

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

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

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JULY 1, 2008

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
MEETING LOCATION	Meeting Room E, Pomerado Hospital, 15615 Pomerado Road, Poway, CA			
MEETING CALLED TO ORDER	6:04 p.m. by Chair Ted Kleiter.			
ESTABLISHMENT OF QUORUM	See roster			
PUBLIC COMMENTS	There were no public comments			
INFORMATION ITEM(S)	<p>Bob Hemker presented four informational items that were not listed on the agenda; and, as such, they could not be discussed by the Committee</p> <ul style="list-style-type: none"> • Kaiser agreement <ul style="list-style-type: none"> o There are 3 current board members who were not part of the Board at time the agreement with Kaiser was being discussed and approved. As requested, he will meet with them to review. • Wildfire settlement <ul style="list-style-type: none"> o Insurance company has proposed to settle net of deductible for \$1.7M <ul style="list-style-type: none"> ▪ Already recognized \$1.3M and received an interim payment of \$1 million ▪ In process of finalizing settlement agreement documents o Still waiting for FEMA settlement amount, documents and PPH agreement on their proposal • AB1944 <ul style="list-style-type: none"> o Has been pulled from State Senate committee – effectively dead for current session o May be brought back in the future o Denise Ducheny has introduced a bill that provides for continuation of the existing pilot project that was approved for rural hospitals • Auction Rate Security (ARS) Resets <ul style="list-style-type: none"> o Resets occur on Mon/Tues/Wed <ul style="list-style-type: none"> ▪ A&B were both at 3% this week o 12-week rolling average is at 4%, which is consistent with normalized setting prior to February o Opens up our flexibility in terms of options o Insurers continue to see their ratings at risk / downgraded <ul style="list-style-type: none"> ▪ MBIA & AMBAC were downgraded; FSA hasn't been downgraded o At this point, there is still flexibility regarding the need and choices of refunding options 	<i>Information Only</i>	Forwarded to the July 14, 2008, Board of Directors meeting as Information via Chairman's discussion agenda	

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JULY 1, 2008

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

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JULY 1, 2008

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


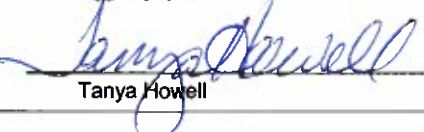
BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JULY 1, 2008

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> • Statistics for the month of May <ul style="list-style-type: none"> o Admissions – negative variance of 135 o Patient Days – negative variance of 579 o LOS – negative variance in correlation to admissions & patient days o Case Mix Index – slightly positive variance against budget <ul style="list-style-type: none"> ■ 1.43 against a 1.34 budget o Surgeries – negative variance of 42 o Births – negative variance of 32 o ER – negative variance of 180 o ER to Admissions – slight negative variance of .6% o Productivity – positive variance at 100.3% • Year to Date (YTD) Statistics <ul style="list-style-type: none"> o Admissions – negative variance of 808 o Patient Days – slight negative variance of 84 o LOS – slight positive variance <ul style="list-style-type: none"> ■ 3.91 compared to 3.83 budgeted o Total surgeries – slight positive variance of 60 o Births – slightly negative variance of about 100, combined o ER – positive variance of 1379 o ER to Admissions – slightly negative variance of 1.1% • Income Statement <ul style="list-style-type: none"> o Net Patient Revenue <ul style="list-style-type: none"> ■ Negative variance of \$2.1M for the month ■ Due to capitation <ul style="list-style-type: none"> ▲ Goes back to ongoing discussions regarding the closeout of the cap year ▲ In the first 6 months of the cap year and have already encountered a couple of bad cases o Salaries, Wages, Contract Labor <ul style="list-style-type: none"> ■ Almost right on for the month – only \$32K off budget ■ Contract labor not an issue this month o Supplies <ul style="list-style-type: none"> ■ Pulled back into line for the month at only \$28K off budget o Net Income for the month showed a \$2.7M loss <ul style="list-style-type: none"> ■ \$3.8M off targeted budget; key: capitation losses o Bottom bottom line <ul style="list-style-type: none"> ■ Showed a \$2.1M loss for the month 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JULY 1, 2008

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▲ Continue to see mark to market adjustments as interest rates decline ■ YTD negative variance of \$14M against a \$22M target o Cash Collections <ul style="list-style-type: none"> ■ MTD showed a positive variance of \$2.4M ■ YTD closed at \$403M against a \$396M budget o YTD Days Cash on Hand is just under 100 o YTD OEBITDA shows a negative variance at 6.7% against 10% budgeted <ul style="list-style-type: none"> ■ Newly approved budget again set at 10% • Other Operating Revenue showed a negative variance MTD of \$656K • Salaries, Wages, Contract Labor had a positive variance MTD of \$145K • Contract Labor showed a negative variance MTD of \$178K • Benefits showed an overall negative variance MTD of \$70K <ul style="list-style-type: none"> o Continue to "true up" workers' comp o Now right where the actuarial report says it should be • Supplies had a negative variance MTD of \$28K <ul style="list-style-type: none"> o Due to negative variance for Prosthetics of \$216K • Professional Fees showed a negative variance MTD of \$291K <ul style="list-style-type: none"> o Key driver is in Revenue Cycle <ul style="list-style-type: none"> ■ Negative variance of \$339K due to close-off of the Jacobus contract & truing up of the agreement ■ Some residual dollars have been budgeted for FY09 in selected areas to close off the charge capture work o Physician Income Guarantees had a positive variance MTD of \$120K • Purchased Services shows a negative variance MTD of \$166K <ul style="list-style-type: none"> o Due to negative variance MTD of \$325K in Repairs & maintenance <ul style="list-style-type: none"> ■ Attributable to software agreements • Other Direct Expenses showed a negative variance MTD of \$387K <ul style="list-style-type: none"> o Due to rent on the POP building at a negative \$449K variance • Salaries and Wages <ul style="list-style-type: none"> o Showed a positive variance MTD of \$145K <ul style="list-style-type: none"> ■ Excess overtime showed a positive variance MTD of \$7.5K <ul style="list-style-type: none"> ▲ Plan came to fruition in May ■ \$3.2M negative variance for the year o Showed a negative variance YTD of \$5.3M <ul style="list-style-type: none"> ■ \$5.5M negative variance related to capitation • Contract Labor showed a negative variance YTD of \$2.1M 			

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	<ul style="list-style-type: none"> o Due to registry costs in the ED at PMC; Labor & Delivery; and Intermediate Care of about \$700K each • Supplies show a negative variance YTD of about \$3.4M • Physician Income Guarantees show a positive variance YTD of \$1.3M <ul style="list-style-type: none"> o The new budget takes into account those already promised • Repairs & Maintenance showed a negative variance YTD of \$2.1M <p>Other Information discussed in conjunction with the presentation:</p> <ul style="list-style-type: none"> o The auditors are through with their preliminary review o They found nothing worth calling to the attention of the Committee o Will come back after we close out the books for the fiscal year <ul style="list-style-type: none"> ■ Probably in August, with a September delivery date o Taking a different approach and don't have to redo work • CMS delayed/suspended 10.5% physician payments <ul style="list-style-type: none"> o If you take into account Medicare adjustments, there might be about .25% affect to the hospitals • Medi-Cal decrease will be covered by the additional beds in the Subacute unit • County agreement improvement – no proviso as to share they were trying to push through • State budget is not looking good <ul style="list-style-type: none"> o There is a new speaker of the Assembly o Will they withhold payments? <ul style="list-style-type: none"> ■ Got one extra check write on June 30th o There will be no check writes the entire month of July 			
ADJOURNMENT	The meeting was adjourned at 6:40 p.m.			
SIGNATURES: <ul style="list-style-type: none"> • COMMITTEE CHAIR • COMMITTEE SECRETARY 	 <hr/> Ted Kleiter  <hr/> Tanya Howell			

ATTACHMENT 1

FISCAL YEAR 2008						57 PALOMAR POMERADO HEALTH SPECIALIZING IN YOU	
Weekly Flash Report							
June 2008	May30-Jun5	Jun6-12	Jun 13-19	Jun 20-26	MTD Total	MTD Budget	% Variance
ADC (Acute)	262	282	285	310	285	312	(8.68)
PMC	184	211	216	233	211	235	(10.38)
POM	78	71	69	77	74	76	(3.43)
PCCC	86	85	85	82	84	88	(3.93)
VP	120	123	120	124	122	123	(0.69)
Patient Days (Acute)	1833	1972	1998	2168	7,971	8,729	(8.68)
PMC	1285	1477	1513	1631	5,906	6,590	(10.38)
POM	548	495	485	537	2,065	2,138	(3.43)
PCCC	600	596	592	572	2,360	2,457	(3.93)
VP	843	863	838	866	3,410	3,434	(0.69)
Discharges	532	536	550	605	2,223	2,284	(2.67)
PMC	380	382	424	448	1,634	1,762	(7.27)
POM	152	154	126	157	589	522	12.89
Number of Surgeries	240	237	233	226	936	889	5.23
PMC	162	159	160	144	625	604	3.50
POM	78	78	73	82	311	286	8.89
Number of Births	96	91	100	95	382	421	(9.25)
PMC	73	62	76	69	280	337	(16.90)
POM	23	29	24	26	102	84	21.43

FISCAL YEAR 2008						58 PALOMAR POMERADO HEALTH SPECIALIZING IN YOU	
Weekly Flash Report							
June 2008	May30-Jun5	Jun6-12	Jun 13-19	Jun 20-26	MTD Total	MTD Budget	% Variance
Outpatient Visits (inc.)	2604	1970	1885	1790	8,249	7,763	6.27
PMC	1748	1251	1237	1136	5,372	5,125	4.82
POM	856	719	648	654	2,877	2,638	9.08
ER Visits	1704	1782	1810	1842	7,138	6,699	6.55
PMC	1182	1198	1229	1281	4,890	4,466	9.49
POM	522	584	581	561	2,248	2,233	0.65
Trauma Visits	15	17	24	24	80	110	(27.36)
IP	14	17	21	21	73	92	(21.00)
OP	1	0	3	3	7	18	(60.53)
Gross IP Revenue	18,220,411	19,943,415	19,731,620	20,602,038	78,497,484	79,358,971	(1.09)
Gross OP Revenue	6,164,045	6,561,259	7,101,378	7,116,538	26,943,220	24,180,383	11.43
Cash Collection	5,610,797	6,866,908	7,991,725	9,615,073	30,084,503	31,480,758	(4.44)
Days cash on hand	96	99	98	103	103	80	
Prod Hrs (PP25 & 26)		201,776		211,688	413,464	413,067	(0.10)
PMC - North		116,296		123,981	240,277	235,783	(1.91)
POM - South		53,940		53,716	107,656	109,170	1.39
Others	-	31,540	-	33,991	65,531	68,114	3.79
Prod \$ (PP 25 & 26)		6,295,531		6,599,942	12,895,473	12,832,068	(0.49)
PMC - North		3,638,655		3,889,137	7,527,792	7,403,534	(1.68)
POM - South		1,626,790		1,601,642	3,228,432	3,189,523	(1.22)
Others	-	1,030,086	-	1,109,163	2,139,249	2,239,011	4.46