;
    - b. quality assessment and improvement mechanisms;
    - c. credentials review and privilege delineation;
    - d. selection of the health district's governing body;
    - e. selection of the chief executive officer and other key management staff;
    - f. selection of medical staff department chairpersons;
    - g. planning district services;
    - h. development and approval of the budget; and
    - i. review of the governing body's performance.
- B. This policy and the Bylaws will be reviewed and updated as required or at least every year..

**IV. ADDENDUM:**

**V. DOCUMENT / PUBLICATION HISTORY:**

Original Document Date: 2/94  
 Reviewed: 4/95; 11/96; 2/98; 2/05; 2/06  
 Revision Number: 3 Dated: 12/17/05  
 Document Owner: Michael Covert  
 Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

**VI. CROSS REFERENCE DOCUMENTS:**

Prior to 2005, this policy was Board Policy 10-101

**V. DOCUMENT / PUBLICATION HISTORY: (template)**

Revision Number	Effective Date	Document Owner at Publication	Description
(this version) 2	11/14/2007	James Neal, Director of Corporate Integrity	To add information requested by the board
(Changes) 1	12/17/2005	James Neal, Director of Corporate Integrity	Original Document Date: 2/94 Reviewed: 4/95; 11/96; 2/98; 2/05 Revision Number: 3 Dated: 12/17/05 Document Owner: Michael Covert Authorized Promulgating Officers: Marcelo R. Rivera, Chairman [Reviewed on 6/14/2006 by James Neal: Extended review to 6/14/2007]

**Authorized Promulgating Officers:**

( 10/08/2007 ) James Neal, Director of Corporate Integrity  
 ( 11/14/2007 ) Dr. Marcelo R Rivera, Director, PPH Board  
 ( unsigned ) Janine Sarti, General Counsel

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

Reference Type	Title	Notes
Source Documents	Prior to 2005, this policy was Board Policy 10-101	

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**PALOMAR Palomar Pomerado Health**  
**POMERADO** **Promulgation of PPH Procedures** **Policy**  
**HEALTH** Board of Directors **GOV-13** **(Rev: 0)Official**

SPECIALIZING IN YOU **Applicable to:** **Affected Departments:**

**I. PURPOSE:**

To provide guidelines to clarify and standardize the process for the President and Chief Executive Officer and each member of the Executive Management team (collectively, "EMT") to develop and independently promulgate procedures for the purpose of implementing policies adopted by the board of directors ("Board") of PPH.

**II. DEFINITIONS:**

- A. "Policy" means a Board-approved statement that provides broad strategic direction and/or a governing mandate for PPH, enabling the development of Procedures.
- B. "Procedure" means any specific instruction or mode of conduct for the purpose of implementing a Policy.
- C. "Publication" means the reduction of a Procedure to writing and its subsequent distribution, by the promulgating Authorized Officer, to those individuals affected by said Procedure and the Board.

**III. TEXT / STANDARDS OF PRACTICE:**

- A. EMT members shall have the authority to develop and promulgate Procedures, as appropriate in light of their respective areas of administrative responsibility, for the purpose of implementing Policies. In no event shall any EMT member attempt to promulgate a Procedure that is either inconsistent with a Policy or Bylaw or which directly affects a matter for which another EMT member is primarily responsible.
- B. The Board shall at all times, in its discretion, have the sole and absolute authority to review and modify or rescind Procedures promulgated pursuant to this Policy, upon the request of the President and Chief Executive Officer or upon the Board's own initiative. In the event two or more Procedures are promulgated that are inconsistent with each other, such conflicting Procedures shall be submitted to the President and Chief Executive Officer for reconciliation and resolution.
- C. A Procedure developed pursuant to this Policy shall become effective and binding immediately upon its approval and publication in LUCIDOC by the promulgating EMT member. Every Procedure promulgated pursuant to this Policy shall state explicitly the Policy that it is intended to implement.
- D. The Authorized EMT member responsible for promulgating any Procedure pursuant to this Policy shall be primarily responsible for supervising implementation of such Procedure and compliance therewith by PPH. Violation of any Procedure shall be reported by the Authorized EMT member responsible for its administration and may result in appropriate disciplinary action by the appropriate PPH EMT member or the Board.
- E. Each Authorized EMT member shall be responsible for reviewing all Procedures within his or her jurisdiction at least once every three (3) years, or earlier when warranted based on changes in the law, state of the art, current knowledge, technology or other factors.
- F. All PPH Policies and Procedures promulgated prior to the effective date of this Policy are hereby ratified to the extent they are not inconsistent with this Policy or each other and notwithstanding the manner in which they were promulgated.
- G. This policy will be reviewed and updated as required or at least every three years.

**IV. ADDENDUM:**

**V. DOCUMENT / PUBLICATION HISTORY: (template)**

Revision Number	Effective Date	Document Owner at Publication	Description
(this version) 0	11/14/2007	James Neal, Director of Corporate Integrity	Review and update

**Authorized Promulgating Officers:**

( 10/09/2007 ) James Neal, Director of Corporate Integrity  
 ( 11/14/2007 ) Dr. Marcelo R Rivera, Director, PPH Board  
 ( unsigned ) Janine Sarti, General Counsel

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

Reference Type	Title	Notes
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**PALOMAR Palomar Pomerado Health  
POMERADO**  
**HEALTH**

Policies, BOD only

**Smoking Policy in PPH Facilities**

HR-07

(Rev: 0) Official

SPECIALIZING IN YOU **Applicable to:**

**Affected Departments:**

**I. PURPOSE:**

In recognition of the danger to the health, safety and welfare of employees, patients and visitors that is created by smoking, The Board of Directors prohibits smoking in District facilities and on District property with the possible exceptions listed in the guidelines below.

**II. DEFINITIONS:**

For purposes of this policy, the definition of "smoking" includes the carrying of a lighted pipe, cigar or cigarette.

**III. TEXT / STANDARDS OF PRACTICE:**

- A. Smoking shall be prohibited by persons on all District property including all PPH facilities, patient rooms, lounges, offices, waiting rooms and enclosed buildings or areas owned or operated by PPH.
- B. The only exception to this policy is that smoking shall be permitted in designated locations that are environmentally separated from care, treatment and service areas as required by Joint Commission or applicable state regulations. Smoking is expressly and without exception prohibited in areas where oxygen is being administered.
- C. Employees and medical staff have the responsibility to inform any person including fellow staff members or fellow physicians, patients, and visitors who are not in compliance with this policy. Violators shall be asked to extinguish their cigarette, pipe or cigar. This policy will be reviewed and updated as required or at least every three years.
- D. This policy will be reviewed and updated as required or at least every three years.

**IV. ADDENDUM:**

**V. DOCUMENT / PUBLICATION HISTORY:**

Original Document Date: 6/86  
Reviewed: 2/90; 1/99; 4/95; 9/05  
Revision Number: 1 Dated: 10/17/05  
Document Owner: James Neal

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

**VI. CROSS REFERENCE DOCUMENTS:**

Prior to 2005, this policy was Board Policy 10-410

**V. DOCUMENT / PUBLICATION HISTORY: (template)**

<b>Revision Number</b>	<b>Effective Date</b>	<b>Document Owner at Publication</b>	<b>Description</b>
(this version) <sup>1</sup>	10/17/2005	James Neal, Director of Corporate Integrity	Original Document Date: 6/86 Reviewed: 2/90; 1/99; 4/95; 9/05 Revision Number: 1 Dated: 10/17/05 Document Owner: Michael Covert Authorized Promulgating

Officers: Marcelo R. Rivera,  
Chairman

VI.

**Authorized Promulgating Officers:** ( 10/17/2005 ) James Neal, Director of Corporate Integrity  
( 10/17/2005 ) Dr. Marcelo R Rivera, Director, PPH Board

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

Reference Type	Title	Notes
Source Documents	Prior to 2005, this policy was Board Policy 10-410	

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**V. DOCUMENT / PUBLICATION HISTORY: (template)**

Revision Number	Effective Date	Document Owner at Publication	Description
(this version) 0	11/14/2007	James Neal, Director of Corporate Integrity	Sending to Jim Neal for review.

**Authorized Promulgating Officers:** ( 10/04/2007 ) James Neal, Director of Corporate Integrity  
( 11/14/2007 ) Dr. Marcelo R Rivera, Director, PPH Board  
( unsigned ) Janine Sarti, General Counsel

**VI. CROSS-REFERENCE DOCUMENTS:(template)**

Reference Type	Title	Notes
Referenced Documents	1	
Referenced Documents	Prior to 2005, this policy was Board Policy 10-410	

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