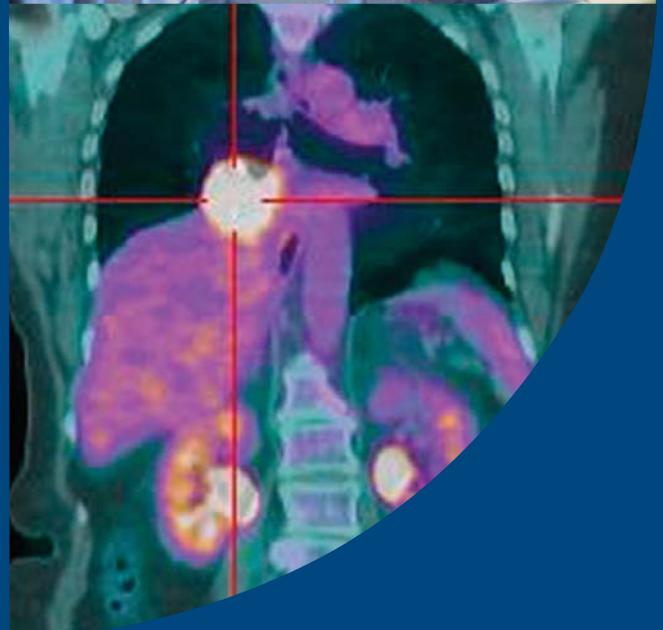


Report to Our Community 2006



Leadership Message

With the close of 2006, we are strengthened in the belief that Danbury Hospital is well positioned to serve the growing number of patients from a broader region who require advanced, specialized care. Over the years, we have consistently demonstrated our ability to improve services, capabilities and operating efficiencies. These qualities enable us to fulfill our vital role in the communities we serve, and enhance our performance for continued success. While the small community hospital founded in 1885 no longer exists, we have preserved its passionate commitment to advance the health and well-being of people in Connecticut and nearby New York.

Danbury Hospital has evolved to become a powerful force in health care, earning its place as a regional medical center and university teaching hospital capable of expanding its reach. We have achieved this by delivering high-quality care; supporting physicians, nurses and other health care professionals with technology and education; creating a superior workplace for our employees; and ensuring fiscal responsibility to invest in the finest resources the health care industry has to offer.

We are particularly proud of our accomplishments in 2006, which we regard as a quantum leap in reinforcing our goals and building value for physicians and their patients. It all boils down to our ability to make the patient experience one that is safe and successful, leaving the individual feeling especially well cared for. We strive to achieve this for each and every patient, while remaining a vital community asset for our neighbors.

As we work to refine our capabilities to grow, expand and care, we invite you to review our operating performance, the community benefits program (the "safety net" of assets that protects our community), and an annual summary of our clinical accomplishments, new facilities, awards, designations, and technology to support patients and their families.

Truly, this is an exciting time to be part of Danbury Hospital, where every day we are committed to advancing health care and building a stronger community.

Sincerely,

John M. Murphy, MD
Chairman, Board of Directors, Danbury Hospital
and Danbury Health Systems

Frank J. Kelly
President and CEO, Danbury Hospital
and Danbury Health Systems

Danbury Health Systems - Financial Highlights 2006

For the year ending September 30, 2006

We	
billed for services to our inpatients	\$410,014,867
billed for services to our outpatients	381,023,002
received from sources such as grants, cafeteria, etc.	9,689,350
earned from contributions	2,496,488
earned from investments	10,960,130
Total	\$814,183,837

We billed and did not receive

from Medicare for services provided because payments are limited to fixed amounts	\$(198,989,356)
from Medicaid for services provided because payments are limited to fixed amounts	(45,406,950)
from patients who were unwilling or unable to pay and other patients receiving services under contractual arrangements	(150,679,058)
Total we billed and did not receive	\$(395,075,364)

Therefore, we received from patient care, other services, and investments **\$419,108,473**

Our expenses included amounts

for salaries and wages	\$158,412,320
for employee benefits	52,193,658
for supplies and services	148,897,434
for utilities	5,721,702
for interest	3,120,604
for depreciation	19,233,603
for the loss on early extinguishment of debt	858,461

Our total expenses for patient care and other services were **\$388,437,782**

Therefore, the excess of amounts we received over our expenses for 2006 was **\$30,670,692**

The excess of amounts received over expenses was combined with other funds to retire debt and improve facilities and services to our community **\$(30,670,692)**

0

Capital expenditures amounting to \$28,386,112 were made by Danbury Hospital and other Danbury Health Systems operations.

Danbury Hospital 2006 Statistics

Emergency Visits	66,850	Total Patient Days	85,434
Total Outpatient Visits	156,392	Average Length of Stay (days)	4.2
Outpatient Clinic Visits	70,530	Number of Babies Born	2,324
Geriatric Clinic Visits	9,171	Endoscopy Cases	8,801
Inpatient Discharges	20,441	Ambulatory Surgeries	10,549

Meeting the Needs of Our Community

Danbury Hospital is committed to serving the community through its not-for-profit mission. Each year, it establishes targets to ensure that it carries out this mission by investing in facilities, technology and equipment. We also strive each year to enhance programs and offer support and services to meet identified community needs. As a health safety net for our greater region, we serve all people regardless of their ability to pay.

In 2006, the Hospital and its affiliates provided more than \$60 million in “community benefit” activities to continue stewardship efforts, and to manage and direct the health care resources entrusted to it. The Hospital is not compensated for these activities by patients or payers.

In addition to providing free and subsidized care to uninsured and underinsured patients, the Hospital and its affiliates offered numerous clinics and other “mission driven” programs and services that are essential components of care to meet our communities’ health needs. Several visible examples include the Wellness on Wheels (WOW) mobile health van, the Hospital’s Level II Trauma Center, renal dialysis for life-sustaining kidney treatments, and the Neonatal Intensive Care Unit for premature babies.

Another dimension of community benefit involves the dozens of free health education, screening and support programs that the Hospital conducts to address prevention and to help people become more active participants in their health. These include smoking cessation, cancer early-detection, transportation services for senior adults, immunization, breastfeeding support, asthma management, emergency medical services, emergency and bioterrorism preparedness, and public health services.

Community Benefit Category	Description of Activity
Charity care	Care that was rendered even when patients were unable to pay
Subsidized hospital and community health services	Neonatal Intensive Care Unit, Renal Dialysis, Community Medicine and Clinics, Perinatology (high-risk pregnancy services), Crisis Intervention, After Care, Day Hospitals, Behavioral Health
Government-sponsored programs	Reimbursement shortfalls from Medicare and Medicaid programs
Cash and in-kind donations	Cash and non-cash donations made by the Hospital on behalf of the poor and needy to community agencies, or special funds for charitable activities
Provider education, training and research	Education and training for medical residents, nursing students, and students in other allied health professions Health-related research on alternative health delivery methods, testing of medical equipment and controlled studies of therapeutic protocols

The value of these services exceeded \$60 million in 2006.

A final component of community benefit services involves medical education and clinical research. This broad-based commitment to education qualifies Danbury Hospital as a member of the Council of Teaching Hospitals and Health Networks, a group of 400 of the most prestigious, predominantly larger U.S. medical centers. Studies demonstrate that patient care outcomes are highest at teaching hospitals. In addition to providing a higher level of patient care and safety, teaching hospitals attract physicians who want to keep pace with the rapid developments in health care and to incorporate new information into patient care protocols. More than 95 percent of Danbury Hospital’s medical staff are board certified, and most specialists providing daily patient care are members of our teaching faculty. In addition, more than 140 clinical research studies were conducted at Danbury Hospital in 2006. These programs, and similar ones conducted in nursing and allied health professions, ensure that our patients receive the highest quality and most contemporary services currently available.

What are the results of Danbury Hospital's Community Benefit Program?

Danbury Hospital has implemented a process to convey the value of its community service efforts to patients, families and the general public. Our Community Benefit Program has been recognized as a state leader in tracking and reporting these activities by the Connecticut Hospital Association and its member hospitals.

Our commitment to excellence in care, service and community health has benefited our community in many ways:

- No patient requiring immediate care is turned away – ever. We are a part of the continuum of care safety net that includes partner agencies such as the AmeriCares Free Clinic, the Hanahoe Memorial Children's Clinic and Kevin's Community Center.
- Danbury Hospital is recognized as a statewide leader in asthma management, cardiovascular health, immunization, and prevention of substance abuse and obesity.
- Health indicators are stable and improving on many fronts thanks to Danbury Hospital's implementation of community outreach and education.
- Many well-received changes to our Seifert and Ford Family Community Health Center have greatly improved access to care for underserved populations.
- Danbury Hospital has built and maintains a true collaborative relationship with public health providers and other support agencies engaged around community response, flu season preparation and Lyme disease, among other important health issues.

The Year in Review

For Danbury Hospital's patients, physicians, staff and clinical partners – and for the western Connecticut and eastern New York communities we proudly serve – 2006 was a year of great achievement, progress and promise. These annual highlights reflect our continuing journey to provide top-quality health care services, as well as a skilled, compassionate environment for patients and their families, and a superior, advanced workplace for our employees and medical staff.

AWARDS AND DESIGNATIONS

America's 100 Top Hospitals

For the second consecutive year, Danbury Hospital was named to Solucient's annual 100 Top Hospitals list. This achievement recognizes the Hospital's outstanding performance in patient care, education and outreach that combine to offer high-quality, advanced technology and exceptional service to support patients and their families. Solucient, a leading national source of health care business intelligence, ranked Danbury Hospital among the nation's top institutions specifically for better patient safety, shorter length of stay and lower mortality than its peer teaching hospitals.

Consumers Recognize Quality

In late 2006, National Research Corporation (NRC), an industry leader in health care performance measurement and improvement, named Danbury Hospital as one of the most preferred hospitals by consumers for overall quality and image in Connecticut. The findings were published in NRC's HealthCare Market Guide 2006-07, following an annual study of households across the nation. Widely known as offering the nation's most comprehensive consumer assessment of the health care industry, NRC provides name-specific consumer ratings for more than 3,000 hospitals and more than 800 health plans nationwide. To allow meaningful comparison, local, state and national benchmarks are provided, along with preference ratings, patient satisfaction, satisfaction with access, health care utilization patterns, and a host of other measures.

Connecticut's Quality Leader in Surgical Weight Loss

This past summer, the American College of Surgeons Bariatric Surgery Network awarded Danbury Hospital its top rating – 1A accreditation – in recognition of quality, safety and reporting standards for weight loss surgery. Danbury was the first and only Connecticut hospital to earn this top ranking in 2006, and the second nationally. This recognition complements a 2005 designation as a bariatric surgery Center of

Catherine Winward, 36
Mother and Building Supply Company Salesperson
Patterson, New York

"Prior to my discovering Danbury Hospital's surgical weight-loss program, I weighed 305 pounds, and was dying. I struggled to breathe, had high blood pressure, elevated cholesterol, intestinal disorders and heart disease. After gastric bypass surgery at Danbury Hospital, I lost 150 pounds over the next 18 months and also lost most of my weight-related health problems. Now I have a normal life, finally able to go on vacations, shop, study yoga, and I'm even training for a marathon. Getting back my life has had a ripple effect – it starts with you, but then I see it as my responsibility – through volunteer efforts – to help others to help themselves as well."



Excellence by the American Society for Bariatric Surgery. Initiated in 2002, the Center for Weight Loss Surgery at Danbury Hospital has helped more than 600 morbidly obese patients with better results than national benchmarks. Most procedures are completed using laparoscopic techniques, reducing healing time, scarring and complications. Morbid obesity creates a variety of related health hazards, including diabetes, hypertension, asthma, heart disease, infertility and cancer. The Hospital's comprehensive pre- and post-surgical support program helps patients regain normal, healthy lives and, in most cases, significantly reduces or eliminates these dangerous health conditions.

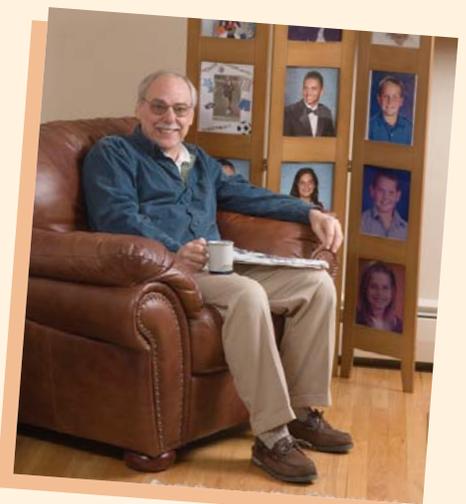
National Recognition for Cardiovascular Program

Danbury Hospital was the recipient of a 2006 CareScience™ Select Practice National Quality Leader award in the category of medical management for acute myocardial infarction (heart attack). As a recipient of this award, the Hospital achieved superior performance in the care of patients with acute heart attacks, based on quality, efficiency and performance.

Cardiovascular disease is one of Danbury Hospital's key clinical focus areas. The Hospital continually seeks opportunities to compare its performance to other hospitals across the nation, and to stay current with best practices.

Frank Musser, 65
Computer Management Consultant
New Milford, Connecticut

"I'm just a regular guy – a lucky guy, at that – a grandfather with eight grandchildren who I want to watch grow up. Like lots of other people, I wasn't looking forward to getting a colonoscopy, but my doctor said it was time . . . and I had a lot to lose by not taking care of myself. It was my choice, it was easy and painless, and I'm glad I did it. They found and removed several polyps, which they called 'pre-cancerous,' so they'll keep a closer eye on me now. But so far, all's well, and I'm glad I didn't put it off. My former brother-in-law waited, and he died of colon cancer. The way I see it, that's just selfish – he put his anxiety and ambivalence ahead of the needs of his family. I play golf and tennis, walk and do woodworking. I have a lot to live for, including dancing at each of my grandchildren's weddings!"



NEW FACILITIES

Ridgefield Diagnostic Imaging

This past summer, Danbury Hospital opened Ridgefield Diagnostic Imaging (RDI), its second community-based outpatient diagnostic imaging center, located on Ethan Allen Highway in Ridgefield. Convenient and easily accessible to patients along the Route 7 corridor, RDI offers fully digital, state-of-the-art technology including full-field digital mammography to facilitate early detection of breast cancer. RDI also features high-field MRI, a multi-slice CT scanner, bone densitometry and ultrasound. Danbury Hospital's board-certified radiologists are able to read the tests almost immediately, thanks to secure on-line access, speeding diagnosis and treatment opportunities.

Ridgefield Surgical Center

Adjoining RDI in its Ridgefield location, Ridgefield Surgical Center, LLC, opened in Summer 2006 to offer same-day or outpatient surgery in a convenient spa-like setting. A joint venture between

continued on page 5

The Year in Review... continued from page 4

Danbury Health Systems, the Hospital's parent company, and local surgeons, the Center offers three operating suites and an endoscopy suite designed to support ear/nose/throat surgery, urology, orthopedics, gastroenterology, general surgery (including breast and pediatric), hand surgery and plastic/reconstructive surgery. The Center offers a high-quality, convenient setting for residents of lower Fairfield County and nearby New York communities, and draws a variety of surgical specialists with sophisticated skills and expertise.

Southbury Cardiology and Cardiovascular Testing Center

In response to a growing need for cardiovascular services closer to patients' homes, Danbury Hospital opened Southbury Cardiovascular Testing at the Southbury Medical Center, 22 Old Waterbury Road, Southbury. This extension of the Hospital's Praxair Regional Heart and Vascular Center was further enhanced with the opening of Southbury Cardiology at the same location.

Southbury Cardiology is a physician practice led by Harvey M. Kramer, MD, Medical Director, who provides medical cardiology patient care and consultative cardiology services. For the growing populations in Southbury and surrounding towns, these facilities allow patients to access the full range of outpatient cardiovascular services, including nuclear cardiology, vascular exams, stress testing, heart monitoring and echocardiography, as well as patient education and support services.

Construction on New Outpatient Diagnostic Center

Danbury Hospital continued construction at a rapid pace on its new outpatient diagnostic building, which is scheduled for completion in late 2007. This facility, located on the Danbury Hospital campus at the intersection of Osborne Street and Locust Avenue, will house physician offices for cardiology and gastroenterology, a comprehensive radiology center, renal dialysis and nephrology services, imaging registration and offices for

general surgeons. This new, state-of-the-art facility will include significantly expanded parking and easy access for our high-volume outpatient services. It will free up space for planned expansion in the emergency department, and neonatal and maternity services.

CLINICAL DEVELOPMENTS

The Praxair Regional Heart and Vascular Center

In Spring 2006, Danbury Hospital dedicated the Praxair Regional Heart and Vascular Center to recognize a \$4 million gift from Praxair Foundation Inc. for advanced cardiovascular care. Following a multi-year effort to establish a Center of Excellence for this leading cause of death, the Hospital recruited a highly skilled team to build on its experience at major metropolitan medical centers, and develop a strong, comprehensive program for residents of Connecticut and nearby New York. This experienced team performed more than 600 procedures in Danbury this year, including interventional cardiology (angioplasty), and open-heart surgical procedures such as coronary bypass and complex mitral valve/aortic repair and replacement.

Pursuit of Primary Stroke Center Designation

Stroke is the leading cause of disability and the third-leading cause of mortality among American adults. In fact, twice as many women die from stroke than from breast cancer. Because stroke care demands specialized training and practices, Danbury Hospital has created its Stroke Center and was named a participating hospital by the American Stroke Association. Having a stroke center close to home is critical, as early and appropriate interventions are a stroke victim's best chance for survival and recovery, according to Medical Director Neil Culligan, MD. By focusing on superior stroke-response practices, research, clinical trials and improved outcomes, the Hospital is building a strong, multi-disciplinary team to provide consistent and

Rob Zohn, 53 Pilot and Owner, Aviation Sales and Services Company Danbury, Connecticut

"I've been a licensed pilot since I was 17 – and the 'poster child' for a heart-healthy life. I'm a non-smoker, avid bicyclist, exercise regularly and watch my diet. But I learned I couldn't outrun genetics – my father and both grandfathers died of heart attacks at relatively young ages. Even with my healthy lifestyle and annual flight physicals required by the FAA, my heredity still caught up to me. I had shattered my collarbone in a biking accident. Following physical rehabilitation, I started riding again, but experienced pain and pressure in my left arm and chest. An emergency nuclear stress test and follow-up angiogram revealed a blocked artery in my heart, and I ended up with angioplasty and an arterial stent. I'm fine now, and I'm one of the 'lucky' ones. I knew my family history and took care of myself. It still surprised me. If it could happen to me, it could happen to anybody."



continuous care. With all of these high-quality resources in place, the Hospital achieved designation as a Primary Stroke Center by the Joint Commission in December 2006.

Carotid Artery Stenting

The Praxair Regional Heart and Vascular Center introduced carotid artery stenting this past fall, under the direction of Alan Dietzek, MD, Chief, Vascular Surgery, and Jaime Strachan, MD, Director, Endovascular Surgery. This procedure – which is far less invasive than typical surgical interventions – involves the implanting of a stent, which is a small, latticed tube, in the carotid artery to improve blood flow to the brain and prevent narrowing of the vessel. This procedure is good news for patients who are at higher risk for stroke or aneurysm due to arterial blockages, and is a reliable, lower-risk alternative to surgery for some patients.

Spine Care Specialists

The Spine Center at Danbury Hospital – a surgical Center of Excellence – offers a unique, multi-disciplinary program led by orthopedic spine surgeons and neurosurgeons with specialized training and experience for helping patients with painful conditions of the back and neck. The team – which also includes anesthesiologists, pain-management specialists, radiologists and neuroradiologists, orthopedists and physiatrists – oversees a comprehensive process to identify medical therapy and surgical treatment options that include minimally invasive surgery for spinal stenosis, disk repair and replacement, corrective surgery for scoliosis and complex spinal deformity, and techniques for addressing degenerative issues attributed to aging, trauma or cancer.

Total Joint Replacement Program

Danbury Hospital offers the latest surgical care for joint replacement surgery at its Center for Advanced Orthopedic

Bill Reynolds, 64 Building Inspector, Town of Ridgefield Bethel, Connecticut

"Before my knee replacement surgery, I was in pain all the time – descending stairs and walking into the mall from the parking lot was agony . . . forget about climbing ladders, mowing the lawn or going to NASCAR races every summer. I was a carpenter before I became a building inspector, and lived with the torture way too many years. I had the surgery at Danbury Hospital last spring – after seeing myself in my daughter's wedding video and realizing that not only couldn't I sleep, but I also wobbled! Now, I get around easily, can maneuver and take long walks again.

Surgery and my recovery wasn't that difficult – people shouldn't put off a normal life or live with the pain for as long as I did. Today's surgical advances and expertise make a big difference. This summer I'm going back to NASCAR, and I'll be able to carry my cooler from the parking lot to the grandstand!"



Care. With advances in prosthetics, surgical techniques such as hip resurfacing and pain management for knee replacements, many patients are now opting for joint replacements at a younger age, rather than suffer pain and limited mobility for longer than necessary. Our team focuses on identifying and correcting knee, hip and other joint problems. Many procedures now involve computer-assisted technology, fiber optics, miniaturized instruments and new materials. Incisions are smaller and recovery is faster, helping patients leave the hospital within a few days and make the transition to rehabilitation quickly and easily.

Advances in Lung Cancer

At the Praxair Cancer Center at Danbury Hospital, cancer specialists emphasize case review, along with the latest technology and treatments, to offer patients the same quality care available in large, urban cancer centers. Approved by the American College of Surgeons for more than 30 years, the Center has a reputation for healing, in a compassionate, caring environment, close to home. This year,

the Center continues its specialized approach in its Lung Cancer Program, which offers selected patients Video-Assisted Thoracic Surgery (VATS) as a simpler alternative to open surgery. Michael Walker, MD, Medical Executive, Oncology Service Line, and Chairman, Lung Cancer Review Committee, performed 50 VATS procedures in 2006, the most of any surgeon in Connecticut. Used primarily to remove early-stage lung tumors, the procedure employs a special camera and scope inserted through two small chest incisions, eliminating the need to painfully spread the ribs. For some patients unable to tolerate VATS, Jeet Sandhu, MD, and George Stohr, DO, Department of Radiology, have performed radiofrequency ablation (RFA), a procedure that uses heat to shrink or destroy a tumor. Because both procedures are minimally invasive, they typically result in less pain, better breathing following surgery, a shorter hospital stay and a quicker recovery. The Hospital also focuses heavily on prevention by offering education and smoking cessation support.

Danbury Hospital Named Among "100 Top Hospitals" for Second Consecutive Year



Solucient®, LLC, a national firm specializing in the statistical analysis of health care quality, placed Danbury Hospital among the best in its 100 Top Hospitals®: National Benchmarks for Success report – for the second consecutive year. Specifically as it relates to similar organizations in the category of "Teaching Hospitals", Danbury Hospital outperformed its peers with a higher survival rate, better patient safety and a shorter length of stay.

According to Solucient, Top 100 Hospitals® set the standards for quality care because they have higher survival rates, keep more patients complication-free and remain financially sound to continue their mission to effectively serve their communities. This information was confirmed by other surveys conducted by proprietary organizations in the health care industry.

Mortality

Danbury Hospital's risk-adjusted mortality (death rate) is lower when compared with the best quartile of the 100 Top Hospitals group. **Lower is better.**

Patient Complications

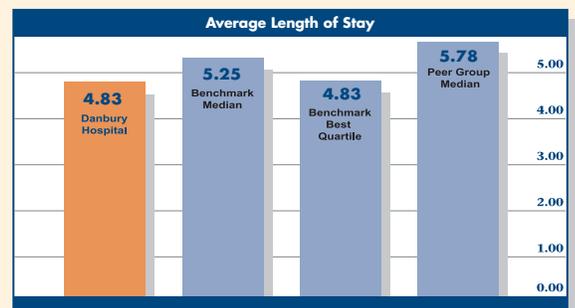
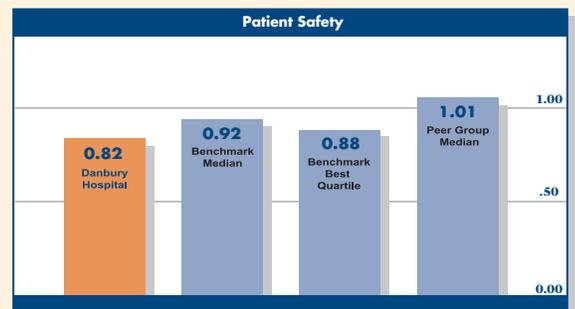
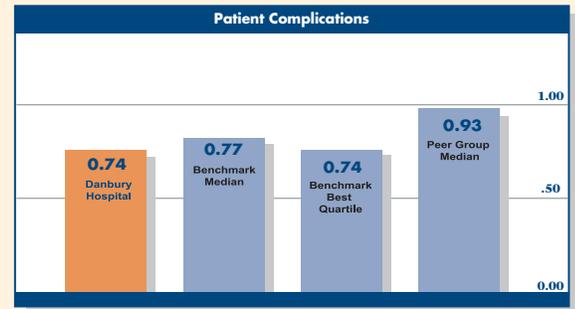
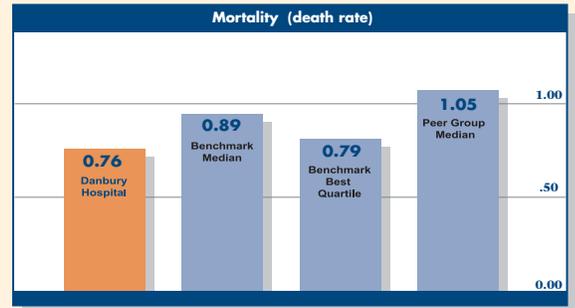
Danbury Hospital's risk-adjusted complication rate is lower than the median and comparable to the best quartile of the 100 Top Hospitals group, and lower than the median of the non-winner (peer) group. **Lower is better.**

Patient Safety

Danbury Hospital's risk-adjusted safety is better than the best quartile of the 100 Top Hospitals group. **Lower is better.**

Average Length of Stay

Danbury Hospital's severity-adjusted average length of stay is lower than the median and comparable to the 100 Top Hospitals group. **Lower is better.**



24 Hospital Avenue
 Danbury, Connecticut 06810
 (203) 739-7000
www.danburyhospital.org

NON-PROFIT
 U.S. POSTAGE
 PAID
 Danbury, CT 06810
 PERMIT #54