

XIMED NEWSLETTER

XIMED
MEDICAL GROUP

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Dermatology

>Donald J. Ritt, M.D.

Gastroenterology
(Emeritus)

>Harold H. Shively, M.D.

Cardiology
(Emeritus)

>Thomas Sounhein

President/CEO
Ex Officio

Letter from The Chairman of the Board

Dear Fellow Physicians,

Since 1996, the average inflation adjusted compensation for physicians has fallen 7% while compensation for other professionals such as attorneys, engineers and business professionals has increased 7%. This has occurred in the face of increasing labor and malpractice costs. The goal of XIMED Medical Group continues to be aimed at controlling costs and appropriate market reimbursement. We are proud of the efforts of the XIMED Hospitalists Group, which has shown a significant reduction in the cost and length of stay for their patients. Covered elsewhere in this newsletter are the cost saving benefits available to our members. The Physician Revenue Recapture program has been particularly beneficial to those who have participated thus far.

Our major project for this year is the further development of XIMED IPA. This group will practice clinical guideline based medicine which we believe will improve both the quality of the care our patients receive and provide cost savings. This will allow us to receive premium compensation for our services. The efficiency of services already demonstrated by our hospitalist program is the first step in this type of process. We urge the membership to become involved in the development of the IPA.

We continue to participate in the planning process for XIMED II and anticipate a successful partnership with Scripps Health in this project.

We also welcome new members to serve on our board and urge those that are interested to contact me at my office or XIMED administration. We look forward to the coming year and are confident that XIMED will continue to improve the long term viability of independent practicing physicians.

Robert P. Brouillard, M.D., F.A.C.P.

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In Memoriam

It is with deep sorrow and profound sadness that we acknowledge the untimely passing of Dr. George William Dennish, III.

Dr. Dennish graduated from Jefferson Medical College at Thomas Jefferson University in 1971 and completed both his internship and residency at Naval Hospital in Pennsylvania. He continued his education by completing a fellowship program in Cardiovascular Diseases at Naval Regional Medical Center in San Diego and Pathology of Congenital Heart Disease at Walter Reed Army Medical Center in Washington, D.C.

Dr. Dennish served as Chairman of the Cardiology Section of Scripps Memorial Hospital La Jolla from 1987-1993, as well as Director of the Cardiopulmonary Lab, Chief of Medicine and Director of Special Care Units at Scripps Memorial Hospital, Encinitas. He was also a Past President of the American Heart Association, San Diego County Medical Society and was the current President of San Diego Cardiovascular Associates.

Dr. Dennish was elected to the XIMED Medical Group Board of Directors in 2006. He supported the efforts of the Board and was a tremendous asset to XIMED Medical Group. He will be missed by all.



CEO Perspective

January is typically the time of year when many of us reflect on the previous 12 months and set goals for the year ahead. Some of us look back and see what we accomplished while others look at 2007 as an opportunity to reach new goals. At XIMED, we feel good about our accomplishments in 2006. Looking forward, we feel even better about what we can accomplish in 2007.

In 2006, we started a new company, changed financial years for all companies, negotiated increased PPO contract rates, marketed in national magazines (Good Housekeeping, Woman's Day, Redbook), conducted IPA anti-trust legal review, implemented a Physician Revenue Recapture Model, involved in the demolition & construction of a parking structure and Medical Office building (XIMED II), conducted several physician seminars, and produced record revenues in both the Medical Group and Limited Partnership. 2007 promises to be even more exciting with the following initiatives taking center stage:

- Grow and expand the Hospitalist's operations at La Jolla Memorial Hospital
- Implement a new clinically based IPA
- Develop a Non Profit Charitable Foundation for the development of IT systems
- Expand the Physician Revenue Recapture model
- Reduce medical malpractice premiums by instituting a leveraged physician model
- Increased negotiation of PPO contract rates
- Large scale marketing of the XIMED brand, emphasizing "Excellence in Medicine"
- Ensure construction of XIMED II parking structure and Medical Office building meets needs of physician membership

All of these initiatives are supportive of the strategic mission of XIMED; specifically to ensure the independent physician practice continues as a viable business model. With the unfolding of recent events, it appears clear that independent physicians have only themselves to rely on. To that end, XIMED will continue to implement those measures aimed at bolstering the practice of independent physicians.

See all of you on March 6, 2007 at the annual meeting.

Thomas C. Sounhein

IPA

Efforts to begin a XIMED based IPA continue to gain momentum. Anti-trust issues, credible physician involvement and development conflicts have all taken their toll. However, creation of an IPA will take priority in 2007.

The IPA will be guided by an evidence-based approach to medicine with member physicians implementing clinically based guidelines focusing on quality outcomes. The IPA will develop practice standards and protocols to govern treatment and utilization of services. With the increasing government emphasis on measuring quality, it is critical to the success of any physician organization to demonstrate quantifiable outcomes. Processes are being put into place for the XIMED Hospitalists which will mirror the evidenced based approach of the IPA.

Information systems necessary to gather aggregate and individual data on the nature of the services provided will be needed. To that end, XIMED Medical Group has formed a nonprofit foundation, "XIMED Foundation", for the purposes of applying for government grants aimed at the integration of technology and quality clinical outcomes.

Physicians will be reimbursed on a fee-for-service basis and will not share substantial financial risk for the cost of any rendered service.

Ximed Benefits

Group Contracting- Entering into contracts with health plans as a large medical group allows for stronger contracting leverage, which in turn has resulted in better reimbursement rates. Average contract rates are 15% to 30% higher than individual rates with the same health plans.

Marketing- The power of the XIMED Medical Group website, combined with links to your personal website, allows your name to reach unlimited numbers of potential patients. The website is maintained in real-time to ensure updated and accurate information is constantly available. In addition, XIMED advertises in local and national venues with the potential to reach over 350,000 readers.

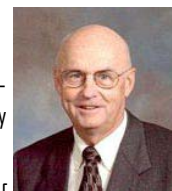
Physician Directories- Published twice a year, the XIMED Medical Group directory is made available to patients and fellow physicians, as well as the 1-800-Scripps physician referral service.

Credentialing- All credentialing for XIMED Medical Group is done in-house, freeing your personnel to concentrate on caring for your patients and not focus on health plan requirements. Because XIMED is delegated, you become contracted with the health plans in a more efficient and accurate manner. XIMED also submits any changes to your information directly to the health plans.

Vendor Discounts- XIMED has partnered with some of the largest service companies in San Diego to offer discounts of up to 50% for our members. Such firms include Office Depot, Physicians Sales and Services, Shred-It, along with Paymentech and XO Communications. Please contact XIMED for a complete list of preferred vendors.

Dr. Harold Shively Leaves Board

On February 7, 2006, Dr. Robert Brouillard respectfully accepted the resignation of Dr. Harold Shively from the XIMED Board of Directors.



Dr. Shively has been a member of the XIMED Board of Directors since June 1994 and has also been past Chief of Cardiology, Chief of Medicine and Chief of Staff at Scripps Memorial Hospital La Jolla. He is a certified flight instructor, a retired Brigadier General in the Army Reserves and a former commander of the Second Medical Brigade, U.S. Army. Dr. Shively has also been a member of three championship baseball teams that have won the Men's Senior Baseball League World Series. Dr. Shively's numerous contributions throughout his twelve years as a XIMED Medical Group Board Member are greatly appreciated. Dr. Shively joins Dr. Donald J. Ritt as the only former Board members to achieve Emeritus status.

Ximed Medical Group—New Physicians FY 2006

Name	Specialty	Phone
Adil A. Abbasi, M.D.	Internal Medicine	(858) 626-7780
Roy Amir, M.D.	Otolaryngology	(858) 658-0595
Alfredo Bessudo, M.D.	Hematology/Oncology	(760) 452-3340
Christopher Chisholm, M.D.	Pain Medicine	(858) 453-7128
Lalaine Corate, M.D.	Pulmonary Medicine	(858) 625-7200
Ariel Cortes, M.D.	Family Practice	(858) 793-5000
Frederick De La Vega, M.D.	Neurology	(858) 453-3842
Libro DiZinno, M.D.	Ophthalmology	(858) 450-1010
Sharon Dreeben, M.D.	Orthopedics	(858) 625-7979
Achal Dhupa, M.D.	Pulmonary Medicine	(858) 625-7200
Steven Eisenberg, D.O.	Hematology/Oncology	(760) 208-6730
Anthony Ferkich, M.D.	Emergency Medicine	(858) 626-6902
Laurie Frakes, M.D.	Hematology/Oncology	(760) 452-3340
David Greenwald, M.D.	Neurosurgery	(619) 297-4481
Heather Gunnarson, M.D.	Family Practice	(858) 455-7520
Ali Hamzei, M.D.	Cardiology	(858) 824-2900
M.T. Richard Hoang, M.D.	Dermatology	(858) 452-1430
Philip Hoang, M.D.	Radiology	(858) 454-4235
Georgine Jorgensen, M.D.	Family Practice	(760) 942-0118
Richard Just, M.D.	Hematology/Oncology	(760) 747-8935
Naira Kocharian, M.D.	Neurology	(858) 453-3842
Matthew Lucks, M.D.	Cardiology	(858) 457-1234
Franklin Lusby, M.D.	Ophthalmology	(858) 459-6200
Bradley Marcus, D.O.	Pain Medicine	(619) 297-4481
Edward McClay, M.D.	Hematology/Oncology	(760) 208-6730
Mona Mofid, M.D.	Dermatology	(858) 793-7333
David Najafi, M.D.	Ophthalmology	(858) 457-3050
Michael Porter, M.D.	Cardiology	(858) 658-0088
Mark Perlman, M.D.	Orthopedics	(858) 625-7979
Jerome Pierce, M.D.	Radiology	(858) 454-4235
Reza Sadrian, M.D.	Plastic Surgery	(858) 457-1111
Bradley Schneirow, M.D.	Sleep Medicine	(858) 623-3266
Brian Shore, M.D.	Radiology	(858) 454-4235
Stephanie Sturgill, M.D.	Dermatology	(858) 558-0677
David Thomas, M.D.	Dermatology	(858) 558-0677
Zuhre N. Tutuncu, M.D.	Rheumatology	(858) 457-3270
David Vu, M.D.	Radiology	(858) 454-4235
Kimberly Washkowiak, M.D.	OB/GYN	(858) 453-0753

XIMED Medical Group Board of Directors Elections

XIMED Medical Group members will be electing the XIMED Board of Directors for Fiscal Year 2007. Any current XIMED Medical Group member is eligible to submit their name as a candidate for the Board. To be considered for the ballot, please submit a brief narrative explaining your qualifications to serve as a Board member and why you feel your candidacy should be considered by the overall membership. Please submit these narratives to:

XIMED Medical Group
Attn: Cynthia Cullins- Board Elections
9850 Genesee Avenue, Suite 900
La Jolla, CA 92037

The due date for the Letters of Intent is Wednesday, February 7, 2007. All letters must be submitted by that time for consideration. Voting/Proxy Notices will be mailed to all XIMED members on Thursday, February 8, 2007, with the due date of Tuesday, March 6, 2007. You may also vote at the annual shareholders meeting. The announcement of the New Board of Directors will be mailed to the membership on Wednesday, March 7, 2007.

XIMED Medical Center Partnership Meeting

There will be a XIMED Medical Center Partnership Meeting held on Tuesday, March 6, 2007 at 5:30pm prior to the XIMED Medical Group Annual Shareholders Meeting in the Sheppard Hall of the Schaezel Center. This meeting will be to discuss the building of XIMED II and options for equity holders in XIMED Medical Center. Please plan to attend.

XIMED Medical Group Annual Shareholders Meeting

XIMED Medical Group has changed from a fiscal year to a calendar year schedule and therefore the Annual Shareholders Meeting will be held on Tuesday, March 6, 2007. The meeting will begin at 6:00pm and will end at 8:00 pm., and will be held in the Sheppard Hall of the Schaezel Center on the Scripps Memorial Hospital La Jolla campus.



HOSPITALISTS

As of August 1st, 2006, XIMED formed a new company, XIMED Hospitalists, Inc. The program goal is to provide internal medicine coverage to unassigned patients needing hospital admission and to provide the highest quality patient care in the most efficient manner possible. As of February 1, 2007 the hospitalist program has been operational for six-

months and has produced dramatic reductions in the average length of stay (ALOS). The program has managed to reduce ALOS from 6.4 to 4.7 days, in year over year comparisons. The program will continue to expand and grow to meet the needs of both patients and physicians at La Jolla Memorial Hospital. At this time we have six full-time and three

part-time Board Certified Internists working at Scripps Memorial Hospital La Jolla. For more information, please visit their website at www.ximedhospitalists.com.

Pushpendu Banerjee, M.D., M.S.P.H. - Medical Director

Adil Abbasi, M.D.- DOW Medical College -1981
Mark Adrian, M.D.- University of Medicine & Dentistry - 1992
Surya Chetlapalli, M.D.- Andhra Medical College - 1998
Charles Martineau, M.D.- Ross University - 1996
Maria Ramirez, M.D.- Ohio State University - 2000
Richard Schluessel, M.D.- Faculte Mixte de Medicin - 1981

XIMED MEDICAL GROUP

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Phone: 858-452-1279

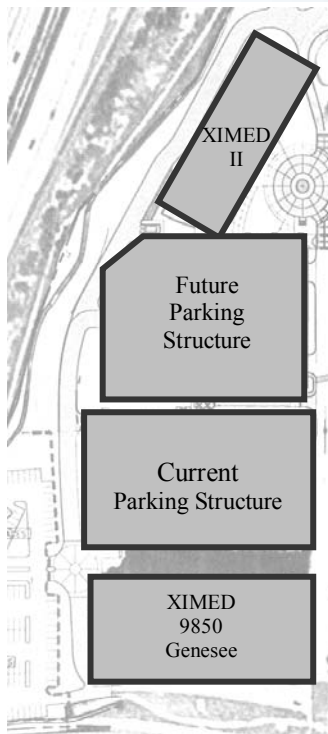
Fax: 858-587-1642

VISIT OUR WEBSITE AT:

www.ximedoctors.com

Excellence in Medicine

XIMED II



The construction of “XIMED II”, including a parking structure and a medical office building (MOB), is well under way. The construction program started in August 2006 with the demolition of the Burtek building, which is now a new parking lot. Demolition continued with the old medical arts buildings (Bldg 9844), which was completed by the end of December 2006. The new parking structure, which will have space for than 1450 cars, will begin construction in mid-February 2007, with an expected completion date of spring of 2008 (12-15 months). Once the parking structure is completed, the new MOB construction will begin (June 2008) and take approximately 14 months to complete.

