Community Responsibility & Sustainability

2015 Report

Texas Health Resources®

DEAR FRIENDS,

The U.S. health care industry continues to change at breakneck speeds. Texas Health Resources continued adapting in 2015 not only to fulfill our Mission of improving the health of the people in the communities we serve, but to sustain as an organization.

Some of the key ways we drove sustainable business practices during the year included creating a System Integration and Innovation Office to translate strategic initiatives into viable operations. We also prioritized training to become a High Reliability Organization to improve the way we operate so that we can serve North Texas communities for generations to come. Being highly reliable means providing a safe, quality experience to our patients each time they visit any of our hospitals, wellness centers or physician offices.

Additionally, Texas Health embarked on implementing new strategies and tools to help us deliver more affordable, innovative and reliable health services. One way we achieved this was by forming Southwestern Health Resources with the University of Texas Southwestern Medical Center in 2015. This integrated network is giving North Texans access to more clinical trials, 29 hospitals and more than 300 outpatient facilities, clinics and other care access points. It also facilitates innovation by allowing both entities to expand medical education and research initiatives.

In Fort Worth, Texas Health continued supporting the city's five-year transformation into a certified Blue Zones Project®, which makes healthy choices easier for residents by optimizing their physical surroundings, policies and social connections. Our system adopted this same wellness philosophy by pursuing certification

to be a Blue Zones Project® Approved™ worksite, which is designed to make our workplace healthier and more productive.

You can read more about our 2015 accomplishments as well as how Texas Health navigated both local and industry challenges in this Community Responsibility and Sustainability Report. We are proud that our efforts to instill a high reliability culture and our commitment to organizational excellence caught the attention of FORTUNE magazine in 2015, which named Texas Health as the No. 1 health care organization on its 100 Best Companies to Work For® list. We also were named as the No. 2 Best Workplaces for Women, No. 3 Best Workplaces for Diversity, No. 37 Best Workplaces for Millennials and the only health system in the nation included in its Best Workplaces for Giving Back ranking.

Driven by our award-winning culture and strategic health and well-being initiatives, we are well-positioned to meet the challenges and demands of the new health care economy.

As we look to the coming year, we will continue to invest in health programs that are in the best interest of the citizens of North Texas as well as in initiatives that will further strengthen the performance of our system. Thank you for supporting our mission.

Sincerely,

Barclay E. Berdan, FACHE
Chief Executive Officer

INTRODUCTION

PURPOSE OF THIS REPORT

Texas Health Resources' (Texas Health) 2015 *Community Responsibility & Sustainability Report* provides a high-level overview of our citizenship and sustainability programs, commitments and goals, as well as progress being made to enhance our workplace, our environment of care and to improve the health of the people in the communities we serve. The report serves to:

- Capture progress being made in a more transparent and meaningful manner.

- Identify opportunities to streamline processes, reduce costs and improve efficiencies.

- Compare our performance and achieve a competitive advantage as a faith-based, nonprofit health care system.

- Provide a clear picture of our economic, social and environmental investments to help internal and external stakeholders better understand our mission, vision and values.

- Enhance Texas Health's long-standing reputation as a good corporate citizen and leader in the community.

The content sheds light on our 2015 calendar year operational areas of excellence. It is helping us to identify opportunities for improvement so that we may prioritize sustainability strategies and investments for the future.

REPORT SCOPE

Texas Health operates, through its controlled affiliates, a health care system with services and facilities throughout north central Texas. The health system includes 25 acute-care and short-stay hospitals that are owned, operated, joint-ventured or affiliated with Texas Health. It includes the Texas Health Presbyterian, Texas Health Arlington Memorial, Texas Health Harris Methodist and Texas Health Huguley Hospitals. These tax-exempt hospitals have been recognized as exempt from federal taxes under the Internal Revenue Code as organizations described in Section 501(c)(3), and a list of those hospitals can be found here. Texas Health also owns and operates outpatient facilities, behavioral health and home health, preventive and fitness services, and an organization for medical research and education.

In addition, Texas Health is the sole member or sole shareholder of certain other wholly owned affiliates engaged in health care related activities including Texas Health Physicians Group, a Texas 5.01(a) physician organization and recognized as exempt from federal income taxes under the Code as an organization described in Section 501(c)(3).

Physicians on the medical staff of Texas Health's hospitals practice independently and are not employees or agents of the hospital or Texas Health. Texas Health and some of its controlled affiliates participate with physicians and non-physicians to operate hospitals and other health related ventures. Some of those ventures are considered a physician-owned hospital under federal law.

In addition, there are numerous other non-hospital related joint ventures included in Texas Health's financial statement. Some programs and benefits described in this report may be applicable only to wholly owned facilities and/or the employees of the wholly owned affiliates.

The information presented in this report is based primarily on calendar year 2015 performance. It does not include data on subsidiaries, joint ventures, leased facilities, upstream or downstream suppliers, tor outsourced operations unless otherwise noted.

The following key internal teams provided direction and scope, and helped in identifying relevant topics that reflect Texas Health's economic, environmental and social impacts, or issues of interest to our stakeholders:

- Brand Experience
- Community Affairs
- Multicultural & Community Health Improvement
- Compliance
- Faith & Spirituality Integration
- Governance Services
- Government Affairs & Advocacy
- Environmental Services
- Environment of Care & Emergency Management
- Information Services
- Information Systems & Application Management
- Performance Improvement

- Quality Outcomes
- Quality & Patient Safety
- Real Estate Engineering
- Service Excellence
- Strategy & Planning
- Supply Chain Management
- System Engineering
- Texas Health Physicians Group
- Texas Health Population Health, Education & Innovation Center
- Texas Health Research and Education Institute
- Texas Health Resources Foundation
- Texas Health Resources University

Based on these contributions, we describe critical sustainability strategies, programs and performance indicators that we believe are most relevant to communicate at this time. It is important to note that we have not yet sought stakeholder engagement or independent assurance of this report. As we continue identifying and gathering information on issues that are most relevant and material to our organization, we plan to report even more robustly in the future.

All financial figures are quoted in U.S. dollars, unless noted otherwise. References to "Texas Health," "the organization," "we" and "our" refer to Texas Health Resources.

For more information about this report, please contact Felicia Williams, program director, Community Responsibility for Texas Health at THRCommunityAffairs@TexasHealth.org.

OUR PATIENTS

We seek to deliver safe, quality and compassionate care.

WHY IT MATTERS

To remain competitive, we are committed to improving health outcomes and patient satisfaction.

- Formed Southwestern Health Resources with the University of Texas Southwestern Medical Center
- Achieved patient satisfaction mean scores above 90
- Created an error prevention toolkit to bring together safety and quality best practices
- Received Five Star ratings from CMS Hospital Compare for five hospitals
- Received "A" safety rating at 11 hospitals
- Saved ~$2 million by reducing costs-per patient discharge expenses
- Named among "Health Care's Most Wired" for 15th time

OUR PEOPLE

We provide a safe, stimulating and inclusive workplace.

WHY IT MATTERS

To succeed, we must attract and retain top performers.

- Named to FORTUNE's 100 Best Companies to Work For,® and Best Workplaces for Diversity, Women and Millennials lists
- Scored in 96th percentile for employee engagement
- Continued improving work quality/effectiveness to become a High Reliability Organization
- Received Fit-Friendly Worksite, Best Employer for Healthy Lifestyles and Healthiest Employer awards
- Saved $11.4 million in employee medical costs
- Began pursuing certification to be a Blue Zones Project® Approved™ worksite
- Gifted $938,000 to high-performing employees to recognize contributions

OUR COMMUNITIES

We identify and address community health needs and support vital programs.

WHY IT MATTERS

Our communities need access to quality health care, education and tools to enhance well-being.

- Provided $848 million, or more than $2.3 million a day, in charity care and community benefit
- Named to FORTUNE's Best Workplaces for Giving Back (only health system in the nation)
- Volunteered 9,000+ hours to support 300+ charities and 1.6 million people
- Gifted $9 million through the Texas Health Resources Foundation
- Raised $1.7 million through employee giving campaigns
- Awarded $1 million in grants and sponsorships to worthy nonprofits
- Provided pastoral care to 123,458 people

OUR ENVIRONMENT

We strive to create a healthy and safe environment of care.

WHY IT MATTERS

Our goal is to reduce operational costs, environmental impacts and service disruptions.

- Formalized a robust emergency management plan, strategy and training
- Renewed Joint Commission accreditation in 100% of hospitals
- Saved $80.3 million on supply expenses since 2012
- Reduced energy use 16% since 2011, saving $11.2 million
- Spent ~$24 million with minority and women-owned enterprises
- Recycled 52 tons of electronic waste
- Reduced water consumption by 5%, exceeding our 3% goal
- Recycled 2.5 million pounds of paper and saved 21,139 trees

OUR LEADERSHIP

We hold leaders accountable for sustained performance.

WHY IT MATTERS

To fulfill our mission, leaders must demonstrate Promise^{SM}-based values and guiding principles.

- Named John R. Ferguson III board chairman and Wesley R. Turner as vice chair
- Created System Integration and Innovation Office to translate strategic initiatives into sustainable operations
- Embarked on journey to become a High Reliability Organization
- Reinforced affordability, innovation and reliability to enhance organizational effectiveness
- Trained 100% of staff in ethics and compliance
- Maintained accreditation and compliance, while expanding service offerings
- Incurred zero fines or sanctions for noncompliance

OUR ORGANIZATION

Texas Health Resources is one of the largest faith-based, nonprofit health care delivery systems in the United States and the largest in North Texas in terms of patients served. The system's primary service area consists of 16 counties in north central Texas, home to more than 6.8 million people.

2015 HIGHLIGHTS

SCORED IN **96**TH PERCENTILE **FOR EMPLOYEE ENGAGEMENT**

Formed Southwestern Health Resources with the University of Texas Southwestern Medical Center to offer North Texas residents a full spectrum of medical care

Provided nearly $848 million, or more than $2 million a day, in charity care and community benefit

INCLUDED IN
– Fortune 100 Best Companies to Work For®
– Great Place to Work® and Fortune.com
 • 100 Best Workplaces for Millennials
 • 20 Best Workplaces in Health Care
 • 100 Best Workplaces for Women
 • 50 Best Workplaces for Diversity

Enabled 67,130+ people to complete well-being assessments, along with tools and resources to improve their health

BEGAN PURSUING CERTIFICATION AS A BLUE ZONE® PROJECT™ APPROVED WORKSITE

SAVED $80.3 MILLION MILLION ON SUPPLY EXPENSES SINCE 2012

ACHIEVED PATIENT **SATISFACTION**
MEAN SCORES ABOVE **90** in ambulatory surgery, emergency department and outpatient services

Renewed **three-year** Joint Commission accreditation in 100% of hospitals

ABOUT TEXAS HEALTH

The history of Texas Health is rooted in the healing ministries of the Presbyterian Church and the United Methodist Church. Our faith-based heritage and traditions are at the heart of everything we do. Texas Health was formed in 1997 after combining the operations of three highly respected organizations into one health care system: Harris Methodist Health System in Fort Worth, Presbyterian Healthcare Resources in Dallas and Arlington Memorial Hospital.

We then restructured our governance system, streamlined the organization, and consolidated core business and support services into one organization. In later years, we began entering into additional joint venture agreements to significantly enhance the system's growth and market position within the metroplex and added Texas Health Physicians Group in 2009.

Focusing on the future, we serve the greater Dallas-Fort Worth Metroplex. Recognizing that some services may be offered more efficiently or effectively by organizations with established competencies in those areas, we chose to create strategic partnerships for those services and currently focus on acute care and community-based care as our two primary service offerings. We care for each patient's mind, body and spirit with confidence in the contributions of medicine, science and the healing power of faith. We serve a diverse population and respect and welcome all faiths that are represented by our patients, employees and volunteers.

TEXAS HEALTH'S CORE SERVICES:
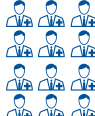
- Acute and inpatient care
- Outpatient diagnosis and treatment
- Emergency services
- Recovery and rehabilitative care
- Community-based care
- Prevention and wellness education

2015 FACTS

$4.3 BILLION TOTAL OPERATING REVENUE

~1.7 MILLION patient visits

250 community ACCESS POINTS

5,500+ PHYSICIANS with active staff privileges

~7.2 BILLION total assets

25 Acute care, short stay rehabilitation and transitional care hospitals

MISSION IMPROVE the health of the PEOPLE in the COMMUNITIES we serve

4TH LARGEST employer in DALLAS/FORT WORTH

~23,000 employees

68 OUTPATIENT FACILITIES

3,800+ licensed hospital beds

840 PHYSICIANS, PHYSICIAN ASSISTANTS & NURSE PRACTITIONERS AT TEXAS HEALTH PHYSICIANS GROUP

SNAPSHOT: Our Journey to High Reliability

Texas Health has spent the last decade transforming from a hospital-centric organization into a patient-centered, fully integrated health system. This journey has focused on enhancing our culture, value and quality, and financial and organizational sustainability. Now that we are in the final stretch of this 10-year strategy, we are focused on improving affordability, innovation and reliability to meet the needs of our patients and consumers. We are creating new ways of providing care and doing business as well as redesigning current processes to meet the needs of the changing health care landscape.

To coordinate and lead these efforts, Texas Health created a System Integration and Innovation Office in 2015 to translate key strategic initiatives into sustainable operations. This team is designing and deploying major strategic, clinical and operational transformation initiatives across the system to improve organizational effectiveness, efficiency and clinical performance results.

Recognizing that our best must get better, Texas Health also is working to become a High Reliability Organization to consistently provide a safe, quality experience to all those we serve. This requires establishing reliable structures, tools and processes – as well as a strong culture to support them. We are integrating these into the work we currently do and are forming the roadmap for how we will continue to advance our Mission to improve the health of the people in the communities we are so privileged to serve.

Driven by our award-winning culture, combined with our united focus and efforts, we will create a patient-centered, consumer-driven, highly reliable health care system that will continue to transform health care for generations to come.

"By working together and focusing on affordability, innovation and reliability, I know we will build an even stronger health system to care for North Texans for many years to come."

Barclay Berdan, *FACHE*
CEO

Where We Operate

Headquartered in Arlington, Texas, Texas Health serves the fourth-largest metropolitan region in the United States: the Dallas-Fort Worth Metroplex. Our health care system includes 25 wholly owned hospitals and joint-venture facilities, and a network of physician practices that serves 16 counties.

Our Fiscal Health

Texas Health operates in the nation's sixth-fastest growing state, which has the second largest population in the nation[1]. The population of our service area is projected to increase by 68.7 percent by 2050, more than double the national growth rate.[2] To meet this need, we are building deep financial reserves to maintain adequate operating capital, and to invest in innovation and growth.

Employers and payers are demanding reductions in health care costs. To prepare for an influx of patients, we have and will continue to invest in outpatient service centers, ambulatory surgery centers and integrated health campuses. This is generating incremental revenue and providing a cohesive continuum of care for our patients. In 2015, we generated nearly $4.3 billion in total operating revenue and improved our Standard & Poor bond rating to AA.

TEXAS HEALTH'S
MEDICAL SERVICE AREA

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[1] https://www.census.gov/newsroom/press-releases/2015/cb15-215.html
[2] Dallas-Fort Worth Hospital Council "The Economic Impact of the Texas Health Resources System on the Dallas-Fort Worth Area," November 2013.

Economic contribution

Texas Health serves as a critical economic engine that provides wages and jobs, taxes and local business development to suppliers in our 16-county service area, which is home to more than 6.8 million people. According to the Dallas Regional Chamber, the health care industry in the Dallas/Fort Worth region has a value of $52 billion annually, representing about 15 percent of all regional economic activity. In 2015, Texas Health contributed to that growth through:

~$4.3 billion
Total operating revenue

~$24 million
Procurement from minority/
women enterprises

~$2.1 billion
Salaries, wages and benefits

~$848 million
Charitable care/
community benefit

~$664 million
Supply and service procurement

$2.7 million
Sponsorships, grants
and charitable giving

Our Vision for Sustainability

As a faith-based, nonprofit health system that seeks to improve the health of the people in the communities we serve, Texas Health recognizes fulfilling its mission is only possible by being a thriving and healthy organization itself. We are taking steps to improve the health and well-being of North Texas communities, focus on population health and reduce our environmental footprint by:

- Demonstrating our core values of Respect, Integrity, Compassion and Excellence each day.
- Maintaining strong financial and operational performance.
- Providing safe, high-quality and innovative care.
- Attracting, developing and retaining top performers.
- Maintaining high standards of conduct and integrity.
- Embracing diverse ideas and facilitating teamwork.
- Ensuring ongoing patient, employee and physician satisfaction.
- Recognizing and rewarding employees for achieving organizational goals.
- Delivering increased value, while lowering costs.
- Reducing or eliminating environmental and safety risks.
- Using natural, financial and human resources wisely.
- Forging strategic and mutually beneficial community relationships.
- Advocating for the needs and rights of our patients, employees and communities.

RECOGNITION & AWARDS

Honors and awards for excellence are often bestowed on Texas Health and the many dedicated health care professionals who strive daily to meet the needs of individuals in the communities we serve. In 2015, we continued to be recognized for our quality of care, workplace and management practices. Some of the key awards bestowed upon Texas Health and its hospitals in 2015 included:

- FORTUNE 100 Best Companies to Work For®

- Great Place to Work® and Fortune.com

  - 100 Best Workplaces for Millennials

  - 20 Best Workplaces in Health Care

  - 100 Best Workplaces for Women

  - 50 Best Workplaces for Diversity

- QUEST® Award for High-Value Healthcare from Premier Healthcare Alliance

- Top Performers on Key Quality Measures® from The Joint Commission

- *U.S. News & World Report* 2015 Best Hospitals metro-area rankings

- Gold recognition from the National Business Group on Health

- *Becker's Healthcare* 2015 list of "150 Great Places to Work in Healthcare"

- American Heart Association's Fit-Friendly Worksite, platinum level

- *Dallas Business Journal's* "2015 Healthiest Employers"

- American Nurse Credentialing Center Magnet® and Pathway to Excellence® designations*

* *Magnet and Pathway to Excellence® designation from the American Nurses Credentialing Center is awarded to specific hospitals. See http://www.nursecredentialing.org/Magnet for more information.*

OUR LEADERSHIP

Texas Health Resources' leaders are responsible for guiding the execution of our Mission, Vision, Values and The THR Promise℠ so that we can maintain organizational and financial sustainability.

Each year, our leaders develop strategic plans, operationalize business objectives, engage employees and patients on key issues, evaluate performance and track continuous improvement to strengthen our health system.

2015 HIGHLIGHTS

Named John R. Ferguson III chair of Texas Health's board of directors and Wesley R. Turner as vice chair

Formed Southwestern Health Resources

with the University of Texas Southwestern Medical Center

to offer a full spectrum of medical care

CREATED

System Integration and Innovation Office to translate key strategic initiatives into sustainable operations

Incurred zero fines or nonmonetary sanctions for noncompliance with environmental, privacy and other laws and regulations

GOVERNANCE STRUCTURE

Texas Health designed its governance structure, board composition and policies to protect stakeholder and systemwide interests. Our governance structure follows best practices and facilitates systemwide decision making, accountability and efficiency.

Our governance system and leadership teams work hand-in-hand to align all parts of our organization toward quality and value, to integrate clinical services and to provide a continuum of care. The Joint Commission and the American Hospital Association

Center for Healthcare Governance's Blue Ribbon Panel have commended our well-established governance program.

Board of Trustees

Members of Texas Health's Board of Trustees[1] (board) voluntarily give their knowledge, experience, expertise and time to serve our system. The diverse group includes independent health care, business and community leaders who offer a range of professional competencies. Together, they establish goals, make strategic policies and decisions, oversee organizational performance and accountability, and nurture stakeholder relationships.

In 2015, John R. (Bob) Ferguson III succeeded Anne Bass as chair of the board, and Wesley R. Turner was elected as vice chair. Their appointments will last until January 2017.

Each year, board members:

- Assess their performance and gauge the quality of board/leader relationships, communications, orientation and education.

- Review our Board Leadership Continuity and Growth Plan, which serves as a roadmap for system and hospital board membership continuity, recruitment, growth and development.

- Oversee Texas Health's succession planning process for the CEO, executives and senior leaders.

Voting Members:

14

Term:

3 years (can serve for 9 total)

Ex-Officio Members:

- Chair, Physician Leadership Council

- Bishop, Central Texas Conference of the United Methodist Church

- General presbyter, Grace Presbytery of the Presbyterian Church

- Texas Health CEO

Chair Emeritus:

3 non-voting members; no term requirements

Texas Health Resources Board Chair John R. (Bob) Ferguson III celebrates the opening of the Legacy Room at Texas Health Dallas on March 11, 2015. Pictured from left to right: Roy Gene Evans, Jerry Farrington, and Bob and Cindy Ferguson.

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[1] Each wholly owned hospital also has its own board of trustees, who oversee the implementation of hospital-specific strategic plans and performance.

Executive leadership

Texas Health's leaders bring tremendous clinical, business and operational expertise to our organization. They have various perspectives and competencies, possess an unwavering commitment to excellence, embed uncompromising values, aspirations and expectations throughout the system, and consistently evaluate and communicate our performance.

Our executive management team is responsible for different facets of operational strategy and performance, leading our transformation into a fully integrated health system, and for improving financial and organizational sustainability.

1.
Zone-level leadership guides coordination and integration of performance excellence across the full continuum of care.

2.
The Triad model elevates the role of physician executives and senior nursing leaders in hospital administration.

3.
Physician Leadership Council engages physician leaders to provide high-level strategic input and involvement in the system.

4.
Physician Policy Council approves systemwide clinical policies, including those covering the continuum of care.

TEXAS HEALTH RESOURCES LEADERSHIP

Read more about our leaders at texashealth.org/leadership

Barclay E. Berdan
Chief Executive Officer

Jeffrey L. Canose, M.D.
Senior Executive Vice President, Chief Operating Officer

Daniel Varga, M.D.
Senior Executive Vice President, Chief Clinical Officer

Harold Berenzweig, M.D.
Executive Vice President, Southwest Zone Clinical Leader

Joan Clark
Senior Vice President, Chief Nurse Executive

Kirk King
Executive Vice President, Southwest Zone Operations Leader

Michelle Kirby
Senior Vice President, Chief People Officer

Ken Kramer
Executive Vice President, General Counsel

Mark C. Lester, M.D.
Executive Vice President, Southeast Zone Clinical Leader

Ronald R. Long
Executive Vice President, Chief Financial Officer

Brett McClung
Executive Vice President, North Zone Operations Leader

Tricia Nguyen, M.D.
Executive Vice President, Population Health

Shawn Parsley, D.O.
President, Texas Health Physicians Group

Elizabeth Ransom, M.D.
Executive Vice President, North Zone Clinical Leader

John Warner, M.D
Executive Vice President, Southeast Zone Operations Leader

ACCOUNTABILITY

Texas Health's board members and senior leaders adhere to and advocate for our Mission, Vision, Values and The THR Promise[SM], as well as our Code of Business Ethics and Governance Plan. Our leadership expects accountability from each other, clinicians and employees alike, and guides improvement in the quality of care our patients receive, manages deadlines and budgets, and drives continuous improvement.

We put a number of strategies in place to drive accountability throughout the system—from adopting standards of the Sarbanes-Oxley Act that call for stronger board independence and fiscal oversight—to evaluating progress being made on business priorities and strategic plans, the quality of care being delivered and whether our stakeholders' needs are being met.

TRANSPARENCY

Trust grows when stakeholders understand how Texas Health operates and what it is doing to meet community expectations. Our leaders regularly discuss and address performance expectations, shortfalls and actions that employees at all levels can take to improve organizational performance.

Texas Health requires board members, officers, directors, certain contracted physicians and employees managing specific tasks to review our Duality and Conflict of Interest Policy and complete annual disclosure forms, which are assessed and shared with governing boards.

PROCESS	2013	2014	2015
Internal audit findings cleared	100%	100%	100%
External financial audit clean options	100%	100%	100%
OMB Circular A-133* audit report material weakness	0	0	0
Operations/compliance risk assessment**	Full	Full	Full

*Office of Management and Budget's Audits of States, Local Governments and Nonprofit Organizations
** Indicates a voluntary measurement that is not mandated by an external party or agency; full = full accreditation was achieved

ETHICS & COMPLIANCE

As a faith-based, nonprofit community health care provider, Texas Health is committed to operating ethically and conducting business safely, fairly, legally and with integrity. Since our inception, we have integrated our values of Respect, Integrity, Compassion and Excellence into our expectations for legal and ethical conduct. By so doing, we earn and maintain the trust of those we employ and serve.

Legal and ethics system

Texas Health's Legal and Ethics System is designed to meet and exceed regulatory, legal and accreditation requirements. It is overseen by our chief compliance officer, Executive Leadership Committee and the board's Audit and Compliance Committee. Our System Compliance Committee and Business Ethics Council regularly review legal and ethics measures and evaluate the effectiveness of the Legal and Ethics System as well.

We provide mandatory ethics and compliance training for employees, volunteers, employed physicians, physician leaders and our board of trustees. Physicians agree to abide by medical staff bylaws and our Physician Code of Conduct, and we provide ethics and compliance materials at initial credentialing and each re-credentialing. Suppliers also must agree to comply with our ethics and compliance policies.

Reporting

Employees and patients can anonymously report allegations of improprieties to supervisors, patient advocates, our chief compliance officer or CEO, or through a toll-free hotline without fear of retaliation. Per our policy, we investigate all incident reports and respond to improprieties with disciplinary action, including termination, if warranted. Confirmed violations are reported to senior leaders and the board. Physician violations are handled through disciplinary action under medical staff rules and regulations.

Texas Health hospitals:

- Have an Institutional Review Board and Conflict of Interest committee

- Require ethical research training

- Have robust processes for ethics consultations and patient advocacy

- Require accreditation and licensure by The Joint Commission and the Texas Department of State Health Services

- Comply with College of American Pathologists and Clinical Laboratory Improvement Act regulations

Magnet and Pathways to Excellence® designation from the American Nurses Credentialing Center is awarded to specific hospitals. See www.texashealth.org/quality for more information.

Compliance

Texas Health operates in a complex legal and regulatory environment with numerous strict regulations and standards that are designed to ensure access to care, protect privacy, promote patient and workforce safety, and enforce public responsibility. Our Audit & Compliance Committee and senior leaders oversee compliance to avoid legal, financial, personal and reputational harm. In 2015, Texas Health fully complied with HIPAA training, supplier agreements, conflict of interest disclosures and other related requirements.

Privacy

Texas Health is committed to responsibly and proactively safeguarding our patients' health information from inappropriate use or disclosure. Federal and state privacy laws and regulations also govern how we use, disclose and protect health information.

We have a privacy compliance program that provides for the management, oversight and coordination of our privacy policies. It also oversees training, auditing, monitoring, investigating and reporting unsecured information breaches. When privacy breaches occur, we notify applicable regulatory agencies and potentially impacted individuals.

Key legal, regulatory and accrediting requirements

AGENCY/ENTITY/ACT	FOCUS
Centers for Medicare & Medicaid Services	Participation in Medicare and Medicaid programs
The Joint Commission	Accreditation standards; safe practices; Centers of Excellence certification
Health Insurance Portability & Accountability Act	Privacy and security of patient information
Equal Opportunity Employment Commission	Non-discrimination in employment
Occupational Safety & Health Administration	Workplace safety
State/local health departments	Standards for facilities, services and staffing
American Nursing Credentialing Center	Nursing quality
Blue Cross, Aetna, United Healthcare and Cigna	Centers of Excellence certification for specialty programs

OUR PATIENTS

Texas Health Resources (Texas Health) strives to be recognized nationally as an excellent and innovative health care system that provides integrated, coordinated care across the continuum. Putting patients first and improving their health outcomes is helping us achieve this goal.
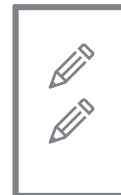
2015 HIGHLIGHTS

ACHIEVED PATIENT SATISFACTION MEAN SCORES ABOVE 90 in ambulatory surgery, emergency department and outpatient services

Received an "A" safety rating from The Leapfrog Group at 11 hospitals

Enabled almost 8,000 Fort Worth residents to commit to improving their personal well-being by taking the Blue Zones® Personal Pledge

Named one of "Health Care's Most Wired" health systems for the 15th time in 17 years

Formed Southwestern Health Resources with the University of Texas Southwestern Medical Center to expand care continuum

EARNED MAGNET® DESIGNATION at four hospitals and Pathway to Excellence® designation at eight hospitals

Created an error prevention toolkit to bring together safety and quality best practices to help keep them top-of-mind for physicians, staff and volunteers

RECEIVED FIVE STAR RATINGS from the Centers for Medicare & Medicaid Services' Hospital Compare website at five hospitals

Allowed 67,130+ people to complete well-being assessments, and to receive tools and resources to improve

PATIENT EXPERIENCE

As a faith-based nonprofit, Texas Health is in the business of caring for people in need; we put patients at the center of everything we do. Delivering an exceptional patient experience characterized by compassion, clear communication and helpful navigation through each step of the care process not only earns our patients' trust, it also improves health and outcomes, and lowers readmissions and costs – all things that are essential to our mission, vision and values.

Five years ago, Texas Health began implementing evidenced-based service strategies and training systemwide with the goal of achieving top decile performance to improve the patient experience and satisfaction. Overall, we have improved satisfaction in the inpatient, outpatient, emergency department and ambulatory services settings since then and are well on our way to reaching the highest patient satisfaction scores in Texas Health's history.

Progress being made

In 2015, we took the opportunity to review both our patient experience strategy and execution. After identifying strengths and opportunities for improvement, we incorporated these findings into our strategic operating plan. To measure patient satisfaction and patients' likelihood to recommend Texas Health, we contract with national vendor Press Ganey, which benchmarks satisfaction scores against national, customized and local databases.

While inpatient mean scores dipped slightly in 2015 from 88.6 in 2014 to 88.3, we achieved top decile mean scores in:

- Ambulatory surgery (increased from 93.9 to 94.3).

- Emergency department (increased from 89.7 to 90.1).

- Outpatient services (increased from 94.7 to 94.8).

Recognition for Patient Experience, Nursing Care

Five Texas Health hospitals were among only 207 nationwide to receive top ratings from the Centers for Medicare & Medicaid Services'' Hospital Compare website in 2015. Twenty Texas Health hospitals received at least three stars and 15 received four stars.

Additionally, Press Ganey awarded its Pinnacle of Excellence Award[SM] to Texas Health Presbyterian Hospital Plano for inpatient patient experience as well as Texas Health Harris Methodist Hospital Southlake for emergency room patient experience.

Finally, four of Texas Health's 14 wholly owned hospitals have earned Magnet® designation from the American Nurse Credentialing Center – the highest recognition that a health care organization can receive for quality nursing care.

In addition, eight hospitals have achieved Pathway to Excellence® designation from the ANCC. In 2015, Texas Health Harris Methodist Hospital Hurst-Euless-Bedford and Texas Health Harris Methodist Hospital Alliance earned Pathway to Excellence status for their quality of care.

In 2016, Texas Health will:

- Create a highly reliable patient experience throughout the system's facilities and medical practices.

- Holistically assess employee and physician engagement to determine the best ways to improve the patient experience for specific hospitals.

- Enhance, expand and reorganize our staff resources to develop sustainability plans that drive ongoing improvement.

- Give managers tools and coaching to better equip their teams with providing an enhanced patient experience.

LIKELIHOOD TO RECOMMEND HOSPITAL

PRESS GANEY MEAN SCORE

Year	Score
'15	92
'14	92
'13	91.6
'12	90.9
'11	90.3

(Axis: 0, 75, 80, 85, 90, 95, 100)
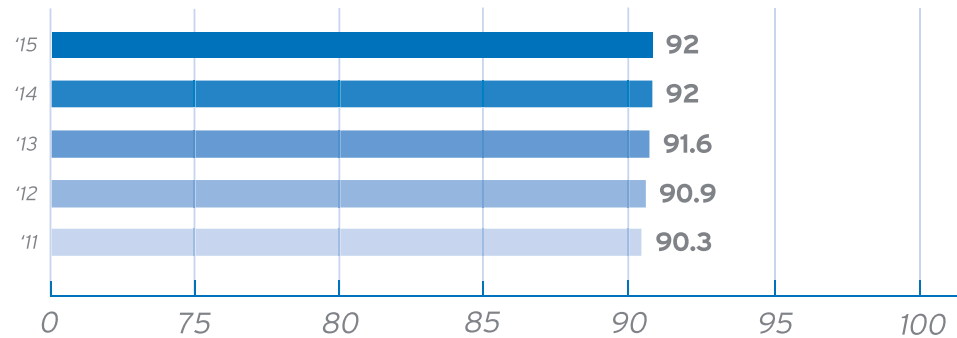
HCAHPS* WILLINGNESS TO RECOMMEND

PERCENT "DEFINITELY YES"

Year	Percent
'15	80.1
'14	80.6
'13	79.9
'12	78.2
'11	76.7

(Axis: 0, 74, 75, 76, 77, 78, 79, 80, 81)
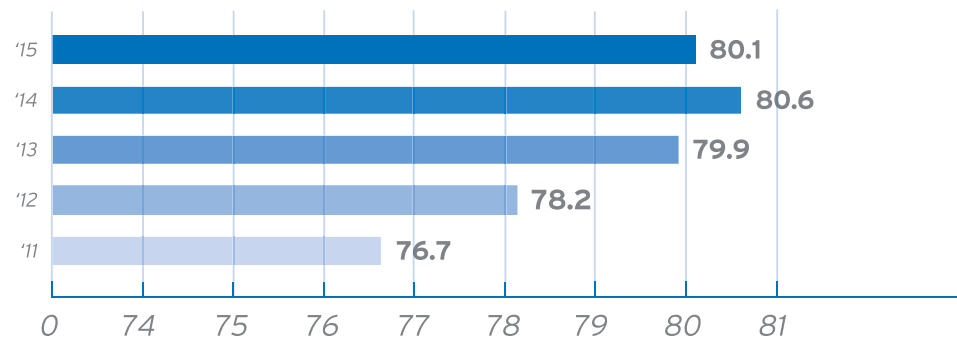
* Hospital Consumer Assessment of Healthcare Providers and Systems

SAFE & QUALITY CARE

At Texas Health, the ability to fulfill our mission and preserve our reputation is based on providing safe and high-quality care that is evidence-based and scientifically sound. After all, it is our clinical expertise and innovation of care that earns patient trust and loyalty. Considering the following statistics, it is incumbent on not only Texas Health, but the entire health care industry, to see that patients to reduce harm while patients are under our care.

More than 500,000 falls happen each year in U.S. hospitals, resulting in 150,000 injuries.[1]

- About 25 patients contract hospital-acquired infections.[2]

- Medication errors harm an estimated 1.5 million Americans each year, resulting in 220,000 to 440,000 deaths and billions in additional medical costs. [3]

As part of our journey to become a High Reliability Organization, Texas Health is working to consistently provide a safe, quality experience to our patients each time they visit any of our hospitals, wellness centers or physician offices. This work is intentional and strategic, requires extensive research and literature reviews to identify evidence-based best practices, and involves the expertise of our leaders, physicians, clinicians, staff, and safety and quality improvement teams across all Texas Health facilities.

Reliable Care Blueprinting

Making the Right Choice, the Easy Choice

When we follow evidence-based practices,

we are most likely to get the expected result.

When we can consistently provide the

expected results to our patients, we build trust.

Benefits:

- **Patients:** Benefits through improved safety and outcomes resulting from highly reliable delivery of care at every Texas Health location, every time.

- **Physicians:** Can be confident that standard work will be delivered reliably, enabling them to focus on areas that require their unique perspective and expertise.

- **Employees:** A consistent process eliminates unnecessary variability, and checklists prioritize and organize daily work for care team members. Improved critical thinking, team building and communication enhance employee and patient safety.

- **Texas Health:** Improved and consistent quality and safety outcomes, enhanced reputation and value, reduced cost of care, and rapid identification of improvement opportunities. Real-time metrics also drive accountability and reliability.

Care design

To reliably deliver safe and quality care, Texas Health is making significant investments to instill a high-reliability culture systemwide and provide its teams with the tools, processes and training to succeed. In 2015, we launched a care design and deployment initiative – called Reliable Care Blueprinting – to help facilitate this effort.

This initiative has been led by our caregivers working in design teams, involving more than 220 people from various disciplines. They met to share and review evidence-based practices and develop processes that would enable our system to achieve the outcomes we desire. These groups are tackling our most significant safety and quality issues in hospitals first and will continue meeting over the next few years to create reliable processes for our entire care continuum.

[1] According to the National Patient Safety Foundation
[2] http://www.cdc.gov/hai/surveillance/
[3] Journal of Patient Safety, September 2013

Care design: Sepsis

Sepsis, an overwhelming immune response to infection, contributes to up to half of all U.S. hospital deaths as symptoms can set in before they are detected. After design teams identified inconsistencies in how nurses and physicians were identifying and treating sepsis patients, they came up with new protocols and integrated technology to help them detect symptoms faster and automate interventions to deliver more timely treatment. We expect this will reduce sepsis-related death.

As we roll out improved care protocols, we are delivering customized training to share specific processes employees must follow to deliver safer and better care. Texas Health is continually evaluating care design effectiveness and will make refinements as needed.

- **Patient engagement:** Using clinical analytics tools and the patient intake process, we identify people at risk for poor self-management and readmission based on their health history. This allows us to more closely monitor and aggressively communicate with medium- and high-risk patients immediately.

- **Care management:** Clinical nurse managers and bedside nurses effectively manage patient care by confirming the medical services and care being provided is appropriate, by coordinating care to help verify patients see the right health professional at the right time. This has resulted in a decline in the length of patient stays and number of readmissions, and has improved patient satisfaction.

- **Care transition:** Care transition managers evaluate patients and plan an appropriate post-acute transition based on clinical criteria, funding sources, social support and the patient's choice. They also share patients' health history, care plans and treatment needs with all post-acute providers to improve quality of care and reduce the likelihood of readmission. This includes:

  o Communicating to improve understanding and alignment on patient status, treatment plans and next steps.

  o Providing care instructions to patients immediately upon admittance, throughout their stay, upon discharge and within three to seven days of being released.

  o Scheduling follow-up appointments for medium- and high-risk patients with their primary care physician or specialist, or having a nurse practitioner visit their homes following discharge.

  o Reviewing readmissions and having accountability meetings with post-acute providers.

CARE TRANSITION

Year	Value
'12	53.3%
'13	55.6%
'14	57.2%
'15	65%
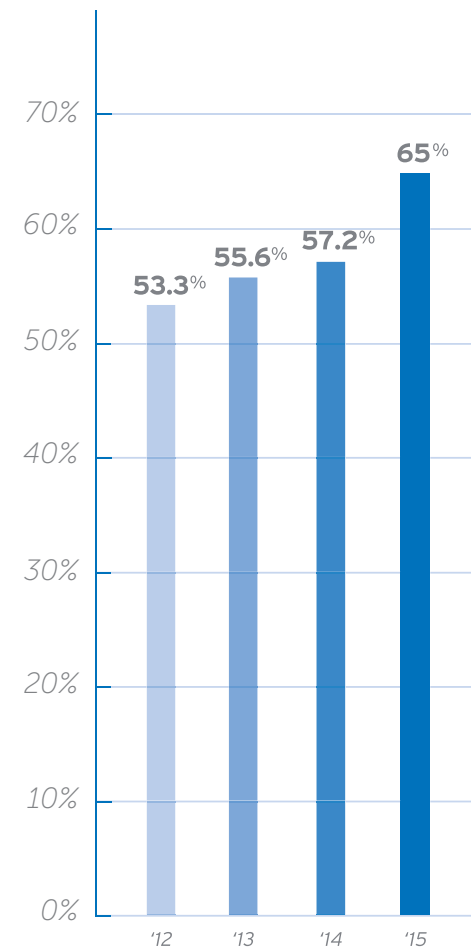
Clinical leadership: According to the American Association of Colleges of Nursing, "strengthening nursing leadership at the point at which care is delivered" reduces readmissions, improves patient satisfaction and safety, drives compliance with core measures and saves money. Texas Health's team of clinical nurse leaders manages the clinical care given to groups of 12 to 16 patients at a time.

Some of the ways clinical nurse leaders enhance communication between the care team and influence quality patient outcomes is by providing continuity of care, leading interdisciplinary care briefings and reviewing clinical data to provide optimum acute care coordination. Additionally, they mentor, bring evidence-based practices to the bedside, assist patients with health decision planning and collaborate with the care transition team to provide patient support upon discharge.

Performance improvement

To drive ongoing clinical improvements, Texas Health continuously reviews industry benchmarks, identifies internal and external best practices, shares lessons learned and sets performance goals.

We also monitor how well we deliver reliable care that is safe, outcome-focused and provided in a kind way. Comparing our progress against publicly reported clinical, safety and efficiency measures enables us to assess our progress against other systems of our size and scope as well.

Facilitating transparency

As a nonprofit health care system and a community resource, Texas Health routinely assesses and annually reports on care provided by its staff to confirm best practices are being followed and to identify improvement opportunities. We believe this information drives continuous performance improvement through accountability.

We also recognize that patients expect to know whether or not a provider delivers exceptional care prior to receiving services. By making data publicly available, we empower patients to make informed decisions to actively participate in their care, which improves their satisfaction and health outcomes.

Detailed information about the quality and safety of our care can be found in our Quality and Safety Report to the Community. Updated monthly, the report contains performance data on:

- Cancer
- Childbirth
- Emergency department
- Infection prevention
- Heart attacks/failure procedures
- Patient satisfaction
- Physician office care
- Medical imaging
- Patient safety
- Pneumonia
- Preventive care
- Stroke
- Surgery
- Other indicators

Patient safety

Texas Health is committed to the health and safety of our patients. We work tirelessly to refine our practices, reduce risks and promote a safe and healing environment, while aligning our patient safety goals with the goals of The Joint Commission. Our goal is zero harm.

As part of our journey to become a High Reliability Organization, we are working to more consistently provide a safe experience for our patients each time they visit a Texas Health facility. We are accomplishing this by strengthening our culture and processes to reduce system failures and respond effectively when they occur.

While we have deployed evidenced-based tools and strategies to protect patient safety and enhance care quality since the system's inception, we routinely assess these approaches to make necessary refinements or to introduce new methods that are proven to be more effective.

In 2015, we brought the best of these strategies together in an "error prevention toolkit" to remind physicians, clinicians, staff and even volunteers to adhere to these practices in every interaction. It also was designed to remind them to consider safety in all they do and speak up when they see unsafe behaviors. This toolkit and related training and coaching are being deployed in 2016.

Also during the year, we provided leaders training to reinforce the safety behaviors and standards that must be demonstrated and met to deliver care safely and reliably. As part of this effort, all Texas Health facilities began daily 15-minute safety briefings for entity leaders and department directors to share safety-related events or issues from the past 24 hours and what is anticipated the coming day. Senior leaders began to round with managers and staff to not only identify and discuss possible safety risks and how they should be addressed, but also to reinforce safety behaviors and expectations.

Error Prevention Strategies

To reduce patient safety errors, physicians and employees:

- Take a timeout before surgery to confirm a patient's identity, the procedure to be conducted, location of surgical site and any unique patient needs.

- Verify the right medication is being delivered at the right dose to the right patient at the right time.

- Focus on what needs to be done to validate safety prior to starting work using STAR (Stop, Think, Act and Review).

- Communicate clearly by using a three-way repeat or read-back process: receive a request, repeat the request and receive acknowledgment to confirm accuracy.

- Use numeric and phonetic clarifications to confirm clear and accurate communication.

- Use a standardized tool, SBAR (Situation, Background, Assessment, Recommendation), when handing off patients or projects to provide clear and concise details and clear direction on next steps.

- Speak up for safety by asking clarifying questions and questioning until issues are resolved.

- Partner for accountability with team members to confirm and verify tasks or information is accurate.

- Reinforce safe behaviors when they occur by providing positive feedback.

2015 Outcomes

By using and sharing best practices, increasing how often patients receive evidence-based care and reducing variation systemwide, Texas Health has made progress in recent years in advancing clinical quality. We evaluate our progress by:
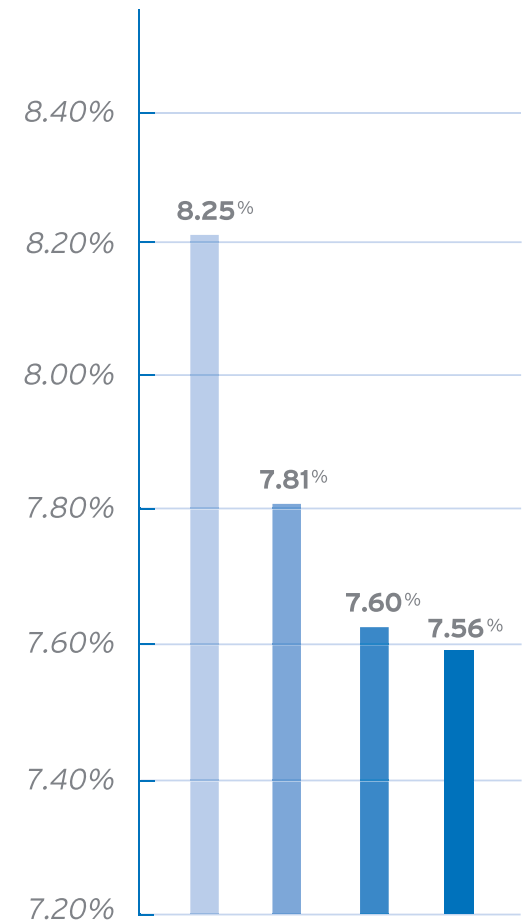
- Participating in the Premier Health Alliance QUEST project[4] to measure and compare how frequently we deliver evidence-based care in a safe, effective and efficient environment against other hospital and ambulatory settings.

- Monitoring how well we prevent or treat heart attacks, heart failure, pneumonia, blood clots, hospital-acquired infections and strokes against standards (core measures[5]) adopted by The Joint Commission and the Centers for Medicare & Medicaid Services.

- Assessing readmission rates by helping patients better understand how to manage their condition, adhere to discharge instructions and receive timely physician follow-up.

- Reviewing patient safety data via the Agency for Healthcare Research and Quality's PSI 90[6] composite score, which aggregates numerous patient safety indicators. Texas Health has steadily improved its PSI 90 metrics and reduced MRSA[7], a type of staph bacteria, rates since 2012.

The following charts highlight some of the progress being made at Texas Health. Additional data can be found in our Quality and Safety Report, which is updated monthly.

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[4] The QUEST collaborative is a group of 350 high-performing U.S. hospitals working to reduce mortality, harm, readmissions and cost of care.

[5] The Centers for Medicare & Medicaid Services' core measures evaluate clinical performance and financially compensate hospitals for above-average work.

[6] The PSI 90 composite measure includes pressure ulcers, Iatrogenic pneumothorax, central venous catheter-related bloodstream infections, accidental puncture or laceration, as well as post-operative hip fractures, hemorrhage/hematoma, physiologic and metabolic derangements, respiratory failure, pulmonary embolism or deep vein thrombosis rate, Sepsis and wound dehiscence.

[7] MRSA is methicillin-resistant Staphylococcus aureus, a type of staph bacteria that is resistant to many antibiotics. It can cause bloodstream infections, pneumonia and surgical site infections.

ALL-CAUSE READMISSIONS

2012-2015

8.25%
7.81%
7.60%
7.56%

7.1-10: HOSPITAL-ACQUIRED CONDITIONS

HAC Rate/1000 Inpatient Discharges

■ Upper quartile (25% of data greater than the median value)
■ Lower quartile (25% of data less than the median value)

7.1-9: PSI 90 COMPOSITE

PSI 90 Composite Score (AHRQ)

⎯ ⎯ ⎯ CMS VBP Benchmark
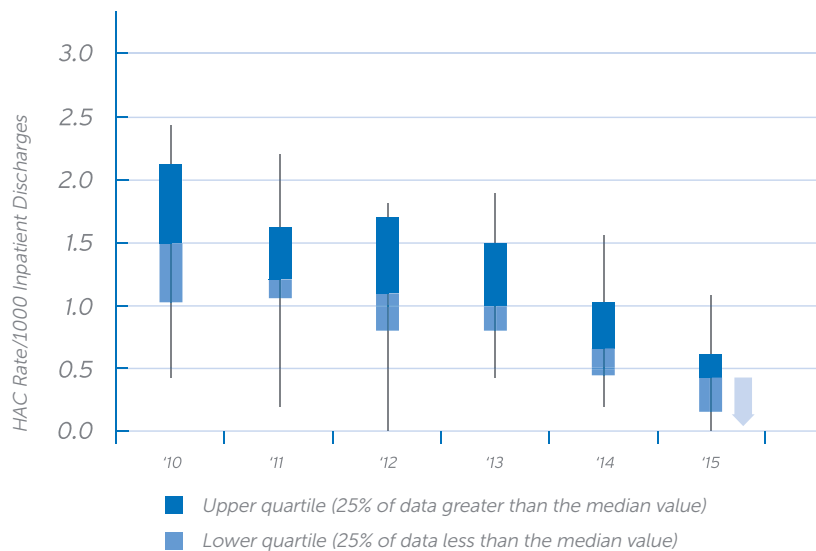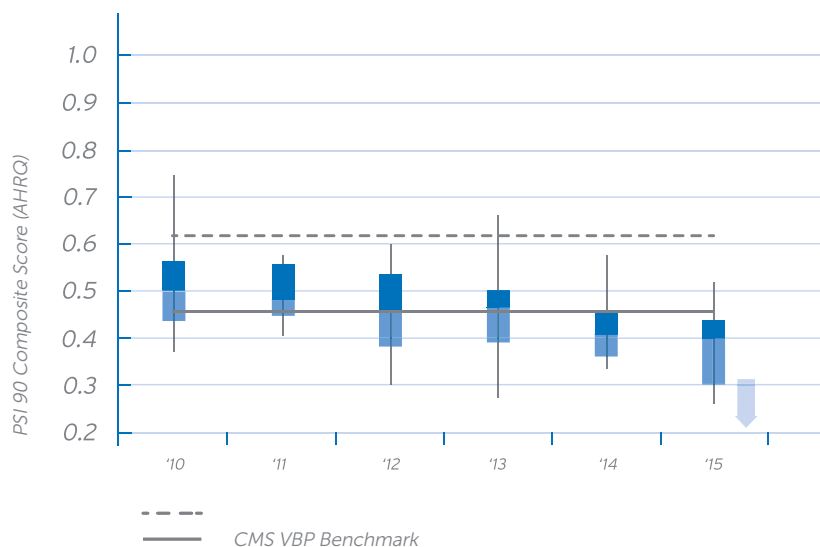
RECOGNITION FOR EXCEPTIONAL CARE

Texas Health and several of its hospitals were recognized in 2015 for delivering safe and quality care. Key awards include:

- "A" safety rating from The Leapfrog Group for 11 hospitals
- Premier QUEST® Award for High-Value Healthcare and the American Excess Insurance Exchange Risk Management Award
- Center of Excellence in Emergency Department, Community Hospital and Minimally Invasive Gynecology
- *U.S. News & World Report* "Best Hospitals in Dallas-Fort Worth"
- Mission: Lifeline® quality achievement award from the American Heart Association
- American Association of Critical Care Nurses for exceptional patient care and a healthy work environment
- Pathway to Excellence® designation from the American Nurses Credentialing Center at eight hospitals
- National Database of Nursing Quality Indicators™ Award for Outstanding Nursing Quality
- Magnet® designation from the American Nurses Credentialing Center at four hospitals

POPULATION HEALTH MANAGEMENT

Texas Health's mission is to improve the health of the people in the communities we serve. To fulfill our mission, we must not only care for people when they are ill, but also work to keep them healthy and out of the hospital. Through our Population Health, Education & Innovation Center, teams are identifying, developing and implementing innovative population health strategies, tools and programs to help North Texans achieve greater overall well-being. Texas Health is implementing the following strategies to improve residents' physical, mental and emotional health:

Developing Blue Zones® communities

Poor health was estimated to potentially cost Fort Worth $5 billion in lost productivity and health care costs over the next 10 years, undermining the city's economic viability and residents' quality of life. To provide holistic well-being support to people living in Fort Worth, Texas Health partnered with city officials, the Fort Worth Chamber of Commerce and Healthways, Inc. to transform the city into a certified Blue Zones Project by 2018.

Blue Zones Project Fort Worth makes healthy choices easier for residents by optimizing their physical surroundings, policies and social connections. Since the initiative began, Texas Health has provided strategic direction and counsel, funding and support.

Texas Health is currently working with the city of Fort Worth to make changes in these key areas:

1. **Policy:** Advance community policy work to ensure surroundings and infrastructure support healthy lifestyles, such as improving access to fresh fruits and vegetables or the development of an active transportation plan.

2. **People:** Almost 8,000 individuals committed to improving their personal well-being by taking the Blue Zones® Personal Pledge in 2015.

3. **Places:** Employers of all sizes, including Texas Health, pledged to become Blue Zones Project Approved™ Worksites, including five faith-based organizations.

4. **Presence:** The Blue Zones Project team partners with local media, civic and private organizations, and like-minded community initiatives to increase the visibility, awareness, effectiveness and impact across the city. The project received almost 20 million media impressions in 2015.

WORKSITES 216%
YTD: 35 registered, 13 approved, 50,227 employees
Goal for 2015: 6 approved, 20,000 employees
Overall Goal: 85,000 employees represented by approved worksites
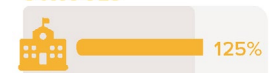
SCHOOLS 125%
YTD: 65 registered, 8 with Walking School Bus
Goal for 2015: 52 registered, 7 with Walking School Bus
Overall Goal: 44 approved, 27 with Walking School Bus

RESTAURANTS 250%
YTD: 17 registered, 20 approved
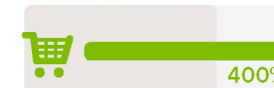Goal for 2015: 8 approved
Overall Goal: 60 approved

PERSONAL PLEDGES 30%
YTD: 8,354
Goal for 2015: 27,766
Overall Goal: 111,061

GROCERY 400%
YTD: 2 registered, 4 approved
Goal for 2015: 3 registered, 0 approved
Overall Goal: 14 approved

POLICY
BUILT ENVIRONMENT 2015: 4 completed
10 policies in process
FOOD 2015: 3 completed
8 policies in process
Overall Goal: 33 policies

Blue Zones Fort Worth receives award

The Healthcare Leadership Council, a coalition of chief executives from the nation's leading health care companies and organizations, named Blue Zones Project Fort Worth as its Wellness Frontiers Award winner for implementing an evidence-based wellness program that prevents disease and improves population well-being.

Texas Health CEO Barclay Berdan (far left) joins Fort Worth Mayor Betsy Price (in red) in accepting the award.

Enhancing community health

Texas Health plays an integral role in helping our communities meet broader health and social needs. Not only is this central to our mission, but a requirement of our nonprofit status. Read more about these programs in the Community section of this report.

Offering well-being assessment tools

As Texas Health's commitment to improving health extends far beyond the walls of our health system, we are working to improve people's quality of life and lower health care costs. One way we are achieving this is by helping North Texas communities measure their overall well-being — and then offering resources to create an improvement plan.

We created a free online tool to assess people's sense of purpose, social connections, financial security, community relationships and physical health. Looking at each of these elements as a whole can determine their overall well-being. Since launching the tool in 2013, more than 67,130 people have completed assessments, increasing awareness of their current state of well-being and providing them with tools and resources to improve.

In coming years, Texas Health will continue gathering well-being data in an effort to identify what programs and services should be offered in particular neighborhoods, which supports our key strategy of improving population health.

Reversing the effects of heart disease

In 2015, Texas Health launched the Dr. Dean Ornish Program for Reversing Heart Disease™, a 72-hour intensive cardiac rehabilitation program at Texas Health Arlington Memorial Hospital, Texas Health Presbyterian Hospital Dallas and Texas Health Presbyterian Hospital Plano.

This intensive program, fully reimbursed under Medicare, gives physicians on our medical staffs and our cardiac patients an additional option in treatment plans for those who meet required criteria. The program emphasizes stress management, group support, nutrition and fitness.

Improving wellness in Texas

According to the Gallup-Healthways Well-Being Index® the state of Texas ranked 11th in overall well-being nationally in 2015, a slight decline from 10th from the year before. However, well-being scores in the Dallas-Fort Worth and Arlington communities improved from 27th to 11th.

SENSE OF PURPOSE
Liking what you do each day and being motivated to achieve your goals.

SOCIAL CONNECTION
Having supportive relationships and love in your life.

FINANCIAL SECURITY
Managing your economic life to reduce stress and increase security.

COMMUNITY RELATIONSHIP
Liking where you live, feeling safe and having pride in your community.

PHYSICAL HEALTH
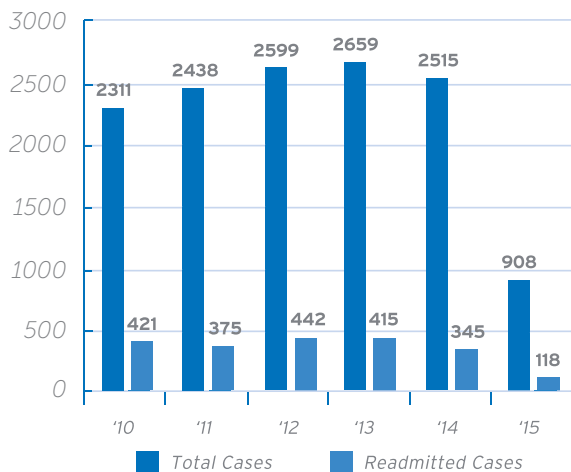Having good health and enough energy to get things done daily.

Effectively managing diabetes

Diabetes costs Texans more than $18 billion each year in medical costs, lost work time and productivity. To address this growing health problem, Texas Health created a systemwide Comprehensive Diabetes Care Initiative that improves community education, advances treatment options and better coordinates care between hospitals and other health providers.

In 2015, the program served a record number of 9,450 outpatients and 9,485 inpatients, which includes about 7,400 unique patients who received education, survival skills, printed materials and assistance in care coordination by certified diabetes educators. Also during the year, we standardized and deployed numerous order sets systemwide, provided specialty training classes for clinicians, diabetes educators and resource teams, and launched an education microsite at TexasHealth.org/Diabetes.

THR DIABETES (PRIMARY DIAGNOSIS) CASE & READMISSION VOLUMES

2010-2015

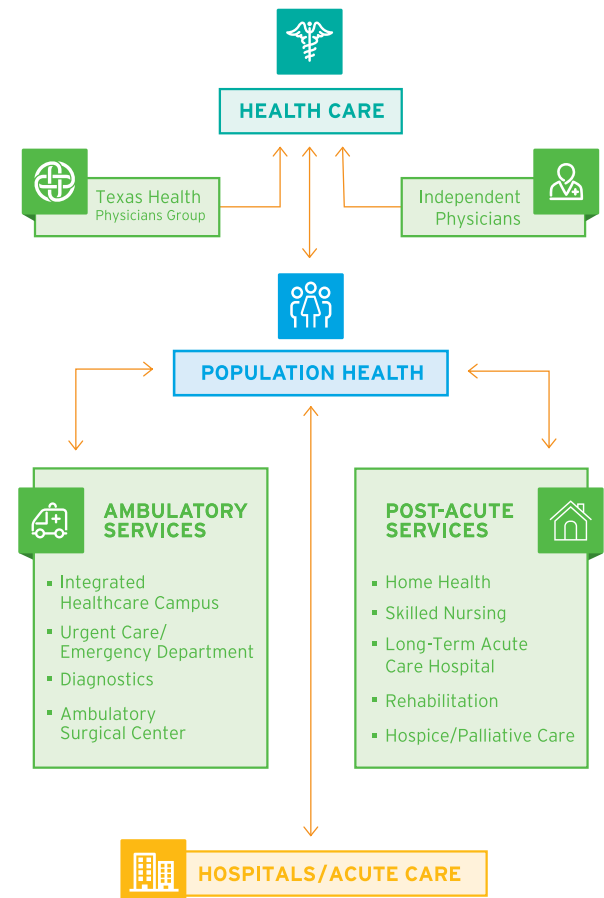| Year	Total Cases	Readmitted Cases
'10	2311	421
'11	2438	375
'12	2599	442
'13	2659	415
'14	2515	345
'15	908	118

Delivering convenient, value-based care

Texas Health has been transforming its model of health services to one that is based on a physician-directed, care-team approach designed to keep people healthy and out of hospitals except when they are acutely sick or injured. To support this transformation, we are building a clinical network of size, scale and capability to manage all lives for which we are accountable.

From forming accountable care organizations to aligning with specialty providers, we are making care seamless and convenient for our patients. A key piece of Texas Health's clinical network is Texas Health Physicians Group (THPG), a nonprofit physician organization. THPG includes a team of nearly 900 physicians, clinicians and patient navigators who work to improve care quality and outcomes by better coordinating prevention and wellness programs, as well as acute, long-term and hospice care.

In 2015, Texas Health formed Southwestern Health Resources with the University of Texas Southwestern Medical Center to better serve patients by offering the complete continuum of care, from the most basic to the most complex. This integrated network will provide North Texans access to more clinical trials, 29 hospitals and more than 300 outpatient facilities, clinics and other access points. UTSW's network of faculty and community-based physicians will work together with THPG to deliver high-quality and a more reliable continuum of care.

PROVIDING A CONTINUUM OF CARE

HEALTH CARE

Texas Health Physicians Group

Independent Physicians

POPULATION HEALTH

AMBULATORY SERVICES
- Integrated Healthcare Campus
- Urgent Care/ Emergency Department
- Diagnostics
- Ambulatory Surgical Center

POST-ACUTE SERVICES
- Home Health
- Skilled Nursing
- Long-Term Acute Care Hospital
- Rehabilitation
- Hospice/Palliative Care

HOSPITALS/ACUTE CARE

TEXAS HEALTH PHYSICIANS GROUP

860+

Physicians/physician assistants/
nurse practitioners

46

Patient Centered Medical Homes
recognized for improving clinical
outcomes/patient satisfaction

250+

Clinics/ancillary service sites

157

Providers recognized by the National
Committee for Quality Assurance
for delivering quality diabetes and/or
heart and stroke care

57

Medical specialties

Additionally, with a growing senior population, many areas in North Texas have a medically underserved Medicare population. THPG helped address this community need in 2015 by launching a new clinic model, called Texas Health Your Health Center.

After extensive consumer research, a set of patient- and family-centered clinic standards was developed to specifically address the needs of patients over age 65. These centers feature larger exam rooms to accommodate walkers, wheelchairs and accompanying family members, and have wheelchair-accessible weight scales. Three centers opened in 2015. Also during the year, THPG:

- Developed a Medicare Shared Savings Program with UTSW to provide better patient care, improve population health and reduce health care costs.

- Provided consulting physicians to 43 MinuteClinic® sites, the walk-in clinic inside select CVS/pharmacy® stores.

- Affiliated with eight Target Clinic locations, which offer walk-in medical care.

In 2016, THPG will work to continue improving patient satisfaction, increase number of specialty practices recognized as medical homes and increase programs that focus on health disparities.

Extending Service Excellence Outside Hospital Walls

Texas Health Physicians Group (THPG) has conducted extensive training to thousands of receptionists, nurses, medical assistants and clinic leaders to reduce variation in service and standardize the Service Excellence culture among the providers who work across 11 North Texas counties.

In 2015, more than 90 percent of THPG patients said they would recommend their provider's group to others, were pleased with the extent of physician communication and were satisfied with the quality of THPG offices. Texas Health began sharing these scores internally among providers during the year. THPG will increase physician engagement and coaching in 2016 as their leadership is critical to raising the bar with our patients' experience. It also will begin disclosing patient experience scores externally.

RESEARCH & MEDICAL EDUCATION

Accredited by the Association for the Accreditation of Human Research Protection Programs, Texas Health Research & Education Institute enables thousands of physicians on the medical staffs and their clinical teams to conduct advanced medical research and receive certified medical training to deliver innovative clinical treatments, devices and processes to patients.

Research

Texas Health Research & Education is one of the most comprehensive medical research hubs in the state and offers Texas Health's affiliated physicians and clinicians, medical research firms and universities a single location to design, test and implement innovative medical technologies, procedures and protocols.

Along with two stand-alone facilities equipped with exam rooms, labs, pharmacies, monitoring space and research teams, the organization also operates a Minimally Invasive Technology Center that offers tools, techniques and training on minimally invasive procedures. Research coordinators, nurses, data analysts and statisticians support research trials and innovations, along with developing and executing grants.

While companies and universities fund their own research projects and any system personnel who may assist, Texas Health underwrites studies that support hospital initiatives conducted by its own physician investigators and clinical teams.

An independent Institutional Review Board reviews and approves proposed studies to validate they are appropriate, scientifically sound, and comply with ethical and legal guidelines.

Each year, Texas Health Research & Education hosts high school students to recruit the next generation of medical innovators. It uses these events to teach students about medical education, training and research, explore career options and demonstrate advances in medical technology.

Medical education

Texas Health Research & Education helps physicians and other health care professionals deliver high-quality health care to patients through continuing medical education (CME) programs. The organization is accredited with commendation by the Accreditation Council for Continuing Medical Education. Along with traditional classroom learning, skills training and committee learning, health professionals take courses online and through live streaming.

23,022
Physician and health care professional participants

1,485
CME activities held

34,677
Credit hours awarded

891
Physicians, allied health and others supported

75
Research events, training and meetings held

214
Studies conducted

3,360
Total training hours

HEALTH INFORMATION MANAGEMENT

More than 1,000 Americans die each day from preventable medical errors and another 10,000 experience serious complications, which costs about $1 trillion annually.[8] To improve patient safety and enhance coordination of care, Texas Health has invested millions of dollars on health information management systems (HIMS), which include electronic health records, health information exchanges and other critical technological infrastructure.

Not only do these technologies improve health outcomes, they also improve organizational communication and efficiency. In 2015, Texas Health successfully completed a risk audit that assessed the effectiveness of health information management services and related processes provided in a centralized environment. No high-risk issues were found. Additionally, we greatly reduced the departments' operational costs-per-patient-

discharge expense from our goal of $78 to $62.66, which saved about $2 million in expenses. The following describes our key technology investments and improvements being realized as a result:

Electronic health record (CareConnect)

Placing patient medical history and treatment plans at physicians' fingertips helps them quickly and decisively deliver effective patient care, which is why Texas Health was one of the first health systems in the U.S. to deploy an electronic health record, CareConnect. With an investment of more than $200 million, this system is the foundation for patient care, safety, quality and efficiency.

Health information exchanges

While CareConnect has digitized patient health records, Texas Health prefers that patient information does not reside in digital siloes. This is the reason why we developed and participate in health information exchanges (HIE), which securely extract patient medical information from different health providers to create a single view of a patient's health status that any authorized clinician can access. As we expand more into supporting population health, HIEs will enable us to share health information with the North Texas health care community.

CareConnect

It's not about better technology.
It's about better health care.

Placing patient medical history and treatment plans at physicians' fingertips helps them quickly and decisively deliver effective patient care.

[8] http://www.healthcareitnews.com/news/deaths-by-medical-mistakes-hit-records, *July 2015.*

Medical technology

Texas Health deploys various medical and health information technologies that benefit patients and providers alike. For example, these innovations facilitate less-invasive procedures, faster diagnosis and the automatic monitoring of health status, which improves health outcomes and patient satisfaction. MyCare is another tool that allows patients to communicate directly with a physician, refill prescriptions, and access clinical results, discharge instructions and immunization records.

Operational technology

Texas Health invests in billing, scheduling, coding and other business technologies to keep the health system operating efficiently.

Using technology to automate or expedite tasks reduces the time needed to complete them as well as associated costs. It also helps drive compliance with rules and regulations.

2015 Progress

Texas Health successfully transitioned to a new coding system, called ICD-10, for diagnoses and inpatient procedures. Preparing for this transition was a significant undertaking, as we worked since 2012 to train physicians and coders, and upgrade numerous applications to support ICD-10 codes for compliant billing.

Additionally, we installed software that enables physicians to dictate directly into CareConnect and assist with complete and timely documentation into the patient medical record. We also have been able to reduce the turnaround time of traditional dictation from an industry average of 24 hours to three hours.

Recognition for technological leadership

Texas Health is a recognized leader in the deployment and use of health information management systems and technologies.

In 2015, the system:

- Was named "Health Care's Most Wired" for the 15th time in 17 years.
- Received the American Health Information Management Association's Grace W. Myers award (honorable mention) for outstanding and innovative approaches in health information management.

OUR PEOPLE

At Texas Health Resources, our vision is to be the health care provider of choice. For us, this starts with being the employer and workplace of choice, and the way we get there is by living and breathing The THR Promise℠ of Individuals Caring for Individuals, Together. At the heart of The THR Promise℠ is our compassion for humankind and our belief in the sacred calling of caring for life.

Being part of Texas Health is like being part of a family that enjoys working together and helping others. Joining our family is a calling characterized by the values of respect, integrity, compassion and excellence that we live by to improve the health of people in the communities we serve.

We're not in the health care business to win awards. Nevertheless, being recognized as a great place to work is very important to us and we've received many honors through the years for those achievements. Health care is a hands-on, human-centered business and how we treat our employees affects how they treat the people we serve. Our benefits, compensation, recognition and development programs are thoughtfully designed and managed to not only recruit the best people, but also to retain the best people.

In 2015, our nearly 23,000 employees continued to embody the caring and compassionate values that make Texas Health one of the best health systems in the nation and one of the largest employers in North Texas.

2015 HIGHLIGHTS

BEST WORK PLACE AWARDS

Fortune "100 Best Companies to Work For" (#69)

- Great Place to Work® and Fortune.com "100 Best Workplaces for Millennials" (#37)

- Great Place to Work® and Fortune.com "20 Best Workplaces in Health Care" (#1)

- Great Place to Work® and Fortune.com "100 Best Workplaces for Women" (#2)

- Great Place to Work® and Fortune.com "50 Best Workplaces for Diversity" (#3)

- Dallas Business Journal's "Healthiest Employers in North Texas" (#3)

- National Business Group on Health's "Best Employer for Healthy Lifestyles" (Gold Award)

RECOGNIZED AS AN ELITE RECRUITMENT ORGANIZATION FOR THE PAST **4 YEARS** IN A ROW

Saved $11.4 million in employee medical costs

SCORED IN **96**th PERCENTILE for employee engagement

Enabled employees to walk 20.5+ billion steps since Walkingspree began

Began pursuing certification as a Blue Zone Project® Approved™ worksite

DISTRIBUTED $938,000 in gift awards to high-performing employees

Advanced the principles of high reliability across the organization by focusing on safety and quality for patients, employees and visitors

RECRUITMENT

Being part of Texas Health is like being part of a family that enjoys working together and helping others. Joining our family is a calling, characterized by the values of respect, integrity, compassion and excellence that we live by to improve the health of people in the communities we serve. It's a promise of how we work together at Texas Health and is felt by anyone who steps through our doors – whether they are a candidate, employee, physician, volunteer, patient or family member. Our workforce is either caring for patients and families or supporting those who do.

Texas Health is committed to hiring diverse, compassionate and innovative caregivers to deliver quality patient care. We invest a significant amount of time determining if candidates will be a good fit with us culturally throughout our recruitment process.

Market challenges

Like most health systems, Texas Health faces a shortage of qualified employees in specialized roles. We partner with local schools to ensure a pipeline of talent for the future for hard-to-fill and core jobs. To encourage future nurses to join our family, we offer the well-known Versant New Graduate RN Residency™ at many of our points of care. This program allows new nursing graduates to complete a one-year residency in a specific service line, such as medical-surgical or intensive care.

In addition, we have a successful employee referral program. In fact, 30 percent of our new hires resulted from employee referrals and 2 percent of our open requisitions were filled by returning alumni in 2015.

Hiring strategies

To address market challenges, Texas Health has a robust workforce planning initiative that helps identify and close gaps between the workforce of today and the human capital needs of tomorrow. It enables us to more efficiently and effectively balance workforce demand and capacity, assess skills, optimize the distribution of talent, enhance job satisfaction and transfer knowledge. We also deploy a number of recruitment strategies to encourage the best people to enter and advance in the field of health care.

Texas Health measures recruitment efficiency and effectiveness processes against regional and national benchmarks, and makes course corrections as needed based on monthly data and quarterly detailed reviews with hiring leaders.

THERE'S ANOTHER NAME FOR OPPORTUNITY.

TEXAS HEALTH RESOURCES

More than 20,000 employees strong, the Texas Health culture is built on a strong foundation of respect, integrity, compassion and excellence. Our leaders embrace an 'empty chair' philosophy that keeps them out of their offices and on the floors where they can listen and learn from employees. Open communication, teamwork and the passion of our outstanding team are what make Texas Health a great place to work.

We are exceptional. Are you one of us?
TexasHealth.org/careers
Careers@TexasHealth.org

We are an Equal Opportunity Employer and do not discriminate against any employee or applicant for employment because of race, color, sex, age, national origin, religion, sexual orientation, gender identity, status as a veteran, and basis of disability or any other federal, state, or local protected class.

Texas Health Resources®

Progress being made

Social scientists have suggested from empirical research that as much as 80 percent of employee turnover is caused by sub-optimal hiring decisions.[1] In light of this and similar research, Texas Health continuously seeks to improve how we hire. One way we did this in 2015 was by analyzing our recruitment investments to focus on strategies that offered the greatest return. We also successfully held interview days at our hospitals and clinics to pre-screen candidates and hire faster.

Other progress made during the year included:

- Incorporating strategic workforce planning models into our operational plans to give us advanced knowledge of needed skills and headcount.

- Filling 7,018 requisitions and supporting a number of internal realignments to support new organizational design projects.

- Staffing clinical expansions at area hospitals.

- Collecting information from employees and candidates who served in the military or are disabled to comply with regulatory changes. We set a goal to reach and hire 7 percent in these categories.

[1] *Harvard Business Review*

94%
Offer acceptance rate

2 days
Reduction in time to fill nursing positions

30%
Open positions filled by employee referrals

4 years
Recognized as an elite recruitment organization

3,952
New hires, up 2.53% since 2010

7,018
Filled positions, up 31% since 2011

RETENTION

Employee retention is a key performance measure and a strategic focus throughout Texas Health. Preserving our reputation as a best place to work helps us retain the brightest talent in the region.

Strategies

To maintain excellence systemwide, Texas Health selectively hires and promotes, compensates competitively, recognizes achievements, and provides opportunities for educational and clinical development. We also give managers the tools they need to help new hires assimilate quickly, create strong working relationships and establish professional development plans.

We continually track and assess employee retention to ensure that we are maintaining our top talent. We openly communicate with our employees, assess their feedback and meet with high-performers who voluntarily leave the organization to identify potential issues. We review this information to make course corrections and craft improvement plans.

While workforce reductions are rare, Texas Health makes it a priority to match affected employees with other available positions that are best suited to their qualifications and interests. We also aggressively provide placement assistance and market competitive severance pay to support our employees. If rehired within 13 weeks, impacted employees receive full credit for prior service.

Best Place to Work

For the second consecutive year, Texas Health earned a spot on the FORTUNE 100 Best Companies to Work For® list. We were the only health care system in North Texas and one of only nine in the U.S. to be included.

Texas Health also was ranked No. 1 on Fortune's 20 Best Workplaces in Health Care and included in Becker's Hospital's Review's "150 Great Places to Work in Healthcare" in early 2016.

Performance

In 2015, Texas Health's vacancy rate remained stable at 4.2 percent.

Workplace engagement continued to increase and 91 percent of employees said they would "recommend this organization to a friend as a great place to work," up from 80.6 percent in 2010.

Also during the year, we:

- Developed a standardized retention reporting tool and rolled it out systemwide.

- Surveyed high- and low-performing managers to share best practices to avoid turnover. Using their feedback, we developed a toolkit to help identify retention challenges and implement best practices to improve workplace engagement.

SYSTEMWIDE RETENTION

Year	Retention Rate
'09	89
'10	88
'11	87
'12	88
'13	88
'14	84
'15	86

■ Retention Rate — Expected High Range — Expected Low Range
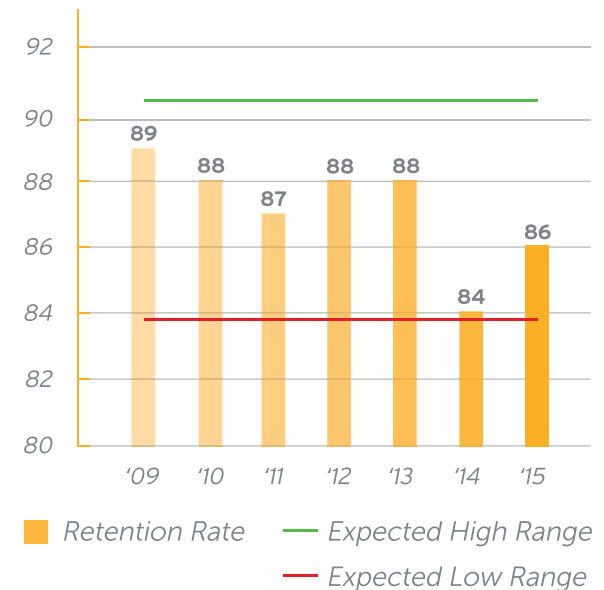
LEARNING & DEVELOPMENT

Texas Health recognizes that stimulated and educated employees sustain and enhance organizational health, which is why we make considerable investments in their learning and development. We also recognize development is essential to attracting and retaining the best talent, and to align our goals with theirs.

We use three primary tools to deliver education and training throughout the system:

LEARNING & DEVELOPMENT SYSTEM

- Balances organizational, site and individual development needs.

- Engages and aligns employees' performance expectations with organizational goals.

- Puts employees in settings that fully leverage their talents and expertise.

- Provides innovative tools for success.

- Grooms high performers for leadership and specialist roles.

- Drives workforce alignment and clarity of our strategic plan.

MY TALENT

MyTalent is a software application used to administer, document, report and deliver online learning and training programs. It also enables employees and their supervisors to review and discuss long-term development plans. Since centralizing MyTalent to drive standardization and coordination of training across the system, we have been able to increase capacity for valuable learning experiences, expand our preceptor program to allied health professionals, and increase access and opportunities for nurses to meet licensure requirements.

TEXAS HEALTH RESOURCES UNIVERSITY

Texas Health Resources University (THRU) identifies and develops competencies at the individual, team and organizational levels, which are aligned based on legal, designation, accreditation and licensing requirements. THRU offers thousands of resources and best practices to develop employees' skills for current or aspirational positions.

Development programs

Texas Health designs and implements various development programs to strengthen the skills of leaders, physicians, nurses, allied health professionals and new hires. We also help employees determine if they are in the right job based on their values and interests using our career navigator program. It provides formal mentoring and clinical preceptors, which are led by experienced employees.

To encourage ongoing development, we reimburse tuition for qualified employees, and also subsidize specialty certifications and professional memberships. In 2015, we reimbursed an estimated 1,900 employees more than $6 million in tuition.

Some of our program highlights for the year include:

- Launching a formal leadership program for physicians.

- Building high-performing teams by applying evidence-based tools to embed top performance.

- Completing a High Reliability Organization program for leaders to improve safety and reduce variation in processes that could lead to harm. Leaders are accountable for monitoring consistent application of these principles with their teams.

- Revising our standards of leadership behaviors to align with accountability for financial and clinical outcomes.

- Conducting a series of nine workshops to promote effective management practices at Texas Health.

Learning assessment

We regularly assess and refine development programs to protect the system's viability and competitiveness, and to align learning with key business strategies. After conducting a needs assessment, Texas Health created a Leadership and Management College to offer robust leadership training in 2015. We also revised our standards of leadership behaviors to align with financial and clinical outcomes.

Additionally, we began eliminating duplicative programs, standardizing curriculum, expanding learning events by discipline and increasing online learning resources for our workforce.

Performance monitoring

Texas Health assesses employees' competencies through the Performance Excellence Acknowledgment Program, new hire cultural assessments and competency evaluations. This helps us match their strengths, talents and abilities to the right job, pinpoint opportunities for improvement, and verify adherence to certification and licensing requirements.

For physicians, we review performance relative to key clinical metrics and require them to complete a formal credentialing process every two years. Unsatisfactory performance is elevated through the peer review process to an entity's medical staff credentialing committee and, if needed, to the entity's board of trustees.

Succession planning

At Texas Health, succession planning is well thought-out and managed to help ensure the sustainability of the system. We identify high-impact employees who are critical to organizational success and provide specialized development for succession planning. Our primary succession planning responsibilities include:

BOARD OF TRUSTEES
- Develops board leadership continuity and growth plans.
- Manages succession planning for the CEO and direct reports.
- Advises on upcoming leadership vacancies and required competencies.

CEO/EXECUTIVE COMMITTEE
- Oversees succession planning and development of senior leaders.

EXECUTIVES
- Identifies high-potential staff, including physician leaders.
- Conducts flight risk assessments to prepare identified successors for key positions.

In 2015, we began creating and implementing a systemwide succession planning process to identify high-potential leaders who would be capable and qualified to successfully operate Texas Health within the changing health care landscape. We identified an approach to create a pipeline of high-potential individuals, identify critical positions and prepared plans for enhancing needed skills and competencies. This effort continues in 2016.

COMPENSATION & BENEFITS

Texas Health's compensation and benefits packages demonstrate our investment in the caring professionals who help us achieve our mission. We design these to enable employees to take care of their body, mind and spirit – today and in the future.

Compensation

Annually, we assess industry and market standards to keep salaries competitive and reward exceptional performance with higher pay. Our compensation philosophy is approved by our Board of Trustees.

Benefits

Texas Health tailors benefits to the needs of our diverse workforce. We pay more than 80 percent of medical insurance premiums and tier employees' costs based on their salary level to make health coverage even more affordable. We also subsidize health plan costs for older workers moving from full- to part-time status.

Our 401(k) retirement plan increases our match of employee contributions based on their years of service up to $1.25 per $1 contributed up to 6 percent after 10 years of service, which gives us a competitive advantage in our market. Additionally, we offer unique employee benefits, from on-site child care services and discounted fitness centers, to chapels in each hospital and employee discounts on various products and services.

Texas Health's benefits have been recognized by both employees and external entities, and contribute to our high retention rate. We regularly re-evaluate offerings, monitor employee feedback and conduct market analyses to make sure salaries and benefits remain competitive while also meeting employees' needs.

In 2015, our organization continued to keep benefits costs low, began covering adult children of employees until age 26, paid for up to 20 acupuncture and chiropractic visits per year for employees, and maintained employee satisfaction with our benefits offerings (satisfaction scores have exceeded 85 percent since 2009).

At Texas Health, we want medical premiums to be affordable. Those who earn less, pay less.

With premiums based on salary level, employee-only coverage is available for as low as $1.19 per pay period for those with a salary under $25,000.

ENGAGEMENT

Robust employee, volunteer and physician engagement is critical to fulfilling Texas Health's mission, vision and values, and for achieving our strategic objective of becoming nationally recognized as an excellent and innovative health care system of choice. Highly engaged and satisfied employees also are better able to collaborate to improve patient care, are more loyal and productive, and are more likely to recommend Texas Health as a best place to work and receive care – all of which are critical to our sustainability.

We leverage multiple communication channels to engage our workforce members on roles, responsibilities, expectations and to gather ongoing feedback. This helps us better understand why our employees, volunteers and physicians feel the way they do and how we can address opportunities for improvement. Lastly, we have a multi-level employee grievance program in place, which promotes resolving issues at the lowest level.

PRESS GANEY®

Guardian of Excellence Award℠ Winners

EMPLOYEE ENGAGEMENT

- Southwest Zone
- Texas Health Arlington Memorial Hospital
- Texas Health Harris Methodist Alliance
- Texas Health Harris Methodist Azle
- Texas Health Harris Methodist Cleburne
- Texas Health Harris Methodist Fort Worth
- Texas Health Organization for Physicians
- Texas Health Presbyterian Allen
- Texas Health Presbyterian Dallas
- Texas Health Presbyterian Denton
- Texas Health Resources

PHYSICIAN ENGAGEMENT

- Southwest Zone
- Texas Health Harris Methodist Alliance
- Texas Health Harris Methodist Clerburne
- Texas Health Harris Methodist Fort Worth
- Texas Health Presbyterian Allen
- Texas Health Presbyterian Denton
- Texas Health Presbyterian Kaufman
- Texas Health Presbyterian Plano

Progress being made

To benchmark satisfaction and engagement performance, we use a national survey administered by Press Ganey[2], as it allows for comparisons against similar organizations outside Texas Health. Individual department managers review survey results and develop appropriate action plans as needed. Our goal is to rank in the 90th percentile or better, which we exceeded 2015 by ranking in the 96th percentile nationally.

Physician engagement and alignment

Texas Health has enhanced physician engagement to help improve and facilitate their participation and alignment in key strategic and operational decisions at both the system and entity level.

At Texas Health Physicians Group, we employ a variety of tactics to communicate with physicians. We encourage physician leaders to communicate with other physicians, speak at webinars and other events, and distribute group emails. Since 2010, we have surveyed physicians to assess the extent of engagement and alignment, and scores have steadily improved.

[2] Press Ganey is an organization that supports health care providers in understanding and improving the entire patient experience.

2015 PHYSICIAN ENGAGEMENT & ALIGNMENT

ENGAGEMENT — 4.32 (Texas Health), 4.07 (National Average)
ALIGNMENT — 3.89 (Texas Health), 3.57 (National Average)

■ Texas Health   ■ National Average

WORKPLACE SAFETY

Workplace injuries are costly to employees' well-being and to organizations due to workers' compensation expenses and lost productivity. Texas Health's employees' most frequent injuries include unsafe lifting of patients, falls, strains and sprains — so it designed its safety management system, programs, policies, standards and controls to keep them free from harm while at work. Not only does this improve workplace satisfaction and bring employees home safely to their families, but it helps preserve our fiscal health.

Accident prevention

Texas Health takes a comprehensive approach to providing a safe operating environment and preventing accidents:

1. Our safe workplace policy and procedures help protect employees from harm, violence, threats and harassing behaviors.

2. Each entity has both an Environment of Care Committee that monitors safety issues and leads the formation of action plans, as well as a Threat Management Team that works to mitigate workplace violence.

3. We promote safety systemwide through new employee orientation, continuous training and communication.

4. Employee Health nurses provide safety resources and education, and determine that employees are physically able to perform their jobs safely.

5. An executive-level safety dashboard tracks injuries and illnesses, and helps identify areas needing improvement.

6. We make safe patient handling equipment available and train employees to use safe patient principles to mitigate injuries that occur from moving patients.

As part of our journey to become a High Reliability Organization, Texas Health began working in 2015 to consistently provide a safe environment for employees by developing an error prevention toolkit. It helps staff consider safety in all they do and speak up when they see unsafe behaviors. This toolkit and related training will be deployed in 2016.

Training

Texas Health provides Safe Workplace training to all new hires and employees. Refreshed annually, the training encompasses how to spot and resolve workplace hazards and potential violence. We require employees to score 80 percent or higher on a training recap exam. This reinforcement of the personal accountability of each employee emphasizes that we have all eyes on creating a safe workplace.

In 2015, Texas Health updated its Safe Workplace policy to require non-violent crisis intervention training for personnel working in high-risk areas; this training was delivered to the behavioral health, security and emergency departments and will be expanded to other areas in 2016 based on a review of incidents and need. Additionally, we rolled out both a web-based and instructor-led training for blood-borne pathogens and standard personal protection equipment. Our high-level personal protection equipment training was updated in accordance to revised guidelines from the Centers of Disease Control & Prevention and will be required quarterly in 2016.
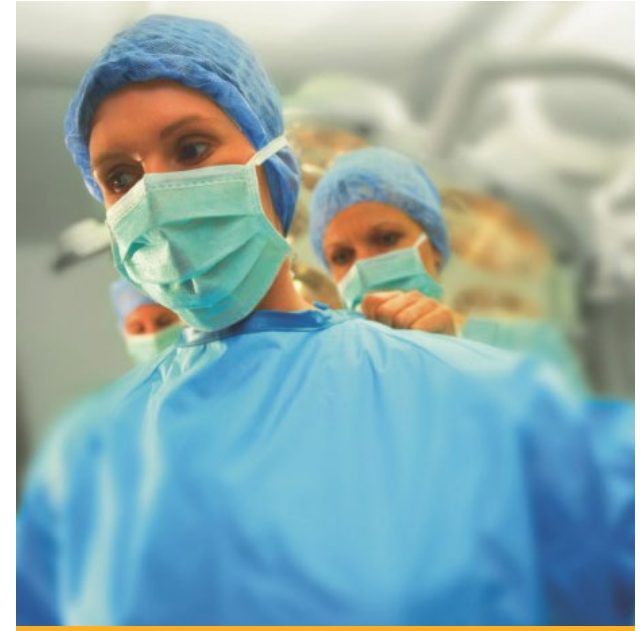
Inspection and analysis

Texas Health continuously monitors employee injuries to identify trends. Our Environment of Care Committee and multidisciplinary entity committees analyze safety data to evaluate potential hazards, identify improvement needs, and analyze injury frequency, cost and severity. After every incident, managers are expected to complete an incident review form to investigate the issue and discuss safe choices with employees. In select cases, we perform root cause analyses of safety events to inform systemwide decision-making and implement corrective actions.

Environmental tours are completed bi-annually in each building to inspect and maintain compliance with regulatory standards in life safety, emergency management and environment of care. In 2016, entities will receive a report of total employees and injuries for their facility and the system to identify trends.

Performance

Texas Health's Occupational Safety and Health Administration incident rate for 2015 was 5.6, which is substantially lower than the national average of 6.3 for hospitals. We increased our days away from work, job transfer or restriction (DART) rate to 2.5 in 2015 and reduced our lost-time incident rate of 1.4 in 2014 to 1.3, which surpassed the OSHA industry benchmark of 1.5.

In 2016, we will:

- Roll out training systemwide on how to reduce exposures to blood-borne pathogens and usage of personal protective equipment.

- Work to reduce slips, trips and falls by increasing awareness of risks and increasing the monitoring of our care environment.

- Continue to provide non-violent crisis intervention training to reduce incidents of workplace violence.

OCCUPATIONAL HEALTH & WELLNESS

Our communities look to Texas Health for guidance and inspiration in adopting a healthier lifestyle, so improving health begins with us. We combine individual and organizational health strategies to reduce the risk of disease, absenteeism and associated insurance and workers' compensation costs.

We also take innovative steps to inspire change in the way employees and their families think about their own health, and implement behavior interventions that improve quality of life over the long term. For example, Texas Health provides employees who enroll in the Walkingspree wellness program with financial incentives to walk thousands of steps per day.

Health assessments

To assess workforce health, we track employees' total health scores, medical claims data, health risk assessments, health screenings, compliance with influenza vaccinations, the rate of avoidable admissions and health risk levels over time. We then develop, monitor and refine targeted interventions where needed, such as reducing incidence and cost of diabetes and high blood pressure to address the chronic burden. In 2015, 91 percent of employees completed assessments.

All employees and their covered family members can call Health Advocacy, a 24/7 nurse line, to get health care advice and support, as well as assistance navigating the health care system. In addition, Total Health Nurses, who are skilled case managers, identify employees who have complex and chronic conditions to help improve their health. They provide health resources, coordinate appointments with multiple physicians and provide long-term care support.

20.5+ billion
Steps walked since
Walkingspree began in 2014

$11.4 million
Saved in employee
medical costs

91%
Employees completed
health assessments

41.1%
Quit
tobacco

33.7%
Employees participated
in health fairs

3.8%
Reduction in
high-risk employees

Wellness

Texas Health's award-winning Be Healthy employee wellness program is designed to motivate employees to move from health awareness to action. It promotes the benefits of healthy lifestyle choices, and offers strategies and rewards to help them make necessary changes that reduce risk factors and improve well-being. Employees can earn up to $550 annually by participating.

Participants have reduced their prevalence of obesity, smoking, high stress and other high-risk categories. They also:

- Complete more wellness exams (89 percent) than non-participants.

- Have 18 percent lower per-person medical costs than other employees.

- Have 30 percent fewer inpatient admissions.

As a result, Texas Health's medical and prescription drug costs per employee are 19 percent lower than the health care industry average. A survey of U.S. employers said the average total health care costs per employee were expected to reach $12,041 for all industries in 2015; Texas Health spent $11,354. That $687 savings multiplied by our 16,642 covered employees saved us $11.4 million.

In 2016, we plan to launch Real Appeal, a weight management program available at no cost to eligible employees with active medical coverage through Texas Health. Employees will receive weekly group coaching and a free success kit that includes an exercise DVD, weight scale, a blender, food scale, along with evidence-based nutrition books and more.

Recognition

Texas Health was recognized again in 2015 for improving workplace health and wellness. We received:

- Platinum-level recognition from the American Heart Association for being a Fit-Friendly Worksite and creating wellness initiatives that foster a culture of health in the workplace.

- Gold-level recognition from the National Business Group on Health for the Best Employers for Health Lifestyles Award by making cultural and environmental changes that support healthy lifestyle goals for employees.

- Inclusion on the Dallas Business Journal's "2015 Healthiest Employers" list for being committed to creating a healthy workplace.

Pursuing Blue Zones Worksite Certification

In 2015, Texas Health began pursuing certification as a Blue Zones Project® Approved™ worksite to create a healthier, happier and more productive workplace.

This community-wide well-being improvement initiative demonstrates that we have not only committed to making our company a healthier place to work, but we've also succeeded in making tangible changes to the worksite environment, thus supporting the well-being of our employees. It also demonstrates our commitment to and investment in our community, which is our mission in action.

DIVERSITY

Woven into the fabric of The THR Promise℠ culture is a celebration of the unique individuals across Texas Health and the communities in which we live and work. Our inclusion, respect and compassion for people with all kinds of characteristics and traits, both visible and invisible, are key to bringing The THR Promise℠ to life. We have created a diverse and inclusive work environment at Texas Health, not only for employees and their families but also for patients, their families and our community volunteers.

Here, people of all backgrounds have an opportunity to fully participate in contributing to our company's success. Their contributions are made all the more valuable because of the different skills, experience and perspectives they bring. Our workforce reflects the diversity of the communities we serve and spreads across all ethnic, cultural, economic and generational boundaries. We live and work in a multicultural society that includes people of different faiths, cultures and understanding about health care. Diversity and inclusion are critical factors in our ability to create compassionate, caring work environments that support our mission to improve the health of the people in the communities we serve.

To ensure our commitment to equality, we have written policies, hiring practices and programs that embrace diversity and emphasize tolerance. We also establish diversity-focused hiring goals through our annual affirmative action plan and grow our multicultural workforce by:

- Encouraging students from diverse ethnic backgrounds to enter the field of health care through scholarships, partnerships with local colleges and universities, and our "Grow Our Own" program.

- Providing multifunctional work teams with the tools and resources they need to understand cultural differences so that they can extend that knowledge to others in the care of diverse patient populations.

- Evaluating and evolving how we engage and strengthen our relationship with diverse employees each year.

Beginning at new hire orientation, our Diversity and Inclusion Department works to deepen employees' awareness of their own diversity and the role they play in providing culturally competent care. Myers-Briggs[3] personality testing and training further enhance awareness of individual differences and support interactions between diverse personality types.

Additionally, department members monitor emerging and/or special populations, and support entities and departments with developing the strategy and structure for diversity programs and services.

FORTUNE AND GREAT PLACE TO WORK® HONOR TEXAS HEALTH FOR DIVERSITY

In 2015, Fortune ranked Texas Health:

- No. 2 on its 50 Best Workplaces for Diversity

- No. 2 on its Best Workplaces for Women

- No. 37 on its Best Workplaces for Millennials

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[3] Myers-Briggs offers tools to help understand personality types.

Speaking the same language

Evidence shows that if we are able to communicate effectively in the languages of our patients, and provide individualized care that reflects cultural differences and health beliefs, we will not only provide a more welcoming environment – but also improve their entire health care experience and health outcomes. Our goal is to effectively care for the growing limited English-proficient population in North Texas. To meet this goal, we train and assess bilingual employees to help communicate and interpret in clinical and/or business interactions. All of Texas Health's hospitals and clinics have a Diversity Advisory Council and qualified bilingual interpreters to support caregivers and patients.

Strengthening our culture

The U.S. government issued new compliance requirements requesting applicants and employees to self-disclose if they have disabilities or served in the military. In 2015, we surveyed these groups and set a goal to hire 7 percent in each. We are now identifying avenues to find qualified candidates, including an employee referral program to incentivize employees for referrals who subsequently were hired.

2015 demographics

Ethnically diverse employees comprised 40 percent of our systemwide workforce in 2015, 1 percent higher than the year prior. We also increased Hispanic nursing personnel to 6.4 percent and Hispanic professional medical staff to 6.2 percent. Women comprise 77 percent of our workforce and 65 percent are professionals, leaders and directors.

2015 DEMOGRAPHICS

POPULATION	All Employees	Managers & Above	System/Hospital Officers	Board of Trustees
MEN	23%	34%	51%	83%
WOMEN	77%	66%	49%	17%
AGE <30	16%	1%	1%	0%
AGE 30-50	52%	33%	33%	11%
AGE 50+	32%	66%	66%	89%
ETHNIC MINORITIES	40%	10%	10%	.06%

EQUAL OPPORTUNITY
& HUMAN RIGHTS

The THR Promise℠: Individuals Caring for Individuals, Together®, is based on the understanding that our employees are our most valuable asset. We focus our core values and management philosophy on respecting the dignity and well-being of those we employ and serve. This allows us to maintain employee morale, improve productivity and retention, and strengthen our ability to fulfill our mission.

We train leaders and employees on our ethics and workplace standards to emphasize the importance of applying these values to their day-to-day work. Noncompliance will result in corrective action, which may include termination. Human resources and legal personnel monitor and address reported issues.

Texas Health's equal employment opportunity policy prohibits discrimination based on race, color, veteran status, creed, disability, genetic information, religion, gender, gender identity and expression, age, national origin, sexual orientation or marital status.

We provide advancement opportunities to all individuals, and base decisions on performance, qualifications, skills, experience and abilities.

RECOGNITION

We believe that what our employees do – interacting with others all day long, behaving in caring and compassionate ways, and making decisions that could potentially affect another person's life – is really important work. Equally important is thanking our people for their excellent work. Doing so helps them feel valued and appreciated, reinforces The THR Promise℠ behaviors that we want to see more of, enhances their pride in their work and strengthens their commitment to our organization.

From thanking people on the spot for things we see them do, to service awards that say thank you for your tenure, Texas Health has a plethora of formal and informal ways of showing our appreciation for our people. And because we don't want shows of appreciation only to be from the top down, we encourage everyone – employees, physicians, interns and community volunteers – to engage in thanking each other.

Our Success Sharing program delivers financial bonuses to employees for achieving select key performance indicators and other milestones. Texas Health rewards employees' contributions to fulfill its goals of improving quality, working safely, strengthening culture and excelling in financial

performance. Executives also are eligible for cash awards for exceptional performance through our Officer and Senior Leadership Incentive Program.

To evaluate the impact that recognition programs and events have on employee satisfaction, we survey our workforce each year. In 2015, 91 percent of employees reported being satisfied with the level of recognition they received, up 12 percent over the prior year.

Additionally, we randomly survey nominees and nominators in our Applause! recognition system, which allows employees to send thank you and gift cards to honor their peers and leaders. Survey employees rated Texas Health 12 percent higher than other companies that use a similar recognition platform. Since introducing a new points-based system to Applause, we had nearly a 37 percent increase in thank you cards, spot checks and award nominations. The new system has been well-received and its ease of use helps employees nominate more often.

Texas Health annually honors employees for exceptional performance.

88,000
Thank you
cards sent

$938,000
Gift awards
distributed

91%
Employees satisfied
with recognition

OUR COMMUNITIES

The mission of Texas Health Resources (Texas Health) is to improve the health of the people in the communities it serves. We rely on this mission and our faith-based framework to design programs that help improve societal well-being, determine service offerings and design programming that help people take charge of their health. This includes health education and outreach, and numerous well-being resources.

Committed to Community Impact

Through our community investments, Texas Health is creating positive, sustainable change for the communities we serve by providing access to quality care, community health education and tools to enhance overall well-being for generations to come.

2015 HIGHLIGHTS

Received
$9 million
in gifts through the
TEXAS HEALTH
RESOURCES FOUNDATION
to support strategic initiatives

SUPPORTED
99,209 PEOPLE
through the Faith Community
NURSING PROGRAMS

Provided
$848 MILLION,
or more than $2.3 million a day, in charity care and community benefit

VOLUNTEERED
over **9,109** hours to complete community service projects

Named the only health system on
Fortune's
Best
Workplaces
for giving back

ADVOCATED
for public policies that protect the needs of our
PATIENTS,
EMPLOYEES,
AND
COMMUNITIES

RAISED
$1.7
MILLION
through Texas Health's annual employee giving campaigns

Provided **pastoral care to 123,458** people and received **HIGH** satisfaction scores based on support and guidance offered

COMMUNITY ENGAGEMENT

Texas Health has a strong philanthropic history and is proud of its employees and their commitment to giving back to the community. Being a good corporate citizen is how we do business as a faith-based, nonprofit health care system. As representatives of Texas Health, employees are encouraged to become actively involved in the community by sharing their time, talent and expertise.

All communities need access to quality health care, education and tools to enhance well-being. That's why we work hard to identify and address community health needs through:

- **Strategic giving:** Texas Health is committed to investing in programs and services that help North Texas residents improve their health.

- **Community collaboration:** To thrive, Texas Health must connect and build strong relationships with a number of stakeholders who affect how we deliver care.

- **Employee volunteerism:** We believe all employees should have the opportunity to make a positive contribution to nonprofit organizations that align with Texas Health's mission, vision and values.

To learn more about public health concerns and desired health services, we solicit input from community board of trustee members, community stakeholders and health councils, patient advisory councils and other forums. We share findings with our leaders so they can refine strategies and tactics to improve our programs and services. As an active member of local business, civic and industry groups, Texas Health also is able to assess the most pressing health issues facing the communities of North Texas. This helps us identify strategic nonprofit partners and enables us to invest in critical programs and services our communities need most.

FAITH & SPIRITUALITY INTEGRATION

As a faith-based health care system, Texas Health is committed to providing health care with respect for each person. We strive to provide health care services for the whole person – body, mind and spirit – and believe there is something greater than ourselves and medicine that can offer hope and healing to our patients.

We deliver care in many ways, being mindful of respecting and welcoming the diversity of religious faiths and the different ways people nurture their spirit. We provide spiritual support throughout our health system and also partner with North Texas congregations to extend this care into the communities we serve.

123,458

People who received pastoral care

111

Full-time, PRN and on-call chaplains

Pastoral care

Texas Health's Pastoral Care Department comprises about 28 full-time, board-certified chaplains, 43 PRN chaplains and 40 community on-call clergy to help care for the physical, emotional and spiritual needs of our patients, family and staff by enabling an experience of healing, health and hope. In 2015, our chaplains provided spiritual care services to more than 123,458 patients, family members, hospital employees and medical staff members, and continued to receive high satisfaction scores based on the support and guidance they shared.

Also during the year, Texas Health appointed a new Vice President, Faith and Spirituality Integration. The Pastoral Care team also:

- Helped equalize the number of chaplains serving at hospitals.

- Created a Founding Traditions Advisory Council to maintain a vital relationship with Grace Presbytery and the Central Texas and North Texas Conferences of the United Methodist Church.

- Revamped the Symposium, an annual training event for community clergy. It is now more inclusive as we invited parish nurses and lay parish hospital visitors to attend.

Clergy education

Texas Health's Clinical Pastoral Education program is accredited by the Association for Clinical Pastoral Education, Inc. Students annually participate in a residency program that helps them develop and enhance their pastoral and theological skills. Students work at a Texas Health hospital during their study to learn from physicians, nurses and our chaplains on how to better care for patients in a clinical setting.

In 2015, 33 students participated in the program, either full- or part-time. Six community clergy also completed a parish-based program that was offered on Texas Christian University's campus. Additionally, Texas Health approved establishing a pastoral training center at Texas Health Presbyterian Hospital Plano, which will give the system three strategically located training centers.

In 2016, we hope to increase the number of Faith Community Covenant relationships with congregations by 15 percent.

Faith at work

Texas Health's faith-based values are woven into the cultural fabric of each of the hospital campuses. Each caregiver is encouraged to nurture their spirit and live out their faith at work. To help employees integrate faith and spirituality and find ways to deliver compassionate care, we offer:

- Chapels that provide a quiet place to pray, worship, meditate and find serenity.

- Meditation gardens that offer a natural, sacred space to clear minds.

- Chimes that remind staff to say a short prayer and invite them to see their work as holy as they care for themselves and others.

- The Texas Health Resources Prayer Book, which contains prayers from each of the world's major faith traditions.

- Blessing of the Hands, a routine blessing event that recognizes the sacred work of our employees.
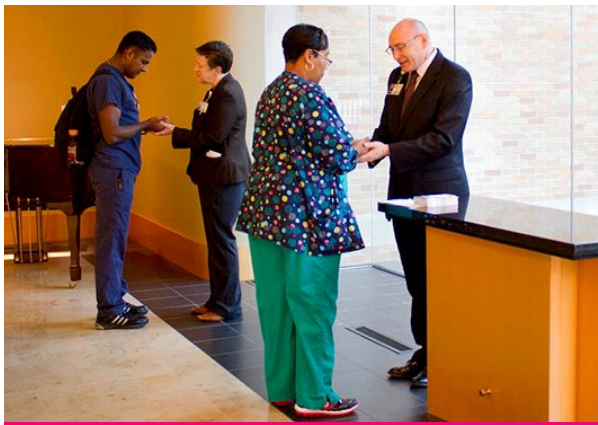
Community support

Texas Health extends our faith-based traditions into the communities we serve through service and health programs, and by disbursing hundreds of millions of dollars in charity care to help our under/uninsured neighbors each year. We also advocate at the regional, state and national levels for improved health care quality and accessibility.

Faith Community Health

Texas Health's Faith Community Health program partners with more than 75 faith communities (e.g., churches, temples and mosques) in North Texas to promote wellness, prevention and wholeness before, during and after an illness. Faith Community Nurses (FCN) and Faith Community Health Promoters (FCHP) provide education, coaching and health-related programs for congregation members and communities based on their needs.

The FCN program began in 2001 at one Texas Health hospital and is now in 13 of 14 wholly owned hospitals. Nurses are trained to integrate care of the spirit as part of caring for the individual's overall physical, mental and emotional health. FCHPs have professional training in a health-related field or an interest in health and healing. They use their gifts and talents to serve the needs of the congregation and surrounding community.

Together, they work to assist faith communities with developing health ministry programs that may include hosting flu vaccine clinics, health fairs, blood pressure screenings, health presentations, A Matter of Balance classes (a fall prevention program) and Stanford University's Chronic Disease Self-Management program. Since these initiatives are putting Texas Health's mission into action, congregations receive resources and support free of charge.

99,209

People in North Texas
CONGREGATIONS REACHED

4,380

FREE FLU VACCINES GIVEN

218

Unpaid professional
NURSES

who serve covenant congregations;
81 are training specifically in
FAITH COMMUNITY NURSING

In 2015, we partnered with congregations to host more than 800 events that supported community health needs identified through the Texas Health Community Health Needs Assessment. We also continued developing toolkits with information on advance care planning and behavioral health for our nurses and health promoters. Each toolkit contains local and national resources and educational materials, such as posters and newsletter articles, to share with congregations.

Also during the year, we developed the first hybrid Foundations of Faith Community Nursing course in the country. It combines in-class and online learning to meet the needs of students and to provide an optimal educational experience for the nurses. In 2016, we are hoping to grow FCN by 20 percent, and present advanced care planning toolkits to eight congregations.

Attending Clergy Association

As a nonprofit interfaith clergy organization within Texas Health, the Attending Clergy Association (ACA) enhances pastoral education for clergy, promotes physical, emotional and spiritual health in congregational and community settings, and links community clergy to members of the Texas Health care team. In 2015, the ACA established a systemwide Executive Committee, expanded membership to include lay hospital visitors, and solicited information about the realities and needs of their congregations.

SNAPSHOT: The Final Salute

Texas Health Arlington Memorial's Final Salute program pays homage to military veterans who spend their last days of life at the hospital. With the family's consent, designated hospital employees properly drape the patient's body with the American flag. Honor Guard Escorts, composed of hospital staff and volunteers, then escort the deceased veteran and his or her family members from the room to a designated exit. Before leaving the hospital, the veteran's family receives the American flag on behalf of their loved one.

Since its inception in November 2015, more than 55 individuals have been honored. Watch this moving video of the ceremony for James Beshears, who was a Navy Chief Petty Officer who served during World War II, the Korean War and Vietnam.

"Military veterans merit the expression of our deepest gratitude and highest praise," said Chaplain James Dorsey. Serving as the hospital's chaplain for more than 17 years, Dorsey is credited with creating the Final Salute protocol. "As veterans, these men and women have shown admirable commitment to the values of our nation — peace, liberty, freedom and justice for all. We're privileged and honored to give them a Final Salute."

COMMUNITY AFFAIRS

Texas Health's Community Affairs team develops and maintains community partnerships with stakeholders whose mission, vision and values are aligned with our own. In cooperation with executive management, senior leadership and multiple System Services departments, our community investments help us fulfill our mission, preserve our nonprofit status, differentiate us from our competitors and allow us to improve the health of North Texans.

Strategy

Through our charitable contributions, community benefit grants and countless hours of community service, Texas Health supports more than 200 nonprofit organizations and industry associations. Our community investment decisions are made based on Texas Health's Community Health Needs Assessment (CHNA), which was first conducted in 2013 and continues every three years.

We also consult with local business groups, civic leaders and industry associations to gather additional perspectives on pressing community health needs and how we can best support them. To make amore meaningful impact in North Texas, we also fund community benefit grants, sponsor health-related programs and events, and offer a paid-time-off employee volunteer program.

Memberships and community collaborations

Texas Health actively participates in more than 25 national, state and local health care industry associations, including the American Hospital Association, Premier, Texas Hospital Association, Dallas-Fort Worth Business Group on Health and the Dallas-Fort Worth Hospital Council. We also are actively involved with several chambers of commerce, diversity councils and health care collaborations within our 16-county service area. This allows us to serve, participate, engage, sponsor and share best practices with vital community organizations.

Strategic nonprofit partners

To extend Texas Health's culture across the care continuum and into the community, we strategically partner with other nonprofit organizations to make a greater impact. We select these partners based on their alignment with our mission, vision and values; community health improvement needs; and executive feedback.

Through multi-year investments, we not only provide financial support, but also donate our time, talent and resources through employee volunteerism, executive engagement and strategic planning. Each year, strategic nonprofit partners provide an annual community benefit report to assist Texas Health with meeting federal and state requirements. These reports share measurable outcomes of our community investments.

Strategic nonprofit partners must meet one or more of these focus areas:

- Health and well-being
- Disease prevention
- Health management
- Health disparities
- Health care education
- Diversity and inclusion
- Economic development
- Community building

Our 2015 Strategic Nonprofit Partners include:

American Diabetes Association

Since 2011, Texas Health Resources has served as the title sponsor of the American Diabetes Association – Live Empowered! program. Targeting the African-American community in North Texas, multiple faith-based, community programs focus on awareness, management and treatment of diabetes, as well as physical activity and healthy eating. A summary of our 2015 support is provided in Figure 1.

march of dimes
A FIGHTING CHANCE FOR EVERY BABY™

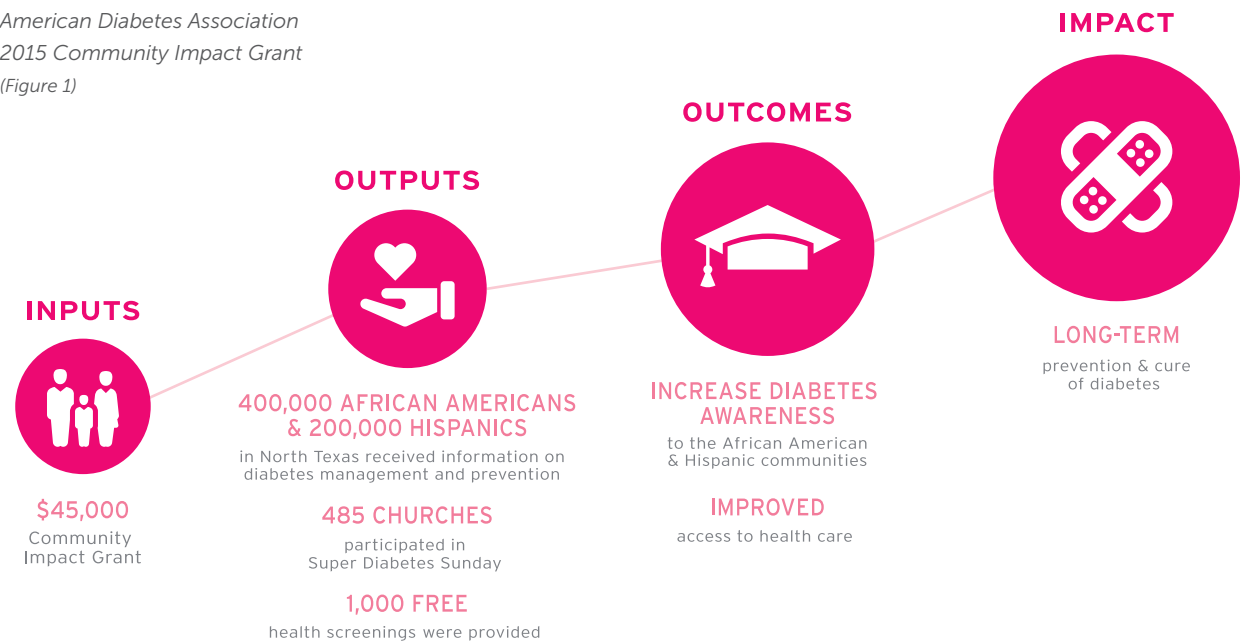We annually support the March of Dimes – March for Babies, which raises funds for birth defects research, education and family support. We also invest in two prenatal education programs that operate at more than 30 sites for underserved communities across North Texas. In 2015, Texas Health provided $45,000 in grant funding to support the Dallas and Fort Worth March for Babies walks to fight premature birth, birth defects and infant mortality. Our contribution also supports March of Dimes' annual community baby showers in Dallas and Tarrant counties, which collect supplies and resources, diapers included, for expecting mothers in need.

American Cancer Society®

Texas Health contributed $30,000 in funding for the American Cancer Society's 2015 community outreach programs in North Texas.

MEASURING WHAT MATTERS

American Diabetes Association
2015 Community Impact Grant
(Figure 1)

INPUTS

$45,000
Community
Impact Grant

OUTPUTS

400,000 AFRICAN AMERICANS & 200,000 HISPANICS
in North Texas received information on diabetes management and prevention

485 CHURCHES
participated in
Super Diabetes Sunday

1,000 FREE
health screenings were provided

OUTCOMES

INCREASE DIABETES AWARENESS
to the African American & Hispanic communities

IMPROVED
access to health care

IMPACT

LONG-TERM
prevention & cure
of diabetes

Our funds provided:

- Transportation for 823 cancer patients in need (11,426 rides).

- New patient portfolios, survivorship education resources and support group information for 7,820 patients.

- Education on palliative care, nutrition and support through the annual Breast Cancer Forum to nearly 300 breast cancer survivors and caregivers.

- Sixteen North Texas researchers with financial support; all grantees were approved by the American Cancer Society's peer review panel.

American Heart Association | American Stroke Association
life is why™

Texas Health's CEO Barclay Berdan is the current chairman of the Tarrant County chapter of the American Heart Association and executive champion for the North Texas Heart Walk events. Our partnership gives us the opportunity to improve education and awareness of heart disease and stroke across North Texas.

Since 2011, Texas Health has been the North Texas cause sponsor of the American Heart Association's Go Red for Women campaign. More than 500 women are screened annually for cardiovascular disease through

this initiative in hopes of empowering them to be mindful of their heart health. We also support the AHA's Hispanic outreach initiative, Vestido Rojo, and provide annual health screenings.

In 2015, nearly 2,800 Texas Health employees participated in the Dallas, Tarrant and Denton county Heart Walks and raised approximately $300,000. The funds raised:

o Enabled 21,000 Tarrant County high school students to learn CPR as a graduation requirement.

o Provided 9,500 Dallas/Fort Worth residents with patient support and information through 24/7 hotlines.

o Allowed 1,428 Dallas/Fort Worth residents to register for the AHA Check. Change. Control. program to manager their high blood pressure.

o Recognized 13 hospital teams with the Get with the Guidelines or Mission Lifeline awards for demonstrating a commitment to quality health care for more than 450 local patients.

According to the American

Heart Association, 80 percent

of cardiovascular diseases

and strokes are preventable.

Community engagement programs

Every year, Texas Health mobilizes people and resources to drive change and support vital community health programs. We award more than $1 million in community benefit grants and sponsorships, and on average, our employee volunteers serve 1.3 million people through community service. Our key initiatives include:

EMPLOYEE GIVING

Each fall, employees support local nonprofit organizations through the Texas Health Community Employee Giving campaign, such as the United Way, American Cancer Society, American Diabetes Association, American Heart Association, March of Dimes and food drive beneficiaries.

These organizations depend on our contributions to provide vital community-based programs and services. In the past 13 years, our employees have contributed more than $8 million. In 2015, Texas Health employees gave more than $1.7 million to support our hospitals and communities.

VOLUNTEERISM

Building stronger and healthier communities is our passion, which is why Texas Health encourages employees to contribute their time and expertise to assist those who could use a helping hand. Our Community Time Off (CTO) program compensates every participating full and part-time employee for one regularly scheduled workday each year to provide community service.

TEXAS HEALTH GIVES 2015
COMMUNITY IMPACT

1.6 million
People served through employee volunteer program

$1.7 million
Raised through annual employee giving campaigns

9,019
Hours volunteered

$1 million
Awarded in grants and sponsorships to 200+ nonprofits

500
Skills-based and hands-on volunteer service projects completed

$278,507
Value of employee volunteering

Since 2001, participating employees have volunteered roughly 100,000 hours – a contribution valued at more than $3 million. In 2015, we increased our volunteer hours by more than 6 percent than the prior year by spending 9,019 hours helping those in need – a value of approximately $278,507 to the community.

GRANTS AND SPONSORSHIP

Through Texas Health Grants, nonprofit organizations can request a community benefit grant or event sponsorship. To comply with federal and state community benefit requirements, priority funding is restricted to programs and services that provide treatment and/or promote health in response to Texas Health's two identified community health needs: chronic disease prevention and management, and health awareness, literacy and navigation.

Community Service Awards

Texas Health values the efforts of employees, departments and physicians who further our mission to improve the health of the people in the communities we serve. Our annual Community Service Awards recognize individuals for their community outreach and volunteerism. Each year, executive leadership presents these awards to an individual, group or department at all 14 Texas Health wholly owned hospitals for outstanding community service.

All nominations are administered, reviewed and processed by the hospital's leadership team and reflect community service completed in the past 12 months. A $500 grant is presented to each winner to donate to the nonprofit charity of his or her choice within our service area. In 2015, we presented 13 Community Service Award winners with a $500 donation each to support causes like the American Red Cross, Salvation Army and Meals on Wheels.

TEXAS HEALTH
GRANTS
B R E A K D O W N

TOP SPOT
45%
of total grants went to community health improvement services
(e.g. screenings, community health education and support groups)

SECOND HIGHEST
40%
went to community-building activities that address the root causes of health problems
(e.g. poverty, access to care, obesity and lack of education)

THIRD HIGHEST
15%
went to charitable and in-kind donations
(e.g. event sponsorships, donated goods and services, scholarships)

COMMUNITY HEALTH IMPROVEMENT & COMMUNITY BENEFIT

Texas Health plays an integral role in helping our communities meet broader health and social needs. Not only is this central to our mission, but it is a requirement of being a nonprofit health care system.

Community benefit

Texas Health uses excess revenues made available via our tax-exempt status to support patients and the community in a variety of ways. Under Texas state law, we are required to allocate 5 percent of our net patient revenue to charity care and community benefit. Our "community benefit" support includes:

- Caring for and treating uninsured and underinsured patients. (Texas has the highest rate of uninsured people in the nation, at about 19 percent.[1])

- Absorbing any medical costs that are not reimbursed from Medicare or Medicaid.

- Investing in community health initiatives through community benefit grants and sponsorships.

- Financing our internally driven community health programs.

- Volunteering our employees' time and resources to support worthy health-related causes.

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[1] https://www.texastribune.org/2015/09/16/texas-uninsured-rate-dips-remains-highest-nation/

Framework

To make effective use of our resources for community support, Texas Health established a community benefit framework based on national best practices from the Public Health Institute. The framework provides a quantitative approach to identifying key communities within our service area, aligning them with our hospitals and determining health needs.

Texas Health
Community Benefit Framework

PHASE	DESCRIPTION
ASSESSMENT/PROFILE	Performance assessment of community health improvement at each hospital, including asset mapping of the community and secondary health data.
INFRASTRUCTURE	Establish infrastructure with governance and operational standards for community health improvement at each hospital.
COMMUNITY HEALTH ADVISORY COUNCILS	Appoint and engage internal and external stakeholders to help drive projects toward measurable and achievable outcomes.
PROGRAMMATIC REVIEW	Assess projects and set priorities.
STRATEGY DEVELOPMENT	Develop three-year strategy at each hospital aligned with our Mission, Vision, Values and The THR Promise[SM] and strategic plan.

In 2015, Texas Health provided nearly $848 million, or slightly more than $2 million a day, in charity care and community benefit, exceeding the Texas nonprofit requirement by nearly 24 percent.

SNAPSHOT: CHARITY CARE AND COMMUNITY BENEFIT

	'11	'12	'13	'14	'15
CHARITY CARE					
Patient charity care[2]	$145,581,949	$184,105,171	$174,878,698	$165,719,172	$242,330,749
Cost of unreimbursed government-sponsored indigent health care[3]	$17,816,432	$17,705,611	$30,428,913	$21,946,439	$66,133,325
Charity care provided through others[4]	$64,476,774	$78,797,336	$44,053,911	$49,022,054	$47,742,611
SUBTOTAL CHARITY CARE	**$227,875,155**	**$280,608,118**	**$249,361,522**	**$236,687,666**	**$356,206,685**
OTHER COMMUNITY BENEFIT CARE					
Unreimbursed Medicare[5]	$477,948,889	$486,116,291	$406,799,283	$393,753,472	$467,332,409
COMMUNITY BENEFIT[6]					
(Community Health Improvement Program, Cash and In-Kind Donations, and Value of Employee Volunteer Hours)	$13,351,949	$16,825,521	$28,000,808	$22,545,619	$24,356,324
GRAND TOTAL	**$719,175,993**	**$783,549,930**	**$684,161,613[7]**	**$652,986,757**	**$847,895,418**

[2] Free or reduced care provided to those financially unable to afford treatment. [3] The difference between the treatment costs for these patients and the government reimbursement rate. [4] Payments received from Texas, including Medicaid Section 1115 Waiver and Upper Payment Limit funding, as well as Medicaid Disproportionate Share Hospital payments. [5] The difference between the treatment costs for these patients and the government reimbursement rate. [6] Programs or activities that provide treatment or promote health and healing as a response to identified community needs. [7] The total amount of charity care provided dropped by more than $100 million from 2012 to 2013 primarily due to a change in accounting principles, which removed patient bad-debt expense from the calculation of the cost to provide patient care.

2015 PROGRAMS	TARGET POPULATION	IMPACT
Child Automobile Safety	Children	Educates and raises community awareness about child passenger safety and the risk of unintentional injury from motor vehicle collisions. In 2015, we provided more than 157 car seat checks and educated 1,907 families.
Motivate to Move	Children	A program sponsored by Texas Health Presbyterian Hospital Allen that taught elementary students at 17 schools about healthy eating and being more physically active.
Chronic Disease Self-Management	Adults, Seniors	Provides information and teaches practical skills on managing chronic health problems. In 2015, more than 263 graduates completed 29 programs.
A Matter of Balance	Seniors	An evidence-based fall prevention program for older adults. In 2015, more than 352 seniors participated in an eight-session course.
Healing Hands Ministries	Vulnerable	Provides affordable medical and dental care to medically disadvantaged residents near Texas Health Presbyterian Hospital Dallas. Texas Health Physicians Group providers devoted 200 hours per week to see nearly 600 patients who otherwise may not have received care.
Healthy Education Lifestyles Program	Adults, Seniors	Improved 80% of Texas Health Harris Methodist Hospital Azle's diabetic patients' glucose levels and controlled 64.7% of their blood pressure, surpassing the Healthy People 2020 target of 57%.
ED Patient Navigation Program	Vulnerable	The Emergency Department Patient Navigation Program at Texas Health Harris Methodist Hospital Alliance helped 787 patients in the last year.
Low-Cost Mammogram Program	Vulnerable	Texas Health Presbyterian Hospital Plano served 133 women with 162 procedures through its low-cost mammogram program for women with disproportionate unmet health-related needs.

Community Health Needs Assessment

Texas Health began formally conducting Community Health Needs Assessments (CHNA) in 2013 to evaluate the health status and needs of the communities we serve. Our baseline assessment identified two key areas to address:

1. Chronic disease prevention and management.

2. Health awareness, literacy and navigation (i.e., having the knowledge and being able to understand your health; how to obtain, process and understand reliable health-related information; where to seek services; and how to navigate the health care system).

Using CHNA findings, we developed strategies for each facility within our health care system to implement from 2014 to 2016. Each year, our hospitals assess the health needs of their local communities to determine if changes are needed based on what the CHNA found.

Moreover, our Community Health Advisory Councils remain engaged with external stakeholders to identify and prioritize community health needs. In 2015, Texas Health invested more than $1 million in community benefit grants and sponsorships to improve health and well-being in the communities we serve.

SNAPSHOT: Community collaborations

Texas Health's community benefit strategy includes confronting health problems at their source and emphasizes health promotion, disease prevention and early treatment of illness. We collaborate with other community agencies to maximize resources that aid in the delivery of health programs across the region. Some of our 2015 partnerships included:

- Area Agencies on Aging
- Arlington Life Shelter
- Arlington Independent School District
- Building Equitable Communities
- Collin County Community Health Center
- Collin County Council on Family Violence
- Community Gardens of Texas Coalition
- Dallas-Fort Worth Hospital Council
- Denton Chamber of Commerce
- Denton Independent School District
- Frisco Family Services
- Healthy Tarrant County Collaboration

- Long Live Parker County Coalition
- Mission Arlington
- Mission Arlington Medical Clinic
- North Texas Food Bank
- Plano Independent School District
- Safe Haven
- Senior Citizen Services of Tarrant County
- Smoke-Free Denton Coalition
- Tarrant County Public Health
- United Way of Tarrant County
- University of North Texas

SNAPSHOT: Healthy Heroes Reinforce Nutrition to Young Students

Texas Health Arlington Memorial is helping fight against childhood obesity through the Healthy Heroes program. Employee volunteers work to improve the body mass index of second graders at Speer Elementary by the end of the school year.

Each quarter, dietitians, fitness specialists and other hospital representatives share educational and entertaining activities using five heroes who promote healthy eating and exercise: Professor Quiz, El Snoro, Go Girl, Captain Goodsnack and Helping Hannah. During 2014-2015, the number of students in a healthy weight range increased to 95 percent.

Health improvement initiatives

Texas Health is providing the people of North Texas with resources to improve their health to reduce the development of chronic diseases that require expensive, long-term care. These resources touched the lives of more than 194,000 individuals in 2015, a 40 percent increase from 2014. Additionally, Texas Health:

DELIVERS CULTURALLY COMPETENT CARE

We deliver culturally effective and responsive health services to multicultural populations to improve their health outcomes and satisfaction. Our teams continuously learn about the nuances of the cultural dynamics in health for the different communities that seek our care.

For example, we helped hearing-impaired and Spanish-speaking diabetes patients learn to manage their care by implementing training programs and workshops in 2015, including an American Sign Language Chronic Disease Self-Management Program. We track the effectiveness of these workshops with software, pre- and post-surveys and course evaluations to better serve class participants.

DESIGNS HEALTH IMPROVEMENT PROGRAMS

Texas Health designs community health improvement programs centered on increasing health awareness, literacy and navigation and reducing chronic disease. From developing resource guides to expanding faith-based health assessments to improving nutrition and physical activity in schools, we partner with various community organizations to enhance the well-being of North Texans.

GOVERNMENT AFFAIRS & ADVOCACY

Texas Health Resources plays an active role in the public policy arena and advocates for enhanced health care delivery that strengthens its ability to improve the health of the people in the communities it serves. Specifically, we strongly support efforts to increase the number of the insured, reward hospitals based on the value and quality of the care we provide, and focus on primary care, prevention and well-being. This helps us not only sustain our health care system, but individuals' health as well.

Federal, state and local officials actively depend on advice from stakeholders to successfully develop and pass legislation that facilitates community health and well-being. With the various issues currently affecting the health care industry, it is more important than ever to educate policymakers on the real-life impact of proposed legislation and regulation.

In an effort to develop the hospitals' advocacy strategies and further foster relationships with Texas Health's elected and appointed officials, Texas Health's Government Affairs and Advocacy team coordinated numerous hospital advocacy site visits with hospital leadership teams throughout 2015. Tours allow us to illustrate the impact of public policy decisions on access to critical health care services. It is important that lawmakers see firsthand the complex work that our caregivers do to deliver affordable, innovative and reliable high-quality care to patients, as well as what public policy changes, if any, are needed.

THR Day at the Capitol - Austin, TX

During each Texas legislative session, we invite Texas Health's senior executives, board members, hospital presidents, physician and nurse leaders, and staff to meet with state leaders, legislators and key staff to advance our public policy priorities.

Texas Health also collaborates with trade associations, industry groups, coalitions, our strategic nonprofit partners and other key stakeholders to maximize our effectiveness in the legislative and regulatory arenas. Our primary partners include:

- American Hospital Association
- Premier Inc.
- Healthcare Leadership Council
- Texas Hospital Association
- Texas Association of Voluntary Hospitals
- Dallas-Fort Worth Hospital Council
- North Texas Commission
- Dallas Fort Worth Business Group on Health
- Area Chambers of Commerce (e.g., Arlington, Dallas and Fort Worth)

Priorities

Every two years[8], Texas Health's Government Affairs & Advocacy department develops the organization's federal and state public policy priorities with input from board members, system and hospital leadership, clinicians, industry trade associations and community stakeholders.

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[8] The Texas legislature operates under the biennial system and convenes in odd-numbered years. The maximum duration of a regular session is 140 days, but the governor (under the state constitution) can convene the legislature for a "special session" if needed.

Federal Public Policy Priorities

In 2016 and in preparation for the next Congress, Texas Health will:

1. **Advance health system transformation by:**
   - » Working with the Centers for Medicare and Medicaid Services (CMS) to advance physician payment models that result in better integrated and coordinated care.
   - » Promoting policies to give vulnerable communities access to care including behavioral health services.
   - » Sharing health information to facilitate collaboration, improve outcomes and increase accountability.

2. **Protect patient access to care by:**
   - » Advocating for site-neutral payments for off-campus provider-based hospital outpatient departments and physician offices, which does not unfairly punish hospital facilities that were under construction on or before November 2, 2015, with lower rates for services provided in outpatient settings.
   - » Urging lawmakers to oppose cuts to the 340B Drug Pricing Program, which allows safety-net hospitals to reduce the price of outpatient pharmaceuticals and expand health services to patients.
   - » Opposing efforts to limit tax benefits available to nonprofit hospitals and additional cuts to Medicare Disproportionate Share Hospital payments and Medicare bad debt.

3. **Enhance quality and patient safety by:**
   - » Collaborating with the hospital industry to prioritize and simplify quality reporting and improve the transition to required reporting of electronic measures.
   - » Advocating for the adoption of policies that enhance patient safety.
   - » Working with CMS to identify meaningful and valid measures in payment programs that improve outcomes and reduce unintended consequences for patients.

4. **Promote regulatory relief by:**
   - » Urging Congress to eliminate the Recovery Audit Contractors (RACs) contingency fee structure and direct CMS to pay RACs a flat fee.
   - » Advocating that CMS change the two-midnight policy and restore the 0.2 percent cut for hospitals. The two-midnight policy requires physicians and hospitals to decide whether a patient is likely to need a stay in the hospital that extends over two midnights, which determines whether that patient (and their billing status), is designated as an inpatient or outpatient.
   - » Promoting efforts to reduce regulatory burdens on hospitals.

State Public Policy Priorities

During the upcoming regular session of the 85th Texas Legislature, Texas Health will support:

- State efforts to increase the number of Texans with comprehensive health insurance.

- Preserving and protecting critical trauma care funding.

- State funding to ensure timely and appropriate access to inpatient, outpatient and community-based behavioral health services.

- Increased Medicaid reimbursement rates for providers that more accurately reflect the cost of delivering care.

- Continued appropriations to address the state's critical shortage of physicians, nurses and behavioral health care professionals.

- The long-term extension of the state's Medicaid 1115 Transformation Waiver and increased uncompensated care funding to reduce statewide managed care expenses and preserve access to care.

SNAPSHOT: Legislative Activities

As a faith-based, nonprofit, Texas Health does not directly nor indirectly support or oppose any candidate for elective office, nor do we contribute to political campaigns or activities, per the organization's Legislative Activities policy.

Texas Health actively collaborates with other industry associations and organizations to serve as a resource on health policy issues for elected officials and staff. We also conduct voter education activities that help employees understand the importance of voting.

Congresswoman Kay Granger visits Texas Health Willow Park.

SNAPSHOT:

Workforce Issues and Access to Care

The population of Texas is rapidly growing, however, our state faces a critical shortage of physicians, nurses and allied health professionals. An adequate supply of qualified health care workers is essential for delivering safe, quality care and the economic viability of the health care system.

Progress being made

On April 16, 2015, President Obama signed into law the *Medicare Access and CHIP Reauthorization Act of 2015 (MACRA)*, which permanently repealed the Medicare Sustainable Growth Rate (SGR) formula. Used to calculate physician payments through 2017, the SGR formula would have caused physicians to face a 21.2 percent cut in payments for treating Medicare beneficiaries. The law establishes payment updates while transitioning Medicare toward a "value-based" payment system.

Texas still has fewer primary care physicians than the national average, and much of the state is federally designated as a primary care Health Professional Shortage Area. Texas Health advocated for funding of graduate medical education residency slots to keep Texas-trained physicians in the state.

The Texas legislature passed a bill in 2015, which provided $53 million to increase the number of funded residency slots.

Another challenge Texas faces is increasing the supply of registered nurses (RNs). Thankfully, the state allocated $34 million for the Professional Nursing Shortage Reduction Program, which will help nursing schools increase the number of RNs for the biennium.

Advocacy

In 2016, Texas Health will work with elected officials, policymakers and our community partners to meet changing regulatory and legislative requirements, while keeping our focus on efforts that improve quality and patient safety across the continuum of care. We will continue to advocate for bipartisan, collaborative approaches that improve the health of the people in the communities we serve.

Karen Meadows, program manager, Simulation Training at Texas Health Fort Wort, provided a tour of the Amon G. Carter Medical Simulation Training Center for state Representative Ramon Romero.

Congressman Michael Burgess conducts a Town Hall with physicians and nurses at Texas Health Alliance during the August recess.

State Representative Myra Crownover receives Texas Health's Excellence in Public Service Award at Texas Health Denton.

TEXAS HEALTH RESOURCES FOUNDATION

The Texas Health Resources Foundation strives to enhance the delivery of quality patient care by joining with committed donors to sustain the long-term fiscal viability of our organization. While Texas Health is one of the largest nonprofit health care systems in the state, we rely on various sources of capital to help us meet an ever-growing demand for education, outreach, facility and technological enhancements to better serve North Texas communities.

The Foundation raises funds that support clinical, educational and research programs across the system. Funds are raised through endowments, individual giving (including employees), corporations, foundations and community organizations. Some examples of projects supported through philanthropy include:

- Palliative care services for terminally ill patients at our Texas Health hospitals.

- Mobile health outreach providing mammograms and well woman exams to underserved communities within Texas Health's service area.

- Continuing nursing education to provide educational scholarships for advanced degrees to Texas Health nurses.

The Foundation's Texas Health 365 Fund helps to close the gap between technological advancements and the system's ability to provide the critical resources needed to improve the health of the people in our communities. Contributions raised assist in funding nursing education and patient care programs, as well as medical equipment and technologies. In 2015, more than $915,000 was raised in support of the 365 Fund and the number of donors increased by 80 percent.

North Texas Giving Day
Generous donors gave more than $186,000 in 18 hours to benefit the Texas Health 365 Fund to support the greatest needs of Texas Health Resources.

Programs and events

The Texas Health Resources Foundation leads two employee giving campaigns every year:

- The Community Employee Giving campaign is held each fall and gives employees an opportunity to financially support local nonprofit organizations such as the United Way, American Heart Association and food drive beneficiaries — to provide life-saving resources and support to individuals.

- The Texas Health Associates campaign is held in the spring so that employees can financially support Texas Health programs and services they are passionate about. In 2015, employees gave $1.7 million inside and outside the walls of Texas Health.

Additionally, the Foundation holds special events throughout the year with proceeds supporting programs and services at our hospitals. These special events include black tie galas, an annual golf tournament, a fashion luncheon and Breakfast with St. Nicolas, a children's holiday event. Our community supporters also have the opportunity to donate to Texas Health through various grateful patient programs like Grateful Hearts, which honors a hospital employee, or Texas Health Heroes℠, which honors a Texas Health physician.

Contributions

In support of Texas Health's strategic initiatives, the Texas Health Resources Foundation received nearly $9 million in gifts for 2015. For more information, read the Foundation's 2015 Donor Giving and Stewardship Report.
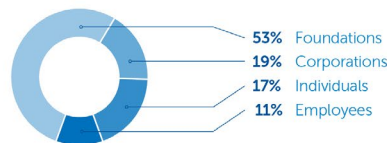
2015 BY THE NUMBERS

TEXAS HEALTH RESOURCES FOUNDATION

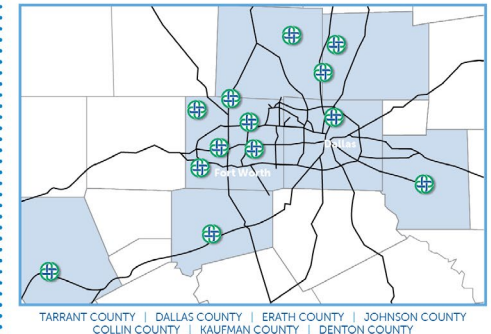**RAISED MORE THAN**

$186,000

FOR NORTH TEXAS GIVING DAY

(ranked first among large health care organizations in total funds raised)

MORE THAN 2,000 DONORS
RAISED OVER $1.8 MILLION AT FUNDRAISING EVENTS

Sources of Giving in 2015:

- 53% Foundations
- 19% Corporations
- 17% Individuals
- 11% Employees

80%

INCREASE IN DONORS TO TEXAS HEALTH 365 FUND

TEXAS HEALTH EMPLOYEES GAVE OVER $1.7 MILLION
TO SUPPORT OUR HOSPITALS AND COMMUNITIES IN 2015

DONATIONS BENEFIT **7 COUNTIES** AND **13 HOSPITALS** ACROSS NORTH TEXAS

TARRANT COUNTY | DALLAS COUNTY | ERATH COUNTY | JOHNSON COUNTY
COLLIN COUNTY | KAUFMAN COUNTY | DENTON COUNTY

CIRCLE OF GIVING GREW
TO **RECORD** HIGH WITH **917 MEMBERS**
(ANNUAL DONORS WHO GAVE $1,000 OR MORE IN 2015)

MOBILE HEALTH OUTREACH PROVIDED **5,491 MAMMOGRAMS** AND **1,285 WELL WOMAN EXAMS** TO UNDERSERVED COMMUNITIES ACROSS **7,221 SQUARE MILES**
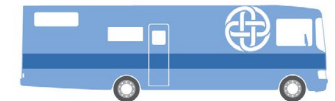
OUR ENVIRONMENT OF CARE

Texas Health Resources' leaders are responsible for guiding the execution of our Mission, Vision, Values and The THR Promise℠ so that we can maintain organizational and financial sustainability.

Each year, our leaders develop strategic plans, operationalize business objectives, engage employees and patients on key issues, evaluate performance and track continuous improvement to strengthen our health system.

2015 HIGHLIGHTS

Reduced water consumption 5.6%

Reduced electricity use 16% since 2011, saving $11.2 million

Created a **Code Silver Active Shooter Policy** and delivered training to educate employees how to respond to persons with weapons

Spent nearly $24 million with minority and women-owned enterprises

Recycled 52 tons of electronic waste

SAVED $80.3 MILLION ON SUPPLY EXPENSES SINCE 2012

Formalized a robust and comprehensive emergency management plan, strategy and training program

Strengthened technologies, processes and security awareness training to address ransomware and phishing threats

Renewed three-year Joint Commission accreditation in **100%** of hospitals

PHYSICAL ENVIRONMENT

Texas Health's physical environment encompasses systemwide campuses and facilities, hospitals, clinics, corporate and administrative offices, and surgical, health and imaging centers.

How we manage

Management programs comply with Texas Health's stringent building and operations standards, as well as those set by The Joint Commission (TJC), Occupational Health and Safety Administration (OSHA) and National Fire Protection Association. In 2015, 100 percent of our hospitals renewed their three-year TJC accreditation, which certifies they are delivering safe and effective care of the highest quality and value. System representatives also serve on our:

- Physical Environment Workgroup, which meets monthly to discuss physical environment safety concerns and action plans, and to share best practices across all Texas Health facilities.

- Environmental Tours Program, which includes an annual onsite-focused survey that addresses emerging issues at each building.

In 2015, workgroup members implemented a non-violent crisis intervention program and began rolling out training to help caregivers safely defuse anxious, hostile or violent behavior. Also during the year, Texas Health began using new software – Joint Commission Resources' Accreditation Manager Plus® – to more effectively help our taskforce assess, manage and track environment of care compliance in accordance with TJC standards. It is helping us to quickly identify areas needing improvement and create

targeted plans for resolution. For example, we identified ways to strengthen our hazardous waste management program and implemented strategies systemwide.

How we secure

Each Texas Health hospital has a multidisciplinary threat management team that annually assesses and identifies potentially hazardous conditions related to physical building security or workplace violence. Based on their findings, we implement security controls and train employees to reduce potential risks.

In response to increasing workplace violence across the country, Texas Health implemented a Code Silver Active Shooter Policy in 2015 and delivered active shooter training to educate employees and physicians working in high-risk areas regarding how to respond to persons with weapons. We trained more than 23,000 people during the year to help them know how to respond should a shooting occur. Training is refreshed annually.

As part of our efforts to systemize security management in 2016, a Director of Physical Security has joined Texas Health to drive systemwide alignment and standardization of our safety protocols.

ENVIRONMENTAL MANAGEMENT

Texas Health's environmental management systems allow the system to maintain compliance, reduce operational risks and provide the best possible environment for our patients and guests. To be environmentally responsible, we also:

- Improve building efficiencies when constructing or renovating facilities using tools and guidance from best-in-class energy efficiency protocols, such as the U.S. Environmental Protection Agency's ENERGY STAR® program.

- Install and upgrade existing environmental controls and systems to monitor and reduce water waste, energy consumption and air emissions.

- Reduce or eliminate exposure to medical, toxic, pharmaceutical and hazardous wastes and chemicals.

- Use more efficient or sustainable materials and equipment.

- Reduce, recycle and responsibly dispose of waste.

We evaluate the effectiveness of our programs and capital investments through goal setting and progress reporting; cost savings realized; reduced energy, water and waste; and alignment between our facilities and the communities they are designed to serve. In 2016, Texas Health plans to create a sustainability report card to indicate what steps have been taken by the system to reduce the impact on the environment.

SNAPSHOT: Energy Roundup Competition

Texas Health participates in an annual statewide competition between hospital and medical offices to save energy and improve the utility budget bottom line. In 2015, the following hospitals earned:

3rd Place

★ Texas Health Presbyterian Hospital Kaufman

Honorable Mentions

★ Texas Health Arlington Memorial

★ Texas Health Harris Methodist Hospital Fort Worth

★ Texas Health Harris Methodist Hospital Cleburne

★ Texas Health Harris Methodist Hospital Dallas

The following sections explain our investments in critical areas:

Energy

Texas Health has invested millions of dollars in efficiency projects to reduce costs and greenhouse gas emissions associated with powering, heating and cooling our facilities. For some hospitals, we purchase renewable energy certificates, which are used to purchase a portion of electricity from renewable energy sources (e.g., wind or sun).

In 2015, we spent about $8 million in building system upgrades and completed 37 efficiency projects in an effort to reduce energy consumption systemwide. While overall electricity use increased 1 percent due to unavoidable delays in full implementation of some large projects and the addition of more square footage, natural gas use decreased 5.7 percent.

Late in the year, we began installing new software to regulate how much energy, water and natural gas we supply to all facilities. We also began work on thermal storage projects and continued optimizing or eliminating steam boilers.

Water

As the state of Texas faces ongoing risk of drought and low water supply and rates continue to rise, consumers must use water wisely to preserve this finite resource. Texas Health implements a number of initiatives to reduce water use and save money, including installing water-efficient irrigation and plumbing, and incorporating Xeriscape practices into landscape design. Texas Health also co-owns the award-winning North Texas Health Care Laundry

ENERGY CONSUMPTION

Year	kbtu/sqft
'15	283.6
'14	280.9
'13	333.1
'12	335.5
'11	339.2

kbtu/sqft
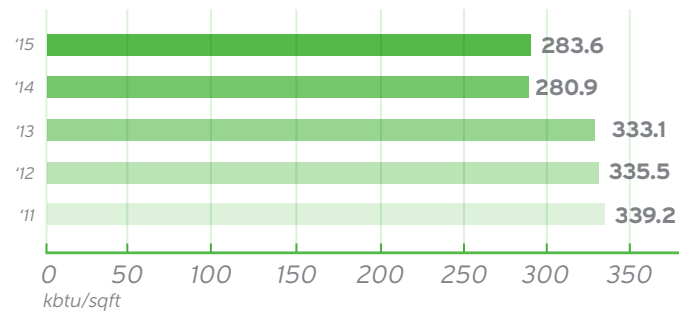
Texas Health has reduced electricity use 16% since 2011, saving $11.2 million

SNAPSHOT: Energy-Efficient Boiler Cuts Natural Gas Use by Nearly Half

When a 37-year-old 125-horsepower hydronic boiler began to fail at Texas Health Presbyterian Hospital Kaufman, it was time to relace it. After evaluating various options, Texas Health determined the most energy-efficient approach would be to replace it with condensing hydronic hot water boiler. The water could be used for heating and for the hospitals domestic hot water system. Steam generators are being used to produce steam for sterilizers.

The new boiler—and the replacement of a steam coil in one air handler—enabled the hospital to generate steam only when needed, instead of storing steam for 168 hours a week when only 20 to 35 hours of steam were needed for sterilization. This alone has reduced natural gas consumption by more than 40 percent over the last 12 months.

Cooperative with other health systems, which enables participants to reuse wastewater, reclaim heat and reduce chemicals needed to clean hospital linens. This is a cost-effective and environmentally conscious way of combining strengths to process laundry.

In 2015, we installed an enhancement that uses less water in a cooling tower and evaluated alternative water sources. Systemwide, we reduced water consumption 5.6 percent, exceeding our 3 percent goal. In the coming year, we plan to:

- Conduct a water system audit to identify areas of high use and methods to reduce water use.

- Initiate a water conservation program.

- Use low-maintenance plant materials and dig water wells at some facilities to irrigate.

- Reduce the number of water meters and fees, as water rates increased more than 16 percent this year.

5.6%
Reduction in water consumption

16%
Increase in water rates

Waste management

Hospitals produce more than 5.9 million tons of waste annually[1], which often ends up in landfills or is incinerated where legally allowed. Texas Health reduces or recycles waste where feasible, carefully manages waste to comply with regulations and protect human health and the environment, and to reduce costs. Our stringent waste management policies, protocols and training enable us to handle waste responsibly.

Texas Health manages a variety of waste streams including:

- **Medical and hazardous waste** – We contract with a national waste disposal company that delivers waste-handling training, and removes hazardous chemicals, pharmaceuticals and waste directly from our facilities.

- **Office waste** – We transitioned to an electronic work environment, and recycle paper, boxes, plastic, aluminum, packaging and steel. We host community document shredding events, and recycle or reuse furnishings rather than disposing them into a landfill. Additionally, Texas Health stores and distributes older furniture and medical equipment to smaller clinics in need.

- **Electronic waste** – We recycle computer components, medical equipment, telephones, printers, servers and other electronics after they are no longer needed.

- **Laundry waste** – We reduce patient linen weight to reduce water, energy and costs.

2.5 million
Pounds of paper shredded/recycled

21,139
Trees saved

34.5 million
Gallons of water preserved

52 tons
Electronic waste recycled

36,900 pounds
Corrugated materials recycled

11 tons
Metal material recycled

[1] *2015 Health Facilities Management Sustainable Operations Survey*

SNAPSHOT:

Innovative Warming Blankets May Improve Patient Comfort, Lower Costs

Under the standard warming protocol that operating rooms follow, surgical patients may receive several blankets (typically nine to 15) to keep them warm after surgery. In 2015, Texas Health Harris Methodist Hospital Southwest Fort Worth piloted using Thermoflect® blankets, which contain heat-reflective technology.

These innovative blankets could reduce the number needed per patient to just one regular 2-lb. blanket and one 1-lb, which would significantly curtail procurement and laundry expenses. While the trial went well with positive patient feedback, some mentally required the weight of the blankets to have a feeling of warmth. The hospital intends to purchase additional Thermoflect blankets for future use.

Air quality

As a large health care system, we understand the impact our operations can have on carbon emissions and other compounds that can aggravate health conditions linked to poor air quality, like asthma and cardiovascular disease. We implement regulated controls, monitor emissions and ship medical waste off-site for incineration. In 2015, we continued to comply with all local, state and federal air quality regulations.

Building design and refurbishing

Texas Health designs, builds and retrofits hospitals and facilities to improve efficiency while reducing negative environmental impacts, as required by local building codes. In 2015, expansions of Texas Health Plano and Texas Health Stephenville incorporated more efficient infrastructure design. We also used more efficient construction techniques and installed energy-efficient systems, such as LED lighting, when renovating a number of building interiors throughout the system

SUPPLY CHAIN MANAGEMENT

Supply costs are the second-largest expense after labor, making it critical that Texas Health conscientiously manage procurement processes to maintain competitiveness, financial viability and operational efficiency. We do this while also selecting the highest quality of materials and services to deliver outstanding patient care.

Similar to other organizations of our size and scope, we face the following risks to our supply chain:

- Extreme weather and/or other unforeseen events that may delay or interrupt supply delivery.

- Escalating costs for high-end or high-tech medical technologies, equipment and other related products and services.

- Sourcing from manufacturers that outsource production in countries that may have additional political, social, health or weather risks.

- Underperforming or unethical contractors.

We designed our business practices and performance management systems to monitor and reduce these risks, as well as maintain compliance with federal and state laws and regulations.

Procurement strategies

To effectively and responsibly procure materials, equipment and services, we deploy the following key strategies:

- **Responsible purchasing** – We purchase products and services that are healthy and better for the environment when financially feasible.

- **Buy green and buy local** – We procure environmentally friendly and recycled materials when it is cost-effective. We also purchase services and products locally, which helps create jobs and sustain local economic growth in the communities we serve.

- **Harness buying power** – We are an owner of Premier Inc., a national group purchasing organization that leverages members' purchasing power to source quality products at a lower price.

- **Test quality prior to purchasing** – We assess if manufacturers' clinical innovations meet our high standards by having our clinical teams test them for alignment, safety and satisfaction.

- **Require ethical business practices** – Vendors must conduct business in accordance with our Code of Business Ethics and our System Compliance Program, as well as all aspects of our written policies and procedures on the federal False Claims Act, whistle-blower provisions and fraud detection and prevention programs.

SNAPSHOT: Chemical Reduction

Texas Health was the first health system in North Texas to achieve level-one "Clean Zone" certification.

Clean Zone is designed to reduce the negative impact of harmful equipment and products on health and environment. Certification requires a commitment to use green cleaning products, equipment, processes and management practices.

Controlling costs

Texas Health engages suppliers to determine ways to reduce costs within supply chain processes and programs, as well as how to standardize best practices related to the purchasing, storage and distribution of materials. We have achieved bulk pricing and cost reductions in physician usage of special-ordered items, which has reduced supply expenses per net patient service revenue since 2009.

In 2015, we embarked on a multiyear Focus on Fundaments project, which is designed to help us reduce variation of supplies and use, while keeping our quality and patient outcomes high. Our goal was to reduce costs by $24 million, which we exceeded by achieving a $26.8 million reduction in expenses. In 2016, we are hoping to save another $28 million by reducing acquisition costs as well as reducing the quantity of supplies being used.

80.3 million

Saved on supply expenses*

$106 million

Spent with minority and

women-owned suppliers*

Since 2012

Supporting minority businesses

Doing business with enterprises owned by women, minorities and veterans can provide cost-effective products and services to our organization. By contracting with these organizations, we help sustain their companies, which in turn, help strengthen the local economy. While we do not have specific targets for annual spending with minority suppliers, we spent nearly $24 million with these companies in 2015.

Monitoring performance

Texas Health's supplier contracts are designed to reduce costs, establish quality and performance expectations, and comply with its ethics and compliance policies. We evaluate key vendors' performance using a quantitative tool based on approximately 30 criteria, including cost, quality, responsiveness and assurance of supply on an annual basis.

We also discuss what vendors are doing to reduce their own environmental and social impacts, as well as what business they do with their diverse suppliers. We meet with underperforming suppliers to establish improvement plans if needed. If sufficient progress is not made and we see little change in resolving issues, a contract may be terminated.

SNAPSHOT: Sharing Savings, Reducing Costs: THSCS Offers a Trifecta of Benefits

Ambulatory and outpatient clinics, rehabilitation facilities, physicians' offices and other non-acute care providers often lack the resources, technology and size to efficiently and cost-effectively manage their supply chains. It can take years for them to afford powerful inventory management software or to receive sizable discounts from suppliers, which charge less per unit when large volumes of materials are procured.

After recognizing this challenge, Texas Health's non-acute supply chain management team came up with an innovative way to help: offer access to its purchasing contracts, robust materials management information system and operational expertise for a small monthly licensing fee.

This idea led to the creation of Texas Health's for-profit subsidiary, Texas Health Supply Chain Services (THSCS). THSCS empowers non-acute care providers by offering supply chain solutions that lower supply costs, increase operating efficiencies and add revenue throughout the care continuum without compromising quality of care.

Here is what THSCS' clients — which currently include Texas Health Physicians Group's network of more than 250 physician practices, joint venture non-acute facilities and other external care providers — receive:

- **Immediate savings of 15-20%:** As a member of Premier's exclusive Committed Contracting Group (CCG), Texas Health has access to more than 2,300 discounted group purchasing contracts in various product and service categories. Premier is one of the largest group purchasing organizations, and CCG companies save about 17%

annually on procurement expenses. THSCS also has its own contract portfolio of services and products that augment Premier's, providing additional savings opportunities for its affiliates. Clients of THSCS benefit from these extensive discounts, like Texas Health Physicians Group did by saving $4.4 million since the inception of the program.

- **A web-based, robust materials management information system:** Clients can remotely manage critical supply chain functions — from purchase orders and approvals to receiving to inventory control — more efficiently. This eliminates the cost, labor and expertise needed to implement this type of solution on their own. The technology also helps organizes reduce financial and operational risk, increase contract compliance and provide a line-of-sight to all non-acute spending.

- **Exceptional support:** Clients can tap Texas Health's supply chain experience, supplier relationships, and both its technological and operational expertise to draw on for support when needed.

Sharing contract savings and procurement technology is a key way Texas Health can help other care providers streamline supply chain management and reduce costs — helping to financially sustain not only those organizations, but also our own.

BUSINESS CONTINUITY

Texas Health's ability to continuously maintain business functions is critical to protecting the health and well-being of its patients, managing business risks, and preserving its reputation and long-term sustainability. We designed our business continuity plans to minimize the impacts of unexpected events and execute a quick recovery in case of a natural or manmade disaster, delayed shipment of supplies, technology outages or other unforeseeable factors.

Emergency Management

Preparing for continued operation during a disaster is a key responsibility to our community. The North Central Texas Trauma Regional Advisory Council coordinates the Regional Healthcare Coalition's preparedness activities, communication and collaboration of resources during disaster events. We also leverage the robust National Incident Management System, which includes the Hospital Incident Command System to maximize patient and staff safety when activated.

Management strategies

Texas Health participates in a variety of exercises, including functional exercises with our respective local jurisdiction and health care coalition partners, internal code pink drills, and communication exercises with area hospitals, local and regional emergency responders and other authorities. Additionally, each Texas Health hospital:

- Completes a hazard vulnerability analysis annually to proactively identify areas that could impact operations or nearby communities.

- Regularly reviews and updates its emergency operations plan to confirm disaster preparedness, response, recovery and mitigation activities are consistent and swift. We test the plan twice a year, with one drill that includes local and regional partners.

- Trains select staff on emergency response and communications.

- Conducts ongoing risk surveillance and reporting.

- Prepares for natural or manmade disasters so it can continue delivering care during unexpected business interruptions.

- Reviews its emergency management program annually for regularly compliance.

- Leverages lessons learned through drills and reviews real-time emergencies to improve surge capacity, fire response, communication, decontamination, patient tracking, evacuation and business continuity processes and infrastructure.

Progress being made

In 2015, Texas Health became one of the few health systems in the nation to create a robust and comprehensive emergency management plan with standardized processes and procedures for disaster and emergency preparedness. Along with the plan, we formed a multidisciplinary group of representatives across the system to oversee emergency management and business continuity programs, as well as appointed a System Emergency Management Cabinet. As part of our effort to become a High Reliability Organization, we also:

- Completed business interruption assessments for all of our system services departments.

- Conducted a half-day tabletop drill with executive leaders and other select staff to increase awareness of potential risks and how to manage them.

- Developed an incident command system training program using the Federal Emergency Management Agency's online training curriculum.

Also during the year, all hospitals assessed and updated their emergency operations plans, and completed a hazard vulnerability analysis. Texas Health's System Incident Teams updated their roles and responsibilities and tested these during a tabletop exercise as well.

In 2016, Texas Health Physicians Group and all of our hospitals will complete business interruption assessments, and all staff will conduct a functional drill to identify opportunities for improvement systemwide.

Information protection

To combat the growing number of computer-based threats and other vulnerabilities, Texas Health protects operational and patient health information and intellectual property using a combination of technology, processes and controls.

Management and security

Texas Health's comprehensive communications network includes electronic health records, robust Internet and intranet sites, department-specific portals and a web-based emergency notification system. We must protect and preserve information exchanged through these channels to operate legally and responsibly. Additionally, we must enable executives, clinicians and other employees to distribute and receive timely and accurate health and operational data to guide their decisions and improve their effectiveness.

To secure and maximize the reliability of information, we deploy proven technologies, monitor all alerts and address all possible breaches and potential threats in a coordinated and responsible manner. For example, we install firewalls, intrusion detection tools, email monitoring and filtering capabilities;

encrypt health information and credit card data; automate security patches; and limit access to information based on employees' roles. We also collaborate with industry peers and the U.S. Food & Drug Administration to help ensure medical devices are protected from advanced threats.

We evaluate the effectiveness of network security by conducting internal audits as well as contracting with independent specialists, who regularly assess multiple security controls, test vulnerabilities inside and outside the network, and ensure technical responsibilities and compliance are being met. When we discover deficiencies, we develop and implement plans to address them.

In 2015, Texas Health began enhancing our technologies, processes and security awareness training to address ransomware threats. This effort included continually updating security controls, launching an anti-phishing program to reduce the risk of employees clicking on a malicious email link, and installing ransomware detection technology. No significant data breaches occurred. In the coming year, we will adapt security controls to evolving and emerging threats, and implement an advanced threat prevention project focused on preventing targeted attacks.

SHARING BEST PRACTICES

To identify and evaluate new security threats, and to share lessons learned, Texas Health collaborates with:

- Healthcare Information Management Systems Society Privacy and Security forums

- Medical Device Innovation Safety and Security Consortium

- National Health Information Analysis Center

- Other health systems and organizations

Backup and recovery

Texas Health's information technology solutions disaster recovery program delivers uninterrupted access to data that could impact operations or patient care. In the event a facility's direct network connection is not available, users can securely access critical systems from any location with Internet access. We also have backup power supplies, data centers and alternative telecommunications channels in place.

In 2015, we made significant improvements in both the resiliency and availability of our information systems. All of our most critical technologies and applications that support clinical services or critical business functions are fully redundant and designed to meet our business continuity needs. Additionally, we continued our multiyear data center transformation project to provide additional offsite backup so that if one system fails, users will automatically be switched to another – with zero downtime or interruption.

Next year, we will continue improving the resiliency and reliability of systems by strengthening our data center operations into a high reliability, best-in-class operation that safeguards the protection, resiliency and availability of systems for years to come.

SNAPSHOT: Reducing risks before they occur

According to IBM's 2015 Cyber Security Intelligence Index, 95 percent of all security failures are caused by human error. Users inadvertently share sensitive information through phone calls, phishing emails and other techniques. While many organizations have strong security measures, they do a relatively poor job of educating employees to recognize possible threats. Texas Health is working to change that.

In 2015, we began an anti-phishing campaign for all employees in order to help us identify high-risk users. As part of this campaign, the Information Security team sent deceptive emails or "phishing emails." Employees who clicked the link were taken immediately to a screen that explained their error and how to recognize possible phishing methods.

To drive continuous improvement and awareness, we are executing a quarterly phishing campaign to all employees and a monthly campaign to identified high-risk users. In addition to this quick training, we also provide mandatory information security training systemwide to build awareness of phishing techniques and to remind employees to adhere to our acceptable workstation use policy.

OUR COMMITMENT

Texas Health Resources is committed to providing quality health care with respect for the individual, medicine and technology, and the healing power of faith. While this is our fourth public report about our sustainability journey, we will continue to pioneer ways to improve health and well-being. This effort includes enhancing health care coordination across the continuum of care and improving community access to cutting-edge health services and programs. We recognize that in order to achieve this, we must continue to hold ourselves accountable for driving innovation and improvement inside and outside of our walls.

Additionally, we must carefully and responsibly steward our human and natural resources to address the needs of our communities more effectively. Through our shared vision, strong leadership, community engagement and strategic health initiatives, we are well positioned to fulfill our Mission to improve the health of the people in the communities we serve

We respect the dignity of all persons. We foster a corporate culture characterized by teamwork, diversity and empowerment.

We continuously improve the quality of our service through education, research, technology and the responsible stewardship of resources.

We are sensitive to the whole person, reflective of God's compassion and love, with particular concern for the poor.