THE MISSION OF VALLEYCARE HEALTH SYSTEM IS TO ASSUME THE LEADERSHIP ROLE FOR THE HEALTH OF THE COMMUNITIES OF THE TRI-VALLEY.
Dear Friends,

This past fiscal year has been both rewarding and challenging. We continue to stay on the forefront of delivering advanced medical care. Our collaboration with Valley Medical Oncology Consultants to open the new Regional Cancer Center at ValleyCare allows us to bring state-of-the-art services to cancer patients in one new location, just a few blocks from ValleyCare Medical Center. We have also collaborated with UCSF Children’s Hospital to enhance children’s and women’s services here in the Tri-Valley.

Last year we launched our comprehensive Heart Program, which includes open heart surgery, and in doing so have saved lives (see Janet Contois’s story on page 2). PET/CT, the latest technology to diagnose and identify cancer, is also now available at ValleyCare. Several of our programs have also won significant awards such as our Diabetes Program, Weight Loss Surgery Program and LifeStyleRx.

Since this last fiscal year was the final one in my nine-year tenure on the Board of Directors, I wish to thank my fellow Board Members for their willingness to serve. I am left with lasting and rewarding impressions of the tireless dedication of our employees, medical staff and volunteers and with the steadfast support we receive from the community.

Hospitals today face constant challenges and ValleyCare is no different. Not surprisingly, financial issues are the greatest challenge. At ValleyCare, we strive to provide the highest quality of medical care and services that address community needs. In order to meet these challenges, philanthropy is more important than ever and we will continue to look to you, our community, for support.

Sincerely,

Tom Vargas
Chairman
ValleyCare Board of Directors
2005 - 2007
Dear Friends,

Many of you may not be aware of the fact that ValleyCare brings more than just medical care to our community. In fact, ValleyCare spends over $14 million dollars in uncompensated benefits to the community. We have listed some of these within this report, and I am sure you will be surprised to learn all that ValleyCare does for our community.

We continue to identify and provide services our community needs. Since cancer touches all of us, I am especially pleased about the recent opening of the Regional Cancer Center at ValleyCare, a collaboration between us, Valley Medical Oncology Consultants and UC Davis Cancer Center. Also, the Mobile Health Unit, a mobile van intended to bring medical care to the underserved, has recently been licensed and is out in the community serving patients.

ValleyCare has been the recipient of numerous awards this past fiscal year and our staff and physicians are to be commended for all the effort they put into providing quality care.

I am especially proud of the Bronze Level Award ValleyCare received from the California Awards for Performance Excellence (CAPE). For those of you familiar with the national Malcom Baldridge awards, CAPE is the California equivalent and recognizes organizations that demonstrate superior performance and continuous improvement.

We are able to do all that we do and achieve success because of the dedication and support of our employees, medical staff, volunteers and you our community. We will continue to face many challenges in our effort to provide superior health care, but we know that we can continue to rely on you to help us meet those challenges.

Thank you for your continued support.

Sincerely,

Marcy Feit
President and CEO
ValleyCare Health System
Patient Testimonial

Heart Team Saves Life

Pleasanton’s Janet Contois might not have lived to see her daughter’s wedding. “ValleyCare literally saved my life,” she says.

On November 9, 2006, Janet (age 52 at the time) was feeding one of her daycare children in her home when without warning, a sudden piercing pain shot up the back of her neck, a strange sensation went down her left arm and her heart started racing. She thought she was having a heart attack and quickly phoned her daughter who works nearby to come look after the children. She then called her neighbor who immediately took her to ValleyCare’s emergency room.

In emergency, tests were quickly run and she was in the cardiac cath lab within a few minutes. It was there they discovered her heart was functioning at less than 20% and she was experiencing a spontaneous dissection of a coronary artery (SDCA) — a rupture of a main artery. SCAD comes without warning and is extremely rare with less than 500 cases worldwide. There is no known cause and it occurs primarily in women. Most do not survive. Because the heart surgery team was at ValleyCare and ready for a non-emergency case, she was instantly taken to the operating room and the team performed a quadruple bypass within a half hour of her arrival in the ER. “I’m grateful that ValleyCare was so close and the heart team was there. It is why I’m alive today,” she says. “I believe it was divine intervention.”

Even though she does not have heart disease, Janet went through ValleyCare’s cardiac rehab program to help her get back to exercise and to work through the trauma. After three months, she was back to her daycare, caring for three infants and a toddler. Today she is fit and healthy. “Thanks to ValleyCare, I was able to enjoy my daughter’s wedding this last July.”

“I’m grateful that ValleyCare was so close and the heart team was there.”

Door to “Wire” Times Fastest in Nation

Boasting some of the fastest door-to-reperfusion times in the nation, (number of minutes from when a patient arrives in emergency until blood flow is restored), ValleyCare has always excelled in its cardiac catheterization services. Achieving these record times is possible because of the consistent teamwork between all the medical personnel involved. Based on these outcomes, the National Cardiovascular Data Registry ranked ValleyCare Medical Center number two out of 202 like hospitals nationwide in door to reperfusion times of less than 90 minutes.

Door to Reperfusion Times

2nd Quarter 2007

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Door to Reperfusion Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>ValleyCare</td>
<td>67 minutes</td>
</tr>
<tr>
<td>Like* Hospitals in CA</td>
<td>83 minutes</td>
</tr>
<tr>
<td>All Nation Hospitals</td>
<td>80 minutes</td>
</tr>
</tbody>
</table>

*Hospital similar to ValleyCare, with less than 200 beds
In Ron Jones’s mind he was dying. “I felt like my body was shutting down,” he said. At 530 pounds and a waist size of 68 inches, his body was beginning to shut down. Ron (46) had asthma, sarcodosis in his lungs, diabetes, sleep apnea, high triglycerides, a thyroid disorder, joint pain, severe depression and had torn the meniscus in both knees. Seeing photos of himself at a family reunion, coupled with the above, Ron reached his breaking point. He called Valerie Simler, registered dietitian and coordinator for ValleyCare’s award winning Weight Loss Surgery Program, for help.

Ron was familiar with bariatric surgery. He had been approved for the surgery eight years earlier, but did not find the support he needed with the programs available at that time. “ValleyCare’s program, (which was launched in 2000), is the best from among all those I researched nationwide,” said Ron. “The support is tremendous, both pre- and post-surgery. Meeting with like-minded people all with the same goal, as well as the professional team at ValleyCare who educate and counsel you about the surgery and lifestyle modification, is such a huge help,” he said.

Before he could even undergo weight loss surgery, Ron needed to stop smoking and lose 100 pounds. “I wanted the minimally invasive procedure for the surgery, and I was too big for the instrumentation and the surgical table, so Valerie designed a nutrition plan to help me lose the 100 pounds.” In addition he joined LifeStyleRx, (ValleyCare’s medically based fitness facility), and began a swimming and exercise regimen. “I joined LifeStyleRx because the staff is so knowledgeable and helped me with a workout program I could do. Initially, I would swim just a few laps, but being in the water felt so good, I began to work up to 45 minutes,” Ron said. The weight started coming off and on January 5, 2006, Ron had the Roux en-Y gastric bypass surgery at ValleyCare.

To date, Ron has lost 315 pounds and says he feels like a new person. “I cannot believe the energy I now have, and walking into a store to buy clothes off the rack is such a kick,” he said. “Plus, I no longer take medication except for thyroid and an antidepressant, but even those have been cut in half.” Most weight loss surgery patients experience the elimination of previous disorders. In Ron’s case, he is no longer diabetic, his asthma and sarcodosis are no longer a problem and his sleep apnea is gone. His triglycerides are good and he doesn’t experience any joint pain. Having been overweight all of his life Ron says it’s as if he didn’t have a “shut off valve” regarding his eating habits. But now, his motivation to eat right and continue exercising is because he feels so good. He also keeps this “before” photo in his wallet as a reminder of what life was like before his weight loss surgery.
Emergency Expansion Campaign

To meet the needs of our growing community, the emergency room at ValleyCare Medical Center is in desperate need of expansion. Since 1991, emergency visits have doubled and we need to expand from 4,000 to 10,000 square feet. Not surprisingly, each month as many as 26 patients are waiting in the hallways outside of the emergency area.

Phase I includes the construction of 23 private treatment rooms and an additional triage area.

Thanks to the generosity of many, $2.7 million was raised for Phase I, which will begin in early 2008. Phases II and III will cost an additional $4 million, for a total of $6.7 million for the project.

Contributions Crucial

Financial contributions from the community are a vital component of the overall financial health of ValleyCare Health System. As a not-for-profit health system, ValleyCare does not receive tax revenue, but relies on community contributions to fund new technology, improvements and expansion of services.

Fundraising Events

$476,400 was raised in FY 2006-07 for:
• Emergency Room Expansion
• Neonatal Intensive Care Unit
• Pediatric Unit
• ValleyCare Health Library and Ryan Comer Cancer Resource Center

$11,500 HopYard Alehouse Golf Scramble – July 2006


$60,000 Dinner with the Docs – October 2006

$50,000 Christmas Tree Lane – December 2006

$100,000 Ruby Hill Giving Thanks Ball – February 2007

$159,500 Livermore Valley Wine Auction – May 2007

$80,400 ValleyCare Foundation Golf Tournament – June 2007
ValleyCare Foundation Financials
Fiscal Year July 2006 – June 2007

ValleyCare Foundation would like to thank all who have given on behalf of ValleyCare programs and services.

SPECIAL EVENTS ................................................................................................................. $476,400
HopYard Alehouse Golf Scramble 2006 ............................................................... $11,500
Barone's Spin-A-Yarn Golf Tournament 2006 ............................................... $15,000
Dinner with the Docs 2006 ............................................................................. $60,000
Christmas Tree Lane 2006 ......................................................................... $50,000
Ruby Hill Giving Thanks Ball 2007 .............................................................. $100,000
Livermore Valley Wine Auction 2007 ......................................................... $159,500
ValleyCare Foundation Golf Tournament 2007 ....................................... $80,400

AUXILIARY ......................................................................................................................... $115,000

FOUNDATION GRANTS .......................................................................................... $30,800

INDIVIDUAL and CORPORATE DONATIONS .............................................. $1,162,800

TOTAL FUNDS RAISED .......................................................................................... $1,785,000

ENDOWMENT FUND ..................................................................................................... $813,800

We would like to honor and thank the following major contributors, who as of June 30, 2006 have accumulated gifts totaling $25,000 or more in support of ValleyCare Health System.

Alameda County
Arthur J. Gallagher & Co.
Bob Baltzer in Memory of Pearl E. Baltzer
The Bank of America Foundation
Bay Area Cardiology Medical Group
Barone's Spin-A-Yarn Golf Tournament
Charter Properties
City of Pleasanton
Arnold and Marion Clark
Coast Manufacturing
Dillingham Construction Corp.
DPR Construction, Inc.
Susan and Jay Dunton
The Michael and Carol Faber Family
Mrs. Chet Fankhauser
Fremont Bank
Glaxo Smith Kline
Greater Bay Bancorp Foundation
David B. and Karen L. Greiner
Hanson Aggregates
In Memory of John and Roberta Haugh
HEDCO Foundation
The HopYard Alehouse & Grill
Bill and Dodge Jamieson
The Family of Hian Hoey
Kwee, M.D., V. Erika, Richard & Fiona, Michael
Lawrence Livermore National Laboratory
Livermore/Pleasanton Pediatrics
Livermore Senior Housing Associates
Livermore Valley Radiologists
Livermore Valley Winemakers Foundation
Thomas J. Long Foundation
J. M. Long Foundation
Tony and Shirley Macchiano
The Madden Family
Martin Marietta Corp
Sandia National Laboratories
Mac and Joy McClellan
Robert and Carol Molinaro
Nellcor Puritan Bennett, Inc.
The Nissen Family
Mr. & Mrs. Graham Nissen
In Memory of May G. Nissen
Pacific Gas & Electric Company
Estate of Pat Pallitto
Professional Home Care Association
Professional Hospital Supply
Ms. Demerris Ranahan
Michael Ranahan, M.D.
Ratcliff Architecture
The Ruby Hill Giving Thanks Charity Committee, Inc.
Ryan Comer Committee
Donna Seaver Memorial Fund
Siemens Medical Solutions USA, Inc.
Smallcomb Estate
May and Stanley Smith Charitable Trust
Tri-Valley Community Foundation
Tri-Valley Herald/ANG Newspapers
Tri-Valley Orthopedic & Sports Medicine
Tri-Valley Physicians, Inc.
Valley Emergency Medical Group
Valley Medical Oncology Consultants
ValleyCare Auxiliary
ValleyCare's Employee Campaign
ValleyCare Medical Staff
Fred and Helen Wagner
Wayne and Gladys Valley Foundation
Estate of Emily Davis Weed
Wente Bros. Estate Winery
The William G. Irwin Charity Foundation
Dr. and Mrs. William Yee
LifeStyleRx, ValleyCare Health System’s medical fitness facility in Livermore, was honored with a Distinguished Achievement Award from the Medical Fitness Association, an affiliate of the American Hospital Association. The award is for an operation less than three years old.

“This is a significant honor for LifeStyleRx to be considered an immediate success,” said Neil Sol, PhD, vice president of Outpatient Services. “Most hospital medical fitness facilities take more than three years to be deemed successful. The honor goes to all ValleyCare employees, as it takes an entire team to achieve this kind of success.”

LifeStyleRx is a state of the art, innovative fitness center designed to meet the needs of everyone — from children to senior adults. LifeStyleRx offers the opportunity for improved health, fitness and vitality regardless of current health status.

Members and patients may come into LifeStyleRx through either physician or self-referred programs which include: physical therapy for Sports Medicine, Injury Treatment and Rehabilitation, Pulmonary Rehabilitation phases I & II, Cardiac Rehabilitation phase II & III and WeightLossRx. Other Physical and Sports Medicine Programs include Physical Therapy, Occupational Therapy, Speech Therapy, and Pediatric Physical Therapy.

Award Winning Youth Program

The Youth FitZone at LifeStyleRx® received a NOVA 7 award in 2006 for outstanding innovation in fitness prescription and assessment. Each year Fitness Magazine confers awards in seven categories to outstanding fitness programs worldwide.

“What set FitZone apart from the other applicants was two words, comprehensive and inclusive,” explained one of the judges, Mike Merk, M.Ed., C.S.C.S., manager, Program Development Teams, YMCA of Greater Cleveland. “This innovative program is designed to provide education, instruction and participation for any child between the ages of 6-14 years regardless of physical level or ability. In today's age of fitness facilities focusing on adults, this program is a breath of fresh air.”
CAPE Award

ValleyCare was recognized this past year with a bronze award for performance excellence by the California Awards for Performance Excellence (CAPE). The California Council for Excellence administers CAPE.

The award program, which duplicates the Malcomb Balridge National Quality Program, recognizes organizations that demonstrate superior performance and continuous improvement in seven key business areas including: leadership, strategic planning, customer and market focus, measurement/knowledge management, human resources, process management and results. According to Denise Shields, Chair of the CAPE Award, “the criteria are rigorous and organizations that apply put themselves through the most respected and demanding filter in the country. To win this award on any level is worthy of tremendous respect.”

Awards and Recognition

While the CAPE Award was a significant achievement, ValleyCare received numerous other awards this past year as well, including Facility of the Year Award to LifeStyleRx, and several others listed here.

- **Weight Loss Surgery Program** — Center of Excellence by the American Society of Bariatric Surgery
- **Diabetes Program** — Certificate of Distinction by the American Diabetes Association
- **Cancer Program** — Fully Accredited by the American College of Surgeon’s Commission on Cancer
- **Heart Program** — American Heart Association “Get With The Guidelines for Cardiac Patients” Award
- **Top 10% of Hospitals Nationwide** for “Door to Wire Time” for heart attack patients — National Registry for Myocardial Infarction

UCSF

University of California at San Francisco (UCSF) and ValleyCare Health System are collaborating to enhance women’s and children’s services here in the Tri-Valley. The goal is to both expand access to high-quality perinatal and pediatric care and to broaden the availability of specialty services.

Medical services will build on the combined strengths of UCSF tertiary clinical expertise and ValleyCare’s community resources, and will occur in phases. The first phase includes UCSF managing inpatient pediatric hospitalist and neonatology coverage at ValleyCare Medical Center. Additionally, UCSF will provide medical staff for new outpatient pediatric subspecialty services, including pulmonary medicine and gastroenterology, as well as support existing cardiology practices. UCSF also will staff a new perinatology clinic that includes genetic screening and treatment for complex pregnancies.
Innovation and Awards at LifeStyleRx®

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As a not-for-profit health system, ValleyCare Health System reinvests any net income from operations into new technology, programs, services and facilities.

In the past fiscal year, ValleyCare provided resources to expand its heart program to include open-heart surgery, as well as resources for the recently opened Regional Cancer Center at ValleyCare. We also continue to provide services to patients without the adequate means to cover the cost of their services. In addition, plans have been developed to enlarge the Emergency Department and our operating room suites at ValleyCare Medical Center in Pleasanton. A fundraising campaign is also underway for the expansion of the Emergency Department.

In its leadership role for the health of the Tri-Valley communities, we will continue to manage growth to assure that ValleyCare is here to provide medical care for all who need it.

COMMUNITY BENEFIT STATEMENT (in thousands)

Traditional Charity Care ......................... $4,993
Unpaid Costs to Public Programs (Medi-Cal only) ......................... $2,902
Non-Covered Care ...................................... $2,540
Health Research/Education/Training Programs (including medical/surgical clinical experience for nursing students) ......................... $1,429
Benefits for Vulnerable ......................... $1,218
Populations (including hospitalist for pediatric patients)
Benefits for Broader Community (including nursing school program and health library) ......................... $670
Inpatient Clinical Pharmacy Services ......................... $773
TOTAL ................................................. $14,525

Performance Measurement Initiatives

The Joint Commission is recognized as a leader in proven ability to identify, test and specify standardized performance measures. It has established successful, ongoing, collaborative relationships with key performance measurement entities. ValleyCare has participated in The Joint Commission’s Performance Measurement Initiatives.

The following charts used medical information from patient records that show how well we care for patients in two areas: Pneumonia Core Measures and Surgical Care Infections Project. This quality information can be used to compare ValleyCare with other hospitals. ValleyCare’s performance is represented in blue.

Pneumonia Core Measures
April–June 2007  Perfect Care=78%

SCIP Core Measures
April–June 2007  Perfect Care=59%
Annual Report 2006 – 2007
Members during FY 06-07

ValleyCare

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