

# We had a GREAT YEAR



**Kreg Gruber**  
Chief Executive Officer

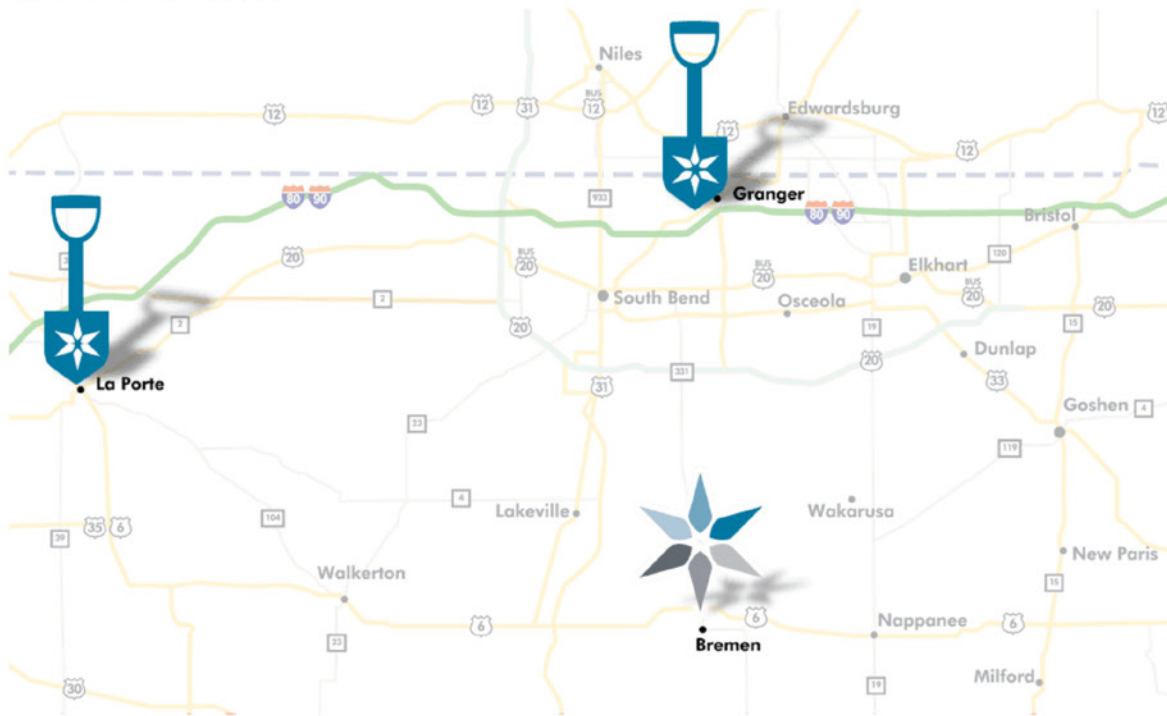
"We are always going to be a health care provider. That's our mission. Beacon Health System exists to enhance the physical, mental, emotional and spiritual well-being of the communities we serve. Kindness and compassion are tightly woven into the fabric of our culture. We accomplish our mission by providing the highest quality of care to our patients. But how we provide health care is changing. The methods and technology we are using to advance our mission and deliver care continue to evolve.

"We began 2018 focused on **strategic initiatives** to help us adapt to our changing environment and position our health system for the best possible future. As we reflect on all we accomplished, I want to celebrate some really hard work. We began accelerating efforts to standardize and clinically integrate for consistent outcomes. We launched real-time patient feedback tools to help us deliver on the Beacon "exceptional experience" promise, and introduced text-based associate engagement surveys.

During 2018, 95% of the 94 Beacon care sites that used text-based patient feedback garnered **4.2 out of 5 stars** on our keystone question, "My experience at Beacon was exceptional."



"Beacon continued to expand its footprint physically to be more convenient to patients and better meet the needs of the communities we serve. **We welcomed Community Hospital of Bremen** to the Beacon family and celebrated the groundbreaking of **Beacon Granger Hospital** and **Franciscan Beacon Hospital** in LaPorte. These new hospitals will provide our customers more convenient access to our 1,100 physicians and providers, when and where our patients want and need care.



"Our patients saw greater digital connectivity and access through **Save My Spot** at our Urgent Care locations, allowing customers to reserve their spot in line before traveling to receive care. Beacon Medical Group debuted **online scheduling for Orthopedics and Sports Medicine** and online scheduling for **mammography**. We expanded our clinical expertise through the recruitment of 40 physicians with Beacon Medical Group, with our partnerships with the outstanding private medical groups in our community, and by continuing to upgrade our clinical technologies. Our **MedFlight** team continues to save lives, providing life-enhancing care to our entire region. When the community needs additional expertise, our membership in the **Mayo Clinic Care Network** means patients have access to some of the world's best specialists. All of this through Beacon Health System.





"Our organization continues to be **financially strong**, with a AA- Bond rating and a stable outlook from both Standard and Poor's and Fitch, which places us in the top 10th percentile of health systems across the country.

Our hard work allowed us to expand our direct outreach in our community and to our most vulnerable populations, through our **Community Impact** team.

## Community Impact



"All of our **achievements, accomplishments and accolades** in 2018 were possible because of the great people inside our organization. I am incredibly grateful for their dedication, which allows us to meet challenges head on, with compassion, transparency and always with our mission and our customers in mind.

## Our Favorite Stories from 2018



1st Christmas in a Habitat home

21 December, 2018



Remembering David Mitchell

13 June, 2018



100 Nurses

02 May, 2018



Nurses celebrate 40 years together

12 March, 2018



Cancer patient gets last wish at Elkhart General

08 March, 2018



"We are there to help save lives"

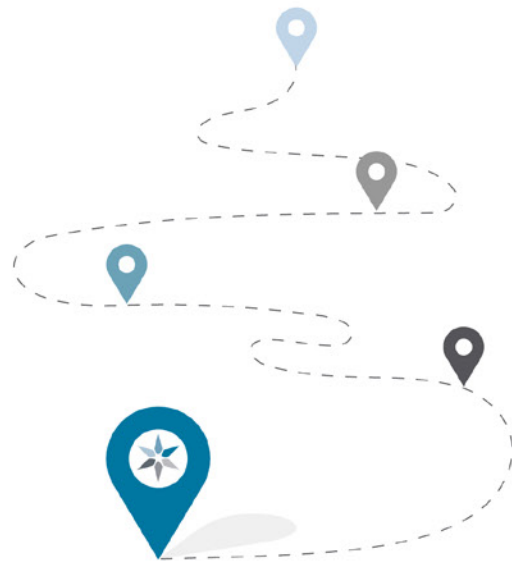
01 February, 2018

## LOOKING AHEAD

"Moving forward into 2019, you will continue to see Beacon grow where and how it makes sense. It's not going to come quick or easy, but we are up to the challenges that lie ahead. We will continue to achieve great things together. Thank you for following us on our journey."



**Kreg Gruber**  
Chief Executive Officer  
Beacon Health System



# Strategic Initiatives



## Clinical Excellence



**Kreg Gruber**  
Chief Executive Officer

**Beacon is accelerating efforts to standardize and clinically integrate for consistent outcomes and reduction in clinical variation.**

Maintaining clinical excellence will continue to require more traditional models of medical oversight and clinical improvement. The future of clinical excellence, however, will require agility, creative partnerships, the graceful flow of information among care teams, and the extension of clinical talent and expertise through secure telehealth solutions and remote monitoring.

### **A Team Effort for Optimal Health and Wellness**

Beacon Care Coordination provides patients with the right care at the right place and at the right time. With a primary emphasis on assisting CHA (Medicare) ACO patients, the free service is provided by the Beacon Ambulatory Care Coordination Group in collaboration with all Beacon entities. The Beacon Care Coordination team includes three registered nurses, a social worker and a coordinator serving in a community health worker/health coach role.

### **A Commitment to Continual Learning**

In 2018, Beacon Medical Group introduced Mosby Elsevier Clinical Skills to the clinical staff to enhance, standardize and validate clinical skills. In our first year, we assigned over 7,200 Mosby skills to over 1,360 Beacon Medical Group associates with a 99 percent completion rate.

Quite simply, when it comes to health care, good is not good enough. We welcome the challenge and complexity that comes with making a difference for the people for whom Beacon cares.

## 2018 Focus Areas

Bringing our clinical services together as a system

Exceeding quality and patient safety outcomes.

Reducing readmissions.

Extending our clinical talent by increasing advanced practice clinicians.

# Strategic Initiatives

## Great Workplace



**Steve Eller**  
Chief Human Resources  
Officer

### **Creating a great workplace is essential to attracting, recruiting, developing and retaining talent.**

Beacon is blessed with thousands of associates and physicians who represent the full spectrum of skills, education and perspectives, all requiring that we understand and manage to generational preferences and viewpoints.

### **A New Way to Gather Essential and Timely Feedback from Associates**

In 2018, Beacon began sending text-based surveys to associates to ask about their work-related experiences. The Beacon Experience Promise, or BXP, surveys enabled immediate associate feedback to inform manager effectiveness and engagement levels. The engagement survey includes nine questions that associates assign a one- to five-star score as well as an open-ended comments section. Scores measuring associate engagement, experience and balance have increased since the survey launched in April 2018.

## 2018 Focus Areas

Enhancing how our associates and medical staff experience their Beacon Health System workplace.

Infusing acts of service as a more formal part of the way we do business.

Develop and retain talent for the future success of the organization.

Ensure that managers uphold our values and are effective in their leadership roles.



# Strategic Initiatives

## Customer-Friendly Culture



**Lori Turner**  
Chief Marketing and  
Customer Experience  
Officer

**Because patients view themselves as customers, we need to deliver convenient, connected and coordinated care.**

Because the adoption of high-deductible plans has increased out-of-pocket costs for many patients and families, people are much more likely to view themselves as customers.

### **Beacon Promise: Deliver an Exceptional Experience**

Since 2017, Beacon has used a real-time, text-based survey tool that provides valuable feedback from patients. The five areas we survey are outpatient services, inpatient stays, urgent care visits, emergency department visits and Beacon Medical Group visits. In 2018, we received a record number of surveys from our patients, and all areas showed improvement. In fact, more than 80 percent of the comments we received from nearly 50,000 surveys were positive about their Beacon experiences. The information we receive from our customers is immediately actionable, which allows for timely service recovery and the sharing of feedback, and has positively impacted our service culture throughout Beacon.

### **Digital Transformation**

In 2018, Beacon began offering our urgent care patients a way to save their spot online for any of our three MedPoint Urgent Care centers. Patients can reserve their appointment online before they arrive, and spend less time in the waiting room, by visiting [BeaconSaveMySpot.org](https://BeaconSaveMySpot.org). Customers can also see current walk-in wait times and a list of available services. Approximately 25 percent of our MedPoint patients are reserving online prior to their arrival.

We also introduced online patient self-scheduling for Beacon Orthopedics & Sports Medicine. Appointments can be scheduled 24/7 online at [BeaconOrthoDocs.org](https://BeaconOrthoDocs.org) or by calling 574.647.2677 between 8 a.m. and 5 p.m. Monday through Friday. No referrals are needed. Our experts specialize in: foot and ankle, hand, wrist and elbow, knee, hip, shoulder and orthopedic oncology.

Online scheduling services for Orthopedics & Sports Medicine and Urgent Care demonstrate Beacon's commitment to bringing convenient, connected and coordinated care to the communities we serve on our growing digital platform.

## 2018 Focus Areas

Delivering on the Beacon Promise to make each experience exceptional.

Improving customer access to appointments outside of 8 a.m. to 5 p.m.

Improving the speed and efficiency of getting patients into care needed urgently and for imaging services.

Transforming (in part through digital interactions) several areas to improve provider and customer experience, and to open capacity

Enhancing how our current and potential customers view the Beacon brand.

# Strategic Initiatives

## Smart Growth



**Diane Maas**

Chief Strategy and Growth  
Officer

**Beacon will invest in future models that provide solid returns so we can continue to serve our communities.**

The decision on where to provide various types of care is based on several factors, including whether the services are already provided locally, the quality of services being provided, the economic feasibility of providing a certain level of services and the opportunity to provide services where they don't exist today.

During 2018, we welcomed Community Hospital of Bremen to the Beacon family. Working together with the hospital's leadership, a new short-term Skilled Nursing and Rehabilitation Services program was initiated, giving patients in our community a new option for transitional care while remaining in the hospital. Skilled nursing and rehabilitation services allow patients to focus on therapy progression in a familiar environment without interruption. The goal is to have patients return to home independently or with the help of available community resources.

Two new projects started in 2018 will provide new access points for patients in our community while providing the same high-quality health care – Beacon Granger Hospital and Franciscan Beacon Hospital in LaPorte. Both projects are small acute care hospitals that will have 24-hour emergency departments. The facilities are designed to meet the needs of patients when and where they need it. They provide a smaller, more patient-friendly model and higher patient satisfaction without sacrificing the highest in professional and expert care.

Other Smart Growth opportunities included opening a new outpatient physical therapy location under Beacon Health on the Beacon Medical Group LaPorte campus and partnering with physicians at the South Bend Specialty Surgery Center in Toscana Park in Granger.

## 2018 Focus Areas

Growing the number of appointments and interactions occurring digitally.

Optimizing our physical space to meet current needs and future growth plans.

Growing in strategic areas, especially outpatient services.

Developing a strong strategy to serve the employer market.

Improving commercial payor mix so we can better serve our communities.

Standardizing processes for evaluating opportunities.



# Strategic Initiatives

## Financial Sustainability



**Jeff Costello**  
Chief Financial Officer

**Our financial sustainability is essential to achieving all of our other goals and meeting our mission.**

Beacon is actively managing financial pressures and preparing for a more streamlined future. Beacon utilizes a number of financial management technologies, including concurrent operational dashboards, robust financial reporting tools and benchmarking to create smooth and efficient workflows that easily highlight areas of opportunity to improve fiscal performance.

Beacon's bond rating was affirmed at the AA- level with a stable outlook from Standard & Poor's, a very solid rating for the health care industry and a direct reflection of our overall financial strength.

Last year was very positive for Beacon from a financial standpoint with a strong operating income and balance sheet. Much of the operating income was the result of growth for Beacon. Our balance sheet strength allows us to reinvest in ourselves, including raises for associates and buying new equipment, for example.

Additionally, our concerted effort in reducing reimbursement denials across the health system resulted in significant success. Teams from Beacon Finance and the Revenue Cycle worked proactively and diligently toward this positive achievement.

## 2018 Focus Areas

Implementing opportunities for strategic cost reduction.

Implementing opportunities for revenue growth.

Identifying opportunities to reduce denials.

Maximizing value-based reimbursement potential.

Improving risk-adjusted cost per patient.

Managing cash on hand and optimizing operating margin.

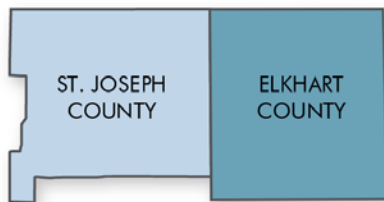
# 2018 Community Impact Report

The Community Benefit Report information below reflects the 2018 combined programming efforts of Elkhart General Hospital and Memorial Hospital of South Bend. In mid-2018, we welcomed Community Hospital of Bremen to the Beacon family, adding our Marshall County neighbors to our service area. The Community Hospital of Bremen Community Benefit Report will be available on this site in May.

As we work to serve our communities across the region, be sure to look for a combined Community Benefit Report for Elkhart, Marshall and St. Joseph counties in the future.

## MAKING A DIFFERENCE BY

PARTICIPATING IN **2** COUNTIES



FOCUSING ON **6** PRIORITIES

To serve residents regionally, Beacon Community Impact programming targeted multiple priorities, which emerged from the 2015 **Community Health Needs Assessment** selection process. They are:

- |                                   |                            |                         |
|-----------------------------------|----------------------------|-------------------------|
| 1. Access to Healthcare/Uninsured | 4. Diabetes*               | *St. Joseph County only |
| 2. Maternal/Infant Health         | 5. Mental Health*          |                         |
| 3. Obesity/Overweight             | 6. Violence/Safety/Trauma* |                         |

## MAKING IT HAPPEN WITH 16 PARTNERS

Our work in the community would not be possible without the support and effort of our community partners. We truly value the opportunity to continue to build relationships with them, and would like to thank them for all that they do.

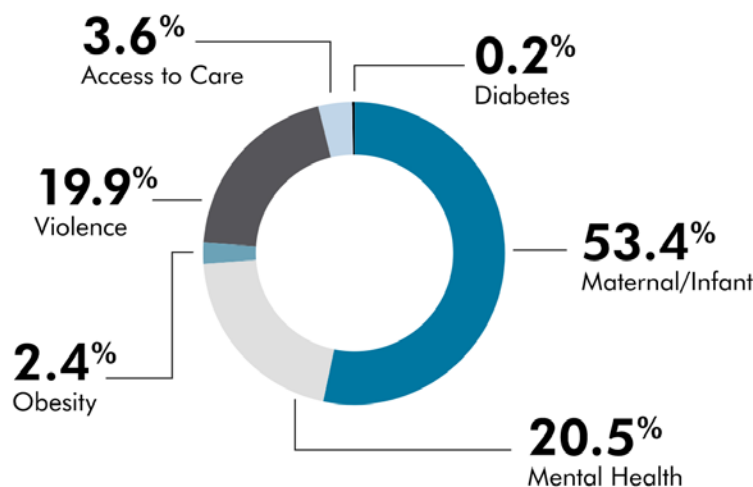
Thank you!

ACE Interface  
Addressing Childhood Trauma (ACT) Grant  
BABE Store  
Center for Healing and Hope  
Elkhart County Health Department  
enFocus  
Horizon Education Alliance  
Leeper Park/Madison Primary Center  
Ribbon of Hope, Inc.  
South Bend Group Violence Initiative  
South Bend Heritage Foundation  
St Joseph County Health Department  
Unity Gardens  
WIC of St Joseph County  
Michiana YMCA  
YWCA North Central Indiana

## MAKING IT HAPPEN THROUGH 39 PROGRAMS

Beacon Health System financially supported 39 programs. Of those programs, community partners provided 12, and Beacon Community Impact staff provided 27.

## SERVING 36,293 PROGRAM PARTICIPANTS





# Achievements, Accomplishments and Accolades in 2018



Beacon teams maintained a laser focus on **clinical excellence**, garnering several distinctions during 2018:



Community Hospital of Bremen received the **Women's Choice Award for America's 100 Best Hospitals for Patient Experience**, a **Performance Leadership Award** for outcomes and patient perspective from the National Organization of State Offices of Rural Health (NOSORH), and a **Certificate of Excellence from the Indiana State Department of Health** for outstanding contributions through the Medicare Beneficiary Quality Improvement Project.



**The Joint  
Commission**



**American Heart  
Association  
American Stroke  
Association**

**CERTIFICATION**

Meets standards for  
**Primary Stroke Center**

Elkhart General Hospital earned the Joint Commission's Gold Seal of Approval and the American Heart Association/American Stroke Association's Heart-Check mark for **Advanced Certification for Primary Stroke Centers**.

# Achievements, Accomplishments and Accolades in 2018

Since March 2018, Elkhart General has operated as a **Level III "in the process" Trauma Center**, accepting and treating our community's most seriously injured patients in accordance with the State Triage and Transport Rule. Following a review of program documentation and a site visit in spring 2019, the hospital expects to receive a three-year certificate of verification from the American College of Surgeons.



The Elkhart General Breast Center was named as a **Certified Quality Breast Center of Excellence** in the National Quality Measures for Breast Centers Program™ (NQMBC™). The achievement is based on meeting the highest set of certification criteria, including quality of care and timeliness of care.

## Watson Health™ 50 TOP CARDIOVASCULAR 2018

IBM Watson Health named Memorial Hospital as one of the nation's **50 Top Cardiovascular Hospitals**.



The American Heart Association/American Stroke Association honored Elkhart General and Memorial Hospital for their commitment to ensuring stroke patients receive the most appropriate treatment according to nationally recognized, research-based guidelines based on the latest scientific evidence.

- Elkhart General Hospital – **Get With The Guidelines®-Stroke Silver Quality Achievement Award**
- Memorial Hospital – **Get With The Guidelines®-Stroke Silver Plus Quality Achievement Award**



**CONSOLIDATED BALANCE SHEETS** (In Thousands)

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	<b>\$56,926</b>	\$65,127
Short-term investments	<b>38,637</b>	3,388
Patient accounts receivable	<b>162,335</b>	151,791
Due from third-party payors	<b>46,739</b>	27,064
Other receivables	<b>8,256</b>	5,055
Inventories	<b>25,192</b>	23,942
Prepaid expenses	<b>14,357</b>	15,954
Total current assets	<b>352,442</b>	292,321
Assets limited as to use:		
Internally designated investments	<b>674,952</b>	705,511
Restricted cash	<b>3,886</b>	2,758
Externally designated investments – insurance trust	<b>2,747</b>	2,710
Board-designated endowment	<b>25,002</b>	27,316
Endowment and temporarily restricted investments	<b>7,322</b>	7,930
	<b>713,909</b>	746,225
Property and equipment:		
Land	<b>53,342</b>	45,101
Buildings and improvements	<b>824,120</b>	795,115
Furniture and equipment	<b>500,329</b>	490,299
Construction-in-progress	<b>21,295</b>	16,037
	<b>1,399,086</b>	1,346,552
Less allowances for depreciation and amortization	<b>737,060</b>	687,048
	<b>662,026</b>	659,504
Deferred charges and other assets	<b>57,411</b>	38,911
Interest rate swap	<b>–</b>	625
Total assets	<b>\$1,785,788</b>	\$1,737,586



**CONSOLIDATED BALANCE SHEETS** (In Thousands)

	<b>2018</b>	<b>2017</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	<b>\$45,980</b>	\$47,085
Accrued salaries and benefits	<b>46,223</b>	36,831
Accrued expenses	<b>5,557</b>	4,836
Due to third-party payors	<b>5,942</b>	6,159
Current maturities of long-term debt	<b>10,724</b>	8,745
Total current liabilities	<b>114,426</b>	103,656
Non-current liabilities:		
Long-term debt, less current maturities	<b>307,012</b>	270,680
Pension and other liabilities	<b>12,635</b>	27,111
Interest rate and basis swaps	<b>14,051</b>	16,305
	<b>333,698</b>	314,096
Total liabilities	<b>448,124</b>	417,752
Net assets:		
Without donor restrictions	<b>1,325,251</b>	1,305,777
With donor restrictions	<b>12,413</b>	14,057
Total net assets	<b>\$1,337,664</b>	\$1,319,834
Total liabilities and net assets	<b>\$1,785,788</b>	\$1,737,586

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (In Thousands)

	<b>2018</b>	<b>2017</b>
<b>UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT</b>		
Patient service revenue	<b>\$ 975,114</b>	\$ 901,101
Other revenue	<b>46,776</b>	40,439
Net assets released from restrictions used for operations	<b>1,054</b>	1,810
	<b>1,022,944</b>	943,350
<b>EXPENSES</b>		
Salaries and wages	<b>418,097</b>	394,191
Employee benefits	<b>111,591</b>	101,922
Supplies and other	<b>250,122</b>	232,358
Professional fees and purchased services	<b>117,650</b>	117,039
Depreciation and amortization	<b>58,951</b>	59,496
Interest	<b>7,905</b>	7,052
	<b>964,316</b>	912,058
Income from operations	<b>58,628</b>	31,292
<b>NON-OPERATING INCOME (EXPENSES)</b>		
Investment income, net	<b>(21,923)</b>	82,462
Unrealized gains (loss) on swap transactions, net	<b>1,628</b>	7,099
Loss on bond refunding	<b>—</b>	(534)
Pension settlement	<b>(118,087)</b>	—
Revenue and gains in excess of expenses	<b>(79,754)</b>	120,319

**CONSOLIDATED STATEMENTS OF OPERATIONS  
AND CHANGES IN NET ASSETS, CONT.** (In Thousands)

	<b>2018</b>	<b>2017</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenue and gains in excess of expenses	<b>\$(79,754)</b>	\$120,319
Net assets released from restrictions used for capital purposes	<b>1,187</b>	2,473
Other	<b>6</b>	—
Postretirement benefit adjustments other than periodic costs	<b>98,035</b>	9,005
Increase in net assets without donor restrictions	<b>19,474</b>	131,797
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Purpose-restricted contributions	<b>1,347</b>	2,156
Investment income	<b>(744)</b>	776
Net assets released from restrictions used for operating and capital purposes	<b>(2,247)</b>	(4,283)
Increase in net assets with donor restrictions	<b>(1,644)</b>	(1,351)
Change in net assets	<b>17,830</b>	130,446
Net assets at beginning of year	<b>1,319,834</b>	1,189,388
Net assets at end of year	<b>\$1,337,664</b>	\$1,319,834