



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday, July 18, 2007

*Conference Room, Hospice of
The Owens Valley*

AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

July 18, 2007 at 5:30 P.M.

In the Conference Room of the Hospice of the Owens Valley

1. Call to Order (at 5:30 P.M.).
2. Opportunity for members of the public to comment on any items on this Agenda.
3. Approval of minutes of the June 20 2007 regular meeting.
4. Financial and Statistical Reports for the month of May 2007 – John Halfen.
5. Administrator’s Report – John Halfen.
 - A. Building Update
 - You can but we can’t
 - B. Anesthesia update
 - Payments to doctors
 - C. FYI Section
 - Patient security system
 - Price of Eggs
 - D. Other
6. Chief of Staff Report – Richard Nicholson, M.D.
7. Old Business
 - A. Reaffirmation of Assignment of John Halfen as negotiator on NIH’s behalf regarding potential real estate purchase/lease at 152 Pioneer Lane, Bishop, California in whole or in part. Negotiations may be with Stephen Kobayashi, M.D., Pioneer Medical Associates, a partnership, or its designee, singly or collectively.
 - B. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 2957 Birch Street, Bishop, California. Negotiation will be with the designee(s) of Southern Mono County Healthcare District.
8. New Business
 - A. Donation from Northern Inyo Hospital Foundation, Bishop High Sierra Ultra Marathon - *Marie Boyd*
 - B. Consulting Contract- feasibility study with Mammoth Hospital- *action item*
 - C. Appropriations Limit calculation - *action item*
 - D. RHC Physician Staff Contract, Jeanine Arndal, M.D., OB/Gyn - *action item*
 - E. Policy and Procedure Re: Section 1279.1, CHSC – *action item*
9. Reports from Board members on items of interest.

10. Opportunity for members of the public to comment on any items on this Agenda, and/or on any items of interest.
11. Adjournment to closed session to:
 - A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
 - B. Confer with legal counsel regarding claim received from [Xxxxx Xxxx] against Northern Inyo County Local Hospital District (Government Code Section 54956.9(a)).
 - C. Confer with legal counsel regarding claim received from Landon and Lisa Kleeman against Northern Inyo County Local Hospital District and other defendants (Government Code Section 54956.0(a)).
 - D. Instruction of negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of real property (Government Code Section 54956.8).
 - E. Instruction of negotiator regarding price and terms of payment for a second purchase, sale, exchange, or lease of real property (Government Code Section 54956.8).
 - F. Discussion with counsel of pending litigation and whether or not the District shall initiate litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).
12. Return to open session, and report of any action taken in closed session.
13. Opportunity for members of the public to address the Board of Directors on items of interest.
14. Adjournment

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- CALL TO ORDER The meeting was called to order at 5:33 p.m. by Peter Watercott, President.
- PRESENT Peter Watercott, President
D. Scott Clark, M.D., Vice President
Michael Phillips, M.D., Secretary
John Ungersma, M.D., Treasurer
M.C. Hubbard, Member
- ALSO PRESENT John Halfen, Administrator
Taema Weiss, M.D., Chief of Staff
Douglas Buchanan, Esq., Hospital District Legal Counsel
Sandy Blumberg, Administrative Secretary
- ALSO PRESENT FOR
RELEVANT PORTION(S) Dianne Shirley, R.N., Performance Improvement Coordinator
- PUBLIC COMMENTS
ON AGENDA Mr. Watercott asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting. No comments were heard.
- MINUTES The minutes of the May 16, 2007 regular meeting were approved.
- FINANCIAL AND
STATISTIAL REPORTS John Halfen, Chief Financial Officer, reviewed with the Board the financial and statistical reports for the month of April, 2007. Mr. Halfen noted the statement of operations shows a bottom line excess of revenues over expenses of \$902,893. Mr. Halfen called attention to the following:
- *Inpatient, outpatient, and ancillary service revenue was under budget*
 - *Total Expenses were under budget*
 - *Wages and Salaries and Employee benefits were under budget*
 - *The Balance Sheet did not experience significant change*
 - *Total Assets continue to grow steadily*
 - *Year-to-date net revenue is \$3,878,492*
- The excess for the month was realized due to a correction being made to Alpha Fund charges, and as a result of a transfer being made from restricted funds for interest payment on the 2005 Revenue Bonds. Mr. Halfen noted the cost of employee benefits appears to be stabilizing and accounts receivable are running at an average of 61 days. Net assets continue to grow, which will help Northern Inyo Hospital (NIH) to meet funding requirements for the Hospital rebuild project. It was moved by D. Scott Clark, M.D., seconded by John Ungersma, M.D. and passed to approve the financial and statistical reports for the month of April 2007 as presented.
- ADMINISTRATOR'S
REPORT Mr. Halfen informed the Board that the building project is running into cost overruns, and after more cost figures have been received a detailed review of the projects' status will be presented at the July regular meeting

BUILDING UPDATE of the District Board. It is unclear if scheduling overruns will be incurred due to delays with the Office of Statewide Healthcare Planning and Development (OSHPD) approval of the rebuild plans. Mr. Halfen called attention to building reports and timeline updates included in this month's Board packet, and noted he will update the Board on change orders and timing issues for the project at the July regular meeting as well.

UNEMPLOYMENT INSURANCE REVIEW Mr. Halfen called attention to a letter received from the California Association of Hospitals and Health Systems (CAHHS) unemployment insurance program, informing NIH that based on performance the Hospital's unemployment insurance contribution for the upcoming quarter will be reduced to approximately one half of the previously amount.

FYI SECTION Mr. Halfen called attention to the following items included in the FYI section of the Board packet:

- OTHER**
- An article about significant increases to the salaries of Registered Nurses (RNs) in the Boston area
 - A letter of compliment to the Physical Therapy Department
 - An agency review schedule for OSHPD plan approvals for the hospital rebuild project
 - Information from the California Healthcare Advocacy (CHA) on the following: a summary of single-payer proposals; information on Senate Bill (SB) 306 proposing financial assistance to hospitals in need of seismic safety improvements; and information on Assembly Bill (AB) 371 proposing California hospitals be required to adopt zero lift policies

CHIEF OF STAFF REPORT Chief of Staff Taema Weiss, M.D. reported the Medical Executive Committee did not meet this month and there is no Medical Staff news of significance to report at this time.

OLD BUSINESS

REAFFIRMATION OF ASSIGNMENT OF NEGOTIATOR IN TWO REAL ESTATE TRANSACTIONS Mr. Halfen asked the Board for reaffirmation of the assignment of himself as negotiator on the Hospital's behalf regarding a potential real estate purchase or lease at 152 Pioneer Lane, Bishop, California, in whole or in part. Negotiations may be with Stephen Kobayashi, M.D., Pioneer Medical Associates, a partnership, or its designee, singly or collectively. Mr. Halfen additionally asked the Board to reaffirm the assignment of himself as negotiator on the Hospital's behalf regarding a potential real estate purchase at 2957 Birch Street, Bishop, California. Negotiation will be with the designee(s) of Southern Mono County Healthcare District. It was moved by Michael Phillips, M.D., seconded by M.C. Hubbard, and passed to approve both affirmations as requested, with Doctor Clark abstaining from the vote.

ER CONTRACT Mr. Halfen informed the Board that following extensive discussion the Hospital's Emergency Room (ER) physicians have elected to re-sign with Valley Emergency Physicians for the period of July 1, 2007 to December

31, 2008. Physician pay rates included in the proposed Valley Emergency agreement have been approved by the District Board at a previous meeting. Following review and discussion of the Emergency Care Agreement it was recommended that the following changes be made:

- Paragraph 2 on page 1 under *Recitals* should be modified to read: “Group is a corporation, organized and existing under the laws of the State of California which employs qualified and licensed physicians and surgeons having had experience in the operation of emergency facilities and the rendition of emergency and primary care.”
- Paragraph 2 on page 4 under *Agreements*, in the section titled *Daily Memoranda and Billing* should be changed to read as follows: “Within 10 days of the receipt of an invoice, the District shall present to Group a check representing their fees for services rendered in the preceding month.”

It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the Emergency Care Agreement with Valley Emergency Physicians including the amendments suggested, with Doctor Phillips abstaining from the vote.

NEW BUSINESS

REVISION OF NIH MISSION STATEMENT

Mr. Halfen stated that following review of the NIH Mission Statement with Grant Writing and Marketing Director Georgan Stottlemire, they have decided to recommend that the statement be reworded to read as follows:

“The purpose of Northern Inyo Hospital is: to provide Quality Healthcare by maintaining an environment that is positive and caring for the Patients, Staff, and Community we serve, in a financially responsible manner.”

It was noted that the only change to the Statement was the addition of the words “in a financially responsible manner” at the end of the sentence. It was moved by Doctor Phillips, seconded by Ms. Hubbard and passed to approve amending the NIH Mission statement as suggested.

PENSION AUDIT

Mr. Halfen called attention to the Hospital’s annual pension audit provided by Milliman Consultants and Actuaries. The current audit is nearly identical to the one provided for the previous year, with no significant changes to report. Milliman recommends that NIH raise its plan funding contribution to \$176,000 per month, effective July 1, 2007. It was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to accept the annual pension audit as presented.

PACS SYSTEM APPROVAL

PACS Administrator Bill St Jean informed the Board that following extensive research by the Radiology Department the Novarad Picture Archival Communication System (PACS) has been selected as the best system to purchase for NIH. PACS equipment is the final piece of digital equipment needed to create a filmless imaging department at NIH. Mr. St Jean provided an overview of the reasons for selecting the Novarad

system over the other products available, and Novarad representatives were on hand to answer questions for the Board. The PACS system was budgeted as a priority one purchase item at a cost of over \$700,000, however the Novarad system will cost roughly half that amount and is expected to pay for itself in approximately two years. Southern Inyo Hospital (SIH) has expressed an interest in entering into an agreement with NIH to store their radiology images at NIH, and it is possible Toiyabe Indian Health project may be interested as well. The new equipment will make it possible for physicians to look at images from remote locations, creating a quicker turnaround for reading and diagnosis of patient exams. It was moved by Doctor Clark, seconded by M.C. Hubbard, and passed to approve the purchase of the Novarad PACS system as recommended.

BOARD RESOLUTION
07-05 (LAUNDRY
EQUIPMENT
FINANCING)

Mr. Halfen called attention to Board Resolution 07-05, which is necessary to facilitate the financing of new laundry equipment previously approved for purchase by the Board. The financing agreement is a tax-exempt lease with a dollar buyout option at the end of the term. It was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve Resolution 07-05 as presented.

BOARD MEMBER
REPORTS

Mr. Watercott asked if members of the Board of Directors wished to report on any items of interest. Doctor Ungersma reported he received a financial report from BETA Healthcare, the Hospital's risk management carrier, which indicates the company had a successful year. Doctor Ungersma also noted the Beta correspondence included information on new medical staff case law dealing with anti-slap legislation, the case that was successfully argued by NIH legal counsel.

OPPORTUNITY FOR
PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott asked if any members of the public wished to address the Board of Directors on items of interest. No comments were heard.

CLOSED SESSION

At 6:22 pm Mr. Watercott announced the meeting was being adjourned to closed session to allow the Board of Directors to:

- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
- B. Confer with legal counsel regarding claim filed by April Villalobos against Northern Inyo County Local Hospital District and other defendants (Government Code Section 54956.9(a)).
- C. Confer with legal counsel regarding claim received from XXXXX XXXX against Northern Inyo County Local Hospital District (Government Code Section 54956.9(a)).
- D. Confer with legal counsel regarding claim received from Landon and Lisa Kleeman against Northern Inyo County Local Hospital District and other defendants (Government Code Section 54956.0(a)).

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- F. Instruction of negotiator regarding price and terms of payment for a second purchase, sale, exchange, or lease of real property (Government Code Section 54956.8).

OPEN SESSION

At 6:39 p.m., the meeting was returned to open session. Mr. Watercott announced the Board took no reportable action.

PUBLIC COMMENT

Mr. Watercott again asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting, or on any items of interest. District Legal Counsel Douglas Buchanan stated his concerns about the content of an article recently published in the Inyo Register regarding an action of the Inyo County Board of Supervisors relative to that share of Tobacco Settlement Funds due the District pursuant to Measure B (2002). Mr. Buchanan stated he will conduct research into the legal issues governing the division of such funds including the effect, if any, of a California Court of Appeals decision entitled Totten v Board of Supervisors.

ADJOURNMENT

The meeting was adjourned at 6:43 p.m..

Peter Watercott, President

Attest:

Michael Phillips, M.D. Secretary

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BUDGET VARIANCE ANALYSIS

May-07 PERIOD ENDING

In the month, NIH was

11% over budget in IP days; under in IP Ancillary and over in OP Revenue resulting in

\$ 151,823 (2.5%) over in gross patient revenue from budget and
\$ (336,616) (-9.3%) under in net patient revenue from budget

Total Expenses were:

\$ (83,326) (-2.5%) under budget. Wages and Salaries were
\$ 51,476 (4.2%) over budget and Employee Benefits were
under budget due to decrease in our portion of
\$ (305,260) (-39.1%) Alpha Fund Workers' Comp Liability
\$ 125,269 of other income resulted in a net income of
\$ 164,678 \$ (315,647) under budget.

The following expense areas were over budget for the month:

\$ 45,400	21%	Professional Fees; registry staff
\$ 63,861	13%	Supplies; mainly surgery supplies
\$ 18,295	13%	Depreciation Expense; correcting for year
\$ 36,171	26%	Bad Debt
\$ 11,475	7%	Other Expenses

Other Information:

49.97% Contractual Percentages for month
44.23% Contractual Percentages for Year

\$ 4,043,170 Year-to-date Net Revenue

Special Notes for Month:

\$ 171,100 ALPHA Fund Comp will correct by this amount until July 1st
Contractual Percentages have climbed due to tentative cost report information
from Medi-Cal for 2006 reducing our payment percentage from 77% to 62%.

NORTHERN INYO HOSPITAL

Balance Sheet

May 31, 2007

Assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2006</u>
Current assets:			
Cash and cash equivalents	418,791	3,032,971	3,148,845
Short-term investments	11,929,985	8,238,333	6,637,435
Assets limited as to use	88,154	1,403,017	603,039
Plant Expansion and Replacement Cash	10,891,486	13,275,050	15,515,948
Other Investments (Partnership)	369,561	369,561	369,561
Patient receivable, less allowance for doubtful accounts 633,338	6,825,824	6,953,940	6,374,400
Other receivables	76,147	102,096	212,005
Inventories	1,876,065	1,876,495	1,897,120
Prepaid expenses	649,252	652,644	470,018
Total current assets	33,125,264	35,904,107	35,228,370
Assets limited as to use:			
Internally designated for capital acquisitions	454,910	454,479	652,606
Specific purpose assets	482,391	482,262	474,914
	937,301	936,741	1,127,520
Revenue bond construction funds held by trustee	934,534	872,431	1,632,595
Less amounts required to meet current obligations	88,154	1,403,017	603,039
Net Assets limited as to use:	1,783,681	406,155	2,157,076
Long-term investments	8,307,321	8,307,321	8,307,321
Property and equipment, net of accumulated depreciation and amortization	16,666,587	15,553,699	10,895,169
Unamortized bond costs	338,932	339,417	344,269
Total assets	60,221,785	60,510,700	56,932,206

NORTHERN INYO HOSPITAL

Balance Sheet

May 31, 2007

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2006</u>
Current liabilities:			
Current maturities of long-term debt	-	-	235,000
Accounts payable	531,469	520,719	683,397
Accrued salaries, wages and benefits	2,646,693	3,306,392	2,954,330
Accrued interest and sales tax	257,193	159,199	168,166
Deferred income	133,006	168,174	97,853
Due to third-party payors	2,627,871	2,494,694	2,864,110
Due to specific purpose funds	-	-	-
Total current liabilities	<u>6,196,232</u>	<u>6,649,178</u>	<u>7,002,857</u>
Long-term debt, less current maturities	22,450,000	22,450,000	22,450,000
Bond Premium	407,476	408,681	431,586
Total long-term debt	<u>22,857,476</u>	<u>22,858,681</u>	<u>22,881,586</u>
Net assets:			
Unrestricted	30,685,686	30,520,578	26,572,849
Temporarily restricted	482,391	482,262	474,914
Total net assets	<u>31,168,077</u>	<u>31,002,840</u>	<u>27,047,763</u>
 Total liabilities and net assets	 <u>60,221,785</u>	 <u>60,510,700</u>	 <u>56,932,206</u>

NORTHERN INYO HOSPITAL

Statement of Operations

As of May 31, 2007

	MTD		MTD		YTD		YTD	
	Actual	Budget	Variance \$	Variance %	Actual	Budget	Variance \$	Variance %
	MTD Actual	MTD Budget	Variance \$	%	YTD Actual	YTD Budget	Variance \$	%
Unrestricted revenues, gains and other support:								
In-patient service revenue:								
Routine	562,146	557,910	4,236	0.8	6,070,121	6,137,010	(66,889)	(1.1)
Ancillary	1,983,232	2,122,312	(139,080)	(6.6)	19,901,852	23,345,432	(3,443,580)	(14.8)
Total in-patient service revenue	2,545,378	2,680,222	(134,844)	-5.0%	25,971,973	29,482,442	(3,510,469)	-11.9%
Out-patient service revenue	3,636,881	3,350,214	286,667	8.6	36,076,239	36,852,354	(776,115)	(2.1)
Gross patient service revenue	6,182,259	6,030,436	151,823	2.50	62,048,212	66,334,796	(4,286,584)	(6.5)
Less deductions from patient service revenue:								
Patient service revenue adjustments	169,533	131,706	(37,827)	(28.7)	1,527,520	1,448,766	(78,754)	(5.4)
Contractual adjustments	2,744,997	2,294,385	(450,612)	(19.6)	24,351,422	25,238,235	886,813	3.5
Total deductions from patient service revenue	2,914,530	2,426,091	(488,439)	(20.1)	25,878,942	26,687,001	808,059	3.0
Net patient service revenue	3,267,729	3,604,345	(336,616)	-9%	36,169,270	39,647,795	(3,478,525)	-9%
Other revenue	21,821	20,957	864	4.1	297,850	230,527	67,323	29.2
Transfers from Restricted Funds for Other Operating Expenses	-	-	-	N/A	788,740	-	788,740	N/A
Total Other revenue	21,821	20,957	864	4.1	1,086,590	230,527	856,063	371.4
Total revenue, gains and other support	3,289,551	3,625,302	(335,752)	4.0	37,255,860	39,878,322	(2,622,462)	371.3
Expenses:								
Salaries and wages	1,269,395	1,217,919	(51,476)	(4.2)	12,978,176	13,397,109	418,933	3.1
Employee benefits	475,592	780,852	305,260	39.1	7,234,758	8,589,372	1,354,614	15.8
Professional fees	262,118	216,718	(45,400)	(21.0)	2,703,995	2,383,898	(320,097)	(13.4)
Supplies	539,112	475,251	(63,861)	(13.4)	4,818,289	5,227,761	409,472	7.8
Purchased services	157,067	161,810	4,743	2.9	1,571,236	1,779,910	208,674	11.7
Depreciation	154,542	136,247	(18,295)	(13.4)	1,485,466	1,498,717	13,251	0.9
Interest	33,043	33,043	(0)	-	363,476	363,473	(3)	-
Bad debts	174,994	138,823	(36,171)	(26.1)	1,564,996	1,527,053	(37,943)	(2.5)
Other	165,947	154,472	(11,475)	(7.4)	1,729,548	1,699,192	(30,356)	(1.8)
Total expenses	3,231,809	3,315,135	83,326	2.5	34,449,941	36,466,485	2,016,544	5.5
Operating income (loss)	57,741	310,167	(252,426)	1.5	2,805,920	3,411,837	(605,917)	365.8
Other income:								
District tax receipts	35,168	102,713	(67,545)	(65.8)	386,848	1,129,843	(742,995)	(65.8)
Interest	80,770	70,588	10,182	14.4	836,825	776,468	60,357	7.8
Other	9,331	15,785	(6,454)	(40.9)	48,348	173,635	(125,287)	(72.2)
Grants and Other Non-Restricted Contributions	-	121	(121)	(100.0)	184,162	1,331	182,831	13,736.4
Partnership Investment Income	-	-	-	N/A	-	-	-	N/A
Total other income, net	125,269	189,207	(63,938)	(34)	1,456,183	2,081,277	(625,094)	(30.0)
Non-Operating Expense								
Medical Office Expense	9,397	13,858	4,461	32.2	121,065	152,438	31,373	20.6
Urology Office	8,935	5,191	(3,744)	(72.1)	97,868	57,101	(40,767)	(71.4)
Total Non-Operating Expense	18,333	19,049	716	3.8	218,933	209,539	(9,394)	(4.5)
Excess (deficiency) of revenues over expenses	164,678	480,325	(315,647)	(65.7)	4,043,170	5,283,575	(1,240,405)	(23.5)

NORTHERN INYO HOSPITAL
Statement of Operations--Statistics
As of May 31, 2007

	Month Actual	Month Budget	Month Variance	Month Percentage	YTD Actual	YTD Budget	YTD Variance	Year Percentage
Operating statistics:								
Beds	25.00	32.00	N/A	N/A	25.00	32.00	N/A	N/A
Patient days	300.00	271.00	29.00	1.11	3,223.00	2,981.00	242.00	1.08
Maximum days per bed capacity	775.00	960.00	N/A	N/A	8,375.00	10,560.00	N/A	N/A
Percentage of occupancy	38.71	28.23	10.48	1.37	38.48	28.23	10.25	1.36
Average daily census	9.68	9.03	0.64	1.07	9.62	9.03	0.59	1.07
Average length of stay	3.49	3.08	0.41	1.13	3.08	3.08	0.00	1.00
Discharges	86.00	88.00	(2.00)	0.98	1,046.00	968.00	78.00	1.08
Admissions	94.00	89.00	5.00	1.06	1,056.00	979.00	77.00	1.08
Gross profit-revenue depts.	4,164,678.55	3,937,409.00	227,269.55	1.06	40,291,765.59	43,311,499.00	(3,019,733.41)	0.93
Percent to gross patient service revenue:								
Deductions from patient service revenue and bad debts	49.97	42.63	7.34	1.17	44.26	42.63	1.63	1.04
Salaries and employee benefits	28.20	33.14	(4.94)	0.85	32.54	33.14	(0.60)	0.98
Occupancy expenses	3.39	3.08	0.31	1.10	3.28	3.08	0.20	1.06
General service departments	4.89	5.17	(0.28)	0.95	5.44	5.17	0.27	1.05
Fiscal services department	3.74	4.54	(0.80)	0.82	4.26	4.54	(0.28)	0.94
Administrative departments	4.04	5.16	(1.12)	0.78	4.80	5.16	(0.36)	0.93
Operating income (loss)	0.64	4.83	(4.19)	0.13	4.47	4.83	(0.36)	0.93
Excess (deficiency) of revenues over expenses	2.66	7.97	(5.31)	0.33	6.52	7.97	(1.45)	0.82
Payroll statistics:								
Average hourly rate (salaries and benefits)	34.03	40.34	(6.32)	0.84	37.12	40.34	(3.22)	0.92
Worked hours	46,083.51	42,120.00	3,963.51	1.09	479,802.88	461,316.00	18,486.88	1.04
Paid hours	51,234.62	49,534.00	1,700.62	1.03	543,872.41	544,874.00	(1,001.59)	1.00
Full time equivalents (worked)	261.84	243.47	18.37	1.08	251.47	242.42	9.05	1.04
Full time equivalents (paid)	291.11	286.32	4.78	1.02	285.05	286.32	(1.28)	1.00

Critical Access Hospital status equal 25 beds; note changes to Occupancy percentages due to change in maximum beds.

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of May 31, 2007

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	164,677.62	4,043,169.63
Net Assets due/to transferred from unrestricted	-	205,362.90
Net assets released from restrictions used for operations	-	850,740.00
Net assets released from restrictions used for payment of long-term debt	-	(788,740.00)
Contributions and interest income	430.68	(197,695.54)
Increase in unrestricted net assets	<u>165,108.30</u>	<u>4,112,836.99</u>
Temporarily restricted net assets:		
District tax allocation	-	856,637.92
Net assets released from restrictions	-	(850,740.00)
Restricted contributions	129.00	583.91
Interest income	-	995.25
Increase (decrease) in temporarily restricted net assets	<u>129.00</u>	<u>7,477.08</u>
Increase (decrease) in net assets	165,237.30	4,120,314.07
Net assets, beginning of period	31,002,839.76	27,047,762.99
Net assets, end of period	<u><u>31,168,077.06</u></u>	<u><u>31,168,077.06</u></u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of May 31, 2007

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	165,237.30	4,120,314.07
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting debt payment)	-	-
Depreciation	154,542.47	1,485,466.43
Provision for bad debts	174,994.23	1,564,995.85
Loss (gain) on disposal of equipment	6,001.00	6,101.00
(Increase) decrease in:		
Patient and other receivables	(20,928.24)	(1,880,561.57)
Other current assets	3,822.66	(158,178.73)
Plant Expansion and Replacement Cash	2,383,564.36	4,624,462.34
Increase (decrease) in:		
Accounts payable and accrued expenses	(586,123.55)	(335,386.09)
Third-party payors	133,177.00	(236,238.88)
Net cash provided (used) by operating activities	<u>2,414,287.23</u>	<u>9,190,974.42</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,267,430.75)	(7,256,884.35)
Purchase of investments	(3,691,652.52)	(5,292,550.37)
Proceeds from disposal of equipment	(6,001.00)	(6,101.00)
Net cash provided (used) in investing activities	<u>(4,965,084.27)</u>	<u>(12,555,535.72)</u>
Cash flows from financing activities:		
Long-term debt	(1,205.55)	(259,110.30)
Issuance of revenue bonds	(62,102.89)	698,061.48
Unamortized bond costs	485.24	5,337.64
Increase (decrease) in donor-restricted funds, net	(559.68)	190,218.46
Net cash provided by (used in) financing activities	<u>(63,382.88)</u>	<u>634,507.28</u>
Increase (decrease) in cash and cash equivalents	(2,614,179.92)	(2,730,054.02)
Cash and cash equivalents, beginning of period	<u>3,032,971.14</u>	<u>3,148,845.24</u>
Cash and cash equivalents, end of period	<u>418,791.22</u>	<u>418,791.22</u>

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2007

Operations Checking Account

Time Deposit Month-End Balances

Month	Balance at Beginning of Month	Operations Checking Account		Balance at End of Month	Premium Interest Checking	Investment Operations Fund	Bond and Interest Fund (2)	Equipment Donations Fund	Childrens Fund	Scholarship Fund	Tobacco Settlement Fund	Total Revenue Bond Fund (1)	Project Revenue Bond Fund (1)	General Obligation Bond Fund
		Deposits	Disbursements											
January	936,738	3,349,146	3,230,137	1,055,747	519	17,418,118	525,863	25,122	2,798	5,734	715,405	744,735	16,654	15,331,544
February	1,055,747	3,012,726	3,529,773	538,700	8	18,118,118	525,863	25,122	2,789	5,834	716,060	786,899	16,717	15,376,250
March	538,700	3,711,798	3,700,602	549,896	0	19,014,106	526,320	25,141	2,900	5,839	716,764	829,159	16,775	13,996,056
April	549,896	7,165,639	5,972,745	1,742,790	0	16,533,747	473,447	25,141	2,900	5,839	429,339	872,431	17,616	13,275,050
May	1,742,790	3,030,162	4,660,401	112,551	0	20,225,400	473,447	25,141	3,029	5,839	429,769	934,534	17,680	10,891,486
June	950,815	3,272,613	3,109,328	1,114,100	1,544,902	14,932,849	466,576	24,896	2,793	5,469	627,709	1,632,595	867,200	15,499,501
July	1,114,100	2,592,650	2,845,491	861,259	1,550,786	15,713,474	434,758	24,896	2,793	5,724	628,384	1,121,978	310,860	15,558,623
August	861,259	3,563,476	3,206,915	1,217,820	1,556,826	15,588,531	466,576	24,896	2,793	5,724	629,066	1,167,917	310,864	15,619,307
September	1,217,820	2,891,026	2,829,293	1,279,553	1,562,539	16,338,426	435,194	24,970	2,796	5,729	629,705	1,214,051	310,866	15,676,672
October	1,279,553	3,513,782	3,902,742	890,593	1,568,930	17,134,630	16,934	24,970	2,796	5,729	713,160	965,952	16,501	15,740,837
November	890,593	4,105,103	4,512,789	482,906	74,468	17,384,630	16,934	25,100	2,796	5,729	713,912	1,032,481	16,530	15,802,765
December	482,906	3,745,997	3,292,165	936,738	545	17,384,630	528,988	25,122	2,798	5,734	714,632	702,720	16,591	15,802,073

Notes: (1) The difference between the Total and Project Revenue Bond Funds represents amounts held by the trustee to make payments on the District's behalf and about \$575,000 to cover the Bond Reserve Account Requirement with respect to the Series 1998 Bonds. The Project amount represents the balance available to spend on the building project; however, the district accumulates invoices and only requests reimbursement quarterly.
(2) The Bond and Interest Fund now contains the Debt Service amount from the County for both the original Bond and the 2005 Bond.

Northern Inyo Hospital

Investments as of 5/31/2007

	Purchase Dt	Maturity Dt	Institution	Rate	Principal
1	5/2/2007	6/1/2007	Local Agency Investment Fund	5.25%	289,284.36
2	5/23/2007	6/1/2007	Local Agency Investment Fund	5.25%	8,842,765.77
3	6/22/2005	6/22/2007	Federal Home Loan Bank-FNC	4.00%	1,000,000.00
4	7/8/2005	6/29/2007	FANNIE MAE FNMA-MBS	4.00%	500,000.00
5	7/5/2005	7/5/2007	Federal Home Loan Bank-MBS	4.00%	500,000.00
6	4/30/2007	8/30/2007	United States Treasury Bills	4.81%	378,924.58
7	3/14/2006	9/14/2007	Federal Home Loan Bank-FNC	5.13%	600,000.00
8	4/30/2007	10/25/2007	United States Treasury Bills	4.88%	379,981.77
9	11/28/2005	11/28/2007	Federal Home Loan Bank-MBS	5.00%	500,000.00
10	5/2/2007	12/1/2007	Cantella & Co., Inc	4.50%	68,816.61
11	12/27/2005	12/27/2007	Federal Home Loan Bank-FNC	5.00%	500,000.00
12	1/24/2003	1/24/2008	Capital One Bank	4.31%	100,000.00
13	1/24/2003	1/24/2008	Capital One, F.S.B.	4.30%	100,000.00
14	1/24/2003	1/24/2008	Key Bank USA	3.50%	100,000.00
15	3/18/2005	3/18/2008	First Federal Bank	4.00%	100,000.00
16	3/23/2007	3/24/2008	Farmers Bank	5.00%	100,000.00
17	12/14/2004	5/27/2008	Cantella & Co., Inc	3.50%	225,000.00
18	3/11/2005	6/11/2008	Community Bank	4.00%	98,000.00
19	3/11/2005	6/11/2008	Equity Bank	4.00%	100,000.00
20	1/30/2006	7/28/2008	Federal Home Loan Bank-FNC	5.00%	500,000.00
21	4/21/2005	10/7/2008	Federal Home Loan Bank-MBS	4.00%	1,335,000.00
22	10/15/2003	10/15/2008	R-G Crown Bank	4.00%	97,000.00
23	10/31/2005	10/27/2008	Federal Home Loan Bank-MBS	5.00%	500,000.00
24	5/26/2005	11/26/2008	Federal Home Loan Bank-FNC	4.50%	1,000,000.00
25	12/15/2003	12/15/2008	Bear, Stearns Securities	3.00%	300,000.00
26	1/4/2005	1/5/2009	Mututal Bank	4.36%	99,000.00
27	1/7/2004	1/7/2009	Bear Stearns Security	4.08%	100,000.00
28	2/20/2007	2/20/2009	Federal Home Loan Bank-FNC	5.28%	500,000.00
29	5/2/2007	11/1/2009	Cantella & Co., Inc	4.50%	113,626.61
30	12/30/2004	12/30/2009	Capital City Bank and Trust	4.75%	99,000.00
31	4/22/2005	4/22/2010	Bank of Waukegan	4.75%	99,000.00
32	2/24/2006	2/24/2011	Federal Home Loan Bank-MBS	6.00%	1,000,000.00
			Total		\$20,225,399.70

Financial Indicators

	Target	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06
Current Ratio	>1.5-2.0	5.35	5.40	4.76	5.35	5.54	5.48	5.43	4.77	4.65	4.77	4.71	5.03
Quick Ratio	>1.33-1.5	4.93	5.00	4.38	4.95	5.11	5.06	5.01	4.44	4.33	4.41	4.36	4.66
Days Cash on Hand	>75	289.37	354.74	327.83	331.37	327.96	349.52	339.70	363.56	324.75	330.63	305.76	390.80

NORTHERN INYO HOSPITAL
STATISTICS

MONTHS	SURGERIES												ER			OP REFERRALS	ADMITTS (W/NB)			PT DAYS (W/O NB)			PT DAYS (W/NB)			DISCH (W/NB)		
	IP		OP		TOTAL		BIRTHS		ADMITTS		VISITS		ADMITTS (W/O NB)		ADMITTS (W/NB)		PT DAYS (W/O NB)		PT DAYS (W/NB)		DISCH (W/O NB)		DISCH (W/NB)					
	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07		05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07			
JANUARY	35 / 40 / 38	65 / 72 / 73	100 / 112 / 111	17 / 19 / 17	49 / 60 / 47	540 / 563 / 510	3048 / 3135 / 3331	109 / 126 / 111	275 / 370 / 299	320 / 410 / 350	115 / 124 / 106	109 / 126 / 111	275 / 370 / 299	320 / 410 / 350	115 / 124 / 106	109 / 126 / 111	275 / 370 / 299	320 / 410 / 350	115 / 124 / 106	109 / 126 / 111	275 / 370 / 299	320 / 410 / 350	115 / 124 / 106	109 / 126 / 111	275 / 370 / 299	320 / 410 / 350		
FEBRUARY	29 / 28 / 24	81 / 62 / 59	110 / 91 / 83	15 / 20 / 19	54 / 44 / 14	422 / 467 / 521	2777 / 3100 / 2991	121 / 106 / 107	319 / 255 / 251	358 / 303 / 291	111 / 113 / 105	121 / 106 / 107	319 / 255 / 251	358 / 303 / 291	111 / 113 / 105	121 / 106 / 107	319 / 255 / 251	358 / 303 / 291	111 / 113 / 105	121 / 106 / 107	319 / 255 / 251	358 / 303 / 291	111 / 113 / 105	121 / 106 / 107	319 / 255 / 251	358 / 303 / 291		
MARCH	34 / 50 / 25	78 / 101 / 53	112 / 151 / 78	20 / 26 / 17	59 / 63 / 49	606 / 543 / 460	3163 / 3387 / 3079	123 / 152 / 117	356 / 333 / 286	395 / 399 / 322	105 / 112 / 112	123 / 152 / 117	356 / 333 / 286	395 / 399 / 322	105 / 112 / 112	123 / 152 / 117	356 / 333 / 286	395 / 399 / 322	105 / 112 / 112	123 / 152 / 117	356 / 333 / 286	395 / 399 / 322	105 / 112 / 112	123 / 152 / 117	356 / 333 / 286	395 / 399 / 322		
APRIL	27 / 31 / 31	68 / 81 / 59	95 / 112 / 90	9 / 18 / 17	43 / 54 / 48	466 / 474 / 525	3119 / 3145 / 3251	97 / 114 / 105	244 / 310 / 245	262 / 346 / 276	116 / 112 / 112	97 / 114 / 105	244 / 310 / 245	262 / 346 / 276	116 / 112 / 112	97 / 114 / 105	244 / 310 / 245	262 / 346 / 276	116 / 112 / 112	97 / 114 / 105	244 / 310 / 245	262 / 346 / 276	116 / 112 / 112	97 / 114 / 105	244 / 310 / 245	262 / 346 / 276		
MAY	41 / 31 / 38	74 / 73 / 95	115 / 104 / 133	16 / 20 / 19	49 / 53 / 40	594 / 564 / 580	2968 / 3313 / 3343	113 / 111 / 112	349 / 345 / 299	385 / 381 / 342	103 / 106 / 103	113 / 111 / 112	349 / 345 / 299	385 / 381 / 342	103 / 106 / 103	113 / 111 / 112	349 / 345 / 299	385 / 381 / 342	103 / 106 / 103	113 / 111 / 112	349 / 345 / 299	385 / 381 / 342	103 / 106 / 103	113 / 111 / 112	349 / 345 / 299	385 / 381 / 342		
JUNE	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
JULY	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
AUGUST	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
SEPTEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
OCTOBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
CALENDAR YEAR	166 / 181 / 156	366 / 389 / 339	532 / 570 / 495	77 / 103 / 89	254 / 274 / 198	2628 / 2811 / 2596	15075 / 16080 / 15995	563 / 609 / 552	1543 / 1613 / 1380	1720 / 1839 / 1581	560 / 608 / 542	563 / 609 / 552	1543 / 1613 / 1380	1720 / 1839 / 1581	560 / 608 / 542	563 / 609 / 552	1543 / 1613 / 1380	1720 / 1839 / 1581	560 / 608 / 542	563 / 609 / 552	1543 / 1613 / 1380	1720 / 1839 / 1581	560 / 608 / 542	563 / 609 / 552	1543 / 1613 / 1380	1720 / 1839 / 1581	560 / 608 / 542	
MONTHLY AVERAGE	33 / 36 / 31	73 / 78 / 68	106 / 114 / 99	15 / 21 / 18	51 / 55 / 40	526 / 522 / 519	3,015 / 3,216 / 3,199	113 / 122 / 110	309 / 323 / 276	344 / 368 / 316	112 / 122 / 108	113 / 122 / 110	309 / 323 / 276	344 / 368 / 316	112 / 122 / 108	113 / 122 / 110	309 / 323 / 276	344 / 368 / 316	112 / 122 / 108	113 / 122 / 110	309 / 323 / 276	344 / 368 / 316	112 / 122 / 108	113 / 122 / 110	309 / 323 / 276	344 / 368 / 316	112 / 122 / 108	

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

MONTHS 2007	DIAGNOSTIC RADIOLOGY		MAMMOGRAPHY		NUCLEAR MEDICINE		ULTRASOUND		CT SCANNING		MRI		LABORATORY		EKG/ EEG		PHYSICAL THERAPY		RESPIRATORY THERAPY		RURAL HEALTH CLINIC		TOTALS	
	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07	05 / 06 / 07	06 / 07
JANUARY	340 / 312 / 308		202 / 229 / 198		47 / 29 / 36		102 / 107 / 166		151 / 123 / 112		86 / 85 / 86		1968 / 1686 / 1621		127 / 103 / 139		313 / 302 / 335		16 / 12 / 19		1014 / 1029 / 941		4366 / 4017 / 3961	
FEBRUARY	323 / 250 / 263		203 / 211 / 194		52 / 60 / 38		119 / 135 / 157		142 / 111 / 102		77 / 92 / 71		1753 / 1633 / 1662		83 / 82 / 84		306 / 361 / 302		12 / 19 / 19		921 / 970 / 965		3991 / 3924 / 3857	
MARCH	413 / 329 / 269		201 / 83 / 122		52 / 52 / 29		113 / 133 / 144		161 / 126 / 95		92 / 105 / 76		2105 / 1853 / 1734		81 / 132 / 100		315 / 425 / 340		12 / 14 / 16		1240 / 1099 / 1095		4785 / 4351 / 4020	
APRIL	348 / 254 / 258		232 / 237 / 246		40 / 35 / 46		137 / 109 / 139		180 / 107 / 123		84 / 84 / 105		1815 / 1984 / 1767		97 / 84 / 85		378 / 397 / 300		18 / 21 / 14		1103 / 915 / 883		4433 / 4227 / 3966	
MAY	304 / 263 / 262		221 / 241 / 230		54 / 41 / 85		98 / 122 / 150		161 / 110 / 131		96 / 88 / 100		1782 / 1741 / 1743		85 / 95 / 112		333 / 374 / 295		17 / 18 / 18		971 / 958 / 1007		4122 / 4051 / 4133	
JUNE	/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /	
JULY	/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /	
AUGUST	/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /	
SEPTEMBER	/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /	
OCTOBER	/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /	
NOVEMBER	/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /	
DECEMBER	/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /		/ / /	
CALENDAR YEAR	1729 / 1408 / 1360		1059 / 1001 / 990		245 / 217 / 234		569 / 606 / 756		795 / 577 / 563		435 / 454 / 438		9423 / 8897 / 8527		473 / 496 / 520		1645 / 1859 / 1572		75 / 84 / 86		5249 / 4971 / 4891		21697 / 20570 / 19937	
MONTHLY AVERAGES	346 / 282 / 272		212 / 200 / 198		49 / 43 / 47		114 / 121 / 151		159 / 115 / 113		87 / 91 / 88		1885 / 1779 / 1705		95 / 99 / 104		329 / 372 / 314		15 / 17 / 17		1050 / 994 / 978		4339 / 4114 / 3987	

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2005
As of MAY 31, 2007

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 1995-96	Hospital Information System	\$1,300,000
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>1,300,000</u>
FY 2006-07	Philips Biphasic Defibrillators (eight)	101,388 *
	Crash Carts	15,735 *
	Urology Office Equipment & Charts (Purchased from Dr. Evantov) (Half of \$35,000 buy-up amount)	18,856 *
	Platelet Incubator/Agitator Purchase (non-budget)	2,600
	Computer Backup/Disaster Recovery Upgrade	77,124 *
	Virtual Servers	40,677 *
	QuadraMed Tempus One Scheduling System (Includes Surgery Module)	233,750
	Honda CRV	23,292 *
	GE Digital Mammography	508,759 *
	BECKMAN COULTER Blood Analyzer LH500	53,875 *
	GE Centricity RHC Electronic Health Record Software	75,950
	Terason t3000 Ultrasound System	43,396 *
	QuickPay System	13,700
	Hologic Stereotactic Breast Biopsy System	156,000
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>1,365,101</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	1,300,000

**Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2005
As of MAY 31, 2007**

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>1,365,101</u>
	Year-to-Date Board-Approved Amount to be Expended	1,782,000
	Year-to-Date Administrator-Approved Amount Actually Expended in Current Fiscal Year	523,594 * <u>883,101 *</u>
	TOTAL FUNDS APPROVED TO BE EXPENDED	<u><u>3,188,696</u></u>
	Total-to-Date Spent on Incomplete Board Approved Expenditures (Hospital Information System and Building Project)	1,199,399
 Reconciling Totals:		
	Actually Capitalized in the Current Fiscal Year Total-to-Date	1,406,696
	Plus: Lease Payments from a Previous Period	0
	Less: Lease Payments Due in the Future	0
	Less: Funds Expended in a Previous Period	0
	Plus: Other Approved Expenditures	<u>1,782,000</u>
	ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	<u><u>3,188,696</u></u>
	Donations by Auxiliary	0
	Donations by Hospice of the Owens Valley	0
	Donations by Others	<u>0</u>
		<u><u>0</u></u>

*Completed Purchase

(Note: The budgeted amount for capital expenditures for the fiscal year ending June 30, 2006, is \$3,600,000 coming from existing hospital funds.)

**Completed in prior fiscal year

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2005
 As of MAY 31, 2007**

MONTH	APPROVED	AMOUNT
BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES		
Board Approved Construction and Remodel amounts to be Reimburse from Revenue Bonds:		
FY 1996-97	Central Plant and Emergency Power Generator	3,000,884 **
FY 1997-98	Administration/Office Building (Includes Furniture and Landscaping)	1,617,772 **
FY 2000-01	New Water Line Construction	89,962 **
FY 2001-02	Siemens ICU Patient Monitoring Equipment	170,245 **
	Central Plant and Emergency Power Generator OSHPD Fee	18464.5 **
FY 2003-04	Emergency Room Remodel (Included in New Building & Remodel)	0
FY 2004-05	Emergency Room Remodel (add to \$500,000) (In New Building & Remodel)	0
FY 2005-06	Hospital Building and Remodel	39,500,000
FY 2005-06	Construction Cost Overrun Approval	15,250,000
Total-To-Date Board Approved Construction Amounts to be reimbursed from Revenue Bonds & General Obligation Bond		<u><u>59,647,328</u></u>
Total-To-Date Spent on Construction In Progress from Rev Bonds for Incomplete Projects (Includes Architect Fees for Future Phases)		

*Completed Purchase

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2005
As of MAY 31, 2007

Administrator-Approved Item(s) Month Ending April 30, 2007	Department	Amount	Month Total 31,913	Grand Total 489,936
FRZR ULTIMAII CHEST W/CHART RECORDE SURGERY		7,297		
BVI 3000, BLADDER SCAN WITH CART	SURGERY	13,479		
PC FOR OMNISUPPLIER W/PRINTER	PHARMACY	8,989		
CRESCENT ICE CUBER	PACU	1,878		
HOTEL/MOTEL ICE DISPENSING BIN	PACU	2,014		
Month Ending May 31, 2007			33,658	523,594

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2. Proposed 2008 physician fee schedule released

The Centers for Medicare & Medicaid Services today proposed an estimated Medicare payment update for physicians of minus 9.9% in 2008, based on the program's sustainable growth rate formula. The proposed rule also outlines proposed payment changes for Part B drugs and other services under the physician fee schedule and 2008 quality measures for physicians. For example, the rule would increase the value of the work component of anesthesia services by 32%, continue the temporary HCPCS payment code for preadmission-related services for intravenous immunoglobulin, and no longer exempt faxed prescriptions from the SCRIPT electronic-prescribing standard. According to CMS, the rule also would close certain physician-self referral loopholes, and require physical and occupational therapy providers to meet state licensing and other requirements. The proposed rule will be published in the Federal Register July 12, with comments accepted through Aug. 31.

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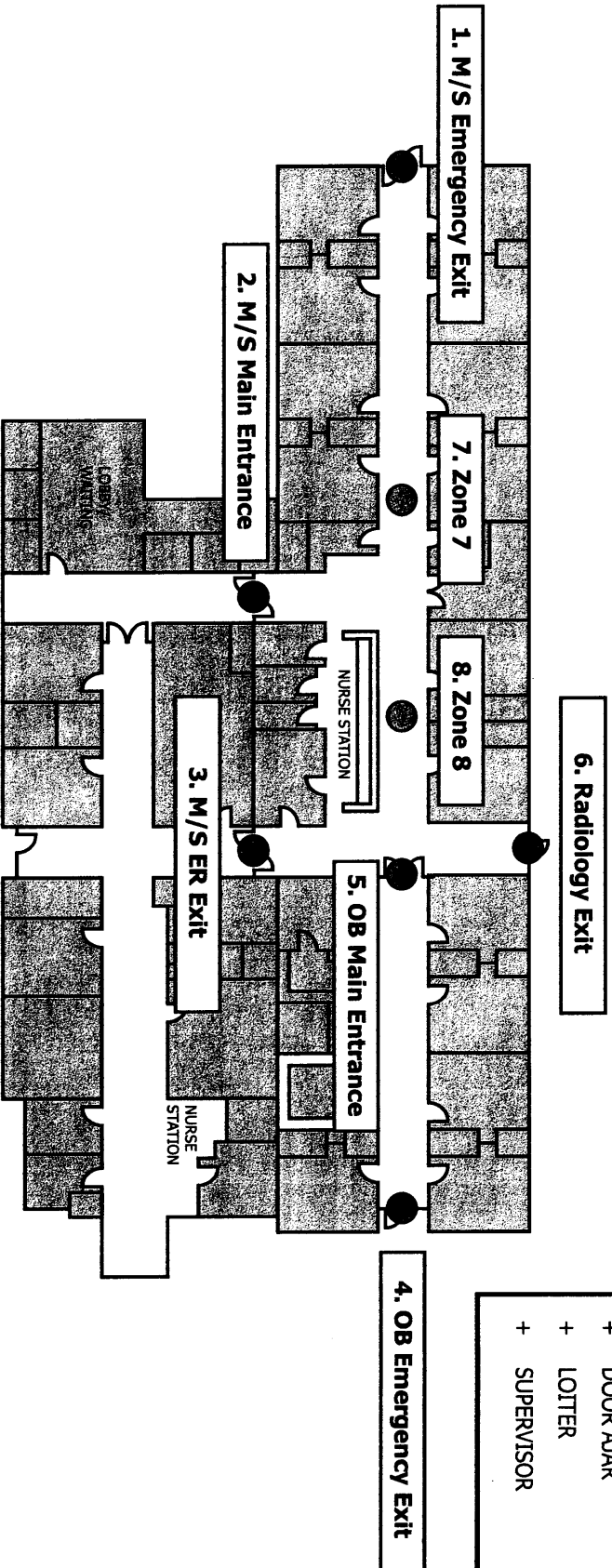
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Northern Inyo Hospital

Bishop, CA



ZONE STATUS	
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+	LOITER
+	SUPERVISOR



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CLARK, KOORTBOJIAN & ASSOCIATES

May 30, 2007

Gary Myers
Chief Executive Officer
Mammoth Hospital
85 Sierra Park Road
Mammoth Lakes, CA 93546

John Halfen
Chief Executive Officer
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Re: Consulting Proposal

Dear John and Gary:

Thank you for the opportunity to submit this proposal in response to our telephone conversation regarding potential efficiencies arising from resource and service sharing between your two hospitals. We understand that duplication of scarce resources and services creates elements of inefficiency that may lead to higher costs of healthcare services for the communities your hospitals serve. The purpose of this project is to develop a broad based estimate of the potential cost savings that might occur in the event that some sort of cooperative sharing arrangement were to be created between your two organizations.

Our work would encompass two steps. The first step would involve the investigation and identification of areas for potential sharing of resources and services. We would review current service lines and hospital organization charts at both facilities to develop a universe of areas we believe have elements of duplication or potential for service sharing. We would review this listing of both operational and capital opportunities with you to obtain your approval of the scope and to identify areas that we may have inappropriately included or areas that may have been missed. The list would include both current operational savings and potential future capital savings opportunities, and may also include the addition of service lines that neither hospital can currently afford individually but that combined they could.

Following finalization of the service list, in the second step we would develop estimates of the current financial impact of each of the areas identified. We would utilize as our primary source of data the most current filed OSHPD reports since these reports provide sufficient statistical and financial detail while still being relatively high level. Cost savings will be identified as either current operational or future capital, assuming that savings can result from reducing current operating costs or avoiding future capital expenditures.

This project is intended to be a relatively high level analysis of potential savings opportunities. Depending on the outcomes and direction you select, it may be worthwhile to perform a third step which would involve an assessment of the reimbursement impact as it relates to cost reductions. However, until the operating structure is determined, we don't think that the reimbursement impact analysis really can be done in a meaningful way.

The work will be performed discretely utilizing the data available in the OSHPD reports. To the extent we think we need additional supporting documentation, we will call you directly for that information. We will deliver a written summary of the findings and opportunities with our estimates of the cost savings, including a discussion of the potential pros and cons of implementation.

George Koortbojian and I are uniquely experienced in this sort of project. In the past, we worked together at a rural, two hospital system that went through a process similar to that which you are currently exploring. Although in our situation there was common ownership, the steps in the process appear to be relatively the same. Clearly, the first step is to identify at a high level the potential financial benefit. To the extent the benefit is significant, that information can be used to develop the interest with your various publics and possibly continue further exploration.

We look forward to working with you on this project in the near future.

Sincerely

A handwritten signature in cursive script that reads "Timothy S. Loechl".

Timothy S. Loechl
Director

May 30, 2007

Gary Myers
Chief Executive Officer
Mammoth Hospital
85 Sierra Park Road
Mammoth Lakes, CA 93546

John Halfen
Chief Executive Officer
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Re: Consulting Proposal

Dear Gary and John:

We are pleased to submit this letter for your review and signature (the "*Agreement*"), which sets forth the terms according to which Clark, Koortbojian & Associates will provide you with certain consulting services. The term of this contract is from May 31, 2007 through August 31, 2007, and is subject to the termination provisions described in Section 5 below. We look forward to working with you in reaching your objectives, and ask that you review this letter to ensure that we understand and agree upon the terms governing the provision of our services. For convenience, this letter will refer to Clark, Koortbojian & Associates as "*Consultant*" and to Mammoth Hospital and Northern Inyo Hospital as "*Client*." The terms and conditions of our Agreement are as follows:

1. **Consulting Services.** Consultant agrees to provide the consulting services described on Exhibit A attached hereto. The foregoing collectively shall be referred to as the "*Services*." Consultant further agrees to consult with Client regarding the Services during the term of this Agreement.

2. **Performance Standards.** Consultant agrees to perform the duties required by this Agreement in good faith, and in a timely manner that Consultant believes to be consistent with the needs of the Client. Consultant is not an agent or employee of Client, and has no fiduciary duty, nor any duty of care, disclosure or inquiry, other than as expressly set forth in this Agreement. Consultant shall be entitled to rely on the completeness and accuracy of all information, documents and materials provided by Client to Consultant in connection with the Services and this Agreement.

3. **Compensation and Expenses.** In return for the Services provided by Consultant as described in Exhibit A, Client agrees to pay Consultant a project cost of \$15,000 for

the provision of the professional services as described in Exhibit A. Fees will be split evenly between the two hospitals.

Client agrees to reimburse Consultant for all out-of-pocket costs incurred in the course of performance of the Services hereunder, including, without limitation, reasonable travel and lodging expenses, photocopying, mailing, messenger and delivery services, long distance telephone service, facsimile transmissions, parking, sales and similar taxes, and any other fees advanced by Consultant on behalf of Client.

4. Payment Terms. Consultant agrees to furnish to Client a monthly invoice for services rendered, including a statement of expenses. Client agrees to pay Consultant within thirty (30) days from the date of the invoice, with payment sent to Consultant at the letterhead address set forth above. If Consultant does not receive complete payment within the foregoing time frame, then Client shall be in material breach of this Agreement. In such case, Client agrees (i) that Consultant may immediately and indefinitely discontinue providing the Services hereunder; and, (ii) that all working papers, documents and materials prepared by Consultant for which payment has not been received shall be and remain the sole and exclusive property of Consultant, and shall not be released by Consultant until complete payment of all fees and expenses due hereunder has been received by Consultant. The foregoing remedies shall be in addition to (and not exclusive of) any other remedies to which Consultant may be entitled as a result of Client's breach of this Agreement.

5. Termination. Either party may terminate this Agreement at any time without cause upon the provision of ten (10) days prior written notice to the other. Following receipt of any notice of termination without cause, Consultant may, but shall not be obligated to, continue to provide the Services to Client pursuant to this Agreement. Either party also may terminate this Agreement immediately as a result of a material breach by the other party, upon the provision of written notice to the other. If this Agreement is terminated by either party, either with or without cause, all fees and expenses due Consultant, up to and including the effective date of the termination, shall be paid immediately to Consultant. Client further agrees, if this Agreement is terminated by either party in accordance with this section, that all work papers, confidential information, literature and any other documentation acquired or developed by Consultant directly related to this Agreement, shall not be provided to Client by Consultant until all fees and expenses have been paid to Consultant.

6. Confidential Information. Client agrees to provide Consultant with all information in its possession or reasonably available to it that is necessary for Consultant to provide the Services. Consultant shall, under all circumstances, have the right to rely, with-

out independent investigation or verification, on all such information provided by Client to Consultant. Consultant agrees not to disclose any confidential documents or information provided to Consultant by Client pursuant to this Agreement, except: (i) to the directors, officers, employees, subcontractors and legal counsel of Consultant who have a need to know such information for the purpose of assisting Consultant in the performance of this Agreement; and (ii) when required by law to do so, but only if Consultant first notifies Client and affords Client a reasonable opportunity to oppose such disclosure by such means as Client deems necessary or appropriate. Notwithstanding the foregoing, confidential information shall not include any information which (i) is on the date hereof, or hereafter becomes, generally available to the public other than as a result of a disclosure, directly or indirectly, by Consultant; (ii) was available to Consultant on a non-confidential basis prior to its disclosure to Consultant by Client, or its representatives; or (iii) becomes available to Consultant on a non-confidential basis from a source other than Client or its representatives.

7. Representations and Warranties of Client. Client represents and warrants to Consultant that: (i) Client owns or has the legal right to use all patents, copyrights, trademarks, trade names, service marks, service names, and other intangible property or property rights relating to the Services (collectively, the "*Intellectual Property*"); (ii) each item of Intellectual Property may be disclosed to and used by Consultant within the course and scope of performing the Services on behalf of Client; (iii) Client's disclosure or Consultant's use of the Intellectual Property as permitted under this Agreement will not infringe upon, misappropriate, or otherwise conflict with any property rights of third parties; (iv) all information provided by Client shall be complete and accurate in all material respects, and not misleading; and (v) Client shall be solely responsible for the accuracy and completeness of all information provided by Client to Consultant.

8. Disclaimer of Warranties. Client acknowledges that the conduct of its business involves substantial regulatory risks, including but not limited to, risks relating to existing and future federal and state laws affecting governmental reimbursement policies. Client assumes sole responsibility for the assessment and assumption of any and all such risks, and for the compliance of its business and operations with applicable laws. Consultant warrants only that the Services provided under this Agreement will be performed by Consultant, in a competent manner. Except for the foregoing limited warranty, Consultant makes no warranty, express or implied, and expressly disclaims: (i) any implied warranty of merchantability or fitness for a particular purpose; (ii) any warranty of any assumption or projection; and (iii) any warranty of the results or success of any strategy or recommendation made or otherwise included as part of the Services provided by Consultant to Client.

9. Limitation of Liability. In no event will Consultant be liable to Client, or any third party, for any special damages, including any lost profits, lost savings, or other incidental or consequential damages, even if Consultant has been advised of the possibility of such damages. Consultant's entire liability and Client's exclusive remedy for any breach of this Agreement by Consultant shall be the replacement of any materials not meeting Consultant's obligations hereunder that are returned by Client to Consultant, or if Consultant is unable to deliver replacement materials, the refund by Consultant of the fees (but not the expenses) paid by Client for the Services.

10. Indemnification. Client agrees to indemnify, defend and hold Consultant harmless from and against any and all liability, loss, damage, claim, cause of action or cost (including, but not limited to, court costs and attorneys' fees) which may result directly or indirectly, from any act, error, or omission of Client, or from any information, documents or materials provided by Client.

11. Proprietary Rights. Subject to Consultant's receipt of complete and timely payment as required by this Agreement, all work product prepared for Client by Consultant shall belong exclusively to Client. All work products prepared by Consultant for others, for itself, or prior to or after the term of this Agreement, shall remain the exclusive property of Consultant.

12. Non-Exclusivity. This Agreement shall be non-exclusive. Consultant may provide consulting services to Consultant's existing clients, and to any other persons or entities who may in the future become clients of Consultant subject to the good faith disclosure by Consultant to Client of any actual or potential conflicts of interest which shall be resolved to the mutual satisfaction of the parties.

13. General Terms. Consultant shall act as an independent contractor and not as an agent or employee of Client and Consultant shall make no representation that it is an agent or employee of Client. Consultant is responsible for all taxes as an independent contractor. Consultant shall not have the authority to bind Client or incur other obligations on behalf of Client, unless Client so directs Consultant in writing. This Agreement may not be assigned by either party without the written consent of the other party. This Agreement will be retroactive to the date Consultant first performed the Services for Client. California law will govern the interpretation and enforcement of this Agreement, and each party consents to the jurisdiction of the courts of California in any action or proceeding with respect to this Agreement. The prevailing party in any such proceeding shall be entitled to recover its attorneys' fees and costs of suit.

14. Access to Records. Consultant agrees, in accordance with 42 U.S.C. §1395x(V)(1)(I) and 42 C.F.R. Part 420, Subpart D §420.300 *et seq.*, until the expiration of four (4) years after the furnishing of Medicare reimbursable services pursuant to this Agreement, or as otherwise required by federal or state law, upon proper written request, to allow the Comptroller General of the United States, the Secretary of Health and Human Services, and their duly authorized representatives access to this Agreement and to Consultant's books, documents, and records necessary to certify the nature and extent of costs of Medicare reimbursable services provided under this Agreement. In accordance with such laws and regulations, if Medicare reimbursable services provided by Consultant under this Agreement are carried out by means of a subcontract with an organization related to Consultant, and such related organization provides the services at a value or cost of Ten Thousand Dollars (\$10,000.00) or more over a twelve (12) month period, then the subcontract between Consultant and the related organization shall contain a clause comparable to the clause specified in the preceding sentence.

If you are in agreement with the terms of this letter of Agreement, please sign both enclosed copies and deliver one copy to us.

Sincerely,



Timothy S. Loechl
Director

AGREEMENT AND CONFIRMATION

Agreement to the terms of the May 30, 2007 proposal authorizing Clark, Koortbojian & Associates to prepare an analysis of potential cost savings opportunities between Mammoth Hospital and Northern Inyo Hospital, as outlined in Exhibit A, and accepted by:

Signed: _____ Date: _____
Gary Myers
Chief Executive Officer
Mammoth Hospital

Signed: _____ Date: _____
John Halfen
Chief Executive Officer
Northern Inyo Hospital

EXHIBIT A

Description of Services

The purpose of this project is to develop a broad based estimate of the potential cost savings that might occur in the event that cooperative sharing arrangement were to be created between Northern Inyo Hospital and Mammoth Hospital. The project is envisioned to be done in two phases.

Phase one encompasses investigation and identification of areas for potential sharing of resources and services, and includes:

- Identification of current services provided at each hospital through review of hospital organization charts, OSHPD reports, and other source material as necessary;
- Development of a list of areas we believe have elements of duplication or potential for service sharing;
- Initial identification of both operational and capital opportunities;
- Discussion with the hospital CEOs of the list regarding completeness and comprehensiveness of the list, including adjustments for additions and/or deletions;
- The list would include both current operational savings and potential future capital savings opportunities, and may also include the addition of service lines that neither hospital can currently afford individually but that combined they could.

During phase two we would develop estimates of savings in each of the areas identified in phase one and provide a report of findings:

- Cost and statistical data will be obtained primarily from the most current filed OSHPD reports. These reports are easily obtained with minimal hospital staff involvement and provide sufficient statistical and financial detail while still being relatively high level. It is possible that other financial data will be needed.
- Cost savings will be identified as either current operational or future capital, assuming that savings can result from reducing current operating costs or avoiding future capital expenditures.
- We will prepare a written summary of the findings and opportunities with our estimates of the cost savings, including a discussion of the potential pros and cons of implementation.
- This analysis does not contemplate preparation of proforma financial statements, cash flows, and/or Medicare/Medi-Cal reimbursement impact analysis.

Depending on the outcomes and direction you select, it may be worthwhile to perform a third phase which would involve an assessment of the reimbursement impact as it relates to cost reductions. However, until the structure under which the two hospitals will operate is determined, we don't think that the reimbursement impact analysis really can be done in a meaningful way.

The work will be performed discretely utilizing the data available in the OSHPD reports. To the extent we think we need additional supporting documentation, we will call you directly for that information.

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May 2007

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2007, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2007-08. Enclosure I provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2007-08 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations, as noted.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriation limit. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.htm>" check: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9, of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/const/article_13B" for additional information. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No State agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2007.**

Please Note: City population estimates are controlled to independently calculated county population estimates. Due to county estimates revisions; prior year's city population estimates may have also been revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

MICHAEL C. GENEST

Director

By:

VINCENT P. BROWN

Chief Deputy Director

Enclosure

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their appropriation limit by a vote of their governing body. The cost-of-living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the 2007-2008 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2007-2008	4.42

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2007-2008 appropriation limit.

2007-2008:

Per Capita Cost of Living Change = 4.42 percent
Population Change = 1.20 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.42 + 100}{100} = 1.0442$

Population converted to a ratio: $\frac{1.20 + 100}{100} = 1.0120$

Calculation of factor for FY 2007-2008: $1.0442 \times 1.0120 = 1.0567$

Enclosure II
Annual Percent Change in Population Minus Exclusions (*)
January 1, 2006 to January 1, 2007 and Total Population, January 1, 2007

County City	<u>Percent Change</u>	<u>Population Minus Exclusions</u>		<u>Total</u>
	2006-2007	1-1-06	1-1-07	1-1-2007
Inyo				
Bishop	-0.14	3,590	3,585	3,585
Unincorporated	0.06	14,662	14,671	14,798
County Total	0.02	18,252	18,256	18,383

(*) Exclusions include residents on federal military installations and group quarters' residents in state mental institutions, and state and federal correctional institutions.

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**NORTHERN INYO HOSPITAL
RURAL HEALTH CLINIC STAFF PHYSICIAN
PROFESSIONAL SERVICES AGREEMENT**

This Professional Services Agreement (this "Agreement"), dated as of July 15, 2007, is entered into by and between Northern Inyo Hospital Local Hospital District ("Hospital") and Jeanine Arndal, M.D. ("Physician").

RECITALS

A. Hospital operates a general acute care hospital which, among other things, owns and operates a Rural Health Clinic (the "Clinic"), located at 153 Pioneer Lane, Bishop, California.

B. Physician is an individual duly licensed to practice medicine in the State of California, and she desires to relocate her practice to Bishop, California.

C. Hospital desires to obtain professional medical services from Physician for the patients of Clinic, and Physician desires to furnish such services upon the terms and conditions set forth in this Agreement.

D. Hospital believes that high standards of patient care can be achieved if Physician assumes the responsibilities set out further in this Agreement.

THEREFORE, THE PARTIES AGREE:

I. PHYSICIAN RESPONSIBILITIES.

1.01 Services. Hospital hereby engages Physician to serve as Clinic staff physician, and Physician hereby accepts such engagement on the terms and conditions set forth in this Agreement. In her capacity as staff physician, Physician shall provide Hospital with the benefit of her direct patient care expertise and experience, and shall render those services necessary to enable Hospital to achieve its goals and objectives for the Clinic. The scope of services to be performed by Physician are described in Exhibit A attached hereto and incorporated by reference herein. Physician shall provide Hospital with patient medical record documentation of all direct patient care services rendered hereunder; such documentation shall be submitted to Hospital on an ongoing basis, and shall be in the form, and contain the information, requested by the Hospital such that a complete medical record can be assembled.

1.02 Limitation on Use of Space. No part of the Clinic's premises shall be used at any time by Physician as an office for the private practice of medicine or to see patients other than Clinic patients.

1.03 Covenants of Physician: Physician shall:

(a) Apply for and maintain Provisional or Active Medical Staff membership and the aforesaid obstetrical and family practice privileges for the term of this Agreement.

(b) Provide on-call coverage to the Hospital's Emergency Service within the scope of privileges granted him by Hospital.

(c) Maintain books, records, documents, and other evidence pertaining to all costs and expenses incurred, and revenue acquired, pursuant to this Agreement to the extent, and in such detail, as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies, and services, and other costs and expenses of whatever nature, for which she may claim payment or reimbursement from the District. Physician acknowledges and agrees that any federal office authorized by law shall have access, for the purpose of audit and examination, to any books, documents, papers, and records of Physician which are relevant to this Agreement, at all reasonable times for a period of four (4) years following the termination of this Agreement, during which period Physician shall preserve and maintain said books, documents, papers, and records. Physician further agrees to transfer to the District, upon termination of this Agreement, any books, documents, papers or records which possess long-term [*i.e.*, more than four (4) years] value to the Hospital. Physician shall include a clause providing similar access in any sub-contract she may enter with a value of more than Ten Thousand Dollars (\$10,000) or for more than a 12-month period, when said sub-contract is with a related organization.

(d) At all times comply with all relevant policies, rules and regulations of the Hospital, subject to California and federal statutes governing the practice of medicine.

(e) As much as is practical, Physician shall be on call or in actual physical presence to provide the emergency coverage required by this Agreement. However, District expressly agrees that said services may be performed by such other qualified physicians as the Physician may employ or otherwise provide so long as each such physician has received proper training, is properly licensed, and has received approval in writing by the Hospital.

II. HOSPITAL RESPONSIBILITIES.

2.01 Hospital Services.

A. Space. Hospital shall make available for Physician reasonably necessary facilities for the operation of Clinic.

B. Equipment. In consultation with Physician, Hospital shall make all decisions regarding the acquisition of all equipment as may be reasonably necessary for the proper operation and conduct of Clinic. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.

- 2.02 General Services. Hospital shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Clinic.
- 2.03 Supplies. Hospital shall purchase and provide all supplies as may be reasonably required for the proper treatment of Clinic patients. Physician shall inform Hospital of supply needs in a timely manner and shall manage the use of supplies in an efficient manner that promotes quality and cost-effective patient care.
- 2.04 Personnel. Hospital shall determine and furnish all other personnel required to operate Clinic.
- 2.05 Business Operations. Hospital shall be responsible for all business operations related to operation of the Clinic, including personnel management, billing and payroll functions.
- 2.06 Hospital Phone-In Service. Hospital intends to establish a patient phone-in service during the term of this Agreement. Hospital shall staff such service as part of its responsibilities under this Agreement.
- 2.07 Hospital Performance. The responsibilities of Hospital under this Article shall be subject to Hospital's discretion and its usual purchasing practices, budget limitations and applicable laws and regulations.
- 2.08 Clinic Hours. The Hospital guarantees the physician the availability of two-day shifts per week for the one year and one day shift per week for the second year of this agreement. Specific shifts will be scheduled according to normal operating procedures of the Clinic.

III. COMPENSATION.

- 3.01 Compensation. Hospital shall pay Physician \$70 per hour and \$15.00 per patient encounter for patients scheduled to be seen in the Clinic by Physician. Said sums are payable on the 20th day of the calendar month immediately following the service performed.
- 3.02 Malpractice Insurance. Physician agrees to secure her own malpractice insurance with limits and coverage's appropriate for the physician to provide services under this agreement and all other agreements with the Hospital. The Hospital agrees to reimburse the physician 40% of the premiums for said insurance paid for by the physician for the first year and 20% for the second year for services rendered under this agreement.
- 3.03 Billing for Professional Services. Physician assigns to Clinic all claims, demands and rights of Physician to bill and collect for all professional services rendered to Clinic patients. Physician acknowledges that Clinic shall be solely responsible for billing and collecting for all professional services provided by Physician to Clinic patients at Clinic, and for managing all Clinic receivables and payables, including those related to Medicare and Medi-Cal beneficiaries. Physician shall not bill or collect for any services rendered to Clinic patients, and all Clinic receivables and billings shall be the sole and exclusive

property of Clinic. In particular, any payments made pursuant to a payor agreement (including co-payments made by patients) shall constitute revenue of the Clinic. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Clinic.

IV. TERM AND TERMINATION.

- 4.01 Term. The term of this Agreement shall be for a period of two years beginning on the first day of the first shift scheduled for the physician to work ("Effective Date"), and ending on the last day of the twenty-fourth month thereafter.
- 4.02. Termination. Notwithstanding the provisions of section 4.01, this Agreement may be terminated:
- A. By either party, at any time, without cause or penalty, upon sixty (60) days' prior written notice to the other party;
 - B. Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
 - C. Immediately upon closure of the Hospital or Clinic;
 - D. By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment; or
 - E. By either party in the event of a material breach by the other party, and in such event, the non-breaching party shall have the right to terminate this Agreement after providing thirty (30) days' written notice to the breaching party, unless such breach is cured to the satisfaction of the non-breaching party within the thirty (30) days.
- 4.03 Rights Upon Termination. Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

V. PROFESSIONAL STANDARDS.

5.01 Medical Staff Standing. Prior to performing services pursuant to this Agreement, Physician must obtain full Medical Staff privileges on the Medical Staff of Hospital, and maintain such membership throughout the term of this Agreement. Such membership shall be subject to all of the privileges and responsibilities of Medical Staff membership.

5.02 Licensure and Standards. Physician shall:

- A. At all times be licensed to practice medicine in the State of California;
- B. Comply with all policies, bylaws, rules and regulations of Hospital and Clinic and its Medical Staff, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
- C. Be a member in good standing of the Active Medical Staff of the Hospital;
- D. Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of the Hospital;
- E. Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
- F. Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.

VI. RELATIONSHIP BETWEEN THE PARTIES.

6.01 Professional Relations.

- A. Independent Contractor. No relationship of employer and employee is created by this Agreement. In the performance of Physician's work and duties, Physician is at all times acting and performing as an independent contractor, practicing the profession of medicine. Hospital and Clinic shall neither have nor exercise control or direction over the methods by which Physician performs professional services pursuant to this Agreement; provided, however, that Physician agrees that all work performed pursuant to this Agreement shall be in strict accordance with currently approved methods and practices in Physician's professional specialty and in accordance with the standards set forth in this Agreement. The sole interest of Hospital is to insure that such services are performed and rendered in a competent and cost effective manner.
- B. Benefits. Except as specifically set forth in this Agreement, it is understood and agreed that Physician shall have no claims under this Agreement or otherwise against Hospital for social security benefits, worker's compensation benefits, disability benefits, unemployment benefits, sick leave, or any other employee

benefit of any kind. In addition, Hospital shall have no obligation to reimburse Physician for any costs or expenses associated with Physician's compliance with continuing medical education requirements.

- 6.02 Responsibility for Own Acts. Each party will be responsible for its own acts or omissions and all claims, liabilities, injuries, suits, demands and expenses for all kinds which may result or arise out of any malfeasance or neglect, caused or alleged to have been caused by either party, their employees or representatives, in the performance or omission of any act or responsibility of either party under this contract. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

VII. GENERAL PROVISIONS.

- 7.01 No Solicitation. Physician agrees that she will not, either directly or indirectly, during and after the term of this Agreement, call on, solicit or take away, or attempt to call on, solicit or take away any patients or patient groups with whom Physician dealt or became aware of as a result of Physician's past, present or future affiliation with Hospital and Clinic.
- 7.02 Access to Records. To the extent required by Section 1861(v)(i)(I) of the Social Security Act, as amended, and by valid regulation which is directly applicable to that Section, Physician agrees to make available upon valid written request from the Secretary of HHS, the Comptroller General, or any other duly authorized representatives, this Agreement and the books, documents and records of Physician to the extent that such books, documents and records are necessary to certify the nature and extent of Hospital's costs for services provided by Physician.

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this Agreement at a cost of \$10,000 or more over a twelve month period, and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician

under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

7.03 Amendment. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties.

7.04 Arbitration and Dispute Resolution.

A. Non Medical Disagreements. In the event that disagreements arise between the parties concerning their performance under this Agreement, or on other matters, such disagreements shall be the subject of negotiations between Physician and the Hospital Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital's Board of Directors and the decision of the Board shall be final.

B. Medical Disagreement. Any questions or disagreements concerning standards of professional practice or the medical aspects of the service furnished in Clinic shall be referred to a peer group of qualified physicians recommended by the Medical Executive Committee, which shall recommend a resolution of the matter to the Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital Board of Directors and the decision of the Board shall be final.

7.05 Assignment. Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.

7.06 Attorneys' Fees. If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and costs. As used in this Section 7.06, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.

7.07 Choice of Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.

7.08 Exhibits. All Exhibits attached and referred to herein are fully incorporated by this reference.

7.09 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

Hospital: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Physician: Jeanine Arndal, M.D.
153 Pioneer Lane
Bishop, CA 93514

- 7.10 Records. All files, charts and records, medical or otherwise, generated by a Medical Professional in connection with services furnished during the term of this Agreement are the property of Clinic. Physician agrees to maintain medical records according to Clinic policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.
- 7.11 Prior Agreements. This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement.
- 7.12 Referrals. This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.
- 7.13 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 7.14 Waiver. The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.15 Gender and Number. Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.
- 7.16 Authority and Executive. By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
Peter J. Watercott, President
Board of Directors

By _____
Jeanine Arndal, MD

EXHIBIT A

POSITION DESCRIPTION

TITLE

Staff Physician, OB/GYN

DEPARTMENT

Rural Health Clinic

POSITION SUMMARY

The Rural Health Clinic Staff Physician is a Member of the Northern Inyo Hospital Active Medical Staff and the Clinic multi disciplinary care team. She provides direct primary medical diagnostic and treatment to patients. The Staff physician will:

1. Provide high quality primary medical care services.
2. Direct the need for on-going educational programs that serve the patient.
3. Evaluate and develop treatment plans to facilitate the individual healthcare needs of each patient.
4. Work with all office personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Clinic patients.
6. Manage all medical and surgical emergencies.
7. Participate in professional development activities and maintain professional affiliations.
8. Participate with Hospital to meet all Federal and State Rural Health Clinic regulations.

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NORTHERN INYO HOSPITAL POLICY AND PROCEDURE

Title: Reporting of Adverse Events to the State	
Scope: Multi-Department	Department: Nursing, Pharmacy, Laboratory
Source: Compliance	Effective Date:

PURPOSE:

To comply with Section 1279.1 of the California Health and Safety Code

POLICY:

1. NIH shall report an adverse event listed in this policy to the California Department of Public Health (successor to DHS, same phone number) no later than five days after such an event has been detected, or, if that event is an ongoing urgent or emergent threat to the welfare, health, or safety of patients, personnel, or visitors, not later than 24 hours after the adverse event has been detected.
2. NIH employees shall report an adverse event listed in this policy to their immediate supervisor immediately after performing any urgent or emergent patient care functions.
3. NIH supervisors shall verbally report an adverse event listed in this policy to the Director of Performance Improvement, or, in the absence of the Director of Performance Improvement, to the Administrator or Acting Administrator immediately after performing any urgent or emergent patient care functions.
4. Immediately after verbally reporting an adverse event listed in this policy, the person or persons discovering the adverse event shall fill out a Quality Review Report, with as much detail as possible, and shall forward the report in a confidential envelope to the Performance Improvement department.
5. The required report to the Department of Health Services shall be made by the Administrator, Acting Administrator, or by a designee of the Administrator.
6. Adverse Events listed in this policy shall be considered Sentinel Events and shall be subject to the Sentinel Event policy.
7. Adverse events reportable under this policy are:
 - a. Surgical events, including the following:
 - i. Surgery performed on a wrong body part that is inconsistent with the documented informed consent for that patient. A reportable event under this subparagraph does not include a situation requiring prompt action that occurs in the course of surgery or a situation that is so urgent as to preclude obtaining informed consent.
 - ii. Surgery performed on the wrong patient.
 - iii. The wrong surgical procedure performed on a patient, which is a surgical procedure performed on a patient that is inconsistent with the documented informed consent for that patient. A reportable event under this subparagraph does not include a situation requiring prompt action that occurs in the course of surgery, or a situation that is so urgent as to preclude the obtaining of informed consent.
 - iv. Retention of a foreign object in a patient after surgery or other procedure, excluding objects intentionally implanted as part of a planned intervention and objects present prior to surgery that are intentionally retained.

- v. Death during or up to 24 hours after induction of anesthesia after surgery of a normal, healthy patient who has no organic, physiologic, biochemical, or psychiatric disturbance and for whom the pathologic processes for which the operation is to be performed are localized and do not entail a systemic disturbance.
- b. Product or device events, including the following:
 - i. Patient death or serious disability associated with the use of a contaminated drug, device, or biologic provided by the health facility when the contamination is the result of generally detectable contaminants in the drug, device, or biologic, regardless of the source of the contamination or the product.
 - ii. Patient death or serious disability associated with the use or function of a device in patient care in which the device is used or functions other than as intended. For purposes of this subparagraph, “device” includes, but is not limited to, a catheter, drain, or other specialized tube, infusion pump, or ventilator.
 - iii. Patient death or serious disability associated with intravascular air embolism that occurs while being cared for at NIH, excluding deaths associated with neurosurgical procedures known to present a high risk of intravascular air embolism.
- c. Patient protection events, including the following:
 - i. An infant discharged to the wrong person.
 - ii. Patient death or serious disability associated with patient disappearance for more than four hours, excluding events involving adults who have competency or decision-making capacity.
 - iii. A patient suicide or attempted suicide resulting in serious disability while being cared for at NIH due to patient actions after admission, excluding deaths resulting from self-inflicted injuries that were the reason for admission to the health facility.
- d. Care management events, including the following:
 - i. A patient death or serious disability associated with a medication error, including, but not limited to, an error involving the wrong drug, the wrong dose, the wrong patient, the wrong time, the wrong rate, the wrong preparation, or the wrong route of administration, excluding reasonable differences in clinical judgment on drug selection and dose.
 - ii. A patient death or serious disability associated with a hemolytic reaction due to the administration of ABO-incompatible blood or blood products.
 - iii. Maternal death or serious disability associated with labor or delivery in a low-risk pregnancy while being cared for in a facility, including events that occur within 42 days post delivery and excluding deaths from pulmonary or amniotic fluid embolism, acute fatty liver of pregnancy, or cardiomyopathy.
 - iv. Patient death or serious disability directly related to hypoglycemia, the onset of which occurs while the patient is being cared for at NIH.
 - v. Death or serious disability, including kernicterus, associated with failure to identify and treat hyperbilirubinemia in neonates during the first 28 days of life. For purposes of this subparagraph, “hyperbilirubinemia” means bilirubin levels greater than 30 milligrams per deciliter.
 - vi. A Stage 3 or 4 ulcer, acquired after admission, excluding progression from Stage 2 to Stage 3 if Stage 2 was recognized upon admission.
 - vii. A patient death or serious disability due to spinal manipulative therapy performed at NIH.

- e. Environmental events, including the following:
 - i. A patient death or serious disability associated with an electric shock while being cared for at NIH, excluding events involving planned treatments, such as electric countershock.
 - ii. Any incident in which a line designated for oxygen or other gas to be delivered to a patient contains the wrong gas or is contaminated by a toxic substance.
 - iii. A patient death or serious disability associated with a burn incurred from any source while being cared for at NIH.
 - iv. A patient death associated with a fall while being cared for at NIH.
 - v. A patient death or serious disability associated with the use of restraints or bedrails while being cared for at NIH.
 - f. Criminal events, including the following:
 - i. Any instance of care ordered by or provided by someone impersonating a physician, nurse, pharmacist, or other licensed health care provider.
 - ii. The abduction of a patient of any age.
 - iii. The sexual assault on a patient within or on the grounds NIH.
 - iv. The death or significant injury of a patient or staff member resulting from a physical assault that occurs within or on the grounds of NIH.
 - g. An adverse event or series of adverse events that cause the death or serious disability of a patient, personnel, or visitor.
8. The Administrator, Acting Administrator, Compliance Officer or Performance Improvement Director shall inform the patient or the party responsible for the patient of the adverse event by the time the report is made.
9. For purposes of this policy, "Serious disability" means a physical or mental impairment that substantially limits one or more of the major life activities of an individual, or the loss of bodily function, if the impairment or loss lasts more than 7 days or is still present at the time of discharge, or the loss of a body part.

Committee Approval	Date
Policy and Procedure Committee	
Administration	
Board of Directors	

Revised
 Reviewed
 Supersedes