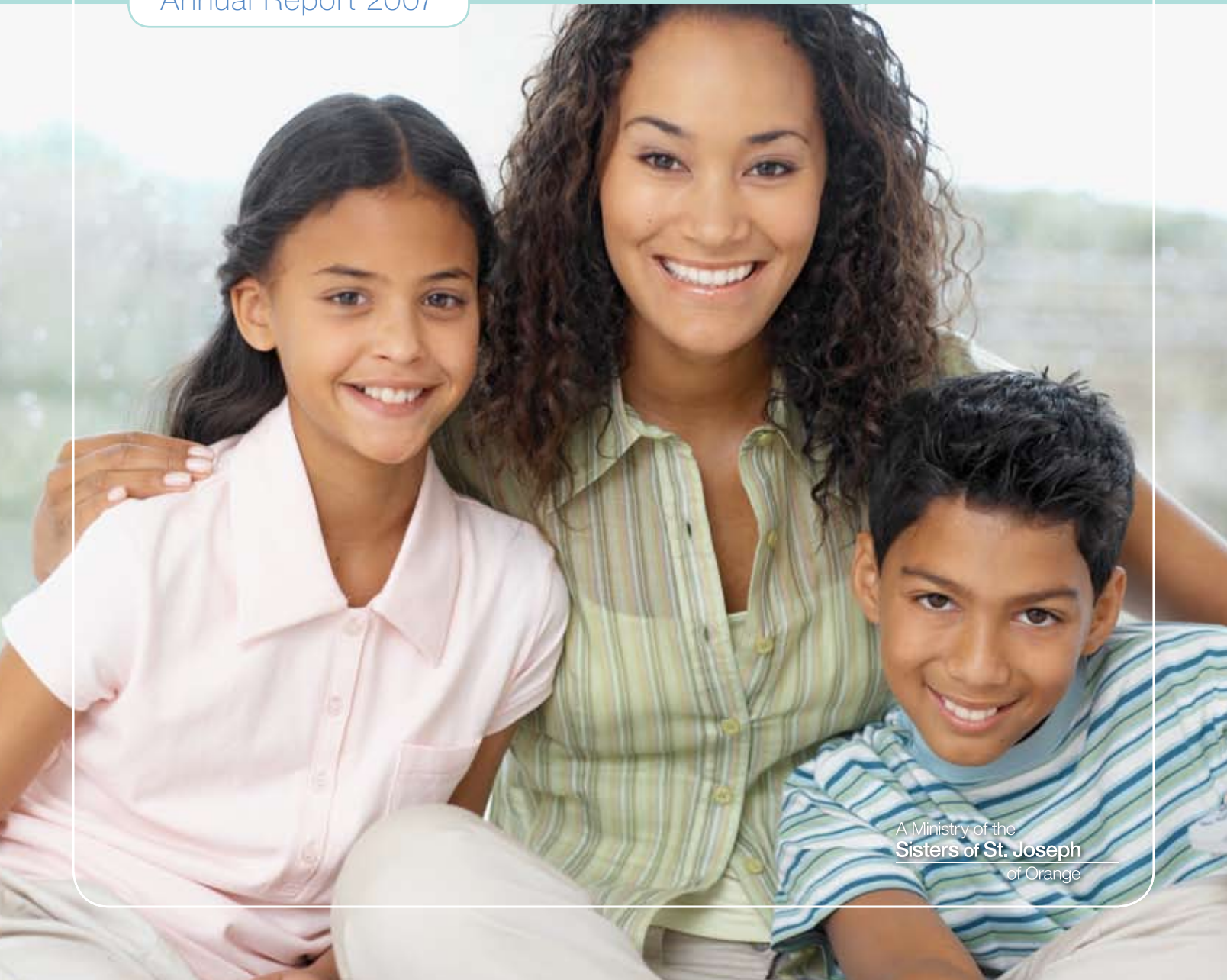


ST. JOSEPH HEALTH SYSTEM
SONOMA COUNTY



ST. JOSEPH
HEALTH SYSTEM
SONOMA COUNTY

Annual Report 2007



A Ministry of the
Sisters of St. Joseph
of Orange



Dedication Bearing Fruit

In today's healthcare environment, phrases such as "high-quality care" ring hollow if they're not supported by facts, figures, and goals. At St. Joseph Health System–Sonoma County, we created our ongoing Journey to Excellence initiative with myriad goals to achieve and detailed ways to measure our progress. I'm proud to say that in fiscal year 2007, a Herculean effort by our staff helped us meet or exceed the majority of our quality measures.

We scrutinized every aspect of the care we deliver and crafted goals to achieve not just excellent care but perfect care: the right treatment for the right patient every time, error free. In 2007, we also continued to invest in new facilities and technologies that will help us take care to the next level, such as the Norma and Evert Person Heart Institute and the CareWatch intensive care unit monitoring system. This emphasis on quality means more lives saved and restored to health.

Our aggressive focus on measuring and improving the science of medicine hasn't diminished our emphasis on the art of caring. We continue to treat every patient encounter as sacred—an opportunity to provide compassion and healing—and we continue to reach beyond our hospital walls, delivering care to the poor and underserved in our community.



George Pérez
President and CEO

A tireless commitment to quality has taken hold at St. Joseph Health System–Sonoma County (SJHS–SC), as we build our vision around six pillars of success.

- 1. People** Each year, Gallup surveys show that our employees are more dedicated and engaged than the year before. When employees are fully engaged in their work, they deliver higher quality care to patients. In 2007, survey scores rose again, and the world took notice: SJHS–SC received a Great Workplace Award from the Gallup Organization, recognizing it as one of the 12 most productive and engaged workplaces in the world.
- 2. Service** In 2007, we put customer service under the microscope to increase patient satisfaction scores. In the medical/surgical unit at Petaluma Valley Hospital (PVH), nurses redoubled their efforts to meet and anticipate the needs of patients, who rated the care as outstanding—boosting the score a dramatic

excellence in action

6 percent from last year. We also improved the efficiency of our operating rooms to reduce wait times and decrease delays.

3. Quality When it comes to quality of medical care, SJHS–SC sets a higher standard than most. The goal is perfect care at every patient encounter—appropriate, accurate, and error free. This year, we focused on 10 performance indicators, and achieved excellent results. PVH demonstrated near perfect scores for several months running, and Santa Rosa Memorial Hospital (SRMH) scored in the top 10 percent nationwide for heart attack care and success in preventing ventilator-acquired pneumonia among patients.

4. Community SJHS–SC continued its extensive outreach to the poor and underserved in Sonoma County. Among many successes, our mobile health clinic made 3,132 visits to 1,449 patients and our children’s dental clinic served 2,292 patients. In addition, we met a goal to get our hospital leadership and staff more involved in community nonprofits, and to volunteer at community-sponsored events.

5. Stewardship Good stewardship of resources is critical to achieving our mission of building healthy communities. This year, our 2.6 percent operating margin was more modest than in past years. Many additional expenses—including several unplanned expansion projects needed to meet the increased patient volume in 2008—led to departments going over budget. However, philanthropic support through our Foundations exceeded our target by \$1.5 million, helping to bridge the budget gaps.

6. Innovation Innovation is a crucial theme at SJHS–SC, as we work hard to bring next-generation technologies to Sonoma County. This year, our hospitals began implementing intelligent electronic tools, such as computerized charting to improve quality, enhance overall safety, and make our care more efficient. In September 2007, we launched “CareWatch,” an electronic monitoring system for our intensive care units, which has been shown to improve outcomes and save lives.





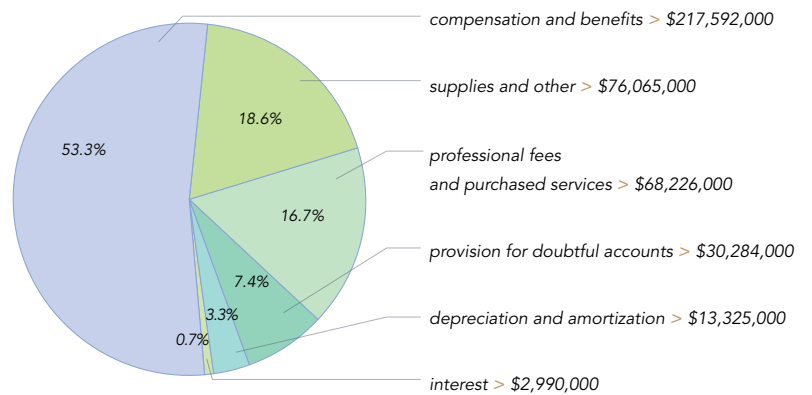
These numbers reflect another successful year for St. Joseph Health System—Sonoma County (data are for Santa Rosa Memorial Hospital and Petaluma Valley Hospital combined).

VOLUME OF SERVICES

Inpatient discharges	17,738
Inpatient days	93,056
Outpatient visits	243,275



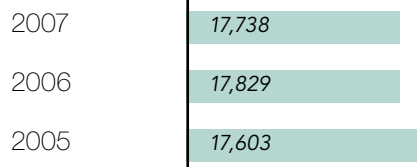
EXPENSES



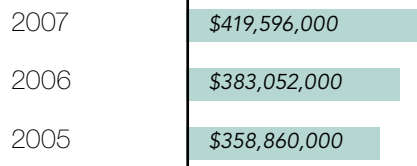
2007

highlights

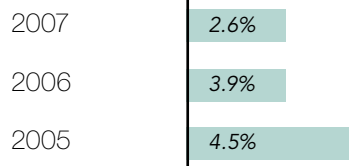
INPATIENT DISCHARGES



TOTAL REVENUE



OPERATING MARGIN



Financial Results

TOTAL REVENUE	\$419,596,000
---------------	---------------

OPERATING EXPENSES	\$408,482,000
--------------------	---------------

Income (loss) from operations	\$11,114,000
-------------------------------	--------------

Nonoperating income (loss)	\$4,541,000
----------------------------	-------------

NET INCOME	\$15,655,000
------------	--------------

Operating margin	2.6%
------------------	------



highlights

Santa Rosa Memorial Hospital

NOTABLE ACHIEVEMENTS

- SRMH initiated a major expansion plan to meet growing community needs—adding an additional 80 hospital beds, expanding the Family Birthing Center, and maintaining its construction schedule on the new Norma and Evert Person Heart Institute.
- For the 11th straight year, Sonoma County residents named SRMH its 2007–2008 Consumer Choice Award winner.
- SRMH is one of 12 hospitals nationwide taking part in a collaborative effort to attain the highest outcomes for people with traumatic brain injuries.

SERVICES OVERVIEW

Inpatient discharges	14,364
Inpatient days	79,585
Outpatient visits	186,845
Licensed beds	345
Employees	2,285

SERVICES IN DETAIL

Total surgeries	9,322
Babies delivered	1,271
Emergency Department visits	30,532
Trauma Center admissions	1,000
Cath lab procedures	1,423



Financial Snapshot

Revenue:

Revenue from patient care services	\$332,654,000
Other	\$4,212,000
TOTAL REVENUE	\$336,866,000

Expenses:

Compensation and benefits	\$170,535,000
Supplies and other	\$63,802,000
Professional fees and purchased services	\$53,793,000
Provision for doubtful accounts	\$23,135,000
Depreciation and amortization	\$10,585,000
Interest	\$2,829,000
TOTAL EXPENSES	\$324,679,000

Operating income	\$12,187,000
Nonoperating gains, net	\$4,686,000
NET INCOME	\$16,873,000

Operating margin	3.6%
Foundation and grant contributions	\$4,738,594

Petaluma Valley Hospital

SERVICES IN DETAIL

Total surgeries	2,464
Babies delivered	541
Emergency Department visits	15,907

NOTABLE ACHIEVEMENTS

- PVH's new mammography services were accredited by the American College of Radiology.
- For the second year in a row, PVH won an Avatar Award for providing outstanding care that exceeded patient expectations.
- PVH and SRMH are two of eight California hospitals certified as Healthy Hospitals and Health Systems by the California Department of Health Services. The designation recognizes the hospitals' efforts to promote fitness, healthy eating, and safety at their facilities for both employees and patients.



Financial Snapshot

Revenue:

Revenue from patient care services	\$81,619,000
Other	\$1,111,000
TOTAL REVENUE	\$82,730,000

Expenses:

Compensation and benefits	\$47,057,000
Supplies and other	\$12,263,000
Professional fees and purchased services	\$14,433,000
Provision for doubtful accounts	\$7,149,000
Depreciation and amortization	\$2,740,000
Interest	\$161,000
TOTAL EXPENSES	\$83,803,000

Operating income	\$-1,073,000
Nonoperating losses, net	\$-145,000
NET INCOME	\$-1,218,000

Operating margin	-1.3%
Foundation and hospice contributions	\$1,862,543

SERVICES OVERVIEW

Inpatient discharges	3,374
Inpatient days	13,471
Outpatient visits	56,430
Licensed beds	80
Employees	630



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

Leland Fishman	Sister Carol Marie
Peter Grauert	Kelber, CSJ, Chair
Sister Diane Hejna, CSJ	George Pérez
James Leoni, M.D.	Josephine S. Thornton

Santa Rosa Memorial Hospital

Herbert Castillo	Timothy Moratto	Gene Traverso, Chair
Michael Coutré	Ernesto Olivares	Ed West, M.D.
Logan Faust, M.D.	George Pérez	Sharon Wright
Stephen Halpern, M.D.	Joe Randolph	Joseph Zils, Secretary
Sister Diane Hejna, CSJ	Sister Christine Ray	
Ezbon Jen, Vice Chair	Sister Mary Rogers	
Albert Maggini	Christopher Silva	