

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

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

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

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

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

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

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

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

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

RECRUITMENT & CLINICAL DIRECTOR AGREEMENT

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

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

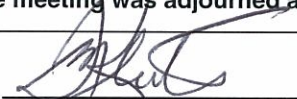
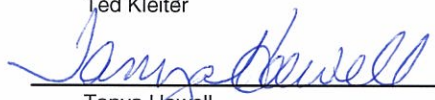
BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, MARCH 31, 2009

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

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

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