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October 22, 2008

Riverside County Grand Jury
C/ Mr. John B. Todd, Foreperson
P. O. Box 829
Riverside, California 92502

Re: The Medical Staff of Palo Verde Hospital's Response to:
2007-2008 Grand Jury Report – Palo Verde Health Care District

Members of the Grand Jury:

On behalf of the Medical Staff of Palo Verde Hospital enclosed is the Medical Staff's Response to the 2007-2008 Report of the Grand Jury – Palo Verde Health Care District.

Very truly yours,

TAYLOR BLESSEY LLP


Dean J. Smith

DJS

Enclosure

October 15, 2008

THE MEDICAL STAFF'S RESPONSE TO THE 2007-2008 GRAND JURY REPORT

PALO VERDE HEALTH CARE DISTRICT
PALO VERDE HOSPITAL

The Medical Staff of Palo Verde Hospital hereby responds to the Report of the Grand Jury. Even though we were not required, or even requested to respond to this report, we have done so to provide the Grand Jury with further information and to call attention to the errors and omissions made by the General Counsel of the Palo Verde Health Care District Board in his response to the Report of the Grand Jury.

1. *"The annual fees are disproportionate with the size and financial capability of PVH. The present fees charged by AHM, is approaching a million dollars annually for two executives."*

The Medical Staff agrees with this finding, even though the finding was criticized by the District's General Counsel. General Counsel complained that the Grand Jury did not cite any comparative figures and did not cite any evidence to support this finding, but General Counsel missed the point here. The point is that this fee cannot be justified, on its face, simply based on the size of the business operation of the hospital and its current lack of solvency.

With the hospital losing more than \$1.4 million this year as of the date the Report was issued, does it really make sense to pay the same executives who are responsible for that result a \$1 million fee?

Counsel's first response to this finding by the Grand Jury was to point out how much more the prior management company charged, apparently attempting to make AHM look better by comparison. We do not agree with General Counsel's assertion regarding the amount charged by the prior management fee. The math is flawed. But even if it were not, what the prior management company charged is irrelevant. Just because the prior management company robbed the District blind and charged \$1.8 million to run the hospital into red ink (if that were true) does that mean that the District should be satisfied because it is "only" paying AHM's executives \$1 million for doing the same poor job? Of course not!

Additionally, the Medical Staff finds it rather insulting that General Counsel would try to justify AHM's exorbitant fee by pointing to the hospital's favorable financial condition in the first two years. The hard work of the Medical Staff was the only reason why the hospital was able to show a profit during that period, and it showed a profit in spite of the excessive fee charged by AHM, not because of it. If there is any question that it was the Medical Staff and not AHM which initially brought the hospital back to financial solvency, all that is necessary is to look at what happened when AHM began to take an adversary position to the Medical Staff. Revenues fell through the floor and the financial gains realized over the preceding two years evaporated.

General Counsel is correct when he notes that AHM is made up of three executives and not two as the Grand Jury stated. But, all that does is further make the point. This type of unnecessary redundancy in the management team is the problem. Again, on its face, there is no justification for a three person executive for a hospital of this size. It is wasteful. There is no reason for it. What is particularly distressing is the fact that AHM, a company which markets itself as an expert firm in transitioning distressed hospitals, is the one who brought in three executives to run this hospital. If AHM is such an expert firm why does it need three executives for a hospital of this size? It doesn't. None of the other hospitals in our region (all of which are much larger) require more than a single CEO, and we are informed that those CEOs charge in the neighborhood of \$20,000 per month, not the \$100,000 per month charged by AHM. And just what has the District gotten in return? A sea of red ink.

In its Response to the Grand Jury Report, the District incredibly disputes the claim that Palo Verde Hospital is losing money, claiming that audits for the past two years demonstrate a positive bottom line. Yet just this past August, Mr. Fallon released a financial report stating that the District lost \$1.7 million in fiscal 2007. Which statement is true? Well, perhaps both are technically true, but only because the audits which show that the hospital was in the black did not take the MediCare and Medical audits (cost report) into consideration. Those audits concluded that Palo Verde Hospital overcharged for services at a rate of \$70,000 to \$100,000 per month. When these audits are taken into account, the truly dire state of the hospital's financial affairs is apparent. As a result, the District was required to borrow \$500,000 from the City of Blythe and they recently sought more from the City. In fact, a recent resolution authorized the hospital to borrow up to \$2 million more in high interest loans. Does that sound like an institution that is on solid financial footing?

If the Board had been able to predict the financial disaster AHM would become for this hospital, would it have brought it on in the first place? Would it have given AHM a contract which makes it so difficult to terminate it? We think not. Of course, what the Board apparently did not know at the time, but perhaps should have known, was the distressed state of other hospitals managed by AHM and its executives, including Mr. Fallon.

Nothing about the scope of services detailed in the District's response to the Grand Jury Report is in any way unique to Blythe or new to Palo Verde Hospital. What is needed here is not three CEOs, but rather a single CEO, who lives in this town and who can work with the Board, the Medical Staff and the nurses for the benefit of patients. The waste must stop, and it must start from the top.

- 2. AHM staff wage rates are not consistent with other hospitals. A wage comparison of hospitals similar in size and location is shown in the following chart (omitted).*

While it is true that the District sets the compensation scales of the employees, it only does so at the recommendation by AHM. The Medical Staff agrees with AHM that the hospital is in competition with the prison system for nursing resources, but recognizes at the same time that we will not be able to compete with either their pay scale or with their compensation package. The Grand Jury recognized that to try to do so is wasteful. Nurses who work at Palo Verde Hospital do not do so for their paychecks alone. They also do so for the love of inpatient medical care. This type of nursing is not done at the prison system.

While the District emphasized the higher cost of for the temporary services of traveling nurses, the Medical Staff is concerned that the hospital appears to have made a conscious decision not to hire local

nurses to staff the hospital as it once routinely did. As recently as one year ago the hospital was staffed mainly by local nurses. Now the hospital is staffed by many traveling nurses. The District is right. Traveling nurses are more costly. So why are they using them with such regularity?

Compounding the problem is the apparent recent practice of targeting for discipline the few local nurses who remain at the hospital to the point that they resign or are fired, which then results in the further use of expensive traveling nurses. Additionally, these traveling nurses seem to be given the most attractive shifts, leaving the local nurses to take what is left or leave because without having enough shifts they cannot get enough hours to earn a living wage. If this scenario sounds familiar, it is because this was the practice of the previous administration before AHM took over. We thought the problem was resolved during AHM's first year. But, for reasons known only to the executives at AHM, the administration is clearly moving back in the direction of staffing the hospital with costlier traveling nurses who do not live in this town and do not have a relationship with the local medical providers.

When the District first raised salaries of the nurses from \$30 an hour to \$45 an hour in January of 2006, it was at the beginning of a nursing crisis. As it was being forced out, LifePoint created a panic by claiming that the new owners of the hospital would not be able to pay the staff once they took over. Many nurses and other employees left Palo Verde Hospital to work elsewhere, leaving the hospital in a bind, and in desperate need to find staff. It was so bad that patients had to be transferred out to outlying institutions.

The increase in wages lured nurses from Brawley and other surrounding areas to Blythe. In the months that followed, the nursing staff stabilized. It was the Medical Staff's initial expectation that once the situation stabilized the weaker nurses would be weeded out and the strong ones retained. Instead, alliances were built up between nursing administrators from Brawley and the other nurses recruited from Brawley to the point where, in our estimation, preferential treatment was being given to some nurses to the detriment of patient care. This was part of the problem that the Medical Staff tried to point out to the Board at the time. When the nursing administrators from Brawley left order was restored, but the lack of qualified staff in administrative roles led to a new problem. Apparently erratic and unpredictable patterns of discipline created unrest among the nurses, and local nurses began quitting.

In early in 2007 the Medical Staff tried to call the Board's attention to another impending nursing issue. The nursing administration was having trouble finding nurses to work in the intensive care unit. Among the staff working in the unit at the time there was discord. Issues of harassment were raised by some nursing staff. When one nurse confronted Director of the ICU claiming that she had not been doing her job with respect to handling these issues of harassment, she was terminated for insubordination. The Medical Staff tried to tell Mr. Fallon not to fire this nurse. We were unanimous in our belief that this was the wrong response to the situation. (*Attachment A*) Even though he admitted that neither he nor the CEO had spoken with the nurse prior to her termination, Mr. Fallon told us that he did not intend to reinstate her or even to speak with her, not even to placate the Medical Staff's concerns, informing us that this was a hospital issue and out of the jurisdiction of the Medical Staff. From our perspective, this is the real genesis of the disintegration of the relationship between AHM and the Medical Staff.

After this nurse was fired, the nursing directors then floated in a nurse to the ICU from the medical surgical floor who was unable to interpret an EKG or work a ventilator. These concerns were brought to the attention of the hospital administration, and then to the District Board, but nothing was done. At a public Board meeting, Dr. Sahlolbei relayed his concerns to the Board about this issue stating that should sick patients need to be admitted to the ICU he would rather ship them out in the interest of patient safety. Dr. Paglinawan echoed this sentiment. Eventually the nurse in question resigned, but the hospital took no formal action to move her back to the medical surgical nurse where she was better suited to work.

In October 2007, as part of its failed plan to scale down hospital services to make Palo Verde Hospital a critical access hospital, the administration reduced the number of beds from four to two. Before that, because of the 2:1 nursing ratio required in the intensive unit setting, two nurses were needed to fully staff the ICU. This was an important check on quality because if the hospital tried to float a newer nurse to the ICU, a more experienced nurse would always be around to mentor the newer nurse and handle more complicated problems should they arise. Now, with only two ICU beds being utilized, only 1 nurse is required for staffing purposes, making it even more vital that the ICU be staffed with experienced nurses. Despite that fact, early this year the nursing administration opted to attempt to train medical surgical nurses to work in the ICU again. The MEC expressed its strong opposition to this plan citing patient safety concerns. They were ignored. Soon nurses with very little ICU experience were being floated to cover the ICU and a fatality did indeed occur. This is just one more example of the administration ignoring Medical Staff's legitimate concerns for patient safety resulting in a bad outcome.

Nursing primacy over nursing matters has long been promoted as an ideal by the administration, which has even expressed the position in the local press that the Medical Staff should have no influence over nursing matters, including hiring and firing. Indeed it has not. There have been several instances in which members of the Medical Staff have asked for certain nurses to be hired or reassigned, and we cannot identify a single instance in which the Hospital, over AHM objection, has ever complied with such a request. The Medical Staff has never complained about that fact, except on that one occasion referenced above, where the ICU nurse was terminated for insubordination for telling a mid level hospital nursing manager that she had failed to address concerns about harassment. The Medical Staff investigated the matter and concluded that the nurse who was fired was probably right. After a few months, that nurse was given a fair hearing and she was reinstated, only to be terminated for other reasons a few months later.

The bottom line here is that the Grand Jury is right. Money alone is not the solution to the nursing issue. Hiring and retaining good, well trained local nurses is the answer. Yet, the Board and AHM are continuing the practice first started by their predecessor and ignoring the Medical Staff's legitimate concerns and are creating a climate in which good local nurses will not stay.

3. *The President of the Board has failed in his authority to appoint standing, special, or community ad hoc committees of non-Board members to act as an advisory group to the Board.*

We agree with this finding by the Grand Jury. This is probably the single greatest failure on the part of the Board President, Derek Copple. The attorney for the District argued in his Response to the Grand Jury Report that the President prefers to address District business publicly, without the additional layers of committees. But in so doing Mr. Copple fails to take in to account the advice he could be receiving from people who are more experienced in the business of medicine and he ensures that the only voice he has to consult with is that of Mr. Fallon.

This approach led to the Board's initial refusal to even meet with the Medical Staff in closed session to address issues of vital importance to the community. Instead, the Board has insisted that these concerns be expressed in open session which led to doctors publicly airing concerns which would have been more appropriately dealt with in private, to the surprise of those in attendance, because prior to that meeting the Medical Staff had always, publicly, been supportive of the administration. This began the public rift between the administration and the Medical Staff which continues to this day.

On May 9, 2007, the Medical Staff was finally permitted to address the Board with its concerns and we were assured that action would be taken on those concerns, but none ever was. All that happened was an exchange of escalating letters between the Medical Staff and the administration which led nowhere, because that is exactly what Mr. Fallon apparently wanted. This might have been prevented if the committees called for by the Grand Jury had been in place and a neutral third party could assess the substance of the Medical Staff's concerns. Finally it should be noted the PVHD board's own Bylaws require standing committee but in the last two years these committees have been disbanded and ignore.

4. *"Interviews with existing Board members revealed a lack of understanding of the By-laws governing the PVHD. This lack of understanding exists in spite of the fact that each elected or appointed Board Director is provided with a training manual. This manual contains the current district and Medical Staff By-laws, as well as a copy of the Brown Act, and the complete California Health and Safety Codes, Division 23. "The Local Health Care District Law"*

We share the Grand Jury's concern in this regard. District counsel appears to concede this point in the District's Response to the Grand Jury Report. However, the Medical Staff will go one step further. In our assessment, not only was there a lack of understanding on the part of certain Board members, the Board simply appears to have ignored its bylaws and policies whenever it suited them, apparently taking the position that as the "ultimate" authority they are not bound by any rules.

There are many examples that support this conclusion. The Board allowed AHM to pay out hundreds of thousands of dollars to contractors without the Board approval even though the Board knows that it needs to approve any payout over \$20,000 "prior" to the pay out. The Board routinely allows AHM to add non-urgent items to the Board agenda just before approval of the agenda, even though it would not allow the MEC to add credentialing of some physicians to the Board agenda who were needed to be approved to take call.

In one occasion in September 2007 the minutes approved with two “yes” votes and two “abstentions” by Board members who objected because the minutes had recorded an action taken in the closed session of August meeting which actually was not taken. When Dr. Sahlolbei questioned legality of the approval of these minutes without the “act of a majority of the members of a committee present at a meeting” as required by the Board Bylaws, the Board ignored it.

As the public now well knows, the Medical Staff had to sue the hospital and get a restraining order to prevent the Board from unilaterally modifying the Medical Staff Bylaws. The restraining order was issued because the judge agreed with the Medical Staff. Last year, the administrations furloughed the hospital’s anesthesiologist claiming that he was too expensive, but it now pays more for Certified Registered Nurse Anesthetists (“CRNAs”). This same anesthesiologist had been on call 24-7 for a year and he liked living in Blythe. He was let go apparently because he stood up in a public meeting and said that the administration was screwing up, by closing the Surgery Department and by running a defamatory and slanderous public campaign to try to force Dr. Sahlolbei out of town. This has been the pattern for some time now. Whenever anyone publicly criticizes the administration, they are targeted for termination, so that they can get rid of their critics.

So, it is not only a failure on the part of some Board members to understand their own Bylaws, the Board also has simply ignored them entirely whenever it has suited their purposes. The result has been disastrous. How much money has been spent by the Board on legal fees this year? Approximately \$300,000 in July and August alone! This money came from the hospital coffers (i.e., your taxpayer dollars). It would have been cheaper to just follow the rules. The court ordered CRNAs to be proctored as the Medical Staff Bylaws required. If the Board had simply done that in the first place that part of the lawsuit would not have been necessary.

5. AHM has failed to respond to some of the doctor's complaints, as exemplified by assigning nurses with insufficient training for their assigned departments.

We agree with this finding. The District’s counsel said that there is a fundamental disagreement between the Medical Staff and the Board about “who should run certain aspects of the Hospital.” That is simply not true. It is a false statement made to try to misdirect attention away from AHM’s failure and blame the Medical Staff for all of the problems at Palo Verde Hospital. We have nothing to do with day to day operation of the Hospital; nor do we want to. We would be satisfied if the Board would allow us to lead improvement in patient care and prevent unnecessary injuries to patients; which in our opinion is the fundamental reason for existence of a medical staff.

The simple fact is that the Board and the administration cannot be trusted, on their own, to satisfy these obligations. Remember, this is the Board and administration who have repeatedly tried to take nurses from the medical surgical floor, with no previous ICU experience, and place them in an ICU setting with inadequate preparation, apparently hoping that they would be able to respond appropriately to the myriad of conditions and things that can go wrong with critically ill patients; conditions that take years of exposure to these patients to understand; such as when a patient might crash on you and what you could have done to avert it.

Recently, the hospital fired an obstetrics nurse for failing to float to the medical surgical floor to work. The nurse explained that she was very comfortable working with obstetrical patients as she had solely

been doing that for years, but that she was not comfortable working in another department. She was terminated by AHM. Now Mr. Copple, the Board President who supposedly is opposed to micromanaging AHM, has apparently approached this same nurse and told her he could get her job back. We are unclear what authority Mr. Copple has to hire anyone other than the CEO, but more to the point, this would not have happened if the Board had consulted with the Medical Staff before firing this nurse. The Board and the administration are not experts in medicine or nursing. They cannot be trusted on their own to do what is in the best interests of patients. They ought to listen to the advice and opinions of the Medical Staff on these issues. We deal with these nurses every day.

Instead of cooperating though, the Board and administration are more concerned with waging their smear campaign against Dr. Sahlolbei. One example is the claim that Dr. Sahlolbei said that the nursing staff was not up to par. This is actually a misrepresentation, based on selective reporting. During the meeting in question, when Dr. Sahlolbei was explaining how the same ICU nurse who was unable to read EKG and unable to handle ventilator, called him up stating that his patient was hypotensive and that she was fearful that the patient was going to die unless he transferred him out, Dr. Sahlolbei arranged for the transfer. But, on the patient's arrival at the other hospital, questions were raised why the patient had to be emergently transferred when he seemed so stable and review of the patient's vital signs failed to demonstrate any instability. Using this example, Dr. Sahlolbei related that we depend on the evaluation skills of our nursing staff to make decisions that may impact their lives. In this instance, because a nurse was staffed inappropriately in the ICU, she simply did not have the experience to make the proper assessment. Dr. Sahlolbei never called that nurse, or any other nurse for that matter, incompetent. This is supported by audio recording of that meeting. Yet, for months, the Board and AHM claimed that Dr. Sahlolbei called the nurses incompetent, despite having audio recorded proof to the contrary in their position.

The Board needs to stop listening only to AHM and its executives and it needs to give the Medical Staff proper respect and give proper consideration to the Medical Staff's opinions on matters effecting patient care.

6. *Current Medical Staff By-Laws, Section 6.4-1 requires only an authorized certified member of the Medical Staff to be the only one to admit patients to the hospital. This section is used by some physicians to withhold the admission of patients, bringing the hospital to near bankruptcy.*

Remarkably, in response to this issue, the District Council states that "The Medical Staff Bylaws do not contain section 6.4-1." This is false. There is such a section in the Bylaws. How can the Board claim to be able to interpret the Medical Staff's Bylaws when they cannot even read them?

But more to the point, this section only prevents dentists, oral surgeons and podiatrists from admitting patients due to their lack of training of inpatient care. It is a completely appropriate limitation and it is place there for patient safety. This is not a maverick or unique provision. It was taken, essentially, like most provisions of the Medical Staff Bylaws, from the Model Bylaws put out by the California Medical Association. The simple fact is that any specialty that can show current competence for inpatient patient care may admit patients into the Hospital.

To demonstrate the administration's agreement with this flawed conclusion of the Grand Jury, the District's counsel referred to a diminished admission percentage in 2007 from prior years. (Actually, the only previous year they had data from was 2006, when admissions were uncharacteristically high, before the Board and AHM ignored the serious concerns of the Medical Staff.) It is true, that hospital admissions were down in 2007, and that more patients than usual were transferred from our hospital to other facilities. However, there were reasons for this which had nothing to do with this provision of the Medical Staff Bylaws. In May 2007, Dr. Sahlolbei took two weeks off work to attend to a legal matter (which the administration was well aware of it in advance), and that he then had to attend to his father in June 2007. Also, Dr. Sahlolbei had terminated his contract with the hospital to provide call coverage in November 2006. Unfortunately the hospital did not prepare for either of these absences adequately. There were two other consulting staff surgeons who could have provided services for the hospital at the end of May 2007. Yet, again, rather than solve the problem, the administration was more interested in vilifying Dr. Sahlolbei.

With the Vice Chief of Staff in charge, a great deal of press was dedicated to this concept of being on surgical diversion and how the hospital needed 24-7 surgical coverage. The two surgeons in question actually told the Vice Chief that they had spoken with Mr. Fallon and were waiting for papers to be sent to them and for verification of the dates they would be needed, but the papers were never sent and they were never locked into any dates. One doctor then committed to work elsewhere the last week of the month because he did not hear back from the administration. Some started holding public meetings to talk about how the doctors were holding the hospital hostage. The Board did nothing to set the record straight, instead feeding off the negative publicity the Board said that it wanted the Medical Staff Bylaws to be changed to allow for locum tenens surgeons to be able to work at the hospital. The Medical Staff could not change the rules ad lib for the hospital to accommodate for the poor planning of the Administration. The two surgeons on staff were scheduled to work the first two weeks of June and temporary privileges were extended to a third surgeon through rushed credentialing to cover the third week of June. Admissions were down during this time because we as physicians take out patient's safety seriously, and since the lack of services made the hospital an unsafe place for some patients, physicians did not as readily admit those patients.

As a side note, it is interesting that so much was made of this perceived need for 24-7 coverage for surgery when, prior to the arrival of this Board, such coverage never actually existed. The surgeons on staff covered the days they wanted to and there were often gaps in the surgical call schedule. It was only with the arrival of the new Board that Dr. Sahlolbei agreed to work 24-7 and pay for his own coverage for the first half of 2006 when he wanted to take a day off here and there.

In any event, it is interesting to note that with the presence of surgeons covering the service in the absence of Dr. Sahlolbei, admissions did not appreciably improve. The reason for this is that during Dr. Sahlolbei's absence, the administration dismantled the surgical crew that Dr. Sahlolbei had been working with for two years and replaced it with people who were new to the hospital, not as experienced, and who did not know where any equipment was.

Upon Dr. Sahlolbei's return, he was faced with the deteriorating quality of surgical services, and AHM was running a campaign targeting him with defamation and retaliation. As a result, the number of surgical cases admitted was not increased by his return. Patients who potentially needed complicated surgical intervention had to be transferred out for better care and patients who required intensive care

intervention were also transferred to other facilities, due to the previously stated patient care concerns in the ICU.

Finally, it must be noted that District counsel somewhat boastfully stated that in a bold and unprecedented move the Board, lead by its President Derek Copple recently “appointed an anesthesiologist and approved a resolution allowing both of these departments to reopen;” referring to obstetrics and surgery. Yet there was a very good reason why there is no precedent for such a move; it was illegal! These illegal appointments were reversed, but it cost the District \$300,000 in public funds to pay for attorneys for making a futile attempt to make it legal.

7. *The existing contract between the PVHD and AHM authorizes an automatic five-percent increase in the fees paid to AHM in January of every year. The automatic increase has no performance targets as a requirement to receiving this increase.*

We agree that this is a problem. Yet, the District’s counsel argued that salary increases based upon the Consumer Price Index are the norm. For a Health Care District in financial distress, they should not be. Any increases should responsibly have to be linked to the financial stability of the institution and to performance. Certainly other employees of the hospital do not enjoy the same wage increases based upon the Consumer Price index. Why should the administration which has caused this financial mess be so rewarded? The administration’s performance should be judged annually and the report should be discussed in open session. The administration’s performance may well have received a positive initial review after its first twelve months based on how well the hospital was doing at that time, but certainly the hospital’s performance has been wanting since then, and it is the administration that which is responsible for the current mess. In the real world, CEOs operating businesses that are losing money are not rewarded with pay increases.

The Board should set annual goals for itself and its administration as well as a five-year plan. The Medical Staff does not believe that the Board has done any of these activities that are common among other elected Boards. The Board should also resume ad-hoc meetings with the Chief Financial Officer. These meetings were terminated by the administration, but in these financially trying times, private meetings only with CFO should be held to get an untainted report away from any influence by AHM.

8. *PVHD Board Members receive agenda packets just prior to Board meetings, giving them little time to study the financial and operational data, regulatory compliance issues, and previous Board meetings minutes.*

We agree with this finding and we find it curious that the District’s counsel continues to make excuses for the administration’s inability to comply with the rules for providing information to the Board members in a timely manner. The agenda packets are supposed to be provided to Board members 72 hours in advance of the meetings so the members may prepare for the meeting. There is no good excuse not to do so. The agenda is also supposed to be posted 72 hours in advance of the meeting by law. It is true that the MEC has been presenting some of its information at the time of the meeting and not 72 hours in advance. The reason for this is that the administration has made it a habit of leaking information to the press inappropriately and the MEC, particularly with respect to confidential matters, simply does not trust the administration to safeguard the information. But it must be noted that the

Board has selectively picked the late items presented by the MEC that the Board wanted to take up, and rejected others in the very same report claiming tardiness, even though that should have been applied to all of the late proposed items and not just the ones the Board did not want to take up. The bottom line is that this does not excuse the administration from presenting all of the other information to the Board in advance of the meeting.

Another ploy used lately by the administration has been to amend the agenda at the time of the meeting with matters that are claimed to be “emergent,” even though they are not really emergent. In the August meeting, as an example, the Board indemnified a for profit corporation (AHM) in a closed session vote even though that resolution was not on the agenda. After the start of the June 2008 Board meeting, AHM brought up a resolution to approve Dr. Elisha’s appointment in spite of the adverse recommendation of the Medical Staff, and of course it passed unanimously without any question by the Board. This would seem to be a violation of the Brown Act, because it was clear that discussions took place inappropriately out of the public view. Matters that are not on the agenda should be tended to at a different time – either a special meeting or the next scheduled meeting. Yet, the Board and administration have used this improper ploy whenever they have wanted to ram some questionable or illegal provision through without being encumbered by the proper process. This prevents the public from becoming aware of the business of the Board in advance of its meeting.

The Medical Staff is also concerned that it appears that the Board is meeting illegally in advance of the public meeting to discuss Board business and how to vote on matters that should be discussed in open session. In open session, on matters which should in the opinion of many in the community spark some debate among the Board, no questions are asked and the Board seems to vote as one vote as if things were decided in advance of the meeting.

The Medical Staff has recently received some information (documented e-mails) that the administration is directing the Board as to which members should raise the motion, who should second the motion, who should say what, etc. This gives the appearance that the Board is not actually overseeing the administration, but rather the administration is telling the Board what to do.

9. *PVHD By-laws grant the Board primary responsibility on matters of policy. The Board is responsible for the regular review of PVH budgetary and financial matters related to, and including, the annual audit. The Board has relinquished its oversight to AHM. These inactions approach misfeasance.*

We agree with this assessment by the Grand Jury. The District’s counsel claims that Board members “utilize the services of experts and consultants to advise them on specialized matters.” Really? Which “expert” did the Board members rely on to waive the initial proctoring of the new CRNAs”? Which “expert” advised the Board members that they should allow an anesthesiologist who received an unfavorable recommendation from the MEC to take a patient’s life in his hand without a fair hearing to assess his qualification, but solely based on his own self-serving declaration? What the Medical Staff thinks happened in both instances is exactly what the Grand Jury concluded; the Board simply abdicated its responsibility and did what AHM asked them (or told them) to do.

Additionally, the Medical Staff does not think that the Board as it is currently constituted can be trusted to perform proper oversight because of meddling on the part of AHM. To illustrate this point,

even though AHM claims to have provided “an open door policy” for all the Directors, we learned at the last Board meeting that Ms. Rosalie Carlton, who resigned from the Board a year ago, did so because she felt threatened by AHM president Mr. Fallon. At that meeting Ms. Carlton stated that prior to her resignation Mr. Fallon asked her to delete some of her emails to prevent their discovery (*Attachment B*). She also said that at about the same time Board president Copple told her not to discuss discrepancies in the financial reports during the meetings and to “leave it out of the public eye.” She also said that one of the Board members had recommended to Mr. Copple that he “address Dr. Sahlolbei by Mr. Sahlolbei, so he would blow his cool...”

So, how can this Board be trusted to do the required oversight when it and AHM are instigating problems?

10. The PVH Obstetrics Department was closed in June 2007, as a result of some doctors refusing to admit patients to PVH. Women are currently being transported great distances to other hospitals, putting them at risk.

Actually, the Obstetrics Department was closed September 1, 2007 after the hospital laid off the only anesthesiologist. The Board and administration then attempted to hire CRNAs to fill the void, even though the Medical Staff Bylaws as they then existed did not authorize CRNAs to be given service authorizations. The Medical Staff changed the Bylaws, but then the Board refused to indemnify the surgeons. The Board insisted on having surgeons supervise the CRNAs, based on the false claim that there was no one trained in anesthesia to do so, until March or April 2008.

Interestingly, the Medical Staff did credential one nurse anesthetist prior to the closure of the obstetrics department. The CEO asked the Ob doctor if he would supervise the nurse anesthetist and he agreed to do so. After speaking with the nurse anesthetist, we learned that the hospital had never even contracted with him despite the fact that the credentialing process had been completed. The recently furloughed anesthesiologist was also still in town was agreeable to work in the hospital. Yet, the CEO closed down the unit without consulting the anesthesiologist or the Medical Staff.

With respect to the comment that the administration closed obstetrics again due to the recent litigation by the Medical Staff against the hospital, the Medical Staff contends that this was unnecessary and Dr. Sahlolbei wrote the administration twice urging them to keep the Surgery and OB department open for emergency cases according to the Medical Staff Bylaws (*Attachment C*). The court order only forced the Hospital to comply with proctoring Nurse Anesthetists “as required by the Medical Staff Bylaws”, not to close any departments. Additionally, the Medical Staff had identified a proctor who could have immediately come to proctor, but the administration refused to contract with him. Instead they waited until the next Monday to begin the proctoring process, thereby delaying the reopening the departments. Perhaps, immediately after the court decision, AHM ran to the newspaper that wrote a headline; “the doctors closed down the obstetrical and surgical services.” This was not true, but it confirms that the administration will not pass up any opportunity to blame the Medical Staff for Surgery/OB closure even if it means losing patients. It is interesting that the unit was only closed for five days and the newspaper never printed that it was reopened. Some people in town are unaware that it ever reopened.

11. CVSP and ISP Prisoners with surgical needs are being transported to outlying hospitals in Riverside, Brawley, or San Diego. Each incident requires two vehicles, one for a guard and the prisoners, and a second for back-up guards. These costs, totaling over \$3.3 million annually, do not include the high cost of fuel. Concurrent with these costs to the prisons is a substantial loss of revenue to PVH.

This is exactly our point. We have been trying to get the administration and the Board to understand. We have also been asking AHM to provide a secure wing for inmates to attract more of the prison business, but once again our suggestion is considered to be attempting to “run the hospital.” Is it wise and does it make good business sense to attack a small group of doctors who are the main source of the revenue stream of the hospital and deny them quality services to care for their patients? Or, should the Board have been interested in trying to understand the issues that are causing the doctors to be worried about quality of patient care?

The doctors have consistently shared their concerns, such as on the prison issue, with the administration and we receive nothing but lip service. The Board, on the advice of the administration, has refused to meet with the Medical Staff to understand the issues, and what could be done to resolve them. The majority controlled members of the Board do not take the Medical Staff concerns seriously even when voiced privately to them. It would not have taken very much to resolve the issues for the Medical Staff at the time, but the administration’s blatant refusal to meet with the staff only worsened the rift between the parties.

RESPONSE TO GRAND JURY RECOMMENDATIONS

1. The Board must terminate AHM, with cause, based on the fact that the hospital is near bankruptcy under their Management.

The Medical Staff agrees with the recommendation of the Grand Jury. This is what we recommended to the Board in a closed session on May 9, 2007. The result was that AHM retaliated against the Medical Staff with public defamation and anti-competitive behavior

The District’s counsel attempted to defend AHM by noting that it was engaged by the District to initiate a transition with \$60,000 in the bank. But that is a completely disingenuous statement. He knows. That was before the District had any control over the hospital. Once the keys to the “hen house” were given to the “fox” on January 1, 2006, the hospital had millions of dollars in the accounts receivable and in the bank, which were brought in as a result of a good “working relationship with the Doctors” as Mr. Fallon stated to the outgoing LifePoint CEO.

It is true that under AHM the hospital operated profitably during the first year. But that was largely due to the hard work of the Medical Staff. Concerns were raised by members of the Medical Staff even during that profitable year that AHM had a bad habit of spending money quickly while lowering the quality of services.

When admissions fell, AHM was unwilling to shave its top-heavy administration and when the Board was publicly asked to consider restructuring administrative costs in order to keep surgery and

obstetrics open, Mr. Copple responded stating that that topic was not to be considered during that meeting as it was not agendaized.

AHM has successfully waged a publicity campaign against the doctors in this town, having found a willing accomplice in a newspaper editor who was biased against doctors in the first place and who historically poorly investigates matters he writes so passionately about. AHM has consistently leaked confidential information to the press to further its strategy of blaming the doctors to cover up for their poor managerial skills, and the fact that they were the cause of the rift between the two parties in the first place.

AHM has been pushing to the hospital toward critical access status, a move that will pay the hospital better as long as census is kept low but a move that would also, by necessity, limit the services that the hospital would offer. AHM has repeatedly discussed wanting to close obstetric services, and that is probably why they have not paid the OB Doctor for a year hoping that he would leave too.

AHM would rather circumvent the rules of the hospital and pay hundreds of thousands of dollars in attorneys' fees than invest in the hospital. During the recent open house, the doors to the CAT scan were closed to the public because the machine was down, once again. It took a week and a half to get it running again, requiring numerous patients to be transferred from our hospital's emergency room to other emergency rooms and hospitals to undergo CAT scans. It was only after receiving a complaint letter from the Chief of Staff that they brought in a portable CAT scan machine for temporary back up. This failure to timely fix this problem cost the hospital tens of thousands of potential dollars in lost admissions and studies.

The bottom line is that it is time for AHM to go.

- 2. Re-evaluate the present staff's wage rate structure and reduce them to be more in line with hospitals of similar size and location.*

For years, this hospital was run by for-profit companies that limited pay to the nurses. Yet, the hospital was able to maintain staffing during those years and would likely be able to continue to do the same should it cut back some on the wages to its nursing staff. Unfortunately, the hospital has come full circle and has disciplined nurses to the point where they would rather quit, than run the risk of having their licenses in jeopardy by being reported to the nursing Board. Even forgetting to clock in after returning from lunch is apparently now cause for discipline.

The hospital is now staffed with more traveling nurses than local nurses. Nurses are also being threatened not to talk to the Medical Staff for fear of losing their jobs (**Attachment D**). Of course traveling nurses are immune from the discipline the hospital exerts on its local staff. Unfortunately, the hospital pays even more for traveling nurses than it does for the higher wages that the Grand Jury is concerned about.

- 3. The Board President must appoint citizens from the Blythe community who want to be involved and have skills to serve on advisory, standing, or ad-hoc committees. This*

community involvement should enhance the capabilities and the functioning of the Board.

We agree with this recommendation and we cannot understand the District's opposition to it. In our collective experience, it is quite commonplace for hospital administrations to hold periodic meetings with heads of the community to brainstorm. Whether it is to come up with a mission statement for the hospital or to set goals for the coming year, five years, and ten years, this is a valuable resource which is not being tapped. The hospital actually did this in the past when it suited its purposes. A "blue ribbon committee" was set up when the hospital was considering what kind of work could be done toward building a new hospital. They should do more of that. Expert input from the community can be invaluable to the Board to sense community needs. The Board should be responsive to the community.

In addition to this, the Medical Staff feels that the Board should annually assess itself. It should set personal goals for the coming year and assess how well it has done. It should assess how open they are to community concerns, how effective they are toward understanding the budget and auditing process, and how effective they are at providing guidance to the CEO. This assessment should be reported in open session. They should also perform annual assessments of the performance of the CEO in a similar manner. Instead of insulating themselves from the Medical Staff, they need to include the Medical Staff in their closed sessions when appropriate to better understand the Medical Staff perspective before they make decisions which impact the institution. Against their own Bylaw instruction regarding delegating credentialing to the Medical Staff, the Board holds closed session meetings first and makes decisions on credentialing, and then later in the public meeting gets to hear the Medical Executive Report.

4. *Members of the Board must understand and follow the By-Laws, including the California Health and Safety Code, Division 23.*

In his response to the Grand Jury Report, the District's counsel paid lip service to this recommendation stating that that the Board will follow this advice while at the same time directing the Board to not follow the Medical Staff Bylaws. This was what led to the recent litigation. For some reason, some of the Board members apparently feel that because they have the ultimate authority over what happens at the hospital, they can disregard whatever rules they need to. The Joint Commission would not look favorably on such behavior. The Medical Staff would appreciate it if the Board would stick to the rules that they agreed to just two years ago.

5. *Complaints registered by the MEC must be made in writing and submitted to AHM and the Board for review and disposition. AHM must respond in writing with a positive approach to solving the problems in no more than seven calendar days after submission. Should any conflict arise, the Board will resolve the conflict.*

The Medical Staff is agreeable to this. However, AHM should be sanctioned in some manner if these reports are leaked to the press for propaganda tools, or used to instigate a retaliatory response from the staff named in the complaint against us, as it has already done. With the limited free time that we have to attend to these issues, verbal concerns should not be ignored just because it was not in a written

form. Could you imagine a Police Officer not stopping a fight because he was waiting for a written complaint?

We are concerned about the mechanism that the Board will use to mediate the differences between AHM and the Board, particularly since they have refused to meet in good faith with the Medical Staff. The Medical Staff is agreeable to mediation with the assistance of a mutually agreeable mediator. We would be more pleased if the Board, in light of its' history of not acting in good faith, were to agree in principle to respect the decision of the mediator.

Up to this point, most of the time written complaints fall on deaf ears (*Attachment E*). On June 3, 2008, Dr. Sahlolbei, Chief of Staff made a written complaint to Mr. Flood, CEO regarding the issue of CRNA proctoring with some suggestions in a friendly letter. In response, the board passed a resolution waving the mandatory initial proctoring on June 5, 2008, violating the Medical Staff Bylaws. This resulted in the court issuing an injunction forcing the Hospital to proctor CRNAs "as required by the Bylaws", which at the same time allows CRNA to work in an emergency situation without proctor; and there was no need to close the Surgery/OB departments (*Attachment F*).

6. *Modify the MEC By-laws to allow a Hospitalist, "A physician who specializes in seeing and treating other physicians' hospitalized patients in order to minimize the number of hospital visits by the patients' regular physician" to admit patients, a practice common in other hospitals.*

The Medical Staff is not opposed to the concept of a hospitalist. The Bylaws currently do not prohibit the hiring or credentialing of a hospitalist. However, as the majority of our members tend to their own patients, there would not be enough work for a hospitalist. We are also concerned that it might lead to inappropriate admission and charges.

7. *Amend the future administrative contracts to add performance targets that must be achieved prior to ranting any increase in compensation.*

The Medical Staff agrees with the Grand Jury on this recommendation. It makes no sense to grant unconditional raises in compensation to a management group which monthly states that they are losing money. The Board should, as previously stated, set goals for the CEO and discuss increases in compensation should goals be met.

To reduce costs immediately, the Board should consider eliminating the position of "assistant to the CEO." It is redundant and unnecessary. The CEO should be able to attend to all the matters that a hospital this small should encounter. Also, the person who filled that position is presently filling in as the human resource director of the hospital and as such she is grossly overpaid for the work she is doing; which seems to be limited to hiring travelling nurses and firing local nurses. The hospital would be better served in our opinion by looking for a human resource director who would accept the salary commensurate with that position, and a director who does not fire local nurses to further AHM agenda.

It is also our recommendation that any new positions for hire by the hospital be accepted by the Board before they are hired and before they start receiving a salary from AHM. The Board should be the

body deciding if a new position is necessary and what the salary should be according to a pre-determined pay schedule based on the position and experience.

AHM should not be hiring people and saddling the district with additional employees without the direction of the Board. This should apply to consultants as well. All new hires and positions should correlate with the mission of the hospital and be working toward the goals that the Board has set for itself.

In the September 2008 Board meeting after Dr. Sahlolbei repeatedly had complained that the Board is not acting independent of AHM, was not transparent, had violated its own Bylaws, and had ignored its policy on contracts, Mr. Fallon claimed that he keeps the Board President Copple informed. Yet, Mr. Copple himself is not the Board and the Board and the public needs to be informed before contracts are signed.

8. *The PVHD By-laws need to include a policy that the Board of Director's agenda packets must be prepared and distributed to the five-member Board a minimum of three days prior to a Board meeting. This allows time for the members to study critical data and request any additional information, if necessary.*

This may actually be the policy of the District now, but it is not adhered to. Also, the Board should not amend their agendas at the time of the meeting with issues not of an emergent basis as it violates the spirit of the Brown Act. We do not recall any time that the Board members asked for correction of any minutes except in September of 2007 which were approved without the correction, which was against the Board's Bylaws. AHM is not perfect in reporting the minutes and the Board has been asleep at the wheel on more than one occasion. Dr. Sahlolbei informed the Board and Derek Copple and documented the major action, motions, reports and statements that were misrepresented in the Board minutes compared the minutes with the audio recording, but his concerns were dismissed (*Attachment G*). Prior to the monthly Board meeting, the Board should be required to reasonably review in detail the PVH budgets and financial performance with the hospital's Financial Officer, and take necessary action.

9. *Prior to monthly Board meeting, the Board must routinely review in detail the PVII budgets and financial performance with the hospital's Financial Officer, and take necessary action.*

We agree with this recommendation. Major discrepancies like the \$1,700,000 loss in FY 2007 reported in financial reports as opposed to a \$700,000 gain for the same year according to the audit are not discussed in public. The CFO must meet with individual board members without AHM presence to explain the true financial reports.

10. *Reopen the Obstetrics Department and hire qualified personnel to staff it.*

The Obstetrics Department is reopened. There was an incident last month where the hospital pressured an Ob nurse to work on the medical surgical floor. The nurse did not feel that she was qualified doing so and expressed her reluctance to work there without proper training and supervision, but she was

fired by the hospital. Good OB nurses are crucial for the OB department, and they are extremely hard to come across and should be protected from such discipline.

11. The Board should:

- a. Resolve the conflict among the Board, AHM, and the MEC; and*

The Medical Staff does not understand how the Board can claim that it has made any attempt to settle or resolve issues with the Medical Staff when they repeatedly refused to meet with us. In a meeting mediated by Senator Ducheny, we agreed to have a mutually selected mediator assist us with resolving our disagreement, but AHM backed out after we agreed on the mediator. Also, the Board has become heavy handed in its dealing with the Medical Staff, demanding credentialing to occur by deadlines it never previously required.

- b. Reopen the surgical services, thus giving the states' prisons a nearby hospital.*

The Medical Staff agrees that the surgical services need to remain open at any cost as it will and has saved lives. The Medical Staff had been asking for months for the department to reopen over repeated claims by the administration that it would open in January, then February, then March and so on. Mr. Fallon threatened to close OB and Surgery department again (*Attachment H*) for financial difficulties, but in the August Board meeting he had stated that the revenues are up with Surgery and OB reopened; which one is the truth?

Discussion:

In addition to the specific responses to the findings and recommendations of the Grand Jury, the Medical Staff feels the need to set the record straight regarding the following issues, in no particular order:

1. We find it interesting that the District's counsel attacked the Grand Jury for forming opinions without understanding all of the fine details and dynamics in Blythe, even though Mr. Fallon, who has not medical training, frequently gives his opinions regarding MEC responsibilities. Tellingly, at a recent Rotary club meeting he did not even know who made up the MEC. In fact, for two years, the administration has failed to recognize that Dr. Paglinawan is a member of the MEC. More recently they have refused to recognize Dr. Bakhtavar's membership on the MEC.

2. We disagree with Mr. Fallon's assertion that LifePoint was paid \$1.8 million per year. Once it decided to give up Palo Verde Hospital in March of 2005 due to the increased expense for retrofitting and severe decrease in revenues, LifePoint began showing a \$79,000 to \$155,000 monthly management fee for bookkeeping purposes, only for the last few months. Current Board member Steve Montgomery did not deny this when asked publicly. He was previously on the Board when

LifePoint managed the Hospital and he has knowledge of these transactions. In fact, the total charged in this fashion was only \$855,000 for the year, not \$1.8 million (*Attachment I*).

3. It must be noted that the Board has repeatedly refused to meet directly with the Medical Staff under the guise of Brown Act objections. The Board needs to stop hiding behind the Brown Act and needs to provide the Medical Staff with a forum to discuss its concerns.

4. The District's counsel correctly noted that the members of the Medical Staff are not employees of the District but work independent of the District. The MEC is only responsible to make a "recommendation" on credentialing for all applicants while the Board is the only authority that can actually approve credentialing. We have taken our responsibility seriously. There have only been three incidents over the last thirteen years when the Medical Staff has made unfavorable recommendation on an application to the Medical Staff. So, it is disingenuous for the District's counsel to infer that we arbitrarily reject physicians who wish to practice at the hospital. We have approved hundreds of other applications over that same time period. There have always been solid reasons for the Medical Staff to do what it has done. If one is not privy to the files and information we have, then a layman may not understand those reasons. Confidentiality rights prevent us from publicly discussing these files.

5. The legal definition of misfeasance, the term used by the Grand Jury, is performing a legal action in an improper way, which describes the actions of Derek Copple and Palo Verde Healthcare District Board. An example of misfeasance would be having an attorney be mistaken about a deadline and file an important document late. While the Board may feel that there has been no abdication of their responsibilities on oversight, the hospital continues to spend significant sums of money without Board approval. One example is that the new surgeon in Blythe recruited by the administration had been paid without a signed contract for months. Another case in point is the hospital spending over \$20,000 a month on Red Lizard, an advertising firm who is on the list of AHM consultants!, which has done little but generate a hand out advertising piece for the hospital. After Dr. Sahlolbei repeatedly criticized the pay without contracts, AHM has brought up several old and new contracts and got the Board approval. Yet, many CRNA contracts that has been paid are still not approved by the Board

6. The Board's decision to ignore the Medical Staff By-laws, apparently fully expecting the Medical Staff to contest the matter in court is a complete waste of public resources and can not be justified. There were four attorneys at many of the hearings all apparently being employed by the District. It remains to be seen exactly how much of the public's money has been spent on attorney's fees.

7. AHM has repeatedly had issues with verbally agreeing to a contract with a given party only to change the contract in written format, requiring further attorney intervention at cost to the district. This is but another example of the Board placing too much trust in AHM to appropriately manage the hospital's finances when they have proven themselves to waste public fund freely and are seemingly incapable of financial restraint while paying themselves handsomely.

8. At the outset, if the Board was truly concerned about sagging admissions and the financial demise of the hospital, they could have done something positive to improve it. But refusing to talk with the Medical Staff in closed session to resolve our concerns, and refusing to return our phone calls, and solely believing the word of an administration, which is trying to protect their million

dollar a year job by attacking and reducing the public opinion of the doctors in this town, is probably not the smartest way of fostering the hard work ethic on the part of the Medical Staff. Then to have the Board “incubate” the applications of the MEC members for “nine months” without taking action is nothing but retaliation, harassment and a blatant disregard for Medical Staff Bylaws and JCAHO mandates.

9. The hospital could have made millions of dollars over the last 18 months as it did in the first 18 months, but instead, by repeating the mantra that “they are not going to be told by the Medical Staff what to do,” even if it can improve the quality of patient care, they are driving this hospital down and forcing it to critically downsize services.

10. The hospital hired a psychiatrist to talk with the staff and a report was generated (without talking to any Doctor) averring to the harassment of the nursing staff at the hands of the doctors. Interestingly, there are no incident reports confirming these allegations, and there has not been any report of nursing resignation because of these alleged “harassment”. Richard Fallon leaked this unsigned confidential report to the local newspaper months after the work shop when it was the right time for his propaganda. The hospital did not take any action to follow the report and resolve the findings in that report. Also, recently, AHM succeeded in placing a few of their under qualified cronies who are beholden to the AHM for their jobs, to the management positions. They are actively campaigning to make complaints against Doctors to be used by the hospital to further target the opposition Doctors.

11. The hospital engaged the services of a firm to perform a “mock survey” in anticipation of a Joint Commission survey for critical access status. The survey slams the Medical Staff for the woes of the hospital with phrases and statements that look like they were written by Mr. Fallon himself. The hospital points out that it did not pay the firm for the mock survey, creating the impression of its impartiality, but it failed to point out that they offered to pay for a future consulting job to these surveyors on their first day of survey (a contract was then signed). Again, the surveyor spoke to no one in the Medical Staff to receive a different perspective. Amazingly, when the actual Joint Commission came to assess the facility for critical access status, the hospital failed to pass it based mainly on a myriad of problems not anticipated by the original “mock survey.” Interestingly, as late as September’s Board meeting AHM and the Board continue to refer to the findings of this hired gun “Mock Survey” rather than the accurate Joint Commission Survey, which is the gold standard, when it wants to generate propaganda against the Medical Staff. The Commission spoke to the Medical Staff at great length and agreed with our concerns, but stated that there was nothing they could do to help us. They recommended that we meet with the Board. They did not cite any of the allegations that the mock surveyors noted in regard to the Medical Staff. On reviewing the file of the anesthesiologist in question earlier, while the CEO has present, they agreed that there were problems with the file even to the extent that one of his references could not be used.



PALO VERDE HOSPITAL

Bringing Health & Care Together

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April 25, 2007

Jeff Flood, CEO
Palo Verde Hospital
Blythe, CA 92225

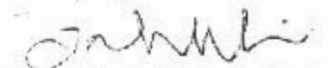
Dear Jeff,

For the last 16 months, the medical staff of Palo Verde Hospital worked hard and cooperated with you to support our community and our hospital. As I have stated before, we have seen sustained erosion in cooperation of the nursing management with us in the last few months. Although my last letter of April 24, 2007 to you was not by any means a criticism of your performance, it was to point out more problems with the CNO, and it was not sent by error.

At our emergency meeting of the medical staff last night, we discussed with Richard Fallon, COO, more details of our concerns. The mistakes made by the nurse management deteriorate the present and future care of our patients at Palo Verde Hospital. As in the case of firing the best nurse at our hospital, Julie Parton, we also believe that these kinds of action may expose the hospital and the board to litigation, especially when it looks like firing was retaliation for speaking out. At the same time other nurses with poor performance have a secure job in the same unit.

As a result, all the physicians present at last night's meeting (Drs. Barth, Bakhtavar, Brooks, Lucero, Mofu, Paglinawan, and Sahlolbei) agreed that the only way to resolve these issues is to organize a friendly, fair, and nourishing environment for our growing nursing staff. In order to achieve that goal, we firmly believe, Oscar Garcia, CNO, and his assistant, Andra, should immediately be removed from their management positions. Additionally, we urge you to reconsider the termination of Julie Parton, RN, after your detailed personal investigation of the facts surrounding this case.

Sincerely,


Hossain Sahlolbei, M.D.
Chief of Staff

Attachment A (A)

Rosalie Carlton

16 months ago I decided to compete for a position of the Palo Verde Health Care District.

My aim was to jump into the existing fire and try to help put it out. I knew the existing Board Directors and the local Doctors. I was appointed by the Board July 3rd 2007. Most of you who know me, probably did not know because it was never published in the paper. I really do not know why.

I promised to work hard, and keep my eyes straight on a mission for our Hospital to be recognized as the hospital of chose. Boy did I bump into a wall! By the next day I was labeled a Dr Sahalobei, fan.

I did not know much about him on a personal level, the only thing I can remember is that I stood up in a public meeting and voiced a compliment on his professional care he gave my mother, who chose with confidence to go through surgery here in Palo Verde Hospital in the care of Dr. Sahalobei. My mother has pretty good insurance coverage and she could have gone elsewhere. My mother recovered and was home after she stayed approximately a week.

A couple of days after I was appointed we had a special meeting. It was concerning the hospital state.

Prior to the meeting I was introduced to AHM and Attorney Jeff Scott. I was prepared for what I was to expect from Dr. Sahalobei.

We listened to AHM express the importance of saving the hospital from closure to move toward changing the hospital from acute to access.

A couple of weeks went by and then a next public meeting was scheduled. I was notified to come in get my package for the meeting approximately 2 days prior. I received a bunch of material to go over on my own time. I looked over the documents along with the financial report. I took the information on the Income and expense spreadsheet and entered it into my own excel program. I notice that all the cells added up and down except one cell. This was the cell that had the end of the year patient revenue.

It was not right. It was under my count a significant amount. I studied this sheet late into midnight and came to a decision that I was going to bring it up the next day. In the morning I contacted, President Director and left him a message that there was a discrepancy in the financials. He returned my call, 07-26-2007, approximately 50 minutes prior to the public meeting. He wanted me to bring what I have found to the administrative office before the meeting. I remember telling him it was too late and I would bring it up in the meeting. I was told that it was etiquette to leave it out of the public eye. So I took my findings to the office and I was left with only one member of the AHM. He asked me what I have found and he took my papers told me he would speak to the accountant. The next day I received a telephone call from the accountant to acknowledge that I was right. I told him that we needed to publicly correct the financial report. It was corrected in a subtle way. I was bothered that I was the only one who found it. Why didn't anyone else find it? I believe that proofing the financials is important rather than rubber stamping.

By this time my antenna was up:

Attachment B (B1)

One other time I went to the administrative office to pick up something and Richard Fallon asked to speak to me.

He told me that I was being watched and I should be careful on what websites I log on to.

I did not know where he was going with this but it made me feel uncomfortable, my skin started to crawl. I could not understand why he said that. I had logged on to a website that puts public records on it. I wanted to read up on a court case he was a defendant, being sued by Victor Valley Hospital.

I still to this day do not know how he knew, but it was my right to research this document. He told me that if, I needed any information about him or PVH to come to his office and he would provide it.

I went back a couple of weeks later, with questions regarding, the last 12 month Income and expense financial trends.

I remember giving some suggestions to him and the accountant regarding financial cover sheets. During that same meeting when we were alone I told him how he made me feel uncomfortable the last meeting I had with him. I gave him a little back ground about me. As I was leaving he asked me if I was planning on staying on board. I asked why? He told me that he wanted to introduce me to the department managers. I took it as if he did not want to waste his time. I told him it was good to meet them weather I stayed on or not.

By this time I was sure not to come back alone.

I remember the minutes of the previous meetings seem off. One example, on 9-27-2007 regular meeting, the agenda package included August 23rd minutes, page 13-item 9, indicates action was taken. I added during that meeting that the minutes were not right. We took no action and Director Bollinger and I went outside of the PV cafeteria, to the PV conference room front door and announced no action was taken.

Then I started receiving emails from Richard Fallon.

10-08- 2007, 7:14 PM-Fallon Request, if I had a few hours on Wednesday that I could stop by the hospital so Management could work with me on hospital affairs?

10-16-2007, 7:41 PM -I received email from Richard Fallon, Wanting to discuss the upcoming issues that I will be making decisions on before the meeting. "I do not want to replay of the last Board Meeting just trying to get the minutes approved. You can contact me at this email address or by telephone:

at 760-634-1545. let's get ahead of the curve before we dance in public, please. "cc Derik Copple

The next evening I received another email request to review the September minutes asking for my thoughts. cc Derik Copple

10-30-2007- during a break, after the Joint Commission meeting was announced, I overheard one of the board members suggesting to another board member to address Dr. Sahalobei by Mr. Sahalobei, so he would blow his cool during the joint commission meeting.

One other time I went to the administrative office to pick up something and Richard Fallon asked to speak to me.

He told me that I was being watched and I should be careful on what websites I log on to.

I did not know where he was going with this but it made me feel uncomfortable, my skin started to crawl. I could not understand why he said that. I had logged on to a website that puts public records on it. I wanted to read up on a court case he was a defendant, being sued by Victor Valley Hospital.

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I remember the minutes of the previous meetings seem off. One example, on 9-27-2007 regular meeting, the agenda package included August 23rd minutes, page 13-item 9, indicates action was taken. I added during that meeting that the minutes were not right. We took no action and Director Bollinger and I went outside of the PV cafeteria, to the PV conference room front door and announced no action was taken.

Then I started receiving emails from Richard Fallon.

10-08-2007, 7:14 PM-Fallon Request, if I had a few hours on Wednesday that I could stop by the hospital so Management could work with me on hospital affairs?

10-16-2007, 7:41 PM -I received email from Richard Fallon, Wanting to discuss the upcoming issues that I will be making decisions on before the meeting. "I do not want to replay of the last Board Meeting just trying to get the minutes approved. You can contact me at this email address or by telephone

at 760-634-1545. let's get ahead of the curve before we dance in public, please. "cc Derik Copple

The next evening I received another email request to review the September minutes asking for my thoughts. cc Derik Copple

10-30-2007- during a break, after the Joint Commission meeting was announced, I overheard one of the board members suggesting to another board member to address Dr. Sahalobei by Mr. Sahalobei, so he would blow his cool during the joint commission meeting.

I recall Richard Fallon making a statement that the Mayor and Riverside County Supervisor just wanted to cover their bacon.

At that moment I thought there would be no end to this constant drama. I felt that this behavior was an example of why Dr. Sahalobei is constantly trying to get his enormous concerns in just 3 minutes?

Later that evening on my way home I bought the newspaper our local newspaper and noticed they published there was going to be a Joint Commission Meeting before I heard about it that same night.

I wanted to be open minded.

I was asked by Dr. Sahalobei to go to a MEC meeting to sit and listen. So I went, without letting any Director Copple know. I just went to listen, on 11-29-2007, regular meeting Dr. Sahalobei announced that I was present at MEC meeting 11-21-2007. Director Copple told me that I could be liable and that I may not be covered under that PVHD insurance. Copple was disappointed that I did not let him know that I was going. I questioned attending, Attorney Blaise Jackson on his advice asking if I was liable and he replied, ask Attorney Jeff Scott (not present) for his opinion. This was not added to the minutes in the following month.

I felt threatened and chastised.

Then the email 12-19-2007, 8:59 AM- from Richard Fallon "Trish, I think we get a 3% raise in January."

I do not know why he sent this to me, but I believe it was an intentional mistake. At that time I already read what the existing contract between AHM and PVHD, that is was going to be a 5% raise. 5% of the 65K monthly salary AHM was already receiving.

(Speaking of the Contract concerns of no evaluation, there's such a thing of Contractor evaluation forms).

12-18-2007- My last regular meeting for the new installation of officers. We were all present

And Marty approach the table and before the meeting got started he went up to Derik Copple and

stated that PVT endorses him for the next president. Marty took a picture of me and went to the back of the room. Montgomery nominated Garnica for VP but did not vote for her. I nominated Garnica for President and voted for her. Copple was re-appointed for president and Bollinger was appointed VP.

Dr Brooks spoke to the group and remarked on Richard Fallon putting down the two Board Directors

In a memo 11-27-2007, "You are challenged as a Board President, saddled with two very naïve and gullible board members to lead this community's healthcare."

12-19-2007-The next day I went to work to find a message on my phone from Marty asking me to give him a call.

I returned the call only to be asked why I voted for Director Garnica and I told him that she would

Like the opportunity and that she was open minded. After the rest of the conversation with him, I decided to think about resigning.

12-19-2007, 6:00PM-Director Copple called and requested that we start the New Year with better communication.

Too Late! There was no trust!

12-19-2007, 10:32 PM- I received cc email from Richard Fallon to Bonnie Brown requesting a private meeting with me to discuss about him offending me.

12-19-2007, 11:05PM-

I received an email from you Richard Fallon "Life in the fast Lane" which I took as a threat. You added to your bottom of your email modified,

"Importat disclosure!

"This email message and any attachments are confidential and may be privileged *but may be discoverable under public records request. I strongly suggest that you delete this email and reply in a timely.*"

Cc Derik Copple

12-20-2007 -I took my resignation letter t Bonnie Brown at the PVH.

I felt that I was not going in the same direction as the majority, and I did not want to be associated with the current PVHD situations displayed to make me feel sick, intense with so many characters with grievances, own agendas, axes to grind and" crosses to bear. "

I hope that Our Community will go vote for New Day at PVH.

Larry & Rosalie Carlton

From: "Richard D. Fallon" <rfallon@ahmgt.org>
To: "Rosalie Carlton" <threscarltons@npgcable.com>
Cc: <DWCopple@aol.com>; "Jeff Flood" <jflood@ahmgt.org>
Sent: Wednesday, December 19, 2007 11:05 PM
Subject: Life in the fast lane

<http://query.nytimes.com/gst/fullpage.html?res=9E03E0DB1539F937A1575AC0A9649C8B63>

Rosalie

Please be careful where you go on this issue as I am well informed as I suspect you are. I know you are not at a level that makes these decisions, but we all have crosses to bear. I lost my investment. I think another company out performs El Paso every year and then comes the saying that I quoted. I am sorry if you were offended, but it was not my quote but rather theirs. I look forward to meeting with you to discuss this issue and some others that really affect the hospital.

Rich

Richard D. Fallon
President



4645 Ruffner Street Suite Q
San Diego, CA 92111
800.792.6557
rfallon@ahmgt.org
www.ahmgt.org

Importat Disclosure!

This email message and any attachments are confidential and may be privileged but may be discoverable under a public records request. I stongley suggest that you delete this email and any reply timely. If you are not the intended recipient, please notify Advanced Hospital Management, Inc. immediately by telephone at (800) 792-6557 or by email at rfallon@ahmgt.org and destroy all copies of this message and any attachments.

12/28/2007

B6



PALO VERDE HOSPITAL

Community Care for All

Medical Staff Office
250 North First Street
Blythe, California 92225
760 921 5142 P
760 921 5170 F
www.mypvh.org

→ IG BB
July 17, 2008

Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

As per our conversation today you informed me that Dr. Strecker does not have Conscious/Moderate Sedation Privileges and can not assist me in taking care of a patient already scheduled for a procedure. This patient has already been bowel prepped and the hardship on her should have been your concern. You also were concerned with the possibility of an emergency situation in case anesthesia was needed and since CRNAs are under the effect of the TRO obtained today thru the court.

Under Medical Staff Bylaw Section 6.6 it clearly states that in the event of an emergency any person shall be permitted to do whatever is reasonably possible to save the life of a patient or to save a patient from serious harm within the scope of individual license. As I stated to you today, Colleen Estes, CRNA is available and could perform anesthesia under this emergency privilege clause. As you can see there is no need to worry about an emergency situation. Additionally, Dr. Strecker *does* have privileges for Conscious/Moderate Sedation.

I was also informed that you have placed OB and Surgery on diversion but as I have stated previously, Medical Staff Bylaw Section 6.6 allows the hospital Operating Room to function for emergency surgeries and OB needs. Please allow the OB and Surgery department to stay open for emergency cases, and elective cases for which a practitioner with conscious/moderate sedation privilege can provide appropriate sedation, in order not to deprive the community of available elective or emergency services. Since we have physicians and CRNAs available, placing the OB and Surgery departments on diversion could cause potential unnecessary harm to patients of this community.

I appreciate your reconsideration of placing OB and Surgery on diversion today.

Sincerely,

Hossain Sahlolbei, M.D.
Chief of Staff

Attachment C

(c.1)



PALO VERDE HOSPITAL

Blythe, California 92225

Medical Staff Office
250 North First Street
Blythe, California 92225
760 921 5142 P
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www.mypvh.org

July 17, 2008

Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

Per our conversation yesterday, I have selected another anesthesia provider to proctor our CRNAs. He is Jim Couch, CRNA (phone number 501-825-8391) who is available on short notice for any day, for proctoring. Dr. Jeremiah Maloney, V., Anesthesiologist, is also available for selected days for proctoring. I wanted to discuss this with you at last night's MEC Meeting, but you were again absent. Since you have not attended multiple recent MEC Meetings, important communication needed to go between the MEC and the Board could potentially be jeopardized. We urge you to attend all MEC Meetings or at the minimum send a representative who could communicate MEC concerns and findings with the Board to prevent any uninformed decision or resolution passed by the Healthcare District Board.

Also, as per the temporary restraining order issued by the court, the proctoring of CRNAs are to be performed according to the Medical Staff Bylaws. Consistent with Bylaws Section 6.6, *any non proctored CRNA is qualified to perform anesthesia within the scope of his or her practice in an emergency situation to prevent serious harm to a patient or loss of life.*

I have not received a response to my letter dated July 16, 2008 regarding the unnecessary diversion of OB and Surgery, and as I am now stating for the second time, the Medical Staff urges you to keep the OB and Surgery open for emergency cases to prevent any harm to a patient in our community.

Sincerely,

Hossain Sahlolbei, M.D.,
Chief of Staff

Cc: Derek Copple, President
Palo Verde Healthcare District Board

02

To all Health Care Providers:

We as staff are responsible for quality patient care. In providing this high level of care we must discourage any patient care provider from preventing this. On that note, we will no longer entertain any patient care provider when they are discussing matters that do not relate directly to our patients. Gossip of any kind is not acceptable at the nurses station, in the halls, in patient's rooms, etc. If any patient care provider begins to talk about "anything" other than patient related items, you are to walk away immediately and do not respond.

We are what make up this hospital. If we do not stand behind each other and provide the support needed to make this hospital great then we will be no better than those who want to see us fail as a group. We all deserve better and I expect everyone to participate in avoiding the very things that are tearing us apart.

Roseanne Pahnka, RN, B.S.N., MST Manager



Attachment D

DI

January 22, 2007

Jeffrey Flood, CEO
Palo Verde Hospital
250 North First St.
Blythe, CA 92225

Dear Mr. Flood,

I have been informed, and reviewed several cases that have brought concerns regarding diagnostic accuracy of ultrasound technique at PVH.

Additionally, some non-invasive vascular diagnostic tests like ABI, or prostate exams and echocardiograms are not performed at PVH.

I believe that we can improve patient care by offering supervised onsite training to our radiology staff at PVH.

Sincerely,

Cecil Bowen, M.D.
Director, Radiology

Attachment E

(E1)

Pars Surgery Inc.
Hossain Sahlolbei, M.D., F.A.C.S.

*Diplomate American Board of Surgery
Fellow American College of Surgeons*

205 North first St.
Blythe, CA 92225

parssurg@gte.net

Phone: (760) 921-2342
Fax: (760) 921-2756

February 06, 2007

Jeffrey Flood, CEO
Palo Verde Hospital
Blythe, CA 92225

Dear Mr. Flood,

On 02-05-07, Christina Lopez was presented to the ER at PVH for evaluation of abdominal pain. She complained to Dr. Rodriguez, her PCP, that she was encouraged by the ER nurse to leave PVH and go to Parker Hospital rather than waiting for hours.

I would appreciate it if you investigate this matter and take appropriate steps to prevent release of a patient without evaluation.

Sincerely,

Hossain Sahlolbei, M.D.

E2



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April 24, 2007

Dear Jeff,

I have serious concerns for placing a "warm friendly body" in different nursing positions. On April 16, 2007, I was looking for the house supervisor when multiple employees at nursing station reported that Margareta is the house supervisor, and she confirmed. Later, when I inquired about her lack of qualification as an RN, Oscar Garcia, CNO, came over and reported that now he was the house supervisor. Before this, I had heard from multiple employees that she was acting as the house supervisor but did not take it serious until I experienced it myself.

Oscar also threatens Rosie Castro to "go home" when she voiced her opinion related to her concern over a newborn by calling CPS. When there are some nurses who make major clinical and personal mistakes, get multiple final warning, continue to be a problem and my complaints to the CNO has falls on deaf ears, it is not appropriate to threaten to fire a nurse with 30 years of excellent service to PVH, only for a verbal disagreement.

We need an environment that retains and rewards good employees based on their performance. Treating all the same rewards bad behavior.

As always, I appreciate your assistance in these matters, and I apologize for being late sending you this letter.

Sincerely,

Hossain Sahlolbei, M.D.
Chief of Staff, PVH

EB



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www.mypvh.org

April 30, 2007

Hossain Sahlolbei, MD
Chief of Staff
Palo Verde Hospital
250 North First Street
Blythe, CA 92225

Dear Dr. Sahlolbei,

I am in receipt of your April 26, 2007 letter whereby you attest that Mr. Oscar Garcia, CNO responded to your "staring at him" by "smirking and then flipped me."

Knowing that there are two sides to every story you have my assurance that I will look into your accusations.

→ No response

Sincerely,

Jeff Flood, CEO
Palo Verde Hospital

E4



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December 18, 2007

Derek Copple, President
Palo Verde Healthcare District

Dear Derek:

In response to the near year-long ongoing campaign of misinformation which has been and continues to be waged against the Medical Staff by this Administration (AHM), I state the following historical facts for the record:

On November 15, 2006, Dr. Sahlolbei gave a 90 day notice of termination of his call contract to the CEO and the Board. Yet, the CEO and the board made no alternative plans for call coverage and acted surprised when he did not agree to be on call in May 2007. This was a major mismanagement and yet the Board did not hold AHM responsible.

In December 2006, Dr. Sahlolbei inquired about whether the Healthcare District Board was looking for another CEO while it was negotiating with AHM. The board president, Derek Copple, responded with a "yes." However, no other CEO candidate was ever interviewed and no investigation was conducted using comparable salary schedules to determine the compensation to AHM totaling close to \$100K a month.

Since February 2007 Dr. Sahlolbei has expressed the Medical Staff's concerns about the lack of effective CEO oversight, and nepotism by the nursing managers. Yet the Board President did nothing to investigate these concerns and did nothing to hold the CEO responsible. As a result, things got worse. The operating room director being harassed for complaining about deficiencies, and an OB patient left with Foley bag filled up with urine after delivery, were two of many complaints reported to Derek Copple.

The CEO and Derek Copple were present in the MEC meetings in March and April 2007 when major concerns about AHM's mismanagement were discussed, including the nurse manager's ongoing pattern of abuse; blatant nepotism; misuse of overtime pay; lack of qualified staff and equipment; and the complete lack of leadership on the part of the CEO in the face of these problems. The CEO said "I heard you loud and clear" but nothing was done and things got worse.

On April 25, 2007 the MEC issued a report following an emergency meeting it held concerning the issue of nepotism and its negative effect on patient care. The COO Richard Fallon ignored this report. The next day, Dr. Sahlolbei asked Derek Copple for a closed session meeting with the Board to discuss these issues, but he rejected that request, claiming that he was following the advice of the

governance. Credentialing recommendations are the responsibility of the Medical Staff not the president.

The Administration has repeatedly blamed its own inability to provide the services needed at this hospital on the medical staff bylaws. However, the CEO has been unable to identify a single physician whose credentialing was delayed unreasonably.

In September 2007, Dr. Sahlolbei had a private meeting with the CEO when he claimed no knowledge of the following:

- The August 13, 2007 e-mail from the hospital's attorney reporting the Administration's desire to release anesthesiologist Dr. Barth as of September 1, 2007.
- The \$400,000 offer Dr. Sahlolbei made to the Board's attorney to be used to pay for AHM's severance pay should the Board decide to terminate the current management contract to prevent more loss.
- The e-mails from Dr. Sahlolbei's attorney regarding his agreement to cover call by using contracts used with other physicians, a solution which was first suggested by the Richard Fallon, COO in his June 8, 2007 letter to Dr. Lucero.
- The fact that the confrontation between AHM and the Medical Staff was due to months of disrespect by the Administration of the Medical Staff's legitimate concerns, with the Administration insisting on characterizing the issue as the firing of a single nurse. While the Medical Staff was righteously concerned about the firing of one of the best nurses at the hospital on her day off without basis, the Administration has always known that the problem is systemic and this was a single example of a much larger concern on the part of the Medical Staff; Administration nepotism and mismanagement.

Multiple requests for a meeting with the Board have been ignored by Derek Cople citing concerns with violation of the Brown Act Law. However, curiously, the same hospital's attorney Jeffry Scott reportedly told Dr. Brooks that violation of this law was not that important since no one gets prosecuted for these things.

On October 25, 2007 Dr. Sahlolbei wrote to Derek Cople questioning alteration of the Medical Staff's Report on the Board's Agenda. This letter was also ignored. Then, just before the meeting the CEO told the Medical Staff coordinator that he intended to give 20 minute for that report. This was too little, too late. A written respond would have been more appropriate, and loss of memory would have not been a factor.

On November 2, 2007 Dr. Lucero wrote Derek Cople regarding the credentialing of CRNAs and the hospital selectively using public funds to pay the application fees for two CRNA candidates. Later, the same thing was also done for Dr. Yang and Arko. Additionally, the Board's attorney, Clark Stanton failure to respond to the Medical Staff's legal concerns regarding CRNA supervision was also reported. This letter was ignored.

On November 15, 2007 Dr. Sahlolbei wrote Derek Cople regarding the Board's violation of California Public Record Act by not providing some requested documents. In that letter Dr. Sahlolbei

Board's attorney. Apparently, the attorney told the Board that the whole issue was because of hospital firing of a nurse, which was not the case. That was the tip of the iceberg of worsening nepotism and favoritism which has jeopardized the patient care, and the attorney misinformed the board. As a result, only then the Medical staff hired its attorney to assess the issue. In the end, the Medical Staff's concerns were inappropriately aired in the public meeting.

On April 26, 2007 Dr. Sahlolbei wrote to the CEO requesting that he investigate an incident in which the Chief Nursing Officer "flipped him off." In response, Dr. Sahlolbei was told "we will look into it." Months later during the September Board meeting, the CEO said that an investigation had been conducted regarding this issue. However, none of the principle witnesses were ever interviewed. What kind of investigation does not include the interviews of the principle witnesses? Dr. Sahlolbei has still not been told the results of this "investigation."

On May 9, 2007 Dr. Sahlolbei wrote the CEO a letter regarding the safety of hospital employees and need to follow the processes set in the bylaws for investigation of any complaints against any physician. This letter was ignored.

On May 9, 2007, the medical staff got what has been to date its one and only chance to discuss their concerns directly with the Board. Members appeared to be paying close attention to what was being said. The Medical Staff members were asked to "talk slowly" as Board members Mr. Copple, Mr. Bolliger and Mr. Montgomery made notes. Yet, no action was taken by the Board about these concerns and the Board later claimed that it was waiting for the Medical Staff to make their complaints in writing.

On May 31, 2007, when the Medical Staff Report was missing from the Board's Agenda Derek Copple said "we will have to decide at a future point why it was not on the agenda..." but he never told the Medical Staff why its report was missing from the Agenda. Also, he could have easily added it to the Agenda with the board consent!

On August 1, 2007 Dr. Sahlolbei wrote to Derek Copple regarding the hospital's request that the Medical Staff pay for conducting quality assurance for the hospital radiologist. This letter was also ignored.

On September 6, 2007 Dr. Sahlolbei wrote to the CEO requesting that OB services be restored since the suspension was issued without consultation with Dr. Barth, who was available, or the Medical Staff. This letter was ignored.

On September 12, 2007 Dr. Sahlolbei wrote to the CEO about the legal problem the Medical Staff perceives with the supervision of CRNAs and the payment for the use of outside resources to perform peer review and proctoring when necessary. This letter was also ignored.

In his September 17, 2007 memo to the Palo Verde Valley Times, Derek Copple mentioned that the Administration had recruited "a new General surgeon to move to Blythe" and that "he appears to be well regarded, competent and professional." The Medical Staff did not even have his credentialing file completed by then. How can the Board president, who is not a physician, express an expert opinion that this surgeon is competent and professional before legally required credentialing has been completed? The Board and the administration should not be interfering with the Medical Staff's self-

also requested a signed copy of the letter from the psychologist who was quoted in a Palo Verde Valley Times article. Derek Cople had admitted that he had seen the letter, but the hospital CEO claims that the signed copy of that letter does not exist. Similar requests were previously made on October 9, 2007 in a letter to the COO and on October 17, 2007 in a letter to Jeff Flood. All of these letters were ignored, as was Dr. Sahlolbei's request for the Board's assistance in investigating and protecting employees as a follow up to the subject article.

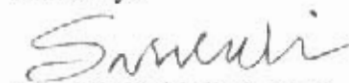
On November 19, 2007 Dr. Sahlolbei wrote to Derek Cople requesting a follow up meeting with the Board after meeting with City and County officials. This letter was also ignored.

During the Board meeting on November 29, 2007, Derek Cople stated that based on his own experience as an ER nurse, he believes that Propofol is a dangerous medication. This statement was made in response to the Medical Staff's recommendation for one modification to the present conscious sedation policy by adding Propofol (only the old policy was provided for review). This request was denied, and later, patient SC (MR# 136736) with unsuccessful wrist relocation, and patient EH (MR# 197250) with traumatic intubation were denied the benefit of this drug. In that same meeting, Mr. Bolliger also appeared to be giving expert advice based on his research for credentialing physicians for our hospital. The Medical Staff was delegated the authority over these issues by the Board for its legal protection. It is completely inappropriate for any Board member to act on its own expert opinion on credentialing which undermines the independence of the Medical Staff on this issue, and exposes the Board to liability.

In the same Board meeting, the harassment policy was discussed as a priority. Yet, the same Board has not asked for an investigation of the Chief of Staff to protect the employees of PVH for what Richard Fallon wrote on 11-27-07: "Doctors, nurses, managers, and politicians are afraid of him."

The litany above clearly demonstrates that it is time for a change. The Board president has not satisfied his obligations to the constituents of the Hospital District Board by ignoring the Medical Staff's concerns at every turn while maintaining a "hands off" approach toward the administration's mismanagement which has cost millions of dollars, and has jeopardized patient care. It is time for the Board to answer the concerns laid out in this letter. We appeal to you to support a new president who is more concerned with patient care by creating harmony between the three legged stool of the Board, the Medical Staff, and the administration rather than creating more income for attorneys by hiding behind the Brown Act Law (for one meeting not the other one) to prevent serial meetings with the Medical Staff.

Sincerely,



Hosaalin Sahlolbei, M.D.
Chief of Staff

Cc: All Board members



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April 1, 2008

Hossain Sahlolbei, M.D.
Chief of Staff
Palo Verde Hospital
250 No. 1st Street
Blythe, CA 92225

RE: MR# 198309

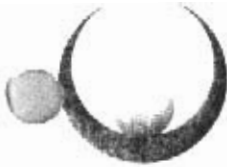
Dear Dr. Sahlolbei:

After reviewing the incident where a patient died in the ICU on March 1, 2008, the Peer Review committee concluded that a med/surg nurse was assigned to the Intensive Care Unit without sufficient training or qualifications.

Sincerely,

Adolfo Paglinawan, M.D.
Chair, Peer Review Committee

E9



PALO VERDE HOSPITAL

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May 6, 2008

Jeff Flood, CEO
Palo Verde Hospital

Dear Jeff,

I received your memo of 4/30/08 when you ordered Propofol, Ketamine and Etomidate be removed from the Emergency Room Pyxis machine.

As per bylaws 6.6 (a):

In the case of an emergency, any member of the medical staff, to the degree permitted by the scope of the applicant's license and regardless of discipline, staff status, or clinical privileges, shall be permitted to do everything reasonably possible to save the life of a patient or to save a patient from serious harm provided that the care provided is within the scope of the individual's license.

The ER physicians routinely intubate patients for elective or emergency situations as a part of their practice with the above medications. It is essential that, in emergency cases, when life and limbs are at stake, the ER physician be able to use any medication necessary for those patients. Although I appreciate your background in pharmacy, this medical issue should have been discussed and agreed upon with the MEC before action was taken.

Please direct the pharmacist to have those medications available in the ER Pyxis to prevent any future patient's pain, suffering, or loss of life or limb. We will discuss this issue in your presence at the next MEC meeting.

Sincerely,

Hossain Sahlolbei, M.D.
Chief of Staff, PVH

E10



PALO VERDE HOSPITAL

1000 North First Street
Blythe, CA 92225

Medical Staff Office
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May 20, 2008

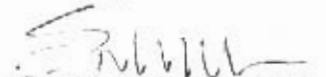
Jeff Flood, CEO
Palo Verde Hospital
Blythe, CA 92225

Dear Jeff:

According to the JCAHO standard MS.4.00, in order to grant the privileges, the resources necessary need to be determined. A part of the decision process on granting privileges is the availability of ICU.

As we are working to reopen the operating room, it is more crucial for the MEC to know what your intentions are relating to the re-opening of the Intensive Care Unit. Please let us know as soon as possible what your plans for opening the ICU are in order for the MEC to decide on what procedures should be safe to perform here.

Sincerely,


Hossain Sahlolbei, M.D.
Chief of Staff

E11



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June 3, 2008

Jeff Flood, CEO
Palo Verde Hospital
250 N. 1st Street
Blythe, CA 92225

Re: Proctoring CRNA

Dear Jeff:

About two weeks ago you asked to be the person who writes appointment/reappointment notification letters to practitioners at PVH. A part of these notification letters for appointment informs the practitioner who the proctor is.

The Board accepted recommendation of the medical staff for John Keenan and Michael Lynn and no such notification was sent. These practitioners are practicing against the proctoring policy of the medical staff bylaws since you failed to appropriately consult the MEC on that issue.

Please forward to MEC the names of the anesthesiologist that you have in mind in order to take appropriate proctoring steps. Alternatively, the MEC can give the name of anesthesiologists that could proctor the CRNAs and you can make financial arrangements to bring them on board.

Sincerely,

Hossain Sahlolbei, M.D.
Chief of Staff

E12



PALO VERDE HOSPITAL

700 North First Street
Blythe, California 92225

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June 13, 2008

Jeff Flood, CEO
Palo Verde Hospital
Blythe, CA 92225

Dear Jeff,

I have received no response to my letter of June 11, 2008, to you regarding Dr. Tong's suspension. Today, she was again informed that she has been suspended for incomplete medical records. She is on-call today and since you have suspended her unilaterally without prior notification to the Medical Staff, the Emergency Room is now left without Pediatric coverage, and should have been placed on diversion. The suspension was based on hospital policy instead of the Medical Staff Bylaws which governs the physicians who practice at the hospital. Once again your action is in violation of Medical Staff Bylaws Section 7.3-3, rules and regulations Section 6.14(a).

Your illegal action impedes Doctor Tong's practice and may put Pediatric patients in jeopardy. Since this suspension is in violation of Medical Staff Bylaws, we do not recognize this suspension as legitimate and will not be counted against Dr. Tong. Once again I urge you to follow the Medical Staff Bylaws that were approved by the Board.

Sincerely,

Hossain Sahlolbei, M.D.
Chief of Staff

Cc: Dr. Tong
Department of Health Services
Joint Commission

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PALO VERDE HOSPITAL

250 North First Street
Blythe, California 92225

Medical Staff Office
250 North First Street
Blythe, California 92225
760 921 5142 P
760 921 5170 F
www.mypvh.org

June 30, 2008

Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

In your letter of June 16, 2008, you stated that John Keenan, CRNA has completed a period of proctoring at Palo Verde Hospital. I have looked into his credentials and no such proctoring has ever been completed at this facility. Additionally, Mr. Keenan has recruited all of the other CRNAs and controls the scheduling for the current CRNA assignments. As such, there may be a conflict of interest for him to proctor all of the other CRNAs, even if he had completed a proctoring period himself.

Dr. Brad Barth, Anesthesiologist who is a member of the Medical Staff, and Dr. Ibrahim, Anesthesiologist, who is a member of the Medical Staff at JFK Hospital, have agreed to perform proctoring of all CRNAs once you make financial arrangements with them. Please complete the financial and scheduling arrangements in order for them to proctor any CRNAs for the first six general anesthesia cases as per the proctoring policy.

Sincerely,

Hossain Sahlolbei, M.D.
Chief of Staff
Palo Verde Hospital

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PALO VERDE HOSPITAL

Medical Staff Office
250 North First Street
Blythe, California 92225
760 921 5142 P
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www.mypvh.org

July 7, 2008

Mr. Derek Copple, Board President
Palo Verde Healthcare District Board of Directors
250 N. First St.
Blythe, CA 92225

Dear Mr. Copple,

I appreciate your cooperation in correcting the misstatements in the minutes of the following four PVHD Board meetings rather than denying my request to correct minutes and involving attorneys which was the Board's practice in the past. In addition to the four Board Meeting Minutes that are up for approval in the next meeting, I also included July 26, 2007 minutes that need to be modified even though you have already approved those minutes.

It costs the PVHD Board and me a large amount of attorney fees to correct misstatements in the May 31st, June 14th, and July 3rd, 2007 minutes. Since then there has been many misstatements from the August 2007 through March 2008 PVHD Board Meetings, which I have not had time to go through the official recordings and correct them.

The 2007-2008 Riverside County Grand Jury Report (finding #8) explicitly finds that the Board has had little time to study the financial and operational data, regulatory compliance issues, and previous Board meeting minutes. I recommend that all individual Board meeting minutes be discussed in detail and the public be given three minutes at that time to discuss and correct the minutes accordingly, rather than having four Board minutes presented at the same time, and expecting the public to discuss all misstatements in the three minutes time period allowed.

The misstatements along with the corrections are as follows:

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PALO VERDE HOSPITAL

Medical Staff Office
250 North First Street
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July 8, 2008

Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

I received your "brief" three page letter, dated June 24th, in response to my letter of June 17, 2008. Although the letter is filled with a lot of misunderstanding, misinformation and misstatement on your part, I will try once again to clarify your misguided statements. To begin with, since you have been a no show at the MEC Meetings, I wonder how you or the Board has enough information to make statements or allegations.

Your closing of the Surgery Department followed months of your public defamation and slanderous statements against Dr. Sahlolbei specifically, and the MEC in general, made only in retaliation for speaking out against actions you have taken that jeopardized patient care, and in order to force your critics out of town. The record is clear that you could have kept the Surgery Department open if you had bothered to discuss the lack of anesthesia provider's with Dr. Brad Barth who was willing to provide that service pro bono, at least for a short period of time. You also have forgotten that John Keenan was not contracted to work at Palo Verde Hospital according to your own letter of August 31, 2007 to Dr. Bakhtavar, when you asked him to supervise the CRNAs and he agreed in order to keep the Department open until the issues were resolved.

If there are qualified surgeons, anesthesiologists and CRNAs who really want to apply to Palo Verde Hospital and be a part of healthcare providers to this community, they would not have withdrawn their applications, which are pending with the Medical Staff, unless they feel that we are asking questions or looking for information which could expose their lack of qualifications; or just like some CRNAs they get deployed overseas, or like some surgeons who got a job elsewhere. Every physician knows that the process of credentialing could be prolonged and tedious and it is the responsibility of the applicant to prove his qualifications to the MEC. The MEC has not failed to meet its substantive responsibilities in matters pertaining to the quality of patient care and delivery of essential medical services to the community. In fact it is our duty and responsibility to the patients and the community to voice our concern when we feel that Administration is

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not placing qualified people in places that have direct impact on patient care, and we will not use the facility that could harm patients with inadequately trained staff. That is substantive responsibility for quality of patient care and delivery of essential "standard" medical service to the community.

In your letter of June 16, 2008 (page 5) you clearly stated that "*The proctoring requirements set forth in the Bylaws and the Medical Staff's Rules and Regulations simply do not apply to AHP*" (certified registered nurse anesthesia, CRNA). That statement clearly confirms the depth of your ignorance toward the Medical Staff Bylaws and Joint Commission Standards. That same statement is contrary to your letter, one week earlier, of June 9, 2008 when you did say that "*the new CRNAs would need to be proctored.*"

It is very obvious that you are back tracking on the issue of proctoring CRNAs. As in Dr. Arko's reappointment letter which I sent, I took the responsibility of writing the letter and as the Chief of Staff I assigned a proctor and notified the practitioner that he must contact the proctor and follow the proctoring policy for the "first" three procedures. In the case of CRNAs you took it upon yourself to send the appointment letter but failed to communicate that with me so I could correct your misunderstanding and find a qualified proctor to follow the proctoring policy for CRNAs. In fact you didn't even acknowledge that there was an issue until you received my letter of August 3, 2008 questioning your wisdom of sending the letter of appointment without assigning a proctor. In fact in that letter I asked you if you had any suggestion for appropriate proctoring and your response was to waive the proctoring requirements of the Bylaws unilaterally and illegally. This is a case of putting the cart before the horse. You mentioned that John Keenan does not practice full time at the hospital and therefore other alternatives need to be explored. Please notify me if you know any anesthesia provider or CRNA who does practice full time at the hospital.

You claimed that the MEC failed to give consideration to the use of a proctoring report from other institutions and /or using the surgeons as proctors. Again I refer you to my letter of June 18, 2008 which I explain in detail the problem with using surgeons as proctors and again I explained to you that it is the first six cases of general anesthesia that needs to be proctored which means you already violated that proctoring policy. I also refer you back to my letter of May 6, 2008 to you where I clearly stated "surgeons who are not anesthesiologists do not have the skill or knowledge by way of training or experience to supervise CRNAs." We agreed to shoulder higher liability after you agreed to indemnify us for supervising CRNAs in your letter of May 12, 2008, in order to facilitate opening of the Surgery and OB Department (which has not opened yet).

You continue to regurgitate your unfounded opinion that using Mr. Keenan, CRNA as a reference for other applicants, should be acceptable to the MEC but as per section 5.5-4 it is the MEC, not the hospital CEO, who should be satisfied with the applicants qualifications and ethics and the MEC may "seek additional information" in order to make a qualified recommendation.

Since you have not attended MEC meetings you are not familiar with Keith Michon's appointment application which was submitted on April 24, 2008 before the issue of indemnification and modification of the Medical Staff Bylaws was resolved at the May 29th, 2008 Board meeting, allowing CRNAs to practice at Palo Verde Hospital. In fact I made no recommendation of appointment of John Keenan and Michael Lynn, CRNA until the Board first approved the modification of Bylaws allowing them to practice at PVH. Keith Michon has been invited for an interview and like the other four CRNAs will be considered for recommendation if there is no problem found at the time of the interview. He has personally asked for an interview to be delayed until August 14th when he is available and the MEC schedule was modified to accommodate Mr. Michon.

In the closing comments you mentioned that "it is unclear what the MEC has done" up until June 17, 2008 regarding Dr. Elisha, which shows the depth of the Palo Verde Healthcare District Board illegal action taken on June 19th, 2008, to grant privileges to Dr. Elisha when they are still unclear about what the MEC has done regarding an application. The smart thing to do would be to attend an MEC meeting so you could be "clear".

Finally, I remind you that we spent hours of Senator Ducheny's valuable time at her office to come up with the idea of mutually accepted mediation, however you and the Board reneged on that, which confirms your concern about your false and unfounded basis for this entire letter writing campaign and position of the Board on Medical Staff issues.

Now I will respond to your letter dated June 25, 2008. The Board's illegal Resolutions regarding Dr. Arko also confirms your malice and unfounded position regarding Medical Staff issues. It is interesting that you had some concern regarding Dr. Farsad's availability to serve as a proctor, although you never discussed the issue with Dr. Farsad until I pointed out your failure to contact him. Again, if you were sincere about your worries regarding proctoring you could have come to MEC meetings (which you are usually a no show or stay only for a few minutes) and discuss your concern, rather than walking a surgeon who is not credentialed in this hospital into the Recovery Room, violating patient confidentiality and privacy declaring that "this is my hospital." We agree with you that "the hospital's inability to provide anesthesia and surgical services for the past eight (8) months has created a crisis for the residents of the community and for individuals traveling along the I-10 corridor." This crisis could have been prevented however, if the well paid management company of Palo Verde Hospital had made long term plans and listened to Medical Staff concerns about the deterioration of quality of care provided by the hospital. If you had spent as much time and effort on obtaining surgical, anesthesia, quality nursing managers, and other Medical Staff needed services (like outside reviewer, which you refused to pay to perform quality assurance for our sole hospital radiologist) that you spent to obtain your like your long term contract we would not be in this crisis.

Interestingly, you continue to print sound bites claiming that "hospital management and the Board will continue to try and work with the MEC..." You personally and

unilaterally removed three crucial and useful medications for patients in the Emergency Room based on your own opinion and against Pharmacy /Therapeutic Committee, and MEC recommendations. You also suspended Dr. Tong for Medical Record delinquency, leaving the hospital without pediatrics coverage for the Emergency Room, without appropriate notification to her and against the Medical Staff Rules and Regulations section 6.14(8) and Medical Staff Bylaws section 7.3-3 which authorizes CEO and Chief of Staff to agree in writing. Is that an indication of how you work with the MEC?

We were still confused how you are trying to work when you ignore every recommendation and deny every request that the Medical Staff makes of you and you do not accept mediation.

Let's for one moment use our common sense rather than just look at the attorneys talk regarding O'Byrne case regarding the contract. Doesn't it seem reasonable to proctor and unknown practitioner for the first few cases to find out if that practitioner is safe and qualified to practice without oversight while the one or two year observation period is conducted, or do you think we should allow the practitioner to practice for weeks and months and then review charts to find out that multiple patients have been harmed and then try to fix it. That is why preventing a disease is more important than treating a disease. The only way you can assess current competence and protect the patients is to perform proctoring as per our proctoring policy for the first cases mandated and waiving initial proctoring essentially destroys the spirit of patient protection and review of current competence.

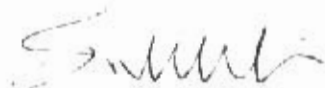
When we pick a proctor like Dr. Farsad and you ignore the whole process what is the guarantee that if we recommend other proctors you won't do the same.

I don't understand the contradiction of your own statements in one letter, whereas at the end of page 2 you state that "Proctoring is not mandated by either state law or the Joint Commission..." However on page three you state that "Whereas under California law a proctor's only responsibility is to observe and evaluate the practitioner's judgment and performance." How could a proctor who has no training in anesthesia evaluate an anesthesia provider's performance?

If the meet and confer meeting which was clearly stated to be regarding credentialing of the CRNAs, which you claim was held up in MEC (for 10 days!), not proctoring, how could "any dispute" to be discussed include proctoring, which was an issue after approval of credentials which was not even done. Once two of the CRNA who showed up for interviews were approved the meet and confer for credentialing seemed pointless given that the MEC had done all it could regarding appointments of the 3 CRNAs, and since Mr, Keith Michon, CRNA did not participate in an interview, we could not approve his credentials. Additionally, as I stated before and I will state again, planning the meeting at the time and place convenient to the Board not the Medical Staff shows bad faith in the Board's intention regarding Medical Staff credentialing.

Finally, I have not heard from you, when over a week ago I informed you of the two anesthesiologists that I have selected for proctoring CRNAs and a new CRNA just started working yesterday without proctoring. Had you made arrangements to bring either one of the Anesthesiologists to proctor the present CRNA, the Medical Staff Bylaws and Proctoring Policy would not have been violated again.

Respectfully



Hossain Sahlolbei, M.D.
Chief of Staff

Cc: Senator Denise Moreno Ducheny
Michelle Doty Carbrera, Legislative Aide
Richard D. Fallon, C.O.O.

E20



PALO VERDE HOSPITAL

Medical Staff Office
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760 921 5142 P
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www.mypvh.org

July 9, 2008

Richard Fallon, COO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Fallon,

I will not spend any more time responding to your many false statements made in your letter of July 8, 2008 as this case will be decided thru litigation.

As to your request for a "meet and confer in good faith" between the Board and the MEC, it seems you again forgot the "good faith" part of that statement. It is not a good faith effort on your part to give the MEC less than 24 hours notice to have a meeting at your convenient time and place, which is not the same for the MEC.

The MEC can not be prepared to discuss "any dispute" over any applicant or any credentialing matter unless the Board specifies the area of dispute in order for the MEC to prepare and be informative and useful for that meeting.

If the Board wants to meet and confer in good faith with the MEC, we have to come up with a mutually acceptable time, date and place for the meeting. I recommend Tuesday, July 15th, 2008 at about 6:00pm. If that time is acceptable then we will choose a place convenient to the Board and MEC. which would not be the Executive Offices.

Sincerely,

Hossain Sahlolbei, M.D.
Chief of Staff

Cc: Jeff Flood, CEO
Derek Copple, Board President

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PALO VERDE HOSPITAL

Bringing Health & Care Together

July 28, 2008

Medical Staff Office
250 North First Street
Blythe, California 92225
760.921.5142 F
760.921.5170 F
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Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

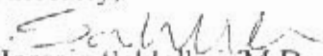
Dear Mr. Flood,

On your recent court filing Declaration page 3 you stated "Brad Barth M.D. had been an Anesthesiologist on the Medical Staff but he had let his Medical Staff membership lapse." Dr. Barth's privileges were issued on November 30, 2006 for a two year time period and he has received no notice from the Medical Staff Office to apply for reappointment as required by Section 5.6 (1) and 5.6-5 of the Medical Staff Bylaws. Please site the section of the Medical Staff Bylaws based on which you have stated that Dr. Barth's membership has lapsed.

Additionally, on page 18 of the same declaration you stated "Contrary to Dr. Sahlolbei's assertion, the ER Physician that he had identified did not have conscious sedation privileges." I have personally reviewed Dr. Strecker's file and found that he has had privileges to perform conscious sedation for years and still has it. In fact, this past weekend, Dr. Strecker provided the conscious sedation for my patient who needed a chest tube. Again, I would ask you to site any authority based on which you stated that he does not have privileges for conscious sedation. This false statement is defamatory to the ER physician and needs to be publicly corrected.

I appreciate your attention to these matters and send me a response as soon as possible in order to prevent any physician practicing at the hospital or performing procedures that he does not have privileges for, if you are correct, although I believe you are mistaken.

Sincerely,


Hossain Sahlolbei, M.D.,
Chief of Staff

E 22



PALO VERDE HOSPITAL

Bringing Health & Care Together

Medical Staff Office
250 North First Street
Blythe, California 92225
760.921.5142 F
760.921.5170
www.mypvh.org

August 4, 2008

Mr. Derek Copple
Board President
Palo Verde Healthcare District
250 N. First St.
Blythe, CA 92225

Dear Mr. Copple,

At the last Board meeting of July 24, 2008 the Board did not approve several applications for appointment and reappointment. You specifically mentioned that there were some charts that were incomplete and others that were missing certificates or information.

I request that the Board give us in writing the causes of this incomplete application or deficiencies in order for the MEC to complete or correct these applications and send them back to the Board.

Sincerely,

Hossain Sahlolbei, M.D.,
Chief of Staff

E23



PALO VERDE HOSPITAL
Bringing Health & Care Together

Medical Staff Office
250 North First Street
Blythe, California 92225
760.921.5142 P
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August 21, 2008

Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

When I questioned the appropriateness of opening instruments and equipment that I did not need during some operations including one on my office staff's brother, it was brought to my attention that the Operating Room staff were told to use up some equipment and supplies, for various reasons, during surgeries.

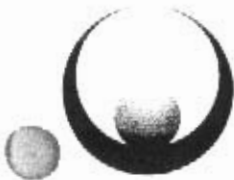
I am not sure how this policy has been implemented, but this is unnecessary cost to insurance companies and the patient's portion of insurance, correctional facilities and government agencies.

I would appreciate an investigation and a follow up report to prevent continued implementation of this policy.

Sincerely,

Hossain Sahlolbei, M.D.,
Chief of Staff

E24



PALO VERDE HOSPITAL

Bringing Health & Care Together

September 3, 2008

Medical Staff Office
250 North First Street
Blythe, California 92225
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760.921.5170 F
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Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

Since at their public meeting, the Board refused to inform the MEC of the results of their Closed Session review of the MEC recommendations, we are in the dark as to what the Board decision regarding appointment and reappointments are.

As a result, I am still unable to make the Call Schedule for the September hospital coverage. Additionally, Ms. Frix, CRNA has been practicing anesthesia at the hospital without any notification to the Medical Staff regarding her status. According to JCAHO policy any practitioner approved by the Board should have his or her privileges listed with the Operating Room prior to start of their practice.

Please notify me of the Board's decision as soon as possible so that we can make the official Call Schedule, now three days after the beginning of the month. In the future I will not place any practitioner on a draft or official Call Schedule until their Board approval and their proctoring is completed.

Sincerely,

Hossain Sahlolbei, M.D.,
Chief of Staff

E25



PALO VERDE HOSPITAL

Bringing Health & Care Together

Medical Staff Office
250 North First Street
Blythe, California 92225
760.921.5142 P
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www.mypvh.org

September 8, 2008

Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

For over twenty years physicians in the United States have routinely used CAT scans (CT scan) to improve patient care and reduce the risk of harm to patients.

I am seriously concerned that our community and Palo Verde Hospital has been deprived of CAT scan availability for the last ten days. This has also created a very difficult situation for the Emergency Room physicians who heavily depend on the CAT scan for evaluation and treatments. When I inquired as to the reason why repair of our CAT scan was not done in a timely manner, and why we do not have a mobile CT as a temporary solution to assist with patient's in need of this modality, Dr. Bowen, Radiology Director, informed me that his phone calls to your office have been left unanswered for about a week. Apparently, Lee Holter, CFO had a discussion with Dr. Bowen last Friday; however this issue needs your active and constructive participation if it is to be resolved.

We have transferred many patients out of Palo Verde Hospital due to the lack of CAT scan availability, which has caused a hardship and possible damage to patients, and has caused a huge loss to the hospital. This potential loss could almost pay for a CAT scan machine itself.

Please consult Dr. Bowen and /or MEC to have a speedy resolution of this problem.

Sincerely,

Hossain Sahlolbei, M.D.,
Chief of Staff

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PALO VERDE HOSPITAL

September 18, 2008

Medical Staff Office
250 North First Street
Blythe, California 92225
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760 921 5170 F
www.mypvh.org

Mr. Jeff Flood, CEO
Palo Verde Hospital
250 N. First St.
Blythe, CA 92225

Dear Mr. Flood,

In response to your letter of September 2, 2008, which was an inadequate response to my letter of August 21, 2008, you never address whether or not the inappropriate charges I questioned were indeed inappropriate or not. Instead, shoot the messenger was again your spin of the day. You stated that you are "concerned about the direction and motives cloaked" within my statement but I was hoping that you would be concerned with the possibility of inappropriate charges and give me a report of whether or not those charges were appropriate. The management spin machine once again has twisted my honest concerns, this time into an attempt to make it seem as if I am trying to "discredit and assassinate the character of the Surgical Services Nurse Manager". As history has shown this management team has been involved with an allegation of fraudulent accounting practices in another hospital.

This situation of inappropriate charges is apparently not unique to the Operating Room, it has been reported to have happened in the ER and on the Med/Surg floor. Recently, my own patient Medical Record #200080, discharged on 9/10/08. On this specific patient, materials were charged and placed in the room that I did not need and after the patient's discharge were not sent with the patient but the patient was charged for it which seems to be inappropriate charges.

Also in my letter of August 21, 2008, regarding the inappropriate charges related to my office staff member's brother, I would have expected you to contact me or a member of my office staff to make an attempt to get the name of the patient, since that information would be necessary in order to complete a cursory, let alone an in depth investigation into the possibility of inappropriate charges. Since you did not contact me, I will provide you with the medical record number to assist you with conducting an investigation into the matter. The medical record number is #114643.

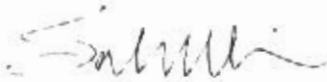
As the agent of the Palo Verde Healthcare District Board, the buck stops with you and everything that happens at the hospital and everyone's actions who work at the hospital is the ultimate responsibility of the Board. Hopefully none of the hospital managers are

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doing anything inappropriate without your knowledge, but if they are, as CEO, you are responsible not only for your lack of knowledge but for whatever inappropriate action is taken.

Once again your letter of September 2, 2008 confirms that the Management can not separate its self serving agenda and dislike of the Medical Staff from the true responsibility of managing the hospital; therefore, I recommend that you find a neutral third party to conduct a meaningful investigation.

Sincerely,



Hossain Sahlolbei, M.D.,
Chief of Staff

9/18/08 - copies to all BOD members.

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FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF RIVERSIDE

JUL 16 2008

L. Gieser

SUPERIOR COURT FOR THE STATE OF CALIFORNIA
FOR THE COUNTY OF RIVERSIDE

MEDICAL STAFF OF PALO VERDE
HOSPITAL,

Plaintiff,

vs.

PALO VERDE HEALTHCARE DISTRICT,
THE BOARD OF DIRECTORS OF PALO
VERDE HEALTHCARE DISTRICT, DEREK
COPPLE, an individual, in his capacity as
President of the Board of Directors of Palo Verde
Healthcare District, MARK BOLIGER, an
individual, in his capacity as a member of the
Board of Directors of Palo Verde Healthcare
District, STEVE MONTGOMERY, DVM, an
individual, in his capacity as a member of the
Board of Directors of Palo Verde Healthcare
District, DOROTHEA JONES, an individual, in
her capacity as a member of the Board of
Directors of Palo Verde Healthcare District,
JEFF FLOOD, an individual, in his capacity as
Chief Executive Officer of Palo Verde Hospital,
RICHARD FALLON, an individual, in his
capacity as Chief Operating Officer of Palo
Verde Hospital, ADVANCED HOSPITAL
MANAGEMENT, INC., a corporation, and
DOES 1 through 100, Inclusive,

Defendants.

CASE NO.: BLC 004368

[PROPOSED] ORDER TO SHOW CAUSE
RE: PRELIMINARY INJUNCTION AND
TRO

Date: July 16, 2008
Time: 8:30 a.m.
Dept: 2G

Date Action Filed: 07/02/08
Trial Date: None

TAYLOR & BLESSEY LLP

Attachment F (F1)

1 On reading of the ex parte application, the memorandum of points and authorities, and the
 2 declarations and exhibits submitted in support of the ex parte application, it appears to the
 3 satisfaction of the Court that this is a proper case for granting an order to show cause for a
 4 preliminary injunction and a temporary restraining order, and that unless the temporary restraining
 5 order prayed for is granted, great and irreparable harm will result to Plaintiff before the matter can be
 6 heard on notice.

8 IT IS ORDERED that the above named Defendants, and each of them, appear in Department
 9 26 of this Court, located at 46-200 Oasis Street, Indio, California, 92201, on 7/25/08
 10 2008 at 5:30 [a.m./p.m.], or as soon as the matter may be heard, to show cause, if any, why
 11 they and their agents, servants, employees, and representatives, and all persons acting in concert or
 12 participating with them, should not be enjoined and restrained during the pendency of this action
 13 from taking any action to further any of the following improper and/or illegal actions:

- 15 1. Granting permanent privileges to physicians whose qualifications are in
 16 question, despite the adverse recommendation of the Medical Staff, and
 17 without following the procedures set forth in the Medical Staff Bylaws;
- 18 2. Allowing an anesthesiologist (identified in the complaint as "Dr. A"), who
 19 was illegally appointed to the Medical Staff and granted clinical privileges
 20 over the adverse recommendation of the Medical Staff and without
 21 Defendants having followed the procedures set forth in the Medical Staff
 22 Bylaws, from exercising those privileges at Palo Verde Hospital;
- 23 3. Enforcing the illegal waiver of the initial proctoring requirement for certified
 24 registered nurse anesthetists ("CRNAs") and/or allowing CRNAs to
 25 administer anesthesia at Palo Verde Hospital without having been properly
 26 proctored by a qualified proctor selected by the Chief of Staff as is required by
 27 the Medical Staff Bylaws;

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TAYLOR & BLESSEY LLP

TAYLOR & BLESSEY LLP

- 1 4. Engaging in any further interference with the operation and self governance of
- 2 the Medical Staff, including but not limited to the unwarranted targeting of
- 3 members of the Medical Staff for disciplinary or other action in retaliation for
- 4 their advocacy of the Medical Staff's right to self governance;
- 5 5. Recruiting of physicians based not on legitimate community needs, but rather
- 6 to obtain physicians who will be financially beholden to the Hospital and,
- 7 thereby dilute the ability of the Medical Staff to act independently and in the
- 8 best interests of patient care; and
- 9 6. Further violations of the Medical Practice Act.

10 IT IS FURTHER ORDERED that pending the hearing and determination of the order to
 11 show cause, the above named Defendants, and each of them, and their officers, agents, employees,
 12 representatives, and all persons acting in concert or participating with them, are restrained and
 13 enjoined from taking any action to further any of the following improper and/or illegal actions:

- 14 1. Granting permanent privileges to physicians whose qualifications are in
- 15 question, despite the adverse recommendation of the Medical Staff, and
- 16 without following the procedures set forth in the Medical Staff Bylaws;
- 17 2. Allowing an anesthesiologist (identified in the complaint as "Dr. A"), who
- 18 was ~~illegally~~ appointed to the Medical Staff and granted clinical privileges
- 19 over the adverse recommendation of the Medical Staff ~~and without~~
- 20 ~~Defendants having followed the procedures set forth in the Medical Staff~~
- 21 ~~Bylaws, from exercising those privileges at Palo Verde Hospital;~~
- 22 3. Enforcing its ~~illegal~~ waiver of the initial proctoring requirement for certified
- 23 registered nurse anesthetists ("CRNAs") and/or allowing CRNAs to
- 24 administer anesthesia at Palo Verde Hospital without having been properly
- 25 proctored by a qualified proctor selected by the Chief of Staff as is required by
- 26 the Medical Staff Bylaws;

27 ///
 28 ///

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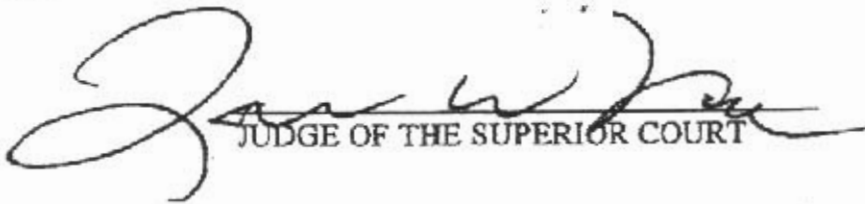
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- 4. Engaging in any further interference with the operation and self governance of the Medical Staff, including but not limited to the unwarranted targeting of members of the Medical Staff for disciplinary or other action in retaliation for their advocacy of the Medical Staff's right to self governance;
- 5. Recruiting of physicians based not on legitimate community needs, but rather to obtain physicians who will be financially beholden to the Hospital and, thereby dilute the ability of the Medical Staff to act independently and in the best interests of patient care; and
- 6. Further violations of the Medical Practice Act.

IT IS FURTHER ORDERED that:

- 1. Copies of the ex parte application, memorandum of points and authorities, and declarations and exhibits submitted in support of the application are to be served on Defendants on or before 7/16, 2008.
- 2. Proof of Service regarding the OSC re: Preliminary Injunction shall be filed with the Court no later than 4:00 p.m. on 7/16, 2008.
- 3. The parties shall adhere to the following briefing schedule:
 - Defendants to file and serve the Opposition [personally][by fax][by mail] on or before 5:00 p.m. on 7/21, 2008.
 - Plaintiff to file and serve the Reply Brief [personally][by fax][by mail] on or before 5:00 p.m. on 7/23, 2008.
- 4. The Temporary Restraining Order shall expire on 7/25/08, 2008 after the OSC hearing, unless further extended by this Court.

Dated: 7/16/08, 2008


 JUDGE OF THE SUPERIOR COURT

F4

TAYLOR & BLESSEY LLP

June 05, 2008 minutes misstatements and missed statements that need correction.

Item 7: Jeff Flood, CEO report regarding Dr. Elisha indemnification: It is recorded; "Dr. Sahlolbei comments that ... and modify individual applications." This is not in the recorded minutes at 04:27. Dr. Sahlolbei stated that the board is venturing into *Anti-kickback* and *Stark Law* violations, and if the MEC goes to court and loses a case (related to credentialing) due to inadequate counsel, the Board is responsible.

Public comments: Regarding waving Proctoring for CRNAs: It is recorded; "Dr. Sahlolbei comments that the *entire* (the word "entire" is not in the PVHD Board recorded minutes 09:35) document was made with false statements including but not limited to the alleged sole surgeon termination of November 2006, ceased surgical procedures, and the hospitals surgical departments' necessity to close due to the aforementioned incidents". That paragraph also is cut short of very important information for the public record. It should read "*Dr. Sahlolbei comments that the document was made with false statements including but not limited to the alleged sole surgeon termination of November 2006, ceased surgical procedures, and the hospitals surgical departments' necessity to close due to the aforementioned incidents. Dr. Sahlolbei states that Richard Fallon (COO) has publicly stated that the hospital closed the Surgery and OB because he did not have money, which contradicts the above allegations in the resolution". Dr. Sahlolbei asked the board to not approve this resolution.*

Item 7: At 15:35 recorded minutes, Director Bolliger asks Lee Holter, CFO "Do we get any tax money from the people of this community", which Mr. Holter answers "no we do not".

Item 8: public comments, PVHD Board recorded minutes 18:00: It is recorded; "Dr. Sahlolbei addresses the item 7A(g)...", should read "*Dr. Sahlolbei addressed the misstatements in the Item 7A(g)...*" After that sentence there should be the following, "*One example of the misstatements is that the MEC took 2 months not 5 months, as it is falsely stated here, to make recommendation on the surgeon*". At the end of this section it should state, "*President Copple states that it is a point well taken*".

The Board comment is completely missing where "*Director Bolliger states "the right thing to do is to get into the medical business no matter who we upset"*".

May 29, 2008 minutes misstatements and missed statements that need correction.

There is no closed session report (item 5) at all even though they took important action in closed session. At 02:20 *Derek Copple states that in closed session the board made recommendation for reappointment of Dr. Farsad, Brooks, Lucero, Mofu, and Sahlolbei. At 02:45 he reported that the Board approved the indemnification of Dr. Elisha.*

Attachment G

(GI)

Medical Executive Committee report item 7.B.3: It is recorded; "Dr. Sahlolbei states that legally numbers should be used but the attorneys can decide" is not correct. It should read "*Dr. Sahlolbei states that legally numbers should be used but the attorneys should discuss this, but the Medical Staff will not give the board the names in public, and if you want to do it, you do it at your own risk. Mr. Fallon stated that he understands the medical staff position but the physicians are, Dr. Arko, Dr. Bakhtavar, and Dr. Sahlolbei*" (PVHD Board recorded minutes 18:53).

Medical Executive Committee report item 7.B.5 (A): It is recorded; "DHS regulation agrees with the medical staff Bylaws" when no such statement is made. It is also states that "The State of California regulations agree with the Medical Staff Bylaws and the MEC is currently working with JCAHO for a resolution." The correct statement is "*The State of California law agrees with the Medical Staff Bylaws and our attorney is currently working with CMA for a resolution.*"

Medical Executive Committee item 7.B.5 (B): It is recorded; "Dr. Sahlolbei notes that #315151 was sent back...the Board must wait until the MEC makes a decision" is erroneous, and it should state (PVHD Board recorded minutes 25:20) "*the practitioner #315151 recommendation was sent to the board to take action, and MEC appreciate it if the Board send us a note saying if they accept or did not accept the recommendation. Dr. Sahlolbei recommended using arbitration for the dispute over the interpretation of the Medical Staff Bylaws regarding this issue, when Richard Fallon said "I am not sure". Another suggestion is for the (board's and MEC's) attorneys to discuss it. Dr. Sahlolbei stated that this physician recommendation was sent back to the MEC "albeit too early before we actually said what the problems were"* (PVHD Board recorded minutes 27:20).

Medical Executive Committee report item 7.B.5 (C): It is recorded; "Board President Copple questions the timetable on pending CRNA's." should continue with "...to get the OR going by getting CRNAs credential." Dr Sahlolbei Reports that the MEC.....any guarantees." Should read "*Dr Sahlolbei Reports that the MEC.....any guarantees because it means that every CRNA will be approved*

April 24, 2008 minutes misstatements and missed statements that need correction.

Item 4, approval of Agenda: It is recorded; "He noted that the Board Secretary had been out ill and he would like to correct some typos..." but it should be corrected as "*He noted some current issues that need to be addressed, and that the Board Secretary had been out ill and he would like to correct some typos...*"

Item 6: Closed Session: is postponed until after the open meeting, but no voice recorded report of the closed session, item 12, is released on the PVHDB website, even though actions was taken during the closed session.

Item 8.A.5 (d): Pending Regulatory Compliance Issues: It is recorded; "Dr. Sahlolbei responded that..." which is not accurately representing what was said. At the PVHD

Board recorded minutes 1:00:00. *“Dr. Sahlolbei stated: as I told you, we don't have time because we are spending our time responding to the CEO and COO public spins and trashing the Medical Staff, lying and misrepresenting the facts. If you want the job of your regulatory done, if you want things done, you are better have cooperation. President Copple stated, unfortunately it goes both way.”*

Item 8.A.6 (a): Financial Report: The report is missing material information for the public record in the PVHD Board recorded minutes 1:10:40 when *“Richard Fallon, COO states that his evaluation of what will be paid by Medical Program indicates we were being overpaid by 70 to 100 thousand dollars a month. On balance sheet reflecting 26% rather than 35%. They withhold your cash from Medical until the amount is paid”*.

Item 9, MEC Report: It is recorded; *“Dr. Sahlolbei, Chief of Staff, presented matter not related to the MEC Report.”* That is someone's personal opinion rather than legitimate statement of the facts stated at the meeting. If you recall, it cost me a lot of attorney's fee, and it cost the board a lot of public fund spent on attorney's fee to correct this type of inappropriate personal opinions less than a year ago. As you also recall, you agreed to give me 20 minutes to discuss matters important to the MEC which is not respected here. The actual recording of the minutes should reflect *“Dr. Sahlolbei stated that after the meeting with the City and County officials a confidential letter was printed in the newspaper by Mr. Fallon, COO, and now confidential MEC report were printed in the newspaper. We tried to be cooperative with the board and resolve problems with management. We brought many issues related to patient care to this board and Derek Copple, and nothing was done. If you want to resolve the issues lets get a mutually acceptable mediator as agreed on with Senator Ducheny.”*

March 27, 2008 minutes misstatements and missed statements that need correction

Item 6, Closed Session Report: was read from a prepared written statement, and I suggest printing the exact text to minimize the misrepresentation. The following statement: *“Board President Copple reports that a report was received from the MEC 15 minutes before the meeting approving the credentialing application of Dr. Arko. Additional recommendations were also provided but due to the tardy report the board did not have time to consider those recommendations”* is fabricated. The actual statement as read from prepared statement by the Board President Copple is *“The board in closed session received and considered the application and recommendation from the MEC concerning Dr. Arko, and the Board unanimously approved the application for Medical Staff membership and full scope of surgical privileges for which he does meet required activity. With respect to all other MEC recommendation was not received until 15 minutes before tonight meeting, therefore, the board can not under the Brown Act take action on these applications at this time”* (PVHD Board recorded minutes 01:28). No mention of *“tardy report”* or *“the Board did not have time”* is found on the PVHD Board recorded minutes. Additionally, the next sentence *“It is noted that the MEC report to the board is dated March 18, 2008 but the Chief of Staff did not provide the report to the hospital Management or the Board until 5:45 pm the day of the Board meeting.”* Is not uttered by anyone in the meeting, and it is not on the recorded minutes.

Item 8.B.4 (b), Joint Commission: It is recorded; "Ms. Ortiz presented a PPR and reports that Dr. Sahlolbei is holding up the PPR because he wants policies and procedures in the Medical Staff Bylaws... and with Dr. Sahlolbei's demand it is going to be impossible to complete timely which will cause a violation of JCAHO requirements." Ms. Ortiz makes no statements related to it being impossible, or violation of JCAHO or that Dr. Sahlolbei is holding up the PPR. The PVHD Board recorded minutes 35:56, "Ms. Ortiz states that the PPR is on hold by the Medical Executive Committee. Derek Copple: do they not like it or does he not like it or what is the problem? Ms. Ortiz: he said that such policies and procedures should be a part of the Medical Staff Bylaws." The next paragraph states that **Board President Copple** explain that a violation received from JCAHO will not hurt the Medical Staff only the facility, but the PVHD Board recorded minutes 38:09 clearly shows that **Ms. Ortiz** is the person making that statement.

Item 8.B.6(c): It is recorded; consideration of Resolution Authorizing the CEO to grant Temporary privileges for Dr. Joseph Elisha, but nothing is stated in the agenda and recorded motions about the second part of the motion where the "Board request MEC review application of Dr. Elisha and report to the Board by April 7, 2008" PVHD Board recorded minutes 55:35.

Item 8.B.6 (e): It is recorded; should represent the plan for meeting with the City when Mr. Fallon reports that "we will set up a two on two meeting with the city" PVHD Board recorded minutes 1:10:50.

Item 10: in response to Mr. Humble request for public documents: Jeff Scott the Board counsel, states that "anything handed out for review to the board is public document. The Board President comments "we did not get his report; we do not have his report".

Item 10: at PVHD Board recorded minutes 1:19:24, Richard Fallon COO states "I don't want to be degrading to any nurse but a nurse goes through all school to take care of people but in institution like that providing care comparing working at PVH or a hospital setting is difficult for me to comprehend". This is a statement of Management view of nursing employment preference for PVH compare to other facilities important to this community, and should be available as a public document as a part of Mr. Richard Fallon, COO report that he toured the prison.

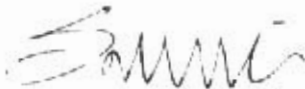
Item 11, Board Comments: The statement "Director Bolliger states that...and now the Board has to focus on bringing anesthesiologists to the hospital." is fabricated again. His PVHD Board recorded minutes 1:25:52 is consistent with the following statement "Director Bolliger states that he is glad the wait is over for a new surgeon and our next fight is anesthesiologist..."

July 26, 2007, minutes misstatements and missed statements that need correction.

None of Dr. Sahlolbei statements are recorded even though that of ever other physician is recorded. That was the first meeting at which Dr. Sahlolbei dismissed all allegations made against him at the board meetings while he was gone.

Finally I recommend that you and all Board Members and management read the attached article by Karl Olson regarding Play Hide and Seek with Public Records and keep the way the Board conducts its business transparent, which precludes the use of Special meetings of the Board to hide the agenda until the last possible moment, or changing the agenda at the last second to keep the public in the dark, as it has been done in the past few meetings. That is not in compliance with the spirit of the Brown Act.

Sincerely,



Hossain Sahlolbei, M.D.,
Chief of Staff

Cc: All PVHD Board Members

G5



PALO VERDE HOSPITAL

Bringing Health & Care Together

250 North First Street
Blythe, California 92225
760.922.4115
www.paloverdehospital.org

August 28, 2008

Robert E. Byrd
Riverside County Auditor-Controller
4080 Lemon Street
11th Floor
Riverside, Ca 92502

COPY

Re: Palo Verde Hospital

Dear Mr. Byrd:

As I am confident that you are aware the State of California has not passed the state budget as of the date of this letter. This fact has caused the state to stop paying many of the vendors including Hospitals for the services they provide to Medi-Cal recipients and state prison inmates.

The net effect of this lack of payment to Palo Verde Hospital is an approximate 48% reduction in the Hospital monthly cash flow equating approximately \$800,000 a month. This severe interruption in cash flow has left the Hospital unable to pay its vendors for their supplies, drugs and materials that are required to provide hospital services.

We are very concerned that unless financial assistance is located immediately that the hospital will be forced to reduce hospital services to Blythe and the surrounding community, including closing the Surgery and Obstetrical Departments, to remain viable.

We have approached the City of Blythe for financial assistance and have been informed that they are financially impacted by the current budget crisis and unable to financially assist the Hospital at this time.

In my recent conversation with Mr. Doug Bagley at Riverside County Regional Medical Center he indicated our request for assistance by Riverside County is appropriately directed to your office as a starting point.



Attachment H

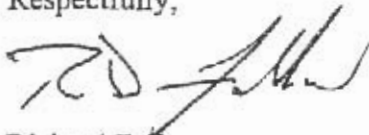
(H1)

Palo Verde Hospital requests that Riverside County assist us during this crisis by providing a short term credit line of \$800,000 per month until such time as the State of California resumes payments to the Hospital. We would expect to be able to repay all of the borrowed funds within 60 days of the State resuming its payments to the Hospital.

We are capable of securing the proposed line of credit against our accounts receivable if needed, which is currently valued at approximately \$3.5 million.

As time is of the essence in this financial crisis your reply at your most prompt convenience would be appreciated. Please feel free to contact me directly at 760-634-1545 or at the Hospital at 760-921-5151.

Respectfully,



Richard Fallon
Chief Operating Officer

cc: Jeff Flood, CEO
Palo Verde Hospital
250 N. First Street
Blythe, Ca 92225

Doug Bagley, CEO
Riverside County Regional Medical Center
26520 Cactus Avenue
Moreno Valley, 92555 CA
Palm Springs, CA 92262

10/1/11
HOSP 627

LPNT & PRV P ALU VER DE CON D (SOT)
HISTORICAL FOR 7-8 PERIOD DEPARTMENTAL D BNDING SEPT TREND REPORT

PAGE 1
DATE 10/1/11
TIME 1:24:48

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
Patient Days	374	410	450	501	488	500	418	380	382	328	351	338	4718
ADC	7.1	13.1	11.1	18.2	17.4	11.8	13.8	12.5	15.1	12.7	8.1	11.8	12.9
Admissions	123	118	123	173	182	111	133	140	144	152	78	125	1502
Patient Revenue	834,330	720,130	844,570	838,720	891,850	840,420	780,870	732,090	884,480	771,280	888,700	888,850	8,517,400
IPatient: Waive	2,114,929	1,822,878	1,859,708	2,461,158	2,585,857	1,808,043	1,752,483	1,852,798	1,363,148	1,522,877	825,217	1,358,809	21,454,818
IPatient: Ancillary	2,143,087	2,478,833	2,801,523	2,838,320	2,872,797	2,781,470	2,425,841	2,875,883	2,988,051	2,779,276	2,188,388	2,273,348	23,206,294
Outpatient													
Direct Patient Revenue	4,882,258	5,029,868	5,045,720	6,135,970	6,251,738	5,233,898	4,989,178	5,030,028	4,948,058	4,773,375	3,484,445	4,277,108	60,308,577
Deductions From Revenue													
Medicare Deductions	1,985,307	1,501,287	2,181,170	2,288,873	1,787,809	1,884,729	1,807,418	1,380,448	1,273,178	1,482,812	954,821	1,028,870	18,780,828
Medicaid Deductions	708,820	720,118	758,258	853,484	857,481	842,304	821,253	878,959	708,284	822,848	587,142	777,198	8,118,180
Admin / Policy Cases	234,128	815,848	848,878	882,554	1,027,925	786,484	917,283	982,899	888,775	988,707	378,278	618,781	4,544,238
Charity Care	181,878	186,028	128,282	184,047	106,871	206,881	172,828	281,177	328,734	181,883	281,747	282,982	2,337,878
Prior Year Contract	0	0	0	0	0	-144,580	0	0	-281,583	0	0	0	428,183
Total Deductions From Re	3,180,932	2,181,138	3,882,834	3,886,862	2,822,188	3,257,515	3,118,748	3,126,861	2,886,689	3,275,587	2,156,788	2,865,811	37,864,287
Net Patient Revenue	1,701,326	1,848,730	1,862,886	2,249,108	2,428,178	1,976,383	1,870,430	1,853,167	2,061,369	1,807,818	1,327,657	1,851,297	22,444,290
Other Revenue	47,021	5,987	12,158	2,822	25,285	27,492	7,428	8,881	275,822	14,785	5,310	21,803	383,918
Net Revenue	1,748,347	1,854,717	1,875,044	2,251,930	2,453,463	1,983,875	1,877,858	1,862,049	2,337,191	1,712,179	1,332,967	1,873,099	22,828,208
Net to Gross %	38.53	38.95	31.34	38.88	38.37	37.52	37.28	37.78	35.85	35.87	36.25	37.71	37.35
Operating Expenses													
Salaries & Wages	466,642	537,388	538,248	530,213	485,453	520,557	554,878	604,724	528,534	617,930	558,881	526,278	6,463,287
Benefits	95,245	108,442	85,171	151,482	123,782	85,442	83,823	31,745	57,067	72,886	81,184	80,826	860,850
Contract Labor	232,078	283,804	411,544	478,802	685,548	445,487	980,002	289,219	267,086	248,309	729,368	223,887	4,000,888
Physician Fees	43,781	38,243	74,010	91,089	98,814	98,128	70,046	88,575	98,572	43,708	120,793	108,743	1,071,177
Purchased Services	221,118	251,587	70,279	883,288	262,627	154,777	182,042	138,380	388,038	-70,887	132,429	145,321	2,484,811
Supplies	153,748	175,307	198,317	198,882	191,304	185,530	140,688	172,241	148,447	132,040	134,778	114,888	1,914,888
Utilities	28,948	33,183	32,586	30,774	27,201	33,221	51,598	51,818	34,988	43,248	43,488	78,377	405,720
Repairs & Maintenance	47,855	38,792	78,337	74,044	52,880	50,878	47,128	27,843	54,534	38,214	48,428	58,042	618,488
Insurance	86,581	86,801	-22,518	75,512	73,332	78,812	74,883	78,638	38,954	38,884	38,884	-18,300	547,202
Property Tax	28,880	8,877	3,883	9,883	9,883	9,883	9,883	9,883	9,883	9,883	9,883	9,883	128,000
Other	277,808	198,820	201,288	170,989	179,812	381,127	194,105	198,885	51,882	384	12,885	81,947	1,787,088
Bad Debt Expense	228,247	228,155	157,825	231,288	193,878	333,478	248,701	188,180	248,888	178,833	158,177	431,518	2,908,238
Non-Productivity	8,810	8,810	8,810	8,810	8,810	8,810	8,810	8,810	8,810	8,810	8,810	8,810	103,388
Retiree & Loans	-1,882	34,348	43,754	41,888	47,140	47,228	38,818	38,534	38,260	-8,888	38,443	38,582	481,348
Total Operating Expense	1,879,779	1,894,888	1,880,881	2,718,178	2,254,771	3,361,888	2,888,881	1,815,888	2,080,717	1,428,948	1,897,888	1,815,888	23,885,788
EBITDA	-141,438	-101,887	-270,588	-466,248	-181,308	-188,013	-287,821	-77,188	-48,472	288,133	-384,881	-287,888	-1,087,888
% of Net Revenue	-8.13	-5.49	-14.97	-20.85	-7.39	-9.52	-15.28	-4.12	-2.08	16.8	-22.8	-15.3	-4.6
Non-Operating Expenses													
Depreciation	80,588	48,111	83,048	48,257	40,738	47,472	47,748	47,782	23,881	45,518	0	48,518	618,888
Interest Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Management Fee	0	0	0	0	0	0	79,818	188,408	138,408	105,008	195,008	185,008	880,788
Total Non-Operating Exp	80,588	48,111	83,048	48,257	40,738	47,472	47,748	47,782	23,881	45,518	0	48,518	618,888
Income Before Taxes	-191,878	-151,008	-278,484	-561,713	-157,861	-438,058	-335,484	-144,348	-283,862	89,822	-412,188	-304,312	-2,298,224
Net Income	-191,878	-151,008	-278,484	-561,713	-157,861	-438,058	-335,484	-144,348	-283,862	89,822	-412,188	-304,312	-2,298,224

