



EXPERIENCE MATTERS

GOOD SHEPHERD

REHABILITATION 

2016 Report to the Community

Dear Friends,

Dynamic is the only word that aptly describes Fiscal Year 2016 at Good Shepherd Rehabilitation Network. The new health-care environment brought challenges, but more importantly, opportunities for growth and change. Throughout the pages of Good Shepherd's 2016 Report to the Community, you will notice that change is rapidly occurring throughout our organization.

Change is not a new concept at Good Shepherd, an organization that has not just survived – but thrived – for more than a century. But the past 12 months have reinforced what we have always known – **Experience Matters.**

Good Shepherd's experience and expertise are unmatched regionally and among the best nationally, and it has proven success in managing inpatient rehabilitation facilities, joint ventures with large academic medical centers and in running our own successful rehabilitative and long-term care services – for more than 100 years. Good Shepherd has the experience and expertise to not just provide direct services but to consult, manage and lead others to success.

As the sixth largest rehabilitation provider in the country, Good Shepherd continues to grow through unique partnerships, management contracts and outpatient acquisitions, while continuing to nurture our core business in our core market.

As an international leader in the use of rehabilitation technology, Good Shepherd continues to do research and push the industry, one that we helped pioneer, forward.

For most people, change is daunting, but for an organization with more than a century of experience, a rock solid mission, innovative Associates, strong leaders and a supportive community, change is welcome and exciting. We look forward to writing the next chapter of our organization's storied history – together.

Thank you for your continued support.

Sincerely,



David DeCampi
Chair, Board of Trustees

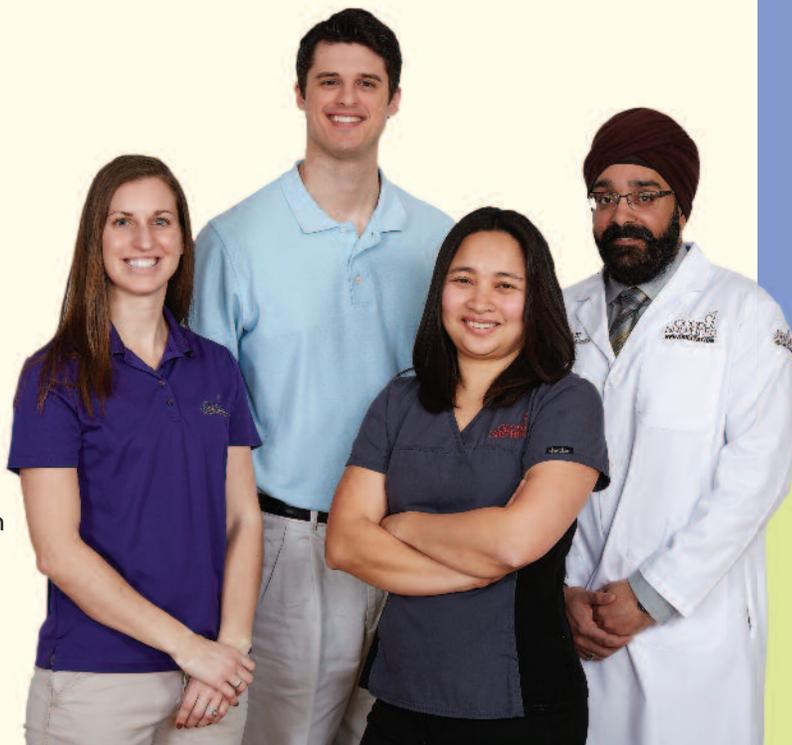


John Kristel, MBA, MPT
President & CEO

Good Shepherd Rehabilitation Network is a nationally recognized rehabilitation leader,

offering an unmatched post-acute continuum of care for adults and children. Good Shepherd is known for its inpatient and outpatient care of patients with catastrophic injuries and conditions, such as spinal cord injury, brain injury, stroke, amputation and major multiple traumas. Good Shepherd also excels at providing outpatient musculoskeletal and orthopedic rehabilitation services, inpatient long-term acute care and long-term care (skilled nursing).

Located just 90 minutes west of New York City and 60 minutes north of Philadelphia, Good Shepherd has become an international destination for recovery. Patients and families travel from across the globe to Good Shepherd because of our reputation for expert clinicians, outstanding programs, compassionate care and advanced technology. To simplify, they travel because... **Experience Matters.**



EXPERIENCE MATTERS

This year, Good Shepherd added regional marketing liaisons to help coordinate care and travel for patients and families who chose Good Shepherd as their destination for recovery.

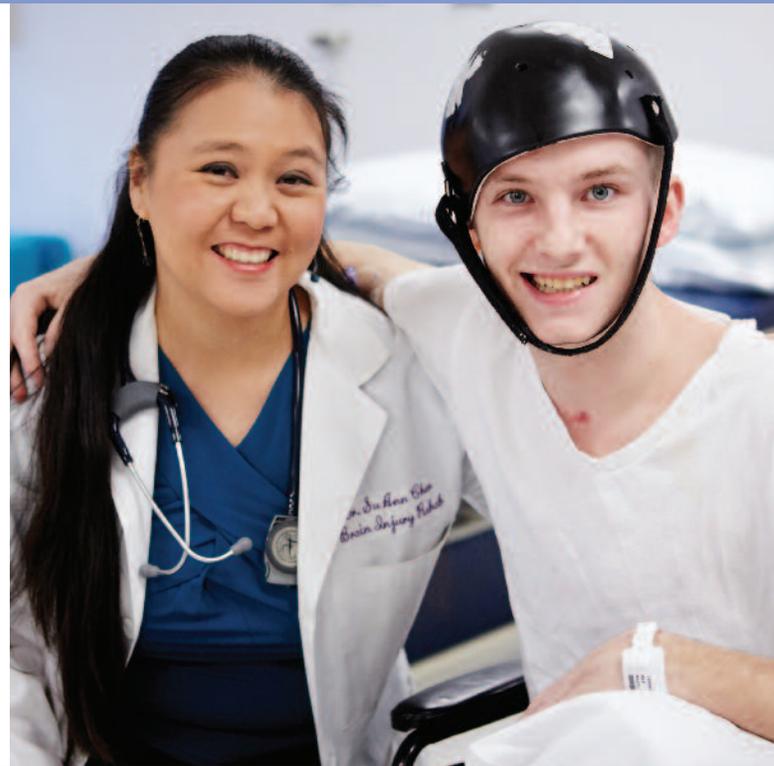
Matt Ficarra, a former Good Shepherd spinal cord injury patient and celebrated success story, joined the team as the New York regional liaison to share his inspiring vantage point with perspective patients.



Good Shepherd's nationally recognized rehabilitative care is delivered through the healing hearts, minds and hands of more than 2,100 employees

who seek to enhance lives with the organization's trademark compassionate care and excellent service as well as unrivaled rehabilitative and technological innovation.

Since people are at the core of Good Shepherd's reputation for high quality service, employee satisfaction is vital. In a recent survey by Press Ganey, employees who work at Good Shepherd ranked in the 84th percentile for Workforce Commitment (an indicator of job satisfaction).



PEOPLE MATTER



Highly engaged employees take pride in their work; therefore, 95 percent of Good Shepherd's employees agree that Good Shepherd provides high quality care and service, which ranks Good Shepherd in the 92nd percentile of health-care organizations nationally.

**Good Shepherd
Rehabilitation Network
employs 1,418 people
in the greater Lehigh Valley
and 768 at Good Shepherd
Penn Partners in Philadelphia.**

Placing Key People in Key Positions

The new fiscal year brought with it several changes and additions to the Good Shepherd leadership team



Michael A. Bonner III, MBA

Mike Bonner assumed the position of Senior Vice President of Strategic Planning and Business Development in 2015. He most recently served as Vice President, Neuroscience, for Good Shepherd Rehabilitation Network. Mike has celebrated more than 20 years of service to the Good Shepherd community in various roles throughout his career.

Frank Hyland, PT, MS

Frank Hyland was promoted to Executive Director, Good Shepherd Rehabilitation Network in 2016. He previously served as Vice President of Rehabilitation Services, and Administrator, Good Shepherd Rehabilitation Hospital since 2001. He has served in a variety of clinical and administrative roles since joining the organization in 1981.



Laura M. Shaw-Porter

Laura Porter was appointed Executive Director, Good Shepherd Penn Partners in 2015. Prior to taking the helm at Good Shepherd's Philadelphia-based joint venture with Penn Medicine, Laura served as Vice President, Human Resources, for Good Shepherd Rehabilitation Network from 2012 to 2015.

Compassionate care and excellent service are hardwired in Good Shepherd's DNA.

Good Shepherd's inpatient hospital and outpatient services finished the fiscal year at the 95th percentile for patient satisfaction, as measured by Press Ganey. More than 94 percent of patients would recommend Good Shepherd to a family member or friend.

EMR System Chosen to Usher Good Shepherd into a New Era

After an exhaustive search for an electronic medical records (EMR) system that would best support Good Shepherd's

specialized post-acute care needs, Good Shepherd inked a contract to purchase the Millennium system from Cerner. Cerner will usher Good Shepherd into a new era, one in which patient health information is more readily accessible to our Associates, partners and patients. The anticipated "go-live" date is October 2017.

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SERVICE MATTERS



Nursing Excellence

One of the most vital, interfacing careers at Good Shepherd is nursing. Nurses have the majority of interaction with patients, residents and families and carry a great deal of responsibility for daily care, education and training. It is only appropriate that their own education and training be held in the utmost regard.

Good Shepherd has invested heavily in the education of our nursing staff and proudly employs more certified rehabilitation registered nurses (CRRN) than any other health care provider in the region. The percentage of nurses at Good Shepherd Rehabilitation Hospital who hold a CRRN certification increased from 4 to 90 percent in the past 4 years. Seventy percent of our nurses now hold a BSN degree.



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QUALITY MATTERS

Accreditation is one of several measurement tools that helps patients, residents and families understand quality and compare providers. Good Shepherd Associates provide exceptional care and embrace an environment of quality, measurement and accountability.

During Fiscal Year 2016, Good Shepherd earned an astounding seven CARF (Commission on the Accreditation of Rehabilitation Facilities) accreditations, including:

- Comprehensive Integrated Inpatient Rehabilitation Program
- Brain injury Inpatient Rehabilitation Program
- Inpatient Stroke Program
- Pediatric Specialty Program
- Amputation Specialty Program
- Spinal Cord System of Care
- Interdisciplinary Outpatient Medical Rehabilitation Programs: Spinal Cord System of Care

Additionally, Good Shepherd was recognized for exemplary conformance to CARF standards for its inpatient pediatric Feeding Program – an extraordinary accomplishment.

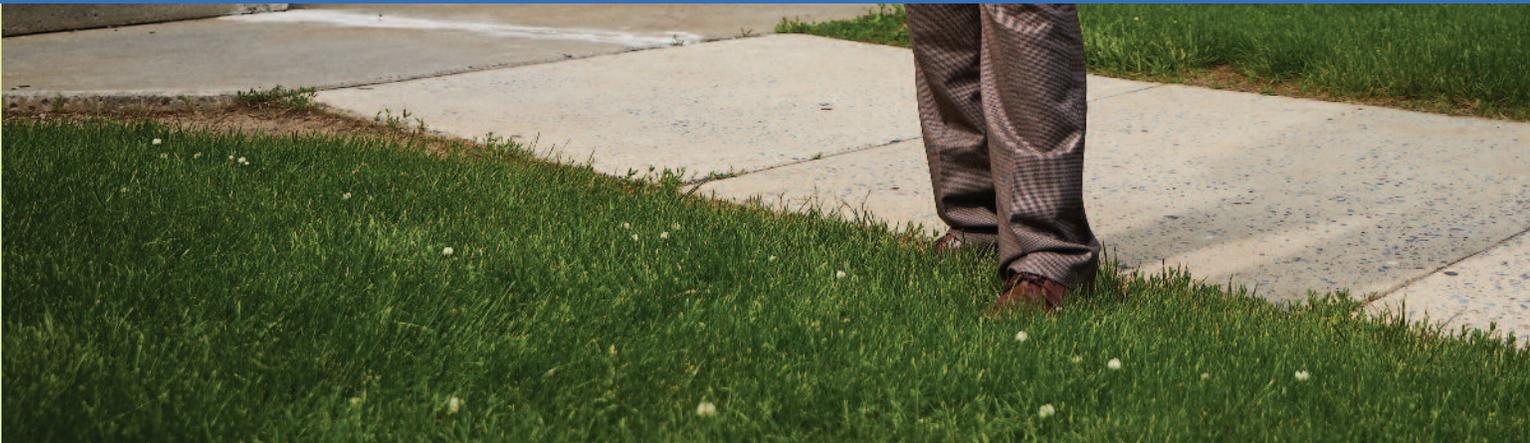


Both long-term care homes have earned U.S. News and World Report's Best Nursing Homes highest rating – **five stars** – six years in a row.





GROWTH MATTERS



Partnering with Lehigh County for Better Care

Good Shepherd entered into a two-year agreement to manage two Lehigh County-owned nursing homes, collectively referred to as Cedarbrook.

The approximately 670 residents who live in the Cedarbrook facilities benefit from Good Shepherd's expertise in providing excellent care in a home-like environment, and Lehigh County benefits from Good Shepherd's proven quality and cost-effectiveness in providing long-term care.

Physician Group Expands Sub-Acute Consults

The Good Shepherd Physician Group executed strategic growth of sub-acute rehabilitation consults and currently sees patients in seven facilities through the Lehigh Valley and Philadelphia.



Good Shepherd Signs Homecare Agreement

Good Shepherd signed an agreement to provide therapy services for SpiriTrust Lutheran Homecare and Hospice, formerly Diakon Home Care. Good Shepherd is now the home health provider for SpiriTrust in Northampton and Lehigh Counties.

Outpatient Additions

The Good Shepherd family continues to expand through the addition of outpatient acquisitions and de novo, or start up, physical therapy practices. This year, Good Shepherd Rehabilitation Network added outpatient locations in Conshohocken and Lansdale. In addition, an agreement of sale was signed for an acquisition in Pottsville. The acquisition expands the Good Shepherd footprint into Schuylkill County.



Good Shepherd Charity Care and Community Benefits

Consistent with our mission, Good Shepherd provides certain services without the expectation of reimbursement or at reimbursement levels below the cost of providing such services, as summarized below:

Community Support

One thing that has not changed is Good Shepherd's unwavering charitable care and community support. Good Shepherd contributed more than \$9.9 million in total quantifiable community benefits in FY16 (unaudited).

(rounded to the nearest thousand)

	2016	2015
Benefits for Individuals Living in Poverty		
Charity Care at Cost	\$300,000	\$536,000
Unreimbursed Costs of Public Programs		
Medicaid	130,000	2,708,000
Subsidized Health Services	3,261,000	1,752,000

FINANCE MATTERS

Total Quantifiable Benefits for Individuals Living in Poverty	3,691,000	4,996,000
Benefits to the Broader Community*		
Community Health Improvement Services	126,000	39,000
Health Professions Education	6,010,000	5,776,000
Research	30,000	0
Financial and In-kind Contributions to Other Community Groups	81,000	51,000
Community-building Activities	6,000	15,000
Community Benefit Operations	1,000	1,000
Total Quantifiable Benefits to the Broader Community	6,254,000	5,882,000
Total Quantifiable Community Benefits	\$9,945,000	\$10,878,000
Total Expenses	\$133,979,000	\$129,987,000
Community Benefits as a Percentage of Total Expenses	7.4%	8.4%

*This category represents those community benefit activities that are undertaken by Good Shepherd employees. They include the hosting of community health screenings and educational sessions, educational opportunities for aspiring healthcare professionals and community-building activities.

When calculating the benefits that it provides to the community, Good Shepherd conforms to the conservative standards set by the Catholic Health Association (CHA). For more information on the CHA standards, visit www.chausa.org.

Good Shepherd Financial Highlights Fiscal Year 2016

Patient Utilization

	2016	2015	% Change
Rehabilitation Hospital Admissions	1,394	1,637	-15%
Specialty Hospital Admissions	347	393	-12%
Outpatient Visits	247,543	236,426	5%
Long-Term Care Occupancy Rates	99.7%	99.5%	0%

Financial Performance

(dollars rounded to the nearest thousand)

Unrestricted Revenues, Gains and Other Support

Net Patient Service Revenues	113,021	117,454	-4%
Other Operating Revenues	3,819	2,818	36%
Professional Service Revenue	6,734	6,287	7%
Contributions	1,689	3,071	-45%
Income on Investment in			
Unconsolidated Subsidiary	5,984	8,145	-27%
Gain (Loss) on Disposal of Equipment	-	(2)	-100%
Net Assets Released from Restriction	2,232	1,910	17%

Total Unrestricted Revenues, Gains and Other Support	133,480	139,682	-4%
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Expenses

Salaries and Wages	68,969	69,158	0%
Employee Benefits	20,981	17,046	23%
Interest	4,817	4,926	-2%
Depreciation and Amortization	6,997	7,451	-6%
Supplies and Other Expenses	32,215	31,407	3%

Total Expenses	133,979	129,987	3%
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Operating Income (Loss)	(500)	9,695	-105%
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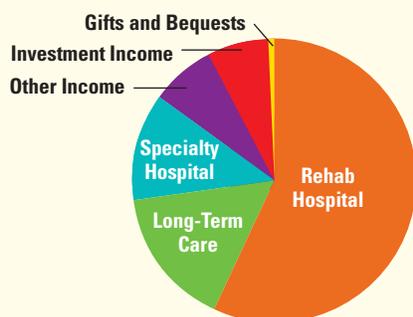
Investment Income and Other Gains (Losses)	9,845	10,443	-6%
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Loss on Refinancing	(4,236)	-	
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Revenues in Excess of Expenses	\$5,109	\$20,138	-75%
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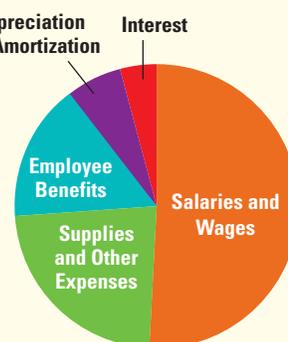
Revenue Composition by Business Line

Rehab Hospital ⁽¹⁾	58%
Long-Term Care	16%
Specialty Hospital	11%
Other Income	7%*
Investment Income	7%
Gifts and Bequests	1%

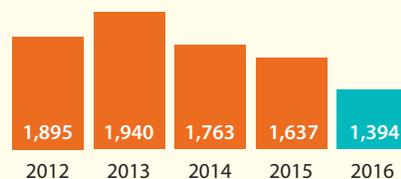


Expense Breakdown

Salaries and Wages	51%
Supplies and Other Expenses	24%
Employee Benefits	16%
Depreciation and Amortization	5%
Interest	4%



Rehabilitation Hospital Admissions



Specialty Hospital Admissions



Outpatient Visits



Long-Term Care Occupancy Rates



* Includes GSPP gain on invest in unconsol. sub. of \$6.0M

(1) This item includes the revenues generated by Good Shepherd's inpatient rehabilitation units and its outpatient programs and services.

Good Shepherd Endowment Funds

Good Shepherd is deeply appreciative of the community and individual support towards the growth of its endowment funds. Endowments are received from donors with the requirement that the principal remain intact in perpetuity. Income is allocated based on the purpose of the fund.

Good Shepherd Endowment Funds – Investment Objective and Spending Policy

The Investment Committee, which is a sub committee of the Finance Committee, is responsible for the management and oversight of all Temporarily and Permanently Restricted, Operating and Pension investments. The Committee is governed by an Investment Policy that is applied universally to all of these assets.

Good Shepherd also has an Endowment Spending Policy that is overseen by the Finance Committee and the Board of Trustees. Under this policy, the current annual distribution from each endowment account is 5 percent of the 3-year rolling average fair market value.

Following is a summary of the existing endowment funds at the end of FY16.

Unrestricted - Used towards general operations of the entities within Good Shepherd.

John Raker Hudders for Education Endowment - Provides funding for continuing education of staff working with patients recovering from brain injury.

Conrad W. Raker-Educational Endowment - Used as a funding mechanism for the education and training of Good Shepherd employees.

Linny and Beall Fowler Endowment for Pediatrics - Provides a perpetual source of funding to benefit all the children served by Good Shepherd's Pediatrics Program.

The Joseph & Marjorie Correll Pediatric Chair - Used as a perpetual funding mechanism for Good Shepherd's developmental pediatrician.

Dornsife Pediatric Endowment - Used on an annual basis to support the Dornsife Pediatric Center.

Sally Gammon Endowment for Pediatrics - Used to support Good Shepherd's Pediatrics Program.

General Pediatric Endowment - Used to support Good Shepherd's Pediatric Program.

Donley Family Pediatrics Endowment - Used towards supporting operating expenses associated with the Developmental Pediatrics Program.

Romig-DeYoung Community Access - Used for the social and recreational enrichment of residents through community outings, events and activities.

Walter W. and Jacqueline G. Mock Fund for Pediatrics - Provides income in perpetuity to support charitable care, staff education and training, salaries, equipment, technology, research and other expenses of the Pediatrics Program.

Long-Term Care Endowment - Directed towards operating needs associated with the Conrad W. Raker Center and the Good Shepherd Home – Bethlehem.

Rehabilitation Hospital Endowment - Directed towards operating needs associated with the rehabilitation hospitals.

Jaindl Family Neurologic Endowment - Used towards operating costs associated with the Neurorehabilitation Program at Good Shepherd Rehabilitation Hospital. This includes patients with stroke, as well as brain or spinal cord injury.

Fleming Family Endowment - Used to support the Assistive Technology and Research programs at Good Shepherd.

Walter Mock Sr. and Marie Mock Fund for Research and Technology - Used to support technology and research programs at Good Shepherd.

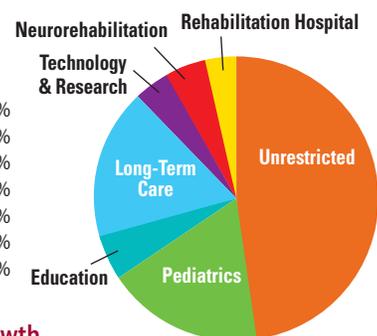
Oberly-Allen Nursing Scholarship Endowment - Used as a funding mechanism for the education and training of Good Shepherd nurses.

Good Shepherd Endowment Summary – June 30, 2016 (dollars rounded to the nearest thousand)

Permanent Endowments	Principal	Market
Unrestricted	\$7,937	\$9,072
John Raker Hudders for Education Endowment	106	106
Conrad W. Raker-Education Endowment	885	871
Linny and Beall Fowler Endowment for Pediatrics	242	239
The Joseph & Marjorie Correll Pediatric Chair	1,155	1,056
Dornsife Pediatric Endowment	100	123
Sally Gammon Endowment for Pediatrics	201	192
General Pediatric Endowment	1,783	1,764
Donley Family Pediatrics Endowment	1,000	948
Romig-DeYoung Community Access	1,129	1,390
Walter W. and Jacqueline G. Mock Fund for Pediatrics	255	232
Long-Term Care Endowment	1,629	1,918
Rehabilitation Hospital Endowment	536	543
Jaindl Family Neurologic Endowment	1,005	1,010
Fleming Family Endowment	384	353
Walter Mock Sr. and Marie Mock Fund for Research and Technology	254	258
Oberly-Allen Nursing Scholarship Endowment	511	480
Total Endowments	\$19,112	\$20,555

Endowment Funds by Purpose

Unrestricted	44.1%
Pediatrics	22.2%
Education	7.1%
Long-Term Care	16.1%
Technology & Research	3.0%
Neurorehabilitation	4.9%
Rehabilitation Hospital	2.6%



Endowment Funds Growth



Board of Trustees and Administration

We gratefully acknowledge all those who served on Good Shepherd's Board of Trustees, our facility medical directors and our administrators for Fiscal Year 2016.

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Good Shepherd Specialty Hospital

Our Mission

Motivated by the divine Good Shepherd and the physical and cognitive rehabilitation needs of our communities, our mission is to enhance lives, maximize function, inspire hope, and promote dignity and well-being with expertise and compassion.

Good Shepherd Rehabilitation Network

850 S. 5th Street, Allentown, PA 18103

GoodShepherdRehab.org

1-888-44-REHAB (73422)

