



From the
Chief Executive Officer
For UMass Memorial Health Care Employees



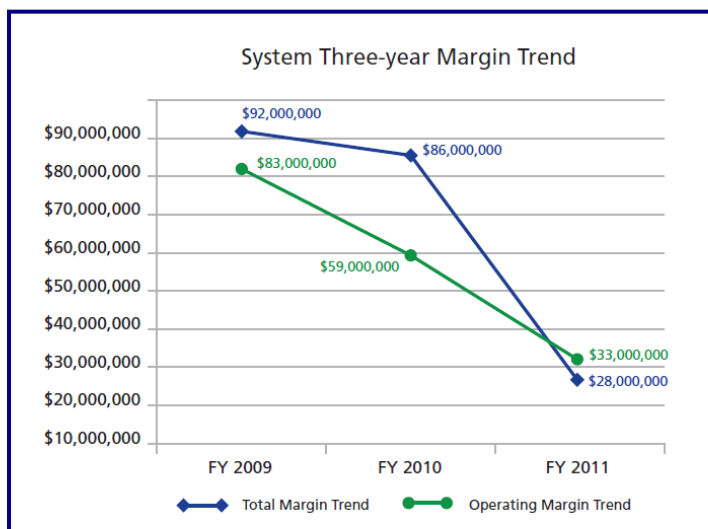
*From John O'Brien
December 14, 2011*

2011 – A Window into Future Opportunities

A relentless emphasis on quality, a focus on the needs of our diverse communities, working collaboratively as a system and planning for the future were all critical parts of fiscal year 2011 at UMass Memorial Health Care. Thank you for all that was accomplished this year through your hard work. (See sidebar for just a few examples of your great work.)

Today, I reported to our Board of Trustees that our system ended FY 2011 with a margin of \$28 million that we will reinvest in health care for our communities in Central New England. As an example, this margin will help us fund construction, equipment and staffing for expanded cancer care at both our HealthAlliance Hospital and Marlborough Hospital.

It is easy to see on the accompanying graph that our margin is less than in past years. However, our FY 11 margin is in many ways a positive story, a story of our movement forward to become more efficient and affordable. Had we not made a number of difficult decisions this past year – including program/unit closures and workforce reductions – we would not have positive results to report.



Our three-year financial trend reflects the shifting health care climate and expense realities.

- ◆ Most particularly, businesses, government and insurers are all pushing for lower costs, higher quality, and carefully coordinated care delivered in the right setting.
- ◆ Reimbursement payments for our work are rapidly declining and we are challenged to reduce our costs as rapidly as reimbursements are dropping.
- ◆ Our patient volume was less than expected, in part because some insurers are requiring their patients to seek lower-cost providers.
- ◆ A soft economy is negatively impacting our investments and requiring us to use much-needed cash to sustain our pension plan. (In fact, FY 2011 was the first year we lost money – \$5 million – from our investments in many years, a direct result of the poor market.)
- ◆ While it is critical that we invest in technology, total capital costs of our multi-year “Cornerstone” project, which includes transition to electronic medical records, exceed \$125 million.

- ◆ With salaries and benefits accounting for 63 percent of our expenses, we are challenged to balance declining payments for the care we deliver with wage increases required under union contracts and escalating benefits costs.

Though this landscape is daunting, it is also an opportunity for us to focus our resources on where they will most benefit our patients and communities. We know we must limit unnecessary expenses and take advantage of the strengths of our comprehensive health care system. We will do this because we have an incredibly strong team of physicians, clinicians, administrators and support staff at UMass Memorial Health Care. A year from now I know we will have transformed our system to become more affordable, more focused and even better positioned for a strong future.

To that end, our leadership team will be working with every aspect of our organization to identify ways to achieve this goal.

- An expense management consulting firm will join us to make comprehensive recommendations designed to significantly change our cost structure. This is critical work as we adjust our business in response to health care reform. I expect the firm to be on board in January and will provide further details in the coming weeks.
- We will review services and programs throughout the system to assure that we are offering care in the right setting, building strong relationships with community-based practitioners, investing in programs where we add the most value to the community and ensuring that we are not unnecessarily duplicating services.
- Consistent with the goals of our health insurers, we will consider new quality metrics that focus on outcomes and the delivery of care that meets both high-quality standards and is cost effective.
- As we meet at the negotiating table with our union partners, we will help them understand our fiscal realities and ask that they collaborate with us as we work to become more affordable for our patients.

Just a Few of Our 2011 Achievements

- Successful reaccreditation surveys: Clinton Hospital, Wing Memorial Hospital, Medical Center
- Endoscopy and mammography added at UMass Memorial at Southborough
- Wing Memorial named a Top Performer on Quality Metrics by Joint Commission
- Medical Center earns "Best Hospitals" ranking by *U.S. News and World Reports*
- Fairlawn Rehabilitation Hospital celebrates 25 years of acute rehab care
- Marlborough Hospital marks 2.5 years without an ICU central line infection
- Standard & ~~Poors~~ upgrades our bond rating
- Plans put in place to build a new ED at Clinton Hospital
- Diabetes Center of Excellence introduces web-based diabetes management tool
- Primary care practices pilot Patient-centered Medical Home
- HealthAlliance Hospital among first in state to achieve federal "meaningful use" for electronic medical records
- Office of Clinical Integration created
- Medical Center ranked number one and HealthAlliance Hospital number four in Massachusetts for surviving a heart attack

FY 11 System Stats (FY 10 Comparison)

Discharges: 59,012 (59,081) exc. newborns

Births: 5,147 (4,812)

Ambulatory visits: 1,438,821 (1,393,457)

ED visits: 266,621 (262,929)

Surgeries: 41,294 (41,104)

Active medical staff: 1,725 (1,722)

Employees: 14,814 (13,366)

"Free" care to patients: \$62 (\$59.6) million

While there is much to do, let's not lose focus on the fact that it was our mutual work that brought us to year end with a solid foundation to build upon. Nor should we lose sight of the fact that our number one goal remains providing the very best patient-centered care, and that all our future decisions will be focused on having the programs, staff, equipment and facilities that make that care possible. It is times like these when a strong foundation, a strong strategic plan, the best people, great ideas and an unrelenting belief in our mission will guide us.

Thank you on behalf of our Board of Trustees and our senior leadership team for the part you played in supporting Central New England by delivering truly first-class health care this year. I hope you are proud, as I am, of your work every day.

Along with my personal appreciation, please accept my very best wishes for a happy and healthy holiday season.