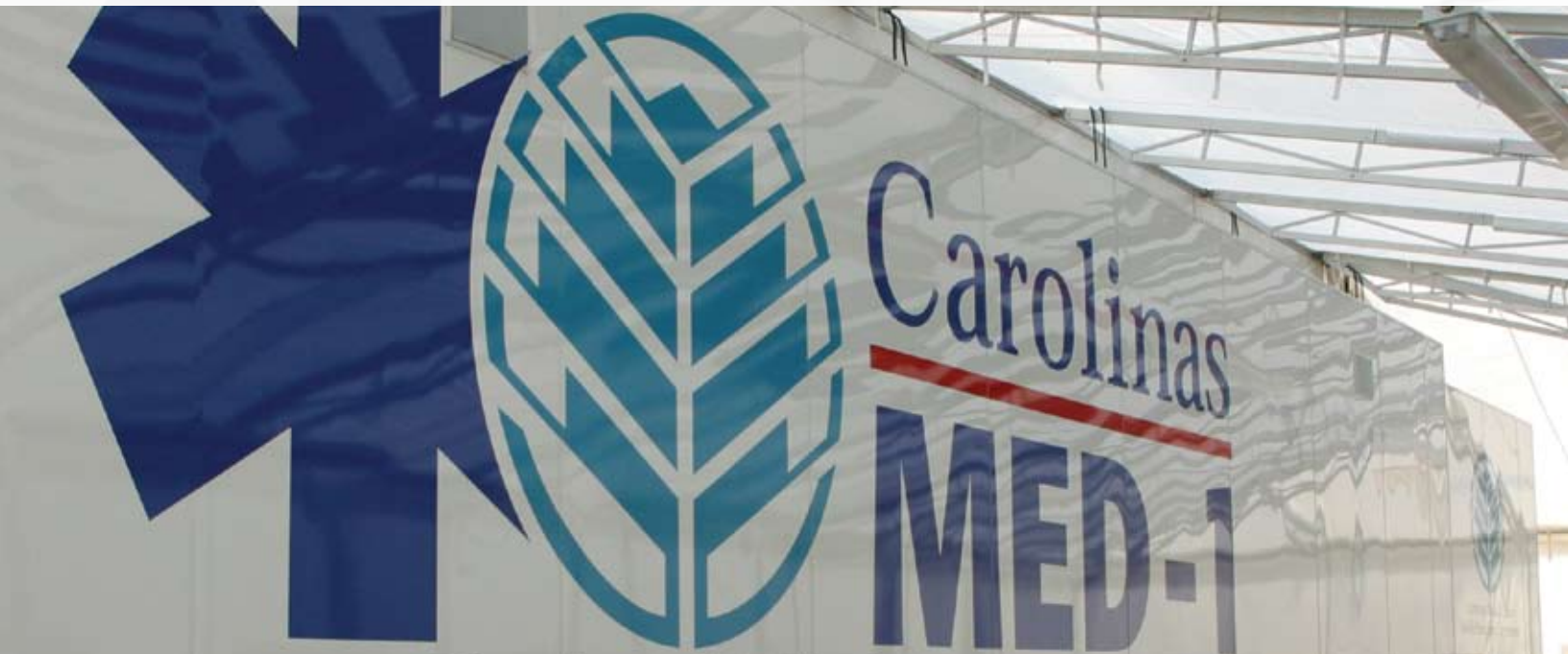




INNOVATION | COMPASSION | 24/7



2005

Welcome



It is hard to imagine a field of endeavor more heavily influenced by innovation than healthcare. During my 25 years at CHS, the changes in virtually every area of operation have been nothing short of revolutionary.

Our new scanners, for example, produce three-dimensional images which are almost mind-boggling in their level of detail. Our surgical robots permit major operations to be performed with an incredibly small degree of physical intrusiveness. Our information delivery systems produce data and images with a degree of accuracy and convenience that would have been unthinkable just a few years ago.

Interestingly, the one thing which changes very little over time is the importance of the human touch. I receive correspondence from patients all the time, but rarely for the purpose of singing praises about a machine or a process. The variable which truly makes us stand out is the ability to deliver caring, courteous and personalized service.

This is why we invest so heavily to attract and retain excellent people. It does little good to have the world's best equipment, if the people who use it do not have the personal skills necessary to inspire confidence, trust and cooperation.

As you read the following vignettes, you'll see the extraordinary results that can be achieved in a healing environment that combines the best innovations in the world, with traits of caring and compassion that money can't buy. I am proud to be part of this healthcare system, which offers up both qualities in such abundance.

Michael C. Tarwater

Michael C. Tarwater
President and CEO



STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

HALEY BARBOUR
GOVERNOR

January 25, 2006

Mr. Michael C. Tarwater
President and CEO
Carolinas HealthCare System
Post Office Box 32861
Charlotte, NC 28232-2861

Dear Mr. Tarwater and Employees of Carolinas HealthCare System,

As Governor of the State of Mississippi, I would like to sincerely thank you for providing your mobile hospital, Carolinas MED-1, during the hurricane crisis. I was touched by your willingness and readiness to help our state and its citizens.

Hurricane Katrina was the worst natural disaster ever faced by our country, and Mississippi has unfortunately witnessed an enormous amount of destruction from this storm—including the decimation of hospitals and other facilities. However, with your help, we were able to provide much needed healthcare services to residents in areas where medical facilities were virtually nonexistent. I am grateful for both the equipment and assistance you offered to help our medical operations in South Mississippi and the Gulf Coast.

Now we are continuing to work to facilitate the state's recovery. Though the process may be slow, Mississippi will rebuild. We are making progress every day, and I am confident that if Mississippians work together, there is nothing that we cannot achieve.

Again, thank you for allowing us to use the mobile hospital, Carolinas MED-1, in our efforts to ensure the health, safety and well-being of our affected residents.

Sincerely,



Haley Barbour

8:15 AM



On August 29, 2005, a category three hurricane smashed the Gulf Coast with a destructive power that had seldom before been seen in the United States. The “good news” at the time was that the eye of the storm missed New Orleans. The bad news was that some other community had to stand in as ground zero.

That community turned out to be the twin cities of Waveland and Bay St. Louis, Mississippi. A storm surge some 30 feet high laid waste to the area, rendering the county’s only hospital (Hancock Medical Center) inoperative.

This extraordinary damage precipitated the type of Catch-22 that has always kept disaster planners awake at night. With dozens dead, hundreds injured and thousands homeless, there was no functional medical facility to keep the casualty count from rising still further.

Fortunately, emergency management officials in Washington were familiar with Carolinas MED-1, a hospital-on-wheels with level one trauma unit capabilities. The prototype was the only disaster response unit of its kind in the entire nation, and so new it had never actually been tested in a real-life exercise.

In fact, it had left its home base in Charlotte only twice; but, serendipitously, one of those trips was a familiarization visit for federal officials in Washington.

Its first call to duty was thus a trial by fire, sorely testing the ingenuity and foresight of its principal designer, Dr. Tom Blackwell, medical director for CMC’s Center for Prehospital Medicine.

Blackwell is now well known among disaster planners and EMS personnel nationwide. Such an outcome was not guaranteed, however, because Blackwell came up with the concept for MED-1 *before* the attacks of 9/11. In that context, it was especially challenging to sell other people on the contingencies that were of concern to him. In particular, he was haunted by the question of how to respond to a mass casualty situation where local medical care was compromised by either physical destruction of life-threatening contamination.

He was experienced enough to know that military MASH units, which had changed little in design and function since the

COMPASSION

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Korean War, were not up to the task. They were not built for speed, mobility or self-containment. More importantly, they were designed primarily to perform triage and transfer serious patients elsewhere. Blackwell recognized that emergency care in the age of terrorism required immediate, on-site treatment for everything from a root canal to open chest trauma surgery.

Like many projects which spring from the minds of creative people, this one began with sketches on a paper napkin over lunch. Over time, those pencil sketches morphed into a more elaborate set of plans as Blackwell and his associate Kevin Staley (from the Mecklenburg EMS agency) finalized a grant proposal for the Department of Homeland Security.

Armed with government funding in the amount of \$1.85 million, CMC ultimately proceeded to build and equip the prototype. That unit is actually comprised of two standard size tractor trailer beds, one of which expands out into a triple-width 14-bed hospital that includes a two-bed OR and a four-bed ICU. The other trailer holds supplies and equipment, including a tenting apparatus that can accommodate up to 100 supplementary cots.

The unit was designed to be self-sustaining for 48-to-72 hours in terms of food, fuel, water and supplies. The assumption was that – regardless of contingency – help would arrive within that time frame. In Mississippi, however, it took approximately seven weeks for Hancock hospital to come back on-line.

Fortunately, MED-I was engineered well enough to endure the lengthy deployment. More importantly, doctors, nurses and technicians who staffed the unit were also up to the task, despite Spartan conditions from beginning to end.

Tom Blackwell served as incident commander throughout the deployment, aided and abetted by a cadre of volunteer clinicians from CMC which numbered 30 to 50 at a given time. The team was supplemented by SMAT (State Medical Assistance Team) personnel from throughout North Carolina.

The critical role of MED-I was validated by personal visits from dignitaries who ran the gamut from former President George H.W. Bush, to Mississippi Governor Haley Barbour, to Panthers president Mark Richardson.



INNOVATION

2:07 PM



The innovative genius behind MED-I was validated by the number of medical and emergency management personnel from all over the nation who made their way to Bay St. Louis in order to see the unit while it was still operating.

The sheer technical capability of MED-I was proven by its ability to handle a caseload of more than 7,500 patients during a seven-week deployment. Medical issues ran the gamut from treating cuts and breaks, to replacing lost medications, to performing lifesaving treatments for trauma and heart attack patients.

MED-I's greatest influence, however, was its role in stabilizing and rallying a community which had lost everything. According to observers and patients alike, the personal compassion offered by MED-I personnel lent a dimension to the healing process which went way beyond bandages and splints.

The Rev. Rick Long, an Alabama pastor who coordinated church relief efforts in Waveland, described the impact of MED-I as "the most impressive thing I've seen during 20 years in the chaplaincy."

"The outlook of these doctors and nurses is infectious," Long commented to a reporter during MED-I's deployment. "They give hope where there is none. This is not just a medical trailer. It's a psychological oasis."

This humanitarian focus was echoed by Glenda Sanchez, RN, a surgical nurse who served several rotations in Waveland. "This was the most awesome and rewarding experience I've had in 23 years as a nurse," she said after returning to Charlotte. "I went to school to learn how to help people, and this was helping people. I've never seen anything to match the gratitude these people expressed for the help we were able to provide."

(NOTE: Just prior to publication, Carolinas MED-I was dispatched for a second time to provide contingency care during Mardi Gras. Pre-Katrina, the greater New Orleans area had 5,200 hospital beds. At the time of deployment, the city had only 1,800 beds available. MED-I and its staff were asked by the U.S. Department of Health and Human Services to provide surge capacity, working alongside SMAT units from other parts of the country. During a two-week stay from February 22 to March 8 MED-I treated an additional 575 patients.) ☞

INNOVATION

7:07 AM

Louis Steele, a truck driver, is a city boy from Charlotte. **David McCormick**, a construction worker, is a country boy from Mount Holly.

Before December 7, 2005, the two had never crossed paths and had little in common other than failing kidneys. Since that time they have become best of friends, thanks to a little luck and a twist of fate that put them in the CMC's Transplant Center on the same day at the same time.

The luck came from simultaneously rising to the top of an organ recipient waiting list that, for a kidney transplant at CMC, usually includes about 300 names. The twist of fate stemmed from the generous spirit of a family that consented to the simultaneous removal of two kidneys from a single donor.

Momentarily isolated on adjacent gurneys that fateful day, Steele and McCormick started up a conversation to reduce stress and kill time. Comparing notes about the torments of dialysis, they placed a gentleman's bet on who would be the first to restore normal kidney function. Only later, while recovering from surgery, did the pair realize they owed their new quality of life to the same donor.

This revelation sealed a bond which has kept them tightly connected ever since.

"It sounds like a cliché," says transplant coordinator Gwen Ligon, "but these two guys were a match made in heaven. I'm happy for them, because it's not every day you can walk away from a situation like that with a new organ and a new friend."

Steele and McCormick were among 168 individuals who received kidney, heart, liver or pancreas transplants at CMC during 2005. They emphasize their gratitude for an organ donation system that, despite its complexity, touched their lives in such a personal way.

"The staff could not have treated us any better," says Steele, who enjoys hauling loads anywhere in the country, now that he is liberated from dialysis.

McCormick, for his part, tries to arrange all his lab visits when Steele is in town, so the two can get together for coffee. He relies on Steele's wife for schedule updates, and says that she frequently gives him personal messages to pass along to her nomadic husband.

Says McCormick, "She always reminds me to tell him she loves him. She claims that he talks to me more than he talks to her!" ☞



COMPASSION

3:23 PM



Cindy Bradley can tell you not only the date but the precise time of day she received the fateful news that her daughter, **Kenna Holtzclaw**, was diagnosed with AML (Acute Myelogenous Leukemia). Her daughter was 10 years and 322 days old at the time.

Happily, the year 2005 marked the fourth anniversary of Kenna's release from active treatment. This occasion was celebrated not only by her immediate family but by a team of doctors and nurses who had become – in Bradley's words – “a true second family.”

Jennifer Riggall, RN remembers Kenna for her standout courage. “She showed a level of strength you rarely see,” says Riggall, an experienced hematology/oncology nurse. “She never let the disease get her down.”

Riggall is one of a handful of specialists drawn to Kenna because of her extraordinary maturity. During treatments, the nurses made sure she got away from CMC briefly to take in the first Harry Potter movie. And when Kenna turned 12, several months after finishing chemo, Riggall and her associates traveled to Gastonia for the birthday celebration.

All totaled, Kenna spent 85 nights in the hospital, a function of the gravity of her diagnosis. According to Dr. Dan McMahon, Kenna's physician, the survival rate for AML is historically low. “A couple decades ago,” he says, “the five-year survival rate was about 20% or so. Today we've doubled that.”

One reason for better success is CMC's participation in the Children's Oncology Group, a national consortium of treatment centers that share research results.

“The medications for AML have not changed a lot in 20 years,” McMahon says, “but we now do a much better job mixing and matching dosages. We are also better at treating the infections and complications that result from suppressed immunity. Our success is a direct benefit of involvement in cutting-edge research.”

Having weathered the trauma of watching her daughter undergo a grueling regimen, Cindy Bradley is grateful that CMC offered up such a healthy mix of technical expertise and personal compassion.

“They do a great job of not forgetting that kids are still kids,” she says. “These people became very close to Kenna and she loves them.”

Kenna, now a sophomore at ForestView High School in Gastonia, continues to look forward to her periodic check-ups. “They treat me like a friend,” she says, “not just someone they have to take care of.” ☺

COMPASSION

1:46 PM

One of the big challenges in healthcare today is maintaining an appropriate balance of “high tech” and “high touch.”

Facilities that embody both qualities have an edge in commanding patient loyalty, and in that regard few can match the track record of Cleveland County HealthCare System (CCHS).

The system’s high tech credentials were validated in August 2005, when Kings Mountain Hospital opened a new operating room with greatly enhanced ergonomics.

When performing minimally invasive surgery, for example, physicians can now use voice-activated systems to control conditions within the surgical cavity. This leaves their hands free to manipulate key robotic instruments.

Doctors can also broadcast video images in real time to an outside facility, where specialists provide instant treatment advice using TV monitors. This “telemedicine” option is critical in emergencies, and can save patients miles of unnecessary travel in routine situations.

Dr. Doug Blackman, of Kings Mountain Surgical Associates, said the operating suite is one of the most impressive facilities he has seen anywhere. “It’s wonderful that doctors have this kind of technology at their fingertips,” said Blackman, “but the key beneficiaries are patients. The new equipment makes a real difference in producing good outcomes.”

One characteristic which is not new at CCHS is devotion to community service. During 2005, for example, CCHS employees donated over \$100,000 to the American Cancer Society’s Relay for Life. It was the largest such gift in the region, and the seventh largest among 145,000 participating teams nationwide.

For the third time, CCHS was also recognized as the number one hospital nationally for per capita giving to United Way.

“I’m pleased but not surprised by this response,” says CEO John Young. “The loss of manufacturing jobs in our county has been so severe that we are now the number two employer. Employees recognize the special responsibilities which go along with that distinction.

“What is extraordinary,” adds Young, “is that we have so many people in the system who not only give money but volunteer for leadership positions. The one thing we truly want to be infectious in our working environment is enthusiasm. It spreads from staff to patients and visitors very quickly, and reflects a true culture of caring.”



INNOVATION

2005 Schedule of Revenue

(Dollars in Thousands)

NET REVENUE	CONSOLIDATED & LEASED ENTITIES		MANAGED ENTITIES		GRAND TOTAL	
	Dollar Total	Percentage of Total	Dollar Total	Percentage of Total	Dollar Total	Percentage of Total
Tertiary & Acute Care Facilities	\$1,505,541	70%	\$566,326	90%	\$2,071,867	74%
Long-Term Care Facilities	43,141	2%	20,183	3%	63,324	2%
Specialty Facilities	47,269	2%	-	0%	47,269	2%
Carolinas Physicians Network	322,117	15%	-	0%	322,117	12%
Other Facilities & Divisions	144,691	7%	16,803	3%	161,494	6%
Non-Operating Activities	89,009	4%	22,499	4%	111,508	4%
TOTALS	\$2,151,768	100%	\$625,811	100%	\$2,777,579	100%

2005 Schedule of Expenses

(Dollars in Thousands)

NET EXPENSES	CONSOLIDATED & LEASED ENTITIES		MANAGED ENTITIES		GRAND TOTAL	
	Dollar Total	Percentage of Total	Dollar Total	Percentage of Total	Dollar Total	Percentage of Total
Wages, Salaries & Benefits	\$1,206,190	56%	\$290,322	46%	\$1,496,512	54%
Materials, Supplies & Other	592,739	28%	231,127	37%	823,866	30%
Depreciation & Amortization	111,241	5%	37,267	6%	148,508	5%
Financing Costs	27,510	1%	11,553	2%	39,063	1%
Funding for Facilities, Equipment & Programs	214,088	10%	55,542	9%	269,630	10%
TOTALS	\$2,151,768	100%	\$625,811	100%	\$2,777,579	100%

Carolinas HealthCare System

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