CITY OF ALAMEDA HEALTH CARE DISTRICT

PUBLIC NOTICE
CITY OF ALAMEDA HEALTH CARE DISTRICT
BOARD OF DIRECTORS
AGENDA

Monday, September 13, 2010 – 6:00 p.m.

Location: Alameda Hospital (Dal Cielo Conference Room)

2070 Clinton Avenue, Alameda, CA 94501

Office of the Clerk: (510) 814-4001

Regular Meeting

Members of the public who wish to comment on agenda items will be given an opportunity before or during the consideration of each agenda item. Those wishing to comment must complete a speaker card indicating the agenda item that they wish to address and present to the District Clerk. This will ensure your opportunity to speak. Please make your comments clear and concise, limiting your remarks to no more than three (3) minutes.

I. Call to Order **(6:00 p.m. – 2 East Board Room)** — Jordan Battani

II. Roll Call — Kristen Thorson

III. Adjourn into Executive Closed Session

IV. Closed Session Agenda

A. Approval of Closed Session Minutes

B. Medical Executive Committee Report and Approval of Credentialing Recommendations — H & S Code Sec. 32155

C. Board Quality Committee Report (BQC) — H & S Code Sec. 32155

D. Consultation with Legal Counsel Regarding Pending Litigation — Gov't Code Sec. 54956.9(a)

E. Discussion of Pooled Insurance Claims — Gov't Code Sec. 54956.95

F. Instructions to Bargaining Representatives Regarding Salaries, Fringe Benefits and Working Conditions — Gov't Code Sec. 54957.6

G. Discussion of Report Involving Trade Secrets — H & S Code Sec. 32106

1. *Discussion of Hospital Trade Secrets applicable to development of new hospital services, programs and facilities. No action will be taken.*
2. *Discussion of Hospital Trade Secrets applicable to development of new hospital services, programs and facilities. No action will be taken.*
3. *Discussion of Hospital Trade Secrets applicable to development of new hospital services, programs and facilities. No action will be taken.*
4. *Discussion of Hospital Trade Secrets applicable to development of new hospital services, programs and facilities. No action will be taken.*

H. Public Employee Performance Evaluation Title: Chief Executive Officer — Gov't Code Sec 54957

V. Reconvene to Public Session (Expected to start at 7:30 p.m. – Dal Cielo Conference Room)

A. Announcements from Closed Session — Jordan Battani

VI. Consent Agenda

A. Approval of July 12, 2010 Regular Meeting Minutes **ACTION ITEM** [enclosure] (PAGES 4-13)

B. Approval of July 23, 2010 Special Meeting Minutes **ACTION ITEM** [enclosure] (PAGE 14)

C. Approval of Resolution 2010- 3H – Notice of General Election **ACTION ITEM** [enclosure] (PAGES 15-16)

D. Approval of Administrative Policies and Procedures **ACTION ITEM** [enclosure] (PAGE 17)

E. Acceptance of June 30, 2010 Financial Statements **ACTION ITEM** [enclosure] (PAGES18-38)

F. Acceptance of July 31, 2010 Financial Statements **ACTION ITEM** [enclosure] (PAGES 39-58)

G. 2010 Biennial Review and Approval of the Conflict of Interest Code **ACTION ITEM** [enclosure] (PAGES 59-63)

VII. Regular Agenda

A. President's Report — Jordan Battani

1) Discussion on Posting and/or Public Distribution of Committee Materials

2) Follow-Up to City Council Presentation – September 7, 2010 [enclosure] (PAGES64-66)

B. Chief Executive Officer's Report

1) Consideration of District Board Meeting Calendar **ACTION ITEM** — Deborah E. Stebbins

2) Monthly Statistics — Deborah E. Stebbins

3) November 2, 2010 Election Update — Deborah E. Stebbins

4) Update on City Approval of VA Clinic and Columbarium — Deborah E. Stebbins

5) Approval to Enter into a Management Services Agreement with Accelecare Wound Centers, Inc. **ACTION ITEM** [enclosure] (PAGES 67-105) — Kerry Easthope

C. Facilities Report — Kerry Easthope

1) Seismic Update

2) New Program Development – Wound Care Program Space Planning

3) Diagnostic Imaging – Picture Archiving and Communications System (PACS)

D. Community Relations and Outreach Report

1) Committee Report – July 27, 2010 — Robert Bonta

2) Status of Outreach to Businesses and Non-Profit Organizations — Deborah E. Stebbins

E. Finance and Management Committee Report

1) Committee Report – August 25, 2010 — Michael McCormick

2) FY 2010 Year End Summary & Audit Update — David A. Neapolitan

3) Cal-Mortgage Financing Discussions — David A. Neapolitan

F. Medical Staff President Report — Alka Sharma, MD

VIII. General Public Comments

IX. Board Comments

X. Adjournment

CITY OF ALAMEDA HEALTH CARE DISTRICT

Minutes of the Board of Directors

July 12, 2010

Directors Present:
Jordan Battani
Robert Bonta
Robert Deutsch, MD
J. Michael McCormick
Leah Williams

Medical Staff Present:
Alka Sharma, M.D.

Excused:

Management Present:
Deborah E. Stebbins
Kerry J. Easthope
David A. Neapolitan

Legal Counsel Present:
Thomas Driscoll, Esq.

Submitted by:
Jaclyn Yuson

Action		
1. Call to Order	Jordan Battani called the Open Session of the Board of Directors of the City of Alameda Health Care District to order at 6:13 p.m.	
2. Roll Call	Kristen Thorson called roll, noting that a quorum of Directors were present.	
3. Adjourn into Executive Closed Session	At 6:14 p.m. the meeting adjourned to Executive Closed Session.	

4. Reconvene to Public Session	**A. Announcements from Closed Session** Director Battani reconvened the meeting into public session at 7:54 p.m. The following closed session announcements were made. [1] Closed Session minutes –June 7, 2010 [2] Medical Executive Committee Report and Approval of Credentialing Recommendations [3] Board Quality Committee (BQC) Report – April 2010	 [1] The Closed Session Minutes for May 3, 2010 were approved. [2] The Medical Executive Committee Report and Credentialing Recommendations were approved as presented below. [3] The April 2010 BQC report was accepted as presented.

Reappointments – Medical Staff

Name	Specialty	Status	Appointment Period
○ Richard Baxter, MD	Radiology	Courtesy	08/01/10 – 07/31/12
○ Taft Bhuket, MD	Gastroenterology	Courtesy	08/01/10 – 07/31/12
○ Steward Daniels, MD	Ophthalmology	Courtesy	08/01/10 – 07/31/12
○ Neesha Dave, DO	Pain Management	Courtesy	08/01/10 – 07/31/12
○ Robert Forster, MD	Orthopedics	Active	08/01/10 – 07/31/12
○ Michael Gorin, MD	Ophthalmology	Active	07/01/10 – 06/30/12
○ Samuel Kao, MD	Plastic Surgery	Active	08/01/10 – 07/31/12
○ Annie Lai, MD	Radiology	Courtesy	08/01/10 – 07/31/12
○ Elpidio Magalong, MD	Internal Medicine	Active	08/01/10 – 07/31/12
○ Ted Mihok, DPM	Podiatry	Active	08/01/10 – 07/31/12
○ Bernice Rodrigues, MD	Emergency Medicine	Active	08/01/10 – 07/31/12
○ John Salzman, MD	Radiation Therapy	Consulting	08/01/10 – 07/31/12

- Chih-Hsin Wen, MD — Urology — Courtesy — 08/01/10 – 07/31/12
- Phillip Wong, MD — Radiology — Courtesy — 08/01/10 – 07/31/12

Resignations

Name	Specialty
Catherine Covey, MD	Nephrology
Ole Dierks, MD	Nephrology
Chen Huang, MD	Hematology/Oncology
William Lewis, MD	Otolaryngology
Maria Militante-Miller, DO	Internal Medicine/Hospitalist
Alice Reier, MD	Hematology/Oncology
Pedram Taher, MD	Internal Medicine

5. Consent Agenda	[A] Approval of June 7, 2010 Minutes [B] Approval of June 23, 2010 Minutes [C] Acceptance of May 2010 Financial Statements [D] Approval of Resolution 2010-2H Levying the City of Alameda Health Care District Parcel Tax for the Fiscal Year 2010-2011 [E] Approval of Certification of Taxes, Assessments and Fees Director Battani pulled items [A] and [B] from the Consent Agenda for separate consideration as some members were absent from the June 7 and June 23 meetings.	Director Bonta moved to approve the Consent Agenda items [C] – [E] as presented. Director Williams seconded the motion. The motion carried unanimously. Director Bonta moved to approve the June 7, 2010 minutes as presented. Director McCormick seconded the motion. The motion carried unanimously with one abstention (Director Williams). Director Deutsch moved to approve the June 23, 2010 minutes as presented. Director Bonta seconded the motion. The motion carried unanimously with one abstention (Director Battani).

6. Regular Agenda	**A. President's Report** 1. Approval to Cancel August Board Meeting Director Battani requested to the Board to cancel the August Board meeting and resume to the regular Board Meeting schedule in September. Ms. Stebbins asked if the committee meetings scheduled in August will be canceled as well. Director Battani suggested that the Committee Chairs discuss the option of cancelling the August committee dates at their respective committees.	Director Williams moved to approve canceling the August Board Meeting. Director Bonta seconded the motion. The motion carried unanimously.
	2. Consideration of Special Board Meeting to Discuss Strategic Planning Director Battani confirmed with the Board Members that a Special Board Meeting will take place on Friday, July 23, 2010 to discuss the Hospital's strategic planning objectives for the upcoming fiscal year. **B. Chief Executive Officer's Report** Ms. Stebbins announced that the Hospital has officially received their Joint Commission Accreditation for a three year period as well as continued Medicare certification. Ms. Stebbins commended the Medical Staff and Board Members for participating in the survey process.	
	1. Recommendation to Approve O.P.E.I.U, Local #29 Memorandum of Understanding (Agreement) Ms. Stebbins stated that management is recommending the Board approve the renewal of the Memorandum of Understanding (MOU) with OPEIU, Local #29. This union is comprised of the Clinical Laboratory Scientists and Phlebotomists who work in the Laboratory. The tentative agreement was unanimously ratified by Local #29 members on July 9, 2010. Several noted terms of the agreement are as follows: a three year term (2/1/10 – 1/31/11), a 12-month wage freeze (2/1/10 – 1/31/11), wage re-openers on 2/11/11 and 2/1/12, an addition of a new lead Phlebotomist classification, and a modest increase to the out-of-pocket maximums and deductibles.	Director Deutsch moved to approve Local #29 Memorandum of Understanding. Director Williams seconded the motion. The motion carried unanimously.

Ms. Stebbins praised Mr. Easthope, Ms. Weiss, union leaders, and staff members on the negotiating team for an amiable outcome.

The next union contract to come up for renewal, in October, will be with Local #39 which represent the Engineers.

The Local #29 MOU was not included in the meeting materials prior to distribution of the Board packets as the results of Local #29 results were not in yet. There is a mutual agreement with all unions that hospital management will not release terms of the agreement until ratified by the union and approved by the Board.

The public can find a copy of the MOU and memorandum to the Board on the Hospital's website.

2. Information and Timeline Regarding November 2010 General Election

Ms. Stebbins announced that three District Board positions will be open for election in November 2010:

- Robert Bonta
- Robert Deutsch
- Leah Williams

Each office will be elected to a four year term ending in December 2014. All Nomination documents will be issued and filed only through the Registrar of Voters office at:

1225 Fallon St. G-1
Oakland, CA 94612
(510) 272-6933

The election timetable for the special district election will be posted on the Hospital's website for the public. Management will also inquire about an excerpt to be included in "The Island", an online news source for Alameda, and other local resources regarding the vacancies.

3. City Council Presentation "Update on the Hospital" – September 7, 2010

Ms. Stebbins reported to the Board that the City Council proposed two dates

for the Hospital to give their first presentation, September 7th or 21st. Ms. Stebbins said medical staff and board participation would be beneficial. The City Council allotted about 20-30 minutes for the Hospital to present.

Board members discussed key points to highlight in the first City Council presentation. Director Bonta mentioned this is a good opportunity to update the city council on seismic, Kaiser, and VA partnership. Director Battani suggested mentioning Town Hall meetings will be held in the community regarding seismic updates. Director McCormick suggested providing information to the City Council on the formation of the District from 2002. Director Williams said to mention to the City Council that the District is open to more meetings and/or forming a separate committee.

4. Monthly Statistics

Ms. Stebbins reported the key statistics for June 2010. Average Daily Census was under budget at 82.0 versus a budget of 84.8. Acute census was below budget, 25.4 versus a budget of 28.6. Subacute was below budget by 2.6% while South Shore was above budget by 6.5% (22.9 versus a budget of 21.5). Total Patient Days were 3.2% below budget, 2,461 versus a budget of 2,543. ER Visits were slightly above by 0.4%, 1,396 compared to a budget of 1,390. Total Outpatient Registrations were below budget, 2,075 versus a budget of 3,031.

Statistics	June (Prelim)	June Budget	May Actual
Average Daily Census	82.0	84.8	84.2
Acute	25.4	28.6	27.6
Subacute	33.8	34.7	33.5
South Shore	22.9	21.5	23.2
Patient Days	2,461	2,543	2,610
ER Visits	1,396	1,390	1,436
OP Registration	2,075	3,031	1,972
Total Surgeries	186	514	155

5. Facilities Update

a. Seismic

Mr. Easthope provided a seismic update to the Board stating that management is getting close to coming up with an overall budget for the seismic retrofit expenses. Current estimated expenses are approximately $9.7 million.

Mr. Easthope said at the September Board meeting there will be a more detailed and thorough cost estimate presented to the Board. The Construction Management firm will be invited to this meeting.

Management is consulting with Gary Hicks, Financial Advisor, on financing options. Financing will need to be secured and approved, before the construction project can be put out for public bid.

Director Williams requested to estimate legal and real estate costs in the seismic budget as there was no proposed amount presented at the meeting. Ms. Stebbins mentioned that the Project Manager / Construction Management firm plays a strong role in any potential legal and real estate issues and that estimated costs will be budgeted in this area.

Director Deutsch inquired about the disruption of operations during construction. Mr. Easthope responded saying patients would need to be transferred to different areas away from the construction site, but in most cases, patient services would be minimally impacted. Ms. Stebbins added that most of the disruption will be the sound associated with attaching the strapping around the Steven's Wing and in the Emergency Department.

Construction may begin during the end of FY 2010-2011.

b. Program Development

Mr. Easthope provided an update on the development of the Wound Care Program at the Hospital. Management is in discussions with Accelecare Wound Centers as a potential partner. Accelecare would provide the Program Director, Clinical Manager, and Hyperbaric Oxygen Technologist while the Hospital would provide the clinic space and staff the clinic with Alameda community physicians, nursing personnel, and an office coordinator. As far as capital expenditures and clinical management systems, Accelecare will provide hyperbaric chambers, TCPO2 equipment, exam chairs, and propriety software for outcomes and coding tracking.

Mr. Easthope stated that advanced wound care is an evidence-based comprehensive medical and surgical approach that manages all systemic co-morbidities contributing to delayed healing. The program consists of

a multidisciplinary team of physicians and health professional specially trained in the evidence-based approach to advance wound healing that incorporates the use of alternative and leading technology (i.e. bioengineered tissue, growth factor therapy, adjunctive physical therapy modalities, and hyperbaric oxygen therapy).

Mr. Easthope reviewed the objective of a wound care program:

- Meet the needs of more than 11,000 patients suffering from chronic wounds in the community
- Develop a profitable Advanced Wound Center
- Develop a strong evidence-based clinical program adding value to other programs such as, cardiovascular, vascular and rehab
- Capture and retain market share within primary and secondary markets
- Select a flexible strategic partner to help develop, manage and grow the program
- Establish a low cost/shared-risk arrangement with strategic partner
- Foster strong physician involvement from the hospital and community

More information will be brought to the Board as the development continues.

C. Strategic Planning and Community Relations Report

1. Committee Report- June 8, 2010

Director Bonta reported that the Community Relations Committee met on June 8th. The committee invited guest speaker, Erin Christ, from the Alameda Fire Department (AFD) to discuss the Senior Safety program the AFD has instituted for the past several months.

Director Bonta mentioned the committee decided to reach out to Harbor Bay residents as well as the Asian and senior community by meeting with local businesses to cultivate relationships and to discuss the types of services the Hospital provides.

The next Community Relations meeting is on Tuesday, July 27, 2010.

	D. Finance and Management Committee Report 1. Committee Report – June 30 26, 2010 Director Battani stated that the May financials were reviewed and presented to the committee and that the committee discussed the draft budget proposal during the meeting. 2. Approval of FYE 2011 Operating Budget Mr. Neapolitan presented the FYE 2011 operating budget to the Board. Challenges for the upcoming FY are: replacing surgical volume, an increase in Medi-Cal and uninsured patients, the Health Reform Act, SB 1953 renovation costs, and more compliance requirements. Opportunities for FY 2011 include: an increase in physician recruitment efforts, surgical block times, wound care program, increase in Medi-Cal volumes, SF Hospital Consortium, and Coast Guard Urgent Care Services. Outpatient registrations are budgeted to decrease in FY 2011 to 9.2 cases per day. This decline is primarily as a result of the expiration of the Kaiser contract. Nonetheless, Alameda surgery volumes have been budgeted to increase by 20% as a result block schedules. A few net revenue impacts include: $2.2 million generated from the IGT reimbursement program, $1.2 million in net revenue from managed care, and $516,000 generated from the wound care program. Mr. Neapolitan recommended that the Board approve the FY 2011 Operating budget as presented. **E. Medical Staff President's Report** Dr. Sharma announced to the Board that two physicians joined the medical staff, Dr. Daane (Plastic Surgeon) and Dr. Khaira (Urologist).	Director McCormick made a motion to approve the FYE 2011 Operating Budget. Director Bonta seconded the motion. The motion carried unanimously.
7. General Public Comments	None at this time.	
8. Board Comments	Director Williams applauded the management team and staff for their hard work on negotiation efforts.	

9. Adjournment		A motion was made to adjourn the meeting and being no further business, the meeting was adjourned at 9:36 p.m.

Attest:

Jordan Battani
President

Robert Bonta
Secretary

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Minutes of the Board of Directors

Special Meeting - July 23, 2010

Directors Present:
Jordan Battani
Robert Bonta
Robert Deutsch, MD
J. Michael McCormick
Leah D. Williams

Management Present:
Deborah E. Stebbins
Kerry J. Easthope
David A. Neapolitan

Legal Counsel Present:
Thomas Driscoll, Esq.

Guests:
Guy Masters, Camden Group

Medical Staff Present:

Excused:
Alka Sharma, MD

Submitted by:
Kristen Thorson

Topic	Discussion	Action / Follow-Up
I. Call to Order	Jordan Battani called the Open Session of the Board of Directors of the City of Alameda Health Care District to order at 12:27 p.m.	
II. Roll Call	Kristen Thorson called roll, noting that a quorum of Directors were present.	
III. Adjourn into Executive Closed Session	At 12:28 p.m. the meeting adjourned to Executive Closed Session.	
IV. Regular Agenda	A. Announcements from Closed Session The meeting was reconvened into Open Session at 5:01 p.m. Ms. Battani announced that there were no announcements from Closed Session.	
V. General Public Comments	None.	
VI. Board Comments	None.	
VII. Adjournment		A motion was made to adjourn the meeting and being no further business, the meeting was adjourned at 5:04 p.m.

Attest:

Jordan Battani
President

Robert Bonta
Secretary

Date: September 13, 1010

To: City of Alameda Health Care District Board of Directors

From: Deborah E. Stebbins, CEO

Subject: Approval of Resolution 2010-3H – Notice of General Election

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RECOMMENDATION:
Management is recommending that the City of Alameda Helath Care District Board of Directors approve Resolution 2010-3H – Notice of General Election.

BACKGROUND:
The Alameda County Registrar of Voters has requested that a resolution be passed by the City of Alameda Health Care District that calls the November 2, 2010 General Election.

RESOLUTION NO. 2010-3H

BOARD OF DIRECTORS, CITY OF ALAMEDA HEALTH CARE DISTRICT

STATE OF CALIFORNIA

* * *

NOTICE OF GENERAL ELECTION

NOVEMBER 2, 2010

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District that the elective offices of the District to be filled at the next general election for four (4) year terms, to be held November 2, 2010, are as follows:

Robert Bonta
Robert Detusch
Leah D. Williams

RESOLVED further that the District will not pay for the publication of the candidates' statement of qualifications; and

RESOLVED further that a map showing the boundaries of the District is attached hereto.

PASSED AND ADOPTED on September 13, 2010 by the following vote:

AYES: ____________ NOES: ____________ ABSENT: _________

____
Jordan Battani
President

ATTEST:

____
Robert Bonta
Secretary

DISTRICT BOARD/RESOLUTIONS/NOTICE OF GENERAL ELECTION.2010-3H

Date: September 13, 2010

To: City of Alameda Health Care District Board of Directors

From: Deborah E. Stebbins, Chief Executive Officer

Subject: Approval of Administrative Policies and Procedures

The following Administrative Policies and Procedures have been updated to reflect current practices, regulatory language and information. Policies and Procedures will be brought to the Board of Directors quarterly for approval. Management requests approval of the Administrative Policies and Procedures listed below.

Policy #	Policy Title & Purpose Statement
No. 34a	Victims Of Abuse, Elder Abuse And Domestic Violence • Health care providers are mandated to identify, assess, evaluate, intervene, and report suspected victims of abuse to the appropriate authorities. All health care providers and support staff will treat victims of abuse with respect and dignity, providing care, safety and referral information to victims in every health care setting per California Law Chapter 769 and OBRA for Skilled Nursing Facility.
No. 82	Non-Discrimination Grievance Procedure • To identify the procedure for individuals to use to file grievances alleging actions prohibited by non-discrimination statutes.
No. 90	Universal Protocol • To provide a standardized approach throughout the hospital to ensure correct identification of patients, correct procedures are performed, the correct procedural site is identified, and a timeout takes place which is documented.

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING JUNE 30, 2010

CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
JUNE 30, 2010

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ALAMEDA HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE, 2010

The management of the Alameda Hospital (the "Hospital") has prepared this discussion and analysis in order to provide an overview of the Hospital's performance for the period ending June 30, 2010 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the Hospital's financial performance as a whole.

Financial Overview as of June 30, 2010

- Gross patient revenue for the month of June was less than budget by $5,545,000 or 22.3%. For the twelve months ended gross patient revenue was $19,447,000 or 6.5% less than budgeted. Inpatient revenue was less than budgeted by 8.1% and 3.8% while outpatient revenue was 39.2% and 10.2% less than budgeted for the month and year-to-date, respectively. On an adjusted patient day basis gross patient revenue was 0.3% greater than budgeted at $5,370 compared to a budgeted amount of $5,356 for the year ended June 30, 2010.

- Total patient days for the month were 2,461 compared to the prior month's total patient days of 2,620 and the prior year's 2,727 total patient days. For the twelve months ended June 30, 2010 total patient days were 30,607 or 4.0% less than budgeted. The average daily acute care census was 25.4 compared to a budget of 28.6 and an actual average daily census of 27.6 in the prior month; the average daily Sub-Acute census was 33.8 versus a budget of 34.7 and 33.5 in the prior month and the Skilled Nursing program had an average daily census of 22.9 versus a budget of 21.5 and prior month census of 23.2, respectively.

- Emergency Care Center (ECC) visits were 1,396 or 0.4% greater than the budgeted 1,390 visits and were less than the prior year's visits of 1,527. For the twelve months ended June 30, 2010 the ECC treated 17,624 or 4.7% greater than budgeted and 1.7% greater than the prior year.

- Total Alameda Physician surgery cases were 20.8% greater than budget at 186 versus the budgeted 154 cases. For the 2010 fiscal year Alameda Physician surgical cases totaled 1,943 or 11.2% greater than budgeted and 3.6% greater than the prior year.

- Outpatient registrations were 31.5% below budgeted targets at 2,075 but were slightly greater than the prior month's 1,972 registrations. Total outpatient registrations for fiscal year 2010 declined from the prior year by 2.9%.

- Combined excess revenues over expense (profit) for June was $2,183,000 versus a budgeted excess of revenues over expenses (profit) of $19,000. As a result of June's results the year-to-date excess revenues over expense (profit) was $1,830,000.

- Total assets increased by $6,235,000 from the prior month as a result of an increase in current assets of $5,965,000, an increase in net fixed assets of $262,000 and an increase in restricted contributions of $8,000. The following items make up the increase in current assets:

  - Total unrestricted cash and cash equivalents for June increased by $2,738,000. This increase was the result of the receipt of the intergovernmental transfer of $2,165,000 the original transfer less the fee assessed by the State of California $1,600,000 offset by the use of one month's parcel tax revenues $477,000 and the State of California's delay of the final weeks warrant which was received on July 3rd and totaled $732,000. As a result of these items day's cash on hand increased to 18.3 at June 30, 2010 from May's 3.9 days. Day's cash on

hand would have increased to 22.1 had the Medi-Cal warrant been received prior to month end.

- Net patient accounts receivable decreased in June by $167,000 compared to a decrease of $5,000 in May. Day's in outstanding receivables increased to 64.5 in June from 60.3 at May 31, 2010. This increase in day's outstanding was the result of a decline in cash collections in June $4.2 million versus $4.5 million in May. This decrease in cash collections coupled with the lower average daily revenues which declined to $643,000 from $715,000. During fiscal year 2010 patient cash collections per day, excluding Kaiser payment's, increased by 14.3% over the prior year's average daily collections.

- Other assets increased by $3,565,000 as a result of the accrual of the parcel tax revenues that were earned as of June 30, 2010, $5.8 million, offset by the return of funds transferred to the Department of Health Care Services for the IGT program in May and the monthly amortization of prepaid expenses and deposits of $56,000.

- Fixed assets increased by $262,000 primarily as a result of the purchase of various pieces surgical equipment that was acquired from Kaiser.

- Total liabilities increased by $4,044,000 compared to a decrease of $526,000 in the prior month. This increase was the result of the following:

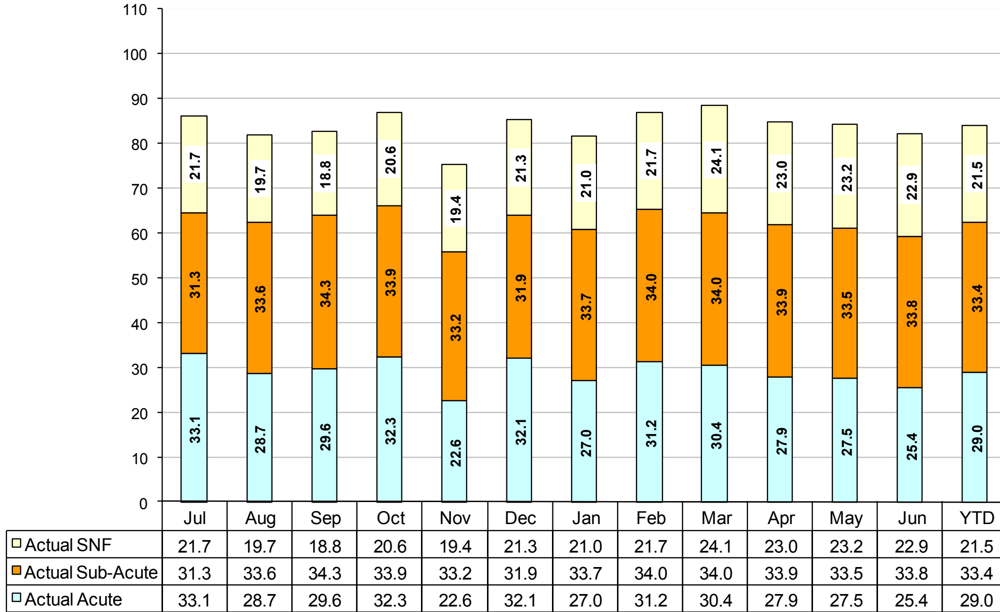
  - Accounts payable and accrued expenses decreased by $148,000. As a result of this decrease and a decrease in accrued payroll and benefits liabilities of $955,000, the average payment period decreased in June to 57.1 from 62.5 as of May 31, 2010.

  - Payroll and benefit related accruals decreased by $955,000 from the prior month. This decrease was the result of a decrease in accrued payroll and related tax related accruals $650,000, decreased accruals for employee health insurance benefits coverage of $353,000 offset by additional accruals for potential unemployment benefits payable as a result of the reduction in force that occurred at the end of April that was necessitated by the ending to the Kaiser Outpatient Surgical Services contract..

  - Other liabilities increased by $5,130,000 as a result of the accrual of the 2010/2011 parcel tax revenues of $5.8 million offset by the amortization of one month's deferred revenue related to the 2009/2010 parcel tax revenues.

Volumes

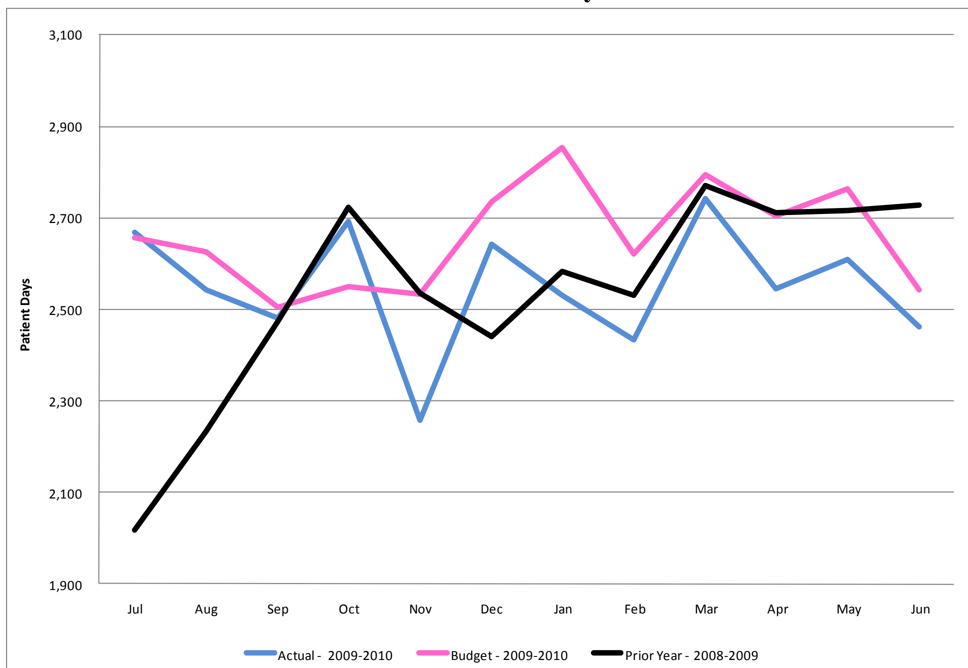
The combined actual daily census was 82.0 versus a budget of 84.8. June's lower than budgeted census was primarily a result of lower than budgeted census in the acute care program which was 10.7% lower than budgeted with an average daily census of 25.4 versus the budgeted 28.6. The Sub-Acute program was slightly lower than budgeted with an average daily census of 33.7 versus a budgeted census of 34.7 while the Skilled Nursing program was 6.2% better than budgeted with an average daily census of 22.9 versus a budgeted census of 21.5.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
Actual SNF	21.7	19.7	18.8	20.6	19.4	21.3	21.0	21.7	24.1	23.0	23.2	22.9	21.5
Actual Sub-Acute	31.3	33.6	34.3	33.9	33.2	31.9	33.7	34.0	34.0	33.9	33.5	33.8	33.4
Actual Acute	33.1	28.7	29.6	32.3	22.6	32.1	27.0	31.2	30.4	27.9	27.5	25.4	29.0

Total patient days in June were 3.2% less than budgeted and were 9.8% less than prior year volumes. The graph below shows the total patient days by month for fiscal year 2010.

Total Patient Days

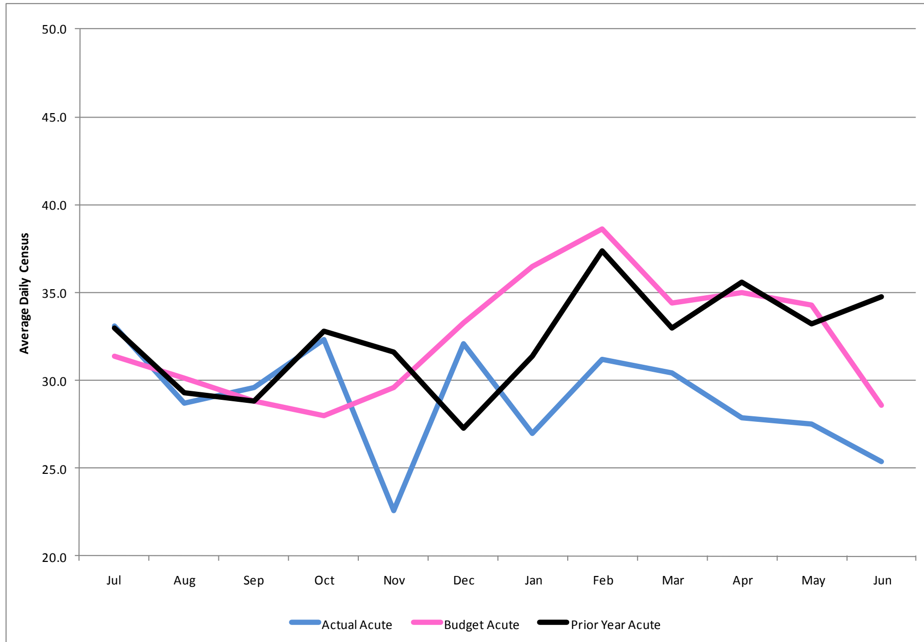


The various inpatient components of our volumes for the month of June are discussed in the following sections.

Acute Care

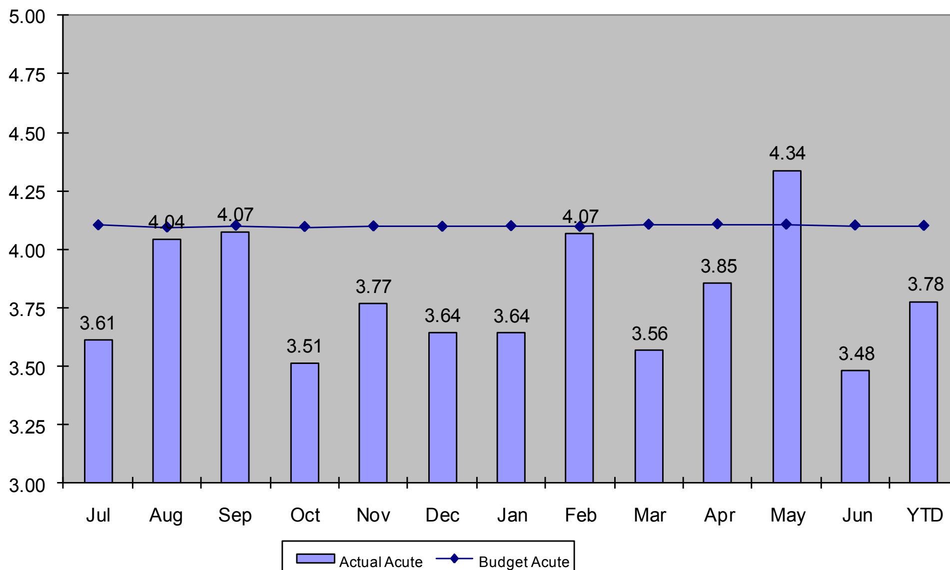
The acute care patient days were 11.1% (95 days) less than budgeted and were 26.9% less than the prior year's average daily census of 34.8. The acute care program was comprised of Critical Care Unit (3.0 ADC, 55.2% favorable to budget), Definitive Observation Unit (7.6 ADC, 28.8% unfavorable to budget) and Med/Surg Units (15.1 ADC, 5.2% unfavorable to budget).

Inpatient Acute Care Average Daily Census



The average length of stay (ALOS) dropped from that of the prior month to 3.48 days for the month of June. This brings the year-to-date ALOS to 3.78 which remains slightly lower than our projected year to date ALOS of 4.10, and is shown in the graph below.

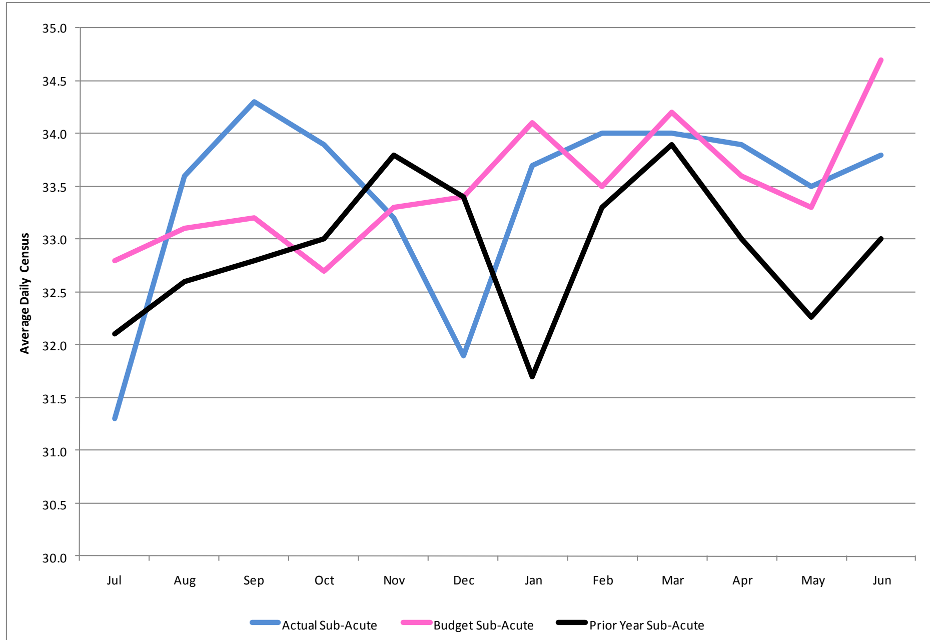
Average Length of Stay



Sub-Acute Care

The Sub-Acute program patient days were slightly lower than budgeted by 2.7% or 28 patient days for the month of June. The graph below shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.

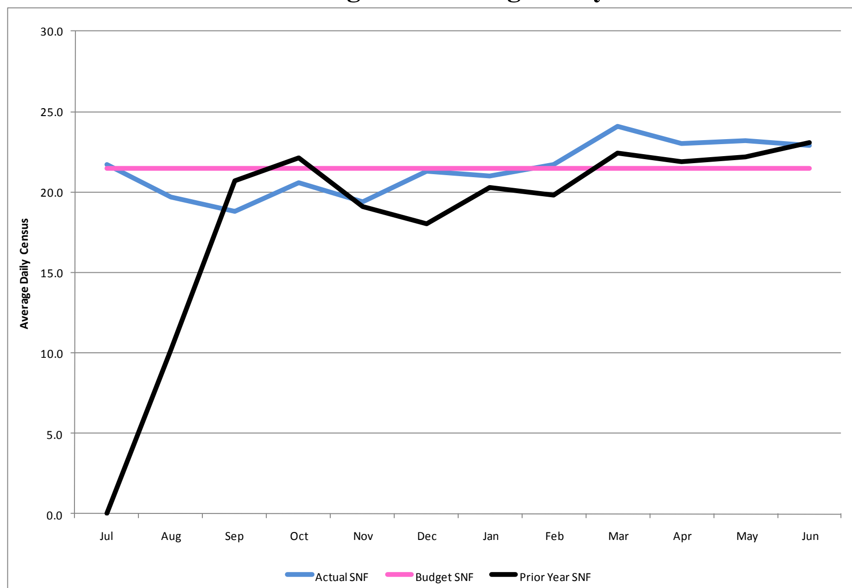
Sub-Acute Care Average Daily Census



Skilled Nursing Care

The Skilled Nursing Unit (South Shore) patient days were 6.4% or 41 patient days greater than budgeted for the month of June. Comparing performance to the prior year this program was slightly lower than June 2009 with an average daily census of 22.9 versus 23.1. The following graph show the Skilled Nursing Unit average daily census as compared to budget by month.

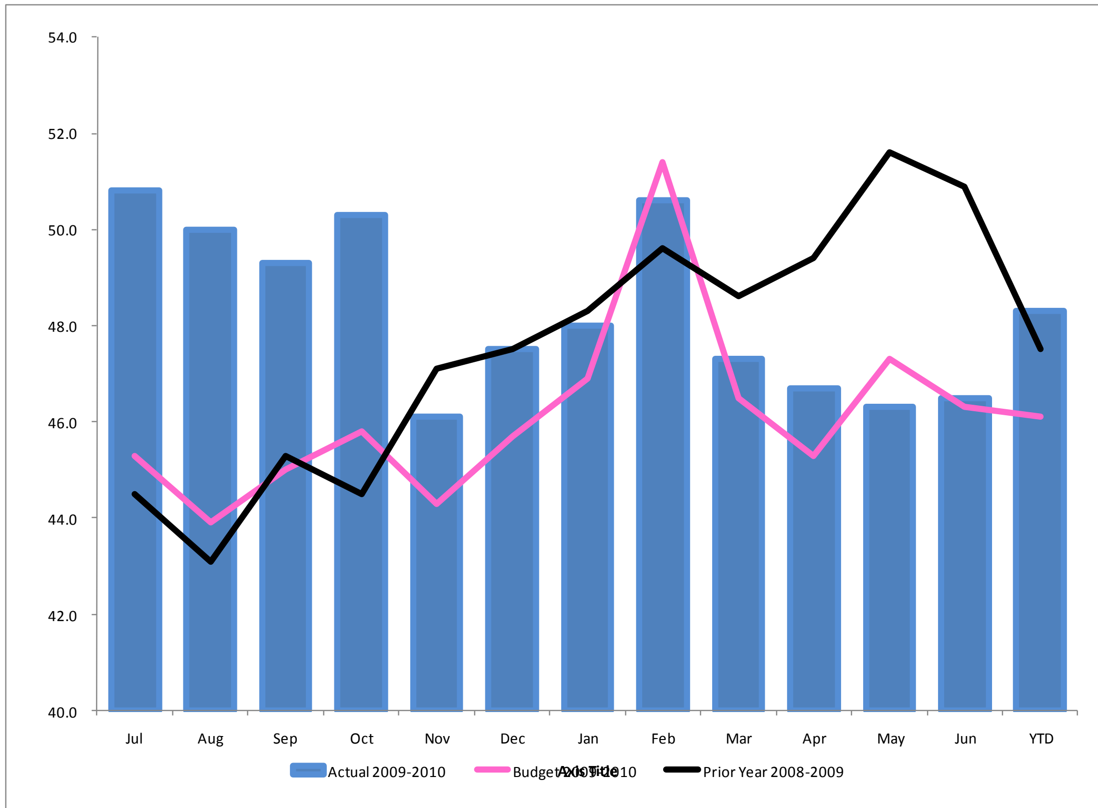
Skilled Nursing Unit Average Daily Census



Emergency Care Center

Emergency Care Center visits at 1,396 were 0.4% greater than budgeted for the month of June and 15.9% of these visits resulted in inpatient admissions versus 14.3% in May. In June there were 209 ambulance arrivals versus 223 in the month of May, a decrease of 6.3% from the prior month. Of the 209 ambulance arrivals 170 or 81.3% were from Alameda Fire Department ambulances. The graph below shows the Emergency Care Centers average visits per day for fiscal year 2010 as compared to budget and the prior year performance.

Emergency Care Center Visits per Day

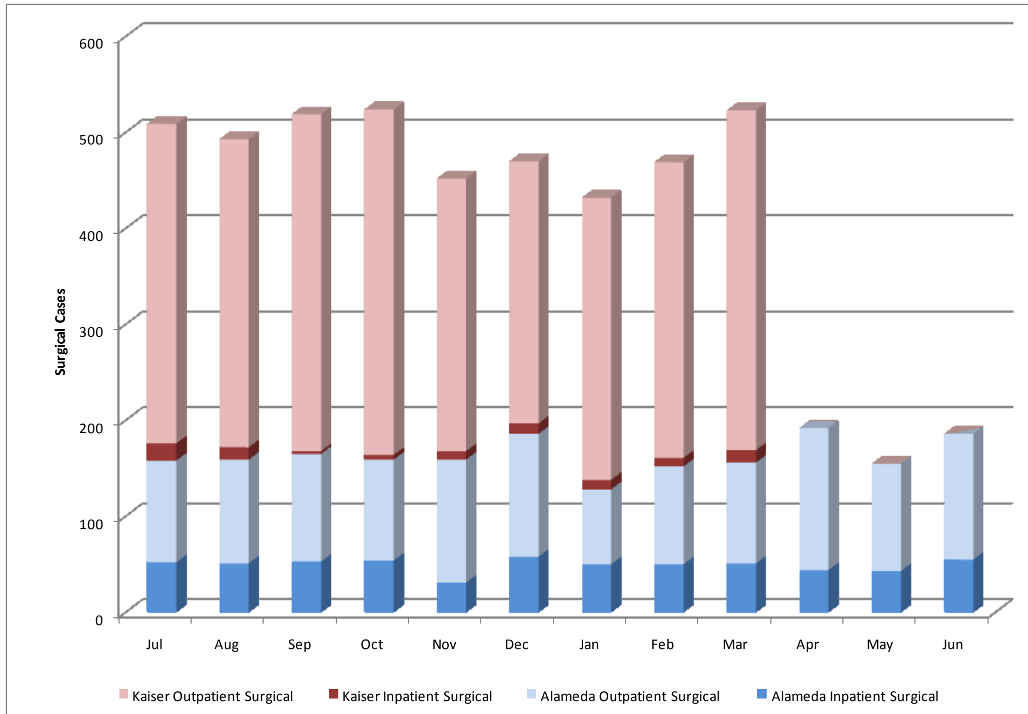


Surgery

Surgery cases were 186 versus the 514 budgeted and 560 in the prior year. The primary reason for the decline in surgical cases is related to the March 31, 2010 ending of the Kaiser contract. In June, Alameda physician cases increased by 28 cases or 18.1% above the level experienced in May. The increase of 28 cases over the prior month was the result of an increase of 12 and 19 inpatient and outpatient cases, respectively. Inpatient and outpatient cases totaled 55 and 131 versus 43 and 112 in May, respectively. The increase was driven by increases in Gastroenterology (17), Ophthalmology (12) and General (3) offset by a decrease in Orthopedic cases (4).

The graph on the following page shows the number of surgical cases by month for fiscal year 2010.

Surgical Cases

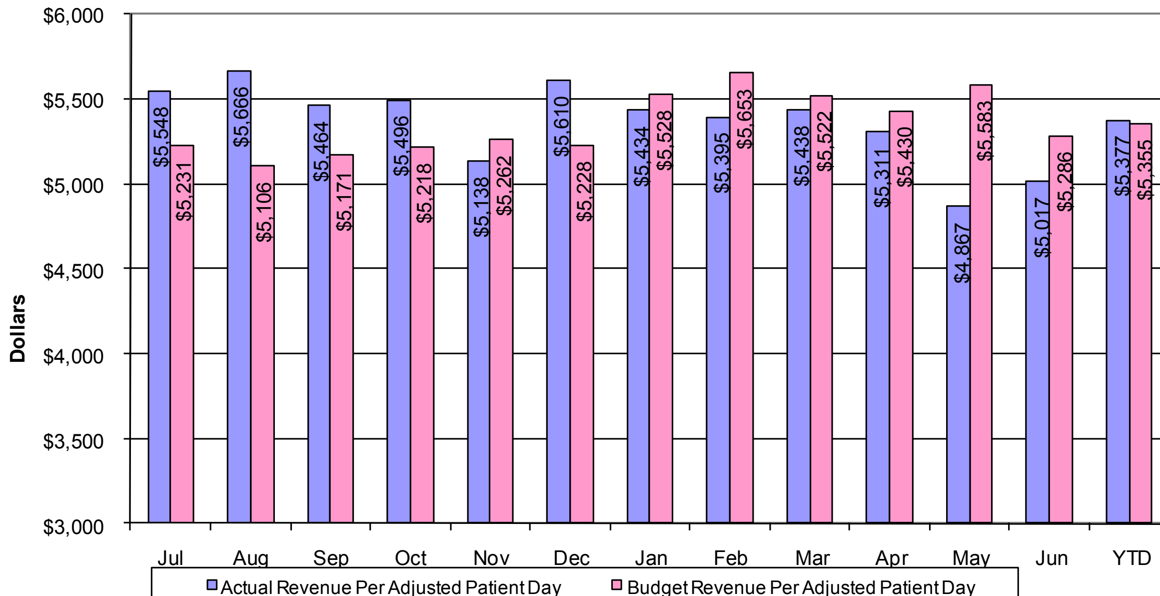


Income Statement

Gross Patient Charges

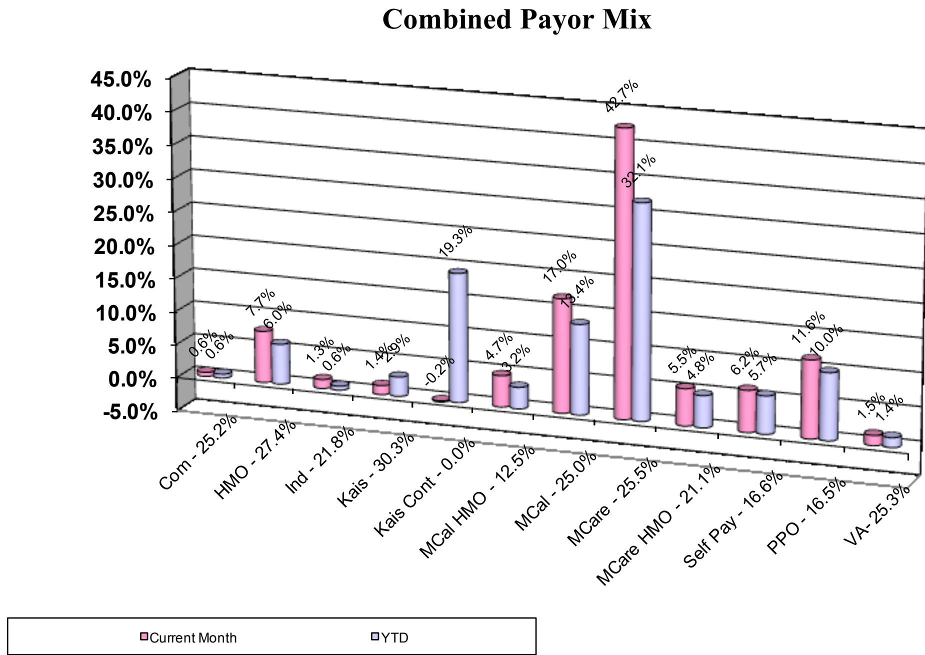
Gross patient charges in June were less than budgeted by $5,545,000. This unfavorable variance was comprised of unfavorable variances of $1,093,000 and $4,452,000 in inpatient and outpatient revenues respectively. On an adjusted patient day basis total patient revenue was $5,017 versus the budgeted $5,285 or a 5.1% unfavorable variance from budget for the month of June.

Gross Charges per Adjusted Patient Day

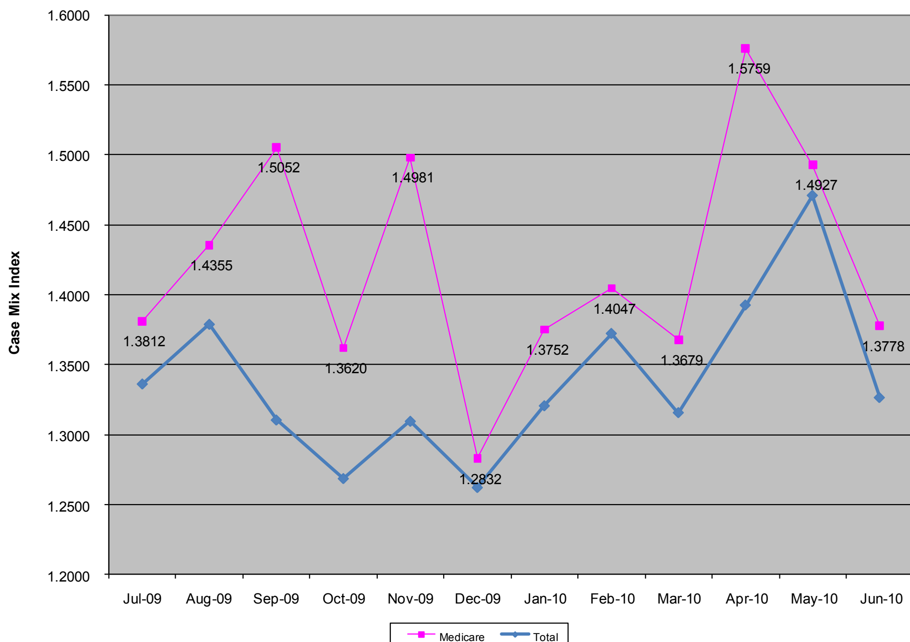


Payor Mix

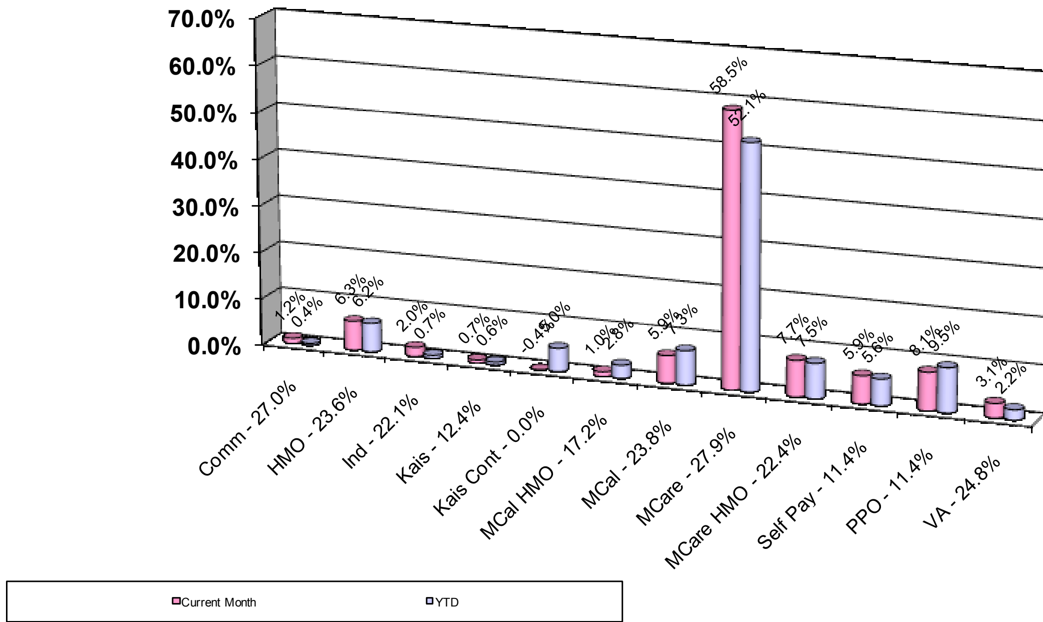
Medicare total gross revenue in June made up 42.7% of our total gross patient revenue. Medicare was followed by HMO/PPO utilization at 19.3%, Medi-Cal utilization at 17.0% and self pay at 6.2%. The graph below shows the percentage of revenues generated by each of the major payors for the current month and fiscal year to date as well as the current months estimated reimbursement for each payor.



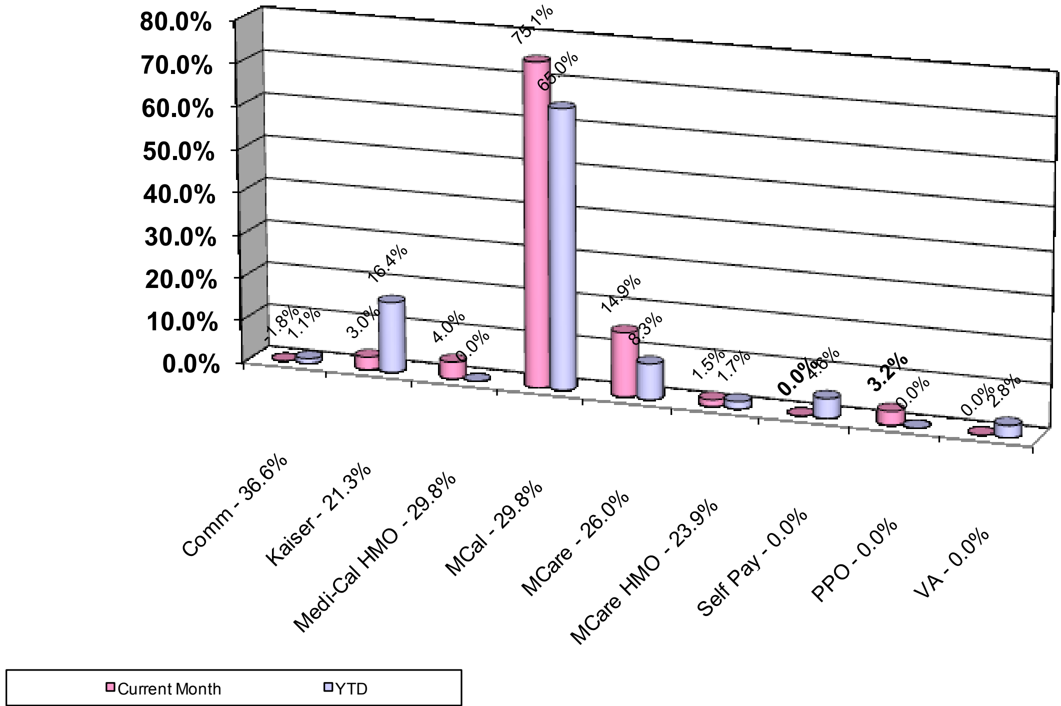
Current month gross Medicare charges including advantage plans made up 63.2% of the total inpatient acute care gross revenues followed by HMO/PPO at 14.4% and Medi-Cal and Self Pay at 5.9% each. The hospitals overall Case Mix Index (CMI) decreased to 1.3264 from 1.4711 in the prior month while the Medicare CMI decreased over the prior month from 1.4927 in May to 1.3778 in June. For the 2010 fiscal year the average CMI increased to 1.3386 versus the 2009 average CMI of 1.2590. In June there was one (1) outlier case in the month. The overall Medicare reimbursement improved slightly to 27.9% in June versus 27.0% in May. The graph below shows the CMI for the hospital during the current fiscal year.



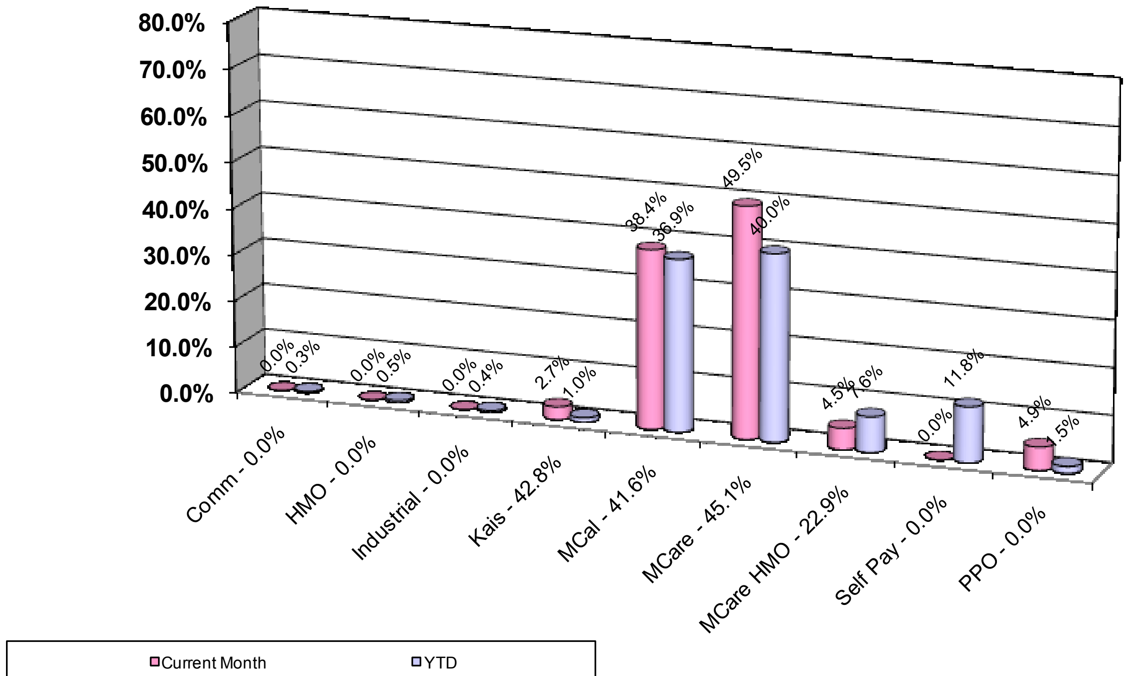
The overall net patient revenue percentage increased from the prior month primarily as a result of the receipt of the Supplemental Intergovernmental Transfer funds related to the new contract with the California Medical Assistance Commission (CMAC) to provide services to Medi-Cal beneficiaries at a contracted rate significantly below cost. The Supplemental IGT funds, which are an integral part of the decision to contract with CMAC, bring the hospital to a position which is slightly better than the prior structure. This resulted in the overall estimated reimbursement for June to be 34.1% (22.8% without the IGT transfer) versus 25.7% in May. The graph below shows the current month and year to date payor mix and current month estimated net revenue percentages for fiscal year 2010.



In June the Sub-Acute care program again was dominated by Medi-Cal utilization of 75.1% versus 72.8% in May. The graph on the following page shows the payor mix for the current month and fiscal year to date and the current months estimated reimbursement rate for each payor.

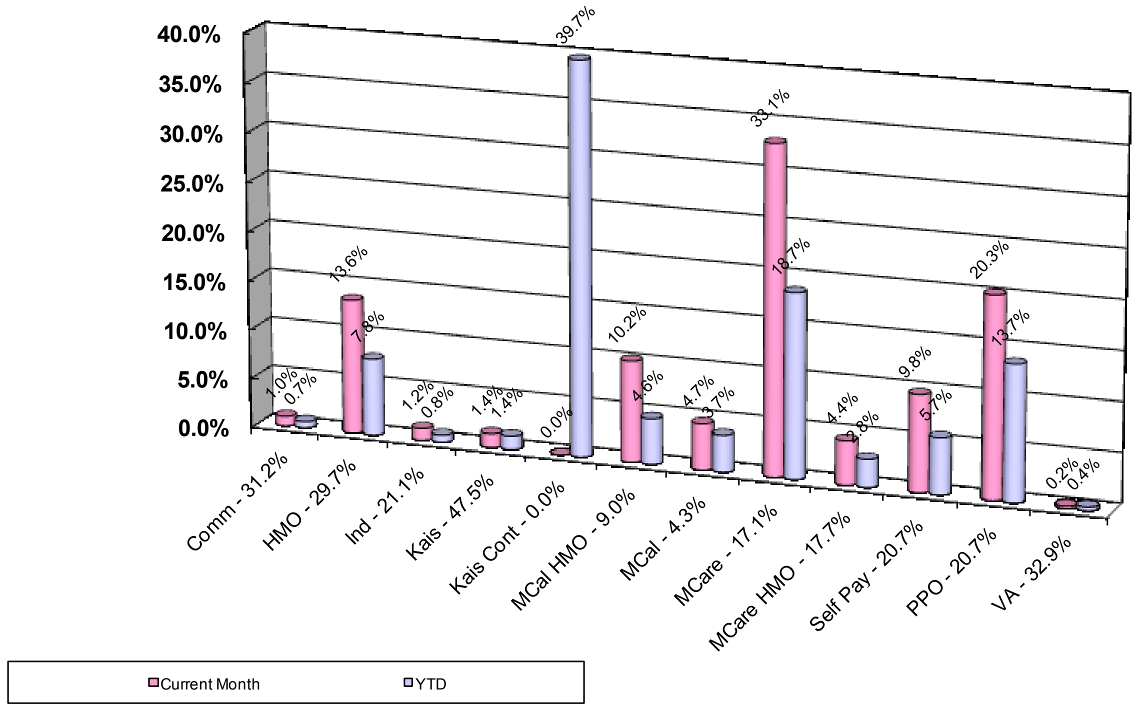


In June the Skilled Nursing program was again comprised primarily of Medicare at 49.5% and Medi-Cal at 38.4%. The graph below shows the current month and fiscal year to date skilled nursing payor mix and the current months estimated level of reimbursement for each payor.



The outpatient gross revenue payor mix for June was comprised of 33.1% Medicare, 20.3% PPO, 13.6% HMO and 9.8% Self Pay. The graph below shows the current month and fiscal year to date outpatient payor mix and the current months estimated level of reimbursement for each payor.

Outpatient Services Payor Mix

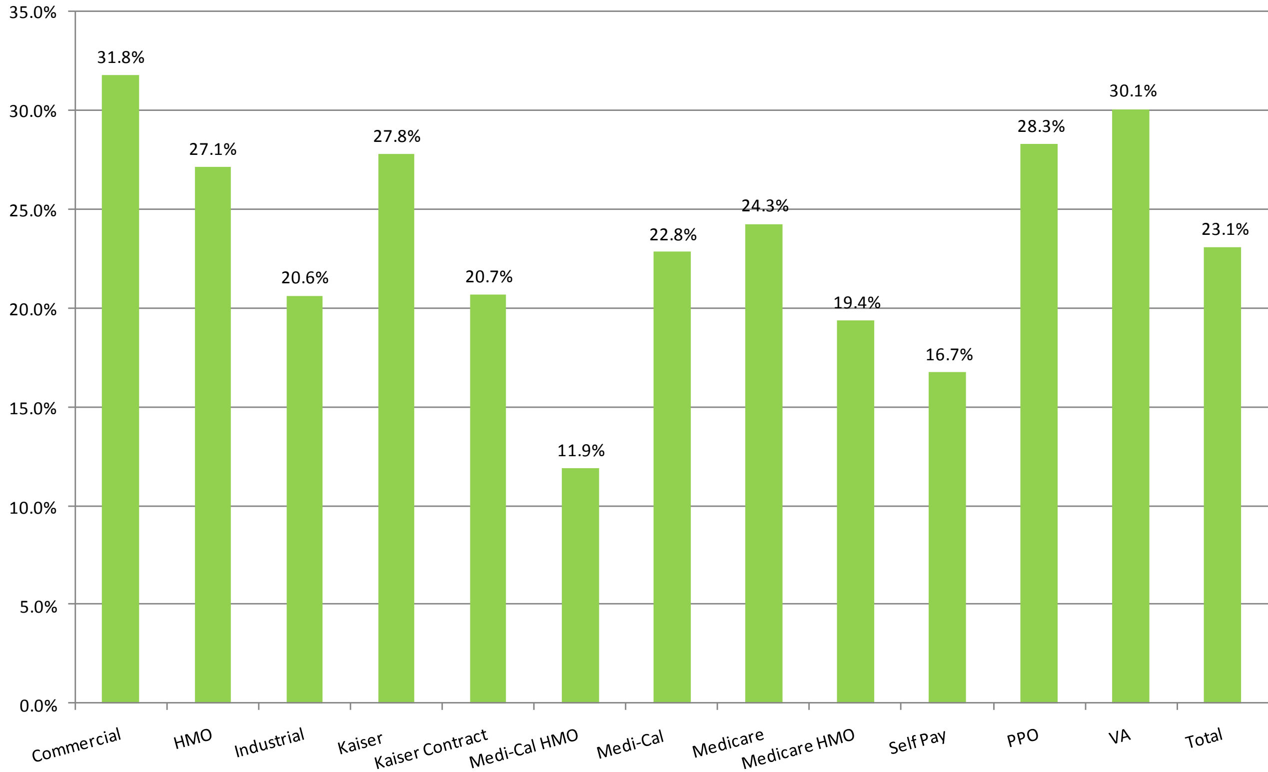


Deductions from Revenue

Contractual allowances are computed as deductions from gross patient revenues based on the difference between gross patient charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare, Medi-Cal and other third party payors such as Blue Cross. In the month of June contractual allowances, bad debt and charity adjustments (as a percentage of gross patient charges) were 65.9% versus the budgeted 78.0%. This significant change from the year-to-date average of 75.8% was primarily the result of $2.1 million in Supplemental funds that were the result of the hospitals participation in the State of California's intergovernmental transfer program that is available to hospitals with California Medical Assistance Commission contacts.

Net Patient Service Revenue

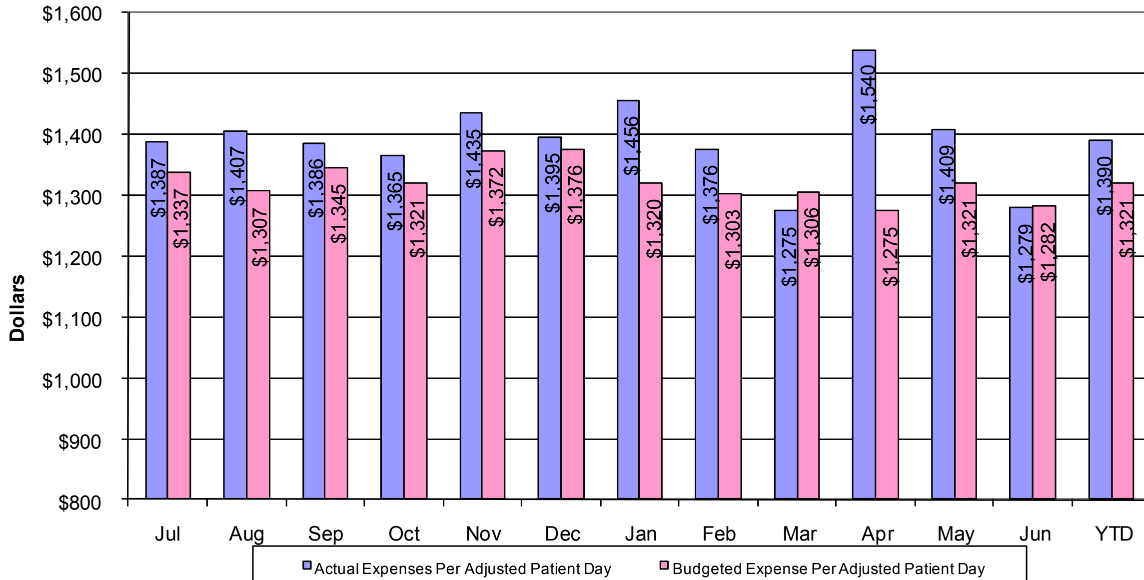
Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. This difference reflects what the anticipated cash payments the Hospital is expecting to receive for the services provided. The graph on the following page shows the level of reimbursement that the Hospital has estimated for fiscal year 2010 by major payor category.



Total Operating Expenses

Total operating expenses were less than the fixed budget by $1,103,000 or 18.3% for the month and $1,526,000 or 2.1% for the twelve months ended June 30, 2010. On an adjusted patient day basis, our cost per adjusted patient day for fiscal year 2010 was $1,388 which was $67 per adjusted patient day unfavorable to budget. This variance in expenses per adjusted patient day was the result of unfavorable variances in the categories discussed on the following pages. The graph on the following page shows the hospital operating expenses on an adjusted patient day basis for the 2010 fiscal year by month.

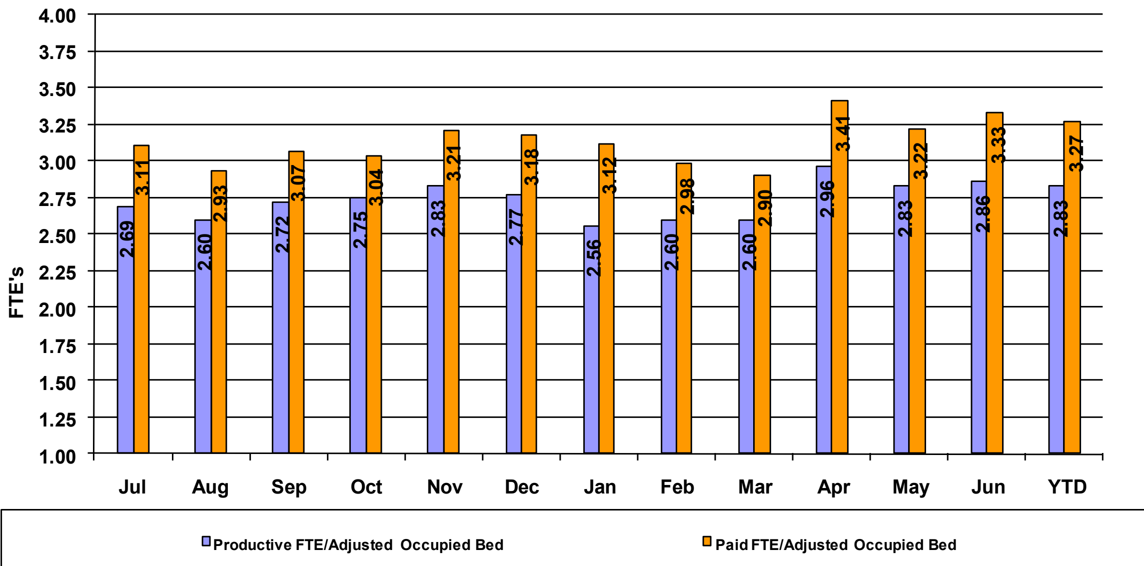
Expenses per Adjusted Patient Day



Salary and Registry Expenses

Salary and registry costs combined were favorable to the fixed budget by $31,000 but were unfavorable to budgeted levels on a per adjusted patient day basis for fiscal year 2011 by $51. On an adjusted occupied bed basis, productive FTE's were 2.7 versus the budgeted 2.5 for fiscal year 2010. The graph below shows the productive and paid FTE's per adjusted occupied bed for FY 2010 by month and year to date.

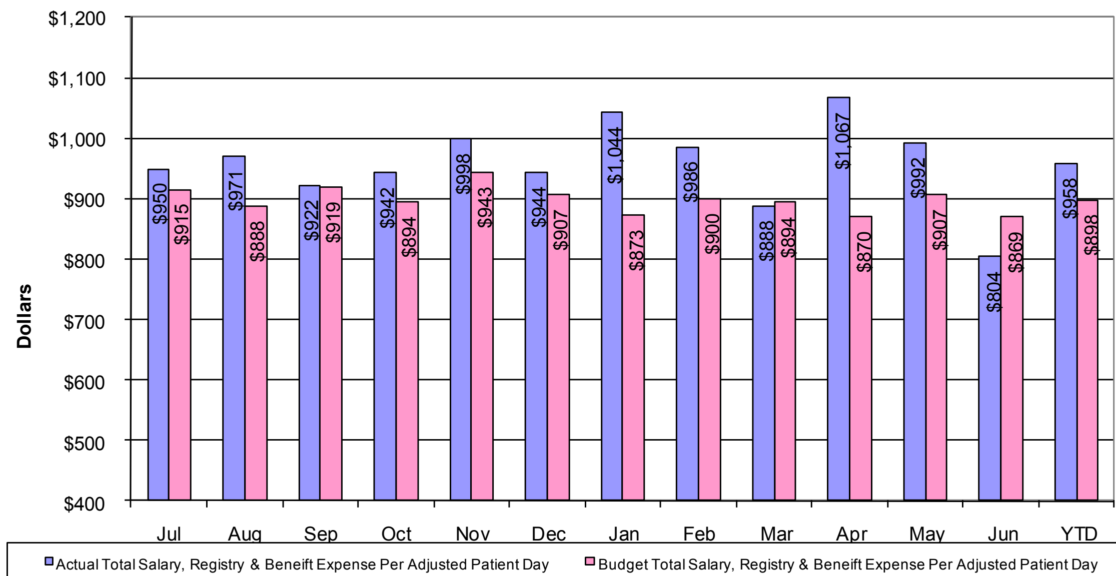
FTE's per Adjusted Occupied Bed



Benefits
Benefit costs were $1,073,000 favorable to the fixed budget and were $238 favorable to budget on an adjusted patient day basis in June. Benefit costs were favorable to the fixed budget as a result of the reversal of potential wage payments that had been accrued during the course of the fiscal year 2010 while various bargaining unit contracts were being negotiated. This component represented approximately 65% or $695,000 of the total variance. The remainder was the result of favorable adjustments to estimated health plan expenses ($292,000) and a favorable adjustment to estimated expenses related to the frozen employee benefits pension plan ($50,000) that had been accrued during the course of the fiscal year.

The following graph shows the combined salary, registry and benefit costs on an adjusted patient basis for FY 2010 by month.

Salary, Registry and Benefit Cost per APD



Professional Fees
Professional fees were unfavorable to budget by $104,000 and $11 per adjusted patient day favorable to budget in the month of June. For the twelve months ended June 30, 2010 this category was favorable to the budget by $658,000 or $7 per adjusted patient day and was the result of lower than budgeted physician fees of $355,000, consulting and management fees $139,000, legal fees of $119,000 and other professional fees of $47,000.

Supplies
Supply expense was unfavorable to budget by $25,000 or $44 per adjusted patient day unfavorable to budget. For fiscal year 2010 this category was over budget by $519,000 or $22 unfavorable to budget and was the result of primarily driven by higher medical supply costs of $440,000. The primary causes for the variance from the fixed budgeted costs in surgery $264,000 and pharmacy $297,000 departments. In the surgery department the unfavorable variance from the fixed budget was driven by the use of more prosthetic devices which was unfavorable to budget by $566,000 and was offset by lower than budgeted costs for sutures and other surgical supplies by $302,000.

Purchased Services
Purchased services were unfavorable to the fixed budget by $44,000 or $30 per adjusted patient day unfavorable to budget for the month of June but ended the fiscal year $85,000 favorable to the fixed budget and only $5 unfavorable per adjusted patient day. The favorable variance from the fixed budget was primarily the result of a favorable variance in repairs and maintenance costs of $169,000 offset by unfavorable variances of $17,000 and $67,000 in medical purchased services and other purchased services, respectively.

Utilities and Telephone
Utilities and telephone ended the year favorable to budget by $97,000 or $3 per adjusted patient day favorable to budget as a result of lower than budgeted utility costs in all categories, electricity, gas, water and telephone.

Depreciation Expense
Depreciation expense was $413,000 or $6 per adjusted patient day favorable to budget for fiscal year 2010 as a result of additional pieces of equipment becoming fully depreciated in addition to the equipment that became fully depreciated.

The following pages include the detailed financial statements for the twelve months ended June 30, 2010.

ALAMEDA HOSPITAL
KEY STATISTICS
JUNE 2010

	ACTUAL JUNE 2010	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	JUNE 2009	YTD JUNE 2010	YTD FIXED BUDGET	VARIANCE	%	YTD JUNE 2009
Discharges:										
Total Acute	219	209	10	4.8%	259	2,802	2,881	(79)	-2.7%	2,812
Total Sub-Acute	1	1	-	0.0%	-	14	41	(27)	-65.9%	34
Total Skilled Nursing	11	13	(2)	-15.4%	8	127	158	(31)	-19.6%	112
	231	223	8	3.6%	267	2,943	3,080	(137)	-4.4%	2,958
Patient Days:										
Total Acute	762	857	(95)	-11.1%	1,043	10,579	11,810	(1,231)	-10.4%	11,787
Total Sub-Acute	1,013	1,041	(28)	-2.7%	990	12,196	12,228	(32)	-0.3%	12,010
Total Skilled Nursing	686	645	41	6.4%	694	7,832	7,848	(16)	-0.2%	6,666
	2,461	2,543	(82)	-3.2%	2,727	30,607	31,886	(1,279)	-4.0%	30,463
Average Length of Stay										
Total Acute	3.48	4.10	(0.62)	-15.1%	4.03	3.78	4.10	(0.32)	-7.9%	4.19
Average Daily Census										
Total Acute	25.40	28.57	(3.06)	-10.7%	34.77	28.98	32.35	(3.37)	-10.4%	32.29
Total Sub-Acute	33.77	34.70	(0.90)	-2.6%	33.00	33.41	33.50	(0.09)	-0.3%	32.90
Total Skilled Nursing	22.87	21.50	1.32	6.2%	23.13	21.46	21.51	(0.05)	-0.2%	20.83
	82.03	84.77	(2.65)	-3.1%	90.90	83.85	87.36	(3.46)	-4.0%	86.03
Emergency Room Visits	1,396	1,390	6	0.4%	1,527	17,624	16,830	794	4.7%	17,337
Outpatient Registrations	2,075	3,031	(956)	-31.5%	2,553	29,079	34,659	(5,580)	-16.1%	29,948
Surgery Cases:										
Inpatient	55	54	1	1.9%	70	683	663	20	3.0%	690
Outpatient	131	460	(329)	-71.5%	490	4,229	4,946	(717)	-14.5%	5,195
	186	514	(328)	-63.8%	560	4,912	5,609	(697)	-12.4%	5,885
Kaiser Inpatient Cases	-	7	(7)	-	9	91	103	(12)	-	102
Kaiser Eye Cases	-	176	(176)		187	1,461	1,887	(426)	-22.6%	1,976
Kaiser Outpatient Cases	-	177	(177)		179	1,417	1,872	(455)	-24.3%	1,931
Total Kaiser Cases	-	360	(360)		375	2,969	3,862	(893)	-23.1%	4,009
% Kaiser Cases	0.0%	70.0%			67.0%	60.4%	68.9%			68.1%
Adjusted Occupied Bed	127.56	156.48	28.92	18.5%	159.64	142.21	152.50	(10.29)	-6.7%	146.65
Productive FTE	365.64	386.41	20.77	5.4%	389.40	386.60	388.10	1.50	0.4%	378.20
Total FTE	425.78	435.96	10.18	2.3%	454.42	442.28	445.02	2.74	0.6%	429.99
Productive FTE/Adj. Occ. Bed	2.87	2.47	(0.40)	-16.1%	2.44	2.72	2.54	(0.17)	-6.8%	2.58
Total FTE/ Adj. Occ. Bed	3.34	2.79	(0.55)	-19.8%	2.85	3.11	2.92	(0.19)	-6.6%	2.93

ALAMEDA HOSPITAL
Balance Sheet
June 30, 2010

	June 30,2010	May 31,2010	Audited June 30, 2009
Assets			
Current assets:			
Cash and cash equivalents	$ 3,498,655	$ 760,873	$ 1,866,540
Net Accounts Receivable	9,558,147	9,725,093	10,069,536
Net Accounts Receivable %	21.97%	22.19%	22.15%
Inventories	1,149,706	1,303,789	1,291,072
Est.Third-party payer settlement receivable	303,819	391,395	351,648
Other assets	6,944,459	3,526,451	6,920,987
Total Current Assets	21,454,786	15,707,601	20,499,783
Restricted by contributors and grantors for capital acquisitions and research-Jaber Estate	476,630	468,534	468,209
Total Non-Current Assets	476,630	468,534	468,209
Fixed Assets:			
Land	877,945	877,945	877,945
Depreciable capital assets, net of accumulated depreciation	6,115,790	5,853,966	6,029,967
Total fixed assets, net of accumulated depreciation	6,993,735	6,731,911	6,907,912
Total Assets	$ 28,925,151	$ 22,908,046	$ 27,875,904
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long term debt	$ 417,152	$ 419,214	$ 436,733
Accounts payable and accrued expenses	6,232,297	6,260,012	6,244,967
Payroll and benefit related accruals	4,351,133	5,306,426	3,765,683
Est.Third-party payer settlement payable	500,000	445,550	306,588
Other liabilities	6,513,813	1,252,891	7,274,242
Total Current Liabilities	18,014,395	13,684,093	18,028,213
Long-Term Liabilities.			
Debt borrowings net of current maturities	1,271,886	1,307,162	1,733,631
Total Long-Term Liabilities	1,271,886	1,307,162	1,733,631
Total Liabilities	19,286,281	14,991,255	19,761,844
Net Assets			
Unrestricted Funds	9,092,240	7,378,257	7,615,851
Restricted Funds	546,630	538,534	498,209
Net Assets	9,638,870	7,916,791	8,114,060
Total Liabilities and Net Assets	$ 28,925,151	$ 22,908,046	$ 27,875,904

City of Alameda Health Care District

Statements of Operations

June 30, 2010

$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Patient Days	2,461	2,543	(82)	-3.2%	2,727	30,607	31,888	(1,281)	-4.0%	30,462
Discharges	231	223	8	3.6%	259	2,942	3,082	(140)	-4.5%	2,957
ADC (Average Daily Census)	82.0	84.8	(2.73)	-3.2%	90.9	83.9	87.4	(3.51)	-4.0%	83.5
CMI (Case Mix Index)	1.3264				1.1248	1.3386				1.2590
Revenues										
Gross Inpatient Revenues	$ 12,347	$ 13,440	$ (1,093)	-8.1%	$ 14,684	$ 164,372	$ 170,779	$ (6,407)	-3.8%	$ 160,901
Gross Outpatient Revenues	6,919	11,370	(4,452)	-39.2%	11,104	114,302	127,341	(13,040)	-10.2%	121,868
Total Gross Revenues	19,265	24,810	(5,545)	-22.3%	25,788	278,674	298,120	(19,447)	-6.5%	282,769
Contractual Deductions	11,925	18,800	6,875	36.6%	19,556	203,724	224,464	20,739	9.2%	211,027
Bad Debts	497	470	(26)	-5.5%	622	6,338	5,617	(721)	-12.8%	7,564
Charity and Other Adjustments	281	91	(190)	-209.1%	152	1,294	1,086	(208)	-19.1%	1,117
Net Patient Revenues	6,563	5,449	1,113	20.4%	5,458	67,317	66,953	364	0.5%	63,061
Net Patient Revenue %	34.1%	22.0%			21.2%	24.2%	22.5%			22.3%
Net Clinic Revenue	46	64	(19)	-28.9%	-	201	706	(506)	-71.6%	-
Other Operating Revenue	8	15	(7)	-45.7%	33	419	181	237	131.0%	195
Net Assets Released	-	-	-	0.0%	-	-	-	-	0.0%	-
Total Revenues	**6,616**	**5,528**	**1,088**	19.7%	**5,492**	**67,936**	**67,841**	**96**	0.1%	**63,256**
Expenses										
Salaries	3,114	3,034	(80)	-2.6%	3,195	37,493	37,487	(6)	0.0%	35,026
Registry	167	167	0	0.0%	266	2,030	2,066	37	1.8%	2,686
Benefits	(193)	880	1,073	121.9%	623	10,115	10,783	668	6.2%	9,847
Professional Fees	234	337	104	30.8%	284	3,447	4,105	658	16.0%	3,537
Supplies	825	800	(25)	-3.1%	797	9,985	9,466	(519)	-5.5%	9,106
Purchased Services	436	392	(44)	-11.3%	399	4,652	4,736	85	1.8%	4,132
Rents and Leases	49	69	20	29.3%	68	843	841	(2)	-0.2%	720
Utilities and Telephone	74	77	3	3.7%	66	837	933	97	10.4%	841
Insurance	10	45	35	78.4%	35	496	544	47	8.7%	533
Depreciation and amortization	102	129	27	21.3%	95	1,155	1,568	413	26.3%	1,407
Other Opertaing Expenses	95	85	(10)	-11.7%	63	985	1,033	49	4.7%	890
Total Expenses	**4,913**	**6,016**	**1,103**	18.3%	**5,890**	**72,038**	**73,564**	**1,526**	2.1%	**68,724**
Operating gain (loss)	**1,703**	**(488)**	**2,191**	449.3%	**(399)**	**(4,102)**	**(5,724)**	**1,622**	-28.3%	**(5,468)**
Non-Operating Income / (Expense)										
Parcel Taxes	477	480	(3)	-0.6%	477	5,746	5,759	(13)	-0.2%	5,755
Investment Income	6	-	6	0.0%	-	29	-	29	0.0%	-
Interest Expense	(7)	-	(7)	0.0%	(9)	(99)	-	(99)	0.0%	(143)
Other Income / (Expense)	4	27	(23)	-84.5%	19	255	324	(69)	-21.2%	274
Net Non-Operating Income / (Expense)	**480**	**507**	**(27)**	**-5.4%**	**487**	**5,932**	**6,083**	**(151)**	**-2.5%**	**5,886**
Excess of Revenues Over Expenses	**$ 2,183**	**$ 19**	**$ 2,164**	**11227.6%**	**$ 88**	**$ 1,830**	**$ 359**	**$ 1,471**	**410.0%**	**$ 419**

City of Alameda Health Care District

Statements of Operations - Per Adjusted Patient Day

June 30, 2010

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	$ 3,215	$ 2,863	$ 352	12.3%	$ 3,066	$ 3,168	$ 3,068	$ 100	3.2%	$ 3,006
Gross Outpatient Revenues	1,802	2,422	(620)	-25.6%	2,319	2,203	2,288	(85)	-3.7%	2,276
Total Gross Revenues	5,017	5,285	(268)	-5.1%	5,385	5,370	5,356	15	0.3%	5,282
Contractual Deductions	3,105	4,005	899	22.5%	4,083	3,926	4,032	106	2.6%	3,942
Bad Debts	129	100	(29)	-29.0%	130	122	101	(21)	-21.0%	141
Charity and Other Adjustments	73	19	(54)	-277.8%	32	25	20	(5)	-27.8%	21
Net Patient Revenues	1,709	1,161	548	47.2%	1,140	1,297	1,203	95	7.9%	1,178
Net Patient Revenue %	34.1%	22.0%			21.2%	24.2%	22.5%			22.3%
Net Clinic Revenue	12	14	(2)	-13.1%	-	4	13	(9)	-69.5%	-
Other Operating Revenue	2	3	(1)	-33.6%	7	8	3	5	147.8%	4
Total Revenues	**1,723**	**1,178**	**545**	46.3%	**1,147**	**1,309**	**1,219**	**91**	7.4%	**1,182**
Expenses										
Salaries	811	646	(165)	-25.5%	667	723	673	(49)	-7.3%	654
Registry	44	36	(8)	-22.2%	55	39	37	(2)	-5.4%	50
Benefits	(50)	187	238	126.8%	130	195	194	(1)	-0.6%	184
Professional Fees	61	72	11	15.4%	59	66	74	7	9.9%	66
Supplies	215	170	(44)	-26.1%	166	192	170	(22)	-13.2%	170
Purchased Services	114	83	(30)	-36.1%	83	90	85	(5)	-5.4%	77
Rents and Leases	13	15	2	13.5%	14	16	15	(1)	-7.5%	13
Utilities and Telephone	19	16	(3)	-17.7%	14	16	17	1	3.9%	16
Insurance	3	10	7	73.6%	7	10	10	0	2.1%	10
Depreciation and Amortization	26	28	1	3.7%	20	22	28	6	21.0%	26
Other Operating Expenses	25	18	(7)	-36.5%	13	19	19	(0)	-2.2%	17
Total Expenses	**1,279**	**1,282**	**2**	0.2%	**1,230**	**1,388**	**1,322**	**(67)**	-5.0%	**1,284**
Operating Gain / (Loss)	**444**	**(104)**	**547**	527.0%	**(83)**	**(79)**	**(103)**	**24**	-23.2%	**(102)**
Net Non-Operating Income / (Expense)	**125**	**108**	**17**	**15.6%**	**102**	**114**	**109**	**5**	**4.6%**	**110**
Excess of Revenues Over Expenses	**$ 568**	**$ 4**	**$ 564**	13747.9%	**$ 18**	**$ 36**	**$ 7**	**$ 29**	432.3%	**$ 8**

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING JULY 31, 2010

CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
JULY 31, 2010

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ALAMEDA HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
JULY, 2010

The management of the Alameda Hospital (the "Hospital") has prepared this discussion and analysis in order to provide an overview of the Hospital's performance for the period ending July 31, 2010 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the Hospital's financial performance as a whole.

Financial Overview as of July 31, 2010

- Gross patient revenue for the month of July was less than budget by $799,000 or 3.7%. Inpatient revenue was less than budgeted by 1.8% and outpatient revenue was 7.5% less than budgeted for the month. On an adjusted patient day basis gross patient revenue was 5.5% greater than budgeted at $5,680 compared to a budgeted amount of $5,382 for July.

- Total patient days for the month were 2,486 compared to the prior month's total patient days of 2,461 and the prior year's 2,669 total patient days. The average daily acute care census was 26.7 compared to a budget of 29.7 and an actual average daily census of 25.4 in the prior month; the average daily Sub-Acute census was 32.7 versus a budget of 33.5 and 33.8 in the prior month and the Skilled Nursing program had an average daily census of 20.6 versus a budget of 23.0 and prior month census of 22.9, respectively.

- Emergency Care Center (ECC) visits were 1,415 or 6.9% less than the budgeted 1,520 visits and were less than the prior year's visits of 1,574.

- Total surgery cases were slightly below budgeted expectations for the month at 181 cases versus the budgeted 195 cases. However, the current month's surgical volume was 14.6% greater than the same month prior year's 158 cases.

- Outpatient registrations were 10.3% below budgeted targets at 1,995.

- Combined excess expenses over revenue (loss) for July was $187,000 versus a budgeted excess of revenues over expenses (profit) of $172,000.

  - Total assets decreased by $844,000 from the prior month as a result of a decrease in current assets of $892,000, an increase in net fixed assets of $37,000 and an increase in restricted contributions of $11,000. The following items make up the increase in current assets:

  - Total unrestricted cash and cash equivalents for July decreased by $1,489,000. This decrease was the result of the use of one twelfth of the parcel tax revenues to cover current month operating expenses in addition to payment of outstanding payables in the current month. As a result of these items day's cash on hand decreased to 11.1 at July 31, 2010 from June's 18.3 days.

  - Net patient accounts receivable increased in July by $205,000 compared to decrease of $167,000 in June. Day's in outstanding receivables increased to 65.7 in July from 64.5 at June 30, 2010. This increase in day's outstanding was primarily the result of an increase in gross accounts receivable of $983,000 resulting from the slight increase in activity versus the prior month. Cash collections in July totaled $4.7 million compared to $4.2 million in June.

- Other assets increased by $369,000 as a result of an increase in prepaid expenses and deposits of $260,000 and other receivables of $109,000 offset by the monthly amortization of prepaid expenses. The increase in prepaid expenses was the result of the prepayment of twenty-five percent of the annual premium as well as the first months installment of our workers compensation policy which will be spread over the course of fiscal year 2011. The increase in other receivables was the result of accrual of a receivable for the 2010/2011 intergovernmental transfer that is expected during the fiscal year.

- Net fixed assets increased by $37,000 as a result of costs related to the seismic upgrades for architect and engineering costs.

- Total liabilities decreased by $668,000 compared to an increase of $4,044,000 in the prior month. This increase in the current month was the result of the following:

  - Accounts payable and accrued expenses decreased by $525,000 while payroll and accrued expenses increased by $ 375,000. As a result of this net decrease of $150,000, the average payment period increased in July to 60.0 from 57.1 as of June 30, 2010.

  - Payroll and benefit related accruals increased by $375,000 from the prior month. This increase was primarily the result of an increase in payroll and related payroll tax accruals of $331,000.

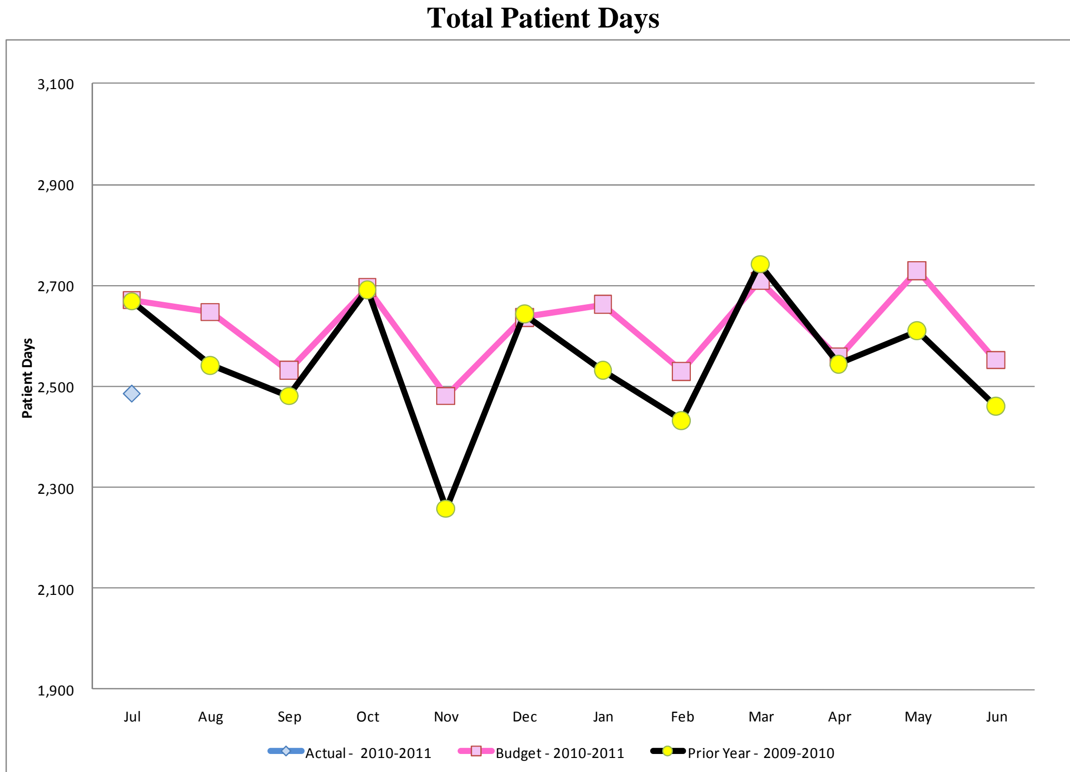
  - Other liabilities decreased by $480,000 of the amortization of one month's deferred revenue related to the 2010/2011 parcel tax revenues.

Volumes

The combined actual daily census was 80.2 versus a budget of 86.2. July's lower than budgeted census was the result of lower than budgeted census in all programs. The acute care program was 9.4% lower than budgeted with an average daily census of 27.0 versus the budgeted 29.7. The Sub-Acute program was lower than budgeted with an average daily census of 32.7 versus a budgeted census of 33.5 and the Skilled Nursing program was 10.9% lower than budgeted with an average daily census of 20.6 versus a budgeted census of 23.0.

Total patient days in July were 6.9% less than budgeted and were 6.9% less than prior year volumes. The graph below shows the total patient days by month for fiscal year 2011.

Total Patient Days

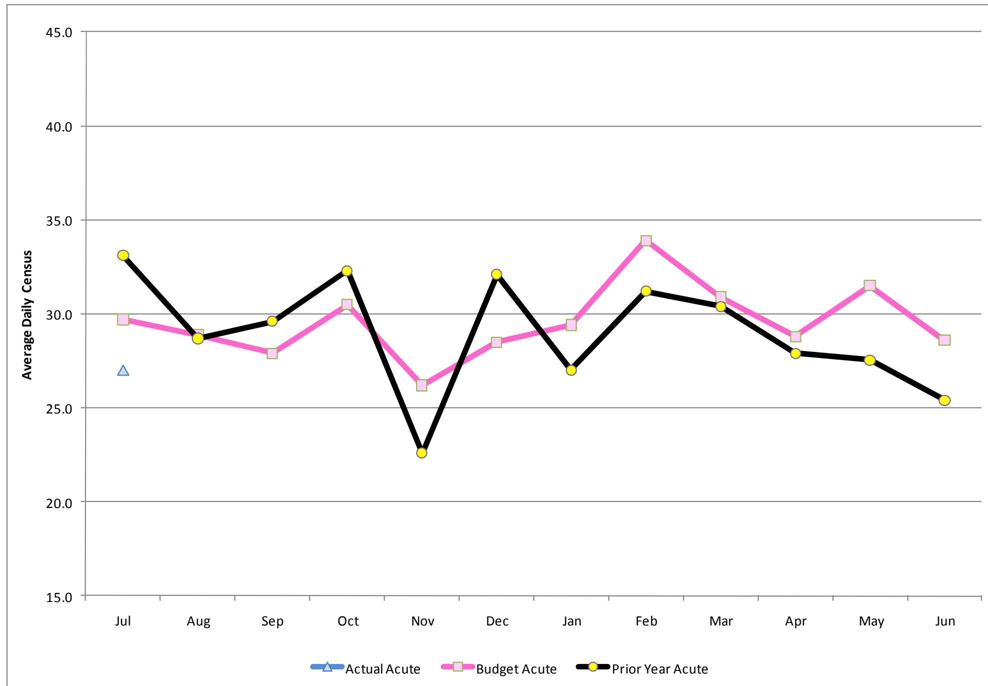


The various inpatient components of our volumes for the month of July are discussed in the following sections.

<u>Acute Care</u>

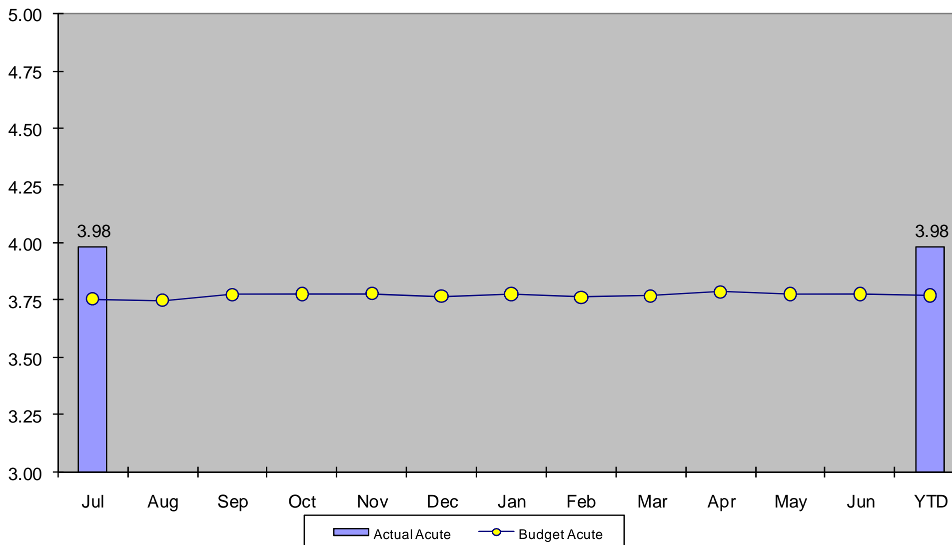
The acute care patient days were 9.1% (84 days) less than budgeted and were 18.4% less than the prior year's average daily census of 33.1. The acute care program was comprised of Critical Care Unit (4.5 ADC, 27.8% favorable to budget), Definitive Observation Unit (8.7 ADC, 22.6% unfavorable to budget) and Med/Surg Units (13.8 ADC, 7.1% unfavorable to budget). The graph on the following page shows the inpatient acute care census by month for the current fiscal year.

Inpatient Acute Care Average Daily Census



The average length of stay (ALOS) increased from that of the prior month to 3.98 days for the month of July versus the FY 2010 average of 3.78. The graph below shows the month ALOS by month and the budgeted ALOS for fiscal year 2011.

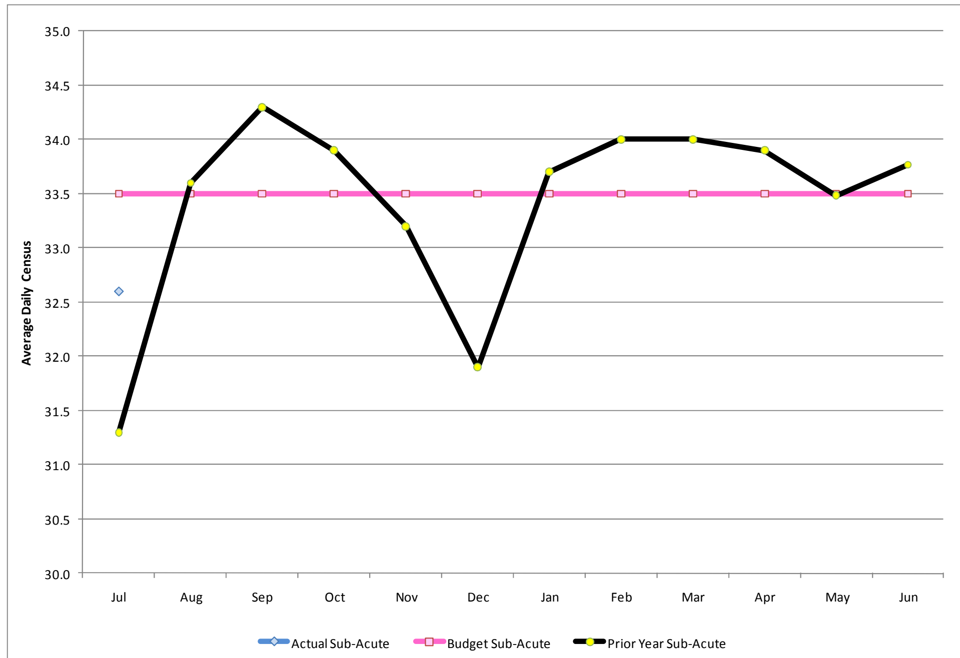
Average Length of Stay



Sub-Acute Care

The Sub-Acute program patient days were lower than budgeted by 2.5% or 26 patient days for the month of July. The graph on the following page shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.

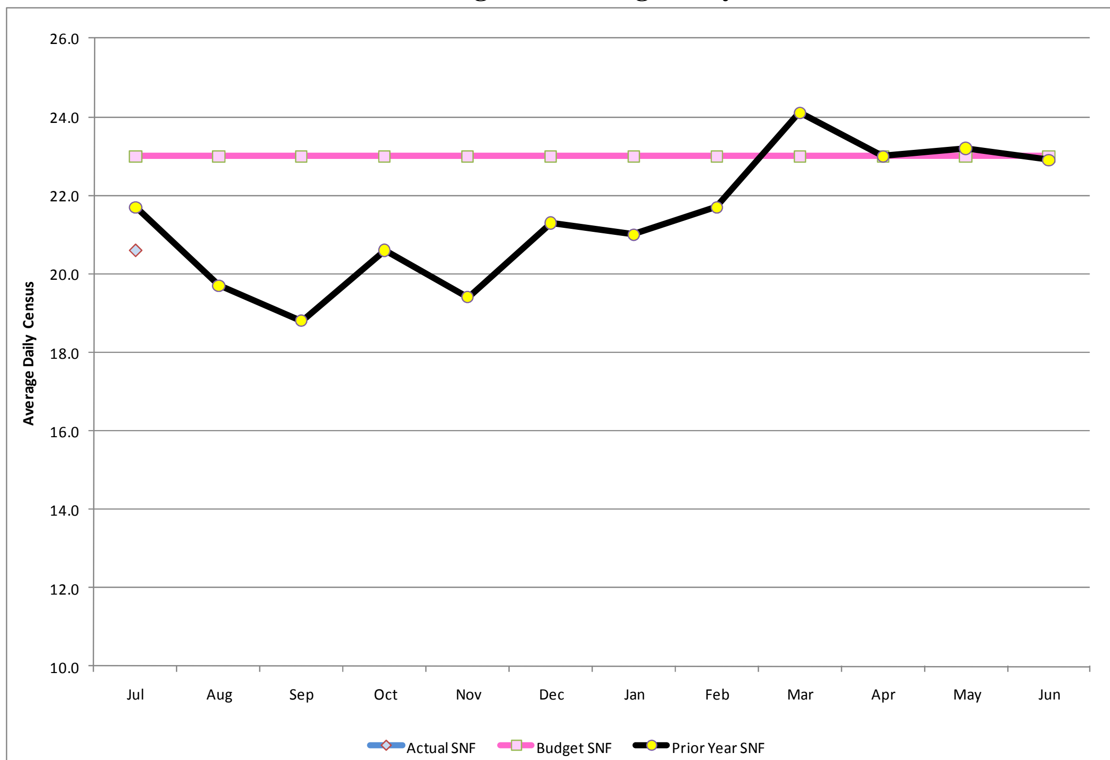
Sub-Acute Care Average Daily Census



Skilled Nursing Care

The Skilled Nursing Unit (South Shore) patient days were 10.5% or 75 patient days less than budgeted for the month of July. Comparing performance to the prior year this program was slightly lower than July 2009 with an average daily census of 20.6 versus 21.7. The following graph shows the Skilled Nursing Unit average daily census as compared to budget and the prior year by month.

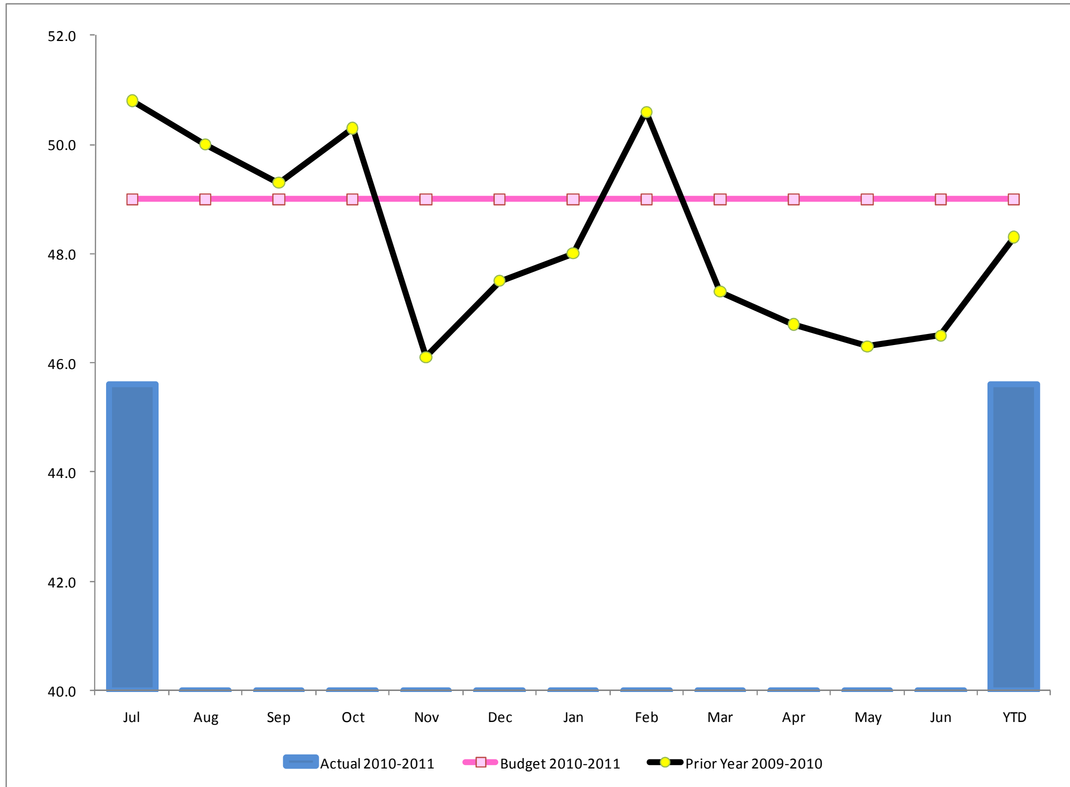
Skilled Nursing Unit Average Daily Census



Emergency Care Center

Emergency Care Center visits at 1,415 were 6.9% less than budgeted for the month of July and 16.5% of these visits resulted in inpatient admissions versus 15.9% in June. In July there were 248 ambulance arrivals versus 209 in the month of June, an increase of 18.7% from the prior month. Of the 248 ambulance arrivals 215 or 86.7% were from Alameda Fire Department ambulances. The graph below shows the Emergency Care Centers average visits per day for fiscal year 2011 as compared to budget and the prior year performance.

Emergency Care Center Visits per Day

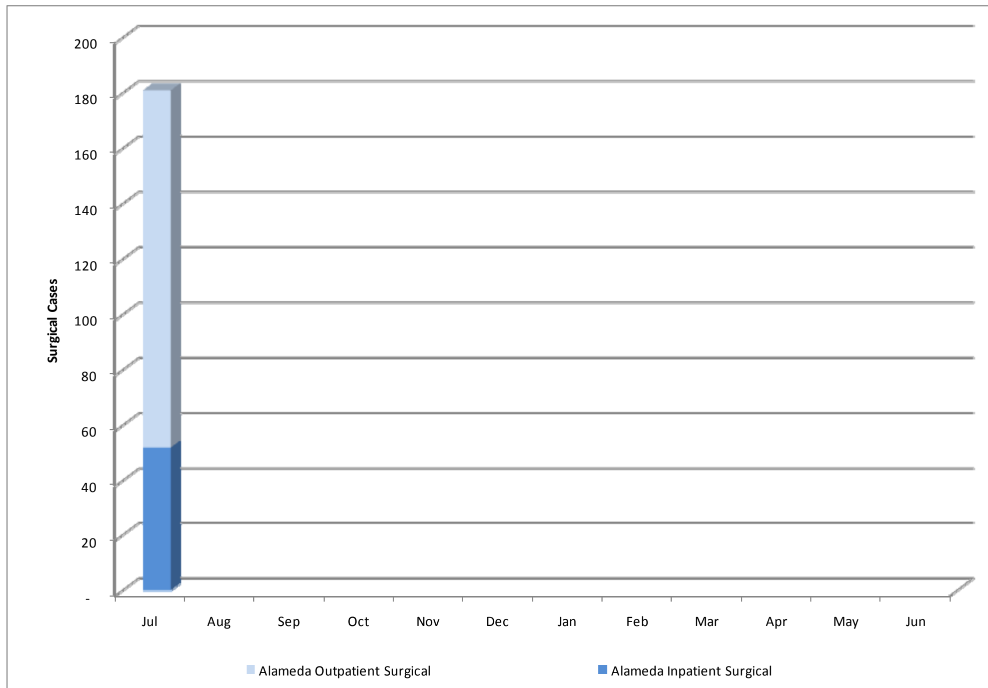


Surgery

Surgery cases were 181 versus the 195 budgeted and 158 in the prior year. In July, surgery cases decreased by 5 cases or 2.7% below the level experienced in June. The decrease of 5 cases over the prior month was the result of a decrease of 3 and 2 inpatient and outpatient cases, respectively. Inpatient and outpatient cases totaled 52 and 129 versus 55 and 131 in June, respectively. The slight variance from the prior month was driven by a decrease in Ophthalmology cases (31) but was offset by increases in Gastroenterology (13), General (14) and Orthopedic (7).

The graph on the following page shows the number of inpatient and outpatient surgical cases by month for fiscal year 2011.

Surgical Cases

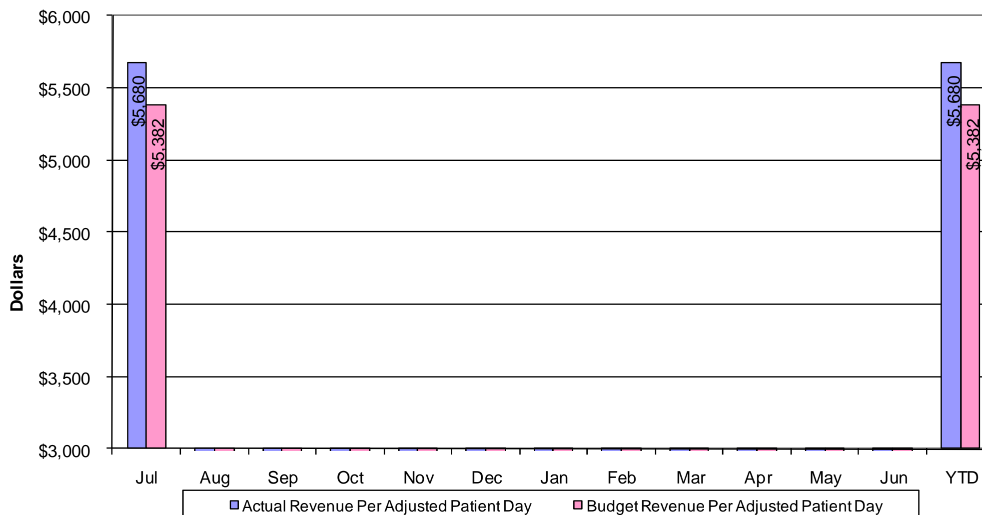


Income Statement

Gross Patient Charges

Gross patient charges in July were less than budgeted by $799,000. This unfavorable variance was comprised of unfavorable variances of $255,000 and $543,000 in inpatient and outpatient revenues respectively. On an adjusted patient day basis total patient revenue was $5,680 versus the budgeted $5,382 or a 5.5% favorable variance from budget for the month of July.

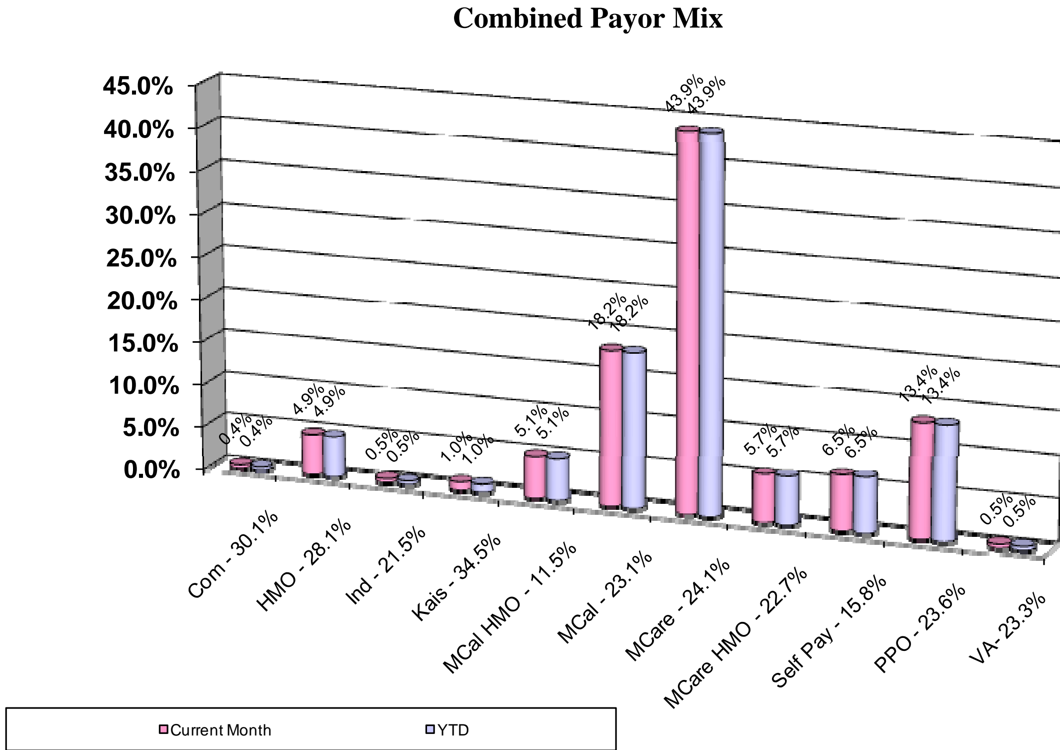
Gross Charges per Adjusted Patient Day



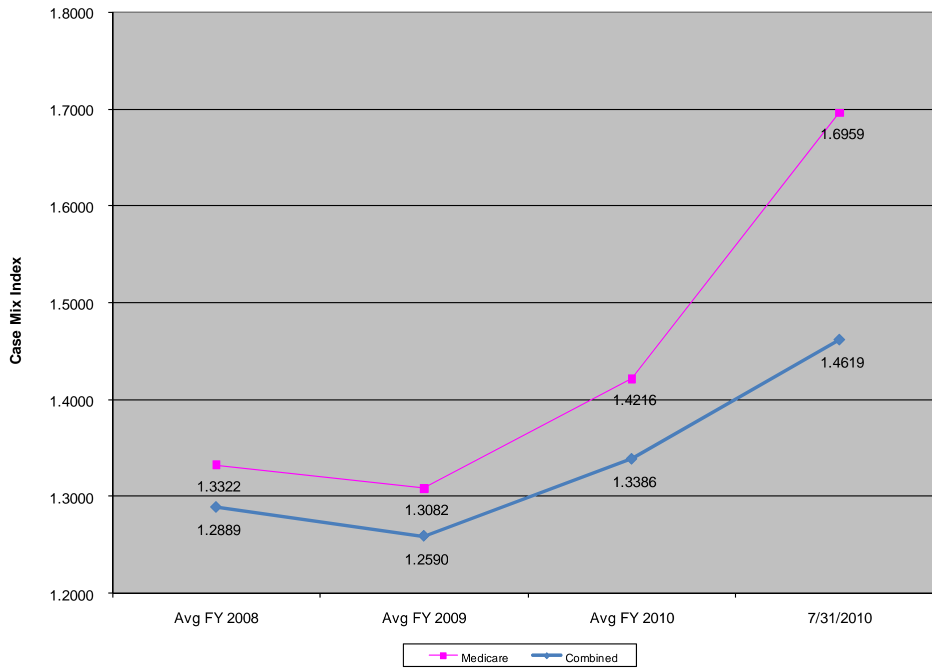
Payor Mix

Medicare and Medicare Advantage total gross revenue in July made up 49.6% of total gross patient revenue. Medicare was followed by HMO/PPO utilization at 18.3%, Medi-Cal utilization at 16.2% and self pay at 6.5%. The graph below shows the percentage of revenues generated by each of the major payors for the current month and fiscal year to date as well as the current months estimated reimbursement for each payor.

Combined Payor Mix

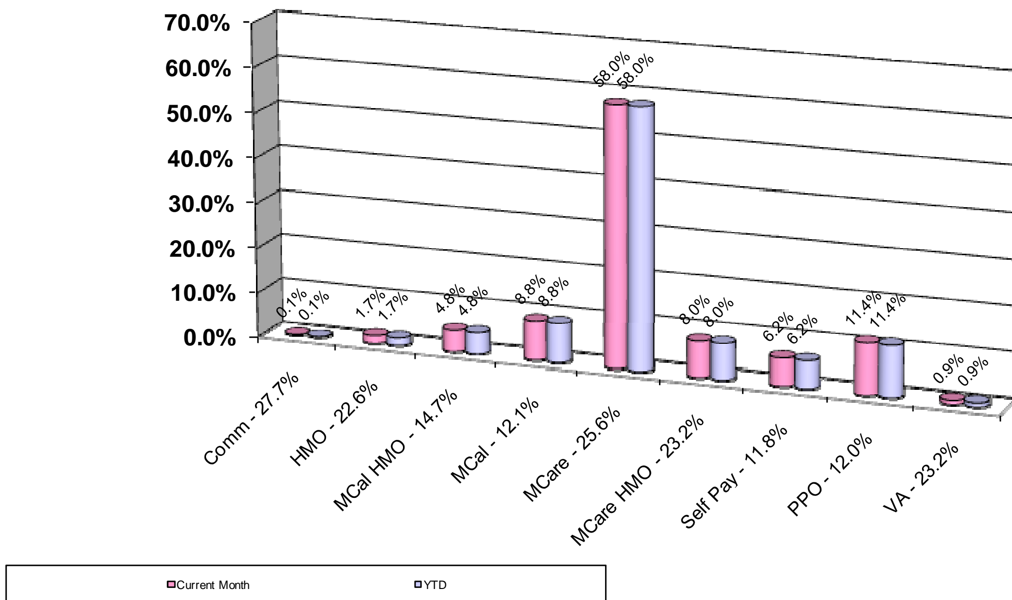


Current month gross Medicare and Medicare Advantage charges made up 66.0% of our total inpatient acute care gross revenues followed by HMO/PPO at 13.1%, Medi-Cal at 8.8% and self pay at 6.2%. The hospitals overall Case Mix Index (CMI) increased to 1.4619 from 1.3264 in the prior month while the Medicare CMI increased over the prior month from 1.3778 in June to 1.6959 in July. In July there were two (2) outlier cases in the month. The overall Medicare reimbursement declined to 25.6% in July versus 27.9% in June. The graph on the following page shows the CMI for the hospital during the current fiscal year as compared to the prior three fiscal years.

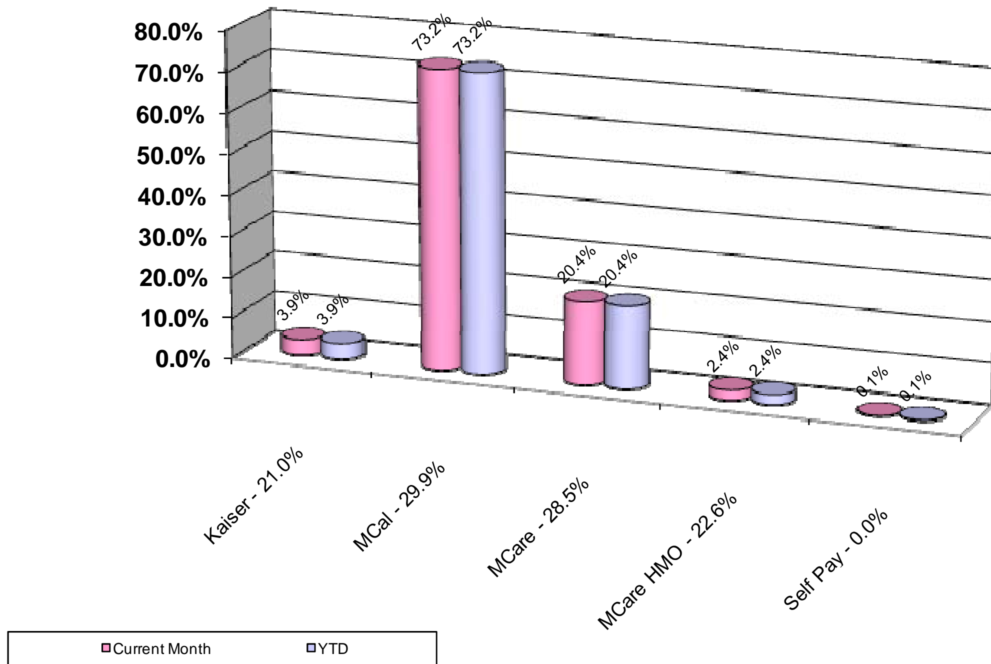


The overall net patient revenue percentage increased slightly from the prior month to 24.0% in July versus 23.4% in June. The graph below shows the current month and year to date payor mix and current month estimated net revenue percentages for fiscal year 2011.

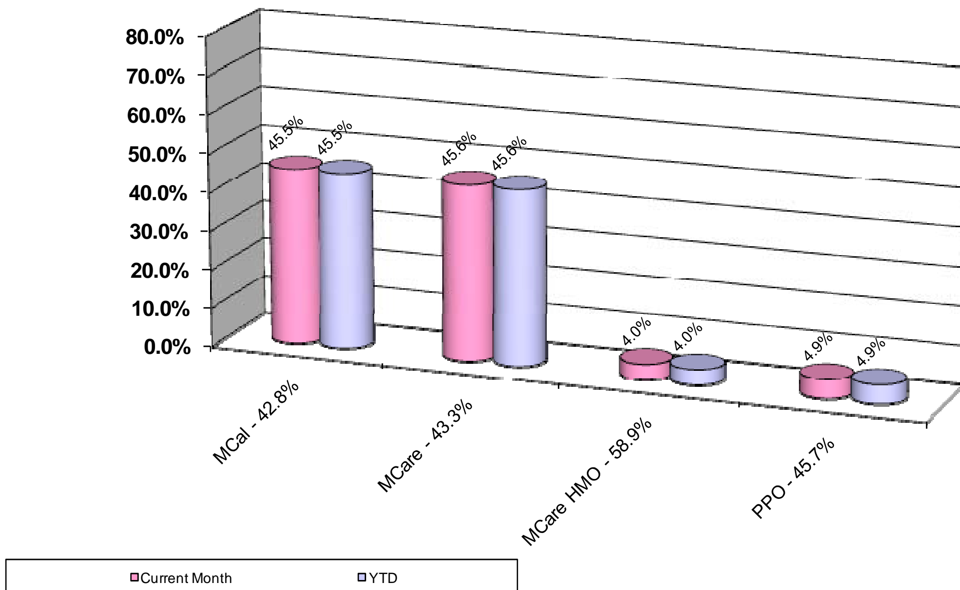
Inpatient Acute Care Payor Mix



In July the Sub-Acute care program again was dominated by Medi-Cal utilization of 73.2% versus 75.1% in June. The graph on the following page shows the payor mix for the current month and fiscal year to date and the current months estimated reimbursement rate for each payor.

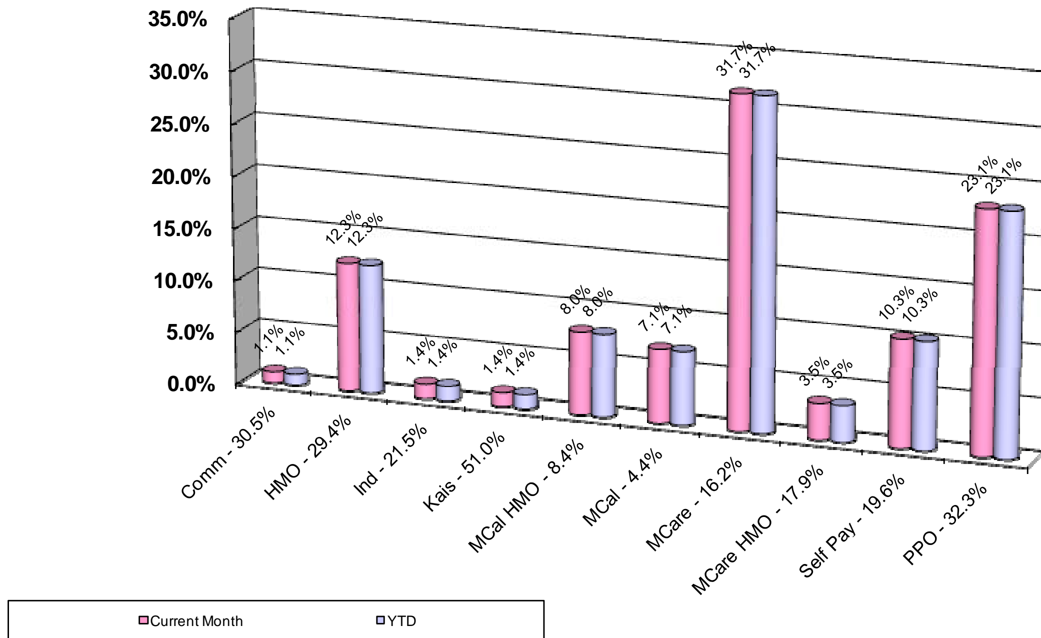


In July the Skilled Nursing program was again comprised primarily of Medicare at 45.6% and Medi-Cal at 45.5%. The graph below shows the current month and fiscal year to date skilled nursing payor mix and the current months estimated level of reimbursement for each payor.



The outpatient gross revenue payor mix for July was comprised of 35.2% Medicare and Medicare Advantage, 23.1% PPO, 12.3% HMO, 10.3% self pay and 7.1% Medi-Cal. The graph below shows the current month and fiscal year to date outpatient payor mix and the current months estimated level of reimbursement for each payor.

Outpatient Services Payor Mix

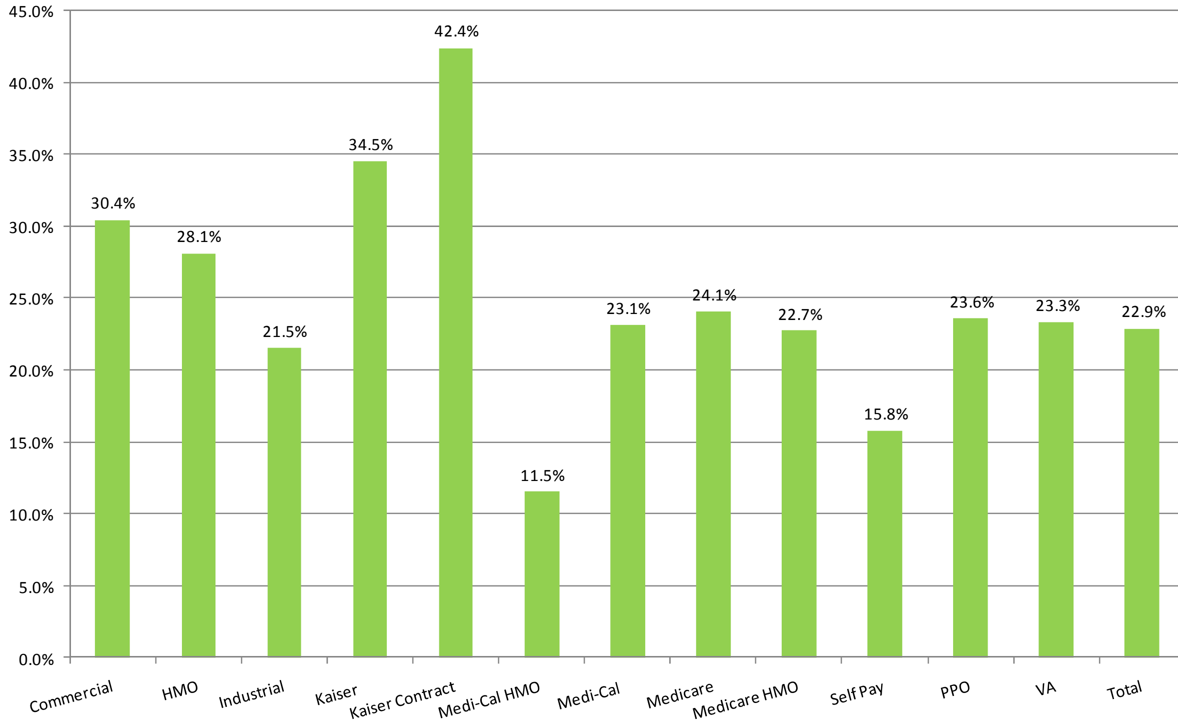


Deductions from Revenue

Contractual allowances are computed as deductions from gross patient revenues based on the difference between gross patient charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare, Medi-Cal and other third party payors such as Blue Cross. In the month of July contractual allowances, bad debt and charity adjustments (as a percentage of gross patient charges) were 76% versus the budgeted 75.6%.

Net Patient Service Revenue

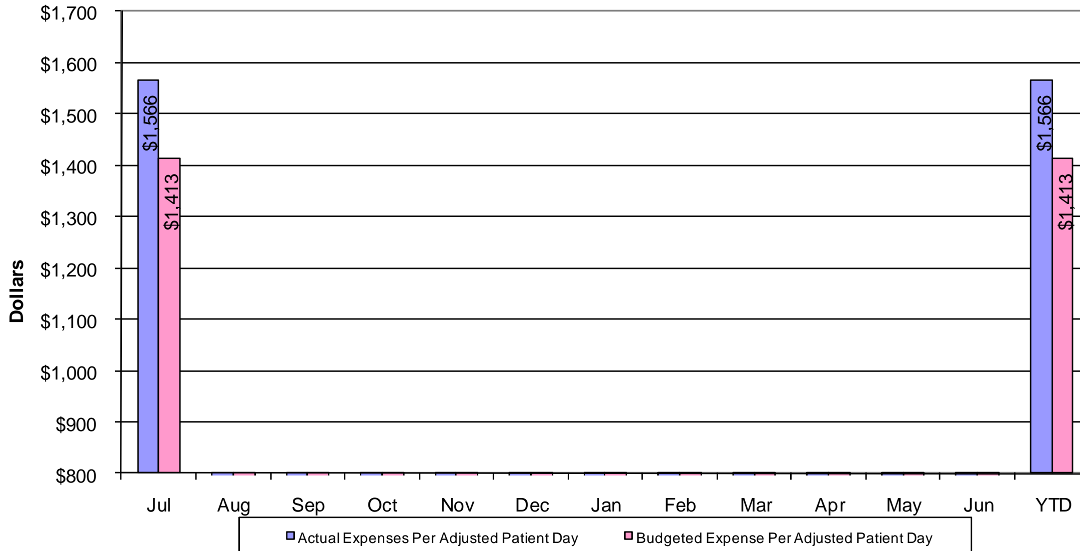
Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. This difference reflects what the anticipated cash payments the Hospital is expecting to receive for the services provided. The graph on the following page shows the level of reimbursement that the Hospital has estimated for fiscal year 2011 by major payor category.



Total Operating Expenses

Total operating expenses were greater than the fixed budget by $109,000 or 1.9%. On an adjusted patient day basis, our cost per adjusted patient day was $1,566 which was $164 per adjusted patient day unfavorable to budget. This variance in expenses per adjusted patient day was primarily the result of an unfavorable variance in the salaries, registry and benefits categories. The graph on the following page shows the hospital operating expenses on an adjusted patient day basis for the 2011 fiscal year by month and is followed by explanations of the significant areas of variance that were experienced in the current month.

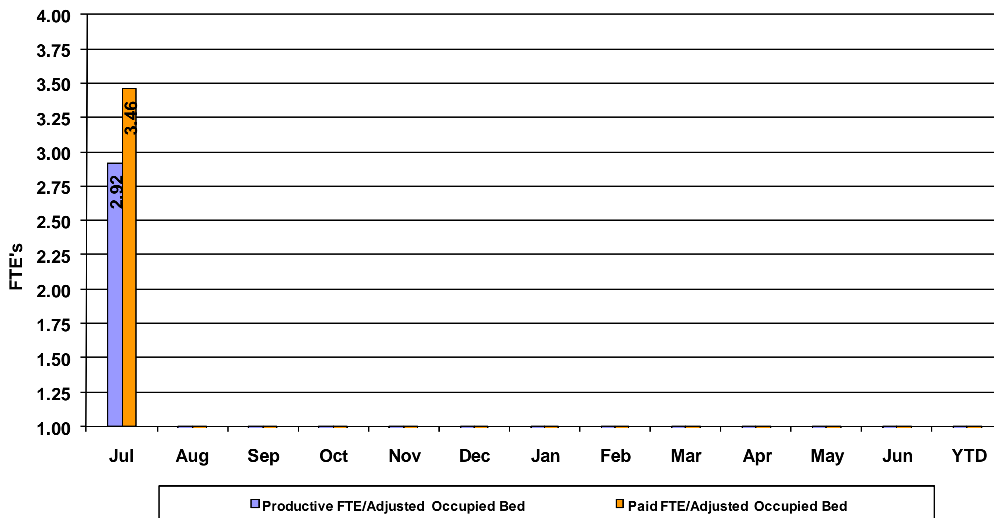
Expenses per Adjusted Patient Day



Salary and Registry Expenses

Salary and registry costs combined were unfavorable to the fixed budget by $176,000 and were unfavorable to budgeted levels on a per adjusted patient day basis in July by $120. The current month's unfavorable variance in salary costs was greatly influenced by additional staff resources that were necessary to successfully complete the upgrade of our Meditech application to the 5.64 Client Server version of the software. On an adjusted occupied bed basis, productive FTE's were unfavorable to budget by 1.4% at 2.9 FTE's. The graph below shows the productive and paid FTE's per adjusted occupied bed for FY 2011 by month and year to date.

FTE's per Adjusted Occupied Bed



Supplies
Supply costs were $50,000 favorable to the fixed budget and were $3 unfavorable to budget on an adjusted patient day basis. The primary cause of the favorable variance from the fixed budget was from a favorable variance of $82,000 in the other medical supplies category but was offset by the prosthesis classification which was unfavorable to budget by $56,000. Other non-medical supplies were favorable to budget by $36,000.

Utilities and Telephone
Utilities were favorable to budget as a result of a favorable variance from the fixed budget by $29,000 which was the result of lower than budgeted gas utilization in the month of July. This category was favorable to budget by $25,000.

The following pages include the detailed financial statements for the first month of fiscal year 2011.

ALAMEDA HOSPITAL
KEY STATISTICS
JULY 2010

	ACTUAL JULY 2010	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	JULY 2009	YTD JULY 2010	YTD FIXED BUDGET	VARIANCE	%	YTD JULY 2009
Discharges:										
Total Acute	210	245	(35)	-14.3%	284	210	245	(35)	-14.3%	284
Total Sub-Acute	1	2	(1)	-50.0%	3	1	2	(1)	-50.0%	3
Total Skilled Nursing	11	13	(2)	-15.4%	10	11	13	(2)	-15.4%	10
	222	260	(38)	-14.6%	297	222	260	(38)	-14.6%	297
Patient Days:										
Total Acute	836	920	(84)	-9.1%	1,025	836	920	(84)	-9.1%	1,025
Total Sub-Acute	1,012	1,038	(26)	-2.5%	971	1,012	1,038	(26)	-2.5%	971
Total Skilled Nursing	638	713	(75)	-10.5%	673	638	713	(75)	-10.5%	673
	2,486	2,671	(185)	-6.9%	2,669	2,486	2,671	(185)	-6.9%	2,669
Average Length of Stay										
Total Acute	3.98	3.76	0.23	6.0%	3.61	3.98	3.76	0.23	6.0%	3.61
Average Daily Census										
Total Acute	26.97	29.68	(2.80)	-9.4%	33.06	26.97	29.68	(2.71)	-9.1%	33.06
Total Sub-Acute	32.65	33.48	(0.87)	-2.6%	31.32	32.65	33.48	(0.84)	-2.5%	31.32
Total Skilled Nursing	20.58	23.00	(2.50)	-10.9%	21.71	20.58	23.00	(2.42)	-10.5%	21.71
	80.19	86.16	(6.17)	-7.2%	86.10	80.19	86.16	(3.55)	-4.1%	86.10
Emergency Room Visits	1,415	1,520	(105)	-6.9%	1,574	1,415	1,520	(105)	-6.9%	1,574
Outpatient Registrations	1,991	2,219	(228)	-10.3%	2,461	1,991	2,219	(228)	-10.3%	2,461
Surgery Cases:										
Inpatient	52	52	-	0.0%	70	52	52	-	0.0%	70
Outpatient	129	143	(14)	-9.8%	439	129	143	(14)	-9.8%	439
	181	195	(14)	-7.2%	509	181	195	(14)	-7.2%	509
Kaiser Inpatient Cases	-	-	-	-	18	-	-	-	-	18
Kaiser Eye Cases	-	-	-	-	149	-	-	-	-	149
Kaiser Outpatient Cases	-	-	-	-	184	-	-	-	-	184
Total Kaiser Cases	-	-	-	-	351	-	-	-	-	351
% Kaiser Cases	0.0%	0.0%			69.0%	0.0%	0.0%			69.0%
Adjusted Occupied Bed	117.85	127.11	9.26	7.3%	149.46	117.85	127.11	(9.26)	-7.3%	149.46
Productive FTE	345.04	366.99	21.95	6.0%	402.35	345.04	366.99	21.95	6.0%	402.35
Total FTE	409.51	417.00	7.49	1.8%	464.68	409.51	417.00	7.49	1.8%	464.68
Productive FTE/Adj. Occ. Bed	2.93	2.89	(0.04)	-1.4%	2.69	2.93	2.89	(0.04)	-1.4%	2.69
Total FTE/ Adj. Occ. Bed	3.47	3.28	(0.19)	-5.9%	3.11	3.47	3.28	(0.19)	-5.9%	3.11

ALAMEDA HOSPITAL
Balance Sheet
July 31, 2010

	July 31,2010	June 30,2010	Audited June 30, 2009
Assets			
Current assets:			
Cash and cash equivalents	$ 2,009,710	$ 3,498,655	$ 1,866,540
Net Accounts Receivable	9,763,541	9,558,147	10,069,536
Net Accounts Receivable %	22.13%	21.97%	22.15%
Inventories	1,148,880	1,149,706	1,291,072
Est.Third-party payer settlement receivable	397,772	374,557	351,648
Other assets	7,460,669	7,091,462	6,920,987
Total Current Assets	20,780,571	21,672,527	20,499,783
Restricted by contributors and grantors for capital acquisitions and research-Jaber Estate	487,591	476,630	468,209
Total Non-Current Assets	487,591	476,630	468,209
Fixed Assets:			
Land	877,945	877,945	877,945
Depreciable capital assets, net of accumulated depreciation	6,152,867	6,115,790	6,029,967
Total fixed assets, net of accumulated depreciation	7,030,812	6,993,735	6,907,912
Total Assets	$ 28,298,974	$ 29,142,892	$ 27,875,904
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long term debt	$ 415,082	$ 417,152	$ 436,733
Accounts payable and accrued expenses	5,586,951	6,112,297	6,244,967
Payroll and benefit related accruals	4,726,452	4,351,133	3,765,683
Est.Third-party payer settlement payable	500,000	500,000	306,588
Other liabilities	5,902,815	6,382,701	7,274,242
Total Current Liabilities	17,131,300	17,763,283	18,028,213
Long-Term Liabilities.			
Debt borrowings net of current maturities	1,236,307	1,271,886	1,733,631
Total Long-Term Liabilities	1,236,307	1,271,886	1,733,631
Total Liabilities	18,367,607	19,035,169	19,761,844
Net Assets			
Unrestricted Funds	9,373,776	9,561,093	7,615,851
Restricted Funds	557,591	546,630	498,209
Net Assets	9,931,368	10,107,723	8,114,060
Total Liabilities and Net Assets	$ 28,298,974	$ 29,142,892	$ 27,875,904

Statements of Operations
July 31, 2010
$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Patient Days	2,486	2,671	(185)	-6.9%	2,669	2,486	2,671	(185)	-6.9%	2,669
Discharges	222	260	(38)	-14.6%	297	222	260	(38)	-14.6%	297
ADC (Average Daily Census)	80.2	86.2	(5.97)	-6.9%	86.1	80	86.2	(5.97)	-6.9%	86.1
CMI (Case Mix Index)	1.4619				1.3361	1.4619				1.3361
Revenues										
Gross Inpatient Revenues	$ 14,121	$ 14,376	$ (255)	-1.8%	$ 14,807	$ 14,121	$ 14,376	$ (255)	-1.8%	$ 14,807
Gross Outpatient Revenues	6,695	7,238	(543)	-7.5%	10,898	6,695	7,238	(543)	-7.5%	10,898
Total Gross Revenues	20,816	21,614	(799)	-3.7%	25,705	20,816	21,614	(799)	-3.7%	25,705
Contractual Deductions	14,880	15,507	628	4.0%	18,894	14,880	15,507	628	4.0%	18,894
Bad Debts	719	668	(51)	-7.6%	686	719	668	(51)	-7.6%	686
Charity and Other Adjustments	212	167	(45)	-26.6%	148	212	167	(45)	-26.6%	148
Net Patient Revenues	5,005	5,272	(267)	-5.1%	5,977	5,005	5,272	(267)	-5.1%	5,977
Net Patient Revenue %	24.0%	24.4%			23.3%	24.0%	24.4%			23.3%
Net Clinic Revenue	42	28	14	49.9%	-	42	28	14	49.9%	-
Other Operating Revenue	9	14	(5)	-36.8%	21	9	14	(5)	-36.8%	21
Net Assets Released	-	-	-	0.0%	-	-	-	-	0.0%	-
Total Revenues	**5,056**	**5,314**	**(258)**	-4.9%	**5,998**	**5,056**	**5,314**	**(258)**	-4.9%	**5,998**
Expenses										
Salaries	3,031	2,847	(184)	-6.4%	3,218	3,031	2,847	(184)	-6.4%	3,218
Registry	170	178	8	4.4%	242	170	178	8	4.4%	242
Benefits	896	896	(0)	0.0%	939	896	896	(0)	0.0%	939
Professional Fees	307	313	6	1.9%	353	307	313	6	1.9%	353
Supplies	668	718	50	7.0%	909	668	718	50	7.0%	909
Purchased Services	381	393	12	3.0%	387	381	393	12	3.0%	387
Rents and Leases	52	70	18	25.4%	65	52	70	18	25.4%	65
Utilities and Telephone	44	73	29	40.2%	76	44	73	29	40.2%	76
Insurance	36	36	(1)	-1.7%	46	36	36	(1)	-1.7%	46
Depreciation and amortization	83	73	(9)	-12.8%	100	83	73	(9)	-12.8%	100
Other Opertaing Expenses	73	77	5	6.1%	92	73	77	5	6.1%	92
Total Expenses	**5,740**	**5,674**	**(66)**	-1.2%	**6,427**	**5,740**	**5,674**	**(66)**	-1.2%	**6,427**
Operating gain (loss)	**(684)**	**(360)**	**(324)**	-89.8%	**(429)**	**(684)**	**(360)**	**(324)**	89.8%	**(429)**
Non-Operating Income / (Expense)										
Parcel Taxes	478	477	1	0.2%	477	478	477	1	0.2%	477
Investment Income	3	-	3	0.0%	2	3	-	3	0.0%	2
Interest Expense	(7)	(9)	2	25.7%	(9)	(7)	(9)	2	-25.7%	(9)
Other Income / (Expense)	23	22	1	5.0%	20	23	22	1	5.0%	20
Net Non-Operating Income / (Expense)	**497**	**490**	**7**	**1.4%**	**490**	**497**	**490**	**7**	**1.4%**	**490**
Excess of Revenues Over Expenses	**$ (187)**	**$ 129**	**$ (317)**	**-244.7%**	**$ 61**	**$ (187)**	**$ 129**	**$ (317)**	**-244.7%**	**$ 61**

City of Alameda Health Care District

Statements of Operations - Per Adjusted Patient Day

July 31, 2010

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	$ 3,853	$ 3,580	$ 273	7.6%	$ 3,196	$ 3,853	$ 3,580	$ 273	7.6%	$ 3,196
Gross Outpatient Revenues	1,827	1,802	24	1.4%	2,352	1,827	1,802	24	1.4%	2,352
Total Gross Revenues	5,680	5,382	298	5.5%	5,548	5,680	5,382	298	5.5%	5,548
Contractual Deductions	4,060	3,862	(199)	-5.1%	4,078	4,060	3,862	(199)	-5.1%	4,078
Bad Debts	196	166	(30)	-18.0%	148	196	166	(30)	-18.0%	148
Charity and Other Adjustments	58	42	(16)	-38.8%	32	58	42	(16)	-38.8%	32
Net Patient Revenues	1,366	1,313	53	4.0%	1,290	1,366	1,313	53	4.0%	1,290
Net Patient Revenue %	24.0%	24.4%			23.3%	24.0%	24.4%			23.3%
Net Clinic Revenue	11	7	4	64.3%	-	11	7	4	64.3%	-
Other Operating Revenue	2	3	(1)	-30.7%	4	2	3	(1)	-30.7%	4
Total Revenues	**1,380**	**1,323**	**56**	4.3%	**1,294**	**1,380**	**1,323**	**56**	4.3%	**1,295**
Expenses										
Salaries	827	709	(118)	-16.6%	695	827	709	(118)	-16.6%	695
Registry	46	44	(2)	-4.7%	52	46	44	(2)	-4.7%	52
Benefits	245	223	(21)	-9.6%	203	245	223	(21)	-9.6%	203
Professional Fees	84	78	(6)	-7.5%	76	84	78	(6)	-7.5%	76
Supplies	182	179	(3)	-1.9%	196	182	179	(3)	-1.9%	196
Purchased Services	104	98	(6)	-6.3%	83	104	98	(6)	-6.3%	83
Rents and Leases	14	17	3	18.3%	14	14	17	3	18.3%	14
Utilities and Telephone	12	18	6	34.5%	16	12	18	6	34.5%	16
Insurance	10	9	(1)	-11.4%	10	10	9	(1)	-11.4%	10
Depreciation and Amortization	23	18	(4)	-23.6%	22	23	18	(4)	-23.6%	22
Other Operating Expenses	20	9	(11)	-130.7%	20	20	19	(1)	-2.9%	20
Total Expenses	**1,566**	**1,402**	**(164)**	-11.7%	**1,387**	**1,566**	**1,413**	**(153)**	-10.9%	**1,387**
Operating Gain / (Loss)	**(187)**	**(79)**	**(108)**	-136.1%	**(93)**	**(186)**	**(90)**	**(97)**	108.3%	**(92)**
Net Non-Operating Income / (Expense)	**136**	**122**	**14**	**11.2%**	**106**	**136**	**122**	**14**	**11.2%**	**106**
Excess of Revenues Over Expenses	**$ (51)**	**$ 43**	**$ (94)**	-219.1%	**$ 13**	**$ (51)**	**$ 32**	**$ (83)**	-256.7%	**$ 13**

Date: September 13, 2010

To: City of Alameda Health Care District Board of Directors

From: Deborah E. Stebbins, Chief Executive Officer

Subject: 2010 Biennial Review and Approval of the Conflict of Interest Code
Approval Conflict of Interest Code

RECOMMENDATION:

Management recommends approval of the changes made to the Conflict of Interest Code #2010-0Y as attached which will then be forwarded to the Alameda County Board of Supervisors for final approval.

BACKGROUND:

The Political Reform Act (Government Code 81000et seq.) requires every local governmental agency to review its Conflict of Interest Code ("Code") for accuracy and to notify its Code reviewing body by October 1 of every even numbered year. The Alameda County Board of Supervisors is the code reviewing body for county agencies and other local government agencies whose jurisdiction is solely within the county.

The Conflict of Interest code must have three components: Terms, Designated Positions and Disclosure Categories. Legal Counsel Thomas Driscoll has reviewed the current Conflict of Interest Code. The District's code was last reviewed in 2008. Changes to the code are non-substantive. Attached is the redlined version for your review.

CONFLICT OF INTEREST CODE #20108-0Y__

CITY OF ALAMEDA HEALTH CARE DISTRICT

1. Standard Code of FPPC

The Political Reform Act (Government Code section 81000, *et seq*.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The City of Alameda Health Care District ("District") is therefore required to adopt such a code.

The Fair Political Practices Commission ("FPPC") has adopted a regulation (2 California Code of Regulations section 18730) which contains the terms of a standard conflict of interest code, which may be incorporated by reference in an agency's code, and which may be amended by the FPPC to conform to amendments in the Political Reform Act following public notice and hearing.

2. Adoption of Standard Code of FPPC

Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments or revisions adopted by the FPPC are hereby incorporated by reference. This regulation and the attached Appendix designating officials and employees and establishing disclosure categories shall constitute the Conflict of Interest Code of the District. This code shall take effect when approved by the Alameda County Board of Supervisors.

3. Filing of Statements of Economic Interests

Designated employees and public officials who manage public investments shall file statements of economic interests with the Secretary to the Board of Directors of the District. With respect to members of the Board of Directors, one original shall be filed with Secretary to the Board of Directors of the District, who shall make and retain a copy and forward the original to Alameda County, the code reviewing body for the District. The agency shall make all statements available for public inspection and reproduction, pursuant to Government Code Section 81008.

APPROVED AND ADOPTED by the City of Alameda Health Care District on the __th day of _______, 20108.

____
____

Vice President, Board of Directors
City of Alameda Health Care District

ATTEST:

____
____
Secretary, Board of Directors

APPENDIX TO
CONFLICT OF INTEREST CODE
OF THE
CITY OF ALAMEDA HEALTH CARE DISTRICT

Preamble

Any person designated in Section I of this Appendix who is unsure of any right or obligation arising under this Code may request a formal opinion or letter of advice from the FPPC or an opinion from the District's General Counsel. (Gov. Code § 83114; 2 CCR § 18730(b)(11).) A person who acts in good faith in reliance on an opinion issued to him or her by the FPPC shall not be subject to criminal or civil penalties for so acting, provided that all material facts are stated in the opinion request. (Gov. Code § 83114(a).)

Opinions rendered by General Counsel do not provide any statutory defense to an alleged violation of conflict of interest statutes or regulations. The prosecuting agency may, but is not required to, consider a requesting party's reliance on General Counsel's opinion as evidence of good faith. In addition, the District may consider whether such reliance should constitute a mitigating factor to any disciplinary action that the District may bring against the requesting party under Government Code section 91003.5.

I.

Designated Employees

Designated Employees	Categories Disclosed
Members of the District Board of Directors	All
Chief Executive Officer	All
Chief Operating Officer	All
Chief Financial Officer	All
General Counsel	All
Consultants[1]	---

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[1] With respect to consultants, the CEO may determine in writing that a particular consultant, although a "designated employee," is hired to perform a range of duties that are limited in scope and thus is not required to comply with all the written disclosure requirements described in these categories. Such determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The CEO's determination is a public record and shall be retained for public inspection by the District in the same manner as this Conflict of Interest Code. Nothing herein excuses any such consultant from any other provision of this Conflict of Interest Code.

II. Persons Who Manage Public Investments

The Treasurer of City of Alameda Health Care District has been annually delegated responsibility for making public investments on behalf of the District, and reviewing and annually presenting the investment policy of the District to the Board of Directors for informational purposes. The Treasurer is therefore obligated to file a statement of economic interests under Government Code section 87200, rather than the conflict of interest code.

III. Disclosure Categories

Designated employees shall report all reportable investments, business positions and income, including gifts, loan and travel payments, as specified above, in:

1. Accounting or auditing services
2. Banks and savings and loans
3. Computer hardware or software, or computer services or consultants
4. Communications equipment or services
5. Educational and medical services and materials
6. Entities or persons who have filed claims against the District or have claims pending against the District
7. Insurance brokers and agencies
8. Insurance adjusting, claims auditing or administration, or underwriting services
9. Medical equipment, facilities, and supplies
10. Office equipment or supplies
11. Personnel and employment companies and services
12. Printing or reproduction services, publications, and distribution
13. Securities, investment or financial services companies
14. Title insurance and escrow
15. Interests in Real Property

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DISTRICT BOARD/POLICIES AND CODES/2008-0y.CONFLICT OF INTEREST CODE.

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Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Date: September 13, 2010

To: City of Alameda Health Care District Board of Directors
Deborah E. Stebbins, Chief Executive Officer

From: Jordan Battani, Board President

Subject: Follow-up to City Council Presentation – September 7, 2010

Follow up items:

1. Mayor Johnson and all the Council members endorsed the practice of Alameda Hospital (AH) and the Health Care District providing updates/briefings at City Council meetings. Council Member Gilmore specifically asked that we do so again when we have information about financing the seismic work.

   - Discussion: The session was a success I think, based on the response from City leaders and other community comments.

   - Recommended Action:

     - Plan to present briefings/updates at City Council meetings on some routine basis

     - The interest expressed by Council member Gilmore reinforces our commitment to conduct an extensive community communication program once we confirm the details of the seismic remediation plan and financing.

2. Council Members Tam and Matarrese identified the following areas as sources of opportunities for collaboration between the Health Care District and the City of Alameda:

   - Evaluation of use of AFD ambulances for BLS level transfers (as an alternative to private carriers)

     - Discussion: If using the AFD ambulances for transportation makes economic and utilization sense, it seems like a “win” for all concerned. It also seems like this could be handled like any other vendor proposal for a hospital service.

     - Recommended Action:

       - AH Management should request a proposal from the City to consider this option.

- AH Management and City Staff can work together to determine what information is required to put the proposal together, and to obtain required approvals from their respective governing boards.

➢ Evaluation of Veteran's Administration plans for creation of a new outpatient facility in Alameda as an opportunity for closer collaboration with AH

- Discussion: Although AH Management's general response to this request was consistent with the content of previous discussions with representatives from the VA – Now that we are closer to finalizing our seismic facility plans, it may be that there are some opportunities for collaboration with the VA on outpatient access through the reuse of the 1925 Building when it is decommissioned as a licensed hospital facility.

- Recommended Action: AH Management should investigate this opportunity to collaborate with the VA, and identify resources (including those from the City and other legislative bodies) that might be required to complete the evaluation and/or begin negotiations with the VA.

3. Council Member Matarrese suggested a broader activity of reviewing the growth plans for AH in terms of the economic development plan for the City. In his view, this might identify additional areas for collaboration between the District and the City. Council member Matarrese also used this suggestion to reissue the invitation from the City Council to create a standing City/District committee to consider these collaboration and opportunities on an ongoing basis.

➢ Discussion:

- The economic development plan of the City could be an important source of information for AH in developing its growth plans and, as a major employer and service provider in Alameda, the growth plans of Alameda Hospital will certainly be of interest to the City Council and staff. This week's briefing and update at the City Council meeting, combined with the background materials we provided, are a good first step in that information sharing effort. The best evidence is that we identified an issue to reconsider (VA outpatient efforts) and to follow up (AFD ambulance transport services) that may result in shared benefit.

- Forming a standing committee would require the commitment of AH staff and District Board time – both of which are resources that are at risk of being overextended. Leveraging the ongoing interaction between City Staff and AH Management, and using existing meeting forums including District Board Meetings and AH Community Outreach Committee Meeting for these discussions and for information sharing is a prudent use of these scarce resources. Further, using staff interactions, and existing meeting and committee forums allows elected officials from the Health Care District and from the City to preserve and promote transparency, access and public participation in these discussions on an ongoing basis.

- Recommended Action:

  - AH Management and the District Board should identify and invite appropriate City representatives to provide an economic development plan briefing at a District Board Meeting as soon as possible. Any issues, opportunities that are identified as a result of that presentation can then be addressed and follow up done as required.

  - Extend ongoing invitations for updates to the District Board on some recurring basis.

  - AH Management should use their ongoing interaction with City staff to surface new opportunities and issues – to the extent that they arise outside the scope of these briefings.

  - AH Management should provide District Board with status on ongoing collaborative initiatives with the City, in conjunction with and using the same mechanisms for other activities and initiatives.

DATE: September 13, 2010

TO: City of Alameda Health Care District Board of Directors

FROM: Kerry Easthope, Associate Administrator

SUBJECT: Approval to Enter into a Management Services Agreement with Accelecare Wound Centers, Inc.

Recommendation:
Hospital management is recommending that the District enter into a five year Management Services Agreement with Accelecare Wound Centers, Inc. for the establishment and joint management of a wound care program at Alameda Hospital.

In addition, at the August 25, 2010 Finance and Management Committee, the Committee made the recommendation that the City of Alameda Health Care District Board of Directors approve entering into the Management Services Agreement with Accelecare Wound Centers, Inc.

A copy of the five year financial analysis and the Management Services Agreement is attached for your reference.

Background:
As part of the hospital strategic plan for growth, management has been perusing new program opportunities that will meet an unmet need in our primary service area, coincide with the mission and vision of the district and that will provide a positive financial contribution to the hospital. One such program is wound care.

Management has engaged in discussions with two potential wound care management companies: Accelecare Wound Centers, Inc. and Advanced Wound Care West. After numerous meeting/interview sessions with these two entities, it was concluded that Accelecare provided a more complete management service package that would help contribute to the success of this new program.

The financial projections for this new program which are considered to be conservative indicate that the program should yield a contribution margin to the hospital of approximately $193,000 in the first full year and ramping up gradually over the next four years to a $500,000 contribution margin in year five of the program.

The agreement would be contingent upon the hospital being able to successfully secure financing for and afford the build-out of the facility that would be required to operate this program. After looking at several alternative locations, management is pursuing space at Marina Village and is currently working through the details of this lease option.

In addition, Accelecare and hospital management have presented an introduction to the wound care program to members of the Hospital Medical Staff. Following this presentation, letters requesting physician interest were sent out to all members of the medical staff. We have received positive response and interest in both the medical directorship position as well as staffing of the wound center.

Discussion:
Currently there is an underserved need for chronic wound care in the Greater Bay Area. Doctors Hospital in San Pablo and John Muir in Walnut Creek, are the only two wound care programs in the East Bay. Having a center in Alameda would help meet a need in our primary service area.

The wound care center would be managed by Accelecare Wound Centers, Inc. Accelecare is a professional wound center management company that operates over 40 wound care centers across the country, most of them located in the south east of the United States.

Revenues generated by the program would be split between Accelecare and the Hospital 50/50. Operating expenses would also be shared, with a division of responsibilities outlined in the agreement. Three key personnel will be employees of Accelecare: the Program Director, the Clinical Manager and the HBO Tech. Accelecare also provides all training, physician training, wound management software, proven clinical protocols, audit tools marketing, etc. The hospital will provide nursing personnel and the office coordinator and other operating expenses: rent, supplies, medical oxygen, utilities, medical directorship, marketing, etc. as indicated on the financial proforma.

From a capital standpoint, Accelecare will provide specialized podiatric chairs, two Hyperbaric Oxygen Chambers and the related equipment to operate these systems. The hospital will provide the space (facility) and all furniture, office equipment, etc. necessary to operate the center. Although the exact build-out cost for a space at Marina Village is still uncertain, program upfront capitalization costs have been estimated at $520,000 for the hospital and $320,000 for Accelecare.

The wound center would be licensed and operated as a department of the hospital.

The financial proformas and patient volume assumptions are based upon the hospitals primary service area of approximately 500,000 people. Geographically, it is an area that includes Emeryville to the north, most of Oakland and down just past Marina Boulevard (San Leandro) to the south. However, the restricted non-compete area defined in the contract would include a much larger geographic area expanding all of the East Bay corridor west of the Hayward fault, from Hercules to the north down to Newark / Fremont to the south; capturing about 1.5 million people.

The first step to getting this program moving forward is to enter into this agreement with Accelecare so that they can bring their knowledge, expertise and experience to the table in helping us with pre-operational planning and support. We will then work together with Accelecare in designing and building out the Wound Center. Concurrently, we will organize the physician panel that will staff the clinic and jointly select a medical director who will be instrumental in getting the program started as well as working with the physician panel to ensure its long term success.

Wound Care Program
APC Model: Financial Analysis
Prepared by Kerry Easthope, 8/17/10

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	Alameda	Alameda	Alameda	Alameda	Alameda	Alameda
Number of patients per year	250	350	385	397	409	
APC reimbursement percentage	50%	50%	50%	50%	50%	50%
Total Direct Net Revenue	632,642	889,709	973,867	1,007,763	1,033,638	4,537,618
Staff Expenses						
Center Director	accelecare	accelecare	accelecare	accelecare	accelecare	
Clinical Manager	accelecare	accelecare	accelecare	accelecare	accelecare	
HBO Tech	accelecare	accelecare	accelecare	accelecare	accelecare	
Nursing (RN's LPN's, MA's) **	175,760	202,800	202,800	202,800	202,800	986,960
Office Coordinator	58,050	58,050	58,050	58,050	58,050	290,250
Total	233,810	260,850	260,850	260,850	260,850	1,277,210
Non-Staff Expenses						
Physician Training & Certification	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Staff Training & Certicfication	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Community Education	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Facility Design & Planning	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Equipment Installation	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Billing & Coding training & supervision	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Clinical & Financial Audits	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Outcomes Reporting	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Hyperbaric Chambers	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Maintenance & Service of HBOT chambers	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
TCPO2 Equipment	accelecare	accelecare	accelecare	accelecare	accelecare	accelecare
Medical Director fee	36,000	36,000	36,000	36,000	36,000	180,000
Medical Supplies	62,500	87,500	96,250	99,250	102,250	447,750
Oxygen	7,280	10,304	11,200	11,648	11,872	52,304
Linen	5,000	7,000	7,700	7,940	8,180	35,820
Total	110,780	140,804	151,150	154,838	158,302	715,874
Other						
Advertising	25,000	25,000	25,000	25,000	25,000	125,000
Travel	8,000	8,000	8,000	8,000	8,000	40,000
Rent	*58,800*	*58,800*	*58,800*	*58,800*	*58,800*	294,000
Utilities	3,000	3,000	3,000	3,000	3,000	15,000
						-
Total	94,800	94,800	94,800	94,800	94,800	474,000
Total Expenses	439,390	496,454	506,800	510,488	513,952	2,467,084
Contribution Margin	193,252	393,255	467,067	497,275	519,686	2,070,534
Contribution Margin Percentage	31%	44%	48%	49%	50%	46%

Note: *italics* reflects cost estimates. Wages include benefits cost.

CONFIDENTIAL

ADVANCED WOUND CENTER AGREEMENT

FOR

ALAMEDA HOSPITAL

(“Facility”)

ALAMEDA, CALIFORNIA

This Confidential Agreement (the “Agreement”) has been prepared from information provided by Accelecare Wound Centers, Inc. (“Accelecare” or the “Company”) and is furnished through the same in connection with the proposed contractual agreement for Wound Care and Hyperbaric Management Services to Facility. The information contained in this Agreement is confidential and proprietary to the Company. The Agreement has been prepared solely for the information of Facility and is provided upon the understanding that any person accepting it will not, without prior written permission of the Company, utilize the information contained in this Agreement for any purpose other than evaluating the proposals herein. No portion of this Agreement may be reproduced or distributed without the express written consent of the Company. Acceptance of this Agreement by Facility shall constitute an agreement not to use the information contained in this Agreement for any purpose other than evaluating the proposal, not to make the information contained herein available to any person other than Facility’s legal counsel or other advisors and to obtain the agreement of any such person(s) to treat such information as confidential. Acceptance of this Agreement also constitutes an agreement by Facility to return promptly to the Company this Agreement and any other documents or information furnished to Facility without retaining copies thereof upon request by the Company if agreement is not reached between the parties. In furnishing this Agreement, the Company undertakes no obligation to provide Facility with access to any additional information nor to update or supplement the information contained herein.

WOUND CARE AND HYPERBARIC MANAGEMENT SERVICES AGREEMENT

THIS WOUND CARE AND HYPERBARIC MANAGEMENT SERVICES AGREEMENT (the "Agreement") is made this ___ day of August, 2010 by and between ACCELECARE WOUND CENTERS, INC., a Delaware corporation ("Accelecare"), and ALAMEDA HOSPITAL, located at 2070 Clinton Avenue, Alameda, California 94501(the "Facility").

RECITALS

WHEREAS, the Facility operates a wound care service that provides wound care and hyperbaric medicine management services to the Facility's patients at The Advanced Wound Center at Alameda Hospital (the "Wound Center"), a hospital-based department located at ____________[To be determined]______________, which is located off of the "campus" of the Facility as that term is defined at 42 C.F.R. §413.65(a)(2); and

WHEREAS, Accelecare desires to provide to the Facility certain services described in this Agreement and equipment, supplies and personnel related thereto, to the Facility's patients (collectively, the "Services"); and

WHEREAS, the Facility desires to engage Accelecare to provide the Services at the Wound Center; and

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, for themselves, their heirs, successors and assigns, agree as follows:

ARTICLE 1. OBLIGATIONS OF ACCELECARE.

1.1. Management Services. Beginning on the Effective Date, Accelecare shall provide the following Services:

(a) Day to Day Operations. Subject to the terms and provisions of this Agreement, Accelecare shall provide management and operations oversight of the day to day activities of the Wound Center, subject to Facility's requirements and the ultimate authority of the Facility and its caregivers to direct the delivery of patient care at the Facility. Accelecare shall designate one of its employees as the manager for the Wound Center (the "Program Director") to oversee, coordinate and manage the Services provided pursuant to this Agreement and supervise Facility Personnel as that term is defined in Section 2.2. The Program Director shall report to Accelecare and shall function as a member of the Facility's management team by participating in management meetings of the Facility and Facility decisions which impact the Wound Center. At the Facility's request, Accelecare will furnish the Facility with Accelecare's qualification criteria for such position. Accelecare will be solely responsible for employing such personnel, and in no event shall the Program Director be considered an employee of Facility. Accelecare retains full authority to discipline and to terminate the Program Director, provided that, at Facility's reasonable request, Accelecare will review the performance of the Program

Director and will remove such Program Director from the Wound Center upon the written request of the Facility should such individual fail to meet the obligations of the Program Director under this Agreement.

(b) Budget. Accelecare shall assist the Facility in developing its annual budget for the Wound Center and shall provide quarterly financial reports to the Facility concerning the financial performance of the Wound Center.

(c) Medical Records. Accelecare shall assist the Facility with respect to the maintenance and storage of patient and other medical records regarding wound care and hyperbaric medicine services rendered at the Wound Center. All such records will remain in the Facility and be the property of the Facility, and Accelecare shall comply with the provisions of Section 9.4 of this Agreement with respect to such records.

(d) Coordination of Services. Accelecare shall coordinate and support the provision of the wound care and hyperbaric medicine services at the Wound Center by Facility Personnel and shall provide training for Facility Personnel regarding the Facility's rules, regulations, policies and procedures.

(e) Training of Facility Personnel; Panel Physicians. Accelecare shall provide or arrange for training in wound care, hyperbaric oxygen therapy and other agreed upon wound care and hyperbaric medicine management services to Facility Personnel who are employed or contracted nurses and technicians who assist in the provision of wound care and hyperbaric medicine services at the Wound Center. Accelecare shall also provide hyperbaric oxygen therapy training and Accelecare Wound Training for up to five (5) panel physicians (as further described in Section 2.5 below) during the first year of the term of this Agreement and one (1) additional panel physician each year thereafter during the term of this Agreement. The Facility, and not Accelecare, shall be responsible for any costs of room, board and related travel expenses for training and education of Facility Personnel. Accelecare shall assist the Facility in fulfilling the Facility's obligation to arrange for a panel of qualified physicians for the Wound Center as described in Section 2.5. This assistance shall include interviewing prospective panel physicians and providing feedback to the Facility in the panel physician selection process.

(f) Billing and Collection. At the reasonable request of the Facility, Accelecare will provide recommendations to assist the Facility in establishing fees or charges for all wound care and hyperbaric medicine services and supplies. Notwithstanding any provision to the contrary in this Agreement, Accelecare shall not be responsible for the preparation or submission of any Facility or physician bills, cost reports or claims and Facility shall remain solely responsible for all billing and collection activities with respect to the wound care and hyperbaric medicine services.

(g) Third Party Contracts. At the reasonable request of the Facility, Accelecare shall provide consultation relating to the negotiation and administration of third party provider, payor, vendor and supply contracts to be entered into by the Facility with respect to the provision of wound care and hyperbaric medicine services or the operation of the Wound Center.

(h) Hours. In connection with managing the Wound Center, Accelecare shall arrange to make wound care and hyperbaric medicine services available to patients of the Facility during normal working hours, Monday through Friday (excluding holidays), and maintain a flexible call schedule in order to accommodate the needs of the Facility's patients and medical staff.

(i) Approvals, Licenses and Certifications of Facility. Accelecare shall support and assist the Facility in obtaining and maintaining all approvals, licenses, permits, certifications and other authorizations necessary or applicable to provide wound care and hyperbaric medicine services.

(j) Approvals and Licenses of Accelecare. Accelecare will obtain and maintain all necessary approvals, licenses, permits, certifications and other authorizations as may be required by applicable law for Accelecare to perform its responsibilities under this Agreement.

(k) Accelecare Liability Insurance. Accelecare shall maintain at all times during the term of this Agreement commercial and professional liability insurance covering all risks and exposures arising out of the performance of Services pursuant to this Agreement in the amounts of One Million Dollars ($1,000,000.00) per occurrence and Three Million Dollars ($3,000,000.00) in the annual aggregate. If the coverage provided by Accelecare is on a claims made rather than on an occurrence basis, Accelecare shall arrange for so-called tail insurance coverage in the event of the termination, cancellation or non-renewal of such coverage. Upon request by Facility, Accelecare shall provide Facility with an insurance certificate or other suitable document evidencing coverage. The insurance policy shall provide that Facility be given at least thirty (30) days' prior notice of cancellation, non-renewal or termination. The terms of this Section 1.1(k) shall survive the termination of this Agreement.

(l) Policies and Procedures. Accelecare shall advise the Facility with respect to the development of policies and procedures related to the provision of wound care and hyperbaric medicine services at the Wound Center.

(m) Patient Care Plan. With respect to each patient who receives wound care and hyperbaric medicine services at the Wound Center, Accelecare shall assist in developing, in consultation with the patient's physician, appropriate Facility Personnel and other caregivers, a patient care plan for the purposes of coordinating and monitoring the provision of wound care and hyperbaric medicine services and other health care services to the patient.

(n) Access to Data System. Upon the opening of the Wound Center, Accelecare shall install and implement within the Wound Center its clinical outcomes tracking system for management of wound care and hyperbaric oxygen services provided to patients of the Facility (as more specifically described in Exhibit A attached hereto and incorporated herein, the "Data System"). Accelecare shall provide the Wound Center with continuing access, during the term of this Agreement, to the Data System to enable Wound Center staff and physicians to track and compare progress and monitor both clinical outcomes of patients and key indices of the Wound Center's operations. During the term of this Agreement, information regarding Wound Center patients will be entered in the Data System and shall be available for analysis,

benchmarking and research, and Accelecare may use such data for any purpose authorized hereunder, including Accelecare's own internal purposes related to its performance of its obligations hereunder, but only to the extent permitted by law. Accelecare will utilize such Data in the preparation of periodic reports to Facility as provided in this Agreement. In no way shall ownership or any other proprietary or intellectual property interest in the Data System be transferred, assigned or otherwise conveyed to Facility as a result of the execution of this Agreement or the performance of any obligations hereto, irrespective of any state or federal laws or common law doctrines pertaining to trademarks, copyrights, patents and/or any other intellectual property. In order for Accelecare to provide reports as specified in this Agreement, Accelecare shall use its reasonable efforts to assure the entry of the required data in the Data System in a timely and accurate fashion. Accelecare shall provide to Facility ongoing training on the proper use of the Data System to help assure timely and accurate data entry. If requested, within thirty (30) days following the expiration or termination of this Agreement, Accelecare shall provide to Facility a final summary report of all such data and, at Facility's request, all such data. The terms of this Section shall survive the termination of this Agreement. Notwithstanding the foregoing, at no time shall Wound Center staff or physicians be able to access Accelecare's Data System in any manner that would contravene Accelecare's operating policies. Accelecare shall provide to the Facility policies and protocols for access and use of the Data System.

(o) Intellectual Property License. Accelecare shall grant and hereby grants Facility a limited non-exclusive, non-transferable intellectual property license ("IP License") during the term of this Agreement to use Accelecare's IP that is provided to Facility by Accelecare hereunder in connection with the operation of the Wound Center. Facility acknowledges that Accelecare is the sole and exclusive owner of the IP. Without first securing the express written permission of Accelecare, Facility may not use the IP for any purpose other than operation of the Wound Center and may not permit any third party to use the same. This Agreement does not convey ownership or any other interests in the IP to Facility other than those described herein. Facility will not at any time do or suffer to be done any act or thing that would impair the rights of Accelecare in and to the IP. This IP License shall expire upon expiration or termination of this Agreement; provided, that notwithstanding the expiration of the IP License, Facility shall have the right to retain copies of documents provided by Accelecare for archival purposes, for purposes of disclosures to federal and state regulatory authorities, for use in connection with enforcement of Facility's legal rights, and in connection with the Facility's defense of any civil, criminal, or administrative action or proceeding, so long as Facility does not use such documents for the treatment of Facility patients or the operation of a wound care service following the expiration or termination of this Agreement. Furthermore, notwithstanding the termination of the IP License, Facility shall not be required to expunge or alter any patient record, billing record, or other business record of Facility that was created during the term of this Agreement. The terms of this Section shall survive the termination of this Agreement.

(p) Limited License to Use Documents. Accelecare shall provide and grant to Facility a limited non-exclusive, non-transferable license to use the policies, procedures, operations and medical documents as listed in Exhibit A attached hereto and incorporated herein, for review, modification and adoption by Facility. Such documents shall be updated by Accelecare in coordination with Facility. The limited license granted herein shall cease upon termination of this Agreement.

1.2. Equipment. By the Effective Date, Accelecare shall provide the Facility with the appropriate hyperbaric oxygen chamber(s) and other associated equipment (the "Equipment") listed in Exhibit A attached hereto and incorporated herein. Accelecare shall arrange, at its expense, for the delivery of the Equipment to the point of connection located in a suitable space designated by the Facility. Title to the Equipment shall, at all times, belong to Accelecare or its designee and the Facility agrees that it shall execute such agreements, certificates or other documents evidencing the appropriate party's interest, title and rights of access to the Equipment. In connection with the foregoing, Accelecare shall carry out the following duties and obligations:

(a) Maintenance and Repair. Accelecare shall, at its sole expense, maintain and, when necessary, arrange for the repair of the Equipment.

(b) Installation Costs and Expenses. The Facility shall be responsible for all costs of renovation of the space in which the wound care and hyperbaric medicine services will be provided. Accelecare shall advise the Facility with respect to installation and hook-up of the Equipment, but the Facility shall be responsible for all costs of the installation and hook-up, including oxygen hook-up, of the Equipment at the point of connection in the Facility. Such renovation and Equipment installation plans shall be subject to mutual acceptance by both the Facility and Accelecare.

(c) Removal of Equipment. Upon the termination of this Agreement, Accelecare shall arrange for the removal of the Equipment. The costs of disconnecting such Equipment and moving it to the Facility's loading dock for pick up by Accelecare shall be paid by Facility while the costs of such removal from the Facility's loading dock (including but not limited to pick up, transportation and disposal) shall be paid by Accelecare.

(d) Lender Requested Documents. Prior to the delivery of the Equipment, Facility shall execute and deliver such documents as may be reasonably required by Accelecare's Equipment lenders to permit such lenders to perfect and enforce any security interests granted in the Equipment to such lenders, including the right of peaceable entry and the removal of the Equipment in the event of default by Accelecare.

1.3. Personnel.

(a) Accelecare Personnel. Accelecare shall provide the personnel set forth in Exhibit C attached hereto and incorporated herein to provide Services to Facility patients. (The Accelecare Program Director and the other personnel set forth in Exhibit C may collectively be referred to herein as "Accelecare Personnel.") All Accelecare Personnel shall be employees or independent contractors of Accelecare and shall not be employees of Facility. Subject to limitations on selection and retention of Accelecare Personnel for Services furnished at the Wound Center as set forth herein, Accelecare shall have the sole authority to recruit, hire, train, promote, assign, supervise, discharge and set the compensation level for all Accelecare Personnel. All such Accelecare Personnel shall be trained to Facility's reasonable satisfaction. At Facility's request, Accelecare will furnish a description of the qualifications of Accelecare Personnel. Notwithstanding the foregoing, the Accelecare Personnel must be reasonably acceptable to Facility, and Facility shall have the right, in its sole discretion, to have any

Accelecare Personnel cease providing Services to Facility patients hereunder. Provided however, any decision on the part of Facility to have Accelecare Personnel cease providing Services shall not be based on any criteria which violate applicable laws, including discriminatory factors such as Accelecare Personnel's race, color, religion, national origin, disability, age, sex, marital status or Vietnam veteran's status. All Accelecare Personnel who provide the Services shall, as required by applicable laws or regulations, be duly licensed and qualified to provide such Services. Accelecare Personnel shall be available to Facility as required for eight (8) hours per day, five (5) days per week coverage.

(b) Operational Requirements. Accelecare and Accelecare Personnel shall provide the Services in accordance with any and all regulatory and accreditation standards applicable to Facility, including, without limitation, those requirements imposed by The Joint Commission, CMS Conditions of Participation and any amendments thereto, and all Applicable Laws. The Services shall be delivered to Facility in accordance with Facility's bylaws and rules, the bylaws, rules and regulations of Facility's medical staff and the rules and other established policies, practices and procedures (collectively, the "Policies") of the Wound Center and under the overall direction of Facility. Accelecare shall regularly consult with Facility's personnel regarding the safe, effective and quality provision of the Services. All Services shall be performed by Accelecare in accordance with the Policies, applying prudent and reasonable business practices, in accordance with community medical standards and using reasonable care and diligence. Accelecare shall, upon Facility's request, replace any Accelecare Personnel whom Facility reasonably determines are not abiding by the Policies or Applicable Laws or who disrupt Facility operations or are otherwise unacceptable to Facility. Provided however, any decision on the part of Facility that any Accelecare Personnel is unacceptable shall not be based on any discriminatory factor which violates applicable laws, such as Accelecare Personnel's race, color, religion, national origin, disability, age, sex, marital status or Vietnam veteran's status.

(c) Facility's Accreditation. The services provided hereunder are considered "Contracted Services" by The Joint Commission, Facility's accrediting organization, and are subject to being surveyed by The Joint Commission in the same manner as all other hospital services. Therefore, Accelecare agrees to cause the Accelecare Personnel to maintain current knowledge of The Joint Commission's standards as they pertain to the safety and effectiveness of the services provided. This obligation shall specifically include responding in an accurate, thorough, and timely manner to Facility's accreditation-related directives and requests for information from the Facility's Quality Management Department or equivalent, to include documentation of personnel competency assessments, training (operational and safety), and equipment records (preventive maintenance, inspections, repairs, and regular maintenance) and any reports of incidents related thereto.

ARTICLE 2. OBLIGATIONS OF THE FACILITY.

2.1. Space, Equipment and Supplies. During the term of this Agreement, the Facility shall make available, at the Facility's sole cost and expense, space suitable for the placement of the Equipment in the Facility and the provision of wound care and hyperbaric oxygen therapy services in the Facility, as agreed to by the parties. The Facility shall arrange for renovations to the space and installation of the Equipment at the point of connection in the Wound Center consistent with the provisions of Section 1.2(b) of this Agreement. The Facility shall provide,

maintain in good repair and order, account for and replace, when necessary, all non-disposable equipment ("Non-Disposable Equipment") and all supplies and disposable equipment ("Supplies and Disposable Equipment") necessary to efficiently operate the Wound Center as more particularly set forth in Exhibit B attached hereto and incorporated herein. The Facility's equipment shall remain the sole and exclusive property of the Facility. The Facility shall also provide furniture, computers, linens, bulk oxygen, compressed air, other gaseous service, other supplies necessary for direct patient care and services such as pharmacy, laboratory, communications/information systems including high speed internet connection, housekeeping, laundry and security, all of which are reasonably necessary for the operation of the Wound Center. The Facility will include the Wound Center in its directory and on signage inside and outside the Facility. The parties shall cooperate and regularly confer to determine whether the equipment listed in Exhibit B, attached hereto and incorporated herein, is in good repair or is in need of replacement by the Facility.

2.2. Facility Personnel, Professional and Medical Staff. The Facility will employ all staff (except for Accelecare Personnel as identified in Exhibit C, attached hereto and incorporated herein) reasonably necessary for the proper clinical operation and support of the Wound Center and the provision of services (collectively, the "Facility Personnel"). Facility agrees to employ and maintain the continuity of Accelecare-trained Facility Personnel to the fullest extent reasonably practicable, and not to transfer such trained personnel out of the Wound Center without due cause. As requested, Accelecare shall assist Facility in the recruitment and hiring of such Facility Personnel and advise Facility on ongoing staffing needed to render wound care services. Accelecare and Facility will mutually agree on the staffing levels necessary to effectively operate the Facility, which staff shall be comprised of nursing, nursing support and office/clinical personnel. All salaries, wages, taxes, insurance, workers' compensation insurance and other expenses and benefits incidental to the engagement of such Facility Personnel will be the responsibility and obligation of the Facility. Facility will be responsible for and have control over Facility Personnel, including the ability to discipline and terminate any Facility Personnel. The Facility confirms that neither the Facility nor any Facility Personnel has ever been suspended, excluded, barred or sanctioned by Medicare, Medicaid, CHAMPUS or any other state or federal healthcare program, and has not been convicted of a criminal offense related to healthcare.

2.3. Billing. The Facility shall be solely responsible for: (i) appropriate documentation relating to the provision of wound care and hyperbaric medicine services; (ii) back-up information to support billing and collection of fees for such services; and (iii) all billing and collection for wound care and hyperbaric medicine services rendered at the Wound Center, including any billing and collection from third-party payors.

2.4. Medical Director. The Facility shall retain a medical director ("Medical Director") mutually agreed to by Accelecare and the Facility to oversee the clinical activity of the wound care and hyperbaric medicine services provided at the Wound Center. The Facility shall enter into a separate written agreement with the Medical Director specifying the duties and responsibilities of such Medical Director, which written agreement shall provide for the Medical Director (a) to provide medical director services at the Wound Center at least fifteen (15) hours per month and (b) to provide professional medical services to patients receiving wound care and/or hyperbaric oxygen therapy services at the Wound Center for at least one (1) clinical block

of four (4) hours each week.. The Medical Director's written agreement with the Facility shall be acceptable to Facility and Accelecare. The Medical Director shall complete all required training related to the provision of medical director services within such time period as may be agreed to by the parties.

2.5. Physician Panel Training. The Facility shall arrange for physicians who are appointed to the Facility's medical staff, in good standing, and who have appropriate clinical privileges at the Facility, to participate as panel physicians at the Wound Center. Accelecare shall assist the Facility in establishing the physician panel as provided in Section 1.1(e) above. These physicians shall obtain all necessary training and receive any required certifications, including certification for hyperbaric oxygen therapy services, prior to practicing as panel physicians at the Wound Center. Accelecare shall provide or otherwise arrange for the training faculty, speakers and other materials related thereto, for the training of such physicians. The Facility, and not Accelecare, shall be responsible for any costs of room, board and related travel expenses for the training and education of such physicians. Notwithstanding anything to the contrary in this Agreement, unless Accelecare agrees otherwise in writing, the Wound Center shall not open until a physician panel is in place that is adequate to cover at least fifty percent (50%) of the Wound Center's wound care and hyperbaric oxygen therapy services.

2.6. Facility Liability Insurance. The Facility shall maintain at all times during the term of this Agreement, commercial and professional liability insurance or a comparable program of self-insurance covering all risks and exposures arising out of operation of the Wound Center in the amount of at least One Million Dollars ($1,000,000.00) per occurrence and Three Million Dollars ($3,000,000.00) in the annual aggregate. If the coverage provided by Facility is on a claims made rather than on an occurrence basis, Facility shall arrange for so-called tail insurance coverage in the event of the termination, cancellation or non-renewal of such coverage. Upon request by Accelecare, Facility shall provide Accelecare with an insurance certificate or other suitable document evidencing coverage. The insurance policy, or self-insured program if applicable, shall provide that Accelecare be given at least thirty (30) days prior notice of cancellation, non-renewal or termination. The terms of this Section 2.6 shall survive the termination of this Agreement.

2.7. Promotion of the Wound Center. The Facility shall use commercially reasonable efforts to promote the Wound Center among its medical staff, Facility employees and contractors, payors and the general public. Such promotion by the Facility will include advertising and promotional efforts. The Facility shall be solely responsible for such promotional efforts, the implementation or community awareness plans and all of the costs and expenses related thereto. The Facility shall expend at least Twenty-Five Thousand Dollars ($25,000.00) annually in connection with promotion of the Wound Center; provided that the full $25,000.00 amount for the first year of the term of this Agreement shall be spent prior to the opening of the Wound Center.

2.8. Licenses, Certifications and Compliance with Law. The Facility shall obtain and maintain all necessary approvals, permits, licenses, certifications and accreditations as required by law to operate the Wound Center. The Facility shall comply with all applicable state and federal laws and regulations relating to its operations.

2.9. Policies and Procedures and Licensure. The Facility shall adopt policies and procedures necessary and appropriate for operation of the Wound Center.

2.10. Facility Books and Records. Upon reasonable request by Accelecare, Facility will make available to Accelecare those Facility records necessary for Accelecare to perform any of its obligations under this Agreement.

2.11. Operations Reports. Facility shall provide Accelecare with the following combination of Wound Center reports or information, and such other reports or information as Accelecare may reasonably request, not less frequently than quarterly: revenue and usage, including Facility gross revenue by financial class; allowance report by financial class, revenue report by patient and procedure, patient ancillary service utilization report, including inpatient and outpatient services, patient inpatient admissions report, patient same day surgery admits. In addition, Accelecare shall have access to the following records with respect to patients of the Wound Center: patient records, notification of denials for patients, remittance advices, billing and collection data. Unless otherwise agreed by the parties, Accelecare and Facility's administrative personnel and senior executive management that oversee Wound Center operations shall review the financial status and performance of the Wound Center on a quarterly basis.

2.12. Confidentiality Agreements. As a prerequisite to obtaining access to Accelecare's training materials and IP and obtaining certification to practice at or otherwise participate in the operations of the Wound Center, Facility shall cause any of the following who are independent contractors to sign Accelecare's standard Confidentiality Agreement in order to provide services at the Wound Center: Medical Director, Physicians and Facility Personnel.

ARTICLE 3. COMPENSATION. The Facility and Accelecare agree to the business terms and fee, compensation and payment structure as set forth below:

3.1. Fees. The Facility shall pay to Accelecare the fees set forth in Exhibit D attached hereto and incorporated herein in accordance with the payment terms set forth in Section 3.2 below.

3.2. Payment Terms. Accelecare will submit monthly invoices to Facility for all fees and charges incurred during the preceding month. Facility will pay monthly invoices within thirty (30) days of receipt. Late payments will be subject to a late payment fee of one percent (1%) of the invoice amount per month. Monthly bills will be in a form and content sufficient to allow Facility to reconcile its billing of charges.

3.3. Increases in Fees and Charges. Intentionally left blank.

3.4. Sales Tax. The Facility shall bear the liability for the payment of sales tax, if any, imposed by any local or state jurisdiction on payments for services rendered under this Agreement. In the alternative, the Facility shall provide Accelecare with a certificate of exemption.

3.5. Enforcement Costs. If any legal action or other proceeding is brought for the enforcement of the provisions of this Article 3 of this Agreement, the successful or prevailing

party shall be entitled to recover reasonable attorneys' fees, court costs and all expenses (including, without limitation, all such fees, costs and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in that action or proceeding or any appeal, in addition to any other relief to which the prevailing party may be entitled. Attorneys' fees includes legal assistant time, expert witness fees, investigative fees, administrative costs and all other charges billed by the prevailing party's attorney. The terms of this Section 3.5 shall survive the termination of this Agreement.

3.6. Compensation Terms. The parties agree that the compensation terms set forth in this Article 3 have been negotiated on an arm's length basis and constitute the fair market value of Accelecare's Services. The parties further agree that no payment made by the Facility to Accelecare pursuant to this Agreement shall be made in exchange for any referral, directly or indirectly, of any patients to the Facility.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES.

4.1. No Federal Healthcare Exclusion. Each party represents and warrants to the other party that any personnel employed by or otherwise under contract or agreement to provide services to or on behalf of such party are not currently excluded, debarred or otherwise ineligible to participate in any federal healthcare program, as defined in 42 U.S.C. Section 1320a-7b(f), that such party has no knowledge of any basis for such exclusion exists, and that such party has not been subject to any final adverse action as defined under the Health Care Fraud and Abuse Data Collection Program. Each party agrees to notify the other party immediately if the notifying party is subject to any sanction described in this Section 4.1.

4.2. No Warranties by Accelecare with Respect to the Equipment. OTHER THAN THE MAINTENANCE OBLIGATIONS ASSUMED UNDER SECTION 1.2(a) ABOVE, ACCELECARE, NOT BEING THE MANUFACTURER OF THE EQUIPMENT, MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN, CONDITION, DURABILITY, CAPACITY, MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR AS TO PATENT INFRINGEMENT OR THE LIKE. The Facility expressly waives any right to hold Accelecare liable hereunder for any claims, demands and liabilities arising out of or in connection with the design or manufacture of the Equipment, including injury to persons or property resulting from the defective or faulty design of the Equipment, other than such claims, demands or liabilities arising from Accelecare's breach of this Agreement (collectively, the "Warranty Claims"). Accelecare agrees, to the extent permitted by the warranty related to the Equipment, (i) that Facility may, in Accelecare's name, but at the Facility's sole cost and expense, enforce all warranties, agreements or representations, if any, which may have been made by a manufacturer or manufacturers, suppliers or other third parties regarding the Equipment (collectively, the "Warranties") which might cover any Warranty Claims and (ii) to cooperate with the Facility in bringing such claims as may be necessary to enforce such Warranties and obtain the benefit thereof for the Facility.

ARTICLE 5. TERM AND TERMINATION.

5.1. Term. This Agreement commences on the Effective Date and continues for an initial term of five (5) years unless terminated earlier pursuant to this Agreement. At the end of the initial and each subsequent term, this Agreement will automatically renew for an additional one (1) year successive term(s) unless either party provides written notice of its intention not to renew at least one hundred twenty (120) days prior to the end of the term.

5.2. Termination for Breach. Either party may terminate this Agreement immediately, after providing ninety (90) days' prior written notice to the other party of a material breach of any term or condition of this Agreement, provided that the breach is not cured within the ninety (90) day notice period or, if the breaching party is unable to cure such breach within the ninety (90) day notice period, the breaching party has undertaken good faith efforts to cure such within a reasonable period of time.

5.3. Immediate Termination. Notwithstanding any other provision of this Agreement, either party may terminate this Agreement immediately in the event that the other party fails to maintain the insurance coverages required by this Agreement. This Agreement may be terminated immediately, upon the filing, by either party, of a voluntary petition of bankruptcy, or if either party makes an assignment for the benefit of creditors or otherwise seeks relief from creditors under any federal or state bankruptcy, insolvency, reorganization or moratorium statute. Accelecare may terminate this Agreement immediately in the event that the Facility fails to pay Accelecare for the Services in accordance with Article 3 of this Agreement.

5.4. Post-Termination. Upon termination of this Agreement, Accelecare and the Facility will cooperate to assure a smooth wind down of the Agreement, and the Facility and Accelecare will return all of such other party's Confidential Information in whatever form or format to the other, or at the other party's option, destroy all of such other party's Confidential Information, with the exception of any computer hardware or software, which shall be returned to the party that owns such hardware or software.

5.5. Building and Financing Contingencies. Notwithstanding anything to the contrary herein, each party's rights and obligations hereunder are contingent upon (a) the Facility's locating, leasing and obtaining all required approvals, easements and permits for an appropriate building in which the Wound Center will be located and (b) the Facility's obtaining financing, on terms reasonably acceptable to the Facility, to enable it to provide the improvements required by Section 1.2(b) above. If the foregoing contingencies have not occurred within six (6) months following the execution date of this Agreement, either party may terminate this Agreement by giving written notice to the other party.

ARTICLE 6. EXCLUSIVITY; NONCOMPETITION; NONSOLICITATION; CONFIDENTIALITY; CONFIDENTIAL INFORMATION

6.1. Exclusivity. During the term of this Agreement, Accelecare shall be the sole and exclusive provider of Services at the Wound Center.

6.2. Noncompete. The Facility acknowledges that during the term of this Agreement, Accelecare will make available to the Facility various equipment, training, professional

knowledge and other similar resources, all of which the Facility acknowledges is proprietary to Accelecare. In recognition and in consideration of the foregoing and the promises made by Accelecare hereunder, during the term of this Agreement and for a period of one (1) year thereafter, the Facility shall not, within the area described in Exhibit E attached hereto and incorporated herein (the "Restricted Area"), without the prior written consent of Accelecare, (i) establish, operate or hold itself out as operating, either on its own or in collaboration with another person or entity, any program, department, line of business or service that has as a dedicated purpose or function the provision of wound care and hyperbaric medicine management services, or (ii) engage or contract with any person or entity to provide the Facility, or any entities owned or operated by Facility, with wound care and hyperbaric medicine management services of the kind contemplated by this Agreement. These restrictions are not intended to prevent the Facility or any Facility physicians from operating a medical practice or providing medical services, including the level and scope of wound care services provided by the Facility or Facility physicians in the course of their normal practice, as long as such services are not provided as part of or in connection with the establishment or operation by the Facility of, either on its own or in collaboration with another person or entity, any program, department, line of business or services that has as a dedicated purpose or function the provision of wound care and/or hyperbaric medicine services. The parties have agreed that this restriction is reasonable in both scope and duration and that Accelecare is entitled to seek injunctive relief to enforce it. The terms of this Section 6.2 shall survive the termination of this Agreement. The foregoing non-compete restriction shall not apply (i) if Accelecare elects not to renew this Agreement pursuant to Section 5.1 above, (ii) if Facility terminates this Agreement pursuant to Section 5.2 or 5.3 above, or (iii)if both (x) Facility elects not to renew this Agreement and (y) during the most recent term of the Agreement, Accelecare has committed more than two (2) material breaches of this Agreement that were cured by Accelecare pursuant to Section 5.2 above.

6.3. Nonsolicitation of Personnel. During the term of this Agreement and for a period of two (2) years thereafter, neither party shall directly or indirectly employ, hire or contract for services with (a) any employees or former employees of the other party or (b) any current or former independent contractors of the other party who provided services under this Agreement on behalf of the other party. The terms of this Section 6.3 shall survive the termination of this Agreement. The foregoing non-solicitation restriction shall not apply (i) if Accelecare elects not to renew this Agreement pursuant to Section 5.1 above, (ii) if Facility terminates this Agreement pursuant to Section 5.2 or 5.3 above, or (iii) if both (x) Facility elects not to renew this Agreement and (y) during the most recent term of the Agreement, Accelecare has committed more than two (2) material breaches of this Agreement that were cured by Accelecare pursuant to Section 5.2 above.

6.4. Confidentiality. Except for disclosure to their legal counsel, accountants or financial advisors, neither Accelecare nor the Facility shall disclose the terms of this Agreement to any person who is not a party or signatory to this Agreement, unless disclosure thereof is required by law or otherwise authorized by the provisions of this Agreement or expressly by the other party.

ARTICLE 7. INDEMNIFICATION. Each party shall defend, indemnify and hold the other party, its officers, employees and agents harmless from and against any and all liability, loss, expense, reasonable attorneys' fees, or claims for injury or damages arising out of the

performance of this Agreement in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of the indemnifying party, its officers, agents or employees or the indemnifying party's breach of any obligation imposed by this Agreement.

ARTICLE 8. DEFINITIONS. As used in this Agreement, the following terms shall have the meanings indicated below:

"Accelecare" has the meaning set forth in the introductory paragraph to this Agreement.

"Accelecare Personnel" has the meaning set forth in Section 1.3.

"Agreement" has the meaning set forth in the introductory paragraph to this Agreement.

"APC" shall mean the ambulatory payment classification, as established by CMS for the purpose of payment for hospital outpatient services pursuant to 42 CFR Section 419.31.

"CMS" shall mean the Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services.

"Effective Date" shall mean date the Wound Center provides Services to the first patient.

"Equipment" has the meaning set forth in Section 1.2.

"Facility" has the meaning set forth in the introductory paragraph to this Agreement.

"Facility Personnel" has the meaning set forth in Section 2.2.

"HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder.

"HITECH Act" shall mean the Health Information Technology for Economic and Clinical Health Act and the regulations promulgated thereunder.

"IP" means any and all intellectual property owned and/or developed by Accelecare, including without limitation Accelecare's rights in and to the Data System, its documents and educational materials described in Exhibit A hereto, and all other inventions, discoveries, processes, methods, designs and know-how, whether or not able to be copyrighted or patented, which Accelecare has conceived, developed or reduced to practice prior to the Effective Date or which Accelecare conceives, develops or reduces to practice during the term of this Agreement or after the expiration or termination of this Agreement, whether or not the same result from or relate to the Services provided by Accelecare hereunder.

"IP License" has the meaning set forth in Section 1.1(o).

"Marks" has the meaning set forth in Section 9.23.

"Medical Director" has the meaning set forth in Section 2.4.

"Program Director" has the meaning set forth in Section 1.1(a).

"Restricted Area" has the meaning set forth in Section 6.2.

"Services" has the meaning set forth in the recitals of this Agreement.

"Warranties" has the meaning set forth in Section 4.3.

"Warranty Claims" has the meaning set forth in Section 4.3.

"Wound Center" has the meaning set forth in the recitals of this Agreement.

ARTICLE 9. MISCELLANEOUS

9.1. Independent Contractor. Neither the Facility nor any of the physicians providing services at the Facility are or shall be an employee, agent or servant of Accelecare; instead, the Facility and such physicians are independent contractors who are providing services on a fee for service basis to Wound Center patients. Furthermore, Accelecare is not and shall not be an employee, agent or servant of the Facility or such physicians; instead, Accelecare is an independent contractor providing management services to the Facility on a fee for service basis. It is agreed and acknowledged by Accelecare and the Facility that, as an independent contractor, Accelecare retains the right to contract with and provide services to facilities and persons other than the Facility and its patients, and that nothing in this Agreement shall be interpreted as limiting or restricting that right in any way.

9.2. Patient Care. Nothing in this Agreement shall dictate how the Facility or any physician shall practice medicine, deliver patient care or exercise medical judgment. The Facility and the patients' physicians shall have complete control over the diagnosis and treatment of all patients and neither Accelecare nor any employee of Accelecare shall exercise any direct supervision or control over the individual treatment of patients by the Facility or Facility's physicians.

9.3. Non-Discrimination. Neither party will discriminate in the performance of services or the quality of goods or care provided to patients on the basis of race, sex, age, religion or national origin.

9.4. Privacy Laws. Both parties shall comply with any and all state and federal privacy laws and regulations that apply to the protection of individually identifiable health information as are in effect during the term of this Agreement including, without limiting the generality of the foregoing, HIPAA and the HITECH Act. Accelecare agrees to maintain privacy standards for any such information consistent with all implemented and applicable laws, rules and regulations. The terms of this Section 9.4 shall survive the termination of this Agreement. Accelecare agrees that it shall be a so-called business associate of the Facility under HIPAA and shall enter into a Business Associate Agreement with the Facility in the form attached hereto as Exhibit F and incorporated herein.

9.5. Wound Center Name. The name of the Wound Center will be "The Advanced Wound Center at Alameda Hospital" to optimize community identification, create a strong name relationship and achieve cost savings through regional awareness. The Wound Center name may be used in publications and periodicals about professional and patient awareness of the Wound Center. The Facility's use of the Wound Center name will comply with protocols for font, logo, design and layout specified by Accelecare and Facility.

9.6. Government Access to Records. Accelecare agrees, to the extent required by law, to make available upon reasonable request to the Secretary of the U.S. Department of Health and Human Services, and the U.S. Comptroller General and their duly authorized representatives, this Agreement and all books, documents and records relating to Facility operations. If Accelecare carries out its responsibilities through a subcontract of Ten Thousand Dollars ($10,000.00) or more over a twelve (12) month period with a related organization, the subcontract will also contain a government access to records clause similar to this clause. The obligations set forth in this Section 9.6 shall survive the termination of this Agreement.

9.7. Force Majeure. If either party fails to perform any of its obligations under this Agreement due to any cause beyond the reasonable control of such party, including, but not limited to, an act of God, act or omission of civil or military authorities of the state in which Facility is located or the United States of America, fire, strike, flood, riot, delay of transportation or the inability due to the aforementioned causes to obtain necessary labor, material or facilities, such party will not be deemed liable under this Agreement for failing to fulfill such obligations.

9.8. Assignment. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective successor and assigns; provided, however, that this Agreement is not assignable without the prior written consent of the other party, with the exception of an assignment by Accelecare to an entity directly owned or controlled by, or which owns or controls, or which is under common ownership or control of Accelecare.

9.9. Waiver. Neither the waiver of any breach or default, nor the failure of either of the parties to enforce any of the provisions of this Agreement or to exercise any right hereunder, will be construed as a waiver of any subsequent breach or default, or as a waiver of any rights or provisions hereunder.

9.10. Severability. If any provision of this Agreement is, under applicable law, deemed invalid or unenforceable, such provision shall, to the extent permitted under applicable law, be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent possible under applicable law.

9.11. Governing Law. This Agreement is governed by and construed in accordance with the laws of the State of California.

9.12. Jurisdiction and Venue. The proper venue for any suit, action or legal proceeding arising out of or relating to this Agreement shall be brought in the state and county in which the Facility is located.

9.13. Headings. The headings contained in this Agreement are for reference purposes only and do not affect its meaning or interpretation.

9.14. Notices. All notices that are required pursuant to this Agreement are to be in writing, mailed by first class certified mail, return receipt requested, postage prepaid, or transmitted by hand delivery, or a facsimile transmission with confirmation of receipt and subsequent hard copy mailing, or any nationally recognized overnight courier service. Notices will be deemed given upon receipt or refusal, and are to be delivered to the following addresses or such other addresses as Accelecare or the Facility may designate from time to time:

If to Accelecare:

Accelecare Wound Centers, Inc.
c/o Chief Executive Officer
10900 NE 4th Street
Suite 1920
Bellevue, WA 98004

If to the Facility:

Alameda Hospital
c/o Chief Executive Officer
2070 Clinton Avenue
Alameda, California 94501

9.15. Authorized Signatory. Each party represents and warrants to each other that the execution, delivery and performance of this Agreement and provisions contained herein are within its corporate powers. Each signatory to this Agreement is properly empowered and has all requisite authority necessary to enter into this Agreement and has duly and validly executed and delivered this Agreement accordingly.

9.16. Counterparts. This Agreement may be executed in one or more counterparts, all of which together shall constitute only one Agreement.

9.17. Headings. The headings contained in this Agreement are used solely for convenience and shall not be deemed to define or limit the provisions of this Agreement.

9.18. Entire Agreement; Modification. This Agreement and its attachments are the entire agreement between the parties and all prior written or oral promises or representations regarding the subject matter hereof are superseded. No amendments or modifications of this Agreement will be binding upon either party unless in writing and signed by both parties.

9.19. No Referrals. The parties agree that no benefits or consideration paid hereunder is conditioned on or in exchange for any referrals or recommendation of referrals by one party to the other, or the generation of any business by one party for the other.

9.20. Changes in Law or Regulation. The parties intend that this Agreement comply with all relevant state and federal laws and regulations relating to the provision of wound care and hyperbaric medicine management services, and to the reimbursement of such services under the Medicare, Medicaid and other reimbursement programs. If any provision of this Agreement

is held by a court or administrative body of competent jurisdiction to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality or unenforceability shall in no event affect prejudice or disturb the validity of the remainder of this Agreement, which shall be and remain in full force and effect, enforceable in accordance with its terms. Notwithstanding the foregoing, in the event that there shall be a change in law, regulation or interpretation thereof by a court or government agency that adversely affects the continuing legality of this Agreement, both parties agree to negotiate in good faith to revise this Agreement to conform with such laws or regulations while preserving the economic terms of this Agreement.

9.21. No Third Party Beneficiaries. The parties agree that this Agreement is entered into for the solely for the benefit of the parties and that there shall be no third party beneficiaries of this Agreement. The parties agree that this Agreement is not intended to, and shall not be construed to, create or confer any rights in or upon any person or entity not a party to it.

9.22. No Physician Ownership. Each party represents and warrants, at the time of execution of this Agreement, that none of its owners are physicians, which create, or might create, a referral relationship to the Facility in violation of the federal and state fraud and abuse laws and regulations; and further, that for the duration of this Agreement, each party shall notify the other party of any change in its ownership structure that would result in the creation of such a referral relationship.

9.23. Ownership of Accelecare’s Marks and Confidential Information. Facility acknowledges that Accelecare is the sole and exclusive owner of certain trademarks (the "Marks"). Facility is granted a non-exclusive, non-transferable, limited right during the term of this Agreement to use the Marks solely to identify Accelecare or the Wound Center. Facility will adhere to Accelecare's protocols for use of those Marks and will submit to Accelecare for prior approval any written materials not developed by Accelecare that use the Marks. Facility will not at any time do or suffer to be done any act or thing that would impair the rights of Accelecare in and to the Marks. The terms of this Section shall survive the termination of this Agreement. Facility agrees and acknowledges that the Wound Center, its operation, layout, business systems, software, management information systems, trade secrets, service marks, designs, strategy, treatment related materials, manuals, policies and procedures, protocols, documents and information, including without limitation the IP (collectively, the "Accelecare Confidential Information"), were developed by Accelecare at great expense, time and effort, are confidential and are the property of and belong solely to Accelecare. Facility and its subsidiaries and affiliates and their respective officers, directors, employees, agents and representatives shall not use Accelecare Confidential Information for any purpose other than the operation of the Wound Center and the provision of the Services under this Agreement, and shall not disclose, publish or disseminate any Accelecare Confidential Information to any third party without the prior written consent of Accelecare, except as may be required by applicable law. Facility agrees to return all Accelecare Confidential Information to Accelecare, including any copies thereof, upon the termination for any reason or expiration of this Agreement. If required by law to disclose any Accelecare Confidential Information, the Facility will immediately notify Accelecare of the requested disclosure and permit Accelecare to respond to such request if possible. The provisions of this Section shall survive the termination for any reason or expiration of this Agreement. Upon termination of this Agreement, Accelecare and Facility will cooperate

to assure a smooth, efficient and amicable wind down of the Agreement and their relationship. Facility will return and cease using all Accelecare's Confidential Information in whatever form or format, or at Accelecare's option, destroy the Accelecare Confidential Information, and will return to Accelecare any other Accelecare property in Facility's possession. Upon request of Accelecare an officer of Facility shall provide a letter certifying Facility's compliance with this Section.

9.24. Facility's Confidential Information. Accelecare agrees that information provided by the Facility, consisting of patient information, software management systems, trade secrets, service marks, financial information and related business information, policies and procedures, protocols, facility operations, documentation and records (collectively, the "Facility Confidential Information") are confidential and are the property of and belong solely to the Facility. Accelecare and its subsidiaries and affiliates and their respective officers, directors, employees, agents and representatives shall not use Facility Confidential Information for any purpose other than the operation of the Wound Center and the provision of the Services under this Agreement, and shall not disclose, publish or disseminate any Facility Confidential Information to any third party without the prior written consent of the Facility, except as may be required by applicable law. Accelecare agrees to return all Facility Confidential Information to the Facility, including any copies thereof, upon the termination for any reason or expiration of this Agreement. If required by law to disclose any Facility Confidential Information, Accelecare will immediately notify the Facility of the requested disclosure and permit the Facility to respond to such request if possible. The provisions of this Section shall survive the termination for any reason or expiration of this Agreement.

9.25. Exceptions to Confidentiality Requirements. Notwithstanding the provisions of Section 9.23 or Section 9.24 to the contrary, information which at the time of disclosure, is already freely available to the public, or, through no fault of the recipient, becomes freely available to the public, then such information shall not be considered Accelecare Confidential Information or Facility Confidential Information, as applicable. Furthermore, information relating to Facility's patients that is Protected Health Information (as such term is defined in the HIPAA) is not Facility Confidential Information hereunder; terms relating to the protection of Protected Health Information are addressed in the Business Associate Agreement attached hereto as Exhibit F.

9.26. Compliance with Confidentiality Provisions. All Facility Personnel are obligated to comply with the confidentiality provisions of Section 9.23, and the Facility shall be responsible for the Facility Personnel complying with the provisions thereof. All Accelecare Personnel are obligated to comply with the confidentiality provisions of Section 9.24, and Accelecare shall be responsible for the Accelecare Personnel complying with the provisions thereof.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

ACCELECARE WOUND CENTERS, INC.

By________________________________
Name: Michael K. Lester
Title: Chief Executive Officer

ALAMEDA HOSPITAL

By________________________________
Name: Deborah Stebbins
Title: Chief Executive Officer

EXHIBIT A

EQUIPMENT AND DATA SYSTEM PROVIDED BY ACCELECARE

DOCUMENTS

1. Policy and Procedure Manuals including Forms
2. Clinical Practice Guidelines
3. Wound Center Facility Development and Implementation Check List

DATA TRACKING SYSTEM

1. Data System – Accelecare's proprietary and privately labeled web-based wound management outcomes data tracking system

COMMUNITY EDUCATION MATERIALS

1. Ad campaign materials and ad templates:
    a. Direct Mail
    b. Print
    c. Outdoor advertising

PATIENT EDUCATIONAL MATERIALS (AVAILABLE IN ENGLISH AND OTHER LANGUAGES)

1. Wound Care Patient Guide
2. Hyperbaric Patient Guide
3. Guide to Diabetic Foot Care
4. Guide to Pressure Ulcer Care
5. Guide to Arterial Ulcer Care
6. Guide to Skin Care
7. Guide to Venous Stasis Ulcer Care
8. Guide to Off-loading
9. Most Frequently Asked Questions

10. Guide to Wound Dressing Change

11. Guide to Pain Management

ACCELECARE EQUIPMENT

1. Two (2) Monoplace hyperbaric chambers and associated equipment and additional chambers as required to meet patient demand

2. One (1) digital camera

3. One (1) four channel transcutaneous oxygen monitor

4. TV(s) (one per HBOT chamber)

5. Electric wound care/podiatric chairs (maximum of four)

REFERENCE LIBRARY

1. Services and HBOT books and related articles

All IP and Reference Library listed above and any other such property placed by Accelecare in the Wound Center during the term of this Agreement are Accelecare property and shall be removed by Accelecare upon termination of this Agreement, and Facility shall immediately cease using the same.

EXHIBIT B

EQUIPMENT PROVIDED BY FACILITY

Following are lists of the Non-Disposable Equipment and the Supplies and Disposable Equipment that Facility is responsible for supplying according to Section 2.1 of this Agreement. The list is for example purposes only as actual equipment and supplies may vary due to a number of factors, including but not limited to the: size of the Wound Center, scale, number of patients, etc. Accelecare shall consult with Facility to develop appropriate more detailed lists.

Non-Disposable Equipment Provided by Facility

MEDICAL EQUIPMENT

One gurney for patients who must be treated recumbent
Mini Refrigerator
Wall mounted X-ray view box
Glucose monitors / Accucheck
Stethoscopes
BP cuffs
Otoscope
Electronic thermometer
Wheelchairs (oversized and regular)
Stainless steel – shelf utility carts
Dirty instrument trays
Portable pulse oximeter
Wound debridement instruments
Air lift stools
Mayo stands
Linen hamper
Crash cart if indicated

OFFICE EQUIPMENT

Desks
Patient chart binders
Chart rack and forms holder
Physician's Desk Reference
File Cabinets

Waiting Room furniture
Couches
Chairs
Tables
Pictures
Magazine Rack

Miscellaneous office supplies
Dry erase board
Fax machine
Copy machine

COMPUTER EQUIPMENT

The Data System, as supplied by Accelecare, is a web-based application, which is hosted at state-of-the-art facilities. This application will not use more resources than any other web-based application. Additionally, since the system provides for imaging capability by way of digital photography, the user must be able to upload files from their desktop.

From time-to-time, personnel training may be conducted by Accelecare. This training is conducted by way of e-learning tools or interactive web-based technology such as Webex and GoToMeeting. Further, Accelecare personnel onsite, from time-to-time, may need to interact with Accelecare support personnel such as medical doctors, nurses, or other technically skilled persons. These interactions may be conducted by way of video-conferencing utilizing some of the more common technologies such as Skype (www.skype.com). Therefore, the Facility IT department should be prepared to allow for these applications to be used from the designated Data Tracking workstations. This would also imply that the Facility IT department would allow for installation of these applications on the workstations. Finally, these applications will require some level of network configuration so as to operate at an optimal level.

The following is the Hardware and Software to be provided by and supported by the Facility. These are minimum recommended specifications. Any deviation should first be reviewed with Accelecare IT department.

COMPUTER HARDWARE

Computer: Pentium IV 2.0 GHz computer, or equivalent
Main Memory: 1 GB RAM
Hard-drive: 80 GB Hard-drive
Monitor: 17" monitor; 1024 x768
DVD/CD: 8X DVD+/-RW
Printer: At customer's discretion: should scan and print at 600 dpi color images
3 Year Warranty should be acquired
High Speed Internet Connection and Access (port 443 and port 80)

In a typical setup, five laptop computers are required, one in each of the following locations: Front Office, PD office, MD office, HBO room and Nurse's station.

COMPUTER SOFTWARE*

Windows XP SP2 or higher
MS Office Small Business Edition
Adobe Standard
Internet Explorer 7.x or higher

Sun Java Runtime Environment 6.0
Anti-virus software

Other applications that may be required by Accelecare personnel

Skype www.skype.com – for voice and video conferencing
GotoMeeting
Webex

Note: Facility may install their own "image" on the machine in question.

Within 30 days of this Agreement, Facility will provide Accelecare with name and contact information for its Information Technologies Manager. Should Facility have questions regarding hardware or software requirements then they should contact Accelecare's computer support personnel.

Supplies and Disposable Equipment Provided by Facility

i. Disposable equipment needed for the medical care of a patient population with non-healing wounds

ii. Wound covering sterile and non-sterile bandages including various sizes of plain gauze and assorted specialty dressings up to and including petroleum jelly permeated, calcium alginates, exudate absorbers, foams, hydrocolloids, hydrogels, transparent films, and a variety of tape and tubular bandages

iii. Static compression devices/wraps, wound measuring tapes

iv. Examination room paper, disposable gowns, fenestrated towels, drapes, barriers, scalpels, sharps containers, punch biopsy, bandages, bedpans, urinals, sterile/non-sterile applicators, emesis basins, sterile/non-sterile gloves, isolation gowns, masks, shoe covers, suture material, tissues, tourniquets, tongue depressors, patient under pads

v. Variety of disposal needles and syringes, IV start kits

vi. Various topical and/or inhalant medications including: Ammonia inhalant, Bacitracin, Benzoin, Eucerin, Bag Balm, Lidocaine, Silvadene cream, Silver Nitrate Applicators

vii. Disinfectant solutions

viii. Disposable respirator masks

EXHIBIT C

ACCELECARE PERSONNEL

Accelecare agrees to provide the following personnel for Wound Center as Accelecare Personnel as defined in Section 1.3 of this Agreement:

i. Program Director – Full time

ii. Clinical Manager – Full time

iii. HBOT Technician(s) – Full and/or part time as required

FACILITY PERSONNEL

Facility agrees to provide the following personnel for Wound Center as Facility Personnel as defined in Section 2.2 of this Agreement.

i. Wound Care Nurse(s) – Full and/or part time as required

ii. Office Coordinator – Full Time

Staff shall be hired by Accelecare or Facility, as applicable and available at Wound Center within a reasonable period of time prior to the opening of Wound Center in accordance with the following estimated pre-opening employment schedule:

Position	Time Hired Prior to Opening
Program Director	Three months
Clinical Manager	Two months
Wound Care Nurse	Two weeks
Hyperbaric Safety/Technical Director/Technician	One month
Office Coordinator	Two weeks

Accelecare and Facility shall mutually agree upon the Program Director's date of hire.

EXHIBIT D

FEES

1. Management Fees. Commencing on the Effective Date, the Facility shall pay Accelecare a monthly management fee equal to fifty percent (50%) of the then current Medicare Ambulatory Payment Classification (APC) payment rate in effect at the time the procedure was performed for all wound care services provided at the Wound Center during the relevant month, except with respect to hyperbaric oxygen therapy services.

2. Equipment License Fee. For the use of the Equipment at the Wound Center related to the provision of hyperbaric oxygen therapy services, commencing on the Effective Date, the Facility shall pay Accelecare an equipment license fee in the amount of fifty percent (50%) of the then current Medicare Ambulatory Payment Classification (APC) payment rate in effect at the time the procedure was performed for each unit of hyperbaric oxygen therapy. For purposes of this paragraph, "unit" shall mean each thirty (30) minute segment of hyperbaric oxygen therapy.

3. Pre-opening Fee. The Facility shall pay to Accelecare a monthly Pre-opening Fee of Ten Thousand Dollars ($10,000.00) (prorated for partial months) that will commence upon Accelecare's hiring of the Program Director and continue up until the Effective Date. For the avoidance of doubt, the Pre-opening Fee shall terminate upon the Effective Date.

EXHIBIT E

RESTRICTED AREA

The Restricted Area shall consist of all of the area within the following zip codes:

94621	94580	94804
94613	94608	94805
94605	94705	94587
94619	94546	94803
94601	94563	94801
94603	94704	94555
94602	94720	94806
94577	94703	94564
94606	94541	94547
94502	94702	94536
94501	94709	94560
94610	94552	94572
94611	94710	
94612	94708	
94578	94707	
94579	94706	
94556	94545	
94607	94542	
94618	94544	
94609	94530	
94538		

EXHIBIT F

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (the "Agreement") is effective as of this _____day of August, 2010 (the "Effective Date"), by and between Alameda Hospital (the "Covered Entity"), and Accelecare Wound Centers, Inc. (the "Business Associate"). This Agreement shall be applicable only in the event Business Associate meets, with respect to Covered Entity, the definition of Business Associate set forth at 45 C.F.R. Section 160.103, or applicable successor provisions.

1. Definitions

a. "*HIPAA*" means the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191.

b. "*HIPAA Regulations*" means the regulations promulgated under HIPAA by the United States Department of Health and Human Services as they currently exist and as may be amended or adopted, including, but not limited to, 45 C.F.R. Part 160 and 45 C.F.R. Part 164.

c. *"HITECH Act"* means the Health Information Technology for Economic and Clinical Health Act and its implementing guidance and regulations as they currently exist and as may be amended or adopted.

d. "*Minimum Necessary Standard*" means the standard promulgated under HIPAA and the HIPAA Regulations, including but not limited to the provisions in 45 C.F.R. 164.502(b) and 45 C.F.R. 164.514(d), requiring that Covered Entities use, disclose and request only the minimum amount of Protected Health Information necessary to accomplish the purpose of the use, disclosure or request.

e. Any terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms have under HIPAA, the HIPAA Regulations and the HITECH Act.

2. Status of Parties

Business Associate hereby acknowledges and agrees that Covered Entity is a covered entity and that Business Associate may be a business associate of Covered Entity under the HIPAA Regulations.

3. Obligations and Activities of Business Associate

a. *Use or Disclosure.* Business Associate agrees to not use or further disclose protected health information created or received by Business Associate from, or on behalf of, Covered Entity ("Protected Health Information") other than as expressly permitted or required by the Agreement or by law.

b. *Safeguards.* Business Associate agrees to use appropriate safeguards to prevent any use or disclosure of the Protected Health Information other than uses and disclosures expressly provided for by this Agreement, including administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of Covered Entity's electronic Protected Health Information.

c. *Mitigation.* Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.

d. *Reporting.* Business Associate agrees to report to Covered Entity any use or disclosure of Protected Health Information in violation of this Agreement of which it becomes aware and any security incident concerning electronic Protected Health Information .

e. *Subcontractors and Agents.* Business Associate agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity agrees to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information and to implement the safeguards required by Section 3.b above with respect to electronic Protected Health Information.

f. *Access.* When requested by Covered Entity, Business Associate agrees to provide access to Protected Health Information in a Designated Record Set to Covered Entity in order to comply with the requirements under 45 C.F.R. § 164.524. Such access shall be provided by Business Associate in the time and manner reasonably designated by Covered Entity.

g. *Amendment.* When requested by Covered Entity or an Individual, Business Associate agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that Covered Entity directs or agrees to pursuant to 45 C.F.R. § 164.526. Such amendments shall be made by Business Associate in the time and manner reasonably designated by Covered Entity. Covered Entity shall pay for any costs associated with Business Associate's compliance with this Section.

h. *Audit and Inspection.* Business Associate agrees to make its internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Secretary of Health and Human Services (the "Secretary of HHS") or any officer or employee of HHS to whom the Secretary

of HHS has delegated such authority for the purposes of the Secretary determining Covered Entity's compliance with the HIPAA Regulations. Such information shall be made available in a time and manner reasonably designated by the Secretary of HHS. Covered Entity shall pay for any costs associated with Business Associate's compliance with this Section.

i. *Documentation of Disclosures.* Business Associate agrees to document such disclosures of Protected Health Information, and such information related to such disclosures, as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528.

j. *Accounting.* Business Associate agrees to provide to Covered Entity or an Individual information collected in accordance with Section 3(i) of this Agreement, to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528. Such information shall be provided in a time and manner reasonably designated by Covered Entity. Covered Entity shall pay for any costs associated with Business Associate's compliance with this Section

4. Permitted Uses and Disclosures by Business Associate

a. *General Use and Disclosure Provisions.* Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information on behalf of, or to provide services to, Covered Entity in connection with the performance of the services provided under the Wound Care and Hyperbaric Management Services Agreement by and between Alameda Hospital and Accelecare Wound Centers, Inc., dated August ___, 2010 (the "Services Agreement"), if such use or disclosure of Protected Health Information would not violate HIPAA, the HIPAA Regulations or the HITECH Act if done by Covered Entity or such use or disclosure is expressly permitted under Section 4(b) of this Agreement.

b. *Specific Use and Disclosure Provisions.*

(1) Except as otherwise limited in this Agreement, Business Associate may use and disclose Protected Health Information for the proper management and administration of the Business Associate or to meet its legal responsibilities; provided, however, that such Protected Health Information may only be disclosed for such purposes only if the disclosures are required by law or the Business Associate obtains certain reasonable assurances from the person to whom the information is disclosed. The required reasonable assurances are that:

(a) the information will remain confidential;

(b) the information will be used or further disclosed only as required by law or for the purpose for which the information was disclosed to the person; and

(c) the person will notify the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

(2) Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information to provide Data Aggregation services to Covered Entity as permitted by 42 C.F.R. Part 164.504(e)(2)(i)(B), to create de-identified information, and to create limited data sets.

(3) Business Associate may use and disclose Protected Health Information to report violations of law to appropriate federal and state authorities, consistent with 45 C.F.R. § 164.502(j)(1).

c. Business Associate may only use and disclose Protected Health Information in accordance with the Minimum Necessary Standard under HIPAA and the HIPAA Regulations to the extent that such standard would apply if the activities performed by Business Associate pursuant to this Agreement were performed by Covered Entity, and, where applicable, in accordance with the policies and procedures of Covered Entity adopted to comply with the Minimum Necessary Standard under HIPAA and the HIPAA Regulations, which policies and procedures Covered Entity shall make available to Business Associate upon request. Business Associate will develop and implement policies and procedures as necessary to comply with this Section 4(c) of the Agreement.

5. Obligations of Covered Entity

a. Covered Entity will comply with the provisions of the HIPAA, the HIPAA Regulations and the HITECH Act. Covered Entity will notify Business Associate of any limitation(s) in its notice of privacy practices of Covered Entity in accordance with 45 C.F.R. Part 164.520, to the extent that such limitation may affect Business Associate's use or disclosure of Protected Health Information or electronic Protected Health Information.

b. Covered Entity will notify Business Associate of any restriction to the use or disclosure of Protected Health Information that Covered Entity has agreed to in accordance with 45 C.F.R. Part 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of Protected Health Information or electronic Protected Health Information. Covered Entity shall not request Business Associate to use or disclose Protected Health Information or electronic Protected Health Information in any manner that would not be permissible under the HIPAA Regulations if done by Covered Entity or that is not otherwise expressly permitted under Section 4 of this Agreement.

c. Covered Entity will notify Business Associate of any changes in, or revocation of permission by an Individual to use or disclose Protected Health Information, to the extent that such changes may affect Business Associate's use or disclosure of Protected Health Information.

6. Term and Termination

a. *Term*. This Agreement runs concurrently with the Services Agreement.

b. *Termination for Cause*. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall provide written notice to Business Associate of such material breach and Business Associate shall have ninety (90) days in which to cure such breach. If Business Associate fails to cure such breach within the ninety (90) day period, Covered Entity may terminate this Agreement upon written notice to Business Associate.

c. *Effect of Termination*.

(1) Upon termination of this Agreement, for any reason, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity in any form. This provision shall also apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.

(2) Notwithstanding the foregoing, in the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is infeasible, Business Associate shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

7. Miscellaneous

a. *Regulatory References*. A reference in this Agreement to a section in HIPAA, the HIPAA Regulations or the HITECH Act means the section as in effect or as amended from time to time, and for which compliance is required.

b. *Survival*. The respective rights and obligations of Business Associate under Section 6(c) of this Agreement shall survive the termination of this Agreement.

c. *Interpretation*. Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits Covered Entity to comply with applicable law protecting the privacy, security and confidentiality of Protected Health Information, including, but not limited to, HIPAA, the HIPAA Regulations and the HITECH Act.

d. *No Third Party Beneficiaries.* Nothing express or implied in this Agreement is intended or shall be deemed to confer upon any person other than Covered Entity, Business Associate, and their respective successors and assigns, any rights, obligations, remedies or liabilities.

e. *Notices.* All notices under this Agreement will be in writing and will be deemed sufficient if delivered or mailed certified, return receipt to the addresses set forth in the Services Agreement.

f. *Entire Agreement; Amendment.* This Agreement contains the entire understanding between the parties and no amendment, alteration or modification hereof will be effective except in a subsequent written instrument executed by duly authorized representatives of both parties to this Agreement.

g. *Amendment*. Notwithstanding Section 7.f above, to the extent required of Business Associate, if there is an amendment to or an interpretation by a government agency of the HITECH Act whereby business associates shall comply with laws applicable to covered entities, this Agreement shall be deemed amended accordingly.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

COVERED ENTITY:

ALAMEDA HOSPITAL

By:_______________________________________

Name: Deborah Stebbins
Title: Chief Executive Officer

BUSINESS ASSOCIATE

ACCELECARE WOUND CENTERS, INC.

By:_______________________________________

Name: Michael K. Lester
Title: Chief Executive Officer