Notwithstanding the challenges we faced locally and nationally in 2010, St. James Mercy Hospital (SJMH) was blessed with a number of opportunities and achievements. Our efforts focused on three key objectives:

- Position SJMH to meet the future health care needs of our community;
- Improve quality of care and patient safety; and
- Address chronic disease and access to care.

Most notably in 2010 was the announcement of a potential partnership with Guthrie Health System, which continues to be very encouraging and is moving forward despite the lack of a formal announcement. We exceeded our quality targets and welcomed new providers. These accomplishments clearly reflect the Mission upon which we were founded...to minister to those who need us most...in particular, the poor, underserved and disadvantaged. We are proud to share these highlights with you, our community and supporters.

**Positioning for the Future Needs of Our Community**

In a rural area like ours, hospitals are the backbone of the community – not only in providing health care services, but making significant economic impact in the form of jobs and spending. According to the Healthcare Association of New York State, St. James Mercy Hospital contributes $114 million annually in direct and indirect spending for payroll, purchases, goods and supplies, income and sales tax.

In spite of these impressive statistics, we continue to be challenged as a health care provider. Given our remote location, SJMH is the essential provider of critical health care services in a large geographic region, providing care to an underserved population. Due to these challenges, we have come to recognize that operating independently is not a viable long-term strategy for survival, let alone growth. Notwithstanding the unknowns of Health Reform and economic recovery, it was essential that we sought opportunities for collaboration and partnership to be better positioned to address community needs, now and in the future.

A partnership with Guthrie Health System (GHS) will provide significant opportunities for the region. Based in Sayre, Pa., GHS has demonstrated its ability to successfully build a strong, long-term presence in rural health care communities, attract high-quality physicians, and achieve national recognition for its quality services. In addition, GHS is sensitive to our Catholic identity and supports the Core Values under which we operate.

SJMH continues to work with GHS on the structure of our potential relationship, and will continue to share the results with our community when analyzed. The ultimate goal of our collaboration is to preserve and enhance the availability of quality health care services to the communities we serve for years to come, and we remain extremely optimistic about this opportunity.

**Quality of Care, Patient Safety and Patient Satisfaction**

While we work diligently to meet the many operational, clinical, and financial challenges facing hospitals, the public appropriately expects and demands a safer, more efficient and user-friendly health care system. The approach for SJMH is to create a person-centered system, which focuses on the needs of the whole person with emphasis on the quality and coordination of care.

To reach this goal, we have made significant changes to the way we provide care over the last two years – in essence, implementing a “clinical transformation” in our hospital, nursing home, and outpatient clinics. This transformation includes quality and patient safety improvements as well as attention to a person's non-clinical needs (a holistic approach), new technology, and willingness to continually raise the standards on which we are measured. The following quality and patient safety initiatives serve as highlights:

- We implemented a process – “Advancing Clinical Transformation” – focused on care enhancements in five areas.

The 12/31/10 results are very positive and all exceed national benchmarks:

- Catheter-associated urinary tract infection – zero cases since mid-2009
- Pressure ulcers – one case or 0.16%
- Falls with injury – four cases or 0.70%
- Central line catheter-associated infection – four cases or 3.9%
- Ventilator-associated pneumonia – zero since mid-2009

- We achieved 100% of the quality measures associated with our Excellus Blue Cross contract, which not only has positive financial implication, but translates to better patient outcomes and higher quality of care – our ultimate goal.

- The emergency department staff and Exigence Emergency Services (provider of emergency room physicians) collaborated on a number of initiatives that have resulted in improved patient satisfaction scores.

SJMH joined the Rochester-based RHIO (Regional Health Information Organization), to provide our hospital and area physicians with access to a secure electronic exchange of patient health information. Having access improves care efficiency and accuracy and eliminates the need for duplicative testing and results. SJMH also took important steps toward the implementation of an electronic health record.

- McAuley Manor implemented a major culture change program to provide a more home-like atmosphere to enhance interactions and enjoyment for residents and visitors.

- In support of our motto, “When Quality Matters”, nursing staff adopted a “holistic nursing assessment”. This not only takes the patient’s clinical needs into account, but also the biological, social, spiritual, cultural, and psychological factors, all of which can influence the healing process.

All of these efforts – and many others throughout the organization – demonstrate our commitment to improving outcomes and providing excellence in care and service delivery. These programs collectively are moving us toward a “continuum of care” model that effectively connects health care providers and community services to promote good health – throughout all stages of a person’s life.

(continued)
Chronic Disease and Access to Care

Managing chronic disease and making health care services more accessible are top priorities for SJMH. In our area we have a higher incidence of diabetes, lung cancer, cerebrovascular disease, and breast cancer compared to the rest of the state. We also have a higher proportion of adults who smoke, are obese, and/or rate their own health as “poor” compared to state and national benchmarks. Combining these factors with our older-than-average population, we have a significant challenge relative to managing chronic disease.

SJMH initiated programs to manage diabetes and chronic obstructive pulmonary disease (COPD). We are pursuing certification of our diabetes program by offering expanded inpatient and outpatient education and nutrition counseling to patients and families. We increased smoking education efforts and expanded the pulmonary rehabilitation services for individuals with lung disease. In addition, SJMH is collaborating with Corning Hospital to provide cancer outreach services for low-income underinsured patients, and to make screening services more readily available.

SJMH took steps to improve access to behavioral health services through a major relocation project. With state approvals SJMH will begin construction to renovate and relocate the adult psychiatric unit to the west wing of the hospital in 2011. This project will improve patient safety and comfort, provide a unified environment for care, and expand family visitation space.

Access to care was also enhanced with the addition of Dr. Irvin Oh (orthopedics), Dr. Rob Whelpley (psychiatry), Dr. Errol Lader (dentistry), and Dr. Susan Mason (family practice/obstetrics). We also welcomed Kimberly Hoover, PA (pediatrics) and Chandra Shekar, C-OPA (orthopedics) to our clinical team.

Other highlights included expansion of patient care space in the Sr. René Dental Center, and completion of an assessment and plan to address the health care needs of the homeless in our area. Both of these projects clearly reflect our Mission of ministering to the poor, underserved and disadvantaged.

We have made great progress toward positioning St. James Mercy Hospital for the future, improving quality and safety, and addressing chronic disease and access to care. Our employees, medical staff, volunteers, and community members made this possible, and we are grateful for their untiring dedication to the people and communities we serve. We are thankful for the guidance of our Sponsor, the Sisters of Mercy of the Americas, New York, Pennsylvania, and Pacific West Community, and the support of Catholic Health East. We are looking to the future with great optimism, and we trust that our patients, donors and community supporters embrace our future, as well.

Sincerely,

Mary Fran Wegman, RSM
Chair, Board of Directors

Mary E. LaRowe
President & CEO

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.
7th Annual “Friends Fore Mercy” Golf Tournament: net proceeds $11,700

Sponsors
- Alliance Energy Solutions
- Applebee’s
- Bonadio Group
- Butera Business Solutions
- National Business Promotions
- Comfort Inn
- Compton, Inc.
- Corning Museum of Glass
- Parmley Storage
- Doug’s Flower Shop
- EBS - RMSSCO, Inc.
- Excellus Health Plan
- Exigence Group
- Hornell Association
- Hornell Do It Best
- Map’s Cay Dodge
- Next Generation Vending & Food Service
- Pats Healthcare Linen Service
- PvcAir Home Oxygen & Medical Supplies
- Razak Associates
- Scarey’s Dream, Dogs & Cream
- Sears
- Sodusco, Inc.
- Standard Register
- Steuben Trust Company
- Sisters of Mercy of America
- Toshiba
- Truane U.S., Inc.
- Twin Hickory Golf Club
- Wilkins Recreational Vehicles, Inc.

8th Annual Fall Gala—Diamonds & Denim: net proceeds $8,500

Sponsors
- Beaver Pharmacy
- Bonadio Group
- Canisteo Valley Transcription Services, Inc.
- John Carbone
- Corning Museum of Glass
- Doug’s Flower Shop
- EBS - RMSSCO, Inc.
- Harris Beach
- Hornell IDA
- John Weyand, DC
- Lecesse Construction
- Maple Cay Dodge
- McHenry Jewelers
- Irvin Oh, MD
- Robert J. & Mabelle B. Pizzutiello
- PvcAir Home Oxygen & Medical Supplies
- Brian Schu
- Shear Perfection
- Shults & Shults
- Eric Shults
- Simmons-Rockwell Fund
- Sisters of Mercy of the Americas
- Standard Register
- Steuben Trust Company
- Stoner Horey, MD
- Time Warner Cable
- Bradley Truax, MD
- Wilkins Recreational Vehicles, Inc.
- Zimmer Upstate New York, Inc.

2010 Equipment and Special Needs Funding: $28,838

Funds were raised and/or distributed in part by St. James Mercy Foundation to enhance the quality of care, including:
- Pulse oximeter equipment for Respiratory Therapy
- Infant respirator machine for Maternity
- Dialysis machine
- Vitals monitoring machine for Behavioral Health
- Blood pressure and IV training equipment for Nursing
- Bariatric furniture for McAuley Manor

Bethesda Foundation support included a grant to the hospital for nursing education.

One Bequest was received from the Estate of Ignatius Trentanelli

St. James Mercy Auxiliary provided funding for:
- Scholarships for the School of Radiologic Science:
  - St. James Mercy Auxiliary scholarships
  - Joseph Vetter scholarship
  - Sister Celletta and Sister Margaret Ann scholarships

Heritage Fund grants totaling $81,144 received from Catholic Health East Funds were received to enhance the dental and oral hygiene services at the Sr. Rene Dental Center. Two operatories were expanded and updated to improve dental care, preventative care, and oral hygiene. The Heritage Fund supports programs that care for the poor and disadvantaged, to increase access to quality health care, improve patient safety, and enhance health care outcomes.

2010 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

Benefactors – Gifts of $1,000 – $9,999
- Amish Church Fund
- Community Bank, N.A.
- Corning Classic Charities
- Davis Racing
- Mary E. LaRowe
- Gary R. Leary

NYS Fraternal Order of Eagles/Addison Auxiliary 3904
- Sons of the American Legion Post 805
- Steuben Trust Company
- Whalen Consulting – in honor of Jim Helms

Leadership – Gifts of $500 – 999
- Patricia Murray Frey
- Lyle E. & Brenda L. Copeland
- Patricia Dagon
- Rose-Andre Feuchtwanger
- James E. & June T. Field
- Mary M. Gallagher
- James & Cindy Griffin
- James & Dena Helms
- Nancy Kaestk
- Kenneth D. & Mary L. Phullbrick
- Jennifer L. Sullivan
- Town of Wayland Community Chest

Robert J. Whelpley, MD

Patrons – Gifts of $250 – $499
- Arkport Exchange Club
- Rebecca Baker
- John R. & Nancy K. Bartell
- Davidson’s Furniture
- Arlene H. Dennis
- Louis Ensani
- William T. & Janet P. Gladstone
- Hornell Association
- Hornell Furniture Outlet
- Robert C. & Dolores C. Kelley
- Park Patches United Methodist Church
- David L. Parmley
- Attorney & Mrs. William Palos – in memory of Mary Kay Lewis
- Margaret Terry – in memory of Stephen C. Terry
- United Way of the Southern Tier
- Ana Vetter
- Bonita M. Welch
- John & Kim Weyand
- Wilkins Recreational Vehicles, Inc.
Robert W. Whelpley, MD

came to SJMH in June 2010 as an Adolescent Psychiatrist for Behavioral Health services. Dr. Whelpley attained his bachelor degree in Psychobiology at Binghamton University, and his doctorate of medicine from Upstate Medical University. Originally from Hornell, he completed his residency in Psychiatry and a fellowship in Child and Adolescent Psychiatry at the University of Rochester Medical Center.

Susan M. Mason, DO

joined SJMH as its newest Family Practice/Obstetrics physician in July 2010, serving the hospital’s Greenwood and Alfred clinics. Dr. Mason completed her bachelor degree at Worcester State College, and her doctorate of osteopathy at West Virginia School of Osteopathic Medicine. Originally from Trumansburg, she completed her osteopathic residency in Family Practice and Manipulative Treatment at Guthrie/Robert Packer Hospital in Sayre, Pa.

Errol Lader, DDS

joined SJMH as a Dentist in July 2010, serving the Sister René Dental Center. Dr. Lader attained his bachelor’s degree in Biology at Long Island University and his doctorate of Dental Surgery from New York University. He spent a number of years in private practice and most recently served as a Dental Officer in the US Army Reserve. He has done extensive research on TMJ and facial pain.

Irwin C. Oh, MD

joined SJMH as an Orthopedic Surgeon in March 2010. Dr. Oh received his bachelor degree in Biochemistry and Molecular Biology from the University of Wisconsin, and graduated from medical school at Kosin University College of Medicine. He completed his residency at Samsung Medical Center and clinical fellowship at the Hospital for Special Surgery in New York City.

St. James Mercy Health System, Inc.

2010 Financial Information

(dollar amount in thousands)

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<tr>
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<th>2010</th>
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