



my first choice

2009/2010 Annual Report

**to the Manistee County
Board of Commissioners**

November 17, 2010



WEST SHORE MEDICAL CENTER

Partnering with  **MUNSON HEALTHCARE**

westshoremedcenter.org

WEST SHORE MEDICAL CENTER

Board of Trustees

Theodore Batzer, M.D. – Chairperson
Clara Kraus Saari – Vice Chairperson
Kellie Parkes – Secretary
Robert DeSisto – Treasurer

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Beth McCarthy
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Ila Marie Prickett

Administrative Staff

Burton Parks – President
Donn Lemmer – Vice President, Finance
Jeff Rose – Vice President, Human Resources
Brooke Stevens - Executive Director of Fund Development
James Toth – Vice President, Nursing Management
Henry Westra – Vice President, Physician Services
Diane Banks – Interim Director, Performance Improvement

Medical Staff Officers

Robert Barry, M.D. – Chief of Staff
James Gates, M.D. – Vice Chief of Staff
Julie Fitzgerald, M.D. – Secretary

Section Chiefs

Emergency	Cheryl Dionne, M.D.
Family Practice	Joel Anhalt, D.O.
Medicine	Raymond Schmoke, M.D.
Obstetrics	Stephanie Fitzgerald, D.O.
Pediatrics	Paul Gunderson, M.D.
Surgery	Ronald Joannette, M.D.

The remainder of the report for this year includes two parts. Part I is the Financial Statement Audit, and Part II details Major Accomplishments arranged under the prioritized five pillars of success applicable to all organizations: people, service, quality, growth, and finance.

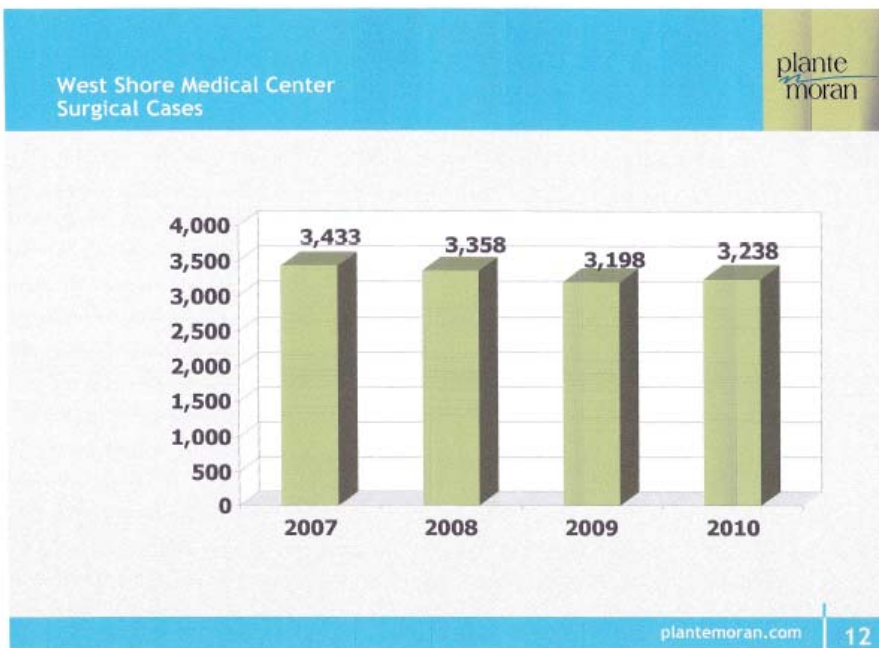
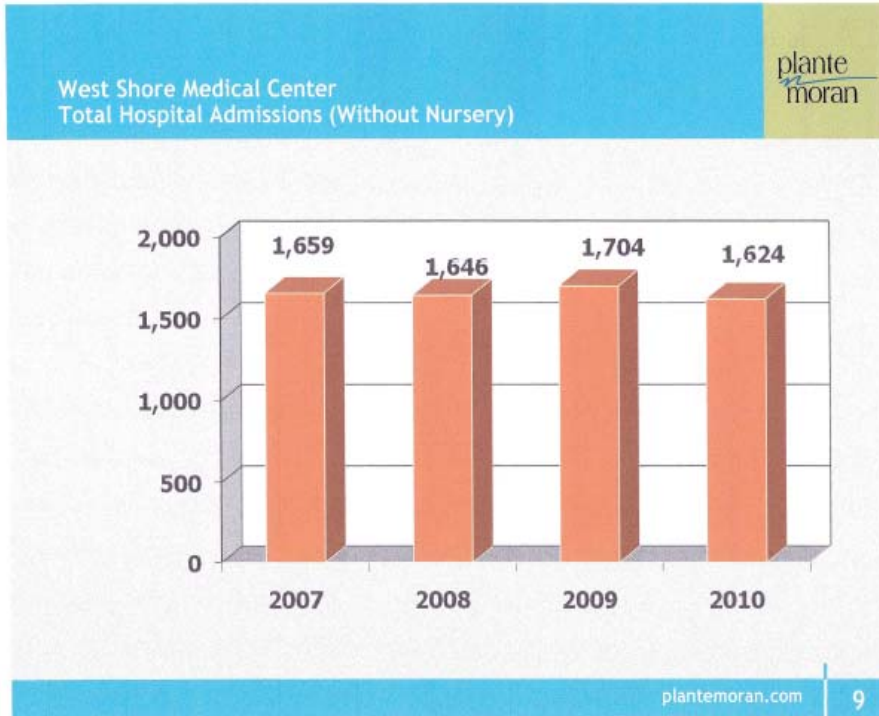
Part I – Financial Statement Audit 2010 by Plante & Moran

The West Shore Medical Center (WSMC) annual financial report for fiscal year 2010 includes five sections:

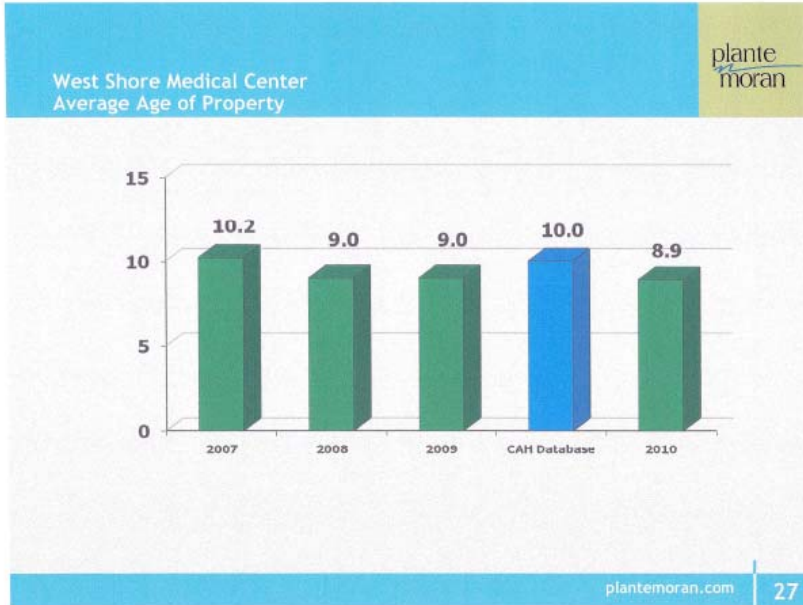
- Section 1 - Comparison of patient services activities for four years
- Section 2 - Average age of property vs benchmark
- Section 3 - Debt covenant review
- Section 4 - Statement of Revenue, Expenses, and Changes in Net Assets
- Section 5 - Independent Auditor's Report.

The Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) includes information on the financial operating results of WSMC and the component units which involve the West Shore Health Centers Corporation (employed office based physician practices) and the West Shore Healthcare Foundation (performs fund development).

SECTION 1 PATIENT SERVICES ACTIVITIES



SECTION 2 AVERAGE AGE OF PROPERTY



SECTION 3 DEBT COVENANTS REVIEW

West Shore Medical Center
Financial Debt Covenants

Debt Covenant Requirements - Center Only

- Debt Service - Required 1.25 **Actual 4.10**
- Debt to Capitalization - Required <55% **Actual 50.8%**
- Days Cash on Hand - Required >75 days **Actual 150**

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SECTION 4 STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

West Shore Medical Center

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30, 2010			Year Ended June 30, 2009		
	West Shore Medical Center	Component Units	Total	West Shore Medical Center	Component Units	Total
Operating Revenue						
Net patient service revenue	\$ 44,153,096	\$ 3,120,840	\$ 47,273,936	\$ 40,240,715	\$ 2,298,832	\$ 42,539,547
Other	1,078,587	-	1,078,587	1,142,392	20,000	1,162,392
Total operating revenue	45,231,683	3,120,840	48,352,523	41,383,107	2,318,832	43,701,939
Operating Expenses						
Salaries	18,516,427	3,155,393	21,671,820	17,675,023	2,395,754	20,070,777
Benefits	5,954,696	304,117	6,258,813	5,669,063	242,074	5,911,137
Supplies	5,659,878	274,601	5,934,479	4,452,309	134,515	4,586,824
Professional fees and outside services	5,302,276	1,284,282	6,586,558	5,013,610	915,848	5,929,458
Depreciation	3,784,397	4,246	3,788,643	3,333,751	24,182	3,357,933
Other	4,216,133	622,046	4,838,179	4,444,101	392,883	4,836,984
Total operating expenses	43,433,807	5,644,685	49,078,492	40,587,857	4,105,256	44,693,113
Operating Income (Loss)	1,797,876	(2,523,845)	(725,969)	795,250	(1,786,424)	(991,174)
Nonoperating Income - Net	328,913	833	329,746	438,805	-	438,805
Excess of Revenue Over (Under) Expenses	2,126,789	(2,523,012)	(396,223)	1,234,055	(1,786,424)	(552,369)
Contribution to West Shore Health Centers Corporation	(2,378,672)	2,378,672	-	(2,220,950)	2,220,950	-
Contribution from West Shore Healthcare Foundation	33,000	(33,000)	-	273,915	(273,915)	-
Contributions - Restricted for capital assets	131,637	200,825	332,462	23,505	349,511	373,016
(Decrease) Increase in Net Assets	(87,246)	23,485	(63,761)	(689,475)	510,122	(179,353)
Net Assets - Beginning of year	28,565,254	643,324	29,208,578	29,254,729	133,202	29,387,931
Net Assets - End of year	\$ 28,478,008	\$ 666,809	\$ 29,144,817	\$ 28,565,254	\$ 643,324	\$ 29,208,578

SECTION 5 INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

To the Board of Trustees
West Shore Medical Center

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of West Shore Medical Center (the "Center") as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of West Shore Medical Center at June 30, 2010 and 2009 and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and, accordingly, do not express an opinion thereon.

Plante & Moran, PLLC

October 6, 2010

Part II – Major Accomplishments

People

Clara Kraus Saari Student Loan/Scholarship Fund

Loans to 9 individuals \$46k

Scholarships to 6 individuals \$3k

Associates ~ 500 (adding 15) plus 400 other local healthcare jobs (MHA study)

Medical Staff

50 full time + 70 part time/periodic = 120 total

15 office based + 10 hospital based = 25 employed

8 new recruits:

Family practice – Ekram Smith

Internal medicine – Bill Weiner

Pediatrics – Bill Weiner

Emergency – Adam Anderson, Joel Robinson, Eric McLearn,
& Megan Bonanni

General Surgery – Vince Ulep & Todd Ozdych

Future recruits: 1 internal medicine, 1 urologist & 1 rheumatologist

Physicians Partnership Survey by Press Ganey – top quartile

Service

Awards

Professional Research Consultants

OB top decile in nation on patient satisfaction

OB, Med/Surg, & CCU top quartile in nation on patient satisfaction

HCAHPS (*attachment a*, p. 12)

Manistee Area Community Clinic (Methodist Church)

Diagnostic & treatment services, w/o charge, cost ~ \$150k/year

Bear Lake Services (Crystal Clinic)

Physical therapy, occupational therapy, radiology, laboratory, & EKGs

Wellston

Radiology, laboratory, & EKGs

Quality

Awards

Michigan Rural Hospital Quality Improvement Award

Governor

Surgical Improvement

Patient Care

Priority Health – Quality & Safety score 100%, \$600k at risk

Blue Cross – Quality score 96%, \$900k at risk

Federal & State certification plus State Licensure

PI Program optimization

MHC Physician Leadership Council

Sepsis – inflammatory response infection, difficult Dx, protocols
decrease mortality 62 > 30%

STEMI – heart attack, EMS direct to MMC, increase survival/quality
of life 135 of 450 patients/year

Keystone (Michigan Health & Hospital Association)

Current initiatives – Surgery, & ICU (Michigan 2004-2009: 1830 lives
saved, > \$271M reduced cost, & 140,700 hospital days avoided)

New initiatives – hospital associated infections & OB

Enhanced Medical Staff peer review with assistance of Greeley & Associates

PACS digital imaging for all Radiology & other patient diagnostic studies

Growth

Strategic Plans developed/updated

West Shore Medical Center (*attachment b*, p. 13)

West Shore Healthcare Foundation

West Shore Health Centers Corporation

West Shore Auxiliary

New advertising campaign physicians/“my first choice” (*attachment c*, p. 14)

Physician clinics

Bear Lake – OB/GYN, orthopedics, & general surgery

Wellston – orthopedics

Freesoil/Fountain – OB/GYN

Finance

Critical Access Hospital status effective 8/1/09

Medicare incremental reimbursement	
\$3M vs \$650k prior year x 10 years	= \$ 30M
Excluded from Patient Protection	
& Affordable Care Act reduction x 10 years	= <u>7M</u>
Total benefit x 10 years	<u>\$ 37M</u>

Auxiliary

Annual totals
 Volunteer hours 10,000
 Donations \$45k
 New pledge of \$152k for ambulance

West Shore Healthcare Foundation

Friend & fund raisers
 Art on the Bluffs (7th & last year)
 Glorious Forest (7 years)
 Pink Ribbon & Paint the Town Pink campaigns (3 years)
 Total donations & grants \$332k

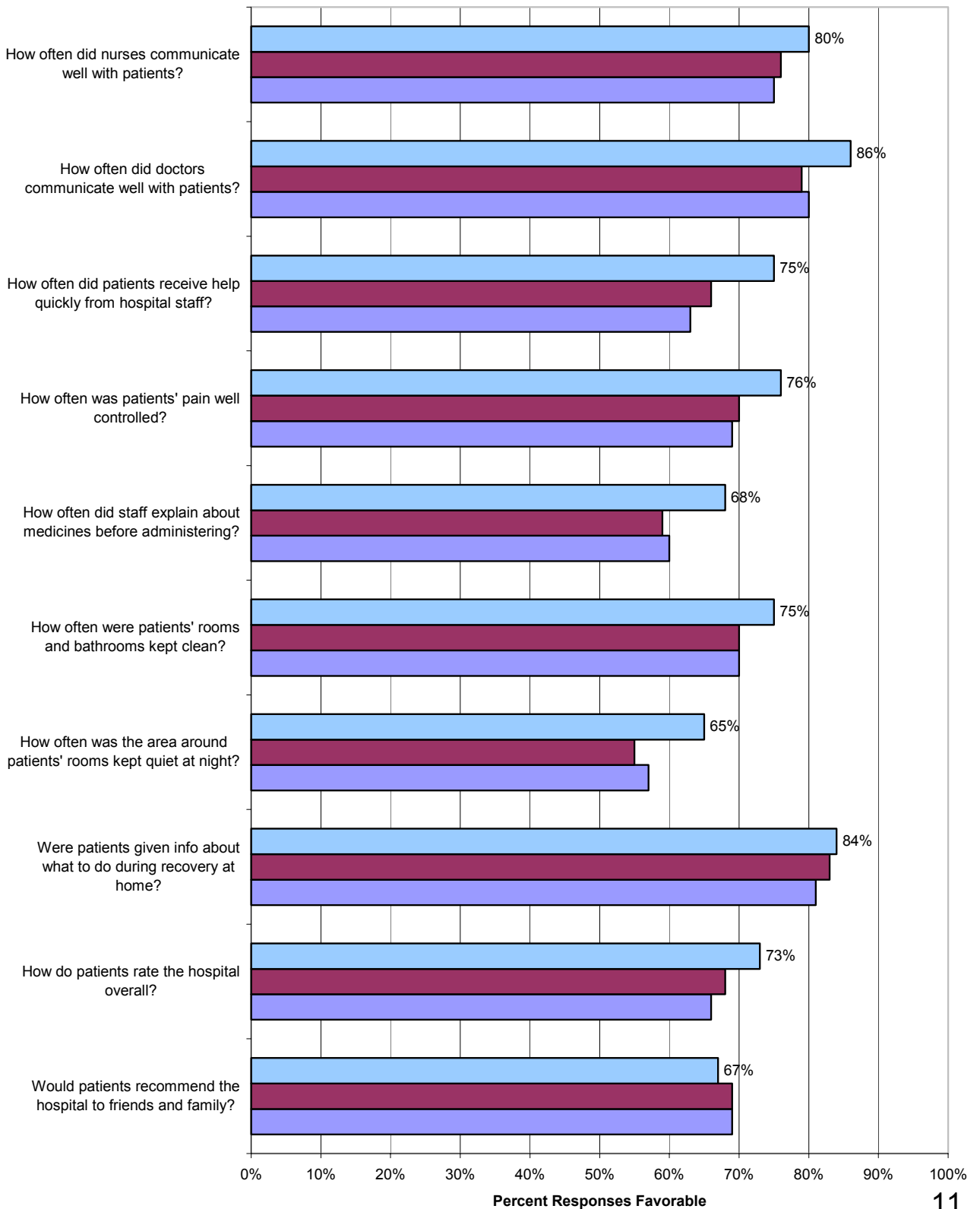
Major capital expenditures (*attachment d*, page 19)

Other

Munson Healthcare System

New projects
 Meditech optimization with \$500k savings on \$5M/3 years
 Family practice physician residents in ED
 MSU 3rd & 4th year medical students
 Healthstream computerized associate training program
 Regional Foundation
 Corporate Communications & Marketing } "back room"
 "my first choice" } functions
 Women's & Children's Services (*attachment e*, pp. 16-18)
 General
 Recurrent items annual savings ~ \$500k/year
 Non recurrent cost savings ~ \$500k e/o year

HCAHPS



**STRATEGIC PLAN
5/10**

<u>Prior Order</u>	<u>New Order</u>	
1	1	Culture of hospitality and quality throughout the spectrum of care
8	2	Leverage technology/EHR
2	3	Staff development
7	4	Expand and enhance outpatient services, venues, and processes
5	5	Recruit/retain required physicians
4	6	Financial stewardship
6	7	Marketing/communications plan w/ Munson Healthcare
3	8	Enhance relationship with Munson Healthcare



We both enjoy the Manistee area as a place to raise our families, and West Shore Medical Center is a smaller community hospital that features technology and facilities not found in most rural areas.

We think West Shore Medical Center is a good first choice for orthopedic care because it is close to home and offers all the general orthopedic surgery care that can be found in bigger cities. From rotator cuff repair, to knee surgery, setting broken bones, and trauma surgery, we are available to meet patient needs.

West Shore's Rehabilitation Services staff also does a terrific job working with patients following surgeries and optimizing our results.

As surgeons, West Shore was our first choice to practice medicine and make a difference in our patients' lives. Why not make it your first choice for medical care?

For more information on services offered at West Shore, call **(231) 398-1000** or visit westshoremcdcenter.org.



WEST SHORE MEDICAL CENTER

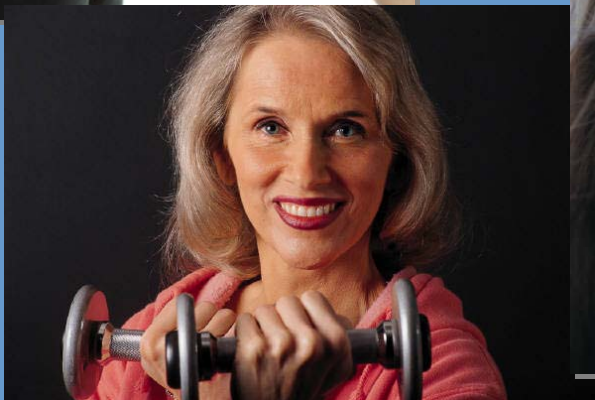
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westshoremcdcenter.org

**Major Capital Expenditures
2010**

IV Systems	\$ 74k
Ventilators	\$ 60k
EKG System	\$104k
Ambulance (Auxiliary & Revenue Sharing)	\$118k
Meditech "Optimization"	\$383k
Medical Office Building Renovation	\$817k
Total	~ \$ 2M

**West Shore Medical Center
MHC/NCC/MHA
Women's & Children's Services
in Michigan Project
9/2010**





Obstetrics

International problem

National problem

760 or 15% hospitals closed OB

Michigan problem

Chart & map next page

Figure 1: Michigan Counties Lacking Hospital-based Obstetrical Services: 2010

County Designation, 2000 Census	Hospital-Based OB Available	Hospital-Based OB Not Available	
		Number	Percent
Metropolitan – 26 Counties	23	3	12%
Micropolitan – 23 Counties	17	5	22%
Rural – 34 Counties	14	24	70%
Rural + Micropolitan – 57 Counties	31	29	51%

Note: Metropolitan counties are those with at least one urban area of 50,000 population or greater. Micropolitan counties are those with at least one urban cluster with at least 10,000, but not more than 50,000 population. (US Census, 2000)³

Map: Michigan Counties Without OB Services, 2010

