



NEWS RELEASE

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**CATHOLIC HEALTHCARE WEST POSTS
STABLE FINANCIAL PERFORMANCE IN 2008**

*Results follow substantial re-investments in the ministry, increased community contributions,
and affirmations of CHW's strong credit rating.*

SAN FRANCISCO – October 10, 2008 – Catholic Healthcare West (CHW), the eighth largest health system in the nation and the largest not-for-profit hospital provider in California, today announced the results of its 2008 fiscal year, posting a net income of \$170 million for the year ended June 30, compared to \$891 million in the 2007 fiscal year, which included the effect of a change in accounting for unrealized gains and losses. This change in reporting rules for unrealized gains and losses on investments resulted in additional investment income of \$194 million in FY07 that related to prior years.

Operating income for the not-for-profit hospital system in FY08 was \$160 million compared to an operating income of \$300 million in FY07. Revenues for FY08 increased 12 percent to \$8.4 billion, compared to \$7.8 billion in FY07. Across the 41-hospital system, adjusted admissions increased by 5.4 percent during the fiscal year, bringing its three-year increase to 12 percent. Results were released following a standard audit of financial statements.

CHW's income statement was impacted during the year by a non-recurring item - a mold remediation project at St. John's Regional Medical Center in Oxnard, Calif. - and several non-cash accounting entries, including the cost of restructuring debt and the aforementioned change in reporting rules for unrealized gains and losses on investments. Without these events, net income for the 2008 fiscal year would have been \$485 million.

Lloyd H. Dean, CHW's president and chief executive officer, said CHW will continue to focus on the core of its healing ministry: delivering quality, compassionate patient care and improving the health and wellbeing of the communities it serves.

"CHW remains fundamentally strong in these challenging times," Dean said. "Our results demonstrate the soundness of our investment and diversification strategies; but most of all they are testimony to the continuing commitment of our employees and physicians who deliver excellent care and compassionate service to the communities we serve across three states."

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) – in April 2008, reflecting confidence by bondholders in the organization's present operations and its future.

As a not-for-profit system, CHW reinvests its operating and investment income in hospital improvements, technology enhancements, charity care and community health programs, and employee wages and benefits (including an employer-paid dependent health care coverage option).

During FY08, CHW provided \$508 million in community benefits and free care for the poor, including charity care, community grants, and free primary care, up from \$501 million in FY07. Based on guidance from the Catholic Health Association, CHW does not count its Medicare shortfall as part of community benefits. The Medicare shortfall to CHW in FY08 was \$459 million, bringing the total FY08 unreimbursed expense to \$967 million for both patient care and proactive health improvement efforts.

CHW also reinvested nearly \$800 million in capital improvements and technology, including the continued roll-out of its clinical information system to a number of facilities; construction of a new hospital in Merced, Calif.; new patient towers at Mercy San Juan Medical Center in Carmichael, Calif., and St. Joseph's Medical Center in Stockton, Calif.; and expansions at Mercy Gilbert Medical Center in Gilbert, Ariz., and Bakersfield Memorial Hospital in Bakersfield, Calif.

"CHW is a vital partner in all of the communities we serve and is growing to meet the needs of all who come to us for care," Dean said. "Our ongoing stability amidst a broken national healthcare system positions us to be part of the solution to the nation's healthcare crisis. We are actively working at the local, state, and federal levels to build a national system that delivers quality, compassionate care to all in need."

CHW believes that comprehensive healthcare reform is vital for the growth and stability of the nation. In the three states where CHW operates, there are nearly eight million people without health care insurance. Meaningful healthcare reform must include universal access, a viable and stable financial system, increased attention to the quality of care, and across the board accountability. Over the past year, CHW has taken a leading role in the healthcare reform debate.

About Catholic Healthcare West

Catholic Healthcare West (CHW), headquartered in San Francisco, CA, is a system of 41 hospitals and medical centers in California, Arizona and Nevada. Founded in 1986, it is one of the nation's largest not-for-profit healthcare systems and the largest Catholic healthcare system based in the Western United States. 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 53,000 employees provides health care services to more than five million people annually. In 2008, CHW provided \$967 million in charity care and unsponsored community benefit. For more information, please visit our website at www.chwHEALTH.org.

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