

ST. JOSEPH HEALTH SYSTEM SONOMA COUNTY



ST. JOSEPH
HEALTH SYSTEM
SONOMA COUNTY

Annual Report 2005



A Ministry of the
Sisters of St. Joseph
of Orange



Ongoing Optimism

A strong sense of values will always guide you to the right decisions. For me, accepting the position of CEO at St. Joseph Health System–Sonoma County came out of my desire to return home and be among my family, and to be part of an organization that hasn't lost sight of its fundamental mission: caring for people with compassion and dignity, and improving the quality of life in its communities.

As St. Joseph grows and changes, we continue to embrace these fundamentals. And my primary vision for this health system starts with another fundamental: employee engagement. It seems basic, but if your employees are enjoying their work, fully engaged in it, and empowered to do the best job possible, then everything else—quality, outcomes, patient satisfaction—falls into place. In the next year, we will institute a proven system to engage our staff more fully and to attract talented new physicians and nurses.

The successes of the past year have positioned us for further excellence. Our 4.5 percent operating margin exceeded our goals. Our hospitals scored high in overall performance in a California HealthCare Foundation survey. And the reputations of our Level II Trauma Center and Heart Institute in Santa Rosa continue to grow. In 2005–2006, with our core values still at heart, I'm confident we will build on these achievements.

George Pérez,
President and CEO

In 2004–2005, St. Joseph Health System–Sonoma County (SJHS–SC) measured its success in five strategic areas.

By meeting goals in each area, Santa Rosa Memorial Hospital and Petaluma Valley Hospital have maintained outstanding quality of care and kept alive the mission and values of the Sisters of St. Joseph of Orange.

- 1. People.** Engaged, happy employees lead to satisfied patients. For the fourth straight year we've experienced an increase in the number of employees who report that they are actively involved and committed to their jobs. Our hospitals also boast an impressive 90 percent employee retention rate. SJHS–SC also continues to attract highly regarded physicians into our communities—54 new physicians came on board at Santa Rosa Memorial Hospital, and 41 at Petaluma Valley Hospital—enhancing our ability to provide top-notch care.

five keys to our success

2. **Compassionate Care, Safety, and Quality.**

Our hospitals have successfully maintained a culture of clinical excellence. Last year we completed our rigorous accreditation with the Joint Commission for Accreditation of Healthcare Organizations. Our designated Level II trauma center at Santa Rosa Memorial continued its impressive growth and improvement in quality.

3. **Community Outreach and Social Change.**

Guided by the values of the Sisters of St. Joseph of Orange, we invested \$2,299,000 in free community outreach programs—from a dental clinic to the House Calls program—for 22,890 low-income and disadvantaged people. We helped acquire health insurance for 1,000 children, and created the Quality of Life Initiative to enhance access to mental health services.

4. Stewardship of Resources. By exceeding our goals with a 4.5 percent operating margin, we maintained the financial viability to purchase new technology and to fund our community outreach programs. In 2004–2005, we targeted the following service lines for growth: women and children, orthopedics,

and behavioral health. Our intensive care nursery saw a 20 percent increase in patient care. The number of calls to our Inpatient Behavioral Health Services line grew by 32 percent. And our orthopedics service line increased its volume by 5 percent and its profit margin by 34 percent.

5. Technology and Innovation. This past year we installed a picture archiving communications system (PACS) to allow all diagnostic images—from X-rays to MRI and CT scans—to be viewed digitally, on demand, from any computer screen in the hospital or in a physician's office. Via online technology, our managers can now access and review patient satisfaction survey results each week, allowing them to respond faster to patient concerns. Our cardiac electrophysiology lab is equipped with the latest imaging and treatment technology, making it the most sophisticated lab of its kind in the area.



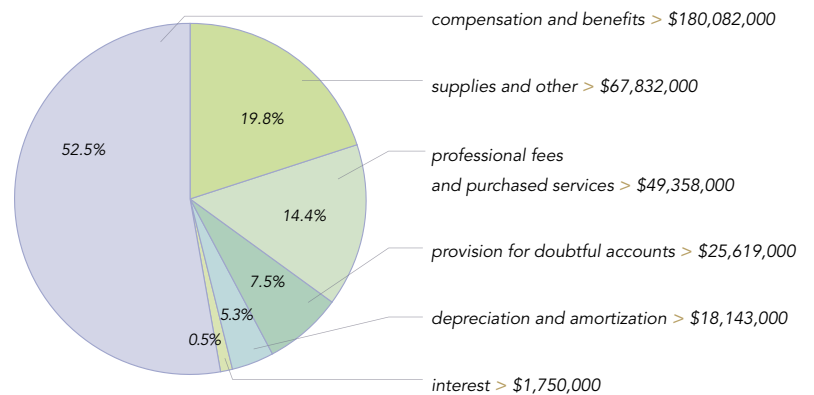


These numbers reflect another successful year for St. Joseph Health System—Sonoma County (data is for Santa Rosa Memorial Hospital and Petaluma Valley Hospital combined).

VOLUME OF SERVICES

| | |
|----------------------|---------|
| Inpatient discharges | 17,603 |
| Inpatient days | 94,387 |
| Outpatient visits | 250,364 |

EXPENSES



2005

highlights

INPATIENT DISCHARGES

| | |
|------|--------|
| 2005 | 17,603 |
| 2004 | 18,239 |
| 2003 | 17,516 |

NET REVENUE

| | |
|------|---------------|
| 2005 | \$358,860,000 |
| 2004 | \$316,656,000 |
| 2003 | \$271,376,000 |

OPERATING MARGIN

| | |
|------|------|
| 2005 | 4.5% |
| 2004 | 8.6% |
| 2003 | 5.0% |

Financial Results

| | |
|-------------------------------|---------------|
| NET REVENUE | \$358,860,000 |
| OPERATING EXPENSES | \$342,784,000 |
| Income (loss) from operations | \$16,076,000 |
| Non-operating income (loss) | \$480,000 |
| NET INCOME | \$16,556,000 |
| Operating margin | 4.5% |



highlights

Santa Rosa Memorial Hospital

NOTABLE FACTS

- SRMH scored a three-star rating for performance—the highest rating possible—in the 2004 California Hospital Experience survey.
- SRMH's Regional Trauma Center improved its efficiency by expanding its staff and decreasing the number of ventilator-associated pneumonias by 80 percent.
- SRMH earned its eighth consecutive Consumer Choice Award as well as a Medal of Honor from the U.S. Department of Health and Human Services for its leadership in organ transplants.

SERVICES OVERVIEW

| | |
|----------------------|---------|
| Inpatient discharges | 14,094 |
| Inpatient days | 79,392 |
| Outpatient visits | 174,823 |
| Licensed beds | 345 |
| Employees | 2,203 |

SERVICES IN DETAIL

| | |
|-----------------------------|--------|
| Total surgeries | 7,434 |
| Babies delivered | 1,280 |
| Emergency Department visits | 31,699 |
| Trauma Center admissions | 961 |
| Open-heart surgeries | 149 |
| Cath lab procedures | 1,797 |



Financial Snapshot

Revenue:

| | |
|------------------------------------|----------------------|
| Revenue from patient care services | \$290,454,000 |
| Other | \$2,441,000 |
| TOTAL REVENUE | \$292,895,000 |

Expenses:

| | |
|--|----------------------|
| Compensation and benefits | \$143,407,000 |
| Supplies and other | \$57,361,000 |
| Professional fees and purchases services | \$39,083,000 |
| Provision for doubtful accounts | \$19,612,000 |
| Depreciation and amortization | \$16,303,000 |
| Interest | \$1,562,000 |
| TOTAL EXPENSES | \$277,328,000 |

| | |
|-------------------------|---------------------|
| Operating income | \$15,567,000 |
| Nonoperating gains, net | \$646,000 |
| NET INCOME | \$16,213,000 |

| | |
|--------------------------|-------------|
| Operating margin | 5.3% |
| Foundation contributions | \$3,510,431 |

Petaluma Valley Hospital

SERVICES IN DETAIL

| | |
|-----------------------------|--------|
| Surgeries | 2,244 |
| Babies delivered | 533 |
| Emergency Department visits | 18,584 |

NOTABLE FACTS

- The Joint Commission on the Accreditation of Health Care Organizations (JCAHO) rated the quality of the care at Petaluma Valley Hospital as one of the highest in the country.
- Successful physician recruitment strategies have resulted in the expansion and strengthening of our medical staff.
- In June 2005, PVH became the first California hospital north of Marin County to perform artificial disc replacement, an advanced spine surgery. PVH also now offers another innovative procedure for cancer diagnosis, called sentinel node biopsy.



Financial Snapshot

Revenue:

| | |
|------------------------------------|---------------------|
| Revenue from patient care services | \$64,006,000 |
| Other | \$1,959,000 |
| TOTAL REVENUE | \$65,965,000 |

Expenses:

| | |
|--|---------------------|
| Compensation and benefits | \$36,675,000 |
| Supplies and other | \$10,471,000 |
| Professional fees and purchases services | \$10,275,000 |
| Provision for doubtful accounts | \$6,007,000 |
| Depreciation and amortization | \$1,840,000 |
| Interest | \$188,000 |
| TOTAL EXPENSES | \$65,456,000 |

| | |
|--------------------------|------------------|
| Operating income | \$509,000 |
| Nonoperating losses, net | \$166,000 |
| NET INCOME | \$343,000 |

| | |
|--------------------------|-----------|
| Operating margin | 0.8% |
| Foundation contributions | \$390,935 |

SERVICES OVERVIEW

| | |
|----------------------|--------|
| Inpatient discharges | 3,509 |
| Inpatient days | 14,995 |
| Outpatient visits | 75,541 |
| Licensed beds | 80 |
| Employees | 604 |



our mission

To extend the Catholic healthcare ministry of the Sisters of St. Joseph of Orange, by continually improving the health and quality of life of people in the communities we serve.

our vision

To be recognized as a leader in providing regional integrated health care, promoting health improvement, and creating healthy communities.

our values

dignity We respect each person as an inherently valuable member of the human community and as a unique expression of life.

justice We advocate for systems and structures that are attuned to the needs of the vulnerable and disadvantaged and that promote a sense of community among all persons.

service We bring together people who recognize that every interaction is a unique opportunity to serve one another, the community, and society.

excellence We foster personal and professional development, accountability, innovation, teamwork, and commitment to quality.

Board of Trustees

Petaluma Valley Hospital

| | | |
|---|--|---|
| Loren Fong, M.D. <i>Chief of Staff</i> | Sister Suzanne Sassus, CSJ <i>Member-At-Large</i> | POSITION OPEN <i>Member-At-Large</i> |
| George Pérez <i>Ex-Officio</i> | Leland Fishman <i>Member-At-Large</i> | |
| Josephine S. Thornton <i>Member-At-Large</i> | Sr. Carol Marie Kelber, CSJ <i>Chairperson</i> | |

Santa Rosa Memorial Hospital

| | | |
|--------------------------------|-------------------------|----------------------------|
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