

Palomar Pomerado Health Governance Committee Meeting

Tuesday, March 17, 2009

10 a.m. – Noon

Palomar Pomerado Health
Grand Building Conference Room
456 Grand Avenue
Escondido, CA 92025

- Call To Order
- Public Comments

			Min	Pages
1.	*	Approval of Meeting Minutes – February 17, 2009	2	2-3
2.	*	DISCUSSION ITEMS – <i>Chair, Jerry Kaufman</i> -Physician Recruitment and Retention (Gov 35)	20	4-12
4.	*	REGULATORY/LEGISLATIVE UPDATE <i>Gustavo Friederichsen</i>	10	
5.	*	QUARTERLY UPDATE – <i>Janine Sarti</i> (Standing Agenda Item)	5	
6.		ROUNDTABLE AND MEETING ASSESSMENT	5	

ADJOURNMENT

Distribution:

Jerry Kaufman, MAPT (Chair)
Bruce Krider, MA
Linda Greer, RN
Michael Covert, CEO
Gustavo Friederichsen, Chief Marketing & Communication Officer
Janine Sarti, General Counsel
Michele Gilmore, Executive Assistant
cc: Alan Larson, MD (1st Alternate); N. Dennis, Committee Secretary

NOTE: Asterisks indicate anticipated action; action is not limited to those designated items.

*“In observance of the ADA (Americans with Disabilities Act), please notify us at 858-675-5106
48 hours prior to the meeting so that we may provide reasonable accommodations”*

Palomar Pomerado Health
GOVERNANCE COMMITTEE MEETING
456 Grand Avenue, Escondido, CA
February 17, 2009

AGENDA ITEM/ PRESENTER/ORIGINATING DATE	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY/FINALIZED
CALL TO ORDER	10:00 a.m. Quorum comprised Directors Kaufman (Chair), Greer and Krider. Also attending: Michael Covert, President and CEO Gustavo Friederichsen Janine Sarti (via phone) Guest: None		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None.		
APPROVAL OF MINUTES* <ul style="list-style-type: none"> January 20, 2009 	The minutes of the January 20, 2009 meeting were presented for review and approval.	MOTION: by Krider; 2 nd by Greer to approve the January 20, 2009 minutes as submitted. All in favor. None opposed.	
DISCUSSION ITEMS			
Physician Recruitment and Retention (Gov 35)	Janine reviewed the policy and due to the subject matter sent it to Lisa Hudson in October 2008 to be revised. The policy still needs to be cleaned up to become PPH specific. The revised policy will be brought back for review at the March meeting.	Information	
Board Education Session	Dir Kaufman and Janine had spoke about forming a Board education session to discuss conflicts of interest. Dir Krider stated that the two presentations made by Janine at the February Board meeting were intended to clarify potential areas of conflict of interest.	Information	

AGENDA ITEM/ PRESENTER/ORIGINATING DATE	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY/FINALIZED
	<p>Dir Kaufman suggested and Janine agreed that submitting ideas for focus would be a positive idea. Janine would then have guidelines for forming a presentation.</p> <p>Dir Krider suggested Janine create an easy to understand, short reference guide or pamphlet on Hospital conflicts of interest for the Board.</p>		
REGULATORY/LEGISLATIVE UPDATE <i>Gustavo Friederichsen</i>	<p>Gustavo stated that California was one vote short of passing the State budget.</p> <p>A reminder was given about the February 23rd Board education session and the topics that will be covered by ACHD.</p>		
QUARTERLY UPDATE <i>Janine Sarti</i>	None.		
Roundtable and Meeting Assessment	<p>In the March meeting there will be a review of the closed session policy.</p> <p>Dir Greer asked where the committee was in reviewing policies and procedures. Janine stated that Lucidoc did not have any policies or procedures up for review at this time.</p> <p>Board self evaluation session rescheduled for February 25th at 6:00pm.</p>		
ADJOURNMENT	10:23 a.m.	MOTION: by Director Krider to adjourn the meeting.	
SIGNATURES <ul style="list-style-type: none"> ▪ Committee Chairperson ▪ Secretary to Committee 	<p>_____</p> <p>Jerry Kaufman, M.A.P.T.</p> <p>_____</p> <p>Nicole Dennis</p>		

Palomar Pomerado Health
PALOMAR Physician Recruitment and Retention

Policy

POMERADO Policies - BOD only

GOV-35

(Rev: 1)Official

HEALTH Applicable to:
SPECIALIZING IN YOU All PPH Entities - 00

Affected Departments:
All Departments
Board of Directors

I. PURPOSE:

To provide direction as to recruiting arrangements between ~~the~~ District and physicians.

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II. DEFINITIONS:

A. Physician means physicians, osteopaths, oral surgeons, dentists, podiatrists, ~~optometrists, and~~ chiropractors.

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B. Under-served geographic location is determined by one or more of the following:

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1. A population to physician ratio in the community that is deficient in the particular specialty of the physician being recruited;
2. Demand for a particular medical service in the community coupled with a documented lack of availability of the service or long waiting periods for the service, if the physician is being recruited to increase availability of that service;
3. Designation as a Health Professional Shortage Area (HPSA);
4. A demonstrated reluctance of physicians to relocate to the hospital due to the hospital's physical location;
5. A reasonably expected reduction in the number of physicians of that specialty serving the hospital's service area due to the anticipated retirement within the next three year period of physicians presently in the community; or
6. A documented lack of physicians serving indigent or Medicaid patients within the hospital's service area, provided that newly recruited physicians commit to serving a substantial number of Medicaid and indigent patients.

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Deleted: (with reference to the applicable ratio set forth by an independent non-interested entity, e.g., MGMA)

Deleted: of the community (or that portion of the community that the physician is serving) at the time the recruitment agreement is executed

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III. TEXT / STANDARDS OF PRACTICE:

A. Hospital Recruitment Objectives: The hospital's Board of Directors will approve recruitment objectives of the hospital.

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B. Essential Conditions: All physician recruitment agreements should qualify within the hospital's current Board-approved recruitment objectives and must satisfy at least one of three essential conditions (in addition to joining the hospital's medical staff):

1. The physician's medical practice must move at least 25 miles; or
2. The physician establishes a new practice to which he or she derives at least 75% of his or her revenues from patients not seen or treated by the physician at his or her prior medical practice site during the preceding three (3) years, measured on an annual basis; or
3. The physician is (or will be upon the commencement of the payments under the recruitment agreement) in his or her first year of practice.

Deleted: (fiscal or calendar year); for the initial "start up" year of a recruited physician's practice, the 75% test will be satisfied if there is a reasonable expectation that the recruited physician's practice for the year will derive at least 75% of its revenues from patients not seen or treated by the physician at his or her prior medical practice site during the preceding three (3) years;

If the hospital is relying on subsection 2 above, then the hospital must document the basis for its conclusion that the recruited physician is reasonably expected to derive at least 75% of his or her revenues from new patients.

C. Geographic Area Served by the Hospital: The recruited physician must establish his or her medical practice within the area composed of the lowest number of contiguous zip codes from which the hospital draws at

least 75 % of its inpatients.

- D. Recruitment of Non-physician Practitioners: PPH may desire to recruit a non-physician practitioner such as a nurse midwife. Such a recruitment may be possible if the practitioner is permitted under state licensing law to bill and provide services under his/her own provider name and will not be providing or billing services "incident to" a physician's practice.
- E. Permitted Financial Arrangements
1. Guarantee Addenda: The physician recruitment agreement may provide for a net collectable revenue guarantee which should reflect the going market rate for a particular specialty and expire after a set time period (i.e., ordinarily one (1) year, but in no event to exceed three (3) years) (the "Support Period"). The material terms of the agreement should not be renegotiated during the term of the agreement. At the end of the Support Period, a repayment obligation (the "Obligation") may exist under the terms of the agreement. The Obligation should either (1) be repaid in full within six (6) months, without interest (as an incentive for prompt repayment), or (2) be repayable over a term generally not to exceed three (3) years and evidenced by a promissory note, bearing interest from the end of the guaranty period at a floating rate equal to prime plus one percent (1%). The total of the Support Period and the repayment or forgiveness period should not exceed three (3) years.
 - a. Forgiveness: The contract may provide for the forgiveness of the Obligation, over a predetermined period, if the physician remains in the community, agrees to continue emergency room coverage and maintains medical staff privileges at the hospital. Forgiveness shall be on the basis of 1/36th of the Obligation for each month where all conditions are fulfilled. The Obligation forgiveness feature should be used consistently by a hospital for similar situations and under no circumstances should it be based upon the volume or value of any referrals by the referring physician.
 - b. Determination of Net Collectable Revenue Amount: For those recruited physicians entering into sole practice, the dollar amount of the net collectable revenue guarantee may include the commercially reasonable, market cost of overhead and operating expenses for the recruited physician. These expenses may include support staff salary and benefits, office and equipment rental and expenses, malpractice insurance, and other similar routine and ordinary expenses. Guaranteeing income or the payment of expenses in excess of that which can be reasonably expected in the community may be construed as payments for other items, such as referrals to the hospital.
 2. Reimbursement for Non-recurring Expenses: The physician recruitment agreement may provide for the reimbursement of other types of reasonable non-recurring expenses, including start-up marketing expenses, relocation assistance (both office and household, including assistance with the purchase and/or sale of a residence), and moving expenses. Although recruited physicians may not be employees, all payments for such items should be on a basis consistent with the Human Resources policy for the payment/reimbursement of expenses for the relocation of similarly-compensated employees. If such incentives are offered, the overall recruitment package must still be reasonable.
 3. Additional/Different Incentives: In certain circumstances, it may be necessary to offer a recruit additional or different incentives to relocate. Examples of items occasionally requested include repayment of student loans (in this instance, repayment is to go directly to the lender) or signing bonuses in addition to the relocation assistance offered as a part of the standard relocation package. The offering of these other items to a recruited physician is to be market driven and necessary to compete legitimately with another local institution or to provide comparable assistance as in the case of recruitments to rural or physician shortage areas.

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Deleted: Because of concerns that such arrangements would primarily serve to subsidize the office expenses of a physician who is already practicing in the community, hospital recruitment of these non-physician practitioners is generally inappropriate except in rural or physician shortage areas or as hospital employees. Please contact your Operations Counsel for guidance in this area. Generally, the same conditions and terms are applicable to the recruitment of these non-physician practitioners as to physicians. However, entering into the "Group Practice Addendum" is not an option in these recruitment arrangements as no exception to Stark II exists for this financial arrangement. (Stark does not cover these types of non-physician practitioners).

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If such incentives are offered, the overall recruitment package must still be reasonable.

4. **Advances:** Up to two (2) months support may be advanced to the physician prior to the commencement of the recruitment agreement. If such an advance is to be made, the advance must 1) be included in the physician recruitment agreement, or 2) otherwise be documented in writing and signed by the parties.

F. **Agreement Requirements:** The physician recruitment agreement must (1) be in writing and signed by the parties, and must specify the benefits provided by the hospital and the terms under which they are provided, and the obligations of each party, (2) state that the benefits will not be provided by the hospital for a period exceeding three years, (3) require the physician, if he or she agrees to treat patients receiving medical benefits or assistance under any federal health care program, to treat them in a nondiscriminatory manner, (4) state that the physician is not prohibited from maintaining staff privileges at, referring to or generating business for other facilities, (5) state that the physician is not required to refer patients to the hospital, (6) require the physician to maintain staff privileges at the hospital, (7), state that as requested by the hospital, the physician will participate in managed care contracts with third party payers that have agreements with the hospital, and (8) state the benefits provided are not determined in a manner that takes into account (directly or indirectly) the volume or value of any referrals by the physician or other business generated between the parties.

G. **Recruitment into an Existing Practice:** Physicians may seek to join or be employed by an existing practice, and in connection with joining the existing practice, assign the rights to payment under the recruitment agreement to the existing practice. The hospital must take the necessary steps to ensure that the recruited physician only receives those benefits necessary to induce the physician to reside in the community and such benefits do not inappropriately benefit physicians or medical practices already in the community. If a recruited physician is joining an existing practice either contemporaneously with the execution of the recruiting agreement, or subsequent to relocation within the community, the following conditions must be met:

1. The recruited physician must be eligible for recruitment under at least one of the three essential conditions of this policy;
2. The recruitment arrangement must be undertaken for legitimate reasons and not for the benefit of the existing practice;
3. The physician recruitment agreement is also signed by the existing practice if the payments are directly or jointly made to the existing practice;
4. Except for actual costs incurred by the existing practice in recruiting the new physician, the remuneration is passed directly through to or remains with the recruited physician;
5. Before committing to a net collectable revenue guarantee, the hospital is to verify the actual salary and benefits to be paid to the recruited physician by the existing practice and that number is to be used in the calculations utilized to compute the net collectable revenue guarantee;
6. The costs allocated by the existing practice to the recruited physician do not exceed the actual additional incremental costs attributed to the recruited physician;
7. Records of the actual costs and the passed through amounts are maintained for a period of at least 5 years and made available to the Secretary of Health and Human Services upon request;
8. The remuneration from the hospital per the physician recruitment agreement is not to be determined in a manner that takes into account (directly or indirectly) the volume or value of any actual or anticipated referrals by the recruited physician or the existing practice (or any physician affiliated with the existing practice) receiving the direct payments from the hospital;
9. The existing practice may not impose additional practice restrictions on the recruited physician other than conditions related to quality of care; and
10. The physician recruitment agreement does not violate the federal anti-kickback statute or any federal or state law or regulation governing billing or claims submission.

H. The hospital may offer an additional recruitment incentive to the recruited physician of up to \$5,000 to reimburse the recruited physician for legal and accounting assistance actually incurred by the recruited physician in negotiating his/her arrangement with the existing practice.

9/29/2008

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Deleted: **Certifications:** The CEO of the hospital will be required to certify with respect to each physician recruiting agreement that:¶
<#>the physician being recruited satisfies at least one of the three required conditions;¶
<#>the terms of the agreement are commercially reasonable and at fair market value;¶
[https://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:21825\\$1/frame/DOCBODY](https://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:21825$1/frame/DOCBODY)

↓. This policy will be reviewed and updated as required or at least every three years.

IV. ADDENDUM:

Deleted: <#>there is a community and/or hospital need? for the recruitment; and¶
<#>except as disclosed in the Certificate, there are no other agreements (oral or written) with the physician and the hospital.¶
***Note:** If the hospital is recruiting to address a hospital need and not community need, then the recruiting rationale and supporting documentation must be submitted to and approved by operations counsel in advance of any offer being made to the recruited physician.¶
j/the Division President must approve the terms of the agreement and certify that the contract is commercially reasonable. J

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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: Michael Covert
Authorized Promulgating Officers: Marcelo R. Revera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

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

V, DOCUMENT/ PUBLICATION HISTORY: (template)

Revision Number	Effective Date	Document Owner at Publication	Description
(this version) 1	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. Revera, Chairman [Reviewed on 6/14/2006 by James Neal: Extended review to 6/14/2007]

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

ML CROSS-REFERENCE DOCUMENTS:ftemplate)

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

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[https://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:21825\\$1/frame/DOCBODY](https://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:21825$1/frame/DOCBODY)

9/29/2008

(i.e.,

only those expenses that are deductible by the physician as business expenses).

Physician

recruiting agreements cannot include direct payment by the hospital to a third party for ordinary

operating expenses, and office or equipment rentals cannot be paid directly by the hospital to a

third party (however, such expenses may be included in the net collectable revenue guarantee

amount). Before committing to a net collectable revenue guarantee, the hospital CEO is to verify,

(/in conjunction with HCA Physician Services, the reasonably expected income level for an established physician of the recruited specialty and that number is to be used in the calculations utilized to compute the net collectable revenue guarantee.