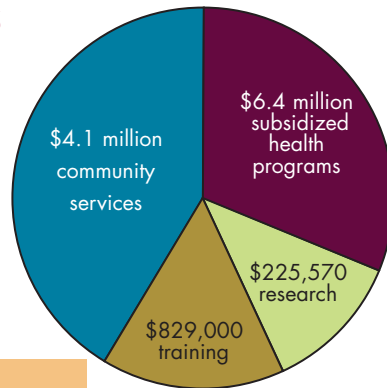


HEALTH EDUCATION PROGRAMS & SERVICES – \$11.5 MILLION

MediCorp offers community outreach through educational, outreach, and health and wellness programs. In addition, it funds clinical education and subsidizes needed health services that cannot exist without support.



2007 Health Education Programs

Community Services - \$4.1 million

Community Services include classes, seminars, and ongoing programs for health education, disease management, and first-aid. MediCorp also sponsors or supports health fairs. Support groups are offered to help cope with health needs or disease processes. The Speakers Bureau provides free presentations to schools, community groups, businesses, and other organizations. In 2007, MediCorp health professionals gave more than 220 presentations to audiences that included more than 2,700 people.

Clinical Training Opportunities - \$829,000

MediCorp provides opportunities for training and experience for future health care providers. The community benefit includes the value of providing medical education for nurses, physicians, physical therapists, and radiology professionals. The hospital serves as a clinical training site for over 157 programs with universities, colleges, and high schools, as well as specialized training for chaplains. During 2007, MediCorp provided training opportunities to a significant number of students in health professions.

Research - \$225,570

In 2007, MediCorp provided \$225,570 in services for research purposes. These costs include the work of the Institutional Review Board that reviews and approves research protocols and protects Patients' Rights in following research guidelines.

Subsidized Health Programs - \$6.4 million

In 2007, \$6.4 million in subsidized health services was provided. These funds cover programs including the Senior Care Center, the Diabetes Management Program, the Coumadin Clinic, and the Mobile Mammography Program.

Medicare Shortfall - \$26 Million

In 2007, \$26 million was provided to the community in Medicare services that were not reimbursed to the hospital. Reimbursement levels for Medicare are set by the federal government at levels below the actual cost of care, and are not negotiable. Although these dollars are not included in the Community Benefit Summary, they are noted here as a contribution to our community.



Finance Pillar Priority 1 Accomplishments

Key 2013 Pillar Goals:

- We have a strong financial position enabling us to meet the current and future needs of the community.
- We have an exceptional bond rating (Moody's AA) allowing us to borrow money to pay for new technology and growth.
- We have the financial strength to pay highly competitive salaries and benefits to our Associates.

MediCorp Health System Financial Report

As of December 31, 2007

Last year was one of many challenges for MediCorp Health System. It was a record-setting year in terms of the number of patients served at Mary Washington Hospital and other entities in the MediCorp family. However, net income from operations for the year of \$13.2 million was just above half of the budget as well as half of our earnings level in 2006. MediCorp shared in these challenges that are being faced by the hospital industry nationwide - wrestling with the problem of providing care to a growing population of uninsured patients who do not have the financial resources to pay for services, as well as experiencing non-payment for services provided to those who have the ability to pay but do not.

To put the size of growth in this problem in perspective, MediCorp's operating revenues for 2007 of \$534.2 million increased by 9% over 2006. The \$17 million in the cost of providing care to those without the ability to pay, or "charity care," grew by 22%, while the bad debt expense of \$48.9 million grew by 32%. Hospitals across the nation are having the same experience.

Despite these operating challenges, MediCorp continues to focus on the long-term health needs of our community and has made significant capital investments in its buildings and equipment for new services. Capital expenditures for the year totaled \$73.4 million. Work continues on Stafford Hospital Center (SHC) which is

scheduled to open in early 2009. Total SHC costs of construction at the end of 2007 amounted to \$45 million. Significant capital expenditures combined with limited earnings and weak investment returns resulted in unrestricted cash of \$174.5 million, a modest 4% increase for the year.

MediCorp took advantage of the low-interest rate environment to refinance \$83 million in the long-term tax exempt bonds used to finance Mary Washington Hospital, and borrowed an additional \$14 million for capital needs. Total long-term debt was \$311 million at year-end, yielding a cash to debt ratio of .56 to 1. The financial rating agencies prefer levels closer to peer averages around 1 to 1, that is, one dollar of cash for one dollar of debt.

Mandated changes in the accounting for MediCorp's pension plan liabilities had the effect of decreasing net assets by \$14 million in 2007. This, combined with \$4 million in non-cash expenses related to the refinancing of long-term debt, caused unrestricted net assets to decrease by \$6.7 million for the year.

While short-term results were not as we planned, MediCorp remains confident of the long-term viability of the organization as improvements and expansions are made to meet the future health needs of our community.

MediCorp Health System Statement of Operations			
Year Ended December 31 (\$ in millions)			
	2005	2006	2007
Revenues	\$423.1	\$488.7	\$534.2
Expenses Salaries and Benefits	198.4	227.9	\$250.6
Supplies	69.3	82.6	\$88.9
Other Non-Salary expenses	78.3	85.8	\$97.7
Depreciation	24.3	25.7	\$26.4
Interest	8.7	8.6	\$8.5
Bad debts	27.7	37.1	\$48.9
Total Expenses	406.6	467.8	\$521.0
Income from Operations	\$16.5	\$20.9	\$13.2

Goal

MediCorp Health System unrestricted days cash on hand will increase by 12 days over the previous year to 151.1 days

Measurable Results

- MediCorp Health System ended the year with 138 days cash; however, actual cash grew by \$19.1 million. A day's worth of cash grew from \$1.211 million in 2006 to \$1.354 million in 2007.

Goal

MediCorp Health System will increase net income from operations to 4.4%.

Measurable Results

- MediCorp's net income from operations at year end measured 2.0%.

Goal

MediCorp Health System will improve our insurance costs per bed by \$200 over the previous year's cost.

Measurable Results

- As of the 3rd quarter, Mary Washington Hospital had improved these costs by \$212 over the previous year's cost.



Other Major Accomplishments Reportable to the Board

Pillar: Quality

Goal	To continually evaluate new medical technologies and bring those technologies to the Fredericksburg region as appropriate
Measurable Results	
Mary Washington Hospital purchased the da Vinci® Robotic Surgical System. This cutting edge technology allows physicians to conduct complex procedures with minimal invasion and collateral damage to internal organs. The da Vinci® robot is currently being used for prostatectomies; its application in other services lines, such as gynecology, is being explored.	

Goal	To develop Centers of Excellence with physicians and other clinicians in key service lines
Measurable Results	
Both the Human Motion Institute®, an orthopedic center of excellence, and the Virginia Heart and Vascular Institute began operations in 2007. These organizations coordinate care within their respective service lines as well as provide advanced continuing education to interested clinicians.	

Goal	To develop a comprehensive Quality Program for MediCorp
Measurable Results	
Senior leadership recruited a new Vice President for Quality and built a new department to focus on and intensify quality and patient safety efforts across MediCorp Health System.	

Goal	To ensure that all medical decisions are made to best serve the needs of the patient
Measurable Results	
Mary Washington Hospital introduced and implemented a Natural Standards Database as a resource for all clinicians on the safety and efficacy of herbs, vitamins, and other complementary practices.	

Goal	To increase the integration of hospital services with that of the community physician practices
Measurable Results	
Mary Washington Hospital recruited a new Senior Medical Director for Hospital Services, who will work on medical staff relations, information technology projects, and performance improvement at MWH.	

Goal	To ensure that the community's medical needs are met
Measurable Results	
MediCorp recruited 47 new physicians to the area to either be employed by MediCorp or engaged in private practice. Three physicians recruited are neurologists, with whom MediCorp has developed a thriving neurohospitalist program. The first steps were also made to develop an Integrated Physician Service group to meet the needs of MediCorp's employed physicians.	

Recruited Physicians By Specialty

• Allergist/Immunologist	1	• Neurologists	3
• Bariatric Surgeon	1	• OB/GYNs	3
• Cardiologists	4	• Otorhinolaryngologist (ENT)	1
• Emergency Medicine	2	• Pediatricians	5
• Family Practice	8	• Psychiatrists	2
• General Surgeons	2	• Physiatrist	1
• Gastroenterologists	2	• Plastic Surgeon	1
• Hematologist/Oncologist	1	• Pulmonologist	1
• Hospitalists	5	• Rheumatologist	1
• Infectious Disease	1	• Trauma Surgeon	1
• Internal Medicine	1		

Pillar: Service

Goal

To continue to develop Mary Washington Hospital as the region's tertiary medical center

Measurable Results

Trauma services are under development for MWH. In 2007, a Trauma Medical Director, Dr. Lawrence Roberts, and a Trauma Program Director, Sue Bergstrom, were hired and are developing the operations of a trauma program, including hiring additional trauma surgeons and implementing necessary policies and procedures.

Goal

To continue to reduce wait times in the Emergency Department (ED)

Measurable Results

In 2007, the MWH ED saw more than 100,000 patients. At the same time, the ED also decreased to less than 3 hours the time it takes for a patient to be treated and released.

Pillar: People

Goal

To implement a new physician leadership model to better serve the Mary Washington Hospital medical staff

Measurable Results

Modifications were made to Mary Washington Hospital's existing leadership model to better serve the changing needs of the medical staff. The physician satisfaction score exceeded the goal for the year.

Goal

To remain competitive in our employee compensation and benefits practices

Measurable Results

A comprehensive compensation review and compensation and benefits strategy for MediCorp were completed.

Goal

To have a well-trained team of managers and directors, able to address their Associates' needs

Measurable Results

Leadership training was completed for all MediCorp managers and directors, which included individual leadership development plans. MediCorp's Leadership Institute was launched and provided its first courses for leadership and employee development.

Pillar: People

Goal	Review our retirement program to ensure it is at market cost and meeting employees' needs
Measurable Results	
A review of the retirement program was completed and a new retirement vendor, Lincoln Financial Group, was selected. The transition to Lincoln was completed ahead of schedule with minimum disruption to service.	

Pillar: Community

Goal	To develop a long-range work plan that allows MediCorp to continue to address the medical needs of a growing community
Measurable Results	
A comprehensive strategic template was completed and MediCorp's Long Range Plan was updated. A timeline for updating the Long Range Plan was instituted so that the plan is always current and addressing the medical needs of the Fredericksburg region.	

Goal	To continuously examine the needs of our community and how those needs can best be met
Measurable Results	
A health needs assessment was funded for King George County. The assessment's results were presented to the King George Board of Supervisors in July 2007. The results of the assessment were designed to provide direction for the key stakeholders in King George so that they could determine what solutions will be financially viable and sustainable in the long term.	

Key Personnel Changes

- **Les Abernathy**, Executive Vice President and Chief Financial Officer, retired after 19 years of service to MediCorp Health System.
- **D. Ray Pittman**, Vice President, Performance Improvement, retired after 36 years of service to MediCorp Health System.
- **Sean Barden** was hired as new Executive Vice President and Chief Financial Officer for MediCorp.
- **Amy Adome, MD**, was hired as Vice President, Quality for MediCorp.
- **Jamie Grebosky, MD**, was hired as Senior Medical Director for Mary Washington Hospital.
- **Marie Fredrick** was promoted to Vice President, Ambulatory Services and Properties for MediCorp.
- **Tina Ervin** was promoted to Executive Director, Business Development for MediCorp.
- **James Swisher** was promoted to Administrative Director, Hospitality Services for Mary Washington Hospital.
- **Susan Bergstrom** was hired as Trauma Program Director for Mary Washington Hospital.
- **Edd Houck** was hired as the new Director, Community Programs for MediCorp.
- **Jane-Alyse von Ohlen** was hired as Director, Talent Management, Organizational Development, and Education for MediCorp.
- **D.L. Sumner** was hired as Director, Compensation and Benefits for MediCorp.
- **Kim Burch** was promoted to Director, Associate Relations for MediCorp.
- **Rachel Backert** was hired as Manager, Organizational Development for MediCorp.
- **Jo Ellen Armstrong** was promoted to Manager, Education for MediCorp.
- **Colleen Peace** was promoted to Senior Human Resources Consultant for MediCorp.

Stafford Hospital Center Due to Open In 2009

August 25, 2006

Virginia Health Commissioner Approves Construction of Stafford Hospital Center



And so began a new era in health care for the Fredericksburg region. With this approval, the Commissioner not only acknowledged our rapidly growing region, but also the unique needs of our region with only two bridges over the Rappahannock River to Mary Washington Hospital.

Stafford Hospital Center (SHC), due to open in early 2009, will provide critically needed hospital care in an area that suffers from northern Virginia commuter traffic, East Coast traveler traffic, and local congestion.

MediCorp's decision to build a hospital in this part of our region demonstrates the forethought and leadership that keeps focus on our mission – to improve the health status of all people in our community. SHC will also alleviate the patient volume at Mary Washington Hospital, providing better access for the remainder of our service area.

Located at the corner of Route 1 and Courthouse Road in Stafford Courthouse, the county seat, SHC will offer full-service acute care. Services will be provided on a 72-acre campus within 10 miles of most Stafford residents. Its 100 beds will serve all patients – from newborns to the elderly – in a patient-centered state-of-the-art building that reflects 21st century design and technology. The new hospital will include:

- Medical/Surgical Units - 84 beds
- Intensive Care Unit - 6 critical care beds
- The Family Birth Place - 10 rooms
- Full-service Emergency Department

- Surgical Suite - 4 Operating Suites
- Medical Cardiac Services
- Neurological Testing
- Respiratory Therapy
- Physical Medicine and Rehabilitation
- Imaging - comprehensive services and capabilities
- Pathology with on-site lab
- Pharmacy





Hospital Construction

Work has progressed steadily since August 2006. As of Spring 2008, the new hospital looks substantially complete from the outside. Curbs and gutters continue to be installed. Work inside SHC continues to progress, with the 4th floor nearing completion. Because work is being done from the top floor down, the ground floor will be finished last.

While hospital construction is the most visible progress that can be seen, MediCorp is continuing to make progress in all areas. Here are some highlights of what will be happening during 2008.



Site Work

In addition to building the new SHC, work continues on the 72-acre campus to provide access to the new hospital as well as to assist with future development. Site work over the next year will include:

- Installing a road and site preparation for the West part of the campus, which extends from the Route 1 entrance.
- Installing a road and site preparation, including a bridge over the wetlands, for the East part of the campus, which extends from a new Courthouse Road entrance.
- Both roads will be connected so that there is one consecutive road throughout the campus.

Technology

Over \$35 million in equipment and furniture will be installed, including:

- Comprehensive Imaging Services
- State-of-the-art Surgical Suite
- Dedicated Family Birth Place



- Full-service Emergency Department with integrated Pathology and Imaging Services
- Advanced Intensive Care Area
- Full-service Food Court
- Fully integrated information technology including:
 - Core systems such as laboratory, pharmacy, and radiology
 - Wireless networking, telecommunications, and wireless nursing carts
 - Private fiber optic cable linking SHC with Mary Washington Hospital for data, voice, video, and medical imaging
 - 66 miles of copper network cable
 - 1.5 miles of coax TV cable



Medical Staff

Stafford Hospital Center will have its own Medical Staff to serve all of the needs of its patients ranging from emergency care and the other traditional hospital-based services such as Radiology, Pathology and Anesthesia to 15 other specialty areas identified in the SHC Medical Staff Recruitment Plan. These specialties include Cardiology, General Surgery, Orthopedics, OB/GYN, and Urology, to name a few.

An interim Medical Executive Committee has been named to oversee SHC's Medical Staff development, including by-laws, regulations, and leadership positions at the hospital. The Medical Executive Committee is comprised of experienced physicians who are dedicating a great deal of time to ensure the best quality of care for SHC's patients.

Medical Executive Committee:

- Dr. Allen Aaronson-Chairman, Pediatrician
- Dr. Nariman Dash, Ear, Nose & Throat
- Dr. Paul Edwards, Anesthesiologist (Critical Care)
- Dr. Rupinder Sandhu, Hospitalist
- Dr. James Schlesinger, Emergency Physician
- Dr. Sebastian Sicari, Family Practitioner

Nursing and Allied Health

The backbone of Stafford Hospital Center will be its frontline caregivers - nurses and allied health professionals. Aggressive recruitment efforts are underway to fully staff the hospital including:

- Initial recruitment started in February 2008 with the Golden Ticket that directs potential

applicants to our Stafford Waiting List.

- Recruitment for SHC beginning in July.
- Traditional advertising, a referral program, and college recruitment will be used.
- On-site events are being scheduled for the fall.



**Stafford Hospital
Center**

MEDICORP



**MediCorp
Health System**

MediCorp Health System exists to improve the health status of all people within our community.

www.medicorp.org