

# FINANCIAL ANALYSIS 2006

## Volume Two

- Ambulatory Surgery Center Care
- Rehabilitation Care
- Psychiatric Care
- Long-Term Acute Care
- Specialty Care



Pennsylvania Health Care Cost Containment Council  
November 2007

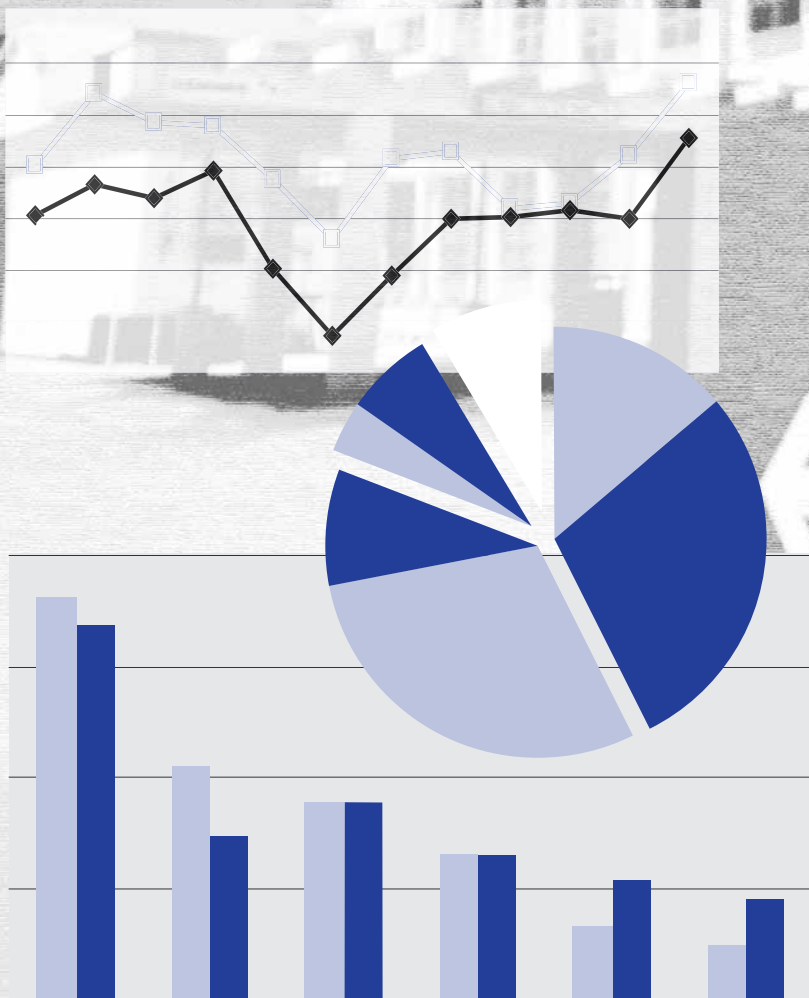


TABLE OF CONTENTS

Introduction ..... 1

Overview ..... 2

Ambulatory Surgery Center ..... 8

Rehabilitation Care ..... 22

Psychiatric Care ..... 34

Long-Term Acute Care..... 46

Specialty Care ..... 56

Footnotes and Regional Map ..... 58

Explanation of Terms and Measures ..... 59

Non-Compliant Facilities ..... 60

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 ambulatory 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 June 2007, 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.

The information contained in this report was derived from annual financial statements and data submissions, quarterly inpatient discharge and ambulatory/outpatient procedure filings and supplemental information supplied by each facility. By law, the hospitals and the surgery centers are required to submit this 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 of this report.

In addition to the profiles of the freestanding 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 1 lists the number of licensed facilities in each category that operated for more than six months and were required to submit data to PHC4 for the fiscal year 2006 (FY06) reporting year.

The FY06 reporting year for the non-GAC facilities included in this report is each facility's accounting year that ended during 2006. For most of the non-GAC facilities, the reporting year is the calendar year ending December 31, 2006. For those facilities that do not utilize a calendar year, the reporting year typically ended on June 30, 2006.

Some of the facilities failed to meet one or more of the Council's financial filing requirements. These facilities are indicated by Footnotes 12, 13 and 14 on the individual facility financial tables at the end of each section. If a facility failed to supply a specific data element presented

in this report, "NR" (not reported) is indicated for that data element. In order to provide consistent totals and averages for the various statewide measures presented in this report, estimated data was employed to fill a limited number of voids in the data. However, the financial measures for individual facilities contain no estimated data.

This report presents statewide data on utilization and capacity. While the statewide data on utilization generally reflects the overall trends in the level of patient care and staffed beds in Pennsylvania, statewide utilization and capacity data must be viewed as a compilation of often unrelated local markets. For example, the addition or removal of LTAC 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 1**  
**Number of Reporting Facilities, FY06**  
by Facility Type

| Facility Type                  | Number of Facilities |
|--------------------------------|----------------------|
| General Acute Care Hospitals   | 174                  |
| Rehabilitation Hospitals       | 19                   |
| Psychiatric Hospitals          | 16                   |
| State Psychiatric Hospitals    | 9                    |
| Long-Term Acute Care Hospitals | 25                   |
| Specialty Hospitals            | 6                    |
| Ambulatory Surgery Centers     | 205                  |
| <b>Total</b>                   | <b>454</b>           |

General Acute Care (GAC) hospitals (including GAC subunits) clearly are the predominant providers of hospital-based health care in Pennsylvania. The 174 GAC hospitals received 93.4% of statewide net patient revenue and treated 95.3% of patients receiving inpatient care (discharges) during FY06. Similarly, the 37.1 million outpatient visits reported by the GAC hospitals represents 91.6% of the total visits to all hospitals and ASCs.

All of the figures and tables in this section, except Figure O-1 and Table O-3, present a variety of information by facility type. These figures and tables reflect all care provided at each type of facility. For example, the patient days for Long-Term Acute Care (LTAC) hospitals include med-surg plus the psychiatric and the relatively small amount of skilled nursing care provided at the LTAC hospitals. In contrast, Figure O-1 and Table O-3 present patient days by type of care (e.g., psychiatric care), regardless of where that care was delivered. For example, statewide psychiatric care includes services provided at freestanding psychiatric hospitals, GAC hospitals,

LTAC hospitals, and specialty hospitals.

Table O-1 displays the differences in the average revenue per day and discharge at the five types of facilities. While a number of factors affect the revenue that hospitals receive, the variation in the average revenue per day provides some indication of the differences in resources required to treat patients in the different facility categories. For example, the revenue per day at rehabilitation hospitals is nearly double the average for psychiatric hospitals. This disparity exists, in large part, because rehabilitation hospitals generally provide care that is more resource intensive than psychiatric hospitals. In addition, Figure O-7 reveals that the average age of patients treated at rehabilitation facilities is more than twice the average age of patients at psychiatric hospitals. Typically, older patients require more resources than younger patients being treated for the same condition.

Applying the differences in the average lengths of stay presented in Figure O-6 to the variations in the average revenue per day result in large differences in the average revenue per

**TABLE O-1**  
**Beds, Days, Discharges, and Net Inpatient Revenue, FY06**  
 by Facility Type

| Facility Type                  | Staffed Beds  | Patient Days      | Discharges       | Net Inpatient Revenue (thousands) | Average Inpatient Revenue per Day | Average Inpatient Revenue per Discharge |
|--------------------------------|---------------|-------------------|------------------|-----------------------------------|-----------------------------------|---|
| General Acute Care Hospitals   | 37,474        | 9,611,496         | 1,823,336        | \$17,252,206                      | \$1,795                           | \$9,462                                 |
| Rehabilitation Hospitals       | 1,672         | 409,976           | 26,381           | \$405,528                         | \$989                             | \$15,372                                |
| Psychiatric Hospitals*         | 1,902         | 556,829           | 41,911           | \$282,937                         | \$508                             | \$6,751                                 |
| Long-Term Acute Care Hospitals | 1,253         | 305,091           | 10,771           | \$382,393                         | \$1,253                           | \$35,502                                |
| Specialty Hospitals            | 574           | 157,625           | 10,573           | \$50,098                          | \$318                             | \$4,738                                 |
| <b>Total</b>                   | <b>42,875</b> | <b>11,041,017</b> | <b>1,912,972</b> | <b>\$18,373,162</b>               | <b>\$1,664</b>                    | <b>\$9,605</b>                          |

\* Excludes state psychiatric hospitals

**TABLE O-2**  
**Net Outpatient Revenue and Visits, FY06**  
by Facility Type

| Facility Type                  | Visits            | Outpatient Revenue (thousands) | Average Outpatient Revenue per Visit |
|--------------------------------|-------------------|--------------------------------|--------------------------------------|
| General Acute Care Hospitals   | 37,088,949        | \$10,568,445                   | \$285                                |
| Total Non-GAC                  | 3,396,893         | \$840,509                      | \$247                                |
| Rehabilitation Hospitals       | 1,321,670         | \$108,570                      | \$82                                 |
| Psychiatric Hospitals*         | 996,214           | \$47,196                       | \$47                                 |
| Long-Term Acute Care Hospitals | 111,295           | \$14,944                       | \$134                                |
| Specialty Hospitals            | 178,060           | \$60,143                       | \$338                                |
| Ambulatory Surgery Centers     | 789,654           | \$609,656                      | \$772                                |
| <b>Total</b>                   | <b>40,485,842</b> | <b>\$11,408,953</b>            | <b>\$282</b>                         |

\* Excludes state psychiatric hospitals

discharge across the five facility types. Table O-1 shows that the average revenue per discharge during fiscal year 2006 (FY06) ranges from \$4,738 at the specialty hospitals to \$35,502 at the LTAC hospitals.

During FY06, there were 3.4 million outpatient visits reported from the ambulatory surgery centers (ASCs) and the rehabilitation, psychiatric,

long-term acute and specialty hospitals. Table O-2 shows a wide variation in the average outpatient revenue per visit across the six facility categories. Like inpatient care, a primary reason for the diversity in revenue per visit among the facility types is the variation in level of resources provided per visit. A psychiatric patient may receive care as a series of visits comprised of relatively short

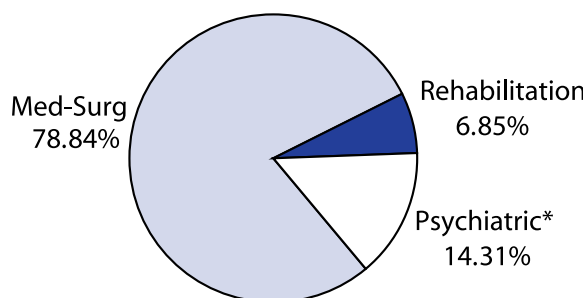
**TABLE O-3**  
**Patient Days, FY06**  
by Type of Care

| Type of Services | Patient Days      |
|------------------|-------------------|
| Med-Surg **      | 8,084,162         |
| Rehabilitation   | 702,322           |
| Psychiatric *    | 1,467,914         |
| <b>Total</b>     | <b>10,254,398</b> |

\* Excludes state psychiatric hospitals

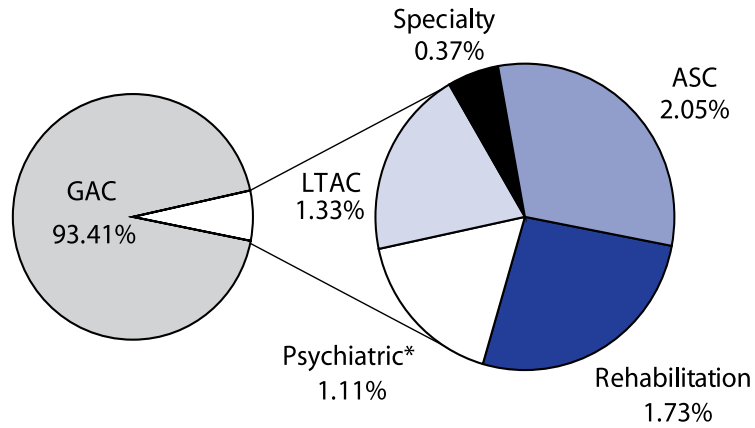
\*\* Includes acute non-psychiatric care from LTAC hospitals

**FIGURE O-1**  
**Patient Days, FY06**  
by Type of Care

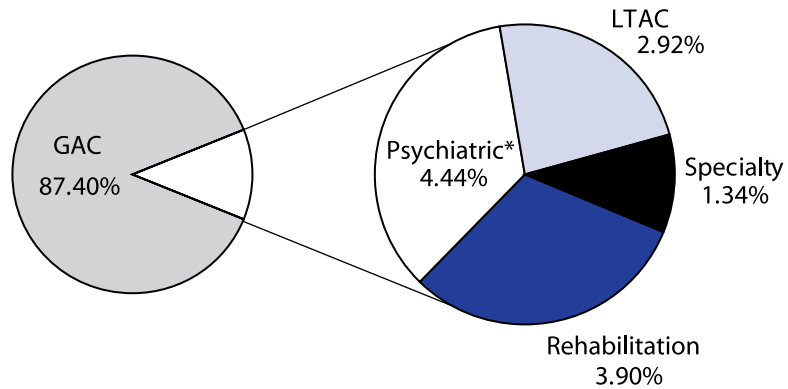


\* Excludes state psychiatric hospitals

**FIGURE 0-2**  
**Net Patient Revenue, FY06**  
 by Facility Type



**FIGURE 0-3**  
**Staffed Beds, FY06**  
 by Facility Type



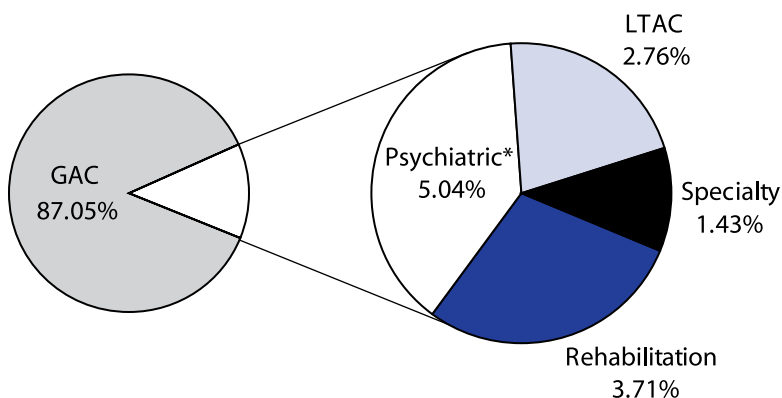
\* Excludes state psychiatric hospitals

treatments while a patient at an ASC may be subject to an entire surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

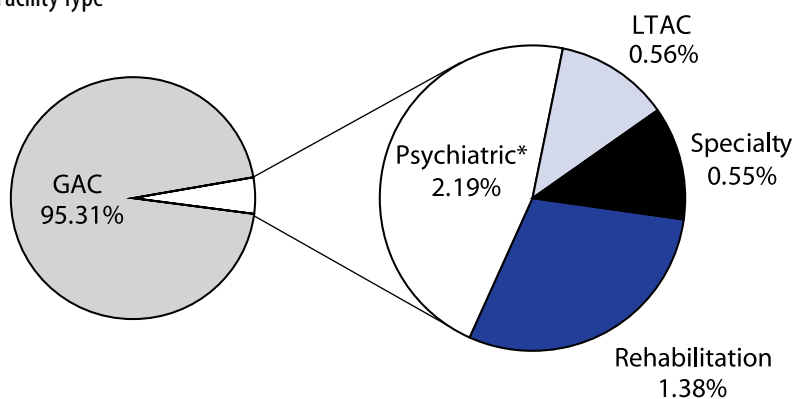
With the exception of the LTAC hospitals, the FY06 statewide average total margins posted by all of the other five facility categories are the

highest in the last ten years (FY97 – FY06). The operating and total margins of LTAC facilities as a group peaked in FY04 and have declined significantly over the past two years. While the statewide total margin for rehabilitation hospitals increased slightly in FY06, the average operating margin fell about 1.4 points in FY06. Contributing to the declines in operating margins at

**FIGURE 0-4**  
**Patient Days, FY06**  
 by Facility Type



**FIGURE 0-5**  
**Discharges, FY06**  
 by Facility Type



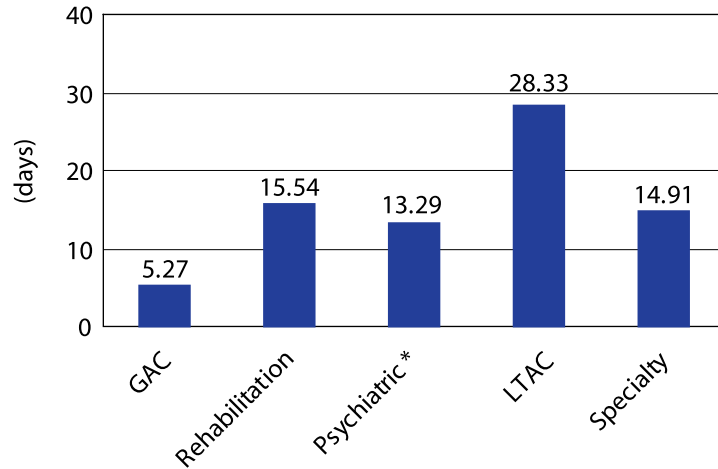
\* Excludes state psychiatric hospitals

LTAC and Rehab hospitals are changes in the reimbursement systems for Medicare patients.

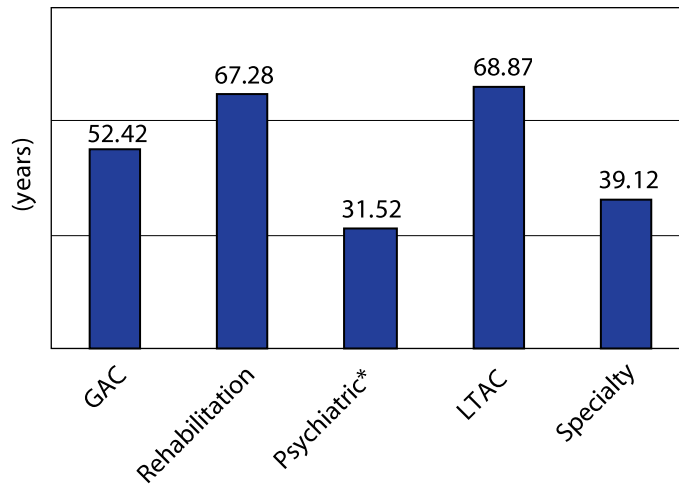
At 21.02%, the ASCs continue to have the highest average total margin among the six categories of health care facilities. After increasing a total of 9.4 points in the four years between FY01 and FY05, the statewide average total margin grew only 0.2 points during FY06. Contributing

to the large difference between the average ASC total margin and the average total margin for the other facility types is that most of the facilities in the largely for-profit ASC sector report their net income on a pre-tax basis. The net income reported for the for-profit hospitals in the other facility categories is reported net of federal income taxes.

**FIGURE 0-6**  
**Average Length of Stay, FY06**  
by Facility Type



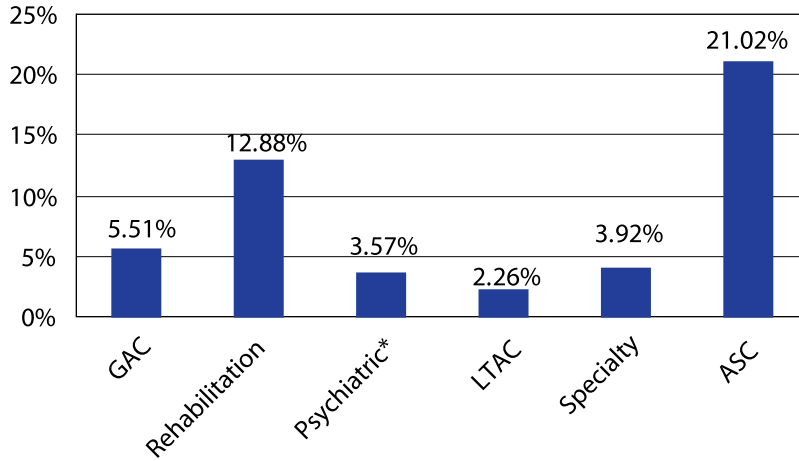
**FIGURE 0-7**  
**Average Inpatient Age, FY06**  
by Facility Type



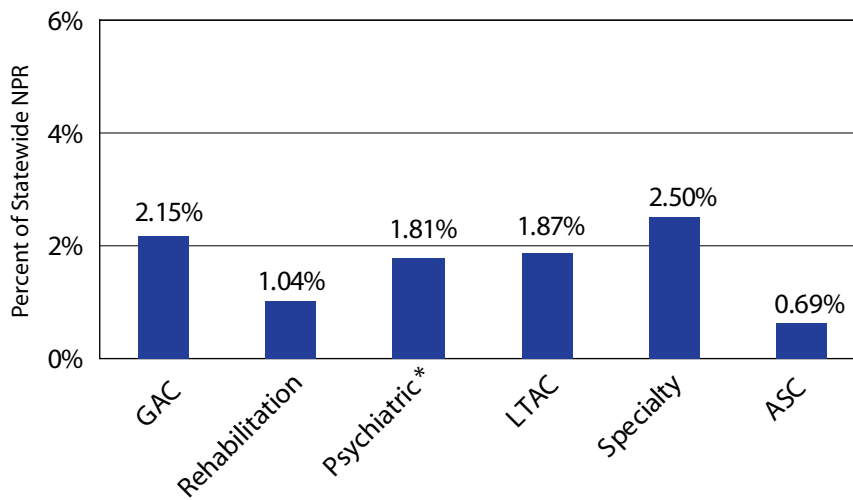
\* Excludes state psychiatric hospitals

Note: Information on the average age of patients receiving outpatient care at the GAC hospitals and the ASCs is presented in the text in the following Ambulatory Surgery Center Care Section.

**FIGURE O-8**  
**Average Total Margin, FY06**  
 by Facility Type



**FIGURE O-9**  
**Percent of Uncompensated Care, FY06**  
 by Facility Type



\* Excludes state psychiatric hospitals

## Highlights

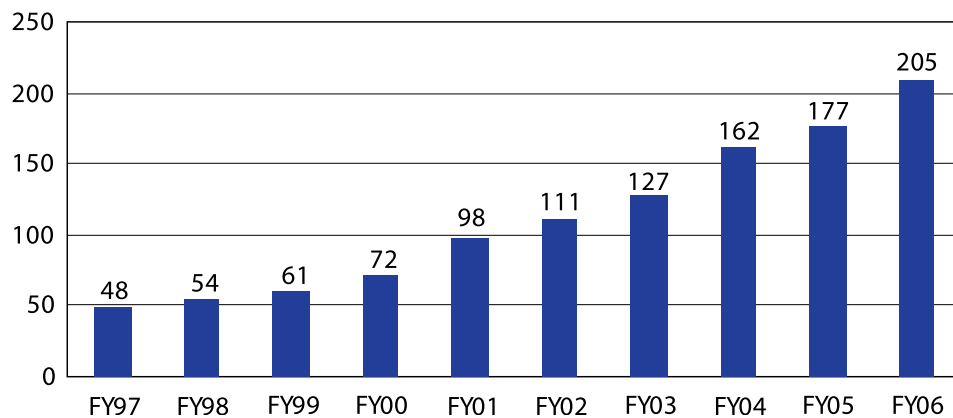
- The number of licensed ambulatory surgery centers (ASCs) in Pennsylvania continues to grow. Twenty-eight (28) new ASCs opened between June 2006 and May 2007, bringing the total to 232.
- During FY06, more than one-fourth (27.5%) of all outpatient diagnostic and surgical (D&S) procedures<sup>1</sup> were performed at the ASCs.
- There has been a 40.2% growth in the total number of outpatient D&S procedures performed in Pennsylvania between FY00 and FY06. More than two-thirds (70.5%) of that growth has occurred at the ASCs.
- In the four years between FY01 and FY05, the statewide total margin for ASCs increased 9.4 points or an average of more than 2.3 points per year. The rise in the statewide total margin leveled off during FY06, increasing only 0.2 points.

The number of ambulatory surgery centers (ASCs) continues to grow, with 28 new facilities opening between June 2006 and May 2007. This brings the total to 232 licensed facilities. There were 205 ASCs that operated for more than six months during fiscal year 2006 (FY06) and submitted financial data to PHC4.

Despite the rapid growth in the number of ASCs, the \$609.7 million in net patient revenue reported by the 205 ASCs during FY06 is equal to only about 5.8% of the outpatient revenue received by the 174 general acute care (GAC) hospitals.

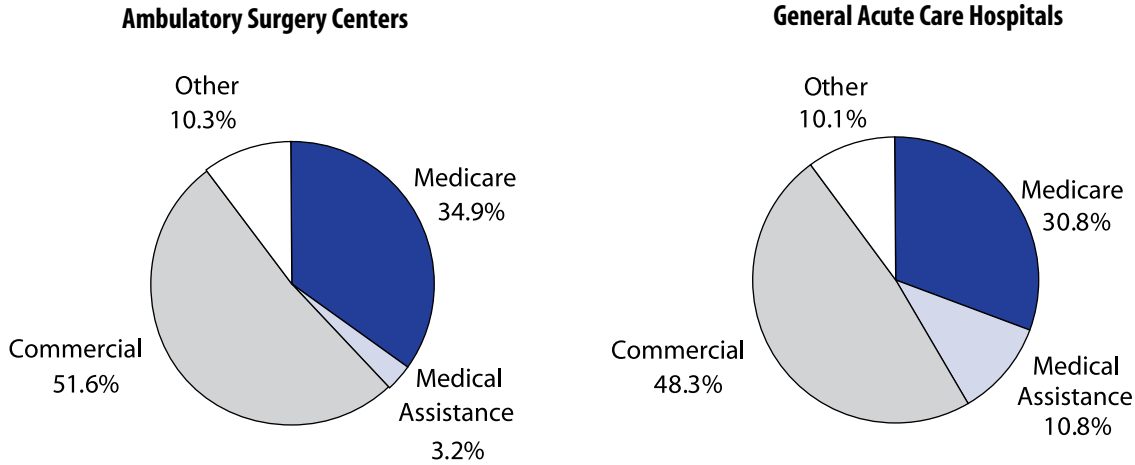
While the growth of ASCs has not had a significant effect on overall outpatient care at GAC hospitals, there has been a significant shift in the diagnostic and surgical (D&S) procedures<sup>1</sup> performed in an outpatient setting. During FY06, 27.5% or 622,652 of the total 2.3 million outpatient D&S procedures statewide were performed at the ASCs. This reflects more than a 17-point increase in the ASC share of total D&S procedures in just six years. In FY00, ASCs performed 10.2% or 164,690 of the total 1.6

**FIGURE A-1**  
**Statewide Reporting Ambulatory Surgery Centers**



<sup>1</sup>The CPT-4 and ICD-9 procedure codes for the D&S procedures captured by PHC4 are available on the PHC4 website at <http://www.phc4.org/services/datarequests/procedures.htm>.

**FIGURE A-2**  
**Statewide Outpatient Diagnostic and Surgical Procedures<sup>1</sup> at Ambulatory Surgery Centers and General Acute Care Hospitals, FY06**  
 by Payor



1 See footnote on page 8.

million outpatient D&S procedures performed in Pennsylvania.

Most of the growth in outpatient D&S procedures over the last five years has occurred at the ASCs. There has been a 40.2% growth in the total number of outpatient D&S procedures performed in Pennsylvania between FY00 and FY06, and 70.5% of that growth has occurred at the ASCs.

**ASCs Provide Narrower Range of Procedures**

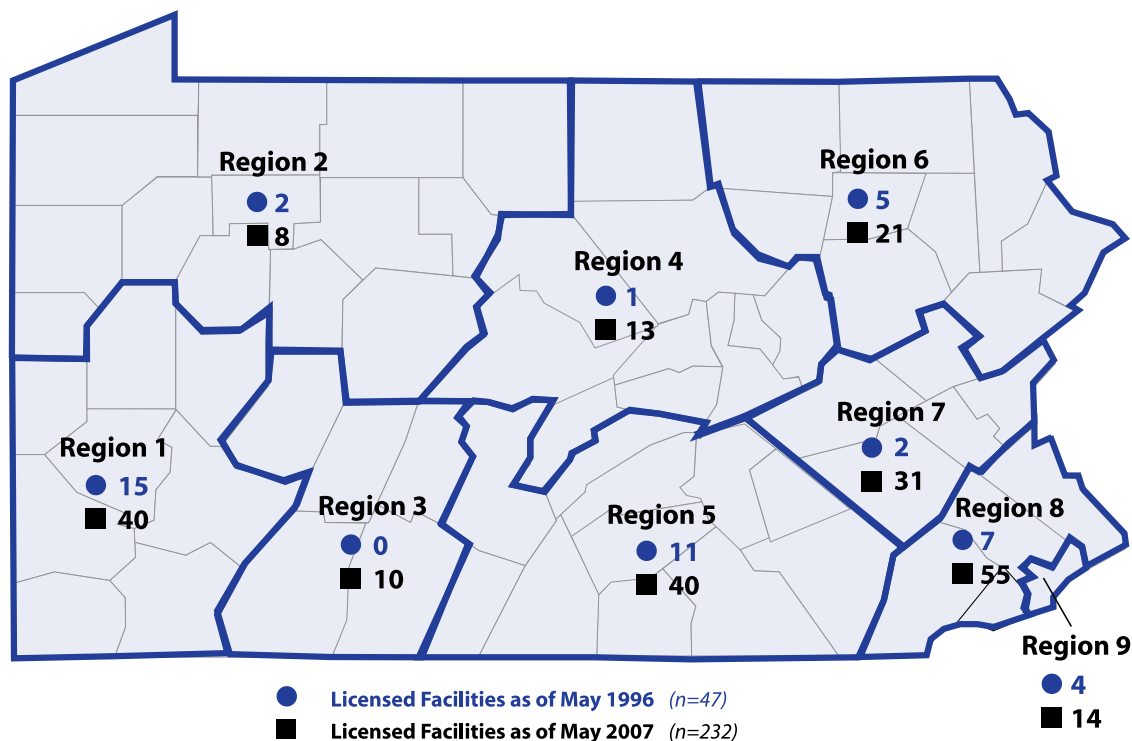
Pennsylvania’s ASCs, as a group, provide a narrower distribution of outpatient D&S procedures than the outpatient units of GAC hospitals. The Clinical Classification Software\* (CCS) utilized by PHC4 enables outpatient D&S procedures to be distributed into groups. The top-five D&S procedures groups for ASCs listed in Table A-1 represent nearly two-thirds (63.2%) of all

**TABLE A-1**  
**Top Five Principal Procedures\* at Ambulatory Surgery Centers and General Acute Care Outpatient Units**

|  | FY06    |         |                  |         | FY00   |         |                  |         |
|--|---------|---------|------------------|---------|--------|---------|------------------|---------|
|  | ASC     |         | GAC - Outpatient |         | ASC    |         | GAC - Outpatient |         |
|  | Number  | Percent | Number           | Percent | Number | Percent | Number           | Percent |
| Colonoscopy and biopsy   | 123,757 | 19.9%   | 160,328          | 9.8%    | 14,811 | 9.0%    | 136,310          | 9.4%    |
| Lens and cataract procedures                                   | 106,132 | 17.1%   | 60,661           | 3.7%    | 49,275 | 29.9%   | 96,158           | 6.6%    |
| Upper gastrointestinal(GI) endoscopy, biopsy                   | 61,723  | 9.9%    | 101,491          | 6.2%    | 10,165 | 6.2%    | 97,079           | 6.7%    |
| Insertion of catheter or spinal stimulator/inject spinal canal | 51,705  | 8.3%    | 59,151           | 3.6%    | 9,116  | 5.5%    | 56,577           | 3.9%    |
| Other non-OR lower GI therapeutic procedures                   | 50,317  | 8.1%    | 75,117           | 4.6%    | 6,492  | 3.9%    | 59,679           | 4.1%    |

\* Procedures were grouped into classifications from the ICD-9 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 and Utilization Project (HCUP).

**FIGURE A-3**  
**Growth in Ambulatory Surgery Centers by Region**



D&S procedures performed at ASCs in FY06. The top-ten procedure groups represented 73.6% of the ASC procedures. In contrast, the top-32 procedure groups would have to be accumulated to reach 73.2% of the outpatient D&S procedures performed at GAC hospitals.

The top-five D&S procedures groups for GAC outpatient units included 27.8% of the outpatient D&S procedures performed during FY06 and top-ten categories captured 47.5% of the procedures performed at GAC outpatient units during FY06.

### Payor Mix

Figure A-2 presents a comparison of the payor mix for the D&S procedures performed at both the ASC and GAC outpatient units. The greatest difference in the payor mix between the two facility types is in the portion of patients partici-

pating in the Medical Assistance (MA) program. The GAC hospitals reported that nearly one in nine (10.8%) of their outpatients undergoing an outpatient D&S procedure was an MA participant. Only 3.2% of ASC patients were covered by MA.

The median age for ASC patients was 62 years in FY06, ten years older than the median age of 52 years for D&S outpatients at the GAC hospitals. Consistent with the older patient population, the portion of ASC patients covered by Medicare is about 4.1 points greater than the percentage of Medicare D&S outpatients at GAC hospitals.

### ASC Income

After four years of significant increases in the statewide average total and operating margins at the ASCs, the rate of increase in these margins leveled off in FY06. In the four years between

FY01 and FY05, the statewide total margin increased 9.4 points or an average of more than 2.3 points per year. In FY06, the statewide total margin increased only 0.2 points.

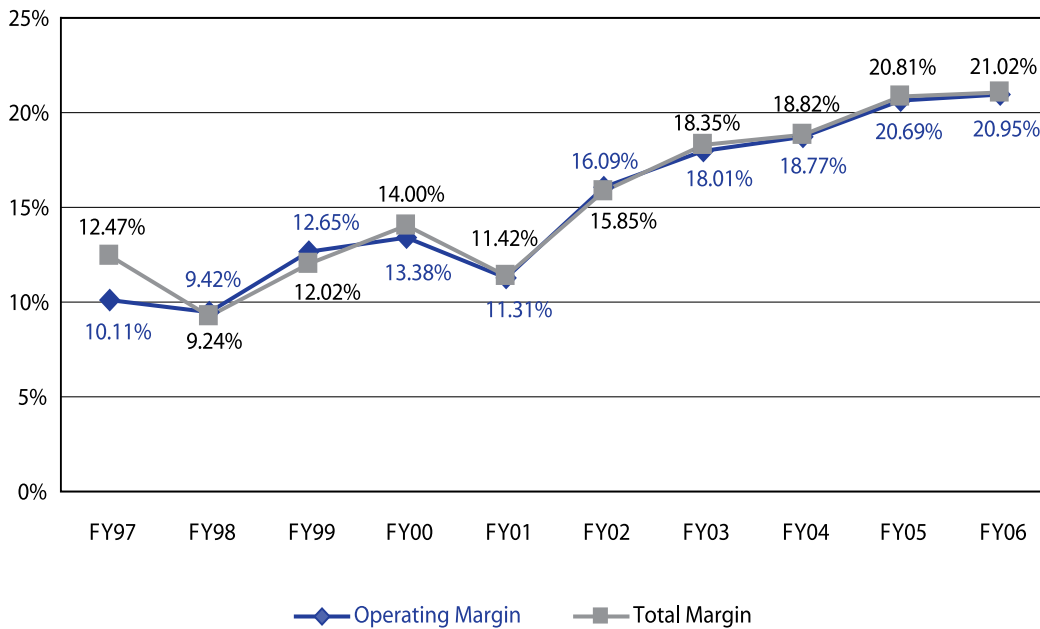
The statewide average margins for the ASCs cannot be directly compared to the average margins for the hospital categories for two reasons.

First, the majority 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 for most of the for-profit ASCs does not reflect any income tax

expenses. In contrast, the total margins for the for-profit hospitals 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, such as GAC hospitals, is almost exclusively reported as salary or professional service expenses.

**FIGURE A-4**  
**Statewide Operating and Total Margins at Ambulatory Surgery Centers**



# AMBULATORY SURGERY CENTER CARE

| Region                   | Ambulatory Surgery Center                   | Net Patient Revenue<br>NPR (thousands) |                |                |                | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOE (thousands) |                |                |                | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|--------------------------|---|--|----------------|----------------|----------------|---|---|----------------|----------------|----------------|---|
|                          |   | FY06                                   | FY05           | FY04           | FY03           |   | FY06  | FY05           | FY04           | FY03           |   |
| <b>Statewide Average</b> |   | <b>\$3,003</b>                         | <b>\$2,982</b> | <b>\$3,019</b> | <b>\$3,043</b> | <b>-0.44%</b>                             | <b>\$2,394</b>                              | <b>\$2,387</b> | <b>\$2,474</b> | <b>\$2,528</b> | <b>-1.77%</b>                             |
| 1                        | 20/20 SC <sup>1,10</sup>                    | \$702                                  | NA             | NA             | NA             | NA  | \$464                                       | NA             | NA             | NA             | NA  |
| 1                        | Aestique ASC <sup>1,10,13</sup>             | \$1,747                                | \$1,747        | \$2,119        | \$2,335        | -8.39%                                    | \$1,740                                     | \$1,882        | \$1,952        | \$1,960        | -3.75%                                    |
| 1                        | ASC/New Kensington                          | \$7,179                                | \$8,374        | \$9,571        | \$8,374        | -4.76%                                    | \$9,679                                     | \$9,554        | \$10,618       | \$10,217       | -1.76%                                    |
| 1                        | Butler ASC <sup>1,2,4,10</sup>              | \$3,912                                | NA             | NA             | NA             | NA  | \$2,942                                     | NA             | NA             | NA             | NA  |
| 1                        | CHP North SC <sup>7</sup>                   | \$7,660                                | \$7,280        | \$7,024        | \$4,859        | 19.22%                                    | \$4,939                                     | \$4,620        | \$2,625        | \$2,966        | 22.17%                                    |
| 1                        | CHP South SC <sup>2,4,7</sup>               | \$1,858                                | NA             | NA             | NA             | NA  | \$777                                       | NA             | NA             | NA             | NA  |
| 1                        | Dermatology & Cosmetic SC <sup>1,10</sup>   | \$758                                  | \$819          | \$800          | \$799          | -1.74%                                    | \$754                                       | \$746          | \$796          | \$724          | 1.38%                                     |
| 1                        | Digestive Hlth Endoscopy <sup>1,10</sup>    | \$2,395                                | \$2,242        | \$1,706        | \$1,638        | 15.39%                                    | \$1,209                                     | \$1,132        | \$1,018        | \$972          | 8.12%                                     |
| 1                        | Four Seasons Endoscopy <sup>1,10</sup>      | \$2,877                                | \$2,959        | \$2,773        | \$2,392        | 6.75%                                     | \$1,252                                     | \$1,391        | \$1,442        | \$1,088        | 5.02%                                     |
| 1                        | HealthSouth Mt Pleasant SC <sup>1,10</sup>  | \$1,143                                | \$1,501        | \$1,868        | \$2,228        | -16.23%                                   | \$1,865                                     | \$1,903        | \$2,058        | \$2,024        | -2.62%                                    |
| 1                        | Heritage Valley SC <sup>7</sup>             | \$4,920                                | \$5,716        | \$5,073        | NA             | NA  | \$4,653                                     | \$5,269        | \$5,202        | NA             | NA  |
| 1                        | Laurel Surgical Assoc <sup>1,3,10</sup>     | \$4,607                                | \$2,664        | NA             | NA             | NA  | \$2,874                                     | \$2,424        | NA             | NA             | NA  |
| 1                        | Leo R. McCafferty Plastic <sup>1,10</sup>   | \$252                                  | \$232          | \$139          | NA             | NA  | \$339                                       | \$284          | \$307          | NA             | NA  |
| 1                        | Lowry SC <sup>1,10</sup>                    | \$1,135                                | \$894          | \$854          | \$907          | 8.35%                                     | \$1,136                                     | \$957          | \$953          | \$917          | 7.99%                                     |
| 1                        | Mt Lebanon SC                               | \$2,024                                | \$1,959        | \$1,836        | \$1,826        | 3.61%                                     | \$1,928                                     | \$1,754        | \$1,663        | \$1,538        | 8.47%                                     |
| 1                        | North Shore Endoscopy <sup>1,10,13</sup>    | \$1,446                                | \$1,146        | \$868          | \$422          | 80.92%                                    | \$1,044                                     | \$871          | \$763          | \$598          | 24.82%                                    |
| 1                        | North Shore SC <sup>1,10</sup>              | \$633                                  | \$482          | \$407          | \$409          | 18.24%                                    | \$525                                       | \$557          | \$552          | \$418          | 8.55%                                     |
| 1                        | Radiance <sup>1,10,13</sup>                 | \$1,597                                | NA             | NA             | NA             | NA  | \$1,658                                     | NA             | NA             | NA             | NA  |
| 1                        | SC Cranberry <sup>1,10</sup>                | \$2,050                                | \$1,959        | \$1,427        | NA             | NA  | \$1,996                                     | \$1,798        | \$1,458        | NA             | NA  |
| 1                        | SC Edgeworth Commons <sup>1,2,10</sup>      | \$2,567                                | \$1,285        | NA             | NA             | NA  | \$2,621                                     | \$1,706        | NA             | NA             | NA  |
| 1                        | SC Ligonier                                 | \$743                                  | \$786          | \$727          | \$740          | 0.12%                                     | \$695                                       | \$735          | \$679          | \$677          | 0.91%                                     |
| 1                        | Shadyside SC <sup>1,10</sup>                | \$381                                  | \$451          | \$464          | \$514          | -8.59%                                    | \$378                                       | \$387          | \$430          | \$452          | -5.49%                                    |
| 1                        | Smarthealth Norwin Hills <sup>1,3,7</sup>   | \$1,557                                | \$1,459        | \$1,634        | \$1,117        | NA  | \$1,414                                     | \$1,347        | \$1,424        | \$1,609        | NA  |
| 1                        | South Hills Endoscopy Ctr <sup>1,4,10</sup> | \$1,879                                | NA             | NA             | NA             | NA  | \$1,290                                     | NA             | NA             | NA             | NA  |
| 1                        | Southwestern ASC <sup>1,10</sup>            | \$3,025                                | \$3,047        | \$2,098        | \$3,316        | -2.93%                                    | \$2,925                                     | \$3,159        | \$1,928        | \$3,289        | -3.69%                                    |
| 1                        | Southwestern Endoscopy <sup>1,10</sup>      | \$3,252                                | \$3,446        | \$1,549        | NA             | NA  | \$1,899                                     | \$1,719        | \$1,072        | NA             | NA  |
| 1                        | Southwestern PA Eye SC <sup>1,10</sup>      | \$2,921                                | \$2,809        | \$2,695        | \$2,961        | -0.45%                                    | \$1,876                                     | \$1,711        | \$1,738        | \$1,634        | 4.94%                                     |
| 1                        | Spartan Health SC <sup>1,10</sup>           | \$819                                  | NA             | NA             | NA             | NA  | \$1,749                                     | NA             | NA             | NA             | NA  |
| 1                        | Three Rivers Endoscopy <sup>1,10</sup>      | \$3,782                                | \$3,686        | \$3,312        | \$3,580        | 1.88%                                     | \$2,141                                     | \$2,164        | \$2,199        | \$2,189        | -0.74%                                    |
| 1                        | Tri County Surgical <sup>1,10</sup>         | \$755                                  | \$562          | \$805          | \$538          | 13.51%                                    | \$754                                       | \$564          | \$806          | \$531          | 13.97%                                    |
| 1                        | Tri-State SC <sup>1,3,10</sup>              | \$4,753                                | \$5,144        | \$2,874        | NA             | NA  | \$4,460                                     | \$4,395        | \$3,433        | NA             | NA  |
| 1                        | UPMC Monroeville SC <sup>10</sup>           | \$8,095                                | \$6,913        | \$6,602        | \$5,738        | 13.69%                                    | \$7,112                                     | \$5,506        | \$3,847        | \$4,049        | 25.21%                                    |
| 1                        | UPMC South SC <sup>2,4</sup>                | \$2,836                                | NA             | NA             | NA             | NA  | \$1,449                                     | NA             | NA             | NA             | NA  |
| 1                        | Waterfront SC <sup>1,3,10</sup>             | \$4,579                                | \$3,568        | \$2,901        | \$958          | NA  | \$3,445                                     | \$3,271        | \$3,067        | \$2,916        | NA  |
| 1                        | Western PA SC <sup>1,10</sup>               | \$6,825                                | \$6,153        | \$5,438        | \$6,242        | 3.11%                                     | \$5,152                                     | \$5,222        | \$4,992        | \$5,124        | 0.19%                                     |
| 1                        | Zitelli Brodland Central <sup>1,10</sup>    | \$819                                  | \$766          | \$785          | \$630          | 10.00%                                    | \$818                                       | \$766          | \$784          | \$630          | 9.96%                                     |
| 1                        | Zitelli Brodland South <sup>1,10</sup>      | \$701                                  | \$652          | \$703          | \$551          | 9.07%                                     | \$701                                       | \$651          | \$702          | \$551          | 9.06%                                     |
| 2                        | Hamot SC <sup>10</sup>                      | \$9,557                                | \$7,924        | \$6,875        | \$6,718        | 14.09%                                    | \$7,520                                     | \$6,667        | \$6,000        | \$5,647        | 11.06%                                    |
| 2                        | Laurel Laser & SC <sup>1,10</sup>           | \$3,382                                | \$2,815        | \$2,810        | \$2,873        | 5.91%                                     | \$2,231                                     | \$1,924        | \$2,972        | \$2,845        | -7.20%                                    |
| 2                        | Lawrence County SC <sup>1,3,10</sup>        | \$1,048                                | \$1,145        | \$467          | NA             | NA  | \$1,042                                     | \$1,105        | \$647          | NA             | NA  |
| 2                        | Regional ASC <sup>1,10</sup>                | \$2,229                                | \$2,111        | \$2,077        | \$1,953        | 4.71%                                     | \$1,780                                     | \$1,680        | \$1,767        | \$1,687        | 1.82%                                     |
| 2                        | Saint Vincent SC Erie <sup>1</sup>          | \$10,103                               | \$9,382        | \$9,139        | \$7,241        | 13.17%                                    | \$7,990                                     | \$7,631        | \$7,201        | \$6,941        | 5.04%                                     |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Ambulatory Surgery Center                   | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 | Visits       |
|---|-----------------------|-------------------|-------------------------------------|----------------------------|--------------------------------------|--------------|
| <b>Statewide Average</b>                    | <b>20.95%</b>         | <b>21.02%</b>     | <b>20.30%</b>                       | <b>26.94%</b>              | <b>2.95%</b>                         | <b>3,909</b> |
| 20/20 SC <sup>1,10</sup>                    | 33.88%                | 33.88%            | NA                                  | 55.64%                     | 0.44%                                | 732          |
| Aestique ASC <sup>1,10,13</sup>             | 0.42%                 | 1.23%             | 1.46%                               | 15.52%                     | 0.25%                                | 1,589        |
| ASC/New Kensington                          | -26.47%               | -26.47%           | -12.73%                             | 40.62%                     | 7.63%                                | 43,092       |
| Butler ASC <sup>1,2,4,10</sup>              | 25.00%                | 25.00%            | NA                                  | 26.71%                     | 0.15%                                | 4,390        |
| CHP North SC <sup>7</sup>                   | 35.52%                | 35.52%            | 44.53%                              | 0.00%                      | 16.00%                               | 4,742        |
| CHP South SC <sup>2,4,7</sup>               | 58.18%                | 58.18%            | NA                                  | 0.00%                      | 10.62%                               | 1,125        |
| Dermatology & Cosmetic SC <sup>1,10</sup>   | 0.50%                 | 0.50%             | 3.42%                               | 38.46%                     | 0.00%                                | 3,084        |
| Digestive Hlth Endoscopy <sup>1,10</sup>    | 49.64%                | 49.64%            | 47.14%                              | 25.91%                     | 0.08%                                | 4,292        |
| Four Seasons Endoscopy <sup>1,10</sup>      | 56.48%                | 56.48%            | 52.57%                              | 32.77%                     | 0.33%                                | 5,156        |
| HealthSouth Mt Pleasant SC <sup>1,10</sup>  | -29.34%               | -29.34%           | -20.92%                             | 47.82%                     | 4.73%                                | 1,130        |
| Heritage Valley SC <sup>7</sup>             | 5.44%                 | 5.44%             | 3.72%                               | 35.48%                     | 4.54%                                | 4,197        |
| Laurel Surgical Assoc <sup>1,3,10</sup>     | 37.62%                | 37.76%            | NA                                  | 14.96%                     | 1.96%                                | 4,840        |
| Leo R. McCafferty Plastic <sup>1,10</sup>   | -34.53%               | -34.53%           | -49.08%                             | 1.35%                      | 0.00%                                | 243          |
| Lowry SC <sup>1,10</sup>                    | -0.16%                | -0.03%            | -5.58%                              | 49.19%                     | 0.48%                                | 1,817        |
| Mt Lebanon SC                               | 4.72%                 | 4.83%             | 8.24%                               | 73.56%                     | 0.00%                                | 2,447        |
| North Shore Endoscopy <sup>1,10,13</sup>    | 27.82%                | 27.82%            | 22.60%                              | 18.37%                     | 0.05%                                | 2,672        |
| North Shore SC <sup>1,10</sup>              | 17.12%                | 17.12%            | -7.33%                              | 2.77%                      | 0.00%                                | 454          |
| Radiance <sup>1,10,13</sup>                 | -3.84%                | -3.84%            | NA                                  | 0.00%                      | 0.00%                                | 1,467        |
| SC Cranberry <sup>1,10</sup>                | 2.63%                 | 2.63%             | 4.89%                               | 60.54%                     | 0.89%                                | 2,865        |
| SC Edgeworth Commons <sup>1,2,10</sup>      | -2.09%                | -2.03%            | NA                                  | 15.67%                     | 0.72%                                | 2,098        |
| SC Ligonier                                 | 6.46%                 | 9.15%             | 8.18%                               | 76.58%                     | 2.96%                                | 1,049        |
| Shadyside SC <sup>1,10</sup>                | 13.91%                | 13.91%            | 22.14%                              | 21.11%                     | 0.00%                                | 326          |
| Smarthealth Norwin Hills <sup>1,3,7</sup>   | 9.22%                 | 9.22%             | 10.01%                              | 34.30%                     | 2.60%                                | 2,427        |
| South Hills Endoscopy Ctr <sup>1,4,10</sup> | 31.37%                | 30.38%            | NA                                  | 25.13%                     | 0.13%                                | 5,051        |
| Southwestern ASC <sup>1,10</sup>            | 3.33%                 | 3.44%             | 1.99%                               | 6.64%                      | 3.32%                                | 3,894        |
| Southwestern Endoscopy <sup>1,10</sup>      | 41.58%                | 41.58%            | 43.12%                              | 24.70%                     | 15.33%                               | 8,251        |
| Southwestern PA Eye SC <sup>1,10</sup>      | 35.76%                | 35.76%            | 36.79%                              | 68.09%                     | 3.24%                                | 3,199        |
| Spartan Health SC <sup>1,10</sup>           | -113.50%              | -113.33%          | NA                                  | 28.86%                     | 4.19%                                | 2,157        |
| Three Rivers Endoscopy <sup>1,10</sup>      | 43.41%                | 43.57%            | 39.83%                              | 28.92%                     | 1.27%                                | 7,482        |
| Tri County Surgical <sup>1,10</sup>         | 0.19%                 | 0.19%             | -0.03%                              | 33.60%                     | 0.00%                                | 832          |
| Tri-State SC <sup>1,3,10</sup>              | 7.06%                 | 7.06%             | 4.55%                               | 25.87%                     | 5.79%                                | 5,040        |
| UPMC Monroeville SC <sup>10</sup>           | 12.15%                | 12.15%            | 23.86%                              | 35.52%                     | 1.78%                                | 8,977        |
| UPMC South SC <sup>2,4</sup>                | 53.02%                | 53.02%            | NA                                  | 27.69%                     | 0.57%                                | 1,705        |
| Waterfront SC <sup>1,3,10</sup>             | 24.77%                | 25.09%            | 11.62%                              | 20.14%                     | 1.86%                                | 5,475        |
| Western PA SC <sup>1,10</sup>               | 24.80%                | 24.81%            | 16.91%                              | 21.80%                     | 1.77%                                | 5,796        |
| Zitelli Brodland Central <sup>1,10</sup>    | 0.08%                 | 0.08%             | 0.06%                               | 52.37%                     | 0.15%                                | 2,521        |
| Zitelli Brodland South <sup>1,10</sup>      | 0.02%                 | 0.02%             | 0.08%                               | 52.19%                     | 0.11%                                | 2,010        |
| Hamot SC <sup>10</sup>                      | 21.32%                | 22.59%            | 17.83%                              | 21.06%                     | 6.59%                                | 12,513       |
| Laurel Laser & SC <sup>1,10</sup>           | 34.04%                | 34.04%            | 20.88%                              | 57.91%                     | 1.69%                                | 3,258        |
| Lawrence County SC <sup>1,3,10</sup>        | 0.56%                 | 1.17%             | -4.77%                              | 84.07%                     | 1.41%                                | 1,055        |
| Regional ASC <sup>1,10</sup>                | 20.17%                | 20.40%            | 18.87%                              | 32.64%                     | 1.26%                                | 2,222        |
| Saint Vincent SC Erie <sup>1</sup>          | 20.92%                | 21.27%            | 20.65%                              | 31.61%                     | 10.59%                               | 8,516        |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Region | Ambulatory Surgery Center                        | Net Patient Revenue<br>NPR (thousands) |                |                |                | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOE (thousands) |                |                |                | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|--------|--|--|----------------|----------------|----------------|---|---|----------------|----------------|----------------|---|
|        |  | FY06                                   | FY05           | FY04           | FY03           |   | FY06  | FY05           | FY04           | FY03           |   |
|        | <b>Statewide Average</b>                         | <b>\$3,003</b>                         | <b>\$2,982</b> | <b>\$3,019</b> | <b>\$3,043</b> | <b>-0.44%</b>                             | <b>\$2,394</b>                              | <b>\$2,387</b> | <b>\$2,474</b> | <b>\$2,528</b> | <b>-1.77%</b>                             |
| 2      | Surgery & Laser <sup>1,10</sup>                  | \$3,468                                | \$3,223        | \$3,069        | \$2,868        | 6.97%                                     | \$1,921                                     | \$2,005        | \$1,946        | \$1,838        | 1.51%                                     |
| 2      | Village SC <sup>1,10</sup>                       | \$7,076                                | \$6,937        | \$6,837        | \$7,045        | 0.14%                                     | \$5,582                                     | \$5,439        | \$5,409        | \$5,503        | 0.48%                                     |
| 3      | Allegheny Reg Endoscopy <sup>1,2,4,10</sup>      | \$2,102                                | NA             | NA             | NA             | NA  | \$1,470                                     | NA             | NA             | NA             | NA  |
| 3      | Allegheny SC <sup>1,3,10</sup>                   | \$1,948                                | \$769          | NA             | NA             | NA  | \$931                                       | \$623          | NA             | NA             | NA  |
| 3      | Altoona Hospital ASC <sup>10,11</sup>            | \$9,015                                | \$5,628        | \$2,942        | NA             | NA  | \$7,981                                     | \$4,674        | \$3,430        | NA             | NA  |
| 3      | Altoona Specialty Center <sup>1,3,10,13</sup>    | \$1                                    | \$1            | NA             | NA             | NA  | \$19  | \$44           | NA             | NA             | NA  |
| 3      | Center for Surgical Arts <sup>1,10,13</sup>      | \$717                                  | \$475          | NA             | NA             | NA  | \$719                                       | \$473          | NA             | NA             | NA  |
| 3      | Digestive Health/Indiana <sup>1,2,4,10</sup>     | \$976                                  | NA             | NA             | NA             | NA  | \$105                                       | NA             | NA             | NA             | NA  |
| 3      | Indiana AS Associates <sup>1,10</sup>            | \$3,909                                | \$3,574        | \$3,658        | \$3,256        | 6.68%                                     | \$2,172                                     | \$2,239        | \$2,234        | \$2,084        | 1.41%                                     |
| 3      | Plastic Surgical Assoc <sup>1,10,14</sup>        | \$3,980                                | NA             | NA             | NA             | NA  | \$3,998                                     | NA             | NA             | NA             | NA  |
| 4      | Endoscopy PA <sup>1,10</sup>                     | \$2,024                                | \$1,883        | \$1,922        | \$1,828        | 3.57%                                     | \$2,351                                     | \$2,243        | \$2,165        | \$1,938        | 7.11%                                     |
| 4      | Evangelical ASC <sup>1,10</sup>                  | \$6,703                                | \$6,613        | \$6,405        | \$5,699        | 5.87%                                     | \$5,564                                     | \$5,284        | \$4,979        | \$4,600        | 6.98%                                     |
| 4      | Geisinger Medical Ctr ASC <sup>7,13,14</sup>     | \$9,779                                | NA             | NA             | NA             | NA  | \$9,538                                     | NA             | NA             | NA             | NA  |
| 4      | Lewisburg Plastic & Laser <sup>1,10</sup>        | \$312                                  | \$277          | \$223          | \$181          | 24.26%                                    | \$332                                       | \$445          | \$425          | \$260          | 9.29%                                     |
| 4      | Mifflin County Com SC <sup>1,10</sup>            | \$808                                  | \$952          | \$891          | \$714          | 4.37%                                     | \$830                                       | \$841          | \$785          | \$639          | 10.00%                                    |
| 4      | Mount Nittany SC                                 | \$8,249                                | \$7,887        | \$7,702        | \$6,129        | 11.53%                                    | \$6,346                                     | \$6,168        | \$5,797        | \$5,484        | 5.24%                                     |
| 4      | SC Central PA <sup>1,3,10,11</sup>               | \$2,243                                | \$1,807        | NA             | NA             | NA  | \$1,276                                     | \$1,000        | NA             | NA             | NA  |
| 4      | Susquehanna SC <sup>10</sup>                     | \$684                                  | \$735          | \$860          | \$534          | 9.32%                                     | \$800                                       | \$742          | \$753          | \$545          | 15.61%                                    |
| 4      | UOC Surgical Services <sup>1,10</sup>            | \$4,195                                | \$3,443        | \$2,769        | \$1,869        | 41.51%                                    | \$2,933                                     | \$2,749        | \$2,784        | \$2,169        | 11.74%                                    |
| 5      | Apple Hill SC <sup>10</sup>                      | \$12,328                               | \$11,875       | \$12,219       | \$11,603       | 2.08%                                     | \$9,131                                     | \$8,817        | \$8,445        | \$7,766        | 5.86%                                     |
| 5      | Carlisle Endoscopy <sup>1,10</sup>               | \$2,249                                | \$2,229        | \$1,890        | \$1,599        | 13.57%                                    | \$2,252                                     | \$2,232        | \$1,849        | \$1,605        | 13.43%                                    |
| 5      | Carlisle Regional SC <sup>1,7,10</sup>           | \$2,266                                | \$3,176        | \$3,488        | \$2,478        | -2.85%                                    | \$1,918                                     | \$2,551        | \$3,157        | \$2,339        | -6.00%                                    |
| 5      | Center Reproductive <sup>1,10</sup>              | \$1,295                                | \$869          | \$1,013        | \$914          | 13.90%                                    | \$977                                       | \$532          | \$550          | \$436          | 41.38%                                    |
| 5      | Chambersburg Endoscopy <sup>1,2,4,10</sup>       | \$861                                  | NA             | NA             | NA             | NA  | \$1,254                                     | NA             | NA             | NA             | NA  |
| 5      | Cumberland SC <sup>1,10</sup>                    | \$1,466                                | \$1,149        | \$840          | \$582          | 50.65%                                    | \$1,423                                     | \$1,094        | \$786          | \$422          | 79.04%                                    |
| 5      | Digestive Disease Inst <sup>1,10</sup>           | \$2,398                                | \$2,374        | \$2,151        | \$1,824        | 10.49%                                    | \$2,388                                     | \$2,392        | \$2,043        | \$1,777        | 11.47%                                    |
| 5      | Elmwood Endoscopy Center <sup>1,10</sup>         | \$281                                  | NA             | NA             | NA             | NA  | \$546                                       | NA             | NA             | NA             | NA  |
| 5      | Endoscopy Ctr/Central PA <sup>1,10</sup>         | \$1,137                                | \$708          | NA             | NA             | NA  | \$1,012                                     | \$770          | NA             | NA             | NA  |
| 5      | Eyes of York <sup>1,10</sup>                     | \$651                                  | NA             | NA             | NA             | NA  | \$766                                       | NA             | NA             | NA             | NA  |
| 5      | Foot and Ankle SC <sup>1,3,10,13</sup>           | \$1,850                                | \$1,064        | NA             | NA             | NA  | \$902                                       | \$869          | NA             | NA             | NA  |
| 5      | Grandview Surgery & Laser <sup>1,10</sup>        | \$4,921                                | \$2,641        | \$3,577        | \$3,708        | 10.91%                                    | \$4,213                                     | \$3,791        | \$3,961        | \$5,199        | -6.33%                                    |
| 5      | Hanover SC                                       | \$2,839                                | \$2,433        | \$2,511        | \$2,456        | 5.21%                                     | \$2,483                                     | \$2,122        | \$2,116        | \$2,106        | 5.97%                                     |
| 5      | Harrisburg Endoscopy & SC <sup>1,10</sup>        | \$3,704                                | \$3,165        | \$3,303        | \$2,477        | 16.51%                                    | \$3,704                                     | \$3,163        | \$3,302        | \$2,469        | 16.67%                                    |
| 5      | Harrisburg Pain Mgmt <sup>1,3,10</sup>           | \$1,219                                | \$217          | NA             | NA             | NA  | \$814                                       | \$332          | NA             | NA             | NA  |
| 5      | HealthSouth SC Lancaster <sup>1,2,10,11,13</sup> | \$282                                  | \$3,598        | \$5,397        | \$5,059        | NA  | \$1,239                                     | \$3,881        | \$5,840        | \$5,270        | NA  |
| 5      | Hershey Endoscopy Center <sup>1,10</sup>         | \$2,399                                | \$1,958        | \$1,073        | NA             | NA  | \$1,587                                     | \$1,454        | \$1,105        | NA             | NA  |
| 5      | Hershey Outpatient SC <sup>1,10,12</sup>         | NR                                     | \$4,077        | \$606          | NA             | NA  | NR  | \$4,976        | \$2,665        | NA             | NA  |
| 5      | Lancaster Gastro Center <sup>1,10</sup>          | \$4,084                                | \$3,238        | \$2,776        | NA             | NA  | \$1,782                                     | \$1,262        | \$1,416        | NA             | NA  |
| 5      | Leader SC <sup>1,10</sup>                        | \$1,150                                | \$783          | \$959          | \$770          | 16.42%                                    | \$600                                       | \$558          | \$494          | \$460          | 10.20%                                    |
| 5      | Lebanon Outpatient SC <sup>1,10</sup>            | \$2,425                                | \$4,128        | \$3,966        | \$3,529        | -10.43%                                   | \$2,835                                     | \$3,592        | \$3,352        | \$3,289        | -4.60%                                    |
| 5      | Mid-Atlantic Gastro Ctr <sup>1,10</sup>          | \$2,727                                | \$2,428        | \$2,351        | \$2,151        | 8.94%                                     | \$1,894                                     | \$1,778        | \$1,533        | \$1,422        | 11.06%                                    |
| 5      | Ophthalmology & Surgical <sup>1,10</sup>         | \$1,573                                | NA             | NA             | NA             | NA  | \$1,278                                     | NA             | NA             | NA             | NA  |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Ambulatory Surgery Center                        | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 | Visits       |
|--|-----------------------|-------------------|-------------------------------------|----------------------------|--------------------------------------|--------------|
| <b>Statewide Average</b>                         | <b>20.95%</b>         | <b>21.02%</b>     | <b>20.30%</b>                       | <b>26.94%</b>              | <b>2.95%</b>                         | <b>3,909</b> |
| Surgery & Laser <sup>1,10</sup>                  | 44.60%                | 44.60%            | 39.79%                              | 34.49%                     | 2.13%                                | 3,295        |
| Village SC <sup>1,10</sup>                       | 21.11%                | 21.42%            | 21.38%                              | 19.18%                     | 10.59%                               | 7,278        |
| Allegheny Reg Endoscopy <sup>1,2,4,10</sup>      | 30.06%                | 30.12%            | NA                                  | 34.18%                     | 3.82%                                | 5,486        |
| Allegheny SC <sup>1,3,10</sup>                   | 52.17%                | 52.40%            | NA                                  | 17.67%                     | 10.21%                               | 3,191        |
| Altoona Hospital ASC <sup>10,11</sup>            | 11.47%                | 11.47%            | 8.53%                               | 16.04%                     | 6.48%                                | 5,309        |
| Altoona Specialty Center <sup>1,3,10,13</sup>    | 1.72%                 | 1.72%             | NA                                  | 54.38%                     | 0.00%                                | 0            |
| Center for Surgical Arts <sup>1,10,13</sup>      | -0.18%                | -0.18%            | NA                                  | 0.00%                      | 0.00%                                | 308          |
| Digestive Health/Indiana <sup>1,2,4,10</sup>     | 89.22%                | 86.18%            | NA                                  | 11.46%                     | 0.00%                                | 1,154        |
| Indiana AS Associates <sup>1,10</sup>            | 48.67%                | 48.67%            | 44.44%                              | 25.93%                     | 1.22%                                | 3,675        |
| Plastic Surgical Assoc <sup>1,10,14</sup>        | -0.44%                | -0.07%            | NA                                  | 18.20%                     | 3.80%                                | NR           |
| Endoscopy PA <sup>1,10</sup>                     | -4.83%                | -4.81%            | -4.41%                              | 43.22%                     | 4.36%                                | 4,380        |
| Evangelical ASC <sup>1,10</sup>                  | 16.99%                | 17.95%            | 20.31%                              | 16.44%                     | 1.53%                                | 7,989        |
| Geisinger Medical Ctr ASC <sup>7,13,14</sup>     | 2.46%                 | 2.46%             | NA                                  | 22.56%                     | 1.85%                                | 7,007        |
| Lewisburg Plastic & Laser <sup>1,10</sup>        | -6.42%                | -6.42%            | -47.92%                             | 12.05%                     | 0.00%                                | 329          |
| Mifflin County Com SC <sup>1,10</sup>            | -2.72%                | -2.72%            | 7.32%                               | 66.07%                     | 2.55%                                | 1,203        |
| Mount Nittany SC                                 | 23.08%                | 23.08%            | 23.19%                              | 20.10%                     | 2.31%                                | 5,439        |
| SC Central PA <sup>1,3,10,11</sup>               | 43.13%                | 43.13%            | NA                                  | 53.60%                     | 0.00%                                | 2,863        |
| Susquehanna SC <sup>10</sup>                     | -16.98%               | -16.98%           | -0.69%                              | 14.18%                     | 0.00%                                | 866          |
| UOC Surgical Services <sup>1,10</sup>            | 30.08%                | 30.08%            | 18.65%                              | 9.25%                      | 2.10%                                | 5,123        |
| Apple Hill SC <sup>10</sup>                      | 25.97%                | 26.35%            | 27.86%                              | 22.44%                     | 2.79%                                | 11,464       |
| Carlisle Endoscopy <sup>1,10</sup>               | -0.10%                | 0.00%             | 0.82%                               | 26.34%                     | 0.27%                                | 4,088        |
| Carlisle Regional SC <sup>1,7,10</sup>           | 15.37%                | 15.37%            | 14.61%                              | 16.88%                     | 2.58%                                | 2,393        |
| Center Reproductive <sup>1,10</sup>              | 24.57%                | 24.57%            | 35.19%                              | 0.00%                      | 0.00%                                | 2,969        |
| Chambersburg Endoscopy <sup>1,2,4,10</sup>       | -45.60%               | -45.60%           | NA                                  | 38.50%                     | 0.17%                                | 3,109        |
| Cumberland SC <sup>1,10</sup>                    | 3.04%                 | 3.04%             | 4.45%                               | 3.40%                      | 0.00%                                | 1,366        |
| Digestive Disease Inst <sup>1,10</sup>           | 0.40%                 | 0.55%             | 1.91%                               | 17.56%                     | 0.91%                                | 4,890        |
| Elmwood Endoscopy Center <sup>1,10</sup>         | -94.39%               | -94.39%           | NA                                  | 51.97%                     | 0.00%                                | 867          |
| Endoscopy Ctr/Central PA <sup>1,10</sup>         | 10.94%                | 10.94%            | NA                                  | 18.99%                     | 0.00%                                | 2,384        |
| Eyes of York <sup>1,10</sup>                     | -17.91%               | -17.91%           | NA                                  | 68.81%                     | 0.00%                                | 876          |
| Foot and Ankle SC <sup>1,3,10,13</sup>           | 51.22%                | 51.22%            | NA                                  | 9.30%                      | 0.00%                                | 832          |
| Grandview Surgery & Laser <sup>1,10</sup>        | 14.15%                | 14.39%            | -6.43%                              | NR                         | NR                                   | 4,096        |
| Hanover SC                                       | 12.58%                | 13.16%            | 13.98%                              | 37.30%                     | 0.70%                                | 2,451        |
| Harrisburg Endoscopy & SC <sup>1,10</sup>        | 0.02%                 | 0.02%             | 0.03%                               | 23.07%                     | 1.00%                                | 8,800        |
| Harrisburg Pain Mgmt <sup>1,3,10</sup>           | 33.25%                | 33.25%            | NA                                  | 48.64%                     | 0.16%                                | 2,629        |
| HealthSouth SC Lancaster <sup>1,2,10,11,13</sup> | -391.71%              | -391.32%          | NA                                  | 22.12%                     | 0.00%                                | 318          |
| Hershey Endoscopy Center <sup>1,10</sup>         | 33.84%                | 33.85%            | 23.65%                              | 24.87%                     | 0.00%                                | 3,221        |
| Hershey Outpatient SC <sup>1,10,12</sup>         | NR                    | NR                | NR                                  | NR                         | NR                                   | NR           |
| Lancaster Gastro Center <sup>1,10</sup>          | 56.37%                | 56.37%            | 55.84%                              | 22.57%                     | 0.05%                                | 6,327        |
| Leader SC <sup>1,10</sup>                        | 47.81%                | 47.81%            | 42.92%                              | 10.41%                     | 0.00%                                | 1,464        |
| Lebanon Outpatient SC <sup>1,10</sup>            | -16.92%               | -15.74%           | 7.54%                               | 25.18%                     | 6.28%                                | 6,689        |
| Mid-Atlantic Gastro Ctr <sup>1,10</sup>          | 30.55%                | 30.55%            | 30.67%                              | 15.15%                     | 0.03%                                | 5,587        |
| Ophthalmology & Surgical <sup>1,10</sup>         | 18.74%                | 18.74%            | NA                                  | 65.33%                     | 0.41%                                | 2,384        |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Region                   | Ambulatory Surgery Center                     | Net Patient Revenue<br>NPR (thousands) |                |                |                | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOE (thousands) |                |                |                | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|--------------------------|---|--|----------------|----------------|----------------|---|---|----------------|----------------|----------------|---|
|                          |   | FY06                                   | FY05           | FY04           | FY03           |   | FY06  | FY05           | FY04           | FY03           |   |
| <b>Statewide Average</b> |   | <b>\$3,003</b>                         | <b>\$2,982</b> | <b>\$3,019</b> | <b>\$3,043</b> | <b>-0.44%</b>                             | <b>\$2,394</b>                              | <b>\$2,387</b> | <b>\$2,474</b> | <b>\$2,528</b> | <b>-1.77%</b>                             |
| 5                        | Ophthalmology SC <sup>1,10</sup>              | \$2,428                                | \$1,921        | \$1,760        | \$1,935        | 8.49%                                     | \$2,221                                     | \$1,912        | \$1,926        | \$1,984        | 3.98%                                     |
| 5                        | OSS Ambulatory SC <sup>1,10</sup>             | \$2,320                                | NA             | NA             | NA             | NA  | \$3,137                                     | NA             | NA             | NA             | NA  |
| 5                        | PA Eye SC <sup>1,10</sup>                     | \$1,600                                | \$2,099        | \$2,091        | \$1,778        | -3.34%                                    | \$1,011                                     | \$1,076        | \$1,199        | \$1,245        | -6.26%                                    |
| 5                        | Penn Surgery Inst <sup>10</sup>               | \$802                                  | \$623          | \$645          | \$348          | 43.41%                                    | \$480                                       | \$506          | \$598          | \$677          | -9.68%                                    |
| 5                        | Physicians SC <sup>1,4,10</sup>               | \$5,004                                | NA             | NA             | NA             | NA  | \$3,737                                     | NA             | NA             | NA             | NA  |
| 5                        | PRISM Center <sup>1,2,4,10</sup>              | \$138                                  | NA             | NA             | NA             | NA  | \$375                                       | NA             | NA             | NA             | NA  |
| 5                        | SC Lancaster <sup>1,10,13</sup>               | \$8,016                                | NA             | NA             | NA             | NA  | \$5,981                                     | NA             | NA             | NA             | NA  |
| 5                        | SC York                                       | \$5,788                                | \$5,889        | \$5,610        | \$5,095        | 4.53%                                     | \$5,443                                     | \$5,405        | \$5,023        | \$4,378        | 8.10%                                     |
| 5                        | Spine Care Neuroscience <sup>1,10,13</sup>    | \$991                                  | NA             | NA             | NA             | NA  | \$737                                       | NA             | NA             | NA             | NA  |
| 5                        | Summit SC <sup>10</sup>                       | \$4,081                                | \$3,775        | \$3,340        | \$2,980        | 12.31%                                    | \$3,903                                     | \$3,801        | \$3,590        | \$3,354        | 5.45%                                     |
| 5                        | Susquehanna Valley SC <sup>1,10,13</sup>      | \$9,496                                | \$8,828        | \$8,654        | \$7,801        | 7.24%                                     | \$7,468                                     | \$6,711        | \$6,431        | \$5,680        | 10.49%                                    |
| 5                        | Valley View SC <sup>1,10</sup>                | \$993                                  | \$1,087        | \$1,068        | \$1,095        | -3.10%                                    | \$933                                       | \$1,049        | \$872          | \$636          | 15.57%                                    |
| 5                        | Wellspring Endoscopy Center <sup>7</sup>      | \$1,527                                | \$1,420        | \$847          | NA             | NA  | \$1,014                                     | \$904          | \$852          | NA             | NA  |
| 5                        | West Shore Endoscopy <sup>1,10</sup>          | \$9,555                                | \$8,790        | \$7,913        | \$6,828        | 13.32%                                    | \$6,279                                     | \$5,101        | \$4,329        | \$3,789        | 21.90%                                    |
| 5                        | West Shore SC <sup>1,10</sup>                 | \$9,220                                | \$8,419        | \$7,576        | \$6,802        | 11.85%                                    | \$6,528                                     | \$6,025        | \$5,394        | \$4,858        | 11.45%                                    |
| 5                        | York Endoscopy <sup>1,10</sup>                | \$2,587                                | \$2,151        | \$1,488        | \$1,352        | 30.46%                                    | \$1,637                                     | \$1,489        | \$1,057        | \$958          | 23.66%                                    |
| 5                        | York Pain Specialists <sup>1,3,10</sup>       | \$839                                  | \$1,305        | \$518          | NA             | NA  | \$574                                       | \$976          | \$606          | NA             | NA  |
| 6                        | Angelina Theresa Bucci SC <sup>1,10</sup>     | \$1,376                                | \$1,319        | \$1,133        | \$1,283        | 2.42%                                     | \$1,180                                     | \$1,087        | \$898          | \$886          | 11.05%                                    |
| 6                        | Center Same Day Surgery <sup>1,10</sup>       | \$4,872                                | \$4,150        | \$3,765        | \$3,675        | 10.86%                                    | \$3,454                                     | \$3,281        | \$3,175        | \$3,121        | 3.55%                                     |
| 6                        | Eynon SC <sup>1,10</sup>                      | \$1,854                                | \$1,674        | NA             | NA             | NA  | \$1,063                                     | \$913          | NA             | NA             | NA  |
| 6                        | Gastroenterology Consult <sup>1,3,10,11</sup> | \$1,202                                | \$1,277        | \$1,174        | \$961          | NA  | \$1,128                                     | \$1,227        | \$1,125        | \$924          | NA  |
| 6                        | Geisinger Wyoming Vly Sur                     | \$4,561                                | \$1,999        | \$1,571        | \$1,315        | 82.25%                                    | \$4,314                                     | \$2,721        | \$2,537        | \$2,191        | 32.30%                                    |
| 6                        | Guthrie Clinic                                | \$3,168                                | \$3,161        | \$3,033        | \$3,044        | 1.35%                                     | \$2,383                                     | \$2,269        | \$2,253        | \$2,145        | 3.69%                                     |
| 6                        | Hazleton ASC <sup>1,10,13</sup>               | \$1,612                                | \$1,643        | \$1,724        | \$2,224        | -9.17%                                    | \$1,601                                     | \$1,607        | \$1,604        | \$830          | 31.00%                                    |
| 6                        | Hazleton Endoscopy <sup>1,10</sup>            | \$912                                  | \$831          | \$783          | \$699          | 10.13%                                    | \$914                                       | \$833          | \$788          | \$677          | 11.68%                                    |
| 6                        | Kingston Ophthalmology <sup>1,10</sup>        | \$4,423                                | \$4,143        | \$4,185        | \$3,903        | 4.44%                                     | \$2,306                                     | \$2,099        | \$2,106        | \$2,022        | 4.69%                                     |
| 6                        | NEI AS <sup>1,10</sup>                        | \$4,569                                | \$4,293        | \$4,099        | \$4,146        | 3.40%                                     | \$3,813                                     | \$3,513        | \$3,192        | \$3,121        | 7.39%                                     |
| 6                        | North East SC <sup>1,3,10</sup>               | \$4,863                                | \$4,604        | \$4,183        | \$3,839        | 8.89%                                     | \$4,452                                     | \$4,155        | \$3,942        | \$3,844        | 5.28%                                     |
| 6                        | Northeast Regional SC <sup>1,3,10</sup>       | \$3,647                                | \$3,873        | \$2,032        | NA             | NA  | \$1,515                                     | \$1,456        | \$1,297        | NA             | NA  |
| 6                        | Pocono ASC <sup>1,10</sup>                    | \$4,504                                | \$4,343        | \$3,600        | \$3,627        | 8.06%                                     | \$3,622                                     | \$3,321        | \$3,016        | \$2,689        | 11.56%                                    |
| 6                        | Renaissance Center <sup>1,10</sup>            | \$564                                  | NA             | NA             | NA             | NA  | \$770                                       | NA             | NA             | NA             | NA  |
| 6                        | Riverview ASC <sup>1,10,13</sup>              | \$4,420                                | \$4,225        | \$4,727        | \$4,137        | 2.28%                                     | \$2,583                                     | \$2,654        | \$2,685        | \$2,739        | -1.90%                                    |
| 6                        | Scranton Endoscopy <sup>1,10</sup>            | \$4,376                                | \$4,222        | \$3,473        | \$2,934        | 16.39%                                    | \$1,548                                     | \$1,276        | \$3,376        | \$2,842        | -15.18%                                   |
| 6                        | Surgical Specialty NE PA <sup>1,10</sup>      | \$3,512                                | \$3,438        | \$3,388        | \$3,041        | 5.16%                                     | \$2,699                                     | \$2,708        | \$2,607        | \$2,319        | 5.46%                                     |
| 7                        | Berks Digestive Health <sup>1,10</sup>        | \$4,941                                | \$5,162        | \$4,236        | \$3,390        | 15.25%                                    | \$2,711                                     | \$2,655        | \$2,250        | \$1,885        | 14.62%                                    |
| 7                        | Berks Urologic SC <sup>10</sup>               | \$3,078                                | \$3,232        | \$957          | NA             | NA  | \$1,787                                     | \$1,583        | \$1,051        | NA             | NA  |
| 7                        | Berkshire Eye SC <sup>1,10</sup>              | \$2,543                                | \$2,640        | \$3,106        | \$2,733        | -2.32%                                    | \$1,786                                     | \$1,690        | \$1,854        | \$1,679        | 2.12%                                     |
| 7                        | Bethlehem Endoscopy <sup>1,10</sup>           | \$2,005                                | \$1,827        | \$1,735        | \$1,287        | 18.60%                                    | \$1,035                                     | \$1,009        | \$1,039        | \$843          | 7.59%                                     |
| 7                        | CHS ASC <sup>1,10,11,12</sup>                 | NR                                     | \$6,390        | \$5,570        | \$5,393        | NR  | NR  | \$5,448        | \$4,655        | \$4,477        | NR  |
| 7                        | College Heights Endoscopy <sup>1,10</sup>     | \$3,944                                | \$3,650        | \$3,317        | \$1,615        | 48.08%                                    | \$2,039                                     | \$1,828        | \$1,662        | \$1,668        | 7.41%                                     |
| 7                        | Eastern PA Endoscopy <sup>1,10</sup>          | \$4,317                                | \$4,003        | \$3,789        | \$3,512        | 7.64%                                     | \$1,945                                     | \$1,856        | \$1,755        | \$1,674        | 5.40%                                     |
| 7                        | Fairgrounds SC <sup>1,10,13</sup>             | \$8,726                                | \$9,534        | \$9,069        | \$8,549        | 0.69%                                     | \$8,933                                     | \$9,141        | \$8,368        | \$7,953        | 4.11%                                     |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Ambulatory Surgery Center                     | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 | Visits       |
|---|-----------------------|-------------------|-------------------------------------|----------------------------|--------------------------------------|--------------|
| <b>Statewide Average</b>                      | <b>20.95%</b>         | <b>21.02%</b>     | <b>20.30%</b>                       | <b>26.94%</b>              | <b>2.95%</b>                         | <b>3,909</b> |
| Ophthalmology SC <sup>1,10</sup>              | 8.52%                 | 8.68%             | 1.16%                               | 61.00%                     | 1.10%                                | 2,634        |
| OSS Ambulatory SC <sup>1,10</sup>             | -33.53%               | -35.29%           | NA                                  | 44.76%                     | 0.12%                                | 4,167        |
| PA Eye SC <sup>1,10</sup>                     | 36.82%                | 37.07%            | 43.39%                              | 58.00%                     | 3.04%                                | 1,901        |
| Penn Surgery Inst <sup>10</sup>               | 40.09%                | 40.09%            | 23.42%                              | 25.00%                     | 0.00%                                | 913          |
| Physicians SC <sup>1,4,10</sup>               | 25.31%                | 25.45%            | NA                                  | 25.47%                     | 4.71%                                | 4,473        |
| PRISM Center <sup>1,2,4,10</sup>              | -172.18%              | -172.18%          | NA                                  | 27.15%                     | 0.00%                                | 426          |
| SC Lancaster <sup>1,10,13</sup>               | 25.39%                | 25.39%            | NA                                  | 51.05%                     | 8.39%                                | 5,466        |
| SC York                                       | 6.58%                 | 6.58%             | 8.61%                               | 19.50%                     | 3.90%                                | 5,260        |
| Spine Care Neuroscience <sup>1,10,13</sup>    | 25.58%                | 25.58%            | NA                                  | 13.58%                     | 0.45%                                | 7,034        |
| Summit SC <sup>10</sup>                       | 4.37%                 | 4.54%             | -0.72%                              | 30.08%                     | 4.04%                                | 3,997        |
| Susquehanna Valley SC <sup>1,10,13</sup>      | 21.36%                | 21.67%            | 23.83%                              | 18.99%                     | 1.50%                                | 11,715       |
| Valley View SC <sup>1,10</sup>                | 5.99%                 | 6.08%             | 9.42%                               | 68.00%                     | 0.00%                                | 1,239        |
| Wellspring Endoscopy Center <sup>7</sup>      | 33.60%                | 33.60%            | 26.99%                              | 26.02%                     | 1.42%                                | 2,744        |
| West Shore Endoscopy <sup>1,10</sup>          | 34.29%                | 34.41%            | 40.32%                              | 13.64%                     | 1.00%                                | 10,004       |
| West Shore SC <sup>1,10</sup>                 | 29.20%                | 29.52%            | 29.05%                              | 27.27%                     | 1.77%                                | 10,583       |
| York Endoscopy <sup>1,10</sup>                | 36.86%                | 36.86%            | 32.89%                              | 25.07%                     | 0.02%                                | 4,900        |
| York Pain Specialists <sup>1,3,10</sup>       | 31.64%                | 31.64%            | 19.03%                              | 35.39%                     | 3.25%                                | 3,274        |
| Angelina Theresa Bucci SC <sup>1,10</sup>     | 14.33%                | 14.33%            | 17.38%                              | 50.92%                     | 0.08%                                | 1,674        |
| Center Same Day Surgery <sup>1,10</sup>       | 29.10%                | 29.29%            | 22.69%                              | 10.04%                     | 5.92%                                | 4,992        |
| Eynon SC <sup>1,10</sup>                      | 50.98%                | 50.98%            | NA                                  | 41.20%                     | 1.23%                                | 4,365        |
| Gastroenterology Consult <sup>1,3,10,11</sup> | 6.19%                 | 6.19%             | 4.77%                               | 24.23%                     | 0.00%                                | 2,829        |
| Geisinger Wyoming Vly Sur                     | 5.40%                 | 5.40%             | -16.83%                             | 22.48%                     | 6.12%                                | 3,466        |
| Guthrie Clinic                                | 29.23%                | 29.23%            | 30.55%                              | 33.96%                     | 4.62%                                | 5,986        |
| Hazleton ASC <sup>1,10,13</sup>               | 0.71%                 | 0.71%             | 3.37%                               | 43.62%                     | 1.67%                                | 2,758        |
| Hazleton Endoscopy <sup>1,10</sup>            | -0.24%                | -0.24%            | -0.32%                              | 27.76%                     | 1.13%                                | 5,940        |
| Kingston Ophthalmology <sup>1,10</sup>        | 47.86%                | 47.79%            | 48.91%                              | 59.31%                     | 3.28%                                | 4,854        |
| NEI AS <sup>1,10</sup>                        | 16.73%                | 16.73%            | 18.99%                              | 71.87%                     | 2.20%                                | 5,574        |
| North East SC <sup>1,3,10</sup>               | 22.66%                | 22.66%            | 21.28%                              | 13.10%                     | 4.16%                                | 6,564        |
| Northeast Regional SC <sup>1,3,10</sup>       | 58.51%                | 58.51%            | 55.37%                              | 35.10%                     | 4.63%                                | 3,046        |
| Pocono ASC <sup>1,10</sup>                    | 19.58%                | 19.82%            | 20.19%                              | 23.20%                     | 0.96%                                | 5,469        |
| Renaissance Center <sup>1,10</sup>            | -36.62%               | -36.62%           | NA                                  | 0.00%                      | 0.00%                                | 260          |
| Riverview ASC <sup>1,10,13</sup>              | 41.57%                | 41.84%            | 40.92%                              | 19.71%                     | 2.26%                                | 6,219        |
| Scranton Endoscopy <sup>1,10</sup>            | 64.62%                | 64.66%            | 48.67%                              | 23.68%                     | 0.00%                                | 8,238        |
| Surgical Specialty NE PA <sup>1,10</sup>      | 23.15%                | 23.15%            | 22.48%                              | 20.93%                     | 12.40%                               | 4,426        |
| Berks Digestive Health <sup>1,10</sup>        | 47.65%                | 47.69%            | 48.77%                              | 30.41%                     | 0.00%                                | 9,723        |
| Berks Urologic SC <sup>10</sup>               | 42.21%                | 42.21%            | 39.43%                              | 37.62%                     | 0.02%                                | 5,499        |
| Berkshire Eye SC <sup>1,10</sup>              | 29.92%                | 29.92%            | 35.83%                              | 78.66%                     | 0.45%                                | 3,107        |
| Bethlehem Endoscopy <sup>1,10</sup>           | 48.36%                | 48.36%            | 44.52%                              | 32.91%                     | 0.91%                                | 3,881        |
| CHS ASC <sup>1,10,11,12</sup>                 | NR                    | NR                | NR                                  | NR                         | NR                                   | NR           |
| College Heights Endoscopy <sup>1,10</sup>     | 48.31%                | 48.31%            | 49.32%                              | 22.21%                     | 0.14%                                | 5,824        |
| Eastern PA Endoscopy <sup>1,10</sup>          | 54.94%                | 55.02%            | 54.15%                              | 26.38%                     | 0.55%                                | 6,002        |
| Fairgrounds SC <sup>1,10,13</sup>             | -2.37%                | -2.21%            | 3.42%                               | 15.30%                     | 1.50%                                | 7,662        |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Region | Ambulatory Surgery Center                       | Net Patient Revenue NPR (thousands) |                |                |                | 3-yr Avg Change in NPR<br>FY03-FY06 | Total Operating Expenses TOE (thousands) |                |                |                | 3-yr Avg Change in TOE<br>FY03-FY06 |
|--------|---|-------------------------------------|----------------|----------------|----------------|-------------------------------------|--|----------------|----------------|----------------|-------------------------------------|
|        |   | FY06                                | FY05           | FY04           | FY03           |                                     | FY06                                     | FY05           | FY04           | FY03           |                                     |
|        | <b>Statewide Average</b>                        | <b>\$3,003</b>                      | <b>\$2,982</b> | <b>\$3,019</b> | <b>\$3,043</b> | <b>-0.44%</b>                       | <b>\$2,394</b>                           | <b>\$2,387</b> | <b>\$2,474</b> | <b>\$2,528</b> | <b>-1.77%</b>                       |
| 7      | Keystone SC <sup>1,10</sup>                     | \$437                               | \$422          | \$221          | NA             | NA                                  | \$443                                    | \$412          | \$350          | NA             | NA                                  |
| 7      | Mahoning Valley ASC <sup>1,10</sup>             | \$1,270                             | \$1,232        | \$1,332        | \$810          | 18.90%                              | \$705                                    | \$730          | \$654          | \$539          | 10.27%                              |
| 7      | Northwood SC <sup>1,10,13</sup>                 | \$7,117                             | NR             | \$5,646        | \$5,749        | 7.93%                               | \$5,596                                  | NR             | \$4,550        | \$4,150        | 11.62%                              |
| 7      | PA Eye & Ear SC <sup>10</sup>                   | \$3,600                             | \$3,864        | \$2,479        | NA             | NA                                  | \$2,818                                  | \$3,238        | \$2,454        | NA             | NA                                  |
| 7      | Progressive Laser Surgi <sup>1,3,10</sup>       | \$530                               | \$364          | \$317          | NA             | NA                                  | \$577                                    | \$559          | \$510          | NA             | NA                                  |
| 7      | Progressive Surgical Inst <sup>1,10</sup>       | \$1,513                             | \$1,420        | \$1,283        | \$1,129        | 11.35%                              | \$809                                    | \$695          | \$672          | \$585          | 12.77%                              |
| 7      | Prosperpi-Schlechter <sup>1,10</sup>            | \$261                               | NR             | \$835          | NA             | NA                                  | \$255                                    | NR             | \$625          | NA             | NA                                  |
| 7      | Reading ASC <sup>1,10</sup>                     | \$9,386                             | \$7,432        | \$6,475        | \$6,078        | 18.14%                              | \$4,516                                  | \$4,219        | \$3,688        | \$3,329        | 11.88%                              |
| 7      | Reading Endoscopy Center <sup>1,3,10,13</sup>   | \$1,423                             | \$420          | NA             | NA             | NA                                  | \$1,136                                  | \$731          | NA             | NA             | NA                                  |
| 7      | Reading SC/Spring Ridge <sup>1,3,10</sup>       | \$9,591                             | \$8,988        | \$8,050        | \$3,278        | NA                                  | \$9,402                                  | \$8,431        | \$7,995        | \$2,942        | NA                                  |
| 7      | Schuylkill Endoscopy <sup>1,10</sup>            | \$3,257                             | \$2,858        | \$1,317        | NA             | NA                                  | \$1,850                                  | \$1,670        | \$941          | NA             | NA                                  |
| 7      | Twin Rivers Endoscopy <sup>1,10</sup>           | \$1,564                             | \$1,198        | \$943          | \$716          | 39.44%                              | \$992                                    | \$972          | \$660          | \$658          | 16.95%                              |
| 7      | Valley Eye SC <sup>1,10</sup>                   | \$2,174                             | NA             | NA             | NA             | NA                                  | \$2,421                                  | NA             | NA             | NA             | NA                                  |
| 7      | Valley Surgical Center <sup>1,2,4,10</sup>      | \$224                               | NA             | NA             | NA             | NA                                  | \$215                                    | NA             | NA             | NA             | NA                                  |
| 7      | Westfield SC <sup>1,10</sup>                    | \$4,474                             | \$3,733        | \$3,584        | \$2,791        | 20.10%                              | \$3,047                                  | \$2,841        | \$2,671        | \$2,342        | 10.04%                              |
| 7      | Wyomissing Hills SC <sup>1,2,3,4,10</sup>       | \$234                               | NA             | NA             | NA             | NA                                  | \$224                                    | NA             | NA             | NA             | NA                                  |
| 7      | Wyomissing Surgical Serv <sup>1,3,10</sup>      | \$1,941                             | \$1,947        | \$1,436        | \$331          | NA                                  | \$1,240                                  | \$1,160        | \$1,278        | \$629          | NA                                  |
| 8      | Abington SC <sup>10</sup>                       | \$12,676                            | \$11,786       | \$10,849       | \$9,020        | 13.51%                              | \$10,163                                 | \$9,139        | \$8,200        | \$7,149        | 14.06%                              |
| 8      | AFP SC <sup>1,2,3,10</sup>                      | \$505                               | \$2,685        | \$3,133        | \$215          | NA                                  | \$507                                    | \$2,661        | \$2,980        | \$178          | NA                                  |
| 8      | Ambulatory Endo SC/Bucks <sup>1,3,10</sup>      | \$1,609                             | \$1,478        | \$1,075        | NA             | NA                                  | \$1,266                                  | \$1,219        | \$671          | NA             | NA                                  |
| 8      | ASC Bucks County <sup>7</sup>                   | \$4,592                             | \$4,028        | \$3,520        | \$3,478        | 10.67%                              | \$2,776                                  | \$2,754        | \$3,297        | \$3,088        | -3.37%                              |
| 8      | Brandywine Cosmetic SC <sup>1,10</sup>          | \$260                               | \$366          | \$165          | NA             | NA                                  | \$256                                    | \$363          | \$158          | NA             | NA                                  |
| 8      | Brandywine Vly Endoscopy <sup>1,2,4,10,13</sup> | \$148                               | NA             | NA             | NA             | NA                                  | \$205                                    | NA             | NA             | NA             | NA                                  |
| 8      | Bryn Mawr Med Specialists <sup>1,10,12</sup>    | NR                                  | NR             | NR             | NR             | NR                                  | NR                                       | NR             | NR             | NR             | NR                                  |
| 8      | Bucks County GI Endo SC <sup>1,2,4,10</sup>     | \$302                               | NA             | NA             | NA             | NA                                  | \$301                                    | NA             | NA             | NA             | NA                                  |
| 8      | Del Valley Ortho/Spine SC <sup>1,10</sup>       | \$3,476                             | \$4,146        | \$3,580        | \$3,593        | -1.09%                              | \$2,923                                  | \$3,393        | \$2,827        | \$1,959        | 16.41%                              |
| 8      | Delaware Valley Laser <sup>1,7,10,13</sup>      | \$2,377                             | \$2,239        | \$1,910        | \$1,854        | 9.39%                               | \$1,769                                  | \$1,606        | \$1,467        | \$1,186        | 16.36%                              |
| 8      | Dermatologic/Drexel Hill <sup>1,10</sup>        | \$995                               | \$891          | \$440          | \$671          | 16.10%                              | \$1,049                                  | \$903          | \$614          | \$795          | 10.64%                              |
| 8      | Doylestown SC <sup>1,10,12</sup>                | NR                                  | \$4,090        | \$4,145        | \$3,558        | NR                                  | NR                                       | \$4,248        | \$4,095        | \$3,716        | NR                                  |
| 8      | Einstein SC                                     | \$4,187                             | \$3,940        | \$3,602        | \$6,626        | -12.27%                             | \$3,810                                  | \$3,223        | \$2,726        | \$5,976        | -12.08%                             |
| 8      | Endoscopic Associates <sup>1,10</sup>           | \$4,399                             | \$4,462        | \$4,390        | \$4,290        | 0.85%                               | \$4,399                                  | \$2,023        | \$2,002        | \$1,854        | 45.73%                              |
| 8      | Endoscopy Center <sup>1,10</sup>                | \$2,601                             | \$2,306        | \$1,711        | NA             | NA                                  | \$1,404                                  | \$1,983        | \$1,641        | NA             | NA                                  |
| 8      | Endoscopy/Delaware County <sup>1,10</sup>       | \$840                               | \$601          | \$573          | \$125          | 190.83%                             | \$779                                    | \$697          | \$642          | \$336          | 43.91%                              |
| 8      | Eye SC <sup>1,3,10</sup>                        | \$2,803                             | \$2,044        | \$19,323       | \$15,105       | -27.15%                             | \$2,491                                  | \$1,743        | \$15,352       | \$12,265       | -26.56%                             |
| 8      | Eye SC Chester <sup>1,10</sup>                  | \$3,639                             | \$3,256        | \$3,158        | \$2,807        | 9.88%                               | \$2,192                                  | \$2,129        | \$1,792        | \$1,614        | 11.93%                              |
| 8      | Foundation/Ft Washington <sup>1,10</sup>        | \$1,614                             | \$1,863        | \$2,015        | \$2,258        | -9.51%                              | \$1,766                                  | \$1,749        | \$1,881        | \$1,854        | -1.58%                              |
| 8      | Hillmont Endoscopy <sup>1,10</sup>              | \$4,365                             | \$4,247        | \$4,078        | \$4,154        | 1.69%                               | \$2,557                                  | \$2,313        | \$2,029        | \$2,395        | 2.25%                               |
| 8      | Holy Redeemer ASC <sup>10</sup>                 | \$5,064                             | \$4,923        | \$5,707        | \$4,018        | 8.67%                               | \$4,290                                  | \$4,199        | \$4,695        | \$3,865        | 3.66%                               |
| 8      | Huntingdon Valley SC <sup>1,10</sup>            | \$5,724                             | \$5,641        | \$6,333        | NA             | NA                                  | \$4,641                                  | \$3,551        | \$4,162        | NA             | NA                                  |
| 8      | Keystone Kidney Center <sup>1,10</sup>          | \$1,718                             | \$2,495        | \$1,038        | NA             | NA                                  | \$959                                    | \$1,260        | \$727          | NA             | NA                                  |
| 8      | Kole Plastic SC <sup>1,3,10</sup>               | \$116                               | \$24           | NA             | NA             | NA                                  | \$117                                    | \$23           | NA             | NA             | NA                                  |
| 8      | Leonard Dzubow ASC <sup>1,10</sup>              | \$794                               | \$527          | \$252          | NA             | NA                                  | \$156                                    | \$123          | \$408          | NA             | NA                                  |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Ambulatory Surgery Center                       | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 | Visits       |
|---|-----------------------|-------------------|-------------------------------------|----------------------------|--------------------------------------|--------------|
| <b>Statewide Average</b>                        | <b>20.95%</b>         | <b>21.02%</b>     | <b>20.30%</b>                       | <b>26.94%</b>              | <b>2.95%</b>                         | <b>3,909</b> |
| Keystone SC <sup>1,10</sup>                     | -1.57%                | -1.57%            | -11.62%                             | 13.47%                     | 0.00%                                | 301          |
| Mahoning Valley ASC <sup>1,10</sup>             | 44.45%                | 44.23%            | 45.42%                              | 64.16%                     | 0.88%                                | 1,673        |
| Northwood SC <sup>1,10,13</sup>                 | 21.38%                | 21.38%            | NR                                  | 8.81%                      | 0.07%                                | 3,791        |
| PA Eye & Ear SC <sup>10</sup>                   | 21.73%                | 21.79%            | 14.44%                              | 35.37%                     | 0.69%                                | 3,792        |
| Progressive Laser Surgi <sup>1,3,10</sup>       | -8.93%                | -8.93%            | -36.01%                             | 44.22%                     | 8.09%                                | 718          |
| Progressive Surgical Inst <sup>1,10</sup>       | 46.52%                | 46.52%            | 48.40%                              | 58.08%                     | 4.00%                                | 2,425        |
| Prosperpi-Schlechter <sup>1,10</sup>            | 2.15%                 | 2.15%             | NR                                  | 0.00%                      | 0.00%                                | 177          |
| Reading ASC <sup>1,10</sup>                     | 51.90%                | 51.90%            | 46.68%                              | 28.06%                     | 0.22%                                | 6,724        |
| Reading Endoscopy Center <sup>1,3,10,13</sup>   | 20.20%                | 20.20%            | NA                                  | 27.23%                     | 12.55%                               | 2,506        |
| Reading SC/Spring Ridge <sup>1,3,10</sup>       | 1.97%                 | 2.14%             | 3.07%                               | 18.78%                     | 2.60%                                | 6,976        |
| Schuylkill Endoscopy <sup>1,10</sup>            | 43.21%                | 43.21%            | 39.98%                              | 31.95%                     | 1.62%                                | 9,689        |
| Twin Rivers Endoscopy <sup>1,10</sup>           | 42.01%                | 42.23%            | 32.13%                              | 26.63%                     | 0.00%                                | 2,649        |
| Valley Eye SC <sup>1,10</sup>                   | -11.34%               | -24.35%           | NA                                  | 94.13%                     | 0.08%                                | 2,513        |
| Valley Surgical Center <sup>1,2,4,10</sup>      | 3.81%                 | 3.95%             | NA                                  | 18.99%                     | 0.00%                                | 617          |
| Westfield SC <sup>1,10</sup>                    | 31.90%                | 31.93%            | 27.42%                              | 20.49%                     | 1.32%                                | 5,282        |
| Wyomissing Hills SC <sup>1,2,3,4,10</sup>       | 4.16%                 | 4.16%             | NA                                  | 4.19%                      | 0.00%                                | 114          |
| Wyomissing Surgical Serv <sup>1,3,10</sup>      | 36.13%                | 36.29%            | 31.04%                              | 23.08%                     | 0.10%                                | 2,041        |
| Abington SC <sup>10</sup>                       | 20.11%                | 20.11%            | 22.32%                              | 21.39%                     | 0.73%                                | 18,452       |
| AFP SC <sup>1,2,3,10</sup>                      | 0.00%                 | 0.00%             | 2.80%                               | 6.95%                      | 0.00%                                | 471          |
| Ambulatory Endo SC/Bucks <sup>1,3,10</sup>      | 21.32%                | 21.32%            | 24.18%                              | 15.20%                     | 0.46%                                | 5,450        |
| ASC Bucks County <sup>7</sup>                   | 39.55%                | 39.55%            | 27.29%                              | 0.00%                      | 8.48%                                | 1,809        |
| Brandywine Cosmetic SC <sup>1,10</sup>          | 1.67%                 | 1.67%             | 1.75%                               | 0.00%                      | 0.00%                                | 330          |
| Brandywine Vly Endoscopy <sup>1,2,4,10,13</sup> | -38.91%               | -38.91%           | NA                                  | 18.06%                     | 0.00%                                | 518          |
| Bryn Mawr Med Specialists <sup>1,10,12</sup>    | NR                    | NR                | NR                                  | NR                         | NR                                   | NR           |
| Bucks County GI Endo SC <sup>1,2,4,10</sup>     | 0.43%                 | 0.43%             | NA                                  | 23.51%                     | 0.76%                                | 753          |
| Del Valley Ortho/Spine SC <sup>1,10</sup>       | 15.89%                | 15.89%            | 18.38%                              | 6.22%                      | 4.30%                                | 3,120        |
| Delaware Valley Laser <sup>1,7,10,13</sup>      | 25.59%                | 25.59%            | 25.81%                              | 38.28%                     | 5.47%                                | 2,754        |
| Dermatologic/Drexel Hill <sup>1,10</sup>        | -5.44%                | -5.44%            | -10.31%                             | 23.57%                     | 0.11%                                | 2,283        |
| Doylestown SC <sup>1,10,12</sup>                | NR                    | NR                | NR                                  | NR                         | NR                                   | NR           |
| Einstein SC                                     | 13.34%                | 13.34%            | 20.52%                              | 21.58%                     | 11.92%                               | 3,096        |
| Endoscopic Associates <sup>1,10</sup>           | 0.01%                 | 0.70%             | 36.77%                              | 12.18%                     | 0.00%                                | 8,773        |
| Endoscopy Center <sup>1,10</sup>                | 46.03%                | 46.03%            | 24.02%                              | 21.34%                     | 0.51%                                | 4,922        |
| Endoscopy/Delaware County <sup>1,10</sup>       | 7.27%                 | 7.52%             | -4.99%                              | 11.28%                     | 0.00%                                | 1,458        |
| Eye SC <sup>1,3,10</sup>                        | 11.14%                | 11.14%            | 19.02%                              | 71.52%                     | 0.00%                                | 3,048        |
| Eye SC Chester <sup>1,10</sup>                  | 39.78%                | 39.90%            | 39.27%                              | 65.35%                     | 2.14%                                | 3,551        |
| Foundation/Ft Washington <sup>1,10</sup>        | -4.56%                | -4.56%            | 3.09%                               | 3.43%                      | 0.00%                                | 1,505        |
| Hillmont Endoscopy <sup>1,10</sup>              | 41.41%                | 41.91%            | 45.79%                              | 10.99%                     | 0.86%                                | 8,882        |
| Holy Redeemer ASC <sup>10</sup>                 | 15.28%                | 15.47%            | 16.10%                              | 11.96%                     | 0.00%                                | 5,528        |
| Huntingdon Valley SC <sup>1,10</sup>            | 18.91%                | 18.91%            | 30.19%                              | 11.22%                     | 0.39%                                | 6,099        |
| Keystone Kidney Center <sup>1,10</sup>          | 44.17%                | 44.17%            | 43.89%                              | 6.24%                      | 1.78%                                | 407          |
| Kole Plastic SC <sup>1,3,10</sup>               | -0.53%                | -0.53%            | NA                                  | 0.00%                      | 0.00%                                | 89           |
| Leonard Dzubow ASC <sup>1,10</sup>              | 80.35%                | 80.35%            | 56.37%                              | 30.42%                     | 0.00%                                | 1,424        |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Region | Ambulatory Surgery Center                    | Net Patient Revenue<br>NPR (thousands) |                |                |                | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOE (thousands) |                |                |                | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|--------|--|--|----------------|----------------|----------------|---|---|----------------|----------------|----------------|---|
|        |  | FY06                                   | FY05           | FY04           | FY03           |   | FY06  | FY05           | FY04           | FY03           |   |
|        | <b>Statewide Average</b>                     | <b>\$3,003</b>                         | <b>\$2,982</b> | <b>\$3,019</b> | <b>\$3,043</b> | <b>-0.44%</b>                             | <b>\$2,394</b>                              | <b>\$2,387</b> | <b>\$2,474</b> | <b>\$2,528</b> | <b>-1.77%</b>                             |
| 8      | Liberty Eye SC <sup>1,3,10</sup>             | \$3,612                                | \$4,272        | \$1,249        | NA             | NA  | \$2,629                                     | \$3,958        | \$1,446        | NA             | NA  |
| 8      | Main Line Endoscopy/East <sup>1,10</sup>     | \$3,520                                | \$3,123        | \$2,815        | NA             | NA  | \$1,576                                     | \$1,480        | \$1,317        | NA             | NA  |
| 8      | Main Line Endoscopy/West <sup>1,3,7,10</sup> | \$3,681                                | \$3,328        | \$3,312        | \$2,029        | NA  | \$1,661                                     | \$1,735        | \$1,716        | \$1,875        | NA  |
| 8      | Main Line SC <sup>1,10</sup>                 | \$5,233                                | \$4,581        | \$4,670        | \$4,316        | 7.08%                                     | \$3,764                                     | \$3,495        | \$3,334        | \$3,118        | 6.91%                                     |
| 8      | Main Line Spine SC <sup>1,4,10</sup>         | \$1,806                                | NA             | NA             | NA             | NA  | \$1,124                                     | NA             | NA             | NA             | NA  |
| 8      | Manoa Diagnostic Center <sup>1,10,12</sup>   | NR                                     | NA             | NA             | NA             | NA  | NR  | NA             | NA             | NA             | NA  |
| 8      | Montgomery SC <sup>1,10</sup>                | \$2,294                                | \$2,055        | \$2,071        | \$1,924        | 6.40%                                     | \$2,341                                     | \$2,348        | \$2,055        | \$1,929        | 7.13%                                     |
| 8      | Paoli SC <sup>1,10</sup>                     | \$4,379                                | \$4,162        | \$4,113        | \$3,970        | 3.44%                                     | \$3,987                                     | \$4,131        | \$3,947        | \$3,682        | 2.76%                                     |
| 8      | Parkway SC <sup>1,10</sup>                   | \$1,523                                | NR             | NR             | NR             | NR  | \$1,523                                     | NR             | NR             | NR             | NR  |
| 8      | Penn Medicine Radnor Endo <sup>7</sup>       | \$2,660                                | \$2,251        | \$2,205        | NA             | NA  | \$2,517                                     | \$2,333        | \$2,131        | NA             | NA  |
| 8      | Phila Cosmetic Surgery <sup>1,3,10,13</sup>  | \$853                                  | \$868          | \$793          | NA             | NA  | \$873                                       | \$877          | \$783          | NA             | NA  |
| 8      | Plaza SC <sup>1,3,10</sup>                   | \$309                                  | \$192          | \$241          | NA             | NA  | \$309                                       | \$192          | \$241          | NA             | NA  |
| 8      | Pottstown SC <sup>1,10,12,13</sup>           | \$1,480                                | \$547          | NA             | NA             | NA  | \$1,303                                     | \$462          | NA             | NA             | NA  |
| 8      | Sally Balin ASC <sup>1,10</sup>              | \$603                                  | \$634          | \$701          | \$762          | -6.94%                                    | \$596                                       | \$653          | \$700          | \$759          | -7.13%                                    |
| 8      | SC at Brinton Lake <sup>1,2,4,10,13</sup>    | \$2,543                                | NA             | NA             | NA             | NA  | \$4,172                                     | NA             | NA             | NA             | NA  |
| 8      | SC Chester County <sup>1,10,13</sup>         | \$3,147                                | \$2,333        | \$2,475        | \$2,727        | 5.13%                                     | \$2,769                                     | \$2,083        | \$2,178        | \$1,960        | 13.76%                                    |
| 8      | SC Limerick <sup>1,3,7,10</sup>              | \$4,264                                | \$3,474        | \$4,328        | \$2,020        | NA  | \$2,428                                     | \$1,786        | \$1,835        | \$1,096        | NA  |
| 8      | SC Pennsylvania <sup>1,10</sup>              | \$5,994                                | \$5,603        | \$5,485        | \$5,240        | 4.80%                                     | \$5,260                                     | \$5,084        | \$4,489        | \$4,228        | 8.14%                                     |
| 8      | Street Road SC <sup>1,2,4,10,12</sup>        | NR                                     | NA             | NA             | NA             | NA  | NR  | NA             | NA             | NA             | NA  |
| 8      | Tri-County Eye Surgery <sup>1,10</sup>       | \$2,310                                | NA             | NA             | NA             | NA  | \$1,334                                     | NA             | NA             | NA             | NA  |
| 8      | Turk's Head SC <sup>1,3,10</sup>             | \$3,603                                | \$1,045        | NA             | NA             | NA  | \$3,750                                     | \$1,996        | NA             | NA             | NA  |
| 8      | Valley Forge SC <sup>1,10</sup>              | \$62                                   | \$191          | NA             | NA             | NA  | \$49  | \$28           | NA             | NA             | NA  |
| 8      | Valley Pain Center <sup>1,10</sup>           | \$2,256                                | \$2,265        | \$1,310        | NA             | NA  | \$2,655                                     | \$2,771        | \$2,437        | NA             | NA  |
| 8      | West Chester Endoscopy <sup>1,10,13</sup>    | \$1,275                                | NA             | NA             | NA             | NA  | \$1,411                                     | NA             | NA             | NA             | NA  |
| 8      | Wills Eye SC Plymouth Mtg <sup>10</sup>      | \$3,999                                | \$3,930        | \$3,437        | \$3,388        | 6.01%                                     | \$3,368                                     | \$3,137        | \$3,000        | \$2,854        | 6.00%                                     |
| 8      | Wills SC Bucks County <sup>10</sup>          | \$3,760                                | \$3,619        | \$3,508        | \$3,144        | 6.54%                                     | \$3,268                                     | \$3,001        | \$3,039        | \$2,806        | 5.50%                                     |
| 9      | CHOP ASC Exton <sup>7</sup>                  | \$4,727                                | \$3,963        | \$3,500        | \$3,659        | 9.73%                                     | \$2,503                                     | \$2,389        | \$2,731        | \$2,576        | -0.94%                                    |
| 9      | Dermatologic/Philadelphia <sup>1,10</sup>    | \$837                                  | \$1,039        | \$319          | \$398          | 36.78%                                    | \$861                                       | \$1,044        | \$424          | \$444          | 31.27%                                    |
| 9      | Drexel Centers                               | \$910                                  | \$550          | NA             | NA             | NA  | \$685                                       | \$572          | NA             | NA             | NA  |
| 9      | Gastrointestinal Spec <sup>1,10</sup>        | \$2,130                                | \$1,612        | \$1,544        | \$1,164        | 27.67%                                    | \$2,136                                     | \$1,611        | \$1,521        | \$1,122        | 30.15%                                    |
| 9      | HUP Reproductive Surgical <sup>3,7,13</sup>  | \$714                                  | \$756          | \$625          | NA             | NA  | \$701                                       | \$509          | \$604          | NA             | NA  |
| 9      | Philadelphia SC <sup>10</sup>                | \$1,603                                | \$1,562        | \$1,879        | \$1,677        | -1.47%                                    | \$1,586                                     | \$1,778        | \$1,776        | \$1,503        | 1.83%                                     |
| 9      | Temple Univ/Podiatric ASC <sup>3,7</sup>     | \$164                                  | \$38           | \$0            | NA             | NA  | \$277                                       | \$224          | \$193          | NA             | NA  |
| 9      | Washington Endoscopy <sup>1,10</sup>         | \$4,079                                | \$3,236        | \$3,010        | \$1,163        | 83.54%                                    | \$2,660                                     | \$2,536        | \$2,394        | \$1,888        | 13.62%                                    |
| 9      | Wills SC Northeast <sup>10</sup>             | \$2,479                                | \$1,347        | \$2,743        | \$2,494        | -0.19%                                    | \$2,704                                     | \$2,225        | \$2,647        | \$2,473        | 3.12%                                     |
| 9      | Wills SC/Phila Stadium <sup>10</sup>         | \$3,820                                | \$3,388        | \$2,178        | \$1,458        | 54.03%                                    | \$3,647                                     | \$3,298        | \$2,366        | \$2,768        | 10.58%                                    |
| 9      | Wills Surgical Ctr City                      | \$9,272                                | \$9,080        | \$8,065        | \$6,306        | 15.68%                                    | \$8,914                                     | \$8,112        | \$7,822        | \$6,544        | 12.07%                                    |

See footnotes and map of regions on page 58.

# AMBULATORY SURGERY CENTER CARE

| Ambulatory Surgery Center                    | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 | Visits       |
|--|-----------------------|-------------------|-------------------------------------|----------------------------|--------------------------------------|--------------|
| <b>Statewide Average</b>                     | <b>20.95%</b>         | <b>21.02%</b>     | <b>20.30%</b>                       | <b>26.94%</b>              | <b>2.95%</b>                         | <b>3,909</b> |
| Liberty Eye SC <sup>1,3,10</sup>             | 27.32%                | 27.32%            | 12.10%                              | 41.57%                     | 1.97%                                | 3,798        |
| Main Line Endoscopy/East <sup>1,10</sup>     | 55.22%                | 56.54%            | 55.63%                              | 25.63%                     | -0.12%                               | 7,452        |
| Main Line Endoscopy/West <sup>1,3,7,10</sup> | 54.87%                | 56.18%            | 52.40%                              | 18.31%                     | 0.01%                                | 8,006        |
| Main Line SC <sup>1,10</sup>                 | 28.12%                | 28.12%            | 27.65%                              | 36.65%                     | 2.52%                                | 4,209        |
| Main Line Spine SC <sup>1,4,10</sup>         | 37.76%                | 37.79%            | NA                                  | 13.19%                     | 0.00%                                | 2,958        |
| Manoa Diagnostic Center <sup>1,10,12</sup>   | NR                    | NR                | NA                                  | NR                         | NR                                   | NR           |
| Montgomery SC <sup>1,10</sup>                | -2.09%                | -2.09%            | -5.06%                              | 63.12%                     | 1.43%                                | 2,563        |
| Paoli SC <sup>1,10</sup>                     | 10.12%                | 10.20%            | 4.84%                               | 13.80%                     | 0.51%                                | 4,411        |
| Parkway SC <sup>1,10</sup>                   | 0.02%                 | 0.02%             | NR                                  | 0.00%                      | 0.00%                                | 176          |
| Penn Medicine Radnor Endo <sup>7</sup>       | 6.20%                 | 6.20%             | 3.05%                               | 19.57%                     | 1.56%                                | 3,279        |
| Phila Cosmetic Surgery <sup>1,3,10,13</sup>  | -2.33%                | -2.12%            | -0.62%                              | 0.00%                      | 0.00%                                | 621          |
| Plaza SC <sup>1,3,10</sup>                   | 0.00%                 | 0.00%             | 0.00%                               | 0.01%                      | 0.01%                                | 394          |
| Pottstown SC <sup>1,10,12,13</sup>           | 11.84%                | 11.84%            | NA                                  | 21.49%                     | 0.00%                                | 3,262        |
| Sally Balin ASC <sup>1,10</sup>              | 1.18%                 | 1.18%             | -0.61%                              | 39.74%                     | 0.00%                                | 953          |
| SC at Brinton Lake <sup>1,2,4,10,13</sup>    | -64.06%               | -64.06%           | NA                                  | 28.80%                     | 0.00%                                | 2,844        |
| SC Chester County <sup>1,10,13</sup>         | 12.06%                | 12.06%            | 11.67%                              | 8.28%                      | 0.04%                                | 3,649        |
| SC Limerick <sup>1,3,7,10</sup>              | 43.04%                | 43.04%            | 49.86%                              | 19.51%                     | 0.73%                                | 3,723        |
| SC Pennsylvania <sup>1,10</sup>              | 12.25%                | 12.30%            | 12.94%                              | 22.45%                     | 2.11%                                | 6,793        |
| Street Road SC <sup>1,2,4,10,12</sup>        | NR                    | NR                | NA                                  | NR                         | NR                                   | NR           |
| Tri-County Eye Surgery <sup>1,10</sup>       | 42.29%                | 42.29%            | NA                                  | 73.36%                     | 0.04%                                | 2,199        |
| Turk's Head SC <sup>1,3,10</sup>             | -4.07%                | -6.41%            | NA                                  | 9.31%                      | 0.03%                                | 3,586        |
| Valley Forge SC <sup>1,10</sup>              | 21.53%                | 21.53%            | NA                                  | 0.00%                      | 0.00%                                | 687          |
| Valley Pain Center <sup>1,10</sup>           | 8.55%                 | 9.50%             | 11.54%                              | 10.00%                     | 0.00%                                | 4,853        |
| West Chester Endoscopy <sup>1,10,13</sup>    | -10.38%               | -10.38%           | NA                                  | 27.93%                     | 0.43%                                | 5,760        |
| Wills Eye SC Plymouth Mtg <sup>10</sup>      | 16.43%                | 16.43%            | 16.68%                              | 60.33%                     | 1.65%                                | 3,529        |
| Wills SC Bucks County <sup>10</sup>          | 14.97%                | 14.97%            | 15.45%                              | 67.54%                     | 1.07%                                | 2,969        |
| CHOP ASC Exton <sup>7</sup>                  | 47.05%                | 47.05%            | 37.47%                              | 0.00%                      | 11.35%                               | 1,823        |
| Dermatologic/Philadelphia <sup>1,10</sup>    | -2.87%                | -2.87%            | -6.12%                              | 10.06%                     | 0.00%                                | 2,045        |
| Drexel Centers                               | 24.71%                | 24.71%            | NA                                  | 20.00%                     | 9.00%                                | 2,003        |
| Gastrointestinal Spec <sup>1,10</sup>        | -0.29%                | -0.29%            | 0.32%                               | 22.02%                     | 2.42%                                | 4,703        |
| HUP Reproductive Surgical <sup>3,7,13</sup>  | 1.86%                 | 1.86%             | 13.41%                              | 0.00%                      | 0.00%                                | 384          |
| Philadelphia SC <sup>10</sup>                | 5.75%                 | 5.75%             | 5.05%                               | 13.78%                     | 0.27%                                | 4,270        |
| Temple Univ/Podiatric ASC <sup>3,7</sup>     | -68.60%               | -68.60%           | -242.76%                            | 7.88%                      | 20.83%                               | 87           |
| Washington Endoscopy <sup>1,10</sup>         | 34.97%                | 34.97%            | 26.58%                              | 12.22%                     | 3.53%                                | 7,991        |
| Wills SC Northeast <sup>10</sup>             | -3.66%                | -3.66%            | -9.19%                              | 45.92%                     | 6.05%                                | 3,425        |
| Wills SC/Phila Stadium <sup>10</sup>         | 4.77%                 | 4.77%             | 0.93%                               | 36.59%                     | 7.48%                                | 4,859        |
| Wills Surgical Ctr City                      | 3.93%                 | 3.92%             | 5.94%                               | 43.99%                     | 9.19%                                | 6,886        |

See footnotes and map of regions on page 58.

### Highlights

- After two years of relatively constant utilization of inpatient rehabilitation care during FY03 and FY04, there was a significant decline in total patient days and discharges at both rehabilitation hospitals and GAC rehabilitation units during FY05 and FY06. Statewide patient days of rehabilitation care fell by a total of 16.7% during FY05 and FY06, and statewide discharges fell by 26.3% over the two-year period. Consistent with the decline in patient days over the past two years, there was an 11.4% or 383-bed reduction in the number of staffed rehabilitation beds during FY05 and FY06.
- While the full effect of the Medicare “75% Rule” may not be evident until FY09, the initial thresholds have already had an impact on utilization by Medicare participants. There was an 8.0% decline in Medicare indemnity patient days at rehabilitation hospitals during FY06 compared to a 3.9% decline in patient days for patients in the other payor categories. Similarly, the 4.7% decline in Medicare indemnity discharges during FY06 was much larger than the 0.3% decline for the other payor categories.
- The statewide total margin increased for the fourth consecutive year to 12.88% even though the statewide operating margin fell 1.4 points to 10.80%. The increase in the total margin was largely supported by increases in investment gains at the non-profit hospitals.
- Unlike psychiatric and long-term acute care hospitals where the for-profit facilities have posted higher average operating margins, the 11.09% statewide average operating margin at the non-profit rehabilitation hospitals is higher than the 10.32% average at the for-profit hospitals.

### Hospital-based Rehabilitation Care

During fiscal year 2006 (FY06), there were 19 freestanding rehabilitation hospitals that provided care to 47.5% of the patients admitted for hospital-based inpatient rehabilitation care. The remaining 52.5% of rehabilitation patients received care at the rehabilitation units operated as part of General Acute Care and speciality hospitals (GAC rehabilitation units). Seventy-one (71) of Pennsylvania’s 174 GAC hospitals operated rehabilitation units in FY06.

### Trends in Hospital-based Rehabilitation Care

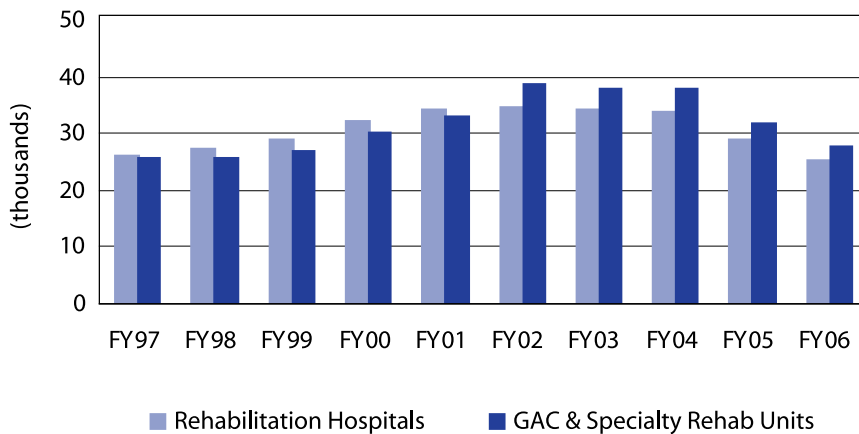
After two years of relatively constant utilization of inpatient rehabilitation care during FY03 and FY04, there was a significant decline in total patient days and discharges at both rehabilitation hospitals and GAC rehabilitation units during FY05 and FY06. Statewide patient days of rehabilitation care fell by a total of 16.7% during FY05 and FY06, and statewide discharges fell by 26.3% over the two-year period. Consistent with the decline in patient days over the past two years, there was an 11.4% or 383-bed reduction in the number of staffed rehabilitation beds during FY05 and FY06. Since statewide patient days fell a little faster than staffed beds, the statewide average occupancy rate fell about four points from 69.46% in FY04 to 65.51% in FY06.

Table R-1 indicates that the decline in utilization during FY06 was greater at the rehabilitation hospitals than it was at the GAC rehabilitation units. The number of discharges from rehabilitation hospitals declined 13.1% during FY06, and the number of patient days fell 10.3%. However, about half of the decline in discharges can be attributed to the reduction of two facilities from the rehabilitation hospital category. During FY05, the UPMC Rehabilitation Hospital was merged under UPMC Southside (GAC) Hospital, and

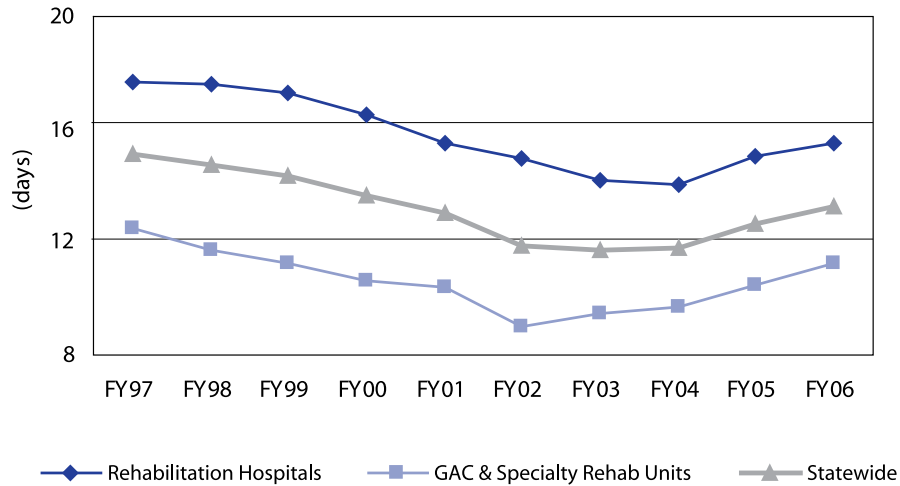
**TABLE R-1**  
**Utilization and Capacity of Rehabilitation Care**  
 by Facility Type

|                               | FY97    | FY98    | FY99    | FY00    | FY01    | FY02    | FY03    | FY04    | FY05    | FY06    |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Patient Days</b>           |         |         |         |         |         |         |         |         |         |         |
| Rehabilitation Hospitals      | 459,837 | 481,339 | 497,761 | 529,817 | 530,434 | 516,620 | 485,098 | 474,804 | 434,219 | 389,451 |
| GAC & Specialty Rehab Units   | 321,122 | 299,590 | 299,591 | 321,027 | 341,940 | 349,544 | 357,726 | 368,195 | 329,993 | 312,871 |
| Statewide                     | 780,959 | 780,929 | 797,352 | 850,844 | 872,374 | 866,164 | 842,824 | 842,999 | 764,212 | 702,322 |
| <b>Discharges</b>             |         |         |         |         |         |         |         |         |         |         |
| Rehabilitation Hospitals      | 26,015  | 27,307  | 28,792  | 32,142  | 34,237  | 34,499  | 34,255  | 33,812  | 28,868  | 25,094  |
| GAC & Specialty Rehab Units   | 25,706  | 25,561  | 26,718  | 30,101  | 32,845  | 38,684  | 37,713  | 37,899  | 31,577  | 27,746  |
| Statewide                     | 51,721  | 52,868  | 55,510  | 62,243  | 67,082  | 73,183  | 71,968  | 71,711  | 60,445  | 52,840  |
| <b>Beds</b>                   |         |         |         |         |         |         |         |         |         |         |
| Rehabilitation Hospitals      | 1,774   | 1,740   | 1,822   | 1,798   | 1,867   | 1,803   | 1,757   | 1,827   | 1,734   | 1,577   |
| GAC & Specialty Rehab Units   | 1,318   | 1,244   | 1,241   | 1,318   | 1,373   | 1,429   | 1,478   | 1,543   | 1,391   | 1,410   |
| Statewide                     | 3,092   | 2,984   | 3,063   | 3,116   | 3,240   | 3,232   | 3,235   | 3,370   | 3,125   | 2,987   |
| <b>Occupancy Rate</b>         |         |         |         |         |         |         |         |         |         |         |
| Rehabilitation Hospitals      | 73.62%  | 76.10%  | 74.85%  | 80.51%  | 79.22%  | 78.55%  | 76.56%  | 72.29%  | 67.51%  | 67.66%  |
| GAC & Specialty Rehab Units   | 67.00%  | 66.48%  | 66.44%  | 67.20%  | 67.97%  | 66.92%  | 66.25%  | 66.11%  | 63.71%  | 63.01%  |
| Statewide                     | 70.75%  | 72.09%  | 71.45%  | 74.91%  | 74.39%  | 73.40%  | 71.82%  | 69.46%  | 65.82%  | 65.51%  |
| <b>Average Length of Stay</b> |         |         |         |         |         |         |         |         |         |         |
| Rehabilitation Hospitals      | 17.7    | 17.6    | 17.3    | 16.5    | 15.5    | 15.0    | 14.2    | 14.0    | 15.0    | 15.5    |
| GAC & Specialty Rehab Units   | 12.5    | 11.7    | 11.2    | 10.7    | 10.4    | 9.0     | 9.5     | 9.7     | 10.5    | 11.3    |
| Statewide                     | 15.1    | 14.8    | 14.4    | 13.7    | 13.0    | 11.8    | 11.7    | 11.8    | 12.6    | 13.3    |

**FIGURE R-1**  
**Rehabilitation Discharges**  
 by Facility Type



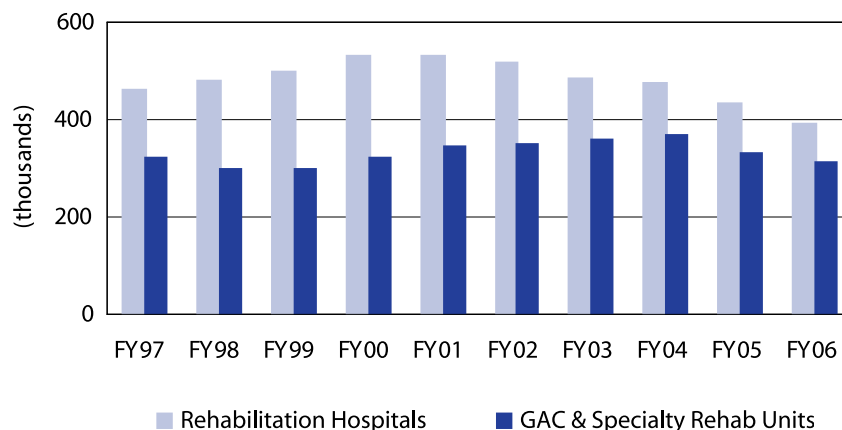
**FIGURE R-2**  
**Average Length of Stay for Rehabilitation Care**  
 by Facility Type



the former rehabilitation hospital's activities are now being captured as a GAC rehabilitation unit. In addition, Good Shepherd's Bethlehem facility closed during FY05. Excluding UPMC Rehabilitation Hospital and Good Shepherd's Bethlehem facility, the decline in total discharges at the 19 rehabilitation hospitals that operated during both FY05 and FY06 was only 6.8%, and the reduction in patient days was only 5.1% during FY06.

In May 2004, the Centers for Medicare and Medicaid Services (CMS) published a final regulation which requires that a minimum of 75% of a facility's inpatient rehabilitation patients must require treatment for one or more of 13 specific conditions in order for the facility to qualify for the higher Medicare inpatient rehabilitation facility prospective payment rates (IRF PPS) rates. Facilities that do not meet the threshold are

**FIGURE R-3**  
**Rehabilitation Patient Days**  
 by Facility Type



reimbursed at the lower general PPS rates. The minimum threshold is being phased in annual increments from 50% for cost reporting years after July 2004 to 75% after July 2008.

While the full effect of the “75% Rule” may not be evident until FY09, the initial thresholds of the 75% Rule have already had an impact on utilization by Medicare participants. There was an 8.0% decline in Medicare indemnity patient days at 18 of the rehabilitation hospitals<sup>1</sup> during FY06 compared to a 3.9% decline in patient days for patients in the other payor categories. Similarly, the 4.7% decline in Medicare indemnity discharges during FY06 was much larger than the 0.3% decline for other payor categories.

Table R-2 reveals that the initial phases of

the 75% Rule may have already resulted in some shifts in the top clinical classifications<sup>2</sup> treated at rehabilitation hospitals during FY06. For example, the fourth most common clinical classification in FY04 for Medicare patients, “Other Non-traumatic Joint Disorders” included 5.62% of the rehabilitation discharges at rehabilitation hospitals in that year. The classification fell to No. 31 in FY06, representing only 0.43% of Medicare discharges.

Rehabilitation hospitals serve an elderly population. Figure R-5 reflects that 72.0% of rehabilitation patients discharged from rehabilitation hospitals are 65 years or older.

Consistent with this age distribution, Table R-2 shows that the leading conditions treated at the

**TABLE R-2**  
**Leading Inpatient Clinical Classifications<sup>†</sup> at Rehabilitation Hospitals**  
by Payor

| Top Ten by Rank - All Payors              | Percent | Commercial<br>FY2006 |         | Medical<br>Assistance<br>FY2006 |         | Medicare |         |       |         |
|---|---------|----------------------|---------|---------------------------------|---------|----------|---------|-------|---------|
|   |         | Rank                 | Percent | Rank                            | Percent | FY06     |         | FY04# |         |
|   |         |                      |         |                                 |         | Rank     | Percent | Rank  | Percent |
| 1 Osteoarthritis                          | 14.06%  | 1                    | 15.93%  | 6                               | 3.07%   | 1        | 14.60%  | 1     | 17.85%  |
| 2 Stroke                                  | 13.46%  | 2                    | 12.22%  | 1                               | 11.36%  | 2        | 14.10%  | 2     | 9.15%   |
| 3 Hip fracture                            | 6.98%   | 8                    | 3.03%   | *                               | *       | 3        | 9.14%   | 3     | 7.63%   |
| 4 Late effects of cerebrovascular disease | 6.21%   | 5                    | 5.34%   | 3                               | 10.14%  | 4        | 6.13%   | 6     | 3.49%   |
| 5 Brain injury                            | 5.26%   | 3                    | 10.09%  | 2                               | 11.01%  | 8        | 2.79%   | *     | *       |
| 6 Other nervous system disorders          | 4.96%   | 6                    | 4.68%   | 5                               | 7.88%   | 5        | 4.77%   | 8     | 2.82%   |
| 7 Paralysis                               | 4.31%   | 4                    | 7.86%   | 4                               | 9.91%   | *        | *       | *     | *       |
| 8 Degenerate back disorders & problems    | 3.59%   | 10                   | 2.50%   | *                               | *       | 6        | 4.27%   | 5     | 4.26%   |
| 9 Other fractures                         | 3.22%   | 7                    | 4.11%   | 10                              | 1.85%   | 7        | 3.06%   | 10    | 2.64%   |
| 10 Fracture of lower limb                 | 2.27%   | 9                    | 2.66%   | *                               | *       | *        | *       | *     | *       |

† See footnote 2.

\* Not among the top ten diagnoses

# The 4<sup>th</sup>-ranked Medicare classification in FY04, “Other Non-traumatic Joint Disorders” included 5.62% of the Medicare discharges in FY04. This classification fell to No. 31 in FY06 with only 0.43% of Medicare discharges. The 7<sup>th</sup>- and 9<sup>th</sup>-ranked Medicare discharges in FY04, “Other Connective Tissue Disease” and “Complication of Device, Implant or Graft” fell to No. 9 and No. 22, respectively, in FY06.

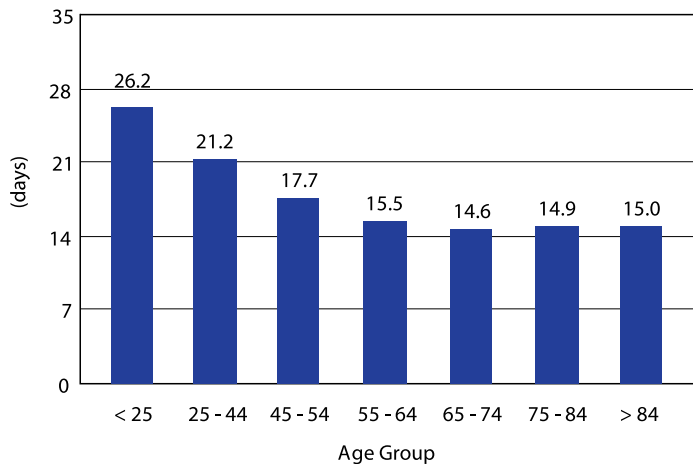
<sup>1</sup> The 18 rehabilitation hospitals used in the sample were the 19 hospitals that operated during both FY05 and FY06, less one facility that had inconsistencies in the revenue and utilization data provided by payor category.

<sup>2</sup> 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).

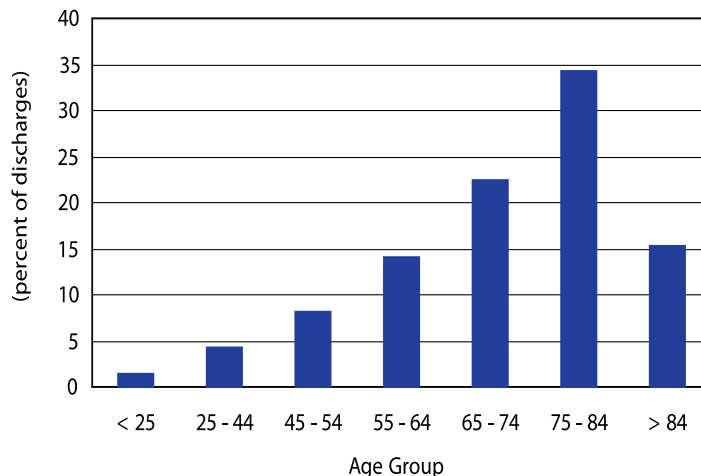
rehabilitation hospitals are those most prevalent among elderly patients. For example, the three leading clinical classifications—osteoarthritis, stroke and hip fracture—represent the principal diagnoses for more than one-third (34.5%) of all patients admitted to Pennsylvania rehabilitation hospitals during FY06.

While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays.

**FIGURE R-4**  
**Average Length of Stay at Rehabilitation Hospitals, FY06**  
by Age Group



**FIGURE R-5**  
**Age Distribution at Rehabilitation Hospitals, FY06**



Patients in the under-25 and the 25–44 year age groups had an average length of stay (ALOS) of 26.2 and 21.2 days, respectively, during FY06. In contrast, patients in the 65–74 age group had an ALOS of 14.6 days.

Outpatient care at rehabilitation hospitals generated about one-fifth (21.1%) or \$109.0 million of the \$514.1 million in total net patient revenue (NPR) reported by the rehabilitation hospitals for FY06. For the 19 hospitals that

operated during FY05 and FY06, total outpatient revenue fell by 10.7% or \$13.0 million during FY06. The Angela Jane Pavilion and the Children’s Seashore House of the Children’s Hospital of Philadelphia (CHOP) were the only two of the 19 rehabilitation hospitals that did not report any outpatient care. CHOP provides outpatient care at other units.

### Utilization and Revenue by Payor

Figures R-6 and R-7 reveal that 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

**TABLE R-3**  
**Average Inpatient Age at Rehabilitation Hospitals, FY06**  
by Payor

|                  | Average Age  |
|------------------|--------------|
| Commercial       | 52.64        |
| Medicaid         | 41.09        |
| Medicare         | 76.04        |
| Other            | 60.70        |
| <b>Statewide</b> | <b>67.28</b> |

of patients and care covered by the different third-party payors and the variation of costs associated with treating those patients. The variation in the average length of stay and average patient age presented in Table R-3 and Figures R-8 are two indications of the differences in the average level of care among the payors. Younger patients are more likely to be admitted for traumatic injuries, such as brain and spinal cord injuries, which typically have longer recovery periods. In addition, younger patients are typically expected to achieve a higher level of functionality from their rehabilitation care than older patients. As a result, younger patients, on average, require longer lengths of stay.

Since comprehensive and comparable cost data is not available for all patients, it is not possible to do a direct comparison of the costs to treat patients covered by the various payor categories. An alternate means to assess the variation in average costs of patients is to observe the variations in the average charges by payor category. While charges are typically higher than actual reimbursements and the correlation between charges and costs is not perfect, the differences in average charges for the entire cross section of patients covered by each payor category should reflect the differences in average costs among 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 compare to the statewide average for all payors. For example, the average charge index for Medicare patients in FY06 was

**TABLE R-4**  
**Statewide Net Patient Revenue at Rehabilitation Hospitals**

By Payor (thousands)

|                           | FY05             | FY06             | Percent Change FY05 to FY06 |
|---------------------------|------------------|------------------|-----------------------------|
| <b>Commercial</b>         |                  |                  |                             |
| Indemnity                 | \$67,068         | \$67,560         | 0.73%                       |
| Managed Care              | \$93,986         | \$86,407         | -8.06%                      |
| Total                     | \$161,054        | \$153,967        | -4.40%                      |
| <b>Medicare</b>           |                  |                  |                             |
| Indemnity                 | \$259,180        | \$234,108        | -9.67%                      |
| Managed Care              | \$27,504         | \$24,596         | -10.57%                     |
| Total                     | \$286,684        | \$258,704        | -9.76%                      |
| <b>Medical Assistance</b> |                  |                  |                             |
| Indemnity                 | \$27,654         | \$26,778         | -3.17%                      |
| Managed Care              | \$23,014         | \$21,431         | -6.88%                      |
| Total                     | \$50,668         | \$48,209         | -4.85%                      |
| <b>Other</b>              | \$50,759         | \$53,217         | 4.84%                       |
| <b>Statewide</b>          | <b>\$549,165</b> | <b>\$514,098</b> | <b>-6.39%</b>               |

**TABLE R-5**  
**Revenue per Discharge and Average Charge at Rehabilitation Hospitals, FY06**

by Payor

|                           | Average Revenue Index | Average Revenue per Discharge | Average Charge Index | Average Charge per Discharge* |
|---------------------------|-----------------------|-------------------------------|----------------------|-------------------------------|
| <b>Commercial</b>         |                       |                               |                      |                               |
| Indemnity                 | 1.10                  | \$16,856                      | 1.05                 | \$35,318                      |
| Managed Care              | 1.02                  | \$15,606                      | 1.21                 | \$40,862                      |
| <b>Medicare</b>           |                       |                               |                      |                               |
| Indemnity                 | 0.92                  | \$14,175                      | 0.85                 | \$28,627                      |
| Managed Care              | 0.87                  | \$13,393                      | 0.98                 | \$33,006                      |
| <b>Medical Assistance</b> |                       |                               |                      |                               |
| Indemnity                 | 1.17                  | \$17,985                      | 1.61                 | \$54,293                      |
| Managed Care              | 1.18                  | \$18,134                      | 1.57                 | \$52,938                      |
| <b>Other</b>              | <b>1.54</b>           | <b>\$23,629</b>               | <b>1.27</b>          | <b>\$43,007</b>               |
| <b>Statewide</b>          | <b>1.00</b>           | <b>\$15,372</b>               | <b>1.00</b>          | <b>\$33,786</b>               |

\* 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.

**TABLE R-6**  
**Utilization and Capacity, FY06**  
 by Rehabilitation Hospital

| Hospital                  | Patient Days | Bed Days Available | Occupancy Rate | Discharges | Beds | Average Length of Stay |
|---------------------------|--------------|--------------------|----------------|------------|------|------------------------|
| Allied Services           | 26,247       | 42,705             | 61.46%         | 2,484      | 117  | 10.6                   |
| Angela Jane Rehab         | 13,448       | 17,885             | 75.19%         | 866        | 49   | 15.5                   |
| Bryn Mawr Rehab           | 47,958       | 55,115             | 87.01%         | 3,118      | 151  | 15.4                   |
| Chestnut Hill Rehab       | 5,998        | 14,235             | 42.14%         | 492        | 39   | 12.2                   |
| Children's Inst Pgh       | 9,991        | 17,155             | 58.24%         | 311        | 47   | 32.1                   |
| Children's Seashore House | 5,109        | 6,570              | 77.76%         | 250        | 18   | 20.4                   |
| Geisinger HealthSouth     | 10,347       | 14,600             | 70.87%         | 746        | 40   | 13.9                   |
| Good Shepherd Rehab       | 19,570       | 29,930             | 65.39%         | 1,556      | 82   | 12.6                   |
| HealthSouth Altoona       | 22,005       | 25,550             | 86.13%         | 1,417      | 70   | 15.5                   |
| HealthSouth Erie          | 24,095       | 39,420             | 61.12%         | 1,292      | 108  | 18.7                   |
| HealthSouth Harmorville   | 48,541       | 73,730             | 65.84%         | 2,546      | 202  | 19.1                   |
| HealthSouth Mechanicsburg | 16,641       | 30,295             | 54.93%         | 991        | 83   | 16.8                   |
| HealthSouth Nittany       | 15,222       | 31,025             | 49.06%         | 1,225      | 85   | 12.4                   |
| HealthSouth Reading       | 14,371       | 21,900             | 65.62%         | 977        | 60   | 14.7                   |
| HealthSouth Sewickley     | 7,508        | 16,060             | 46.75%         | 519        | 44   | 14.5                   |
| HealthSouth York          | 22,665       | 32,758             | 69.19%         | 1,598      | 90   | 14.2                   |
| John Heinz Rehab          | 26,586       | 34,310             | 77.49%         | 2,006      | 94   | 13.3                   |
| Magee Rehab               | 30,469       | 35,040             | 86.95%         | 1,414      | 96   | 21.6                   |
| Moss Rehab                | 43,205       | 71,905             | 60.09%         | 2,573      | 197  | 16.8                   |

0.86. This indicates that the average hospital charge for Medicare patients was 14% below the average of all charges for rehabilitation hospital patients and suggests that the average cost to treat a Medicare patient was about 14% below the average. In comparison, the average revenue index for Medicare patients was 0.92, eight points below the average revenue received for all patients at rehabilitation hospitals but six points above the charge index.

Patients covered by commercial insurance represent a broad spectrum of ages and rehabilitation treatment. Consequently, the average charge index of 1.13 was about 13% above the average charge (1.00) for all patients at rehabilitation hospitals. However, the average revenue

index was 1.05, eight points below the average charge index.

Because the average age of Medical Assistance (MA) patients is 26 years younger than the average for all patients at rehabilitation hospitals, the average length of stay and the average charge and revenue indices are well above the all-patient averages.

### Financial Profile

Table R-7 reveals that the 6.3% decline in total operating revenue for the rehabilitation hospitals outpaced the 4.7% decline in operating expenses during FY06. As a result, the statewide average operating margin declined 1.4 points from 12.24% in FY05 to 10.80% in FY06.

Part of the decline in operating revenue and

**TABLE R-7**  
**Statewide Revenue, Expenses, and Income at Rehabilitation Hospitals**  
 (thousands)

|                                    | FY97      | FY98      | FY99      | FY00      | FY01      | FY02       | FY03       | FY04      | FY05      | FY06      |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|-----------|
| Net Patient Revenue                | \$457,870 | \$472,229 | \$483,241 | \$512,735 | \$541,437 | \$556,241  | \$562,271  | \$575,035 | \$549,165 | \$514,098 |
| Total Operating Revenue            | \$487,864 | \$496,329 | \$511,850 | \$533,894 | \$567,296 | \$606,514  | \$596,907  | \$606,827 | \$583,200 | \$546,656 |
| Total Operating Expenses           | \$463,275 | \$476,127 | \$485,720 | \$495,548 | \$532,164 | \$548,682  | \$524,222  | \$540,481 | \$511,814 | \$487,626 |
| Operating Income                   | \$24,590  | \$20,201  | \$26,130  | \$38,346  | \$35,132  | \$57,831   | \$72,685   | \$66,346  | \$71,386  | \$59,030  |
| Non-operating Income Adjustments * | \$21,023  | \$22,525  | \$24,056  | \$27,956  | (\$5,140) | (\$34,715) | (\$17,553) | \$1,174   | \$4,728   | \$14,267  |
| Revenue over Expenses              | \$45,613  | \$42,726  | \$50,186  | \$66,302  | \$29,992  | \$23,117   | \$55,132   | \$67,520  | \$76,114  | \$73,297  |

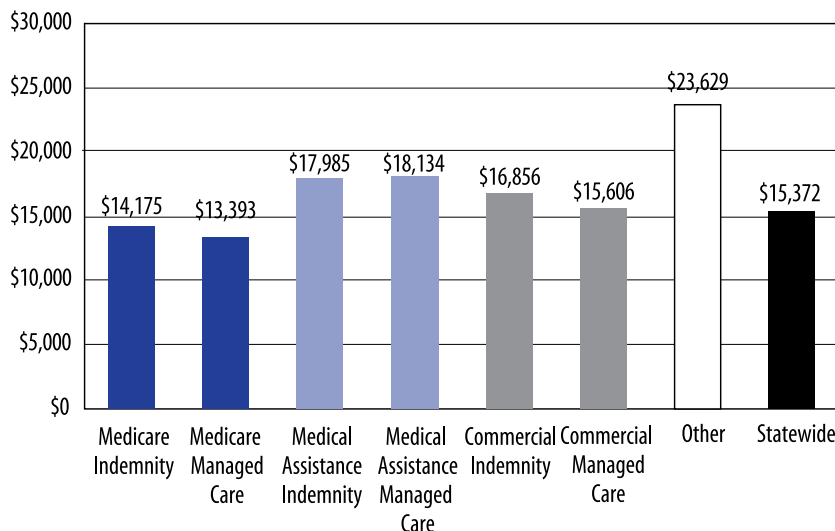
\*Includes non-operating income, income taxes and extraordinary items.

expenses between FY05 and FY06 was attributed to two facilities leaving the rehabilitation hospital category during FY05. For the 19 rehabilitation hospitals that operated during FY05 and FY06, total operating revenue fell by only 1.4%, and total operating expenses actually increased 0.3%. At the 19 hospitals, statewide net patient revenue (NPR) fell only 1.7% during FY06, despite the 6.8% decline in discharges and 5.1% decline in patient days, because the average revenue per discharge rose 7.1% and the average revenue per

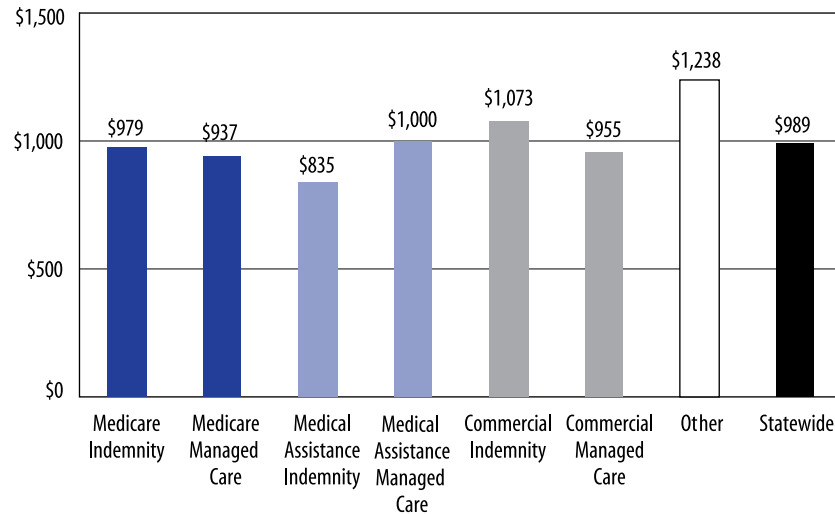
day increased 5.1%.

Another factor contributing to the decline in NPR was the lower average Medicare indemnity revenue per discharge reported by the rehabilitation hospitals during FY06. The federal Medicare program provided 50.3% of the total NPR and 58.1% of the inpatient NPR received by rehabilitation hospitals during FY06. Ninety-one percent (91.2%) of the inpatient Medicare revenue was paid through the Medicare indemnity program in FY06. Consequently,

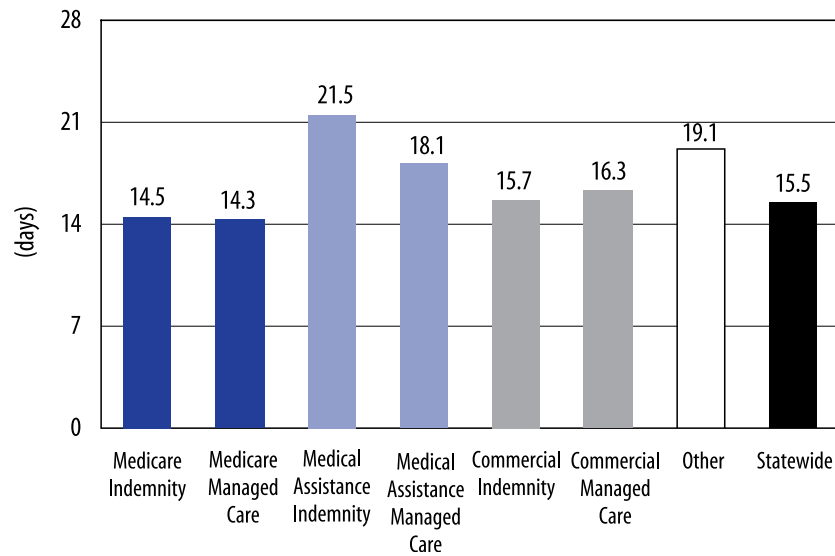
**FIGURE R-6**  
**Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY06**  
 by Payor



**FIGURE R-7**  
**Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY06**  
 by Payor



**FIGURE R-8**  
**Average Length of Stay at Rehabilitation Hospitals, FY06**  
 by Payor

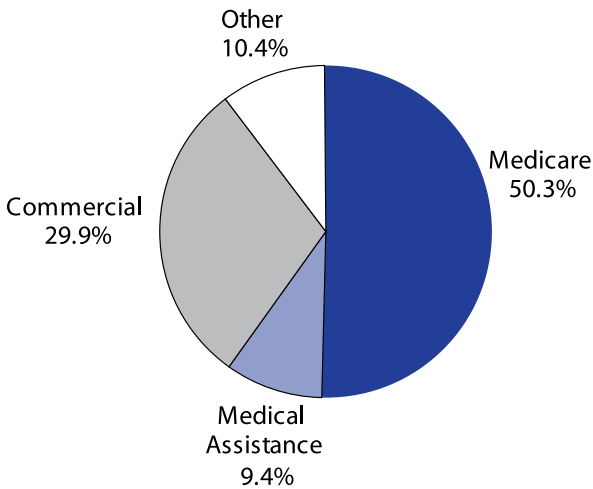


changes in Medicare reimbursements can have a significant effect on the revenue and income of rehabilitation providers.

Beginning in January 2002, the cost-based Medicare reimbursement system for rehabilitation care was replaced by the Inpatient Rehabilitation

Facility Prospective Payment System (IRF PPS). During, the first three full years of IRF PPS (FY03 -FY05), Pennsylvania rehabilitation hospitals reported an increase of 21.0% or about 7.0% per year in the average Medicare indemnity revenue per discharge.

**FIGURE R-9**  
**Statewide Net Patient Revenue at Rehabilitation Hospitals, FY06**

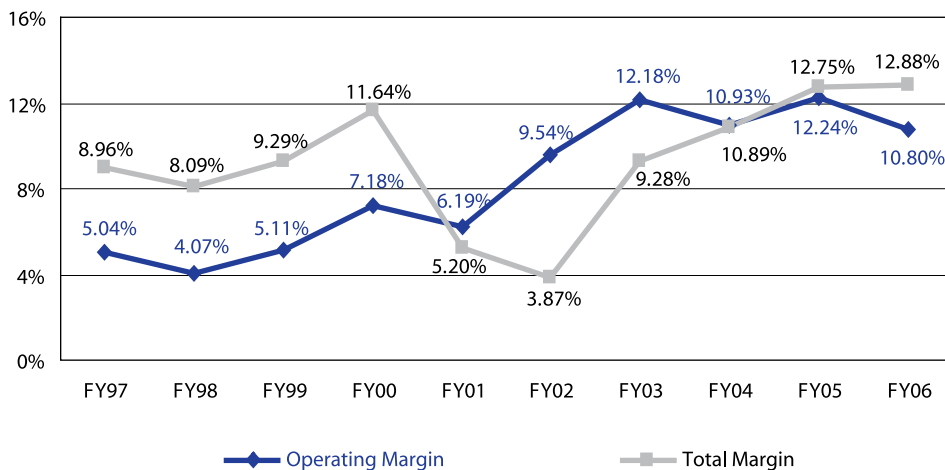


Although CMS announced annual 3.4% increases in Medicare IRF PPS rates for both FY05 and FY06, the 18 rehabilitation hospitals with usable payor data reported a 0.8% decline in the average Medicare indemnity revenue per discharge during FY06. With the average length of stay for Medicare indemnity patients falling from 15.1 days to 14.5 days during FY06, the average revenue per day for these patients increased 2.8% during FY06. The combination of the 4.7%

decline in Medicare indemnity discharges at these 18 rehabilitation hospitals and 0.8% decline in the average revenue per discharge resulted in a \$12.1 million decline in Medicare indemnity inpatient revenue at the 18 hospitals. This \$12.1 million decline is equal to 3.0% of all inpatient revenue received by the 18 hospitals during FY06.

Unlike psychiatric and long-term acute care hospitals where the for-profit hospitals as a group post higher average operating margins than the non-profit hospitals, the 11.09% FY06 average operating margin for the eight non-profit rehabilitation hospitals was 0.8 points higher than the 10.32% average operating margin for the 11 for-profit hospitals in FY06. Investment proceeds and other non-operating gains generally drove the average total margin at the non-profit rehabilitation hospitals 5.5 points above the average operating margin to 16.61%. Because for-profit hospitals are subject to income taxes, the 6.44% average total margin for the for-profit hospitals was 3.9 points below the average operating margins for the group. As a result, the average 16.61% total margin for the non-profit hospitals was 10.2 points higher than the 6.44% average total margin at the for-profit hospitals.

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



# REHABILITATION CARE

| Region                                     | Rehabilitation Hospital                        | Net Patient Revenue<br>NPR (millions) |             |             |             | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOR (millions) |             |             |             | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|--|--|---------------------------------------|-------------|-------------|-------------|---|--|-------------|-------------|-------------|---|
|  |  | FY06                                  | FY05        | FY04        | FY03        |   | FY06                                       | FY05        | FY04        | FY03        |   |
| <b>Statewide Average</b>                   |  | <b>\$27</b>                           | <b>\$26</b> | <b>\$27</b> | <b>\$27</b> | <b>0.35%</b>                              | <b>\$26</b>                                | <b>\$24</b> | <b>\$26</b> | <b>\$25</b> | <b>0.94%</b>                              |
| <b>Non-profit Rehabilitation Hospitals</b> |  |                                       |             |             |             |   |  |             |             |             |   |
| <b>Statewide Average (non-profit)</b>      |  | <b>\$39</b>                           | <b>\$33</b> | <b>\$33</b> | <b>\$31</b> | <b>7.53%</b>                              | <b>\$38</b>                                | <b>\$31</b> | <b>\$33</b> | <b>\$31</b> | <b>7.09%</b>                              |
| 6  | Allied Services                                | \$38                                  | \$38        | \$36        | \$35        | 2.90%                                     | \$36                                       | \$35        | \$33        | \$34        | 2.04%                                     |
| 8  | Bryn Mawr Rehab                                | \$60                                  | \$59        | \$55        | \$56        | 2.88%                                     | \$48                                       | \$44        | \$44        | \$41        | 6.00%                                     |
| 1  | Children's Inst Pgh                            | \$15                                  | \$14        | \$13        | \$12        | 8.65%                                     | \$30                                       | \$29        | \$28        | \$26        | 6.33%                                     |
| 9  | Children's Seashore House <sup>7</sup>         | \$11                                  | \$10        | \$27        | \$27        | -19.33%                                   | \$8  | \$9         | \$29        | \$27        | -23.27%                                   |
| 7  | Good Shepherd Rehab                            | \$41                                  | \$36        | \$38        | \$37        | 3.57%                                     | \$44                                       | \$41        | \$40        | \$37        | 6.89%                                     |
| 6  | John Heinz Rehab                               | \$32                                  | \$32        | \$32        | \$31        | 0.92%                                     | \$32                                       | \$30        | \$29        | \$30        | 1.79%                                     |
| 9  | Magee Rehab                                    | \$41                                  | \$41        | \$32        | \$31        | 10.23%                                    | \$44                                       | \$42        | \$37        | \$36        | 7.33%                                     |
| 9  | Moss Rehab <sup>7</sup>                        | \$71                                  | \$73        | \$66        | \$57        | 8.16%                                     | \$57                                       | \$56        | \$54        | \$50        | 4.45%                                     |
| <b>For-profit Rehabilitation Hospitals</b> |  |                                       |             |             |             |   |  |             |             |             |   |
| <b>Statewide Average (for-profit)</b>      |  | <b>\$19</b>                           | <b>\$20</b> | <b>\$22</b> | <b>\$23</b> | <b>-5.66%</b>                             | <b>\$17</b>                                | <b>\$18</b> | <b>\$19</b> | <b>\$20</b> | <b>-4.25%</b>                             |
| 9  | Angela Jane Rehab <sup>1,5,10,13</sup>         | \$8                                   | \$8         | \$8         | \$6         | 10.01%                                    | \$8  | \$7         | \$7         | \$7         | 5.55%                                     |
| 8  | Chestnut Hill Rehab <sup>1,3,10,11,13,14</sup> | \$8                                   | \$7         | \$14        | \$14        | -13.79%                                   | \$7  | \$8         | \$15        | \$15        | -17.32%                                   |
| 4  | Geisinger HealthSouth <sup>1,10</sup>          | \$13                                  | \$14        | \$14        | \$13        | 1.91%                                     | \$13                                       | \$11        | \$11        | \$9         | 14.08%                                    |
| 3  | HealthSouth Altoona <sup>1,10</sup>            | \$23                                  | \$25        | \$25        | \$23        | -0.61%                                    | \$21                                       | \$24        | \$17        | \$22        | -1.08%                                    |
| 2  | HealthSouth Erie <sup>1,10,13</sup>            | \$23                                  | \$24        | \$24        | \$26        | -2.97%                                    | \$22                                       | \$23        | \$24        | \$24        | -2.72%                                    |
| 1  | HealthSouth Harmorville <sup>1,5,10</sup>      | \$41                                  | \$42        | \$41        | \$42        | -0.65%                                    | \$34                                       | \$34        | \$34        | \$33        | 0.66%                                     |
| 5  | HealthSouth Mechanicsburg <sup>1,10</sup>      | \$22                                  | \$25        | \$32        | \$37        | -13.15%                                   | \$21                                       | \$23        | \$31        | \$33        | -11.78%                                   |
| 4  | HealthSouth Nittany <sup>1,10</sup>            | \$16                                  | \$19        | \$20        | \$20        | -5.45%                                    | \$17                                       | \$18        | \$18        | \$18        | -1.45%                                    |
| 7  | HealthSouth Reading <sup>1,10</sup>            | \$17                                  | \$20        | \$23        | \$23        | -8.70%                                    | \$14                                       | \$17        | \$18        | \$18        | -7.13%                                    |
| 1  | HealthSouth Sewickley <sup>1,10</sup>          | \$7                                   | \$8         | \$9         | \$10        | -8.61%                                    | \$7  | \$8         | \$9         | \$9         | -9.02%                                    |
| 5  | HealthSouth York <sup>1,5,10</sup>             | \$26                                  | \$25        | \$33        | \$35        | -8.51%                                    | \$23                                       | \$24        | \$29        | \$27        | -4.74%                                    |

See footnotes and map of regions on page 58.

| Rehabilitation Hospital                        | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Percent of Uncompensated Care FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 |
|--|-----------------------|-------------------|-------------------------------------|------------------------------------|----------------------------|--------------------------------------|
| <b>Statewide Average</b>                       | <b>10.80%</b>         | <b>12.88%</b>     | <b>12.15%</b>                       | <b>1.04%</b>                       | <b>50.32%</b>              | <b>9.38%</b>                         |
| <b>Non-profit Rehabilitation Hospitals</b>     |                       |                   |                                     |                                    |                            |                                      |
| <b>Statewide Average (non-profit)</b>          | <b>11.09%</b>         | <b>16.61%</b>     | <b>15.28%</b>                       | <b>0.77%</b>                       | <b>45.20%</b>              | <b>12.58%</b>                        |
| Allied Services                                | 7.14%                 | 8.41%             | 9.96%                               | 0.15%                              | 74.10%                     | 2.86%                                |
| Bryn Mawr Rehab                                | 23.12%                | 27.85%            | 28.05%                              | -0.29%                             | 48.21%                     | 5.23%                                |
| Children's Inst Pgh                            | -10.25%               | 26.92%            | 15.17%                              | 1.77%                              | 5.34%                      | 31.91%                               |
| Children's Seashore House <sup>7</sup>         | 27.99%                | 40.59%            | 23.09%                              | 2.71%                              | 0.21%                      | 44.77%                               |
| Good Shepherd Rehab                            | 1.41%                 | 1.41%             | 1.68%                               | 3.14%                              | 48.63%                     | 7.74%                                |
| John Heinz Rehab                               | 2.78%                 | 3.53%             | 6.76%                               | 0.15%                              | 68.80%                     | 3.81%                                |
| Magee Rehab                                    | 6.43%                 | 8.34%             | 7.36%                               | 0.17%                              | 32.64%                     | 16.49%                               |
| Moss Rehab <sup>7</sup>                        | 20.99%                | 21.01%            | 22.25%                              | 0.76%                              | 37.54%                     | 19.22%                               |
| <b>For-profit Rehabilitation Hospitals</b>     |                       |                   |                                     |                                    |                            |                                      |
| <b>Statewide Average (for-profit)</b>          | <b>10.32%</b>         | <b>6.44%</b>      | <b>7.04%</b>                        | <b>1.44%</b>                       | <b>58.32%</b>              | <b>4.37%</b>                         |
| Angela Jane Rehab <sup>1,5,10,13</sup>         | 2.22%                 | 2.22%             | 6.91%                               | 0.41%                              | 57.71%                     | 0.00%                                |
| Chestnut Hill Rehab <sup>1,3,10,11,13,14</sup> | 11.45%                | 6.68%             | -0.49%                              | 2.23%                              | 93.60%                     | 1.42%                                |
| Geisinger HealthSouth <sup>1,10</sup>          | 14.99%                | 12.95%            | 17.74%                              | 1.15%                              | 59.86%                     | 2.65%                                |
| HealthSouth Altoona <sup>1,10</sup>            | 3.32%                 | 2.25%             | 7.93%                               | 0.31%                              | 70.99%                     | 2.85%                                |
| HealthSouth Erie <sup>1,10,13</sup>            | 8.24%                 | 4.82%             | 3.31%                               | 2.52%                              | 58.69%                     | 11.28%                               |
| HealthSouth Harmarville <sup>1,5,10</sup>      | 18.47%                | 10.81%            | 11.13%                              | 1.43%                              | 49.36%                     | 5.12%                                |
| HealthSouth Mechanicsburg <sup>1,10</sup>      | 10.36%                | 6.09%             | 3.98%                               | 0.78%                              | 57.39%                     | 3.30%                                |
| HealthSouth Nittany <sup>1,10</sup>            | -11.50%               | -6.72%            | 0.30%                               | 4.42%                              | 69.73%                     | 3.08%                                |
| HealthSouth Reading <sup>1,10</sup>            | 17.78%                | 10.40%            | 10.76%                              | 0.94%                              | 54.49%                     | 6.16%                                |
| HealthSouth Sewickley <sup>1,10</sup>          | 6.83%                 | 4.00%             | 1.07%                               | 0.95%                              | 57.55%                     | 3.83%                                |
| HealthSouth York <sup>1,5,10</sup>             | 13.37%                | 7.84%             | 6.74%                               | 0.83%                              | 56.81%                     | 1.17%                                |

See footnotes and map of regions on page 58.

## Highlights

- After a long history of negative or very small positive statewide average operating margins, the 16 psychiatric hospitals as a group have experienced a dramatic 9.1-point improvement in the statewide operating margin from -3.80% in FY04 to 5.31% in FY06. Driven by rising payments, the statewide operating margin increased 5.0 points during FY05 and 4.1 points during FY06.
- While the operating margin for the 16 hospitals as a group has improved dramatically, the financial performance of the individual hospitals has been quite diverse. For example, the average operating margin for the eight for-profit psychiatric hospitals was 9.57% in FY06. Alternatively, the average operating margin for the eight non-profit hospitals was just above the break-even point at 0.07%.
- 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 32.9% of all patient days of psychiatric care during FY06. In addition, the Medical Assistance (MA) Program administered by DPW provided 60.9% of the net patient revenue received by the 16 psychiatric hospitals in Pennsylvania during FY06. About 31% of all patients receiving inpatient psychiatric care at GAC hospitals were MA participants.

## Psychiatric Care is Provided in a Variety of Settings

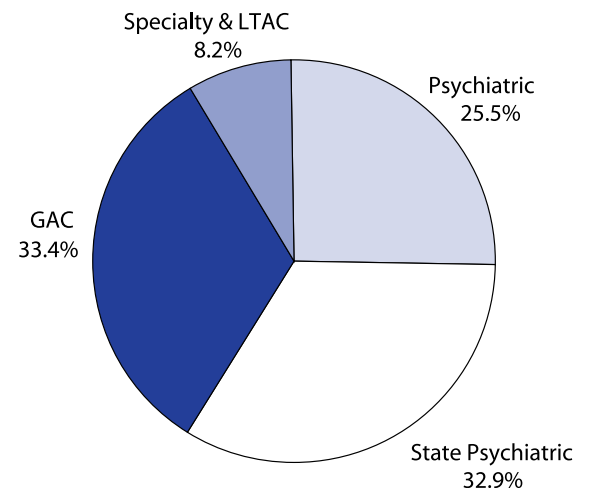
Inpatient psychiatric care in Pennsylvania is provided in the following five facility categories: state psychiatric hospitals, freestanding psychiatric hospitals, general acute care (GAC) hospitals, specialty hospitals, and long-term acute care hospitals.

At the end of fiscal year 2006 (FY06), the nine state hospitals had a patient population of 1,936. Although the state hospitals provided 32.9% of statewide psychiatric patient days, they only discharged 1,741 patients during FY06, which is about 1.3% of the total discharges of all 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 8.7 days during FY06. Fifty-four percent (54%) of the 174 GAC hospitals in Pennsylvania operated psychiatric units. These 94 GAC hospitals treated 60.4% of the patients admitted for inpatient psychiatric care and provided 33.4% of the total patient days of psychiatric care during FY06.

The 16 psychiatric hospitals accounted for 30.2% of patient discharges and provided 25.5% of the total days of psychiatric care in the Commonwealth during FY06. Excluding the

**FIGURE P-1**  
**Psychiatric Patient Days, FY06**  
by Facility Type



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

|                               | FY97      | FY98      | FY99      | FY00      | FY01      | FY02      | FY03      | FY04      | FY05      | FY06      |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Patient Days</b>           |           |           |           |           |           |           |           |           |           |           |
| Psychiatric                   | 493,783   | 475,660   | 511,883   | 526,150   | 511,681   | 548,281   | 567,435   | 558,552   | 558,059   | 556,829   |
| State Psychiatric             | 1,272,597 | 1,168,093 | 1,081,464 | 1,020,777 | 939,634   | 855,179   | 772,491   | 773,443   | 761,065   | 718,612   |
| GAC                           | 804,859   | 745,240   | 715,370   | 777,093   | 769,658   | 738,873   | 753,413   | 757,131   | 742,683   | 730,752   |
| Specialty                     | 85,678    | 93,665    | 102,204   | 124,811   | 141,783   | 139,380   | 145,703   | 149,446   | 155,908   | 151,878   |
| LTAC                          | 44,467    | 34,924    | 26,426    | 25,005    | 28,184    | 28,788    | 29,033    | 28,223    | 29,324    | 28,455    |
| Statewide                     | 2,701,384 | 2,517,582 | 2,437,347 | 2,473,836 | 2,390,940 | 2,310,501 | 2,268,075 | 2,266,795 | 2,247,039 | 2,186,526 |
| <b>Discharges</b>             |           |           |           |           |           |           |           |           |           |           |
| Psychiatric                   | 36,942    | 39,215    | 41,097    | 38,815    | 39,153    | 40,336    | 42,673    | 44,173    | 41,587    | 41,911    |
| State Discharges              | 2,366     | 2,595     | 2,107     | 2,060     | 1,988     | 1,955     | 1,674     | 1,634     | 1,637     | 1,741     |
| GAC                           | 73,017    | 73,629    | 77,342    | 89,727    | 87,079    | 85,449    | 84,338    | 85,748    | 84,670    | 83,870    |
| Specialty                     | 8,128     | 5,323     | 5,324     | 6,705     | 10,142    | 9,381     | 9,396     | 9,430     | 9,886     | 10,246    |
| LTAC                          | 1,658     | 1,362     | 1,011     | 1,116     | 1,207     | 1,219     | 949       | 956       | 982       | 1,006     |
| Statewide                     | 122,111   | 122,124   | 126,881   | 138,423   | 139,569   | 138,340   | 139,030   | 141,941   | 138,762   | 138,774   |
| <b>Patient Population</b>     |           |           |           |           |           |           |           |           |           |           |
| State Psychiatric             | 3,586     | 3,104     | 2,967     | 2,699     | 2,510     | 2,215     | 2,164     | 2,142     | 2,120     | 1,936     |
| <b>Beds</b>                   |           |           |           |           |           |           |           |           |           |           |
| Psychiatric                   | 1,911     | 1,850     | 1,862     | 1,862     | 1,801     | 1,896     | 1,938     | 1,958     | 1,965     | 1,902     |
| State Psychiatric             | 3,925     | 3,808     | 3,524     | 3,222     | 2,963     | 2,678     | 2,381     | 2,387     | 2,440     | 2,198     |
| GAC                           | 3,300     | 3,193     | 3,208     | 3,238     | 3,151     | 3,068     | 2,982     | 2,920     | 2,853     | 2,793     |
| Specialty                     | 402       | 372       | 389       | 463       | 531       | 524       | 531       | 550       | 558       | 545       |
| LTAC                          | 131       | 112       | 112       | 112       | 112       | 112       | 112       | 112       | 112       | 113       |
| Statewide                     | 9,669     | 9,335     | 9,095     | 8,897     | 8,558     | 8,278     | 7,944     | 7,927     | 7,928     | 7,551     |
| <b>Occupancy Rate</b>         |           |           |           |           |           |           |           |           |           |           |
| Psychiatric                   | 72.50%    | 69.45%    | 76.25%    | 77.46%    | 78.51%    | 79.76%    | 79.76%    | 78.55%    | 80.98%    | 81.58%    |
| State Psychiatric             | 87.33%    | 76.31%    | 83.55%    | 85.77%    | 86.07%    | 87.02%    | 88.67%    | 88.73%    | 85.07%    | 87.63%    |
| GAC                           | 67.58%    | 65.64%    | 61.45%    | 64.93%    | 66.35%    | 65.88%    | 69.71%    | 72.13%    | 73.32%    | 72.35%    |
| Specialty                     | 58.91%    | 68.33%    | 71.98%    | 73.52%    | 77.41%    | 72.85%    | 75.75%    | 75.92%    | 76.55%    | 76.35%    |
| LTAC                          | 93.00%    | 85.43%    | 64.64%    | 61.17%    | 68.94%    | 70.42%    | 71.02%    | 68.90%    | 71.73%    | 69.55%    |
| Statewide                     | 76.69%    | 71.34%    | 73.58%    | 75.49%    | 76.45%    | 76.41%    | 78.30%    | 78.98%    | 79.09%    | 79.44%    |
| Statewide w/o State*          | 69.18%    | 67.54%    | 67.18%    | 69.63%    | 71.29%    | 71.30%    | 73.84%    | 74.72%    | 76.34%    | 75.96%    |
| <b>Average Length of Stay</b> |           |           |           |           |           |           |           |           |           |           |
| Psychiatric                   | 13.4      | 12.1      | 12.5      | 13.6      | 13.1      | 13.6      | 13.3      | 12.6      | 13.4      | 13.3      |
| State Psychiatric             | 537.9     | 450.1     | 513.3     | 495.5     | 472.7     | 437.4     | 461.5     | 473.3     | 464.9     | 412.8     |
| GAC                           | 11.0      | 10.1      | 9.2       | 8.7       | 8.8       | 8.6       | 8.9       | 8.8       | 8.8       | 8.7       |
| Specialty                     | 10.5      | 17.6      | 19.2      | 18.6      | 14.0      | 14.9      | 15.5      | 15.8      | 15.8      | 14.8      |
| LTAC                          | 26.8      | 25.6      | 26.1      | 22.4      | 23.4      | 23.6      | 30.6      | 29.5      | 29.9      | 28.3      |
| Statewide                     | 22.1      | 20.6      | 19.2      | 17.9      | 17.1      | 16.7      | 16.3      | 16.0      | 16.2      | 15.8      |
| Statewide w/o State*          | 11.9      | 11.3      | 10.9      | 10.7      | 10.5      | 10.7      | 10.9      | 10.6      | 10.8      | 10.7      |

\*Excludes state psychiatric hospitals

long-term residential programs and non-psychiatric care, the ALOS at these psychiatric hospitals was 10.8 days.

Seven of the psychiatric hospitals provided residential care, and two provided inpatient 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 of the seven residential programs was 107.1 days during FY06. The utilization and capacity of these programs are presented in Table P-2.

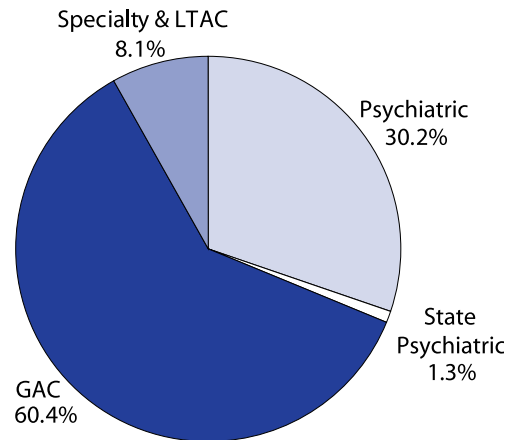
Five of the six specialty hospitals in Pennsylvania provided some form of psychiatric care. Two facilities reported providing acute psychiatric care, which represented only 5.2% of the psychiatric care provided at specialty hospitals. The remaining 94.8% of psychiatric care offered at specialty hospitals was provided by D&A programs at four hospitals. The 151,878 days of inpatient psychiatric care at specialty hospitals represented 6.9% of the patient days of statewide psychiatric care during FY06.

Five long-term acute care (LTAC) hospitals rendered 28,455 acute psychiatric patient days, or slightly more than one percent of statewide inpatient psychiatric care during FY06. While this care represents only a small portion of inpatient psychiatric care in Pennsylvania, it represents 9.3% of the total patient days provided by all LTAC hospitals.

**Trends in Hospital-based Psychiatric Care**

Over the past nine years (FY97-FY06), total statewide patient days of psychiatric care provided at all five facility categories have declined an average of about 2.1% per year. The 2.7%

**FIGURE P-2  
Psychiatric Discharges, FY06  
by Facility Type**



decline in patient days during FY06 was largely driven by reductions in utilization and capacity at the state psychiatric hospitals. Continuing its initiative to transition patients into community mental health programs, the Pennsylvania Department of Public Welfare took 242 beds out of service during FY06 and reduced its year-end patient population by 184 patients. As a result, the state psychiatric hospitals reported providing over 42,000 fewer patient days of care during FY06 which represent over 70% of the total statewide decline in patient days during the year.

Inpatient psychiatric care has a younger age distribution than the other categories of hospital-based care. The average age of inpatients treated at psychiatric hospitals was 31.5 years, and about 57% of inpatients treated for psychiatric care were under age 45. In comparison, the average age of inpatients at rehabilitation hospitals was over 67 years, and the average age at long-term acute care (LTAC) facilities was nearly 69 years.

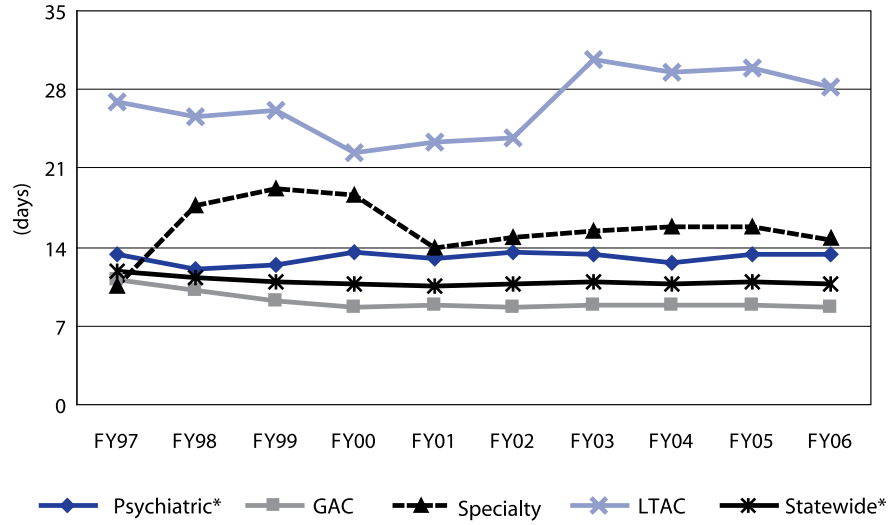
The distribution of discharges by clinical

**TABLE P-2**  
**Utilization and Capacity, FY06**  
 by Psychiatric Hospital

| Hospital  | Patient Days | Bed Days Available | Occupancy Rate | Discharges | Beds | Average Length of Stay (ALOS) | ALOS w/o Residential & D&A Treatment |
|---|--------------|--------------------|----------------|------------|------|-------------------------------|--------------------------------------|
| <b>All Hospital Services (including Residential and Drug &amp; Alcohol Treatment)</b> |              |                    |                |            |      |                               |                                      |
| Belmont Center  | 47,950       | 53,655             | 89.37%         | 3,963      | 147  | 12.10                         | 12.10                                |
| Brooke Glen Behavioral  | 33,691       | 43,094             | 78.18%         | 2,799      | 126  | 12.04                         | 12.04                                |
| Clarion Psych   | 16,850       | 22,192             | 75.93%         | 1,751      | 74   | 9.62                          | 8.83                                 |
| Devereux Behavioral Hlth  | 6,749        | 12,045             | 56.03%         | 504        | 33   | 13.39                         | 13.39                                |
| Fairmount Behavioral  | 61,372       | 65,700             | 93.41%         | 4,563      | 180  | 13.45                         | 12.78                                |
| First Wyoming Valley  | 29,180       | 35,040             | 83.28%         | 3,029      | 96   | 9.63                          | 9.63                                 |
| Foundations Behavioral  | 21,453       | 37,230             | 57.62%         | 708        | 102  | 30.30                         | 15.16                                |
| Friends   | 62,412       | 81,030             | 77.02%         | 5,589      | 222  | 11.17                         | 9.78                                 |
| Horsham Clinic  | 50,647       | 53,290             | 95.04%         | 4,939      | 146  | 10.25                         | 10.25                                |
| KidsPeace   | 16,281       | 20,440             | 79.65%         | 1,396      | 56   | 11.66                         | 11.66                                |
| Kirkbride Center  | 70,082       | 79,771             | 87.85%         | 4,254      | 219  | 16.47                         | 8.94                                 |
| Meadows Psych Center  | 27,602       | 36,865             | 74.87%         | 2,474      | 101  | 11.16                         | 11.16                                |
| Montgomery Cty ES   | 24,334       | 29,565             | 82.31%         | 2,795      | 81   | 8.71                          | 9.04                                 |
| Philhaven   | 44,490       | 52,512             | 84.72%         | 2,151      | 153  | 20.68                         | 11.98                                |
| Southwood Psych   | 36,184       | 44,784             | 80.80%         | 917        | 124  | 39.46                         | 8.09                                 |
| St John Vianney   | 7,552        | 15,330             | 49.26%         | 79         | 42   | 95.59                         | 3.86                                 |
| <b>Residential and Drug &amp; Alcohol Treatment</b>                                   |              |                    |                |            |      |                               |                                      |
| Clarion Psych   | 1,735        | 3,212              | 54.02%         | 39         | 22   | 44.49                         | NA                                   |
| Fairmount Behavioral  | 13,319       | 14,600             | 91.23%         | 803        | 40   | 16.59                         | NA                                   |
| Foundations Behavioral  | 11,902       | 17,520             | 67.93%         | 78         | 48   | 152.59                        | NA                                   |
| Friends   | 7,799        | 10,950             | 71.22%         | 2          | 30   | 3,899.50                      | NA                                   |
| Kirkbride Center  | 51,253       | 53,185             | 96.37%         | 2,147      | 146  | 23.87                         | NA                                   |
| Montgomery Cty ES   | 2,235        | 2,920              | 76.54%         | 350        | 8    | 6.39                          | NA                                   |
| Philhaven   | 20,024       | 22,217             | 90.13%         | 108        | 70   | 185.41                        | NA                                   |
| Southwood Psych   | 29,620       | 35,040             | 84.53%         | 106        | 96   | 279.43                        | NA                                   |
| St John Vianney   | 7,525        | 14,600             | 51.54%         | 72         | 40   | 104.51                        | NA                                   |

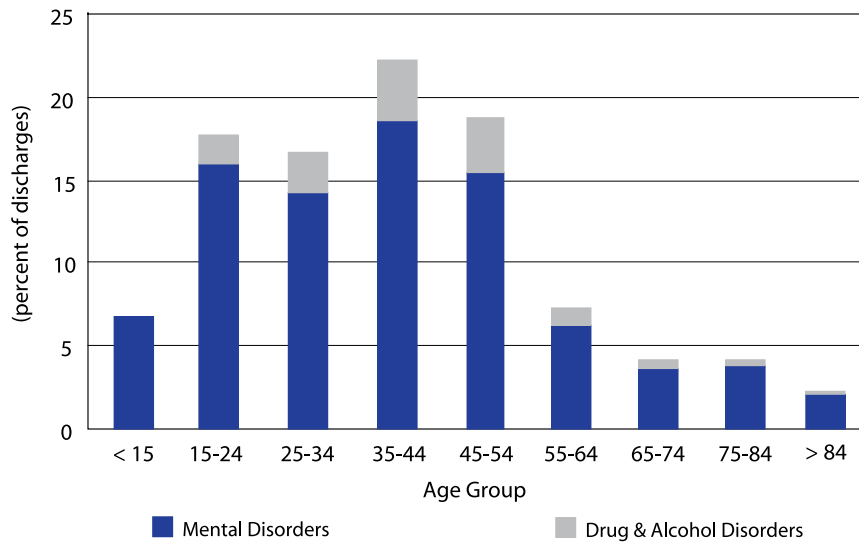
NA - Not Applicable

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



\* Excludes state psychiatric hospitals

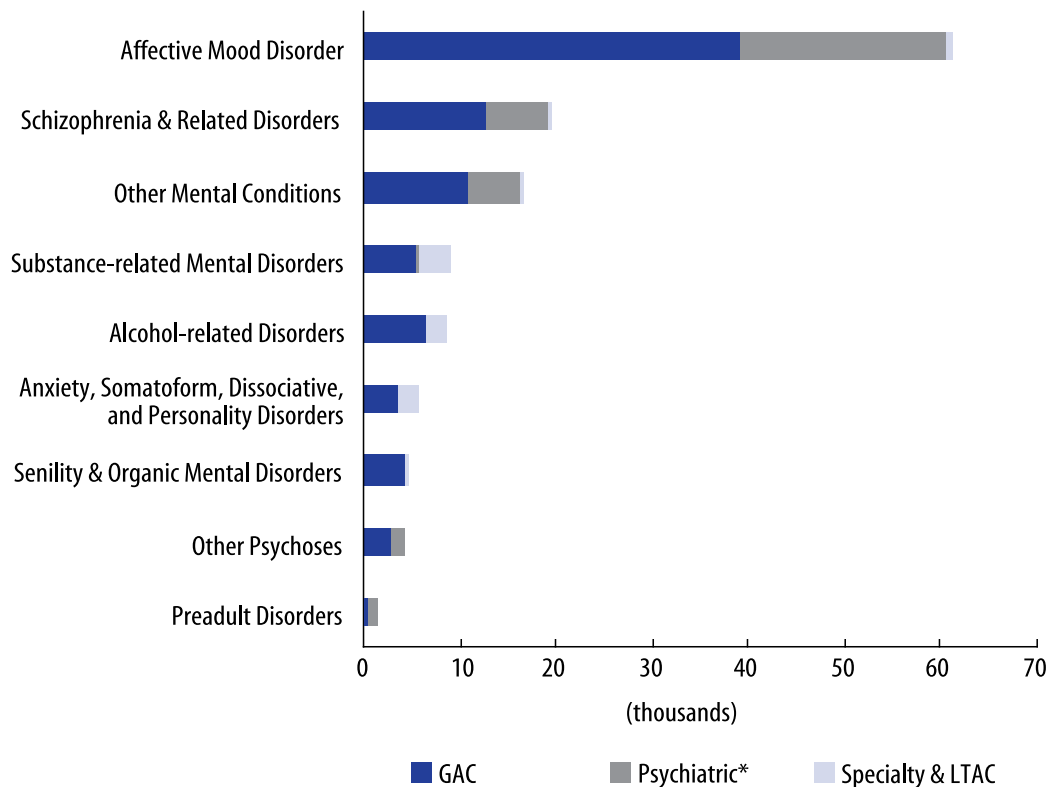
**FIGURE P-4**  
**Age Distribution of Inpatient Psychiatric Patients\*, FY06**



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

**FIGURE P-5**  
**Psychiatric Discharges by Clinical Classification†, FY06**



† 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

classification at all hospitals providing psychiatric care in Pennsylvania (except the state hospitals) during FY06 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 54.8% of psychiatric admissions to the psychiatric hospitals and 45.6% of admissions to GAC psychiatric units.

### Financial Profile

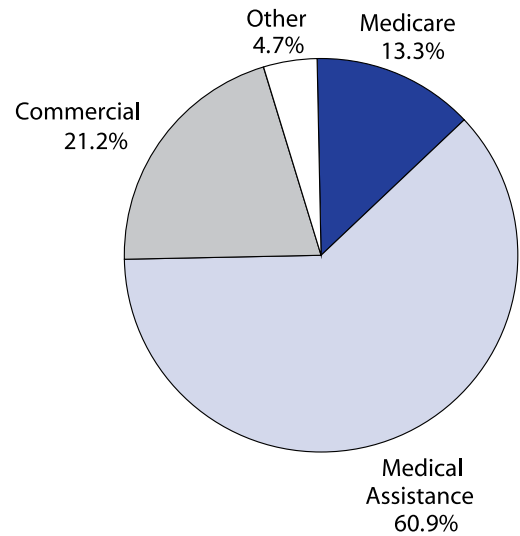
The Commonwealth, through DPW, is the largest provider of psychiatric care. DPW's nine state hospitals provided 32.9% of all patient days of psychiatric care during FY06. In addition, the Medical Assistance (MA) Program administered by DPW provided 60.9% of the net patient revenue received by the 16 psychiatric hospitals in Pennsylvania during FY06. MA participants also

comprised 31.4% of all patients receiving inpatient psychiatric care at GAC hospitals. DPW also sponsors psychiatric care in a variety of other settings.

The Commonwealth directly underwrites about 83% of the cost of the care provided at the nine state psychiatric hospitals. Of the remaining 17% of total expenses covered by third-party payors and patients, 10.9% are covered by MA, 3.6% by Medicare, and about 2.5% are covered by private insurance, individuals and other sources.

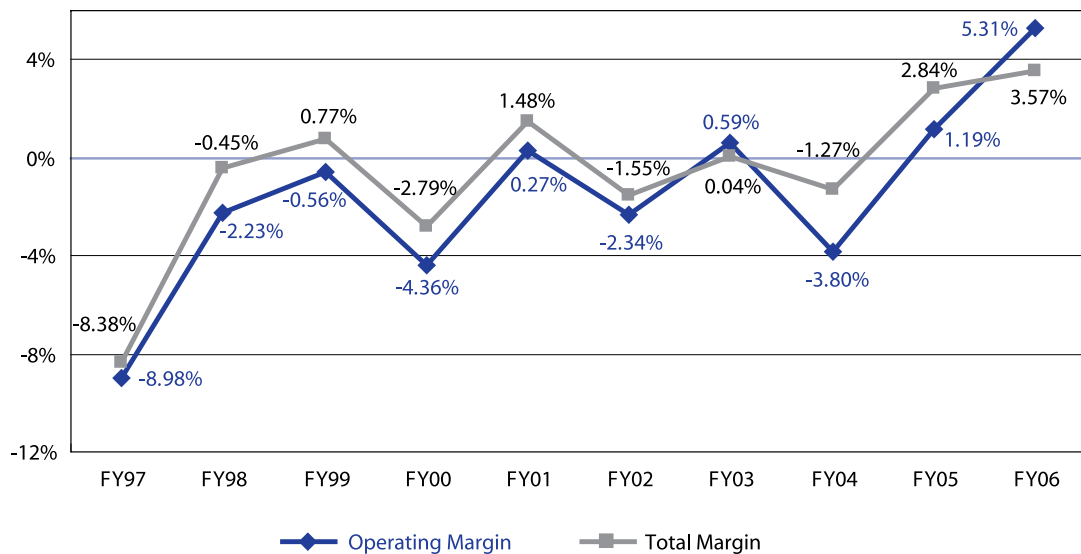
After a long history of negative or very small positive statewide average operating margins, the 16 psychiatric hospitals as a group have experienced a dramatic 9.1-point improvement in operating income over the past two years. The statewide operating margin increased 5.0 points during FY05 from -3.80% in FY04 to 1.19% in FY05. The psychiatric hospitals posted an

**FIGURE P-6**  
**Statewide Net Patient Revenue at Psychiatric Hospitals\*, FY06**  
 by Payor



\* Excludes state psychiatric hospitals

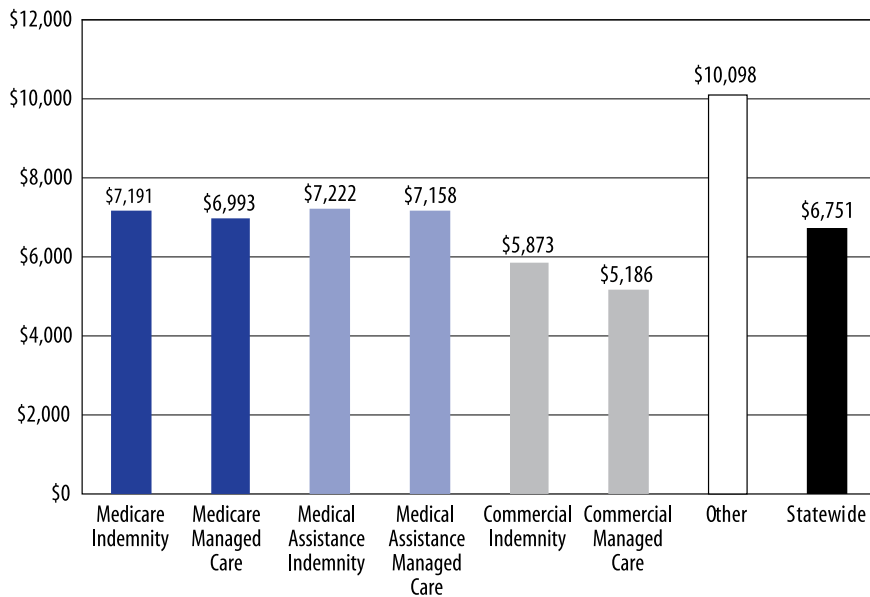
**FIGURE P-7**  
**Statewide Operating and Total Margins at Psychiatric Hospitals \***



\* Excludes state psychiatric hospitals

**FIGURE P-8**  
**Average Net Inpatient Revenue per Discharge at Psychiatric Hospitals\*, FY06**

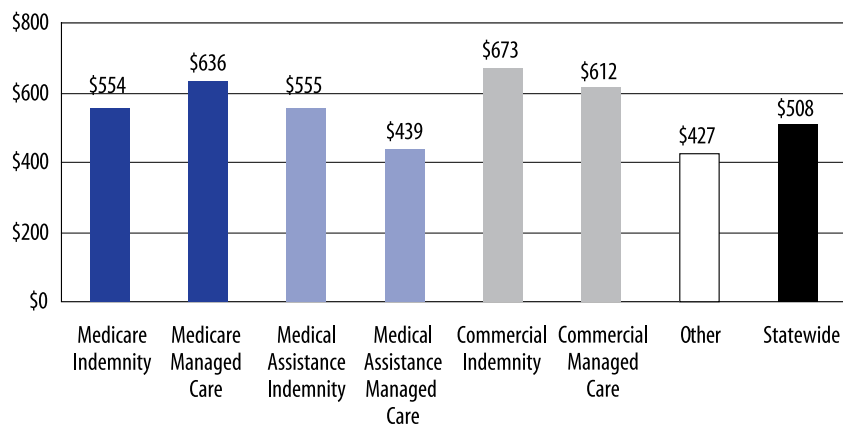
by Payor



\* Excludes state psychiatric hospitals

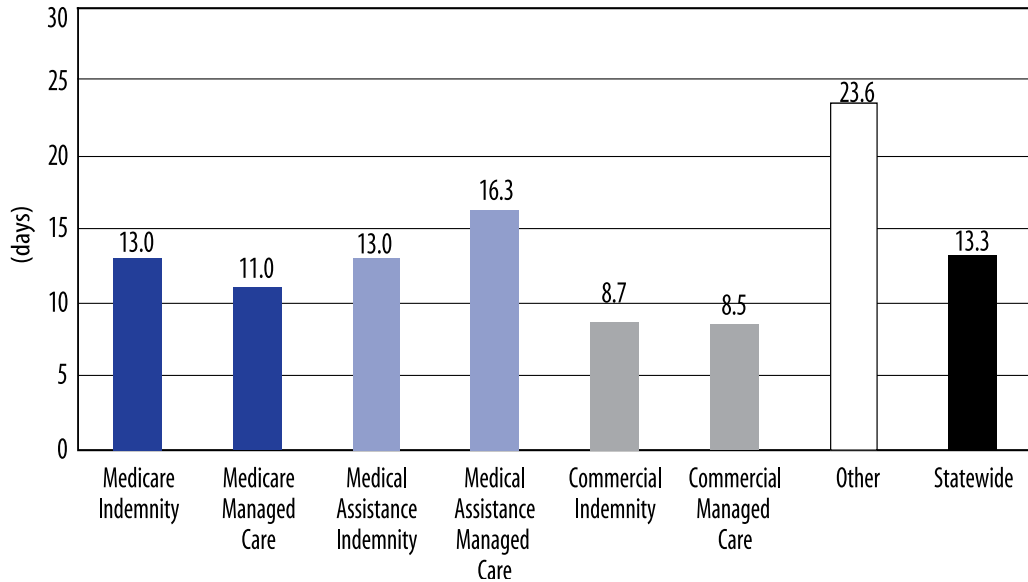
**FIGURE P-9**  
**Average Net Inpatient Revenue per Day at Psychiatric Hospitals\*, FY06**

by Payor



\* Excludes state psychiatric hospitals

**FIGURE P-10**  
**Average Length of Stay at Psychiatric Hospitals\*, FY06**  
 by Payor



\* Excludes state psychiatric hospitals

additional 4.1-point gain in the average operating margin to 5.31% during FY06.

The statewide operating margins improved because operating revenue grew a total of 11.7% during FY05 and FY06 while the total growth in expenses were held to 1.9% over the two-year period. Since statewide utilization levels at the 16 hospitals remained relatively constant, the growth in operating revenue was primarily driven by increases in reimbursement rates. The hospitals reported a 13.0% increase in average revenue per day over the two-year period, 5.7% during FY05, and 6.9% during FY06.

The largest contributors to the revenue increases at the psychiatric hospitals were the MA managed care (MA MC) plans that provided 42.5% of the total net patient revenue and 40.6% of statewide inpatient revenue during FY06. At \$439, the MA MC plans provided the lowest revenue per day of the six major payor

categories. However, a \$55 increase in the MA MC average revenue per day between FY04 and FY06 contributed to about 44% of the increase in statewide inpatient revenue over the two-year period.

In November 2004, the Centers for Medicare and Medicaid Services (CMS) published a final rule that established the new per-diem Medicare Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) for psychiatric hospitals and psychiatric units of GAC hospitals. The IPF PPS replaced the former system that based reimbursements on historical individual hospital costs. Unlike other PPS programs, such as GAC, rehabilitation care and LTAC, which are paid on a per-discharge basis, the new IPF PPS reimburses psychiatric hospitals on a per-diem (patient-day) basis. Also, unlike rehabilitation and LTAC where Medicare is the predominate payor, psychiatric hospitals reported receiving only 10.2% of

their total FY06 inpatient revenue from Medicare indemnity patients.

The new IPF PPS system went 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 began with a 25% PPS rate and 75% cost-based rate beginning in their cost reporting year after January 1, 2005 and will not be subject to 100% IPF PPS rates until after January 1, 2008. The initial IPF PPS base rate for care rendered after July 1, 2005 was \$576 per day and was increased to \$595 for care after July 1, 2006 and to \$615 after July 1, 2007.

The average Medicare indemnity payments received by Pennsylvania's psychiatric hospitals were below the federal base rates during FY06. Under the blended combination of PPS and cost-based rates, the 16 psychiatric hospitals reported an average revenue per day for Medicare indemnity patients of \$554 per day in FY06. The average per-diem rates for Pennsylvania's psychiatric hospitals should increase as a larger percentage of the IPF PPS rates are phased in through 2008. The federal base rates are subject to 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, rural locations, teaching status and availability of an emergency department.

Despite the 4.1-point gain in the statewide operating margin, changes in the financial performance of the 16 individual psychiatric hospitals were not uniform during FY06.

Four of the eight non-profit psychiatric hospitals experienced a decline in both operating and total margins during FY06. However, as a group, the eight non-profit hospitals did experience a 2.0-point increase in their average operating margin, rising to just above the break-even point at 0.07%. The average total margin for the group increased 2.0 points to 0.86%.

While three of the eight for-profit hospitals experienced declines in their FY06 operating margins, the eight for-profit hospitals as a group saw their average operating margin improve 6.0 points to 9.57%. At 9.57%, the average FY06 operating margin for the eight for-profit psychiatric hospitals was 9.5 points higher than the 0.07% average for the eight non-profit hospitals.

The 5.79% average total margin for the eight for-profit hospitals is 3.8 points lower than the 9.57% average operating margin for the group because the income taxes paid by the for-profit hospitals results in a decline in their net income. The effect of income taxes on the for-profit hospitals is also the primary reason the overall average total margin of 3.57% for all 16 psychiatric hospitals falls below the statewide operating margin of 5.31%.

# PSYCHIATRIC CARE

| Region                                  | Psychiatric Hospital                   | Net Patient Revenue<br>NPR (millions) |             |             |             | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOE (millions) |             |             |             | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|---|--|---------------------------------------|-------------|-------------|-------------|---|--|-------------|-------------|-------------|---|
|   |  | FY06                                  | FY05        | FY04        | FY03        |   | FY06                                       | FY05        | FY04        | FY03        |   |
| <b>Statewide Average</b>                |  | <b>\$21</b>                           | <b>\$19</b> | <b>\$17</b> | <b>\$18</b> | <b>5.93%</b>                              | <b>\$20</b>                                | <b>\$19</b> | <b>\$19</b> | <b>\$18</b> | <b>3.93%</b>                              |
| <b>Non-profit Psychiatric Hospitals</b> |  |                                       |             |             |             |   |  |             |             |             |   |
| <b>Statewide Average (non-profit)</b>   |  | <b>\$18</b>                           | <b>\$17</b> | <b>\$17</b> | <b>\$16</b> | <b>4.74%</b>                              | <b>\$19</b>                                | <b>\$18</b> | <b>\$17</b> | <b>\$17</b> | <b>4.78%</b>                              |
| 9                                       | Belmont Center                         | \$34                                  | \$32        | \$31        | \$30        | 4.36%                                     | \$34                                       | \$33        | \$32        | \$30        | 4.64%                                     |
| 8                                       | Devereux Behavioral Hlth <sup>7</sup>  | \$3                                   | \$3         | \$3         | \$2         | 13.73%                                    | \$4  | \$4         | \$3         | \$3         | 15.50%                                    |
| 6                                       | First Wyoming Valley <sup>7</sup>      | \$14                                  | \$14        | \$14        | \$12        | 4.43%                                     | \$14                                       | \$14        | \$12        | \$13        | 4.68%                                     |
| 8                                       | Foundations Behavioral <sup>5</sup>    | \$18                                  | \$16        | \$16        | \$17        | 0.44%                                     | \$18                                       | \$17        | \$17        | \$17        | 2.60%                                     |
| 7                                       | KidsPeace <sup>1</sup>                 | \$18                                  | \$16        | \$16        | \$17        | 1.07%                                     | \$19                                       | \$18        | \$18        | \$18        | 1.63%                                     |
| 8                                       | Montgomery Cty ES <sup>5</sup>         | \$15                                  | \$14        | \$14        | \$14        | 3.60%                                     | \$16                                       | \$15        | \$14        | \$14        | 4.60%                                     |
| 5                                       | Philhaven <sup>5</sup>                 | \$42                                  | \$37        | \$36        | \$31        | 11.69%                                    | \$43                                       | \$40        | \$38        | \$35        | 7.46%                                     |
| 8                                       | St John Vianney <sup>5</sup>           | \$3                                   | \$3         | \$3         | \$4         | -11.60%                                   | \$4  | \$3         | \$3         | \$4         | -1.62%                                    |
| <b>For-profit Psychiatric Hospitals</b> |  |                                       |             |             |             |   |  |             |             |             |   |
| <b>Statewide Average (for-profit)</b>   |  | <b>\$23</b>                           | <b>\$20</b> | <b>\$18</b> | <b>\$19</b> | <b>7.27%</b>                              | <b>\$21</b>                                | <b>\$20</b> | <b>\$20</b> | <b>\$19</b> | <b>3.48%</b>                              |
| 8                                       | Brooke Glen Behavioral <sup>1,10</sup> | \$22                                  | \$18        | \$9         | \$22        | -0.52%                                    | \$19                                       | \$17        | \$16        | \$24        | -6.21%                                    |
| 2                                       | Clarion Psych <sup>1,5,10</sup>        | \$11                                  | \$11        | \$11        | \$10        | 5.69%                                     | \$7  | \$7         | \$7         | \$7         | 1.31%                                     |
| 9                                       | Fairmount Behavioral <sup>1,5,10</sup> | \$30                                  | \$28        | \$25        | \$24        | 9.44%                                     | \$27                                       | \$27        | \$26        | \$23        | 5.60%                                     |
| 9                                       | Friends <sup>1,5,10</sup>              | \$37                                  | \$37        | \$36        | \$31        | 6.55%                                     | \$37                                       | \$42        | \$41        | \$37        | 0.12%                                     |
| 8                                       | Horsham Clinic <sup>1,10</sup>         | \$32                                  | \$29        | \$29        | \$29        | 2.91%                                     | \$31                                       | \$31        | \$32        | \$28        | 3.42%                                     |
| 9                                       | Kirkbride Center <sup>5,10</sup>       | \$23                                  | \$20        | \$15        | \$17        | 12.46%                                    | \$20                                       | \$19        | \$19        | \$17        | 6.25%                                     |
| 4                                       | Meadows Psych Center <sup>1,10</sup>   | \$14                                  | \$14        | \$13        | \$13        | 2.98%                                     | \$13                                       | \$11        | \$11        | \$12        | 1.19%                                     |
| 1                                       | Southwood Psych <sup>1,5,10</sup>      | \$13                                  | \$13        | \$13        | \$12        | 2.18%                                     | \$14                                       | \$13        | \$12        | \$11        | 9.40%                                     |

| Region                   | State Psychiatric Hospital       | Net Patient Revenue<br>NPR (millions) |            |            |            | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOE (millions) |             |             |             | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|--------------------------|----------------------------------|---------------------------------------|------------|------------|------------|---|--|-------------|-------------|-------------|---|
|                          |                                  | FY06                                  | FY05       | FY04       | FY03       |   | FY06                                       | FY05        | FY04        | FY03        |   |
| <b>Statewide Average</b> |                                  | <b>\$8</b>                            | <b>\$8</b> | <b>\$8</b> | <b>\$8</b> | <b>-2.23%</b>                             | <b>\$46</b>                                | <b>\$46</b> | <b>\$45</b> | <b>\$44</b> | <b>1.43%</b>                              |
| 7                        | Allentown State                  | \$6                                   | \$5        | \$6        | \$6        | 1.71%                                     | \$37                                       | \$33        | \$33        | \$32        | 5.31%                                     |
| 6                        | Clark Summit State               | \$8                                   | \$8        | \$8        | \$9        | -2.90%                                    | \$44                                       | \$42        | \$39        | \$37        | 6.04%                                     |
| 4                        | Danville State                   | \$6                                   | \$6        | \$6        | \$6        | 0.08%                                     | \$34                                       | \$30        | \$28        | \$28        | 6.92%                                     |
| 5                        | Harrisburg State <sup>2,11</sup> | \$2                                   | \$7        | \$7        | \$7        | NA  | \$16                                       | \$45        | \$45        | \$42        | NA  |
| 1                        | Mayview State                    | \$9                                   | \$9        | \$9        | \$10       | -0.82%                                    | \$69                                       | \$67        | \$66        | \$65        | 1.93%                                     |
| 8                        | Norristown State                 | \$11                                  | \$11       | \$11       | \$11       | -1.64%                                    | \$84                                       | \$80        | \$77        | \$77        | 2.98%                                     |
| 1                        | Torrance State                   | \$8                                   | \$7        | \$8        | \$8        | -1.24%                                    | \$42                                       | \$42        | \$41        | \$40        | 2.19%                                     |
| 2                        | Warren State                     | \$7                                   | \$8        | \$8        | \$8        | -3.45%                                    | \$42                                       | \$40        | \$40        | \$37        | 4.04%                                     |
| 7                        | Wernersville State               | \$11                                  | \$9        | \$9        | \$9        | 6.36%                                     | \$43                                       | \$36        | \$35        | \$35        | 7.85%                                     |

See footnotes and map of regions on page 58.

| Psychiatric Hospital                    | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Percent of Uncompensated Care FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 |
|---|-----------------------|-------------------|-------------------------------------|------------------------------------|----------------------------|--------------------------------------|
| <b>Statewide Average</b>                | <b>5.31%</b>          | <b>3.57%</b>      | <b>1.81%</b>                        | <b>1.81%</b>                       | <b>13.26%</b>              | <b>60.85%</b>                        |
| <b>Non-profit Psychiatric Hospitals</b> |                       |                   |                                     |                                    |                            |                                      |
| <b>Statewide Average (non-profit)</b>   | <b>0.07%</b>          | <b>0.86%</b>      | <b>0.25%</b>                        | <b>2.05%</b>                       | <b>13.53%</b>              | <b>57.81%</b>                        |
| Belmont Center                          | 6.21%                 | 6.22%             | 3.80%                               | 1.15%                              | 25.90%                     | 50.10%                               |
| Devereux Behavioral Hlth <sup>7</sup>   | -20.93%               | -20.93%           | -10.06%                             | 6.23%                              | 0.00%                      | 79.86%                               |
| First Wyoming Valley <sup>7</sup>       | -0.32%                | -0.32%            | 7.61%                               | 1.29%                              | 17.38%                     | 50.41%                               |
| Foundations Behavioral <sup>5</sup>     | -1.21%                | 1.92%             | 0.20%                               | 4.09%                              | 0.00%                      | 80.93%                               |
| KidsPeace <sup>1</sup>                  | -5.01%                | -5.01%            | -8.57%                              | 0.17%                              | 0.00%                      | 73.30%                               |
| Montgomery Cty ES <sup>5</sup>          | 0.74%                 | 0.80%             | 1.91%                               | 7.18%                              | 12.81%                     | 52.39%                               |
| Philhaven <sup>5</sup>                  | 0.30%                 | 1.03%             | -1.26%                              | 0.94%                              | 15.73%                     | 54.32%                               |
| St John Vianney <sup>5</sup>            | -16.16%               | -5.51%            | -2.70%                              | 0.00%                              | 0.00%                      | 0.00%                                |
| <b>For-profit Psychiatric Hospitals</b> |                       |                   |                                     |                                    |                            |                                      |
| <b>Statewide Average (for-profit)</b>   | <b>9.57%</b>          | <b>5.79%</b>      | <b>3.05%</b>                        | <b>1.61%</b>                       | <b>13.03%</b>              | <b>63.30%</b>                        |
| Brooke Glen Behavioral <sup>1,10</sup>  | 12.15%                | 7.41%             | -3.49%                              | 1.90%                              | 14.09%                     | 59.25%                               |
| Clarion Psych <sup>1,5,10</sup>         | 35.04%                | 17.14%            | 20.57%                              | 1.10%                              | 8.99%                      | 69.80%                               |
| Fairmount Behavioral <sup>1,5,10</sup>  | 11.19%                | 4.47%             | 0.77%                               | -0.67%                             | 12.01%                     | 71.26%                               |
| Friends <sup>1,5,10</sup>               | 4.52%                 | 3.68%             | 1.34%                               | 3.23%                              | 22.58%                     | 48.38%                               |
| Horsham Clinic <sup>1,10</sup>          | 4.43%                 | 3.13%             | -1.19%                              | 1.61%                              | 12.64%                     | 54.21%                               |
| Kirkbride Center <sup>5,10</sup>        | 15.19%                | 15.00%            | 6.47%                               | 3.32%                              | 7.49%                      | 87.39%                               |
| Meadows Psych Center <sup>1,10</sup>    | 14.00%                | 5.98%             | 9.37%                               | 0.71%                              | 13.63%                     | 55.75%                               |
| Southwood Psych <sup>1,5,10</sup>       | -8.14%                | -7.64%            | -1.16%                              | 0.27%                              | 0.00%                      | 76.37%                               |

| State Psychiatric Hospital       | Percent of Expenses not covered by NPR FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 |
|----------------------------------|---|----------------------------|--------------------------------------|
| <b>Statewide Average</b>         | <b>82.97%</b>                               | <b>21.47%</b>              | <b>65.34%</b>                        |
| Allentown State                  | 83.76%                                      | 30.12%                     | 53.17%                               |
| Clark Summit State               | 81.25%                                      | 23.11%                     | 63.34%                               |
| Danville State                   | 82.81%                                      | 24.69%                     | 61.82%                               |
| Harrisburg State <sup>2,11</sup> | 84.85%                                      | 34.96%                     | 37.79%                               |
| Mayview State                    | 86.14%                                      | 19.12%                     | 70.86%                               |
| Norristown State                 | 86.55%                                      | 13.28%                     | 77.22%                               |
| Torrance State                   | 81.08%                                      | 21.16%                     | 61.93%                               |
| Warren State                     | 82.17%                                      | 27.32%                     | 59.07%                               |
| Wernersville State               | 74.09%                                      | 17.68%                     | 70.93%                               |

See footnotes and map of regions on page 58.

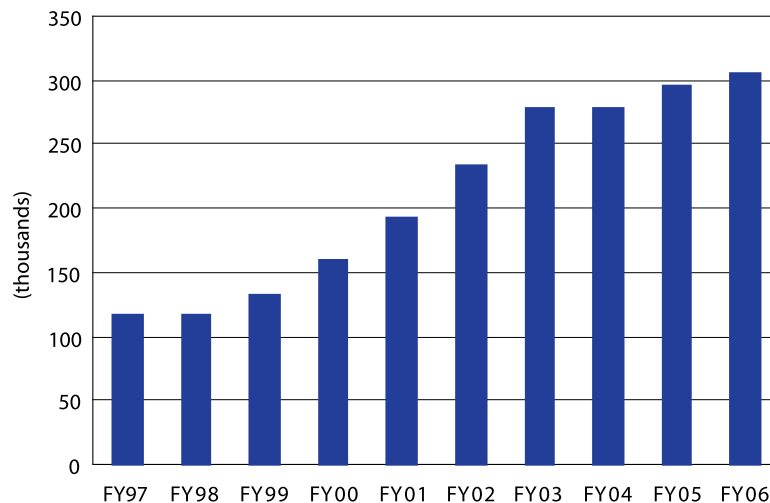
## Highlights

- The average payment per discharge from all payors fell 7.3% during FY06 driving the statewide average operating margin realized by long-term acute care (LTAC) hospitals, down nearly three points from 6.62% in FY05 to 3.72% in FY06.
- Recent changes to the Medicare payment mechanism and the expansion of the “25% Rule” are projected by Medicare to further reduce payments to LTAC facilities. Changes in Medicare payments have a significant impact on the financial health of LTAC facilities since Medicare provided 69% of the net patient revenue received by Pennsylvania’s LTAC facilities during FY06. The “25% Rule” limits the percentage of patients from a single general acute care hospital (GAC) that are eligible for Medicare’s long-term care hospital rates. Admissions that exceed the limits are reimbursed at generally lower rates utilized for care at GAC hospitals.

Long-term acute care (LTAC) hospitals provide specialized acute care to medically complex patients. Patients are commonly admitted directly from a General Acute Care (GAC) hospital intensive care unit with complex medical conditions, such as respiratory or ventilator-dependent, that require continuous acute care. 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. Excluding psychiatric and skilled nursing care, the average length of stay (ALOS) at LTAC hospitals was 29.1 days during fiscal year 2006 (FY06). In contrast, the ALOS at Pennsylvania’s GAC hospitals was 5.3 days for all inpatient care during FY06.

Most (89.3%) of the patient days of care provided at LTAC hospitals during FY06 fell into the “medical-surgical” (med-surg) category. Three facilities provide inpatient psychiatric care, representing 9.3% of statewide LTAC patient days during FY06, and the remaining 1.3% is skilled nursing care provided at a 23-bed unit of the HealthSouth Special Services Hospital in Mechanicsburg.

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



### Trends in Long-Term Acute Care

The first LTAC hospital in Pennsylvania began operating during FY94. Thirteen years later, the number of licensed LTAC hospitals has grown to 27. Twenty-four (24) of these 27 facilities have operated for more than six months during FY06 and are included in this analysis.

In the nine-year period between FY97 and FY06, the number of staffed LTAC med-surg beds grew from 269 to 1,117, an average growth

rate of about 94 beds per year. Observing the relatively narrow range of average occupancy rates over the nine-year period reveals the growth in LTAC capacity has trended well with the 342% increase in the demand (patient days) for med-surg LTAC care. The statewide average occupancy rate of 68.3% during FY06 is more than four points higher than the 63.5% reported in FY97.

One factor that has facilitated the fast growth in LTAC hospitals is that most new facilities

**TABLE L-1**  
**Utilization and Capacity, FY06**  
by Long-Term Acute Care Hospital

| Hospital                    | Patient Days | Bed Days Available | Occupancy Rate | Discharges | Beds | Average Length of Stay (Days) |
|-----------------------------|--------------|--------------------|----------------|------------|------|-------------------------------|
| Girard                      | 32,355       | 43,800             | 73.87%         | 1,065      | 120  | 30.4                          |
| Good Shepherd               | 9,091        | 11,495             | 79.09%         | 326        | 32   | 27.9                          |
| HealthSouth Pittsburgh      | 19,221       | 31,755             | 60.53%         | 696        | 87   | 27.6                          |
| HealthSouth Special Svcs    | 17,130       | 21,646             | 79.14%         | 876        | 68   | 19.6                          |
| Kindred/Delaware County     | 8,782        | 14,235             | 61.69%         | 248        | 39   | 35.4                          |
| Kindred/Heritage Valley     | 9,528        | 12,775             | 74.58%         | 375        | 35   | 25.4                          |
| Kindred/Philadelphia        | 15,301       | 18,980             | 80.62%         | 359        | 52   | 42.6                          |
| Kindred/Pittsburgh          | 15,902       | 22,995             | 69.15%         | 541        | 63   | 29.4                          |
| Kindred/Wyoming Valley      | 8,643        | 13,140             | 65.78%         | 349        | 36   | 24.8                          |
| LifeCare Chester County     | 5,641        | 14,235             | 39.63%         | 194        | 39   | 29.1                          |
| LifeCare/Pittsburgh         | 36,658       | 56,575             | 64.80%         | 1,322      | 155  | 27.7                          |
| Mercy Special Care          | 17,311       | 20,781             | 83.30%         | 622        | 67   | 27.8                          |
| Select Specialty/Camp Hill  | 8,397        | 11,315             | 74.21%         | 322        | 31   | 26.1                          |
| Select Specialty/Danville   | 8,276        | 10,950             | 75.58%         | 277        | 30   | 29.9                          |
| Select Specialty/Erie       | 10,959       | 17,575             | 62.36%         | 428        | 50   | 25.6                          |
| Select Specialty/Greensburg | 8,973        | 11,315             | 79.30%         | 313        | 31   | 28.7                          |
| Select Specialty/Johnstown  | 11,365       | 14,235             | 79.84%         | 414        | 39   | 27.5                          |
| Select Specialty/Lancaster  | 6,113        | 10,950             | 55.83%         | 222        | 30   | 27.5                          |
| Select Specialty/McKeesport | 4,860        | 10,950             | 44.38%         | 179        | 30   | 27.2                          |
| Select Specialty/Pittsburgh | 6,338        | 10,291             | 61.59%         | 221        | 41   | 28.7                          |
| Select Specialty/UPMC       | 8,390        | 11,680             | 71.83%         | 281        | 32   | 29.9                          |
| Select Specialty/York       | 5,814        | 8,395              | 69.26%         | 209        | 23   | 27.8                          |
| St Agnes Long Term Care     | 12,837       | 21,170             | 60.64%         | 328        | 58   | 39.1                          |
| Triumph/Easton              | 7,884        | 11,315             | 69.68%         | 258        | 31   | 30.6                          |
| Triumph/Harrisburg          | 9,322        | 12,410             | 75.12%         | 346        | 34   | 26.9                          |

## LONG-TERM ACUTE CARE

utilize space within an existing GAC hospital. As reflected in Table L-3, 17 of the 25 reporting LTAC hospitals occupy space within a GAC hospital. Consequently, construction time is often limited 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 further in this section,

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

|                               | FY97    | FY98    | FY99    | FY00    | FY01    | FY02    | FY03    | FY04    | FY05    | FY06    |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Patient Days</b>           |         |         |         |         |         |         |         |         |         |         |
| Med-surg                      | 61,678  | 72,698  | 105,121 | 135,363 | 163,913 | 204,031 | 248,835 | 250,617 | 263,586 | 272,568 |
| Psychiatric                   | 44,467  | 34,924  | 26,426  | 25,005  | 28,184  | 28,788  | 29,033  | 28,223  | 29,324  | 28,455  |
| Skilled Nursing               | 10,574  | 8,734   | 0       | 0       | 0       | 0       | 0       | 0       | 3,284   | 4,068   |
| Statewide                     | 116,719 | 116,356 | 131,547 | 160,368 | 192,097 | 232,819 | 277,868 | 278,840 | 296,194 | 305,091 |
| <b>Discharges</b>             |         |         |         |         |         |         |         |         |         |         |
| Med-surg                      | 1,883   | 1,937   | 3,010   | 3,961   | 4,915   | 6,760   | 8,707   | 8,753   | 8,778   | 9,383   |
| Psychiatric                   | 1,658   | 1,362   | 1,011   | 1,116   | 1,207   | 1,219   | 949     | 956     | 982     | 1,006   |
| Skilled Nursing               | 337     | 251     | 0       | 0       | 0       | 0       | 0       | 0       | 290     | 382     |
| Statewide                     | 3,878   | 3,550   | 4,021   | 5,077   | 6,122   | 7,979   | 9,656   | 9,709   | 10,050  | 10,771  |
| <b>Beds</b>                   |         |         |         |         |         |         |         |         |         |         |
| Med-surg                      | 269     | 309     | 459     | 646     | 678     | 770     | 957     | 1,026   | 1,046   | 1,117   |
| Psychiatric                   | 131     | 112     | 112     | 112     | 112     | 112     | 112     | 112     | 112     | 113     |
| Skilled Nursing               | 75      | 75      | 0       | 0       | 0       | 0       | 0       | 0       | 22      | 23      |
| Statewide                     | 475     | 496     | 571     | 758     | 790     | 882     | 1,069   | 1,138   | 1,180   | 1,253   |
| <b>Occupancy Rate</b>         |         |         |         |         |         |         |         |         |         |         |
| Med-surg                      | 63.49%  | 65.42%  | 64.90%  | 62.67%  | 67.73%  | 73.64%  | 73.51%  | 68.31%  | 70.29%  | 68.34%  |
| Psychiatric                   | 93.00%  | 85.43%  | 64.64%  | 61.17%  | 68.94%  | 70.42%  | 71.02%  | 68.90%  | 71.73%  | 69.55%  |
| Skilled Nursing               | 38.63%  | 50.30%  | 0.00%   | 0.00%   | 0.00%   | 0.00%   | 0.00%   | 0.00%   | 54.28%  | 77.92%  |
| Statewide                     | 67.72%  | 68.70%  | 64.85%  | 62.43%  | 67.90%  | 73.23%  | 73.24%  | 68.37%  | 70.20%  | 68.57%  |
| <b>Average Length of Stay</b> |         |         |         |         |         |         |         |         |         |         |
| Med-surg                      | 32.8    | 37.5    | 34.9    | 34.2    | 33.3    | 30.2    | 28.6    | 28.6    | 30.0    | 29.1    |
| Psychiatric                   | 26.8    | 25.6    | 26.1    | 22.4    | 23.4    | 23.6    | 30.6    | 29.5    | 29.9    | 28.3    |
| Skilled Nursing               | 31.4    | 34.8    | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 11.3    | 10.6    |
| Statewide                     | 30.1    | 32.8    | 32.7    | 31.6    | 31.4    | 29.2    | 28.8    | 28.7    | 29.5    | 28.3    |
| <b>Visits</b>                 |         |         |         |         |         |         |         |         |         |         |
| Statewide                     | 43,473  | 44,824  | 20,363  | 27,411  | 64,801  | 61,850  | 118,399 | 115,745 | 114,108 | 111,295 |

there have been some recent changes to the Medicare payment system which may reduce 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 FY06 are presented in Table L-4. These ten classifications represent nearly 62% of all discharges during the fiscal year.

The percentage of all LTAC patients receiving care under the “adult respiratory failure, insufficiency, arrest” clinical classification has grown a total of 11.2 points during the past two years, from 20.4% in FY04 to 31.4% in FY06. In addition, the growth in the number of patients treated in this clinical classification represents 95% of the net growth in total discharges at LTAC hospitals over the two-year period.

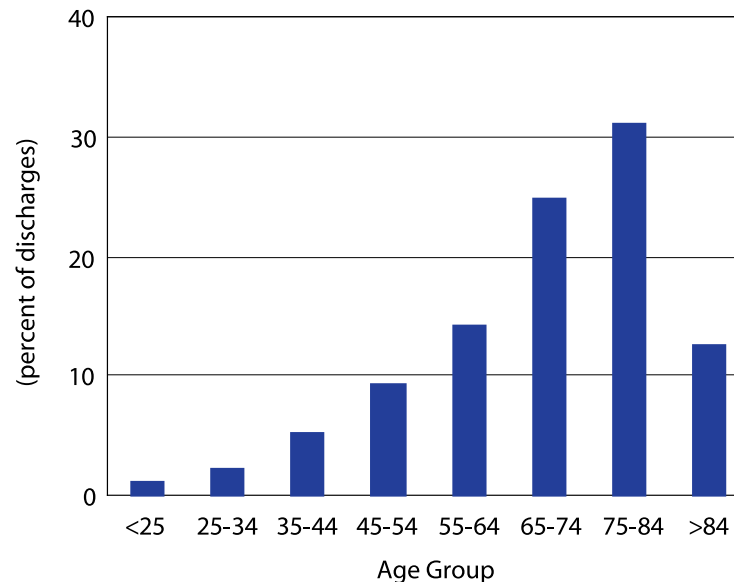
The average (mean) age of patients admitted to LTAC facilities during FY06 was 69 years. The age distribution of patients receiving LTAC presented in Figure L-2 is indicative of extended care facilities, which serve a predominately elderly population. Consistent with the age distribution of LTAC patients, Figure L-3 shows that 69.3% of net patient revenue (NPR) was received from Medicare during FY06. In contrast, the average age of inpatients at GAC hospitals in Pennsylvania was 52 years, and GAC hospitals received an average of 46.3% of their total

**TABLE L-3**  
**Long-Term Acute Care Hospitals Operating as a Hospital-within-a-Hospital<sup>†</sup>, FY06**

| LTAC Hospital               | GAC Hospital                |
|-----------------------------|-----------------------------|
| Good Shepherd               | Lehigh Valley/Muhlenberg    |
| Kindred/Delaware County     | Mercy Fitzgerald            |
| Kindred/Heritage Valley     | Medical Center, Beaver      |
| Kindred/Wyoming Valley      | WVHCS                       |
| LifeCare Chester County     | Chester County              |
| Select Specialty/Camp Hill  | Holy Spirit                 |
| Select Specialty/Danville   | Geisinger/Danville          |
| Select Specialty/Erie       | Hamot                       |
| Select Specialty/Greensburg | Westmoreland Regional       |
| Select Specialty/Johnstown  | Conemaugh Valley Memorial   |
| Select Specialty/Lancaster  | Lancaster General           |
| Select Specialty/McKeesport | UPMC McKeesport             |
| Select Specialty/Pittsburgh | Mercy Pittsburgh            |
| Select Specialty/UPMC       | UPMC Presbyterian Shadyside |
| Select Specialty/York       | York Hospital               |
| Triumph/Easton              | Easton                      |
| Triumph/Harrisburg          | Pinnacle Health             |

<sup>†</sup> A hospital-within-a-hospital is a licensed Long-Term Acute Care hospital that operates within a separately-licensed General Acute Care hospital.

**FIGURE L-2**  
**Age Distribution at Long-Term Acute Care Hospitals, FY06**



**TABLE L-4**  
**Leading Clinical Classifications\* at Long-Term Acute Care Hospitals, FY06**

|  |        |
|--|--------|
| Adult respiratory failure, insufficiency, arrest .....   | 31.39% |
| Complications of surgical procedures or medical care .....   | 5.40%  |
| Schizophrenia and related disorders .....  | 4.40%  |
| Septicemia (except in labor).....  | 4.32%  |
| Affective (mood) disorders .....   | 3.64%  |
| Pneumonia (except that caused by tuberculosis or sexually transmitted disease) ...                               | 3.07%  |
| Congestive heart failure, nonhypertensive.....   | 2.53%  |
| Diabetes mellitus with complications .....   | 2.45%  |
| Complication of device, implant or graft .....   | 2.33%  |
| Infective arthritis and osteomyelitis (except that caused by tuberculosis or sexually transmitted disease) ..... | 2.01%  |

\*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).

inpatient NPR from Medicare.

Five of the LTAC hospitals reported a total of 111,295 outpatient visits during FY06. Three of the five facilities reported more than 99% of the total outpatient visits. Most of the outpatient care is not directly related to the hospitals' inpatient LTAC services but reflects the broader spectrum of care provided by each facility's affiliated health system. For example, 68% of the outpatient visits to LTAC hospitals were reported by the Girard Medical Center. 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.

### Financial Profile

Like rehabilitation hospitals, LTAC hospitals have also transitioned 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 system have had

a major effect on the financial health of Pennsylvania's LTAC hospitals. These hospitals received more than two-thirds (69%) of their patient revenue from Medicare patients during FY06.

Concurrent with the move to LTCH PPS in FY03, LTAC hospitals as a group began to post positive operating and total margins in FY03 after five consecutive years of negative margins. Not only did these margins move into positive territory in FY03, the statewide operating margin improved 5.4 points from (a negative) -0.25% in FY02 to 5.18% in FY03. The statewide operating margin rose another 2.6 points in FY04 to 7.76% before falling to 6.62% in FY05.

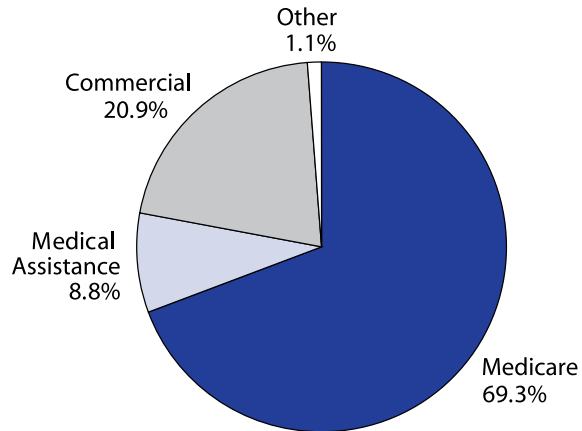
The changes in the average statewide LTAC operating margins in Pennsylvania mirror the average national operating margins LTAC hospitals realized from treating Medicare patients. In its March 2007 Report to the Congress, the Medicare Payment Advisory Commission estimated that under the pre-2003 cost-based Medicare reimbursement system, LTAC hospitals

experienced negative or small positive margins from treating Medicare patients. Following the switch to the PPS system, national Medicare margins jumped to 5.3% in 2003, 8.9% in 2004 and 11.8% in 2005.

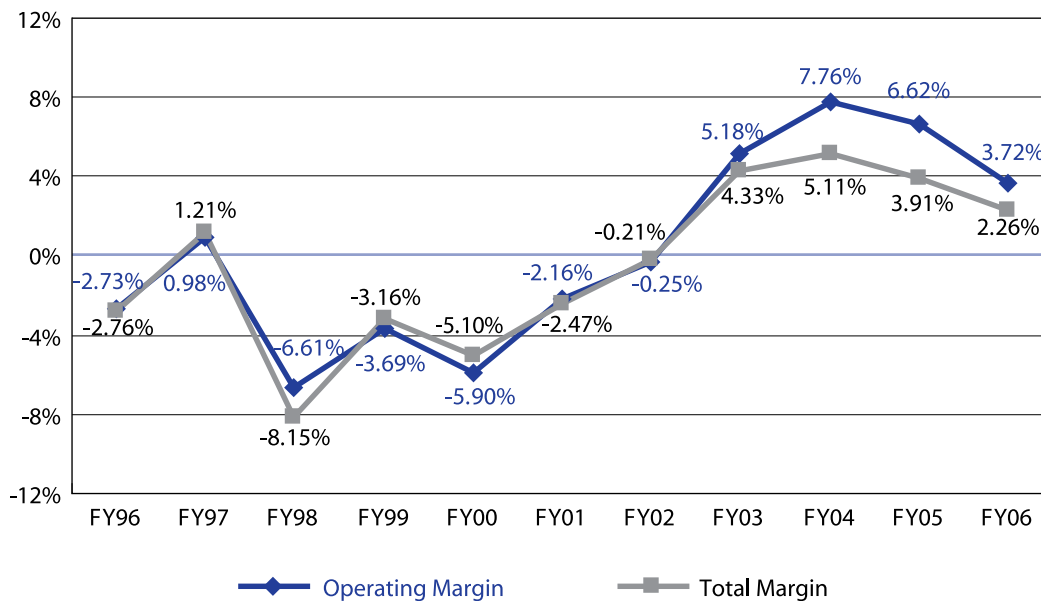
The Centers for Medicare and Medicaid Services (CMS) makes annual adjustments to the LTCH PPS reimbursement rates. CMS has implemented an overall 2.5% increase for reporting years beginning after July 1, 2003, 3.1% after July 1, 2004, and 3.4% after July 1, 2005.

After three consecutive annual increases in LTCH PPS Medicare rates, CMS began to reign in its payments to LTAC hospitals in FY06. The base rates for the cost reporting years between July 2006 through June 2007 were held at the prior year level, and the base rates for the 12 months ending June 2008 increased 0.71%.

**FIGURE L-3**  
**Statewide Net Patient Revenue at Long-Term Acute Care Hospitals, FY06**  
 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      | FY05       | FY06      |
|-----------------------------|-----------|-----------|-----------|------------|-----------|
| Net Patient Revenue         | \$231,795 | \$310,147 | \$341,561 | \$384,488  | \$397,337 |
| Total Operating Revenue     | \$233,428 | \$313,135 | \$344,141 | \$385,991  | \$398,623 |
| Total Operating Expenses    | \$234,012 | \$296,900 | \$317,451 | \$360,440  | \$383,812 |
| Operating Income            | (\$584)   | \$16,235  | \$26,690  | \$25,551   | \$14,811  |
| Non-Operating Adjustments † | \$88      | (\$2,662) | (\$9,085) | (\$10,392) | (\$5,758) |
| Revenue over Expenses       | (\$497)   | \$13,573  | \$17,605  | \$15,159   | \$9,053   |

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

However, changes to many of the provisions of the LTCH PPS payment mechanism, such as revisions to the short stay outlier, high cost outlier fixed-loss amount, DRG weights, and area wage adjustments are estimated to result in reductions in the average LTCH payments per discharge over the two-year period.

Overall LTCH Medicare revenues will also be reduced by two regulatory changes that establish limits on the percentage of a facility's patients that are reimbursed at the LTCH PPS rates. Patients admitted to LTAC facilities above those limits would be reimbursed at the generally lower PPS rates for GAC hospitals.

First, in August 2004, CMS published a final rule that would limit the percentage of patients that are eligible for LTAC PPS rates at facilities that operate as a hospital-within-a-hospital (an LTAC facility leasing space on the campus of a GAC hospital or "HWH"). The limit would apply to patients transferred from the host hospital to its tenant HWH. The limit has been phased in over a three-year period from 75% after October 2005 to 25% after October 2007. There are certain exceptions to the "25% Rule" that can increase the threshold to 50% for rural areas and markets dominated by a single GAC hospital.

Second, in May 2007, CMS expanded the "25% Rule" to limit the percentage of discharges reimbursed under the LTCH PPS from any hospital transferring patients to a LTAC hospital, not just host GAC hospitals. This new layer of restrictions will be phased in over three years starting with cost reporting years beginning after July 2007.

For the 17 LTAC facilities that operate as a HWH, the initial phase of the "25% Rule" likely resulted in a 75% limit on LTAC PPS eligibility for patients from their host GAC hospitals during FY06. This initial phase of the "25% Rule" may have already affected Medicare admissions at HWH facilities. The 16 HWHs that operated for a full year during both FY05 and FY06 collectively reported a 5.4% reduction in Medicare indemnity discharges during FY06. In contrast, "med-surg" (i.e., excluding psychiatric and skilled nursing) discharges at all LTAC facilities in Pennsylvania grew 6.9% during FY06.

While the bulk of the effect of the Medicare reimbursement reductions that were initiated in July 2006 will not begin to become evident until the FY07 data is available, the average revenue per discharge for Medicare indemnity patients fell 5.5% during FY06 from \$34,001

to \$32,221. However, the decline for Medicare indemnity patients was less than average revenue per discharge for LTAC facility patients in all other payor categories which declined 7.3% from \$44,984 to \$41,903 during FY06.

The decline in the average revenue per discharge held the growth in total operating revenue and total net patient revenue to 3.3% during FY06. Since the 6.5% growth in operating expenses outpaced the growth in operating revenue, the statewide average operating margin declined 2.9 points in FY06, from 6.62% in FY05 to 3.72% in FY06.

Since the overall operating income was lower in FY06, the overall income tax expense associated with operating income at the for-profit LTAC facilities was smaller in FY06 than it was in FY05. As a result, the 1.7-point decline in the

statewide average total margin was less than the 2.9-point decline in the total operating margin.

The 21 for-profit LTAC facilities had an average total margin of 5.29% during FY06, about 3.0 points higher than the 2.26% average for all 25 facilities when the four non-profit hospitals are included in the calculation. Six of the 21 for-profit facilities posted negative margins in FY06. However, one of the six facilities closed during the fiscal year, and one opened during the year.

While two of the four non-profit hospitals reported positive total margins for FY06, the average total margin for the four hospitals was -7.47%. This average margin was heavily influenced by the -51.94% margin realized by St. Agnes Long Term Care Hospital which is in its second year as an LTAC facility after being converted from a GAC hospital.

# LONG-TERM ACUTE CARE

| Region  | Net Patient Revenue<br>NPR (millions) |      |        |        | 3-yr Avg<br>Change<br>in NPR<br>FY03-FY06 | Total Operating Expenses<br>TOE (millions) |      |      |        | 3-yr Avg<br>Change<br>in TOE<br>FY03-FY06 |
|---|---------------------------------------|------|--------|--------|---|--|------|------|--------|---|
|   | FY06                                  | FY05 | FY04   | FY03   |   | FY06                                       | FY05 | FY04 | FY03   |   |
| <b>Long-Term Acute Care Hospital</b>          |                                       |      |        |        |   |  |      |      |        |   |
| <b>Statewide Average</b>                      | \$16                                  | \$16 | \$14   | \$14   | 4.25%                                     | \$15                                       | \$15 | \$13 | \$13   | 4.59%                                     |
| <b>Non-profit LTAC Hospitals</b>              |                                       |      |        |        |   |  |      |      |        |   |
| <b>Statewide Average (non-profit)</b>         | \$24                                  | \$22 | \$26   | \$24   | -0.23%                                    | \$26                                       | \$23 | \$26 | \$24   | 2.12%                                     |
| 9 Girard <sup>5</sup>                         | \$49                                  | \$49 | \$53   | \$49   | -0.13%                                    | \$49                                       | \$49 | \$54 | \$50   | -0.66%                                    |
| 7 Good Shepherd                               | \$15                                  | \$12 | \$11   | \$9    | 20.34%                                    | \$15                                       | \$12 | \$10 | \$10   | 17.40%                                    |
| 6 Mercy Special Care <sup>1,5</sup>           | \$16                                  | \$15 | \$14   | \$14   | 5.85%                                     | \$15                                       | \$14 | \$13 | \$12   | 8.07%                                     |
| 9 St Agnes Long Term Care <sup>1</sup>        | \$15                                  | \$12 | \$74   | \$67   | -25.69%                                   | \$23                                       | \$16 | \$80 | \$76   | -23.28%                                   |
| <b>For-profit LTAC Hospitals</b>              |                                       |      |        |        |   |  |      |      |        |   |
| <b>Statewide Average (for-profit)</b>         | \$14                                  | \$15 | \$13   | \$13   | 4.91%                                     | \$13                                       | \$13 | \$11 | \$12   | 4.44%                                     |
| 1 HealthSouth Pittsburgh <sup>1,10</sup>      | \$24                                  | \$24 | \$24   | \$25   | -2.21%                                    | \$22                                       | \$22 | \$25 | \$25   | -3.97%                                    |
| 5 HealthSouth Special Svcs <sup>1,5,10</sup>  | \$15                                  | \$15 | \$12   | \$10   | 15.56%                                    | \$14                                       | \$13 | \$10 | \$10   | 12.38%                                    |
| 8 Kindred/Delaware County <sup>1,10</sup>     | \$12                                  | \$12 | \$12   | \$11   | 1.23%                                     | \$12                                       | \$11 | \$11 | \$12   | -0.64%                                    |
| 1 Kindred/Heritage Valley <sup>1,10</sup>     | \$12                                  | \$12 | \$9    | \$4    | 68.08%                                    | \$10                                       | \$10 | \$7  | \$4    | 51.62%                                    |
| 9 Kindred/Philadelphia <sup>1,10</sup>        | \$21                                  | \$20 | \$18   | \$17   | 8.04%                                     | \$18                                       | \$17 | \$16 | \$15   | 6.02%                                     |
| 1 Kindred/Pittsburgh <sup>1,10</sup>          | \$22                                  | \$23 | \$22   | \$22   | 0.01%                                     | \$20                                       | \$20 | \$21 | \$20   | 0.07%                                     |
| 6 Kindred/Wyoming Valley <sup>1,10</sup>      | \$11                                  | \$10 | \$10   | \$7    | 23.24%                                    | \$10                                       | \$9  | \$7  | \$6    | 23.98%                                    |
| 8 LifeCare Chester County <sup>1,10,13</sup>  | \$8                                   | NA   | NA     | NA     | NA  | \$10                                       | NA   | NA   | NA     | NA  |
| 1 LifeCare/Pittsburgh <sup>1,10,13</sup>      | \$41                                  | \$44 | \$40   | \$40   | 1.03%                                     | \$38                                       | \$35 | \$34 | \$37   | 1.19%                                     |
| 1 Select Special/McKeesport <sup>1,10</sup>   | \$6                                   | \$5  | \$3    | NA     | NA  | \$6  | \$6  | \$4  | NA     | NA  |
| 5 Select Specialty/Cmp Hill <sup>1,10</sup>   | \$12                                  | \$13 | \$11   | \$10   | 7.93%                                     | \$9  | \$9  | \$8  | \$9    | -2.18%                                    |
| 4 Select Specialty/Danville <sup>1,3,10</sup> | \$12                                  | \$8  | \$0.70 | NA     | NA  | \$12                                       | \$10 | \$2  | NA     | NA  |
| 2 Select Specialty/Erie <sup>1,10</sup>       | \$15                                  | \$16 | \$13   | \$12   | 7.57%                                     | \$16                                       | \$15 | \$11 | \$11   | 14.58%                                    |
| 1 Select Specialty/Grnsbrg <sup>1,10,11</sup> | \$12                                  | \$13 | \$11   | \$10   | 5.39%                                     | \$10                                       | \$11 | \$9  | \$9    | 4.48%                                     |
| 3 Select Specialty/Johnstwn <sup>1,10</sup>   | \$14                                  | \$15 | \$14   | \$13   | 4.15%                                     | \$12                                       | \$14 | \$12 | \$11   | 4.02%                                     |
| 5 Select Specialty/Lanc <sup>1,10,11</sup>    | \$9                                   | \$9  | \$9    | \$9    | 1.06%                                     | \$8  | \$10 | \$8  | \$7    | 5.61%                                     |
| 1 Select Specialty/Pgh <sup>1,2,10,11</sup>   | \$9                                   | \$15 | \$14   | \$15   | NA  | \$9  | \$17 | \$12 | \$14   | NA  |
| 1 Select Specialty/UPMC <sup>1,3,10</sup>     | \$13                                  | \$12 | \$7    | \$0.41 | NA  | \$13                                       | \$12 | \$9  | \$0.40 | NA  |
| 5 Select Specialty/York <sup>1,10</sup>       | \$9                                   | \$9  | \$7    | \$6    | 12.83%                                    | \$8  | \$7  | \$7  | \$6    | 9.38%                                     |
| 7 Triumph/Easton <sup>1,10</sup>              | \$12                                  | \$12 | \$13   | \$10   | 4.93%                                     | \$11                                       | \$11 | \$12 | \$10   | 4.34%                                     |
| 5 Triumph/Harrisburg <sup>1,10</sup>          | \$14                                  | \$11 | \$8    | \$8    | 23.81%                                    | \$13                                       | \$10 | \$8  | \$8    | 19.79%                                    |

See footnotes and map of regions on page 58.

| Long-Term Acute Care Hospital               | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Percent of Uncompensated Care FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 |
|---|-----------------------|-------------------|-------------------------------------|------------------------------------|----------------------------|--------------------------------------|
| <b>Statewide Average</b>                    | <b>3.72%</b>          | <b>2.26%</b>      | <b>3.69%</b>                        | <b>1.87%</b>                       | <b>69.28%</b>              | <b>8.76%</b>                         |
| <b>Non-profit LTAC Hospitals</b>            |                       |                   |                                     |                                    |                            |                                      |
| <b>Statewide Average ( non-profit)</b>      | <b>-7.52%</b>         | <b>-7.47%</b>     | <b>-2.52%</b>                       | <b>6.25%</b>                       | <b>57.09%</b>              | <b>30.22%</b>                        |
| Girard <sup>5</sup>                         | -0.03%                | 0.47%             | -0.08%                              | 11.03%                             | 38.78%                     | 58.26%                               |
| Good Shepherd                               | -1.03%                | -1.03%            | 4.34%                               | 0.93%                              | 77.73%                     | 0.19%                                |
| Mercy Special Care <sup>1,5</sup>           | 3.98%                 | 4.28%             | 7.76%                               | 0.43%                              | 80.91%                     | 1.48%                                |
| St Agnes Long Term Care <sup>1</sup>        | -49.41%               | -51.94%           | -13.58%                             | 2.33%                              | 70.29%                     | 0.49%                                |
| <b>For-profit LTAC Hospitals</b>            |                       |                   |                                     |                                    |                            |                                      |
| <b>Statewide Average (for-profit)</b>       | <b>7.24%</b>          | <b>5.29%</b>      | <b>5.57%</b>                        | <b>0.49%</b>                       | <b>73.12%</b>              | <b>2.00%</b>                         |
| HealthSouth Pittsburgh <sup>1,10</sup>      | 7.97%                 | 4.68%             | 2.92%                               | 0.76%                              | 62.55%                     | 1.02%                                |
| HealthSouth Special Svcs <sup>1,5,10</sup>  | 11.93%                | 11.94%            | 10.05%                              | 0.80%                              | 81.77%                     | 0.00%                                |
| Kindred/Delaware County <sup>1,10</sup>     | -2.19%                | -2.16%            | 2.55%                               | 0.14%                              | 68.80%                     | 1.46%                                |
| Kindred/Heritage Valley <sup>1,10</sup>     | 11.59%                | 7.13%             | 9.40%                               | 0.43%                              | 72.34%                     | 5.18%                                |
| Kindred/Philadelphia <sup>1,10</sup>        | 13.18%                | 7.85%             | 7.01%                               | 0.01%                              | 61.00%                     | 13.19%                               |
| Kindred/Pittsburgh <sup>1,10</sup>          | 9.26%                 | 5.70%             | 6.51%                               | 0.21%                              | 61.35%                     | 10.90%                               |
| Kindred/Wyoming Valley <sup>1,10</sup>      | 12.19%                | 7.24%             | 9.78%                               | -0.27%                             | 91.18%                     | 0.00%                                |
| LifeCare Chester County <sup>1,10,13</sup>  | -17.27%               | -15.72%           | NA                                  | 0.62%                              | 83.49%                     | 0.00%                                |
| LifeCare/Pittsburgh <sup>1,10,13</sup>      | 8.38%                 | 4.38%             | 8.58%                               | 0.72%                              | 69.49%                     | 0.00%                                |
| Select Special/McKeesport <sup>1,10</sup>   | -6.47%                | -4.50%            | -21.61%                             | 1.47%                              | 94.91%                     | 0.00%                                |
| Select Specialty/Cmp Hill <sup>1,10</sup>   | 30.42%                | 31.34%            | 30.91%                              | -1.35%                             | 73.67%                     | 0.00%                                |
| Select Specialty/Danville <sup>1,3,10</sup> | -2.41%                | -1.54%            | -19.09%                             | 0.43%                              | 75.85%                     | 0.00%                                |
| Select Specialty/Erie <sup>1,10</sup>       | -5.53%                | -2.34%            | 3.55%                               | -0.06%                             | 84.07%                     | 0.00%                                |
| Select Specialty/Grnsbrg <sup>1,10,11</sup> | 16.10%                | 11.12%            | 11.45%                              | 0.34%                              | 81.99%                     | 0.00%                                |
| Select Specialty/Johnstwn <sup>1,10</sup>   | 15.53%                | 11.08%            | 9.93%                               | 0.15%                              | 83.74%                     | 0.00%                                |
| Select Specialty/Lanc <sup>1,10,11</sup>    | 4.24%                 | 2.68%             | 0.30%                               | 1.94%                              | 72.62%                     | 0.00%                                |
| Select Specialty/Pgh <sup>1,2,10,11</sup>   | -2.05%                | 2.05%             | 1.47%                               | -0.57%                             | 76.38%                     | 0.00%                                |
| Select Specialty/UPMC <sup>1,3,10</sup>     | -1.60%                | -1.76%            | -6.80%                              | 3.58%                              | 66.41%                     | 0.00%                                |
| Select Specialty/York <sup>1,10</sup>       | 12.90%                | 13.15%            | 15.97%                              | 1.28%                              | 69.68%                     | 0.00%                                |
| Triumph/Easton <sup>1,10</sup>              | 4.27%                 | 2.21%             | 4.23%                               | 0.13%                              | 77.38%                     | 0.00%                                |
| Triumph/Harrisburg <sup>1,10</sup>          | 6.22%                 | 4.50%             | 3.13%                               | 0.21%                              | 72.61%                     | 0.00%                                |

See footnotes and map of regions on page 58.

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-General Acute Care hospitals. There were six hospitals in this category during fiscal year 2006 (FY06). 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 FY06.

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. During FY06, the hospital discharged 182 patients with an average length of stay (ALOS) of 16.1 days.

Children's Home has a history of continuing operating losses. The revenues it receives for

patient care and other services do not cover its operating expenses. Prior to FY04, contributions and investment earnings were larger than the operating deficit; therefore, the hospital has historically realized a positive total margin. However, since FY04, the growing operating deficit has been larger than the non-operating income and the hospital has realized a three-year (FY04-06) average total margin of -9.75%.

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 FY06, Divine Providence reported 105,270 outpatient visits. Outpatient and home health care represented about 94% of the facility's net patient revenue (NPR) during FY06.

Eagleville Hospital provides inpatient drug and alcohol treatment as well as geriatric psychiatric services in Montgomery County. The

| Region | Specialty Hospital               | Net Patient Revenue NPR (millions) |             |             |             | 3-yr Avg Change in NPR<br>FY03-FY06 | Total Operating Expenses TOE (millions) |             |             |             | 3-yr Avg Change in TOE<br>FY03-FY06 |
|--------|----------------------------------|------------------------------------|-------------|-------------|-------------|-------------------------------------|---|-------------|-------------|-------------|-------------------------------------|
|        |                                  | FY06                               | FY05        | FY04        | FY03        |                                     | FY06                                    | FY05        | FY04        | FY03        |                                     |
|        | <b>Statewide Average</b>         | <b>\$18</b>                        | <b>\$17</b> | <b>\$16</b> | <b>\$14</b> | <b>9.24%</b>                        | <b>\$19</b>                             | <b>\$19</b> | <b>\$17</b> | <b>\$15</b> | <b>8.82%</b>                        |
| 1      | Children's Home Pgh <sup>7</sup> | \$3                                | \$2         | \$3         | \$3         | -0.38%                              | \$5                                     | \$5         | \$4         | \$3         | 17.45%                              |
| 4      | Divine Providence                | \$62                               | \$55        | \$53        | \$44        | 13.34%                              | \$59                                    | \$57        | \$56        | \$46        | 9.80%                               |
| 8      | Eagleville <sup>5</sup>          | \$24                               | \$23        | \$21        | \$20        | 8.02%                               | \$26                                    | \$26        | \$23        | \$21        | 7.76%                               |
| 9      | Kensington <sup>5,13</sup>       | \$5                                | \$5         | \$6         | \$5         | 1.93%                               | \$7                                     | \$7         | \$6         | \$5         | 8.37%                               |
| 8      | Malvern Inst <sup>10</sup>       | \$5                                | \$5         | \$4         | \$4         | 9.73%                               | \$5                                     | \$5         | \$4         | \$4         | 6.93%                               |
| 8      | Valley Forge <sup>1,5,10</sup>   | \$11                               | \$12        | \$12        | \$11        | 0.37%                               | \$13                                    | \$12        | \$11        | \$11        | 5.08%                               |

See footnotes and map of regions on page 58.

hospital reports 350 staffed beds, 20 of which are acute psychiatric beds. The overall ALOS during FY06 was 21.0 days.

Eagleville Hospital reported a negative operating margin of -8.14% for FY06 but was able to realize a positive total margin of 2.99% largely as a result of a \$2.4 million transition grant from the state and federal governments. The purpose of this grant is to offset reductions in funding from the Medicaid program.

Kensington Hospital is a 38-bed drug and alcohol hospital in Philadelphia. Not including state grants, Kensington receives about 71% of its patient revenue from the Medical Assistance (MA) program. The hospital reported 10,113 outpatient visits in FY06, and outpatient care represented about 24% of its patient revenue.

The Malvern Institute is a 58-bed for-profit drug and alcohol treatment hospital located in Chester County. Unlike the other inpatient

drug and alcohol facilities that receive a majority of their revenue from MA, 84% of Malvern Institute's revenue was remitted by commercial insurers and other non-government payors. While the hospital offers outpatient services, only about 7% of its revenue came from outpatient care in FY06.

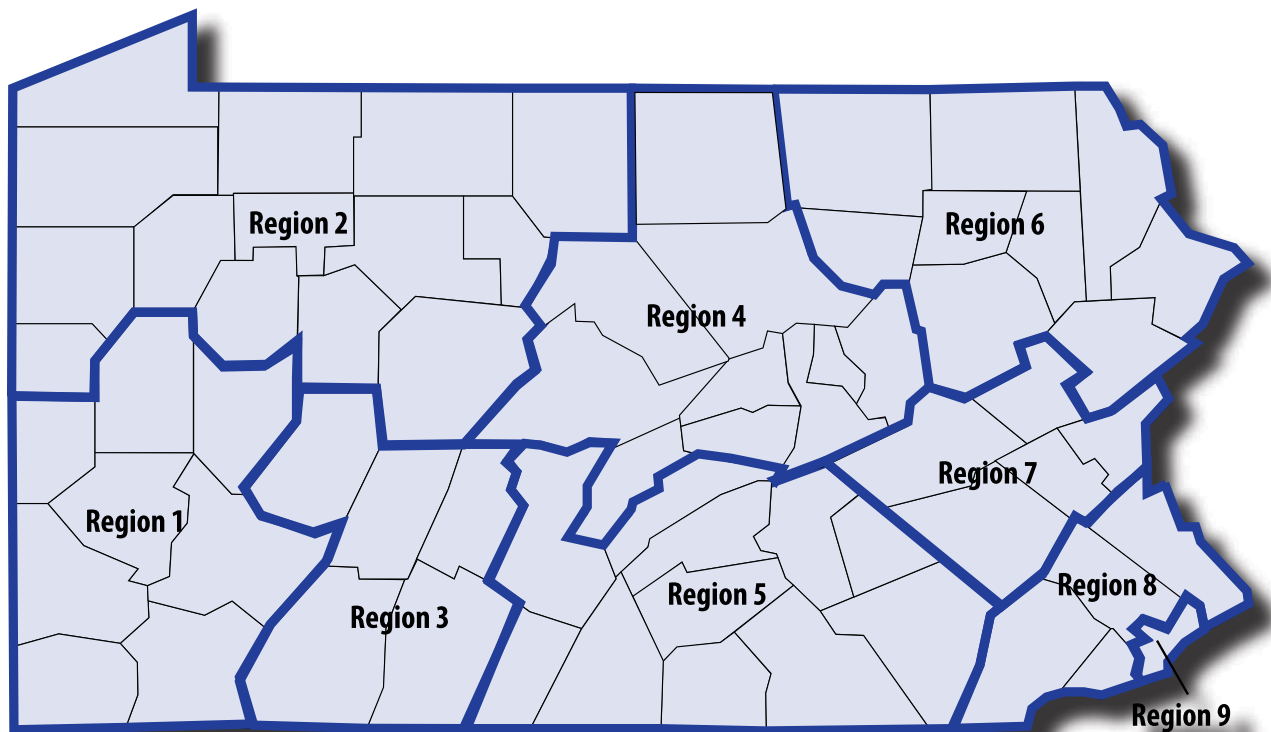
The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other medical conditions. A 10.1% decline in operating revenue coupled with a 6.7% increase in operating expenses during FY06 resulted in a 13.6-point decline in the Center's total margin to -10.55%. A shift in MA patients from indemnity to managed care and a relatively large FY06 bad debt expense contributed to the sharp decline in the total margin.

| Specialty Hospital               | Operating Margin FY06 | Total Margin FY06 | 3-yr Average Total Margin FY04-FY06 | Percent of Uncompensated Care FY06 | Medicare Share of NPR FY06 | Medical Assistance Share of NPR FY06 |
|----------------------------------|-----------------------|-------------------|-------------------------------------|------------------------------------|----------------------------|--------------------------------------|
| <b>Statewide Average</b>         | <b>-0.98%</b>         | <b>3.92%</b>      | <b>4.27%</b>                        | <b>2.50%</b>                       | <b>20.48%</b>              | <b>24.75%</b>                        |
| Children's Home Pgh <sup>7</sup> | -30.40%               | -10.21%           | -9.75%                              | 0.51%                              | 0.00%                      | 52.98%                               |
| Divine Providence                | 6.27%                 | 9.07%             | 7.47%                               | 2.06%                              | 28.40%                     | 3.29%                                |
| Eagleville <sup>5</sup>          | -8.14%                | 2.99%             | 2.93%                               | 1.17%                              | 15.38%                     | 48.38%                               |
| Kensington <sup>5,13</sup>       | -7.15%                | -7.15%            | -0.14%                              | 5.63%                              | 10.16%                     | 70.56%                               |
| Malvern Inst <sup>10</sup>       | 2.31%                 | 2.31%             | 3.60%                               | 2.94%                              | 0.00%                      | 16.49%                               |
| Valley Forge <sup>1,5,10</sup>   | -13.39%               | -10.55%           | -1.65%                              | 6.55%                              | 6.64%                      | 68.26%                               |

See footnotes and map of regions on page 58.

## 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. FY06 data is less than 12 months; therefore, a 3-year comparison is not appropriate for some of the measures.
  3. Prior year(s) reflect less than 12 months of data; therefore, a 3-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 FY06 reporting period.
  9. Acquired or merged with another licensed hospital during the FY04 or FY05 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 the FY06 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.



## 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.

**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.

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

**Psychiatric Hospital:** A licensed institution, other than a General Acute Care hospital, engaged in providing short-term acute 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 pur-

pose 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 FY03 through FY06.

$$[(\text{NPR}_{06} - \text{NPR}_{03}) / \text{NPR}_{03}] / 3 \text{ or } [(\text{TOE}_{06} - \text{TOE}_{03}) / \text{TOE}_{03}] / 3$$

**Three-year Average Total Margin:** The average total margin realized by the facility during FY04 through FY06.

$$\sum_{06,05,04} \text{revenue over expenses} / \sum_{06,05,04} \text{total revenue}$$

**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 facilities 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:** 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 facility provides without charge because the patient is unable to compensate the facility 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.

Facilities report bad debt and charity care at full charges. The sum of bad debt charges and charity care charges (uncompensated care charges) is 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.

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

## 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 PHC4 Web site).

### Late Submission

Aestique ASC  
Altoona Specialty Center  
Angela Jane Rehab  
Brandywine Vly Endoscopy  
Center for Spine Care  
Center for Surgical Arts  
Chestnut Hill Rehab  
Delaware Valley Laser  
Fairgrounds SC  
Foot and Ankle SC  
Geisinger Med Ctr ASC  
Hazleton ASC  
HealthSouth Erie  
HealthSouth SC Lancaster  
HUP Reproductive Surgical  
Kensington  
LifeCare/Chester County  
LifeCare/Pittsburgh  
North Shore Endoscopy  
Northwood SC  
Phila Cosmetic Surgery  
Pottstown SC  
Radiance  
Reading Endoscopy Center  
Riverview ASC  
SC at Brinton Lake  
SC Chester County  
SC Lancaster  
Susquehanna Valley SC  
West Chester Endoscopy

### Partial Submission

Pottstown SC

### No Submission

Bryn Mawr Med Specialists  
CHS ASC  
Doylestown SC  
Hershey Outpatient SC  
Manoa Diagnostic Center  
Street Road SC





## **Pennsylvania Health Care Cost Containment Council**

**Marc P. Volavka, Executive Director**

**225 Market Street, Suite 400, Harrisburg, PA 17101**

**Phone: 717-232-6787 • Fax: 717-232-3821**

**[www.phc4.org](http://www.phc4.org)**

### **FOR MORE INFORMATION**

Additional financial and utilization data for fiscal year 2006 and prior years may be purchased. For more information, contact PHC4's Special Requests Unit. The information contained in this report and other PHC4 publications is available on our Web site at [www.phc4.org](http://www.phc4.org).