

Annual Report 2010

MERCY 
HOSPITAL



www.mercymooselake.org



To the residents of the Mercy Hospital District:

For nearly 50 years, Mercy has served the communities in our hospital district, focusing on meeting the medical needs of the families in our region by providing quality health care services 24 hours a day, seven days a week. Under the direction of elected board members, Mercy has prided itself on being a progressive leader in rural health care. This is demonstrated through our efforts to seek improvements in patient care through medical advancements and safety initiatives, to keep current with technological advancements, to add needed services and programs and, finally, to implement sound business practices.

That kind of forward thinking is the reason we have a positive annual report to present to our district. Our success today is based not only on actions of the last year, but on decisions made two, three or more years ago. It is the job of Mercy's Board and administrative team to plan for the long-term growth and stability of the organization, making sure Mercy continues to be a special place of healing for the next 50 years.

In a time of huge state and national budget deficits, along with major health reform initiatives, Mercy needs to be proactive, now more than ever, in planning for the future. We cannot plan to remain the same because health care delivery will not remain the same. While debate on health reform continues, everyone does agree that health care costs must be contained and quality must be improved. This will likely mean that future reimbursements to providers will be based on patient outcomes, that is, on how well a provider cares for a patient with a certain diagnosis rather than on the number of tests or procedures performed. This model of health care delivery makes providers accountable for both quality and cost. It also puts providers at increased financial risk. For independent rural providers, there will not be much margin for error. Mercy's future success will require strong, committed partners to provide a collaborative team approach to patient care.

So, in keeping with our progressive tradition, Mercy's board is carefully examining options for the future, such as the possible affiliation with Essentia Health. Does the Board need to look at this option? It is to our advantage to consider an affiliation now when we are in a strong position to negotiate. Will an affiliation with Essentia Health be a positive step for Mercy? We cannot answer that question yet as there are many areas that need to be carefully examined. That's what the due diligence process is all about. Ultimately it is the job of the Board and administrative team to make sure Mercy and the communities it serves benefit from any potential agreement in a win-win type of relationship. Mercy is not interested in an agreement that does not make us stronger in the long term.

We thank you for the opportunity and privilege to care for the health needs of your family. We also appreciate your interest and concern as we continue to carefully look to the future. We welcome your comments and questions regarding your community hospital.

Jason Douglas, CEO

Michelle Zwickey, Board Chairperson

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- Kenneth Dahlberg, Vice-Chairperson**
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- Joanne Collier, Treasurer**
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- Laurie Tomczak, Clerk**
City of Kettle River
- Brett Collier**
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Windemere Township
- Patricia Grace-Probst**
City of Moose Lake
- Gail Langhorst**
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Silver Township

Ray Christensen, M.D.
Medical Director, ex officio

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- Gregg Chartrand**
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- Keith Carlson**
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- Donita Korpela**
Director of Patient Care Services
- Trina Lower**
Director of Quality & Health Information
- Judy Molis**
Director of Home Care
- Sonya Towle**
Director of Human Resources

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- Sharon Gossett, M.D.**
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- Randy Rice, M.D.**
Vice Chief of Staff
- Sarah Aldrich, M.D.**
Secretary
- Dania Kamp, M.D.**
At-Large

THE MERCY FOUNDATION BOARD OF DIRECTORS

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- Donna Eckman**
Vice-Chair/Secretary
- John Wesely**
Treasurer
- Kelly Goeb, M.D.**
Director
- Tia Grutkoski**
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- Bryan Hunter**
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Director
- Gail Langhorst**
Director
- Laurie Tomczak**
Director

Jason Douglas
Mercy CEO, ex officio

THE MERCY FOUNDATION ADMINISTRATION

- Cindy Timmons Carlson**
Foundation Director
- Karen Ackerson**
Data Manager



2010: A Year in Review

DIGITAL MAMMOGRAPHY

Mercy began offering digital mammography to women undergoing routine mammograms beginning in late February 2010.

“Our new equipment produces incredibly sharp images and is quicker, offering women the convenience of having their mammogram without repeated imaging and exposure to radiation,” said Anna Koski, Mercy Diagnostic Imaging Supervisor. “Each and every patient at Mercy receives personalized care designed to meet her individual needs.”

PACS

Mercy’s Diagnostic Imaging Department began using its new Picture Archiving and Communication System (PACS) in April 2010.

PACS allows medical images, such as x-rays and scans, to be stored electronically and viewed on computer screens. The system creates a nearly paperless and filmless environment with all data safely and securely stored digitally.

NEW AMBULANCE

Mercy added a new, state-of-the-art ambulance to its Emergency Medical Services (EMS) department last fall. One of the hospital’s two ambulances, the new ambulance features a quiet, roomy interior built to Mercy’s specifications to increase efficiency and accessibility for staff members caring for emergency patients.

PATIENT SAFETY AWARDS

Mercy earned two more Minnesota Hospital Association (MHA) Patient Safety Excellence Awards in 2010: one for its work in preventing retained objects in the operating room; the other for its work in preventing wrong-site surgeries and other adverse surgical events. Mercy previously earned awards for successfully implementing three other MHA safety initiatives.

NURSING HOME

Mercy completed the transfer of its nursing home and Kenwood Place to Augustana Care Corporation of Minneapolis, effective September 1, 2010, preserving both senior services and jobs.



Financial Report

Fiscal Year Ended September 30, 2010

Fiscal year 2010 was a successful year for Mercy Hospital with revenues in excess of expenses of \$.9 million. Our operating margin was 4.1% in 2010 versus an operating margin of 6.7% for 2009. During 2010 Mercy sold the Nursing Home to Augustana Care Corporation. The loss on the sale of the Nursing Home is reflected below as Loss on Discontinued Nursing Home Operations.

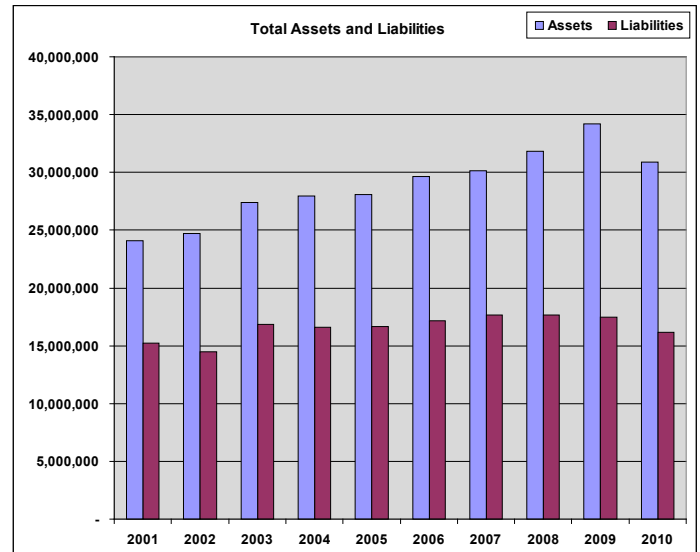
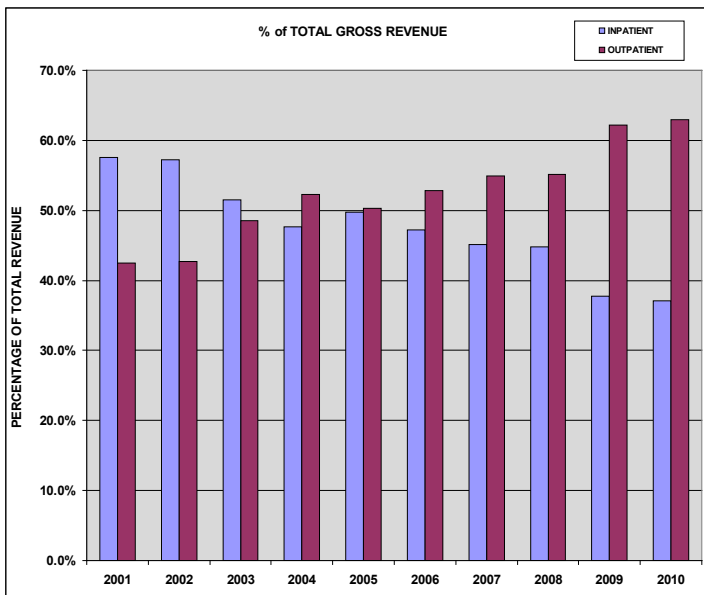
Mercy continued to grow as gross patient service revenue increased 3.8% or \$1.7 million to \$47.8 million. Our total revenue (all revenue less charity care and contractual adjustment amounts) decreased by 3.6% to \$28.3 million. On average, we saw a general increase in the number of outpatient services provided and a slight decrease in inpatient services.

Operating expenses decreased 0.9% to \$27.1 million. Much of this decrease was due to greater controls of spending by department managers.

Comparative Statement of Operations

Fiscal Years Ended September 30, 2010 and 2009

	2010	2009
Gross Patient Service Revenue	\$47,835,205	\$46,061,635
Deductions from Service Revenue		
(Charity Care, Bad Debt and Contractual Adjustments)	20,479,439	18,560,566
Net Patient Service Revenue	27,355,766	27,501,069
Other Operating revenue	977,296	1,913,712
Total Operating Revenue	28,333,062	29,414,781
Operating Expenses	27,176,556	27,443,241
Operating Income	1,156,506	1,971,540
Nonoperating Revenue (Expenses)	(214,254)	(147,746)
Revenues in Excess of Expenses from		
Continuing Operations	942,252	1,823,794
Loss on Discontinued Nursing Home Operations	(2,955,315)	(487,457)
Gain on Sale of FHS	-	1,213,246
Revenues in Excess of (Less Than) Expenses	(2,013,063)	2,549,583
Capital Contributions	11,212	10,000
Increase (Decrease) in Net Assets	\$(2,001,851)	\$2,559,583



Our inpatient revenue grew by 1.8% and .1 days increase in average length of stay. Outpatient revenue provided the greatest increase in the growth of 5.1% from the prior year, providing 62.9% of total revenue versus 37.1% for inpatient.

An essential part of maintaining and growing the services we provide is the focus on the quality and the efficient manner in which we provide the services. An additional focus is on the expense side, where we will continue to review the effectiveness of our expenditures and allow for more investment in capital equipment, training and retention of highly qualified staff and at the same time keeping up on technology.

Our assets showed a decrease from 2009 of \$3.3 million to \$30.9 million for 2010 primarily due to the sale of the Nursing Home assets to Augustana Care Corporation.

Total liabilities decreased \$1.3 million to \$16.1 million. This reduction is primarily due to the payment on the bonds payable.

Net assets decreased \$2.0 million to \$14.7 million for fiscal year 2010. This decrease is also due to sale of the Nursing Home to Augustana Care Corporation.

SERVICE STATISTICS

	Fiscal Year 2010	Fiscal Year 2009
Patients Admitted	1,063	1,203
Patient Days	3,029	3,265
Average Length of Stay (in days)	2.8	2.7
Emergency/Urgent Care Visits	5,784	5,830
Deliveries	149	156
Surgeries	2,148	2,028
Laboratory Tests	122,639	116,734
Radiology Exams*	7,632	11,591
Ambulance Runs	716	794
Rehabilitation Visits	14,611	11,173
Home Care Visits	19,201	20,533
Meals Served	131,050	140,028

*In FY 2010, Radiology Exams were performed under Mercy Hospital. In FY 2009, Radiology Exams were performed under the structure of a joint venture, Moose Lake Imaging, LLC.



Serving Our Communities

Mercy serves and strengthens our region in many ways: as a health care provider, as a major employer and as a community citizen. In fulfilling these roles in 2010, Mercy donated over \$14 million in numerous free and reduced-cost services that are critical to the health of our region.

UNDERFUNDING & SUBSIDIZED HEALTH SERVICES - \$13 MILLION

Mercy absorbed over \$13 million in underfunded medical services and other subsidized health services costs in 2010.

CHARITY CARE/BAD DEBT - \$906,683

Mercy absorbed \$906,683 in free medical care costs in 2010, providing \$286,601 in charity care and \$620,082 in bad debt.

COMMUNITY HEALTH INITIATIVES/OUTREACH & EDUCATION - \$311,150

One of our biggest outreach services, Mercy's Emergency Medical Services (EMS) Department provides vital emergency care to residents throughout the area. In addition to 24-hour service, Mercy EMS Department has been on standby at football games, community parades and other activities, making these events safer for all participants.

Mercy also offers many clinical training and job shadowing opportunities for students interested in the healthcare field.

Mercy reaches out to the community in many other ways, including child car seat inspection clinics. Free support groups are offered to help individuals coping with a variety of health issues. In 2010, Mercy provided many ways for people to monitor and improve their health, including arthritis exercise classes and grief support groups.

Educating the public on how to safeguard their health is an important aspect of our role as a health care leader. In the last year, we offered up-to-date health information to groups of all ages. Our education offerings ranged from childbirth courses to diabetic education and more.



THE MERCY FOUNDATION

OUR MISSION

We encourage philanthropy to assist in funding services at Mercy Hospital and the district it serves.

OUR VISION

We are the respected philanthropic leader ensuring local access to excellent health care.

WE HAVE A MILLION DOLLAR VIEW!

OK, we're not quite there yet—but we can see it from here! Since our first cash gift was received in August 2000 until now, The Mercy Foundation has raised over \$854,000 in outright cash gifts. The Dr. Martin and Eleanor Munson Endowment, which is dedicated to the needs of Mercy's surgical program, has grown to nearly \$21,000 today. Together, these funds total over \$875,000! We are within striking distance--\$125,000--of raising our first million dollars for Mercy!

In addition, we have received gifts in-kind valued at nearly \$81,000 over that same timeframe. While we can't put in-kind gifts in the bank, those donations helped make every fundraiser a financial success and helped us build to our position today.

Even more impressive than the numbers is the story behind them—this amount represents gifts of individuals, some of Mercy's vendors and small local businesses. It's all YOU, dear friends and neighbors: your good faith and generosity has more than kept us afloat. You help us thrive.

FISCAL 2010

In the year ending September 30, 2010, the Mercy Foundation received about \$6,310 in in-kind donations and raised over \$106,200 in cash. These cash gifts came to us through direct solicitation, memorials and tributes, an increase in The Dr. Martin and Mrs. Eleanor Munson Endowed Fund by the Munson family along with dividends and interest on that fund, interest earned on longer-term savings instruments and proceeds from The Foundation's main fundraising event, its Midsummer Festival, which was held on June 25-26, 2010.

Because of the generosity of our donors, The Mercy Foundation was able to make the following financial

gifts to support good health and better access to health care in fiscal 2010:

🌿 A \$10,000 gift was made to Mercy's Diagnostic Imaging program for remodeling of space for the new PACS system and new furnishings for Mercy's digital mammography rooms. Midsummer 2010 was dedicated to raising funds for this program.

🌿 A \$500 gift was made to Mercy's Home Care Department for resource books for patients and families experiencing end-of-life issues in their homes.

🌿 A \$700 gift was made to Mercy's Chemotherapy and Infusion Services Department for artwork in the halls and in patient treatment rooms.

🌿 A grant of \$1,160 was made to Mercy's Education Department which hosts Mercy's HOT (Health Occupation Training) Camp.

🌿 Four \$1,000 scholarships were awarded to high school graduating seniors, one each to Barnum, Cromwell, Moose Lake and Willow River High Schools. These scholarships are administered by each school's Dollars for Scholars Program.

🌿 Our annual sponsorship of \$1,000 was made toward 2010 The Mercy Foundation Moose Run. The Mercy Foundation is the major sponsor of this health-focused, intergenerational, family-friendly event.

🌿 Because our area has been deeply touched by the devastating effects of suicide, The Mercy Foundation Board voted in 2010 to support Moose Lake's LIFE Line, the student organization founded to help educate the schools and greater community about suicide prevention and awareness. Our \$2,000 gift enabled the group to launch its program.

Our work is never done—and we like it that way! We invite you to join your friends and neighbors in supporting us! Please consider us when remembering a loved one, celebrating a great happy occasion or planning your estate. And, if you're just looking for a game of golf or a sparkly summer evening please come to our Midsummer Festival, being held this year on Friday, June 24 (golf tournament) and Saturday, June 25, 2011 (Dinner dance and silent auction). The more, the merrier! Call us any time: 218-485-5586.

**Do what you can,
with what you have,
where you are.**

T. Roosevelt



710 South Kenwood Avenue
Moose Lake, MN 55767

Caring for your community, one person at a time

- 24-Hour Emergency/Ambulance Services
- Urgent Care
- Surgery Center
 - General Surgery
 - Orthopedics
 - Ophthalmology
 - OB/GYN
 - Urology
 - Endoscopy
- Birthing Center
 - Private Suites
 - Birthing Classes
 - Caring for Your Newborn Class
 - Feeding Your Baby Class
 - Certified Lactation Consultant
- Cardiopulmonary Services
 - Cardiac Rehab - Phase II
 - Pulmonary Rehabilitation
 - LUNGS R US Support Group
 - Health & Wellness Programs
 - Personal Trainer Program
- Chemotherapy & Infusion Services
 - Breast Cancer Support Group
- Community Education
- Diabetes Program
- Fitness Center
- Grief Support Groups
- Home Care
- Laboratory Services
- Nutritional Counseling
- Orthopedics/Sports Medicine
- Pharmacy
- Diagnostic Imaging
 - General X-ray
 - Ultrasound
 - Digital Mammography
 - CT
 - MRI
 - Nuclear Medicine
- Rehabilitation
 - Physical Therapy
 - Occupational Therapy
 - Speech Therapy
 - Lymphedema Therapy
- Social Services
- Auxiliary
- The Mercy Foundation

www.mercymooselake.org