

P R E S I D E N T ' S L E T T E R
October 2007

Dear Friends,

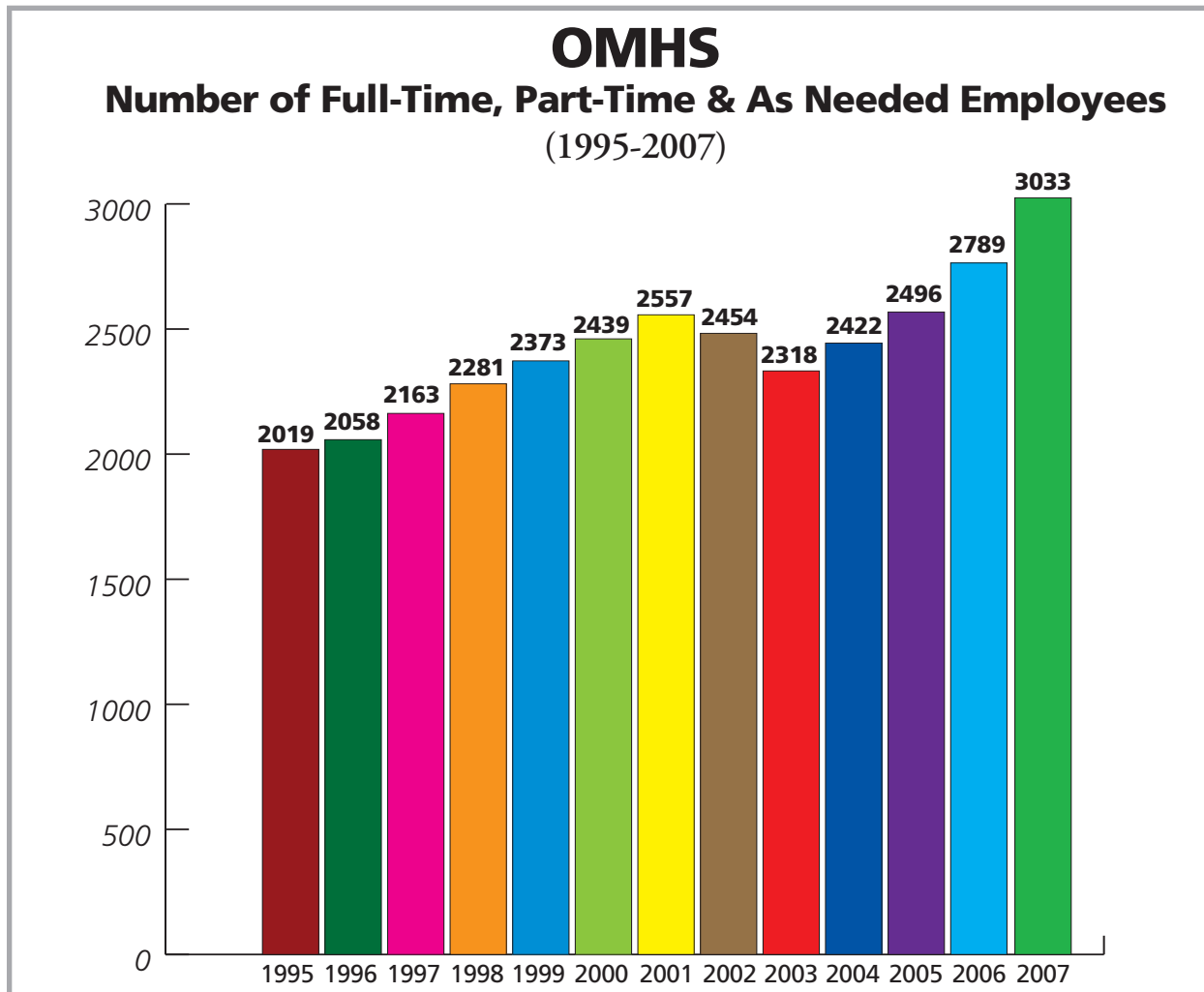
The mission of Owensboro Medical Health System (OMHS) is to heal the sick and improve the health of our community. We have 3,033 employees dedicated to this mission every day. As a result, our patient-centered care earned above 94% patient satisfaction as measured by an independent firm specializing in healthcare. Our efforts in delivering advanced, high quality medical services in the region were recently featured in the *Wall Street Journal* and *USA Today*. Delivering nationally recognized healthcare, however, is not our only responsibility in fulfilling our mission.

To move forward, we must give back!



Economic Impact:

We recognize that a good paying job leads to the improved overall health of our community. Consequently, OMHS is a major economic engine in Owensboro/Daviess County and the surrounding region we serve. Since the consolidation of Owensboro Daviess County Hospital and Mercy Hospital in 1995, the number of employees has increased by approximately one thousand. In total, we are the community's largest employer with an internationally diverse workforce of individuals that make their home in our region.

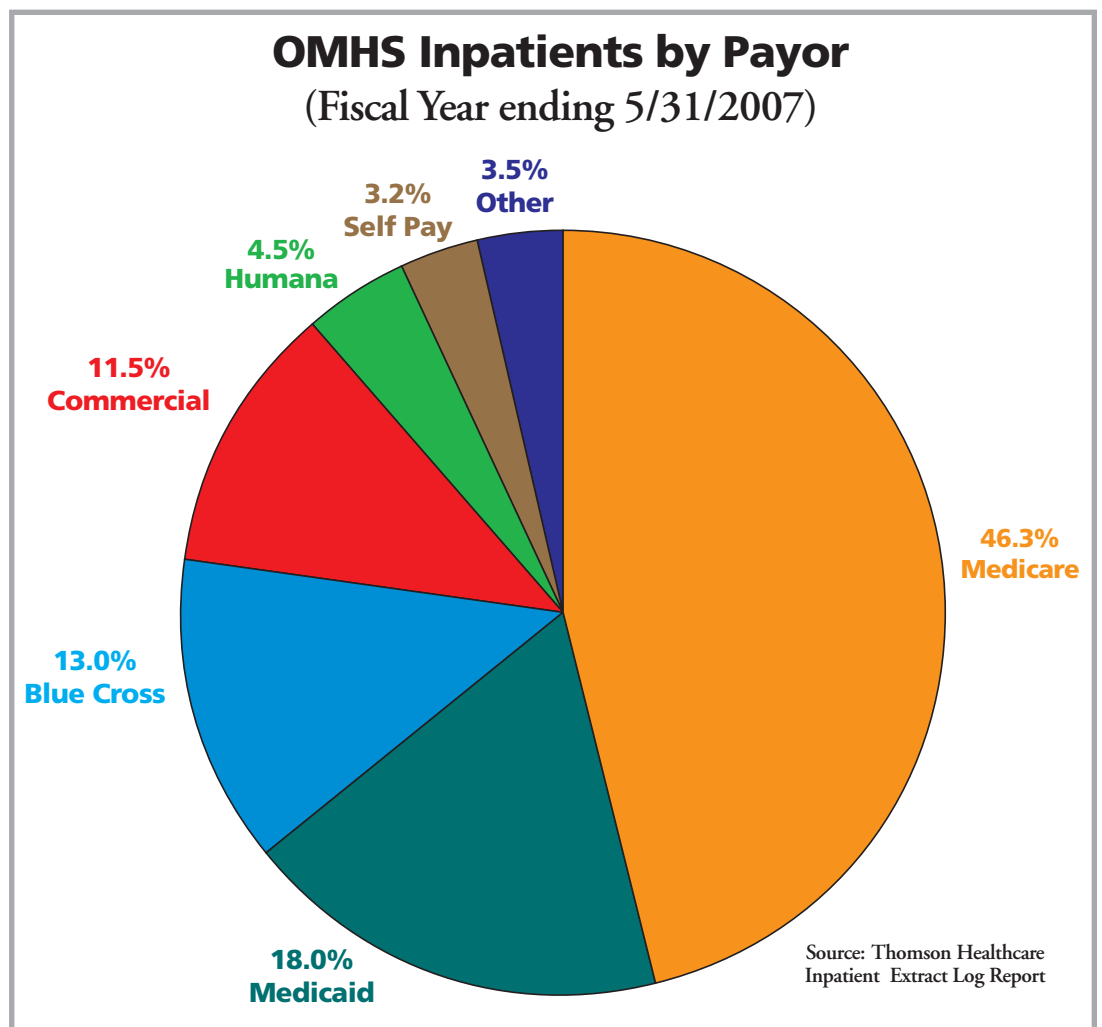


For the fiscal year ending May 31, 2007, the OMHS payroll was \$107 million. During the year we added a net total of 244 new employees with an average annual wage of \$39,104 – compared to the average annual wage of \$31,630 in the Owensboro Metropolitan Statistical Area (Davies, Hancock and McLean Counties). If these additional 244 employees represented a start-up business, this company would rank as a top 25 Daviess County employer paying some of the highest wages in the region.

At OMHS, we are not just creating jobs in healthcare; we are fostering entirely new health and biotech related industries. These knowledge-based 21st century industries will create high paying jobs that can keep our children and grandchildren here in the region. Our purchase of Large Scale Biology, now Kentucky BioProcessing (KBP), is a case in point. What would have become a bankrupt, abandoned facility is now characterized by the Greater Owensboro Economic Development Corporation as an “economic driver” for the area. From this undertaking, several new industries with special products and services have now been relocated to Owensboro.

Quality employee benefits including the opportunity to pursue higher education also improve the overall health of our community. In many industries, unfortunately, these benefits are often lacking. At OMHS we invest heavily in workforce development through tuition reimbursement and learning programs that enable our employees to refine, update and expand their skills. This ongoing investment in our workforce increased payroll costs by an additional 28%. It is money well spent! If you or someone you know would like to experience the rewards and outstanding benefits of employment at OMHS, please visit us at www.omhs.org.

With a workforce of 3,000 strong and a payroll of \$107 million, spending by OMHS employees is having a tremendous impact on our regional economy. Like all hospitals in the U.S., our salaries are generated through payment for services provided from various payor sources. Listed at right are our sources of income for providing these services.



Community Building Impact:

OMHS recognizes that the overall health of our community cannot improve without basic healthcare being provided to our citizens. As a result, every patient who enters our facility receives treatment regardless of ability to pay.

Unfortunately, and mirroring national trends, the OMHS emergency room is being used far too often for primary care. To address this crisis, we offer primary care services at the McAuley Clinic free of charge in partnership with Catholic Healthcare

Partners; and we were original partners with the Green River

District Health

Department in the

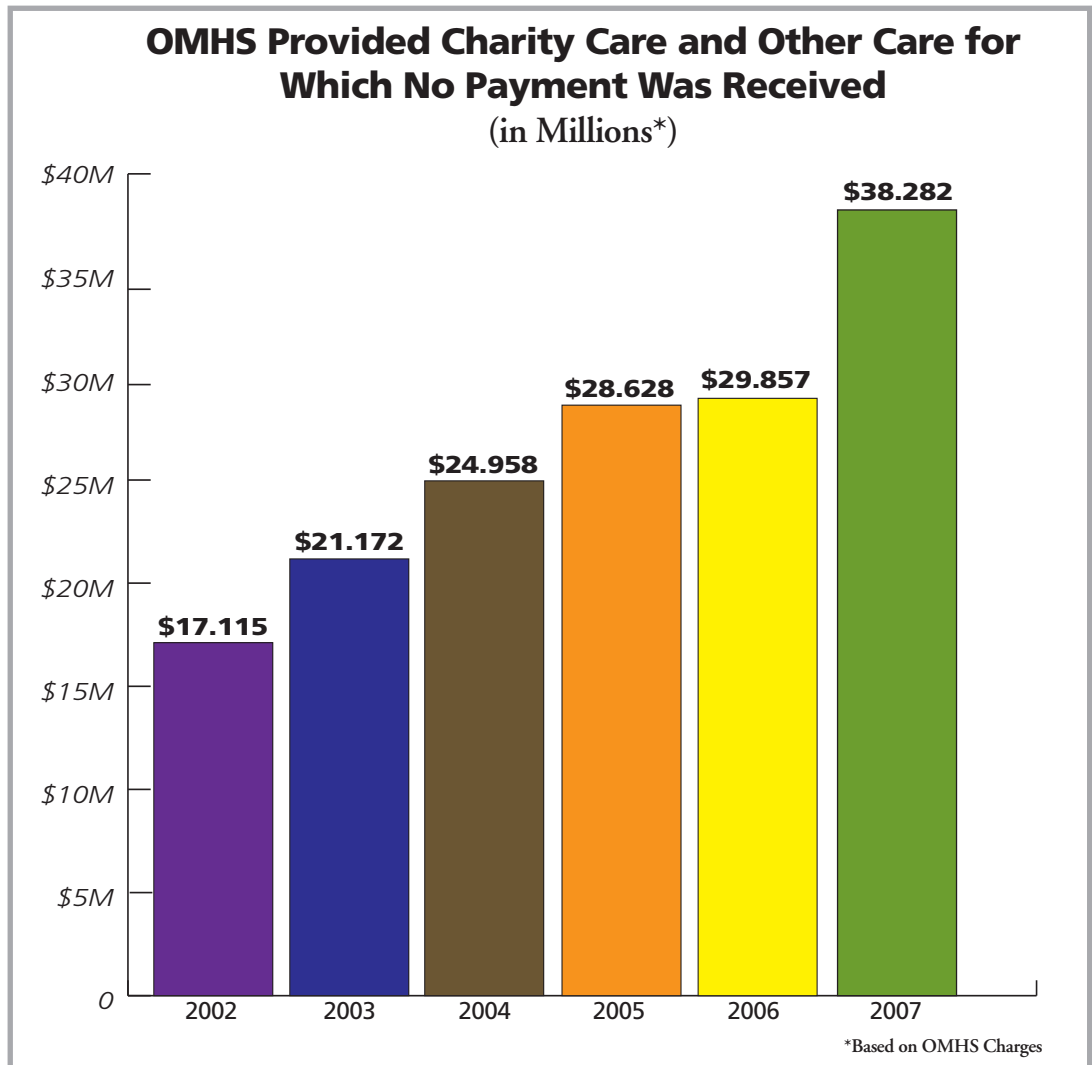
Daviess County

Community Access

Project (DC-CAP).

Moreover, we are actively engaged in an aggressive physician recruitment program to address this national challenge. Not surprisingly, the cost of these unreimbursed services is increasing at a rapid rate – more than \$38 million for the year ending May 31, 2007. As a cornerstone of our mission, OMHS carries the load of unreimbursed services provided at our facility.

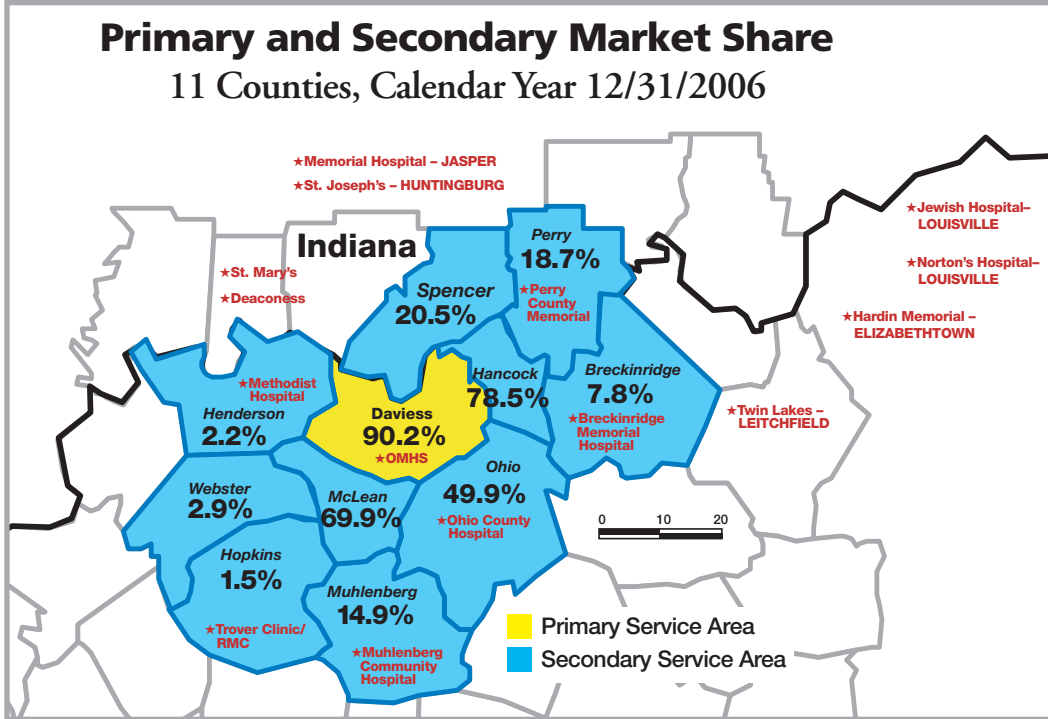
This care is provided with no assessments on taxpayers by local government.



Future growth will continue at OMHS as we continue to add new programs and facilities. Our prized example is the Mitchell Memorial Cancer Center. We have also expanded programs through partnerships with national leaders such as the Mayo Clinic Medical Laboratories; Vanderbilt-Ingram Cancer Center; University of Louisville (UofL) James Graham Brown Cancer Center; Louisville's Jewish Hospital Heart and Lung Institute; and, the University of Kentucky (UK) College of Pharmacy. In addition to UK and UofL, other educational partners include the Owensboro Community and Technical College System, Kentucky Wesleyan College, Brescia and Western Kentucky Universities. All are designed to educate tomorrow's healthcare professionals and provide jobs for the future.

Future Impact:

Delivering quality healthcare utilizing tomorrow's cutting edge technology also improves the health and well-being of our region. By providing patients access to nationally recognized care close to home, we eliminate the need to travel to Nashville, Louisville or Evansville. The following map of our service area provides a snapshot of the growing percentage of



residents in each county that choose OMHS for quality medical services.

Many factors are shaping how OMHS will need to respond in the future. The most telling is one of demographics. Research confirms that the national population is aging rapidly. Our region is no different. This older segment, as well as the rest of the population, will demand the highest quality medical care delivered in state-of-the-art facilities.

Plans for the new OMHS hospital facility are the most

visible response to the growing needs and national trends of an aging population. The OMHS Board continues its diligence and planning in moving forward on the replacement facility. A leading architectural firm, Hammel, Green and Abrahamson (HGA) and an engineering group, Smith Seckman Reid, Inc. (SSR), have been chosen to design and develop the new facility. They have also assisted in reviewing the new flood plain designation of the Daniels Lane site and concluded that it will have minimal impact on future construction plans.

In no way does OMHS plan to neglect its responsibility in redeveloping our existing campus as we move forward. A second architectural firm, The Lawrence Group, has been chosen to study and recommend uses for the current Parrish campus prior to the move being complete. These recommendations will also be shared with local officials and the public as we move forward.

The Owensboro Medical Health System Board of Directors and our 3,033 employees pledge to provide you with timely and pertinent information as we move forward. We remain focused on healing the sick and improving the health of our community for generations to come.

Sincerely,

Jeff Barber, Dr PH
President & Chief Executive Officer