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2008 ANNUAL REPORT

HealthReach Incorporated – Caring for the Medically Underserved



HealthReach Waukegan Clinic

"No one should go without healthcare due to lack of insurance or means to pay." Jim Zimmerman, HealthReach Executive Director - 2008

Executive Summary

HealthReach Incorporated – Caring for the Medically Underserved

HealthReach Incorporated is a 501(c) (3) not-for-profit agency founded with the mission of providing access to a broad range of free healthcare services to the medically underserved of Lake County, Illinois. HealthReach has been in continuous service to the Lake County community since July 1993. Since its inception, HealthReach has grown from a single clinic and dispensary in Waukegan, Illinois to two free clinics including one in Mundelein, and a licensed pharmacy in Libertyville.

There are 1.75 million uninsured in Illinois¹. 635,798 of these individuals live in the Chicago Metropolitan Area. Lake County is a community of over 750,000 people. According to recently updated information published by the Lake County Health Department however, over 115,000 residents are medically uninsured, over 45,000 persons live in poverty and another 100,000 persons are considered medically underinsured. These circumstances combine to create a tremendous unmet demand for free or very low cost primary and specialty medical care in our community.



Volunteer Ophthalmologist Dr. Marshall Hirshman in the newly upgraded and enhanced HealthReach Waukegan Eye Clinic

HealthReach is overseen by a diverse and highly qualified 21-member volunteer Board of Directors. The Board is served by professionals in all of the disciplines needed to properly oversee the agency operations including Legal, Finance, Business Administration, Medical and Pharmacy professionals. Additionally, four of the five Lake County Regional Hospitals including Vista East (Victory Hospital), Advocate Condell Medical Center, NorthShore University Health System Highland Park Hospital and Lake Forest Hospital, have representatives on the Board.

HealthReach executive and operations management staff is also highly qualified and experienced to perform its duties. The Executive Director has 32 years of business operations and management experience. The Medical Program Manager is a registered nurse with public health and executive programmatic experience at a regional hospital. The Pharmacy Manager is a licensed registered pharmacist with significant pharmacy operations experience. The Operations Manager has 11 years of varied not for profit organization and management experience.

In addition to our paid staff and volunteer Board of Directors, HealthReach is served by 66 volunteer professionals including: 38-Physicians; 5-Dentists; 1-Psychologist; 7-Pharmacists; 7-Nurses; 5-Nurse Practitioners; 1-Dietician; 1-Public Health Specialist and 1-Medical Interpreter. These dedicated professionals provide the backbone of the high quality services provided to our clients at HealthReach.

While operating two free clinics and a licensed pharmacy, 2008 was a year of diversification and growth for HealthReach. Highlights and accomplishments include:

- Provided 15,584 on-site healthcare and pharmacy service visits

¹ Gilead Outreach & Referral Center, "The Voice of the Uninsured" April 2008

- Filled 27,542 medication prescriptions
- Implemented a comprehensive Patient Safety program upgrade
- Implemented a new Chronic Disease Management and Education (CDME) program
- Expanded our Mundelein Clinic dental program to include adult / family dentistry
- Extended clinic hours to include some evenings and Saturdays to better serve working adults and families with children in school
- Expanded the Waukegan Eye Clinic to include optometry and prescription eye wear services
- Created a new healthcare partnership with Rosalind Franklin University Dr. Scholl School of Podiatric Medicine to provide specialty foot care for diabetic patients
- Created a new healthcare partnership with the Rush University Medical Center Nurse Practitioner program to provide women's primary care services

HealthReach is a volunteer-centric organization. In order to provide free healthcare to the medically underserved of our community, we rely heavily on our volunteer physicians as well as other medical and pharmacy professionals to accomplish our mission. These volunteers generously provided more than 3,500 hours of service to HealthReach in 2008.

Providing a broad range of medical and pharmaceutical services to our clients requires implementation of strong partnerships with corporate, government and educational institutions as well as Lake County regional hospitals and specialty medical care providers. Key community partners include:

- Abbott and Abbott Fund
- Advocate Condell Medical Center
- NorthShore University Health System Highland Park Hospital
- Lake County Health Department
- Lake County Townships
- Lake County YWCA
- Lake Forest Hospital
- McKinney Orthotics
- PADS Crisis Centers
- Rope Inc.
- Rosalind Franklin University
- Rush University Medical Center
- Vista Health Systems
- Waukegan Public Schools

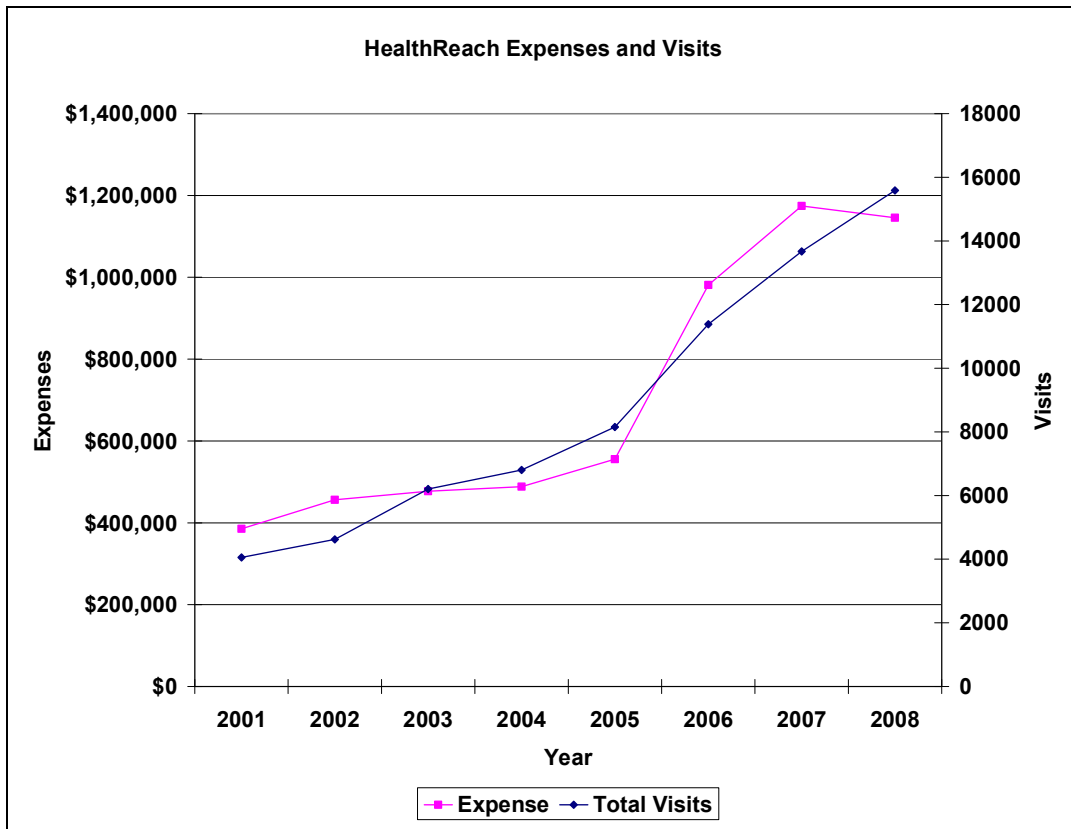


Rosalind Franklin University – Scholl College of Podiatric Medicine: At right Dr. Birute Balciunas overseeing the efforts of medical student Amy Masowick providing foot and ankle care at the HealthReach Waukegan Clinic.

HealthReach extends its services to all persons regardless of age who: live in Lake County; are medically uninsured; and live with demonstrated incomes less than 150% of the federal poverty level for the number of dependents covered. At the end of 2008, HealthReach provided a broad range of healthcare services to more than 4,400 individuals.

Over the last six years, HealthReach's annual budget of \$480,000 has grown to \$1.23 million while doubling the overall capacity of the agency, diversifying its services and significantly improving

quality and patient safety. In 2008, HealthReach was able to decrease expense by \$28,834 (2.5%) while increasing total visits by 1,913 or (14%).



In 2008, HealthReach generated a deficit of (\$45,409) on revenues of \$1,100,109 and expenses of \$1,145,518. 62% of revenues for 2008 came from Corporate and Private Foundation giving. Individuals and major gift donors accounted for 15% of revenues. United Way, Federal, State and Local Government and program fees accounted for an additional 17% of revenues. Assets exceeded liabilities at the end of 2008 by \$1,202,425. It should be noted, however, that pharmacy drug inventories and facility leasehold improvements account for \$1,051,465 (71%) of total assets. These assets are not convertible to working capital.

Looking ahead to 2009, given the current difficult funding environment, HealthReach plans for moderate growth in services provided without increasing budget by recruitment of additional volunteer physicians and improved utilization of our clinics. We also plan to double the number of eye patients seen as our new Optometry program comes on line. As always, we are grateful for the tireless efforts of our volunteer professionals and the support of our community partners.

Amy Rockwell

James Zimmerman

/Mar 31, 2009

/ Mar 31, 2009

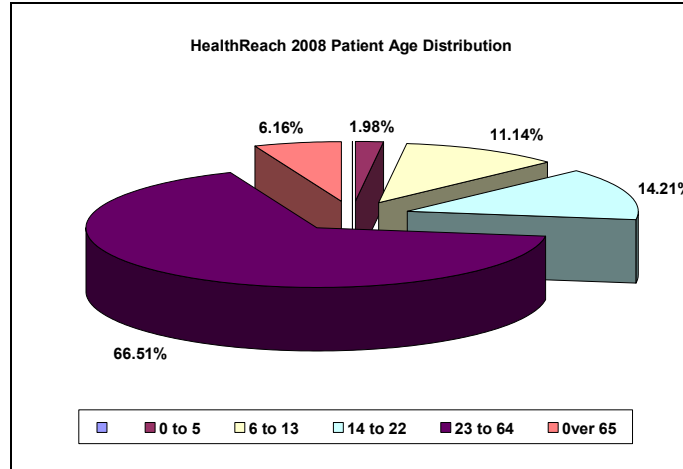
Amy Rockwell, President

James Zimmerman, Executive Director

Community Purpose

HealthReach Incorporated - Caring for the Medically Underserved

HealthReach serves persons of all ages living in Lake County. The largest segment of our patient population by far (67%) are working adults between the ages of 23 and 64 (see chart below).



Lake County is a community of more than 750,000 people. However, according to information published by the Lake County Health Department, over 115,000 residents are medically uninsured, more than 45,000 persons live in poverty and another 100,000 persons are considered medically underinsured. These circumstances combine to create a tremendous unmet demand for free or very low-cost primary and specialty medical care in our community.

The need for a healthcare “safety net” in Lake County is clear and growing every day. Persons who do not qualify for public assistance and who live in or near poverty deserve a medical home where proper preventive healthcare and access to pharmaceutical therapies are provided. This is not only a matter of social justice but also a practical matter needed to alleviate overcrowding and misuse of the regional hospitals’ emergency rooms plus help working adults be reliable employees, parents to be more effective and engaged with their children, and children to be better students.

In 2008, HealthReach registered 954 new patients for services. Demographically speaking, new patients to HealthReach come from the “working poor” and minority (90%) segments of our population. Furthermore, of these individuals, 77% come from Latino / Hispanic origins, while another 12% are African American. Typically these are individuals and families with low-paying jobs that do not come with benefits such as health insurance but that pay too much to qualify for public aid.

Unlike Cook County, IL, Lake County does not have a public hospital system. This creates a situation where many uninsured, low-income families and individuals forego necessary specialty healthcare due to cost. It is generally assumed that access to low-cost or free primary health care for this population demographic is provided by the Lake County Health Department and HealthReach. However the combined capacity of these two agencies falls far short of the real need.

Furthermore, due to the lack of a managed public hospital and outpatient care system in Lake County, there is little or no access to specialty care services for the uninsured / underserved community. This situation places the burden of finding these specialty care services on the case management staff of the Health Department and HealthReach.

In 2007, a Lake County "Subspecialty Care Fund" was established to attempt to fill the gap of this need. The fund currently pays fees to providers for a narrow scope of specialty care consult and procedure services. While this is a step in the right direction, access to specialty care in Lake County for the medically uninsured living in or near poverty is very limited. This is particularly true for diagnostic tests and procedures related to cancer in its various forms. In 2008, the HealthReach case management team processed 1,666 instances of off-site referral specialty care ranging from diagnostic tests to radiology and imaging services to major surgery. In addition HealthReach staff specialists provided 1,564 instances of on-site specialty care including cardiology, gynecology, endocrinology, orthopedics, podiatry, ophthalmology, urology and psychology. Without these efforts, many of our clients would have resorted to hospital emergency rooms for primary and outpatient specialty care at the highest cost point to the hospitals and the community or, even worse, simply gone without.

In summary, HealthReach provides a critical piece of the Lake County healthcare safety net. Still the demand for quality healthcare services outweighs the capacity for these services in our community. Without HealthReach, the Lake County Health Department and the regional hospitals' emergency rooms would see significant increases in non-paying traffic at a time when these resources are already stretched thin.

Volunteers

HealthReach Incorporated – A Volunteer-Centered Agency

HealthReach is a volunteer-centric organization. In order to provide free healthcare to the medically underserved of our community, we rely heavily on our volunteer physicians and dentists as well as other medical and pharmacy professionals to accomplish our mission. At the close of 2008, HealthReach was attended by 66 volunteer professionals including: 38-Physicians; 5-Dentists, 1-Psychologist; 7-Pharmacists; 7-Nurses; 5-Nurse Practitioners; 1-Dietician; 1-Public Health Specialist and 1-Medical Interpreter. These volunteers generously provided more than 3,500 hours of service to HealthReach.

In addition to daily professional services in our Medical, Dental and Pharmacy programs, HealthReach community volunteers have accomplished several key projects in 2008. These include:

- Creation of new Women's Auxiliary Board – Led by Lake Bluff resident Karen Curtiss and sponsored by Illinois Senator Susan Garrett, the HealthReach Women's Auxiliary Board had its first meeting in December, 2008. This Board will be dedicated to reaching out in a variety of ways to local, regional and national resources to provide general operating income, in-kind services and other material needs of the HealthReach agency.



HealthReach Women's Auxiliary Board members from left to Right: Lynette Paulsen, Senator Susan Garrett, Karen Curtiss, Marie Collette and Debbie Taylor

- Successful Art Auction Funding Event – The all-volunteer funding committee of the HealthReach Board of Directors planned, scheduled and conducted a highly successful September, 2008 Art Auction event in Libertyville. This event was attended by over 200 individuals and generated strong public awareness of HealthReach and our mission while generating over \$13,000 of general operating income.
- Successful Business Leader Community Awareness Event – HealthReach volunteers and Business Sponsor Mr. Ken Aldridge, President and CEO of Aldridge Electric, hosted a community business leader breakfast at the Lambs Farm facility in October, 2008. This event was attended by over 40 business community leaders and representatives who were introduced to the difficulties related to providing the “Healthcare Safety Net” in Lake County, IL. Guest speakers included Cindy Schwab, Vice President – Abbott Fund and Jane Griffin, Vice President Philanthropy and Marketing – Lake Forest Hospital.

Without the efforts of all HealthReach professional and community volunteers, we would be unable to provide the broad-based healthcare services we do. Both our patients and our community stakeholders benefit greatly from these generous individuals.

Community Partners

HealthReach Incorporated – Partnering for Success in Healthcare

Providing a broad range of medical and pharmaceutical services to our clients often requires implementation of strong partnerships with corporate, government and educational institutions as well as Lake County regional hospitals and specialty medical care providers. Furthermore, it is important not to duplicate efforts provided by other agencies to avoid inefficiencies and waste of both financial and human resources.

The following provide brief summaries of our efforts in 2007 to integrate with other community programs and partnerships with other organizations to bring efficient and effective healthcare services to the medically underserved of Lake County, IL:

- **Abbott Fund and Abbott**– Abbot Fund and Abbott Global Engineering Services have provided multi-year financial and in-kind support to HealthReach to further our mission to Lake County’s medically underserved. In 2007, this partnership resulted in the complete reconstruction and refurbishment of the HealthReach Mundelein Clinic and support for the startup and operation of the HealthReach Pharmacy. In 2008, Abbott continued to provide substantial financial, in-kind and volunteer labor support.
- **Advocate Condell Medical Center** – Condell Medical Center provides HealthReach clients with substantial in-kind medical, diagnostic testing and laboratory services. In return for these services, HealthReach accepts all referrals from the Condell Medical Center Emergency Room for follow-up primary medical and pharmaceutical care. In addition to these services, Condell Home Healthcare Pharmacy has provided fair price access to brand name medications to the HealthReach Pharmacy.
- **Boys and Girls Club of Lake County** – HealthReach provides school physicals, immunizations and dental services to at risk children of low income families that receive services from the Boys and Girls Club of Lake County.
- **Gurnee Radiology** – Gurnee Radiology provides medical imaging services as prescribed by HealthReach physicians on behalf of our patients. Without these timely services, diagnoses of serious disease would be delayed or postponed altogether potentially leading to serious negative health outcomes for the patient.
- **NorthShore University Health System Highland Park Hospital** – Highland Park Hospital provides HealthReach clients with substantial in-kind medical and diagnostic testing services. In return for these services, HealthReach accepts all referrals from the Lake Highland Park Hospital Emergency Room for follow-up primary medical and

pharmaceutical care. In particular, Highland Park Hospital has focused on providing Cardiac diagnostic and surgical procedures for HealthReach clients.

- **Lake County Health Department** – HealthReach accepts referrals from the Lake County Health Department for certain forms of specialist care. For example, HealthReach has provided cardiology and neurology consultations for referred patients. The Lake County Health Department accepts referrals from HealthReach for prenatal care and sexually transmitted diseases. HealthReach and the Health Department also collaborate to implement the Lake County Subspecialty Care Fund which provides access to specialty medical services to both Health Department and HealthReach clients.
- **Lake County Townships** – HealthReach provides free healthcare to general assistance referral patients from local Township programs such as food pantries and homeless and indigent outreach and care. In return, many Lake County Townships provide financial grants to help defray the costs of providing these services.
- **Lake County YWCA** – HealthReach provides access to free clinical breast exams and other healthcare services to YWCA clients.
- **Lake Forest Hospital** – Lake Forest Hospital provides HealthReach clients with substantial in-kind medical, diagnostic testing and laboratory services. In return for these services, HealthReach accepts qualifying referrals from the Lake Forest Hospital Emergency Room for follow-up primary medical and pharmaceutical care. In addition to these services, Lake Forest Hospital has provided access to Radiation Oncology services to HealthReach cancer patients.
- **Public Action to Deliver Shelter (PADS) Crisis Centers** – HealthReach provides free healthcare services to PADS homeless clients. In January 2008, HealthReach began a new pediatric dental program focusing on children of homeless families.
- **McKinney Orthotics** – McKinney Orthotics has provided prosthetic limb components and installation services on behalf of HealthReach patients. Without these services HealthReach patients may lose their jobs and remain unemployed due to loss of limb function.
- **ROPE Inc.** – HealthReach provides free healthcare services to ROPE clients who are without financial resources needed to obtain healthcare.
- **Rosalind Franklin University** – HealthReach has had a long standing relationship with the University to provide a variety of healthcare services to the community. HealthReach provides material and medical interpreting (Spanish) support for the Waukegan Healthy Families clinic conducted by the University Physician Assistant Program. The partnership also includes on-site mental health services provided by the University Psychology Department. The University also provides podiatric medical specialty services to HealthReach patients.
- **Rush University Medical Center** – HealthReach provides a clinical environment for Rush Nurse Practitioners to practice and teach Rush medical and nursing program students. In August 2007, HealthReach and Rush medical professionals and students conducted 65 comprehensive school physicals and immunizations on behalf of the Waukegan community. Rush Nurse Practitioners also conduct on-site women’s primary care examinations on a regular periodic basis. In October 2007, a women’s gynecology exam day was conducted under this partnership.
- **Vista Health** – Vista Health provides HealthReach clients with substantial in-kind medical, diagnostic testing and laboratory services. In return for these services, HealthReach accepts all qualifying referrals from the Vista East Hospital Emergency Room for follow up primary medical and pharmaceutical care. This cooperative relationship has been in service since April, 1992.
- **Waukegan Public Schools** – HealthReach is the fiscal agent for the Waukegan Public Schools in the performance of a \$25,000 business planning grant from the Healthcare Foundation of Northern Lake County. HealthReach has been invited to be the lead partner



Mr. Ignacio Ortiz received a prosthetic limb at McKinney Orthotics

in the establishment of a School Based Health Center (SBHC) at the Waukegan Public High School Brookside Campus.

Without the generous support of these community partners, HealthReach would not be able to accomplish its mission to the medically underserved of Lake County, IL.

Operations

HealthReach Incorporated – 2008 "A Year of Consolidation and Diversification"

Medical Services

HealthReach extends its services to all persons regardless of age who: a) live in Lake County; b) are medically uninsured; and c) live with demonstrated incomes less than 150% of the federal poverty level for the number of dependents covered. HealthReach operates free clinics in Waukegan and Mundelein, and a state-licensed pharmacy in Libertyville, IL. The clinics operate Monday thru Friday from 9 a.m. to 4:30 p.m., 52 weeks per year except for major holidays. Both clinics also operate two Saturdays per month based resource availability. Extended evening hours for pharmacy pickup service are provided at both clinics on Monday evenings. Extended hours on Thursday mornings are provided for Laboratory services at our Waukegan clinic. In addition to our regular hours, HealthReach conducts special clinic programs on select days for special needs. Our central fill pharmacy is open from 7:30 a.m. to 4 p.m. Monday through Friday.

Along with our many community partners, HealthReach provides the medical, pharmaceutical, case management and social service programming needed to fully provide for our clients' health and wellness needs. Our 66 volunteer physicians and medical / pharmaceutical professionals are the cornerstone to the success of our not-for-profit enterprise. In conjunction with our 15 full-time and 14 part-time paid staff, these community servants and advocates provided for the diverse medical needs of more than 4,400 individuals in 2008.

HealthReach Incorporated provides a variety of medical and pharmaceutical services designed to meet the diverse needs of our patients. These include:

- Preventive and corrective ambulatory primary healthcare
- Comprehensive prescription pharmaceutical delivery between clinics
- Cardiology
- Orthopedics
- Gynecology
- Ophthalmology
- Optometry
- Ear Nose & Throat
- Urology
- Endocrinology
- Psychology
- Dietetics (via partnership with the Lake County Health Department)
- Pediatric and Adult Dentistry
- Referral Case Management
- Off Site medical translating and interpreting services

These services are designed to provide access to healthcare based on the most demonstrated needs of our specific patient population.

Cancer Screening

With initial grant support from the States Attorney General in 2007, HealthReach has continued to focus on our efforts to provide increased access to comprehensive cancer screening preventive healthcare. In 2008, HealthReach performed or arranged for 1,317 cancer screening tests and procedures on behalf of our patients. These included 502 clinical breast exams, 149 mammograms, 372 PAP Smears, 185 prostate (PSA) blood tests and physical exams, and 109 hemoccult screenings for colon cancer. Unfortunately, at this time, access to screening colonoscopies for early detection of colon cancer are not available to HealthReach patients due to lack of pro-bono services in the County and limits on the use of funds Lake County Subspecialty Care fund for this purpose.

Chronic Disease Management

Many of our new patients are presenting with serious chronic diseases including diabetes, hypertension and cardiovascular disease. In fact, HealthReach currently treats more than 700 persons with serious chronic disease. Looking ahead to 2009 HealthReach has raised over \$80,000 to implement a new Chronic Disease Management and Education program which was prototyped in the 4th quarter of 2008. This program is designed to significantly improve patient outcomes in the areas of diabetes, blood pressure and heart disease management. This new program will combine physician and specialists visits with new on-site laboratory services, pharmaceutical services and special patient education services to treat, monitor and follow up with patients to ensure the best possible care and possible disease control outcomes are achieved. Based on the success of this program, it is our hope to participate in a planned new county wide initiative with the Lake County Health Department and North Shore University Health Systems to increase access to chronic disease screening and management services to a much larger patient base.

Patient Safety Program Upgrades

As a result of significant patient growth, geographic diversification of our free clinics and a significant increase in the number of seriously ill chronic disease patients presenting every month, HealthReach began to implement changes for 2008 in our conduct of business that will significantly improve Patient Safety and Quality of Care. Specifically, we initiated the following projects:

Project 1: Significantly increase prescription drug monitoring by implementing a software based drug interaction checking/notification and corrective action system which will identify and reduce potential serious adverse events caused by drug interactions.

Project 2: Decrease the risk of sudden death due to a lack of in house emergency resuscitation equipment by purchasing and installing Automatic External Defibrillators and providing effective employee periodic use training.

Project 3: Reduce diabetic complications by providing effective diabetic patient education, i.e. Glucose monitoring; appropriate medication usage.

Project 4: Enhance Infection Control procedures/training within the clinic setting thus reducing the potential for spreading infectious diseases. Infection control addresses the quality of equipment, environment and work safety, i.e. control of sharps and blood born pathogens.



HealthReach Philips Heart Start
in clinic AED Defibrillator

Project 5: Standardize an equipment calibration system with periodic checks and controls which will increase the quality of diagnostic data/patient care.

Project 6: Establish detailed procedures addressing the environmental control of temperature-sensitive drug products. These procedures will include the receipt, storage and distribution of these products. This effort will optimize the quality of these products and enable them to be used in patient care.

Each of these projects is planned for implementation during the one-year period of performance April 1, 2008 to March 31, 2009.

Specialty Care

In addition to providing high quality primary preventive and corrective ambulatory healthcare for our patients, HealthReach implements between 200 and 300 instances of non-laboratory specialty care on behalf of our patients each month. Often we are able to provide these services in our clinics by one of our many specialists. However, many times the services needed are beyond the scope and resources of HealthReach and must be provided by outside specialists and facilities. In the absence of a Lake County public hospital system, in 2007, HealthReach, in partnership with State Senator Susan Garrett, Lake County regional hospitals and the Lake County Health Department, implemented a new approach to obtaining specialty care services. This new approach involved establishing a fund that would pay specialists a fee for service while the regional hospitals would provide in-kind facilities and support services for procedures in predetermined areas of care. In 2008, the HealthReach case management team processed 1,666 instances of off-site referral specialty care ranging from diagnostic tests to radiology and imaging services to major surgery. In addition HealthReach staff specialists provided 1,564 instances of on-site specialty care including cardiology, gynecology, endocrinology, orthopedics, podiatry, ophthalmology, urology and psychology.



HealthReach patient is examined prior to eye surgery at Northwestern Memorial Hospital

Pharmaceutical Care

On August 6, 2007, HealthReach opened a Division I licensed pharmacy in Libertyville to serve the patients of our Mundelein and Waukegan clinics. This new HealthReach program is designed to acquire and dispense prescription medications at total cost per prescription that is well below a commercial retail pharmacy. The HealthReach Pharmacy is an absolutely necessary component of our overall care and is a core competency of our business. Treatment of chronic disease is very expensive. The retail cost of medicines for one person with diabetes and hypertension can range anywhere from \$250 to \$1,500 per month. Adult patients with chronic disease may be prescribed as many as 10 different medicines or more. Even with Federal 340b drug pricing program discounts and minimal copays available to patients through the Lake



From left to right: Jean Stack R.Ph., Cassie Carlton, and Lucy Cardona filling prescriptions at the HealthReach Pharmacy

County Health Department, some patients still cannot afford the pharmaceutical therapies needed to make and keep them well. In these cases, the HealthReach Pharmacy Program may be the only effective alternative for these families and individuals.

In 2008, the HealthReach Pharmacy filled 27,542 prescriptions on behalf of HealthReach patients. The total cost per prescription including all overhead and expense by the end of the fiscal year has been reduced to \$15 from \$18. Overall acquisition cost of medications is below \$4 per prescription. We acquire medicines at low average costs due to strategic use of the pharmaceutical company Institution Patient Assistance Programs (IPAP) and bulk donation contracts with pharmaceutical companies that provide free medicines to our Pharmacy. Further costs of medication acquisition reductions were realized in 2008 based on implementation of a comprehensive formulary designed by HealthReach doctors and pharmacists to more effectively use generic medicines where possible.

Dental Services

Based on a 2007 evaluation of the availability of Dental and Oral Hygiene services to medically uninsured Lake County residents, HealthReach decided to open a new dental program in the Mundelein Clinic. This program began in November 2007 and by the end of 2008 our five volunteer dentists and four dental hygienists had served 174 children and 87 adults. This program was made possible by the availability of two dental operatories from a closing dental practice. HealthReach was able to purchase these operatories for a relatively small outlay. In addition to this repurposed equipment, HealthReach received two X-ray machines via donation.



Volunteer Dental Hygienist provides pediatric oral health services to a patient in the Mundelein Clinic

In January 2008, HealthReach began a partnership with the Lake County PADS Crisis Center and the Lake County Community Foundation to provide pediatric dental care to children of homeless families throughout the year. By year end this program had served 101 PADS children providing 215 procedures. Overall in 2008, the HealthReach Dental Program conducted 494 patient visits and performed 1,027 procedures; 346 visits and 697 procedures were for children. Total charge value (community cost impact) of all procedures provided in 2008 was \$84,264.

Looking ahead to 2009, HealthReach plans to continue moderate expansion of the Dental program by adding additional dentists and hygienists and improving the utilization of these valuable facilities. Over time we intend to provide comprehensive preventive and corrective dental services to all HealthReach clients as part of their overall wellness program.

Information Management

To improve productivity, ensure regulatory compliance and reduce overall expense, the HealthReach Board of Directors approved a 2007 project to integrate the voice and data technology between all three HealthReach facilities. For this project, Wide Area Network (WAN) telecommunication hardware and network transport services were leased to purchase from AT&T. Computer server and peripheral components were leased to purchase from Hewlett Packard. Integrated business system software called MedServices was purchased from DataNet Solutions Corporation. This software package was designed specifically to manage information in a free medical clinic business environment that includes a pharmacy operation. In 2008, implementation and integration of these

new systems has made it possible to increase service capacity, improve productivity, enhance quality and reduce overall cost of operation. This is borne out by the fact that HealthReach was able to increase overall capacity as measured by patient visits by 14% while decreasing year over year expenses by 2.5%. Looking ahead to 2009, HealthReach plans to upgrade its information management systems to include electronic medical records functionality, off site and web based personal health records systems and electronic billing of the Illinois All Kids insurance program for pediatric services provided at HealthReach.

HABLA Program

Because many of our patients are non-English speaking ethnic immigrants, HealthReach must be capable of providing its services in a language-appropriate environment for each patient encounter. HealthReach's Healthcare Access by Language Advocacy (HABLA) program was created and implemented to increase the number of qualified medical interpreters in the community. Since its inception, HealthReach's HABLA program has trained and certified over 150 individuals as medical interpreters. This program moved ahead in 2007 with a new partnership agreement with Solution Sight Inc., a professional specialty education and media development company with specific expertise in healthcare and medical subject matter. Under this agreement, the HABLA medical interpreter training and certification program will be converted from hardcopy to interactive web technology and delivery systems with the intention of commercializing the program. We intend to market this program to healthcare institutions and the general public. The current schedule for internet rollout of this new program is 2nd quarter 2009.

Financial Performance

HealthReach Incorporated – Managed Financial Performance in 2008

Summary

In 2008, HealthReach generated a deficit of (\$45,409)² on revenues of \$1,100,109 and expenses of \$1,145,518. Assets exceeded liabilities at the end of 2008 by \$1,202,425. It should be noted, however, that pharmacy drug inventories and facility leasehold improvements account for \$1,051,465 (71%) of total assets. These assets are not convertible to working capital.

Revenues

62% of revenues for 2008 came from Corporate and Private Foundation giving. Individuals and major gift donors accounted for 15% of revenues. United Way, Federal, State and Local Government and operations program fees accounted for an additional 17% of revenues. Corporations, Foundations and agencies who provided major donations³ for 2008 programs and operations include:

- Abbott Fund
- Aldridge Electric Company
- Allstate Insurance Company
- Alverin M. Cornell Foundation
- Baxter International Corporation

² HealthReach Incorporated had a significant surplus of \$375,317 in 2007 providing the necessary working capital to fund the 2008 deficit

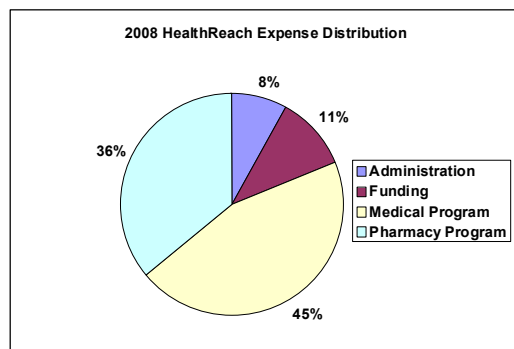
³ This donor list does not include companies and agencies that wish to remain anonymous

- Blue Cross Blue Shield of Illinois
- The Blowitz-Ridgeway Foundation
- Cardinal Health
- The Esper A. Petersen Foundation
- The Foundation for Health Enhancement
- Grace A. Bersted Foundation
- Grant Healthcare Foundation
- Healthcare Foundation of Northern Lake County
- The Henderson Foundation
- James P. Gorter Family Foundation
- Jennifer and David Grumhaus Jr. Foundation
- John and Kathleen Schreiber Foundation
- The John R. Houlsby Foundation
- Joseph and Catherine Johnson Family Foundation
- Lake County Community Development Block Grants (CDBG)
- The Lake County Community Foundation
- Libertyville Township
- The Mark and Maureen Miller Family Foundation
- Pactiv Corporation
- The Richard W. and Sandra L. Hutson Charitable Fund
- Takeda Pharmaceuticals
- Trustmark Insurance Companies - Trustmark Foundation
- United Way of Lake County
- Vernon Township
- Warren Township
- Washington Square Healthcare Foundation
- West Deerfield Township
- Zion Township

Looking ahead to 2009, HealthReach plans to strategically reduce its reliance on Corporate and Foundation Grants through diversification of its funding base to include significant contributions from individuals and private major gift donors. We intend to do this primarily through the planning, scheduling and implementation of unique fundraising events. We also intend to creatively utilize a new HealthReach web site to raise monies through direct individual donations and continuous online auctions.

Expenses

2008 Expenses of \$1,145,518 were under budget by \$183,554 and less than 2007 actual expenses by \$28,834 (2.5%). Significant reductions in the cost of prescription medications realized by the implementation of the new HealthReach physician-developed formulary were a major contributor to this performance. Furthermore, solid efforts by HealthReach management staff in controlling labor hours, productivity improvements due to computer-based information technology and management of benefit costs led to the overall reductions in expense while still increasing growth in patient visits by over 14%.



The Medical and Pharmacy programs were 45% and 36% of the total expense respectively. Administration and funding were 8% and 11% of the total HealthReach expense for 2008 respectively. Labor was the largest single expense component at 57%. Program supplies including prescription medication procurement was 9.2% of total expense.

Looking ahead to 2009, HealthReach investments in information technology will produce reductions in unit costs of service particularly in the areas of prescription medications, medical assisting and pharmacy technician labor, as well as business administration. Given the anticipated weak funding environment in 2009, HealthReach plans to hold salaries at current 2008 levels.

Assets

As of December 31, 2008, current assets were valued at \$1,039,473 with drug inventories⁴ valued at \$602,274. Fixed assets at the same time were valued at \$599,916 with leasehold improvements being the largest component valued at \$449,191. Total assets at year end were \$1,487,071.

Liabilities

As of December 31, 2008 current liabilities were \$247,297 of which \$174,636 Were PAP medications payable is a non-cash in-kind liability. Other current liabilities include \$28,415 direct payroll liability and \$19,245 was accounts payable. Long-term liabilities were \$37,350 all related to computer and telecommunication equipment lease. Total liabilities at year end were \$284,646.

Future Outlook

HealthReach Strategy – Based on Agency and Community Needs

Moving ahead in 2009, HealthReach strategically plans to spend \$1.18 million to continue its growth in services to the medically underserved of Lake County primarily through continued improved utilization of our Mundelein Clinic, through new partnerships with Lake County Townships and through the repurposing of the lower level of the Waukegan clinic facility currently occupied by Grand Dental. Expansion in our core business of providing primary and specialty medical care will continue in 2009 with the addition of several new volunteer professionals in the fields of internal and family medicine, family dentistry and optometry. HealthReach looks forward in 2009 to strengthening our partnerships with community service providers to ensure access to healthcare remains available for those most in need in our community.

Strategic Initiatives for 2009 include:

- General Operating Funds – Increases in General Operating Funding are planned via implementation of a Major Event Based funding effort (Celebrity Dinner) scheduled for May 1, 2009 and from the efforts of a newly organized HealthReach Women’s Auxiliary Board. HealthReach also plans to follow up on its successful October 2008 Business Leader Breakfast that provided increased awareness to community leaders of the healthcare crisis in Lake County and introduced HealthReach to new major gift donors. Last, in accordance with the Illinois Good Samaritan Act, HealthReach plans to begin billing Illinois Medicaid (All Kids) for pediatric services which can be used for general operating expenses.

⁴ HealthReach provides free medical care and as such drug inventories are not convertible to revenue through sales to patients

- In Kind Services – HealthReach plans to continue to find new partners among the major global pharmaceutical companies and the Chicago regional healthcare providers to increase access to and better distribute in-kind healthcare services for our patients. Areas of focus will include attempts to find new donors of bulk chronic disease-related medications including insulin and initiatives to redistribute in-kind services related to medical imaging to more local providers. Also efforts will continue to identify surgical services in the areas of urology (for prostate cancer) and gynecology.
- Professional Volunteers – HealthReach plans to identify, recruit and place new volunteer physicians, dentists and nurse practitioners to reduce the wait times for appointments currently experienced by our patients. Specifically, increased capacity will be added in areas where additional programming fees can be earned e.g., Pediatric Medical Services, Pediatric Dentistry, Pediatric Optometry and Women’s Primary Care Services. Additional initiative will be taken to recruit and train new Medical Interpreters in an effort to reduce our payroll expense in this area.
- Pharmacy Cost Recovery – HealthReach plans to prototype a new income stream with a few select Lake County Townships. This new approach would fill brand name drug prescriptions for Township general assistance patients that qualify for HealthReach services. In this service model, the HealthReach pharmacy would provide prescription delivery service to the Township offices thus eliminating the need for the patient to travel to the HealthReach clinics. In return, the Townships would provide grant in aid to HealthReach commensurate with our pharmacy filling costs but far less than otherwise would be paid to retail pharmacies.
- Program Service Fees – HealthReach plans to generate increased income from program service fees in the areas of women’s primary care through continued and increased participation in the Illinois Breast and Cervical Cancer Program; by initiating business practices to bill Illinois Medicaid (All Kids) for pediatric medical and dental services rendered at HealthReach; and royalties on the sale of medical interpreter training and certification services related to the Healthcare Access By Language Advocacy (HABLA) program.
- Chronic Disease Management and Education – HealthReach plans to improve overall outcomes of our chronic disease patients by implementing a comprehensive Chronic Disease Management and Education program prototyped in the 4th quarter of 2008. Integral to this initiative is the purchase and installation at the Waukegan and Mundelein clinics new test equipment for the measurement of blood glucose (HbA1c), lipids, and urine constituents necessary to manage the care of diabetic and cardiovascular disease patients. HealthReach also plans to purchase a Spirometer for each clinic to monitor pulmonary performance in our chronic respiratory disease patients. By providing these critical tests on site, HealthReach physicians can make immediate adjustments in medication therapy and explain these changes while the patient is still at the clinic thus mitigating the need and wait time for blood work results to be processed and unnecessary return trips to the clinic by the patient.
- Reclaim Grand Dental Space – HealthReach plans to reclaim the space (by not releasing) in the lower level of the Waukegan Clinic building currently occupied by the for profit business “Grand Dental.” This space is currently configured as a dental clinic but could be reconfigured to a multipurpose dental and medical facility. This opportunity represents a chance to significantly increase the capacity of the Waukegan clinic to provide existing and new services to our patients.
- Waukegan School Based Health Center – HealthReach has been selected by the Waukegan Public Schools as the primary partner in an effort to establish School Based Health Centers in the Waukegan Public High Schools. This project is currently in the business planning stage and is yet to be approved for start by the Waukegan School Board of Directors.

- Membership in the National Association of Free Clinics – HealthReach will begin membership in the National Association of Free Clinics with the intent of leveraging the substantial resources of this organization. We expect that this membership will result in the establishment of new bulk drug donation programs with industry manufacturers and will provide needed template policies and procedures to improve our business practices particularly in the areas of HIPAA compliance.

Project-based grant making in 2009 will focus on the areas of **Capital Improvements of Clinic Facilities, Chronic Disease Management and Education Programming and Clinic Laboratory Equipment Upgrades**. General operating monies will be obtained where possible from Lake County corporations, individual and major gift private donors.

Provided funding matches pace with expansion, HealthReach and its patients and community stakeholders can look ahead with optimism to a continued future in providing this longstanding component of the healthcare safety net in Lake County, IL.