

Posted
Thursday
October 19, 2023

FINANCE COMMITTEE MEETING
Agenda
WEDNESDAY, OCTOBER 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 .....	..... 3	..... 4	2:03
2. * Approval: Minutes – Finance Committee – Wednesday, May 31, 2023 (<i>ADD A – Pp10-21</i>) .....	..... 3	..... 5	2:06
3. * Approval: Minutes – Finance Committee – Wednesday, July 26, 2023 (<i>ADD B – Pp22-30</i>) .....	..... 3	..... 6	2:09
4. * Approval: Minutes – Finance Committee – Wednesday, August 23, 2023 (<i>May be presented at the meeting</i>).....	..... 2	..... 7	2:11
5. * Approval: Executed Budgeted Routine Physician Agreements (<i>ADD C – Pp31-41</i>) .....	..... 5	..... 8	2:16
6. * Review: September 2023 & YTD FY2024 Pre-Audit Financial Report (<i>To be distributed under separate cover</i>).....	..... 15	..... 9	2:31
ADJOURNMENT .....	.....	.....	2:31

NOTE: The meeting—without public comments—is scheduled to last 31 minutes, starting at 1:30 p.m., with adjournment at 2:01 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		Melissa Wallace, 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**
 - Committee members who are elected members of the Board of Directors will attend at this location, unless otherwise noticed below
 - Elected members of the Board of Directors who are not members of the Committee and wish only to observe, non-Board member attendees, and members of the public may also attend at this location
- **Join on your computer, mobile app or room device:** [Click here to join the meeting](#) | Meeting ID: 259 800 681 557 Passcode: iAuk3X| **or**
- **Dial in using your phone (*audio only*):** [929.352.2216](#) | Phone Conference ID: **44642988#**
 - Elected members of the Board of Directors who are not members of the Committee and wish only to observe, non-Board member attendees, and members of the public may attend the meeting virtually utilizing one of the above options

DocID: 21790
 Revision: 9
 Status: Official

Source:
 Administrative
 Board of Directors

Applies to Facilities:
 All Palomar Health Facilities

Applies to Departments:
 Board of Directors

Policy: Public Comments and Attendance at Public Board Meetings

I. PURPOSE:

A. It is the intention of the Palomar Health Board of Directors to hear public comment about any topic that is under its jurisdiction. This policy is intended to provide guidelines in the interest of conducting orderly, open public meetings while ensuring that the public is afforded ample opportunity to attend and to address the board at any meetings of the whole board or board committees.

II. DEFINITIONS:

A. None defined.

III. TEXT / STANDARDS OF PRACTICE:

- A. There will be one-time period allotted for public comment at the start of the public meeting. Should the chair determine that further public comment is required during a public meeting, the chair can call for such additional public comment immediately prior to the adjournment of the public meeting. Members of the public who wish to address the Board are asked to complete a Request for Public Comment form and submit to the Board Assistant prior to or during the meeting. The information requested shall be limited to name, address, phone number and subject, however, the requesting public member shall submit the requested information voluntarily. It will not be a condition of speaking.
- B. Should Board action be requested, it is encouraged that the public requestor include the request on the *Request for Public Comment* as well. Any member of the public who is speaking is encouraged to submit written copies of the presentation. C. The subject matter of any speaker must be germane to Palomar Health's jurisdiction.
- D. Based solely on the number of speaking requests, the Board will set the time allowed for each speaker prior to the public sections of the meeting, but usually will not exceed 3 minutes per speaker, with a cumulative total of thirty minutes.
- E. Questions or comments will be entertained during the "Public Comments" section on the agenda. All public comments will be limited to the designated times, including at all board meetings, committee meetings and board workshops.
- F. All voting and non-voting members of a Board committee will be seated at the table. Name placards will be created as placeholders for those seats for Board members, committee members, staff, and scribes. Any other attendees, staff or public, are welcome to sit at seats that do not have name placards, as well as on any other chairs in the room. For Palomar Health Board meetings, members of the public will sit in a seating area designated for the public.
- G. In the event of a disturbance that is sufficient to impede the proceedings, all persons may be excluded with the exception of newspaper personnel who were not involved in the disturbance in question.
- H. The public shall be afforded those rights listed below (Government Code Section 54953 and 54954).
 - 1. To receive appropriate notice of meetings;
 - 2. To attend with no pre-conditions to attendance;
 - 3. To testify within reasonable limits prior to ordering consideration of the subject in question;
 - 4. To know the result of any ballots cast;
 - 5. To broadcast or record proceedings (conditional on lack of disruption to meeting);
 - 6. To review recordings of meetings within thirty days of recording; minutes to be Board approved before release;
 - 7. To publicly criticize Palomar Health or the Board; and
 - 8. To review without delay agendas of all public meetings and any other writings distributed at the meeting. I. This policy will be reviewed and updated as required or at least every three years.

IV. ADDENDUM:

Original Document Date: 2/94
 Reviewed: 8/95; 1/99; 9/05
 Revision Number: 1 Dated: 9/20/05

Source Administrator Hernandez, Lisa

Document Owner DeBruin, Kevin

Collaborators: Carla Albright, Deanna Peterson, Deborah Hollick, Douglas Moir, Jami Piearson, Jeffrey Griffith, Julie H Avila, Kelly Wells, Laurie Edwards-Tate, Megan Strole, Nancy Calabria, Nanette Irwin, Richard Engel, Sally Valle, Tanya L Howell, Thomas Kumura

Reviewers

Approvals

- Committees: (10/12/2022) Policies & Procedures

- Signers: Kevin DeBruin

Original Effective Date Kevin DeBruin, Chief Legal Officer (10/25/2022 09:21AM PST)

Revised Reviewed [09/20/2005 Rev. 1], [03/13/2009 Rev. 2], [04/14/2012 Rev. 3], [05/01/2014 Rev. 4], [02/03/2017 Rev. 5], [04/22/2019 Rev. 6], [07/10/2019 Rev. 7], [12/02/2021 Rev. 8], [10/25/2022 Rev. 9]

Next Review Date 10/24/2025

Attachments:

(REFERENCED BY) Public Comment Form

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

Board Finance Committee Follow-Ups

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

FROM: Hubert U. King, Chief Financial Officer

Background: At the Board's request, the Committee Assistant maintains a list of those items on which follow-up information has been requested. Items will remain on the list until each matter has been finalized (*see below*):

Wednesday, July 26, 2023

- Following a discussion about Case Mix Index (CMI) at other hospitals in comparison to PMCE and PMCP
 - Mr. King indicated that he would have the Finance team review CMI for similar hospitals to see if there was a means of incorporating that information into future financial presentations
 - Dr. Khawaja was going to discuss options for CMI comparisons with Dr. Jalil

Budget Impact: N/A

Staff Recommendation: *Information Only*

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Minutes
Board Finance Committee
Wednesday, May 31, 2023**

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

FROM: Tanya Howell, Assistant

BY: Hubert U. King, Chief Financial Officer

Background: The minutes of the Board Finance Committee meeting held on Wednesday, May 4, 2023, are attached as Addendum A.

Budget Impact: N/A

Staff Recommendation: Approval

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Minutes
Board Finance Committee
Wednesday, July 26, 2023**

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

FROM: Tanya Howell, Assistant

BY: Hubert U. King, Chief Financial Officer

Background: The minutes of the Board Finance Committee meeting held on Wednesday, July 26, 2023, are attached as Addendum B.

Budget Impact: N/A

Staff Recommendation: Approval

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Minutes
Board Finance Committee
Wednesday, August 23, 2023**

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

FROM: Tanya Howell, Assistant

BY: Hubert U. King, Chief Financial Officer

Background: The minutes of the Board Finance Committee meeting held on Wednesday, August 23, 2023, were still being finalized at the time of publication. If completed before the meeting date, they will either be submitted under separate cover or presented at the meeting.

Budget Impact: N/A

Staff Recommendation: Recommendation will be made at the meeting.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENTS

TO: Board Finance Committee

MEETING DATE: Wednesday, October 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
May 2023	
<ul style="list-style-type: none"> • Ayda Dashtaei, DO Corporation 	<ul style="list-style-type: none"> • Professional Services Agreement – Surgery Call Coverage – PMC Poway
<ul style="list-style-type: none"> • Palomar Hospital Partners, Inc. (EMA-Benchmark) 	<ul style="list-style-type: none"> • Professional Services Agreement – ED Hospitalist Services
<ul style="list-style-type: none"> • Retina Results Medical Corporation 	<ul style="list-style-type: none"> • Call Coverage Agreement - Ophthalmology
July 2023	
<ul style="list-style-type: none"> • Adnan M. Zahid, MD 	<ul style="list-style-type: none"> • Amendment 1 to Medical Director Agreement – MedSurg/Tele/IMC – PMC Escondido
September 2023	
<ul style="list-style-type: none"> • Arch Health Partners, Inc., dba Palomar Health Medical Group 	<ul style="list-style-type: none"> • Amendment 1 to Radiology & Director Services Agreement

The standard Form A's and Abstract Tables for each are included as Addendum C.

Staff Recommendation: Approval

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

September 2023 and YTD FY2024 Financial Report

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

FROM: Hubert U. King, Chief Financial Officer

Background: The Board Financial Report (unaudited) for September 2023 and YTD FY2024 was still in process at the time the packet was distributed and will be submitted under separate cover as "Supplemental Information".

Budget Impact: N/A

Staff Recommendation: Recommendation will be made at the meeting.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ADDENDUM A

Meeting Minutes

BOARD FINANCE COMMITTEE CALENDAR YEAR 2023



[P = Present V = Virtual E = Excused A = Absent G = Guest]

ATTENDANCE ROSTER							
MEMBERS	MEETING DATES:						
	1/25/23	5/4/23	5/31/23				
DIRECTOR LAURA BARRY – CHAIR	P	P	P				
DIRECTOR JEFF GRIFFITH, EMT-P	E	P	P				
DIRECTOR MIKE PACHECO	P	V/P	V				
DIANE HANSEN, PRESIDENT & CEO		P	P				
KANCHAN KOIRALA, MD, COS PMC ESCONDIDO	P	E	V				
SAM FILICIOTTO, MD , CoS, PMC POWAY	P	E	P				
<i>DIRECTOR LAURIE EDWARDS-TATE, MS – ALTERNATE</i>	G		V/G				
<i>DIRECTOR JOHN CLARK</i>	G	V/G	V/G				
<i>ANDREW NGUYEN – ALTERNATE COS PMC ESCONDIDO</i>		V					
<i>MARK GOLDSWORTHY, MD – ALTERNATE COS PMC POWAY</i>							
STAFF ATTENDEES							
HUGH KING, CHIEF FINANCIAL OFFICER	P	V	P				
OMAR KHAWAJA, MD, CHIEF MEDICAL OFFICER	P	P	P				
RYAN OLSEN, CHIEF OPERATIONS OFFICER		E	P				
MEL RUSSELL, RN, CHIEF NURSE EXECUTIVE		E	V				
AMANDA PAPE, VP OF FINANCE	P	V	V				
TANYA HOWELL – COMMITTEE ASSISTANT	P	P	P				
INVITED GUESTS	SEE TEXT OF MINUTES FOR NAMES OF INVITED GUESTS						



BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023			
AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
DISCUSSION			
NOTICE OF MEETING			
<ul style="list-style-type: none"> The agenda (as Notice of Meeting) was posted on Friday, May 26, 2023, 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			
<ul style="list-style-type: none"> The meeting – held in the Linda Greer Conference Room, 2125 Citracado Parkway, Suite 300, Escondido, CA and virtually – was called to order at 12:03 p.m. by Chair Laura Barry 			
ESTABLISHMENT OF QUORUM			
<ul style="list-style-type: none"> Quorum was established – see roster for details 			
PUBLIC COMMENTS			
<ul style="list-style-type: none"> None filed 			
BOARD FINANCE COMMITTEE FOLLOW-UP			
<ul style="list-style-type: none"> Assistant Tanya Howell stated that there had been a request that the verbiage contained in the Form A related to Drs. Bailey & Schechter be amended before being forwarded to the Board to remove references to Cardiac Rehabilitation & Pulmonary Rehabilitation; however, that request was overlooked when documents were being prepared <ul style="list-style-type: none"> As the Board reviewed only the listing of all Form As recommended for approval rather than the individual ones, the request became a moot point 			
1. MINUTES –FINANCE COMMITTEE – WEDNESDAY, JANUARY 25, 2023	MOTION: None	None	N
<ul style="list-style-type: none"> The minutes were not yet ready for review/approval 			
2. EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENTS	MOTION: By Director Griffith, seconded by Director Pacheco, and carried to recommend approval of the Executed, Budgeted, Routine Physician Agreements with corrections as discussed. Vote taken by Roll Call: Chair Barry – aye; Ms. Hansen – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent:	Forwarded to the May 8, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> No discussion 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
3. CAPITAL & OPERATING BUDGETS – OPERATING BUDGET	MOTION: By Director Griffith, seconded by Ms. Hansen, and carried to approve the changes recommended and to recommend. Vote taken by Roll Call: Chair Barry – aye; Ms. Hansen – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent:	Forwarded to the May 8, 2023, Board of Directors meeting with a recommendation for approval	Y
4. CAPITAL & OPERATING BUDGETS – CAPITAL PLAN	MOTION: By Ms. Hansen, seconded by Director Griffith, and carried to approve the changes recommended and to recommend. Vote taken by Roll Call: Chair Barry – aye; Ms. Hansen –aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent:	Forwarded to the May 8, 2023, Board of Directors meeting with a recommendation for approval	Y
5. CAPITAL & OPERATING BUDGETS – CHARGE MASTER RATE 12% HOSPITAL 6% SNF	MOTION: By Ms. Hansen, seconded by Director Griffith, and carried to approve the changes recommended and to recommend. Vote taken by Roll Call: Chair Barry – aye; Ms. Hansen – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent:	Forwarded to the May 8, 2023, Board of Directors meeting with a recommendation for approval	Y
6. CAPITAL & OPERATING BUDGETS – 5-YR STRATEGIC PLAN	MOTION: By Ms. Hansen, seconded by Director Griffith, and carried to approve the changes recommended and to recommend. Vote taken by Roll Call: Chair Barry – aye; Ms. Hansen – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent:	Forwarded to the May 8, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> • CFO Hugh King thanked Melissa Wallace, Director of Financial Planning & Decisions Support, and her team, as they were responsible for coordinating the budgeting activity and – although they spent a huge amount of time doing so – it wasn’t their budget, it was the budget for the entire district <ul style="list-style-type: none"> ○ He also thanked the Executive Team and their supporting teams, as well as Amanda Pape who’s over the finance group, and pulled together things such as interest, depreciation, income from investments and subsidiaries, etc. ○ Mr. King anticipated that some of the questions that would arise during the budget review would be related to revenue projections, since there would be changes known/anticipated in payor mix and volume due to the opening of Kaiser’s new hospital, and those details would be discussed during the presentation ○ A bright spot this year had been the growth in outpatient services, as both he and CEO Diane Hansen had been concerned about the composition of inpatient vs. outpatient services, as with more volume shifting to outpatient, Management needed to ensure that the revenue stream shifted with it, with services maintained here, not going to other providers, so a lot of emphasis had gone into those areas 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> ○ The budget for 2023 had been aggressive, and outpatient gross revenues had exceeded the budgeted target every month this year and were continuing to do so, so that work effort was starting to pay off • Melissa Wallace, Director of Financial Planning and Decision Support, presented the draft FY2024 Budget, utilizing the presentation included as Addendum B of the packet <ul style="list-style-type: none"> ○ At the beginning of the budget process, the goal was to align with the 5-year strategic financial and capital plan in order to meet the financial needs of the district ○ The team also was looking at how to plan following a challenging year that had rising labor costs, while also concentrating on which initiatives were bearing fruit and showing improvement, in order to course correct and develop a plan for the coming year • EXECUTIVE SUMMARY (PAGE 17) <ul style="list-style-type: none"> ○ Targeting \$120M EBIDA, which was in alignment with the strategic financial plan ○ Establishment of initiatives to stabilize the costs of labor ○ Incorporation of volume growth from multi-year strategies ○ Deployment of capital to support strategic objectives • KEY PLAN DRIVERS (PAGE19) <ul style="list-style-type: none"> ○ Establishment of key drivers to help shape the budget was a crucial step, with some of those drivers having been: <ul style="list-style-type: none"> – Strategic focus on stable patient volumes – Emphasis on community needs and capacity – Continued development of key services lines, including Oncology, Cardiology, Orthopedics, Spine, the newly opened NICU at PMCE, and increased capacity for Emergency Services – Additional flexibility in staffing plans due to changing regulatory requirements, as well as the need to stabilize the labor workforce to team members rather than contract labor • INFLATIONARY ASSUMPTIONS (PAGE 20) <ul style="list-style-type: none"> ○ Mitigation of inflationary factors through strategic utilization and standardization initiatives across the district ○ Mr. King also noted that the Supplies numbers were not industry expectations, but were instead developed by a third party professional organization for GPOs, and Palomar was trending well against that benchmark • KEY STATISTICAL INDICATORS (PAGES 21-24) <ul style="list-style-type: none"> ○ Total Patient Days were anticipated to increase by 3.7% due to increases in services with longer LOS (e.g., SNF and NICU) ○ Total Discharge numbers were basically reflective of the loss of Kaiser patients <ul style="list-style-type: none"> – In response to an inquiry from Dr. Sam Filiciotto, the terms “North and South” were confirmed to mean “Escondido and Poway”, with The Villas included in the Poway numbers ○ Deliveries showed an anticipated decrease of 14% due to program consolidation and market forces ○ Inpatient Surgeries had an anticipated decrease of 2.7% based on the remove of C-Section services at PMCP ○ Emergency Department visits were anticipated to increase by almost 5K (3.7%) additional visits 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> ○ Outpatient Registrations were anticipated to be flat, and it was noted that the ambulatory surgery center volumes weren't included in these numbers because of the structure of those agreements • REVENUE (PAGES 25-27) <ul style="list-style-type: none"> ○ Gross Charges across the system were anticipated to be \$5.5B ○ The Payor Mix from the various payors – including the larger payors Medicare, Medi-Cal, their HMO's and Managed Care – were presented via pie chart on page 26 <ul style="list-style-type: none"> – Mr. King pointed out that the Finance Committee was being requested to approve an overall effective rate increase of 12%; as well as a 6% rate increase related to the SNF <ul style="list-style-type: none"> ▪ There hadn't been a rate increase 2 years ago, and the increase last year had been marginal ▪ Adding to that the inflationary trend seen over the last year, as well as the fact that there were a lot of fixed payors, the increase was necessary in order to address inflation ▪ Mr. King also pointed out that there was an automatic 40% write-off for self-pay patients <ul style="list-style-type: none"> ♦ There was also a very aggressive financial assistance policy, wherein as long as the patient—whether paying all or a part of their bill—worked with the Palomar team to provide financial information about their financial situation, the financial assistance team was allowed to work with that patient to write-down their out-of-pocket costs based on financial needs ○ Net Revenue was anticipated to increase ~5% year over year, predominantly driven by the growth initiatives previously discussed • SALARIES, WAGES, BENEFITS & FTES (PAGES 28-32) <ul style="list-style-type: none"> ○ Mr. King noted that as of the end of March, there were 3,433 paid FTEs ○ Adjustments would be made due to expected growth in some of the previously discussed programs, which would lead to the addition of staff to meet those demands ○ There were also reductions made: <ul style="list-style-type: none"> – Due to program consolidations (e.g., Obstetrics, the NICU and Wound Care) – Due to new Joint Ventures such as Home Health, whose services were being provided by a Home Health agency as a JV partner <ul style="list-style-type: none"> ▪ The services were still being providing to Palomar Health's patients, but the employees were employees of the JV partner and no longer receiving a Palomar Health paycheck/benefits ○ Management was also working on benchmarking system performance against peer hospitals of similar size and structure, with planned emulation of some of the things they were doing to cut costs ○ It was anticipated that the total staffing complement would go down by almost 100 FTEs ○ Referencing the FTE charts, Mr. King noted that all the benchmarking targets were back office functions, not front-line patient care staff <ul style="list-style-type: none"> – The FTEs per Adjusted Discharge had been declining from its peak in 2022; however, the Direct Caregiver FTEs had been consistently maintained at 18 FTEs, confirming that clinical/patient-facing staff were not, nor had they been reduced in relation to volume of services – proof that any talk about reductions in nursing other than as previously discussed above was inaccurate 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> ○ Referencing the Salaries Wages & Benefits (SWB) chart, Mrs. Wallace stated that there would be a slight decrease in SWB of \$11M (2%), largely driven by reduced contract labor, as many of the contractors were being converted to employees <ul style="list-style-type: none"> – Chair Barry asked how smaller labor costs could be possible considering the generous retention/hiring program, and it was noted that was the anticipated outcome of that program – Ms. Hansen also provided some information on the recent Job Fair, noting that 50 people had been hired in one day, and they were predominantly RNs <ul style="list-style-type: none"> ▪ HR was going to be setting up another one-day fair in June, targeting 100 new-hires ▪ There had also been 7 applicants for positions in the OR, after having had none in a long time – In response to an inquiry by Director Griffith about making the incentive program a regular occurrence, Ms. Hansen indicated that it was a possibility, although it might not be at the same level and might extend to other areas than nursing – Mrs. Wallace also noted that a positive side effect of the program was that the rates of current contracting firms were coming down as they had less leverage with fewer positions to be filled ○ Referencing the graphics on benefits, Mrs. Wallace noted that almost 50% of the total spend would be on group health insurance, and workers' compensation insurance costs continued to decrease as a result of employee safety initiatives • NON LABOR ANALYSIS (PAGES 33-35) <ul style="list-style-type: none"> ○ Non-Labor Expense was Increasing by \$7.5M/2.5% year on year, with the graph detailing the trend by classification ○ Mr. King noted that Depreciation Expense had a large increase in FY2022 after the District was required to adopt GASB87, in which what used to be called a lease expense on the books became an asset, with a related liability <ul style="list-style-type: none"> – The leasehold asset (called a Right of Use [ROU] asset) then had to be depreciated, which caused depreciation to increase <ul style="list-style-type: none"> ▪ Mr. King anticipated another increase in Depreciation Expense when the new floors that were being added as a result of the bond issue came online, but he then expected it to remain somewhat stable for the next couple of years ○ Interest Expense increased this year, from \$27.6M in FY2022 to \$36.7M, and that increase was the result of 2 components <ul style="list-style-type: none"> – The bond issue in November, which prevented rising interest rates on refunded variable rate bonds, still increased the number of outstanding bonds, but at a locked-in rate of 5.25% vs. the potentially 6.5%-6.75% rates had the bonds gone to market later – The second big component was related to the \$10M in ROU assets (e.g., the model states that a 15-year lease was now considered a purchase of an asset, as it provided the right to use that asset for 15 years, with the related liability) <ul style="list-style-type: none"> ▪ Just like a bank loan, a portion of the rent expense would be used to reduce the loan, but a portion would be considered interest expense in what is called an imputed interest rate; therefore, there would be additional interest on leased properties and leased equipment—not in the sense that it would be paid to the bank or a bond owner—but as imputed interest to the landlord • ANNUAL OPERATING BUDGET SUMMARY & EBIDA RECAP (PAGES 36-39) <ul style="list-style-type: none"> ○ Income from Operations was planned to increase by \$45.8M over the course of the next, year predominantly from strategic revenue growth and reduced contract labor expenses 			



BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> – Noting that the target for last year hadn’t been met, Mr. King reminded the Committee that some of the new programs hadn’t come online when anticipated, but he believed things were back on track to meet the goals for this year ○ Annual Operating Budget Summary and Trend showed Total Operating Revenue of \$894M, Total Operating Expense of \$839M, and Operating Income of \$55M <ul style="list-style-type: none"> – Mr. King pointed out that – even though the expected results hadn’t been achieved this year – revenues for FY2023 were expected to be up about \$50M over last year’s \$800M, making the \$54M increase in FY2024 appear to be more in line with the current trend – Mr. King also pointed out that PHMG Foundation Support had gone up to \$42M this year, an \$11M increase over FY2023; and he asked the Board to reflect back about 4 to 5 years ago when there were 76 physician FTE’s at PHMG with support of \$18-\$20M/year <ul style="list-style-type: none"> ▪ PHMG currently had over 300 physician FTE’s, with a subsidy of \$42M/year, which was basically a doubling of the subsidy, but with 4 times as many physicians ▪ There had also been an increase in the subsidy about a year ago as an aid to recruiting Anesthesiologists; and that specialty was in a much better situation ▪ The challenge this year had been in Radiology, resolved by having brought San Diego Imaging into the group ▪ He further noted that the growth in Oncology, the upgrading of the Cath Lab, and the addition of a 2nd LINAC were all necessary; however, there had to be physicians to do that extra work ▪ The bottom line was that the increase in the number of physicians had actually made the subsidy cost per physician decreased – Ms. Hansen added that part of the reason the \$55M target for next year would be achievable was due to what the physician foundation had been willing to take on in support of the District <ul style="list-style-type: none"> ▪ She also noted that one of her goals when she stepped in as CEO 5 or 6 years ago was to get to a positive income from operations on a consolidated basis, and the increase to the subsidy for legitimate purposes was a necessary step toward making that happen – Mr. King pointed out that the Salaries, Wages, Registry & Benefits line included both the annual bonuses paid to all employees, and the RN retention bonuses added this year ○ The \$120M target for EBIDA comes from \$103M from operating EBIDA, so it would be those items directly related to the operations of the hospital and the various organizations, but the \$120M would include the below-the-line component which was about 13.4% <ul style="list-style-type: none"> – The initial discussions related to the targeted number came from looking at past performance, as well as opportunities for growth and improvement, without being too optimistic ○ In response to an inquiry by Dr. Filiciotto, Mr. King stated that there was a rolling 5-year plan, which was updated on an annual basis, reviewed along with the budget and would be discussed in detail later in the presentation ○ Dr. Filiciotto also inquired if there were specifics in the budget that were going toward improving quality and patient satisfaction <ul style="list-style-type: none"> – Dr. Omar Khawaja, CMO, replied that there were goals for every single leader in the organization related to the patient experience, quality and meeting regulatory requirements; those goals were tracked quarterly and brought before the QMC; and they were also tied to metrics related to bonuses 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> – After relating a story about a patient complaining to him about the inability to have online access causing her to consider moving to another provider, Mr. King added that one of the things in this budget was targeted at making it easier for patients to access the health system via the implementation of an online system for access to: Online registration prior to appointments, where they wouldn't have to enter the building until notified it was time for their appointment; and online bill pay <ul style="list-style-type: none"> ▪ Mr. King noted that self-scheduling with physicians would be implemented with next year's budget, but the software implementation for that service had been included in this year's budget ○ There was also a discussion following a question Dr. Filiciotto had regarding the 50 new hires in this fiscal year vs. the 88 targeted FTE additions <ul style="list-style-type: none"> – Ms. Hansen noted that the 50 new positions were taking over from the contractors, and Mrs. Wallace noted that some training opportunities had also been built into that number – Dr. Khawaja also pointed out that the statement, "we have 3,200 FTE's" didn't mean there were actually that many people on staff, as there might only be 2,800 FTEs on staff, with another 400 not yet hired <ul style="list-style-type: none"> ▪ He also noted that several positions that had previously been posted for a long period of time had been reviewed with the groups; and, after determining that a specific position was no longer necessary, many of those postings had been removed from the number of available FTEs – Mr. King also stated that the HR retention plan had been extremely well designed <ul style="list-style-type: none"> ▪ Following an analysis of nursing turnover that showed a large number of nurses leaving at the end of their second year (which affected quality as their replacements then needed to be trained), the plan was designed to nurses to remain past that hump and stay 3 or more years ○ When Dr. Filiciotto then inquired about the reasoning behind a "flat-line" on the 5-year plan for Direct Caregiver FTEs, wondering if that would have an effect on patient satisfaction to hold it flat rather than adding 1 or 2 FTEs over the course of the plan to potentially make it go up <ul style="list-style-type: none"> – Ms. Hansen responded that just throwing bodies at patient care wouldn't necessarily solve a patient satisfaction issue, and there were a lot of other things such as assistance with navigating facilities and having a centralized call center for the whole system that would also help improve patient satisfaction – Mr. King noted that in his past experiences at hospitals in 5 or 6 other states, as well as through his meetings with other CFOs from around the country, he had observed that there were only a couple of states with mandated nurse staffing ratios, one of which was California <ul style="list-style-type: none"> ▪ If having more nurses per patient was the source of improved quality, then it should follow that all of the highest quality hospitals would then be in California, which wasn't the case • CAPITAL PLAN (PAGES 40-42) <ul style="list-style-type: none"> ○ Mrs. Wallace noted that during the capital planning process, feedback and support was requested from leaders across the organization (e.g., physicians, IT, construction, etc.), so that a true assessment of available funds could be reviewed to ensure that the best determination could be made on how those funds should be deployed ○ Over the next 3 years, \$184M was anticipated to be spent on capital expenditures, with \$80M in the current year, decreasing to \$75M in FY2024, and decreasing further to \$29M in FY2026 <ul style="list-style-type: none"> – Those expenditures would be funded from unrestricted cash, as well as the proceeds from the various bond issues, predominantly from the Series 2022 bonds 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> ○ In response to an inquiry by Chair Barry, Mr. King confirmed that the build-outs for the two shelled floors at PMCE would occur over the next two fiscal years, but would be finalized before FY2026 <ul style="list-style-type: none"> – Mr. King also pointed out that there were major renovations occurring throughout the district, as discussed in detail by Mike Mills, VP Facilities & Construction at yesterday’s Board Strategic & Facilities Planning Committee meeting; and the total anticipated costs of those projects through FY2025 would be just under \$120M, about \$105M of which would come from the series 2022 bond issue <ul style="list-style-type: none"> ▪ He further noted that—although investment opportunities for districts were limited under California law—the current interest rates on those investments had been running between 4.8% and 5%, which would earn an additional \$5M in interest over the next two years on the bond funds that had been invested – The remainder of the funds would be from about \$4M left over from the series 2017 bond issue, which were also being spent during the current fiscal year ○ In summary, Mr. King noted that the focus was on strategic capital, and the routine replacement of equipment, including: <ul style="list-style-type: none"> – Upgrading the Cath labs and imaging equipment – The addition of LINAC #2 – A focus on the build-out, which in itself would become a creator of revenue – An increase in the IT spend, especially with the continued cyberattacks, and statements by the FBI that the question was, “not if, but when” attacks might occur; and the district had already made a significant investment in things to mitigate attacks <ul style="list-style-type: none"> ▪ In response to an inquiry by Chair Barry about the possibility that providing better access to IT services for patients would open the system up to cyberattack, Mr. King acknowledged that the more people who could get into the system, the greater the risk factor was for attack, but he was confident in the protections designs used by the IT team to minimize those risks • BUDGET SUMMARY & KEY TAKE-AWAYS (PAGES 43-44) <ul style="list-style-type: none"> ○ Mrs. Wallace stated that the budget for the next fiscal year set targets that were achievable and would also drive toward executing strategic initiatives, and contained the following: <ul style="list-style-type: none"> – A 4.7% growth in Net Patient Revenue through a combination of collections from insurance carriers and continued support from the supplemental programs and funds that augmented revenues from the growing Medi-Cal population – A need to continue the successful recruitment of key staff – Ongoing expense management strategies, evaluating performance against industry benchmarks as a tool to highlight opportunities to shift spending from areas that might have inefficiencies to those with a more strategic focus ○ She also noted that achieving those targets would allow the continued deployment of capital for the expansion projects throughout the district and the community, improvement of outcomes and patient satisfaction, and the achievement of the \$55M in operating income 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> • FIVE-YEAR FINANCIAL PROJECTIONS (PAGES 45-47) <ul style="list-style-type: none"> ○ Ms. Wallace stated that part of the process was looking beyond 1 year and thinking about the needs of the organization over the coming 5 years related to having funding for continued operations and investments into facilities and technology, and Management had engaged Kaufman Hall (KH) to help assess the District’s performance compared to competitors in the marketplace, as well as to develop projections that would allow the District to continue to be sustainable and successful <ul style="list-style-type: none"> – Before turning the meeting over to the KH team, Mr. King noted that KH was one of the premier financial advisory firms in the healthcare industry <ul style="list-style-type: none"> ▪ Having been the District’s financial advisors for at least 20 years, the KH team was very familiar with the District’s processes, which was helpful in their validation of what Management believed would happen over the next 5 years based on their knowledge of the District and overall view of the industry ▪ He then turned the meeting over to Matt Jakobovits, VP at KH ○ Mr. Jakobovits noted that the creation of the 5-year plan began with the budget in 2024, and then—working with Mr. King, Ms. Wallace and their team—applied and incorporated assumptions related to volume growth, revenues, expenses and capital, as well as inflation and specific initiatives, through 2028 ○ Mr. Jakobovits explained the graphic on Page 32 <ul style="list-style-type: none"> – The red line indicated where nursing and contract labor costs were anticipated to be over the 5 years, absent specific initiatives to control those costs, showing that revenues would be outpaced by expenses – The yellow line showed an intermediate step, where a number of those costs, particularly related to nursing, labor and inflation, were being controlled – The green line showed the true goal, reflecting expense control, growth in volumes and revenues, and management of capital – Ms. Wallace added that it would have been preferred to be at \$55M in operating income this year; however, roadblocks had been encountered in the form of lack of staffing and the expenses of contract labor, as well as the delays in licensing that caused units to open later than anticipated <ul style="list-style-type: none"> ▪ She felt the graphic provided a helpful visual as it showed that there could be curveballs, and the budget process was a means of reflecting on a review of and determination related to working around the curveballs – Mr. King also pointed out that there were other matters that couldn’t be anticipated, as the 5-year financial plan 5 years ago would not have foreseen the COVID pandemic <ul style="list-style-type: none"> ▪ He also noted that the year after COVID was the best year, and the year after was the second best year in the history of the District ○ Mr. Jakobovits then reviewed the actual projections shown on Page 33, noting that key metrics had been highlighted, and that the financial projections were consolidated and included the medical group <ul style="list-style-type: none"> – Revenue was anticipated to grow about 5%, from just under \$1B in 2023 to closer to \$1.3B in 2028, which included volume growth as well as reimbursement increases – Operating EBIDA Margin was budgeted around 6% in 2024, and it was projected to grow about 1% each year based on volume growth and expense reduction efforts, hitting 10.3% by 2028 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – THURSDAY, MAY 31, 2023

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

- Days Cash on Hand had been modeled on the principal interest repayments on existing debt and also included the capital budget that had been reviewed earlier, so the projection for 2024 was around 70 days, anticipated to grow a little bit each year, reaching about 100 days in 2026, then moving closer to 140 to 150 days in 2028
- Mr. King added that growing businesses eat cash, so it was hard to grow a business without expending cash
 - He also agreed with Chair Barry that once all the floors had been built out and that significant capital expenditure had been completed, revenues should start outpacing expenditures to the point where the District could then begin to build cash
- In response to a question by Dr. Filiciotto, Mr. King stated that the targeted days cash on hand was set at 80, so 77 would not affect the bonds or interest rates
 - He also noted that there were no cash covenants associated with any of the outstanding bonds, and the only cash covenant was with the bond insurer

ADJOURNMENT **The meeting was adjourned by Chair Barry at 1:11 p.m.**

SIGNATURES:	COMMITTEE CHAIR	_____
		LAURA BARRY
	COMMITTEE ASSISTANT	_____
		TANYA HOWELL

ADDENDUM B

Meeting Minutes

BOARD FINANCE COMMITTEE CALENDAR YEAR 2023



[P = Present V = Virtual E = Excused A = Absent G = Guest]

ATTENDANCE ROSTER							
MEMBERS	MEETING DATES:						
	1/25/23	5/4/23	5/31/23	7/26/23			
DIRECTOR LAURA BARRY – CHAIR	P	P	P	P			
DIRECTOR JEFF GRIFFITH, EMT-P	E	V	P	P			
DIRECTOR MIKE PACHECO	P	V/P	V	P			
DIANE HANSEN, PRESIDENT & CEO	V	V	P	E			
KANCHAN KOIRALA, MD, CoS PMC ESCONDIDO	P	E	V	V			
SAM FILICIOTTO, MD, CoS, PMC POWAY	P	E	P	V			
<i>DIRECTOR LAURIE EDWARDS-TATE, MS – ALTERNATE</i>	V/G		V/G	V/G			
<i>DIRECTOR JOHN CLARK</i>	G	V/G					
<i>DIRECTOR LINDA GREER, RN</i>				P/G			
<i>ANDREW NGUYEN – ALTERNATE CoS PMC ESCONDIDO</i>		V					
<i>MARK GOLDSWORTHY, MD – ALTERNATE CoS PMC POWAY</i>							
STAFF ATTENDEES							
HUGH KING, CHIEF FINANCIAL OFFICER	P	V	P	P			
OMAR KHAWAJA, MD, CHIEF MEDICAL OFFICER	P	P	P	V			
RYAN OLSEN, CHIEF OPERATIONS OFFICER	V	E	P	E			
MEL RUSSELL, RN, CHIEF NURSE EXECUTIVE	V	E	V	E			
MELISSA WALLACE, VP OF FINANCE				P			
TANYA HOWELL – COMMITTEE ASSISTANT	P	P	P	P			
AMANDA PAPE, VP OF FINANCE	P	V	V				
INVITED GUESTS	SEE TEXT OF MINUTES FOR NAMES OF INVITED GUESTS						

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023			
AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
DISCUSSION			
NOTICE OF MEETING			
<ul style="list-style-type: none"> The agenda (as Notice of Meeting) was posted on Friday, July 21, 2023, 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			
<ul style="list-style-type: none"> The meeting – held in the Linda Greer Conference Room, 2125 Citracado Parkway, Suite 300, Escondido, CA and virtually – was called to order at 1:30 p.m. by Chair Laura Barry 			
ESTABLISHMENT OF QUORUM			
<ul style="list-style-type: none"> Quorum was established – see roster for details 			
PUBLIC COMMENTS			
<ul style="list-style-type: none"> None filed 			
1. BOARD FINANCE COMMITTEE FOLLOW-UPS			
<ul style="list-style-type: none"> There were no follow-ups 			
2. MINUTES –FINANCE COMMITTEE – WEDNESDAY, JANUARY 25, 2023	MOTION: By Director Pacheco, seconded by Director Griffith, and carried to approve the Minutes from the Finance Committee meeting held on Wednesday, January 25, 2023, as presented. Vote taken by Roll Call: Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent: Ms. Hansen	Forwarded to the August 14, 2023, Board of Directors meeting as information	Y
<ul style="list-style-type: none"> No discussion 			
3. MINUTES –FINANCE COMMITTEE – WEDNESDAY, MAY 4, 2023	MOTION: None	None	N
<ul style="list-style-type: none"> Assistant Tanya Howell informed the Committee that this set of minutes was not yet ready for review 			
4. MINUTES –FINANCE COMMITTEE – WEDNESDAY, MAY 31, 2023	MOTION: None	None	N

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023			
AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
<ul style="list-style-type: none"> DISCUSSION 			
<ul style="list-style-type: none"> Assistant Tanya Howell informed the Committee that this set of minutes was not yet ready for review 			
5. EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENT	MOTION: By Director Griffith, seconded by Director Pacheco, and carried to recommend approval of the Executed, Budgeted, Routine Physician Agreement Vote taken by Roll Call: Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent: Ms. Hansen	Forwarded to the August 14, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> No discussion 			
6. RESOLUTION No. 08.14.23(01)-13 – GENERAL OBLIGATION BONDS – TAX LEVY 2023-2024	MOTION: By Director Pacheco, seconded by Director Griffith, and carried to recommend approval of Resolution No. 08.14.23(01)-13 – General Obligation Bonds – Tax Levy 2023-2024 as presented. Vote taken by Roll Call: Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent: Ms. Hansen	Forwarded to the August 14, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> Chair Barry noted that the levy was reviewed at the beginning of every year at the beginning of the fiscal year Hugh King, CFO, added that the General Obligation (GO) Bonds had an associated tax levy, and every year Citigroup performed a calculation on behalf of the District <ul style="list-style-type: none"> The calculation was based on information supplied by the County related to how much the assessed values of properties within the District were anticipated to be for the upcoming year, and based on those calculations, Citi would determine the tax levy rate that would be sufficient to cover the GO Bond debt As assessed values were up, the calculation was determined to be \$33 per \$100K of assessed value 			
7. RESOLUTION No. 08.14.23(02)-14 – ESTABLISHMENT OF THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2024	MOTION: By Director Griffith, seconded by Director Pacheco, and carried to recommend approval of Resolution No. 08.14.23(02)-14 – Establishment of the Appropriations Limit for Fiscal Year 2024 as presented. Vote taken by Roll Call: Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent: Ms. Hansen	Forwarded to the August 14, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> Chair Barry stated that the appropriations limit was calculated based on what was lawful and it was approximately 4.44% of the factor for FY2023-24, which ended with a limit of \$131,671,317 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> • Mr. King added that the law was based on Proposition 13, which passed in 1979 by taxpayer vote and set a limit on the amount any governmental entity could levy as taxes <ul style="list-style-type: none"> ○ Although the District had never spent up to the annual limit, the law required that each governmental entity adopt it ○ In response to an inquiry by Director Griffith, Mr. King stated that LAFCO was not involved in the appropriations limits per se, however, all organizations that were governed by LAFCO were required to comply with the limits, so a review of the agendas for the boards of school districts, fire districts, etc., across the State should show the appropriations limit as an actionable item <ul style="list-style-type: none"> – The limit increased every year based on the prior year by a maximum increment of .0459 ○ In response to an inquiry by Dr. Filiciotto regarding the possibility of increasing the limit to pay down debt, Mr. King replied that it might be possible to ask the County for a higher percentage rate, but the position in the past regarding this non-restricted general tax levy was to maintain a reasonable levy that increased based on growth in population and appreciation of property values, and since the Palomar Board were elected officials, he was not sure how the taxpayers would react to increases in their taxes to the benefit of the hospital 			
8. ANNUAL ADOPTION OF STATEMENT OF INVESTMENT – LUCIDOC #27092	MOTION: By Director Griffith, seconded by Director Pacheco, and carried to recommend approval of the Statement of Investment – Lucidoc #27092 – with no recommended changes. Vote taken by Roll Call: Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto – aye; Dr. Koirala – aye. Absent: Ms. Hansen	Forwarded to the August 3, 2023, Board Governance Committee meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> • Chair Barry stated that this was another routine, annual requirement • Mr. King noted that the State had adopted an investment policy for governmental organizations that limited the funds into which they could invest, in large part because of a situation that occurred in LA County 25 or 30 years ago, whereby an investment manager put the County into bankruptcy because of bad investments <ul style="list-style-type: none"> ○ This resolution followed the investment policy defined by the State, with no changes from last year; however, Mr. King anticipated that investments would be better in the coming year because governmental entities were now allowed to invest in Federal and State treasury bonds which currently carried between a 4.5% and 5% interest rate 			
9. PRE-AUDIT JUNE 2023 & YTD FY2023 FINANCIAL STATISTICS	Information Only	Forwarded to the August 14, 2023, Board of Directors meeting as information <ul style="list-style-type: none"> • Mr. King will have the Case Mix Index for similar hospitals reviewed and will see if there is a means of incorporating that information into future financial presentations • Dr. Khawaja was going to discuss options for Case Mix Index comparisons with Dr. Jalil 	N

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023

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

- Chair Barry stated that there were preliminary financial statements for FYE June 30, 2023, and asked Mr. King to take a couple of minutes to explain the year-end processes and how the books were kept open to allow extra time to ensure all entries for the fiscal year had been captured before the financials were sent to the auditors
- Mr. King noted that the auditors used a 2-step process: Step one involved testing of internal controls (e.g., ensuring that checks were not written without the proper authorization, that bank accounts had been reconciled every month, etc.); Step two was the actual start of the audit work, and the year-end close included a number of matters that had to be done as opposed to closing the quarterly financial statements
 - One example was a program called OPEB (Other Post-Employment Benefits), which included employees who retired before they reached the age of 65 were still provided health insurance until they reached Medicare age, plus all other employees who might become eligible for that plan
 - Those calculations were done by an actuarial firm, so the data had to be sent out for them to calculate and return the results
 - There was an actuarial calculation performed on the professional liability insurance for the physicians and nurses, so that data also had to be sent out to the actuaries to calculate and return the results
 - The finance team also had to wait for the JV partners to report their financial statements for June so that the District’s percentage of profits related to those partnerships could be gathered
 - Those profits could be estimated for the quarterly financial statements, but the auditors needed more formal information for year-end
 - One other reason for a delay was the implementation of GASB 96, which dealt with software licenses similarly to the manner in which GASB 87 (implemented last year) dealt with equipment leases
 - Mr. King anticipated that most of the information would be provided to the auditors by the 8th of August, and he noted that all the above extra year-end activities were a necessary step in preventing any audit adjustments, a matter he was pleased to say hadn’t occurred during a District audit in at least the last five years
- Noting that people had asked about the accuracy of the District’s financial statements, Mr. King quoted the old adage, “Trust but verify”, noting that the verification on which the Committee could rely would come from the auditors that the Board had hired
 - Management wanted to continue to hold that trust by having the auditors say they had found no weaknesses in internal controls and the financial statements had been fairly presented
- The presentation today was the statistical information, which would provide some guidance on what the last month and the year had been like in terms of patient days, discharges, etc.
- In response to an inquiry from Director Pacheco, Mr. King stated that deadline for finalization of submitting information to the finance team had passed, and the information was being compiled in order to be submitted to the auditors by August 8th
 - Submission would be in the form of: 1) A trial balance, which was a balance of every single account on the books, and, 2) A summary set of financial statements that summarized those accounts (e.g., nursing labor, benefits, etc.)
 - He anticipated return of the audited financial statements between mid-to-late October
 - Mr. King indicated that preliminary unaudited financial statements would be provided to this Committee and forwarded on to the Board prior to the completion of the audit

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023

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

- In response to an inquiry by Chair Barry about how the audited financial statements would be presented to the Board, Mr. King indicated that they were typically reviewed through the Audit & Compliance Committee, then ultimately to the Board in a manner requested by that body
 - The information could simply be distributed to the Board as a report from the Audit & Compliance Committee, or the auditors could make a full presentation to the Board
- While Melissa Wallace, the new VP of Finance, was queueing up the presentation, Mr. King asked that she keep her discussion at a summary level
 - He also thought it would be useful for her to point out not only the comparison to the budget, but also the comparison to prior year
- Explaining the graphic, Ms. Wallace then noted that YTD results were shown at the far right, with April/May/June in the final three columns before that; the prior year numbers were represented by the solid horizontal lines; and the budgeted numbers were represented by the dashed horizontal lines
 - YTD Adjusted Patient Days were 221K better than budget
 - Adjusted Discharges were better than prior year, but June was not a good month this year
 - In response to an inquiry from Dr. Filiciotto, Ms. Wallace confirmed that North represented PMC Escondido, South represented PMC Poway, and Cons represented a consolidation of the two
 - Acute Patient Days only showed inpatient services and did not include any outpatient functions, and landed at 108,747, which was lower than anticipated, but for most months exceeded prior year
 - Acute Discharges were similar to admissions, with 24,453 across the year
 - Trend of Observation Discharges were separate from Acute Discharges because they were in outpatient status so could not be included in the inpatient discharges, and there were a significant number of Observation Patients in the inpatient unit, but not necessarily in an inpatient status
 - Mr. King added that having those Observation patients in inpatient beds could be problematic, as the District was not getting paid for a patient day for those patients, who were supposedly only supposed to be kept in Observation status for NLT 23 hours, but that often bled into longer stays of up to 40 hours, for which there also was no payment
 - He also noted that Kaiser patients made up a very high percentage of the Observation patient volume, so the fact that the larger number of Observation patients would no longer be taking up ED beds would be a positive factor
 - Mrs. Wallace pointed out that the Kaiser patients were denoted as bright green, and there were almost as many of them as there were Medicare patients (dark red)
 - ALOS – Acute by Days were right around the anticipated 4.45 across both campuses, but slightly higher (at 4.47) in Escondido vs. 4.36 at Poway
 - Inpatient Surgeries – at 5,825 – were lower than anticipated, although in most months were higher than prior year
 - Outpatient Surgeries – at 6,222 vs. a budgeted 5,349 – came in better than budget, which was consistent with the trend toward Outpatient Surgeries
 - Mr. King added that there had been discussions about 3 years ago where Medicare announced that they would presume that hip and knee replacements and shoulder surgeries would be done on an outpatient basis, unless a particular patient had a medical condition (such as a heart or pulmonary problem) that required that patient to be hospitalized
 - He also noted that Kaiser’s goal was to do more than 50% of their joint replacement surgeries on an outpatient basis

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023

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

- Outpatient Registrations ended the year at just under 123K, slightly higher than budget
 - This category encompassed everything except the ED (e.g., Oncology, Physical Therapy, Imaging, the Laboratory, etc.)
 - Mr. King stated that was expected to continue to grow, as the trend was for growth in all outpatient activities, not just surgeries
- ER Visits – Outpatient Only were at 117K across both campuses (87K at Escondido and 30K at Poway), which was down from the month of May
- ER Admissions – Inpatient Only were at 17K, so about 80% of the ED cases were discharged
 - Director Griffith noted that a large population within the District utilized the ED as their source of primary care, so were not of the acuity that would need to be admitted
- Trauma volume for the month of June was only 132 cases, which was a lighter month than seen recently, and the total volume for the year was at 2,018
- Deliveries for the month of June were at 348, and the year ended at 4,567
 - Mrs. Wallace also pointed out that there was no orange bar at Poway for the month of June due to the consolidation of those services at Escondido in May
- Case Mix Index – at 1.62 – ended the year pretty consistently across the whole year
 - Mr. King pointed out that it was a measure of how sick the patients were, and the higher the acuity level, the higher the payments were from government payors
 - Dr. Filiciotto commended those on the budgeting team, who were “spot on” on this metric
 - In response to an inquiry by Chair Barry about what the sale was for Case Mix, Mr. King responded that Medicare had a weighting factor related to how they paid
 - There were DRGs that had been given a weighting factor of 1, but some were at .87, while others were at 5.6
 - ♦ Adding the total number of cases and the weight of each, then dividing that by the total number of cases, provided the scale
 - ♦ Medicare would pay \$X for a weighting of 1, but if the total in the scale was higher than 1, the amount paid would increase to \$X for that weighting
 - ♦ He then noted that weighting was part of the reason that documentation was so important, as Medicare paid more for a diagnosis of bacterial pneumonia than for viral pneumonia, but there had to be a test and lab work done to confirm that diagnosis, or Medicare wouldn’t accept it and would pay the lower rate
- Medicare Case Mix was at 1.85 for the year as that older population tended to utilize more resources
- In response to an inquiry from Dr. Koirala, Mr. King stated that there were databases that could be accessed from which the Case Mix Index for other hospitals could be obtained based on the size of the hospital; however, he cautioned that a challenge in comparing that information to PME Escondido was that it was operated as a trauma center and, therefore, would always have a higher Case Mix Index unless a surrogate hospital of similar size that was also a trauma center could be located
 - Mrs. Wallace added that there would also be a rise in the PMC Poway Case Mix Index due to the closure of the Obstetrics unit, as that service carried a lower-weighting

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023			
AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
<ul style="list-style-type: none"> DISCUSSION 			
<ul style="list-style-type: none"> Dr. Khawaja stated that he'd also just brought Dr. Jalil on board, and she had done similar work for other hospitals so could also provide some feedback 			
COMMITTEE COMMENTS	Dr. Filiciotto thanked Mr. King for the information related to the auditors and actuaries, as well as the explanation for the delay in presenting the financials		
ADJOURNMENT	The meeting was adjourned by Chair Barry at 2:10 p.m.		
SIGNATURES:	COMMITTEE CHAIR	_____	
		LAURA BARRY	
	COMMITTEE ASSISTANT	_____	
		TANYA HOWELL	

ADDENDUM C

**Professional Services Agreement
General Surgery Call Coverage
Ayda Dashtaei, DO. CORP**

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

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

Background: This contract represents the On-Call Agreement with Ayda Dashtaei, DO. CORP. Physician shall serve as a member of the On-Call Panel at Palomar Medical Center Poway on a rotating basis and provide On-Call Coverage for the specialty of General Surgery in accordance with the Medical Staff by-laws, rules and regulations, policies and procedures of Palomar Health.

Budget Impact: Not 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	Ayda Dashtaei, DO. CORP- General Surgery Call Coverage Professional Services Agreement - 5.1.2023
	AGREEMENT DATE	May 1, 2023
	PARTIES	Palomar Health, a California healthcare district ("PH"), and Ayda Dashtaei, DO. CORP ("Physician").
	PURPOSE	PH desires to ensure that physicians practicing in the specialty of general surgery are available and on call to provide needed medical services at Palomar Medical Center Poway by contracting with Physician to provide such services per the terms of Agreement.
	SCOPE OF SERVICES	Physician is a member of the medical staff of Palomar Medical Center Poway and is duly qualified by licensure, education, and training to practice in the specialty of general surgery and provide medical services at Hospital when called per the terms of this Agreement and to otherwise provide the services required by this Agreement.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal X Discretionary
	TERM	May 1, 2023 – September 30, 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: 10/31/2022
	COMPENSATION METHODOLOGY	Fair Market Value. The parties agree that the terms and provisions of the Agreement are commercially reasonable, and to the best of the Parties' knowledge, the compensation is consistent with fair market value.
	BUDGETED	X YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	X NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Hospital owns and operates several care facilities including Palomar Medical Center Poway and has the need for physicians to provide on-site and on-call medical services in the specialty of general surgery in order to better serve its geographic service area.
	AGREEMENT NOTICED	<input type="checkbox"/> YES X NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input 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	X VP X-CFO <input type="checkbox"/> CEO X-BOD-Committee – Finance; X-BOD

**Professional Services Agreement (ED-Hospitalist Services)
PALOMAR HOSPITAL PARTNERS, INC.**

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

FROM: Omar Khawaja, MD, CMO

Background: Palomar Health desires for Palomar Hospital Partners, Inc. (Physician Group) to provide emergency department and hospitalist professional services pursuant to exclusive agreements between the Parties, and also provide administrative oversight in different capacities for the Emergency Departments and related Hospitalist services. Physician Group shall designate Providers to provide the Service outlined in Exhibit A, which may be amended from time to time, and shall abide by all policies and procedures of Hospital's Medical Staff.

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	Palomar Hospital Partners, Inc. (EMA-Benchmark) – Professional Services Agreement (ED-Hospitalist Services) – 5.1.2023
	AGREEMENT DATE	May 1, 2023
	PARTIES	Palomar Health, a California healthcare district ("PH"), and Palomar Hospital Partners, Inc. aka Emergent Medical Associates (EMA)
	PURPOSE	Hospital desires for Physician Group to provide emergency department and hospitalist professional services pursuant to exclusive agreements between the Parties, and also provide administrative oversight in different capacities for the Emergency Departments and related Hospitalist services.
	SCOPE OF SERVICES	Physician Group shall designate Providers to provide the Services outlined in Exhibit A, which may be amended from time to time. Physician Group and Providers shall abide by all policies and procedures of Hospital’s Medical Staff.
	PROCUREMENT METHOD	X Request For Proposal Discretionary
	TERM	May 1, 2023 – April 30, 2024
	RENEWAL	Agreement shall automatically renew for successive on year periods unless earlier terminated in accordance with the terms of this Agreement.
	TERMINATION	Either party may terminate at any time for any reason upon 120 days’ written notice. Palomar Health may terminate immediately in the event of other occurrences described in Section 10(b).
	FAIR MARKET VALUATION	X YES NO – DATE COMPLETED: JULY 1, 2021
	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	X YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input type="checkbox"/> NO X YES – EXPLAIN: Group has developed and is making comprehensive services available as an aid and assistance to medical centers and to communities specializing in care and treatment of patients admitted to hospitals and medical centers.
	JUSTIFICATION	Hospital owns and operates two (2) acute care hospitals, which require professional clinical services, physician leadership, support and coordination between the Emergency Departments and Hospitalist services.
	AGREEMENT NOTICED	<input type="checkbox"/> YES X NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input 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	X -VP X-CFO <input type="checkbox"/> CEO X-BOD-Committee – Finance; X-BOD

OPHTHALMOLOGY CALL AGREEMENT
Retina Results Medical Corporation (Chirag M. Shah, M.D.)

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

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

Background: This contract represents the Call Agreement with Retina Results Medical Corporation. Physician shall serve as a member of the On-Call Panel at Palomar Medical Center Escondido and Palomar Medical Center Poway on a rotating basis and provide Call Coverage for the specialty of Ophthalmology in accordance with the Medical Staff by-laws, rules and regulations, policies and procedures of Palomar Health.

Call coverage services to PH’s patients will be according to a reasonable call schedule developed by the parties, regardless of payor class, to patients not currently assigned to a particular physician, patients who present to the emergency department, and to hospital patients, including inpatients, who may be assigned to a particular physician but who require consultation or other physician services from an on-call panel physician ophthalmology specialist per the terms of this Agreement.

Budget Impact: Not Budgeted.

Staff Recommendation: Approval

Committee Questions:

<p>COMMITTEE RECOMMENDATION:</p> <p>Motion:</p> <p>Individual Action:</p> <p>Information:</p> <p>Required Time:</p>
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PALOMAR HEALTH – AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Retina Results Medical Corporation - Ophthalmology Call Coverage Agreement
	AGREEMENT DATE	May 1, 2023
	PARTIES	Palomar Health, a California healthcare district ("PH"), and Retina Results Medical Corporation ("Physician").
	PURPOSE	PH desires to ensure that physicians practicing in the specialty of ophthalmology are available and on call to provide needed medical services at the Emergency Department of Palomar Medical Center Escondido and Palomar Medical Center Poway by contracting with Physician to provide such services per the terms of this Agreement.
	SCOPE OF SERVICES	To provide medical services in the specialty of ophthalmology at Hospital when called by rendering services to PH's patients according to a reasonable call schedule developed by the parties, regardless of payor class, to patients not currently assigned to a particular physician, patients who present to the emergency department, and to hospital patients, including inpatients, who may be assigned to a particular physician but who require consultation or other physician services from an on-call panel physician ophthalmology specialist per the terms of this Agreement and to otherwise provide the services required by this Agreement.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	May 1, 2023 – April 30, 2025
	RENEWAL	None.
	TERMINATION	Either party may terminate this agreement without cause upon ninety (90) days' prior written notice.
	FAIR MARKET VALUATION	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – DATE COMPLETED: 5/31/2022
	COMPENSATION METHODOLOGY	Fair Market Value. The parties understand and agree that the payments made per this Agreement represent fair market value for legitimate and needed services actually provided without regard to volume or value of referrals or other business generated between the Parties.
	BUDGETED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Need for continued Ophthalmology consultation call coverage for the Emergency Departments at PMC Escondido and PMC Poway.
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input 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 – <input checked="" type="checkbox"/> Finance; <input checked="" type="checkbox"/> BOD

**Medical Director Agreement
Medical Surgical/Telemetry & Intermediate Care
Adnan M. Zahid, M.D.**

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

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

Background: The amended Agreement represents the duties of the Medical Director in support of the Medical Surgical/Telemetry and Intermediate Care units at Palomar Medical Center Escondido. The Medical Director will be responsible for the performance of the units along with other medical administrative services as outlined to the reasonable satisfaction of the Hospital.

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	1. Zahid, Adnan M., M.D. - Medical Surge/Tele and IMC - Medical Director Agreement - 7.1.2021 2. Zahid, Adnan M., M.D. - Med Surg/Tele & IMC - Amend1 to Med Director Agrmt 7.1.2021 - 7.1.2023
	AGREEMENT DATE	1. July 1, 2021 2. July 1, 2023
	PARTIES	Palomar Health, a California healthcare district and Adnan M. Zahid, M.D.
	PURPOSE	Medical Director leadership and support of the Medical Surgical and Telemetry Unit and the Intermediate Care Unit at PMC Escondido.
	SCOPE OF SERVICES	Physician shall serve as Medical Director of the Medical Surgical/Telemetry and Intermediate Care Units and shall be responsible for the medical direction and other medical administrative services set forth in the agreement. Physician shall abide by all policies and procedures of the Medical Staff.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	1. July 1, 2021 – June 30, 2023 2. July 1, 2023 – June 30, 2025
	RENEWAL	None
	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: MAY 5, 2021
	COMPENSATION METHODOLOGY	Fair Market Value. The parties hereby acknowledge and agree that the compensation 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 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:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Hospital owns and operates several acute hospitals and other facilities which require physician leadership and support of the Medical Surgical/Telemetry and intermediate Care Units at PMC 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	X- VP X-CFO <input type="checkbox"/> CEO X-BOD-Committee – Finance; X-BOD

**Radiology and Director Services Agreement
Arch Health Partners, Inc. dba Palomar Health Medical Group
(Amend 1)**

TO: Board Finance Committee

MEETING DATE: Wednesday, October 25, 2023

FROM: Omar Khawaja, MD, CMO

Background: Hospital has engaged group to provide Physicians, on an independent contractor basis, to provide certain services on behalf of the Hospital. This amendment between Palomar Health and Arch Health Partners, Inc. dba Palomar Health Medical Group adds diagnostic night shift coverage to the Radiology Services Agreement.

Budget Impact: Not 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. Arch Health Partners, Inc. dba Palomar Health Medical Group – Radiology Coverage and Director Services Agreement – 3.1.2023 2. Arch Health Partners, Inc. dba Palomar Health Medical Group – Amendment No. 1 to Radiology and Director Services Agreement – 9.22.2023
	AGREEMENT DATE	1. March 1, 2023 2. September 22, 2023
	PARTIES	Palomar Health, a California healthcare district, and Arch Health Partners, Inc. dba Palomar Health Medical Group, a California nonprofit corporation
	PURPOSE	To retain Group as an independent contractor to provide, on an exclusive basis through its Physicians, certain administrative services and professional radiology medical services in the operation of the Departments. This amendment adds diagnostic night shift coverage to the Radiology Services Agreement for diagnostic night/weekend coverage.
	SCOPE OF SERVICES	Group shall provide diagnostic and interventional radiology services as set forth in this Agreement.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	1. March 1, 2023 to December 31, 2026 2. September 22, 2023 to February 28, 2026
	RENEWAL	None
	TERMINATION	Either party may terminate the agreement without cause upon 180 days' written notice to the other party. Either party may terminate the agreement for breach upon 30 days' notice with corresponding cure period.
	FAIR MARKET VALUATION	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – DATE COMPLETED: 09/22/2023
	COMPENSATION METHODOLOGY	Fair Market Value
	BUDGETED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO – IMPACT: The Palomar Health Board of Directors authorized the CEO or her designee to negotiate and execute this agreement on 3/13/2023 [Resolution No. 03.13.23(01)-04]. Amendment is adding diagnostic night shift coverage.
	EXCLUSIVITY	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Hospital owns and operates an emergency department and/or Trauma Center at two (2) acute care hospitals in the north San Diego community, including Palomar Medical Center Escondido and Palomar Medical Center Poway which require Group to recruit and retain the Physicians required to perform the Services as set forth in this Agreement.
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input 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