2009
Community
Benefit Report

PeaceHealth Oregon Region
LETTER FROM THE CEO

A year of Unprecedented Efforts, Monumental Challenges and Continuous Improvements

The story of PeaceHealth Oregon Region this year is one of contrasts, from joyfully celebrating the completion of new medical facilities to painfully making cuts in response to the national economic crisis.

The successful opening of Sacred Heart Medical Center at RiverBend in August 2008 and the RiverBend Pavilion in September 2008 represented nothing less than a transformation of the way we deliver health care. The immediate popularity of RiverBend among patients showed us we were on the right track.

That historic accomplishment was tempered by the economic storm that soon engulfed us. Even with record patient volumes, we were forced to dramatically reduce our budgets through cutbacks in positions, management pay, overhead expenses and supply costs.

Despite the difficulty of the changes we made in response to the economic downturn, we can find a silver lining. The renovation of Sacred Heart Medical Center, University District, provides an example. With losses in our investment portfolio, we no longer had the necessary funds to proceed with the revitalization of our University District campus in fiscal year 2009 as planned. But the state granted us an extension of our Certificate of Need that kept the project alive, and the project may ultimately be less expensive due to lower construction costs.

As we evaluated various cost-savings proposals, we affirmed our commitment to making patient safety and quality of care a priority. We adhered to our mission, values and vision for the future, while keeping an eye toward long-term sustainability.

The PeaceHealth Oregon Region story will continue to unfold as we build and strengthen a top-tier regional network of medical care. We will carry on our transformational journey toward high-level performance in patient service, clinical quality and cost-efficiency, looking forward to serving the community with a commitment that will last for generations to come.

To your health,

Mel Pyne
CEO and Chief Mission Officer
PeaceHealth Oregon Region

IN THIS REPORT
Financial Reports ....... 3
Community Benefit .... 4
By The Numbers ....... 6
Monthly Milestones .... 7
RiverBend’s First Year ... 8
PeaceHealth remains an economic engine for the community, even as the economic downturn forced us to make adjustments. In the Oregon region we drove employment with 5,051 jobs and contributed $1,015,710 in property taxes. PeaceHealth benefited the community in other ways, providing a record $75.9 million in uncompensated care – care for which we are not paid – to those in need. During a challenging financial year PeaceHealth continued to deliver, pursuing new approaches to care, providing education for health professionals and investing in new technologies and facilities.

Revenue & Expenses
JULY 1, 2008 – JUNE 30, 2009

Total Net Operating Revenue
52% Commercial Insurance
1% All Other Payors
3% Other Operating Revenue
9% Medicaid
35% Medicare

Total Operating Expenses
39% Salaries & Wages
1% Professional Fees
4% Provisions for Bad Debt
10% Depreciation / Interest
11% Payroll Taxes & Benefits
35% Supplies & Other Expenses

Charge Per Discharge
One of the most important ways PeaceHealth provides value to the community is by keeping our costs low. Our RiverBend and University District facilities have consistently ranked above comparable regional and national hospitals when it comes to providing value for the health care dollar. The trend continues based on the most recent data.

During a difficult economic year, PeaceHealth continued to care for those who needed it most regardless of their ability to pay. Care provided at low or no cost is called “uncompensated care” – that is, care provided to those who are unable to pay and to those enrolled in government programs such as Medicare and Medicaid that don’t pay enough to cover our costs.

In charity care alone, provided to those with no insurance and no other means to pay, PeaceHealth provided $47.4 million* in care through our Bridge Assistance program.

Compassionate Care in Tough Times

Valerie Hughes has dreamed of being a doctor since she was 5 years old. What she never dreamed was that a team of compassionate caregivers at her local hospital would save her life 20 years later.

A 2000 graduate of Sheldon High School, Valerie completed her bachelor of science degree from the University of Oregon in 2005. Over the years she had job-shadowed a neonatologist at Sacred Heart’s Neonatal Intensive Care Unit and worked at a health clinic in her mother’s native Guatemala. She was studying for her medical school entrance exams when illness struck.

On June 17, 2009, Valerie arrived at work at a local plasma collection center at 6 a.m. By 6:30 a.m. she began experiencing stabbing abdominal pain and nausea, and a half hour later she called her mother to take her to PeaceHealth’s Urgent Care in Springfield.

Following an ultrasound she was transferred immediately to the Emergency Department at Sacred Heart Medical Center at RiverBend where she was admitted and ultimately diagnosed with acute idiopathic pancreatitis, a rare and life-threatening illness.

On July 1 surgeon David DeHaas, MD, extracted one-third of her pancreas and her gall bladder. She wasn’t discharged until one month later.
During that time she came close to death, lost 40 pounds, and racked up $230,000 in medical bills. That’s when she learned that her insurance policy didn’t cover major medical expenses.

“I was too sick to worry about it,” she recalls. “I couldn’t think beyond the next breath.”

Valerie began a slow and painstaking recovery, where every life activity – showering, eating – left her exhausted. Then in November came the welcome news – Valerie’s application for Bridge Assistance, the hospital’s financial aid program, had been approved. Ultimately the hospital waived 100 percent of her bill.

From her experience in the NICU Valerie knew that no one is ever turned away from Sacred Heart. “I saw medicine practiced for the sake of healing, and that touched me on a deep and personal level,” she says. “Now, I’ve experienced that care myself. Regardless of what area of medicine I go into, this will affect the kind of doctor I’m going to be.”

Despite her grave illness, Valerie has found the gift inside the challenge. “I can empathize now on a completely different level,” she says. And she now knows what compassionate care can do. “There really are no words to express how grateful I am to PeaceHealth.”

---

**Community Benefit & Capital Spending**

In addition to uncompensated care, PeaceHealth gives back to the community by underwriting a variety of community health programs and services.

Without a hospital under construction and with University District renovation plans delayed, capital spending was down from where it stood in previous years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Community Benefit</th>
<th>Capital Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$279,600,000</td>
<td>$220,100,000</td>
</tr>
<tr>
<td>2008</td>
<td>$282,300,000</td>
<td>$222,800,000</td>
</tr>
<tr>
<td>2009</td>
<td>$207,223,388</td>
<td>$130,029,684</td>
</tr>
</tbody>
</table>

**Community Benefit By Type**

- Charity care at cost: $29,264,392 (38%)
- Unreimbursed costs of public programs at cost (Medicaid): $33,437,812 (44%)
- Community health programs and services: $1,641,282 (2%)
- Subsidized health services: $10,615,252 (13%)
- Contributions to community groups: $601,359 (1%)
- Health professional education: $1,312,327 (2%)
- Community Building (meals, car seats, youth mentoring, etc.): $321,243 (1%)

**TOTAL COMMUNITY BENEFITS:** $77,193,704
PeaceHealth Oregon Region
By The Numbers
J U L Y  1 ,  2 0 0 8  –  J U N E  3 0 ,  2 0 0 9

<table>
<thead>
<tr>
<th>Number of licensed beds:</th>
<th>FY 2008</th>
<th>FY 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacred Heart, University District:</td>
<td>432</td>
<td>104</td>
</tr>
<tr>
<td>Sacred Heart Medical Center at RiverBend:</td>
<td>0</td>
<td>338</td>
</tr>
<tr>
<td>Cottage Grove Community Hospital:</td>
<td>14</td>
<td>14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual admissions:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacred Heart Medical Center RiverBend</td>
<td>NA</td>
<td>23,463</td>
</tr>
<tr>
<td>Sacred Heart, University District</td>
<td>28,480</td>
<td>5,616</td>
</tr>
<tr>
<td>Cottage Grove Community Hospital</td>
<td>467</td>
<td>427</td>
</tr>
<tr>
<td>TOTAL</td>
<td>28,947</td>
<td>29,506</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Days of inpatient service:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacred Heart Medical Center RiverBend</td>
<td>NA</td>
<td>91,613</td>
</tr>
<tr>
<td>Sacred Heart, University District</td>
<td>119,399</td>
<td>31,256</td>
</tr>
<tr>
<td>Cottage Grove Community Hospital</td>
<td>1,265</td>
<td>1,123</td>
</tr>
<tr>
<td>TOTAL</td>
<td>120,664</td>
<td>123,992</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of babies born annually:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacred Heart Medical Center RiverBend</td>
<td>NA</td>
<td>2,647</td>
</tr>
<tr>
<td>Sacred Heart, University District</td>
<td>2,794</td>
<td>313</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,794</td>
<td>2,960</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of surgeries performed:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacred Heart Medical Center RiverBend</td>
<td>NA</td>
<td>15,215</td>
</tr>
<tr>
<td>Sacred Heart, University District</td>
<td>18,416</td>
<td>1,768</td>
</tr>
<tr>
<td>TOTAL</td>
<td>18,416</td>
<td>16,983</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of emergency-room visits:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacred Heart Medical Center RiverBend</td>
<td>NA</td>
<td>40,666</td>
</tr>
<tr>
<td>Sacred Heart, University District</td>
<td>61,242</td>
<td>33,528</td>
</tr>
<tr>
<td>Cottage Grove Community Hospital</td>
<td>11,561</td>
<td>11,378</td>
</tr>
<tr>
<td>TOTAL</td>
<td>72,803</td>
<td>85,572</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of clinic visits:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PeaceHealth Medical Group</td>
<td>353,590</td>
<td>360,391</td>
</tr>
<tr>
<td>PeaceHealth Medical Group Urgent Care Downtown</td>
<td>41,060</td>
<td>8,283</td>
</tr>
<tr>
<td>RiverBend Pavilion</td>
<td>NA</td>
<td>27,567</td>
</tr>
<tr>
<td>TOTAL</td>
<td>41,060</td>
<td>35,850</td>
</tr>
<tr>
<td>Cottage Grove Community Hospital/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Lane Medical Group</td>
<td>36,431</td>
<td>39,819</td>
</tr>
</tbody>
</table>

**Employment Data**

Number of PeaceHealth Oregon Region employees  
5051

Number of PeaceHealth System employees based in Lane County  
250

Number of nursing staff (fluctuates)  
1400-1500

Number of new hires in past year  
454

Typical number of new hires in a year  
600

Net gain of new employees over previous year  
approximately -150

Average annual turnover rate  
11.8%  
(industry average: 20%, declining)

Average annual salary (non-physician)  
$55,500
Monthly Milestones
FISCAL YEAR 2009

**July 2008**  Oregon Bach Festival premieres “This House of Peace,” an inspirational Ralph Johnson work based on the words of patients commissioned in celebration of RiverBend’s opening.

**August 2008**  The $547 million, 1.2 million-square-foot Sacred Heart Medical Center at RiverBend opens on Aug. 10, marking the completion of the largest construction project in Lane County history and the beginning of a revolution in health care for the region.

**September 2008**  RiverBend Pavilion opens on Sept. 15, offering primary care, Urgent Care, gastroenterology, neurology, orthopedic surgery and other services.

**October 2008**  Cottage Grove Community Hospital celebrates five years of successful community health care.

**November 2008**  The annual employee Thanksgiving basket project provides a record 750 food baskets to needy families. PeaceHealth caregivers donate all the foodstuffs and labor.

**December 2008**  A new study shows a dramatic improvement in heart attack survival rates at the Oregon Heart & Vascular Institute, from 91.2% in 2002 to 97.4% in 2008.

**January 2009**  Citing the economic downturn, PeaceHealth places the $97 million University District renovation on hold. The state grants a Certificate of Need extension to so that the project may resume when the economy recovers.

**February 2009**  Cottage Grove Community Hospital opens its Compassion Room, offering palliative care and hospice services for end-of-life patients.

**March 2009**  Sacred Heart Medical Center at RiverBend hosts its popular Sleep Fair with tours of the new Sleep Disorders Center.

**April 2009**  Sacred Heart Medical Center at RiverBend earns a Vista Award for New Construction, an annual prize bestowed by the American Society of Healthcare Engineering. The award credits the hospital with involving hundreds of community members and hospital staff in the design process.

**May 2009**  New Santa Clara family and internal medical clinic opens, featuring a more comfortable waiting area, larger exam rooms and an opportunity to add services.

**June 2009**  PeaceHealth announces plans to begin construction of a new midwifery birth center near RiverBend. Estimated at $1.2 million, the center will carry on the legacy of the Eugene center, which oversaw more than 5,600 births during its 25-year history.
RiverBend: The First Year

The opening of Sacred Heart Medical Center at RiverBend marked the culmination of more than a decade of planning. The final step of moving 122 patients from Sacred Heart Medical Center at the University District to the new hospital took a total of eight hours and 41 minutes and may have been among the biggest challenges. RiverBend opened as scheduled and has been proving its worth on a minute-by-minute basis ever since.

By putting the patient at the center of the healing experience, RiverBend represented the hospital of the future in action. The opening of the hospital put us one step closer to achieving our goal of true health care reform: higher quality, lower costs and greater access.

If the popularity of RiverBend is any indication, the hospital achieved success in its first year, recording an occupancy rate of nearly 80 percent — well above the state average of 62 percent. Between the two campuses, Sacred Heart Medical Center remains one of the busiest hospitals in the state.

It’s not just about the number of patients, it’s about how well we served them. Based on satisfaction surveys, patients appreciated both the comfortable environment at RiverBend and the expert and compassionate care they received. Already well above state and national averages in terms of satisfaction, we continue to trend upward.

By other indicators, Sacred Heart continues to excel. The hospital ranks among the top 25 percent for key quality indicators and in the top 10 percent in clinical performance. In surgery, we outperformed the national averages and placed in the top 10 percent of hospitals. For heart attack victims, our median time from hospital arrival to life-saving intervention in our catheterization lab has decreased to less than 60 minutes, saving approximately 20 lives annually.

Philanthropic support has remained strong. After generous donors gave $40 million to help build and equip RiverBend, another $9 million was donated in the first year after opening to continually advance hospital programs. Key purchases made possible by philanthropy included the latest robotic da Vinci Si surgical system™ and the D-SPECT cardiac imaging system.

Amid all of these gains, the economic environment during RiverBend’s first year of operation challenged us in ways we never imagined. In response, we became more cost-efficient while still providing access to all who need care. The number of patients unable to pay for their care rose dramatically, and PeaceHealth spent a record $76 million on uncompensated care.

Despite all the challenges, we have remained steadfast in pursuit of our goal to place Sacred Heart Medical Center in the top tier of health care institutions in the country. Our heartfelt thanks goes out to all our caregivers, patients, donors, volunteers and community members for your continued support during what has been a monumental first year at RiverBend.