
St. Vincent Health System

A Provider's Perspective on the Arkansas Health Care Market

Presented by:

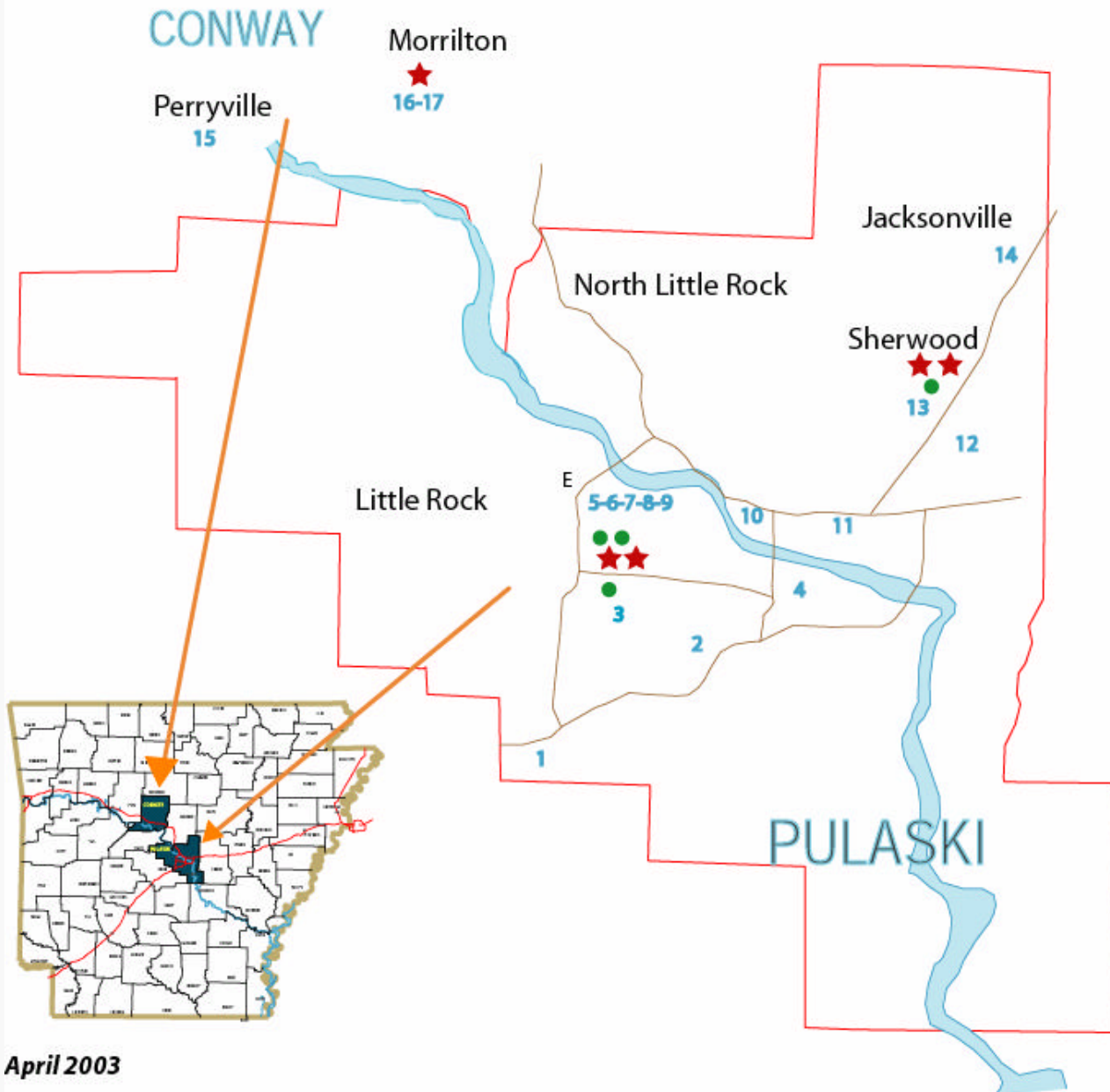
**Steve Mansfield
President & CEO**

April 25, 2003

St. Vincent Health System

- **St. Vincent Infirmary Medical Center - *691 beds***
- **St. Vincent Doctors Hospital - *308 beds***
- **St. Vincent Medical Center / North - *69 beds***
- **St. Vincent Rehabilitation Hospital - *60 beds***
- **St. Anthony's Healthcare Center - *49 beds***
- **Two joint venture surgery centers**
- **13 primary care clinics**
- **Four specialty clinics**
- **VNA Home Health Agency**
- **St. Vincent Breast Center**
- **700 active and consulting medical staff members**

St. Vincent Health System Network



★ Hospitals

- St. Vincent Infirmary / Doctors Hospitals Little Rock (691& 308 beds)
- St. Vincent Medical Center / North Sherwood (69 beds)
- St. Vincent Rehabilitation Hospital - Sherwood (60 beds)
- St. Anthony's Healthcare Center Morrilton (49 beds)

● Subsidiaries

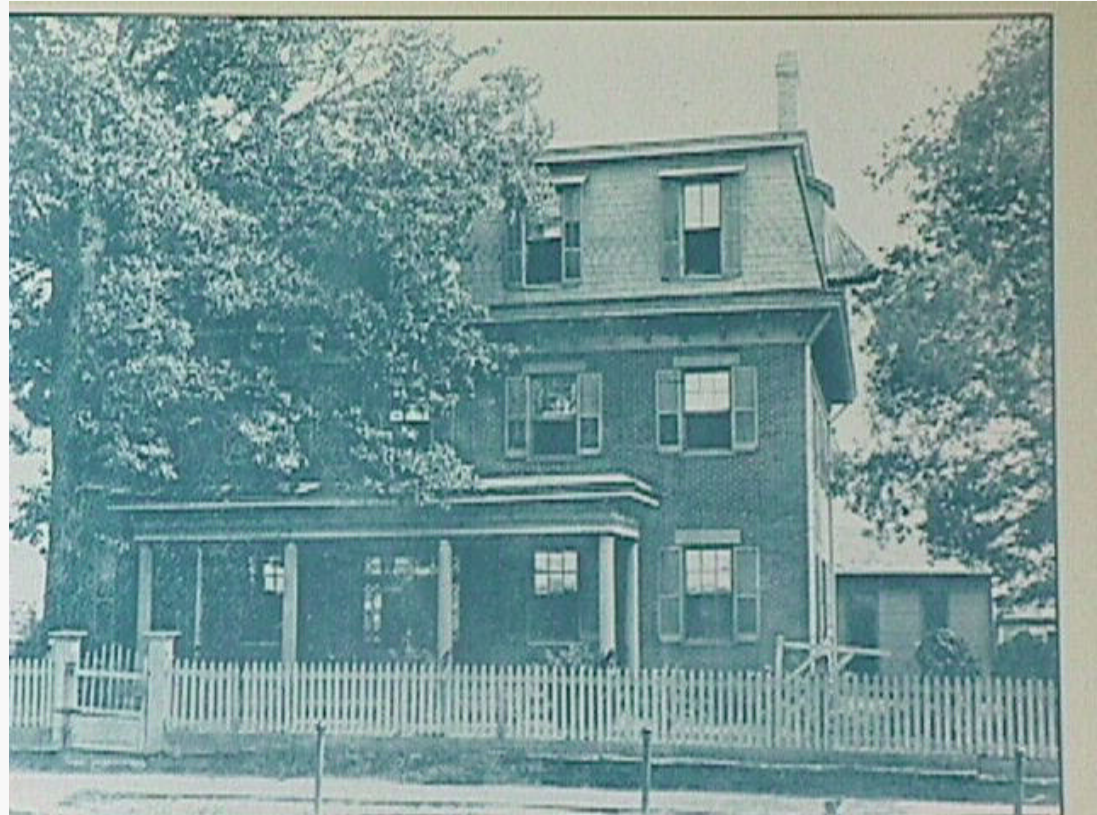
- North River Surgery Center - Sherwood
- Arkansas Specialty Orthopedic Center - LR
- St. Vincent Breast Center - LR
- VNA Home Health Agency

SVHS JV / Owned Clinics

1. Concentra - Southwest
2. St. Vincent Family Clinic - South
3. St. Francis House Clinic (Community)
4. St. Vincent Health Clinic - East
5. Little Rock Internal Medicine Clinic
6. St. Vincent Family Clinic - Rodney Parham
7. Emilio Tirado, M.D.
8. St. Vincent Senior Health Clinic
9. John Baldrige, M.D.
10. Glenview Community Clinic
11. Gardner Memorial Community Clinic
12. Concentra - North
13. Wildwood Family Clinic
14. St. Vincent Family Clinic - Jacksonville
15. St. Anthony's Healthcare Center Clinic Perryville, AR
16. SAHC Clinic - Dr. Nawar
17. SAHC Clinic - Robert E. Westerfield, M.D.

1888 - Founded by the Sisters of Charity of Nazareth

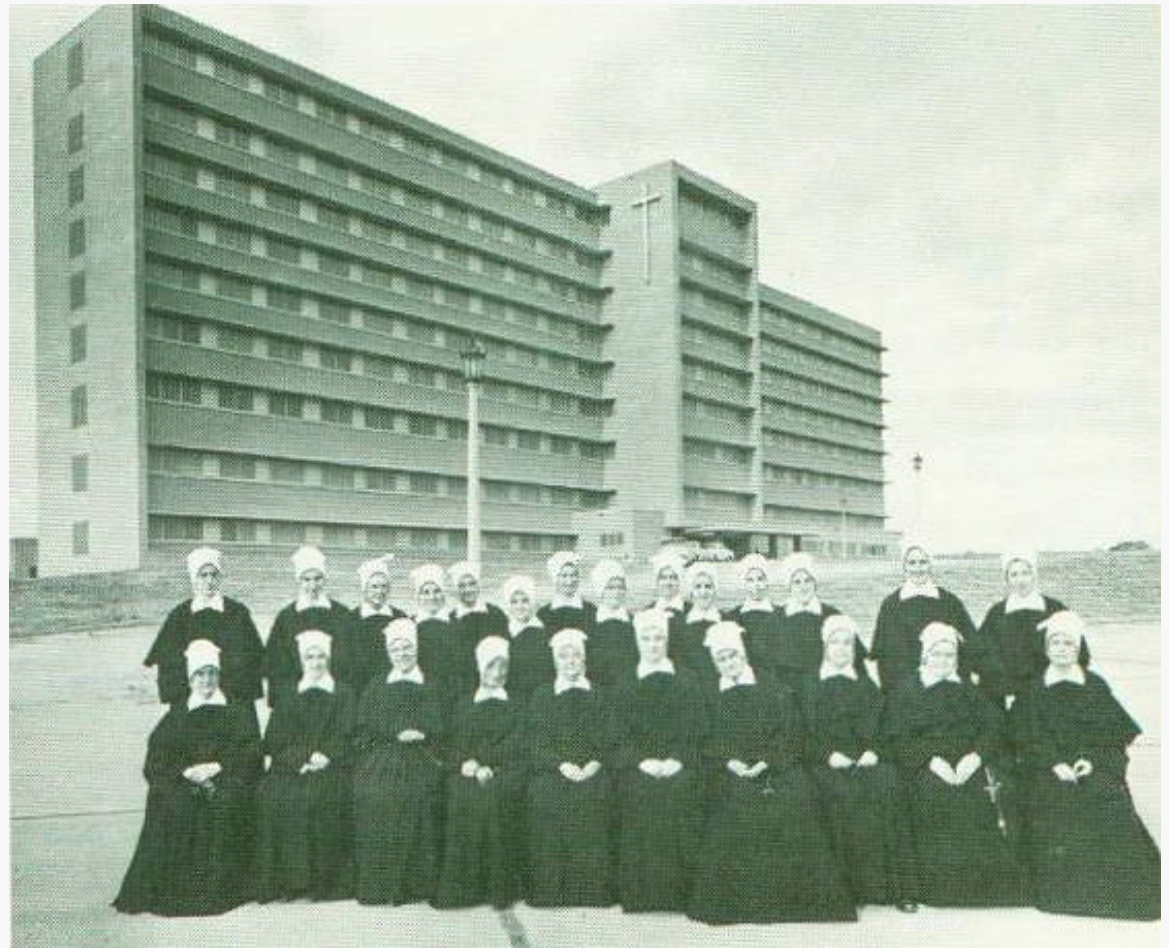
St. Vincent's First Location in Little Rock



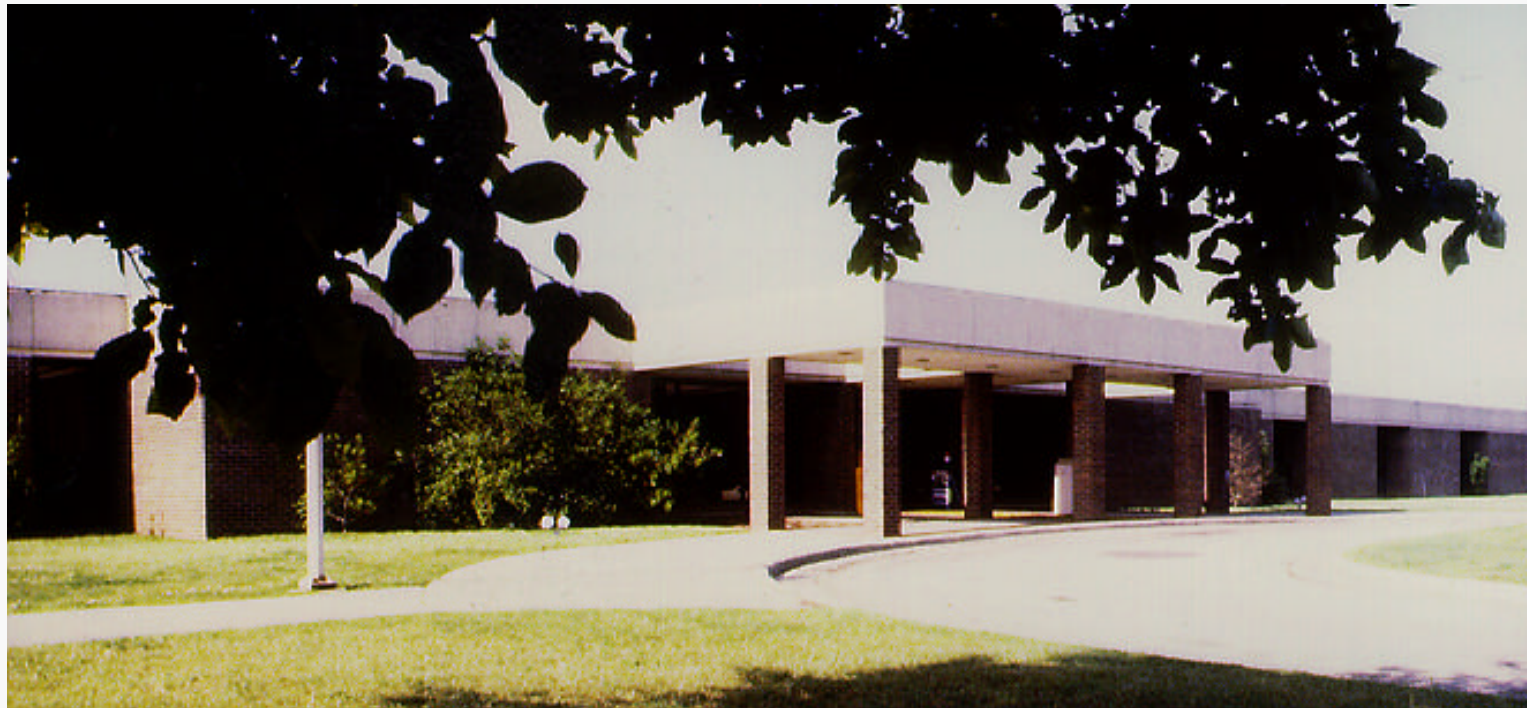
1899 - Second Location Downtown Little Rock



1954 - Current Location Central Little Rock



1994 - St. Anthony's Healthcare Center - *Morrilton, AR*



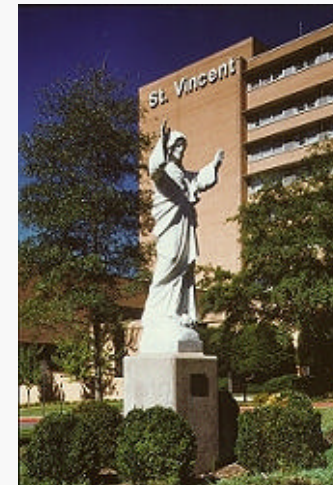
1998 - St. Vincent Doctors Hospital - *Central Little Rock*



1999 - St. Vincent Medical Center / North - *Central AR*



Today - St. Vincent Infirmiry Medical Center



St. Vincent: A Legacy of Firsts

- **1st hospital in Central Arkansas (1888)**
- **1st hospital to open hospital-based nursing school (1906)**
- **1st hospital Women's Auxiliary formed (1953)**
- **1st hospital to follow Little Rock's westward growth with development of new acute care center (1954)**
- **1st hospital in State of Arkansas to perform arteriogram (1967)**
- **1st School of Nuclear Medicine Technology (1969)**

St. Vincent: A Legacy of Firsts

- 1st hospital to form Department of Nuclear Medicine (1972)
- 1st hospital in State to open an intensive care nursery (1972)
- 1st site of CARTI (1976)
- 1st hospital in Arkansas to offer extracorporeal shockwave lithotripsy (1985)
- 1st hospital in Arkansas to open Sleep Disorder Center (1987)
- 1st hospital in Arkansas to perform percutaneous balloon valvuloplasty (1987)

St. Vincent: A Legacy of Firsts

- 1st hospital in Arkansas to create a Center for Health Education (1988)
- 1st hospital to offer preschool immunization program (*Project Guardian Angel* - 1993)
- 1st hospital in State to perform rotator procedure (1994)
- 1st Positron Emission Tomography (PET) in State of Arkansas (1995)
- 1st hospital in State to perform minimally invasive cardiovascular surgery (1996)

St. Vincent: A Legacy of Firsts

- **1st hospital in State to offer full-service occupational medicine program (*MedWorks - 1996*)**
- **1st hospital to introduce church-based Health Ministry Program (*1996*)**
- **1st acute care facility in Sherwood opened in response to market access issues (*1999*)**
- **1st hospital in Arkansas to perform vertebroplasty (*1999*)**
- **1st hospital in Arkansas to perform aortic stent graft placement (*2000*)**
- **1st implants of aortic connector / coronary artery bypass surgery (*2001*)**

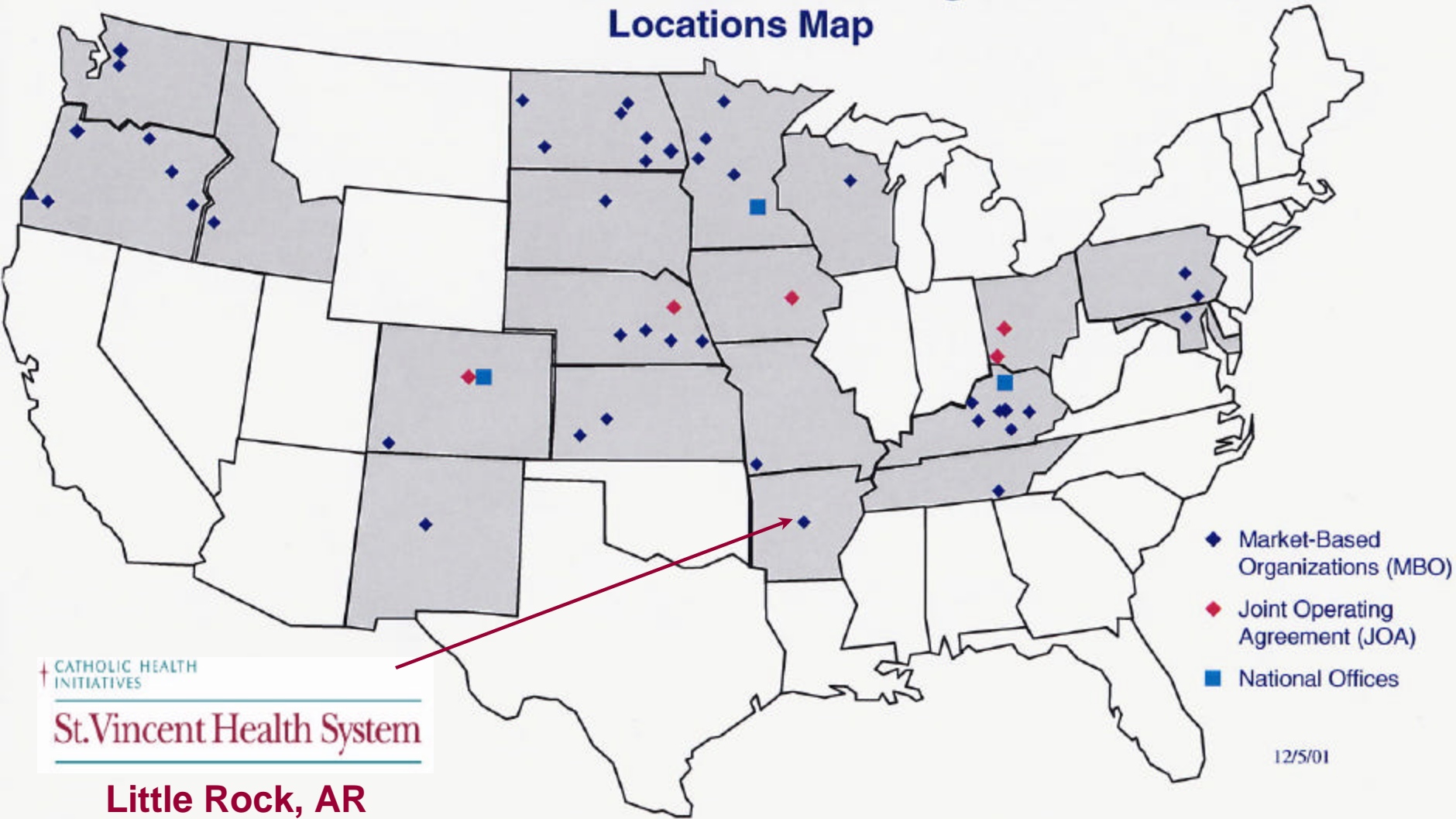
St. Vincent: A Legacy of Firsts

- **1st hospital to offer PET / Fusion (2002)**
- **1st hospital in Central Arkansas to perform Endoscopic Vein Harvesting (2002)**
- **1st hospital in State of Arkansas with Adult Electrophysiology Lab with Bi-Plane Capabilities (2002)**
- **1st hospital in State of Arkansas with a comprehensive Memory Center (2003)**
- **1st hospital in State of Arkansas with medical Cyclotron (2003)**

The St. Vincent Health System Mission

- **Charity Care - \$5,600,000 annually**
- **Uncompensated Care to Medicare & Medicaid - \$22,000,000 annually**
- **Non-billed Community Services - \$630,000 annually**
- **Free Clinics for the uninsured direct costs - \$360,000 annually**
- **East Clinic Subsidy - \$440,000 annually**
- **Total persons benefited in part or in whole by the charitable aspect of our mission - 112,000 last year.**
- **Total unreimbursed expense of the charitable aspect of our mission - over \$29,000,000.**

Catholic Health Initiatives' Market Based Organization and Office Locations Map



CATHOLIC HEALTH INITIATIVES

St. Vincent Health System

Little Rock, AR

St. Vincent Health System

Quality, Service & Cost

- **JCAHO Survey Score = 96**
- **5-Star HealthGrades Programs**
- **Solucient Top 100 Hospitals -
Orthopedic Services (2000)**
- **National Health Care Quality Award - CHI
(2001)**
- **Patient satisfaction leads competitors**
 - **The Jackson Organization**
December 2002
- **Costs = \$4,973/CMI Adj. DC (below 1999)**

Health Care Market's Future Looks Bleak

"The diagnosis for Little Rock's health care market isn't good. With Arkansas Blue Cross and the Baptist Health System being the dominant insurance and hospital system in Little Rock, it's difficult for other competitors to get a foothold."

- Alwyn Cassil, Center for Studying Health System Change
Arkansas Business Journal

Arkansas Health Care Market Challenges

- 50th in per admission Medicare reimbursement (CMS MedPar data, 2000)
- Dramatically underfunded state Medicaid
- 400,000+ uninsured - 16-18.7 percent of state population
- Only 45 percent of employers provide health insurance - second lowest in nation
- Very few health plans remaining - outmigration of plans
- ABCBS/Baptist partnership
- Specialty niche hospitals - siphon profitable service lines
- Comparatively poor health of the population

Arkansas Health Care Market Challenges

- **Dramatic upward pressure on hospital input costs**
 - **Unfunded federal mandates - HIPAA, EMTALA, etc.**
 - **Double-digit increases in nursing and other wages, pharmaceuticals, malpractice & liability insurance, pension costs, & health insurance for employees**
 - **Technology explosion - equipment, drug-eluting stents, & bi-ventricular ICDs**

ABCBS/Baptist Alliance

Impact on the Market

- Precipitous decrease in number of health plans in the market. 78 plans have left the market in part or in whole since 1992.
- Plans remaining have had and are having difficulty
- Dramatic impact on physician dynamics
- Significant rise in health insurance premiums to employers & individuals
- Profound impact on excluded providers
 - Excluded hospitals in Searcy, Hot Springs, & Jonesboro are being sold
 - Widening market share gaps between included and excluded providers
 - Extreme financial pressure on excluded providers

Arkansas Blue Cross & Blue Shield - Excluded Hospitals

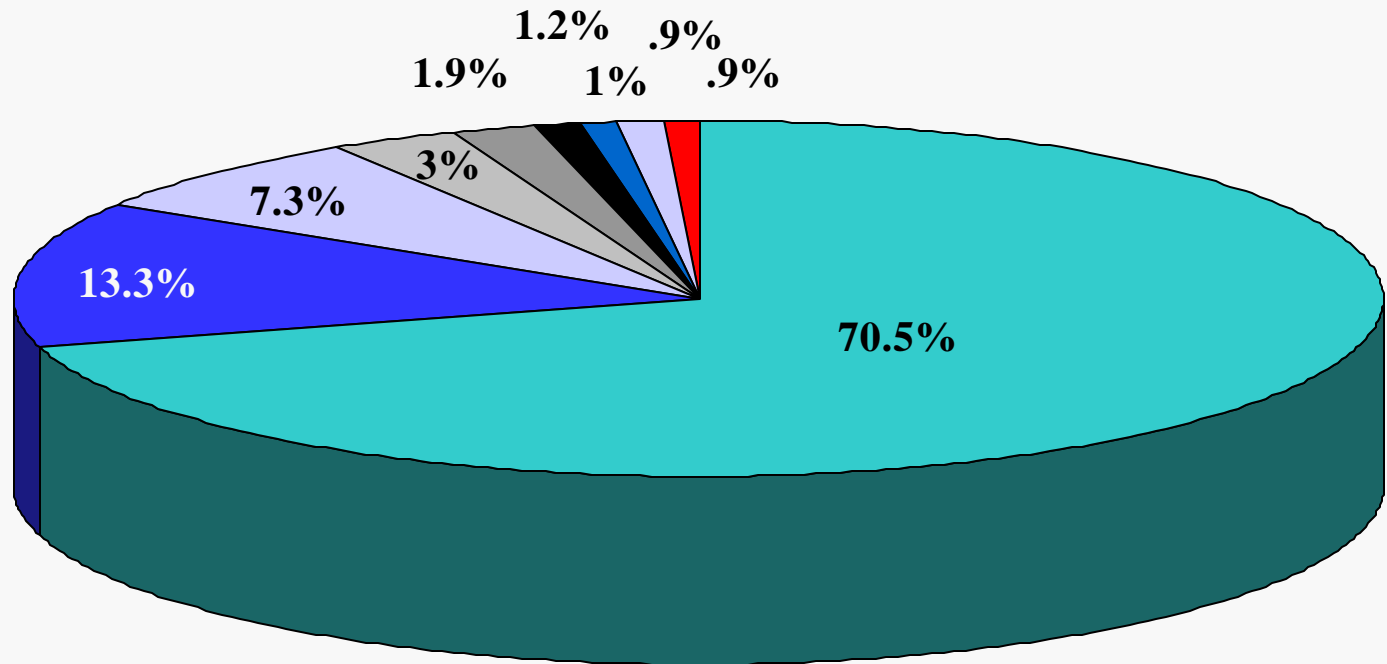
- **St. Vincent Health System - *Little Rock***
- **UAMS - Medical Center - *Little Rock***
- **Southwest Hospital - *Little Rock***
- **Central Arkansas Hospital - *Searcy***
- **National Park Medical Center - *Hot Springs***
- **Northwest Arkansas Health System - *Springdale***
- **Regional Medical Center of Northeast Arkansas - *Jonesboro***
- **Sparks Health System - *Fort Smith***
- **Wadley Regional Medical Center - *Texarkana***

Health Insurance Market Share

2001 Premiums

| | | |
|--------------------------------|---------------|------------|
| • Arkansas Blue Cross | \$1,089M | 70.5% |
| • United Health Care | \$ 206M | 13.3% |
| • QualChoice/QCA | \$ 113M | 7.3% |
| • Aetna | \$ 46M | 3.0% |
| • Prudential | \$ 30M | 1.9% |
| • CIGNA | \$ 19M | 1.2% |
| • Blue WI | \$ 15M | 1.0% |
| • Principal | \$ 14M | .9% |
| • Trustmark, Humana, Others | <u>\$ 14M</u> | <u>.9%</u> |
| | | 100.0% |

Health Insurance Market Share 2001 Premiums



| | | |
|---------------------|--------------------|---------------------------|
| Arkansas Blue Cross | United Health Care | QualChoice/QCA |
| Aetna | Prudential | CIGNA |
| Blue WI | Principal | Trustmark, Humana, Others |

St. Vincent - Baptist Health Market Share Changes

- 1992 - Baptist Health Admissions = 34,660
- 1992 - St. Vincent Admissions = 30,898*
- 2002 - Baptist Health Admissions = 40,324
- 2002 - St. Vincent Admissions = 23,773
- In the 10 years that Baptist Health and ABCBS have been in their current relationship, Baptist's 12 percent admission lead over St. Vincent has increased to 70 percent.

Baptist's 3,762 admission margin in 1992, has grown to a 16,551 admission margin in 2002. This represents a 440 percent variance over the ten year period.

*Restated to include admissions of Columbia Doctors Hospital, acquired by St. Vincent in 1998.

St. Vincent Health System Income (Loss) from Operations - 1999-2003

