



ANNUAL REPORT TO THE OXFORD CITY COUNCIL

April, 2009

KEY PROGRAMS/ACCOMPLISHMENTS IN 2008

Improved Patient Quality/Accreditation Outcomes:

- Successfully completed the American Osteopathic Association Health Facilities Accreditation Program's (HFAP) survey tri-annual process with no recommendations from patient services departments.

Initiate New Programs and Services:

- Opened Ross Medical Center including:
 - ~ surgical/pain management/endoscopy service room
 - ~ readied and opened Ross Urgent Care Plus including Occupational Health Services
 - ~ relocated Pediatric offices at Ross Medical Center
 - ~ expanded Ross' Lab and Imaging Services to include weekends to support the Ross Urgent Care Plus

Grow Clinical and Support Service Volumes:

- Increased awareness of certain clinical services including pain management, cancer care, new physicians, and others.
- Continue to provide Athletic Training and related sports medicine prevention, immediate treatment and long term rehabilitation services to four high schools including Talawanda City Schools.
- Execution of a formal Marketing Plan, including:
 - ~ began a Newsletter mailing three times a year to build awareness within a 15 mile radius of MHMH (58,400 households)
 - ~ updated website
 - ~ execution of the Ross Medical Center services marketing plan

Improve Facilities, Physical Plant:

- Successfully completed fund-raising campaign, raising over \$750,000 to expand and improve Oncology Service Center; renovation began in late October (completed March 9, 2009).

Improve Patient Satisfaction:

- Improved overall scores on the new, nationwide Medicare patient satisfaction survey; respondents who would definitely recommend MHMH to others increased from 63% to 77%.

Improve Financial Performance

- Prepared a 5-year financial plan for improving financial performance and balance sheet strength. Received approval for USDA guaranty on hospital borrowing related to two specific projects to reduce the rate of interest charged on these specific funds.

Enhance Community Prevention/Screenings/Education programs:

- Conducted Health Fairs/Screenings in each of our service area communities:
 - ~ 5 events in Oxford/Butler County, 3 in Preble County, 3 in Union and Franklin Counties
 - ~ Car Seat Safety
 - ~ Health & Safety Youth Day
 - ~ Prostate Screening program (100% schedule filled)
 - ~ Diabetes Education program
 - ~ Orthopedic seminar on total knees
 - ~ Increased the number of Lunch & Learn Series

Improve Employee Development, Engagement, Retention:

- Increased employees on the Employee Relations Committee and achieved increased staff contributions towards United Way, Oncology Expansion project and the Employee Emergency Endowment Fund.
- Increased the quality of Employee Service Recognition Awards, with more selection.
- Increased employee participation in wellness challenge by 10.6%.

PATIENT CARE ACTIVITY

The hospital Patient Activity in 2008 as compared to that of 2007 was as follows:

Total Patient Discharges	4.9%	↑
Observation Patients (<24 hours)	27.2%	↑
Emergency Visits	2.8%	↓
Births	6.9%	↓
Surgical Procedures	1.2%	↑
Laboratory Tests	9.1%	↑
Imaging Procedures	0.8%	↑
Outpatient Visits	3.8%	↑

In summary, the volume of hospital services grew in a number of key areas including admits, observation patients, Surgery and there appear to be some indicators that some patients are leaving our service area for some procedures that can be done here.

PATIENT REVENUES

Total patient service revenues increased 29.5% in 2008 over 2007; however, this amount is offset by a growing deduction from billed charges reflecting amounts not paid by Medicare, Medicaid, Anthem (Blue Cross/Blue Shield), and commercial insurers such as Humana, United Healthcare, Medical Mutual of Ohio, Aetna, etc. These third party payers do not reimburse hospital full charges but pay fixed payments or have contracted discounts totaling over \$49.4 million, a 50.5% increase from 2007. Charity care was \$2,520,132 in 2008 and bad debts increased by 34.9% to over \$4,850,000.

EXPENSES

Regarding total expenses, MHMH employee salaries and wages increased by \$1,486,052 and benefits increased by \$102,349.00 for a combined increase of 6.7% over 2007. Supplies and other expenses grew in proportion to net patient revenue realized.

NET EFFECT

With total net revenues of \$56,348,825, the hospital reported net income of \$2,424,066. McCullough Hyde management has established 2009 goals including to maintain this level of gain in the face of distressing economic issues in the Greater Cincinnati region as well as potential increases in the area unemployment rate.

HOSPITAL TRUST CHANGES IN 2008

The performance of the Trust was bolstered by nearly \$1.1 million of contributions received in 2008, including \$661,000 for the Oncology Center expansion. Unfortunately, declines in the market value of the investment portfolio resulted in an overall deficit of \$1.7 million in 2008.

AUXILIARY AND VOLUNTEERS

The McCullough-Hyde Auxiliary continued its exemplary support of the hospital and our patients' needs in 2008. Volunteer hours for community people, MU students and teens totaled 21,395, an increase of 1.02% over 2007. In addition to strong service, the Auxiliary has led the way by paying \$150,000 towards major improvements in the new Wilfried Leder Oncology Center.

LEADERSHIP

Thomas W. Speh served in his second year as Chair, Roger Ames as Vice Chair and Woodrow Anderson, as Secretary/Treasurer. Other Members for 2007-08 were Terry Hunt, M.D., Doug Ross, D.O., Susan Lipnickey, Paige Wood, Mike Rudolph, Rusty Richardson, and Richard Norman. Dr. Bruce Gray serves as Chief of Staff for '07-'09 and Dr. Hillary Evans serves as Vice Chief of Staff.

KEY OBJECTIVES/INITIATIVES FOR 2009:

- Continue to improve quality patient care
- Conduct Long Range Strategic Planning Process
- Improve Healthcare Consumer Satisfaction
- Continue to enhance recruitment, retention and relations with our physicians
- Explore enhancements with community agency working relations
- Improve Fiscal Viability

Meeting community health care needs will continue to be a challenge in 2009 as public and private insurance programs continue to control payments to meet their budgetary restrictions. Like most community hospitals, McCullough-Hyde will continue to face numerous challenges ahead.

**The Board of Directors
The McCullough-Hyde Memorial Hospital and Trust**

The McCullough-Hyde Memorial Hospital, Inc. & Trust
Consolidated Balance Sheets
As of December 31

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assets					
Cash	\$ 2,893,703	\$ 2,188,788	\$ 559,706	\$ 2,638,454	\$ 3,833,359
Patient accounts receivable	5,248,054	5,866,554	5,997,404	5,176,377	6,995,732
Investments	6,743,329	7,167,512	7,931,778	8,858,166	7,180,113
Inventory	280,713	304,118	330,877	390,907	1,036,296
Prepaid expenses and other	357,308	425,138	760,614	1,172,260	1,133,039
Total current assets	15,523,107	15,952,110	15,580,379	18,236,164	20,178,539
Assets whose use is limited	-	-	5,167,000	2,230,432	-
Investment property	502,357	486,850	448,077	414,002	380,904
Property and equipment, net	30,108,045	31,020,470	29,327,287	31,598,544	31,014,540
Other assets	1,638,718	1,104,102	798,027	841,456	1,352,370
Total assets	\$ 47,772,227	\$ 48,563,532	\$ 51,320,770	\$ 53,320,598	\$ 52,926,353
Liabilities & Net Assets					
Accounts payable	\$ 1,267,744	\$ 1,851,717	\$ 925,675	\$ 1,039,758	\$ 2,086,814
Accrued liabilities	1,691,790	1,966,456	2,026,680	4,006,647	2,754,489
Estimated third-party settlements	535,000	364,000	364,000	475,000	779,000
Current maturities of long-term debt	1,013,328	1,065,938	1,532,950	1,676,640	1,571,145
Total current liabilities	4,507,862	5,248,111	4,849,305	7,198,045	7,191,448
Long-term debt	18,184,196	17,118,259	20,752,309	19,858,734	18,487,590
Net assets	25,080,169	26,197,162	25,719,156	26,263,819	27,247,315
Total liabilities and net assets	\$ 47,772,227	\$ 48,563,532	\$ 51,320,770	\$ 53,320,598	\$ 52,926,353

The McCullough-Hyde Memorial Hospital, Inc.
Statement of Operations
For the Years Ended December 31

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Gross patient revenue:					
Inpatient	\$ 16,744,513	\$ 18,375,775	\$ 20,293,921	\$ 20,968,262	\$ 29,809,937
Outpatient	49,004,053	54,693,982	54,836,628	62,730,520	78,584,603
Total patient revenue	<u>65,748,566</u>	<u>73,069,757</u>	<u>75,130,549</u>	<u>83,698,782</u>	<u>108,394,540</u>
Deductions from revenue:					
Charity care	(690,864)	(1,251,381)	(1,245,243)	(1,710,402)	(2,520,132)
Contractual allowances	(22,567,781)	(24,945,435)	(26,758,673)	(32,879,623)	(49,487,444)
Other adjustments	(165,963)	(259,707)	(245,158)	(995,651)	(955,072)
Total deductions	<u>(23,424,608)</u>	<u>(26,456,523)</u>	<u>(28,249,074)</u>	<u>(35,585,676)</u>	<u>(52,962,648)</u>
Net patient revenue	42,323,958	46,613,234	46,881,475	48,113,106	55,431,892
Other revenue	982,806	1,019,154	584,019	696,403	916,933
Total revenue	<u>43,306,764</u>	<u>47,632,388</u>	<u>47,465,494</u>	<u>48,809,509</u>	<u>56,348,825</u>
Expenses:					
Salaries & wages	15,774,548	17,848,661	18,784,250	19,105,005	20,591,057
Employee benefits	3,677,721	4,247,278	4,690,968	4,745,581	4,847,930
Supplies and expense	15,064,728	17,094,620	17,361,849	17,505,332	19,163,839
Provision for bad debts	3,610,286	3,399,016	3,652,519	3,595,839	4,850,611
Depreciation & amortization	3,273,433	3,377,419	3,698,274	3,512,112	3,630,372
Interest	665,598	723,588	845,441	828,228	857,881
Total expenses	<u>42,066,314</u>	<u>46,690,582</u>	<u>49,033,301</u>	<u>49,292,097</u>	<u>53,941,690</u>
Operating income (loss)	1,240,450	941,806	(1,567,807)	(482,588)	2,407,135
Non-operating gains (losses)	(5,397)	(127,831)	221,117	7,759	16,931
Net income (loss)	<u>\$ 1,235,053</u>	<u>\$ 813,975</u>	<u>\$ (1,346,690)</u>	<u>\$ (474,829)</u>	<u>\$ 2,424,066</u>

The McCullough-Hyde Memorial Hospital Trust
Statement of Activities
For the Years Ended December 31

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Support & revenue:					
Contributions	\$ 202,241	\$ 431,759	\$ 225,853	\$ 882,400	\$ 1,086,641
Investment income	420,325	424,495	955,184	651,424	(2,106,119)
Rental income	31,410	54,250	79,077	62,741	63,444
Other	-	1,872	87,668	67	3,452
Total support & revenue	<u>653,976</u>	<u>912,376</u>	<u>1,347,782</u>	<u>1,596,632</u>	<u>(952,582)</u>
Program & administrative expenses	<u>618,236</u>	<u>609,358</u>	<u>479,098</u>	<u>1,302,140</u>	<u>764,621</u>
Change in net assets	<u>\$ 35,740</u>	<u>\$ 303,018</u>	<u>\$ 868,684</u>	<u>\$ 294,492</u>	<u>\$ (1,717,203)</u>

The McCullough-Hyde Memorial Hospital, Inc.
Service Volumes
For the Years Ended December 31

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Inpatient census:					
Discharges	2,389	2,607	2,635	2,588	2,715
Patient days of care	8,547	8,924	9,179	8,126	8,758
Average daily census	23.4	24.4	25.1	22.3	23.9
Average length of stay (days)	3.6	3.4	3.5	3.1	3.2
Observation hours of care	22,659	33,967	27,430	20,793	26,448
Newborns	515	535	514	499	465
Emergency visits	16,189	17,538	18,240	17,439	16,972
Surgical cases	1,780	1,861	1,683	1,808	1,829
Endoscopy cases	1,532	1,763	1,847	1,944	2,304
Laboratory tests	211,830	227,929	225,235	237,106	258,795
Radiology procedures	25,799	23,974	24,002	28,524	28,769
Ultrasound procedures	n/a	n/a	n/a	7,106	7,280
CAT scans	5,190	5,829	6,338	6,512	7,009
Nuclear Medicine procedures	2,547	2,310	2,174	2,084	2,248
MRI scans	1,994	2,140	2,373	2,244	2,756
EKG procedures	4,776	5,096	5,110	5,078	5,301
Rehabilitation therapies	45,948	49,867	52,080	62,779	77,458
Respiratory therapies	56,788	53,539	52,474	47,102	50,591
Sleep studies	521	566	598	581	548
Full-time equivalent employees	366	389	399	405	417
Facility and equipment purchases	\$ 1,167,048	\$ 4,301,371	\$ 2,046,560	\$ 5,823,109	\$ 3,048,067
Repayment of long-term debt	\$ 1,466,491	\$ 1,013,327	\$ 1,065,938	\$ 1,582,884	\$ 1,476,641

The McCullough-Hyde Memorial Hospital, Inc.
Gross Charges by Payor and Patient Type
For the Years Ended December 31

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Medicare	Inpatient	\$ 8,176,564	\$ 9,438,692	\$ 10,554,465	\$ 10,268,194	\$ 15,555,283
	Outpatient	11,552,534	13,365,656	14,720,291	17,899,292	23,386,657
	Total Medicare	19,729,098	22,804,348	25,274,756	28,167,486	38,941,940
Medicaid	Inpatient	1,436,198	1,602,382	1,498,445	1,693,782	2,075,674
	Outpatient	4,261,341	4,609,574	3,928,865	4,414,400	5,636,177
	Total Medicaid	5,697,539	6,211,956	5,427,310	6,108,182	7,711,851
Blue Cross	Inpatient	2,764,524	3,190,087	3,521,172	4,038,827	5,622,843
	Outpatient	14,160,323	15,094,639	16,378,510	18,753,564	22,925,095
	Total Blue Cross	16,924,847	18,284,726	19,899,682	22,792,391	28,547,938
Commercial	Inpatient	3,685,125	3,351,093	4,146,906	3,711,113	4,976,655
	Outpatient	15,447,278	17,695,744	15,836,472	17,368,414	22,062,300
	Total Commercial	19,132,403	21,046,837	19,983,378	21,079,527	27,038,955
Private	Inpatient	608,229	764,635	916,141	1,170,149	1,507,171
	Outpatient	3,536,029	3,947,333	3,617,157	4,381,088	4,647,495
	Total Private	4,144,258	4,711,968	4,533,298	5,551,237	6,154,666
Total	Inpatient	16,670,640	18,346,889	20,637,129	20,882,065	29,737,626
	Outpatient	48,957,505	54,712,946	54,481,295	62,816,758	78,657,724
	Total Hospital	\$ 65,628,145	\$ 73,059,835	\$ 75,118,424	\$ 83,698,823	\$ 108,395,350
Medicare	Inpatient	12.5%	12.9%	14.1%	12.3%	14.4%
	Outpatient	17.6%	18.3%	19.6%	21.4%	21.6%
	Total Medicare	30.1%	31.2%	33.6%	33.7%	35.9%
Medicaid	Inpatient	2.2%	2.2%	2.0%	2.0%	1.9%
	Outpatient	6.5%	6.3%	5.2%	5.3%	5.2%
	Total Medicaid	8.7%	8.5%	7.2%	7.3%	7.1%
Blue Cross	Inpatient	4.2%	4.4%	4.7%	4.8%	5.2%
	Outpatient	21.6%	20.7%	21.8%	22.4%	21.1%
	Total Blue Cross	25.8%	25.0%	26.5%	27.2%	26.3%
Commercial	Inpatient	5.6%	4.6%	5.5%	4.4%	4.6%
	Outpatient	23.5%	24.2%	21.1%	20.8%	20.4%
	Total Commercial	29.2%	28.8%	26.6%	25.2%	24.9%
Private	Inpatient	0.9%	1.0%	1.2%	1.4%	1.4%
	Outpatient	5.4%	5.4%	4.8%	5.2%	4.3%
	Total Private	6.3%	6.4%	6.0%	6.6%	5.7%
Total	Inpatient	25.4%	25.1%	27.5%	24.9%	27.4%
	Outpatient	74.6%	74.9%	72.5%	75.1%	72.6%
	Total Hospital	100.0%	100.0%	100.0%	100.0%	100.0%