



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday June 15, 2011; 5:30pm

*Board Room
Northern Inyo Hospital*

DRAFT AGENDA
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
BOARD OF DIRECTORS MEETING
June 15, 2011 at 5:30 P.M.
In the Board Room at Northern Inyo Hospital

1. Call to Order (at 5:30 P.M.).
2. Opportunity for members of the public to comment on any items on this Agenda.
3. Approval of minutes of the May 18 2011 regular meeting.
4. Financial and Statistical Reports for the month of April 2011; John Halfen.
5. Administrator's Report; John Halfen.
 - A. Building Update
 - B. Security Report, April 2011
 - C. Orthopedic services update
 - D. Physician Recruiting Update
 - E. Other
6. Chief of Staff Report; Helena Black, M.D..
 - A. Policy and procedure approvals (*action items*).
 - B. Privileging and credentialing (*action items*).
 - C. Other
7. Old Business
 - A. Northern Inyo County Local Hospital District Annual Bylaws review (*action item*).
 - B. Valley Emergency Physicians contract status update.
8. New Business
 - A. Construction Change Order Requests (*action items*):
 1. COR 158; IB 203; Locate BSU panels in electric room and central plant
 2. COR 161; IB 127; Wall and Floor Finish Update
 3. COR 162; IB 227; Stair 2 connection and soffit framing
 4. COR 163; IB 208; Moving of electrical panels
 5. COR 164; IB 194; Multiple RFI responses
 6. COR 165; IB 214; Exterior Framing Modifications
 7. COR 169; IB 248; Clarification of ADA shower elevations
 8. COR 171; RFI 1013; DF-1 ADA Drinking Fountains
 9. COR 175; IB 232 Coordination of Piping Diagrams
 10. COR 176; IB 226, Pipe Insulation for RWL in walls
 11. COR 177; 2nd Floor HDCP Shower/Toilet floor drain modifications

12. COR 180, IB 162, Minor Framing/structural revisions
 13. COR 182, IB 201 RFI 739, 744.1 and 762
 14. COR 183; MEP Wall conflicts with bottom track RFI 814
 15. COR 184; IB 238, Multiple Electrical RFI
 16. COR 185, IB 258 Electrical RFI 982 and 986
 17. COR 188; IB 222 anchorage of Radio Antenna
 18. COR 189, IB 229 LDRP door details
 19. COR 192; IB 228, revise wall mounted sink to counter top
 20. COR 194; IB 204 Add/Removed FSD's
 21. IB 196 IB 234 Misc. RFI's
 22. COR 197, RFI 926-Step in North Canopy Grade Beam
 23. COR 199; IB 123, Concrete pad and accessories for generator
 24. COR 200; IB 119 CO 24 Interior finish reconciliation
 25. COR 201; IB 250, Electrical coordination with headwalls and bed dockers
 26. COR 202, IB 76/77, Update medical equipment drawings and coordinate utilities
 27. COR 203; IB 254 Pipe rack pump supports
 28. COR 205; IB 255, Fireproofing at stair landing #1 columns
- B. Fiscal year 2011/2012 Proposed Budget (*action item*).
 - C. Suddenlink Connection to Birch Street Property (*action item*).
 - D. Resolution 11-01; Annual Appropriations Limit (*action item*).
 - E. Eastern Sierra Emergency Physicians contract proposal (*action item*).
 - F. Inter-Governmental Transfers (IGTs) (*action item*).
 - G. Temporary CC&R waiver request to Pioneer Medical Associates for Suite 152-A (*action item*).
 - H. Professional Services Agreement for Medical Director for Orthopedic Clinic (*action item*).
 - I. Electrocardiographic Department Agreement with Maria Toczek, M.D. (*action item*).
 - J. GE Anesthesia monitors purchase; \$96,000 (*action item*).
 - K. Pension plan report (*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 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 action filed by Stephen Johnson and Elizabeth Monahan-Johnson against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
- 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.

THIS SHEET

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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
Helena Black, M.D. Chief of Staff
Douglas Buchanan District Legal Counsel
Sandy Blumberg, Administration Secretary

ALSO PRESENT FOR
RELEVANT PORTION(S) Dianne Shirley, R.N. Performance Improvement Coordinator

PUBLIC COMMENT Mr. Watercott asked if any members of the public wished to comment on any items listed on the agenda for this meeting. No comments were heard.

MINUTES The minutes of the April 20 2011 regular meeting were approved.

CHIEF OF STAFF
REPORT Mr. Watercott noted the Chief of Staff Report would be presented first in order to accommodate Chief of Staff Helena Black, M.D. in the event that she is called to the Emergency Room (ER) to attend to a patient.

Doctor Black reported following careful consideration and approval by the appropriate committees the Medical Executive Committee recommends approval of the following hospital wide policies and procedures:

1. *Bladder Catheterization*
2. *Urinalysis Reflex*

It was moved by D. Scott Clark, M.D., seconded by M.C. Hubbard, and passed to approve both policies and procedures as presented.

NOTICE OF
TERMINATION,
VALLEY EMERGENCY
PHYSICIANS Doctor Black also called attention to agenda item E under the "New Business" section on the agenda, which is a request to issue a Notice of Termination for the contract with Valley Emergency Physicians. Dr. Black explained that the Emergency Department (ED) physicians as a group have concerns about the management of the Valley contract, and they have worked diligently with Valley in an attempt to address and resolve those concerns. The ED physician group now no longer desires to be under Valley management, and they request that the Board of Directors terminate the Valley Emergency Physicians agreement. Doctor Black and ED Service Chief Jennie Walker, M.D. have created a new corporation, Eastern Sierra Emergency Physicians, which they feel is fully prepared to manage the current ED contract in a manner which will continue to ensure

the excellent quality of care provided at Northern Inyo Hospital (NIH), while supporting the physician group at the same time. Eastern Sierra is prepared to provide immediate coverage of the ED. Dr. Walker stated the switch from Valley to Eastern Sierra Emergency Physicians is supported by the hospital's ED physician group, however some physicians will need to continue to work a number hours for Valley each year in order to maintain their pension plan.

District Legal Counsel Douglas Buchanan reviewed the termination clause in the existing Valley Emergency Physicians (VEP) contract, and stated the agreement may be cancelled with cause in three different ways; or it may be cancelled without cause with 90 days advance notice. He also stated the termination notice should be carefully stated due to potential risk to the new physician group if it can be determined that they induced the Hospital to terminate the existing VEP agreement. Following further discussion, it was decided that NIH Administrator John Halfen will contact and inform Valley management of the probable termination in order to determine their reaction. Mr. Halfen asked Doctors Black and Walker if the Hospital has a non-compete agreement with Valley, and the response was that it does; however the physicians have information in writing that Valley will not enforce the non-compete clause. Mr. Halfen suggested the Board approve the recommendation to issue a 90-day termination notice for the agreement with Valley Emergency Physicians, giving the Hospital approximately three months to finalize the decision on Emergency Department coverage. It was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to issue a 90-day termination notice for the existing agreement between NIH and Valley Emergency Physicians.

FINANCIAL AND STATISTICAL REPORTS

Mr. Halfen called attention to the financial and statistical reports for the month of March 2011. He noted the statement of operations shows a bottom line excess of revenues over expenses of \$47,564. Mr. Halfen additionally called attention to the following:

- *Inpatient service revenue was under budget, however outpatient service revenue was over budget*
- *Total expenses were under budget*
- *Salaries and wages were under budget, but employee benefits expense was over budget*
- *Professional Fees expense was over budget*
- *The Balance Sheet showed no significant change*
- *Total net assets continue to grow*
- *Year-to-date net income totals \$4,739,746*

Mr. Halfen briefly reviewed the hospital's investments which remain stable at this time; however there are three holdings that he feels need to be watched carefully. He also stated patient accounts receivable currently average 50.72 days, and the average daily accounts receivable total is \$259,785.26. Mr. Halfen also noted that patient volume is down partly

due to a decline in the number of surgeries, which is beginning to show on the income statement. The financials still look good for the year however,

largely due to a large prior period adjustment being made. Medical office activity and revenue across the board in general is under budget, and the budget for the upcoming fiscal year will need to be conservative and carefully considered. Following discussion of the hospital's overall financial condition, it was moved by John Ungersma, M.D., seconded by Denise Hayden, and passed to approve the financial and statistical reports for the month of March 2011 as presented.

ADMINISTRATOR'S REPORT

BUILDING UPDATE

John Hawes with Turner Construction Company reported the Hospital rebuild project is picking up speed and the walls of the new building are now being closed. Exterior walls are being prepared for paint and second floor mechanical inspections will be finished next week. Site work is proceeding; pipe in the chiller building is being installed; and overhead electrical is going in. Turner expects to be able to fire up the chillers in approximately four weeks, and Mr. Hawes also noted that the plastic has been removed from the exterior of the building. Finish coats of plaster are being applied and overall the project is progressing well and on schedule. Mr. Hawes also noted a tour of the building site will be available to Board members and other interested persons following the close of this meeting.

SECURITY REPORT

Mr. Halfen called attention to the Security Report for the month of March, which revealed no new security issues of significance.

ORTHOPEDIC SERVICES

Mr. Halfen stated a potential new orthopedic surgeon will arrive in Bishop this evening, and in the next couple of days he will meet with Administration and the Medical Staff in order to become familiar with the hospital and the surrounding area. Administration continues to actively recruit to bring new orthopedic surgeons to practice in this area.

PHYSICIAN RECRUITING UPDATE

The Hospital has retained a locum's hospitalist to provide one week of coverage per month, and plans are also being made to secure locums coverage for Lara Jeanine Arndal, M.D. who will be out on maternity leave beginning in the month of October.

OTHER

Mr. Halfen also reported the Hospital received notice that David Greene, M.D. will be moving out of the area in the next couple of months, and he will be slowing his medical practice in preparation for retirement. Administration and members of the Board expressed how greatly Dr. Greene will be missed, by the Hospital and by the community as a whole. The Board wishes Dr. Greene well in all of his future endeavors.

Administration continues to recruit and interview for the positions of Surgery Unit Nurse Manager and Director of Nursing for NIH.

- OLD BUSINESS There was no Old Business scheduled for discussion at this meeting.
- NEW BUSINESS Kathy Sherry, Project Manager with Turner Construction called attention to the following construction change order requests:
- CONSTRUCTION
CHANGE ORDER
REQUESTS 1. COR 49R1; Bond and Builder's Risk
 2. COR 123; IB 084, Central Plant Redesign
 3. COR 142; IB 150, 24/7 Monitoring
 4. COR 149; IB 160, Revisions to Toilet Room H1020
 5. COR 157; IB 251, RFI 931, Pipe Support in existing central plant
 6. COR 170; IB 230, Panel DEQ 600 amp breaker change
 7. COR 172; IB 083, RF Room Coordination
 8. COR 174; IB 231, Chiller Building and Boiler Building
 9. COR 179; Payment Terms (Early Release Discount) (*cost reduction*)
 10. COR 181; IB 185, Code required clock/timers
 11. COR 129R1; Wage Rate Increase (*cost reduction from original estimate*)
 12. COR 186; VE items for glass (*cost reduction*)
- Ms. Sherry explained the need for each of the change orders, and noted these are not new expenditures because the amounts indicated were included in previously submitted cost forecasts. She additionally noted that two of the items listed represent cost reductions from original quotes. Following review of the information provided it was moved by Ms. Hubbard, seconded by Ms. Hayden, and passed to approve Construction Change Orders 1 through 12 as presented.
- ANNUAL BYLAWS
REVIEW District Legal Counsel Douglas Buchanan stated that annual review of the Northern Inyo County Local Hospital District bylaws will be tabled for discussion at the next regular meeting.
- CONSULTING
AGREEMENT, PAT
CALLOWAY Mr. Halfen called attention to a proposed continuation of a Consulting Agreement with Ms. Pat Calloway to provide Activities Director services at Northern Inyo Hospital. He noted it is a State requirement that the Hospital contract with an activities director to provide services for swing bed patients, and this contract is simply a renewal of a previously established agreement. District Legal Counsel Douglas Buchanan feels the Hospital should come up with a better model for this agreement, however for the time being it was moved by Doctor Ungersma, seconded by Ms. Hubbard, and passed to approve the Consulting Agreement with Ms. Patricia Calloway as presented.
- KRONOS CAPITAL
ACQUISITION Carrie Petersen, Controller called attention to a proposal to purchase an upgrade to the hospital's Kronos employee time and attendance system, in preparation for the switch to the McKesson Hospital Information System (HIS). Ms. Petersen explained the upgrade will prevent the addition of at least one full time equivalent (FTE) employee, and that it will improve

payroll functions and management for department supervisors and give employees improved access to their personal information. Human Resources Director Georgan Stottlemire also noted it will benefit the Hospital in other areas such as open benefits enrollment, and it will allow for improved management of employee's personnel benefits. It will also allow for creation of electronic personnel files, and will provide reports such as overtime tracking and other labor management tools. Following brief discussion it was moved by Doctor Ungersma, seconded by Ms, Hubbard, and passed to approve the proposed Kronos time and attendance system upgrade as requested.

HOSPITAL
REORGANIZATION

Mr. Halfen called attention to a proposed reorganization of Hospital management that would reduce the number of persons reporting directly to the Administrator from 25 to 13 people. Mr. Halfen noted 25 direct reports is an unreasonable number, and a reduction or reorganization has been overdue for some time. Carrie Petersen, Controller; and Leon Freis, Laboratory, Compliance, and Administration Support Services will each acquire additional direct reports who fall into their areas of Hospital management. Following review of the proposed (new) organizational chart for NIH, it was moved by Doctor Clark, seconded by Doctor Ungersma, and passed approve the proposed Hospital management reorganization as requested.

BOARD MEMBER
REPORTS

Mr. Watercott asked if any members of the Board of Directors wished to report on any items of interest. Doctor Ungersma provided an update on the Association of California Healthcare Districts' (ACHD) annual meeting, and he informed the Board of pending legislation that may significantly affect California Healthcare Districts. The legislation which would affect this District the most is AB 375, which proposes large scale changes to workers compensation benefits, which would result in much higher costs for the District.

OPPORTUNITY FOR
PUBLIC COMMENT

Maggie Egan, Medical Staff Coordinator and President of the Northern Inyo Hospital Foundation gave a report on the annual Bishop High Sierra Ultra Marathon, which was once again a highly successful event.

CLOSED SESSION

At 7:09 pm Mr. Watercott announced the meeting was being adjourned to closed session to allow the Board of Directors to:

- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
- B. Confer with legal counsel regarding 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 action filed by Stephen Johnson and Elizabeth Monahan-Johnson against Northern Inyo

County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
Director D. Scott Clark, M.D. was not present during closed session discussion.

RETURN TO OPEN
SESSION AND REPORT
OF ACTION TAKEN

At 7:36pm the meeting returned to open session. Mr. Watercott announced that the Board took no reportable action.

PUBLIC COMMENT

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

ADJOURNMENT

The meeting was adjourned at 7:37pm.

Peter Watercott, President

Attest:

M.C. Hubbard, Secretary

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BUDGET VARIANCE ANALYSIS

Apr-11 PERIOD ENDING

In the month, NIH was

	-11%	under budget in IP days;
(	0.017%	) over in IP Revenue and
(	-2.6%	) over in OP Revenue resulting in
\$ (82,506) (	-1.1%	) under in gross patient revenue from budget &
\$ (220,958) (	-4.7%	) under in net patient revenue from budget

Total Expenses were:

\$ (519,426) (	-11.3%	) under budget. Wages and Salaries were
\$ (34,955) (	-2.2%	) under budget and Employee Benefits
\$ (319,496) (	-32.0%	) under budget.
\$ 36,509		of other income resulted in a net income of
\$ 508,478	\$ 311,056	over budget.

The following expense areas were over budget for the month:

\$ 180,904	51%	Professional Fees
\$ 1,899	2%	Interest Expense
\$ 3,779	2%	Other Expenses

Other Information:

44.00%	Contractual Percentages for month
36.19%	Contractual Percentages for Year

\$ 5,248,224 Year-to-date Net Revenue

Special Notes:

Depreciation is correcting for year

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2011

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	10,507,916	6,765,249	9,559,496	7,713,669	24,907,772	790,535	26,596	2,815	4,027	723,292	2,120,894	593	
February	7,713,669	7,631,345	6,454,526	8,890,488	21,851,274	790,535	26,596	2,815	4,027	723,320	2,257,873	593	
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	
Prior Year													
May	1,212,221	5,617,293	7,530,678	(701,164)	29,528,268	960,093	26,236	2,640	4,574	718,486	11,025,753	1,941,110	
June	(701,164)	10,880,268	10,090,323	88,781	33,086,873	960,184	26,490	2,640	3,824	718,518	7,897,886	1,941,127	
July	88,781	10,753,454	10,191,339	650,897	32,112,550	960,184	26,490	2,640	3,824	723,106	6,720,131	1,941,143	
August	650,897	5,605,016	5,416,671	839,242	30,865,987	960,184	26,590	2,814	18,924	723,138	7,183,224	1,941,159	
September	839,242	29,826,128	30,427,218	238,152	32,060,945	960,301	26,593	2,814	18,926	723,168	5,665,915	588	
October	238,152	6,928,121	6,894,086	272,187	28,514,689	394,548	26,593	2,814	4,026	723,197	3,963,503	593	
November	272,187	14,762,394	6,195,143	8,839,438	22,466,248	245,400	26,593	2,814	4,026	723,230	2,160,323	593	
December	8,839,438	11,892,778	10,224,299	10,507,916	24,092,498	826,410	26,596	2,815	4,027	723,261	1,884,461	593	

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

Investments as of April 30, 2011

Institution	Certificate ID	Purchase Dt	Maturity Dt	Principal	YTM	Broker
LAI (Walker Fund)	20-14-002 Walker	15-Apr-11	01-May-11	\$319,541	0.58%	Northern Inyo Hospital
Verizon Wireless CAP LLC Note	92344S-AT-7	18-Jan-11	20-May-11	\$1,011,800	0.19%	Multi-Bank Service
United States Treasury Note-MBS	912828KU3	03-Sep-10	31-May-11	\$2,009,860	0.26%	Multi-Bank Service
United States Treasury Note-MBS	912828LF5	03-Sep-10	30-Jun-11	\$2,014,900	0.21%	Multi-Bank Service
Total Short Term Investments				\$5,356,101		
Florida Power Corp 1st Mortgage	341099-BZ-1	18-Jan-11	15-Jul-11	\$1,031,060	0.32%	Multi-Bank Service
United States Treasury Note-MBS	912828LG3	02-Sep-10	31-Jul-11	\$1,006,960	0.23%	Multi-Bank Service
United States Treasury Note-MBS	912828LG3.232	03-Sep-10	31-Jul-11	\$1,006,960	0.23%	Multi-Bank Service
United States Treasury Note-MBS	912828LV0	02-Sep-10	31-Aug-11	\$2,014,460	0.27%	Multi-Bank Service
United States Treasury Note-MBS	912828LW8	02-Sep-10	30-Sep-11	\$1,763,230	0.30%	Multi-Bank Service
Union National Bank & Trust CO-FNC	5L27278	19-Oct-09	19-Oct-11	\$250,000	2.00%	Financial Northeast Corp.
Credit Suisse 1st Boston USA Note	22541LAB9	02-Feb-10	15-Nov-11	\$541,865	1.36%	Multi-Bank Service
General Electric CAP Corp	36962G-T3-8	18-Jan-11	15-Nov-11	\$777,968	0.47%	Multi-Bank Service
Worlds Foremost Bank (FNC CD)	5X42688	18-Dec-08	18-Dec-11	\$100,000	4.40%	Financial Northeast Corp.
General Electric CAP Corp	36962GSX8	21-Dec-10	15-Feb-12	\$1,060,060	0.63%	Multi-Bank Service
BP CAP MKTS	05565ABG2	16-Dec-10	10-Mar-12	\$2,570,950	0.81%	Multi-Bank Service
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				\$12,373,513		
Grand Total Investments				\$17,729,613		

Financial Indicators

Target	Mar-11	Mar-11	Feb-11	Jan-11	Dec-10	Nov-10	Oct-10	Sep-10	Aug-10	Jul-10	Jun-10	May-10	Apr-10	Mar-10	Feb-10
Current Ratio	>1.5-2.0	5.34	4.78	4.72	5.14	5.39	4.23	5.43	5.17	5.00	5.88	4.84	4.95	4.34	5.42
Quick Ratio	>1.33-1.5	4.30	4.15	4.20	4.62	4.88	3.54	4.65	4.62	4.45	5.43	4.22	4.32	3.78	4.87
Days Cash on Hand	>75	195.53	214.19	241.51	235.84	267.12	284.37	241.31	303.29	277.51	335.40	233.51	230.21	217.46	322.93

NORTHERN INYO HOSPITAL
STATISTICS

MONTHS	IP			SURGERIES			TOTAL			BIRTHS			ER			OP REFERRALS			ADMITS (W/NB)			PT DAYS (W/O,NB)			PT DAYS (W/NB)			DISCH (W/NB)		
	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11
2011	46	26	28	109	95	88	155	121	116	25	18	16	594	604	600	3241	3157	3223	141	99	93	359	304	285	406	337	314	142	99	97
JANUARY	26	15	31	97	82	86	123	97	117	15	13	17	484	487	539	2988	3066	3109	96	81	94	245	209	204	278	235	238	100	83	83
FEBRUARY	24	42	18	116	104	90	140	146	108	22	21	10	642	663	565	3579	3504	3537	124	120	78	296	254	212	338	301	234	127	115	86
MARCH	21	27	26	86	88	75	107	115	101	17	16	14	604	498	609	3424	3424	3207	100	84	74	216	231	242	251	258	273	102	90	75
APRIL	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
MAY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
JUNE	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
JULY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
AUGUST	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
SEPTEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CALENDAR	117	110	103	408	369	339	525	479	442	79	68	57	2294	2252	2373	13232	13151	13076	461	384	339	1116	998	943	1273	1131	1059	471	387	341
MONTHLY AVERAGE	39	37	34	136	123	113	175	160	147	26	23	19	745	751	791	4,411	4,384	4,359	164	128	113	372	333	314	424	377	353	167	129	114

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

Effective April 2010, Radiology Visits include all patient types (OP, IP & ER); this is a change from only Outpatients

MONTHS 2011	DIAGNOSTIC RADIOLOGY		MAMMOGRAPHY		NUCLEAR MEDICINE		ULTRASOUND		CT SCANNING		MRI		LABORATORY		E.K.G./ E.E.G.		PHYSICAL THERAPY		RESPIRATORY THERAPY		RURAL HEALTH CLINIC		TOTALS																
	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11	09	10	11												
JANUARY	606	622	742	434	330	192	96	77	34	206	198	242	165	167	195	470	658	100	1635	1619	1681	120	96	99	363	352	568	10	17	18	1457	1220	1952	5562	6356	5183			
FEBRUARY	477	542	644	182	313	190	51	51	41	195	201	251	153	147	155	435	456	91	1643	1522	1487	116	114	126	314	376	596	10	15	23	1374	1254	1207	4950	4991	4821			
MARCH	581	567	693	261	321	201	1	99	46	201	206	243	152	170	186	472	440	115	1904	1795	1786	121	117	139	428	449	712	13	9	27	1477	1404	1273	5611	5577	5431			
APRIL	600	786	608	378	289	170	68	57	39	198	252	248	161	161	159	483	148	89	1824	1804	1638	108	113	129	380	395	528	16	10	14	1423	1394	1084	5639	5409	4727			
MAY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
JUNE	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
JULY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
AUGUST	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
SEPTEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CALENDAR YEAR	2264	2517	2688	1255	1253	753	216	284	160	800	857	984	631	645	695	1860	1702	395	7006	6740	6602	465	440	493	1485	1572	2394	49	51	82	5731	5272	4916	21762	21333	20162			
MONTHLY AVERAGES	566	629	672	314	313	188	54	71	40	200	214	246	158	161	174	465	428	99	1752	1685	1651	116	110	123	371	393	599	12	13	21	1433	1316	1229	5441	5333	5041			

*Radiology has changed their methodology for capturing statistics and feel these are more accurate. They are much higher than previously reported.

NORTHERN INYO HOSPITAL

Balance Sheet

April 30, 2011

	<i>Current</i>	<i>Prior Month</i>	<i>FYE 2010</i>
	<u>Month</u>	<u>Prior Month</u>	<u>FYE 2010</u>
Current assets:			
Cash and cash equivalents	\$ 3,677,798	7,624,937	5,736
Short-term investments	11,274,536	13,282,976	30,262,716
Assets limited as to use	-	-	5,587,596
Plant Expansion and Replacement Cash	602	602	2,099,904
Other Investments (Partnership)	971,107	971,107	971,107
Patient receivable, less allowance for doubtful accounts \$501,086	9,034,936	8,460,501	7,953,621
Other receivables (Includes GE Financing Funds)	2,123,893	679,687	424,259
Inventories	2,370,666	2,376,561	2,378,072
Prepaid expenses	1,573,585	1,579,845	1,143,283
Total current assets	<u>31,027,122</u>	<u>34,976,216</u>	<u>50,826,294</u>
Assets limited as to use:			
Internally designated for capital acquisitions	826,379	749,950	745,008
Specific purpose assets	599,138	797,553	966,724
	<u>1,425,517</u>	<u>1,547,503</u>	<u>1,711,732</u>
Revenue bond funds held by trustee	2,531,834	2,394,853	7,541,783
Less amounts required to meet current obligations	-	-	5,587,596
Net Assets limited as to use:	<u>3,957,351</u>	<u>3,942,356</u>	<u>3,665,918</u>
Long-term investments	<u>6,455,844</u>	<u>6,455,844</u>	<u>2,824,834</u>
Property and equipment, net of accumulated depreciation and amortization	<u>65,633,006</u>	<u>62,891,369</u>	<u>47,655,595</u>
Unamortized bond costs	<u>966,180</u>	<u>970,807</u>	<u>1,012,587</u>
Total assets	<u><u>108,039,502</u></u>	<u><u>109,236,591</u></u>	<u><u>105,985,228</u></u>

NORTHERN INYO HOSPITAL

Balance Sheet

April 30, 2011

Liabilities and net assets

	<i>Current</i>		
	<u>Month</u>	<u>Prior Month</u>	<u>FYE 2010</u>
Current liabilities:			
Current maturities of long-term debt	128,218	191,789	1,188,561
Accounts payable	727,437	1,073,559	952,032
Accrued salaries, wages and benefits	2,846,647	3,536,641	3,275,053
Accrued interest and sales tax	428,313	788,900	560,578
Deferred income	133,426	175,991	48,296
Due to third-party payors	1,542,881	1,542,881	2,616,629
Due to specific purpose funds	-	-	-
Total current liabilities	<u>5,806,921</u>	<u>7,309,761</u>	<u>8,641,148</u>
Long-term debt, less current maturities	49,020,816	49,020,816	49,020,816
Bond Premium	1,386,049	1,390,392	1,429,475
Total long-term debt	<u>50,406,865</u>	<u>50,411,208</u>	<u>50,450,292</u>
Net assets:			
Unrestricted	51,226,578	50,718,070	45,927,064
Temporarily restricted	599,138	797,553	966,724
Total net assets	<u>51,825,716</u>	<u>51,515,623</u>	<u>46,893,788</u>
Total liabilities and net assets	<u>108,039,502</u>	<u>109,236,591</u>	<u>105,985,228</u>

NORTHERN INYO HOSPITAL

Statement of Operations

As of April 30, 2011

	MTD	MTD			YTD	YTD			
	Actual	Budget	Variance \$	Variance %	YTD Actual	Budget	Variance \$	Variance %	Prior YTD
Unrestricted revenues, gains and other support:									
In-patient service revenue:									
Routine	610,286	634,879	(24,593)	(3.9)	5,409,072	6,433,451	(1,024,379)	(15.9)	5,748,072
Ancillary	2,175,322	2,104,074	71,248	3.4	19,124,113	21,321,330	(2,197,217)	(10.3)	19,637,754
Total in-patient service revenue	2,785,608	2,738,953	46,655	0.017	24,533,185	27,754,781	(3,221,596)	-11.6%	25,385,826
Out-patient service revenue	4,763,733	4,892,894	(129,161)	(2.6)	48,934,326	49,581,358	(647,032)	(1.3)	48,272,558
Gross patient service revenue	7,549,341	7,631,847	(82,506)	(1.10)	73,467,511	77,336,139	(3,868,628)	(5.0)	73,658,384
Less deductions from patient service revenue:									
Patient service revenue adjustments	133,690	145,324	11,634	8.0	1,407,976	1,472,623	64,647	4.4	1,427,301
Contractual adjustments	2,919,356	2,824,832	(94,524)	(3.4)	27,731,980	28,624,950	892,970	3.1	29,343,754
Prior Period Adjustments	55,562	-	(55,562)	100.0	(4,399,823)	-	4,399,823	100.0	(2,801,202)
Total deductions from patient service revenue	3,108,608	2,970,156	(138,452)	(4.7)	24,740,133	30,097,573	5,357,440	17.8	27,969,853
Net patient service revenue	4,440,733	4,661,691	(220,958)	-5%	48,727,378	47,238,566	1,488,812	3%	45,688,531
Other revenue	21,797	30,925	(9,128)	(29.5)	348,845	313,368	35,477	11.3	288,537
Transfers from Restricted Funds for Other Operating Expenses	80,224	78,618	1,606	2.0	802,242	796,658	5,584	0.7	646,660
Total Other revenue	102,021	109,543	(7,522)	(6.9)	1,151,087	1,110,026	41,061	3.7	935,197
Total revenue, gains and other support	4,542,754	4,771,234	(228,480)	(6.9)	49,878,465	48,348,592	1,529,873	3.7	46,623,728
Expenses:									
Salaries and wages	1,575,448	1,610,403	34,955	2.2	15,584,157	16,318,739	734,582	4.5	15,040,648
Employee benefits	677,544	997,040	319,496	32.0	9,796,845	10,103,354	306,509	3.0	9,839,173
Professional fees	538,415	357,511	(180,904)	(50.6)	4,162,243	3,622,763	(539,480)	(14.9)	4,542,410
Supplies	480,960	555,811	74,851	13.5	4,631,103	5,632,252	1,001,149	17.8	5,186,355
Purchased services	245,915	251,069	5,154	2.1	2,445,199	2,544,171	98,972	3.9	2,646,112
Depreciation	18,996	287,671	268,675	93.4	2,648,637	2,915,066	266,429	9.1	2,248,308
Interest	104,577	102,678	(1,899)	(1.9)	1,052,964	1,040,467	(12,497)	(1.2)	1,083,219
Bad debts	213,294	216,171	2,877	1.3	1,850,042	2,190,534	340,492	15.5	1,928,688
Other	215,636	211,857	(3,779)	(1.8)	2,252,754	2,146,807	(105,947)	(4.9)	1,926,609
Total expenses	4,070,785	4,590,211	519,426	11.3	44,423,945	46,514,153	2,090,208	4.5	44,441,522
Operating income (loss)	471,969	181,023	290,946	(18.2)	5,454,520	1,834,439	3,620,081	(0.8)	2,182,206
Other income:									
District tax receipts	42,565	43,112	(547)	(1.3)	425,648	436,868	(11,220)	(2.6)	437,111
Interest	15,153	15,914	(761)	(4.8)	252,614	161,266	91,348	56.6	156,624
Other	1,090	4,797	(3,707)	(77.3)	46,965	48,604	(1,639)	(3.4)	50,181
Grants and Other Non-Restricted Contributions	80,816	5,208	75,608	1,451.8	121,432	52,777	68,655	130.1	123,289
Partnership Investment Income	-	-	-	N/A	-	-	-	-	51,855
Net Medical Office Activity	(103,115)	(52,632)	(50,483)	122.6	(1,052,954)	(533,361)	(519,593)	(97.4)	(440,995)
Total other income, net	36,509	16,399	20,110	123	(206,296)	166,154	(372,450)	(224.2)	378,065
Excess (deficiency) of revenues over expenses	508,478	197,422	311,056	158	5,248,224	2,000,593	3,247,631	162.3	2,560,271
Contractual Percentage	44.00%	41.75%			36.19%	41.75%			40.59%

NORTHERN INYO HOSPITAL

Statement of Operations--Statistics

As of April 30, 2011

	Month		Month		Variance		YTD Actual		YTD Budget		Year	
	Month Actual	Month Budget	Variance	Percentage	Month Actual	Month Budget	Variance	Percentage	YTD Actual	YTD Budget	Variance	Year Percentage
Operating statistics:												
Beds	25	25	N/A	N/A	25	25	N/A	N/A	25	25	N/A	N/A
Patient days	231	258	(27)	0.90	2,173	2,617	(444)	0.83	2,173	2,617	(444)	0.83
Maximum days per bed capacity	750	750	N/A	N/A	7,600	7,600	N/A	N/A	7,600	7,600	N/A	N/A
Percentage of occupancy	30.80	34.40	(3.60)	0.90	28.59	34.43	(5.84)	0.83	28.59	34.43	(5.84)	0.83
Average daily census	7.70	8.60	(0.90)	0.90	7.15	8.61	(1.46)	0.83	7.15	8.61	(1.46)	0.83
Average length of stay	3.79	3.15	0.64	1.20	3.03	3.14	(0.12)	0.96	3.03	3.14	(0.12)	0.96
Discharges	61	82	(21)	0.74	718	833	(115)	1	718	833	(115)	1
Admissions	60	82	(22)	0.73	719	833	(114)	1	719	833	(114)	1
Gross profit-revenue depts.	5,047,329	4,994,139	53,190	1.01	48,135,738	50,607,329	(2,471,591)	0.95	48,135,738	50,607,329	(2,471,591)	0.95
Percent to gross patient service revenue:												
Deductions from patient service revenue and bad debts	44.00	41.75	2.25	1.05	36.19	41.75	(5.56)	0.87	36.19	41.75	(5.56)	0.87
Salaries and employee benefits	29.63	34.11	(4.48)	0.87	34.40	34.11	0.29	1.01	34.40	34.11	0.29	1.01
Occupancy expenses	2.13	5.42	(3.29)	0.39	5.48	5.42	0.06	1.01	5.48	5.42	0.06	1.01
General service departments	5.13	5.54	(0.41)	0.93	5.98	5.54	0.44	1.08	5.98	5.54	0.44	1.08
Fiscal services department	4.11	5.11	(1.00)	0.80	5.29	5.11	0.18	1.04	5.29	5.11	0.18	1.04
Administrative departments	4.86	5.11	(0.25)	0.95	5.01	5.11	(0.10)	0.98	5.01	5.11	(0.10)	0.98
Operating income (loss)	4.73	0.85	3.88	5.56	5.21	0.85	4.36	6.13	5.21	0.85	4.36	6.13
Excess (deficiency) of revenues over expenses	6.74	2.59	4.15	2.60	7.14	2.59	4.55	2.76	7.14	2.59	4.55	2.76
Payroll statistics:												
Average hourly rate (salaries and benefits)	40.22	46.12	(5.89)	0.87	44.59	46.73	(2.14)	0.95	44.59	46.73	(2.14)	0.95
Worked hours	48,433.55	47,764.00	669.55	1.01	484,744.61	483,966.00	778.61	1.00	484,744.61	483,966.00	778.61	1.00
Paid hours	55,613.69	56,447.00	(833.31)	0.99	566,741.42	564,470.00	2,271.42	1.00	566,741.42	564,470.00	2,271.42	1.00
Full time equivalents (worked)	281.59	279.32	2.27	1.01	279.88	278.94	0.93	1.00	279.88	278.94	0.93	1.00
Full time equivalents (paid)	323.34	330.10	(6.76)	0.98	327.22	325.34	1.87	1.01	327.22	325.34	1.87	1.01

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of April 30, 2011

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	508,477.94	5,248,224.43
Net Assets due/to transferred from unrestricted	(76,399.79)	(80,957.53)
Interest posted twice to Bond & Interest	-	-
Net assets released from restrictions used for operations	-	50,875.00
Net assets released from restrictions used for payment of long-term debt	(80,224.16)	(802,241.60)
Contributions and interest income	76,429.30	81,371.46
Increase in unrestricted net assets	<u>428,283.29</u>	<u>4,497,271.76</u>
Temporarily restricted net assets:		
District tax allocation	335,892.99	916,840.13
Net assets released from restrictions	(534,307.50)	(1,300,083.99)
Restricted contributions	-	15,374.00
Interest income	-	284.07
Net Assets for Long-Term Debt due from County	80,224.16	802,241.60
Increase (decrease) in temporarily restricted net assets	<u>(118,190.35)</u>	<u>434,655.81</u>
Increase (decrease) in net assets	310,092.94	4,931,927.57
Net assets, beginning of period	51,515,622.67	46,893,788.04
Net assets, end of period	<u>51,825,715.61</u>	<u>51,825,715.61</u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of April 30, 2011

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	310,092.94	4,931,927.57
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting fund deposit)		
Depreciation	18,995.63	2,648,636.53
Provision for bad debts	213,293.75	1,850,041.71
Loss (gain) on disposal of equipment	-	916.63
(Increase) decrease in:		
Patient and other receivables	(2,231,934.48)	(4,630,990.07)
Other current assets	12,155.25	(422,896.41)
Plant Expansion and Replacement Cash	-	2,099,302.52
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,439,267.57)	(700,135.19)
Third-party payors	-	(1,073,748.76)
Net cash provided (used) by operating activities	(3,116,664.48)	4,703,054.53
 Cash flows from investing activities:		
Purchase of property and equipment	(2,760,632.42)	(20,626,076.16)
Purchase of investments	2,008,440.74	15,357,170.04
Proceeds from disposal of equipment	-	(887.36)
Net cash provided (used) in investing activities	(752,191.68)	(5,269,793.48)
 Cash flows from financing activities:		
Long-term debt	(67,914.07)	(1,103,769.16)
Issuance of revenue bonds	(136,981.06)	5,009,948.70
Unamortized bond costs	4,626.77	46,407.00
Increase (decrease) in donor-restricted funds, net	121,985.21	286,214.33
Net cash provided by (used in) financing activities	(78,283.15)	4,238,800.87
 Increase (decrease) in cash and cash equivalents	 (3,947,139.31)	 3,672,061.92
 Cash and cash equivalents, beginning of period	 7,624,937.15	 5,735.92
 Cash and cash equivalents, end of period	 3,677,797.84	 3,677,797.84

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NORTHERN INYO HOSPITAL

SECURITY REPORT

APRIL 2011

FACILITY SECURITY

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

One Hospital vehicle was found unlocked during this period.

Construction gates were found open or unsecured five times during this period.

HUMAN SECURITY

On April 7th ED Staff requested Security Staff for an intoxicated patient.

On April 7th an outraged and uncooperative ED patient left the Hospital after refusing treatment.

On April 9th ED Staff requested Security for an uncooperative family member of an ED patient.

On April 21st an intoxicated ED patient decided to leave Campus during treatment. Security located the patient outside the main entrance. The patient ripped out his IV and refused to return for further treatment.

On April 26th A Floor Staff requested Security for a post-op patient who was refusing to cooperate with Staff.

On April 28th Security was called in early for an uncooperative ED patient. This patient became combative and was placed into four way restraints and was later admitted to ICU.

On April 29th Security stood by with a disruptive ED patient.

On April 30th Security stood by with a ED patient with history of combative and disruptive conduct.

Security Staff provided Law Enforcement assistance on ten occasions during this period. Six were for Lab BAC's.

5150 standby was provided on one occasion.

Security Staff provided patient assists eighteen times this month.

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BYLAWS
of the
NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT

REVISED AND APPROVED

August 20, 1980
August 19, 1981
August 18, 1982
February 16, 1983
August 17, 1983
August 15, 1984
August 21, 1985
December 18, 1985
August 20, 1986
August 19, 1987
August 17, 1988
August 16, 1989
June 20, 1990
July 17, 1991
July 15, 1992
July 21, 1993
July 19, 1995
July 17, 1996
July 16, 1997
July 15, 1998
July 21, 1999
July 19, 2000
June 20, 2001
July 17, 2002
March 16, 2005
January 18, 2006
April 21, 2010
May 18, 2011

**BYLAWS OF THE
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT**

PREAMBLE

Section 1. Name

The name of this non-profit hospital district organization shall be the Northern Inyo County Local Hospital District (hereinafter "the District"), organized January 11, 1946, under the terms of the Local Health Care District Law (Health and Safety Code, Section 32000, et seq), to promote the public health and the general welfare. This organization shall be fully empowered to receive and administer funds for the attainment of these objectives, all in accordance with the purposes and powers set forth in the Local Health Care District Law.

ARTICLE I

OFFICES

Section 1. Offices

The principal office for the transaction of the business of the District is hereby fixed at Northern Inyo Hospital (hereinafter referred to as "The Hospital") at 150 Pioneer Lane, Bishop, Inyo County, California. Branch offices may be established by the Board of Directors at such place or places within the geographical boundaries of the District as it deems necessary or advisable to the conduct of the business of the District.

Section 2. Title to Property

The title to all property of the District shall be vested in the Board of Directors, and the signatures of the President and Secretary authorized by appropriate resolution at any meeting of the Directors, shall constitute the proper authority for the purchase or sale of property, or for the investment or other disposal of trust funds which are subject to the control of the District.

ARTICLE II

PURPOSES AND SCOPE

Section 1. Scope of Bylaws

These Bylaws shall be known as the "District Bylaws," and shall govern the District, its Board of Directors (hereinafter "the Board"), and all of its affiliated and subordinate organizations and groups.

The Board may delegate certain powers to the Medical Staff and to other affiliated and subordinate organizations and groups. Such powers and functions not expressly delegated to such affiliated or subordinate organizations or groups are to be considered residual powers vested in the Board of the District provided, however, that no assignment, referral, or delegation

of authority by the Board shall preclude the Board from exercising the authority required to meet its responsibility for the conduct of the hospital and the quality of patient care.

The Bylaws of the Medical Staff and other affiliated and subordinate organizations and groups, and any amendments to such Bylaws, shall not be effective until the same are approved by the Board of the District. Said Bylaws may be reviewed by the Board annually, or at more frequent intervals if circumstances require, with the assistance of the Administrator and the attorney for the District.

In the event of any conflict between the Bylaws of the Medical Staff or any other affiliated or subordinate organization or group, and the provisions of these District Bylaws, these District Bylaws shall prevail. In the event the District Bylaws are in conflict with any statute of the State of California governing health care districts or other applicable law, such statute or other applicable law shall prevail.

Section 2. Purposes

The purposes of the District shall include, but not necessarily be limited to, the following:

- a. Within the limits of community resources, to provide the best facilities reasonably possible for the acute and continued care of the injured or ill.
- b. To conduct educational and research activities essential to the attainment of its purposes.
- c. To coordinate the services of the District with community agencies and other hospitals and health care institutions providing specialized care.
- d. To do any and all other acts and things necessary to carry out the provisions of the Local Health Care District Law.

Section 3. Profit or Gain

There shall be no contemplation of profit or pecuniary gain, and no distribution of profits to any individual, under any guise whatsoever, nor shall there be any distribution of assets or surpluses to any individual on the dissolution of the District.

Section 4. Disposition of Surplus

Should the operation of the District result in a surplus of revenue over expenses during any particular period, such surplus may be used and dealt with by the Board for improvements in the hospital's facilities for the care of the sick, injured, or disabled, or for other purposes not inconsistent with the Local Health Care District Law or these Bylaws.

Section 5. Fiscal Year

The fiscal year of the District shall commence on the first day of July of each year and shall end on the last day of June of each year.

Section 6. Annual Audit

The affairs and financial condition of the District shall be audited annually at the end of each fiscal year by a Certified Public Accountant selected by the Board, and a written report of such audit and appropriate financial statements shall be submitted to the Board. Additional audits may be authorized as considered necessary or desirable by the Board.

The annual audit report shall be reviewed and discussed by the Administrator and the Board.

Section 7. Non-Discrimination

Unlawful discrimination is against the policy of the District in all activities including, but not limited to, admission, treatment, and employment. No person shall be excluded from participation in, or be denied the benefits of, any District program or activity on account of race, religious creed, color, national origin, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ancestry or pregnancy.

ARTICLE III

DIRECTORS

Section 1. Number and Qualifications

The Board shall consist of five (5) members elected from and representing five (5) zones into which the District is divided. Each Board member shall be a registered voter residing in the zone of the District from which he or she is elected.

Section 2. Election and Term of Office

Members of the Board shall be elected to overlapping four-year terms by the electors of the five (5) zones of the District. Elections shall be conducted pursuant to and as provided in the California Elections Code, amendments thereto, and other applicable California law.

Section 3. Powers and Duties

The Board shall have and exercise all the powers of a Health Care District permitted by applicable law, including but not limited to the powers set forth in the Local Health Care District Law. Specifically, but without limitation, the Board shall be empowered as follows:

- a. To control and be responsible for the management of all operations and affairs of the District.
- b. To make and enforce all rules and regulations necessary for the administration, government, protection, and maintenance of hospitals and other facilities under District jurisdiction.

- c. To appoint an Administrator, to approve appointment of all officers of the Medical Staff and all chiefs of the various medical services, and to define the powers and duties of such appointees.
- d. To delegate certain powers to the Medical Staff and other affiliated or subordinate organizations in accordance with their respective bylaws.
- e. To approve or disapprove all constitutions, Bylaws, Rules and Regulations, including amendments thereof, of all affiliated or subordinate organizations.
- f. To appoint, promote, demote, and remove all members of the Medical Staff.
- g. To provide for the election of its officers and for the appointment of committees as necessary to effect the discharge of its responsibilities. In addition, the Board shall adopt a schedule of meetings, attendance requirements, and methods of recording minutes of governing body proceedings not including closed sessions.
- h. To, if deemed appropriate, appoint an executive committee of the Board. Lacking the appointment of an executive committee by resolution of a majority of the Board, the Board shall fulfill its duties and responsibilities acting as a committee-of-the-whole.
- i. To adopt resolutions and ordinances establishing policies or rules for the operation of the District and any of its facilities. Such resolutions and ordinances shall be kept in a separate book or file, and shall be available for inspection at all times. Such resolutions and ordinances shall be considered to be a part of these Bylaws.
- j. To designate by resolution persons who shall have authority to sign checks drawn on the funds of the District.
- k. To assume the responsibility for and perform the functions inherent in maintenance of accreditation of the hospital by the Joint Commission on Accreditation of Healthcare Organizations. The Board shall be actively involved in the accreditation process which shall include participation in the hospital survey process.
- l. To delegate to the Administrator and to the Medical Staff such authority as is appropriate to carry out the general purposes referred to in these Bylaws provided, however, that no assignment, referral, or delegation of authority by the Board shall preclude the Board from exercising the authority required to meet its responsibilities for the conduct of the hospital and the quality of patient care.
- m. To insure the preparation and maintenance of adequate and accurate records for all patients.
- n. To conduct, on an annual basis, a self-evaluation and review of the performance of the Board.
- o. To conduct, on an annual basis, an evaluation and review of the performance of the Administrator.
- p. To do any and all other acts and things necessary to carry out the provisions of these Bylaws or the provisions of the Local Health Care District Law.

Section 4. Compensation

The members of the Board shall receive \$100 each meeting not to exceed five (5) meetings a month in payment in lieu of expenses. Each member shall be allowed his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the District as approved by the Board including, but not limited to, compensation for travel at the rate allowed by the Internal Revenue Service, at the time of actual travel, to calculate the deductible costs of operating an automobile for business purposes.

Section 5. Vacancies

Any vacancy upon the Board shall be filled by appointment by the remaining members of the Board, or, if the Board is unable to appoint, pursuant to applicable California law. Any person appointed to fill such vacancy shall hold office for the period prescribed by Section 1780 of the Government Code as it may be amended from time to time, or any successor statutes thereto.

Section 6. Orientation and Education

Orientation and continuing education programs relating to the operation of the hospital shall be provided to all members of the Board.

ARTICLE IV

MEETING OF DIRECTORS

Section 1. Regular Meetings

Regular meetings of the Board of the District shall be held at the Northern Inyo Hospital on the third Wednesday of each month, excluding August and November, and on the second Wednesday of December, at 5:30 p.m. if the respective days are not legal holidays and, if any one such day is a legal holiday, then on another day selected by the Directors. The Board may change the time and/or place of such regular meetings by resolution adopted at the regular meeting held in the month immediately preceding, or at a special meeting called for such purpose. All members must attend a minimum of fifty percent (50%) of the meetings unless excused for good cause as approved by the remaining members of the Board.

Section 2. Special Meetings

Special meetings may be called at any time by the President, or by a majority of members of the Board. Written notice of such meeting shall be posted in a location freely accessible to the public, and shall be delivered to each Board member at least 24 hours before the meeting.

Section 3. Quorum

A majority of the members of the Board shall constitute a quorum for the transaction of business, but a member not entitled to vote because of a conflict of interest shall not be counted for the purpose of establishing a quorum on a particular question.

Section 4. Voting

The Board shall act by majority vote of the quorum. In the event that one less than the necessary number of "aye" votes has been cast, then an "abstain" vote shall constitute concurrence and the Secretary shall set forth in his or her minutes that the matter was passed pursuant to this rule.

Section 5. Adjournment

A quorum of the Board may adjourn any Board meeting to meet again at a stated day and hour provided, however, that in the absence of a quorum, a majority of the Board members present at any Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 6. Public Meetings

All meetings of the Board, whether regular, special, or adjourned, shall be open to the public, provided, however, that the foregoing shall not be construed to prevent the Board from holding closed sessions for any purpose for which California law allows closed sessions.

ARTICLE V

OFFICERS

Section 1. Officers

The officers of the Board shall be a President, a Vice President, a Secretary, and a Treasurer, all elected by the Directors from among themselves. The remaining Director shall be designated the "Member at Large."

Section 2. Election of Officers

The Board shall elect its officers annually at its regular January meeting. Each officer shall hold office for the calendar year beginning on the first day of January following the election, or until he or she dies, vacates his or her office, or is otherwise disqualified to serve.

Section 3. President

The Board shall elect one of its number to act as President. If at any time, the President shall be unable to act, the Vice President shall take his or her place and perform his or her duties. If the Vice President shall also be unable to act, the Member at Large shall take his or her place and perform his or her duties. Any person acting in place of the President in accordance with this Section 3 shall be vested temporarily with all the functions and duties of the office of President for such period as he or she may be required to act.

The President shall:

- a. Preside over all meetings of the Board.

- b. Sign, as President and, with the attestation of the Secretary, execute in the name of the District, all contracts and conveyances, and all other instruments in writing which have been authorized by the Board.
- c. Have, subject to the advice and control of the Board, general responsibility for management of the affairs of the District during his or her term of office.

Section 4. Vice President

The Vice President shall, in the event of death, absence, or other inability to act of the President, exercise all the powers and perform all the duties herein given to the President.

Section 5. Secretary

The Secretary shall keep, or cause to be kept, accurate and complete minutes of all meetings, except only those parts which are held in closed session; call meetings on order of the President; attend to all correspondence of the Board; attest the signature of the President on contracts and conveyances and all other instruments as outlined in Section 3 of this Article; and perform such other duties as ordinarily pertain to his or her office.

Section 6. Treasurer

The Board shall elect a Treasurer from its membership, whose duty shall be to ascertain that all receipts are deposited, and disbursements made, in accordance with these Bylaws, the directions of the Board, and good business practice. The Board may appoint an Assistant Treasurer to maintain the financial records of the District, and to prepare such financial reports as are required by the Board or the Administrator.

Section 7. Other Officers

The Board may create such other offices as the business of the District may require, and the holder of each such office shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws, or as the Board may from time to time determine. Such additional offices may be filled either by members or non-members of the Board.

ARTICLE VI

ADMINISTRATOR

Section 1. Appointment

The Board shall appoint an Administrator, and such Administrator shall serve at the pleasure of the Board. The Administrator shall be the chief administrative officer of the District. It shall be his or her responsibility to carry out the policies of the Board, and he or she shall be responsible for the day-to-day operations of the District with power to hire and discharge District employees at will. The Administrator shall also have such other duties and powers as may be determined by the Board from time to time.

The Board shall select and employ a competent and experienced Administrator who shall be its direct representative in the management of the hospital. It is desirable that the Administrator have at least a baccalaureate degree and a minimum of three years' experience in a reasonable administrative position in a hospital, or in the healthcare field, or have completed formal education in a graduate program in hospital administration. The Administrator shall be given the necessary authority and be held responsible for the administration of the hospital in all departments, and all other facilities of the District, subject only to the policies enacted by the Board or by any of its committees to which it has delegated power to act. More specifically, the authority and duties of the Administrator shall be:

- a. Carrying out all policies established by the Board;
- b. Development and submission to the Board, for approval, of a plan of organization of personnel and others connected with the operation of the hospital;
- c. Preparation of an annual budget showing the expected receipts and expenditures;
- d. Selection, employment, control and discharge of employees, and development and maintenance of personnel policies and practices for the hospital, including a personnel performance evaluation process, with authority to approve the following contracts for services and/or maintenance:
 - 1) Those less than 60 days in duration;
 - 2) Those less than \$10,000 in cost when not contained in a budget adopted by the Board;
 - 3) Those less than \$25,000 in cost when contained in a budget adopted by the Board;
- e. Maintenance of physical properties in a good state of repair and operating condition;
- f. Control of inventories including purchasing procedures, product selection, supply distribution, and promotional materials;
- g. Supervision of all business affairs to insure the wisest possible expenditure of funds in purchases of equipment, supplies, and payment of salaries, as well as the most efficient possible collection of monies owing to the District, with authority to approve the following:
 - 1) Determinations that funds owing to the Hospital for patient care be deemed uncollectible charitable write-offs;
 - 2) Adjustment of accounts owing to the Hospital for patient care when the amount adjusted is either (A) less than 25% of the balance due or (B) the patient has paid more than \$5,000 on the relevant account and the Administrator determines, in his sole discretion, that such adjustment is in the best interests of the District;
 - 3) Modifications of existing contracts for the Construction of Northern Inyo Hospital (Phase II) within the now-existing \$400,000 limits of said contracts;
 - 4) Grant applications.

- h. Cooperation with the Medical Staff to the end that high quality care may be rendered to all patients;
- i. Presentation to the Board of periodic reports reflecting the financial activities of the hospital, and periodic reports of the performance evaluation process for all personnel who are not subject to the Medical Staff privilege delineation process, regarding competency of such personnel to provide services in their respective areas of responsibility;
- j. To attend all meetings of the Board and its committees;
- k. To designate in writing, on each occasion of the Administrator's absence, an individual to act for himself or herself in order to provide the hospital with administrative direction at all times;
- l. To approve and execute the following contracts with physicians:
 - 1) Agreements to continue existing contracts, which are about to expire, for no more than thirty (30) days;
 - 2) Agreements for continuing call coverage;
 - 3) Agreements for locum tenens coverage for no more than thirty (30) day periods, and
 - 4) Contractual agreements with a physician conditioned upon he/she obtaining medical staff privileges where the contract is of no more than 30 days' duration.
- m. To approve and/or execute the following contracts and/or billings:
 - 1) Discounts on payor contracts where the discount is more than 10% provided that no single discount may be more than 50% without Board approval;
 - 2) Consulting contracts for less than \$10,000 if not contained in a budget adopted by the Board;
 - 3) Consulting contracts for less than \$25,000 if contained in a budget adopted by the Board;
 - 4) Attorney's fees;
 - 5) Interagency agreements of less than \$25,000;
 - 6) Prices, fees and rates charged by the Hospital whose effective rate, without Board approval, may be no more than one year;
 - 7) Meeting, training, and travel expenses;
 - 8) Marketing commitments of less than \$10,000;
- n. To approve the following capital expenditures:
 - 1) Where included in a budget adopted by the Board; Up to \$25,000;
 - 2) Where not included in a budget adopted by the Board: Up to \$10,000

- 3) Where neither of the above, but emergent, immediately subject to and conditioned upon Board approval at the next-following regular or special meeting in which the expenditure may be included on the Board agenda.
- o. To perform any other duty that may be necessary in the best interests of the District.

ARTICLE VII
MEDICAL STAFF

Section I. Medical Staff

The Medical Staff shall be organized in accordance with the Medical Staff Bylaws and shall be known as the Northern Inyo Hospital Medical Staff. The Medical Staff shall govern its own affairs, elect its own officers and conduct meetings in accordance with the Medical Staff Bylaws, provided, however, that such Medical Staff Bylaws shall include those matters as are required by Section 32128 of the Health and Safety Code of the State of California as the same may be amended from time to time.

The Medical Staff Bylaws and Rules and Regulations shall be adopted by the Medical Staff and approved by the Board before becoming effective. Neither body may unilaterally amend the Medical Staff Bylaws or Rules and Regulations.

Only a member of the Medical Staff with admitting privileges shall admit patients to the hospital, and only an appropriately licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment within the area of his or her privileges. Each patient's general medical condition shall be the responsibility of a physician member of the Medical Staff, and each patient admitted to the hospital shall receive a baseline history and physical examination by a physician who is either a member of or approved by the Medical Staff.

Medical Staff appointments and reappointments are made by the Board. Recommendations are made by the Medical Staff Executive Committee and are to be submitted prior to action of the Board. Appointments and reappointments are not to exceed a term of two years. Final decisions regarding Medical Staff appointments, reappointments, and approval of clinical privileges shall be rendered by the Board, and the applicants shall be notified of these decisions in writing by the Hospital Administrator.

The authority for the evaluation of the professional competence of Medical Staff members and applicants for Medical Staff privileges is hereby delegated to the Medical Staff of the hospital. The Medical Staff Executive Committee shall be responsible for making recommendations to this Board concerning initial Medical Staff appointments, reappointments and assignment or curtailment of privileges. The Medical Staff of the hospital shall be so organized that it shall have bylaws which will include procedures for processing applications for membership and for clinical privileges as a basis for making of recommendations to the Board and for the establishment of qualifications for Medical Staff membership and for the criteria it delineates for clinical privileges within the hospital, to ensure the achievement and maintenance of high standards of professional ethical practices.

Whenever the Board does not concur with a Medical Staff Executive Committee recommendation relative to Medical Staff appointment, reappointment, or termination of appointment, and the granting or curtailment of clinical privileges, a committee consisting of the President of the Board (who shall be the chairperson of this committee), the Vice President of the Board, the Chief of Staff, the Vice Chief of Staff, and the Administrator shall review the matter and submit a recommendation relative to the matter to the Board not later than the next scheduled regular meeting of the Board, provided, however, that the procedure set forth in this section shall not apply to the review, by the Board, of appeals from decisions of a hearing committee pursuant to Article 8 of the Bylaws of the Northern Inyo Hospital Medical Staff. Should any of the members of said committee be the same person, or the person whose appointment, reappointment, termination of appointment, and/or granting or curtailment of clinical privileges is the subject of the committee's meeting, such person shall not sit but be replaced by another Board member, or member of the Medical Staff, selected for such purpose by said body.

The Board shall adopt reasonable rules and regulations, or bylaws, providing for appellate review of any action, decision, or recommendation of the Medical Staff. This appellate review shall be conducted consistent with the requirements of Section 809.4 of the Business and Professions Code. Nothing in this section shall abrogate the obligation of the hospital and Medical Staff to comply with the requirements of Sections 809 to 809.9, inclusive, of the Business and Professions Code, and Sections 32150 to 32155, inclusive, of the Health and Safety Code.

The Administrator, and the Chief of Staff are hereby expressly given authorization, at their joint discretion, in the case of emergency, to grant Medical Staff privileges to any physician licensed to practice in the State of California.

The Medical Staff shall maintain a self-government with delegated authority to act on all medical matters considered to be in the best interest of the hospital and the welfare of the patient in conformity with the actions and directives of the Board.

The Bylaws of the Medical Staff will contain provisions whereby any doctor or other practitioner aggrieved may obtain a formal hearing by the Medical Staff incident to any adverse recommendations from the Medical Staff, regarding Medical Staff status or clinical privileges. Such Bylaws shall likewise provide a method and procedure for appeal to the Board by an aggrieved doctor or other practitioner.

Any doctor or other practitioner who feels aggrieved by any adverse recommendation or deprivation of Medical Staff status or clinical privileges shall be required, as a condition to exercising his or her right of appeal to the Board, to pursue his or her appeal through orderly channels of appeal and at the proper time and in the manner prescribed by the Bylaws and procedures of the Medical Staff of this hospital. When the Medical Staff has made its final ruling and decision concerning the appeal of any aggrieved doctor or practitioner in accordance with the Bylaws of the Medical Staff, and such doctor or practitioner then desires to appeal to the Board, he or she shall give notice in writing to the Hospital Administrator within ten (10) days next following the date of the entry of the final order of the Medical Staff. Said notices must state in substance the grievance made and complained of, and must be given in the time and manner herein specified, or the Board shall not take cognizance thereof except at its discretion.

If said notice is so given within said time, then it shall be the duty of the Board to then consider such grievance in its entirety and render the decision of the Board in writing, and deliver a copy of its decision and findings to the aggrieved doctor or practitioner. Such decision shall be final.

The Medical Staff shall have the right to be heard, through its Chief of Staff or through any other representative it may designate, at meetings of the Board.

Section 2. Medico-Administrative Positions

Members of the Medical Staff may at times be assigned administrative duties and responsibilities by the Board. If in the opinion of the Board the practitioner does not discharge the administrative duties and responsibilities assigned to him or her in accordance with standards set by the Board, then the Board may dismiss the practitioner from said duties and responsibilities, but such action by itself will not affect the Medical Staff privileges held by the practitioner.

Section 3. Performance Improvement and Risk Management

The Board shall be responsible for providing for resources and support systems for the quality assurance/improvement functions and risk management functions related to patient care and safety.

The Board shall, in the exercise of its overall responsibility for consistent optimal quality of care provided to all patients, assign to the members of the Medical Staff directly responsible for patient care, reasonable authority for assuring the appropriate professional care to all patients. The Medical Staff shall conduct an ongoing review and appraisal of the quality of professional care rendered in the hospital and through monthly performance improvement reports shall report such activities and end results to the Board. Where the quality of care is shown to be less than optimal, improvement in quality shall be demonstrated.

The Board shall adopt a performance improvement plan that includes effective mechanisms for reviewing and evaluating patient care, and that focuses on the resolution of known or suspected problems. The Board and the Medical Staff Executive Committee will reappraise the plan at least annually to assure that the collective effort is comprehensive, shows minimal duplication of effort, is cost effective, and results in improved patient care. The reappraisal will identify components of the performance improvement program that need to be instituted, altered, or deleted.

ARTICLE VIII

PATIENTS' RIGHTS, PATIENTS' RESPONSIBILITIES AND PROCESS FOR RESOLUTION OF PATIENT GRIEVANCES OR COMPLAINTS

The Board and Medical Staff shall review and adopt a written policy on Patients' Rights, Patients' Responsibilities, and Process for Resolution of Patient Grievances or Complaints.

ARTICLE IX

AUXILIARIES

The hospital may have such auxiliary or auxiliaries to serve the community and patients, as the Board shall from time to time establish, authorize or approve. The organization, membership, officers, meetings, and proceedings shall be determined by the auxiliary or auxiliaries, subject to approval by the Board. The auxiliary or auxiliaries may adopt bylaws and rules and regulations to govern their organization and procedures, which shall be subject to the approval of the Board. The Board shall cause to be inspected or audited from time to time the financial books and records of the auxiliary. The auditors or examiners shall be selected by the Board.

ARTICLE X

REVIEW AND AMENDMENT

Section 1. Review

These Bylaws shall be reviewed by the Board annually or at more frequent intervals if circumstances require, with the assistance of the Administrator and the attorney for the District.

Section 2. Amendment

These Bylaws may be altered, amended, repealed, added to or deleted by resolution of the Board adopted at any regular meeting of the Board by the vote of a majority of the members of the Board.

Adopted as revised at the regular meeting of the Board of Directors of the Northern Inyo County Local Hospital District held the 21st day of April, 2010.

Peter J. Watercott, President

M.C. Hubbard, Secretary

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June Board COR'S

4/14/11	158	IB 203 Locate BSU panels in elect room and central plant	\$11,431
4/21/11	161	IB 127 Wall and Floor Finish Update	\$10,634
4/22/11	162	IB 227 Stair 2 connection and soffit framing	\$3,059
4/22/11	163	IB 208 Moving of electrical panels	\$8,705
4/22/11	164	IB 194 Multiple RFI responses	\$14,452
4/22/11	165	IB 214 Exterior Framing Modifications	\$6,192
4/25/11	169	IB 248 Clarification of ADA shower elevations	\$6,359
5/2/11	171	RFI 1013 DF-1 ADA Drinking Fountains	\$6,335
5/3/11	175	IB 232 Coordination of Piping Diagrams	\$5,216
5/3/11	176	IB 226 Pipe Insulation for RWL in walls	\$6,157
5/3/11	177	2nd Floor HD/CP Shower/Toilet floor drain modifications	\$6,488
5/4/11	180	IB 162 Minor Framing/structural revisions	\$2,681
5/23/11	182	IB 201 RFI 739, 744, 1 and 762	\$18,449
5/5/11	183	MEP Wall conflicts with bottom track RFI 814	\$16,229
5/5/11	184	IB 238 Multiple Electrical RFI	\$13,278
5/5/11	185	IB 258 Electrical RFI 982 and 986	\$1,028
5/12/11	188	IB 222 anchorage of Radio Antenna	\$5,640
5/11/11	189	IB 229 LDRP door details	\$8,621
5/16/11	192	IB 228 revise wall mounted sink to counter top	\$4,120
5/18/11	194	IB 204 Add/Removed FSDs	\$35,497
5/18/11	196	IB 234 Misc RFI's	\$3,964
5/18/11	197	RFI 926 Step in North Canopy Grade Beam	\$2,086
5/19/11	199	IB 123 Concrete pad and accessories for generator	\$15,906
5/20/11	200	IB 119 CO 24 Interior finish reconciliation	\$16,439
5/24/11	201	IB 250 electrical coordination with headwalls and bed dockers	\$24,725
5/24/11	202	IB 76/77 Update medical equipment drawings and coordinate utilities	\$185,323
5/24/11	203	IB 254 Pipe rack pump supports	\$51,704
5/24/11	205	IB 255 Fireproofing at stair landing #1 columns	\$14,929
5/25/11	207	IB 247 Stair 2 column modifications	\$13,357

Total ALL \$519,004
Total Only Items Over \$20K \$297,249

Differential \$221,755

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**Northern Inyo Hospital
Budget
Assumptions**

2011-2012 Budget

1. There is no change in-patient activity budgeted for FY 2012. Daily total patient census will average 8.0 patients per day (Current YTD Average Daily Census is 7.09), categorized as follows:
 - a. Med/Surg/Peds 2367 Annual 6.46 Daily Average (2566)
 - b. ICU 327 Annual 0.9 Daily Average (312)
 - c. OB 483 Annual 1.32 Daily Average (427)
 - d. Nursery 483 Annual 1.32 Daily Average (427)
 - e. RHC 1,200 visits per month
 - f. 5 Swing beds will not affect budget.
2. There will be no budgeted change in the payer mix or services from current operations.
3. Other Operating Revenue will include \$1,065,615 from the District for Debt Service payments on the 2005 General Obligation Bond.
4. The cost of supplies, will increase at a 3.5% inflation rate.
5. Wages and salaries will increase by 1.1 % for cost of living adjustments effective the first payroll in July. Total wages will increase an additional 3.8% for anniversary (step) increase and wage adjustments.
6. It is expected that employee benefits will run about 63.6% of Wages and Salaries.
7. Capital expenditures will be budgeted at \$.5M excluding the building project related capital purchases.
8. A 5.8% across the board rate increase (effective 7-1-2010) will be required.
9. This budget produces approximately 4.7M of cash flow.

NORTHERN INYO HOSPITAL

Statement of Operations

for Budget

Dollars in \$1000

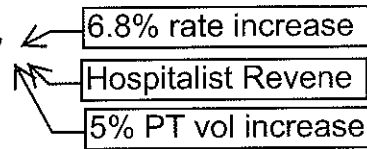
30-Apr Projected

YTD YTD
Actual Actual Budget +/-

Unrestricted revenues, gains and other support:

In-patient service revenue:

Routine	\$5,409	\$6,491		
Ancillary	\$19,124	\$22,949		
Total in-patient service revenue	\$24,533	\$29,440		
Out-patient service revenue	\$48,934	\$58,721		
Gross patient service revenue	\$73,468	\$88,161	\$94,248	\$6,087



Less deductions from patient service revenue:

Patient service revenue adjustments	\$1,408	\$1,690		
Contractual adjustments	\$27,732	\$33,278		
Prior Period Adjustments	4,400)	4,400)		
Total deductions from patient service revenue	\$24,740	\$30,568	\$36,411	\$5,843

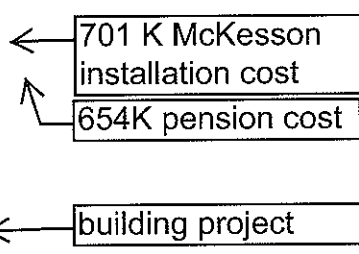
Net patient service revenue \$48,727 \$57,593 \$57,837 **\$244**

Other revenue	\$349	\$419	\$483	
Transfers from Restricted Funds for Other Operating Expenses	\$802	\$963	\$1,066	
Total Other revenue	\$1,151	\$1,381	\$1,548	\$167

Total revenue, gains and other support \$49,878 \$58,974 \$59,385 **\$411**

Expenses:

Salaries and wages	\$15,584	\$18,701	\$20,661	\$1,960
Employee benefits	\$9,797	\$11,756	\$13,305	\$1,549
Professional fees	\$4,162	\$4,995	\$5,414	\$419
Supplies	\$4,631	\$5,557	\$5,682	\$125
Purchased services	\$2,445	\$2,934	\$2,743	191)
Depreciation	\$2,649	\$3,178	\$3,855	\$677
Interest	\$1,053	\$1,264	\$1,356	\$93
Bad debts	\$1,850	\$2,220	\$2,381	\$161
Other	\$2,253	\$2,703	\$2,858	\$154
Total expenses	\$44,424	\$53,309	\$58,256	\$4,948



Operating income (loss) \$5,455 \$5,665 \$1,129 **4,536)**

Other income:

District tax receipts	\$426	\$511	\$511	\$0
Interest	\$253	\$303	\$315	\$12

Other	\$47	\$56	\$62	\$5
Grants and Other Non-Restricted				
Contributions	\$121	\$146	\$61	85)
Partnership Investment Income	\$0	\$0	\$30	\$30
Net Medical Office Activity	1,053)	1,264)	1,187)	\$76
Total other income, net	206)	248)	209)	\$39

Excess (deficiency) of revenues				
over expenses	\$5,248	\$5,418	\$921	4,497)

A	B	C	D	E	F	I
1	Northern Inyo Hospital	2011-12 Capital Expenditure Requests				
2		1-Budget Year				
3		2-Budget Year: Optional				
4		3-Future Purchase				
5		4-Wish List				
6		5-Budget Year: Building Proj Purchase from Operating				
7		6-McKesson Additions	Minimum \$1500 of	Yrs		
8	ID	Department	Description	Est Cost	Life	Req prior note
9	8510	Accounting	Kronos Workforce HR and Payroll	\$ 244,238.10	5	1
10	8510	Accounting	Kronos Ready to Run Server	\$ 10,338.00	5	1 may not be necessary
11	8510	Accounting	Desk and File Cabinets	\$ 3,000.00	10	1
12	8320	Dietary	Steamer	\$ 6,899.00	10	1
13	8320	Dietary	Walk-In Rooftop Condensing Unit	\$ 5,376.78	15	1
14	8650	Human Resources	Desk for HR Assistant	\$ 2,000.00	10	1
15	8480	IT	Server for Backup System	\$ 30,000.00	5	1
16	8480	IT	Host Servers for Virtual Server System	\$ 30,000.00	5	1
17	7503	Lab Chemistry	Norlake 24 cf Lab Freezer with Hi/Low and Power Failure Alarms	\$ 5,790.00	10	1
18	8650	Maintenance	Various Concrete Repairs and Replacement around hospital property	\$ 20,000.00	15	1
19	9510	Medical Offices-Ortho	Ortho Exam Tables X4	\$ 6,000.00	8	1 for Ortho Office
20	7660	MRI	PenRad Compass (Breast MRI processing software)	\$ 6,500.00	5	1
21	7427	OP/PACU	2-Eye Gurneys	\$ 18,000.00	7	1 2 would be used in new facility also
22	7427	OP/PACU	Patient Monitor	\$ 19,500.00	8	1 of 11 need for new hospital
23	6380	Perinatal Nursing	4 Affinity Mattress Toppers for Birthing Beds	\$ 2,234.40	5	1 for new hospital beds
24	8462	Property/Project Manage	Landscaping for Annex	\$ 10,000.00	15	1
25	8462	Property/Project Manage	Shelving for Annex	\$ 10,000.00	10	1
26	7630	Radiology	PerView Breast Imaging Workstation Software (CAD)	\$ 15,000.00	5	1
27				\$ 444,876.28		
28	8462	Biomedical Engineering	Storage Cabinets	\$ 5,000.00	5	2
29	7640	ECHO	Echo Management	\$ 100,000.00	5	2
30	7520	EKG	ECG Data Management	\$ 14,800.00	5	2
31	7010	Emergency Room	Verathon BladderScan BVI 3000	\$ 13,144.95	5	2
32	8793	Employee Housing	Various Costs for Rental Properties	\$ 10,000.00	5	2
33	7503	Lab Chemistry	Desktop Computer & Dx 2.1 Software, Dx, Printer, Black &	\$ 5,790.00	5	2
34	7400	Labor & Delivery	Obix Perinatal Data System	\$ 50,000.00	5	2
35	8650	Maintenance	RHC Asphalt	\$ 62,265.00	8	2
36	8650	Maintenance	New Roof for MRI Building	\$ 23,000.00	10	2
37	8700	Medical Records	Dictation System	\$ 35,000.00	5	2
38	7660	MRI	16 Channel Head/Neck/Spine Coil for MRI	\$ 98,000.00	5	2

	A	B	C	D	E	F	I
	ID	Department	Description	Est Cost	Life	Req prior	note
39	6530	Nursery	Echoport Newborn Hearing screening machine	\$ 6,000.00	5	2	
40	8462	Property/Project Manage	Annex Improvements	\$ 75,000.00	10	2	
41	8420	Security	Security System for Annex	\$ 15,000.00	5	2	
42	7420	Surgery	CO2 Module for C-Surgery	\$ 5,000.00	8	2	
43	7420	Surgery	Replacement Power Equipment saw/drills	\$ 35,000.00	10	2	
44	7420	Surgery	Triad Generator Cautery Unit	\$ 30,000.00	7	2	
45	7670	Ultrasound	Ultrasound Machine	\$ 150,000.00	5	2	
46				\$ 732,999.95			
47	8650	Maintenance	Inclinorator/Autoclave/Compactor	\$ 400,000.00	10	3	emergency purchase only
48	8390	Pharmacy	Infusion Pumps "Smart Pumps"	\$ 258,000.00	5	3	will only purchase if needed until 2012-13 budget year
49	7420	Surgery	Compartmental Syndrome Monitoring	\$ 7,000.00	8	3	
50				\$ 665,000.00			
51	7660	MRI	MRI Sound System	\$ 5,495.00	10	4	
52	8740	Staff Development	Simulation Laboratory: including high fidelity simulation mannequin, hospital bed, monitor/defibrillator, miscellaneous patient care bedside equipment.	\$ 80,000.00	5	4	Possible Grant Funding may be available
53	7670	Ultrasound	Digisonics Structured Ultrasound Reporting Software	\$ 107,000.00	5	4	
54				\$ 192,495.00			
55	8480	IT	Mckesson Physician Documentation	\$ 190,000.00	5	1	
56	8480	IT	Mckesson ED Clinicals	\$ 80,000.00	5	1	
57	9510-9515	Medical Offices	5-Mckesson's Total Practice Partner- Full-time Doctor Provider's - includes- Patient Records, Computerized Physician Order Entry, Medical Billing, Appointment Scheduler and Document Management Software	\$ 180,569.85	5	1	
58	7630	Radiology	Mckesson Horizon Medical Imaging (PACS)	\$ 316,000.00	5	1	
59				\$ 766,569.85			
60				\$ 2,801,941.08			
61							
62							

Estimated ARRA Cash Flow

2010

October | November | December

Paragon/HPF/Horizon Performance Manager (1-1NCWFH)

Paragon/HPF/HPM and 3rd Party Software	\$795,917
Fixed Fee Implementation Services	\$1,568,338
Annual SW Maintenance	\$329,686
Hardware Equipment	\$230,047
Technology Services	\$51,970
First Databank (FDB) Recurring SW Fee	\$21,494
Relay/Health Recurring Annual Fees (Claims/Eligibility)	\$34,980
Relay Health One Time Set Up Fee (Claims/Eligibility)	\$17,708
3M PPS & GPS w APR-DRGs First year SW Fees	\$9,639
Technology Services SystemCare Ongoing Fees (<i>Optional</i>)	\$47,000
Technology Services Recurring Fees CareBridge (VFN)	\$3,900

Paragon/HPF/Horizon Performance Manager

Payment Terms	October	November	December
Software			
Implementation Services			
Software Maint			
First Data Bank Annual Fees			
3M annual fees for Horizon Performance Manager			
Hardware			
Technology Services One Time Service Fees			
Relay Health One Time Set Up Fees (Claims/Eligibility)			
Relay Health Recurring Fees (Claims/Eligibility)			
Carebridge Recurring Fees (VFN)			
System Care (Optional) for HPM			
Total Costs			
Monthly Estimated Cash Flow			
ESTIMATED HITECH PAYMENTS			
Cumulative Cash Flow			

* Assumes First Productive Use is 12 months after execution Date

** Assumes SystemCare starts at First Productive Use.

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Suddenlink Business Services
5800 W 45th Ave
Amarillo, Tx 79109

Invoice No. 7059275-01


INVOICE

Customer

Name Northern Inyo County Local Hospital District
Address 150 Pioneer Lane
City Bishop State Ca ZIP 93514
Phone _____

Date 5/17/2011
Order No. _____
Rep B Chairez
FOB _____

Qty	Description	Unit Price	TOTAL
1	Construction - 100mb Private Line Fiber Location A: 150 Pioneer Lane Location B: 2933 Birch St	\$33,900.00	\$33,900.00
SubTotal			\$33,900.00
Shipping & Handling			
Taxes State			
TOTAL			\$33,900.00


5-18-11

AMOUNT DUE UPON RECEIPT

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RESOLUTION NO. 11-01
OF THE
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
BOARD OF DIRECTORS

WHEREAS, the Northern Inyo County Local Hospital District is required to establish an annual appropriations limit in accordance with Article XIII B of the California Constitution; and

WHEREAS, using data provided by the State of California Department of Finance, on May, 2010, the Board of Directors of Northern Inyo Hospital established an appropriations limit of \$559,073.79 for the July 1, 2010 to June 30, 2011 fiscal year; and

WHEREAS, using the attached data provided by the State of California Department of Finance, an appropriations limit of \$576,796.43 has been calculated for the July 1, 2011 to June 30, 2012 fiscal year.

NOW, THEREFORE, BE IT RESOLVED by this Board of Directors of Northern Inyo County Local Hospital District, meeting in regular session this 15th day of June, 2011 that an appropriations limit of \$576,796.43 be established for the Northern Inyo County Local Hospital District for the 2011-2012 fiscal year; and

BE IT FURTHER RESOLVED that this Resolution be made a part of the minutes of this meeting.

Peter J. Watercott, President

Attest:

M. C. Hubbard, Secretary

APPROPRIATIONS LIMIT CALCULATIONS
FISCAL YEAR 2012

Per capita change multiplied by the population change yields a calculation factor.

For the district this is:

$$1.0064 \times 1.0251 = 1.0317$$

$$1.0317 \times \$559,073.79 = \$576,796.43$$

New Limit is \$576,796.43



May 2011

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2011, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2011-2012. Enclosure I provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2011-2012 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county's and incorporated area's summed population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

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

Population Certification

The population certification program applies only to cities and counties. The Federal 2010 Census population counts for cities and counties have been certified to the State Controller's Office. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2011.**

Please Note: The population estimates provided in this report incorporate 2010 Census numbers as benchmarks. Therefore, the population estimates for 2010 and 2011 published in this report for your jurisdiction may be noticeably different from the previous year estimates.

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

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their appropriation limit by a vote of their governing body. The cost-of-living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the 2011-2012 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2011-2012	2.51

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2011-2012 appropriation limit.

2011-2012:

Per Capita Cost of Living Change = 2.51 percent
 Population Change = 0.77 percent

Per Capita Cost of Living converted to a ratio:

$$\frac{2.51 + 100}{100} = 1.0251$$

Population converted to a ratio:

$$\frac{.64 + 100}{100} = 1.0064$$

$$\frac{0.77 + 100}{100} = 1.0077$$

Calculation of factor for FY 2011-2012:

$$1.0251 \times 1.0064 = 1.0317$$

$$1.0251 \times \cancel{1.0077} = \cancel{1.0330}$$

Enclosure II
 Annual Percent Change in Population Minus Exclusions
 January 1, 2010 to January 1, 2011 and Total Population, January 1, 2011

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2010-2011	1-1-10	1-1-11	1-1-2011
Inyo				
Bishop	0.54	3,872	3,893	3,893
Unincorporated	0.67	14,527	14,624	14,741
County Total	0.64	18,399	18,517	18,634

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

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**EASTERN SIERRA EMERGENCY PHYSICIANS, INC., a Professional Corporation
AND
NORTHERN INYO HOSPITAL COUNTY LOCAL HOSPITAL DISTRICT
AGREEMENT**

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, a political subdivision organized and existing pursuant to the Local Hospital District Law (Health and Safety Code Section 32000, *et seq.*) of the State of California, hereinafter referred to as "District," and EASTERN SIERRA EMERGENCY PHYSICIANS, INC., a Professional Corporation, hereinafter referred to as "ESEP," agree as follows:

**PART I
RECITALS**

District is the owner and operator of a Hospital located in Bishop, California. District operates an Emergency Department to serve the members of the community and other persons who may require immediate medical and/or hospital care.

ESEP is a professional medical corporation whose officers, directors and shareholders are duly qualified and licensed physicians and surgeons with experience in the operation of emergency facilities and the rendition of emergency and primary care.

District has concluded that engaging ESEP to operate the Emergency Department on an exclusive basis is the most desirable course of action, considering the cost, quality and administrative burden of providing services in light of other arrangements available to District.

The parties enter this agreement, hereinafter referred to as "Agreement," in order to provide a full statement of their respective responsibilities in connection with the operation of the Emergency Department during the term of this Agreement.

**PART II
THE DISTRICT**

1. Space. District shall make available to ESEP the space that is now or may be hereafter occupied by the Emergency Department. District shall also furnish ESEP an appropriately furnished room, in which ESEP's physician contractors, hereinafter referred to as "Providers," and physician employees may rest when their services are not otherwise required. In addition, District will provide ESEP with office space suitable for the administration of the Emergency Department.

2. Meals. District shall provide Providers and ESEP physician employees with meals while they are on duty.

3. Equipment and Supplies. District, at its expense, shall provide ESEP all necessary expendable and non-expendable medical equipment, drugs, supplies, furniture and fixtures necessary for the efficient operation of the Emergency Department. District shall consult with ESEP regarding decisions which affect the selection and furnishing of particular facilities, equipment and supplies.

4. Maintenance. District shall maintain and repair all equipment and shall provide utilities and services such as heat, water, electricity, telephone service, laundry and janitorial service.

5. Liability Insurance. District shall, at its sole expense, procure and maintain professional liability (malpractice) insurance coverage for the benefit of ESEP and all physicians employed by or contracted with ESEP to work in the Emergency Department, to be in force and effective at all times during the term of this Agreement. The policy limits of such coverage shall be at least \$1,000,000 for any one occurrence, and \$3,000,000 annual aggregate coverage per physician providing services to the Department. If District's insurance is terminated or converted at any time, District shall also acquire 'tail' coverage in the above stated amounts, covering all periods that this Agreement has been in effect. ESEP agrees to cooperate with District in connection with the purchase and maintenance of such coverage. If this Agreement is terminated, District shall likewise maintain uninterrupted insurance for ESEP and its Physicians who provided services under this Agreement. District shall provide ESEP with copies of certificates of coverage as needed. In the event ESEP, in its discretion, procures and maintain any professional liability (malpractice) insurance coverage at its own expense and in addition to the coverage provided for herein, ESEP shall, to the fullest extent commercially reasonable, name District as an additional named insured.

6. Non-Physician Personnel. District, at its expense, shall provide the services of licensed registered and vocational nurses and other non-physician technicians and assistants necessary for the efficient operation of the Emergency Department. District shall be responsible for the selection, management, direction and control of such personnel, except that ESEP shall be responsible for the direction and control of such personnel for all professional medical matters.

PART III ESEP

7. ESEP's Services.

A. ESEP shall provide emergency care on a prompt and continuing basis, which shall include the professional services of duly licensed physicians and surgeons in the Emergency Department, twenty-four hours a day, seven days a week.

B. A Provider or physician employee shall be available on the premises of Hospital at all times.

C. ESEP shall maintain a backup schedule to cover the Emergency Department in the event any Provider or physician employee is unavailable for a scheduled shift.

D. ESEP shall be liable to District for liquidated damages in the amount of \$2,000.00 per day for any day, or part thereof in excess of two hours, for which a Provider or physician employee is not available on the premises.

8. Physician Personnel.

A. Except as otherwise expressly provided in this Agreement, ESEP may select and employ or otherwise contract with licensed physicians and surgeons as it, in the sole exercise of its discretion, deems necessary.

B. All Emergency Department physicians shall be board certified/board eligible in emergency medicine, or board certified/board eligible in internal medicine, or family practice with ATLS certification, unless specifically exempted from this provision by the District.

C. Except as otherwise expressly provided in this Agreement, the terms and conditions by which Providers are compensated shall be at the sole and exclusive discretion of ESEP. Provided however, that the initial base compensation to be paid Providers by ESEP shall be \$100.00 per hour, with a \$10.00 per hour differential for night shifts and holidays. Nothing in this paragraph shall prevent ESEP from making such changes to the base compensation paid to Providers as it believes are necessitated by amendments to this Agreement or other changed circumstances.

D. In addition to the compensation provided for in paragraph 8.C, ESEP shall compensate Providers through a bonus system based on level of performance that includes consideration of productivity, performance, patient satisfaction, and continuing medical education, to the extent data for these measures is available. The amount of compensation paid through said bonus system shall be at the sole and exclusive discretion of ESEP. ESEP shall make all bonus system data available to the District for review on request and District shall maintain all such data on a confidential basis.

E. In contracting with any Provider, ESEP shall include the following contractual terms:

i. the Provider will not engage in any activities during the eight hour period preceding the beginning of a scheduled shift that impairs a Provider's ability to provide care;

ii. the Provider shall be subject to monetary consequence for unexcused failure to appear for or lateness in arriving at a scheduled shift; and

iii. the Provider shall adhere to agreements regarding professional conduct and behavior required by the chief executive officer of the District and/or Hospital, irrespective of whether such agreement is adopted by the District board.

F. ESEP shall not schedule any Provider for more than 180 hours per month, and shall not schedule any Provider for consecutive 24-hours shifts.

G. ESEP shall not continue to contract with any Provider who has been unavailable for a scheduled shift without more than 72 hours prior notice more than three times, except on a finding of good cause.

H. ESEP shall impose substantially the same requirements as those contained in paragraphs 8.E, F, and G on physician employees.

9. In-House Emergencies and Pronouncements. ESEP's Providers and physician employees shall respond to in-house emergencies in the same manner as other members of the medical staff, and shall make pronouncements of death when attending physicians are not immediately available, but only to the extent that Providers or physician employees are not otherwise engaged in providing care under this Agreement or that the performance of these services does not interfere with the operation of the Emergency Department.

10. Admitting Privileges. ESEP' Providers and physician employees may, at the discretion of Hospital and the Medical Staff of Hospital, be granted limited admitting privileges for patients without a private physician. The exercise of these privileges and the obligations of ESEP' Providers and physician employees to make referrals to the "on-call" panel and other physicians and other matters related to such privileges shall be as set forth in the Medical Staff Bylaws, rules and regulations or as otherwise determined by the Medical Staff Executive Committee or the Emergency Services Committee, all with the approval of the Board of Trustees.

11. Other Services. ESEP agrees to provide the following services relevant to the operation of the Northern Inyo Hospital Emergency Service as a Base Station for the provision of Advanced Life Support in pre-hospital care.

A. ESEP shall provide guidance, instruction, orders, and directives to EMT-II/Paramedics involved in the treatment of patients with medical emergencies requiring transportation from the scene of a medical emergency to the nearest, or most appropriate hospital facility.

B. ESEP shall, subject to District approval, appoint a Provider or physician employee to serve as Base Station Medical Director and Training Hospital Medical Director; serve on the local Emergency Medical Service Advisory Committee; and serve as the Medical Director for the Employee Health Department, if the Hospital and Medical Staff deem this appropriate.

C. ESEP will participate actively in an ongoing system for critiquing the results of the mobile intensive care responses and auditing the quality of medical care provided by the mobile intensive care team.

12. Peer Review and Quality Assurance. ESEP shall participate in such peer review and quality assurance activities as required by the Medical Staff Bylaws, Rules and Regulations, the Joint Commission on Accreditation of Healthcare Organizations, or as otherwise agreed to by the parties. Notwithstanding any other requirement, ESEP shall conduct periodic random chart review. In addition, ESEP shall, at District's expense, cooperate and assist in the collection of data regarding productivity, patient satisfaction, time to treatment, and any other matter on which the District is obligated or desires to collect data.

13. Standards. ESEP shall at all times endeavor to operate the Department in a manner consistent with the highest standards maintained for the operation of such departments in comparable hospitals. It is understood from time to time the Medical Staff of Hospital may set standards of professional practice and duties generally applicable to all Medical Staff members. ESEP shall comply with such directives from the Medical Staff and shall also cause all of its Providers and physician employees to do so.

14. District and Government Authorities. ESEP, in connection with their operation and conduct of the Department, shall comply with all applicable provisions of law, and other valid Bylaws, Rules and Regulations and requirements of the District's Board of Trustees, the Medical Staff of Hospital, the Joint Commission on Accreditation of Healthcare Organizations and other similar accrediting and certifying entities to which Hospital is subject, and governmental agencies having jurisdiction over; (i) the operation of the District and services; (ii) the licensing of health care practitioners; (iii) and the delivery of services to patients of governmentally regulated third party payors whose members or beneficiaries receive care at the District, including but not limited to rules and regulations promulgated with respect to the transfer of patients from the Emergency Department.

15. Medical Records. ESEP shall at all times maintain complete and legible medical records, which accurately document the medical necessity of all services rendered for each patient who is treated in the Department. Such medical records shall be the property of Hospital. However, ESEP shall have access to and may photocopy relevant documents and records, within the restrictions of the law, upon giving reasonable notice to Hospital.

16. Financial Records. Hospital shall have access to all financial records of ESEP pertinent to this Agreement for the purpose of any audit or examination necessary to comply with any request or demand to Hospital with which Hospital is legally obligated to comply. All pertinent financial records related to this Agreement in the possession of ESEP shall be preserved by ESEP for a period of four (4) years after the end of the Agreement. Upon termination of this Agreement, ESEP agree to transfer to District, at District's expense, any financial record which

possess longer value to District beyond four (4) years. ESEP shall include a clause providing similar access to financial records in any subcontract with a value or cost of \$10,000.00 or more over a twelve-month period when the subcontract is with a business entity in which ESEP, or any of its shareholders, officers, directors, or family members thereof, has a management or ownership interest.

PART IV COMPENSATION

17 Base Compensation. District agrees to pay ESEP \$130.45 per hour for all hours worked by ESEP' Providers and physician employees. This hourly rate shall be increased by the same percentage amount as used in any Cost of Living Adjustments (COLA) paid to hospital employees. Payment shall be due within 30 days of invoicing. On request from the District, ESEP shall provide such documentation as may be reasonably necessary to support its invoice. For this agreement, the symbols \geq and \leq used below shall mean 'greater than or equal to' and less than or equal to', respectively.

- A. Medical Group Incentive. Hospital shall pay ESEP a performance-based compensation on a monthly basis if certain measures are achieved. The compensation will be based upon ESEP's satisfaction of the five performance measures listed below. Each will be worth \$2000, not to exceed \$10,000 per month. Payments shall be made on a monthly basis along with the Base Compensation.
 - i. Advanced Trauma Life Support (ATLS) \geq 80% of the credentialed physicians in the Emergency Department will either have a current ATLS certification or be Board Certified in Emergency Medicine. Note: New physicians who are not Board Certified in Emergency Medicine will have nine months to sign up and complete an ATLS course before they are counted into the metric.
 - ii. Patient Satisfaction Score \geq 90%
 - iii. Door-to-Nurse-to-Provider \leq 30 minutes. (Nursing to document time patient is ready to be seen by provider.)
 - iv. Provider Shifts \leq 15 shifts per month.
 - v. Left Without Being Seen (LWBS) rate \leq 1%

18. Fees. ESEP shall charge patients on a fee-for-service basis. ESEP's charges shall be in accordance with reasonable and customary fees charged by other physicians for the same service in similar communities. ESEP's charges will be reviewed and approved by the Hospital prior to any change.

19. Daily Memoranda and Billing. District shall act as ESEP' designated billing and collection agent. ESEP hereby assigns to Hospital the right to collect such charges. Hospital's charges to the patient shall be separate and distinct from the charges by ESEP. In the event Hospital bills patients through a single invoice combining Hospital and ESEP charge, the billing shall clearly distinguish ESEP' professional fees and shall disclose that the District is acting as billing agent for ESEP. ESEP shall cooperate in the preparation and filing of such documentation and records as are necessary to allow Hospital to efficiently perform its billing duties as set forth herein.

20. Payment of all sums under this part shall be made to ESEP at the following address:

Eastern Sierra Emergency Physicians, Inc.
P.O. Box 2485
Mammoth Lakes, CA 93546.

PART V TERM

21. Term. The term of this Agreement shall be from August 1, 2011 to September 30, 2013. Subject to the provisions of paragraph 22 and 23, this Agreement shall automatically renew for two terms of two years.

22. Termination On Written Notice. Either party may terminate this Agreement without cause on ninety (90) days written notice to the other party.

23. Termination Without Written Notice. In addition, Hospital may terminate this Agreement and all rights of ESEP hereunder immediately upon the occurrence of any of any of the following events:

A. Upon the failure of ESEP to provide Emergency Department coverage for a period in excess of twelve (12) consecutive hours.

B. Upon a determination by a majority of Hospital's Board of Directors, after consultation with the Executive Committee of the Medical Staff, that (i) ESEP or any of its Providers or Physician employees has been guilty of repeated acts of professional incompetence in response to which ESEP has not taken

reasonable or appropriate steps; (ii) has, after reasonable prior written notice and an opportunity to cure, failed to maintain the Emergency Department in a manner consistent with the highest standards maintained for the operation of similar departments in comparable hospitals; (iii) is, after reasonable prior written notice and an opportunity to cure, engaged in a continuing course of conduct that places Hospital or its Medical Staff at risk of adverse action in connection with licensing or accreditation entities; or (iv) is engaging in or about to engage in conduct that puts the Hospital, its Medical Staff or patients at immediate and significant risk.

C. Upon appointment of a receiver of ESEP' assets, an assignment by ESEP of its assets for the benefit of its creditors, or any action taken or suffered by ESEP (with respect to ESEP) under any bankruptcy or insolvency act.

PART VI OTHER MATTERS

24. Independent Contractor. No relationship of employer or employee is created by this Agreement, it being understood that ESEP will act hereunder as an independent contractor, and none of the physicians performing services for ESEP, whether said physicians be members, partners, employees, subcontractors, or otherwise, shall have any claim under this Agreement or otherwise against District for vacation pay, sick leave, retirement benefits, Social Security, Worker's Compensation benefits, or employee benefits of any kind; that District shall neither have nor exercise any control or direction over the methods by which ESEP shall perform its work and functions, which at all times shall be in strict accordance with currently approved methods and practices in their field; and that the sole interest of District is to ensure that said emergency service shall be performed and rendered in a competent, efficient and satisfactory manner and in accordance with the standards required by the Medical Staff of District.

25. Not Exclusive. It is specifically agreed and understood that ESEP and ESEP' Providers and physician employees shall not be required to limit their practices exclusively to the District, it being understood that additional enterprises and other emergency service agreements shall be permissible. Provided however, neither ESEP nor ESEP' Providers or physician employees may engage in any activities that interfere with the delivery of services required under this Agreement, both while on duty and in any outside practice of medicine or surgery.

26. Amendment. This Agreement may be amended at any time by written agreement duly executed by both parties.

27. Assignment. ESEP shall not assign, sell or transfer this Agreement or any interest therein without the consent of the District in writing first had and obtained. Notwithstanding any

of the foregoing, it is understood and agreed that, in the event that ESEP form an alternative professional organization, duly authorized under the laws of this State to practice medicine, said alternative professional organization may be substituted in the place of ESEP, with all of the rights and subject to all of the obligations of ESEP under the terms of this Agreement. Said substitution shall be effected upon ESEP giving written notice to District.

28. Attorney's Fees. In the event that suit is brought regarding the provisions of this Agreement or the enforcement thereof, the prevailing party shall be awarded its cost of suit and reasonable attorney's fees as a part of any judgment rendered therein.

29. Notices. The notices required by this Agreement shall be effective if mailed, postage prepaid as follows:

To District at:

John Halfen, Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514.

To ESEP at:

Jennie Walker, M.D.
Eastern Sierra Emergency Physicians, Inc.
P.O. Box 2485
Mammoth Lakes, CA 93546.

30. Complete Agreement. This Agreement, with any subsequent amendments, is the complete Agreement between the parties as to the terms covered herein. All of the promises, representations and warranties of the parties in regard to the terms of this Agreement are stated herein, or in any amendment. Any prior promises, representations or warranties occurring in the course of negotiations are superseded by this Agreement.

31. Validity. If any portion of this Agreement is found to be void or illegal, it shall not affect the validity of enforceability of any other portion thereof.

32. This Agreement may be executed in any number of counterparts which, when read together, shall constitute one document. A facsimile or other digital signature shall have the same force, effect and validity as an original.

IN WITNESS WHEREOF, the parties hereto have executed this Emergency Care Agreement at _____, California on _____, 2010.

DISTRICT:

NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT

BY
Peter J Watercott,
President of the Board

ESEP:

EASTERN SIERRA EMERGENCY
PHYSICIANS, INC.

BY
Jennie Walker, M.D.
President

THIS SHEET

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**AGREEMENT FOR SERVICES TO THE
NORTHERN INYO HOSPITAL
ELECTROCARDIOGRAPHIC DEPARTMENT**

THIS AGREEMENT MADE AND ENTERED INTO this first day of July 2011, by and between NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (hereinafter "Hospital") and Maria Toczek, M.D. (hereinafter "Physician").

**I
RECITALS**

- A. Hospital is located at 150 Pioneer Lane, Bishop, California, and operates therein a service designated as the Electrocardiographic Department (hereinafter "EKG Department").
- B. Physician is a practitioner licensed to practice medicine in the State of California, and a diplomate of the American Board of Neurology. Physician has represented and does represent, to the Hospital that, on the basis of his or her training or experience, he or she is knowledgeable in the interpretation of electrocardiographs (hereinafter "EEGs") and is readily available to interpret electroencephalographs.
- C. Hospital desires to contract with Physician to provide professional interpretation of EEGs done on patients at the Hospital.
- D. The parties desire to enter this Agreement to provide a complete statement of their respective duties and obligations.
- E. The term "EEG" shall mean all electroencephalographs

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

**II
COVENANTS OF PHYSICIAN**

- 1. Physician shall perform the following services:
 - a. Be available to provide interpretation of all EEG studies performed by the EEG Department on pediatric patients. Said interpretations are to be done within 48 hours of the time the EEG studies are received. Physician shall have no exclusive

right to read studies hereunder, and acknowledges that EEGs may be read by any other physician deemed qualified to do so by the Medical Staff Executive Committee.

- b. Physician acknowledges that Hospital has retained the services of Asao Kamei, M.D. (hereinafter "Dr. Kamei"), to serve as Chief of the EKG Department and agrees that, should Physician fail to read and interpret any EEG which he or she is obligated to read within 48 hours of receiving the EEG for review, said EEG will be read and interpreted by Dr. Kamei or his designee, and he shall receive compensation from the Hospital for such service. Physician acknowledges and agrees that in such event, Physician will not be compensated by the Hospital, but nonetheless may read and interpret the relevant EEG as may be required for the care of his or her own patients. In regard to the circumstances set forth in this subparagraph (b), Physician further acknowledges and agrees that Dr. Kamei may designate another qualified physician (who must also be certified by the American Board of Neurology) to perform such services for him in the event of his or her absence or inability to perform such services.
 - c. Participate in retrospective evaluation of care provided in the EEG Department.
 - d. Be available to provide interpretation of EEGs for patients under the care of Physician who were seen in the Hospital's Emergency Room Department whether or not said patient was seen by the Physician in the Emergency Room.
2. Physician shall at all times comply with the policies, rules and regulations of the Hospital, subject to State and federal statutes covering her practice. 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 or she 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 (i.e., more than four (4) years) value to the Hospital. Physician shall include a clause providing similar access in any subcontract he or she 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.

III

COVENANTS OF THE HOSPITAL

4. Hospital shall pay Physician \$100 per EEG interpreted. Said sums are payable on the twentieth (20th) day of the calendar month immediately following the service performed. Payments made pursuant to this Paragraph 6 shall be deemed Physician's full, complete, and reasonable compensation for services under this Agreement.
5. Hospital will attempt, insofar as is reasonably possible in the circumstances, to identify and notify the primary physician of any patient treated in the Hospital's Emergency Room Department and/or Surgery Department.
6. Hospital agrees to maintain or provide during the term of this Contract professional liability insurance covering Health Professional's activities hereunder.

IV

GENERAL PROVISIONS

7. 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. If Physician is absent, services required to be performed by Physician under this Agreement shall be performed by Dr. Kamei or his designee. Notwithstanding anything to the contrary contained herein, Physician shall not have the right to assign this agreement, or any rights or obligations thereunder, without the written consent of Hospital first had and obtained.
8. In the performance of her 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 or she shall perform his or her work and functions (except that Physician shall do so at all times in strict compliance with currently approved

methods and practices of 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 EEG Department shall be operated, in a competent, efficient, and satisfactory manner in accord with the highest medical standards possible.

9. 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.
10. It is the intent of the parties that Physician be an independent contractor, and not an employee, in the performance of his or her 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 or her duties under this Agreement.
11. Physician shall, at all relevant times, be a member of the Hospital Medical Staff.
12. Each party shall comply with all applicable requirements of law relating to licensure and regulation of both physicians and hospitals.
13. 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.
14. 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: Maria Toczek
204 W. Kenneth Road
Glendale, CA 91202-1439

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

15. The term of this Agreement is three (3) years, commencing on 7-01-11 and ending at midnight on 6-30-14.

16. 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 Hospital Medical Staff membership, loss of license to practice medicine, or loss of Active Medical Staff privileges required to render services under this Agreement;
- b. Physician's inability to render services hereunder;
- c. The appointment of a receiver of the assets of Physician, an assignment by him or her for the benefit of his or her creditors, or any action taken or suffered by him or her (with respect to him or her) 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 Physician.

However, the parties understand and acknowledge that termination of this Agreement shall not affect Physician's membership on the Hospital Medical Staff.

17. Originals of medical records of the EEG Department are the property of the Hospital and shall be retained on Hospital premises. Physician shall have access to, and may photocopy, such documents and records as may be required for the care of his or her patients or to perform his or her duties under this Agreement, provided only that he or she gives reasonable notice. Physician shall complete all reports required of him or her by Hospital, for the performance of his or her duties under this Agreement, within 48 hours of the time the EEG is received. Physician acknowledges that, should he or she remove an original EEG from the custody of the EEG Department, he or she shall return it to the custody of the EEG Department within the 24 hour period required for reading as set forth in Article II, section 1(a) above. "Custody" includes, but is not limited to, the physical premises occupied by the EEG Department and any EEG machines, carts, or collection or storage vehicles located within the Hospital but outside the EEG Department physical premises. Physician shall not destroy or mutilate originals of medical records or EEGs.

18. This Agreement is for the personal services of Physician and Physician may not assign his or her rights, duties, obligations or responsibilities thereunder.

19. 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.

20. Use of the masculine, feminine or neuter gender, and/or of the singular or plural number, shall include the other when the context shall indicate.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
John Halfen, Administrator
Northern Inyo Hospital

Maria Toczek, M.D.

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650 California Street, 17th Floor
San Francisco, CA 94108-2702
USA

Tel +1 415 403 1333
Fax +1 415 403 1334

milliman.com

May 25, 2011

Mr. John Halfen
Chief Financial Officer
Northern Inyo Hospital
150 Pioneer Lane
Bishop, California 93514-2599

***Northern Inyo County Local Hospital District Retirement Plan
Actuarial Valuation as of January 1, 2011***

Dear John:

Enclosed are two copies of the Actuarial Valuation as of January 1, 2011.

We are recommending an annual contribution of \$3,612,000. This means the current monthly contribution rate of \$247,000 should be increased to \$301,000, effective July 1, 2011. The contribution increase is due to the increase in total payroll over the past year, and a higher contribution towards the funding target (125% of ABO).

If you have any questions or would like to review the report with me, please give me a call at (415) 394-3716.

Sincerely,

A handwritten signature in cursive script that reads "Rich Wright".

Rich Wright

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enc.

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**Northern Inyo County
Local Hospital District Retirement Plan**

Actuarial Valuation as of January 1, 2011

Prepared by:

Richard A. Wright
FSA, MAAA

Milliman, Inc.
650 California Street, 17th Floor
San Francisco, California 94108
Tel 415 403 1333 Fax 415 403 1334
milliman.com

May 25, 2011



650 California Street, 17th Floor
San Francisco, CA 94108-2702
USA

Tel +1 415 403 1333
Fax +1 415 403 1334

milliman.com

May 25, 2011

Northern Inyo Hospital
150 Pioneer Lane
Bishop, California 93514-2599

***Northern Inyo County Local Hospital District Retirement Plan
Actuarial Valuation as of January 1, 2011***

At the request of the Hospital, we have made an actuarial valuation of the Northern Inyo County Local Hospital District Retirement Plan for the plan year beginning January 1, 2011.

In preparing our report, we relied on financial information provided by New York Life Insurance Company and employee data furnished to us by the Hospital. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the valuation is based are set forth in the following report. In our opinion, each actuarial assumption, method, and technique used is reasonable taking into account the experience of the Plan and reasonable expectations. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions.

The calculations reported herein have been made in accordance with the applicable provisions of the Internal Revenue Code. The results of this valuation are applicable only for the current year and are intended to be used only by the plan sponsor for the specific purposes described herein. Accordingly, this report may not be distributed to any third party without Milliman's written consent. Reliance on information contained in this report by anyone for anything other than the intended purpose puts the relying entity at risk of being misled.

Milliman's work is prepared solely for the internal business use of the Hospital. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The Hospital may provide a copy of Milliman's work, in its entirety, to the Hospital's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Hospital.
- (b) The Hospital may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, all costs, liabilities, and other factors under the Plan were determined in accordance with generally accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. We further certify that, to the best of our knowledge, the report is complete and accurate and the information presented herein, in our opinion, fully and fairly discloses the actuarial position of the Plan.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,



Richard A. Wright, FSA, MAAA
Consulting Actuary

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INTRODUCTION

This report sets forth the results of our valuation of the Northern Inyo County Local Hospital District Retirement Plan, as of January 1, 2011. In Section II we furnish certain financial statements and actuarial exhibits of the Fund for the 2010 plan year. Section III presents the determination of the contribution requirement for the 2011 plan year.

A summary of the Plan is set forth in Appendix A, and the actuarial assumptions and cost method used in determining the costs and liabilities are described in Appendix B. The membership data is shown in Appendix C.

HIGHLIGHTS

There were no changes to the plan provisions or the actuarial assumptions since the last valuation.

The projected unit credit normal cost increased from \$2,414,146 in last year's valuation to \$2,651,309 this year, due primarily to an increase in total payroll. The normal cost as a percentage of payroll remained stable, increasing by only .01% from 14.2% in last year's valuation to 14.3% this year.

The investment performance of the fund showed a return of 5.9% for 2010 in comparison with 6.0% for 2009.

The Full Funding Limitation is a measure of the funded status of the plan as of the valuation date. It is normally used to determine minimum required contributions and the maximum tax-deductible limit for taxable entities. For the 2011 Plan Year, the Full Funding Limitation would limit contributions to the Plan to \$12,689,683 for the year.

The recommended contribution is based on a target funding level of 125% of the Accumulated Benefit Obligation (ABO). The plan's current funding level is 111.7% of ABO, compared with 115.2% as of January 1, 2010. The excess over 125% (or deficit, in the case of this year's valuation) is being amortized over a 25-year period beginning on January 1, 2002. The applicable amortization amount for the year is added to the current year's ABO normal cost to determine the recommended contribution for the year. For the 2011 plan year, the recommended contribution is \$3,612,000, or \$301,000 per month if paid in 12 monthly installments during the 7/1/2011-6/30/2012 fiscal year. The recommended contribution has increased over the past year, due to an increase total payroll and also due to an increase in the contribution towards the funding target (125% of ABO).

RESULTS OF VALUATION

The following table summarizes the principal valuation results and compares them with the prior plan year.

	January 1, 2011	January 1, 2010
Number of Participants		
Active		
– Fully vested	130	131
– Partially vested	92	81
– Nonvested	<u>95</u>	<u>86</u>
– Total	317	298
Part-time employees with accrued benefits	5	10
Disabled employees with accrued benefits	1	1
Terminated vested	52	48
Retired	<u>0</u>	<u>0</u>
Total participants	375	357
Participant Payroll under NRA	\$ 18,511,239	\$ 17,029,679
Actuarial Liability (PBO)	\$ 43,327,021	\$ 39,008,886
Funding Target – 125% of Accumulated Benefit Obligation (ABO)	\$ 38,166,811	\$ 33,952,810
Actuarial Assets	\$ 34,091,039	\$ 31,293,950
Normal Cost at Beginning of Year	\$ 2,651,309	\$ 2,414,146
As a percentage of applicable payroll	14.3%	14.2%
Full Funding Limitation	\$ 12,689,683	\$ 10,812,795
Recommended Contribution	\$ 3,612,000	\$ 2,964,000
As a percentage of applicable payroll	19.5%	17.4%
Investment Return		
Current annual yield	5.9%	6.0%
Average annual yield for last 5 years	6.1%	6.0%

MONTHLY CONTRIBUTIONS

To satisfy the funding requirement for the 2011 plan year, we recommend the schedule of contributions shown below. Contributions for a fiscal year (July 1 to June 30) are being applied to the plan year (January 1 to December 31) ending within the fiscal year.

Approximate Date of Contribution	Contributions for the 2011 Plan Year
07/15/2011	\$ 301,000
08/15/2011	301,000
09/15/2011	301,000
10/15/2011	301,000
11/15/2011	301,000
12/15/2011	301,000
01/15/2012	301,000
02/15/2012	301,000
03/15/2012	301,000
04/15/2012	301,000
05/15/2012	301,000
06/15/2012	<u>301,000</u>
 Total	 \$ 3,612,000

EXHIBIT 1. SUMMARY OF PLAN ASSETS

The valuation assets as of January 1, 2011, are the sum of the accrued balances in the contractual Fixed Dollar Account (GA-928) and the Indexed Bond Fund (account #11344) as of December 31, 2010, maintained by New York Life, plus any accrued but unpaid contributions and minus any distributions payable. The balance in the contractual Pension Account is allocated to retired participants and beneficiaries and is excluded from the valuation. Development of the assets is as follows:

	January 1, 2011	January 1, 2010
Plan Assets		
Fixed Dollar Account (GA-928)	\$ 23,442,536	\$ 21,122,635
Indexed Bond Fund (Acc. #11344)	<u>9,166,503</u>	<u>8,647,315</u>
Total	\$ 32,609,039	\$ 29,769,950
Accrued Contributions	<u>1,482,000</u>	<u>1,524,000</u>
Actuarial Assets	\$ 34,091,039	\$ 31,293,950
Asset Allocation		
Fixed Dollar Account	68.8%	67.5%
Indexed Bond Fund	26.9%	27.6%
Accrued Contributions	<u>4.3%</u>	<u>4.9%</u>
Total	100.0%	100.0%

Note: We have not audited the fund's assets shown above. We have relied on the information furnished by New York Life Insurance Company.

EXHIBIT 2. SUMMARY OF CHANGES IN PLAN ASSETS

Plan assets increase or decrease each year due to employer contributions, investment income, benefit payments to retiring participants, plan expenses paid by the trust fund, and any realized and unrealized gains and losses from investments.

	PLAN YEAR ENDING	
	December 31, 2010	December 31, 2009
Beginning Balance	\$ 29,769,950	\$ 28,586,439
Additions:		
Employer contributions	3,006,000	2,850,000
Investment income	1,851,063	1,716,971
Experience adjustment	<u>0</u>	<u>0</u>
Total	4,857,063	4,566,971
Subtractions:		
Benefit payments	(1,767,403)	(3,292,132)
Expenses & related charges	(43,316)	(41,077)
Experience adjustment	<u>(207,255)</u>	<u>(50,251)</u>
Total	(2,017,974)	(3,383,460)
Ending Balance	\$ 32,609,039	\$ 29,769,950

EXHIBIT 3. HISTORICAL RETURNS ON PLAN ASSETS

The following table shows the historical return on plan assets since 1993:

Plan Year	Return
2010	5.88%
2009	5.97%
2008	6.53%
2007	6.71%
2006	5.57%
2005	5.32%
2004	5.84%
2003	5.41%
2002	8.18%
2001	7.33%
2000	8.48%
1999	4.42%
1998	7.90%
1997	8.64%
1996	5.70%
1995	12.16%
1994	2.89%
1993	8.89%
Average for last 5 years	6.13%
Average for last 10 years	3.90%

The actuarial valuation rate for the 2011 plan year is 6.75%.

EXHIBIT 4. PRESENT VALUE OF ACCUMULATED PLAN BENEFITS (ABO)

The present value of accumulated plan benefits (also known as the Accumulated Benefit Obligation or ABO) is the value of benefits that have been accrued to date.

	As of January 1, 2011	As of January 1, 2010
Vested Benefits		
Active participants	\$ 26,026,457	\$ 23,095,541
Part-time participants with accrued benefits	87,883	320,692
Terminated vested participants	2,901,663	2,436,431
Disabled participants	16,614	15,188
Participants currently receiving payments	<u>0</u>	<u>0</u>
Total	\$ 29,032,617	\$ 25,867,852
Nonvested Benefits	<u>1,500,832</u>	<u>1,294,396</u>
Total	\$ 30,533,449	\$ 27,162,248
Valuation Assets	\$ 34,091,039	\$ 31,293,950
Funding Ratio	111.7%	115.2%

EXHIBIT 5. CHANGES IN ACCUMULATED PLAN BENEFITS

The changes in the present value of accumulated plan benefits for the last two plan years are summarized below.

	PLAN YEAR ENDING	
	December 31, 2010	December 31, 2009
Beginning of Year	\$ 27,162,248	\$ 25,180,995
Benefits accumulated and actuarial experience	3,305,152	3,567,106
Increase for interest due to the decrease in the discount period	1,833,452	1,699,717
Plan amendment	0	0
Change in actuarial assumptions	0	6,562
Benefits paid	<u>(1,767,403)</u>	<u>(3,292,132)</u>
End of Year	\$ 30,533,449	\$ 27,162,248

EXHIBIT 6. DEVELOPMENT OF NORMAL COST

The normal cost is calculated according to the actuarial cost method. Under the projected unit credit cost method, the normal cost is equal to the value of the benefits accrued during the year based on compensation projected to retirement. The normal cost is as follows:

	PLAN YEAR BEGINNING	
	January 1, 2011	January 1, 2010
Normal cost as of beginning of plan year	\$ 2,651,309	\$ 2,414,146
Estimated payroll for plan participants	18,511,239	17,029,679
Normal Cost as % of payroll	14.3%	14.2%
Normal cost as of end of plan year	2,830,272	2,577,101

EXHIBIT 7. ACTUARIAL LIABILITY (PBO)

In the Projected Unit Credit method, the actuarial liability is equal to that portion of an employee's projected benefit that is allocated to past service periods and includes the value of assumed future compensation increases. This is also known as the Projected Benefit Obligation or PBO. Any actuarial liability in excess of the plan's assets is called an unfunded liability.

	As of January 1, 2011	As of January 1, 2010
Actuarial Liability (PBO)		
Active participants	\$ 40,320,861	\$ 36,236,575
Part-time participants with accrued benefits	87,883	320,692
Terminated vested participants	2,901,663	2,436,431
Disabled participants	16,614	15,188
Participants currently receiving payments	<u>0</u>	<u>0</u>
Total	\$ 43,327,021	\$ 39,008,886
 Actuarial Assets	 \$ 34,091,039	 \$ 31,293,950
 Unfunded Actuarial Liability	 \$ 9,235,982	 \$ 7,714,936

EXHIBIT 8. FULL FUNDING LIMITATION

The full funding limitation is defined by the Internal Revenue Code and limits minimum required and maximum deductible contributions of well-funded retirement plans.

	PLAN YEAR ENDING	
	December 31, 2011	December 31, 2010
Actuarial Liability	\$ 43,327,021	\$ 39,008,886
Normal Cost	<u>2,651,309</u>	<u>2,414,146</u>
Total	\$ 45,978,330	\$ 41,423,032
Actuarial assets	\$ 34,091,039	\$ 31,293,950
Full Funding Limitation, beginning of year	\$ 11,887,291	\$ 10,129,082
Interest	<u>802,392</u>	<u>683,713</u>
Full Funding Limitation, end of year	\$ 12,689,683	\$ 10,812,795

EXHIBIT 9. RECOMMENDED CONTRIBUTION

The recommended contribution targets a funding level of 125% of the Accumulated Benefit Obligation (ABO). Since the plan is currently funded less than 125% of ABO, the deficit is amortized over a 25 year period starting from January 1, 2002 (i.e. 16 years remaining as of January 1, 2011). The recommended contribution is reduced, if necessary, to the Full Funding Limitation.

	PLAN YEAR ENDING	
	December 31, 2011	December 31, 2010
Target Surplus		
Accumulated Benefit Obligation (ABO)	\$ 30,533,449	\$ 27,162,248
Funding Target %	x 125%	x 125%
Funding Target (125% of ABO)	\$ 38,166,811	\$ 33,952,810
Actuarial Assets	<u>34,091,039</u>	<u>31,293,950</u>
Excess / (deficit)	\$ (4,075,772)	\$ (2,658,860)
Recommended Contribution		
ABO Normal Cost	\$ 2,988,449	\$ 2,523,110
Amortization of (Excess) / Deficit	<u>397,501</u>	<u>250,714</u>
Total as of beginning of year	\$ 3,385,950	\$ 2,773,824
Interest	<u>228,552</u>	<u>187,233</u>
Total as of end of year	\$ 3,614,502	\$ 2,961,057
Full Funding Limitation, end of year	\$ 12,689,683	\$ 10,812,795
Recommended Contribution	\$ 3,614,502	\$ 2,961,057

APPENDIX A. SUMMARY OF PENSION PLAN

The following paragraphs are only a brief summary of the more important provisions of the plan. In the event there are any inconsistencies between statements contained in this Appendix and the plan document, the provisions of the plan document shall control.

Effective Date: March 1, 1975; last restatement January 1, 2009.

Plan Eligibility: An employee becomes a participant of the plan on the earliest January 1 or July 1 following the later of attainment of age 21 and completion of 1 year of service.

Vesting: 50% vesting after 5 years of Credited Service increasing 10% per year until 100% vested after 10 years of service. Active participants automatically become 100% vested upon attainment of normal retirement age or if they become totally and permanently disabled.

Normal Retirement Date: The first day of the month coinciding with or following the later of Participant's attainment of age 65 or completion of 5 years of plan participation. However, the Normal Retirement Date shall not be later than age 70.

Normal Retirement Benefit: 2.50% of Average Annual Compensation multiplied by years of Credited Service, but not less than \$600.

Average Annual Compensation: Average of annual compensation for the highest consecutive 36-month period preceding the determination date. Compensation includes wages, shift differential, standby pay, and 50% of the value of any unused and unpaid sick leave existing at the time of termination of employment, and accrued after April 26, 1997.

Accrued Benefit: Normal Retirement Benefit prorated on credited service.

Normal Form of Retirement Benefit: Life Annuity.

Early Retirement: The first day of the month coinciding with or following the Participant's attainment of age 55 and completion of at least 5 years of credited service. Then the normal retirement benefit will be reduced by 5/9% for each of the first 60 months and 5/18% for each additional month that payment starts before normal retirement age.

Pre-Retirement Death Benefit: If a vested participant dies prior to retirement, his or her beneficiary will receive the actuarially determined present value of his or her accrued benefit.

APPENDIX B. ACTUARIAL COST METHOD AND ASSUMPTIONS

The following cost method and assumptions were used in valuing the benefits of all participants.

	January 1, 2011	January 1, 2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Funding Interest Rate		
<i>Pre-retirement</i>	6.75%	6.75%
<i>Post-retirement</i>	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 8.00% DOP On/After 7/1/2009: 6.50%	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 8.00% DOP On/After 7/1/2009: 6.50%
Salary Scale	6.00%	6.00%
Administrative Expenses	None.	None.
Mortality	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 1984 UP Mortality Table set back 4 years. DOP On/After 7/1/2009: RP-2000 Table for Males set back 4 years.	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 1984 UP Mortality Table set back 4 years. DOP On/After 7/1/2009: RP-2000 Table for Males set back 4 years.
Disability		
<i>Disablement Rate</i>	None.	None.
<i>Disabled Annuitants Mortality</i>	None.	None.
Withdrawal Rates	Table T-8, <u>The Actuary's Pension Handbook</u> , Crocker-Sarason-Straight.	Table T-8, <u>The Actuary's Pension Handbook</u> , Crocker-Sarason-Straight.
Retirement Age	The later of age 65 or the 5 th anniversary of date of participation; or age 70, if earlier.	The later of age 65 or the 5 th anniversary of date of participation; or age 70, if earlier.
Asset Valuation Method	Market value	Market value

APPENDIX C. SUMMARY OF PARTICIPANT DATA

Active Participants

Age	NUMBER OF PARTICIPANTS			ANNUAL SALARIES		
	Males	Females	Total	Males	Females	Total
Under 25	1	5	6	\$ 27,885	\$ 129,284	\$ 157,169
25 - 29	2	17	19	71,379	703,479	774,858
30 - 34	9	20	29	795,480	892,388	1,687,868
35 - 39	4	13	17	280,847	651,412	932,259
40 - 44	4	18	22	242,206	920,295	1,162,501
45 - 49	12	33	45	988,926	1,916,921	2,905,847
50 - 54	11	56	67	753,044	3,139,848	3,892,892
55 - 59	11	50	61	629,547	3,365,770	3,995,317
60 - 64	8	30	38	720,510	1,758,112	2,478,622
65 - 69	3	9	12	502,328	523,484	1,025,812
70 & Over	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>5,248</u>	<u>5,248</u>
Total	65	252	317	\$ 5,012,152	\$ 14,006,241	\$ 19,018,393

Other Participants

Participant Status	NUMBER OF PARTICIPANTS			ANNUAL BENEFITS		
	Males	Females	Total	Males	Females	Total
Part-time	0	5	5	\$ 0	\$ 23,052	\$ 23,052
Disabled	0	1	1	0	1,736	1,736
Terminated Vested	11	41	52	104,165	394,695	498,860
Retired	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	11	47	58	\$ 104,165	\$ 419,483	\$ 523,648

APPENDIX D. GLOSSARY OF KEY TERMS

Accumulated Benefit Obligation (ABO). The present value of benefits accrued as of the valuation date. The ABO includes both vested and nonvested benefits, but does not include the cost of additional service or compensation increases after the valuation date.

Actuarial Cost Method. A method of allocating the present value of benefits to past and future periods. Actuarial cost methods generally take into consideration the effect of wage inflation.

Actuarial Gains and Losses. Changes to the funded status due to deviations from the actuarial assumptions. The deviations may result from gains and losses from investments, employee turnover, disability, retirement, mortality, and administrative expenses.

Funded Status. A comparison of the plan assets against liabilities for future benefits. The funded status will differ depending on which benefit liability is being compared. For example, the accrued liability can include the value of future compensation increases, but the present value of accumulated benefits does not. The funded status is also dependent on the interest rate used to discount future benefits back to the present.

Funding Target. For this plan, the funding target has been set by the plan sponsor to be equal to 125% of the Accumulated Benefit Obligation (ABO).

Normal Cost. The value of benefits earned for one year of service. The "projected unit credit normal cost" is calculated in accordance with the actuarial cost method. The ABO normal cost is the increase in the ABO due to one additional year of service and one additional year of compensation increases.

Present Value of Accumulated Benefits. This is the same as the ABO. This includes both vested and nonvested benefits, but does not include the cost of additional service or compensation increases after the valuation date.

Projected Benefit Obligation (PBO). The present value of benefits allocated to past service in accordance with the projected unit credit cost method. The PBO includes both vested and nonvested benefits. The PBO includes the value of future compensation increases, but does not include the cost of additional service after the valuation date.

Vested Benefits. These include benefits to which a plan participant has earned a nonforfeitable right as a result of having satisfied the applicable service requirement(s) for such benefits under the plan, which include normal retirement benefits, early retirement benefits, and the pre-retirement spouse's survivor annuity.

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

This Professional Services Agreement (this "Agreement"), dated as of May 1, 2011 is entered into by and between Northern Inyo Hospital Local Hospital District ("Hospital") and Alice Casey, M.D. ("Physician").

RECITALS

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

B. Physician is an individual duly licensed to practice medicine in the State of California, and practices medicine in Bishop, California.

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

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

THEREFORE, THE PARTIES AGREE:

I. PHYSICIAN RESPONSIBILITIES.

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

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

1.03 Covenants of Physician: Physician shall:

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

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

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

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

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

II. HOSPITAL RESPONSIBILITIES.

2.01 Hospital Services.

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

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

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

III. COMPENSATION.

- 3.01 Compensation. Hospital shall pay Physician \$40.00 per hour and \$37.50 per patient encounter for patients scheduled to be seen in the Clinic by Physician. Said sums are payable on the 20th day of the calendar month immediately following the service performed.
- 3.02 Malpractice Insurance. Physician agrees to secure her own malpractice insurance with limits and coverage's appropriate for the physician to provide services under this agreement.
- 3.03 Billing for Professional Services. Physician assigns to Clinic all claims, demands and rights of Physician to bill and collect for all professional services rendered to Clinic patients. Physician acknowledges that Clinic shall be solely responsible for billing and collecting for all professional services provided by Physician to Clinic patients at Clinic, and for managing all Clinic receivables and payables, including those related to Medicare and Medi-Cal beneficiaries. Physician shall not bill or collect for any services rendered to Clinic patients, and all Clinic receivables and billings shall be the sole and exclusive property of Clinic. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Clinic. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Clinic.

IV. TERM AND TERMINATION.

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

V. PROFESSIONAL STANDARDS.

- 5.01 Medical Staff Standing. Prior to performing services pursuant to this Agreement, Physician must obtain full Medical Staff privileges on the Medical Staff of Hospital, and maintain such membership throughout the term of this Agreement. Such membership shall be subject to all of the privileges and responsibilities of Medical Staff membership.
- 5.02 Licensure and Standards. Physician shall:
- A. At all times be licensed to practice medicine in the State of California;

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

VI. RELATIONSHIP BETWEEN THE PARTIES.

6.01 Professional Relations.

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

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

and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

VII. GENERAL PROVISIONS.

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

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

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

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

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

- A. Non Medical Disagreements. In the event that disagreements arise between the parties concerning their performance under this Agreement, or on other matters, such disagreements shall be the subject of negotiations between Physician and the Hospital Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital's Board of Directors and the decision of the Board shall be final.
- B. Medical Disagreement. Any questions or disagreements concerning standards of professional practice or the medical aspects of the service furnished in Clinic shall be referred to a peer group of qualified physicians recommended by the Medical Executive Committee, which shall recommend a resolution of the matter to the Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital Board of Directors and the decision of the Board shall be final.
- 7.05 Assignment. Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.
- 7.06 Attorneys' Fees. If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and costs. As used in this Section 7.06, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.
- 7.07 Choice of Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.
- 7.08 Exhibits. All Exhibits attached and referred to herein are fully incorporated by this reference.
- 7.09 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

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

Physician: Alice Casey, M.D.
152 Pioneer Lane, Suite H
Bishop, CA 93514

- 7.10 Records. All files, charts and records, medical or otherwise, generated by a Medical Professional in connection with services furnished during the term of this Agreement are the property of Clinic. Physician agrees to maintain medical records according to Clinic

policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.

- 7.11 Prior Agreements. This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement.
- 7.12 Referrals. This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.
- 7.13 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 7.14 Waiver. The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.15 Gender and Number. Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.
- 7.16 Authority and Executive. By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
Peter J. Watercott, President
Board of Directors

By _____
Alice Casey, MD

EXHIBIT A

POSITION DESCRIPTION

TITLE

Staff Physician

DEPARTMENT

Rural Health Clinic

POSITION SUMMARY

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

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

END