

Financial Summary

2009

Anticipated receipts for patient care and other related services:

Revenue for direct patient care	75,672,304
Charity care services provided to indigent and uninsured patients	(1,155,563)
Other operating revenue for non-patient care	4,148,848

Total revenue that will be received.....78,665,589

What it costs to:

Provide compensation and benefits to our employees	38,507,721
Pay for supplies for patient and administrative services.....	4,994,446
Pay for direct patient care supplies	8,589,205
Provide professional services to our patients	7,977,545
Pay for insurance, utilities, and other operating expenses	4,787,474
Cost of unpaid patient care	5,267,502
Provide equipment and buildings based on useful life of equipment.....	2,996,522
Pay for interest cost on financing of buildings and equipment	783,773

Total costs that will be paid

73,904,188

Excess of revenues over expenses by providing patient care4,761,401

* Unaudited financial information provided in summary form due to space considerations. Not formatted in accordance with generally accepted accounting principles.

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WAR MEMORIAL HOSPITAL

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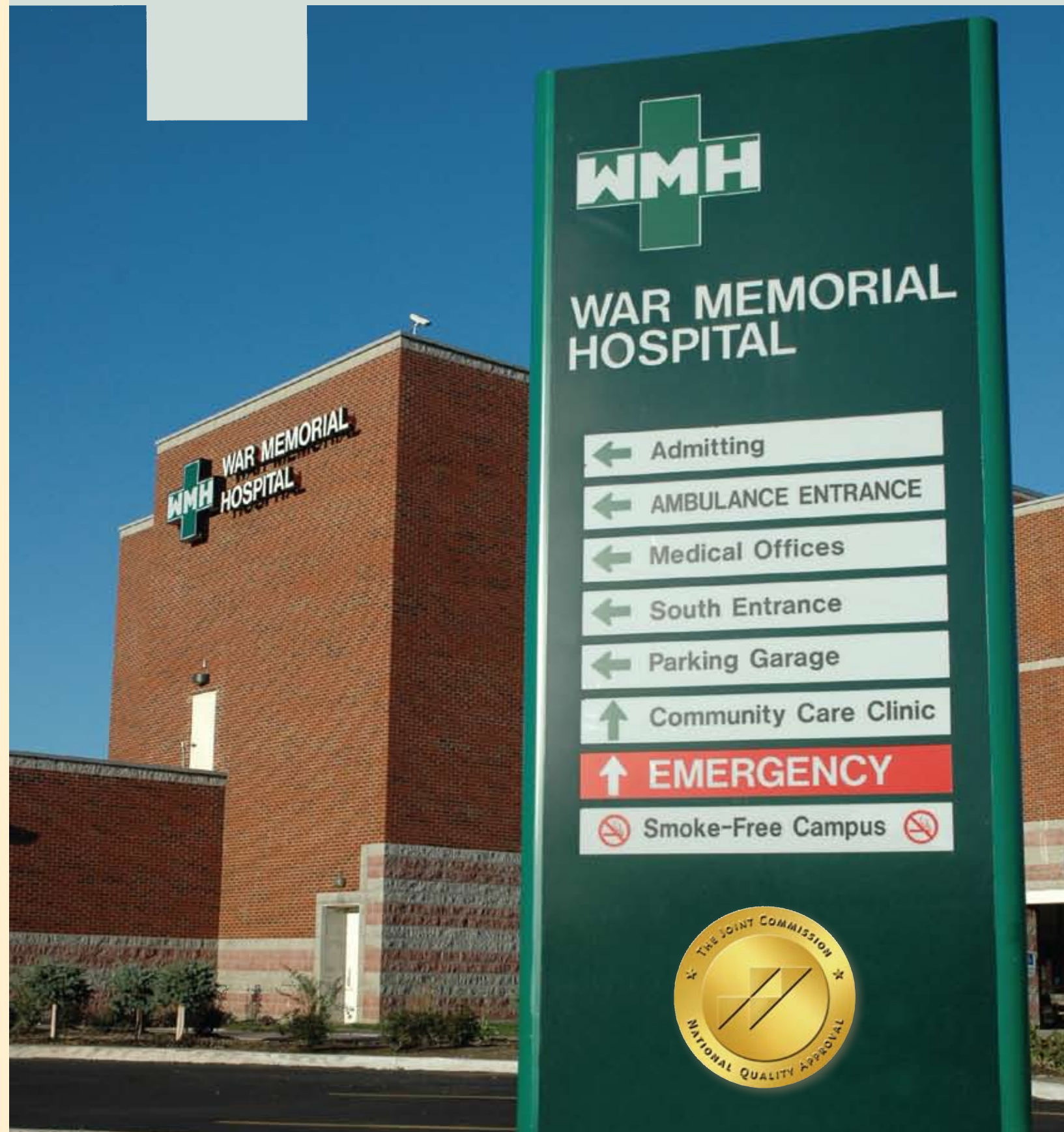
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WAR MEMORIAL HOSPITAL



Annual Report • 2009



During 2009, Chippewa County War Memorial Hospital continued its quest of providing high quality healthcare in a patient-friendly environment to the citizens of the Eastern U.P. Our focus on quality and great customer service has paid dividends during the last year as we are now meeting our quality measures at or above the State of Michigan and national averages and we have seen significant improvements in our customer service scores. Every employee at WMH is here to “make a difference” in the care that each patient receives and we want each experience to be completely satisfactory for the patients and their families.



Financially WMH exceeded expectations by having another great year. Our inpatient admissions increased by over 5% and outpatient admissions were up by almost 3%. We have almost 800 employees working for WMH which is more than double the number of employees we had 10 years ago. We continue to add new physicians and services. During 2009 we added an Oncologist, Internist, Psychiatrist, Infectious Disease, Pulmonologist, Pediatrician and a fourth Orthopedic Surgeon. Some of the new services included mobile PET/CT scanning and new smart IV pumps which help to reduce the chance of medication errors.

There are many projects in the works in 2010. We are currently renovating the north entrance of the hospital to establish private draw stations for those patients needing their blood drawn. The new Medical Office Building should be complete by June 1, 2010 including the enclosed overhead walkways connecting it to the parking structure and the hospital. Planning is underway to add a fourth operating room, a new outpatient surgery department and a new long term care facility during the next year once the appropriate financing is obtained. These new services will help to keep more healthcare local, saving travel time and costs for community members in need of these services. We look forward to another great year in 2010!!

David Jahn
President & CEO
War Memorial Hospital

An important part of improving our service at War Memorial Hospital is listening to feedback from our patients. Equally important is providing a satisfying employment experience for the nearly 800 men and women who make up our staff. They play a pivotal role in the service we deliver to you.

The “We Matter Here” team is an employee committee that works to improve internal communication, host events, organize employee forums, and generally focus on making WMH a great place to work. As an organization, we strive to be an employer of choice. We also know that a happy employee delivers a happier, higher-quality service to our patients. The work of the “We Matter Here” team is important and, according to our 2009 employee satisfaction survey results, it’s working.



Of survey respondents, 85 percent said they are proud to work at WMH, up three percent compared to last year. 80 percent said they would recommend WMH to a friend as a good place to work, up four percent. When we look at five key questions posed to our employees last fall, the results showed a combined improvement of 20 percent compared to 2008.

In addition to annual employee surveying, WMH also does shorter surveys on a quarterly basis. In November, 85 percent of employees surveyed said they would consider themselves a satisfied employee.

These numbers are important to the organization not only because we want to retain happy employees, but also because their satisfaction sends a signal to potential future employees about the great working environment at War Memorial Hospital.

In the area of growth, 2009 was another great year at WMH. Not only did the facility add new service lines and welcome new physicians, but we also experienced higher usage of our services by the communities we serve.

Hospital Admissions	+ 5%
Newborns	+14%
Behavioral Health Admissions	+44%
Inpatient Surgery	+ 7%
Outpatient Visits	+ 3%
Emergency/Community Care	+ 6%

In 2009, PET Scan technology was introduced at our facility. This particular scan is often used for staging cancer, or assessing the progression of the cancer and then following the changes that occur thanks to chemotherapy, radiation or other treatments.

The Wound Care Clinic grew significantly in 2009. The program now consists of 15 practitioners with differing skills providing wound management to patients in a variety of settings, including private homes, hospital inpatient unit, or nursing home. The practitioners come from a variety of organizations, including WMH, the Chippewa County Health Department, area nursing homes, and more.

Many other developments occurred in 2009, including the offering of outpatient psychiatry services at Blue Water Behavioral Health, the introduction of midwifery services at Sault Women’s Healthcare, and the joint ownership of Chippewa Medical Associates by WMH and Marquette General Hospital.



The word “service” takes on multiple meanings at War Memorial Hospital. It means providing medical services that meet the expectations of our patients, but service also means providing healthcare to those who are financially distressed. Both are critical to the region.

Patient satisfaction surveys are vital tools used by War Memorial and thousands of other hospitals across the country. Understanding how patient’s feel about the services they receive provides our team with a roadmap for improvement, which is why we utilize the national firm, Press Ganey, to implement our surveying.

The most critical part of the patient surveying process is you – our patient. If you receive a survey after your next interaction at War Memorial, the most important thing we ask is that you complete and return it so we can better understand your needs.

Improving your experience at the hospital is the focus of our Service Action Team (SAT). The mission of this employee-driven workgroup is to help lower-scoring departments improve their service and celebrate those departments who are already experiencing positive results. The efforts of the SAT team and our employees are clearly succeeding. In 2009, the number of inpatients who said they would be likely to recommend WMH to others increased to the 91st percentile compared to 644 similarly-sized hospitals. We are grateful for those recommendations.

Providing care to the indigent of our community is a service we take seriously. We did this in a number of ways in 2009. First, WMH partnered with the Department of Community Health to staff a Medicaid-enrollment agent at the hospital to guide those who needed and qualified for state assistance. Second, the hospital provided charity care to the tune of \$1.1 million in 2009. That care was delivered in a dignified manner to residents without health insurance primarily due to the collaboration between WMH and the Community Health Access Coalition. Finally, the hospital writes off extensive bad debt every year for services incurred by individuals who ultimately cannot pay. In 2009, the bad debt total was \$5.3 million.

In 2010, serving our patients and serving our community will continue to be the highest priorities at WMH.

Our commitment to deliver quality care begins with the nearly 800 employees of War Memorial Hospital. One way we support the drive for exceptional care is by ensuring that our employees have gained and maintain a high skill level.

Certifications and licensures are two ways in which we gauge the skill level of our team and encourage continued professional growth. WMH employs 262 certified staff members. They occupy a variety of positions, including certified nurse aids, certified surgical technicians, and certified laboratory technicians. Licensed employees are 267 strong and include positions like registered nurse, physical therapist and other rehab-related professionals. There are 31 registered staff members on site, including registered radiology technologists.

Obtaining these professional distinctions requires advanced study and testing. Whether they earn certification, licensure, or are registered is determined by the professional field in which the employee works. WMH encourages all employees to pursue advanced training. They are rewarded with salary adjustments once they are licensed, registered, or certified.



Just as we expect much of our employees, the Board of Trustees and administration has high expectations for the overall organization. That is why we were pleased when the Joint Commission awarded its Gold Seal of Approval to WMH in 2009 following a rigorous and unannounced inspection.

The Joint Commission measured War Memorial against national standards for healthcare quality and safety before bestowing accreditation. That three-year award recognizes WMH’s dedication to complying with the Joint Commission’s state-of-the-art standards on a continuous basis and includes the Long Term Care nursing-home services and the inpatient psychiatric services at the Behavioral Health Center in Kincheloe.

Financially speaking, 2009 was an exceptional year at War Memorial Hospital. The organization posted a \$4.7 million profit for that 12-month period, thanks in part to beneficial investments and in part to community support and the hard work of WMH staff.



Operational revenues accounted for \$1.9 million of the year’s profit. Hospital Chief Financial Officer Kevin Kalchik explained that the entire team at WMH monitored expenditures and worked to stay within budget, while use of the hospital and its services by the community continued to climb. Admissions, for example, were up by more than five percent in 2009.

Investments accounted for the remainder of the year’s financial gains. Roughly \$500,000 came via return on investments, while the balance came from the one-time sale of an insurance consortium in which the hospital had participated financially for over 20 years.

Financial profits couldn’t have come at a better time, as WMH has \$30 million in projects planned for the future, including the renovation and expansion of operating room facilities, the Emergency department, a new long term care unit, and other general renovations.

The hospital purchased over \$2.5 million in items in 2009, including new technology that reduces the chances of medication errors, and began renovation of the hospital’s north entrance – all without borrowing money. Obtaining financing in this market is difficult and costly, so operations and community philanthropy are necessary to maintain and grow WMH services.

“It is our responsibility to provide good stewardship for the organization as a whole so that we are profitable and, if we are, to utilize those dollars to maintain and enhance the healthcare services of our community,” said Kalchik.