

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

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009**

**1. AGENDA ITEM**

<b>DISCUSSION</b>	<b>CONCLUSION/ACTION</b>	<b>FOLLOW UP/RESPONSIBLE PARTY</b>	<b>FINAL?</b>
-------------------	--------------------------	------------------------------------	---------------

**CALL TO ORDER**

- The meeting – held in the 1st Floor Conference Room at 456 E. Grand Avenue, Escondido, CA – was called to order at 6:04 p.m. by Chair Ted Kleiter

**ESTABLISHMENT OF QUORUM**

- See roster

**PUBLIC COMMENTS**

- There were no public comments

**INFORMATION ITEM(S)**

<ul style="list-style-type: none"> <li>As a follow-up to a request at last month’s meeting, a copy of the District’s procedure regarding patient financial assistance was distributed (<i>Attachment 1</i>)</li> <li>Status update on the Proposition 1A (Prop 1A) Securitization Program             <ul style="list-style-type: none"> <li>The State intends to borrow 8% of property tax revenues for FY2010 from all counties and local agencies                 <ul style="list-style-type: none"> <li>Management has confirmed that only unsecured tax revenues – not revenues from special bond issues such Prop BB – can be borrowed</li> <li>The legislation requires that it be repaid in 2013, with interest                     <ul style="list-style-type: none"> <li>▲ The State announced this week that interest will be paid at 2%</li> <li>▲ The State can only borrow property tax revenues twice in 10 years</li> <li>▲ First borrowed taxes must be repaid in full before State can borrow a second time</li> </ul> </li> </ul> </li> <li>Under Prop 1A, state and local agencies may opt to join a Joint Powers Authority (JPA)                 <ul style="list-style-type: none"> <li>JPA would issue bonds in an amount that would provide the borrowed taxes to the agencies now</li> <li>State would pay both issuance costs and interest on the bonds</li> <li>Documents to opt in are all templated                     <ul style="list-style-type: none"> <li>▲ Over 400 agencies have taken the opt-in paperwork to consider</li> </ul> </li> </ul> </li> <li>A “clean-up” bill is awaiting the Governor’s signature                 <ul style="list-style-type: none"> <li>If not signed into law, the use of the JPA would no longer be a viable solution</li> <li>Management will not finalize a decision on whether to recommend that the District join the JPA until action is taken on bill</li> </ul> </li> <li>Decision to opt in must be made by November 6<sup>th</sup></li> <li>District would forego well over \$1M for this fiscal year in cash flow</li> </ul> </li> </ul>	<p><b>Information Only</b></p>	<p>Forwarded to the October 12, 2009, Board of Directors meeting as Information</p>	
--	--------------------------------	---	--

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009**

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

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009**

**1. AGENDA ITEM**

• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
<ul style="list-style-type: none"> <li>1) JPA is a conduit for the transaction                             <ul style="list-style-type: none"> <li>a) Provides ability for a negotiated sale</li> <li>b) No risk/liability to the other agencies</li> </ul> </li> <li>– Preliminary Official Statement tells potential investors who we are, what we are, and why they might want to buy our bonds</li> <li>– Potential investor reviews are scheduled the week of November 1st                             <ul style="list-style-type: none"> <li>1) Pricing could occur at the end of that week</li> </ul> </li> <li>o Slide 6 charts the buying trends of various investors</li> <li>o Overview of BABs (Slides 9-14)                             <ul style="list-style-type: none"> <li>– Allows access to the tax-exempt arena for traditional sellers</li> <li>– Opens up a new layer of investors who don't usually have access to our bonds</li> <li>– Pros/Cons                                     <ul style="list-style-type: none"> <li>■ Provides basis points benefits – <i>pro</i></li> <li>■ Potential that tax credit could be removed – <i>con</i> <ul style="list-style-type: none"> <li>▲ Basis point benefit would be eradicated, as well as the reduced rate</li> </ul> </li> <li>■ Most transactions so far are by non-healthcare entities (municipalities, cities, etc.) – <i>neither pro/con</i></li> <li>■ Benefit derived at the back end – <i>could be pro/con</i></li> <li>■ Tax-exempt at this point would have the same yield as BABs – <i>con</i></li> </ul> </li> </ul> </li> </ul>			

**3. PHYSICIAN AGREEMENTS**

<ul style="list-style-type: none"> <li>• DISCUSSION                             <ul style="list-style-type: none"> <li>o All agreements can be motioned and voted on at the same time</li> <li>o Insurance coverage is automatically provided for Committee Chairs</li> <li>o The on-call contracts are for specialties that were not included in the contract with NCEMA</li> </ul> </li> </ul>	<p><b>MOTION:</b> By Director Rivera seconded by Director Bassett and carried to recommend approval of All four (4) physician agreements as presented below. All in favor. None opposed.</p>	<p>Forwarded to the October 12, 2009, Board of Directors meeting with a recommendation for approval</p>	<p align="center"><b>Y</b></p>
<ul style="list-style-type: none"> <li>• Jeffrey Rosenberg, MD – Chair – Medical Staff Peer Review Committee – PMC                             <ul style="list-style-type: none"> <li>o 15-month <b>[September 1, 2009 to December 31, 2010]</b> Agreement</li> </ul> </li> </ul>			
<ul style="list-style-type: none"> <li>• Paras Shah, MD – Emergency On-Call Agreement – Ophthalmology – POM                             <ul style="list-style-type: none"> <li>o One year <b>[August 1, 2009 to July 31, 2010]</b> Agreement</li> </ul> </li> </ul>			
<ul style="list-style-type: none"> <li>• Sudabeh Moein, MD – Emergency On-Call Agreement Extension – Obstetrics &amp; Gynecology – POM                             <ul style="list-style-type: none"> <li>o Two year extension <b>[November 1, 2009 to October 31, 2011]</b> to the Agreement</li> </ul> </li> </ul>			

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009**

**1. AGENDA ITEM**

• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
<ul style="list-style-type: none"> <li>• MICHAEL S. RAFFII, MD – MEDICAL DIRECTOR – NEUROLOGY – PMC                             <ul style="list-style-type: none"> <li>o One year <b>[October 1, 2009 to September 30, 2010]</b> Agreement</li> </ul> </li> </ul>			

**4. UPDATED BOARD PROGRAM REVIEW SCHEDULE**

<ul style="list-style-type: none"> <li>• Management has reviewed and compiled a list of approved, ongoing programs                             <ul style="list-style-type: none"> <li>o Determined when the programs were approved and begun, as well as when they are due to be brought back for review of progress</li> <li>o Several are on cycle for review at October Board Finance Committee                                     <ul style="list-style-type: none"> <li>– October’s schedule is busy, so those listed as scheduled for October will likely move at least to December</li> </ul> </li> <li>o Chairman Kleiter requested that the schedule be forwarded to the Board for review, along with a request for input from the Board regarding any programs that were not on the list that warranted financial review at Board Finance                                     <ul style="list-style-type: none"> <li>– Upon receipt of those additions, a final schedule will be compiled</li> <li>– Courtesy copy of the final schedule will be provided to other members of the Board so they may attend meetings as guests during which a program in which they are interested will be reviewed</li> </ul> </li> </ul> </li> </ul>	<p><b>MOTION:</b> By Director Rivera, seconded by Director Bassett and carried to approve the Board Program Review Schedule as presented. All in favor. None opposed.</p>	<p>Forwarded to the October 12, 2009, Board of Directors meeting with a request for input from the Board regarding any programs that were not on the list that warranted financial review at Board Finance.</p>	<p align="center"><b>N</b></p>
--	---	---	--------------------------------

**5. AUGUST 2009 AND YTD FY2010 FINANCIAL REPORT**

<ul style="list-style-type: none"> <li>• Utilizing the presentation included in the agenda packet as Addendum B, Bob Hemker presented the August 2009 and YTD FY2010 financial statements. Only select slides were presented for discussion.                             <ul style="list-style-type: none"> <li>o Balanced Scorecard (BSC) <i>(Slide B-4)</i> <ul style="list-style-type: none"> <li>– Actual consolidated OEBITDA Margin is at 10.80%                                     <ol style="list-style-type: none"> <li>1) 10.88% was budgeted – only off .08%</li> <li>2) Marked red as budgeted target wasn’t reached   <ol style="list-style-type: none"> <li>a) Shows rigidity of monitoring</li> </ol> </li> </ol> </li> <li>o Executive Summary &amp; Highlights                                     <ul style="list-style-type: none"> <li>– Statistics <i>(Slide B-5)</i> <ol style="list-style-type: none"> <li>1) Summer seasonality in terms of volumes</li> <li>2) Total Surgeries – 8.5% negative variance to budget</li> <li>3) Births – 8.7% negative variance to budget</li> </ol> </li> <li>– Key Indicators Summary <i>(Slide B-6)</i> <ol style="list-style-type: none"> <li>1) ED Visits – positive variances to budget   <ol style="list-style-type: none"> <li>a) 4.9% MTD</li> <li>b) 7.8% YTD</li> </ol> </li> </ol> </li> </ul> </li> </ul> </li> </ul> </li></ul>	<p><b>MOTION:</b> By Director Rivera seconded by Director Bassett and carried to recommend approval of the Financial Report for August 2009 and YTD FY2010 as presented. All in favor. None opposed.</p>	<p>Forwarded to the October 12, 2009, Board of Directors meeting with a recommendation for approval.</p>	<p align="center"><b>Y</b></p>
---	--	--	--------------------------------

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009**

**1. AGENDA ITEM**

• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
<ul style="list-style-type: none"> <li>2) ED Conversions to Admissions – negative variances to budget                             <ul style="list-style-type: none"> <li>a) 2.5% MTD</li> <li>b) 2.1% YTD</li> </ul> </li> <li>3) Case Mix Index shows a slight positive variance both MTD &amp; YTD</li> <li>4) Total Surgeries – negative variances to budget                             <ul style="list-style-type: none"> <li>a) 8.5% MTD</li> <li>b) 5.1% YTD</li> <li>c) Can be attributed to physician vacation schedules</li> </ul> </li> <li>5) Productivity is just under budget both MTD &amp; YTD</li> <li>6) Total Net Revenues – positive variances to budget                             <ul style="list-style-type: none"> <li>a) \$224K MTD</li> <li>b) \$1.19M YTD</li> </ul> </li> <li>7) Salaries, Wages &amp; Contract Labor (SWC)                             <ul style="list-style-type: none"> <li>a) \$141K positive variance MTD</li> <li>b) \$54,400 negative variance YTD                                     <ul style="list-style-type: none"> <li>(i) Due to settling up on union contracts</li> </ul> </li> </ul> </li> <li>8) Cash Collections – positive variances to budget                             <ul style="list-style-type: none"> <li>a) \$1.8M MTD</li> <li>b) \$2M YTD</li> <li>c) Were at \$99M the first quarter of last year                                     <ul style="list-style-type: none"> <li>(i) Tracking to be up at least \$20M year on year by end of this fiscal year</li> </ul> </li> </ul> </li> <li>– Slide B-9                             <ul style="list-style-type: none"> <li>1) Discharges show a negative variance to budget of almost 10%</li> <li>2) ER Visits show a positive variance to budget of about 3%                                     <ul style="list-style-type: none"> <li>a) Visits are not translating to admissions</li> </ul> </li> <li>3) Total Revenue YTD                                     <ul style="list-style-type: none"> <li>a) At \$77.1M (excluding capitation)</li> </ul> </li> <li>4) SWB YTD                                     <ul style="list-style-type: none"> <li>a) Up about 5.8%</li> <li>b) Trued up from union contract adjustments based on new contract terms</li> <li>c) All labor is at \$45.5M compared to \$43.7M prior year, approximating budget</li> </ul> </li> </ul> </li> <li>o YTD Variance Explanations (Slide B-13)                             <ul style="list-style-type: none"> <li>– Income from Operations showed a \$152K positive variance to budget</li> </ul> </li> </ul>			

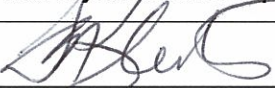
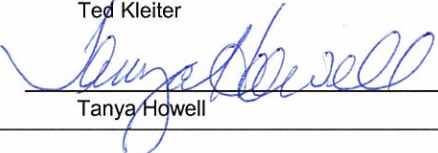
**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009**

**1. AGENDA ITEM**

• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
<ul style="list-style-type: none"> <li>- Benefits showed significant negative variances to budget               <ul style="list-style-type: none"> <li>1) Group Health Insurance will continue to be negative                   <ul style="list-style-type: none"> <li>a) Contract renewal for health benefits is in January</li> <li>b) Adjustments based on savings from the dependent benefits audit will start soon                       <ul style="list-style-type: none"> <li>(i) Ongoing adjustments, so savings will continue through the year</li> </ul> </li> </ul> </li> <li>2) Pension                   <ul style="list-style-type: none"> <li>a) Budgeted at 3%</li> <li>b) Union contracts settled at 5% for FY2010</li> <li>c) Paying 6% until plan adjustment can be made</li> </ul> </li> </ul> </li> <li>o YTD Variance Explanations (Slide B-14)               <ul style="list-style-type: none"> <li>- Supplies showed a negative variance to budget of \$612K                   <ul style="list-style-type: none"> <li>1) Pharmaceuticals up \$180K against budget                       <ul style="list-style-type: none"> <li>a) Could be inventory related to stock up at beginning of fiscal year</li> <li>b) Will continue to monitor</li> </ul> </li> <li>2) Regular flu vaccines are budgeted</li> <li>3) H1N1 is "free" from the Government                       <ul style="list-style-type: none"> <li>a) Will only cost us labor to administer</li> </ul> </li> </ul> </li> <li>o YTD Variance Explanations (Slide B-15)               <ul style="list-style-type: none"> <li>- Investment Income showed a positive variance to budget of \$116K                   <ul style="list-style-type: none"> <li>1) Net cash position is up \$9M year on year this month</li> </ul> </li> <li>o Consolidated Balance Sheet (Slide B-16)               <ul style="list-style-type: none"> <li>- Total Assets of \$1.09M</li> <li>o MTD Income Statement (Slide B-18)               <ul style="list-style-type: none"> <li>- Volumes for August are patterning July</li> <li>- Total net revenues show a positive variance of \$224K</li> <li>- Total expenses are just negative to budget by \$189K</li> <li>- Net Income from Operations shows a slight positive variance to budget of almost \$35K</li> <li>- Bottom bottom line shows a positive variance to budget of \$287K</li> <li>- OEBITDA margin is just short of budget at 10.7% vs. 10.8%</li> <li>- Net income margin has a slight variance to budget of .7%</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li></ul>			

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, SEPTEMBER 29, 2009**

**1. AGENDA ITEM**

• DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
<ul style="list-style-type: none"> <li>o YTD Income Statement (<i>Slide B-19</i>)                             <ul style="list-style-type: none"> <li>- Erratic volume has been managed with expenses, including productivity, achieving adjusted volume indicators                                     <ul style="list-style-type: none"> <li>1) Within about \$50K on productivity management and premium pay</li> </ul> </li> <li>- Net Income from Operations has a positive variance to budget of about \$150K</li> <li>- Adjusted Discharges                                     <ul style="list-style-type: none"> <li>1) Negative variance of just over 2% against budget</li> <li>2) Negative variance of about 5% year on year</li> <li>3) Bottom bottom line shows a positive variance to budget of about \$400K</li> </ul> </li> </ul> </li> </ul>			
<b>ADJOURNMENT</b>	<b>The meeting was adjourned at 7:15 p.m.</b>		
<b>SIGNATURES:</b> <ul style="list-style-type: none"> <li>• COMMITTEE CHAIR</li> <li>• COMMITTEE SECRETARY</li> </ul>	 _____ Ted Kleiter   _____ Tanya Howell		



# ATTACHMENT 1

**SPECIALIZING IN YOU** **Applicable to:**

**Affected Departments:**

**I. PURPOSE:**

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

**II. DEFINITIONS:**

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

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

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

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

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

**High Medical Costs**

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

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

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

Undocumented Procedure).

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

#### STEPS OF PROCEDURE:

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

- iv. If a patient maintains current eligibility with local and state health programs (e.g. CMS, Medi-Cal, etc), then the patient will be determined as eligible. The likelihood of future earnings sufficient to meet the obligation within a reasonable period of time shall be considered. Documentation of income may be requested of the patient if eligibility is questionable.
  - b. Assets Owned – Eligibility for Charity Care may be considered including all liquid assets owned (e.g., bonds, stocks, bank accounts) less liabilities and claims against assets. The first \$10,000 in assets will not be counted in determining eligibility; in addition, 50% of all assets valued over \$10,000 will also not be used in determining eligibility. Eligibility for Discounted Care does not factor in the availability of monetary assets. PPH uses a credit-reporting agency, Transunion, to evaluate assets and liabilities. Determination of assets and their impact on eligibility will be determined on a case by case basis.
  - c. Income – Examples of sources of income\* include, but are not limited to:
    - i. Recent pay stub
    - ii. Income tax returns
    - iii. If the above items are not available, upon Business Office Manager's discretion, other statements or documents may be acceptable (e.g. a signed and written statement by the employer of wages)
    - iv. \*Income source restrictions imposed by AB774:
      - o Excludes the use of retirement, deferred-compensation plans and non-qualified deferred-compensation plans when determining eligibility for Charity Care.
      - o Mandates that determinations for Discounted Care are to only consider recent pay stubs or income tax returns.
    - v. Employment status shall be considered along with future earning capacity.
  - d. Deductions - Other financial obligations including living expenses and other items of reasonable and necessary nature shall be considered.
  - e. Reevaluation-Charity Care or Discounted Care provisions shall be reevaluated when any one of the following occur:
    - I. Subsequent rendering of services
    - II. Income change
    - III. Family size change
    - IV. When any part of the patient's account is written off as a bad debt or is in collections
    - V. When an account that is closed is to be reopened
    - VI. When an account is equal to, or greater than 6 months old
  - f. Management's Discretion - PPH's management shall have a reasonable amount of discretion in approving the provision of Charity Care or Discounted Care for patients who do not meet the provisions set forth above.
4. Processing the Financial Assistance Application:
- a. Review each completed application upon receipt and determine if all information has been completed or attached, as applicable.
  - b. Enter notes in the "account comments" section of PPH's Information System indicating receipt of the request for charity. If incomplete, note the follow-up action, missing items and date.
    - i. If additional information is required, send the Financial Assistance Request for Information Letter (Attachment D). The patient shall be requested to provide this information within 15 working days.
    - ii. If the patient does not return the requested information or contact PPH within 20 working days, contact the patient to inquire into the status of the additional information. Advise the patient that unless PPH receives the information within 10 working days, a decision on their eligibility for financial assistance will be made without the requested information. If the patient does not return the requested information or contact PPH within the additional 10 day period, the application should be forwarded for review and eligibility determination. Enter into the "account comments" section of PPH's information system: "Patient did not return required financial assistance information."
  - c. If the Financial Assistance Application is complete, prepare the Financial Assistance Checklist (Attachment E) within 24 hours.
  - d. Once the packet is complete, forward to the appropriate person as per the following approval schedule:
    - i. \$0 - \$ 1,000 PFS Representative
    - ii. \$1,001 - \$5,000 Manager Patient Financial Services
    - iii. \$5,001 - \$10,000 Director Patient Financial Services
    - iv. \$10,001 - \$50,000 Executive Director Revenue Cycle
    - v. > \$50,000 Chief Financial Officer
  - e. Enter the date the packet was sent into the "account comments" section of PPH's information system.
  - f. If a patient is approved for Financial Assistance, the person approving the Financial Assistance shall enter the appropriate adjustment into the PPH information system as "approved and write off completed," and complete the Financial Assistance Approval Letter (Attachment F).
  - g. For approved Charity Care, the full amount of the bill is to be written off and the account documented.
  - h. For approved Discounted Care, the account should be adjusted to the Medicare reimbursement rate and the remaining balance to be paid by the patient. The patient is eligible for an interest free payment plan on the remaining balance in accordance with the Self Pay Discount procedure or Extended Payment Plan (Care Payment) procedure.

- i. If a patient is not approved for Financial Assistance, forward the Financial Assistance Application and the supporting documentation to the Patient Business Services manager for final review.
  - j. If a patient is denied Financial Assistance, send the Financial Assistance Denial Letter (Attachment G).
  - k. If the patient appeals the denial and submits additional information within 15 working days of the date of the denial notice, this information should be evaluated within five days. If the supplemental information results in the patient qualifying for Financial Assistance, send the Financial Assistance Approval Letter. If the supplemental information does not change the denial determination, send the patient the Financial Assistance Denial Letter (Attachment G) and edit to include the wording related to the denial based upon the additional documents submitted.
5. Guidelines for Collection on Accounts of Patients Eligible for Financial Assistance:
- a. All non-Charity Care patients must first have been offered an interest free extended payment plan subject to negotiation and PPH procedures.
  - b. Asset review is to be done as described in section 3(b) above.
  - c. PPH and affiliated collection agencies cannot report adverse information to a consumer credit reporting agency or commence civil action against the patient for non-payment at any time prior to 150 days after initial billing. All agencies used by PPH (Progressive Management Systems and CMRE Financial Services) have been confirmed to be compliant with AB774.
  - d. PPH will not send any accounts to agency if the patient is:
    - i. Attempting to qualify for Financial Assistance eligibility, or
    - ii. Attempting in good faith to settle an outstanding bill with PPH by negotiating a reasonable payment plan or by making regular partial payments or a reasonable amount.
  - e. PPH or affiliated agencies will not use wage garnishments or liens on primary residences as a means of collecting on unpaid or underpaid accounts.
  - f. Unaffiliated agencies will not use:
    - i. Wage garnishments, except upon order of a court, or
    - ii. Notice or conduct a sale of primary residence either during the life of the patient or spouse or in some instances a child of the patient that attains the age of majority.

Documentation:

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

Confidentiality:

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

**IV. ADDENDUM:**

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

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

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

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

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

**/I. CROSS-REFERENCE DOCUMENTS:(template)**

<b>Reference Type</b>	<b>Title</b>	<b>Notes</b>
-----------------------	--------------	--------------

*aper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at .*  
<http://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:34372>

# ATTACHMENT 2

PALOMAR  
POMERADO  
HEALTH  
SPECIALIZING IN YOU

Market Update



September 29, 2009  
Strictly Private and Confidential



### Series 2009 Revenue Bond Update

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



2



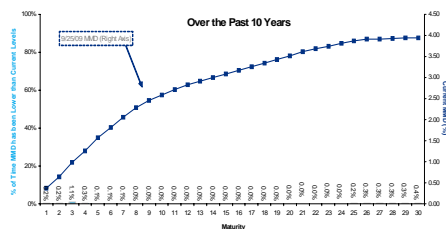


## Timeline for The Execution of Series 2009 Bonds

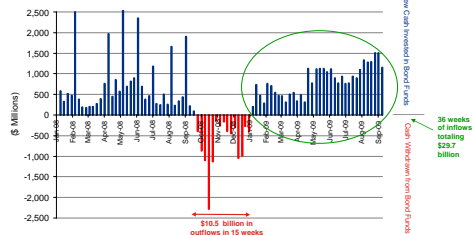
- October 5<sup>th</sup> & 6<sup>th</sup> – Rating agency update meetings
- October 20<sup>th</sup> – Audit committee approval meeting
- October 23<sup>rd</sup> – Joint Powers Authority approval meeting
- October 27<sup>th</sup> – PPH Board Meeting - approval
- October 28<sup>th</sup> – Print Preliminary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

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

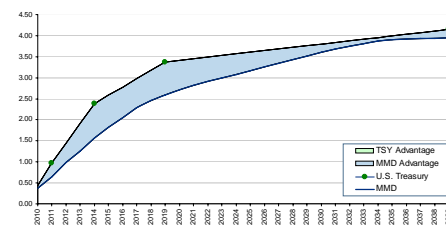
### MMD Has Rarely Been Lower



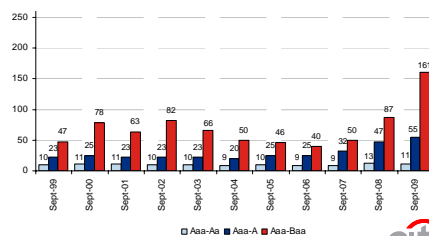
### Municipal Bond Flows Remain Positive



### MMD is Trending Towards More Traditional Ratios



### Credit Spreads Are Wide, But Starting to Improve



## Low cost opportunity with the recent significant drop in MMD

30 Yr MMD Comparison - Jan 1, 2009 to Present



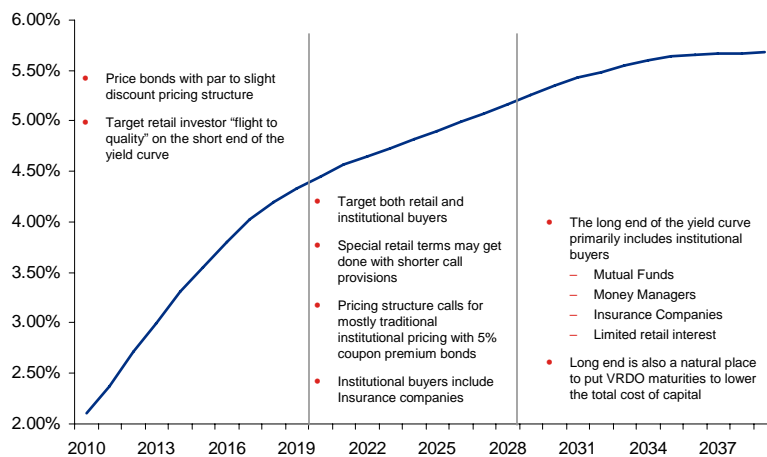
KaufmanHall

5

citi

## Marketing Strategy For Structuring Series 2009 Bonds

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



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

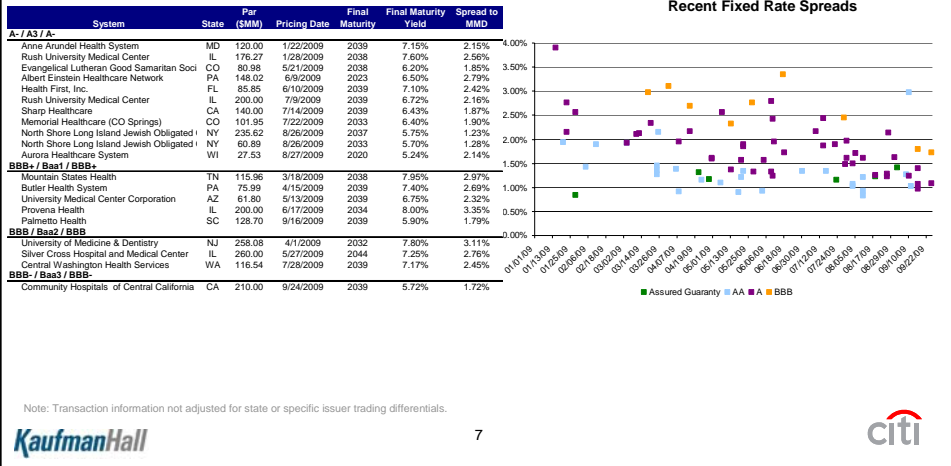
KaufmanHall

6

citi

## Selected Recent Tax-Exempt Fixed Rate Health Care Offerings

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



KaufmanHall

7

citi

## Overview of Build America Bonds

KaufmanHall

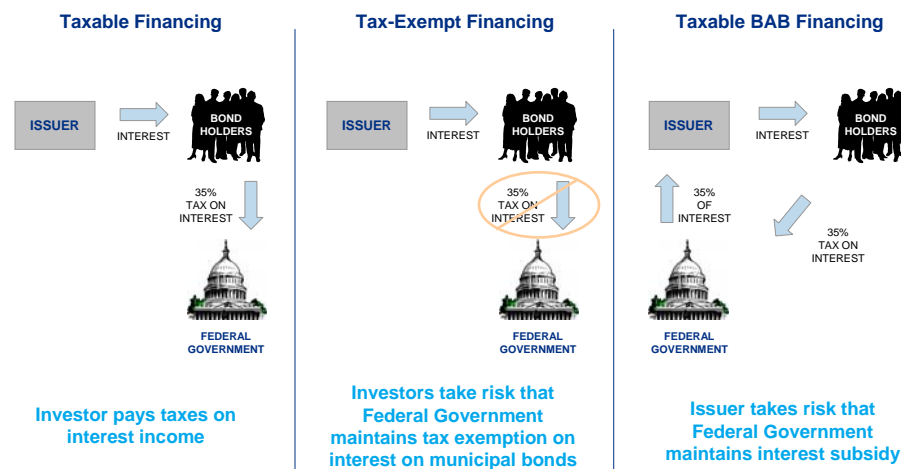
citi

## Overview of Build America Bonds

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

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

## Municipal Finance Interest Payment Mechanics



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

## BABs Considerations

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

### Considerations:

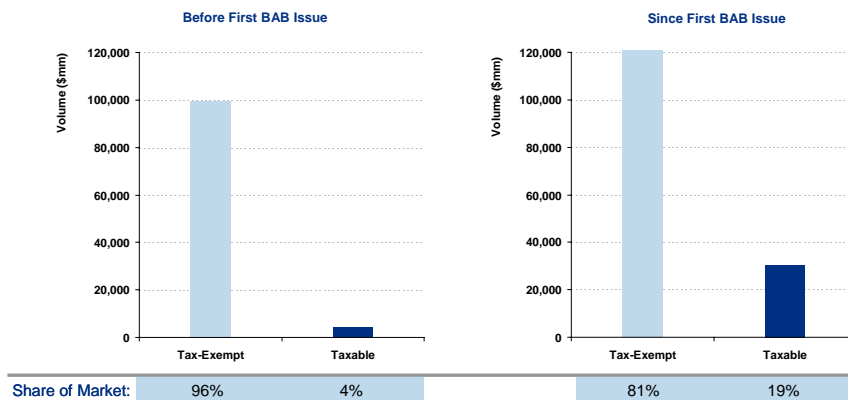
- Treatment of BAB rebate in the Legal Covenant
- Ongoing Risk of Federal Repayment
- Callability of BABs

### Status:

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

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

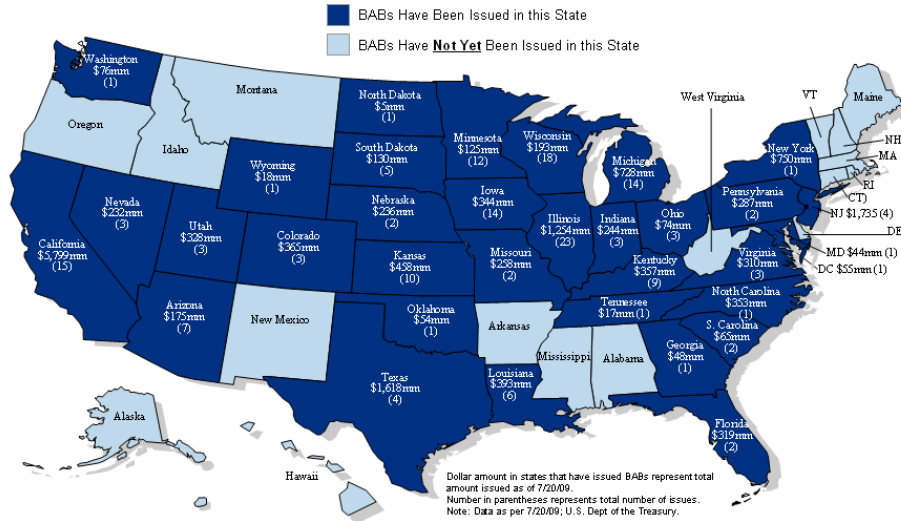
Since 4/15, approximately \$21 billion of BABs have been issued, buoying a taxable municipal market that offered few taxable issuances during the first 3 ½ months of 2009.



Source: Thomson Financial. Data as of August 2009.

## National BABs Issuance Since Inception

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



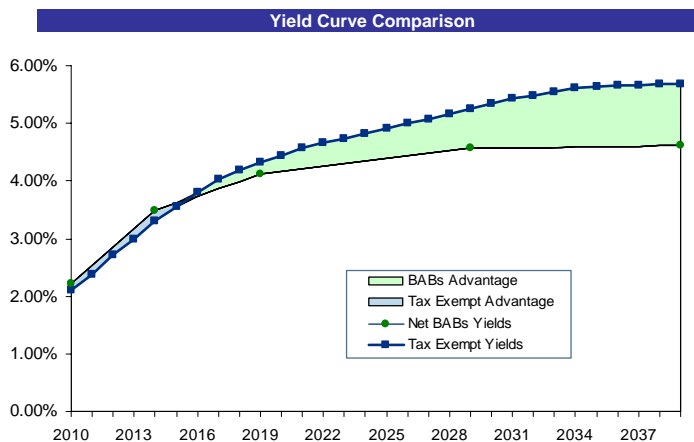
KaufmanHall

13

citi

## Comparison of BABs vs. Revenue Bonds

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



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

KaufmanHall

14

citi

**IRS Circular 230 Disclosure:** Citigroup Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of any transaction contemplated hereby ("Transaction"). Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment. Nor are we acting in any other capacity as a fiduciary to you. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the existence of and proposed terms for any Transaction.

Prior to entering into any Transaction, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such Transaction. In this regard, by accepting this presentation, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimer as to these matters. By acceptance of these materials, you and we hereby agree that from the commencement of discussions with respect to any Transaction, and notwithstanding any other provision in this presentation, we hereby confirm that no participant in any Transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such Transaction.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any such instrument at any time.

Although this material may contain publicly available information about Citi corporate bond research, fixed income strategy or economic and market analysis, Citi policy (i) prohibits employees from offering, directly or indirectly, a favorable or negative research opinion or offering to change an opinion as consideration or inducement for the receipt of business or for compensation and (ii) prohibits analysts from being compensated for specific recommendations or views contained in research reports. So as to reduce the potential for conflicts of interest, as well as to reduce any appearance of conflicts of interest, Citi has enacted policies and procedures designed to limit communications between its investment banking and research personnel to specifically prescribed circumstances.

© 2009 Citigroup Global Markets Inc. Member SIPC. All rights reserved. Citi and Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.

In January 2007, Citi released a Climate Change Position Statement, the first US financial institution to do so. As a sustainability leader in the financial sector, Citi has taken concrete steps to address this important issue of climate change by: (a) targeting \$50 billion over 10 years to address global climate change; includes significant increases in investment and financing of alternative energy, clean technology, and other carbon-emission reduction activities; (b) committing to reduce GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (c) purchasing more than 52,000 MWh of green (carbon neutral) power for our operations in 2008; (d) creating Sustainable Development Investments (SDI) that makes private equity investments in renewable energy and clean technologies; (e) providing lending and investing services to clients for renewable energy development and projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

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

**KaufmanHall**

efficiency, renewable energy & mitigation

**citi**