



Ground Breaking Ceremony for New Mercy Hospital Building



Groundbreaking rites at the site of the new district Mercy Hospital. Wig Anderson, chairman of the hospital board, is shown digging. A beautiful, practical hospital will be completed on the site of the old way 61. Others pictured are Melvin Ahonen, treasurer; John Waisanen, clerk; John Waisanen, director; Harriet Green, secretary. In past years was instrumental in getting the hospital built. The Star-Gazette, whose support of the project is well known.



Annual Report 2013

www.mercymooselake.org



Annual Report 2013

To the residents of the Mercy Hospital District:

Mercy opened its doors for the very first time in the spring of 1963. Over the course of 50 years, Mercy has continually evolved, updating technologies and expanding services in order to meet the health needs of the region. In 2013, we continued to build on that history as we broke ground on a building and renovation project that will set the stage for our next 50 years.

This patient-focused project will complement the high standard of care already delivered by our outstanding physicians and staff by enhancing patient care, patient privacy and patient safety. The project will positively impact the health of our region well into the future, ensuring that our rural communities will continue to have easy access to high quality, modern health care services.

Our annual report for fiscal year 2012-2013 summarizes our efforts to meet the medical needs of this region, as well as our impact as a major employer and as a community citizen.

We thank you for continuing to entrust us with your health care. We are committed to serving you and your family, providing quality health care close to home. Mercy's Board of Directors welcomes all questions and comments regarding your community hospital.

Sincerely,

Michael Hagen
Interim CEO

Kelly Goeb, M.D.
Board Chairperson

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THE MERCY FOUNDATION

Cindy Timmons Carlson
Executive Director
Karen Ackerson
Data Manager

Caring for Your Community, One Person at a Time

In 2013, Mercy continued to provide vital community health services to improve health, access to care and quality of life in the communities we serve.



Mercy celebrates groundbreaking and 50th anniversary

It was a great day! Mercy celebrated its past and its future at a special Groundbreaking and 50th Anniversary event on May 31, 2013. An enthusiastic crowd of 250 community members and hospital staff were on hand for the festivities.

The building and renovation project is an investment in the health care of the region and will feature a new, two-story addition that will relocate the hospital's main entrance. The project will also include major remodeling of existing space.

The new addition will feature:

- Emergency Department with private treatment rooms
- Diagnostic Imaging, including inhouse MRI
- Laboratory Services
- Admissions
- Expanded Gift Shop
- 21 Private Patient Rooms, including 2 ICU rooms
- Birthing Suites and Nursery
- Meditation Room
- Hospital Pharmacy
- Comfortable Family Waiting Rooms
- Addition of third Surgery Suite and new pre- and post-op rooms

Completion: Late 2014

Renovations of the existing hospital will include:

- Chemotherapy & Infusion Services
- Physical, Occupational and Speech Therapy, including a new dedicated pediatric therapy area
- Sleep Study Suites
- Medical Records, Business Services and Administration
- Dining and Kitchen
- Material Management

Completion: Summer 2015

USDA Rural Development funding for the project comes in the form of a \$30 million direct loan and an \$8 million loan guarantee delivered through AgStar Rural Capital Network in collaboration with local banks and other financial institutions. Financing will cover construction and equipment costs, as well as the refinancing of some existing debt.

Mercy welcomes oncologist to Outreach Cancer Clinic

In May, 2013, Dr. Jonathan Sande, M.D., board certified hematologist/oncologist, Essentia Health Cancer Center, resumed seeing patients on a weekly basis at Mercy Hospital's Outreach Cancer Clinic in the chemotherapy department. Dr. Sande welcomes new referrals as well as follow-up appointments.

In addition to the Outreach Cancer Clinic, Mercy offers the following related services:

- Chemotherapy and Infusion Services
- Cancer, Coffee & Conversation - A Cancer Support Group
- Mary Bothwell Memorial Library

For more information about any of these services, call **218.485.5599**.

Mercy's new CT scanner offers high image quality at lower dose



Offering both faster and clearer images while using a lower radiation dose, Mercy's new SOMATOM® Definition AS CT Scanner is particularly useful in examining patients with acute chest pain, abdominal pain and suspicion of stroke. This breakthrough

in Computed Tomography (CT) enables physicians to obtain clearer images of the body and make timelier diagnoses in both acute and emergency care.

Mercy welcomes general/colorectal surgeon

In July, 2013, Mercy Hospital announced that the surgical practice of Dr. Thomas M. Nelson, General/Colorectal Surgeon, is now based at the hospital on a full-time basis.

Dr. Nelson provides a full range of general surgery and endoscopy services in Mercy's state-of-the-art surgery center. Dr. Nelson specializes in all forms of general and laparoscopic surgery.

Dr. Nelson's practice is based at Mercy Hospital. His offices are easily accessed through Mercy's Outpatient Entrance on Kenwood Avenue. To make an appointment with Dr. Nelson or for referral information, call **218.485.5896**.

Financial Report

Fiscal Year Ended September 30, 2013

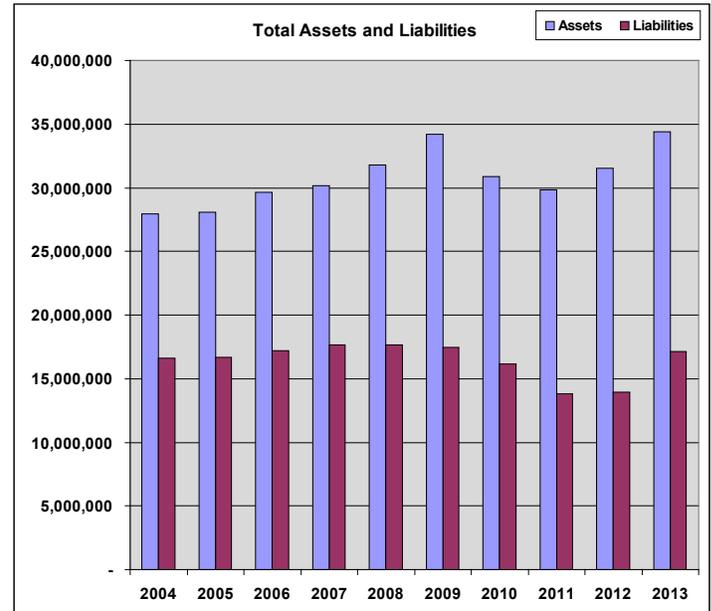
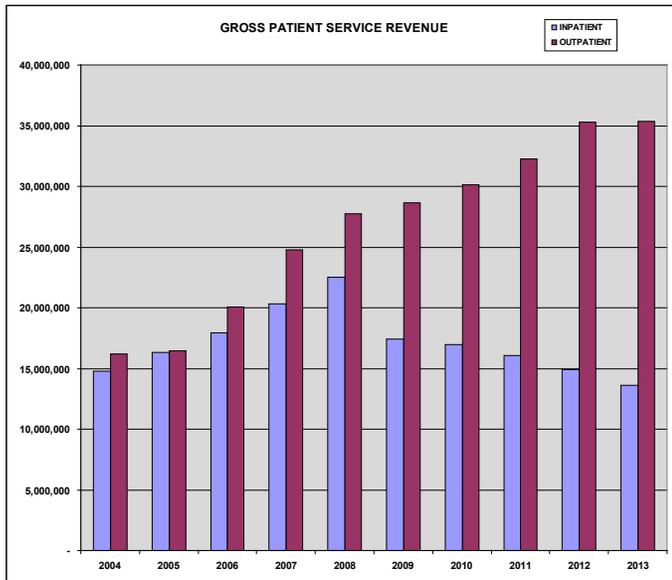
Fiscal year 2013 was a less than normal year for Mercy Hospital with operating income of \$7,966. Our operating margin was .03% in 2013 versus an operating margin of 6.72% for 2012. Gross patient service revenue decreased 2.4% or \$1.2 million to \$49.2 million. Our total revenue (all revenue less charity care and contractual adjustment amounts) decreased by 3.7% to \$29.4 million. We continued to experience a decrease in volumes for most of our existing inpatient services along with a slight decrease in our outpatient services.

Operating expenses increased 3.1% to \$29.4 million. Much of this increase was due to increased salaries & wages along with increased health insurance costs offset by greater controls of spending by department managers.

Mercy Hospital Comparative Statement of Operations

Fiscal Years Ended September 30, 2013 and 2012

	2013	2012
Gross Patient Service Revenue	\$ 49,236,503	\$ 50,459,523
Deductions from Service Revenue (Charity Care, Bad Debt and Contractual Adjustments)	21,839,499	21,842,286
Net Patient Service Revenue	27,397,004	28,617,237
Other Operating revenue	2,069,748	1,991,110
Total Operating Revenue	29,466,752	30,608,347
Operating Expenses	29,458,786	28,550,851
Operating Income	7,966	2,057,496
<i>Operating Margin</i>	<i>0.03%</i>	<i>6.72%</i>
Nonoperating Revenue (Expenses)	(461,931)	(400,850)
Revenues in Excess of Expenses from Continuing Operations	(453,965)	1,656,646
Revenues in Excess of (Less Than) Expenses	(453,965)	1,656,646
Capital Contributions	83,323	191,495
Increase (Decrease) in Net Assets	\$ (370,642)	\$ 1,848,141



For 2006 and 2007, refunding of 2000 bonds not included in assets and liabilities.

Our inpatient revenue decreased by 8.7%, while the average length of stay remained at 2.7 days. Outpatient revenue remained constant with a slight decrease of .14% from the prior year, providing 72.2% of total revenue versus 27.8% for inpatient.

An essential part of maintaining and growing the services we provide is the focus on the quality and the efficient manner in which we provide the services. 2013 was the start of Mercy beginning the construction of a new hospital addition for all clinical and patient services. This addition will provide an enhanced patient environment with all clinical services being located adjacent to each other which will create a better flow for increased patient satisfaction.

An additional focus is on the expense side, where we will continue to review the effectiveness of our expenditures and allow for more investment in capital equipment, training and retention of highly qualified staff and at the same time keeping up on technology.

Our assets showed an increase from 2012 of \$2.8 million to \$34.4 million for 2013 primarily due to the receipt of accounts receivable and the investment in capital. Liabilities increased \$3.2 million to \$17.1 million. This slight increase is offset by payment on the bonds payable

and the construction loan cost for the hospital expansion project. Net assets decreased \$.3 million to \$17.2 million for fiscal year 2013. This decrease is due to expenses in excess of revenue.

SERVICE STATISTICS

	<u>FY 2013</u>	<u>FY 2012</u>
Patients Admitted	812	916
Patient Days	2,199	2,508
Average Length of Stay (in days)	2.7	2.7
Emergency/Urgent Care Visits	5,567	5,888
Deliveries	116	122
Surgeries	2,154	2,129
Laboratory Tests	127,055	128,996
Radiology Exams	7,055	7,878
Ambulance Runs	801	913
Rehabilitation Visits	12,621	11,801
Home Care Visits	21,334	20,544
Meals Served	119,138	123,913

Serving Our Communities

COMMUNITY BENEFIT

Mercy serves and strengthens our region in many ways: as a health care provider, as a major employer and as a community citizen. In fulfilling these roles in 2013, Mercy donated over \$13 million in numerous free and reduced-cost services that are critical to the health of our region.

UNDERFUNDING & SUBSIDIZED HEALTH SERVICES - \$12 MILLION

Mercy absorbed over \$12 million in underfunded medical services and other subsidized health services costs in 2013.

CHARITY CARE/BAD DEBT - \$381,109

Mercy absorbed \$381,109 in free medical care costs in 2013, providing \$90,209 in charity care and \$290,900 in bad debt.

COMMUNITY HEALTH INITIATIVES/OUTREACH & EDUCATION - \$101,517



One of our biggest outreach services, Mercy's Emergency Medical Services (EMS) Department provides vital emergency care to residents throughout the area. In addition to 24-hour service, Mercy's EMS Department has been on standby at hockey games, football games and other activities, making these events safer for all participants. Mercy also offers clinical training and job shadowing for students interested in the healthcare field.

Mercy reaches out to the community in many other ways, including sports injury screens and car seat inspection clinics. Free support groups are offered to help individuals struggling with a variety of health issues. In 2013, Mercy provided many ways for people to monitor and improve their health, including diabetes and grief support groups.

Educating the public on how to safeguard its health is an important aspect of our role as a health care leader. In the last year, we offered up-to-date health information to groups of all ages, from preschool children to seniors. Our education offerings ranged from childbirth courses to first aid/CPR, the Community Health Fair and more.



THE MERCY FOUNDATION

Do what you can, with what you have, where you are.

- T. Roosevelt

FISCAL 2013

In the year ending September 30, 2013, the Mercy Foundation raised over \$105,100 in cash for our general fund. These cash gifts came to us through direct solicitation, memorials and tributes, an increase in The Dr. Martin and Mrs. Eleanor Munson Endowed Fund by the Munson family along with dividends and interest on that fund, interest earned on longer-term savings instruments and proceeds from The Foundation's annual fundraising events, its annual Autumn Gala held on October 13, 2013 and its Midsummer Golf Tournament, held on June 21, 2013. In addition to these cash gifts, **The Foundation received approximately \$10,212 in in-kind donations, in conjunction with our events.** These in-kind donations increase the cash proceeds from our fundraising events.

Because of the generosity of our donors, The Mercy Foundation was able to make the following financial gifts to support good health and better access to health care in fiscal 2013:

- \$24,000 gift to furnish new surgical equipment for Mercy Hospital's enhanced Surgical Program.
- \$5,320 in event sponsorships including The Mercy Foundation Moose Run, a special 50th anniversary employee appreciation event and other smaller events.
- Four \$1,000 scholarships awarded to the Dollars for Scholars Programs in Barnum, Cromwell, Moose Lake and Willow River High Schools.
- \$1,500 grant in support of Mercy's high school HOSA program
- \$847 for new ambulance crew jackets

We invite you to join your friends and neighbors in supporting us.

Please consider us when remembering a loved one, celebrating a great happy occasion or planning your estate. Think about what you might be able to give to our building fund campaign over the next few years. There's no end to opportunities!

And, if you're just looking for a great game of golf please come to our Midsummer Golf Tournament on Friday, June 27, 2014 (proceeds to our building fund). Our gala will be held this year on October 11. The gala promises to be "An UpLIFTing experience" as the funds raised will go to the purchase of new lift equipment for our patients' and staff's safety. Call us any time: 218.485.5586. We'd love to hear your ideas, answer your questions and help you to help us!

Well WITHIN REACH

THE MERCY FOUNDATION CAMPAIGN
For Our Hospital

One year on: WELL WITHIN REACH, the Mercy Foundation Campaign for OUR Hospital

A crane over a building is always an exciting sight to see—it means progress and growth. That familiar hard-working crane has been a part of the Moose Lake skyline for nine months now, and the spacious new two-story wing of Mercy Hospital progresses daily. Once patients and departments can be moved into the new addition, the current facility will undergo a transformation as well. The bulk of the funding for this project has been secured in the form of a \$38 million USDA loan, repayable over 40 years. But individual and group financial participation remains a vital part of Mercy's successful fiscal approach. A lead gift of \$100,000 from Ernie & Janette Muller was announced in January, 2013, and the campaign went public in April last year. Last August, Dan & Sue Benzie made our second such gift.

Many groups and individuals have come together to support the five-year building fund campaign to reach our \$1-1.5 million goal. **To date, we have collected gifts and pledges totaling nearly \$540,000**--very impressive for our area in so short a time!

The Mercy Foundation has been working diligently to bring our campaign to a wider audience, with updated web pages (go to www.mercymooselake.org and look for Mercy Foundation), on-line donation capabilities, a newly released video which has been on the road and is available for all to see via Mercy's website, local cable access Channel 7, YouTube (follow Mercy's website link) and Facebook (Please like us!). We would be delighted to come and speak to any groups interested in our work in general and in the building fund campaign in particular—just call us and we can work it out!

Our hope is to lock in at least \$1,000,000 in gifts and pledges by the end of this calendar year, **so we are aiming at \$360,000 in new gifts and pledges before we bring in 2015.** There are many donor recognition opportunities still available. For the shy donor, we will respect your choice to give anonymously, but we would still like to recognize your gifts appropriately; after all we are doing this for *our community hospital*.

We have the flexibility to work with you in ways that acknowledge your personal financial goals as well as ours: cash, check, periodic payments, automatic monthly EFTs, credit card gifts and estate planning. We have been able to accommodate our donors' needs and both they and we can attest to the joy of the process. It feels good to do good—just ask them!

Caring for your community, one person at a time

- 24-Hour Emergency/Ambulance Services
- Urgent Care
- Surgery Center
 - General Surgery
 - Orthopedics
 - Ophthalmology
 - OB/GYN
 - Urology
 - Endoscopy
- Birthing Center
 - Private Suites
 - Birthing Classes
 - Caring for Your Newborn Class
 - Feeding Your Baby Class
 - Certified Lactation Counselors
- Cardiopulmonary Services
 - Cardiac Rehab - Phase II
 - Pulmonary Rehabilitation
 - LUNGS R US Support Group
- Chemotherapy & Infusion Services
 - Cancer Support Group
- Community Education
- Diabetes Program
- Grief Support Groups
- Home Care
 - Palliative Care
- Laboratory Services
- Nutrition Counseling
- Orthopedics/Sports Medicine
- Pharmacy
- Diagnostic Imaging
 - General X-ray
 - Ultrasound
 - Digital Mammography
 - CT
 - MRI
 - Nuclear Medicine
- Rehabilitation
 - Physical Therapy
 - Occupational Therapy
 - Speech Therapy
 - Lymphedema Therapy
 - Vision Therapy
- Social Services
- Wellness Center
- Auxiliary
- The Mercy Foundation