

THE PATIENT.
ABOVE ALL ELSE.®



a celebration of HUMANITY

annual report 2009



To Our Community

State-of-the-art humanity. This phrase succinctly describes the essence of St. Luke's mission—*The patient above all else.* With this blending of technology and compassion, we worked hard to put our patients first in 2009.

St. Luke's had a year of growth, continued process improvement and an unparalleled work ethic—all toward the goal of meeting patient needs.

For our patients' convenience and to ensure access to services, St. Luke's worked on several construction projects throughout the year. Construction began on three new clinic facilities in 2009.

In December, Laurentian Medical Clinic moved to a beautiful new building in Mountain Iron, after sharing space for 10 years on the Virginia Regional Medical Center campus. We are pleased to now offer physical therapy, lab and radiology services right at this new clinic. Lester River Medical Clinic, St. Luke's newest addition to our primary care clinic family, will welcome patients to its brand-new building conveniently located on the eastern edge of Duluth in 2010. And, P.S. Rudie Medical Clinic outgrew the space it has occupied in the Medical Arts Building for over 80 years, and patients and staff alike will enjoy its location just four blocks away in the new Wieland Building.

In addition to new construction, St. Luke's also spent 2009 building on excellence. St. Luke's strives to exceed our patients' expectations, which is why we have embraced Lean Healthcare, a process improvement program conducted at St. Luke's in partnership with Lake Superior College. Lean helps us look at how we do things through the eyes of our patients. Read more about some Lean initiatives that have already made a difference further on in this report.

The biggest challenge in 2009, however, was a tiny flu bug that tested our resources like never before. When the H1N1 pandemic took hold, St. Luke's amazing staff demonstrated an unshakable commitment to the community. Through uncertainty as to the scope and severity of the pandemic, our staff steadfastly provided patients with the best care possible.

Growing. Building on excellence. Meeting challenges.

Putting the patient above all else. Every patient. Every day.

Sincerely,

John Strange
President and CEO

Melinda Machones
Board Chair



MISSION STATEMENT

The patient above all else.

ORGANIZATIONAL VALUES

These values provide the foundation of our culture as we pursue our mission and vision:

The patient comes first.

Quality is our expectation.

People make it happen.

Everyone is treated with respect.

Going Lean

Since the fall of 2007, St. Luke's has been on a mission to elevate *The patient above all else* to a whole new level. Through a partnership with Lake Superior College and a grant from the Minnesota Job Skills Partnership, St. Luke's launched a process improvement initiative called Lean Healthcare, which helps organizations examine their work processes from the patient or customer perspective.

"The driving force behind choosing the Lean Healthcare model was the similarity in philosophies and goals," says Linda Basara, St. Luke's Director of Education and internal Lean trainer. "At St. Luke's, we are dedicated to putting the patient above all else; Lean Healthcare is dedicated to creating the ideal state for the patient."

Cross-functional teams, made up of staff from many different departments, attend a series of practical, dynamic classes led by a Lean trainer. Over the course of several months, team members learn the Lean system, identify process inefficiencies within a department, and apply the tools to redesign and improve a specific work process. The curriculum also strengthens "people" skills, important to team building, leading change and conflict management. According to Basara, feedback from participants has been extremely positive.

Following the principles of Lean, groups spend time in direct observation before attempting to fix a problem, a step that helps people develop a keen understanding of how things are currently being done.

"What makes the observation tool so effective is Lean's cross-functional team approach," Basara says. "If you want to improve a specific departmental process, it's helpful to have a fresh perspective from employees who work outside of that area." Seen through the eyes of physical therapists, trauma nurses, lab techs and others, it's much easier to identify the inefficiencies in that particular work process. Processes that have benefited from Lean include tube feeding, bedside shift reporting, Medicare claim processing and medication administration.

By the end of 2010, a total of 200 St. Luke's staff will have been trained in the program. According to Basara, Lean is already becoming a part of the culture, common language and mindset. "Lean is no longer a task on our collective to-do list—it's *what* we do," she says. "It's a journey without an end."

"Lean is no longer a task on our collective to-do list—it's *what* we do."



2009 Accomplishments



X-STOP® Technology at St. Luke's Neurosurgery Associates

St. Luke's Neurosurgery Associates adopted the X-STOP® Interspinous Process Decompression (X-STOP IPD) system, a new technology that treats leg, buttocks, groin and back pain caused by lumbar spinal stenosis. With the addition of the X-STOP IPD, many patients can experience relief without undergoing invasive surgery.



St. Luke's Receives 2009 Medal of Honor for Organ Donation

St. Luke's received a 2009 Medal of Honor for Organ Donation from the U.S. Department of Health and Human Services for success in encouraging organ donation. This is the third year St. Luke's has received this honor.



St. Luke's Home Care Receives Five Star Excellence Award

St. Luke's Home Care received a Five Star Excellence Award for patient satisfaction from Professional Research Consultants (PRC). The award recognizes St. Luke's Home Care for scoring in the top 10 percent nationally in "Excellent" responses for Overall Quality of Care.



Blue Cross Blue Shield of Minnesota Recognizes St. Luke's as a Center of Distinction for Cardiac Care

Blue Cross Blue Shield of Minnesota has designated St. Luke's as a Blue Distinction Center for Cardiac Care based on the quality of services, patient volume and clinical outcomes. As a Blue Distinction Center, St. Luke's is included on the organization's website as one of 13 cardiac care centers in Minnesota to receive this recognition.



Joint Commission Publication Highlights St. Luke's

The Joint Commission's publication on influenza vaccination highlights St. Luke's successful efforts to vaccinate employees. The report, *Providing a Safer Environment for Health Care Personnel and Patients through Influenza Vaccination: Strategies from Research and Practice*, recognizes St. Luke's strong support from administration and physicians, easy access to the vaccine, an organization-wide team approach, and the expectation that health care workers obtain flu shots for the well-being of their patients, themselves and their families.



Vitamin D Research Published

David Arvold, MD, St. Luke's Internal Medicine Associates, led a research study on vitamin D deficiency. The project report, entitled *Correlation of Symptoms With Vitamin D Deficiency and Symptom Response to Cholecalciferol Treatment: A Randomized Controlled Trial*, was published in 2009 in *Endocrine Practice* (2009;15(3):203-212). Partners in this study were St. Luke's Internal Medicine Associates, St. Luke's Endocrinology Associates, Whiteside Institute for Clinical Research, University of Minnesota Medical School Duluth and the Department of Mathematics and Statistics at the University of Minnesota Duluth.



Chequamegon Clinic Lab Receives COLA Commendation

Chequamegon Clinic was honored with the Laboratory Excellence Award from COLA, the highest commendation given by the national health care accreditation organization. In addition, the Chequamegon Clinic laboratory received reaccreditation as a result of its long-term commitment to providing quality service.



Nursing Units Implement Bedside Shift Reporting

St. Luke's began rolling out bedside shift reporting, a national concept shown to increase patient satisfaction, improve patient outcomes and enhance teamwork. Using this approach, the handoff communication between nurses takes place in the patient's room, providing better patient care and increasing staff efficiency.



Professionally Assisted Customized Exercise (PACE) Program

St. Luke's medical fitness center launched the Professionally Assisted Customized Exercise (PACE) program for independently functioning adults with pacemakers, peripheral artery disease, heart failure, diabetes, osteoporosis, depression, post-cancer recovery needs, weight management goals and other chronic medical conditions.



Rooftop Garden Receives Media Attention

St. Luke's rooftop vegetable garden, part of a long-term goal to include homegrown vegetables in patient and cafeteria meal offerings, caught the attention of two environmentally focused organizations: the HealthCare Environmental Awareness and Resource Reduction Team (HEARRT) and the Renewing the Countryside Project. To read about the rooftop garden, visit <http://communityofaplate09.wordpress.com>.



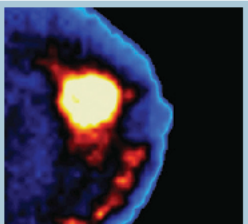
A Matter of Balance Fall Prevention Program

A Matter of Balance, a nationwide fall prevention program, was introduced at St. Luke's to help prevent falls among older adults with a history or fear of falls or anyone concerned about falls. The program offers practical ways to manage falls and increase activity levels, strength, flexibility and balance.



St. Luke's Pharmacy Offers Medication Management Services

St. Luke's Pharmacy launched Medication Therapy Management (MTM), a new service for employees and their covered dependents. The goal of MTM is to help participants get the best results for their medical condition by following a personalized drug therapy plan.



Breast-Specific Gamma Imaging at St. Luke's Breast Center

St. Luke's Breast Center introduced Breast-Specific Gamma Imaging (BSGI), an advanced approach to diagnosing benign and malignant masses. The BSGI apparatus, developed by Dilon Technologies, can detect early stage cancers and has the potential to reduce the number of unnecessary biopsies.



St. Luke's Achieves Gold Performance Hospital for Heart Failure

As part of its Get with the Guidelines-Heart Failure Recognition Program, the American Heart Association (AHA) honored St. Luke's with a Gold Performance Hospital for Heart Failure award for the treatment of cardiac and stroke patients. St. Luke's was featured in *US News and World Report's* "America's Best Hospitals" issue and will be honored at the AHA's 2010 Scientific Sessions in Chicago. St. Luke's is the first hospital in Minnesota to achieve this status.



Laurentian Medical Clinic Moves to New Facility

Laurentian Medical Clinic relocated to a brand-new facility in Mountain Iron, expanding its family medicine services to include laboratory, physical and occupational therapy, and radiology.



Big Red Bookshelf at St. Luke's Pediatric Associates

St. Luke's Pediatric Associates is now home to Big Red Bookshelf, part of an early childhood literacy effort coordinated by the United Way's Early Literacy Coalition. The brightly colored shelves are placed at key locations throughout the community, giving children and parents access to free new and gently used books. St. Luke's Big Red Bookshelf was created by Duluth Skyline Rotary and is filled with books donated by Barnes & Noble Booksellers, Holiday Book Drive, *Lake Superior Magazine* and Congdon Park Foundation. The bookshelf is maintained by the Duluth Noon Optimist Club.



Hibbing Family Medical Clinic Receives Rec accreditation

Hibbing Family Medical Clinic received reaccreditation from the American College of Radiology for achieving high practice standards for mammography service. Evaluations were conducted by board-certified physicians and medical physicists and were based on the qualifications of the staff and quality of facility equipment.



P.S. Rudie Lab Receives Accreditation

P.S. Rudie Medical Clinic received Laboratory Accreditation by COLA, a national health care accreditation organization. Accreditation is given only to labs that apply rigid standards of quality in day-to-day operations, demonstrate continued accuracy in performance of proficiency testing, and pass a rigorous on-site laboratory survey.

New Physicians

Many new physicians joined the St. Luke's team in 2009, expanding our services and increasing access to expert medical care throughout our region.



Derrick Aipoalani, DO
St. Luke's Endocrinology
Associates



Daniel Billman, MD
St. Luke's Pediatric
Associates



Andrew Broadmoore, MD
Denfeld Medical Clinic



Wade Kubat, DO
St. Luke's Plastic Surgery
Associates



Deborah Kyes, MD
St. Luke's Duluth
Internal Medicine Associates



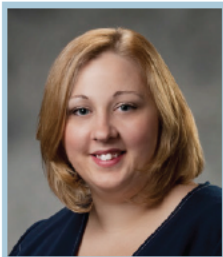
Diane McCaffrey, MD
St. Luke's Anesthesia
Associates



Disha Mookherjee, MD
St. Luke's Cardiology
Associates



Thomas Opheim, MD
St. Luke's Internal Medicine
Associates



Gratia Pitcher, MD
St. Luke's Internal Medicine
Associates



Nate Schoepach, MD
Chequamegon Clinic



Brett Shepard, MD, PhD
St. Luke's Infectious Disease
Associates



Porur Somasundaram, MD
St. Luke's Cardiology
Associates



Anne Sullivan, MD
St. Luke's Orthopedics



Kara Underwood, MD
Mount Royal Medical Clinic



John Watkins, MD
St. Luke's Orthopedics



Marshall Watson, MD
St. Luke's Neurosurgery
Associates

Leadership

BOARD OF DIRECTORS MAY 2009-MAY 2010

Gail Baldwin, MD
Ray Christensen, MD
Marlene David
Mark Emmel, *Treasurer*
Susan Goltz, MD, *Secretary*
Melinda Machones, *Chair*
Dale Moe, *Vice Chair*
Kathleen Nelson, *EdD*
Del Prevost
Brian Ryks
Steven Scignoli, *Past Chair*
Peter Stephenson
Kristi Stokes
Bill Ulland

EXECUTIVE TEAM

John Strange
President and Chief Executive Officer

Sandra Barkley
Vice President of Clinics

Ron Franzen
Vice President of Support Services

Jo Ann Hoag
Vice President of Network Development
Chief Nursing Officer

James Wuellner
Vice President of Finance
Chief Financial Officer

Gary Peterson, MD
Vice President of Medical Affairs
Chief Medical Officer

Brian Carlson
Vice President and CEO
of Lake View Memorial Hospital in Two Harbors

2009 MEDICAL STAFF ORGANIZATION

Mark A. Monte, MD
Chief of Staff

Paul Sanford, MD
Chief of Staff Elect

Stephen Hadley, MD
Secretary

Gary Peterson, MD
Chief Medical Officer

2009 MEDICAL DEPARTMENT CHAIRS

Brian Bergeron, MD
Emergency Medicine

Mary Boylan, MD
Surgery

David Kirby, MD
Family Medicine

Timothy Kleinschmidt, MD
Medicine

Maria Kundel, MD
Pediatrics

Elisabeth Revoir, MD
OB/GYN

Tracy Tomac, MD
Psychiatry

Services

MEDICAL & SURGICAL SERVICES

Acute Renal Dialysis
Allergy and Immunology
Anesthesiology
Cardiology
Cardiothoracic Surgery
Colorectal Surgery
Dermatology
Emergency Medicine/Trauma Care
Endocrinology
Family Medicine
Gastroenterology
General Surgery
Infectious Disease
Internal Medicine
LASIK Surgery
Mental Health
Nephrology
Neurology
Neurosurgery
Obstetrics/Gynecology
Occupational Medicine
Oncology/Hematology
Ophthalmology
Oral and Maxillofacial Surgery
Orthopedic Surgery
Otolaryngology
Pathology
Pediatrics
Physical Medicine and Rehabilitation
Plastic Surgery
Podiatry
Pulmonary Medicine
Radiation Oncology
Radiology
Rheumatology
Sports Medicine
Urology
Vascular Surgery
VATS (*Video Assisted Thoracoscopic Surgery*)
Weight Loss Essentials (*Medical and Surgical*)

DIAGNOSTIC & THERAPEUTIC SERVICES

Anticoagulation Clinic
Biofeedback/Neurofeedback
Breast Center
Capsule Endoscopy
Cardiac Angioplasty
Cardiac Diagnostics
Cardiac Rehabilitation
Chemotherapy
Coronary CT (*Computed Tomography*)
Angiography
CT (*Computed Tomography*) Scanning
Diabetes Care
Electrophysiology
Endoscopic Vein Harvesting
Endoscopy/Proctoscopy/Colonoscopy
EECP® (*Enhanced External Counterpulsation*)
Guided Imagery
Hand Therapy
Infusion Therapy
IMRT (*Intensity-Modulated Radiation Therapy*)
Laboratory
Lithotripsy
Lymphedema Services
Mammography (*Digital and BSGI*)
Mental Health
MRI (*Magnetic Resonance Imaging*)
Neurological Screening/Diagnostics
Neuromuscular Electrical Stimulation (*NMES*)
Nutrition Counseling
Occupational Therapy (*Adult and Pediatric*)
Osteoporosis Screening
(*DEXA Scan and Heel Ultrasound*)
Ostomy/Continence/Wound Care
Pain Management
PET (*Positron Emission Tomography*) Imaging
Pharmacy
Physical Therapy (*Adult and Pediatric*)
Psychological Services
Pulmonary Rehabilitation
Radiation Therapy
Radio-Frequency Ablation
Radiology

DIAGNOSTIC & THERAPEUTIC SERVICES (continued)

Rehabilitation (*Inpatient and Outpatient*)
Respiratory Therapy
Saebo Rehabilitation
(for stroke/neurological injury)
Sleep Disorders Center
Speech Therapy (*Adult and Pediatric*)
Stereotactic Radiosurgery
Stroke Program
TMJ Services
Ultrasound
Vascular Services
Vestibular Rehabilitation Therapy
Vision Rehabilitation Program
VNUS Closure for Varicose Veins

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COMMUNITY & REGIONAL SERVICES

Childbirth Education
Child Car Seat Safety Clinics (*Partners: Duluth
Fire Department and Northland's NewsCenter*)
Clinical Experience Affiliations
Community Health Education
Continuing Education Programs
(*Health Professionals, Physicians and EMS*)
CPR Training
Diabetes Education
Employee Assistance Program
Fall Prevention Program
Family Practice Residency Program
(*Joint Sponsorship*)
First Aid Classes
Home Health Care
Home Telemonitoring
Hospice Duluth®
I Can Cope
Injury Prevention Programs
(*TraumaRoo, EN CARE, Think First*)
Kids Can Cope
Life Link III Air Medical Transport
Medical Home
Outpatient Surgery Center
at Mariner Medical Clinic

Outreach Education
Pavilion Surgery Center
Physician Outreach Education
Physical Therapy & Fitness Center
(*Partners: Mount Royal Pines and St. Ann's
Residence, Duluth, MN; William Kelly High
School, Silver Bay, MN*)
Pilates
St. Luke's Driving Evaluation and Training Program
St. Luke's International Travel Health Center
St. Luke's Plastic Surgery Associates
Speaker's Bureau
Support Groups
Whiteside Institute for Clinical Research

FAMILY MEDICINE

Bay Area Medical Clinic, Silver Bay, MN
Chequamegon Clinic, Ashland, WI
Denfeld Medical Clinic, Duluth, MN
Hibbing Family Medical Clinic, Hibbing, MN
Laurentian Medical Clinic, Mountain Iron, MN
Lester River Medical Clinic, Duluth, MN
Mariner Medical Clinic, Superior, WI
Miller Creek Medical Clinic, Hermantown, MN
Mount Royal Medical Clinic, Duluth, MN
P.S. Rudie Medical Clinic, Duluth, MN

SPECIALTY CARE

All specialty clinics are located in Duluth, Minnesota. Many of the specialists visit St. Luke's primary care clinics on a consulting basis.

- St. Luke's Allergy & Immunology Associates
- St. Luke's Anesthesia Associates
- St. Luke's Cardiology Associates
- St. Luke's Cardiothoracic Surgery Associates
- St. Luke's Dermatology Associates
- St. Luke's Duluth Internal Medicine Associates
- St. Luke's Emergency Services
- St. Luke's Endocrinology Associates
- St. Luke's Gastroenterology Associates
- St. Luke's Infectious Disease Associates
- St. Luke's Internal Medicine Associates
- St. Luke's Neurosurgery Associates
- St. Luke's Occupational Health Clinic
- St. Luke's Oncology & Hematology Associates
- St. Luke's Orthopedics
- St. Luke's Pavilion Surgical Associates
- St. Luke's Pediatric Associates
- St. Luke's Physical Medicine & Rehab Associates
- St. Luke's Plastic Surgery Associates
- St. Luke's Psychiatry Associates
- St. Luke's Pulmonary Medicine Associates
- St. Luke's Radiation Oncology Associates
- St. Luke's Rheumatology Associates
- St. Luke's Surgical Associates
- St. Luke's Urology Associates

URGENT CARE

For the treatment of minor, but urgent, injuries and illnesses.

Locations:

- St. Luke's Hospital, Duluth, MN
- Denfeld Medical Clinic, Duluth, MN
- Mariner Medical Clinic, Superior, WI
- Miller Creek Medical Clinic, Hermantown, MN

Q CARE, ST. LUKE'S EXPRESS CLINIC

Located in Duluth Cub Foods, Q Care provides people of all ages access to convenient, walk-in care for minor health concerns. A physician assistant or nurse practitioner diagnoses and prescribes treatment for common health concerns. Q Care also offers some on-site lab testing.

Financials

SUMMARY OF REVENUES (in thousands)

| | |
|-------------------------------------|-----------|
| Revenues from Patients/Others | \$646,104 |
| Deductions from Revenues | \$344,361 |
| Total Revenues Received | \$301,743 |

SUMMARY OF REVENUE USES (in thousands)

| | |
|---|-----------|
| Salaries and Benefits | \$178,969 |
| Interest | \$3,946 |
| Other Operating Expenses..... | \$102,104 |
| Capital Equipment Purchases and Debt Repayment..... | \$16,724 |
| Total Revenue Uses | \$301,743 |

2009 STATISTICAL HIGHLIGHTS

| | |
|-------------------------------------|---------|
| Admissions | 12,582 |
| Births..... | 1,024 |
| Patient Days | 49,518 |
| Emergency/Urgent Care Visits | 61,504 |
| Outpatient Registrations..... | 159,000 |
| Occupancy Percentage | 50.8% |
| Number of Surgeries..... | 9,995 |
| Home Health and Hospice Visits..... | 17,274 |
| Clinic Visits | 438,914 |