



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday April 18 2012; 5:30pm

*Board Room
Birch Street Annex
2957 Birch Street, Bishop, CA*

DRAFT AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

April 18, 2012 at 5:30 P.M.

In the Northern Inyo Hospital Board Room at 2957 Birch Street, Bishop CA

1. Call to Order (at 5:30 P.M.).
 2. Opportunity for members of the public to comment on any items on this Agenda.
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Consent Agenda

3. Approval of minutes of the March 21, 2012 regular meeting (*action item*).
 4. Financial and Statistical Reports for the month of February 2012; John Halfen (*action item*).
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5. Administrator's Report; John Halfen.

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|--------------------------------------|----------------------------------------------|
| A. Building Update | E. Debt Service Capacity Analysis |
| B. Orthopedic services update | F. Report on relations with Mammoth Hospital |
| C. Physician Recruiting Update | G. Opening ceremonies dates |
| D. Security Report for February 2012 | H. Newborn screening scoring tool |

6. Chief of Staff Report; Robbin Cromer-Tyler, M.D..

7. Old Business

- A. Agreement for Director of Hospitalist Services, Asao Kamei M.D. (*action item*).

8. New Business

- A. Holman Capital Agreement (*action item*).
 - B. Visitor Meal Prices (*action item*).
 - C. Agreement for Associate Director of Hospitalist Services, Nickoline Hathaway, M.D. (*action item*).
 - D. Practice Management Agreement, Lara Jeanine Arndal, M.D. (*action item*).
 - E. Amendment to Pathology Agreement (*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 pending litigation based on stop notice filed by Strocal, Inc. (Government Code Sections 910 et seq., 54956.9).
 - C. Discussion to determine whether or not to initiate litigation (Government Code Section 54956.9(c)).
 - D. Confer with legal counsel regarding potential litigation (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 5:30 pm by Peter Watercott, President.
- PRESENT Peter Watercott, President
 John Ungersma, M.D., Vice President
 M.C. Hubbard, Secretary
 Denise Hayden, Treasurer
 D. Scott Clark, M.D., Director
- ALSO PRESENT John Halfen, Administrator
 Robbin Cromer-Tyler, Chief of Staff
 Douglas Buchanan, District Legal Counsel
- ALSO PRESENT FOR
RELEVANT PORTION(S) Carlo Coppo, Esq., Legal Counsel
- OPPORTUNITY FOR
PUBLIC COMMENT Mr. Watercott asked if any members of the public wished to comment on any items listed on the agenda for this meeting, or on any items of interest. No comments were heard.
- UPDATE ON CLAIM
AGAINST THE
DISTRICT Carlo Coppo, Esq., retained by the District's liability insurance carrier Beta Healthcare Group to represent the District in the matter of John Nesson, M.D. v Northern Inyo County Local Hospital District (NICLHD), was present to update the Board on the status of the case. Mr. Coppo stated the Nesson lawsuit is essentially over except for a possible appeal to the Supreme Court which is not likely to happen. Mr. Coppo gave an overview of the Nesson's case, which was initiated as a result of the termination of Dr. Nesson's contract with the District due to his loss of Medical Staff privileges. Dr. Nesson's lawsuit has been thrown out as a result of an anti-slap ruling similar to the precedent set in the case of Kibler v NICLHD, where the Supreme court ruled in favor of the District, thereby establishing new law that protects physicians' rights to free speech during the peer review process. Mr. Coppo expressed his and his law firm's thanks to the District for allowing them to take on both the Kibler and Nesson cases and to establish groundbreaking new law in the State of California. The Board also expressed their appreciation to Mr. Coppo for his exemplary handling of both landmark cases. It was additionally noted that the anti-slap statute allows for reimbursement to the District for legal fees incurred in the trying of the case.
- WORKSHOP ON
ETHICS, COMPLIANCE,
AND DISTRICT LAW Mr. Coppo then provided an informational workshop for the Board on the subject of ethics, compliance, and District law, as required on a bi-annual basis. Mr. Coppo's discussion touched on the following issues:
- District Board and Medical Staff bylaws
 - Confidentiality
 - The peer review process in the State of California
 - Ethical and fiduciary responsibilities of members of the District

Board

- The Brown Act and its relevance to Board meetings
- Board member conflicts of interest
- The importance of transparency and openness on the part of the Board in order to help avoid unknown conflicts of interest
- The importance of responding to claims against the District correctly and in a timely manner

CONSENT AGENDA
ITEMS

The proposed consent agenda items for this meeting are as follows:

- A. Approval of the minutes of the January 25, 2012 special meeting and the February 15, 2012 regular meeting of the District Board
- B. Approval of the Financial and Statistical reports for the month of January, 2012 (*excess of revenues over expenses for the month was \$238,999, and Year-To-Date Net Income @ 1/31/12 totals \$1,220,000*)
- C. Acceptance of the resignation of cardiologist William Mullen, MD
- D. Appointment to the NIH Provisional Medical Staff with privileges as requested for Quality Nighthawk teleradiologists Alexander Adduci, M.D.; Thomas Bryce, M.D.; R. Roy Vaid, M.D.; and Stephen Wei, M.D..
- E. Advancement from Provisional Staff of James Englesby, M.D. to Consulting Staff and of Anthony Schapera, M.D. to Active Staff with clinical privileges as requested (*action items*).
- F. Approval of the following Hospital wide policies and procedures:
 1. *Protocol: Physician Assistant in the operating Room (amended)*
 2. *Standardized Procedure: Use of the RN First Assistant (amended)*
 3. *Surgical Requirements*
 4. *NPO Guidelines*
 5. *Nursing Management of the Patient Receiving Local Anesthesia for Procedures*
 6. *Physician Guidelines for Utilizing the ICU (amended)*
 7. *Vertebroplasty*
 8. *Chaperone Policy for the Imaging Department*
 9. *Critical Indicators for Radiology Peer Review*
 10. *Radiology Peer review Policy*
 11. *Radiology Department Equipment safety Policy*
 12. *Mammography Technologist Job Duties and responsibilities Policy*
 13. *Personnel Radiation Monitoring Policy*
 14. *Mammography Quality Control*
 15. *Mammography Repeat rate Analysis Policy*
 16. *Communication and Documentation for BI-RADS 0, 4, or 5*
 17. *Communication of mammography Results to the Health Care Provider*
 18. *Addendum for Mammography Comparison Images*
 19. *Mammography Pathology Addendum Policy*
 20. *Mammography Consumer Complaint Policy*

21. Mammography Equipment registration and Compliance requirements

G. Acceptance of Northern Inyo Hospital (NIH) Foundation Board of Directors Resignations/Appointments

It was noted by Chief of Staff Robbin Cromer-Tyler, M.D. that the language on the consent agenda referring to Medical Staff appointments and advancements as showing “no known delinquencies or infractions” is incorrect verbiage and should be stricken. It was also noted by Medical Staff Coordinator Margaret Egan that the resignation of Marie Boyd from the NIH Foundation Board is a result of possible conflicts between her duties as High Sierra Ultra marathon Race Director and her duties as a Foundation Board Member. Ms. Egan and Mr. Watcrott both expressed their gratitude for the many years of service and dedicated by Ms. Boyd on behalf of the Foundation. It was then by John Ungersma, M.D., seconded by M.C. Hubbard, and passed to approve all consent agenda items listed, with the agreement that the wording referred by Doctor Cromer-Tyler will be stricken from the Medical Staff appointments and approvals section.

ADMINISTRATOR’S
REPORT

BUILDING UPDATE

Kathy Sherry with Turner Construction Company reported the construction project is in the punch list phase, and most major items have been completed or are being finalized. The architects are working through their punch list as well, and at this point only minor last minute changes are being made. Office of Statewide Healthcare Planning and Development (OSHPD) inspectors are expected to be on site for approvals during the first week of April. At this point the project is looking good, and the conclusion is clearly in sight.

ORTHOPEDIC
SERVICES UPDATE

Mr. Halfen reported Administration continues to recruit for a full-time orthopedic surgeon, and at this time we is looking at three potential orthopedic candidates.

PHYSICIAN
RECRUITING UPDATE

Mr. Halfen also stated the District continues to recruit for internal medicine physicians, hospitalists, family practitioners, and for an additional physician to practice at the NIH Rural Health Clinic.

SECURITY REPORT

Mr. Halfen also noted the Security report for January 2012 is included in the Board packet, and it reveals no security issues of significance.

FOOD FACILITY
REPORT

Mr. Halfen also referred to a recent Food Facility Inspection Report by Inyo County, which reveals the once again the Hospital kitchen has been found to be sanitary, with food being safely stored, prepared, and served.

Q4 UTILIZATION
REPORT

No update was given on the Q4 Utilization Report.

CASH FLOW REPORT

Mr. Halfen distributed a cash flow report illustrating where we are at this time in relation to cash flow. The report showed how we plan to pay for

the remainder of the building project, as well as for the new Hospital Information System (HIS). The cash flow included sources of funding such as leasing deals with Celtic Leasing and Taycor Financial.

MSQA INSPECTION

Mr. Halfen also reported the Radiology Department recently underwent a State and Federal mammography inspection which revealed no violations, deficiencies, or recommendations for improvements to our program. The hospital was complimented on its organization of records and on the overall structure of our mammography program.

CHIEF OF STAFF
REPORT

Chief of Staff Robbin Cromer-Tyler, M.D. referred to a proposed Medical Staff Policy and Procedure titled *Credentialing Health Care Practitioners in the Event of Disaster*. The policy sets guidelines for health care practitioners willing to help in the event of a disaster being allowed to assist the NIH Medical Staff. Following review and brief discussion of the policy provided it was moved by Ms. Hubbard, seconded by Denise Hayden, and passed to approve the NIH Medical Staff Policy and Procedure titled *Credentialing Health Care Practitioners in the Event of a Disaster* as presented.

OLD BUSINESS

AGREEMENTS FOR
LYN LEVENTIS,
OB/GYN

Mr. Halfen called attention a Relocation Expense Agreement and a Private Practice Physician Income Guarantee and Practice Management Agreement with Lyn Leventis, M.D. Doctor Leventis is an OB/Gyn who plans to arrive in Bishop around May 1st and join the practice of Lara Jeanine Arndal, M.D. Doctor Leventis's agreement is similar to those entered into with other physicians, but also allows for the hospital to provide health insurance for the doctor and to pay a \$10,000 signing bonus for her coming on board. Mr. Halfen also commented that Dr. Leventis's income guarantee will be at 54% of industry standards for OB/Gyn physicians. Following review of the agreements provided, it was moved by Doctor Ungersma, seconded by Ms. Hayden, and passed to approve both agreements with Doctor Lyn Leventis as presented.

MANDATORY PTO
CASHOUT MINIMUM
FOR HOSPITAL
EMPLOYEES

Carrie Petersen, Controller called attention to a proposed policy requiring hospital employees who cash out their Paid Time Off (PTO) to maintain a minimum of 40 hours in the event that it is needed for illness or emergency. Following review of the information provided it was moved by Doctor Ungersma, seconded by Ms. Hubbard and passed to approve the mandatory PTO cash-out minimum of 40 hours for Hospital employees as presented, with Ms. Hayden and Mr. Watcrott abstaining from the vote.

NEW BUSINESS

CONSTRUCTION
CHANGE ORDER
REQUEST BUDGET

Mr. Halfen asked for Board approval of a \$100,000 budget to cover re-building project expenses that may arise, including changes, inspections, surveys, etc.. If the Board approves this budget, finalization of the project will not be held up by having to go to the Board for approval of each unexpected or additional expense. It was moved by Ms. Hayden,

seconded by Doctor Ungersma, and passed to approve a budget of \$100,000 to cover additional construction project expenses if necessary.

LANGUAGE SERVICES
ANNUAL REPORT

Language Services Director Jose Garcia presented the Language Services annual report for the 2011 calendar year, which revealed 2,870 in-person interpreting sessions were conducted, as well as 399 phone sessions, and 90 video interpreting sessions. The hospital now employs 13 dual-role interpreters, and has a performance improvement program in place for the Language Services Department. Mr. Garcia mentioned that NIH's video interpreting units have proved to be extremely valuable, and that American Sign Language interpreting is also accessed through the video units. The Board complimented Mr. Garcia on the tremendous continued success of the Language Services program, and it was moved by Doctor Ungersma, seconded by Ms. Hayden, and passed to approve the Language Services annual report as presented.

ECHOCARDIOGRAM
AGREEMENTS WITH
RENO HEART
PHYSICIANS

Mr. Halfen called attention to proposed agreements for echocardiogram services with Theodore Berndt, M.D.; Thomas DaVee, M.D.; Richard Seher, M.D.; and Robert Swackhamer, M.D., all affiliated with Reno Heart Physicians. It was moved by Ms Hubbard, seconded by Ms Hayden and passed to approve all four echocardiogram agreements as requested.

NIH MARKETING PLAN
BUDGET APPROVAL

Grant writing and Marketing Director Angie Aukee called attention to the proposed Marketing Budget for NIH for the 2012 calendar year. The budget allows for advertising in newspapers; web pages; magazines; telephone directories; maps; guides; and on the radio. It also allows for community projects and for promotion of the opening of the new hospital building, for a total (not including salaries, benefits, training, and office supplies) budgeted amount of \$177,000. Following review of the information provided it was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the proposed marketing plan and budget as presented.

CHANGE TO VISITOR
MEAL PRICES

Mr. Halfen noted that this agenda item will be re-scheduled for discussion at a future meeting.

BOARD MEMBER
REPORTS

Mr. Watercott asked if any members of the District Board wished to report on any items of interested. Doctor Ungersma reported that he recently attended the Association of California Healthcare Districts' (ACHD) legislative day in Sacramento, and as usual the meeting proved to be informative and very valuable.

Ms. Hubbard also reported that her second great-grandchild was recently born at Northern Inyo Hospital, and it was a fabulous experience for mother, child, and family members. She expressed kudos for Dr. Amr Ramadan, and for NIH clinical staff who cared for her family. Mr. Watercott noted he recently received a publication from QHR, and

after looking at the material they provide, he feels it may be worth our while to check out their webinar series on the subject of governance.

OPPORTUNITY FOR
PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott again asked if any members of the public wished to comment on any items of interest. Stacey Brown, M.D. commented that it is gratifying to see the positive results of the time and effort put in by the Hospital District and its legal counsel to defend the two lawsuits that resulted in anti-slap rulings. Dr. Brown also stated it is extremely rewarding that we have made a positive change to California law in regard to the physician peer review process.

Language Services Manager Jose Garcia also commented that he and two of the hospital's dual role interpreters recently attended the California Hospital Interpreter Association (CHIA) annual conference, which was a very informative and valuable experience. No other comments were heard.

CLOSED SESSION

At 7:25 p.m. 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 action filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
- C. Confer with legal counsel regarding pending litigation based on stop notice filed by Strocal, Inc. (Government Code Sections 910 et seq., 54956.9).
- D. Discussion to determine whether or not to initiate litigation (Government Code Section 54956.9(c)).
- E. Confer with legal counsel regarding potential litigation (Government Code Section 54956.9(c)).

RETURN TO OPEN
SESSION AND REPORT
OF ACTION TAKEN

At 7:36 p.m. the meeting returned to open session. Mr. Watercott reported that the District Board took no reportable action.

OPPORTUNITY FOR
PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott again asked if anyone present wished to comment on any items on the agenda for this meeting, or on any items of interest. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 7:38 p.m..

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BUDGET VARIANCE ANALYSIS

Feb-12 PERIOD ENDING

In the month, NIH was

	-17%	under budget in IP days;
(-0.331%) under budget IP Revenue and
(-0.9%) under in OP Revenue resulting in
\$ (841,572)	(-11.5%) under in gross patient revenue from budget &
\$ 702,521	(15.9%) over in net patient revenue from budget

Total Expenses were:

\$ (5,563)	(-0.1%) over budget. Wages and Salaries were
\$ 93,941	(6.1%) over budget and Employee Benefits
\$ 80,846	(8.2%) over budget.
\$ (16,857)			of other income resulted in a net income of
\$ 796,361	\$	674,842	over budget.

The following expense areas were over budget for the month:

\$ 93,941	6%	Salaries & Wages
\$ 80,846	8%	Employee Benefits
\$ 27,220	7%	Professional Fees
\$ 120,909	27%	Supplies

Other Information:

22.40%	Contractual Percentages for month
38.98%	Contractual Percentages for Year

\$ 2,016,356 Year-to-date Net Revenue

Special Notes:

Prior Year Settlements for Medicare offset Contractuals

NORTHERN INYO HOSPITAL

Balance Sheet

February 29, 2012

amounts 1,000

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2011</u>
Current assets:			
Cash and cash equivalents	1,810	189	7,402
Short-term investments	3,914	5,985	12,443
Assets limited as to use	0	0	0
Plant Expansion and Replacement Cash	0	0	0
Other Investments (Partnership)	1,311	1,311	1,311
Patient receivable, less allowance for doubtful accounts \$598,456	10,910	10,609	8,782
Other receivables (Includes GE Financing Funds)	594	498	541
Inventories	2,398	2,416	2,457
Prepaid expenses	1,152	1,131	1,166
Total current assets	<u>22,089</u>	<u>22,139</u>	<u>34,103</u>
Assets limited as to use:			
Internally designated for capital acquisitions	827	827	826
Specific purpose assets	762	765	599
	<u>1,589</u>	<u>1,592</u>	<u>1,426</u>
Revenue bond funds held by trustee	2,192	2,048	2,314
Less amounts required to meet current obligations	0	0	0
Net Assets limited as to use:	<u>3,781</u>	<u>3,640</u>	<u>3,740</u>
Long-term investments	<u>250</u>	<u>250</u>	<u>250</u>
Property and equipment, net of accumulated depreciation and amortization	<u>85,031</u>	<u>83,729</u>	<u>69,861</u>
Unamortized bond costs	<u>920</u>	<u>925</u>	<u>957</u>
Total assets	<u>112,071</u>	<u>110,683</u>	<u>108,911</u>

NORTHERN INYO HOSPITAL

Balance Sheet

February 29, 2012

amounts 1,000

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2011</u>
Current liabilities:			
Current maturities of long-term debt	208	274	1,627
Accounts payable	2,301	1,631	825
Accrued salaries, wages and benefits	3,768	3,894	3,608
Accrued interest and sales tax	601	430	265
Deferred income	192	240	0
Due to third-party payors	2,517	2,517	2,246
Due to specific purpose funds	0	0	0
Total current liabilities	<u>9,587</u>	<u>8,987</u>	<u>8,571</u>
Long-term debt, less current maturities	47,394	47,394	47,394
Bond Premium	1,343	1,347	1,377
Total long-term debt	<u>48,736</u>	<u>48,741</u>	<u>48,771</u>
Net assets:			
Unrestricted	52,986	52,190	50,970
Temporarily restricted	762	765	599
Total net assets	<u>53,748</u>	<u>52,955</u>	<u>51,569</u>
Total liabilities and net assets	<u>112,071</u>	<u>110,683</u>	<u>108,911</u>

NORTHERN INYO HOSPITAL
Statement of Operations amounts in 1,000
As of February 29, 2012

	MTD Actual	MTD Budget	MTD Variance \$	MTD Variance %	YTD Actual	YTD Budget	YTD Variance \$	YTD Variance %	Prior YTD
Unrestricted revenues, gains and other support:									
In-patient service revenue:									
Routine	438	537	(99)	(18.5)	4,186	4,518	(332)	(7.4)	4,186
Ancillary	1,174	1,873	(699)	(37.3)	13,237	15,758	(2,522)	(16.0)	13,237
Total in-patient service revenue	1,611	2,410	(799)	(0.331)	17,423	20,276	(2,854)	-14.1%	17,423
Out-patient service revenue	4,860	4,902	(43)	(0.9)	41,973	41,247	726	1.8	41,973
Gross patient service revenue	6,471	7,312	(842)	(11.50)	59,396	61,524	(2,128)	(3.5)	59,396
Less deductions from patient service revenue:									
Patient service revenue adjustments	83	121	38	31.1	1,344	1,017	(328)	(32.2)	1,344
Contractual adjustments	2,642	2,764	122	4.4	22,677	23,257	580	2.5	22,677
Prior Period Adjustments	(1,385)	0	1,385	100.0	(2,345)	0	2,345	100.0	(2,345)
Total deductions from patient service revenue	1,341	2,885	1,544	53.5	21,676	24,274	2,598	10.7	21,676
Net patient service revenue	5,130	4,427	703	16%	37,719	37,250	469	1%	37,719
Other revenue	(13)	38	(52)	(135.0)	254	322	(68)	(21.1)	254
Transfers from Restricted Funds for Other Operating Expenses	97	84	13	15.0	777	710	67	9.4	777
Total Other revenue	84	123	(39)	(31.7)	1,031	1,032	(1)	(0.1)	1,031
Total revenue, gains and other support	5,214	4,550	664	(31.5)	38,750	38,282	468	(0.1)	38,750
Expenses:									
Salaries and wages	1,641	1,547	(94)	(6.1)	13,365	13,013	(352)	(2.7)	13,365
Employee benefits	1,064	984	(81)	(8.2)	8,325	8,276	(49)	(0.6)	8,325
Professional fees	406	379	(27)	(7.2)	3,699	3,190	(509)	(16.0)	3,699
Supplies	574	453	(121)	(26.7)	4,047	3,813	(234)	(6.1)	4,047
Purchased services	168	226	58	25.8	1,692	1,905	212	11.1	1,692
Depreciation	226	305	80	26.2	1,678	2,570	893	34.7	1,678
Interest	22	107	85	79.2	815	904	89	9.9	815
Bad debts	108	189	80	42.6	1,474	1,587	114	7.2	1,474
Other	191	215	25	11.6	1,936	1,812	(123)	(6.8)	1,936
Total expenses	4,400	4,406	6	0.1	37,029	37,070	41	0.1	37,029
Operating income (loss)	813	144	669	(31.6)	1,721	1,212	509	(0.2)	1,721
Other income:									
District tax receipts	48	40	8	18.8	385	341	44	12.9	385
Interest	(23)	25	(48)	(192.8)	89	210	(121)	(57.4)	89
Other	0	5	(5)	(100.0)	24	41	(17)	(41.2)	24
Grants and Other Non-Restricted Contributions	0	5	(5)	(100.0)	34	41	(6)	(15.6)	34
Partnership Investment Income	0	2	(2)	(100.0)	33	20	13	-	33
Net Medical Office Activity	(69)	(100)	31	N/A	(687)	(842)	155	18.4	(687)
Net 340B Drug Program	27	0	27	N/A	417	0	417	N/A	417
Total other income, net	(17)	(23)	6	-	296	(190)	485	255.7	296
Excess (deficiency) of revenues over expenses	796	122	675	555.3	2,016	1,022	994	97.3	2,016
Contractual Percentage	22.40%	42.03%			38.98%	42.03%			38.98%

NORTHERN INYO HOSPITAL

Statement of Operations--Statistics

As of February 29, 2012

	Month Actual	Month		Variance		YTD Actual	YTD Budget	Year	
		Month Budget	Variance	Percentage	YTD Actual			YTD Budget	Variance
Operating statistics:									
Beds	25	25	N/A	N/A	0.83	25	25	N/A	N/A
Patient days	145	174	(29)			1,507	1,459	48	1.03
Maximum days per bed capacity	700	725	N/A	N/A		6,075	6,100	N/A	N/A
Percentage of occupancy	20.71	24.00	(3.29)			24.81	23.92	0.89	1.04
Average daily census	5.18	6.00	(0.82)			6.20	5.98	0.22	1.04
Average length of stay	2.46	2.52	(0.06)			2.71	2.50	0.20	1.08
Discharges	59	69	(10)			557	583	(26)	1
Admissions	51	70	(19)			568	591	(23)	1
Gross profit-revenue depts.	3,875,051	4,834,252	(959,201)			38,141,169	40,674,234	(2,533,065)	0.94
Percent to gross patient service revenue:									
Deductions from patient service revenue and bad debts	22.40	42.03	(19.63)			38.98	42.03	(3.05)	0.93
Salaries and employee benefits	41.48	34.48	7.00			36.30	34.48	1.82	1.05
Occupancy expenses	4.32	6.02	(1.70)			4.66	6.02	(1.36)	0.77
General service departments	6.88	5.85	1.03			6.16	5.85	0.31	1.05
Fiscal services department	6.17	5.34	0.83			5.52	5.34	0.18	1.03
Administrative departments	6.56	4.96	1.60			5.70	4.96	0.74	1.15
Operating income (loss)	10.47	(0.21)	10.68			1.27	(0.21)	1.48	(6.05)
Excess (deficiency) of revenues over expenses	12.31	1.66	10.65			3.39	1.66	1.73	2.04
Payroll statistics:									
Average hourly rate (salaries and benefits)	53.52	44.94	8.58			46.95	44.94	2.01	1.04
Worked hours	39,889.10	48,216.00	(8,326.90)			388,178.19	405,673.00	(17,494.81)	0.96
Paid hours	50,151.37	56,104.00	(5,952.63)			459,204.01	472,047.00	(12,842.99)	0.97
Full time equivalents (worked)	249.31	292.22	(42.91)			280.48	292.90	(12.43)	0.96
Full time equivalents (paid)	313.45	340.02	(26.58)			331.79	340.83	(9.03)	0.97

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of February 29, 2012

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	796,361.40	2,016,355.65
Net Assets due/to transferred from unrestricted	-	-
TRANSPOSITION BEING RESEARCHED	(90.00)	(90.00)
Net assets released from restrictions used for operations	-	-
Net assets released from restrictions used for payment of long-term debt	(97,134.58)	(777,076.64)
Contributions and interest income	32.19	273.97
Increase in unrestricted net assets	699,169.01	1,239,462.98
Temporarily restricted net assets:		
District tax allocation	-	781,924.95
Net assets released from restrictions	(3,307.50)	(634,307.50)
Restricted contributions	-	15,200.00
Interest income	-	64.60
Net Assets for Long-Term Debt due from County	97,134.58	777,076.64
Increase (decrease) in temporarily restricted net assets	93,827.08	939,958.69
Increase (decrease) in net assets	792,996.09	2,179,421.67
Net assets, beginning of period	52,955,276.29	51,568,850.71
Net assets, end of period	53,748,272.38	53,748,272.38

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of February 29, 2012

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	792,996.09	2,179,421.67
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting fund deposit)		
Depreciation	225,603.83	1,677,695.63
Provision for bad debts	108,333.59	1,473,575.65
Loss (gain) on disposal of equipment	-	-
(Increase) decrease in:		
Patient and other receivables	(505,485.52)	(3,654,211.60)
Other current assets	(2,821.91)	73,188.24
Plant Expansion and Replacement Cash	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	665,891.81	2,165,391.71
Third-party payors	-	270,365.64
Net cash provided (used) by operating activities	<u>1,284,517.89</u>	<u>4,185,426.94</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,527,720.04)	(16,847,946.29)
Purchase of investments	2,071,453.09	8,529,259.25
Proceeds from disposal of equipment	-	-
Net cash provided (used) in investing activities	<u>543,733.05</u>	<u>(8,318,687.04)</u>
Cash flows from financing activities:		
Long-term debt	(70,289.04)	(1,454,601.39)
Issuance of revenue bonds	(144,152.30)	121,954.63
Unamortized bond costs	4,626.77	37,014.16
Increase (decrease) in donor-restricted funds, net	3,275.31	(163,156.02)
Net cash provided by (used in) financing activities	<u>(206,539.26)</u>	<u>(1,458,788.62)</u>
Increase (decrease) in cash and cash equivalents	1,621,711.68	(5,592,048.72)
Cash and cash equivalents, beginning of period	<u>188,673.96</u>	<u>7,402,434.36</u>
Cash and cash equivalents, end of period	<u>1,810,385.64</u>	<u>1,810,385.64</u>

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2012

Month	<u>Operations Checking Account</u>				<u>Time Deposit Month-End Balances</u>							* Total Revenue Bond Funds	General Obligation Bond Fund
	Balance at Beginning of Month	Deposits	Disbursements	Balance at End of Month	Investment Operations Fund	Bond and Interest Fund	Equipment Donations Fund	Childrens Fund	Scholarship Fund	Tobacco Settlement Fund			
January	3,687,088	4,962,560	8,236,474	413,174	6,235,247	743,285	26,606	3,015	19,028	800,088	2,047,447	-	
February	413,174	7,218,383	5,763,203	1,868,354	4,163,794	739,978	26,606	3,015	19,028	800,120	2,191,899	-	
Prior Year March	8,890,488	7,124,284	7,982,727	8,032,045	19,738,054	790,635	26,599	2,815	4,027	723,351	2,394,743	593	
April	8,032,045	4,976,646	9,187,639	3,821,052	17,729,613	592,220	26,599	2,815	4,027	799,780	2,531,814	593	
May	3,821,052	9,962,528	6,016,138	7,767,442	14,707,953	592,220	26,599	2,815	4,027	799,816	2,688,329	593	
June	7,767,442	6,502,436	6,807,040	7,462,838	12,693,053	592,296	26,603	2,815	4,028	799,849	2,413,318	-	
July	7,462,838	6,842,689	6,021,265	8,284,262	9,648,452	631,498	26,603	2,815	4,028	799,881	2,450,834	-	
August	8,284,262	9,931,004	6,969,573	11,245,693	7,663,367	631,498	26,603	2,815	4,028	799,918	2,587,816	-	
September	11,245,693	4,378,829	7,163,803	8,460,718	7,629,512	631,558	26,605	3,015	4,028	799,951	2,724,799	-	
October	8,460,718	4,652,466	7,563,728	5,549,457	7,379,819	558	26,605	3,015	4,028	799,986	2,861,783	-	
November	5,549,457	4,641,126	6,735,075	3,455,507	7,334,904	558	26,605	3,015	4,028	800,019	3,018,067	-	
December	3,455,507	5,229,268	4,997,687	3,687,088	7,234,922	558	26,606	3,015	4,028	800,052	1,766,583	-	

Notes: Revenue Bond Fund includes 2010 Revenue Bond and 1998 Revenue Bond Funds held by Trustee for Debt coverage and Reserves

Investments as of February 29, 2012

Institution	Certificate ID	Purchase Dt	Maturity Dt	Principal	YTM	Broker
LAIF (Walker Fund)	20-14-002 Walker	13-Jan-12	01-Feb-12	\$320,534	0.04%	Northern Inyo Hospital
BP CAP MKTS	05565ABG2	16-Dec-10	10-Mar-12	\$2,570,950	0.81%	Multi-Bank Service
Morgan Stanley Bank	617446-HC-6	21-Nov-11	01-Apr-12	\$1,022,310	0.41%	Multi-Bank Service
Total Short Term Investments				\$3,913,794		
First Republic Bank-Div of BOFA FNC	5L28639	20-May-10	20-May-13	\$150,000	2.40%	Financial Northeast Corp.
First Republic Bank-Div of BOFA FNC	5L28638	20-May-10	20-May-15	\$100,000	3.10%	Financial Northeast Corp.
Total Long Term Investments				\$250,000		
Grand Total Investments				\$4,163,794		

Financial Indicators

	Target	Feb-12	Jan-12	Dec-11	Nov-11	Oct-11	Sep-11	Aug-11	Jul-11	Jun-11	May-11	Apr-11	Mar-11
Current Ratio	>1.5-2.0	2.30	2.46	2.29	2.59	2.88	3.09	3.29	3.62	3.98	4.49	5.34	4.78
Quick Ratio	>1.33-1.5	1.87	2.01	1.83	2.11	2.40	2.58	2.79	2.89	3.49	3.87	4.30	4.15
Days Cash on Hand	>75	130.20	110.67	144.88	136.28	152.23	177.78	186.45	191.12	231.83	165.71	195.53	214.19

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NORTHERN INYO HOSPITAL

SECURITY REPORT

FEBRUARY 2012

FACILITY SECURITY

Access security during this period revealed ten instances of open or unsecured entry doors being located during those hours when doors were to be secured. Six interior doors were found during this same period.

Numerous alarms were identified in the new building during this period. All were false alarms due to the construction activity with the exception of a smoke alarm on February 29th. This alarm was set off as the result of a water leak in ceiling of Med-Surg that caused the smoke alarm to activate. Turner was called out.

HUMAN SECURITY

No special circumstances occurred during this month with respect to security.

Security Staff provided Law Enforcement assistance on eleven occasions this month. Two were for Lab BAC's.

5150 standby was provided on four occasions this month.

Security Staff provided patient assists in eighteen instances this month.

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03/22/12

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Northern Inyo County Local Hospital District

Debt Capacity Analysis Calculations

Cash Flow Method

	2010	2011
Projected Revenues Over Expenses:	\$ 3,173,805	\$ 4,827,086
Projected Depreciation and Amortization:	\$ 2,712,171	\$ 2,719,597
Total Cash Flow:	\$ 5,885,976	\$ 7,546,683
Projected Long Term Debt:	\$ 17,585,000	\$ 17,585,000
Existing Debt to Cash Flow:	2.99x	2.33x
Target Debt to Cash Flow:	5.00x	5.00x
Total Debt Capacity Based on Cash Flow:	\$ 29,429,880	\$ 37,733,415
Available Debt Capacity Based on Cash Flow:	\$ 11,844,880	\$ 20,148,415

Balance Sheet Method

	2010	2011
Projected Fund Balance:	\$ 45,927,064	\$ 50,969,636
Projected Long-Term Debt:	\$ 17,585,000	\$ 17,585,000
Projected Debt to Capitalization Ratio:	27.69%	25.65%
Target Debt to Capitalization Ratio:	45.0%	45.0%
Total Debt Capacity based on BS Method:	\$ 37,647,693	\$ 41,693,459
Available Debt Capacity Based on BS Method:	\$ 20,062,693	\$ 24,108,459

Northern Inyo County Local Hospital District Debt Capacity Analysis Calculations

Net Income Method			
	2010	2011	
Projected Income Available for Debt Service:	\$ 7,187,267	\$ 8,808,099	
Projected Maximum Annual Debt Service:	\$ 1,785,580	\$ 1,785,580	
Projected Debt Service Coverage:	4.03x	4.93x	
Target Debt Service Coverage Goal:	3.0x	3.0x	
Total Maximum Annual Debt Service	\$ 2,395,093	\$ 2,935,888	
Existing MADS	\$ 1,785,580	\$ 1,785,580	
Available MADS to Pay Interest	\$ 609,513	\$ 1,150,308	
Available Debt Capacity Based on MADS*:	\$ 9,577,122	\$ 17,697,045	

*Based on a wrap-around amortization at 6.5%

Liquidity-Based Method			
	2010	2011	
Projected Cash + Board Designated Funds:	\$ 31,013,460	\$ 20,672,029	
Projected Long-Term Debt:	\$ 17,585,000	\$ 17,585,000	
Projected Cash to Debt Ratio:	176%	118%	
Target Cash to Debt Ratio:	74.9%	75.0%	
Total Debt Capacity Based on Liquidity:	\$ 41,379,261	\$ 27,579,719	
Available Debt Capacity based on Liquidity:	\$ 23,794,261	\$ 9,994,719	

Northern Inyo County Local Hospital District

Financial Ratio Driven Debt Capacity Assessment

	Fiscal Year Ending June 30,		
	2010	2011	
Net Income Method (MADS Coverage):	3.0x	\$9,375,000	\$17,695,000
Liquidity Method (Cash to Debt):	75.0%	\$23,795,000	\$9,995,000
Cash Flow Method (Debt to Cash Flow):	5.0x	\$11,845,000	\$20,150,000
Balance Sheet Method (Debt to Capitalization) :	45.0%	\$20,065,000	\$24,110,000
Average:		\$16,270,000	\$17,990,000

Preliminary Debt Capacity Range: \$15-\$18 Million

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Site Visit Scoring Tool

NORTHERN INYO HOSPITAL- R083 – 03/07/2012

NEWBORN SCREENING FORMS / PAMPHLETS

		Compliance	Non compliance
1.	The yellow copy of the NBS-TRF form is retained in the newborns medical record	X	
2.	NBS-Test Refusal (TR) form is signed by the parents when they object to the newborn screen because of their religious beliefs [6501 (b)] <ul style="list-style-type: none"> Put copy in chart 	X	
3.	NBS-NO form is completed and sent to the Genetic Disease Screening Program (GDSP) under the following circumstances:		
a.	Missed specimen [6506 (b)]	X	
b.	Parent's refusal of NBS [6501 (b)], is a NBS-TR form also completed	X	
c.	Newborn not expected to live [6502]	X	
d.	Transfer of newborn to another facility [6505(b)(2)]	X	
4.	NBS-MR is completed within 5 days of discovery when the initial specimen was obtained but hospital has not received written results from GDSP [6506 (b)]	X	
5.	Hospital lab utilizes a transport log when sending any NBS specimens to laboratory.	X	
6.	Hospital provides the patients with a current copy of the program pamphlet, "Important Information for Parents About the Newborn Screening Test". [6504 .2]	X	

COLLECTION OF NEWBORN SCREENING SPECIMENS

		Compliance	Non compliance
1.	Every Newborn shall be tested:		
a.	There is a formalized mechanism to ensure that all babies are tested (14 day medical record review) [6506 (a)]	X	
2.	The newborn screen is collected after twelve hours and prior to six days of age. Optimum collection time is 24 hrs to 6 days old.	X	

	Exceptions to the above:		
a.	Collect newborn screen prior to red blood cell transfusion [6505 (b) 1]	X	
b.	Newborn not born in hospital but admitted or transferred to hospital within the first six day of age should have their newborn screen collected after twelve hours of age and prior to six days of age.	X	
c.	Newborn not born in hospital but admitted to hospital after six days of life but before thirty days of life, specimen should be collected within forty-eight hours after admit. [6505 (d)]	X	
d.	Critically ill newborns should be postponed until the newborn is stabilized. [6505 (f)]	X	

INITIAL NBS SPECIMENS COLLECTED PRIOR TO 12 HOURS OF AGE

(State guidelines/Recommendations)

		Compliance	Non compliance
1.	NBS should be collected from healthy full-term newborns when they are at least 12 hours of age	X	
	RBC transfused newborns:		
a.	Pre-transfusion specimen collected prior to 12 hours of age – collect a second specimen between 24 hours old and the sixth day of life if hemoglobin and hematocrit are \geq than 10/30.	X	
b.	If a specimen was not collected prior to transfusion collect a post transfusion specimen between 24 hours post transfusion and the sixth day of life if the hemoglobin and hematocrit are \geq than 10/30.	X	

SHIPMENT OF INITIAL SPECIMENS [6505 (i)]

		Compliance	Non compliance
1.	No batching of specimens. Specimens should be mailed to designated laboratory as soon as possible but no later than 12 hours after they are drawn/obtained. [6505 (i)]	X	
2.	Hospital utilizes a transport log when sending any NBS specimens to NAPS laboratory.	X	

RESULTS REPORTING AND FOLLOW UP

		Compliance	Non compliance
1.	There is a formalized mechanism to ensure that the NBS Results Mailers are on the chart within 14 days of the newborn's hospital discharge [6506 (a)]	X	
2.	The NBS was collected; however, no results are on the chart		
a.	NBS-MR should be completed within 5 days of discovery and sent to the GDB [6506 (b)]	X	
3.	Recall/repeat testing described in facilities policy and procedures	X	
4.	Repeat testing/inadequate policy and procedures described in facilities policy and procedures	X	
5.	Nursery, Laboratory and Medical Records Departments have Area Genetic Center's telephone number and fax number listed in policy manual	X	

FEE COLLECTION

		Compliance	Non compliance
1.	Fee for specimen <ul style="list-style-type: none"> Collection form is \$1.00 [6508 (b)]. Fee for specimen collection and handling shall not exceed \$6.00 [6508 (d)] Verify your facility is charging the State recommended fee (no more) for the NBS collection. Specific amount of fee doesn't have to be documented in NBS P&P as the fee may change in future. 	X	

(Title 17 reference numbers noted)

GENERAL ISSUES:

- Your facility does a very nice job in collecting the NBS and following up as needed.
- Your Newborn Screening Policy and Procedure (last revised 2/2012), is compliant in all issues mandated by Title 17. GOOD JOB!!! It will need to be approved by your hospital committee and the signed copy of your NBS Policy be sent to us – either by fax or email.

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**NORTHERN INYO HOSPITAL
AGREEMENT FOR SERVICES OF
MEDICAL DIRECTOR OF HOSPITALIST PROGRAM**

THIS AGREEMENT MADE AND ENTERED INTO this 1st day of January 2012, by and between NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (hereinafter "Hospital") and Asao Kamei, M.D. (hereinafter "Physician").

**I
RECITALS**

- A. Hospital is located at 150 Pioneer Lane, Bishop, California, and operates therein a service designated as the Hospitalist Service.
- B. Physician is a sole practitioner licensed to practice medicine in the State of California, and is a Diplomate of the American Board of Internal Medicine. Physician has represented, and does represent, to the Hospital that, on the basis of his training or experience, he is knowledgeable in the management of physicians and the requirements of managing a Hospitalist Service.
- C. Hospital desires to contract with Physician to provide professional management of a Hospitalist Service.
- D. The parties desire to enter this Agreement to provide a complete statement of their respective duties and obligations.

NOW, THEREFORE, in consideration of the covenants and agreements set forth below, the parties agree as follows:

**II
COVENANTS OF PHYSICIAN**

- I. Physician shall perform the following services:
 - a. Be available as a paid physician to provide full time management of a Hospitalist Service as described in Exhibit A
 - b. Physician, in his role as Medical Director, may read or review any chart generated by the Hospitalist Service.
 - c. Make recommendations to appropriate members of the Hospital Medical Staff, Hospital administration, and the Hospital staff, as well as any credentialing agency whose approval the Hospital aspires to attain with respect to policies and procedures of the Hospitalist Service.

- d. Participate in retrospective evaluation of care provided by the Hospitalist Service.
 - e. Insure that the Service is operated in accordance with all the rules and regulations as may be promulgated by any State, Federal, or local jurisdiction, as well as any credentialing agency that the Hospital aspires to attain.
2. Physician shall at all times comply with the policies, rules, and regulations of the Hospital, subject to State and federal statutes the Service. No part of the Hospital premises shall be used, at any time, by Physician for the general practice of medicine except during the exercise of privileges granted Physician as a member of the Hospital Medical Staff.
 3. Physician agrees to 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 he may claim payment or reimbursement from the Hospital. 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 Hospital, upon termination of this Agreement, any books, documents, papers or records, which possess long-term (ie. more than four (4) years) value to the Hospital. Physician shall include a clause providing similar access in any subcontract he may enter with a value of more than \$10,000, or for more than a 12 month period, when said sub-contract is with a related organization.
 4. Physician shall, at all times, comply with all relevant policies, rules and regulations of the Hospital, subject to State and federal statutes governing the practice of medicine.

III
COVENANTS OF THE HOSPITAL

1. Hospital shall furnish, for the use of Physician in rendering services hereunder:
 - a. Sufficient space in the Hospital to enable him to perform his duties under this Agreement; and,
 - b. Ordinary janitorial and in-house messenger service, and such electricity for light and power, gas, water, and heat as may be required by him to perform his duties under this Agreement.
 - c. Hospital shall pay Physician, for his services as Medical Director, an

administrative fee of \$5000.00 per month. In addition, Physician shall be paid \$8300.00 per week for professional service as a Hospitalist. Physician must take four Hospitalist rotations per year, and may take more if other contracted Physicians are not available.

d. Hospital shall bill for and retain for all professional fees associated with the Hospitalist Service.

IV **GENERAL PROVISIONS**

1. Services to be performed by Physician under this Agreement may be performed by other physicians who are approved in writing (which approval is revocable) by Hospital and who shall be members of the Hospital Medical Staff. Physician shall provide an acceptable substitute to perform his duties hereunder during such time as he is absent due to illness, vacation, or attendance at scientific or medical meetings. Notwithstanding anything to the contrary contained herein, Physician shall not have the right to assign this agreement, or any rights or obligations there under, without the written consent of Hospital first had and obtained.
2. In the performance of his duties and obligations under this Agreement, it is further mutually understood and agreed that:
 - a. Physician is at all times acting and performing as an independent contractor; that Hospital shall neither have nor exercise any control or direction over the methods by which he shall perform his work and functions (except that Physician shall do so at all times in strict compliance with currently approved methods and practices of internal medicine, and in accord with the Hospital's By-Laws and with the Hospital Medical Staff By-Laws and Rules and Regulations).
 - b. No act, commission, or omission of Physician pursuant to the terms and conditions of this Agreement shall be construed to make or render Physician an agent, employee, or servant of the Hospital.
 - c. It is the intent of the parties that Physician be an independent contractor, and not an employee, in the performance of his duties under this Agreement. In order to protect the Hospital from liability Physician shall defend, indemnify, and hold harmless the Hospital from liability for any and all claims arising out of the performance of his duties under this Agreement.
3. Physician shall, at all relevant times, be a member of the Hospital Active Medical Staff.
4. Each party shall comply with all applicable requirements of law relating to licensure and regulation of both physicians and hospitals.
5. This is the entire agreement of the parties, and supersedes any and all prior oral and/or written agreements. It may be modified only by a written instrument signed by both parties.

6. Whenever, under the terms of this Agreement, written notice is required or permitted to be given, such notice shall be deemed given when deposited in the United States mail, first class postage prepaid, addressed as follows:

HOSPITAL: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, California 93514

PHYSICIAN: Asao Kamei, M.D.
152-C Pioneer Lane
Bishop, California 93514

or to such other address as either party may notify the other, in writing.

7. The term of this Agreement will commence on January 1, 2012 and end at midnight on January 1, 2013.

8. Notwithstanding the aforesaid term, Hospital may terminate this Agreement immediately upon the occurrence of any of the following events:

a. Physician's death, loss of Active Medical Staff membership, loss of license to practice medicine, or loss of Hospital Medical Staff privileges required to render services under this Agreement;

b. Physician's inability to render services hereunder without providing a substitute acceptable to the Hospital;

c. The appointment of a receiver of the assets of Physician, an assignment by him for the benefit of his creditors, or any action taken or suffered by him (with respect to him) under any bankruptcy or insolvency law;

d. Closure of the Hospital;

e. Sixty (60) days after written notice of termination without cause is given by Hospital to the Physician. However, the parties understand and acknowledge that termination of this Agreement shall not affect Physician's membership on the Hospital's Medical Staff.

9. Notwithstanding the aforesaid term, Physician may terminate this Agreement:

a. Upon written 90-day notice.

b. Immediately, upon death or disability.

c. Immediately upon Hospital's failure to perform its obligations under this agreement.

10. This Agreement is for the personal services of Physician and Physician may not assign his rights, duties, obligations or responsibilities there under.

11. Subject to the restrictions against transfer or assignment set forth above, the provisions of this Agreement shall inure to the benefit, and be binding upon, the heirs, successors, assigns, agents, personal representatives, conservators, executors and administrators of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement at Bishop, California, on the day, month and year first above written.

Asao Kamei, M.D.
Physician

By _____
Peter Watercott, President,
Board of Directors
Northern Inyo County Local
Hospital District

SCHEDULE A

1. Organize and maintain Hospitalist call coverage.
2. Round on in-patients as needed.
3. Assist with transfers as requested.
4. Complete charts as needed.
5. Assist in the recruiting and credentialing of Hospitalists.
6. Participate in the development of the hospital information system's computerized physician order entry module.
7. Perform peer review as requested.
8. Conduct a minimum of 4 meetings annually of contracted hospitalists and administration and Nursing, if needed.

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**NORTHERN INYO HOSPITAL
AGREEMENT FOR SERVICES OF
ASSOCIATE MEDICAL DIRECTOR OF
HOSPITALIST PROGRAM**

THIS AGREEMENT MADE AND ENTERED INTO this 1st day of January 2012, by and between NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (hereinafter "Hospital") and Nickoline Hathaway, M.D. (hereinafter "Physician").

**I
RECITALS**

- A. Hospital is located at 150 Pioneer Lane, Bishop, California, and operates therein a service designated as the Hospitalist Service.
- B. Physician is a sole practitioner licensed to practice medicine in the State of California, and is a Diplomate of the American Board of Internal Medicine. Physician has represented, and does represent, to the Hospital that, on the basis of her training or experience, she is knowledgeable in the management of physicians and the requirements of managing a Hospitalist Service.
- C. Hospital desires to contract with Physician to provide professional management of a Hospitalist Service.
- D. The parties desire to enter this Agreement to provide a complete statement of their respective duties and obligations.

NOW, THEREFORE, in consideration of the covenants and agreements set forth below, the parties agree as follows:

**II
COVENANTS OF PHYSICIAN**

- I. Physician shall perform the following services in the absence of the Medical Director:
 - a. Be available as a paid physician to provide full time management of a Hospitalist Service as described in Exhibit I.
 - C. Physician, in her role as Associate Medical Director, may read or review any chart generated by the Hospitalist Service.
 - d. Make recommendations to appropriate members of the Hospital Medical Staff, Hospital administration, and the Hospital staff, with respect to policies and

procedures of the Hospitalist Service.

e. Participate in retrospective evaluation of care provided by the Hospitalist Service.

f. Insure that the Service is operated in accordance with all the rules and regulations as may be promulgated by any State, Federal, or local jurisdiction, as well as any credentialing agency that the Hospital aspires to attain.

2. Physician shall at all times comply with the policies, rules, and regulations of the Hospital, subject to State and federal statutes the Service. No part of the Hospital premises shall be used, at any time, by Physician for the general practice of medicine except during the exercise of privileges granted Physician as a member of the Hospital Medical Staff.
3. Physician agrees to 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 he may claim payment or reimbursement from the Hospital. 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 Hospital, upon termination of this Agreement, any books, documents, papers or records, which possess long-term (ie. more than four (4) years) value to the Hospital. Physician shall include a clause providing similar access in any subcontract he may enter with a value of more than \$10,000, or for more than a 12 month period, when said sub-contract is with a related organization.
5. Physician shall, at all times, comply with all relevant policies, rules and regulations of the Hospital, subject to State and federal statutes governing the practice of medicine.

III

COVENANTS OF THE HOSPITAL

6. Hospital shall furnish, for the use of Physician in rendering services hereunder:
 - a. Sufficient space in the Hospital to enable him to perform her duties under this Agreement; and,
 - b. Ordinary janitorial and in-house messenger service, and such electricity for light and power, gas, water, and heat as may be required by him to perform his duties under this Agreement.

c. Hospital shall pay Physician, for his services as Associate Medical Director, an administrative fee of \$1000.00 per month. In addition, Physician shall be paid \$8,300 per week for professional service as a Hospitalist. Physician must take four Hospitalist rotations per year.

Hospital shall bill for and retain for all professional fees associated with the Hospitalist Service.

IV **GENERAL PROVISIONS**

1. Services to be performed by Physician under this Agreement may be performed by other physicians who are approved in writing (which approval is revocable) by Hospital and who shall be members of the Hospital Medical Staff. Physician shall provide an acceptable substitute to perform his duties hereunder during such time as he is absent due to illness, vacation, or attendance at scientific or medical meetings. Notwithstanding anything to the contrary contained herein, Physician shall not have the right to assign this agreement, or any rights or obligations there under, without the written consent of Hospital first had and obtained.

2. In the performance of his duties and obligations under this Agreement, it is further mutually understood and agreed that:

a. Physician is at all times acting and performing as an independent contractor; that Hospital shall neither have nor exercise any control or direction over the methods by which he shall perform her work and functions (except that Physician shall do so at all times in strict compliance with currently approved methods and practices of internal medicine and cardiology, and in accord with the Hospital's By-Laws and with the Hospital Medical Staff By-Laws and Rules and Regulations), and that the sole interest of Hospital is to assure that the services of Physician shall be performed and rendered, and the EKG Department shall be operated, in a competent, efficient, and satisfactory manner in accord with the highest medical standards possible.

b. No act, commission, or omission of Physician pursuant to the terms and conditions of this Agreement shall be construed to make or render Physician an agent, employee, or servant of the Hospital.

c. It is the intent of the parties that Physician be an independent contractor, and not an employee, in the performance of his duties under this Agreement. In order to protect the Hospital from liability Physician shall defend, indemnify, and hold harmless the Hospital from liability for any and all claims arising out of the performance of his duties under this Agreement.

3. Physician shall, at all relevant times, be a member of the Active Hospital Medical Staff.

4. Each party shall comply with all applicable requirements of law relating to

licensure and regulation of both physicians and hospitals.

5. This is the entire agreement of the parties, and supersedes any and all prior oral and/or written agreements. It may be modified only by a written instrument signed by both parties.

6. Whenever, under the terms of this Agreement, written notice is required or permitted to be given, such notice shall be deemed given when deposited in the United States mail, first class postage prepaid, addressed as follows:

HOSPITAL: Administrator
Northern Inyo Hospital 150
Pioneer Lane
Bishop, California 93514

PHYSICIAN: Nickoline Hathaway, M.D.
152-C Pioneer Lane
Bishop, California 93514

or to such other address as either party may notify the other, in writing.

7. The term of this Agreement will commence on January 1, 2012 and end at midnight on December 30, 2012.

8. Notwithstanding the aforesaid term, Hospital may terminate this Agreement immediately upon the occurrence of any of the following events:

a. Physician's death, loss of Active Medical Staff membership, loss of license to practice medicine, or loss of Hospital Medical Staff privileges required to render services under this Agreement;

b. Physician's inability to render services hereunder without providing a substitute acceptable to the Hospital;

c. The appointment of a receiver of the assets of Physician, an assignment by him for the benefit of his creditors, or any action taken or suffered by him (with respect to him) under any bankruptcy or insolvency law;

d. Closure of the Hospital;

e. Thirty (30) days after written notice of termination without cause is given by Hospital to Physician. However, the parties understand and acknowledge that termination of this Agreement shall not affect Physician's membership on the Hospital's Medical Staff.

9. Notwithstanding the aforesaid term, Physician may terminate this Agreement:

- a. Upon written 90-day notice.
- b. Immediately, upon death or disability.
- c. Immediately upon Hospital's failure to perform under this agreement.

10. Originals of medical records of the EKG Department are the property of the Hospital and shall be retained at Hospital premises. Physician shall have access to, and may photocopy, such documents and records as may be required for the care of his patients or to perform his duties under this Agreement, provided only that he gives reasonable notice. Physician shall dictate or write all reports required of him by Hospital, for the performance of his duties under this agreement, in a timely manner.

11. This Agreement is for the personal services of Physician and Physician may not assign his rights, duties, obligations or responsibilities there under.

12. Subject to the restrictions against transfer or assignment set forth above, the provisions of this Agreement shall inure to the benefit, and be binding upon, the heirs, successors, assigns, agents, personal representatives, conservators, executors and administrators of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement at Bishop, California, on the day, month and year first above written.

Nickoline Hathaway, M.D.

By _____
Peter Watercott, President
Board of Directors
Northern Inyo County Local
Hospital District

SCHEDULE A

1. Admit Patients as needed.
2. Round on in-patients as needed.
3. Assist with transfers as requested.
4. Complete charts as needed.
5. Record histories and physicals as needed.
6. Participate in the development of the hospital information system's computerized physician order entry module.

SCHEDULE B

1. \$50.00 PER DISCHARGE (NOT BETWEEN INPATIENT UNITS) PER ROTATION IN EXCESS OF 15 DISCHARGES.
2. \$30 PER HOUR OF ON SITE COVERAGE IN EXCESS OF 60 HOURS
3. \$30.00 PER HOUR FOR ONSITE SERVICE FOR PREMIUM HOURS DEFINED AS 12AM (MIDNIGHT) UNTIL 6AM.
4. 200 per week per diem.
5. 100 for each 50 mile segment of automobile travel over 50 miles each way.
6. Air fare, if incurred.
7. IRS limit on mileage reimbursement.

**THIS SHEET
INTENTIONALLY
LEFT BLANK**

**NORTHERN INYO HOSPITAL PRIVATE PRACTICE PHYSICIAN INCOME GUARANTEE AND
PRACTICE MANAGEMENT AGREEMENT**

This agreement ("Agreement") is made and entered into on 4/30/2012, by and between Northern Inyo County Local Hospital District ("District") and Lara Jeanine Arndal, M.D. ("Physician").

RECITALS

- A. District, which is organized and exists under the California Local Health Care District Law, *Health & Safety Code Section 32000, et seq.*, operates Northern Inyo Hospital ("Hospital"), a general acute care hospital serving northern Inyo County, California, including the communities of Bishop and Big Pine.
- B. The District Board of Directors has found, by Resolution No. 09-01, that it will be in the best interests of the public health of the aforesaid communities to obtain a licensed Obstetrician Gynecologist ("OB/GYN") to practice in said communities, on the terms and conditions and surgeon who is a board-certified/eligible specialist in the practice of obstetrics and set forth below.
- C. Physician is a physician and surgeon, engaged in the private practice of medicine, licensed to practice medicine in the State of California, and will be certified by the American Board of Obstetrics and Gynecology within five years of completing residency. Physician desires to relocate his/her practice ("Practice") to Bishop, California, and practice OB/GYN in the aforesaid communities.

IN WITNESS WHEREOF, THE PARTIES AGREE AS FOLLOWS:

I.

COVENANTS OF PHYSICIAN

Physician shall relocate her Practice to medical offices ("Offices") provided by District in Bishop, California. Physician shall be reimbursed for certain costs and expenses incurred by Physician in (i) relocating her practice to Bishop, and (ii) operating her practice in Bishop; all in accordance with the terms and conditions of that certain Relocation and Expense Agreement between Physician and District dated of even date herewith. Upon relocating her practice to Bishop, California, Physician shall operate her practice for the "Term" (as such term is defined in Section 4.01 below) of this Agreement, and provide and comply with the following:

- 1.01. Services.** Physician shall provide Hospital with the benefit of her direct patient care expertise and experience, and shall render the scope of services 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, reasonably requested by the Hospital such that a complete medical record can be assembled.
- 1.02. Limitation on Use of Space.** Physician shall use no part of any of the Offices for anything other than for the private practice of OB/GYN medicine unless specifically agreed to, in writing, by the parties.

1.03. Medical Staff Membership and Service: Physician shall:

- a) Apply for and maintain Provisional or Active Medical Staff (“Medical Staff”) membership with OB/GYN and OB/GYN surgical privileges sufficient to support a full time OB/GYN practice, for the Term of this Agreement.
- b) Provide on-call coverage to the Hospital’s Emergency Services within the scope of privileges granted to her by Hospital and as required by the Hospital Medical Staff. Physician shall not be required to provide more than fifty percent (50%) of the annual call in weekly increments unless otherwise agreed upon from time to time. Physician shall be solely responsible for call coverage for her personal private practice.
- 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 twelve (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) District expressly agrees that said services might 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, has been granted privileges by the Hospital Medical Staff, and has received approval in writing from the Hospital.

II. COVENANTS OF THE DISTRICT

2.01. Hospital Services.

- a) Space. District shall make the Offices available for the operation of Physician’s Practice either through a direct let or through an arrangement with a landlord.
- b) Equipment. In consultation with Physician, Hospital shall provide all equipment as may be reasonably necessary for the proper operation and conduct of Physician's Practice at the Offices. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.

- 2.02. General Services.** District shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Physician's Practice.
- 2.03. Supplies.** District shall purchase and provide all supplies as may be reasonably required for the proper treatment of Physician's Practice 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.** District shall determine the initial number and types of employees and place them in the Practice initially. Physician and Hospital will mutually agree to subsequent staffing requirements.
- 2.05. Business Operations.** District shall be responsible for all business operations related to operation of the Practice, including personnel management, billing and payroll functions. Physician will provide the appropriate billing codes, which will be used unless changed by the mutual consent of the Physician and Hospital. Hospital will incur and pay all operating expenses of the Practice.
- 2.06. Hospital Performance.** The responsibilities of District under this Article shall be subject to District's usual purchasing practices and applicable laws and regulations.
- 2.07. Practice Hours.** The District desires, and Physician agrees, that Physician's Practice shall operate on a full time basis, maintaining hours of operation in keeping with the full time practice of one OB/GYN surgeon while permitting a surgery schedule sufficient to service the patients of the Practice. Specific shifts will be scheduled according to normal operating procedures of the Practice and will be mutually agreed upon by Hospital and Physician.

Physician will specifically provide a total of 40 weeks per year allocated, on an annual and concurrent basis, as follows:

- 26 weeks of GYN call/ 20 weeks of OB/C-Section call. (OB/C-Section call can be increased to 20-26 weeks at Hospital's discretion);
- 40 weeks of clinic service; and
- 26 weeks of surgical services.

Physician shall receive 12 weeks per year paid time off during which time Physician must accomplish any licensure, CME, and any other absence hours-such as vacation, illness, jury duty, bereavement, etc.

Physician agrees to coordinate his/her schedule with any other physician(s) contracted by the Hospital for like services. Any equal schedule such as two weeks of all services, one week of clinic, and one week off (the 2-1-1) per four (4) week rotation will be acceptable if agreed to by both physicians.

The Parties understand and agree that Physician is not responsible for providing, and will not provide, call coverage under any circumstances other than (i) as required by the Medical Staff Bylaw's requirements and (ii) that for which she is obligated under the terms of this Agreement.

III. COMPENSATION

- 3.01. Minimum Income Guarantee.** At all times during the Term of this Agreement, including any extensions or renewals hereof, District, District shall guarantee Physician an annual income of no less than \$295,625.20 ("Minimum Income Guarantee"). Compensation from District shall be payable to Physician at the higher of (a) the Minimum Income Guarantee amount paid at the rate of \$11,370.20 every two (2) weeks, or (b) 50% of fees collected for services rendered in Section II, adjusted quarterly after the first year to reflect 50% of fees

collected so that payments will not exceed the minimum guarantee unless 50% of the fees exceed the guarantee on an annualized basis. Additionally, Physician will be entitled to a \$500 per day stipend for taking any C-Section call in excess of 20 weeks per year. All payments shall be made on the same date as the District normally pays its employees. The Minimum Income Guarantee amount will be increased at the same time, in the same manner and at the same rate as the Hospital's employees.

3.02. Malpractice Insurance. At all times during the Term of this Agreement, including any extensions or renewals hereof, District will secure and maintain malpractice insurance for the benefit of the physician with limits of no less than \$1 million per occurrence and \$3 million per year. Tail coverage will also be provided in accordance with the following:

- Physician completes the entire three (3) year Term of this Agreement and then leaves the Hospital for any reason whatsoever = District pays 100% of the tail coverage premium;
- Physician leaves on her own initiative before the full three (3) year Term of this Agreement is completed and Physician provides Hospital with not less than one hundred and eighty (180) days' prior written notice = District and Physician split the tail premium pro-rata based on the number of months Physician stayed with the Hospital before leaving;
- Physician leaves the Hospital and does not give the required notice = Physician shall pay 100% of the tail premium;
- Physician becomes disabled to the point where she closes her practice contemplated by this Agreement = District pays 100% of the tail coverage premium;
- Hospital terminates Physician with or without cause before full three (3) year Term ends = Hospital pays 100% of the tail coverage premium.

3.03. Health Insurance. At all times during the Term of this Agreement, including any extensions or renewals hereof, Physician will be (i) admitted to the Hospital's self-funded Medical Dental Vision Benefit Plan and be provided the benefits contained therein as if she were an employee of District and (ii) provided a disability program until age 65 in an amount equal to the higher of (x) \$10,000.00 per month or (y) the average benefit received by all other OB/GYN physicians who are in similar contractual relationships with Hospital and who are receiving disability benefits.

3.04. Signing Bonus. Physician will receive \$1,000.00 from District upon signing this Agreement, which amount shall belong solely to Physician and shall not be subject to re-payment under any circumstances. This payment is in addition to all amounts due Physician under the Expense Relocation Agreement and this Agreement.

3.05. Practice Liaison. Physician will receive \$1,250.00 per month for acting as the practice liaison and Publishing all the call schedules related to the OB/GYN service.

3.06. Billing for Professional Services. Subject to Section 2.05 above, Physician assigns to District all claims, demands and rights of Physician to bill and collect for all professional services rendered to Practice patients, for all billings for surgical services, for all billings consulting performed or provided by the Physician. Physician acknowledges that Hospital shall be solely responsible for billing and collecting for all professional services provided by Physician to Practice patients at Practice and for all surgical services performed at the District, and for managing all Practice receivables and payables, including those related to Medicare and MediCal beneficiaries. Physician shall not bill or collect for any services rendered to Practice patients or Hospital patients, and all Practice receivables and billings shall be the sole and exclusive property of Practice. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Practice. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to District.

3.07 Retention. Hospital shall retain an amount equal to 50% of all fees collected from the activities of physician/practice in exchange for providing all services and supplies rendered in II above.

IV. TERM AND TERMINATION

4.01. Term. The term (“Term”) of this Agreement shall be three (3) years beginning at 12:01 a.m. on 5/1/2012 and expiring at 12:00 p.m. on 4/31/2015.

4.02. Termination. Notwithstanding the provisions of Section 4.01, this Agreement may be terminated:

a). By Physician at any time, without cause or penalty, upon one hundred and eighty (180) days’ prior written notice to the Hospital;

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 permanent closure of the Hospital;

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, substantially restricts, substantially 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 reasonable satisfaction of the non-breaching party within the thirty (30) days; or

f). Should Hospital fail to pay Physician any monetary benefits as defined in this Agreement and/or fail to provide non-monetary benefits as defined in this Agreement, within ten (10) days of the date such amount was due and payable, Physician may terminate this Agreement by providing ten (10) days prior written notice.

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. Hospital shall retain the Accounts Receivable and shall reduce said receivable by the amount it has compensated physician in excess of the fees earned. The balance shall be paid to the physician within forty-five (45) days of the termination of this Agreement.

4.04. Post Termination Patient Care. Upon termination or expiration of this Agreement, until such time as the District has made medically appropriate referrals of any of Physician’s patients who continue to need her services, District shall continue to compensate Physician for the services that she renders to such patients at the rate of 50% of all fees collected for such services and shall pay within ten (10) days of receipt.

V. PROFESSIONAL STANDARDS

5.01. Medical Staff Membership. It is a condition of this Agreement that Physician maintains Active Medical Staff membership on the Hospital Medical Staff with appropriate clinical privileges and maintains such membership and privileges throughout the Term of this Agreement.

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, Hospital Medical Staff, and Practice, 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 Provisional or Active Medical Staff of Hospital;
- d) Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of Hospital, at District's sole expense;
- 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.
- g) At all times conduct herself, professionally and publicly, the same as a reasonable physician acting under the same or similar circumstances, and in accordance with the standards of, the American College of Obstetricians and Gynecologists, the Hospital Medical Staff, and the District. Further, she shall not violate any California law which prohibits (1) driving a motor vehicle under the influence of alcohol or prescription drugs or the combined influence of such substances, (2) unlawful use of controlled substances, (3) being intoxicated in a public place in such a condition as to be a danger to herself or others, and/or (4) conduct justifying imposition of an injunction prohibiting harassment of Hospital employees in their workplace. Entry of any injunction, judgment, or order against Physician based upon facts, which constitutes the above offenses, shall be a material breach of this Agreement.

5.03 Amendment of Standards. None of the policies, bylaws, rules and regulations of Hospital, Hospital Medical Staff, or Practice shall be altered without Physician's consent. [(or, as a backup position) shall be altered without providing Physician advance notice and a meaningful opportunity to object.]

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. District 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.

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, 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.

6.03 Disclosure of Physician's Information. Neither District nor Hospital may disclose any information provided by, or about, Physician in connection with any credentialing or peer review deliberations unless such disclosure is otherwise required by law.

VII. GENERAL PROVISIONS

7.01. No Competition. For a period of six (6) months after this Agreement has been terminated by District for cause, Physician will not, directly or indirectly, solicit or accept employment with the same or similar duties as under this Agreement, with any person, medical group or any other entity that is a competitor with District, or enter into competition with District, either by herself or through any entity owned or managed, in whole or in part by Physician within a sixty (60) mile radius of Hospital. Physician further acknowledges that in the event this section is determined to be unenforceable by a court of competent jurisdiction, the parties agree that this provision shall be deemed to be amended to any lesser area or duration as determined by any court of competent jurisdiction and that the remaining provisions shall be valid and enforceable.

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 \$10,000.00 or more over a twelve (12) 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 both parties.

7.04. No Referral Fees. No payment or other consideration shall be made under this Agreement for the referral of patients, by Physician, to Hospital or to any nonprofit corporation affiliated with District.

7.05. Repayment of Inducement. The parties stipulate and agree that the income guaranteed to Physician under this Agreement, the covenants of the District to provide office space, and the covenant of Hospital to provide personal, equipment, and certain other benefits, are the minimum required to enable Physician to relocate herself and her practice to Bishop, California; that she is not able to repay such inducement, and that no such repayment shall be required.

7.06. 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.

7.07. 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 reasonable attorney's fees and costs.

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

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

7.10. 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: Lara Jeanine Arndal, MD

2626 Sierra Vista Way

Bishop, CA 93514

Notice may be given either personally or by first-class mail, postage prepaid, addressed to the party designated above at the address designated above, or an address subsequently specified in writing by the relevant party. If given by mail, notice shall be deemed given two (2) days after the date of the postmark on the envelope containing such notice.

- 7.11. Records.** All files, charts and records, medical or otherwise, generated by Physician in connection with services furnished during the Term of this Agreement are the property of Physician's Practice. Physician agrees to maintain medical records according to Practice 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.
- 7.12. 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.
- 7.13. 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.
- 7.14. 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.
- 7.15. Waiver.** The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.16. 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.
- 7.17. 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.
- 7.18. Construction.** This Agreement has been negotiated and prepared by both parties and it shall be assumed, in the interpretation of any uncertainty, that both parties caused it to exist.

**NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT**

PHYSICIAN

By: _____
Peter Watercott, District Board President

By: _____
Lara Jeanine Arndal, M.D.

EXHIBIT A SCOPE OF DUTIES OF THE PHYSICIAN

POSITION SUMMARY

The Physician is a Member of the Northern Inyo Hospital Active Medical Staff and the Clinic multidisciplinary care team. Physician provides direct primary medical diagnosis and treatment to Practice and Hospital patients. The Physician will provide services commensurate with the equivalent of a full time Obstetrical and Gynecological Practice. Full time shall mean regularly scheduled office hours to meet the service area demand and performance of surgeries as may be required. All time off will be coordinated with Call coverage such that scheduled time off will not conflict with the Physician's call requirement.

Specifically, the 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 Practice personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Practice patients.
6. Manage all Obstetrical and Gynecological 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.
9. Accept emergency call as provided herein.

END