



Jefferson Health System

It all begins with the human touch.™

patients

We asked **four groups** about their thoughts on healthcare and how the Jefferson Health System stacks up.

administrators

providers

community

Letter from **t h e**
Chairman and President

This was a year of individual human triumphs and of goals attained. It has been a time in which member hospitals of the Jefferson Health System built their interrelationships. They worked together to put into action our joint belief that, in healthcare, local communities must serve as our focal point.



Dr. Brucker



Mr. Peters

We are making steady progress in melding our individual medical networks into a health system that is now the region's largest. To get here, we didn't conform to expectations or stick to the path of conventional wisdom. We took advantage of our broadened opportunities, when appropriate, as we will continue to do either together or in smaller groups when the opportunities presented are best suited for portions of our system.

We are maximizing the use of financial resources generated from our current operations, as well as those contributed over the years. This year, we have met our financial goals (targeting a systemwide operating margin of 1.2 percent and achieving 2.0 percent). We have maintained our bond rating and are privileged to serve a growing population across the region.

Foremost among accomplishments in fiscal 1999-2000 was a new five-year agreement with Independence Blue Cross (IBC), the region's largest health insurer. The extended period of negotiation for this contract illustrated many of the challenges confronting hospitals, medical systems, and insurers today. The agreement we have now is a good one and helps us assure continuity and high quality of care for IBC members. The contract's comprehensive, long-term provisions — as well as our successfully concluded contract with Aetna U.S. Healthcare — afford us a level of stability that helps in planning for the future.

A still-young organization, the Jefferson Health System came together from large, diverse entities successful in their own right, and so we move forward with a care born of respect for one another and for our alliance partners: Riddle Memorial Hospital, Underwood Memorial Hospital, Pottstown Memorial Hospital, Christiana Care Health System, and AtlantiCARE.

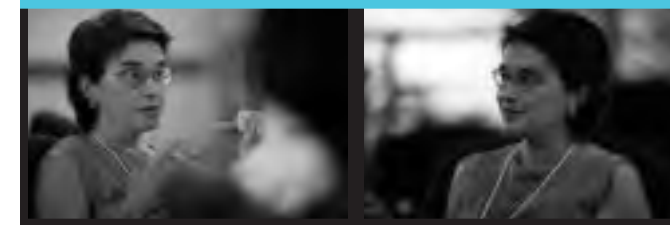
We are strongly positioned to respond to challenges, as we continue to develop our organization. Our trustees have been thoughtful and supportive, as they help us with the complicated task of providing health services.

For this annual report, we held a discussion with four groups and asked them to tell us openly about their expectations and impressions. Their valuable input is quoted and summarized unabashedly on the following pages.

Paul C. Brucker, MD
President, Thomas Jefferson University

Douglas S. Peters
President and Chief Executive Officer

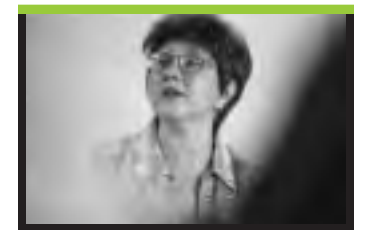
Thursday 8.8.00, 09:00
providers



“As doctors, we have to be resourceful for our patients. And, we have to advocate for them.”

Thursday 8.10.00, 14:00

patients



“My doctor cried with me. I think a hospital is **made** by its medical staff.”

What we found in our discussions with these four groups was *fascinating* and serves as a compelling introduction to the issues in healthcare today:

Healthcare standards, access, and affordability — and all the complex, interwoven questions accompanying these topics — have become bellwether public issues. Expectations over the decades, and day to day, about what we should accomplish in medicine, and receive from it, have just continued to expand. In general, consumers want more and want it faster. A pill for everything, an answer for every query. Everyone wants convenience, painless delivery, and quick recovery.

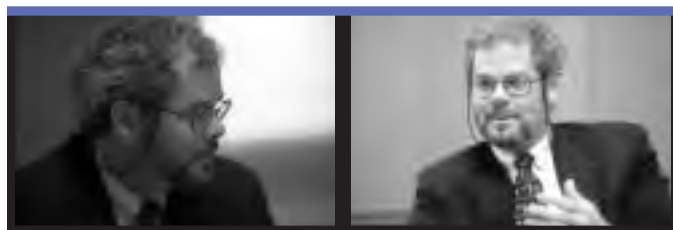
Our staff is our greatest resource for responding to these challenges. And so our health system is constantly seeking ways to promote the pride each of our providers feels in his or her own delivery of healthcare. One of the

reasons we formed the Jefferson Health System was to further facilitate collaboration by our members on best practices and on improving services. And while we want staff members productive, this should never be at the expense of their having time to reflect and consider and ask for assistance on a patient's behalf.

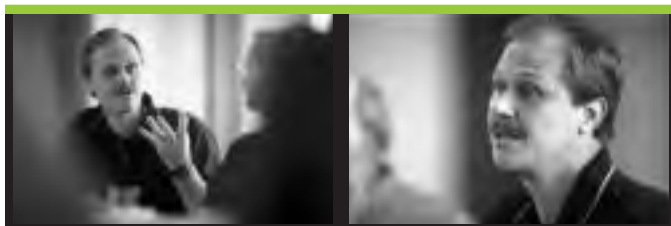
With what our country spends on healthcare our people should be healthier. But the best medicine is still out of reach for many people. That is one of the reasons the Jefferson Health System is continually working to find as many resources as we can to support our community, including our frailest members — and waiving tens of millions of dollars in charges annually for the uninsured and underinsured.

Tuesday 7.11.00, 09:30

administrators



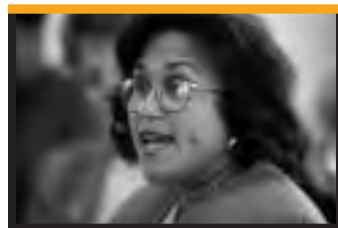
“It’s when I go out to visit a patient that I get the strongest sense of pride — even after all these years of directing our hospital. It tells me again that we do something *important*.”



“When you spoke, they stopped, listened, and did not interrupt. I was in the hospital with an injury that left me disoriented, so it was important for me to get this kind of attention from my caregivers.”

Thursday 8.10.00, 09:00

community



“Our community affairs programs look at health data and pull people together for health programs including addressing revitalization, transportation, and a host of issues that affect healthcare.”

With the centuries of loyalty that our well-known hospitals and medical centers have earned, the Jefferson Health System has the resources and linkages to make a difference. We are helping seniors and children, as well as people requiring behavioral healthcare or physical rehabilitation, and many other patient groups, as they benefit from an expanded range of programs, facilities, and value in care across the continuum of their needs. This means before, during, and after illness or disability or hospital admission — at work, at home, at their life’s activities. To further our customer focus, we are also enhancing the service-oriented culture already present within Jefferson Health System members.

Ours is a broad system, and one aware that patients are ultimately cared for at the individual level, but also

believing in cross consultation and referral for finding the optimal plan of care for each person. Every day, we take advantage of our broad complementation and share successes. If large health systems can work cooperatively and stay focused on neighborhood and regional missions, we can make our communities healthier.

We never have all the answers. But the synergy and collaboration of the many parts of the Jefferson Health System make our health system better. We believe that if we can increase awareness of health issues and work as a healthcare system to address them, and then educate our community so that it’s members can take advantage of what’s available, we will help combat the many preventable diseases, conditions, and health events that diminish our community’s success rate in keeping its population healthy.

“For my patients, I hope we can combine all the beneficial aspects of academic medical centers, teaching hospitals, and community hospitals at every one of our facilities.”

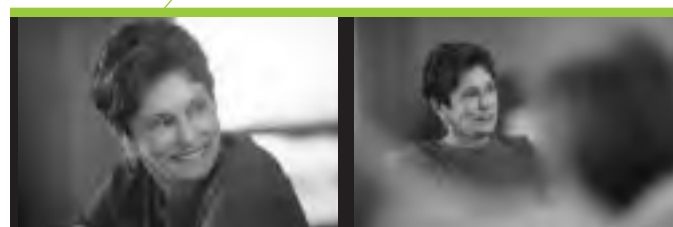


“Quality has to do with *accountability*. It means that everyone is *personally* responsible for their link in our chain of services, and that they take it seriously.”



“Today we can do so much in medicine, and yet the challenges of keeping patients and staff satisfied are still there. That’s okay, though, because it keeps us mindful of many issues that affect service — and in the long run healthcare will come out better for it.”

“I found that my doctors and nurses helped me to be calm. They were reassuring and encouraged me to take my treatment one step at a time.”



Quality, like many worthwhile goals, is reached through a care process, one in which we must deliver to patients the best methods for beating disease.

It’s imperative that patients are pleased. But quality is a moving target, difficult to pinpoint. We do know that both experience and outcome play a part.

How is the Jefferson Health System doing in this area? Like other health systems we must safeguard frontline care while remaining solvent and up to date. To do so, we are relying more on tools to measure our quality. We already look at hundreds of clinical indices and compare ourselves to external benchmarks. Our Chief Medical Officer issues a semi-annual “Report Card” on our system. Furthermore, our Clinical Affairs and Quality Committee and our system’s Quality Council have inventoried and reviewed patient safety programs and medications practices of all member institutions.

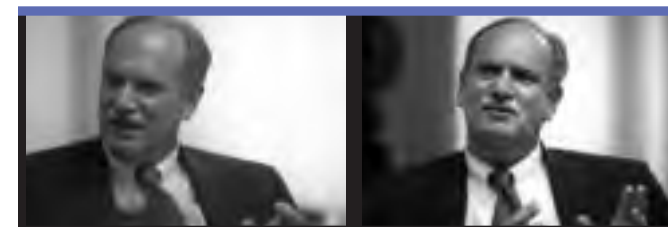
Think of the sheer number of person-to-person interactions in medical care that also influence clinical results and satisfaction! And they take place in the most intimate of

environments, where patients feel vulnerable. Yet our administrators, physicians, nurses, and other staff members receive letters from patients cared for throughout our system praising the superb care they have received.

Surveys also help us judge the job we do. They reveal that the vast majority of our patients and their families are pleased and feel that we do a good or excellent job.

Quality also comes from knowing that, while trying to improve the health of the body is our first job, we recognize that individuals and their families also need time to adjust to life changes that illness can bring. We must embrace the emotional side and acknowledge, in practice, that paying attention to these elements can help recovery and wellness.

The groups we talked with emphasized the importance of patients knowing that all members of their care team are keeping one another carefully apprised of their status and

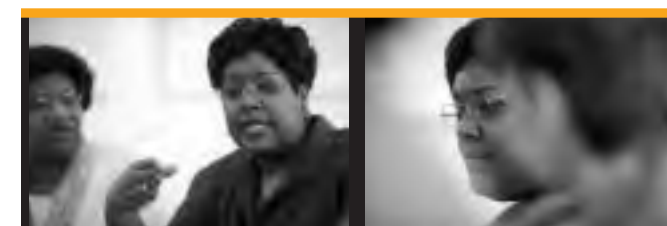


“Healthcare providers perform wonderful, complicated work. And so our task is not to become complacent about any part of that but rather to continuously strive to better our care. We are, and must remain, problem solvers.”



“With family teaching, and with case managers keeping track of patients, our staff is delivering care that’s better organized and more cohesive than it’s ever been.”

“As physicians, we know that we can never discriminate based on a person’s ability to pay or what kind of coverage they have. And we must hold our status of providing a very personal level of care, no matter what kind of retrenchment there might be in payment scenarios.”



“Healthcare in this country has to do better by certain groups, especially the poor and disabled. Simple standards and small investments can make a huge difference. Right now, we do what we need to get people resources to move them forward. You’ve got to lift people up.”

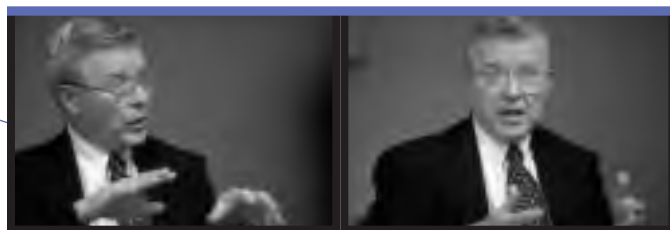
treatment. The Jefferson Health System has found that teaching patients about their care helps to allay fears and encourages them to take control of their health — and that patients need continuity of care after discharge, as they manage health and life issues. These groups also talked about using the Internet as a support to good care. Still in its infancy, the Internet is already posing new opportunities for our industry. With health information, and eventually grades and scores on hospitals, doctors, and who knows what next, this new medium is one we will all have to use wisely. Already, though, it is a positive, exciting way that the Jefferson Health System communicates: www.jeffersonhealth.org offers patients, employees, and the community dependable information from hospitals they trust (and currently receives about 20 million visits a year).

We are also mindful that as we instruct students and professionals, they must be aware of these considerations. Our environment must support, cultivate, and mentor, so that our students will be a credit to their professions and to the many individuals who help them. Thomas Jefferson said that education is a lifelong pursuit. The members of the Jefferson Health System believe in and support that goal.

For each of our staff members, quality means taking ownership for the portion of care they provide. And feeling that they are able to contribute. And that patients are better off for their intervention.

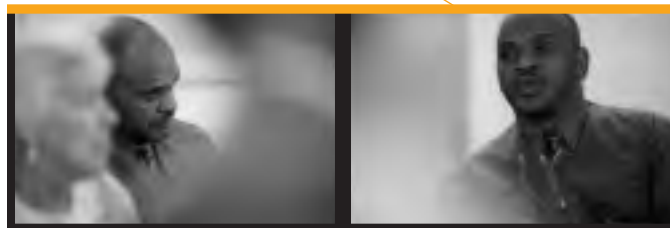
Healthcare is never static. It requires clinical excellence, solid research, and working together for the best patient outcome. It’s a pursuit that physicians and employees of the Jefferson Health System are eager and proud to shoulder.

“Healthcare relies on an ongoing education process that we use to keep up with and also to *establish* regional and national standards of care, which are constantly evolving.”



“One of the changes I see is in clinical trials — we have a lot more of them to offer now. And they are a way for us to give hope to some patients.”

“We are recruiting more of our former patients to help us go out into the community for preventive work. Patients with spinal cord injury have gone with us to help our community programs reach 100,000 kids in the last four years.”



The information age ups the pace of change, solving some problems, adding new ones.

One thing that doesn't change, though, is our core mission and values. Our commitment to provide comprehensive, cost-effective, state-of-the-science health services, with the human touch, is always at the center of our work together.

In the coming years, consumers will gain greater power to vote with their wallets on how we have performed, as they enjoy more options in deciding where their health-care dollars go. In addition, they may group to maximize leverage. Already, our system's Premier Years Program (with membership now at 55,000) is able to provide discount drugs and other benefits to people 55 years or older.

Jefferson Health System will have to be more agile and adjust more quickly, in order to adapt to the impact of technology and medical advances. Information systems that allow us to centralize all of a patient's clinical, financial, and scheduling data, and retrieve it with a touch from anywhere,

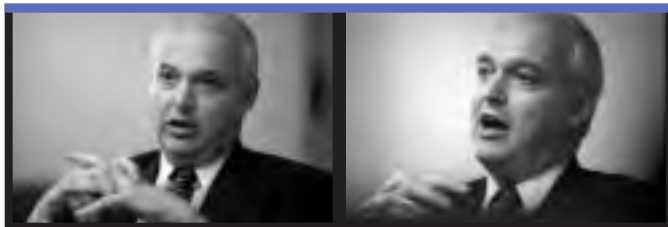
will improve care — and will bring heavier responsibility for safeguarding information.

Meanwhile, patients are arriving at the hospital sicker and for shorter visits, and more people are recovering at home. Our patients and community want us to stay vigilant, making sure that the criteria for admitting and the restrictions on length of stay imposed on hospitals, aren't compromising care. We must also find ways to support family caregivers who take on more responsibility as patients leave the hospital earlier.

As a larger organization, we can speak on behalf of our patients and community to the government and other payers, in order to influence public policy when correction is needed. We must keep our health system healthy so it continues to be a place to generate new knowledge and to make positive differences for the Delaware Valley. After all, we have a legacy to uphold.

“For me as a patient, the responsiveness of a health system comes out in how it deals with people who already on edge — in other words, how its staff responds to individuals who are understandably stressed or frightened. I found nurses especially important because of the amount of time they spend with patients.”





“Our success is predicated on how well we’ve maintained the support of the community — and there, we’ve done well.”



“By going to where care is needed and breaking down the language barrier, our centers bring comprehensive primary care to our non-English-speaking neighbors. This is a commitment to the community that is sustainable and meaningful.”

“Care after discharge has always been less standardized than acute, inpatient care. Whether certain patients get wheel chairs or other much-needed devices, for example, may depend on volunteer donations.”

“Using nurse practitioners as providers, we’ve improved primary care in nursing homes. Sometimes bold moves can be made without enormous cost. It’s simply wrong to abdicate our responsibility to those most vulnerable.”



We don’t just talk about what community outreach means to us, we do it.

To be where our patients need us to be, we have to be part of the fabric of our community. To succeed our communities need to be healthy — that’s why we want to do more than just treat illness.

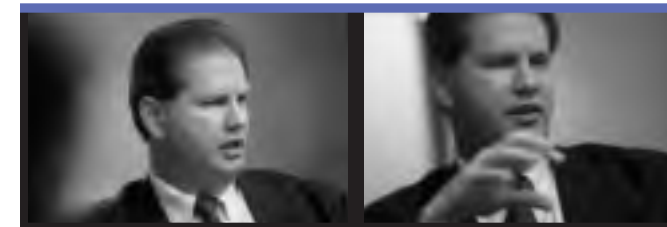
The Jefferson Health System, its affiliates, nearby collaborative community centers, and cooperating faith-based organizations, are addressing well-being in a broad sense — especially in the needier communities — with programs involving food centers, walk-in addiction counseling, HIV testing, after-school programs, women’s healthcare initiatives, legal assistance, and neighborhood clinics. At the same time, Thomas Jefferson University Hospital has instituted its Chinese Health Information Center. Albert Einstein Healthcare Network cooperates with Fern Rock/Ogontz/Belfield Community Development Corp. pursuing jobs and housing to help neighbors to sounder lives. Main Line Health and our system’s Senior Health Institute are pushing quality assurance into senior care. Frankford Hospitals are promoting wellness through nutritional pro-

grams and other steps in their immediate community. And Magee Rehabilitation carries on a gun safety campaign to bring into sharper focus the wheel-chair reality of gunplay’s aftermath.

Prevention, education, and community development are important in healthcare, but hospitals don’t stand alone on these issues. These partnerships with our community make the difference.

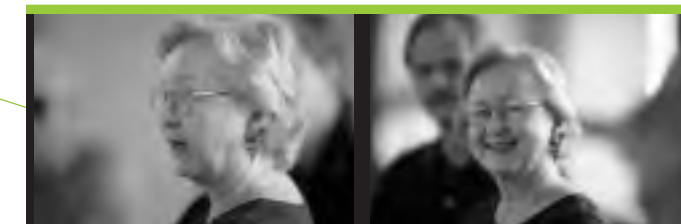
Each year, the Jefferson Health System forgives almost \$100 million in costs and charges for care and services, and yet it does more. It opens cafeterias on some campuses for discounted meals to neighbors in order to combat malnutrition, especially among the elderly. It also supports congregational and parish nurses because they are delivering a needed type of care in the right way and in an effective manner.

Consumers in the Delaware Valley today choose Jefferson Health System hospitals, because we’ve built our reputation within the community over many years of service.



“I believe we are the system of choice now. We must continue to address the challenges while keeping the patients’ trust.”

“It’s the hospitals that are getting squeezed, with slow payments and all. I think the government and people running for office need to pay more attention to the financing of our healthcare.”



We must make our own house as sound as possible, so we can best respond to our community’s need for care.

We are fortunate to be a health system with member organizations that have strong and long-lasting community ties and a history of solid financial performance. However, with the many challenges that face the healthcare industry today, we cannot rely on past performances. We are constantly looking for operational efficiencies, so we can continue to serve our community well into the future.

Being a large health system has generated opportunities that would not have been possible if our member hospitals had not come together. Because of our size, we are able to negotiate better contracts and share valuable resources. As a system, we are looking at areas such as materials and supply management, information systems, compliance and audit, planning, finance, treasury, legal services, human resources, and e-commerce. And we are sharing the wealth of knowledge that exists at each of our members.

This is an interesting time in healthcare. New approaches to medicine, technology, and drugs are introduced constantly. To keep up with the accelerated rate of change, our organization must reinvest in our buildings, our people, our knowledge, and our tools. This level of

investment is only possible if our organization is financially strong. In this way, our robust and efficient business practices support our passion and commitment to delivering high-quality healthcare to our community.

Healthcare is indeed complex. But we enjoy the complexity of what we do. Our work is like that in no other sector. We’re here because we like the company we keep and are proud of what we do — in a nonprofit system composed of first-class providers, medical staff, board members, and employees.

Our communities are familiar with our member organizations. They like and prefer them. They sense our values and integrity. We are working hard to keep their faith. We need to keep speaking the language of our neighborhoods near and distant — so that we’re more effective and can reach out to help. And we need to continue fulfilling our mission in part by assuring integrity and ethics in everything our healthcare workers and professionals do.

Today, the Jefferson Health System is both prudent and optimistic. We combine experience and youthful character. We promise is to continue to make good things happen for and with our communities.

Statement of Operations

Fiscal Year Ended June 30, 2000

How we received our revenues	(\$ in millions)
Net patient service revenue	\$ 1,860.9
Investment income	20.3
Other revenue	92.7
Net assets released from restrictions	20.8
Total Revenues	\$ 1,994.7
How we spent our revenues	
Salaries and employment benefits	\$ 1,064.9
Supplies	319.2
Insurance	48.1
Interest	36.7
Depreciation and amortization	113.7
Provision for bad debts	43.7
External physician, clinical and professional fees	162.4
Other	164.8
Total Expenses Prior to Non-Recurring Charge	\$ 1,953.5
Non-recurring charge	(3.2)
Non-operating revenues	55.5
Assets Generated from Reinvestment	\$ 93.5

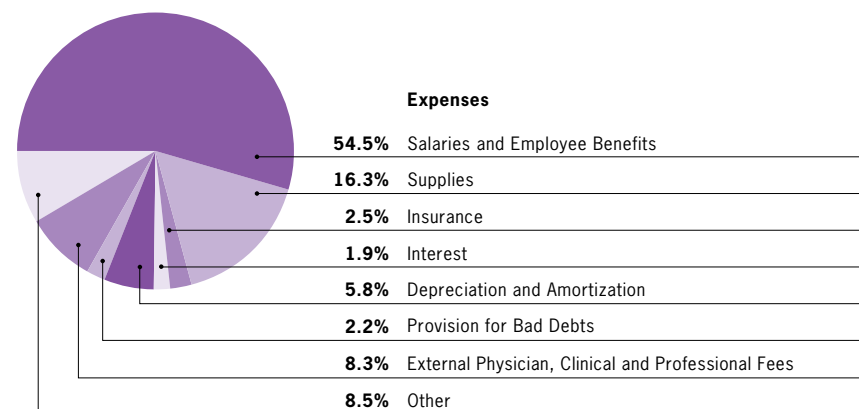
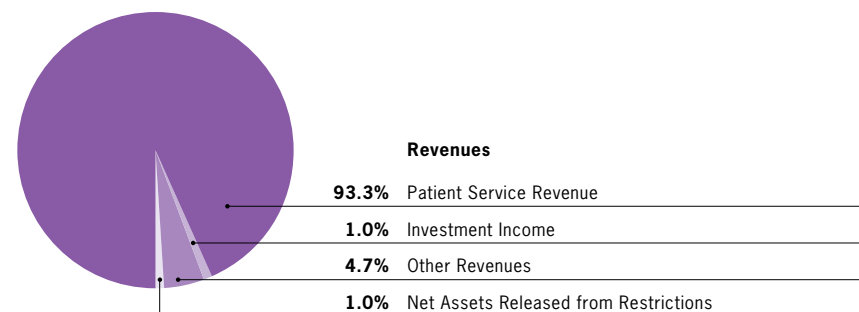
A financial report of Jefferson Health System is available upon request.

Please send all inquiries to:
Michael J. Curran, CPA
Chief Financial Officer
Jefferson Health System
Suite 290
259 N. Radnor-Chester Road
Radnor, PA 19087-5261

Statement of Financial Position

Fiscal Year Ended June 30, 2000

Assets	(\$ in millions)
Cash and investments	\$ 242.3
Accounts receivable	343.9
Assets whose use is limited	359.7
Assets held by affiliated foundations	412.5
Long-term investments	336.8
Property, plant and equipment	897.2
Beneficial interest in perpetual trusts	77.9
Other assets	131.2
Total Assets	\$ 2,801.5
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	\$ 262.8
Accrued professional liability claims	69.2
Other liabilities	52.5
Accrued pension liability	82.0
Long-term obligations	672.6
Total Liabilities	\$ 1,139.1
Net Assets	
Unrestricted	\$ 1,407.0
Temporarily restricted	107.6
Permanently restricted	147.8
Total Net Assets	\$ 1,662.4
Total Liabilities and Net Assets	\$ 2,801.5



Jefferson Health System

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**The Jefferson Health System
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Albert Einstein Healthcare Network

Frankford Hospitals

Magee Rehabilitation

Main Line Health

Thomas Jefferson University Hospital



Jefferson Health System

It all begins with the human touch.

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Radnor, PA 19087-5261

610-225-6200

www.jeffersonhealth.org