

▶ **Clinical Excellence**



▶ **Market Growth**



▶ **Financial Strength**



United *Health Services*

Embracing a new era

2007 ANNUAL REPORT

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Our Mission

United Health Services is a comprehensive regional health care system whose mission is to improve the health of those we serve through our commitment to excellence in all that we do.

Our Vision

By 2011, United Health Services will be a tightly integrated health care system recognized as a leading provider of health care services in our region, distinguished for superior quality in clinical care and service.

Our Values

- Caring
- Service
- Partnership
- Learning
- Integrity
- Respect
- Stewardship

Embracing a shared vision



MATTHEW J. SALANGER
President and Chief Executive Officer
United Health Services



MICHAEL SCULLARD
Chairman, Board of Directors
United Health Services

Within the past few months, we at United Health Services have embarked on one of the most ambitious endeavors in our history – a transformation of our organization from a collection of member and affiliate institutions into a closely knit system of health care services, sharing one vision, one purpose and one culture.

Our board members and management team have embraced a new, three-year strategic plan that seeks to break down barriers between system members, so that all components of our system can work more smoothly toward common goals. This will transition us from past approaches of coordinating a wide variety of member strategies, to United Health Services now deploying all of our resources with a single-minded passion to be the best.

Today, hospitals, nursing homes, clinics and physician practices are under closer observation than ever before. Consumers have access to

more information than ever, and are using it to make the key medical decisions of their lives. That's why it is so important for us to never lose sight of our commitment to quality. All of us in the health care field will provide our patients with the best in care when we stay true to our original reasons for choosing health care as our life's work.

As we move forward as a system, it is clear that our focus must be on three main goals:

- Clinical Excellence
- Market Growth
- Financial Strength

They are the backbone of the future of health care, not just for us, but for hospitals and other health networks and organizations across the country. By focusing on our clinical, market and financial priorities, we will ensure our success today and our viability tomorrow.

Our vision is a bold one. By 2011, we seek to be a tightly integrated

system, recognized by our patients, physicians and community as a leading provider of health services in our region, widely known and distinguished for the superior quality of our clinical capabilities.

Throughout 2007, our organization's leaders worked hard to help us get started in that direction. We sought to improve patient access to services, expand computer technology to better manage each patient's visit with us, and become proficient in the use of the latest clinical advances and most compassionate methods of care to enhance the total patient experience.

We are moving away from simple methodical growth toward a team approach that features a sharp focus, high expectations and results that are measurable. We believe that everyone on our team has the power to make a difference, and that everyone in our region will ultimately benefit from the renewed passion we will bring to the art of healing.

Advances for a new era



When CyberKnife cancer-fighting technology was first introduced three years ago, it was used to treat only tumors of the brain and spinal cord. But by 2007, teams on our Wilson Medical Center campus began using this most advanced form of stereotactic radiosurgery to zero in on prostate cancer as well.

The new prostate option is virtually non-invasive and no hospitalization is necessary. There is little or no recovery time, and a patient can resume normal activities right away. Most importantly, there is less chance of life-altering side effects.

New technologies

The cutting-edge CyberKnife Center of New York at Wilson Medical Center is just one example of the exciting new technologies available in our region today, thanks to the foresight and commitment of United Health Services and its physician partners. It shows what can be done in health care with the right com-

bination of resources, skills and equipment, and a willingness to work together.

Throughout 2007, United Health Services added many other high-tech advances designed to improve safety, comfort and medical outcomes.

Neurosurgeons performed the region's first artificial cervical disc replacement surgery, just the latest step in a number of revolutionary advances in the treatment of degenerative disc disease.

And vascular surgery at United Health Services has advanced with the addition of a procedure that treats a thoracic aneurysm, a potentially fatal bulge in a major artery near the heart. Surgeons and interventional radiologists use computer-guided technology to insert a woven graft into the bulge, preventing rupture.

Not all developments occurred in the surgical realm, however. Advances that often mean the most to patients are the ones improving the quality of the nursing, medication, imaging and recordkeeping services they receive.

The organization continued a move to maintain all patient records electronically so that they can be protected from damage and accessed more quickly. The goal is to provide seamless recordkeeping in all settings, from a doctor's office to the operating room.

The Picture Archiving and Communication System is revolutionizing diagnostic imaging, taking a digital approach to the storage and retrieval of patient X-rays and speeding diagnosis of serious illnesses and injuries.

The administration of medicine to patients made a major stride during 2007, as the use of special wristbands with electronic checkers at the bedside and robotic drug dispensing in the pharmacy was expanded to all inpatient and ambulatory units at United Health Services Hospitals. Nurses today also use portable bedside computers to instantly record each patient's medical history and vital signs.

A positive effect

These are just a few of the clinical advances that have over the past year brought United Health Services to the next level of leadership in inpatient, outpatient, long-term and home care.

But, as is often the case, a simple improvement in a medical device can have the most positive effect on a person's life.

During the space shuttle Discovery's voyage in October, Professional Home Care provided a newly enhanced type of portable oxygen unit that allowed astronaut Douglas Wheelock's dad, Olin, to attend his son's liftoff from Florida.

Said a thrilled Olin Wheelock: "The Space Age technology of your new oxygen concentrator is what made it possible for me to travel to Cape Canaveral for the launch of a lifetime."

Neurosurgeons performed the region's first artificial cervical disc replacement surgery, just the latest step in a number of revolutionary advances in the treatment of degenerative disc disease.



Excellence with a shared vision

Renaë Sarnoski, a physical therapist with Twin Tier Home Health, was caring for a homebound patient when she noticed that the outdoor carpet on the person's front steps was tattered and posed a tripping hazard. The elderly client had not been able to find anyone to do the repair.

So Renaë returned later, tools in hand, and replaced the carpet. It seems she's very handy like that. She also replaced a mailbox for another client when she learned that the old one was falling apart.

Personal attention

Quality service is about advanced medicine and leading-edge technology, but it is about sharing a vision for heartfelt, personal attention as well. Outstanding work by highly trained professionals who also care about what people are really going through is not the exception at United Health Services, it's the rule.

During 2007, our efforts to provide patients with the best in care and service received wide recognition. For the second year in a row, we were named one of the top 100 cardiovascular hospitals in the United States — one of only two facilities in New York listed among the nation's "Top 100" heart hospitals by Thomson Healthcare.

The annual Thomson award is based on a hospital's performance in treating congestive heart failure and heart attacks. The names of the 2007 winners appeared in the Nov. 19 issue of *Modern Healthcare*, a leading national magazine for the health care field.

During the year there was especially good news for people who arrived at our Wilson emergency





room with heart blockages. Those in need of balloon angioplasty received treatment faster than the time recommended by national guidelines, according to statistics released at the end of the year.

The American Heart Association and the American College of Cardiology state that hospitals should achieve a “door-to-balloon” time of no more than 90 minutes. As of December 2007, all patients who came to Wilson with a heart attack caused by blockage underwent angioplasty in less than 90 minutes.



This new achievement placed United Health Services among the nation’s leading medical centers. According to a study published by the National Heart, Lung and Blood Institute, only 35 percent of hospitals reported an average time of 90 minutes or less, with 48 percent clocking 91 to 120 minutes.

And the people who provide cancer care at United Health Services received high marks as well. The American College of Surgeons’ Commission on Cancer granted our cancer program three-year approval with commendation.

Only 40 percent of applying organizations in New York State receive the coveted “with commendation” status. In this demanding evaluation, United Health Services physicians and staff received especially high praise for such measures as prevention, early detection and adherence to quality guidelines in treating patients.

Also on the cancer front in 2007, James Hayes, M.D., was selected as one of the top cancer liaison physicians in the United States, receiving the Commission on Cancer’s 2006 *Cancer Liaison Physician Outstanding Performance Award*.

Dr. Hayes, medical director of Special Medical Projects and liaison physician with the cancer program at United Health Services Hospitals, was honored as a champion for patients and a role model for other doctors and staff. He is described as the driving force behind every recent success of the oncology program, changing the way medical teams at the Hospitals care for cancer patients.

We were recognized for our quality in home-based care as well. Twin Tier Home Health was ranked among the top 10 percent of home care agencies in the United States. For the second year in a row, Twin Tier received a *HomeCare Elite Award*, based on an evaluation by Outcome Concept Systems, a national quality reporting agency that recognizes home health care providers.

The ranking measures Medicare-certified agencies like Twin Tier on the basis of quality outcomes, quality improvement and financial performance, according to the Outcome agency and DecisionHealth, publisher of the nationally respected *Home Health Line* newsletter.

Understanding needs

Our commitment to quality means using our training, skill and teamwork to do what is best for the patient. It also means understanding patients’ needs at the most fundamental level, and encouraging them in the healing process.

This is perhaps best summed up in the words of Kimberly Cosilmon, a muscular dystrophy patient who underwent a difficult but ultimately successful rehabilitation after breaking her leg. Ms. Cosilmon, an Ideal Home Care client, commended her therapist, Brian Shive, for his patience, compassion and willingness to give her the nudge of support she needed. “It was very tough going, and often I wanted to give up on it,” she said. “But Brian never gave up on me.”

Preparing today for a new era



In one of our most ambitious endeavors, in 2007 we began the process of bringing together the two largest members of our system — United Health Services Hospitals and United Medical Associates — under a common umbrella.

The future of health care seems unpredictable. While Americans are living longer, healthier lives, it is also true that heart disease, cancer, diabetes and AIDS continue to be major medical problems with which our society must cope.

And while advances in medicine, surgery and rehabilitation are giving people more treatment options than ever before, it's also a fact that hospitals, employers and patients must continue to wrestle with the high cost of care. Both the challenges and opportunities for those coping with illness and those seeking to combat it are great.

A three-year plan

One of United Health Services' top priorities in 2007 was to plan ahead for these challenges and opportunities. One of our most significant accomplishments was the development of a new

mission, vision and three-year strategic plan.

As we seek to be the leading provider of health care services in our region, we want patients to have such a great experience with us that they choose us again for care, whenever the need arises. To achieve this, we reinvigorated our efforts to improve patient access to convenient care, enhance the patient experience so that it exceeds people's expectations and expand the range of programs and services we offer throughout the Southern Tier.

In 2007 the people of Tioga County welcomed their community's first urgent-care center when we opened the Owego Walk-in. This facility means that Tioga area residents do not have to make a long-distance trip to find a doctor in the evening or on weekends.

At Delaware Valley Hospital, projects during 2007 included the opening of a Physical Therapy and Visiting Specialists' Center, as well as the launch of construction on a new, \$7.5 million Emergency Room and Imaging Center. The project will increase the size of the emergency facility from 1,100 to 6,600 square feet, creating a center that will feature seven beds and five enclosed treatment areas.

At Chenango Memorial Hospital, the Foundation launched a campaign to raise money for the modernization of a major portion of the facility. The project will renovate the inpatient medical/surgical unit on the third floor, complete with an upgraded nurses' station and new lighting.

United Health Services became a more familiar brand name in the Elmira area during 2007 when

Professional Home Care opened a new office in Campbell, N.Y., centrally located to provide clinical infusion and respiratory services as well as durable medical equipment to clients in the Chemung County area.

In one of our most ambitious endeavors, in 2007 we began the process of bringing together the two largest members of our system — United Health Services Hospitals and United Medical Associates — under a common umbrella. We submitted a plan to the New York State Department of Health to allow these two organizations to work much closer together. We have combined the Human Resources divisions of both organizations and are working on the next step — the smooth integration of the entire workforce and network of primary care and specialty offices.

This will allow our physicians and our hospitals to function with a common vision and furnish much more coordinated care. In addition, the consolidation will help us make more efficient decisions about the development of primary care sites and the location of ancillary services such as pharmacy and laboratory. One of the key goals of this integration is the improvement of patient access to the services upon which they often depend.

Also during the year, we followed through on our commitment to find over \$3.8 million in potential non-labor-related cost savings at United Health Services Hospitals.

Working with the Wellspring financial advisors, our cost-savings teams identified more than \$5 million in potential expense reductions, in areas such as supplies, pharmaceuticals, laboratory procedures



and environmental services. By year end, they had implemented many of these measures to cut expenses by tens of thousands of dollars, all without reducing quality of care.

Making a connection

Throughout the year, we continued our efforts to anticipate people's needs, both those of today and those of the future. With the help of grants and the cooperation of many community partners, we expanded our asthma education program for children, an initiative to encourage kids to eat healthy meals in their school cafeterias, a school-based health program and our efforts to help people of all ages quit smoking.

And many of our endeavors were recognized for their innovation and their success in connecting with real people facing real health concerns. For example, we were featured in

"Connecting with Communities," a book published by the Healthcare Association of New York State, which praised Delaware Valley Hospital's prescription delivery service that is so popular with rural residents.

In describing the program, the book noted: "Over the past decade, more than 10,000 prescriptions have been delivered. The goodwill this has generated has come back to the hospital over and over again."



Accomplishments

A few of the major achievements and recognitions for which United Health Services was noted during 2007



► Venturing beyond

The CyberKnife Center of New York performed many treatments during the year, including new procedures in areas of the body such as the bladder, lungs and prostate. Originally developed to target previously inoperable brain tumors, this revolutionary form of stereotactic radiosurgery can be used now against cancer in most parts of the body. CyberKnife surgery is painless, requires no incision and does not harm adjacent tissue.

► Revolutionizing a test

While the stress test still has its place in diagnosing heart conditions, cardiologists now use highly sophisticated imaging equipment to look for coronary blockages. They employ a less-invasive procedure that takes less time than a stress test and is more accurate. Purchased in 2006, the region's first 64-slice computed tomography scanner, capturing detailed images in just a few seconds, saw its first full year of use in 2007.

► School-based support

The state announced grants in 2007 to health care institutions that operate school-based health care centers for children. Chenango Memorial Hospital received \$150,754 of the \$3.2 million offered by the grant program.

► Lauded for care

Two members of the United Health Services Hospitals medical staff received a top award from the New York Chapter of the American College of Physicians. Frank Floyd, M.D., and Robert Michaels, M.D., were honored with the chapter's 2007 Laureate Award, two of only seven physicians statewide to receive the honor. Both doctors are fellows of the American College of Physicians.

► A first for the region

Neurosurgeon Saeed Bajwa, M.D., performed the region's first artificial cervical disc replacement surgery. Previously, patients with cervical disc problems underwent an operation to fuse vertebrae, resulting in limited movement. Artificial discs allow for greater freedom of movement and more normal function of the spine. In addition, three spine surgeons participated in a clinical study into the effectiveness of a new implant that helps patients with lower-back and leg pain.

► Three-dimensional view

A new technology most often used in the diagnosis of facial or spinal abnormalities became available in Radiology for three-dimensional prenatal ultrasound. The ultrasound provides a 3D image of a fetus, offering an in-depth look not found in traditional 2D scans.



3D prenatal ultrasound



64-slice CT scanner

► A 'Celebrity' model

The story of Ideal Senior Living Center's development of its Red Carpet warm welcomes program for residents and staff was featured in a book by author and lecturer Donna Cutting. Ideal is one of the companies appearing in *"The Celebrity Experience: Insider Secrets to Delivering Red-Carpet Service,"* a work designed to help companies improve customer service by following the examples of Hollywood service businesses and "regular organizations" like Ideal.



► Praised by employees

Once again our employees placed the organization among the top health care systems in the country in employee satisfaction. In the 2007 employee opinion survey, we scored in the 90th percentile among comparably sized hospital systems nationwide. A majority of staff responded that they "like it a lot" or "love it" at United Health Services. Matt Salanger, president and CEO, said, "The high score is a tribute to the devotion to teamwork and excellence that is so evident by our people across the system." Eighty-five per cent of employees took the survey, a far better showing than the national average of 58 percent.



Financial summary

Working with Wellspring financial advisors, in 2007 our cost savings teams identified more than \$5.5 million in potential expense reductions. By year end, they had implemented many of these measures to cut expenses without reducing quality of care.

2007 Highlights (all figures in thousands)

Operating Revenues

Inpatient Services	\$ 198,900
Outpatient Services	270,200
Long-term Care (ECF)	17,100
Home Health Care	14,500
Other Operating Revenue & Non-Operating Revenue	20,800
TOTAL	\$ 521,500

Operating Expenses

Salaries	\$ 222,200
Supplies & Services	179,600
Employee Benefits	62,700
Provision for Bad Debts	26,100
Interest	5,400
Depreciation & Amortization	20,500
TOTAL	\$ 516,500

Net Surplus	\$ 5,000
Net Uncompensated & Charity Care	\$ 29,100

* The information here is based on preliminary financial drafts for United Health Services, Inc. and Affiliates for the year 2007. Final numbers are not expected to change materially.

As a not-for-profit health care organization, United Health Services seeks to manage all of its resources wisely and effectively, maintaining fiscal strength to prepare for the challenges and opportunities of the years ahead.

The organization finished 2007 with a financial surplus, increased the dollar amount of its community benefit and renewed its commitment to sound fiscal planning for 2008 and beyond.

The system posted a net surplus of \$5 million on revenues of \$522 million, a positive performance given an increasingly difficult economic and regulatory environment.

Inpatient services generated \$199 million, while outpatient care furnished \$270 million and other services brought in \$52 million. Total expenses were held to \$517 million.

At the same time, the hospital, skilled nursing, home, long-term and medical service organizations that make up the system provided the Southern Tier of New York with a record contribution in uncompensated care, standing at a total of \$29.1 million.

This figure includes charity care, volunteerism and subsidization of services that save lives but are nonetheless operated at a loss.

Every year since 1992, United Health Services has submitted a community benefit report to the New York State Department of Health. It reveals that the system's commitment to the people of its region has grown by 14 percent per year over a 15-year period.

As we move forward toward our goals of clinical excellence, market growth and financial strength, the principles of financial stewardship that have guided us since our incorporation in 1981 will remain the reality that fulfills the promise and potential of our vision.

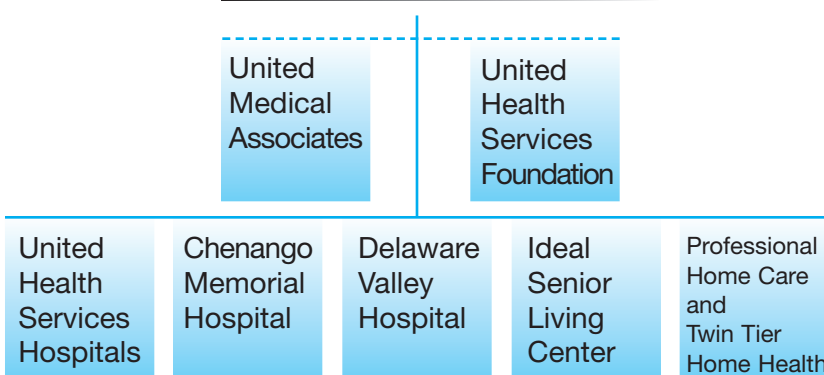
Serving our community



Service Overview

United Health Services is a comprehensive health care system founded in 1981. In addition to its regional medical center, the system also includes three community hospitals, a physician network, family health centers, specialty care programs and services, home health and long-term care services and other health-related agencies. The entire United Health Services system exists to improve our community's health status and meet its residents' health care needs.

UnitedHealth Services



Community Service

United Health Services employees, family and friends turned out in record strength in 2007 to spread the word and walk the tracks in the battle against deadly diseases in the community and across the nation. Enthusiastic walkers, such as the United Health Services "seUHSville" team, *top photo*, raised over \$15,750 last year for the American Cancer Society's Relay for Life. As the Signature Sponsor of the 2007 Southern Tier Heart Walk, United Health Services employees, like those shown in the *bottom photo*, raised over \$27,000. Other charity events employees participated in and raised funds for included: United Way's Day of Caring, March of Dimes' WalkAmerica, MS Walk, Diabetes Walk, AIDS Walk, Making Strides Against Breast Cancer, Livestrong Challenge and the Leukemia Society's Light the Night Walk. Employees also staffed community health screenings during the year.

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– Matthew J. Salanger, FACHE
President and Chief Executive Officer
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