



**Northern Inyo County Local Hospital District**

**Board of Directors Regular Meeting**

**Wednesday July 21, 2010; 5:30pm**

*Board Room  
Northern Inyo Hospital*

***DRAFT AGENDA***  
**NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT  
BOARD OF DIRECTORS MEETING**  
**July 21, 2010 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 June 16 2010 regular meeting.
4. Financial and Statistical Reports for the month of May 2010; John Halfen.
6. Administrator's Report; John Halfen.
  - A. Building Update (cash flow)                      C. Other
  - B. Security Report
7. Chief of Staff Report; Charlotte Helvie, M.D.
  - A. Request for Purchase of Dedicated Email and Document Server for Medical Staff, with Service Agreement between NIH and NIH Medical Staff (*action item*).
  - B. Staff Resignation, John J. Perry, M.D. (*action item*).
  - C. Other
8. Old Business
  - A. Milliman Actuarial Valuation as of January 1, 2010 (*action item*).
9. New Business
  - A. High Sierra Ultra marathon report (*Marie Boyd*).
  - B. Charity Care issue regarding Undocumented Persons (*possible action item*).
  - C. Election of District Board Treasurer (*action item*).
10. Reports from Board members on items of interest.
11. Opportunity for members of the public to comment on any items on this Agenda, and/or on any Items of interest.
12. 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 Manahan-Johnson against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
- 13. Return to open session, and report of any action taken in closed session.
- 14. Opportunity for members of the public to address the Board of Directors on items of interest.
- 15. 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  
    D. Scott Clark, M.D., Director  
    Charlotte Helvie, M.D., Chief of Staff
- ALSO PRESENT                    John Halfen, Administrator  
    Douglas Buchanan, Esq., Hospital District Legal Counsel  
    Sandy Blumberg, Administration Secretary
- ABSENT                              M.C. Hubbard, Secretary
- ALSO PRESENT FOR  
RELEVANT PORTION(S)         Dianne Shirley, R.N. Performance Improvement Coordinator
- PUBLIC COMMENTS  
ON AGENDA                        Mr. Watercott asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting. No comments were heard.
- INTERVIEWS,  
DISTRICT ZONE II  
BOARD VACANCY                 Mr. Watercott announced at this time the Board would conduct interviews to fill the Board vacancy for District Zone II, which was previously represented by Michael Phillips, M.D.. He noted that three interested persons were present to be interviewed for the position, and that each candidate would be an excellent choice for the job. The Board asked several questions of each candidate, then following a vote it was announced that Ms. Denise Hayden would fill the Zone II vacancy until the November 2 2010 general election. The Board again expressed their feeling that all three candidates would have made excellent Directors, and Mr. Watercott thanked each of them for their interest in the Hospital District. Ms. Hayden was then sworn into office and took her seat with the other members of the District Board for the remainder of the meeting.
- MINUTES                            The minutes of the May 19 2010 regular meeting were approved.
- FINANCIAL AND  
STATISTICAL REPORTS         Mr. Halfen called attention to the financial and statistical reports for the month of April 2010. He noted the statement of operations shows a bottom line excess of revenues over expenses of \$669,228. Mr. Halfen additionally called attention to the following:
- *Inpatient service revenue was under budget, however outpatient service revenue was over budget*
  - *Total expenses were over budget*
  - *Salaries and wages expense was over budget and employee benefits expense was under budget*
  - *Professional fees expense was over budget*
  - *The Balance Sheet showed no significant change*

*-Year-to-date net revenue totals \$2,560,271*

Mr. Halfen noted short term investments are lower than the previous fiscal year and assets continue to be moved in order to help provide funding for the hospital rebuild project. Total net assets are up \$3,000,000 from the prior fiscal year, and accounts receivable are currently running at 53 days. Mr. Halfen additionally noted the hospital has experienced a couple of low revenue months, yet payments received from Medicare have helped to make the hospital's bottom line profitable. It was moved by D. Scott Clark, M.D. seconded by John Ungersma, M.D. and passed to approve the financial and statistical reports for the month of April 2010 as presented.

#### ADMINISTRATOR'S REPORT

#### BUILDING UPDATE

Mr. Halfen provided a cash flow update for the hospital rebuild project which showed costs remaining and expected sources of funding to cover those costs. He stated his feeling that funding for the project remains sound, however he additionally stated that cash expenditures not associated with the project will have to be watched carefully. He also noted it is probably a good idea for the District to obtain a working capital line of credit that can be used in the event that additional money is needed as the building project progresses. Mr. Halfen also stated that Turner Logistics has saved the hospital 1.5 million on equipment purchase costs, and that some variances to current projections are likely to occur. He also mentioned that the cost of the hospital's new voice grade communications system will be discussed later on this agenda.

John Hawes with Turner Construction Company reported the under-slab for sewer services for the new building is being installed now, and the first floor slab will be laid immediately following that installation. The second floor deck is also being worked on and the decontamination tank has been installed. RBB Architects continue to work through peer review comments and they have already dealt with the most difficult challenges resulting from the architect transition.

#### SECURITY REPORT

Mr. Halfen called attention to the monthly Security report, which revealed no significant security issues.

#### PHYSICIAN RECRUITING PARAMETERS

Mr. Halfen stated it is his recommendation that a couple of changes be made to Northern Inyo Hospital's (NIH's) physician recruiting parameters. He requested Board approval to offer incoming physicians a \$25,000 signing bonus provided they do not come to the hospital through a physician recruiter. He additionally requested that the amount of relocation expense agreements offered to incoming physicians be raised from \$16,000 to \$24,000, noting that an increase to that amount has not been made for the last ten years. Following discussion and upon the recommendation of District Legal Counsel Mr. Watercott reported the Board had determined it is in the best interest of the public communities

served by the Northern Inyo County Local Hospital District to obtain qualified physicians to serve the residents of the community. In light of this finding he asked for a motion to approve the changes to the physician recruiting parameters as requested, and it was moved by Doctor Ungersma, seconded by Doctor Clark, and passed to approve increasing the physician relocation expense agreement amount from \$16,000 to \$24,000; and to allow a \$25,000 signing bonus to physicians obtained without the use of a physician recruiter.

MEDI-CAL APPEAL

Mr. Halfen reported following receipt of the cost report settlement for fiscal year 2003-2004 the hospital filed an appeal to obtain improved MediCal reimbursement for c-section and c-section call provided during that year. Administration recently received notification that the appeal was successful and the hospital will receive a \$40,000 per year settlement for a period of 6 years.

CHIEF OF STAFF  
REPORT

Chief of Staff Charlotte Helvie, M.D. reported following careful review and consideration the Medical Staff Executive Committee recommends approval of the following hospital-wide policies and procedures:

POLICIES AND  
PROCEDURES

1. *NIH 2010 Surge Plan*
2. *Multidrug Resistant Organism (MDRO) Control Plan*
3. *Respiratory Care Infection Control General Policies*
4. *Respiratory Care – Infection Control; Personal protection*

Following review of the proposed policies it was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to approve all four policies and procedures as recommended.

STAFF ADVANCEMENT

Doctor Helvie also reported the Medical Executive Committee recommends the advancement of Thomas J. Boo, M.D. from Provisional Medical Staff to Active Medical Staff. It was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to approve the Medical Staff advancement of Thomas J. Boo M.D. from Provisional to Active Medical Staff as requested.

MEDICAL STAFF  
ELECTION RESULTS

Doctor Helvie additionally reported that as a result of the recently held Medical Staff election the following are the Medical Staff officers for the upcoming fiscal year: Chief of Staff Helena Black, M.D.; Vice Chief of Staff Robbin Cromer-Tyler, M.D.; Member at Large Thomas J. Boo, M.D.. Mr. Watercott thanked Doctor Helvie for her service as Chief of Staff and the Board expressed its appreciation of the fine job she has done on behalf of the Hospital and the Medical Staff.

PERFORMANCE  
IMPROVEMENT PLAN

Doctor Helvie also called attention to a proposed hospital-wide Performance Improvement Plan which is intended to help ensure quality patient care and patient services at NIH, and to help meet requirements established by the Joint Commission and other outside regulatory agencies. Following review of the plan it was moved by Doctor Clark,

seconded by Doctor Ungersma, and passed to approve the hospital-wide Performance Improvement Plan as requested.

OLD BUSINESS

There was no Old Business scheduled for discussion at this meeting.

NEW BUSINESS

WE CARE!  
COMMUNITY  
OUTREACH PROGRAM

Pharmacy Director Jillene Freis called attention to a proposal to establish a community outreach program for area residents that will be known as the *We Care! Early Breast Cancer Detection Program*. The program represents a collaboration between Northern Inyo Hospital (NIH) and the Eastern Sierra Breast Cancer Association (ESBCA), and is intended to provide financial support for screening and diagnostic mammograms for local residents. The mission of the *We Care! Early Breast Cancer Detection Program* is to reduce breast cancer mortality rates in our community and encourage screenings as recommended by the American Cancer Society. Ms. Freis reported the ESBCA has pledged \$10,000 as start up funding for the program, and the Hospital District is being asked to cover the cost of baseline and annual screenings, diagnostic mammograms, radiology studies, and biopsies as needed. A question was asked regarding whether not services would be provided only for District residents, or if they would be available to all residents of Inyo County. Discussion followed and the possibility of involving Mono County and Inyo County Health and Human Services in the collaboration was suggested. The Board and Hospital staff present felt it is important to do everything possible not to exclude any area residents in need of services. Acknowledging the urgent need for this type of program especially in light of recent governmental cutbacks, it was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to approve establishing the *We Care! Early Breast Cancer Detection Program* to serve Northern Inyo County Local Hospital District (NICLHD) residents, with possible future expansion to serve an increased number of area residents. Mr. Watercott also acknowledged ESBCA President and founder Pat Ramirez, R.N. for her ten years of dedicated service to the ESBCA.

BOARD RESOLUTION  
10-01

Mr. Watercott called attention to proposed Board Resolution 10-01 which would consolidate the November Hospital District Election with the November General Election. It was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to approve Board Resolution 10-01 as requested.

APPROPRIATIONS  
LIMIT

Mr. Watercott also called attention to proposed Board Resolution 10-2 which establishes the annual appropriations limit for fiscal year July 1 2010 to June 30 2011. Following review of the information provided it was moved by Doctor Ungersma, seconded by Doctor Clark, and passed to approve Board Resolution 10-2 as presented.



MILLIMAN  
ACTUARIAL  
VALUATION

Mr. Halfen stated NIH's pension plan Actuarial Valuation as of January 1 2010 will be discussed at the next regular meeting of the District Board.

MRI UPGRADE

Radiology Director Patty Dickson called attention to a proposed MRI upgrade for a total cost of \$299,320.00. She noted the equipment presently in use at NIH is seven years old and significant improvements to technology have been made in recent years. The proposed upgrade would improve test processing time by 350%, and would significantly improve the image resolution and quality of numerous patient scans. Dr. Clark noted back studies produced by NIH's current machine are substandard, and it is his opinion that the purchase is in the best interest of the healthcare of Hospital patients. Following discussion it was moved by Doctor Ungersma, seconded by Doctor Clark, and passed to approve the MRI software upgrade as requested.

VOICE GRADE  
COMMUNICATIONS  
NETWORK

Mr. Halfen called attention to a proposal to purchase a new voice grade communications network for the Hospital at a total cost of \$958,766. The proposed network includes all of the communication systems within the hospital including the phone system; overhead paging; infant security; patient TV's; emergency radio system; wireless access points; computers and printers; and server room equipment. The proposed purchase would provide a communications network capable of bringing the Hospital forward into the future and would greatly improve NIH's capacity for future technological expansion. IT Director Adam Taylor and NIH Property Manager Scott Hooker answered questions on the system, and additionally noted it is highly expandable and resilient to breakage. Mr. Taylor also mentioned the new hospital building will require the purchase of a new system, and he stated that this proposal was developed following extensive research and in consideration of the recommendations of an outside consultant. While costly, the proposed system is not considered to be top of the line, but it is the system that has been determined to be the most appropriate to suit the needs of this Hospital. It was additionally noted that the purchase price includes set up, training, and future upgrades to the program. Following further discussion it was moved by Doctor Ungersma, seconded by Ms. Hayden and passed to approve the purchase of the Nexus network communications system 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 reported that SB 726 is still in Committee and this is a crucial time to contact our representatives and urge passage of the bill.

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. Information Technology Director Adam congratulated Denise Hayden on her

appointment to the Board and stated his feeling that Ms. Hayden is an excellent choice for the job. RHC Director Stacey Brown M.D. commented that in these difficult economic times, it is important for the Hospital to promote its services and to make sure that the general public is aware of all of the healthcare services available to them locally.

CLOSED SESSION

At 7:56 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)).

RETURN TO OPEN  
SESSION AND REPORT  
OF ACTION TAKEN

At 8:24 p.m. the meeting returned to open session. Mr. Watercott reported the Board took no reportable action.

OPPORTUNITY FOR  
PUBLIC COMMENT

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. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 8:25 p.m..

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Peter Watercott, President

Attest:

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John Ungersma, M.D. Vice President

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**BUDGET VARIANCE ANALYSIS**

**May-10 PERIOD ENDING**

**In the month, NIH was**

	<b>10%</b>	<b>over budget in IP days;</b>
	<b>( -0.02% )</b>	<b>under in IP Revenue and</b>
	<b>( 8.1% )</b>	<b>over in OP Revenue resulting in</b>
<b>\$ 306,485</b>	<b>( 4.3% )</b>	<b>over in gross patient revenue from budget &amp;</b>
<b>\$ (591)</b>	<b>( 0.0% )</b>	<b>under in net patient revenue from budget</b>

**Total Expenses were:**

<b>\$ 153,174</b>	<b>( 3.7% )</b>	<b>over budget. Wages and Salaries were</b>
<b>\$ 90,629</b>	<b>( 6.0% )</b>	<b>over budget and Employee Benefits</b>
<b>\$ 134,994</b>	<b>( 14.7% )</b>	<b>over budget.</b>
<b>\$ (6,067)</b>		<b>of other income resulted in a net income of</b>
<b>\$ 44,256</b>	<b>\$ (226,580)</b>	<b>under budget.</b>

**The following expense areas were over budget for the month:**

<b>\$ 90,629</b>	<b>6%</b>	<b>Salaries and Wages</b>
<b>\$ 134,994</b>	<b>15%</b>	<b>Employee Benefits</b>
<b>\$ 113,370</b>	<b>51%</b>	<b>Purchased Services</b>
<b>\$ 3,488</b>	<b>3%</b>	<b>Interest Expense</b>

**Other Information:**

<b>44.52%</b>	<b>Contractual Percentages for month</b>
<b>40.95%</b>	<b>Contractual Percentages for Year</b>

**\$ 2,604,527 Year-to-date Net Revenue**

**Special Notes:**

**Other Income is a negative due to Medical Office Net Loss**

# NORTHERN INYO HOSPITAL

## Balance Sheet

May 31, 2010

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2009</u>
<b>Current assets:</b>			
Cash and cash equivalents	(865,114)	1,171,324	881,651
<b>Short-term investments</b>	17,527,379	18,229,559	29,519,296
Assets limited as to use	4,656,736	2,819,358	738,740
Plant Expansion and Replacement Cash	2,099,888	2,099,869	10,439,607
Other Investments (Partnership)	969,660	961,824	961,824
Patient receivable, less allowance for doubtful accounts \$458,857	8,185,667	7,469,156	7,591,694
Other receivables (Includes GE Financing Funds)	1,115,085	1,067,067	867,584
Inventories	2,495,441	2,495,613	2,456,265
Prepaid expenses	1,157,518	1,179,664	1,057,280
<b>Total current assets</b>	<u>37,342,258</u>	<u>37,493,433</u>	<u>54,513,940</u>
<b>Assets limited as to use:</b>			
Internally designated for capital acquisitions	744,722	744,694	657,814
Specific purpose assets	967,382	417,867	564,033
	<u>1,712,104</u>	<u>1,162,561</u>	<u>1,221,847</u>
<b>Revenue bond construction funds held by trustee</b>	12,239,898	12,130,807	788,610
Less amounts required to meet current obligations	4,656,736	2,819,358	738,740
<b>Net Assets limited as to use:</b>	<u>9,295,267</u>	<u>10,474,009</u>	<u>1,271,716</u>
<b>Long-term investments</b>	<u>12,001,227</u>	<u>11,751,227</u>	<u>100,000</u>
<b>Property and equipment, net of accumulated depreciation and amortization</b>	<u>46,799,824</u>	<u>44,990,073</u>	<u>35,316,271</u>
<b>Unamortized bond costs</b>	<u>1,017,214</u>	<u>1,021,841</u>	<u>687,964</u>
<b>Total assets</b>	<u>106,455,790</u>	<u>105,730,583</u>	<u>91,889,892</u>

# NORTHERN INYO HOSPITAL

## Balance Sheet

May 31, 2010

### Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2009</u>
<b>Current liabilities:</b>			
Current maturities of long-term debt	61,655	122,713	1,103,540
Accounts payable	1,159,604	1,354,312	1,523,288
Accrued salaries, wages and benefits	3,219,779	2,958,347	2,807,675
Accrued interest and sales tax	562,656	388,897	247,663
Deferred income	92,702	136,413	48,991
Due to third-party payors	2,616,699	2,616,664	2,940,964
Due to specific purpose funds	-	-	-
<b>Total current liabilities</b>	<u>7,713,096</u>	<u>7,577,346</u>	<u>8,672,120</u>
<b>Long-term debt, less current maturities</b>	50,209,004	50,209,004	38,624,386
Bond Premium	1,433,818	1,438,160	1,481,587
<b>Total long-term debt</b>	<u>51,642,822</u>	<u>51,647,164</u>	<u>40,105,973</u>
<b>Net assets:</b>			
Unrestricted	46,132,490	46,088,207	42,547,767
Temporarily restricted	967,382	417,867	564,033
<b>Total net assets</b>	<u>47,099,873</u>	<u>46,506,073</u>	<u>43,111,799</u>
 <b>Total liabilities and net assets</b>	 <u>106,455,790</u>	 <u>105,730,583</u>	 <u>91,889,892</u>

**Statement of Operations**

*As of May 31, 2010*

	MTD		MTD		YTD			YTD		
	MTD Actual	MTD Budget	Variance \$	Variance %	YTD Actual	YTD Budget	Variance \$	Variance %	Prior YTD	
<b>Unrestricted revenues, gains and other support:</b>										
In-patient service revenue:										
Routine	632,651	658,283	(25,632)	(3.9)	6,380,723	7,241,008	(860,285)	(11.9)	6,597,376	
Ancillary	2,089,549	2,114,578	(25,029)	(1.2)	21,727,303	23,259,671	(1,532,368)	(6.6)	20,736,741	
Total in-patient service revenue	2,722,200	2,772,861	(50,661)	(0.02)	28,108,026	30,500,679	(2,392,653)	-7.8%	27,334,116	
Out-patient service revenue	4,752,032	4,394,886	357,146	8.1	53,024,590	48,342,851	4,681,739	9.7	45,882,932	
<b>Gross patient service revenue</b>	<b>7,474,232</b>	<b>7,167,747</b>	<b>306,485</b>	<b>4.30</b>	<b>81,132,616</b>	<b>78,843,530</b>	<b>2,289,086</b>	<b>2.9</b>	<b>73,217,049</b>	
<b>Less deductions from patient service revenue:</b>										
Patient service revenue adjustments	146,217	233,200	86,983	37.3	1,573,518	2,565,179	991,661	38.7	2,231,196	
Contractual adjustments	3,039,624	2,688,600	(351,024)	(13.1)	32,383,377	29,574,559	(2,808,818)	(9.5)	27,789,914	
Prior Period Adjustments	1,370	(41,666)	(43,036)	100.0	(2,799,832)	(458,333)	2,341,499	100.0	(1,635,264)	
<b>Total deductions from patient service revenue</b>	<b>3,187,210</b>	<b>2,880,134</b>	<b>(307,076)</b>	<b>(10.7)</b>	<b>31,157,063</b>	<b>31,681,405</b>	<b>524,342</b>	<b>1.7</b>	<b>28,385,847</b>	
<b>Net patient service revenue</b>	<b>4,287,022</b>	<b>4,287,613</b>	<b>(591)</b>	<b>0%</b>	<b>49,975,553</b>	<b>47,162,125</b>	<b>2,813,428</b>	<b>6%</b>	<b>44,831,202</b>	
Other revenue	32,236	40,126	(7,890)	(19.7)	320,773	441,292	(120,519)	(27.3)	392,468	
Transfers from Restricted Funds for Other Operating Expenses	64,666	64,666	-	-	711,326	711,324	2	0.0	720,951	
<b>Total Other revenue</b>	<b>96,902</b>	<b>104,792</b>	<b>(7,890)</b>	<b>(7.5)</b>	<b>1,032,099</b>	<b>1,152,616</b>	<b>(120,517)</b>	<b>(10.5)</b>	<b>1,113,419</b>	
<b>Total revenue, gains and other support</b>	<b>4,383,923</b>	<b>4,392,405</b>	<b>(8,482)</b>	<b>(7.5)</b>	<b>51,007,652</b>	<b>48,314,741</b>	<b>2,692,911</b>	<b>(10.4)</b>	<b>45,944,621</b>	
<b>Expenses:</b>										
Salaries and wages	1,597,042	1,506,413	(90,629)	(6.0)	16,637,690	16,570,316	(67,374)	(0.4)	15,503,292	
Employee benefits	1,053,342	918,348	(134,994)	(14.7)	10,892,515	10,101,606	(790,909)	(7.8)	9,163,132	
Professional fees	225,375	339,235	113,860	33.6	4,767,784	3,731,510	(1,036,274)	(27.8)	4,211,245	
Supplies	469,083	507,115	38,032	7.5	5,655,438	5,578,028	(77,410)	(1.4)	5,256,143	
Purchased services	336,645	223,275	(113,370)	(50.8)	2,982,757	2,455,814	(526,943)	(21.5)	2,306,154	
Depreciation	230,806	230,400	(406)	(0.2)	2,479,114	2,534,381	55,267	2.2	2,409,928	
Interest	109,148	105,660	(3,488)	(3.3)	1,192,367	1,162,240	(30,127)	(2.6)	1,210,451	
Bad debts	140,498	145,507	5,009	3.4	2,069,186	1,600,575	(468,611)	(29.3)	1,451,627	
Other	171,660	204,473	32,813	16.1	2,098,269	2,248,949	150,680	6.7	2,198,700	
<b>Total expenses</b>	<b>4,333,600</b>	<b>4,180,426</b>	<b>(153,174)</b>	<b>(3.7)</b>	<b>48,775,122</b>	<b>45,983,419</b>	<b>(2,791,703)</b>	<b>(6.1)</b>	<b>43,710,672</b>	
<b>Operating income (loss)</b>	<b>50,323</b>	<b>211,979</b>	<b>(161,656)</b>	<b>(3.8)</b>	<b>2,232,529</b>	<b>2,331,322</b>	<b>(98,793)</b>	<b>(4.3)</b>	<b>2,233,949</b>	
<b>Other income:</b>										
District tax receipts	43,711	47,650	(3,939)	(8.3)	480,822	524,150	(43,328)	(8.3)	524,150	
Interest	20,449	43,339	(22,890)	(52.8)	177,073	476,722	(299,649)	(62.9)	857,396	
Other	2,328	-	2,328	N/A	52,509	-	52,509	N/A	53,098	
Grants and Other Non-Restricted Contributions	-	1,224	(1,224)	(100.0)	123,289	13,459	109,830	816.0	118,098	
Partnership Investment Income	-	-	-	N/A	51,855	-	51,855	-	51,855	
Net Medical Office Activity	(72,555)	(33,356)	(39,199)	(110.3)	(513,550)	(366,835)	(146,715)	(40.0)	(1,205)	
<b>Total other income, net</b>	<b>(6,067)</b>	<b>58,857</b>	<b>(64,924)</b>	<b>(110)</b>	<b>371,998</b>	<b>647,496</b>	<b>(275,498)</b>	<b>(42.6)</b>	<b>1,603,392</b>	
<b>Excess (deficiency) of revenues over expenses</b>	<b>44,256</b>	<b>270,836</b>	<b>(226,580)</b>	<b>(84)</b>	<b>2,604,527</b>	<b>2,978,818</b>	<b>(374,291)</b>	<b>(13)</b>	<b>3,837,341</b>	
Contractual Percentage	44.52%	42.21%			40.95%	42.21%			40.75%	





# NORTHERN INYO HOSPITAL

## Statements of Changes in Net Assets

As of May 31, 2010

	<u>Month-to-date</u>	<u>Year-to-date</u>
<b>Unrestricted net assets:</b>		
Excess (deficiency) of revenues over expenses	44,255.64	2,604,526.94
Net Assets due/to transferred from unrestricted	-	(86,326.17)
Interest posted twice to Bond & Interest	-	(47.40)
Net assets released from restrictions used for operations	0.01	979,615.01
<b>Net assets released from restrictions used for payment of long-term debt</b>	<b>(64,666.00)</b>	<b>(711,326.00)</b>
Contributions and interest income	27.92	86,907.75
<b>Increase in unrestricted net assets</b>	<b><u>(20,382.43)</u></b>	<b><u>2,873,350.13</u></b>
<b>Temporarily restricted net assets:</b>		
District tax allocation	549,415.62	1,367,244.33
Net assets released from restrictions	(0.01)	(979,615.01)
Restricted contributions	100.00	15,550.00
Interest income	-	217.94
Net Assets for Long-Term Debt due from County	64,666.00	711,326.00
<b>Increase (decrease) in temporarily restricted net assets</b>	<b><u>614,181.61</u></b>	<b><u>1,114,723.26</u></b>
<b>Increase (decrease) in net assets</b>	<b>593,799.18</b>	<b>3,988,073.39</b>
<b>Net assets, beginning of period</b>	<b>46,506,073.33</b>	<b>43,111,799.12</b>
<b>Net assets, end of period</b>	<b><u><u>47,099,872.51</u></u></b>	<b><u><u>47,099,872.51</u></u></b>

# NORTHERN INYO HOSPITAL

## Statements of Cash Flows

As of May 31, 2010

	<u>Month-to-date</u>	<u>Year-to-date</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	593,799.18	3,988,073.39
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting fund deposit)		47.40
Depreciation	230,806.12	2,479,114.34
Provision for bad debts	140,498.16	2,069,186.38
Loss (gain) on disposal of equipment	-	4,137.56
(Increase) decrease in:		
Patient and other receivables	(905,026.66)	(2,910,661.11)
Other current assets	22,318.25	(139,413.53)
Plant Expansion and Replacement Cash	(18.34)	8,339,719.08
Increase (decrease) in:		
Accounts payable and accrued expenses	196,772.72	407,125.86
Third-party payors	34.69	(324,264.83)
<b>Net cash provided (used) by operating activities</b>	<u>279,184.12</u>	<u>13,913,064.54</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(2,040,557.16)	(13,971,397.22)
Purchase of investments	444,343.74	82,854.36
Proceeds from disposal of equipment	-	4,592.31
<b>Net cash provided (used) in investing activities</b>	<u>(1,596,213.42)</u>	<u>(13,883,950.55)</u>
<b>Cash flows from financing activities:</b>		
Long-term debt	(65,400.35)	10,494,963.59
Issuance of revenue bonds	(109,091.81)	(11,451,288.85)
Unamortized bond costs	4,626.77	(329,249.48)
Increase (decrease) in donor-restricted funds, net	(549,543.53)	(490,305.01)
<b>Net cash provided by (used in) financing activities</b>	<u>(719,408.92)</u>	<u>(1,775,879.75)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(2,036,438.22)	(1,746,765.76)
<b>Cash and cash equivalents, beginning of period</b>	<u>1,171,323.87</u>	<u>881,651.41</u>
<b>Cash and cash equivalents, end of period</b>	<u>(865,114.35)</u>	<u>(865,114.35)</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 Fund	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
Prior Year												
June	1,023,814	3,947,195	3,990,630	980,379	29,618,958	552,753	26,225	3,184	8,018	631,589	788,610	10,122,651
July	980,379	7,052,713	7,416,364	616,727	30,121,668	574,431	26,225	2,639	18,468	631,762	836,048	9,398,497
August	616,727	6,367,182	5,462,850	1,521,059	29,615,171	574,431	26,225	2,639	18,468	631,852	883,487	8,652,655
September	1,521,059	4,571,506	4,221,577	1,870,988	29,609,631	574,537	26,230	2,639	17,470	631,900	930,926	8,074,645
October	1,870,988	6,700,748	6,690,198	1,881,538	29,097,832	34,292	26,230	2,639	17,470	631,949	978,365	8,074,772
November	1,881,538	14,574,637	14,781,591	1,674,584	28,603,006	34,292	26,230	2,639	17,470	631,999	1,045,102	6,395,453
December	1,674,584	9,083,464	6,295,659	4,462,389	26,778,789	34,310	26,233	2,640	17,472	632,026	702,945	4,657,307

Notes: Revenue Bond Fund includes 2010 Revenue Bond

Investments as of May 31, 2010

Institution	Certificate ID	Purchase Dt	Maturity Dt	Principal	YTM	Broker
LAIF (Walker Fund)	20-14-002	15-Apr-10	01-May-10	\$317,923	0.59%	Northern Inyo Hospital
Union Bank-Money Market	2740028807	30-Apr-10	01-May-10	\$17,209,118	0.13%	Union Bank
<b>Total Short Term Investments</b>				<b>\$17,527,041</b>		
Federal Home Loan Mtg Corp-MBS	313397L82	10-Nov-09	25-Oct-10	\$3,988,333	0.31%	Multi-Bank Service
United States Treasury Note-FNC	912828JS0	10-Nov-09	30-Nov-10	\$4,038,750	0.33%	Financial Northeast Corp.
Worlds Foremost Bank (FNC CD)	5X42688	18-Dec-08	18-Dec-10	\$100,000	4.40%	Financial Northeast Corp.
Santander Financial Issuances LTD	802813AE5	01-Mar-10	15-Feb-11	\$1,049,310	1.17%	Multi-Bank Service
National Rural Utilites Corp Bond-FNC	63743FLH7	13-Aug-09	15-Aug-11	\$250,000	2.35%	Financial Northeast Corp.
Union National Bank & Trust CO-FNC	5L27278	19-Oct-09	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
HSBC Financial Corp	40429XWB8	15-Sep-09	15-Sep-12	\$250,000	3.85%	Financial Northeast Corp.
Citigroup Inc	125581FT0	10-Dec-09	01-May-13	\$46,122	7.00%	Multi-Bank Service
First Republic Bank-Div of BOFA	5L28639	20-May-10	20-May-13	\$150,000	2.40%	Financial Northeast Corp.
Citigroup Inc	125588FU7	10-Dec-09	01-May-14	\$66,903	7.00%	Multi-Bank Service
United States Treasury Note-FNC	912828LK4	31-Aug-09	31-Aug-14	\$995,933	2.46%	Financial Northeast Corp.
Citigroup Inc	125588FV5	10-Dec-09	01-May-15	\$66,181	7.00%	Multi-Bank Service
First Republic Bank-Div of BOFA	5L26838	20-May-10	20-May-15	\$100,000	3.10%	Financial Northeast Corp.
Citigroup Inc	125581FW3	10-Dec-09	01-May-16	\$107,830	7.00%	Multi-Bank Service
<b>Total Long Term Investments</b>				<b>\$12,001,227</b>		
<b>Grand Total Investments</b>				<b>\$29,528,268</b>		

## Financial Indicators

	Target	May-10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-10	Nov-09	Oct-09	Sep-09	Aug-09	Jul-09	Jun-09
Current Ratio	>1.5-2.0	4.84	4.95	4.34	5.42	5.65	6.01	5.99	6.10	5.81	6.05	6.39	6.29
Quick Ratio	>1.33-1.5	4.22	4.32	3.78	4.87	5.09	5.45	5.41	5.53	5.27	5.51	5.85	5.78
Days Cash on Hand	>75	233.51	230.21	217.46	322.93	293.20	315.81	306.58	307.60	364.93	344.81	349.84	388.66

NORTHERN INYO HOSPITAL  
STATISTICS

MONTHS	IP			SURGERIES			TOTAL			BIRTHS			ADMITTS			ER			OP REFERRALS			ADMITTS (W/NB)			PT DAYS (W/O NB)			PT DAYS (W/NB)			DISCH (W/NB)		
	08	09	10	08	09	10	08	09	10	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	33	46	26	106	109	95	139	155	121	16	25	18	48	48	47	573	594	604	3237	3241	3157	107	141	99	329	359	304	364	406	337	96	142	99
FEBRUARY	17	25	15	81	97	82	98	123	97	14	15	13	39	33	25	545	494	487	3165	2988	3066	86	96	81	241	245	209	274	278	235	96	100	83
MARCH	32	24	42	82	116	104	114	140	146	13	22	21	43	38	47	506	542	663	3285	3579	3504	108	124	120	318	296	264	349	338	301	102	127	115
APRIL	35	21	27	120	86	88	165	107	115	14	17	16	61	48	37	558	604	498	3611	3424	3424	112	100	84	307	216	231	338	251	268	118	102	90
MAY	41	36	27	110	91	92	161	127	119	27	21	14	68	37	39	594	708	594	3406	3268	3157	128	110	106	316	273	281	376	318	312	126	106	104
JUNE	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
JULY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
AUGUST	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
SEPTEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CALENDAR YEAR	158	153	137	499	499	461	657	652	558	84	100	82	259	204	195	2776	2842	2846	16704	16490	16308	541	571	490	1511	1389	1289	1701	1591	1443	538	577	491
MONTHLY AVERAGE	32	31	27	100	100	92	131	130	120	17	20	16	52	41	39	555	558	569	3,344	3,298	3,262	108	114	98	302	278	258	340	318	289	108	115	98

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		E.K.G./E.E.G.		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	103	120	96	395	363	352	10	10	17	1057	1457	1220	4586	5562	5356		
FEBRUARY	593	477	542	193	182	313	63	51	51	205	195	201	217	153	147	85	435	456	1744	1643	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	204	206	233	152	170	403	472	440	1774	1904	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	196	252	264	161	161	453	483	148	1984	1824	1804	121	108	113	410	380	395	14	16	10	1318	1423	1394	5839	5639	5409		
MAY	613	650	764	479	391	177	167	87	40	213	187	234	230	131	183	424	656	109	1758	1811	1622	137	103	93	349	354	456	9	12	19	1308	1373	1165	5687	5755	4852		
JUNE	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
JULY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
AUGUST	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
SEPTEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CALENDAR YEAR	2976	2914	3281	1375	1646	1430	617	303	324	1042	987	1091	1114	762	828	1454	2516	1811	9059	8817	8352	623	568	533	1804	1839	2028	56	61	70	6044	7104	6437	26174	27517	26195		
MONTHLY AVERAGES	595	583	656	275	329	286	123	61	65	208	197	218	223	152	166	291	503	362	1814	1763	1672	125	114	107	361	368	406	11	12	14	1209	1421	1287	5235	5503	5239		

\*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 MAY 31, 2010**

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 2008-09	Coagulation Analyzer	25,000
	Zeiss Ophthalmic Argon Laser	42,642 *
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>67,642</u>
FY 2009-10	STAT Centrifuge	3,441 *
	QuickThaw Plasma Thawing System	5,736 *
	Blood Gas Analyzer	16,028 *
	Shredding Machine	32,178 *
	CommVault IT Data Backup	75,031
	Zumasys NetApp IT Data Storage	67,005 *
	CDW-G IT Network Switches	74,382
	Platelet Function Analyzer	9,000
	Birch Street Property	705,577 *
	Birch Street Probably Cleanup and Improvements	117,000
	PMA-IT Server Room Wiring Project	34,625
	MRI Upgrade	299,320
	Nexus VOIP Telephone System	958,776
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>2,398,099</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	67,642
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>2,398,099</u>
	Year-to-Date Board-Approved Amount to be Expended	1,593,134



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

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
	Year-to-Date Administrator-Approved Amount	282,694 *
	Actually Expended in Current Fiscal Year	<u>872,606 *</u>
	Year-to-Date Completed Building Project Expenditures	0 *
	TOTAL FUNDS APPROVED TO BE EXPENDED	<u><u>2,748,434</u></u>
	<b>Total-to-Date Spent on Incomplete Board Approved Expenditures</b>	130,644
 Reconciling Totals:		
	Actually Capitalized in the Current Fiscal Year Total-to-Date	1,155,300
	Plus: Lease Payments from a Previous Period	0
	Less: Lease Payments Due in the Future	0
	Less: Funds Expended in a Previous Period	0
	Plus: Other Approved Expenditures	<u>1,593,134</u>
	<b>ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE</b>	<u><u>2,748,434</u></u>
	 Donations by Auxiliary	 0
	Donations by Hospice of the Owens Valley	0
	+Tobacco Funds Used for Purchase	0
		<u>0</u>
		0

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

<b>Administrator-Approved Item(s)</b>	<b>Department</b>	<b>Amount</b>	<b>Month Total</b>	<b>Grand Total</b>
SHELVING FOR BIRCH STREET	PROPERTY MANAGEMENT	9,242		
ADJUSTABLE WIRE COLLETT	SURGERY	2,069		
IR 1025IF Printer	ICU	2,272		
if 3235i Printer/Fax with Cabinet	RHC	6,677		
PPB AA 6 Push Button Cart	RESPIRATORY THERAPY	2,089		
<b>MONTH ENDING MAY 31, 2010</b>			<b>22,349</b>	<b>282,694</b>

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**NORTHERN INYO HOSPITAL**  
*Northern Inyo County Local Hospital District*  
Medical Staff Office

150 Pioneer Lane  
Bishop, California 93514  
(760) 873-2136 voice  
(760) 872-5836 fax

TO: Northern Inyo County Local Hospital District

FROM: Helena Black, M.D., Chief of Staff  
Medical Staff Executive Committee

DATE: July 7, 2010

RE: Medical Executive Committee report

The Medical Executive Committee met on July 6, 2010.

Following careful review and consideration, the Medical Executive Committee requests Board approval for the purchase of a dedicated email and document server for the Medical Staff, with audit capability for Medical Staff Office personnel, to insure protection of Medical Staff communications and files.

The Medical Executive Committee would like to enter into an agreement with the Hospital and its IT department to service the server, which agreement will define access and confidentiality expectations and breach of contract consequences.

---

Helena Black, M.D., Chief of Staff

June 25, 2010

From: John Perry MD

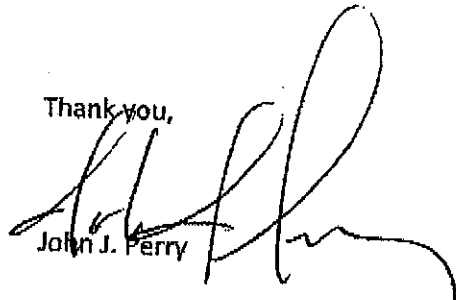
To: Chief of Staff, Charlot Helvie MD NIH

Subj. Resignation of privileges

Dr. Helvie,

As of 10:00 am today I resign my clinical Privileges at NIH.

Thank you,

A handwritten signature in black ink, appearing to read 'John J. Perry', written over the printed name.

John J. Perry

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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 21, 2010

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, 2010***

Dear John:

Enclosed are two copies of the Actuarial Valuation as of January 1, 2010.

We are recommending an annual contribution of \$2,964,000. This means the current monthly contribution rate of \$254,000 should be decreased to \$247,000, effective July 1, 2010. The contribution decrease is due primarily to a smaller increase in the average salary over the past year than our assumed salary scale of 6%.

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

Sincerely,

  
Rich Wright

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

Actuarial Valuation as of January 1, 2010

Prepared by:

**Richard A. Wright**  
FSA, MAAA

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May 21, 2010

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May 21, 2010

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

***Northern Inyo County Local Hospital District Retirement Plan  
Actuarial Valuation as of January 1, 2010***

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, 2010.

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, 2010. In Section II we furnish certain financial statements and actuarial exhibits of the Fund for the 2009 plan year. Section III presents the determination of the contribution requirement for the 2010 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

For this valuation, we have kept the pre-retirement interest assumption at 6.75%. We have incorporated a different post-retirement interest assumption, 6.5%, for participants joining the Plan on and after July 1, 2009, to be in line with the Plan's new actuarial basis for determining lump sums that is applicable for those participants. For all others, we have maintained the 8.0% post-retirement interest assumption. For our actuarial valuation, we have based the post-retirement interest assumption on the Plan's interest rate for determining lump sums since most participants elect to receive their benefits in that form.

Similarly, we have incorporated a different mortality assumption for participants joining the Plan on and after July 1, 2009. The assumption for them is the RP-2000 Mortality Table for Males, set back 4 years, which corresponds to the Plan's mortality table for determining lump sum benefits for such participants.

The new assumptions for mortality and post-retirement interest for participants joining the Plan on and after July 1, 2009, had a relatively small impact on this year's valuation results. Among the 298 active participants as of January 1, 2010, there are only 26 participants that joined on and after July 1, 2009. Since they have very little credited service at the present time, and are also relatively young, the new assumptions had a negligible impact on the accrued liability and the present value of accumulated plan benefits as of January 1, 2010 (an increase of less than 0.1%). The effect of the new assumptions on the normal cost was an increase of \$27,822, as the normal cost would have been \$2,386,324, rather than \$2,414,146, if the new assumptions had not been implemented.

The normal cost increased from \$2,325,750 in last year's valuation to \$2,414,146 this year, due to the increase in total payroll and the above-mentioned assumption changes. The normal cost as a percentage of payroll decreased slightly from 14.4% in last year's valuation to 14.2% this year.

The investment performance of the fund showed a return of 6.0% for 2009 in comparison with 6.5% for 2008.

The Full Funding Limitation is a measure of the funding 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 2010 Plan Year, the Full Funding Limitation would limit contributions to the Plan to \$10,812,795 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 115.2% of ABO, compared with 118.8% as of

January 1, 2009. 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. The recommended contribution for the 2010 Plan Year is \$2,964,000, or \$247,000 per month if paid in 12 monthly installments during the 7/1/2010-6/30/2011 fiscal year. The recommended contribution decreased from last year's \$3,048,000 due to the smaller ABO normal cost this year, which resulted primarily from a smaller increase in the average salary over the past year than our assumed salary scale of 6%.

### Results of Valuation

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

	January 1, 2010	January 1, 2009
<b>Number of Participants</b>		
Active – Fully vested	131	127
– Partially vested	81	74
– Nonvested	<u>86</u>	<u>80</u>
– Total	298	281
Part-time employees with accrued benefits	10	21
Disabled employees with accrued benefits	1	1
Terminated vested	48	46
Retired	<u>0</u>	<u>0</u>
Total participants	357	349
<b>Participant Payroll</b>	\$ 17,029,679	\$ 16,144,532
<b>Actuarial Liability (PBO)</b>	\$ 39,008,886	\$ 36,810,886
<b>Funding Target – 125% of Accumulated Benefit Obligation (ABO)</b>	\$ 33,952,810	\$ 31,476,244
<b>Actuarial Assets</b>	\$ 31,293,950	\$ 29,912,439
<b>Normal Cost at Beginning of Year</b>	\$ 2,414,146	\$ 2,325,750
As a percentage of applicable payroll	14.2%	14.4%
<b>Full Funding Limitation</b>	\$ 10,812,795	\$ 9,846,830
<b>Recommended Contribution</b>	\$ 2,964,000	\$ 3,048,000
As a percentage of applicable payroll	17.4%	18.9%
<b>Investment Return</b>		
Current annual yield	6.0%	6.5%
Average annual yield for last 5 years	6.0%	6.0%

**Monthly Contributions**

To satisfy the funding requirement for the 2010 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 2010 Plan Year
07/15/2010	\$ 247,000
08/15/2010	247,000
09/15/2010	247,000
10/15/2010	247,000
11/15/2010	247,000
12/15/2010	247,000
01/15/2011	247,000
02/15/2011	247,000
03/15/2011	247,000
04/15/2011	247,000
05/15/2011	247,000
06/15/2011	<u>247,000</u>
Total	\$ 2,964,000

**Exhibit 1. Summary of Plan Assets**

The valuation assets as of January 1, 2010, 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, 2009, 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, 2010	January 1, 2009
<b>Plan Assets</b>		
Fixed Dollar Account (GA-928)	\$ 21,122,635	\$ 20,390,583
Indexed Bond Fund (Acc. #11344)	<u>8,647,315</u>	<u>8,195,856</u>
Total	\$ 29,769,950	\$ 28,586,439
Accrued Contributions	<u>1,524,000</u>	<u>1,326,000</u>
<b>Actuarial Assets</b>	\$ 31,293,950	\$ 29,912,439
<b>Asset Allocation</b>		
Fixed Dollar Account	67.5%	68.2%
Indexed Bond Fund	27.6%	27.4%
Accrued Contributions	<u>4.9%</u>	<u>4.4%</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, 2009	December 31, 2008
<b>Beginning Balance</b>	\$ 28,586,439	\$ 25,403,931
<b>Additions:</b>		
Employer contributions	2,850,000	2,382,000
Investment income	1,716,971	1,739,681
Experience adjustment	<u>0</u>	<u>0</u>
<b>Total</b>	<b>4,566,971</b>	<b>4,121,681</b>
<b>Subtractions:</b>		
Benefit payments	(3,292,132)	(826,276)
Expenses & related charges	(41,077)	(36,563)
Experience adjustment	<u>(50,251)</u>	<u>(76,334)</u>
<b>Total</b>	<b>(3,383,460)</b>	<b>(939,173)</b>
<b>Ending Balance</b>	\$ 29,769,950	\$ 28,586,439

**Exhibit 3. Historical Returns on Plan Assets**

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

Plan Year	Return
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	6.02%
Average for last 10 years	6.53%

The actuarial valuation rate for the 2010 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, 2010	As of January 1, 2009
<b>Vested Benefits</b>		
Active participants	\$ 23,095,541	\$ 20,602,278
Part-time participants with accrued benefits	320,692	451,210
Terminated vested participants	2,436,431	2,921,251
Disabled participants	15,188	13,577
Participants currently receiving payments	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ 25,867,852</b>	<b>\$ 23,988,316</b>
<b>Nonvested Benefits</b>	<u>1,294,396</u>	<u>1,192,679</u>
<b>Total</b>	<b>\$ 27,162,248</b>	<b>\$ 25,180,995</b>
<b>Valuation Assets</b>	<b>\$ 31,293,950</b>	<b>\$ 29,912,439</b>
<b>Funding Ratio</b>	<b>115.2%</b>	<b>118.8%</b>

**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, 2009	December 31, 2008
<b>Beginning of Year</b>	\$ 25,180,995	\$ 21,569,003
Benefits accumulated and actuarial experience	3,567,106	2,982,360
Increase for interest due to the decrease in the discount period	1,699,717	1,455,908
Plan amendment	0	0
Change in actuarial assumptions	6,562	0
Benefits paid	<u>(3,292,132)</u>	<u>(826,276)</u>
<b>End of Year</b>	\$ 27,162,248	\$ 25,180,995

**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, 2010	January 1, 2009
Normal cost as of beginning of plan year	\$ 2,414,146	\$ 2,325,750
Estimated payroll for plan participants	17,029,679	16,144,532
Normal Cost as % of payroll	14.2%	14.4%
Normal cost as of end of plan year	2,577,101	2,482,738

**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, 2010	As of January 1, 2009
<b>Actuarial Liability (PBO)</b>		
Active participants	\$ 36,236,575	\$ 33,424,848
Part-time participants with accrued benefits	320,692	451,210
Terminated vested participants	2,436,431	2,921,251
Disabled participants	15,188	13,577
Participants currently receiving payments	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ 39,008,886</b>	<b>\$ 36,810,886</b>
 <b>Actuarial Assets</b>	 <b>\$ 31,293,950</b>	 <b>\$ 29,912,439</b>
 <b>Unfunded Actuarial Liability</b>	 <b>\$ 7,714,936</b>	 <b>\$ 6,898,447</b>

**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, 2010	December 31, 2009
Actuarial Liability	\$ 39,008,886	\$ 36,810,886
Normal Cost	<u>2,414,146</u>	<u>2,325,750</u>
Total	\$ 41,423,032	\$ 39,136,636
Actuarial assets	\$ 31,293,950	\$ 29,912,439
Full Funding Limitation, beginning of year	\$ 10,129,082	\$ 9,224,197
Interest	<u>683,713</u>	<u>622,633</u>
Full Funding Limitation, end of year	\$ 10,812,795	\$ 9,846,830

**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 the 25 years starting from January 1, 2002. The recommended contribution is reduced, if necessary, to the Full Funding Limitation.

	PLAN YEAR ENDING	
	December 31, 2010	December 31, 2009
<b>Target Surplus</b>		
Accumulated Benefit Obligation (ABO)	\$ 27,162,248	\$ 25,180,995
Funding Target %	<u>          x 125%</u>	<u>          x 125%</u>
Funding Target (125% of ABO)	\$ 33,952,810	\$ 31,476,244
Actuarial Assets	<u>31,293,950</u>	<u>29,912,439</u>
Excess / (deficit)	\$ (2,658,860)	\$ (1,563,805)
<b>Recommended Contribution</b>		
ABO Normal Cost	\$ 2,523,110	\$ 2,711,907
Amortization of (Excess) / Deficit	<u>250,714</u>	<u>143,015</u>
Total as of beginning of year	\$ 2,773,824	\$ 2,854,922
Interest	<u>187,233</u>	<u>192,707</u>
Total as of end of year	\$ 2,961,057	\$ 3,047,629
<b>Full Funding Limitation, end of year</b>	\$ 10,812,795	\$ 9,846,830
<b>Recommended Contribution</b>	\$ 2,961,057	\$ 3,047,629



## 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, 2010	January 1, 2009
<b>Actuarial Cost Method</b>	Projected Unit Credit	Projected Unit Credit
<b>Funding Interest Rate</b>		
<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%	8.00%
<b>Salary Scale</b>	6.00%	6.00%
<b>Administrative Expenses</b>	None.	None.
<b>Mortality</b>	<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.	1984 UP Mortality Table set back 4 years.
<b>Disability</b>		
<i>Disablement Rate</i>	None.	None.
<i>Disabled Annuitants Mortality</i>	None.	None.
<b>Withdrawal Rates</b>	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.
<b>Retirement Age</b>	The later of age 65 or the 5 <sup>th</sup> anniversary of date of participation; or age 70, if earlier.	The later of age 65 or the 5 <sup>th</sup> anniversary of date of participation; or age 70, if earlier.
<b>Asset Valuation Method</b>	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	0	4	4	\$ 0	\$ 102,616	\$ 102,616
25 - 29	1	13	14	26,953	594,206	621,159
30 - 34	7	17	24	557,365	757,315	1,314,680
35 - 39	5	13	18	295,894	560,046	855,940
40 - 44	5	18	23	429,223	979,785	1,409,008
45 - 49	13	38	51	828,149	2,073,316	2,901,465
50 - 54	11	49	60	757,787	2,791,108	3,548,895
55 - 59	9	52	61	518,751	3,244,935	3,763,686
60 - 64	6	25	31	465,298	1,564,964	2,030,262
65 - 69	3	8	11	489,800	484,791	974,591
70 & Over	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>58,815</u>	<u>58,815</u>
Total	60	238	298	\$ 4,369,220	\$ 13,211,897	\$ 17,581,117

**Other Participants**

Participant Status	NUMBER OF PARTICIPANTS			ANNUAL BENEFITS		
	Males	Females	Total	Males	Females	Total
Part-time	0	10	10	\$ 0	\$ 59,556	\$ 59,556
Disabled	0	1	1	0	1,551	1,551
Terminated Vested	9	39	48	85,438	348,824	434,262
Retired	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	9	50	59	\$ 85,438	\$ 409,931	\$ 495,369

**END**