



November 5 , 2007 - Corporate Members of Caritas Christi Health Care to Caritas Community

Dear Members of the Caritas Community,

We are writing to update the Caritas community with the most current information about our pursuit of a new strategic course for Caritas Christi Health Care. This update includes a quick review of events of the last year and an overview of our vision for the near term. The year has been filled with many achievements and challenges.

Our highest priority in setting the course for the Caritas network is to ensure the delivery of high quality Catholic health care to people throughout Massachusetts long into the future. In addition to the importance of upholding the religious-moral tradition of Catholic health care, we seek to provide all patients with access to state-of-the-art care by some of the region's top medical practitioners. Our health care ministry also plays a critical role in serving some of the Commonwealth's most vulnerable communities and we recognize the enormous responsibility we have in helping ensure that the poor and underserved receive the care they need and deserve.

Strategic Plan Findings

In December of 2006, we authorized a strategic review of Caritas Christi Health Care. At that time, we appointed a Strategic Review Committee chaired by John Kaneb, chief executive officer of H.P. Hood, LLC, and we asked the committee to recommend a path that would help us achieve four goals, including:

1. Provide the best possible health care to the communities that we serve.
2. Maintain fidelity to the religious-moral tradition of Catholic health care in the Archdiocese of Boston.
 - Observe the bioethical standards of the ethical and religious directives for Catholic health institutions;
 - Continue our commitment to the poor and underinsured.
3. Provide for strengthened financial stability for the future in a highly competitive market.
4. Respect the individuals who provide health care and support and have served with dedication and distinction for many years.

The Committee enlisted the services of Navigant Consulting, a respected national firm that is well known to Caritas. Navigant was asked to consider the best strategic alternatives for the system. After considerable study, the committee brought forth four options, including:

- Go forward with governance changes.
- Affiliate with a major national Catholic health care system.
- Merge with a local non-Catholic hospital.
- Sale to a for-profit system.

The Committee's recommendation to the Corporate Members of Caritas was an affiliation with a major Catholic health care system. We were confident that such an affiliation would bring the capital investment and governance changes that we believed were necessary.

Our efforts to achieve such an affiliation were not successful. We were unable to receive the commitment to capital investment into the Caritas system we believed was critical to any transaction. While we believe an affiliation of this type could have many benefits, we are convinced that a commitment of capital investment to continue to strengthen Caritas Christi's foundation is an essential ingredient of any such combination.

"Go Forward" Strategy

To enhance the quality of care and to build a more solid fiscal base, we have now begun to move forward aggressively to implement our "Go Forward" strategy and are convinced that we have the experience and the resources to achieve our goals as previously outlined. To that end, we asked John Kaneb to chair a CEO search committee with



a goal of having a permanent CEO named within 90 days. In addition, we asked Kenneth Quigley, the president of Curry College and a member of the Caritas Carney Hospital board of trustees, to chair a Governance Review Committee.

The Governance Review Committee will consider the recommendations of Navigant Consulting and all other relevant factors. Its goal will be to recommend a method of governance that will empower the board of governors to make the decisions necessary to effectively lead the Caritas system now and into the future. A clear distinction of the roles of the Corporate Members, the board of governors, and the local hospital's boards of trustees will be part of this committee's report.

System Achievements

We are very confident that we will continue our progress as we go forward. In addition to three profitable years in a row, we have a great deal to build on, including:

- Caritas has the highest inpatient satisfaction scores that it has seen in years. The system's work in leadership development with its partners from the Studer Group is bearing much fruit.
- The system's clinical quality is as good as or better than other system's in our market as measured by its performance on national measures.
- Caritas Christi employee satisfaction is high and has continued to improve even during this period of change as measured by the 2007 survey.
- Five of our six acute care hospitals will generate operating profit. (Carney Hospital will end the year at a loss of approximately \$2.0 million)
- Saint Anne's, Caritas Norwood, and Caritas Good Samaritan will likely be among the top quartile performers in the state with operating margins that will be double the median community hospital average (2%).
- Total profits for the hospital division will be in excess of \$27 million for 2007.
- Total cash and investments will end the year in excess of \$200 million. The system used cash to pay down \$6.4 million in previously unfunded pension liabilities and invested more than \$42 million from cash in capital during 2007 including the acquisition of the following advanced technologies:
 - 64 slice CT scanners at Caritas Norwood, Caritas Good Samaritan, and Caritas St. Elizabeth's;
 - Mobile positron emission tomography (PET) scanner acquired for a second mobile PET route at Cooley Dickerson, Holyoke and Noble Hospitals in Western Massachusetts. This is a great example of Caritas Christi bringing advanced imaging technology to underserved communities outside the Caritas system;
 - Initial site work for the Caritas St. Elizabeth's emergency department;
 - New cardiac catheterization and vascular lab for Caritas Carney Hospital;
 - Advance patient monitoring system for Caritas Good Samaritan Hospital.

Looking ahead Caritas Christi has budgeted an \$18 million profit from operations for 2008, with every hospital achieving profits or breakeven status. We are also planning new investments in property and equipment of more than \$77.7 million including:

- Two new linear accelerators (Saint Anne's Hospital and Caritas St. Elizabeth's Medical Center);
- A second cardiac catheterization lab at Caritas Norwood Hospital;
- A peripheral vascular lab and advanced operating room imaging for Caritas St. Elizabeth's Medical Center;
- New 64 slice CT and MRI machines at Caritas Holy Family Hospital;
- Construction of a new emergency department for Caritas St. Elizabeth's Medical Center.

Much has been speculated about Caritas Carney Hospital. We continue to support this important health care ministry with cash from our other hospitals. While that is an acceptable short-term tactic, in the long term it is our view that the solution for Caritas Carney must be a shared responsibility. We are proud to provide care to all in need, however, with cash flow needs approaching \$10 million annually, Caritas Carney's current operations are not sustainable without threatening our entire system of care. We will continue to work with others who we believe must share in this



solution. We will also work to identify the health care needs of this community and work to identify how these needs can be delivered most appropriately.

We are very proud of the quality health care provided at the six acute care hospitals of Caritas Christi. We are grateful for the commitment of the 12,000 employees and the 2,400 highly skilled physicians who deliver exceptional health care day in and day out. We commend you for your fine work and ask for your continued support over these next several months as we select a permanent CEO and develop the governance system for our future.

We are positioned for growth and prosperity and have great optimism for our future. We will continue to invest in our people, facilities, and in the latest technology as we strive to become an exceptional integrated delivery system.

We thank you for all that you do in continuing the healing ministry of Christ. May God bless you.

Sincerely,

The Corporate Members of Caritas Christi Health Care

Seán Cardinal O'Malley, OFM, Cap.
Archbishop of Boston

Very Reverend Richard Erikson, Ph.D.
Vicar General and Moderator of the Curia

Most Reverend John P. Boles,
Former Auxiliary Bishop Archdiocese of Boston

Reverend Nicholas Sannella, Pastor
Immaculate Conception Parish, Lowell

Mr. James P. McDonough, Chancellor
Archdiocese of Boston

Copyright © 2007 Archdiocese of Boston; all rights reserved