

McCullough-Hyde Memorial Hospital
2012 Annual Report to the Oxford City Council
May, 2013

KEY PROGRAMS/ACCOMPLISHMENTS IN 2012

Improved Patient Quality/Accreditation Outcomes

- Continue to provide the highest quality care to patients, as evidenced by our comparative clinical measures data reported to the Center for Medicare and Medicaid Services (CMS) as required by all hospitals in the country, on the following: Congestive Heart Failure, Pneumonia Care, Surgical Care and Acute Myocardial Infarction. MHMH outcomes compare very favorably with hospitals throughout the State of Ohio:

Congestive Heart Failure	MHMH scored 100% vs. State Performance 97%
Pneumonia	MHMH scored 90% vs. State Performance 100%
Surgical Care (certain procedures)	MHMH scored 88% vs. State Performance 98%
Acute Myocardial Infarct (AMI)*	MHMH scored 100% vs. State Performance 98.5%

(*The number of AMI admissions at MHMH is considered too low for statistically valid comparison)

- From the patient satisfaction questionnaire, known as the “Hospital Consumer Assessment of Healthcare Providers and Systems” (HCAHPS) which is also required by CMS, the MHMH survey data shows a score of 78% who responded ‘definitely yes’ when asked about the “likelihood to recommend the provider to a friend or family member” which is an 8% improvement compared to 2011 results of 70%. The overall rating of the hospital as a 9 or 10 also increased from 68% in 2011 to 74% in 2012. The national average is 66%.
- MHMH continues to be fully accredited by the Healthcare Facilities Accreditation Program, which is sponsored by the American Osteopathic Association, Chicago, IL.

New Programs and Services

- Partnered with Miami University to open a Convenient Care Clinic for Miami University employees and their insured dependants.
- Opened satellite Lab and imaging services, including Ultrasound, in Camden, Ohio.
- Successfully attested for Meaningful Use, and received \$1,008,000 of federal stimulus monies for institutions who have met standards for safe and secure exchange of electronic patient information via electronic medical records.
- Implemented an automated learning management system for staff training and education, licensure tracking, and competency assessment.
- Implemented a Pharmacy Assistance program to help obtain needed Oncology drugs.
- Created improvement teams which are focusing on improving the patient experience

Improve Physical Plant and Equipment

2012 Capital Improvements

MOB Roof replacement	\$ 219,000
Data Repository	162,000
Camden Office Lab/Imaging services	88,500
IT Switch Closet upgrade	85,300
Imaging Archiving replacement completion	82,000
Portable, digital X-ray machine	77,300
IT Blade Center refresh	69,300
Imaging Room remodeling	68,800
Other expenditures under \$50,000	765,100
Total Expenditures	\$1,617,300

Capital expenditures in 2012 were restricted to assure liquidity without additional borrowing. The largest expenditure was the replacement of the roof on the Morning Sun Medical Office Building. The hospital conducted a variety of small upgrades to improve the physical appearance of certain patient and support areas as well as for the hospital wide information system and medical service capability.

Enhance Community Prevention/Screenings/Education programs

- Health Fairs/Health Information/Provided including First Aid
 - ~ Butler County: 6 events
 - ~ Preble County: 1 event
 - ~ Union County: 2 senior events, 1 Community event
 - ~ Franklin County: 2 events
- Youth Health and Safety Days
 - ~ Oxford: 1 event (FRESH Air Fair) but was cancelled due to poor weather conditions
 - ~ Ross: 1 event
- Car Safety Checks: 12
- Medication Take Back Day: 1 (MHMH sponsored, conducted with other agencies)
- Prostate Screening: 1 event
- Lunch & Learn: 6 programs (1 at Ross)
- Safe Sitter: 3 Classes (2 in Oxford, 1 in Ross, Brookville had 0 participants)
- 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)
- Miami University: 1 event at Sports Venues
- Member of the Talawanda School Health Coordinating Council, and the Coalition for a Healthy Community - Oxford Leadership Team

Improve Employee Development, Engagement and Retention

MHMH believes that employee commitment and loyalty are essential to its continued success. In challenging economic times, this takes on even more significance. To demonstrate that MHMH values its employees, the following programs were provided:

- Due in no small part to the Hospital's commitment to provide employees with access to resources and incentives to improve their individual health and well being, the Wellness Program participation grew significantly,
- Regular, valuable advice re: retirement and related savings and planning matters. Informative programs were offered to all employees throughout the year focusing on retirement and Medicare selection options.
- Continued hospital funding to obtain, develop and improve job skills and job knowledge related to their current position or to gain promotional opportunity.
- Continuation of the customer service program known as Patient Voice to enhance patient satisfaction

*As a footnote to the above, McCullough Hyde employees were provided an across the board pay increase in January, 2013.

KEY FINANCIAL INDICATORS IN 2012

Patient Care Volume and Revenues

Several leading indicators of Hospital patient activity in 2012 vs. 2011 were as follows:

• <i>Inpatient Activity</i>	
Total Patient Discharges	-8.6%
Births	+1.2%
Observation Patients (<24 hours)	+3.3%
• <i>Ancillary Activity</i>	
Emergency Visits	-2.0%
Surgical Procedures	-18.7%
Laboratory Tests	-1.2%
Imaging Procedures	-5.0%

In summary, the number of MHMH inpatients decreased by 8.6% from the previous year offset somewhat by the increase of observation patients. The volume of patients seeking ancillary services also declined in some key areas such as Emergency, Surgery, Laboratory and Imaging. Other major outpatient services such as Oncology, Gastroenterology, Pain Management and Rehab/Sports Medicine Services remained steady or achieved increases.

Total patient service revenue decreased by 1.0% in 2012 from 2011 while deductions from total revenue increased by 2.2% from the previous year. This increase in deductions is caused by an increase in government payors (Medicare and Medicaid recipients) and a slight decrease in commercial payors such as patients with Anthem BC/BS or Humana. There has also been a sharp increase in uncompensated care (charity care and bad debt due to many employers shifting more of the health care cost to employees with higher deductibles and co-insurance. Neither government nor commercial payors reimburse McCullough Hyde's full charges but pay fixed payments or have significant contracted discounts.

Total Expenses

MHMH employee salaries and wages decreased to \$22,359,086 a decrease of 0.16%, while benefits decreased by \$342,192, a net decrease of 5.7% from 2011. Supplies and other expenses, not including depreciation and interest expense, decreased \$1,083,868 or 4.7% from the previous year. Charity care was \$2,300,662 in 2012, an increase of 15.6%, while bad debts increased by 13.9% to \$6,851,141 from \$6,013,424 in 2011.

Hospital Margin

With total net revenues of \$54,930,472*, the hospital reported a “revenue over expenses” amount (net margin) of \$49,395 or .09% of net revenues, well below expectations. The small but positive margin is a factor of continuing, limited reimbursement from public and private payers, much higher out of pocket or self pay amounts because of changes to area employer health insurance coverage, and increases in charity care and bad debt expenses described above.

*Bad debt is currently being reclassified from an expense to a “deduction from revenue”. This 2012 change in classification is a requirement of an Accounting Standards Update for Healthcare Entities. This will make comparisons difficult with prior years.

The Trust – MHMH’s Development Program

Total donations made to the McCullough-Hyde Memorial Hospital Trust in 2012 were \$247,184.

In the fall of 2012, McCullough-Hyde Trust began offering donors a new way to make a long-term commitment to the hospital's future by becoming a Sustaining Donor. The Sustaining Donor chooses the time frame, committing to an annual, quarterly or monthly gift in an on-going manner. Funds donated through the Sustaining Donor program can be directed towards facility expansion; equipment purchases; education for staff; and services for patients, families and staff; or to any special use fund.

Volunteer Services and Auxiliary

McCullough Hyde benefitted from the time and energy of 333 volunteers in 2012, consisting of adults, Miami University students and area teens, providing a total of 23,385 hours. Based on an FTE working 2,080 hours per year, this equates to providing 11.4 volunteer FTE’s. The volunteers commit their time to 13 clinical areas and 22 non-clinical areas.

The Auxiliary operates the Gift Shop at McCullough Hyde, also on a volunteer basis. The Gift Shop was recently named “The Daisy Shop”. The Daisy Shop transferred \$36,000 to the Auxiliary in 2012. The Auxiliary donated a total of \$58,005.00 towards MHMH equipment and education, benefitting the following: Obstetrics, Physical Therapy, Oncology, Emergency Dept., waiting area furniture, wheelchairs, MHMH’s Healing Arts exhibit and the Auxiliary Scholarship program. From inception, donations provided to McCullough Hyde from the Auxiliary reached a total \$1,102,157!

The Auxiliary officers for 2012 were: President, Diane Oak; First Vice-President, Marsha Haffey; Second Vice-President, Pat Willeke; Secretary, Sue Treadway; Treasurer, Christine Ingham and Immediate Past President, Beth Baer.

2012 Board of Trustees and Medical Staff Leadership

Since July 1, 2012, Mr. Richard Norman has served as Chair, Dr. John Harlan as Vice Chair, and Alan Oak as Secretary/Treasurer. Other Board of Trustees include Susan Lipnickey, Past Chair, Wm. Douglas Ross, D.O., Paige Wood, Tom Speh, Jack Mann, Ralph Gutowski and Steve Flee.

Dr. Dan Stein served as Chief of Staff and Hillary Evans, M.D., as Vice Chief of Staff.

KEY OBJECTIVES/INITIATIVES FOR 2013

- Continue to improve our high quality, safe patient care and outstanding customer service.
- Enhance long term working relationships and business partnerships with our Medical Staff for delivering better care in the future with the utmost value, emphasizing coordinated preventive, wellness-oriented and cost effective care.
- Review the current hospital-wide, information system for possible upgrade to a more robust functioning platform in collaboration with our Medical Staff.
- Continue to strengthen working relationships with large area employers such as Miami University, Talawanda School District, the City of Oxford and others for the betterment of their employees' health and wellbeing, and achieve overall lower benefit costs for these organizations.
- Address Community healthcare needs in collaboration with local non-profit organizations like the Coalition for a Healthy Community and others, to define and prioritize community health needs and solutions.
- Improve financial performance by adopting best business practices of similar sized hospitals, and adjusting operating costs in those departments with costs higher than peer group.

Special Key Initiative: Investigating an Affiliation

Following extensive internal discussion and informal review of the subject, McCullough Hyde's Board of Trustees determined the need to formally investigate a form of affiliation with a larger health system, based in the Cincinnati area. The Board has outlined the following guiding principles for such a process:

- MHMH shall remain a viable "Community-based Hospital".
- MHMH Medical Staff shall have input and assist with the final decision as to the best working relationship with the potential affiliate.
- MHMH shall continue high quality, clinical services in Oxford, offer high employment opportunities, achieve improved stability.

Outcomes from the Affiliation should reflect:

- A broad partnership or affiliation with another organization which is best prepared to meet the challenges of future healthcare delivery for the communities MHMH serves.
- Preservation of the existing McCullough-Hyde Memorial Hospital Mission, current core services and the integrity of the functioning Medical Staff.

- Preservation and enhancement of the high quality care and outstanding patient satisfaction provided to both inpatient and ambulatory patients.
- Elevation of the shared culture, values, and respect among and between the affiliating organization, our Medical Staffs, and other “care partners”.
- Securing a stable financial position for McCullough-Hyde in the increasingly competitive healthcare marketplace:
 - Assures access to sufficient capital resources for facility and equipment improvement.
 - Advances the ability to compete with respect to information technology capabilities.
 - Improves the Hospital’s position with respect to commercial insurer relationships.
 - Lowers the cost structure of the Hospital.
 - Improves the Hospital’s ability to recruit and retain high quality physicians and staff and provide ‘best practice’ of physician integration/employment.
 - Assists with clinical program improvements to increase service volumes and revenues.
 - Better position MHMH for Reform: Value Based Purchasing, ICD-IO, Bundled Payments, etc.
- Preservation of local leadership for major strategic and operational decision making, which primarily affects healthcare delivery within our community.
- Continuing the support of both physician alignment and the private practice of medicine.

Respectfully submitted on behalf of the Board of Trustees, McCullough-Hyde Memorial Hospital and Trust.

Bryan D. Hehemann, FACHE
 President and Chief Executive Officer

The McCullough-Hyde Memorial Hospital, Inc.
Statement of Operations
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Gross patient revenue:		
Inpatient	\$ 35,912,451	\$ 37,289,054
Outpatient	92,030,892	92,007,708
Total patient Revenue	127,943,343	129,296,762
Deductions from revenue:		
Charity care	2,300,662	1,990,178
Provision for bad debts	6,851,141	6,013,424
Contractual allowances	63,596,897	60,937,354
Other adjustments	2,283,118	4,458,690
Total deductions	75,031,818	73,399,646
Net patient revenue	52,911,525	55,897,116
Other revenue	2,018,947	1,236,754
Total revenue	54,930,472	57,133,870
Expenses:		
Salaries & wages	22,359,086	22,394,180
Employee benefits	5,648,828	5,991,020
Supplies and expense	21,959,850	23,043,718
Depreciation & amortization	4,383,599	4,130,611
Interest	711,634	806,496
Total expenses	55,062,997	56,366,025
Operating income (loss)	(132,525)	767,845
Non-operating gains (losses)	181,920	197,455
Net income	49,395	\$ 965,300

The McCullough-Hyde Memorial Hospital Trust
Statement of Activities
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support & revenue:		
Contributions	230,432	\$ 241,910
Investment income (loss)	929,975	(437,853)
Rental income	85,293	69,665
Total support & revenue	1,245,700	(126,278)
 Program & administrative expenses	 490,238	 562,746
 Change in net assets	 \$ 755,462	 \$ (689,024)

The McCullough-Hyde Memorial Hospital, Inc. & Trust
Consolidated Balance Sheets
December 31, 2011 and 2010

	<u>2012</u>	<u>2011</u>
Assets:		
Cash	\$ 5,468,053	\$ 4,284,212
Patient accounts receivable	8,518,246	8,206,772
Investments	7,979,587	7,056,705
Inventory	1,120,098	1,176,581
Prepaid expenses and other	1,541,435	1,364,752
Total current assets	24,627,419	22,089,022
Assets whose use is limited	3,063,368	1,958,052
Investment property	609,754	301,917
Property and equipment, net	26,135,206	28,856,919
Other assets	707,483	1,101,201
Total assets	\$ 55,143,230	\$ 54,307,111
Liabilities & Net Assets:		
Accounts payable	2,383,813	\$ 1,334,982
Accrued liabilities	3,959,589	2,928,735
Estimated third-party settlements	536,796	456,746
Current maturities of long-term debt	2,326,463	2,227,470
Total current liabilities	9,206,661	6,947,933
Long-term debt	12,774,962	15,101,425
Net assets	33,161,607	32,257,753
Total liabilities and net assets	\$ 55,143,230	\$ 54,307,111

The McCullough-Hyde Memorial Hospital, Inc.
Service Volumes
Years Ended December 31, 2011 and 2010

	<u>2012</u>	<u>2011</u>
Inpatient Census:		
Discharges	2,384	2,608
Patient days of care	8,516	9,153
Average daily census	23.3	25.1
Average length of stay (days)	3.6	3.5
Observation hours of care	18,459	17,863
Newborns	413	408
Emergency visits	16,090	16,410
Surgical cases	1,318	1,621
Endoscopy cases	3,653	3,526
Laboratory tests	268,596	271,881
Radiology procedures	27,683	28,226
Ultrasound procedures	5,664	5,990
CT scans	4,858	5,779
Nuclear medicine procedures	743	939
MRI scans	2,270	2,445
EKG procedures	6,754	6,894
Rehabilitation therapies	74,902	76,415
Respiratory therapies	24,189	26,792
Sleep studies	374	415
Fill-time equivalent employees	421	431
Facility and equipment purchases	\$ 1,617,328	\$ 2,754,088
Repayment of long-term debt	\$ 2,227,470	\$ 2,132,606