



CARE *without* COMPROMISE



Carolina's HealthCare System

Uncompromising Excellence. Commitment to Care.



Dear Friends,

During 2009 Carolinas HealthCare System (CHS) continued to distinguish itself in several important ways. First, we had a growth year, despite an economic environment that stalled the momentum of seemingly every type of corporate enterprise.

In fact, our pace of growth was historically unique. During 2009, for example, we finalized management agreements with Stanly Health Services in Albemarle NC, Scotland Health Care System in Laurinburg NC, AnMed Health in Anderson SC, and Cannon Memorial Hospital in Pickens SC. These new contracts resulted in the affiliation of six hospitals representing more than 850 licensed beds and 5,500 employees.

As the year drew to a close, plans were completed to add three additional hospitals to CHS on January 1, 2010. The new entity, MedWest Health, will significantly enhance the delivery of medical services in Western North Carolina.

Another source of pride for me during 2009 was maintaining a volume of patient care that enabled us to avoid the systematic layoffs that have plagued so many employers large and small. We have gone to extraordinary lengths in recent years to recruit, educate and retain one of the most highly skilled and highly motivated workforces in American healthcare. Keeping this team intact was a top priority.

In the pages that follow, you will see a comprehensive accounting of all the major initiatives undertaken during 2009 to expand the CHS footprint, enhance quality, preserve financial strength, and broaden the impact we have on every community served by CHS personnel.

Buildings are important. Equipment is important. But nothing produces results like a group of individuals united by a common understanding that kindness counts, teamwork wins and every person can and should make a difference. These are the principles that result in “care without compromise,” the theme of this year’s report.

sincerely

Michael C. Tarwater

MICHAEL C. TARWATER

CHIEF EXECUTIVE OFFICER

DETAILS

Entering 2010, Carolinas HealthCare System includes 32 affiliated hospitals in North and South Carolina. As one of the leading healthcare systems in the Southeast, Carolinas HealthCare employs more than 1,400 physicians and serves patients at more than 500 care locations including physician practices, nursing homes, surgical and rehabilitation centers, home health agencies and other facilities. These operations comprise 6,323 licensed beds and employ more than 46,000 people.

Carolinas Medical Center (CMC) is an 874-bed hospital in Charlotte that includes a Level I Trauma Center, a research institute and numerous specialty units such as heart, cancer, organ transplant and behavioral health. CMC also serves as one of North Carolina's five Academic Medical Center Teaching Hospitals, providing graduate medical education for more than 250 physicians in 18 specialties.

Levine Children's Hospital (LCH) has been recognized as one of "America's Best Children's Hospitals" by *U.S. News & World Report* for nephrology. Carolinas Medical Center has been designated 12 times as Charlotte's "Consumer's Choice Preferred Hospital" by the National Research Corporation. Other CMC hospitals have also been honored by J.D. Power and Associates for maternity, emergency and inpatient services.

On the cover:

Dr. John B. Martinie, MD, FACS, a CMC faculty member in General Surgery, employs groundbreaking treatments using complex robotics to treat pancreatic cancer and microwave ablation to treat liver cancer. He is widely respected not only for his technical expertise but his close and caring relationships with patients and family members.



CEO: Michael C. Tarwater, MHA, FACHE

Licensed beds: 6,323

Employees: 46,781

Residents: 309

Carolinas Physicians Network (CPN) practice locations: 215*

NorthEast Physician Network (NEPN) practice locations: 54

Regional outpatient care facilities: 158

Diagnostic imaging centers: 25

Mobile imagery units: 4

Outpatient pharmacies: 12

Outpatient surgery centers: 9

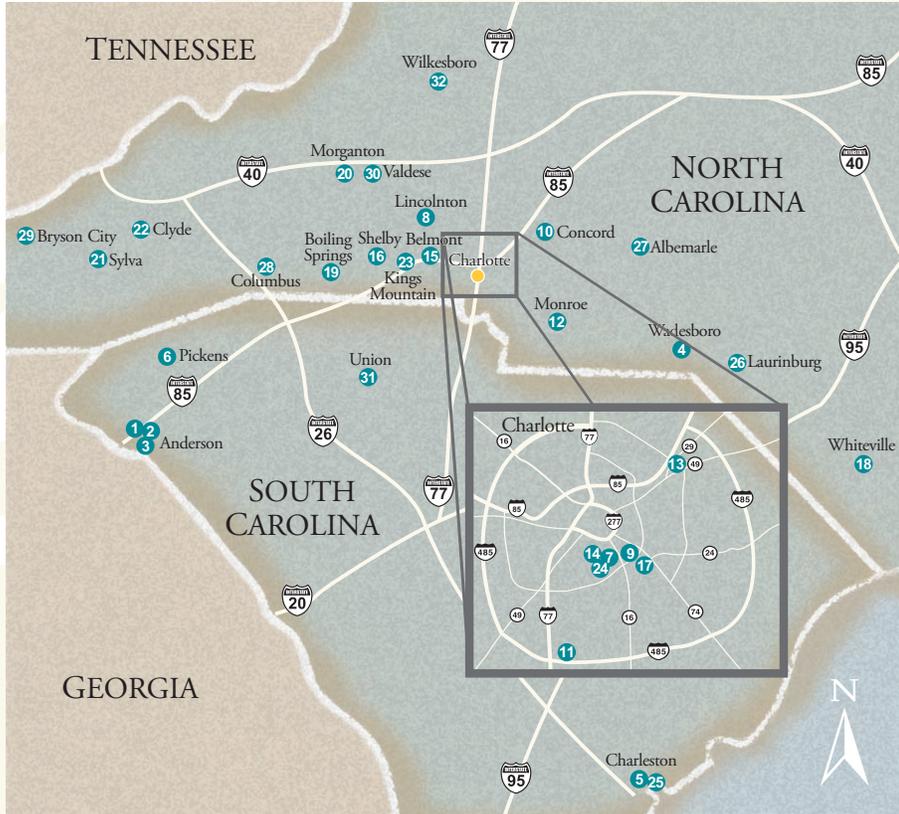
Joint venture endoscopy facilities: 4

Physical rehabilitation and therapy facilities: 13

Wellness centers: 4

**includes all CHS-affiliated physician practices except NEPN*

DETAILS



● **CHS Hospitals***

- | | |
|---|---|
| 1. AnMed Health Rehabilitation Hospital | 17. CMC-Randolph |
| 2. AnMed Health Medical Center | 18. Columbus Regional Healthcare System |
| 3. AnMed Health Women's and Children's Hospital | 19. Crawley Memorial Hospital |
| 4. Anson Community Hospital | 20. Grace Hospital |
| 5. Bon Secours/St. Francis Hospital | 21. Harris Regional Hospital |
| 6. Cannon Memorial Hospital | 22. Haywood Regional Medical Center |
| 7. Carolinas Medical Center | 23. Kings Mountain Hospital |
| 8. Carolinas Medical Center-Lincoln | 24. Levine Children's Hospital |
| 9. Carolinas Medical Center-Mercy | 25. Roper Hospital |
| 10. Carolinas Medical Center-NorthEast | 26. Scotland Memorial Hospital |
| 11. Carolinas Medical Center-Pineville | 27. Stanly Regional Medical Center |
| 12. Carolinas Medical Center-Union | 28. St. Luke's Hospital |
| 13. Carolinas Medical Center-University | 29. Swain County Hospital |
| 14. Carolinas Rehabilitation | 30. Valdese Hospital |
| 15. Carolinas Rehabilitation-Mount Holly | 31. Wallace Thomson Hospital |
| 16. Cleveland Regional Medical Center | 32. Wilkes Regional Medical Center |

*effective January 1, 2010

KINDNESS COUNTS



Bruce Hahn is a man with a new lease on life thanks to the care he received at Cleveland Regional Medical Center and Carolinas Medical Center. “I feel fantastic,” Hahn said, “I feel like I’m 23 years old instead of 61.” Hahn returned to the Cardiac Cath Unit at Cleveland Regional bringing flowers and praise for the staff in attendance. “You guys are a great team,” he said. “You work well together and everybody performed in a way that literally saved my life. I certainly do appreciate that.”

Hahn initially came to the hospital while experiencing chest pains and underwent a cardiac catheterization. However, the blockages were so severe that he was later airlifted to CMC for immediate surgery. He praised the physicians, staff members and MedCenter Air crew for their extraordinary care.

The retired law enforcement officer worked in Florida before moving to North Carolina four years ago. “I have never been taken care of better than I was here,” he said. “You have a fantastic healthcare system.”

SYSTEM GROWTH

Economic pressures challenged the ability of many small hospitals to continue providing quality healthcare during 2009; however, Carolinas HealthCare System continued its role as a strong, reliable partner for those wishing to affiliate with a larger system.

Success in this regard was based largely on CHS's reputation for providing superior organizational and clinical expertise, while preserving local oversight and a keen sensitivity to community needs.

Six hospitals formally affiliated with CHS during 2009, and another three utilized CHS management expertise to form a joint operating agreement.

The 119-bed Stanly Regional Medical Center, serving Stanly and Montgomery counties, affiliated with CHS during the early part of 2009, along with Scotland Health Care System in Laurinburg. The Scotland organization includes the 104-bed Scotland Memorial Hospital, which serves residents of Scotland County.

AnMed Health, serving Upstate South Carolina with facilities in Anderson SC, joined with Cannon Memorial



CMC-Lincoln

Hospital in Pickens SC, to bring an additional four hospitals into the system totaling 628 beds.

Haywood Regional Medical Center and WestCare Health System signed a joint operating agreement at the end of 2009, adopting the name "MedWest Health" for combined operations. The new three-hospital system, which totals 304 beds and serves Haywood, Jackson, Swain and Macon counties, subsequently signed a management services agreement with CHS effective January 1, 2010.

Despite challenging economic conditions, CHS continued to make substantial brick-and-mortar investments throughout metropolitan Charlotte. These upgrades and additions helped to ensure patient access to modern, comfortable facilities utilizing the latest in technology.



*Whether through new affiliations or
improvements to current facilities,
CHS continued on a path of
unprecedented growth during 2009.*

CMC-Steele Creek



Major projects completed in 2009 included the Charlotte area's first healthcare pavilion, CMC-Steele Creek, along with a significant expansion and renovation at CMC-Mercy.

CMC-Steele Creek, which opened in November, includes a free-standing 24-hour emergency department serving residents of Southwest Charlotte and York County SC. The pavilion also houses diagnostic imaging, a laboratory, retail pharmacy and three medical practices.

CMC-Mercy's \$95.5 million expansion includes a new medical office building, new operating suites and a fully renovated lobby and cafeteria. The physical transformation coincided with the hospital's adoption of the "Planetree" model of healthcare delivery that places the patient at the center of all care decisions.

In addition, CMC-Pineville continued its transition to status as a comprehensive tertiary care hospital. A three-year construction effort wrapped up during 2009, adding 100,000 square feet of new space. In addition, plans were completed for the 2010 launch of a new \$174 million project that will add 285,000 square feet to the hospital while renovating 50,000 square feet. CMC-Pineville's bed count will increase from 120 to 206, with new features including a Level III Trauma Center, open-heart surgery and interventional radiology.

Construction of a new CMC-Lincoln hospital was largely completed during 2009, with opening scheduled in the summer of 2010. The 101-bed hospital will include a



24-hour emergency department, labor-delivery-recovery-postpartum rooms, Level II nursery and fixed MRI. An on-campus medical office building is also a vital part of the \$88 million project.

The year 2009 also brought significant growth in physician practices. Carolinas Physicians Network expanded from 96 to 109 practices. Care locations grew from 192 to 215, while the number of physicians and mid-level providers increased by 85 to 944. NorthEast Physician Network added five new practices, bringing the total to 42. The number of physicians and mid-level providers grew to 259, a net increase of 17 over 2008.

Whether through adding new physicians, new affiliations or improvements to current facilities, CHS continued on a path of unprecedented growth during 2009. This growth allowed CHS to introduce its vision, values and service standards to an ever-increasing number of patients.



TEAMWORK WINS



Three years after his dramatic transport from another hospital to CMC for advanced, life-saving care shortly after his birth, three-year-old Nicholas Breslin reconnects with the team of medical professionals from MedCenter Air who handled the delicate transport. The reunion of the team and Nicholas, along with his parents and two other brothers, was particularly meaningful.

“The proof of this team’s expertise and care remains evident every time I see the sparkling eyes and ready smile of Nicholas, who today – in every way – is a very normal and active child,” says his mom, Holly. “Each time I see your helicopter fly overhead, or view the tree of life logo on a building or billboard, I am reminded of what CMC employees stand for.”

PREPAREDNESS

Even before the World Health Organization declared an H1N1 pandemic in the spring of 2009, CHS leaders were preparing for a situation that could potentially impact every facility in the CHS network.

Accordingly, a “Corporate Command Center” was activated in Charlotte, led by CHS Executive Vice President and Chief Medical Officer Dr. Roger Ray, and staffed by a cross section of clinical and administrative experts.

Their mission was to evaluate possible scenarios that would require close coordination among facilities, with special attention to staffing, supply chain and clinical consistency. CHS leaders immediately recognized that the H1N1 challenge presented a timely opportunity to develop and test its crisis planning procedures across the entire CHS continuum – acting as a single, unified enterprise.

After a brief summer hiatus, when flu cases ebbed, the Command Center re-mobilized in early fall. The new strain proved to be highly contagious during this period, particularly for several at-risk groups such as pregnant women and small children. By this time, in North Carolina alone, the number of confirmed, flu-related deaths had topped 60.



Responding to Command Center recommendations, most CHS hospitals began limiting visitations to those 18 and older. A special tracking mechanism was created to monitor employee absences as a predictor of staffing and capacity challenges. Also, a comprehensive communications campaign urged vaccination, proper hand-washing, and other responsible personal actions.

Nationwide vaccine shortages proved to be a vexing problem when flu season began, exacerbated by conflicting guidance from various public health bodies. Nonetheless, by centralizing and coordinating activities, CHS was able to facilitate an effective response across the broad geographic area it serves. In addition, CHS teamed up with the Mecklenburg County Health Department to deploy Carolinas MED-1 mobile hospital for vaccination clinics across the city.

Throughout an extended period that included 19 weeks of joint activity, the Command Center demonstrated what can be accomplished when individuals with different roles, management styles and skill sets work together toward a common goal. CHS leaders did a remarkable job of minimizing the effects of the pandemic, while gaining invaluable experience that can be applied in future crisis situations.





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EMERGENCY CARE

To enhance the high level of care required to treat acute cardiac patients, CHS further expanded its network of accredited chest pain centers during 2009. With nine accredited centers, CHS now has one of the largest networks of its kind in the country, all working cooperatively to enhance patient care.

Dr. B. Hadley Wilson, Chief of Cardiology and Vice President of Sanger Heart & Vascular Institute, points out that these new accreditations “validate our protocols in emergency care and enhance the services available in several new areas outside Charlotte.

“The network is particularly beneficial,” he adds, “because CHS facilities are connected by a special communication system that facilitates rapid patient-handling procedures. When necessary, patients can be transferred quickly and

efficiently between facilities, using air or ground transportation.”

Facilities added to the network during 2009 include Kings Mountain Hospital, Cleveland Regional Medical Center, CMC-Lincoln and CMC-NorthEast. Also, Carolinas Medical Center in Charlotte was re-accredited. CHS hospitals with prior accreditations include CMC-Mercy, CMC-Pineville, CMC-Union and CMC-University. All of the designations are awarded by the Society of Chest Pain Centers (SCPC), a national accrediting organization that promotes best practices in emergency cardiac care.

Wilson notes that when heart attacks occur, every 10-minute period of delay increases the chance of mortality by another 1 percent. Now, EMS personnel are trained to employ electrocardiograms. These reports can provide immediate confirmation of a suspected heart attack, allowing first responders to steer patients to the closest appropriately equipped facility. This prevents the delays that can occur routinely when an additional patient transfer is necessary.

“Having a large network of accredited facilities is a tremendous advance for people experiencing heart attack symptoms,” Wilson says. “Systems and protocols with proven effectiveness are now available on a much more widespread basis.

“Credit must be given to all of the physicians, nurses and other caregivers who worked so conscientiously to ensure that their individual facilities met the high standards required for national accreditation,” Wilson adds. “Their efforts validate the extraordinary results that can be achieved when people work closely as a team.”



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PEDIATRIC CARE

Levine Children's Hospital showed remarkable growth in stature, sophistication and patient volume during 2009.

In only its second year of operation, the hospital gained recognition as one of "America's Best Children's Hospitals" in *U.S. News & World Report*. It is rare to achieve this degree of prominence so quickly; nonetheless, LCH's nephrology program ranked 14th in the nation.

In addition, LCH earned notice as one of only a handful of medical centers nationally offering bone marrow transplants utilizing a non-matched donor. Dr. Andrew Gilman oversaw nine bone marrow procedures during the year, with results that paved the way for national accreditation and the introduction of a second blood and marrow specialist, Dr. Howard Grodman.

LCH continued as a leader in transplantation, having performed a dozen additional transplants (heart, liver and kidney) during the year. Its liver transplant program is now the busiest in North Carolina.

Patient volume continued to grow, with total discharges up nearly 20 percent over the prior year. In addition, emergency department visits were 10 percent above the prior year, numbering more than 31,000. The children's hospital also achieved success in "offering care close to home," operating busy satellite practices in Gastonia and Hickory.

LCH launched a major educational and quality initiative during 2009 called *The Center for Advancing Pediatric Excellence*, under the tutelage of Dr. Laura Noonan. The Center has made dramatic strides in improving clinical outcomes, while enhancing the emphasis on quality



Olympic gold medalist Michael Phelps poses with an admiring fan.

improvement in graduate medical education. The program is funded by a three-year grant of approximately \$1 million from the Duke Endowment.

Another indicator of LCH prestige was the extraordinary volume of philanthropic support pledged to sustain new research and treatment initiatives. The Tansukh Ganatra family of Charlotte provided a \$170,000 commitment to support the pediatric heart program, following a previous gift of \$250,000.

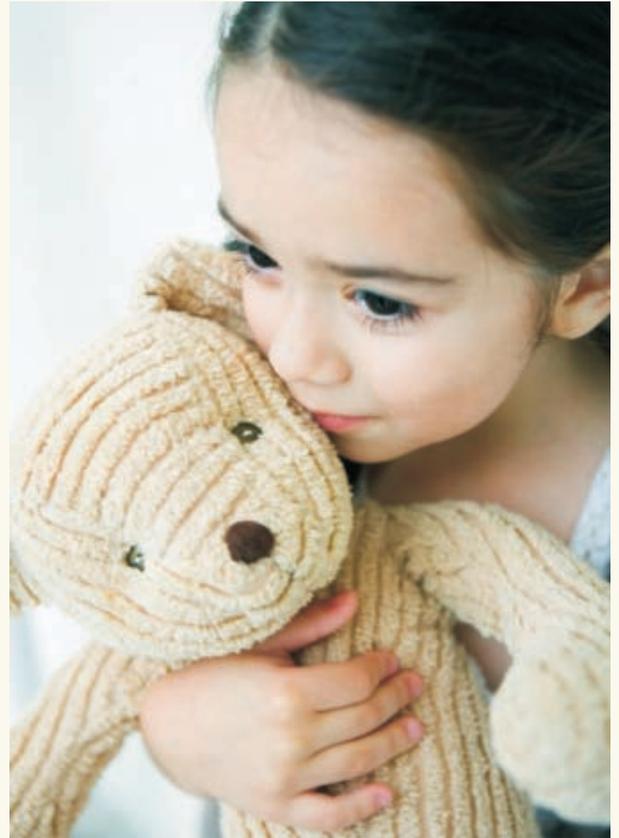
Subsequently, Carolinas HealthCare Foundation coordinated the formation of an even larger fund to support pediatric cancer research. New gifts and matching funds totaling \$5.7 million were pledged during 2009 to launch the *Carolinas Kids Cancer Research Coalition*.



The new initiative includes a signature commitment of \$1 million from the Alex Hemby Foundation and the Hemby family. This gift was matched in full by the Leon Levine Foundation, as were gifts from the other founding members: Adam Faulk Tanksley Foundation, Baby J Ladley Fund, Quail Hollow Championship, drumSTRONG™, 24 Hours of Booty, and Brett's Ride for Rhabdo.

Coalition funding will be used for staffing, equipment and support of Phase I and Phase II clinical trials, conducted to test the safety and effectiveness of new drugs and interventions. The Pediatric Hematology and Oncology Center will be named in honor of Torrence E. Hemby, Jr.

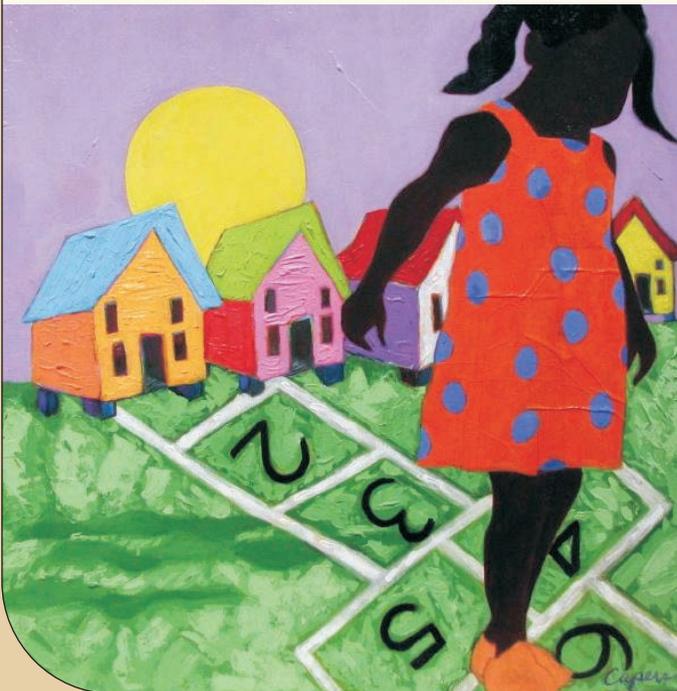
The hospital's Neonatal Intensive Care Unit was named a "Center of Excellence" by Optum Health, a nationally respected managed care organization. In addition, Teen Health Connection moved into new quarters during 2009. Patient visits increased over 40 percent, piggybacking on the success of the Center for Disordered Eating, which addresses a variety of vital adolescent health issues.



As a result of these and other enhancements, a growing number of patients are now able to remain in Charlotte for highly sophisticated care. Levine Children's Hospital offers more than 30 specialties, which are enhanced by the excellent pediatric neurology services available at Jeff Gordon Children's Hospital at CMC-NorthEast, along with Jeff Gordon's new pulmonary lab for childhood asthma.

"The community has stepped up to provide resources on a scale that exceeds expectations," says Administrator Martha Whitecotton. "I believe this is a direct response to the quality of care available at Levine Children's Hospital, Jeff Gordon Children's Hospital, and other CHS pediatric care centers.

"Our exceptional rate of growth during 2009 provided many opportunities to add services and cultivate the unique focus on family-centered care that has distinguished our hospital since day one."



MAKE A DIFFERENCE

In 1996, Sherry James, RN, brought her newborn son Richard to Carolinas Medical Center for open heart surgery. That and subsequent surgeries saved the baby's life. Some 13 years later, after another heart procedure, Richard went home from the hospital doing well enough to pursue his dream of finally playing basketball.

In August, Lisa Shaver – who works in the Clinical Services Department at CMC – nearly



lost her 13-year-old son, Ian, to a drowning accident. Although Ian was pulled from a neighborhood pool within minutes, water had so damaged his lungs that even with the assistance of a ventilator; hopes for his survival were dim. The best hope was to be quickly placed on an Extracorporeal Membrane Oxygenation (ECMO) machine. At present, there are only 120 ECMO Centers in the entire country. One is at CMC.

Thanks to the coordinated efforts of talented doctors, nurses and technicians, Ian was connected to the ECMO machine within eight hours of his accident. One of the nurses assigned to care for Ian and his family during his nights on the machine was Sherry James. One month earlier, she had stood by her own son's bed after his surgery – and now she was caring for another boy his same age. She and Lisa quickly related to each other through common bonds of concern and hope.

As they became better acquainted, Sherry and Lisa realized that both of their sons had benefited from the skills and dedication of the same medical personnel. As staff members they had had many opportunities to observe and appreciate those qualities. However, their common experience as parents of critically ill children now provided even greater perspective on the difference that a great medical team can make.

MEDICAL & RESEARCH ADVANCEMENTS

Carolinas HealthCare System proved its commitment to excellence during 2009 with an impressive series of research initiatives.

Dr. Michael Bosse, an orthopedic surgeon at Carolinas Medical Center, was selected to serve as chair of the U.S. Army-sponsored Orthopedic Extremity Trauma Research Consortium. The Consortium's mission is to enroll and study patients who have experienced severe extremity injuries. Dr. Bosse and his colleagues are strongly committed to enhancing care and improving outcomes for patients – both military and civilian – faced with these types of injuries.

CMC received \$250,000 to advance its services in minimally invasive surgery. A generous gift from John Shipp, PhD and his wife Reba is now supporting the work of clinical staff and research fellows under the oversight of Todd Heniford, MD. Dr. Heniford is director of CMC's minimally invasive surgery program, which attracts physician trainees from all over the United States.



Carolinas Rehabilitation was designated during 2009 as one of three centers participating in a three-year international study related to “traumatic brain injury” or TBI. The purpose of the effort, sponsored by the National Institute on Disability and Rehabilitation Research, is to enhance the ability of clinical staff to understand human emotions in individuals with TBI.

“This is a vital study,” says Robert Larrison, President of Carolinas Rehabilitation, “because impairments of this kind can hinder social interactions and make relationships with family, friends and co-workers extremely difficult.”

Several CMC physicians in the Liver-Biliary-Pancreatic Center participate in the Drug Induced Liver Injury (DILI) Network. This Network is organized and funded by the National Institutes of Health to identify, register, and characterize persons who have developed serious drug reactions that have caused liver injury. CMC is one of only nine clinical centers in the United States participating in this study. The long-term goal is to identify factors that put persons at risk for such injury, and to develop ways to predict and prevent such injuries before they occur.





“Our goal is to identify genetic or other markers that will predict individuals at high risk of developing DILI due to a particular drug,” says Herbert L. Bonkovsky, MD, Vice President for Research at CMC and principal investigator. “Hopefully we can find alternative medications that will be far safer.”

Another noteworthy achievement at CMC during 2009 was accreditation for several types of training at the Hepato-Pancreatico-Biliary (HPB) Surgical Fellowship. This recognition acknowledges the extraordinary care and cutting-edge research that CMC provides patients with diseases that impede proper function of the liver, pancreas and bile ducts.

“I am extremely proud of the work being done at CMC to advance the frontiers of knowledge,” says Dr. James McDeavitt, Senior Vice President for Education and Research. “Our people are well positioned to seek out solutions to vexing problems, and their qualifications were validated time and again this past year. This can be seen in the sheer volume of grants that we received from private and government sources, as

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 minimally invasive surgery.*



well as in the number and quality of presentations and publications by our faculty and affiliated physicians.

“We are in position to make a real difference for a lot of people,” McDeavitt adds. “It is exciting and gratifying to be part of such an important team effort.”

MAKE A DIFFERENCE

Millions of five-year-old Americans will enter kindergarten this year, but only a select few will have a story to tell as special as Adam Tanksley, cancer survivor.

Adam was diagnosed with a rare childhood cancer of the kidney (Stage IV Anaplastic Wilms' tumor) just weeks before his fourth birthday. Over the next year he endured multiple surgeries (one of which involved removal of his right kidney); more than 120 rounds of chemotherapy and 18 days of intensive radiation treatments directed at his neck, chest, lungs and abdomen.



For months he couldn't swallow food and was fed instead through a feeding tube. During his course of treatments he spent 360 days through his multiple visits as a patient on the 11th floor of Levine Children's Hospital.

"You expect a lot of things when you have a child," reflects Adam's mother, Sharon – an RN who works in the Neonatal Intensive Care Nursery at Levine Children's Hospital. "You expect to plan their first day at kindergarten, go to baseball games and all that. But you don't really ever plan for someone to say your child has cancer."

"Adam is a true testament to how strong you can be mentally, physically and spiritually even at a very young age," says his father Mike. "He'll turn 10 before he will be considered in complete remission. So, in the meantime, we pray and have faith that we are just going to turn this situation into something that is proactive and good."

For all that he has been through and triumphed above in his young life, his year in kindergarten will probably be a snap for Adam Tanksley. And for his parents, that will be good.

EMPLOYEE WELLNESS

CHS solidified its role during 2009 as a national leader in employee wellness. Since its modest origins in 2006 as a public relations initiative to promote healthy choices, *LiveWELL Carolinas!* has grown into a comprehensive, multi-faceted program that involves literally thousands of employees. Its activities are now coordinated by a support staff of 10 nurses, dietitians and preventive health specialists.

Three achievements stood out in 2009. One was the *WebMD* initiative that made on-line health risk assessments, personalized coaching and lifestyle management programs available to employees. Another was a new incentive program to reward healthy behaviors. More than 12,000 employees took advantage of the offering, which will include health plan premium discounts of up to \$600 per person in 2010.

In addition, *LiveWELL* staff specialists, formerly concentrated near the main CMC campus, initiated on-site programming at more than 15 CHS offices and facilities – offering health assessments, nutrition counseling, physical exercise opportunities, and “Club LiveWELL,” a 10-week weight management program.

As a result of these and other enhancements, *LiveWELL* expanded upon its early success as a lifestyle management program for high-BMI (Body Mass Index) employees and won broad acceptance as a health improvement opportunity for virtually all. The year’s highlights included the following:

- More than 100 employees participated in LiveWELL Warriors, an intensive six-month weight loss and

behavior modification program. Among those who completed the full regimen, average individual weight loss was more than 15 pounds.

- LiveWELL Runners completed its first full year of activity. More than 400 employees learned distance running or improved their race times at more than a dozen facilities.
- LiveWELL launched Ladies in Motion, a running and fitness program led by CHS women for CHS women.
- All three CHS physician networks agreed to offer a “No Co-pay” Incentive to employees who scheduled an annual health check-up.
- More than 1,400 employees participated in LiveWELL’s first Physician Practices Walking Challenge.
- LiveWELL developed and distributed a 16-month wellness calendar to all 25,000 employees who were eligible to participate in the WorkWELL Incentive and Reward program.
- The LiveWELL Web site, <http://livewell.carolinasmedicalcenter.org>, became available via Internet as well as intranet, so that employees could access the site from home.

As a result of these and other initiatives, CHS earned widespread recognition during 2009 as a catalyst for worksite wellness. Hospitals and healthcare systems throughout the country increasingly focused attention on CHS as a national role model for employee health strategy.

TEAMWORK WINS



Lorri Elliott (second from right) celebrates completion of the Lake Norman Triathlon with other LiveWELL triathletes.

If you had told Lorri Elliott that one day she would be mentoring other CHS women about health and fitness – while training for a marathon – she might have questioned your sanity.

It was 2006 when Elliott first signed on as a “LiveWELL Warrior,” articulating to friends the modest goal of “losing a few pounds and feeling a little better.” It seemed like a good idea, since her position as a base manager for MedCenter Air required her to hop in and out of cramped aircraft every day.

Since that time, she has lost more than two dozen pounds, significantly decreased her BMI (Body Mass Index), and reduced her body fat percentage. In the process, she became a role model for friends, family and fellow employees. She also serves as a mentor for the “Ladies in Motion” program, which was her personal brainchild, and trained hard during 2009 for her first marathon in 2010.

So how does one go from being a 50-something, self-proclaimed non-runner to a wellness mentor? “You have to really want it,” says Elliott. “I could not jog around the block when I started this journey. I had never run in my life. But I decided I needed to do something for my job, my family and mostly for myself.

“I bow to my LiveWELL coaches for the support they provide,” she adds, “as well as CHS for giving me the resources I need. This journey has required a serious investment of hard work, blood, sweat and tears. But if I can do it, anyone can.”

GIVING BACK

While no healthcare system is immune from the economic forces that affect other businesses, hospitals tend to be stabilizing forces in their communities. This is especially true of CHS, which continued throughout 2009 to expand facilities, enhance services and recruit new personnel.

This type of economic impact is multi-dimensional. Not only do hospitals generate payroll and purchase considerable amounts of goods and services, they also provide a significant “community benefit.” This is a specific industry term that defines a wide variety of activities that not only enhance the quality of healthcare but support public education and welfare.

Community benefit includes such things as providing charity care for the uninsured, making financial assistance available for the underinsured, and underwriting a variety of services – such as mental health – that fulfill a vital need but do not pay for themselves. Community benefit also includes the value of direct support provided to local civic and charitable organizations by healthcare personnel.

The total reported value of CHS’s community benefit during 2009 was \$839 million.



CHS Community Benefits

| | |
|---|---------------|
| Costs of charity care provided to indigent patients | \$148M |
| Costs of discounts extended to uninsured patients | \$34M |
| Bad debt costs by patients who do not pay for services | \$151M |
| Losses incurred by serving Medicare patients | \$265M |
| Losses incurred by serving Medicaid patients | \$137M |
| Services that meet a strong community need but do not pay for themselves and would typically be cut based on financial considerations alone | \$16M |
| Costs of medical education and research; plus costs of non-billed medical services, and cash in-kind contributions by CHS to local nonprofits and charities | \$88M |
| Total value of uncompensated care and other community benefits provided by CHS facilities | \$839M |

This chart reflects the major categories of “community benefit” recognized by the North Carolina Hospital Association. The figures are based on actual costs, not charges. The overall total represents the collective value of benefits attributable to the total enterprise that includes Carolinas Medical Center, 10 other CMC hospitals in greater Charlotte, and 18 other affiliated medical centers in North and South Carolina.



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Employee Contributions to our Community

Our employees make invaluable contributions through individual philanthropy and public service endeavors. In 2009, employees collectively donated nearly \$4 million to local charities through annual giving campaigns, including:

| | |
|---|-------------|
| Arts and Science organizations in Mecklenburg and Cabarrus counties | \$480,000 |
| Children's Miracle Network | \$657,000 |
| NorthEast Foundation | \$265,000 |
| United Way | \$2,300,000 |

Additionally, employees contributed over 46,000 hours of volunteer service to local charities, an in-kind contribution worth more than \$1.9 million. Projects included collecting nearly 12,000 books and more than 8,000 pounds of food and school supplies for disadvantaged children, as well as building a school playground in an underserved neighborhood.



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to local charities through annual giving campaigns

Employees also took a special interest in homeless neighbors this year, serving meals at numerous homeless shelters, and providing large supplies of linens and toiletries for local agencies. Additionally, more than \$20,000 was donated to Crisis Assistance Ministry and Second Harvest Food Bank to meet critical needs during the holidays.

Other holiday projects included *Holiday Cheer* gift sponsorships and toy distribution at the Salvation Army Christmas Bureau. Employees also organized holiday parties for children who participate in YWCA after-school programs, as well as for residents of the Center of Hope homeless shelter.

During *Heart of a Champion Day*, more than 400 CHS volunteers assisted in providing health screenings to some 1,200 area high school student athletes. This event resulted in follow-up care or monitoring for 80 students.

There is no question that CHS employees set an exemplary standard when it comes to getting involved and giving back.



PERFORMANCE EXCELLENCE

TOTAL ENTERPRISE NET REVENUE AND EXPENSES

For the Year Ended Dec. 31, 2009
(dollars in thousands)

| | PRIMARY ENTERPRISE AND COMPONENT UNITS | | MANAGED ENTITIES | | TOTAL ENTERPRISE | |
|--|---|------------------------|---------------------|------------------------|---------------------|------------------------|
| | DOLLAR TOTAL | PERCENTAGE OF TOTAL | DOLLAR TOTAL | PERCENTAGE OF TOTAL | DOLLAR TOTAL | PERCENTAGE OF TOTAL |
| Net Revenue (A) | | | | | | |
| Tertiary & Acute Care Facilities | \$2,481,270 | 64% | \$1,034,275 | 84% | \$3,515,545 | 70% |
| Post-Acute Care Facilities & Divisions | 97,031 | 3% | 55,981 | 5% | 153,012 | 3% |
| Specialty Facilities | 91,192 | 2% | 2,317 | 0% | 93,509 | 2% |
| Physicians' Practices | 709,613 | 19% | 70,583 | 6% | 780,196 | 15% |
| Other Facilities & Divisions | 138,049 | 4% | 16,608 | 1% | 154,657 | 3% |
| Non-operating Activities (B) | 294,030 | 8% | 53,789 | 4% | 347,819 | 7% |
| Totals | \$3,811,185 | 100% | \$1,233,553 | 100% | \$5,044,738 | 100% |

| | PRIMARY ENTERPRISE AND COMPONENT UNITS | | MANAGED ENTITIES | | TOTAL ENTERPRISE | |
|--|---|------------------------|---------------------|------------------------|---------------------|------------------------|
| | DOLLAR TOTAL | PERCENTAGE OF TOTAL | DOLLAR TOTAL | PERCENTAGE OF TOTAL | DOLLAR TOTAL | PERCENTAGE OF TOTAL |
| Net Expenses | | | | | | |
| Wages, Salaries & Benefits | \$2,113,380 | 56% | \$596,502 | 49% | \$2,709,882 | 53% |
| Materials, Supplies & Other | 1,042,361 | 27% | 454,199 | 37% | 1,496,560 | 30% |
| Depreciation & Amortization | 206,653 | 5% | 75,922 | 6% | 282,575 | 6% |
| Financing Costs | 67,874 | 2% | 17,908 | 1% | 85,782 | 2% |
| Funding for Facilities, Equipment & Programs | 380,917 | 10% | 89,022 | 7% | 469,939 | 9% |
| Totals | \$3,811,185 | 100% | \$1,233,553 | 100% | \$5,044,738 | 100% |

(A) Net revenue is net of provision for uncollectible accounts

(B) Consists primarily of investment results

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* 2010 Executive Committee ** 2010 Board of Advisors *** completed tenure during 2009

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Senior Vice President, Facilities Management

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Behavioral Health Services

- CMC-Randolph

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Carolinas College of Health Sciences

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- Carolinas Rehabilitation
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Sardis Oaks

Jamie B. Cicali, MSW

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FACILITIES

Regional Enterprise

AnMed Health

- AnMed Health Medical Center
 - AnMed Health Women's and Children's Hospital
 - AnMed Health Rehabilitation Hospital
- John A. Miller Jr., FACHE
President & Chief Executive Officer

Anson Community Hospital

- Lillie Bennett Nursing Center
- Fred G. Thompson, PhD
President

Blue Ridge HealthCare System

- Grace Hospital
 - Valdese Hospital
 - Grace Ridge Retirement Community
 - Grace Heights Health & Rehabilitation Center
 - College Pines Health & Rehabilitation Center
- Kenneth W. Wood, MBA
President & Chief Executive Officer

Cannon Memorial Hospital

Norman G. Rentz, MHA
Chief Executive Officer

Carolinas Medical Center-Union

- Jesse Helms Nursing Center
- Michael J. Lutes
President

Cleveland County HealthCare System

- Cleveland Regional Medical Center
 - Crawley Memorial Hospital
 - Kings Mountain Hospital
 - Cleveland Pines Nursing Center
- Brian Gwyn, MBA
President

Columbus Regional Healthcare System

Henry C. Hawthorne III, MHA
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MedWest Health*

- Harris Regional Hospital
 - Haywood Regional Medical Center
 - Swain County Hospital
- John Michael Poore Jr., MBA, FACHE
President & Chief Executive Officer

Roper St. Francis Healthcare

- Roper Hospital
 - Bon Secours-St. Francis Hospital
 - Roper St. Francis Rehabilitation Hospital
 - Roper Berkeley Day Hospital
- David L. Dunlap, FACHE
President & Chief Executive Officer

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- Scotland Memorial Hospital
 - Edwin Morgan Center
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- Stanly Regional Medical Center
 - Stanly Manor
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 - Wallace Thomson Hospital
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**effective January 1, 2010*



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PO Box 32861 • Charlotte, NC 28232 • 704-355-2000

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