

Working as one for a healthier eastern North Carolina

2012 Report to the Community



VIDANT HEALTH™

A year of growth and change



It has now been one year since our transition to Vidant Health, a year that has been marked by exciting growth and innovation along a number of fronts.

Following the launch of our new brand in January, we brought a significant number of new providers to the region, broke ground on several hospital expansion projects, opened a new children's emergency department, received national recognition for quality and patient safety and much, much more.

In July we paused to observe a significant milestone, the retirement of Dave McRae, chief executive officer. Dave began his career here 37 years ago and led this health system with vision and vigor. We owe a deep debt of gratitude to Dave. His leadership has provided the foundation upon which Vidant Health has built its success. We will miss Dave greatly, and we wish him and his family the very best going forward.

Taking the reins of Vidant Health, Dr. David C. Herman had worked closely with Dave since arriving from the Mayo Clinic in July 2011. It is clear that Dr. Herman not only has significant skills and insights as a leader, but also has genuine enthusiasm for all that our health care system is and can be. Speaking for the Vidant Health Board of Directors, I can say that we have full confidence in Dr. Herman's ability to lead us on our journey through the ever-changing environment of health care.

As I hope you will agree after reading the 2012 annual report, Vidant Health is a sound resource for eastern North Carolina in all respects, and we are staying true to our mission of providing quality health care to the 29-county region we currently serve.

Sincerely,

David H. Womack
Chairman, Vidant Health Board of Directors

Becoming a system of care for you

Just one year ago in January, we introduced a newly invigorated vision for health care in eastern North Carolina, with Vidant Health being the common denominator. Putting our system of care under one name was a huge accomplishment, and its implications are much larger. It's like living in a small town. When people know who you are, they have higher expectations of you. And people are coming to know Vidant Health and are asking us to meet their expectations. We embrace the opportunity!

Over the past year, as Vidant Health, we have focused on being deliberate about becoming a system of care. We use this term for a reason. What does "system of care" mean? We are coordinating care to provide health, not just providing health care services. There are several aspects:

- We know the people we serve.
- We know the needs of the region.
- We anticipate your needs and work to deliver the care in a proactive manner.

For example, we know that people who have diabetes need certain checkups and daily self-care measures to stay healthy. We are not waiting until they might need us in a crisis. We are reaching out to make sure they stay on course with their diabetes to avoid a hospital visit. This is the right thing to do, and proactively managing is reforming health care. True health care change starts at the local and system level, not through legislation.

Vidant Health promises expanded access to care, exceptional patient and family experience, and better outcomes – all for healthier communities. Here are some highlights from the past year that I am particularly pleased to share:

- Digital technology is giving patients **access** to the health system from their living rooms. A thousand patients are using telehealth to send us vital health information each day, such as blood sugar readings, which helps them manage their care at home. We also have expanded traditional access to care by adding dozens of new providers, most of whom are serving in Vidant Medical Group clinics in communities around the region.



- Vidant Health is recognized across the country as a leader in patient and family experience. Vidant Medical Center is again No. 1 for **patient experience** among academic medical centers in the nation, and Vidant community hospitals are also recognized for providing outstanding patient experience.
- Our national ranking in heart surgery is three stars, the highest recognition that the Society of Thoracic Surgeons gives. Our safety and quality indicators are up, and our cost to provide care is down. Overall, we have safer care, better **outcomes**, and have helped to make health care more affordable.

In the coming year, you can expect more of the best we can deliver. Best wishes as always for your health, and rest assured we're not leaving it to chance.

David C. Herman, MD
President and Chief Executive Officer

MISSION

To enhance the quality of life for the people and communities we serve, touch and support.

VISION

Where incredible people provide incredible care... every day.

VALUES

Excellence...
our standard

Compassion...
our distinction

Teamwork...
our advantage

Education...
our investment

Innovation...
our future

We honor Dave McRae



His vision for a healthier eastern North Carolina inspired a career of exemplary service and has made a lasting mark.

After 37 years of service to the people of eastern North Carolina, Dave McRae retired in July as chief executive officer of

Vidant Health. His career spans many changes in the health care industry nationally and at home. Dave oversaw the growth and development of health care in eastern North Carolina that benefitted thousands and laid the groundwork for the emergence of Vidant Health in January 2012.

When Dave joined Pitt County Memorial Hospital in 1976, it was a 205-bed, stand-alone hospital. It had a staff of 400 and a budget of \$12 million. Over the course of Dave's career, Pitt County Memorial, now Vidant Medical Center, grew to be a large academic medical center at the heart of a family of community hospitals known collectively as University Health Systems of Eastern Carolina. Today, this system has developed into Vidant Health, a fully integrated, 10-hospital system of care with more than 1,500 licensed beds, nearly 12,000 employees and a budget of \$1.5 billion. Growth in numbers, though impressive, tells only part of the story.

Leaders who have worked closely with Dave over the years describe him as both a visionary and a realist. He is adept at assessing the environment – at the local, state and national level – and plotting a course to meet goals. True to Dave, he would deflect much credit to those around him. His dedication to the system's mission of meeting eastern North Carolina's compelling health needs was a continuous source of inspiration for his leadership team and staff. Many key decisions over the years were guided by his firm belief that the most effective way to deliver health care starts close to home. By growing and nurturing a family of hospitals in rural communities, Dave and

his team ensured access to services for thousands of eastern North Carolinians. This core concept became the foundation for Vidant Health.

Dave was skillful and intuitive in forging a strong and vital partnership with East Carolina University that has provided world-class medical and surgical care through Vidant Medical Center and has educated eastern North Carolina's next generation of doctors and other health care professionals. In creating the academic medical center in Greenville, the partnership brought forth the pioneering East Carolina Heart Institute and has attracted many highly skilled specialists in pediatric care, cancer treatment, trauma care, rehabilitation and more.

A hallmark of Dave's tenure has been his focus on addressing the health status of rural eastern North Carolina, which has among the state's highest rates of heart disease, cancer, diabetes and other chronic illnesses. Dave worked on multiple fronts to expand access to primary care. Evidence of his mission-mindedness also can be found in the system's extraordinary commitment to community health improvement efforts through its health grants program and other initiatives, which each year provide millions of dollars of community benefit through community health improvement services, health professionals' education, charity care and more.

Thanks to Dave McRae's vision, his love for eastern North Carolina and his strong leadership skills, Vidant Health is well positioned today to have a significant impact on the health needs of the region. His ability to forge partnerships, broaden perspectives and create a shared vision for a healthier eastern North Carolina is his legacy that will benefit many generations to come.



Breaking ground for the expanded children's hospital, July 2011



Dave in 1989, president of Pitt County Memorial Hospital



Unveiling Vidant Health, January 2012

A fond farewell to Nancy Aycock, wise counselor and friend

Over the years, as our health system grew and changed in response to the needs of our region, the legal insights of General Counsel Nancy B. Aycock were critical. As our first in-house legal counsel, she was at the table through many of the defining moments of the past 20 years. And now, Nancy is defining a new opportunity for herself through retirement.

Nancy was critical to developing a corporate structure that enabled Pitt County Memorial Hospital—now Vidant Medical Center—to become a private, not-for-profit entity. This bold move set the stage for key alliances with hospitals and physician practices, requiring Nancy's involvement in hundreds of acquisitions, mergers and joint ventures. As a result, citizens in small towns and rural

communities throughout eastern North Carolina have better access to much-needed health services.

Nancy recruited a team of talented professionals to provide legal services in-house, resulting in greater responsiveness and cost savings for the system. She was instrumental in establishing state-chartered police forces to serve Vidant Medical Center and the community hospitals. These are just a few of the lasting contributions Nancy made during her career here.

Those who have worked closely with her marvel at Nancy's ability to navigate the intricacies of conflicting legal issues. She is a tenacious, authoritative negotiator whose integrity is unquestioned. We were proud to see her recognized by her

peers in the legal community who awarded her the statewide Leaders in the Law Award in 2010.

We are indeed fortunate that Nancy chose to devote much of her professional life to the pursuit of improving health care for the people of eastern North Carolina. We will miss her, and we wish her all the best.

—Dave McRae and Dr. David C. Herman



Highlights of the year from across the system



October 2011

Women learn about risks and treatments for breast cancer and share stories during Pink Power events all around eastern North Carolina.

Heritage Hospital (now Vidant Edgecombe Hospital), Roanoke-Chowan Hospital and The Outer Banks Hospital are recognized by The Joint Commission as top quality performers in heart attack, heart failure, pneumonia, surgical care and children's asthma.



November 2011

Chowan Hospital recognizes its volunteers for providing 8,673 hours of service, or the equivalent of 4.17 full-time paid staff members, during the past year.

Albemarle Hospital gains the highest level of accreditation as a Breast Imaging Center of Excellence by the American College of Radiology (ACR).

CEO Dave McRae announces that University Health Systems of Eastern Carolina will become Vidant Health and hospital names will change, effective January 25, 2012.



December 2011

Pitt County Memorial Hospital (now Vidant Medical Center), is the setting for the first successful six-person kidney exchange in the Carolinas. The successful surgeries allowed three wait list patients to receive living donor kidneys instead of potentially waiting years for one from a deceased donor.



January 2012

Vidant Health's birthday is announced by unveiling signs at hospitals and celebrations at all locations.

A team of heart surgeons performs the first TAVR procedure at the East Carolina Heart Institute at Vidant Medical Center. Transcatheter aortic valve replacement makes treatment possible for people too frail for traditional surgery.



February 2012

Vidant Health hosts heart health events for women across the region, and the East Carolina Heart Institute at Vidant Medical Center holds the 4th annual Heart Expo in Greenville.

Vidant Beaufort Hospital, Vidant Edgecombe Hospital, Vidant Medical Center and Albemarle Health are recognized for exceptional patient experience by HealthStream, a national patient satisfaction surveyor.



March 2012

The Outer Banks Hospital in Nags Head celebrates its 10th anniversary and partnership between Vidant Health and Chesapeake Regional Medical Center.

The Shepard Cancer Center at Vidant Beaufort Hospital benefits from the 5th Shaggin' for a Cause fundraiser that netted more than \$20,000.



April 2012

Vidant Bertie Hospital celebrates a major accomplishment: almost 1,100 days without a serious safety event. Dr. David C. Herman, Vidant Health president, commends all employees.

Greenville-based Coastal Carolina Cardiology, a large medical practice specializing in heart and vascular care, joins Vidant Medical Group and becomes Vidant Cardiology.



May 2012

Vidant Bertie Hospital celebrates its 60th anniversary and is praised as a "jewel of a hospital."

Vidant Medical Group opens a new medical office building in Wallace. Home of Vidant Family Medicine-Wallace, the spacious facility has 12 examination rooms and space for imaging, diagnostic and lab services.



June 2012

The annual Children's Miracle Network Hospitals telethon raises \$1,305,618 for Vidant Children's Hospital.

The East Carolina Heart Institute receives the highest quality rating from the national Society of Thoracic Surgeons (STS).

Vidant Health receives \$161,047 from the federal government for telemedicine equipment to increase access to specialized intensive health care in four community hospitals.



July 2012

A regional children's emergency department opens at Vidant Medical Center.

Recognitions: Vidant Medical Center is named among the best regional hospitals by *US News & World Report*; Vidant Health is named "Most Wired" health system for the 9th year.

Vidant Beaufort, Vidant Duplin and Vidant Pungo hospitals "go live" with the Vidant Electronic Health Record.



August 2012

Vidant Edgecombe Hospital begins its emergency department expansion project.

The Leo W. Jenkins Cancer Center, a collaboration of Vidant Health and ECU, earns three-year accreditation for radiation oncology.

Four community hospitals earn national patient safety and quality recognition from VHA Inc.: Vidant Edgecombe, Vidant Bertie, Vidant Roanoke-Chowan and Vidant Duplin.



September 2012

The Outer Banks Hospital's successful Get Pinked! breast cancer fundraiser exceeds \$86,000 to offset the costs of screening mammograms in Dare County.

The Eastern Regional Advisory Committee State Medical Assistance Team from Vidant Medical Center provides a 40-bed alternate care facility in Charlotte during the Democratic National Convention.

Vidant hospitals and providers anticipate your needs

The 10 hospitals of Vidant Health provide expert medical, surgical and emergency services to our region around the clock, day in and day out. Hospitals have always been the core strength of the health system in eastern North Carolina. Individually, Vidant Health hospitals continue to make strides in quality, safety and patient experience measures. Now, Vidant Health leaders are focusing on ways to optimize the resources and expertise in the hospital communities to enhance capabilities of the system of care and its value to patients and families.

Telehealth technology brings specialists at the academic medical center closer to providers in the region by making digitally hosted consultations possible. This process can contribute to more patients being able to stay in their community hospital for more of their care needs. Vidant Medical Center is almost full every day, says Dr. David Herman, president and CEO of Vidant Health, and “many of those patients are here for want of a single specialist.”

During the past year, Vidant Health received more than \$160,000 in federal grant money to purchase telehealth equipment.

Mark Mazer, MD, director of the Vidant Medical Center Medical Intensive Care Unit and division chief of pulmonary, critical care and sleep medicine at the Brody School of Medicine at East Carolina University, said, “From a holistic perspective,

The Whitehurst family of Edenton experienced coordinated care when baby Alex needed hospitalization. Shown here are Alex, who celebrated his first birthday in December, with his mother, Mandy, his father, Chris, and 3-year-old brother Gavin.



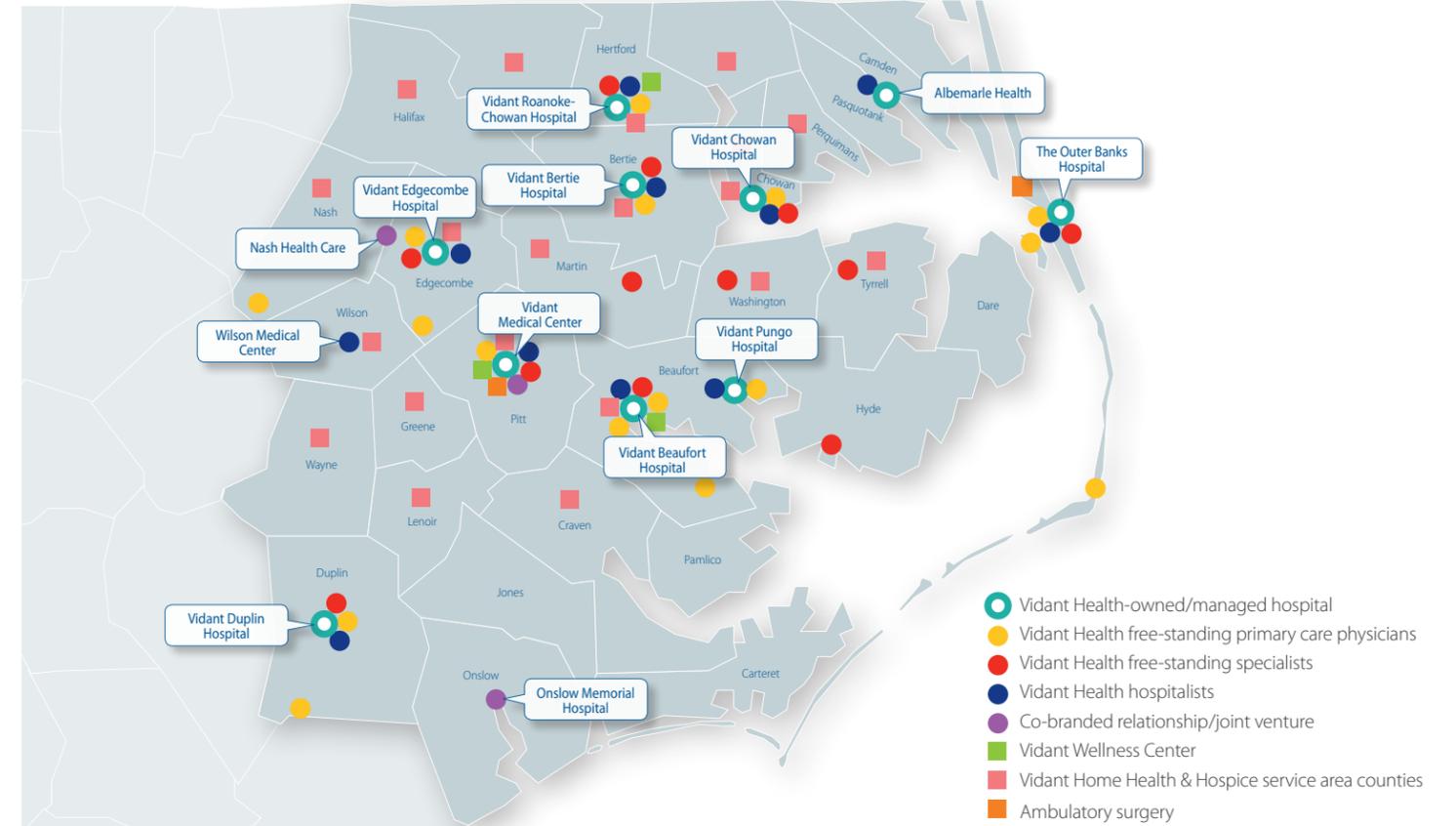
patients and their families are best served being cared for in familiar surroundings.” Telehealth technology, he said, “will provide physicians in the smaller, local hospitals access to expertise which will allow them to confidently care for their patients closer to home.”

When a patient needs to be transferred, Vidant Health is focused on ensuring that care is carefully coordinated from point to point. The Vidant Electronic Health Record (EHR) is implemented in every Vidant Health hospital and in most Vidant Medical Group practices, so providers at multiple sites can share clinical information seamlessly and securely. Vidant Medical Transport is always on standby and can reach any area of the region within minutes.

The Vidant Health Board of Directors recently heard firsthand what coordinated care means to a family when Mandy Whitehurst, an Edenton mother, spoke to them at a board meeting. She related her story of taking her six-week-old son, Alex, for a sick visit to Vidant Pediatrics-Edenton. The baby’s doctor saw that the child needed a higher level of care and sent them to Vidant Chowan Hospital. Ultimately, Alex was sent to Vidant Children’s Hospital in Greenville by helicopter. The child stayed at the pediatric hospital for several days and during that time, Mrs. Whitehurst was included in daily rounds the specialists made. When her doctor from Edenton called, she was surprised to learn that he knew every aspect of Alex’s care and simply wanted to see how she was. She was surprised by the degree of coordination and inclusion she had experienced, but none of it had happened by chance.

“A system was built to support her that anticipated her needs,” Dr. Herman said. “We’ve built that into the fabric at Vidant Health to support patients and families when needed.”

Vidant Health system overview



Vidant Health

(\$ in thousands)

Entity	# Licensed Beds	Total Employees	Salaries/Wages/Benefits	Capital Funds Reinvested
Vidant Medical Center Level 1 Trauma Center, Greenville	909*	6,857	\$458,394	\$56,283
Vidant Health Corporate, centralized core services including legal, financial, human resources		703	\$55,391	\$23,627
Vidant Medical Group, ambulatory physician practices and more		804	\$80,485	\$2,005
Vidant Wellness, Home Health and Hospice		242	\$11,274	\$129
Vidant Properties		–	–	\$6,200
Vidant Roanoke-Chowan Hospital, Ahoskie	114	648	\$34,018	\$4,523
Vidant Bertie Hospital, Windsor	6	144	\$8,865	\$633
Vidant Edgecombe Hospital, Tarboro	117	539	\$30,981	\$2,377
Vidant Chowan Hospital, Edenton	49	346	\$23,588	\$432
Vidant Duplin Hospital, Kenansville	101	402	\$20,027	\$5,450
The Outer Banks Hospital, Nags Head	21	317	\$19,683	\$889
Vidant Beaufort Hospital, Washington	142	554	\$28,354	\$4,965
Vidant Pungo Hospital, Belhaven	49	132	\$6,629	\$15,037
TOTAL	1,508	11,688	\$777,689	\$122,550
Albemarle Health (under a management agreement)	182	1,160	\$64,329	\$4,695

* includes CON-approved beds

The most effective health care begins close to home

The fastest-growing part of Vidant Health is Vidant Medical Group, which operates ambulatory physician practices and outpatient services, provides hospitalist and emergency medicine services, and provides comprehensive medical practice management to several regional hospital partners. Vidant Medical Group is on the leading edge of Vidant Health's expansion, keeping health care close to home and introducing innovations in how people experience health care, all across eastern North Carolina.

Because the need is so great, Vidant Medical Group's expansion is almost off the charts. By the numbers, its growth and development during fiscal year 2012 are eye-popping:

- 90 percent increase in the number of physicians and advance practice providers (physician assistants and nurse practitioners)
- 70 percent increase in the number of patient encounters
- 48 percent increase in productivity and financial efficiency

And if that's not enough, Vidant Medical Group is changing the way ambulatory health care is delivered. "We are transitioning care from the physician alone to the team-based care concept, where the patient is the center of care and collaborates with the care team to establish their treatment goals," says Travis Douglass, executive vice president and director. During the past year, five primary care medical practices have become patient-centered medical homes (PCMH) and official certification will be complete early in 2013. Five more practices will transition to this model in the year to come, and eventually, all Vidant Medical Group primary care practices will function as a PCMH.

The PCMH model takes a 360-degree view of health and engages the patient and family as equal care partners. "PCMH replaces episodic care with coordinated care and a long-term relationship between the provider, the patient and the family," says Clyde Brooks, MD, vice president for medical affairs, Vidant Medical Group.

We now have a powerful tool designed to enhance patient engagement and improve communication with providers—Vidant MyChart, the patient portal of the Vidant Electronic

Health Record (EHR). Through their private, secure portal, patients can review and add information to their record, such as blood pressure and blood sugar readings, request a prescription refill or an appointment. Vidant MyChart is being piloted in the PCMH practices.

The Vidant EHR platform is a key technology that connects everyone and enables providers in the system to share timely clinical information seamlessly and accurately. About 75 percent of Vidant Medical Group practices use the Vidant EHR, and during the past year the group exceeded its goal for the number that voluntarily met the federal government's Meaningful Use standards that require an EHR by 2014.

During the past year, Vidant Medical Group began managing HealthDirect, a nurse triage telephone service. Douglass calls this critical for care navigation and myriad services that support the practices. It's about making sure a patient gets to the right level of care right away, and HealthDirect is staffed by nurses skilled at conducting telephone consultations. In the coming year, they will implement other non-visit services, such as health coaching to monitor patients recently discharged from the hospital. The Vidant Medical Group practice philosophy also embraces disease management, and has dedicated resources in the region, including certified diabetes educators and heart failure specialists.

Vidant Family Medicine – Wallace occupies a new medical office building.



Even with innovative programs and technologies, it is still imperative that we have enough "boots on the ground." For that reason, Douglass says, "We have made a significant investment in recruitment and retention of providers to eastern North Carolina." Over the past year, Vidant Medical Group has expanded its panel of specialists, with an emphasis on cardiology, oncology, general surgery, orthopedics and women's care. "Attracting high-quality physicians to eastern North Carolina is essential to fulfilling our mission, and particularly challenging given the national shortage in many physician specialties," Douglass says.

Vidant Medical Group is now present in more than a dozen communities. "We are mindful of geographic dispersion," Douglass says, "but really need to create scale and capacity in certain regional practices. When you reach three to five doctors in a practice, you can expand on-site services to include expanded clinic hours, imaging, lab services, and other diagnostics."



Ogugua Obi, MD, a hospitalist, meets with a patient's family.

Vidant Medical Group by the numbers

(FY12 performance: percentage growth based on FY11)

Providers (MD, PA, NP)	294
Percent growth	90.2%
Total encounters	500,065
Percent growth, total encounters	71.1%
Net patient revenue growth	155.7%

In FY13, Vidant Medical Group expects to employ around 375 providers, an increase of 28% over FY12. Total encounters are projected to be close to 625,00, a 25% increase over FY12.

Vidant Cardiology group: (L-R) Brad Jones, MD, Jerry Simpson, MD, Anthony Christiano, MD, Reza Ershadi, MD, Michael Smith, MD, Rony Shammass, MD, Adam Clark, MD, Gary Fontana, MD. Not pictured: Hassan Alhosaini, MD, and John Brooks, MD.



Vidant Medical Center serves the region



Vidant Medical Center is the tertiary services hub for Vidant Health.

At the heart of the Vidant Health system of care is Vidant Medical Center in Greenville. This complex, with 909 beds (licensed and CON-approved), is an academic medical center, affiliated with the Brody School of Medicine at East Carolina University, and one of four academic medical centers in North Carolina.

As the region's tertiary referral center, Vidant Medical Center has the expertise and technology to handle the gamut of medical and surgical needs, including all levels of acute and chronic illness, critical care, emergency and trauma, and rehabilitation. The clinical staff is made up of more than 700 physicians and 2,500 nurses plus allied health care professionals. During the past year, Vidant Medical Center admitted more than 47,000 patients to the hospital and had nearly 390,000 visits in outpatient clinics and the emergency department. More than 6,100 babies were born here during the same period.

The accredited Vidant Medical Transport fleet includes three state-of-the-art helicopters and six mobile intensive care units that are able to reach every corner of the service area

Vidant Medical Transport includes a fleet of three state-of-the-art helicopters.



within minutes. As part of the state's emergency response network, Vidant Medical Center was called upon to set up a 40-bed, alternate care facility in Charlotte during the Democratic National Convention last September.

In 2012, Vidant Medical Center was ranked No. 1 across the nation among all teaching hospitals for inpatient experience and quality of care. Vidant Medical Center also earned the Women's Choice Award for patient satisfaction and garnered international recognition as a BabyFriendly™ hospital for teaching and encouraging breastfeeding. These are but a few of the many accreditations and recognitions earned by the medical center during the past year. For a full report, please see Vidant Medical Center's FY12 Annual Report.

Advancing health care has long been part of the mission of Vidant Medical Center, and last year it was once again the site for several notable achievements:

- The first successful six-person kidney exchange surgery in the Carolinas, performed by doctors from the Brody School of Medicine at East Carolina University and Eastern Urological Associates
- The first transcatheter aortic valve replacement (TAVR) procedure in the state, making treatment possible for people too frail for traditional surgery; and in the same year, the first in the Carolinas to perform TAVR using an apical approach.

Stephen J. Lawler, president, says, "We continue to work together with many other hospitals and providers to ensure the people of eastern North Carolina have access to the well-coordinated, high-quality care that we all need and deserve."

Vidant Medical Center performed more than 20,000 surgeries in FY12.



Improving quality of life for our neighbors

Last May during National Hospital Week, Vidant Health hospitals held health fairs in communities across eastern North Carolina. During this week, when most hospitals in the nation look inward to celebrate, Vidant Health wanted to literally and symbolically give back something of value to our neighbors.

With heart disease, diabetes, cancer and other chronic conditions prevalent in our region, the Hospital Week health fairs were a means of educating, supporting and reaching out to hundreds of people concerning their health.

As a system of care, Vidant Health is working on many fronts to improve access and overall health in our region. The health fairs were just the tip of the iceberg. Vidant leaders have been meeting with community health experts and others to explore how to make the right choices for better health the easy choices. We are dedicated to helping create sustainable programs and practices that will result in healthier communities.

Over the past year, we have assessed how we can be more effective. We collaborated with health departments to complete community health needs assessments in Beaufort and Pitt counties, and in the coming year, we will see assessments completed in the other counties that have a Vidant Health hospital. These findings provide a sound basis for coordinating resources and setting a course that can make a difference.

One of our signature programs, the Community Benefit Grants Program through the Vidant Health Foundation, provided \$1.9 million to local non-profit organizations to support community-based health initiatives. Vidant Health will continue this grant program in the coming fiscal year.

Overall, in sheer dollar terms, the commitment of more than \$143 million in FY12 by Vidant Health for community

benefit activities and services is significant. In addition to providing care to those who cannot afford it, we will continue to invest in programs and services that promise to improve the health of our region. And, moreover, we are committed to leveraging our system's most precious resource—our health care professionals—to work with partners throughout the region so we can collectively impact the health of eastern North Carolina.

Vidant Health drives the economic health of the region

The economic vitality of eastern North Carolina is closely tied to Vidant Health. For every job Vidant Health creates, nearly one additional job is created in the region. Vidant Health employees – close to 12,000 and growing– stimulate the economy through their own spending on goods and services. And multiple industries that support Vidant Health fare well, too. A recent economic impact study of the region highlighted key statistics that show ways in which the health system drives the economy.

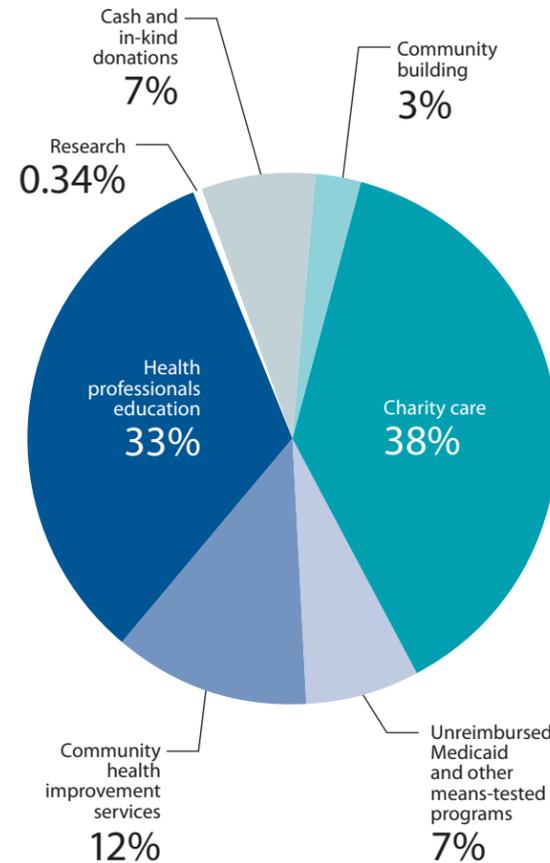
- Vidant Health facilities in nine eastern North Carolina counties **contribute \$2.44 billion** to the gross regional product.
- For every full-time employee added at Vidant Health, an additional 0.86 job is created in the region.
- Nearly 3,600 jobs are created through the supply chain for health care services. The supply chain represents a wide range of industries, including medical supplies, telecommunications and banking.
- **Nearly 6,000 jobs are created** through the local spending activity of employees working for Vidant Health and the firms in its supply chain. Local spending includes everything from haircuts to groceries to housing.

A healthy Vidant Health, as this annual report demonstrates, is good for everyone in eastern North Carolina.

Community benefit includes many forms of service and support

During the fiscal year that ended September 30, 2012, Vidant Health contributed \$143,097,627 in community benefit activities and services to communities throughout eastern North Carolina. This number includes the many community-based programs and services that the system of care provides beyond the medical and surgical care that you expect from us.

Vidant Health reports its FY12 community benefit statistics to conform to standards established by the Internal Revenue Service. This reports excludes \$44,582,604 in unreimbursed Medicare and \$60,006,805 in bad debt. The North Carolina Hospital Association recognizes these categories as community benefit spending. Community benefit, unreimbursed Medicaid and bad debt totaled \$247,687,036 for FY12.



What is included in community benefit spending?

Charity care	\$54,214,875
Unreimbursed Medicaid and other means-tested programs	10,382,370
Community health improvement services	17,148,448
Health professionals education	47,391,545
Research	463,353
Cash and in-kind donations	10,001,879
Community building	3,495,157

Total Community Benefit*

Hospital	Unreimbursed Medicaid & other means-tested programs	Charity Care	Community Benefit Programs & Services	Total Community Benefit
Vidant Medical Center	\$882,947	\$41,254,919	\$71,300,987	\$113,438,853
Vidant Roanoke-Chowan Hospital	4,014,113	2,494,021	1,657,628	8,165,762
Vidant Edgecombe Hospital	1,070,064	3,630,721	1,763,868	6,464,653
Vidant Chowan Hospital	2,119,879	2,292,615	895,104	5,307,598
Vidant Bertie Hospital	1,012,882	1,113,612	811,503	2,937,997
Vidant Duplin Hospital	585,899	232,293	349,875	1,168,067
Vidant Beaufort Hospital	231,219	275,279	755,262	1,261,760
Vidant Pungo Hospital	465,367	959,332	154,333	1,579,032
The Outer Banks Hospital	0	1,962,083	811,822	2,773,905
TOTAL	\$10,382,370	\$54,214,875	\$78,500,382	\$143,097,627

*Does not include Albemarle Health

Strong FY12 performance spurs growth in services and jobs



Vidant Health completed another successful fiscal year in 2012, which ended September 30, 2012. The system achieved its primary financial objectives for the year while providing care to a record number of patients and adding a significant number of jobs to the regional economy.

The system's excess of revenues over expenses was \$124.8 million for the year and enabled the health system to earn a total margin of 4.8 percent on revenues of \$1.6 billion. The system achieved a 2012 cash flow margin of 11.6 percent and debt service coverage of 4.5 times.

This level of operating performance will position the health system to compare favorably with other health systems with a similar credit rating and to solidly outperform all debt-related financial covenant requirements.

Positive fiscal year 2012 operating performance resulted primarily from greater inpatient demand, improved quality of care and clinical efficiency and sustained cost reduction efforts. The increased patient demand enabled the system to add approximately 1,354 positions at its hospitals, clinics and offices by year-end.

The system provided care to approximately 68,000 inpatients and 758,000 emergency and outpatients at its various facilities. Beaufort Regional Health System joined our health system in September 2011, and Pungo District

Hospital Corporation joined the system in October 2011, the beginning of the fiscal year.

As a not-for-profit organization, Vidant Health reinvests its earnings in capital improvements, equipment, new services and overall mission. In fiscal year 2012 the system invested \$110.2 million in capital assets, which included investments in normal equipment, basic infrastructure needs, an expansion to Vidant Children's Hospital and new pediatric emergency department at Vidant Medical Center, along with continued investment in information systems and electronic health records.

David S. Hughes
Chief Financial Officer



Statement from the Chief Audit and Compliance Officer

The financial statements presented in this report have been reviewed by an independent, outside accounting firm. The health system maintains an independent audit and compliance function that reports directly to the chair of the Audit and Compliance Committee of the Board of Directors and to the chief executive officer of Vidant Health.

The audit and compliance staff has had free and unrestricted access to financial data, records, documents and personnel in order to conduct any audit or compliance review this past fiscal year. The findings have been presented to the Audit and Compliance Committee of the Board of Directors.

John C. Falcetano, MA, CCEP-F, CHC-F, CHPC, CHRC, CIA, CICA
Chief Audit and Compliance Officer

Summary of System Revenue

Net Operating Revenues

For the fiscal years ended September 30, 2012 and 2011 (in thousands)

	2012	2011
Vidant Medical Center*	\$1,045,356	\$934,961
Vidant Community Hospitals (VCOM)		
Vidant Roanoke-Chowan Hospital	71,138	70,364
Vidant Bertie Hospital	17,693	17,282
Vidant Edgecombe Hospital	73,684	67,771
Vidant Chowan Hospital	47,234	46,224
The Outer Banks Hospital	49,962	48,803
Vidant Duplin Hospital	34,250	34,204
Vidant Beaufort Hospital***	54,715	2,743
Vidant Pungo Hospital****	9,928	
Administrative and other	(2,911)**	(2,463)**
SurgiCenter Services of Pitt Inc	1,060	941
Vidant SurgiCenter	31,807	29,629
Vidant Wellness, Home Health and Hospice	16,800	16,721
Vidant Medical Group	96,211	34,419
Vidant Properties	3,884	2,699
Total	\$1,550,811	\$1,304,298

*VMC revenue includes hospital activity and consolidating activity

**Includes eliminations for VCOM combined

***Vidant Beaufort Hospital joined Vidant Health September 1, 2011

****Vidant Pungo Hospital joined Vidant Health October 1, 2011

Combined Balance Sheet

Assets

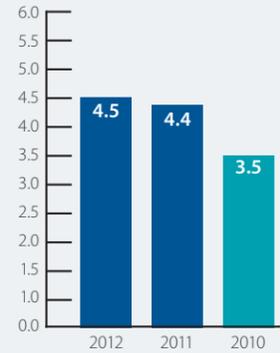
For September 30, 2012 and 2011 (in thousands)

	2012	2011
Investments – capital improvements	\$542,349	\$474,353
Investments – held by trustee for bond issue projects	12,547	26,857
Investments - insurance reserve	29,338	30,093
Patient accounts	235,274	232,659
Inventories	35,998	35,158
Net property, plant and equipment	634,092	591,925
Other assets	204,224	179,872
Total assets	\$1,693,822	\$1,570,917

Liabilities and Net Assets

For September 30, 2012 and 2011 (in thousands)

	2012	2011
Accounts payable	\$72,871	\$75,698
Accrued expenses	113,230	97,896
Long-term debt	553,871	568,182
Other liabilities	130,511	134,831
Net assets	823,339	694,310
Total liabilities and net assets	\$1,693,822	\$1,570,917



Debt-service coverage ratio

The debt service coverage ratio measures the amount of cash flow provided by current operations that is available for principal and interest payments. The system's debt service coverage ratio remained in 2012 at a level that enabled the system to outperform all bond issue-related financial tests.



Investments held for capital improvements (in millions)

The system's cash reserves held for capital improvements totaled \$542.3 million in 2012. A total of \$110.2 million was invested in equipment and capital projects during the year. Strengthening cash position relative to its debt continues to be a system objective.

Combined Statements of Revenue and Expenses

Operating Revenues

For the fiscal years ended September 30, 2012 and 2011 (in thousands)

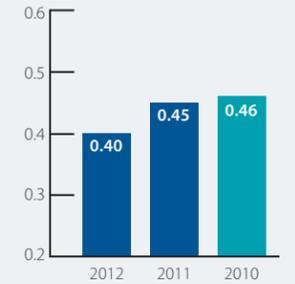
	2012	2011
Net patient revenues	\$1,491,106	\$1,251,989
Other operating revenues	59,705	52,225
Total operating revenues	\$1,550,811	\$1,304,214

Operating Expenses

For the fiscal years ended September 30, 2012 and 2011 (in thousands)

	2012	2011
Salaries and benefits	\$777,689	\$659,808
Supplies and other	577,369	478,432
Depreciation	83,510	75,414
Total operating expenses	\$1,438,568	\$1,213,654

Income from operations	\$112,243	\$90,560
Interest expense	(31,766)	(27,741)
Investment income (loss) & other non-operating income (loss)	44,306	(13,387)
Excess of revenues over expenses	\$124,783	\$49,432



Long-term debt to capitalization

The long-term debt-to-capitalization ratio is another indicator of capital structure. A decreasing value is the desired trend for this ratio.



Operating revenues and expenses

System operating revenues and expenses totaled \$1,551 million and \$1,439 million in FY 2012 and produced a solid operating income of \$112 million.

Patient service statistics

Patient Service Statistics

FY2012 ended September 30, 2012

Hospital	Admissions	Surgeries	Births	ED Visits	Outpatient Visits
Vidant Medical Center 909 licensed and CON-approved beds, Level 1 Trauma Center, Greenville	46,920	20,441	6,157	114,826	269,746
Vidant Roanoke-Chowan Hospital 114 licensed beds, Ahoskie	4,729	2,624	330	21,158	49,914
Vidant Bertie Hospital 6 licensed beds, Windsor	441	647	–	9,725	23,624
Vidant Edgecombe Hospital 117 licensed beds, Tarboro	4,725	2,281	477	26,378	22,355
Vidant Chowan Hospital 49 licensed beds, Edenton	2,140	1,579	317	14,033	27,759
The Outer Banks Hospital 21 licensed beds, Nags Head	1,794	2,245	404	23,871	19,268
Vidant Duplin Hospital 101 licensed beds, Kenansville	3,744	1,872	533	19,549	24,172
Vidant Beaufort Hospital 142 licensed beds, Washington	3,482	3,589	370	22,639	58,558
Vidant Pungo Hospital 49 licensed beds, Belhaven	643	243	–	5,412	5,316
Total	68,618	35,521	8,588	257,591	500,712
Albemarle Hospital 182 licensed beds, Elizabeth City (under a management agreement)	5,043	9,651	627	44,409	115,050

Patient- and family-centered care includes rounding on patients at the bedside.



Vidant Health leadership as of Jan. 1, 2013

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Chairman

Arthur H. Keeney III
Vice Chairman and Treasurer

Thomasine S. Kennedy
Secretary

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JoAnne K. Burgdorff

S. Lawrence Davenport

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Phillip K. Flowers

Melvin C. McLawhorn

Walter E. Pofahl II, MD

Cassius S. Williams

Executive Staff

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President and Chief Executive Officer

Dave C. McRae
Chief Executive Officer, Emeritus

Janet Mullaney
Chief Administrative Officer

David Hughes
Chief Financial Officer

Mary Beth Johnston
General Counsel

Roger Robertson
Interim Chief Human Resources Officer

Kathy Barger
Chief System Development and Growth Officer

Joel Butler
Chief External Affairs Officer and President, Vidant Health Foundation

Anissa Davenport
Chief Strategic Development and Marketing Officer

John Falcetano
Chief Audit and Compliance Officer

Tim McDonnell
Chief Design and Construction Officer and President, Vidant Properties

Jeff Sackrison
Interim Chief Information Officer

Joan Wynn, PhD
Chief Quality and Patient Safety Officer

Travis Douglass
Executive Vice President and Director, Vidant Medical Group

Michelle Brooks
Vice President, Community Benefit

Sue Collier
Vice President, Service and Patient Family Experience

Preston Comeaux
Vice President, Financial Support Services and Supply Chain Management

Seth Van Essendelft
Vice President, Financial Services – Operations

Trey McMillian
Vice President, Information Services

Matthew Meyers
Vice President, Operations, Vidant Medical Group

David Michael, MD
Vice President, Information Technology, Chief Medical Information Officer

Carmen Vincent
Vice President, Corporate Accreditation and Regulatory Compliance

Jay Walton
Vice President, Design and Construction

Jeffrey Wiggins
Vice President, Audit and Compliance

Medical Leadership

James Carter, MD
Medical Consultant

Clyde Brooks, MD
Vice President, Medical Affairs – Vidant Medical Group

Ernest Larkin, MD
Senior Advisor, Medical Affairs

Vidant Community Hospitals

Roger Robertson
President

Lynn Lanier
Vice President Financial Services and Operations

Hospital Presidents

Wick Baker
Albemarle Health

Jay Briley
Vidant Duplin Hospital

Harvey Case
Vidant Beaufort Hospital
Vidant Pungo Hospital

Patrick Heins
Vidant Edgecombe Hospital

Steve Lawler
Vidant Medical Center

Sue Lassiter
Vidant Roanoke-Chowan Hospital

Jeff Sackrison
Vidant Bertie Hospital
Vidant Chowan Hospital

Ronnie Sloan
The Outer Banks Hospital



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