

2012

STATE OF THE HOSPITAL REPORT

MAY 2012

PRESIDENT'S MESSAGE



DEAR WMMC FAMILY:

Because health care reform is on all of our minds, employees and physicians frequently ask me how our hospital is doing – and whether we'll be ready for reform.

I'm always grateful to be able to say that White Memorial is sound and the hard work we've invested over the past few years has prepared us well for the changes that health reform will bring.

Our clinical outcomes are strong, we continue to increase our efficiency, we enjoy a new facility with state-of-the-art technology, our financial performance is solid, and most importantly, we have an amazing medical staff and employee family who are committed to caring for our community.

If we continue to be diligent in all these areas, I am confident that we will successfully meet the challenges of health care reform – regardless of the structure reform will take – and continue to be one of the best performing hospitals in Los Angeles.

Sincerely,

Beth D. Zachary, FACHE
President & CEO

DRAWING FROM OUR PAST AS WE STRIVE TOWARD OUR FUTURE

At White Memorial, we can be very proud of the work we're doing. In 2011 U.S. News and World Report named our hospital one of the top 25 best hospitals in the Los Angeles metro area. We had exceptional performance in some areas and challenges in others. That's not surprising given the monumental changes we're undergoing in the process of reinventing ourselves.

We are living through one of the most exciting times health care has ever seen. The rules of the game are changing quickly, and we have the opportunity to be a part of an important transformation.

Turn the page and let's take a closer look at how we did last year.

HOW HEALTH CARE IS CHANGING

The health reform law, known as the Affordable Care Act of 2010, is the most significant health care overhaul in more than three decades. It calls for health insurance for everyone, and for the first time it financially rewards hospitals that provide better care, not just more care. Millions of people will have access to preventive care and chronic disease management.

There have been challenges to parts of the health reform law, most notably the Supreme Court deliberations currently underway. Regardless of what happens at the federal level though, health care as we know it in California will change. State officials are looking at ways to keep key elements of the health reform law in place here, even if the law – or parts of it – don't survive nationally.

BACK TO THE FUTURE

This means our focus will continue to shift from primarily taking care of patients in the hospital to keeping them healthy and out of the hospital – in other words, wellness! This is the best possible outcome for patients. It's exciting for us as an Adventist hospital because wellness is the

core principle upon which the Adventist health care mission was founded almost 150 years ago. Of course, when people do need hospital care we must continue to provide the absolute best care possible.

REINVENTING OURSELVES

These changes are a huge opportunity to reinvent ourselves for the benefit of our patients, the community and our hospital. WMMC is already working closely with our physicians to build coordinated provider networks. In fact, we're positioned to become a leader in our region. We're also identifying the best and most cost-effective treatments, trimming expenses and starting partnerships with outpatient clinics to provide the right level of care to patients in the right setting. Similar innovation is happening throughout our Adventist Health system.

At WMMC our vision in this new and dynamic health care landscape remains centered on our commitment to our mission, our community and each other. Read on to find out more about our progress.

KEY SHIFTS FOR HOSPITALS:

- Medicare will reimburse hospitals based on patient outcomes and how satisfied patients are with their care, rather than on how long patients stay in the hospital or how many services they receive.
- Hospitals won't be paid for patients who get an infection while in the hospital or who have to go back into the hospital for the same health issue too soon after being discharged.
- Health reform expands coverage for the uninsured. To pay for it the government is reducing Medicare and Medi-Cal payments to hospitals. It is also eliminating the extra payments some hospitals, including WMMC, have been receiving – what we call our “disproportionate share” or DSH payments. Because more than 70 percent of patients at WMMC are covered by Medicare and Medi-Cal, these reductions may result in a significant loss of future revenue for us.
- Health reform also requires us to implement electronic patient medical records and to submit quality data electronically.





STRATEGIC REDESIGN

In 2011 WMMC began the process of remaking ourselves from a hospital into a broader health system. We're partnering with physicians and community organizations to create health care networks that provide coordinated and appropriate care to patients whether they're in a doctor's office, clinic, hospital, long-term care facility or other setting.

These "integrated health systems" are often referred to as Accountable Care Organizations (ACOs) or Accountable Care Networks (ACNs). Last year we started working with several local hospitals and clinics as the first step in developing aligned hospital/physician networks.

We also went live with CPOE (Computerized Provider Order Entry), the most crucial portion of our electronic medical record (Project IntelliCare). An electronic medical record is vital to coordinating patient care in different settings, as well as improving overall quality of care. In 2012 we'll continue to put additional elements of Project IntelliCare in place.

Finding ways to better coordinate care and creating new physician partnerships are two of WMMC's greatest strategic priorities. These and more are outlined in our new five-year strategic plan, which provides a detailed roadmap for our success in the years to come.



2011 PERFORMANCE

Let's take a look at how each of our key areas performed in 2011

OUR 2011 KEY AREAS OF FOCUS

- Profitable Growth
- Efficient Operations
- Exceptional People
- Quality Outcomes and Safe Care
- Excellent Service



As we focus on keeping patients healthy and out of the hospital by remaking ourselves into a broader delivery system, we recognize that some patients will still need hospital care. When they do, we want them to receive it at WMMC.

IN 2011 WE CONTINUED TO BUILD KEY PATIENT SERVICES. WE:

- Completed a successful first year of operations in the Los Angeles Surgery Center.
- Opened the Women's Imaging Center, Arrhythmia Center, Kerlan-Jobe Orthopaedic Clinic and the Boyle Heights Medical Clinic.
- Built volume in orthopaedic surgery.
- Partnered with several clinics to provide primary care services.

As we prepare for health care reform we'll continue to focus on our service lines while we work to develop an aligned hospital/physician organization, recruit and retain physicians to the community and pursue the relationships, systems, processes and tools needed to coordinate patient care across settings in and out of the hospital.



EFFICIENT OPERATIONS

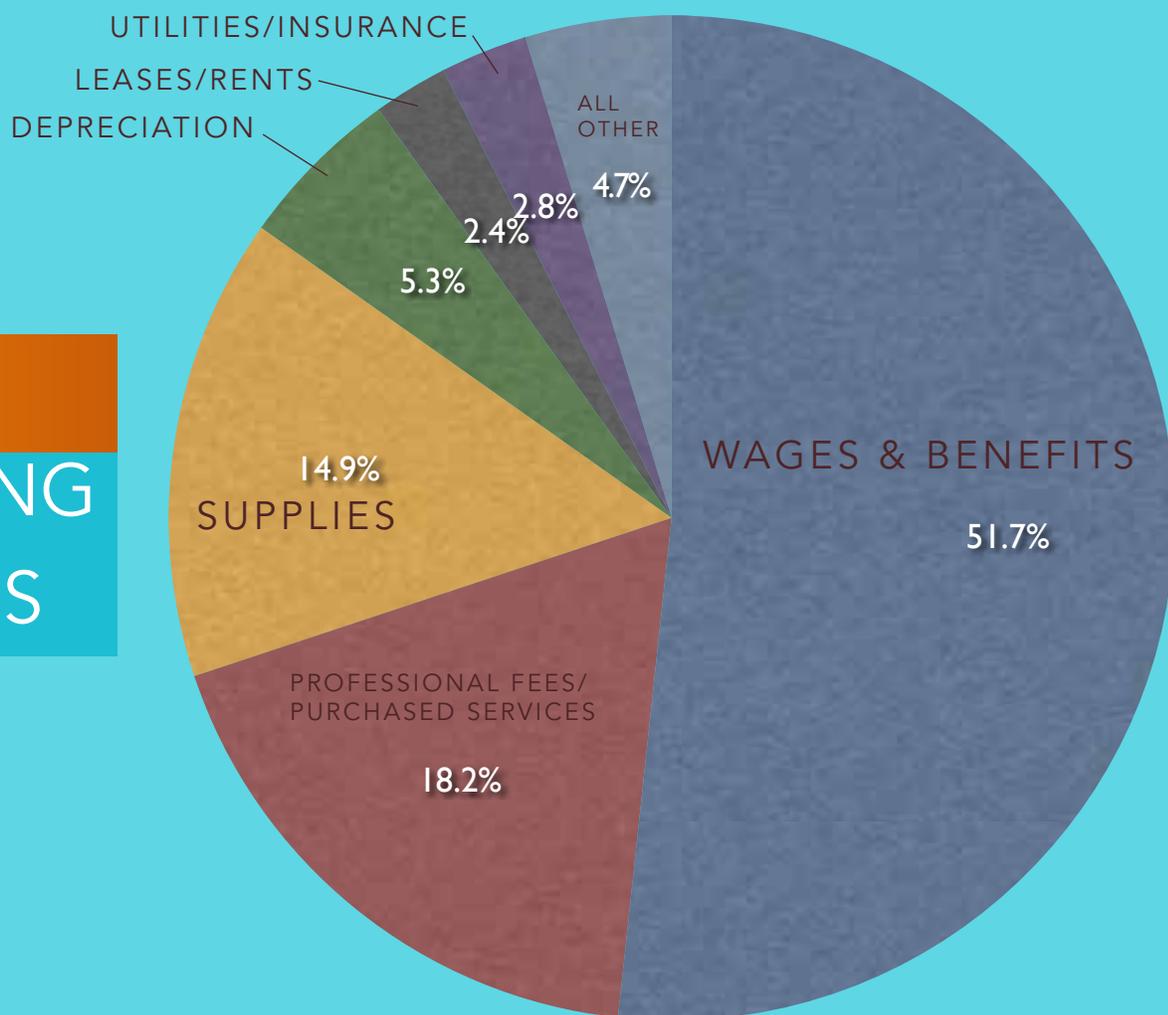
White Memorial is financially stable. However, health care reform is changing the way we get paid – from volume (how long patients stay in the hospital and how many services they receive) to value (how good patient outcomes are and how satisfied patients are with their care).

This means that in addition to innovating how we deliver care and improving patient quality, becoming more financially efficient is absolutely critical to our future.

While WMMC realized a \$7.9 million bottom line in 2011, this came mostly from interest income and philanthropy, not

day-to-day operations. To be successful in this new environment we need to earn enough from operations to fund all of our regular expenses plus our capital needs and equipment replacements. In 2011 we began making some of the changes needed to become more operationally efficient. This included changes to compensation and benefits, which were over budget and which represent more than half of our overall costs. We also began working with Adventist Health and other system hospitals to explore ways to reduce our medication and supply costs, and we continue to look closely at all other expenses.

OUR OPERATING EXPENSES



X-RAY
IN USE



EXCEPTIONAL PEOPLE

In 2011, our strategic goal was to retain 90 percent of our employees. We exceeded that goal, retaining 90.7 percent of all employees. And we retained an even larger percentage – 92 percent – of clinical staff. That's higher than the number of employees who in our 2009 employee opinion survey said that they expected to stay at WMMC.

These results show clearly that our employees are loyal and committed, even though we experienced some growing pains in 2011 as we began preparing for health reform. These growing pains were reflected in the 2011 Our People Survey, in which many of our excellent scores decreased. We know from studying the survey's key drivers (the factors that motivate us to answer the survey questions the way we do) that this was largely because of challenges we were experiencing at the time of the survey. We understand that change is not easy, and right now we're going through a wave of change unlike anything we've known before.

For example, the survey began only four months after our CPOE go-live, which caused some stress as physicians and employees adjusted to new ways of doing things,

and just two weeks after we made some adjustments to benefits and compensation. As a result, we saw percent excellent scores decrease in our survey. At the same time our very good and good scores increased.

The good news is that even with lower percent excellent scores we scored higher than many other hospitals of our size across the nation. This tells us that almost every other hospital is experiencing the same challenges we are as they adjust to the times ahead. We are not alone in these efforts to reinvent ourselves, and we need your help.

Department directors and managers have been sharing detailed survey results with their teams and working to make improvements on the items most important in each area. Human Resources has also been sharing best practices with department leaders on how to best support their employees through the changes and reward them for work well done.



EMPLOYEE RECOGNITION IS PRICELESS



Nothing is more powerful than being thanked for your good work, support and loyalty. In early 2012 Human Resources asked you what hospital recognitions and events were most important to you. Overwhelmingly you said individual recognition by executives, directors and managers was most important. You were also very clear about wanting the hospital to continue the many special events employees value – including Hospital/Nurses Week, the annual picnic, the employee Christmas brunch, the annual service

awards banquet, Hero recognitions, Daisy Awards and many, many more. Following that feedback, we will be doing our best to continue these awards and to keep these events engaging for all.

We're very proud of our WMMC employee family, and remain committed to providing an environment in which employees are inspired and rewarded for high performance, quality patient care and excellent service.



HIGH QUALITY AND SAFE CARE

We're undergoing remarkable changes in the way we deliver care. By late 2012 Medicare reimbursements will be tied directly to patient quality and outcomes, not volume. This means we must rise to a higher level of clinical excellence than ever before.

The good news is that we're already doing an excellent job in many areas!

OUTSTANDING OUTCOMES

In 2011 we won five 5-star awards from Professional Research Consultants, Inc. (PRC) for exceeding overall quality of care. We also did a stellar job of preventing hospital-acquired pressure ulcers. In fact, the Collaborative Alliance for Nursing Outcomes (CALNOC) recognized WMMC as a top hospital for nursing quality and success in reducing both hospital-acquired pressure ulcers and patient falls.

We also made excellent improvements in caring for stroke patients, caring for patients having surgery and we came very close to achieving our goals for improving outcomes in

patients with heart attack, heart failure and pneumonia.

FOCUSING ON THE TOTAL CARE EXPERIENCE

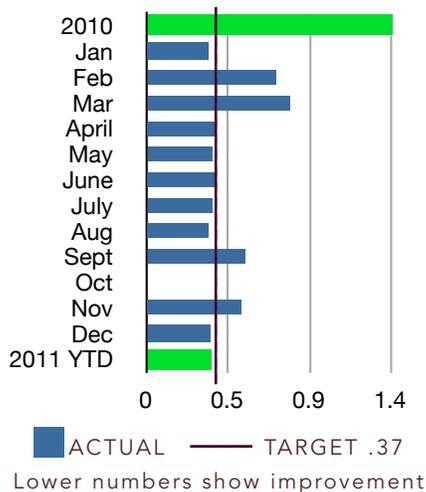
Moving forward, a key area of emphasis is ensuring patients get appropriate care after they leave the hospital, so they don't need to be re-hospitalized too soon. We discharge patients with instructions for care at home and for follow-up care, together with enough medications until they can fill any prescriptions. We hope they follow their instructions, fill their prescriptions and schedule a follow-up visit with their physician. But we don't currently have a mechanism to make sure that they do. We did a good job for

patients with congestive heart failure and pneumonia, and we are continuing to make improvements to ensure that our patients recovering from heart attack get the follow-up care they need.

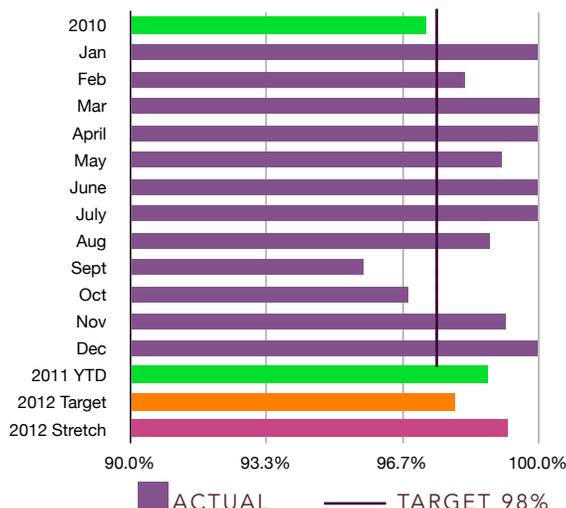
WMMC is now participating in a corporate initiative that is working on ways each hospital can improve continuum of care systems. Building new physician partnerships and a broader health network will also help us coordinate follow-up care for patients.

By putting our patients at the center of care and focusing on the entire care experience we can continue to make positive changes.

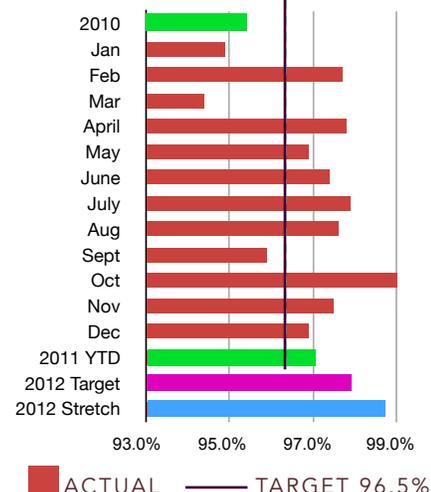
HOSPITAL-ACQUIRED PRESSURE ULCER RATE



STROKE CORE MEASURE



SURGICAL CARE IMPROVEMENT





EXCELLENT SERVICE

We pride ourselves on providing excellent service to our patients and meeting the needs of physicians who bring their patients to us. And while in 2011 we did an outstanding job of providing excellent quality care, both patients and physicians told us they were not completely satisfied with the service we provided. As with the Our People Survey scores, we know this was directly related to changes our employees and physicians were experiencing at the time.

PHYSICIAN SATISFACTION

Physician satisfaction dropped from 71 percent excellent overall in 2010 to 45 percent excellent in 2011. We know the CPOE go-live caused stress for physicians as they got used to the system. Some physicians also expressed dissatisfaction with the length of time it took to admit patients to the hospital from the Emergency Department. A task force has been set up to address this issue.

PATIENT SATISFACTION

Our patient satisfaction excellent scores dropped in almost all key areas, including caregivers' understanding, teamwork, courtesy, friendliness and helpfulness. We can tie this back to the changes in employee benefits and compensation and to the CPOE go-live, which caused

significant pressures for all caregivers.

One important area in which we did an excellent job was in meeting our patients' spiritual needs. We lived up to our mission and our patients appreciated it.

NEW IN 2012: HCAHPS

Beginning this year we're using the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) to measure patient feedback in many areas. That information will be posted online and be publicly available to everyone as they make decisions about where to receive their health care. It will also be an important factor in determining our overall Medicare reimbursement – another health reform change. We'll be financially rewarded

if patients are happy with their hospital experience, and financially penalized if they're not.

PATIENT-CENTERED CARE

Providing an excellent patient experience is already our focus as we continue to provide patient-centered care under the Planetree model. We remain committed to empowering patients and families through education and personalizing and humanizing the health care experience.

Our patient satisfaction scores are on the rise in 2012. Going forward we'll continue to monitor and improve the overall patient experience and focus on what is important to our physicians and how they feel about WMMC as a place to practice medicine.

WHAT DOES IT ALL MEAN TO ME?

The work of redesigning our services may seem daunting. Success requires determination that pushes you a little bit harder than you thought possible, and at WMMC each of us is being asked to perform to the highest standard.

We can only fulfill our mission, achieve our vision, and improve performance through our dedicated physician and employee family.

Your individual contributions and the work you do as a team will carry us forward and enable us to remain strong and successful in meeting the needs of our community.

Each of us has an important job to do as we get WMMC ready for the future of health care. Working together, we know we will succeed.



OUR VISION

**INSPIRED BY KNOWLEDGE.
FUELED BY EXCEPTIONAL PEOPLE.
GUIDED BY FAITH.**

White Memorial Medical Center, along with its physicians and community partners, will be an **INTEGRATED HEALTH SYSTEM** that cares for its community and those who come from throughout the region for specialty care. Because of our size, scope of service and reputation, we will be an **INDISPENSABLE COMPONENT** of any larger **NETWORK** wishing to serve Eastern Los Angeles. When it comes to **VALUE**, White Memorial Medical Center will perform in the **TOP QUARTILE** of providers in Southern California.