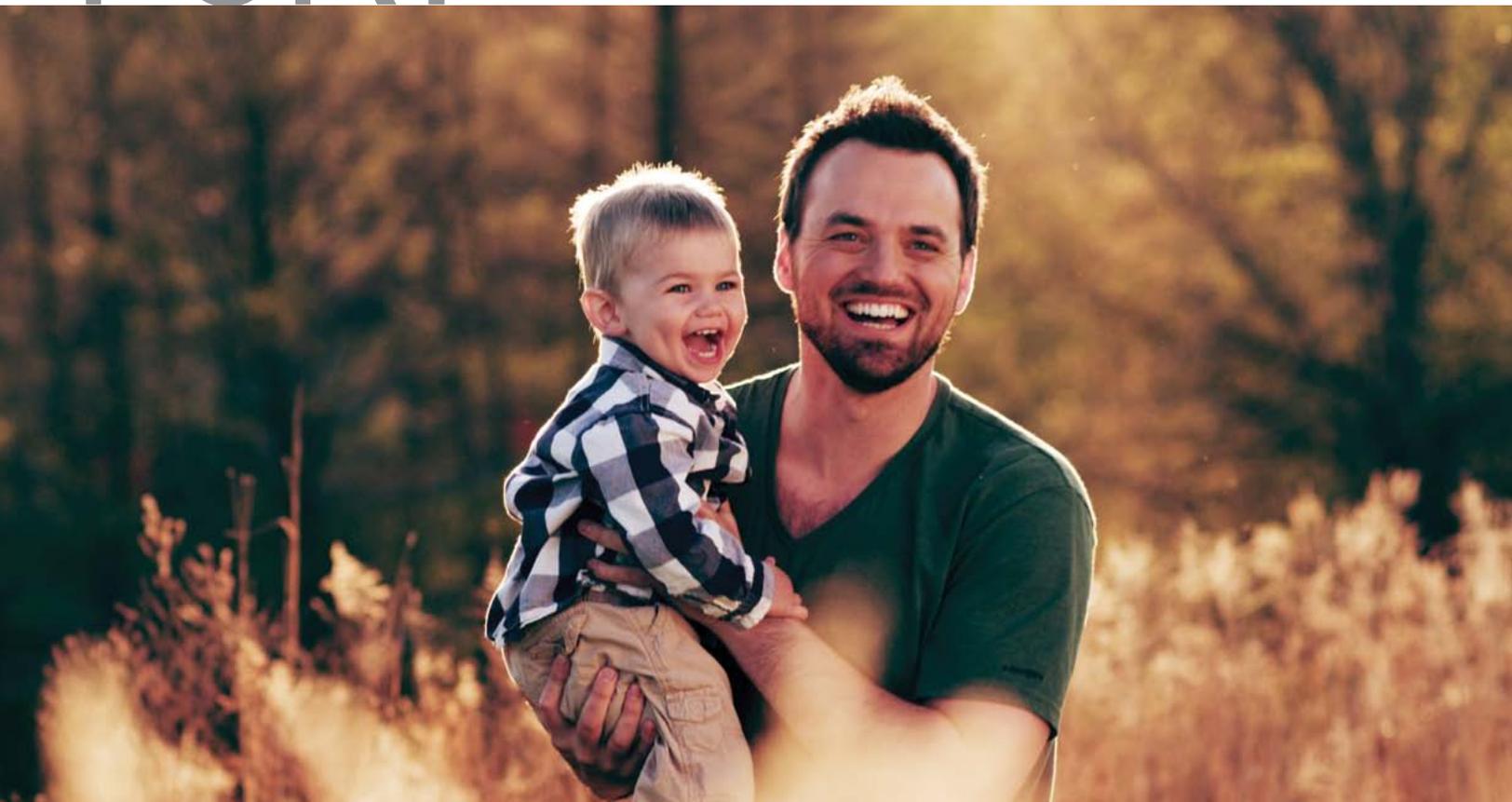


WHAT DO
YOU LIVE
FOR?



2011
Annual Report





Table of contents

- 3 CEO message
- 4 Financial performance
- 5 Mission, vision, values
- 6 Service and operations highlights
- 7 Sharing our brand
- 8 Recognition
- 9 Serving our community
- 11 Leadership

CEO message



It is amazing to look back on 2011 and see what Park Nicollet has accomplished in pursuit of our goal of providing a tangibly superior and affordable patient experience. Our organization is moving forward into a new era of healthcare.

We again delivered solid financial performance with total operating revenues exceeding \$1.2 billion for the first time in our history. Before extraordinary expenses associated with implementing Epic, our operating margin was \$41.9 million or 3.5 percent. Epic provides a fully-integrated electronic medical record (EMR) that helps improve communication with patients, who can access their medical information online any time, from anywhere. 2011 excess revenues over expenses (net investment income and EPIC implementation expenses) was \$17.3 million or 1.4 percent.

Key additions to our leadership team in 2011 included Chief Nursing Officer Roxanna Gapstur, who previously served as our senior director for inpatient services; Christa Getchell, President of Park Nicollet Foundation; Kate Tarvestad, Vice President of Corporate Compliance, Chief Compliance Officer; and Ted Wegleitner, Chief Operating Officer at TRIA Orthopaedic Center.

2012 strategies

Our current strategic initiatives focus on continual improvement of our patient and family experience, growth and aligning payment with integrated care delivery.

We can deliver an exceptional patient and family experience by anticipating and responding to our patients' clinical and emotional needs. We continually ask whether our actions enhance the experience of our physical environment, high-quality care and easy passage through Park Nicollet's facilities and system. Hospital patient surveys indicate that we made substantial progress during 2011 in the percentage of patients who "definitely recommend" us.

Improving quality is an essential goal of our care model. In 2011, we achieved some of the highest measures in Minnesota for diabetes and vascular care based on Minnesota community measurement.

As healthcare in America shifts to payment for value rather than volume, Park Nicollet is becoming fully accountable for all aspects of our care – quality, experience and affordability. We have worked closely with insurance providers to achieve shared savings through value-based payments for treatment outcomes. We believe in "doing well by doing right." High-quality care leads to affordable care and healthier patients.

Serving more patients is vital to Park Nicollet's future. Growth will help us thrive and overcome the gap between costs and revenue from government programs. To provide care to all patients and be sustainable, we need to increase the number of commercially-insured Park Nicollet patients, for whom services are reimbursed at a higher rate than government programs.

Increasing primary care market share is the engine for growth in our specialty care services. Park Nicollet Clinic—Lakeville has created an access point for our specialty services in Burnsville. Next, we will focus on growth in the northwest suburbs through extended evening and weekend hours and strategic facility updates and expansion. We plan to add specialties and diagnostic services in Burnsville and Maple Grove and expand our dermatology practice.

Head + Heart, Together

At the core of our efforts is our Head + Heart, Together culture, which combines evidence-based medicine with compassionate care. We seek constant improvement in employees' connections with each other, with patients and their families, and with the community.

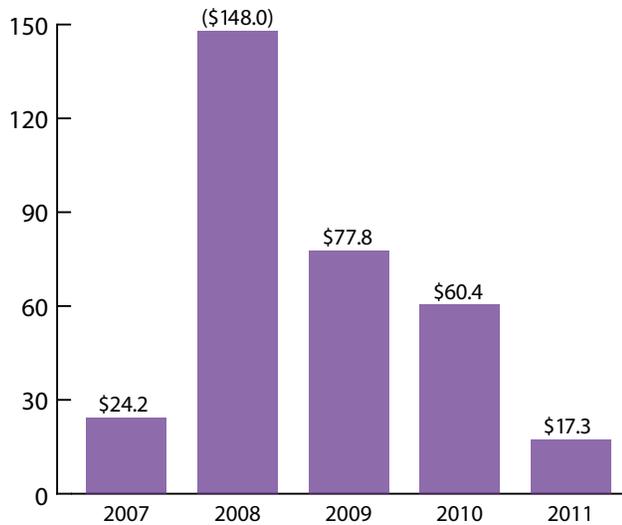
As we move forward in 2012 and beyond, I aspire to lead an organization that treats all patients and families the way we want our families and friends to be treated.

David Abelson, MD
President and CEO

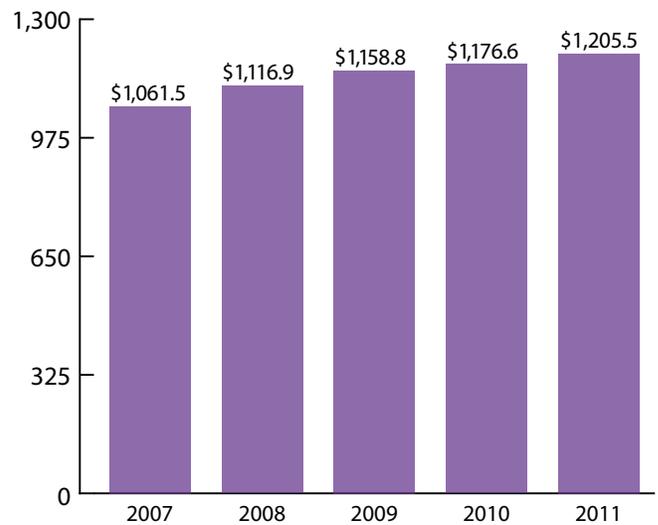
Financial performance

Park Nicollet Health Services

Excess (deficiency) of revenues over expenses (in millions)



Total operating revenue (in millions)



Social accountability programs (in thousands)

	2009	2010	2011
Cost of providing community service	\$16,562	\$14,670	\$13,319
Cost of providing charity care	10,770	12,747	12,648
Cost of excess of public program payments			
Medicare	66,118	64,561	63,367
Medicaid and MinnesotaCare	27,797	31,036	24,924
MinnesotaCare tax	14,200	14,782	15,269
Medicaid surcharge	3,893	4,024	4,427
	\$139,340	\$141,820	\$143,954

Mission, vision, values



Mission

Our mission is to care for and support the health, healing and learning of those we serve.

Vision

Everyone caring, every day, creating with the individuals we serve, optimal health and greater value.

Values

Our decisions are guided by our mission, vision and values, depicted by the diamond in our logo.

Excellence is the standard we apply to our work, achieving best possible outcomes and upholding the highest professional standards.

Caring is our heartfelt motivation to serve our patients and create the best possible experience.

Learning is the way we continually improve and create knowledge and value that can be shared.

Joy is what we experience when serving our patients and each other through a job well done.

Stewardship is our commitment to create ever greater value with the resources entrusted to us.

Service and operations highlight

Throughout Park Nicollet Health Services, we focus on continuous quality improvement and work to deliver a tangibly superior patient and family experience. Service improvements, innovation and growth during 2011 included:



- Park Nicollet opened Park Nicollet Clinic—Lakeville on Aug. 22 near the intersection of 185th Street and I-35W. The clinic opened with 25 team members, including four physicians. It offers family medicine and pediatrics with extended hours.
- Park Nicollet completed its electronic medical record (EMR) transition from Last Word to Epic in early July. This was the culmination of three years of planning and implementations. The EPIC Command Center received more than 13,000 calls between July 2 and 18, and 130 people were working in the center when Epic went live on July 5. As part of the transition to Epic, Park Nicollet launched MyChart service, so patients can access portions of their EMR at mychart.parknicollet.com.
- For the third consecutive year, Park Nicollet achieved 100 percent of its quality goals as part of its participation in the Physicians Group Practice (PGP) Demonstration, Medicare's first physician pay-for-performance initiative at the group practice level. Park Nicollet's 2011 federal PGP bonus payment was nearly \$5.7 million.
- Park Nicollet was one of 32 health systems to receive Accountable Care Organization (ACO) status from the Centers for Medicare & Medicaid Services (CMS). Through the Pioneer ACO Model, Park Nicollet is working with CMS to test new payment models in order to provide Medicare beneficiaries with higher quality care while reducing growth in Medicare expenditures through enhanced care coordination.
- International Diabetes Center began working with Mayo Clinic to develop a clinical diabetes training program for Chinese physicians. Park Nicollet signed a five year \$3.9 million contract with the China Ministry of Health to train 500 emerging expert physicians in China regarding advances in diabetes research, care and education.
- Park Nicollet began conducting patient surveys at all locations as part of our effort to continually improve our patient and family experience. Results will be tied to team member surveys.
- Fraunshuh Cancer Center became the first program in Minnesota to be certified as a Quality Oncology Practice Initiative by the American Society of Clinical Oncology.
- With a \$1.5 million grant awarded by the Leona M. and Harry B. Helmsley Charitable Trust, International Diabetes Center worked to further standardize glucose analysis to improve type 1 diabetes clinical outcomes.
- Melrose Institute added a metabolic health and weight management program to its eating disorders treatment offerings.
- In February, the 1,700 United Health Group employees who work at UHG's Minnetonka headquarters began using The Well, a new work-site clinic staffed by Park Nicollet clinicians and Optum Health wellness providers.
- Launched Head + Heart, Together (HHT) internal culture that combines intellect and the science of medicine with the compassion, spirit and humanity of Park Nicollet team members. The launch included team vision meetings, rollout of HHT competencies, a new appraisal system and *HHT magazine* for team members.

Sharing our brand



During 2011, we worked hard to build Park Nicollet’s brand awareness through multiple traditional and social media campaigns that focused on what differentiates Park Nicollet. These campaigns were designed to engage and increase awareness about health and Park Nicollet in the communities we serve. Major initiatives included:

- The November launch of a simpler, cleaner website, parknicollet.com. The site made it much easier for consumers to find a doctor, find a clinic, schedule an appointment, pay a bill or become a new Park Nicollet patient.
- *Park Nicollet Be Well*[™], a quarterly lifestyle magazine for women, was launched in May and distributed to 200,000 female patients, employees and community members. It encourages women toward healthier lives by considering their wellness in a whole mind and body approach. Relevant, authentic, motivating articles were backed by credible information and encouragement from Park Nicollet experts.
- The “I Have” campaign focused on several areas of care throughout the year. Advertising and other content featured real patients who benefited from Park Nicollet services. It appeared on parknicollet.com, Facebook, bus sides, radio, newspapers, television and billboards. Focus areas included:
 - May – Breast Cancer Services
 - June and July – Surgical Services
 - August – Primary Care
- The “Be Pink” campaign in October focused on breast cancer awareness, community events and encouraged women to get mammograms. Many Park Nicollet and other Twin Cities buildings were lit in pink at night to raise awareness. In conjunction with “Be Pink,” the first annual Project Glam event raised funds for Park Nicollet Jane Brattain Breast Center.
- Park Nicollet’s Facebook site, launched in 2009, became one of the key channels to communicate with the community about the Park Nicollet brand. At year’s end, Park Nicollet had more than 5,000 Facebook fans.

Recognition



We are gratified that many of our clinical and cost-saving achievements were recognized by respected third-party organizations.

- Park Nicollet received 2011 HealthGrades® recognition
 - Distinguished Hospital Award for Patient Safety™
 - Cardiac Excellence Award™
 - Stroke Care Excellence Award™
 - Critical Care Excellence Award™
 - Pulmonary Care Excellence Award™
 - Gastrointestinal Medical Treatment Excellence Award™
 - Women's Health Excellence Award™
 - Innovation in Health Care Award™
- Park Nicollet's Leigh Myers-Higgins, RN, received the Good Catch for Patient Safety Award from the Minnesota Hospital Association.
- Methodist Hospital's vascular laboratory was the only one in the Twin Cities to receive accreditation in four major testing areas from the Intersocietal Commission for the Accreditation of Vascular Labs.
- Thomson Reuters named Methodist Hospital as one of its 50 Top Cardiovascular Hospitals®.
- Park Nicollet was named a Leader in Lesbian, Gay, Bi-sexual and Transgender (LGBT) Equality by the Human Rights Campaign Foundation, which publishes the annual Healthcare Equality Index report. The index focuses on policies and practices that help create a welcoming environment for LGBT patients and families.
- 2011 Nurse of Excellence Award recipients were: Angel Larson, RN; Carrie Wickland, LPN; Kelly Albers, RN; Mary Jo Macklem, RN; Laura Nicklay, RN; Kris Smith, RN; and Vicki Norton, RN.
- Joel Jahraus, MD, Medical Director of the Melrose Institute, received the Ellis Island Medal of Honor, which recognizes leadership dedicated to community service and a commitment to teaching and improving the health and well-being of others. Past recipients include former presidents Bill Clinton, George H. Bush and Gerald Ford.
- Frauenshuh Cancer Center received the Commission on Cancer Outstanding Achievement Award.
- International Diabetes Center was selected as one of the top 25 medical organizations to participate in the Type 1 Diabetes Exchange.
- Park Nicollet Institute research awards went to:
 - Researcher of the Year – Lisa Fish, MD, Endocrinologist
 - Educator of the Year – Jennifer Olson, MD, Medical Director, Center for Senior Services
 - Paper of the Year Lead Author – Richard Bergenstal, MD, Executive Director, International Diabetes Center, for a paper published in the July 2010 issue of the *New England Journal of Medicine*

Serving our community

Park Nicollet Foundation is the organization's fundraising arm. Its mission is to respond to and support the health, healing and learning of our patients, team members and the larger community. We accomplish this in many ways and are especially grateful to our hundreds of volunteers. In 2011, the Foundation accomplished the following:

- Donated more than \$3.1 million to community organizations, with \$1.26 million going to patient and family experience and enhancements, \$1.1 million to community outreach and initiatives, and \$744,000 to innovation and research
- Provided no-charge healthcare to 5,000 children at Park Nicollet's four community clinics
- Supplied Frauenshuh Cancer Center with music therapy, massage therapy, support groups, educational materials and research to improve cancer care and treatment options
- Provided certified diabetes educators for International Diabetes Center
- Supported Struthers Parkinson's Center individualized treatment plans and support groups in more than 90 communities and funded research designed to improve care and treatment
- Supplied Melrose Institute with personnel to provide eating disorder classes, community educational events and research to improve care and treatment
- Funded grief support and education for more than 450 students who had lost a loved one
- Provided enhanced immunization access for children in 25 area school districts
- Sponsored Project Better Gown, a 2011 design competition to create an improved exam gown. University of Minnesota students Linsey Gordon and Silvia Guttman won the competition and were selected for the People's Choice Award at the Foundation's 2011 Gala. They shared a \$25,000 Fellowship Grant for their sleek gown design, which features a pocket in the front and ties on the sides
- Launched new online giving and communication tools
- Hosted the Tour de Clinic, which raised more than \$55,000 for the Foundation's Annual Campaign. CEO David Abelson and a team of cyclists biked nearly 200 miles and visited 21 Park Nicollet locations around the Twin Cities.



Park Nicollet's Corporate Volunteer Council's 2011 accomplishments

- Collected more than \$9,000 for American Cancer Society Daffodil Days
- Held blood drives at multiple Park Nicollet locations through the year
- Boxed food for needy people overseas for Feed My Starving Children
- Served more than 250 lunches monthly for adults and children at Minneapolis Crisis Nursery from January through October
- Collected nearly \$10,000 in cash and food for Minnesota FoodShare's March campaign
- Donated \$15,000 and 40 boxes of hygiene supplies from employees and Park Nicollet Foundation for North Minneapolis Tornado Relief
- Donated school supplies and nearly \$300 to local schools for School Readiness Days
- Donated more than 100 coats to children in need during the Winter Coat Drive
- Collected more than 1,800 pairs of socks for Sharing and Caring Hands and other agencies during the Warm Hearts for Cold Feet Sock Drive
- Donated handmade quilts for pediatric patients through the Warm Hugs for Kool Kids program
- Picked up litter along Cedar Lake Road and Louisiana Ave. in St. Louis Park in the spring and fall for the Adopt-A-Highway program

Park Nicollet's 2011 Community Service Awards

- Louis Renee Amann, RN, posthumously, for church leadership and hurricane relief work in Jamaica
- Deborah Thorp, MD, and Fartun Weli, for work to help Somali women overcome the stigma of infertility
- Deb LeMay, for lesbian, gay, bisexual and transgender advocacy

Leadership

2011 Park Nicollet Health Services Board of Directors

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Kenneth Thome
Chair

Donald Lewis, JD
Vice Chair

Richard Struthers
Treasurer

Judith Corson
Secretary

Ex Officio (voting)

David Abelson, MD
President and Chief Executive Officer

Steven Connelly, MD
Chief Medical Officer

William Richards, MD
President, Medical Staff

Directors

Timothy Crimmins, MD

Barbara Degnan

Bruce Engelsma

Steve Frank

Thomas Jones, MD

Ken Melrose

Jeffrey Mendeloff, MD

Ruth Mickelson, JD

Lee Newcomer, MD

Janet Schaffer, MD

Eric Schned, MD

Dan Schumacher

Mark Wilkowske, MD

Ex Officio (nonvoting)

Paul Dominski
Vice President, Marketing
Chief Human Resources Officer

Roxanna Gapstur, PhD, RN
Vice President, Patient Care Services
Chief Nursing Officer

Christa Getchell
President, Park Nicollet Foundation

Michael Kaupa
Executive Vice President
Chief Operating Officer

Sheila McMillan
Senior Vice President
Chief Financial Officer

Katherine Tarvestad
Vice President, Corporate Compliance
Chief Compliance Officer