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## Annual Report (1986): New Horizons

Lehigh Valley Health Network

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*N E W   H O R I Z O N S*

*First Annual Report  
to the Community*

*Horizon Health System, Inc.*

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## *Our Mission*

*Provide continued high-quality, cost-competitive medical care by establishing the most effective, efficient system for identifying and providing for the current and emerging health care needs of the Lehigh Valley and surrounding communities.*

## *Letter to the Community*

William P. Koughan



"Cooperation has been outstanding. Long, hard hours have produced landmark results in one short year. The System works!"



*The first year of the Horizon Health System has been one of enormous challenge and achievement.*

*The System is founded on one primary objective: to identify and serve the health care needs of the community. This has, of course, demanded much attention to laying the groundwork for a central administrative system that is effective, efficient, and responsive to the changing needs of the community and our member hospitals: St. Luke's Hospital and Muhlenberg Hospital Center.*

*The results have surpassed our expectations. Strategic*

*plans for communications, resource advancement, consolidation, and diversification have been developed and are being implemented.*

*The System has been gaining significant economies from centralized administration and a national affiliation. It has focused on eliminating unnecessary duplication of resources, without compromise to the full service health care capabilities of each hospital. It has helped advance selected specialties toward becoming the leading medical resources in the region. It has preserved the traditions of high quality care, the reputations for exceptional personal attention, and the individual characters of our member hospitals.*

*Cooperation has been outstanding. Long, hard hours have produced landmark results in one short year. The System works!*

*This report outlines many of these achievements, and our plans for the near future. In doing so, it reflects the selfless efforts of the community leaders, medical staffs, and hospital personnel who are leading us to these "New Horizons" in health care.*

*I extend my thanks and congratulations to all.*

  
William P. Koughan  
President, Horizon Health System



Muhlenberg medical leadership:  
Dr. Steven Diamond, president of  
medical staff and Dr. Gavin C. Barr,  
vice president and medical director.

## *The System IS Our Member Hospitals*

John W. Woltjen



chairman,  
board of governors

"The Boards of Trustees at both hospitals have given increasing attention to operating efficiencies in today's changing health care environment. Our mutual goal was quickly established: make the Horizon Health System work as a combined endeavor, while preserving the strong identity of each institution."

The Horizon Health System, founded Dec. 1, 1985, is the organizational umbrella of St. Luke's Hospital, Muhlenberg Hospital Center, and related subsidiaries. With over 2,000 employees, it is one of the largest health care delivery systems and the eighth largest employer in the Lehigh Valley area. It oversees an \$80 million operating budget, maintains 567 hospital beds, and has treated, during 1986, well over 150,000 patients.

The System is its member hospitals. It is a joint, strategic effort; the common goal is to meet the service area's ever-changing health care needs by sharing valuable medical talents and resources.

As a System, the Horizon hospitals can now enjoy superior operating efficiencies and capitalize on both regional and national economies of scale. The new administrative

structure has engendered added strength and responsiveness in medicine, surgery, nursing, and all other areas of health care.

### ST. LUKE'S HOSPITAL

*Fountain Hill, Bethlehem,  
Pennsylvania*

*Founded 1872*

*40-acre campus*

*Employees: 1500+*

*Full service, acute care*

*Teaching hospital, including  
post-graduate training in  
internal medicine, obstetrics,  
and gynecology. JCAH  
accredited.*

Chartered in 1872, St. Luke's was the first hospital in the Lehigh Valley. In 1884, it organized one of the nation's first hospital-based Schools of



*"The System is its member hospitals. It is a joint, strategic effort; the common goal is to meet the service area's ever-changing health care needs by sharing valuable medical talents and resources."*

Nursing which continues to be a valuable resource in the area.

Today St. Luke's continues to pioneer health care innovations in the Lehigh Valley. For example, it introduced laser eye surgery to the area in 1984, and has since expanded laser facilities into urology, gynecology, and neurology.

The institution is highly regarded as a full service hospital responsive to the full

spectrum of inpatient and outpatient needs. It is also recognized as a regional leader in cardiac care, obstetrics and gynecology, and cancer detection, treatment, and therapy.

#### MUHLENBERG HOSPITAL CENTER

*Bethlehem, Pennsylvania*

*Founded 1961*

*87-acre campus*

*Employees: 500+*

*Full service, acute care*

*JCAH accredited*

Muhlenberg Hospital Center is at the heart of the Lehigh Valley in two respects. It is located at the geographic center of the Valley, accessible to all. More importantly, it has earned a reputation for exceptional personal commitment to its patients.

One of Horizon's goals has been to extend Muhlenberg's importance as a leading resource for orthopedics and ambulatory care, while maintaining its vital full service role in diagnostic, surgical, and support services.

The System is also devoted to the Hospital's continued enhancement of emergency services and community programs which include a mental health/mental retardation unit and a dental clinic.







Computerized operations at St. Luke's

## A Structure for Efficient Management

Horizon Management Services, Inc. is the administrative keystone of the Horizon Health System. Its experienced management team develops and implements strategic plans and coordinates the management services for all corporations in the System.

Four other subsidiaries—today forming HHS Realty Corporation—were established to manage the real estate necessary for the System to respond most efficiently to the

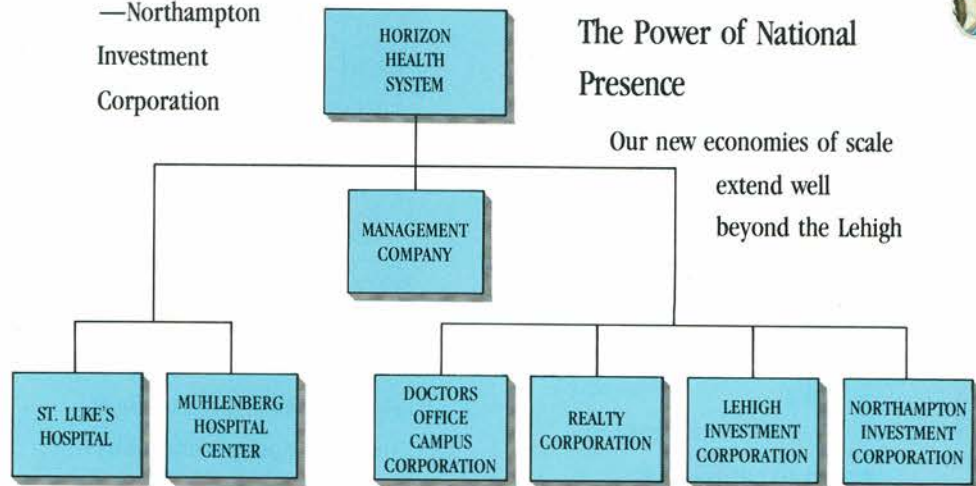
community's ever-changing health care needs:

- Doctor's Office Campus Corporation
- Realty Corporation
- Lehigh Investment Corporation
- Northampton Investment Corporation

These subsidiaries manage properties ranging from undeveloped acreage to doctors' office buildings and the land on which the well-known Miller Memorial Blood Center is located.

## The Power of National Presence

Our new economies of scale extend well beyond the Lehigh





*"(Premier) provides a vital national network through which members can collectively exchange management expertise and improve operating effectiveness. Moreover, Horizon can capitalize on a national presence in accessing a wide variety of benefits and programs..."*



Horizon management (l to r): M. Alyce Dula, vice president, planning and marketing; William P. Koughan, president; Joseph W. Fitzgerald, senior vice president; Dan R. Kraft, vice president, development and community relations; Francis J. St. Onge, vice president, finance

Valley, although it is here that these benefits are ultimately realized.

Last year, after defining our goals and scrutinizing our strategic options for obtaining them, the Horizon Health System joined the Premier Hospitals Alliance, one of the nation's leading medical

cooperative systems.

Essentially, Horizon is one of 38 member hospital systems that together own the Illinois-based Alliance.

This partnership provides a vital national network through which members can collectively exchange management expertise and improve operating effectiveness. Moreover, Horizon can capitalize on a national presence in accessing a wide variety of benefits and programs:

—Premier's Group Purchasing Program provides more cost-effective ways to purchase medical/surgical supplies and capital equipment.

—Premier's financial and other management systems will allow the Horizon hospitals to maintain their competitive edge.

—Premier allocates millions of dollars annually to market research studies that will help

Horizon anticipate local needs and administer programs to meet them.

—Premier's Information Systems allows access to

# Premier

leading hardware and software vendors and consultants for substantial discounts and improved data processing capabilities.

St. Luke's medical leadership: Dr. Thomas L. Gaydos, president of medical staff, and Dr. Edward J. Benz, vice president, medical affairs







Medical leadership on the Horizon board of governors: Dr. Ross M. Orr, St. Luke's (l) and Dr. Arthur A. Altman, Muhlenberg

## *A Time of Vision*

Joseph W. Fitzgerald



senior vice president  
Horizon Health System

"As a System, both hospitals can more competitively respond to—and anticipate—emerging trends in health care. The dynamics of the industry demand that we continue to move forward and establish new affiliations and linkages necessary to meet our mutual goals."

1986 was a time of vision for the Horizon Health System. Dedicated community leaders, senior administrative personnel, and the medical community shared ideas, talents, and resources to find new ways to improve health care delivery in the Lehigh Valley. Spearheaded voluntarily by physicians and members of both hospital's Boards of Trustees, this dynamic process began with a strategic plan which identified existing strengths and pinpointed a variety of objectives:

### *1: Structure an effective central administration.*

Experienced key personnel, including a Chief Financial Officer, Vice President of Development & Community Relations, and Vice President of Planning & Marketing, were recruited. Operating procedures for strategic

planning and implementation were established for the Board of Governors of the Horizon Health System and the Boards, medical staffs, and managements of the two hospitals.

Horizon's first year of accomplishments has proven the System to be efficient and responsive to the changing needs of the community and the member hospitals.





*"A unified effort replaces competition between our hospitals. Unnecessary duplication of services is being eliminated. A strategic combination of centralized and decentralized programs is being implemented. Alternative delivery plans are being studied. In all areas, we are fine tuning the System to the rhythm of the community."*

## 2: Establish harmonious relations between the member hospitals.

The outstanding cooperation and commitment of people throughout the System opened a free flow of communications and resources. Mutual goals, strategies to address radical changes in health care, and

Christine Donchez performs hematrak study at St. Luke's



operating and capital budgets were planned together for the first time by St. Luke's Hospital and Muhlenberg Hospital Center.

## 3: Maintain quality, lower costs.

A major, perpetual goal of the System is to be cost competitive in today's health care market without compromise to the quality of services.

Our membership in the Premier Hospitals Alliance offers a wide range of purchasing and administrative benefits. (See preceding section)

A unified effort replaces competition between our hospitals. Unnecessary duplication of services is being eliminated. A strategic combination of centralized and decentralized programs is being implemented. Alternative



Physical therapy,  
Muhlenberg Hospital Center

delivery plans are being studied. In all areas, we are fine tuning the System to the rhythm of the community.

Furthermore, the structure of the System encourages the smooth exchange of ideas and technology. Services are





Laboratory studies at St. Luke's

coordinated, the newest equipment is obtained and allocated most efficiently—all to the community's benefit.

#### 4: Expand community services.

HorizonCare® is an excellent example of how the new System can respond to community needs. It is a program for Medicare subscribers that guarantees enrollees that they will not be billed for Medicare deductibles or coinsurance if they do not have other insurance to pay for these items.

The program was instituted at St. Luke's Hospital in 1985, and was soon joined by Muhlenberg Hospital Center and Quakertown Community Hospital. The community reception was enthusiastic; to date, more than 21,000 people have enrolled in the program.

#### 5: Accelerate new medical research opportunities.

The System has already helped bridge new medical research opportunities. Two new clinical and science partnerships between St. Luke's Hospital and Lehigh University have been established in what has become known as the 'Lehigh Connection'. Each of these projects is supported by a \$75,000 research grant provided through the NET Ben Franklin Partnership.

One brings the Lehigh Valley its first hospital-based In Vitro Fertilization Program.

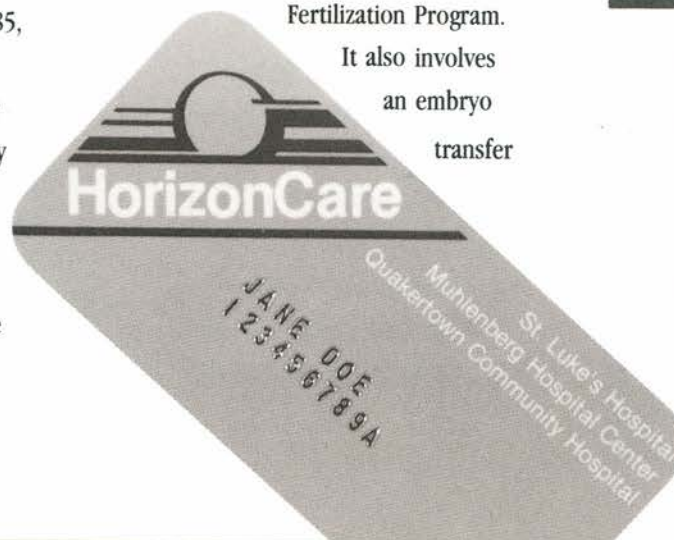
It also involves an embryo transfer



Dr. Chong S. Lee, specialist in In Vitro Fertilization, working with medical team

program and advanced studies into male infertility.

The second, which also involves Centocor, Inc., a Malvern-based biotechnology





*"The System has already helped bridge new medical research opportunities ... in what has become known as the 'Lehigh Connection'."*



firm, is researching monoclonal antibodies to detect, diagnose, and eventually treat breast and ovarian cancers. This vital, cutting-edge project is being further supported by an

additional \$425,000 contributed by the three organizations.

#### 6: Advance educational programs.

The System is supporting educational programs in all areas of health care and related community service. Affiliations with Temple University School of Medicine and Pennsylvania Hospital, both based in Philadelphia, sustain specialized

development programs for physicians, residents, nurses, and student nurses. Education programs help patients understand and adjust to the impact of medical conditions and procedures. Community programs stress preventive measures, teaching people how to stay healthy.

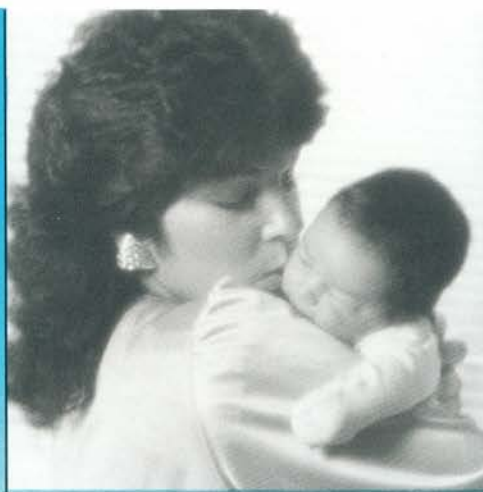
On the horizon are plans for new physician residency affiliations, new meeting facilities, and a variety of new community-based programs.



*Ben Franklin*







Always a special delivery

## *Centers of Excellence*

Richard A. Anderson



president,  
St. Luke's

"Patients don't go to 'Horizon' for health care. They go to 'St. Luke's' or 'Muhlenberg', and they will always perceive us that way. But the System is vital to efficiently bringing out the best qualities in both institutions, building a spirit of cooperation in the medical community and foremost, maintaining efficiencies for the hospitals' reputations for excellent care."

While the Horizon hospitals stress excellence of care in all medical and surgical areas, the Horizon Health System has placed strategic emphasis on establishing and advancing several specific major health care specialties.

### *Cardiac Care*

The System's pioneer Heart Program, based at St. Luke's Hospital, offers outstanding facilities and personnel for testing, diagnosis, therapy, surgery, and rehabilitation in the fight against the nation's number one killer.

A cardiac catheterization lab produces images of the heart's chamber, tracking blood flow to help physicians locate obstructions or deposits. Drug therapy procedures help to control heart disease; transluminal angioplasty removes life-threatening deposits from the arteries.



Cardiac catheterization, St. Luke's

Two specialized operating rooms are devoted exclusively to open heart surgery.

Programs in cardiac rehabilitation, exercise, diet, counseling, and follow-up care further help patients regain rewarding lifestyles.

### *Orthopedics*

Muhlenberg Hospital Center's vast expertise in orthopedic surgery and rehabilitation range from multidisciplinary



*"Behind the warm, home-like atmosphere of the new Maternal and Child Health Care Center at St. Luke's Hospital are some of the area's best ObGyn facilities, technology, and personnel."*

neurological, musculoskeletal, and orthopedic disorders to total joint replacement.

Recent expansions to the hand rehabilitation program offer extensive treatment for traumatic, systemic, and congenital disorders of the hand and upper extremities.

The Hospital's therapeutic techniques for successful rehabilitation today include hypotherapy, ultrasound, electrical stimulation, and massage.

Orthopedic operation in progress, Muhlenberg



### Obstetrics and Gynecology

Behind the warm, home-like atmosphere of the new Maternal and Child Health Care Center at St. Luke's Hospital are some of the area's finest facilities, technology, and medical personnel.

The unit contains new prenatal testing areas, birthing rooms, labor rooms, and delivery rooms. Delivery to the family's wishes and needs is made possible by a full range of laboring and birthing facilities. Birthing classes are conducted for parents and their children over the age of four.

The unit is geared for the unexpected as well. Concentrated neonatal care embraces babies born prematurely or having other



Dr. Andrew Unger, St. Luke's neonatologist, with infant

special needs. The newborn nursery includes a separate room to treat babies with jaundice.

### Cancer Care

With its new multi-disciplinary Cancer Care Unit, St. Luke's Hospital continues its 14-year status as one of the most comprehensive cancer treatment resources in the service region.

Early detection is emphasized through the latest diagnostic techniques in





Emergency care entrance, Muhlenberg

CT Scanning, mammography, and laboratory services. Specialized surgery, chemotherapy, and radiation therapy—enhanced by a new linear accelerator—are devoted

to fighting the disease. Outpatient services have been centralized, and the 33 inpatient beds in the unit receive the personal attention of specially-trained nurses and support staffs.

### Ambulatory Care

A range of excellent capabilities and a central location have made Muhlenberg Hospital Center the area's leading resource for ambulatory care.

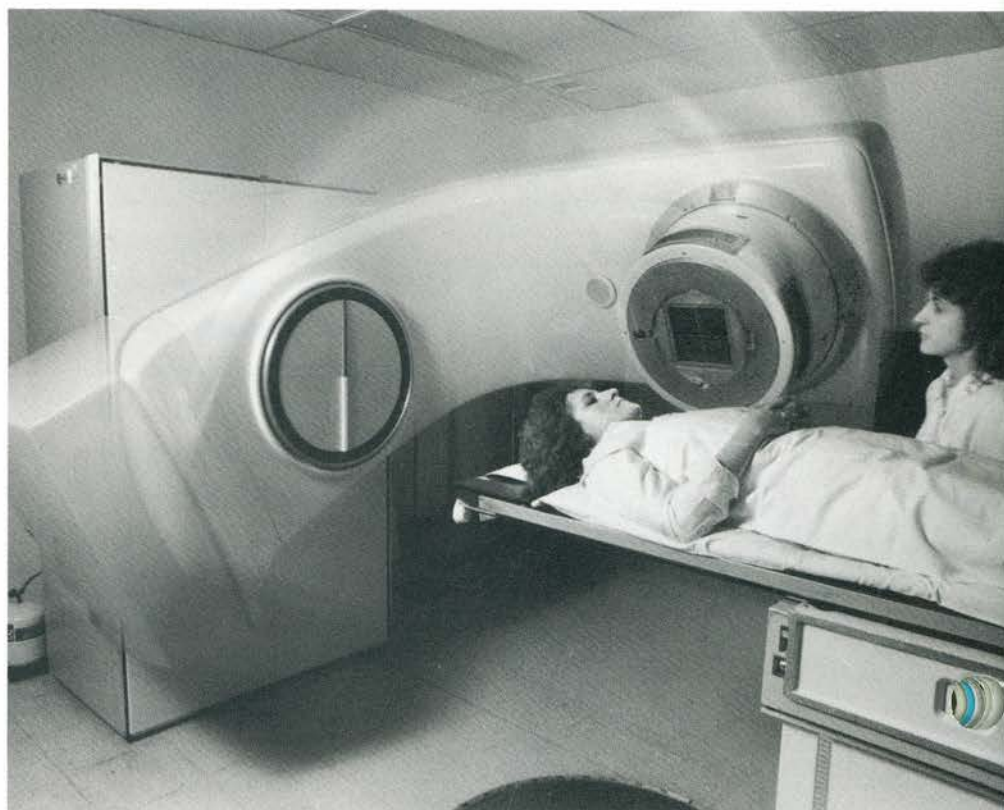
William R. Mason



president,  
Muhlenberg

"Hospitals in close geographic quarters inevitably find themselves competing. As a System, both member hospitals can better provide superior services. Cooperation unquestionably has been in the best interests of the hospitals and the community."

Cancer radiation therapy, St. Luke's





*"A range of excellent capabilities and a central location have made Muhlenberg Hospital Center the area's leading resource for ambulatory care."*

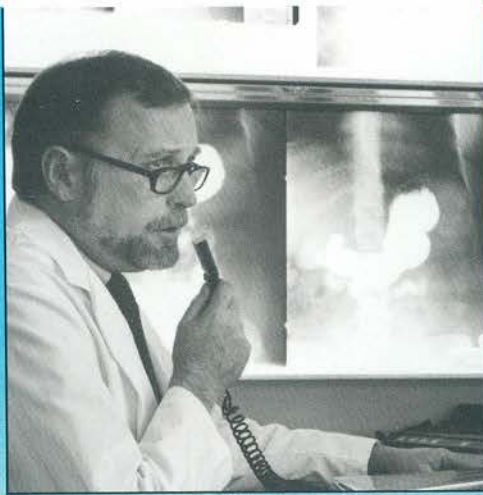
Complete pre-admission testing, pre-operative education, procedures, and follow-up care are provided for the removal of cysts, biopsies, diagnostic laparoscopies, cataract and eye muscle surgery, certain plastic surgery operations, and a wide variety of other procedures.

Muhlenberg performs almost half of all surgery on an outpatient basis. The System has been responding to the growing trend of short-stay and same day surgery. In many cases, the patient can be admitted in the morning and be home by the evening.

Continued commitment to the evolving challenge of outpatient services is one of Horizon's highest priorities.



Ambulatory cataract surgical team, led by Dr. David Hyman



Dr. George P. Gillen, chief of radiology  
Muhlenberg

## *Opportunities for Growth*

The Horizon Health System is looking forward to a variety of new health care challenges and opportunities to better serve the region. Strategic objectives for 1987 include:

1. Strengthen the System through the mutual cooperation of providers sharing similar goals.
2. Preserve the spirit and individuality of our member hospitals.
3. Assess the viability of Alternative Delivery System opportunities for employers and individuals within the region.
4. Evaluate the financial and service benefits of consolidating hospital laboratories.

5. Achieve maximum utilization of the System's service and program mix.
6. Attract new medical and administrative personnel where

St. Luke's open heart surgical team  
led by Dr. Terrill E. Theman and  
Dr. William S. Hoffman





*"The community's ever-changing needs will always dictate our actions as Horizon shapes the most effective health care delivery system in the region."*

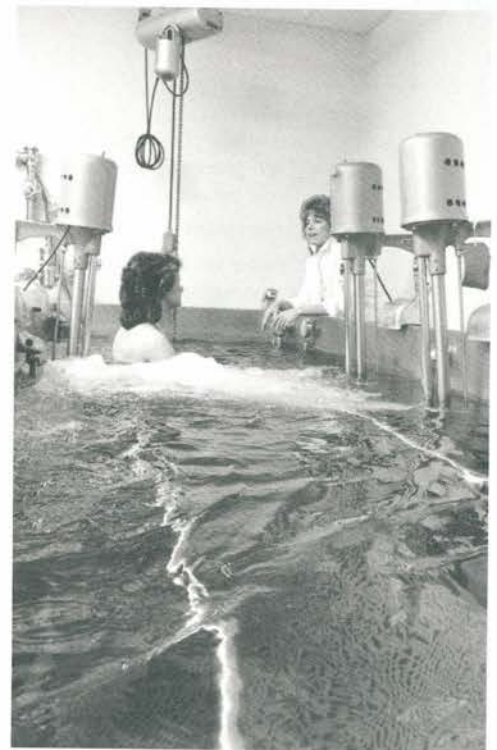
necessary to advance health care programs and services.

7. Take full advantage of the System's national leadership liaison with the Premier Hospitals Alliance.

8. Continue to institute exemplary programs and

practices that have proven successful for multi-hospital systems throughout the nation.

Emphasis for any expansion of the Horizon Health System is on planned growth for the community's sake. Like all efforts completed this first year, the unerring focus of Horizon's progress will be on the community's best interests. The community's ever-changing needs will always dictate our actions as Horizon shapes the most effective health care delivery system in the region.



Hydrotherapy, Muhlenberg Hospital

Horizon  
Health System, Inc.  
and Subsidiaries

*Consolidated  
Statements  
of Financial  
Position*

for the year ended  
June 30, 1986

**GENERAL FUNDS**

**ASSETS:**

Current assets:

Cash and investments	\$ 9,885,860
Accounts receivable - net of allowances	13,522,356
Inventories and prepaid expenses	1,922,891
Due from donor restricted funds	24,226
Total current assets	25,355,333

Funds held by trustee and board designates	20,670,600
Property, plant, and equipment - net	50,774,898
Other assets	2,816,870
Total assets - general funds	\$99,617,701

**LIABILITIES AND FUND BALANCES:**

Current liabilities:

Current portion of long-term debt and capital lease obligations	\$ 265,682
Accounts payable	2,931,881
Accrued salaries, wages, and taxes	3,444,666
Due to donor restricted funds	85,797
Other current liabilities	1,762,913
Total current liabilities	8,490,939

Long-term debt and capital lease obligations, net of current portion	39,123,634
Other liabilities	1,959,701
Fund balance	50,043,427
Total liabilities and fund balance - general funds	\$99,617,701

**DONOR RESTRICTED FUNDS:**

**ASSETS:**

Cash and investments	\$ 5,073,066
Pledges receivable - net	681,856
Due from general funds	85,797
Total assets - donor restricted funds	\$ 5,840,719

**LIABILITIES AND FUND BALANCES:**

Due to general funds	\$ 24,226
Fund balances	5,816,493
Total liabilities and fund balances - donor restricted funds	\$ 5,840,719



Horizon  
Health System, Inc.  
and Subsidiaries

*Consolidated  
Statements  
of Revenue  
and Expenses*

for the year ended  
June 30, 1986

**REVENUE:**

Net patient service revenue	\$79,776,031
Investment income	590,726
Unrestricted gifts and bequests	791,521
Income from assets whose use is limited	1,538,801
Other	1,609,471
Total Revenue	<u>84,306,550</u>

**EXPENSES:**

Salaries and employee benefits	45,069,030
Supplies and other	25,465,449
Depreciation and amortization	4,317,063
Interest	3,222,694
Total Expenses	<u>78,074,236</u>
Excess of Revenue over Expenses	<u>\$ 6,232,314</u>

*Statistical  
Highlights*

for the year ended  
June 30, 1986

	<b>MHC</b>	<b>SLH</b>	<b>TOTAL</b>
Inpatient admissions	5,107	13,924	19,031
Patient days	39,054	94,082	133,136
Emergency room patients	25,057	31,434	56,491
Outpatient visits	19,087	99,716	118,803





1987

*Horizon Health System  
Board of Governors*

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*Chairman*  
D. Patrick Robinson  
*Vice Chairman*  
Arthur A. Altman, M. D.  
Jacob S. Kolb, Esq.  
Ross M. Orr, M. D.  
Richard M. Smith  
Richard L. Strain  
Ann A. Taylor

1987

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William R. Mason  
*President*  
Timothy J. McDonald  
*Treasurer*  
Ronald J. Macaulay  
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*Secretary*  
J. Jeffrey Beich  
*Assistant Secretary*  
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Walter J. Dealtrey  
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Paul M. Marcincin  
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1987

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Edmund F. Martin  
Walter L. Peters, Esq.  
H. M. Schelden  
R. S. Taylor



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