Your life is our life’s work.

2016 Annual Report
Building on a Sure Foundation

Mercy
Your life is our life’s work.
Dear Friends,

2016 was a remarkable year for Mercy.

It began with great joy when Pope Francis declared 2016 the “Jubilee Year of Mercy.” Mercy was founded and thrives as a ministry, pursuing our mission of extending the healing ministry of Jesus within every community we serve. In the spring of 2016, our ministry was recognized as one of the Top 15 health care systems in the country — and one of the top five large health systems — by Truven Analytics, an IBM company. And in the fall, we celebrated our 30th anniversary as a health care system, and recognized Sister Mary Roch Rocklage for her leadership as our first CEO. We also bid a fond farewell to our first COO and former Board Chair Charles E. Thoele, who after 50 years of service to Mercy, continued to advise us right up to the time of his death at the age of 83.

The blessing of principled and gifted leadership has been ours for nearly two centuries. It began with Catherine McAuley, the devout and passionate woman who founded the Sisters of Mercy. In these pages, we share some insights into her remarkable life, as well as highlight the innovative work of our current leaders and co-workers during the past fiscal year. Thankfully, we continue to draw gifted women and men to build on this sure foundation.

As we reflect upon the Jubilee Year of Mercy, we’re grateful for the quality of our past, present and future leaders and how the pursuit of mercy defined their lives. Going forward from this year of blessing and remembrance, we understand the challenge to make our own contributions to this exceptional legacy — and find new ways to share the gift of mercy with those we serve.

Sincerely,

A Message From Our Leaders

Lynn Britton
President and Chief Executive Officer

David Pratt
Chair, Board of Directors

Sr. Mary Roch Rocklage, RSM
Health Ministry Liaison

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 2016

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. In fiscal year 2016, we strengthened our position as a leader in the emerging field of virtual care, initiated partnerships with other organizations across our footprint to expand access and health coverage, and began several expansion projects that will support our ability to better serve our communities.

Delivering on the Promise of Virtual Care

Building on a decade of experience in telemedicine, Mercy firmly established our position as the nation’s virtual care leader with the fall 2015 opening of the Virtual Care Center, the first facility dedicated entirely to care outside its own walls. The four-story, 125,000-square-foot building quickly became known as “a hospital without beds” because it contains a specialized medical team and technology, but monitors patients from afar. The patients may be in a hospital, a physician office or even their own home.

From the center, Mercy Virtual staff provides care to patients through a variety of telemedicine and virtual care services, including the largest single-hub electronic intensive care unit (ICU) in the nation, a telestroke program, a virtual hospitalist program dedicated to seeing patients within the hospital around the clock, and continuous virtual in-home monitoring for patients with chronic illnesses. In addition, the center serves as a workspace for innovations in patient care and product testing.

Strategic partnerships are core to Mercy Virtual’s long-term vision, furthering its reach and potential. In FY16, Mercy Virtual partnered with Penn State Health and University of North Carolina Health Care, initially to provide ICU monitoring services. The partnerships are expected to expand over time, drawing on each organization’s expertise to create new care models across their respective regions.
Creating Community Partnerships to Meet the Needs of Communities and Schools

Providing care where it’s needed is crucial to the success of our mission. To do that, we’ve joined with other leading organizations in our communities to expand how and where people in need can find us.

One example is a joint venture partnership with Via Christi Health to create a primary care physician practice in Pittsburg, Kansas, expanding access to essential health care services close to home. Scheduled to open mid-2017, Via Christi Mercy Clinic will be located on the Via Christi Hospital campus and will include 30 exam rooms, physicians’ offices and imaging and lab services.

In Springfield, Missouri, Catherine’s mission to help those who can’t afford health care is alive and well, thanks to the MSU Care Clinic on the campus of Missouri State University (MSU). The clinic, a partnership between Mercy and MSU, provides expanded access to health care for low-income, uninsured patients not eligible for Medicare or Medicaid. It also offers hands-on training for students in health sciences degree programs at MSU. The clinic has 10 exam rooms and will serve an estimated 2,000 patients each year.

In St. Louis, Mercy Kids has partnered with the Archdiocese Catholic Education Center to pilot a program called Mercy Kids in Schools. At three local Catholic elementary schools, Mercy combines telehealth technology with a school-based licensed clinical social worker to help students, their families and school staff address and respond to trauma and stress by providing counseling, professional development and resilience training. It also connects students and their families to area agencies and resources, including a Mercy Kids psychiatrist when needed, both virtually and in person. Services are provided in real time and without parents needing to take time off work and take kids out of school.
Expanding Health Care Coverage to Employers

As health care costs continue to rise and our population ages, ensuring people have access to adequate health insurance coverage is more important than ever. Mercy is working directly with several major employers across our service area to provide innovative, affordable health care plan options for their employees.

In total, Mercy contracts with 62 companies across four states for these services. In the St. Louis region, the Boeing Company has partnered with Mercy to offer a new employee health care plan option designed to provide a better experience and higher quality for them and their families at a lower cost. In southwest Missouri, approximately 13,000 Walmart associates and their dependents have access to the Mercy Accountable Care Plan, offering a new health plan option and expanded network of Mercy providers and services.
Growing to Meet the Needs of our Communities
Across our footprint, population increases are outpacing the care we can provide — so Mercy is expanding physically to meet the demands. Mercy Northwest Arkansas has begun a five-year expansion project including new facilities and equipment as well as the creation of 1,000 new health care jobs. Already underway are the construction of a hybrid cardiac catheterization lab that provides technology for advanced heart procedures not currently performed in the region, renovation of the Neonatal Intensive Care Unit to better serve our smallest patients and renovation of hospital space to provide 24 additional inpatient beds. Coming later in the project are construction of a new patient tower that will add more than 100 beds, the addition of primary care and specialty clinics in Benton County and north Washington County, and enhancements to the hospital’s heart and vascular center and women’s and children’s services.

Mercy Hospital Jefferson in Crystal City, Missouri, has begun construction of a new three-story patient tower, featuring 90 private patient rooms. The project will provide a new front entrance and corridors that connect the emergency department, imaging, surgical services and admitting areas. The hospital’s cancer treatment center is also being expanded and renovated.

As Mercy marks our 125th year serving the Ozarks, we’re hard at work on a new multi-specialty clinic in Branson that allows for new services, with an emphasis on virtual care. Not only will residents have convenient access to nurses, primary care, medical and surgical specialists, they will also be able to better manage their chronic illnesses like diabetes, high blood pressure, COPD and asthma — at home or within our new clinic. Construction is expected to be completed by early 2018.

Building on the presence of the new Oklahoma Heart Hospital in south Oklahoma City, a joint venture with Oklahoma Cardiovascular Associates, Mercy is strengthening our commitment to that area with a newly-created south Oklahoma City division. The division is exploring community needs and developing plans for expanding access and services across the region.
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 endeavored to respond to four founding goals which continue to 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 performances and outcomes. The work of Mercy’s Specialty Councils — teams of physicians that 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 2016 Utilization and Financials

**Utilization**

- 9,198,526 outpatient/office visits
- 3,945 staffed beds
- 24,217 births
- 171,183 surgeries
- 165,315 inpatient discharges
- 664,551 ED visits

**Financial Information**

- $5.3 billion total operating revenue
- $6.4 billion total assets
- $394 million community benefit/charity care

**Operating Revenues**

- Net patient service revenues: 90%
- Capitation revenues: 6%
- Other operating revenues: 4%

**Operating Expenses**

- Salary and benefits expense: 57%
- Supplies and other expenses: 34%
- Medical claims expense: 2%
- Depreciation and amortization expense: 1%
- Interest expense: 6%

**Community Benefits Summary**

- Traditional charity care: 53%
- Unpaid costs of Medicaid: 35%
- Community benefit activities: 12%

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

² Other expenses include utilities, repairs & maintenance, insurance, taxes, and more.
**By the Numbers**

**Hospitals & Ambulatory Sites**

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

- **760** physician practices
- **297** clinic locations
- **34** urgent & convenient care centers

- **8** outpatient surgery centers
- **1** virtual care center

**People**

- **40 thousand** co-workers
  - 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

John Finan, Jr.
President and CEO
Franciscan Missionaries of Our Lady Health System | Baton Rouge, LA

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 Mercer
Senior Vice President/Chief Administrative Officer

Vance Moore
President, Business Integration

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

Gene Kirtser
President, ROI

Community Leadership

Eric Ammons
President, Mercy Jefferson

Reta Baker
President, Mercy Fort Scott

Richard Barker, FACHE
Regional Administrator, Mercy Love County

Douglas Danker, RN
Administrator, Mercy El Reno

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

John Harvey
President and CEO, Oklahoma Heart Hospital

Dave Hill
Administrator, Mercy Boonville

Jeff Johnston
President, Mercy St. Louis

Jeremy Jones
Administrator, Mercy Healdton

Nickey Hunt
Administrator/Director of Nursing, Mercy Waldron

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

Alan Scarrow, MD
President, Mercy Springfield Communities

Gary Sharum
Administrator, Mercy Tishomingo

Diana Smalley, FACHE
Regional President, Mercy West Communities

Sharron Smeltzer
Regional President, Mercy East Communities

Donn Sorensen
Regional President, Mercy East Communities

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

Bobby Stitt
Administrator, Mercy Watonga

Douglas Stroemel
Administrator, Mercy Aurora and Mercy Cassville

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Jon Swope  
Regional President, Mercy Central Communities

Cindy Tooley, RN  
Administrator, Mercy St. Francis

Josh Tucker  
Administrator, Mercy Logan County

Jenine Vincent  
Administrator (interim), Mercy Lebanon

Daryle Voss  
President, Mercy Ardmore

Scott Watson, JD  
Administrator, Mercy Carthage

Teresa Williams, RN  
Administrator/Director of Nursing, Mercy Ozark

Lori Wightman  
President, Mercy Ada

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

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 Hubert, MD  
Mercy Clinic President, Mercy St. Louis

Cullen Thomas, MD  
Mercy Clinic President, Mercy West Communities

Clinical Care Leadership
Joe Kahn, MD  
President, Mercy Kids

Linda Knodel, FACHE, FAAN  
Senior Vice President, Chief Nursing Officer

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
Janice Beaver  
Director, Cooper-Athony Mercy Child Advocacy Center, Hot Springs, Arkansas

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
Awards & Recognitions

ACO Top 5 Percent Quality Achievement
Based on the Centers for Medicare & Medicaid Services’ (CMS) benchmarks assessing all Accountable Care Organizations’ (ACO) efforts to save money while improving patients’ quality of care, Mercy is in the top 5 percent in quality achievement. Our annual cost to treat each Medicare patient was 14.6 percent below the national average cost of a Medicare fee-for-service patient. While generating financial savings, Mercy achieved a 93 percent quality performance rate on 33 quality measures. We’re also 19 percent below the second year average cost for all ACOs. As a result of this reduction in costs, Mercy saved CMS $1.6 million in 2014.

• Mercy was named among the top five large health systems in the U.S. as part of the 2016 Truven Health Analytics 15 Top Systems study Truven top 15 (see more information on next page).

• Mercy Virtual was prominently featured in articles by national media including the Wall Street Journal, U.S. News & World Report, CNN and Prevention Magazine.

• Dr. David Barbe, a Mercy Clinic physician from Mountain Grove, Missouri, was chosen as the next president-elect of the American Medical Association (AMA), the nation’s premier physician organization.

• Donn Sorensen, president of Mercy’s East region, is chair of the American Medical Group Association (AMGA) board of directors.

• For the 13th time in 18 years, Mercy was named Most Wired™ by the American Hospital Association (AHA). We were also among a small group of health systems named 2015 Most Wired Advanced.

• For the eighth straight year, Mercy and our supply chain organization ROI (Resource Optimization & Innovation) landed on Gartner’s Healthcare Supply Chain Top 25 list. This year we’re at No. 4 among global manufacturers and health care providers, the only health care provider to be recognized in the top 10 every year since the ranking was established in 2009.

• Mercy is #61 on the 2016 InformationWeek Elite 100 list.

• Mercy and our supply chain organization, ROI (Resource Optimization & Innovation), earned the 2016 Healthcare Supply Chaininnovator award, becoming the first two-time winner.

• Mercy’s broad use and comprehensive build-out of its EHR has been recognized at one of the highest possible levels by Epic – the Wisconsin-based software developer – as part of its Gold Stars program, putting Mercy in the elite company of only three other Epic health system clients in the U.S. The recognition comes on the heels of Mercy earning, for a second year, Epic’s accreditation to extend EHR services to other hospitals and clinics. Mercy is Epic’s only client to achieve both accreditation and this exceptional Gold Stars level.

*Covering 2016 fiscal and calendar years.
• Mercy Hospital St. Louis was honored twice by Truven in 2016, being named one of the nation’s top 100 Top Hospitals® and making the Truven Top 50 list of cardiovascular hospitals.

• The Leapfrog Group named Mercy Hospital St. Louis to its annual list of Top Hospitals in 2015 for the second time, the only hospital in Missouri to receive this honor. In 2016, Mercy Hospital Washington made the annual list of Top Hospitals and was also the only hospital in Missouri to receive the honor.

• Mercy’s hospitals in St. Louis, Lebanon and Fort Scott were all listed in The Joint Commission’s 2015 annual report “America’s Hospitals: Improving Quality and Safety” for improving performance on certain aspects of care that can help patients with heart attack, heart failure, pneumonia and more.

• Mercy’s Hospitals in Oklahoma City, Fort Smith, Northwest Arkansas and Springfield were all named Consumer Choice Award winners by National Research Corporation.

• *Newsweek* magazine included two Oklahoma doctors, Rebecca G. Stough, MD, and Alan B. Hollingsworth, MD, in their list of Top Cancer Doctors for 2015.

• Mercy Hospital Northwest Arkansas was named one of “America’s Best Hospitals for Heart Care” by the Women’s Choice Award.

• Mercy was awarded our first ever Emmy® award for the 2015 Mercy Kids television campaign at a regional Emmy awards program.

• Mercy was named among the top five large health systems in the U.S. as part of the 2016 Truven Health Analytics 15 Top Systems study, putting us on par with Mayo and Scripps Health, who are also on the list.

While our various facilities have received numerous awards and recognitions for exceptional care and service, this honor is unique because it recognizes what we’ve achieved together. We couldn’t have done this without each and every one of our co-workers, focusing on the needs of our patients each and every day. This recognition shows that we’re stronger together, and that our patients benefit when we bring a shared commitment to Mercy’s five dimensions of excellence - clinical performance, service performance, cultural enablement, community impact and stewardship - together on behalf of those we serve.

The Truven study annually ranks the top 15 health systems – five large, five medium and five small – based on system-wide performance in health care quality, patient satisfaction, coordination of care, cost of care and operational efficiency. Nearly 340 systems were evaluated as part of identifying this year’s top systems. The study is based on independent research and publicly reported data, and health systems do not apply for the recognition.

*Covering 2016 fiscal and calendar years.*
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