

**MCCULLOUGH-HYDE MEMORIAL HOSPITAL
ANNUAL REPORT TO THE OXFORD CITY COUNCIL
May, 2011**

KEY PROGRAMS/ACCOMPLISHMENTS IN 2010

Improved Patient Quality/Accreditation Outcomes:

- Provided outstanding quality care to those patients served as evidenced by our comparative clinical Centers for Medicare and Medicaid Services (CMS) Measures data on Congestive Heart Failure, Pneumonia Care, and Surgical Care indicators demonstrating MHMH outcomes mostly better than hospitals in the Greater Cincinnati Hospital Council (GCHC) for last 9 months or 3 quarters, 2010 (1Q'10 – 3Q'10):

Congestive Heart Failure:	MHMH scored 95% vs. GCHC Hospitals 93%
Pneumonia:	MHMH scored 84% vs. GCHC Hospitals 91%
Surgical Care (certain procedures):	MHMH scored 91% vs. GCHC Hospitals 92%
Acute Myocardial Infarction (AMI)*:	MHMH scored 100% vs. GCHC Hospitals 97.1%

(*note: the number of AMI admissions at MHMH is considered too low for valid comparison)

- From the patient satisfaction questionnaire entitled the “Hospital Consumer Assessment of Healthcare Providers and Systems” (HCAHPS) which is required by the federal agency Centers for Medicare and Medicaid Services (CMS), the MHMH survey data shows a score of 74% of responded 'definitely yes' when asked about the “Likelihood to recommend the provider to a friend or family member”. This score ranks MHMH in the 66th percentile as compared to area hospitals. In addition, MHMH has received national recognition in calendar year 2010 for our outstanding patient satisfaction scores.

Initiate New Programs and Services:

- Expanded services at the Ross Medical Center, including:
Ross Urgent Care Plus began in January '09 and the accompanying Occupational Health Service officially was opened in April. The Urgent Care and Occupational Health Service are provided seven days per week along with a full range of Imaging and Laboratory Services.

The Lab and Imaging Services were expanded from weekday only to include weekends to support the Urgent Care Plus operations.

Grow Clinical Service Volumes:

- Formal Marketing Plans developed and implemented:
Twice per year Newsletter mailing includes 55,000 households in service area
Once per year Calendar mailing includes 45,000 households in service area
Continued Ross Urgent Care Plus services marketing plan
Began new Orthopedic/Rehabilitative Services marketing plan.
- Increased awareness of certain clinical services including OB-Maternal Child Health, ED, cancer care, new physicians and others.
- Continued to provide Athletic Training and related sports medicine prevention, immediate treatment and long term rehabilitation services to four high schools including Talawanda City Schools, Ross, Union City/ College Corner Joint Schools and Hamilton City Schools.

Improve Facilities, Physical Plant:

- Installed two (2) new Digital Mammography equipment, one on the Main Campus and the other at the Ross Medical Center to provide patients with the latest technology for breast imaging resolution, magnification and manipulation for the Radiologist's interpretation, to provide efficient image capture, archiving and distribution for the ordering physician use with patient results reporting and patient teaching, and provide access to specialists if patient follow up is needed.
- Completed the installation of a new 250 kilowatt generator as a back-up to the hospitals main unit and replaced other numerous electrical components and switches on the main generator to assure effective, emergency transfer and automatic generator performance in service failures.
- Upgraded the fire alarm system to increase functionality and assure performance.
- Improved the external condition of the main Hospital building and general campus grounds and landscaping.

Enhance Community Prevention/Screenings/Education programs:

- Health Fairs/Health Information/Provided including First Aide
 - Butler County: 11 events
 - Preble County: 2 events
 - Union County: 7 events
 - Franklin County: 3 events
- Youth Health and Safety Days
 - Oxford: 1 event
 - Ross: 1 event
- Car Safety Checks: 42
- Medication Take Back Days: 2 (MHMH sponsored, conducted with other agencies)
- Prostate Screening
- Talawanda Schools: Assisted with Dental Screenings, Provided Crisis Cards to all HS students, team walk with elementary school children
- Lunch and Learn- 12 programs (3 at Ross)
- Safe Sitter: 4 Classes (2 in Oxford, 1 in Ross, 1 in Brookville)
- Continued Diabetes Education
- Continued to be a major supporter of the Oxford College Corner Clinic by providing office space, staff support, administrative time and financial support.
- Sponsored and supported the State to State Run (provided onsite therapy and bus service)

Improve Employee Development, Engagement, Retention

MHMH is committed to recognizing employees for their hard work, loyalty, and service, all of which are essential to our continued success. Despite difficult economic conditions, this past year we undertook a number of initiatives which have had a meaningful and positive effect on our employees' perception of McCullough-Hyde as an "Employer of Choice":

- With Hospital sponsorship and support, we have successfully heightened employee awareness of the importance of community sharing and service as evidenced by increased staff contributions towards United Way, the Oncology Expansion project and the Employee Emergency Endowment Fund.

- To reinforce the importance and value of employee long-term commitment to the Hospital, we increased the quality of Employee Service Recognition Awards.
- Increased employee participation in Wellness Challenge programs by 10.6% leading to improved health status of employees.
- The Retirement Planning Committee recruited three employees to serve as representatives to voice their suggestions and ideas regarding MHMH's pension program.
- Through continued funding of the *Professional Development Program*, continued our commitment to financing employees enrolled in area, accredited RN programs.
- Through the Hospital Trust, the Rogers Fund provided financing for front-line employees to enroll in the School-At-Work (SAW) program. SAW is an educational development program designed to provide working staff with preparation for career advancement while continuing to work in their current position.
- To assist employees with more effective and efficient ways to manage their finances and personal budgets sponsored free financial planning sessions.

KEY FINANCIAL INDICATORS IN 2010

Patient Care Volume

Several leading indicators of Hospital patient activity in 2010, compared to that of 2009, were as follows:

- *Inpatient Activity*

Total Patient Discharges	+2.8%
Births	+1.6%
Observation Patients (<24 hours)	-43.1%
- *Outpatient Activity*

Emergency Visits	-5.6%
Surgical Procedures	-3.1%
Laboratory Tests	+5%
Imaging Procedures	-6.5%

In summary, the number of admissions/discharges from MHMH increased nearly 3% over the previous year. On the other hand, volume of those seeking outpatient services at MHMH facilities declined in several key areas (outpatient Surgeries, Imaging) while rising slightly in others (lab).

Patient Revenues

Total patient service revenues increased 3.7% in 2010 over 2009. This amount is offset however 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 \$61.3 million, a 6.8% increase from 2009.

Total Expenses

MHMH employee salaries and wages increased to \$22,655,430 an increase of \$158,529 or .7%, while benefits increased by \$2,761 for a net increase of 0.04% over 2009. Supplies and other expenses not

including depreciation and interest expense grew 3.4%. Charity care was \$2,307,954 in 2010, a decrease of 16.4%; while bad debts increased by 14.2% to \$8,365,196.

Hospital Margin

With total net revenues of \$65,952,368, the hospital reported a “revenue over expenses” amount (net margin) of \$568,822 or .86% of net revenues. McCullough Hyde had established an operating margin goal of 3% for 2010 despite distressing economic issues in the region and the likelihood of an increasing level of bad debt expense.

The Trust – MHMH’s Development or Fundraising Program

In spite of a troubled economy in 2010, donors continued to support the Hospital Trust with more than \$240,000 in contributions. As the investment climate improved in 2010, the market value of our investment portfolio increased by \$1 million.

Volunteer Services and Auxiliary

Volunteers consisting of Adults, Miami University Students and area Teenagers totaled 268 in 2010, providing 21,172.25 hours of time and enthusiasm. In addition, community members that donate their time to the Auxiliary fund-raisers brought the grand total of volunteers to 352.

The Auxiliary had another productive year and gave \$50,000 in support of much needed equipment at MHMH, in several different departments including the Maternal Child Health/Obstetric Service, the Inpatient Care Unit, Respiratory Services, Same Day Surgery and Peri-Operative Services and the Laboratory Services. The Auxiliary’s donations are bolstered by proceeds from operating the Hospital Gift Shop staffed by 38 trained volunteers and under new leadership this past year. The Gift Shop was able to increase their donation from last year by about 25%.

The Auxiliary officers are: Beth Baer, President; Diane Oak, First Vice President; Pat Willeke, Second Vice President; Christine Ingham, Treasurer; Trish Otto, Secretary and Alyce Potter, Immediate Past President.

MHMH Board of Directors and Medical Staff Leadership

Mr. Rusty Richardson served as Chair, Ms. Susan Lipnickey as Vice Chair and Mr. Richard Norman as Secretary/Treasurer. Other Members for 2009-10 were Wm. Doug Ross, D.O., Paige Wood, Mike Rudolph, Tom Speh, Jack Mann, Dr. John Harlan and Alan Oak. Dr. Hillary Evans has served as Chief of Staff and Dr. Dan Stein has served as Vice Chief of Staff. Dr. Stein will begin serving as Chief of Staff for a two year term on July 1, 2011.


Key Objectives/Initiatives for 2011:

- Continue to improve our consistently high quality and safe patient care
- Build on our recent investments for a hospital-wide clinical information system, particularly in re: to online clinical documentation and functionality, by
 - a. Capturing clinical documentation in a uniform and quickly retrievable manner
 - b. Meeting the federal standards established for "meaningful use" for hospitals
 - c. Improving patient satisfaction with care-giver interactions
 - d. Providing safer care (reduce specifically defined “errors” and other “adverse” outcomes)

- Strengthen working relationships with local organizations, including Miami University and Talawanda Schools, to define community health needs and initiatives to address the highest needs, efficiently and effectively
- Enhance relationships with our Medical Staff, improve long term physician satisfaction and retention
- Improve financial performance in the face of healthcare system reform, heeded as:
 - Further tightening of reimbursement from private and public insurance programs
 - Beginning of the transformation of a system of reimbursement based on volumes, fee for service and episodic care to that of coordinated care system based on wellness, prevention and value not volume (Value Based Purchasing)
 - A continued heightened level of transparency of data defining more patient quality outcomes and the entire “patient experience”.

Like so many other smaller, community hospitals, meeting all of these Key Objectives/Initiatives will become increasingly difficult as we strive to provide the highest quality outcomes and safe care while meeting additional government imposed regulations and requirements, and maintaining or reducing costs in the face of higher consumer expectations.

Respectfully submitted on behalf of the Board of Directors, McCullough-Hyde Memorial Hospital and Trust by:



Bryan D. Hehemann, FACHE
President/CEO

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assets					
Cash	\$ 559,706	\$ 2,638,454	\$ 3,833,359	\$ 6,039,728	\$ 6,766,636
Patient accounts receivable	5,997,404	5,176,377	6,995,732	5,876,689	8,061,967
Investments	7,931,778	8,858,166	5,312,387	6,601,117	7,612,291
Inventory	330,877	390,907	1,036,296	1,037,663	1,143,460
Prepaid expenses and other	760,614	1,172,260	1,133,039	1,123,511	948,739
Total current assets	<u>15,580,379</u>	<u>18,236,164</u>	<u>18,310,813</u>	<u>20,678,708</u>	<u>24,533,093</u>
Assets whose use is limited	5,167,000	2,230,432	1,867,726	4,245,380	2,282,824
Investment property	448,077	414,002	380,904	368,705	334,823
Property and equipment, net	29,327,287	31,598,544	31,014,540	30,778,691	30,233,845
Other assets	798,027	841,456	1,352,370	1,653,569	1,806,838
Total assets	<u>\$ 51,320,770</u>	<u>\$ 53,320,598</u>	<u>\$ 52,926,353</u>	<u>\$ 57,725,053</u>	<u>\$ 59,191,423</u>
Liabilities & Net Assets					
Accounts payable	\$ 925,675	\$ 1,039,758	\$ 2,086,814	\$ 1,390,847	\$ 1,789,404
Accrued liabilities	2,026,680	4,006,647	2,754,489	3,017,801	3,572,033
Estimated third-party settlements	364,000	475,000	779,000	945,126	2,391,036
Current maturities of long-term debt	1,532,950	1,676,640	1,571,145	2,041,786	2,132,608
Total current liabilities	<u>4,849,305</u>	<u>7,198,045</u>	<u>7,191,448</u>	<u>7,395,560</u>	<u>9,885,081</u>
Long-term debt	20,752,309	19,858,734	18,487,590	19,461,501	17,328,894
Net assets	25,719,156	26,263,819	27,247,315	30,867,992	31,977,448
Total liabilities and net assets	<u>\$ 51,320,770</u>	<u>\$ 53,320,598</u>	<u>\$ 52,926,353</u>	<u>\$ 57,725,053</u>	<u>\$ 59,191,423</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross patient revenue:					
Inpatient	\$ 20,293,921	\$ 20,968,262	\$ 29,809,937	\$ 32,096,728	\$ 38,259,957
Outpatient	54,836,628	62,730,520	78,584,603	93,905,279	92,371,327
Total patient revenue	75,130,549	83,698,782	108,394,540	126,002,007	130,631,284
Deductions from revenue:					
Charity care	(1,245,243)	(1,710,402)	(2,520,132)	(2,760,524)	(2,307,954)
Contractual allowances	(26,758,673)	(32,879,623)	(49,487,444)	(57,381,076)	(61,302,380)
Other adjustments	(245,158)	(995,651)	(955,072)	(1,124,972)	(2,210,201)
Total deductions	(28,249,074)	(35,585,676)	(52,962,648)	(61,266,572)	(65,820,535)
Net patient revenue	46,881,475	48,113,106	55,431,892	64,735,435	64,810,749
Other revenue	584,019	696,403	916,933	1,243,914	715,420
Total revenue	47,465,494	48,809,509	56,348,825	65,979,349	65,526,169
Expenses:					
Salaries & wages	18,784,250	19,105,005	20,591,057	22,496,901	22,655,430
Employee benefits	4,690,968	4,745,581	4,847,930	6,125,585	6,128,346
Supplies and expense	17,361,849	17,505,332	19,163,839	22,750,265	23,341,914
Provision for bad debts	3,652,519	3,595,839	4,850,611	7,328,245	8,365,197
Depreciation & amortization	3,698,274	3,512,112	3,630,372	3,884,848	4,054,725
Interest	845,441	828,228	857,881	1,151,292	897,318
Total expenses	49,033,301	49,292,097	53,941,690	63,737,136	65,442,930
Operating income (loss)	(1,567,807)	(482,588)	2,407,135	2,242,213	83,239
Non-operating gains (losses)	221,117	732,759	293,564	567,503	485,583
Net income (loss)	\$ (1,346,690)	\$ 250,171	\$ 2,700,699	\$ 2,809,716	\$ 568,822

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Support & revenue:					
Contributions	\$ 225,853	\$ 882,400	\$ 1,086,641	\$ 576,835	\$ 242,585
Investment income	955,184	651,424	(2,106,119)	1,230,633	937,323
Rental income	79,077	62,741	63,444	66,185	79,965
Other	87,668	67	3,452	-	-
Total support & revenue	1,347,782	1,596,632	(952,582)	1,873,653	1,259,873
Program & administrative expenses	479,098	1,302,140	764,621	1,062,692	614,770
Change in net assets	\$ 868,684	\$ 294,492	\$ (1,717,203)	\$ 810,961	\$ 645,103

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Inpatient census:					
Discharges	2,635	2,588	2,715	2,700	2,776
Patient days of care	9,179	8,126	8,758	8,475	9,081
Average daily census	25.1	22.3	23.9	23.2	24.9
Average length of stay (days)	3.5	3.1	3.2	3.1	3.3
Observation hours of care	27,430	20,793	26,448	34,932	19,892
Newborns	514	499	465	434	441
Emergency visits	18,240	17,439	16,972	17,473	16,490
Surgical cases	1,683	1,808	1,829	1,876	1,817
Endoscopy cases	1,847	1,944	2,304	2,199	3,305
Laboratory tests	225,235	237,106	258,795	281,722	283,192
Radiology procedures	24,002	28,524	28,769	29,784	28,339
Ultrasound procedures	n/a	7,106	7,280	6,901	6,424
CAT scans	6,338	6,512	7,009	7,487	7,425
Nuclear Medicine procedures	2,174	2,084	2,248	1,995	949
MRI scans	2,373	2,244	2,756	2,693	2,567
EKG procedures	5,110	5,078	5,301	5,163	6,763
Rehabilitation therapies	52,080	62,779	77,458	78,341	72,903
Respiratory therapies	52,474	47,102	50,591	52,942	25,580
Sleep studies	598	581	548	563	516
Full-time equivalent employees	399	405	417	441	439
Facility and equipment purchases	\$ 2,046,560	\$ 5,823,109	\$ 3,048,067	\$ 3,596,533	\$ 3,464,917
Repayment of long-term debt	\$ 1,065,938	\$ 1,582,884	\$ 1,476,641	\$ 1,232,036	\$ 2,041,786