Do not conform any longer to the pattern of this world, but be transformed by the renewing of your mind. Then you will be able to test and approve what God’s will is — his good, pleasing and perfect will.

ROMANS 12:2

Transforming
CATHOLIC HEALTH INITIATIVES
2007 ANNUAL REPORT

Catholic Health Initiatives is a contemporary expression of the centuries-old tradition of the Catholic health ministry. Achieving the mission and vision of Catholic Health Initiatives requires keeping pace with changes in technology, philosophies of care and the expectations of patients. It requires keen foresight, sound judgment and solidarity of purpose among the system’s many providers of local health care services. It also requires a willingness to venture beyond established patterns: to transform into a renewed, refreshed and always reverent answer to the health needs of communities served.
Transforming is a recurring phenomenon for Catholic Health Initiatives. In the tradition of its courageous foundresses who formed one system by combining three, Catholic Health Initiatives must regularly step outside of its boundaries to seek something new: new ways to operate, to collaborate and to deliver care that will advance Christ’s healing ministry.

The 2007 fiscal year was a time of accelerated transforming as we took a fresh look at many areas of Catholic Health Initiatives. We realigned the structure of our system, continued to centralize and standardize core business functions and entered into an agreement to make the largest community health system in northwest New Jersey part of our national health ministry. We invite you to read about all of this and much more in the following pages.

During 2007, we were also gratified to see our system earn recognition and respect from the health care industry; to encourage the growth and development of our employees who are the heart of Catholic Health Initiatives; and to continue to serve the communities which are our reason to be.

For Catholic Health Initiatives, this year of transforming has been exciting and rewarding. This will not be our system’s first great transforming, nor will it be the last. After all, the vision of Catholic Health Initiatives calls us to transform the very nature of health care delivery: we will always be open to reinvention and renewal.

Elizabeth Wendeln, SCN  
Chair, Board of Stewardship Trustees

Kevin E. Loften, FACHE  
President and Chief Executive Officer

On July 1, 2007, the Catholic Health Initiatives Board of Stewardship Trustees installed a new chair: Mary Wakefield, RN, PhD, associate dean for rural health and director of the Center for Rural Health at the University of North Dakota, School of Medicine and Health Sciences. Wakefield, a Board of Stewardship Trustees member since 2003, is the first lay person to serve as chair. Prior to her current position at the University of North Dakota, she was professor and director of the Center for Health Policy at George Mason University, Fairfax, Virginia; chief of staff for two U.S. senators; and a consultant to the World Health Organization’s Global Program on AIDS.
Jeffrey Drop (at right), senior vice president and division executive officer, and David Nelson, president and chief executive officer of St. Francis Healthcare Campus, Breckenridge, Minnesota, share a deep understanding of the operations of rural health care providers.
Catholic Health Initiatives will create the work community of choice — built upon common values — in every market it serves.

“Together, we are thinking outside the box to draw the operating division together in conjunction with the vision of ‘One CHI.’”

Jeffrey Drop
Senior Vice President and Division Executive Officer
Catholic Health Initiatives’ North Dakota and Minnesota Operating Division

As a health care system increasing in strength and scope, Catholic Health Initiatives has realigned its resources to advance its mission and support its continuing growth. To help fulfill its founding vision of national influence and local focus, Catholic Health Initiatives changed the alignment of system-level structures and resources to better support its facilities and community health service organizations. This realignment enables the type of change that will help the system grow as “One CHI,” a cohesive system of strong providers of localized health services that share a robust national voice.

During 2007, Catholic Health Initiatives realigned its market-based organizations into four groups and one operating division, each led by a group or division chief executive officer. The realignment, part of becoming “One CHI,” establishes closer links between organizations that are similar in location, size, complexity, market characteristics or some combination of these attributes.

Jeffrey Drop, the former president and chief executive officer of St. Anthony Hospital, Pendleton, Oregon, was recently named senior vice president and division executive officer for the Catholic Health Initiatives North Dakota and Minnesota operating division. From his office in Fargo, North Dakota, he works closely with market-based organization leaders to meet the challenges of providing rural areas with quality health care.
Members of the CHI Connect team at St. Anthony Hospital, Pendleton, Oregon, learn to use Catholic Health Initiatives’ change leadership methodology to prepare for the implementation of CHI Connect, which centralizes and standardizes many of the system’s core business functions. From left are Stephanie Franken, controller; Steven Taylor, chief financial officer for the Catholic Health Initiatives North Dakota and Minnesota operating division; and Doris Mayer, information systems manager.
Advancing Diversity in Health Care Leadership

The National Association of Health Services Executives (NAHSE), the nation’s premier professional membership society for black health care executives, recognized Catholic Health Initiatives for its leadership role in advancing diversity in health care management. In October 2006, NAHSE leaders presented Catholic Health Initiatives with the organization’s inaugural Outstanding Organization of the Year Award.

Catholic Health Initiatives has 175 change agents and seven master change agents, located throughout the system, who champion the use of change leadership methodology.

Accelerating the Pace and Success of Change

Change has been a prerequisite for the advancement of Catholic Health Initiatives’ mission. The system embraces change and uses it to spur innovation. The power of change will help Catholic Health Initiatives advance toward its vision: to transform health care delivery and create new ministries that promote healthy communities.

To help Catholic Health Initiatives thrive on change, the system implemented a change leadership model that accelerates the pace and success of change. The model engages leaders and employees in a process that drives effective change, assisted by trained change agents located throughout the system’s offices and facilities. The methodology is focused on Catholic Health Initiatives’ major strategic initiatives, including the implementation of CHI Connect, which centralizes and standardizes many of the system’s core business functions.

Training sessions held at Catholic Health Initiatives’ market-based organizations teach leaders to apply change leadership methodology in their facilities with the assistance of trained change agents.
Building Influence

Catholic Health Initiatives will significantly extend the reach of its ministry when Saint Clare’s Health System joins Catholic Health Initiatives. Saint Clare’s, a ministry of the Sisters of the Sorrowful Mother, includes four hospitals and numerous other health facilities in northwest New Jersey.

After discussions with a number of leading national health care organizations, Saint Clare’s leadership approached Catholic Health Initiatives. “We are honored to partner with Catholic Health Initiatives and pleased to work with them in furthering the mission of Catholic-based health care here in New Jersey,” said Blan. “Catholic Health Initiatives and Saint Clare’s share a common mission to serve the sick and vulnerable, making this ‘marriage’ a natural fit for our organizations.” The two organizations expect to complete their new partnership during fiscal year 2008, after receiving all regulatory approvals.
Catholic Health Initiatives will extend the scope and influence of the Catholic health ministry.

“

We are pleased to welcome Saint Clare’s Health System into Catholic Health Initiatives as they help us to extend the reach of our ministry. The extensive synergies between our organizations — in mission, vision and values — are amazing, and this partnership promises to further the healing missions of both organizations.”

Kevin Lofton, President and Chief Executive Officer
Catholic Health Initiatives

Lofton Installed as AHA Chair, Named to Lists of Most Influential Leaders

Kevin Lofton, president and chief executive officer of Catholic Health Initiatives, delivered his investiture address as chair of the Board of Trustees of the American Hospital Association on May 6 in Washington, D.C.

Lofton described the broken social contract between the U.S. health care system and the American public. “For many, health care in the United States is the best in the world; for too many, it is not,” Lofton said. “Our health care system is marked by many superlatives. At the same time, it is marked by inequality and inefficiency for millions. ... Together, we must reconnect the fundamental moral tenets of what made the American health system great and what drives us to be better. We must renew the passion for our work every day, and remind ourselves that 300 million Americans are waiting and longing for change.”

At the same time, Lofton’s prominence as a leader was recognized by two national magazines. He was named to the “Ebony Power 150: The Most Influential Blacks in America” in the May issue of Ebony magazine. He was also featured in Modern Healthcare magazine’s annual list of “The 100 Most Powerful People in Healthcare” for the fourth time. Lofton has served as Catholic Health Initiatives’ top executive since August 2003 and is also the former president of the National Association of Health Services Executives.

With the addition of Saint Clare’s, Catholic Health Initiatives will increase its scope to 74 communities in 20 states, with its facilities accessible to more than 15 million people.
The chief executive officers of Catholic Health Initiatives’ four market-based organizations in Kentucky had an inspiration: to improve patient and community care by combining into a single, consolidated organization. After much consideration and planning, their idea was unanimously approved on June 4, 2007, by all of their governing boards. “The consolidation of the Kentucky market-based organizations, and the level of collaboration and commitment it represents, is a true milestone for the organizations involved and for Catholic Health Initiatives,” said Gary Campbell, senior vice president and group executive officer for Catholic Health Initiatives.

The consolidation will occur by January 1, 2008, allowing seven hospitals to leverage their strengths and more fully advance their shared mission.

A task force comprised of executives, board members and physicians from the four consolidating organizations unanimously selected Gene Woods to lead the new organization.
Catholic Health Initiatives’ new, consolidated Kentucky market-based organization will include:

Flaget Memorial Hospital
Bardstown
Marymount Medical Center
London
Our Lady of the Way Hospital
Martin
Saint Joseph Berea
Berea
Saint Joseph East
Lexington
Saint Joseph Hospital
Lexington
Saint Joseph Mount Sterling
Mount Sterling

AS CHAIR-ELECT OF THE AMERICAN HOSPITAL ASSOCIATION, KEVIN LOFTON TESTIFIED before the U.S. Senate Committee on Finance during a September 2006 hearing, “Taking the Pulse of Charitable Care and Community Benefits at Non-profit Hospitals.” Lofton told the committee that charitable care and community benefit activities are most effective when hospitals, rather than regulators, determine the mix of care and services provided.
Mark Krasna, MD (at left), a thoracic oncologist who is medical director for the Cancer Institute at St. Joseph Medical Center, Towson, Maryland, serves as Catholic Health Initiatives’ principal investigator for a National Cancer Institute study. Alan Armer, PhD, vice president, oversees Catholic Health Initiatives’ research and development efforts.
Catholic Health Initiatives Leads International Mission Trip

As a member of the Catholic Consortium for International Health Care, Catholic Health Initiatives hosted a mission trip to the Karatu District of Tanzania in the fall of 2006. The group was led by John Tolmie, president and chief executive officer of St. Joseph Medical Center, Towson, Maryland, which has done mission work in the Karatu District for more than five years; and Paul Neumann, Esq., senior vice president of legal services and general counsel for Catholic Health Initiatives. Neumann also represented Global Health Initiatives, the organization created by Catholic Health Initiatives to help extend its mission beyond the borders of the U.S.

The group witnessed the absence of basic health necessities — such as clean water and a reliable food supply — in many of northern Tanzania’s rural villages. Group members experienced one of the important lessons learned by St. Joseph’s mission teams — it may not be possible to help a local hospital build its capacity to provide health care without first helping the surrounding community obtain the basic resources of good health.

From left: John Tolmie, St. Joseph Medical Center, Towson, Maryland; John Kulle, Karatu Lutheran Hospital; Marilyn Hubbard, Henry Ford Health System; Asantael Makyao, Karatu Lutheran Hospital; Michael Rowan, Catholic Health Initiatives; Susan Whitten, Catholic Healthcare West; Paul Neumann, Esq., Catholic Health Initiatives; Gwendolyn Graddy-Dansby, Henry Ford Health System; Michael Whitten, Catholic Healthcare West; and Phyllis Hughes, RSM, Catholic Relief Services and a Catholic Health Initiatives Board of Stewardship Trustee.

Hospitals Participate in National Cancer Institute Research Program

Since its formation in 1996, Catholic Health Initiatives has been a health care system of surprising diversity, with facilities ranging from critical access hospitals in remote rural areas to major urban medical centers. Catholic Health Initiatives’ geographic breadth and access to varied patient populations make it a unique, organized laboratory for health care research.

As the first step in a new commitment to research and development, five Catholic Health Initiatives hospitals were selected as pilot sites in a National Cancer Institute (NCI) program that will help bring state-of-the-art cancer care to patients in community hospitals across the U.S. This is the first time the NCI has conducted clinical research in community hospitals.

The NCI’s Community Cancer Centers Program (NCCCP) will research ways to assist, educate and better treat underserved populations — including elderly, rural, inner-city and low-income patients — as well as racial and ethnic groups with unusually high cancer rates.

The Catholic Health Initiatives hospitals, and their cancer centers, participating in the NCCCP project include:

- Penrose-St. Francis Health Services/ Penrose Cancer Center, Colorado Springs, Colorado
- St. Joseph Medical Center/Cancer Institute, Towson, Maryland
- A regional network in Nebraska, including:
  - Good Samaritan Hospital/Cancer Center, Kearney
  - Saint Elizabeth Regional Medical Center/Cancer Center, Lincoln
- Saint Francis Medical Center/ Cancer Treatment Center, Grand Island
Catholic Health Initiatives sees the people it serves not just as patients, but as complete persons with unique values and preferences who want to take an active role in their own care. More than a philosophy, person-centered care leads to actions that result in more personalized, collaborative and comprehensive patient care.

One such action is the creation of Catholic Health Initiatives’ Medication Safety Initiative, which focuses on the use of bar-coded verification of patient identity at the bedside. The scanning of bar code bracelets helps ensure that patients receive the right medication, in the right dosage, at the right time. Research shows that bar-code systems prevent errors in approximately two percent of all administered medication doses.
Catholic Health Initiatives will be recognized as a national leader in person-centered care.

Reinforcing Mortality Reduction

After reducing patient mortality 6.25 percent during fiscal year 2006, Catholic Health Initiatives maintained the reduction during the 2007 fiscal year, with plans to further decrease the rate during fiscal year 2008. During the past year, Catholic Health Initiatives’ market-based organizations developed action plans, based on the results of a system-wide Culture of Safety survey, for the enhancement of safe patient care. Catholic Health Initiatives expects the implementation of these action plans during fiscal year 2008 to contribute to further reduction in patient mortality rates.

COLLABORATING TO ELIMINATE BIRTH INJURIES

Babies like Carly Cooper benefit from the work of the Catholic Health Initiatives Perinatal Care Collaborative. Carly was born at St. Francis Medical Center in Breckenridge, Minnesota, one of a group of 19 Catholic Health Initiatives hospitals that have set a goal to eliminate preventable birth injuries by December 2008. The hospitals are using methods recommended by the Institute for Healthcare Improvement’s Idealized Design for Perinatal Care: effective communications, thorough documentation and the implementation of elective induction and augmentation guidelines for managing labor and delivery. During the 2007 fiscal year, Catholic Health Initiatives reduced the system-wide rate of birth injuries from 3.41 to 2.41 per 1,000 live births.

Catholic Health Initiatives continued to build its data warehouse, which makes it possible to aggregate and analyze clinical data from across the system.

Newborn Carly Cooper with Cynthia Wateland, RN, at St. Francis Medical Center, Breckenridge, Minnesota.
Building the System

Dale Scott, director of information technology and project lead for CHI Connect at St. Catherine Hospital, Garden City, Kansas, leads a training class that included Deborah Pittman, a technician responsible for inventory control in the operating room.

With the initial implementation of CHI Connect, Catholic Health Initiatives became a more tightly integrated and operationally sophisticated health system. Through CHI Connect, Catholic Health Initiatives is standardizing and centralizing core business functions in human resources, accounting, accounts payable, payroll and supply chain. Ultimately, this will enable Catholic Health Initiatives and its market-based organizations to redirect more resources to new operational and clinical initiatives.

CHI Connect also makes it easier for employees to access or provide complete information about inventory, accounts payable, expense reporting and much more, freeing their time for other work and allowing them to better serve their patients, co-workers and communities.

Catholic Health Initiatives and its market-based organizations are taking a phased approach to CHI Connect implementation. Seven “waves” of implementation are scheduled through January 2009.
Catholic Health Initiatives will steward resources to innovate and excel in meeting the needs of the communities it serves.

On Board for a Healthy Baudette

Grants from Catholic Health Initiatives’ Mission and Ministry Fund support a wide variety of healthy community initiatives, such as a multigenerational effort in the northern Minnesota community of Baudette. Through strategic planning meetings led by LakeWood Health Center, residents of all ages have become involved in improving the health status of the community. The city’s youth became involved by making their dream of a community skateboard park a reality. After constructing a scale model; presenting proposals to city, county and civic leaders; and raising money, the young people collected $80,000 to construct the park. Now, boarders are flying high in the accessible, family-friendly skateboard park. LakeWood Health Center’s leadership has also helped the community address other priorities, including economic development, street beautification and access to mental health services.

During 2007, the Mission and Ministry Fund presented $3 million in grants in the U.S. and abroad, bringing the total awarded during the past 11 years to approximately $24 million.
Rhonda Elliott, a financial counselor at St. Vincent Infirmary Medical Center, Little Rock, Arkansas, delivers an estimate of out-of-pocket costs to a patient’s bedside.

Meaningful Information for Health Care Consumers

To help encourage patients’ involvement in all aspects of their care, Catholic Health Initiatives is exploring ways to provide meaningful information about the price of hospital care. Several hospitals recently participated in a pilot of a Catholic Health Initiatives program that makes hospital pricing more transparent to patients. The pilot resulted from the work of the Catholic Health Initiatives’ Price Transparency Work Group, which created an approach that includes providing patients with information about financial assistance programs, average charges and estimates of out-of-pocket costs for hospital inpatient and outpatient services. The price transparency program is now being rolled out to Catholic Health Initiatives’ hospitals in phases, with full implementation expected by December 2008.
Catholic Health Initiatives is improving supply management through a small device that manages a big workload. The hand-held device works with CHI Connect to speed and simplify the replenishment of supplies based on utilization. An employee enters a specific supply room shelf location into the device, followed by the quantity of the supply on the shelf. The wireless device links with CHI Connect to check the quantity that should be present against the quantity entered. The system automatically determines if an order should be placed with a vendor or a requisition sent to a storehouse. This saves time for supply chain staff members who previously needed to manually enter and download inventory data. The fact that the hand-held device links directly to CHI Connect reduces the potential for input errors and lost data.

At St. Vincent Health System, the time savings provided by a hand-held inventory management device has helped the supply chain staff relieve nurses of inventory control duties on patient units. With less time spent in supply rooms, nurses have more time to spend with patients.
COMMITMENT TO COMMUNITY BENEFIT

Catholic Health Initiatives’ market-based organizations and community health service organizations achieved 100 percent participation in a ministry-wide community benefit initiative sponsored by the Catholic Health Association. The initiative called for confirmation of an ongoing commitment to community benefit, adopting a community benefit policy and using standard definitions and reporting guidelines for community benefit.

CAHILL LEADERSHIP INITIATIVE GRANTS

Catholic Health Initiatives awarded Patricia A. Cahill Leadership Initiative grants to Phil Mears, senior vice president, supply chain management; and John Newton, vice president, legal services. The initiative, named in honor of Patricia A. Cahill, Esq., Catholic Health Initiatives’ first president and chief executive officer, provides leaders with time away from their jobs for education, research, writing or community service. Mears, who received a juris doctorate degree from the University of Denver, used his grant to study for the Colorado bar examination. Newton used his sabbatical to research and study Franciscan life at the Franciscan International Study Center in England and to make a pilgrimage to Assisi, Italy.

TWO HOSPITALS FEATURED IN AHA CARE IN ACTION BROUCHURE

Saint Francis Medical Center, Grand Island, Nebraska, and Saint Joseph HealthCare, Lexington, Kentucky, were featured in an American Hospital Association brochure titled Care in Action. The brochure details how 14 nonprofit hospitals benefit their communities. The Student Wellness Center run by Saint Francis, which provides general health care and mental health counseling at Grand Island Senior High School, was profiled, as was Saint Joseph’s Mobile Health Services, which takes health care to medically underserved counties near Lexington. Saint Joseph also received the 2006 American Hospital Association NOVA Award for this program.

BEST PLACES TO WORK

The Kentucky Society for Human Resources Management named Catholic Health Initiatives’ Northern Kentucky office in Erlanger as one of the Best Places to Work in Kentucky for 2007. This is the third consecutive year that the office has received the honor. Saint Joseph HealthCare, Lexington, and Our Lady of the Way Hospital, Martin, were also among the Best Places to Work in Kentucky for 2007.
PATIENT SATISFACTION
Across the system, Catholic Health Initiatives’ overall patient satisfaction climbed from the 63rd to the 75th percentile during fiscal year 2007. This top-quartile performance was made possible through the strong performances of Catholic Health Initiatives’ facilities, 60 percent of which achieved top-quartile patient satisfaction scores.

MENTOR HOSPITALS
The Institute for Healthcare Improvement tapped several Catholic Health Initiatives hospitals to serve as mentors, which help other health care providers across the country in their efforts to improve patient care. Catholic Health Initiatives’ mentor hospitals include:
- Jewish Hospital & St. Mary’s HealthCare, Louisville, Kentucky
- Mercy Medical Center, Des Moines, Iowa
- Mercy Medical Center, Nampa, Idaho
- Saint Elizabeth Regional Medical Center, Lincoln, Nebraska
- Saint Francis Medical Center, Grand Island, Nebraska
- St. Clare Hospital, Lakewood, Washington
- St. Francis Hospital, Federal Way, Washington
- St. Joseph Medical Center, Tacoma, Washington

RAPID RESPONSE TEAMS
Members of Catholic Health Initiatives’ clinical services team presented the system’s approach to the implementation of rapid response teams at the Institute for Healthcare Improvement’s annual National Forum in December 2006. As a recipient of a Robert Wood Johnson Foundation grant, representatives of Catholic Health Initiatives were part of the faculty for a session titled “Learning from Rapid Response Teams.”

CARDIOVASCULAR INNOVATION INSTITUTE
The Cardiovascular Innovation Institute, a partnership between Jewish Hospital & St. Mary’s HealthCare and the University of Louisville, opened in Louisville, Kentucky, in January 2007. The research facility, located at the University’s Health Science Center, includes laboratories, fabrication facilities, operating and recovery rooms and more. The Institute’s staff will develop new treatments for heart disease and new heart-assist devices, including artificial hearts.

STATE QUALITY AWARDS
Franciscan Health System, Tacoma, Washington, received the 2007 Washington State Quality Award for Performance Excellence, distinguishing the organization as a role model for other Washington businesses seeking to elevate their quality performance.

Saint Francis Medical Center, Grand Island, Nebraska, received the 2006 Edgerton Quality Award for Excellence from the Nebraska Department of Economic Development, the state’s highest award for ongoing advancements in quality and performance excellence. Saint Francis is the first hospital in the state to receive the award.
NATIONAL HONORS
The following Catholic Health Initiatives facilities achieved national recognition during the 2007 fiscal year.

American Heart Association
Start! Fit Friendly Certification
- Franciscan Health System
  Tacoma, Washington

American Society for Bariatric Surgery Center of Excellence
- Sts. Mary & Elizabeth Hospital
  Louisville, Kentucky

American Society of Health-System Pharmacists Best Practices Award in Health Systems Pharmacy
- Saint Joseph HealthCare
  Lexington, Kentucky

CareScience Select Practice National Quality Leader Award
- Flaget Memorial Hospital
  Bardstown, Kentucky
  (Pneumonia Care)
- St. Gabriel’s Hospital
  Little Falls, Minnesota
  (Pneumonia Care)

HealthGrades Distinguished Hospital Award for Clinical Excellence
- Memorial Health Care System
  Chattanooga, Tennessee
- Mercy Medical Center
  Des Moines, Iowa
- Mercy Medical Center
  Roseburg, Oregon
- Penrose-St. Francis Health Services
  Colorado Springs, Colorado
- St. Vincent Infirmary Medical Center
  Little Rock, Arkansas

HealthGrades Distinguished Hospital Award for Patient Safety
- St. Joseph Medical Center
  Towson, Maryland
- St. Vincent Infirmary Medical Center
  Little Rock, Arkansas

HealthGrades Specialty Excellence Award
- Alegent Health-Bergan Mercy Medical Center
  Omaha, Nebraska
  (Joint Replacement Surgery and Pulmonary Services)
- Central Kansas Medical Center
  Great Bend, Kansas
  (Joint Replacement Surgery)
- Good Samaritan Hospital
  Dayton, Ohio
  (Pulmonary Services and Stroke Services)
- Marymount Medical Center
  London, Kentucky
  (Pulmonary Services)
- Memorial Health Care System
  Chattanooga, Tennessee
  (Cardiac Services, Cardiac Surgery and Joint Replacement Surgery)
- Mercy Capitol
  Des Moines, Iowa
  (Pulmonary Services)
- Mercy Medical Center
  Des Moines, Iowa
  (Pulmonary Services)
- Mercy Medical Center
  Roseburg, Oregon
  (Gastrointestinal Services and Pulmonary Services)
- Penrose-St. Francis Health Services
  Colorado Springs, Colorado
  (Critical Care Services, Gastrointestinal Services and Pulmonary Services)
- St. John’s Regional Medical Center
  Joplin, Missouri
  (Joint Replacement Surgery)
- St. Joseph Medical Center
  Tacoma, Washington
  (Critical Care Services and Orthopedic Services)
- St. Vincent Health System
  Little Rock, Arkansas
  (Joint Replacement Surgery and Orthopedic Services)
- Sts. Mary & Elizabeth Hospital
  Louisville, Kentucky
  (Orthopedic Services)

Hospital Quality Alliance Top U.S. Hospitals
- Mercy Regional Medical Center
  Durango, Colorado

Leapfrog Group Top U.S. Hospitals
- Memorial Hospital
  Chattanooga, Tennessee

National Research Corporation Consumer Choice Award
- Memorial Hospital
  Chattanooga, Tennessee
- Mercy Medical Center
  Des Moines, Iowa
- Penrose-St. Francis Health Services
  Colorado Springs, Colorado
- St. Joseph Medical Center
  Tacoma, Washington
JOHN ANDREW HACKLEY MEMORIAL AWARD

In September 2006 the Mission and Ministry Fund of Catholic Health Initiatives presented the first John Andrew Hackley Memorial Award, which recognizes innovative palliative care projects, to Saint Francis Medical Center, Grand Island, Nebraska. Saint Francis received the award for its end-of-life care initiative, A Supportive Journey Toward Dying, a collaborative effort to promote compassionate support for end-of-life issues and needs.

DIRECT COMMUNITY INVESTMENTS

Catholic Health Initiatives approved or renewed several loans through its Direct Community Investment program during fiscal year 2007. The program provides no- or low-interest loans to community organizations that provide disadvantaged populations in the U.S. and abroad with access to health care, housing, food and employment. Loan recipients during fiscal year 2007 include Portland Youth Builders of Portland, Oregon, a nonprofit organization that provides educational, vocational and leadership development programs via a model proven to change the lives of at-risk youth; and Katalysis Bootstrap Fund of Portland, a nonprofit financial institution dedicated to alleviating poverty in Central America. The Direct Community Investment program has committed more than $31 million in loans, and seeks to lend 2 percent, or $98 million, of Catholic Health Initiatives’ total Operating Investment Program assets.

ENERGY TASK FORCE

Catholic Health Initiatives created an Environment and Energy Task Force to help market-based organizations reduce energy use and take other steps toward greater energy conservation and environmental stewardship. Several market-based organizations have already been recognized by the American Society for Healthcare Engineering and Hospitals for a Healthy Environment for establishing mercury-free environments.

PURCHASING POWER

As part of a strategy to grow existing service lines, Catholic Health Initiatives invested in more than a dozen 64-slice CT scanners, installed in hospitals throughout the system. The equipment will be used primarily as a non-invasive diagnostic tool for cardiovascular care and other conditions. The vendor selection process, a collaborative effort by national, hospital and physician leaders, pooled expertise and leveraged Catholic Health Initiatives’ purchasing power to provide patients with the latest in advanced clinical care.

HEALTHCARE VENTURE FUND

Catholic Health Initiatives joined with Ascension Health and Catholic Health East to form CHV II, LP, a $200 million venture capital fund focused on making venture investments in the health care industry. CHV II will target later stage medical device, health care technology and health care service companies in areas of strategic interest to the three partners.
SHAREHOLDER RESOLUTIONS

In collaboration with other mission-based investors, Catholic Health Initiatives filed shareholder resolutions to seek corporate governance reform, limits on price increases for prescription drugs, prohibition of smoking in public workplaces and more. Five of the eight resolutions had successful outcomes, receiving enough shareholder votes to be re-filed next year.

TWO HOSPITALS WELCOMED

Enumclaw Regional Hospital, Enumclaw, Washington, became affiliated with Franciscan Health System, Tacoma, Washington, to better serve the growing population of Enumclaw and neighboring communities. As part of the agreement, Franciscan will build a 90,000-square-foot replacement hospital, nearly twice the size of the current Enumclaw Regional Hospital, which has 38 beds.

In Kentucky, Mary Chiles Hospital in Mount Sterling transitioned to Saint Joseph HealthCare, Lexington. The 63-bed, nonprofit acute care hospital was renamed Saint Joseph Mount Sterling. A new, replacement hospital is expected to be built during the next three years.

EXPANSION PLANS

During the 2007 fiscal year, several of Catholic Health Initiatives’ facilities and joint operating companies dedicated new campuses, announced plans to expand and upgrade facilities, purchased land for possible future facilities or made significant progress on facilities under construction.

- Good Samaritan Hospital, Cincinnati, Ohio, dedicated a new, 10-story patient care tower.
- Franciscan Health System, Tacoma, Washington, broke ground for the new St. Anthony Hospital, Gig Harbor.
- Jewish Hospital & St. Mary’s HealthCare, Louisville, Kentucky, received approval for construction of a new outpatient center.
- Mercy Medical Center, Nampa, Idaho, purchased 60 acres of land as the site of a new hospital.
- Oakes Community Hospital, Oakes, North Dakota, opened a new, 20-bed replacement facility.
- Penrose-St. Francis Health Services, Colorado Springs, Colorado, held a topping-out ceremony for the placement of the final steel beam of the new St. Francis Medical Center, Colorado Springs.
- Saint Joseph HealthCare, Lexington, Kentucky, broke ground for a new medical facility in Jessamine County.
- St. Joseph Medical Center, Bern Township, Pennsylvania, dedicated a new campus just outside the city of Reading.
- St. Joseph’s Area Health Services, Park Rapids, Minnesota, broke ground for a renovation and expansion project.
- St. Vincent Health System, Little Rock, Arkansas, broke ground for an expansion and growth project that will include facilities for emergency services, critical care, surgery and women’s and children’s services.
- TriHealth, Cincinnati, Ohio, purchased 15 acres of land for a future medical facility.
Board of Stewardship Trustees

Seated (left to right):
Mary Jo Potter
Managing Partner
Highperlink
Walnut Creek, California

Mary Wakefield, PhD, RN, Chair
Associate Dean for Rural Health
Director, Center for Rural Health
University of North Dakota
School of Medicine and Health Sciences
Grand Forks, North Dakota

Patricia Smith, OSF, JCD
Assistant Professor
St. Joseph’s College
Aston, Pennsylvania

Standing (left to right):
Eleanor F. Martin, SCN, Esq.
Weymouth, Massachusetts

Phyllis Hughes, RSM, DrPH
Manager
Health and HIV/AIDS Unit
Catholic Relief Services
Baltimore, Maryland

Martha Walsh, SC, RN
Administrative Director
Seton Enablement Fund
Sisters of Charity of Cincinnati
Cincinnati, Ohio

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Center of IT Leadership
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Wellesley, Massachusetts

Kevin E. Lofton, FACHE, Ex-officio
President and Chief Executive Officer
Catholic Health Initiatives
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Department of Health Policy
George Washington University School
of Public Health and Health Services
Washington, DC

David R. Lincoln
President and Chief Executive Officer
Covenant Health Systems
Lexington, Massachusetts

Not pictured:
Michael O’Boyle, CPA
Division of Operations Administration
Cleveland Clinic
Cleveland, Ohio
Members of the Civil Corporation

Seated (left to right):
Mary Patricia Burger, OSF
Franciscan Sisters
of Little Falls, Minnesota
Little Falls, Minnesota
Barbara Hagedorn, SC
Sisters of Charity of Cincinnati
Cincinnati, Ohio
Maureen Walker, PBVM
Sisters of the Presentation
of the Blessed Virgin Mary
Fargo, North Dakota
Gemma Doll, OP
Nuns of the Third Order
of St. Dominic
Great Bend, Kansas

Standing (left to right):
Patricia Forret, RSM
Sisters of Mercy of the Americas,
Regional Community of Omaha
Omaha, Nebraska
Rebecca Metzer, OSF
Sisters of St. Francis of the
Immaculate Heart of Mary
Hankinson, North Dakota
Alice Armata, OP
Congregation of the Dominican Sisters of St. Catherine of Siena
of Kenosha, Inc.
Kenosha, Wisconsin
Stephanie McReynolds, OSF
Sisters of St. Francis
of Colorado Springs
Colorado Springs, Colorado

Not pictured:
Sally Marie Kiepura, CSFN
Sisters of the Holy Family of Nazareth
Des Plaines, Illinois
Judy Raley, SCN
Sisters of Charity of Nazareth
Nazareth, Kentucky
Francis Schumacher, OSB
Benedictine Sisters of Mother of God Monastery
Watertown, South Dakota

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

Seated (left to right):

A. Michelle Cooper
Vice President
Corporate Responsibility

Peggy A. Martin, OP, JCL
Senior Vice President
Sponsorship and Governance

Thomas R. Kopfensteiner, STD
Senior Vice President
Mission

Michael L. Fordyce
Chief Administrative Officer

Standing (left to right):

M. Colleen Scanlon, RN, JD
Senior Vice President
Advocacy

John F. DiCola
Senior Vice President
Strategy and Business Development

Herbert J. Vallier
Senior Vice President and
Chief Human Resource Officer

Michael T. Rowan, FACHE
Executive Vice President and
Chief Operating Officer

Colleen M. Byye
Senior Vice President and
Chief Financial Officer

Paul G. Neumann, Esq.
Senior Vice President and
General Counsel

Peter P. Katsampes
Vice President
CHI Connect Support Centers

Susan E. Peach
Senior Vice President
Performance Management

Philip W. Mears, JD
Senior Vice President
Supply Chain

Kevin E. Lofton, FACHE
President and Chief Executive Officer

John F. Anderson, MD
Senior Vice President and
Chief Medical Officer

Gary S. Campbell, FACHE
Senior Vice President and
Group Executive Officer

Jeffrey S. Drop
Senior Vice President and
Division Executive Officer

Joyce M. Ross
Senior Vice President
Communications

Mitch H. Melfi, Esq.
Senior Vice President and
Chief Risk Officer

David J. Goode, FACHE
Senior Vice President and
Group Executive Officer

Kathleen D. Sanford, RN,
DBA, FACHE
Senior Vice President and
Chief Nursing Officer

Deborah Lee-Eddie, FACHE
Senior Vice President and
Group Executive Officer

Not pictured:

Michael J. O’Rourke
Interim Chief Information Officer
Catholic Health Initiatives completed the fiscal year ended June 30, 2007, with a sound financial position. Balance sheet strength was particularly significant, with 244 days of total cash and favorable leverage indicators.

The financial results of operations showed strong year-over-year financial improvement. The operating margin increased to 4.7 percent, favorable to the prior fiscal year margin of 4.3 percent. The operating EBIDA (earnings before interest, depreciation and amortization) margin was 11.2 percent, also favorable compared to 10.4 percent in the prior fiscal year. The excess of revenues over expenses and EBIDA margins reached 10.9 percent and 17.1 percent, respectively, which were significantly favorable to the prior-year levels of 8.0 percent and 13.9 percent.

A major structural change in fiscal year 2006 had an impact on financial and statistical comparisons between years. The former Louisville, Kentucky, market-based organization was combined into a joint venture, in which Catholic Health Initiatives established a 25 percent interest. Thus, beginning in November 2005, the Louisville results were excluded from the consolidated financial statements. Only changes caused by operating results of the joint venture are now included in the financial statements, in accordance with the equity method of accounting.

Statement of the Financial Accounting Standards Board No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Benefits*, was partially adopted in 2007. The adopted provisions required Catholic Health Initiatives to record the difference between the fair value of the plan assets and the projected plan benefit obligation in the financial statements. This reduced net assets by $213 million and negatively affected the debt-to-capitalization ratio by 0.6 percent. There was no effect on the statement of operations as a result of adopting this accounting pronouncement.

During 2007, Catholic Health Initiatives changed the technical accounting designation of its investment portfolio to “trading” from “other than trading.” Accordingly, changes in unrealized gains and losses for marketable securities designated as “trading” are included in the statement of operations as investment income rather than as a component of net assets. This change in designation resulted in the recording of approximately $278 million of net unrealized gains as investment income in the statement of operations for fiscal year 2007, and the reclassification of $89 million in net unrealized losses from unrestricted net assets to the statement of operations for the prior fiscal year. In accordance with generally accepted accounting principles, this change in designation had no impact on previously reported amounts for investments, unrestricted net assets or the total change in unrestricted net assets.
Utilization of Services

Utilization of services increased slightly in 2007 compared to the prior year. Excluding the impact of the Louisville structural change, inpatient admissions increased by less than 1 percent, the average acute length of stay (4.4 days) was consistent with the prior year, the overall case-mix index (1.35) increased by 2 percent, and outpatient emergency and non-emergency visits increased by 2 percent. Physician visits increased almost 5 percent, which was in line with a 6 percent increase in full-time equivalent physicians and extenders. Long-term care days decreased almost 10 percent, mostly due to the sale or closure of long-term care facilities. Home-based visits increased more than 5 percent and residential days increased more than 1 percent.

These utilization trends reflected the ongoing shift of patient care services from the more traditional primary care facilities to lower-intensity and nonacute outpatient settings. In some markets, particularly those experiencing growth in uninsured volumes, patients have been utilizing hospital emergency services to access primary care, highlighting the need to identify more appropriate care settings to address community primary care needs. More than 65 percent of Catholic Health Initiatives’ markets reported increases in emergency visits, resulting in a consolidated increase exceeding 2 percent.
Total assets increased 19 percent to $11.4 billion at June 30, 2007. The balance sheet reflects the strong financial position of Catholic Health Initiatives, as evidenced by the continued “AA” ratings assigned by Moody’s, Standard & Poor’s and Fitch debt rating agencies. The 244 days of total cash surpassed the previous high of 207 days at the end of 2006.

Investments and assets limited as to use increased 35 percent to $5.1 billion, including $800 million of funds internally designated for capital and other needs. Investment income, both realized and unrealized, contributed significantly to this growth and the increased number of days of total cash, as did the proceeds from issuance of long-term debt. Grants of almost $2 million were provided from the Mission and Ministry Fund for various programs and services, primarily to market-based organizations. The Capital Resource Pool reached a balance of $269 million at the close of fiscal year 2007; $135 million of the Capital Resource Pool had been designated for funding of approved costs related to CHI Connect (a system to standardize and consolidate financial, human resources, payroll and supply chain information across all markets). Of this, $84 million has been drawn for use on this project.

Capitalized asset additions were $871 million, an increase of 12 percent from prior-year expenditures of $780 million. Net property and equipment also increased 12 percent. Significant levels of capital investment in major facility projects are expected to decline with a shift in capital investment to information and clinical technology needs. During 2007, management continued to focus on implementation of important multi-year projects that respond to information needs, such as advanced clinical information systems, CHI Connect, digital imaging and other infrastructure needs.

At the end of fiscal year 2007, long-term debt was $2.7 billion, an increase of $753 million (38 percent) from the prior year. A significant restructuring of long-term debt was accomplished through a variable-rate taxable bank borrowing of $881 million, with the proceeds used to defease bonds of $801.8 million and provide interim financing of certain asset purchases. The transaction resulted in a loss on defeasance of $17.9 million. Subsequently, this taxable bank loan was refinanced through the issuance of commercial paper that has scheduled maturities through 2010. The current portion of this obligation was about $220 million, which was included in current liabilities as of June 30, 2007. Catholic Health Initiatives also issued $1.15 billion of tax-exempt debt to finance capital acquisitions. This debt issue utilized both fixed and variable-rate bonds.

The debt-to-capitalization ratio increased to 32.2 percent and the cash-to-debt ratio declined to 126 percent. These changes in key leverage indicators were expected due to the restructuring of the debt portfolio and were within the targeted ranges. Unrestricted net assets increased 13 percent to $6.4 billion, resulting from $902 million in excess of revenues over expenses, which was partially offset by a reduction of $213 million related to the adoption of the previously discussed change in accounting for the pension plan. Restricted net assets increased 8 percent from the prior year.
Statement of Operations

The 2007 excess of revenues over expenses exceeds that of any year since the formation of Catholic Health Initiatives. Total investment income of $600 million, including $278 million of net unrealized gains (resulting from the change in designation of the investment portfolio as “trading,” as previously mentioned), was the highest ever reported, and comprised two-thirds of the excess of revenues over expenses. Investment income was reported in both revenues from nonpatient sources ($69 million) and nonoperating gains ($531 million) in the statement of operations. The 2007 operating, operating EBITDA and EBITDA margins also improved from 2006, as previously mentioned.

Revenues from patient services increased 5.7 percent in 2007 but increased 6.7 percent excluding the Louisville structural change. Revenues from inpatient services increased 5.5 percent and revenues from outpatient services increased 8.3 percent, primarily due to rate and payment improvements along with modest increases in volumes. Revenues from nonpatient sources increased 22 percent, mainly due to favorable investment performance at First Initiatives Insurance Limited and from income splits under joint operating agreements.

Fiscal year 2007 expenses before restructuring increased 7.3 percent from the prior year excluding Louisville, slightly outpacing the 6.7 percent increase in revenues without investment income. Employee compensation and benefits were 47.6 percent of expenses in 2007, down from 49.5 percent in 2006. Total labor costs increased only 3.1 percent, mostly due to increases in volumes, employee mix and general salary increases. Staffing levels were flat compared to the prior year.

Supplies increased 4.7 percent, significantly below the 6.7 percent growth in revenues from patient services. Supplies as a percentage of revenues from patient services decreased slightly to 17.8 percent in 2007 from 18.3 percent. Supplies per case-mix index adjusted admission increased 2 percent from the prior year. Market-based organizations have begun to realize savings from supply contracting and other process improvements from transitioning to CHI Connect as well as other supply chain management initiatives.

Patient bad debts increased 15.2 percent, excluding Louisville, which significantly outpaced the growth in revenues from patient services and continued a trend from past years. Patient bad debts and charity care, combined as a percentage of revenues from patient services, increased to 14.8 percent compared to 13.9 percent in 2006. This resulted in a negative year-to-year impact of $65 million on the excess of revenues over expenses.

Interest expenses increased 41.7 percent from the prior fiscal year. This was caused by the previously mentioned issuance of new debt totaling approximately $2 billion, net of the defeased bonds. The comparison of other expenses between years was affected by two major reclassifications of the cost of services in joint operating agreements. Services previously provided by the sponsors were moved into the joint operating companies thereby raising management fees, and the deconsolidation of another joint operating company had a similar effect.

Restructuring, impairment and other losses were $22 million in fiscal year 2007, a significant increase from $12 million in fiscal year 2006. The two largest components in fiscal year 2007 were the impairment of one market-based organization due to cash flow deficits and the impairment of intangible assets from a previous acquisition of ancillary businesses by one of the joint operating agreement organizations.

Community Benefit and Charity Care

The cost of community benefit, including charity care of $154 million, was $480 million in fiscal year 2007, which was 3.7 percent greater than the prior year. Community benefit includes the cost of supplies and labor related to free clinics, donations and other services provided for people who are poor and to help meet local community needs. Community benefit also includes the amounts by which services provided to Medicaid and charity care patients do not cover costs, but does not include the unpaid costs of the Medicare program. Community benefit does not include bad debt expense. This reporting is consistent with guidance issued in 2006 by the Catholic Health Association of the United States.

Conclusion

Overall, 2007 was a year of solid financial performance for Catholic Health Initiatives. The operating margin — excluding restructuring, impairment and other losses — indicated stable performance year over year, and other key indicators were helped by extremely favorable investment returns. The strong financial performance funded significant capital investments in market-based ministries to support quality and person-centered care in the communities served, as well as continued investment in essential infrastructure and patient care technologies. The challenge for the future is to continue to achieve growth, and at the same time advance quality of patient care and maximize stewardship of resources.
## Financial Highlights

### Balance Sheets

**Year Ended June 30**

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, net patient accounts receivable and other current assets</td>
<td>$1,781,469</td>
<td>$1,641,142</td>
</tr>
<tr>
<td>Investments and assets limited as to use</td>
<td>5,114,524</td>
<td>3,780,014</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>3,676,246</td>
<td>3,285,001</td>
</tr>
<tr>
<td>Other</td>
<td>815,378</td>
<td>866,213</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$11,387,617</strong></td>
<td><strong>$9,572,370</strong></td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>1,525,376</td>
<td>1,202,556</td>
</tr>
<tr>
<td>Self-insured reserves and other liabilities</td>
<td>535,879</td>
<td>527,702</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>2,723,732</td>
<td>1,970,301</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>6,442,154</td>
<td>5,722,771</td>
</tr>
<tr>
<td>Restricted</td>
<td>160,476</td>
<td>149,040</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$11,387,617</strong></td>
<td><strong>$9,572,370</strong></td>
</tr>
</tbody>
</table>

### Statements of Operations

**Year Ended June 30**

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from patient services</td>
<td>$7,212,319</td>
<td>$6,826,332</td>
</tr>
<tr>
<td>Revenues from nonpatient sources</td>
<td>519,156</td>
<td>425,348</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>7,731,475</strong></td>
<td><strong>7,251,680</strong></td>
</tr>
<tr>
<td>Employee compensation and benefits</td>
<td>3,499,656</td>
<td>3,438,053</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,355,012</td>
<td>1,302,653</td>
</tr>
<tr>
<td>Building and equipment depreciation</td>
<td>387,918</td>
<td>356,171</td>
</tr>
<tr>
<td>Patient bad debts</td>
<td>555,957</td>
<td>490,219</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>121,681</td>
<td>86,489</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,429,483</td>
<td>1,257,204</td>
</tr>
<tr>
<td><strong>Expenses before Restructuring</strong></td>
<td><strong>7,349,707</strong></td>
<td><strong>6,930,789</strong></td>
</tr>
<tr>
<td>Income from operations before restructuring, impairment and other losses</td>
<td>381,768</td>
<td>320,891</td>
</tr>
<tr>
<td>Restructuring, impairment and other losses</td>
<td>22,190</td>
<td>11,743</td>
</tr>
<tr>
<td><strong>Income from Operations</strong></td>
<td><strong>359,578</strong></td>
<td><strong>309,148</strong></td>
</tr>
<tr>
<td>Investment income</td>
<td>531,010</td>
<td>295,160</td>
</tr>
<tr>
<td>Other nonoperating gains</td>
<td>11,564</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total nonoperating gains</strong></td>
<td><strong>542,574</strong></td>
<td><strong>295,160</strong></td>
</tr>
<tr>
<td><strong>Excess of Revenues Over Expenses</strong></td>
<td><strong>$902,152</strong></td>
<td><strong>$604,308</strong></td>
</tr>
</tbody>
</table>
Community Benefit Summary

<table>
<thead>
<tr>
<th>Benefit to the Poor and</th>
<th>Year Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>the Broader Community</td>
<td>2007</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of Community Benefit Provided to the Poor:</strong></td>
<td></td>
</tr>
<tr>
<td>Cost of charity care provided</td>
<td></td>
</tr>
<tr>
<td>(Free or reduced-cost health services for people who cannot</td>
<td></td>
</tr>
<tr>
<td>afford to pay)</td>
<td>$153,670*</td>
</tr>
<tr>
<td>Unpaid cost of public programs, Medicaid and other</td>
<td></td>
</tr>
<tr>
<td>indigent care programs</td>
<td></td>
</tr>
<tr>
<td>(Cost of services in excess of government reimbursement)</td>
<td>219,005</td>
</tr>
<tr>
<td>Non-billed services for the poor</td>
<td></td>
</tr>
<tr>
<td>(Clinics, meal programs, etc., provided free or at a low</td>
<td></td>
</tr>
<tr>
<td>cost)</td>
<td>7,435</td>
</tr>
<tr>
<td>Cash and in-kind donations for the poor</td>
<td></td>
</tr>
<tr>
<td>(Donations of food, equipment, supplies, etc., to address</td>
<td></td>
</tr>
<tr>
<td>the needs of people who are poor or underserved)</td>
<td>3,275</td>
</tr>
<tr>
<td>Other benefit provided to the poor</td>
<td></td>
</tr>
<tr>
<td>Cost of community benefit provided to the poor</td>
<td>17,273</td>
</tr>
<tr>
<td>**Cost of Community Benefit Provided to the Broader</td>
<td>400,658</td>
</tr>
<tr>
<td>Community:</td>
<td></td>
</tr>
<tr>
<td>Non-billed services for the community</td>
<td></td>
</tr>
<tr>
<td>(Health screenings, tests, etc., provided free or at a low</td>
<td></td>
</tr>
<tr>
<td>cost)</td>
<td>18,075</td>
</tr>
<tr>
<td>Education and research provided for the community</td>
<td></td>
</tr>
<tr>
<td>(Cancer prevention workshops, stop-smoking programs, heart</td>
<td></td>
</tr>
<tr>
<td>disease programs, etc.)</td>
<td>19,136</td>
</tr>
<tr>
<td>Other benefit provided to the community</td>
<td></td>
</tr>
<tr>
<td>Cost of community benefit provided to the broader community</td>
<td>41,927</td>
</tr>
<tr>
<td><strong>Total cost of community benefit</strong></td>
<td>79,138</td>
</tr>
<tr>
<td><strong>Unpaid costs of Medicare</strong></td>
<td></td>
</tr>
<tr>
<td>(Costs of services in excess of government reimbursement)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost of Community Benefit</strong></td>
<td>$842,226</td>
</tr>
<tr>
<td>and the Unpaid Cost of Medicare****</td>
<td></td>
</tr>
</tbody>
</table>

* The amount shown represents the cost of charity care provided. The amount of charity care provided, determined on the basis of charges, was 2.9 percent of gross patient services revenues in both 2007 and 2006.

** Certain adjustments were made to the previously reported 2006 community benefit information to conform to the 2007 presentation.

*** In addition to these amounts, Catholic Health Initiatives incurred bad debt expense of $555,957,000 for 2007 and $490,219,000 for 2006.

Statistics Highlights

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
</tr>
<tr>
<td>Acute inpatient days</td>
</tr>
<tr>
<td>Acute admissions</td>
</tr>
<tr>
<td>Acute average length of stay, in days</td>
</tr>
<tr>
<td>Emergency visits</td>
</tr>
<tr>
<td>Outpatient visits</td>
</tr>
<tr>
<td>Physician visits</td>
</tr>
<tr>
<td>Home-based health patients</td>
</tr>
<tr>
<td>Residential days</td>
</tr>
<tr>
<td>Long-term care days</td>
</tr>
<tr>
<td>Full-time equivalent employees</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Acute inpatient revenues as a percentage of total net revenues from patient services</td>
</tr>
</tbody>
</table>