



*Embracing Miracles.*  
TOUCHING LIVES.

2010 ANNUAL REPORT





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

## Letter from Dr. Royer

Continuing to answer the call to extend the healing ministry, CHRISTUS Health's nearly 30,000 full- and part-time Associates, more than 9,000 physicians and 2,000 volunteers continue to touch millions of people each year, creating the potential of a miracle moment for each. It is the accumulation of these miracle moments at our multiple locations in the U.S. and Mexico that create our annual report story for FY09-10.

Like in years past, the CHRISTUS family has again experienced many blessings and faced numerous challenges. As we celebrated our 11th birthday of the CHRISTUS Health ministry on Feb. 1, 2010, we paused to reflect on our accomplishments and to count our blessings, which have been many:

- Our culture is alive and well, seen in the lived experiences of our Associates, physicians and volunteers who are driven daily by our mission, vision and values.
- Our brand is strong and well recognized, both internally and externally, and built around our four directions on our Journey to Excellence.
- Our business literacy has achieved the highest performance metrics in our history, including days in cash, operating margin, labor and supply costs, investment income and accounts receivable.
- Our community benefit contributions continue to maintain a leadership position among Catholic and not-for-profit health care providers, both in the U.S. and Mexico.
- Our futures planning process including Futures Task Force II, which completed its work in 2009, has positioned us well for health care reform based on the identification of three strategic drivers, five strategic directions and eight strategic enablers to guide us through the next decade.
- Our support and learnings from important improvement initiatives began in 2010 and continue in 2011, including: Medicare profitability, labor productivity, asset sales, physician integration, evidence-based clinical protocol development, a stringent capital review process, revenue cycle enhancement, supply chain improvements, clinical information upgrades, refinement of continuing care and non-acute strategies, and clarification of international strategies.

Yes, with all of these blessings and accomplishments resulting from much hard work and effort from all members of the CHRISTUS family, we are well positioned for the continuation of our Journey to Excellence. But because of the complexity of health care, which only seems to increase, we will continue to face significant challenges. Because it is the right thing to do, we must embrace the positive innovations embedded in health care reform and completely transform CHRISTUS Health from a claims / payer system mentality, which drives fragmented care, to a value-added partner mentality with our patients and residents supporting seamless coordination of care.

Fortunately, the initiatives articulated above, which are well underway, should address or significantly minimize the challenges that clearly are forthcoming. However, to be successful we will have to embrace even more change and do everything possible to accelerate our Journey to Excellence for the continued success of our ministries.

Each of us is truly blessed to have answered the call and to continue to serve in our sacred ministry, CHRISTUS Health. Moving forward, the successes will be even greater and the challenges will be different, but, most importantly, the call will remain the same: to carry out the healing ministry of Jesus.

Sincerely,

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



# embracing OUR LEGACY



Facing and addressing challenges is nothing new for CHRISTUS Health. For the last 11 years and for the entire 144 years since the founding congregations answered Bishop Claude M. Dubuis' call in 1866, we have faced fires, floods, epidemics and hurricanes.

In 1866, three young sisters bravely answered Bishop Dubuis' call and boarded a steamship from France to Texas. They endured weeks of 15- to 20-foot seas and a hurricane but arrived safely in Galveston almost one month later. Here in this growing city of immigrants and commerce, the three founded the Congregation of the Sisters of Charity of the Incarnate Word. The next year, they opened Charity Hospital, the first Catholic hospital in Texas. Just a short time later, Galveston was stricken with a major yellow fever epidemic, the worst in the city's history. At the hospital, the three sisters worked day and night for their patients. By the end of a hot summer, the epidemic had taken the lives of 1,150 residents including one of the three sisters. Another sister was stricken with yellow fever but recovered.

Four more sisters from France arrived to join the congregation. Together, they cared for the sick, the aged and orphans. Eventually, the name of Charity Hospital was changed to St. Mary's Infirmary. The increase in the congregation's membership and the urgent need throughout Texas resulted in an expansion of the sisters' works. In May 1869, a cholera epidemic in the growing city of San Antonio prompted Bishop Dubuis to seek help from the Galveston sisters. Once again, three sisters responded to his call, leaving Galveston by stagecoach for San Antonio and traveling more than 280 miles on roads that were essentially nothing more than wagon ruts. When they arrived, they found that one building intended for their use had burned to the ground. Undaunted by the tragedy and fortified by their faith, the sisters set out to rebuild the burned hospital. With arduous effort, the two-story adobe structure was completed by the end of the year. Their hospital consisted of wards and private rooms for the sick, a small chapel and apartments for use as a convent. It was named Santa Rosa Infirmary.

And so, in the cities of Galveston and San Antonio, the sisters established self-supporting orders. For this reason and because the vast distance between the cities was so great, the congregations in Galveston and San Antonio became independent foundations. In 1928, the leaders of the Galveston Congregation moved to Houston.

During the next century, the two religious congregations continued to grow and formed large, independent health systems serving the needs of communities in five states. In 1999, the two systems came together and CHRISTUS Health was formed, strengthening their ability to reach those in need and provide the best in health care. Sharing a common legacy and ministry, their mission — now the mission of CHRISTUS Health — to extend the healing ministry of Jesus Christ flows from the founding call and vision of Bishop Dubuis: "Our Lord Jesus Christ, suffering in the persons of a multitude of the sick and infirm of every kind ... seeks relief at your hands."

Today, CHRISTUS healers continue to serve in a ministry that responds to the calls of those in need of our services. In recent years, CHRISTUS Health has responded affirmatively to the call

*"Our Lord Jesus Christ, suffering in the persons of a multitude of the sick and infirm of every kind ... seeks relief at your hands."*

— Bishop Claude M. Dubuis

for health and wellness services in many communities in the U.S. and internationally.

In January 2010, less than one week after a devastating earthquake struck Haiti, CHRISTUS formed a task force on Haitian Relief to organize our response to the disaster. This resulted in a commitment of financial and supply support as well as the deployment of a CHRISTUS Health medical team to fulfill a desperate need in a country that required far more than was ever imaginable.

Task force members got to work immediately, coordinating with other Catholic and disaster relief organizations and U.S. federal officials and governmental entities to identify the best way to deliver supplies and medical personnel to Haiti and to care for the many orphans there. A short time later, plans were finalized to send a 20-member team and medical supplies to Port-au-Prince to provide clinical and spiritual assistance from Feb. 20-27 in partnership with the University of Miami Miller School of Medicine. A 240-bed hospital made up of four tents at the edge of the Port-au-Prince airport became a beacon of life and hope for the country's critically injured residents.

At the conclusion of the mission and upon the eve of the team's departure from Haiti, the team members were asked to articulate a few things they cherished most about their experiences. Their unanimous response perhaps best speaks to the remarkable legacy that is so tightly woven into the fabric of our health care ministry. Named repeatedly among the "most cherished" experiences were the team spirit and energy of the group, their unyielding support for each other and the extreme honor of being able to answer the call.

Working tirelessly and without complaint, amid extreme heat and temperatures above 100 degrees, our team left the hospital a better place.

Indeed, these and the myriad of other challenges faced by our health care ministry during the past 144 years have occasionally slowed our journey; however, we have been able to overcome each of them, learning from these experiences and renewing our energy and enthusiasm to continue our forward momentum — and embracing the miracles we witness in each of our facilities and in the communities we serve, each and every day. Such will be the case also in the future of CHRISTUS Health.





# Embracing OUR COMMUNITY

## Community-Based Health Care

CHRISTUS Health strives to provide comprehensive care and social support for underserved populations. These community-based efforts are critical to the health and well-being of the communities we serve. In FY10, a strategic plan was developed to formalize the direction and opportunities for community-based health care. New programs developed and funded included Care Transitions, a program to help patients with complex health issues successfully transition from the hospital to home and reduce readmissions; Project RED, a program to redesign the discharge process beginning with admission; and extension of the Community Health Worker / Emergency Department Navigation program throughout CHRISTUS Health.

The Community Health Worker has become a critical connection between the underserved and the health care system. In FY10, Community Health Workers assisted 555 chronically ill underserved patients to manage their health and obtain the health care services they need. Patients served by the Community Health Workers have reduced these patients' Emergency Department visits from 1.75 average visits per client prior to care management intervention to 1.63 after enrollment in the care management program; inpatient admissions from 1.34 average admissions per client to 0.80 and average cost of care from \$22,400 to \$8,500. In total, more than \$6 million has been saved by managing these clients' chronic illnesses.

## Collaborating to Address Community Needs

CHRISTUS Health continues to improve its collaboration and partnerships with our communities by proactively researching and strategically planning to ensure that identified community health needs are being prioritized and addressed. We believe that access to health care is a basic human right that we strive for in all of our communities.

CHRISTUS, while actively working with community leaders, clinics, schools and local health departments, focuses on the underserved and vulnerable populations in our communities. Together we facilitate access to comprehensive services thus narrowing the gap on health disparities based on economic, cultural, ethnic or social factors.

At CHRISTUS Health, we know that these partnerships also build community capacity, which reinforces the concept of shared accountability with community stakeholders. These collaborations reduce duplication of resources and increase overall community effectiveness, resulting in improved health status within the communities we serve.

## External Funding Acquisition

As CHRISTUS Health accelerates its Journey to Excellence, our renewed focus on external funding comes at a time when the system needs funding at the system and facility levels. Our expectation of the newly formed CHRISTUS Health Grants / Sponsored Funding Committee is to focus on processes that ensure:

- CHRISTUS Health earns a reputation as a respected funding recipient in a wider area of funding arenas.
- Funding opportunities are attained including grants, applications, awards and research funds (nationally and internationally) that match CHRISTUS Health's needs and bring value.
- Applications and requests for funding are coordinated and utilize all our strengths.
- Funds awarded are spent appropriately with timely implementation and financial / non-financial reporting requirements met.
- IRB processes guarantee compliance with federal regulations and provide appropriate access for researchers.
- Structural, process and communication changes are implemented that vet all requests through this committee and ensure appropriate approval of grant submissions, security of access to funding and research entry points, and awareness of funding opportunities.

In FY10, CHRISTUS Health focused on obtaining external funding to support innovative pilots and programs, quality patient care initiatives, technology and diagnostic / therapeutic patient care equipment. The newly established External Funding Acquisition arm raised \$455,000 in its first seven months of operation to support Emergency Department Navigators for Medicaid children at CHRISTUS Santa Rosa Children's Hospital and Emergency Department Navigation for CHRISTUS St. John Hospital. An additional \$4.2 million in grant applications is pending review and potential funding. Applications are aligned with the strategic direction of CHRISTUS Health and the collaborative efforts of Advocacy are increasing CHRISTUS Health's chances of obtaining this funding.

*“The first question which the priest and the Levite asked was: ‘If I stop to help this man, what will happen to me?’ But the good Samaritan reversed the question: ‘If I do not stop to help this man, what will happen to him?’”*

— M.L. King Jr.

## Philanthropy Highlights

CHRISTUS Health's philanthropy received a combined total of \$22.9 million in gifts last year — exceeding our goal by more than \$6 million. Across the system, our hospital foundations provided vital funding in support of our ministries, just a few of which are highlighted below:

- Receiving almost \$6.5 million in gifts, CHRISTUS Santa Rosa Children's Hospital Foundation **“Celebrated the Little Things in Life”** in conjunction with the children's hospital's 50th anniversary. The foundation also continues to fund new endowed chairs thanks to generous supporters.
- Funding from CHRISTUS Spohn Health System Foundation helped lead to the completion of the \$10.4 million Cancer Center Renewal Campaign, which began in 2008. In FY10, several major events were held to benefit the renewal, including a special exhibition of CHRISTUS Spohn's new da Vinci Robotic Surgical System at the Art Museum of South Texas in January 2010. CHRISTUS Spohn Health System is the first in the region to offer robotic minimally invasive surgery. The surgical system was made possible by many generous donations to the CHRISTUS Spohn Health System Foundation.
- In January 2010, CHRISTUS Foundation for HealthCare in Houston completed construction of the Moran Health Center / John S. Dunn Building. This 55,000 square-foot collaborative health center is now open and offers primary and specialty health care for low-income and uninsured patients, access to social services through Catholic Charities and an impressive literacy program.
- CHRISTUS St. Michael Foundation completed fundraising to expand its highly valued Neonatal Intensive Care Unit in FY10. In addition, more than 126 CHRISTUS St. Michael physicians and Associates were recognized as “Helping Hands” by patients and community friends for their generous contributions to benefit the project.

These and virtually every other CHRISTUS Health ministry has a heart-warming story to share as we extend the healing ministry of Jesus Christ.



# community BENEFIT SYNOPSIS

## Community Benefit

CHRISTUS Health remained true to its mission of extending the healing ministry of Jesus Christ by consciously committing to the underserved and vulnerable populations in the communities it serves, despite the challenging economic times that our nation faces. The number of uninsured Americans exceeded 50 million people, or 16.7 percent of the population, last year according to an article in *USA Today* based on statistics reported by the U.S. Census Bureau. CHRISTUS Health serves communities located in three of the four states (e.g., Texas, New Mexico and Louisiana) that led the nation in that statistic. CHRISTUS understands and recognizes that with the rising cost of health care and increased poverty levels, underserved populations are in need of access to quality health services to reduce disparities in health care and thus improve the overall health of the communities we serve.

CHRISTUS illustrated its focus on improving the health of those it serves by providing community benefits where they were needed most. The commitment included the delivery of community health education, community-based clinical services and health screenings for vulnerable populations that do not have the means to obtain these services. CHRISTUS continued its collaboration and partnerships with the communities by proactively researching and strategically

### CHRISTUS SERVES COMMUNITIES LOCATED IN STATES WITH THE HIGHEST RATES OF UNINSURED POPULATIONS

Area	2009 % of Uninsured	FY10 Total Community Benefit Provided (Millions)
United States	16.7%	
Louisiana	18.0%	\$39.1
New Mexico	22.8%	\$12.4
Texas	25.7%	\$177.2

planning to ensure that identified community health needs are being prioritized and addressed in FY10.

### Synopsis of Community Benefits in FY10

CHRISTUS Health follows the Catholic Health Association (CHA) guidelines, which adhere to IRS Form 990, Schedule H and, as applicable, state of Texas regulations for reporting community benefit. The community benefit calculation is based on IRS Form 990, Schedule H methodology for FY10.

**Charity Care** is defined as the unpaid cost of medical services provided to uninsured and underinsured including unpaid government

indigent care. CHRISTUS Health continued to show its commitment to the underserved by providing more than \$98 million in Charity Care during FY10.

CHRISTUS Health also contributed more than \$131 million in **Community Services** in FY10, which included proactive community services related to health improvement, graduate medical education and financial contributions for indigent funding expenses for services provided by other nonprofit organizations. Cumulatively, CHRISTUS Health provided more than \$229.8 million in total community benefits, representing 7.5 percent of Net Patient Revenue in FY10. This equates to more than \$629,000 a day in community benefits. CHRISTUS Health also reinvests all profits back into the communities it serves through expanded health services, new technologies and better facilities.

The cost of **Unpaid Government Sponsored Programs**, mostly Medicare, is reported to the state of Texas in accordance with the state's community benefit reporting requirements. This year the amount for the CHRISTUS Health system was more than \$171.4 million, an additional 5.6 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.

### Community Direct Investment Program

CHRISTUS Health provides support to its communities by partnering with community-based groups with a mission to provide affordable housing, economic development and social service programs to those who are in most need. An effective strategy that CHRISTUS has employed for the past 11 years is the Community Direct Investment (CDI) program.

Through the CDI program, low-cost loans are provided to local and regional nonprofits that build communities from the ground up, repair existing housing for seniors and make essential services available in and around the communities that CHRISTUS Health serves.

The CDI program is only one element of a comprehensive approach that CHRISTUS Health uses to improve the health of the entire community. At the end of FY10, the CDI program had more than \$8 million invested with community partners, including national nonprofit intermediaries that leverage our funds with resources from around the country to make even more funding available. This was especially important for communities along the Gulf Coast that are still in the rebuilding process from multiple natural and manmade disasters.

### CHRISTUS Fund

Since 2001, the CHRISTUS Fund has served as a funding resource for community-based, nonprofit organizations that improve the health of communities and increase access to quality health care services for those who lack health insurance or other health resources necessary for preventive care and management of chronic conditions.

The CHRISTUS Fund has awarded grants totaling more than \$28.2 million. In FY10, the CHRISTUS Fund awarded more than \$1.7 million to 25 organizations in the communities served by CHRISTUS Health or programs affiliated with the Congregations of the Sisters of Charity of the Incarnate Word.

### Education and Research Fund

The CHRISTUS Education and Research Fund provides financial support to facilities and entities of CHRISTUS Health to support professional development of CHRISTUS Health Associates and the communities served by CHRISTUS Health. The Education and Research Fund has awarded grants totaling more than \$11.3 million.

### CHRISTUS HEALTH COMMUNITY BENEFIT FY09 THROUGH FY10

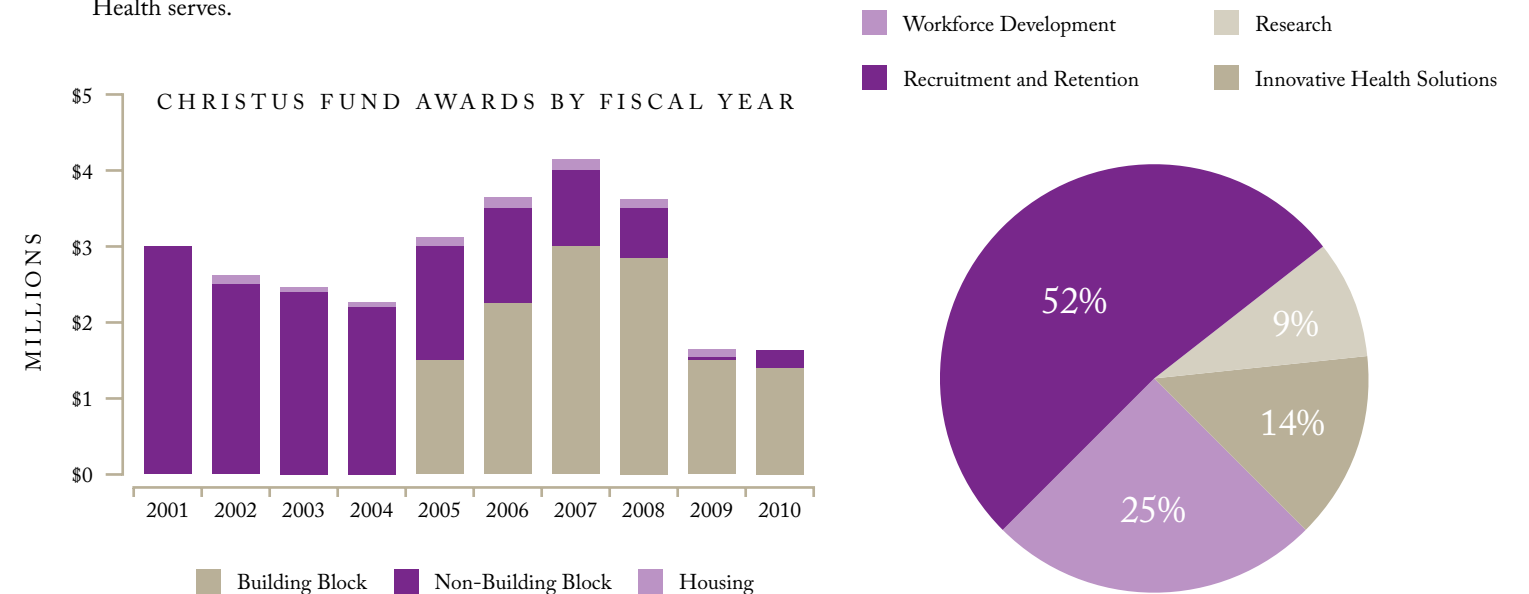
CHRISTUS HEALTH COMMUNITY BENEFIT STATE OF TEXAS vs FEDERAL GUIDELINES	STATE OF TEXAS GUIDELINES**				IRS FORM 990 SCHEDULE H***	
	Year Ended 6/30/09		Year Ended 6/30/10		Year Ended 6/30/10	
	Unpaid Costs (\$)	As a % of NPR*	Unpaid Costs (\$)	As a % of NPR*	Unpaid Costs (\$)	As a % of NPR*
CHARITY CARE						
Charity Care	159,793,423	5.5	180,219,370	6.0	170,947,000	5.6
Unpaid Government Indigent Care (predominately Medicaid)	101,312,154	3.5	28,676,200	1.0	-72,748,552	-2.4
<b>Charity Care Subtotal</b>	<b>261,105,577</b>	<b>9.0</b>	<b>208,895,570</b>	<b>7.0</b>	<b>98,198,448</b>	<b>3.2</b>
COMMUNITY SERVICES	56,609,299	1.9	92,943,641	3.0	131,649,348	4.3
<b>Total Community Benefit as per CHA Guidelines</b>	<b>317,714,876</b>	<b>10.9</b>	<b>301,839,211</b>	<b>10.0</b>	<b>229,847,796</b>	<b>7.5</b>
Unpaid Government Programs (predominately Medicare)	340,968,844	11.7	158,403,893	5.3	171,411,359	5.6
<b>Total Community Benefit plus unpaid Medicare costs per State of Texas rules</b>	<b>658,683,720</b>	<b>22.6</b>	<b>460,243,104</b>	<b>15.3</b>	<b>401,259,155</b>	<b>13.1</b>
<b>NET PATIENT REVENUE (NPR)*</b>	<b>2,917,169,361</b>		<b>3,004,215,066</b>		<b>3,053,566,697</b>	

\*All numbers are taken from the consolidated financial statements.

\*\* State calculation excludes Gulf Coast Service Center and includes Santa Rosa Family Health Center.

\*\*\* IRS 990, Schedule H calculation includes Gulf Coast Service Center and excludes Santa Rosa Family Health Center.

### EDUCATION AND RESEARCH FUND FY10 TOTAL AWARDED PER FUNDING CATEGORY





# embracing THOSE IN OUR CARE

*The CHRISTUS Nurse, as the hands of Christ, creates excellence in professional practice and quality outcomes in a healing environment.*

CHRISTUS Health strives to ensure that processes are in place to enable every patient to find hope and experience healing through our commitment to excellent care and a quality nursing environment. This journey involves evidence-based practice through policies, standards and procedures.

Nursing implemented new policies this year directed at improving the quality of care delivered and ensuring patient safety. CHRISTUS Health Nurse Advisories were also developed to share and exchange nursing best practices. System-wide standards for basic nursing care elements have been developed and integrated into computerized documentation systems. With the introduction of computerized provider order entry, these standards continue to be refined and expanded.

Care delivery systems are specifically designed to improve the quality of patient care, improve patient satisfaction and increase staff satisfaction while achieving operational goals. The delivery systems incorporate staff development programs to facilitate the acquisition of advanced skills.

Nursing tracks its progress toward achieving excellence in comparison to national benchmarks through a system-wide nursing dashboard that monitors nursing-sensitive outcomes and operational indicators.

- RN vacancy rate declined more than 50 percent from 11.4 percent in FY08 to 5.5 percent in FY10.
- Use of licensed agency nurses declined more than 55 percent from 5.7 percent of total nursing hours in FY08 to 2.4 percent in FY10.
- Blood stream infections declined by more than 33 percent from FY08 to FY10.
- RN turnover rate declined by 16 percent in the past year.
- Catheter-related urinary tract infections declined by 50 percent in the past year.
- Pediatric / neonatal peripheral IV infiltrations declined more than 14 percent in the past year.
- Hospital-acquired pressure ulcers declined more than 28 percent in the past year.

*“When you work in health care you know that every day you will likely touch a life ... or a life will touch yours.”*

— Anonymous

Peer evaluations were also developed and implemented for nurses to provide feedback to their co-workers and share insights into opportunities for growth and recognition of strengths through a process that helps build cohesive and productive clinical work teams.

Nursing continues to strengthen the development of nursing competence. During the past year, nursing has implemented system-wide innovative programs and processes to strengthen the nurses’ critical thinking skills. Leadership development is a major focus with Unit-Based Nurse Leader programs for nurse leaders at the frontline. The CCME II for Nurse Leaders course continues to meet development needs of CHRISTUS nurse leaders.





## Patient Satisfaction

Overall, patient satisfaction scores at CHRISTUS Health have improved significantly during our first decade of operations in the areas of inpatient care, Emergency Department, outpatient and ambulatory surgical services.

Although satisfaction dipped during the first half of FY09, it was on an upward trend for the next five months.

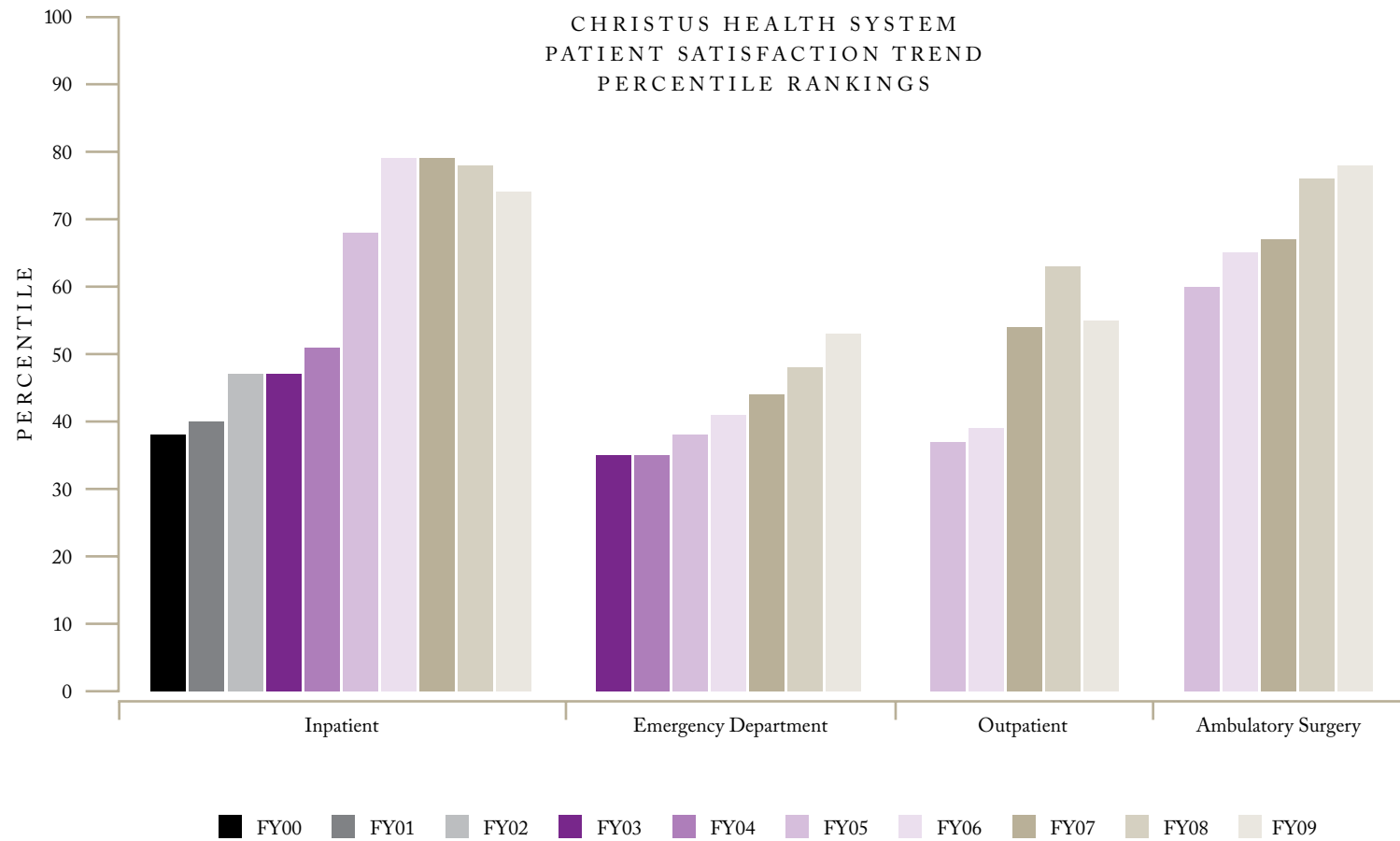
Inpatient satisfaction dipped slightly compared to FY08 but remains near the top quartile of Press Ganey's database.

The system has focused intensely on improving the Emergency Department 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. Satisfaction improves dramatically when patients spend less than 2.5 hours in the ED, so efforts to streamline patient flow will continue to be important.

Outpatient satisfaction was slightly lower than FY08 results but has improved consistently during the past six months.

Ambulatory surgery is the system's strongest service. The importance of this service will continue to grow as more health care services move to the outpatient setting. Responding effectively to patient concerns and complaints is the system's greatest priority for improvement across all services.

Below is a graph depicting CHRISTUS Health's increasingly positive patient satisfaction trends from FY00 to FY09.



# embracing OUR INTERNATIONAL MINISTRIES

During FY09-10, even though it was a year of major challenges and achievements for the CHRISTUS Muguerza Group, we kept up our focus on the Journey to Excellence. We proactively faced challenges by considering them as opportunities.

The results CHRISTUS Muguerza achieved were highly satisfactory because of its initiatives to cut costs, improve employee satisfaction and protect its markets. Furthermore, the region strengthened its less profitable businesses through synergies among business units, developed strategies to access high-volume markets and reinforced clinical and administrative procedures and controls.

In the markets CHRISTUS Muguerza serves, new competitors have developed with new health care service strategies, and our current competitors have continued to grow. Therefore it became necessary to launch a strategic plan for the Monterrey market that includes strengthening market initiatives; the creation of an employee training, retention and satisfaction program with particular emphasis on nursing and the creation of a physician loyalty, aggregation and satisfaction program.

In addition, the transition process of our CEOs was smooth and successful. The management under the new leadership of Dr. Constantino Padilla, with his extensive background in the CHRISTUS Muguerza organization and his broad clinical and administrative experience, has allowed the health care system to achieve operational continuity in its businesses and to proceed with its strategic plan for 2015.

In the area of new business and in keeping with our focus on providing care for the whole person — mind, body and spirit — the region opened its new La Rosa Center for Addictions in April 2010. The center helps rescue men and women who suffer from addictive conditions. During 2009, CHRISTUS Muguerza also opened two new more Adalaida Lafón clinics, one in Saltillo and another in Chihuahua. With these initiatives, CHRISTUS Muguerza continues to extend the healing ministry of Jesus Christ and strengthen its strategic position in the markets it serves.

These initiatives have allowed us to make solid progress on our strategic plan for 2015. For the near future, we will strengthen our mission by growing through capital partners in the construction of new hospitals and businesses and also commit to reinforcing and maintaining our leadership in our markets.

On the Journey to Excellence, we achieved, for the third consecutive year, the re-certification by the College of American Pathologists of both the clinical and the pathology and cytology laboratories of CHRISTUS Muguerza Hospital Alta Especialidad. In addition, CHRISTUS Muguerza's Saltillo, Reynosa, Del Parque and Sur



hospitals obtained the "H Distinction" for excellence in their cafeterias, nutrition departments and Associate dining rooms. In its quest to maintain Associate satisfaction, for the second consecutive year, CHRISTUS Muguerza Hospital Sur was recognized by the Great Place to Work Institute in both Mexico and Latin America.

Early in 2010, for the third consecutive year, the Monterrey hospitals (Alta Especialidad, Sur and Conchita) attained recognition as Socially Responsible Enterprises for their efforts to improve the quality of life in their communities and for their contributions to caring for the environment. This recognition means that CHRISTUS Muguerza Associates have taken ownership of this commitment and have gone beyond the call of everyday duty in their respective areas.

Faced with situations of vulnerability, such as natural catastrophes and pandemics, our spirit of service embodies our mission to extend the healing ministry of Jesus Christ. During the aftermath of the Haiti earthquake, we were proud to have Dr. Leopoldo Rivera Galván, anesthesiologist at CHRISTUS Muguerza Hospital Del Parque, selected to participate in the "Help Haiti" mission organized by CHRISTUS Health.

Importantly, in FY10, the General Health Council in Mexico adopted the Joint Commission International criteria to certify hospitals there as a result of CHRISTUS Muguerza's continued commitment to medical excellence.





OUR MISSION, VISION AND VALUES *at work*

### Associate Satisfaction

The success of every service provided at CHRISTUS facilities and through its ministries begins with the satisfaction of our most important resource — our Associates. Therefore, we measure our Associates' satisfaction on an annual basis.

CHRISTUS Health's FY10 overall Associate satisfaction mean score remained identical to FY09 results (74.1) while the system's comparative ranking dropped slightly from the 76th percentile in FY09 to the 71st percentile this year. This reflects an increasingly competitive environment for health care workers.

System-wide Associate satisfaction continues to be highest in the "my work" category despite a slight decline since FY09. Specifically, comparative satisfaction is highest for availability of educational opportunities and opportunities to be creative and innovative.

Of note, satisfaction with resources has improved during the past year. Improved satisfaction was noted for availability of equipment and staffing levels.

Many CHRISTUS entities achieved strong satisfaction during FY10. Specifically, one acute care region and three non-acute regions experienced Associate satisfaction in the 90th percentile or higher.

### Wellness Program

At CHRISTUS, Associate health is an important aspect of a healthy work environment and good quality of life. Our health plan uses an integrated approach to managing and improving the health of our Associate population across the continuum of care, including an online wellness program, disease management, case management of high-risk individuals, maternity management and a benefit plan design that encourages preventive care.

### Organizational Transformation

CHRISTUS has developed an internal, collaborative and unique approach to create organizational transformation. The CHRISTUS Health Ark-La-Tex region and CHRISTUS St. Vincent Regional Medical Center piloted this 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 that actively engages all levels of the organization in evidence-based approaches to define and create a culture of excellence.

In FY10, six CHRISTUS regions won workplace distinctions. The awards were given by different outlets, and each is an extraordinary example of those workplaces in which Associates are committed and satisfaction levels are high.

- CHRISTUS St. Michael Health System received two awards:
  - » *Modern Healthcare's* 100 Best Places to Work in Healthcare list ranked CHRISTUS St. Michael Health System as number three in the nation for Best Places to Work. This marked the second year St. Michael made the list, moving up four places from FY09.
  - » *Becker's Hospital Review* named CHRISTUS St. Michael to its 100 Best Places to Work in Healthcare list because of the system's commitment to promoting from within and the high levels of satisfaction among Associates.
- CHRISTUS Health Gulf Coast — The *Houston Business Journal* ranked the CHRISTUS Gulf Coast region second in its Best Places to Work program among large companies (with 500 or more employees) in the Houston area. The Gulf Coast region has made the list for six consecutive years.
- CHRISTUS Hospital - St. Elizabeth — National Research Corporation (NRC) named CHRISTUS Hospital - St. Elizabeth as Beaumont-Port Arthur's Most Preferred Hospital for overall quality and image.
- CHRISTUS St. Patrick Hospital — National Research Corporation (NRC) named CHRISTUS St. Patrick Hospital the Most Preferred Hospital for overall quality and image in Lake Charles, La. In addition, Lake Charles named CHRISTUS St. Patrick as having the best doctors and nurses.
- CHRISTUS Health — Press Ganey's distinctive Workplace Award was given to the CHRISTUS Health corporate and System Support Centers, CHRISTUS Health Executive Programs, CHRISTUS Medical Group, CHRISTUS St. Michael Rehabilitation Hospital and USFHP, and CHRISTUS Health's TRICARE Prime benefit program for active duty family members and all military retirees and their eligible family members, serving Southeast Texas and Southwest Louisiana.
- CHRISTUS Spohn Health System — CHRISTUS Spohn was awarded the Best Place to Work in the Coastal Bend in the large employer category.

*"Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of many alternatives."*

— W.A. Foster

- CHRISTUS Mugerza Sur — CHRISTUS Mugerza Sur ranked third in Mexico on the Great Places to Work List and was the only hospital to appear on the list. This was the second year in a row that the hospital has been included on the list after ranking second in FY09. The hospital also achieved the honor of being one of the Great Places to Work in Latin America.

### CHRISTUS Mentorship Program

The CHRISTUS Mentorship Program, which completed its seventh year in FY10, 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 development 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 more than 900 mentees. Many mentees who have completed the program have completed college degrees and found new opportunities within CHRISTUS or moved to the next level of development.

### 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 on-site instruction and continues with monthly webinars, team calls and learning activities. Participants apply 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; community value and practical tools to get the job done. Since its inception, more than 1,600 leaders throughout CHRISTUS have experienced this learning opportunity.





A special CHRISTUS Center for Management Excellence for Nurse Leaders was also launched in February 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 221 nurses have attended the program since its inception.

### Online Learning

To provide effective education for our Associates, CHRISTUS has invested in online learning tools that ensure excellence in clinical quality and service delivery. Each CHRISTUS Associate has access to HealthStream, a learning management system that delivers most regulatory education requirements, and other types of learning. Licensed nurses also have access to NurseWeek / CE Direct, which provides online continuing education. In FY10, a total of 434,694 courses were completed online, including 30,868 nursing continuing education courses and accounting for 70,760 hours of continuing education.

CHRISTUS also provides an Online Performance and Learning (OPAL) system for managers, which acts as a “cyber coach” and provides timely, practical learning to support leaders in fulfilling their coaching and mentoring responsibilities.

### Information Management: Laying the Foundation for the “New Health Care Paradigm”

#### Acute Care Ministries

In 2009, the issuance of the American Reinvestment and Recovery Act (ARRA), particularly its Health Information Technology for Economic and Clinical Health (HITECH) component, provided significant impetus to accelerate CHRISTUS Health Information Management’s strategic plan that will enable us to achieve federally mandated goals by 2011.

ARRA / HITECH, as well as health care reform legislation, compels adoption of a wide array of technologies to support better, lower-cost care. This is directly aligned with CHRISTUS Health’s goal to become the low-cost, high-quality health care provider.

To achieve the ARRA / HITECH goals, CHRISTUS Health must meet three criteria:

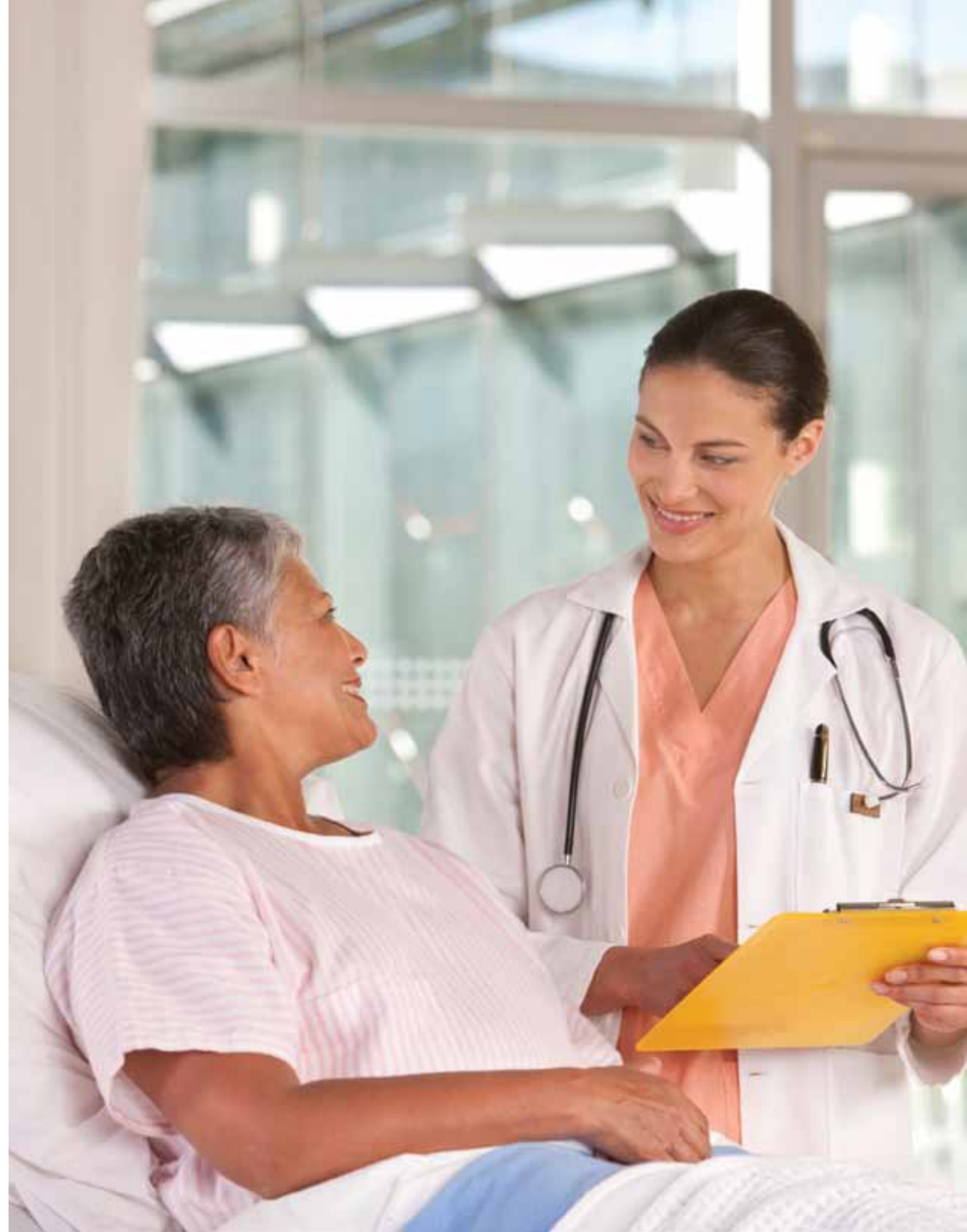
- Use a certified electronic medical record (EMR) in a “meaningful way” as determined by CMS and the Office of the National Health IT coordinator (ONC);
- Report quality measures to CMS; and
- Share information collaboratively with other health care providers in our communities through what is called a health information exchange (HIE).

Various incentives and programs have been put into place at the federal and state levels to support these activities, and CHRISTUS Health is participating in each one of them at a variety of levels, from leader to participant.

#### Non-Acute Ministries

The CHRISTUS goal of fostering physician adoption of EMRs is very much aligned with the ARRA / HITECH goal of creating incentives for physician use of EMRs. Sixty separate Regional Extension Centers (RECs), modeled after the Department of Agriculture’s extension centers, have been put in place across all states where CHRISTUS operates to manage these efforts. CHRISTUS is involved with all of these efforts as a supporter or as a direct contractor through TechSource, our physician practice EMR installation and management organization.

CHRISTUS Health management has met and continues to work with external service providers and entrepreneurs on further commercialization of this effort through either a wholly owned subsidiary or a joint venture. This activity should come to fruition in FY11.





# embracing THE FUTURE

## CHRISTUS Stehlin Foundation for Cancer Research Continues to Develop Treatments of Choice

Many of the diagnoses, treatments and accepted facts about cancer today began as theories and challenges from Dr. John Stehlin and his colleague, Dr. B.C. Giovanella, of the CHRISTUS Stehlin Foundation for Cancer Research. Their pioneering work in the fields of research and patient care has set the bar for many of the modern practices in cancer care.

For example, Dr. Stehlin became the first to combine heat and chemotherapy for advanced melanoma of the extremities, virtually eliminating amputations and dramatically improving survival rates.

In the June 2010 edition of *Hematology Oncology Today* magazine, published some 40 years later, there was a major article highlighting a multi-institutional study demonstrating the increased effectiveness of combining chemotherapy with heat for the treatment of soft tissue sarcomas. In the U.S., there is now constant use of hyperthermia in the treatment of cancers, such as radio-frequency therapy for tumors of the liver. In Europe and Asia, hyperthermia is considered a standard form of cancer treatment.



Just a few FY10 highlights associated with the CHRISTUS Stehlin Foundation for Cancer Research are featured below:

- 40th anniversary milestone: In May 1970, Dr. Giovanella conducted the foundation's first experiment in a converted space next to the maternity ward at what was then St. Joseph Hospital in downtown Houston.
- Completion of a comprehensive strategic plan resulting in the decision to relocate the cancer research laboratory to a more modern facility in a safer location.
- CZ48 clinical (human) trials are expanded to the University of Texas Health Science Center in San Antonio (UTHSCSA).
- Discussions were held with representatives from the CHRISTUS Santa Rosa Health System and UTHSCSA concerning a collaborative research project on prostate cancer.
- Investigations continue into improving the absorption of the Camptothecin compound, CZ48, by using the emerging drug delivery systems of either hot-melt extrusion or micronization.
- A new research project is launched on Metformin, a common drug for diabetes shown to have anticancer activity.

## Planning for the Future

As FY09 began, approximately 200 system and regional leaders joined together to learn about and discuss the findings of Futures Task Force II, the effect of these findings on our health ministries and how those findings would be incorporated into CHRISTUS Health's long-term strategic plan.

Futures Task Force II was comprised of CHRISTUS system board members, representatives of our sponsoring congregations, regional leadership, the senior leadership team and external experts who once again engaged in a focused effort to understand the trends shaping the future of health care. Its goal is to ensure CHRISTUS will be appropriately positioned to continue our mission long into the future.

The task force shared the results of its efforts including 29 future facts that will shape our world and the three critical drivers of the future, which include customer empowerment, globalization and new advances in technology. These facts and drivers helped the task force form CHRISTUS' 10-year plan for Putting Care Within Reach®, which includes five strategic directions and eight strategic enablers.

The system senior leadership team took the work of Futures Task Force II and, in a series of meetings to review and reflect upon the future facts and strategic implications, determined the strategic direction for CHRISTUS Health through 2020 and beyond. This analysis led the team to identify five critical strategic moves and eight enabling strategies to move CHRISTUS toward realizing its long-term vision. The strategic directions consider an environment in which consumers are markedly more empowered and in control of their health care decisions than ever before, living in a world that is even more connected and where geographic boundaries are blurred by virtual alternatives to traditional definitions of community, culture, family and identity.

The strategic directions identified by CHRISTUS' senior leadership team call for a true transformation of the CHRISTUS Health ministry in order to remain relevant to those we serve and true to our mission. These strategic directions are divided into two categories: five critical strategic directions that form the core directional recommendations of the senior team and eight enabling strategic directions necessary for the successful implementation of the plan.

The five strategic directions will lead to a ministry transformation that will position us extremely well for an era of health care reform as well as clinical integration:

- Realign the Portfolio — CHRISTUS Health must ensure our portfolio of assets is reflective of the needs of the communities we serve and is sustainable long term. Clinical integration and ACOs require a careful assessment of the strengths and weaknesses of the clinical delivery system and a "realignment" and redesign of the process to ensure earlier, more targeted and less costly interventions to minimize cost and improve outcomes. This will also require a much greater investment in community-based and low-cost care venues.
- Core of the Pyramid — The success of clinical integration and ACOs is entirely dependent upon their ability to create low-cost and accessible approaches to care delivery that are integrated across the full continuum. The system's Core of the Pyramid strategy and infrastructure being developed today will position it very effectively for both clinical integration and to serve an expanded population covered by Medicaid.
- Aggregator Models — To a large degree, an ACO is an aggregator of providers, products and services aligned to meet the health and wellness needs of a community. The aggregator strategy and our focus on partnerships and collaborations will potentially position CHRISTUS Health as a compelling ACO partner at the system and regional levels.
- Harness the New Power of Technology — The CHRISTUS strategy to use technology to expand our reach, lower costs and measurably improve quality is also a requirement of clinical integration and ACOs. Much of the cost savings required for the success of clinical integration will come from better coordination of care through improved information



technology as well as technologies to expand care virtually at a much lower cost.

- Strengthen and Expand our International Ministry — This is necessary to diversify and strengthen the system portfolio and expand the ministry in an increasingly global world. Our goal is to expand our international presence built upon our successes in Mexico and implement Core of the Pyramid strategies internationally.

The eight strategic enablers call for CHRISTUS Health to:

- Expand strategic partnerships to offer a limitless portfolio to those we serve.
- Build broad provider networks to expand our reach, enhance our service offering and align our business model with our customers.
- Develop a more highly skilled and diverse Associate population to meet the demands of the new business environment.
- Intensify and reorient our focus on seniors, away from institutions and into communities.
- Develop global centers of excellence in innovative processes, services and structures.
- Distinguish CHRISTUS for its ability to create Incarnational experiences for all we serve. In other words, we must consciously seek and develop new ways to share God's healing presence and love as our patient encounters change. In addition, we must train and support our Associates in this evolution to ensure the integrity of our mission.
- Prepare for disruptive change and the discord that will naturally follow.
- Develop comprehensive communications and education plans for Futures Task Force II findings, including the 10-year plan, directions and enablers that were implemented system-wide and to the broader CHRISTUS audience using a variety of tools.

The findings and recommendations of Futures Task Force II also led the senior team to propose the revision of the system vision and a modification of the system core value of dignity to include a more intentional focus on diversity.

The task force findings have also been incorporated into the strategic planning process with specific goals and targets to enable the regions and non-acute ministries to measurably support the system's long-term direction.





# INFLUENCING THROUGH *participation*

## National Influence

During the past decade, federal and state aid have provided support to CHRISTUS programs, like CarePartners, adding resources to help them continue providing high-quality care to those most in need. Those same resources have also contributed to advancements in oncology treatment at the CHRISTUS Stehlin Foundation for Cancer Research and assisted in our system-wide effort to develop electronic medical records for our patients.

As the Patient Protection and Affordable Care Act of 2009 ushered in a new era of shared responsibility for America's health care delivery system, CHRISTUS Health looks forward to partnering with our national, state and local leaders during the coming decade to build a nation where high-quality health care is available and accessible to everyone.

Following are just a few of our strategies to achieve this vision:

- Actively participate in shaping the details of regulations to implement the Patient Protection and Affordable Care Act.
- Actively advocate for additional legislative measures that expand health care access, reform payment mechanisms and address social justice issues.
- Aggressively share knowledge and best practices across the ministry to reduce cost and speed implementation while improving quality and service satisfaction.
- Explore and develop models for accepting risk and accountability for outcomes.
- Identify pockets of vulnerable people across the country and work to improve their health status and access to wellness / prevention services.
- Use technology to enhance treatment and expand therapy options, while implementing diagnostics that can eliminate the need for additional care.

## State Influence

### Texas Legislative Successes for FY09-10

While there was no scheduled legislative session in Texas for FY09-10, there were still significant successes with the Texas legislative agenda, which are highlighted below:

- Worked closely with stakeholders inside and outside CHRISTUS on state benchmarks required for implementation of federal health care reform (HCR) legislation.
- Worked with Technology Advocacy on broadband applications and the state Health Information Technology (HIT) advocacy plan. Participated in stakeholder meetings on State HIT funding and advocated with Governor Rick Perry's office and the Texas Health Information Network Collaborative (THINC) for HITECH federal / state funding to support HIT expansion in Texas.
- Developed an internal CHRISTUS Frew committee to identify projects within CHRISTUS that can be models for improving access to medical care for Medicaid-eligible Texas children. The Frew court decision mandated state funding for such model programs. Worked with four CHRISTUS teams to develop proposals for Frew pilot programs: CHRISTUS Hospital St. Elizabeth (Southeast Texas), CHRISTUS Medical Group, CHRISTUS Technology Advocacy and CHRISTUS Santa Rosa Health System (San Antonio). When state funding was deferred, CHRISTUS worked to develop proposals for pilot programs in upcoming fiscal years.
- Worked to support the CHRISTUS St. Michael (Texarkana) proposal for the Medicaid health home (Frew-funded) pilot to increase access to medical care for low-income children in Northeast Texas. Met with key staff for the state senator and state representative from Northeast Texas to explain how the project would benefit children in their districts and garnered letters of support for CHRISTUS St. Michael's pilot. Developed and executed an advocacy plan to support approval of the pilot.
- Led Catholic Hospitals of Texas (CHAT) advocacy team during a restructuring of the organization. Led the collaborative members to identify key policy issues impacting Catholic health priorities and state HCR implementation. Developed legislative priorities and worked with the chair of the CHAT Board, Pat Carrier of CHRISTUS, on collaboration with the Texas Conference of Catholic Bishops.
- Participated with Dr. Darrell Dixon, system medical director, on the Texas Hospital Association (THA) task force on clinical integration in August 2009 in anticipation of federal passage of nationwide HCR. Worked to identify Accountable Care Organization (ACO) state legislation and the THA policy position on the ACO issue. Served on the THA statewide ACO task force and monitored the issue's potential impact for CHRISTUS.

*“There are two primary choices in life; to accept conditions as they exist, or to accept responsibility for changing them.”*

— D. Waitley

- Worked with the CHRISTUS Strategic Planning staff on developing regional analyses of newly Medicaid-eligible patients in each CHRISTUS region. This information will be vital for each CHRISTUS region to plan for adequate medical services for all patients as HCR is phased into effect.

### Hybrid Federal / State Success

CHRISTUS Health successfully supported efforts to obtain \$851 million in additional funding for Texas Medicaid through extension of an enhanced Federal Medical Assistance Percentages (FMAP) by the U.S. Congress.

### CHRISTUS Advocates Successful in Louisiana Legislative Agenda's Top Priority

The 2010 Regular Legislative Session adjourned June 21. It continues to be a challenging budget environment for the state of Louisiana and for the health care industry. In the proactive spirit of our CHRISTUS culture, advocates paved the way with Governor Bobby Jindal, Secretary Alan Levine and key legislators to implement a collaborative partnership to assist our CHRISTUS hospitals, facilities and programs during this time of worldwide economic stress.

More than a year ago, the Advocacy and Finance departments of CHRISTUS Health began working with the Department of Health and Hospitals (DHH) to develop a preliminary framework for a private / public collaborative for health care that would assist the DHH in providing care to the indigent. The structure of this collaborative is based on a Medicaid supplemental payment program that has already been approved by the Centers for Medicare and Medicaid Services (CMS) for hospitals and other providers in the state of Texas.

CHRISTUS advocates were successful this Louisiana legislative session in influencing legislation that impacted the development and design of the private / public collaborative. Our CHRISTUS Advocacy team worked countless hours convincing legislative leaders and the DHH to accept language developed by our attorneys that would support the design and operation of the public / private collaboration.



As passed, the legislation authorizes the DHH to develop additional funding mechanisms to assist in providing health care for the poor and underserved. Such law would be subject to federal law and the approval of CMS and requires the collaborative to report to the Joint Legislative Budget Committee quarterly. Furthermore, a line item was included in the appropriations bill that authorizes up to \$366 million in potential payments to community hospitals that may participate in the Low Income and Needy Care Collaborative through Upper Payment Limit (UPL) methodologies. The pilot is in its final stages for approval by CMS, and we are working to ensure final approval of the state plan amendment in the coming months.

#### **New Mexico 2010 Legislative Session Summary**

During the regular legislative session, the New Mexico Legislature did not complete one of its most important tasks, the general appropriations bill. As a result, Governor Richardson called a special session that began on March 1 and ended on March 4. The 2010 Special Session of the New Mexico Legislature adjourned after passing more than \$170 million in tax increases to balance the budget.

#### **Sole Community Provider Impact**

The system office provides support to CHRISTUS St. Vincent Regional Medical Center in Santa Fe, N.M., to ensure continued participation in the New Mexico Sole Community Provider (SCP) programs and to address heightened compliance scrutiny. To facilitate a transition of this program to address Centers for Medicare & Medicaid Services' likely compliance issues, CHRISTUS St. Vincent is expanding its charity care program in the Santa Fe community to include additional services such as drug and alcohol treatment services, free hospital services to county inmates and primary care physician services provided through clinics and practitioners in Santa Fe.

In addition to improving the hospital's compliance posture, these efforts have already enabled Santa Fe County to increase its support of CHRISTUS St. Vincent in the SCP program by \$1.5 million, which will have a direct Medicaid-reimbursement impact to St. Vincent of approximately \$7.4 million. These transition efforts continue as the system office works with St. Vincent and the county to identify additional collaboration opportunities that could increase the hospital's SCP reimbursement by as much as \$9 million.

## OUR MISSION, VALUES AND *vision*

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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*

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To extend the healing ministry of Jesus Christ.

## OUR CORE *values*

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- **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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