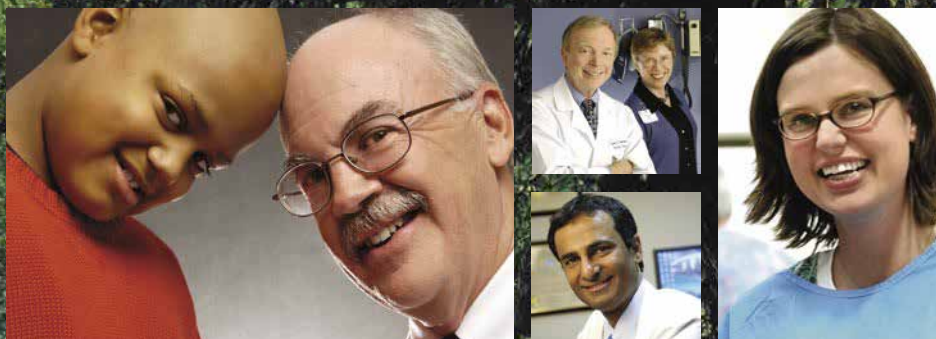


UK HealthCare

2006 ANNUAL REPORT



MAKING A DIFFERENCE FOR KENTUCKY

mission

UK HealthCare is committed to the pillars of academic health care—research, education and clinical care. Dedicated to the health of the people of Kentucky, we will provide the most advanced patient care and serve as an information resource. We will strengthen local health care and improve the delivery system by partnering with community hospitals and physicians. We will support the organization's education and research needs by offering cutting edge services on par with the nation's best providers.

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UK HealthCare
900 South Limestone
317 Wethington Building
Lexington, KY 40536
(859) 323-5126

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Credits

Writers: Sharon Reynolds,
Amanda White Nelson

Editor: Jan Taylor

Photography: Lee Thomas, Clay Jackson,
James Archambeault (large cover image)

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On the cover (left to right): Ten-year-old Kylon Bibb with John Geil, MD; Samuel Matheny, MD, MPH, with Margaret Love, PhD; Chand Ramiah, MD; Monica Cox, RN.

Michael Karpf, MD



2006 in Review

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT FOR HEALTH AFFAIRS

This 2006 Annual Report of UK HealthCare describes a medical center on the move. Building on the gains of the previous two years, we have seen our clinical services, quality of care and range of expertise mature dramatically over the past 12 months.

Our commitment to Kentucky's medical future pushed new programs and plans to center stage in 2006. To fulfill our mission and in response to patient need, we have placed special emphasis on pediatric care and expanded our services and expertise in cardiology, oncology, neurosciences, solid organ transplantation, interventional GI, robotics and trauma.

Growing need for additional space

Given the changing nature of health care delivery and advances in health care technology, our need for a new hospital facility has become more apparent than ever. We have experienced an incredible 30 percent increase in the number of patients treated at UK Albert B. Chandler Hospital in the last three years.

The growing demand for services provided by UK HealthCare has spurred the need for additional nurses, physicians and

other medical providers. Since 2004, we have created more than 1,100 new jobs, adding to the economic vitality of Central Kentucky and advancing UK HealthCare's role as a major employer in the region.

Excitement has been growing around our campus as our ambitious hospital expansion project begins to take shape. Construction crews are working hard to complete the first facility in the project, a new parking garage for patients and their families that will double the number of spaces now available.

In June, we were pleased to unveil initial design plans for the hospital and a long-term strategic plan for the new academic health sciences campus. Our academic and research missions are intricately connected to our patient care mission. This is what makes UK Chandler Hospital unique in Kentucky.

Mission-driven plans

The stage is now set for UK HealthCare to be at the forefront of new educational approaches, redefining roles for practitioners and developing integrated approaches to research that will elevate us to the top tier of academic medical centers. Some of the best faculty candidates from around the country have already joined our

medical center and we believe the new facility will serve to attract even more.

Thanks to cutting-edge research conducted by our faculty, our influence now reaches beyond the borders of Kentucky. As an example, this past year UK HealthCare ranked among the top 10 institutions receiving heart research funding from the American Heart Association. Our cardiologists were among those asked to write editorials this past year for some of the international medical community's major journals, an indication of their expertise and the esteem in which they are held.

This annual report also highlights research conducted in other areas, such as the Markey Cancer Center, where a new drug developed in collaboration with the UK College of Pharmacy has just been approved for testing in humans. We were especially proud to launch in March a unique initiative designed to narrow the gender gap in medical research—the Kentucky Women's Health Registry, the first statewide registry of its kind in the country. It will be an invaluable tool in understanding and treating health issues among Kentucky women.

Serving the entire state

The theme of this annual report is "Making a Difference for Kentucky." Our ultimate goal is to afford Kentuckians the peace of mind that no matter how sick they get, no matter how complex or unusual their illness, they do not have to travel outside of the state to obtain the best possible treatment. As Kentucky's flagship university health system, we take seriously our obligation to the state's health care infrastructure. That's why we've developed



The Charles T. Wethington, Jr. Building (left) and the Linda and Jack Gill Heart Institute (right) are representative of a renewal in facilities currently underway.

a single-minded dedication to seeing that Kentuckians have access to the full range of best practice, evidence-based medicine.

In keeping with this goal, we are reaching far beyond the walls of our hospital into the communities outside Lexington. Our physicians and specialists have increased their outreach efforts in myriad ways. Although there is still much work to be done in forging partnerships and encouraging trust in rural communities, we made great strides in 2006.

The collaborative network Markey Cancer Center created with three regional hospitals is a first step toward bringing high quality cancer care close to home for thousands of rural Kentuckians. Likewise, UK cardiologists are working in tandem with Ephraim McDowell Regional Medical Center cardiologists at the recently opened Gill Heart Institute—Danville. And these are just examples of dozens of efforts under way, singly and in partnership with local community health care providers, to provide care in the most appropriate setting. Patients should only come to Lexington when UK Chandler Hospital offers a care setting they cannot get closer to home.

Quality, service, safety

Our journey to excellence has included a renewed commitment to quality, service and safety.

This year we have implemented an innovative program in quality, safety and patient rights that could lead to health care improvements across the nation. The program is designed to bring an academic component to our

UK Chandler Hospital was ranked by Solucient as one of 15 major teaching hospitals to exhibit the fastest and most consistent organizationwide improvement over five years.

efforts to provide the highest quality, safest and most efficient health care through the implementation of process improvement techniques. Already, we are being asked to join the national dialogue on the topic of health care quality due to the innovative approach we have undertaken.

We are now considered a national leader in performance improvement. Last fall, UK Chandler Hospital was ranked by Solucient as one of 15 major teaching hospitals to exhibit the fastest and most consistent organizationwide improvement over five years. We are proud of this tribute and expect to remain on the nation's health care forefront in the future.



Michael Karpf, MD
Executive Vice President for Health Affairs
UK HealthCare / University of Kentucky



Stacie Trent, RN (left), and Laura Mooney, RN, provide pediatric care in Kentucky Children's Hospital.

Meeting the Challenges of Health Care Quality

The past year has seen significant discussion on the quality of health care at the national, state and local levels. Overall, the quality of health care continues to improve for most Americans, according to the Agency for Healthcare Research and Quality. Nevertheless, studies by the Institute of Medicine point to greater opportunities in the U.S. health care system to achieve higher levels of patient safety and customer satisfaction.

A focus on safety has always been an integral part of UK HealthCare's quality patient care program. However, as we move into the future, we are constantly seeking new ways to revitalize our processes. If the University of Kentucky is to fulfill its goal to become one of the top 20 public research institutions in the United States, our academic medical center must be healthy and vibrant.

An enterprisewide approach to quality

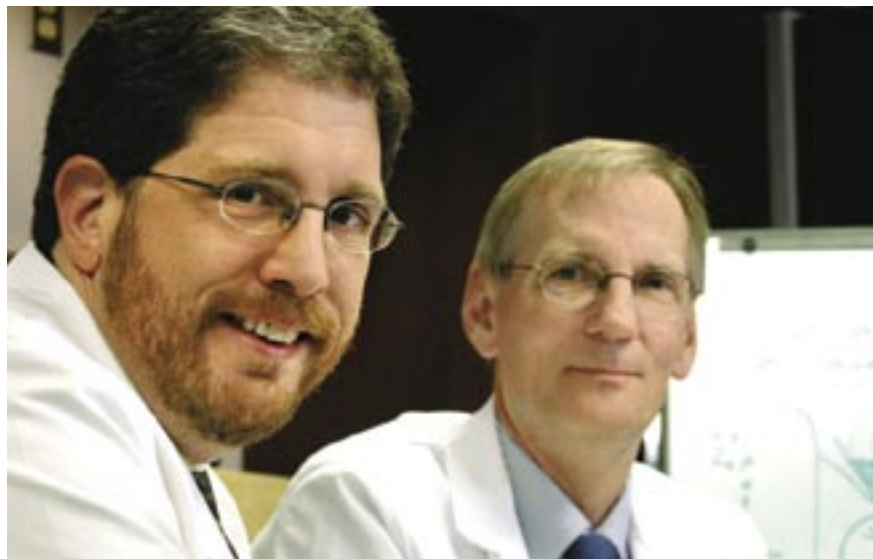
UK HealthCare stands alone in its ability to orchestrate a center with an enterprisewide approach to quality. Our facilities, physicians, inpatient and outpatient approach as an academic medical center cannot be replicated in the private sector.

We have an ambitious goal: to take a national leadership role in developing best practices in quality care and patient safety. We are guided by the principle that the highest quality of care is also the most efficient and cost-effective.

With the growth of our clinical services and the ever-increasing number of patients, UK HealthCare has taken a new approach to clinical oversight. Two years ago we created the position of Chief Medical Officer to provide leadership in the areas of quality, safety, service and efficiency.

This year a foundation was laid for our quality initiatives with a unique collaboration between operations and academia. The academic arm is the UK Program for Quality, Safety and Patient Rights (PQSPR). This program provides leadership and scholarly support to the operational arm, the Center for Enterprise Quality and Safety (CEQS). The center advances quality health care, manages safety and quality initiatives at UK HealthCare, measures and reports results, and provides expertise for improving health care skills.

UK HealthCare's enterprisewide approach to quality improvement is led by Chief Medical Officer Dr. Richard Lofgren (right) and PQSPR/CEQS Director Dr. Joseph Conigliaro.



The highest quality of care is also the most efficient and cost-effective.

Our tools

In the spirit of national initiatives, UK HealthCare has set up interdisciplinary groups to evaluate and improve the way we deliver care to patients. Following best practices recognized by the Centers for Medicare and Medicaid Services, we have created core groups to improve how we deliver care in key areas, including acute myocardial infarction, management of congestive heart failure, pneumonia, prevention of post-surgical infection and stroke. These physician-led groups continually evaluate data and implement improvement processes.

To deliver top quality products and services to our patients, we are broadening the landscape of talent at UK HealthCare. We have tapped into a wide variety of disciplines on the UK campus, including the colleges of Public Health and Engineering.

With the help of the College of Engineering, for example, we plan to address crucial issues such as space and time by introducing the lean techniques of manufacturing into the unique environment of patient care. Lean is a simple strategy that creates flow through the elimination of waste, variation and work imbalance. Each activity or process must create value from the perspective of the patient.

Because we believe a better informed patient is simply a better patient, we began piloting a new interactive patient education tool this year. Emmi™ is a series of multimedia programs that help patients and their families

understand what to expect before, during and after a medical procedure.

As a result, patients are better prepared to care for

themselves before and after surgery, and their families understand what's involved and how they can provide support.

In a recent survey of UK HealthCare anesthesia patients using the program, 94 percent said it improved their understanding of what to expect and 87 percent felt they had a better understanding of how to take care of themselves before and after their procedure.

Successes

UK HealthCare has seen many achievements and improvements in quality in the last 12 months. Already we are emerging as a leader in lean health care. We have received funding from the Veterans Administration to train two individuals per year in this process. Our core groups in best practices have made great strides in improving patient care and safety in the areas of acute myocardial infarction, congestive heart failure, pneumonia, post-surgical infection and stroke. Here are highlights of some specific successes:



Sara Burlew, RN, CCRN, and Dee Dee Robinson, RN, CCRN, received advanced critical care training to work on the hospital's Rapid Response Team.



• **A Rapid Response Team** is continuously and readily available to any provider who wants a second opinion about a patient, particularly one showing signs of potential decline. This team is experienced at assessing patients' symptoms and the progress of their health. As a result of the team's intervention, fewer patients at UK HealthCare developed serious medical problems when leaving the intensive care unit or being discharged.

• **The UK Glycemic Control Task Force** is positioned to become a model for other hospitals. Adopting



UK physicians are closely managing blood glucose levels in hospitalized patients.

and implementing the new clinical practice guidelines of the American Diabetes Association, this team is saving lives. Vigilant control and monitoring of blood sugar levels in seriously ill hospitalized patients—both diabetic and nondiabetic—greatly improves their chances for survival and avoiding infection. UK endocrinologists have already been asked to share these protocols with other hospitals in Kentucky and elsewhere in the nation.

• **Medical ICU mortality rates** over the past 12 months are 19.4 percent lower at UK HealthCare than the predicted mortality for similar academic ICUs and 26.6 percent lower than the predicted national mortality for all ICUs.

• **Discharge planning.** By employing lean health care techniques, we have identified several unnecessary steps in the patient discharge process and are now redesigning and evaluating a more efficient way to complete discharge.

• **Early mobility.** Careful documentation by nursing staff and patient education materials contributed to patients more frequently reporting that they were ready for discharge. As a result, the length of stay in the hospital for patients who were part of the pilot dropped from 4.3 days to 3 days.

At the vanguard of health care

The backbone of any hospital is its medical professionals. UK HealthCare is fortunate to have professionals who are among the best, not only in Kentucky, but the entire nation. It is a tribute to their talent and dedication that honors were received from many quarters last year.

FIRST-RATE AMONG HOSPITALS

100 Top Hospitals: Performance Improvement Leader

Our team efforts to enhance the quality of our performance received national recognition in May 2006 when UK Chandler Hospital was named by Solucient as one of the nation's top 15 major teaching hospitals for performance improvement. The 100 Top Hospitals®: Performance Improvement Leaders is a quantitative study that uses a balanced scorecard approach to identify 100 benchmark hospitals that have had the fastest and most consistent organizationwide improvement over five consecutive years.

Overall, 2005 Performance Improvement Leaders had:

- Fewer than expected complications, deaths and adverse safety events.
- Improved financial stability.
- Patients discharged two-thirds of a day earlier than five years ago.
- Increased expenses of only 8 percent, while expenses of peers increased 20 percent.
- Increased patient volumes, while peers lost volume.

This steady, well-aligned improvement means that UK HealthCare has

Dr. David Moliterno (right), professor and chief of cardiovascular medicine, has attracted additional cardiac research funding to the Gill Heart Institute.



“We are a learning organization—willing to try new approaches and challenge ourselves to move forward, constantly looking for how we can improve.”
 —Murray Clark, Associate VP for Medical Center Operations

enormously increased the value we provide to our communities.

U.S. News & World Report: America’s Best Hospitals

UK Chandler Hospital was ranked among America’s best hospitals for 2006 by *U.S. News & World Report* in the specialty of ear, nose and throat care. This designation identifies centers that excel in difficult procedures and provide advanced care for the sickest patients. UK HealthCare offers a variety of programs in the speciality of ear, nose and throat care, including the speech and hearing disorders program, head and neck cancer care, and the specialized voice care program.

National accreditation

UK Chandler Hospital submits to a rigorous on-site evaluation every three years to be accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) for the safety and quality of our patient care. Accreditation also includes Kentucky Children’s Hospital and Markey Cancer Center. In 2006, UK was due for an unannounced site visit. This

visit occurred in September 2006 and the hospital has once again received full accreditation, additional evidence that UK Chandler Hospital meets the highest performance standards.

CLINICAL EXPERTISE OF NATIONAL CALIBER

America’s Top Doctors

Sixteen UK HealthCare doctors have been named to the 2006 edition of *America’s Top Doctors*, compiled by Castle Connolly Medical Ltd. The publication recognizes doctors who are considered among the best in their specialties in both patient care and research. Nominees were chosen from a survey of 250,000 board-certified physicians. Only 3 percent of all doctors in the nation are listed as a Top Doctor. UK had more physicians on the list than any other hospital in the state.

Best Doctors in America®

Sixty-four physicians at UK HealthCare were named to the most recent (2005) list of Best Doctors in America. UK also has more physicians on this list than any other hospital in the state. Best Doctors

is compiled from an independent survey of 31,000 doctors by Best Doctors, Inc. Participants are asked to identify other doctors whom they consider to be the best in their specialties.

Nurse Magnet®

In recognition of the outstanding care our nurses provide, UK Chandler Hospital has been redesignated as a Magnet® hospital, and Kentucky Children’s Hospital has also earned this highly sought after designation. The Magnet Recognition Program® developed by the American Nurses Credentialing Center is the highest honor a hospital can receive for nursing services. Studies have shown that Magnet hospitals have lower mortality, better patient satisfaction, more individual attention by nurses and shorter hospital stays.

Out of more than 7,000 hospitals nationwide, only 215 hospitals to date have earned a Magnet designation. UK Chandler Hospital was the 38th hospital to be so designated.



Best Doctors®



Caring for the People of the Commonwealth

Thousands of patients walk through our doors every year and we strive to provide each with excellent care. We treat our patients in an environment that combines expert, sophisticated care; the most advanced technology; and personal attention to the unique needs of each patient. The following pages contain a sampling of the UK HealthCare programs that are making a unique contribution to the well-being and medical care of Kentuckians.

LIVING KIDNEY DONOR TRANSPLANT PROGRAM

UK HealthCare has one of the oldest successful kidney transplant programs in the U.S.

Kidney transplantation has been remarkably successful as a treatment for kidney failure. It can lead to longer life for many and improved quality of life for virtually all patients with end-stage kidney disease. More patients are seeking kidney transplantation every year, increasing significantly the time spent waiting for a kidney from a deceased donor.

One response to this increased need has been an expansion in living kidney donation. About 45 percent of kidney transplants in the U.S. now come from living donors, offering significant advantages for the recipient:

- Waiting time can be reduced from several years down to a few weeks
- If referred early enough, it may be possible for the recipient to avoid dialysis.
- A kidney from a living donor is likely to function better from the beginning and last longer.
- Quality of the “match” is less important—on average a completely mismatched kidney from a living donor will have as good an

outcome as a perfect match (rare) kidney from a deceased donor.

UK HealthCare has one of the oldest successful kidney transplant programs in the U.S. Since 1964 the program has cared for more than 1,900 transplant recipients.

Today, specially trained surgeons can perform the donor operation through smaller incisions, using video cameras and special instruments. Since 1998 over 98 percent of living donors at UK have been able to have this minimally invasive operation. For the donor this means a hospital stay of about 24 hours and a return to full activity in a matter of one to two weeks—a significant improvement when compared with the previous operation.

Transplant patients are managed by a whole team of clinicians—nephrologists, surgeons, nurses and other health care professionals—who work together closely to manage the complex needs of these patients.

The Markey Cancer Center has been involved with the development of cancer treatment drugs.



MARKEY CANCER CENTER

As part of an academic medical center with resources in both clinical care and research, the Markey Cancer Center is able to explore and offer the very best options for cancer patients. For years Kentuckians have looked to Markey as the most advanced cancer care in the region, and Markey has provided hope when all hope seemed to be lost.

A unique feature of the Markey Cancer Center is that it both participates in national trials seeking better cancer therapies and is involved with the development of new cancer drugs. The latter role is one that few cancer centers in the nation can claim, and it is primarily the result of an ongoing collaboration between clinical researchers at the Markey Cancer Center and pharmacological scientists at the UK College of Pharmacy. By using all of the resources at hand, UK HealthCare is accelerating the movement of new cancer therapies from the lab to the bedside, exam room and community.

CASE STUDY: DB-67

For a drug with only a number for a name, DB-67 has already achieved a level of fame. This drug, still in investigational stages, was first developed by a UK pharmacy professor, the late Tom Burke. With no developer after his death to push the drug through the myriad levels of testing required to begin human trials, the future of DB-67 seemed grim. Yet, with continued support from Tom's colleagues who believed in the drug, UK researchers completed preclinical

testing requirements, and in May 2006, Markey was granted FDA approval to begin testing this promising cancer treatment in humans. DB-67 has been licensed and UK has research contracts for its development that total more than \$1 million. Additional funding for the first clinical trial of DB-67 at the Markey Cancer Center has been awarded to UK by the National Cancer Institute. Recently, a Markey patient became the first to receive DB-67.

CASE STUDY: HERCEPTIN®

One of the most significant improvements in breast cancer care in 25 years came out of a national study of the drug Herceptin headed up by UK oncologist Dr. Edward Romond. The trial proved so successful, it was halted early and now this potentially life-saving drug is being given nationwide to treat certain forms of breast cancer.

Currently, UK researchers are involved in 350 clinical studies with at least 1,800 cancer patients. In an effort to better manage, monitor and conduct the UK

portfolio of trials, this year the Markey Cancer Center joined the Oncology Collaborative Research Environment, ONCORE. As part of this national consortium of cancer centers, Markey now uses technology that can make trials safer as well as more successful.



KENTUCKY CHILDREN'S HOSPITAL



Sherry Baliff, MD, with patient
Mackenzie Sorensen

For decades, UK has been known as the premier institution in the eastern half of the state for pediatric care. Today, UK patients come from all corners of the Commonwealth. In recognition of our commitment to the life and health of all of Kentucky's children and the future of their families, last year UK Children's Hospital was renamed

Kentucky Children's Hospital.

Our 65,000-square-foot hospital houses a 50-bed inpatient center, 12-bed pediatric intensive care unit, 50-bed Level III neonatal intensive care unit, and 11 beds for 23-hour admissions and observation. Our Newborn Intensive Care Unit (NICU), one of only two in the state, provides

the highest level of advanced treatment for a full-range of newborn problems, including life-threatening cardiac and metabolic problems. Recently, UK HealthCare received approval to add 16 beds to this unit to accommodate increasing demand.



Stitches, the
new mascot of
Kentucky
Children's
Hospital

Over the past year, Kentucky Children's Hospital has experienced tremendous growth in occupancy. In 2006, more than 6,401 children were admitted to the hospital; 50,154 visits were made to pediatric clinics; 9,130 children were treated in UK's emergency department and the NICU cared for more than 779 newborns.

Kentucky Children's Hospital serves as the subspecialty regional referral and pediatric care center for Central and Eastern Kentucky. UK pediatric orthopedic and neurosurgical services exceed many at top hospitals in the nation.

Safe, rapid, 24/7, year-round transport services are provided for critically ill infants and children in need of emergency care. Renovations are under way to the current emergency area for children, but with the construction of a new patient care facility, Kentucky Children's Hospital is looking forward to the day when it can provide separate, dedicated pediatric emergency services.

A number of new clinical studies into diseases and conditions affecting children are conducted each year in our Kentucky Pediatric Research Institute. The institute's research into juvenile diabetes, as just one example, is important not just to Kentucky, but to the entire nation. And as part of the national Children's Oncology Group, Kentucky Children's Hospital is capable of providing pioneering cancer treatments on par with major cancer centers throughout the United States.

KENTUCKY WOMEN'S HEALTH REGISTRY

In March 2006, the Center for the Advancement of Women's Health launched the first statewide registry in the country to track the health of women—the Kentucky Women's Health Registry. Its primary purpose is to provide a snapshot of women's health in Kentucky and pinpoint problem areas that need to be addressed. Over the next 10 years, researchers at UK hope to collect data from 25,000 Kentucky women of all races, from age 18 to 89, and from every region in the state.

Response to this voluntary program has been excellent. Within only the first six months, the center achieved its goal of registering 2,500 women annually. Through partnerships with libraries, health departments and other state agencies, the center hopes to get its message out to more women.

The Kentucky Women's Health Registry positions UK HealthCare to advance the understanding of health issues affecting women, both in Kentucky

and nationally. A common criticism of medical research in the past has been that most clinical research focuses on men. The registry will greatly enhance the ability to conduct clinical research among women, as well as serve as a rich database on the health of women in Kentucky and the health of women in general.

In the end, we hope this information will lead to new discoveries about diseases, new treatments, and better overall

health for Kentucky women today and all the generations of women to come.

Take the survey

Women can enroll in the registry and take the health survey at www.kywomensregistry.com or fill out a paper copy. Confidentiality is guaranteed and enforced by federal government regulations. Registry participants will receive health information updates and information regarding clinical trials that may be of interest to them.



Developed by Dr. Leslie Crofford, director of the Center for the Advancement of Women's Health, the registry was launched statewide with personal appearances, billboards and direct mail.

The Kentucky Women's Health Registry's Web site summarizes the need:

“Why do some diseases affect women more than men? Why do women respond to some drugs and treatment therapies differently than men? What environmental factors and behaviors most influence women's health? We don't know. But we want to find out. And we need your help.”



Dr. Creed Pettigrew, director of the UK Stroke Program, and Annette Andreoli, RN, patient care manager, are part of a multidisciplinary team diagnosing and treating stroke.

PRIMARY STROKE CENTER

Stroke is the third leading cause of death in Kentucky and the nation. More than 700,000 people annually suffer a stroke, and 160,000 will die. The medical and disability cost to Americans is nearly \$60 billion a year.

Most strokes are ischemic, the result of a critical reduction in blood flow to the brain and are commonly referred to as “brain attacks.” Like a heart attack, a brain attack is a “911” emergency. Every second counts in getting treatment.

UK’s primary stroke center is distinctly equipped to meet this challenge.

Early on, one of the most important elements of stroke intervention is an accurate diagnosis that not only identifies whether a stroke has happened, but what particular type of stroke has occurred. At a moment’s notice, an on-call team with stroke-trained physicians from multiple specialties, including neurology, neurosurgery, radiology and emergency medicine, can be assembled.

Successful stroke intervention requires the most advanced medical therapies, pharmaceutical treatments

and neuroradiological techniques. Specialists trained in the delicate use of tissue plasminogen activator (tPA), the only approved treatment for acute ischemic stroke, must intervene within three hours of onset of stroke symptoms. This ability to offer around-the-clock access to diagnostic technology, clinical labs and multidisciplinary expertise is found only in the most sophisticated care settings, such as that of UK Chandler Hospital.

The UK Stroke Program is the first of its kind in this region to receive a certificate of distinction from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) as one of a select number of centers nationwide that “make exceptional efforts to foster better stroke outcomes.” A certificate of distinction as a Primary Stroke Center signifies UK services have “the critical elements needed to achieve long-term success in improving outcomes.” Additional efforts in stroke research set UK completely apart from other care providers in the state.




GILL HEART INSTITUTE

The Gill Heart Institute is a core center of cardiovascular research at the University of Kentucky, leading the charge against the No. 1 killer of Kentuckians—heart disease. Institute faculty conduct basic, translational and clinical cardiovascular research with the goal of making Kentucky a healthier state. Their research also extends beyond the borders of the Commonwealth, providing enlightenment to the global health care community and moving UK closer to becoming a Top 20 public research institution.

Because of nationally recognized experts in antithrombotic therapy and a successful phase 1 research unit, the first person in the world to receive a new, potentially safer blood thinner was a patient of the Gill Heart Institute. The institute's participation in this national study could lead to improvements in the care of patients with acute coronary disease.

The Gill Heart Institute was also one of the participating sites in a national trial looking at blocking inflammation to the heart muscle after a heart attack



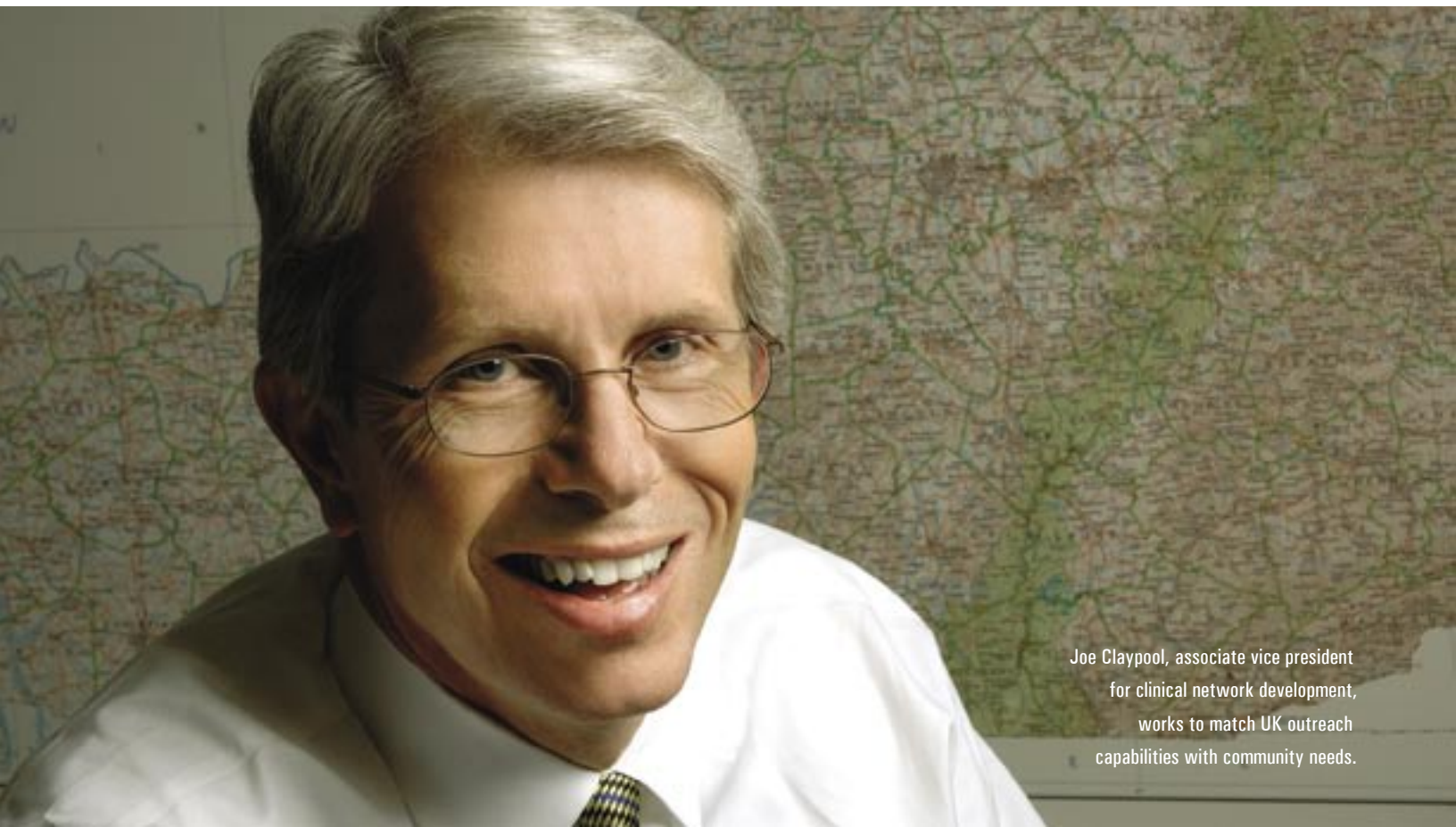
Dr. Steven Steinhubl and others at the Gill Heart Institute are helping solve the mysteries of why cardiovascular disease remains the No. 1 killer.

as a means of preventing damage to the muscle. In further exploring the mysteries of heart disease, the Gill is the only facility in the state evaluating a novel treatment for cardiogenic shock, the leading cause of death in acute myocardial infarctions.

In one of the institute's more unusual studies, researchers are looking into the link between migraine headaches and a condition known as patent foramen ovale, or PFO. This condition occurs when a small hole between the two sides of the heart does not close completely soon after birth. The trial is exploring whether closing the hole in the heart will reduce or eliminate the migraine headaches.

The Gill Heart Institute is also one of the few centers in the country offering the possibility for patients with atrial fibrillation to undergo a catheter-based procedure rather than taking blood thinners, which can cause blood clots that may lead to stroke.

“One of the great things about the University of Kentucky is that we have a wonderful, collaborative environment that makes for exciting projects that are much more likely to be successful,” said Dr. Steven Steinhubl, director of cardiovascular education and clinical research. “At the Gill Heart Institute, we have some of the best minds in the world who are on the cutting edge of helping solve mysteries of why cardiovascular disease remains the No. 1 killer in Kentucky and the western world.”



Joe Claypool, associate vice president for clinical network development, works to match UK outreach capabilities with community needs.

A Health Care Resource for the Commonwealth



UK HealthCare is a resource for Lexington, the Bluegrass and beyond. Our patients may be miles away—in rural communities stretching from Cumberland County to Mason County, from Pike County to Franklin County—but UK HealthCare reaches out to all of them.

While we consider ourselves a health care resource for all the people of Kentucky, our goal is not to go into communities simply to bring patients back to Lexington. Except for those in need of highly specialized treatment and procedures, we are committed to keeping patients in their local facilities and local communities whenever possible. It's simply what is best for the patient and for the family and it serves to strengthen the health care delivery system throughout the state.

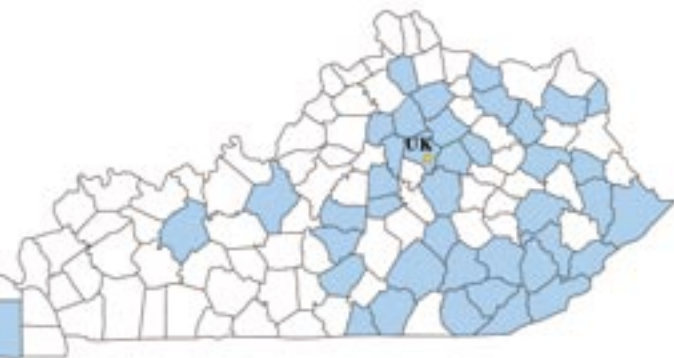
Here’s a look at how UK HealthCare is serving rural physicians and residents:

CLINICAL SERVICES

This past year, UK HealthCare began placing special emphasis on expanding and developing clinical services at the local level, particularly in the areas of cancer, cardiovascular care and the neurosciences. We also are responding to increased demand for digestive health, endocrine, infectious disease and pulmonary services in outlying communities. At the same time, we are improving our efforts to assure the quality and safety of services wherever we provide health care.

UK Neurosurgeon Phil Tibbs has worked hard over the years to forge strong partnerships with regional hospitals and local physicians. For the past 26 years, he has been making the 130-mile round trip from Lexington to Morehead’s St. Claire Regional Medical Center twice a month, where from 8 a.m. to 6 p.m., he sees up to 60 patients in a neurosurgery clinic. Recently, Dr. Tibbs added a second regional clinic at Harrison Memorial Hospital in Cynthiana to his busy schedule.

Continuing medical education



Kentucky counties where UK HealthCare offers clinical services.

Cardiovascular

Gill Heart Institute cardiologists provide 30 clinic-days a month of health care at off-site clinics throughout the state. At the newly established Gill Heart Institute–Danville, UK doctors offer cardiac catheterization and intervention for primary angioplasty in cooperation with Ephraim McDowell Health.

“What I like is seeing patients in their own community, at their own hospital, and the interaction that affords with their medical providers.”

– Dr. Rick McClure, *cardiologist*

Neurosciences



Dr. Phil Tibbs provides information to a patient.

“This program helps support partnerships with regional hospitals. I order an MRI, CT scan, lab services, physical therapy, and all that can be done at the local hospital.”

– Dr. Phil Tibbs, *neurosurgeon*

Dr. Anthanasios Stoyioglou, an interventional cardiologist, is part of the new Community Division and a member of the UK College of Medicine faculty. He practices full time at the UK Gill Heart Institute—Danville, using both the services of Ephraim McDowell Health in Danville and the Gill Heart Institute in Lexington. (Photo used by permission of *The Advocate-Messenger*.)



Cancer

The Markey Cancer Center Affiliate Network established centers of excellence at three regional hospitals this year—St. Claire Regional Medical Center in Morehead, Rockcastle Hospital and Respiratory Care Center in Mount Vernon and Harrison Memorial Hospital in Cynthiana. Dr. Susanne Arnold oversees the clinic in Mount Vernon, where doctors are treating six to 10 new patients each month. Chemotherapy and oncology care can now be administered right in the clinic.

“Patients with nausea, pain and debilitation may not be able to travel to Lexington for treatment. Although some may need to come for clinical trials, the majority can now receive care in their hometown.”

– Dr. Susanne Arnold, *oncologist*

Pediatrics

A Nursing Preceptor Internship Program is in its initial stages. This program will bring nurses from outlying communities to Kentucky Children’s Hospital where they can learn specialized skills needed for working with pediatric patients back home and develop

additional confidence in their ability to handle appropriate patients in their local facilities.

Center for Rural Health

Health centers are required to deliver preventive and primary care services to patients regardless of their ability to pay. The Kentucky Homeplace Program provided more than 469,000 services to nearly 15,000 clients during fiscal year 2006. The program serves 58 counties and accessed more than \$32 million in medications and supplies for those clients. Also, in 2006 the East Kentucky Family Medicine Residency Program graduated five new physicians. About 80 percent of the program’s graduates practice in medically underserved areas. In addition, the residency program’s host clinic was awarded a \$643,500 annual health center grant to expand its primary, behavioral and oral health services to residents of Perry, Knott and Leslie counties.

Mobile Dental Van

The UK College of Dentistry operates four dental vans that serve children across the Commonwealth. The vans are staffed by UK faculty, residents and students providing care to children at high risk for dental disease. The UK College of Dentistry has been a leader in treating children via mobile units since the 1980s. From its inception, oral health outreach has been at the heart of the UK College of Dentistry’s mission.

OUTREACH NUMBERS

Specialties participating	28
Physicians participating	149
Outreach clinics	122
Outreach clinic visits	42,667

Physicians and other hospital staff can now take UK College of Medicine continuing medical education courses in their own communities.

Community Division

We have created a new division that has begun placing selected UK College of Medicine faculty physicians in communities as full-time practitioners. In September 2006 the Danville community received the first specialist placed in an outpatient setting, an interventional cardiologist.

UK HealthCare treatment protocols

UK HealthCare protocols for patients suffering a stroke or a specific kind of heart attack known as STEMI, ST-elevation myocardial infarction, are being taught and implemented at a number of community hospitals. When these patients arrive at the emergency department of one of these hospitals, the health care providers will be able to recognize the condition and communicate with UK doctors to expedite the treatment plan and improve the patient's chances of survival and recovery.

Kentucky TeleCare Network

UK HealthCare offers a special tool to help very small, very remote critical access hospitals. Through the Kentucky TeleCare Network, rural patients and clinicians can conduct a videoconference with UK specialists from their community health care facility. University physicians can perform physical examinations through the system, using specialized cameras, electronic stethoscopes and other diagnostic devices.

PURCHASING PROGRAM

The community hospitals with which we work closely are being offered the opportunity to join our group purchasing program, through the University HealthSystem Consortium. Already Rockcastle Hospital and St. Claire Regional have saved thousands of dollars in their purchases of medical supplies and equipment.

UK HEALTHCARE PARTNERS



As the predominant rural health care provider in Northeastern Kentucky, St. Claire

Regional Medical Center faces an ever-increasing demand for state-of-the-art medical technologies, skilled staff and advanced services.

“St. Claire has been able to not only meet, but exceed our region's growing health care demands through the help of longstanding relationships with the University of Kentucky,” said Mark J. Neff, president and CEO of the hospital.



Access to quality care is also a challenge at Rockcastle Hospital and

Respiratory Care Center, said CEO Stephen A. Estes.

“Our partnerships, such as the ones with Markey Cancer Center and the Gill Heart Institute, are win-win situations reflecting Rockcastle Hospital's drive toward the pursuit of excellence and UK HealthCare's commitment to rural Kentucky,” Estes said.

UK HEALTHCARE OUTREACH OBJECTIVES

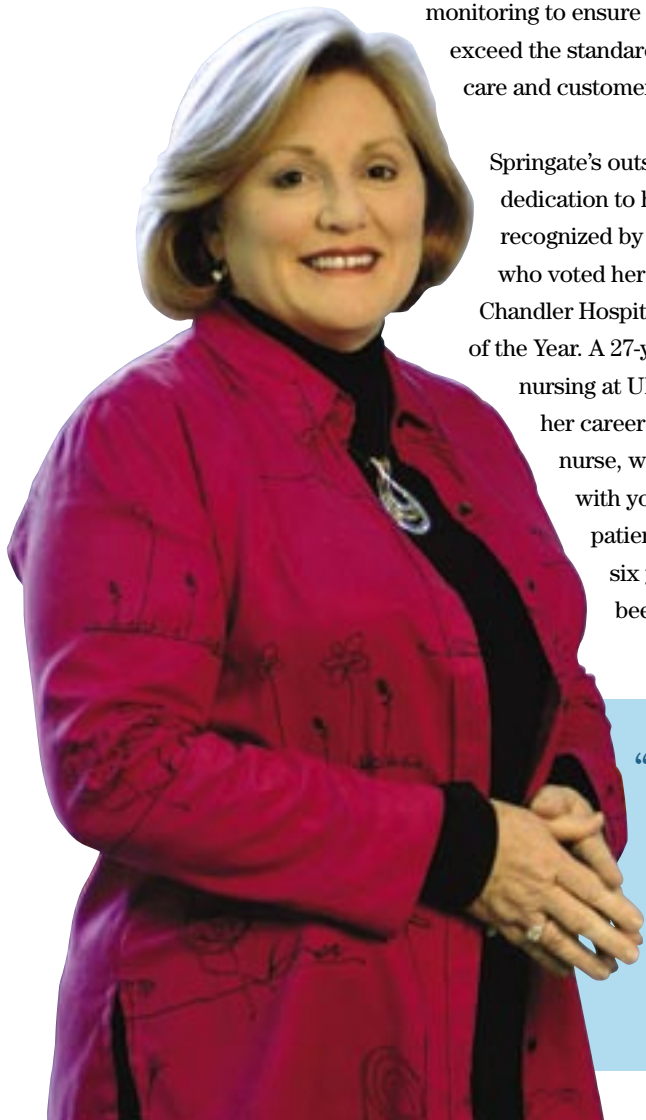
- Enhance competencies of the provider base in rural Kentucky
- Deliver care to patients in their local facilities where possible
- Enhance the image of UK HealthCare as a major referral center
- Open doors to research and educational opportunities to improve the health status of Kentucky's citizens
- Strengthen community providers by performing appropriate care in their local community

Meet the UK Chandler Hospital Employee of the Year

When the patient speaks, Suzanne Springate listens. As outpatient care manager at the UK Markey Cancer Center, she is constantly looking for opportunities to improve patient care.

“My role is to ensure patients receive not just quality care but outstanding care,” Springate said. “I pave the way for nurses and the rest of the staff to do what they do best. My responsibilities include monitoring to ensure we meet or exceed the standards of nursing care and customer service.”

Springate’s outstanding dedication to her job was recognized by her co-workers, who voted her the 2006 UK Chandler Hospital Employee of the Year. A 27-year veteran of nursing at UK, she began her career as a pediatric nurse, working primarily with young cancer patients. For the last six years, she has been at Markey.



A PICTURE OF THE UK HEALTHCARE WORKFORCE

Employees

Hospital: 3,724

College of Medicine: 2,546

Gender

Male: 26.2%

Female: 73.8%

Ethnicity

American Indian/

Alaskan native: 0.1%

Hispanic: 0.5%

Asian or Pacific

Islander: 4.8%

Black: 8.1%

Caucasian: 86.4%

“There’s something special about having the chance to take care of cancer patients,” she said. “There are so many opportunities to make a difference in their lives.”

Springate tries to make the rounds daily of every clinic at Markey, interacting with patients, their families and nurses.

“Patients always come first on Suzanne’s priority list,” said her supervisor, Karen Stefaniak, RN, PhD, chief nursing officer. “She will move heaven and earth to get a patient’s needs met as quickly as possible.”

“Patients always come first on Suzanne’s priority list. She will move heaven and earth to get a patient’s needs met as quickly as possible.”

—Karen Stefaniak, RN, PhD, Chief Nursing Officer

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MESSAGE FROM THE
**University Hospital
 Committee**
 OF THE BOARD OF TRUSTEES

Over the past few years, the University of Kentucky has been on a mission to achieve Top 20 status as a public research institution. Plans for a new hospital and academic medical center are crucial to that goal. Although it will be a long journey, upon completion, UK Albert B. Chandler Hospital and the university's academic medical center will be transformed into a modern, state-of-the-art health care, teaching and research facility.

UK Chandler Hospital was opened in 1962 to provide health care services to all Kentuckians. Today, this fact continues to influence every decision we make as members of the Hospital Committee. However, our concern is not just the health care that we provide today, but the future of health care in the Commonwealth.

Educating the next generation of doctors, dentists, nurses and other clinicians to serve Kentuckians is of utmost importance. In addition, our quest for Top 20 status requires a significant research commitment from the medical center, which accounts for more than 50 percent of UK's total research dollars. The addition of a Health Sciences Learning Center on our new campus will provide all six medical colleges with a facility that offers unprecedented opportunities for educational and research experiences.

On behalf of the Board of Trustees, I would like to thank you for your continued support as we grow to serve your medical needs and those of your family and friends.



Barbara Smith Young
 Chair, University Hospital Committee
 University of Kentucky
 Board of Trustees



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 HOSPITAL COMMITTEE**

(JUNE 30, 2006)

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 Phillip R. Patton
 Marianne Smith Edge
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OUR COMMITMENT TO KENTUCKY

As an independent, not-for-profit enterprise, UK HealthCare depends upon the generosity of donors to enhance its ancillary and family support services. We hope this legacy of giving will continue as UK HealthCare implements new initiatives and facilities. The following gifts are illustrative of the thousands of individual gifts UK HealthCare was given during the year.

THE KEVIN HEIDRICH/TEAM 7 ENDOWMENT



Dr. Edward Kasarskis (left) accepts a \$65,000 check from Kevin Heidrich and Team 7 for ALS patient services and research.

There is new hope for patients seeking treatment for amyotrophic lateral sclerosis, or ALS, at UK HealthCare. With the help of an endowment fund inspired by a former ALS patient, UK is working to provide future patients with the best possible services in coping with this debilitating disease.

The Kevin Heidrich/Team 7 Endowment in ALS Patient Services Research presented \$65,000 to the UK College of Medicine in July 2004, bringing the team closer to its goal of raising \$1 million for research into

patient services. Since fundraising began in 2003, the team has raised \$325,000. The endowment has been matched by \$500,000 in Research Challenge Trust Funds, bringing it to a total of \$825,000.

Kevin Heidrich was diagnosed with ALS, often referred to as Lou Gehrig's disease, in 1998 and succumbed to the disease in July 2005. His friends and family formed Team 7, in honor of the number 7 jersey Heidrich often sported at athletic events. There are now more than 1,000 members of Team 7.

AUTOMOBILE ENTHUSIASTS SUPPORT NEONATAL RESEARCH

During the Keeneland Concours d'Elegance, fine automobiles roll into the Bluegrass and bring support for Kentucky Children's Hospital.

In 2006, supporters of the Concours created an endowment of \$400,000 to support neonatal research—much-needed in Kentucky where a higher percentage of children are born prematurely than in the nation on

average. Through the establishment of the endowment, Concours supporters joined caregivers in the Neonatal Intensive Care Unit (NICU) in looking for a decline in mortality and the severity of diseases and problems related to premature birth.

“One of the reasons we host the Concours at Keeneland and drive down the scenic corridors of the

Bluegrass is to show those who come to Lexington all the great aspects of this area,” said Connie Jones, who leads the event committee along with husband Tom. “We make our children one of the most shining parts of the picture. We have patients at the event. We have the children pick their favorite car for an award. And we tell the story of Kentucky Children's Hospital at every available opportunity.”

Dr. E. Vernon Smith (left) with UK President Lee T. Todd Jr. at the announcement of his \$11.5 million gift.



UK ALUMNUS GIVES BACK TO HIS *ALMA MATER*

In June 2006, a donation of \$11.5 million, including matching funds, was made by a 1937 UK graduate, Dr. E. Vernon Smith. Dr. Smith's gift represents the second-largest and most wide-ranging gift received in UK's history. Funds from the Greenup County native and his late wife, Eloise C. Smith, will provide scholarships in nursing,

medicine and band; professorships in history, business, nursing and macular degeneration research, and endowed chairs in macular degeneration and Alzheimer's disease research.

The Smiths' gift will further UK College of Medicine's groundbreaking efforts to understand macular degeneration,

Alzheimer's and other age-related cognitive conditions. The largest amounts of funding—\$4 million each—will go to establish the endowed research chairs in these areas. Dr. Smith has been diagnosed with macular degeneration. His wife passed away in 1997 as a result of Alzheimer's disease.

Statistics & Financials



STATISTICS

	2005	2006
Discharges		
Medicare	5,574	6,225
Medicaid	6,544	7,005
Commercial/Blue Cross	7,933	8,827
Patient/charity	<u>2,218</u>	<u>2,703</u>
Total discharges	22,269	24,760
Number of beds	473	473
Average daily census	336	369
Average length of stay	5.51	5.43
Patient Days		
Medicare	32,871	37,998
Medicaid	41,084	41,012
Commercial/Blue Cross	36,099	41,710
Patient/charity	<u>12,650</u>	<u>13,800</u>
Total patient days	122,704	134,520
Surgery		
Operative cases	19,338	20,075
Outpatient		
Outpatient visits	309,154	320,254
Other service relationships		
Referring physicians	1,635	1,715
UK•MDs physician calls	88,797	99,334
Health Connection consumer calls	47,128	62,168
Web site users (avg./mo.)	44,741	60,599

FINANCIAL STATEMENTS

Condensed Statement of Revenues and Expenses (\$ in thousands)

	2005	2006
Operating revenue	\$441,935	\$514,819
Operating expenses	<u>404,777</u>	<u>484,245</u>
Operating income	\$37,158	\$30,574
Nonoperating revenue (expenses)	8,502	49,532
Income before transfers to UK	45,660	80,106
Transfers to UK/other	<u>(17,345)</u>	<u>(11,199)</u>
Total increase in net assets	\$28,315	\$68,907
Operating margin	8.4%	5.9%
Total margin	6.4%	13.4%



Condensed Statement of Net Assets (\$ in thousands)

	2005	2006
Assets		
Current assets	\$322,867	\$260,494
Capital assets, net of depreciation	133,279	156,412
Other noncurrent assets	<u>53,183</u>	<u>270,336</u>
Total assets	\$509,329	\$687,242
 Liabilities		
Current liabilities	42,165	39,136
Noncurrent liabilities	<u>10,487</u>	<u>122,522</u>
Total liabilities	52,652	161,658
 Net assets		
Invested in capital assets, net of related debt	130,986	131,137
Restricted expendable	687	2,855
Unrestricted	<u>325,004</u>	<u>391,592</u>
Total net assets	\$456,677	\$525,584

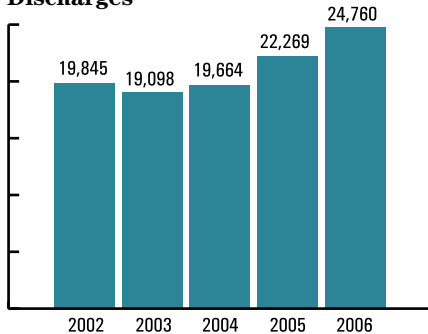
Important Facts

ABOUT UK HEALTHCARE

Clinical growth

The demand for our unique and advanced specialty services continues to expand. Annual discharges topped 24,700 in fiscal year 2006—a 30 percent increase over the 19,098 of fiscal year 2003. From a low period in 2003, our discharges have increased dramatically, with each quarter better than the same quarter the previous year.

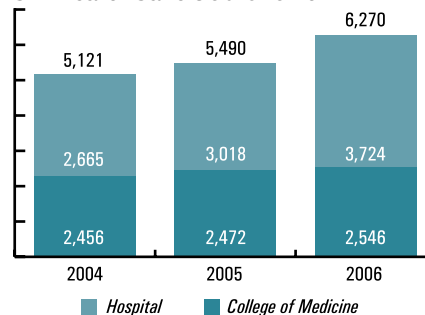
Discharges



Economic impact

The increasing demand for the services provided by UK HealthCare over the past several years has spurred the need for additional people—nurses, physicians and other medical providers. Through fiscal year 2006, UK HealthCare has created more than 1,100 new jobs since 2004—an increase in our workforce of more than 20 percent.

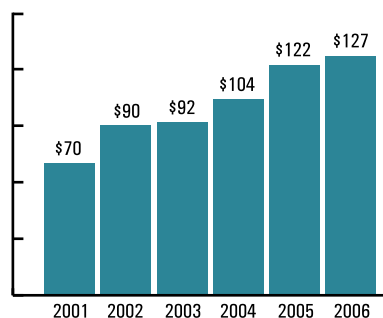
UK HealthCare Job Growth



Advancement of medical knowledge

The College of Medicine has continued to focus on the development of its research programs under the 1997 House Bill 1 mandate that UK become a Top 20 public research university by 2020. Through 2006, total grants and contracts for the College of Medicine are up more than 80 percent since 2001.

Grants and contracts (millions of dollars)





PATIENT CARE

The new University of Kentucky Albert B. Chandler Hospital will provide the right kind of space to deliver the very best patient care.

Features of the new UK Chandler Hospital

- 1.1 million square feet
- “Built out” in two phases to allow for phased replacement of the existing hospital
- Expanded capacity
- Large circular drive provides direct access from South Limestone
- Central lobby linking the new hospital with Kentucky Children’s Hospital and the Linda and Jack Gill Heart Institute

- Convenient walkway connecting new parking garage to the hospital
- State-of-the-art space for emergency/trauma service, interventional imaging, diagnostic imaging and surgery
- Private patient rooms
- Accommodations for a loved one to stay overnight
- Family and support space

continued on page 32



Hospital lobby (above). Private patient room (below).





UNIVERSITY OF KENTUCKY

Albert B. Chandler Hospital



Opening 2011

A state-of-the-art healing environment for the people of Kentucky.

Clockwise: North face of new UK Chandler Hospital; entrance to pedway that will connect the hospital and parking garage; new hospital parking garage opening September 2007; circular drive entrance accessible from South Limestone.



continued from page 29



OPENING SPRING 2008

University Health Service

(student/employee health)

A new building (above) will further UK's ability to provide preventive and primary health care and education to the growing student population and other members of the UK community. UK's Top 20 business plan calls for 7,000 additional students by 2020.

Services provided will include primary care, gynecology, nursing/employee health and mental health and prevention clinics.

OPENING LATE 2009

College of Pharmacy Building

The Commonwealth has a shortage of 400 pharmacists, a shortage that is particularly acute in rural areas. The UK College of Pharmacy has increased its enrollment by 50 percent since 2000, from 88 students to 132 admitted for the class entering in 2006. A new facility enables the college to continue its growth.

This facility doubles the amount of current Pharmacy classroom space and increases research space by about 40 percent.



EDUCATION

UK is one of the few universities in the nation to have all six health science colleges on one campus and is well-positioned to pursue inter-professional health care education and collaborative research. Future plans propose a Health Sciences Learning Center to be shared by UK's colleges of Medicine, Dentistry, Pharmacy, Nursing, Health Sciences and Public Health so that students and faculty across all disciplines can work together in shared facilities that will offer unprecedented opportunities for the learning and research experience.

Health Sciences Learning Center

- Provides state-of-the-art simulation labs and assessment facilities, an integrated library, study rooms, a bookstore, food court, classrooms and auditoriums for all colleges to share.
- Medical center students will learn together in this facility, preparing them to work in multidisciplinary teams to deliver the best patient care.
- A shared facility eliminates the need to replicate the same labs and instructional facilities in each individual college.

RESEARCH

The need for research space is paramount. Medical research programs can only be grown when the right kind of laboratory space exists to attract outstanding scientists and their research teams. The university's quest for Top 20 status among the nation's public institutions will require a significant research commitment from the academic colleges at the medical center, which contribute more than 50 percent of the university's total research dollars.



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The **vision** of UK HealthCare is to achieve national recognition as a top 20 public academic health center providing optimal multidisciplinary health care and developing advanced medical therapeutics for the people of Kentucky and surrounding regions.

UKHealthCare

ukhealthcare.uky.edu