

FINANCIAL REPORT

The following financial information reflects the condensed consolidated operating results of the Morton Health Foundation, Inc. and its subsidiaries: Morton Hospital and Medical Center, Inc.; Morton Physician Associates; Morton Property, Inc.; Morton Hospital Auxiliary, Inc.; and Community Counseling of Bristol County for the year ended September 30, 2010. Figures are unaudited, subject to examination by Feeley & Driscoll, PC, Certified Public Accountants.

| | |
|-----------------------------|----------------------|
| Net Patient Service Revenue | \$152,550,641 |
| Other Operating Revenue | \$4,528,967 |
| Non-Operating Revenue | \$1,591,753 |
| Total Revenue | \$158,671,361 |
| Total Expenses | \$158,026,255 |
| Surplus | \$645,106 |

During Fiscal Year 2010, the Hospital provided nearly \$9 million in Free Care Services.

FISCAL YEAR HIGHLIGHTS

The following is a summary of patient service statistics at Morton Hospital for the year ended September 30, 2010.

| Statistics | FY 2010 |
|--|---------|
| Patient Discharges (includes observation admissions) | 8393 |
| Patient Days (includes observation and newborn days) | 37,754 |
| Average Daily Census | 73 |
| Average Length of Stay | 3.4 |
| Newborns | 524 |
| Surgical Procedures | 13,885 |
| Diagnostic Tests and Procedures | 159,560 |
| Laboratory Tests | 907,176 |
| Emergency Room Visits | 52,794 |
| Wound Healing Hyperbaric Oxygen Therapy Treatments | 1361 |
| Center for Wound Healing Visits | 4567 |
| Morton Home Care Visits | 28,383 |
| Sleep Center Visits | 1186 |
| Therapy Treatments | 111,600 |
| Staff Statistics | |
| Total Employees | 1170 |
| Nurses | 324 |
| Active Medical Staff | 138 |
| Courtesy Medical Staff | 44 |
| Visiting/Consulting Staff | 27 |
| Volunteers | 144 |
| Volunteer Hours | 21,520 |

2010

Morton Health Foundation Annual Report to the Community



MESSAGE FROM THE PRESIDENT

When you lead a community hospital, it is inevitable that you spend a lot of time thinking about numbers. In the past few years, some of those numbers have been discouraging - such as declining reimbursements from government insurers and shrinking patient volumes. Others have been more positive - like our five-year accreditation for our Sleep Disorders Center, a \$150,000 grant to support and enhance the delivery of psychiatric services in our Emergency Department, and our outstanding Joint Commission survey scores.

Recently, I've been reflecting on a different set of numbers - ones that involve our Board of Trustees. Since we began our search for a clinical and business partner, our Board has played an active role in producing the numbers that count.

Since last spring, the Board and its various subcommittees have participated in countless meetings and discussions about how to best position Morton Hospital and Medical Center for the future. Throughout the past several months, they have invested an immense amount of time in meeting with representatives from interested suitors and evaluating all possible options in order to ensure that our community was going to have the best possible healthcare partner that could help us achieve long-term success.

At the end of the day - after months of uncertainty and endless hours of deliberation - the most important number was ONE. Because there was really only one partner, one choice and one

voice of the Board when it came time to make a decision - and that decision was Steward Health Care System.

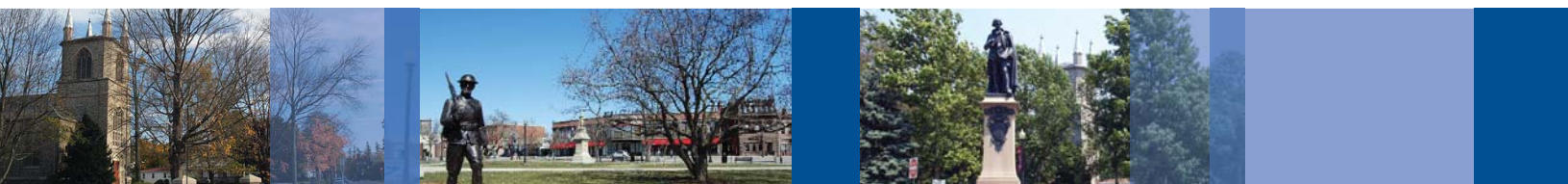
This year's Annual Report displays how these important numbers have helped us along the path to achieving several goals: re-establishing Morton Hospital's financial stability, furthering our ability to invest in supporting the healthcare needs of the community and maintaining a distinguished level of clinical excellence.

There are no words I can use to adequately express my gratitude to the Board for their unyielding dedication, their clear vision and their determined focus on getting this right. Though there have been many challenges along the way, I am certain of one thing: there are many wonderful things to come for our hospital, our community, and the patients and families we serve.

I hope all of you are as enthusiastic as I am about the future of Morton Hospital and Medical Center as part of Steward Health Care System, and I look forward to providing our residents with outstanding health care, close to home, for many years to come.

Sincerely,

Maureen A. Bryant
Maureen A. Bryant, President and CEO



MESSAGE FROM THE CHAIRMAN OF THE BOARD



It has certainly been an honor to serve as Chairman of the Board of Trustees this past year. 2010 was filled with much excitement as we began our search for a clinical and business partner, but also uncertainty about the future of

our organization. Though the year was filled with challenges, I couldn't be more proud of the accomplishments we have made.

Through it all, we have kept our focus on providing comprehensive, quality care. Our commitment to clinical excellence is evident through our many quality achievements, such as:

- Receiving accreditation from The Joint Commission
- Being named to the 2010 Harvard Pilgrim Health Care Hospital Honor Roll
- Receiving recognition from the American Heart Association's Get With The Guidelines™ program for our excellence in caring for patients with coronary artery disease, heart failure and stroke
- Successfully achieving three-year accreditation with commendation for our cancer program from the Commission on Cancer (CoC)

In addition, we have been successful in reducing our patient throughput time from the Emergency Department to admission to the hospital by 44 minutes. And in 2010, we maintained a zero percent infection rate for ventilator-associated pneumonia and central line-associated blood stream infections.

These achievements are a testament to our fine staff and our ongoing performance improvement efforts. We truly have a talented and caring team whose dedication to our patients comes second to none, and that is what has allowed us to succeed as a community hospital for more than 120 years.

Finally, I want to acknowledge the progress we made in identifying a partner who can help us invest in the programs and services that will most benefit our community and

the patients we serve. We look forward to beginning our new partnership with Steward Health Care System and to continuing to provide this community with excellent medical care.

Edward Roster, Esq.
Chairman, Board of Trustees

MESSAGE FROM THE MEDICAL STAFF PRESIDENT



While serving as Medical Staff President for two consecutive years, I had the opportunity to witness first-hand some of the most significant milestones of Morton Hospital's history. Though the past two years presented many challenges, we

have remained optimistic while navigating a course to a better future for our hospital and the patients we serve.

Our mission as a community hospital is to ensure access to comprehensive, high quality, compassionate and efficient health care services, and to continuously improve and enhance our service lines. In 2010, we strengthened both our pediatric and anesthesiology programs by partnering with Floating Hospital for Children and Anaesthesia Associates of Massachusetts (AAM). Both have been welcomed additions to the hospital, allowing patients greater access to the specialized care they need, close to home.

On another note, I couldn't be more proud of the impressive list of quality achievements awarded to Morton Hospital in 2010. From our Get With The Guidelines™ awards for heart failure and coronary artery disease to our successful Joint Commission review and several other recognitions, we have proven our dedication to quality improvement and clinical excellence.

One of the most exciting developments has been the implementation of Computerized Provider Order Entry (CPOE), which is now being utilized on our S1 Unit and on our Progressive Care and Intensive Care Units. The

system benefits both our providers and our patients, ensuring more accurate communication and improved patient care.

As we begin our journey toward a better and brighter future for Morton Hospital, I want to commend the hospital at large for its clinical and technological achievements over the past year. We have done some remarkable things for a community hospital, and I look forward to reaching many more innovative milestones as we continue to grow and improve and move closer to our anticipated partnership with Steward Health Care System.

Lastly, I would like to welcome and congratulate our new Medical Staff President, Kathleen Hoye, MD. I look forward to working with Dr. Hoye and the rest of the Medical Staff for many successful years to come.

Barry Saperia, MD
President, October 2008 - September 2010

MESSAGE FROM THE AUXILIARY PRESIDENT



It is with great pleasure that I share with you some of the highlights of the Morton Hospital Auxiliary's efforts throughout fiscal year 2010. Even during a challenging economy, the Auxiliary maintained its commitment to support-

ing patient care services at Morton Hospital by donating more than \$65,000 for the purchase of needed equipment. Through fund-raisers like the Taste of Greater Taunton, Easter basket sales, holiday ornament sales and Gift Shop sales, the Auxiliary has remained the single largest donor to the hospital over the past several years.

Some of our accomplishments in 2010 included:

- Purchasing 45 IV stretchers, 10 IV wheelchairs, four transport stretchers, two standing scales, four recliners and 51 suction regulators

- Raising more than \$20,000 at the 2010 Taste of Greater Taunton
- Providing a \$1,000 scholarship to a Morton Hospital employee for continuing education
- Donating \$1,000 to Morton Hospital to support its annual Golf Tournament fund-raiser
- Decorating the hospital during the holidays and providing flowers to patients during National Hospital Week

In 2010, the Auxiliary also made a commitment to donate \$7,000 from its Remembrance Fund for the purchase of additional wheelchairs for patient transport. The Auxiliary's general fund also supports the purchase of coloring books and crayons for children in the hospital's Day Surgery Center, educational handouts for patients visiting the Women's Imaging Center, and materials for the hospital's CPR and First Aid classes.

As I step down as Auxiliary President, I want to thank the board and welcome Diane Coté as the new President, Beverly Anslow as General Treasurer, Barbara Gallagher as Gift Shop Treasurer, Norma Barbour as Corresponding Secretary and Virginia Wade as Recording Secretary. I will continue to serve as Financial Secretary.

It has truly been a pleasure to lead the Auxiliary's efforts for the past year, supporting Morton Hospital and the community it serves. On behalf of the Auxiliary at large, thank you for your continued support and encouragement.

Barbara Engler
President, 2009-2010

2010-2011 MILESTONES

FEBRUARY - MARCH 2010

- Morton Hospital completes infrastructure and system upgrades that include a new Washington Street awning and an updated oxygen system



MAY 2010

- Morton Hospital forms the Patient and Family Advisory Council (PFAC) in an effort to continuously improve the patient and family experience

JULY 2010

- Morton Hospital receives the Get With The Guidelines™ Silver Performance Achievement Award for Coronary Artery Disease (CAD) and the Get With The Guidelines™ Bronze Performance Achievement Award for Heart Failure from the American Heart Association

JULY 2010

- Morton Hospital forms a clinical affiliation with Floating Hospital for Children at Tufts Medical Center, enhancing its specialized pediatric services

AUGUST 2010

- Morton Hospital's S1 Unit is presented with the 2010 Beacon Hospice "Excellence in End-of-Life Care" Award for outstanding hospice care

OCTOBER 5, 2010

- Computerized Provider Order Entry (CPOE) goes "live" on the hospital's S1 Unit

OCTOBER 6, 2010

- Morton Hospital opens the doors to a new pain clinic, providing comprehensive acute and chronic pain management services in collaboration with Anaesthesia Associates of Massachusetts (AAM)

OCTOBER 2010

- Morton Home Care named to the 2010 HomeCare Elite™, a compilation of the top-performing home health agencies in the nation

OCTOBER 2010

- Morton Hospital named to the 2010 Harvard Pilgrim Health Care Hospital Honor Roll for excellence in clinical quality and patient safety

- Southern New England Health Alliance (Morton Physician Organization) named to the 2010 Harvard Pilgrim Health Care Physician Group Honor Roll for excellent performance in the care of adult and pediatric patients

OCTOBER 2010

- Morton Hospital launches a new and improved website

NOVEMBER 2010

- Morton Hospital receives accreditation from The Joint Commission

DECEMBER 16, 2010

- Morton Hospital receives a \$150,000 grant from Partners HealthCare to support the delivery of psychiatric services in the Emergency Department

JANUARY 4, 2011

- Computerized Provider Order Entry (CPOE) goes "live" on the Progressive Care Unit (PCU) and Intensive Care Unit (ICU)

JANUARY 2011

- Morton Hospital's Cancer Program receives Three-Year Accreditation with Commendation from the Commission on Cancer (CoC)
- Morton Hospital's Sleep Disorders Center receives five-year accreditation from the American Academy of Sleep Medicine (AASM)

APRIL 1, 2011

- Morton Hospital's Board of Trustees officially announces its decision to join Steward Health Care System, ending a nearly year-long search for a clinical and business partner

APRIL 13, 2011

- Morton Hospital is presented with the "Defect-Free Care" Award from Stroke Collaborative Reaching for Excellence (SCORE) and the Get With The Guidelines™ Silver Performance Achievement Award for Stroke