



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday February 16, 2011; 5:30pm

*Board Room
Northern Inyo Hospital*

DRAFT AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

February 16, 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 January 19 2011 regular meeting.
4. Financial and Statistical Reports for the month of December 2010; John Halfen.
5. Administrator's Report; John Halfen.
 - A. Building Update
 - B. Security Report
 - C. Orthopedic services update
 - D. Phone system update
 - E. Physician Recruiting
 - F. Other
6. Chief of Staff Report; Helena Black, M.D...
7. Old Business
 - A. Pioneer Medical Associates partnership interest purchase (*action item*).
8. New Business
 - A. Language services annual report (*approval item*).
 - B. Statutory requirements, District Board of Directors (*District Legal Counsel*).
 - C. 340-B Proposal for services; Dwayne's Friendly Pharmacy & Century Systems (*action item*).
 - D. I.T. Storage upgrade (*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.

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- CALL TO ORDER The meeting was called to order at 5:34 p.m. 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 COMMENTS
ON AGENDA 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 December 8 2010 regular meeting were approved, with Mr. Watercott abstaining from the vote.
- FINANCIAL AND
STATISTICAL REPORTS Mr. Halfen called attention to the financial and statistical reports for the month of November 2010. He noted the statement of operations shows a bottom line excess of revenues over expenses of \$185,276. Mr. Halfen additionally called attention to the following:
- *Inpatient and outpatient service revenue were under budget*
 - *Total expenses were under budget*
 - *Salaries and wages and employee benefits expense were under 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 \$992,580*
- Mr. Halfen noted cash and short term investments fluctuated during the month in order to help provide funding for the hospital rebuild project. He also noted the liability side of the balance sheet showed no notable change, and around \$2,000,000 in investments is being liquidated each month in order to help fund the construction project. Interest rates on investments remain low and Administration continues to keep investments diversified in order to protect their net worth as much as possible. Patient service volume was down in all areas; however a profit was realized due to a prior period adjustment of approximately \$300,000 being made. At this time revenue is significantly under budget for the year but Administration hopes

ADMINISTRATOR'S REPORT	it will rebound in the upcoming months. Mr. Halfen also noted gross revenue from surgery is significantly lower than it was at this time last year. Following review of the reports provided it was moved by John Ungersma M.D., seconded by M.C. Hubbard, and passed to approve the financial and statistical reports for the month of November as presented.
BUILDING PROJECT	Mr. Halfen referred to a spreadsheet provided by Turner Construction Company which shows total building project costs including dollars already spent and amounts remaining to be paid. Mr. Halfen emphasized that money will be tight for the remainder of the building project and budgets need to be watched carefully during the next year. At this time it appears the hospital will be able to fund the construction project and have adequate money available to keep hospital operations running smoothly. Kathy Sherry with Turner Construction Company reported the walls of the new hospital building are being framed and sheet rock work and installation of utilities is currently underway. The main push at this time is installation of the mechanical components for the building. Lathe is going up on the exterior walls and heating and cooling units will be installed in the near future. A question was asked regarding when the building is scheduled to be "unwrapped" and the response was that removal of the plastic will take place when temperatures consistently do not fall below 50 degrees, which is expected to be some time during the month of April or May.
STATE BUDGET	Mr. Halfen commented that the media has reported the State of California s budget relies partially on a ten percent cut in payments made to hospitals; however, in reality the budget relies on a continuation of cuts that have already been made. Additional cuts above and beyond those that have already been implemented are not expected at this time.
PHYSICIAN RECRUITING	Mr. Halfen reported James Englesby, M.D. is working in the Kamei and Hathaway internal medicine practice on a long-term locums basis, and it is hoped the doctor will decide to stay with the practice permanently. Administration is also negotiating with internal medicine candidate Robert Boldy M.D. to come and practice in this area.
FEBRUARY REVIEW	Mr. Halfen advised the Board that at the regular February meeting District Legal Counsel Douglas Buchanan will conduct the annual review of the statutory requirements of the Hospital District Board.
ORTHOPEDIC PHYSICIANS	Mr. Halfen reported he is negotiating with an orthopedic surgeon from Victorville to practice at this hospital, and he hopes to reach an agreement with the physician in the near future. Mr. Halfen will continue to update the Board on the progress of physician recruitment efforts.

CHIEF OF STAFF
REPORT

POLICY AND
PROCEDURE
APPROVAL

Chief Of Staff Helena Black, M.D. reported following approval by the appropriate committees the Medical Executive Committee recommends approval of the policy titled *Requests Regarding Resuscitative Measures, and Physician Orders for Life Sustaining Treatment (POLST)*. *POLST* orders allow patients to direct health care providers in relation to both resuscitative measures and other life-sustaining measures, including medical interventions and artificially administered fluids or nutrition. Following review of the policy it was moved by Doctor Ungersma, seconded by Ms. Hayden and passed to approve the policy titled *Requests Regarding Resuscitative Measures, and Physician Orders for Life Sustaining Treatment (POLST)* as presented.

NEW BUSINESS

ACHD STATEMENT OF
DIRECTOR DUTIES &
RESPONSIBILITIES

Mr. Halfen called attention to a correspondence received from the Association of California Healthcare Districts (ACHD) recommending that Healthcare Districts adopt a resolution regarding Director fiduciary duties and their public responsibility to perform their duties in the best interest of the District. Although the elements of this statement are encompassed in several oaths taken by members of the District Board, it was decided that a Resolution will be adopted in accordance with the ACHD recommendation. District Legal Council Douglas Buchanan and D. Scott Clark, M.D. disagreed that a redundant statement of this type is necessary.

HOSPITALIST
PROGRAM

Mr. Halfen called attention to a sample Hospitalist agreement that is representative of what Northern Inyo Hospital (NIH) has used for the start-up of its new Hospitalist program. The program allows for physician call coverage for inpatients on a rotating weekly basis, and it was initially implemented three weeks ago. Reaction to the program has been 100% positive to date, and it is believed it will be an important recruitment and retention tool for attracting new physicians to this area who are not interested in taking a heavy call schedule. Physician reimbursement is currently \$7,500 per week, however as the program progresses exact details of the agreements may change if deemed appropriate. Mr. Halfen asked for Board approval of the basic components of the sample contract, and it was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to approve the start-up Hospitalist agreement example as presented.

ACTIVE SHOOTER
POLICY

Mr. Halfen also called attention to a proposed hospital wide policy and procedure titled *Active Shooter Situation Response*, which was created in order to comply with a Joint Commission mandate that hospitals make an attempt to keep undesirable persons off the hospital premises. The policy provides guidance regarding what to do in the event that an active shooter is present on the hospital campus, and it has been added to the hospital's "Rainbow Chart" which summarizes important safety and security issues. An active shooter training drill will take place in the future with the Bishop Police Department participating in the instruction. It was moved by Doctor

Ungersma, seconded by Ms. Hayden, and passed to approve the *Active Shooter Situation Response* policy and procedure as presented.

BOARD MEMBER
REPORTS

Mr. Watercott asked if any members of the Board of Directors wished to report on any items of interest. Doctor Ungersma reported he was present at today's hearing to plead an anti-slap case on behalf of the Hospital District, and he was very impressed with the performance of Hospital legal counsel Michael Popcke, Esq.. No other comments were heard.

OPPORTUNITY FOR
PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott again asked if any members of the public wished to comment on any items listed on the agenda for this meeting, or on any items of interest. He also reported the NIH Foundation's annual fundraiser *Groundhog A-Go-Go* will be held on February 2, and he invited everyone present to attend the event.

CLOSED SESSION

At 6:35 P.M. Mr. Watercott announced the meeting was being adjourned to closed session to allow the Board of Directors to:

- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
- B. Confer with legal counsel regarding action filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
- C. Confer with legal counsel regarding 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)).
- D. Conduct CEO Annual Performance Evaluation (Government Code Section 54957).

RETURN TO OPEN
SESSION AND REPORT
OF ACTION TAKEN

At 8:00 p.m. 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 on the agenda for this meeting, or on any items of interest. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 8:00 p.m..

Peter Watercott, President

Attest:

M.C. Hubbard, Secretary

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BUDGET VARIANCE ANALYSIS

Dec-10 PERIOD ENDING

In the month, NIH was

-30% under budget in IP days;
(**-0.23%**) under in IP Revenue and
(**-0.1%**) under in OP Revenue resulting in
\$ (643,258) (**-8.2%**) under in gross patient revenue from budget &
\$ 2,760,884 (**57.3%**) over in net patient revenue from budget

Total Expenses were:

\$ (410,001) (**-8.6%**) under budget. Wages and Salaries were
\$ (141,637) (**-8.5%**) under budget and Employee Benefits
\$ (43,787) (**-4.3%**) under budget.
\$ (9,582) of other income resulted in a net loss of
\$ 3,343,802 \$ 3,139,792 over budget.

The following expense areas were over budget for the month:

\$ 469 0% Professional Fees
\$ 27,954 9% Depreciation Expense
\$ 82,916 78% Interest Expense

Other Information:

-2.86% Contractual Percentages for month
31.62% Contractual Percentages for Year

\$ 4,336,382 Year-to-date Net Revenue

Special Notes:

Prior Period Adjustment on Income Statement is Tentative 2010 Medicare received

NORTHERN INYO HOSPITAL

Balance Sheet

December 31, 2010

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2010</u>
Current assets:			
Cash and cash equivalents	10,434,153	8,737,493	5,736
Short-term investments	17,637,421	19,642,091	30,262,716
Assets limited as to use	-	2,075,781	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 \$500,454	8,368,222	8,167,495	7,953,621
Other receivables (Includes GE Financing Funds)	366,211	4,148,784	424,259
Inventories	2,383,728	2,377,931	2,378,072
Prepaid expenses	1,170,952	1,186,283	1,143,283
Total current assets	<u>41,332,395</u>	<u>47,307,566</u>	<u>50,826,294</u>
Assets limited as to use:			
Internally designated for capital acquisitions	749,857	749,822	745,008
Specific purpose assets	833,390	252,316	966,724
	<u>1,583,247</u>	<u>1,002,138</u>	<u>1,711,732</u>
Revenue bond construction funds held by trustee	<u>2,414,711</u>	<u>3,743,798</u>	<u>7,541,783</u>
Less amounts required to meet current obligations	-	2,073,241	5,587,596
Net Assets limited as to use:	<u>3,997,958</u>	<u>2,672,695</u>	<u>3,665,918</u>
Long-term investments	<u>6,455,844</u>	<u>2,824,834</u>	<u>2,824,834</u>
Property and equipment, net of accumulated depreciation and amortization	<u>56,431,306</u>	<u>54,993,650</u>	<u>47,655,595</u>
Unamortized bond costs	<u>984,687</u>	<u>989,453</u>	<u>1,012,587</u>
Total assets	<u>109,202,190</u>	<u>108,788,197</u>	<u>105,985,228</u>

NORTHERN INYO HOSPITAL

Balance Sheet

December 31, 2010

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2010</u>
Current liabilities:			
Current maturities of long-term debt	381,110	663,756	1,188,561
Accounts payable	626,632	747,927	952,032
Accrued salaries, wages and benefits	3,311,342	3,295,767	3,275,053
Accrued interest and sales tax	696,450	695,177	560,578
Deferred income	303,685	346,250	48,296
Due to third-party payors	2,346,608	5,423,526	2,616,629
Due to specific purpose funds	-	-	-
Total current liabilities	<u>7,665,827</u>	<u>11,172,403</u>	<u>8,641,148</u>
Long-term debt, less current maturities	49,020,816	49,020,816	49,020,816
Bond Premium	1,403,419	1,407,762	1,429,475
Total long-term debt	<u>50,424,236</u>	<u>50,428,578</u>	<u>50,450,292</u>
Net assets:			
Unrestricted	50,278,737	46,934,901	45,927,064
Temporarily restricted	833,390	252,316	966,724
Total net assets	<u>51,112,128</u>	<u>47,187,216</u>	<u>46,893,788</u>
Total liabilities and net assets	<u>109,202,190</u>	<u>108,788,197</u>	<u>105,985,228</u>

NORTHERN INYO HOSPITAL

Statement of Operations

As of December 31, 2010

	MTD	MTD	MTD	MTD	YTD	YTD	YTD	YTD	YTD
	Actual	Budget	Variance \$	Variance %	Actual	Budget	Variance \$	Variance %	Prior YTD
Unrestricted revenues, gains and other support:									
In-patient service revenue:									
Routine	470,518	656,043	(185,525)	(28.3)	3,036,332	3,893,930	(857,598)	(22.0)	3,570,723
Ancillary	1,721,110	2,174,217	(453,107)	(20.8)	10,705,260	12,905,016	(2,199,756)	(17.1)	11,755,547
Total in-patient service revenue	2,191,628	2,830,260	(638,632)	(0.23)	13,741,592	16,798,946	(3,057,354)	-18.2%	15,326,269
Out-patient service revenue	5,051,370	5,055,996	(4,626)	(0.1)	29,052,233	30,009,772	(957,539)	(3.2)	29,285,684
Gross patient service revenue	7,242,998	7,886,256	(643,258)	(8.20)	42,793,825	46,808,718	(4,014,893)	(8.6)	44,611,953
Less deductions from patient service revenue:									
Patient service revenue adjustments	126,330	150,169	23,839	15.9	732,643	891,324	158,681	17.8	1,060,151
Contractual adjustments	2,765,556	2,918,991	153,436	5.3	16,049,420	17,325,628	1,276,208	7.4	17,108,031
Prior Period Adjustments	(3,226,868)	-	3,226,868	100.0	(4,447,711)	-	4,447,711	100.0	(392,906)
Total deductions from patient service revenue	(334,983)	3,069,160	3,404,143	110.9	12,334,352	18,216,952	5,882,600	32.3	17,775,275
Net patient service revenue	7,577,980	4,817,096	2,760,884	57%	30,459,473	28,591,766	1,867,707	7%	26,836,678
Other revenue	28,399	31,955	(3,556)	(11.1)	261,712	189,670	72,042	38.0	177,537
Transfers from Restricted Funds for Other Operating Expenses	80,224	81,238	(1,014)	(1.3)	481,345	482,188	(843)	(0.2)	387,996
Total Other revenue	108,623	113,193	(4,570)	(4.0)	743,056	671,858	71,198	10.6	565,533
Total revenue, gains and other support	7,686,603	4,930,289	2,756,314	(3.4)	31,202,529	29,263,624	1,938,905	10.7	27,402,211
Expenses:									
Salaries and wages	1,522,444	1,664,081	141,637	8.5	9,280,922	9,877,130	596,208	6.0	8,983,577
Employee benefits	986,491	1,030,278	43,787	4.3	5,876,821	6,115,192	238,371	3.9	6,033,757
Professional fees	369,895	369,426	(469)	(0.1)	2,343,400	2,192,726	(150,674)	(6.9)	2,662,555
Supplies	412,253	574,343	162,090	28.2	2,652,579	3,408,994	756,415	22.2	3,115,416
Purchased services	224,925	259,439	34,514	13.3	1,457,604	1,539,894	82,290	5.3	1,475,269
Depreciation	325,214	297,260	(27,954)	(9.4)	1,959,455	1,764,382	(195,073)	(11.1)	1,334,682
Interest	189,016	106,100	(82,916)	(78.2)	717,668	629,756	(87,912)	(14.0)	650,432
Bad debts	128,134	223,377	95,243	42.6	1,197,259	1,325,850	128,591	9.7	1,255,340
Other	174,847	218,917	44,070	20.1	1,329,153	1,299,382	(29,771)	(2.3)	1,227,963
Total expenses	4,333,220	4,743,221	410,001	8.6	26,814,861	28,153,306	1,338,445	4.8	26,738,991
Operating income (loss)	3,353,384	187,068	3,166,316	(12.0)	4,387,668	1,110,318	3,277,350	5.9	663,220
Other income:									
District tax receipts	42,565	44,549	(1,984)	(4.5)	255,389	264,420	(9,031)	(3.4)	262,267
Interest	(11,680)	16,445	(28,125)	(171.0)	163,999	97,608	66,391	68.0	89,076
Other	4,165	4,956	(791)	(16.0)	33,537	29,418	4,119	14.0	30,733
Grants and Other Non-Restricted Contributions	2,615	5,382	(2,767)	(51.4)	40,616	31,944	8,672	27.2	36,963
Partnership Investment Income	-	-	-	N/A	-	-	-	-	-
Net Medical Office Activity	(47,247)	(54,390)	7,143	(156.6)	(544,826)	(322,824)	(222,002)	(68.8)	(236,527)
Total other income, net	(9,582)	16,942	(26,524)	(157)	(51,286)	100,566	(151,852)	(151.0)	182,510
Excess (deficiency) of revenues over expenses	3,343,802	204,010	3,139,792	1,539	4,336,382	1,210,884	3,125,498	258.1	845,730
Contractual Percentage	-2.86%	41.75%			31.62%	41.75%			42.66%
Tentative Settlement for Fiscal Year Ending June 30, 2010 from Medicare-payment received									

NORTHERN INYO HOSPITAL

Statement of Operations--Statistics

As of December 31, 2010

	Month Actual	Month Budget	Month Variance	Month Variance Percentage	YTD Actual	YTD Budget	Year Variance	Year Percentage
Operating statistics:								
Beds	25	25	N/A	N/A	25	25	N/A	N/A
Patient days	186	267	(81)	0.70	1,241	1,584	(343)	0.78
Maximum days per bed capacity	775	775	N/A	N/A	4,600	4,600	N/A	N/A
Percentage of occupancy	24.00	34.45	(10.45)	0.70	26.98	34.43	(7.45)	0.78
Average daily census	6.00	8.61	(2.61)	0.70	6.74	8.61	(1.86)	0.78
Average length of stay	2.48	3.14	(0.66)	0.79	2.85	3.14	(0.30)	0.91
Discharges	75	85	(10)	0.88	436	504	(68)	1
Admissions	74	85	(11)	0.87	437	504	(67)	1
Gross profit-revenue depts.	4,834,631	5,160,618	(325,987)	0.94	27,925,998	30,630,750	(2,704,752)	0.91
Percent to gross patient service revenue:								
Deductions from patient service revenue and bad debts	(2.86)	41.75	(44.61)	(0.07)	31.62	41.75	(10.13)	0.76
Salaries and employee benefits	34.39	34.11	0.28	1.01	35.31	34.11	1.20	1.04
Occupancy expenses	7.12	5.42	1.70	1.31	6.66	5.42	1.24	1.23
General service departments	6.23	5.54	0.69	1.12	6.04	5.54	0.50	1.09
Fiscal services department	4.84	5.11	(0.27)	0.95	5.49	5.11	0.38	1.07
Administrative departments	5.03	5.11	(0.08)	0.98	5.25	5.11	0.14	1.03
Operating income (loss)	44.24	0.85	43.39	52.05	8.13	0.85	7.28	9.56
Excess (deficiency) of revenues over expenses	46.17	2.59	43.58	17.83	10.13	2.59	7.54	3.91
Payroll statistics:								
Average hourly rate (salaries and benefits)	42.17	47.65	(5.49)	0.88	43.60	47.14	(3.54)	0.92
Worked hours	47,775.40	49,350.00	(1,574.60)	0.97	291,933.83	292,928.00	(994.17)	1.00
Paid hours	59,069.71	56,447.00	2,622.71	1.05	346,618.56	338,682.00	7,936.56	1.02
Full time equivalents (worked)	271.45	278.81	(7.36)	0.97	278.56	278.98	(0.42)	1.00
Full time equivalents (paid)	335.62	318.91	16.71	1.05	330.74	322.55	8.19	1.03

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of December 31, 2010

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	3,924,911.20	4,218,339.49
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting fund deposit)		
Depreciation	325,213.84	1,959,454.71
Provision for bad debts	128,133.98	1,197,259.38
Loss (gain) on disposal of equipment	-	703.45
(Increase) decrease in:		
Patient and other receivables	3,453,712.59	(1,553,811.61)
Other current assets	9,534.74	(33,325.35)
Plant Expansion and Replacement Cash	-	2,099,302.52
Increase (decrease) in:		
Accounts payable and accrued expenses	(147,011.96)	102,150.71
Third-party payors	(3,076,918.00)	(270,021.76)
Net cash provided (used) by operating activities	<u>4,617,576.39</u>	<u>7,720,051.54</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,760,330.74)	(10,735,165.99)
Purchase of investments	(1,626,340.00)	8,994,285.20
Proceeds from disposal of equipment	-	(703.45)
Net cash provided (used) in investing activities	<u>(3,386,670.74)</u>	<u>(1,741,584.24)</u>
Cash flows from financing activities:		
Long-term debt	(286,988.22)	(833,505.90)
Issuance of revenue bonds	1,329,086.54	5,127,071.45
Unamortized bond costs	4,766.07	27,899.92
Increase (decrease) in donor-restricted funds, net	(581,109.24)	128,484.76
Net cash provided by (used in) financing activities	<u>465,755.15</u>	<u>4,449,950.23</u>
Increase (decrease) in cash and cash equivalents	1,696,660.80	10,428,417.53
Cash and cash equivalents, beginning of period	<u>8,737,492.65</u>	<u>5,735.92</u>
Cash and cash equivalents, end of period	<u>10,434,153.45</u>	<u>10,434,153.45</u>

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of December 31, 2010

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	3,343,801.96	4,336,381.99
Net Assets due/to transferred from unrestricted	-	(4,557.74)
Interest posted twice to Bond & Interest	-	-
Net assets released from restrictions used for operations	-	15,000.00
Net assets released from restrictions used for payment of long-term debt	(80,224.16)	(481,344.96)
Contributions and interest income	34.40	4,848.66
Increase in unrestricted net assets	<u>3,263,612.20</u>	<u>3,870,327.95</u>
Temporarily restricted net assets:		
District tax allocation	581,010.37	581,010.37
Net assets released from restrictions	-	(729,901.49)
Restricted contributions	-	15,374.00
Interest income	64.47	183.70
Net Assets for Long-Term Debt due from County	80,224.16	481,344.96
Increase (decrease) in temporarily restricted net assets	<u>661,299.00</u>	<u>348,011.54</u>
Increase (decrease) in net assets	3,924,911.20	4,218,339.49
Net assets, beginning of period	47,187,216.33	46,893,788.04
Net assets, end of period	<u><u>51,112,127.53</u></u>	<u><u>51,112,127.53</u></u>

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2010

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	4,462,389	6,137,876	6,469,248	4,131,017	27,112,118	796,335	26,233	2,640	17,472	632,052	750,421	2,793,443	
February	4,131,017	5,265,638	6,258,389	3,138,266	27,557,615	796,335	26,233	2,640	4,472	632,076	797,897	1,941,057	
March	3,138,266	6,113,051	6,461,223	2,790,095	28,079,592	796,335	26,236	2,640	4,474	718,431	806,520	1,941,078	
April	2,790,095	7,447,491	9,025,365	1,212,221	29,980,448	410,678	26,236	2,640	4,474	718,458	10,978,230	1,941,094	
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 (Reserve Accounts Only)

Investments as of December 31, 2010

Institution	Certificate ID	Purchase Dt	Maturity Dt	Principal	YTM	Broker
LAIF (Walker Fund)	20-14-002	02-Dec-10	01-Jan-11	\$318,775	0.46%	Northern Inyo Hospital
United States Treasury Note-MBS	912828JY7	08-Sep-10	31-Jan-11	\$2,005,920	0.12%	Multi-Bank Service
Santander Financial Issuances LTD	802813AE5	01-Mar-10	15-Feb-11	\$1,049,310	1.17%	Multi-Bank Service
United States Treasury Note-MBS	912828KE9	08-Sep-10	28-Feb-10	\$1,003,594	0.12%	Multi-Bank Service
United States Treasury Note-MBS	912828KE9	07-Sep-10	28-Feb-10	\$1,003,594	0.13%	Multi-Bank Service
Atlantic Richfield	048825AV5	11-Jun-10	01-Mar-11	\$105,400	1.57%	Multi-Bank Service
United States Treasury Note-MBS	912828KH2	07-Sep-10	31-Mar-10	\$2,007,820	0.18%	Multi-Bank Service
United States Treasury Note-MBS	912828KL3	07-Sep-10	30-Apr-10	\$2,008,840	0.19%	Multi-Bank Service
United States Treasury Note-MBS	912828KU3	03-Sep-10	31-May-10	\$2,009,860	0.21%	Multi-Bank Service
United States Treasury Note-MBS	912828LF5	03-Sep-10	30-Jun-10	\$2,014,900	0.22%	Multi-Bank Service
Total Short Term Investments				\$13,528,013		
United States Treasury Note-MBS	912828LG3	03-Sep-10	31-Jul-11	\$1,006,960	0.23%	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	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-10	19-Oct-11	\$250,000	2.00%	Financial Northeast Corp.
Credit Suisse 1st	22541LAB9	02-Feb-10	15-Nov-11	\$541,865	1.36%	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%	Financial Northeast Corp.
BP CAP MKTS	05565ABG2	16-Dec-10	10-Mar-12	\$2,570,950	0.81%	Financial Northeast Corp.
First Republic Bank-Div of BOFA	5L28639	20-May-10	20-May-13	\$150,000	2.40%	Financial Northeast Corp.
First Republic Bank-Div of BOFA	5L26838	20-May-10	20-May-15	\$100,000	3.10%	Financial Northeast Corp.
Total Long Term Investments				\$10,564,485		
Grand Total Investments				\$24,092,498		

Financial Indicators

	Target	Dec-10	Nov-10	Oct-10	Sep-10	Aug-10	Jul-10	Jun-10	May-10	Apr-10	Mar-10	Feb-10	Jan-10
Current Ratio	>1.5-2.0	5.39	4.23	5.43	5.34	5.17	5.00	5.88	4.84	4.95	4.34	5.42	5.65
Quick Ratio	>1.33-1.5	4.88	3.54	4.65	4.72	4.62	4.45	5.43	4.22	4.32	3.78	4.87	5.09
Days Cash on Hand	>75	267.12	284.37	241.31	272.45	303.29	277.51	335.40	233.51	230.21	217.46	322.93	293.20

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 2010	DIAGNOSTIC RADIOLOGY		MAMMOGRAPHY		NUCLEAR MEDICINE		ULTRASOUND		CT SCANNING		MRI		LABORATORY		EKG/EEG		PHYSICAL THERAPY		RESPIRATORY THERAPY		RURAL HEALTH CLINIC		TOTALS															
	08	09	10	08	09	10	08	09	10	08	09	10	08	09	10	08	09	10	08	09	10	08	09	10														
JANUARY	544	606	622	193	434	330	71	96	77	205	206	198	170	165	167	89	470	658	1809	1635	1619	1635	1619	103	120	96	335	363	352	10	10	17	1057	1457	1220	4586	5562	5386
FEBRUARY	593	477	542	193	182	313	63	51	51	205	195	201	217	153	147	85	435	456	1744	1643	1522	1744	1522	113	116	114	364	314	376	11	10	15	1150	1374	1254	4738	4950	4991
MARCH	529	581	567	311	261	321	133	1	99	223	201	206	233	152	170	403	472	440	1774	1904	1795	1774	1795	149	121	117	346	428	449	12	13	9	1211	1477	1404	5324	5611	5577
APRIL	697	600	786	199	378	289	183	68	57	196	198	262	264	161	161	453	483	148	1984	1824	1804	1984	1824	121	108	113	410	380	395	14	16	10	1318	1423	1384	5639	5639	5409
MAY	613	650	764	479	391	177	167	87	40	213	187	234	230	131	183	424	656	109	1758	1811	1622	1758	1811	137	103	93	349	354	456	9	12	19	1308	1373	1165	5687	5755	4862
JUNE	616	594	632	486	455	199	118	37	42	186	224	220	156	150	158	542	461	100	1752	1881	1707	1752	1881	123	120	104	314	388	401	19	19	14	1247	1387	1346	5559	5716	4923
JULY	604	610	732	477	444	205	71	84	45	196	210	253	157	179	179	443	505	111	1716	1805	1589	1716	1805	142	102	118	357	328	423	15	11	17	1190	1116	1123	5368	5394	4795
AUGUST	561	528	813	402	398	187	86	73	57	190	193	252	150	165	220	542	392	106	1647	1779	1648	1647	1779	145	103	111	325	386	442	11	12	17	1284	1071	1357	5353	5100	5210
SEPTEMBER	567	505	786	464	402	184	70	113	37	191	200	239	157	61	140	502	360	105	1822	1743	1728	1822	1743	131	116	106	322	363	375	13	11	37	1288	1209	1234	5527	5083	4971
OCTOBER	639	546	684	511	434	339	82	88	63	210	176	243	167	155	189	464	423	137	1793	1685	1586	1793	1685	118	112	104	367	413	521	15	12	14	1422	1287	1150	5788	5341	5030
NOVEMBER	541	562	526	398	381	213	62	37	39	168	177	201	161	159	143	378	415	107	1449	1651	1516	1449	1651	86	102	103	311	363	471	9	8	12	1249	1151	1100	4812	5006	4431
DECEMBER	597	602	719	411	377	229	60	86	30	196	199	236	137	173	170	447	399	125	1704	1653	1517	1704	1653	92	93	130	278	370	523	14	18	28	1311	1378	1289	4800	4950	4871
CALENDAR YEAR	7101	6861	8173	4524	4537	2986	1166	821	637	2379	2366	2735	2199	1804	2027	4772	6471	2602	20952	21014	19653	20952	21014	1460	1316	1309	4078	4450	5184	152	152	209	15045	15714	15036	63381	64107	60426
MONTHLY AVERAGES	592	572	681	377	378	249	97	68	53	198	197	228	183	150	169	398	456	217	1746	1751	1636	1746	1751	122	110	109	340	371	432	13	13	17	1254	1310	1253	5282	5342	5036

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

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2010
As of December 31, 2010

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 2008-09	Coagulation Analyzer	25,000
FY 2009-10	Platelet Function Analyzer	9,000
	Birch Street Probably Cleanup and Improvements	271,636 *
	PMA-IT Server Room Wiring Project	34,625
	MRI Upgrade	325,318 *
	Nexus VOIP Telephone System	958,776
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>1,624,355</u>
FY 2010-11	Back-Up Battery for CT	24,923 *
	McKesson Paragon Hospital Information System Capital Fees Only	2,687,694
	PenRad Mammography Software	20,000
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>2,732,617</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	1,027,401
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>2,732,617</u>
	Year-to-Date Board-Approved Amount to be Expended	2,707,694
	Year-to-Date Administrator-Approved Amount	135,407 *
	Actually Expended in Current Fiscal Year	<u>621,877 *</u>
	Year-to-Date Completed Building Project Expenditures	0 *
	TOTAL FUNDS APPROVED TO BE EXPENDED	<u><u>3,464,978</u></u>
	Total-to-Date Spent on Incomplete Board Approved Expenditures	590,388

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2010
As of December 31, 2010

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
Reconciling Totals:		
	Actually Capitalized in the Current Fiscal Year Total-to-Date	757,284
	Plus: Lease Payments from a Previous Period	0
	Less: Lease Payments Due in the Future	0
	Less: Funds Expended in a Previous Period	0
	Plus: Other Approved Expenditures	<u>2,707,694</u>
	ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	<u><u>3,464,978</u></u>
	Donations by Auxiliary	0
	Donations by Hospice of the Owens Valley	6,753
	+Tobacco Funds Used for Purchase	0
		<u>0</u>
		<u><u>6,753</u></u>

*Completed Purchase

(Note: The budgeted amount for capital expenditures for all priority requests for the fiscal year ending June 30, 2011, is \$515,769 coming from existing hospital funds.)

**Completed in prior fiscal year

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2010
As of December 31, 2010

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
MONTH ENDING NOVEMBER 2010			35,526	129,128
Twin Beam LED Daylight Headset Unit	SURGERY	2,093		
HEAT ON DEMAND ACTIVATOR	DIETARY	4,186		
MONTH ENDING DECEMBER 2010			6,279	135,407

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NORTHERN INYO HOSPITAL

SECURITY REPORT

11/29/10 THRU 12/31/10

FACILITY SECURITY

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

Construction site access was found unsecured on four occasions during this period.

Pioneer Medical Building was found unsecure fifteen times during this period.

Hospital vehicles were found unsecure on three instances.

On December 14th a motion alarm was activated in IT. The area was checked secure and the alarm reset without further incident.

HUMAN SECURITY

On November 29th an intoxicated Emergency Department patient decided not to receive treatment and left the Hospital. Due to the patient's state of intoxication, the Police Department was called. This person was subsequently taken into custody for Public Intoxication.

On November 30th an intoxicated Emergency Department patient was moderately uncooperative and passively aggressive. Security Staff stood by during treatment and upon discharge a family member took the patient home.

On December 1st, Security Staff was requested to stand-by with a suspected 5150 patient. Evaluation and treatment was without incidence.

On December 10th, EMS presented with an intoxicated patient that had been subsequently released from Police department custody. This subject was loud, profane and obnoxious. Security Staff stood by with this patient during treatment and until discharge.

On December 18th EMS presented an intoxicated patient to the Emergency Department. Security stood by during treatment.

On December 27th an ICU patient was suffering from DT's and became combative. Four way restraints were applied.

On December 29th a visiting family member became disruptive and was asked by Security Staff to leave the Campus. This person complied with the request.

On December 31st an intoxicated visitor refused to cooperate with the requests of Medical and Security Staff. The Police department was called and the problem was resolved by a family member who agreed to take this subject home.

Security Staff provided Law Enforcement assistance on eleven occasions during this period. Four of those instances were for Lab BAC's.

Security Staff provided 5150 stand-by on four occasions.

Security Staff provided patient assists on 18 occasions during this period.

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AGREEMENT FOR PURCHASE AND SALE

OF

PARTNERSHIP INTEREST IN

PIONEER MEDICAL ASSOCIATES

A California General Partnership

THIS AGREEMENT FOR PURCHASE AND SALE OF PARTNERSHIP INTEREST (hereinafter referred to as the "Agreement") is made and entered into as of this _____ day of February, 2011 by and between PATRICIA L. GARDNER, RPT (hereinafter referred to as "Seller"), and NORTHERN INYO COUNTY HOSPITAL DISTRICT, a local health care district existing pursuant to the laws of the state of California (hereinafter referred to as "Buyer"), with reference to the following:

WHEREAS, PIONEER MEDICAL ASSOCIATES is a general partnership organized and existing in accordance with the laws of the state of California (hereinafter referred to as the "Partnership") and which owns the real property located at 152 Pioneer Lane in Bishop, California, more specifically described as Parcel 1 of Parcel Map 209 recorded in Book 3, Pages 25-26 of Parcel Maps in the office of the Inyo County Recorder (APN 11-240-14A) (hereinafter referred to as the "Real Property"); and

WHEREAS, Seller is a general partner of the Partnership and owns an undivided 14.67% capital and profits interest in the Partnership (hereinafter referred to as the "Partnership Interest"); and

WHEREAS, Buyer is a Local Health Care District as defined in Section 32000 of the California Health and Safety Code and operates Northern Inyo Hospital in Bishop, California; and

WHEREAS, Seller desires to sell, transfer and assign her Partnership Interest to Buyer on the terms and conditions set forth in this Agreement; and

WHEREAS, Buyer desires to acquire and purchase from Seller the Partnership Interest pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the warranties, representations and covenants hereinafter set forth, and for such other good and value consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

1. **SALE OF PARTNERSHIP INTEREST.**

1.1 **Sale of Seller's Partnership Interest.**

On the terms and subject to the conditions of this Agreement, at the Closing, as hereinafter defined, Seller shall sell, transfer, assign, and deliver to Buyer and Buyer shall purchase from Seller, Seller's Partnership Interest, free and clear of any and all liens, claims, charges, encumbrances, security agreements, rights of first refusal, or any other rights of others or other adverse interests, and Buyer shall hereby purchase from Seller all of Seller's right, title and interest in the Partnership and the Real Property for the purchase price as set forth in Section 1.2 of this Agreement.

1.2 **Purchase Price.**

The purchase price (hereinafter referred to as the "Purchase Price") to be paid by Buyer for Seller's Partnership interest shall be the total sum of Three Hundred Thirty-Nine Thousand One Hundred Seventy Dollars (\$339,170.00). The Purchase Price shall be payable by Buyer to Seller at the Closing by cashier's check or certified funds.

1.3 **Escrow.**

Immediately after the execution of this Agreement, the parties shall cause an escrow to be opened with Inyo-Mono Title Company in Bishop, California which shall act as the escrow in connection with this transaction. The parties shall instruct escrow to insert the following material terms in the escrow's standard form escrow instructions:

1.3.1 **Title.** Title to the real property is vested in the Partnership. With respect to the interest of Seller in and to the Real Property, either directly or indirectly by virtue of Seller's Partnership Interest, title to Seller's Partnership Interest shall be delivered to Buyer free and clear of all liens, claims and encumbrances. In connection with the sale, Seller shall furnish to Buyer, at Seller's expense, a standard California Land Title Association (CLTA) policy to be issued by Inyo-Mono Title Company insuring the 14.67% interest in the Real Property owned by Seller through the Partnership. Buyer shall be provided with a Preliminary Title Report with respect to the Real Property and shall have until February 10, 2011 in which to disapprove any title exceptions disclosed in the Preliminary Title Report. Buyer shall provide to Seller written notice of any title exceptions disapproved by Buyer no later than February 10, 2011. In the event that Buyer does not provide written disapproval with respect to any title exceptions on or before such time, Buyer shall be deemed to have approved the Preliminary Title Report. In the event that Buyer disapproves any title exceptions set forth in the Preliminary Title Report, Seller shall have the right to terminate this Agreement in which case Buyer's deposit to be made pursuant to Section 1.3.3 of this Agreement shall be returned to Buyer less any escrow costs incurred prior to the termination of this Agreement. Buyer may, in Buyer's sole discretion, elect to procure an American Land Title Association (ALTA) policy in which case Buyer shall be responsible for the payment of any additional premium in excess of the premium that would have been charged for the CLTA policy described herein.

1.3.2 **Escrow Fees and Costs.** All escrow fees and costs incurred in connection with the transaction shall be borne equally by the parties. In the event any transfer taxes are assessed in connection with the sale of the Partnership Interest, Buyer shall pay such taxes.

1.3.3 **Deposit.** Escrow shall be deemed to be opened by the parties after the parties have signed and delivered escrow instructions to the escrow. Concurrently therewith, Buyer shall deposit the sum of Twenty Thousand Dollars (\$20,000.00) into escrow upon the opening of escrow to be applied towards the Purchase Price to be paid for Seller's Partnership Interest.

2. **THE CLOSING.**

2.1 The Closing of the transaction contemplated by this Agreement shall take place at 10:00 A.M. on February 28, 2011 (the "Closing Date") or at such other place, date and time as is mutually agreed upon by Buyer and Seller.

2.2 At the Closing:

2.2.1 Seller shall deliver to Buyer:

(i) Any and all instruments and documents, required to transfer Seller's Partnership Interest to Buyer as mutually agreed upon by the parties including, but not limited to, an Assignment in the form attached hereto as Exhibit "A" and incorporated herein by reference pursuant to which Seller assigns to Buyer all of her right, title and interest in the Partnership;

(ii) A fully executed copy of this Agreement with Exhibits attached; and

(iii) An executed Statement of Disassociation whereby Seller withdraws as a general partner of the Partnership and disassociates herself from the Partnership effective as of the Closing Date. in the form attached hereto as Exhibit "B" and incorporated herein by reference.

2.2.2 Buyer shall deliver to Seller:

(i) A cashiers check or certified funds made payable to Seller in the amount of Three Hundred Thirty-Nine Thousand One Hundred Seventy Dollars (\$339,170.00);

(ii) A fully executed copy of this Agreement with exhibits attached; and

2.3 Seller and Buyer shall take any and all other actions and do any and all other things necessary, appropriate, and consistent with the terms of this Agreement to consummate the transaction contemplated herein.

3. **COVENANTS AND AGREEMENTS OF SELLER.**

3.1 **Seller's Ownership of Partnership Interest being Transferred.**

Seller makes the following representations and warranties, each of which is material and is being relied upon by Buyer:

3.1.1 Seller owns on the date hereof, and will continue to own until the Closing, both beneficially and of record, and has the right to transfer to Buyer hereunder, the Partnership Interest being transferred herein, free and clear of all liens, charges, encumbrances, security agreements or any other rights of others or other adverse interests of any nature whatsoever.

3.1.2 Seller has not previously assigned, sold or otherwise transferred all or any part of the Partnership Interest being transferred herein to any party.

3.1.3 Except as provided in this Agreement, no consents or waivers of or by any third party or any court are necessary to permit the consummation by Seller of the transaction contemplated pursuant to this Agreement.

3.1.4 There are no pending actions, suits, claims or proceedings at law or in equity or otherwise, adversely affecting Seller's interest in the Partnership.

3.2 **Seller's Power and Authority.**

Seller has the requisite power and authority to enter into this Agreement and execute all necessary documents to consummate this transaction including, but not limited to, the Assignment of Seller's Partnership Interest to Buyer. This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, or similar laws of general application affecting the rights of creditors and by the application of general equity principles.

3.3 **Representation and Warranties on Closing Date.**

All the representations and warranties of Seller set forth in this Agreement and in any exhibit or document delivered pursuant hereto shall be true and correct as of the Closing Date and as though made at and as of the Closing Date.

3.4 **No Violation.**

This Agreement and the transfer of the Partnership Interest by Seller to Buyer shall not result in any violation of or conflict with, or constitute a default under any contract, agreement, arrangement or commitment, written or oral, absolute or contingent, applicable to Seller and no consent, approval, authorization of or designation, declaration or filing with any governmental authority on the part of Seller is required in connection with this Agreement and the valid sale and transfer of the Partnership Interest except for the consent of the Partnership.

3.5 **No Brokers.**

No act of Seller has given or will give rise to any claim against either of the parties hereto for a brokerage commission, finder's fee or other like payment in connection with the transactions contemplated herein.

4. **COVENANTS AND AGREEMENTS OF BUYER.**

4.1 **Buyer's Power and Authority.**

Buyer has all requisite power and authority to enter into, perform and carry out this Agreement and the transaction contemplated hereby. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer and is enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, or similar laws of general application affecting the rights of creditors and by the application of general principles of equity.

4.2 **No Violation.**

This Agreement and the transfer of the Partnership Interest from Buyer to Seller shall not result in any violation of or conflict with, or constitute a default under any contract, agreement, arrangement or commitment, written or oral, absolute or contingent, applicable to Buyer and no consent, approval, authorization of or designation, declaration or filing with any governmental authority on the part of Buyer is required in connection with this Agreement and the valid purchase of the Partnership Interest by Buyer.

4.3 **Acknowledgment of Receipt of Financial Information.**

Buyer acknowledges that it has had the opportunity to review either personally, or through its accountant or professional advisors, all books and records of the Partnership including, but not limited to, all financial information up to and including the Closing Date.

4.4 **Representation and Warranties on Closing Date.**

All the representations and warranties of Buyer set forth in this Agreement and in any exhibit or document delivered pursuant hereto shall be true and correct as of the Closing Date and as though made at and as of the Closing Date.

4.5 **No Brokers.**

No act of Buyer has given or will give rise to any claim against either of the parties hereto for a brokerage commission, finder's fee or other like payment in connection with the transactions contemplated herein.

5. **INDEMNIFICATION AND HOLD HARMLESS.**

5.1 **Indemnification and Hold Harmless of Buyer.**

Seller shall indemnify, defend, and hold Buyer, and Buyer's successors and assigns harmless against any and all loss, claim, damage, liability, cost or expense (including attorneys' fees) (collectively "Liabilities") suffered by Buyer in connection with (i) any breach by Seller of this Agreement, (ii) any material inaccuracy or misrepresentation in or breach of any of the warranties, representations, covenants, or agreements made by Seller herein, or (iii) any claims arising out of the ownership, occupancy or possession of the Real Property by Seller occurring prior to the Closing Date.

5.2 **Indemnification and Hold Harmless of Seller.**

Buyer shall indemnify, defend, and hold Seller and Seller's heirs, successors and assigns harmless against any and all loss, claim, damage, liability, cost or expense suffered by Seller in connection with (i) any breach by Buyer of this Agreement, (ii) any material inaccuracy or misrepresentation in or breach of any of the warranties, representations, covenants, or agreements made by Buyer herein, or (iii) any claim arising out of the ownership, occupancy or possession of the Real Property or the Partnership Interest incurred after the Closing Date.

5.3 **Survival of Warranties.**

The indemnities, warranties, representations, covenants, and agreements made by Seller and Buyer in this Agreement (including those made in the Exhibits) shall survive the Closing.

6. **DISASSOCIATION.**

6.1 **Effective Date of Disassociation.**

Seller and Buyer agree that Seller shall disassociate herself from the Partnership effective as of the Closing Date after which date Seller shall:

6.1.1 Have no authority to enter into any obligation on behalf of the Partnership;

6.1.2 Have no right to participate in the management and conduct of the Partnership's business; and

6.1.3 Be relieved of the duty of loyalty and care to the Partnership and the Partners therein with respect to any matter arising after its disassociation.

6.2 Statement of Disassociation.

Seller shall prepare a Statement of Disassociation in the form attached hereto as Exhibit "B" and incorporated herein by reference that the Seller is disassociated from the Partnership on the disassociation date and shall thereafter file a statement in the office of the Secretary of State. Immediately after the filing of the Statement of Disassociation, Seller shall provide a copy of the Statement of the Disassociation certified by the Secretary of State to Buyer.

7. PARTNERSHIP LIABILITIES.

Buyer shall be solely responsible for all liabilities associated with the Partnership incurred after the Closing Date. Buyer shall assume, pay, hold harmless and indemnify Seller and Seller's heirs, successors and assigns in connection with any and all liabilities associated with the Partnership thereafter. In the event that any claim or liability is asserted against the Seller in connection with the Partnership or the Partnership Interest which is incurred after the Closing Date, Buyer shall defend and indemnify the Seller in connection with such claims or liabilities including the payment of attorney's fees and costs incurred in connection therewith.

8. CONDITION PRECEDENT TO CLOSING.

The Closing of this transaction is conditioned upon the following approval:

8.1 Seller and Buyer shall obtain the written approval and consent of the general partners of the Partnership to the transfer of the Partnership Interest and Buyer shall, in its sole and absolute discretion, have approved the form of the governing documents of the Partnership.

9. POST CLOSING AGREEMENTS.

Seller covenants and agrees that if at any time after the Closing Date, Buyer shall consider or be advised that any further assignments or assurances in law or any other things necessary or desirable to vest, perfect, or confirm, of record or otherwise, in Buyer the ownership of the Partnership Interest, Seller shall execute and deliver all such proper deeds, assignments and assurances in law and do all things necessary and proper to vest, perfect, or

confirm title to the Partnership Interest in Buyer, and otherwise to carry out the purposes of this Agreement.

10. **ATTORNEY'S FEES AND COSTS.**

Each party hereto shall bear their respective attorneys' fees and costs incurred in connection with this transaction.

11. **MISCELLANEOUS.**

11.1. **Governing Law, Venue.**

This Agreement shall be governed by and interpreted in accordance with the laws of the State of California. Venue in connection with any legal action arising out of this Agreement shall be Inyo County, California.

11.2 **Effective Waiver.**

The failure of either party to insist on strict compliance with any of the terms, covenants or conditions of this Agreement by the other party shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power, at any time, be deemed a waiver or relinquishment of that right or power for all or any other times.

11.3 **Remedies.**

Enforcement of any provision of this Agreement shall be by proceedings at law or in equity against any persons or entities violating or attempting to violate any promise, covenant or condition contained herein, either to restrain violation, compel action and/or to recover damages.

11.4 **Remedies Cumulative.**

Any and all remedies provided by this Agreement, operation of law, or otherwise, shall be deemed to be cumulative and the choice or implementation of any particular remedy shall not be deemed to be an election of remedies to the mutual exclusion of any other remedy provided for herein, by operation of law or otherwise.

11.5 **Joint Preparation.**

This Agreement shall be deemed to be jointly prepared by all parties hereto. In connection therewith, the provisions of Civil Code Section 1654 shall not be deemed applicable in the event of any subsequent interpretation of this Agreement.

11.6 **Execution of Documents.**

Each party shall execute all documents reasonably necessary to carry out the terms and provisions of this Agreement, including any items that might arise or occur subsequent to the Closing.

11.7 **Tax Advice.**

Each party has been advised to seek the advice of a tax attorney or their certified public accountant with regard to the tax consequences relating to this transaction.

11.8 **Representation by Legal Counsel.**

Seller has been represented by Norman B. Schmeltzer, III of O'Connor, Schmeltzer & O'Connor, A Law Corporation, with regard to this transaction. Buyer has been represented by Douglas Buchanan, Attorney at Law, with regard to this transaction. All parties acknowledge that they are entering into this Agreement freely and of their own free will without any coercion.

11.9 **Executed in Counterparts.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. In addition, this Agreement may contain more than one counterpart of the signature page and may be executed by the affixing of the signatures of each of the parties to any one of such counterpart signature pages; all of such counterpart signature pages shall read as though one and they shall have the same force and effect as though all of the signers had signed a singular signature page.

11.10 **Severability.**

The provisions of this Agreement are intended to be interpreted and construed in a manner so as to make such provisions valid, binding, and enforceable. In the event that any provision of this Agreement is determined to be partially or wholly invalid, illegal, or unenforceable, then such provision shall be deemed to be modified or restricted to the extent necessary to make such provision valid, binding, and enforceable. If a provision cannot be made valid, binding, and enforceable, then such provision shall be deemed to be excised from this Agreement and the validity, binding effect, and enforceability of the remaining provisions of this Agreement shall not be affected or impaired in any manner.

11.11 **Notices.**

All notices, requests, demands, and other communications made under this Agreement shall be in writing and delivered in person or sent by certified mail with postage prepaid and properly addressed as follows:

If to Seller: Patricia L. Gardner, RPT
786 Grove Street
Bishop, California 93514

With a Copy to: Norman B. Schmeltzer, III, Esq.
O'CONNOR, SCHMELTZER & O'CONNOR
A Law Corporation
8001 Irvine Center Drive, Suite 1550
Irvine, California 92618

If to Buyer: Northern Inyo Local Hospital District
150 Pioneer Lane
Bishop, California 93514

With a Copy to: Douglas Buchanan
Attorney at Law
363 Academy Avenue
Bishop, California 93514

All notices and other communications under this Agreement which are addressed as provided herein, if delivered personally, shall be effective upon delivery and if delivered by mail, shall be effective three (3) days after being deposited in the United States Mail. Any party may from time to time change its address for the purposes of notices to the party by a similar notice specifying a new address but no such changes shall be deemed to have been given until it is actually received by the party sought to be charged with its contents.

11.12 **Binding on Heirs.**

Each term and provision of this Agreement shall be binding upon and enforceable against and inure to the benefit of any successors or assigns of Buyer and any successors or assigns of Seller.

11.13 **Assignment.**

Buyer shall have the right to assign all of her rights under this Agreement including, but not limited to, the right to purchase the Partnership Interest from the Seller in accordance with the terms and conditions set forth therein. Notwithstanding such assignment, Buyer shall remain personally obligated to perform all obligations under the Agreement and payment of the Purchase Price as set forth in Section 1.2 of this Agreement.

11.14 **Entire Agreement.**

This Agreement (including the exhibits hereto) constitutes the complete Agreement of the parties and terminates and supersedes any and all prior agreements, arrangements and understandings, oral or written, between the parties concerning the subject matter of this Agreement. No waiver or amendment shall be effective unless and until made in

writing and signed by the party intending to be bound thereby. No waiver, forbearance, or failure by any party of its right to enforce any provision of this Agreement shall constitute a waiver or estoppel of such party's right to enforce any other provisions of this Agreement or a continuing waiver by such party of compliance with any provision.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written.

“SELLER”

By: _____
PATRICIA L. GARDNER, RPT

“BUYER”

**NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT**

By: _____

Its: _____

SPOUSAL CONSENT

I acknowledge that I have read the foregoing Agreement and that I know its contents. I am aware that by its provisions my spouse has agreed to transfer her Partnership Interest in Pioneer Medical Associates, A California General Partnership to Northern Inyo County Hospital District. To the extent that I may have an interest in Pioneer Medical Associates A California General Partnership, I hereby consent to the transfer, approve of the provisions of this Agreement, and agree that my interest in Pioneer Medical Associates, A California General Partnership, is subject to the provisions of the Agreement and that I will take no action at any time to hinder operation of this Agreement on the Partnership Interest being transferred or my interest in it.

I have read the Agreement and signed the consent voluntarily and of my own free will after having had the opportunity to seek legal advice.

Dated: February _____, 2011

THEODORE M. GARDNER

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NORTHERN INYO HOSPITAL

Northern Inyo County Local Hospital District

Language Services 2011 Annual Report

I. Patient's Primary Language

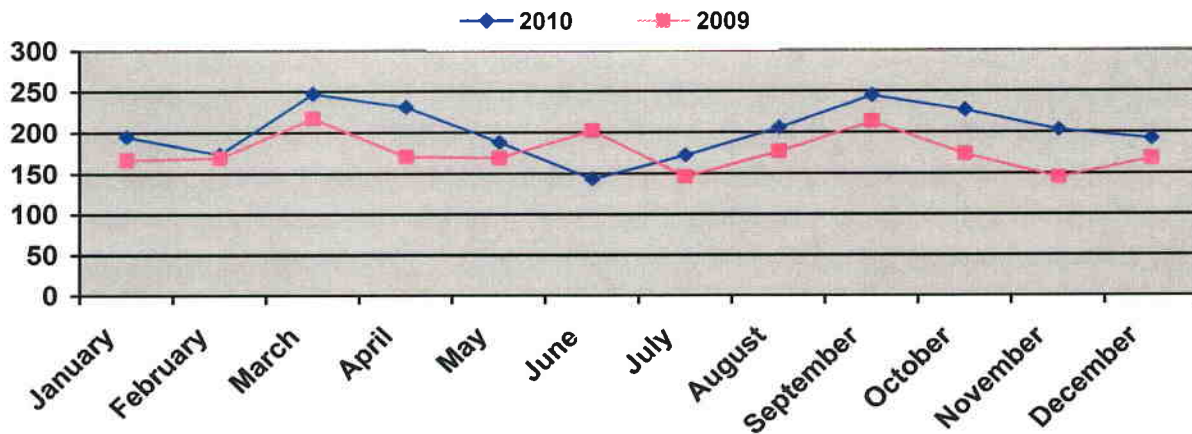
Northern Inyo Hospital discharged 59,953 patients in 2010¹. Patients speaking a language not listed in NIH's Affinity System were entered as none, other, or unknown language.

	Language	# Patients
1	American Sign	33
2	Arabic	6
3	English	57,410
4	German	4
5	Hindustani	13
6	Korean	6
7	None	45
8	Other	46
9	Spanish	2365
10	Thai	4
11	Unknown	11
12	Vietnamese	10
Total		59,953

II. NIH Interpreter Services

In 2010, NIH's interpreters provided 2422 interpreting sessions in Spanish, this represents an average of 202 sessions per month, and 301 sessions more than in 2009 or a 14.2% annual increase.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
195	173	247	231	188	143	172	206	245	227	203	192	2422



¹ Based on NIH's Affinity System



NORTHERN INYO HOSPITAL

Northern Inyo County Local Hospital District

Language Services 2011 Annual Report

III. Language Line Services

The table to the right includes a list of all languages needed when Language Line's over-the-phone interpreting services were utilized during 2010. Compared with 2009, in 2010 the number of calls decreased by 1% but the total minutes used increased by 4.1%.

Language Line Services 2010			
	Language	Calls	Minutes
1	Arabic	2	30
2	Bosnian	1	3
3	Dutch	7	89
4	French	4	91
5	German	13	176
6	Hindi	1	2
7	Italian	2	94
8	Korean	1	5
9	Punjabi	3	27
10	Spanish	252	2506
11	Taiwanese	1	10
12	Thai	2	13
13	Vietnamese	8	148
Total		297	3194

IV. Video Interpreting

Northern Inyo Hospital signed a six-month trial period with the Health Care Interpreter Network (HCIN) in July of 2009, five months later we deployed two video interpreting units, and in August of 2010 we entered into a 36 month Service Agreement. Through HCIN we are able

HCIN 2010			
	Language	Calls	Minutes
1	Armenian	1	1
2	American Sign	12	176
3	Korean	4	75
4	Russian	2	4
5	Spanish	42	557
6	Vietnamese	8	63
Total		69	876

to provide video interpreting services for American Sign Language and any other spoken language.

V. Translations

During 2010, 38 translations were completed.



VI. Highlights

- A. Six employees completed the training required for the dual-role interpreter designation.
- B. NIH is represented at community organizations like LA CAUSA (Hispanic voices for community improvement), and supports the organization's outreach efforts and events. With the participation of health care providers from NIH's Rural Health Clinic, among others, the "Teen Pregnancy Prevention Forum" held last September was a success.
- C. The California Healthcare Interpreting Association presented its highest recognition: Interpreter of the Year 2010 to José García.

VII. 2011 Goals

- 1. Provide a continuing education course for dual-role interpreters and bilingual employees to help them improve their language skills in Spanish.
- 2. Develop an on-line (NIH's Intranet) resource to provide all NIH employees access to all translated documents, facilitating the use of forms throughout different departments.
- 3. Create a scheduling calendar in NIH's new Health Information System, where a request for interpreting services may be entered at the time an appointment is made.

Sincerely

José García, Language Services Manager

Wednesday, February 16, 2011

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February 3, 2011

Jillene Fries, Director of Pharmacy
Leon Fries, Chief Compliance Officer
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Dear Jillene and Leo,

I'm pleased to provide you with this proposal for our 340B technology solutions. Sentry's solutions were engineered from the ground up to provide you unparalleled compliance, operational and financial support. They have been market proven across the country and have saved other similar entities millions of dollars to date.

This proposal includes products that will result in additional savings and revenue generation opportunities:

Sentrex™

Sentrex™ is an advanced pharmacy claims processing infrastructure built to manage multiple contract pharmacy relationships, track multiple drug accounts, pricing programs, and compliance challenges effortlessly using real time processing capabilities and internally developed rules engines. Point-of-sale eligibility, inventory reconciliation, financial reconciliation, compliance auditing, and detailed reporting are all features that Sentrex™ customers enjoy. Sentrex will provide point of sale determination of prescription eligibility for multiple drug discount programs including 340B and Own Use.

In addition to these services, our Referral Verification Service™ is also proposed, though a separate fee applies. This service extends the population of eligible transactions for the 340B discounts by identifying, confirming, and documenting valid physician referral activity. This service is provided on a transaction basis per adjudicated claim related to a documented referral. This is an additional fee since it requires the usage of our call center to physically confirm and document physician referrals so as to extend 340B eligibility to these prescription transactions.

Technical Implementation and Installation

Our products require a 120 day standard implementation process, and the pricing and timeframe are contingent on your entity accepting assistance from our installers who are provided at no additional cost and can keep the installation on track and on schedule. Sentry also provides support in the establishment of the contract pharmacy relationships needed under the Sentrex program.

Pricing, Payments and Terms of Services

The standard term of our services agreements is (4) four years. Pricing quoted is based on annual payment terms for the subscription fees and twice monthly payment of the transaction fees under Sentrex.

Next Steps

I am confident that our solutions will deliver significant financial, operational, and compliance benefits to Northern Inyo Hospital. Additionally, we have worked hard to craft the most economical solution and fee structure for you. If these terms are acceptable, please sign and return this proposal as indicated below.

We ask that you fax this proposal with your signature indicating your acceptance of the business terms and functionality of this proposal to 866-221-4337 attention Andrea Iturrizaga, our Sales Administrator Coordinator.



By returning the signed proposal, we will know to produce and deliver draft agreements incorporating the terms of this proposal. The pricing contained in the proposal is valid until March 31st, 2011.

If you have any questions or comments regarding this document, please don't hesitate to call me at (800) 411-4566 extension 2484 or 954-675-0520.

Sincerely,

A handwritten signature in blue ink, appearing to read "W. T. Sander", with a stylized flourish at the end.

William T. Sander, Pharm.D.
Vice President
Sentry Data Systems, Inc.



**Northern Inyo Hospital
Fee Schedule – Sentinel RCM and Sentrex**

Implementation Fees			
<u>Product</u>	Qty		Fee
Sentrex	1	X	\$30,000
Total Installation Cost			\$30,000

Annual Fee Calculation			
<u>Product</u>	Qty		Fee
Sentrex Contract Pharmacy Maintenance Pharmacy One	1	X	\$30,000
Total Annual Fees:			\$30,000

Transaction Fees	
<u>Product</u>	Fee
Sentrex –	
Sentrex - Brand Rx	\$7.00
Sentrex - Generic Rx	\$3.00
Sentrex - Referral Verification	\$2.50
Sentrex - Non- 340B Transaction	\$0.25

**The proposed fees are based on Sentry's standard terms and conditions.

Signature of Acceptance _____ Date: _____

Print Name _____ Title: _____

Northern Inyo Hospital

PROJECTED REVENUE CALCULATION

RX Volume

	Discharge	Outpatient	Total
Annual Discharges / OP Visits	975	30,580	31,555
Less Non Rx Visits	0	0	0
Net Annual Encounters	975	30,580	31,555
Less Medicaid	(254)	(6,021)	(6,275)
Net Annual <u>Eligible</u> Encounters	721	24,559	25,280
Rx per Encounter	3	1	
Refill per RX	1 3	2	
Total Annual Rx per Encounter	6	3	
Total Annual <u>Eligible</u> Scripts	4,326	73,676	78,002
Capture Rate	40%		31,201
Revenue per Prescription	\$63.96	\$63.96	\$63.96
Cost of Goods per Prescription	(28.79)	(28.79)	(28.79)
Dispensing Fee to Contract Pharmacy**	(15.00)	(15.00)	(15.00)
Net Revenue Per Script	\$20.17	\$20.17	\$20.17
Total Revenue	\$110,676	\$1,884,937	\$1,995,613
Cost of Goods per Prescription	(\$49,818)	(\$848,457)	(\$898,276)
Dispensing Fee to Contract Pharmacy**	(25,956)	(442,058)	(468,014)
Net Revenue	\$34,902	\$594,421	\$629,323



Northern Inyo Hospital

<u>Program Revenue</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Contract Pharmacy - Sentrex	\$ 629,323	\$ 629,323	\$ 629,323	\$ 1,887,970
Total Cost Savings/ Revenue	\$ 629,323	\$ 629,323	\$ 629,323	\$ 1,887,970

<u>Program Expenses</u>	<u>Implementation</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Sentrex Base Fee - Pharmacy One	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 90,000
Sentrex -Transaction Fee's - Volume based		\$ 140,404	\$ 140,404	\$ 140,404	\$ 421,213
Total Program Fee's	\$ 30,000	\$ 170,404	\$ 170,404	\$ 170,404	\$ 511,213
Total projected net Savings		\$ 458,919	\$ 458,919	\$ 458,919	\$ 1,376,757

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Upgrade to NIH Data Storage

Objective:

- To meet the demands of Paragon, the performance and capacity of our existing data storage will be upgraded.

Request:

- NIH IT requests authorization from the Board Of Directors to purchase the necessary upgrades for our storage systems, understanding our budget will not exceed \$190K.

Costs:

- Final configuration is not complete and final quotes have not been received.
 - 140K – Storage controllers and disks.
 - 42K – High-speed switching network
 - 8K – Cables and components.

Questions:

- Why upgrade?
 - Storage and performance needs will increase with the implementation of Paragon, especially while we are still supporting old systems.
- Why was the storage budget not included in the Paragon contract?
 - Technical details of storage requirements were still being worked out at contract time.
 - Keep the project on track to make sure we qualified for maximum ARRA stimulus funding.

END