

# Spectrum Health

DEFINING HEALTH CARE VALUE



SEPTEMBER 2002



To improve the health of the community by serving each individual and family with superior quality personal care.

## VISION

To lead Michigan in health care value by delivering the finest combination of quality, service, access and cost.

## CORE VALUES

Kindness • Integrity • Teamwork • Respect

## To The West Michigan Business Community,

Spectrum Health is committed to improving quality and access to worldclass health care. We are committed to our patients, families and the businesses that support our community. To help you see what we have accomplished and where we are going, we offer the following insights into Spectrum Health, its financial health, and an understanding of the value we bring to the community.

A review of quality and cost of services demonstrates the indisputable fact that Spectrum Health delivers the best overall quality of care at the lowest cost in the region.

The consolidation of Butterworth Health System and Blodgett Memorial Medical Center into Spectrum Health has led to significant operating efficiencies and increased the range of quality medical care. Since 1997, this focus on efficiency created by the merger has saved West Michigan \$373 million and stabilized Spectrum Health's overall average cost per patient.

This continuing commitment to West Michigan is embedded in our vision to always provide the best health care value. We welcome you to review our success, and our vision for West Michigan's future health.

Cordially,

Richard C. Breon President & CEO

Spectrum Health

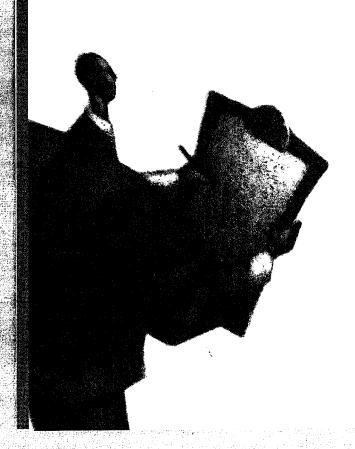
September, 2002



# Value in Quality and Patient Safety

Spectrum Health is rated among the finest of America's hospitals, health plans, and integrated health care networks based on the excellence achieved throughout its health care system. Patient quality has earned the health system 24 national awards since the merger. For instance, *U.S. News and World Report* has rated Spectrum Health Hospitals one of the "Best Hospitals in America" for cardiovascular services, orthopedics and gynecology in 2000. *Newsweek* has rated Priority Health one of the "Top 25 Health Plans in the U.S." and *Modern Healthcare* has rated Spectrum Health one of the "Top 50 Integrated Health Care Networks in the U.S."

On a national basis, Spectrum Health's mortality ratio for cardiovascular care is comparable with Johns Hopkins Hospital, Duke University Medical Center and Massachusetts General Hospital. Spectrum Health also ranks in the top three in Michigan for cardiac catheterizations. DeVos Children's Hospital, a member of Spectrum Health, has performed 1,000 pediatric heart surgeries with a survival rate of nearly 99 percent.



## Patient Safety Breeds Patient Confidence

Spectrum Health also meets or exceeds most of The Leapfrog Group standards. This is a coalition of business giants that watchdog patient safety and customer value. To be within Leapfrog standards, a hospital must implement a computerized physician order entry system to reduce prescribing errors; meet volume thresholds for certain complex procedures; and staff intensive care units with specialists in critical care medicine. Spectrum Health is exceeding two of these Leapfrog standards and is well underway on the third.



Many of Spectrum Health's volumes in 2000 for specific procedures were at least double or triple the minimum rate required by The Leapfrog Group. For instance, Leapfrog's benchmark number of coronary artery bypass grafts is at least 500 a year. Spectrum Health performed 1,073 coronary artery bypass grafts that year.

IF ALL HOSPITALS PERFORMING THESE PROCEDURES MET THE LEAPFROG GROUP STANDARDS, PATIENT MORTALITY WOULD BE SIGNIFICANTLY REDUCED.



Leapfrog Group Starter List
Coronary Artery Bypass Graft
Coronary Angioplasty
Abdominal Aortic Aneurysm Repair
Carotid Endarterectomy
Esophageal Cancer Surgery
For neonates with birthweight<1500
grams or gestational age <32 weeks
or major congenital anomalies

Number of P	atients / Year
inimum Standard	Spectrum Health (Tota
500 per year 🧢 🗂	1,073
400 per year	Would save 1,977
30 per year	2,581 lives 121
50 per year	: 397
7 per year	per year. 8

Leapfrog Number of Patients/Year Standards.

Spectrum Health is meeting The

Regional NICU
with average daily
census greater
or equal to 15

Would save
1,863 lives
nationally
per year.

The Leapfrog Group Standards -Intensive Care Unit (ICU) **Physician Staffing** 

## Standard

Spectrum Health Compliance

YES

care medicine.

Physicians present in the ICU during daytime hours a minimum of 8 hours per day, 7 days per week,

providing clinical care exclusively in the ICU.

ICU managed by physicians certified in critical

Would save 53,850 lives nationally

YES

per year.

YES

Physicians can rely on a physician or FCCS-certified non-physician "effector" who is in the hospital and able to reach ICU patients within 5 minutes in more than 95% of cases.

Physicians return 95% of ICU pages within 5 minutes.

YES

The Leapfrog Group Standards -Computerized Physician Order **Entry System** (CPOE)

Hospital requires physicians to enter hospital medication orders via a computer system that is linked to prescribing error prevention software.

Hospital can demonstrate that CPOE system can intercept at least 50% of common serious prescribing errors.

Hospital requires documented acknowledgement by the prescribing physician of the interception prior to any override.

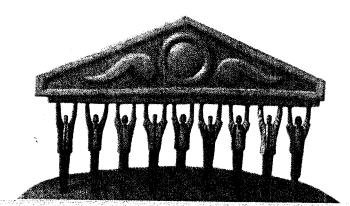
## Spectrum Health Compliance

Currently implementing a new pharmacy system that will have advance error checking (i.e. drug/drug, drug/allergy, drug/clinical result).

Over the next 3 years, Spectrum Health will be implementing CPOE including acknowledgement of any prescribing errors.

The integrated clinical system at Spectrum Health will allow for creation of rules and alerts specifically defined by Spectrum Health physicians.







- Spectrum Health ranks 3rd in Michigan for open-heart surgery volumes.
- Quality indicators, such as mortality and length of stay (LOS)
   indicate that Spectrum Health cardiac patients overall experience
   shorter stays and better mortality outcomes than expected for our
   patient mix.
- Spectrum Health consistently maintains the lowest charges for the top three cardiovascular procedures compared to other hospitals in the region.
- DeVos Children's Hospital is the 3rd largest children's hospital in Michigan providing pediatric cardiovascular care.



LOW MORTALITY AND LOW LENGTH OF STAY, COMBINED WITH HIGH
QUALITY AND LOW CHARGES, MAKES SPECTRUM HEALTH THE BEST
VALUE FOR CARDIOVASCULAR SERVICES.

Selected Adult Cardiovascular Mortality Indicators —: 1999

Mortality	Spectrum Butterworth Campus		Borgess	Ingham	Sparrow	U of M	Beaumont
Valve Repairs	0	0	0	0	0	0	0
High-risk Non-surgical Heart	0	0	0	0	$\otimes$	0	<b>0</b> (
Coronary Artery Bypass Gra	n 😊	0	8	0	0	0	0
Charges (Medicare)*	\$28.687	\$28.687	\$39.928	\$54.849	\$53,135	\$48,044	\$73,740

KEY: 

Below expected range (very desirable)

Within expected range

Above expected range (undesirable)

Source: MHA 2001 Michigan Hospital Report using 1999 risk-adjusted data

\* 2000 Medpar Data; average charge per case for DRG 107, CABG with Cardiac Catheterization

## Value in Orthopedic Care

Spectrum Health consistently provides major joint replacement surgery with a better (lower than expected) length of stay compared to other health care providers. This is noteworthy since the data is risk-adjusted to compare hospitals fairly. Lower lengths of stay reduce cost and allow patients to return home more quickly.

- Spectrum Health ranks 2nd in Michigan for both adult and pediatric orthopedic discharges.
- Spectrum Health has the lowest charges among the top volume providers in the state and other regional providers for major joint operations such as knee and hip replacements.\*

Selected Adult Orthopedic Length of Stay Indicators – 1999

Length of Stay	Spectrum Butterworth Campus	Health Blodgett Campus	Borgess	ingham	Sparrow	U of M	Beaumont
Total Hip Replacement	9	<b>©</b>	0	. 0	0	0	8
Total Knee Replacement	☺	©	8	0	8	<b>@</b> '	8
Charges (Medicare)*	\$11,797	\$11,797	\$19,416	\$19,953	\$21,639	\$19,586	\$22,649

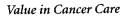
Within expected range

Above expected range (undesirable)

Source: MHA 2001 Michigan Hospital Report using 1999 risk-adjusted data

LOW LENGTH OF STAY COMBINED WITH HIGH QUALITY AND LOW CHARGES MAKE SPECTRUM HEALTH THE BEST VALUE FOR ORTHOPEDIC SERVICES.

<sup>\* 2000</sup> Medpar Data



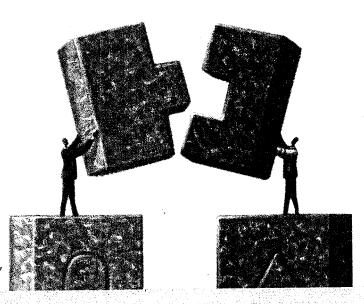
• Spectrum Health treats more cancer patients than any other hospital provider in West Michigan.

Spectrum Health Cancer Center provides care for the majority (66 percent) of the new cancer cases diagnosed each year in Kent County.

• While most cancer care is provided on an outpatient basis, when inpatient care is needed, Spectrum Health has some of the lowest charges in the state.

	Spectrum	Spectrum Health		Ingham	Sparrow	U of M	Beaumont
	Butterworth	Blodgett					
Medicare*	Campus	Campus					
Chemotherapy Treatme	nt**						4.24
Volumes	23	19	15	18	22	67	114
Charges	\$9,013	\$6,192	\$9,196	\$8,649	\$12,131	\$8,505	\$16,959
Lung Cancer**	<u></u>						20
Volumes	46	20	21	36	44	36	92
Charges	\$9,841	\$9,367	\$12,164	\$16,906	\$17,195	\$13,502	\$24,168
Pathological Fractures	Due to Cancer*	*					
Volumes	36	36	27	22	28	38	103
Charges	\$6,051	\$8,744	\$6,990	\$10,573	\$18,095	\$9,065	\$21,644

\*2000 Medpar Data



<sup>\*\*</sup> Inpatient treatment only; most cancer care is done in outpatient settings at much higher volumes.

Comparative data is not available for outpatient care.

# Value in Our Commitment to the Community

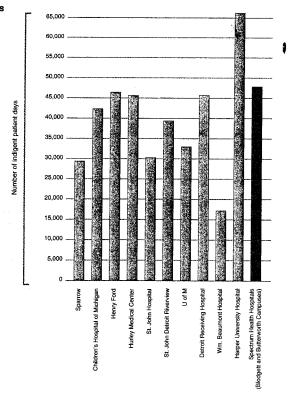
Spectrum Health's ongoing community commitment is evidenced by the following facts:



Spectrum Health
continues to deliver
high quality care,
low charges and a
positive bottom line,
while being a
significant provider of
care to the indigent.

- Spectrum Health Hospitals (Blodgett and Butterworth Campuses)
  is one of the largest providers of indigent care in Michigan with 48,787
  patient days in 2000. All Spectrum Health hospitals combined provided over
  60,000 days of indigent care in 2000.
- Spectrum Health established partnerships with 42 regional programs to ensure medical access to everyone, including 19 Grand Rapids affiliations and 15 alliances in Kent County.
- Spectrum Health allocated \$11 million in 2001 as part of our community commitment that included:
  - No cost charity care
  - · Community care clinics
  - · Renucci Hospitality House
  - Health education & libraries
  - DeVos Children's Hospital Regional Poison Center
  - \$6 million for underserved people and those with difficulty accessing health care

Spectrum Health Hospitals (Blodgett and Butterworth Campuses) Is one of the largest providers of indigent care (care provided to Medicaid and uninsured recipients) in the state.



Source: State of Michigan Indigent Volume Reports, 2002

| Mercy Ceneral Health Partners Muskegon | Mercy Hospital Crayling | Mercy Hospital Lyonia | St. Joseph Mercy Hospital Lyonia | St. Mercy Hospital Lyonia | St. Mercy Medical Center Grand Rapids | St. Mercy Medical Center Grand Rapids | St. Mercy Medical Center Grand Rapids | Mercy Hospitals | Mercy Hospitals

Spectrum Health provides more indigent care than all Trinity Hospitals in Michigan combined.

Source: State of Michigan Indigent Volume Reports, 2002

## Spectrum Health Service Area

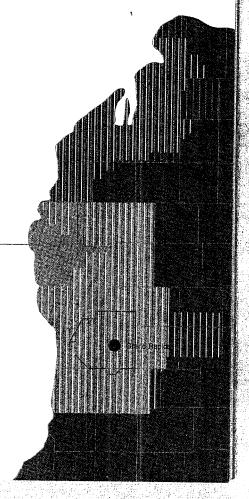
Hospital Market Population - 1.44 million Health Plan Market Population - 2.0 million

 Spectrum Health Grand Rapids Campuses Primary Service Area

Spectrum Health Grand Rapids Campuses 13-County Service Area

Priority Health Medicaid HMO Service Area

Priority Health Commercial HMO Service Area



# Investing in the Future



Spectrum Health is investing in the community and its future. Long-term commitments to the community will continue as Spectrum Health implements capital plans for Fiscal Years 2002-2007.

- \$315 million routine capital expenditures
- \$139 million for phase one of a major 10-15 year Patient Care Services Plan
- \$55 million committed to Clinical Informatics

## Patient Care Services Plan

- Calls for expansion of Spectrum Health to increase quality care and improve operational efficiencies.
- · Plan is divided into multiple phases.

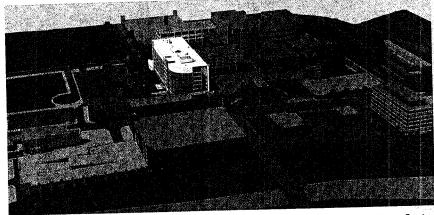
The first phase currently underway includes the new \$100 million Spectrum Health Heart Center on the Butterworth Campus. We expect the building to be completed and occupied by 2004. It also includes the expansion of Emergency and Radiology services.

The second phase includes a comprehensive outpatient cancer facility at the Butterworth Campus to support Spectrum Health's Cancer Center. Plans are also underway to expand Betty Ford Breast Care Services on the Blodgett Campus and outpatient chemotherapy on the Butterworth Campus.

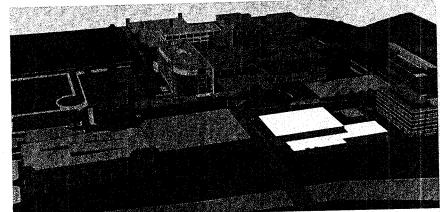
Subsequent phases of the Patient Care Services Plan include the consolidation of inpatient care at the Butterworth Campus, the development of more ambulatory sites and services throughout the region, and a new DeVos Children's Hospital.

## Clinical Informatics

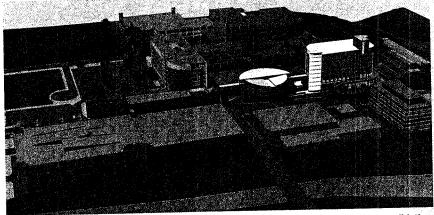
- Making it easier for physicians to practice at Spectrum Health
- Improving care through "anywhere, anytime" access to clinical information
- Electronic medical record
- Web-based
- Our investment is \$55 million over 5 years



Phase I - Heart Center



Phase II - Outpatient Cancer Center



Subsequent Phases- Full Consolidation DeVos Children's Hospital

## Value in How We Provide Care

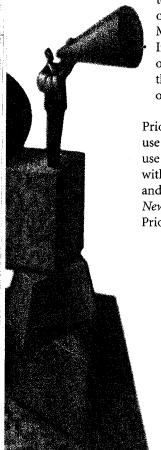
A great deal of Spectrum Health's success can be attributed to a common vision shared throughout our system.

For example, Priority Health's core purpose – to help people experience healthier lives by providing access to excellent and affordable health care – is complementary to Spectrum Health's mission. Together we are working to increase value and improve the health of the community.

Priority Health has a significant impact on Spectrum Health's high quality through its commitment to improving outcomes and lowering costs for members and employers.

- Priority Health delivers an important service to small businesses who struggle to provide health benefits to their employees.
- Over 80 percent of Priority Health's 5,087 business customers have 25 employees or less.
- Administrative costs are less than 10 percent compared to 12-15 percent nationally (Managed Care, Vol. 8 No. 1, Jan. 1999).
- Priority Health was the first managed care company in Michigan to enroll members in MIChild, providing health benefits to children of families who lack insurance coverage and don't qualify for Medicaid.
- In partnership with Spectrum Health Hospitals, physicians and other local providers, Priority Health offers health benefits to the Medicaid population, providing a much needed service in our community.

Priority Health achieves success by improving health. A leader in the use of preventive care, Priority Health manages disease through the use of standardized protocols, and supports physicians and members with data management, communications, clinical case management and program development. These efforts inspired publications such as Newsweek, U.S. News & World Report, and the Detroit Free Press to list Priority Health among the nation's leading health plans.



## Priority Health Adult and Pediatric Asthma Disease Management Program

- An excellent example of Priority Health's partnering with providers and its value to Spectrum Health.
- To improve the health status, quality of life and the clinical outcomes for all Priority Health patients with asthma.
- Increase physician awareness of current asthma treatment modalities and available covered services.
- Improve the rate of inhaled anti-inflammatory prescriptions.
- Decrease emergency room visits and inpatient admissions for exacerbations of asthma.

			The second secon
Asthma	1999 Results	2001 Results	Health Care Improvements  Multiple studies demonstrate that
Percent of members with asthma who sought care in the ER	8%	3%	Priority Health interventions
Percent of members with asthma who required care in the hospital	3%	1%	improve care members receive
Percent of members with asthma who had at least one prescription of long-term control medication	38%	48%	

Asthma (2 years)	Total # PH members in Levels 2&3	Cost/ Member/ Month	Change in Cost/Month	Change in yearly cost after 2 years of initiation in program
Asthma related c	osts 438	\$165 ₹	\$72,270 🔻	\$867,240
Total Costs	438	\$173 <b>7</b>	\$75,774 ₹	\$909,288

Source: Review of Priority Health Claims Data

Priority Health Asimma Management Program Per Member Pet Months Savings AntilySie

# Value in Our Financial Stewardship



Spectrum Health is the only Michigan-based health system to receive an Aa (stable) Moody's bond rating. Less than 40 single-state health systems/hospitals nationwide have a rating this high from Moody's.

Approximately 16 percent of Spectrum Health's recent Series A \$100 million bond offering was purchased by local investors, showing strong local confidence in Spectrum Health's future. This strong local confidence has also been bolstered by Spectrum Health's solid financial performance.

Fiscal Year 2000-2001 Total Operating Revenue:

\$1,198,481,000

Total Operating Expenses:

\$1,174,497,000

Operating Margin:

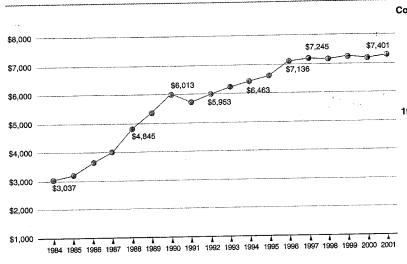
\$23,984,000

Unlike many health care systems nationwide that have shown a steady decline in financial performance, Spectrum Health has enjoyed significant growth while preserving financial stability. The health system improved its margins for 2001 due to:

- Continued cost control throughout the health care system
- · Growth in its health plan, Priority Health
- 5 percent growth in hospital business
- · Hospital payment increases from government programs



Our success has been significant and has produced significant savings to the community.



Cost Per Admission Compared to 7% Pre-merger Historical Rate.

\$373 million total savings to the community from 1997 through 2001.

- Annual growth rate in Cost Per Admission of .5 percent since 1997 merger, compared to 7 percent annual growth rate prior to the merger
- \$373 million total savings to the community since the merger
- \$7,401 average cost per admission in 2001

Such significant cost containment means a better bottom line to local business by lowering the cost of health insurance and ultimately limiting the average increase of insurance premiums for each employee.

SPECTRUM HEALTH IS COMMITTED TO WEST MICHIGAN. OUR COMMITMENT AND VALUE CAN BE COUNTED NOT ONLY IN DOLLARS, BUT ALSO IN OUR QUALITY, SAFETY AND WORLD-CLASS CARE. THIS VALUE WILL CONTINUE TO BE UNDERSCORED BY OUR STEADFAST VISION TO DELIVER THE FINEST COMBINATION OF QUALITY, SERVICE, ACCESS AND COST.

## AERO MED, A SERVICE OF SPECTRUM HEALTH

Provides air medical transport services using its own helicopters and referrals to turbo-prop aircraft and critical care ground ambulance transport.



With a vision to save lives and advance the health and well-being of West Michigan through philanthropy, our Foundations administer a comprehensive and full-service giving program dedicated to meeting the donor's wishes to make a difference and touch lives.

# BLODGETT, BUTTERWORTH AND DEVOS CHILDREN'S HOSPITAL CAMPUSES

The two Grand Rapids acute care hospitals and their outpatient facilities with 1,044 licensed beds provide a fullrange of tertiary and acute inpatient and outpatient care. Over 8,000 hospital staff provided over 1 million outpatient procedures, 47,000 admissions, 220,000 patient days, 8,400 births, 130,000 emergency visits, 49,000 inpatient and outpatient surgeries and 69,000 clinic visits in fiscal year 2001. Clinical areas of expertise include comprehensive medical and nursing care in orthopedics, cancer, 🔣 🥻 cardiovascular, digestive disease, neuroscience, obstetrics, high-risk obstetrics, neonatal and emergencyl trauma services. Specialized programs include the only Regional Burn Center and Level I Trauma Center in West Michigan, largest cancer program in West Michigan and largest open heart program in West Michigan.

## CONTINUING CARE GROUP

Provides patients with a full range of continuing care services from consultation and referral to specialized rehab services and nursing home care, in-home care, foster care and programs for those with brain injuries. The Spectrum Health Continuing Care Center is a 165-bed, CARF-accredited skilled nursing facility.

#### DEVOS CHILDREN'S HOSPITAL, A MEMBER OF SPECTRUM HEALTH

The only children's hospital in West Michigan includes five inpatient floors with general and intensive Pediatric beds, Neonatal Center, special treatment rooms, and more. than 40 subspecialty physicians. More than 136,000 visits are made here annually, including 7,600 admissions and more than 129,000 outpatient visits. The staff and physicians provide specialized care and services to children with cancer, heart defects, asthma, diabetes, neurological disorders and severe traumatic injuries. Patients come from 79 counties in Michigan and 42 states. DeVos Children's Hospital is home to one of the largest Pediatric Hematology and Oncology Programs in the Midwest and the only pediatric Bone Marrow Transplant Program on the western side of the state. A team of surgeons with special training in children's care performs over 5,000 surgeries each year. Over 1,000 pediatric heart surgeries have been performed.

## CROSSROADS RADIATION THERAPY CENTER, A Partnership of Spectrum Health and Metropolitan Hospital

This Reed City cancer treatment center opened in 2000 to provide quality cancer care for Northern Michigan residents. A total of 170 patients were referred from May December of 2000.

## KENT COMMUNITY CAMPUS

The largest provider of specialized long-term acute, sub-acute and long-term care. The 484-bed facility recently completed a \$6 million modernization and renovation.



# HACKLEY HEALTH, A MEMBER OF SPECTRUM HEALTH

grves 314,000 residents along the ke Michigan shoreline with a comprehensive array of medical services. Health system affiliates include Hackley Hospital in Muskegon, Lakeshore Community Hospital in rural Oceana County, Hackley Visiting Nurse Services, outpatient behavioral health and substance abuse treatment through Child & Family Services, and a primary care network of ten practices in Muskegon and Oceana counties. Hackley Health Ventures offers forprofit medical services such as outpatient pharmacies, durable medical equipment, orthotics and prosthetics and health management

# LAKESHORE RADIATION ONCOLOGY CENTER, A Partnership of Holland Community Hospital, Spectrum Health, North Ottawa Community Hospital and Zeeland Community Hospital

his cancer treatment facility plays important role in the care of cancer patients living along the Lake Michigan shoreline. A total of 406 patients were referred to LAROC in 2000.

## PRIORITY HEALTH

With offices in Grand Rapids,
Holland and Traverse City, this
managed care company serves
341,000 members in 27 counties.
Provides network partnerships
include 2,368 primary care and
specialty physicians, 27 acute care
hospitals and nine inpatient mental
health and substance abuse facilities.

## **REED CITY CAMPUS**

This 42-bed acute care facility located 80 miles north of Grand Rapids recently received an "outstanding" 3-year JCAHO accreditation. Last year, the Reed City Campus had 1,050 discharges, 7,600 emergency visits and 8,500 immediate care center visits. The 54-bed skilled nursing care facility received a 100 percent satisfaction rating in a recent statewide survey.

## **SOUTH PAVILION**

This "medical mall" serves thousands of patients each year in a convenient, wooded corner of southern Kent County. The facility includes four outpatient surgical suites, urgent care center, rehabilitation services, diagnostic services (lab, radiology, ultrasound, manamography, CT and MRI), gift shop, a Café, drop-in child care, home medical equipment and primary care and specialist physician offices.

## SURGICAL CENTER

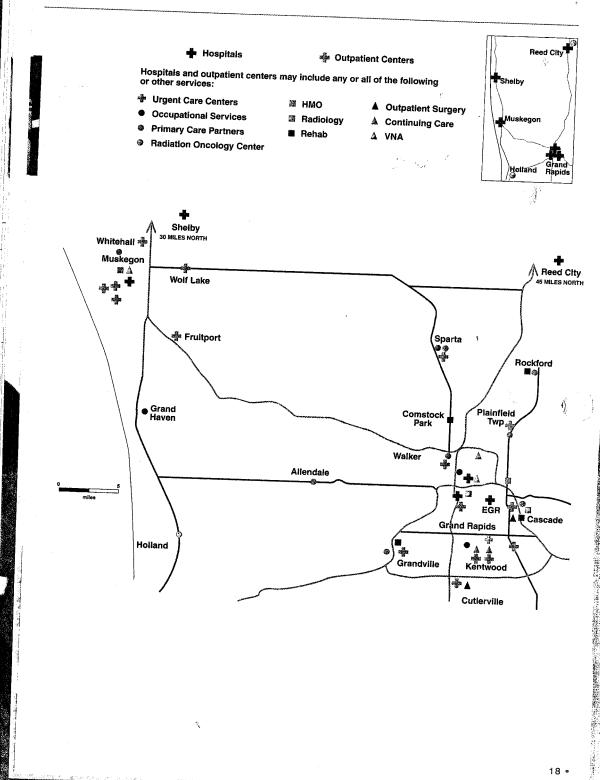
This outpatient surgery center established in 1984 was the first of its kind in Grand Rapids. The staff and physicians provide personal care in a convenient, friendly atmosphere for patients undergoing minor and routine surgeries. The facility located on East Paris in Grand Rapids includes seven surgical strites, large waiting room, pre-operative holding area, two-phase recovery room and complete X-ray, pharmacy and lab services.

## VISITING NURSE ASSOCIATION, A MEMBER OF SPECTRUM HEALTH

The first fully ICAHO accredited home health and hospice organization in West Michigan. VNA is the largest home care and hospice provider in the area, providing over 3 million home visits since 1895.



The Spectrum Health geographic reach includes services and facilities throughout the region.





## Who We Are

- Largest employer in West Michigan
- Only Level I Trauma Center in West Michigan
- Largest regional tertiary care referral center in West Michigan
- Largest open heart program in West Michigan
- Only Children's Hospital in West Michigan
- Largest provider of cancer care in region
- Only Regional Burn Center
- DeVos Children's Hospital Regional Poison Center, one of only two certified in the state

## **About Spectrum Health**

- 12,700 staff
- 7 acute care hospitals
- All hospitals nationally accredited
- · 2,000 licensed beds
- 1,600 member medical staff
- Over 60 locations
- · Network of 326 primary care physicians
- · Network of ambulatory sites
- 5 Urgent Care Centers

- 4 Occupational Services sites
- Only freestanding hospital-owned Endoscopy Center
- 3 sub-acute and long-term care skilled nursing facilities
- · Home and hospice care
- Priority Health managed care company with over 341,000 members
- Visiting Nurse Association
- Lakeshore Area Radiation Oncology Center
- Crossroads Radiation Therapy Center



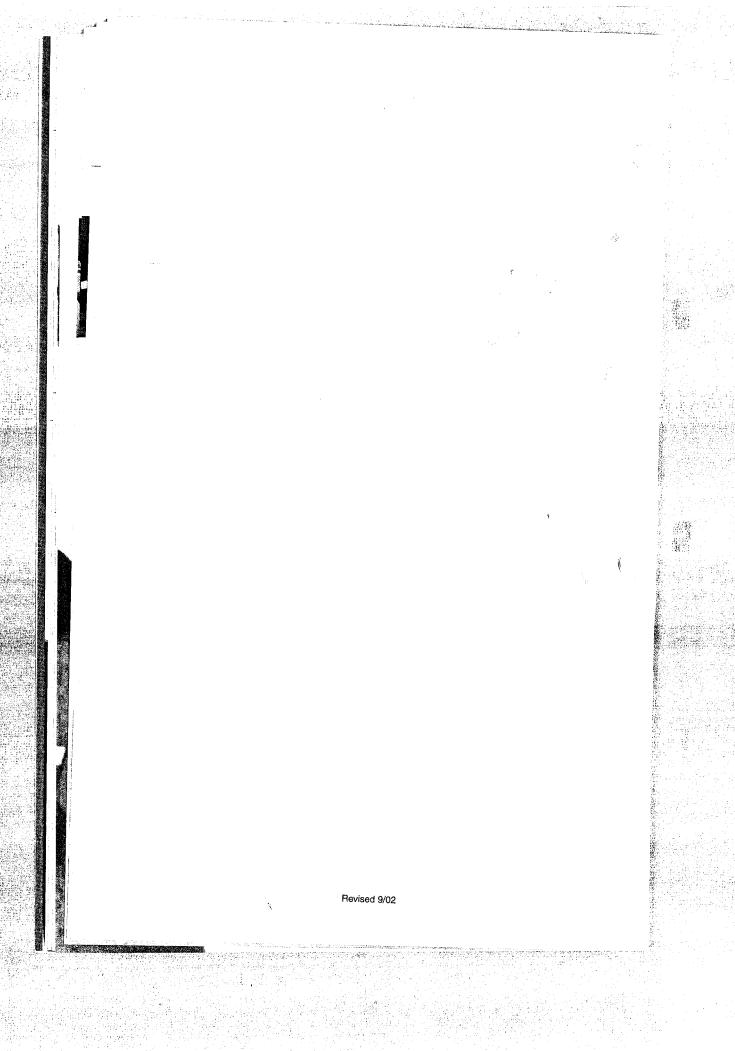
## Annually, Spectrum Health Provides:

- 60,000 acute care admissions
- 10,000 births
- · 200,000 emergency visits
- 117,000 urgent care visits
- · 500 helicopter transports

## Spectrum Health Accomplishments

- Top 50 Integrated Health Care Networks in the U.S.
- 24 national quality awards since the merger
- 2000 and 2001 Consumer Choice Awards
- U.S. News & World Report's "America's Best Hospitals"
- Nationally-recognized Heart Center
- Top 100 Hospitals
- America's Top 25 health maintenance organizations
- JCAHO accreditation
- Michigan Association of Health Plans Silver Pinnacle Award







The Comfort of World-Class Care





GRAND RAPIDS MI www.spectrum-health.org