ENTRUSTED WITH LIFE, COMMITTED TO EXCELLENCE.
I am pleased to share with you CHRISTUS Health’s Fiscal Year 2008 (July 1, 2007 – June 30, 2008) Annual Report. This snapshot of our activities during the past fiscal year from across our ministries demonstrates our commitment to CHRISTUS’ Journey to Excellence.

We know that every patient, resident, customer and family member who walks through our doors is turning their most precious gift over to us: Their lives or the lives of their loved ones. Because of this, I have always said that excellence is a necessity, not a luxury.

Creating a health care system that is truly excellent in all areas is an ongoing effort. At CHRISTUS Health, this effort is considered a Journey to Excellence in four distinct, measurable performance categories (also known as our four directions to excellence). These include Clinical Quality, Service Quality, Business Literacy and Community Value. This Journey involves not only providing high-quality health care but using our resources wisely, improving our financial and operational performance, supporting and strengthening our local communities and obtaining the highest measurable satisfaction among our patients.

Built on the foundation laid by three Sisters more than 140 years ago, CHRISTUS Health has, for nearly a decade, been intensely focused on this Journey, striving to create a future that will be sustainable and value added for all the people we serve. Driven by our mission, vision and values, we have utilized a balanced scorecard approach, striving for the best performance possible in our four directions to excellence, as well as Advocacy and Philanthropy.

It is important that we now pause to celebrate the incremental victories along our Journey in the hopes that this will energize us to remain keenly focused on our present performance as we journey toward CHRISTUS’ 10th anniversary in February 2009.

It is a privilege to serve as the team leader of CHRISTUS and work alongside our Associates, physicians and volunteers who strive daily to fulfill our mission of extending the healing ministry of Jesus Christ. May God bless us on our Journey.

Sincerely,

Thomas C. Royer, M.D.
President and Chief Executive Officer

www.wiresidechatwithdrtom.blogspot.com
THE VISION OF CHRISTUS Health, a Catholic, faith-based ministry, is to be a leader and advocate in creating exemplary health care services, processes and structures that improve the health of individuals and of local and global communities so all may experience God’s healing presence and love.
CHRISTUS Health is committed to providing quality health care. We believe quality starts with our Associates and radiates outward through a variety of plans, programs, protocols, processes and measures. At CHRISTUS Health, quality is everyone’s responsibility. We plan our care around the Institute of Medicine’s Six Aims for Healthcare in the 21st Century.

Quality is achieved by practicing process management (“hardwiring”), using practices that are proven effective (“evidence-based practices”) and supporting technology. CHRISTUS is committed to continually improving our quality processes to create sustainable, positive outcomes for our patients, residents and customers. We define quality as a system of coordinated care processes that minimize errors, avoid harm and provide efficient use of resources for optimal clinical outcomes and satisfied customers.

CHRISTUS Health uses a unique process to ensure adherence to standards and regulatory requirements. An Internal Survey Assessment Team comprised of multi-disciplinary experts conducts on-site surveys of each CHRISTUS facility to review compliance with standards and regulations. Best practices, tools and guidance are provided to facilitate leadership and Associate efforts to efficiently meet regulatory requirements. Results have demonstrated that the Internal Survey Assessment Team review correlates with the subsequent review of regulatory agencies.

Case Management’s comprehensive concurrent Clinical Documentation Program was implemented in Fiscal Year 2008 (FY08), which is designed to ensure that physician documentation in medical records is accurate, specific and utilizes terms recognized by coding conventions. In addition to increasing net revenue by more than $16 million in FY08, the program provided our hospitals with better data for planning, measuring patient care and performing physician profiling. The process helps justify the care’s medical necessity and length of stay and captures clinical documentation where care is delivered.

During FY08, several new quality initiatives were introduced, including a review of our variance reporting and sentinel event process and the adoption of a patient safety initiative – color-coded alert wristbands – to align with the national movement toward standardized wristband colors that alert caregivers to specific patient needs.

Quality is woven into the ways CHRISTUS delivers care, and these care-delivery processes are closely monitored to ensure consistent, high-quality care for each patient and resident. While CHRISTUS Health has an extensive system of metrics in place that are measured, collected, analyzed and reported, there are two primary tools used to track and report outcomes of care: The Balanced Scorecard and core measures. The Balanced Scorecard is a snapshot view of the progress of each CHRISTUS facility, region and system as a whole. Based on the four directions of our Journey to Excellence (Clinical Quality, Service Quality, Business Literacy and Community Value), a few key indicators have been selected to represent the overall quality of patient care in each area. Each indicator is fully researched, then benchmarks are selected and goals are set. In FY08, CHRISTUS Health demonstrated significant improvement in the quality metrics on our Balanced Scorecard.

Core measures are a set of indicators jointly created by Centers for Medicare and Medicaid Services (CMS) and The Joint Commission in five patient care areas: Acute myocardial infarction (heart attack), pneumonia, heart failure, pregnancy and surgical infection prevention/surgical care improvement. CHRISTUS Health has shown consistent improvement in these measures in FY08, and our performance in these areas is available through many easily accessible Web sites. However, because our patients and residents turn their lives over to us daily, we believe they have the right to know as much as possible about us. This includes transparency not only in these clinical quality areas but also our financial performance and community benefit.

In a testament to CHRISTUS’ high quality of care on an international scale, Joint Commission International, a prestigious international health care accreditation organization, accredited CHRISTUS Muguerza Alta Especialidad Hospital in September 2007, granting it the Gold Seal of Approval. This made Alta Especialidad the first hospital in Mexico to obtain Joint Commission International accreditation.
NURSING’S COMMITMENT TO EXCELLENCE

To maintain the highest standards of care for our patients and a quality nursing environment, CHRISTUS is also working to build an infrastructure to support Nursing’s drive to excel in our four directions to excellence.

Nursing tracks its progress against national benchmarks in a system-wide nursing dashboard (similar to CHRISTUS’ Balanced Scorecard) and utilizes evidence-based practices to improve performance across our four directions. In FY08, protocols to reduce falls and pressure ulcers have been introduced to improve clinical quality.

In December 2007, CHRISTUS Hospital – St. Elizabeth and St. Mary were notified that both campuses were named recipients of the Magnet Recognition Program® from the American Nurses Credentialing Center. This placed the campuses among only 3 percent of hospitals in the country – and the first in CHRISTUS – to receive this prestigious award.

Nursing continues to recruit and retain exemplary nursing professionals whose expertise and compassion are key to ensuring quality patient outcomes and fulfilling our ministry. In FY08, CHRISTUS completed a system-wide nursing research project to determine the financial and non-financial incentives that would help retain nurses of each generation. The results of this study, The Relationship of Incentives to Nurses’ Satisfaction and Intention to Stay, prompted efforts to equip our leadership team with the skills necessary to be supportive of an exceptional nursing practice environment. In addition to Chief Nurse Executive Orientation and the new CHRISTUS Center for Management Excellence for Nurse Leaders course, a Unit-Based Nurse Leader program for nurse leaders at the front line was developed in FY08 and is being implemented.

Recognizing the advantages of sharing successes and challenges with trusted partners, CHRISTUS continues to lead the effort to establish a Catholic Health Organization Nurse Executive Forum. To this end, CHRISTUS sponsored the Catholic Health Association Assembly this year and continues to work to build excellence in nursing through collaborative efforts.

RISK AND SAFETY MANAGEMENT SYSTEM

At CHRISTUS, we employ many ways to improve our clinical quality and ensure our patients’ safety, including a variety of resources and tools. In FY08, CHRISTUS began using the Risk and Safety Management Alert System (RASMAS), a Web-based software that notifies Associates of medical alerts and product recalls for all health care products.

Each CHRISTUS facility has designated an Associate to oversee all RASMAS activity and a coordinator for each RASMAS domain, which include pharmaceutical, laboratory, surgical, medical, blood, medical devices, biologics, children’s products, engineering and facilities, food and nutritional services, information systems and radiology and tissues.

Once a week, RASMAS sends an e-mail to domain coordinators that highlights an alert or recall along with a recommended action (such as returning the product to the manufacturer). If no product is present, the responder can document that none of these products are present in the facility and close the alert. If the product is found in the facility, the responder removes the product and follows the recommended action, documenting all action within RASMAS.
The foundation of CHRISTUS’ healing ministry can be traced to 1866 when Bishop Claude Marie Dubuis issued a call to Religious Sisters in his native France. “Our Lord Jesus Christ,” he wrote, “suffering in the persons of a multitude of the sick and infirm of every kind, seeks relief at your hands.”

The Sisters who answered Bishop Dubuis’ call left behind all that was familiar to them to care for the sick and suffering in a new land, once again dedicating themselves to the service of others.

Today, we exhibit this dedication to our patients in many ways, including our commitment to constantly learn about the needs of the people we serve in each of our facilities and programs to provide exceptional service and care our patients expect while honoring the inherent dignity in everyone. To this end, CHRISTUS was the first health care system in the U.S. to guarantee our service delivery with the CHRISTUS Service Guarantee in 2001.

We also measure the satisfaction of our patients, residents and customers to better understand their needs and expectations. During FY08, CHRISTUS Health’s U.S. acute care facilities continued an upward trend in patient satisfaction. Outpatient and ambulatory surgery satisfaction demonstrated the strongest improvement compared to FY07, while inpatient satisfaction remained stable near the 80th percentile. Emergency Department patient satisfaction remains just below Press Ganey’s national average.

Initial Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) patient satisfaction survey results were made available to the public in March 2008. HCAHPS is part of a standardized national survey designed to allow consumers to make informed choices about health care providers. Consumers are able to access the HCAHPS data on the CMS Hospital Compare Web site (www.hospitalcompare.hhs.gov), which currently reports quality data on hospitals, nursing homes and home care agencies.

While HCAHPS public reporting is voluntary until March 2009, the government will begin to reduce reimbursement levels to hospitals that do not participate.

All eligible CHRISTUS facilities participated and chose not to suppress their results because of our strong commitment to total transparency. All CHRISTUS Health facilities achieved overall HCAHPS patient satisfaction above the national average for this first reporting period, and most facilities were rated favorably compared to key competitors that reported within their local markets.

In addition, non-acute patient and resident satisfaction also remain positive. Long-term care resident satisfaction continues to be at or near best-in-class levels as measured by the Pinnacle resident satisfaction survey. In addition, CHRISTUS HomeCare patient satisfaction remains above goal levels.

CHRISTUS CARES FOR OUR ASSOCIATES

We know the quality of service provided at CHRISTUS facilities and programs starts with the satisfaction of our most important resource, our Associates. Therefore, we have an Associate Covenant that sets expectations for how CHRISTUS and our Associates will work together to fulfill our mission.

Central to the fulfillment of this covenant is the evaluation of our Associates’ satisfaction on an annual basis. CHRISTUS Health’s overall Associate satisfaction improved slightly during FY08. The system’s overall mean score increased from 68.9 to 69.5, while the comparative ranking moved from the 74th percentile in FY07 to the 75th percentile this year. The small change in percentile rankings despite a moderate increase in mean score reflects an increasingly competitive environment for health care workers.
CHRISTUS achieves its highest Associate satisfaction in the areas of teamwork/co-worker relationships, participation and recognition.

Also as part of our commitment to Associates, CHRISTUS has dedicated significant resources to talent management processes, succession planning and leadership development programs to ensure the ongoing viability of our ministry.

- **CHRISTUS Mentorship Program**
  The CHRISTUS Mentorship Program, which completed its fifth year in FY08, is a yearlong process designed to respond to the development needs of CHRISTUS Associates. The Mentorship Program places significant focus on building a culturally competent workforce by engaging a diverse mentee population. Throughout the program, participants take part in activities that support active learning and discussion, networking with their peers, identification and sharing of best practices and application of new skills and knowledge in their respective work settings.

- **CHRISTUS Academy**
  The CHRISTUS Academy is a yearlong development program for emerging leaders. Thirty-two Academy members are selected each year and participate in sessions that cover finance, governance, human resource management, strategy, community health, sponsorship and mission and ethics. Participants research a team project that explores a practical issue or challenge within the organization and provide recommendations to the CHRISTUS Leadership Team at the end of the year. Written papers, extensive feedback and leadership coaching are also important elements of the Academy. The CHRISTUS Academy is in its seventh year, and more than 137 leaders have graduated from the program.

- **Executive Orientation**
  CHRISTUS’ commitment to leadership effectiveness continues with our Executive Orientation program, which provides resources and information to support new leaders. Newly promoted executives or executives new to CHRISTUS attend an orientation session to gain an understanding of CHRISTUS’ mission, vision and values as well as strategy and operational imperatives, and attendees are able to meet and have dialogue with senior leaders. Executive Orientation is held semi-annually.

**BUSINESS LITERACY**

CHRISTUS Health frequently evaluates our role in the communities we serve, planning ahead for their changing health needs by looking at areas for growth, expansion and modernization of existing facilities. We are committed to ensuring that we fulfill our mission while being good stewards of our resources.

Through our Unity Project, we are working to ensure that our technical resources are positioned to help us to provide the best patient care possible. We are especially focusing on technology consolidation, standardization of data, process improvement, leveraging of best practices, providing better data sources for business intelligence and enhanced access to information for clinical decision making.
To this end, we successfully completed our first major upgrade to the Unity systems early in the year and continue to evaluate our evolving vision for the next phase of the Unity Project. As the health care environment continually shifts in response to changes in regulation, legislation, consumerism, aging “baby boomer” populations, increasing numbers of uninsured and advancing technology, we must work to optimize our current systems, deploy technologies and processes that reduce operating costs, improve revenue and avoid risk where the opportunity exists and increase clinician use of existing data sources to improve clinical quality and patient safety.

CHRISTUS Health broke ground on a Tier III Information Technology Center located in San Antonio in November 2007. As we move forward to support almost 350 services and facilities, the new center will help us provide innovative technology to deliver the most efficient care possible for the thousands of patients we serve. Construction on the 47,000-square-foot facility was completed in 2008.

The facility will contain office space for a Service Desk, Network Operations and Security Operations Center for an anticipated staff of 80 Information Technology specialists. The design of the facility will allow the structure to expand to 150,000 square feet as the technology needs of CHRISTUS and our patients continue to grow.

The data center was constructed to promote tree and natural flora preservation, and all infrastructure equipment utilizes new technologies to promote efficient energy utilization and reduce operational costs.

CHRISTUS currently operates eight regional data centers primarily in Texas and Louisiana, a Tier III enterprise data center in San Antonio and a disaster recovery center in Georgia.

CHRISTUS to LEAD TEXAS HEALTHCARE INFORMATION NETWORK FOR COMMUNITIES

Some time ago, a consortium of Texas entities, with CHRISTUS Health as the lead, applied for funding from the Federal Communications Commission (FCC) to extend high-speed data services to rural Texas communities. In late 2007, we were pleased to learn that the FCC had approved the application and would fund an $11.9 million grant to establish the Texas Healthcare Information Network for Communities (THINC).

THINC is a state-wide collaborative that will connect rural community health providers to urban and regional central resource centers. Working together, the collaborative will foster expanded health care access, improved services and lowered costs through the establishment of a private, nonprofit broadband health network.

Collaborators include more than 100 community health care providers across Texas, including CHRISTUS Health, which is the named applicant and fiduciary. The network will support physician-patient consultations, long-distance education, medical data management, medical records exchanges and other services at approximately 180 facilities.

CHRISTUS Health is participating in a similar program in Louisiana, and we are analyzing opportunities to offer these services to rural communities across our network.
In January 2008, CHRISTUS Santa Rosa Health Care in San Antonio acquired McKenna Health System in New Braunfels, Texas. The 132-bed hospital was renamed CHRISTUS Santa Rosa Hospital – New Braunfels and is the sole provider in the New Braunfels community, which is located 22 miles northeast of San Antonio. Along with the hospital, CHRISTUS Santa Rosa also acquired a local imaging center, clinics and McKenna Home Health.

In April 2008, CHRISTUS signed an agreement to an equal partnership with St. Vincent Regional Medical Center in Santa Fe, N.M. CHRISTUS St. Vincent Regional Medical Center is a community-based, collaborative, not-for-profit hospital serving more than 300,000 people in seven counties in northern New Mexico. St. Vincent was founded in 1865 by the Sisters of Charity, is New Mexico’s oldest hospital and the largest private employer in Santa Fe. The hospital is designated as a “sole community provider” by CMS.

This partnership also adds to CHRISTUS’ non-acute portfolio, as St. Vincent Regional Medical Center includes home health, an extensive reference lab, imaging and an outpatient rehab service expansion.

CHRISTUS Dubuis Hospital of Bryan
CHRISTUS Dubuis Hospital of Bryan, located in Bryan, Texas, began operations in May. This marked the opening of the 15th Dubuis Health System long-term acute care hospital.

Grupo CHRISTUS Muguerza
Grupo CHRISTUS Muguerza, headquartered in Monterrey, Mexico, held a grand opening of CHRISTUS Muguerza Reynosa Hospital on March 3 in Reynosa, Tamaulipas. Reynosa is located almost directly across the Texas/Mexico border from McAllen, Texas.
CHRISTUS Muguerza Reynosa Hospital is a 25-bed facility designed to provide primarily outpatient services to patients along the northeast Mexico border and the Rio Grande Valley. Its operating room capacity, imaging capability and patient flow design is a new concept in Mexico. The hospital is designed to provide approximately 80 percent to 85 percent outpatient services and includes the use of innovative technology and efficient delivery of care. This entirely new mode of service for Mexico also serves as a pilot for new models of care that may be useful in the U.S. in addition, the hospital’s Emergency Department is the largest in a private hospital in the entire state of Tamaulipas.

CHRISTUS Muguerza Reynosa Hospital is the first full implementation of a cross-border strategy, which calls for CHRISTUS to look into building new hospitals and clinics in communities directly across the U.S. border in Mexico where there are 400,000 people or more who lack reasonable access to high-quality health care. Nearly 40 communities fit this description, and we are now identifying the next sites for similar campuses that will meet the needs of U.S. and Mexico citizens while enhancing our cultural competency in delivering health care to the growing Hispanic communities in the U.S.

**Retail Initiatives**

Because of the ever-changing regulatory environment, increasing numbers of uninsured and underinsured and an unstable economy, all health care providers are being forced to look at the ways they provide care and how they will remain financially viable in the future. At CHRISTUS, one of the ways we support the care and healing of our community members while finding creative ways to continue our mission is through our recent expansion into retail. We believe this foray into a new venture will also improve patient care and satisfaction, adding a high level of convenience for our patients, physicians, Associates and volunteers.

The cornerstone of this division is our CHRISTUS Healthy Living™ Marketplaces, which are specialty stores that allow patients, Associates and community members to support the health of their communities while treating themselves to food, gourmet coffee and special gifts. The stores also allow clinicians at the hospitals to extend their patient care by offering useful health care products and supplies. Currently, there are nine CHRISTUS Healthy Living Marketplace stores throughout our system, some of which are located in fitness centers and focus on meeting wellness needs. These stores also allow us to further invest in our communities, as proceeds from the CHRISTUS Healthy Living Marketplaces stay local to support high-quality health care in the area.

Also in FY08, we opened a Women’s Boutique in the CHRISTUS Healthy Living Marketplace at CHRISTUS Hospital – St. Elizabeth, which carries products aimed to meet the needs of women of all ages, including new mothers.

In May 2008, the CHRISTUS Healthy Living shopping experience was extended beyond these stores via our Healthy Living Web site, www.christushealthyliving.com. The site carries health and wellness, mom and baby, cardiology, nutrition, oncology and diabetes merchandise as well as uniforms, music and gifts. The profits from the Web site are reinvested to support the CHRISTUS Health mission.

We also instituted the CHRISTUS Healthy Rewards™ Loyalty Program in FY08. Customers who sign up for a Healthy Rewards loyalty card at www.christushealthyliving.com can use the card to purchase products in our stores and online. This card allows anyone to accumulate reward points based on their Healthy Living purchases. As reward points accrue, card members will earn increasingly higher discount coupons and other exciting incentives for future purchases.
In addition, CHRISTUS launched our own all-natural lotion and skincare line for adults and our private label “Scent from Heaven” line for babies.

We also began providing our own private label CHRISTUS vitamin and supplement line, which is of the highest quality and manufactured in adherence to Good Manufacturing Practices in a medically supervised environment. The vitamins and supplements also achieve pharmaceutical-grade quality and are controlled for purity and potency.

In addition, we offer a private line of mineral makeup that is purer than almost any other available on the market. It also provides gentle correction and a chemical-free sun block for even the most sensitive skin.

COMMUNITY VALUE

IMPROVING THE HEALTH OF OUR COMMUNITIES

At CHRISTUS Health, we believe health care is a basic human right. But in many of the communities we serve, too many people have little or no access to health care services, which carries repercussions for uninsured individuals and society at large. All too often, the uninsured or underinsured postpone or forego preventive and primary care services because they cannot afford them, which can lead to avoidable Emergency Department visits, hospitalization, disability and economic hardship.

As a major health care provider committed to extending the healing ministry of Jesus Christ, CHRISTUS Health bears an enormous burden in providing care to the uninsured, and we believe strongly in the importance of engaging the entire community in efforts to expand access to health care.

Our goals are to:

- Provide access to care by establishing or expanding medical homes and developing community health “building blocks,”

- Manage care for the chronically ill through our Care Partners program, which utilizes Community Health Workers to help clients navigate the health care system and more effectively control their chronic illnesses;

- Manage acute care through the development of clinical pathways, implementation of strategic pricing and communication plans.

In response to the rising number of the uninsured, their high utilization of Emergency Departments (EDs) for primary care and the increasing incidence of chronic health problems, CHRISTUS has implemented the CHRISTUS CarePartners program in five of our regions during the past three years. As of June 30, 2008, 12 community health workers have assisted 194 uninsured, chronically ill patients. Among the patients served, hospitalizations have been reduced by 30 percent, ED visits have been reduced by 49 percent and costs of care have been reduced by 58 percent.

This innovative care management program utilizes Community Health Workers (CHWs) who act as bridges between the uninsured and the health care system. They also collaborate with health care professionals to build healthy communities.

CHWs can help clients locate a doctor or dentist for treatment or access medication they may otherwise be unable to afford; provide resources for food, housing, transportation, counseling and job training; and connect them with preventative health services.

Community health building blocks include a wide range of health or social services that contribute to the health and wellbeing of the uninsured and underinsured. CHRISTUS works with our communities to identify gaps in local services and collaborates to construct, strengthen and sustain essential community resources.

During FY08, CHRISTUS and its community partners have helped establish Federally Qualified Health Centers (FQHCs) in Beeville and Beaumont, Texas, and expanded primary and dental care through the FQHC in Kingsville, Texas. We have also helped expand primary health care services in Texarkana, Texas, through collaboration with a local health education center. In addition, CHRISTUS has assisted in the expansion of programs providing access to prescription drugs and durable medical equipment to communities in South Texas.
COMMITTED TO OUR MISSION

CHRISTUS Health is committed to improving the health of the communities we serve. We fulfill our mission by going beyond offering the highest quality traditional health care. We also support a broad array of community-based services that facilitate access to care with special concern for the health status of individuals who have low incomes and are uninsured or underinsured.

Three of the states CHRISTUS serves have among the highest rates of poverty and the largest uninsured populations in the nation. Thus we are called to serve many communities with some of the most challenging health indicators.

Although New Mexico has poverty levels higher than Texas or the nation, it ranks among the best in terms of preventable hospitalizations. Data on the proportion of the low-income populations enrolled in FQHCs suggests that this may be because health issues are being properly managed in another medical home.

A SYNOPSIS OF COMMUNITY BENEFIT IN FISCAL YEAR 2008

CHRISTUS Health adheres to the Catholic Health Association guidelines and state of Texas rules for reporting community benefit.

Charity Care is the unpaid cost of medical services provided to uninsured patients. During FY08, CHRISTUS provided more than $194 million in charity care. Given the increasing number of uninsured, we believe this number would be higher if all eligible patients could be properly qualified as charity care rather than default to bad debt. Unpaid government indigent care, predominately Medicaid, makes up more than $93 million of unpaid costs for FY08.

CHRISTUS Health also contributed more than $43 million in community services in FY08, which includes proactive community services as well as graduate medical education. Cumulatively, CHRISTUS Health provided more than $238 million in total community benefit, representing 9 percent of Net Patient Revenue in FY08. This equates to more than $653,000 a day in community benefit.

Additionally, CHRISTUS Health invests any and all profits back into the communities we serve through expanded health services, new technologies and better facilities.

The cost of unpaid government-sponsored programs, mostly Medicare, is reported to the state of Texas following the state’s community benefit reporting requirements. In FY08, that amount for the CHRISTUS Health system was more than $249 million or an additional 9.5 percent of CHRISTUS’ Net Patient Revenue. In accordance with CHA Guidelines, CHRISTUS Health does not include this amount in reports of community benefit provided to other agencies.

### CHRISTUS HEALTH FY08

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### COMMUNITY DIRECT INVESTMENT PROGRAM

The CHRISTUS Health Community Direct Investment Program (CDI) aims to increase the development of affordable housing and other programs and services that directly benefit individuals and families of limited economic means. This is accomplished through a loan fund designed to be flexible enough to meet the needs of nonprofit developers while simultaneously providing enough oversight to ensure project success.

At the end of FY08, the CDI Program committed nearly $3 million within our communities that will leverage more than $5 million in other investments by local banks. The product of all this investment will be 167 units of affordable housing.
The two components of The Isaiah Funds are a loan fund expected to reach $10 million by the end of 2009 and a grants fund expected to reach $1 million. The two funds will initially focus on low-income communities along the Gulf Coast, but it is expected that The Isaiah Funds will become a blueprint for other funds to support recovery from future disasters.

CHRISTUS FUND

The CHRISTUS Fund provides grants to community-based, nonprofit organizations that improve the health of their communities and increase access to quality health care services for those without health insurance or other resources necessary for preventative care and management of chronic conditions. The CHRISTUS Fund has awarded grants totaling more than $24.8 million since 2001.

In FY08, the CHRISTUS Fund awarded more than $3.7 million to 70 organizations in communities served by CHRISTUS Health or programs affiliated with our sponsors or the Congregations of the Sisters of Charity of the Incarnate Word. More than 76 percent of this funding was awarded to building block programs in communities served by CHRISTUS Health.

EDUCATION AND RESEARCH FUND

The CHRISTUS Health Education and Research Fund provides grants to facilities and entities of CHRISTUS Health. During FY08, the fund awarded more than $1.37 million in support of initiatives in the following categories:

- Workforce Development
- Associate Recruitment and Retention
- Spirituality/Ethics Initiatives for Associates
- Clinical Pastoral Education
- Research

SOCIALLY RESPONSIBLE INVESTMENT

CHRISTUS Health is one of 275 faith-based institutional investors who are active members of the Interfaith Center on Corporate Responsibility. Together, through a process known as shareholder advocacy, these members filed more than 300 shareholder actions asking companies to be socially and environmentally responsible.
OTHER AREAS OF IMPORTANCE ON OUR JOURNEY

In 2001, CHRISTUS’ first Futures Task Force made recommendations that solidified our strategic focus on the four directions to excellence. However, these recommendations also indicated that if declining reimbursement and the rapid introduction of non-invasive technology were going to be the major drivers of health care in the immediate future, philanthropy and advocacy needed to be added as strong strategic initiatives to ensure our ability to care for our communities far into the future. Consequently, CHRISTUS has focused on both with clearly defined staff, business plans and operational tactics for each.

ADVOCACY

Because the vision of CHRISTUS Health is to serve as a leader and advocate in creating exemplary health care services, processes and structures, we do much more than provide high-quality health care in our many and varied facilities. Through grassroots advocacy, media relations, community outreach, Associate education and involvement and communication with legislators and regulators at the state, local and national levels, CHRISTUS has been able to serve as an advocate for the members of our communities who have historically been overlooked.

- Health Care Coverage for Children
  From the beginning of the 110th Congress, CHRISTUS made reauthorization and expansion of the State Children’s Health Insurance Program (SCHIP) a top priority. Through action alerts and visits on Capitol Hill, in home districts and CHRISTUS facilities, CHRISTUS advocates have advanced the availability of health care coverage for children of parents who earn too much to qualify for Medicaid but are still unable to afford private health insurance. CHRISTUS advocates have strongly supported reauthorizing SCHIP in a way that builds on its past achievements and moves the country even closer to the goal of ensuring that all of America’s children have the health coverage they need. If federal funding for SCHIP is not significantly increased above the funding levels enacted by President George W. Bush, states will be unable to sustain coverage for the children who desperately need the program. Reauthorizing SCHIP is one of the most important tasks for Congress to complete, and CHRISTUS Advocacy continues to work toward this goal.

- Protection for the Vulnerable
  The first six months of 2008 witnessed an overwhelming outpouring of activity by CHRISTUS advocates in support of legislation preventing the Centers for Medicare and Medicaid Services from implementing new Medicaid rules that would have had a devastating effect on thousands of children and low-income, elderly and disabled Americans. The new rules would also have undermined a critical component of the Medicaid funding system and impaired the training of tomorrow’s physicians.

CHRISTUS Advocacy was a leader in a coalition effort that resulted in Congress including this essential Medicaid legislation in the Iraq War supplemental funding bill for Fiscal Year 2008, which was signed into law by President Bush on June 30, 2008. The legislation includes language prohibiting the administration from implementing six Medicaid-related regulations that would have cut billions of dollars in funding to safety net hospitals and the patients we serve.
The nine main system development programs collectively raised approximately $29.7 million to support the continuation of our mission.

Advocates also worked with the CHRISTUS Clinical Quality department to assist with the Texarkana BSN Nursing program at CHRISTUS St. Michael Health System in Texarkana, Texas. They met with a local state senator to request a waiver from the Coordinating Board on the approval of the BSN program. Their efforts were successful, resulting in the program’s continuation from August 2008 to August 2009.

School-based health centers in Louisiana received increased funding due in part to CHRISTUS’ aggressive advocacy efforts. Increased funds amounted to more than $600,000 and include additional monies for operating expenses. CHRISTUS Health sponsors 25 of the 69 school-based health programs in the state.

CHRISTUS advocates fought to restore more than $50 million in Medicaid cuts that would have resulted in a $3.7 million reduction to CHRISTUS hospitals in Louisiana.

Advocates also worked with state leaders to negotiate a resolution for CHRISTUS St. Frances Cabrini Hospital in Alexandria, La. The hospital was faced with a new licensing standard from the Louisiana Department of Health and Hospitals (DHH) that would have required a perinatologist to staff its Level III Regional NICU and Obstetrical units 24 hours a day. The hospital was able to meet this licensing standard through the use of telemedicine to care for its patients. As a result of showcasing its outcomes data to DHH, Cabrini will retain its Level III designation and will study this new practice and outcomes through a telemedicine pilot partnership with the state. This means Cabrini will continue to receive Level III funding for two more years as the pilot is rolled out, and these savings amounted to approximately $2 million per year for the hospital.

**PHILANTHROPY**

When CHRISTUS Health was created in 1999 by the joining of the health care ministries of the Sisters of Charity of the Incarnate Word of Houston and the Sisters of Charity of the Incarnate Word of San Antonio, the deep commitment of both Congregations to funding these ministries through strong philanthropy programs was obvious. In addition, it was apparent that if reimbursements continued their downward trend, finding other funding for CHRISTUS’ health care ministry would be an absolute necessity.

Therefore, CHRISTUS immediately launched a number of strategic efforts to elevate philanthropy within the newly organized system. In 2001 and again in 2003, the Senior Leadership Team undertook concerted efforts to position philanthropy as one of the foundations of the Journey to Excellence.

Once again, FY08 was an excellent year for philanthropy. The nine main system development programs collectively raised approximately $29.7 million to support the continuation of our mission.

If CHRISTUS’ other ancillary programs, such as the CHRISTUS Stehlin Foundation for Cancer Research in Houston; Baptist St. Anthony’s Foundation in Amarillo, Texas; St. Joseph’s Community Foundation in Paris, Texas; CHRISTUS HomeCare; Friends of Hospice San Antonio and our programs in Mexico are added in, the total raised reaches more than $32.2 million in FY08. Since 1999, our nine main programs have collectively raised more than $180 million in support of CHRISTUS Health.

These programs are raising funds to allow us to continue extending our mission and still keep their return on investment low. The average cost to raise a dollar for most of CHRISTUS’ philanthropy programs is less than $0.20. This means if you give one of our foundations a dollar, they will give you five in return.

In FY08, CHRISTUS’ philanthropy programs continued updating and modernizing our foundation Web sites to make them more user-friendly and capable of “e-philanthropy.” All sites now have the capability of accepting online donations.

CHRISTUS Health and its philanthropic entities have become leaders in caring for the health of our communities and are viewed as good stewards of community resources. CHRISTUS has set a goal that one-third of all philanthropic dollars raised will be used to support community programs. We are one of the first to advocate this new trend within health care philanthropy.
CHRISTUS Health completed FY08 (July 1, 2007 – June 30, 2008) with a net operating loss of $9.2 million. The net loss (the combination of operating loss, discontinued operations and non-operations losses) for the year totaled $108.8 million.

Net patient service revenue amounted to $2.8 billion for the year, compared to $2.4 billion in the previous year (FY07). The positive revenue variance is attributable to our acquisition of CHRISTUS Santa Rosa Hospital – New Braunfels, the partnership in CHRISTUS St. Vincent Regional Medical Center, the increase in Medicaid supplemental programs and an overall increase in net patient revenue per encounter.

CHRISTUS ended its 2008 fiscal year with a -0.3 percent operating margin, compared to -0.9 percent in FY07.

Days cash on hand decreased to 142 days for the year, a reduction from 191 in Fiscal Year 2007.

At CHRISTUS Health, we believe it is critical to our ministry that we carefully monitor our operations and financials so we can further our mission of extending the healing ministry of Jesus Christ. To ensure that we can continue to serve the poor, offer our Associates competitive and fair compensation, invest in new programs and services to meet community needs and maintain and improve our facilities, we must be able to cover our operating costs and generate positive revenues.

If you would like more in-depth information about CHRISTUS Health’s FY08 financial performance, please visit our Web site at www.christushealth.org. Because of our deep commitment to transparency, we have been posting our financial information there since 2001.