

Fulfilling Our Promise

2009 Quality and Social Responsibility Report

© The information listed within this report reflects that of Extendicare's United States operating subsidiaries.



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Mission We help people live better by providing quality, cost effective health care and rehabilitation primarily to seniors in a resident-directed environment. We accomplish this by providing remarkable services through highly engaged and motivated members of our team.

Vision Challenging perceptions of our health care profession by helping people live better, one life at a time.

Values Respect, Integrity, Pride, Compassion, Responsiveness, Dignity

EXTENDICARE[®]

helping people live better

Success means . . .

Companies, like people, make choices based on values they hold. Our values of respect, integrity, pride, compassion, responsiveness and dignity guide our behavior, and in many ways, determine our future.

For Extendicare, our values are our compass. They give us direction and purpose. That's why our commitment to our residents, patients, employees and investors remains the same today as it was yesterday. And it is the same today as it will be tomorrow. These core values have been the foundation of Extendicare and will continue to drive its success.

- Success means **providing quality services** to residents and patients who entrust us with their health and dignity – making each day an affirmation of life.
- Success means **energizing team members** to live our vision of excellence – recognizing good people are our greatest strength and striving to create enjoyable and rewarding work environments.
- Success means **achieving profitable growth** over the long term to create value for our investors – ensuring effective communication of our goals and accomplishments.

Message from Our President and CEO

Extendicare is proud to be a leading provider of post-acute and related healthcare services throughout North America. We have been leaders in the senior healthcare business for over 40 years, and during this time, our core values and commitment to quality care have endured. Our mission is to help people live better by providing quality, cost effective healthcare and rehabilitation in a resident-directed environment. The decisions we make as a company are based upon the values we hold. Our values of respect, integrity, pride, compassion, responsiveness and dignity guide our behavior, and in many ways, determine our future.



While we have held the same values for over 40 years, much has changed in the environment in which we operate. Today's healthcare consumer is far more informed about their choices for care, as well as the treatments they receive. The long-term care resident of today generally expects a higher degree of involvement in their care, as well as greater expectations of the level of service and amenities they experience. Perhaps most importantly, today's seniors expect and deserve an environment that provides privacy and preserves their dignity.

As a result of these trends, Extendicare is taking a leading role in the evolution of long-term care in the 21st century. We endeavor to provide top quality care and rehabilitation in a more hospitality-oriented, resident-centered environment. The American Health Care Association and the Alliance for Quality Nursing Home Care share this vision and to support this transformation, they developed the "Quality First" initiative. As a part of this initiative, Extendicare and many members of the long-term care provider community made a public pledge to improve quality care for our residents, promote a progressive workplace for our employees, support the development of quality measures, adopt quality improvement practices and publicly disclose the results of our quality performance. We take this pledge seriously, and Extendicare's 2009 Quality and Social Responsibility Report is our effort to fulfill that promise of public disclosure and transparency of our progress towards achieving our goals.

I would like to thank Extendicare's dedicated and committed team members without whom the progress we are demonstrating towards quality would not be possible. Finally, I'd like to express optimism toward the future of long-term and post-acute sectors of the healthcare continuum in the new world of healthcare reform. We are confident that we will continue to provide a significant value proposition (high quality, low cost) to a growing sector of the population and that long-term and post-acute care will play an important role in improving the efficiency and effectiveness of our healthcare delivery systems.

Thank you for taking the time to review this report. It is our vision to challenge the perceptions of the long-term care profession...and that starts with you!

Sincerely,

Timothy L. Lukenda
President and CEO

About Extencicare

Extencicare Real Estate Investment Trust, through its operating subsidiaries, is a leading North American owner and operator of long-term and post-acute care services. With a reputation for providing quality, clinical-based services, Extencicare is committed to helping people live better through the delivery of skilled nursing and rehabilitative care in a post-acute environment as well as other related healthcare services. The hallmarks of Extencicare's philosophy are dignity, respect, integrity, responsiveness, compassion and pride, which are demonstrated by the 38,000 employees throughout our organization.

Extencicare endeavors to achieve rigorous standards designed to ensure that we meet the physical, spiritual, social and emotional needs of our residents and their loved ones. We measure our success by providing quality services to our residents and patients who entrust us with their health. Our goal is to be the provider of choice in the communities we serve.

Extencicare's 258 senior care centers in Canada and the United States have capacity to care for approximately 28,800 residents. For over 40 years, Extencicare has provided innovative and progressive healthcare programs and services designed to improve the health and well-being of those we serve.

North American Operations

Extencicare (Canada) Inc.

Headquartered in Markham, Ontario, Extencicare (Canada) Inc., operates 82 assisted living, skilled nursing and retirement centers and one chronic care unit throughout four provinces and has the capacity to care for over 11,500 residents. In addition, ParaMed Home Health Services provides more than 4.5 million hours of home health care services to its clients through 22 branch locations.

Extencicare Health Services, Inc.

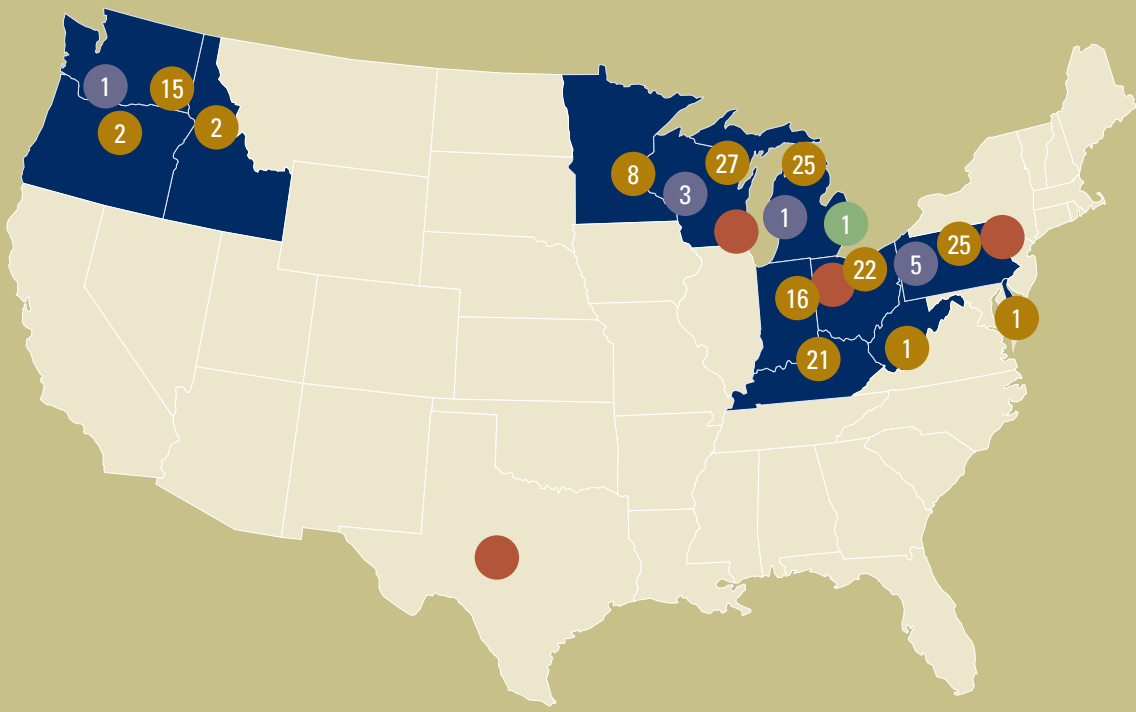
Extencicare, through its United States operating subsidiaries, is comprised of 176 skilled nursing, assisted living and rehabilitation centers in 12 states and has the capacity to provide health care services and rehabilitation therapy to over 17,300 residents. Through its 19 outpatient rehabilitation clinics (ProStep) in four states, over 6,500 clients are served. The company also operates two adult day centers located in Kentucky and one rehabilitation hospital located in Michigan. The U.S. operations are headquartered in Milwaukee, Wisconsin.

Progressive Step Corporation

ProStep offers comprehensive rehabilitation services including physical, occupational and speech therapy services in a variety of settings. Inpatient services are offered through Extencicare's skilled nursing centers. Progressive Step Rehab Clinics are free-standing clinics located in Texas, Ohio, Pennsylvania and Wisconsin. Services offered in these clinics include pediatric, orthopedic and neurological rehabilitation for infants, teens, adults and geriatric patients.

U.S. Operations

176 centers in 12 states 17,300 beds



- NURSING CENTERS
- ASSISTED LIVING & RETIREMENT CENTERS
- PROSTEP OUTPATIENT REHAB (19 CLINICS)
- REHAB HOSPITAL

Long-term Care Group Purchasing

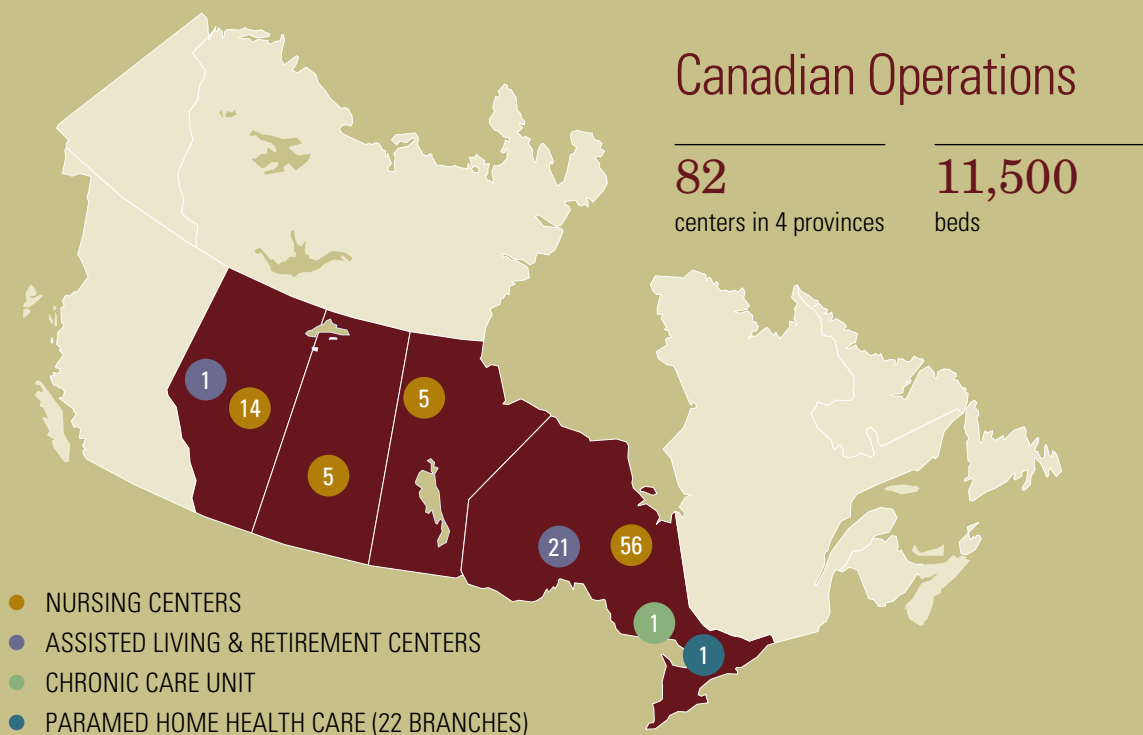
Group purchasing services are provided to members, including Extencare centers, as a cost effective means to secure quality, national brand-name products by negotiating long-term contracts that insulate members from rising prices.

ParaMed Home Health Care

A division of the Canadian operations, ParaMed Home Health Care, offers a range of home care services designed to assist patients in living life to the fullest. Post-surgery professional nursing care assists with recovery and regaining independence and caregiver relief services provide a respite from providing care to someone at home.

Virtual Care Provider, Inc.

Virtual Care Provider, Inc. (VCPI) provides technology innovations and solutions to clients across a spectrum of care, providing post-acute, senior living and long-term care providers with practical IT strategies. Solutions include application hosting and connectivity, application portfolio management, security and compliance, licensing and purchasing, back office services, consulting services, Voice-over Internet Protocol (VoIP) and mobility and a 24/7 help desk.



Current Healthcare Environment and Culture Change



Quality Initiatives & Results

Nursing centers today are much different than the typical nursing home environment of a decade ago. At Extencicare, we are seeing a desire by our customers to live in a more residential, resident-directed environment and to receive more complex clinical and rehabilitation services that are of the highest quality. Our customers expect more amenities, enhanced dining services and state-of-the-art technologies, along with involvement in the care they receive and choices in their daily living. Today, we provide care and services to two distinct populations – long-term residents with chronic needs and short-term patients who generally come to us for rehabilitation and care after a surgery or accident and move on to recover and go back home.

Key Differences in Characteristics of Short-Stay and Long-Stay Patients*

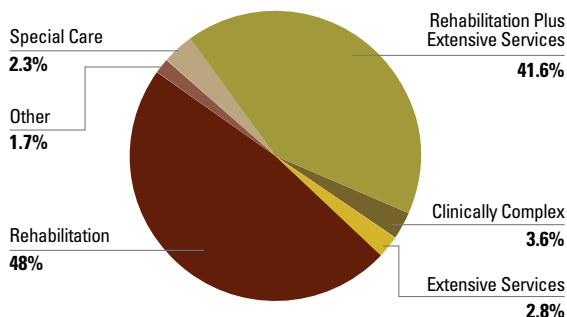
	Short-Stay Patients	Long-Stay Patients
Dominant payment source at time of admission	Medicare (63%)	Self/Private Pay (45%) or Medicaid (48%)
Gender	36% Male 54% Female	27% Male 73% Female
Percent of patients over age 85 at time of admission	6%	25%
Average length of stay	33 Days	386 Days
Percent of patients with three or more Activities of Daily Living (ADL) limitations	88%	70%

*The above graph was published in the AHCA 2009 Annual Quality Report and is according to the Avalere analysis of 2004 National Nursing Home Survey and 2001-2007 Medicare cost reports.

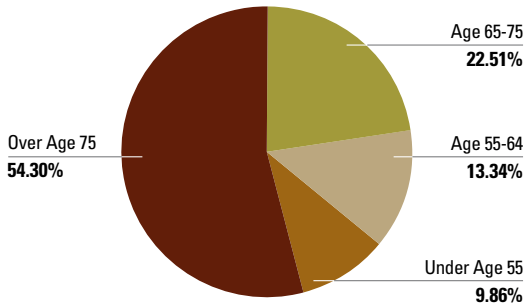
During 2009 we cared for 47,454 residents of which, over 92 percent of whom received therapy. Approximately 38 percent of all residents were short-stay and discharged to home or a lesser care environment. Of those short-stay residents, 94 percent received therapy to allow them to be safe, independent and functional at home.

As depicted in the graph below, we are seeing an increase in the acuity of our Medicare patients. Over 89 percent of Medicare patients are receiving rehabilitation of which, over 41 percent are receiving both rehabilitation and extensive services (intensive clinical services).

EHSI CASE MIX OF MEDICARE PATIENTS IN 2009



EHSI AVERAGE AGE OF RESIDENTS IN 2009



In 2009, over 23 percent of our residents were under 65 years old, while over 45 percent were under the age of 75.

Residents Age 75 and Under



The number of residents under the age of 75 has grown over 10 percent compared to five years ago in 2004.

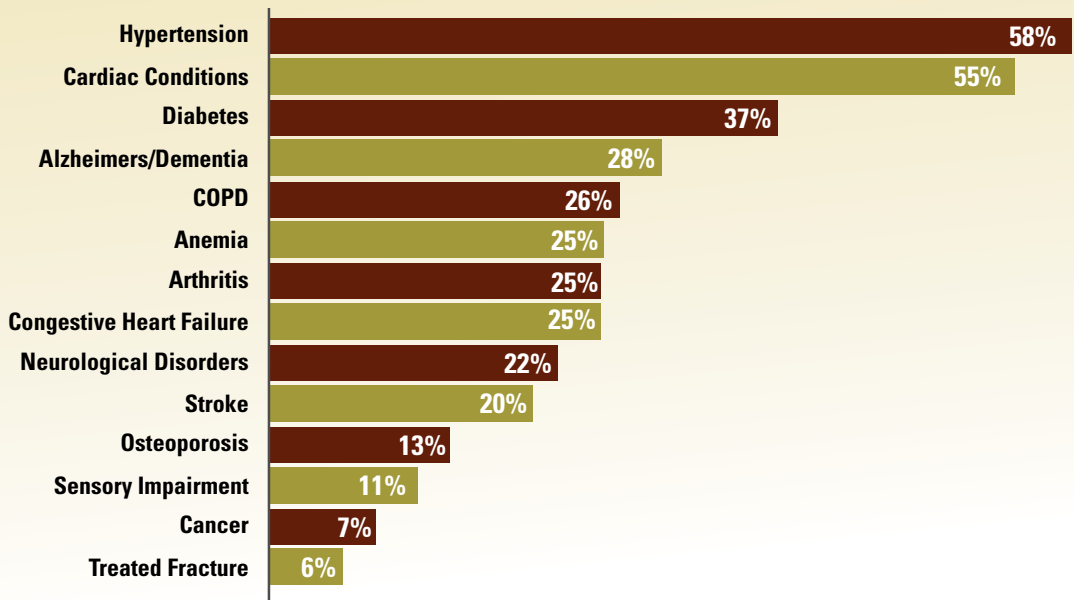
Residents Between Age 65 and 75



Our greatest growing population is between the age of 65 and 75 years old and has grown close to 8 percent within the last five years.

HEALTH ISSUES OF PATIENTS RESIDING IN CENTERS IN 2009

(Please Note: The residents we care for typically suffer from one or more of the following diagnoses.)



Life Enhancement Specialty Programs

Extendicare Health Services, Inc., through its U.S. subsidiary operations, has developed a series of specialty programs that meet certain resident needs. Team members receive additional training to assist them in being proactive in identifying changes in condition to promote overall health and well-being and a higher level of functioning whenever possible.

Honoring Traditions – Honoring Traditions is a branded/trademarked name for the resident-directed care program from Extendicare Health Services, Inc. This holistic approach emphasizes an increase in resident autonomy and quality of life by defining what it means to truly honor the traditions of the residents we serve. Eight principles guide the program and enable us to change the existing culture in the skilled nursing environment from that which is similar to a hospital-like institution to one in which we create a home based on the individual preferences and wishes of the residents who reside there. Honoring Traditions is a direct result of effective relationships between residents, their family members and all healthcare providers working as a team.

Active Life Transitions – Designed for short-term rehabilitation patients who are recovering from an acute hospital stay, this unit offers enhanced amenities such as concierge services, state-of-the-art therapy equipment and specially trained therapists. Each patient receives a personalized plan for their rehabilitation program called, Recovery Track, to guide them through the recovery process – marking milestones and identifying goals throughout their stay. After discharge, patients are contacted regularly to monitor their progress and assist with community resources and other healthcare needs.

Living Moments – Residents with Alzheimer’s and other forms of dementia participate in structured group activities as well as one-on-one sessions that are based on individual abilities and are designed to enhance the resident’s quality of life. Team members receive specialized training to ensure that emotional, psychosocial and physical needs are being met appropriately. A safe environment that feels comfortable and home-like helps to create a sense of community, while encouraging family participation and inclusion.

Honoring Traditions Eight Principles

1. Honoring Traditions values the individual right to make choices.
2. Honoring Traditions considers the needs of residents’ quality of life and choices over traditional healthcare routines.
3. Honoring Traditions aims to support and maximize residents’ functional ability, independence, social participation and quality of life.
4. Honoring Traditions incorporates the resident’s needs, preferences, and participation in the areas of food choices, scheduling of daily activities and therapies, residential environment and community decision making.
5. Honoring Traditions preserves and enhances meaning and purpose in the resident’s day-to-day life at the center.
6. Honoring Traditions fosters a feeling of belonging whether this is a temporary or permanent home.
7. Honoring Traditions fosters and supports caring relationships with staff through consistent assignments and staff empowerment.
8. Honoring Traditions celebrates the uniqueness of each individual throughout their life span and death.

Congestive Heart Failure – Nurses and nursing assistants, along with the rehabilitation team, identify changes in condition and have expertise in caring for patients following hospitalization or surgery for this condition. A specialized diet caters to individual preferences while meeting all American Heart Association and American College of Cardiology guidelines and requirements. A proactive approach helps minimize costly returns to the hospital and ensures that the patient regains optimal functioning and abilities.

Palliative Care – End of life care services maintain the resident's dignity and comfort. Emotional and spiritual support for the resident and their family members is an integral part of the care provided. Extendicare's holistic approach includes pain management services and careful attention to overall well-being.

Ventilator Support – In select centers we provide respiratory support to residents who are dependent upon external ventilators. This program includes active involvement of specially trained staff including respiratory therapists.

Enhanced Dining – A National Menu Committee made up of registered dietitians, chefs and certified dietary managers meet monthly to improve menu products and recipes incorporating resident feedback and ultimately improving resident satisfaction. Several centers have started to incorporate a newly designed service model for their residents' dining experience. This model focuses on culture change, offering restaurant-style dining with professionally-trained chefs and point-of-service menu selections that help to improve nutrient intake and clinical outcomes.



Recovery Track

This personalized rehabilitation plan provides a visual representation outlining the path of each individual's recovery process, identifying goals and objectives that need to be accomplished at every level of care and in every discipline. Designed by our team of healthcare professionals, this evidence-based, interdisciplinary approach incorporates clinical and rehabilitative modalities, equipment, and resources focused on achieving optimal results. Using this customized healthcare plan, we provide patients and their families an outline of services and goals they can expect during the recuperation process – supplying frequent updates on progress toward discharge, including tasks that have been accomplished as well as those that have yet to be mastered. We help patients to understand their healthcare options and motivate them during treatment to achieve long-term wellness.

Quality Initiatives and Results



Advancing Quality Care

As providers of long-term and short-term skilled nursing care, we recognize our unique obligations to the individuals we serve. Providing care to vulnerable individuals requires more than clinical expertise; it requires attention to the emotional, spiritual, social, psychological, and physical needs of our residents. Through dedicated staff and multiple partnerships within both our profession and federal agencies, we strive to advance the quality of long-term care and provide clinical outcomes that demonstrate our commitment to providing exceptional care and services.

AHCA

As the nation's largest association of long-term and post-acute care providers, the American Health Care Association (AHCA) advocates for quality care and services for frail, elderly and disabled Americans. Founded in 1949, AHCA represents the long-term care community to the nation at large – to government, business leaders, and the general public. It also serves as a force for change within the long-term care field, providing information, education, and administrative tools that enhance quality at every level.

Over 12,000 providers comprise AHCA's membership. These providers believe that the individuals whom they serve are entitled to a supportive environment in which professional and compassionate care is delivered. This belief compels AHCA, its affiliates and member providers to advocate for individuals who – because of social needs, disability, trauma or illness – require services provided in a long-term care setting, while also advocating for the continuing vitality of the long-term care provider community.

As a member organization for over 30 years, Extendicare is committed to working with AHCA to help develop necessary and reasonable public policies which balance economic and regulatory principles to support quality care and quality of life. Active leadership participation on key guiding committees allows us to voice our concerns and suggestions.

Alliance Partnership

Extendicare is a proud member of the Alliance for Quality Nursing Home Care. Created over eight years ago, "the Alliance," is a coalition of 16 national long-term care providers that care for approximately 300,000 elderly and disabled individuals each year in nearly 1,800 health centers across the United States. Dedicated to improving the quality of nursing home care through measured results and outcomes, the Alliance works to assure that all necessary government resources are available to provide high quality care and services.

As an Alliance member, Extendicare strives to educate the public and policymakers as to the challenges and intricacies of the long-term care industry and help produce and support thorough research on the major issues facing nursing homes today. We participate in data reviews and analysis to compare our performance to that of our peers, helping to provide us with additional insight and measures to enhance our performance improvement efforts and increase the quality of care provided to our residents, their families and our communities.

Quality First Commitment

In 2002, the long-term care provider community, including the American Health Care Association (AHCA), the American Association of Homes and Services for the Aging (AAHSA) and the Alliance for Quality Nursing Home Care (the Alliance) joined together to create a national, public pledge to improve quality care for patients and residents. This pledge, known as *Quality First*, also promised to promote a progressive workplace for our employees, support the development of quality measures, adopt quality improvement practices and publicly disclose the results of our quality performance. Extendicare's 2009 Quality and Social Responsibility Report represents our commitment to that promise.

Quality First Core Principles – Our Quality Commitment

As part of this initiative, providers pledged to uphold seven core principles including: Continuous Quality Assurance and Quality Improvement; Public Disclosure and Accountability; Resident and Family Rights; Workforce Development and Excellence; Public Input and Community Involvement; Ethical Practices and Conduct; and Financial Stewardship. You will see these commitments highlighted throughout this report.

Advancing Excellence

The *Advancing Excellence in America's Nursing Homes Campaign* is the first voluntary, national effort among providers, medical professionals, consumers, employees and state and federal agencies to measure quality by setting clinical and organizational goals for skilled nursing and rehabilitation centers – ultimately helping to measurably improve care. Launched in 2006, the campaign was designed to help nursing centers improve clinical outcomes, enhance quality of life for residents, and lead a stronger, happier and more stable work force.

One of the hallmarks of the campaign is the evidence-based resources provided to nursing centers as well

as access to best practices and other materials that give skilled nursing and rehabilitation center staff the information and tools needed to improve their clinical quality goals. The campaign also helped establish a coalition of nursing home stakeholders within every state, called LANEs (Local Area Networks of Excellence), whose purpose is to provide leadership and guidance for the campaign at the local level. Each LANE has a representative who is available to talk with participants about the campaign and provide support. The LANE representative for each state can be found on the campaign's website, www.nhqualitycampaign.org.

Since its inception, skilled nursing and rehabilitation centers participating in *Advancing Excellence* have experienced measurable improvements at a rate higher than non-participating centers. By 2009, with two full years of data available, campaign participants selecting a goal such as reducing pressure ulcers among high-risk residents, improved faster than nursing centers that did not participate or campaign participants that did not select that goal. Almost half of all nursing homes in the nation participated in the initial phase of the campaign. Advancing Excellence was also able to meet two of its campaign goals – nationally, the use of daily restraints was reduced

Our Quality Commitment as stated in *Quality First*

1. "We are committed to making patient health and well-being paramount priorities in our organization's management. We also are committed to a philosophy of management that stimulates continuous quality improvement through the establishment of uniform quality measures, the creation of annual quality improvement goals, and the identification and use of clinical "best practices" in an effort to achieve appropriate patient outcomes."
2. "We are committed to continuing to disclose information on quality to patients, employees, and the public, and we will assist them in accessing this information in a timely manner, while protecting confidentiality and complying with other legal requirements."
3. "We are committed to clearly articulating and honoring patient and family rights, and working to ensure that our employees understand and uphold those rights."

to five percent, with 30 percent of nursing homes at zero percent and another quarter below three percent, and symptoms of pain in a long-stay (90 days or more) resident were reduced to five percent.

As a result of the success of Phase I, *Advancing Excellence* has continued its quality improvement efforts. In October 2009, a new phase of the campaign was launched that features an improved website, new and revised goals and more up-to-date resources.

Extendicare has experienced some tangible benefits from participation in the campaign including:

- **Higher Employee Satisfaction** – improvements in staff retention and maintaining staff stability saves money, improves efficiency and creates better relationships between residents and team members.
- **Lower Costs of Care** – providing measurably better care actually reduces costs per resident.
- **Higher Overall Customer Satisfaction** – happier, more satisfied residents are more likely to recommend the nursing center to others.
- **More Efficient Reimbursement** – in states considering Pay-for-Performance reimbursement

methodologies, centers in the campaign are expected to benefit at a higher level than those that are not participating in the campaign.

Advancing Excellence Eight Goals

The Advancing Excellence campaign established eight measurable goals and asked nursing centers to voluntarily work on at least three of the eight goals – one clinically-related goal, one process-related goal and one goal of their choice.

Goal 1 – Staff Turnover: Nursing homes will take steps to minimize staff turnover in order to maintain a stable workforce to care for residents.

Goal 2 – Consistent Assignment: Being regularly cared for by the same caregiver is essential to quality of care and quality of life. To maximize quality, as well as resident and staff relationships, the majority of nursing homes will employ “consistent assignment” of CNAs.

Goal 3 – Restraints: Nursing home residents are independent to the best of their ability and rarely experience daily physical restraints.

Goal 4 – Pressure Ulcers: Nursing home residents receive appropriate care to prevent and appropriately treat pressure ulcers when they develop.

4. “We are committed to enhancing the human potential of our employees through education and training programs that strive to improve the quality of care delivered, and we are committed to sensitizing our staff to the special needs of frail and vulnerable patients.”

5. “We are committed to seeking the input of consumers as we work to improve quality, and we will work with others – in the private and public sectors – to identify, understand, and, ultimately, to resolve concerns associated with care practices or patient outcomes.”

6. “We are committed to developing and implementing organization-specific programs that promote ethical and lawful conduct, and we will lead in the development of responsible laws, regulations, and other standards supporting the quality of care in the facilities we manage.”

7. “As providers of care to a unique patient population that is funded in large part by government programs, we are committed to acting as responsible stewards of scarce financial resources. We also recognize our responsibility to serve as champions for public financing levels that will support improved quality and enhanced staffing.”

Goal 5 – Pain: Nursing home residents will receive appropriate care to prevent and minimize episodes of moderate or severe pain. Objectives for long-stay and short-stay are slightly different.

Goal 5A – Long-stay nursing home residents will receive appropriate care to prevent and minimize episodes of moderate or severe pain.

Goal 5B – People who come from a hospital to a nursing homes for a short-stay will receive appropriate care to prevent and minimize episodes of moderate or severe pain.

Goal 6 – Advance Care Planning: Following admission and prior to completing or updating the plan of care, all nursing home residents will have the opportunity to discuss their goals for care including their preferences for advance care planning with an appropriate member of the healthcare team. Those preferences should be recorded in their medical record and used in the development of their plan of care.

Goal 7 – Resident/Family Satisfaction: Nursing home staff will assess resident and family experience of care and incorporate this information into their quality improvement activities.

Goal 8 – Staff Satisfaction: Nursing home administrators will assess staff satisfaction with their work environment at least annually and upon separation and incorporate this information into their quality improvement activities.

As an organization, Extencicare chose three quality measurements for our nursing centers to focus their quality improvement efforts in 2009. These measurements included:

- High Risk Pressure Ulcers at or below 10%
- Chronic Pain at or below 4%
- Pain Post Acute at or below 15%

Our Results

- High Risk Pressure Ulcers – Over 57% of our centers were at or below 10%
- Chronic Pain – Over 44% of our centers were at or below 4%
- Pain Post Acute – Over 32% of our centers were at or below 15%

EHSI – High Risk Pressure Ulcers

Percentage of Centers At or Below National Target of 10%



EHSI – Chronic Pain

Percentage of Centers At or Below National Target of 4%



EHSI – Post Acute Pain

Percentage of Centers At or Below National Target of 15%



Each graph illustrates an increase in the number of Extencicare centers that are achieving or exceeding the national target. We continue to work to improve these results and monitor our efforts through our Quality Performance Improvement Process.



AHCA/NCAL Quality Awards

In 2009, there were 34 Extencare centers honored by the American Health Care Association and the The National Center for Assisted Living (AHCA/NCAL). The following centers are the proud recipient of the AHCA/NCAL Step 1 Quality Award (Bronze Award) in recognition of their strong commitment to continuous quality improvement:

Idaho

Ivy Court, *Coeur d'Alene*

Indiana

Medco Health and Rehabilitation Center, *French Lick*

Scott Villa Nursing and Rehabilitation, *Scottsburg*

Swiss Villa Nursing and Rehabilitation Center, *Vevay*

Kentucky

Irvine Health and Rehabilitation Center, *Irvine*

Morganfield Nursing and Rehabilitation Center, *Morganfield*

Michigan

Tendercare – Frankenmuth, *Frankenmuth*

Tendercare Heath Center Munising, *Munising*

Minnesota

Park Health and Rehabilitation Center, *St. Louis Park*

Robbinsdale Rehabilitation and Care Center, *Robbinsdale*

Ohio

Arbors at Delaware, *Delaware*

Arbors East, *Columbus*

Arbors at Marietta, *Marietta*

Arbors at Toledo, *Toledo*

Arbors West, *West Jefferson*

Mifflin Care Center, *Mansfield*

Ridgewood Nursing and Rehabilitation Center, *Springfield*

Woodsfield Nursing and Rehabilitation Center, *Woodsfield*

Pennsylvania

Abington Crest Skilled Nursing and Rehabilitation Center, *Erie*

Clarview Nursing and Rehabilitation Center, *Sligo*

Eldercrest Nursing Center, *Munhall*

Meadowcrest Nursing Center, *Bethel Park*

Mountain Laurel Nursing and Rehabilitation Center, *Clearfield*

Slate Belt Nursing and Rehabilitation Center, *Bangor*

Tremont Health and Rehabilitation Center, *Tremont*

Valley Manor Nursing and Rehabilitation Center, *Coopersburg*

Washington

Aldercrest Health and Rehabilitation Center, *Edmonds*

The Gardens, *Spokane Valley*

Wisconsin

Cornell Area Care Center, *Cornell*

Meadow View Manor, *Sheboygan*

Morningside Health Center, *Sheboygan*

Sheboygan Progressive Care Center, *Sheboygan*

Willowdale Nursing and Rehabilitation Center, *New Holstein*

Willowbrook Nursing and Rehabilitation, *Lake Mills*

The AHCA/NCAL Quality Awards – comprised of three levels, a Step I (Bronze) award; a more rigorous Step II (Silver) award; and a comprehensive Step III (Gold) award – are the most prestigious recognition of quality within the long-term care profession. This Step I (Bronze) award recognizes each center's dedicated frontline caregivers, administrators, nurses and physicians, who demonstrate their commitment to quality of care in order to meet the needs of our nation's most vulnerable population.

As a Step I recipient, each center has demonstrated its organization-wide commitment to a customer-focused facility mission, defined its principal customers and their expectations and indicated ways it is striving to meet their needs.

The Quality Award program is an independently judged, criteria-based, award program, and in 2009, only 435 long-term care centers nationwide received this noteworthy award. Extencare is extremely proud of this accomplishment and congratulates the team members at each center for their strong commitment to excellence.

AHCA/NCAL's Quality Award is modeled after the criteria of the Malcolm Baldrige National Quality Award, the nation's premier award recognizing distinguished achievements. AHCA/NCAL's award is designed to support both continuous quality improvement efforts in long-term care by promoting quality awareness and education and recognizing quality achievements.

Extendicare's Commitment to Compliance



Quality Care Begins with Integrity

As a leading health care provider, Extencare is expected to meet high standards of conduct. Our continued success is dependent on our reputation for quality, honesty and respect in the way we treat our patients, residents and our customers. Each and every employee at Extencare makes a conscious effort to conduct themselves in a manner that is consistent with the Company's continuous commitment to compliance. Extencare's Corporate Compliance Program is our resource to educate our team members and monitor the pulse of the organizational commitment to quality and overall compliance. Through this program, we continue to identify new systems and processes to improve the organization. A few of these Extencare systems are highlighted throughout this report.

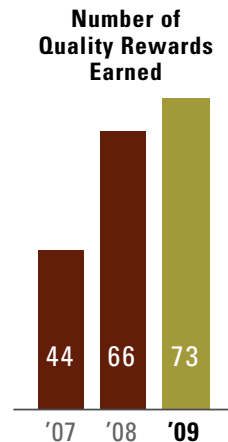
Regulatory Compliance

The Centers for Medicare and Medicaid Services (CMS), together with each State Agency, are responsible for certifying each nursing center throughout the United States that is funded by Medicare and Medicaid to ensure compliance with federal and state regulations. Compliance with these standards is measured through the application of comprehensive annual health inspections and focused inspections in response to grievances. These regulations define more than 180 standards in which the State survey agencies inspect a center. When health inspections identify issues considered non-compliant with regulations, deficiencies are issued. Extencare aggressively addresses all deficiencies, if identified, with the necessary corrective steps and documents such steps in a plan of correction, which is then submitted internally and to the State.

It is important to recognize that each state's survey process varies; as such, Extencare has developed an internal program, Extencare Quality Rewards, in which our centers use a state-average adjusted measure to monitor our progress with survey compliance and benchmark our results against those in similar environments.

Extencare Quality Rewards

The Extencare Quality Rewards Program is an incentive program designed to stimulate efforts, focus energy, and foster a team approach with an overall goal of improving the quality of care provided to residents, as measured by our regulatory outcomes. To achieve this reward, our centers must receive no more deficiencies than the state average, no deficiencies at an actual harm or above severity level and must clear all deficiencies on the first follow up. The rewards have shown to be extremely successful in increasing quality of care, earning the respect of families and the community, and reducing turnover – retaining team members by giving them the recognition they deserve. This success is also illustrated by the rise in centers that receive the Quality Reward each year.



Extendicare has also seen an increase in the number of centers that receive a deficiency free standard survey each year. Only 7.8% of centers across the nation achieve a standard survey resulting in no cites.

(Source: AHCA, December 2009) We are extremely proud of the centers listed below for their continuous dedication to providing exceptional care and achieving a deficiency free survey.)

2007	2008	2009
Beloit Health & Rehab Center	Cedar Springs Health & Rehab Center	Meadowcrest Nursing Center
Mount Vernon Nursing & Rehab Center	Arbors at Oregon	Valley Manor Nursing & Rehab
Arbors at Clyde	Woodsfield Nursing & Rehab Center	Medco Center of Campbellsville
	Clarview Nursing & Rehab Center	Morganfield Nursing & Rehab
	Arbors at Sylvania	Grove Manor Nursing Center
	Elizabethtown Nursing & Rehab	Heritage Nursing & Rehab Center
	Springfield Nursing & Rehab Center	
	Mercy Residential & Rehab Center	

Extendicare Regulatory Compliance Process

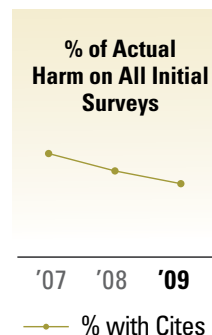
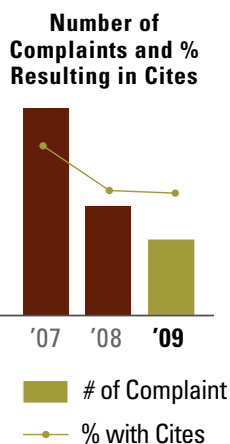
It is the expectation of Extendicare that all centers maintain substantial compliance through an ongoing process of continuous quality improvement. To help ensure compliance, Extendicare has created a process in which Area/Regional Teams, which includes registered nurses, registered dietitians, therapists and other health care professionals, as well as a group of RN Quality Specialists, participate by conducting periodic, scheduled, ongoing audits via a Regional Director of Clinical Services (RDCS) Tool and Mock/Quality Validation Survey Tool in which, when completed, an action plan is developed and implemented. Each quarter, Area and Regional Teams meet with Corporate Clinical Leadership to review progress of the compliance process for each center including review of RDCS Tools, Mock/QV Surveys and corresponding action plans.

RDCS Tool – Provides a snapshot of core clinical systems and validation of adherence to policies and procedures as well as state and federal guidelines. The process provides an opportunity to self identify system breakdowns and implement corrective actions for overall clinical operational improvements.

Mock/QV Survey Tool – Through a systematic approach, the mock survey process verifies and supports the facility's high standards as a health care provider; evaluates and measures the facility status for compliance with state and federal regulations, assesses company standards and customer satisfaction; identifies areas requiring additional interventions; and submits recommendations to ensure appropriate resolution of all identified factors.

The bar graph above illustrates a 9% decrease in the number of complaints from 2007 to 2009 along with a decrease of 17% of complaints resulting in cites.

Extendicare has seen a 29% decrease from 2007 to 2009 in the percent of initial state surveys that resulted in a citation of actual harm or above.



Enhancing Quality through Technology and Safety



Enhancing Quality through Technology and Safety

Advancing Technologies

At Extencare, we use advanced technologies at all levels of our business to improve the medical care of our residents, optimize resources and enhance communication capabilities within our centers.

With technologies that improve our ability to effectively treat and monitor the individual medical needs of residents – our centers are enhancing the experiences of residents and their care providers alike. An electronic documentation system collects data using wall-mounted touch screens located throughout a long-term care center – making it easy for caregivers to document resident observations as they occur. Our rehabilitation patients benefit significantly from new, state-of-the-art equipment that provides a more efficient healing process, while developments in medical equipment have increased the safety and comfort of residents. We have also initiated the process of equipping our centers with wireless internet technology so that residents are able to communicate easily with family and friends.

By incorporating the latest in medical, service tracking and communications technologies into our centers, we strive to optimize resources and achieve the best in living and working standards for our patients and employees alike.

Resident and Employee Safety

Extencare centers strive to provide a safe and healthy environment for residents, visitors and employees. Providing “peace of mind” for residents and employees is a critical part of maintaining high quality standards for those who live and work in our centers. Each center upholds an effective interdisciplinary safety program that complies with all Occupational Safety and Health Administration Standards (OSHA).

Safety devices and equipment are provided to help prevent accidents and our safety program is comprised of the following elements:

- Monthly Safety Committee Meetings
- Workplace analysis to identify any areas of risk
- Accident and record analysis
- Hazard prevention and control
- Safety and health training for staff
- Regular program review and evaluation

Ensuring that residents live in a safe environment, Extencare also requires all centers to prepare for evacuations and unexpected situations that may cause disruptions at the center. By law, all nursing centers are required to hold fire drills during one shift per quarter to help prepare for natural disasters and other events. **Extencare exceeds this requirement by completing one fire drill per month on each shift.**

In addition, the Centers for Medicare and Medicaid Services are requiring all skilled nursing centers to have fully installed sprinkler systems for fire prevention by 2012. Extencare has always placed great emphasis on fire safety and long ago recognized the importance of having sprinklers in our centers. In 2008, the company proactively began retrofitting our centers with sprinklers and expects to have all 176 centers completed by mid 2010 at a cost of over \$7 million.

Focusing on Customer Service



Focusing on Customer Service

Listening, empathizing and responding to customer needs and requests comprise the very basics of customer service. At Extendicare, customer service means 24 hour access, seven days a week, 365 days a year to someone who will listen to concerns and work to resolve them. The toll-free Caring Plus line is available to all residents and families, who want to acknowledge great service by a caregiver, ask questions or address concerns.

At the center level, team members receive ongoing customer service training through the What Matters Most program. Upon admission, residents are assigned a Caring Partner who will assist them throughout their stay to ensure their comfort.

“Your staff are team players and work together so well. Whatever you are doing, either in HR for hiring, or in team building, you are doing something *very* right.”

– Billie, Resident at Elkins Crest Health and Rehabilitation Center

What Matters Most

Extendicare’s customer service program, called What Matters Most, was created with the goal of establishing an operation-wide understanding of Extendicare’s core values. These values, which we strive to uphold every day, are as follows:

Dignity	Respect	Pride
Responsiveness	Compassion	Integrity

Team members receive ongoing training about these values and suggestions as to how they can be woven into daily routines to improve customer service for patients, residents, family members and co-workers. These values form the foundation of the organization and by establishing a culture of customer service, we strive to instill in our employees a sense of purpose and satisfaction in their work.

Caring Partners

Designed to foster meaningful relationships between staff, residents and their families, the Caring Partner welcomes the resident to the center, helps them acclimate to their new environment and regularly visits the resident to answer questions or address concerns. Family members are encouraged to communicate with the resident’s Caring Partner as well to express resident preferences or needs.

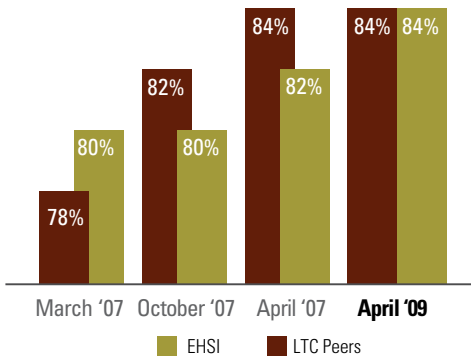
The Caring Partner monitors the ongoing care provided to the resident and proactively addresses any issues that may arise. The goal of the program is to ensure that residents are well cared for in a clean, caring and comfortable environment and to promote a positive experience while staying in our center.

Caring Plus

In 1983, our company premiered the Guarantee of Superior Service consumer relations program in our health centers. The Guarantee program reaffirmed our commitment to customer satisfaction and our promise to work diligently in meeting our customers’ expectations. Posters of the written Guarantee program were displayed in all of our health centers, along with reply cards if customers wanted to communicate directly with the corporate office. Over the next decade, the program evolved to include a toll-free customer response line and the name was changed to Caring Plus. Today, Caring Plus is an essential component of the What Matters Most customer service program and includes the six values as its foundation. The Caring Plus customer response line is answered 24 hours a day and all calls received at the corporate office are managed personally by our customer service team.

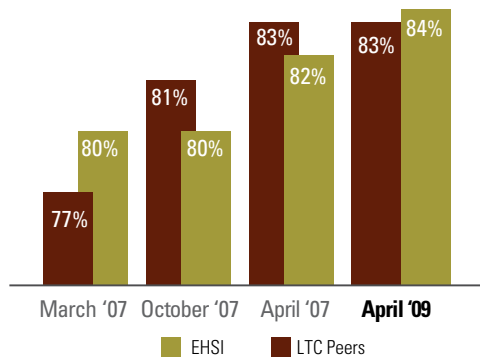
Overall Satisfaction

March 2007 – April 2009



Recommendation to Others

March 2007 – April 2009



Extencicare survey results as reported by My InnerView.

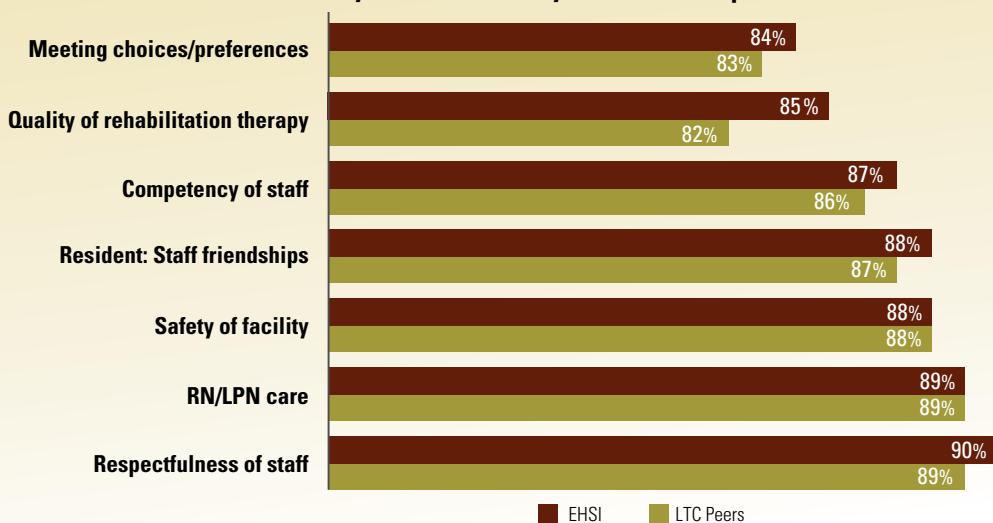
Our Customer Satisfaction

Extencicare works with My InnerView, an independent survey, research, and data management firm, to conduct annual customer satisfaction surveys for all of our patients and residents. The satisfaction data is used as part of our ongoing Quality Performance Improvement (QPI) process and several of the questions asked on the survey have been established as benchmarks that we measure ourselves against, year over year. The two charts above illustrate our scores on the questions regarding Overall Satisfaction and Recommendation to Others over the past three years, in comparison to our peers in the long-term care industry.

Cornerstone Awards

As part of our recognition for exemplary customer service, there are six centers chosen annually (one in each area of the country) to receive the coveted Cornerstone Award. Recipients of this Extencicare Award must meet stringent criteria related to customer service survey scores and Quality Performance Improvement data. These six centers are considered to be the “best of the best” in each area and team members are committed to the What Matters Most philosophy of, “As health care professionals, we take pride in being responsive to the needs of those who rely upon us. We value our customers and our team who cares for them – treating them with dignity and respect in an atmosphere of compassion.”

Our Results of 2009 My InnerView Survey Questions Compared to Peers



This table highlights some of our top-scoring questions in comparison with our peers in 2009. These scores are a clear indicator that we are headed in the right direction and we continue to analyze these scores each year to help ensure any necessary improvements are made.

Letter to Editor published in the Herald Times Reporter, written and submitted by Sandy Markvart, resident of River's Bend Health and Rehabilitation Center.

LETTER TO THE EDITOR

River's Bend a Fine Facility

My health is very precarious and I find myself hospitalized four or five times a year. Sometimes when I am discharged, I am too weak to go home. River's Bend Health and Rehabilitation Center has been my salvation. I have nothing but great things to say about my stays.

I have been a patient three times since 2006. My most recent stay was Nov. 2, 2009,

and all of the staff at River's Bend moved heaven and earth to get me admitted promptly and efficiently when I found myself in the ER two days after my hospital discharge. I was not able to function at home and without River's Bend I do not know what I would have done.

First of all, the décor of the facility and rooms are lovely; like an upscale hotel. In fact, when "nursing home" was first mentioned in 2006, my husband didn't even want to discuss it. He finally agreed to have a look

at River's Bend and was pleasantly surprised. He said that if I couldn't go home, this was the next-best place for me.

Second, the physical therapy department is excellent. The staff is very professional and compassionate. The sessions are grueling but the staff makes them pleasant. They tailored my therapy to my special needs as they do for all their patients.

Third, the nursing staff was very knowledgeable about my needs and never ceased to amaze me with the kindness

they showed toward all of the patients.

Last, but certainly not least, their outpatient therapy was a continuation of the fine care I received as an in-patient. When I arrived for my therapy, I was greeted like an old friend and it made me happy to be there.

I am so glad to have chosen River's Bend as my rehab facility. If I am too ill to be at home, there is no other place I'd rather be.

Sandy Markvart
Two Rivers

"Kittitas County, and Ellensburg in particular, is so fortunate to have such a remarkable facility in our community. The patient care staff and ancillary personnel continually go out of their way to accommodate and care for their residents – I'm sure, not because it's their job, but because they truly care about the people at KVHRC."

– Keith, Family Member of Resident at Kittitas Valley Health and Rehabilitation Center

"I would like to extend a huge thank you to your staff in the wonderful care they gave my grandmother in her final days. She wasn't a resident for long, but the staff treated her as if she was a long-term resident. The kindness they extended to the family was beyond what I had expected. The staff treated my family with grace, compassion and great care. It was comforting to know someone was looking after me, as well as my grandmother. I just wanted to say THANK YOU."

– Kelly, Family Member of Resident at Statesman Health and Rehabilitation Center

A Team Approach



A Team Approach

In order to provide residents with a high standard of care, Extencicare strives to hire people with the skill, knowledge and talent to develop and implement innovative programs and services to improve the living and working environment for residents and employees. Hiring the right people, with the right skills, at the right time, is critical to our success; therefore, all administrators and senior level staff must undergo the Wunderlic Personnel Test and the Comprehensive Personality Profile. These tests are administered during the hiring process and used to predict a person's ability to perform job related tasks and the person's likelihood to be satisfied with the job, while matching aptitude and abilities to a specific job category.

Our Employee Satisfaction

In 2006, Extencicare started working with My InnerView to conduct employee satisfaction surveys in addition to the customer satisfaction surveys conducted by the company. We are constantly looking to find ways to more effectively reach all of our employees to review their opinions on what we do well and areas where we need improvement. As a result, we changed our survey methodology from a paper survey to an electronic version that is accessed when an employee logs into the CareTracker system. This has helped increase our rate of response, thus gaining a better understanding of our overall employee population. The employee satisfaction data is also a metric used as part of our Quality Performance Improvement process and continues to help identify ways to increase quality care provided by our team members. The following charts show our scores in Overall Satisfaction, Recommendation for Care and Recommendation for a Job, year over year.

Overall Employee Satisfaction

Extencicare survey results as reported by My InnerView.



Recommendation for Care

Extencicare survey results as reported by My InnerView.



Recommendation for a Job

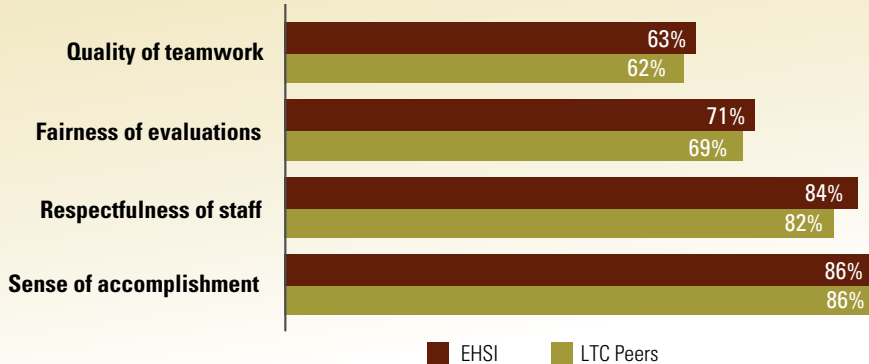
Extencicare survey results as reported by My InnerView.



Employee Turnover

At Extencicare, we strive to provide a diverse work environment in which employees are respected as professionals and there is open communication amongst all disciplines. We recognize the importance of retaining employees and understand there is a direct link between the competency and consistency of our team members and the care they provide. Reducing turnover, thereby increasing employee retention, helps to better meet the needs and expectations of our residents, and creates a steady workforce who understands and provides the variety of clinical programs offered within our centers. We continue to increase employee retention each year and are committed to raising employee satisfaction – helping to ensure quality care that is central to our mission.

Our Results of 2009 My InnerView Survey Questions Compared to Peers



This table highlights some of our top-scoring questions in comparison with our peers in the long-term care industry.

Overall center turnover has decreased by 22 percent from 2007 to 2009.

In 2009, more than 79 percent of our centers decreased turnover, with 50 percent of those centers decreasing turnover by 20 percent or more compared to 2008.

Leadership turnover in 2009 was 27 percent and corporate turnover has achieved exceptional results with a three percent decrease from 2008 to 2009 with only 16 percent turnover.

Education & Training for the Future

Extendicare can attribute the success of our organization in a large part to the knowledge and expertise of our employees. No matter what position or role in the company, each one of us has an impact on the lives of our residents and their families. Through education and training, we continually strive to give both corporate and front line caregivers the support and resources needed to provide quality services to those who entrust us with their health and dignity.



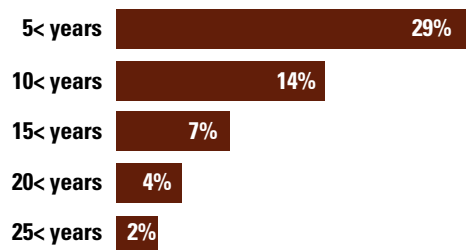
An annual education and training calendar was developed to introduce or reinforce education related to federal regulations and compliance. Our learning management system, Training Connection IT Powered, by Virtual Care Provider, Inc., helps track training sessions and can be accessed by leadership to monitor strategic goals. Extencicare has also made an investment of over a quarter of a million dollars devoted to installing education and training computers in each center – helping to provide necessary resources and tools to further employee development.

Employee Service Awards

All regular full time and part time employees are eligible for service awards. These awards are presented to employees who have achieved specific benchmarks in years of service. Benchmarks required include service levels in five year increments, beginning at five years of service. Over 1,580 total awards were presented in 2009 to employees that have met a five-year incremental benchmark with over 200 of those employees receiving a service award for reaching the 20, 25, 30, 35 and 40 year benchmarks.

U.S. Operations

Long-term Service of Extencicare Health Services, Inc. Employees in 2009



Giving Back



Giving Back

At Extendicare, we believe in giving back and creating meaningful change in the communities we serve. Our contributions, leadership and volunteer efforts help create stronger, healthier places to live and work. Each year, our employees throughout the United States and Canada dedicate countless hours to raise money and support for a variety of charitable organizations. Through walks, runs, bake sales, special events and much more, they continue to demonstrate their commitment to helping people live better.

In 2009, Extendicare and its employees contributed over \$311,491 to a divergent blend of organizations including those focused on health and human services, education, research, disease prevention and treatment, as well as programs for the elderly and children.

American Cancer Society – Making Strides Against Breast Cancer

“I’d like to thank Extendicare and its employees for their commitment to Making Strides; rarely do you see such dedication and compassion.”

– Linda Witucki, Premier Events Manager, American Cancer Society.

Sojourner Family Peace Center

“Thank you for your determination to end domestic violence in our community. With this gift, you are sending a message that abuse should never be expected or tolerated. Your compassionate support and commitment will ensure that we will be able to successfully continue our mission today, tomorrow and for years to come.”

– Kathleen Donius, Secretary of the Board of Directors, Sojourner Family Peace Center.

Interfaith Senior Programs, Inc.

“Extendicare’s support of the Faith in Action Program through Interfaith Senior Programs, Inc., was part of the reason that 1,017 seniors and adults with disabilities in Waukesha County received help from much needed community volunteers.”

– Ron Retzke, Past Board President, Interfaith Senior Programs, Inc.

2009 Charitable Giving

United Way * \$86,315

(Company Contribution Only)

United Way – Canada
United Way – United States

Health and Disease Related \$42,542

Alzheimer's Association of Southeastern Wisconsin
Alzheimer Society
American Autoimmune Related Diseases
American Cancer Society
American Heart Association
Canadian Cancer Society
Canadian Diabetes Association
Heart & Stroke Foundation
Juvenile Diabetes Research Foundation
Medical College of Wisconsin
Parkinson Society Canada
Wisconsin Parkinson Association

Community Health and Human Services \$36,816

Canadian Psychiatric
Big Brothers/Big Sisters
George Hull Centre
Hunger Task Force
Kerry's Autism Place
Lions Club of Canada
Milwaukee Women's Center
Ontario March of Dimes
Sage Award
Sojourner Family Peace Center
WELS East Asia Mission
Yorktown Family Services

Programs for the Elderly \$14,618

Interfaith Senior Programs, Inc.
Milwaukee Aging Consortium

Education \$12,284

Canadian Health Care Association
Canadian Nurses Foundation
College of Engineering, Marquette University
Humber College
Ryerson University
St. Lawrence College
WCTC Foundation

Children's Services \$8,142

Boys & Girls Clubs of Greater Milwaukee
Children's Hospital of Wisconsin
St. Francis Children's Center
YMCA of Metropolitan Milwaukee

Extencicare Foundation \$110,774

Alzheimer's Foundation of America
MacPhail Center for Music
NAMI Minnesota
University of Wisconsin Milwaukee Foundation
William Mitchell College of Law

TOTAL \$311,491

**Extencicare matches employee gifts dollar for dollar. The amount shown is Extencicare's corporate contribution only.*

(Note: All of the figures in this report are expressed in Canadian dollars. Where donations have been made in U.S. dollars, these figures have been converted to Canadian dollars using an exchange rate of \$1.1420.)

Extencicare Foundation

For over 25 years, Extencicare employees have raised money for the Extencicare Foundation. This foundation was created to provide grants to improve the quality of life for people in the communities served by Extencicare Health Services, Inc. The mission of the Foundation is achieved by providing funding in three areas:

- Research, education, and informational services relative to Alzheimer’s Disease;
- Programs with replication value that improve the quality of life or quality of care within nursing and rehabilitation centers;
- Education programs for caregivers in long-term care

The Extencicare Foundation is a powerful reflection of the company’s values and shares responsibility for giving back to the communities in which we live and work.



www.extencicarefoundation.org

2009 Grants

Caregiver Education *Alzheimer’s Foundation*

of America – Request for \$22,000 for the Wisconsin Dementia Education and Memory Screening Initiative with Outreach to Underserved African-American Populations project.

UW Milwaukee Foundation –

Request for \$30,000 for the Time Slips Online project.

William Mitchell College

of Law – Request for \$15,000 for the Model Protocol for Recognizing and Intervening in Cases of Financial Exploitation of Care Facility Residents: Tools and Resources for Providers program.

Quality of Life

MacPhail – Request for \$15,000 for the Music for Life program.

NAMI Minnesota – Request for \$15,000 for the Older Adult Mental Health project.

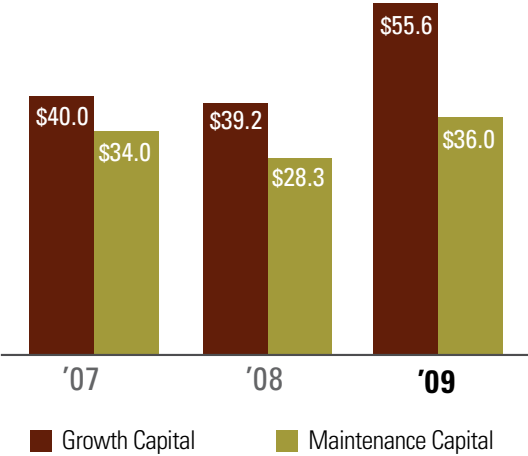
Investing in Our Future



Investing in Our Future

We expect that consumer demand for high quality care in a more residential environment will continue to grow as the population ages. Extencicare is investing in our existing centers, as well as designing new health and rehabilitation facilities to meet these changing needs and desires. We are creating more private suites and home-like accommodations that provide a warm, inviting feel and greater amenities. We are also enhancing our dining services and have hired talented, professionally-trained chefs at a number of our locations to develop a more restaurant-style dining experience. We have invested in technology to improve the individualized care planning and tracking for our residents; enhancing communication capabilities within our centers and optimizing efficiencies in our back-office processes.

Investment in Our Future: Capital Expenditures
(dollars in millions)



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