



ANNUAL REPORT 2017



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**



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From the CEO

KREG GRUBER



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.

”

Celebrating Phil

30 Year Tenure: Innovative Thinking and Steady Leadership



PHIL NEWBOLD

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)

	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$48,200	\$96,533
Accounts Receivable, Net of Allowances	\$151,791	\$160,873
Other Current Assets	\$72,015	\$90,642
TOTAL CURRENT ASSETS	\$272,006	\$348,048
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
	\$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	2017	2016
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$83,916	\$82,919
Other Current Assets	\$19,740	\$18,085
TOTAL CURRENT ASSETS	\$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
	\$314,096	\$394,847
TOTAL LIABILITIES	\$417,752	\$495,851
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

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

(IN THOUSANDS OF DOLLARS)

UNRESTRICTED REVENUE AND OTHER SUPPORT		2017	2016
Net patient service revenue		\$960,770	\$945,600
Provision for bad debts		(\$59,669)	(\$59,658)
Net patient service revenue less provision for bad debts		\$901,101	\$885,942
Other revenue		\$40,439	\$36,274
Net assets released from restrictions used for operations		\$1,810	\$980
		\$943,350	\$923,196
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
		\$912,058	\$898,093
INCOME FROM OPERATIONS		\$31,292	\$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
		\$89,027	\$45,448
NET INCOME		\$120,319	\$70,551
COMMUNITY SUPPORT (in thousands of dollars)		2017	2016
Unreimbursed Medicare and Medicaid		\$173,249,000	\$183,543,000
Traditional Charity Care		\$5,203,000	\$5,908,000
Uninsured Discounts		\$10,244,000	\$9,866,000
Community Benefit Programs		\$3,785,000	\$5,108,000
TOTAL COMMUNITY SUPPORT		\$192,481,000	\$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**



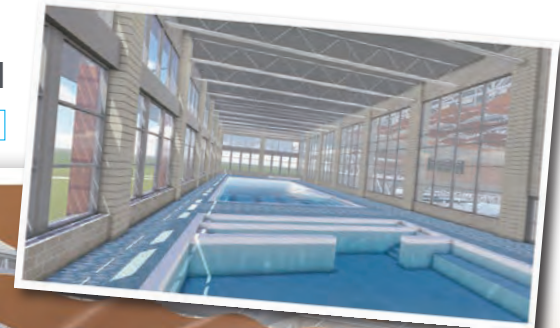
**Expected to open
in early 2019**



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.

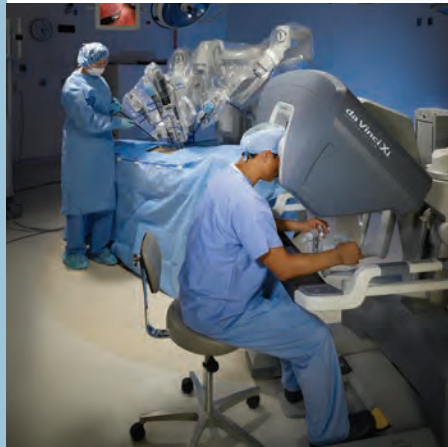
The collaborative is an outgrowth of the Mayo Clinic's focus on physician health. The program seeks to develop evidence showing what factors must exist in an organization to promote physician and clinician engagement and resilience.





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.



3-D, high-definition visions and wristed instruments system



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 smart phone, tablet or computer are becoming increasingly popular across the country, a growing number of time-crunched consumers in northern Indiana and southwestern Michigan are utilizing Beacon Connected Care because the convenient, affordable option meets their urgent care needs.



Urgent Care Docs 24/7



Get the app!





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.



HEALTHIEST 100™

scored by Springbuk®



Dawn Gillispie, Annette Vota and Lesley Heckaman attended the 2017 Healthiest 100 Workplace in America awards ceremony.



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.



Gerard Duprat, MD,
Beacon ACO Medical Director





(L-R): **Walter Halloran, MD, FACS; Mary Miller, RN, BSN; and Troy Weirick, MD,**
of the Elkhart General Hospital TAVR team.

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.

BXP

BEACON EXPERIENCE PROMISE

Make every experience exceptional.



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.



(L to R): **Roger Hershberger**, Social Worker; **Andrea Portwood**, Nurse Coordinator; **Alayna Frauhiger**, Referral Coordinator; **Pam Clouse**, Nurse; **Louise Argue**, Administrative Assistant; **Beth Detweiler-Grove**, Nurse



Watson Health™
50 TOP
CARDIOVASCULAR
2018



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.



Going the Extra Mile



BEACON HEALTH FOUNDATION

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Joseph M. Hart

Tom Shoff

Carl A. Tiedemann



★ BEACON HEALTH SYSTEM



752

Total Calls ☐☐☐☐☐☐☐☐☐☐

Inter-facility Calls: 478

Scene Calls: 274



354

Total Transports ☐☐☐☐☐☐☐☐☐☐

Inter-facility Transports: 263

Scene Transports: 91

Patients Transported into Memorial Hospital: 154

Transports out of Memorial Hospital: 73



2017 Emergency Trauma Report Card



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

2017 Boards of Directors



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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 Lofallah, 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
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Infectious Disease Medicine

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Neurosurgery

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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





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BeaconHealthSystem.org