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Our vision

2012 annual report

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HEALTH

At Novant Health, good conversation is just the beginning

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Our leadership

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Committed to remarkable

At Novant Health, we are committed to delivering a remarkable patient experience throughout our health system. To do this, all 24,000 of our employees have worked hard to deliver on our vision.



Diabetes “search and rescue” mission changes 5,000 lives

Novant Health program draws national attention

Recognizing that diabetes has become an alarming health epidemic nationwide, Novant Health confronted this challenge with an aggressive early diabetes diagnosis and education program, “search and rescue.”

Patients admitted to our hospitals for any reason – except in maternity where gestational diabetes risk is already closely monitored – receive a hemoglobin A1C test. A1C, which measures average blood-sugar levels over three months, is more convenient for patients because it does not require fasting, plus blood can be drawn at any time of the day. Those whose measures are 6.5 or greater are alerted that they may have the disease, and their primary care physicians are notified of the test results.

Originally conceived as a pilot in September 2010, the program expanded so that in 2012 all medical centers participated. Since inception, Novant Health has found more than 5,000 people previously undiagnosed with type 2 diabetes, some with blood sugar levels so high they needed immediate attention before they left the hospital.

Such widespread testing is rare, but Novant Health understands the importance of early detection.

One in three American adults is at risk for developing type 2 diabetes, yet many do not realize it because the debilitating, potentially deadly disease often shows few early symptoms. Testing enables us to find and treat diabetes before

complications occur and to find and treat pre-diabetes, which can delay or prevent type 2 diabetes.

In addition to testing, Novant Health diabetes educators provide aggressive follow-up to overcome the tendency to minimize or ignore early warning signs of diabetes.

The “search and rescue” program is so timely with today’s unprecedented diabetes epidemic it made headlines in 2012 when it was featured in *The Wall Street Journal*.

After months of interviews with physicians, diabetes educators and patients, the program was featured on the front page of the newspaper’s “Personal Journal” section with a

second story leading *The WSJ Health Blog*. The articles captured both inpatient and outpatient components of the program, including detecting diabetes early and counseling patients on how to make lifestyle changes to avoid devastating complications.

The Novant Health “search and rescue” mission represents transformation driven by the changing healthcare environment as hospitals nationwide transition to a preventive care model. More importantly for Novant Health, it signifies an innovative, strategic step in our efforts to transform the patient experience and deliver remarkable care.

Novant Health physician clinics: Improving access to remarkable care



Patients gain fast, secure access to medical records, doctors

Novant Health staff have been working on an electronic revolution that will transform every aspect of care, and Novant Health physician clinics are leading the way. To date, approximately 97 percent of the organization's physician clinics have transitioned to the new practice management system, known as Dimensions. Eighty-two percent have converted to the electronic health records (EHR) system. All of the physician practices will convert to the EHR by the end of 2013, bringing our health system one step closer to our ultimate goal: to make healthcare remarkable.

The implementation of Dimensions is the most comprehensive, complex and expensive project in our health system's history. But Novant Health, along with our physician partners,

recognizes that creating a seamless system is the right thing to do for our patients because it increases safety while improving efficiency – two primary underpinnings of the work we do.

The benefits of Dimensions are already apparent with improved patient care as a result of providers having more complete and up-to-date information. Clinics are seeing faster patient registration, a streamlined workflow, easy access to each patient's comprehensive medical information, and the ability for healthcare providers to quickly share medical records and coordinate patient care.

Through the use of an EHR, we made still more advances in 2012 by introducing the community to the

online MyChart. With MyChart, patients, their doctors and Novant Health can share, track, communicate and catalog health-related information such as appointments, prescriptions and laboratory test results in a secure electronic environment. More than 145,000 patients have already signed up for MyChart as part of the Dimensions project.

The next step is implementing EHR across all of our hospital facilities. Novant Health Presbyterian Medical Center is scheduled to be the first Novant Health hospital to use the new system in the fourth quarter of 2013.

As our physician practices bring new capabilities online, more are working hard to improve timely access to care for our patients through patient-centered medical homes (PCMH), and

they are gaining national recognition for their efforts. PCMH is a team-based model of care led by a primary care physician who provides continuous and coordinated care throughout a patient's lifetime to maximize health outcomes. Novant Health now has 108 physician clinics that have been designated by the National Committee for Quality Assurance (NCQA) as a patient-centered medical home.

Our physician partners' involvement and support of EHR and new models of care such as PCMH are essential to delivering a remarkable healthcare experience to our patients.

Big things are happening at Novant Health, and we want everyone to know we are changing. We are transforming healthcare by making it simpler, easier and more convenient. That journey starts with Novant Health.



Growing to meet our patients' needs

Construction projects and partnerships take shape to expand remarkable care for patients

One reason Novant Health continues to achieve our mission to improve the health of communities is because we recognize the importance of having care that is easier to access and understand, close to home. We are passionate about delivering the highest quality of care and a remarkable experience for our patients, right in their own communities. This approach has never been more evident than it is today with the tremendous growth and expansion taking place across our system.

We have a number of construction and growth projects that will create new opportunities to better serve our patients and provide the highest level of care possible. From new hospital designs to strategic partnerships with other health systems, Novant Health prioritizes the development of

healthcare facilities and alliances that aid in easy access for patients and excellence.

Recently completed initiatives and those underway include the following:

- **Novant Health Huntersville Medical Center** celebrated a \$26 million expansion in September 2012 – three months ahead of schedule. The project added 55,000 square feet and 15 new beds, bringing the total bed count to 75. It also features a new intensive care unit and extra room for women's support services.
- **Novant Health Clemmons Medical Center** opened a 38,000-square-foot facility in April 2013. It provides expanded care with an emergency department, state-of-the-art outpatient surgery center and comprehensive imaging services.

The \$28 million project is the first phase toward a 50-bed hospital in 2017.

- **Novant Health Matthews Medical Center** started work on a \$17 million expansion of its fifth floor, the hospital's first major project since opening 18 years ago. Plans include adding 20 new inpatient rooms and 12 observation rooms as well as relocating the intensive care and intermediate care units and cancer services to the fifth floor. The expected completion date is October 2013.
- **Novant Health** is building a new 60-bed hospital in Haymarket, Va., with completion set for early 2014. The \$100 million, four-story facility with all private suites is Novant Health's first prototypical hospital design. The different approach to design was patient and caregiver driven to create an environment that would not only lend to providing a remarkable patient experience, but also lean processes and sustainability.
- **Novant Health Shared Services** formed strategic partnerships in 2012 with Ashe Memorial Hospital based in Jefferson, N.C., and Memorial Health based in Savannah, Ga., to focus on operational and strategic initiatives, including supply chain, clinical engineering, information technology, clinical excellence and growth opportunities. Novant Health will work together with shared service partners to improve patient care, expand access and reduce costs, aligning with the national mandate to make healthcare more affordable and integrated.

Leading the way by transforming care at the bedside

“We owe it to our patients, and their families, to include them in the conversation about their care. We can only accomplish that by being in patient rooms, face-to-face, establishing a personal relationship with each patient.”

Carl S. Armato

Carl S. Armato
President and CEO



Nurses redesign care to spend more time with patients

Novant Health President and CEO Carl Armato wrote in a 2012 blog to employees that the most important ingredient for transforming healthcare for a better patient experience is time – the gift of our time, spent with patients.

Our nurses have taken this to heart and are leading the charge to spend more time with patients and transform care in the process.

As part of our initiative, called Transforming Care at the Bedside, nurses in four units at Novant Health hospitals helped identify – then put into practice – new ways of working, so they had more time to get to know what their patients need to heal, both in the hospital and later at home.

As Carl's blog noted, "We owe it to our patients, and their families, to include them in the conversation about their care. We can only accomplish that by being in patient rooms, face to face, establishing a personal relationship with each patient."

Work processes on medical and surgical units have not changed much in 30 years, yet patients' length of stay is shorter and their needs are more complex. At discharge, patients leave with more complicated follow-up needs.

In addition, the Institute of Medicine previously reported that less than 20 percent of nurses' time is devoted to direct patient care, with the vast majority of time spent filling out forms and walking around the hospital "hunting and gathering" medication and supplies.

In 2010, we found similar results at Novant Health. We estimated our nurses were spending 2.5 hours per 12-hour shift at patients' bedsides. So we set out to change that.

We began, in 2011, with 25 nurses at four of our hospitals. We challenged them to create an affordable model that would remove waste and inefficiencies in their work processes and ultimately boost their time with patients to 70 percent, or nearly 8.5 hours during a 12-hour shift.

They focused on reforming four areas: medication administration; hunting and gathering of supplies; the admission and discharge process; and care planning. Ultimately they redefined the role of the registered nurse.

When they finished, they had fundamentally redesigned care at the bedside. They urged the creation of new care teams of RNs and nursing assistants, as well as other providers that would clinically integrate with other disciplines.

In 2012, as we put these practices into place, the results were encouraging: Nurses' time spent with patients during a 12-hour shift climbed to 5.5 hours on some units.

And there were other results: Fewer call bells from patients and fewer beeps to doctors to clarify orders. Nurses became excited about spending their time doing what attracted them to the profession in the first place. Most importantly, our

patients benefitted from having nurses close at hand to share treatment information and to answer questions.

We aim to achieve 8.5 hours per shift spent on direct patient care activities by 2015. We've also instituted other key components of this nurse-driven transformation:

- Team rounding
- Team huddles
- Hourly rounding
- Nurse bedside reporting
- Daily patient goal setting
- Ask Me 3™ to help improve patient comprehension

In 2013, we will continue to move the clock and honor our commitment to create a more accessible and healing environment for our patients to make their healthcare experiences remarkable.

Our clinicians have a wide range of expertise and take the time to get to know our patients – by having conversations and making connections.



A promise to patients: Novant Health is making healthcare remarkable

Companies and products prioritize a strong brand, but people don't often recognize the value of a relevant healthcare brand. In 2012, Novant Health leaders evaluated how to better connect patients and communities with the health system's multiple providers and locations. We talked with patients, community members, physicians and employees from around our four-state footprint. The goal? Learn how to make a stronger connection between our growing health system and the people who entrust their care to our nurses, physicians and staff.

This annual report reflects the new Novant Health brand, which is our organization's promise to our patients and communities. And while this report incorporates the health system's new logo and graphic identity, those are merely symbols that represent the experience that our staff delivers, which ultimately builds a strong brand connection with those we serve.

The stories included in this annual report describe some of the major changes we're making across Novant Health. These transformations recognize that the individuals we care for are both patients *and* consumers. This acknowledgement is the essence of our brand. We prioritize providing the care and compassion that patients should expect from a healthcare provider, as well as the benefits that a contemporary consumer values such as convenience, better access and online resources for managing daily life and health.

"Over the past 16 years, Novant Health has grown into a sizeable, regional health system," explained Carl Armato, president and CEO of Novant Health. "Now, we've formally joined our system under one brand to better serve our communities, implement new ideas for our patients and create efficiencies for our operations to make healthcare more affordable."

In the past, a patient cared for in one of our physician clinics, who was then referred to an imaging center, and then maybe admitted to a Novant Health hospital, often never knew that all of those touch points were part of the same health system. This often led to confusion as patients navigated among our providers: more than 350 physician clinics, 14 medical centers and more than 100 outpatient facilities. Novant Health's new brand unifies all facilities under the umbrella name, Novant Health, which will improve navigation for patients, families, visitors, job applicants and even other healthcare providers who interact with our facilities and staff.

New benefits of a unified health system brand emerge almost every week. Together, we're improving the health literacy of our patient education materials and expanding the number of resources that are published in Spanish. Staff across state lines are emulating

the brand by teaming up to solve challenges in patient care, such as the highly publicized national shortages of more than 150 medications. Hospital pharmacists from across Novant Health routinely collaborate to move medications from one hospital to another to make sure a patient receives a critically important drug.

"We've made significant progress to transform healthcare, but the next, logical step in our journey is tying our system together," commented Carl. "By unifying under the Novant Health brand, we are signaling to our patients and our communities that whether you seek care at a Novant Health facility in North or South Carolina - or northern Virginia or Georgia - you should expect an unmatched experience. We want to make healthcare remarkable. That is our brand promise."

Strong financials help prepare for dynamic environment

Novant Health reported net income of \$274 million in 2012, breaking down as follows: an operating income of \$185 million, investment income of \$109 million, and other non-operating losses and expenses of \$20 million.

“Faced by the constant changes in the healthcare industry, our net income provides the foundation needed to invest in our ongoing commitment to providing excellent patient care,” said Carl Armato, Novant Health’s president and CEO. “As a not-for-profit organization, we utilize our income to invest in advancing technologies and medical innovations, as well as to expand access to services to meet the ongoing needs of patients and our communities.”

Armato explained that in 2012, Novant Health significantly advanced its transition from paper to electronic

health records, which has become a national priority. The strong financial year in 2012 will help to continue financing the transformation to a comprehensive electronic medical record estimated to be an approximately \$600 million project.

While investment performance improved significantly in 2012 and reflected the strong performance throughout the stock market, Novant Health also experienced increases in the number of patients utilizing its services. The number of patients requiring hospitalization rose 2 percent, while emergency room visits increased 4.5 percent in 2012.

Diagnostic imaging studies increased almost 2 percent, which includes ultrasounds, MRI and CT scans. Some service volumes remained unchanged in

2012, mainly those that proved sensitive to the economic downturn. At that time, consumers began cutting back on their use of services such as outpatient procedures and elective surgery.

Financial experts nationwide continue to describe the outlook for healthcare providers as vulnerable. The federal Medicare program for seniors continues to reduce payments to hospitals and divert those funds to help pay for the health reform law and its insurance expansion. Medicare is implementing annual cuts to hospitals for 10 consecutive years to help pay for insurance expansion. Novant Health medical centers are now experiencing the third year of those decreases.

Fred Hargett, chief financial officer of Novant Health, described another priority that continues to impact

organizational finances, yet is a cornerstone of the health system’s not-for-profit mission: caring for our most vulnerable patients. “The amount of charity care Novant Health facilities provided free to patients was consistent with 2011, totaling \$123 million,” said Hargett.

Overall, Novant Health provided \$546 million in community benefit last year, which includes charity care, community outreach, support of free medical clinics for the uninsured and poor, unfunded care by state Medicaid programs and Medicare, and other expenses.”

Summary balance sheet

(in 000's) as of December 31, 2012

Cash & investments	\$1,777,621
Other current assets	571,885
Property, plant and equipment, net	1,656,968
Other assets	687,380
Total assets	\$4,693,854
Current liabilities	\$696,415
Long-term debt	1,472,993
Other liabilities	361,323
Net assets	
Unrestricted	\$2,126,271
Restricted	36,852
Total net assets	\$2,163,123
Total liabilities & net assets	\$4,693,854

Service volume growth

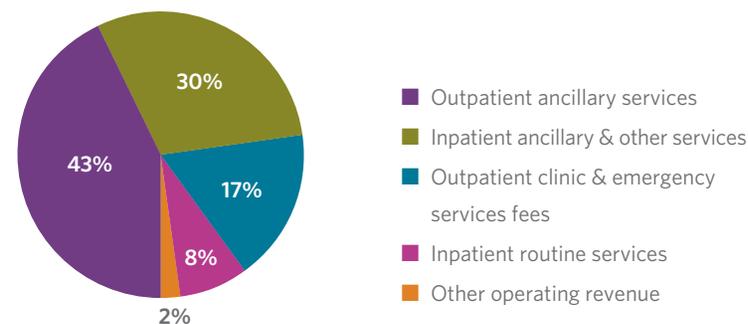
	2012	2011	2010
Licensed beds	2,795	2,952	3,050
Inpatient discharges	122,231	120,336	123,001
Adjusted patient days	1,116,656	1,133,850	1,146,403
ER visits	541,806	518,297	496,523
Surgeries	121,610	121,724	124,118
Physician office visits	3,703,578	3,749,753	3,625,411
Newborn deliveries	17,986	18,117	18,698
Employees	24,363	24,155	25,222

Summary statement of revenue and expenses

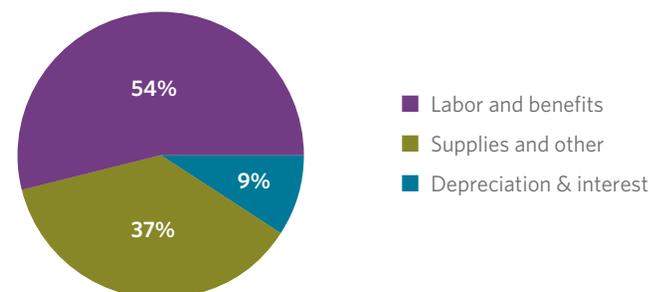
(in 000's) as of December 31, 2012

Operating revenue	\$3,555,273
Operating expenses	
Labor and benefits	\$1,832,776
Supplies and other expenses	1,250,379
Provision for bad debt	-
Depreciation and interest	269,002
Loss on impairment	18,388
Loss on sale of real estate	-
Total operating expense	\$3,370,545
Operating Income	\$184,728
Non-operating income (expense)	(88,862)
Excess of revenues over expenses	\$273,590

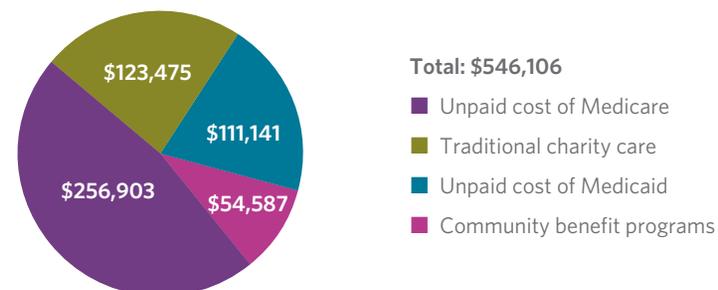
Sources of revenue



Distribution of expenses



Community benefits



Non-discrimination and access to healthcare: Novant Health does not discriminate against any person on the basis of race, color, national origin, religion, disability, sex, veteran's status, sexual orientation, gender identity or age with regard to admission, treatment or participation in its programs, services and activities, or in employment. Free foreign language interpreters are available for individuals who are limited-English proficient. Free sign language and oral interpreters, TTYs and other services are available to deaf and hard-of-hearing persons. For further information about this policy, contact: Novant Health director of internal audit & compliance, 1-704-384-7638 or TDD 1-800-735-8262.

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Making healthcare remarkable

