CARITAS Peace Center in Louisville, Kentucky, enables more children with both mental disorders and developmental disabilities to stay in Kentucky and receive specialized care. Here, Otis, a therapy-trained bull mastiff, and art therapist Marybeth Orton visit with Peace Center patients Lamont (left) and Kris.

As one of the nation’s largest non-profit health care systems, Catholic Health Initiatives has the commitment and ability to go beyond the provision of quality health care to help protect the vulnerable; to encourage participation in the political process; and to safeguard the environment.

Catholic Health Initiatives’ advocacy for these and other issues of social justice stems from its mission as a creator and builder of healthy communities.
Catholic Health Initiatives will continue to be a national advocate for a compassionate, person-centered health care agenda.
“Catholic Health Initiatives promotes revamping the payer system to reward organizations that keep people healthy. The system needs to reward quality.”

Kevin Lofton, President and Chief Executive Officer, Catholic Health Initiatives
Address to the Board of Stewardship Trustees and the Members of the Civil Corporation, August 13, 2003
At Catholic Health Initiatives, we reach beyond the walls of our facilities to help create healthy communities, with advocacy as our foundation. Through advocacy, our health ministry can shake up the world outside its own boundaries. Through advocacy, Catholic Health Initiatives is building a national voice that has elected officials turning to us for information as they consider changes in public policy for health care.

We are an organization of people who believe that advocacy on any scale can make a difference. We are a non-profit, national health care system with the courage and conviction to pursue advocacy to the greatest extent possible. We operate in 19 states, and we represent America: our communities are diverse in size, ethnicity, age, religious traditions, languages and socioeconomic levels. Our ministries serve people in large cities, suburban towns and rural communities. Our mission is essential everywhere we operate, but particularly in the 28 markets in which we are the sole provider of community health care.

In advocacy, as in other areas, Catholic Health Initiatives leads boldly when faced with opportunity. Opportunity always involves risk, but we know that accepting risk can bring great rewards to the people for whom we advocate. We are proud to showcase the following examples of advocacy in action throughout Catholic Health Initiatives.

Esther Anderson, OSF, PhD
Chair, Board of Stewardship Trustees

Kevin E. Lofton, FACHE
President and Chief Executive Officer
“There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction.”

John F. Kennedy
During 2004, Catholic Health Initiatives introduced its Web-based advocacy tool. With just a few clicks, employees, board members and physicians can use the organization’s online Legislative Advocacy Center to compose and send letters on priority issues, such as nursing workforce development programs and medical liability reform, to their legislators.

“Across the country, Catholic Health Initiatives has more than 65,000 employees with views and experiences that legislators need to hear,” said Colleen Scanlon, RN, JD, senior vice president of advocacy for Catholic Health Initiatives. “The Legislative Advocacy Center makes it easy and convenient for employees, board members and physicians to have their voices heard.”
Catholic Health Initiatives advocates for the kind of systemic change that will provide all Americans with access to affordable health care. Toward this end, Catholic Health Initiatives and its market-based organizations communicate with legislators at the local, state and federal levels on important health care issues, including:

- Health care access and coverage for all, beginning with children and other vulnerable populations.
- Fair payment for providers, including increased rural provider payments and improvements for critical access hospitals.
- Full implementation of the nurse recruitment and retention provisions of the Nurse Reinvestment Act.
- Recognition of the charitable purpose of tax-exempt hospitals and their vital role in caring for the uninsured and underinsured.
- Medical liability reform that will reduce inappropriate awards while providing fair compensation.
Market-Based Organization Accomplishments

Mercy Medical Center in Roseburg, Oregon, along with Umpqua Community College, received a Nursing Workforce Diversity Grant from the Health Resources and Services Administration of the Department of Health and Human Services. The $487,783 grant will help Mercy recruit, train and retain nursing students from rural areas.

St. Joseph’s Area Health Services, Park Rapids, Minnesota, opened the Community Health Clinic, a public dental health clinic that is the first of its kind in the state. The clinic enables St. Joseph’s to integrate dental health into its public health services.

Kimberly Miller, president and chief executive officer of Mercy Medical Center, Williston, North Dakota, participated in a forum hosted by the Medicare Payment Advisory Commission (MedPAC). Miller applauded the Commission for moving in the direction of paying for quality services and asked them to recognize North Dakota’s high quality of care, combined with Medicare payments that are less than those in states with lower quality of care.

St. Joseph’s Hospital and Health Center, Dickinson, North Dakota, hosted United States Representative Earl Pomeroy (D–North Dakota) and JoAnne Barnhart, commissioner of the Social Security Administration, for a tour of a national model project for Social Security. St. Joseph’s is one of three sites in rural North Dakota that enable citizens to speak with Social Security representatives in the state office via Web-based video conferencing.


Mercy Health Foundation, Durango, Colorado, in collaboration with the Southwest Colorado Mental Health Agency and the LaPlata County Department of Human Services, received a $248,000 grant to provide a safety net for children and adolescents in foster care treatment.

Mercy College, part of Mercy Health Network of Des Moines, Iowa, with the help of United States Senator Tom Harkin (D-Iowa), secured $4.4 million in federal grants to build an addition to its existing campus. The two-story, 38,000-square-foot structure will house new classrooms and laboratories for students earning degrees in nursing, health care management and allied health professions.
Arkansas state representatives Sid Rosenbaum (R) (second from left) and Stephen Bright (R) (third from left) received a guided tour of the refurbished Jack Stephens Heart Center at St. Vincent Infirmary Medical Center, Little Rock, Arkansas, from Michael Keck (far right), director of employee relations and advocacy. Tina Russell, radiologic technologist, explained the operation of the center’s three state-of-the-art cardiac catheterization laboratories. In addition to giving legislators a first-hand look at how the hospital serves patients and the community, St. Vincent employees get involved in advocacy by writing letters to state and federal representatives on issues of importance to health care.
When the Iowa legislature is in session, Carmela Brown, government relations and legislative advocate for Mercy Medical Center of Des Moines, can often be found at the state’s gold-domed Capitol. She follows the progress of bills related to Mercy’s priority advocacy issues, such as protecting Medicaid funding and medical malpractice reform, and talks with legislators about how proposed laws will affect health care in the state. Even after 19 years of legislative advocacy work, Brown greets each day in the Capitol as a fresh opportunity. “There’s always something to do, some positive action to take,” she said.
“Legislators want to know what health care providers have to say about issues that affect patient care. My advice for anyone interested in legislative advocacy for health care is to get to know the people in your community who are in, or are interested in running for, public office. They need the information you have.”

Carmela Brown, Government Relations and Legislative Advocate, Mercy Medical Center, Des Moines, Iowa
Pam Nicholson, vice president of advocacy for Centura Health of Denver, Colorado, worked with Diane Rees (left) and Totsy Rees (center) at the state Capitol to win voter approval and general support for Amendment 35, which raised state taxes on tobacco products. Of the $176 million to be generated annually by the Tobacco Tax Initiative, nearly half will go to support Medicaid and children’s health insurance programs; 19 percent will go to provide primary care through clinics that serve a high proportion of uninsured and medically indigent people, including some clinics associated with Centura hospitals. The rest will be used for tobacco education and smoking prevention, cessation and treatment programs in Colorado.
Serve the Children

To ensure that as many children as possible have access to quality health care, Catholic Health Initiatives advocates for the enrollment of uninsured children in public health insurance programs. The 2003 annual report of the advocacy group Children’s Health Matters recognized 50 of Catholic Health Initiatives’ local health care facilities and community health services organizations for their efforts to enroll children in Medicaid and state insurance programs. Children’s Health Matters’ combined efforts resulted in the enrollment of more than 100,000 children, though more than eight million uninsured children remain in the United States.
The CARITAS Peace Center in Louisville, Kentucky, actively pursues grant funding for equipment, staff and programs that serve the needs of its patient population. More than 85 percent of the psychiatric hospital’s patients are children, many of whom are indigent or wards of the state. Staff members like Janice Marley, behavior analyst, assess patient behavior through direct observation of activities like this ball bath enjoyed by a young patient named Diego.

During the 2004 fiscal year, the Innovations and Neurobehavioral Centers at CARITAS Peace Center received the American Psychiatric Association’s Silver Award for Innovative Programming. In addition to recognizing the dedication of the Peace Center staff, the honor draws welcome attention to the special needs of the children served by the hospital.
Scott McKenzie (left) is one of six behavior analysts who work with young inpatients, like Steven, at CARITAS Peace Center, Louisville, Kentucky. The success of the Peace Center’s approach to serving this vulnerable population shows in its outcome statistics. In a three-year study of children and adolescents served by the Peace Center, 99 percent improved their safety and risk status; 62 percent improved their residential status; 84 percent improved in social and community participation; 82 percent improved their environmental and support status; and a majority maintained or improved in all of these measures during the first 12 months after discharge.
In markets around the country, Catholic Health Initiatives’ facilities serve as safety nets. They are among the few, and sometimes the only, local health care providers willing to treat patients regardless of ability to pay. Some disadvantaged patients qualify for charity care or discounts based on income levels. Many others, including families with children, fall outside charity guidelines and cannot afford adequate insurance. Our market-based organizations’ commitment to charity care and community benefit provides many such patients with their only source of medical care.
About 70 percent of the students at Lake Middle School, Denver, Colorado, have no health insurance. Colorado state representative Andrew Romanoff (D) toured the school-based health center, which is sponsored by St. Anthony Hospitals of Centura Health, to get a first-hand look at how the center fulfills students’ health care needs.

During the intake process at Mercy Medical Center, Nampa, Idaho, staff members ask parents if their children have Medicaid coverage or other health insurance. If not, a Mercy staff member assists with the application process for the state children’s health insurance program.

A bilingual patient benefits advocate at Central Kansas Medical Center, Great Bend, Kansas, takes English and Spanish language applications for the state children’s health insurance program to school enrollment events.

St. Francis Medical Center, Breckenridge, Minnesota, works with a local program that helps migrant workers access health care through a voucher system. St. Francis also collaborates with the Circle of Nations Indian School to facilitate student access to health care.

More than 1,700 high school students, including a significant immigrant population, can receive care from the Student Wellness Center run by Saint Francis Medical Center, Grand Island, Nebraska. The center sees students regardless of their ability to pay, which enables the staff to identify students who may be eligible for the state children’s health insurance program.
Marlene Krein, president and chief executive officer of Mercy Hospital in Devils Lake, North Dakota, advocates for better reimbursement from the Indian Health Service for care that Mercy provides to members of the Sioux Nation’s Spirit Lake Tribe, including Theresa Cavanaugh and her newborn son, Zander. In 21 years of leading Mercy Hospital, Krein has created close relationships with the state’s senators and congressional representative, who use the information she provides to advance the agenda for rural health care. “Our hospital is caught between two worlds — those who can afford to pay for health care and those who cannot,” she said. “But, we must help them all. We are the safety net.”
On the Fort Totten Reservation just south of Devils Lake, North Dakota, the incidence of diabetes is significantly higher than in the general population. Dennis Greywater, a member of the Spirit Lake Tribe, is a personal trainer for a wellness program that refers diabetes patients to Mercy Hospital. Another problem that affects the reservation, as well as the rest of the Devils Lake area, is the gradual but relentless flooding of Spirit Lake. Since 1992, the expanding, spring-fed lake has swallowed thousands of acres of farmland, homes, outbuildings and roads, which has contributed to a demand for mental health services. Mercy secured a Catholic Health Initiatives Mission and Ministry Fund grant in 1999 to help meet this need.
Market-Based Organization Accomplishments

Diana Santiago, Patient Advocate for St. Joseph Medical Center, Reading, Pennsylvania
Nurses and other hospital employees call on Diana Santiago, patient advocate at St. Joseph Medical Center in Reading, Pennsylvania, when patients show obvious or subtle signs of domestic violence. Through the hospital’s Nurses for Non-Violence program, Santiago works with the local women’s crisis center to help women and others who need protection. The program trains hospital employees to spot signs of abuse; follow procedures to protect victims, particularly those who may be accompanied by their abusers; and implement protocols for evidence collection. Grants from the Catholic Health Initiatives Mission and Ministry Fund and the state of Pennsylvania have supported the development of this four-year-old program.

“Approximately three of every five women who come to our Emergency Department are, have been or will be victims of abuse,” said Santiago. “All anyone has to say to us is ‘I need a safe place,’ and we will help them.” While the hospital wants every local resident to know it is a safe place for victims of abuse, the actual location of its “safe haven” room — a shelter for victims on the run — is a closely guarded secret.
The healing garden at St. Clare Hospital, Lakewood, Washington
ADVOCATING for the Environment

Environment
Environmental protection is a significant commitment of Catholic Health Initiatives, and the scope of its environmental efforts is growing. With a majority of its market-based organizations engaged in environmental initiatives, Catholic Health Initiatives has become:

- A partner in Energy Star, an Environmental Protection Agency program that helps businesses protect the environment through efficient energy use.
- A Champion for Change with the national organization Hospitals for a Healthy Environment (H2E), which educates health providers about pollution prevention opportunities. The Champion for Change designation recognizes that Catholic Health Initiatives works toward specific environmental goals, including mercury elimination, waste minimization and toxicity reduction.
- A founding member of the Catholic Partnership on Environmental Responsibility, along with other Catholic health systems and the Catholic Health Association.
- A sponsor of CleanMed, a national conference for environmental leaders in health care, which promotes the design and operation of "green" buildings, the use of environmentally preferable products and the reduction of waste and toxicity in health care.

All of these alliances advance market-based organizations’ engagement of employees and facilities in environmental responsibility.

Support for Catholic Health Initiatives’ environmental commitment comes from Consorta, its group purchasing organization. Consorta, owned by Catholic Health Initiatives and 12 other Catholic health systems, seeks out environmentally preferred products for contracting whenever possible. Like Catholic Health Initiatives, Consorta is a Champion for Change with Hospitals for a Healthy Environment.
Surrounded as they are by natural beauty, the people of northwest Washington’s Puget Sound area respect the environment. Rozi Arends, RN, clinical project manager for value analysis and environmental initiatives at Franciscan Health System in Tacoma, said Franciscan’s employees are responsive to the introduction and use of environmentally friendly products. During 2004, Franciscan’s three hospitals were recognized by Hospitals for a Healthy Environment for eliminating products that contain mercury. Arends is also coordinating initiatives for expanded recycling and increased use of environmentally friendly cleaning products.
Ice Cream and Democracy

In the Northern Kentucky office of Catholic Health Initiatives, employees attended an ice cream social to learn about resources available to voters through the organization’s *My Voice, My Vote* Web site. Voter registration forms for Ohio, Kentucky and Indiana — the three states from which the office draws employees — were available, complete with pre-printed mailing labels. Staff members demonstrated Web-based voter tools, including forms that helped determine which candidates most closely matched an individual voter’s values and opinions.
More voters registered in time to participate in the fall 2004 elections thanks to the efforts of Catholic Health Initiatives’ market-based organizations. The goal of the *My Voice, My Vote* campaign created by Catholic Health Initiatives was to ensure that the organization’s employees, physicians and volunteers had a voice in public policy by exercising their right to vote. In addition to voter registration, the non-partisan campaign encouraged staff to become well-educated about issues and candidates.
Posters promoting the *My Voice, My Vote* campaign helped TriHealth register dozens of new voters in its three locations in the Cincinnati, Ohio, area. Specially trained volunteers, including Rita Gehring and Delores Hageman, helped employees like Pamela Williams complete registration paperwork. “We want our employees to have the opportunity to participate in and understand the election process and have knowledge of how elections affect the work we do and the patients we serve,” said Stephen Schwalbe, vice president of strategy, communications and public affairs for TriHealth. “This was not about a hotly contested election so much as being a more well-rounded participant in the work we do to improve the health of the community.”
Voter registration is now part of every new employee orientation at Memorial Healthcare, Chattanooga, Tennessee. Doug Hooker, a Memorial volunteer, helped new employee Jennifer Brown complete her voter registration paperwork. Memorial also helps employees participate in the democratic process by hosting candidate forums.
Catholic Health Initiatives uses its national presence to speak out on issues of social justice, including the need for health care access and coverage for all. National leaders and staff who advance system-wide advocacy objectives and support the activities of market-based organizations include (foreground, left to right) Colleen Scanlon, RN, JD, senior vice president for advocacy; Richelle Webb, director of advocacy and community health; (background, left to right) Marcia Desmond, director of public policy; and Jim Tatten, director of state advocacy.
As one of the nation’s largest non-profit health care systems, Catholic Health Initiatives uses its financial resources to advocate for social justice. For example, Catholic Health Initiatives uses its shareholder status to advocate for social issues such as diversity, improved corporate governance, environmental protection and reduction in militarism and tobacco use. Catholic Health Initiatives has co-filed shareholder resolutions to promote pharmaceutical price restraint and ensure that tobacco advertising is not targeted to young people.

Catholic Health Initiatives’ Social Responsibility Investment Policy puts its financial resources to use in other ways that are consistent with its vision, mission and core values. The Direct Community Investment Program’s goal is to invest two percent of Catholic Health Initiatives’ operating investment program assets — a total of more than $60 million — in organizations that build healthy communities. Direct community investments, usually in the form of low- or no-interest loans, have been provided to 38 organizations in the United States and abroad that provide disadvantaged populations with access to jobs, housing, education and health care.
Catholic Health Initiatives named Michael T. Rowan executive vice president and chief operating officer. Rowan filled the vacancy left when Kevin E. Lofton became president and chief executive officer after the retirement of Patricia A. Cahill. Rowan was previously executive vice president and chief operating officer for St. John Health, a multi-hospital integrated delivery system in southeastern Michigan.

Catholic Health Initiatives updated its strategic plan, creating a new core strategy: information. “We believed that our four existing core strategies — people, quality, performance and growth — would still be appropriate, and that proved to be the case,” said Kevin E. Lofton, president and chief executive officer of Catholic Health Initiatives. “However, the Strategic Plan Steering Committee felt strongly that information management has risen to the same level of strategic importance. So, one of the most significant steps forward in this strategic planning cycle turned out to be the creation of a fifth core strategy.”

Standard & Poor’s, Moody’s Investors Service and Fitch Ratings gave Catholic Health Initiatives’ bonds a “AA/Aa2/AA” rating. In announcing the ratings, the agencies cited Catholic Health Initiatives’ strong financial performance; solid levels of liquidity; and excellent market diversity.

Catholic Health Initiatives began to implement CHI Connect, a system-wide approach to collecting and analyzing key information related to finance, human resources, payroll and supply chain. These standardized systems will enable Catholic Health Initiatives to leverage its size and streamline administrative tasks, producing cost savings for reinvestment in facilities and communities.

Catholic Health Initiatives launched the Advanced Clinical Information System (ACIS), which will revolutionize how the organization stores, accesses and uses patient information. The system, piloted in five locations, will support electronic medication administration; computer-based physician order entry; and clinical tools that aid in decision-making.

The Mission and Ministry Fund of Catholic Health Initiatives added grants for international and palliative care projects to its grant offerings. “The addition of international grants reflects our ministry’s global obligation to care for those who are poor and in need,” said Peggy Martin, OP, JCL, senior vice president of sponsorship and governance. The grants for palliative care programs are funded through a bequest from the estate of John Andrew Hackley, a friend of Patricia A. Cahill, Catholic Health Initiatives’ retired president and chief executive officer. Since 1996, the Mission and Ministry Fund has presented a total of $18 million in grants.

Catholic Health Initiatives opened its National Information Technology Center (NITC) in a suburb of Denver. The NITC consolidates the organization’s information technology services to support business operations and improve efficiency.
Kevin Lofton, president and chief executive officer of Catholic Health Initiatives, provided testimony in June 2004 to the Subcommittee on Oversight and Investigations of the U.S. House of Representatives Committee on Energy and Commerce. Lofton and the chief executives of four other health care systems provided testimony in response to questions about hospital billing, collection and charging practices. “Improved billing and collection practices — while important — will not substitute for long-overdue structural reforms in health care delivery and financing,” Lofton said.

The Board of Stewardship Trustees of Catholic Health Initiatives and the Members of its Civil Corporation approved a revised vision statement for the organization. The new statement is: “Catholic Health Initiatives’ vision is to live out its mission by transforming health care delivery and by creating new ministries for the promotion of healthy communities.”

Catholic Health Initiatives held a Leadership Summit on Genetics, providing education and planning for genetic services, including testing and counseling, within the organization. “Many Catholics think the Church prohibits any involvement in genetics, but that is not the case,” said Ron Hamel, PhD, senior director of ethics at the Catholic Health Association and a featured speaker at the summit. “There are good reasons to be involved.”

Catholic Health Initiatives’ 2004 National Leadership Conference, “Faithful Passage to Tomorrow,” focused on how Catholic Health Initiatives can meet the challenges of being a vibrant ministry during the next decade. More than 640 leaders from throughout the organization attended the biennial event.

“The addition of international grants reflects our ministry’s global obligation to care for those who are poor and in need.”

Peggy Martin, OP, JCL, Senior Vice President of Sponsorship and Governance
2004 Market-Based Organization Honors

Throughout the year, many Catholic Health Initiatives market-based organizations received recognition for their outstanding achievements. Following are some of the honors that were recognized by the Catholic Health Initiatives Board of Stewardship Trustees.

Alegent Health
Omaha, Nebraska
Top 100 Integrated Health Networks
Presented by Verispan

CARITAS Peace Center
Louisville, Kentucky
Achievement Silver Award from the American Psychiatric Association

Centura Health
Denver, Colorado
Top 100 Integrated Health Networks
Presented by Verispan

Franciscan Health System
Tacoma, Washington
Top 100 Integrated Health Networks
Presented by Verispan

Friendship, Inc.
Fargo, North Dakota
Re-accreditation with Distinction from The Council on Quality and Leadership

Good Samaritan Health Systems
Kearney, Nebraska
NOVA Award for excellence in healthy community initiatives from the American Hospital Association
100 Most Wired Hospitals Award from Hospitals and Health Networks, a journal of the American Hospital Association

Good Samaritan Hospital
Dayton, Ohio
Distinguished Hospital Award for Clinical Excellence from HealthGrades

Mercy Medical Center
Roseburg, Oregon
Named one of Oregon's 100 Best Companies to Work For by Oregon Business Magazine

Penrose-St. Francis Health System
Colorado Springs, Colorado
Distinguished Hospital Award for Service and Clinical Excellence from J.D. Power and Associates and HealthGrades

Saint Elizabeth Regional Medical Center
Lincoln, Nebraska
Magnet Hospital Designation from the American Nurses Credentialing Center
Top 100 Hospital Award from Solucient

Saint Francis Hospital
Federal Way, Washington
Top 100 Hospital Award from Solucient

St. John's Regional Medical Center
Joplin, Missouri
Circle of Life Award for excellence in end-of-life care from the American Hospital Association

St. Joseph Medical Center
Towson, Maryland
100 Top Hospitals for Cardiovascular Benchmarks for Success from Solucient

TriHealth
Cincinnati, Ohio
100 Most Wired Hospitals Award from Hospitals and Health Networks, a journal of the American Hospital Association
Catholic Health Initiatives
Board of Stewardship Trustees

Seated (left to right)
David R. Edwards
Tacoma, Washington
Elizabeth Wendeln, SCN
Sisters of Charity of Nazareth
Lexington, Kentucky
Esther Anderson, OSF, PhD, Chair
Sisters of St. Francis of Philadelphia
Aston, Pennsylvania
Fred Kammer, SJ, JD
Provincial
New Orleans Province
Society of Jesus
New Orleans, Louisiana
Amata Miller, IHM, PhD
Professor of Economics
Graduate School of Management
St. Edward’s University
Austin, Texas

Standing (left to right)
David R. Lincoln
President and Chief Executive Officer
Covenant Health Systems, Inc.
Lexington, Massachusetts
Phyllis Hughes, RSM, PhD
Sisters of Mercy,
Regional Community of
Burlingame, California
Menlo Park, California
Bruce Siegel, MD
Research Professor
George Washington University
Medical Center
Washington, District of Columbia
Kathryn M. Mershon
President
The Mershon Company
Louisville, Kentucky

Kevin E. Lofton, Ex-officio
President and Chief Executive Officer
Catholic Health Initiatives
Denver, Colorado
Mary Margaret Mooney, PBVM, DNSc
Professor and Chair
Department of Nursing
North Dakota State University
Fargo, North Dakota
Mary Wakefield, RN, PhD
Director, The Center for Rural Health
University of North Dakota
School of Medicine and
Health Sciences
Grand Forks, North Dakota
Maryanna Coyle, SC
Sisters of Charity of Cincinnati
Cincinnati, Ohio
Members of the Civil Corporation

Seated (left to right)

Rebecca Metzger, OSF
Sisters of St. Francis of the Immaculate Heart of Mary
Hankinson, North Dakota

Patricia Forret, RSM
Sisters of Mercy of the Americas, Regional Community of Omaha
Omaha, Nebraska

Gemma Doll, OP
Nuns of the Third Order of St. Dominic
Great Bend, Kansas

Judith Fischer, OSB
Benedictine Sisters of Mother of God Monastery
Watertown, South Dakota

Lynn Patrice Lavin, OSF
Sisters of St. Francis of Philadelphia
Aston, Pennsylvania

Standing (left to right)

Maureen Walker, PBVM
Sisters of the Presentation of the Blessed Virgin Mary
Fargo, North Dakota

Barbara Hagedorn, SC
Sisters of Charity of Cincinnati
Cincinnati, Ohio

Rita Kraemer, OSF
Franciscan Sisters of Little Falls, Minnesota
Little Falls, Minnesota

Rose Marie Imig, OSF
Sisters of St. Francis of Colorado Springs
Colorado Springs, Colorado

Not pictured:

Eleanor F. Martin, SCN, Esq.
Sisters of Charity of Nazareth
Nazareth, Kentucky

Susan Snyder, OP
Congregation of the Dominican Sisters of St. Catherine of Siena of Kenosha, Inc.
Kenosha, Wisconsin

Celine Warnilo, CSFN
Sisters of the Holy Family of Nazareth
Philadelphia, Pennsylvania
Catholic Health Initiatives
National Leadership Team

Seated (left to right)
Victoria M. George, RN, PhD, FAAN
Senior Vice President and
Chief Nursing Officer
Michael L. Fordyce
Chief Administrative Officer
Kevin E. Lofton, FACHE
President and Chief Executive Officer
Colleen M. Blye
Senior Vice President
Finance and Treasury
and Chief Financial Officer
Deborah M. Lee-Eddie
Senior Vice President
Operations

Standing (left to right)
Joyce M. Ross
Senior Vice President
Communications
Susan E. Peach
Senior Vice President
Performance Management
Paul G. Neumann, Esq.
Senior Vice President
Legal Services and General Counsel

John F. DiCola
Senior Vice President
Strategy and Business Development
David J. Goode
Senior Vice President
Operations
M. Colleen Scanlon, RN, JD
Senior Vice President
Advocacy
Mitch H. Melfi, Esq.
Senior Vice President
and Chief Risk Officer
Phillip W. Mears
Senior Vice President
Supply Chain
Larry A. Schulz
Senior Vice President
Operations
Michael T. Rowan
Executive Vice President and
Chief Operating Officer
Paul W. Edgett, III
Interim Senior Vice President
Operations

John F. Anderson, MD
Senior Vice President and
Chief Medical Officer
Thomas R. Kopfensteiner, STD
Senior Vice President
Mission
Christopher J. Macmanus
Senior Vice President
Information Technology and
Chief Information Officer
A. Michelle Cooper
Vice President
Corporate Responsibility
Peggy A. Martin, OP, JCL
Senior Vice President
Sponsorship and Governance

Not pictured:
Gary S. Campbell
Senior Vice President
Operations
Effective December 2004
Herbert J. Vallier
Senior Vice President and Chief
Human Resource Officer
Effective January 2005
Introduction

The consolidated financial statements of Catholic Health Initiatives for the year ended June 30, 2004, demonstrated strength in financial position and continued improvement in financial results. The balance sheet achieved the strongest position in the history of Catholic Health Initiatives. Excess margin before investment income was equal to that of the highest previously reported fiscal year, which was 1997. Net income margin was the highest since the organization’s inception.

Net income was $539 million and provided an 8.1 percent margin. Excess of revenues over expenses before investment income was $291 million for a margin of 4.5 percent. Days of total cash improved to 207 and the debt-to-capitalization ratio dropped to 30.5 percent. These were favorable in comparison to the prior year. Utilization was slightly above the prior year in most service lines.

During 2004, numerous external events had an impact on Catholic Health Initiatives. Hospitals across the country received clarification from the Department of Health and Human Services on questions related to hospital billing and collection practices. While Medicare payment was generally favorable, a stagnant job market and increased flexibility in determining patient eligibility for financial assistance caused bad debts and charity care allowances to increase significantly. They rose to a combined 11 percent of total net patient services revenues, up from 9 percent the prior year.

Investment results were significant and, unlike 2003, positive. During the prior two fiscal years, the funded status of retirement plans were weakened in part by lack of investment returns. In 2004, however, improvement in the funded status of the retirement plans resulted in an increase in net assets of $61 million.
Utilization of acute care services increased slightly during 2004. However, some of the increase was due to re-classification of skilled nursing patients to acute patients through the use of swing beds, so that acute care utilization did not show true growth. The average length of stay for acute care remained constant at 4.6 days. The total case-mix index increased only 2 percent, indicating that moderate levels of services were provided, on average.

Outpatient emergency visits increased 2 percent. There was some reconfiguration of services to ensure that higher-cost emergency departments were not utilized for primary care when other options were available. Despite increased competition, non-emergent outpatient visits grew 8 percent.

There was a slight decline in full-time equivalent physicians, but visits per physician increased as a result of improved productivity. The complement of physicians changed as specialists replaced some primary care practitioners. Reduced utilization of non-acute care services, a trend for a number of years, resulted from seniors seeking care in non-institutional settings. This was compounded in rural areas by an outmigration of certain sectors of the senior population. Markets for assisted living approached saturation in some areas, causing less-than-optimal utilization.
Total assets increased 8 percent to $7.9 billion, the highest in the history of Catholic Health Initiatives — the product of favorable operating results, strong investment returns and sound management of patient accounts receivable.

Unrestricted cash of 207 days also was the highest since Catholic Health Initiatives’ inception. The Mission and Ministry Fund, which provided $1.5 million in grants, grew 32 percent to $77 million. The Capital Resource Pool increased 42 percent to $151 million. Days of net patient services revenues in net patient accounts receivable declined favorably to 51. Patient scheduling and admissions processes were addressed to ensure that only medically necessary services were provided, reducing patients’ payment obligations.

In July 2003, Catholic Health Initiatives was one of 20 health systems asked to provide data on billing and collection practices to the Oversight and Investigations Subcommittee of the Energy and Commerce Committee of the U.S. House of Representatives. During the year, federal agencies issued regulation clarifications and interpretive guidance. As a result, Catholic Health Initiatives was able to revise guidance related to eligibility for charity care discounts and to clarify requirements for third-party collection agents.

Capitalized asset additions were $573 million. The funded status of the retirement plans improved significantly, exceeding pension costs by $29 million. When combined with improvements in investment markets, this caused the under-funded status of the retirement plans to improve $82 million from the prior year.

Accounts payable and other current liabilities were 3 percent less than the prior year. A number of open Medicare and Medicaid cost reports were settled as intermediaries attempted to become more current in cost reporting management. The favorable impact of the funded status on pension costs also contributed to the decrease.

There was a 10 percent decrease in self-insured reserves and other liabilities, mostly related to adjustments for the retirement plans, discussed previously. While liability claim reserves continued to increase, in severity but not in number, workers compensation claims moderated. These liabilities were more than fully funded. Scheduled principal payments reduced long-term debt by 4 percent.

Unrestricted net assets increased 21 percent due to net income, increases in net unrealized gains and adjustments to the retirement plans. Restricted net assets grew 8 percent as donations and grants were received for donor-restricted capital items and programs. This growth indicated strong donor support despite difficult economic times.
Factors that contributed to strong net income were utilization of services, management of costs, improved payer contracting and significant investment results. Total revenues were 10 percent more than the prior year. Total net patient services revenues increased 5 percent. Acute care categories had revenue increases while non-acute care categories reported flat or declining revenues. Total expenses increased 4 percent. Salaries and wages, the largest component of expense, increased by less than 3 percent.

Charity and Community Benefit

Catholic Health Initiatives provided charity care discounts of $303 million. Charity care was 5 percent of net patient services revenues, significantly more than 3.7 percent in the prior year. With ongoing focus on the plight of the medically indigent, charity care levels should continue to rise.

At $721 million, community benefit cost was 13 percent more than the prior year. This included the cost of services provided but not covered by Medicare or Medicaid and charity care. Community benefit was nearly 11 percent of total revenues, a slight increase from the prior year. Net of the Medicare and Medicaid shortfalls, the cost of community benefit was $273 million, or 4 percent of total revenues, which was up from the prior year.

Its fiscal year 2004 financial performance demonstrates the ability of Catholic Health Initiatives to produce excellent financial returns, invest significant capital in facilities and maintain a strong balance sheet.

Ensuing fiscal years may be especially challenging without national reform of the health care financing system. If the number of persons without adequate health insurance increases, Catholic providers may experience additional stress from the provision of needed services without sufficient payment.

The strengthened balance sheet and continuing commitment to change positions Catholic Health Initiatives well for the future. Despite ongoing global economic and political challenges, the Catholic Health Initiatives mission should continue to grow.
### Balance Sheets

*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, patient accounts receivable and other current assets</td>
<td>$1,396,206</td>
<td>$1,363,316</td>
</tr>
<tr>
<td>Investments and assets limited as to use</td>
<td>3,289,725</td>
<td>2,996,498</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>2,666,588</td>
<td>2,424,927</td>
</tr>
<tr>
<td>Other</td>
<td>532,210</td>
<td>500,588</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$7,884,729</td>
<td>$7,285,329</td>
</tr>
</tbody>
</table>

| Accounts payable and other current liabilities       | 851,066    | 879,639    |
| Self-insured reserves and other liabilities          | 513,085    | 572,454    |
| Long-term debt                                       | 1,987,466  | 2,070,172  |

Net assets:

- Unrestricted: 4,398,077
- Restricted: 135,035

**Total Liabilities and Net Assets**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>$7,884,729</td>
<td>$7,285,329</td>
</tr>
</tbody>
</table>

*Certain reclassifications were made to the previously reported 2003 information to conform to the 2004 presentation.*

### Statement of Operations

*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from patient services</td>
<td>$ 6,121,148</td>
<td>$ 5,824,316</td>
</tr>
<tr>
<td>Investment income (loss)</td>
<td>247,309</td>
<td>(66,995)</td>
</tr>
<tr>
<td>Revenues from non-patient sources</td>
<td>310,708</td>
<td>314,291</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 6,679,165</td>
<td>$ 6,071,612</td>
</tr>
</tbody>
</table>

| Employee compensation and benefits | 3,111,889 | 3,026,783 |
| Supplies                           | 1,145,416 | 1,052,246 |
| Building and equipment depreciation | 325,546   | 314,080   |
| Patient bad debts                  | 394,232   | 325,812   |
| Interest on long-term debt         | 78,542    | 85,161    |
| Other expenses                     | 1,084,268 | 1,068,811 |
| **Total Expenses**                 | $ 6,139,893 | $ 5,872,893 |

Income Before Restructuring, Impairment and Other Losses

<table>
<thead>
<tr>
<th>2004</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td>539,272</td>
<td>198,719</td>
</tr>
</tbody>
</table>

Restructuring, impairment and other losses

<table>
<thead>
<tr>
<th>2004</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td>753</td>
<td>10,893</td>
</tr>
</tbody>
</table>

Excess of Revenues Over Expenses

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excess of Revenues Over Expenses</strong></td>
<td>$ 538,519</td>
<td>$ 187,826</td>
</tr>
</tbody>
</table>
## Benefit to the Poor and the Broader Community

### Year Ended June 30 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Benefit Provided to the Poor:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charity care provided</td>
<td>$154,882**</td>
<td>$108,846**</td>
</tr>
<tr>
<td>Unpaid portions of Medicaid and other indigent care programs</td>
<td>131,450</td>
<td>121,913</td>
</tr>
<tr>
<td>Non-billed services for the poor</td>
<td>15,482</td>
<td>9,337</td>
</tr>
<tr>
<td>Cash and in-kind donations for the poor</td>
<td>5,870</td>
<td>7,364</td>
</tr>
<tr>
<td>Other benefit provided to the poor</td>
<td>8,216</td>
<td>6,059</td>
</tr>
<tr>
<td><strong>Total Quantifiable Benefit to the Poor</strong></td>
<td>315,900</td>
<td>253,519</td>
</tr>
<tr>
<td><strong>Cost of Benefit Provided to the Broader Community:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid portions of Medicare and other senior programs</td>
<td>316,865</td>
<td>302,036</td>
</tr>
<tr>
<td>Non-billed services for the community</td>
<td>24,292</td>
<td>27,449</td>
</tr>
<tr>
<td>Education and research provided for the community</td>
<td>26,781</td>
<td>20,461</td>
</tr>
<tr>
<td>Other benefit provided to the community</td>
<td>37,079</td>
<td>33,611</td>
</tr>
<tr>
<td><strong>Total Quantifiable Benefit to the Broader Community</strong></td>
<td>405,017</td>
<td>383,557</td>
</tr>
</tbody>
</table>

| **Total Cost of Quantifiable Community Benefit** | $720,917 | $637,076 |
| **Quantifiable Community Benefit as a Percentage of Total Revenues** | 10.8     | 10.5     |

* Certain adjustments were made to the previously reported 2003 community benefit information to conform to the 2004 presentation.

** Charity care of $303 million and $215 million was provided in 2004 and 2003, respectively, determined on the basis of charges. The amount shown here represents the cost of charity care provided.

## Statistical Highlights

### Year ended June 30 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute inpatient days</td>
<td>1,911,561</td>
<td>1,909,907</td>
</tr>
<tr>
<td>Acute care admissions</td>
<td>419,699</td>
<td>416,385</td>
</tr>
<tr>
<td>Average acute care length of stay days</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Long-term care days</td>
<td>857,167</td>
<td>972,318</td>
</tr>
<tr>
<td>Inpatient revenues as a percentage of patient revenues</td>
<td>52.8</td>
<td>51.1</td>
</tr>
<tr>
<td>Number of employees</td>
<td>65,374</td>
<td>65,603</td>
</tr>
<tr>
<td>Number of full-time employee equivalents</td>
<td>53,459</td>
<td>54,975</td>
</tr>
</tbody>
</table>
Catholic Health Initiatives is

Reverence and justice for those we serve;

Integrity, as we model the behavior for business ethics;

Compassion for the poor and underserved, as we work to make sure health care is available and affordable for all; and

Excellence, as we raise the bar to consistently deliver the highest quality care.