A NEW VISION

Forging Our Future

Catholic Health Initiatives
For the vision still has its time, presses on to fulfillment, and will not disappoint. If it delays, wait for it, it will surely come, it will not be late.

Habakkuk 2:3
Dear Catholic Health Initiatives Family and Friends,

The past year brought some of the most challenging conditions for the delivery of health care that we have ever seen. Changing economic conditions and emerging reform promise that the health care landscape will continue to evolve.

After a year of refocusing, rebuilding and reinventing ourselves, Catholic Health Initiatives is prepared to meet the challenge. We met, and then exceeded, our operating performance goals for fiscal year 2009. Now, we are well positioned to continue to achieve our strategic objectives and our vision.

Catholic Health Initiatives has an unchanging mission: to nurture the healing ministry of the Church by bringing it new life, energy and viability in the 21st century. Our vision – how we intend to achieve the mission – was refocused and updated this year as part of our new strategic plan. You’ll find our new vision statement, and many examples of our progress toward that vision, in this annual report.

This year also brought a significant and historic change to the governance structure of Catholic Health Initiatives. In April, we received permission from the Vatican to change our Board of Stewardship Trustees to a self-perpetuating board. This means that the entire board will now participate in the approval of new members. A majority of the board members will continue to be of the Roman Catholic faithful. This new structure is what was envisioned by the foundresses who formed this system in 1996. Thirteen years later, their vision for the sponsorship and governance of Catholic Health Initiatives is a reality.

As we continue on our journey, we would like to thank all those who work within, support and pray for Catholic Health Initiatives. We are committed to providing the leadership that will forge the future of our health care system, and of health care itself.

Phyllis Hughes, RSM
Chair, Board of Stewardship Trustees

Kevin E. Lofton, FACHE
President and Chief Executive Officer
The Catholic Health Initiatives Board of Stewardship Trustees approved an updated strategic plan that is a significant departure from previous plans. The Strategic Plan: 2010-2015 spans a longer timeframe than past plans. It unites the national office and market-based organizations in a collective effort to achieve one strategic plan for all of Catholic Health Initiatives. The plan’s strategic objectives and metrics directly relate to the system’s four core strategies: People, Quality, Stewardship and Growth. The plan is also a realization of Catholic Health Initiatives’ new operating model and moves the system toward greater reliance on best practices developed by its market-based organizations.

Board Strategic Planning Committee members (from left) Andrea Lee, IHM, PhD; Kevin Lofton; David Lincoln; and Mary Jo Potter; with John DiCola, staff to the committee.

Catholic Health Initiatives brought clarity and accountability to its operations through a new strategic plan. In a year of global economic recession, the system worked to establish a balance between performance and growth – improving operational performance in order to invest in the future.
Leaders across the system helped to create a new vision statement for Catholic Health Initiatives: a modern, aspirational and compelling vision to accompany a steadfast mission. This is the vision of Catholic Health Initiatives:

To live up to our name as One CHI:

**Catholic**
Living our Mission and Core Values.

**Health**
Improving the health of the people and communities we serve.

**Initiatives**
Pioneering models and systems of care to enhance care delivery.
A focus group of employees at St. Anthony Hospital, Pendleton, Oregon, reviewed potential cover designs for SPIRIT, a new publication that helps employees improve their physical and financial health. SPIRIT is one of the first initiatives of the Healthy Spirit program, which helps to keep employees connected to one another and to the mission and ministry of Catholic Health Initiatives. Focus groups were also held at Franciscan Health System, Tacoma, Washington; Mercy Medical Center, Des Moines, Iowa; and Catholic Health Initiatives’ Northern Kentucky office.

“Discussing the proposed designs for SPIRIT was an interesting experience,” said Teresa Howell, a member of the focus group at St. Anthony. “It’s fascinating that a group of people can look at a photo or a headline, see different things in it and react in different ways. It was a reminder that while we all work together, we are individuals.” The Healthy Spirit program has been designed to help each individual within Catholic Health Initiatives, as well as their loved ones, achieve personal, physical and financial wellness.

St. Anthony Hospital employees (from left) Lori Weaver, administrative assistant; Kerri Dunn, medical staff coordinator; Teresa Howell, human resources assistant; and Amy Houger, pharmacist, considered potential designs for Catholic Health Initiatives’ new employee publication, SPIRIT.
Every Catholic Health Initiatives employee participates in a sacred trust: to care for the communities they serve and for each other.

**Workforce Philosophy**

Catholic Health Initiatives’ workforce philosophy can be expressed in a few words: to develop the workforce necessary to realize the organization’s strategic objectives. In practice, that philosophy is driving major change in the 69,700-employee system’s human resources practice.

“We are committed to redesigning our human resources service delivery model,” said Herb Vallier, senior vice president of human resources and chief human resources officer. “We need to recruit the right employees, who will engage in and be accountable for their work. We need to help leaders throughout the system provide employees with development opportunities and reinforce the presence of our core values in our work community.”

Catholic Health Initiatives’ Human Resources Operations Leadership Council is poised to meet this challenge. Made up of senior human resources leaders from across the system, the council was originally formed to identify cost-reduction opportunities. The council has moved on to the redesign of the system’s human resources model.

“The implementation of the CHI Connect system removed a lot of transactional work from human resources and gave us the opportunity to develop our future strategic role,” said Vallier. “We’ve worked hard these past few years to become One CHI, and we need one human resources voice for our system.”

**Distinctive Culture**

Catholic Health Initiatives will create a distinctive, high-performance culture. Success will be achieved when 70 percent of employees and 85 percent of leaders in strategic positions provide a favorable rating on the Core Values/Performance Climate Assessment, a measure of employee satisfaction.
St. Mary’s Healthcare Center, Pierre, South Dakota, achieved significant improvement in its perfect care scores for heart failure and surgical care. Through many rounds of data collection, the hospital staff found that progress toward perfect care requires persistence and focused effort. New resources, such as pre-printed orders and discharge forms specific to heart failure patients, and new services, such as outpatient care for heart failure, improved St. Mary’s perfect care rate for heart failure from 63 percent (July to December 2007) to 93 percent (July to December 2008). In the same time frame, surgical care improvement, including a “time out” to check vital patient information before surgery, increased that perfect care rate from 59 percent to 92 percent.

Surgical team members (from left) Dave Lonbaken, MD, Evey Flax and Chris Olson perform a “time out” at St. Mary’s Healthcare Center.
For Catholic Health Initiatives, person-centered care is personalized, matching each person’s needs, values and preferences; comprehensive, taking a broad and long-term view; and collaborative, encouraging each person to take an active role in his or her health care decisions.

DESTINATION METRICS

Catholic Health Initiatives will track its progress with the help of destination metrics: measurable results that the system intends to achieve by 2020. For the core strategy of Quality, Catholic Health Initiatives set three destination metrics.

Evidence-Based Practices
At least 85 percent of care provided will conform to Catholic Health Initiatives’ approved evidence-based practices. Evidence-based practices, based on published research and expert guidelines, are proven to result in better outcomes.

High Scores from Patients
Catholic Health Initiatives will be in the top 10 percent of the nation’s health care providers in patient evaluations of their care experiences. Patients’ perspectives on their care are gathered by the Hospital Consumer Assessment of Health-care Providers and Systems (HCAHPS) and the Ambulatory Care Assessment of Healthcare Providers and Systems (ACAHPS). These are national, standardized and publicly reported surveys administered by the Centers for Medicare and Medicaid Services.

Zero Serious Adverse Events
Catholic Health Initiatives will prevent serious adverse events within its hospitals.
“Perfect care” is delivering the right care, to the right patient, at the right time and in the most efficient way. Catholic Health Initiatives tracks its perfect care scores for four frequent patient conditions that require complex care, as well as careful coordination and timing. “Perfect care reminds us that it’s not the condition that’s important, it’s the patient,” said Steve Moore, MD, senior vice president and chief medical officer for Catholic Health Initiatives. As a system, Catholic Health Initiatives is working toward 100 percent perfect care for heart attack, heart failure, pneumonia and surgical care.

DETAIL  
(From left) Anita Baker, Karen Gallagher, Jennifer Kelly, Gayle Varty, Sandy Jacobsen, Lori Edman and Linda Thorson work on tools for perfect care at St. Mary’s Healthcare Center, Pierre, South Dakota.
Strong Foundation, Goals to Meet

In March, Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) data from Catholic Health Initiatives’ hospitals were posted to the Hospital Compare Web site for the first time. The Centers for Medicare and Medicaid Services maintains the Hospital Compare site so consumers can compare hospitals’ scores and clinical results.

For the most recently available data – July 2008 through June 2009 – on average, Catholic Health Initiatives’ aggregate scores compare favorably to national averages. The system is developing resources and processes to be in the top 10 percent of scores by 2020.

Patient Perceptions of Catholic Health Initiatives Performance Compared to National Data

![Chart showing patient experience ratings for various categories: Nurse Communication, Doctor Communication, Responsiveness of Hospital Staff, Cleanliness of Room/Bathroom, Quietness of Area Around Room at Night, Pain Management, Communication About Medicines, Discharge Information, Overall Rating of Hospital, Patient Advocacy (Likelihood to Recommend). The CHI Top Box scores are in red, and the U.S. Top Box scores are in black.]

* Data from the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS), July 2008-June 2009
** “Top Box” refers to the most favorable of multiple possible answers to HCAHPS survey questions.

Progress in Perfect Care Scores

<table>
<thead>
<tr>
<th>TOP PERFORMERS</th>
<th>PERCENT OF IMPROVEMENT</th>
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<tbody>
<tr>
<td>Flaget Memorial Hospital, Bardstown, Kentucky: Heart Failure</td>
<td>42%</td>
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<tr>
<td>Flaget Memorial Hospital, Bardstown, Kentucky: Surgical Care</td>
<td>27%</td>
</tr>
<tr>
<td>Memorial Hospital, Chattanooga, Tennessee: Pneumonia</td>
<td>19%</td>
</tr>
<tr>
<td>Memorial Hospital, Chattanooga, Tennessee: Surgical Care</td>
<td>19%</td>
</tr>
<tr>
<td>Mercy Medical Center, Roseburg, Oregon: Pneumonia</td>
<td>30%</td>
</tr>
<tr>
<td>St. Catherine Hospital, Garden City, Kansas: Pneumonia</td>
<td>44%</td>
</tr>
<tr>
<td>St. Joseph Medical Center, Reading, Pennsylvania: Surgical Care</td>
<td>29%</td>
</tr>
<tr>
<td>St. Mary’s Healthcare Center, Pierre, South Dakota: Heart Failure</td>
<td>30%</td>
</tr>
<tr>
<td>St. Mary’s Healthcare Center, Pierre, South Dakota: Surgical Care</td>
<td>40%</td>
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</tbody>
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To prepare for implementation of nine evidence-based care bundles in 2010, 10 MBOs volunteered to test Catholic Health Initiatives’ model by implementing proven practices for the prevention of catheter-associated urinary tract infections (CAUTI). “The CAUTI bundle is a complete recipe for improving outcomes for patients who have urinary catheters,” said Nancy Hoyt, RN, chief nursing officer and chief operating officer at Mercy Regional Medical Center, Durango, Colorado. Systemwide implementation will be complete in fiscal year 2010. “It takes effort and teamwork, but none of us can pass up a chance to improve patient care,” Hoyt said.

**CAUTI Pioneers**

**Market-based organizations that tested Catholic Health Initiatives’ model for evidence-based practice implementation:**

- Good Samaritan Health Systems, Kearney, Nebraska
- Mercy Medical Center, Des Moines, Iowa
- Mercy Regional Medical Center, Durango, Colorado
- Saint Clare’s Health System, Denville, New Jersey
- Saint Elizabeth Health Systems, Lincoln, Nebraska
- Saint Francis Medical Center, Grand Island, Nebraska
- Saint Joseph Health System, Lexington, Kentucky
- St. Francis Medical Center, Breckenridge, Minnesota
- St. Joseph Regional Health Network, Reading, Pennsylvania
- St. Mary’s Community Hospital, Nebraska City, Nebraska

**DETAIL**

Courtney Wolf, RN, practices rigorous hand washing at Mercy Medical Center, Durango, Colorado.
Creating the Model for Evidence-Based Practice

To deliver the safest, most effective care, Catholic Health Initiatives designed its evidence-based practice model based on research results, clinical expertise and patient preferences. “The idea is that every patient, wherever they are in the system, will consistently receive high-quality care,” said Kathy Sanford, RN, DBA, senior vice president and chief nursing officer for Catholic Health Initiatives. “That aligns with our strategic initiatives, with being One CHI, and with our dedication to doing what’s best for our patients.”

During fiscal year 2010, all market-based organizations will implement evidence-based practices for:

- Catheter-Associated Urinary Tract Infection Prevention
- Fall Prevention
- Healthcare-Associated Infection Prevention
- Surgical Error Prevention
- Heart Failure – Discharge Instructions
- Pain Management

Prize-Winning Posters

The top three winners of the poster presentation at the 2009 Catholic Health Initiatives Quality and Risk Management Conference

**1st Place**

*Saint Elizabeth Regional Medical Center, Lincoln, Nebraska: Improving Severe Sepsis Outcomes*

**Runner up – Winner**

*Saint Clare’s Hospital/Denville, Denville, New Jersey: Venous Thromboembolism Prophylaxis Innovations in a Surgical Population*

**Primary Contact & Practice Submitter:**

Norma Atienza, RN
Director, Clinical Quality and Epidemiology

**Runner up – Winner**

*Saint Joseph - Berea, Berea, Kentucky: Improvement In Blood Glucose Control through Utilization of Evidence-Based Protocols*

**Primary Contact & Practice Submitter:**

Pat Patton, RN
Vice President Patient Care Services/Chief Nursing Officer
Growing a Culture of Non-Violence

As part of Catholic Health Initiatives’ national campaign, United Against Violence, the Mission and Ministry Fund awarded more than $500,000 in grants, for implementation in fiscal year 2010, to support violence prevention. The Growing Great Kids in Southeast Nebraska program at St. Mary’s Community Hospital, Nebraska City, Nebraska, promotes healthy families, including the use of non-violent discipline and coping strategies. With a Violence Prevention Grant from the Mission and Ministry Fund, the program will expand into efforts to change community attitudes toward violent behavior.

Brooke Chaney (left), family resources specialist for Growing Great Kids in Southeast Nebraska, helps Veronica Martinez create a healthy environment for her baby, Natalie Campbell.
Good stewardship of financial resources enables Catholic Health Initiatives to address deep-rooted issues that affect the health of individuals and entire communities, including violence.

Catholic Health Initiatives will track its progress with the help of destination metrics: measurable results that the system intends to achieve by 2020. For the core strategy of Stewardship, Catholic Health Initiatives set two destination metrics.

**Violence Reduction**
All market-based organizations will work to identify, and then achieve, community-defined goals for violence reduction and prevention.

**Financial Performance**
Catholic Health Initiatives’ financial performance will be in the top 25 percent of comparable health care systems nationwide.
Saint Clare’s Health System, Denville, New Jersey, provides employees with education that helps them understand the causes and effects of violence. Representatives from Jersey Battered Women’s Services lead classes that help employees identify and deal with violent situations. A Violence Prevention Grant from the Catholic Health Initiatives Mission and Ministry Fund to Saint Clare’s Community Response to Violence project will help Saint Clare’s bring community organizations and social services together to assess violence in the community. As a result, primary prevention programs can be initiated to address this important issue.

From left) Jane Shivas of Jersey Battered Women’s Services talks with Saint Clare’s employees Cynthia Lyons, RN, Moira Cumella, RN and Malgorzata Morusiewicz, RN.
Violence Prevention Grants Awarded

The Mission and Ministry Fund of Catholic Health Initiatives awarded the following Violence Prevention Grants, the first that will be used to help achieve the system’s destination metric for violence prevention.

- Franciscan Foundation, Tacoma, Washington
- Good Samaritan Hospital Foundation, Cincinnati, Ohio
- Holy Rosary Medical Center, Ontario, Oregon
- Jewish Hospital & St. Mary’s HealthCare, Louisville, Kentucky
- Mercy Medical Center, Des Moines, Iowa
- Mercy Medical Center, Nampa, Idaho
- Saint Clare’s Health System, Denville, New Jersey
- Samaritan Behavioral Health, Dayton, Ohio
- St. Francis Medical Center, Breckenridge, Minnesota
- St. Joseph Regional Health Network, Reading, Pennsylvania
- St. Joseph’s Area Health Services, Park Rapids, Minnesota
- St. Mary’s Community Hospital, Nebraska City, Nebraska
- Unity Family Healthcare, Little Falls, Minnesota

The grants listed above total more than $500,000. In addition, the Mission and Ministry Fund awarded $2.2 million in grants to support the planning, development and implementation of initiatives to promote healthy communities across the country and around the world.
A change to a regional leadership structure for information technology helped Catholic Health Initiatives make new, productive use of limited resources. In North Dakota, information technology and clinical leaders worked on a solution to a long-term challenge – providing 24-hour pharmacist coverage at the state’s small, geographically dispersed hospitals. A new service, ePharmacist Direct, gives Catholic Health Initiatives’ hospitals in Williston, Carrington, Dickinson, Oakes, Lisbon and Devils Lake, as well as hospitals in McVille, North Dakota, and Detroit Lakes, Minnesota, 24-hour access to the services of a licensed clinical pharmacist. The service uses live video and audio to connect a pharmacist in Fargo with nurses and technicians obtaining and preparing patient medications in remote locations. The initiative is on track to serve a total of 16 sites by January 2010. “The pharmacist’s visual verification of the medications being prepared at the remote sites is a valuable safety check,” said Steve Moore, MD, senior vice president and chief medical officer for Catholic Health Initiatives. “The ePharmacist Direct team quickly becomes a trusted partner of the care teams in all the connected locations.”

Rick Melbye, PharmD, is an ePharmacist Direct clinical pharmacist in Fargo, North Dakota.
Reworking the Revenue Cycle

During fiscal year 2009, Catholic Health Initiatives began a redefinition and reorganization of its revenue cycle. This work is conservatively estimated to yield $75 million in revenue during the next five years. For example, staff training designed to improve point-of-service cash collection is expected to significantly reduce bad debt expense, strengthening the ministry for the future. "Consistent procedures in our hospitals' 'points of access'— such as scheduling, pre-registration, admission, insurance verification and more — will lead to significant performance improvements and, more importantly, will make the process more convenient for patients," said Peter Savini, vice president of revenue cycle management for Catholic Health Initiatives.

Turning the Balance Sheet Around

In December 2007, Mercy Medical Center, Williston, North Dakota, was on track to lose $3 million during fiscal year 2008. The leadership set an ambitious goal to break even for the year by reducing expenses $1.3 million and increasing revenue $1.7 million. The hospital’s chief executive officer and vice presidents started the reductions with a management reorganization. “The hospital had a reduction in workforce 30 years ago that the community still talks about,” said Kerry Monson, interim chief executive officer and vice president of finance. “We knew we had to start at the top.” The team also raised revenue by converting the hospital to critical access status, reducing the hospital’s bed count to 25 but increasing reimbursement from government payers. “We held community forums that did a lot to take away negativity and increase support,” said Monson. For the 2009 fiscal year, Mercy posted operating income of $840,000 and an operating margin of 1.9 percent. In addition to Mercy, Memorial Health Care System, Chattanooga, Tennessee, and St. Francis Medical Center, Breckenridge, Minnesota, posted healthy financial turnarounds for the 2009 fiscal year.
Three Catholic Health Initiatives hospitals in Nebraska – Saint Elizabeth Regional Medical Center, Lincoln; Good Samaritan Hospital, Kearney; and Saint Francis Medical Center, Grand Island – created a new, regional model of home health care that promises excellent care delivery and a self-sustaining margin. Using the home health service line established by Centura Health in Colorado as a framework for its model, HealthConnect at Home centralizes administrative functions at Saint Elizabeth. Home service coordinators in all three locations manage patients who are discharged with home care instructions. Under the leadership of its new director, Larry Disney, HealthConnect at Home employs about 165 caregivers.

The service line is now on track to go from a $600,000 annual loss to a $1 million margin during fiscal year 2010, preserving patient access to home care services and creating the ability to hire more specialized staff for patient care. “Home health care is an essential part of the continuum of care,” said Kim Moore, RN, a project sponsor and vice president of nursing at Saint Elizabeth. “We’re thrilled to be able to continue home health and hospice services, to add new services like home infusion, and to prevent hospital readmission of discharged patients.”

*Kathy Carranza (right), LPN for HealthConnect at Home, checks Ken Rinker’s blood pressure in his home.*
For Catholic Health Initiatives, growth means developing new service lines and new methods of health care delivery to meet the needs of its communities and to extend the scope and reach of its ministry.

Catholic Health Initiatives will track its progress with the help of destination metrics: measurable results that the system intends to achieve by 2020. For the core strategy of Growth, Catholic Health Initiatives set one destination metric.

Caring for Patients Outside Hospital Walls
Catholic Health Initiatives intends to develop new settings and methods of care outside the walls of its hospitals. These new facilities and methods mean that 65 percent of net patient service revenue will come from sources other than hospital inpatient care.
As a standalone hospital, Enumclaw Regional Hospital, Enumclaw, Washington, had a strong balance sheet, but needed a replacement facility that it could not finance on its own. In 2007, the hospital joined Franciscan Health System of Tacoma and became a member of the Catholic Health Initiatives family. The hospital’s replacement facility is now under construction.

"With Franciscan Health System and Catholic Health Initiatives, we were able to access the capital we needed," said Dennis Popp, president and chief operating officer. "Our new affiliation has ensured that our hospital will remain part of the community. The services and support of Franciscan Health System are enabling us to care for more patients, too."

Shelly Pricco, RN (left), director of patient care services, reviews construction progress with Dennis Popp (right), president of the hospital, and David Rice, MD, medical staff president.
Two new Catholic Health Initiatives facilities opened during the 2009 fiscal year.

Franciscan Health System of Tacoma opened St. Anthony Hospital, Gig Harbor in March. St. Anthony, licensed for 80 beds, is the first hospital on Washington’s Kitsap Peninsula. The facility is distinguished by environmentally sensitive construction and a soothing, healing environment.

The Saint Joseph-Jessamine RJ Corman Ambulatory Care Center opened in December 2008. The facility has the only 24-hour emergency room in Jessamine County, Kentucky, as well as diagnostic imaging, laboratory services, physician offices and a community center.

Meeting the Need for Neurosurgery Services

Market-based organizations are planning for growth through new and enhanced service lines that will meet the needs of their communities. Mercy Medical Center, Des Moines, Iowa, added three new neurosurgeons to its neurosurgery service line on July 1, 2009. As a result, many Des Moines-area patients in need of neurosurgery services no longer have to travel hours from home to receive help. The new practice took referrals immediately. It now provides 24-hour call coverage, sees an average of 20 patients in the outpatient clinic each day, and provides services to neonatal and pediatric patients, novel populations for Mercy neurosurgery. Mercy also brought a physiatrist on board to work in collaboration with the neurosurgery and orthopedic practices, functioning as a gatekeeper for patients with back and cervical pain.
Catholic Health Initiatives published the 10th edition of Sacred Stories, stories of lived spirituality at work, written by employees, physicians, volunteers, board members and others associated with the ministry. The stories exemplify the core values in action and serve as a source of inspiration, reflection and prayer.

**Lofton Honored by Modern Healthcare**

Kevin Lofton, FACHE, president and chief executive officer of Catholic Health Initiatives, appeared on Modern Healthcare magazine’s annual list of the “100 Most Powerful People in Healthcare” for the sixth time. As a past chair of the American Hospital Association’s Board of Trustees, he continues to serve as a key spokesman for the organization.

**Scanlon Chairs CHA Board**

Colleen Scanlon, RN, JD, senior vice president of advocacy for Catholic Health Initiatives, was installed as chair of the Board of Trustees of the Catholic Health Association, the national advocate for Catholic health care. She will be chair of the organization’s 25-member board until June 2010.

**Sanford on AHA Board**

Kathleen Sanford, RN DBA, FACHE, senior vice president and chief nursing officer, was elected to the American Hospital Association’s Board of Trustees for a three-year term. Sanford is also past president of the American Organization of Nurse Executives.

**Raising Awareness About Climate Change**

Along with Covenant Health Systems and Trinity Health, Catholic Health Initiatives worked with the Catholic Health Association on a ministry-wide effort to raise awareness about global climate change. The four organizations received a $20,000 grant from the National Religious Partnership for the Environment and the Catholic Coalition on Climate Change for a year-long initiative to develop educational programs and collaborative activities.

**Environmental Stewardship**

With assistance provided through Catholic Health Initiatives’ partnership with Practice Greenhealth, market-based organizations continued their commitment to environmental stewardship. Goals include elimination of mercury and Styrofoam, medication take-back programs and more.
National Honors

The following Catholic Health Initiatives facilities achieved national recognition for quality during the 2009 fiscal year.

American College of Cardiology Foundation: Silver Performance Achievement Award
**Mercy Medical Center**, Des Moines, Iowa

American College of Surgeons: Commission on Cancer Outstanding Achievement Award
**Good Samaritan Hospital**, Dayton, Ohio

American Heart Association and American Stroke Association: Triple Performance Achievement Award
**St. Anthony Central Hospital**, Denver, Colorado

American Heart Association and American Stroke Association: Gold Sustained Performance Award
**St. Anthony North Hospital**, Westminster, Colorado

American Medical Group Association: Acclaim Award
**Mercy Medical Center**, Des Moines, Iowa

American Society for Metabolic and Bariatric Surgery: Center of Excellence
**Mercy Medical Center**, Des Moines, Iowa

American Stroke Association: Gold Performance Achievement Award
**Jewish Hospital**, Louisville, Kentucky
**St. Anthony Central Hospital**, Denver, Colorado
**Sts. Mary & Elizabeth Hospital**, Louisville, Kentucky

BlueCross BlueShield Association: Blue Distinction Center for Bariatric Surgery
**Memorial Hospital**, Chattanooga, Tennessee
**Saint Elizabeth Regional Medical Center**, Lincoln, Nebraska

Hospitals & Health Networks Magazine: 100 Most Wired Hospitals and Health Systems
**Enumclaw Regional Hospital**, Enumclaw, Washington
**TriHealth**, Cincinnati, Ohio

Modern Healthcare: Spirit of Excellence Award for Team
**Saint Francis Medical Center**, Grand Island, Nebraska

National Research Corporation: Consumer Choice Award
**Memorial Hospital**, Chattanooga, Tennessee
**Mercy Medical Center**, Des Moines, Iowa
**St. Joseph Medical Center**, Tacoma, Washington

Network for Regional Healthcare Improvement: Quality Recognition
**Alegent Health**, Omaha, Nebraska

Nursing Professionals Magazine: Top 100 Hospitals for Nurses
**Jewish Hospital**, Louisville, Kentucky
**Penrose-St. Francis Health Services**, Colorado Springs, Colorado

Practice Greenhealth: Making Medicine Mercury-Free Award
**St. Joseph Health Network**, Reading, Pennsylvania

Practice Greenhealth: Environmental Excellence Award
**Mercy Medical Center**, Roseburg, Oregon
**Saint Clare’s Hospital**, Boonton Township, New Jersey
**Saint Clare’s Hospital**, Denville, New Jersey
**Saint Clare’s Hospital**, Dover, New Jersey
**Saint Clare’s Hospital**, Sussex, New Jersey
**Saint Francis Medical Center**, Grand Island, Nebraska

Thomson Reuters 100 Top Hospitals: Performance Improvement Leaders
**Saint Joseph East**, Lexington, Kentucky
**St. Anthony Central Hospital**, Denver, Colorado
**St. Mary’s Healthcare Center**, Pierre, South Dakota

U.S. News & World Report: Best Hospitals
**Jewish Hospital**, Louisville, Kentucky
**Penrose-St. Francis Health Services**, Colorado Springs, Colorado
**Saint Elizabeth Regional Medical Center**, Lincoln, Nebraska

St. Clare Hospital,
Lakewood, Washington

St. Francis Hospital,
Federal Way, Washington

St. Joseph Medical Center,
Tacoma, Washington

St. Joseph Medical Center,
Towson, Maryland

St. Joseph Regional Health Network,
Reading, Pennsylvania

SDI Health, LLC: Integrated Health Network 100
**Alegent Health**, Omaha, Nebraska
**Franciscan Health System**, Tacoma, Washington

Thomson Reuters:
100 Top Hospitals
**Alegent Health-Bergan Mercy Medical Center**, Omaha, Nebraska
**Good Samaritan Hospital**, Cincinnati, Ohio
**Memorial Health Care System**, Chattanooga, Tennessee
**Saint Elizabeth Regional Medical Center**, Lincoln, Nebraska
**Saint Joseph East**, Lexington, Kentucky
**Saint Joseph - London**, London, Kentucky

U.S. News & World Report: Best Hospitals
**Jewish Hospital**, Louisville, Kentucky
**Penrose-St. Francis Health Services**, Colorado Springs, Colorado
**Saint Elizabeth Regional Medical Center**, Lincoln, Nebraska
Mission and Ministry Fund Grants
The Catholic Health Initiatives Mission and Ministry Fund awarded 34 grants, totaling more than $2.7 million, for implementation in fiscal year 2010. The grants support the planning, development and implementation of initiatives to promote healthy communities across the country and around the world. Established in 1996 by Catholic Health Initiatives’ founding congregations, the Mission and Ministry Fund has awarded 241 grants totaling approximately $29 million to programs around the globe.

Support for Mercy Housing
Catholic Health Initiatives announced a $6 million gift to its strategic partner, Mercy Housing, the largest ever for the nonprofit housing organization based in Denver. The donation will help Mercy Housing provide affordable homes for low-income families, seniors and people with special needs in Omaha and Lincoln, Nebraska, and Council Bluffs, Iowa. With the Catholic Health Initiatives donation, Mercy Housing was also able to leverage an additional $18.3 million in tax credits.

Hurricane Evacuees at St. Vincent
St. Vincent Health System, Little Rock, Arkansas, admitted 63 patients evacuated from Louisiana in preparation for Hurricane Gustav. The Arkansas Department of Emergency Management complimented St. Vincent for accepting the most evacuees among area hospitals and doing so in an efficient, high-quality manner. St. Vincent Infirmary Medical Center opened its new emergency department three days early to help with the influx of patients.

Catholic Health Initiatives announced a $6 million gift to Mercy Housing, the largest ever for the nonprofit housing organization.
Gene Mapping Project
Catholic Health Initiatives was awarded a $1.1 million contract on behalf of the National Cancer Institute as part of The Cancer Genome Atlas Project. The three-year subcontract was issued by SAIC-Frederick, Inc., which operates the laboratories of the National Cancer Institute at Frederick, Maryland. The subcontract will enable Catholic Health Initiatives hospitals to collect and contribute biospecimens from specific types of tumors to The Cancer Genome Atlas.

New MBO Structure in Nebraska
The boards of directors of Catholic Health Initiatives’ ministries in Nebraska voted to create a common parent organization, forming the second-largest health care system in the state. Good Samaritan Health Systems, Kearney; Saint Elizabeth Health Systems, Lincoln; Saint Francis Medical Center, Grand Island; and St. Mary’s Community Hospital, Nebraska City, now report to a joint, statewide board in the new governance structure and the four ministries are a single market-based organization. Each ministry also has a local governing board and a local CEO.

Nebraska Central Business Office
In March, Catholic Health Initiatives opened a Central Business Office in Nebraska using a unique model built on geographically dispersed centers of excellence. One of four Central Business Offices that serve the market-based organizations, the Nebraska office is the first with a staff based in multiple locations. The Central Business Offices focus on revenue collection, including patient billing, posting and customer service.

Cardiac Stem Cell Infusion
A team of researchers and physicians in Louisville, Kentucky, performed the world’s first phase-one, FDA-approved clinical trial using “c-kit-positive” adult cardiac stem cells at Jewish Hospital. Study participants are injected with their own cardiac stem cells to treat heart disease. Study participants are being monitored to determine if the stem cells help their hearts regenerate their own tissue and improve heart function.

National Office Review
Catholic Health Initiatives completed a review of its national office operations, leadership and structure. The goal was to ensure that the national office is organized to provide value to the market-based organizations and to implement the strategic plan. By eliminating unnecessary expenses and focusing on work of greatest value to the market-based organizations, Catholic Health Initiatives also realized savings of nearly $45 million in fiscal year 2009.

Bond Ratings Affirmed
Catholic Health Initiatives was notified in October 2009 that all three credit rating agencies — Standard and Poor’s, Moody’s and Fitch — affirmed its existing AA rating and stable outlook.

Letter of Intent for Transfer
Catholic Health Initiatives and the Sisters of Mercy Health System, St. Louis, Missouri, signed a letter of intent to formally explore a proposed transfer of sponsorship of St. John’s Regional Medical Center, Joplin, Missouri. On November 1, 2009, St. John’s transferred to the Sisters of Mercy Health System. The Sisters of Mercy Health System operates 19 acute care hospitals as well as physician practices, outpatient clinics, health plans and related health and human services in a seven-state area.
BOARD OF
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Not Pictured
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Clinical Informatics
Research and Development Center of IT Leadership
Partners HealthCare System
Wellesley, Massachusetts

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Research Professor
Department of Health Policy
George Washington University School of Public Health and Health Services
Washington, DC
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Aston, Pennsylvania

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

Judy Raley, SCN
Sisters of Charity of Nazareth
Nazareth, Kentucky

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Watertown, South Dakota

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Franciscan Sisters of Little Falls, Minnesota

Rita Beason, OSF
Sisters of St. Francis of Colorado Springs
Colorado Springs, Colorado

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

Mary Jo Lewis, MD
Associate Member
Sisters of the Presentation of the Blessed Virgin Mary
Fargo, North Dakota

Alice Armata, OP
Congregation of the Dominican Sisters of St. Catherine of Siena
of Kenosha, Inc.
Kenosha, Wisconsin

Barbara Hagedorn, SC
Sisters of Charity of Cincinnati
Cincinnati, Ohio
A NEW VISION

Senior Leadership Team
As of September 2009

Seated (left to right):

Robert J. Lanik, FACHE
Senior Vice President
Divisional Operations and CEO, Saint Elizabeth Health Systems, Lincoln

Eugene A. Woods, FACHE
Senior Vice President
Divisional Operations and CEO, Saint Joseph Health System, Kentucky

M. Elizabeth O’Brien
Senior Vice President
Group Executive Officer

Mitch H. Melfi, Esq.
Senior Vice President
Legal Services and General Counsel

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

Paul W. Edgett III
Senior Vice President
National Business Lines

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

Kevin E. Lofton, FACHE
President and Chief Executive Officer

Standing (left to right):

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Senior Vice President
Divisional Operations and CEO, Franciscan Health System, Tacoma

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Vice President
Corporate Responsibility Officer

Stephen L. Moore, MD
Senior Vice President and Chief Medical Officer

Jeffrey S. Drop
Senior Vice President
Division Executive Officer

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

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Supply Chain

Joyce M. Ross
Senior Vice President
Communications

Susan M. Peach, RN
Senior Vice President
Performance Management

David H. Vellinga, FACHE
Senior Vice President
Divisional Operations and CEO, Mercy Health Network, Des Moines

Not pictured:

Colleen M. Blye
Executive Vice President
Finance and Integrated Services

Philip L. Foster
Senior Vice President
and Chief Risk Officer

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Senior Vice President
Group Executive Officer

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Human Resources and Chief Human Resource Officer
Introduction

Catholic Health Initiatives achieved better than expected operating performance during the fiscal year ended June 30, 2009, amid economic and health care industry challenges. Although performance during the first five months of the fiscal year was significantly below expectations, Catholic Health Initiatives successfully delivered on performance improvement initiatives during the second half to end the year substantially ahead of plan and the prior year.

Several changes were made as of June 30, 2009, in the statement of operations. These changes did not affect overall excess (deficiency) of revenues over expenses and were made to refine categorization of income components related to core operations versus activities peripheral to core operations. Certain items included in revenues from nonpatient sources are now displayed as a component of other nonoperating losses. These changes were also made to the statement of operations for the year ended June 30, 2008, for comparative purposes. Key changes are:

- First Initiatives Insurance, Ltd (FIIL) investment income – FIIL investment income/(loss) is now reported as a separate line in the operating revenue section. These earnings support operations of the organization and, as such, are included in operating revenues.

- Nonoperating component of Joint Operating Agreement (JOA) income share arrangements – Catholic Health Initiatives participates in income share arrangements with three joint operating agreements that were previously reported in revenues from nonpatient sources. The portion of the income share related to nonoperating activities is now reflected in other nonoperating losses. The portion of the income share related to operating activities continues to be included in revenues from nonpatient sources.

In April 2009, Catholic Health Initiatives’ management signed a letter of intent to transfer its Missouri facilities to an unrelated third party. The associated operations have been reported as discontinued operations and are excluded from the statement of operations for fiscal years 2009 and 2008.

Summary of Results

Results of operations showed a decline in year-over-year financial performance. Operating margin before restructuring, impairment and other losses for fiscal year 2009 was 2.2 percent, compared to the fiscal year 2008 margin of 2.4 percent. However, the operating margin excluding restructuring, impairment and other losses, First Initiatives Insurance, Ltd investment losses and the nonoperating portion of the Jewish/St. Mary’s joint venture (included in income from operations) was 3.4 percent compared to 2008 results of 2.6 percent. In management’s opinion, this ‘internal metric’ is a better indication of controllable operations, particularly because it excludes components of operations related to investment performance.

During the year ended June 30, 2009, Catholic Health Initiatives recorded nonrecurring expenses in the statement of operations of $34.7 million related to asset impairments and changes in business operations, including reorganization and severance costs. Impairment charges in the statement of operations totaled $10.4 million, with the majority related to performance and recoverability of long-lived assets at a hospital.

Investment performance was extremely unfavorable for the 2009 fiscal year. Instability in investment and credit markets continued to cause adverse conditions in U.S. and global markets. This affected investment performance and the short-term cost of capital.

The excess of revenues over expenses and earnings before interest, depreciation and amortization (EBIDA) margins for fiscal year 2009, affected by the decline in investment performance and restructuring, impairment and other losses, were below historical levels at negative (5.9) percent and positive 1.3 percent, respectively. This compares to prior-year levels of positive 1.0 percent and 7.8 percent.

Organizational changes reflected in the results of operations for fiscal year 2009 included a full year of operations for a health system in Denville, New Jersey (purchased April 1, 2008); the opening of a new hospital facility in the Tacoma, Washington, market on March 17, 2009; and the planned divestiture of a facility in the Joplin, Missouri, market.
In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, which provides a new definition of and framework for the measurement of fair value. Catholic Health Initiatives adopted the provisions of SFAS No. 157 as of July 1, 2008. This did not have a material effect on Catholic Health Initiatives’ consolidated financial position as of July 1, 2008, or June 30, 2009, or on the consolidated statement of operations for the year ended June 30, 2009.

In March 2008, the FASB issued SFAS No. 161, which requires enhanced disclosures about derivative instruments. Catholic Health Initiatives adopted the provisions of SFAS No. 161 as of July 1, 2008. As a result, Catholic Health Initiatives classified the net interest cost of $26.5 million on its interest rate swaps for the year ended June 30, 2009, previously reported in interest expense, into other nonoperating losses in the consolidated statement of operations. The $5.8 million net interest cost for the year ended June 30, 2008, was included in interest expense.

At June 30, 2009, the projected benefit obligation in excess of the fair value of plan assets for all Catholic Health Initiatives pension plans was approximately $621.7 million. This was a result of investment performance, a change in actuarial losses and a decrease in the discount rate from 6.75 percent to 6.44 percent. This charge to net assets, along with investment losses reported through earnings, had a negative effect on net assets for Catholic Health Initiatives.

Utilization of Services
Several utilization metrics showed moderate increases from fiscal year 2008. Inpatient admissions, outpatient emergency visits, outpatient non-emergency visits and physician visits increased 3.1 percent, 6.2 percent, 0.9 percent and 5.5 percent, respectively. Long-term care days decreased 17.3 percent. Home-based visits decreased 3.1 percent and residential days increased 10.5 percent. The acute average length of stay of 4.4 days was consistent with the prior year.

These utilization trends reflected a shift of patient care services from traditional acute care settings to lower-intensity and nonacute outpatient settings.

Balance Sheet
Total assets decreased 4.9 percent to $11.4 billion at June 30, 2009. Catholic Health Initiatives maintained a strong balance sheet, but it was strained considerably during fiscal year 2009 due to market conditions. Capital spend was limited as a result of declining capital capacity and management’s intent to hold cash until operating and investment performance improved.

Days of total cash (including bad debt expense) was 164 and the debt-to-capitalization ratio was 40.4 percent at June 30, 2009. If excess cash in First Initiatives Insurance, Ltd was included, consolidated days of cash on hand was 172 days.

Investments and assets limited as to use decreased 25.1 percent to $3.7 billion. Negative investment performance and lower than expected operating performance contributed to this decline. The Catholic Health Initiatives Mission and Ministry Fund provided grants of more than $2 million for various programs and services. The Capital Resource Pool (CRP) provided funding for approved projects, including CHI Connect and research and development activities, of $16 million. An additional $29 million had been committed as of June 30, 2009, for research and development and the CHI Foundation.

Capitalized asset additions were $757 million compared to $871 million in 2008. Net property and equipment increased 6.2 percent, with significant capital investment committed to major facility projects completed during 2009. The level of ongoing capital investment is expected to moderate during fiscal year 2010.

Catholic Health Initiatives’ total debt was $3.6 billion as of both June 30, 2009 and 2008. The current portion of debt obligations decreased to $1.2 billion from $1.4 billion, which includes bank loans, variable-rate debt with self-liquidity and the current portion of long-term debt. The variable-rate debt with self-liquidity was classified as current because Catholic Health Initiatives provides financial backing for these obligations in the event the bonds are not successfully remarketed.

In November 2008, Catholic Health Initiatives issued $477.1 million of fixed rate and put bonds in Colorado, Ohio, Tennessee and Washington. Proceeds were used to refinance $177.1 million in variable-rate bonds and to reimburse Catholic Health Initiatives approximately $300 million for capital expenditures. This refinancing resulted in a loss on defeasance of $2.9 million. In February
2009, Catholic Health Initiatives recognized a gain of $13.7 million from the restructuring of escrowed securities held by trustees. Catholic Health Initiatives retained the $300 million reimbursement in cash and cash equivalents to build liquidity and to minimize the effect of volatile investment markets.

Unrestricted net assets decreased 17.9 percent from June 30, 2008 to June 30, 2009, primarily due to lower than expected operating performance, portfolio losses and adjustment to net assets for unfunded pension liability. Restricted net assets decreased 15.8 percent based on net assets released in support of capital and operating designations of donors, in addition to a decrease in the value of a beneficial interest in a perpetual trust.

Statement of Operations

Although there was a deficiency of revenues over expenses in fiscal year 2009, the majority of the deficiency was related to investment performance. Both operating performance and investment performance fell short of prior year levels.

Total operating revenues increased 8.3 percent in 2009. Revenues from patient services increased 9.9 percent. Investment loss from self-insured trust funds increased due to unfavorable investment performance at FIIL, the economic downturn and instability in investment and credit markets.

Total operating expenses before restructuring, impairment and other losses increased 8.6 percent, less than the 9.9 percent increase in net patient services revenues and slightly greater than the 8.3 percent increase in total operating revenues.

Employee compensation and benefits were 47.5 percent of total operating expenses before restructuring, impairment and other losses in 2009, down from 47.8 percent in 2008. As a percentage of revenues from patient services, total labor costs were 48.5 percent in 2009 compared to 49.4 percent in 2008. Total labor costs increased 7.9 percent, mostly due to increases in volumes and salaries and the organizational changes noted previously. Full-time equivalent employees increased only 0.1 percent from the prior year.

Supplies increased 7.7 percent. Supplies as a percentage of revenues from patient services decreased to 18.2 percent from 18.6 percent in 2008.

Patient bad debts increased 9.3 percent in 2009. As a percentage of revenues from patient services, patient bad debts stabilized at 7.5 percent. Patient bad debts and charity care, combined as a percentage of revenues from patient services, increased to 16.7 percent compared to 16.0 percent in 2008, mostly due to improved charity care standards that qualify more patients as unable to pay.

Interest expense decreased 20.9 percent from 2008. Interest rates on variable-rate demand bonds and commercial paper notes were significantly lower in 2009. In addition, the adoption of SFAS No. 161 resulted in a $26.5 million reduction to interest expense.

Other expenses increased 11.6 percent and included increases in purchased services and insurance expenses.

Community Benefit and Charity Care

The cost of community benefit was $553 million in fiscal year 2009, 3.2 percent greater than in 2008. Community benefit includes the cost of supplies and labor related to free clinics, donations and other services provided to the poor and to meet community needs. Community benefit also includes the cost of services in excess of reimbursement for Medicaid patients, but does not include unpaid costs of the Medicare program, consistent with guidance issued in 2006 by the Catholic Health Association of the United States.

Conclusion

Overall, 2009 was a challenging year. While the new internal metric margin showed improvement, other key indicators performed below historical levels. Turmoil in investment and capital markets contributed significantly to declines in financial performance. Management identified key turnaround markets, leadership changes and improvement plans to stabilize operations through fiscal years 2010 and 2011. The challenge is to achieve profitable growth while reducing cost and continuing to provide quality care to our patients and communities.

Catholic Health Initiatives was notified in October 2009 that all three credit rating agencies affirmed its AA and stable outlook. While this affirmation is extremely positive, it comes with expectations for strengthening the balance sheet and continued improvement in performance from operations, which is consistent with management’s expectations.
### Balance Sheets

*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, net patient accounts receivable and other current assets</td>
<td>$2,323,463</td>
<td>$1,888,956</td>
</tr>
<tr>
<td>Investments and assets limited as to use</td>
<td>3,747,398</td>
<td>5,003,901</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>4,514,000</td>
<td>4,251,313</td>
</tr>
<tr>
<td>Other</td>
<td>812,617</td>
<td>836,176</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$11,397,478</strong></td>
<td><strong>$11,980,346</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion of debt</td>
<td>1,217,591</td>
<td>1,404,465</td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>970,936</td>
<td>1,005,889</td>
</tr>
<tr>
<td>Self-insured reserves and other liabilities</td>
<td>1,306,654</td>
<td>634,848</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>2,397,207</td>
<td>2,234,441</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,336,668</td>
<td>6,500,575</td>
</tr>
<tr>
<td>Restricted</td>
<td>168,422</td>
<td>200,128</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$11,397,478</strong></td>
<td><strong>$11,980,346</strong></td>
</tr>
</tbody>
</table>

### Statements of Operations

*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from patient services, net</td>
<td>$8,257,483</td>
<td>$7,515,884</td>
</tr>
<tr>
<td>Revenues from nonpatient sources</td>
<td>438,903</td>
<td>438,559</td>
</tr>
<tr>
<td>Investment loss from self-insured trust funds</td>
<td>(88,093)</td>
<td>(4,937)</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>8,608,293</strong></td>
<td><strong>7,949,506</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation and benefits</td>
<td>4,003,302</td>
<td>3,710,021</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,503,588</td>
<td>1,396,461</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>470,014</td>
<td>412,111</td>
</tr>
<tr>
<td>Patient bad debts</td>
<td>619,279</td>
<td>566,336</td>
</tr>
<tr>
<td>Interest expense</td>
<td>100,344</td>
<td>126,795</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,724,614</td>
<td>1,545,070</td>
</tr>
<tr>
<td><strong>Total Operating Expenses before Restructuring, Impairment and Other Losses</strong></td>
<td><strong>8,421,141</strong></td>
<td><strong>7,756,794</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations before restructuring, impairment and other losses</td>
<td>187,152</td>
<td>192,712</td>
</tr>
<tr>
<td>Restructuring, impairment and other losses</td>
<td>34,690</td>
<td>12,650</td>
</tr>
<tr>
<td><strong>Income from Operations</strong></td>
<td><strong>152,462</strong></td>
<td><strong>180,062</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment losses</td>
<td>(534,950)</td>
<td>(8,948)</td>
</tr>
<tr>
<td>Other nonoperating losses</td>
<td>(86,975)</td>
<td>(94,534)</td>
</tr>
<tr>
<td><strong>Total nonoperating losses</strong></td>
<td><strong>(621,925)</strong></td>
<td><strong>(103,482)</strong></td>
</tr>
</tbody>
</table>

| (Deficiency) Excess of Revenues Over Expenses | **$ (469,463)** | **$ 76,580** |
### Benefit to the Poor and the Broader Community

**(in thousands)**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Community Benefit Provided to the Poor:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of charity care provided</td>
<td>$199,148*</td>
<td>$188,428*</td>
</tr>
<tr>
<td>(Free or reduced-cost health services for people who cannot afford to pay)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid cost of public programs, Medicaid and other indigent care programs</td>
<td>233,158</td>
<td>219,783</td>
</tr>
<tr>
<td>(Cost of services in excess of government reimbursement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-billed services for the poor</td>
<td>7,783</td>
<td>9,416</td>
</tr>
<tr>
<td>(Clinics, meal programs, etc., provided free or at a low cost)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and in-kind donations for the poor</td>
<td>3,308</td>
<td>3,041</td>
</tr>
<tr>
<td>(Donations of food, equipment, supplies, etc., to address the needs of people who are poor or underserved)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other benefit provided to the poor</td>
<td>25,482</td>
<td>23,475</td>
</tr>
<tr>
<td>Cost of community benefit provided to the poor</td>
<td>468,879</td>
<td>444,143</td>
</tr>
<tr>
<td>Cost of Community Benefit Provided to the Broader Community:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-billed services for the community</td>
<td>17,282</td>
<td>20,317</td>
</tr>
<tr>
<td>(Health screenings, tests, etc., provided free or at a low cost)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and research provided for the community</td>
<td>23,585</td>
<td>21,817</td>
</tr>
<tr>
<td>(Cancer prevention workshops, stop-smoking programs, heart disease programs, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other benefit provided to the community</td>
<td>43,587</td>
<td>49,849</td>
</tr>
<tr>
<td>Cost of community benefit provided to the broader community</td>
<td>84,454</td>
<td>91,983</td>
</tr>
<tr>
<td>Total cost of community benefit</td>
<td>553,333</td>
<td>536,126</td>
</tr>
<tr>
<td>Unpaid costs of Medicare</td>
<td>437,234</td>
<td>309,794</td>
</tr>
<tr>
<td>(Costs of services in excess of government reimbursement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost of Community Benefit and the Unpaid Cost of Medicare**</td>
<td>$990,567</td>
<td>$926,920</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 3.4 percent and 3.3 percent of gross patient services revenues in 2009 and 2008, respectively.*

**In addition to these amounts, Catholic Health Initiatives incurred bad debt expense of $619,279 for 2009 and $566,336 for 2008 (in thousands).**

### Statistical Highlights

**Year Ended June 30**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute inpatient days</td>
<td>1,929,216</td>
<td>1,874,854</td>
</tr>
<tr>
<td>Acute admissions</td>
<td>435,512</td>
<td>422,561</td>
</tr>
<tr>
<td>Acute average length of stay, in days</td>
<td>4.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Outpatient emergency visits</td>
<td>1,365,265</td>
<td>1,285,792</td>
</tr>
<tr>
<td>Outpatient non-emergency visits</td>
<td>4,624,356</td>
<td>4,581,218</td>
</tr>
<tr>
<td>Physician visits</td>
<td>4,116,329</td>
<td>3,900,031</td>
</tr>
<tr>
<td>Home-based visits</td>
<td>721,331</td>
<td>744,789</td>
</tr>
<tr>
<td>Residential days</td>
<td>727,572</td>
<td>658,662</td>
</tr>
<tr>
<td>Long-term care days</td>
<td>512,650</td>
<td>620,042</td>
</tr>
<tr>
<td>Full-time equivalent employees</td>
<td>57,899</td>
<td>57,859</td>
</tr>
<tr>
<td>Employees</td>
<td>69,737</td>
<td>70,760</td>
</tr>
<tr>
<td>Acute inpatient revenues as a percentage of total net revenues from patient services</td>
<td>51.0%</td>
<td>51.2%</td>
</tr>
</tbody>
</table>