

Obstacles are those frightful
things you see when you take
your eyes off your goal.

—Henry Ford


MCG
Health System

2 0 0 3 A N N U A L R E P O R T





One of the metrics by which we measure whether or not we have achieved world-class status is Solucient’s 100 Top Hospitals®. MCG Health System recently became one of 16 major teaching hospitals to be named to the list of Solucient 100 Top Hospitals based on 2002 results. This is a significant achievement that signifies that we are a high performance institution and one of the nation’s leading academic medical centers. We are proud to have achieved this major milestone three years ahead of schedule.

For 10 years, Solucient has used objective statistical analyses of public data to benchmark high performance practices. The methodology brings together a group of eight measures of clinical quality practice, and operations and financial management that benchmark superior hospital performance. The eight measures are: risk-adjusted mortality index; risk-adjusted complications index; severity-adjusted average length of stay; expense per adjusted discharge, case mix- and wage-adjusted; profitability (operating profit margin); proportion of outpatient revenue; productivity (total asset turnover ratio); and coding specificity rate. We exceeded the median of the top performers in six out of the eight measures.

This achievement places us in prestigious company – Mayo Clinic, The Ohio State University Hospitals, Vanderbilt University Medical Center, Medical College of Virginia Hospital, University of Virginia Medical Center and University of Wisconsin Hospital & Clinics – to name a few of the others included in the major teaching hospital category.

At-a-glance

MCG Health System is composed of MCG Health, Inc. and the clinical services of the faculty of the Medical College of Georgia and the members of the Physicians Practice Group (PPG). MCG Health, Inc. is a not-for-profit corporation that operates the hospitals and clinics.

Our medical complex includes a 483-bed Medical Center, a 149-bed Children’s Medical Center, an Ambulatory Care Center with more than 80 outpatient specialties in one convenient setting, the Georgia Radiation Therapy Center, a Specialized Care Center that houses a 13-county Level I regional trauma unit, the Keysville Family Health Center and the Sports Medicine Center.

In 2003, the health system welcomed several physician offices owned and operated by PPG. They are the Eye Care Associates, Eye Care Associates of South Augusta, Reproductive Medicine and Infertility Associates, Internal Medicine Primary Care Associates and Pediatric Primary Care Associates.

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To Our Stakeholders



Don Snell and Donald M. Leebern, Jr.

Despite an increasingly challenging economic climate, we once again surpassed our performance of the previous year. The men and women of our health system consistently achieve and exceed their performance goals because they have a bias for action that is underscored by their ability to execute and deliver. Indeed, we would not have been capable of accomplishing all that we have in such a short period of time if not for our tenacity, focus and drive.

During the past year, we made continued progress toward world-class status. Robust patient volume drove the health system's profitability and business growth. For the first time, we achieved our cash flow goal and reduced days in accounts receivable by 20 days. Patient satisfaction increased to within desired ranges.

Achieving our goals has not been easy. Nevertheless, we were successful. In fact, we were named one of 16 major teaching hospitals selected for the prestigious Solucient 100 Top Hospitals award for 2002. This was among our goals to be achieved by the end of 2005, but we accomplished it within only two years. For 10 years,

Solucient has used objective statistical analyses of public data to benchmark high-performance practices. This methodology brings together a group of eight measures of clinical quality practice, and operations and financial management that benchmark superior hospital performance. The eight measures are: risk-adjusted mortality index; risk-adjusted complications index; severity-adjusted average length of stay; expense per adjusted discharge, case mix- and wage-adjusted; profitability (operating profit margin); proportion of outpatient revenue; productivity (operating profit margin); proportion of outpatient revenue; productivity (total asset turnover ratio); and coding specificity rate.

Financial and Operational Results

- Generated a total margin of \$25 million
- Grew our volume by 15 percent
- Increased our admissions by 12 percent over the previous year
- Increased Emergency Department visits by 10.5 percent
- Reduced the cost per discharge to \$7,756
- Reduced accounts receivable by 20 days
- Reduced risk-adjusted mortality for a third year in a row
- Increased overall patient satisfaction for a third year

Operational Performance

Among our numerous operational achievements this year, there is one that is radically changing our health system. The changes in our patient access process and the functions that support this process have resulted in immediate service enhancements. We now have a "one call does it all" service center through which patients can schedule services, including multiple appointments.

During the fiscal year, we eliminated plans to build a Geriatric Center of Excellence. On closer examination we determined that we could easily, efficiently and effectively fold care for the senior population into our other centers and programs.

We have partnered with Select Medical Corporation to operate a Long Term Acute Care Hospital for patients with complex and chronic medical problems and those who are unable to care for themselves for an extended period of time.

Our data indicates that there is a market for top-notch cardiovascular services in this area. As a result, we are in the process of developing a Cardiovascular Center of Excellence that will combine the best and brightest physicians, the most sophisticated technology and the most advanced research to deliver the best possible care to our patients.

A Winning Team

It is true that nothing succeeds like success. Our repeated successes have helped us attract nationally known physician-scientists.

Nephrologist and physician-scientist Dr. Steve J. Schwab joined us as Chairman of the MCG Department of Medicine. Dr. Schwab was formerly Vice Chairman of the Department of Medicine at Duke University Medical Center.

We named Dr. Kevin P. Landolfo our Chief of Cardiothoracic Surgery. Dr. Landolfo is the former Co-director of the Duke Therapeutic Angiogenesis Research Center and Director of the minimally invasive and robotic cardiac surgery program at Duke University Medical Center.

Dr. Carolyn K. Landolfo, cardiologist and former Director of Adult Echocardiography at Duke, was named

Organizational Performance Goals

Measurement Category	Index	Year Ending June 30, 2000	Year Ending June 30, 2001	Year Ending June 30, 2002	Year Ending June 30, 2003	FY 2004 Goal
Financial Success	Total Margin	0%	6.8%	8.8%	6.9%	8%
Business Growth	Volume Units	619,834	647,068	661,096	762,698	5% Growth Over FY 2003
Cost	Solucient Cost Per Adjusted Discharge	\$10,228	\$9,726	\$7,829	\$7,756	\$5,568
Cash Flow	Net Days in Accounts Receivable	196 Days	101 Days	89 Days	69 Days	63 Days
Clinical Quality	UHC Total Mortality (Observed vs Expected)	1.29	1.12	1.08	1.06	0.9
Customer Satisfaction	Press Ganey Overall Satisfaction Score	N/A	83.46	84.94	85.12	75th Percentile (National Data Base)

achieve & exceed

Associate Professor of Medicine. The recruitment of Drs. Landolfo signifies our commitment to build a Cardiovascular Center of Excellence.

Dr. James D. St. Louis, a pediatric CT surgeon, joins us from Hasbro Children's Hospital.

Our Oncology Center of Excellence grows stronger and more prestigious with the additions of Drs. Thomas N.T. Wang and Daniel Albo. These surgical oncologists joined us from the University of Texas M.D. Anderson Cancer Center.

Last year we recruited Dr. David J. Terris away from Stanford University to head our newly created Otolaryngology (head and neck surgery) service. Since that time he has built a team of outstanding physicians, including Drs. Stilianos Kountakis (recruited from the University of Virginia) and Achih Chen (recruited from Beverly Hills), and instituted new clinical services and procedures. For example, he formed a multidisciplinary Head and Neck Tumor Board composed of specialists from head and neck surgery, medical oncology, oral surgery and speech pathology. This Board meets weekly to take a holistic approach to evaluating newly referred patients and identifying treatment options.

Hematology/oncology welcomed Drs. Oscar Ballester, Director of the Bone Marrow Transplant Program, and John Hiemenz, Associate Director of the Bone Marrow Transplant Program, formerly of Albany Medical Center and the Moffitt Cancer Center.

Dr. Andrew B.S. Muir joined us as Chief of Pediatric Endocrinology. Dr. Muir was previously at the University of Florida/Shands.

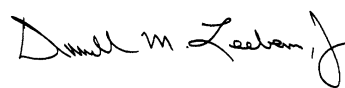
Looking Ahead

We have again set stretch goals for the coming year.

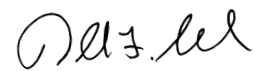
- Achieve an 8 percent total margin
- Continue to increase patient volume by 5 percent
- Reduce observed versus expected risk adjusted mortality rate to 0.9
- Achieve an overall patient satisfaction rate at the 75th percentile of the Press Ganey national data base of participating hospitals
- Reduce our accounts receivable to 63 days
- Reduce the cost per adjusted discharge to \$5,568

Our sincere appreciation goes to all of you – our patients, Board of Directors, physicians, nurses and allied health professionals, administrators, volunteers, vendors and other stakeholders — who made FY 2003 a success. The road has sometimes been rough and the path unclear, but we've stayed the course.

Fiscal year 2004 is a pivotal year for us. For the upcoming year, the fourth in our brief history, our governors, medical staff, management and employees are prepared to make continued progress toward our goal of being in the top quartile of academic medical centers by the end of 2005. We are very close to reaching our goal. We will not falter.



Donald M. Leebern, Jr.
Chairman of the Board



Don Snell
President and CEO

July 1, 2003

Promoting Clinical Quality

To improve quantifiable clinical outcomes by promoting optimal clinical quality through continuous monitoring, trending and evaluation of the quality management and outcomes measurement process.

Not surprisingly, clinical quality tops the list of our strategic initiatives. As consumers grow increasingly sophisticated and as metrics for measuring clinical quality proliferate, MCG Health System has become considerably more aggressive and deliberate in pursuit of clinical excellence. In fact, it is our desire to educate consumers so that they'll be more apt to identify and demand clinical quality. When that happens, we will be recognized as a market leader based on the factors that count – clinical quality metrics.

Achieved Top JCAHO Scores

When we completed our triennial survey by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) in September 2001, we did so with a preliminary score of 89 and three Type 1's, the most serious infractions.

Although the team of surveyors stated that they had not given a score higher than 91 and no institution had

managed without a Type 1 within the previous year, we were not satisfied. Since that time, we worked to clear the Type 1's and now have a final score of 94 with no Type 1's.

Taking Top Honors

We were named one of 16 major teaching hospitals selected for the prestigious Solucient 100 Top Hospitals award for 2002. This was among our goals to be achieved by the end of 2005, but we accomplished it within only two years. For 10 years, Solucient has used objective statistical analyses of public data to benchmark high-performance practices. This methodology brings together a group of eight measures of clinical quality practice, and operations and financial management that benchmark superior hospital performance. The eight measures are: risk-adjusted mortality index; risk-adjusted complications index; severity-adjusted average length of stay; expense per adjusted discharge, case mix- and wage-adjusted; profitability (operating profit margin); proportion of outpatient revenue; productivity (operating profit margin); proportion of outpatient revenue; productivity (total asset turnover ratio); and coding specificity rate.

Our cancer program earned a perfect score from the Commission on Cancer of the American College of Surgeons, putting it among the best in the nation.

clinical excellence

Delivering Integrated Health Care

To link the components of the health care delivery system into an integrated clinical enterprise structured to improve clinical, financial and operational performance within the organization.

Having a disparate set of services thrown together in a disjointed fashion serves neither our patients nor our institution well. That is why, in a relatively short period of time, we have created a coherent, coordinated and integrated health system.

Expanded Services

In January 2003, we opened our 10-bed Emergency Department (ED) Observation Unit to house the growing number of ED patients who require short-term observation for our physicians to make an accurate diagnosis, to determine if the condition is benign or serious or to provide a few more hours of treatment. The unit has resulted in more effective treatment for our patients and improved efficiency of operations.

With the introduction of laser vision correction, more commonly known as LASIK, the eye physicians and surgeons of Eye Care Associates have helped free thousands of patients from the hassles of glasses or contact lenses. Eye Care Associates also opened a new facility in South Augusta and began offering specialized eye care consultations in Washington, Ga.



& operational performance

Stabilizing and Growing Financial Resources

To establish and implement cost reduction, and unit cost management targets and measurements in order to reserve funds for reinvestment in the future of the organization.

In just three short years, our organization has come a long way – from a potential \$25 million shortfall to a \$25 million operating margin. Because we have aggressively managed our costs, remained financially focused and maintained fiscal discipline, we are poised for further growth and expansion.



Improved Perioperative Services

We continue to implement our Perioperative Services Improvement Plan to maximize the use of our facilities and to improve the management of our medical resources. Most importantly, we want to ensure that surgery patients experience efficient service.

Managing Our Workforce

We remained diligent about managing our workforce to maintain proper staffing levels based on benchmarked metrics. We have also ensured that staffing vacancies are filled based on having adequate workloads to justify each position.

Training Our Management

Understanding and managing budgets, creating performance dashboards, leading customer service improvements, change management and leading teams are just a few of the training programs we have provided to our directors and managers to ensure greater efficiency and effectiveness.

Minority Purchasing

We continue to monitor and aggressively pursue our initiatives to purchase goods and services from minority vendors.

growth, expansion

Providing a Continuum of Care

To ensure patient continuity through the delivery of quality care in the right setting by the right provider.

MCG Health System provides a set of progressive, cohesive and comprehensive services to ensure continuity of care.

Long Term Acute Care

MCG Health System partnered with Select Medical Corporation to locate a Long Term Acute Care Hospital within the MCG hospital complex. The “hospital within a hospital” is dedicated to providing specialized acute care for medically complex patients. The 35-bed unit is called Select Specialty Hospital and has its own CEO, governing board, medical director and medical staff.

Those who benefit from this new hospital include patients with medically complex problems, acute or chronic respiratory disorders and impaired tissue integrity. Patients include those who are at high risk for complications, are unable to withstand three hours of intensive therapy or require too high a degree of nursing/respiratory care to be acceptable for most acute rehabilitation programs.

Partnering with Walton Rehabilitation Hospital

MCG Health System now occupies three seats on the Board of Directors of Walton Rehabilitation Hospital. We are also assisting Walton in the development of a detailed strategic plan through which Walton will achieve world-class status.

Conveniently Located Services

During the year, several clinical services expanded into the community, providing patients with greater access and more convenience. Most notably, Internal Medicine Primary Care Associates relocated to West Augusta, and Pediatric Primary Care Associates and Reproductive Medicine and Infertility Associates moved to 15th Street locations. Eye Care Associates opened for business in South Augusta and began offering specialized consultations in Washington, Ga.

& partnership



Building Centers of Excellence

To develop and promote premier centers providing superior customer service, exceptional clinical quality, recognized academic excellence and innovative research with a multidisciplinary focus that exceeds the expectations of patients, purchasers, referring physicians and non-physician providers.

The confluence of our three missions – patient care, teaching and research – is exemplified in our centers of excellence. A Center of Excellence is defined as having standard protocols that all physicians use to guarantee uniform patient care, cutting-edge research that leads to improved diagnosis and treatment, a variety of specialists that bring a multidisciplinary focus, measurement of clinical results and patient satisfaction after each episode of care, patient education and systems that provide timely feedback to referral sources. Over time, we expect our Centers of Excellence to be perceived as providing significantly better care than other such services in the marketplace.

Governor Sonny Perdue and First Lady Mary Perdue toured the Children's Medical Center.



Children's Medical Center

Our patients and their families continue to rank the Children's Medical Center among the top in the nation.

The clinical and surgical volume of the hospital's full-service pediatric urology program for those 18 years and under continues to grow each month. The program sees a large volume of patients with complex congenital anomalies such as neurogenic bladder disease and spina bifida.

We were successful in our bid for recertification by the state of Georgia as the region's only designated pediatric trauma center. The Children's Medical Center is one of only a few Level III (highest rated) perinatal centers in the state that cater to the special health needs of high-risk babies.

The hospital played host to newly elected Governor Sonny Perdue and his wife, Mary. Governor Perdue toured the hospital, visited with patients and their families and held a news conference during which he addressed issues related to children's health. First Lady Mary Perdue subsequently visited the hospital to read to a group of patients and to rock babies.

The Children's Medical Center was one of only six in the U.S. and the only acute care facility in the South selected to participate as a pilot site for a project on emergency care plans for children with special health needs. The National Association of Children's Hospitals and Related Institutions and the National Emergency Medical Services for Children Council are conducting the project.

We are in the final stages of considering business plans on the optimum organizational structure for the Children's Medical Center.

Cardiovascular

As the first step to developing a Cardiovascular Center of Excellence, we recruited top leadership – Dr. Kevin P. Landolfo and Dr. Carolyn K. Landolfo.

Dr. Kevin P. Landolfo joins us as Chief of Cardiothoracic Surgery after serving as Co-director of the Duke Therapeutic Angiogenesis Research Center and Director of the minimally invasive and robotic cardiac surgery program at Duke University Medical Center.

We named Dr. Carolyn K. Landolfo, cardiologist and former Director of Adult Echocardiography at Duke, to the post of Associate Professor of Medicine.

We added 25 medical/surgical beds with telemetry capability to accommodate an increase in our Cardiology and Cardiac Surgery patient volume.

Musculoskeletal

We look to develop a Musculoskeletal Center of Excellence, which will include occupational medicine. We believe a first-rate occupational medicine program will fulfill the currently unmet needs of local businesses.

Neuroscience

MCG launched the REACH program (Remote Evaluation of Acute IsCHemic Stroke) in early 2003. Using a web cam and computer database, MCG neurologists provide stroke care to rural hospitals 24/7 by helping medical professionals administer tPA. The clot-busting drug can mitigate the possible debilitating effects of a stroke if given within three hours.



MCG physicians can actually see patients via a secure feed, evaluate physical signs and symptoms, download information regarding medical history from the participating hospital and send back instructions.

The pilot project currently partners MCG with McDuffie Regional Hospital in Thomson, Ga., as well as Emanuel County Hospital in Swainsboro, Ga., Jenkins County Hospital in Millen, Ga., Wills Memorial Hospital in Washington, Ga. and Washington Regional Medical Center in Sandersville, Ga. The project is under development at Morgan Memorial Hospital in Madison, Ga. and Jefferson County Hospital in Louisville, Ga. The project has the promise of expanding to an even larger network of rural hospitals in the near future.

MCG Health System became second in the state to use microelectrode recording technology to help patients gain control over the tremor, rigidity, slowness of movement and equilibrium commonly associated with Parkinson's Disease. The system provides important information during Deep Brain Stimulation, a procedure in which electrodes are inserted into a hyperactive area of the brain. The microelectrode recording system identifies the target area by its characteristic electrical discharges, after which a stimulating electrode is permanently implanted.

The Neuroscience Center also opened a Memory Disorders Clinic that includes neuropsychological testing, family counseling and research on the genetics of Alzheimer's disease and delirium.

The Neuroscience Center had a very successful year, making a net contribution of more than \$1.5 million to our operating margin.

Oncology

A new cellular-imaging system based on technology developed by NASA as part of the U.S. Strategic Defense Initiative, better known as Star Wars, helps MCG Health System pathologists locate cancer cells. We are the first in the region to use the ChromaVision Automated Cellular Imaging System to detect, count and classify abnormal cells based on color, size and shape.

This new technology can locate a single tumor cell among 10 million normal cells and track numbers of cancer cells to determine if the disease is proliferating. It can also measure the quantities of certain proteins expressed by cells, important in determining the efficacy of cancer drugs and a patient's prognosis. Pathologists can then provide oncologists with a comprehensive report that will assist in their clinical decision making.

The system is primarily used to detect breast cancers, but also has applications for gastrointestinal tumors, which have a well-recognized set of tumor markers.

The Georgia Radiation Therapy Center has undergone significant improvements and additions, enabling it to increase the types of services it offers to a greater number

of cancer patients throughout the region. Improvements include an upgrade to one of our four linear accelerators to provide Intensity Modulated Radiation Therapy (IMRT). IMRT gives cancer patients the benefit of much more precise and focused radiation treatment. In addition, we have purchased an additional IMRT-ready accelerator.

The Georgia Radiation Therapy Center has been expanded to house an open combination PET/CT scanner with simulation capability. The Positron Emission Tomography/Computerized Tomography Scanner provides the best diagnostic imaging technology available for detecting cancers early, evaluating recurrence and showing the patient's response to therapy. Ours was the second open Phillips PET/CT installed in the world. There are now approximately six units installed with seven more ordered. There are more than 200 PET/CTs of all types installed worldwide.



Each week a multidisciplinary Head and Neck Tumor Board – composed of specialists from head and neck surgery, medical oncology, radiation, oncology, oral surgery and speech pathology – meets and prospectively evaluates newly referred patients. Following those one-stop patient evaluations, the team reviews X-rays and histology slides with head and neck radiologists and pathologists. All reasonable treatment options, including state-of-the-art protocols, are considered in a spirited discussion. That same morning, the group again meets with each patient and schedules any appointments and interventions necessary to begin treatment.

In addition to providing patients with access to multiple specialists in a single setting, the Tumor Board serves as an excellent source of patients for clinical trials. We offer innovative surgical techniques, including minimally invasive neck surgery. MCG Health System is the only institution in the South that offers thyroidectomy under local anesthesia and parotidectomy through a facelift incision that helps hide the scar.

The Head and Neck Tumor Board is spearheaded by Dr. David J. Terris, a physician-scientist who joined MCG to head the newly created Department

of Otolaryngology (head and neck surgery) after serving for many years as a physician leader at Stanford University. Dr. Terris was selected from among 39 candidates for the Gyrus Leadership Development Program of the American Academy of Otolaryngology, a new program designed to foster leadership qualities.

For the past several years, we have worked to forge a collaborative educational, research and clinical partnership between MCG Health System and the University of Georgia. Our goal is to build on the strengths of our respective institutions to secure National Cancer Institute designation as a Comprehensive Cancer Center within eight years. We took a step in the right direction this past year when we secured provisional designation from the Georgia Cancer Coalition for a comprehensive center of excellence in cancer. This paired MCG and the University to develop a Regional Program of Excellence to coordinate the efforts of the clinical delivery systems in Athens and Augusta.

Women's Health

We completed the renovation of our mammography suite, adding a dedicated breast ultrasound room, a patient education area with a computer cart for research, and a more spacious and comfortable waiting room. The dressing rooms were also renovated to include greater privacy and upscale amenities to create a spa-like atmosphere for our patients.



Developing Enterprisewide Information Systems

To develop a cost-efficient information system that merges clinical and financial data into timely, user-friendly information for the health system.

This is the information age. Information has to be timely, accurate and interactive. This is particularly true in a clinical setting where split-second, data-based decisions must be made. In three short years, we've come a long way in developing our information systems from disparate manual and semi-automated processes to fully integrated and automated systems. This fiscal year, we invested more than \$5 million to ensure that our operations are supported by world-class information systems.

Upgraded Existing Systems

We upgraded the patient management system that serves as the repository for all patient medical records as well as our patient accounting system. This upgrade has resulted in more accurate and timely patient information for diagnostic and billing purposes. While we have upgraded our system and become more efficient, we also took additional measures to secure confidential information.

Installing New Systems

The majority of our work has been in the area of acquiring and building new systems. For example, we constructed online databases for determining on-call schedules, tracking employee attendance, scheduling the operating rooms, managing personnel expenses, compiling all feedback from patients from a variety of sources, and preparing capital and expense budgets.

Perhaps the most important system installation in which we've engaged this year is the IDX patient access system. This system, scheduled to go live in the fall of 2003, will allow us to schedule multiple appointments in a centralized manner and through a "one call does it all" center.

In December 2002, we completed an agreement with Cerner Corporation of Kansas City to begin implementation of an entire suite of clinical applications. This multi-year, multi-million dollar effort will transform our current clinical process by providing real-time access to clinical data at the point of service. In addition, we successfully deployed integrated technology in our operative services area that links patient monitoring devices to state-of-the-art computer systems to ensure high-quality outcomes. We also deployed a new patient transport system to ensure our patients are moved efficiently throughout our health care system.

integrated & automated

Managing Indigent Care

To effectively manage indigent care within available resources.

MCG Health System is one of more than 80 hospitals across the state receiving funds to help provide medical care to the indigent. Last year, we received \$12.1 million in state indigent care funding. However, we provided \$136 million in uncompensated care.

Communicating Our Policies

During the year, we packaged our 14-page indigent care policy into a user-friendly brochure and distributed it to our medical staff, employees, clinical practice sites and referring physicians so that all affected populations would become aware of our policies and practices for caring for the indigent.

Successfully Completing the Audit

We successfully completed an operational audit conducted by Georgia State University for the Georgia Department of Community Health as well as the annual financial audit conducted by the state's audit staff for the Georgia Department of Community Health. The state was satisfied that we are applying state funds to meet the needs of the indigent and that we are complying with the terms of our agreement.



Strengthening Community Relationships

To develop and maintain a proactive community involvement and outreach program aimed at creating an inclusive and lasting relationship with the community.

We live here, too. As a result, our employees are active participants in and supporters of numerous community and charitable events.

Camps

Each year, we host Camp Rainbow, a free summer camp for children with cancer or a rare blood disease. The weeklong event is held at Camp Twin Lakes in Rutledge, Ga., and allows patients and their siblings to enjoy a break from hospital stays and clinic visits.

Camp Joint Venture, a weekend for children with autoimmune diseases and rheumatoid arthritis, is also held each year at Camp Twin Lakes.

Muscular Dystrophy Association

We supported the Muscular Dystrophy Association telethon by raising more than \$2,500.

Relay for Life

Each year, MCG Health System actively supports the American Cancer Society's Relay for Life of Richmond-Columbia County. In 2003, our faculty, staff, students, cancer patients and family members raised nearly \$21,000. Health system staff served as event chair and co-chair.

United Way

This year we exceeded our goal and raised nearly \$54,000 for the local United Way.

The Ultimate Drive™

Our staff served as co-chairs of the BMW of North America Inc. Ultimate Drive for the Susan G. Komen Breast Cancer Foundation, for which we helped raise nearly \$7,000. The Ultimate Drive is a nationwide breast health awareness campaign where participants are invited to test drive a new BMW. For each mile driven, BMW contributes \$1 to the Foundation on behalf of the driver. One of our employees, a breast cancer survivor, was honored as a "Local Hero" at the event.

March of Dimes Walk

Our staff participated in the walk with several teams, chaired by the leadership of the Neonatal Intensive Care Unit, to raise funds for the prevention of birth defects and to help improve the health of Georgia's babies.

participation & support



Tour de Georgia

The MCG Cancer Center was the local presenting sponsor of the inaugural Tour de Georgia. The event is a six-day professional cycling race sanctioned by the International Cycling Union. Proceeds from the Tour de Georgia benefited the Georgia Cancer Coalition.

Share and Care

Each year, MCG Health System invites children recently diagnosed with cancer and their families to participate in a weekend retreat to share their experiences in a relaxed, nonclinical environment. Special programs were offered to help parents understand the challenges that await them and the treatments their children will face. While parents engaged in support groups, the children and their siblings enjoyed fun activities.

Juvenile Diabetes Research Foundation Walk to Cure

MCG Health System fielded the largest walk team in the state and helped raise more than \$45,000.

Sibling Day

Siblings want their sick brother or sister to get better, but often they feel left out because of the amount of attention focused on the sick child. Many times, they simply do not understand what their sick sibling has to endure. Annually, we host Sibling Day to provide siblings of children with cancer the opportunity to visit the clinic and learn about hospital and treatment routines.

Support Group for Grieving Parents

This year, we formed the MCG Support Group for Parents Who Have Lost a Child During Pregnancy, Childbirth or Early Infancy to provide a resource for parents and other family members to turn to for support. The group meets monthly.

Job Shadow Day

Students from Richmond and Columbia County high schools job shadowed numerous health system employees to learn about health care career opportunities.

Expanding Networks to Deliver Care

To form an integrated delivery network through partnerships and affiliations with rural and community providers and organizations to the mutual benefit of all parties involved in order to positively impact community health status and optimize patient care.

Since Georgia has the dubious distinction of being a leader in the incidence of stroke, cancer and other serious diseases, the state has a considerable need for quality health care, particularly in rural areas. MCG Health System has made significant progress in serving the unmet needs of underserved populations.

Expanded CAH Relationships

In fiscal 2003, we expanded our Critical Access Hospital (CAH) partnerships by formalizing relationships with Morgan Memorial Hospital (Madison, Ga.) and Jenkins County Hospital (Millen, Ga.). Previously, we formed agreements with Wills Memorial Hospital (Washington, Ga.) and Minnie G. Boswell Memorial Hospital (Greensboro, Ga.). CAHs continue to see patients, but those who are critically ill or require an extended length of stay could be transferred to MCG Health System.

Partnered with Reynolds Plantation

We reached an agreement with Reynolds Plantation and the Physicians Practice Group to develop a primary and specialty care facility in Lake Oconee Village, the commercial development of Reynolds Plantation. This partnership allows us to appropriately broaden and improve our health care delivery to residents throughout the state and region.

We are also involved in collaborative community health initiatives with several community health centers, including the Tri-County Community Health Centers in Warrenton, Gibson, Sparta, and Crawfordville, Ga.; the East Georgia Health Center in Swainsboro, Ga.; the Community Health Care System clinics in Wrightsville, Tennille and Sandersville, Ga.; and the TenderCare Clinics in Greensboro and Eatonton, Ga. Additionally, we collaborate with the East Georgia Health Cooperative and their member hospitals in Louisville, Sandersville, Millen and Swainsboro, Ga.



patients & families

Delivering Customer Service

To provide excellent customer service in a compassionate, healing environment that reflects the philosophy of patient/family-centered care.

We are redefining our relationships with our patients. Through our patient and family-centered approach to providing care, we hope to achieve better health outcomes, make wiser use of our resources and obtain greater patient and family satisfaction.

Improving Patient Satisfaction

Over the year, the Children's Medical Center, Georgia Radiation Therapy Center and Senior Health Center consistently scored in the 90s in patient satisfaction. The Children's Medical Center continues to be among the top-ranked children's hospitals in the nation.

MCG Health System has been named the winner of the National Research Corporation 2003 Consumer Choice Award for overall quality. This award is based on a survey of the region's consumers.

Formalizing Customer Satisfaction Initiatives

We formed a Customer Satisfaction Steering Team as a formal means of planning and implementing efforts designed to focus attention on patient satisfaction and ultimately, raise patient satisfaction scores. We activated 10 sub-groups, including Accountability, Measurement and Feedback, Problem Solving and Process Improvement, Interdepartmental Service, Reminders and Refreshers, Communication, Staff Development and Training, MD Involvement, Rewards and Recognition, and Family and Patient-Centered Care.

Improving Physician Satisfaction

Our first-time-ever physician satisfaction survey provided us with valuable data we are using to improve satisfaction among physicians.



Education and Research

A fiscal year operating margin of \$25 million allowed the clinical enterprise to transfer 43 percent, or more than \$10.9 million, to the Medical College of Georgia to help educate the next generation of health care professionals and to foster research and discovery. This is in addition to the transfer of almost \$23 million for faculty salaries and resident and fellow salaries and benefits.

We helped fund the education of 731 medical, 345 nursing and 473 allied health sciences students, and contributed to overhead and expenses on 75 of the 370 research projects awarded to the Medical College of Georgia during the fiscal year.

We provided 430 residents with hands-on experience as they rotated through the hospitals and clinics during the year. We increased the number of residents and fellows we support from 319.23 to 322.2 full time equivalents and increased our support for Graduate Medical Education programs by \$56,000 to \$6.138 million.

educate & foster



MCG Health, Inc. (MCGHI) President and CEO Don Snell (left) and MCGHI Board Chairman Donald M. Leebern, Jr. (right) presented a check for \$10,995,845.82 to Dr. Daniel W. Rahn (center). The check represents 43 percent of MCGHI's margin.

Balance Sheet*

June 30, 2003 and 2002

Assets	2003	2002
Current assets		
Cash and cash equivalents	\$ 23,806,016	\$ 22,969,404
Short-term investments	80,253,581	71,864,201
Assets limited as to use	1,823,689	2,144,591
Patient accounts receivable, net of allowance for doubtful accounts of approximately \$38,145,000 in 2003 and \$26,545,000 in 2002	60,762,900	63,993,700
Other receivables	5,229,202	3,482,329
Inventory	2,187,132	1,944,317
Prepaid to related party	1,100,754	—
Other current assets	1,322,454	1,263,554
Total current assets	176,485,728	167,662,096
Assets limited as to use	3,917,117	1,600,000
Long-term investments	9,284,545	9,663,030
Capital assets, net	51,478,650	44,095,494
Investment in affiliates	778,719	823,660
Total assets	\$ 241,944,759	\$ 223,844,280
Liabilities and Net Assets		
Current liabilities		
Current installments of obligations under capital leases	\$ 760,312	\$ 763,381
Accounts payable	9,973,244	6,390,932
Accrued salaries and wages	4,129,360	3,894,533
Accrued compensated absences	7,697,783	6,762,624
Accrued expenses and other current liabilities	7,807,274	6,661,571
Due to related party – margin allocation	10,831,323	12,392,488
Due to related parties	1,586,968	3,365,375
Unearned revenue	1,823,689	2,144,591
Estimated third-party payor settlements	9,406,000	8,425,000
Total current liabilities	54,015,953	50,800,495
Commitments and contingencies		
Obligations under capital leases, net of current installments	1,286,236	759,014
Total liabilities	55,302,189	51,559,509
Net assets		
Invested in capital assets net of related debt	49,432,102	42,573,099
Unrestricted	137,210,468	129,711,672
Total net assets	186,642,570	172,284,771
Total liabilities and net assets	\$ 241,944,759	\$ 223,844,280

*Audited

Statement of Operations*

Years ended June 30, 2003 and 2002

	2003	2002
Operating revenues		
Net patient service revenue	\$ 319,467,565	\$ 263,128,412
Provision for bad debts	(51,698,072)	(41,757,959)
Indigent Care Trust Fund revenue	12,112,554	24,245,779
Revenue from contractual services	34,380,450	37,731,648
Other operating revenue	22,626,286	23,490,215
Total operating revenues	336,888,783	306,838,095
Operating expenses		
Salaries and wages	112,733,628	101,608,737
Employee benefits and payroll taxes	37,500,684	31,518,185
Purchased services	36,150,621	34,757,259
Utilities	2,651,626	2,398,996
Insurance	3,307,053	4,208,651
Supplies expense	81,399,050	71,774,079
Depreciation and amortization	9,412,127	8,916,894
Other operating expenses	26,867,220	22,711,024
Collections expense	2,760,514	2,663,019
Strategic initiatives	2,200,666	442,924
Total operating expenses	314,983,189	280,999,768
Operating income	21,905,594	25,838,327
Nonoperating revenues		
Investment income	3,231,493	2,648,508
Net gain on disposal of property and equipment	52,035	2,494,385
Excess of revenues over expenses before combined margin allocation	25,189,122	30,981,220
Combined margin allocation	(10,831,323)	(12,392,488)
Increase in net assets	14,357,799	18,588,732
Net assets, beginning of year	172,284,771	151,496,039
Contribution from related party	—	2,200,000
Net assets, end of year	\$ 186,642,570	\$ 172,284,771

*Audited

Statistical Summary

Patient Statistics	2002	2003
Births	1,633	1,573
CMC Cases	4,424	5,022
Operating Room Cases	8,954	10,093
Special Procedures/Endoscopy Cases	4,460	4,866

Emergency Services Visits	2002	2003
	67,602	75,592

Admissions	2002	2003
	18,252	20,188

Uncompensated Care Provided	2002	2003
(in millions)	\$ 130	\$ 136

Admissions by Financial Class	2002	2003
Managed Care	18.10 %	20.15 %
Medicare	23.72 %	22.79 %
Medicaid	28.56 %	28.70 %
Blue Cross	1.19 %	0.52 %
Commercial	5.11 %	5.16 %
Self Pay	5.10 %	9.12 %
Medicaid Pending	7.36 %	4.23 %
Agency	7.90 %	6.46 %
Champus	2.96 %	2.88 %

Outpatient Visits by Financial Class	2002	2003
Managed Care	27.72 %	28.59 %
Medicare	24.23 %	22.89 %
Medicaid	21.56 %	22.11 %
Blue Cross	3.18 %	2.31 %
Commercial	4.58 %	4.02 %
Self Pay	12.61 %	14.74 %
Medicaid Pending	1.55 %	0.52 %
Agency	2.01 %	1.82 %
Champus	2.55 %	3.00 %

Board of Directors



Front row left to right: David M. Stern, MD; Daniel W. Rahn, MD; Don Snell; Donald M. Leebern, Jr.; Curt M. Steinhart, MD. Second row left to right: Julius Scott, Ph.D.; Terry D. Elam; William H. Cleveland, MD; Thomas Kelly, Jr.; Third row left to right: J. Timothy Shelnut; Ralph J. Caruana, MD; Shirley A. R. Lewis, Ph.D.; Margaret (Lou) Guill, MD; George Gowder, MD; Patricia Sodomka, FACHE; William H. Boling, Jr.; Rhonda Graybeal.

Donald M. Leebern, Jr.

Chairman of the Board
and Chairman
Georgia, Alabama and Tennessee
Crown Distributing Company

William H. Boling, Jr.

General Counsel
MCG Health, Inc.

Marilyn Y. Carter, MD

Partner
Augusta Associates of Internal
Medicine and Rheumatology

Ralph J. Caruana, MD

Senior Vice President and
Chief Medical Officer
MCG Health, Inc.

William H. Cleveland, MD

Clinical Associate Professor and
Attending Physician in Nephrology
Morehouse School of Medicine

Terry D. Elam

President
Augusta Technical College

George Gowder, MD

Retired family physician
Union County Hospital

Rhonda Graybeal

President
Hang-Ups Custom Framing
and Art Gallery

Margaret (Lou) Guill, MD

Professor of Pediatrics
Medical College of Georgia and
Chair
Physicians Practice Group
Board of Trustees

Thomas Kelly, Jr.

Senior Vice President and
Chief Financial Officer
MCG Health, Inc.

Shirley A.R. Lewis, Ph.D.

President
Paine College

Thomas C. Meredith, Ed.D.

Chancellor
University System of Georgia

Daniel W. Rahn, MD

President
Medical College of Georgia

Julius Scott, Ph.D.

Interim President Emeritus
Medical College of Georgia

J. Timothy Shelnut

President and CEO
Four Seasons Securities, Inc.

Don Snell

President and
Chief Executive Officer
MCG Health, Inc.

Patricia Sodomka, FACHE

Executive Vice President and
Chief Operating Officer
MCG Health, Inc.

Curt M. Steinhart, MD

President and
Chief Executive Officer
Physicians Practice Group

David M. Stern, MD

Dean of the School of Medicine
Medical College of Georgia

Senior Leadership

Clinical Service Chiefs



Front row left to right: Dr. Ralph J. Caruana, MD; Patricia Sodomka, FACHE; Don Snell; Thomas Kelly, Jr.; William G. Hayes IV. Second row left to right: Sandra I. McVicker, RN; Gregory N. Robinson; Deborah L. Humphrey; Richard R. Bias, CHE. Back row left to right: Angela Lambert, RN; William H. Boling, Jr.; Regina V. Maier; Detria Austin; Emily M. Cribb; Harold H. Scott; Sheila K. O'Neal.

Don Snell

President and
Chief Executive Officer

Detria Austin

Executive Advisor to the
President and CEO

Richard R. Bias, CHE

Senior Vice President of
Ambulatory and Network
Services

William H. Boling, Jr.

General Counsel

Ralph J. Caruana, MD

Senior Vice President and
Chief Medical Officer

Emily M. Cribb

Director of Internal Audit

William G. Hayes IV

Vice President of Human
Resources

Deborah L. Humphrey

Director of Public Relations

Thomas Kelly, Jr.

Senior Vice President and
Chief Financial Officer

Angela Lambert, RN

Vice President of
Patient Care Services and
Chief Nursing Officer

Regina V. Maier

Corporate Compliance Officer

Sandra I. McVicker, RN

Director of
Clinical Resource
Management Program

Sheila K. O'Neal

Vice President of
Strategic Support

Gregory N. Robinson

Director of
Business Venture Development

Harold H. Scott

Vice President of
Information Services and
Chief Information Officer

Patricia Sodomka, FACHE

Executive Vice President and
Chief Operating Officer for
Hospital Operations



Left to right: William P. Kanto, Jr., MD; Thomas R. Gadacz, MD; Walton W. Curl, MD; Joseph Hobbs, MD; Lawrence D. Devoe, MD.

MCG Medical Center

J. Peter Rissing, MD

Medical Director

Peter F. Buckley, MD

Psychiatry

Walton W. Curl, MD

Orthopaedics

Lawrence D. Devoe, MD

OB/GYN

Thomas R. Gadacz, MD

Surgery

C. Alvin Head, MD

Anesthesiology

David C. Hess, MD

Neurology

Joseph Hobbs, MD

Family Medicine

William P. Kanto, Jr., MD

Pediatrics

Mark Lee, MD

Neurosurgery

Julian J. Nussbaum, MD

Ophthalmology

Stephen C. Peiper, MD

Pathology

James V. Rawson, MD

Radiology

Steve J. Schwab, MD

Medicine

Richard B. Schwartz, MD

Emergency Medicine (Interim)

Allen L. Sisk, DDS

Hospital Dental Service

David J. Terris, MD

Otolaryngology

Children's Medical Center

William P. Kanto, Jr., MD

Medical Director

Eugene K. Betts, MD

Anesthesiology

Charles G. Howell, Jr., MD

Surgery

Eric J. Howell, MD

Radiology

Anthony L. Pearson-Shaver, MD

Medicine

Stephen C. Peiper, MD

Pathology

Locations

Our physicians practice at our main campus and satellite clinics, as well as travel to outreach facilities throughout Georgia and South Carolina. The following is a complete list of these locations.

MCG Main Campus 1120 15th Street Augusta, GA 30912	MCG Pediatric Primary Care Associates 810 Chafee Street Augusta, GA 30912	Augusta State Medical Prison 3001 Grovetown Highway Grovetown, GA 30813	Family Eye Care Center – Edgefield 321 Bacon Street Edgefield, SC 29824
Georgia Radiation Therapy Center 821 St. Sebastian Way Augusta, GA 30912	MCG Reproductive Medicine and Infertility Associates 810 Chafee Street Augusta, GA 30912	Augusta Technical College 3200 Tech Drive Augusta, GA 30906	Family Eye Care Center – North Augusta 4631 Jefferson Davis Highway N. Augusta, SC 29841
MCG Behavioral Health Clinic 1515 Pope Avenue Augusta, GA 30912	MCG Sports Medicine Center 937 15th Street Augusta, GA 30912	Barton Village Health Project Rome Way Augusta, GA 30906	Georgia Regional Medical Center 3405 Mike Padgett Highway Augusta, GA 30906
MCG Eye Care Associates 2824 Hillcreek Drive Augusta, GA 30909	Reproductive Labs LLC 905 15th Street Augusta, GA 30901	Burke County Health Department 332 Dogwood Drive Waynesboro, GA 30830	Glascocock County Community Health Center Tri-County Health System Inc. 437 East Main Street Gibson, GA 30810
MCG Eye Care Associates of South Augusta 3145 Peach Orchard Road Augusta, GA 30906	Albany Children’s Medical Services 1306 South Slappey Boulevard Albany, GA 31701	Central State Hospital Broad Street Milledgeville, GA 31062	Good Samaritan Clinic 123 Main Street Dearing, GA 30808
MCG Family Health Center – Keyville 480A Martin Luther King Road Keyville, GA 30816	Albany Rural Health Clinic 1120 West Broad Street Albany, GA 31701	Columbia Fairview Park Hospital 200 Industrial Boulevard Dublin, GA 31040	Greenwood Community Children’s Center 1 Gregor Mendel Circle Greenwood, SC 29641
MCG Internal Medicine Primary Care Associates 2834 Hillcreek Drive Augusta, GA 30912	Anderson Medical Center – Child Health Center 500 North Fant Street Anderson, SC 29621	Department of Veteran Affairs VA Medical Center 1 Freedom Way Augusta, GA 30904	Hancock County Community Health Center Tri-County Health System Inc. 323 Hamilton Street Sparta, GA 31087
MCG Outpatient Hemodialysis Unit 914 New Bailie Street Augusta, GA 30912	Archbold Medical Center 910 South Broad Street Thomasville, GA 31792	Dublin Children’s Medical Services 1835A Highland Westgate Dublin, GA 31021	Hancock County Health Department 451A Boland Street Sparta, GA 31087
	Athens Children’s Medical Services 645 Meigs Street Athens, GA 30601	Family Eye Care Associates 311 Flucker Street Thomson, GA 30824	

Jefferson County
Health Department
US Highway #1 North
Louisville, GA 30434

Jefferson Hospital
1067 Peachtree Street
Louisville, GA 30434

Johnson County
Community Health Center
Community Health Care
Systems, Inc.
508 West Elm Street
Wrightsville, GA 31096

Laurens County
Health Department
2121 Bellevue Road
Dublin, GA 31021

Macon/Bibb County
Health Department
171 Emory Highway
Macon, GA 31201

McDuffie County
Health Department
307 Greenway Street
Thomson, GA 30824

McDuffie County
Partners for Success
1119 Whiteoak Road
Thomson, GA 30824

Memorial Health University
Medical Center
4700 Waters Avenue
Savannah, GA 31404

NDT Pediatric Therapies
425 East Grady Street
Statesboro, GA 30458

Phoebe North
Phoebe Putney
Medical Center
2336 Dawson Road
Albany, GA 31707

Positive Impact, Inc.
(formerly the Amethyst Project)
1138 Druid Park Avenue
Augusta, GA 30904

Richmond County Jail –
Phinizy Center
1941 Phinizy Road
Augusta, GA 30906

Richmond County
Law Enforcement Center
401 Walton Way
Augusta, GA 30901

Richmond County
Health Department
950 Laney Walker Boulevard
Augusta, GA 30901

Salvation Army
Family Medicine Clinic
1384 Greene Street
Augusta, GA 30901

Southeast Georgia Regional
Medical Center
3100 Kemble Avenue
Brunswick, GA 31521

Southeast Retina Center
3685 Wheeler Road
Augusta, GA 30909

St. Mary's Hospital
1230 Baxter Street
Athens, GA 30606

Statesboro Children's
Medical Services
3 West Altman Street
Statesboro, GA 30458

Statesboro Daisy Youth Clinic
11 South Mulberry Street
Statesboro, GA 30458

Taliaferro County
Community Health Center
Tri-County Health System Inc.
156 Alexander Street
Crawfordville, GA 30631

Taliaferro County
Health Department
109 Commerce Street NW
Crawfordville, GA 30631

Underwood Community Center
631 Fairhope Street
Augusta, GA 30901

Valdosta Children's
Medical Services
2700B North Oak Street
Valdosta, GA 31602

Ware County
Health Department
604 Riverside Avenue
Waycross, GA 31501

Warren County
Community Health Center
Tri-County Health System Inc.
140 Norwood Road
Warrenton, GA 30828

Warren County
Health Department
510 Legion Drive
Warrenton, GA 30828

Washington County Regional
Medical Center
501 Sparta Road
Sandersville, GA 31082

Waycross Daisy Youth Clinic
1720 Reynolds Street
Waycross, GA 31501

Z&B Optical
23 East Square
Washington, GA 30673

Northcoast Behavioral
Healthcare System
Northfield, OH 44067

Tomorrow's Medicine, Here Today.SM



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706-721-CARE (2273) | 800-736-CARE | MCGHealth.org

Medical College of Georgia Health System