

2017 Annual Report

Building on a Sure Foundation



Your life is our life's work.



A Message From Our Leader

Dear Friends and Colleagues,

Thank you for joining us on these pages to celebrate another remarkable year at Mercy.

Here you will find plenty of numbers to substantiate our impact: nearly two centuries of ministry. Millions of patients served across hundreds of communities. And tens of thousands of gifted co-workers who earned two consecutive years of “Top 5 Large Health Care System” designations as part of the 2016 and 2017 Truven Health Analytics 15 Top Systems studies.

Through the past decade, we laid the foundation for a new model of care, from early adoption of electronic health records to building the world’s first virtual care center. This critical work continues today, as we seek to transform fractured health care episodes to a seamless continuum of compassionate care.

I hope you enjoy some of these highlights of our work to expand access, prioritize convenience and improve efficiency. Mercy is not only building on our legacy - we are guaranteeing it for future generations of consumers and caregivers.

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn Britton". The signature is fluid and cursive, with the first name "Lynn" and last name "Britton" clearly distinguishable.

Lynn Britton

President and Chief Executive Officer



Catherine's Story

Growing up in late 18th century Ireland, Catherine McAuley knew both privilege and poverty. After her parents died, she lived with the Callahans, a kindly Protestant family of means, for almost twenty years. Catherine cared for Mr. and Mrs. Callahan as they aged, and when they died they left her their sizeable inheritance.

Catherine often quietly helped the poor. To expand these efforts into a full-fledged ministry, she chose to build a house where poor women could learn job skills and illiterate children be educated. Skeptics, including her brother, called the project "Kitty's Folly," because she was squandering her money on a project that seemed impossible to achieve.

On September 24, 1827, the House of Mercy opened its doors. Catherine's example quickly attracted companions willing to give time and money to help. A group of lay women living and ministering together was unheard of at the time. Under the guidance of the Catholic Church, they became a religious order to be able to continue to serve the poor women and children of Dublin.

On December 12, 1831, Catherine, now 52, and two companions became the first Sisters of Mercy, one of the first orders of their time to serve among the people rather than live a cloistered life — earning them the nickname "the walking Sisters."

Mercy is a descendant of that order and Catherine's ministry, keeping her mission and the healing ministry of Jesus alive today.

Almost 200 years ago, Catherine McAuley began her service to God by caring for others. To see more about Catherine's story and the legacy we carry forward today, watch the video from the annual report introduction page.

Expanding Our Ministry in FY 2017

One thing that distinguished Catherine McAuley and the Sisters of Mercy is that they were always aware of the changing needs of the times and were willing to evolve their ministry as needed. Accordingly, reaching out to the community has been part of our heritage since the beginning of Mercy, when the Sisters became one of the first non-cloistered women's religious orders to serve among the poor of Ireland and beyond. We carry on this philosophy of innovative community care today.

Moving Closer to 2020

As women and men of Mercy, "Our Life's Work" reflects our collective efforts in advancing our mission to bring the healing ministry of Jesus to our communities. Strategy 2020 provides a roadmap for Mercy's future, ensuring that we remain strong and able to meet the changing needs of our communities. Throughout FY 2017, we've made progress toward our goal of creating a system of care that is chosen by 1 million new patients by the year 2020.

In order to achieve these goals, Mercy is committed to:

- Implementing a convenient and easy way for people to access our health care services.

- Implementing a seamless experience of care between our physician offices, hospitals and virtual care services.
- Achieving sustainable advantages in quality, service and cost.
- Achieving extraordinary engagement and commitment to our Mercy mission, values and charism by all 40,000 co-workers and physicians through regular and ongoing meaningful and applicable formation.
- Being intentional about acquiring new patients and striving to exceed their expectations.

Our first steps in working toward these goals included:

- **Expanding health care coverage to employers** – Rather than working with commercial health insurance companies, Mercy has directly contracted with large employers like Boeing and Walmart to offer a new health plan option through an expanded network of Mercy providers and services. In total, Mercy contracts with 58 companies across four states for these services.
- **Making it easier to access care** – Mercy is building or partnering to provide more urgent care, convenient care and walk-in clinics where appointments are not required.



- **Enabling online scheduling.** This allows the people we serve to make appointments by smart phone or computer just like they conduct other business, such as banking and bill paying, 24/7 at their convenience.

- **Bringing Mercy leaders together to reconfigure our care processes** to make them more accessible and convenient for patients. This includes our Consumer Centered Operating Model, which will help Mercy respond to our consumers' expectations of an "on demand," personalized health care experience.

Expanding Virtual Care

For the last two years, Mercy has been home to the first Virtual Care Center in the U.S., which houses more than 700 Mercy co-workers and is known as a "hospital without walls" or a "hospital with no beds" because its specialized medical team uses technology to monitor and care for patients from afar. The Virtual Care Center also is a workspace for innovations in patient care and product testing.

Mercy's virtual care has been featured in the *Wall Street Journal*, CNN, NPR, *U.S. News & World Report* and a long list of other national media and trade publications. Mercy's leaders have also been at the center of national forums on virtual care including *Fortune Magazine*, *U.S. News & World Report* (Best Hospitals issue) and London's *Financial Times*. Mercy has served as one of the country's experts

on virtual successes and challenges at The White House Rural Council and a Harvard panel, "Telehealth: How New Technologies are Transforming Health Care." In December 2016, *Prevention Magazine* counted down the "20 Best Medical Breakthroughs of 2016" and Mercy's Virtual Care Center was given a prominent spot at No. 2.

In summer 2016, Mercy Virtual integrated our virtual care offerings into a suite of products that enhanced existing services and covered the care continuum. Working with bed-side clinicians, primary providers and specialists, we maximize patient data in real time and are now able to diagnosis and intervene earlier, preventing unnecessary hospitalizations and improving quality of life. Our programs cover traditional sick care as well as preventive care, chronic condition monitoring and well care.



- **Nurse on Call** – Gives sick/injured people 24/7 access to health advice through a single phone call that helps them know whether self care, a provider visit or emergency care is most appropriate. Scheduling patients for the following day improves access, reduces unnecessary spend and gives patients peace of mind. As a result, 26% of adults and 46% of children were able to avoid an unnecessary ER visit.
- **Case/Care management** – Engages chronically ill patients through customized care plans and personal relationships with nurses to help them learn evidence-based self-management strategies. Patients receive face-to face educational programs and are coached/screened by a nurse through regularly scheduled telephone calls. These patients have 56% fewer readmissions, 22% fewer sick days, 20% lower medical spend and 15% fewer hospital admissions.
- **Engagement@Home** – Provides continuous monitoring for chronically ill patients in their homes using an iPad, wireless blood pressure monitor, scale and oximeter. Patients use these to take their own vitals each day, which are sent to the Virtual Care Center, where caregivers can analyze them for changes that can result in illness before the patients feel any symptoms. This program has reduced health costs by 30% and cut hospital admissions by 50%.

- **TeleICU** – The largest single-hub electronic intensive care unit (ICU) in the nation, in which doctors and nurses monitor patients’ vital signs and provide a “second set of eyes” to bedside caregivers in 34 ICUs across six states. Patients admitted to this program have 35% lower mortality and 35% fewer days in the hospital, eliminating more than 40,000 ICU days, saving nearly 1,000 lives, and reducing costs by millions of dollars.
- **TeleStroke** – Enables patients who come to the ED with symptoms of a stroke to be seen immediately via two-way video by a board-certified neurologist if there isn’t one on-site. They collaborate with local emergency physicians to diagnose strokes quickly so patients don’t lose

time being transferred to other facilities and can receive immediate and appropriate intervention, minimizing complications and saving lives.

- **TeleHospitalists** – Help providers close gaps in clinician coverage and inpatient care. TeleHospitalists are a team of doctors dedicated to seeing patients within the hospital around-the-clock using virtual care technology. They respond to calls in less than one minute and usually resolve them in seven to 10 minutes. This keeps care plans moving, reduces ED hold times, cost and physician turnover, increases patient safety by reducing verbal orders and allows for rapid response to patient needs.

- **TeleSepsis** – Uses data and technology to allow critical care clinicians to detect sepsis in its earliest stages, even before patients experience symptoms. Mercy Virtual sepsis nurses have a positive predictive value of 95-98 percent for severe sepsis and septic shock. Our program allows us to monitor CMS measures and achieve better compliance rates with CMS’ three- and six-hour severe sepsis/septic shock bundles.
- **E-Sitter** – Provides continuous, 24/7 observation of agitated and at-risk patients, using a two-way audio/video solution to redirect patient activity or behavior, preventing falls and adverse events and providing piece of mind for clinicians, families and caregivers.

Growth

Mercy has continued to grow in all of our communities. A few of the highlights include:

- Mercy will invest nearly a quarter of a billion dollars over the next five years to expand our services in Northwest Arkansas with a new patient tower, significant renovations to the current hospital and new primary and specialty care clinics.
- Mercy will grow our presence in southern Oklahoma City and surrounding communities by expanding our heart hospital and creating new clinics and outpatient services.

- In FY 2017, Mercy and St. Anthony’s Medical Center in St. Louis entered into a definitive agreement for St. Anthony’s to join Mercy, making it Mercy’s third largest hospital.



Carrying on Our Four Founding Goals

To further the Sisters' health care ministry and better connect their sponsored health facilities, the Sisters of Mercy Health System was created in 1986. In establishing this structure, the Sisters identified four founding goals which remain relevant today.

1. Position the organization for the coming changes in health care by establishing a strategic direction and creating a focus on community wellness and healing.

As Catherine McAuley said, "We can never say 'it is enough.'" Mercy routinely assesses the needs of our communities to ensure we are in step with local needs as well as changes within health care. Our current strategic plan puts consumers and patients at the center of all we do, with a focus on providing greater access and convenience as well as ensuring the highest levels of quality, safety and service. Through this model, Mercy endeavors to establish lifelong relationships with our patients that enable better health and more fulfilling lives.

2. Maximize available resources, both material and human, to carry out the mission.

As good stewards of our resources, we seek out ways to share what we've learned across our ministry to adopt best practices and improve our performance and outcomes. The work of Mercy's Specialty Councils — teams of physicians who work collaboratively to improve clinical practices — have made great strides in care design that contributes to higher quality, safety and efficiency. Likewise, operational and service areas including Mercy Technology Services and the ROi supply chain division are national leaders within health care in optimizing technology and work processes to enhance health care quality and service.

Helping our co-workers achieve their highest potential is another key way that Mercy is fulfilling this goal. Educational and training curriculum designed to support co-workers from entry level to senior leadership is available through online and classroom courses. Mercy also supports the health and well-being of our co-workers through Healthification, a wellness initiative that focuses on a healthy mind, body and spirit.

We also carefully manage our financial performance, knowing that fiscal health is critical to keeping the Mercy mission alive for those we serve.

3. Develop new and innovative ways to serve the community.

Inspired by our founding Sisters, Mercy continues to pioneer new ways to deliver care, expand access and improve health care quality and safety. Our groundbreaking virtual care program enables us to bring critically needed medical services to patients and locations that might be difficult to reach in traditional ways. It also extends care to patients where they are, rather than making them come to us. Our innovative partnerships with other health care providers, schools and employers are improving health care access and affordability for thousands of people across the communities we serve.

4. Develop processes and structures to help lay people carry on the mission.

In 2008, we were granted a Public Juridic Person status by the Catholic Church. This allows us to empower lay members to lead alongside the Sisters of Mercy, while remaining faithful to our Catholic identity and the traditions of the Sisters. Because many lay Mercy leaders may not come to us with a deep knowledge of our Mercy heritage or Catholic identity, our leaders participate in an 18-month process of formation, in which they learn about our heritage and traditions and gain a deep understanding of their role in continuing to carry Catherine McAuley's mission and the healing ministry of Jesus. Board and leadership meetings all contain a period of formation, in which we reflect upon how we live out Mercy's mission in our actions and decisions. Co-worker formation programs, stopping for overhead prayer, clinic formation with our physicians and co-workers, and mission celebrations like Mercy Day are ways that all co-workers can embrace our Mercy heritage and more fully live out our Mercy mission, values and charism.

Fiscal Year 2017 Utilization and Financials

Utilization

9,591,089

outpatient/
office visits

3,079

staffed beds

23,986

births

169,375

surgeries

166,701

inpatient
discharges

675,225

ED visits

Financial Information

\$5.5 billion

total operating
revenue

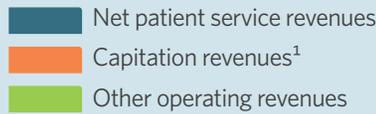
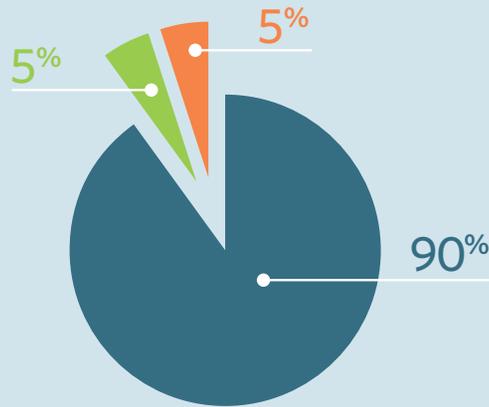
\$7.1 billion

total assets

\$381 million

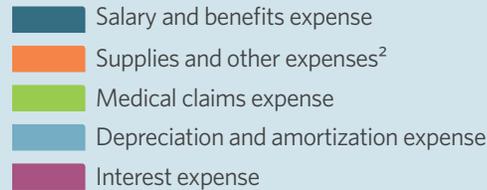
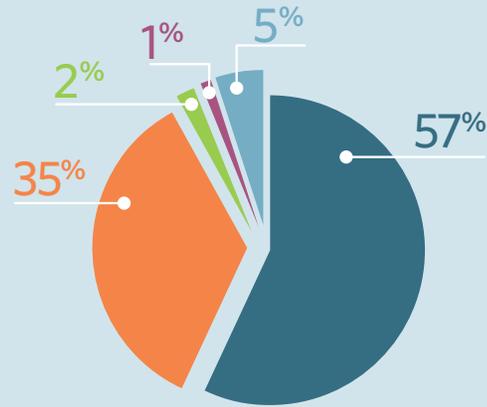
community benefit/
charity care

OPERATING REVENUES



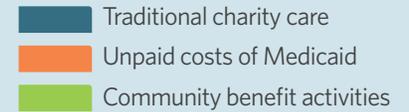
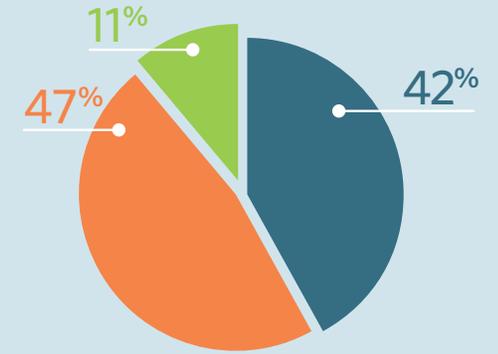
¹Payments from risk-based contracts, based on demographic characteristics of covered members, in exchange for providing medical services to those members.

OPERATING EXPENSES



²Other expenses include utilities, repairs & maintenance, insurance, taxes, and more.

COMMUNITY BENEFITS SUMMARY



By the Numbers

Hospitals & Ambulatory Sites

44  **HOSPITALS**

- 29 acute care hospitals
- 4 managed/affiliated hospitals
- 4 heart hospitals
- 3 rehab hospitals
- 2 children's hospitals
- 2 orthopedic hospitals

764  **PHYSICIAN PRACTICES**

302  **CLINIC LOCATIONS**

38  **URGENT & CONVENIENT CARE CENTERS**

8  **OUTPATIENT SURGERY CENTERS**

1  **Mercy+Virtual VIRTUAL CARE CENTER**

People

40 THOUSAND  **CO-WORKERS INCLUDING:**

- 13,000 nurses
- 2,100 integrated physicians
- 1,100 advanced practitioners

Our Leadership

Mercy Health Ministry Board of Directors

Chair

David Pratt
Retired Chairman
Rex Realty Co. | St. Louis, MO

Cheryl Alston
Executive Director
Employees Retirement Fund of the City of Dallas | Dallas, TX

Sr. Helen Amos, RSM
Executive Chair
Mercy Health Services
Baltimore, MD

Lynn Britton
President/Chief Executive Officer
Mercy | St. Louis, MO

Richard (Dick) Clarke
Clinical Professor, University of Miami, School of Business, and Retired President and CEO of Healthcare Financial Management Association
Fort Lauderdale, FL

Sr. Mary Ann Dillon, RSM
Executive Vice President for Mission Integration
Trinity Health | Livonia, MI

Sr. Mary Chabanel Finnegan, RSM
Mission and Ethics Resource
Mercy Fort Smith | Fort Smith, AR

Rollin Ford
Executive Vice President and Chief Administrative Officer (retired)
Walmart Stores, Inc. | Bentonville, AR

Reginald Mebane
Director, Office of Diversity Management and EEO
U.S. Dept. of Health & Human Services, Centers for Disease Control and Prevention | Atlanta, GA

Timothy Morgenthaler, MD
Patient Safety Officer
Mayo Clinic | Rochester, MN

Cheryl Morley
Retired Senior Vice President, Global Strategy
Monsanto Company
Kiawah Island, South Carolina

Ronald Paulus, MD
President/CEO
Mission Health System
Asheville, NC

Sr. Mary Roch Rocklage, RSM
Health Ministry Liaison, Mercy
St. Louis, MO

Sr. Rose Weidenbenner, RSM
Administrative/Grant Support
ARISE South Texas | Alamo, TX

Executive Leadership

Lynn Britton
President/Chief Executive Officer

Fred Ford
President/Ambulatory Care

Gil Hoffman
Vice President/Chief Information Officer

Joe Kelly
Senior Vice President/Chief Marketing Officer

Michael McCurry
Executive Vice President/Chief Operating Officer

Fred McQueary, MD
President, Ambulatory Care/Chief Clinical Officer

Cynthia Williams
Senior Vice President/Chief Administrative Officer/President, Mercy Health Foundation

Vance Moore
President, Business Integration

Donn Sorensen
Executive Vice President - Operations

Brian O'Toole, PhD
Senior Vice President/Mission and Ethics

Shannon Sock
Executive Vice President, Strategy/Chief Financial Officer

Philip Wheeler, JD
Senior Vice President/General Counsel

Tony Krawat
Senior Vice President/Chief Compliance Officer

Randall Moore, MD
President, Mercy Virtual

Michael Rivard
Chief Operating Officer/Interim President, ROI

Community Leadership

Eric Ammons
President, Mercy Jefferson

Reta Baker
President, Mercy Fort Scott

Richard Barker, FACHE
Regional Administrator, Mercy Love County

Nichole Barrett
Administrator, Mercy Healdton

Cindy Carmichael
Administrator, Mercy Watonga/Mercy El Reno

David Chalk, MD
Mercy Clinic President, Washington/Four Rivers

Scott Childers
Administrator, Mercy Lebanon

Brian Denton
Administrator, Mercy Kingfisher

Eric Eoloff
President, Mercy Washington

Jim Gebhart
President, Mercy Oklahoma City/West Regional Strategy Officer

Ryan Gehrig
President, Mercy Fort Smith

Tracy Godfrey, MD
Mercy Clinic President, Mercy Joplin/Kansas

Cole Goodman, MD
Mercy Clinic President, Mercy Fort Smith

Steve Goss, MD
Mercy Clinic President, Mercy Northwest Arkansas

John Harvey
President and CEO, Oklahoma Heart Hospital

Dave Hill
Administrator, Mercy Booneville

John Hubert, MD
Mercy Clinic President, Mercy St. Louis

Nickey Hunt
Administrator/Director of Nursing, Mercy Waldron

Jeff Johnston
President Mercy East Communities

Steve Mackin
President, Mercy St. Louis

Michael McCurry
President, Saint Anthony's, St. Louis

Eric Pianalto
President, Mercy Northwest Arkansas

Gary Pulsipher
President, Mercy Joplin

Charles Rehm, MD
Regional Chief Administrative Officer, Mercy East Communities

Tony Rothermich
Administrator, Mercy Lincoln

Angella Saporito
Administrator, Mercy Columbus

Gary Sharum
Administrator, Mercy Tishomingo

Bobby Sitt
Administrator, Mercy Logan County

Diana Smalley, FACHE
*Regional President,
Mercy West Communities*

Sharron Smeltzer
*President, Mercy Rehabilitation,
Oklahoma City*

Sharon Sorey, RN
*Administrator/Director of Nursing,
Mercy Paris*

Jon Swope
*Regional President, Mercy Central
Communities
Interim President, Mercy Springfield
Communities*

Cullen Thomas, MD
*Mercy Clinic President,
Mercy West Communities*

Daryle Voss
President, Mercy Ardmore

Scott Watson, JD
Administrator, Mercy Carthage

Cindy Weatherford, RN
Administrator, Mercy St. Francis

Teresa Williams, RN
*Regional Administrator-Rural
Mercy Hospital Ozark,
Mercy Hospital, Booneville,
Mercy Hospital Paris,
Mercy Hospital Waldron*

Lori Wightman
President, Mercy Ada

Clinical Care Leadership

Joe Kahn, MD
President, Mercy Kids

James Rogers, MD
*Clinical Vice President,
Adult Primary Care*

Keith Starke, MD
*Vice President, Chief Quality
and Safety Officer*

Chris Veremakis, MD
Medical Director, Mercy Virtual

Outreach Ministries Leadership

Rex Menasco
*Executive Director, Mercy Family
Center,
New Orleans*

Roy Mitchell
*Director, Mississippi Health
Advocacy Program*

Sr. Maria Luisa Vera, RSM
President, Mercy Ministries of Laredo

Karen Wright
*Director, Cooper-Anthony Mercy
Child Advocacy Center
Hot Springs, Arkansas*



Awards & Recognitions

(July 1, 2016 - June 30, 2017)

For the second year in a row, Mercy was recognized by Truven, a Watson Health/IBM company, as one of the top five largest health systems in the country based on performance metrics including patient outcomes, safety, patient satisfaction and cost of care. This honor puts Mercy on par with esteemed health systems in America such as Mayo Clinic and Scripps Health.

Truven Health Analytics | IBM Watson Health

15 TOP
HEALTH SYSTEMS
2017

- Mercy was named a 2016 Healthcare Information and Management Systems Society (HIMSS) Enterprise Davies Award recipient for achieving improvements in patient care and cost savings through the use of health information technology.
- For the 13th time in 18 years, the American Hospital Association (AHA) Health Forum has named Mercy a Most Wired health system, and again placed Mercy in the “Advanced” category along with only 19 other companies for exceeding core criteria.
- Mercy was awarded the Epic Gold Stars achievement for our use of their electronic health record (EHR). This honor puts us in the elite company of only three other Epic health system clients in the U.S. We also recently earned Epic’s accreditation to extend EHR services to other hospitals and clinics for a second year. Mercy is Epic’s only client to achieve both accreditation and this exceptional Gold Stars level.
- Mercy was awarded our first ever Emmy® award for the Mercy Kids television campaign at a regional Emmy awards program.
- Mercy was named one of the nation’s most innovative health care organizations by *Healthcare Informatics* magazine, achieving a second place Healthcare Informatics Innovator Award.
- Mercy was awarded the Analytics 50 Award from *CIO Magazine*.
- Healthgrades ranked Mercy Springfield as one of America’s Top 100 Hospitals for joint replacement, stroke care, and orthopedic surgery.
- Mercy Hospital Springfield won Healthgrades’ Excellence Award for Neurosciences as well as their Spine Surgery Excellence Award.

*Covering 2016 fiscal and calendar years.

- *U.S. News & World Report* ranked Mercy Hospital Springfield as the fifth best hospital in Missouri and high performing in abdominal aortic aneurysm repair, chronic obstructive pulmonary disease, colon cancer surgery, heart failure, hip replacement, knee replacement and lung cancer surgery.
- Mercy's rehabilitation hospitals in St. Louis, Springfield, and Oklahoma City were all ranked in the top 10 percent for quality, according to a Report Card from inpatient rehabilitation facilities Uniform Data System for Medical Rehabilitation (UDSMR).
- For the second consecutive year and fifth time overall, Mercy Hospital St. Louis was named one of the nation's 100 Top Hospitals® by Truven Health Analytics®. It was also named to the Truven Health Analytics 2017 list of the nation's 50 best providers of cardiovascular care for the second year in a row. Mercy Hospital Jefferson also made this list.

Rankings

Modern Healthcare's annual list of largest Catholic health systems ranks Mercy No. 5, up from seventh last year.

Mercy Clinic is ranked as the fourth largest medical group in the U.S, according to *Becker's Hospital Review*. The ranking is based on a report by SK&A, a leading provider of health care data, compliance solutions and market research. Others on the list include Kaiser Permanente Medical Group (No. 1), Cleveland Clinic (No. 2) and Mayo Clinic (No. 3).

Mercy, along with our supply chain organization, Resource Optimization & Innovation (ROi), has been ranked by Gartner as a Top 10 global supply chain in health care. We've moved up one spot to No. 4, from No. 5 in 2015. Mercy is the only provider to be in the Top 10 for eight consecutive years.

*Covering 2017 fiscal and calendar years.

Mercy⁺

Your life is our life's work.