

2008 Annual Report to our Community

LETTER FROM UNITY HEALTH SYSTEM CHAIRMAN AND PRESIDENT

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The myriad events of 2008, near and far, intensified the already enormous complexities faced by health care providers on a daily basis. Unity Health System was certainly no exception. Triple digit inpatient occupancy and Code Red are now the everyday norm. The recession brought more patients in financial need to our doors while the downturn in the economy hampered our access to needed capital dollars. The continuing leadership turmoil in Albany once again delayed any meaningful dialogue about health care reform.

Yet, as we present this Annual Report to our Community, we recognize that all the challenges and difficult decisions we encountered have been offset with a meaningful response or significant achievement. 2008 was remarkable in that regard.

Solid financial performance.

In a State whose health system operating margins are the smallest of any in the nation, we are proud to have achieved a record operating surplus. In fact, it was our ninth consecutive year of a surplus. Our continued use of best practices to manage our

business planning, revenue, and expense control included the expansion of LEAN and Six Sigma to more areas of the organization, which helped drive numerous performance improvements — particularly in patient care.

Our positive results span well beyond our financial performance, as patient and resident volumes grew steadily across the Health System. At Unity Hospital, the August Family Birth Place, Joint Replacement Center, and adolescent chemical dependency programs were among those which exceeded targets by a significant amount. Our primary care and Ob-Gyn practices continued to experience positive patient growth as well.

We successfully recruited new physicians to our Medical Staff and expanded our capabilities in some key specialty areas of great importance to our community — geriatrics, perinatal and fetal medicine, and breast reconstruction surgery, to name just a few. The launch of our Spine Center in partnership with a wide range of specialists and surgeons was very well received by our physicians and patients.

A shining example of our

“What lies behind us and what lies before us are tiny matters compared to what lies within us.”

—Ralph Waldo Emerson

outreach to special populations is our Deaf Services Home Care Program, which was recognized with NYAHSAs Innovation of the Year Award.

Unity Medical Group is now the largest physician group in New York State to have achieved NCQA Diabetes Physician Recognition Program certification, with internists expertly qualified to provide guidance and care to the alarming numbers of patients diagnosed with diabetes.

ACM Medical Laboratory solidified plans to purchase a partner laboratory in England to enhance its global presence in clinical trials.

Moving forward to build better care.

A significant number of activities are now underway to enhance our scope of services. Construction to replace the 35-year-old Park Ridge Living Center with an innovative cottage-style design unique to western New York is well underway and will be completed by February 2010.

Unity at Ridgeway, a four-story medical office complex which will house many Unity services and private physician offices,

is a partnership with Broadstone Development. It is under construction and will be ready for occupancy in early 2010. The complex will contain numerous amenities to improve patient convenience and provider efficiency. The project has been lauded by community leaders for incorporating a number of leading-edge eco-friendly features as well.

Though delayed by regulatory reviews, planning continues for the expansion of The Villages, our senior living community on the Unity Park Ridge Campus, to include memory care, sometime in the next 18 months.

The 2020 Commission's intensive review and subsequent endorsement of our modernization and expansion plans for Unity Hospital resulted in State approval to expand badly-needed inpatient capacity. We appreciate the Commission's acknowledgement of Unity's track record of success in meeting the needs of our Westside community. Turmoil in the nation's financial markets and massive reimbursement cuts from New York State have forced us to temporarily postpone our plans. In the interim, we look forward to participating in a series of community health improvement

initiatives being developed to help ease the pressures around hospital overcrowding, and explore ways to expand preventive medicine and access to primary care.

Our strength lies in our people.

Despite the very high occupancy levels we experienced last year, overall patient satisfaction across the Health System was 98.6%.

Our ability to consistently maintain these levels is further proof of the shared commitment of our staff and physicians to meet the needs of those we serve with superior service and quality in an environment driven by our core values.

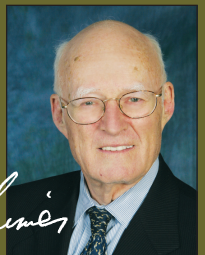
Our long-standing commitment to quality improvement and clinical outcomes is evidenced in the report cards we have made available to our community since 2003 at www.unityhealth.org. This transparency is becoming increasingly important as patients are forced to take on greater responsibility for the cost of their health care, and will prove to be a vital component for community-wide quality alignment and collaboration in the future.

Poised for continued success.

We are quite proud of all members of our Unity Family who are doing their very best each day — under constant pressure — to serve our community. Their commitment to provide each person we serve with the best possible health care experience is the reason why more and more people are seeking care at Unity.

On behalf of the board of directors and our senior leadership team, we extend our sincere thanks to our donors and our community partners and friends for your continued support of our efforts.

Robert Oppenheimer
Chairman
Unity Health System

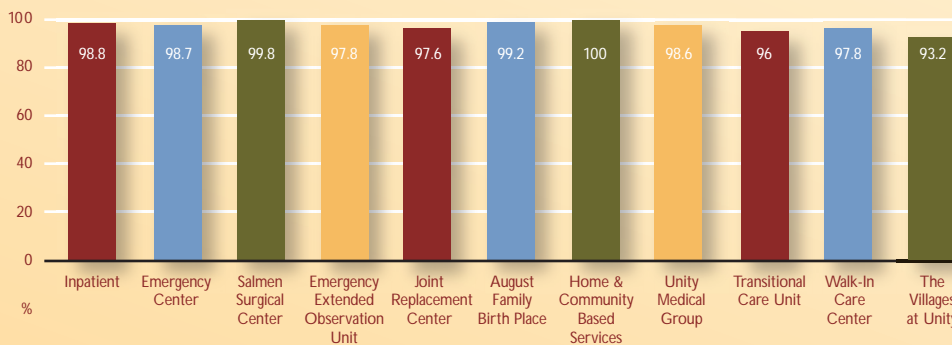


Timothy R. McCormick
President
Unity Health System



Delivering on our brand promise

Patient and resident satisfaction ratings for 2008 across Unity's major service areas are summarized below.



Mission

The mission of Unity Health System is to make a positive difference in the lives and health status of individuals in the city of Rochester and western Monroe County. We will educate our community, our providers, and future health care professionals in order to offer the highest quality care to all members of our community, especially those who are underserved and most vulnerable.

Core Values

Our Core Values guide our work. Unity people strive to consistently demonstrate core values by practicing behaviors each and every day which support the mission and spirit of Unity Health System. These values are:

RESPECT

To recognize and honor the worth of every person.

QUALITY SERVICE

To demonstrate excellence in work performed for others.

EMPOWERMENT

To support and encourage others in furthering their own potential.

COMPASSION

To respond to every person with sensitivity and understanding.

CREATIVITY

To be innovative in all that we commit ourselves to.

