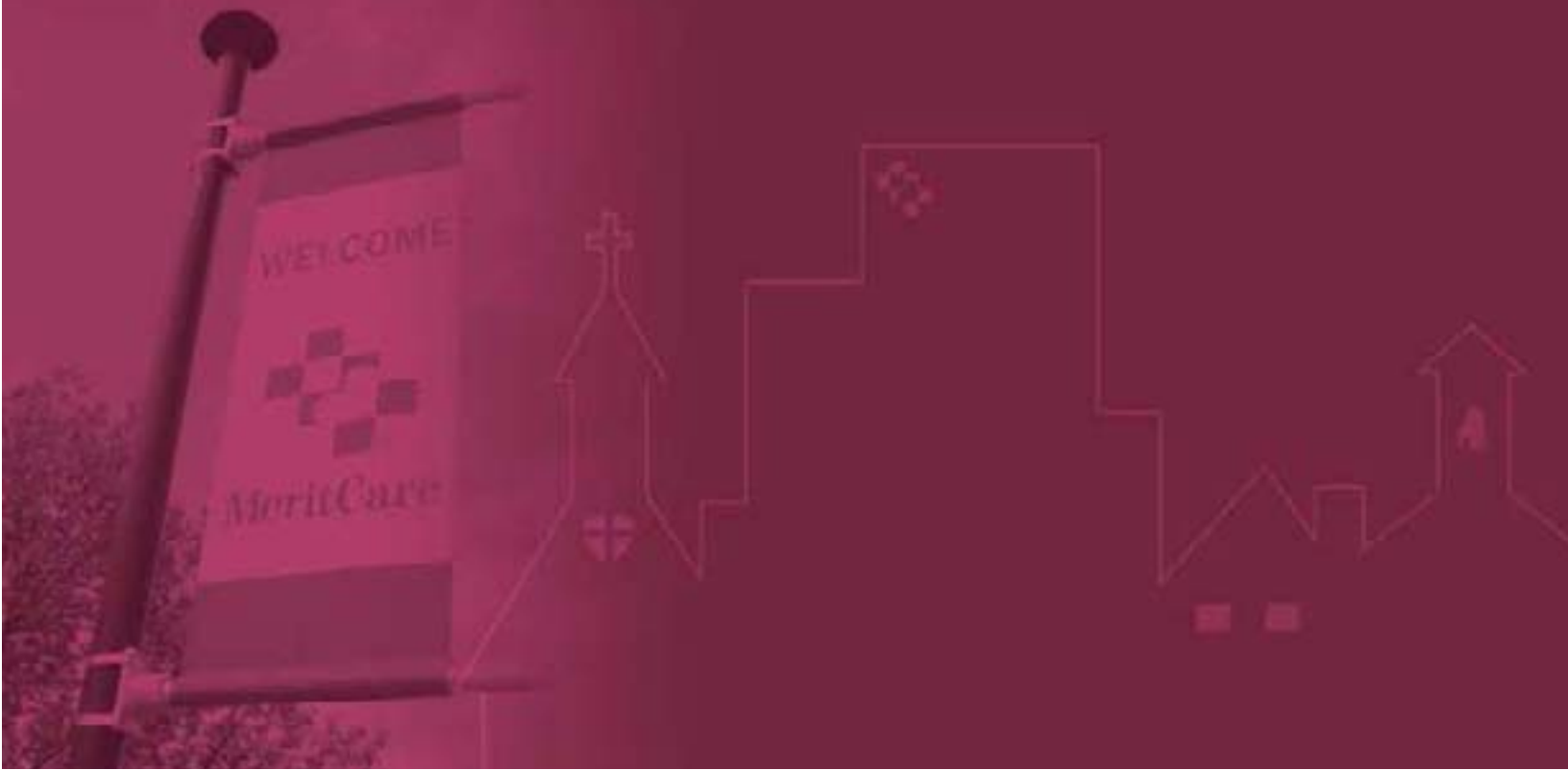




A Privilege to Serve

2003-2004 ANNUAL REPORT



A Privilege to Serve

When you think about life's opportunities, perhaps one of the greatest is the privilege to serve. You see firsthand how your efforts contribute to someone else's good, whether that someone else is a child, a co-worker, a friend or even a stranger. You see the positive difference you've made in another's life, and you understand what an honor it is to serve.



At MeritCare, the privilege of serving others evolves from our mission: *to improve the health and quality of life of the people we serve.* Working as a team, we help people recover from illnesses and injuries so they can return to their families, their jobs and their activities. Few things in life are as basic as an individual's health. That's why we're here 24 hours a day, seven days a week, 365 days a year. We consider it a privilege to serve in this essential way.

But our mission goes a step further. As a not-for-profit health system, we have a duty to meet the health needs of individuals, but we also have a responsibility to help meet the broad health needs of communities. For this purpose, we dedicate resources to endeavors that make a positive difference in people's lives – access to advanced medical technology, charity care, community programs and collaboration with other community service organizations. These activities are examples of MeritCare's community benefit contributions.

You might wonder: What is community benefit? What difference does it make in the community – the place where you live, work and raise your family? As you'll see in this year's annual report, community benefit comes in many packages, from ensuring the availability of health services in rural areas to offering classes to promote health to strengthening youth through school programs. We consider it a distinct privilege to serve, whether this takes the form of healing, supporting, partnering, preventing, educating, comforting, reaching out or building. In the next several pages, you'll see examples of all.

As we look to the future, we know certain issues will continue to face us: the increasing costs of today's medical equipment and technology, the challenges of recruiting physicians and nurses, the decrease in students entering health professions, an increasingly elderly population and an increasing number of patients who are under- or uninsured. Guided by our mission, we will continue to address these issues in the years to come.

We take seriously our responsibility to serve the people of this region, and we pledge to do our best with the resources entrusted to us. It is our mission – and our privilege – to serve you, your family and our communities.

A handwritten signature in dark ink, reading "Roger L. Gilbertson, M.D." The signature is written in a cursive, flowing style.

Roger L. Gilbertson
President/CEO
MeritCare Health System



A PRIVILEGE TO HEAL

Quality Care to Those We Serve

At MeritCare, we have the privilege to heal every day. Whether we're helping a 75-year-old survive a heart attack, assisting in the birth of a baby, diagnosing and treating an illness or prescribing the right medication, it's a privilege to be able to help people restore their health, then maintain it.

Why focus on health? Because it's vital to life. That's as true today as it was in 1908 when we began as the 35-bed St. Luke's Hospital in Fargo. But how we've grown! Today, MeritCare includes:

- A 583-bed hospital in two Fargo locations
- The largest group practice in North Dakota, with 383 physicians and 103 physician assistants and nurse practitioners practicing in 74 specialty areas of medicine
- A network of 27 regional locations in eastern North Dakota and northwestern Minnesota

But it's not just any kind of healthcare we at MeritCare strive to provide — it's quality healthcare. That means it's available when and where people need it, it's provided by people who are qualified and experienced, and it's been evaluated by reputable outside reviewers.

National "100 Top Hospitals" Award

This past year, MeritCare received high marks in a noted national study focused on quality. Selected from 6,000 hospitals nationwide, MeritCare was the only North Dakota hospital named in the *Solucient 100 Top Hospitals®: National Benchmarks for Success* study, published in *Modern Healthcare* magazine.

The Solucient study carries weight for several reasons. Solucient ranks as the nation's largest healthcare information company, the data comes from a reliable source (extensive Medicare records) and the evaluation process is involuntary — hospitals do not ask to be surveyed.

For people in this region, the 100 Top Hospitals award means MeritCare is a hospital close to home that provides nationally recognized care. Solucient estimates that patients receiving care at a 100 Top Hospital are likely to experience fewer complications, shorter hospitalizations and better survival rates. In short, it means a greater chance of living a longer, healthier life.

"Most Wired" for Six Years in a Row

For the sixth year in a row, *Hospitals & Health Networks* magazine named MeritCare one of the nation's "most wired" healthcare institutions — one of only 11 organizations in the country to receive the award all six years. The award recognizes hospitals that successfully use technology to enhance patient care, including quality.

At MeritCare, the examples are many, including the Picture Archival Communication System (PACS), which is now a part of the electronic medical record (EMR) and available at all MeritCare locations in the region. Simply put, PACS means that almost any type of radiological image taken at MeritCare such as X-ray, ultrasound, CT (computed tomography) or MRI (magnetic resonance imaging), can be transmitted digitally. The image then becomes part of the patient's EMR and can easily be retrieved by medical professionals who need to see it. Compared to other health systems across the country, MeritCare has been at the forefront in implementing this state-of-the-art technology.



Reinvesting in Technology

Advanced technology might not seem so important when you're healthy and well. But in situations where it's desperately and immediately needed, it can make the difference between life and death.

How does a not-for-profit health system

such as MeritCare accomplish this? A significant portion of our revenue goes right back into the system for the purpose of keeping up-to-date with technology. By reinvesting in this important way, we help individuals and communities gain access to advanced technology that otherwise might require a long drive to a distant medical center. People in the region expect we will have the technological advances they read and hear about, and it's our duty to provide these.

Providing Cost-Effective Care

We owe it to our patients to provide care that's cost-effective but does not compromise quality. We meet this challenge by asking questions, exploring new options, and perhaps most important of all, working together as a team.

MeritCare stands as a strong, stable organization at a time when many others struggle to provide even the basic services needed in their communities. An ongoing emphasis on cost-effective care sets the stage for our continued success.



A PRIVILEGE TO SUPPORT

Questions? Concerns? ASK-A-NURSE

"Do I need to see a doctor right away?" "How concerned should I be about my symptoms?" "What can I do to relieve my back pain?" Anytime an individual has a question or non-emergency healthcare concern, even if it's in the middle of the night or during the weekend, the answer is simple: Call ASK-A-NURSE. A free service to communities throughout the region, ASK-A-NURSE is staffed by registered nurses who provide support through knowledgeable, helpful advice.

While ASK-A-NURSE doesn't replace the care of a doctor, it's an easy-to-use resource to help people make informed decisions for themselves and their family members.

Support Groups

Without a doubt, certain conditions and diseases benefit greatly from support, not only medical support, but emotional support, too. Sometimes the most valued help comes from other people who have traveled a similar path, whether it's Parkinson's disease, diabetes or chronic pain. They know better than anyone the challenges — and the coping strategies.

Several MeritCare professionals have facilitated free community-wide support groups. Examples include diabetes, multiple sclerosis, Parkinson's disease, chronic pain, eating disorders, pulmonary conditions, and infant and pregnancy loss. In cases where MeritCare doesn't offer

the support group needed, we help put people in contact with other available resources. We want people to get the support they need.

Support through Donations

Like other organizations, MeritCare gives financial support to community-building and health-focused organizations, like the United Way. But we contribute even more through donated items.

Whenever possible, we recycle supplies we no longer use, thereby supporting other not-for-profit organizations that are in need. One example is a program we now have in place to donate computers to other area not-for-profits. This year, 303 computers were donated. Through the Fargo-Moorhead Daily Bread organization, we are able to distribute excess food from our food service to area homeless shelters, resulting in 20 meals per day for area homeless. And through a local organization called Project HERO, we donate old but usable medical supplies to be recycled for people in need, both at home and abroad. Over 14,500 pounds of supplies were recycled this year.

One more way we donate is through our employees. Many MeritCare employees throughout the region give their talents and expertise to a variety of community organizations; these community organizations in turn provide services to those in need.

A PRIVILEGE TO PARTNER

Community Connections

By developing partnerships with others, we have found new and innovative ways to address community needs. In fact, the words "partnership" and "innovation" perfectly describe a highly successful program MeritCare started in 1999 called Community Connections.

The program focuses resources and energy on specific actions that make people's lives better. But for success to result, research had to come first. What was needed? What issues faced the community? What would make a genuine difference? MeritCare's board and some of our employees met with area clergy, educators, business people and community leaders to learn more.

The flagship projects that emerged were the Parish Nurse Ministry Program, Living Well Workshop and three youth-focused programs: Adopt a School at Roosevelt Elementary School in Fargo, Celebrate Kindness and Youth Medical Experience.

Adopt-A-School

One week they'll do homework. Another week they'll eat lunch together. Sometimes they'll just sit and talk. But no matter what they do, they appreciate the 40 minutes they spend together every week. Youth mentoring is the centerpiece of the Adopt-A-School program with Roosevelt. The program pairs interested MeritCare employees with Roosevelt students who can benefit from a one-on-one, consistent relationship with an adult role model. The meetings take place before school, during lunch or after school. This year, 20 Roosevelt students were matched with a MeritCare employee mentor.

Teachers, students and parents all agree it's a program that makes a difference. "The most beneficial thing about the program is the difference it makes in the students' school work, self-esteem and motivation to do well," says one Roosevelt teacher. A national impact study indicated children with mentors are 40 percent less likely to use drugs and 53 percent less likely to skip school. Plus, 59 percent of them improve their grades.

Adopt-A-School includes other components, too — classroom reading by MeritCare employees, safety and wellness programs, and assistance from MeritCare employees in Roosevelt's annual spring field day. In all, the Adopt-A-School program touches the lives of every student at Roosevelt.

Celebrate Kindness

Celebrate Kindness, a program within Community Connections, encourages children and adults throughout the region to join together to spread peace through kind acts. Each year since the program began, more and more individuals, families and organizations have set aside "Celebrate Kindness Week" as a time to emphasize kindness.

Faith communities, school systems, healthcare facilities, local businesses, service organizations and other community groups sponsor a variety of events and activities to promote kindness.

This year's Celebrate Kindness campaign included tee shirts, pencils, buttons, bookmarks, cards and much more. More than 40,000 students in 77 schools used the materials.

And the number of people touched by the acts of kindness? Countless, because that's the nature of acts of kindness. "A little bit of kindness makes a big difference," says one student from Agassiz Middle School in Fargo.

MeritCare Foundation: An Avenue for Giving

Through MeritCare Foundation, we have the privilege to partner with many generous individuals and organizations. Their gifts make an important difference in the lives of the people we serve. At MeritCare Children's Hospital, for example, generous gifts from donors have supported the purchase of highly specialized pediatric equipment, the much-appreciated child life specialists (experts at helping children cope with hospitalization) and the SAFE KIDS Coalition (a region-wide program that promotes safety).

Over the years, donors from throughout the region have developed and enriched a wide range of special programs and services that benefit individuals, families and communities. Throughout MeritCare, their gifts have helped us purchase state-of-the-art technology, fund nursing scholarships, support research, offer education and enhance programs.

Volunteers Brighten the Day

Ranging in age from 14 to 80+, MeritCare's 477 volunteers come from all walks of life — students, professionals, retirees, people with disabilities, even former patients. Whether they join us through MeritCare Auxiliary or MeritCare Volunteer Services, we consider it an honor to partner with them as they brighten the days of many.

In a variety of ways, MeritCare volunteers give their time and talents to make life better. They deliver flowers, visit with families in family rooms, escort patients, rock babies in the nursery, help out with office tasks in various departments, play with children in the MeritCare Children's Hospital playroom and work in our gift shops. Some do their volunteer work outside the hospital walls, knitting baby caps and sewing special garments for patients.

During this past year alone, MeritCare's large and generous group of volunteers gave approximately 51,820 hours of service. Those hours are worth much to us as an organization, but what's worth even more are the smiles the volunteers bring to the faces of patients, family members and employees.



A PRIVILEGE TO PREVENT

Keeping Student Athletes Healthy

At practices and games across the region, you'll find them — athletic trainers from MeritCare Sports Medicine. On the field and off, they work closely with coaches and players, helping prevent injuries and appropriately addressing any mishaps that might occur.

Without a doubt, the cost of providing athletic-training services far exceeds any income we at MeritCare receive, but based on feedback from schools, parents and players, we know this service is of great value in preventing injuries. We are pleased we can provide it. We would far prefer to see an athletic trainer teach a player effective stretching techniques than see a player in the emergency room with an injury that could prevent competing for the rest of the season.

Faithfully Fit Forever

Exercise is a great way to improve health, but for beginning or occasional exercisers who may not want to join a gym, the options may be few. Faithfully Fit Forever fits the need.

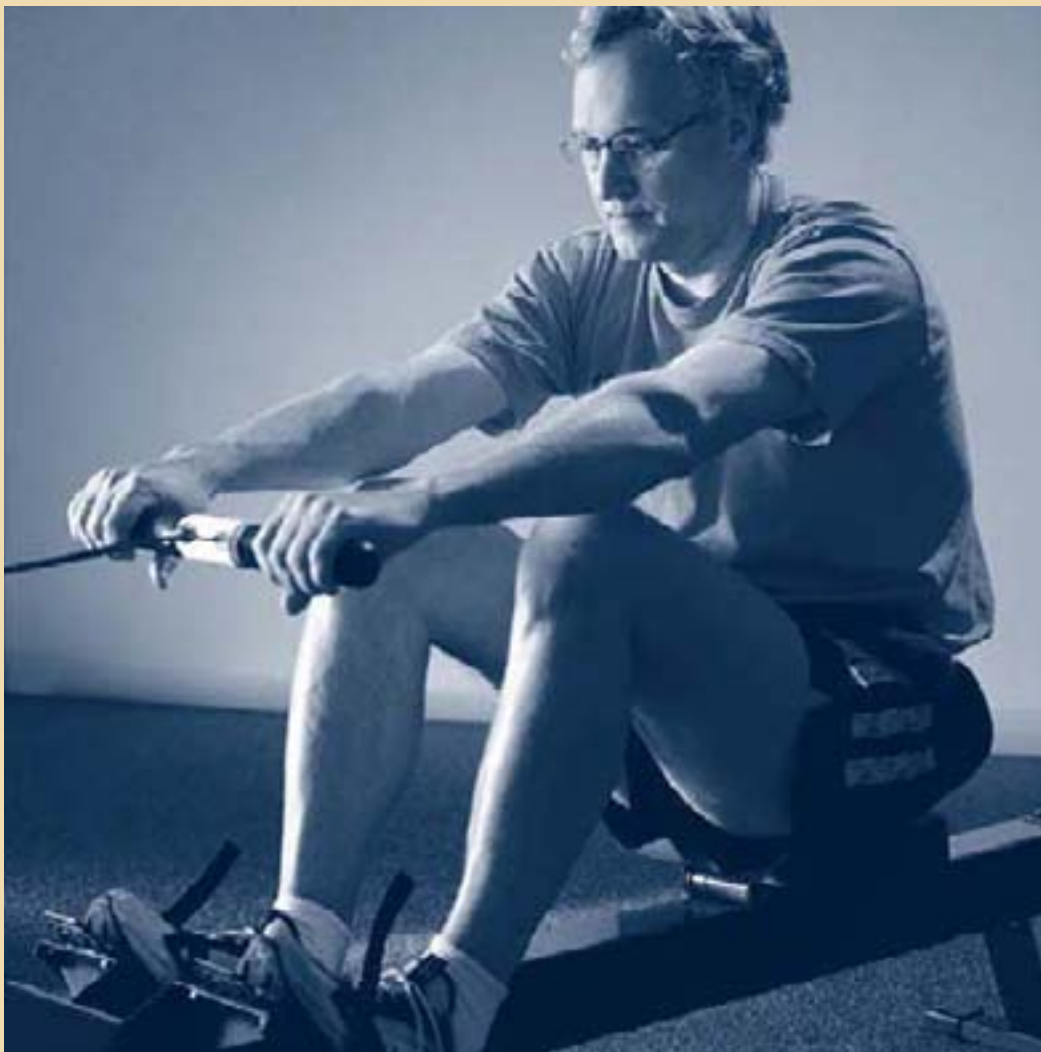
Today, in North Dakota and Minnesota, nearly 100 faith communities offer Faithfully Fit Forever classes to their parishioners, often in church basements or gymnasiums.

Faithfully Fit Forever leaders receive training and health-education materials from a MeritCare professional, then they add the rest: devotions, music and of course plenty of enthusiasm. In the words of one leader, "It's been extremely successful, and now people are bringing their friends, too. The comment I hear most often is 'I just feel better.'"

Free Health Screenings

Peripheral vascular disease, abdominal aortic aneurysm, prostate cancer — all potentially fatal diseases, but if caught early and treated, they don't have to be. In fact, early detection can save lives.

In various communities throughout the region, MeritCare now provides free screening events to identify these diseases and provide education. MeritCare pays for the screenings, knowing that early diagnosis and treatment of certain conditions and diseases proves invaluable in the long run.



Research Provides Important Information

Research can provide a wealth of information on how to prevent and treat certain diseases, and several areas at MeritCare play a role, including MeritCare Heart Center, the Eating Disorders Institute (a cooperative program involving MeritCare), MeritCare Children's Hospital and MeritCare Roger Maris Cancer Center.

In recent years, the Cancer Center has provided several opportunities for

individuals to participate in national research studies focused on prevention including the EXACT study (prevention of colorectal cancer), the SELECT study (prevention of prostate cancer) and the "Smoking Cessation and Relapse" study. Said one woman who participated in the 18-month Smoking Cessation study: "Through this study, I had the opportunity to make an excellent change in my life, and hopefully the information that was learned will help others make excellent, healthy changes in their lives, too."

A PRIVILEGE TO EDUCATE

Community Health Education

Safety in day-to-day life, families getting along together, preventing and living with various conditions and diseases. MeritCare provides Community Health Education in these three broad categories, which includes more than 100 educational opportunities throughout the region. Whether you're a daycare provider, a parent or a person struggling with a disease, you're bound to find a Community Health Education class that fits your needs. MeritCare offers a wide range of classes including "Nurturing Touch" Infant Massage, First Aid, classes on how to manage various diseases and conditions such as MS and diabetes, several pre-natal classes and CPR for daycare providers. MeritCare also sponsors annual events such as Parents' Fair and provides speakers for groups such as schools and civic organizations.

Community Health Education is one of several community activities we carry out for the express purpose of improving health and quality of life. Most of the Community Health Education tools we offer are at low- or no-cost to the public. We consider it a privilege to provide the tools people need to improve their health, prevent illness and injury, and deal well with changes they might encounter along the way. We are pleased when people take a step forward and want to learn how to take the best possible care of themselves and their families.

Living Well Workshop

Of all the words people have used to describe Community Connections' Living Well Workshop, perhaps the one you'll hear most often is "motivating." Said one participant: "It's like hiring a personal manager to take charge of your life — and that manager is you."

Offered at various community sites throughout the region, the free Living Well Workshop gives participants the tools they need to help take control of their life and health. Adults with any ongoing health condition have gotten the boost they needed to live better and more fully. This past year, 265 people attended a Living Well Workshop.

Live Surgical Webcasts Give an Inside Look

Ever wonder what it looks like inside the Operating Room? Or what's involved in the new minimally invasive surgical techniques? With MeritCare's surgical webcasts, people can see for themselves. In 2002, MeritCare became one of only a handful of hospitals in the nation to broadcast live surgery in what's called a webcast. The purpose is to educate people and other healthcare professionals, especially in state-of-the-art surgical techniques.

MeritCare broadcast two webcasts this year, bringing the total number offered to four. MeritCare's surgical webcasts have included robotically assisted heart surgery, repair of an

abdominal aortic aneurysm using an minimally invasive endovascular technique, the minimally invasive removal of a kidney from a living donor in preparation for transplantation, and bypass surgery on a beating heart.

At last count, 112,740 people have visited meritcare.com to view a surgical webcast. They continue to be available on our Web site at meritcare.com (keyword: webcast).

Preparing Tomorrow's Healthcare Professionals

At MeritCare, we're privileged to have a role in preparing the healthcare professionals of the future. We believe that by passing along our values of excellence in healthcare and serving the community, we can positively influence healthcare for future generations.

A Training Ground for Many Professions

We partner with many educational institutions in the region and nation to provide learning experiences for their students and trainees in several areas of study. MeritCare serves as the primary clinical site for programs in nursing, pharmacy, respiratory therapy and clinical lab science. On any given day, up to 400 students are training in allied health or other professions at MeritCare.

Since 1946, MeritCare and the University of North Dakota School of Medicine and Health Sciences (UNDSMHS) in Grand Forks have worked together to train physicians, including those in undergraduate medical education (medical students) and graduate medical education (residents). MeritCare serves as the "home" for three residency programs: transitional year (a 12-month training program that includes a variety of hospital and clinic experiences), internal medicine and psychiatry (clinical entity). MeritCare also offers training experiences to surgery and family practice residents from UNDSMHS programs in Grand Forks, Bismarck and Minot.

At any one time, about 80 residents and medical students may be in training at MeritCare, always working under the close supervision of their teaching physicians.

Youth Medical Experience

Each year, Youth Medical Experience, a Community Connections program, offers approximately 35 high school students from throughout MeritCare's regional service area a unique opportunity — to get inside MeritCare and discover for themselves the world of healthcare. "The Youth Medical Experience fostered and encouraged my love and interest in the healthcare field," says Wendy Berg, a program alumnus and current nursing student.

From tours of specific areas such as MeritCare LifeFlight to interacting with healthcare professionals to going on field trips, the program offers a wide-ranging inside look.

"The Youth Medical Experience fostered and encouraged my love and interest in the healthcare field."

— Wendy Berg
Program Alumnus

COMPAQ



A PRIVILEGE TO COMFORT

Palliative Care Unit

It's a subject not often talked about, but how can we help people attain the best possible quality of life – at the end of life? For people who are in the final stages of cancer, heart disease, stroke and other conditions, the question becomes very important. To meet this important need, MeritCare developed the Palliative Care Unit, located at MeritCare South University.

The Palliative Care Unit offers eight private rooms, each with a home-like setting. Rooms on the Palliative Care Unit are larger than average, allowing plenty of space for patients and loved ones to be together. The staff focus on the patient's comfort, including pain and symptom management. They also focus on educating and comforting the family. For some patients, care is provided in partnership with hospice.

The Palliative Care Unit also provides "respite care" for patients who are being cared for at home by hospice and family. Respite care allows patients to come to the Palliative Care Unit for a period of time so that families can get a much-needed break from the stress of at-home caregiving.



Patient and Family-Centered Care within a Healing Environment

When you're hurting, you need the right medical care, but you also need your family and loved ones near you for comfort. At MeritCare, we partner with families in the care of their loved ones. As part of our downtown renovation, we are building a healing environment to support our patient and family-centered care philosophy. In the planning of the new design, both patient and family space were considered. When completed, nearly all patients will be cared for in private

rooms with space for family as well as comfortable family rooms nearby.

While some people feel renewed by beautiful gardens, others prefer visits from furry friends. While some love to listen to music, others like gazing at art. What helps you heal? It's a question we have taken very seriously because research indicates important benefits when patients spend time in a healing environment surrounded by natural lighting, warm colors and soothing textures. At MeritCare, we want to do all we can to support this important connection because we know it contributes to a better hospital experience and a quicker recovery.

No matter what the age of the patient, the benefits of a healing environment can't be overestimated. This year, MeritCare hired Detroit Lakes artist Hans Gilsdorf to create a fantasy-village theme to make MeritCare Children's Hospital more child-friendly. His imaginative designs will captivate children's imagination and create a healing environment that speaks to children and eases their fears of a hospital stay.

A PRIVILEGE TO REACH OUT

Regional Clinics – Close to Home

In our efforts to provide quality care close to home, MeritCare reaches out for hundreds of miles, from Jamestown, N.D., to the west to Bemidji, Minn., to the east. Why such a reach? Because we know that high quality healthcare is essential no matter where you live, whether in a large city or small town, in lake country or on the prairie.

From a family perspective, healthcare close to home is important, too. Patients and families can stay in close proximity, reducing the anxiety associated with traveling long distances as well as saving time, effort and cost.

It's a privilege to work with other healthcare professionals and hospitals in local communities to help support the availability of quality healthcare in rural areas throughout the region.

Critical Access Hospitals Network

Another important aspect of quality healthcare in rural areas is access to community hospitals, but it's become increasingly challenging for these hospitals to stay open and viable. To help address this problem, the federal government initiated the Critical Access Hospital Network as part of the Balanced Budget Act of 1997. The program strives to keep rural community hospitals open by requiring them to connect with a major hospital that offers high-level services.

MeritCare supports 10 of the region's critical access hospitals in North Dakota and Minnesota. We reach out to these hospitals, knowing they provide vital services to the communities in their area.

MeritCare LifeFlight

It sounds like a nightmare: A vehicular crash in a rural area results in several people injured, some seriously. The nearest facility that can provide the needed surgical and trauma care is hours away, via ground transportation. Enter MeritCare LifeFlight. Within minutes, our medically equipped and specially staffed helicopter takes to the sky, landing close to the crash scene. Working side-by-side with community emergency crews, we're able to provide the level of care needed on the scene, then continue a high level of care en route to MeritCare's Level II trauma center in Fargo.

Last year alone, LifeFlight transported nearly 1,000 patients to MeritCare, some from the scenes of accidents and others from hospitals throughout the region. Started in 1984, LifeFlight is an important component of MeritCare's service to the region.

Parish Nurse Ministry Program

"The parish nurse's visits were so very comforting," said a woman in rural North Dakota whose mother had died unexpectedly. The woman appreciated how the parish nurse from her church reached out to her, providing support and comfort at a difficult time.

While parish nurses support parishioners, MeritCare provides support to the Parish Nurse Ministry Program, which is part of Community Connections. With financial support, technical support and training, we help equip parish nurses throughout the region with the tools needed

to help meet the spiritual, emotional and physical needs of parishioners. They meet these needs in many ways – one-on-one visits, health information, coordination of medical services, classes on healthy living, health and safety programs, and much more. Each faith community tailors the parish nurse's duties to fit its particular needs. To date, the 33 parish nurses involved in this program have

reached out and touched more than 10,000 lives at 25 faith communities across the MeritCare service region.

Healthcare for the Entire Community

As a not-for-profit health system, we are obligated to meet the needs of the entire community, knowing not everyone will be able to pay for the services they need. It is our duty to reach out in this way, fully realizing this poses a financial challenge. Even though not all patients can afford their care, there's still cost involved in providing it. Who will bear this cost?

MeritCare and other not-for-profit organizations across the nation address the challenge in various ways. The Community Care Program provides free or reduced-cost services to people who are unable to pay for the medical care they need.



A PRIVILEGE TO BUILD

Economic Health and Community Building

Have you ever been involved in a building project? Whether it was major construction or just a playhouse for the kids, whether you performed hands-on work or just provided the resources, you know what we mean when we say, "It's a privilege to build." When you see the project completed and realize how it benefits others, you can't help but be honored to have played a part.

When it comes to economic health and community building, we at MeritCare are honored to play a part in Fargo and the entire region. Whether we're building programs, services or structures, we consider it a privilege to strengthen our community in cooperation with others.

Fargo's Downtown Community Partnership

When MeritCare began nearly a century ago, we were a single building in downtown Fargo. Today, we're still in this same location, but we've grown considerably. MeritCare Medical Center now includes MeritCare Children's Hospital, MeritCare Roger Maris Cancer Center, MeritCare Heart Center, MeritCare Emergency Center, a large group of specialists, several hospital units, specialized services and more.

Much has changed on the outside, too. Like many "downtowns" in cities across the country, Fargo's downtown has suffered decline in recent decades. With boldness and creativity, several businesses, groups and individuals, including MeritCare, stepped up to the challenge of reviving downtown, forming the Downtown Community Partnership.

Recognizing our downtown roots and appreciating the community's efforts to revitalize downtown, we at MeritCare made the decision to keep our facility where it is. We consider it a privilege to participate in the Downtown Community Partnership, knowing that major medical facilities in downtown areas contribute to growth and vitality.

Expansion and Renovation of MeritCare Medical Center

The decision to stay in downtown Fargo required us to take a close, careful look at what our patients and families experience when they come here. Based on community input, we learned a great deal about how we can make the healthcare experience a better one for the people we serve.

In the summer of 2002, we embarked on the largest facility project in the history of our organization: a five-year, \$55 million renovation and expansion of MeritCare Medical Center. When completed, the project will touch on virtually every area of our facility, making the healthcare experience easier, more coordinated and more comfortable for patients.

The design emphasizes family-centered care, provides easy access to state-of-the-art medical and emergency care, and conveniently accommodates advanced technology. Our patients and their families can look forward to a 21st century facility that matches our 21st century approach to care. We focus on the whole person — physical, emotional and spiritual — and the person's family.

Highlights of the project include an expanded and renovated MeritCare Children's Hospital, the addition of a common entrance for the entire facility, a three-story addition that will house MeritCare Heart Center, a two-tier parking ramp for visitors and patients, and much more.

Economic Health and Community Building Across the Region

Our strong support of development helps build economic health in the region. Certainly our participation in downtown Fargo's revitalization is a good example of this, but there are others, too. We constantly strive to put money back into the communities we serve, knowing this benefits the entire region.

"Without MeritCare in Mahnomen, our local healthcare services would be threatened," says Dean Johnson, chairman of the board for Mahnomen Health Center. "Having MeritCare in our community has helped us keep our local hospital open."

In many communities, especially rural communities, healthcare is an integral part of the social and economic fabric of the community. We feel a responsibility to maintain a financially viable, stable organization for our regional economy and for the many individuals we employ. This, too, strengthens economic health.

"Without MeritCare in Mahnomen, our local healthcare services would be threatened. Having MeritCare in our community has helped us keep our local hospital open."

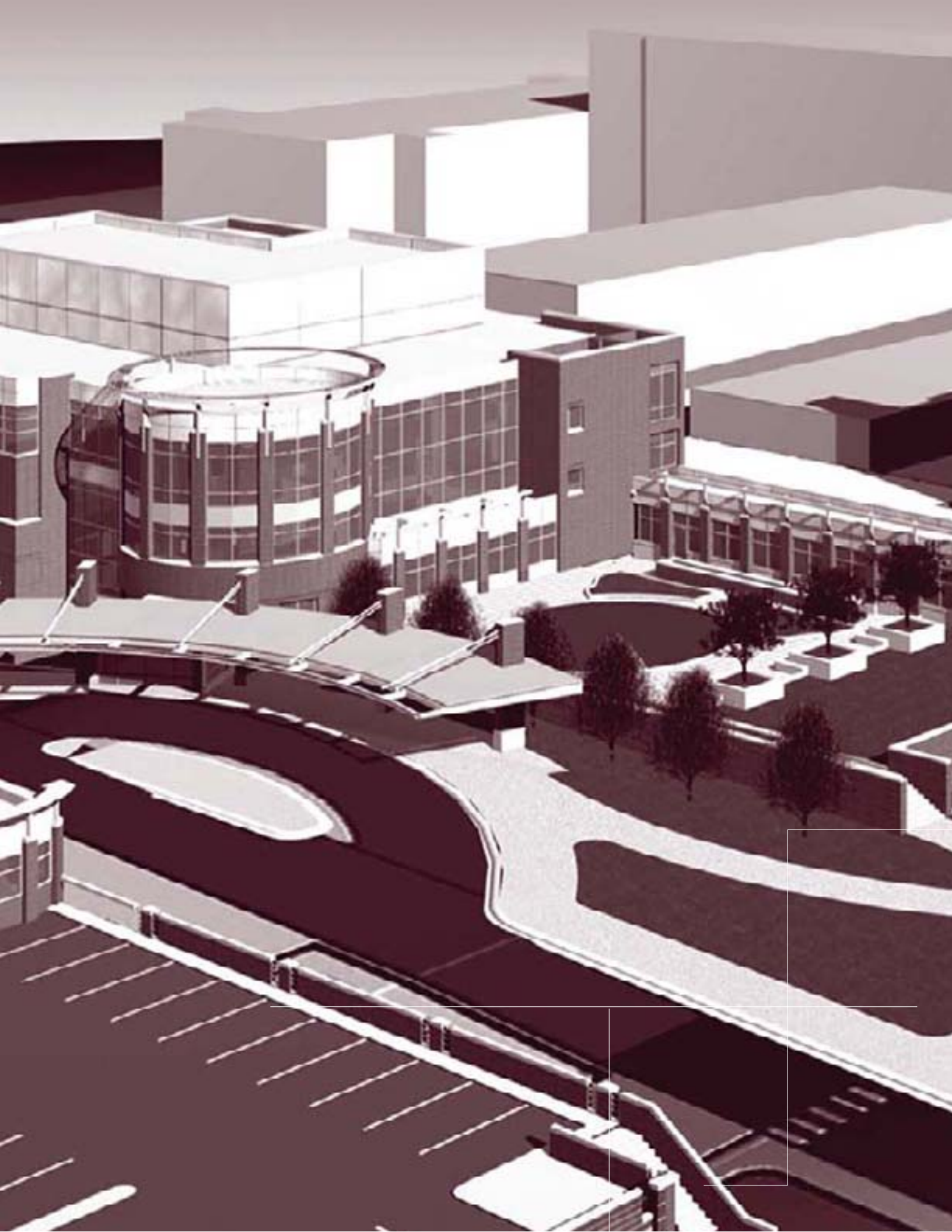
— Dean Johnson
Board Chairman
Mahnomen Health Center

Economic Impact of Employment

As the largest private employer in the state, MeritCare has tremendous economic impact.

Our workforce of over 6,400 employees contributes to the economy by purchasing goods and services where they live. Approximately 33% of our employees live outside the Fargo-Moorhead-West Fargo area.

In addition, compared to other organizations, MeritCare provides a higher-than-average minimum wage. This, too, boosts the local economy.



MeritCare Health System and Subsidiaries Financial Summary

For the years ended June 30, 2004 and June 30, 2003 (in thousands)

Assets	2004	2003
Current Assets	\$195,223	\$160,396
Property, Plant and Equipment	214,453	193,793
Restricted and Other Assets	134,211	157,320
Total Assets	\$543,887	\$511,509

Liabilities and Net Assets

Current Liabilities	\$88,837	\$78,754
Long-term Debt and Deferred Liabilities	163,961	167,565
Total Liabilities	252,798	246,319
Net Assets	291,089	265,190
Total Liabilities and Net Assets	\$543,887	\$511,509

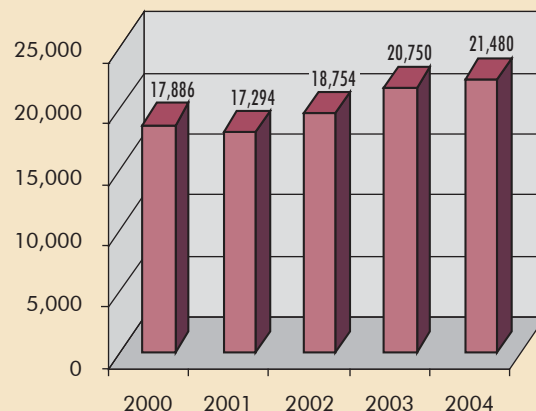
Revenues

Net Revenues from Patients	\$538,165	\$497,633
Non-operating and Other Operating Sources	36,173	34,381
Total Revenue	\$574,338	\$532,014

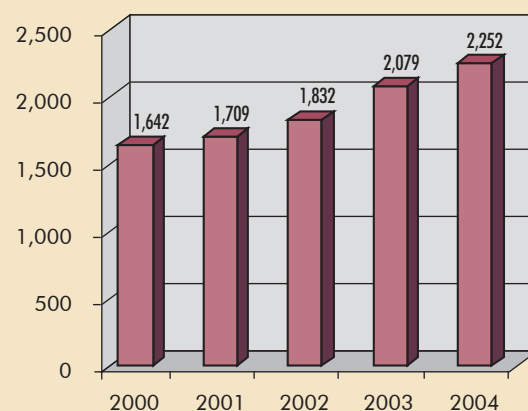
Expenses

Salaries and Benefits	\$344,251	\$321,240
Supplies, Purchased Services and Other	159,637	154,412
Depreciation, Occupancy and Rentals	47,217	44,189
Total Expenses	\$551,105	\$519,841
Revenue in Excess of Expenses	\$23,233	\$12,173
Changes in Unrealized Investment Gains (Losses)	(858)	576
Transfers from (to) Restricted Assets and Other	736	501
Increase in Unrestricted Net Assets	\$23,111	\$13,250

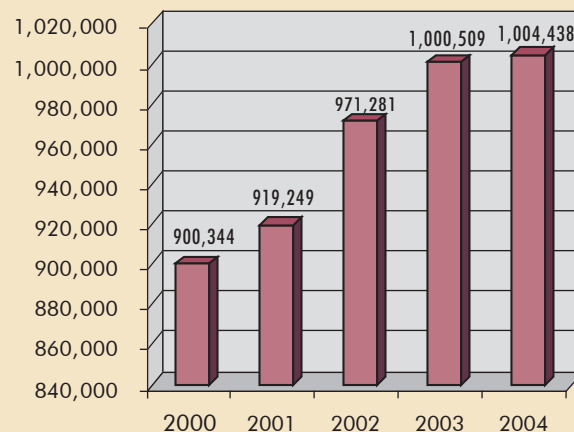
Hospital Admissions



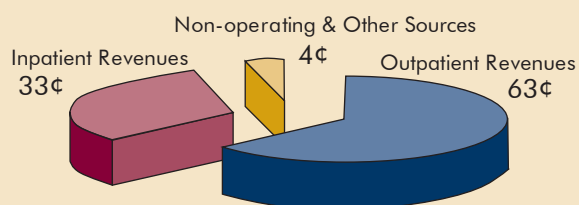
Births



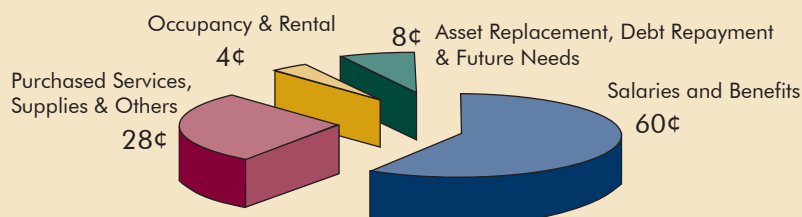
Clinic Appointments



Where We Receive Our Funds (in terms of \$1.00)



How We Put Our Funds to Use (in terms of \$1.00)



MeritCare Health System Community Benefit Report FY 2003-2004

Community Benefit is a healthcare organization's participation in meeting identified community health needs. This is done through improving the community's health status and quality of life. The community benefit inventory identifies these activities at MeritCare and shows a quantitative value of benefit as expressed in uncompensated costs MeritCare incurred this fiscal year.

TRADITIONAL MEDICAL CARE

Unpaid Cost of Public Programs	
■ Medicare	\$13,669,539
■ Medicaid	7,732,640
	<hr/>
	\$21,402,178
Charity Care	\$1,085,094
Low or Negative Margin Services	4,089,602
	<hr/>
Total Traditional Medical Care	\$26,576,874

COMMUNITY SERVICE ACTIVITIES

Community Health Education	\$732,915
Healthcare Support Services	862,508
Cash Donations	74,382
Taxes Paid to the Community	1,941,315
In-Kind Donations	414,375
Health Professionals Education	1,861,500
Community-based Clinical Services	21,353
Community Building	244,334
Community Benefit Operations	152,282
Total Community Service Activities	\$6,304,965

TOTAL COMMUNITY BENEFIT **\$32,881,839**

Quantifiable Benefit as a Percent of Total Revenue **5.8%**

Note: Included above in Total Community Service Activities is \$243,233 for Community Connection Programs.



2003-2004 Board of Trustees and Corporate Officers

Standing (left to right): Timothy Monson, MD; Steven Clemenson, MD; Pamela Anderson; David Glatt, MD; Nancy Jordheim; Jack Reynolds, PhD; Steffen Christensen, MD; Roger Gilbertson, MD, President; Ellen-Earle Chaffee, PhD; Roxanne Newman, MD

Seated: Wayne Gadberry, Treasurer; Ben Anvary, Secretary; Jane Sinner, Chair; Tom Dawson, Vice Chair

Not Pictured: John Jambois, Lauris Molbert, James Ziglar

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An Entire Network of Care

MeritCare Medical Group

- Largest group practice in North Dakota
- 383 physicians¹
- 32 other medical providers²
- 103 physician assistants & nurse practitioners³
- 74 specialty areas of medicine
- Over 1.5 million patient visits per year
- Over 84,000 Walk-In Clinic visits (Adult & Pediatric)
- 17 locations in Fargo/Moorhead/West Fargo
- 17 regional locations in Minnesota
- 10 regional locations in North Dakota
- Service area that spans 250 miles west to east; from Jamestown, N.D. to Bemidji, Minn.

1 - Includes MD, DO, OD, DDS and DPM

2 - Includes DC, PhD, PsyD, EdD and AuD

3 - Includes PA, NP, NNP, FNP, CPNP and CNS

One Hospital, Two Locations

MeritCare Medical Center & MeritCare South University

- Largest hospital in North Dakota
 - 583 beds at two locations
- Over 21,000 admissions per year
- Over 43,000 yearly visits to the Emergency Center
- 2,252 births
- Over 16,000 surgical cases per year

MeritCare Medical Center

- 380 adult and pediatric licensed beds
 - Includes a 56-bed Children's hospital consisting of a 24-bed level III neonatal intensive care unit, 8-bed pediatric intensive care unit and 22 general pediatric beds.
 - Excludes 40 additional bassinets

MeritCare South University

- 203 beds
 - 33 transitional care beds
 - 27 rehabilitation beds
 - 38 psychiatric beds including eating disorders

