A SYSTEM OF COORDINATED CARE STARTS WITH YOUR PRIMARY CARE DOCTOR.
“AT PARTNERS, WE HAVE MADE A COMMITMENT TO PROVIDING THE HIGHEST QUALITY, COORDINATED HEALTH CARE THAT IS AFFORDABLE AND ACCESSIBLE.”

THE WORD COMMITMENT IS POWERFUL AND AFFIRMING.

We know its definition as a pledge, a promise. The meaning of the word commitment for our Partners HealthCare community speaks to a dedication to our mission, our patients, their families and all the communities we serve.

Commitment reinforces an acceptance of responsibility, a responsibility to be a leader always driving to innovate and improve. At Partners we are embracing this leadership role as we commit ourselves to providing the highest-quality health care that is affordable and accessible. We are partnering at the federal and state level with legislative and policy leaders and with our local business community, consumer advocates and insurers to find new ways to improve the health care delivery system.

In this year’s annual report, we are sharing our success stories of innovation and coordination. These narratives are simply a taste of what our teams are tackling across our system, at our hospitals and institutions, as we combine the strengths of our collective talents to develop best practices that will benefit our patients through a seamless, coordinated line of care.

The best of times are ahead of us, as are the greatest challenges. With an uncompromising commitment to help those in need, the 60,000 men and women of Partners HealthCare – the doctors, nurses, caregivers, researchers, educators, support teams and administrators – will have the opportunity to carve a path that will guide, support and advance our mission for generations to come.

Edward P. Lawrence, Esq.  Gary L. Gottlieb, MD
Chairman, Board of Directors  President and CEO
Partners HealthCare  Partners HealthCare
THE PARTNERS CARE MODEL:
ONE PATIENT, ONE TEAM, ONE SYSTEM.

POPULATION HEALTH MANAGEMENT: KEEPING PATIENTS HEALTHY.
Health care traditionally has been provided to those who seek help or need it. Partners Population Health Management (PHM) reverses that relationship to focus on the health of patients before they need medical attention.

The goal of PHM is to create a better organized and coordinated patient experience with improved outcomes at lower costs.

A key piece of PHM is the Patient-Centered Medical Home – a reorganization of sorts of our primary care practices – from their current structure to a team-based, patient-centered approach, with heightened focus on prevention, and, for us, special attention to those patients with chronic disease or those with medically complex care – deemed high risk.

Currently Partners is caring for approximately 500,000 patients through its PHM program, according to Timothy Ferris, MD, who leads Partners PHM initiative.

The Partners-wide Integrated Care Management Program (iCMP), another key component of PHM, is modeled on a successful program at Massachusetts General Hospital that addressed how to improve the quality of care and lower costs for Medicare patients. Under iCMP, nurse care managers work with high-risk patients to reduce unnecessary visits to the emergency room and shorten hospital stays.

They help with everything from arranging transportation, to finding a visiting nurse, to locating appropriate mental health services.

A PIONEERING EFFORT TO IMPROVE CARE AND MANAGE COSTS.
Partners was selected by the federal government to administer a new care model for Medicare patients called an Accountable Care Organization (ACO). Partners is one of only 32 organizations in the country chosen as a “Pioneer ACO,” aimed at reducing costs while improving care. A team of caregivers oversees the health of a population of patients on Medicare. The ACO grew out of a successful trial conducted in 2006 by MGH that demonstrated improved care and savings.

A SEAMLESS CONNECTION LEADS TO BETTER COORDINATION.
An essential element of managing health care costs is the electronic medical record (EMR). A decade ago, Partners was one of the first systems in the nation to require all of its hospital physicians to use EMR. A five-year study of MGH and Brigham and Women’s Hospital by Harvard Medical School showed that EMR cut costs through, as an example, fewer lab tests.

Partners eCare is a new, fully-integrated system that will provide a single, complete and up-to-date electronic record for all Partners patients and providers. When fully in place, Partners eCare will enable a seamless flow of clinical and administrative information, reduce duplication of services, and avoid unnecessary tests – while assuring quality, safety, and access.

WELCOME, NEIGHBORHOOD HEALTH PLAN.
The union of Partners and Neighborhood Health Plan (NHP) represents a new and innovative opportunity to ensure access to the delivery of the highest quality, culturally competent, compassionate care. Our organizations share a deep commitment to Community Health Centers (CHCs) and the belief that CHCs are a cornerstone of a cost-effective health care delivery system, particularly for the underserved. Partners and NHP are strongly committed to serving the health care needs of low income and vulnerable populations in Massachusetts. The affiliation will further address a patient’s needs for care coordination with a focus on health equity, and the ability to help curb health care costs.
PATIENT AFFORDABILITY, A $300 MILLION COMMITMENT.

Partners has committed to reducing costs across the system by $300 million over three years. The system is using its leverage as a major medical consumer to achieve savings on goods and services.

Partners estimates that $50–75 million in savings could be achieved in certain areas over a year and a half. Initially, $25 million in reductions were made in a matter of months. There are about 70 cost-reduction projects underway throughout the Partners system.

HEALTHIER HOSPITALS USE LESS ENERGY.

Hospitals by their nature consume energy 24 hours per day, 7 days a week. Nevertheless, through operational changes and use of more efficient equipment, Partners has targeted energy savings of $15 million per year with a reduction in energy use of 25 percent by 2015.

Partners is a founding member of an 800-hospital national consortium of health care organizations called the Healthier Hospitals Initiative; it is chaired by John Messervy, an architect with Partners who plays a leading role in facility planning and construction for the system.

The consortium allows Partners to learn about and share “green” strategies to reduce waste, embrace sustainable ideas, and save money.

UNDERUSED PAGERS IDENTIFIED.

Even a relatively small item hasn’t escaped Partners attention. More than 12,000 pagers have been issued throughout the Partners system. Reducing that number by just one-third could save an estimated $250,000–$280,000 annually. A preliminary review found that almost a third of pagers received only five or fewer pages per month. Those pages could be sent to existing smart phones to save money.

RETHINKING SPINE IMPLANT DEVICES: SAVING $4.3 MILLION ANNUALLY.

A 20-person team of physicians, nurses, and administrators across the Partners system set out to reduce the cost of spine implant devices, which are typically high-priced items. "We had discussions with our surgeons and reached agreement on a more limited selection of products and a reduced number of vendors without compromising care," says Lawrence Cohn, MD, co-chair of the team at BWH. "The spine surgeons said that there was an equivalent and acceptable alternative to most of the products."

The 37 existing vendors were presented with a new pricing plan for the devices – even down to screws. A total of 28 vendors accepted the new pricing and those that did not saw their products removed from inventory with the approval of the surgeons. New three-year contracts went into effect in mid-September, at a total annual savings of $4.3 million: a 28 percent reduction.

COSTS GO DOWN; SAVINGS GO UP.

Hospitals elevators are essential to patient care and mobility. Fifteen elevator companies had serviced the 342 elevators in the Partners system, at an annual cost of $3.3 million. By limiting the number of elevator service contracts to two and negotiating favorable pricing, Partners is saving $693,000, or 21%, of total spending without affecting service.

STREAMLINING SPENDING ACROSS OUR SYSTEM ADDS UP.

A sample of projects and savings:

- Information Systems initiatives: $10 million
- Better pricing for spinal implant devices: $4.3 million
- Purchasing reprocessed products: $2.8 million
- Better pricing on reusable pulse oximetry devices: $1.4 million
- Better pricing on interventional products such as cardiac stents and balloons: $1.2 million
- Standardization of elevator maintenance: $693,000
- Linen utilization: $325,000
- Better pricing for records storage: $208,000

THE BENEFITS OF A COORDINATED HEALTH CARE SYSTEM.
PARTNERS NAMED TOP CHARITABLE GIVER BY BOSTON BUSINESS JOURNAL.

At its 2012 Corporate Citizenship Summit, Boston Business Journal recognized Partners as the year’s most charitable corporate contributor, with its contributions totaling $30.7 million. As part of its mission to serve the community, Partners, through community partnerships and its own programs, works to make measurable improvements in the health of the community through programs that aim to increase access to health care, enhance economic and educational opportunities, and improve health through prevention.

INVESTING IN COMMUNITY HEALTH CENTERS, FROM PITTSFIELD TO PROVINCETOWN.

Teaming up with new Partners member Neighborhood Health Plan (NHP) and the Massachusetts League of Community Health Centers, Partners is distributing up to $90 million in grants over the next 15 years to statewide community health centers, regardless of their affiliation with Partners. The Partnership for Community Health will provide the health centers access to long-term resources as they continue to develop new, sustainable ways of caring for patients in vulnerable communities. The grants will help community health centers adapt to state and federal health reform requirements, create patient-centered medical homes, and mark a strong beginning in Partners new relationship with NHP.

COORDINATING OUR RESOURCES TO BENEFIT THE COMMUNITY.

A NEW GENERATION OF HEALTH CARE INNOVATORS.

Partners and the Kraft Family Center for Leadership and Training in Community Health have teamed up to address the primary care physician shortage in low-income communities. Their goal is to build a strong workforce of talented, compassionate physicians and nurses dedicated to improving community health.

In July 2012, the Kraft Center, in partnership with the Massachusetts League of Community Health Centers, launched two programs. The Kraft Fellowship is aimed at young physicians just out of residency, while the Kraft Practitioner Program assists talented doctors and nurses already working in community health centers.

Both programs offer loan-repayment assistance; in exchange, participants make commitments to work in a community health center, and to seek innovative ways to reduce health inequities.

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$10 MILLION IN SCHOLARSHIPS FOR A STRONG WORKFORCE OF THE FUTURE.

Partners, BWH and MGH are continuing their commitment to strengthening Boston’s health care workforce by awarding scholarships to 400 students in BWH’s Student Success Jobs Program and the MGH Bicentennial Scholars program. The students chosen have demonstrated an interest in science and medicine, and aim to pursue health careers. The hope is that these scholarships will not only build careers for students, but will create a strong future workforce for health care, a cornerstone of the state economy. Boston Mayor Thomas M. Menino said, “These opportunities for young people are so important for our city. The hospital programs and now these new college scholarships from Partners can provide life-changing experiences for students and their families.”
**COORDINATION THROUGHOUT OUR SYSTEM TO BENEFIT PATIENTS.**

**GOOD COMMUNICATION MEANS BETTER CARE AT BWH FAULKNER.**

Brigham and Women’s Faulkner Hospital’s Attending Care Team, or FACT, is another Partners team-based initiative. The team, consisting of an attending hospitalist, a nurse, patient-care facilitator, the patient’s nurse and physical therapist visit each patient in their room together every morning. Other caregivers including a social worker, case manager, registered dietitian and pharmacist meet with the team at established points in the day to plan the best course of care for patients.

The new structure strengthens the relationship of the caregivers who are treating the patients. The better communication leads to improved quality of care and greater patient satisfaction.

**SMOOTHER SAILING ON THE NORTH SHORE.**

Reflecting Partners goals of more affordable care through teamwork, North Shore Medical Center (NSMC) has launched new pilots aimed at smoothing patient flow, reducing the average length of stay, and enhancing patient and caregiver satisfaction. Developed by hospital staff, the Individually Paced Accountable Care Environment (IPACE) has met those goals. As IPACE has spread across NSMC, one idea that has proven particularly popular is multiple “huddles” per day where caregivers meet to review a patient’s progress and adjust care based on the patient’s status.

**LISTENING TO MENTAL HEALTH PATIENTS AND FAMILIES.**

As the nation’s highest ranking, free-standing psychiatric hospital, (according to U.S. News & World Report), McLean Hospital is committed to helping patients and their families living with psychiatric illness. McLean’s Patient and Family Advisory Committee (PFAC) includes patients and family members with first-hand knowledge of McLean, who work in collaboration with hospital leadership and staff to improve the patient experience at the hospital. As a result of PFAC feedback, McLean has recently implemented a number of changes, including the creation of Guides to Patient Care, a series of publications designed to make the arrival and admission process, as well as the inpatient stay at McLean a lot easier to understand for patients and their families.

**SPAULDING’S WELL-PLANNED NEW HOME IN CHARLESTOWN.**

The new state-of-the-art Spaulding Rehabilitation Hospital in the Charlestown Navy Yard will provide world-class care as it meets Partners commitment to respect the environment. This LEED Gold Certified facility used the latest environmentally-friendly building materials, natural lighting, and sustainable techniques and serves as a model for Inclusive Design, which accommodates people with physical differences. Spaulding also took steps to address a potential rise in sea levels, since it is located on Boston Harbor. With that in mind, mechanical equipment and patient rooms have been located on the upper levels of the building. Spaulding is key to better coordination of care for our patients with its respected rehabilitation services ranked fifth nationally by U.S. News & World Report.

**NEWTON-WELLESLEY MINDS YOUR RECOVERY.**

Patient care after discharge is being addressed at Newton-Wellesley Hospital. In its new Patient Call Manager System (PCM), registered nurses call each patient after discharge to see how they are recovering at home. The nurses answer medication questions, clarify discharge instructions, and record patient responses in the PCM system. The nurses provide timely feedback to caregivers, while reducing patient anxiety. PCM enables Newton-Wellesley to track results for continuous performance improvement, as well as improve patient satisfaction and reduce costly readmissions.

**WITH TELMEDICINE, “NO HOSPITAL IS AN ISLAND.”**

Thanks to a commitment to telemedicine, patients at Nantucket Cottage Hospital have access to high quality care without leaving the island. Hospital staff can tap the knowledge of Massachusetts General Hospital (MGH) specialists in dermatology, radiology, endocrinology, pediatrics, and stroke, among others. MGH doctors “see” island patients using sophisticated televised images. The New York Times, in explaining the reach of Partners telemedicine, concluded, “No hospital is an island.”

That also applies to Martha’s Vineyard Hospital, which treats about 30 island patients per year for stroke symptoms. Since immediate use of medication is crucial to limit a stroke’s damage, island staff can instantly send brain images electronically to neurologists and radiologists at MGH where physicians collaborate with Vineyard staff on the best course of action to take.

**THE BENEFITS OF A COORDINATED HEALTH CARE SYSTEM.**
RESEARCH AND TEACHING: TAPPING OUR SCALE AND KNOWLEDGE.

A HOST OF GREAT DOCTORS MEANS A GREAT EXCHANGE OF IDEAS.
An integrated health care system can implement change on a large scale. Through Partners’ Clinical Process Improvement Leadership Program, front-line caregivers from across the system pool their vast and varied experience, and use cutting-edge theory to seek solutions to issues they face in the everyday practice of medicine. They collaborate on ways to reduce unnecessary ER use, streamline hospital discharges, improve handoffs of patients between departments, and reduce readmissions. The result is continuous quality improvement, and a constant effort toward lowering costs across the system.

BETTER TREATMENT FOR BIG DISEASES, ONE PATIENT AT A TIME.
The Partners Laboratory for Molecular Medicine has launched a “whole genome” program that will not only benefit patients across the system, but also advance learning in a new type of care that will ultimately benefit patients everywhere. This innovative type of care allows physicians to deliver diagnoses and individualized treatment through better understanding of human genetics, and by using information learned from the entire set of a patient’s own genes, rather than through several separate tests.

Geneticists will interpret and store these new and vast sets of data using a Partners-developed software, GeneInsight. This unprecedented approach will allow Partners doctors to take a much more comprehensive view of the type of disease a patient has, and determine what specific treatments might work best toward that patient’s recovery.

UNDERSTANDING THE IMMUNE SYSTEM: STRENGTH IN NUMBERS.
Combining knowledge across Partners, the system’s Research Ventures & Licensing group, working with key personnel at Brigham and Women’s Hospital, established PROSET-HD: Partners first “Center of Excellence” in human translational immunology. Harnessing the power of the Partners system, the program pulls together an array of experts, from biologists and geneticists to information technology specialists, to pool their experience and knowledge to tackle how the immune system works. Their aim is to develop personalized approaches to the treatment of autoimmune disease and inflammation that will lead to new methods of treatment and new diagnostic approaches.

TEAMING UP WITH THE NFL TO TACKLE SPORTS INJURIES.
Through their affiliation with Harvard Medical School, Spaulding Rehabilitation, Massachusetts General Hospital and Brigham and Women’s Hospital are part of a $100 million grant from the National Football League Players Association to study, treat, and find ways to prevent football players’ illnesses and injuries. While the research will focus on NFL players, the 10-year study could also benefit teens and amateurs in organized sports, by studying head and skeletal injuries, obesity, diabetes, and substance abuse.
MGH: EXCELLENCE AT AMERICA’S TOP HOSPITAL.

RECOGNIZED BY U.S. NEWS AS NUMBER ONE IN THE NATION.

Massachusetts General Hospital (MGH) has earned the top spot on the 2012–13 U.S. News & World Report “America’s Best Hospitals” honor roll. “Each year we have been both honored and humbled to be recognized among the nation’s highest achieving hospitals, and this year it is especially gratifying to be ranked number one,” said MGH president Peter Slavin, MD. “This recognition is a tribute to the more than 23,000 staff members at MGH who are dedicated to delivering the highest-quality care to our patients and their families.”

FASTER CARE FOR CANCER.

The new Henri and Belinda Termeer Center for Targeted Therapies at MGH is seeking to define the future of cancer therapy for patients at the hospital’s Cancer Center and beyond. The Center’s personalized, comprehensive translational research program will work to speed the discovery and delivery of targeted therapies to patients with early and advanced stage cancers.

The cycle of discovery is swift and efficient, with newly identified genetic abnormalities revealing new information about cancer pathways and creating novel investigative possibilities, not only for MGH researchers, but for collaborators around the world. The Termeer Center’s goal is to cut the average time for drug development from ten years to five and, with more clinical trials, improve access to therapy for patients.

A NEW FRONT DOOR FOR MGH: THE RUSSELL MUSEUM.

Visitors to Boston can now tour the historic milestones in MGH’s proud 200-year history. Built and sustained entirely through MGH’s generous donors, the Paul S. Russell Museum of Medical History and Innovation is a tribute to MGH’s ongoing tradition of discovery. The exhibits not only highlight the hospital’s rich past but also its future promise, both of which can serve as inspiration to new generations of caregivers.

BWH: A TRADITION OF INNOVATION AND COMPASSION.

BUILDING ON DR. BRAUNWALD’S LEGACY OF CARDIOVASCULAR INNOVATION.

Brigham and Women’s Hospital (BWH) has long been recognized for its exceptional cardiovascular care. Carrying on the tradition of innovation in the field exemplified by Eugene Braunwald, MD, the next chapter in cardiovascular services at BWH begins with the launch of its Integrated Cardiovascular Services (ICS), a new model that will foster collaboration and teamwork and enhance existing areas of excellence. The ICS leadership team will focus on the creation of newly envisioned collaborative cardiovascular units, or CCUs, which will be hubs of innovation and clinical care built around common and uncommon problems that confront BWH as it cares for cardiovascular patients. Additionally, ICS will create new opportunities in education for the next generation of care providers.

BWH WORKS TO BREAK THE CYCLE OF VIOLENCE.

Violence is the leading cause of death in Boston for young black and Latino men ages 15 to 35. To address this devastating public health issue and inequity in Boston neighborhoods, BWH launched the Violence Intervention and Prevention Program, a collaboration between the hospital’s Center for Community Health and Health Equity and the Division of Trauma, Burn and Critical Care Surgery. As part of the program, BWH community advocates meet with victims of violence during hospital treatment to provide an outlet for them to talk about the events that led to the violence. Once treated, advocates connect patients to psychological support and resources in the community that address social factors at the root of violence, giving patients a path to avoid violence after they recover.

BRIGHAM AND WOMEN’S FAULKNER: A UNION THAT BETTER SERVES THE COMMUNITY.

With its new name and stronger connection to BWH, Brigham and Women’s Faulkner Hospital (BWFH) is set to continue its more than 100 year tradition of delivering quality, community-based care.

“This new name reflects our ever-increasing integration, our commitment to offer a seamless campus to our patients, and to redesign care for maximum efficiency and the best possible outcomes,” said BWFH Chief Operating Officer Michael Gustafson, MD.

A NEW RESIDENCY PROGRAM ADDRESSING GLOBAL HEALTH CHALLENGES.

One of only a few global surgery residencies in the U.S., BWH’s new two-year Global Health Equity Residency in General Surgery is designed to train academic surgeons in the science and practice of surgery in resource-limited settings, such as areas affected by war, extreme poverty, or natural disaster. The residency also inspires research and policy leaders in this growing field to meet the needs of some of the world’s most vulnerable populations. Its two inaugural residents have begun work in Rwanda and Haiti.

THE BENEFITS OF A COORDINATED HEALTH CARE SYSTEM.

At an event hosted by MGH, called “the Golden Spike” after the America’s first transcontinental railway, Governor Deval Patrick became the first patient to transmit his electronic health record over the Massachusetts Health Information Exchange (HIE), sending his personal health data from MGH to Baystate Medical Center in Springfield. The new HIE allows for health information to be securely transmitted between health care providers to better coordinate care and lower health care costs. Participating in the event at MGH were representatives from 11 health care organizations in the state that are among the first to adopt the new federally-funded system.
Partners HealthCare is guided by its mission of:

- providing the highest quality patient care,
- performing cutting edge research,
- training the care givers of tomorrow, and
- supporting the communities we serve.

To deliver on this mission, we need a solid financial foundation. We are pleased to report that in 2012 we reached our operating margin target and strengthened our balance sheet. Over the course of the past year, our organization has dedicated resources to identifying new ways to take costs out of our system – while focusing on the quality of care that our patients receive. These steps are part of our larger strategy to transform our care delivery system to meet the challenges of the new health care landscape to provide coordinated care that is accessible and affordable.

Partners, like many other health care providers, is taking on more financial risk in our contracts with health insurance companies. Today, we are participating in risk-based contracts with all three major Massachusetts commercial insurers and with Medicare through the Pioneer ACO initiative. In order to be successful in this environment we have focused our attention on managing the health of our patient populations – particularly those patients with complex medical conditions. Today, Partners is accepting financial risk and responsibility for nearly 750,000 patients. The recent addition of Neighborhood Health Plan into the Partners family will enhance our ability to succeed in this new health care environment as we craft new models of care that can provide our patients the type of high quality, affordable care they demand.

While risk-based contracts are becoming more prevalent, more than half of our net patient service revenue still comes from referrals and non risk based plans. Maintaining our focus on both these segments will be important in the coming years.

### OVERVIEW

For fiscal 2012, Partners reported income from operations of $151 million (2.1% margin) compared to $233 million (2.7% margin) for fiscal 2011.

Improvement in our investment performance of $103 million drove an increase in excess of revenues over expenses to $352 million in 2012 from $264 million in 2011. Total assets increased by $1.1 billion (10%) to $12.6 billion at September 30, 2012. Total net assets (assets minus liabilities) decreased by $171 million (3%) to $5.3 billion. Net assets declined as the excess of revenues over expenses ($352 million) was more than offset by a $700 million decrease in the funded status of our defined benefit pension and postretirement plans. The change in funded status was primarily due to an increase in the plan obligations resulting from a decrease in the discount rate used to measure the obligations. As the discount rate decreases, the discounted cash flow of future benefits promised by the plans increases, resulting in higher obligations.

### REVENUE

Operating revenues increased by $500 million (6%) to $9.0 billion from $8.5 billion in 2011. Net patient service revenue (NPSR) increased by $486 million to $6.8 billion, or 8%, resulting from increases in patient activity and acuity, as well as favorable other revenue. Other revenue, which includes management services and other non-patient revenue sources, grew $7 million (1%) to $415 million for 2012.

### NET UNCOMPENSATED CARE COSTS

For fiscal 2012, Partners' hospitals, community health centers, and physicians experienced $938 million in Medicare, Medicaid, and Health Safety Net (HSN) shortfalls due to government reimbursements that failed to pay the full cost of providing care to Medicare, low-income, and uninsured patients. Government payments represent approximately 40% of our net patient service revenue. The shortfall experienced by Partners' institutions and providers in 2011 was $907 million.

### EXPENSES

Operating expenses for 2012 increased by $542 million (7%) to $8.8 billion, inclusive of a one-time non-cash asset impairment charge of $114 million related to a shift in strategic direction for Partners' clinical information systems. Labor costs rose by $235 million (5%) to $4.9 billion, reflecting wage increases and increases in the cost of pension and health benefits. Supplies and other expenses grew by $150 million (4%) to $2.1 billion in 2012, inclusive of a $42 million expense levied upon Partners as part of the recently enacted health care cost containment law (Ch. 224). Interest expense of $103 million, an increase of $21 million (26%), reflects additional borrowing and less capitalized interest in fiscal 2012.

### RESEARCH

Total research revenue of $1.5 billion increased by $7 million in 2012. Direct research revenue remained flat compared to 2011 as Partners experienced the impact of diminished federal stimulus funding for research activity. Indirect research revenue of $349 million (which represents recovery of overhead expenses) increased by $6 million (2%) over the prior year. The effective overhead recovery rate remained flat at 31.9% for 2012 and 2011. As of September 30, 2012, Partners has committed future research funding of approximately $3.0 billion.

### PHILANTHROPY

Through the generosity and support of our donors, Partners' hospitals and programs raised $267 million in new gifts and pledges in 2012. From a cash standpoint, the System collected $279 million in cash gifts and pledge payments, our third best cash year in history. In terms of fundraising costs, our three-year average for cost-per-dollar raised is 17 cents, which is in line with our peers.

### LIQUIDITY AND CAPITAL RESOURCES

Partners' sources of liquidity are cash flow from operations, cash and equivalents, investments and credit facilities. Cash flow from operating activities for 2012 was $322 million, compared with $577 million generated in 2011. The decrease is primarily due to changes in our third-party settlements year over year ($120 million) and other changes in balance sheet accounts ($192 million). Unrestricted cash and investments at September 30, 2012 totaled $5.4 billion compared to $4.8 billion at September 30, 2011. Additionally, Partners maintains a $150 million credit facility with several banks.

In 2012, investing activities used $850 million, with $471 million spent on capital expenditures, a decrease of $117 million (20%) from the prior year. In addition, net purchases of investments amounted to $380 million in 2012.

For 2012, net cash provided by financing activities was $576 million. In January 2012, Partners HealthCare System Series I Revenue Bonds were issued. The net proceeds, totaling $350 million, were used to finance certain capital projects ($261 million) and to refund previously issued debt ($90 million). In December 2011, Partners also issued $250 million in taxable bonds which were used to make a voluntary contribution to Partners' defined benefit pension plans. Total debt outstanding amounted to $3.1 billion as of September 30, 2012.

Partners believes it has the necessary financial resources, operating cash flow and borrowing capacity to fund working capital needs, capital expenditures and other business requirements for the near term.

### OTHER MATTERS

Construction of a new Spaulding Rehabilitation Hospital at Yard's End, in the Charlestown Navy Yard, was completed in early 2013. The total project cost for the 132-bed facility was $225 million.

The Russell Museum, a two-story gallery featuring the history of MGH and medical innovations, opened in 2012 at a total project cost of $13 million, built and sustained entirely through MGH’s donors.

BWH has embarked on two significant construction projects – the Brigham Building for the Future or BBF and the Brigham Patient Parking Project or BPP. The BFF will expand research and clinical space on the BWH campus, with a focus on the Neuroscience and Musculoskeletal programs, and increase flexibility for future campus redevelopment while allowing for lease consolidation. BPP will be a 400-space parking facility under BWH’s 13 Francis Street entrance. BPP mitigates the current parking shortage on campus and confirms certain commitments to the community and regulators. BFF is expected to cost approximately $500 million with occupancy scheduled for 2017. BPP is estimated at $64 million with the garage opening scheduled for 2013.

Effective October 1, 2012, Partners acquired Neighborhood Health Plan, Inc. (NHP). NHP is a not-for-profit Managed Care Organization with the bulk of its members receiving their coverage through state programs, especially Medicaid (Mass Health) and Commonwealth Care. With NHP, Partners will have the ability and flexibility to develop innovative patient- and family-centered models of care and craft new initiatives aimed at better managing care of complex conditions. The affiliation will address a patient’s need for care coordination with a focus on health equity, and the ability to help curb health care costs.
PARTNERS HEALTHCARE LEADERSHIP

PARTNERS TRUSTEES

- Jack Connors, Jr., Chair (through June, 2012) Chairmen Emeritus (from July, 2012)
- Edward P. Lawrence, Esq. Chair (from July, 2012)
- Nesli O. Basgoz, M.D. (from July, 2012)
- Anne M. Finucane
- Charles K. Gifford
- Gary L. Gottlieb, M.D.
- Richard E. Holbrook
- Albert A. Holman, III
- Professor Jay O. Light
- Joseph Loscalzo, M.D. (from July, 2012)
- Stanley J. Lukowski
- Jim Manzi (from January, 2012)

- Maury E. McCough, M.D.
- Carol C. McMullen
- Cathy E. Minehan
- G. Marshall Moriarty, Esq.
- Henri A. Termeer
- Dorothy A. Terrell
- Andrew L. Warshaw, M.D. (through June, 2012)
- Beverly Woo, M.D. (through June, 2012)

PARTNERS BOARD OFFICERS

- Gary L. Gottlieb, M.D. President Chief Executive Officer
- Peter K. Markell Treasurer
- Maureen E. Goggin Secretary

LEADERSHIP

- Founding Members
  - Elizabeth G. Nabel, M.D.
  - Brigham and Women’s Hospital
  - Brigham and Women’s Faulkner Hospital
  - Allen L. Smith, M.D., M.S.
  - Brigham and Women’s Physicians Organization
  - Peter L. Slavin, M.D.
  - Massachusetts General Hospital
  - David F. Torchiana, M.D.
  - Massachusetts General Physicians Organization

- Timothy J. Walsh
  - Martha’s Vineyard Hospital
  - Scott L. Rauch, M.D.
  - McLean Hospital

- Janis P. Bellack, Ph.D., R.N., F.A.A.N.
  - MGH Institute of Health Professions
  - Margot Hartmann, M.D.
  - Nantucket Cottage Hospital

- Deborah C. Enos
  - Neighborhood Health Plan

- Peter K. Markell
  - Partners Community Healthcare, Inc.

- Patrick F. Jordan, III
  - Newton-Wellesley Hospital (interim)
  - North Shore Medical Center

- Robert G. Norton
  - Partners Continuing Care

- Thomas H. Lee, M.D.
  - Spaulding Rehabilitation Network

- David E. Storto
  - Partners HealthCare at Home
Partners HealthCare is an integrated health system founded in 1994 by Brigham and Women’s Hospital and Massachusetts General Hospital. In addition to its two academic medical centers, the Partners system also includes community and specialty hospitals, a managed care organization, community health centers, a physician network, home health and long-term care services, and other health-related entities. Partners is one of the nation’s leading biomedical research organizations and a principal teaching affiliate of Harvard Medical School. Partners HealthCare is a non-profit organization.
OUR VISION

To dedicate ourselves to the delivery of superior care that is patient- and family-centered, accessible, and equitable.

To provide a coordinated, cost-efficient, and transparent care model that will benefit patients across the continuum from prevention to long-term.

To touch the communities we serve, local or global, with sustainable improvements in the care we provide, with a keen focus on underserved populations.

To lead in research that fosters collaboration, bringing discovery to the patient’s bedside, and sharing those successes with the world so future generations may benefit.

To invest in education and training to nurture the next generation of leaders who can carry forward the lessons learned.

To promote the development of our workforce by creating opportunities for achievement and advancement.

To seek ways to deliver the highest quality health care to all.