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Dear TempleHealth Colleagues,

The current financial crisis that is affecting the country has created concern among physicians and employees of academic health systems nationwide. I want to take this opportunity to update you on how the economic downturn is impacting the TempleHealth clinical enterprise, and offer some high-level thoughts on our current position and future direction.

Like most academic health systems, TUHS is experiencing a softening of patient volume, downward pressure on reimbursements to physicians and hospitals, increasing collection challenges, and ever-escalating costs. More troubling, however, is that TUHS, in recent years, has become increasingly reliant on investment income, state grants, and one-time asset sales to generate revenue to meet expenses. In addition, the Health System has lost money on healthcare operations for five of the last six years. In 2008, TUHS lost \$116 million on healthcare operations.

Despite the economic climate and our own unique challenges, there are reasons for optimism. TempleHealth has a long tradition of providing comprehensive, quality care to our neighboring communities, as well as the people of Philadelphia and beyond. We also train superb clinicians through our medical education programs, and conduct research that advances patient-care. Finally, we should take great pride in the physicians, nurses, allied-health professionals, and support personnel who provide quality care – either directly or indirectly – each and every day.

While we have much to be proud of, the external environment requires us to take immediate action to improve our performance so we can sustain our mission. That is why, over the past several weeks, we have begun to take the following measures:

- **Right-size TUHS Corporate and reduce costs in the hospitals** by \$40-\$50 million in order to reposition TempleHealth for Fiscal Year 2010;
- **Align School of Medicine and Health System** efforts to achieve more effective, synergistic solutions to mutually critical needs, such as physician recruitment and the growth of key clinical programs;
- Find a solution for the financial challenges facing **Northeastern Hospital** so we can provide health-care services to the community in a fiscally responsible manner; and
- **Reduce the Length-of-Stay** at Temple University Hospital by using 'best practice' clinical pathways to improve outcomes and technological tools to improve communication.

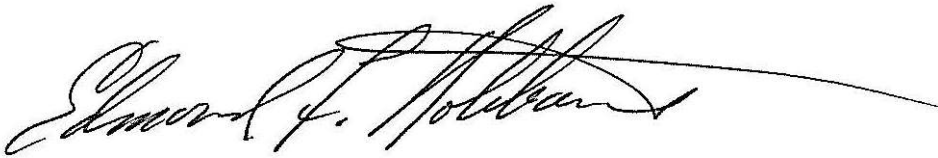
Looking forward, we seek to become a model integrated delivery system that provides measurably safe and superior care to the region, while providing an exceptional learning and research environment for physicians and other healthcare professionals. We also seek to become an indispensable community

asset by responding to identified needs with education, advocacy, partnerships and programs that improve access and health outcomes.

These goals ... and others ... require a firm financial foundation which will require difficult decisions. In the coming days and weeks you will hear more from hospital CEOs and School of Medicine leaders about specific steps we will take to build a robust, clinically strong and financially successful health enterprise.

Thank you for your support, hard work and trust.

Regards,

A handwritten signature in black ink, appearing to read "Edmond F. Notebaert". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Edmond F. Notebaert