

**An Annual Report
on the Financial Health of Pennsylvania's Non-GAC Facilities**



PHC4

**2004
FINANCIAL
ANALYSIS**

**VOLUME TWO
NON-GENERAL ACUTE CARE FACILITIES**

Ambulatory Surgery Center Care

Rehabilitation Care

Psychiatric Care

Long-Term Acute Care

Specialty Care

Pennsylvania Health Care Cost Containment Council

September 2005

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The Pennsylvania Health Care Cost Containment Council (PHC4) is an independent state agency charged with addressing the cost and quality of health care in Pennsylvania. PHC4 fosters competition in the health care market through the collection, analysis and dissemination of quality health care information.

Hospitals and freestanding surgery centers must be financially viable in order to maintain a high quality, cost-effective health care delivery system. Since Fiscal Year 1989, PHC4 has produced a series of Financial Reports that measure the financial health of the Commonwealth's hospitals and surgery centers and the utilization of their services.

This is the second volume of a two-volume set. Volume One, released in April 2005, focused on the financial health of Pennsylvania's General Acute Care (GAC) hospitals. This report, Volume Two, addresses Pennsylvania's non-general acute care (non-GAC) hospitals (rehabilitation, psychiatric, long-term acute and specialty), as well as ambulatory surgery centers. In addition, this report couples utilization information from the subunits of other hospitals with the data of the specific non-GAC categories. As a result, this volume provides some perspectives on the total rehabilitation and psychiatric care provided at both GAC and non-GAC hospitals.

The information contained in this report was derived from annual financial statements, supplemented with additional data supplied by each facility. By law, the hospitals and the surgery centers are required to submit this financial and utilization information to PHC4. Every reasonable effort has been made to ensure the accuracy of the information contained herein. Each facility had the opportunity to review its data and make corrections. The ultimate responsibility for data accuracy lies with the individual facility.

This report presents an analysis of Pennsylvania's non-general acute care (non-GAC) hospitals (rehabilitation, psychiatric, long-term acute and specialty) and ambulatory surgery centers (ASCs) that are under the Council's purview. Individual profiles of each of the provider categories are presented in the following sections.

In addition to the profiles of the free-standing non-GAC hospitals, the psychiatric, rehabilitation and ASC sections include information and analysis on the subunits of hospitals that provide care in those categories. For example, the psychiatric subunits of GAC hospitals are addressed in the Psychiatric Care section along with the freestanding psychiatric hospitals.

The individual facility data presented in each section is collected based on the individual licenses issued by the Pennsylvania Department of Health or the Pennsylvania Department of Public Welfare. If a health system operates multiple facilities under a single license, the entire health system will be reported as a single entity. Table I lists the number of licensed facilities in each category that operated for more than six months and submitted data to PHC4 for FY04.

The fiscal year data provided by the majority of non-GAC hospitals (not including ASCs) cover the period between July 1, 2003 and June 30, 2004. For those hospitals that utilize a different fiscal year, the data reflects the facilities' fiscal year end that ended prior to June 30, 2004. The 38 hospitals utilizing a fiscal year ending other than June 30 are listed on page 55. The majority of the ASCs employ a fiscal year ending on December 31. The ASCs that utilize a fiscal year end other than December 31 are listed on page 55.

On page 57 is a list of facilities that failed to meet one or more of the Council's financial filing requirements. In order to provide consistent statewide totals and averages for the various measures presented in this report, estimated data was employed in place of missing data. However, the individual facility data presented at the end of each section contain no estimated data.

This report presents statewide data on utilization and capacity. While the statewide data on utilization generally reflect the overall trends in the level of patient care provided in Pennsylvania, statewide utilization and capacity data must be viewed as a compilation of often unrelated local markets. For example, the growth in the number of long-term acute care (LTAC) discharges indicates that the demand for LTAC in Pennsylvania has grown. The relatively constant occupancy rate over the last two fiscal years (FY03 and FY04) might suggest that the capacity of LTAC beds has kept pace with the growth in demand. However, the addition or removal of staffed beds in one region of the Commonwealth may have little or no effect on the availability of LTAC care in the other regions of Pennsylvania.

TABLE I
Number of Reporting Facilities, FY04
by Facility Type

Facility Type	Number of Facilities
General Acute Care Hospitals	182
Rehabilitation Hospitals	21
Psychiatric Hospitals	17
State Psychiatric Hospitals	9
Long-Term Acute Care Hospitals	21
Specialty Hospitals	6
Ambulatory Surgery Centers	132
Total	388

FIGURE O-1
Net Patient Revenue, FY04
by Facility Type

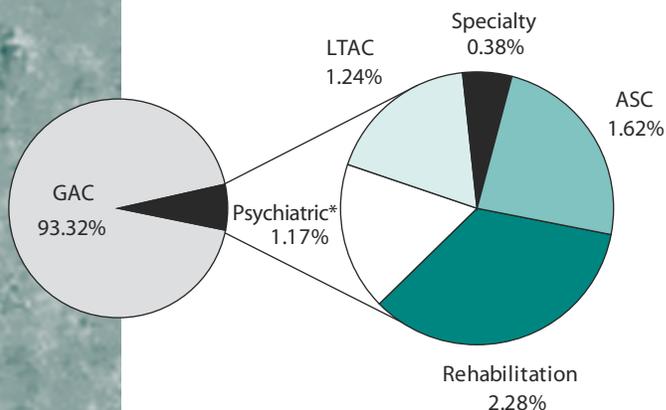


FIGURE O-2
Staffed Beds, FY04
by Facility Type

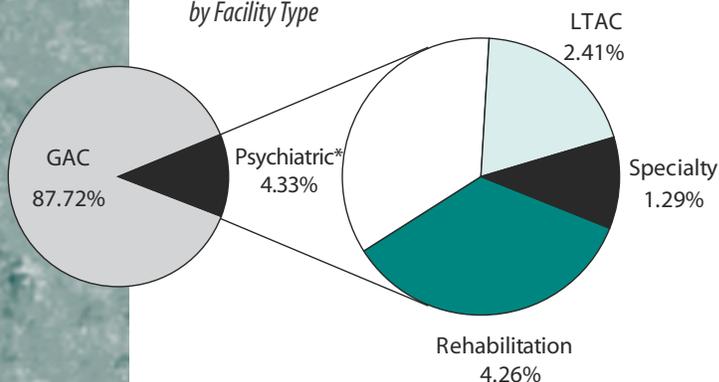
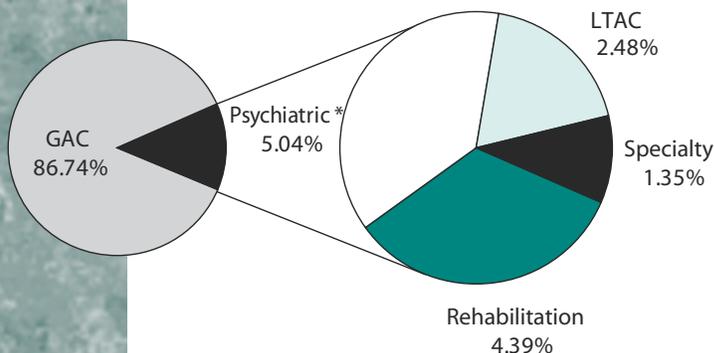


FIGURE O-3
Patient Days, FY04
by Facility Type



* Excludes state psychiatric hospitals

General Acute Care (GAC) hospitals (including GAC subunits) clearly are the pre-dominate providers of hospital-based health care in Pennsylvania, as indicated in Figures O-1 through O-4. These figures reflect all care provided by facilities within each hospital category. For example, the patient day figures for the freestanding long-term acute care hospitals (Figure O-3 and Table O-2) represent all care provided at these hospitals, including psychiatric care.

In contrast, Figure O-5 presents patient days by type of care (e.g., psychiatric care), regardless of where that care was delivered. For example, psychiatric care provided at free-standing psychiatric hospitals, long-term acute care hospitals, specialty hospitals and GAC hospitals is included under psychiatric care in Figure O-5.

The variation in the average length of an inpatient stay at these five categories of hospitals represented in Figure O-6 reflects the differences in the nature of care provided at these facilities. Please note that the average 12.9-day stay at psychiatric facilities does not include the state psychiatric hospitals, which are long-term psychiatric facilities.

During Fiscal Year 2004 (FY04), there were 3.4 million outpatient visits reported from the 197 non-GAC hospitals and ambulatory surgery centers (ASCs) (Table O-1). In contrast, the 182 GAC hospitals reported 34.1 million outpatient visits. Therefore, the GAC hospitals reported 90.8% of the total visits to all hospitals and ASCs.

Table O-1 shows a wide variation in the average outpatient revenue per visit across the six facility categories. One reason for this diversity in revenue per visit is the variation in

FIGURE 0-4
Discharges, FY04
by Facility Type

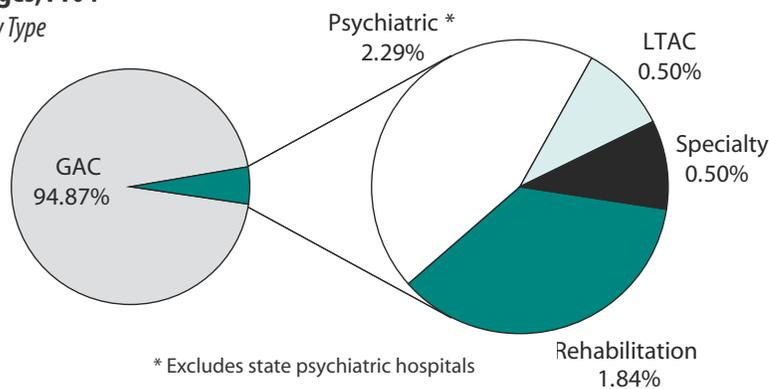


TABLE 0-1
Outpatient Care, FY04
by Facility Type

Facility Type	Visits	Outpatient Revenue (thousands)	Average Outpatient Revenue per Visit
General Acute Care Hospitals	34,057,592	\$8,721,027	\$256
Total Non-GAC	3,437,507	\$644,155	\$187
Rehabilitation Hospitals	1,593,458	\$124,414	\$78
Psychiatric Hospitals *	1,002,630	\$46,315	\$46
Long-Term Acute Care Hospitals	120,793	\$14,773	\$122
Specialty Hospitals	130,357	\$45,690	\$351
Ambulatory Surgery Centers	590,269	\$412,963	\$700
Total	37,495,099	\$9,365,182	\$250

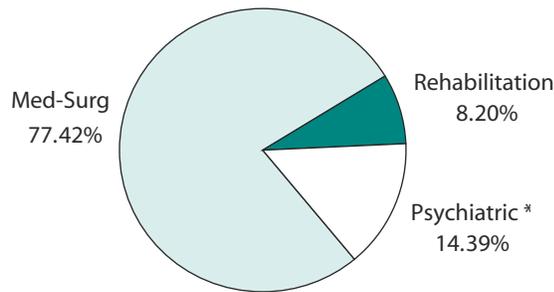
* Excludes state psychiatric hospitals

TABLE 0-2
Net Patient Revenue, Beds, Days, and Discharges, FY04
by Facility Type

Facility Type	Staffed Beds	Patient Days	Discharges	Net Patient Revenue (thousands)
General Acute Care Hospitals	37,793	9,735,815	1,820,847	\$23,856,162
Rehabilitation Hospitals	1,835	492,551	35,343	\$581,556
Psychiatric Hospitals*	1,867	566,183	43,949	\$298,254
Long-Term Acute Care Hospitals	1,037	278,574	9,671	\$316,041
Specialty Hospitals	554	151,159	9,540	\$97,744
Ambulatory Surgery Centers	NA	NA	NA	\$412,963
Total	43,086	11,224,282	1,919,349	\$25,562,720

* Excludes state psychiatric hospitals

FIGURE O-5
Patient Days, FY04
by Type of Care



* Excludes state psychiatric hospitals

the intensity of care provided per visit. A psychiatric patient may receive care as a series of visits comprised of relatively short treatments, while a patient at an ASC may be subject to a surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

With the exception of psychiatric and

TABLE O-3
Patient Days, FY04
by Type of Care

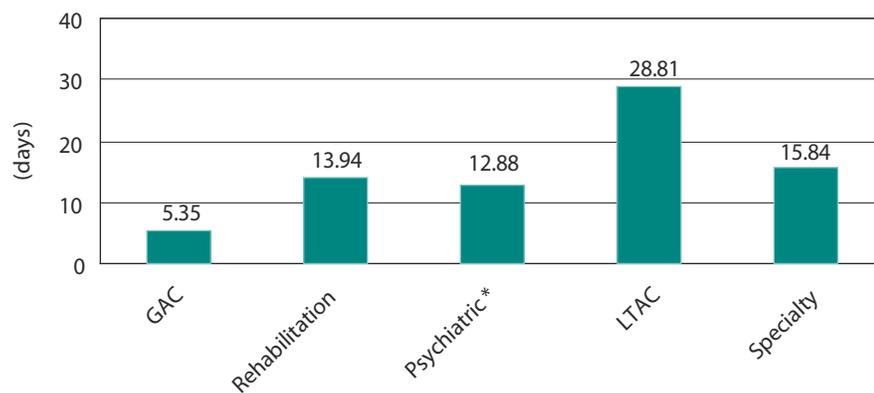
Type of Care	Patient Days
Med-Surg Care *	8,041,084
Rehabilitation	851,200
Psychiatric **	1,494,485
Total	10,386,769

* Includes acute non-psychiatric care from LTAC hospitals.

** Excludes state psychiatric hospitals

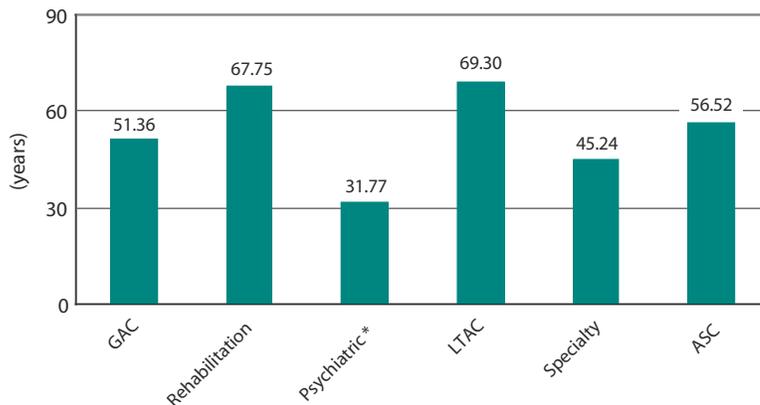
specialty hospitals, Pennsylvania's hospital-based health system primarily serves an older population (see Figure O-7). The average inpatient age at a GAC hospital is 51 years, but is over 67 years at rehabilitation hospitals and 69 years at long-term acute care hospitals. In contrast, the average age of patients admitted to psychiatric facilities is 32. The average inpatient age of 45 at specialty hospitals is a

FIGURE O-6
Average Length of Stay, FY04
by Facility Type



* Excludes state psychiatric hospitals

FIGURE O-7
Average Patient Age, FY04
by Facility Type



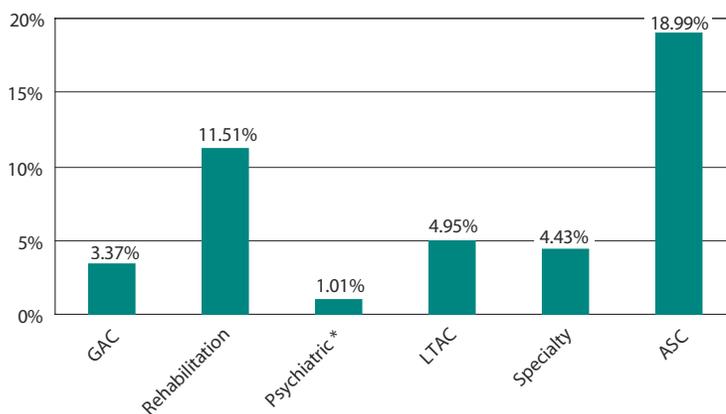
reflection of the diversity in that category. For instance, included in the specialty facility category is the Children’s Home of Pittsburgh, which specializes in infant care.

The average total margins by facility categories are shown in Figure O-8. As a group, LTAC hospitals in Pennsylvania realized positive operating and total margins for the first time in FY04. Not only did this sector post

positive statewide average total margins, the average operating margin grew over six points to 5.79% in FY04 from a small operating loss of -0.25% in FY03. This improvement in the average total margin was concurrent with the transition to the new prospective payment system for indemnity Medicare patients.

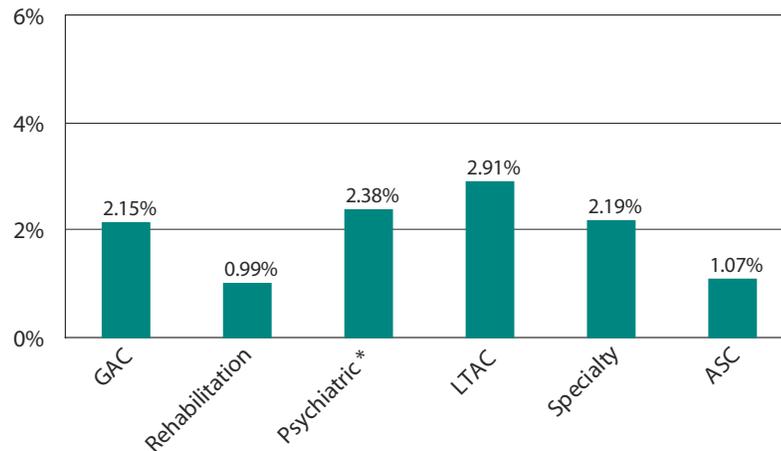
ASCs continue to have the highest average total margin among the six categories of

FIGURE O-8
Average Total Margin, FY04
by Facility Type



* Excludes state psychiatric hospitals

FIGURE O-9
Percent of Uncompensated Care, FY04
by Facility Type †



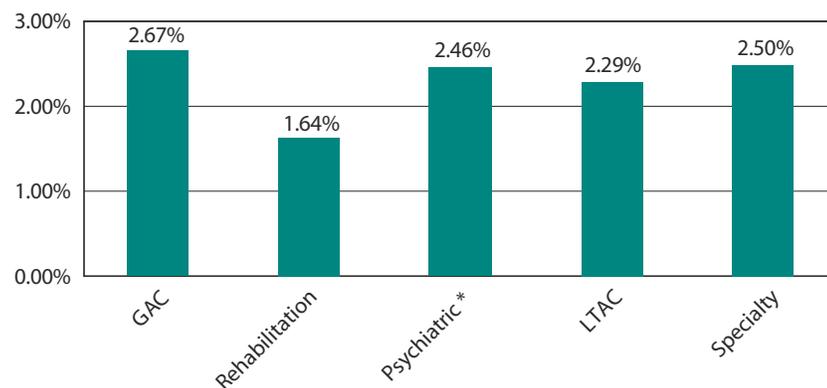
† To meet the requirements of Act 77 (Tobacco Settlement Act), hospital facilities, excluding ASCs, report uncompensated care at full charges as of FY03, which is calculated according to the definition on pg. 56. The uncompensated care figure for ASCs was calculated using the traditional method of comparing the sum of charity care revenue and bad debt expense to total net patient revenue. Consequently, the statewide uncompensated care rate would likely be lower if calculated in the same manner as for the five hospital categories.

* Excludes state psychiatric hospitals

health care facilities shown in Figure O-8. The statewide average total margin grew another 3.2 points to 18.99% during FY04. Part of the reason for the high average margin is that most of the facilities in this largely for-profit sector report their net income on a pre-tax basis. Taxes

are typically paid by the physician-owners of the ASCs as personal income taxes. In addition, some of the compensation received by the physician-owners of an ASC may be reported as net income, instead of an expense, which further increases the average total margin. In contrast,

FIGURE O-10
Total Malpractice Expenses as a Percent of Net Patient Revenue, FY04
by Facility Type †



† Excludes Ambulatory Surgery Centers

* Excludes state psychiatric hospitals

physician compensation at other categories of health care facilities is usually reported as salary or professional service expenses, which reduces operating and total margin.

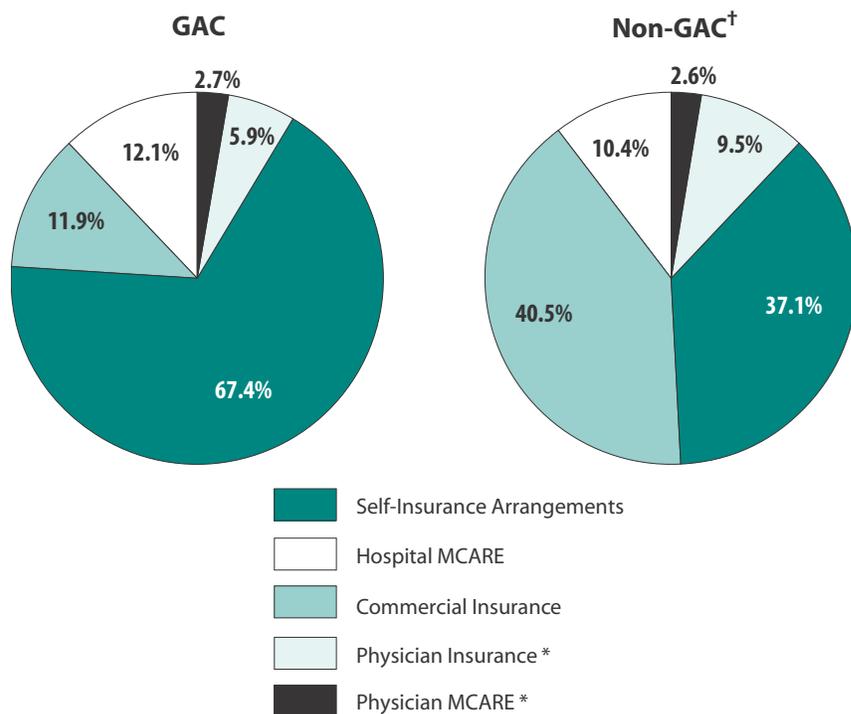
For the first time, PHC4 collected data on the malpractice expenses hospitals incurred during FY04. Figure O-10 provides a comparison of the ratio of total malpractice expenses (ME) to total net patient revenue (NPR) for GAC, rehabilitation, psychiatric, long-term acute and specialty hospitals. The range of the rates across the five facility categories was relatively narrow, varying by just over one point between rehabilitation hospitals at 1.64% and GAC hospitals at 2.67%.

Hospital malpractice expenses include the costs of insurance obtained from independent

commercial carriers, self-insurance programs, the state-administered MCARE fund assessment, hospital-funded physician malpractice expenses and hospital-funded Physician MCARE assessments. Physician malpractice expenses and MCARE assessments that are not funded by hospitals are not included in the malpractice expenses reported by PHC4. For more information on the components of hospital malpractice expenses, please see PHC4's April 2005 Research Brief on "Hospital Malpractice Expenses" at www.phc4.org.

Figure O-11 reveals that, as a group, the non-GAC hospitals rely more on independent commercial insurance carriers and less on self-insurance arrangements than the GAC hospitals to meet their malpractice exposure.

FIGURE O-11
Statewide Hospital Malpractice Expenses by Type of Insurance, GAC and Non-GAC, FY04



[†] Excludes Ambulatory Surgery Centers

* Physician malpractice insurance costs and MCARE expenses funded by hospitals.

Ambulatory Surgery Center Care

Highlights

- The number of licensed ASCs has grown to 177, with 13 new facilities opening between June 2004 and May 2005 and a total of 51 new facilities in the two years since June 2003.
- The annual number of diagnostic and surgical procedures performed at ASCs was over three times (329%) larger than the number reported for FY00. In FY04, over one-fifth (21%) of all outpatient diagnostic and surgical procedures performed in Pennsylvania were performed at ASCs.
- The statewide average pre-tax total margin for ASCs rose 3.2 points during FY04 to 18.99% after increasing 4.0 points during FY03.

Ambulatory Surgery Center Care

The number of ambulatory surgery centers (ASCs) continues to grow, with 13 new facilities opening between June 2004 and May 2005. This brings the total to 177 licensed facilities. This most recent growth in new ASCs is not quite as brisk as the prior 12-month period when 38 new facilities opened between June 2003 and May 2004. There were 132 ASCs that operated for

more than six months during FY04 and submitted financial data to PHC4.

There was a 12.9% increase in the number of patient visits reported by the ASCs during FY04. Most (91%) of this increase in visits is attributable to the 21 new ASCs that were required to submit data for the first time in FY04. The 111 facilities that had been in operation for 18 months or longer reported a net increase in visits of 1.1%. Thirty-three of the 111 facilities actually reported a decline in the number of visits during FY04.

The rapid growth in the number of ASCs has not had a major effect on the overall level of outpatient care provided by GAC hospitals. The total net patient revenue of \$413 million for the ASCs during FY04 was equivalent to only 4.7% of the total outpatient revenue received by the GAC hospitals. Similarly, the 590,269 visits reported by ASCs were equal to 1.7% of the 3.4 million outpatient visits reported by GAC hospitals.

While the growth of ASCs has not had a significant effect on overall outpatient care at GAC hospitals, there has been a significant shift in the surgical and diagnostic¹ procedures

TABLE A-1

Top Five Principal Procedures* at Ambulatory Surgery Centers and General Acute Care Outpatient Units

	FY04				FY00			
	ASC		GAC - Outpatient		ASC		GAC - Outpatient	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Colonoscopy and biopsy	65,407	15.6%	158,524	10.0%	12,451	9.8%	136,296	9.4%
Lens and cataract procedures	89,580	21.4%	70,689	4.5%	36,269	28.5%	96,153	6.6%
Upper gastrointestinal (GI) endoscopy, biopsy	32,265	7.7%	104,547	6.6%	8,944	7.0%	97,051	6.7%
Other non-OR lower GI therapeutic procedures	30,065	7.2%	78,358	5.0%	5,354	4.2%	59,671	4.1%
Insertion of catheter or spinal stimulator/inject spinal canal	28,369	6.8%	59,273	3.7%	6,919	5.4%	56,569	3.9%

* Procedures were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ's Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP). Procedures were ranked by the combined total number of ASC and GAC outpatient procedures during FY04.

¹ PHC4 Ambulatory Surgery Data: 2004 Fourth Quarter Data Notes, Appendix 1 – Procedures Collected

performed in an outpatient setting. During FY04, 418,905 or more than one-fifth (21%) of the total 2.0 million outpatient surgical and diagnostic procedures statewide were performed at ASCs. This reflects a 13-point increase in the ASC share in just four years. In FY00, ASCs performed 8% or 127,501 of the total outpatient surgical and diagnostic procedures in Pennsylvania.

Despite the more than three-fold (329%) increase in the surgical and diagnostic procedures being performed annually at ASCs between FY00 and FY04, there was still a 9% growth in the annual outpatient surgical and diagnostic procedures being performed at the GAC hospitals over the same period. Statewide, there was a 27% or 426,000-procedure increase in the total number of diagnostic and surgical procedures performed in Pennsylvania between FY00 and FY04. Over two-thirds (68%) of this growth occurred at ASCs.

The average net outpatient revenue per visit received by ASCs increased by 13.8% or \$85 per visit during FY04 after a \$86 per visit

decline during FY02 and a \$6 per visit increase during FY03. It is difficult to draw specific conclusions from the changes in the statewide average net outpatient revenue per visit because of the wide range of care provided across the individual ASCs and the large growth in the number of facilities. With the number of reporting ASCs more than doubling since FY00, the average revenue per visit could be heavily influenced by changes in the overall mix of care provided by this burgeoning health care sector.

The breakout of the statewide net patient revenue ASCs received from the

FIGURE A-1
Statewide Patient Visits at Ambulatory Surgery Centers

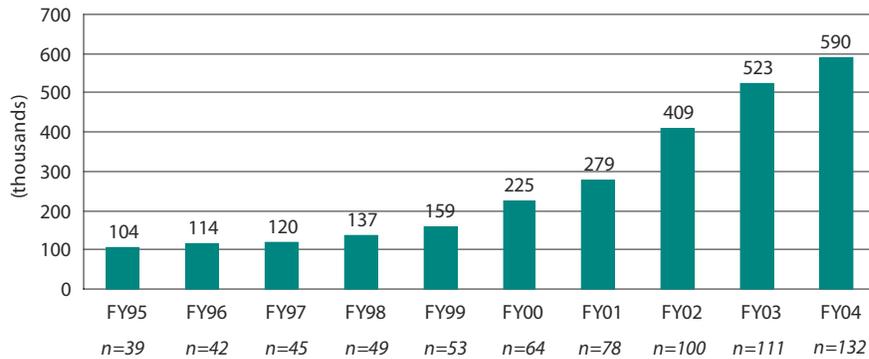
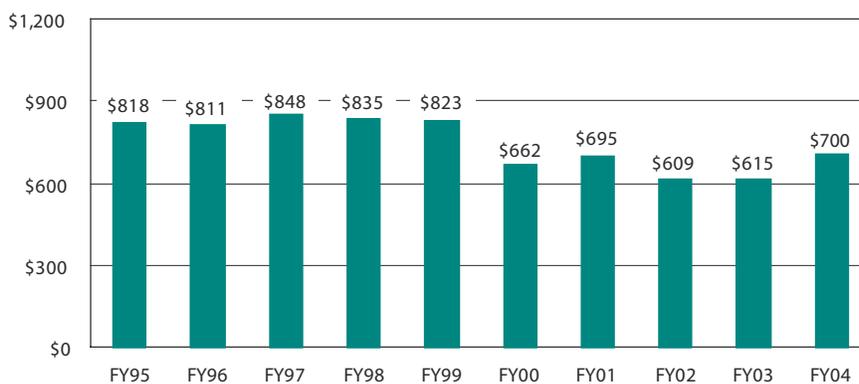


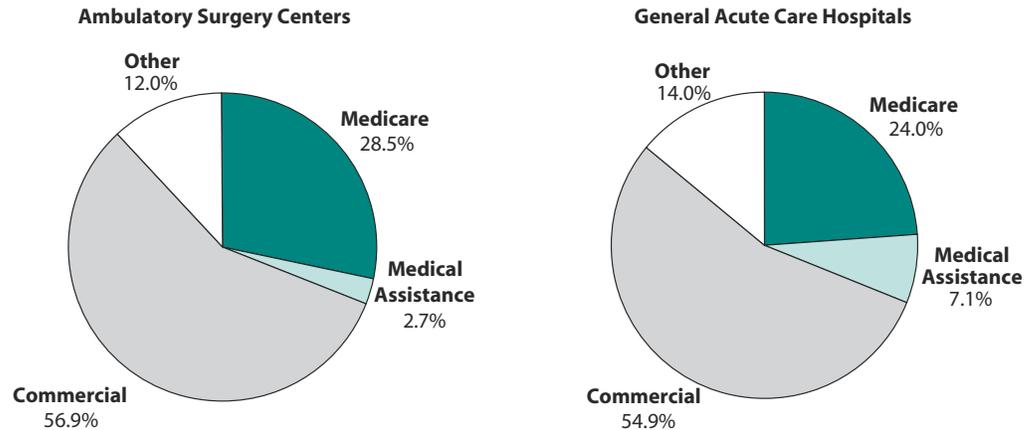
FIGURE A-2
Average Net Outpatient Revenue per Visit at Ambulatory Surgery Centers



Ambulatory Surgery Center Care

FIGURE A-3

Statewide Net Outpatient Revenue at Ambulatory Surgery Centers and General Acute Care Hospitals, FY04
by Payor



three major payor categories is similar to the breakout for the outpatient units at GAC hospitals. The portion of total net patient revenue received from Medicare participants and commercial insurers during FY04 is 4.5 and 2.0 points higher, respectively, for the ASCs. Alternatively, GAC outpatient units receive 7.1% of their revenue from the

Medical Assistance (MA) program while MA provides 2.7% of the revenue received by ASCs. The higher percentage of revenue from the Medicare program at ASCs is consistent with the difference in the average patient age at ASCs and GAC outpatient units. The average age of a patient undergoing a surgical or diagnostic procedure at an ASC was 56.5 years, 5.1 years older than the 51.4-year average age at a GAC outpatient unit (see Figure O-7 in the preceding Overview Section).

Typically, the addition of new surgery centers has a negative effect on the average statewide operating and total margins. Expenses at new facilities usually outpace revenues during the first few months of operation as patient traffic grows. Despite an influx of new entrants into the ASC arena, the statewide average total margin jumped by more than three points for the second year in a row. During FY04, the statewide total margin grew 3.2 points to 18.99%

FIGURE A-4

Statewide Operating and Total Margins at Ambulatory Surgery Centers

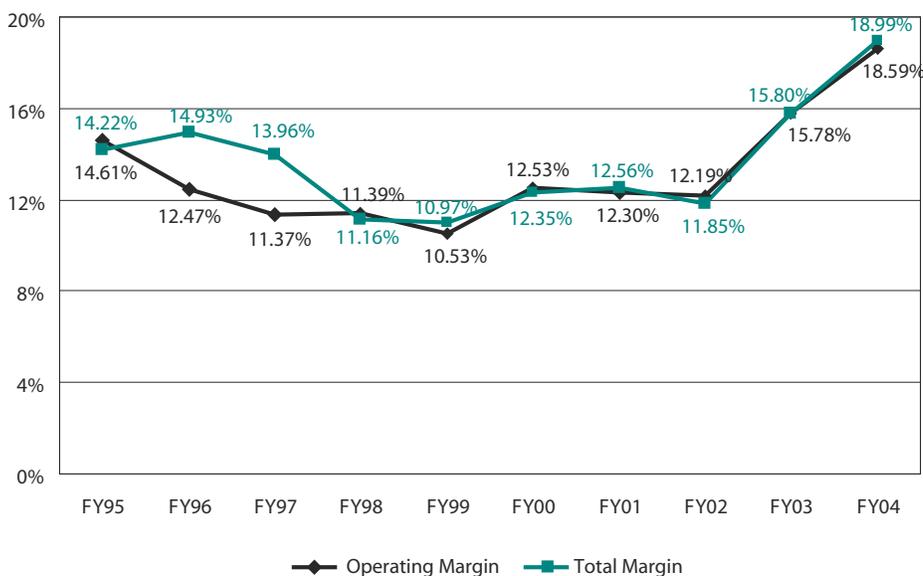
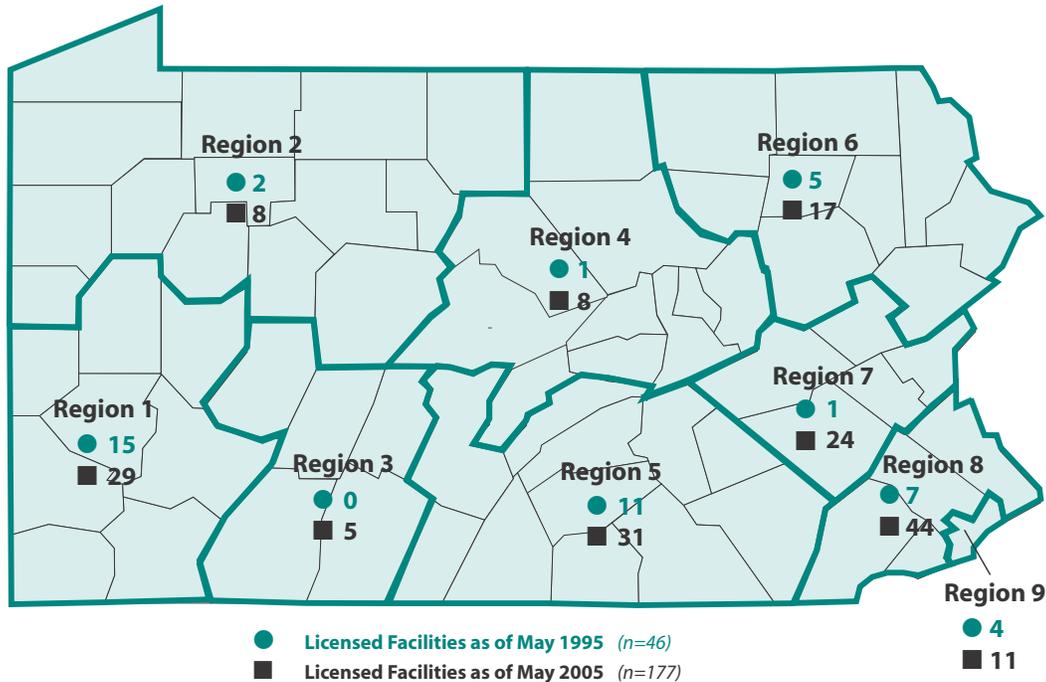


FIGURE A-5
Growth in Ambulatory Surgery Centers by Region



after increasing 4.0 points during FY03.

Isolating the effect of the new ASCs on the statewide total margin reveals that the 111 surgery centers that were in business for more than 18 months prior to the end of FY04 had an average total margin of 20.06%. This is about 1.1 points higher than the statewide average for all reporting ASCs. In contrast, the 21 new reporting facilities that had been in operation between 6 and 18 months before the end of FY04 had an average total margin of 9.71%.

The statewide average margins for the ASCs cannot be directly compared to the average margins for the hospital categories for two reasons. First, most of the ASCs are limited liability partnerships or Sub-Chapter S corporations that are not subject to income taxes. Income taxes are often paid as personal income tax by the owners, which are usually

physicians. Consequently, the total margin of the for-profit ASCs does not reflect any income tax expenses. In contrast, the total margin for the for-profit hospitals, such as GAC, rehabilitation, psychiatric and long-term care are calculated after the tax expense is deducted.

Second, some physician-owners of surgery centers may receive all or part of their compensation as net income, instead of salaries or fees. Consequently, salaries and professional fees are included in the net income that is used to calculate total margin, instead of being reported as an operating expense that would reduce operating and total margins. In contrast, physician compensation paid by other categories of health care facilities is almost exclusively reported as salary or professional service expenses.

Ambulatory Surgery Center Care

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$3,198	\$2,937	\$2,520	\$2,526	8.87%	\$2,580	\$2,479	\$2,232	\$2,238	5.09%
1	Aestique ASC ^{1,10}	\$2,335	\$2,637	\$1,608	\$1,416	21.63%	\$1,960	\$1,858	\$1,474	\$1,361	14.70%
1	ASC/New Kensington ⁷	\$9,571	\$8,374	\$7,482	NA	NA	\$10,618	\$10,217	\$7,991	NA	NA
1	Children's Hosp Pgh North ⁷	\$7,024	\$4,859	\$4,201	\$3,399	35.56%	\$2,625	\$2,966	\$3,387	\$2,927	-3.44%
1	Dermatology & Cosmetic SC ^{1,10,13}	\$799	\$726	\$614	\$669	6.51%	\$724	\$617	\$546	\$623	5.40%
1	Digestive Hlth Endoscopy ^{1,10}	\$1,638	\$1,331	\$761	NA	NA	\$1,620	\$911	\$761	NA	NA
1	Four Seasons Endoscopy ^{1,3,10}	\$2,392	\$1,849	\$500	NA	NA	\$1,088	\$929	\$469	NA	NA
1	HealthSouth Mt Pleasant SC ^{1,10}	\$2,228	\$1,823	\$2,171	\$1,906	5.62%	\$2,024	\$1,960	\$2,057	\$1,896	2.25%
1	Heritage Valley SC ⁷	\$5,073	NA	NA	NA	NA	\$5,202	NA	NA	NA	NA
1	John A Zitelli ASC ^{1,10}	\$630	\$607	\$713	\$602	1.55%	\$630	\$607	\$713	\$596	1.91%
1	Lowry SC ^{1,10,13}	\$907	\$896	\$487	\$627	14.88%	\$917	\$753	\$542	\$683	11.38%
1	Mt Lebanon SC	\$1,836	\$1,826	\$1,637	\$1,615	4.56%	\$1,663	\$1,538	\$1,486	\$1,402	6.20%
1	North Shore SC ^{1,10}	\$409	\$321	\$268	NA	NA	\$418	\$336	\$329	NA	NA
1	SC Ligonier	\$727	\$740	\$795	\$795	-2.82%	\$679	\$677	\$683	\$679	0.03%
1	Shadyside SC ^{1,10,13}	\$514	\$398	\$508	\$505	0.60%	\$452	\$443	\$482	\$493	-2.79%
1	Smarthealth Norwin Hills ^{1,2,7,13}	\$1,410	\$1,117	NA	NA	NA	\$1,611	\$1,609	NA	NA	NA
1	Southwestern ASC ^{1,10,13}	\$3,316	\$2,741	\$3,026	\$3,215	1.05%	\$3,289	\$2,750	\$2,972	\$2,891	4.60%
1	Southwestern PA Eye SC ^{1,10}	\$2,961	\$3,018	\$2,946	NA	NA	\$1,634	\$1,581	\$1,390	NA	NA
1	Three Rivers Endoscopy ^{1,10}	\$3,580	\$3,817	\$3,567	\$2,795	9.36%	\$2,189	\$2,080	\$2,108	\$1,394	19.02%
1	Tri County Surgical ^{1,10}	\$538	\$526	\$413	\$375	14.40%	\$531	\$544	\$419	\$381	13.19%
1	UPMC Monroeville SC ¹³	\$6,602	\$5,738	\$5,339	\$4,492	15.65%	\$4,288	\$4,049	\$5,224	\$5,520	-7.44%
1	Waterfront SC ^{1,2,4,10}	\$958	NA	NA	NA	NA	\$2,916	NA	NA	NA	NA
1	Western PA SC ^{1,10}	\$6,242	\$5,427	\$3,337	NA	NA	\$5,124	\$4,475	\$4,286	NA	NA
1	Zitelli South ASC ^{1,10}	\$551	\$541	\$602	\$547	0.26%	\$551	\$541	\$601	\$547	0.28%
2	Hamot SC ^{3,10}	\$6,875	\$6,718	\$6,136	\$2,568	NA	\$6,000	\$5,647	\$5,363	\$2,944	NA
2	Laurel Laser & SC ^{1,3,10}	\$2,873	\$2,809	\$2,643	\$1,059	NA	\$2,845	\$2,799	\$2,655	\$1,122	NA
2	North Shore Endoscopy ^{1,10,14}	\$422	NA	NA	NA	NA	\$598	NA	NA	NA	NA
2	Regional ASC ^{1,3,10}	\$1,953	\$611	NA	NA	NA	\$1,687	\$921	NA	NA	NA
2	Saint Vincent SC Erie ^{1,10}	\$6,789	\$7,475	\$7,329	\$6,951	-0.77%	\$6,941	\$6,531	\$6,123	\$5,672	7.46%
2	Surgery & Laser ^{1,10,13}	\$2,868	\$2,350	\$1,611	NA	NA	\$1,838	\$1,710	\$1,443	NA	NA
2	Village SC ^{1,10}	\$7,045	\$6,693	\$5,132	\$3,440	34.92%	\$5,503	\$5,258	\$4,447	\$3,545	18.42%
3	Altoona Hospital ASC ^{7,13}	\$2,942	NA	NA	NA	NA	\$3,430	NA	NA	NA	NA
3	Indiana AS Associates ^{1,10}	\$3,256	\$3,262	\$3,153	\$2,888	4.26%	\$2,084	\$2,171	\$2,133	\$2,105	-0.33%
4	Endoscopy PA ^{1,10}	\$1,828	\$1,816	\$1,301	\$1,136	20.32%	\$1,938	\$1,868	\$1,451	\$1,158	22.44%
4	Evangelical ASC ^{1,10}	\$5,699	\$2,789	NA	NA	NA	\$4,600	\$3,174	NA	NA	NA

See footnotes and map of regions on page 54.

Ambulatory Surgery Center Care

Ambulatory Surgery Center	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04	Visits
Statewide Average	18.59%	18.99%	16.44%	28.46%	2.65%	4,472
Aestique ASC ^{1,10}	16.05%	16.15%	19.67%	22.49%	0.78%	2,553
ASC/New Kensington ⁷	-6.16%	-6.16%	-8.81%	37.51%	3.87%	59,312
Children's Hosp Pgh North ⁷	62.63%	62.63%	44.18%	0.07%	12.26%	4,165
Dermatology & Cosmetic SC ^{1,10,13}	9.42%	9.42%	11.85%	31.76%	0.10%	2,606
Digestive Hlth Endoscopy ^{1,10}	1.15%	1.19%	11.79%	27.20%	0.00%	3,292
Four Seasons Endoscopy ^{1,3,10}	54.51%	54.51%	47.60%	41.45%	0.56%	6,287
HealthSouth Mt Pleasnt SC ^{1,10}	9.62%	9.62%	3.50%	39.35%	2.25%	1,587
Heritage Valley SC ⁷	-2.55%	-2.55%	NA	35.39%	3.42%	4,857
John A Zitelli ASC ^{1,10}	0.00%	0.00%	0.07%	64.00%	0.00%	1,304
Lowry SC ^{1,10,13}	-1.04%	-1.04%	3.46%	37.00%	0.00%	1,393
Mt Lebanon SC	9.40%	9.50%	11.70%	74.26%	0.00%	2,257
North Shore SC ^{1,10}	-2.05%	-2.05%	-8.43%	1.70%	0.00%	649
SC Ligonier	6.59%	7.74%	11.16%	86.81%	0.96%	1,038
Shadyside SC ^{1,10,13}	21.60%	27.38%	14.63%	43.61%	0.00%	397
Smarthealth Norwin Hills ^{1,2,7,13}	-14.26%	-14.26%	NA	35.11%	0.67%	2,804
Southwestern ASC ^{1,10,13}	0.82%	0.74%	0.82%	21.97%	2.19%	3,699
Southwestern PA Eye SC ^{1,10}	44.80%	44.80%	48.40%	66.30%	2.49%	3,033
Three Rivers Endoscopy ^{1,10}	38.87%	38.94%	42.04%	43.58%	0.05%	7,672
Tri County Surgical ^{1,10}	1.17%	1.17%	0.33%	27.37%	0.28%	677
UPMC Monroeville SC ¹³	35.20%	35.20%	19.56%	29.66%	0.49%	7,977
Waterfront SC ^{1,2,4,10}	-202.08%	-202.08%	NA	13.55%	0.00%	1,472
Western PA SC ^{1,10}	18.17%	18.17%	7.59%	15.52%	2.71%	6,071
Zitelli South ASC ^{1,10}	0.00%	0.00%	0.07%	66.38%	0.00%	1,163
Hamot SC ^{3,10}	12.73%	12.97%	14.02%	22.60%	7.39%	8,810
Laurel Laser & SC ^{1,3,10}	0.96%	0.96%	0.31%	73.46%	0.50%	3,300
North Shore Endoscopy ^{1,10,14}	-41.81%	-41.81%	NA	26.93%	0.00%	961
Regional ASC ^{1,3,10}	13.60%	13.62%	NA	41.07%	0.03%	2,245
Saint Vincent SC Erie ^{1,10}	-2.24%	21.35%	17.56%	30.11%	11.59%	6,756
Surgery & Laser ^{1,10,13}	35.92%	35.92%	26.91%	47.08%	3.91%	3,257
Village SC ^{1,10}	21.89%	21.96%	19.47%	18.32%	15.85%	6,838
Altoona Hospital ASC ^{7,13}	-16.58%	-16.58%	NA	16.03%	6.48%	2,780
Indiana AS Associates ^{1,10}	40.40%	40.40%	38.62%	35.65%	0.81%	3,395
Endoscopy PA ^{1,10}	3.18%	3.19%	3.33%	35.66%	3.15%	4,164
Evangelical ASC ^{1,10}	19.29%	19.35%	NA	25.14%	2.26%	7,063

Ambulatory Surgery Center Care

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$3,198	\$2,937	\$2,520	\$2,526	8.87%	\$2,580	\$2,479	\$2,232	\$2,238	5.09%
4	Lewisburg Plastic/Laser ^{1,3,10,13}	\$181	\$88	NA	NA	NA	\$260	\$363	NA	NA	NA
4	Mifflin County Com SC ^{1,10}	\$714	\$574	\$565	\$772	-2.49%	\$639	\$558	\$577	\$796	-6.58%
4	Mount Nittany SC	\$7,702	\$6,129	\$5,311	\$5,180	16.23%	\$5,797	\$5,484	\$5,165	\$4,803	6.90%
4	Susquehanna SC ^{3,10,13}	\$860	\$534	\$83	NA	NA	\$753	\$545	\$265	NA	NA
4	UOC Surgical Services ^{1,3,10}	\$1,869	\$426	NA	NA	NA	\$2,169	\$941	NA	NA	NA
5	Apple Hill SC	\$12,219	\$11,603	\$9,799	\$7,936	17.99%	\$8,445	\$7,766	\$7,277	\$5,700	16.05%
5	Carlisle Endoscopy ^{1,10}	\$1,599	\$1,547	\$607	NA	NA	\$1,605	\$1,541	\$584	NA	NA
5	Carlisle Regional SC ^{1,7,10}	\$2,478	\$2,035	\$605	NA	NA	\$2,339	\$1,903	\$519	NA	NA
5	Center Reproductive ^{1,10}	\$914	\$778	\$443	NA	NA	\$436	\$550	\$477	NA	NA
5	Cumberland SC ^{1,3,10}	\$582	\$185	\$9	NA	NA	\$422	\$186	\$10	NA	NA
5	Digestive Disease Inst ^{1,10,14}	\$1,824	\$1,658	\$1,186	\$914	33.20%	\$1,777	\$1,578	\$1,183	\$1,027	24.31%
5	Gettysburg Procedure ^{4,7}	\$847	NA	NA	NA	NA	\$852	NA	NA	NA	NA
5	Grandview SC ^{1,3,10}	\$2,189	\$2,098	\$1,671	\$580	NA	\$1,583	\$1,374	\$1,215	\$376	NA
5	Grandview Surgery & Laser ^{1,10}	\$3,708	\$4,093	\$4,003	\$4,075	-3.01%	\$5,199	\$5,038	\$5,051	\$4,029	9.68%
5	Hanover SC ¹³	\$2,511	\$2,456	\$2,488	\$2,378	1.86%	\$2,116	\$2,106	\$2,009	\$1,951	2.82%
5	Harrisburg Endoscopy & SC ^{1,10}	\$2,477	\$1,784	\$1,037	NA	NA	\$2,469	\$1,784	\$808	NA	NA
5	HealthSouth SC Lancaster ^{1,10}	\$5,059	\$5,310	\$5,474	\$5,485	-2.59%	\$5,270	\$5,243	\$5,965	\$5,107	1.06%
5	Leader SC ^{1,10}	\$770	\$690	\$488	\$352	39.52%	\$460	\$418	\$444	\$317	15.01%
5	Lebanon Outpatient SC ^{1,10}	\$3,529	\$3,421	\$3,141	\$3,233	3.06%	\$3,289	\$3,084	\$2,840	\$2,851	5.12%
5	Mid-Atlantic Gastro Ctr ^{1,4,7,10}	\$2,151	NA	NA	NA	NA	\$1,422	NA	NA	NA	NA
5	Ophthalmology SC ^{1,10}	\$1,935	\$1,970	\$2,261	\$2,113	-2.80%	\$1,984	\$2,114	\$2,190	\$1,940	0.76%
5	PA Eye SC ^{1,10}	\$1,778	\$1,593	\$1,737	\$2,033	-4.17%	\$1,245	\$917	\$1,173	\$1,181	1.80%
5	Penn Surgery Inst ^{10,13}	\$645	\$348	\$427	\$713	-3.18%	\$598	\$677	\$392	\$619	-1.11%
5	SC York ¹³	\$5,610	\$5,095	\$3,810	\$3,666	17.68%	\$5,023	\$4,378	\$3,377	\$3,189	19.18%
5	Summit SC ^{3,10}	\$3,340	\$2,980	\$3,412	\$755	NA	\$3,590	\$3,354	\$3,331	\$2,228	NA
5	Susquehanna Valley SC ^{1,3,10}	\$7,801	\$6,422	\$6,025	\$1,439	NA	\$5,680	\$4,791	\$4,281	\$2,289	NA
5	Valley View SC ^{1,3,10,13}	\$1,095	\$1,057	\$841	\$618	NA	\$636	\$1,060	\$508	\$443	NA
5	West Shore Endoscopy ^{1,10,13}	\$6,828	\$5,368	\$2,739	\$1,828	91.19%	\$3,789	\$3,026	\$2,337	\$1,467	52.77%
5	West Shore SC ^{1,10}	\$6,802	\$6,287	\$5,273	NA	NA	\$4,858	\$4,886	\$4,922	NA	NA
5	York Endoscopy ^{1,10}	\$1,352	\$1,234	\$809	NA	NA	\$958	\$789	\$664	NA	NA
6	Angelina Theresa Bucci SC ^{1,10}	\$1,283	\$1,344	\$254	NA	NA	\$886	\$901	\$408	NA	NA
6	Center Same Day Surgery ^{1,3,10}	\$3,675	\$3,850	\$624	NA	NA	\$3,121	\$2,974	\$784	NA	NA
6	Gastroenterology Consult ^{1,2,4,10,13}	\$961	NA	NA	NA	NA	\$924	NA	NA	NA	NA
6	Guthrie Clinic ⁷	\$3,033	\$3,044	\$2,574	NA	NA	\$2,253	\$2,145	\$1,420	NA	NA

See footnotes and map of regions on page 54.

Ambulatory Surgery Center Care

Ambulatory Surgery Center	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04	Visits
Statewide Average	18.59%	18.99%	16.44%	28.46%	2.65%	4,472
Lewisburg Plastic/Laser ^{1,3,10,13}	-43.79%	-43.79%	NA	12.79%	0.00%	226
Mifflin County Com SC ^{1,10}	10.61%	10.61%	4.30%	62.40%	6.46%	1,065
Mount Nittany SC	24.73%	24.73%	14.21%	11.22%	0.93%	6,539
Susquehanna SC ^{3,10,13}	12.45%	12.45%	-5.79%	6.67%	0.00%	1,005
UOC Surgical Services ^{1,3,10}	-16.09%	-16.09%	NA	4.43%	0.34%	2,509
Apple Hill SC	30.98%	31.00%	30.34%	26.86%	1.60%	12,224
Carlisle Endoscopy ^{1,10}	0.00%	0.00%	1.02%	37.76%	0.17%	3,873
Carlisle Regional SC ^{1,7,10}	5.62%	5.62%	6.98%	19.44%	1.43%	3,590
Center Reproductive ^{1,10}	52.31%	52.33%	31.49%	0.00%	0.00%	1,712
Cumberland SC ^{1,3,10}	27.46%	27.46%	20.36%	4.96%	0.00%	846
Digestive Disease Inst ^{1,10,14}	2.59%	2.76%	2.89%	30.23%	0.14%	4,046
Gettysburg Procedure ^{4,7}	-0.60%	-0.60%	NA	32.99%	1.45%	1,870
Grandview SC ^{1,10}	27.79%	27.79%	30.46%	16.00%	0.81%	1,852
Grandview Surgery & Laser ^{1,10}	-37.78%	-37.78%	-27.03%	27.61%	0.64%	3,623
Hanover SC ¹³	15.70%	15.62%	16.54%	40.97%	1.41%	2,660
Harrisburg Endoscopy & SC ^{1,10}	0.33%	0.33%	4.49%	26.45%	0.59%	5,810
HealthSouth SC Lancaster ^{1,10}	-2.65%	-2.65%	-2.90%	26.16%	0.41%	4,993
Leader SC ^{1,10}	40.51%	40.51%	32.97%	11.91%	0.07%	1,233
Lebanon Outpatient SC ^{1,10}	6.82%	7.09%	8.91%	30.11%	4.36%	5,796
Mid-Atlantic Gastro Ctr ^{1,4,7,10}	33.87%	33.87%	NA	21.27%	0.00%	4,770
Ophthalmology SC ^{1,10}	-2.53%	-1.64%	-0.89%	57.35%	1.79%	2,515
PA Eye SC ^{1,10}	30.00%	31.89%	36.91%	79.69%	3.27%	2,284
Penn Surgery Inst ^{10,13}	7.25%	7.25%	-17.34%	30.00%	0.00%	842
SC York ¹³	10.76%	10.76%	12.25%	23.44%	3.12%	5,563
Summit SC ^{3,10}	-7.46%	-7.34%	-5.38%	30.43%	3.25%	3,571
Susquehanna Valley SC ^{1,3,10}	27.19%	27.25%	27.19%	14.08%	0.59%	9,838
Valley View SC ^{1,10,13}	41.88%	24.80%	19.85%	55.24%	0.00%	1,361
West Shore Endoscopy ^{1,10,13}	44.50%	44.51%	41.26%	16.70%	0.18%	6,287
West Shore SC ^{1,10}	28.59%	28.62%	20.20%	26.05%	0.52%	8,342
York Endoscopy ^{1,10}	29.17%	29.17%	29.00%	29.02%	0.03%	2,988
Angelina Theresa Bucci SC ^{1,10}	31.04%	31.04%	24.02%	66.69%	1.17%	1,821
Center Same Day Surgery ^{1,3,10}	15.17%	15.17%	15.87%	10.40%	5.62%	4,117
Gastroenterology Consult ^{1,2,4,10,13}	3.84%	3.84%	NA	31.44%	0.00%	2,572
Guthrie Clinic ⁷	30.08%	30.01%	36.29%	42.54%	5.79%	5,926

Ambulatory Surgery Center Care

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$3,198	\$2,937	\$2,520	\$2,526	8.87%	\$2,580	\$2,479	\$2,232	\$2,238	5.09%
6	Hazleton ASC ^{1,10}	\$2,224	\$1,112	\$1,518	\$1,637	11.97%	\$830	\$738	\$552	\$645	9.53%
6	Hazleton Endoscopy ^{1,10}	\$699	\$369	NA	NA	NA	\$677	\$347	NA	NA	NA
6	HealthSouth Scranton SC ^{1,10}	\$2,450	\$2,534	\$2,432	\$3,431	-9.53%	\$2,571	\$2,565	\$2,290	\$2,203	5.56%
6	Kingston Ophthalmology ^{1,10,13}	\$3,903	\$4,078	\$3,736	\$5,560	-9.94%	\$2,022	\$1,996	\$2,557	\$2,352	-4.68%
6	NEI AS ^{1,10}	\$4,146	\$4,008	\$3,802	\$3,955	1.61%	\$3,121	\$2,950	\$2,961	\$3,250	-1.32%
6	North East SC ^{1,10}	\$3,839	\$3,913	\$2,930	NA	NA	\$3,844	\$3,526	\$2,465	NA	NA
6	Pocono ASC ^{1,10}	\$3,627	\$3,406	\$2,782	\$2,719	11.14%	\$2,689	\$2,647	\$2,257	\$2,182	7.76%
6	Riverview ASC ^{1,3,10}	\$4,137	\$4,376	\$1,410	\$202	NA	\$2,739	\$2,582	\$1,446	\$628	NA
6	Scranton Endoscopy ^{1,10,13,14}	\$2,934	\$2,679	\$1,718	NA	NA	\$2,842	\$2,582	\$999	NA	NA
6	Surgical Specialty NE PA ^{1,3,10}	\$3,041	\$1,830	\$79	NA	NA	\$2,319	\$1,794	\$340	NA	NA
6	Valley SC ^{3,10}	\$1,571	\$1,315	\$236	\$2,120	NA	\$2,537	\$2,191	\$566	\$2,273	NA
7	Berks Digestive Health ^{1,10,14}	\$3,390	\$2,246	NA	NA	NA	\$1,885	\$1,376	NA	NA	NA
7	Berks Urologic SC ¹⁰	\$965	NA	NA	NA	NA	\$1,051	NA	NA	NA	NA
7	Berkshire Eye SC ^{1,3,10}	\$2,733	\$809	NA	NA	NA	\$1,679	\$1,142	NA	NA	NA
7	Bethlehem Endoscopy ^{1,10}	\$1,287	NA	NA	NA	NA	\$843	NA	NA	NA	NA
7	CHS ASC ^{1,10}	\$5,393	\$4,287	\$4,027	\$3,747	14.63%	\$4,430	\$3,798	\$3,432	\$3,602	7.66%
7	College Heights Endoscopy ^{1,10}	\$1,615	NA	NA	NA	NA	\$1,668	NA	NA	NA	NA
7	Eastern PA Endoscopy ^{1,3,10}	\$3,512	\$1,379	NA	NA	NA	\$1,674	\$1,182	NA	NA	NA
7	Exeter SC ^{1,10,14}	\$2,815	\$4,044	\$4,727	\$3,466	-6.26%	\$2,894	\$3,657	\$4,047	\$3,525	-5.96%
7	Fairgrounds SC ^{1,10}	\$8,549	\$8,826	\$7,970	\$7,235	6.05%	\$7,953	\$7,894	\$7,550	\$7,126	3.87%
7	Mahoning Valley ASC ^{1,3,10}	\$810	\$338	NA	NA	NA	\$539	\$376	NA	NA	NA
7	Northwood SC ^{1,10,13}	\$5,749	\$5,281	\$4,394	\$2,972	31.15%	\$4,150	\$3,511	\$3,119	\$3,197	9.94%
7	PA Eye & Ear SC ¹⁰	\$2,479	NA	NA	NA	NA	\$2,454	NA	NA	NA	NA
7	Progressive Surgical Inst ^{1,10}	\$1,129	\$1,123	\$889	\$1,161	-0.93%	\$585	\$572	\$607	\$681	-4.71%
7	Reading SC ^{1,3,10}	\$6,078	\$4,830	\$137	NA	NA	\$3,329	\$3,130	\$563	NA	NA
7	Reading SC/Spring Ridge ^{7,13}	\$6,555	NA	NA	NA	NA	\$5,885	NA	NA	NA	NA
7	Twin Rivers Endoscopy ^{1,10}	\$716	\$578	\$347	\$371	31.09%	\$658	\$425	\$326	\$344	30.44%
7	Westfield SC ^{1,10,13}	\$2,791	\$2,028	\$1,772	\$1,984	13.55%	\$2,342	\$2,087	\$1,860	\$1,958	6.54%
7	Wyomissing Surgical Serv ^{1,2,4,10,13}	\$331	NA	NA	NA	NA	\$629	NA	NA	NA	NA
8	Abington SC ¹⁰	\$10,849	\$9,020	\$8,843	\$8,219	10.66%	\$8,200	\$7,149	\$7,088	\$6,916	6.19%
8	AFP SC ^{1,2,4,10}	\$215	NA	NA	NA	NA	\$178	NA	NA	NA	NA
8	ASC Bucks County ⁷	\$3,520	\$3,478	\$3,108	\$2,364	16.31%	\$3,297	\$3,088	\$2,512	\$2,124	18.41%
8	Del Valley Ortho/Spine SC ¹⁰	\$3,593	NA	NA	NA	NA	\$1,959	NA	NA	NA	NA
8	Delaware Valley Laser ^{1,10,13}	\$1,854	\$2,141	\$2,256	\$2,061	-3.35%	\$1,186	\$1,193	\$1,504	\$1,195	-0.24%

See footnotes and map of regions on page 54.

Ambulatory Surgery Center Care

Ambulatory Surgery Center	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04	Visits
Statewide Average	18.59%	18.99%	16.44%	28.46%	2.65%	4,472
Hazleton ASC ^{1,10}	62.70%	62.70%	56.32%	72.12%	0.39%	2,463
Hazleton Endoscopy ^{1,10}	3.21%	3.21%	NA	36.53%	0.00%	1,636
HealthSouth Scranton SC ^{1,10}	-4.29%	-4.29%	0.33%	4.24%	2.28%	2,289
Kingston Ophthalmology ^{1,10,13}	48.20%	48.22%	43.90%	43.13%	8.27%	10,573
NEI AS ^{1,10}	24.79%	24.79%	25.41%	62.39%	2.56%	5,901
North East SC ^{1,10}	18.21%	18.21%	14.84%	13.36%	4.85%	5,158
Pocono ASC ^{1,10}	25.86%	26.01%	22.82%	30.65%	2.23%	4,431
Riverview ASC ^{1,3,10}	33.79%	33.79%	31.81%	24.53%	2.68%	6,558
Scranton Endoscopy ^{1,10,13,14}	3.12%	3.12%	12.39%	34.94%	0.00%	7,342
Surgical Specialty NE PA ^{1,3,10}	23.74%	23.74%	5.84%	21.84%	11.76%	4,080
Valley SC ¹⁰	-61.44%	-55.28%	-66.20%	29.37%	2.21%	2,199
Berks Digestive Health ^{1,10,14}	44.44%	44.29%	NA	37.20%	0.00%	7,330
Berks Urologic SC ¹⁰	-8.90%	-8.90%	NA	50.72%	0.00%	3,113
Berkshire Eye SC ^{1,3,10}	38.65%	38.70%	NA	77.97%	0.00%	3,233
Bethlehem Endoscopy ^{1,10}	34.45%	34.84%	NA	48.39%	0.12%	2,391
CHS ASC ^{1,10}	17.85%	18.40%	15.49%	18.11%	0.00%	6,747
College Heights Endoscopy ^{1,10}	-3.29%	-3.29%	NA	34.92%	0.02%	3,409
Eastern PA Endoscopy ^{1,3,10}	52.34%	52.34%	NA	30.30%	0.00%	5,233
Exeter SC ^{1,10,14}	-2.01%	-2.01%	9.04%	15.21%	3.30%	2,637
Fairgrounds SC ^{1,10}	6.98%	7.09%	7.83%	19.54%	2.06%	7,718
Mahoning Valley ASC ^{1,3,10}	33.46%	33.46%	NA	91.23%	0.45%	1,314
Northwood SC ^{1,10,13}	27.83%	27.78%	30.18%	10.66%	0.42%	3,527
PA Eye & Ear SC ¹⁰	1.00%	1.00%	NA	54.52%	0.04%	2,461
Progressive Surgical Inst ^{1,10}	48.16%	48.16%	43.83%	62.61%	3.30%	1,404
Reading SC ^{1,3,10}	45.23%	45.23%	36.43%	15.39%	1.28%	4,938
Reading SC/Spring Ridge ^{7,13}	10.23%	10.23%	NA	14.99%	1.72%	4,540
Twin Rivers Endoscopy ^{1,10}	8.22%	8.39%	14.40%	45.53%	0.00%	1,951
Westfield SC ^{1,10,13}	16.10%	16.10%	4.59%	17.81%	1.24%	4,112
Wyomissing Surgical Serv ^{1,2,4,10,13}	-89.79%	-89.77%	NA	48.58%	0.00%	646
Abington SC ¹⁰	24.60%	24.60%	22.10%	29.00%	0.65%	15,955
AFP SC ^{1,2,4,10}	17.57%	17.57%	NA	32.27%	0.00%	590
ASC Bucks County ⁷	6.34%	6.34%	11.96%	0.00%	7.87%	1,862
Del Valley Ortho/Spine SC ¹⁰	68.45%	68.45%	NA	3.25%	0.00%	9,380
Delaware Valley Laser ^{1,10,13}	36.02%	36.02%	37.91%	52.54%	6.75%	2,545

Ambulatory Surgery Center Care

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$3,198	\$2,937	\$2,520	\$2,526	8.87%	\$2,580	\$2,479	\$2,232	\$2,238	5.09%
8	Dermatologic/Drexel Hill ^{1,10}	\$671	\$671	\$408	\$511	10.45%	\$795	\$795	\$255	\$150	143.39%
8	Doylestown SC ^{1,3,10,13}	\$3,558	\$2,751	\$652	NA	NA	\$3,716	\$3,106	\$1,330	NA	NA
8	Einstein SC ⁷	\$3,602	\$6,626	\$5,128	NA	NA	\$2,726	\$5,976	\$5,367	NA	NA
8	Endoscopic Associates ^{1,3,10}	\$4,290	\$3,438	\$1,796	\$821	NA	\$1,854	\$1,663	\$1,300	\$778	NA
8	Endoscopy/Delaware County ^{1,4,7,10,13}	\$125	NA	NA	NA	NA	\$336	NA	NA	NA	NA
8	Eye SC ^{1,10}	\$15,105	\$13,889	\$10,454	\$13,487	4.00%	\$12,265	\$12,136	\$9,509	\$10,288	6.40%
8	Eye SC Chester ^{1,10}	\$2,807	\$2,551	\$2,225	\$860	75.41%	\$1,614	\$1,707	\$1,492	\$971	22.06%
8	Foundation/Ft Washington ^{1,10,13}	\$2,258	\$1,820	\$1,413	\$376	166.99%	\$1,854	\$1,617	\$1,392	\$464	99.75%
8	Hillmont Endoscopy ^{1,10}	\$4,154	\$2,984	\$1,874	\$1,444	62.58%	\$2,395	\$1,615	\$1,057	\$914	54.03%
8	Holy Redeemer ASC ¹⁰	\$5,707	\$4,018	\$4,212	\$2,919	31.83%	\$4,695	\$3,865	\$3,899	\$3,371	13.09%
8	Main Line Endoscopy/West ^{1,2,4,10}	\$2,029	NA	NA	NA	NA	\$1,875	NA	NA	NA	NA
8	Main Line SC ^{1,10,13}	\$4,316	\$3,811	\$3,297	\$2,876	16.69%	\$3,118	\$2,948	\$2,697	\$2,698	5.19%
8	Montgomery SC ^{1,3,10}	\$1,924	\$1,106	NA	NA	NA	\$1,929	\$1,520	NA	NA	NA
8	Paoli SC ^{1,10}	\$3,970	\$3,852	\$4,233	\$4,185	-1.72%	\$3,682	\$3,543	\$3,775	\$3,770	-0.77%
8	Penn Medicine Radnor Endo ⁷	\$2,205	NA	NA	NA	NA	\$2,131	NA	NA	NA	NA
8	Penn Surgery/Limerick ^{1,4,7,13}	\$4,039	NA	NA	NA	NA	\$2,192	NA	NA	NA	NA
8	Sally Balin ASC ^{1,10}	\$762	\$897	\$685	\$461	21.82%	\$759	\$897	\$683	\$464	21.16%
8	SC Chester County ^{1,10}	\$2,957	\$2,730	\$993	\$1,741	23.28%	\$2,189	\$1,788	\$786	\$1,804	7.12%
8	SC Pennsylvania ^{1,10}	\$5,240	NR	\$3,555	\$3,259	20.26%	\$4,228	NR	\$3,665	\$3,440	7.64%
8	Wills Eye SC Plymouth Mtg ¹⁰	\$3,437	\$3,388	\$3,485	\$3,114	3.46%	\$3,000	\$2,854	\$2,975	\$2,803	2.34%
8	Wills SC Bucks County ¹⁰	\$3,508	\$3,144	\$3,192	\$3,132	4.01%	\$3,039	\$2,806	\$2,794	\$2,712	4.02%
9	CHOP ASC Exton ^{3,7}	\$3,500	\$3,659	\$2,771	\$2,431	NA	\$2,731	\$2,576	\$2,139	\$2,032	NA
9	Dermatologic/Philadelphia ^{1,10}	\$398	\$398	\$530	\$346	4.95%	\$444	\$444	\$294	\$100	114.76%
9	Gastrointestinal Spec ^{1,10}	\$1,164	\$1,272	\$1,263	\$912	9.21%	\$1,122	\$1,234	\$1,264	\$927	7.01%
9	HUP Reproductive Surgical ^{2,4,7,13}	\$625	NA	NA	NA	NA	\$604	NA	NA	NA	NA
9	Philadelphia SC ^{10,13}	\$1,879	\$1,677	\$1,215	\$961	31.85%	\$1,776	\$1,503	\$1,186	\$1,163	17.56%
9	Washington Endoscopy ^{1,4,10}	\$1,163	NA	NA	NA	NA	\$1,888	NA	NA	NA	NA
9	Wills Eye SC South Phila ^{10,13}	\$2,178	\$1,458	\$1,073	\$1,012	38.39%	\$2,366	\$2,768	\$1,684	\$1,785	10.86%
9	Wills SC Northeast ¹⁰	\$2,743	\$2,494	\$2,467	\$2,540	2.66%	\$2,647	\$2,473	\$2,404	\$2,369	3.92%
9	Wills Surgical Ctr City	\$8,065	\$6,306	NA	NA	NA	\$7,822	\$6,544	NA	NA	NA

See footnotes and map of regions on page 54.

Ambulatory Surgery Center Care

Ambulatory Surgery Center	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04	Visits
Statewide Average	18.59%	18.99%	16.44%	28.46%	2.65%	4,472
Dermatologic/Drexel Hill ^{1,10}	-18.54%	-18.54%	-5.48%	43.68%	0.00%	2,676
Doylestown SC ^{1,3,10,13}	-4.44%	-4.44%	-16.83%	19.14%	0.04%	4,003
Einstein SC ⁷	27.62%	27.62%	9.35%	22.83%	9.79%	3,006
Endoscopic Associates ^{1,10}	56.77%	56.82%	49.46%	14.45%	0.00%	7,234
Endoscopy/Delaware County ^{1,4,7,10,13}	-169.11%	-169.05%	NA	61.80%	0.03%	487
Eye SC ^{1,10}	18.80%	18.81%	14.05%	25.23%	0.19%	34,275
Eye SC Chester ^{1,10}	42.50%	42.59%	36.61%	68.83%	0.66%	2,979
Foundation/Ft Washington ^{1,10,13}	17.88%	18.03%	5.11%	2.80%	0.00%	1,625
Hillmont Endoscopy ^{1,10}	42.33%	42.33%	43.77%	14.50%	0.67%	8,105
Holy Redeemer ASC ¹⁰	17.73%	17.76%	10.66%	14.28%	0.00%	6,863
Main Line Endoscopy/West ^{1,2,4,10}	7.61%	7.74%	NA	16.42%	0.00%	4,744
Main Line SC ^{1,10,13}	27.76%	27.76%	23.30%	47.95%	2.80%	3,679
Montgomery SC ^{1,3,10}	-0.25%	-0.25%	NA	72.90%	1.34%	2,163
Paoli SC ^{1,10}	7.85%	7.85%	9.39%	19.95%	0.99%	4,661
Penn Medicine Radnor Endo ⁷	4.28%	4.28%	NA	15.77%	1.19%	2,926
Penn Surgery/Limerick ^{1,4,7,13}	45.74%	45.74%	NA	45.57%	1.51%	2,757
Sally Balin ASC ^{1,10}	0.47%	0.47%	0.28%	64.93%	0.00%	1,240
SC Chester County ^{1,10}	25.97%	25.98%	28.71%	9.23%	1.27%	3,684
SC Pennsylvania ^{1,10}	19.31%	19.31%	NR	17.52%	3.70%	6,120
Wills Eye SC Plymouth Mtg ¹⁰	13.03%	13.03%	14.70%	61.04%	0.88%	3,198
Wills SC Bucks County +	13.57%	13.57%	12.73%	62.11%	0.88%	2,947
CHOP ASC Exton ^{3,7}	21.97%	21.97%	25.02%	0.00%	9.32%	1,647
Dermatologic/Philadelphia ^{1,10}	-11.65%	-11.65%	10.81%	46.24%	0.00%	1,790
Gastrointestinal Spec ^{1,10}	3.63%	3.63%	2.15%	23.68%	0.00%	3,367
HUP Reproductive Surgical ^{2,4,7,13}	3.32%	3.32%	NA	0.00%	0.00%	205
Philadelphia SC ^{10,13}	5.47%	5.47%	6.41%	9.03%	11.36%	4,142
Washington Endoscopy ^{1,4,10}	-62.33%	-62.33%	NA	32.00%	0.00%	4,381
Wills Eye SC South Phila ^{10,13}	-8.63%	-8.63%	-44.78%	21.31%	5.71%	2,423
Wills SC Northeast ¹⁰	7.43%	7.43%	5.11%	39.59%	1.22%	2,737
Wills Surgical Ctr City	3.15%	3.15%	NA	41.76%	8.40%	6,436

Rehabilitation Care

Highlights

- ▶ After an 9.3-point increase in the statewide average operating margin during FY03, the average operating margin fell 3.7 points during FY04 to 11.63%. The decline in the FY04 operating margin was the result of a 2.0% decline in operating revenue and a 2.2% increase in operating expenses.
- ▶ The FY03 surge in statewide operating margin was caused by the combination of a 4.1% increase in operating revenue and a 6.1% reduction in operating expenses. The FY03 increase in operating revenue was driven largely by a \$53 million increase in Medicare indemnity revenue that occurred concurrently with the implementation of the new Medicare Prospective Payment System (PPS) for rehabilitation care.
- ▶ Despite increases in the annual federal Medicare inpatient PPS rates in the 3.0% to 3.2% range, total revenue from Medicare participants fell 1.4% during FY04. Small declines in inpatient and outpatient utilization by Medicare patients contributed to the decline in Medicare revenue. Medicare patients provide 54% of the revenue at rehabilitation hospitals.
- ▶ While the statewide average operating margin fell 3.7 points, the statewide average total margin actually increased 0.4 points to 11.31%. Most of the improvement in the total margin can be attributed to investment gains and earnings at two non-profit rehabilitation hospitals and lower tax expenses for the ten for-profit hospitals. Tax expenses were lower because overall operating income was lower in FY04.
- ▶ The average length of stay (ALOS) at rehabilitation hospitals fell another three-quarters (0.74) of a day during FY04. This decline in the ALOS, together with a 1.5% decline in discharges, led to a 6.5% decline in patient days at rehabilitation hospitals during FY04. In contrast, GAC rehabilitation units collectively realized a 3.6% increase in patient days as a result of the small (1.0%) increase in discharges and a one-quarter-day (0.24) increase in ALOS.

Hospital-based Rehabilitation Care

During Fiscal Year 2004 (FY04), there were 21 freestanding rehabilitation hospitals that provided care to 48% of the patients admitted for hospital-based rehabilitation care. The remaining 52% of rehabilitation patients received care at rehabilitation units operated as part of General Acute Care hospitals (GAC rehabilitation units). Six GAC hospitals opened rehabilitation units during FY04 and one closed, increasing the total number of GAC rehabilitation units from 67 in 2003 to 72 in 2004. Forty percent of Pennsylvania's 182 GAC hospitals operated rehabilitation units in FY04.

Trends in Hospital-based Rehabilitation Care

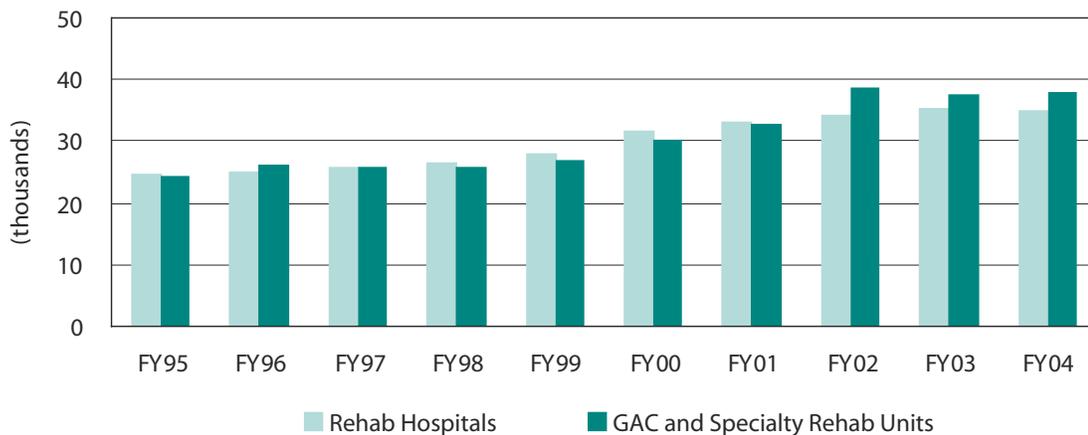
In the four-year period FY99 through FY02, there was robust growth in the number of patients receiving inpatient rehabilitation care. Between the beginning of FY99 (end of FY98) and the end of FY02, total rehabilitation discharges grew over 40%, or an average of about 9% per year. In contrast, rehabilitation discharges have remained relatively constant over the past three years (FY02 through FY04).

In the eight years between FY95 and FY02, the overall average length of stay (ALOS) for rehabilitation care fell almost five full days from 16.90 days to 11.94 days. The sharp decline in ALOS occurred at both rehabilitation hospitals and GAC rehabilitation units. However, over the past two years (FY03 and FY04), the ALOS at GAC rehabilitation units climbed by two-thirds of a day (0.67 day) while the trend of falling ALOS continued at the rehabilitation hospitals. As a group, the rehabilitation hospitals reduced their ALOS by a total of 1.35 days during the two-year period FY03 and FY04.

TABLE R-1
Utilization and Capacity of Rehabilitation Care
by Facility Type

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Patient Days										
Rehabilitation	488,414	479,299	470,707	457,332	483,402	527,382	525,866	521,371	516,562	483,062
GAC & Specialty	339,935	342,450	321,122	299,590	299,591	321,027	341,940	349,544	355,418	368,138
Statewide	828,349	821,749	791,829	756,922	782,993	848,409	867,806	870,915	871,980	851,200
Discharges										
Rehabilitation	24,699	25,087	25,637	26,311	28,056	31,709	33,148	34,232	35,331	34,800
GAC & Specialty	24,322	25,947	25,706	25,561	26,718	30,101	32,845	38,684	37,533	37,897
Statewide	49,021	51,034	51,343	51,872	54,774	61,810	65,993	72,916	72,864	72,697
Beds										
Rehabilitation	1,824	1,775	1,774	1,771	1,785	1,783	1,821	1,838	1,842	1,807
GAC & Specialty	1,296	1,334	1,318	1,244	1,241	1,318	1,373	1,429	1,478	1,543
Statewide	3,120	3,109	3,092	3,015	3,026	3,101	3,194	3,267	3,320	3,350
Occupancy Rate										
Rehabilitation	73.00%	74.33%	72.65%	73.65%	74.56%	80.53%	79.43%	78.69%	77.69%	73.90%
GAC & Specialty	71.83%	69.96%	67.00%	66.48%	66.44%	67.20%	67.97%	66.92%	66.30%	66.10%
Statewide	72.52%	72.44%	70.25%	70.63%	71.23%	74.91%	74.48%	73.50%	72.61%	70.31%
Average Length of Stay										
Rehabilitation	19.77	19.11	18.36	17.38	17.23	16.63	15.86	15.23	14.62	13.88
GAC & Specialty	13.98	13.20	12.49	11.72	11.21	10.66	10.41	9.04	9.47	9.71
Statewide	16.90	16.10	15.42	14.59	14.29	13.73	13.15	11.94	11.97	11.71

FIGURE R-1
Rehabilitation Discharges
by Facility Type



Rehabilitation Care

The decline in the ALOS at rehabilitation hospitals has led to a decline in the total number of patient days. The 0.74-day decline in the ALOS, coupled with the small (1.5%) decline in discharges, has resulted in a 6.5% reduction in patient days at rehabilitation hospitals during FY04. Alternatively, GAC rehabilitation units collectively realized a 3.6% increase in patient days as a result of the small (1.0%) increase in discharges and a one-quarter-day (0.24) increase in ALOS.

Both the rehabilitation hospitals and the GAC rehabilitation units primarily serve an

elderly population. Figure R-4 reflects that 67.0% of rehabilitation patients discharged from rehabilitation hospitals and 76.0% from GAC rehabilitation units are 65 years or older.

Consistent with this age distribution, Table R-2 shows that the leading conditions treated at the rehabilitation hospitals are those most prevalent among elderly patients. For example, the five leading clinical classifications—osteoarthritis, stroke, other non-traumatic joint disorders, hip fracture and degenerative back disorders—represent the principal diagnoses for over 43% of all patients admitted

to Pennsylvania rehabilitation hospitals during FY04.

While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. Patients in the under-25 and the 25–44 year age groups had an ALOS of 26.8 and 18.3 days, respectively, during FY04. In contrast, patients in the 65–74 age group had an ALOS of 12.5 days. Part of the reason younger patients have longer stays is that a substantial portion of their care is for traumatic injuries,

FIGURE R-2
Average Length of Stay for Rehabilitation Care
by Facility Type

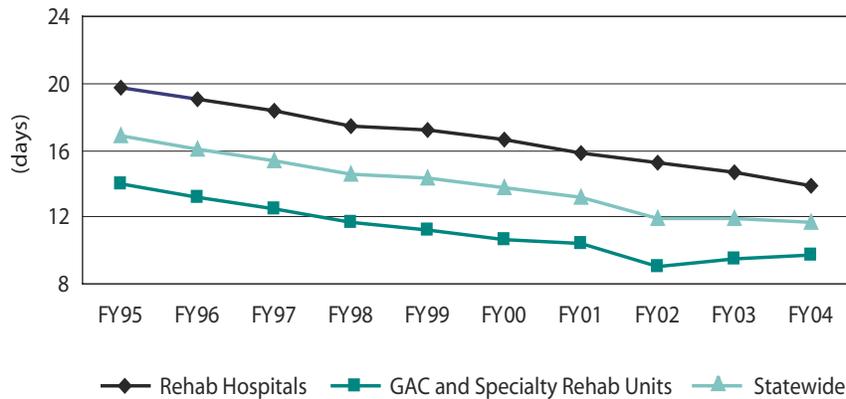


FIGURE R-3
Rehabilitation Patient Days
by Facility Type

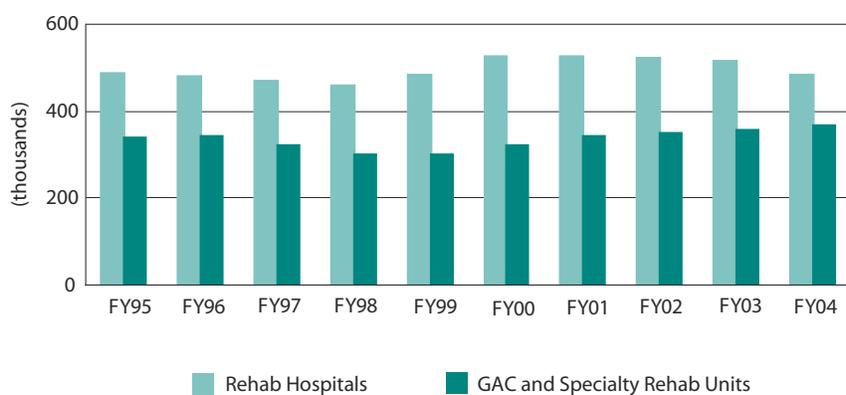
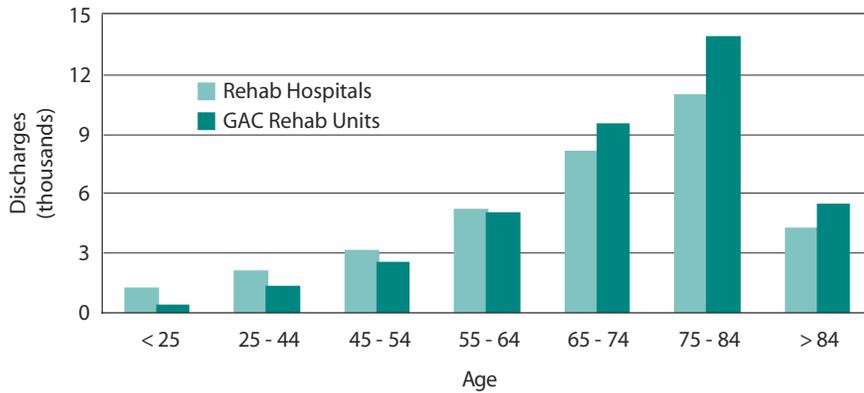


FIGURE R-4
Age Distribution of Rehabilitation Patients, FY04



such as brain and spinal cord injuries, which typically have longer recovery periods.

The total outpatient visits reported by the rehabilitation hospitals fell by 2.9% during FY04 after increasing 9.8% during FY02 and 4.2% during FY03. These annual changes in outpatient visits do not reflect the outpatient

visits of HealthSouth’s Greater Pittsburgh facility, which was changed from a rehabilitation to a long-term acute care facility prior to FY04. The Angela Jane Pavilion Rehabilitation Hospital, which began operations during FY04, did not provide outpatient care during FY04.

TABLE R-2
Leading Inpatient Clinical Classifications[†] at Rehabilitation Hospitals, FY04
by Payor

Top Ten	Total	Commercial		Medicare		Medical Assistance	
	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Osteoarthritis	18.07%	1	20.98%	1	18.00%	6	5.65%
Stroke	8.68%	3	8.01%	2	9.06%	3	7.96%
Other (non-traumatic) joint disorders	6.23%	2	8.36%	4	5.58%	7	3.34%
Hip fracture	6.01%	6	3.35%	3	7.52%	*	*
Degenerate back disorders & problems	4.43%	5	4.12%	5	4.76%	8	2.70%
Brain injury	3.60%	4	7.06%	*	*	2	8.21%
Late effects of cerebrovascular disease	3.43%	10	3.08%	7	3.28%	5	6.39%
Other nervous system disorders	3.23%	7	3.30%	10	2.64%	1	8.85%
Other connective tissue disease	2.85%	*	*	6	3.28%	*	*
Other fractures	2.68%	*	*	9	2.67%	*	*

[†] Adult discharges were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ’s Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP).

* Not among the top ten diagnoses.

Rehabilitation Care

TABLE R-3
Utilization and Capacity, FY04
by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	28,052	42,822	65.51%	2,500	117	11.22
Angela Jane Rehab	2,893	5,525	52.36%	217	45	13.33
Bryn Mawr Rehab	48,242	55,266	87.29%	3,866	151	12.48
Chestnut Hill Rehab	12,396	17,520	70.75%	1,291	48	9.60
Children's Inst Pgh	9,383	14,274	65.73%	286	39	32.81
Children's Seashore House	8,455	10,980	77.00%	311	30	27.19
Geisinger HealthSouth	10,772	14,600	73.78%	810	40	13.30
Good Shepherd/Bethlehem	7,582	10,614	71.43%	961	29	7.89
Good Shepherd Rehab	19,994	27,450	72.84%	1,957	75	10.22
HealthSouth Altoona	21,601	25,550	84.54%	1,641	70	13.16
HealthSouth Erie	27,182	36,600	74.27%	1,575	100	17.26
HealthSouth Harmarville	47,157	73,730	63.96%	2,401	202	19.64
HealthSouth Mechanicsburg	30,297	37,595	80.59%	2,258	103	13.42
HealthSouth Nittany	18,807	31,025	60.62%	1,270	85	14.81
HealthSouth Reading	22,834	34,675	65.85%	1,518	95	15.04
HealthSouth Sewickley	10,387	11,680	88.93%	733	32	14.17
HealthSouth York	31,394	37,230	84.32%	2,317	102	13.55
John Heinz Rehab	29,480	34,404	85.69%	2,226	94	13.24
Magee Rehab	27,484	35,040	78.44%	1,723	96	15.95
Moss Rehab	45,273	65,952	68.65%	3,032	197	14.93
UPMC Rehab	23,397	31,110	75.21%	1,907	85	12.27

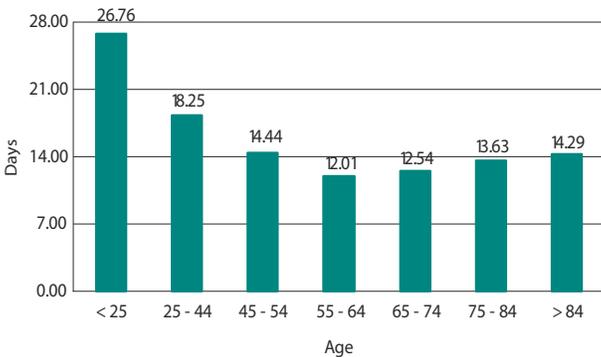
Outpatient care at rehabilitation hospitals generated \$124.4 million of net patient revenue (NPR) during FY04, which represents 21.4% of all net patient revenue received by the 21 rehabilitation hospitals. The range of outpatient care offered at rehabilitation hospitals may not be directly related to the care provided on an inpatient basis. Therefore, changes in outpatient care do not necessarily reflect a shift in care between the inpatient and outpatient settings.

Utilization and Revenue by Payor

The federal Medicare program provided 54% of the NPR received by rehabilitation hospitals during FY04. Consequently, changes in Medicare reimbursements can have a significant effect on the revenue and income of rehabilitation providers.

Beginning in January 2002, the cost-based Medicare reimbursement system for rehabilitation care was replaced by the Prospective Payment System (PPS). PPS was designed to

FIGURE R-5
Average Length of Stay at Rehabilitation Hospitals, FY04
by Age



reimburse rehabilitation facilities based on the expected resources needed to provide care.

Under PPS, a predetermined payment for each Medicare patient has been established based on the Case Mix Group (CMG) in which each patient is placed. Patients are assigned to one of 100 CMGs based on the primary reason for rehabilitation care (e.g., stroke) and the functional status (motor and cognitive) of the patient upon admission. A few CMGs are also determined by the patient’s age. The CMGs are adjusted by one of four tiers depending on the patient’s co-existing conditions (comorbidities). Payments are also adjusted by regional cost differences.

The initial PPS rates were intended to provide the national rehabilitation sector with the same level of overall funding received under the former cost-based system (i.e., budget neutral). Individual hospitals may have experienced an increase or decrease in reimbursements under PPS depending on the number and type of patients served. To reduce the impact of any shift in revenue caused by the transition to PPS, hospitals could elect to receive a blended payment comprised of two-

thirds of the new PPS rates and one-third of the pre-PPS rates during their first year under PPS.

FY03 was the first full fiscal year that rehabilitation hospitals and GAC rehabilitation units were reimbursed under PPS. Rehabilitation hospitals in Pennsylvania reported a 22.8% or \$2,356 increase in the average revenue per discharge for Medicare indemnity patients from \$10,339 in FY02 to \$12,695 in FY03. During FY04, the average revenue per discharge for Medicare indemnity patients remained relatively constant, rising only 1.9% to \$12,936.

The average 1.9% increase in the average revenue per discharge for Medicare indemnity patients at Pennsylvania rehabilitation hospitals was lower than the annual increases in overall Medicare payment rates established by the Centers for Medicare and Medicaid Services (CMS). Federal law requires CMS to annually update PPS rates to reflect the changes in the costs of providing rehabilitation care. CMS implemented a 3% increase in the overall Medicare rehabilitation PPS rates

FIGURE R-6
Statewide Net Patient Revenue at Rehabilitation Hospitals, FY04
by Payor

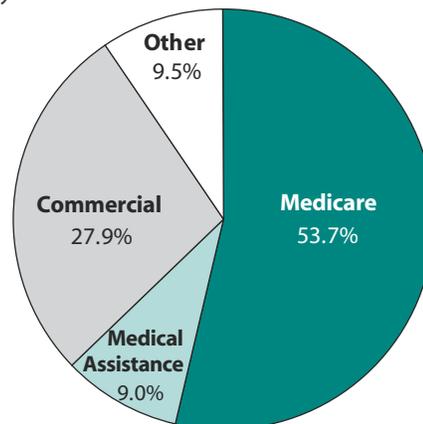


TABLE R-4
Statewide Net Patient Revenue at Rehabilitation Hospitals
by Payor (thousands)

	FY03	FY04	Percent Change FY03 to FY04
Commercial			
Indemnity	\$71,104	\$60,926	-14.31%
Managed Care	\$100,703	\$101,179	0.47%
Total	\$171,807	\$162,105	-5.65%
Medicare			
Indemnity	\$283,489	\$284,003	0.18%
Managed Care	\$33,057	\$28,178	-14.76%
Total	\$316,546	\$312,181	-1.38%
Medical Assistance			
Indemnity	\$28,491	\$30,898	8.45%
Managed Care	\$15,420	\$21,338	38.38%
Total	\$43,911	\$52,236	18.96%
Other	\$66,656	\$55,034	-17.44%
Statewide	\$598,920	\$581,556	-2.90%

for the 12 months beginning in October 2002, a 3.2% increase beginning in October 2003, and a 3.1% increase beginning in October 2004. Medicare indemnity reimbursements for FY04 were affected by some combination of the October 2002 and October 2003 rate increases depending on whether the hospital operated on a calendar year or fiscal year (e.g., 12 months ending June 2004).

Future Medicare payments to rehabilitation hospitals and GAC rehabilitation units may be affected by new federal regulations adopted last year. On May 7, 2004, the federal Department of Health and Human Services published a final rule¹, which revises the criteria for rehabilitation hospitals and GAC rehabilitation units to qualify for rehabilitation PPS rates.

¹ May 7, 2004, 69 *Federal Register* 25752.

For cost reporting years beginning after July 1, 2004, 50% of a facility's patients must be recovering from 13 specified conditions. The minimum threshold increases in annual increments to 75% after July 2007. Facilities that do not meet the criteria would be reimbursed under the lower general PPS rates.

The revenue that the rehabilitation hospitals received per discharge and per day varies considerably by payor category. Part of this variation is attributable to the mix of patients and care covered by the different third-party payors and the variation of costs associated with treating those patients. Since comprehensive and comparable cost data is not available for all patients, it is not possible to directly compare the costs of patient care to the revenue provided by the third-party payors.

An alternative means to assess the variations in the average costs of patients covered by the different third-party payors is to observe the variations in the average charges by payor category. Charges are typically higher than actual reimbursements, and the correlation between hospital charges and costs is not perfect among the various procedures and facilities. However, the differences in average charges for the entire cross section of patients covered by each payor category should reflect the differences in average costs across the payor categories.

Table R-5 displays average charge indices and average revenue indices for the payor categories. These indices reflect how the average charge and average payment for each payor category compares to the statewide average for all payors. For example, the average charge index for Medicare patients in FY04 was 0.92. This indicates that the average hospital charge for Medicare patients was 8% below the

average of all charges for rehabilitation hospital patients and suggests that the average cost to treat a Medicare patient was about 8% below the average. In comparison, the average revenue index for Medicare patients was 0.97, five points above the average charge index.

On average, Medical Assistance (MA) patients are younger, have a greater percentage of traumatic injuries, and require a longer length of stay in a rehabilitation hospital. Consequently, care provided to MA patients at rehabilitation hospitals took an average of 19.3 days, or 5.4 days longer than the all-patient average of 13.9 days during FY04. Consistent with longer lengths of stay, rehabilitation hospitals reported receiving an average payment of \$19,361 for MA patients, which was 50.0% greater than the \$12,933 average revenue for all patients at rehabilitation hospitals during FY04. Table R-5 shows that the average revenue index was 1.50 for MA rehabilitation patients in FY04 and that the average charge index was 1.64.

Patients covered by commercial insurance represent a broad spectrum of ages and rehabilitation treatment. Consequently, the average charge index of 1.01 was very close to the average for all patients at rehabilitation hospitals. However, the average revenue index was 0.88. The average payment from commercial insurers was 12% below the average payment received for all rehabilitation hospital patients.

FIGURE R-7

Average Length of Stay at Rehabilitation Hospitals, FY04 by Payor

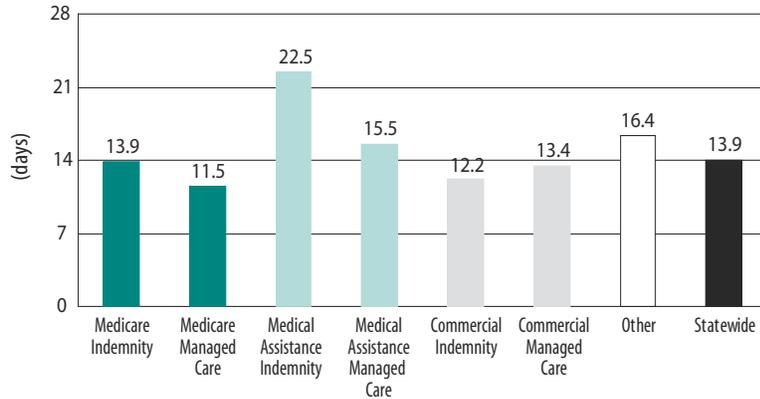


FIGURE R-8

Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY04 by Payor

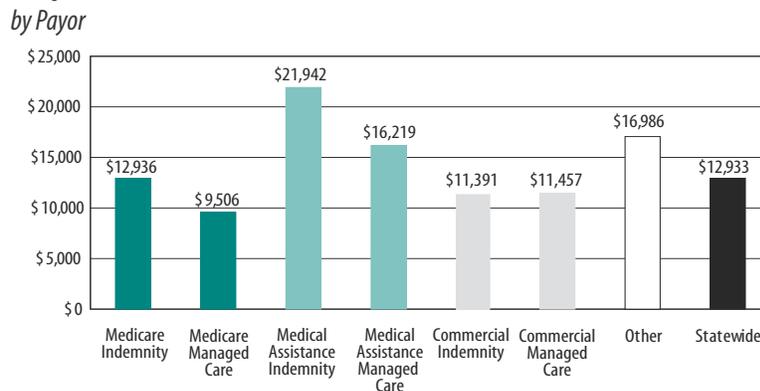
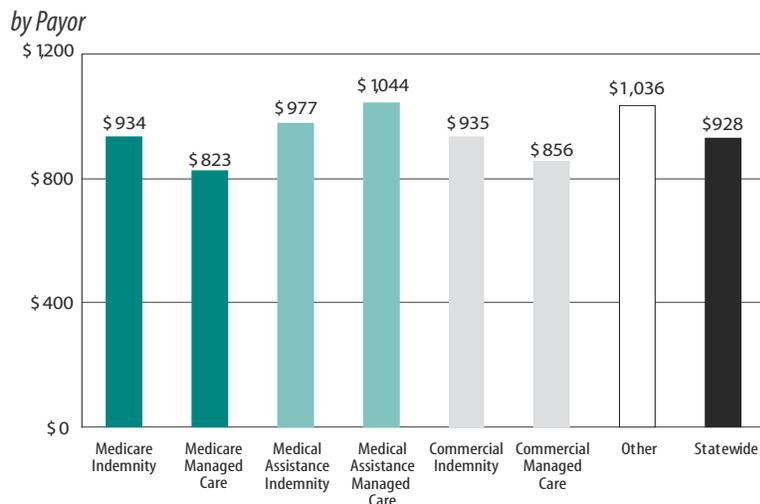


FIGURE R-9

Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY04 by Payor



Rehabilitation Care

TABLE R-5
**Average Charge and Revenue per Discharge at Rehabilitation Hospitals,
 FY04**
by Payor

	Average Revenue Index	Average Revenue per Discharge	Average Charge Index	Average Charge per Discharge *
Commercial	0.88	\$11,435	1.01	\$25,915
Indemnity	0.88	\$11,391	0.94	\$24,086
Managed Care	0.89	\$11,457	1.04	\$26,699
Medicare	0.97	\$12,560	0.92	\$23,530
Indemnity	1.00	\$12,936	0.92	\$23,693
Managed Care	0.74	\$9,506	0.86	\$21,955
Medical Assistance	1.50	\$19,361	1.64	\$41,992
Indemnity	1.70	\$21,942	1.86	\$47,767
Managed Care	1.25	\$16,219	1.31	\$33,583
Other	1.31	\$16,986	1.23	\$31,446
Statewide	1.00	\$12,933	1.00	\$25,658

* Charges at individual facilities were normalized to adjust for differences in charges among the rehabilitation hospitals. Without adjustments, hospitals with higher than average charges would have a greater influence on the payor averages than hospitals with lower than average charges.

In addition to the variation among the major payor categories, ALOS and average net inpatient revenue per day and per discharge also vary depending on whether the patient is enrolled in a managed care or indemnity program. For example, the average stay for an MA indemnity patient was almost seven days longer than an MA patient participating in a managed care plan. Similarly, the \$21,942 average revenue per discharge for MA patients with indemnity coverage was 35.3% greater than the average revenue per discharge for patients in an MA managed care plan.

One reason for the large differences between MA indemnity and managed care is that the MA indemnity program becomes the payor of last resort for patients who would

not ordinarily be MA recipients. For example, uninsured patients with traumatic injuries become eligible for MA when the injury makes them unable to work and the costs of medical treatment exhaust their financial resources. Patients that require rehabilitation care because of a traumatic medical condition typically require longer lengths of stay and have higher costs per discharge. Because all new MA patients are at least initially enrolled in the indemnity (fee-for-service) program, patients that become MA recipients because of a traumatic condition contribute to

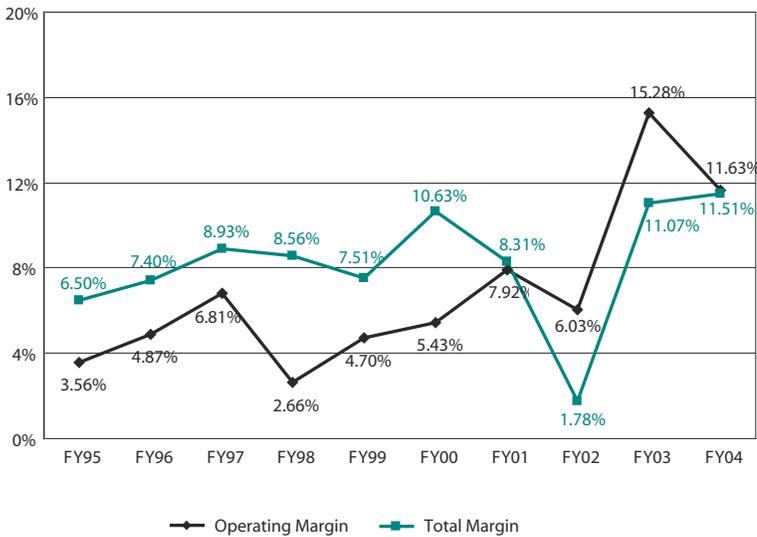
the higher average revenue per discharge and ALOS for the MA indemnity category. In addition, patients enrolled in an MA managed care plan revert back to the indemnity program if their inpatient stay exceeds 30 days.

Financial Profile

After a 9.3-point increase in the statewide average operating margin for rehabilitation hospitals during FY03, the average operating margin fell by 3.7 points from 15.28% in FY03 to 11.63% in FY04. The average operating margin fell because total operating revenues fell by 2.0% and operating expenses increased by 2.2%.

The change in the statewide total operating revenue and expenses were affected by the transformation of HealthSouth's Greater Pitts-

FIGURE R-10
Statewide Operating and Total Margins at Rehabilitation Hospitals



burgh facility from a rehabilitation hospital to a long-term acute care facility prior to FY04 and the opening of the Angela Jane Pavilion in Philadelphia during FY04. Excluding the effects of these two facilities, the 5.7% growth in operating expenses still outpaced the 1.3% growth in operating revenue.

Despite the 3.7-point decline in the statewide average operating margin, the average total margin increased by 0.4 points to 11.51%. There were two primary factors that contributed to the increase in the total margin.

TABLE R-6
Statewide Revenue, Expenses, and Income at Rehabilitation Hospitals (thousands)

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Net Patient Revenue	\$427,831	\$434,726	\$446,229	\$462,176	\$477,694	\$495,754	\$530,168	\$551,147	\$598,920	\$581,556
Total Operating Revenue	\$444,290	\$455,043	\$477,146	\$486,779	\$505,574	\$517,593	\$554,948	\$601,725	\$626,596	\$613,785
Total Operating Expenses	\$428,490	\$432,887	\$444,650	\$473,841	\$481,823	\$489,496	\$510,999	\$565,430	\$530,863	\$542,430
Operating Income	\$15,800	\$22,156	\$32,496	\$12,938	\$23,751	\$28,097	\$43,949	\$36,295	\$95,734	\$71,355
Non-operating Adjustments*	\$14,020	\$13,131	\$12,019	\$31,421	\$16,346	\$30,636	\$3,056	(\$25,769)	(\$26,683)	\$1,133
Revenue over Expenses	\$29,820	\$35,287	\$44,515	\$44,359	\$40,097	\$58,733	\$47,004	\$10,526	\$69,051	\$72,488

* Includes non-operating income, income taxes and extraordinary items.

First, the non-operating income for the non-profit hospitals improved from a \$2.8 million non-operating loss in FY03 to a 15.9 million non-operating gain. This \$18.7 million swing in non-operating income was largely the result of investment gains and earnings at two hospitals and the gain on the sale of property at a third facility.

Second, the overall federal income tax expense allocated to the eight for-profit rehabilitation hospitals was lower

because the for-profit hospitals as a group realized lower operating income. The average (pre-tax) operating margin for the ten for-profit hospitals fell from 22.43% in FY03 to 15.48% in FY04. The difference between the 15.48% average operating margin and the 9.23% average total margin for the for-profit hospitals in FY04 was \$14.7 million in income tax expenses allocated to these hospitals. These income tax expenses reflect the effect that the operating income realized by each facility has on the parent corporation's tax expense.

Rehabilitation Care

Region	Rehabilitation Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$28	\$29	\$26	\$27	1.49%	\$26	\$25	\$27	\$26	.37%
6	Allied Services	\$36	\$35	\$36	\$37	-0.80%	\$33	\$34	\$36	\$39	-4.44%
9	Angela Jane Rehab ^{1,4,5,10,13}	\$6	NA	NA	NA	NA	\$7	NA	NA	NA	NA
8	Bryn Mawr Rehab ⁶	\$55	\$56	\$41	\$38	14.94%	\$44	\$41	\$37	\$36	7.91%
8	Chestnut Hill Rehab ¹³	\$14	\$14	\$11	\$12	6.93%	\$15	\$15	\$14	\$13	5.90%
1	Children's Inst Pgh ¹³	\$13	\$12	\$18	\$17	-7.95%	\$28	\$26	\$25	\$23	8.07%
9	Children's Seashore House ⁷	\$27	\$27	\$24	\$21	10.06%	\$29	\$27	\$26	\$27	2.09%
4	Geisinger HealthSouth ^{1,10}	\$13	\$13	\$10	\$11	5.96%	\$9	\$9	\$9	\$8	6.36%
7	Good Shepherd Rehab ¹³	\$38	\$37	\$36	\$31	6.59%	\$40	\$37	\$65	\$37	3.10%
7	Good Shepherd/Bethlehem ¹³	\$9	\$5	NA	NA	NA	\$7	\$4	NA	NA	NA
3	HealthSouth Altoona ^{1,10}	\$23	\$24	\$21	\$22	2.16%	\$22	\$20	\$20	\$19	4.82%
2	HealthSouth Erie ^{1,10}	\$26	\$26	\$26	\$25	0.72%	\$24	\$23	\$25	\$23	1.22%
1	HealthSouth Harmarville ^{1,10}	\$42	\$43	\$43	\$42	-0.42%	\$33	\$31	\$34	\$31	2.08%
5	HealthSouth Mechanicsburg ^{1,10}	\$37	\$45	\$40	\$43	-4.71%	\$33	\$32	\$32	\$33	0.25%
4	HealthSouth Nittany ^{1,10,14}	\$20	\$19	\$18	\$17	4.77%	\$18	\$17	\$16	\$16	4.59%
7	HealthSouth Reading ^{1,10}	\$23	\$24	\$23	\$19	6.89%	\$18	\$17	\$18	\$15	5.69%
1	HealthSouth Sewickley ^{1,10}	\$10	\$11	\$13	\$10	-0.44%	\$9	\$9	\$11	\$9	2.70%
5	HealthSouth York ^{1,10}	\$35	\$33	\$30	\$29	6.76%	\$27	\$24	\$24	\$23	4.88%
6	John Heinz Rehab	\$32	\$31	\$30	\$31	0.97%	\$29	\$30	\$31	\$33	-3.63%
9	Magee Rehab	\$33	\$31	\$28	\$26	8.05%	\$38	\$36	\$33	\$31	7.52%
9	Moss Rehab ^{7,8}	\$66	\$57	\$47	\$48	12.90%	\$54	\$50	\$51	\$48	4.34%
1	UPMC Rehab	\$24	\$24	\$22	\$21	4.35%	\$24	\$24	\$24	\$24	0.87%

See footnotes and map of regions on page 50.

Rehabilitation Care

Rehabilitation Hospital	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Percent of Uncompensated Care FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04
Statewide Average	11.63%	11.51%	8.24%	0.99%	53.68%	8.98%
Non-profit Rehabilitation Hospitals						
Statewide Average (non-profit)	9.22%	12.87%	6.59%	1.25%	48.41%	13.09%
Allied Services	10.03%	10.42%	3.69%	0.11%	70.93%	3.15%
Bryn Mawr Rehab ⁶	22.63%	26.85%	24.05%	0.52%	52.77%	4.53%
Chestnut Hill Rehab ¹³	-0.26%	-0.26%	-3.64%	0.39%	72.07%	3.95%
Children's Inst Pgh ¹³	-12.35%	9.10%	-5.24%	6.60%	6.74%	35.55%
Children's Seashore House ⁷	-5.23%	1.53%	-9.01%	1.69%	0.01%	47.43%
Good Shepherd Rehab ¹³	2.86%	2.86%	-0.08%	2.07%	46.87%	8.00%
Good Shepherd/Bethlehem ¹³	20.60%	20.60%	NA	1.15%	81.39%	0.00%
John Heinz Rehab	10.42%	10.53%	4.50%	0.11%	71.91%	4.23%
Magee Rehab	-1.37%	9.23%	-1.94%	2.22%	40.46%	16.72%
Moss Rehab ^{7,8}	20.10%	20.12%	15.13%	0.75%	40.22%	17.49%
UPMC Rehab	12.07%	12.07%	9.96%	1.97%	61.41%	8.84%
For-profit Rehabilitation Hospitals						
Statewide Average (for-profit)	15.48%	9.23%	10.57%	0.61%	61.52%	2.87%
Angela Jane Rehab ^{1,4,5,10,13}	-9.71%	-9.71%	NA	0.76%	62.15%	0.00%
Geisinger HealthSouth ^{1,10}	24.88%	19.73%	20.50%	0.50%	60.78%	1.37%
HealthSouth Altoona ^{1,10}	6.13%	3.59%	5.42%	0.48%	72.10%	2.46%
HealthSouth Erie ^{1,10}	8.95%	5.24%	5.25%	0.51%	63.07%	3.75%
HealthSouth Harmarville ^{1,10}	22.25%	13.02%	13.53%	0.62%	52.83%	4.19%
HealthSouth Mechanicsburg ^{1,10}	12.61%	7.38%	12.91%	0.43%	61.13%	1.34%
HealthSouth Nittany ^{1,10,14}	7.73%	4.52%	4.93%	0.62%	69.79%	2.48%
HealthSouth Reading ^{1,10}	22.82%	13.35%	14.44%	0.67%	59.68%	5.54%
HealthSouth Sewickley ^{1,10}	6.14%	3.59%	8.94%	0.52%	49.41%	3.76%
HealthSouth York ^{1,10}	24.35%	14.24%	13.52%	0.92%	64.36%	1.79%

Highlights

- As a group, the freestanding psychiatric hospitals have posted a negative average operating margin for ten consecutive years. FY04 was the last year that psychiatric hospitals realized a positive statewide average operating margin. The average operating margin for FY04 was -0.89%.
- The financial performance of the 17 psychiatric hospitals was quite diverse and unstable. The FY04 operating margins of the individual hospitals ranged over 56 points from -29.01% to 27.16%¹. Thirteen of the 17 psychiatric hospitals had FY04 operating margins that were four or more points either higher or lower than the margin posted for FY03.
- The Commonwealth, through the Department of Public Welfare (DPW), is the largest provider of psychiatric care in Pennsylvania. Through its nine state hospitals, the Commonwealth provided about 34% of all psychiatric patient days during FY04. Pennsylvania's Medical Assistance Program (MA) provided about 62% of the net patient revenue received by the 17 psychiatric hospitals in Pennsylvania. About 32% of the patients receiving psychiatric care at GAC hospitals were MA participants.

¹ This range does not reflect Brooke Glen, which was created when the for-profit Ardent Health Services acquired the former non-profit Northwestern Institute during FY04. Brooke Glen posted a large negative operating margin for the first three months of operation, which is not unusual for a newly-acquired facility.

Psychiatric Care is Provided in a Variety of Settings

Inpatient psychiatric care in Pennsylvania is provided in the following five facility categories: state hospitals, freestanding psychiatric hospitals, General Acute Care (GAC) hospitals, specialty hospitals and long-term acute care hospitals.

At the end of FY04, the nine state hospitals had a patient population of 2,279. Although the state hospitals provided 34% of statewide psychiatric patient days, they admitted 1,634 patients during FY04, which is about 1.2% of the total discharges of the other facilities providing inpatient psychiatric care. The average length of stay (ALOS) at the state hospitals is well over one year.

In contrast, psychiatric units in GAC hospitals (GAC psychiatric units) provided relatively short-term acute care with an ALOS of 8.8 days during FY04. Fifty-four percent (54%) of the 182 GAC hospitals in Pennsylvania operated psychiatric units. These 99 GAC hospitals treated 60.6% of the patients admit-

FIGURE P-1
Psychiatric Patient Days, FY04
by Facility Type

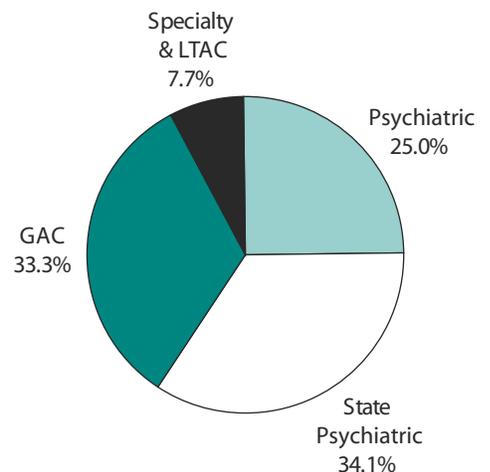


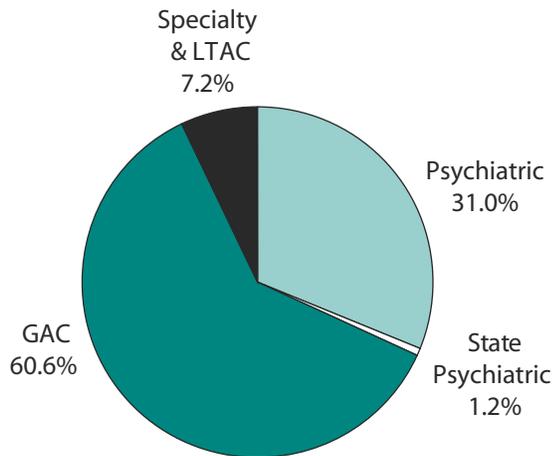
TABLE P-1
Utilization and Capacity of Psychiatric Care
by Facility Type

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Patient Days										
Psychiatric	546,033	526,095	487,532	473,325	496,081	522,871	506,981	542,743	560,229	566,183
State Psychiatric	1,433,590	1,447,964	1,272,597	1,168,093	1,081,464	1,020,777	939,634	855,179	772,491	773,443
GAC	875,050	839,791	804,859	745,240	715,370	777,093	769,658	738,873	751,310	754,735
Specialty	109,035	101,971	88,708	94,828	100,221	125,072	138,788	139,474	143,452	147,912
LTAC	52,154	51,818	44,586	35,200	31,598	26,252	28,008	29,226	28,960	25,655
Statewide	3,015,862	2,967,639	2,698,282	2,516,686	2,424,734	2,472,065	2,383,069	2,305,495	2,256,442	2,267,928
Discharges										
Psychiatric	33,926	34,813	35,572	38,975	40,181	38,765	38,077	39,297	41,523	43,949
GAC	70,097	71,654	73,017	73,629	77,342	89,727	87,079	85,449	84,149	85,743
Specialty	9,384	8,270	8,462	5,260	5,195	7,061	9,941	9,299	9,447	9,370
LTAC	1,879	1,803	1,693	1,368	1,303	1,162	1,203	1,215	921	875
Statewide w/o State	115,286	116,540	118,744	119,232	124,021	136,715	136,300	135,260	136,040	139,937
Patient Population										
State Psychiatric	4,934	4,290	3,884	3,360	3,217	2,928	2,692	2,377	2,309	2,279
Beds										
Psychiatric	2,005	2,006	1,911	1,832	1,845	1,857	1,796	1,877	1,953	1,867
State Psychiatric	4,673	4,063	3,925	3,808	3,524	3,222	2,963	2,678	2,381	2,387
GAC	3,385	3,243	3,300	3,193	3,208	3,238	3,151	3,068	2,982	2,926
Specialty	423	404	402	372	389	463	531	516	531	543
LTAC	NC	NC	131	112	112	112	112	112	112	81
Statewide	10,486	9,716	9,669	9,317	9,078	8,892	8,553	8,251	7,959	7,804
Occupancy Rate										
Psychiatric	77.22%	74.67%	72.33%	69.52%	74.73%	77.22%	77.99%	79.30%	79.22%	79.01%
State Psychiatric	85.67%	90.21%	87.33%	76.31%	83.55%	85.77%	86.07%	87.02%	88.67%	88.73%
GAC	71.30%	70.80%	67.58%	65.64%	61.45%	64.93%	66.35%	65.88%	69.77%	71.72%
Specialty	72.35%	69.11%	60.97%	69.21%	70.59%	73.68%	75.77%	74.03%	74.58%	76.14%
LTAC	NC	NC	93.25%	86.11%	77.29%	64.22%	68.51%	71.49%	70.84%	86.58%
Statewide	79.38%	80.55%	76.75%	71.40%	73.36%	75.49%	76.24%	76.39%	78.12%	79.17%
Statewide w/o State	74.42%	73.09%	69.26%	67.63%	66.80%	69.62%	70.96%	71.26%	73.56%	74.99%
Average Length of Stay										
Psychiatric	16.09	15.11	13.71	12.14	12.35	13.49	13.31	13.81	13.49	12.88
State Psychiatric	509.63	598.09	537.87	450.13	513.27	495.52	472.65	437.43	461.46	473.34
GAC	12.48	11.72	11.02	10.12	9.25	8.66	8.84	8.65	8.93	8.80
Specialty	11.62	12.33	10.48	18.03	19.29	17.71	13.96	15.00	15.18	15.79
LTAC	27.76	28.74	26.34	25.73	24.25	22.59	23.28	24.05	31.44	29.32
Statewide	25.54	24.95	22.28	20.66	19.22	17.81	17.23	16.80	16.38	15.87
Statewide w/o State	13.72	13.04	12.01	11.31	10.83	10.62	10.59	10.72	10.91	10.68

NC - Not captured by PHC4.

Psychiatric Care

FIGURE P-2
Psychiatric Discharges, FY04
by Facility Type



ted for inpatient psychiatric care and provided 33% of the total patient days of psychiatric care during FY04.

The 17 psychiatric hospitals accounted for 31% of patient discharges and provided 25% of the total days of psychiatric care in the Commonwealth during FY04. Excluding the long-term residential programs and non-psychiatric care, the average ALOS at these psychiatric hospitals was 10.0 days.

Eight of the psychiatric hospitals provided residential care and two provided drug and alcohol (D&A) care. Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. The ALOS at the residential and D&A programs was 49.6 days during FY04. The utilization and capacity of these programs are presented in Table P-2.

FIGURE P-3
Average Length of Stay for Psychiatric Care
by Facility Type

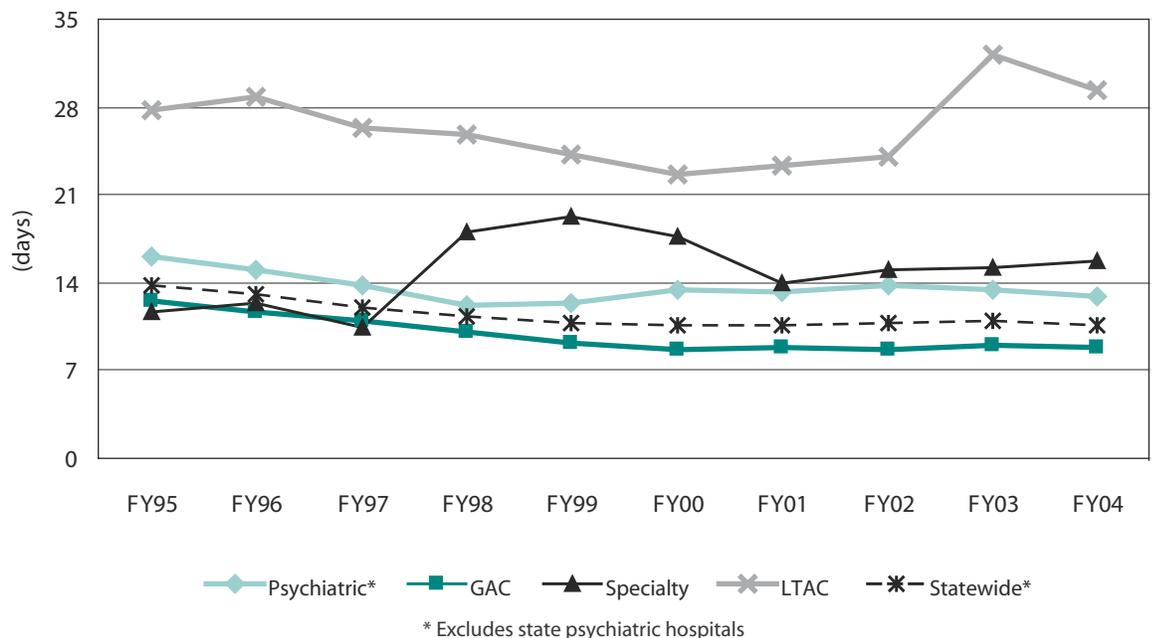


TABLE P-2
Utilization and Capacity, FY04
by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay	ALOS w/o Residential & D&A Treatment
All Hospital Services (includes Residential and Drug and Alcohol Treatment)							
Belmont Center	48,293	53,802	89.76%	4,244	147	11.38	11.38
Brooke Glen Behavioral	2,551	6,120	41.68%	200	72	12.76	12.76
Clarion Psych	19,828	27,010	73.41%	1,286	74	15.42	10.49
Devereux Mapleton Psych	5,562	12,078	46.05%	532	33	10.45	10.45
Eugenia	16,376	36,600	44.74%	1,678	100	9.76	9.76
Fairmount Behavioral	51,908	64,970	79.90%	5,103	178	10.17	9.21
First Wyoming Valley	29,893	35,136	85.08%	2,935	96	10.19	10.19
Foundations Behavioral	27,072	34,404	78.69%	732	94	36.98	21.54
Friends	68,358	81,252	84.13%	6,409	222	10.67	9.53
Horsham Clinic	49,985	53,290	93.80%	4,681	146	10.68	10.68
KidsPeace	16,672	20,440	81.57%	1,308	56	12.75	12.75
Kirkbride Center	54,789	61,121	89.64%	3,077	168	17.81	6.03
Meadows Psych Center	30,419	38,690	78.62%	2,520	106	12.07	9.84
Montgomery Cty ES	24,810	29,565	83.92%	2,809	81	8.83	9.11
Philhaven	42,843	54,750	78.25%	2,297	150	18.65	8.98
Southwood Psych	32,585	37,230	87.52%	1,075	102	30.31	6.58
St John Vianney	8,820	15,372	57.38%	61	42	144.59	3.14
Residential or Drug and Alcohol Treatment							
Clarion Psych	7,054	8,030	87.85%	68	22	103.74	NA
Fairmount Behavioral	9,337	14,600	63.95%	481	40	19.41	NA
Foundations Behavioral	13,417	14,640	91.65%	98	40	136.91	NA
Friends	7,343	10,980	66.88%	5	30	1,468.60	NA
Kirkbride Center	47,085	51,996	90.56%	1,800	143	26.16	NA
Meadows Psych Center	6,119	13,505	45.31%	50	37	122.38	NA
Montgomery Cty ES	2,176	2,920	74.52%	325	8	6.70	NA
Philhaven	22,628	24,455	92.53%	46	67	491.91	NA
Southwood Psych	26,172	29,565	88.52%	100	81	261.72	NA
St John Vianney	8,798	14,640	60.10%	54	40	162.93	NA

NA - Not Applicable

Five of the six specialty hospitals in Pennsylvania provided psychiatric care. One facility operated a psychiatric unit, and the other four offered D&A programs. The 147,912 days of inpatient psychiatric care at specialty hospitals represented 7% of the patient days of statewide psychiatric care during FY04.

Two long-term acute care (LTAC) hospitals rendered 25,655 psychiatric patient days, or slightly more than one percent of statewide inpatient psychiatric care during FY04. While this care represents only a small portion of inpatient psychiatric care in Pennsylvania, it represents 48% of the total patient days provided by these two LTAC hospitals and about 9% of the total patient days provided by all LTAC hospitals.

Trends in Hospital-based Psychiatric Care

Statewide discharges grew by 2.8% or 3,857 discharges during FY04. Nearly two-thirds (63%) of the net increase in discharges occurred at the psychiatric hospitals, which experienced a 5.8% increase in discharges. Despite this relatively large growth in discharges, patient days at psychiatric hospitals grew by only 1.1% because the ALOS fell by more than one-half day (0.61 day) during FY04.

There were 86 fewer staffed beds at psychiatric hospitals in FY04 than there were during FY03. Most of this reduction was the result of the acquisition of the former non-profit Northwestern Institute of Psychiatry by the for-profit Ardent Health Services. The facility is now called Brooke Glen and has 74 fewer staffed beds than the former Northwestern Institute.

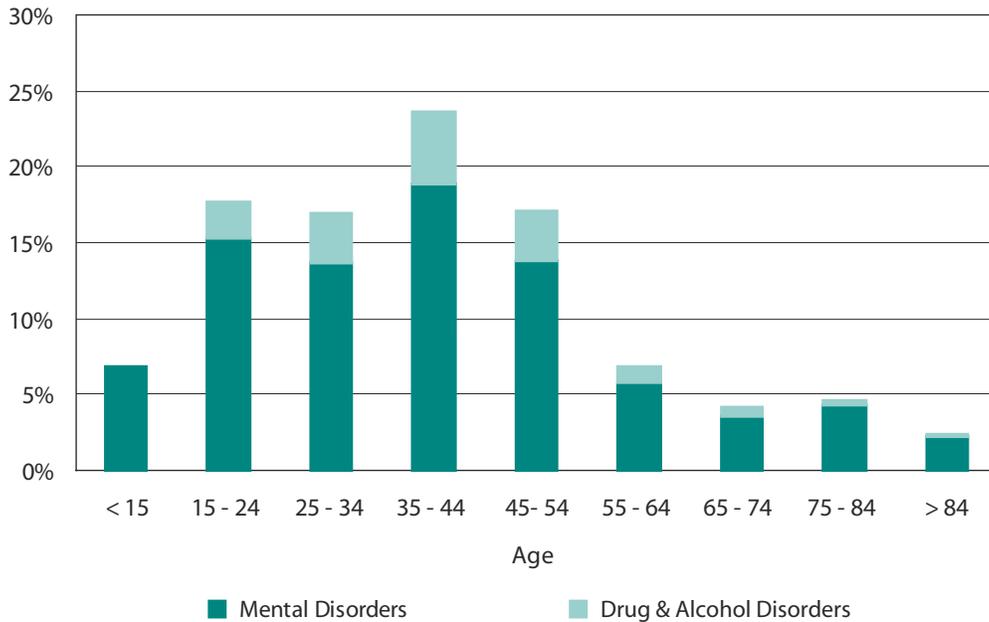
There was also a small (56-bed) decline in the number of psychiatric beds at GAC hospitals. Most of this decline resulted from the closing of Parkview Hospital and the closing of the psychiatric unit at Mercy Hospital of Pittsburgh.

After nine years of continuous reductions in the number of staffed beds at the state psychiatric hospitals, the number of beds increased slightly during FY04. Between FY94 and FY03, the number of beds at state psychiatric hospitals decreased by 2,536 or an average of 282 beds per year. These reductions reflect the Department of Public Welfare's efforts to integrate patients into community-based programs and private facilities. During FY04, the number of beds increased by six to bring the total to 2,387. The average overall occupancy rate at the state hospitals for FY04 remained almost the same as FY03, indicating that the small increase in beds mirrored the increase in patient days during FY04.

Including their non-acute programs, the 17 psychiatric hospitals reported 1,002,630 outpatient visits during FY04. Since there were 566,183 days of inpatient care provided at these hospitals, the ratio of outpatient visits to patient days was about 1.8 to 1.

Patients in the 35 - 44 year age group made up the largest component of inpatient psychiatric care. Nearly one-fourth (24%) of patients at the psychiatric hospitals and GAC psychiatric units during FY04 were in this age group. Inpatient psychiatric care has a younger age distribution than the other categories of hospital-based care with 65% of patients under age 45.

FIGURE P-4
Age Distribution of Psychiatric Patients*, FY04



Mental disorders include all patients whose principal diagnoses were grouped into MDC 19, and drug and alcohol disorders include patients grouped into MDC 20.

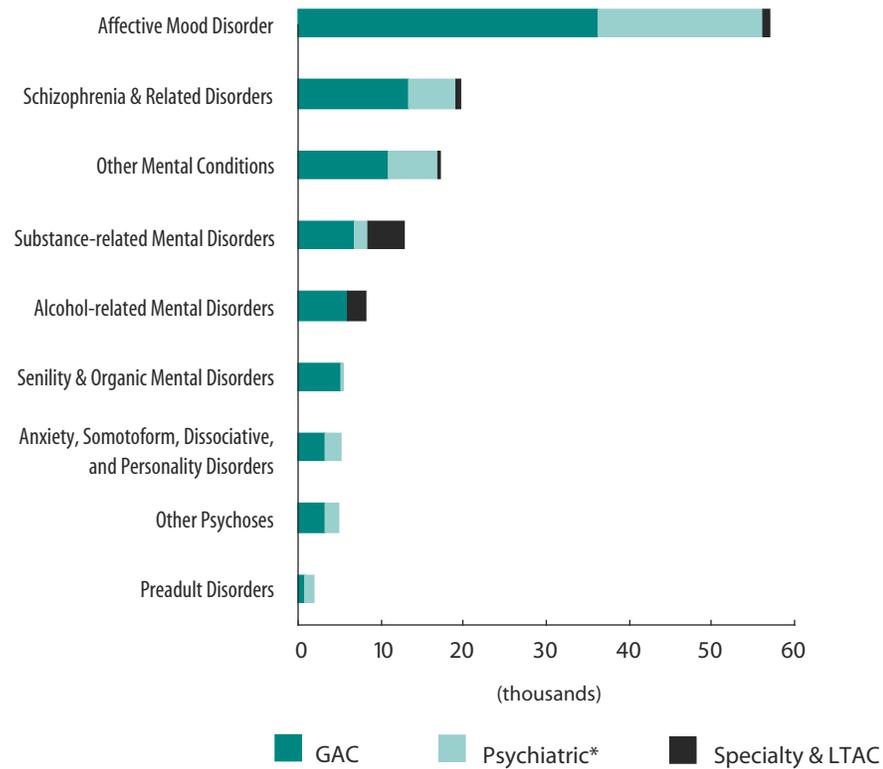
* Excludes state psychiatric patients

The distribution of discharges by clinical classification at all hospitals providing psychiatric care in Pennsylvania (except the state hospitals) during FY04 is shown in Figure P-5. The leading principal diagnosis for a psychiatric patient admitted to these hospitals is affective mood disorders. Patients diagnosed with affective mood disorders comprised 52.2% of psychiatric admissions to the psychiatric hospitals and 42.4% of admissions to GAC psychiatric units.

Schizophrenia and affective mood disorder were the second and sixth leading principal diagnoses at LTAC hospitals. These two conditions together comprised 9.0% of LTAC admissions.

While drug and alcohol (D&A) related disorders were the primary diagnosis for only 15.8% of total inpatient psychiatric admissions, specialty hospitals handled 31.4% of all inpatient D&A admissions. During FY04, 91.3% of all admissions at specialty hospitals were for D&A disorders.

FIGURE P-5
Psychiatric Discharges by Clinical Classification[†], FY04



[†] Discharges were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ's Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP).

* Excludes state psychiatric hospitals

Financial Profile

The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's nine psychiatric hospitals (state hospitals) provided 34% of all patient days of psychiatric care during FY04. In addition, the Medical Assistance (MA) Program administered by DPW provided 61.8% of the net patient revenue received by the 17 psychiatric hospitals in Pennsylvania during FY04. About

32% of all patients receiving inpatient psychiatric care at GAC hospitals were MA participants. DPW also sponsors psychiatric care in a variety of other settings.

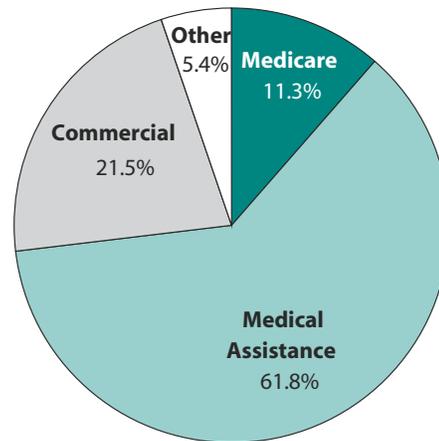
The Commonwealth directly underwrites about 81.6% of the cost of the care provided at the nine state psychiatric hospitals. Of the remaining 18.4% of total expenses covered by operating revenue, 12.4% are paid under MA, 3.6% from Medicare, and about 2.4% are covered by private insurance and individuals.

The 17 psychiatric hospitals realized over an 0.8-point improvement in statewide average operating margin during FY04 to -0.89%. Despite the improvement in the average operating margin, as a group, these hospitals continued to post an average operating loss for the tenth consecutive year.

It is difficult to extract any trends in the financial performance of the 17 psychiatric hospitals to explain the improvements in the statewide operating and total margins because the individual hospital performances were so diverse. Thirteen of the 17 psychiatric hospitals saw relatively large swings in their operating margin of four points or more between FY03 and FY04. To add to the diversity, six of the 13 saw improvements in their operating margin, and seven experienced declines.

The overall total margin for the 17 psychiatric hospitals improved 1.9 points to 1.01%. FY04 is only the third year the psychiatric hospitals as a group realized a positive total margin in the nine years since FY95. The major contributor to the change in the statewide total margin was a \$7.0 million swing in net income (revenue over expenses) experienced by Friends Hospital between FY03 and FY04. This large swing was primarily the result of a \$3.2 million extraordinary expense associated with the costs of terminating its pension plan in FY03 and a \$4.2 million gain resulting from the curtailment of retiree benefits in FY04. Excluding the extraordinary adjustments by Friends Hospital, the FY03 average total margin would have been positive, and the FY04 average total margin would have been negative.

FIGURE P-6
Statewide Net Patient Revenue at Psychiatric Hospitals*, FY04
by Payor



* Excludes state psychiatric hospitals

On November 15, 2004, the Center for Medicare and Medicaid Services (CMS) published a final rule that established the new per diem Prospective Payment System (PPS) for psychiatric hospitals and psychiatric units of GAC hospitals¹. The new PPS replaces the current system that bases reimbursements on historic individual hospital costs. Unlike PPS for other types of hospitals, such as GAC and rehabilitation hospitals, which are paid on a per discharge basis, the proposed psychiatric PPS would reimburse hospitals on a per diem (patient-day) basis.

The new PPS system goes into effect for cost reporting years that began after January 1, 2005. The final rule provides for a three-year phase-in period so hospitals will not be subject to 100% PPS rates until 2008.

¹ November 15, 2004, 69 *Federal Register* 66922.

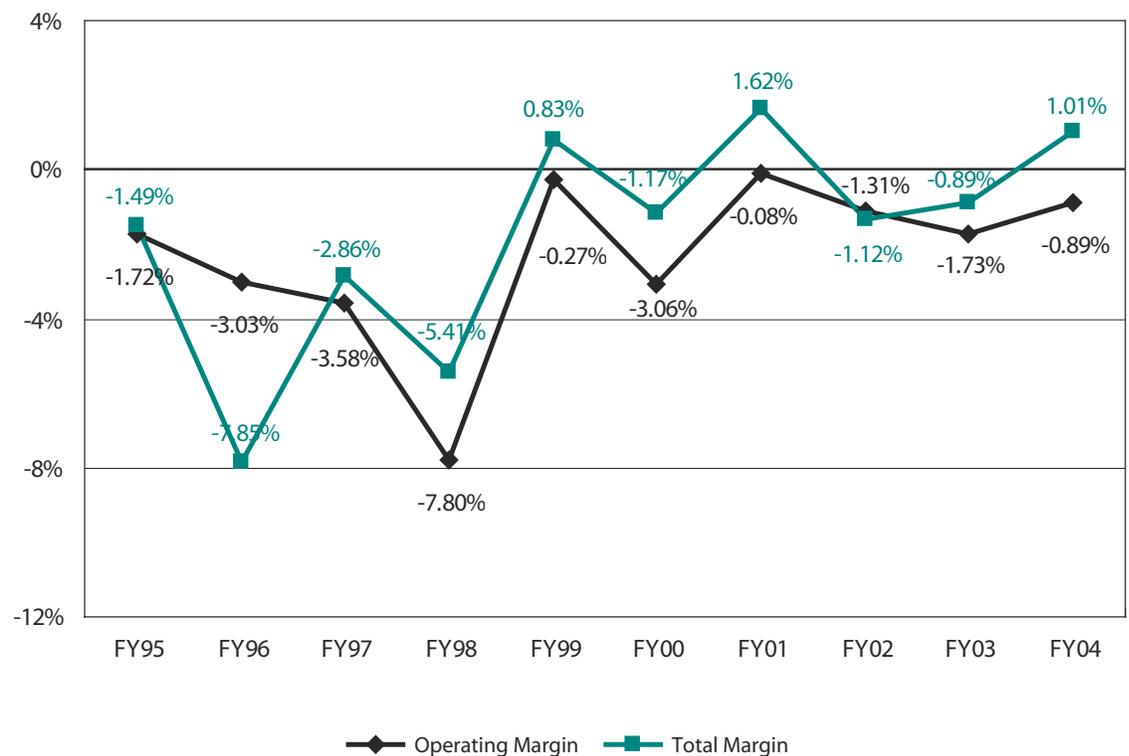
Psychiatric Care

The initial proposed base rate is \$576 per day with various adjustments for patient characteristics, such as age, principal diagnosis, co-morbidities and length of stay, as well as for facility characteristics, such as the local wage index and availability of an emergency department.

While it is difficult to predict how the final PPS rules will affect Medicare revenue for Pennsylvania's psychiatric hospitals and GAC psychiatric units, the proposed PPS base rate is

\$150 more per day than the \$426 average revenue per day received by psychiatric hospitals for Medicare indemnity patients during FY04. The new PPS rules will likely have a smaller impact on psychiatric revenue than the transition of inpatient rehabilitation care to PPS. Medicare indemnity revenue only represents 7.8% of total net patient revenue for psychiatric hospitals, compared to 49% for rehabilitation hospitals.

FIGURE P-7
Statewide Operating and Total Margins at Psychiatric Hospitals *



* Excludes state psychiatric hospitals

TABLE P-3
Revenue, Expense, and Income at Psychiatric Hospitals *
(thousands)

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Net Patient Revenue	\$297,639	\$276,307	\$269,424	\$256,205	\$275,525	\$286,921	\$278,375	\$282,177	\$287,682	\$298,254
Total Operating Revenue	\$312,194	\$304,166	\$288,000	\$270,277	\$288,697	\$297,260	\$287,797	\$293,399	\$298,251	\$308,037
Total Operating Expenses	\$317,576	\$313,382	\$298,302	\$291,367	\$289,473	\$306,352	\$288,018	\$296,677	\$303,285	\$310,774
Operating Income	(\$5,382)	(\$9,216)	(\$10,302)	(\$21,089)	(\$776)	(\$9,092)	(\$220)	(\$3,278)	(\$5,148)	(\$2,737)
Non-Operating Adjustments [†]	\$701	(\$15,003)	\$1,951	\$6,129	\$3,192	\$5,573	\$4,976	(\$602)	\$192	\$10,640
Revenue over Expenses	(\$4,681)	(\$24,219)	(\$8,351)	(\$14,960)	\$2,416	(\$3,519)	\$4,756	(\$3,881)	(\$2,691)	\$3,161

* Excludes state psychiatric hospitals

[†] Includes non-operating income, income taxes and extraordinary items.

Psychiatric Care

Region	Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$18	\$17	\$17	\$15	6.58%	\$18	\$18	\$17	\$15	6.87%
9	Belmont Center	\$31	\$30	\$28	\$27	4.77%	\$32	\$30	\$30	\$28	4.15%
8	Brooke Glen Behavioral ^{1,2,10,13}	\$1	\$22	\$22	\$23	NA	\$3	\$24	\$22	\$23	NA
2	Clarion Psych ^{1,5,10}	\$10	\$9	\$7	\$7	14.34%	\$7	\$6	\$7	\$6	6.89%
8	Devereux Mapleton Psych ⁷	\$3	\$2	\$4	\$3	-1.40%	\$3	\$3	\$4	\$3	-2.57%
8	Eugenia ^{10,11}	\$11	\$11	\$12	\$9	7.57%	\$14	\$13	\$11	\$9	21.63%
9	Fairmount Behavioral ^{1,3,5,6,10}	\$24	\$22	\$22	\$8	NA	\$23	\$23	\$22	\$8	NA
6	First Wyoming Valley ^{7,13}	\$14	\$12	\$11	\$12	7.66%	\$12	\$13	\$15	\$12	1.29%
8	Foundations Behavioral ⁵	\$17	\$17	\$17	\$17	-0.49%	\$17	\$17	\$16	\$14	5.57%
9	Friends ^{5,6,13}	\$34	\$31	\$31	\$29	5.97%	\$41	\$37	\$36	\$35	6.20%
8	Horsham Clinic ^{1,6,10}	\$29	\$27	\$26	\$26	3.35%	\$28	\$34	\$26	\$26	2.81%
7	KidsPeace ^{1,13}	\$17	\$15	\$16	\$15	4.62%	\$18	\$15	\$16	\$16	5.65%
9	Kirkbride Center ^{1,5,10,13}	\$15	\$17	\$16	\$16	-2.28%	\$19	\$17	\$21	\$18	1.16%
4	Meadows Psych Center ^{1,5,10}	\$13	\$12	\$12	\$11	4.73%	\$12	\$10	\$11	\$11	4.70%
8	Montgomery Cty ES ⁵	\$14	\$14	\$12	\$11	10.99%	\$14	\$14	\$12	\$11	10.46%
5	Philhaven ⁵	\$36	\$31	\$31	\$28	9.23%	\$38	\$35	\$35	\$30	8.65%
1	Southwood Psych ^{1,5,10}	\$12	\$11	\$10	\$10	9.22%	\$11	\$11	\$10	\$10	4.77%
8	St John Vianney ⁵	\$3	\$4	\$4	\$4	-6.38%	\$3	\$4	\$4	\$3	-0.73%

Region	Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$8	\$8	\$8	\$8	.01%	\$45	\$44	\$43	\$43	1.76%
7	Allentown State	\$6	\$6	\$5	\$6	3.99%	\$33	\$32	\$31	\$32	1.45%
6	Clarks Summit State	\$8	\$9	\$9	\$9	-2.33%	\$39	\$37	\$37	\$35	3.54%
4	Danville State	\$6	\$6	\$6	\$6	-1.19%	\$28	\$28	\$28	\$29	-0.32%
5	Harrisburg State	\$7	\$7	\$7	\$7	1.13%	\$45	\$42	\$41	\$41	3.78%
1	Mayview State	\$9	\$10	\$10	\$8	3.79%	\$66	\$65	\$65	\$62	2.30%
8	Norristown State	\$11	\$11	\$12	\$12	-1.35%	\$77	\$77	\$78	\$80	-1.10%
1	Torrance State	\$8	\$8	\$8	\$9	-3.89%	\$41	\$40	\$39	\$37	3.41%
2	Warren State	\$8	\$8	\$8	\$9	-0.47%	\$40	\$37	\$37	\$36	3.76%
7	Wernersville State	\$9	\$9	\$8	\$9	2.41%	\$35	\$35	\$34	\$34	1.40%

See footnotes and map of regions on page 54.

Psychiatric Hospital	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Percent of Uncompensated Care FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04
Statewide Average	-0.89%	1.01%	-0.37%	2.38%	11.26%	61.84%
Non-profit Psychiatric Hospitals						
Statewide Average (non-profit)	-1.93%	2.58%	-0.65%	2.34%	14.34%	55.19%
Belmont Center	3.10%	3.18%	3.34%	1.66%	28.02%	48.24%
Devereux Mapleton Psych ⁷	9.84%	9.84%	-4.22%	2.04%	0.00%	78.76%
First Wyoming Valley ^{7,13}	16.39%	16.39%	2.25%	1.42%	17.56%	50.02%
Foundations Behavioral ⁵	2.75%	5.08%	6.98%	3.00%	0.00%	84.63%
Friends ^{5,6,13}	-15.93%	3.13%	-5.79%	4.32%	20.66%	45.82%
KidsPeace ^{1,13}	-5.73%	-5.73%	-2.51%	0.33%	0.00%	64.49%
Montgomery Cty ES ⁵	0.91%	1.97%	2.38%	6.66%	10.81%	57.28%
Philhaven ⁵	-1.89%	-1.06%	-5.05%	0.58%	11.75%	57.56%
St John Vianney ⁵	-9.31%	-2.73%	7.62%	0.00%	0.00%	0.00%
For-profit Psychiatric Hospitals						
Statewide Average (for-profit)	0.47%	-1.07%	-0.02%	2.43%	6.67%	71.74%
Brooke Glen Behavioral ^{1,2,10,13}	-126.20%	-82.03%	0.31%	8.25%	0.00%	68.78%
Clarion Psych ^{1,5,10}	27.16%	11.60%	8.81%	1.18%	4.54%	77.00%
Eugenia ^{10,11}	-29.01%	-26.66%	-5.90%	11.35%	6.71%	77.93%
Fairmount Behavioral ^{1,3,5,6,10}	2.29%	2.86%	-0.38%	0.75%	7.57%	77.87%
Horsham Clinic ^{1,6,10}	4.74%	3.22%	0.18%	1.61%	10.13%	53.92%
Kirkbride Center ^{1,5,10,13}	-5.03%	-5.03%	-4.88%	2.41%	2.25%	97.27%
Meadows Psych Center ^{1,5,10}	7.42%	-0.32%	3.03%	1.26%	11.12%	61.51%
Southwood Psych ^{1,5,10}	10.23%	9.08%	4.98%	-0.05%	0.00%	75.01%

State Psychiatric Hospital	Percent of Expenses not covered by TOR FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04
Statewide Average	81.61%	19.80%	67.15%
Allentown State	80.78%	18.77%	64.64%
Clarks Summit State	79.09%	19.80%	67.03%
Danville State	78.92%	18.24%	71.68%
Harrisburg State	83.45%	26.71%	54.91%
Mayview State	85.90%	23.27%	62.69%
Norristown State	85.22%	16.24%	73.64%
Torrance State	80.65%	18.94%	67.97%
Warren State	78.43%	20.42%	66.42%
Wernersville State	73.68%	17.02%	72.37%

Highlights

- ▶ As the number of long-term acute care (LTAC) facilities continues to grow, the number of patient days of (non-psychiatric) LTAC care has grown 2.4 times (235%) in the four-year period between FY00 and FY04.
- ▶ As a group, LTAC hospitals in Pennsylvania realized positive operating and total margins for the first time in FY04. Not only did this sector post positive statewide average margins, but the average operating margin grew over six points to 5.79% in FY04 from a small operating loss of -0.25% in FY03.
- ▶ Concurrent with the transition to the Medicare prospective payment (PPS) system, the LTAC hospitals reported a 20.6% increase in the average revenue per discharge from the Medicare indemnity program during FY04. The average Medicare indemnity reimbursement increased \$4,899 per discharge, from \$23,750 in FY03 to \$28,649 in FY04. Almost two-thirds (64%) of LTAC patient revenue came from Medicare indemnity inpatient care in FY04.

Long-term acute care (LTAC) hospitals provide specialized acute care to medically complex patients who no longer require intensive care provided by a General Acute Care (GAC) hospital. However, LTAC patients are not medically ready for rehabilitation care, or they still need a higher level of care than can be provided by a skilled nursing facility or home health care. Patients are commonly admitted directly from a GAC hospital intensive care unit with complex medical conditions, such as respiratory or ventilator-dependent, that require continuous acute care. Therefore, the average length of stay at the LTAC hospitals was 28.8 days during FY04, compared to 5.4 days at Pennsylvania's GAC hospitals.

Trends in Long-Term Acute Care

LTAC hospitals have been part of Pennsylvania's health care system for a little more than a decade. The first LTAC hospital began operating during FY94, and the number of facilities grew to five by the end of FY97. Since then, an additional 20 LTAC hospitals have gone into operation, and one subsequently closed. Consequently, there were 24 LTAC hospitals as of July 2005. Twenty-one (21) of these 24 facilities operated as an LTAC hospital for more than six months during FY04 and are included in the financial analysis presented in this report.

Two of the new LTAC facilities were converted from other types of hospitals. HealthSouth transformed its Rehabilitation Hospital of Greater Pittsburgh to an LTAC hospital in January 2003. St. Agnes in Philadelphia was converted from a GAC hospital and began operation as an LTAC hospital in June 2004.

The growth in the LTAC sector resulted in the addition of 186 beds or a 24.2% increase in LTAC (non-psychiatric) capacity during FY04. The utilization of LTAC (patient days) in the markets served by these facilities paralleled the growth in capacity (staffed beds), resulting in a FY04 statewide med-surg occupancy rate of 72.47%. This is similar to the 74.55% overall occupancy rate for FY03.

The numbers of med-surg LTAC patient days have grown almost 2.4 times (235%) in the four-year period between the end of FY00 and the end of FY04.

One reason for the fast growth in LTAC hospitals is that most new facilities utilize space within an existing GAC hospital. As reflected in Table L-3, 18 of the 24 LTAC hos-

pitals occupy space within a GAC hospital. Consequently, construction time is reduced to the time needed to renovate existing hospital space. Moreover, since many new facilities lease space from a GAC hospital, capital requirements are considerably less than constructing a new freestanding facility.

Another reason for the growth of LTAC facilities is that GAC hospitals have a financial incentive to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare Prospective Payment System, or PPS, GAC hospitals typically receive a predetermined fee based on the average cost

to treat patients in the diagnosis related group (DRG). If a patient requires acute care for an extended period of time, the GAC hospital can avoid the extraordinary costs associated with the extended stay by discharging the patient to an LTAC hospital. As discussed below, there have been some recent changes to the Medicare payment system which, in the future, may limit the incentive for LTAC hospitals to accept patients from their host GAC hospital.

The top ten clinical classifications for patients discharged from LTAC hospitals during FY04 are presented in Table L-4. These ten classifications represent 55% of all discharges during the fiscal year.

TABLE L-1
Utilization and Capacity, FY04
by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (Days)
Girard	36,313	42,090	86.27%	1,152	115	31.52
Good Shepherd/Allentown	8,394	10,614	79.08%	300	29	27.98
HealthSouth Pittsburgh	23,445	29,200	80.29%	1,018	80	23.03
HealthSouth Special Svcs	10,225	16,790	60.90%	377	46	27.12
Kindred/Heritage Valley	3,112	12,775	24.36%	114	35	27.30
Kindred/Delaware County	11,938	14,235	83.86%	403	39	29.62
Kindred/Philadelphia	16,754	18,980	88.27%	291	52	57.57
Kindred/Pittsburgh	21,407	22,995	93.09%	458	63	46.74
Kindred/Wyoming Valley	6,186	13,140	47.08%	232	36	26.66
LifeCare Pittsburgh	36,696	56,575	64.86%	1,440	155	25.48
Mercy Special Care	17,541	20,440	85.82%	657	56	26.70
SCCI/Easton	7,297	11,315	64.49%	281	31	25.97
SCCI/Harrisburg	7,024	12,410	56.60%	299	34	23.49
Select Specialty/Cmp Hill	8,452	11,315	74.70%	335	31	25.23
Select Specialty/York	4,851	8,395	57.78%	178	23	27.25
Select Specialty/Erie	11,318	12,775	88.59%	432	35	26.20
Select Specialty/Grnsbrg	8,918	11,315	78.82%	357	31	24.98
Select Specialty/Johnstwn	12,503	14,235	87.83%	469	39	26.66
Select Specialty/Phila	6,587	13,140	50.13%	203	36	32.45
Select Specialty/Pgh	13,271	14,965	88.68%	454	41	29.23
SemperCare Lancaster	6,342	10,950	57.92%	221	30	28.70

Long-Term Acute Care

TABLE L-2
Utilization and Capacity at Long-Term Acute Care Hospitals
by Type of Care

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Patient Days										
Med-surg	33,904	38,833	49,411	63,799	79,632	107,499	139,441	170,347	206,561	252,919
Psychiatric	52,154	51,818	44,586	35,200	31,598	26,252	28,008	29,226	28,960	25,655
Skilled Nursing	0	0	10,574	8,734	5	0	0	0	0	0
Statewide	86,058	90,651	104,571	107,733	111,235	133,751	167,449	199,573	235,521	278,574
Discharges										
Med-surg	1,044	1,286	1,570	1,791	2,160	3,026	4,118	5,197	6,911	8,796
Psychiatric	1,879	1,803	1,693	1,368	1,303	1,162	1,203	1,215	921	875
Skilled Nursing	0	0	337	251	0	0	0	0	0	0
Statewide	2,923	3,089	3,600	3,410	3,463	4,188	5,321	6,412	7,832	9,671
Beds										
Med-surg	NC	NC	258	288	329	491	646	705	770	956
Psychiatric	NC	NC	131	112	112	112	112	112	112	81
Skilled Nursing	NC	NC	75	75	20	0	0	0	0	0
Statewide	NC	NC	464	475	461	603	758	817	882	1,037
Occupancy Rate										
Med-surg	NC	NC	57.96%	61.29%	66.31%	64.18%	62.77%	67.63%	74.55%	72.47%
Psychiatric	NC	NC	93.25%	86.11%	77.29%	64.22%	68.51%	71.49%	70.84%	86.58%
Skilled Nursing	NC	NC	38.63%	50.30%	1.92%	0.00%	0.00%	0.00%	0.00%	0.00%
Statewide	NC	NC	65.18%	66.37%	68.99%	64.18%	63.67%	68.17%	74.07%	73.57%
Average Length of Stay										
Med-surg	32.5	30.2	31.5	35.6	36.9	35.5	33.9	32.8	29.9	28.8
Psychiatric	27.8	28.7	26.3	25.7	24.3	22.6	23.3	24.1	31.4	29.3
Skilled Nursing	0.0	0.0	31.4	34.8	0.0	0.0	0.0	0.0	0.0	0.0
Statewide	29.4	29.3	29.0	31.6	32.1	31.9	31.5	31.1	30.1	28.8
Visits										
Statewide	NC	65,170	50,309	46,243	41,648	23,006	66,901	65,957	83,145	120,793

NC - Not captured by PHC4

There continues to be a decline in the percentage of patients receiving care for the two psychiatric classifications, schizophrenia and affective mood disorders. Between FY02 and FY04, the combined percentage of discharges from these two classifications has fallen from 18.7% to 9.0%. There are two principal reasons for this decline. First, there were 31 fewer psy-

chiatric beds reported during FY04, reducing the number of designated psychiatric beds from 112 to 81 at LTAC facilities. Second, there was a 5.0% decline in psychiatric discharges during FY04, while med-surg discharges increased by 27.3%. Consequently, psychiatric patients make up a smaller portion of the overall patients being treated at LTAC hospitals.

The average age of patients admitted to LTAC facilities during FY04 was 69.3 years. The age distribution of patients receiving LTAC that is presented in Figure L-2 is indicative of extended care facilities, which serve a predominately elderly population. Consistent with the age distribution of LTAC patients, Figure L-3 shows that 71.7% of net patient revenue (NPR) was received from Medicare during FY04. In contrast, GAC hospitals in Pennsylvania received an average of 39.0% of their total NPR from Medicare.

Five of the LTAC hospitals reported a total of 120,793 outpatient visits during FY04. However, most of the outpatient care is not directly related to the hospitals' inpatient LTAC care. For example, 59% of the outpatient visits to LTAC hospitals were reported by the Girard Medical Center, and a large part of Girard's outpatient care is related to its drug and alcohol programs operated out of the same facility as the LTAC hospital.

FIGURE L-1
Patient Days at Long-Term Acute Care Hospitals

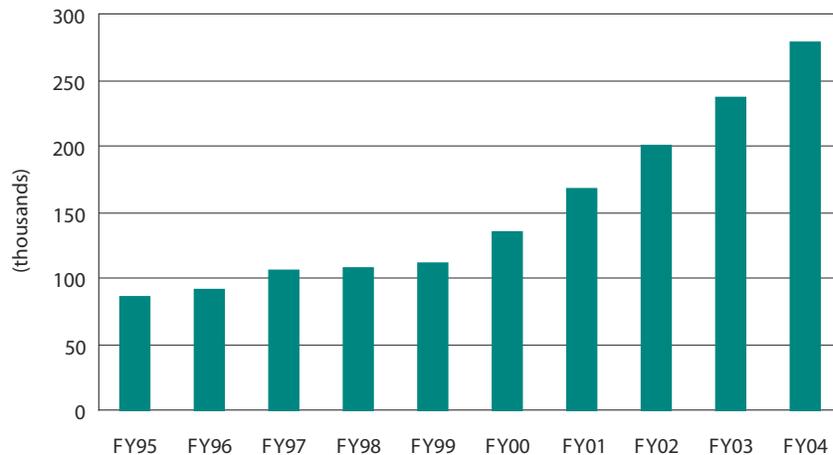
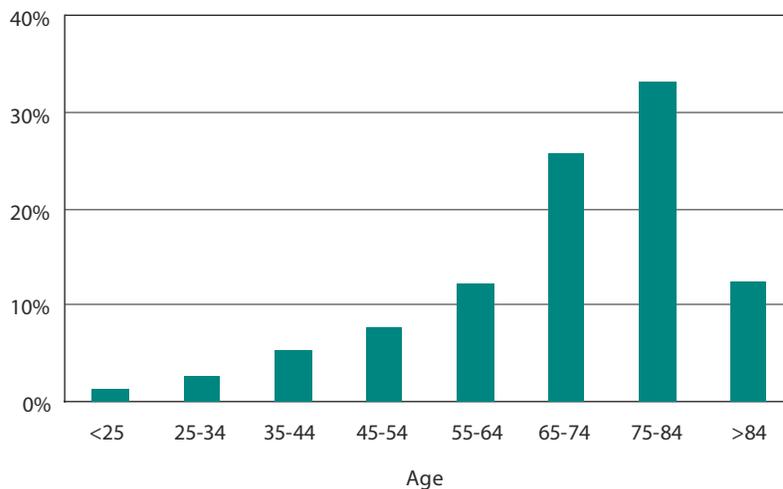


FIGURE L-2
Age Distribution at Long-Term Acute Care Hospitals, FY04



The total number of outpatient visits reported by the LTAC facilities grew by 45% or 37,648 visits during FY04. Most of this growth was the result of the HealthSouth Greater Pittsburgh facility's transformation from a rehabilitation hospital to an LTAC hospital.

Long-Term Acute Care

TABLE L-3
LTAC Facilities Operating as a Hospital-within-a-Hospital[†], FY04

LTAC Hospital	GAC Hospital
Good Shepherd/Allentown	Lehigh Valley
Kindred/Delaware County	Mercy Fitzgerald
Kindred/Heritage Valley	Medical Center Beaver
Kindred/Wyoming Valley	WVHCS
Mercy Special Care	Mercy/Scranton
SCCI/Easton	Easton
SCCI/Harrisburg	Pinnacle Health
Select Specialty/Danville*	Geisinger/Danville
Select Specialty/McKeesport*	UPMC/McKeesport
Select Specialty/Camp Hill	Holy Spirit
Select Specialty/Erie	Hamot
Select Specialty/Greensburg	Westmoreland Regional
Select Specialty/Johnstown	Conemaugh Valley Memorial
Select Specialty/Pittsburgh	Mercy Pittsburgh
Select Specialty/Philadelphia	Albert Einstein
Select Specialty/York	York
SemperCare/Lancaster	Lancaster General
SemperCare/UPMC*	UPMC/Presby Shadyside

[†] A hospital-within-a-hospital is a licensed LTAC hospital that operates within the facilities of a separately-licensed GAC hospital.

* New facility during FY04, financial data not reported.

TABLE L-4
Leading Clinical Classifications[†] at Long-Term Acute Care Hospitals, FY04

Adult respiratory failure, insufficiency, arrest.....	20.38%
Schizophrenia and related disorders.....	5.09%
Chronic ulcer of the skin	4.72%
Rehabilitation care, fitting of prostheses, and adjustment of devices	4.68%
Complications of surgical procedures or medical care.....	3.99%
Affective (mood) disorders.....	3.92%
Septicemia (except in labor)	3.40%
Late effects of cerebrovascular disease	3.09%
Pneumonia (except that caused by tuberculosis or sexually transmitted disease).....	3.08%
Chronic obstructive pulmonary disease and bronchiectasis	2.86%

[†] Discharges were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ's Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP).

Financial Profile

As a group, LTAC hospitals in Pennsylvania realized positive operating and total margins for the first time in FY04. Not only did this sector post positive statewide average margins, but the average operating margin grew over six points to 5.79% in FY04 from a small operating loss of -0.25% in FY03.

Of the 18 reporting for-profit hospitals, only three reported operating losses during FY04. Two of the facilities were operated by Kindred Healthcare, and one of those facilities, Heritage Valley, was only in its first full year of operation. The only other for-profit facility with a loss during FY04 was the Select Specialty facility operating within the Albert Einstein Medical Center in Philadelphia. This LTAC facility closed during FY04.

Two of the three non-profit hospitals posted their first positive margins ever. Good Shepherd reported more than a 19-point swing in the operating margin from -5.80% in FY03 to 13.72% in FY04. Similarly, the operating margin at Mercy Special Care improved 14.7 points to 11.72% in

FY04. Both facilities kept their FY04 operating expenses very close to FY03 levels, while experiencing significant increases in net patient revenue during FY04.

The statewide average total margin of 4.95% is 0.8 points below the average operating margin, primarily because 18 of the 21 LTAC hospitals are for-profit facilities that are subject to income taxes. The

\$16.1 million in net operating income reported for the 18 for-profit facilities resulted in about \$3.0 million of the income taxes paid by their parent corporations.

Like rehabilitation hospitals, LTAC hospitals have also been transitioning from a cost-based Medicare reimbursement system to a Long-Term Care Hospital Prospective Payment System (LTCH PPS). Also, like rehabilitation hospitals, changes to the Medicare reimbursement mechanism had a major effect on revenue since Medicare indemnity patients provided 64% of the patient revenue to LTAC hospitals during FY04.

Under PPS, LTAC patients are classified into one of 520 long-term care diagnosis related groups (LTC-DRGs) based on the patients' clinical characteristics and expected resource needs. The LTC-DRGs are based on the DRGs utilized at GAC hospitals, but have been specifically weighted to reflect the resources required to treat the medically complex patients requiring LTAC. Payments to individual hospitals are also adjusted for other factors such as regional labor costs.

LTCH PPS began for Medicare reporting years beginning after October 1, 2002. Hospitals have the option to switch to 100% PPS or phase in PPS reimbursements in 25% annual increments over a four-year period through 2006. As of April 2005, the Centers for Medicare and Medicaid Services (CMS) estimated that 96% of LTAC hospitals nationally have elected to be reimbursed under 100% PPS.

CMS makes annual adjustments to the LTCH PPS reimbursement rates. CMS has implemented a 2.5% increase for reporting years beginning after July 1, 2003, 3.1% after July 1, 2004, and 3.4% after July 1, 2005. Most of the LTAC hospitals in Pennsylvania

FIGURE L-3
Statewide Net Patient Revenue at Long-Term Acute Care Hospitals, FY04
by Payor

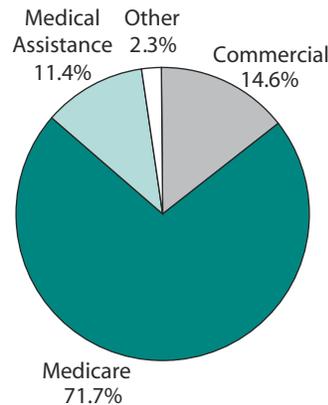


FIGURE L-4
Statewide Operating and Total Margins at Long-Term Acute Care Hospitals

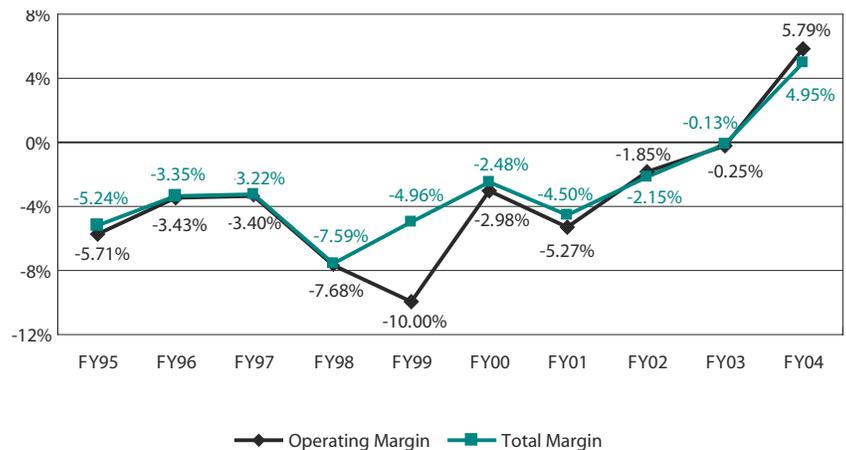


TABLE L-5
Statewide Revenue, Expenses, and Income at Long-Term Acute Care Hospitals
(thousands)

	FY02	FY03	FY04
Net Patient Revenue	\$198,285	\$236,596	\$316,041
Total Operating Expenses	\$203,144	\$238,974	\$300,698
Operating Income	(\$3,693)	(\$600)	\$18,492
Non-operating Adjustments*	(\$589)	\$759	\$274
Revenue over Expenses	(\$4,282)	(\$304)	\$15,802

* Includes non-operating income, income taxes and extraordinary items.

Long-Term Acute Care

utilize the calendar year for financial reporting. Consequently, for most LTAC facilities, only the initial 2002 PPS rates would be included in calendar year 2003 (CY03) revenue, which is reported to PHC4 as FY04. The July 1, 2003 increase will begin to be reflected in the FY05 (CY04) revenue.

Concurrent with the transition to PPS rates, the LTAC hospitals reported a 20.6% increase in the average revenue per discharge from the Medicare indemnity program during FY04. The average Medicare indemnity reimbursement increased \$4,899 per discharge, from \$23,750 in

FY03 to \$28,649 in FY04. This increase in the Medicare indemnity reimbursement rates was responsible for \$35.5 million of the \$90.3 million increase in inpatient NPR realized by LTAC hospitals in Pennsylvania during FY04. Most of the remainder of the \$90.3 million increase in inpatient NPR is attributable to the 30.9% increase in overall discharges experienced by LTAC hospitals in FY04.

On August 11, 2004, the federal Department of Health and Human Services published a final regulation¹ that could have a significant

¹ August 11, 2004, 69 Federal Register 48916

Region	Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$15	\$13	\$12	\$10	15.15%	\$14	\$13	\$13	\$11	9.62%
9	Girard ^{5,13,14}	\$53	\$49	\$48	\$41	9.38%	\$54	\$50	\$48	\$44	8.05%
7	Good Shepherd/Allentown ¹³	\$11	\$9	\$9	\$6	33.40%	\$10	\$10	\$9	\$6	16.76%
1	HealthSouth Pittsburgh ^{1,10}	\$25	\$26	\$30	\$28	-3.58%	\$25	\$24	\$27	\$25	0.11%
5	HealthSouth Special Svcs ^{1,10}	\$10	\$7	\$5	NA	NA	\$10	\$9	\$5	NA	NA
8	Kindred/Delaware County ^{1,10}	\$11	\$8	\$9	\$6	26.68%	\$12	\$8	\$9	\$7	27.71%
1	Kindred/Heritage Valley ^{1,10}	\$4	NA	NA	NA	NA	\$4	NA	NA	NA	NA
9	Kindred/Philadelphia ^{1,10}	\$17	\$17	\$14	\$12	12.23%	\$15	\$15	\$13	\$12	7.87%
1	Kindred/Pittsburgh ^{1,10}	\$22	\$20	\$20	\$15	14.77%	\$20	\$18	\$18	\$15	10.98%
6	Kindred/Wyoming Valley ^{1,10}	\$7	NA	NA	NA	NA	\$6	NA	NA	NA	NA
1	LifeCare Pittsburgh ^{1,10,14}	\$40	\$37	\$33	\$31	10.23%	\$37	\$37	\$35	\$32	4.68%
6	Mercy Special Care ^{1,5}	\$14	\$12	\$11	\$10	10.61%	\$12	\$13	\$12	\$11	4.78%
7	SCCI/Easton ^{1,3,10}	\$10	\$7	\$7	\$1	NA	\$10	\$7	\$7	\$3	NA
5	SCCI/Harrisburg ^{1,3,10}	\$8	\$7	\$6	\$1	NA	\$8	\$8	\$7	\$3	NA
5	Select Specialty/Cmp Hill ^{1,3,10}	\$10	\$8	\$1	NA	NA	\$9	\$9	\$3	NA	NA
2	Select Specialty/Erie ^{1,3,10}	\$12	\$10	\$5	\$0.40	NA	\$11	\$10	\$6	\$0.70	NA
1	Select Specialty/Grnsbrg ^{1,3,10}	\$10	\$8	\$4	\$0.50	NA	\$9	\$8	\$5	\$1	NA
3	Select Specialty/Johnstwn ^{1,10}	\$13	\$10	\$9	\$6	32.42%	\$11	\$9	\$9	\$6	21.91%
1	Select Specialty/Pgh ^{1,10}	\$15	\$13	\$11	\$8	32.78%	\$14	\$12	\$10	\$8	26.13%
9	Select Specialty/Phila ^{1,10}	\$8	\$6	\$7	\$6	13.57%	\$10	\$8	\$7	\$6	21.01%
5	Select Specialty/York ^{1,3,10}	\$6	\$2	NA	NA	NA	\$6	\$3	NA	NA	NA
5	SemperCare Lancaster ^{1,3,10,14}	\$9	\$4	\$4	NA	NA	\$7	\$4	\$5	NA	NA

See footnotes and map of regions on page 54.

effect on the Medicare revenue received by the LTAC hospitals that operate as a hospital-within-a-hospital (e.g., an LTAC facility leasing space on the campus of a GAC hospital). Among the many provisions of the new regulations, there are limits on the number of patients admitted by the LTAC from the host hospital that are eligible to receive the higher Medicare PPS rates for long-term care. This limit will ratchet down in 25% annual increments so that for the cost reporting years beginning after October 2008, only 25% of the

LTAC patients admitted from the host hospital will be eligible for LTCH PPS rates. Patients that exceed the 25% limit will be reimbursed at either the standard inpatient PPS (IPPS) rates for GAC patients or the LTCH PPS rates, whichever are lower. An exemption has been implemented for LTAC hospitals located within GAC facilities that are the primary provider of GAC services in rural and urban areas. The limit for patients admitted from the host GAC hospital may be as high as 50%.

Long-Term Acute Care Hospital	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Percent of Uncompensated Care FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04
Statewide Average	5.79%	4.95%	1.48%	2.91%	71.70%	11.39%
Non-profit LTAC Hospitals						
Statewide Average (non-profit)	3.08%	3.33%	1.86%	8.73%	51.19%	43.74%
Girard ^{5,13,14}	-1.43%	-1.09%	-0.23%	12.63%	34.72%	63.91%
Good Shepherd/Allentown ¹³	13.72%	13.72%	2.71%	0.46%	84.14%	0.00%
Mercy Special Care ^{1,5}	11.72%	11.89%	2.01%	0.38%	88.13%	1.23%
For-profit LTAC Hospitals						
Statewide Average (for-profit)	6.68%	5.48%	1.86%	1.01%	78.40%	0.83%
HealthSouth Pittsburgh ^{1,10}	2.27%	1.33%	4.38%	0.47%	64.18%	0.08%
HealthSouth Special Svcs ^{1,10}	6.34%	3.71%	-1.48%	0.81%	83.33%	0.00%
Kindred/Delaware County ^{1,10}	-4.13%	-2.55%	2.04%	3.01%	93.13%	0.29%
Kindred/Heritage Valley ^{1,10}	-5.45%	-3.35%	NA	0.02%	95.47%	0.00%
Kindred/Philadelphia ^{1,10}	8.67%	5.29%	6.89%	0.22%	65.50%	11.57%
Kindred/Pittsburgh ^{1,10}	9.58%	5.89%	5.83%	0.97%	71.73%	0.00%
Kindred/Wyoming Valley ^{1,10}	13.36%	8.22%	NA	1.58%	96.04%	0.00%
LifeCare Pittsburgh ^{1,10,14}	9.06%	4.86%	1.09%	0.59%	85.62%	0.00%
SCCI/Easton ^{1,3,10}	3.28%	2.92%	-1.75%	1.26%	81.39%	0.00%
SCCI/Harrisburg ^{1,3,10}	2.61%	2.32%	-11.32%	1.42%	78.31%	0.00%
Select Specialty/Cmp Hill ^{1,3,10}	7.83%	7.83%	-5.54%	2.19%	80.82%	0.00%
Select Specialty/Erie ^{1,3,10}	10.01%	9.39%	1.22%	0.08%	71.41%	0.00%
Select Specialty/Grnsbrg ^{1,3,10}	14.20%	13.50%	3.63%	0.08%	86.68%	0.00%
Select Specialty/Johnstwn ^{1,10}	15.33%	13.86%	7.27%	0.07%	80.70%	0.00%
Select Specialty/Pgh ^{1,10}	10.98%	10.15%	8.32%	0.33%	73.42%	0.00%
Select Specialty/Phila ^{1,10}	-24.20%	-8.15%	-12.21%	4.06%	90.10%	0.00%
Select Specialty/York ^{1,3,10}	5.82%	5.82%	NA	0.88%	69.18%	0.00%
SemperCare Lancaster ^{1,3,10,14}	15.42%	15.42%	4.98%	4.08%	77.25%	0.00%

Specialty Care

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-General Acute Care. There were six hospitals in this category during FY04. In lieu of an analysis of the trends in utilization and financial health of this very diverse category of facilities, this section presents a brief summary of each of the facilities, based on data available at the end of Fiscal Year 2004 (FY04).

Children's Home of Pittsburgh is an 11-bed inpatient non-profit transitional infant care hospital. It provides an intermediate level of medical care for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. The hospital discharged 170 patients during FY04.

Children's Home has a history of continu-

ing operating losses. The revenues it receives for patient care and other services do not cover its operating expenses. Typically, contributions and investment earnings are larger than the operating deficit, therefore the hospital has historically realized a positive total margin. However, the operating deficit was larger than normal in FY04, and the Home posted a negative total margin of -14.86%.

Divine Providence is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital provides outpatient diagnostic and treatment services and operates a 31-bed inpatient psychiatric unit. During FY04, Divine Providence experienced 112,291 outpatient visits. Outpatient and home health care represented about 94% of the facility's net patient revenue (NPR).

Region	Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY01-FY04	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY01-FY04
		FY04	FY03	FY02	FY01		FY04	FY03	FY02	FY01	
	Statewide Average	\$16	\$12	\$12	\$11	15.22%	\$17	\$13	\$12	\$12	15.87%
1	Children's Home Pgh ¹³	\$3	\$3	\$2	\$2	4.99%	\$4	\$3	\$3	\$3	10.88%
4	Divine Providence	\$53	\$44	\$43	\$40	10.69%	\$56	\$46	\$42	\$42	11.27%
8	Eagleville	\$21	\$20	\$19	\$18	6.03%	\$23	\$21	\$19	\$17	10.50%
9	Kensington ¹³	\$6	\$5	\$4	\$4	10.84%	\$6	\$5	\$5	\$5	6.42%
8	Malvern Inst ¹⁰	\$4	\$4	\$4	\$4	0.30%	\$4	\$4	\$4	\$4	1.84%
8	Valley Forge ^{1,10,13}	\$11	\$9	\$10	\$8	13.60%	\$11	\$10	\$9	\$8	12.14%

See footnotes and map of regions on page 54.

Eagleville Hospital is a 350-bed inpatient drug and alcohol treatment hospital located in Montgomery County. Eagleville Hospital reported a negative operating margin of -7.06% and a positive total margin of 5.69% for FY04. The substantial difference between the operating and total margin is primarily the result of a \$2.4 million transition grant from the state and federal governments that had been allocated in FY02 and FY03 and posted in FY04 when there was no longer a refunding risk. The purpose of this grant is to assist hospitals in adjusting to the reduction of funding from the Medicaid program. Another \$2.4 million grant was awarded for FY04 and has been deferred.

Kensington Hospital is a 33-bed drug and alcohol hospital in Philadelphia. Kensington reported 8,190 outpatient visits in FY04, and outpatient care represented about 28% of its

NPR. The hospital realized a total margin of 6.27% in FY04. This is the second consecutive year the hospital posted a positive operating and total margin after several years of negative margins.

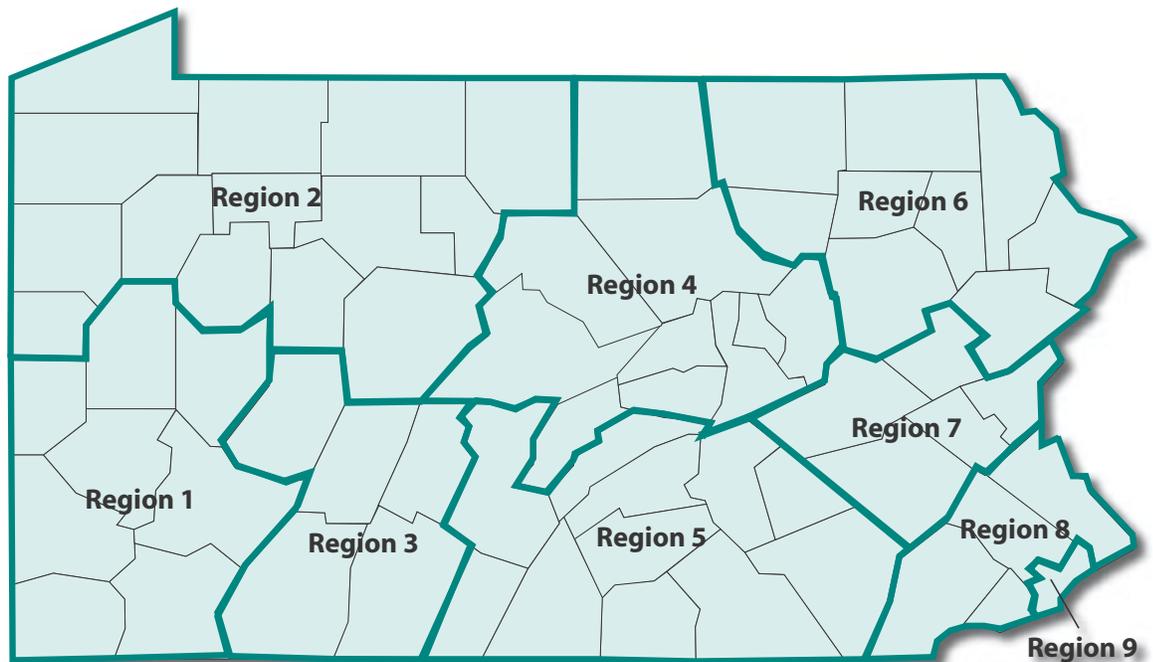
The Malvern Institute is a 51-bed for-profit drug and alcohol treatment hospital located in Chester County.

The Valley Forge Medical Center and Hospital is a 78-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other related conditions. The FY04 total margin rebounded over seven points to -0.32% after falling over 15 points during FY03 to -7.85%. The large swing in the total margin was the result of a 21.4% increase in net patient revenue while the growth in expenses was held to 6.9%.

Specialty Hospital	Operating Margin FY04	Total Margin FY04	3-yr Average Total Margin FY02-FY04	Percent of Uncompensated Care FY04	Medicare Share of NPR FY04	Medical Assistance Share of NPR FY04
Statewide Average	0.43%	4.43%	3.27%	2.19%	22.18%	29.65%
Children's Home Pgh ¹³	-29.32%	-14.86%	-4.53%	1.29%	0.00%	54.37%
Divine Providence	3.77%	5.78%	4.53%	2.14%	33.47%	3.50%
Eagleville	-7.06%	5.69%	6.90%	2.21%	14.10%	49.34%
Kensington ¹³	6.15%	6.27%	4.31%	3.11%	9.65%	68.68%
Malvern Inst ¹⁰	3.91%	3.91%	1.53%	1.61%	0.00%	31.96%
Valley Forge ^{1,10,13}	0.83%	-0.32%	0.01%	2.33%	3.92%	89.64%

Footnotes

1. The end of the fiscal year is not June 30. The data reflects the fiscal year that ended prior to June 30.
 2. FY04 data is less than 12 months; therefore, a three-year comparison is not appropriate for some of the measures.
 3. Prior year(s) reflect less than 12 months of data; therefore, a three-year comparison is not appropriate for some of the measures.
 4. This facility began operating during this reporting year. Typically, total operating expenses are high compared to operating revenue during the start-up period.
 5. The hospital has specialty units, such as psychiatric, rehabilitation, long-term care, skilled nursing, home health, etc., which are included in the data presented for the facility.
 6. Extraordinary item(s) reported on audited financial statement was included in the calculation of total margin.
 7. Balance sheet ratios are for the parent organization.
 8. Acquired or merged with another licensed hospital during the FY04 reporting period.
 9. Acquired or merged with another licensed hospital during the FY02 or FY03 reporting periods.
 10. For-profit facility; total margin includes *pro rata* share of taxes, other gains and/or expenses experienced by the parent organization.
 11. Facility is referred to by a different name or it closed after FY04 reporting period.
 12. Facility failed to satisfy the financial filing requirements.
 13. One or more of the required financial submissions was filed late.
 14. Facility submitted incomplete or inaccurate data.
- NR Information necessary to report or calculate this measure was not reported by the hospital.
- NA Not applicable.



Hospitals with Fiscal Year-End other than 6/30/04

Angela Jane Rehab	12/31/2003
Brooke Glen Behavioral.....	12/31/2003
Clarion Psych.....	12/31/2003
Fairmount Behavioral.....	12/31/2003
Geisinger HealthSouth.....	12/31/2003
HealthSouth Altoona	12/31/2003
HealthSouth Erie.....	12/31/2003
HealthSouth Harmarville.....	12/31/2003
HealthSouth Mechanicsburg	12/31/2003
HealthSouth Nittany	12/31/2003
HealthSouth Pittsburgh	12/31/2003
HealthSouth Reading.....	12/31/2003
HealthSouth Sewickley	12/31/2003
HealthSouth Special Svcs	12/31/2003
HealthSouth York.....	12/31/2003
Horsham Clinic	12/31/2003
KidsPeace	12/31/2003
Kindred/Delaware County	12/31/2003
Kindred/Heritage Valley	12/31/2003
Kindred/Philadelphia.....	12/31/2003
Kindred/Pittsburgh.....	12/31/2003
Kindred/Wyoming Valley.....	12/31/2003
Kirkbride Center.....	12/31/2003
LifeCare Pittsburgh	12/31/2003
Meadows Psych Center	12/31/2003
Mercy Special Care.....	12/31/2003
SCCI/Easton	12/31/2003
SCCI/Harrisburg	12/31/2003
Select Specialty/Cmp Hill	12/31/2003
Select Specialty/Erie.....	12/31/2003
Select Specialty/Grnsbrg.....	12/31/2003
Select Specialty/Johnstwn.....	12/31/2003
Select Specialty/Pgh	12/31/2003
Select Specialty/Phila.....	12/31/2003
Select Specialty/York.....	12/31/2003
SemperCare Lancaster.....	12/31/2003
Southwood Psych	12/31/2003
Valley Forge	8/31/2003

Ambulatory Surgery Centers with Fiscal Year End other than 12/31/03

Abington SC	6/30/2004
Altoona Hospital ASC.....	6/30/2004
Apple Hill SC.....	6/30/2004
ASC Bucks County	6/30/2004
ASC/New Kensington	6/30/2004
Berks Urologic SC	6/30/2004
Carlisle Regional SC	9/30/2003
Children's Hosp Pgh North.....	6/30/2004
CHOP ASC Exton.....	6/30/2004
Del Valley Ortho/Spine SC.....	6/30/2004
Dermatologic/Drexel Hill.....	7/31/2003
Dermatologic/Philadelphia	7/31/2003
Einstein SC	6/30/2004
Gastroenterology Consult.....	1/31/2004
Gettysburg Procedure	6/30/2004
Guthrie Clinic	6/30/2004
Hamot SC.....	6/30/2004
Hanover SC	6/30/2004
Heritage Valley SC	6/30/2004
Holy Redeemer ASC	6/30/2004
HUP Reproductive Surgical.....	6/30/2004
Mount Nittany SC	6/30/2004
Mt Lebanon SC	6/30/2004
PA Eye & Ear SC.....	6/30/2004
Penn Medicine Radnor Endo.....	6/30/2004
Penn Surgery Inst	6/30/2004
Penn Surgery/Limerick.....	6/30/2004
Philadelphia SC	6/30/2004
Reading SC/Spring Ridge	6/30/2004
SC Ligonier.....	6/30/2004
SC York.....	6/30/2004
Summit SC	6/30/2004
Susquehanna SC.....	6/30/2004
Tri County Surgical	9/30/2003
UPMC Monroeville SC.....	6/30/2004
Valley SC	6/30/2004
Wills Eye SC Plymouth Mtg	6/30/2004
Wills Eye SC South Phila	6/30/2004
Wills SC Bucks County.....	6/30/2004
Wills SC Northeast.....	6/30/2004
Wills Surgical Ctr City.....	6/30/2004

Explanation of Terms and Measures

Ambulatory Surgery Center (ASC): A licensed facility, not located on the premises of a hospital (freestanding), that provides surgical care to patients who do not require overnight hospitalization, but who do require medical supervision following a procedure. An ASC does not include individual or group practice offices of private physicians or dentists, unless such offices have a distinct licensed outpatient surgical unit.

Commercial Third-Party Payors: Commercial insurers encompass all indemnity and managed care health insurance plans, including Blue Cross and Blue Shield plans, and hospital and health system plans. Government-funded programs, such as Medicare managed care, are not included even if a commercial insurer administers the program.

Discharges: The number of patients released from the hospital that occurred during the fiscal year.

Long-Term Acute Care (LTAC) Hospital: A separately licensed acute care facility where the average length of stay is typically over 25 days.

Malpractice Expenses as a Percent of NPR: For all hospital categories except the ASCs, this measure places each of the five hospital categories' malpractice expenses in perspective with the total net patient revenue for each category. Hospital malpractice expenses include the costs of insurance obtained from independent commercial carriers, self-insurance programs, the state-administered MCARE fund assessment, hospital-funded physician malpractice expenses and hospital-funded Physician MCARE assessments. Physician malpractice expenses and MCARE assessments that are not funded by hospitals are not included in the malpractice expenses reported by PHC4. For more information on the components of hospital malpractice expenses, please see PHC4's May 2005 Research Brief on "Hospital Malpractice Expenses" at www.phc4.org.

$$(\text{malpractice expenses} / \text{net patient revenue})$$

Net Patient Revenue (NPR): Net patient revenue reflects revenue for patient care only and does not include revenue from other operations, such as the cafeteria, parking, rent, research and educational activities. Revenue from those operations is included in total operating revenue. NPR may include retroactive adjustments from third-party payors for care provided during a previous fiscal year.

Occupancy Rate: The average daily inpatient occupancy rate for staffed beds. The occupancy rate reflects the percent of the staffed beds that are occupied on average, on a single day.

$$(\text{patient days} / \text{bed days available})$$

Other Third-Party Payors: Third-party payors other than health insurance companies and managed care organizations. These include direct payments by employers or associations, auto insurance, workers compensation, and government programs (other than Medicare and Medical Assistance).

Operating Income: The amount by which total operating revenue exceeds total operating expenses.

$$(\text{total operating revenue} - \text{total operating expenses})$$

Operating Margin: The ratio of operating income to total operating revenue. This measure places operating income in perspective with the volume of business realized by the facility.

$$(\text{operating income} / \text{total operating revenue})$$

Outpatient Visits: The number of visits to the individual outpatient units of the hospital or surgery center during the fiscal year. Outpatient visits do not reflect the visits made by hospital staff to the patient's home (i.e., home health visits).

Patient Day: Each day a patient stays in an inpatient facility.

Psychiatric Hospital: A licensed institution, other than a General Acute Care hospital, engaged in providing acute short-term psychiatric services on an inpatient basis. Psychiatric hospitals may also offer long-term residential and outpatient programs. Acute psychiatric care is rendered in response to severe psychiatric

conditions requiring intensive or extensive intervention to bring the patient's symptoms under control.

Rehabilitation Hospital: A licensed inpatient facility, other than a General Acute Care hospital, which is operated for the primary purpose of assisting in the physical rehabilitation of persons through an integrated program of medical and other services. Rehabilitation hospitals may also offer outpatient services.

Staffed Beds: The number of beds at the hospital that are set up and staffed at the end of the fiscal year.

Three-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the facility's NPR or TOE that occurred from the end of FY01 through FY04.

$$(((\text{NPR}_{04} - \text{NPR}_{01}) / \text{NPR}_{01}) / 3) \text{ or } (((\text{TOE}_{04} - \text{TOE}_{01}) / \text{TOE}_{01}) / 3)$$

Three-year Average Total Margin: The average total margin realized by the facility during FY02 through FY04.

$$(\sum_{04,03,02} \text{revenue over expenses} / \sum_{04,03,02} \text{total revenue})$$

Total Net Income (Revenue over Expenses): Total net income reflects the sum of operating income and non-operating income. Total income may also include extraordinary items, such as the gain or loss from the sale of securities.

Total Margin: The ratio of total income to total revenue. This measure puts income from all sources in perspective with all revenues received by a facility.

$$(\text{revenue over expenses} / \text{total revenue})$$

Total Operating Expenses (TOE): All costs associated with operating the entire facility, such as salaries, professional fees, supplies, depreciation, interest, insurance and bad debts. The acquisition of durable equipment and other property are not considered expenses but are reflected on the hospital's balance sheet as assets. However, the costs to finance equipment (interest), as well as the depreciation, operation and maintenance costs of capital equipment, are operating expenses.

Total Operating Revenue (TOR): All revenues allocated by the facility to meet operating expenses. Includes revenue sources such as net patient revenue, investment income, contributions, and revenue from other operations (e.g., cafeteria, parking, rent, research and educational activities). Individual facilities may also allocate investment income, contributions, etc. as non-operating income.

Total Revenue: Operating revenue plus non-operating income. The non-operating income component typically includes unrestricted contributions and investment income.

Percent of Uncompensated Care: For all of the hospitals, except the ASCs, this is the ratio of uncompensated care (charity care and bad debt) to the total care provided by the facility. Charity care is the care a hospital provides without charge because the patient is unable to compensate the hospital either through third-party coverage or the patient's own resources. Bad debt represents the foregone revenue for care in which the facility initially anticipated payment, extended credit to the patient, but later determined it not to be collectable.

Beginning with FY03, hospitals (not including ambulatory surgery centers) reported bad debt and charity care at full charges. The sum of bad debt charges and charity care charges (uncompensated care charges) was divided by total charges to yield an uncompensated care rate. This rate should be a close approximation of the percent of facility net patient revenue that was forgone due to uncompensated care.

$$(\text{charity care charges} + \text{bad debt charges}) / \text{total charges}$$

For the ASCs, the Percent of Uncompensated Care is calculated as the sum of foregone charity care revenue plus bad debt expense divided by net patient revenue. Foregone charity care revenue is calculated by dividing charity care charges by the individual ASC's revenue-to-charge ratio.

$$(\text{charity care revenue} + \text{bad debt expense}) / \text{net patient revenue}$$

Non-Compliant Facilities

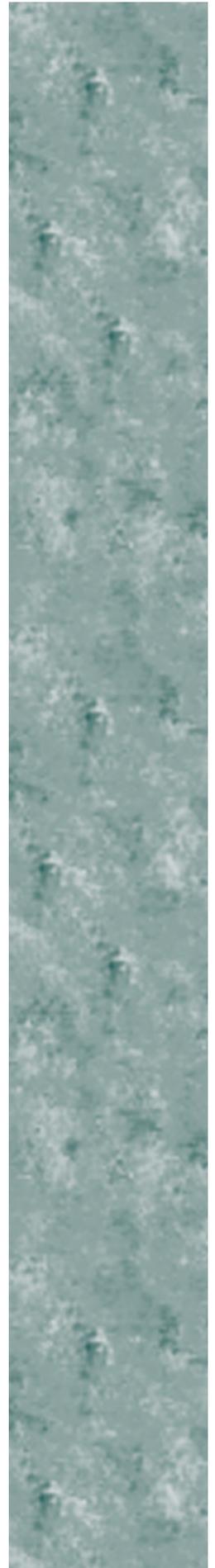
The following facilities were not in compliance with one or more of PHC4's filing requirements (audited financial statements or the financial data submitted on the Web site) at the filing deadline.

Late Submission

Altoona Hospital ASC
Angela Jane Rehab
Brooke Glen Behavioral
Chestnut Hill Rehab
Children's Home Pgh
Children's Inst Pgh
Delaware Valley Laser
Dermatology & Cosmetic SC
Doylestown SC
Endoscopy/Delaware County
First Wyoming Valley
Foundation/Ft Washington
Friends
Gastroenterology Consult
Girard
Good Shepherd Rehab
Good Shepherd/Allentown
Good Shepherd/Bethlehem
Hanover SC
HUP Reproductive Surgical
Kensington
KidsPeace
Kingston Ophthalmology
Kirkbride Center
Lewisburg Plastic/Laser
Lowry SC
Main Line SC
Northwood SC
Penn Surgery/Limerick
Penn Surgery Inst
Philadelphia SC
Reading SC/Spring Ridge
SC York
Scranton Endoscopy
Shadyside SC
Smarthealth Norwin Hills
Southwestern ASC
Surgery & Laser
Susquehanna SC
UPMC Monroeville SC
Valley Forge
Valley View SC
West Shore Endoscopy
Westfield SC
Wills Eye SC South Phila
Wyomissing Surgical Serv

No Submission

Lehigh Plastic SC
Parkway SC





Pennsylvania Health Care Cost Containment Council

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FOR MORE INFORMATION

Additional financial and utilization data for Fiscal Year 2004 and prior years may be purchased. For more information, contact PHC4's Data Requests Unit. The information contained in this report and other PHC4 publications are available on our Web site www.phc4.org.