**BOARD GOVERNANCE, AUDIT AND COMPLIANCE MEETING AGENDA**

Thursday, January 17, 2013
6:00PM (Buffet Dinner for Committee Members & Invited Guests)

456 E. Grand Avenue, Escondido, CA
1st Floor Conference Room

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**CALL TO ORDER**

- **Public Comments** ................................................................. 5 
  
  5 minutes allowed per speaker with a cumulative total of 15 minutes per group.
  
  *For further details & policy, see Request for Public Comment notices available in meeting room.*

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1. *Approval: Audit and Compliance Minutes - Thursday, November 15, 2012* 2 - 5 L. Greer
2. *Approval: Audit and Compliance Minutes – Monday, December 10, 2012* 2 - 7 L. Greer
3. *Approval: Governance Minutes – Tuesday, December 11, 2012* 2 - 9 L. Greer

**Discussion Items:**

4. Review: Policies Review(s)
   - Cost of Board Packets – 21792 ........................................... 10 - 11 J. Sarti
   - Gifts and Donations – 21776 .............................................. 12 - 14 J. Sarti
   - Solicitation and Distribution of Literature on PPH Property – 21788 15 - 17 J. Sarti
   - Palomar Health Credit Cards – 21807 .................................... 18 - 19 J. Sarti
   - Expense Reimbursement – 21802 .......................................... 20 - 22 J. Sarti
   - Smoking Policy – 25912 ..................................................... 23 - 24 J. Sarti
   - Palomar Health Bylaws (Standing Agenda item for January) ...... 25 - 51 J. Sarti
   - Best on Board Update (Standing Agenda item for January) ......... 52 - 53 M. Covert

5. Calendar for 2013 (Standing agenda item for January) ..................... 54 - 60 T. Boyle

6. *Review of Governance, Audit and Compliance Committee Charter, Committee Policies (If applicable) and Bylaws (Standing agenda item for January)* 54 - 60 T. Boyle

7. *Committee Job Description (Standing agenda item for January)* ........ 56 - 61 T. Boyle

8. *Approval of Internal Audit Plan 2013 (Standing agenda item for January)* 62 - 65 T. Boyle

9. Review of Internal Activities .................................................. 66 - 73 T. Boyle

10. Report of the Compliance and Ethics Committee
    (Standing agenda item for December) ..................................... 74 - 75 M. Neu

**Final Adjournment**

**Next Meeting Date:** Thursday, February 21, 2012

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

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

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**Linda Greer, R.N , Chairman**

**Bruce Krider, Director**

**Steve Yerxa, Director**

**Jeff Griffith (1st Alternate)**

**Michael Covert, CEO**

**Janine Sarti, General Counsel**

**Bob Hemker, CFO**

**Tom Boyle, District Audit Officer**

**Mark Neu, Corporate Compliance Officer**

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**Richard Engel, M.D.**

**Lachlan Macleay, M.D.**

**Roger Acheatel, M.D.**

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**Hue, Le, Admin Fellow**

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**Mark Neu, Corporate Compliance Officer**
### Call to Order

5:15 P.M. by Director Bassett.

Present: Nancy Bassett, Ted Kleiter, Bruce Krider

**Also attending:** Janine Sarti, Tom Boyle, Mark Neu, Ruhina Livingstone, Lucila Maxwell, Kristy Larkin

### Notice of Meeting

Notice of Meeting was posted consistent with legal requirements.

### Public Comments

There were no members of the public present.

### Approval of Minutes

- **October 29, 2012**

**MOTION:** by Director Bassett, 2nd by Ted Kleiter and carried to approve the minutes of October 29, 2012 as submitted.

All in favor. None opposed.
<table>
<thead>
<tr>
<th>AGENDA ITEM/ PRESENTER</th>
<th>DISCUSSION</th>
<th>CONCLUSIONS/ACTION</th>
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</thead>
<tbody>
<tr>
<td>Review of Internal Audit Activities</td>
<td>Mr. Boyle presented a status report of Internal Audit Projects which included payroll HR audit, Pharmacy follow up, External Quality Assessment Review, Executive Expense reimbursements, Summary of Operational activities and internal audit staff change. Mr. Boyle also presented the project that were going to be completed by end of the year</td>
<td></td>
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<tr>
<td>Deloitte Year End IT Audits</td>
<td>Mr. Boyle presented a summary of the last 3 IT audits performed by Internal Audit Services (2010, 2011) and Deloitte (2012)</td>
<td>MOTION: by Director Krider, 2nd by Ted Kleiter passed the motion that Chief Information Officer review the results in the January Meeting. All in favor. None opposed.</td>
</tr>
</tbody>
</table>
| Compliance and Ethics Reports | Mr. Neu delivered a Compliance and Ethics Committee Activity Report which included recent Investigations and Enforcement. Three recent government investigations were reviewed for educational purposes.  
1. Once case involved a settlement where a lab company gave referring physicians gift cards for each patient referral.  
2. The second case described the Medicare Strike Force on 10/4/12, where 91 individuals were arrested for their alleged participation in $429 million Medicare fraud.  
3. The third case related to a $1.5 million settlement | |
| | | |

November 15, 2012  Audit and Compliance Board Meeting Minutes  Page 2 of 5
<table>
<thead>
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<td>enforcement as a standing agenda item, with the relevant department director at the CEC addressing the significant details of the case as well as the potential liability, if any. Mr. Neu further discussed 2013 Work Plan overview, The Office of Inspector General has released the 2013 Work Plan. A detailed discussion relating to the items that are relevant to Palomar Health will be reviewed at the December meeting. The Conflict of Interest review was also discussed by Mr. Neu and he stated that the 2012 COI disclosure results were reviewed. This review was presented to the Audit and Compliance Committee in October 2012, at the time it was finalized. The CEC did not meet in October. Mr. Neu presented the Palomar Health Hotlines which has three different telephone numbers for staff to report compliance, quality or professional relations concerns. 1. The Hotline number posted around the district and in the Code of Conduct. 2. The Patient Safety Hotline that is printed on the back of the Momentum magazine. 3. The physician’s dictation line that has a special protocol for submitting concerns relating to MD and hospital staff interactions. Discussion related to the appropriate education for staff on reporting avenues and reporting expectations. Discussion</td>
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<td>also relating to the appropriate number of telephone numbers. Mr. Neu also discussed the Compliance Assurance Dashboards relating to the development of department specific dashboards that could provide a sense of operational compliance. Particular department directors were asked to consider the 3-5 key items that, if not performed properly could create a compliance risk. An example was a PFS dashboard that includes a metric for refunding overpayments within 60 days. Mr. Neu furthered discussed the Work Plan Initiatives 2012 and stated that it was deferred to December 2012 meeting due to time constraints</td>
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<tr>
<td>Compliance Hotline</td>
<td>Mr. Neu presented the hotline reports for Q2 and Q3.</td>
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<tr>
<td>Closed session</td>
<td>Meeting convened to closed session at 6:30p.m</td>
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<tr>
<td>Open Session</td>
<td>Meeting reconvened to open session at 7:00p.m</td>
<td><strong>MOTION:</strong> by Director Bassett, 2&lt;sup&gt;nd&lt;/sup&gt; by Ted Kleiter. The board instructed administration to memorialize Palomar's process to ensure continuing conference with regulations regarding non-monetary compensation paid to physicians. All in favor. None opposed. <strong>MOTION:</strong> by Director Kleiter, 2&lt;sup&gt;nd&lt;/sup&gt; by Bruce. The Audit and</td>
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<td>compliance committee recommended having an automated expense reimbursement management tool. All in favor. None opposed. The Committee have recommended that the current practice for reimbursement for hospital use of personal cellular/data expenses be replaced with a monthly flat-rate allowance for appropriate Staff</td>
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<table>
<thead>
<tr>
<th>DATE/TIME &amp; LOCATION OF NEXT MEETING</th>
<th>The next meeting of the Internal Audit and Compliance Committee is scheduled to be held on December 10, 2012 at 5:00 p.m. at 3d floor Palomar Health Downtown Campus on 555 East Valley Parkway in Admin #2 room</th>
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<thead>
<tr>
<th>ADJOURNMENT</th>
<th>The meeting was adjourned at 7:30 P.M.</th>
<th>Director Bassett moved to adjourn.</th>
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<th>SIGNATURES</th>
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<td>Committee Director</td>
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<td></td>
<td>[Linda Greer R.N]</td>
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<td></td>
<td>Secretary to Committee</td>
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<td></td>
<td>[Ruhina Livingstone]</td>
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**PALOMAR HEALTH**  
**AUDIT & COMPLIANCE**  
**BOARD COMMITTEE MEETING**  
456 E. Grand Ave.  
1st Floor Conference Room  
December 10, 2012

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<tr>
<th>AGENDA ITEM/PRESENTER</th>
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| CALL TO ORDER         | 5:00 P.M. by Director Kleiter.  
Present: Director Yerxa  
**Also attending:** Michael Covert, Bob Hemker, Janine Sarti, Mark Neu, Tom Boyle, Ruhina Livingstone, Lucila Maxwell, Kristy Larkin | |
| NOTICE OF MEETING     | Notice of Meeting was posted consistent with legal requirements. | |
| PUBLIC COMMENTS       | There were no members of the public present. | |
| APPROVAL OF MINUTES   | | **MOTION:** by Director Kleiter, 2nd by Director Yerxa and carried to approve the amended minutes of October 29, 2012 as submitted.  
All in favor. None opposed. |
<p>| • October 29, 2012    | | |</p>
<table>
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<th>AGENDA ITEM/ PRESENTER</th>
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<tr>
<td>Closed session</td>
<td>Meeting convened to closed session at 5:05p.m</td>
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<tr>
<td>Open Session</td>
<td>Meeting reconvened to open session at 5:40p.m</td>
<td><strong>MOTION:</strong> Motion by Director Yerxa, second by Director Kleiter and carried to recommend to negotiate with PWC to perform Internal Audit QAR and Compliance QAR for total cost of $35,000. All in favor. None opposed.</td>
</tr>
</tbody>
</table>

**DATE/TIME & LOCATION OF NEXT MEETING**
The next meeting of the Internal Audit and Compliance Committee is scheduled to be held on January 17, 2012 at 5:15 p.m. at 1st Floor Conference Room at 456 E. Grand Conference Room.

**ADJOURNMENT**
The meeting was adjourned at 5:45 P.M. Director Kleiter moved to adjourn.

**SIGNATURES**
- **Committee Director**
  
  Linda Greer R.N
- **Secretary to Committee**
  
  [Ruhina Livingstone]
### AGENDA ITEM

<table>
<thead>
<tr>
<th>CALL TO ORDER</th>
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<th>FOLLOW-UP/RESPONSIBLE PARTY/FINALIZED</th>
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<td>8:02 A.M.</td>
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<td></td>
<td>Quorum comprised of Directors Kaufman, Krider, and Kleiter (1st Alternate)</td>
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<td></td>
<td><strong>Also attending:</strong> Janine Sarti, Mark Neu, Sarah Jordan.</td>
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### NOTICE OF MEETING

- Notice of Meeting was mailed and posted consistent with legal requirements.

### PUBLIC COMMENTS

- None

### APPROVAL OF MINUTES

- **November 13, 2012**
  - The minutes of November 13, 2012 meeting were presented.
  - **MOTION:** by Kaufman 2nd by Kleiter and carried to approve the meeting minutes of November 13, 2012, as submitted. All in favor. None opposed.

### BOARD GOVERNANCE COMMITTEE CALENDAR

- Calendar will be re-considered in January 2013 when Linda Greer, the new chairperson, is present.

### BOARD MEMBER HANDBOOK

- Board Member Handbook was reviewed. Discussed provisions that may need to be added, removed, and/or updated. Outdated provisions include: board member names; Board of Directors calendar of events; board member committees.
- Delete Sections 1, 2, and 3 as they change annually.
- **Conversation with Web Master to have these materials available on Board Member portal that is password protected.**
- **Revise handbook.**
<table>
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<tr>
<td>GOVERNING BODY ORIENTATION – 21797</td>
<td>Policy was reviewed. Changes to policy proposed and approved. Update policy to reflect name change.</td>
<td>Recommend the CSDA Course, How to Be an Effective Board Member, to the new board members as an introductory course/seminar.</td>
<td>MOTION: by Kleiter, 2nd by Kaufman and carried to approve the policy with proposed changes. All in favor. None opposed.</td>
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<td>Potential for a diagnostic tool to ensure the board members have read the materials discussed.</td>
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<td>Potential for incoming board members to attend introductory course/seminar, How to Be an Effective Board Member (hosted by California Special Districts Association), discussed.</td>
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<tr>
<td>BOARD GOVERNANCE REFERENCE MANUAL</td>
<td>Mark Neu presented literature regarding corporate responsibility for Board Members in healthcare context.</td>
<td>Board member Library (strive to make it digitized). Organize documents by topic (e.g., Legal, Finance, etc.) Library should contain: 1) OIG materials 2) AHLA materials</td>
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<tr>
<td>REGULATORY/LEGISLATIVE UPDATE</td>
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<tr>
<td>PENDING PROJECTS</td>
<td>Best on Board update.</td>
<td>Starting program next month.</td>
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<tr>
<td>DATE OF NEXT MEETING</td>
<td>The next meeting of the Board Governance Committee will be held at 8:00 A.M., on Tuesday, January 15, 2013, at 456 Grand Avenue, Escondido, CA 92025.</td>
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<tr>
<td>ADJOURNMENT</td>
<td>9:06 a.m.</td>
<td>MOTION: by Chairman Krider to adjourn the meeting.</td>
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<td>SIGNATURES</td>
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<tr>
<td>• Committee Chairperson</td>
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<td></td>
<td>Linda Greer</td>
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<tr>
<td>• Secretary to Committee</td>
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<td></td>
<td>Ruhina Livingstone</td>
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I. PURPOSE:

Palomar Pomerado Health may charge for the costs of notices of public Board meetings. Pursuant to Cal. Gov. Code. Sec. 54945.4, costs eligible for reimbursement shall only include the actual cost to post a single agenda for any one meeting.

II. DEFINITIONS:

III. TEXT / STANDARDS OF PRACTICE:

A. Palomar Pomerado Health shall provide notice of board meeting at no cost to residents and members of the press who request such notice in writing.

B. The information packet which accompanies the board and/or committee agendas shall be provided free of charge to members of the board, staff and medical staff leaders. Members of the public and the press who so request in writing may be provided with Board information packets, subject to Section D below and any applicable laws and regulations, though such requesting parties may be charged reproduction and postage costs, payable in advance on an annual basis.

C. All requests for notice shall be honored for a period of one year.

D. Notwithstanding the foregoing, in the event the Board deems that certain portions of a Board information packet and/or committee meeting agenda should not be disclosed to the public or the news media pursuant to applicable laws and regulations, included but not limited to the Public Records Act, the Board shall remove information from materials.

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

DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 11/14/85
Reviewed: 1/93; 1/99; 2/02; 9/05
Revision Number: 1 Dated: 9/20/05
Document Owner: Michael Covert
Authorized Promulgating Officers: Marcelo R. Revera, Chairman

CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-405

IV. ADDENDUM:

V. PUBLICATION HISTORY:

<table>
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<tr>
<th>Revision Number</th>
<th>Effective Date</th>
<th>Document Owner at Publication</th>
<th>Version Notes</th>
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</table>
| 2 (this version)| 09/20/2005     | Ofer Barlev, Legal Associate  | Original Document Date: 11/14/85
|                 |                |                               | Reviewed: 1/93; 1/99; 2/02; 9/05 |
VI. REFERENCES:

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<td>Prior to 2005, this policy was Board Policy 10-405</td>
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Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at:

https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21792
I. PURPOSE:

A. To designate the Palomar Pomerado Health Foundation ("PPHF") as the recipient for all Palomar Pomerado Health ("PPH" or "District") gifts and donations and to ensure appropriate recognition, receipt and accountability, as well as consistent handling of gifts and donations.

B. The charitable purpose of PPHF, a California not-for-profit organization, is to support PPH by encouraging and facilitating the solicitation and acceptance of gifts, contributions, and donations. PPHF is committed to the enhancement of individual and community health through the philanthropic support of PPH.

II. DEFINITIONS:

III. TEXT / STANDARDS OF PRACTICE:

A. The Board has determined that it is in the best interests of PPH to ensure that:
   1. all gifts, contributions and donations (collectively, "Gifts") to the District made by the public are properly accounted for;
   2. such Gifts comply with applicable federal and California tax laws and regulations;
   3. appropriate receipts are provided to donors for tax purposes; and
   4. all donors receive appropriate communications of the appreciation of the District, its senior staff and its key volunteers;

B. PPHF can and will provide all of the foregoing services to the District in connection with gifts to the District.

C. The District and the Foundation will establish procedures:
   1. pursuant to which the Foundation will provide the services described above with respect to gifts made by donors for use by the District, its affiliates and their respective health care programs in furtherance of its charitable purposes; and
   2. that will ensure that all donors are advised that the ultimate recipient of the Gifts will be the District;
   3. compliance with any and all restrictions placed on Gifts by the applicable donors; and
   4. that the District is provided with the flexibility to direct the Foundation in respect of specific uses for Gifts, as the District deems reasonably necessary to fulfill its charitable purposes.

D. This policy will be reviewed every three years.

IV. ADDENDUM:

V. DOCUMENT / PUBLICATION HISTORY:
VI. CROSS REFERENCE DOCUMENTS:
Prior to 2005, this policy was Board Policy 10-205

V. PUBLICATION HISTORY:

<table>
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| 2 (this version) | 11/01/2005     | Ofer Barlev, Legal Associate  | Original Document Date: 4/95  
Reviewed: 2/99; 11/05  
Revision Number: 1 Dated: 11/05  
Document Owner: Michael Covert  
Authorized Promulgating Officers: Marcelo R. Revera, Chairman  
Added at review: No material change made to text of document. Updated signatures to current signers. [This document revision was generated to track review signatures and does not contain any changes from the previous revision.]  
| 1               | 11/01/2005     | James Neal, Director of Corporate Integrity | Original Document Date: 4/95  
Reviewed: 2/99; 11/05  
Revision Number: 1 Dated: 11/05  
Document Owner: Michael Covert  
Authorized Promulgating Officers: Marcelo R. Revera, Chairman |

Authorized Signer(s):  
(03/12/2010) Janine Sarti, General Counsel  
(09/01/2010) Bruce G Krider, Board Chairman, PPH Board

VI. REFERENCES:
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<td>Source Documents</td>
<td>Prior to 2005, this policy was Board Policy 10-205</td>
<td>Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at</td>
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<td><a href="https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21776">https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21776</a></td>
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I. PURPOSE:

In keeping with the District’s mission to provide quality, cost-effective health care, and consistent with California statute, solicitation and other activities that have the potential to be disruptive, to interfere with patient care or to create political influence are not allowed on PPH premises.

II. DEFINITIONS:

1. For purposes of this policy, the term solicit shall include all types of communication, political campaigns or contributions, fund-raising, distribution of literature and other materials and activities which are inconsistent with the District’s mission.

2. The term patient care area is inclusive and includes all locations in which patients receive care or therapy, patient consultation or patient meeting rooms or all corridors in those areas.

III. TEXT / STANDARDS OF PRACTICE:

A. Except as provided in such an employee relations resolution, no person, patient, employee, officer or member of the medical staff may solicit or distribute literature on PPH property for any purpose at any time.

B. Persons not employed by PPH may not solicit or distribute literature or goods on hospital property at any time for any purpose.

C. Persons employed by PPH may not solicit during working time for any purpose. Employees are specifically precluded from soliciting at any time for any purpose in patient care areas such as patient rooms, operating rooms or in any location where patients receive treatment or therapy or in any area that could potentially cause a disruption of health care operations or a disturbance to patients. The term patient care area is inclusive and includes all locations in which patients receive care or therapy, patient consultation or patient meeting rooms or all corridors in those areas.

D. The Board of Directors may adopt an employee relations resolution to describe the circumstances under which employee organization officers and representatives may have access to District employees and District property.

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

IV. ADDENDUM:

V. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 12/11/78
Reviewed: 1/93; 2/02
Revision Number:
1 Dated: 7/30/84
2 Dated: 12/89
3 Dated: 4/95
4 Dated: 12/98
5 Dated: 2/11/02
6 Dated: 2/4/05
Document Owner: Michael Covert
Authorized Promulgating Officers: Marcelo R. Revera, Chairman

VI. CROSS REFERENCE DOCUMENTS:
Prior to 2005, this policy was Board Policy 10-409

V. PUBLICATION HISTORY:

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| 2 (this version)| 02/24/2010       | Ofer Barlev, Legal Associate                   | Original Document Date: 12/11/78
|                 |                  |                                                | Reviewed: 1/93; 2/02
|                 |                  |                                                | Revision Number:
|                 |                  |                                                | 1 Dated: 7/30/84
|                 |                  |                                                | 2 Dated: 12/89
|                 |                  |                                                | 3 Dated: 4/95
|                 |                  |                                                | 4 Dated: 12/98
|                 |                  |                                                | 5 Dated: 2/11/02
|                 |                  |                                                | 6 Dated: 2/4/05
|                 |                  |                                                | Added at review: No material change made to text of document. Updated signatures to current signers.
|                 |                  |                                                | [This document revision was generated to track review signatures and does not contain any changes from the previous revision.]
|                 |                  |                                                | [Reviewed on 1/6/2010 by Ofer Barlev: Extended review to 1/5/2013]
|                 |                  |                                                | [Edited on 2-24-10 by Ofer Barlev after Governance Committee Comments]
| 1               | 02/04/2005       | James Neal, Director of Corporate Integrity    | Original Document Date: 12/11/78
| (Changes)       |                  |                                                | Reviewed: 1/93; 2/02
|                 |                  |                                                | Revision Number:
|                 |                  |                                                | 1 Dated: 7/30/84
|                 |                  |                                                | 2 Dated: 12/89
|                 |                  |                                                | 3 Dated: 4/95 |
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https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21788
I. PURPOSE:

To establish policy for obtaining financial accommodations from a bank, pursuant to the use of a number of Credit Cards by the officers and agents of PPH and to ensure District credit cards are not extended without the authorization of the board.

II. DEFINITIONS:

III. TEXT / STANDARDS OF PRACTICE:

A. PPH officers and agents may use Credit Cards for and in connection with PPH business. This includes travel arrangements for both trustees and District employees. All PPH officers and agents issued a credit card will sign a statement that it is understood that the credit card is strictly for ending connection with PPH business (Attachment 1)

B. Credit Cards will be issued in the name(s) of officers or agents designated to Bank by PPH and that all indebtedness incurred through the use of such Credit Cards be charged directly to PPH. The bank will not extend such accommodations by issuing Credit Cards unless PPH agrees in writing to assume sole responsibility and to pay the Bank for all indebtedness incurred by use of these Credit Cards, whether such use of indebtedness was authorized or unauthorized by PPH.

C. In the case of deletions of authorization of designated officers or agents, PHH shall be liable for the use of such Credit Cards until said Credit Cards are returned to Bank or Bank is notified of the loss or theft of said Credit Cards.

D. The Bank is authorized to act upon this policy until written notice of its revocation is delivered to Bank, and that the authority hereby granted shall apply with equal force and effect to the successors in office of the officers named.

E. To allow the operation and maintenance of a District courier and transportation service, a gasoline credit card shall be issued. These cards are the overall responsibility of the designated PPH officers overseeing courier and transportation services

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

IV. ADDENDUM:

V. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94
Reviewed: 4/95; 1/99; 6/05; 11/06
Revision Number: 1 Dated: 6/05
Document Owner: Michael Covert
Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-503

Attachment 1
Date: ____________

I _____________________________________________________ have received a Palomar Pomerado Health credit card and understand that I am to use this credit card for District business only. Any charges placed on this credit card that are not for District business will be a violation of PPH policy, and I will reimburse the district immediately for any charges that are not in support of District business.

________________________________________
Signature

V. **PUBLICATION HISTORY:**

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<td>Review date updated.</td>
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<td>Ofer Barlev, Legal Associate</td>
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<td>11/14/2007</td>
<td>James Neal, Director of Corporate Integrity</td>
<td>Board review and update</td>
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VI. **AUTHORIZED SIGNER(S):**

(02/27/2012) Janine Sarti, General Counsel  
(02/27/2012) Ted Kleiter, Chairman, Board of Directors

VI. **REFERENCES:**

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https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21807
I. PURPOSE:

To establish policy to ensure appropriate expenditure of District funds, advances and reimbursement of expenses for expenditures made on behalf of the District. Consistent with current regulations (Local Health Care Law, California Attorney General's Opinion), the expenses of board members and employees only may be considered for travel reimbursement purposes; spousal expense is specifically excluded.

II. DEFINITIONS:

III. TEXT / STANDARDS OF PRACTICE:

A. To be reimbursed for expenses, the individual must present an expense reimbursement voucher with proper support documentation.
   1. Supporting documentation must be submitted with the expense report for every expenditure of $25.00 or more;
   2. Receipts for amounts less that $25.00 should be submitted if they are normally available;
   3. In all cases, hotel bills, airline tickets, auto rentals and other travel documents must be submitted.

B. This expense reimbursement voucher must contain the following information.
   1. Business purpose of expenditure;
   2. Nature of the expenditure;
   3. Location the expenditure took place;
   4. Names of others besides the individual involved;
   5. Amount and date of the expenditure.

C. When a charge account or charge card is used and the monthly statement has been submitted for payment by the District, an accounting must be attached indicating the purpose, nature, location, date and amount of each expenditure. In instances where the expenditure includes other persons, the names of the persons and the business purpose must be disclosed.

D. Before any voucher for expenditures paid to, or on behalf of, any individual is presented for payment, it must be signed by the individual incurring the expense and it must be properly approved.

E. Expenditures paid to, or on behalf of, any member of the Executive Management Team must be approved by the President & CEO before the voucher is presented for payment.

F. Expenses for the President & CEO, and Members of the Board of Directors may be approved for payment by the President & CEO. After payment, these documents will be submitted to the Board Treasurer for ratification and signature.

G. Normally, each individual will incur his or her own expenses and submit the proper reimbursement forms and vouchers. In some cases, this is not practical and expenses of a group will be paid by one individual. The individual submitting the reimbursement request must:
   1. Indicate the name of those in attendance;
   2. Supply an analysis of expenses by entity and cost center;
   3. Supply all of the required documentation for all applicable individuals.
H. If the spouse accompanies the Board Member or the employee, the expenses directly related to the spouse are not reimbursed by the District. A separate accounting must be maintained and only those expenses directly related to the Board Member or Employee are to be submitted for reimbursement.

I. Often it is necessary to make advances to an individual or to make advance payments on behalf of the individual, i.e. seminar registration, hotel registration and airline tickets. In such cases:
   1. A properly approved Form must be submitted along with the applicable documentation;
   2. A full accounting for such expenses must be included in the final accounting submitted and such advance must be deducted on the final expense claim.

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

IV. ADDENDUM:
Type your addenda here.

V. DOCUMENT / PUBLICATION HISTORY:

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|                 |                |                               | Authorized Promulgating Officers: Marcelo R. Rivera, Chairman |

VI. CROSS REFERENCE DOCUMENTS:
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https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21802
I. PURPOSE:

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

II. DEFINITIONS:

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

III. TEXT / STANDARDS OF PRACTICE:

A. Smoking shall be prohibited by persons on all District property including all Palomar Health facilities, patient rooms, lounges, offices, waiting rooms and enclosed buildings or areas owned or operated by Palomar Health.

B. Employees and medical staff have the responsibility to inform any person including fellow staff members or fellow physicians, patients, and visitors who are not in compliance with this policy. Violators shall be asked to extinguish their cigarette, pipe or cigar. (excluding electric cigarette)

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

IV. ADDENDUM:

V. PUBLICATION HISTORY:

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Authorized Signer(s): (04/14/2012) Janine Sarti, General Counsel (04/14/2012) Ted Kleiter, Chairman, Board of Directors

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1/9/2013
AMENDED AND RESTATED

BYLAWS

OF

PALOMAR POMERADO HEALTH
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>ARTICLE I. DEFINITIONS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE II. ORGANIZATION, POWERS AND PURPOSES</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 ORGANIZATION</td>
<td>1</td>
</tr>
<tr>
<td>2.2 PURPOSES AND POWERS</td>
<td>1</td>
</tr>
<tr>
<td>2.3 BYLAWS POLICIES AND PROCEDURES</td>
<td>2</td>
</tr>
<tr>
<td>2.4 DISSOLUTION</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE III. OFFICES</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 PRINCIPAL OFFICE</td>
<td>2</td>
</tr>
<tr>
<td>3.2 OTHER OFFICES</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE IV. BOARD</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 GENERAL POWERS</td>
<td>2</td>
</tr>
<tr>
<td>4.2 OPERATION OF FACILITIES</td>
<td>2</td>
</tr>
<tr>
<td>4.3 RATES</td>
<td>2</td>
</tr>
<tr>
<td>4.4 NUMBER AND QUALIFICATION</td>
<td>3</td>
</tr>
<tr>
<td>4.5 CONFLICTS OF INTERESTS</td>
<td>3</td>
</tr>
<tr>
<td>4.6 ELECTION AND TERM OF OFFICE</td>
<td>3</td>
</tr>
<tr>
<td>4.7 NEW MEMBER ORIENTATION</td>
<td>4</td>
</tr>
<tr>
<td>4.8 EVALUATION</td>
<td>4</td>
</tr>
<tr>
<td>4.9 VACANCIES</td>
<td>4</td>
</tr>
<tr>
<td>4.10 RESIGNATION OR REMOVAL</td>
<td>4</td>
</tr>
<tr>
<td>4.11 LIABILITY INSURANCE</td>
<td>4</td>
</tr>
<tr>
<td>4.12 COMPENSATION</td>
<td>4</td>
</tr>
<tr>
<td>4.13 HEALTH AND LIFE INSURANCE</td>
<td>4</td>
</tr>
<tr>
<td>4.14 TRAVEL AND INCIDENTAL EXPENSES REIMBURSEMENT</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE V. BOARD MEETINGS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 MEETINGS OPEN TO THE PUBLIC</td>
<td>5</td>
</tr>
<tr>
<td>5.2 BOARD MEETING</td>
<td>5</td>
</tr>
<tr>
<td>5.3 REGULAR MEETINGS</td>
<td>5</td>
</tr>
<tr>
<td>5.4 HOLIDAYS</td>
<td>5</td>
</tr>
<tr>
<td>5.5 NOTICE AND ACTION</td>
<td>5</td>
</tr>
<tr>
<td>5.6 MEMBERS OF THE PUBLIC</td>
<td>5</td>
</tr>
</tbody>
</table>
8.8 APPELLATE REVIEW .................................................................22

ARTICLE IX. AUXILIARY ORGANIZATIONS ........................................22

9.1 FORMATION ..................................................................22

9.2 EXISTING ORGANIZATIONS ..................................................22

ARTICLE X. CLAIMS AND JUDICIAL REMEDIES ... ..........................22

10.1 CLAIMS ......................................................................22

10.2 JUDICIAL REVIEW ..............................................................23

10.3 CLAIMS PROCEDURE ............................................................23

ARTICLE XI. AMENDMENT .................................................................23
BYLAWS
OF
PALOMAR POMERADO HEALTH

ARTICLE I.
DEFINITIONS

1.1 “Hospital(s)” means Palomar Medical Center, 555 East Valley Parkway, Escondido, California, and/or Pomerado Hospital, 15615 Pomerado Road, Poway, California.

1.2 “Board” means the Board of Directors of the District.

1.3 “District” means Palomar Pomerado Health.

1.4 “Medical Staff(s)” or “Staff(s)” means the organized medical staff of Palomar Medical Center, the organized medical staff of Pomerado Hospital, and/or the organized medical staff of other District Facilities, as indicated.

1.5 “Facility” or “Facilities” means a Hospital or the Hospitals, Home Health, Skilled Nursing Facilities, or any other health care facility or facilities operated by the District.

ARTICLE II.
ORGANIZATION, POWERS AND PURPOSES

2.1 ORGANIZATION. The District is a political subdivision of the State of California organized under the Division 23 of the Health and Safety Code (“Local Health Care District Law”).

2.2 PURPOSES AND POWERS. The District is organized for the purposes described in the Local Health Care District Law and shall have and may exercise such powers in the furtherance of its purposes as are now or may hereafter be set forth in the Local Health Care District Law and any other applicable statutes, rules or regulations of the State of California.

2.3 BYLAWS, POLICIES AND PROCEDURES

2.3.1 The Board shall have the powers to adopt, amend, and promulgate District Bylaws, Policies, and Procedures as appropriate, and may delegate its power to promulgate Procedures in its discretion. For purposes of these Bylaws, “Policies” shall denote Board approved statements that provide broad strategic directions and/or governing mandates for the District, enabling the development of Procedures. The term “Procedures” shall mean any specific instruction or mode of conduct for the purpose of implementing a policy that
may be promulgated by those District officers designated by the Board. The Board shall review and approve the District Bylaws annually.

2.3.2 The Governance Committee will have the responsibility to oversee and ensure collaboration between the Board and District management for the purpose of developing, reviewing and revising the District Bylaws, Policies, Procedures, and other rules or regulations prior to being brought to the full Board for approval.

2.4 DISSOLUTION. Any proposal to dissolve the District shall be subject to confirmation by the voters of the District in accordance with the Government Code.

ARTICLE III.
OFFICES

3.1 PRINCIPAL OFFICE. The principal office of the District is hereby fixed and located at 456 East Grand Avenue, Escondido, California, 92064.

3.2 OTHER OFFICES. Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE IV.
BOARD

4.1 GENERAL POWERS. The Board is the governing body of the District. All District powers shall be exercised by or under the direction of the Board. The Board is authorized to make appropriate delegations of its powers and authority to officers and employees.

4.2 OPERATION OF FACILITIES. The Board shall be responsible for the operation of the Facilities according to the best interests of the public health, and shall make and enforce all rules, regulations and bylaws necessary for the administration, government, protection and maintenance of the Facilities and all property belonging thereto, and may prescribe the terms upon which patients may be admitted to the Facilities. Such rules, regulations and bylaws applicable to the Facilities shall include but not be limited to the provisions specified in the Health and Safety Code, and shall be in accordance with and contain minimum standards no less than the rules and standards of private or voluntary hospitals. Unless specifically prohibited by law, the Board may adopt other rules which could be lawfully adopted by private or voluntary hospitals.

4.3 RATES. In setting the rates the Board shall, insofar as possible, establish such rates as will permit the Facilities to be operated upon a self-supporting basis. The Board may establish different rates for residents of the District than for persons who do not reside within the District.
4.4 NUMBER AND QUALIFICATION.

4.4.1 The Board shall consist of seven members, each of whom shall be a registered voter residing in the District.

4.4.2 Except as otherwise provided in applicable law, no Board member shall possess any ownership interest in any other hospital serving the same area as that served by the District or be a director, policymaking management employee, or medical staff officer of any hospital serving the same area as that served by the District, unless the boards of directors of the District and the hospital have determined that the situation will further joint planning, efficient delivery of health care services, and the best interests of the areas served by their respective hospitals, or unless the District and the hospital are affiliated under common ownership, lease, or any combination thereof. No Board member shall simultaneously hold any other position over which the Board exercises a supervisory, auditor, or removal power.

4.4.3 For purposes of this section, a hospital shall be considered to serve the same area as the District if more than five percent of the hospital’s patient admissions are District residents.

4.4.4 For purposes of this section, the possession of an ownership interest, including stocks, bonds, or other securities by the spouse or minor children or any person shall be deemed to be the possession or interest of the person.

4.4.5 Any candidate who elects to run for the office of member of the Board, and who owns stock in or who works for any health care facility that does not serve the same area served by the District, shall disclose on the ballot his or her occupation and place of employment.

4.5 CONFLICTS OF INTERESTS. The Board shall endeavor to eliminate from its decision making processes financial or other interests possessed by its members that conflict with the District’s interests. Board members and other persons who are “Designated Employees,” as defined in the current Conflict of Interests Code of Palomar Pomerado Health as it may be amended from time to time, shall at all times comply with said Code any and all laws and regulations relating to conflicts of interests, including but not limited to the Government Code.

4.6 ELECTION AND TERM OF OFFICE. An election shall be held in the District on the first Tuesday after the first Monday in November in each even-numbered year, at which a successor shall be chosen to each Director whose term shall expire on the first Friday of December following such election. The election of Board members shall be an election at large within the District and shall be consolidated with the statewide general election. The candidates receiving the highest number of votes for the offices to be filled at the election shall be elected thereto. The term of office of each elected Board member shall be four years, or until the Board member’s successor is elected and has qualified, except as otherwise provided by law in the event of a vacancy.
4.7 NEW MEMBER ORIENTATION. An orientation shall be provided which familiarizes each new Board member with his or her duties and responsibilities, including the Board's responsibilities for quality care and the Facilities' quality assurance programs. Continuing education opportunities shall be made available to Board members.

4.8 EVALUATION. The Board shall evaluate its own performance as well as those of its officers and employees on an annual or other periodic basis.

4.9 VACANCIES. Vacancies on the Board shall be filled in accordance with the applicable provisions of the Government Code.

4.10 RESIGNATION OR REMOVAL. Any Board member may resign effective upon giving written notice to the Chairperson or the Secretary of the Board, unless the notice specifies a later time for the effectiveness of such resignation. The term of any member of the Board shall expire if the member is absent from three consecutive regularly scheduled monthly Board meetings or from three of any five consecutive regular meetings of the Board and if the Board by resolution declares that a vacancy exists on the Board. All or any of the members of the Board may be recalled at any time by the voters following the recall procedure set forth in Division 16 of the Election Code.

4.11 LIABILITY INSURANCE. The Board may purchase and maintain liability insurance on behalf of any person who is or was a director, officer, employee or agent of the District, or is or was serving at the request of the District as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or as a member of any committee or similar body, against any liability asserted against such person and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the District would have the power to indemnify him or her against such liability.

4.12 COMPENSATION. The Board shall serve without compensation unless the Board authorizes, by resolution adopted by majority vote, compensation of not to exceed $100 per meeting for a maximum of five meetings per month for each member of the Board. For purposes of this section, "meeting" shall mean any regular or special Board meeting, whether open or closed, any standing or ad hoc committee meetings or any orientation sessions. For compensation purposes, successive open and closed meetings shall be considered as one meeting.

4.13 HEALTH AND WELFARE BENEFITS. Notwithstanding Section 4.12 above, the Board may provide health and welfare benefits, pursuant to Government Code Section 53200 et seq., for the benefit of its elected and former members and their dependents, or permit its elected and former members and their dependents to participate in District programs for such benefits, in accordance with all applicable laws and regulations.

4.14 TRAVEL AND INCIDENTAL EXPENSES REIMBURSEMENT. Each member of the Board shall be reimbursed for his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the District as approved by
the Board and in accordance with District Policy. Such reimbursement, if approved by
the Board, shall not constitute "compensation" for purposes of Section 4.12 above.

ARTICLE V.
BOARD MEETINGS

5.1 MEETINGS OPEN TO THE PUBLIC. Meetings of the Board shall be open to the
public, except as otherwise provided in applicable laws or regulations, including but not
limited to the Brown Act and the Local Health Care District Law.

5.2 BOARD MEETING. A meeting of the Board is any congregation of a majority of the
members of the Board at the same time and place to hear, discuss or deliberate upon any
item that is within the subject matter jurisdiction of the Board. A meeting is also the use
of direct communication, personal intermediaries or technological devices that is
employed by a majority of the members of the Board to develop a collective concurrence
as to action to be made on an item by the members of the Board. Board meetings may be
held by teleconference subject to applicable laws and regulations including the
Government Code.

5.3 REGULAR MEETINGS. Regular meetings of the Board shall be held as follows:

5.3.1 The Board’s annual organizational meeting shall be held in December at the
place and time designated by the Board in the Resolution discussed in
Section 5.3.2 below.

5.3.2 At the annual organizational meeting, the Board shall pass a resolution
stating the dates, times and places of the Board’s regular monthly meetings
for the following calendar year. The Board may later change the date, time,
or location of a regular Board meeting upon resolution made at a regular
Board meeting.

5.4 HOLIDAYS. Meetings of the Board may be held on any calendar day as determined by
the Board.

5.5 NOTICE AND ACTION. The Board shall provide public notice of its meetings in
accordance with the Brown Act. No "action," as defined in the Brown Act, shall be taken
on any item not appearing on the posted agenda unless permitted under applicable law.

5.6 MEMBERS OF THE PUBLIC. Members of the public shall be afforded an opportunity
to participate in District decision making processes and Board meetings to the extent
permitted under applicable laws, including but not limited to the Brown Act and the
Local Health Care District Law.

5.7 ANNUAL ORGANIZATIONAL MEETING. At its annual organizational meeting, the
Board shall organize by the election of officers. One member shall be elected as
Chairperson, one as Vice Chairperson and one as Secretary. The Board may also appoint
the Treasurer at the annual organizational meeting, who may also be the Chairperson of
the Finance Committee.
5.8 SPECIAL MEETINGS.

5.8.1 A special meeting may be called at any time by the Chairperson, or by four or more Board members, by delivering personally or by mail written notice to each Board member and to each local newspaper of general circulation, radio or television station requesting notice in writing. Such notice must be delivered personally or by mail at least 24 hours before the time of such meeting as specified in the notice. The call and notice shall specify the time and place of the special meeting and the business to be transacted; no other business shall be considered at special meetings. Written notice may be dispensed with as to any Board member who at or prior to the time the meeting convenes files with the Secretary a written waiver of notice. Such written notice may also be dispensed with as to any member who is actually present at the meeting at the time it convenes.

5.8.2 The call and notice shall also be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public. Notice shall be required pursuant to this Section regardless of whether any action is taken at the special meeting.

5.8.3 In the case of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, the Board may hold an emergency meeting without complying with either or both the 24 hour notice or posting requirements. In the event the notice and/or posting requirements are dispensed with due to an emergency situation, each local newspaper of general circulation and radio or television station which has requested notice of special meetings shall be notified by the Chairperson, or his designee, one hour prior to the emergency meeting, by telephone. All telephone numbers provided in the most recent request of such newspaper or station for notification of special meetings shall be exhausted. In the event that telephone services are not functioning, the notice requirements of this paragraph shall be deemed waived, and the Board, or its designee, shall notify those newspapers, radio stations or television stations of the fact of the holding of the emergency meeting, the purpose of the meeting, and any action taken at the meeting as soon after the meeting as possible. Notwithstanding this Section, the Board shall not meet in closed session during a meeting called as an emergency meeting. With the exception of the 24 hours notice and posting requirements, all requirements contained in this Section shall be applicable to any meeting called due to an emergency situation.

5.8.4 The minutes of an emergency meeting, a list of persons who the Chairperson, or his designee, notified or attempted to notify, a copy of the roll call vote, and any actions taken at the meeting shall be publicly posted for a minimum of ten days as soon possible after the meeting.
5.9 QUORUM. A vote is to be determined by a simple “majority vote”. If there are abstentions on a vote, the non-abstaining members of the Board must constitute a quorum of the whole board (four members or more) for the transaction of business. Except as otherwise provided by law or these Bylaws, the act of the majority of the non-abstaining Board members voting will be the “majority vote”.

5.10 ADJOURNMENT AND CONTINUANCE. The Board may adjourn any of its meetings in accordance with applicable laws, including but not limited to the Brown Act.

5.11 DISRUPTED MEETINGS. In the event that any meeting is willfully interrupted by a group or groups of persons so as to render the orderly conduct of such meeting unfeasible, and order cannot be restored by the removal of individuals who were willfully interrupting the meeting, the Board may order the meeting room closed and continue in session. Only matters appearing on the agenda may be considered in such a session. Representatives of the press or other news media, except those participating in the disturbance, shall be allowed to attend any session held pursuant to this section. The Board may establish a procedure for readmitting an individual or individuals not responsible for willfully disrupting the orderly conduct of the meeting.

5.12 MEDICAL STAFF REPRESENTATION. The Medical Staff of each Facility shall have the right of representation at all meetings of the Board, except closed sessions at which such representation is not requested, by and through the Chief of Staff or President of each Medical Staff, who shall have the right of attendance, the right to participate in Board discussions and deliberations, but who shall not have the right to vote.

ARTICLE VI.
BOARD COMMITTEES

6.1 APPOINTMENT. Standing committees are established by the Board and shall be advisory in nature unless otherwise specifically authorized to act by the Board. Members of all committees, whether standing or special (ad hoc) shall be appointed by the Chairperson of the Board.

6.1.1 A standing committee of the Board is any commission, committee, board or other body, whether permanent or temporary, which is created by formal action of the Board and has continuing subject matter jurisdiction and/or a meeting schedule fixed by charter, ordinance, resolution, or formal action of the Board. Actions of committees shall be advisory in nature with recommendations being made to the full Board.

6.1.2 Special or ad hoc committees are appointed by the Chair of the Board and shall exist for a single, limited purpose with no continuing subject matter or jurisdiction. Special or advisory committees shall be advisory in nature and shall make recommendation to the full Board. The committee shall be considered disbanded upon conclusion of the purpose for which it was appointed.
6.1.3 The Audit Committee of the Board shall function pursuant to a charter approved by the Board and amended from time to time.

6.2 STANDING COMMITTEES. There shall be the following standing committees of the Board: Finance, Governance, Human Resources, Strategic Planning, Community Relations, Quality Review, Audit Committee, and Facilities and Grounds Committee. Standing committees will be treated as the Board with respect to Article V of these bylaws. All provisions in Article V that apply to Board members shall apply to members of any standing committee.

6.2.1 Finance Committee.

(a) Voting Membership. The Finance Committee shall consist of six voting members, three members of the Board, the President and Chief Executive Officer and the Chief of Medical Staff from each hospital. One alternate Committee member shall also be appointed by the Chairperson who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member. The Chairperson of the Board may appoint the Treasurer as the chairperson of the Finance Committee.

(b) Non-Voting Membership. The Chief Financial Officer (CFO), the Chief Administrative Officers Palomar Medical Center and Pomerado Hospital and a nurse representative.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review the preliminary, annual operating budgets for the District and Facilities and other entities;

(ii) Develop and recommend to the Board the final, annual, operating budgets;

(iii) Develop and recommend to the Board a three-year, capital expenditure plan that shall be updated at least annually. The capital expenditure plan shall include and identify anticipated sources of financing for and objectives of each proposed capital expenditure in excess of $100,000;

(iv) Review and recommend approval of the monthly financial statements to the Board.

(v) Recommend to the Board cost containment measures and policies;
(vi) Review annually those policies and procedures within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing or creation of new policies and procedures; and

(vii) Perform such other duties as may be assigned by the Board.

6.2.2 Governance Committee.

(a) **Voting Membership.** Membership shall consist of no more than three members of the Board and one alternate. The alternate shall attend and enjoy voting rights only in the absence of a voting Committee member.

(b) **Non-Voting Membership.** The President and Chief Executive Officer, the General Counsel and the Chief marketing and Communication Officer.

(c) **Duties.** The duties of the Committee shall include but are not limited to:

(i) Review periodically and make recommendations regarding pending and existing federal, state and local legislation which, in the committee's opinion, may impact the District;

(ii) Make an annual, comprehensive review of the District bylaws, policies and procedures and receive reports regarding same, and elicit recommendations on such issues from management;

(iii) Review any initiation of legislation;

(iv) Review such other issues associated with PPH and/or Board governance and its effectiveness, including but not limited to Board member orientation and continuing education;

(v) Make recommendations regarding the annual self-assessment of the Board; and

(vi) Perform such other duties as may be assigned by the Board.

(vii) The Committee will advise the Board on the appropriate structure and operations of all committees of the Board, including committee member qualifications;

(viii) The Committee will monitor developments, trends and best practices in corporate governance, and propose such actions to the full Board; and
(ix) The Committee will oversee, as it deems appropriate, an evaluation process of the Board and each of the Board Committees as well as an annual self-performance evaluation, and present its findings to the Board.

6.2.3 Human Resources Committee.

(a) **Voting Membership.** Membership shall consist of no more than three members of the Board and one alternate. The alternate shall attend Committee meetings and enjoy voting rights only in the absence of a voting Committee member.

(b) **Non-Voting Membership.** The President and Chief Executive Officer, Chief Human Resources Officer, the Chief Administrative Officers Palomar Medical Center and Pomerado Hospital and the Chief Nurse Executive.

(c) **Duties.** The duties of the Committee shall include but are not limited to:

(i) Make recommendations to the President and Chief Executive Officer and the Board to improve communications among the Board, Medical Staffs, District employees and auxiliaries, including initiating special studies;

(ii) Maintain ultimate oversight of annual performance review process of all District officers and employees and, in the appropriate circumstances and upon request by the Board, make a report of such reviews to the Board; and

(iii) Review annually those policies and procedures within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations to the Board regarding modification of existing or creation of new policies and procedures; and

(iv) Review and make recommendations to the Board regarding compensation, incentive, and benefit plans offered to District Officers and other employees.

(v) Ensure that all special studies and recommendations/proposals are in alignment with the PPH mission, vision and strategic plan as well as government regulations.

(vi) Oversight of labor relations activities and decisions on behalf of PPH.

(vii) Perform such other duties as may be assigned by the Board.
(d) **Meeting Requirement.** The human resources committee will meet a minimum of six (6) times per year or more often if needed.

### 6.2.4 Strategic Planning Committee.

(a) **Voting Membership.** The Committee shall consist of six voting members, including three members of the Board and one alternate who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member, the President and Chief Executive Officer and the Chiefs of Staff of the Hospitals or the designees of the Chiefs of staff, as approved by the Committee Chairperson.

(b) **Non-Voting Membership.** The Chief Financial Officer, Chief Planning Officer, Chief Administrative Officers Palomar Medical Center and Pomerado Hospital, the Chief Nurse Executive, Chief Executive Officer of the Palomar Pomerado Health Foundation, a board member of the Palomar Pomerado Health Foundation recommended by the Foundation and approved by the Committee Chairperson and an additional physician from each hospital as recommended by each hospital’s Chief of Staff and as approved by the Committee Chairperson.

(c) **Duties.** The duties of the Committee shall include but are not limited to:

   (i) Review and make recommendations to the Board regarding the District’s short and long range strategic plans, master and Facility plans, physician development plans and strategic collaborative relationships; and

   (ii) Review annually those policies within the Committee’s purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing, or creation of new policies; and

   (iii) Undertake planning regarding physician recruitment and retention and program development of new and enhanced services and Facilities; and

   (iv) Monitor new initiatives and programs; and

   (v) Perform such other duties as may be assigned by the Board.

### 6.2.5 Quality Review Committee.
(a) **Voting Membership.** The Committee shall consist of five voting members, including three members of the Board and the Chairs of Medical Staff Quality Management Committees of the Hospitals or Physician Chair, Quality Council (voting position will rotate between Chairs of Medical Staff Quality Management Committees and Physician Chair, Quality Council allowing only two votes total for these three positions) and an alternate, who shall attend and enjoy voting rights only in the absence of a voting Committee Member.

(b) **Non-Voting Membership.** The President and Chief Executive Officer, the Chief Administrators of Pomerado Hospital and Palomar Medical Center, a nurse representative, the Chief Quality and Clinical Effectiveness Officer, Chair of the Patient Safety Committee, Chief Nurse Executive and Chief Clinical Outreach Officer.

(c) **Duties.** The duties of the Committee shall include but are not limited to:

(i) Pursuant to the Palomar Pomerado Health Performance Improvement/Patient Safety Plan oversees the performance improvement, patient safety and risk management activities (including but not limited to claims and potential litigation's) of the hospitals and other facilities, if applicable, and shall periodically report this conclusion and recommendations to the Board; and

(ii) Yearly review of credentialing process;

(iii) Yearly review of physician satisfaction scores;

(iv) Nursing survey regarding physician behavior will be reviewed when appropriate; and

(v) Quarterly review of customer satisfaction scores.

6.2.6 **Community Relations Committee.**

(a) **Voting Membership.** The Committee shall consist of five voting members, including three members of the Board and one alternate who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member, the President and Chief Executive Officer and a Board member of the Palomar Pomerado Heath Foundation recommended by the Foundation and approved by the Committee Chairperson.
(b) **Non-Voting Membership.** The Chief Marketing and Communications Officer, the Community Outreach Director, the Chief Executive Officer of the Palomar Pomerado Health Foundation, the Director HealthSource, the Director Marketing and Public Relations, a nurse representative and a representative of each District Auxiliary, as approved by the Committee Chairperson.

(c) **Duties.** The duties of the Committee shall include but are not limited to:

(i) Review and make recommendations to the Board regarding the District's community relations and outreach activities, including marketing, community education and wellness activities;

(ii) Review marketing policies to ensure that they support the District's mission and goals. Such policies shall include market research, specific and marketing program planning and development, and internal and external communications. The Committee shall report its review of such policies to the Board on a regular basis;

(iii) Serve as Board liaison to the Foundation and annually review, recommend and prioritize capital projects and contemplated funding requests to the Foundation’s Board of Directors, and review annual reports from the Foundation regarding donations and projects funded during the previous year;

(iv) Review annually those policies within the Committee’s purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing, or creation of new, policies;

(v) Advise the Board on issues relating to health care advisory councils and District grant procurements;

(vi) Undertake planning regarding the District’s community relations and outreach activities, including marketing, community education and wellness activities; and

(vii) Perform such other duties as may be assigned by the Board.

6.2.7 **Audit and Compliance Committee.**

(a) **Voting Membership.** The Audit Committee shall consist of no more than three members of the Board and one alternate. The alternate
shall attend Committee meetings and enjoy voting rights only in the absence of a voting Committee member.

(b) **Non-Voting Membership.** The President and Chief Executive Officer, Director of Audit Services, Director Corporate Compliance and Integrity and a representative from each Hospital’s Medical Staff. Any District Executive, representative or director will attend as an invited guest.

(c) **Duties.** The duties of the Committee shall include but are not limited to:

(i) Approve the overall audit scope;

(ii) Ensuring that audits are conducted in an efficient and cost effective manner;

(iii) Overseeing the organization’s financial statements and internal controls;

(iv) Recommending to the Board a qualified firm to conduct an annual, independent financial audit;

(v) Recommending to the Board the approval of the organization’s annual audit reports;

(vi) Review annually those policies within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing or creation of new policies; and

(vii) Assess and monitor the independent status of the outside independent auditors;

(viii) Direct special investigations for the Board;

(ix) Meet periodically in closed session with only committee members present.

(x) Perform such other duties as may be assigned by the Board.

6.2.8 **Facilities and Grounds Committee.**

(a) **Voting Membership.** The Facilities and Grounds Committee shall consist of four voting members, including three members of the Board, and the President and Chief Executive Officer. One alternate Committee member shall also be appointed by the Chairperson who shall attend Committee meetings and enjoy voting rights on the
Committee only when serving as an alternate for a voting Committee member.

(b) Non-Voting Membership. Chief Administrative Officer Pomerado Hospital, the Chief Financial Officer (CFO) or designee, nurse representative from PMC or POM and the Director of Facilities Planning and Development. As needed, other appropriate relevant staff in engineering, architectural, planning and Compliance and a Physician Advisory Committee member may be requested to attend along with PPH staff to facilitate the work of the committee.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review construction estimates and expenses for accuracy and architectural plans completeness and effectiveness;

(ii) Approve construction project change orders in accordance with applicable district law and PPH policies;

(iii) Receive reports from the Construction Manager and the Director of Facilities Planning and Development and recommend action to the Board regarding facilities design and maintenance;

(iv) Review regulations and reports regarding facilities and grounds from external agencies, accrediting bodies and insurance carriers and make recommendations for appropriate action regarding the same to the Board;

(v) Approve the annual Facilities Development Plan and regularly review updates on implementation of plan;

(vi) Receive a biannual Environment of Care report;

(vii) Perform such other duties as may be assigned by the Board.

6.3 SPECIAL COMMITTEES. Special or ad hoc committees may be appointed by the Chairperson for special tasks as circumstances warrant and upon completion of the task for which appointed such special committee shall stand discharged. The Chairperson shall make assignments on special committees, and/or individual Board member assignments, to assure that each Board member shall have equal participation on special committees or individual Board assignments throughout the year. Some of the functions that may be the topic of special committees include the review of new projects, the review of special bylaw changes or the review of the Bylaws periodically, the meeting with other public agencies or health facilities on a specific topic and the evaluation of the Board.
6.4 ADVISORS. A committee chairperson may invite individuals with expertise in a pertinent area to voluntarily work with and assist the committee. Such advisors shall not vote or be counted in determining the existence of a quorum and may be excluded from any committee session in the discretion of the committee chairperson.

6.5 MEETINGS AND NOTICE. Meetings of a committee may be called by the Chairperson of the Board, the chairperson of the committee, or a majority of the committee’s voting members. The chairperson of the committee shall be responsible for contacting alternate committee members in the event their participation is needed for any given committee meeting.

6.6 QUORUM. A majority of the voting members of a committee shall constitute a quorum for the transaction of business at any meeting of such committee. Each committee shall keep minutes of its proceedings and shall report periodically to the Board.

6.7 MANNER OF ACTING. The act of a majority of the members of a committee present at a meeting at which a quorum is present shall be the act of the committee so meeting. No act taken at a meeting at which less than a quorum was present shall be valid unless approved in writing by the absent members. Special committee action may be taken without a meeting by a writing setting forth the action so taken signed by each member of the committee entitled to vote.

6.8 TENURE. Each member of a committee described above shall serve a one year term, commencing on the first day of January after the annual organizational meeting at which he or she is elected or appointed. Each committee member shall hold office until a successor is elected, unless he or she sooner resigns or is removed from office by the Board.

ARTICLE VII
OFFICERS

7.1 CHAIRPERSON. The Board shall elect one of its members as Chairperson at an organizational regular meeting. In the event of a vacancy in the office of Chairperson, the Board may elect a new Chairperson. The Chairperson shall be the principal officer of the District and the Board, and shall preside at all meetings of the Board. The Chairperson shall appoint all Board committee members and committee chairpersons, and shall perform all duties incident to the office and such other duties as may be prescribed by the Board from time to time.

7.2 VICE CHAIRPERSON. The Board shall elect one of its members as Vice Chairperson at an organizational meeting. In the absence of the Chairperson, the Vice Chairperson shall perform the duties of the Chairperson.

7.3 SECRETARY. The Board shall elect one of its members Secretary at an organizational meeting. The Secretary shall provide for the keeping of minutes of all meetings of the Board. The Secretary shall give or cause to be given appropriate notices in accordance with these bylaws or as required by law and shall act as custodian of District records and reports and of the District’s seal.
7.4 **TREASURER.** The Board shall appoint a Treasurer who shall serve at the pleasure of the Board. The Treasurer shall be charged with the safekeeping and disbursal of the funds in the treasury of the District. The Treasurer may be the chairperson of the Finance Committee.

7.5 **TENURE.** Each officer described above shall serve a one-year term, commencing on the first day of January after the organizational meeting at which he or she is elected to the position. Each officer shall hold office until the end of the one year term, or until a successor is elected, unless he or she shall sooner, resign or is removed from office.

7.6 **REMOVAL.** An officer described above may be removed from office by the affirmative vote of four members of the Board not counting the affected Board member. In addition, an officer described above will automatically be removed from office when his or her successor is elected and is sworn in as a Board member.

7.7 **PRESIDENT AND CHIEF EXECUTIVE OFFICER.** The Board shall select and employ a President and Chief Executive Officer who shall report to the Board. The President and Chief Executive Officer shall have sufficient education, training, and experience to fulfill his or her responsibilities, which shall include but not be limited to:

7.7.1 Reviewing, recommending changes to, and implementing District Policies and Procedures. By working with standing and special committees of the Board and joint committees of the Medical Staffs of the Facilities, the President and Chief Executive Officer is to participate in the elaboration of policies which provide the framework for patient care of high quality at reasonable cost.

7.7.2 Maintaining District records and minutes of Board and committee meetings.

7.7.3 Overall operation of the District, its Facilities and other health services, including out-of-hospital services sponsored by the District. This includes responsibility for coordination among Facilities and services to avoid unnecessary duplication of services, facilities and personnel, and control of costs. This also includes responsibility for sound personnel, financial, accounting and statistical information practices, such as preparation of District budgets and forecasts, maintenance of proper financial and patient statistical records, collection of data required by governmental and accrediting agencies, and special studies and reports required for efficient operation of the District.

7.7.4 Implementing community relations activities, including, as indicated, public appearances, responsive communication with the media.

7.7.5 Assisting the Board in planning services and facilities and informing the Board of Governmental legislation and regulations and requirements of official agencies and accrediting bodies, which affect the planning and operation of the facilities, services and programs sponsored by the District,
and maintenance appropriate liaison with government and accrediting agencies and implementing actions necessary for compliance.

7.7.6 Ensuring the prompt response by the Board and/or District personnel to any recommendations made by planning, regulatory or accrediting agencies.

7.7.7 Hiring and termination of all employees of the District. To the extent the President and Chief Executive Officer deems appropriate, the President and Chief Executive Officer shall delegate to the District Officers the authority to hire and terminate personnel of their respective hospitals or other entities.

7.7.8 Administering professional contracts between the District and Practitioners.

7.7.9 Providing the Board and Board committee with adequate staff support.

7.7.10 Sending periodic reports to the Board and to the Medical Staffs on the overall activities of the District and the Facilities, as well as pertinent federal, state and local developments that effect the operation of District Facilities.

7.7.11 Providing liaison among the Board, the Medical Staffs, and the District’s operating entities.

7.7.12 The maintenance of insurance or self-insurance on all physical properties of the District.

7.7.13 Designate other individuals by name and position who are, in the order or succession, authorized to act for the District Officers during any period of absence.

7.7.14 Participating as a non-voting member in all meetings of standing committees of the Board unless authorized by the Board to be a voting member of a specific Committee.

7.7.15 Such other duties as the Board may from time to time direct.

7.8 ADMINISTRATIVE OFFICERS. The President and Chief Executive Officer, with the approval of the Board, may select and employ an Administrative Officer or other responsible individual for each of the Facilities, who shall report to the President and Chief Executive Officer. The Administrative Officer or other responsible individual shall be responsible for the day-to-day administration of their respective Facilities. Specifically, each such individual shall:

7.8.1 Be responsible for implementing policies of the Board in the operation of the Facility.

7.8.2 Provide the Facility’s professional staff with the administrative support and personnel reasonably required to carry out their review and evaluation activities.
7.8.3 Organize the administrative functions of the Facility, delegate duties, and establish formal means of accountability on the part of subordinates.

7.8.4 Be responsible for selecting, employing, controlling and discharging employees, in accordance with the authority delegated by the President and Chief Executive officer.

7.8.5 Assist the President and Chief Executive Officer and the Finance Committee in annually reviewing and updating a capital budget and preparing an operating budget showing the expected receipts and expenditures for the Facilities, and supervise the business affairs of the Facilities to assure that the funds are expended in the best possible advantage.

7.8.6 Perform any other duty within the express or implicit terms of his or her duties hereunder that may be necessary for the interest of the Facilities.

7.8.7 Be responsible for the maintenance of the Facility’s property.

7.8.8 Perform such other duties as the Board or President and Chief Executive Officer may from time to time direct.

7.9 SUBORDINATE OFFICERS. The President and Chief Executive Officer, with the approval of the Board, may select and employ, such other officers as the District may require, each of who shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

ARTICLE VIII.
MEDICAL STAFFS

8.1 ORGANIZATION.

8.1.1 There shall be separate Medical Staff organizations for each of the District’s Hospitals with appropriate officers and bylaws and with staff appointments on a biennial basis. The Medical Staff of each Hospital shall be self-governing with respect to the professional work performed in that Hospital. Membership in the respective Medical Staff organization shall be a prerequisite to the exercise of clinical privileges in each Hospital, except as otherwise specifically provided in the Hospital’s Medical Staff bylaws.

8.1.2 District Facilities other than the Hospitals may also have professional personnel organized as a medical or professional staff, when deemed appropriate by the Board pursuant to applicable law and Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") and/or other appropriate accreditation standards. The Board shall establish the rules and regulations applicable to any such staff and shall delegate such responsibilities, and perform such functions, as may be required by applicable law and JCAHO and/or other appropriate accreditation standards. To the extent provided by such rules, regulations, laws and standards, the
medical or professional staffs of such Facilities shall perform those functions specified in this Article VIII.

8.2 MEDICAL STAFF BYLAWS. Each Medical Staff organization shall propose and adopt by vote bylaws, rules and regulations for its internal governance which shall be subject to, and effective upon, Board approval, which shall not be unreasonably withheld. The bylaws, rules and regulations shall be periodically reviewed for consistency with Hospital policy and applicable legal or other requirements. The bylaws shall create an effective administrative unit to discharge the functions and responsibilities assigned to the Medical Staffs by the Board. The bylaws, rules and regulations shall state the purpose, functions and organization of the Medical Staffs and shall set forth the policies by which the Medical Staffs exercise and account for their delegated authority and responsibilities. The bylaws, rules and regulations shall also establish mechanisms for the selection by the Medical Staff of its officers, departmental chairpersons and committees. The Medical Staff bylaws shall not be unilaterally amended by the Board.

8.3 MEDICAL STAFF MEMBERSHIP AND CLINICAL PRIVILEGES.

8.3.1 Membership on the Medical Staffs shall be restricted to Practitioners who are competent in their respective fields, worthy in character and in professional ethics, and who are currently licensed by the State of California. The bylaws of the Medical Staffs may provide for additional qualifications for membership and privileges, as appropriate.

8.3.2 While retaining its ultimate authority to independently investigate and/or evaluate Medical Staff matters, the Board hereby delegates to the Medical Staffs the responsibility and authority to carry out Medical Staff activities, including the investigation and evaluation of all matters relating to Medical Staff membership, clinical privileges and corrective action. The Medical Staffs shall forward to the Board specific written recommendations, with appropriate supporting documentation that will allow the Board to take informed action, related to at least the following:

(a) Medical Staff structure and organization;

(b) The process used to review credentials and to delineate individual clinical privileges;

(c) Appointing and reappointing Medical Staff members, and restricting, reducing, suspending, terminating and revoking Medical Staff membership;

(d) Granting, modifying, restricting, reducing, suspending, terminating and revoking clinical privileges;

(e) All matters relating to professional competency;
(f) The process by which Medical Staff membership may be terminated; and

(g) The process for fair hearing procedures.

8.3.3 Final action on all matters relating to Medical Staff membership, clinical privileges and corrective action shall be taken by the Board after considering the Medical Staff recommendations. The Board shall utilize the advice of the Medical Staff in granting and defining the scope of clinical privileges to individuals, commensurate with their qualifications, experience, and present capabilities. If the Board does not concur with the Medical Staff recommendation relative to Medical Staff appointment, reappointment or termination of appointment and granting or curtailment of clinical privileges, there shall be a review of the recommendation by a conference of two Board members and two members of the relevant Medical Staff, before the Board renders a final decision.

8.3.4 No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or on the basis of any other criterion lacking professional justification. The Hospitals shall not discriminate with respect to employment, staff privileges or the provision of professional services against a licensed clinical psychologist within the scope of his or her licensure, or against a physician, dentist or podiatrist on the basis of whether the physician or podiatrist holds an M.D., D.O., D.D.S., D.M.D. or D.P.M. degree. Wherever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American Osteopathic Board.

8.4 PERFORMANCE IMPROVEMENT.

8.4.1 The Medical Staffs shall meet at regular intervals to review and analyze their clinical experience, in order to assess, preserve and improve the overall quality and efficiency of patient care in the Hospitals and other District Facilities, as applicable. The medical records of patients shall be the basis for such review and analysis. The Medical Staffs shall identify and implement an appropriate response to findings. The Board shall further require mechanisms to assure that patients with the same health problems are receiving a consistent level of care. Such performance improvement activities shall be regularly reported to the Board.

8.4.2 The Medical Staffs shall provide recommendations to the Board as necessary regarding the organization of the Medical Staffs' performance improvement activities as well as the processes designed for conducting, evaluating and revising such activities. The Board shall take appropriate action based on such recommendations.
8.4.3 The Board hereby delegates to the Medical Staffs the responsibility and
authority to carry out these performance improvement activities. The Board,
through the President and Chief Executive Officer, shall provide whatever
administrative assistance is reasonably necessary to support and facilitate
such performance improvement activities.

8.5 MEDICAL RECORDS. A complete and accurate medical record shall be prepared and
maintained for each patient.

8.6 TERMS AND CONDITIONS. The terms and conditions of Medical Staff membership,
and of the exercise of clinical privileges, shall be as specified in the Hospitals’ Medical
Staff bylaws.

8.7 PROCEDURE. The procedure to be followed by the Medical Staff and the Board in
acting on matters of membership status, clinical privileges, and corrective action, shall be
specified in the applicable Medical Staff bylaws.

8.8 APPELLATE REVIEW. Any adverse action taken by the Board with respect to a
Practitioner’s Staff status or clinical privileges, shall, except under circumstances for
which specific provision is made in the Medical Staff bylaws, be subject to the
practitioner’s right to an appellate review in accordance with procedures set forth in the
bylaws of the Medical Staffs.

ARTICLE IX.
AUXILIARY ORGANIZATIONS

9.1 FORMATION. The Board may authorize the formation of auxiliary organizations to
assist in the fulfillment of the purposes of the District. Each such organization shall
establish its bylaws, rules and regulations, which shall be subject to Board approval and
which shall not be inconsistent with these bylaws or the policies of the Board.

9.2 EXISTING ORGANIZATIONS. The Palomar Medical Center Auxiliary and the
Pomerado Hospital Auxiliary are existing auxiliary organizations to assist in the
fulfillment of the purposes of the District, both of which have been authorized, and their
bylaws approved, by the Board.

ARTICLE X.
CLAIMS AND JUDICIAL REMEDIES

10.1 CLAIMS. The District is subject to Division 3.6 of Title 1 of the California Government
Code, pertaining to claims against public entities. The Chief Executive Officer or his
designee is authorized to perform those functions of the Board specified in Part 3 of that
Division, including the allowance, compromise or settlement of any claims if the amount
to be paid from the District’s treasury does not exceed $50,000. Any allowance,
compromise or settlement of any claim in which the amount to be paid from the District’s
treasury exceeds $10,000 shall be approved personally by the Chief Executive Officer
rather than his or her designee.
10.2 JUDICIAL REVIEW. The California Code of Civil Procedure shall govern the rights of any person aggrieved by any decision of the Board or the District, including but not limited to an action taken pursuant to Article VIII of these Bylaws.

10.3 CLAIMS PROCEDURE. Notwithstanding any exceptions contained in Section 905 of the Government Code, no action based on a claim shall be brought against the District unless presented to the District within the time limitations and in the manner prescribed by Government Code Section 910 et seq., and shall be further subject to Section 945.4 of the Government Code.

ARTICLE XI.
AMENDMENT

These bylaws may be amended or repealed by vote of at least four members of the Board at any Board meeting. Such amendments or repeal shall be effective immediately, except as otherwise indicated by the Board.

SECRETARY’S CERTIFICATE

I, the undersigned, the duly appointed, qualified and acting Secretary of the Board of Directors for Palomar Pomerado Health, do hereby certify that attached hereto is a true, complete and correct copy of the current Bylaws of Palomar Pomerado Health.

Dated: April 11th, 2011

[Signature]
Jerry Kaufman, P.T.M.A.
Secretary
Board Audit, Compliance and Governance Committee Calendar 2013
Standing Agenda Items

January - Review Charter, Committee Policies (if applicable), and Bylaws
Review Job Description
Set 2012 Committee Annual Agenda
The Audit Plan 2013
Palomar Health organizational bylaws
Compliance and Ethics Committee Reports

February - Compliance and Ethics Committee Reports
Compliance Hotline Report
Compliance Plan Policy
Board of Directors education topics
Review proposals for External Audit engagement (added)

March - Review External Audit Engagements (I am not sure if this timing is optimal)
Review of Internal Audit Activities
Board of Directors self-evaluation
Compliance and Ethics Committee Reports

April - Compliance and Ethics Committee Reports
Compliance and Ethics Training Program
Board of Directors position descriptions

May - Compliance Hotline Report
Compliance and Ethics Committee Reports
Review of Internal Audit Activities
Palomar Health medical staff bylaws

June - Compliance and Ethics Committee Reports
Report of District Audit Officer's and Compliance Officer’s Independence
Annual Evaluation of Compliance Plan
Review Internal Customer Satisfaction Survey

July - Review of Internal Audit Activities
Media Relations policy and procedure
Compliance and Ethics Committee Reports

August - Compliance and Ethics Committee Reports
Compliance Hotline Report
Conflict of interest

September - Review of Internal Audit Activities
Board committee charters
Compliance and Ethics Committee Reports

October - Compliance and Ethics Committee Reports
Review of Financial Statements and External Auditor's Report
Review Internal Audit Review of Travel Expenses (moved from August)

November - Compliance Hotline Report
Compliance and Ethics Committee Reports
Review of Internal Audit Activities
Board Manual

December - Committee Self-Assessment
Compliance and Ethics Committee Reports
Review Results of Internal Customer Satisfaction Survey
I. Purpose

The Audit and Compliance Committee ("Committee") will assist the Board in the following items.

Provide oversight for:

- The integrity of PPH's Palomar Health's financial statements.
- PPH’s Palomar Health’s compliance with legal and regulatory requirements.
- The selection, performance, qualifications and independence of external auditors.
- The performance of PPH’s Palomar Health’s internal audit and compliance functions.

The Committee will strive to improve and promote PPH’s Palomar Health’s internal audit and compliance policies. The Committee will foster open communication among external and internal auditors, compliance, finance, senior Administration, and the Board. The Committee may obtain assistance from outside accounting, legal, or other consultants to resolve issues the Committee believes necessary to protect the organization. The Corporate Compliance Officer may also access outside legal counsel for certain sensitive compliance issues, with prior approval of the General Counsel/Chief Legal Officer or the Board Chair. It is expected these situations will occur in limited circumstances. PPH Palomar Health will provide funds to pay for the consultants.

The Committee Chair shall regularly report to, and review with the Board, any issues that arise with respect to the quality, operations, and integrity of PPH’s Palomar Health’s internal audit and compliance functions.

II. Committee Membership

A. Composition

The Committee shall be composed of three Board members. The Board Chairman will appoint Committee members and the Chair of the Committee. The District Audit Officer, Corporate Compliance Officer, General Counsel/Chief Legal Officer, Chief Executive Officer and a representative from each medical staff will be committee members without vote.

Each member shall be knowledgeable in healthcare regulations or must become knowledgeable within a reasonable period of time after appointment to the Committee. Members are not required to be engaged in the compliance profession and, consequently, some members may not have expertise in regulatory matters; however, the Corporate Compliance Officer will provide ongoing training to establish the required level of expertise.

B. Frequency of Meetings

The Committee will meet at least once during each fiscal quarter, or more frequently as circumstances dictate and as necessary to fulfill its responsibilities. At the conclusion of each Committee meeting, the General Counsel/Chief Legal Officer, the District Audit Officer, and the Corporate Compliance Officer may each meet individually with the Committee, without Administration present, to discuss any issues or concerns. The Committee will also meet annually with the District Audit Officer, the
Corporate Compliance Officer, external auditors, and Administration to discuss the annual Audit and Compliance Plans, and audited financial statements.

III. Duties and Responsibilities

The Committee shall have the following responsibilities:

1. Maintain meeting minutes.

2. Annually review its charter and any Committee policies and recommend any changes to the Board or Governance Committee.

3. Meet regularly with the Board which may include closed sessions.

4. Review and discuss with Administration and the District Audit Officer Palomar Health’s annual financial statements, all internal quality control reports and any relevant reports provided by external auditors.

5. Recommend appointment of the external auditors, and forward to the full Board for approval. Oversee the work performed by the Internal Audit and Compliance departments for the purpose of preparing or issuing an audit or compliance report. Approve the overall audit scope and ensure audits are conducted in an efficient and cost-effective manner. Oversee the resolution of any issues between Administration and the District Audit Officer, the Corporate Compliance Officer and Chief Legal Officer.

6. At least annually, obtain and review a report by the external auditors. The report shall include:
   - the external auditors' internal quality control procedures;
   - material issues arising out of the audit firm’s most recent internal quality-control review, peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more external audits carried out by the firm, and any steps taken to deal with any such issues.

7. Receive periodic reports on the audit plan and the compliance plan’s current policies and procedures, any changes to the compliance plan, the reasons behind the changes, and make recommendations to the Board.

8. Review and pre-approve both audit and non-audit services to be provided by the external auditors in accordance with the pre-approval policies and procedures. For services not requiring pre-approval under such policies and procedures, Administration shall inform the Committee of the nature of the project and the related fees with respect to such services provided by the external auditors.

9. Review the integrity of Palomar Health’s financial reporting processes and the internal control structure.
10. Review with Administration and external auditors, major issues regarding accounting principles and financial statement presentations, including any significant changes in PPH’s Palomar Health’s selection or application of accounting principles, major issues as to the adequacy of PPH’s Palomar Health’s internal controls and any special audit steps adopted in light of material control deficiencies.

11. Review analyses prepared by Administration and external auditors, describing significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

12. Review with Administration the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of PPH Palomar Health.

13. Review with Administration and the Corporate Compliance Officer, General Counsel / Chief Legal Officer and the District Audit Officer any correspondence from or with regulatory agencies, any employee complaints or any published reports that raise material issues regarding PPH’s Palomar Health’s financial statements, financial reporting process, internal audit controls, accounting policies, or compliance with laws, rules, or regulations.

14. Establish procedures for the receipt, retention, tracking, and treatment of complaints received by PPH-Palomar Health regarding regulatory, accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential and anonymous submission by employees regarding questionable matters.

15. Consider the rotation of the lead audit partner and reviewing partner for PPH’s Palomar Health’s independent audit firm every five (5) years.

16. Commission periodic audits, as the Committee deems necessary, to monitor the implementation and integrity of the compliance plan.

17. Perform an annual self-assessment regarding the Committee's purpose, duties and responsibilities outlined herein.

18. Direct special investigations for the Board.

19. Keep current on changes in the laws and regulations affecting the Committee.

20. Perform any other activities consistent with this Charter, PPH’s-Palomar Health’s Bylaws and governing law, to fulfill its responsibilities and duties.

21. The District Audit Officer will make quarterly reports to the Committee regarding the percent of implemented audit recommendations, areas where the audit functions can reduce costs, avoid risks, and enhance revenue.

22. Periodically review PPH’s-Palomar Health’s ethics and compliance training program to determine the scope and effectiveness of the program and assess the return on its investment.
23. Periodically review the compliance plan’s procedures for the receipt, retention, and treatment of complaints to ensure the procedures require actions that are responsive, corrective, and confidential.

24. Periodically review, along with the Corporate Compliance Officer, or seek credible reports on specific risk exposures, the steps taken to monitor and mitigate exposure, and the compliance plan’s ability to identify such exposures.

25. Periodically review, or seek credible reports on, the effectiveness of PPH-Palomar Health’s Compliance Plan and how Administration measures the plan’s effectiveness.

26. Review, in conjunction with the District Audit Officer and Corporate Compliance Officer, any known significant disputes between Administration and PPH-Palomar Health’s internal or external auditors concerning matters of regulatory and corporate compliance, as well as Administration’s responses to those disputes.

27. Monitor any audits or examinations by governmental or other regulatory agencies as applicable.

28. Perform any other actions consistent with this Charter, Bylaws, or as the Board deems necessary.

29. The following are the responsibility of the Board Members of the Committee:

   - Review the appointment, proposed termination, and replacement of the General Counsel/Chief Legal Officer, the Corporate Compliance Officer, and the District Audit Officer. Meet periodically with the Corporate Compliance Officer, District Audit Officer and General Counsel/Chief Legal Officer to discuss responsibilities of PPH-Palomar Health’s internal audit and compliance functions and any issues the Corporate Compliance Officer, General Counsel/Chief Legal Officer and the District Audit Officer believe warrant Committee attention.

   - Discuss with the Corporate Compliance Officer, General Counsel/Chief Legal Officer and the District Audit Officer any significant material reports to Administration prepared by the Corporate Compliance Officer, General Counsel/Chief Legal Officer and the District Audit Officer and any responses from Administration.

   The performance appraisals for those positions will be prepared by the CEO and provided to the Board Members of the Committee for discussion and input. The CEO and the Committee Chair will meet to discuss the performance appraisals. The Board Members of the Committee will receive a copy of the employee’s written response to the performance appraisal. The Board Members of the Committee will also receive a copy of any other documentation regarding the employee’s performance. The employee has the right at any time to access the Board Members of the Committee or the full Board pertaining to issues. At no time will any retribution or retaliation be tolerated against the employee for challenging an employment action or reporting an issue to the Board.

IV. Outsourcing of Certain Investigations

The Committee may utilize an independent investigator to review certain situations which may impair the objectivity of audit or compliance staff. This outsourcing will occur after the General Counsel/Chief Legal Officer consults with the Committee and Board, and the Board directs the General Counsel/Chief Legal Officer to hire an outside investigator. The following are examples...
of situations where the investigation may be outsourced. These situations are examples only and are not meant to limit the circumstances where an independent investigator may be used.

- Irregularities in travel and entertainment expenses incurred by Board and senior leadership. On an annual basis, the Internal Audit Officer will meet with the Audit and Compliance Committee, and certify to the Committee that all travel expenses of the Board, CEO, and the Executive Management Team were appropriate.

- Allegations against senior leadership, including, but not limited to, inappropriate conduct, fraud, sexual harassment, and misappropriation of funds.

- Independent review of key decisions where PPH Palomar Health does not have sufficient staff to conduct the review, or where there may be a conflict of interest with current staff.

- Audit of governance activities/processes.

V. Scope of Authority

The Board delegates to the Committee its power and authority to perform the duties and responsibilities under this Charter. The Committee may carry out any other responsibilities and duties delegated to it by the Board. In accordance with the OIG, the responsibility of this committee is to exercise reasonable oversight.

Management of PPH Palomar Health’s audit and Compliance Plan will be under the direction of the CEO. Administration is responsible for the preparation, presentation and integrity of PPH Palomar Health’s financial statements as well as PPH Palomar Health’s financial reporting process, accounting policies and procedures, internal accounting controls and disclosure controls and procedures.

The independent auditor is responsible for conducting an annual audit of PPH Palomar Health’s financial statements, and expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles.

The Corporate Compliance Officer is responsible for conducting an annual evaluation of PPH Palomar Health’s Compliance Plan, and expressing an opinion as to the conformity of the plan with regulatory requirements.

It is not the responsibility of the Committee to plan or conduct audits or to determine that PPH Palomar Health’s audit program, compliance plan, financial statements and disclosures are complete and accurate and in accordance with generally accepted guidelines, applicable laws, rules and regulations. Each member of the Committee shall be entitled to rely on the integrity of those persons within PPH Palomar Health and of the professionals and experts from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.
GOVERNANCE COMMITTEE CHARTER
Adopted (February 1, 2008) Revised (January 10, 2010)

Purpose and Responsibilities

The Governance Committee (the "Committee") of the Board of Directors (the "Board") of Palomar Health District, (the "District") will (i) Make recommendations regarding pending and existing federal, state and local legislation which, in the committee's opinion, may impact the District. (ii) Make an annual, comprehensive review of the District bylaws, policies and procedures and receive reports regarding same, and elicit recommendations on such issues from management. (iii) Review any initiation of legislation by the District, (iv) Review such other issues associated with the District and/or Board governance and its effectiveness, including but not limited to Board member orientation and continuing education. (v) Make recommendations regarding the annual self-assessment of the Board. (vi) Perform such other duties as may be assigned by the Board.

Membership and Meetings

The Committee will consist of not more than three (3) members of the Board and an alternate, each of whom shall be appointed by the Board to serve until the next annual meeting of the Board. The alternate shall attend and enjoy voting rights only in the absence of a voting committee member. The Committee will meet in person as often as it determines is necessary or appropriate to carry out its responsibilities, but no less than twice a year. The Chairperson of the Committee, in consultation with the other Committee members, will determine the frequency and length of the meetings and will set agendas consistent with this Charter. In the absence of the Chairperson, the majority of the members of the Committee present at a meeting shall appoint a member to preside at the meeting. The President and Chief Executive Officer, the Chief Legal Officer, and the Chief Marketing and Communication Officer shall be nonvoting members of the committee. The Committee will keep written minutes of its meetings which shall be recorded and filed with the books and records of the District and will report its actions and recommendations to the Board after each Committee meeting and as the Board may further request. A majority of the members of the Committee will constitute a quorum to transact business. The Committee may take action without a meeting by unanimous written consent of its members. The Committee may adopt such other rules and regulations for calling and holding its meetings and for the transaction of business at such meetings as are necessary or desirable and not inconsistent with the provisions of the Board Bylaws or this Charter.

Authority and Responsibilities

In furtherance of the Committee's purpose, and in addition to any other responsibilities that may be properly assigned by the Board, the Committee will have the following authorities and responsibilities:

VI. Reporting Relationships

The General Counsel/Chief Legal Officer and the District Audit Officer shall have dual reporting relationships to both the CEO and the Board. The Compliance Officer shall report to the General Counsel/Chief Legal Officer.
• Review periodically and make recommendations regarding pending and existing federal, state and local legislation which, in the committee's opinion, may impact the District;

• Make an annual, comprehensive review of the District bylaws, policies and procedures and receive reports regarding same, and elicit recommendations on such issues from management;

• Review any initiation of legislation initiated by the District;

• Review such other issues associated with the District and/or Board governance and its effectiveness, including but not limited to Board member orientation and continuing education;

• The Committee will perform such other activities consistent with this Charter, the District's Bylaws, governing law, the rules and regulations of the State of California and such other requirements applicable to the District as the Committee or the Board deem necessary or appropriate.

• The Committee will advise the Board on the appropriate structure and operations of all committees of the Board, including committee member qualifications.

• The Committee will monitor developments, trends and best practices in corporate governance, and propose such actions to the full Board.

• The Committee will develop, implement, review and monitor an orientation program for new directors as well as a continuing education program for the existing directors.

• The Committee will oversee, as it deems appropriate, an evaluation process of the Board and each of the Board Committees as well as an annual self-performance evaluation, and present its findings to the Board.

**Governing Documents**

The Committee will annually review this Charter, and will recommend any changes and or amendments to the Board, as the Committee deems appropriate, including changes necessary to satisfy any applicable legal or regulatory requirements. Any amendments to this Charter will require the approval of a majority of the Board of the District.
PALOMAR POMERADO HEALTH BOARD
INTERNAL AUDIT AND COMPLIANCE COMMITTEE

Board Member Position Description

Function:

It is the responsibility of the Board Member to insure that appropriate review mechanisms and management of the District’s assets and resources are in place, that the organization complies with all applicable local, state and federal regulations, and to oversee the audit and financial stewardship of Palomar Pomerado Health.

Responsibilities:

1. Approve the annual program and scope of all audits to be performed by the District Audit Officer.
2. Routinely review the system of internal controls for the organization and its subsidiaries.
3. Recommend a qualified audit firm to complete independent financial audits of the system and review reports, management letters and recommendations from the firm to assure compliance with recognized audit principles and standards throughout Palomar Health.
4. Participate in special investigations for the Board as may be assigned.
5. Regularly review reports from the District Audit Officer and the CEO and where appropriate make recommendations on system controls and improvements that could insure effective stewardship of the organization.
6. Keep up with trends in the field of health care audit and compliance to help educate other Board members on the latest trends in the industry.
7. Ensure the effectiveness of Palomar Health’s Compliance efforts.
8. Complete other duties as may be assigned by the Chairman.

Requirements:

1. Interest and willingness to commit the time and energy necessary to meet committee responsibilities and meeting requirements.
2. Knowledge of health care finance audit processes and compliance is helpful.
3. Compliance with other Board position description requirements.
Report to
Palomar Health
Governance, Audit and Compliance Committee
January 17, 2013
## Internal Audit Plan – 2013

<table>
<thead>
<tr>
<th>Audit Activity</th>
<th>Description/Scope - Objectives</th>
<th>Estimated Hours</th>
<th>Type</th>
</tr>
</thead>
</table>
| 1 Outpatient   | 1. Review the various outpatient processes related to operational and financial performance.  
                  2. Develop and implement effective monitoring and reporting tools for trend analysis and timely identification of aberrations | 800             | New  |
| 2 Compliance   | Work with the Compliance Officer/Compliance & Ethics Committee to develop a dashboard for reporting and monitoring selected key performance indicators related to CMS compliance and other key risk indicators | 800             | New  |
| 3 Independent Quality Review * | Facilitate and support the independent Quality Assessment Review of the Internal Audit Department and Compliance Program performed by PwC. | 320             | New  |
| 4 (ACL data analytics / dashboard / reporting) | Develop additional/enhanced/effective metrics for the identification of inconsistent or costly practices associated with the provision of and billing of patient care. To include dashboards, and peer-group comparisons for selected procedures and services. | 480             | Ongoing |
| 5 Payroll      | Continue to develop and maintain Continuous Control Monitoring (CCM) system | 400             | Ongoing |
| 6 General Ledger | Develop and maintain CCM system as monitoring tool for Finance and incorporate year-end financial audit test criteria | 400             | Carryover |

- **New** – Project will be initiated this year
- **Recurring** – Project is included in the audit plan on an annual basis from beginning to end.
- **Ongoing** – The project is continual in nature, the ACL continuous monitoring tests, for example.
- **Carryover** – Project began last calendar year and expands into current audit plan year.
- *Indicates external resources will be relied on for the project, contingent upon budget approval.
# Internal Audit Plan – 2013

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<th>Audit Activity</th>
<th>Description/Scope - Objectives</th>
<th>Estimated Hours</th>
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</thead>
<tbody>
<tr>
<td>7  Accounts Payable</td>
<td>Continue to develop and maintain Continuous Control Monitoring (CCM) system</td>
<td>320</td>
<td>Ongoing</td>
</tr>
<tr>
<td>8  Payments to Physicians</td>
<td>Continue review of payments to physicians for the identification and tracking of</td>
<td>320</td>
<td>Ongoing</td>
</tr>
<tr>
<td>9  Coding (Compliance/Revenue Cycle) *</td>
<td>Coordinated project with the Compliance Officer in developing and implementing and independent audit plan of billing compliance coding and effectiveness of CDM</td>
<td>480</td>
<td>Carryover</td>
</tr>
<tr>
<td>10 Construction and renovation/maintenance *</td>
<td>1. Finalize PMC West construction review 2. Review district facility new and renovation/maintenance projects</td>
<td>400</td>
<td>Ongoing Recurring</td>
</tr>
<tr>
<td>11 Audit Awareness and Leadership Training</td>
<td>Develop and Implement Leadership Audit Training surrounding effective Operational Controls</td>
<td>160</td>
<td>Ongoing</td>
</tr>
<tr>
<td>12 Expense Reimbursement</td>
<td>1. Develop analytic monitoring of credit cards Expenses 2. Perform review of Executive, Board and staff expense reimbursements 3. Support in the development/implementation of an electronic expense reimbursement management system</td>
<td>400</td>
<td>Recurring &amp; Ongoing</td>
</tr>
</tbody>
</table>

- **New** – Project will be initiated this year
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# Internal Audit Plan – 2013

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</thead>
<tbody>
<tr>
<td>13 Annual Audit Risk Assessment</td>
<td>Perform an annual audit risk assessment of the healthcare district and develop an internal audit plan for CY 2014</td>
<td>320</td>
<td>Recurring &amp; Ongoing</td>
</tr>
<tr>
<td>14 Non-Labor Expense Optimization Committee</td>
<td>Participate/support in the activities of the NLOC in an effort to identify and reduce non-labor expenses. This committee was re-established in December by FMT.</td>
<td>640</td>
<td>New</td>
</tr>
<tr>
<td>15 Coordinate selection process for Independent Auditors</td>
<td>Facilitate the submission of RFPs and coordinate the evaluation/selection process for independent financial auditors for the district for a 5-year engagement period.</td>
<td>160</td>
<td>New</td>
</tr>
<tr>
<td>16 Follow Up to prior audits</td>
<td>Pharmacy, Cost Report, Information Security, Payroll, Expense Reimbursements</td>
<td>640</td>
<td>Recurring</td>
</tr>
<tr>
<td>17 Medical Staff Physician Credentialing</td>
<td>Perform limited scope review as developed in 2012 and follow up as appropriate</td>
<td>240</td>
<td>Recurring</td>
</tr>
<tr>
<td>18 Audit Technologies: Interdepartmental</td>
<td>Adoption and development of electronic work papers and ACL Dashboard technologies into routine internal audit practices, in addition to increased training and use of ACL by audit staff.</td>
<td>320</td>
<td>New</td>
</tr>
</tbody>
</table>

- **New** – Project will be initiated this year
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- **Ongoing** – The project is continual in nature, the ACL continuous monitoring tests, for example.
- **Carryover** – Project began last calendar year and expands into current audit plan year.
- ***Indicates external resources will be relied on for the project, contingent upon budget approval.**
Internal Audit Projects as of Dec 31, 2012

- Revenue Cycle
  - Construction
- Revenue Cycle
  - Payroll
  - Continuous Monitoring
- General Ledger/Cost Reporting
- Compliance
- Medical Staff
  - Physician Credentialing
  - Information Technology
- Leadership Audit
  - Training
- Risk Assessment
- External QAR
- External QAR of Construction Audit
- Expense Reimbursement
- * Independent Contracting
- Pharmacy Follow up

2012

Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec

Not Started | Completed | In Progress | Continuous
Pharmacy Follow Up

Report Date: 12/31/2012
Project Lead to: Lucy Maxwell

Outcome Measures - (Project Objectives):
- Perform a follow up review to the audit performed in 2010 in order to verify that action plan was implemented as indicated in the Management Response.
- Review and analyze the activities and procedures performed at the New PMC’s pharmacy after the recent opening of the new PMC hospital on August 19, 2012.

Milestones:
1. Planning
2. Audit Entrance Meeting
3. Interviews with process owners
4. Fieldwork and Identification of opportunities for improvement
5. Communication of issues to Management
6. Exit meeting
7. Obtain Management Response

Outcome Measures - (Observations):
1. To be further communicated as the audit continues and opportunities for improvement are identified.

Note:
1. Per request of the Pharmacy Director, the audit has been postponed for the better availability and participation of the Pharmacy personnel. New starting date has been scheduled for 11/15/2012.
Independent Quality Assessment Review

Report Date: 12/31/2012
Project Lead: Lucy Maxwell

Outcome Measures - (Project Objectives):
- Provide an opinion as to whether the internal audit activity conforms to The Institute of Internal Auditors’ (IIA) Standards and its Code of Ethics.
- Assess the efficiency and effectiveness of the internal audit activity in light of its charter, reporting structures and processes, expectations of Palomar Health’s Audit Committee, and chief executives.
- Assess the adequacy of resources (staff size/competency, other financial/systems) appropriate to meet current needs.
- Determine the perception of internal auditing through interviews and surveys with executive management and customers.

Milestones:
1. Planning
2. Research service providers
3. Prepare RFP and selected service providers to be invited to participate in the RFP
4. Submit RFPs
5. Evaluate proposal and select firm
6. Negotiate/sign Contract/engage firm
7. Coordinate Engagement (on-site field work & interviews)
8. Report final results/action plan

Outcome Measures - (Observations):
1. To be further communicated as the audit continues and opportunities for improvement are identified.
Executive Expense Reimbursement

Report Date: 12/31/2012
Project assigned to: Ruhina Livingstone/Kristy Larkin

Outcome Measures - (Project Objectives): Ensure executive management and Palomar Health employees are in compliance with the organization’s business expense reimbursement policies

Milestones:
1. Planning
2. Developing of audit program
3. Audit Entrance Meeting
4. Fieldwork and Identification of opportunities for improvement
5. Communication of issues to Management
6. Exit meeting
7. Obtain Management Response

Outcome Measures - (Observations):

1. A committee will be established to review and advise on additional procedures needed for proper limitations on purchasing card expenditures.
2. A formal report detailing all final exceptions will be available in February 2013.

Comments
• Scope of the review was expanded this year to include credit card activity for all District staff with assigned cards
• Analytics are being developed to monitor activity on a regular basis, as opposed to an annual post-review
• Additional input and documentation was required from management team and credit card holders before a final conclusions and reporting, which extended the project.
Physician Credentialing Audit

Report Date: 12/31/2012
Project assigned to: Kristy Larkin/Ruhina Livingstone

Outcome Measures - (Project Objectives):
To ensure that privileges have been extended only to professional, competent Practitioners in accordance with the bylaws for Medical Staff.

Outcome Measures - (Observations):
• The medical staff office has a very detailed and refined process for credentialing and re-credentialing health practitioners. Due to the extensive knowledge and experience the staff possesses, we have no additional findings or recommendations.

Milestones:
1. Planning
2. Developing of audit program
3. Audit Entrance Meeting
4. Fieldwork and Identification of opportunities for improvement
5. Communication of issues to Management
6. Exit meeting
7. Obtain Management Response
Palomar Health Internal Audit Services
Credentialing Process
Executive Summary

Background

Palomar Health strives to maintain high professional standards among its patient care facilities and to provide safe patient care and support services. In order to provide the best patient care Palomar Health has an ethical and legal responsibility for granting staffing privileges only to competent physicians and practitioners.

In cases such as: *Engelhardt v St John Health System, Larson v. Wasemiller and Frigo v. Silver Cross Hospital and Medical Center*, the hospitals were being sued for negligent credentialing. Several recent lawsuits alleged that if the credentialing process has been done adequately, the negative patient outcomes mitigated. In 2007, the need for greater organizational accountability was addressed by the Joint Commission’s Medical Staff Standards. They changed the requirements of credentialing from periodic reviews of medical staff, to continuous, evidence-driven analysis of the providers performance.

Without a comprehensive process for credentialing and re-credentialing of medical staff a Palomar Health could run the risk of hiring subpar members and be named in lawsuits for inadequate care.

Purpose

Due to the variability and complexity of care and increasing regulatory requirements, Palomar Health is expected to participate in credentialing and privileging processes to ensure that medical staff has attained and maintain competency to provide the scope of services and quality of care that are required for their area of practice.

The critical roles of the credentialing staff is to verify and document the knowledge, skills, and experience of medical staff and are part of a comprehensive framework that includes professional education, licensure, formal post-licensure training, experience, and certification.
The objective of this review was to analyze and evaluate the hospital’s medical staff credentialing and re-credentialing process. We identified the key controls governing the process and the potential that one of the controls could fail. We reviewed the policies, procedures, and Medical Staff Bylaws governing the credentialing process as well as the credentialing committee’s adherences to them.

Scope

The scope of the audit was to review, on a sample basis, Provisional Advancements Applicants, Provisional Applicants, Reappointment Applicants, Allied Health Reappointment Applicants and Allied Health Appointments for the last six months for the period ended October 18, 2012 and verify that all appropriate documentation was contained in the file, verified by primary source (when appropriate), timely and complete. We reviewed the Policies, Procedures and Medical Bylaws of the credentialing process for content and adherence to all regulatory guidelines.

Approach

1. Interviews were held with key medical office personal in charge of the credentialing process in order to gain a deeper understanding of current practices, controls and processes.
2. Reviewed Governing bodies requirement’s for proper credentialing.
3. Reviewed Medical Staff Bylaws.
4. The credentialing process was reviewed for compliance with the Medical Staff Bylaws.
5. A sample of Allied Health, Provisional, and Active Medical Staff files were reviewed for appropriate primary source documentation, verification, approvals and compliance with procedures.

Observations

The first phase of the credentialing process was to obtain primary source verification of qualifications as outlined in the medical staff application. The next phase is granting of privileges by Medical Staff.

As a result of our review and validation of the medical staff credentialing process, we concluded that the employees in the Medical Staff Office that are involved with and responsible for Palomar Health’s credentialing process are extremely dedicated to obtaining and providing decision makers with only the best source documentation and maintaining that documentation in a very systemic and comprehensive manner for medical staff to review.

We further observed that the Medical Staff office has a systematic approach to remind all members of the medical staff when they need to re-credential and when additional training and/or education is required.

We have not found any current exceptions with the files or processes that were reviewed.
Report Date: 12/31/2012

Project assigned to: Ruhina Livingstone

Business Process Owner: Michael Shea/Ruhina Livingstone

Outcome Measures - (Project Objectives): Work in partnership with Human Resources to conduct an audit on all independent contractors and unpaid interns at Palomar Health to ensure Human Resources are in compliance with Internal Revenue Service’s guidelines

Milestones:
1. Planning
2. Developing of audit program
3. Audit Entrance Meeting
4. Fieldwork and Identification of opportunities for improvement
5. Communication of issues to Management
6. Exit meeting
7. Obtain Management Response

Outcome Measures - (Observations):
- Report was delivered to management and no significant observations were noted
Agenda items included:

- Compliance Initiatives deferred due to time constraints and re-scheduled for quarterly review beginning January 2013.
  - Project: Information Privacy Breach - Kim Jackson – update as of 11/1/12
  - CEC – Billing and Compliance – Susan May/Tim Nguyen
  - Project: Conflict of Interest 2011 – Mark Neu
  - Project: Create a Process for Observation Patients and Decrease LOS of Observation Patients – Shannon Brown – update as of 11/1/2
  - Project: Data Security – Encryption – Paul Peabody
  - Project: Public Contracting Responsibilities – Janine Sarti

- Dan Farrow, Director Facilities Operations PMC, provided an assessment of the exam rooms from the perspective of ADA compliance. Utilizing 2010 ADA standards, he reviewed all campuses, including the POP and other outlying buildings. We are not required to make any changes right now.

- Susan May, Director Patient Financial Services, reviewed the revenue cycle dashboard. Observation services continue to be a focus area. Nurse auditors review 1-day stays to ensure they meet admission requirements. Ongoing physician education in place regarding appropriate level of care.

- Kim Jackson, Director of Health Information Services, provided the Privacy dashboard. The focus is on ensuring that patients receive correct discharge paperwork. Second focus area is misdirected faxes, which have trended down this quarter. Key idea implemented to add faxing time out steps to the fax cover sheet. No specific campus trends identified.

- 2013 OIG Work Plan Assessment list distributed to committee members to rank items high to low. The hospital work plan will be tailored to the responses. Additionally District Audit Officer Tom Boyle will be meeting with individuals to refine the risk assessment.

- District Audit Officer Tom Boyle presented the results of the expense report audit. Opportunities for improvement identified for documentation connected to reimbursement requests, specifically names of individuals attending meals and logging physician non-monetary compensation, where applicable.
Recent Investigations and Enforcement – 1) The Office of Inspector General is on its way to setting a record in recoveries of about $6.9 billion this fiscal year. $923.8 million from audits and $6 billion from investigations. Additional estimated $8.5 billion in estimated savings resulting from legislative, regulatory or administrative actions from OIG's recommendations. 2) A Medical Center in Dallas has agreed to pay more than $900,000 to settle allegations that it submitted false claims to Medicare for radiation oncology services. The settlement stemmed from a federal whistleblower lawsuit filed in 2010 by a Baylor radiation oncologist and a radiation therapist. According to the government, Baylor double billed Medicare for procedures related to radiation treatment plans between 2006 and 2010. 3) Hospital owner fined for a privacy breach. A patient's medical records were disclosed without consent to three news agencies by hospital CMO. Hospital fined $95,000 by CDPH for breaching a patient's privacy in an effort to rebut an earlier news article about the chain's unusual and lucrative billing practices (kwashiorkor).