



Community Update From Ray Grady, President and CEO



July 27, 2017

Franciscan Partnership Exploration Update: Today's Health Care Landscape and the Case for Partnership

As you may know, we are in the midst of a due diligence period in which we are completing the necessary steps for Methodist Hospitals to become part of the Franciscan Alliance. As I have been talking about this proposed partnership, our community members and local leaders have had questions about the proposed partnership, the process of decision making, and the impact that it would have on the communities we serve. This is the first of several updates I will send to you to address these questions.

One of the questions has been: "Why does Methodist Hospitals need to seek a partner at all?" The simple answer is that while Methodist can carry on as an independent system in the short term, we need to be part of a larger system in order to maintain the viability of our organization and continue to serve our communities in Gary and Merrillville into the future.

That said, we are proud of the many assets and talents that Methodist will bring to the partnership with Franciscan. As the health care industry moves from an emphasis on treating patients in the hospital to a focus on keeping people out of the hospital via outpatient care and health and wellness programs, we launched our CareFirst ambulatory care centers, which provide immediate care and other services outside the hospital walls. We also have made significant investments in our facilities, most recently with the construction of the new Emergency Department and Intensive Care Units at the Northlake campus, as well as the improvement of our labor and delivery suites. And, Methodist has made significant progress in its five-year plan to be among the top decile of US hospitals in quality of care.

But we also need to acknowledge that the status quo is not sustainable over the long term. Our physical plants are aging and will require additional multi-million dollar investments to continue to provide top quality care. In addition, new health care trends favor health systems with extensive geographic footprints, large networks of geographically distributed primary care physicians and specialists, the ability to manage care across multiple treatment settings, and increasingly sophisticated information technology systems.

Over the years many businesses have reduced their presence or have left our community, costing jobs, services and opportunities. In sharp contrast to those businesses that left our community, we are proactively seeking ways to deepen our relationship with Gary and our region. We are committed to continuing to provide access to quality health care to Gary and Merrillville residents as well as to growing jobs and investment in our communities. We believe a partnership with Franciscan provides the key to fueling growth in our communities for generations to come.

The first priority of the board and hospital management is to serve our patients well. To do so, we must be trusted stewards of the organization's capital, facilities, staff, and other resources to ensure that our hospitals are positioned to continue to provide for the health care needs of our communities now and in the future. We have recognized that in the long run, we will best serve our communities by joining forces with a larger system that will give us the resources we need to meet the challenges of the new health care environment.

Over the next few months, I will continue to share updates on the partnership process to address key questions about the proposed Franciscan partnership and to explain why we believe that a partnership with Franciscan is Methodist Hospitals' best option for ensuring broad access to quality, cost-effective health care to our communities.

Sincerely,

Raymond Grady, President and CEO