



McCullough-Hyde Memorial Hospital
2013 Annual Report to the Oxford City Council
May, 2014

KEY PROGRAMS/ACCOMPLISHMENTS IN 2013

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 98% vs. State Performance 97%
Pneumonia	MHMH scored 93% vs. State Performance 100%
Surgical Care (certain procedures)	MHMH scored 95% vs. State Performance 98%
Acute Myocardial Infarct (AMI)*	MHMH scored 75% 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 an overall rating of the hospital (as a 9 or 10 on a 10 point scale) increased to 76% in 2013 to 74% in 2014. The national average is 70%. It also shows a score of 73% in 2013 of those who responded 'definitely yes' when asked about the "likelihood to recommend the provider to a friend or family member" which is a 5% decrease compared to 78% in 2012.
- 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 in 2013

- Through work with our Medical Staff, reduced the overall safety "events" from the prior year and improved quality care and patient satisfaction (see above scores).
- Continued to improve the MHMH Employee Wellness program, with greater participation rates and higher incentive payouts for achieving better health outcomes.
- Addressed community healthcare needs in collaboration with local non-profit organizations, including the Coalition for a Healthy Community, to define and prioritize community health needs (Obesity and Mental Health treatment) and begin the work on long term solution strategies and improvements.
- Improved satisfaction with food service via the "Room Service" program, clinical leadership patient rounds and changed "hand-off" reporting to include the patient.
- Modified pricing for Lab and Imaging services and provide the patient with insurance coverage information, at the time of service, on their deductible and co-pay amount.

Improve Physical Plant and Equipment

2013 Capital Improvements

Lab Analyzer	\$ 470,000
Morning Sun Rd. Medical Office Remodel	459,000
Voice Over Internet (VoIP) Communications	281,000
Microsoft Licenses	180,000
Orthopedic Office, Hamilton	111,000
Portable X-Ray Digital Format Upgrade	86,000
Other Expenditures under \$50,000	809,000
Total Expenditures	\$2,396,000

The capital expenditures above included investment in our new Orthopaedic/Sports Medicine services called Pinnacle Orthopaedics & Sports Medicine. Taken together, the expenditures for the renovations to the Medical Office Building on Morning Sun Road and the leasehold improvements to a new Hamilton office location, constituted our largest capital expenditure.

Enhance Community Prevention/Screenings/Education programs

- Health Fairs/Health Information/Provided including First Aid
 - ~ Butler County: 7 events
 - ~ Preble County: 1 event
 - ~ Union County: 3 senior events, 2 Community events
 - ~ Franklin County: 2 events
- Youth Health and Safety Days
 - ~ Oxford: 1 event (FRESH Air Fair)
- Car Safety Checks: 5
- Medication Take Back Day: 2 (MHMH sponsored, conducted with other agencies)
- Prostate Screening: 1 event
- Lunch & Learn: 7 programs
- Safe Sitter: 3 Classes (2 in Oxford, 1 in Ross)
- Continued Diabetes Education
- Continued to be a major supporter of the Oxford Free Clinic by providing office space, staff support, administrative time and financial support.
- Miami University: 2 Sport Venue events
- Member of the Talawanda School Health Coordinating Council, and the Coalition for a Healthy Community - Oxford Leadership Team
- Conducted an in-depth community health needs assessment in conjunction with the Coalition for a Healthy Community; formed 2 work groups on Mental Health and Obesity

Improve Employee Development, Engagement and Retention

McCullough Hyde leaders believe that employee commitment and dedication are essential to our continued success. In challenging economic times, this takes on even more significance. MHMH values ongoing employee development and retention and conducted the following to maximize these outcomes:

- Restructured and improved the process to locate and recruit the best qualified staff, including the initial request for a position to actively recruiting, pre-screening and interviewing, to the background checks and “new hire offer” process.
- Streamlined orientation to include mandatory and important “on-boarding” presentations made through the MHMH video learning system, known as Health Streams. These changes improved MHMH’s new employee satisfaction and increased new hire success rate and retention.
- Conducted several internal management training and development workshops to improve the manager-employee relationship.
- Developed a new Employee Service Recognition and Award Ceremony honoring employees at five year increments.
- Made improvements in several areas of the Employee Retirement program, increasing participation rates and saving levels to new highs.
- Reviewed and updated our compensation program to reflect market trends. Special pay changes were made to certain clinical employees to remain competitive.

KEY FINANCIAL INDICATORS IN 2013

Patient Care Volume and Revenues

Several leading indicators of Hospital patient activity in 2013 vs. 2012 were as follows:

• <i>Inpatient Activity</i>	
Total Patient Discharges	-6.1%
Births	-0.1%
Observation Patients (<24 hours)	-7.3%
• <i>Ancillary Activity</i>	
Emergency Visits	-3.4%
Surgical Procedures	+17.9%
Laboratory Tests	-4.2%
Imaging Procedures	-1.7%

In summary, the number of MHMH inpatients decreased by 6.5% from the previous year. The volume of patients seeking “Ancillary” or outpatient services increased or remained steady in key areas such as Outpatient Surgery, Pain Management and Rehab/Sports Medicine Services. In other ancillary areas, such as Emergency, Laboratory, Imaging and Endoscopy, patient volumes declined

Total net service revenue reached \$55,824,909.00 in 2013, an increase of 1.7% from 2012. Deductions from total revenue increased by 12.1% from the previous year, which is caused by an increase in patients with Medicaid and certain commercial insurance that pay MHMH

lower contractual payment rates. There was also a decrease in uncompensated care (bad debt and charity care) due to more private pay patient discounts under the Affordable Care Act recorded as “other discounts and adjustments”.

No payors reimburse McCullough Hyde’s full charges. All reimbursements are fixed payments or have significant contracted or government-mandated discounts.

Expenses

MHMH employee salaries and wages increased slightly to \$22,427,000 an increase of 0.3% from 2012. Benefits increased by \$217,000 an increase of 3.8% primarily due to an overall increase in health claims. Supplies and other expenses, not including depreciation and interest expense, increased \$783,000 or 3.6% from the previous year. Charity care was \$1,755,000 in 2013, a decrease of 23.7%, while bad debts and uninsured discounts increased by 7.1% to \$7,372,000 from \$6,884,000.

Hospital Margin

MHMH reported a “revenue over expenses” amount of \$194,157, well below expectations. The small positive margin is a factor of continuing, limited reimbursement from public and private payers, much higher copayment amounts because of changes to area employer health insurance coverage, and increases in uncompensated care provided by McCullough Hyde, as described above.

The Trust – MHMH’s Development Program

Total donations made to the McCullough-Hyde Memorial Hospital Trust in 2013 were \$455,800.

Highlights for the Trust in 2013:

- The sixth biennial Chefs Celebration fundraiser in October was held at a beautiful new venue, Oxford Community Arts Center, and featured a “Taste of the Arts.” 240 guests enjoyed gourmet food served by 9 celebrity Chefs, paired with excellent wines. The sold-out event netted \$100,000 to purchase a critical care bed for ICU, a birthing bed for OB, and rehabilitation equipment for Physical Therapy.
- Presented the third annual juried Healing Art Exhibit in the hospital with 66 works of original art displayed for a year. Patients, families and staff were delighted with the healing and calming effects of the beautiful artwork.
- TRUST assets ended 2013 valued at \$13 million, with approximately \$2.5 million of these funds restricted for various purposes and the remaining are invested to fund future capital, equipment, service and education needs.
- The Hospital Trust office relocated into the hospital main campus in July.
- More donors made gifts on-line via credit card.

Volunteer Services and Auxiliary

McCullough Hyde benefitted from the time and energy of 273 volunteers in 2013, consisting of adults, Miami University students and area teens, providing a total of 21,783.25 hours. Based on an FTE working 2,080 hours per year, this equates to providing 10.5 volunteer FTE's. The volunteers commit their time to 13 clinical areas and 22 non-clinical areas.

The Auxiliary operates the Daisy (gift) Shop at McCullough Hyde, also on a volunteer basis. The Daisy Shop transferred \$30,000 to the Auxiliary in 2013. The Auxiliary donated a total of \$48,938.00 towards MHMH equipment which benefitted several hospital departments.

The Auxiliary also supports MHMH's Healing Arts exhibit and provided \$15,905 in scholarships through its two scholarship programs.

The Auxiliary Officers for 2013 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.

2013 Board of Trustees and Medical Staff Leadership

Since July 1, 2013, Mr. Richard Norman has served as Chair, Dr. John Harlan as Vice Chair, and Alan Oak as Secretary/Treasurer. Other Board of Trustees included Susan Lipnickey, Past Chair, Paige Wood, Tom Speh, Jack Mann, Ralph Gutowski, Steve Flee and Dr. Hillary Evans.

Dr. Dan Stein served as Chief of Staff for 2013 and Dr. Joseph Sanchez as Vice Chief of Staff.

KEY OBJECTIVES/INITIATIVES FOR 2014

- Continue growing the MHMH Orthopaedics and Sports Medicine Program, known as Pinnacle Orthopaedics & Sports Medicine.
- Develop stronger working relationships with community post acute facilities, particularly for Laboratory services and Imaging services.
- Continue to support the Community Health Mental Health Initiative and assist/lead the launch of the Community Health Initiative addressing Obesity.
- Successfully implement a continuation of our onsite Medical Chemotherapy service, under the direction of an Oncologist/Hematologist, as has been provided for decades (losing the contract with the existing Oncology group); implement "Financial Navigation" services for Oncology patients.
- Improve the entire patient experience through current performance improvement teams, focusing on: noise reduction; pain management; readiness for discharge including improved understanding of patient home instructions.
- Extend the initiation of a "Critical Care Outreach" response (nursing's rapid response to an immediate clinical need) to the patient or their family members.

Pursuing an Affiliation

Following a couple of years of informal internal discussion, and a rather extensive formal process in 2012 to decide whether it would be prudent to seek an affiliation, the MHMH Board of Directors started a journey in 2013 to seek an affiliation with a larger Cincinnati area health system. The following specific, guiding principles were established for such:

- 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 and achieve improved stability.

Specific outcomes sought were also established, including:

- Preservation of the existing McCullough-Hyde Memorial Hospital Mission, current core services and the integrity of the functioning Medical Staff.
- Enhancement of our ability to achieve improved care, at lower cost.
- Maintenance of the Trust’s role to raise funds for the exclusive purpose of MHMH.
- Maintain an important level of local strategic and operations decision making.

In the summer of 2013, a formal Request for a Proposal was provided to four health care systems in Cincinnati. All four were asked to tour MHMH facilities, learn of our community, history, culture and services, first hand. MHMH Board members, Medical Staff and administrative staff toured all four health system facilities, to experience these same elements of their operations. All four systems provided a written response to the RFP and made formal presentations of their proposals. After extensive review, it was decided to begin discussions with Mercy Health. Those discussions began shortly thereafter.

(To bring you up to date, in early January, 2014 the Board of Directors began exclusive talks with Mercy Health, but suspended those discussion near the end of March. It was felt that MHMH would not be able to accomplish its long term goals through a partnership with Mercy Health. What followed a lot of hard work was a mutual decision to end the talks. The association with Mercy Health’s Cardiology and Orthopedic services is continuing.

In April, discussions began with Tri Health. Several meetings have been held and the MHMH Board is pleased with the progress on a variety of fundamental considerations upon which the partnership will be based. Additional meetings are planned through June. MHMH did not enter into exclusive discussions with Tri Health, but they are considered confidential, so not much detail can be shared at this time. We expect the discussions to continue on a tight schedule and seek some form of resolution, sometime mid-summer. The Board has remained open to discussions with others as well.)

Respectfully submitted on behalf of the Board of Trustees,

Bryan Hehemann, FACHE
President and Chief Executive Officer

The McCullough-Hyde Memorial Hospital, Inc.
Statement of Operations
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Gross patient revenue:		
Inpatient	\$ 36,400,557	\$ 35,912,451
Outpatient	100,993,692	92,030,892
Total patient Revenue	<u>137,394,249</u>	<u>127,943,343</u>
Deductions from revenue:		
Charity care	1,754,931	2,300,662
Provision for bad debts	6,884,053	6,851,141
Contractual allowances	68,202,292	63,596,897
Other adjustments	7,249,983	2,283,118
Total deductions	<u>84,091,259</u>	<u>75,031,818</u>
Net patient revenue	53,302,990	52,911,525
Other revenue	2,521,919	2,018,947
Total revenue	<u>55,824,909</u>	<u>54,930,472</u>
Expenses:		
Salaries & wages	22,151,726	22,359,086
Employee benefits	6,143,794	5,648,828
Supplies and expense	22,878,320	21,959,850
Depreciation & amortization	3,985,000	4,383,599
Interest	580,084	711,634
Total expenses	<u>55,738,924</u>	<u>55,062,997</u>
Operating income (loss)	85,985	(132,525)
Non-operating gains (losses)	108,172	181,920
Net income	<u>194,157</u>	<u>49,395</u>

The McCullough-Hyde Memorial Hospital Trust
Statement of Activities
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Support & revenue:		
Contributions	245,206	230,432
Investment income (loss)	1,270,293	929,975
Rental income	66,361	85,293
Total support & revenue	<u>1,581,860</u>	<u>1,245,700</u>
Program & administrative expenses	<u>585,045</u>	<u>490,238</u>
Change in net assets	<u>\$ 996,815</u>	<u>\$ 755,462</u>

The McCullough-Hyde Memorial Hospital, Inc. & Trust
Consolidated Balance Sheets
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash	\$ 4,704,326	\$ 5,468,053
Patient accounts receivable	8,266,724	8,518,246
Investments	9,047,012	7,979,587
Inventory	1,104,485	1,120,098
Prepaid expenses and other	1,460,845	1,541,435
Total current assets	24,583,392	24,627,419
Assets whose use is limited	3,489,173	3,063,368
Investment property	565,128	609,754
Property and equipment, net	24,528,862	26,135,206
Other assets	1,040,312	707,483
Total assets	\$ 54,206,867	\$ 55,143,230
Liabilities & Net Assets:		
Accounts payable	1,528,811	2,383,813
Accrued liabilities	3,745,517	3,959,589
Estimated third-party settlements	701,323	536,796
Current maturities of long-term debt	2,455,292	2,326,463
Total current liabilities	8,430,943	9,206,661
Long-term debt	10,995,534	12,774,962
Net assets	34,780,390	33,161,607
Total liabilities and net assets	\$ 54,206,867	\$ 55,143,230

The McCullough-Hyde Memorial Hospital, Inc.
Service Volumes
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Inpatient Census:		
Discharges	2,237	2,384
Patient days of care	7,721	8,516
Average daily census	21.2	23.3
Average length of stay (days)	3.5	3.6
Observation hours of care	17,107	18,459
Newborns	409	413
Emergency visits	15,538	16,090
Surgical cases	1,554	1,318
Endoscopy cases	3,502	3,653
Laboratory tests	257,219	268,596
Radiology procedures	27,443	27,683
Ultrasound procedures	5,395	5,664
CT scans	5,055	4,858
Nuclear medicine procedures	685	743
MRI scans	1,936	2,270
EKG procedures	6,157	6,754
Rehabilitation therapies	86,484	74,902
Respiratory therapies	22,500	24,189
Sleep studies	412	374
Fill-time equivalent employees	418	421
Facility and equipment purchases	\$ 1,901,304	\$ 1,617,328
Repayment of long-term debt	\$ 1,909,844	\$ 2,227,470