



Stephen D. McElroy
HICL President & CEO

CEO's SUMMER 2010 UPDATE

While the summer is half-way through, HICL is still in the early days of a new fiscal year, our 44th year of proudly serving the Canadian Healthcare System. This year is one that is filled with a renewed spirit of excitement and anticipation by our staff, leadership team and our board alike. For you, our loyal customers and stakeholders I wanted to reach out and bring you in-touch with some of the reasons for this renewed energy and excitement.

Leadership Team

As HICL's President and Chief Executive Officer since January 2010, I remain continually impressed by the level of dedication, efficiency, and commitment exhibited by our staff to the patients, clinicians, and hospitals that we serve. At its core, HICL is a customer service driven company and it shows. I am happy to report that at the center of every decision and every action we take, it is our mission of serving and enhancing hospital lab services, improving patient outcomes, and providing exceptional customer service that are our key drivers. In this regard it is a privilege for all of us at HICL to operate in a not-for-profit model where patients and healthcare can be put at the forefront of decisions and behaviours rather than maximizing profits and shareholder returns. I am also pleased that in April 2010, Ms. Patricia Ho, CMA was welcomed to HICL as Finance Manager and a key member of my leadership team.

Financial Performance

At the close of HICL's fiscal 2010, audited financial statements confirm that HICL continues to show strong year-over-year growth both in the volume of client tests being processed, and in operating revenues generated. As we embark on our fiscal 2011, HICL is forecasting the rate of growth to double for both of these key metrics; and our first quarter results confirm that trend. While later in 2010 we will proceed with the planned transfer our single remaining Ontario specimen collection centre (SCC) to a Private Lab provider as required by the Ontario Ministry of Health and Long-Term Care (MOHLTC), the operation of SCC's remains a core corporate competency. The planned and phased manner of SCC transfers has enabled HICL to focus on significant growth in our Laboratory Referral Network ("Grid") which has more than offset any revenue losses due to this MOHLTC position.

With its strong and unique value proposition to hospitals, LHINs and health authorities, our 'Grid' remains robust, healthy, growing in size and volume year-over-year. Only by committing ourselves to being 'best-in-class', does our customer base continue to grow. Any Hospital that is not a client of our 'Grid' should really examine if they are getting the most value for their Laboratory budget.

Strategic Plan

In the past months, the HICL leadership team has developed a strong strategic plan; one that is bold and determined, progressive and exciting. The term 'not-for-profit' does not mean not-for-growth! It simply means that profits (surpluses) are not kept within the company but returned as revenue to Canadian Hospitals. By providing best-in-class specimen handling, logistics, information management, LIS integration and customer service, **and** also returning revenues to our healthcare system; clearly HICL is part of the healthcare solution.

Forever mindful that HICL revenue growth translates into increased Hospital revenues; beginning this year, HICL's strategic plan focuses on bold initiatives for sustainable growth at an even accelerated pace. This is good for healthcare.

Laboratory Referral Network (“Grid”)

At the core of our business of course is our unique Laboratory Referral Network or ‘Grid’ as it is fondly and aptly referred. This network provides us a unique adaptability and scalability as well as inherent redundancies to ensure continuity of service. Through the ‘Grid’ we provide customers with the fastest access to new tests and technologies. The ‘Grid’ is also a uniquely sustainable business model as it fits, and delivers value into virtually any Lab reform model. HICL's ‘Grid’ is enabled by our robust and proprietary logistics and information system, as well as our expertise in developing LIS interfaces with our clients LIS systems.

Proudly, in our recent OLA assessment audit HICL scored above the provincial average and rated 100% in 6 categories! With this success, we are now pursuing ISO15189 accreditation and expect to be one of Canada's first medical laboratories to be awarded this.

Customers

We all know that the cost of customer acquisition is significant, and so once a customer is obtained, retaining that customer is paramount to success. At HICL, we consider our customers true partners, and this is reflected in our remarkable customer retention. While ‘supplier’ options have changed dramatically since HICL began operations in 1967, HICL has successfully retained the vast majority of our client base for decades, many since the very beginning. It is not simply that customers have not had the time or inclination to change suppliers – suppliers are continually reviewed for value delivered within the cost-contained hospital environment; rather, it is that they have actively selected NOT to change from HICL. Our customers understand the value HICL provides them and to laboratory testing and operations as a whole. HICL has remained innovative and agile throughout our history, undergoing change and improvement in collaboration with our partners, and always upholding our mission. We appreciate the longstanding relationships of our customers and do not take these for granted. At this time I welcome Hospitals who are not yet clients of HICL to contact us and see what we can do for you, how we may help solve the challenges you face today and the ones you anticipate tomorrow.

In closing, I wish to thank all of our valued HICL partners for your continued support and trust, and for your warm welcome in my early days at the helm of this exceptional organization. HICL is proud of our legacy of trust and accomplishment and of our role as a valued partner within the Canadian healthcare system. This is not a role we take lightly – we consider ourselves a part of the system, not a vendor to it. With our unique core competencies, proprietary technologies, and an attitude of continuous improvement, we are here to stay, and to serve. At the heart of our success of course is a dedicated and expert team of people whom I wish to recognize, commend and thank. Each one is committed to our mission, to our healthcare system, and ultimately to the patients whose samples and results are entrusted to us.

Respectfully yours,



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