

Posted
Friday
January 20, 2023

FINANCE COMMITTEE MEETING
Agenda
WEDNESDAY, JANUARY 25, 2023
1:30 p.m.



PLEASE SEE PAGE 2 FOR MEETING LOCATION

*PLEASE TURN OFF CELL PHONES OR SET THEM TO SILENT MODE
UPON ENTERING THE MEETING ROOM*

	<u>Time</u>	<u>Form A Page</u>	<u>Target</u>
CALL TO ORDER			1:30
❖ Public Comments ¹	30		2:00
1. Board Finance Committee Follow-ups – NONE			2:00
2. * Approval: Minutes – Special Finance Committee – Wednesday, November 30, 2022 (<i>ADD A – P8-16</i>)	2	4	2:02
3. * Approval: Executed Budgeted Routine Physician Agreements (<i>ADD B – Pp17-23</i>)	3	5	2:05
4. * Review/Approval: Establishment of the Date, Time and Location for the Regular Meetings of the Board Finance Committee for Calendar Year 2023 and January 2024	10	6	2:15
5. * Review/Approval: December 2022 & YTD FY2023 Financial Report (<i>ADD C – Pp24-46</i>)	15	7	2:30
FINAL ADJOURNMENT			2:30

NOTE: The meeting—without public comments—is scheduled to last 30 minutes, starting at 1:30 p.m., with adjournment at 2:00 p.m.

Board Finance Committee – Voting Members		
Laura Barry – Chair	Mike Pacheco – Director	Jeff Griffith, EMT-P - Director
Diane Hansen, President & CEO	Kanchan Koirala, MD, CoS Palomar Medical Center Escondido	Sam Filiciotto, MD, CoS Palomar Medical Center Poway
Board Finance Committee – Alternate Voting Members		
Laurie Edwards-Tate, MS Board Alternate	Andrew Nguyen, MD – CoS-Elect CoS Alternate – Palomar Medical Center Escondido	Mark Goldsworthy, MD – CoS-Elect CoS Alternate – Palomar Medical Center Poway
Board Finance Committee – Non-Voting Members		
Hugh King, CFO	Ryan Olsen, COO	Omar Khawaja, MD, CMO
Mel Russell, RN, CNE		Amanda Pape, Vice President of Finance

NOTE: If you have a disability, please notify us 72 hours prior to the event so that we may provide reasonable accommodations

* Asterisks indicate anticipated action. Action is not limited to those designated items.

¹ See page 3



Board Finance Committee Location Options

- The Linda Greer Conference Room, 2125 Citracado Parkway, Suite 300, Escondido, CA 92029
 - Elected members of the Board of Directors will attend at this location, unless otherwise noticed below
 - Members of the public may also attend at this location
- [HTTPS://meet.goto.com/730477223](https://meet.goto.com/730477223) or Dial in using your phone at 866.899.4679; Access Code: 730477221#¹
 - Non-Board member attendees and members of the public may attend the meeting virtually utilizing the above link

¹ New to GoToMeeting? Get the app now and be ready when your first meeting starts: <https://global.gotomeeting.com/install/728792797>

Board Finance Committee Meeting

Meeting will begin at 1:30 p.m.



Request for Public Comments

If you would like to make a public comment, please submit a request by doing the following:

- **Enter your name and “Public Comment” in the chat function once the meeting opens**

Those who submit a request will be called on during the Public Comments section and given 3 minutes to speak.

Public Comments Process

Pursuant to the Brown Act, the Board of Directors can only take action on items listed on the posted agenda. To ensure comments from the public can be made, there is a 30-minute public comments period at the beginning of the meeting. Each speaker who has requested to make a comment is granted three (3) minutes to speak. The public comment period is an opportunity to address the Board of Directors on agenda items or items of general interest within the subject matter jurisdiction of Palomar Health.

**Minutes
Special Finance Committee
Wednesday, November 30, 2022**

TO: Board Finance Committee

MEETING DATE: Wednesday, January 25, 2023

FROM: Tanya Howell, Assistant

BY: Hubert U. King, Chief Financial Officer

Background: The minutes of the Special Board Finance Committee meeting held on Wednesday, November, 30, 2022, are respectfully submitted for approval (*Addendum A*).

Budget Impact: N/A

Staff Recommendation: Staff recommends approval of the Wednesday, November 30, 2022, Special Board Finance Committee minutes.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENTS

TO: Board Finance Committee

MEETING DATE: Wednesday, January 25, 2023

FROM: Hubert U. King, Chief Financial Officer

Background: The following Executed, Budgeted, Routine Physician Agreement became effective as noted below:

PHYSICIAN/GROUP	TYPE OF AGREEMENT
November 2022	
<ul style="list-style-type: none">Jay R. Grove, MD	<ul style="list-style-type: none">Amendment 1 to Medical Director Agreement – Perioperative Services – PMC Poway
January 2023	
<ul style="list-style-type: none">Lorra Sharp, MD	<ul style="list-style-type: none">Amendment 1 to Medical Director Agreement – Orthopedic Services
<ul style="list-style-type: none">Bradley Bailey, MD, Inc., and Roger Schechter, MD, Inc., dba Restorative Healing Group	<ul style="list-style-type: none">Amendment 3 to Wound Care and Cardiac Rehabilitation Backup Agreement

The standard Form A and Abstract Table are included as Addendum B.

Staff Recommendation: Approval

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Board Finance Committee Meeting Schedule
Calendar Year 2023 and January 2024**

TO: Board Finance Committee
MEETING DATE: Wednesday, January 25, 2023
FROM: Tanya Howell, Assistant
BY: Hubert U. King, Chief Financial Officer

Background: Based on key financial dates regarding the monthly closing of financial results, as well as the calendars of the Board members on the Committee, Board Finance Committee meetings for the 2022 calendar year were held at **1:30 p.m.**, with the meeting rotation as noted below:

- The meetings were held **on the fourth Wednesday of each month that followed the end of a quarter**, which coincided with the review of quarterly financials as required by bond covenants
- There was also a meeting **in the month of August** for presentation of the Pre-Audit June 2022 & FYE2022 Financial Report

It is recommended that this schedule be replicated for the remainder of the 2023 calendar year.

It is further recommended that meetings be held in the Linda Greer Conference Room at Palomar Health’s Administrative Offices, located at 2125 Citracado Parkway, Suite 300, Escondido, CA. Members of the Committee who are elected members of the Board of Directors shall attend at that location; with a virtual option to be provided for non-Board member attendees and members of the public. Members of the public may attend either in person or virtually.

As a procedural matter, the first meeting of the following calendar year has historically been held following the same schedule as the prior calendar year. Therefore, it is further recommended that the first meeting in calendar year 2024 be formally scheduled for **Wednesday, January 24, 2024, at 1:30 p.m.**

Please see below for the dates on which the meetings would be held:

2023 & JANUARY 2024 BOARD FINANCE COMMITTEE MEETING SCHEDULE

Wednesday April 26, 2023	Wednesday July 26, 2023	Wednesday August 23, 2023	Wednesday October 25, 2023	Wednesday January 24, 2024
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Budget Impact: N/A

Staff Recommendation: Meeting schedule as per discussion at meeting and resulting Board Finance Committee approval.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

December 2022 and YTD FY2023 Financial Report

TO: Board Finance Committee

MEETING DATE: Wednesday, January 25, 2023

FROM: Hubert U. King, Chief Financial Officer

Background: The Board Financial Report (unaudited) for December 2022 and YTD FY2023 is submitted for the Finance Committee's approval (*Addendum C*).

Budget Impact: N/A

Staff Recommendation: Approval

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ADDENDUM A

Meeting Minutes

BOARD FINANCE COMMITTEE CALENDAR YEAR 2022



Passion. People. Purpose.™

ATTENDANCE ROSTER								
MEMBERS	MEETING DATES:							
	SPECIAL 1/26/22	4/27/22	7/27/22	8/24/22	SPECIAL 9/27/22	10/26/22	SPECIAL 11/30/2022	
DIRECTOR LAURA BARRY – CHAIR	V	V	V	V	V	CANCELLED	V	
DIRECTOR JEFF GRIFFITH, EMT-P	V	V	E	V	V		V	
DIRECTOR MIKE PACHECO	V	V	V	V	V		V	
DIANE HANSEN, PRESIDENT & CEO	V	V	V	E	V		V	
SABIHA PASHA, MD, CoS PMC'S ESCONDIDO & DOWNTOWN ESCONDIDO	V	E	V	V	V		V	
EDWARD GURROLA, MD , CoS, PMC POWAY	V	V	V	V	V		E	
<i>DIRECTOR LAURIE EDWARDS-TATE, MS – ALTERNATE</i>		G			G		G	
<i>DIRECTOR TERRY CORRALES, RN – 2ND ALTERNATE</i>			V					
<i>KANCHAN KOIRALA – ALTERNATE COS PMC ESCONDIDO</i>								
<i>SAM FILICIOTTO, MD – ALTERNATE COS PMC POWAY</i>	V (GUEST)		G				V	
STAFF ATTENDEES								
HUGH KING, CHIEF FINANCIAL OFFICER		V	V	V	V		V	
OMAR KHAWAJA, MD, CHIEF MEDICAL OFFICER	V	V	V	E	V		V	
STEPHANIE BAKER, RN, CHIEF OPERATIONS OFFICER				E	V		E	
MEL RUSSELL, RN, CHIEF NURSE EXECUTIVE	V	V	V	V	V	V		
AMANDA PAPE, VP OF FINANCE			E	E	E			
TANYA HOWELL – COMMITTEE ASSISTANT	V	V	V	V	V	V		
SHEILA BROWN, CHIEF OPERATIONS OFFICER	V	V	E					
MICHAEL BOGERT, CHIEF FINANCIAL OFFICER	V							
JIM SMITH, VP OF FINANCE	E							
INVITED GUESTS	SEE TEXT OF MINUTES FOR NAMES OF INVITED GUESTS							

BOARD FINANCE COMMITTEE – SPECIAL MEETING MINUTES – WEDNESDAY, NOVEMBER 30, 2022

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
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• DISCUSSION

NOTICE OF MEETING

- The full agenda packet (as Notice of Meeting) was posted on Wednesday, November 30, 2022, at Palomar Health’s Administrative Offices, which is consistent with legal requirements
- The full agenda packet was also posted on the Palomar Health website; and notice of that posting was made via email to the Board and staff

CALL TO ORDER

- The meeting – held virtually – was called to order at 3:31 p.m. by Chair Laura Barry

ESTABLISHMENT OF QUORUM

- Quorum was established – see roster for details

PUBLIC COMMENTS

- None filed

INFORMATION ITEMS

- None

<p>1. CHARTER OF THE FINANCE COMMITTEE OF THE BOARD</p>	<p>MOTION: By Director Pacheco, seconded by Dr. Filiciotto, and carried to recommend approval of the Charter of the Board Finance Committee as presented. Vote taken by Roll Call: Dr. Pasha – Aye; Chair Barry –Aye; Ms. Hansen – Aye; Director Pacheco – Aye; Director Griffith – aye; Dr. Filiciotto – aye. Absent: Dr. Gurrola</p>	<p>Forwarded to the October 10, 2022, Board of Directors meeting with a recommendation for approval</p>	<p>Y</p>
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- Chair Barry stated that all the Board Committee charters were basically derived from the Board Governance Committee charter, with some edits to reflect the differing duties of each Committee

<p>2. DEBT POLICY – LUCIDOC #58892</p>	<p>MOTION: By Director Pacheco, seconded by Ms. Hansen, and carried to recommend re-adoption of the District’s Debt Policy - #58892, as written. Vote taken by Roll Call: Dr. Pasha – Aye; Chair Barry –Aye; Ms. Hansen – Aye; Director Pacheco – Aye; Director Griffith – aye; Dr. Filiciotto – aye. Absent: Dr. Gurrola</p>	<p>Forwarded to the February 2, 2023, Board Governance Committee meeting with a recommendation for approval</p>	<p>Y</p>
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- Chair Barry stated that this Lucidoc policy was still applicable as written
- Dr. Filiciotto asked why the policy still listed former CFO Michael Bogert as the owner, and Secretary Tanya Howell stated that the update to current CFO Hugh King would take place as part of the update in Lucidoc after the policy had gone through the remainder of the approval processes

BOARD FINANCE COMMITTEE – SPECIAL MEETING MINUTES – WEDNESDAY, NOVEMBER 30, 2022

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
3. ANNUAL ADOPTION OF STATEMENT OF INVESTMENT POLICY – LUCIDOC #27092	MOTION: By Director Pacheco, seconded by Ms. Hansen, and carried to recommend re-adoption of the District’s Statement of Investment Policy – Lucidoc #27092, as written Vote taken by Roll Call: Dr. Pasha – Aye; Chair Barry –Aye; Ms. Hansen – Aye; Director Pacheco – Aye; Director Griffith – aye; Dr. Filiciotto – aye. Absent: Dr. Gurrola	Forwarded to the February 2, 2023, Board Governance Committee meeting with a recommendation for approval	N
<ul style="list-style-type: none"> • CFO Hugh King stated that there were no changes being recommended, noting that the District really didn’t have a lot of options since State law governs the type of investments that can be made • There are currently 3 different groups that advise the Finance team on investments, and the team compares and contrasts their different approaches before decisions are made 			
4. EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENTS	MOTION: By Ms. Hansen, seconded by Director Griffith, and carried to recommend approval of the Executed, Budgeted, Routine Physician Agreements as presented. Vote taken by Roll Call: Dr. Pasha – No; Chair Barry –Aye; Ms. Hansen – Aye; Director Pacheco – Aye; Director Griffith – aye; Dr. Filiciotto – aye. Absent: Dr. Gurrola	Forwarded to the October 10, 2022, Board of Directors meeting with a recommendation for approval	N
<ul style="list-style-type: none"> • Chair Barry stated that the agreements all appeared to be routine • There was some discussion about whether an extension of the OBHG contract was appropriate, with various members of the executive team weighing in on the discussion, following which Chair Barry recognized Secretary Howell, who clarified that this particular contract was not an extension, rather it was a contract approved last June that added a metric requiring in-house training in order to meet their bonus requirements <ul style="list-style-type: none"> ○ Director Pacheco asked if the Committee was being requested to approve a bonus, and Chair Barry clarified that the request was for approval of an additional required metric to which they would be held before being considered for a bonus, with Ms. Hansen commenting that there wasn’t a dollar amount tied to the metric, it was just an added metric within their contractual requirements <ul style="list-style-type: none"> – Ms. Hansen further noted that should there be a time when a bonus or increase to payments would be considered, it would first be discussed with staff and the Board ○ In response to a further inquiry, Ms. Hansen referenced Page 24 of the packet, noting that the Bonus Metric being added was related to quarterly multidisciplinary formal education and weekly informal staff education 			
5. OCTOBER 2022 & YTD FY2023 FINANCIAL REPORT	MOTION: By Ms. Hansen, seconded by Dr. Filiciotto, and carried to recommend approval of the October 2022 & YTD FY2023 Financial Report as presented. Vote taken by Roll Call: Dr. Pasha – Aye; Chair Barry –Aye; Ms. Hansen – Aye; Director Pacheco – Aye; Dr. Filiciotto – aye. Absent: Dr. Gurrola & Director Griffith*	Forwarded to the October 10, 2022, Board of Directors meeting with a recommendation for approval	N

**Left prior to the vote on this topic*

BOARD FINANCE COMMITTEE – SPECIAL MEETING MINUTES – WEDNESDAY, NOVEMBER 30, 2022

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
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• DISCUSSION

- Mr. King stated that he had mixed feelings about presenting this report, and he first wanted to share an experience he had last week
 - He participates in leadership institutes and forums, one of which consists of CFO’s
 - During one of these calls with CFO’s from across the nation, every CFO was reporting exactly the same thing: Significant declines in expected volumes and budgeted revenues, as well as significant increases in expenses
 - He also recently read a report from Kaufman Hall about 900 hospitals in the United States, addressing their performance YTD for CY2022
 - The average net operating margin was a negative 5%
 - While the information Mr. King would be sharing this afternoon will not be the news about which Management and the Committee would be happy, comparatively, he felt good about where the District stood in relation to others
- EXECUTIVE DASHBOARD (PAGE 53)
 - Total Discharges were down 13.6%
 - General Acute was down 12.8%
 - Behavioral Health was down 27.8%
 - The Villas was down 25.7%
 - Total Patient Days were consistent with Total Discharges
 - If you look at Acute Adjusted Discharges and Total Adjusted Discharges, volume was only off from budget by 4.8%
 - What explains that is there was an increase in outpatient revenues, and Adjusted Discharges are a mechanism used as a standard in the industry to try to normalize outpatient volumes with inpatient volumes
 - They cut the declines by more than half, which means there was a significant increase in outpatient volumes, toward which we have been working for the last 4 or 5 years, so outpatient program volumes are driving revenues; and the chemo program is driving a 38% operating margin, and we expect to see that continue
 - Inpatient Surgeries for the month were over budget by 2.6%, but YTD were down 8.4%
 - Outpatient Surgeries were over budget by 19.9%, and YTD were up 14.2%
 - Dr. Omar Khawaja, CMO, commented that the team was still in a little bit of the same conundrum of staffing issues that have been ongoing since the pandemic began
 - A large number of travelling nurses were hired for the operating rooms, staffing up in order to get more cases done, which caused the pickup on the Inpatient side
 - There has also been a lot of work done related to blocked time, as there were a number of physicians who had time blocked for elective surgeries and weren’t using it fully
 - There is a new leader over the OR Committee, Dr. Greg Campbell, and he’s really been focused on the appropriate use of blocked time at the Escondido campus
 - On the Poway side, the ORs are still jam-packed and rolling; but getting the anesthesia recruitment completed should provide the ability to either transition cases to the surgery center or open another room at Poway

BOARD FINANCE COMMITTEE – SPECIAL MEETING MINUTES – WEDNESDAY, NOVEMBER 30, 2022

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> – There are definitely different drivers at both campuses, but there was some good movement occurring, and Dr. Khawaja was happy to have great physician leadership who were supportive of the efforts to effectively use the ORs ○ ER Visits <ul style="list-style-type: none"> – Inpatient ER Visits, which consisted of patients who presented at the ER then got admitted <ul style="list-style-type: none"> ▪ Those cases were down 12%, which was consistent with inpatient volume across the board – Outpatient ER volume went up 14.7%, indicating that more patients were presenting in the ER and being treated then discharged than had been budgeted <ul style="list-style-type: none"> ▪ So the ER volume has been coming back, but not on the inpatient side, which is consistent with is occurring across the nation • EXECUTIVE DASHBOARD (PAGE 54) <ul style="list-style-type: none"> ○ Days Cash on Hand (DCOH) was at 63.8, compared to over 100 DCOH at end of last fiscal year ○ Operating Income was below budget by \$3.5M ○ Net Income was below budget by \$4.0M • INCOME STATEMENT: CURRENT MONTH (PAGE 55) <ul style="list-style-type: none"> ○ Net Patient Revenue was down \$319K, a number about which Mr. King felt pretty good, as Total Net Revenue generated \$74.1M vs. a budget of \$74.5M, for a total \$400K negative variance <ul style="list-style-type: none"> – Given that inpatient volume was down almost 15%, we’re seeing the outpatient volume help bring us back to budget, which is good, but still not where it should be – With volumes lower than expected and had in prior years, there were three specific circumstances that have changed what we should be looking for in inpatient volume <ul style="list-style-type: none"> ▪ The first was the NICU, which had been operating as a four-bed unit at the Escondido campus, owned and operated by Rady under their license <ul style="list-style-type: none"> ♦ An 11-bed NICU has been built and will be operating under Palomar’s license, and the original goal was to have it open on July 1, 2022, with those patients recorded as Palomar inpatients and providing revenue to Palomar, not to Rady ♦ CNE Mel Russell and his team have been working diligently to get the State surveyors in so that unit could be opened, and Mr. King believed that that the survey was scheduled for completion in December, with the unit to be open in mid to late January ♦ Mr. Russell stated that the team had been at the mercy of the surveyors, from whom he hoped to hear back with a date of actual licensure by December 16th or 17th, and he was hopeful the unit would be able to open the first week of January ♦ Mr. King stated that the NICU was anticipated to operate at 7 to 8 inpatients per day, and that increase in volume would count as acute inpatient days ▪ The second was the closure of the Gero-Psych Unit, which as currently configured no longer met the regulatory requirements of CMS <ul style="list-style-type: none"> ♦ A waiver had been granted during COVID, but that waiver expired this year, and the unit had to be closed, even after appeal attempts and the exercise of every available option ♦ The closure of the unit clearly has impacted patient days and revenues, and the team has been working to get the beds converted to med/surg beds due to the surgical volumes at Poway 			

BOARD FINANCE COMMITTEE – SPECIAL MEETING MINUTES – WEDNESDAY, NOVEMBER 30, 2022

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<p>(i) Ms. Hansen stated that the topic of the closure had been discussed at great length, but the plan now was to get the beds converted and back in service as soon as possible, with a potential date for that in mid-December</p> <ul style="list-style-type: none"> ▪ The third was the fact that the stats at The Villas were down significantly, in the 30%-40% range <ul style="list-style-type: none"> ♦ During COVID, the bed capacity at the SNF had been reduced by 20-25 beds to provide extra beds for COVID patients should that facility be needed ♦ Now that COVID has more or less subsided, those beds—which are profitable beds for the organization—can be reopened ♦ One delay at this time is the same as Dr. Khawaja mentioned related to recruiting nurses for the OR – it has also been difficult to staff nurses for the subacute unit; however, to the extent that nurses can be recruited, the volumes at the SNF can be increased ♦ The Villas is a very highly rated SNF, so the issue hasn’t been patients not wanting to go there, it has strictly been a staffing issue ○ Expenses were \$3.1M negative to budget due to Supplies and Salaries, Wages & Contract Labor, with the biggest variance in Contract Labor <ul style="list-style-type: none"> – Management is still working on reducing Contract Labor, which is significantly driving up the total costs for overall labor – Supplies <ul style="list-style-type: none"> ▪ The major overage in Supplies was due to a vendor from whom a piece of equipment is leased, and supplies are included in that lease <ul style="list-style-type: none"> ♦ During the first 6 or 7 months of last year, the vendor was not billing appropriately for those items, and some corrections in the amount of between \$700K and \$800K had to be made to cover those costs ▪ There have been increases in chemo, and drug costs have also gone up, but the revenues for those items are going up with them – Other Expenses were negative to budget by \$900K, due mainly to utility costs having gone up more than 25% this year, something about which all the other CFOs with whom Mr. King had spoken expressed concerns ○ Income from Operations, although over \$1M, vs. a budgeted \$4.5M, was negative by \$3.5M <ul style="list-style-type: none"> – Mr. King stated that his colleagues were looking at losing closer to the \$5M range, so the District was performing better vs. colleagues ○ Net Income was \$20K, negative vs. budget by \$4M <ul style="list-style-type: none"> – Revenue Bond Interest expenses were over budget by \$700K <ul style="list-style-type: none"> ▪ The financing of the new bonds didn’t take effect until mid-October, so the 2006 bonds with resets were still on the market, and the Fed was raising interest rates <p>• INCOME STATEMENT YTD & CURRENT VS. PRIOR YTD (PAGES 56-57)</p> <ul style="list-style-type: none"> ○ YTD Net Revenue was \$277.3M vs. a budget of \$303M, \$26.3M below budget <ul style="list-style-type: none"> – Driven by declines in inpatient services – YTD vs. prior YTD, Net Revenue was \$7M over last year <ul style="list-style-type: none"> ▪ Challenge was the inability to bring the other services online by July 1, 2022, as had been hoped ▪ The good news is those services will all soon be coming online: the NICU, the med/surg replacements at Poway; and The Villas expansion are all expected to occur by the end of the fiscal year, although recruiting for staffing will remain a challenge ○ YTD Expenses were \$283.8M vs. a budget of \$272.8M, \$11M favorable to budget, which offsets the \$26.3M unfavorable variance in YTD Net Revenue ○ YTD Income from Operations was \$4.5M vs. a budget of \$19.8M, \$15.3M below budget 			

BOARD FINANCE COMMITTEE – SPECIAL MEETING MINUTES – WEDNESDAY, NOVEMBER 30, 2022

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
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• DISCUSSION

- While below budget, there was still a positive Income from Operations, a position about which some of Mr. King’s CFO colleagues were jealous
- YTD Net Income was a loss of \$1.1M vs. a budget of \$17.9M, \$18.9M below budget
 - There was a \$3.2M negative variance in the Revenue Bond Interest Expense
- STATEMENT OF NET POSITION: EXCLUDES GO BONDS (PAGE 62)
 - Cash at the end of the prior fiscal year was \$238.4M, by the end of last month, it was down to \$157.7M, and at the end of October, it was down to \$133.1M – driven by three or four major factors, compared to prior years and budgeted expectations
 - Annually, about \$60M+ is received from Medi-Cal supplemental funding, a variety of five different programs that generate extra money for providers that provide a disproportional amount of service to Medi-Cal patients
 - Medi-Cal has committed to the funds, but funds that normally would have been received in July, August and September of this year have been pushed out (this is between the State and the Feds), and they will not be received until April, May and June of 2023 – about a half year’s worth of funding, or \$30M in funding
 - ♦ Compounding that, those funds are generally used to pay the bond payment that’s due in November, which has to be forwarded to the trustee before the end of October
 - Medicare Accelerated Payments – under Board Designated Funds, at the end of the last fiscal year, there were \$21.1M in that fund; however, at the end of October, they had decreased to \$2.4M
 - Medicare recouped the advanced accelerated payments that were received in May of 2022, so in a four-month period, they took back \$18.5M
 - ♦ This means that the District will be able to keep about \$4.5M of collected revenues instead of holding them to repay Medicare in future months
 - There is also about \$7M in construction funding for which the District is being reimbursed from the 2017 Certificates of Participation Project Fund and from the 2021 Certificates of Participation that were used to build the parking garage
 - ♦ Invoices were paid near the end of October, for which the above funds were used as reimbursement
 - Based on the above, the District should now be able to begin building up cash
 - Other impacts to cash were \$10M in construction costs that were not reimbursable from bond proceeds – a drain on cash, but an increase in property/plant/equipment; as well as the ~\$20M in lost inpatient revenue
 - Mr. King further stated that Ms. Hansen has asked that expenses be reviewed in order to find ways to “tighten the belt”, and Mr. King anticipates in the next 60 to 90 days to be presenting to the Committee plans to reduce expenses and improve revenues
 - Ms. Hansen also commented that – although it doesn’t look great on paper right now – Management fully anticipates getting the Medi-Cal supplemental funds by the end of the fiscal year, which will alleviate any concerns about tripping bond covenants on the FYE measurement date

ADDENDUM B

**Medical Director Agreement
Perioperative Svcs PMC Poway
Jay Grove, M.D. (Amend 1)**

•

TO: Board Finance Committee

MEETING DATE: Wednesday, January 25, 2023

FROM: Omar Khawaja, Chief Medical officer

BACKGROUND: This amended agreement addresses the need for a medical director specifically for perioperative services at Palomar Medical Center Poway. The Medical Director shall be responsible for the performance of perioperative services along with other medical administrative services in support of the Perioperative Services Unit as set forth in the Agreement.

Budget Impact: Budgeted

Staff Recommendation: Approval

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	<ol style="list-style-type: none"> 1. Grove, Jay R. M.D. - Perioperative Svcs PMC Poway - Medical Director Agreement - 11.1.2020 2. Grove, Jay R. M.D. - Perioperative Svcs PMC Poway - Amend 1 Medical Director Agreement - 11.1.2022
	AGREEMENT DATE	<ol style="list-style-type: none"> 1. November 1, 2020 2. November 1, 2022
	PARTIES	Palomar Health, a California healthcare district and Jay Grove, M.D.
	PURPOSE	To provide medical and administrative leadership and support of the Perioperative Services Unit.
	SCOPE OF SERVICES	The Medical Director shall be responsible for the performance of perioperative services along with other medical administrative services in support of the Perioperative Services Unit as set forth in the Agreement.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	<ol style="list-style-type: none"> 1. November 1, 2020 – October 31, 2022 2. November 1, 2022 – October 21, 2024
	RENEWAL	None
	TERMINATION	Either party may terminate this agreement without cause upon thirty (30) days' prior written notice.
	FAIR MARKET VALUATION	X YES <input type="checkbox"/> NO – DATE COMPLETED: 11/12/2022
	COMPENSATION METHODOLOGY	The Parties hereby acknowledge and agree that the compensation hereunder is the product of bona fide arms-length negotiations and represents a commercially reasonable and fair market value payment for the Services to be furnished hereunder without regard to the volume or value of federal health care program or any other business generated by and among the Parties.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT: None
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Hospital needs the services of a qualified physician to provide perioperative surgery medical director services.
	AGREEMENT NOTICED	YES x NO Methodology & Response:
	ALTERNATIVES/IMPACT	None.
	Duties	<input checked="" type="checkbox"/> Provision for Staff Education <input checked="" type="checkbox"/> Provision for Medical Staff Education <input checked="" type="checkbox"/> Provision for participation in Quality Improvement <input checked="" type="checkbox"/> Provision for participation in budget process development
	COMMENTS	None.
	APPROVALS REQUIRED	X VP X-CFO <input type="checkbox"/> CEO X-BOD-Committee – Finance; X-BOD

**MEDICAL DIRECTOR AGREEMENT – LORRA SHARP, M.D. (Amend 1)
ORTHOPEDIC TRAUMA PROGRAM**

TO: Board Finance Committee

MEETING DATE: Wednesday, January 25, 2023

FROM: Omar Khawaja, MD, MBA, Chief Medical Officer

Background: This amendment represents the renewal of the Medical Director Agreement for the Orthopedic Trauma Unit at Palomar Medical Center Escondido in accordance with the Medical Staff by-laws, rules and regulations, policies, and procedures of Palomar Health. The Medical Director will manage, generally supervise, and direct the medical administrative operations of the Program.

Budget Impact: Budgeted

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR HEALTH – AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	1. Sharp, Lorra M.D. - Orthopedic Services - Medical Director Agreement - 1.1.2021 2. Sharp, Lorra M.D. - Orthopedic Services - Amend 1 to Medical Director Agreement 1.1.2021 - 1.1.2023
	AGREEMENT DATE	1. January 1, 2021 2. January 1, 2023
	PARTIES	Palomar Health, a California healthcare district, and Lorra Sharp, M.D.
Recitals A	PURPOSE	Hospital owns and operates several acute hospitals and other facilities which require physician leadership and support of the Orthopedic Trauma Unit/Program at Palomar Medical Center Escondido.
Recital C	SCOPE OF SERVICES	Hospital and physician have agreed that Physician will manage, generally supervise, and direct the medical administrative operations of the Program in accordance with this Agreement.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	1. January 1, 2021 – December 31, 2022 2. January 1, 2023 – December 31, 2024
	RENEWAL	None.
13.a) – c)	TERMINATION	Either party may terminate this Agreement without cause upon thirty (30) days' prior written notice.
	FAIR MARKET VALUATION	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – DATE COMPLETED: 11/10/2020
2.2	COMPENSATION METHODOLOGY	Fair Market Value. The Parties hereby acknowledge and agree that the compensation hereunder is the product of bona fide arms-length negotiations and represents a commercially reasonable and fair market value payment for the Services to be furnished hereunder without regard to the volume or value of a federal health care program or any other business generated by and among the Parties.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Need for medical directorship for the Orthopedic Trauma Program at Palomar Medical Center Escondido.
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input checked="" type="checkbox"/> Provision for Staff Education <input checked="" type="checkbox"/> Provision for Medical Staff Education <input checked="" type="checkbox"/> Provision for participation in Quality Improvement <input checked="" type="checkbox"/> Provision for participation in budget process development
	COMMENTS	None.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input checked="" type="checkbox"/> CFO <input type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD-Committee – Finance; <input checked="" type="checkbox"/> BOD

**PHYSICIAN BACKUP SERVICES
OUTPATIENT CARDIAC, PULMONARY AND WOUND HEALING
CENTERS
RESTORATIVE HEALING GOURP, INC.**

TO: Board Finance Committee

MEETING DATE: Wednesday, January 25, 2023

FROM: Omar Khawaja, MD, MBA, Chief Medical Officer

Background: This agreement addresses the need for a medical backup specifically for Palomar Health's Outpatient Cardiac Rehabilitation, Pulmonary Rehabilitation and Wound Healing Center's. Physicians shall provide medical backup coverage as set forth in the Agreement. Physicians shall abide by all policies and procedures of the Medical Staff, provided that patient safety is not compromised and no federal, state or local laws are violated by following such policies.

Budget Impact: Budgeted

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR HEALTH – AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Bradley Bailey, MD & Roger Schechter, MD d/b/a <u>Restorative Healing Group, Inc - Amendment 3</u>
	AGREEMENT DATE	09/01/22
	PARTIES	Palomar Health Bradley Bailey, MD Roger Schechter, MD
	PURPOSE	To provide professional oversight services for Cardiac and Pulmonary and Wound Care Centers as required by regulation
	SCOPE OF SERVICES	To provide specific hours of professional coverage as outlined in the contract
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	09/01/2022 – 08/31/2024
	RENEWAL	Option available if negotiated and agreeable to all parties
	TERMINATION	Either party may terminate this Agreement without cause upon thirty (30) days' prior written notice.
	FAIR MARKET VALUATION	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – DATE COMPLETED: 08/12/2022
	COMPENSATION METHODOLOGY	Compensation monthly per predetermined hourly rate.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	To provide professional backup oversight services for the outpatient Cardiac, Pulmonary and Wound Care Centers as required by regulation
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input checked="" type="checkbox"/> Provision for Staff Education <input type="checkbox"/> Provision for Medical Staff Education <input type="checkbox"/> Provision for participation in Quality Improvement <input type="checkbox"/> Provision for participation in budget process development
	COMMENTS	None.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input checked="" type="checkbox"/> CFO <input type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD-Committee – Finance; <input checked="" type="checkbox"/> BOD

Fiscal Year 2023 Financial Performance

*Supplemental Section includes Palomar Health Medical Group (PHMG) and Consolidating Schedules

December 2022

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Monthly Management Discussion and Analysis

Summary Results of Operations for the Period Ended November 30, 2022

Income from operations for the month was \$444 thousand, unfavorable to budget by \$4.3 million. The year-to-date income from operations was \$5.0 million and has a \$23.7 million unfavorable variance. Net loss for the month was \$593 thousand, unfavorable to budget by \$4.9 million. Net loss year-to-date was \$9 thousand and unfavorable variance of \$25.8 million.

EBIDA margin for the month of December was unfavorable to budget by 3.6% and year-to-date EBIDA margin was unfavorable to budget by 3.8%. Additional comments and further analyses are presented in the following sections.

Patient Utilization

Inpatient (IP) Services

For the month of December, Acute Discharges for the District were (7.4%) unfavorable to budget. Average Daily Census was (8.0%) unfavorable to budget. Adjusted Discharges were 3,645, which was 325 (10.4%) unfavorable to budget. Adjusted Patient Days were 18,960, which was 1,778 (8.6%) unfavorable to budget. Case Mix Index for both campuses, excluding deliveries, was 1.65, which was (2.2%) favorable to budget.

IP surgeries for PMC Escondido and PMC Poway for the month were 507 cases (includes CVS), which were 60 cases (10.6%) unfavorable to budget.

Deliveries for PMC Escondido and PMC Poway for the month were 398, which were 35 deliveries (8.1%) unfavorable to budget. For the month, Trauma admissions were 139, which was 20.9% favorable to budget.

Outpatient (OP) and Ancillary Services

OP surgeries for PMC Escondido and PMC Poway for the month were 449 cases, which were 26 cases (5.4%) unfavorable to budget. Outpatient ER visits for the month were 9,881 visits (includes trauma), which were 443 visits (4.7%) favorable to budget. OP registrations for the month were 9,705, which were (5.6%) favorable to budget. ER admissions for the month were 1,676, which were (1.3%) unfavorable to budget.

Financial Performance

Operating Revenue

Net Patient Revenue for the month was \$70.4 million, which was \$5.1 million (6.7%) unfavorable to budget.

Other Operating Revenue

Other Operating Revenue for the month was \$1.1 million, which was \$280 thousand (34.4%) favorable to budget.

Operating Expenses

Total Operating Expenses for the month were \$71.1 million, which was \$485 thousand (0.7%) favorable to budget.

Salaries, Wages & Contract Labor for the month were \$33.0 million, which was \$5 thousand (0.1%) favorable to budget.

Benefits for the month were \$9.7 million, which was \$782 thousand (8.7%) unfavorable to budget.

Supplies for the month were \$10.5 million, which was \$266 thousand (2.6%) unfavorable to budget.

Professional Fees and Purchased Services for the month were \$11.5 million, which was \$744 thousand (6.1%) favorable to budget.

Depreciation & Amortization for the month was \$3.8 million, which was \$30 thousand (0.8%) favorable to budget.

Other Direct Expenses for the month were \$2.6 million, which was \$754 thousand (22.6%) favorable to budget.

|

Monthly Management Discussion and Analysis

Summary Results of Operations for the Period Ended November 30, 2022

Net Non-Operating Income/Expense

Net Non-Operating Expense for the month was \$1.0 million, which was \$577 thousand unfavorable to budget due to interest expense.

Payor Mix, Net Days in Accounts Receivable (A/R) and Cash Collections

The percentages of Gross Patient Service Revenue from the Medicare, Managed Care Medicare, Managed Care, Medi-Cal and Managed Care Medi-Cal financial classes for the month were consistent with budget. Cash postings were \$62.3 million. Days in Net A/R are 73.0, a decrease of 0.3 days from November.

Revenue Cycle - Key Performance Indicators (KPIs)

Key Performance Indicators (KPI)	January 2021	October 2022	November 2022	December 2022	Target
Total Net A/R (\$) ¹	\$137,851,805	\$161,047,265	\$168,930,445	\$169,778,014	
Net Days in A/R (Days) (3-months)	64.6	71.6	73.3	73.0	61.0-63.0
DNFB (Days)	2.0	0.8	1.7	1.4	3.0
Urgent Insurance Verification (DDC) (%)	98.9%	88.2%	n/a	n/a	98.0%
Elective IP Insurance Verification (Average Secure) (%)	93.8%	89.6%	n/a	n/a	98.0%
Elective OP Insurance Verification (Average Secure) (%)	97.9%	97.6%	n/a	n/a	98.0%
True Cash Denial (%)	5.2%	4.7%	5.4%	5.7%	6.0%

¹ Total Net A/R (\$) does not have a FY2022 Target as \$ is dependent on Gross Revenue

Please see Appendix A, which contains a glossary of the Key Performance Indicators presented above.

Balance Sheet

Cash, Cash Equivalents and Investments increased in December by \$20.2 million from the previous month due to increased collection efforts.

The Days Cash On Hand ratio increased by 9.3 days from the prior month to 63.2 days.

Monthly Management Discussion and Analysis - APPENDIX A Glossary of Terms: Revenue Cycle Key Performance Indicators

Total Net A/R: This is the total amount of accounts receivable which management expects to collect from patients, insurance companies, Medicare and Medi-Cal, in future months, for services to patients through the end of the current accounting period. This number is computed by subtracting estimated contractual adjustments, bad debts and charity write-offs from gross accounts receivable.

Net Days in A/R (Days): The full name for this performance indicator is “Net Days of Revenue in Net Accounts Receivable.” This statistic is a measure of the effectiveness of the organization’s collections of revenue. For example, if the organization has average daily net revenues of \$2 million and \$140 million in Net A/R, then the organization has 70 days of net revenue/potential cash (\$140M divided by \$2M) tied up in its Accounts Receivable.

DNFB (Days): The full name for this performance indicator is **D**ischarged **N**ot **F**inal **B**illed Revenue. Before a hospital bill can be completed and sent to an insurance company, patient, Medicare or Medi-Cal certain information must be completed and entered in the system and submitted as components of the bill. This information includes specific codes for the services performed using the **C**urrent **P**rocedural **T**erminology codes (CPT-4) as defined by the American Medical Association or the **H**ealthcare **C**ommon **P**rocedure **C**oding **S**ystem (HCPCS) as defined by the Medicare Program. Additionally, the **I**nternational **C**lassification of **D**isease codes (ICD-10) which define a patient’s various illnesses must be included in the billing information. This information is inserted in the patient billing information by employees certified in these coding methodologies based on information in the patient’s medical record. Certified coding specialists rely heavily on clinical information supplied by the patient and physicians including History and Physical Reports, Operative Reports and Discharge Summaries. This performance indicator measures the effectiveness of the billing process. Bills cannot be collected if they are not submitted and this indicator shows the average time required between the time a patient is discharged and the time the bill is submitted. The lower the number the better the performance. A number below 3.0 is considered best practice.

Urgent Insurance Verification (DDC) (%): In order to ensure the organization is properly paid for its services it needs to confirm the patient is insured and whether the patient’s insurance covers the services to be rendered. Additionally, some insurers and HMOs require a pre-authorization or pre-certification before they will authorize payment for the services. This verification must be performed very quickly for certain patients. Failure to verify insurance and obtain pre-authorizations, if necessary, significantly reduces the probability of collecting for the services rendered. This performance metric measures the percentage of time insurance verification is obtained for urgent cases prior to the service being rendered. A higher percentage is better. A percentage in excess of 98% is considered best practice.

Elective IP Insurance Verification (Average Secure) (%): In order to ensure the organization is properly paid for its services it needs to confirm the patient is insured and whether the patient's insurance covers the services to be rendered. Additionally, some insurers and HMOs require a pre-authorization or pre-certification before they will authorize payment for services. For inpatient elective procedures/cases, this verification process is critical for payment. Failure to verify insurance and obtain pre-authorizations, if necessary, significantly reduces the probability of collecting for the services rendered. This performance metric measures the percentage of time insurance verification is obtained for elective inpatient cases prior the service billing rendered. A higher percentage is better. A percentage of 95% is considered best practice.

Elective OP Insurance Verification (Average Secure) (%): In order to ensure the organization is properly paid for its services it needs to confirm the patient is insured and whether the patient's insurance covers the services to be rendered. Additionally, some insurers and HMOs require a pre-authorization or pre-certification before they will authorize payment for services. For outpatient elective procedures/cases, this verification process is critical for payment. Failure to verify insurance and obtain pre-authorizations, if necessary, significantly reduces the probability of collecting for the services rendered. This performance metric measures the percentage of time insurance verification is obtained for elective outpatient cases prior the service billing rendered. A higher percentage is better. A percentage of 95% is considered best practice.

True Cash Denial Rate (%): Once claims (bills) are submitted, insurance companies, Medicare and Medi-Cal may deny those claims. Denials may occur for several reasons including:

- Insurance was not valid for the name patient
- The procedure performed was not covered by the patient's insurance
- The provider did not obtain pre-authorization to perform the procedure
- The procedure was not medically necessary
- The bill was received outside the contractually agreed upon timetable

This performance indicator measures whether the organization's processes for insurance verification, obtaining pre-authorization, medical necessity verification and timely billing are working effectively. The measurement is computed by dividing the dollar value of the denials for a twelve-month period by the total annual billings for that same period. A lower percentage indicates better performance with a percentage below 10% is considered best practice.

Prior to Fiscal Year 2021, gross charges were reflected instead of the true cash/AR balance at risk.

Executive Dashboard

	Month to Date				Year to Date			
	Actual	Budget	Variance	Prior Year	Actual	Budget	Variance	Prior Year
	Dec-22	Dec-22		Dec-21	Dec-22	Dec-22		Dec-21
Key Volumes								
Discharges - Total	2,301	2,493	(7.7%)	2,063	12,715	14,598	(12.9%)	12,301
Acute - General	2,196	2,351	(6.6%)	1,937	12,094	13,759	(12.1%)	11,520
Acute Behavioral Health	49	72	(31.9%)	68	308	426	(27.7%)	425
Total Acute Discharges	2,245	2,423	(7.4%)	2,005	12,402	14,185	(12.6%)	11,945
The Villas at Poway	56	70	(20.0%)	58	313	413	(24.2%)	356
Patient Days - Total	13,104	14,249	(8.0%)	12,526	71,898	83,794	(14.2%)	74,479
Acute - General	9,572	9,856	(2.9%)	8,648	50,891	57,762	(11.9%)	51,157
Acute Behavioral Health	309	798	(61.3%)	782	2,516	4,871	(48.4%)	4,744
Total Acute Patient Days	9,881	10,653	(7.3%)	9,430	53,407	62,634	(14.7%)	55,901
The Villas at Poway	3,223	3,596	(10.4%)	3,096	18,491	21,160	(12.6%)	18,578
Acute Adjusted Discharges	3,575	3,900	(8.3%)	3,212	20,985	22,826	(8.1%)	19,222
Total Adjusted Discharges*	3,645	3,970	(8.2%)	3,287	21,377	23,239	(8.0%)	19,684
Acute Adjusted Patient Days	15,736	17,142	(8.2%)	15,108	90,305	100,783	(10.4%)	89,950
Total Adjusted Patient Days*	18,960	20,738	(8.6%)	18,204	108,797	121,943	(10.8%)	108,528
Acute Average Daily Census	319	344	(7.3%)	304	290	340	(14.7%)	304
Total Average Daily Census*	423	460	(8.0%)	404	391	455	(14.2%)	405
Surgeries - Total	956	1,042	(8.2%)	995	5,963	6,028	(1.1%)	5,756
Inpatient	507	567	(10.6%)	488	2,937	3,293	(10.8%)	2,824
Outpatient	449	475	(5.4%)	507	3,026	2,735	10.6%	2,932
Deliveries	398	433	(8.1%)	357	2,387	2,569	(7.1%)	2,020
ER Visits (Includes Trauma) - Total	11,557	11,136	3.8%	9,804	68,632	68,082	0.8%	59,959
Inpatient	1,676	1,698	(1.3%)	1,444	8,786	10,228	(14.1%)	8,704
Outpatient	9,881	9,438	4.7%	8,360	59,846	57,854	3.4%	51,255

* Includes The Villas at Poway

Executive Dashboard

	Month to Date				Year to Date			
	Actual	Budget	Variance	Prior Year	Actual	Budget	Variance	Prior Year
	Dec-22	Dec-22		Dec-21	Dec-22	Dec-22		Dec-21
Key Statistics								
Acute Average LOS - Days	4.40	4.38	(0.5%)	4.70	4.31	4.41	2.2%	4.68
Acute - General	4.36	4.19	(4.0%)	4.46	4.21	4.20	(0.2%)	4.44
Acute Behavioral Health	6.31	11.08	43.1%	11.50	8.17	11.44	28.6%	11.16
Average Observation Hours	35	26	(34.6%)	26	32	26	(23.1%)	26
Acute Case Mix-Excludes Deliveries	1.65	1.61	2.2%	1.61	1.62	1.60	0.8%	1.60
Acute Case Mix-Medicare Only	1.93	1.73	11.9%	1.73	1.85	1.81	2.2%	1.81
Labor Productivity by Hrs					102.6%	100.0%	2.6%	106.0%
Days Cash on Hand					63.2			112.5
Financial Performance								
Operating Income	444,393	4,757,508	(4,313,115)	4,923,808	5,035,572	28,781,330	(23,745,758)	23,885,392
Net Income	(592,840)	4,297,676	(4,890,516)	3,285,172	(9,187)	25,868,837	(25,878,024)	24,437,644
Oper. Expenses/Adj. Patient Days	3,549	3,267	(8.7%)	3,296	3,593	3,302	(8.8%)	3,311
EBIDA Margin-Excludes PHMG	10.2%	13.8%	(3.6%)	13.9%	10.1%	13.9%	(3.8%)	15.0%
EBIDA-Excludes PHMG	7,258,404	10,501,625	(3,243,221)	9,554,894	42,281,945	62,958,718	(20,676,773)	60,735,757

Note: Financial Performance excludes GO Bonds

Income Statement: Current Month

Excludes PHMG

	Actual Dec-22	Budget Dec-22	Variance Dec-22	Variance		Dollars/Adjusted Patient Day		
				Volume	Rate/Eff	Actual	Budget	Variance
Adjusted Patient Days	18,959	20,738	(1,779)					
Adjusted Discharges	3,645	3,970	(325)					
Operating Revenue								
Gross revenue	431,599,958	444,785,842	(13,185,884)	(38,155,753)	24,969,869.25	22,764.91	21,447.87	1,317
Deductions from revenue	(361,166,690)	(369,274,965)	8,108,275	31,678,087	(23,569,811)	(19,049.88)	(17,806.68)	(1,243)
Net patient revenue	70,433,267	75,510,877	(5,077,609)	(6,477,667)	1,400,058	3,715	3,641	74
Other operating revenue	1,093,524	813,734	279,790	(69,805.81)	349,596.19	57.68	39.24	18
Total net revenue	71,526,791	76,324,611	(4,797,818)	(6,547,472)	1,749,654	3,773	3,680	92
Operating Expenses								
Salaries, wages & contract labor	33,013,527	33,018,268	4,741	2,832,457	(2,827,716)	1,741	1,592	(149)
Benefits	9,725,899	8,943,569	(782,330)	767,220	(1,549,550)	513	431	(82)
Supplies	10,502,911	10,236,781	(266,130)	878,158	(1,144,288)	554	494	(60)
Prof fees & purch svcs	11,459,778	12,203,747	743,969	1,046,893	(302,923)	604	588	(16)
Depreciation	3,791,637	3,821,646	30,009	327,838	(297,830)	200	184	(16)
Other	2,588,646	3,343,092	754,446	286,786	467,660	137	161	25
Total expenses	71,082,398	71,567,103	484,705	6,139,352	(5,654,647)	3,749	3,451	(298)
Income from operations	444,393	4,757,508	(4,313,113)	(408,121)	(3,904,993)	23	229	(206)
Non-operating revenue(expense)								
Property tax revenues	1,675,000	1,675,000	-					
Interest rate swap	-	-	-					
Investment income	1,282,479	83,372	1,199,107					
Revenue bond interest expense	(4,059,607)	(2,382,303)	(1,677,304)					
Other non-operating revenue(expense)	64,895	164,099	(99,204)					
Net Income²	(592,840)	4,297,676	(4,890,513)					

EBIDA Margin 10.2% 13.8% (3.6%)

1= Property Tax Revenue excludes G.O. Bonds Levy

2= Excludes G.O. Bonds income / expense

Income Statement: Year-to-Date

Excludes PHMG

	Actual Dec-22	Budget Dec-22	Variance Dec-22	Variance		Dollars/Adjusted Patient Day		
				Volume	Rate/Eff	Actual	Budget	Variance
Adjusted Patient Days	108,796	121,944	(13,148)					
Adjusted Discharges	21,377	23,239	(1,862)					
Operating Revenue								
Gross revenue	2,442,067,756	2,638,934,817	(196,867,061)	(284,529,907)	87,662,846	22,446	21,641	806
Deductions from revenue	(2,027,125,701)	(2,189,418,552)	162,292,851	236,063,071	(73,770,220)	(18,632)	(17,954)	(678)
Net patient revenue	414,942,055	449,516,265	(34,574,210)	(48,466,836)	13,892,626	3,814	3,686	128
Other operating revenue	4,957,021	4,762,405	194,616	(513,482)	708,099	46	39	7
Total net revenue	419,899,076	454,278,670	(34,379,594)	(48,980,318)	14,600,725	3,860	3,725	134
Operating Expenses								
Salaries, wages & contract labor	199,981,495	193,911,949	(6,069,546)	20,907,583	(26,977,129)	1,838	1,590	(248)
Benefits	46,546,536	53,741,473	7,194,937	5,794,405	1,400,533	428	441	13
Supplies	58,578,588	60,346,004	1,767,416	6,506,505	(4,739,089)	538	495	(44)
Prof fees & purch svcs	67,118,034	74,777,449	7,659,415	8,062,503	(403,088)	617	613	(4)
Depreciation	24,003,078	22,796,063	(1,207,015)	2,457,871	(3,664,886)	221	187	(34)
Other	18,635,774	19,924,402	1,288,628	2,148,249	(859,621)	171	163	(8)
Total expenses	414,863,504	425,497,340	10,633,836	45,877,116	(35,243,280)	3,813	3,489	(324)
Income from operations	5,035,572	28,781,330	(23,745,758)	(3,103,203)	(20,642,556)	46	236	(190)
Non-operating revenue(expense)								
Property tax revenues ¹	10,050,000	10,050,000	0					
Interest Rate Swap	5,324,960	-	5,324,960					
Investment income	1,681,199	500,229	1,180,970					
Revenue bond interest expense	(23,613,014)	(14,293,818)	(9,319,196)					
Other non-operating revenue(expense)	1,512,094	831,096	680,998					
Net Income ²	(9,187)	25,868,837	(25,878,026)					
EBIDA Margin	10.1%	13.9%	(3.8%)					

¹= Property Tax Revenue excludes G.O. Bonds Levy

²= Excludes G.O. Bonds income / expense

Income Statement: Current Month vs Prior Year Month

Excludes PHMG

	Current Month	Prior Year Month	Change	Variance		Dollars/Adjusted Patient Day		
	Dec-22	Dec-21		Volume	Rate/Eff	Actual	Budget	Variance
Adjusted Patient Days	18,959	18,204	755					
Adjusted Discharges	3,645	3,287	358					
Operating Revenue								
Gross revenue	431,599,958	389,769,097	41,830,861	16,165,440	25,665,421	22,765	21,411	1,354
Deductions from revenue	(361,166,691)	(321,767,753)	(39,398,938)	(13,345,125)	(26,053,813)	(19,050)	(17,676)	(1,374)
Net patient revenue	70,433,267	68,001,344	2,431,923	2,820,315	(388,392)	3,715	3,736	(20)
Other operating revenue	1,093,524	906,377	187,147	37,591	149,556	58	50	8
Total net revenue	71,526,791	68,907,721	2,619,070	2,857,906	(238,836)	3,773	3,785	(13)
Operating Expenses								
Salaries, wages & contract labor	33,013,527	31,492,542	(1,520,985)	(1,306,134)	(214,851)	1,741	1,730	(11)
Benefits	9,725,899	8,894,153	(831,746)	(368,880)	(462,866)	513	489	(24)
Supplies	10,502,911	9,151,664	(1,351,247)	(379,560)	(971,687)	554	503	(51)
Prof fees & purch svcs	11,459,778	11,026,686	(433,092)	(457,325)	24,233	604	606	1
Depreciation	3,791,637	3,990,611	198,974	(165,508)	364,482	200	219	19
Other	2,588,646	(571,743)	(3,160,389)	23,713	(3,184,102)	137	(31)	(168)
Total expenses	71,082,398	63,983,913	(7,098,485)	(2,653,694)	(4,444,791)	3,749	3,515	(234)
Income from operations	444,393	4,923,808	(4,479,415)	204,212	(4,683,627)	23	270	(247)
Non-operating revenue(expense)								
Property tax revenues ¹	1,675,000	1,583,333	91,667					
Interest rate swap	-	-	-					
Investment income	1,282,479	(237,337)	1,519,816					
Revenue bond interest expense	(4,059,607)	(2,279,111)	(1,780,496)					
Other non-operating revenue(expense)	64,895	(705,521)	770,416					
Net Income²	(592,840)	3,285,172	(3,878,011)					
EBIDA Margin	10.2%	13.9%	(3.7%)					

¹= Property Tax Revenue excludes G.O. Bonds Levy

²= Excludes G.O. Bonds income / expense

Income Statement: Current Fiscal Year Monthly Trend

Excludes PHMG

**PALOMAR
HEALTH**

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PALOMAR HEALTH

Trended Income Statement
As of December 31, 2023

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Fiscal Year 2023
Adjusted Discharges	3,428	3,548	3,514	3,664	3,578	3,645	-	-	-	-	-	-	21,377
Operating Revenue													
Gross revenue	386,861,833	414,593,123	400,045,463	398,360,268	410,607,111	431,599,958	-	-	-	-	-	-	2,442,067,756
Deductions from revenue	(319,503,944)	(347,149,344)	(333,966,875)	(324,930,831)	(340,408,016)	(361,166,691)	-	-	-	-	-	-	(2,027,125,701)
Net patient revenue	67,357,889	67,443,779	66,078,588	73,429,437	70,199,095	70,433,267	-	-	-	-	-	-	414,942,055
Other operating revenue	652,405	777,663	861,211	724,955	847,263	1,093,524	-	-	-	-	-	-	4,957,021
Total net revenue	68,010,294	68,221,442	66,939,799	74,154,392	71,046,358	71,526,791	-	-	-	-	-	-	419,899,076
Operating Expenses													
Salaries, wages & contract labor	32,764,595	32,513,284	32,924,893	33,775,849	34,989,349	33,013,527	-	-	-	-	-	-	199,981,495
Benefits	8,157,659	5,548,530	7,714,185	7,659,670	7,740,593	9,725,899	-	-	-	-	-	-	46,546,536
Supplies	8,187,227	9,771,666	9,540,971	10,911,278	9,664,535	10,502,911	-	-	-	-	-	-	58,578,588
Prof fees & purch svcs	10,021,634	11,295,327	10,136,394	12,681,563	11,523,340	11,459,778	-	-	-	-	-	-	67,118,034
Depreciation	3,466,586	4,918,874	4,081,665	3,872,660	3,871,656	3,791,637	-	-	-	-	-	-	24,003,078
Other	3,618,338	3,442,044	1,603,481	4,226,752	3,156,513	2,588,646	-	-	-	-	-	-	18,635,774
Total expenses	66,216,039	67,489,725	66,001,589	73,127,772	70,945,985	71,082,398	-	-	-	-	-	-	414,863,504
Income from operations	1,794,255	731,717	938,210	1,026,619	100,372	444,393	-	-	-	-	-	-	5,035,572
Non-operating revenue (expense)													
Property tax revenues ¹	1,583,333	1,583,333	1,583,333	1,583,332	2,041,668	1,675,000	-	-	-	-	-	-	10,050,000
Investment Income	1,022,171	(732,362)	(906,583)	292,790	722,703	1,282,479	-	-	-	-	-	-	1,681,199
Interest Expense	1,914,301	4,562,164	3,214,888	3,075,712	6,786,342	4,059,607	-	-	-	-	-	-	23,613,014
Interest Rate Swap	-	-	-	-	5,324,960	-	-	-	-	-	-	-	5,324,960
Other	108,213	346,688	562,613	193,452	236,239	64,895	-	-	-	-	-	-	1,512,094
Net income ²	2,593,671	(2,632,788)	(1,037,315)	20,481	1,639,601	(592,840)	-	-	-	-	-	-	(9,187)
EBIDA Margin	11.7%	10.0%	9.4%	9.4%	9.8%	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.1%

1- Property Tax Revenue excludes G.O. Bonds Levy

2- Excludes G.O. Bonds income / expense

Income Statement: 13 Month Trend

Excludes PHMG

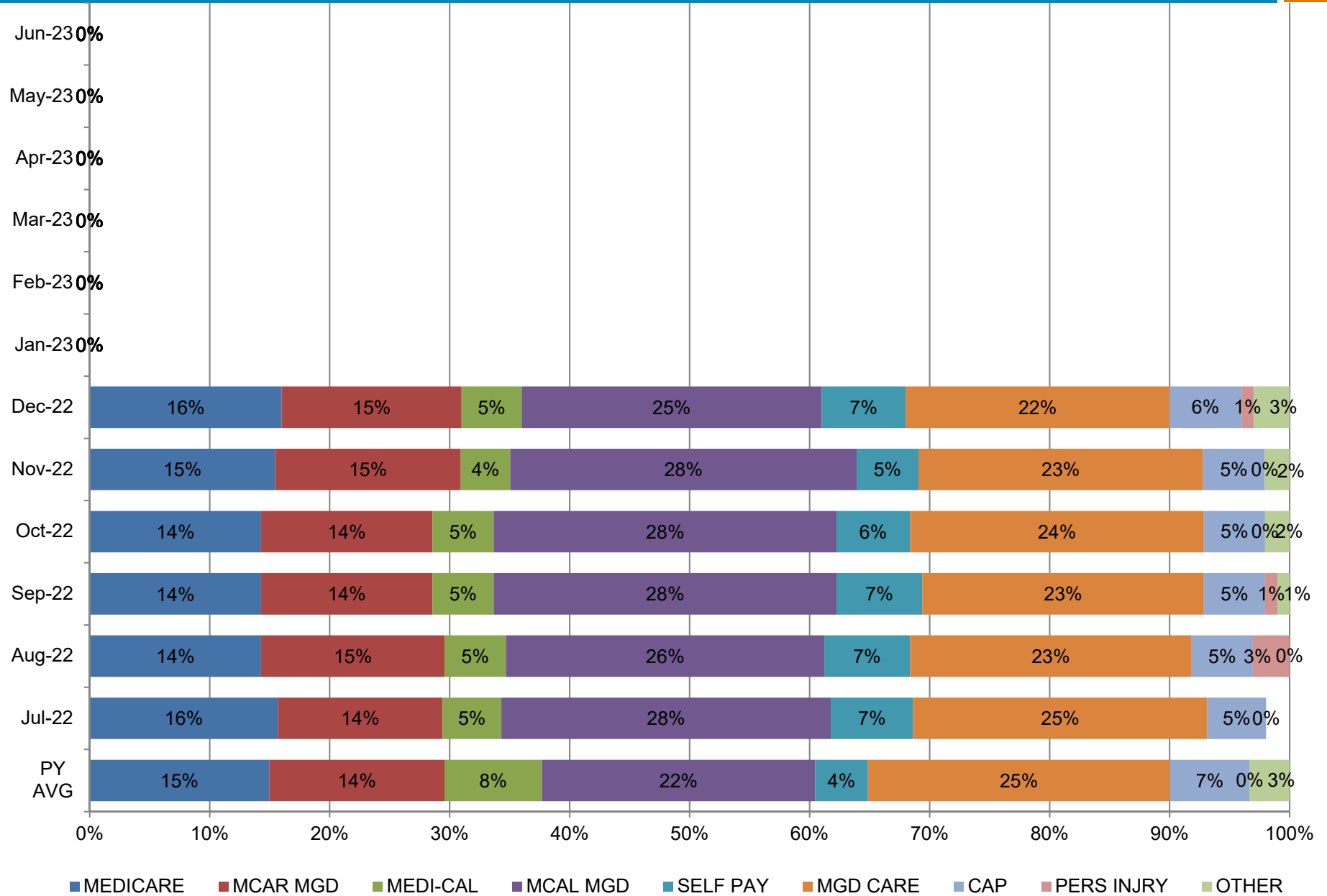
**PALOMAR
HEALTH**

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Adjusted Discharges	3,287	3,176	2,856	3,380	3,349	3,251	3,900	3,428	3,548	3,514	3,664	3,578	3,645
Operating Revenue													
Gross revenue	389,769,097	390,661,499	376,438,022	409,850,606	367,578,896	361,928,194	375,821,247	386,861,833	414,593,123	400,045,463	398,360,268	410,607,111	431,599,958
Deductions from revenue	(321,767,753)	(323,720,363)	(312,843,977)	(342,686,440)	(301,312,242)	(297,940,380)	(314,241,456)	(319,503,944)	(347,149,344)	(333,966,875)	(324,930,831)	(340,408,016)	(361,166,690)
Net patient revenue	68,001,344	66,941,136	63,594,045	67,164,166	66,266,654	63,987,814	61,579,791	67,357,889	67,443,779	66,078,588	73,429,437	70,199,095	70,433,267
Other operating revenue	906,377	623,210	767,618	784,547	852,459	641,173	1,310,521	652,405	777,663	861,211	724,955	847,263	1,093,524
Total net revenue	68,907,721	67,564,346	64,361,663	67,948,713	67,119,113	64,628,987	62,890,312	68,010,294	68,221,442	66,939,799	74,154,392	71,046,358	71,526,791
Operating Expenses													
Salaries, wages & contract labor	31,492,542	28,467,482	27,893,018	33,220,635	29,807,910	28,995,864	24,928,515	32,764,595	32,513,284	32,924,892	33,775,849	34,989,349	33,013,527
Benefits	8,894,153	8,652,948	9,556,671	5,430,822	6,823,078	7,373,649	8,232,869	8,157,659	5,548,530	7,714,185	7,659,670	7,740,593	9,725,899
Supplies	9,151,664	9,339,040	8,429,693	9,585,924	8,834,196	8,775,759	9,987,179	8,187,227	9,771,666	9,540,971	10,911,278	9,664,535	10,502,911
Prof fees & purch svcs	11,026,686	11,193,006	10,118,330	11,861,620	10,756,291	9,994,501	12,623,669	10,021,634	11,295,327	10,136,393	12,681,563	11,523,340	11,459,778
Depreciation	3,990,611	3,490,754	3,486,250	3,701,760	3,767,782	3,766,102	9,639,591	3,466,586	4,918,874	4,081,665	3,872,660	3,871,656	3,791,637
Other	(571,743)	1,605,162	1,483,063	3,899,706	3,601,095	3,627,356	(6,623,350)	3,618,338	3,442,044	1,603,481	4,226,752	3,156,513	2,588,646
Total expenses	63,983,913	62,748,392	60,967,025	67,700,467	63,590,352	62,533,231	58,788,473	66,216,039	67,489,725	66,001,587	73,127,772	70,945,986	71,082,398
Income from operations	4,923,808	4,815,954	3,394,638	248,246	3,528,761	2,095,756	4,101,839	1,794,255	731,717	938,212	1,026,620	100,372	444,393
Non-operating revenue (expense)													
Property tax revenues ¹	1,583,333	1,583,333	1,583,333	1,583,333	1,583,333	1,583,333	2,767,623	1,583,333	1,583,333	1,583,333	1,583,333	2,041,667	1,675,000
Investment Income	(237,337)	(1,292,932)	(683,825)	(2,146,500)	(1,089,763)	868,329	(173,507)	1,022,171	(732,362)	(906,583)	292,790	722,703	1,282,479
Interest Expense	(2,279,111)	(2,289,448)	(2,242,609)	(2,328,900)	(2,269,055)	(2,299,876)	(13,300,418)	(1,914,301)	(4,562,164)	(3,214,888)	(3,075,712)	(6,786,342)	(4,059,607)
Interest Rate Swap	-	-	-	-	-	-	13,152,115	-	-	-	-	5,324,960	-
Other	(705,521)	(850,110)	219,288	(580,961)	797,213	1,131,532	4,864,522	108,213	346,688	562,609	193,452	236,239	64,895
Net income ²	3,285,172	1,966,797	2,270,825	(3,224,782)	2,550,489	3,379,074	11,412,174	2,593,671	(2,632,788)	(1,037,317)	20,483	1,639,599	(592,840)
EBIDA Margin	13.9%	11.5%	12.4%	4.1%	12.8%	14.6%	33.7%	11.7%	10.0%	9.4%	9.4%	9.8%	10.2%

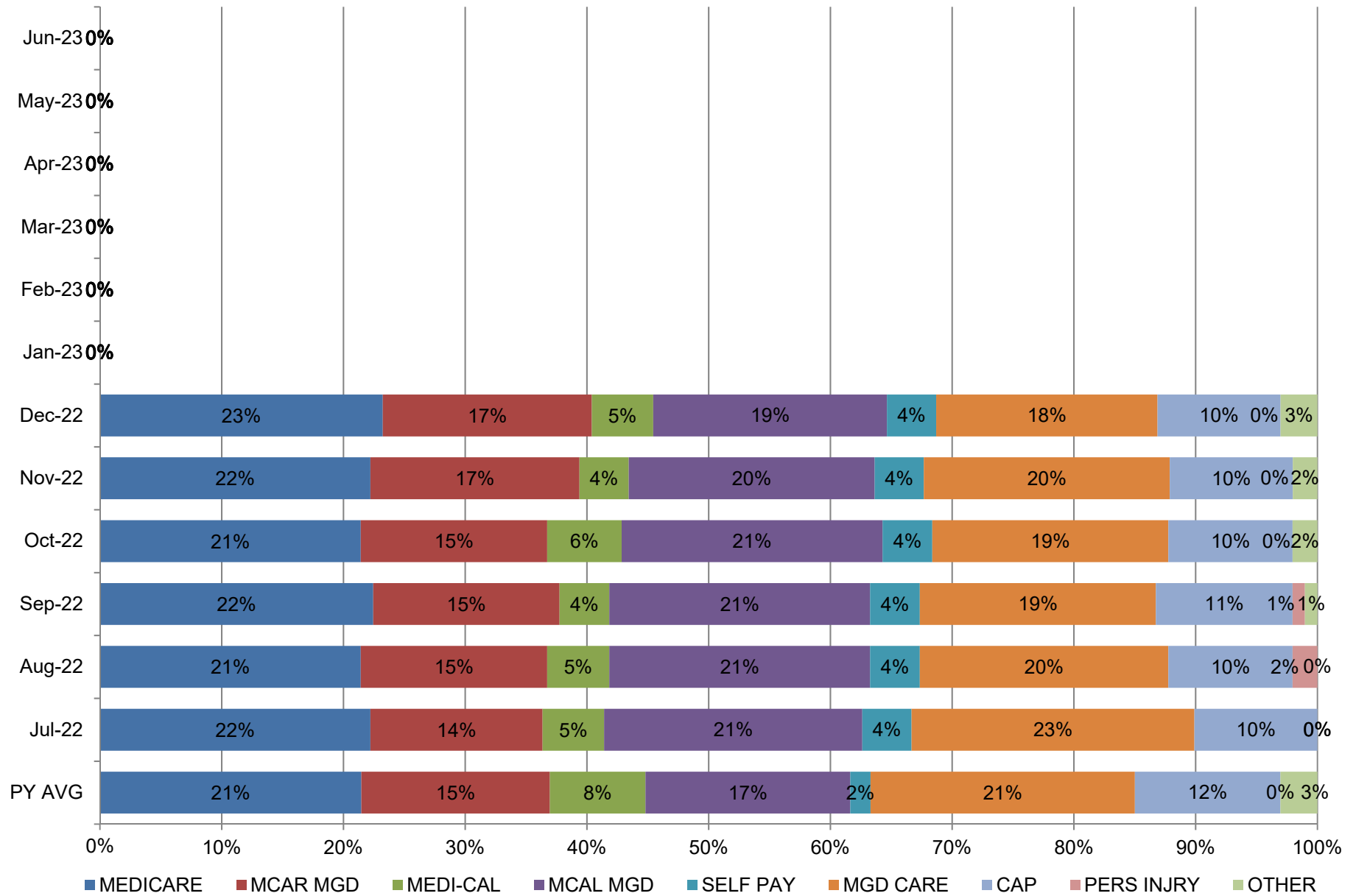
1= Property Tax Revenue excludes G.O. Bonds Levy

2= Excludes G.O. Bonds income / expense

Payor Mix: Emergency Department



Payor Mix: Gross Revenue



Statement of Net Position: Excludes G.O. Bonds

Excludes PHMG

**PALOMAR
HEALTH**

Assets	Dec-22	Nov-22	Jun-22	Liabilities	Dec-22	Nov-22	Jun-22
Current Assets				Current Liabilities			
Cash and cash equivalents	25,520,677	17,393,936	30,997,521	Accounts payable	53,004,284	51,158,345	67,371,368
Investments	108,666,329	96,637,745	186,291,158	Accrued payroll	35,302,669	31,076,881	30,182,511
Board Designated	-	-	21,107,606	Accrued PTO	24,134,751	25,136,287	24,932,792
Total cash, cash equivalents & investments	134,187,007	114,031,681	238,396,286	Accrued interest payable	5,870,255	2,745,539	5,057,411
Patient Accounts Receivable	481,501,175	460,141,414	400,381,312	Current portion of bonds	8,110,000	8,110,000	14,425,000
Allowance on accounts	(311,723,161)	(291,210,969)	(251,383,493)	Current portion of lease liab	6,291,928	6,291,421	5,744,577
Net accounts receivable	169,778,015	168,930,445	148,997,820	Est. third party settlements	5,307,629	4,810,238	27,984,699
Inventories	12,504,691	12,525,908	12,480,465	Other current liabilities	65,139,049	66,102,099	61,780,722
Prepaid expenses	15,909,601	13,336,464	8,682,562	Total current liabilities	203,160,564	195,430,810	237,479,080
Est. third party settlements	82,708,857	85,577,785	58,713,877	Long Term Liabilities			
Other	45,179,201	48,721,004	37,918,474	Other LT liabilities	594,048	612,515	1,302,956
Total current assets	460,267,371	443,123,288	505,189,483	Bonds & contracts payable	744,022,783	744,268,624	626,046,242
Non-Current Assets				Lease liabilities	244,174,435	244,681,308	247,242,225
Restricted assets	151,177,615	164,033,432	58,256,063	Total long term liabilities	988,791,266	989,562,447	874,591,423
Restricted other	14,031,676	14,031,581	14,031,154	Total liabilities	1,191,951,830	1,184,993,257	1,112,070,502
Total restricted assets	165,209,291	178,065,013	72,287,217	Deferred inflow of resources-			
Property, plant & equipment	1,515,574,155	1,512,909,078	1,511,183,821	unearned revenue	6,824,578	6,833,429	6,877,684
Accumulated depreciation	(621,385,701)	(618,120,624)	(601,520,327)	Total liabilities and deferred inflow			
Construction in process	92,523,091	90,209,333	64,486,109	of resources	1,198,776,408	1,191,826,686	1,118,948,186
Net property, plant & equipment	986,711,546	984,997,788	974,149,602	Net Position			
Right of Use Assets	232,181,337	233,290,002	238,533,505	Unrestricted	738,789,397	742,114,642	757,295,485
Investment related companies	6,144,710	5,829,349	6,903,551	Restricted for other purpose	14,031,676	14,031,581	14,031,154
Prepaid debt insurance costs	7,766,626	7,792,664	5,868,703	Total net position	752,821,072	756,146,224	771,326,639
Other non-current assets	38,173,909	38,407,394	39,561,628	Total liabilities, deferred inflow of			
Total non-current assets	1,436,187,419	1,448,382,210	1,337,304,205	resources and net position	1,951,597,480	1,947,972,910	1,890,274,825
Total assets	1,896,454,789	1,891,505,498	1,842,493,688				
Deferred outflow of resources-loss							
on refunding of debt	55,142,691	56,467,412	47,781,137				
Total assets and deferred outflow of							
resources	1,951,597,480	1,947,972,910	1,890,274,825				

Statement of Net Position: Includes G.O. Bonds

Excludes PHMG

**PALOMAR
HEALTH**

Assets	Dec-22	Nov-22	Jun-22	Liabilities	Dec-22	Nov-22	Jun-22
Current Assets				Current Liabilities			
Cash and cash equivalents	25,520,677	17,393,936	30,997,521	Accounts payable	53,004,284	51,158,870	67,374,118
Investments	108,666,329	96,637,745	186,291,158	Accrued payroll	35,302,669	31,076,881	30,182,511
Board Designated	-	-	21,107,606	Accrued PTO	24,134,751	25,136,287	24,932,792
Total cash,cash equivalents & investments	134,187,007	114,031,681	238,396,286	Accrued interest payable	19,458,170	13,617,401	21,425,246
Patient Accounts Receivable	481,501,175	460,141,414	400,381,312	Current portion of bonds	16,903,916	16,903,916	22,485,800
Allowance on accounts	(311,723,161)	(291,210,969)	(251,383,493)	Current portion of lease liab	6,291,928	6,291,421	5,744,577
Net accounts receivable	169,778,015	168,930,445	148,997,820	Est. third party settlements	5,307,629	4,810,238	27,984,699
Inventories	12,504,691	12,525,908	12,480,465	Other current liabilities	29,746,161	30,546,218	24,680,710
Prepaid expenses	15,909,601	13,336,464	8,682,562	Total current liabilities	190,149,507	179,541,231	224,810,452
Est. third party settlements	82,708,857	85,577,785	58,713,877	Long Term Liabilities			
Other	50,127,078	63,503,397	38,118,475	Other LT liabilities	594,048	612,515	1,302,956
Total current assets	465,215,248	457,905,681	505,389,483	Bonds & contracts payable	1,388,695,167	1,388,674,734	1,277,787,416
Non-Current Assets				Lease liabilities	244,174,435	244,681,308	247,242,225
Restricted assets	193,362,337	192,685,381	110,141,999	Total long term liabilities	1,633,463,650	1,633,968,558	1,526,332,597
Restricted other	14,031,676	14,031,581	14,031,154	Total liabilities	1,823,613,157	1,813,509,788	1,751,143,049
Total restricted assets	207,394,012	206,716,962	124,173,153	Deferred inflow of unearned revenue	42,217,466	42,389,310	43,977,697
Property, plant & equipment	1,515,574,155	1,512,909,078	1,511,183,821	Total liabilities and deferred inflow of resources	1,865,830,623	1,855,899,099	1,795,120,746
Accumulated depreciation	(621,385,701)	(618,120,624)	(601,520,327)	Net Position			
Construction in process	92,523,091	90,209,333	64,486,109	Unrestricted	123,320,378	125,960,501	137,849,948
Net property, plant & equipment	986,711,546	984,997,788	974,149,602	Restricted for other purpose	14,031,676	14,031,581	14,031,154
Right of Use Assets	232,181,337	233,290,002	238,533,505	Total net position	137,352,054	139,992,082	151,881,102
Investment related companies	6,144,710	5,829,349	6,903,551	Total liabilities, deferred inflow of resources and net position	2,003,182,677	1,995,891,181	1,947,001,848
Prepaid debt insurance and other costs	9,307,971	9,347,480	7,491,373				
Other non-current assets	38,173,909	38,407,394	39,561,628				
Total non-current assets	1,479,913,485	1,478,588,974	1,390,812,812				
Total assets	1,945,128,733	1,936,494,655	1,896,202,295				
Deferred outflow of resources-loss on refunding of debt	58,053,944	59,396,526	50,799,553				
Total assets and deferred outflow of resources	2,003,182,677	1,995,891,181	1,947,001,848				

Cash Flow Statement

Excludes PHMG

**PALOMAR
HEALTH**

	<u>Dec-22</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss) from operations	444,393	5,035,572
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation Expense	3,791,637	25,167,288
Provision for bad debts	13,033,885	38,792,873
Changes in operating assets and liabilities:		
Patient accounts receivable	(13,881,454)	(59,573,070)
Property Tax and other receivables	(1,882,511)	(6,215,272)
Inventories	21,217	(24,226)
Prepaid expenses and other current assets	(2,492,612)	(3,844,394)
Accounts payable	1,845,414	(14,369,834)
Accrued compensation	3,224,252	4,322,116
Estimated settlement amounts due third-party payors	3,366,319	(46,672,050)
Other liabilities	(635,436)	5,260,491
Net cash provided from (used by) operating activities	<u>6,835,104</u>	<u>(52,120,506)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales of investments	(12,705,635)	15,511,575
Income (Loss) on investments	1,355,735	1,970,641
Investment in affiliates	(2,517,090)	(17,148,341)
Net cash provided from (used by) investing activities	<u>(13,866,990)</u>	<u>333,875</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	13,459,516	17,002,123
Receipt of District Taxes	7,099,314	9,004,545
Net cash provided from non-capital financing activities	<u>20,558,830</u>	<u>26,006,668</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds on asset sale	0	37,391
Proceeds from the issuance of long-term debt	1,103,682	258,696,778
Cost of Issuance payments	0	(18,211,396)
Acquisition of property plant and equipment	(5,057,302)	(35,182,776)
Redevelopment Trust Fund Distributions	0	200,000
G.O. Bond Interest paid	0	(15,585,307)
Revenue Bond Interest paid	(26,093)	(8,903,858)
ROU Interest paid	(907,562)	(3,829,379)
Payments of Long Term Debt	(512,928)	(156,918,334)
Net cash provided from capital and related financing activities	<u>(5,400,203)</u>	<u>20,303,119</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,126,741	(5,476,844)
CASH AND CASH EQUIVALENTS - Beginning of period	<u>17,393,936</u>	<u>30,997,521</u>
CASH AND CASH EQUIVALENTS - End of period	<u>25,520,677</u>	<u>25,520,677</u>

Investment Fund - Quarter Ended December 31, 2022 Yield Analysis

Investment Account:	% of Portfolio at 12/31/2022	Maturity Date	Yield	Benchmark		Actual to Benchmark Variance	Total Yield
Fidelity-Institutional Portfolio Treasury Fund	9.82%	Demand	2.19%	4.34%	(1)	(2.15%)	0.22%
State Treasurer Local Agency Investment Fund	60.10%	Demand	2.07%	1.98%	(2)	0.09%	1.24%
Morgan Stanley	18.60%	Various	0.84%	1.20%	(3)	(0.36%)	0.16%
				7.56%	(4)	(6.72%)	
Chandler Asset Management	11.48%	Various	1.31%	1.20%	(3)	0.11%	0.15%
				7.56%	(4)	(6.25%)	
Total:	100.00%					TOTAL YIELD:	1.77%

PRIOR QUARTER: (0.24%)

PRIOR YEAR: (0.36%)

- (1) Approximate average of 90 day T-Bills
- (2) LAIF annual average return based upon monthly yields
- (3) BC Intermediate Government Credits
- (4) S&P 500

SUPPLEMENTAL INFORMATION

Condensed Combining Statement Net Position

**PALOMAR
HEALTH**

CONDENSED COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2022

	PH	PHMG	PAM	PAM-SD	PAC	Eliminations	Total
ASSETS							
Current assets	465,215,247	37,270,681	2,937	-	2,933,988	(31,513,276)	473,909,577
Capital assets - net	986,711,546	5,087,982	-	-	-	-	991,799,528
Right of use assets - net	232,181,337	20,411,985	-	-	-	(14,477,717)	238,115,605
Non-current assets	261,020,602	6,440,862	-	-	-	(7,754,901)	259,706,563
Total assets	1,945,128,732	69,211,510	2,937	-	2,933,988	(53,745,893)	1,963,531,274
Deferred outflow of resources	58,053,944	-	-	-	-	-	58,053,944
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	2,003,182,676	69,211,510	2,937	-	2,933,988	(53,745,893)	2,021,585,218
LIABILITIES AND NET POSITION							
Current liabilities	190,295,339	51,259,220	-	-	1,809,951	(34,155,022)	209,209,489
Long-term liabilities	1,389,289,215	3,562,562	-	-	-	(3,500,000)	1,389,351,777
Right of use lease liabilities	244,174,435	14,994,290	-	-	-	(12,254,287)	246,914,438
Total liabilities	1,823,758,989	69,816,072	-	-	1,809,951	(49,909,309)	1,845,475,704
Deferred inflow of resources - deferred revenue	42,071,633	-	-	-	-	-	42,071,633
Total liabilities and deferred inflow of resources	1,865,830,622	69,816,072	-	-	1,809,951	(49,909,309)	1,887,547,336
Invested in capital assets - net of related debt	(357,827,380)	4,113,122	-	-	-	-	(353,714,258)
Restricted	161,385,752	-	-	-	-	-	161,385,752
Unrestricted	333,793,682	(4,717,684)	2,937	(0)	1,124,037	(3,836,584)	326,366,388
Total net position	137,352,054	(604,562)	2,937	(0)	1,124,037	(3,836,584)	134,037,882
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	2,003,182,677	69,211,510	2,937	(0)	2,933,988	(53,745,893)	2,021,585,218

Note: Financial Performance includes GO Bonds

Condensed Combining Statement of Revenue, Expenses, and Changes in Net Position

**PALOMAR
HEALTH**

CONDENSED COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

	PH	PHMG	PAM	PAM-SD	PAC	Elimination	YTD Consolidated
OPERATING REVENUE:							
Net patient service revenue	384,434,948	38,308,815	-	-	-	-	422,743,763
Shared risk revenue	30,507,107	23,474,185	-	-	-	(3,126,810)	50,854,482
Other revenue	4,957,021	5,460,125	-	-	937,640	(197,477)	11,157,308
PH Program revenue	-	5,786,627	-	-	-	(5,786,627)	-
Total operating revenue	419,899,076	73,029,752	-	-	937,640	(9,110,914)	484,755,553
OPERATING EXPENSES							
DEPRECIATION AND AMORTIZATION	24,003,078	1,538,516	-	-	-	-	25,541,594
Total operating expenses	414,863,504	92,688,336	(228,341)	(1,736)	513,373	(11,433,800)	496,401,337
INCOME (LOSS) FROM OPERATIONS	5,035,572	(19,658,584)	228,341	1,736	424,266	2,322,886	(11,645,783)
NON-OPERATING INCOME (EXPENSE):							
Investment income	1,970,641	88	49	105	-	-	1,970,884
Unrealized loss on interest rate swap	5,324,960	-	-	-	-	-	5,324,960
Interest expense	(41,678,688)	(77,818)	-	-	-	75,250	(41,681,256)
Property tax revenue	31,800,000	-	-	-	-	-	31,800,000
Other - net	1,554,529	972,331	1,921,723	(1,896,690)	-	(2,398,136)	153,756
Total non-operating expense - net	(1,028,558)	894,601	1,921,772	(1,896,585)	-	(2,322,886)	(2,431,656)
CHANGE IN NET POSITION	4,007,014	(18,763,983)	2,150,113	(1,894,849)	424,266	-	(14,077,439)
Interfund - PHMG	(18,536,060)	17,589,217	-	-	-	-	(946,843)
NET POSITION - Beginning of year	151,881,100	570,204	(2,147,176)	1,894,849	699,771	(3,836,585)	149,062,164
NET POSITION - Year to date	137,352,054	(604,562)	2,937	(0)	1,124,037	(3,836,585)	134,037,882
EBIDA							53,145,411
EBIDA Margin							11.0%

Note: Financial Performance includes GO Bonds