Like other hospitals across the nation, St. James Mercy Hospital (SJMH) has weathered the 2008 economic climate and uncertainty, specifically as it relates to health care reimbursement. However, our Mission, which is strong and well-established, drives our business decisions everyday and commits our resources to those who need us most – the poor, underserved and disadvantaged. Throughout 2008 our efforts were centered on improving care delivery, meeting community need, addressing service gaps where appropriate, and educating our community on healthy choices. These efforts were reflected in numerous prevention and educational programs, the implementation and monitoring of quality measures and national patient safety goals, as well as aggressive planning for the future health care needs of our community. We are proud to share the following highlights from 2008:

**Emphasis on Quality and Patient Safety**

Quality and patient safety initiatives are coordinated efforts between physicians, nurses, and other clinical and support personnel. This team of professionals launched a number of new initiatives in 2008, including the implementation of Barcode Medication Verification (BMV). The BMV system utilizes barcode technology to ensure that patients get the right medication, in the right dose, at the right time. The risk of medication errors, a problem SJMH takes seriously, is significantly reduced with a BMV system. SJMH is the first health care facility in the region to install this system in each of the inpatient areas.

During 2008, a different focus was given to patient satisfaction. Attention to how patients perceive their care identified opportunities for us to improve communication with patients and families during and after their stay. As a result, we address issues more efficiently to help ensure the highest level of patient satisfaction. Today, with public reports becoming more and more available to the public, quality and patient experience results are now posted on a website (www.HospitalCompare.hhs.gov). SJMH has voluntarily made its data available in our effort to be as transparent as we can about the care we provide. There are several areas in the report in which we consistently score better than the state and national average and other areas of opportunity. Our goal is to continually improve.

The quality of the patient experience extends to all parts of SJMH and every employee has a very important role to play. With that in mind, we launched a new customer service effort called “ICARE.” This program identifies ways in which employees can give patients, residents, and visitors the best experience possible, from start to finish. Each department within the hospital and nursing home created “ICARE” activities to improve customer service and internal communication. Feedback, to date, has been very positive, and we will continue make “ICARE” a priority in 2009.

**Awards and Recognitions**

Again in 2008, SJMH was selected as a “100 Top Performance Improvement Leader” by Thomson Reuters, a leading international business research firm. SJMH was recognized as one of nearly 2,900 hospitals that demonstrated the most significant and consistent improvement over five consecutive years (2002 - 2006). As a Performance Improvement Leader, SJMH has set national benchmarks for the rate and consistency of improvement in clinical outcomes, patient safety, hospital efficiency, and financial stability.

SJMH was also recognized for exceeding state and national benchmarks in renal (kidney) disease treatment, inpatient acute care, quality and patient safety, and long-term care. SJMH also demonstrated its commitment to quality with low post-surgical and inpatient care infection rates, contributing to quick patient recovery and better health outcomes. We applaud our staff in achieving these recognitions and their efforts to continually improve care delivery.

**Meeting Community Need**

The health care needs of our community may be different than other areas in NYS, but the needs of the Hornell area mirror those of rural communities throughout the state. In general, residents here are older, economically challenged, and have a higher incidence of certain chronic diseases. Recognizing the potential to change this pattern, SJMH is committed to disease prevention and illness management and will take every opportunity to educate our residents on improving their health.

In 2008 SJMH initiated a Community Health Awareness Fair. Partnering with fifteen (15) local health care agencies and community organizations, we hosted two events, offering numerous health screening opportunities, health-related demonstrations and health information, at little or no cost to participants. The Fairs assist SJMH in identifying specific opportunities for health and prevention education. Employees and clinical providers participated in many outreach efforts throughout the year, bringing health education, health screenings, and primary care to the community. In 2008, SJMH served over 5,500 people through its community benefit programs and outreach services, including charity care. These services had a financial value of over $1.8 million.

The economic impact SJMH has on the community is not limited to direct patient care services. We are not only a major employer, but also a significant purchaser of goods and services. Recent data indicate that SJMH contributes over $112 million annually to the region’s economic health through: $34.5 million in payroll; $66.4 million spent by employees for groceries, clothing, mortgage, rent, etc.; $21.1 million in goods and services to provide care; and $40.8 million generated for the local economy through dollars spent by the hospital. In many ways we are vital to creating safety, stability, and good health for our community.

**Physician Recruitment**

In 2008 SJMH contracted with Delphi Hospitalist Services to provide hospitalist services. Hospitalists are physicians who specialize in adult medicine and whose sole responsibility is to care for hospitalized patients, from admission to discharge. They provide hospital care 24 hours a day, seven days a week, and are immediately available for admissions and emergencies. The hospitalist team is led by Tariq Randhawa, MD, who is Board-certified in Internal Medicine and Geriatrics.

Rodolfo Vaglienty, MD, a Board-eligible Clinical Anesthesiologist, joined the medical staff in 2008, relocating from the NYC area. Dr. Vaglienty, who has extensive experience in mission work, spent some time in Colombia.

To complete the clinical administrative team, Bradley Truax, MD joined the staff as interim Chief Medical Officer (CMO) and Medical Director. Dr. Truax has served as Medical Director of Buffalo-based Millard Fillmore Hospital and the Erie County Medical
Center, as well as Medical Director of Independent Health Association, an HMO in Western New York.

**Administrative Personnel**

In 2008, we welcomed Patricia (Trish) Uldrich, RN as the interim Chief Nursing Officer (CNO) and Nurse Executive. Ms. Uldrich has served in a number of senior management positions, including patient services, quality improvement, risk management, and nursing leadership.

Jennifer Sullivan, Chief Financial Officer (CFO), took on additional administrative responsibilities in 2008 and now serves as the CFO and Senior Vice President for Administrative Operations.

In September 2008 we mourned the passing of our friend and colleague, C. Susan Wesley, MD. Dr. Wesley served as Medical Director for six years after dedicating a number of years to the Wayland community as a family medicine practitioner. A tremendous role model to her co-workers and patients, Dr. Wesley will be remembered as an excellent physician that demonstrated exemplary compassion for her patients and colleagues.

**Looking Forward in 2009**

Consistent with our Mission and strategic plan, quality remains a number one priority – quality of care, access to services, health care outcomes, and disease prevention. To that end, we continue to work on plans to build an Ambulatory Care Center (ACC) that will provide improved access to primary care services, diagnostic testing, and prevention services. Additionally, the ACC will include new surgical suites dedicated to ambulatory procedures.

SJMH also recognizes the need for health care reform and is a willing participant in statewide and national discussions through its trade associations. Health care reform includes changes to how hospitals and providers are reimbursed for services, but also includes universal coverage, quality standards, care coordination, and investments in health care technologies. Reform will address the cost of providing care while improving outcomes and addresses workforce shortages, specifically physician and nursing shortages.

During the weeks leading to the passage of the New York State 2009 – 2010 budget, SJMH actively joined its peers in advocacy efforts to stop the proposed cuts and additional taxes to health care providers. As a result, over 30,000 people sent letters and petitions, demonstrating widespread support for their health care facilities. Although the budget passed with significant cuts, your efforts went a long way in educating legislators and mitigating some of those cuts. Thank you to all who joined in. We will continue to advocate for our community, preserving critical health care services and jobs.

Notwithstanding the challenges we face today, we remain optimistic about the future because of the support we receive from community members. We are grateful for our dedicated employees, medical staff members, and numerous volunteers who live the motto, “When Quality Matters” everyday. We are grateful for our Sponsor, the Sisters of Mercy, whose Mission is to serve the needs of the poor around the world. We are grateful to you, our patients, and supporters for entrusting us with the care of your family and loved ones. We value your continued support. Best wishes for a healthy 2009!

Sincerely,

Sylvia Bryant
St. James Mercy Health System Board Chair

Mary E. LaRowe
President & Chief Executive Officer
Edward Flaschner, MD
Hospitalist
April 2008
Dr. Flaschner is a Board-certified Internist who completed his medical doctorate at New York Medical College, an internal medicine internship at Mount Sinai Hospital, and his residency at Long Island Jewish Hospital. For twenty-five years Dr. Flaschner served as an attending physician at Saint Barnabas Hospital (Bronx), Long Island Jewish Hospital, and Northshore University Hospital (Manhasset). He also has worked as a consulting physician to the nursing home industry.

Stoner Horey, MD
Hospitalist
December 2008
Dr. Horey is Board-certified in Geriatrics and Internal Medicine and completed his medical doctorate at Georgetown University in Washington, DC and his internship and residency at Rochester General Hospital. He had a private practice in Hornell for twenty-five years. In recent years Dr. Horey served as the Director of Geriatrics at the Bath VA Medical Center, where he participated in Hurricane Katrina recovery, caring for chronically-ill victims.

Rodolfo Vaglienty, MD
Anesthesiology
September 2008
Dr. Vaglienty is a Board-eligible Clinical Anesthesiologist who completed his Medical doctorate at the University of Illinois College of Medicine. He trained in anesthesiology at Brookdale University Hospital (Brooklyn) and in general surgery at St. Vincent’s Hospital (Manhattan). Dr. Vaglienty also spent two years at Colombia Medical Mission, providing anesthesia for disadvantaged children.
2008 DONORS

5th Annual Foundation Golf Tournament: $20,470

Sponsors
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City of Hornell
Clinical Associates of the Southern Tier
Comfort Inn
Com-Ton Inc.
Corporate Express
Covered Wagon Tours
Damon & Morey
ERS Benefit Solutions
Excelsior Blue Cross/Blue Shield
F&A Building Supply
HANYS Solutions, Inc.
Hornell Association
Hornell Elks Lodge
IBC Engineering, PC
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LeCessee Construction
Maple City Savings Bank
Paris Healthcare Linen Service
Pepsi Bottling Group
ProcAir Home Oxygen & Medical Supplies
Ragan & Ragan, LLC
Razak Associates
Simmons-Rockwell
Southern Tier Credit Center
Standard Register

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Mary Fran Wegman, RSM, Vice Chair
Shawn Hogan, Treasurer
Brenda Copeland, Secretary
Nasar Chaudhry, MD
Robert Donius
David Gray
Mary LaRowe
Philip Loree
Joyce McGinn, RSM
Gaye Moorhead, RSM
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Mary Ann Schimscheiner, RSM
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St. James Mercy Foundation Board of Directors – 2008
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Heather Kaszynski, Vice President
Cindy Vearney, Secretary
David Grass, Treasurer
Nancy Bartell
Mark Buisch
Steve Cunningham
Jane Kurlen
Uzma Mehr, MD
Jim Nicolloff
Priscilla Nulett
Steve Peck
Deepali Sharma
Betsy Shults
Kim Weyand

St. James Mercy Properties Board of Directors – 2008
John Weyand, Chair
Larry Vetter

St. James Mercy Auxiliary Board Officers – 2008
Nancy Bartell, President
Carol Berry, Auxiliary Secretary
Margaret Cannon, Gift Shop Secretary
Sandra Conway, Auxiliary Treasurer
Berry Arcangeli, Gift Shop Treasurer

6th Annual Foundation Harvest Ball: $40,507

Sponsors
A.L. Blades & Sons, Inc.
Abbott Welding Supply Co., Inc.
Bever Spa
Bon Chance LTD
Bradley Supply
City of Hornell
Comfort Inn
Com-Ton, Inc.
Damon & Morey
Joseph McCormick, MD
ERS Benefit Solutions
Excelsior Blue Cross/Blue Shield
Harris Beach
Laguna Medical Systems
Maple City Savings Bank
Ortho-McNeil Pharmaceutical, Inc.
ProcAir Home Oxygen & Medical Supplies
R.L. Kistler
Razak Associates
Rochester Technical Group
Eric Shults, Attorney
Sodexo, Inc. & Affiliates
Southern Tier Credit Center, Inc.
Stethes Trust Company
The Bonadio Group
The Evening Tribune
The Sisters of Mercy of Americas
True, Walsh & Schubert, LLP
Upstate Medical Physics
Wald-Mart
Wilkins Recreational Vehicles

2008 Equipment and Special Needs Funding -- $184,267
Significant funds were raised and/or distributed by St. James Mercy Foundation to update patient care technology and enhance the quality of care, including:
- Hemo-dialysis machine
- Operating Room equipment and lighting
- “Reach Out and Read” literacy program
- Patient treatment chairs for the Oncology Center

St. James Mercy Foundation support included a grant to the hospital for nursing education.

St. James Mercy Auxiliary provided funding for:
- Furniture for McHaley Manor
- Adult Day Care and Activities Program
- Scholarships for School of Radiologic Science: St. James Mercy Auxiliary scholarships
- Joseph Vetter scholarship
- Sister Collette and Sister Margaret Ann scholarships

St. James Mercy Auxiliary provided funding for:
- Heritage Fund grant Funds totaling $146,000 from Catholic Health East
- The grants were used to purchase equipment for the Physical Therapy department, and to fund new equipment, instruments and remodeling for the Physical Therapy department, and to fund new equipment, instruments and remodeling for Sister René Dental Center. The Heritage Fund supports programs that care for poor and disadvantaged to enhance access, patient safety and health outcomes.

Two requests totaling $107,000 were received from the estates of:
- Alma Ruth Muller and Hermena K. Pindjak.
- These funds were used to support the Cardiac Rehabilitation program and general hospital needs.

Several individuals supported St. James Mercy by donating items for patient care areas:
- Sylvia Malins
- Jude Preston
- Gary Acker – in memory of Hugh Acker
- Sue Johnson
- Peg Jimerson
- The Cornish Family

Leadership Gifts of $500 - $999
- Patricia Buzzay-Frey
- Employees & Friends of Club 57
- Lyle & Brenda Copeland
- David A. Gray
- Jim & Cindy Griffin
- Anne Konopa
- Scott S. Lee, MD, PC
- Penn Power Systems
- Kenneth & Mary Philbrick
- Dr. & Mrs. Pasquale Picco
- Pinnacle Family Medicine, PLLC- Rhonda Peterson, MD
- Brian C. Schu
- Virginia Shephard, MD
- David A. & Elizabeth B. Shults
- Brenda Sobeck
- Tammy Soper
- Larry & Ann Vetter
- John & Kim Weyand
- Whalen Consulting LLC - Mary Whalen
- Brett & Danielle White

Patrons Gifts of $250 - $499
- A.L. Blades & Sons, Inc.
- Anonymous
- Arnot Health Medical Center
- Charles Becker & Arlene Stell - in honor of Donald Becker
- Jody Bello
- Robert Berger, Jr.
- Kelly Bracken

2008 List of Donors
We have made every attempt to include all donor names, and apologize in advance for any unintentional omissions.

Builders Gifts of $20,000 or more
- St. James Mercy Auxiliary

Sponsors Gifts of $10,000 - $19,999
- William & Tamara Pullman
- United Way

Benefactors Gifts of $1,000 - $9,999
- Sons of the American Legion
- Anonymous
- Anonymous
- Arksport Cycles Harley Owners Group
- Bikers Love Boobies/Breast Cancer Fundraiser
- Canisteo Valley Historical Society
- Jeff & Heather Cornish
- Patricia Dagon
- Davidson's Furniture
- Tamara Dickey
- John Henry Guenther
- Jim & Dena Helms
- City of Hornell Community Development
- Hornell Furniture Outlet
- IBEW Local 139
- Nancy Khork
- Mary LaRowe
- LPGA Corning Classic
- Kim Musham
- Drs. Ismail & Uzma Mehr
- Dr. Francis & Priscilla Nulett
- Sisters of Mercy of the Americas
- Stethes Trust Company
- Jennifer L. Sullivan
- Martha Tymeson, MD
- Town of Wayland Community Chest
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St. James Mercy Health System, Inc.
2008 Audited Financial Information
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
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<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>$61,360</td>
<td>$66,364</td>
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<tr>
<td>Salaries and Benefits</td>
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<td>$34,731</td>
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<tr>
<td>Supplies &amp; Other</td>
<td>$24,198</td>
<td>$25,878</td>
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<tr>
<td>Interest &amp; Depreciation</td>
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<td><strong>Total Operating Expenses</strong></td>
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<td><strong>Operating Income</strong></td>
<td>($5,202)</td>
<td>$1,155</td>
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**MISSION**
Faithful to our sponsor, the Sisters of Mercy, St. James Mercy Health System, a member of Catholic Health East, is a community of persons committed to being a transforming, healing presence within the rural communities we serve, particularly addressing the needs of the poor, underserved and disadvantaged.

**VISION**
Inspired by our Mission and committed to our Core Values, St. James Mercy Health System will achieve excellence in all we do, creating a system that empowers our rural communities, the poor, underserved and disadvantaged to achieve optimal health and quality of life.

**CORE VALUES**
Reverence For Each Person: We believe that each person is a manifestation of the sacredness of human life.
Community: We demonstrate our connectedness to each other through inclusive and compassionate relationships.
Justice: We advocate for a society in which all can realize their full potential and achieve the common good.
Commitment To Those Who Are Poor: We give priority to those whom society ignores.
Stewardship: We care for and strengthen the ministry and all resources entrusted to us.
Courage: We dare to take the risks our faith demands of us.
Integrity: We keep our word and are faithful to whom we say we are.