



Celebrate
THE JOURNEY.



Transform
OUR FUTURE.



CHRISTUS HEALTH
10TH ANNIVERSARY



Thomas C. Royer, M.D.
President and
Chief Executive Officer

I am pleased to share with you CHRISTUS Health's 2008 – 2009 Annual Report. This snapshot of our activities over the past year from across our ministries demonstrates our commitment to CHRISTUS' Journey to Excellence.

In 2009, CHRISTUS Health celebrated its 10th anniversary by pausing to celebrate our journey and then moving forward with increased energy to transform the future of our organization, our industry and our world.

In 1866, responding to a call from Bishop Claude Dubuis, three Sisters Religious immigrated to Texas with a mission: to care for the sick in the name of Jesus Christ. Their travels around the state ministering to those most in need resulted in the establishment of two congregations committed to extending God's healing presence. Ten years ago, these two congregations in Houston and San Antonio planted a seed when they joined their health care ministries to

form CHRISTUS Health. Nurtured and fed by the congregations' rich legacy, CHRISTUS – rooted in faith and committed to continuing the Sisters' mission – began to bud and blossom. Today, CHRISTUS continues to flourish as it extends the healing ministry of Jesus Christ to those in need throughout the U.S., Mexico and around the globe.

As CHRISTUS Health, our healing tree is now comprised of more than 350 health care ministries, including over 50 hospitals and long-term care facilities, 175 clinics and outpatient centers, as well as dozens of other health care ventures. Our branches are spread throughout 60 cities in the United States and Mexico, employing approximately 30,000 Associates, with over 10,000 physicians on medical staffs. Ranked among the top 10 Catholic health systems, our ministry over the past ten years has continued to flourish.

Creating a health care system that is truly excellent in all areas is an ongoing endeavor. For us, this effort has become our continuing journey – a Journey to Excellence. Guiding us along the way has been our commitment to the CHRISTUS mission: to extend the healing ministry of Jesus Christ. With this in mind, over these past ten years we have strived to create an environment where Associates, physicians, volunteers and others who serve our ministry are appreciated, informed and involved. It is through their hope, compassion and generosity of spirit that we have reached out to those in need, providing compassionate health care and investing in programs and collaborations that will continue to improve the overall health of our communities.

It is a privilege to serve as the team leader of CHRISTUS and work alongside our Associates, physicians and volunteers who strive daily to fulfill our mission. May God bless us on our Journey.

Sincerely,

Thomas C. Royer, M.D.
President and Chief Executive Officer

www.wiresidechatwithdrtom.blogspot.com



Celebrate THE JOURNEY

Feb.1, 2009 marked the 10th anniversary of the founding of CHRISTUS Health. As we recalled the formation of our health system ten years ago when the Sisters of Charity of the Incarnate Word of San Antonio and the Sisters of Charity of the Incarnate Word of Houston joined their health care ministries, it was important to not only reflect on and honor our history, but to celebrate our many accomplishments and to recognize our Associates for bringing CHRISTUS through the past decade.

Just 10 years after the formation of CHRISTUS Health, our ministry has grown from the tenth largest Catholic health care system in the U.S. to the sixth largest. The system has also flourished internationally with a strong CHRISTUS Muguerza branch in Mexico.

Together, we have journeyed through 10 years of challenges and changes, while creating significant and measurable progress. During these 10 years, CHRISTUS Health has seen its inpatient satisfaction increase 139 percent and its net operating margin increase 121 percent. Also in those 10 years, CHRISTUS grew:

- ▶ From 23,000 to 30,000 full, part-time and per diem Associates;
- ▶ From 5,500 to 10,000 physicians on medical staffs throughout our system;
- ▶ From 1,000 to 1,500 volunteers;
- ▶ From CHRISTUS services or affiliated services in Texas, Louisiana, Arkansas, Oklahoma and Utah, expanding into Iowa, Missouri, Georgia and New Mexico in the U.S.; and Chihuahua, Coahuila, Nuevo Leon, Puebla, San Luis Potosi, and Tamaulipas in Mexico;
- ▶ To include 350 medical facilities and other health care ministries throughout the U.S. and in Mexico.



Transform OUR COMMUNITY

At CHRISTUS Health, we believe healing takes place in the communities we serve as well as within the walls of our hospitals. This is why we strive to provide or support comprehensive care and social support for underserved populations. These community-based efforts are critical to the health and well-being of individuals in the communities we serve.

During Fiscal Year 2009 (FY09), CHRISTUS and its community partners have helped establish Federally Qualified Health Centers in Falfurrias and Benavides, Texas. CHRISTUS collaboration with community partners has gained momentum with the recent award of a grant in East Texas from the Health Resources and Services Administration (HRSA), a federal agency tasked with improving access to health care services for people who are uninsured, isolated, or medically vulnerable. This grant will fund remote mental health crisis assessments in the rural Coastal Bend area of Texas and the integration of Community Health Workers into the care of patients with chronic illness at most CHRISTUS Health regions.

The Community Health Worker has become a critical connection between the underserved and our CHRISTUS facilities. Since 2006, Community Health Workers have helped 397 chronically ill, underserved patients manage their health and obtain the health care services they need. Patients served by Community Health Workers have reduced their visits to Emergency Departments by 16 percent, inpatient admissions by 35 percent and average cost of care by 43 percent.

COMMUNITY DIRECT INVESTMENT PROGRAM

In its 10 years of operation, the CHRISTUS Health Community Direct Investment program has invested over \$28 million in the creation of affordable housing, small business development and support for social service agencies that provide for the needs of the underserved. In FY09, the CDI program committed \$12.8 million to non-profit organizations.

ANNUAL OUTCOMES OF CDI INVESTMENTS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UNITS OF HOUSING	150	82	9	28	175	60	252	233	52	291
COMMERCIAL SPACE (sq. feet in thousands)	30					25	13		15	4
SMALL BUSINESS REVENUE (in thousands)			90	90	90	180	360	420	510	408

These investments provide access to capital for small, local non-profits that know the needs of their communities and can address some of the root causes of low incomes and poor living conditions, which are far too often associated with poor health indicators as well.



Permanent new home of David Raines Community Health Center purchased with a loan from CHRISTUS CDI Program



Mixed income housing in Houston, Texas, built with a construction loan from the CHRISTUS CDI program

The CDI program has never suffered a loss in its 10-year history, despite the fact that the investments it makes are specialized and target communities of low wealth, and in spite of the recent housing and economic adversity in the U.S. economy. This achievement is made possible because of CHRISTUS' close ties to the communities it serves and a deep understanding of their needs.

This fiscal year, CHRISTUS saw the benefits of a \$920,000 loan to the David Raines Community Health Center in Bossier City, La., which allowed the Federally Qualified Health Center (FQHC) to secure a permanent home.

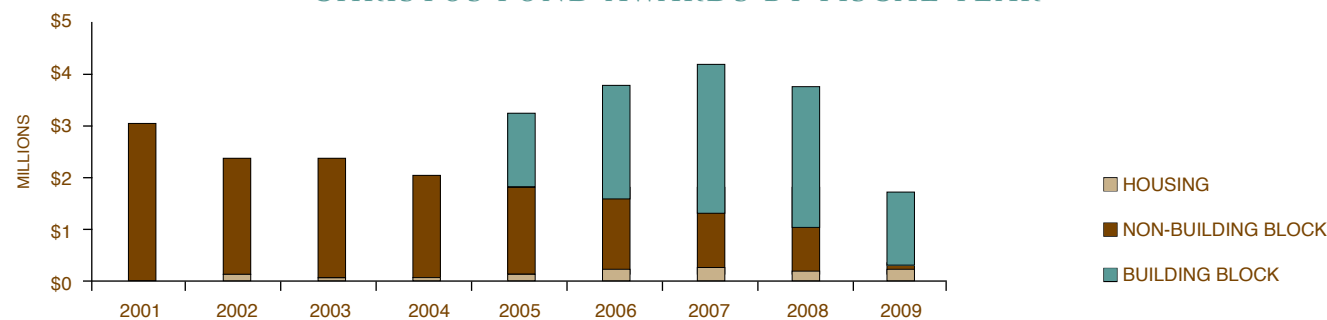
THE ISAIAH FUNDS

CHRISTUS Health continues to support long-term domestic disaster recovery through its participation in the Isaiah Funds, an interfaith loan fund that leverages millions of dollars for the construction of affordable and mixed-income housing in Gulf Coast regions, including Louisiana and Mississippi.

CHRISTUS FUND

Over the past nine years, the CHRISTUS Fund has awarded \$26.5 million to support community-based nonprofit organizations that focus on improving the health of communities served by our health system or programs affiliated with the Congregations of the Sisters of Charity of the Incarnate Word. Preference is given to programs that are "building blocks," or any community resource providing health or social services that contributes to the health and well-being of the uninsured and underinsured.

CHRISTUS FUND AWARDS BY FISCAL YEAR



Despite global economic adversity, the CHRISTUS Fund awarded \$1.7 million to 21 nonprofit organizations in FY09. Many of the programs funded developed remarkable collaboration and comprehensive methods of increasing access to quality health care services for those without health insurance or other resources necessary for preventive care and management of chronic conditions.

COMMUNITY BENEFIT

According to a July 2009 publication of the National Coalition on Health Care, the increasing cost of health insurance and an increased incidence of lost health insurance are major contributors to an increase in the uninsured population. The coalition stated that more Americans have opted not to take advantage of job-based health insurance because they cannot afford the premiums, thus contributing to the increase in patient health acuity, leading to higher medical expenses and increased charity care.

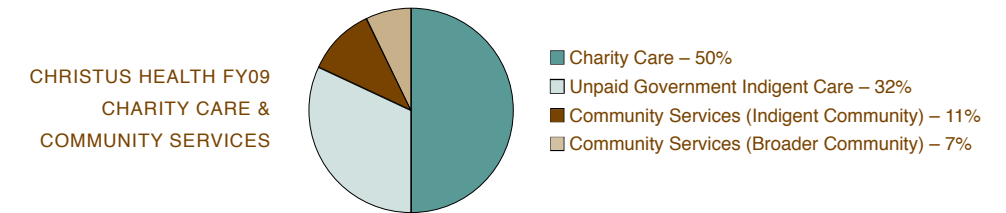
Three of the states CHRISTUS serves continue to have the highest poverty and uninsured rates in the nation. On average, the uninsured are 9 to 10 times more likely to forgo medical care because of cost and twice as likely to have medical debt. However, despite this increase, CHRISTUS Health has continued to partner in each of the communities we serve to help educate community members and assist them in navigating the local health care resources available to them, thus facilitating access to care and ultimately improving the health of these communities.

Our commitment to improving the health of all of the communities we serve is also illustrated through the development of proactive community health services, which are incorporated into our strategic planning.





A SYNOPSIS OF COMMUNITY BENEFIT IN FISCAL YEAR 2009



The cost of Unpaid Government-Sponsored Programs, mostly Medicare, is reported to the state of Texas following the state's community benefit reporting requirements. This year that amount for the CHRISTUS Health system was more than \$340 million, an additional 11.7 percent of CHRISTUS' Net Patient Revenue. In accordance with CHA Guidelines, CHRISTUS Health does not include this amount in reports of community benefit provided to other agencies.

PROVIDING TELEHEALTH TO RURAL COMMUNITIES

In addition, CHRISTUS Health has been providing leadership to the Texas Health Information Network Collaborative (THINC), which is part of a national initiative funded by the Federal Communications Commission (FCC) to build broadband infrastructure for health care services. The FCC will ultimately provide just under \$16 million, which is 85 percent of the funding necessary to establish connectivity across the state as part of this program. The remaining 15 percent will come from other sources. The focus of the program is to connect over 200 rural health care facilities with urban centers to improve access to clinical services and care coordination. Through this connectivity, telehealth services, sharing of electronic health information and other services can be provided to underserved populations around the state.

CHRISTUS Health adheres to the Catholic Health Association (CHA) guidelines and State of Texas rules for reporting community benefit for all our regions and business units.

Charity Care is the unpaid cost of medical services provided to the uninsured and underinsured including unpaid government indigent care. During FY09, CHRISTUS provided more than \$261 million in charity care. CHRISTUS' commitment to this population is reflected by a 34 percent increase in charity care over FY08.

Unpaid Government Indigent Care for the underinsured, predominately Medicaid, makes up more than \$101 million of unpaid costs for FY09.

CHRISTUS Health also contributed more than \$56 million in **Community Services** in FY09, which includes proactive community services as well as graduate medical education. Cumulatively, CHRISTUS Health provided more than \$317 million in total community benefits, representing 10.9 percent of Net Patient Revenue in FY09. This equates to more than \$870,000 a day in community benefit.

Additionally, CHRISTUS Health reinvests any and all profits back into the communities we serve through expanded health services, new technologies and better facilities.

INCREASES IN UNINSURED RATE IN PERCENTAGES

AREA	U.S.	LOUISIANA	NEW MEXICO	TEXAS
2007	15.3	18.5	22.5	25.25
2008	15.4	19.3	23.2	25.2

Transform OUR CARE

CHRISTUS Health is continually taking steps to improve the care we provide, as we believe that excellence is a necessity, not a luxury. In FY09, some of these steps were extensive and unforeseen, including our system-wide preparations to respond to the H1N1 flu epidemic.

While CHRISTUS Health has an extensive system of metrics in place that are measured, collected, analyzed and reported, there are two primary tools that are used to track and report outcomes of care: the Balanced Scorecard and core measures. The Balanced Scorecard is a snapshot view of the progress of each of CHRISTUS' facilities, regions and system as a whole. Based on the four directions of our Journey to Excellence (clinical quality, service quality, business literacy and community value), a few key indicators have been selected to represent the overall quality of care in each area. Each indicator is fully researched, and then benchmarks are selected and goals are set.

CARE MANAGEMENT

In FY09, CHRISTUS Care Management continued tracking key indicators of care on their case management dashboard. A comparison is being made between fiscal years 2008 and 2009. Some of these include:

- ▮ Readmissions are tracked, trended and categorized to determine why readmitted patients returned within 30 days. The overall readmission rate in FY09 was 8.4 percent. However, the percentage of planned, related and avoidable readmissions remained flat at 0.8 percent. We have determined that most planned, related, avoidable readmissions are caused by the progression of chronic diseases in patients. As a result, CHRISTUS facilities are reviewing their specific data and discussing ways to more effectively treat these chronic diseases over the long term, including creating local clinics to specifically address chronic disease. In addition, average length-of-stay (ALOS) for Medicare patients is declining. CHRISTUS' Medicare ALOS is down from 5.24 days to 5.21.
- ▮ In FY08, case management implemented a Clinical Documentation program, which is designed to ensure that physician documentation in medical records is accurate, specific and uses recognizable coding terms. In addition to increasing net revenue by \$9.2 million in FY09, the program provided our hospitals with better data for planning and measuring patient care.

THE CHRISTUS RESPONSE TO H1N1 INFLUENZA

During the latter part of April 2009, the incidences of H1N1 flu and related complications became a world-wide concern. The World Health Organization (WHO) elevated the situation from a Pandemic Phase One to a Pandemic Phase Three in a matter of days. In response to the rapidly escalating situation, the CHRISTUS Health Pandemic Influenza Plan, a part of the system's emergency management plan, was utilized as a guide for H1N1 flu preparedness activities. These activities were implemented across CHRISTUS simultaneously, and were closely monitored.

Daily conference calls for all CHRISTUS Infection Control practitioners provided an opportunity to develop and share action plans, resolve issues and plan next steps. Every call included a discussion regarding recent Centers for Disease Control (CDC) and/or WHO recommendations.

CHRISTUS Health continues to monitor and take proactive steps to keep our patients, Associates, volunteers and residents safe. Supply levels for personal protective equipment, antiviral medications and testing kits are being monitored, and stockpiling is being planned based on previous surge estimations. In addition, educating health care workers and patients has been encouraged on an ongoing basis. Brainstorming ways to create expectations and processes that will encourage Associates to report flu-like symptoms and remain at home while ill has been a priority.

NURSING'S JOURNEY TO EXCELLENCE

CHRISTUS Health has established a Nursing Research Agenda, which delineates nursing's research priorities and enables greater focus on the research needed to ensure nursing quality at CHRISTUS Health. It is one of



the efforts in the CHRISTUS Health Journey to Nursing Excellence to achieve the highest standards of care for our patients and a quality nursing environment. Aligned with the CHRISTUS Health Journey to Excellence, the nursing journey is building an infrastructure to support nursing's drive to excel in CHRISTUS' four directions to excellence.

Nursing tracks its progress on the Journey to Nursing Excellence against national benchmarks in a system-wide nursing dashboard and utilizes evidence-based practices to improve performance. This year, protocols to prevent hospital-associated infections have been introduced as one of the approaches to improve clinical quality. At the same time, evidence-based practices are being woven throughout our electronic documentation system to ensure that nurses have the opportunity to document best practices.

CHRISTUS also continues to work to strengthen the development of nursing competence and nurse leaders. This year, a Critical Thinking Demonstration Program was initiated to develop the critical thinking skills of nurses new to CHRISTUS Health. Nurses are also building nursing standards for CHRISTUS to assure the highest standards in practice are implemented. Leadership development has expanded with the addition of Unit-Based Nurse Leader programs for nurse leaders at the frontline. The CHRISTUS Center for Management Excellence II (CCME II) for Nurse Leaders course was also implemented to meet development needs of CHRISTUS nurse leaders.

Nursing improved in six metrics measured on the system-wide nursing dashboard from July 2008 to June 2009. These include:

- ▶ Increase in overall patient satisfaction: 4.5 percent system-wide improvement
- ▶ Increase in overall satisfaction with nursing care: 2.2 percent system-wide improvement
- ▶ Decrease in RN vacancy rate: 5.2 percent system-wide reduction in RN vacancies
- ▶ Decrease in RN turnover: 1.2 percent system-wide reduction in RN turnover
- ▶ Decrease in patient falls: 0.3 percent system-wide reduction in patient falls;
- ▶ Decreased use of licensed agency: 1.7 percent system-wide reduction.

PATIENT SATISFACTION

Overall, patient satisfaction scores at CHRISTUS Health have improved significantly over our first decade of operations in the areas of inpatient care, emergency department (ED), outpatient and ambulatory surgical services.

CHRISTUS HEALTH PATIENT SATISFACTION TREND

	INPATIENT	EMERGENCY DEPT.	OUTPATIENT	AMBULATORY DEPT.
00	38%	---	---	---
01	40%	---	---	---
02	47%	---	---	---
03	47%	35%	---	---
04	51%	35%	---	---
05	68%	38%	37%	60%
06	79%	41%	39%	65%
07	79%	44%	54%	67%
08	78%	48%	63%	76%
09	74%	53%	55%	78%

Although satisfaction dipped during the first half of FY09, it was on an upward trend for the last five months of the fiscal year. Inpatient satisfaction dipped slightly compared to FY08, but remains near the top quartile of Press Ganey's database, which compares CHRISTUS' progress with that of similar health systems.

The CHRISTUS Health system has focused intensely on improving the emergency department (ED) patient experience during the past year. As a result, CHRISTUS achieved its largest single-year improvement ever and exceeds Press Ganey's national average for the first time.

Outpatient satisfaction was slightly lower than FY08 results, but improved consistently over the last six months of the year. Ambulatory surgery remains the system's strongest service, which is significant, as its importance will continue to grow as more health care services move to the outpatient setting.

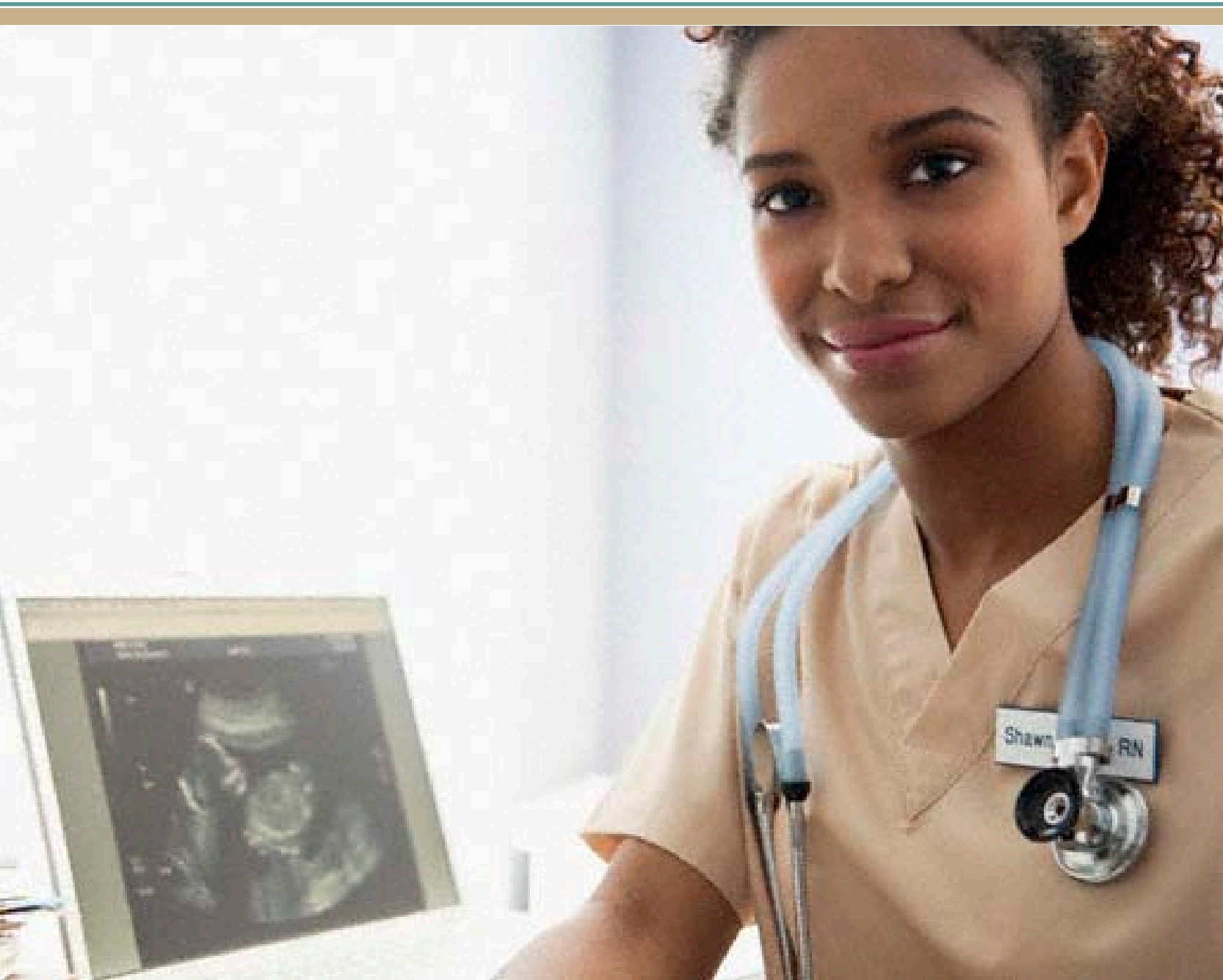
CHRISTUS CONTINUING CARE FORMED

CHRISTUS Health's strategic vision calls for the organization to grow and strengthen non-acute services, which are provided after or separate from traditional acute care. At this time within CHRISTUS, those are defined as home care, hospice, long-term care services, residential senior services and long-term acute care hospital services.

In FY09, organizational changes were made within CHRISTUS to support that strategy. Specifically, the non-acute services were grouped to report to a single senior leader, so that our non-acute services and operating units could receive the intense focus, advocacy and support needed to grow and expand.

Formed in 1993, Dubuis Health System has grown to include 16 long-term acute care hospitals (LTACHs) that it owns or manages. While an integral part of the CHRISTUS family, Dubuis was originally required by federal regulations to be formed and managed separately from CHRISTUS Health, with strict rules related to oversight and sharing of services. However, the regulations requiring this separation and independence recently changed, allowing for a closer relationship between Dubuis and CHRISTUS.

In FY09, ownership of all but four of the Dubuis hospitals, all of the contracts for management of other LTACH hospitals and the joint venture LTACH of Dubuis Health System were transferred to a new legal entity called CHRISTUS Continuing Care. CHRISTUS Continuing Care now oversees the operations of CHRISTUS Dubuis (the system of hospitals whose ownership was transferred) as well as CHRISTUS HomeCare. This organizational change will further our vision to focus on and grow our non-acute services within the CHRISTUS system



Transform OUR WORKPLACE

At CHRISTUS Health, we realize that our most important asset is not the real estate, buildings or technology we own—it is our Associates. This is why we work every day through a variety of resources, channels and programs to educate, inspire and empower our Associates to reach excellence.

CHRISTUS MENTORSHIP PROGRAM

The CHRISTUS Mentorship program, which completed its sixth year in FY09, was created to respond to the needs of CHRISTUS Associates and help them realize a greater degree of achievement and satisfaction in their work and lives. This year-long learning experience emphasizes a highly individualized form of development that responds to the unique needs of each participant. The program is intentionally structured to promote diversity within CHRISTUS through focused attention on the development of Associates from diverse backgrounds. The program has graduated over 800 mentees, many of whom have completed college degrees, found new opportunities within CHRISTUS, or moved on to the next level of development in CHRISTUS, the CHRISTUS Academy.

EDUCATION AND RESEARCH FUND

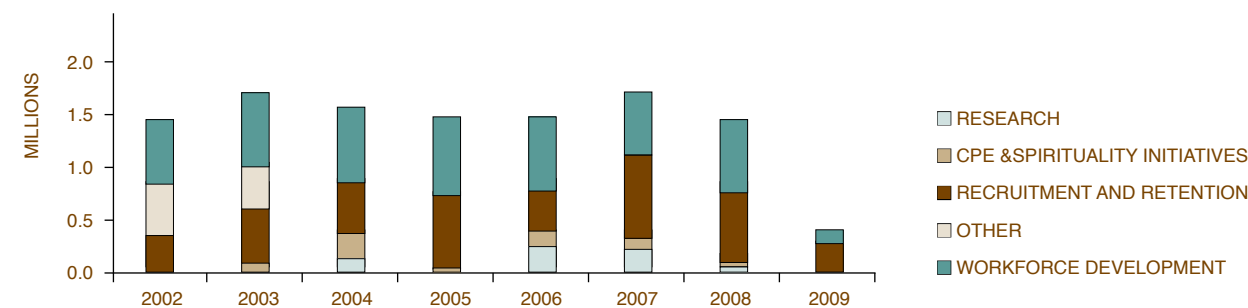
The CHRISTUS Education and Research Fund provides financial support to further the skills and knowledge base of CHRISTUS Health Associates with the goal of enhancing quality, productivity and retention. The fund has awarded a total of \$11,078,049 since 2001.

During FY09, the fund awarded nearly \$500,000 in support of initiatives in the categories of workforce development, Associate recruitment and retention and research.

CHRISTUS CENTER FOR MANAGEMENT EXCELLENCE

The CHRISTUS Center for Management Excellence (CCME) was established in 2004, and began as a week-long program that targeted front-line managers. Since then, CCME has changed to fit the needs of managers and of CHRISTUS. Today, it is a 10-month learning opportunity that begins with three days of onsite instruction and continues with monthly Webinars, team calls and learning activities. Participants apply

CHRISTUS EDUCATION AND RESEARCH FUND AWARDS BY FISCAL YEAR



learning through simulation and group exercises and remain connected to classmates from all regions with similar job functions. The course is led by internal and external experts and includes sessions on CHRISTUS' mission, ministry and values; health care finance; interpersonal relations; human capital management and community value as well as practical tools to get the job done. Since its implementation, close to 1,500 leaders throughout the CHRISTUS system have experienced this learning opportunity.

A special CHRISTUS Center for Management Excellence for Nurse Leaders was also launched in February of 2008. The three-day program addresses a variety of professional and managerial issues that are common to nurse leaders throughout the CHRISTUS ministry. Nurse leaders who complete the program can earn up to 17.9 hours of professional continuing education credits. A total of 76 nurses have attended this program since its inception.

ONLINE LEARNING

In order to provide effective education for our Associates, CHRISTUS has invested in online learning tools that ensure excellence in both clinical quality and service delivery. Each CHRISTUS Associate has access to HealthStream, a learning management system that delivers most regulatory education requirements, as well as other types of learning. In FY09, a total of 217,665 courses were completed online, accounting for 39 percent of all learning that occurred throughout CHRISTUS.

Continuing education for nurses is provided through NurseWeek/CE Direct and has proven to be an overwhelming success not only for CHRISTUS nurses, but also as an additional asset in nurse recruitment. In FY09, 20,544 courses were completed, accounting for 49,123 continuing education hours.

CHRISTUS also provides an Online Performance and Learning (OPAL) system for managers, which acts as a "cyber coach" and provides just-in-time, just-enough learning to support them in fulfilling their coaching and mentoring responsibilities.

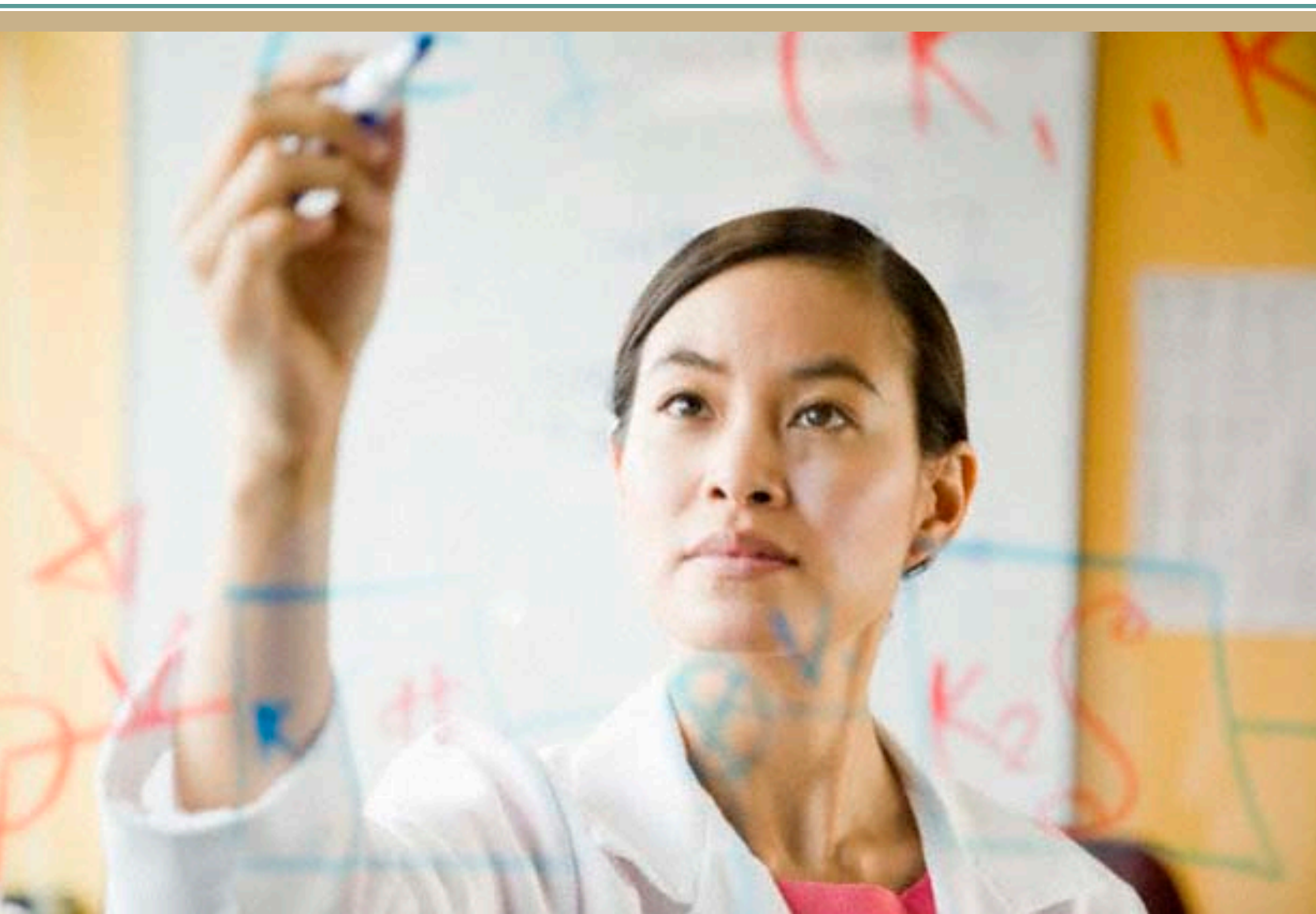
ORGANIZATIONAL TRANSFORMATION

This fiscal year, CHRISTUS created an internal, collaborative, unique approach to operationalize organizational transformation. The CHRISTUS Health Ark-La-Tex region was the first to pilot the initiative, which is a comprehensive approach to building upon the CHRISTUS culture to elevate and sustain performance across our four Directions to Excellence. The philosophy is a hands-on approach where all levels of the organization are actively engaged in implementing evidenced-based approaches to define and create a culture of excellence.

ASSOCIATE SATISFACTION

We know that the service provided at CHRISTUS facilities and programs starts with the satisfaction of our most important resource, our Associates. Therefore, we measure our Associates' satisfaction on an annual basis.

CHRISTUS Health's overall Associate satisfaction improved from the 71st percentile in FY08 to the 76th percentile during FY09. Associate engagement levels showed the strongest improvement, suggesting that Associates feel an increasing personal connection to their work. The system's greatest strengths demonstrate connection to CHRISTUS' values, recognition for good work, an overall sense of accomplishment and pride in the quality of care provided.



CHRISTUS HEALTH INFORMATION AND TECHNOLOGY CENTER OPENING

CHRISTUS Health celebrated the opening of its 48,000-square-foot Information Technology Center (ITC) in San Antonio, Texas in November of 2008. The ITC transforms CHRISTUS' workplace by serving as its primary data center. Servers have been consolidated from multiple locations, including rented data center and disaster recovery sites, which has resulted in savings in excess of \$1 million. The facility was designed as a Tier 3 data center, so it will provide a high degree of service availability while protecting our critical patient and business data from the hazards of power disruption, fire, natural disasters and other threats. This translates to more reliable and timely delivery of information to our caregivers, patients and other customers. The center is built on a ten-acre campus and can be expanded rapidly, if needed, to meet changing business demands in the coming years.

Transform OUR INDUSTRY

NATIONAL INFLUENCE ON HEALTH CARE

Putting Care within Reach® is CHRISTUS Health's national collaborative initiative aimed at achieving universal health coverage in the U.S. The goal of Putting Care Within Reach is to foster an environment where bold change can become a reality by building effective relationships with lawmakers and administration officials, create widely-known champions for reform and prepare CHRISTUS leaders to engage in the national debate on health care reform. CHRISTUS Health's goal is to secure broad policy consensus on universal coverage principals and enact comprehensive reform that will sustain and strengthen America's health care delivery system.

Beginning in May 2009, CHRISTUS hosted a series of Congressional town hall meetings that successfully encouraged dialogue among managed care providers, patient advocates, community residents and lawmakers to discuss necessary components of reform. The town hall meeting in Shreveport, La. was even broadcast live over the Internet; viewers could discuss the roundtable online or submit questions via a chat function, or via Twitter. The roundtable is accessible for viewing at <http://bit.ly/3QIGSv>.

As health reform discussions began in earnest in the summer of 2009, CHRISTUS planned a visit for CEO Dr. Thomas Royer to Washington, D.C. to meet with members of Congress, federal regulators and journalists to spread the news about CHRISTUS' plan to put care within reach of all Americans.

DISASTER PREPAREDNESS

In FY09, CHRISTUS Health had the opportunity to share its stories of success and lessons learned relative to disaster preparedness. With several CHRISTUS facilities located in U.S. hurricane strike zones, the system's extensive experience in dealing with weather-related disasters placed it in a position to offer expertise to key Congressional committees with oversight for disaster preparedness. In addition, CHRISTUS Health worked closely with FEMA and the Department of Homeland Security to form relationships with leaders in the new administration, serving as a credible voice on issues that hinder our ability to provide seamless support to our communities and patients, particularly in the aftermath of a natural disaster.

FEDERAL FUNDING

CHRISTUS Health was the beneficiary of more than \$2.5 million in federal funding this year. The funds are being used in regions of Louisiana and Texas for preventive care, the operation of school-based health centers and children's health and social service needs. Other federal funding through grants has allowed for future hurricane preparedness in several storm-prone regions.

STATEWIDE INFLUENCE

Stay of a Budget Provision Impacting Texas Upper Payment Limit (UPL) Dollars

When parts of an outdated list of proposed cost savings were incorporated into an early draft of the Texas state budget for 2010-2011, a provision known as the PCCM rider would have reduced hospital Upper Payment Limit (UPL) reimbursement statewide by over \$200 million, with the rider costing CHRISTUS itself more than \$25 million. CHRISTUS launched a coordinated campaign against the misguided rider, including phone calls to CEO and regional advocates as well as a mobilization site for Associates to contact their district's lawmakers.

Protection of Texas Trauma Care Funding Source

CHRISTUS advocates worked to achieve the full balance of the trauma fund, amounting to approximately \$300 million, to be distributed to trauma facilities around Texas. While that effort was not wholly successful, \$75 million will be distributed to designated trauma facilities in the 2010-2011 biennium. Overall, the financial impact to CHRISTUS alone was a \$5 million increase for the system's facilities that provide trauma care.

Passage of Obesity Pilot

During the Texas congressional session, the Community Diabetes Coalition sponsored by CHRISTUS Spohn Health system was a crucial model for a new obesity pilot program created in Senate Bill 870. The CHRISTUS model, which employs innovative use of technology to connect patients with their care team and reduce Emergency Department visits, is now represented in state law as a pilot project for similar programs to address obesity and reduce health care costs due to this condition.

The Diversion of More Than \$8 Million in Medicaid Cuts to CHRISTUS Louisiana Facilities

Going into the Louisiana Congressional session, hospitals faced over \$200 million in budget reductions, including \$70 million in outlier payments in House Bill 1. CHRISTUS Health was facing anywhere from \$7 to 10 million in Medicaid reductions if the measures passed. Due to aggressive advocacy efforts, the legislature restored about 45 percent of the total cuts to health care facilities.

Providing \$7 Million in Hurricane Relief

During the Louisiana congressional session, CHRISTUS Health was successful in assisting in the passage of one of our top priorities, House Bill 879, which allows the state to use \$45 million of one-time federal hurricane relief dollars to bring \$168 million in federal matching dollars to the state to restore some funding to hospitals that lost a combined total of almost \$800 million as a result of the last four major hurricanes. The \$212.8 million in supplemental appropriations will provide Medicaid relief to hospitals post-storms, standardize



community hospital Disproportionate Share Hospital (DSH) payments statewide and fund rural hospital/health clinics. We estimate that this will have a \$6.5 million positive impact on CHRISTUS Louisiana facilities.

Successful Passage of CHRISTUS Dubuis Resolution in Louisiana

On behalf of our long-term acute care hospitals in Louisiana, CHRISTUS Advocacy was successful in supporting the passage of a Senate resolution requesting the Department of Health and Hospitals to process claims for services rendered by long-term care hospitals from 2004 until a moratorium was lifted on July 1, 2008, provided that long-term care hospitals electronically submit all Medicare secondary claims (which are claims where there is potentially another payer with primary responsibility for payment) no later than Dec. 31, 2009. CHRISTUS Dubuis is now allowed by Medicare fiscal intermediaries to write off certain Medicaid secondary denials as bad debt on their Medicare cost reports, resulting in an estimated increase of \$800,000 to CHRISTUS Dubuis Louisiana facilities.

Expediting Disproportionate Share Hospital (DSH) Funding to CHRISTUS Hospital – St. Elizabeth

During the last Texas state session, CHRISTUS was successful in advocating for an additional provision to an appropriations bill that protects disproportionate share funding for hospitals whose patient populations decreased as a result of Hurricanes Katrina and Rita. Temporarily, the funds were backlogged with the Texas Health and Human Services Commission; however, CHRISTUS Advocacy worked diligently to release the funds in March of 2009, resulting in Disproportionate Share Hospitals funding of \$7 million to CHRISTUS Hospital – St. Elizabeth.

CHANGING THE FACE OF CANCER CARE

At the beginning of FY09, the CHRISTUS Stehlin Foundation for Cancer Research received word from the Food and Drug Administration (FDA) that CZ48, a promising anticancer drug they discovered and developed, was approved to begin Phase I (human) clinical trials. This is a large step in the journey to offer this potentially lifesaving drug to people suffering from cancer.

This is a remarkable accomplishment, since past records show that for every 5,000 to 10,000 oncology compounds discovered, only 250 make it to preclinical phases, and only five (one-tenth of one percent) are approved by the FDA for these human studies.

The CHRISTUS Stehlin Foundation for Cancer Research, which conducts research that can be applied directly to improving the treatment of the patient with cancer, has developed and supported many innovative and life-saving treatments for patients with cancer, including being some of the first to recommend a lumpectomy for women with breast cancer. The CHRISTUS Stehlin Foundation also innovated the use of nude mice in cancer research. Nude mouse tests are now the final, non-human studies required by the National Cancer Institute for determining the effectiveness of potential anticancer agents. Many scientists around the world consider the nude mouse one of the 20th century's most significant breakthroughs in cancer research.



PLANNING FOR THE FUTURE

In 2000, CHRISTUS convened a Futures Task Force, which was of the utmost importance as the newly-formed health system set out on a new path. The task force undertook an extensive literature review and study of futures thinking to set the context for the challenges that lay ahead in order to anticipate what our world would look like 10 to 20 years into the future.

The four scenarios drafted by Futures Task Force I painted pictures of how the world might look in the future. They predicted that reimbursement would continue to decline, particularly on the inpatient side, which could be exacerbated by a large national crisis (like a war) that would draw further funding away from health care. The events of 9/11 and the ensuing wars in Iraq and Afghanistan have proved that prediction to be true.

The scenarios also predicted an increase in globalization (or “the shrinking of the world”) and the rapid introduction of new technology, which would be disruptive, but also allow more care to move to the outpatient arena. These scenarios resulted in 19 recommendations which altered the strategic trajectory of our health ministry, and fueled CHRISTUS’ partnership in Mexico and restructuring of CHRISTUS Health’s portfolio to include one-third acute care, one-third non-acute care and one-third international operations.

In October of 2007, CHRISTUS Health once again engaged in a focused effort to understand the trends shaping the future in order to ensure that the health ministry would be appropriately positioned to continue its mission of extending the healing ministry of Jesus Christ. It was determined that revisiting CHRISTUS’ assumptions regarding the future was critical at that time, given the many changes that the world, the industry and CHRISTUS itself had experienced since the first Futures Task Force completed its work. The world had changed dramatically since June 2001; several global disruptive events had changed the political and economic landscape and the health care industry was challenged with a changing business model, regulatory environment and a rising numbers of the uninsured. Additionally, many of the findings and recommendations of the first Futures Task Force had become industry standard, diluting any strategic value to CHRISTUS Health. Perhaps most important, CHRISTUS found itself at a critical juncture in shaping its strategic direction, and determined that the correct long-term context was critical to long-term success.

Therefore, Futures Task Force II embarked on a year-long journey to identify the emerging trends that would shape the world, the health care industry and the CHRISTUS Health ministry in 2020 and beyond. This journey included a deep exploration of trends in a vast array of areas including social paradigms, science, technology, energy, consumer empowerment, the environment, geopolitics, innovation and the definition and role of community, to name just a few.

Task force members identified three overarching trends that they felt would be most critical in shaping the future of our health ministry. These include:

▶ *Customer Empowerment*, which is relatively new in health care, but is a phenomenon to which most industries have been forced to respond. The health care industry must address it now because consumers and patients have greater access to information (including health information and social media and networking online), the fact that they often share a greater responsibility for the cost and rising dissatisfaction with the health care industry.

► *Globalization* is the interconnectivity of markets, communities and cultures across the globe, which has been a growing reality for decades. It is largely driven by technology, but we know now that there are no geographic boundaries to social networks, so globalization now happens at a personal level. It affords product distribution networks with access to new customers and new products and offers low-cost, highly scalable business models.

► *Technology* trends, such as information and clinical technology have long been major drivers in the evolution of nearly every industry. Once again, social networking/business distribution networks open up new opportunities for learning, connecting and marketing across the economic pyramid. In health care, the possibilities continue to be astonishing as new therapies may soon eliminate some diseases. Early diagnostics and intervention already eliminate the need for certain care, which continues to migrate out of institutions into new delivery models.



Celebrate THE JOURNEY *Transform* OUR FUTURE

Over the past decade, CHRISTUS has been on a Journey to Excellence. This journey takes place in four distinct performance categories, called Directions to Excellence. These include clinical quality (measuring the care we provide), service quality (patient, Associate and physician satisfaction), business literacy (our financial performance and wise use of resources) and community value (our benefit to local and national communities).

This undertaking involves a commitment to using data and metrics in order to document solid performance in each direction. A decade after our journey began, CHRISTUS is celebrating a wide range of achievements affecting all areas of practice – including increased revenues, transparent governance processes and a best practice program driven by a benchmark competitive evaluation process called the Touchstone Awards.

In order to validate its achievements, CHRISTUS saw the need to not only gather data and measure it, but to make it transparent to the community. This allows our patients to base their decisions on proven clinical outcomes, cost of care and quality of service. Because people come into CHRISTUS facilities and programs each day, putting their health—and often their lives—in our hands, they deserve to know as much as possible about us. They want to receive health care services that are excellent and will result in the best outcome at the most affordable price. Therefore, CHRISTUS Health is committed to provide this information to our patients, residents and their families so they can make informed decisions about us. We are committed to total transparency in all we do.

This transparency ensures that our patients, their families and our Associates and physicians can hold each other accountable to the high standards of compassion and excellence that we have set for ourselves. If we expect our patients to be loyal to us and trust us, we must return to them our measured outcomes so they are assured that we are committed to our Journey to Excellence and to carrying out the healing ministry of Jesus Christ.

Because of this commitment, CHRISTUS Health reports the following on our Website:

- Financial performance since 2000
- Community benefit amounts since 2002
- Quality metrics since 2006
- Patient satisfaction since 2006
- Pricing information since 2007

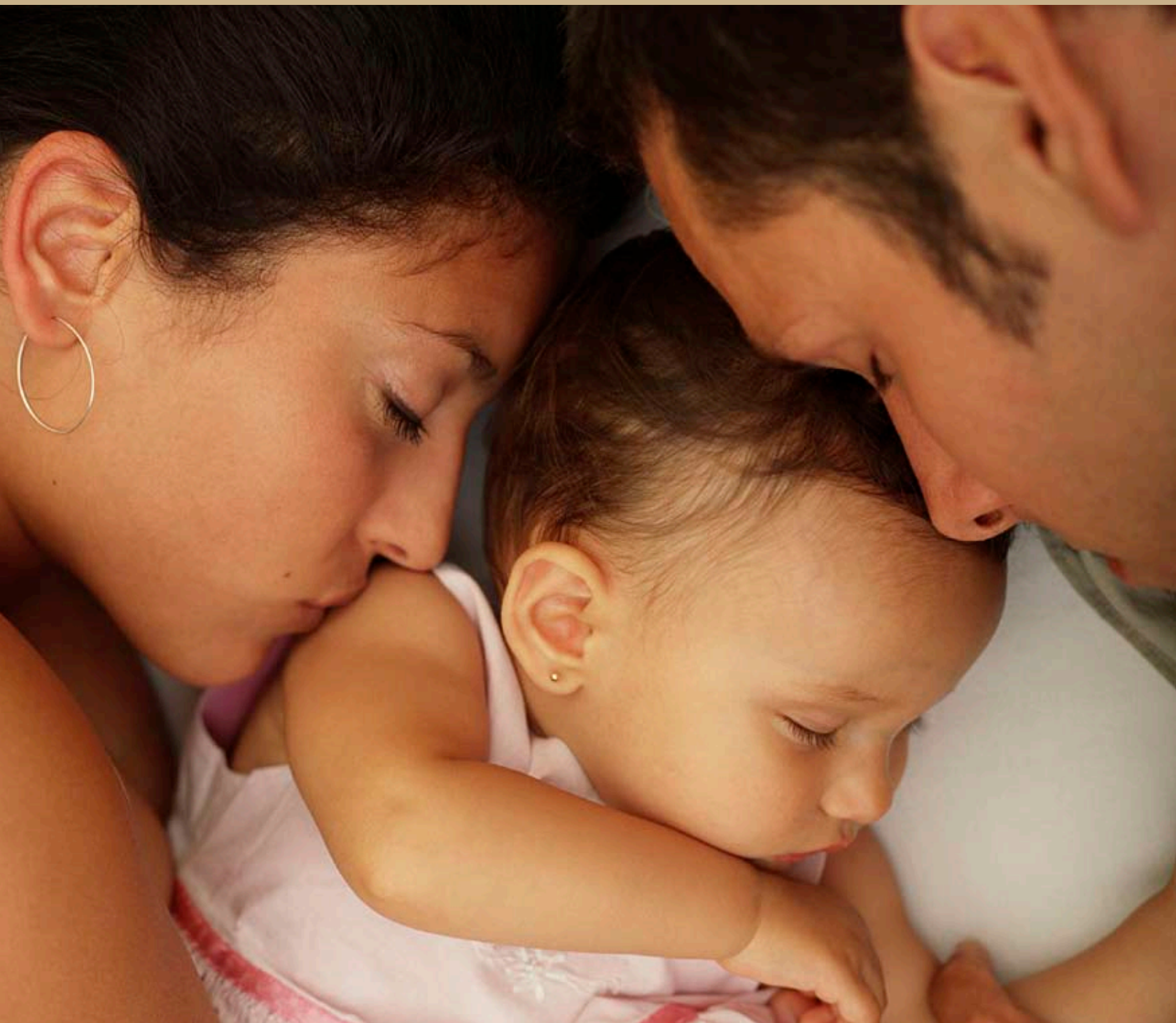
At CHRISTUS, excellence is considered a necessity, not a luxury, and our level of commitment to excellent service sets us apart. So much so, that in 2003, CHRISTUS Health became the first health system in the U.S. to provide a Service Guarantee. In keeping with the CHRISTUS mission to extend the healing ministry of Jesus Christ, CHRISTUS facilities guarantee to those we are privileged to serve:

- Courteous, prompt and compassionate care;
- Concern for our patients' special needs and privacy and
- Open, honest communication about treatment

If we fail to fulfill this guarantee, patients and their family members are encouraged to express their concerns to a representative immediately. If the concern fails to be resolved to the patient's satisfaction, staff can offer a variety of "apology gifts."

In addition, CHRISTUS continues to be the #1 Catholic health care system in the country for the amount of charity care and community benefit provided to those we serve.

CHRISTUS Health's Journey to Excellence has been guided these 10 years by our commitment to the CHRISTUS mission to extend the healing ministry of Jesus Christ, and supported by our vision and values. With this in mind, over these past 10 years we have aimed to create an environment where Associates, physicians, volunteers and others who serve our ministry are appreciated, informed and involved. It is through their hope, compassion and generosity of spirit that we have reached out to our patients, consumers and residents as well as those in need, providing compassionate health care and investing in programs and collaborations that will continue to improve the overall health of our communities, just as the three Sisters who responded to a call from Bishop Dubuis did over 140 years ago.



OUR MISSION, VALUES AND VISION

The vision of CHRISTUS Health, a Catholic, faith-based ministry, is to be a leader, a partner and an advocate in the creation of innovative health and wellness solutions that improve the lives of individuals and communities so that all may experience God's healing presence and love.

OUR MISSION

- ▶ To extend the healing ministry of Jesus Christ.

OUR CORE VALUES

- ▶ Dignity: Respect for the worth of every person, recognition and commitment to the value of diverse individuals and perspectives, and special concern for the poor and underserved.
- ▶ Integrity: Honesty, justice and consistency in all relationships.
- ▶ Excellence: High standards of service and performance.
- ▶ Compassion: Service in a spirit of empathy, love and concern.
- ▶ Stewardship: Wise and just use of talents and resources in a collaborative manner.



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