



FIVE-YEAR STRATEGIC PLAN

March 2006



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Greetings:

University of Missouri Health Care plays a vital role serving all Missourians as the state's premier academic health center. The contributions we make every day to the citizens of Missouri include providing world-class patient care, educating more Missouri physicians and additional health professionals than any other university, and conducting groundbreaking research to enhance and extend lives.

In 2005, we embarked on a strategic planning process designed to establish goals, directions and strategies to guide us through the next five years. A summary of our strategic plan for 2006-2010 follows. The plan is based on months of research, planning and careful thought by our senior leadership team. Integrated into the strategic plan for University of Missouri Health Care's primary clinical service mission are specific long-term strategies for quality, people, service, growth, community and finance.

We are pleased to share the 2006-2010 strategic plan with you, and we welcome your comments and suggestions.

Thank you for your continued support of University of Missouri Health Care.

Sincerely,

A handwritten signature in black ink that reads "James H. Ross". The signature is written in a cursive, flowing style.

James H. Ross
Chief Executive Officer
University of Missouri Health Care

UNIVERSITY OF MISSOURI HEALTH CARE

University of Missouri Health Care's system of hospitals and clinics, along with its academic partners, employs approximately 6,000 clinicians, scientists, educators and other health professionals. The health system includes University Hospital and Clinics, Children's Hospital, Columbia

Regional Hospital, Ellis Fischel Cancer Center and University Physicians, all based in Columbia, Missouri. The health system also includes Capital Region Medical Center in Jefferson City, Missouri and Missouri Rehabilitation Center, a long-term care facility in Mount Vernon, Missouri. Academic affiliates of the

health system include the University of Missouri-Columbia School of Medicine, Sinclair School of Nursing and School of Health Professions. Other affiliates of the health system include Rusk Rehabilitation Center in Columbia, Missouri and Cooper County Memorial Hospital in Boonville, Missouri.



UNIVERSITY HOSPITAL



CHILDREN'S HOSPITAL



UNIVERSITY PHYSICIANS MEDICAL BUILDING



COLUMBIA REGIONAL HOSPITAL



ELLIS FISCHEL CANCER CENTER

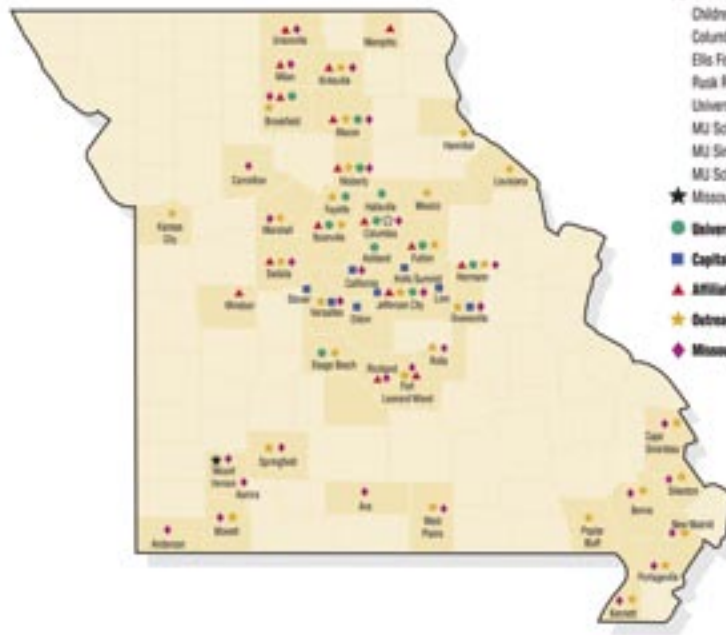


MISSOURI REHABILITATION CENTER



RUSK REHABILITATION CENTER

University of Missouri Health Care



- ☆ University Hospitals and Clinics
 - Children's Hospital
 - Columbia Regional Hospital
 - Ellis Fischel Cancer Center
 - Rusk Rehabilitation Center
 - University Hospital
 - MU School of Medicine
 - MU Sinclair School of Nursing
 - MU School of Health Professions
- ★ Missouri Rehabilitation Center
- University Physicians clinics
- Capital Region Medical Center clinics
- ▲ Affiliate Hospitals/Clinics
- ★ Detratch patient-care services
- ◆ Missouri Telehealth Network



CAPITAL REGION MEDICAL CENTER



COOPER COUNTY MEMORIAL HOSPITAL



MISSOURI TELEHEALTH NETWORK

THE STRATEGIC PLANNING PROCESS

The following steps were taken during the strategic planning process for UMHC:

- The health system's mission, vision and core values were revised.
- National health care trends and regional market dynamics were analyzed and a SWOT analysis was developed.
- A strategic steering committee comprised of UMHC and School of Medicine executive leadership, including department chairs, prioritized clinical service initiatives.
- Information gathered by the strategic steering committee was used in developing UMHC's strategic plan.

- A strategic planning retreat was held for UMHC executive leadership to solidify commitment to the strategic plan and determine an implementation strategy.

Currently, a master facilities plan for the health system is being finalized and will incorporate the needs and future direction of the health system.

Long-term action plans specific to facilities, information technology, human resources, finance, clinical quality and service quality will be developed and must be integrated into the health system's strategic plan.

University of Missouri Health Care

MISSION

To advance the health of all people, especially Missourians. Through exceptional clinical service, University of Missouri Health Care supports the education and research missions of the University of Missouri.

VISION

Through discovery and innovation, University of Missouri Health Care will be the health system that people choose for exceptional service and exemplary health care.

CORE VALUES

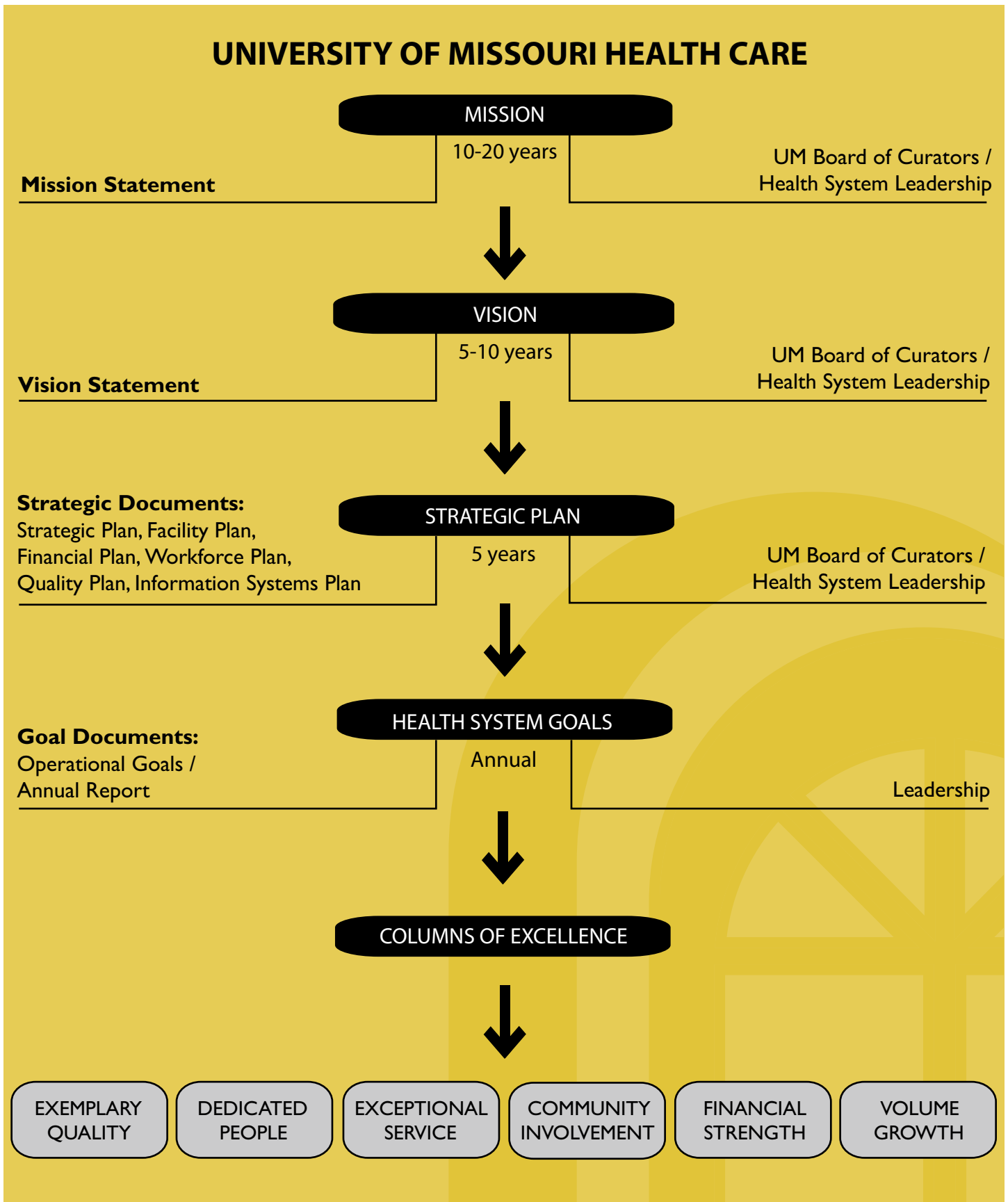
To pursue our vision within an environment that fosters integrity, respect, trust, openness, fairness, quality performance, accountability and dedication to quality care for patients and their families.

UMHC's core values provide a foundation for setting forth a strategic direction and building a commitment to excellence. These core values will allow UMHC to hold steadfast during the challenging and unsure times that lie ahead for the health-care community.

ORGANIZATIONAL EXCELLENCE

University of Missouri Health Care is committed to the six columns of organizational excellence: Quality, People, Service, Growth, Community and Finance.

THE STRATEGIC PLANNING PROCESS



BACKGROUND

Academic health centers are expected to be leaders in health care. Their tripartite mission of education, research and clinical care establishes a commitment to be on the cutting edge of health care. Most are organized with complex governing and management structures that inhibit their ability to respond quickly in a market where competition is growing. Academic health centers and other hospitals are competing with freestanding facilities and physician ventures for patients and revenues that hospitals once counted on to sustain their existence.

Of the three-part mission of the academic health system — research, education and clinical care — the primary role of University of Missouri Health Care (UMHC) is to deliver exceptional clinical care and service to patients. A consistent focus on delivery of quality clinical care supports the education and research missions of the University of Missouri and requires UMHC to plan ahead but also respond quickly to current market demands.

University of Missouri Health Care includes hospitals and clinics located throughout the state and yet UMHC remains a unified and strong health system. This allows UMHC to create diversity in revenue streams, create value through expanded market share and growth opportunities and support rural communities around Missouri. Additionally, being a system strengthens contracting and purchasing power, enables recruitment of nationally renowned clinicians and researchers, achieves economies of scale, and increases access to patients, all of



A consistent focus on delivery of clinical care will benefit the education and research missions of the University of Missouri.

which support the tripartite mission of the University of Missouri. However, as systems grow and become more complex, their ability to respond quickly and appropriately can be challenged if a flexible governance structure is not in place.

UMHC is one of two safety-net providers in the state of Missouri, which places a burden on UMHC that other competitors do not face. Threats and challenges such as rising health care costs, high-cost technological advances, reductions in governmental and other payer reimbursement, increasing cost of medical malpractice and workforce shortages must be constantly monitored and appropriately addressed for UMHC to maintain its market position, build financial stability and fund future growth.

University of Missouri Health Care is preparing for tomorrow. Over the last decade, changes in the

health care landscape have severely affected UMHC's financial situation. However, within the last two years UMHC has regained financial strength and the health system will continue to improve its financial position in the coming years.

As UMHC plans for the future, the strategic plan will guide UMHC in fulfilling its mission to provide exceptional care and service to patients. In development of a strategic plan for University of Missouri Health Care, accountability for all planning efforts within the health system is paramount. Specific long-term plans for facilities, quality, information technology, people, service and finance will align with the UMHC strategic plan.

ENVIRONMENTAL ASSESSMENT

NATIONAL

The future delivery of health care is threatened by significant challenges including but not limited to increasing demand for services (due largely to population growth and the aging of the population), consumerism, rising health care costs, decreasing reimbursement for government programs, physician shortages, nurse and allied health professional shortages, and increasing costs of malpractice insurance. There are additional concerns for academic health systems that must thrive in a competitive market. Academic medical centers have traditionally been less successful than competitors in the market as the result of several fundamental differences: Academic medical centers have a tripartite mission of healing, teaching and research; governance structures are more complex; economic interdependence exists among the schools and the medical centers; and high-cost structures due to provision of highly

specialized services provides no leverage in contract negotiations with payers and often inhibits future investment.

Health care has become a priority on the legislative agenda. With health care spending expected to triple by 2020 (becoming 21 percent of the gross domestic product) and the number of uninsured patients increasing, many look to the country's government leaders to make sound decisions that will address these issues. In the next few years, hospitals and physicians anticipate changes in the regulatory environment that will affect how care is provided. Concern and speculation exist regarding the future of academic health centers because the government will look to them, as safety-net hospitals, to serve the needs of under-insured and uninsured patients with little or no compensation.

Planning for the future has shifted from a long-term focus of 10 to 15 years to a short-term focus of three

to five years. As the result of decreasing reimbursement, increasing costs of capital investments, the need for facility improvements and recruitment of necessary specialists, a return on investment cannot often be made fast enough to allow academic health systems an opportunity to be profitable.

MISSOURI

Missouri has realized modest population growth of 2.9% since 2000 and the population is expected to increase 2.9% more by 2010 (the U.S. population has increased 4.9% since 2000 and is expected to increase at the same rate by 2010). Currently, Missouri has a population of 5.7 million, with the majority of the population living in the metropolitan areas of St. Louis and Kansas City. St. Louis, the largest metropolitan area in Missouri, has a population of approximately 2.7 million. Kansas City, the second largest metropolitan area in Missouri, has a population of approximately 1.9 million. The aging population (over 65 years) is expected to increase more than 10% by 2010, however, the number of children in Missouri (ages 0-18) is expected to decrease 3.3% by 2010 and the number of females of child-bearing age is also expected to decrease by 2010 (1.8%).

Missouri has been facing a financial crisis in past years. The state Medicaid program had \$5 billion in expenditures in 2004 and the state can not continue to support the program as costs continue to escalate. With more than 1 million enrollees — mostly elderly, disabled and children — Medicaid remains a large payer for providers in the state. As the state decreases its expenditures through reimbursement and program benefit cuts, providers are forced to carry a larger burden in caring for these patients as well as those previously enrolled who have lost their medical coverage. Additionally, there are more than 890,000 Medicare recipients in Missouri (16% of the state's total population) and declining Medicare reimbursement also poses a significant challenge for providers.

HEALTH CARE TRENDS

- Increasing demand for services
- Aging population
- High-cost technology
- More informed and discriminating consumers
- Rising costs
- Decreasing reimbursement and cost-shifting
- Shortage of specialists and other health care professionals
- Increasing cost of malpractice insurance

ENVIRONMENTAL ASSESSMENT

Missouri also faces workforce shortages in professional health care fields such as nursing, pharmacy and physical therapy. According to the Missouri Hospital Association, in 2004 Missouri hospitals spent more than \$81 million on outside agency staffing, 70% of which was expended for registered nurses.

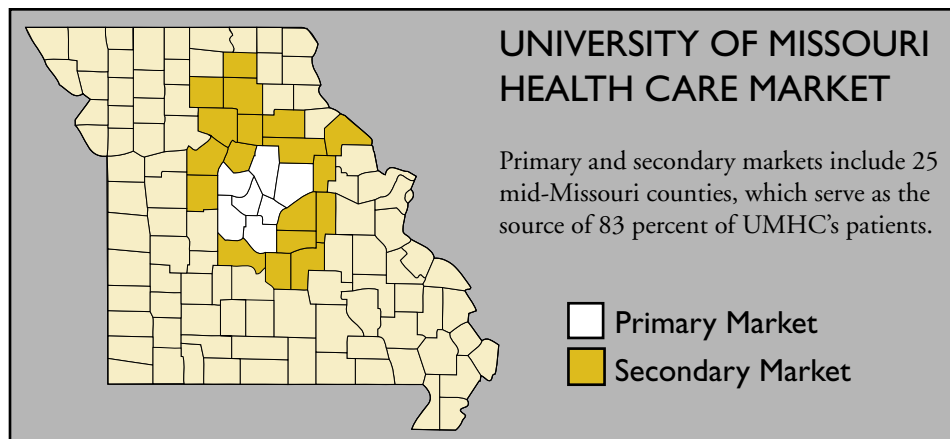
With such workforce shortages and decreasing reimbursement on the federal and state levels, many hospitals, including academic medical centers, are facing daily challenges to remain viable. At the same time, larger health systems based in the larger metropolitan areas continue to grow and are expanding their reach into the rural areas of Missouri.

MID-MISSOURI

UMHC is a safety-net health system in the middle of Missouri just hours between two major metropolitan cities. BJC HealthCare and SSM HealthCare have already established a presence in mid-Missouri and the population base of the rural areas of Missouri is not large enough to sustain competition that already exists in those areas. UMHC must maintain a strong presence in those area communities so that patients seeking specialized care are not required to travel to the far ends of the state.

Overall, University of Missouri Health Care's market of 25 mid-Missouri counties serves as the source of 83 percent of UMHC's patients. The population of the market is expected to increase 3.4% to 755,681 by 2010 and the number of people over the age of 55 is also expected to increase and by 2010 be 26% of the total population. However, the number of children is expected to decline 1.3% by 2010 and the number of females of child-bearing age is expected to remain steady or slightly decrease by less than 1% by 2010. Major health concerns for the area population include cardiovascular disease, cancer, diabetes and obesity.

Future reimbursement from governmental programs such as Medicare and Medicaid will continue to present financial hurdles for UMHC. More than



25 percent of all discharges in UMHC's service area come from high-risk payer groups (e.g., Medicaid, self-pay). In FY05, Medicaid enrollees accounted for more than 22% of UMHC total discharges, while Medicare enrollees accounted for 36%. Although Medicaid is currently a good payer for UMHC given its enhanced payment arrangement, Medicaid funding will likely be at increased risk in the coming years. In addition, Centers for Medicare and Medicaid Services (CMS) remains cognizant of controlling costs and continues to decrease Medicare reimbursement for specialized services.

In addition to reimbursement challenges, area competition has increased in past years and will continue to intensify for the foreseeable future. UMHC faces competition from larger health systems that have the financial ability to compete and respond quickly to the market. Also, physicians are becoming entrepreneurs and investing in their own freestanding centers, specialty hospitals, and ambulatory surgical centers. Advancements in technology, lenient regulatory environments, and favorable reimbursement have made such ventures lucrative for physician investors. However, these ventures cause concern among hospitals, especially those in rural markets where limited population exists to support all competitors. The mid-Missouri market, with an increase in physician competition, has been no exception to this trend.

With such immediate challenges,

UMHC must be on guard and fervently plan to stay ahead of the competition. Additionally, UMHC must monitor federal and state legislative agendas to assure it will be able to meet the future needs of patients.

In order to be successful, University of Missouri Health Care must be positioned to build on its strengths and take advantage of market opportunities that arise. University of Missouri Health Care has been gaining momentum, has made a dramatic financial turnaround and is positioned to become the leader in the market. UMHC, in collaboration with the MU School of Medicine, has been successful in building a high-class medical staff through recruitment of world-renowned physicians. Additionally, UMHC has a sound reputation and strong brand recognition for several programs including Ellis Fischel Cancer Center, Children's Hospital and the Level I Trauma Center. In recent years, UMHC and its medical staff have strengthened relationships with referring providers through practice development, outreach and telehealth services. As a result, in the past six months alone, market share has increased substantially and UMHC is expected to show an even larger increase in market share in the coming years.

STRATEGIC GOALS

Critical issues and key initiatives for the five-year strategic plan are identified under each column of organizational excellence.

Quality

- Strengthen and develop organizational clinical quality initiatives that foster exceptional patient care.
- Develop information systems that enable the health system to achieve the highest standards in serving patients, physicians, employees and the community.

People

- Create a system-wide organizational culture that embraces high physician satisfaction and loyalty to UMHC.
- Become the employer of choice by creating system-wide organizational culture that embraces high employee satisfaction and loyalty to UMHC.
- Develop a system-wide workforce plan that aligns with the health system's vision and seeks to improve employee satisfaction.

Service

- Create a system-wide organizational culture of exceptional service and patient-centered care through established protocols.
- Focus resources on key clinical services that meet the health care needs of patients.

Growth

- Develop a governance structure for the health system within the University of Missouri that allows University of Missouri Health Care to compete successfully.
- Define roles of health system members that will contribute to the health system's quality and success.
- Develop strong, mutually supportive and beneficial relationships with academic affiliates.
- Establish and reinforce a system brand identity for University of Missouri Health Care that is representative of the broad continuum of care provided throughout the health system.
- Develop programmatic brands that support University of Missouri Health Care system brand identity.

- Increase market share to 25% within 10 years and to 30% within 15 years.
- Implement Phase I of master facilities plan.

Community

- Increase community involvement through health promotion, wellness initiatives and education.
- Strengthen and build relations with hospitals, referring physicians and other health providers in Missouri that will advance the mission of University of Missouri Health Care.

Finance

- Increase financial strength and stability through consistent volume, increased market share and a more diversified payer mix.
- Increase philanthropy efforts to improve revenue streams and support future investment.
- Develop action plans to resolve threats to revenue streams.
- Decrease costs through a focused effort on improving operational efficiencies and establishing continuous improvement initiatives with measurable outcomes.

STRATEGIC GOALS

Strategic Development Investments	Maintenance Investments
<p>Clinical Service Lines</p> <ul style="list-style-type: none"> • Cardiovascular • Neurosciences • Oncology • Orthopaedics • Surgery <p>Ancillary Services</p> <ul style="list-style-type: none"> • Anesthesiology • Pathology • Radiology <p>Infrastructure</p> <ul style="list-style-type: none"> • Facilities • Technology <p>People</p> <ul style="list-style-type: none"> • Medical Staff • Nursing • Workforce <p>Quality</p> <ul style="list-style-type: none"> • Clinical • Service 	<p>Clinical Service Lines</p> <ul style="list-style-type: none"> • Children’s Health • Gastroenterology • Post-Acute Care • Primary Care • Trauma • Women’s Health <p>Community Involvement</p> <ul style="list-style-type: none"> • Education • Health Promotion/Wellness • Leadership <p>Operational Efficiencies</p> <ul style="list-style-type: none"> • Continuous Process Improvement • Cost Reduction • Revenue Enhancement

THE OUTLOOK

University of Missouri Health Care’s strategic plan will be monitored and evaluated during the next five years. University of Missouri Health Care believes the following will occur:

- UMHC will be a health system committed to a common vision.
- UMHC’s core business will grow stronger.
- UMHC will maintain a positive bond rating.
- UMHC will be nationally recognized for its exemplary quality care.
- UMHC will solidify mutually supportive and beneficial relationships with affiliates.
- UMHC will be preferred by Missouri residents for their health care needs.
- UMHC will become the dominant market leader for clinical care.
- UMHC’s service culture will be recognized through continuous improvements in patient, physician and employee satisfaction.



University of Missouri
HEALTH CARE

The care you deserve from the team you trust.