Mission

Beacon Health System exists to enhance the physical, mental, spiritual and emotional well-being of the communities we serve.

Vision

Beacon Health System aspires to achieve:

• Innovative health care and well-being services of the highest quality at the greatest value
• Easy access and convenience
• Outstanding patient experiences
• Ongoing education involving physicians, patients and the community

Values

We Place PEOPLE at the Center
We RESPECT one another
We demonstrate COMPASSION
We operate with INTEGRITY
We are TRUSTWORTHY
From the CEO

PHIL NEWBOLD  |  Former CEO of Beacon Health System
KREG GRUBER  |  CEO of Beacon Health System
Dear Beacon Friends and Family,

“To improve the health of the communities we serve.” On the surface, this phrase sounds very basic. But I’ve found that the greater the mission of the organization, the more simply it can be stated. Our mission and values guide us every day in the decisions we make for our patients and our health system.

As the only locally governed, not-for-profit health care system in our area, we understand the tremendous responsibility we have to deliver quality care and clinical excellence now and in the years ahead. As the industry changes, we, too, are changing to secure the future of providing care to our region.

Reflecting on 2017, we celebrated the unprecedented tenure of Phil Newbold, who served our organization as chief executive officer for 30 years. We expanded Beacon Children’s Hospital, which houses an innovative NICU model that is a first in the nation. Our steadfast commitment to providing high-quality patient care has remained solid, as demonstrated by national benchmark recognitions, including IBM Watson Health naming Memorial Hospital one of the Nation’s Top 50 Cardiovascular Hospitals and Elkhart General achieving Baby-Friendly designation from Baby-Friendly, USA, a program sponsored by the World Health Organization and UNICEF. We have also remained financially strong, receiving a AA- bond rating from Standard and Poor’s and Fitch rating agencies.

Our accomplishments are possible because of our high-quality physicians, nurses, technicians, patient care assistants, and all the great people inside our organization. I can’t say enough about them, feel fortunate to work beside them, and know we will continue to achieve great things together.

As a health system, we understand that illness and disease are part of the human condition and always will be. The aging population and chronic disease will have profound implications on health care. That’s why it’s so important to have a health care organization like Beacon that is stable, growing, high quality, and right here in our community.

Moving forward, you will continue to see Beacon grow where and how it makes sense. Designing care that is convenient, connected and coordinated will require us to become more sophisticated in our digital connectivity with one another, and with the patients that we serve. The smart use of data, with a commitment to privacy, will advance our ability to support a healthier community. It’s not going to come quick and easy, but we are up to the challenges that lie ahead. Speaking on behalf of our 7,000 associates and physicians, we are honored to be able to serve you and your health care needs. Thank you for following us on the journey.

KREG GRUBER
CEO, Beacon Health System

“"Our mission and values guide us every day in the decisions we make for our patients and our health system."
In 2017, Beacon celebrated the innovative 30+ year tenure of health care pioneer and Beacon CEO Phil Newbold.

Recognized by The Wall Street Journal as “one of the most creative, entrepreneurial and innovative minds in the field,” Phil helped transform Memorial Hospital, and Beacon Health System, into high performing, nationally recognized organizations that have been awarded numerous honors for safety, quality, innovation, and community health efforts.

“After 30 years of dedicated leadership, we find ourselves grateful for Phil’s steady influence,” said Dan Morrison, Chairman of the Beacon Board of Directors. “He has uplifted the potential of the organization, and fostered an environment where creative thinking regularly leads to innovation.”

Phil’s unstoppable desire and his deep-seated belief in our community’s limitless opportunities for growth and success have been the catalyst for numerous pioneering programs that have guided the organization and the entire region to a better place to live and work.

“Phil’s influence on this region is profound. In addition to raising the bar on the level of care we provide, he has also worked to uplift the economic health of the community. His legacy will be felt for a long time.”

KREG GRUBER | CEO
During His Tenure

A Beacon Children’s Hospital completed a $50 million expansion.

B Beacon became the first Indiana hospital to join the Mayo Clinic Care Network, allowing local physicians to collaborate with Mayo specialists.

C Beacon Health & Fitness opened medically based, full-service fitness centers in South Bend and Granger and began construction on an Elkhart location.

D Elkhart General Hospital completed an $83 million surgery center expansion.

E Memorial introduced the first and only MedFlight service in the region, and became the region’s only designated Level II Trauma Center.
# Financial Report

## CONSOLIDATED BALANCE SHEETS (IN THOUSANDS OF DOLLARS)

### CURRENT ASSETS

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$48,200</td>
</tr>
<tr>
<td>Accounts Receivable, Net of Allowances</td>
<td>$151,791</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$72,015</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td><strong>$272,006</strong></td>
</tr>
</tbody>
</table>

### Assets Limited as to Use:

- Internally Designed Investments | $705,511 | $590,890 |
- Restricted Cash | $2,758 | $4,526 |
- Externally Designed Investments
  - Insurance Trust | $2,710 | $2,680 |
  - Designated Cash | $20,315 | $19,769 |
  - Board-Designated Endowment | $27,316 | $24,961 |
  - Endowment and Temporarily Restricted Investments | $7,930 | $6,514 |
| **OTHER ASSETS** | **$766,540** | **$649,340** |

### OTHER ASSETS

- Property and Equipment, Net | $659,504 | $654,913 |
- Other | $39,536 | $32,938 |
| **TOTAL ASSETS** | **$1,737,586** | **$1,685,239** |

## LIABILITIES AND NET ASSETS

### Current Liabilities:

- Accounts Payable and Accrued Expenses | $83,916 | $82,919 |
- Other Current Assets | $19,740 | $18,085 |
| **TOTAL CURRENT LIABILITIES** | **$103,656** | **$101,004** |

### Noncurrent Liabilities:

- Long-term Debt, Less Current Maturities | $270,680 | $279,909 |
- Other Long-term Liabilities | $27,111 | $92,159 |
- Interest Rate and Basis Swaps | $16,305 | $22,779 |
| **TOTAL NONCURRENT LIABILITIES** | **$314,096** | **$394,847** |

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$417,752</strong></td>
</tr>
</tbody>
</table>

### Net Assets:

- Unrestricted Net Assets | $1,278,461 | $1,154,359 |
- Board-designated Endowment | $27,316 | $19,621 |
- Temporarily Restricted | $13,582 | $14,742 |
- Permanently Restricted | $475 | $666 |
| **Total Net Assets** | **$1,319,834** | **$1,189,388** |

### TOTAL LIABILITIES AND NET ASSETS | **$1,737,586** | **$1,685,239** |
<table>
<thead>
<tr>
<th>UNRESTRICTED REVENUE AND OTHER SUPPORT</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net patient service revenue</td>
<td>$960,770</td>
<td>$945,600</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>($59,669)</td>
<td>($59,658)</td>
</tr>
<tr>
<td>Net patient service revenue less provision for bad debts</td>
<td>$901,101</td>
<td>$885,942</td>
</tr>
<tr>
<td>Other revenue</td>
<td>$40,439</td>
<td>$36,274</td>
</tr>
<tr>
<td>Net assets released from restrictions used for operations</td>
<td>$1,810</td>
<td>$980</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$943,350</strong></td>
<td><strong>$923,196</strong></td>
</tr>
</tbody>
</table>

**Expenses:**
- Salaries and wages: $394,191 / $391,882
- Employee benefits: $101,922 / $102,234
- Supplies and other: $232,358 / $222,224
- Professional fees and purchased services: $117,039 / $119,129
- Depreciation and amortization: $59,496 / $55,987
- Interest: $7,052 / $6,637

**INCOME FROM OPERATIONS**
- 2017: $31,292
- 2016: $25,103

**Non-operation income:**
- Investment income (loss), net: $82,462 / $42,741
- Unrealized gains (losses) on swap transactions, net: $7,099 / ($1,246)
- Other non-operating (loss) income: ($534) / $3,953

**NET INCOME**
- 2017: $120,319
- 2016: $70,551

<table>
<thead>
<tr>
<th>COMMUNITY SUPPORT (in thousands of dollars)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unreimbursed Medicare and Medicaid</td>
<td>$173,249,000</td>
<td>$183,543,000</td>
</tr>
<tr>
<td>Traditional Charity Care</td>
<td>$5,203,000</td>
<td>$5,908,000</td>
</tr>
<tr>
<td>Uninsured Discounts</td>
<td>$10,244,000</td>
<td>$9,866,000</td>
</tr>
<tr>
<td>Community Benefit Programs</td>
<td>$3,785,000</td>
<td>$5,108,000</td>
</tr>
</tbody>
</table>

**TOTAL COMMUNITY SUPPORT**
- 2017: $192,481,000
- 2016: $204,425,000
3rd Beacon Health & Fitness Location Announced

In spring of 2017, ground was broken on construction of a $65 million medical fitness, aquatics and community complex in downtown Elkhart. The project is a collaboration of Beacon, the Community Foundation of Elkhart County, Elkhart Community Schools, the Regional Cities Initiative and the City of Elkhart. Beacon will operate the 170,000-square-foot center, which is expected to open in early 2019.

Elkhart Center

170,000 square-foot center

Expected to open in early 2019

Full medical fitness center

25-yard fitness pool

66-meter by 25-meter competition swimming pool
Beacon Medical Group Specialties Opens New Location

Beacon Medical Group Specialties Mishawaka opened a new location in the former Osceola Clinic, located at 5314 Lincolnway E., Mishawaka. The center offers outpatient palliative care, outpatient pain management and onsite outpatient behavioral health services.

Beacon Celebrates one year as member of Mayo Clinic Care Network

In May, Beacon celebrated the one-year anniversary of membership in the Mayo Clinic Care Network. The agreement affords members of the Beacon medical staff with resources and tools to enhance care for our region’s patients. Through these shared resources, more patients can get answers to complex medical questions, and peace of mind, while staying close to home.

Physician Well-Being Program Begins

Beacon Health System will be among the first in the country to participate in the Mayo Clinic Care Network Physician Well-Being Collaborative.

The collaborative is an outgrowth of the Mayo Clinic’s focus on physician health. The program seeks to develop evidence showing what factors must exist in an organization to promote physician and clinician engagement and resilience.
Latest da Vinci Surgical Systems Now Available at Elkhart General and Memorial Hospitals

Beacon Health System pioneered the area’s first da Vinci surgery program, which began at Memorial Hospital in 2007. Now at Elkhart General Hospital, this breakthrough surgical “robot” features a magnified, 3-D, high-definition vision system and tiny wristed instruments that bend and rotate with far greater range of motion than the human hand. The da Vinci Surgical System allows surgeons to operate through small incisions, which means a less invasive experience and shorter recovery time.

Beacon Connected Care Reaches Milestone in Urgent Care Visits

Beacon Health System’s virtual urgent care service, Beacon Connected Care, marked a milestone in September 2017 when it provided its 1,000th online physician visit, ending the year with 5,457 registrations and 1,774 visits. At a time when virtual consultations with doctors by smartphone, tablet or computer are becoming increasingly popular across the country, a growing number of time-crunch consumers in northern Indiana and southwestern Michigan are utilizing Beacon Connected Care because the convenient, affordable option meets their urgent care needs.
2017 Healthiest 100 Workplace in America®

For the second year in a row Beacon Health System was named as a Healthiest 100 Workplace in America. This year Beacon was ranked 20th, moving up from debuting at #34 in 2016. Beacon was also named as the Overall Category Winner for the Best Return on Investment, as well as the winner for Healthcare Costs and Healthcare Outcomes.

Beacon ACO Launched

In 2017, Beacon Health System created the Beacon Accountable Care Organization (ACO), a commercial ACO, with a goal of forming partnerships with local self-funded employers and key payor partners. The ACO is a collaborative network of independent and Beacon-employed doctors and other providers who work together to deliver the best health care experience possible, resulting in a higher level of care at a reduced cost.
Transcatheter Aortic Valve Replacement (TAVR)

In 2017, Elkhart General reached 100 TAVR procedures and Memorial Hospital began its TAVR program. TAVR is a minimally invasive surgical option to repair or replace a diseased heart valve, offering the patient more energy and a better quality of life.

Beacon Experience Promise Entered Pilot Phase

Beacon Health System is embarking on a new path in its Promise to Make Every Experience Exceptional. To support this, Beacon has partnered with Quality Reviews© to create and deploy the Beacon Experience Promise (BXP) text-based survey tool. This tool enables Beacon to gather feedback in real time and to act upon it quickly and transparently. In 2017, Beacon sent surveys to over 30,000 patients in 10 pilot sites, including outpatient diagnostics, ER treat and release, urgent care, and inpatient units. Early in 2018, Beacon will add nearly all BMG office sites and more inpatient units to the BXP platform, as well as BXP surveys designed specifically for associate and physician feedback.

The survey tool is intuitive: via smart phones, survey recipients respond by selecting one to five stars depending on the degree to which they agree or disagree with a statement. A few open-ended questions are included to gather qualitative feedback and recognize outstanding associates. The web-based results of the surveys are live and managed by unit or location leaders, who have the ability to respond quickly and directly to the customer. A feedback-improvement loop will ensure that learning and development can occur continuously.
Beacon Care Coordination Service Begins

A new program focusing on providing patients with the right care at the right place and at the right time is now available in Elkhart, LaPorte and St. Joseph counties in Indiana as well as in Cass County, Michigan. This free service is provided by the Beacon Ambulatory Care Coordination Group in collaboration with all Beacon entities and is meant for patients at risk for frequent readmissions.

Watson Health 50 Top Cardiovascular Hospitals

Memorial Hospital was named one of the nation’s 50 top cardiovascular hospitals by IBM Watson Health. The annual study, conducted by Truven Health Analytics, now part of IBM Watson Health, identifies the top U.S. hospitals for inpatient cardiovascular services. This is the third time Memorial Hospital has been named one of the 50 Top Cardiovascular Hospitals.

ASTRO’s Accreditation Program for Excellence (APEx®)

Memorial Regional Cancer Center has demonstrated compliance with the standards of the American Society for Radiation Oncology (ASTRO) Accreditation Program for Excellence (APEx) for a four-year accreditation of their radiation oncology services.
2017 Highlights
Beacon Children’s Hospital Opens Doors to Patients and Community

Beacon Health System celebrated the grand opening of the new home for Beacon Children’s Hospital in May 2017. Community leaders, Beacon associates, patients and families gathered inside the atrium of the 100,000-square-foot hospital on the Memorial Hospital campus to mark the completion of the $50 million construction project. More than $12 million has been raised by hundreds of donors who want to ensure the best pediatric care for families close to home when they need it most.

The new building contains a Pediatrics Unit, Pediatric Intensive Care Unit, Pediatric Hematology-Oncology Unit, lounges and gathering spaces, as well as a new NICU model where mothers who have just delivered can stay in the same room with their baby no matter how premature or sick their baby is.

Beacon Children’s Hospital serves families in 15 counties in northern Indiana and southwestern Michigan and receives patient transports from 31 referring hospitals and medical centers.
Our Generous Community

Thank you to our community! Your generosity means that Beacon Health System – Elkhart General Hospital and Memorial Hospital – can bring our community the best medicine has to offer. Our nurses and staff can implement innovative practices and keep their skills at their utmost, and our patients can benefit from the very best physicians, technology and facilities.

Beacon Health Foundation raises funds to benefit Beacon Health System, its hospitals and other initiatives based on community needs. In the last year, through the generosity of our community and corporate partnerships, Beacon Children’s Hospital expanded for families of our youngest patients and our cardiac team at Elkhart General Hospital has new fitness equipment for patients in the rehabilitation center. This past year also marked the first year of U-Turn for Youth, a partnership between the Foundation, Beacon’s Community Health Enhancement division and the South Bend Community School Corporation, made possible through a generous gift from the Estate of Norma Frank. This program pushes to create a ‘mental health informed community’ to stop the trend toward poor mental health and turn the trajectory of mental health in a positive direction.

In the last year, over 2,300 generous community members, committed organizations and corporations contributed to support critical medical services. We are grateful for your support and pledge to be good stewards of these gifts you have so generously shared.
Our Generous Patients

The messages accompanying gifts from grateful patients are many, but their content is consistent – thankfulness for the care they or their loved ones received at Beacon. These notes are for you, too, for it is your own generosity that helped make these messages possible:

“Dr. Halloran you are so compassionate and caring. You were so kind to Harold and our family. You worked so hard to save him. The stroke was a surprise after the surgery. Thank you for your hard efforts and kind words. Nikki in therapy, you got him to work hard in therapy, even when he thought he could not. We want to praise everyone at Elkhart General. Everyone we came in contact with was so kind and caring. Our family says, thank you.”

Harold F. Family

“May God bless you all, thank you! I want to say thank you all for the care that was given to my husband during his medical stay at both Elkhart General and Memorial Hospital. On July 2nd he had a CVA, he has no signs of a stroke, short term memory is what we are dealing with. We are so very lucky. We know that if it wasn’t for a great team and God being where everyone was needed at the right time and place this story would be different.”

Eric & Paula D. Family

Our Generous Colleagues

Last year, Beacon Health employees stepped forward in record numbers to participate in our annual Associate Giving Campaign. Their philanthropic gifts total over $239,000. Even the newest employees catch the spirit, with over 350 recent hires choosing to make a payroll deduction gift. The top three funding needs that our staff members choose to support are Beacon Children’s Hospital, nursing education, and the associate emergency assistance fund.

We are especially proud of our generosity Beacon associates who helped us reach our fundraising goal for the TCU Challenge to support Beacon Children’s Hospital. More than 480 Beacon associates supported the challenge grant established by the TCU Foundation. Together, Beacon and TCU Foundation raised more than $500,000 to support the new home for the most advanced pediatric medical center in our region.

BEACON HEALTH FOUNDATION

Board of Directors

Todd F. Schurz | Chairman
Diane Krill | Vice Chairman
Kurtis A. Janowsky | Secretary/Treasurer
Jacqueline Barton
Brad C. Beutter
Scott Brewer
Shannon B. Cullinan
Arthur J. Decio
Joseph M. Hart
Tom Shoff
Carl A. Tiedemann

Beacon Health System | Annual Report 2017
Total Calls: 752
- Inter-facility Calls: 478
- Scene Calls: 274

Total Transports: 354
- Inter-facility Transports: 263
- Scene Transports: 91

Patients Transported into Memorial Hospital: 154
Transports out of Memorial Hospital: 73
1,650
Total Number of Patients Into Trauma Registry
Age 14 years and less: 104
Age 15 years and greater: 1,546

Percent Injury Type
- Blunt: 88%
- Penetrating: 11%
- Burn: 1%

Trauma Statistics
- Total Activations (911/912): 617
- Number of 911 Activations: 356
- Number of 912 Activations: 261
- Number of Trauma Admit: 190
- Transfers Into MHSB: 374
- Transfers Out of MHSB: 57
- Total Number of Deaths: 69

Top Six Injury Mechanisms
1. Falls under 3 feet
2. Motor vehicle crash
3. Assault by knife, gun, or blunt object
4. Falls greater than 3 feet less than 19'
5. Motorcycle crash
6. Pedestrian vs. motor vehicle

Top Eight Referring Facilities
1. Franciscan St. Anthony Health Michigan City
2. LaPorte Hospital
3. SJRMC - Plymouth
4. Starke Hospital
5. Porter Regional Hospital
6. SJRMC - Mishawaka
7. Elkhart General Hospital
8. Goshen Hospital
Beacon Health System Board
Daniel E. Morrison, Chair
Bipin N. Doshi, Vice Chair
Donald R. Anderson, Secretary
Jesse Hsieh, MD, Treasurer
Kreg Gruber, Ex-Officio
Thomas G. Burish, PhD
Thomas R. Cassady, Jr.
Ron Fenech
Tracy Graham
Walter Halloran, MD
Larry D. Harding
John Martin
Vivian G. Sallie
J. Scott Troeger
David VanRyn, MD

Elkhart General Hospital
Wilbur Bontrager, Chair
Vice Chair (vacant)
Timothy Shelly, Secretary/Treasurer
Gene Grove, MD, Ex-Officio
John Deputy
Leonard Kibiloski, MD
Bruce Newswanger, DO
Samir Patel, MD
Matthew Fletcher
Kelly Puster, MD
Amish Shah

Memorial Hospital
Peter Baranay, Chair
Karen Barnett, Vice Chair
Tom Hauch, MD, Secretary/Treasurer
John Jacobs, MD, Ex-Officio
Bryan Boyer, MD
Timothy Durham, MD
Mark Harman
Hugh Hedman, MD
Brad Toothaker

Beacon Health Foundation
Todd Schurz, Chair
Diane Krill, Vice Chair
Kurt Janowsky, Secretary/Treasurer
Jacqueline Barton
Brad Beutter
Scott Brewer
Shannon Cullinan
Art Decio
Joseph Hart
Tom Shoff
Carl Tiedemann
Welcome
New Beacon Medical Group Physicians

Kevin C. Anderson, MD
Orthopedics

Kathryn Kenney, DO, MBA
Psychiatry

Paul Liu, JD, MD
Gynecology/Oncology

Joshua Lotfallah, MD
Psychiatry

Mayank K. Mittal, MD
Interventional Cardiology

Omolade Oduala, MD
Pediatric Hematology/Oncology

Charles Onunkwo, MD
Infectious Disease Medicine

Vivian U. Onunkwo, MD
Occupational Medicine

Nikhil S. Patankar, MD, MBA
Pediatric Intensive Medicine

Christopher Powers, MD, FACC
Cardiology

Joseph J. Pulvirenti, MD
Infectious Disease Medicine

Gonzalo J. Rodriguez, Jr., MD
OB/GYN

Kashif Ajaz Shaikh, MD
Neurosurgery

Susan J. Sherman, MD, FACOG
Maternal/Fetal Medicine

John M. Swangim, DPM
Podiatry

Tricia Walters, MD
Family Medicine/Urgent Care

Richard J. Ward, MD
Family Medicine/Urgent Care

John Whitney, MD
Family Medicine