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## **CATHOLIC HEALTHCARE WEST POSTS 2011 FINANCIAL RESULTS**

*Health system continues progress on health reform goals, will sharpen focus on evidence-based medicine and efficient operations; community benefit contributions increase to \$947 million*

**SAN FRANCISCO** – September 30, 2011 – Catholic Healthcare West (CHW), the fifth largest health system in the nation, today announced the results of its 2011 fiscal year, posting a net income of \$917 million for the year ended June 30. Results were released following a standard audit of financial statements.

During FY11, CHW provided \$947 million in community benefits and free care for the poor, including charity care, community grants, discounted care and the unreimbursed costs of Medicaid and other indigent programs. CHW does not count its Medicare shortfall as part of community benefits. The Medicare shortfall to CHW was \$429 million, bringing the total FY11 unreimbursed expense to nearly \$1.4 billion for both patient care and proactive health improvement efforts.

The 40-hospital health system posted an operating income of \$198 million on \$10.6 billion in revenue. While investment earnings of \$720 million contributed to the organization's net income, management cautioned that the investment market continues to experience significant instability and that its long-term focus is on improving operational performance.

CHW reported the results as it continues to confront the challenges of the lingering recession. Many of the communities served by CHW have been among the hardest hit by the economic downturn. CHW has experienced an increase in the number of claims for financial assistance, as well as a shift in payer mix from patients with commercial insurance to those on government programs.

Lloyd H. Dean, CHW's president/chief executive officer, said the effects of the economy, along with the upcoming impact of health care reform, will require the organization to reduce costs while improving the quality and expanding the scope of its services.

"We exist to provide excellent care," Dean said. "As we move forward in a reformed health care environment, we will sharpen our focus on delivering evidence-based medicine, growing our mission of service, and becoming more effective operationally."

CHW continues to make progress on the strategies it has put in place to prepare for the Patient Protection and Affordable Care Act. The organization is focused on achieving high-quality care that is cost efficient. CHW will also be diversifying into ambulatory settings, launching health plan capabilities, and expanding the use of electronic health records for both caregivers and patients.

As a not-for-profit system, CHW reinvests its operating and investment income in hospital improvements, technology enhancements, charity care, and community health programs. CHW's on-going investment in its ministry also includes building upgrades, new medical equipment, and clinical information systems.

During the 2011 fiscal year, CHW invested \$624 million in capital improvements, including construction of the Alex G. Spanos Heart and Vascular Center at Mercy General Hospital in Sacramento, a new medical office building and outpatient surgery center in Elk Grove, the expansion of Mercy Hospital of Folsom, a new patient tower at Sequoia Hospital in Redwood City, a replacement hospital for Marian Medical Center in Santa Maria, as well as investments in electronic medical records.

Over the past five years, CHW has also invested more than \$800 million in seismic upgrades for its facilities and anticipates spending approximately \$420 million more before 2015 in order to meet the state's requirements.

"As we look ahead to 2012, we see continuing challenges," said Michael Blaszyk, CHW's senior executive vice president/chief financial officer. "There is every indication that the effects of the recession will be with us through the coming year, and we are concerned that efforts to stimulate the economy will come from cuts to federal health insurance programs. More than 60 percent of the people we care for are insured through Medicare or Medicaid, and any further cuts to those programs will severely impact our ability to sustain our mission."

In October 2010 all three major bond rating agencies affirmed the ratings on CHW's bonds – Fitch Ratings (A+), Standard & Poor's (A), and Moody's Investor Services (A2) – reflecting ongoing confidence by bondholders in the organization's present operations and its future.

#### **About Catholic Healthcare West**

Catholic Healthcare West (CHW), headquartered in San Francisco, CA, is a system of 40 hospitals and medical centers in California, Arizona, and Nevada. Founded in 1986, it is one of the nation's largest not-for-profit health care systems and the largest private hospital system in California. CHW is committed to delivering compassionate, high-quality, affordable health care services with special attention to the poor and underserved. The CHW network of nearly 10,000 physicians and approximately 55,000 employees provides health care services to more than five million people annually. In 2011, CHW provided nearly \$1.4 billion in charity care, community benefit, and unreimbursed patient care for government and indigent programs. For more information, please visit our website at [www.chwHEALTH.org](http://www.chwHEALTH.org).

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