

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where issuer is located):

\$2,270,000

The County of Chippewa Hospital Finance Authority

Hospital Revenue Bonds, Series 1997A

Chippewa County War Memorial Hospital, Inc.

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

169700BM2

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_  
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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**TYPE OF FILING:**

Electronic (number of pages attached) 41  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: www.firstriver.com

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# Municipal Secondary Market Disclosure Information Cover Sheet

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where issuer is located):

\$14,000,000

The County of Chippewa Hospital Finance Authority

Hospital Revenue Refunding Bonds, Series 1997B

Chippewa County War Memorial Hospital, Inc.

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

169700BU4

169700BV2

169700BW0

169700BX8

169700BY6

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_  
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Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

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**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12  
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: October 2002 – September 2003 (FY2003)

B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: \_\_\_\_\_

C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

D.  Notice of Failure to Provide Annual Financial Information as Required

E.  Quarterly or Monthly Financial Information and Operating Data  
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: \_\_\_\_\_

F.  Other Secondary Market Information (Specify): \_\_\_\_\_

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name Shelley J. Aronson Title President  
Employer First River Advisory L.L.C.  
Address 2640 Overridge Drive City Ann Arbor State MI Zip Code 48104  
Telephone (734) 761-3624 Fax (734) 761-3614  
Email Address aronson@firstriver.com Relationship to Issuer Dissemination Agent

**Obligor Contact, if any:**

Name Wm David Rencher Title President and Chief Executive Officer  
Employer Chippewa County War Memorial Hospital, Inc.  
Address 500 Osborn Boulevard City Sault Ste. Marie State MI Zip Code 49783  
Telephone (906) 635-4350 Fax (906) 635-4467  
Email Address drencher@wmhos.org Obligor Web Site Address www.wmhosp.org

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**CHIPPEWA COUNTY WAR MEMORIAL HOSPITAL, INC.  
500 OSBORN BOULEVARD  
SAULT STE. MARIE, MI 49783**

**OFFICER'S CERTIFICATE**

**DATED:** April 29, 2004

This Officer's Certificate is delivered pursuant to Section 5.14(c) of the Loan Agreement between Chippewa County War Memorial Hospital, Inc. (the Hospital) and the County of Chippewa Hospital Finance Authority (the Authority), dated as of October 1, 1997. All capitalized terms used herein are as defined in the Loan Agreement or in the Trust Indenture between the Authority and NBD Bank (now known as J.P. Morgan Trust Company, N.A.), as Trustee, dated as of October 1, 1997.

In accordance with Section 5.14(b) of the Loan Agreement, attached are audited financial statements for the Fiscal Year ended September 30, 2003, including a balance sheet as of such date, a statement of activities and changes in net assets for the Fiscal Year, a statement of cash flows for the Fiscal Year and notes to the financial statements (the Annual Financial Statements). The undersigned certifies that:

1. I am the President and Chief Executive Officer of the Hospital and duly authorized to deliver this Officer's Certificate.
2. Though the Hospital has failed to comply with Sections 5.14(b) and 5.14(c) of the Loan Agreement due to the tardiness of the filing of the documents specified therein, Section 6.01(b) provides that such non-compliance shall not constitute an Event of Default under certain circumstances. Such circumstances are applicable to this situation.
3. To the best of my knowledge, the Hospital is not in default in the performance of any other covenant contained in either the Loan Agreement or the Hospital Facilities Lease Agreement dated as of November 1, 1986 between the Hospital and the County of Chippewa, Michigan, as amended and restated by the Amended and Restated Hospital Facilities Lease Agreement, dated November 21, 1997, between the same parties.

The Hospital hereby appoints First River Advisory L.L.C. as the Dissemination Agent pursuant to Section 7 of the Continuing Disclosure Agreement.



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Wm. David Rencher,  
President and Chief Executive Officer

**CHIPPEWA COUNTY WAR MEMORIAL HOSPITAL, INC.**  
**500 OSBORNE BOULEVARD**  
**SAULT STE. MARIE, MI 49783**

**ANNOUNCEMENT**  
**APRIL 2004**

**CHIEF FINANCIAL OFFICER**

Chippewa County War Memorial Hospital, Inc. (the Corporation) announces the appointment of Kevin Kalchik, CPA, as its new Chief Financial Officer. Mr. Kalchik, age 35, commenced his duties on March 1, 2004.

With the exception of his most recent position as Chief Financial Officer and General Manager of a wholesale building supply firm, Mr. Kalchik's entire career has involved health care accounting and financial management. While associated with the Traverse City office of Plante & Moran, PLLC, Mr. Kalchik planned and directed audits of health care organizations. He also participated in numerous consulting engagements relating to compliance, productivity, financial planning and operational assessments.

Earlier in his career, Mr. Kalchik held the position of Accounting Manager with NorthMed HMO, Inc., Traverse City, Michigan. In this position, Mr. Kalchik was responsible for all accounting and budgeting activities, the preparation of financial statements and the filing of periodic reports with insurance regulators. As a Senior Accountant and Internal Auditor for Munson Healthcare, Traverse City, Michigan, Mr. Kalchik performed a wide range of accounting and finance functions.

Mr. Kalchik earned his Bachelors degree in Business Administration from Central Michigan University, Mount Pleasant. He is licensed as a Certified Public Accountant in Michigan. Mr. Kalchik is a member of the American Institute and Michigan Association of Certified Public Accountants, and a member of the Healthcare Financial Management Association.

# CHIPPEWA COUNTY WAR MEMORIAL HOSPITAL, INC.

## ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003 (FY2003)

Unless otherwise noted, all data apply to the Fiscal Year Ended September 30, 2003, or are accurate as of September 30, 2003, as appropriate. OS pages refer to the Official Statement relating to the Securities, dated November 14, 1997. The source of all data is the Corporation's records.

*Certain figures relating to FY1999 which were published in Disclosure Reports relating to FYs prior to FY2000 have been reclassified in a manner consistent with subsequent audited financial statements and other information. In addition, certain information erroneously published in such prior FYs' Disclosure Reports has been corrected. The set of financial ratios published in this Disclosure Report represent those published by Standard & Poor's Ratings Group in "2000 Median Health Care Ratios," on October 19, 2000, and differ from the financial ratios published in the OS. Such financial ratios have been calculated from the Corporation's audited financial statements for all FYs since FY1999.*

### FACILITIES AND SERVICES

<i>Licensed Bed Capacity [OS Page A-7]</i>	
Medical/Surgical	70
Intensive Care Unit	6
Obstetrics/Gynecology	6
Subtotal, Acute Care	82
Skilled Nursing	51
<b>TOTAL</b>	<b>133</b>

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
Chippewa County War Memorial Hospital, Inc.

Fiscal Year Ended September 30, 2003

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**MEDICAL STAFF**

<i>Active Staff Specialization [OS Page A-9]</i>					
<i>PCPs</i>		<i>Specialists</i>		<i>Hospital-Based</i>	
Family Practice	11	Cardiology	3	Anesthesiology	3
Internal Medicine	5	General Surgery	3	Pathology	1
		Orthopedic Surgery	3	Radiology	2
		Obstetrics/Gynecology	2	Emergency Medicine	6
		Oncology	1		
		Ophthalmology	2		
		Neurology	1		
<b>Total</b>	<b>16</b>	<b>Total</b>	<b>15</b>	<b>Total</b>	<b>12</b>

<i>Age Distribution of the Active Staff [OS Page A-10]</i>			
<i>Age Range</i>	<i>Number of Physicians</i>	<i>Percent of Physicians</i>	<i>Percent of Assigned Gross Revenue</i>
34 and under	10	23.3%	19.4%
35 - 44	9	20.9%	16.4%
45 - 54	14	32.6%	35.7%
55 - 64	10	23.3%	12.6%
65 and over	0	0.0%	0.0%
<b>TOTAL</b>	<b>43</b>		
Note: Columns may not add to 100.0% due to rounding			

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
Chippewa County War Memorial Hospital, Inc.

Fiscal Year Ended September 30, 2003

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<b>Gross Revenue Attributable to Physician Referrals (\$000s Omitted) [OS Page A-11]</b>			
	<b>PCPs</b>	<b>Specialists</b>	<b>Row Totals</b>
Inpatient Revenue	9,115	21,426	30,541
Outpatient Revenue	10,861	37,283	48,144
Total Assigned Revenue	19,976	58,709	78,685
Unassigned Revenue			0
Total Revenue			78,685
Note: This table has been modified to reflect current record-keeping practices.			

<b>Leading Referring Physicians, Inpatient Services (\$000s omitted from Inpatient Revenue Column) [OS Page A-11]</b>						
<b>Rank</b>	<b>Specialty or Subspecialty</b>	<b>Age</b>	<b>Board-Certified / Eligible</b>	<b>Inpatient Revenue</b>	<b>Percent of Inpatient Revenue</b>	<b>Cumulative Percent</b>
1	Orthopedic Surgery	34	E	3,548	12.7%	12.7%
2	Family Practice	46	C	2,045	7.3%	20.0%
3	Internal Medicine	50	C	2,041	7.3%	27.2%
4	Orthopedic Surgery	53	C	1,893	6.8%	34.0%
5	Family Practice	51	C	1,751	6.2%	40.2%
6	General Surgery	34	C	1,736	6.2%	46.4%
7	Oncology	37	C	1,730	6.2%	52.6%
8	Internal Medicine	39	C	1,721	6.1%	58.7%
9	Internal Medicine	61	C	1,610	5.7%	64.5%
10	Family Practice	48	C	1,467	5.2%	69.7%
			C = Certified E = Eligible			

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
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<i>Leading Referring Physicians, Outpatient Services (\$000s omitted from Outpatient Revenue Column) [OS Page A-12]</i>						
<i>Rank</i>	<i>Specialty or Subspecialty</i>	<i>Age</i>	<i>Board-Certified / Eligible</i>	<i>Outpatient Revenue</i>	<i>Percent of Outpatient Revenue</i>	<i>Cumulative Percent</i>
1	Oncology	37	C	4,120	7.0%	7.0%
2	Orthopedic Surgery	34	E	3,266	5.6%	12.6%
3	Orthopedic Surgery	53	C	3,254	5.6%	18.2%
4	Emergency Medicine	60	C	2,549	4.4%	22.5%
5	General Surgery	51	C	2,541	4.3%	26.9%
6	General Surgery	34	C	2,363	4.0%	30.9%
7	Internal Medicine	50	C	1,950	3.3%	34.3%
8	Family Practice	46	C	1,819	3.1%	37.4%
9	Emergency Medicine	60	C	1,761	3.0%	40.4%
10	Family Practice	38	C	1,418	2.4%	42.8%
			C = Certified E = Eligible			

<i>Additions to the Active and Hospital-Based Staff during FY2003 [OS Page A-13]</i>			
<i>Specialty</i>	<i>Age</i>	<i>Hospital Employee</i>	<i>Affiliation</i>
Orthopedic Surgery	43	No	Greater Peninsula Orthopedics
Neurology	32	No	Northern Neurology
Anesthesiology	49	Yes	None

**SERVICE VOLUMES AND UTILIZATION**

**INPATIENT ACUTE CARE**

<i>Historical Acute Care Utilization (excludes newborns but includes observation patients) [OS Page A-13]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Days in Period	365	365	365	366	365
Licensed Beds	82	82	82	82	86
Admissions	2,552	2,683	2,481	2,309	2,266
Patient Days	9,133	9,448	9,268	8,924	8,520
Observation Patients*	1,027	698	939	813	851
Average Daily Census	25.0	25.9	25.4	24.4	23.3
Average Length of Stay	3.6	3.5	3.7	3.9	3.8
Occupancy Rate (%)	30.5	31.6	31.0	29.7	27.1
* Neither Average Daily Census, Average Length of Stay nor Occupancy Rate calculations reflect Observation Patients					

**SNF**

<i>Historical SNF Utilization [OS Page A-14]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Days in Period	365	365	365	366	365
Licensed Beds	51	51	51	51	51
Patient Days	18,258	18,455	18,219	18,255	18,154
Average Daily Census	50.0	50.6	49.9	49.9	49.7
Occupancy Rate (%)	98.1	99.1	97.9	97.8	97.5

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
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Fiscal Year Ended September 30, 2003

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**OUTPATIENT AND ANCILLARY SERVICES**

<i>Emergency Room / Community Care Clinic (CCC) Volumes</i> <i>[OS Page A-14]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Truly Emergent Visits	14,409	14,927	14,419	13,663	14,098
Change / Previous Period	(3.5)%	3.5%	5.5%	(3.1)%	5.8%
CCC Visits	9,400	9,332	9,606	9,108	6,910
Change / Previous Period	0.7%	(2.9)%	5.5%	31.8%	14.5%
Total ER Visits	23,809	24,259	24,025	22,771	21,008
Change / Previous Period	(1.9)%	1.0%	5.5%	8.4%	8.5%

<i>Ancillary Services Provided to Inpatients</i> <i>[OS Page A-15]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Laboratory <sup>1</sup>	94,108	90,904	78,035	70,919	67,582
Electrocardiography <sup>1</sup>	7,637	6,242	4,826	3,714	3,271
Radiology & Ultrasound <sup>1</sup>	5,573	5,288	4,406	4,350	4,379
MRI Scanning <sup>1</sup>	168	103	74	52	37
CT Scanning <sup>1</sup>	1,460	1,155	901	1,017	988
Nuclear Medicine <sup>1</sup>	694	847	497	398	289
Cardiopulmonary <sup>1</sup>	28,321	24,155	31,030	27,569	23,630
Physical Therapy <sup>2</sup>	8,267	8,587	9,388	9,977	10,652
Occupational Therapy <sup>3</sup>	6,187	5,443	4,699	3,948	3,407
Speech Therapy <sup>3</sup>	351	360	297	554	438
<sup>1</sup> Procedures <sup>2</sup> Modalities <sup>3</sup> Visits					

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
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<i>Ancillary Services Provided to Outpatients</i>					
<i>[OS Page A-15]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Laboratory <sup>1</sup>	262,372	248,933	241,298	227,598	221,698
Electrocardiography <sup>1</sup>	11,790	13,411	9,148	8,264	7,075
Radiology & Ultrasound <sup>1</sup>	30,533	29,690	29,456	26,687	24,562
MRI Scanning <sup>1</sup>	2,223	2,065	1,689	1,345	1,049
CT Scanning <sup>1</sup>	5,219	3,932	3,751	3,672	3,027
Nuclear Medicine <sup>1</sup>	5,455	4,649	4,237	2,497	1,515
Cardiopulmonary <sup>1</sup>	1,985	1,809	2,439	3,558	3,825
Physical Therapy <sup>2</sup>	55,804	55,722	45,422	40,184	45,512
Occupational Therapy <sup>3</sup>	10,662	26,375	14,648	9,933	7,879
Speech Therapy <sup>3</sup>	19,983	21,630	16,419	15,312	9,870
Home Health Therapy <sup>3</sup>	4,789	8,221	6,811	5,687	10,010
<sup>1</sup> Procedures <sup>2</sup> Modalities <sup>3</sup> Visits					

<i>Surgical Procedures</i>					
<i>[OS Page A-16]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Inpatient	931	888	914	903	725
Outpatient	2,752	2,910	2,606	2,142	1,768
Total	3,683	3,798	3,520	3,045	2,493
Percent Outpatient	74.7%	76.6%	74.0%	70.3%	70.9%

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
Chippewa County War Memorial Hospital, Inc.

Fiscal Year Ended September 30, 2003

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**COMPETING FACILITIES**

<i>Inpatient Acute Care Market Share for County Residents, All DRGs [OS Page A-21]</i>					
	<i>Calendar Years Ended December 31</i>				
	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>
War Memorial Hospital	60.6%	61.3%	62.3%	62.4%	60.5%
Northern Michigan	17.1%	16.0%	16.2%	13.7%	18.8%
Marquette General	9.6%	11.1%	11.4%	11.9%	9.8%
Munson	5.2%	3.2%	2.3%	2.5%	2.3%
Newberry	0.7%	0.8%	0.8%	0.9%	1.3%
All Other Hospitals	6.8%	7.6%	6.9%	8.7%	7.4%

Source: MHA Interactive Data System, 1998-2002  
Note: Many of the figures in this table correct errors contained in prior Disclosure Reports

**FINANCIAL MATTERS**

**THIRD-PARTY REIMBURSEMENT METHODOLOGIES**

<i>Medicaid SNF Reimbursement Rates [OS Page A-24]</i>					
	<i>Fiscal Years Ended/Ending September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Variable Cost Component	\$168.36	\$162.85	\$136.17	\$136.17	N/A
Plant Cost Component	5.41	5.41	5.41	5.41	N/A
Continuous Quality Improvement Incentive	0.00	0.00	4.42	4.42	N/A
Wage Pass-through Add-on	0.00	0.00	0.00	0.00	N/A
OBRA Training & Testing Add-on	0.00	0.00	0.00	0.00	N/A
Medicaid Reimbursement Rate	\$173.77	\$168.26	\$146.00	\$146.00	N/A

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
Chippewa County War Memorial Hospital, Inc.

Fiscal Year Ended September 30, 2003

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<i>SNF Revenue Basis</i> <i>[OS Page A-25]</i>					
	<i>Fiscal Years Ended/Ending September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Charge for Semi-Private Room <sup>1</sup>	\$200.00	\$185.00	\$175.00	\$166.00	N/A
Medicaid Reimbursement Rate	\$173.77	\$168.26	\$146.00	\$146.00	N/A
Discount from Semi-Private Room Charge	13.1%	9.0%	16.6%	12.0%	N/A

<sup>1</sup> The FY2001 figures corrects an error which appeared on the FY2000 Disclosure Report

<i>SNF Payor Mix</i> <i>(expressed as percentages of gross revenue)</i> <i>[OS Page A-25]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Medicare	11.1%	8.6%	7.7%	5.9%	15.4%
Medicaid	73.4%	65.7%	72.8%	68.5%	62.1%
Other	15.5%	25.7%	19.5%	25.6%	22.5%

Note: The percentages in the corresponding table in the OS were expressed in terms of patient-days, rather than gross revenue

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

The County of Chippewa Hospital Finance Authority /  
Chippewa County War Memorial Hospital, Inc.

Fiscal Year Ended September 30, 2003

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**SOURCES OF ACUTE CARE REVENUE**

<i>Payor Mix</i> <i>[OS Page A-26]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
<i>By Acute Care Admissions</i>					
Medicare	41.0	44.9	43.9	41.4	42.9
Medicaid	17.9	17.2	13.9	14.7	15.8
Blue Cross	26.6	26.3	27.8	28.8	24.5
Other	14.5	11.6	14.4	15.1	16.8
Totals	100.0	100.0	100.0	100.0	100.0
<i>By Acute Care Patient-Days</i>					
Medicare	53.8	56.2	57.4	52.8	56.8
Medicaid	12.8	12.8	10.4	10.9	11.8
Blue Cross	21.2	21.4	20.5	22.9	19.0
Other	12.2	9.6	11.7	13.4	12.4
Totals	100.0	100.0	100.0	100.0	100.0

**COST STRUCTURE**

<i>Cost Structure Measures</i> <i>[OS Page A-26]</i>						
		<i>Fiscal Years Ended September 30</i>				
		<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
<i>Per Case</i>	Adjusted Cost	\$5,290	\$5,026	\$4,572	\$4,689	\$4,903
	Case-Mix Adjusted Operating Cost	\$4,859	\$5,142	\$4,588	\$4,994	\$5,532

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<i>Labor Productivity Measures</i>					
<i>[OS Page A-26]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Adjusted FTEs per Occupied Bed	5.98	5.70	5.32	4.70	4.95
SNF FTEs per Occupied Bed	1.06	1.05	1.00	0.78	0.74
Total FTEs	550.2	539.7	495.7	464.8	426.9
Percentage of Non-Productive Hours	15.1%	14.6%	14.3%	13.9%	13.9%

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**RECENT FINANCIAL PERFORMANCE**

<i>Balance Sheet Summary</i> <i>(\$000s omitted)</i> <i>[OS Page A-27]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Cash, Cash Equivalents and Short-term Investments*	1,779	2,706	3,238	2,920	1,548
Net Patient Accounts Receivable	8,163	7,621	6,510	5,922	5,902
Other Current Assets	<u>4,464</u>	<u>5,318</u>	<u>3,621</u>	<u>3,177</u>	<u>3,882</u>
Total Current Assets	14,406	15,645	13,369	12,019	11,332
Board-Designated Investments*	4,357	4,159	4,000	3,692	3,540
Other Restricted Funds	1,724	1,700	1,662	1,824	1,749
Net Property and Equipment	13,758	14,127	13,580	13,985	14,479
Other Assets	<u>325</u>	<u>417</u>	<u>478</u>	<u>515</u>	<u>553</u>
Total Assets	<u>34,570</u>	<u>36,048</u>	<u>33,089</u>	<u>32,036</u>	<u>31,653</u>
Current Liabilities	10,045	8,742	5,826	5,227	5,047
Long-Term Obligations	11,318	12,791	14,133	14,607	15,337
Other Liabilities	1,060	1,027	1,012	986	948
Unrestricted Net Assets	12,147	13,488	12,119	11,177	10,098
Temporarily Restricted Net Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>38</u>	<u>223</u>
Total Liabilities and Net Assets	<u>34,570</u>	<u>36,048</u>	<u>33,089</u>	<u>32,036</u>	<u>31,653</u>
Note: This table has been modified in order to clarify the corresponding table published in the OS * Used in "Days' Cash on Hand," "Cushion Ratio" and "Cash / Long-Term Debt" calculations					

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<b><i>Liquidity Ratios</i></b> <b><i>[OS Page A-28]</i></b>					
	<b><i>Fiscal Years Ended September 30</i></b>				
	<b><i>2003</i></b>	<b><i>2002</i></b>	<b><i>2001</i></b>	<b><i>2000</i></b>	<b><i>1999</i></b>
Days' Cash on Hand	48.0	60.3	72.3	75.4	64.5
Cushion Ratio <sup>1</sup>	2.9	3.3	3.4	3.5	2.7
Cash / Long-Term Debt	54.2%	53.7%	51.2%	45.3%	33.2%
Days in Patient Accounts Receivable	64.0	65.1	62.2	64.2	71.4
Payment Period (Days)	78.6	76.8	58.2	59.6	63.9
Note: Calculated from the Corporation's audited financial statements, using definitions published by Standard & Poor's Ratings Group in <i>2000 Median Health Care Ratios</i> , October 19, 2000					
<sup>1</sup> Calculated using Maximum Annual Debt Service figures indicated below, based on the Series 1997 Bonds, a HELP loan from the Michigan State Hospital Finance Authority and a capitalized lease in FY2003, FY2002 and FY2001, and based on the Series 1997 Bonds and the HELP loan in FY2000 and FY1999					
Maximum Annual Debt Service	2,107,953	2,109,082	2,124,172	1,900,662	1,900,662

<b><i>Capitalization Ratios</i></b> <b><i>[OS Page A-28]</i></b>					
	<b><i>Fiscal Years Ended September 30</i></b>				
	<b><i>2003</i></b>	<b><i>2002</i></b>	<b><i>2001</i></b>	<b><i>2000</i></b>	<b><i>1999</i></b>
Debt / Capitalization	48.2%	48.7%	53.8%	56.7%	60.3%
Average Age of Net Fixed Assets (Years)	11.5	11.1	10.5	9.7	9.4
Note: Calculated from the Corporation's audited financial statements, using definitions published by Standard & Poor's Ratings Group in <i>2000 Median Health Care Ratios</i> , October 19, 2000					

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<b>Gross Patient Revenue by Service</b>					
<b>[OS Page A-28]</b>					
	<b>Fiscal Years Ended September 30</b>				
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Inpatient	30.9%	30.6%	30.3%	31.8%	34.5%
Outpatient	64.4%	64.8%	64.9%	62.8%	59.1%
SNF	4.8%	4.6%	4.8%	5.4%	6.4%

<b>Summary of Unrestricted Revenue and Expenses</b>					
<b>(\$000s omitted)</b>					
<b>[OS Page A-29]</b>					
	<b>Fiscal Years Ended September 30</b>				
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Net Patient Service Revenue	46,534	42,705	38,222	33,685	30,191
Other Operating Revenue	<u>1,137</u>	<u>1,048</u>	<u>1,007</u>	<u>1,021</u>	<u>757</u>
Total Operating Revenue	47,671	43,753	39,229	34,706	30,948
Depreciation Expense	2,609	2,486	2,380	2,323	2,172
Interest Expense	770	799	830	861	911
Other Operating Expenses	<u>45,883</u>	<u>40,742</u>	<u>35,729</u>	<u>31,155</u>	<u>27,898</u>
Total Operating Expenses	49,262	44,027	38,939	34,339	30,981
Income from Operations	(1,591)	(274)	290	367	(33)
Net Nonoperating Revenue (Loss)	<u>232</u>	<u>324</u>	<u>481</u>	<u>365</u>	<u>402</u>
Revenue and Gains in Excess (Deficit) of Expenses	(1,360)	50	772	732	369
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	0	0	0	231	189
Change in Net Unrealized Gains/(Losses)	19	(47)	132	116	(396)
Extraordinary Items	<u>0</u>	<u>1,366</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(1,341)</u>	<u>1,369</u>	<u>904</u>	<u>1,079</u>	<u>162</u>

Note: This table has been modified in order to clarify the corresponding table published in the OS

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

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<b><i>Profitability, Cash Flow and Operational Ratios</i></b>					
<b><i>[OS Page A-29]</i></b>					
	<b><i>Fiscal Years Ended September 30</i></b>				
	<b><i>2003</i></b>	<b><i>2002</i></b>	<b><i>2001</i></b>	<b><i>2000</i></b>	<b><i>1999</i></b>
Profit Margin	(2.8)%	0.1%	1.9%	2.7%	1.8%
Operating Margin	(3.3)%	(0.6)%	0.7%	1.1%	(0.1)%
EBIDA Margin	4.2%	7.6%	10.0%	11.8%	11.6%
Debt Service Coverage Ratio (S&P) <sup>1</sup>	0.96	1.58	1.87	2.18	1.92
Debt Service Coverage Ratio (Indenture) <sup>2,3</sup>	1.62	2.08	2.37	2.80	2.41
Interest Coverage	2.6	4.2	4.8	4.8	4.0
Cash Flow / Total Liabilities	5.6%	11.2%	15.0%	14.7%	11.9%
Maximum Annual Debt Service / Total Revenue <sup>3</sup>	4.4%	4.8%	5.4%	5.5%	6.1%
Nonoperating Revenue / Total Revenue	0.5%	0.7%	1.2%	1.7%	1.9%
Bad Debt Expense / Total Operating Revenue	2.9%	2.4%	2.7%	3.4%	3.0%
<p>Note: Calculated from the Corporation's audited financial statements, using definitions published by Standard &amp; Poor's Ratings Group in <i>2000 Median Health Care Ratios</i>, October 19, 2000</p> <p><sup>1</sup> Calculated according to the published Standard &amp; Poor's definition</p> <p><sup>2</sup> Calculated according to the definition specified in the Trust Indenture relating to the Series 1997 Bonds; this definition governs, so no Event of Default has occurred with respect to the Debt Service Coverage ratio covenant</p> <p><sup>3</sup> Calculated using Maximum Annual Debt Service figures indicated below, based on the Series 1997 Bonds, a HELP loan from the Michigan State Hospital Finance Authority and a capitalized lease in FY2003, FY2002 and FY2001, and based on the Series 1997 Bonds and the HELP loan in FY2000 and FY1999</p>					
Maximum Annual Debt Service	2,107,953	2,109,082	2,124,172	1,900,662	1,900,662

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

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<i>Case-Mix Indices [OS Page A-30]</i>					
<i>Fiscal Years Ended September 30</i>					
	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Medicare	1.1671	1.1777	1.1960	1.1925	1.1544
Medicaid	0.6101	0.6188	0.5977	0.6965	0.7780
Blue Cross	0.7237	0.7835	0.7873	0.7697	0.7021

Note: The Medicaid figure for FY2001 was corrected in the FY2002 Disclosure Report.

<i>Top Eleven DRGs, FY2003 [OS Page A-30]</i>					
<i>DRG</i>	<i>Description</i>	<i>Discharges</i>	<i>Percent</i>	<i>Cumulative Percent</i>	<i>ALOS</i>
391	Normal newborns	275	9.5%	9.5%	2.0
373	Vaginal delivery without complicating diagnosis	203	7.0%	16.5%	2.0
89	Simple pneumonia and pleurisy, age >17, with complications	124	4.3%	20.8%	4.8
127	Heart failure and shock	98	3.4%	24.2%	2.8
209	Major Joint and Limb Reattachment Procedures, Lower Extremity	94	3.2%	27.4%	3.2
14	Specific cerebrovascular disorders except trans-ischemic attacks (CVAs)	77	2.7%	30.1%	4.4
371	Cesarean sections without complications	63	2.2%	32.3%	2.8
372	Cesarean sections with complications	57	2.0%	34.2%	2.2
138	Cardiac arrhythmia	55	1.9%	36.1%	2.1
132	Atherosclerosis with complications	51	1.8%	37.9%	1.8
88	Chronic obstructive pulmonary disease	51	1.8%	39.6%	3.4