

ANNUAL REPORT 2009

VALLEY GENERAL
HOSPITAL
TRUE COMMUNITY MEDICINE



FROM CEO MIKE LIEPMAN



THANKS TO THE COMMITMENT OF OUR BOARD OF COMMISSIONERS, OUR HOSPITAL EMPLOYEES, PHYSICIANS AND OUR SUPPORTIVE COMMUNITY MEMBERS, VALLEY GENERAL MADE IT THROUGH A COMPLEX 2009. IN THESE CHANGING TIMES, IT'S THAT COMMITMENT THAT WILL CARRY VALLEY GENERAL HOSPITAL INTO THE FUTURE. VALLEY GENERAL HOSPITAL HAS BEEN EAST SNOHOMISH COUNTY'S COMMUNITY HOSPITAL FOR MORE THAN 50 YEARS. WE REFLECT AT WHERE WE HAVE BEEN AND AFFIRM OUR COMMITMENT TO THOSE WHO HAVE SUPPORTED US EVERY STEP OF THE WAY.

In 2009 we provided numerous community outreach opportunities to East Snohomish County – including free health seminars, free or reduced price screenings and our very successful H1N1 vaccination effort in the fall. Community wellness is something we will continue to strive for.

During 2009, VGHI provided over \$9 million in uncompensated care (bad debt and charity). Bad debt and charity care are increasing every year, and with the current state of the economy 2010 will likely keep with that trend.

Valley General has much to be proud of in 2009. We initiated many process improvement plans throughout the

hospital that delivered considerable improvements in our quality standards and patient satisfaction scores, both of which you will see in this report.

It's a new day at Valley General Hospital and we want the community to feel and see the difference.

National health care reform is on the forefront of the nightly news and front page of every newspaper. During this time of reform, Valley General Hospital will continue to be your community hospital. A place where you can feel confident in the services you receive and the care you are given.

VGH FAST FACTS

- Valley General Hospital is a Public District Hospital
- Your Elected Board of Commissioners are:
 - Neil Watkins, Alice Cabe, John Hinchcliffe
- The Hospital District is comprised of the following zip codes:
 - 98251, 98256, 98272, 98290, 98291, 98296, 98293 and 98294
 - This area is approximately 700 square miles
 - In 2008, this population was approximately 96,000
 - There is predicted population growth of 36-42% by 2025
- Valley General Hospital has 325 FTEs and 511 employees
- There are 95 physicians on active medical staff, and an additional 143 on courtesy medical staff
- More than 3,400 community members participated in our outreach programs.



PATIENT SATISFACTION

NEXT TO QUALITY CARE FOR OUR PATIENTS, VALLEY GENERAL HOSPITAL HOLDS PATIENT SATISFACTION AT THE TOP OF OUR LIST DAY IN AND DAY OUT. WE VALUE YOUR EXPERIENCE AT YOUR COMMUNITY HOSPITAL AND HOPE YOU CONTINUE TO VISIT US FOR ALL OF YOUR HEALTH CARE NEEDS.

Valley General Hospital uses Press Ganey, a nationally known organization, to facilitate our patient satisfaction surveys. We use the feedback in our quarterly reports to celebrate what we do well, but to also to learn and improve, to make Valley General the #1 choice for health care in East Snohomish County.

Because of Press Ganey's national status, Valley General is able to compare ourselves to other hospitals – big and small – in the Puget Sound, as well as nationwide.

Valley General Hospital's most significant success in 2009 came in our Emergency Department. Through feedback we received from our patients and the community we implemented and carried out an Emergency Department Process Improvement Plan throughout 2009.

"We want our community to know that they can come to us in the middle of the night for life's unexpected emergencies," states Elizabeth Bonham, Emergency Department Manager. "Our board-certified physicians and our staff are highly-skilled and highly-trained in trauma and critical care. And when you choose to come here, we want it to be 100% the best and most satisfying experience." (Valley General Hospital's Emergency Department physicians are part of North Sound Emergency

Physicians and are the same board-certified physicians that staff the ED at Providence in Everett.)

VGH heard from you that your time and the interactions you had with your physician were both very important and something that we could improve on.

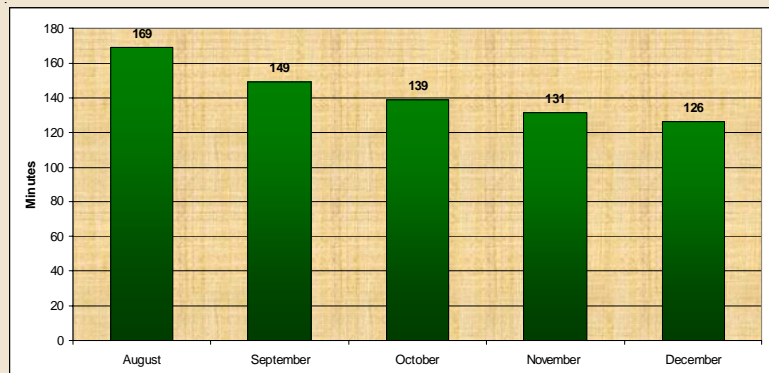
"Valley General should be very proud of the work we have done in 2009 with patient satisfaction in these two areas," states Bonham. "Measured on their level of courtesy towards the patient, our physicians ranked in the 99th percentile for the second half of 2009, which means that we scored higher than 99% of all other hospitals in the Puget Sound."

Monthly audits of charts are also conducted in the Emergency Department to measure wait times. The strategies and tactics within the Process Improvement Plan helped Valley General better streamline the triage to room to physician to discharge process during 2009. This means your wait to see a doctor is shorter, you get treatment quicker, and get to go home sooner.

"Residents should feel confident in our quality and in our performance," states Bonham.

VGH Emergency Department was remodeled in 2008 to facilitate some of these changes. For a tour of the Emergency Department, please call 360-794-1411. VGH also offers free blood pressure screenings 24/7 in the Emergency Department.

AVERAGE EMERGENCY DEPARTMENT WAIT TIME 2009 (FROM DOOR TO DISCHARGE)





PATIENT COMMENTS FROM EMERGENCY DEPARTMENT

"I received immediate and professional attention."

"Very good experience under the circumstances. I wouldn't hesitate to come there again or recommend it to my family and friends."

"Although no one likes going to the Emergency Room, it was for me, a comfortable and fast experience."

"I will come here for all my emergencies. I've never felt more comfortable with a hospital than (I have) with Valley General."

"My care was superb. I am a nurse and recognize excellent care and service."

In the second half of 2009,
Valley General Emergency Physicians
ranked 1st in the Puget Sound by their patients.

*Press Ganey Patient Satisfaction Survey

PATIENT VOLUMES

As a Public District Hospital, Valley General Hospital is entrusted with your tax dollars. And although no one could have predicted the impact the economy would have on health care in 2009, Valley General Hospital weathered the storm and is looking towards a brighter future in 2010.

Valley General tracks volume data on an ongoing basis to make sure we are providing care to East Snohomish County in the right way. By tracking volume data we know what services are growing and what services people are choosing to access. This data helps us to plan for budgeting as well as service development.

Utilization Statistics (Excluding Newborns)	2006	2007	2008	2009
Admissions (acute)	1,905	1,944	2,132	1,977
Admissions (residential)	378	352	448	519
Patient Days (acute)	4,958	5,042	5,530	4,997
Patient Days (residential)	5,889	5,835	7,431	8,015
Average Daily Census (acute)	13.6	13.8	15.1	13.7
Average Daily Census (residential)	16.1	16.0	20.3	22.0
Surgery Minutes	187,491	169,312	166,031	168,945
ACU Visits	2,605	2,667	2,746	2,807
Imaging Studies	29,150	26,545	26,921	25,024
CT Scan Units	7,888	8,343	8,878	9,233
MRI Units	2,113	2,450	2,509	2,242
Lab Units	149,921	150,664	154,434	153,882
Emergency Room Visits	20,444	20,643	20,776	20,974

QUALITY AND SAFETY

2009 WAS A TREMENDOUS YEAR OF GROWTH AND CHANGE FOR QUALITY AND SAFETY AT VALLEY GENERAL HOSPITAL. EFFORTS TO RAISE THE BAR WERE SEEN THROUGH ACTIVITIES INVOLVING QUALITY BENCHMARKING, RISK MANAGEMENT, EMPLOYEE SAFETY, CREDENTIALING AND EVIDENCE-BASED MEDICINE.

Valley General Hospital follows the same national patient safety goals set forth by Centers for Medicare and Medicaid as do other hospitals around the country. "Valley General is held to the same national standards as other hospitals, regardless of size or services. For these services we provide, our quality scores are directly comparable to larger hospitals and medical centers. That is something we want our hospital district residents to know," states Brenda Rogers, Chief Nurse Executive. "When our patients come to us, they can expect to receive exceptional, quality care and the data proves it."

Valley General Hospital participates in The Joint Commission accreditation process for hospitals. As a condition of participating with Joint Commission, the hospital submits to a detailed unannounced survey. Our current accreditation followed a survey in late 2007, which we achieved a Gold Seal of Approval. Joint Commission accreditation means VGH complies with the highest national standards. Our next unannounced survey will be completed in 2010.

SURVEY SUCCESS 2009

On-site hospital surveys are an intense review of hospital practices. Surveyors may question staff, observe care and practice standards in action, review hospital policy, and audit reports throughout the institution, all in the name of excellent patient care and safety. In February 2009, Valley General Hospital completed a very successful Department of Health survey. As a result of the survey, our Hospital Acute Care license remains active. The surveyors were very complimentary of what they observed at VGH and were able to conclude the survey in less time than allotted.



FINANCIALS

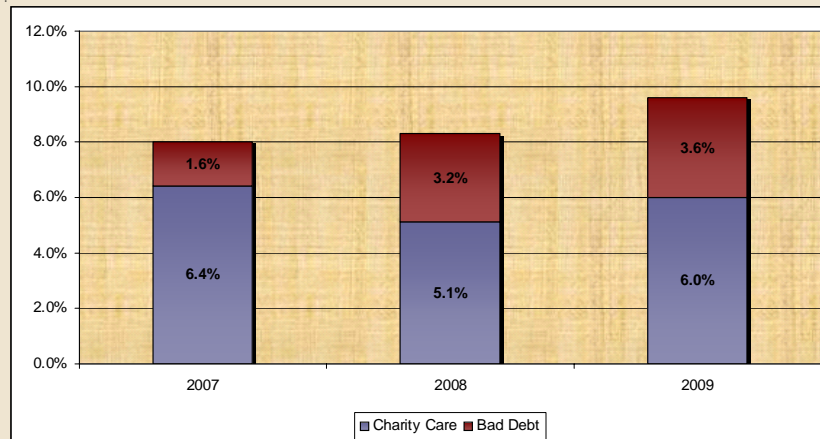
THE FUTURE OF VALLEY GENERAL HOSPITAL AND OUR ABILITY TO EXPAND SERVICES TO THE HOSPITAL DISTRICT IS DEPENDENT UPON OUR ABILITY TO BE FINANCIALLY SUCCESSFUL. 2009 BROUGHT CHALLENGES TO THE DISTRICT AND ITS' RESIDENTS THAT HAVE NOT OCCURRED IN THE PAST SEVEN DECADES.

Valley General experienced increasing charity care and bad debt expense which amounted to \$9.3 million dollars, an increase of \$2.1 million over 2008. Revenues also were \$3.8 million below expectation as residents delayed or deferred health care services because of the economic uncertainty. As a result, Valley General Hospital ended 2009 with an operating loss of approximately \$2.2 million.

We are more conscious than ever of our responsibilities to the Hospital

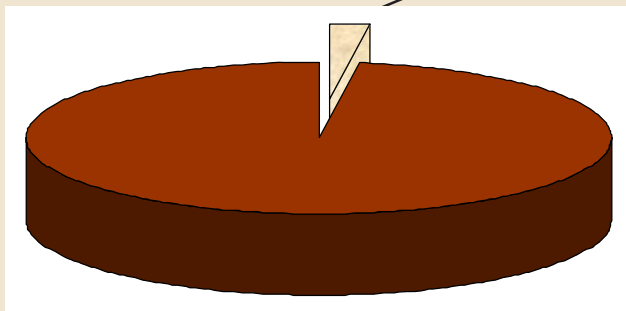
District. In 2010 we are implementing new cost savings plans as well as accountability for meeting productivity goals. We are also looking to expand services and increase the District's awareness of the services the hospital provides thus increasing patient encounters and improving payer mix. This should ensure we meet our budgeted operational goals and ensure that the hospital provides District residents with the services they expect.

**Bad Debt and Charity Care
(as a % of Gross Charges)**

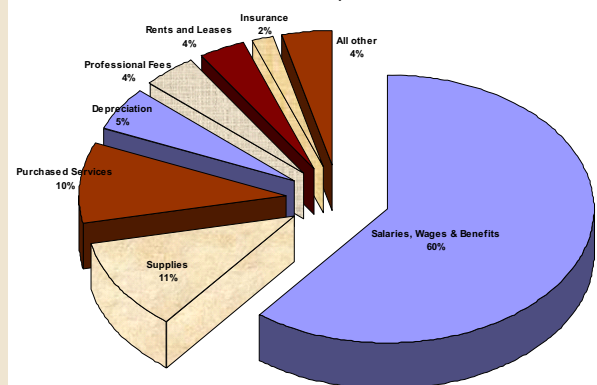


**Sources of Revenue - 2009
(in millions)**

Taxes and Other
Operating Revenue \$1,028



District Expenditures - 2009



PLANNING AND GROWTH

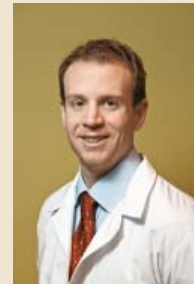
VALLEY GENERAL HOSPITAL DILIGENTLY WORKS TOWARDS MEETING THE HEALTH CARE NEEDS OF THE COMMUNITIES WE SERVE. IN ADDITION TO OPENING THE WOUND HEALING CENTER AND EXPANDING SERVICES IN OCCUPATIONAL THERAPY, VGH WELCOMED MANY NEW PRIMARY CARE AND SPECIALIST PHYSICIANS TO COMMUNITY.

In 2009, the hospital's Physician Development Team actively recruited two new primary care physicians to grow the already existing hospital primary care clinic – now named Sky River Medical Group.

The hospital opened its own primary care clinic in August 2005 after overwhelming response from the community for more access to primary care physicians in our community. "There is plenty of opportunity for

residents in East Snohomish County to access quality, highly-skilled and trained physicians without driving 30 minutes to see the doctor," states Brenda Rogers, Chief Nurse Executive. "We are proud to have provided the community with Sky River Medical Group."

New family medicine physicians Dr. Christina Lee and Dr. Ryan Hudson are currently accepting new patients. For an appointment, please call 360-863-4693



H1N1 RESPONSE

In the fall of 2009, Valley General Hospital was a partner in the mass vaccination clinics for Snohomish County helping vaccinate thousands of people with the H1N1 vaccine. VGH worked with many other partners to help the community, including the Snohomish County Health District and Monroe Public Schools. "We knew we needed to help," states Kathy Nelson, H1N1 clinic organizer. "We are very proud to say that our clinics ran on 100% volunteer participation from staff and community members. Thank you to everyone who volunteered."

Other Partners

VGH is actively involved in the East Snohomish County Business Community. In addition to participating in community organizations like Chambers of Commerce, Rotaries and Kiwanis, the hospital also takes the opportunity to get feedback from local businesses on health care issues that are of importance to them and their employees.

VGH also partners with the three school districts located within its hospital district boundaries. "Our goal is to be a good health care partner for our residents, and often we can have influence through the schools," states Kathy Nelson, Director of Marketing and Strategic Planning. One example of this was providing health updates to the schools in the fall and presenting to PTAs.

EMPLOYEES

PATIENTS ARE #1 AT VGH. OUR TEAM OF EMPLOYEES AND PHYSICIANS IS THE MOST VALUABLE TREATMENT OPTION WE CAN GIVE OUR PATIENTS AT VALLEY GENERAL HOSPITAL. COMPRISED OF SKILLED AND EXPERIENCED NURSES, RESPIRATORY THERAPISTS, PHARMACISTS, LAB TECHNICIANS AND NON-CLINICAL STAFF LIKE ADMITTING, MEDICAL RECORDS AND DIETARY, WE ALL IMPACT THE PATIENT EXPERIENCE. WITH MORE THAN 500 EMPLOYEES AND 40 DIFFERENT DEPARTMENTS, VALLEY GENERAL HOSPITAL IS AN EXCEPTIONAL PLACE TO WORK IN EAST SNOHOMISH COUNTY. HERE IS WHAT SOME OF OUR STAFF HAVE TO SAY:



Zach Gongaware, Medical Records, 1.5 years

I love working at VGH because I know that my work is making a positive impact on my community. It is invigorating to work for an organization with such a clear focus on improving people's lives. I contribute to patient care by making sure that our doctors and nurses have the ability to document a patient's experience here as accurately as possible. Medical records are a powerful tool for patient care, and it is important that we maximize that to give our providers a clear understanding of each patient's unique situation.

Art Mencias, Central Sterile Processing, 13 years

Co-workers are wonderful people to work with. Most of them always wear a smile in their faces. Although we are indirectly involved in patient care, I think the most important factor that we do that impacts our patients, is make sure that instruments they use during procedures are 100% sterile and complete, so that the surgical staff can accomplish the procedure without any problem. In turn, patients can go home happy and complication free.



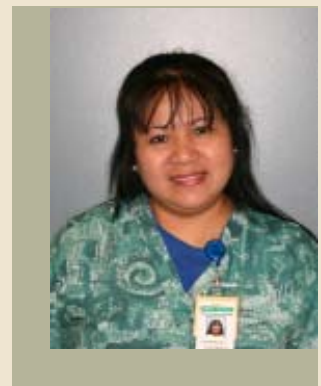
Susan Chatlos-Susor, RN, Surgery, 30 years

I appreciate the competent staff and physicians, but also the family atmosphere that employees develop over the years of working here. The support and love of co-workers towards each other during difficult personal times is important and encouraging. I love my job and been doing it for a long time. I give that love and experience to my patients. I size up their emotional state pre-op and adjust my approach to interact with them appropriately. Each patient is unique and I treat them as such.



Lennie Ericksen, Housekeeping, 6 years

I like that I get to learn about patient care. I like being a team member. I enjoy working here because the people are so friendly. This is a nice working environment. My contribution to patient care is that I create a safe, clean and sterile place for our patients to heal.



Anne Belhumeur, RN, CAPA Ambulatory Care Unit, 20 years

I am blessed with working with the greatest people. I love my job and couldn't imagine working anywhere else. Patient care is a team approach. Our patient satisfaction scores reflect all of our efforts by being our patients advocates and providing the best care for our community



FOUNDATION

VALLEY GENERAL HOSPITAL IS TRUE COMMUNITY MEDICINE. "THERE ARE RESIDENTS IN EAST SNOHOMISH COUNTY WHOSE FAMILIES HAVE BEEN HERE FOR GENERATIONS. VALLEY GENERAL HOSPITAL IS WHERE THEY WERE BORN, WHERE THEIR CHILDREN WERE BORN AND TODAY, WHERE THEIR GRANDCHILDREN ARE BEING BORN," STATES MICHAEL D. QUACKENBUSH, VGH FOUNDATION BOARD PRESIDENT. "COMMUNITY MEANS SOMETHING TO PEOPLE." THE VGH FOUNDATION RAISES MONEY TO HELP ENSURE THE HOSPITAL CAN CONTINUE TO PROVIDE HEALTH CARE SERVICES FOR THIS COMMUNITY NOW AND INTO THE FUTURE.

Gratitude for this hospital has been shown through time and money. These were some of the projects the VGH Foundation funded in 2009.

Emergency Services Call System	\$20,000
Diabetes Program	\$18,000
Pastoral Services	\$ 6,100
Employee Recognition	\$ 4,500
Patients in Need	\$ 4,000
Staff Scholarships	\$ 4,000
Oncology Patient Comfort & Misc.	\$ 500

Total	\$57,100
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Many thanks to our major contributors:

Employee Giving	\$12,400
North Sound Emergency Medicine Physicians	\$13,600
The many contributors for their support of the Black & White Gala, Golf Tournament and the Classic Car Raffle	\$ 35,300

In-Kind Contributors

Big Color Printing	Classic Car Raffle
Bronn Journey	Black and White Gala Entertainment
Fukuda Denshi	\$2,600 Travel Voucher
Kennedy's Place Bistro, Everett	Black and White Gala Catering
Kool Change Printing, Inc.	Black and White Gala Invitations
Sign Co	Wellness Both Signage
Sodexo	Beyond the Bedside Breakfasts
Sound Diagnostics	Laser Dopp Micro Lab PV 2000