
FINANCIAL ANALYSIS 2007

Volume Two

Ambulatory Surgery Center Care

Rehabilitation Care

Psychiatric Care

Long-Term Acute Care

Specialty Care



Pennsylvania Health Care Cost Containment Council
November 2008

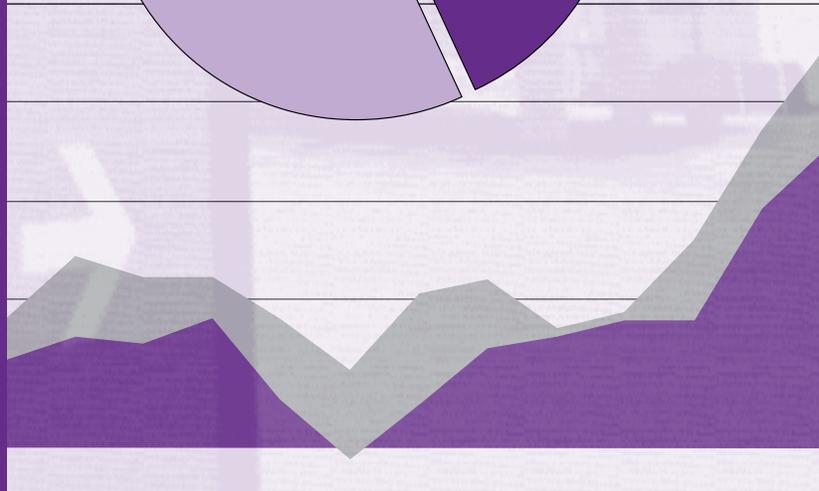
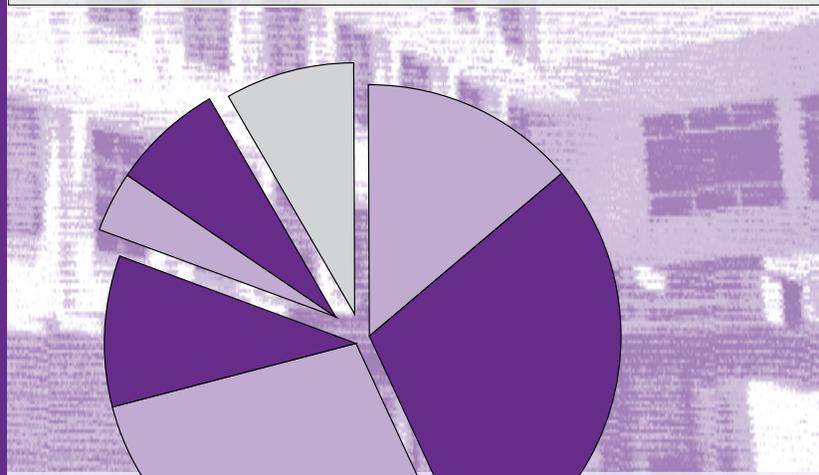
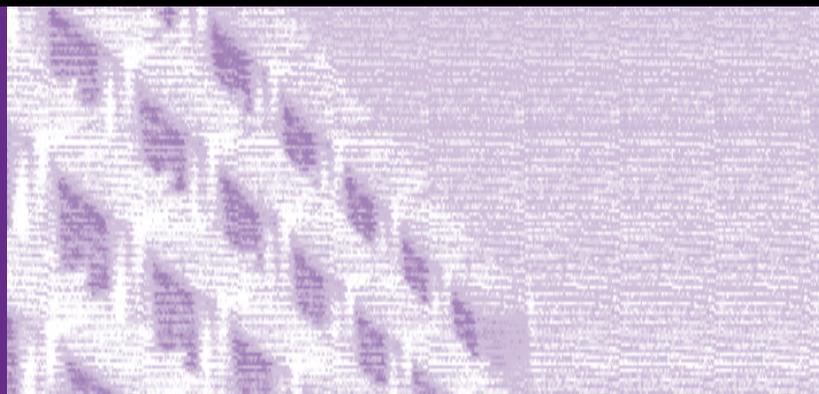


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The Pennsylvania Health Care Cost Containment Council (PHC4) is an independent state agency charged with addressing the cost and quality of health care in Pennsylvania. PHC4 fosters competition in the health care market through the collection, analysis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

Hospitals and freestanding 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 2008, 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. 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 during the fiscal year 2007 (FY07) reporting year.

The FY07 reporting year for the non-GAC facilities included in this report is each facility's accounting year that ended during 2007. For most of the non-GAC facilities, the reporting year is the calendar year ending December 31, 2007. For those facilities that do not utilize a calendar year, the reporting year typically ended on June 30, 2007.

Some of the facilities did not submit annual financial and utilization data on the Pennsylvania Health Care Cost Containment Council (PHC4) Web site and/or did not provide supporting financial statements. These facilities are indicated by Footnote 12 in the individual facility financial

tables at the end of each section. Facilities that provided incomplete or inaccurate data received a Footnote 14. 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, FY07
by Facility Type

Facility Type	Number of Facilities
General Acute Care Hospitals	170
Rehabilitation Hospitals	21
Psychiatric Hospitals	17
State Psychiatric Hospitals	8
Long-Term Acute Care Hospitals	25
Specialty Hospitals	6
Ambulatory Surgery Centers	226
Total	473

General Acute Care (GAC) hospitals (including GAC subunits) clearly are the predominate providers of hospital-based health care in Pennsylvania. The 170 GAC hospitals received 93.4% of statewide net patient revenue and treated 95.4% of patients receiving inpatient care (discharges) during fiscal year 2007 (FY07). Similarly, the 38.7 million outpatient visits reported by the GAC hospitals represents 92.8% of the total visits to all hospitals and ambulatory surgery centers (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

TABLE O-1
Net Inpatient Revenue, Beds, Days, and Discharges, FY07
 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	37,209	9,668,867	1,831,227	\$18,318,763	\$1,895	\$10,004
Rehabilitation Hospitals	1,759	399,772	26,015	\$423,130	\$1,058	\$16,265
Psychiatric Hospitals*	2,040	586,344	42,358	\$304,115	\$519	\$7,180
Long-term Acute Care Hospitals	1,264	299,836	10,330	\$389,108	\$1,298	\$37,668
Specialty Hospitals	538	144,456	10,179	\$50,690	\$351	\$4,980
Total	42,810	11,099,275	1,920,109	\$19,485,806	\$1,756	\$10,148

* Excludes state psychiatric hospitals

TABLE 0-2
Net Outpatient Revenue and Visits, FY07
 by Facility Type

Facility Type	Visits	Outpatient Revenue (thousands)	Average Outpatient Revenue per Visit
General Acute Care Hospitals	38,718,487	\$11,469,251	\$296
Total Non-GAC	3,010,294	\$946,550	\$314
Rehabilitation Hospitals	1,244,805	\$109,219	\$88
Psychiatric Hospitals*	582,988	\$52,096	\$89
Long-Term Acute Care Hospitals	107,464	\$14,234	\$132
Specialty Hospitals	197,279	\$63,702	\$323
Ambulatory Surgery Centers	877,758	\$707,298	\$806
Total	41,728,781	\$12,415,801	\$298

* Excludes state psychiatric hospitals

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 discharge across the five facility types. Table O-1 shows that the average revenue per discharge during FY07 ranges from \$4,980 at the specialty hospitals to \$37,668 at the LTAC hospitals.

During FY07, there were 3.0 million outpatient visits reported from the 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.

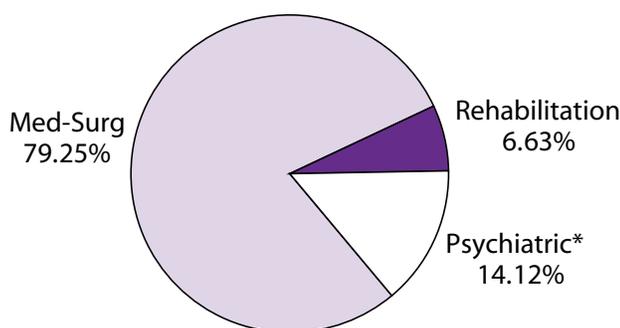
TABLE 0-3
Patient Days, FY07
 by Type of Care

Type of Services	Patient Days
Med-Surg **	8,187,920
Rehabilitation	685,155
Psychiatric *	1,458,959
Total	10,332,034

* Excludes state psychiatric hospitals

** Includes acute non-psychiatric care from LTAC hospitals

FIGURE 0-1
Patient Days, FY07
 by Type of Care



* Excludes state psychiatric hospitals

A psychiatric patient may receive care as a series of visits comprised of relatively short treatments while a patient at an ASC may be subject to 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.

The FY07 statewide average total margins for the GAC and psychiatric hospitals and the ASCs

are the highest average margins that each of these three facility categories have posted in over ten years. The operating and total margins of LTAC facilities as a group have declined from their peak in FY04. Similarly, the FY07 statewide total and operating margins for rehabilitation hospitals have declined from the FY06 peak for total margin and FY05 peak for operating margins. A primary factor in the declines in the average total

FIGURE O-2
Net Patient Revenue, FY07
by Facility Type

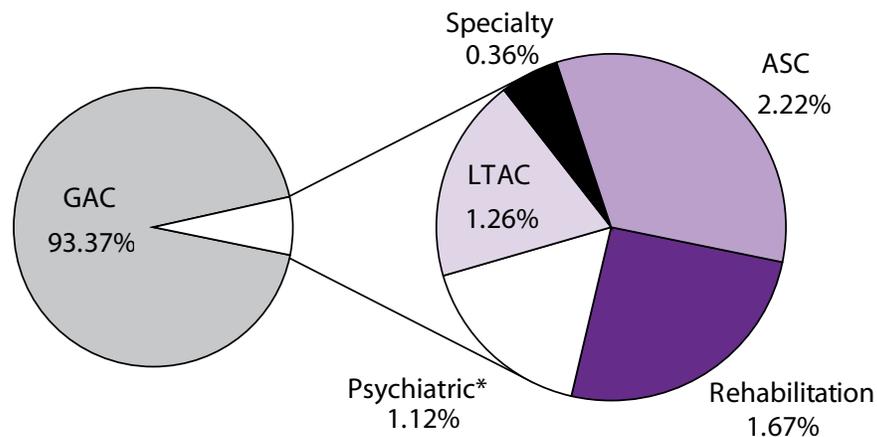
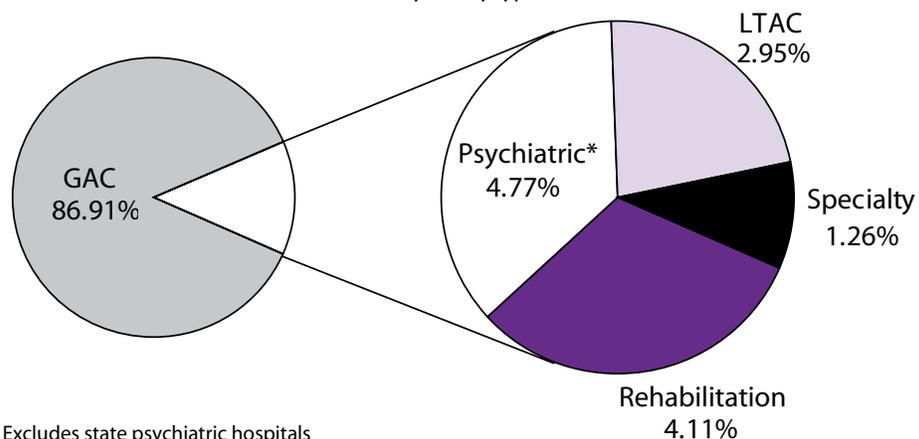


FIGURE O-3
Staffed Beds, FY07
by Facility Type



* Excludes state psychiatric hospitals

and operating margins at LTAC and rehabilitation hospitals are changes in the reimbursement systems for Medicare patients.

At 24.74%, the ASCs continue to have the highest average total margin among the six categories of health care facilities. In the six years between FY01 and FY07, the statewide total margin for ASCs increased 13.3 points or an average of about 2.2 points per year. Contrib-

uting 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 O-4
Patient Days, FY07
by Facility Type

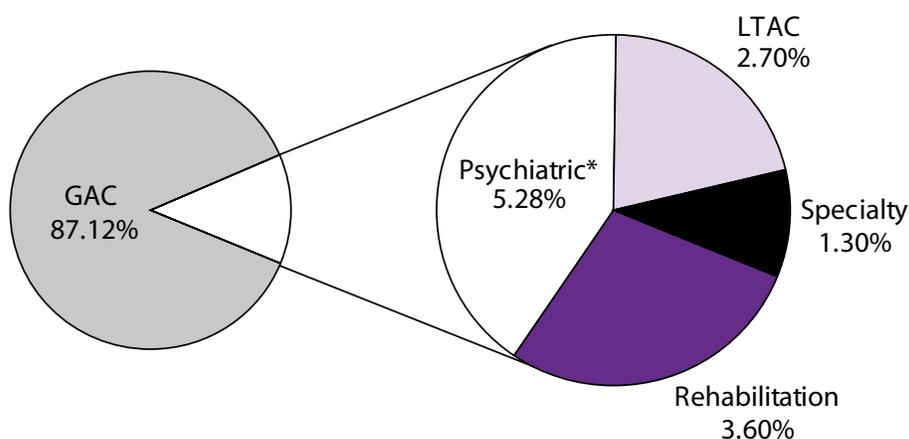
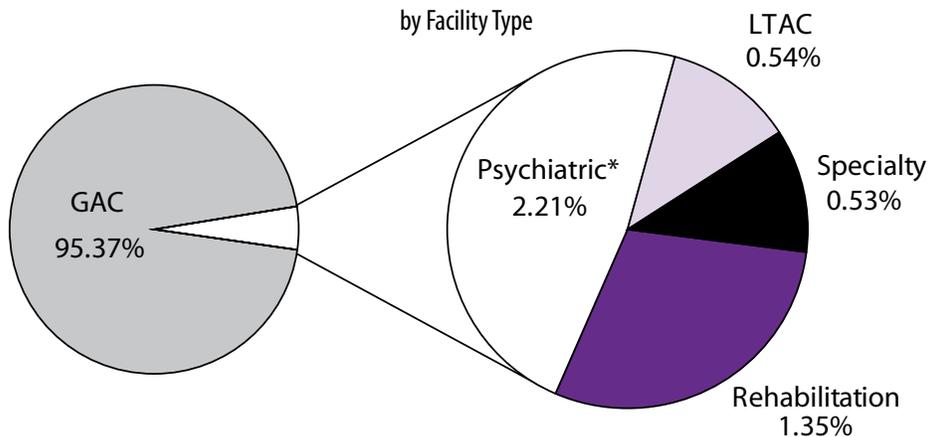


FIGURE O-5
Discharges, FY07
by Facility Type



* Excludes state psychiatric hospitals

FIGURE O-6
Average Length of Stay, FY07
 by Facility Type

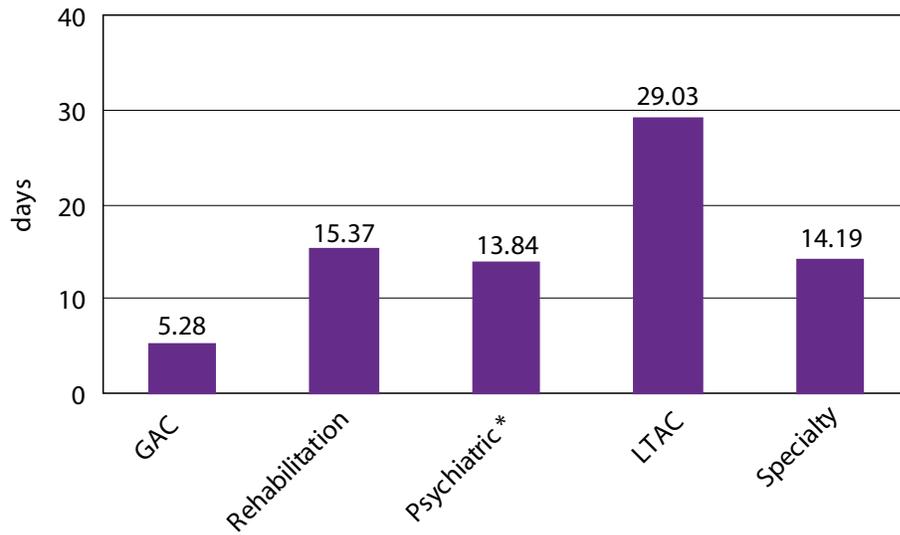
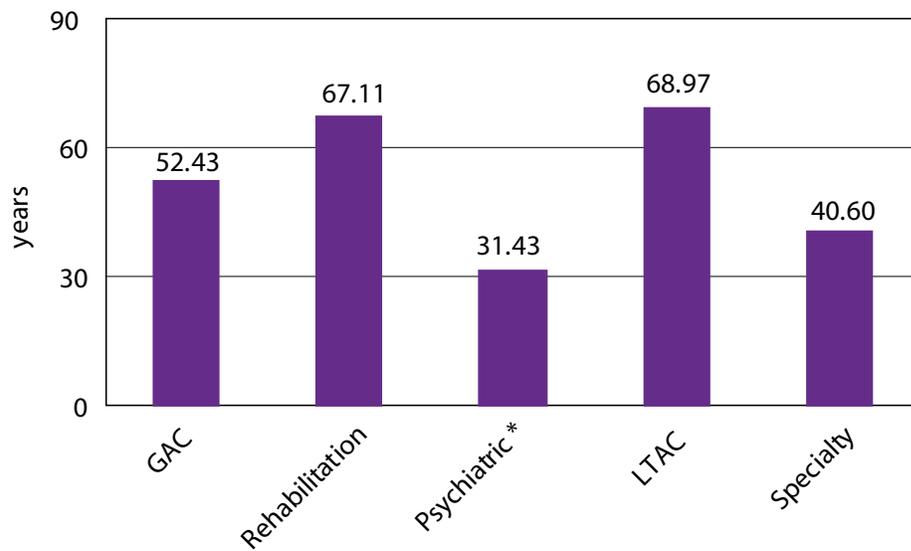


FIGURE O-7
Average Inpatient Patient Age, FY07
 by Facility Type



* 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 of the following Ambulatory Surgery Center Care Section.

FIGURE O-8
Average Total Margin, FY07
 by Facility Type

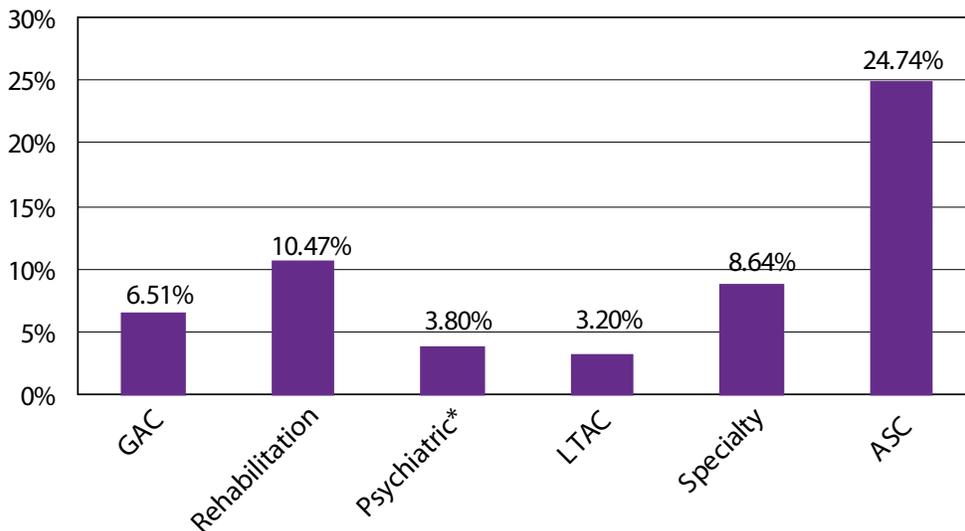
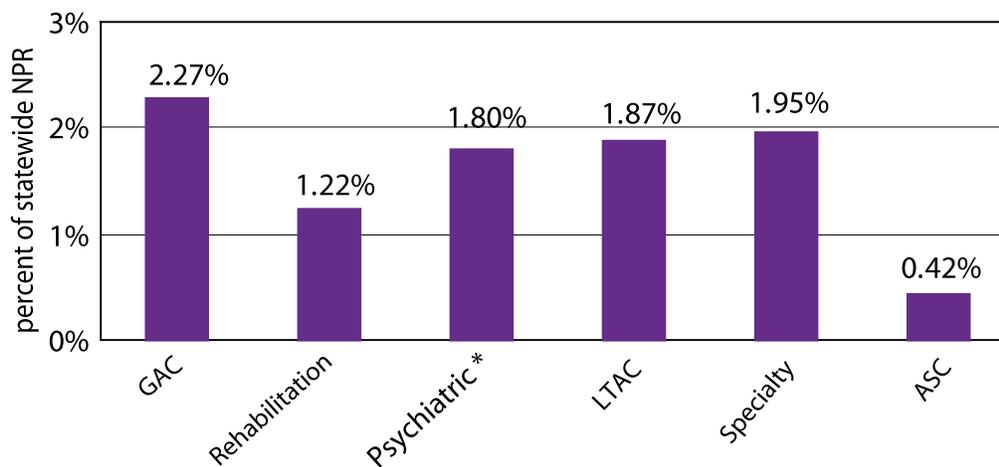


FIGURE O-9
Percent of Uncompensated Care, FY07
 by Facility Type



* Excludes state psychiatric hospitals

Highlights

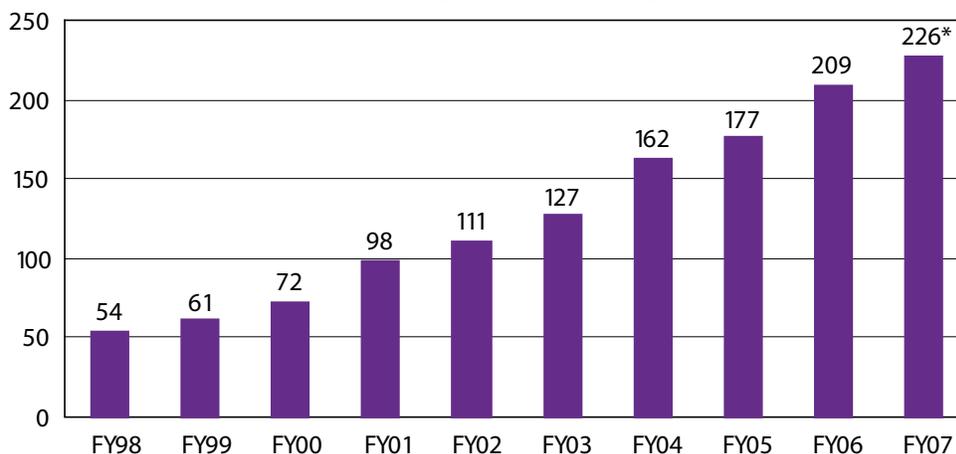
- The number of licensed ambulatory surgery centers (ASCs) in Pennsylvania continues to grow. Seventeen (17) new ASCs opened between June 2007 and May 2008, bringing the total to 245.
- For the first time there has been a decline in the number of outpatient D&S procedures reported by the GAC hospitals. All the net growth in the number of D&S procedures occurred at the ASCs. The ASCs reported a 15.7% increase in the number of procedures performed during FY07.
- There has been a 45.1% growth in the total number of outpatient D&S procedures performed in Pennsylvania between FY00 and FY07. Over 76% of that growth has occurred at the ASCs.
- The statewide average total margin for the ASCs rose 3.9 points in FY07 from 20.85% for FY06 to 24.74% in FY07. In the six years between FY01 and FY07, the statewide total margin increased 13.3 points or an average of about 2.2 points per year.

The number of ambulatory surgery centers (ASCs) continues to grow, with 17 new facilities opening between June 2007 and May 2008. Four ASCs closed during the period, resulting in a net increase of 13 facilities. This brings the total to 245 licensed facilities. There were 211 ASCs that operated for more than six months during fiscal year 2007 (FY07) and submitted financial data to PHC4.

Despite the rapid growth in the number of ASCs, the \$707.3 million in net patient revenue reported by the 211 ASCs during FY07 is equal to only about 6.2% of the outpatient revenue received by the 170 general acute care (GAC) hospitals.

While the growth of ASCs has not had a significant effect on overall outpatient revenue at GAC hospitals, there has been a significant shift in the diagnostic and surgical (D&S) procedures¹ performed in an outpatient setting. During FY07, 30.7% or 720,504 of the total 2.3 million outpatient D&S procedures statewide were performed at the ASCs. This reflects more than a 20-point increase in the ASC share of total D&S procedures in just seven years. In FY00, ASCs

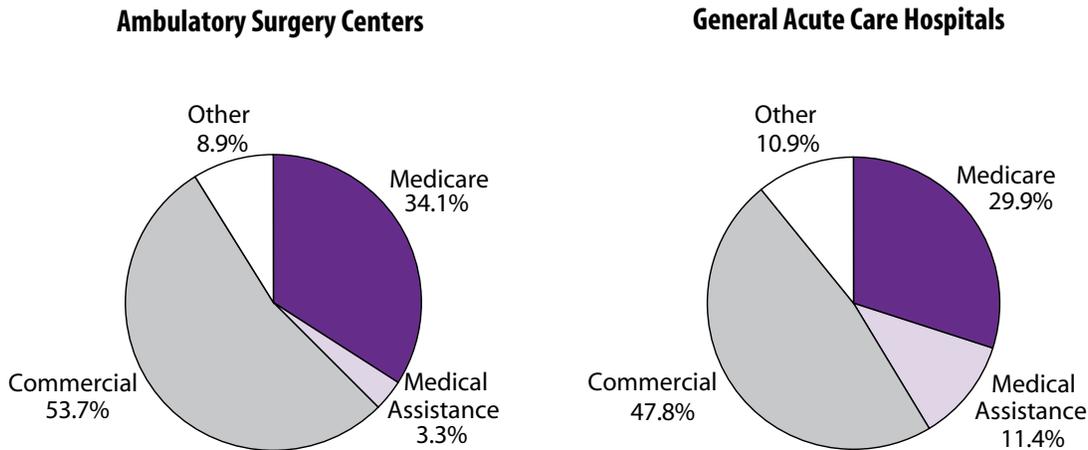
FIGURE A-1
Statewide Reporting Ambulatory Surgery Centers



¹ The procedure codes for the D&S procedures captured by PHC4 are available on the PHC4 Web site at <http://www.phc4.org/services/datarequests/procedures.htm>

* Fifteen ASCs are not included in this report because they did not submit data to PHC4 for FY07.

FIGURE A-2
Statewide Diagnostic and Surgical Procedures¹ at Ambulatory Surgery Centers
and General Acute Care Hospitals, FY07
 by Payor



performed 10.2% or 164,690 of the total 1.6 million outpatient D&S procedures performed in Pennsylvania.

For the first time there has been a decline in the number of D&S procedures reported by the GAC outpatient units. During FY07, the number of D&S procedures performed at outpatient units of GAC hospitals fell by 1.2%. Consequently, all of the 3.5% net growth in outpatient D&S procedures in Pennsylvania occurred at the ASCs. This growth during FY07 represents a 15.7% increase in the number of procedures performed at the ASCs over the FY06 level.

Most of the growth in outpatient D&S procedures over the last seven years has occurred at the ASCs. There has been a 45.1% growth in the total number of outpatient D&S procedures performed in Pennsylvania between FY00 and FY07. Over 76.3% of that growth has occurred at the ASCs.

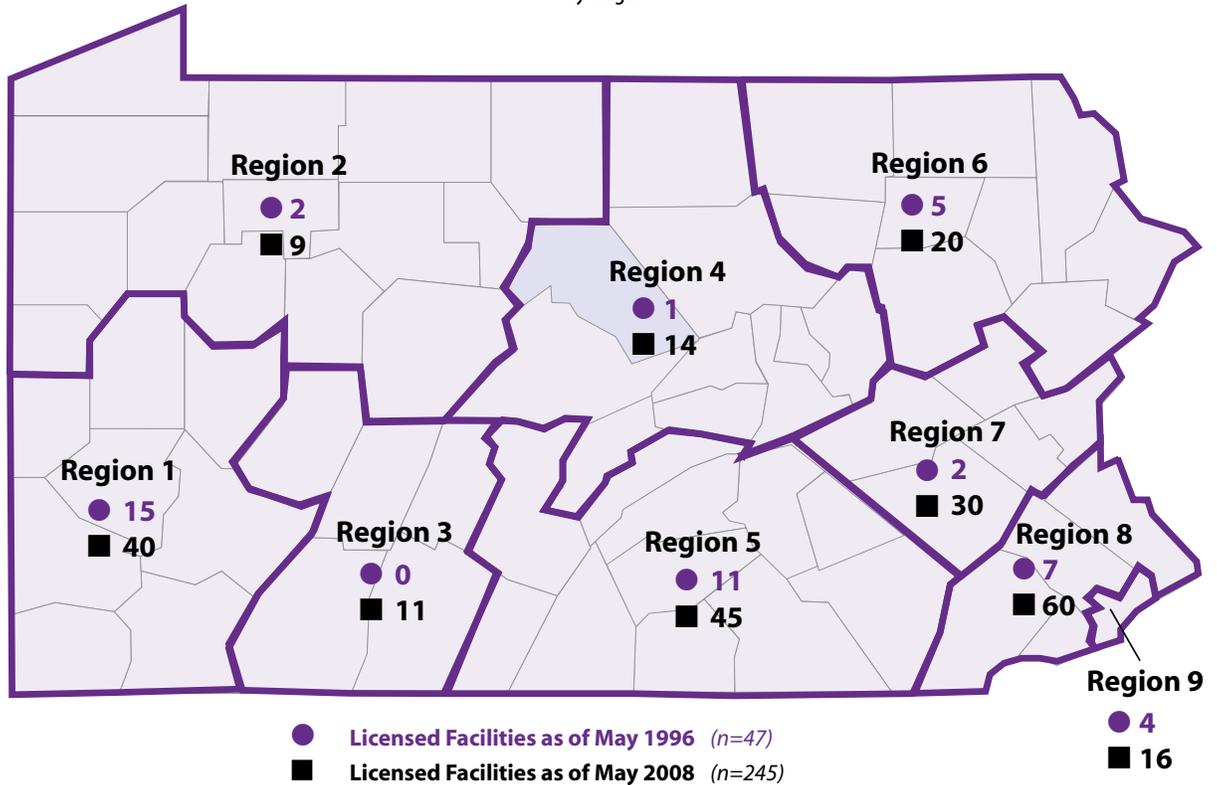
Payor Mix

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 participating in the Medical Assistance (MA) program. The GAC hospitals reported that more than one in nine (11.4%) of their outpatients undergoing an outpatient D&S procedure was an MA participant. Only 3.3% of ASC patients were covered by MA.

The mean age for ASC patients was 56.8 years in FY07, almost seven years older than the mean age of 50.0 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 4.2 points greater than the percentage of Medicare D&S outpatients at GAC hospitals.

¹ The procedure codes for the D&S procedures captured by PHC4 are available on the PHC4 Web site at <http://www.phc4.org/services/datarequests/procedures.htm>

FIGURE A-3
Growth in Ambulatory Surgery Centers
 by Region



ASC Income

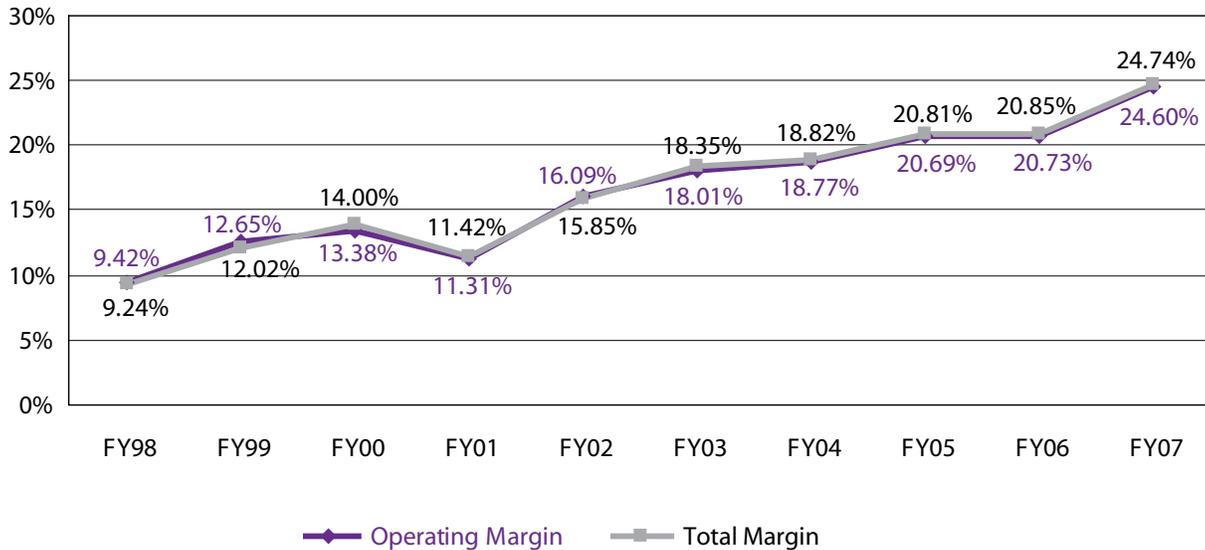
After leveling off during FY06, the statewide average total and operating margins both increased 3.9 points during FY07. The statewide operating margin increased from 20.73% for FY06 to 24.60% for FY07. Similarly, the statewide total margin rose from 20.85% for FY06 to 24.74% for FY07. In the six years between FY01 and FY07, the statewide total margin increased 13.3 points or an average of about 2.2 points per year.

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

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



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.

AMBULATORY SURGERY CENTER CARE

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY04-FY07	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
Statewide Average		\$3,352	\$2,987	\$2,982	\$3,019	3.68%	\$2,547	\$2,387	\$2,387	\$2,474	0.99%
1	20/20 SC ^{1,10}	\$1,760	\$702	NA	NA	NA	\$902	\$464	NA	NA	NA
1	Aestique ASC ^{1,10}	\$1,934	\$1,747	\$1,747	\$2,119	-2.92%	\$1,950	\$1,740	\$1,882	\$1,952	-0.02%
1	ASC/New Kensington ⁷	\$8,606	\$7,179	\$8,374	\$9,571	-3.36%	\$6,993	\$9,679	\$9,554	\$10,618	-11.38%
1	Butler ASC ^{1,3,10}	\$6,655	\$3,912	NA	NA	NA	\$4,298	\$2,942	NA	NA	NA
1	CHP North SC ⁷	\$8,683	\$7,660	\$7,280	\$7,024	7.87%	\$4,995	\$4,939	\$4,620	\$2,625	30.09%
1	CHP South SC ^{3,7}	\$3,532	\$1,858	NA	NA	NA	\$1,744	\$777	NA	NA	NA
1	Dermatology & Cosmetic SC ^{1,10}	\$920	\$758	\$819	\$800	5.01%	\$915	\$754	\$746	\$796	5.01%
1	Digestive Hlth Endoscopy ^{1,10}	\$2,488	\$2,395	\$2,242	\$1,706	15.26%	\$1,358	\$1,209	\$1,132	\$1,018	11.14%
1	Four Seasons Endoscopy ^{1,10}	\$2,942	\$2,877	\$2,959	\$2,773	2.03%	\$1,245	\$1,252	\$1,391	\$1,442	-4.55%
1	Gamma SC ^{1,4,10}	\$1,656	NA	NA	NA	NA	\$1,993	\$831	NA	NA	NA
1	HealthSouth Mt Pleasnt SC ^{1,10,13}	\$1,088	\$1,143	\$1,501	\$1,868	-13.92%	\$1,808	\$1,865	\$1,903	\$2,058	-4.05%
1	Heritage Valley SC ^{7,13}	\$5,119	\$4,920	\$5,716	\$5,073	0.30%	\$4,818	\$4,653	\$5,269	\$5,202	-2.46%
1	Laurel Surgical Assoc ^{1,10}	\$4,840	\$4,607	\$2,664	NA	NA	\$3,161	\$2,874	\$2,424	NA	NA
1	Leo R. McCafferty Plastic ^{1,3,10}	\$308	\$252	\$232	\$139	40.35%	\$312	\$339	\$284	\$307	0.51%
1	Lowry SC ^{1,10,13}	\$1,136	\$1,135	\$894	\$854	11.00%	\$1,160	\$1,136	\$957	\$953	7.22%
1	Mt Lebanon SC	\$2,208	\$2,024	\$1,959	\$1,836	6.75%	\$2,074	\$1,928	\$1,754	\$1,663	8.23%
1	North Shore Endoscopy ^{1,10,13}	\$2,003	\$1,446	\$1,146	\$868	43.58%	\$1,240	\$1,044	\$871	\$763	20.84%
1	North Shore SC ^{1,10}	\$617	\$633	\$482	\$407	17.28%	\$552	\$525	\$557	\$552	0.00%
1	Radiance ^{1,10,13}	\$2,720	\$1,597	NA	NA	NA	\$2,472	\$1,658	NA	NA	NA
1	SC Cranberry ^{1,10}	\$2,105	\$2,050	\$1,959	\$1,427	15.83%	\$2,042	\$1,996	\$1,798	\$1,458	13.37%
1	SC Edgeworth Commons ^{1,3,10,13}	\$2,985	\$2,567	\$1,285	NA	NA	\$2,916	\$2,621	\$1,706	NA	NA
1	SC Ligonier	\$690	\$743	\$786	\$727	-1.71%	\$678	\$695	\$735	\$679	-0.07%
1	Shadyside SC ^{1,10}	\$396	\$381	\$451	\$464	-4.94%	\$289	\$378	\$387	\$430	-10.93%
1	South Hills Endoscopy Ctr ^{1,10}	\$2,456	\$1,879	NA	NA	NA	\$1,702	\$1,325	NA	NA	NA
1	Southwestern Endoscopy ^{1,10,13}	\$3,744	\$3,252	\$3,446	\$1,549	47.24%	\$2,133	\$1,899	\$1,719	\$1,072	32.97%
1	Southwestern PA Eye SC ^{1,10}	\$2,949	\$2,921	\$2,809	\$2,695	3.14%	\$1,979	\$1,876	\$1,711	\$1,738	4.63%
1	Spartan Health SC ^{1,10,13}	\$1,592	\$819	NA	NA	NA	\$1,649	\$1,749	NA	NA	NA
1	Three Rivers Endoscopy ^{1,10}	\$3,888	\$3,782	\$3,686	\$3,312	5.80%	\$2,186	\$2,141	\$2,164	\$2,199	-0.20%
1	Tri County Surgical ^{1,10,13}	\$979	\$755	\$562	\$805	7.16%	\$925	\$754	\$564	\$806	4.90%
1	Tri-State SC ^{1,3,10}	\$5,279	\$4,785	\$5,144	\$2,874	27.89%	\$4,391	\$4,460	\$4,395	\$3,433	9.30%
1	UPMC Monroeville SC ¹⁰	\$8,262	\$8,095	\$6,913	\$6,602	8.38%	\$7,468	\$7,112	\$5,506	\$3,847	31.37%
1	UPMC South SC ³	\$5,055	\$2,836	NA	NA	NA	\$3,474	\$1,833	NA	NA	NA
1	Waterfront SC ^{1,10}	\$5,061	\$4,579	\$3,568	\$2,901	24.83%	\$3,717	\$3,445	\$3,271	\$3,067	7.07%
1	Western PA SC ^{1,10}	\$7,303	\$6,825	\$6,153	\$5,438	11.43%	\$5,423	\$5,152	\$5,222	\$4,992	2.88%
1	Zitelli Brodland Central ^{1,10}	\$806	\$819	\$766	\$785	0.89%	\$806	\$818	\$766	\$784	0.91%
1	Zitelli Brodland South ^{1,10}	\$788	\$701	\$652	\$703	4.04%	\$787	\$701	\$651	\$702	4.05%
2	Hamot SC ¹⁰	\$10,707	\$9,557	\$7,924	\$6,875	18.57%	\$8,621	\$7,520	\$6,667	\$6,000	14.56%
2	Laurel Laser & SC ^{1,10}	\$2,755	\$3,382	\$2,815	\$2,810	-0.64%	\$2,161	\$2,231	\$1,924	\$2,972	-9.09%
2	Lawrence County SC ^{1,3,10}	\$1,157	\$1,047	\$1,145	\$467	49.28%	\$1,077	\$1,042	\$1,105	\$647	22.15%
2	Regional ASC ^{1,10}	\$2,569	\$2,229	\$2,111	\$2,077	7.90%	\$1,682	\$1,780	\$1,680	\$1,767	-1.61%
2	Saint Vincent SC Erie ¹	\$9,990	\$10,103	\$9,382	\$9,139	3.10%	\$8,104	\$7,990	\$7,631	\$7,201	4.18%
2	Surgery & Laser ^{1,10}	\$3,427	\$3,468	\$3,223	\$3,069	3.89%	\$2,031	\$1,921	\$2,005	\$1,946	1.45%

See footnotes and map of regions on page 58.

Ambulatory Surgery Center	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07	Visits FY07
Statewide Average	24.60%	24.74%	22.34%	26.07%	3.08%	4,200
20/20 SC ^{1,10}	48.73%	48.72%	NA	91.09%	0.47%	1,521
Aestique ASC ^{1,10}	-0.86%	0.10%	-1.56%	13.63%	-0.83%	1,546
ASC/New Kensington ⁷	24.53%	24.53%	-1.87%	39.28%	5.63%	36,824
Butler ASC ^{1,3,10}	35.42%	35.95%	NA	23.83%	3.40%	7,590
CHP North SC ⁷	42.48%	42.48%	38.39%	0.00%	15.69%	5,013
CHP South SC ^{3,7}	50.61%	50.61%	NA	0.00%	9.50%	1,975
Dermatology & Cosmetic SC ^{1,10}	0.50%	0.50%	3.27%	41.77%	0.38%	3,489
Digestive Hlth Endoscopy ^{1,10}	45.54%	45.54%	48.19%	24.17%	0.13%	4,442
Four Seasons Endoscopy ^{1,10}	57.69%	57.77%	55.76%	33.29%	0.33%	5,131
Gamma SC ^{1,4,10}	-12.94%	-12.88%	NA	14.43%	0.14%	2,184
HealthSouth Mt Pleasnt SC ^{1,10,13}	-25.46%	-25.46%	-27.02%	50.19%	2.14%	1,125
Heritage Valley SC ^{7,13}	5.88%	5.88%	6.44%	36.22%	4.42%	4,411
Laurel Surgical Assoc ^{1,10}	34.69%	34.83%	30.28%	15.70%	2.44%	5,038
Leo R. McCafferty Plastic ^{1,3,10}	-1.40%	-1.40%	-17.97%	1.80%	0.00%	906
Lowry SC ^{1,10,13}	-2.06%	-1.97%	-2.67%	48.01%	0.00%	1,842
Mt Lebanon SC	6.05%	6.48%	7.24%	76.25%	0.00%	2,827
North Shore Endoscopy ^{1,10,13}	38.07%	38.07%	31.33%	16.18%	3.64%	3,854
North Shore SC ^{1,10}	10.55%	10.55%	5.72%	0.47%	0.00%	402
Radiance ^{1,10,13}	9.12%	9.12%	NA	8.83%	0.03%	1,867
SC Cranberry ^{1,10}	3.00%	3.00%	4.55%	78.50%	0.21%	2,723
SC Edgeworth Commons ^{1,3,10,13}	2.31%	2.49%	-5.82%	13.63%	1.31%	2,073
SC Ligonier	1.74%	7.25%	8.03%	72.46%	4.06%	956
Shadyside SC ^{1,10}	27.21%	27.21%	24.42%	20.36%	0.00%	348
South Hills Endoscopy Ctr ^{1,10}	30.70%	31.16%	NA	22.69%	0.00%	6,887
Southwestern Endoscopy ^{1,10,13}	43.04%	43.04%	44.92%	23.94%	20.07%	9,483
Southwestern PA Eye SC ^{1,10}	32.89%	32.89%	35.86%	65.75%	3.11%	2,982
Spartan Health SC ^{1,10,13}	-3.55%	-3.55%	NA	28.41%	7.57%	2,080
Three Rivers Endoscopy ^{1,10}	43.83%	44.04%	43.04%	30.53%	1.09%	7,640
Tri County Surgical ^{1,10,13}	5.51%	5.51%	2.35%	24.85%	0.00%	889
Tri-State SC ^{1,3,10}	17.15%	17.15%	13.15%	30.70%	9.78%	4,998
UPMC Monroeville SC ¹⁰	9.61%	9.61%	13.69%	34.94%	1.70%	8,496
UPMC South SC ³	36.18%	36.18%	NA	32.12%	1.44%	2,964
Waterfront SC ^{1,10}	26.60%	27.16%	21.38%	18.26%	1.44%	5,679
Western PA SC ^{1,10}	26.31%	26.37%	22.47%	25.44%	2.00%	6,128
Zitelli Brodland Central ^{1,10}	0.02%	0.02%	0.03%	61.15%	0.15%	2,184
Zitelli Brodland South ^{1,10}	0.06%	0.06%	0.06%	62.58%	0.04%	1,761
Hamot SC ¹⁰	19.59%	20.67%	20.08%	19.80%	6.97%	14,945
Laurel Laser & SC ^{1,10}	21.56%	21.56%	29.45%	57.94%	2.71%	2,857
Lawrence County SC ^{1,3,10}	6.90%	6.91%	3.97%	83.68%	1.58%	1,190
Regional ASC ^{1,10}	34.53%	34.74%	25.90%	30.38%	1.87%	2,361
Saint Vincent SC Erie ¹	18.89%	19.25%	19.86%	31.77%	13.24%	7,638
Surgery & Laser ^{1,10}	40.75%	40.74%	41.13%	27.64%	3.16%	3,374

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 FY04-FY07	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
Statewide Average		\$3,352	\$2,987	\$2,982	\$3,019	3.68%	\$2,547	\$2,387	\$2,387	\$2,474	0.99%
2	Village SC ^{1,10}	\$7,112	\$7,076	\$6,937	\$6,837	1.34%	\$5,479	\$5,582	\$5,439	\$5,409	0.43%
3	Allegheny Reg Endoscopy ^{1,3,10}	\$3,320	\$2,102	NA	NA	NA	\$1,722	\$1,470	NA	NA	NA
3	Allegheny SC ^{1,3,10}	\$2,059	\$1,948	\$769	NA	NA	\$997	\$931	\$623	NA	NA
3	Altoona Regional SC ¹³	\$10,974	\$9,015	\$5,628	\$2,942	90.98%	\$8,764	\$7,981	\$4,674	\$3,430	51.83%
3	Center for Surgical Arts ^{1,10,13}	\$869	\$717	\$475	NA	NA	\$918	\$719	\$473	NA	NA
3	Digestive Health/Indiana ^{1,3,10}	\$1,468	\$976	NA	NA	NA	\$1,168	\$105	NA	NA	NA
3	Indiana AS Associates ^{1,10}	\$3,691	\$3,909	\$3,574	\$3,658	0.31%	\$2,165	\$2,172	\$2,239	\$2,234	-1.03%
3	Lee ASC ^{2,4,7}	\$4,559	NA	NA	NA	NA	\$4,848	NA	NA	NA	NA
3	Ophthalmic Associates SC ^{1,3,10}	\$2,146	\$11	NA	NA	NA	\$1,971	\$253	NA	NA	NA
3	Plastic Surgical Assoc ^{1,10,13}	\$3,731	\$3,980	NA	NA	NA	\$3,736	\$3,998	NA	NA	NA
4	Betz Ophthalmology ^{1,4,10}	\$621	NA	NA	NA	NA	\$262	NA	NA	NA	NA
4	Brookpark SC ^{1,13,14}	\$92	NA	NA	NA	NA	\$105	NA	NA	NA	NA
4	Central PA Endoscopy Ctr ^{1,4,10}	\$1,583	NA	NA	NA	NA	\$1,424	NA	NA	NA	NA
4	Endoscopy PA ^{1,10}	\$1,739	\$2,024	\$1,883	\$1,922	-3.17%	\$1,968	\$2,351	\$2,243	\$2,165	-3.03%
4	Evangelical ASC ^{1,10}	\$5,810	\$6,703	\$6,613	\$6,405	-3.09%	\$5,279	\$5,564	\$5,284	\$4,979	2.01%
4	Geisinger Endoscopy ^{2,4,13}	\$1,574	NA	NA	NA	NA	\$1,173	NA	NA	NA	NA
4	Geisinger OP Woodbine ¹³	\$13,512	\$9,779	NA	NA	NA	\$11,242	\$9,538	NA	NA	NA
4	Lewisburg Plastic & Laser ^{1,10}	\$341	\$312	\$277	\$223	17.75%	\$360	\$332	\$445	\$425	-5.07%
4	Mifflin County Com SC ^{1,10}	\$850	\$808	\$952	\$891	-1.54%	\$863	\$830	\$841	\$785	3.31%
4	Mount Nittany SC	\$7,928	\$8,249	\$7,887	\$7,702	0.98%	\$6,195	\$6,346	\$6,168	\$5,797	2.29%
4	SC Central PA ^{1,10}	\$2,766	\$2,243	\$1,807	NA	NA	\$1,775	\$1,276	\$1,000	NA	NA
4	Susquehanna SC ¹⁰	\$868	\$684	\$735	\$860	0.30%	\$792	\$800	\$742	\$753	1.74%
4	UOC Surgical Services ^{1,10,13}	\$4,453	\$4,195	\$3,443	\$2,769	20.27%	\$3,072	\$2,933	\$2,749	\$2,784	3.44%
5	Apple Hill SC ^{10,13}	\$11,029	\$12,335	\$11,875	\$12,219	-3.25%	\$8,546	\$9,131	\$8,817	\$8,445	0.40%
5	Carlisle Endoscopy ^{1,10}	\$2,330	\$2,249	\$2,229	\$1,890	7.76%	\$2,313	\$2,252	\$2,232	\$1,849	8.37%
5	Carlisle Regional SC ^{1,10,11,13}	\$3,868	\$2,266	\$3,176	\$3,488	3.63%	\$3,701	\$1,918	\$2,551	\$3,157	5.74%
5	Center for Spine Care ^{1,10,14}	\$1,067	NA	NA	NA	NA	\$836	\$737	NA	NA	NA
5	Center Reproductive ^{1,10}	\$1,313	\$1,295	\$869	\$1,013	9.87%	\$1,065	\$977	\$532	\$550	31.19%
5	Chambersburg Endoscopy ^{1,3,10}	\$2,338	\$861	NA	NA	NA	\$1,590	\$1,254	NA	NA	NA
5	Cumberland SC ^{1,10}	\$1,081	\$1,466	\$1,149	\$840	9.57%	\$952	\$1,423	\$1,094	\$786	7.00%
5	Digestive Disease Inst ^{1,10}	\$2,455	\$2,398	\$2,374	\$2,151	4.72%	\$2,429	\$2,388	\$2,392	\$2,043	6.30%
5	Elmwood Endoscopy Center ^{1,10}	\$669	\$281	NA	NA	NA	\$726	\$546	NA	NA	NA
5	Endoscopy Ctr/Central PA ^{1,10}	\$1,147	\$1,137	\$708	NA	NA	\$995	\$1,012	\$770	NA	NA
5	Eyes of York SC ^{1,10}	\$998	\$651	NA	NA	NA	\$917	\$766	NA	NA	NA
5	Foot and Ankle SC ^{1,10,13}	\$2,156	\$1,850	\$1,064	NA	NA	\$1,318	\$918	\$869	NA	NA
5	Grandview Surgery & Laser ^{1,10}	\$5,910	\$4,921	\$2,641	\$3,577	21.73%	\$4,180	\$4,213	\$3,791	\$3,961	1.84%
5	GSH Outpatient SC ^{1,10}	\$1,059	\$2,425	\$4,128	\$3,966	-24.43%	\$1,857	\$2,835	\$3,592	\$3,352	-14.86%
5	Harrisburg Endoscopy & SC ^{1,10,13}	\$3,753	\$3,704	\$3,165	\$3,303	4.55%	\$3,752	\$3,704	\$3,163	\$3,302	4.55%
5	Harrisburg Pain Mgmt ^{1,3,10}	\$2,318	\$1,219	\$217	NA	NA	\$2,042	\$814	\$332	NA	NA
5	Hershey Endoscopy Center ^{1,10}	\$2,414	\$2,399	\$1,958	\$1,073	41.65%	\$1,685	\$1,587	\$1,454	\$1,105	17.48%
5	Hershey Outpatient SC ^{1,3,10}	\$7,016	NR	\$4,077	\$606	NA	\$7,031	NR	\$4,976	\$2,665	NA
5	Lancaster Gastro Center ^{1,10}	\$4,564	\$4,084	\$3,238	\$2,776	21.47%	\$1,875	\$1,782	\$1,262	\$1,416	10.83%
5	Leader SC ^{1,10}	\$1,119	\$1,150	\$783	\$959	5.57%	\$597	\$600	\$558	\$494	6.94%

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

Ambulatory Surgery Center	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07	Visits FY07
Statewide Average	24.60%	24.74%	22.34%	26.07%	3.08%	4,200
Village SC ^{1,10}	22.97%	23.42%	22.18%	18.97%	8.88%	7,038
Allegheny Reg Endoscopy ^{1,3,10}	48.12%	48.38%	NA	36.87%	3.42%	6,002
Allegheny SC ^{1,3,10}	51.57%	52.02%	46.90%	16.05%	8.02%	3,595
Altoona Regional SC ¹³	20.14%	20.14%	16.39%	18.06%	5.04%	6,123
Center for Surgical Arts ^{1,10,13}	-5.61%	-5.61%	-2.33%	0.57%	0.00%	569
Digestive Health/Indiana ^{1,3,10}	20.43%	20.68%	NA	13.21%	0.00%	1,499
Indiana AS Associates ^{1,10}	46.31%	46.31%	45.65%	22.12%	1.82%	3,504
Lee ASC ^{2,4,7}	-6.35%	-6.35%	NA	24.97%	10.15%	3,296
Ophthalmic Associates SC ^{1,3,10}	8.18%	8.37%	NA	78.30%	1.00%	3,326
Plastic Surgical Assoc ^{1,10,13}	-0.12%	0.01%	NA	15.43%	0.95%	12,775
Betz Ophthalmology ^{1,4,10}	57.82%	57.82%	NA	52.49%	0.00%	554
Brookpark SC ^{1,13,14}	-13.67%	-13.67%	NA	NR	NR	NR
Central PA Endoscopy Ctr ^{1,4,10}	10.05%	10.05%	NA	37.57%	0.00%	3,763
Endoscopy PA ^{1,10}	-3.09%	-3.01%	-4.87%	39.19%	4.40%	3,604
Evangelical ASC ^{1,10}	9.14%	9.84%	16.39%	10.10%	1.41%	6,021
Geisinger Endoscopy ^{2,4,13}	27.10%	27.10%	NA	19.75%	2.07%	3,130
Geisinger OP Woodbine ¹³	16.80%	16.80%	NA	21.74%	1.72%	7,025
Lewisburg Plastic & Laser ^{1,10}	-5.44%	-5.44%	-22.13%	12.67%	0.00%	355
Mifflin County Com SC ^{1,10}	-1.58%	-1.58%	2.88%	57.02%	5.17%	1,411
Mount Nittany SC	21.86%	21.86%	22.25%	19.07%	2.04%	5,589
SC Central PA ^{1,10}	41.39%	41.39%	42.77%	52.73%	0.00%	4,601
Susquehanna SC ¹⁰	8.71%	8.71%	-2.07%	21.85%	0.49%	1,040
UOC Surgical Services ^{1,10,13}	31.03%	31.03%	27.61%	9.62%	1.83%	5,105
Apple Hill SC ^{10,13}	22.51%	23.12%	25.29%	24.97%	2.58%	10,046
Carlisle Endoscopy ^{1,10}	0.73%	0.73%	0.25%	30.31%	0.25%	5,610
Carlisle Regional SC ^{1,10,11,13}	4.32%	2.76%	11.67%	29.67%	2.94%	1,838
Center for Spine Care ^{1,10,14}	21.62%	21.62%	NA	15.03%	2.64%	7,377
Center Reproductive ^{1,10}	18.92%	18.92%	25.98%	0.00%	0.00%	1,784
Chambersburg Endoscopy ^{1,3,10}	32.10%	32.10%	NA	24.31%	2.14%	4,988
Cumberland SC ^{1,10}	16.23%	16.38%	7.63%	1.28%	0.00%	556
Digestive Disease Inst ^{1,10}	1.07%	1.07%	0.62%	26.57%	0.02%	4,844
Elmwood Endoscopy Center ^{1,10}	-8.58%	-8.58%	NA	23.78%	0.00%	1,397
Endoscopy Ctr/Central PA ^{1,10}	13.26%	13.26%	7.21%	18.65%	0.00%	2,456
Eyes of York SC ^{1,10}	7.91%	7.91%	NA	56.50%	0.00%	1,132
Foot and Ankle SC ^{1,10,13}	38.85%	38.85%	38.75%	8.26%	0.81%	1,237
Grandview Surgery & Laser ^{1,10}	38.79%	39.58%	16.36%	11.87%	1.40%	4,837
GSH Outpatient SC ^{1,10}	-75.31%	-70.36%	-7.70%	18.85%	7.13%	1,458
Harrisburg Endoscopy & SC ^{1,10,13}	0.02%	0.02%	0.02%	23.11%	0.94%	8,882
Harrisburg Pain Mgmt ^{1,3,10}	11.91%	11.91%	15.09%	29.44%	2.05%	4,990
Hershey Endoscopy Center ^{1,10}	30.20%	30.21%	30.21%	20.75%	0.00%	3,304
Hershey Outpatient SC ^{1,3,10}	-0.14%	-0.14%	NR	18.05%	2.59%	6,803
Lancaster Gastro Center ^{1,10}	58.91%	58.47%	58.45%	20.40%	0.04%	6,549
Leader SC ^{1,10}	46.61%	46.61%	42.54%	14.32%	0.00%	1,625

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 FY04-FY07	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
	Statewide Average	\$3,352	\$2,987	\$2,982	\$3,019	3.68%	\$2,547	\$2,387	\$2,387	\$2,474	0.99%
5	Mid-Atlantic Gastro Ctr ^{1,10}	\$3,064	\$2,727	\$2,428	\$2,351	10.10%	\$1,652	\$1,894	\$1,778	\$1,533	2.60%
5	Mid-Atlantic Gastro II ^{1,10}	\$872	NA	NA	NA	NA	\$632	NA	NA	NA	NA
5	Ophthalmology & Surgical ^{1,10}	\$2,771	\$1,573	NA	NA	NA	\$1,908	\$1,278	NA	NA	NA
5	Ophthalmology SC ^{1,10,13}	\$3,153	\$2,428	\$1,921	\$1,760	26.39%	\$2,562	\$2,221	\$1,912	\$1,926	11.01%
5	OSS Ambulatory SC ^{1,10}	\$8,222	\$2,320	NA	NA	NA	\$4,941	\$3,137	NA	NA	NA
5	PA Eye SC ^{1,10}	\$1,844	\$1,600	\$2,099	\$2,091	-3.94%	\$1,372	\$1,011	\$1,076	\$1,199	4.81%
5	Penn Surgery Inst ^{10,13}	\$406	\$802	\$623	\$645	-12.36%	\$361	\$480	\$506	\$598	-13.23%
5	Physicians SC ^{1,10}	\$7,092	\$5,004	NA	NA	NA	\$4,195	\$3,737	NA	NA	NA
5	PRISM Center ^{1,3,7,10}	\$1,514	\$138	NA	NA	NA	\$1,304	\$375	NA	NA	NA
5	SC Lancaster ^{1,10}	\$9,445	\$8,016	NA	NA	NA	\$6,896	\$5,981	NA	NA	NA
5	SC York	\$4,548	\$5,788	\$5,889	\$5,610	-6.31%	\$4,242	\$5,443	\$5,405	\$5,023	-5.19%
5	Summit SC ¹⁰	\$4,577	\$4,081	\$3,775	\$3,340	12.34%	\$3,989	\$3,903	\$3,801	\$3,590	3.71%
5	Susquehanna Valley SC ^{1,10}	\$9,615	\$9,496	\$8,828	\$8,654	3.70%	\$8,271	\$7,468	\$6,711	\$6,431	9.53%
5	Valley View SC ^{1,10}	\$1,017	\$993	\$1,087	\$1,068	-1.58%	\$1,015	\$933	\$1,049	\$872	5.47%
5	Wellspring Endoscopy Center	\$1,401	\$1,527	\$1,420	\$847	21.83%	\$1,055	\$1,014	\$904	\$852	7.96%
5	West Shore Endoscopy ^{1,10}	\$11,767	\$9,555	\$8,790	\$7,913	16.23%	\$7,230	\$6,279	\$5,101	\$4,329	22.34%
5	West Shore SC ^{1,10}	\$8,294	\$9,220	\$8,419	\$7,576	3.16%	\$6,014	\$6,528	\$6,025	\$5,394	3.83%
5	York Endoscopy ^{1,10}	\$2,287	\$2,587	\$2,151	\$1,488	17.90%	\$1,722	\$1,637	\$1,489	\$1,057	20.96%
5	York Spine Center ^{1,10,11}	\$234	NA	NA	NA	NA	\$33	NA	NA	NA	NA
6	Angelina Theresa Bucci SC ^{1,10}	\$1,308	\$1,376	\$1,319	\$1,133	5.16%	\$1,123	\$1,180	\$1,087	\$898	8.34%
6	Center for Advanced Surg ^{1,2,4,10}	\$1,464	NA	NA	NA	NA	\$1,700	NA	NA	NA	NA
6	Center Same Day Surgery ^{1,10,13}	\$4,339	\$4,872	\$4,150	\$3,765	5.08%	\$3,185	\$3,454	\$3,281	\$3,175	0.10%
6	Eynon SC ^{1,10}	\$2,244	\$1,854	\$1,674	NA	NA	\$1,020	\$1,063	\$913	NA	NA
6	Geisinger Wyoming Vly Sur	\$5,043	\$4,561	\$1,999	\$1,571	73.65%	\$4,070	\$4,314	\$2,721	\$2,537	20.15%
6	Guthrie Clinic ⁷	\$3,418	\$3,168	\$3,161	\$3,033	4.22%	\$2,580	\$2,383	\$2,269	\$2,253	4.84%
6	Hazleton ASC ^{1,10,13}	\$1,514	\$1,612	\$1,643	\$1,724	-4.06%	\$1,243	\$1,601	\$1,607	\$1,604	-7.50%
6	Hazleton Endoscopy ^{1,10}	\$913	\$912	\$831	\$783	5.54%	\$914	\$914	\$833	\$788	5.37%
6	Kingston Ophthalmology ^{1,10}	\$4,323	\$4,423	\$4,143	\$4,185	1.10%	\$2,240	\$2,306	\$2,099	\$2,106	2.12%
6	Mountain Laurel SC ^{1,4,10}	\$1,225	NA	NA	NA	NA	\$818	NA	NA	NA	NA
6	NEI AS ^{1,10}	\$4,551	\$4,569	\$4,293	\$4,099	3.68%	\$3,899	\$3,813	\$3,513	\$3,192	7.38%
6	North East SC ^{1,10}	\$6,679	\$4,863	\$4,604	\$4,183	19.89%	\$4,916	\$4,452	\$4,155	\$3,942	8.24%
6	Northeast Regional SC ^{1,3,10}	\$5,122	\$3,647	\$3,873	\$2,032	50.68%	\$1,611	\$1,515	\$1,456	\$1,297	8.07%
6	Pocono ASC ^{1,10}	\$4,975	\$4,504	\$4,343	\$3,600	12.73%	\$3,685	\$3,622	\$3,321	\$3,016	7.39%
6	Renaissance Center ^{1,10}	\$661	\$564	NA	NA	NA	\$822	\$770	NA	NA	NA
6	Riverview ASC ^{1,10}	\$4,262	\$4,420	\$4,225	\$4,727	-3.29%	\$2,618	\$2,583	\$2,654	\$2,685	-0.83%
6	Scranton Endoscopy ^{1,10}	\$4,825	\$4,376	\$4,222	\$3,473	12.98%	\$1,664	\$1,548	\$1,276	\$3,376	-16.90%
6	Surgical Specialty NE PA ^{1,10}	\$3,444	\$3,512	\$3,438	\$3,388	0.55%	\$2,668	\$2,699	\$2,708	\$2,607	0.78%
7	Berks Ambulatory SC ^{1,10}	\$1,191	NA	NA	NA	NA	\$948	NA	NA	NA	NA
7	Berks Digestive Health ^{1,10,13}	\$5,590	\$4,941	\$5,162	\$4,236	10.66%	\$2,949	\$2,711	\$2,655	\$2,250	10.35%
7	Berks Urologic SC ¹⁰	\$2,859	\$3,078	\$3,232	\$957	66.29%	\$1,825	\$1,787	\$1,583	\$1,051	24.57%
7	Berkshire Eye SC ^{1,10}	\$2,754	\$2,543	\$2,640	\$3,106	-3.78%	\$1,682	\$1,786	\$1,690	\$1,854	-3.09%
7	Bethlehem Endoscopy ^{1,10}	\$2,072	\$2,005	\$1,827	\$1,735	6.48%	\$1,124	\$1,035	\$1,009	\$1,039	2.71%

See footnotes and map of regions on page 58.

Ambulatory Surgery Center	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07	Visits FY07
Statewide Average	24.60%	24.74%	22.34%	26.07%	3.08%	4,200
Mid-Atlantic Gastro Ctr ^{1,10}	46.07%	46.07%	35.22%	20.36%	0.03%	5,624
Mid-Atlantic Gastro II ^{1,10}	27.54%	27.54%	NA	24.58%	0.07%	1,655
Ophthalmology & Surgical ^{1,10}	31.14%	31.14%	NA	50.17%	1.11%	3,575
Ophthalmology SC ^{1,10,13}	18.74%	18.80%	10.86%	61.00%	1.00%	3,073
OSS Ambulatory SC ^{1,10}	39.91%	39.85%	NA	15.77%	1.61%	8,271
PA Eye SC ^{1,10}	25.62%	26.06%	37.84%	58.14%	0.95%	2,192
Penn Surgery Inst ^{10,13}	11.10%	9.27%	26.06%	17.00%	0.00%	836
Physicians SC ^{1,10}	40.85%	40.85%	NA	17.61%	3.04%	5,520
PRISM Center ^{1,3,7,10}	13.85%	13.85%	NA	13.15%	0.18%	2,048
SC Lancaster ^{1,10}	26.99%	27.25%	NA	41.85%	9.40%	6,376
SC York	7.43%	7.43%	7.54%	27.58%	6.30%	5,025
Summit SC ¹⁰	12.83%	13.01%	6.11%	31.55%	3.70%	4,126
Susquehanna Valley SC ^{1,10}	13.98%	14.38%	19.97%	18.55%	1.34%	11,353
Valley View SC ^{1,10}	0.18%	0.26%	3.33%	69.27%	0.00%	1,320
Wellspan Endoscopy Center	24.69%	24.69%	31.62%	19.22%	0.98%	2,423
West Shore Endoscopy ^{1,10}	38.56%	38.72%	38.37%	11.41%	0.65%	10,262
West Shore SC ^{1,10}	27.49%	27.87%	28.73%	24.95%	1.98%	9,570
York Endoscopy ^{1,10}	24.71%	24.76%	31.08%	24.82%	1.50%	6,709
York Spine Center ^{1,10,11}	85.92%	85.92%	NA	48.71%	0.00%	389
Angelina Theresa Bucci SC ^{1,10}	14.28%	14.28%	15.40%	48.08%	2.30%	1,573
Center for Advanced Surg ^{1,2,4,10}	-14.98%	-9.00%	NA	NR	NR	991
Center Same Day Surgery ^{1,10,13}	26.59%	27.39%	26.16%	7.62%	6.10%	4,017
Eynon SC ^{1,10}	60.56%	60.56%	54.59%	28.68%	2.80%	4,143
Geisinger Wyoming Vly Sur	19.29%	19.29%	4.29%	16.04%	6.23%	3,733
Guthrie Clinic ⁷	28.61%	28.61%	30.04%	29.52%	7.82%	6,237
Hazleton ASC ^{1,10,13}	17.91%	17.91%	6.69%	36.71%	1.29%	2,693
Hazleton Endoscopy ^{1,10}	-0.15%	-0.15%	-0.18%	25.95%	0.88%	2,112
Kingston Ophthalmology ^{1,10}	48.17%	48.06%	48.38%	58.59%	2.15%	4,979
Mountain Laurel SC ^{1,4,10}	33.24%	33.34%	NA	58.22%	0.00%	2,716
NEI AS ^{1,10}	14.52%	14.52%	16.49%	73.39%	2.93%	5,352
North East SC ^{1,10}	26.56%	26.56%	23.98%	12.31%	3.71%	7,557
Northeast Regional SC ^{1,3,10}	68.54%	68.61%	63.81%	34.92%	4.49%	5,994
Pocono ASC ^{1,10}	25.94%	26.10%	23.30%	27.75%	1.38%	6,136
Renaissance Center ^{1,10}	-24.25%	-24.25%	NA	9.32%	0.00%	272
Riverview ASC ^{1,10}	38.56%	38.79%	39.39%	19.27%	2.50%	6,410
Scranton Endoscopy ^{1,10}	65.51%	65.56%	66.59%	26.23%	0.00%	9,043
Surgical Specialty NE PA ^{1,10}	22.54%	22.54%	22.31%	20.75%	13.46%	4,231
Berks Ambulatory SC ^{1,10}	20.36%	20.36%	NA	0.78%	0.00%	569
Berks Digestive Health ^{1,10,13}	49.96%	50.09%	49.37%	30.71%	0.18%	10,543
Berks Urologic SC ¹⁰	36.70%	36.70%	43.64%	34.96%	0.00%	5,308
Berkshire Eye SC ^{1,10}	39.12%	39.12%	35.19%	75.79%	0.42%	3,080
Bethlehem Endoscopy ^{1,10}	45.77%	46.00%	46.45%	32.08%	0.96%	3,950

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 FY04-FY07	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
	Statewide Average	\$3,352	\$2,987	\$2,982	\$3,019	3.68%	\$2,547	\$2,387	\$2,387	\$2,474	0.99%
7	Center for Specialized ^{1,3,10,13}	\$4,846	NA	NA	NA	NA	\$3,265	NA	NA	NA	NA
7	College Heights Endoscopy ^{1,10}	\$4,693	\$3,944	\$3,650	\$3,317	13.83%	\$2,182	\$2,039	\$1,828	\$1,662	10.44%
7	Eastern PA Endoscopy ^{1,10}	\$4,402	\$4,317	\$4,003	\$3,789	5.39%	\$1,933	\$1,945	\$1,856	\$1,755	3.38%
7	Fairgrounds SC ^{1,10}	\$6,854	\$8,726	\$9,534	\$9,069	-8.14%	\$7,705	\$8,933	\$9,141	\$8,368	-2.64%
7	Keystone SC ^{1,10}	\$484	\$437	\$422	\$221	39.63%	\$453	\$443	\$412	\$350	9.81%
7	Mahoning Valley ASC ^{1,10}	\$1,068	\$1,270	\$1,232	\$1,332	-6.61%	\$648	\$705	\$730	\$654	-0.33%
7	PA Eye & Ear SC ¹⁰	\$3,942	\$3,600	\$3,864	\$2,479	19.67%	\$2,976	\$2,818	\$3,238	\$2,454	7.09%
7	Progressive Laser Surgi ^{1,3,10}	\$586	\$530	\$364	\$317	28.34%	\$546	\$577	\$559	\$510	2.32%
7	Progressive Surgical Inst ^{1,10,13}	\$1,462	\$1,513	\$1,420	\$1,283	4.63%	\$786	\$826	\$695	\$672	5.68%
7	Proserpi-Schlechter ^{1,3,10}	\$382	\$261	NR	\$835	-18.10%	\$396	\$267	NR	\$625	-12.23%
7	Reading ASC ^{1,10,13}	\$9,766	\$9,386	\$7,432	\$6,475	16.94%	\$4,566	\$4,516	\$4,219	\$3,688	7.94%
7	Reading Endoscopy Center ^{1,3,10,13}	\$1,553	\$1,423	\$420	NA	NA	\$868	\$1,136	\$731	NA	NA
7	Reading SC/Spring Ridge ^{1,10,13}	\$13,064	\$9,591	\$8,988	\$8,050	20.76%	\$9,558	\$9,402	\$8,431	\$7,995	6.51%
7	SC of Allentown ^{1,2,4,10,13,14}	\$8,080	NA	NA	NA	NA	\$5,900	NA	NA	NA	NA
7	Schuylkill Endoscopy ^{1,3,10}	\$3,407	\$3,257	\$2,858	\$1,317	52.88%	\$2,025	\$1,850	\$1,670	\$941	38.41%
7	Surgery Center Pottsville ^{1,3,10}	\$2,762	NA	NA	NA	NA	\$2,945	NA	NA	NA	NA
7	Twin Rivers Endoscopy ^{1,10}	\$2,355	\$1,564	\$1,198	\$943	49.92%	\$1,177	\$992	\$972	\$660	26.14%
7	Valley Eye SC ^{1,10}	\$3,833	\$2,174	NA	NA	NA	\$3,576	\$2,687	NA	NA	NA
7	Valley Surgical Center ^{1,3,10,14}	\$1,889	\$224	NA	NA	NA	\$1,035	\$215	NA	NA	NA
7	Westfield SC ^{1,10,13}	\$4,198	\$4,474	\$3,733	\$3,584	5.71%	\$3,225	\$3,047	\$2,841	\$2,671	6.91%
7	Wyomissing Hills SC ^{1,3,10,13}	\$381	\$234	NA	NA	NA	\$337	\$224	NA	NA	NA
7	Wyomissing Surgical Serv ^{1,10}	\$2,031	\$1,941	\$1,947	\$1,436	13.81%	\$1,230	\$1,240	\$1,160	\$1,278	-1.26%
8	Abington SC ^{10,13}	\$12,733	\$12,676	\$11,786	\$10,849	5.79%	\$10,583	\$10,163	\$9,139	\$8,200	9.69%
8	AFP SC ^{1,3,10}	\$1,429	\$505	\$2,685	\$3,133	-18.13%	\$1,381	\$507	\$2,661	\$2,980	-17.89%
8	Ambulatory Endo SC/Bucks ^{1,3,10}	\$1,826	\$1,609	\$1,478	\$1,075	23.29%	\$1,292	\$1,266	\$1,219	\$671	30.86%
8	ASC Bucks County ⁷	\$4,309	\$4,592	\$4,028	\$3,520	7.47%	\$2,853	\$2,776	\$2,754	\$3,297	-4.49%
8	Brandywine Vly Endoscopy ^{1,3,10,13}	\$1,071	\$148	NA	NA	NA	\$994	\$205	NA	NA	NA
8	Bucks County GI Endo SC ^{1,3,10}	\$2,298	\$302	NA	NA	NA	\$1,757	\$301	NA	NA	NA
8	Del Valley Ortho/Spine SC ^{1,10}	\$3,791	\$3,476	\$4,146	\$3,580	1.96%	\$3,131	\$2,923	\$3,393	\$2,827	3.59%
8	Delaware Valley Laser ^{1,10}	\$2,196	\$2,377	\$2,239	\$1,910	4.99%	\$1,684	\$1,769	\$1,606	\$1,467	4.94%
8	Dermatologic/Drexel Hill ^{1,10,13}	\$958	\$995	\$891	\$440	39.29%	\$861	\$1,049	\$903	\$614	13.41%
8	Einstein SC ⁷	\$4,889	\$4,187	\$3,940	\$3,602	11.91%	\$4,444	\$3,810	\$3,223	\$2,726	21.01%
8	Endoscopic Associates ^{1,10,13}	\$4,296	\$4,399	\$4,462	\$4,390	-0.71%	\$4,290	\$4,399	\$2,023	\$2,002	38.07%
8	Endoscopy Center ^{1,10,13}	\$2,371	\$2,601	\$2,306	\$1,711	12.87%	\$1,312	\$1,404	\$1,983	\$1,641	-6.69%
8	Endoscopy Center of Bucks ^{1,4,10,13}	\$2,679	NA	NA	NA	NA	\$1,456	NA	NA	NA	NA
8	Endoscopy Ctr at St. Mary ^{1,10,13}	\$3,526	NA	NA	NA	NA	\$2,236	NA	NA	NA	NA
8	Endoscopy/Delaware County ^{1,10}	\$689	\$840	\$601	\$573	6.77%	\$756	\$779	\$697	\$642	5.92%
8	Eye SC ^{1,3,10}	\$3,823	\$2,803	\$2,044	\$19,323	-26.74%	\$2,653	\$2,491	\$1,743	\$15,352	-27.57%
8	Eye SC Chester ^{1,10}	\$3,588	\$3,639	\$3,256	\$3,158	4.54%	\$2,425	\$2,192	\$2,129	\$1,792	11.78%
8	Foundation/Ft Washington ^{1,10,13}	\$2,439	\$1,614	\$1,863	\$2,015	7.00%	\$2,440	\$1,766	\$1,749	\$1,881	9.90%
8	Grand View Endoscopy Ctr. ^{2,4}	\$799	NA	NA	NA	NA	\$710	NA	NA	NA	NA
8	Holy Redeemer ASC ¹⁰	\$5,358	\$5,064	\$4,923	\$5,707	-2.04%	\$4,195	\$4,290	\$4,199	\$4,695	-3.55%

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

Ambulatory Surgery Center	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07	Visits FY07
Statewide Average	24.60%	24.74%	22.34%	26.07%	3.08%	4,200
Center for Specialized ^{1,3,10,13}	32.62%	32.63%	NA	24.61%	1.92%	3,926
College Heights Endoscopy ^{1,10}	53.50%	53.50%	50.77%	20.05%	0.30%	6,752
Eastern PA Endoscopy ^{1,10}	56.08%	56.23%	55.01%	23.87%	0.40%	5,887
Fairgrounds SC ^{1,10}	-12.43%	-12.14%	-2.43%	13.93%	1.01%	6,102
Keystone SC ^{1,10}	6.43%	6.43%	2.57%	10.78%	0.00%	318
Mahoning Valley ASC ^{1,10}	39.30%	39.54%	41.63%	68.56%	1.77%	2,258
PA Eye & Ear SC ¹⁰	24.49%	24.77%	20.93%	34.67%	1.17%	3,893
Progressive Laser Surgi ^{1,3,10}	6.84%	6.84%	-13.67%	32.58%	7.03%	777
Progressive Surgical Inst ^{1,10,13}	46.23%	46.54%	47.81%	52.60%	6.39%	2,437
Proserpi-Schlechter ^{1,3,10}	-3.70%	-3.70%	NR	0.00%	0.00%	176
Reading ASC ^{1,10,13}	53.26%	53.26%	49.98%	27.37%	0.52%	6,864
Reading Endoscopy Center ^{1,3,10,13}	44.11%	26.26%	9.46%	46.43%	0.73%	2,580
Reading SC/Spring Ridge ^{1,10,13}	26.84%	27.34%	13.73%	8.37%	2.58%	7,590
SC of Allentown ^{1,2,4,10,13,14}	26.99%	26.99%	NA	19.20%	3.47%	3,660
Schuylkill Endoscopy ^{1,3,10}	40.58%	40.59%	41.78%	33.73%	1.49%	10,601
Surgery Center Pottsville ^{1,3,10}	-6.61%	-6.61%	NA	29.68%	4.04%	3,772
Twin Rivers Endoscopy ^{1,10}	52.38%	52.55%	41.82%	27.17%	0.00%	4,931
Valley Eye SC ^{1,10}	6.71%	8.55%	NA	70.75%	1.78%	3,992
Valley Surgical Center ^{1,3,10,14}	45.22%	45.22%	NA	25.44%	0.00%	3,312
Westfield SC ^{1,10,13}	23.18%	23.75%	26.74%	21.12%	2.20%	4,656
Wyomissing Hills SC ^{1,3,10,13}	11.56%	11.56%	NA	12.37%	0.00%	97
Wyomissing Surgical Serv ^{1,10}	39.50%	39.77%	38.87%	31.27%	0.00%	2,447
Abington SC ^{10,13}	17.66%	17.66%	20.06%	18.76%	1.42%	18,795
AFP SC ^{1,3,10}	3.37%	3.37%	1.56%	10.94%	0.00%	2,272
Ambulatory Endo SC/Bucks ^{1,3,10}	29.26%	29.26%	23.14%	27.08%	1.97%	5,493
ASC Bucks County ⁷	33.79%	33.79%	35.16%	0.00%	6.24%	1,607
Brandywine Vly Endoscopy ^{1,3,10,13}	7.16%	7.16%	NA	7.35%	0.00%	2,058
Bucks County GI Endo SC ^{1,3,10}	23.51%	23.51%	NA	24.55%	6.71%	4,435
Del Valley Ortho/Spine SC ^{1,10}	17.41%	17.41%	17.22%	7.84%	9.17%	3,230
Delaware Valley Laser ^{1,10}	23.31%	23.31%	25.73%	40.32%	6.25%	2,374
Dermatologic/Drexel Hill ^{1,10,13}	10.17%	10.17%	1.11%	22.62%	0.00%	2,392
Einstein SC ⁷	14.60%	14.60%	16.32%	22.11%	15.90%	3,281
Endoscopic Associates ^{1,10,13}	0.14%	0.86%	19.00%	13.06%	0.00%	8,626
Endoscopy Center ^{1,10,13}	44.68%	44.68%	35.44%	22.55%	0.43%	4,589
Endoscopy Center of Bucks ^{1,4,10,13}	45.66%	45.74%	NA	22.77%	0.00%	5,284
Endoscopy Ctr at St. Mary ^{1,10,13}	36.60%	36.60%	NA	0.07%	0.15%	5,866
Endoscopy/Delaware County ^{1,10}	-9.66%	-9.46%	-4.56%	13.24%	0.00%	1,424
Eye SC ^{1,3,10}	30.62%	30.62%	20.58%	71.46%	0.14%	3,761
Eye SC Chester ^{1,10}	32.42%	32.69%	35.80%	62.32%	1.90%	3,608
Foundation/Ft Washington ^{1,10,13}	-0.03%	-0.03%	0.61%	3.41%	0.00%	1,352
Grand View Endoscopy Ctr. ^{2,4}	11.17%	11.17%	NA	16.28%	0.06%	729
Holy Redeemer ASC ¹⁰	21.70%	22.34%	17.67%	11.73%	0.00%	5,919

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 FY04-FY07	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
Statewide Average		\$3,352	\$2,987	\$2,982	\$3,019	3.68%	\$2,547	\$2,387	\$2,387	\$2,474	0.99%
8	Huntingdon Valley SC ^{1,10}	\$6,910	\$5,724	\$5,641	\$6,333	3.04%	\$4,825	\$4,641	\$3,551	\$4,162	5.31%
8	Keystone Kidney Center ^{1,3,10}	\$1,662	\$1,718	\$2,495	\$1,038	NA	\$967	\$959	\$1,260	\$727	NA
8	Kole Plastic SC ^{1,3,10}	\$94	\$116	\$24	NA	NA	\$94	\$117	\$23	NA	NA
8	Leonard Dzubow ASC ^{1,10}	\$687	\$794	\$527	\$252	57.41%	\$170	\$156	\$123	\$408	-19.40%
8	Liberty Eye SC ^{1,3,10}	\$3,207	\$3,612	\$4,272	\$1,249	NA	\$2,524	\$2,629	\$3,958	\$1,446	NA
8	Main Line Endoscopy/East ^{1,10}	\$3,810	\$3,520	\$3,123	\$2,815	11.79%	\$1,627	\$1,576	\$1,480	\$1,317	7.87%
8	Main Line Endoscopy/West ^{1,10}	\$4,990	\$3,681	\$3,328	\$3,312	16.90%	\$2,223	\$1,661	\$1,735	\$1,716	9.84%
8	Main Line SC ^{1,10}	\$5,194	\$5,233	\$4,581	\$4,670	3.74%	\$3,885	\$3,764	\$3,495	\$3,334	5.50%
8	Main Line Spine SC ^{1,10}	\$2,450	\$1,806	NA	NA	NA	\$1,363	\$1,124	NA	NA	NA
8	Manoa Diagnostic Center ^{1,10,13,14}	\$1,663	NR	NA	NA	NA	\$545	NR	NA	NA	NA
8	Montgomery SC ^{1,10}	\$2,470	\$2,294	\$2,055	\$2,071	6.42%	\$2,553	\$2,341	\$2,348	\$2,055	8.07%
8	Paoli SC ^{1,10,13}	\$4,894	\$4,379	\$4,162	\$4,113	6.34%	\$4,644	\$3,987	\$4,131	\$3,947	5.88%
8	Penn Medicine Radnor Endo ⁷	\$2,469	\$2,660	\$2,251	\$2,205	3.99%	\$2,881	\$2,517	\$2,333	\$2,131	11.75%
8	Phila Cosmetic Surgery ^{1,3,10}	\$1,050	\$853	\$868	\$793	NA	\$1,056	\$873	\$877	\$783	NA
8	Plaza SC ^{1,3,10,13}	\$297	\$309	\$192	\$241	NA	\$303	\$309	\$192	\$241	NA
8	Pottstown SC ^{1,10,13}	\$1,627	\$1,480	\$547	NA	NA	\$1,272	\$1,303	\$462	NA	NA
8	Sally Balin ASC ¹	\$603	\$603	\$634	\$701	-4.64%	\$639	\$596	\$653	\$700	-2.92%
8	SC Chester County ^{1,10,14}	\$2,361	\$3,147	\$2,333	\$2,475	-1.53%	\$2,089	\$2,769	\$2,083	\$2,178	-1.36%
8	SC Limerick ^{1,7,10,13}	\$4,890	\$4,264	\$3,474	\$4,328	4.33%	\$2,912	\$2,428	\$1,786	\$1,835	19.56%
8	SC of the Main Line ^{1,2,4,10}	\$770	NA	NA	NA	NA	\$1,714	NA	NA	NA	NA
8	SC Pennsylvania ^{1,10}	\$5,727	\$5,994	\$5,603	\$5,485	1.47%	\$5,283	\$5,260	\$5,084	\$4,489	5.90%
8	Springfield ASC ^{1,10}	\$4,228	\$4,365	\$4,247	\$4,078	1.23%	\$2,897	\$2,557	\$2,313	\$2,029	14.26%
8	Tri-County Eye Surgery ^{1,10}	\$2,840	\$2,310	NA	NA	NA	\$1,714	\$1,334	NA	NA	NA
8	Turk's Head SC ^{1,3,10}	\$3,519	\$3,292	\$1,045	NA	NA	\$3,979	\$3,750	\$1,996	NA	NA
8	Valley Forge SC ^{1,10}	\$635	\$62	\$191	NA	NA	\$574	\$49	\$28	NA	NA
8	Valley Pain Center ^{1,10,13}	\$2,690	\$2,256	\$2,265	\$1,310	35.12%	\$2,393	\$2,655	\$2,771	\$2,437	-0.59%
8	West Chester Endoscopy ^{1,10,13}	\$3,632	\$1,275	NA	NA	NA	\$1,757	\$1,411	NA	NA	NA
8	Wills Eye SC Plymouth Mtg ^{10,13}	\$4,163	\$3,999	\$3,930	\$3,437	7.04%	\$3,593	\$3,368	\$3,137	\$3,000	6.59%
8	Wills SC Bucks County ^{10,13}	\$3,593	\$3,760	\$3,619	\$3,508	0.80%	\$3,497	\$3,268	\$3,001	\$3,039	5.02%
9	CHOP ASC Exton ⁷	\$4,734	\$4,727	\$3,963	\$3,500	11.75%	\$2,613	\$2,503	\$2,389	\$2,731	-1.44%
9	Dermatologic/Philadelphia ^{1,10,13}	\$910	\$837	\$1,039	\$319	61.68%	\$751	\$861	\$1,044	\$424	25.67%
9	Drexel Centers	\$1,040	\$910	\$550	NA	NA	\$654	\$685	\$572	NA	NA
9	Gastrointestinal Spec ^{1,10}	\$2,372	\$2,130	\$1,612	\$1,544	17.90%	\$2,382	\$2,136	\$1,611	\$1,521	18.85%
9	HUP Reproductive Surgical ³	\$789	\$714	\$756	\$625	NA	\$673	\$701	\$509	\$604	NA
9	Mt. Airy AESC ^{1,10}	\$1,362	NA	NA	NA	NA	\$1,380	NA	NA	NA	NA
9	Philadelphia SC ^{10,13}	\$1,777	\$1,603	\$1,562	\$1,879	-1.81%	\$1,885	\$1,586	\$1,778	\$1,776	2.05%
9	Temple Univ/Podiatric ASC ^{3,7}	(\$30)	\$164	\$38	\$0	NA	\$307	\$277	\$224	\$193	19.49%
9	USVAC Ambulatory SC ^{1,2,4,10,13}	\$87	NA	NA	NA	NA	\$823	NA	NA	NA	NA
9	Washington Endoscopy ^{1,10}	\$5,190	\$4,079	\$3,236	\$3,010	24.13%	\$3,019	\$2,660	\$2,536	\$2,394	8.69%
9	Wills SC Northeast ^{10,13}	\$2,796	\$2,479	\$1,347	\$2,743	0.65%	\$2,959	\$2,704	\$2,225	\$2,647	3.92%
9	Wills SC/Phila Stadium ^{10,13}	\$4,605	\$3,820	\$3,388	\$2,178	37.15%	\$4,114	\$3,647	\$3,298	\$2,366	24.62%
9	Wills Surgical Ctr City ¹³	\$9,707	\$9,272	\$9,080	\$8,065	6.79%	\$9,574	\$8,914	\$8,112	\$7,822	7.47%

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

Ambulatory Surgery Center	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07	Visits FY07
Statewide Average	24.60%	24.74%	22.34%	26.07%	3.08%	4,200
Huntingdon Valley SC ^{1,10}	30.18%	30.18%	28.77%	11.27%	0.13%	6,325
Keystone Kidney Center ^{1,3,10}	41.83%	41.83%	45.77%	5.14%	1.40%	393
Kole Plastic SC ^{1,3,10}	0.68%	0.68%	0.32%	0.00%	0.00%	77
Leonard Dzubow ASC ^{1,10}	75.18%	75.18%	77.61%	22.70%	0.00%	1,384
Liberty Eye SC ^{1,3,10}	21.65%	22.12%	18.14%	60.01%	4.57%	3,072
Main Line Endoscopy/East ^{1,10}	57.29%	58.67%	56.92%	28.64%	NA	7,505
Main Line Endoscopy/West ^{1,10}	55.46%	56.60%	54.83%	20.76%	0.03%	9,544
Main Line SC ^{1,10}	25.21%	25.21%	26.52%	39.12%	1.74%	4,335
Main Line Spine SC ^{1,10}	44.35%	44.37%	NA	13.69%	0.00%	3,652
Manoa Diagnostic Center ^{1,10,13,14}	141.87%	141.76%	NA	NR	NR	NR
Montgomery SC ^{1,10}	-3.33%	-3.33%	-6.21%	68.12%	1.74%	1,941
Paoli SC ^{1,10,13}	5.91%	6.11%	5.70%	13.39%	0.23%	4,875
Penn Medicine Radnor Endo ⁷	-15.85%	-15.85%	-3.62%	21.52%	1.15%	2,811
Phila Cosmetic Surgery ^{1,3,10}	-0.63%	-0.47%	-1.12%	0.00%	0.00%	654
Plaza SC ^{1,3,10,13}	-2.05%	-2.05%	-0.76%	0.00%	0.00%	265
Pottstown SC ^{1,10,13}	21.84%	21.84%	16.85%	26.23%	0.00%	3,297
Sally Balin ASC ¹	-5.98%	-5.98%	-2.61%	47.29%	0.00%	913
SC Chester County ^{1,10,14}	11.55%	11.55%	11.52%	7.91%	0.03%	3,554
SC Limerick ^{1,7,10,13}	40.46%	40.46%	43.57%	22.28%	0.54%	4,403
SC of the Main Line ^{1,2,4,10}	-122.64%	-119.05%	NA	6.23%	0.00%	951
SC Pennsylvania ^{1,10}	7.75%	7.80%	9.84%	21.22%	0.01%	7,172
Springfield ASC ^{1,10}	31.49%	30.18%	39.31%	20.13%	0.16%	8,054
Tri-County Eye Surgery ^{1,10}	39.68%	39.74%	NA	66.58%	0.85%	2,676
Turk's Head SC ^{1,3,10}	-13.07%	-12.62%	-24.70%	11.18%	0.02%	4,173
Valley Forge SC ^{1,10}	9.62%	9.62%	28.68%	0.00%	0.00%	4,026
Valley Pain Center ^{1,10,13}	11.53%	11.59%	11.68%	10.00%	0.00%	3,394
West Chester Endoscopy ^{1,10,13}	51.63%	51.63%	NA	13.73%	0.81%	7,589
Wills Eye SC Plymouth Mtg ^{10,13}	14.62%	14.62%	17.00%	64.45%	2.02%	3,553
Wills SC Bucks County ^{10,13}	6.07%	6.07%	12.93%	62.00%	2.06%	2,873
CHOP ASC Exton ⁷	44.80%	44.80%	44.09%	0.00%	22.60%	1,793
Dermatologic/Philadelphia ^{1,10,13}	17.43%	17.43%	4.65%	10.55%	0.00%	2,016
Drexel Centers	37.06%	37.06%	23.51%	22.24%	7.51%	2,440
Gastrointestinal Spec ^{1,10}	-0.39%	-0.39%	-0.24%	23.61%	3.40%	4,831
HUP Reproductive Surgical ³	14.68%	14.68%	16.64%	0.00%	0.00%	406
Mt. Airy AESC ^{1,10}	-1.34%	-1.34%	NA	10.30%	0.00%	1,919
Philadelphia SC ^{10,13}	-0.25%	-0.25%	3.07%	9.30%	4.37%	5,354
Temple Univ/Podiatric ASC ^{3,7}	NA	NA	NA	NA	97.31%	36
USVAC Ambulatory SC ^{1,2,4,10,13}	-846.26%	-846.26%	NA	84.21%	0.00%	51
Washington Endoscopy ^{1,10}	41.93%	41.93%	34.42%	10.42%	4.23%	9,060
Wills SC Northeast ^{10,13}	-2.69%	-2.69%	-13.33%	44.55%	6.39%	3,357
Wills SC/Phila Stadium ^{10,13}	11.14%	11.14%	6.67%	34.07%	7.96%	5,754
Wills Surgical Ctr City ¹³	2.28%	2.28%	5.47%	43.51%	4.80%	6,910

See footnotes and map of regions on page 58.

Highlights

- The statewide average operating margin for the 21 rehabilitation hospitals fell for the second consecutive year. The statewide average operating margin fell a total of 3.2 points over the two-year period from 12.24% in FY05 to 9.06% in FY07. About half of the two-year decline occurred during FY07 when the statewide operating margin fell 1.7 points.
- The statewide total margin fell 2.3 points during FY07, from 12.80% in FY06 to 10.47% in FY07. The decline in the statewide total margin during FY07 was greater than the decline in the statewide operating margin largely because of a decrease in the non-operating income at the non-profit rehabilitation hospitals. Non-operating income at the non-profit hospitals is primarily comprised of investment gains and contributions.
- Despite the declines in the statewide operating and total margins, rehabilitation hospitals, as a group, still have the highest average margins among all of the other categories of hospitals (excluding ambulatory surgery centers).

Hospital-based Rehabilitation Care

During fiscal year 2007 (FY07), there were 21 freestanding rehabilitation hospitals that provided care to 47.9% of the patients admitted for hospital-based inpatient rehabilitation care. The remaining 52.1% of rehabilitation patients received care at the rehabilitation units operated as part of General Acute Care and speciality hospitals (GAC rehabilitation units). Sixty-six (66) of Pennsylvania's 170 GAC hospitals operated rehabilitation units in FY07.

While the rehabilitation hospitals treat fewer patients than the GAC rehabilitation units, the rehabilitation hospitals had a longer average length of stay (ALOS) and provided more patient days of care. The ALOS at rehabilitation hospitals was 15.3 days compared to 11.2 days at the GAC rehabilitation units. As a result, the rehabilitation hospitals provided 55.6% of the patient days of acute rehabilitation care during FY07 compared to 44.4% for the GAC rehabilitation units.

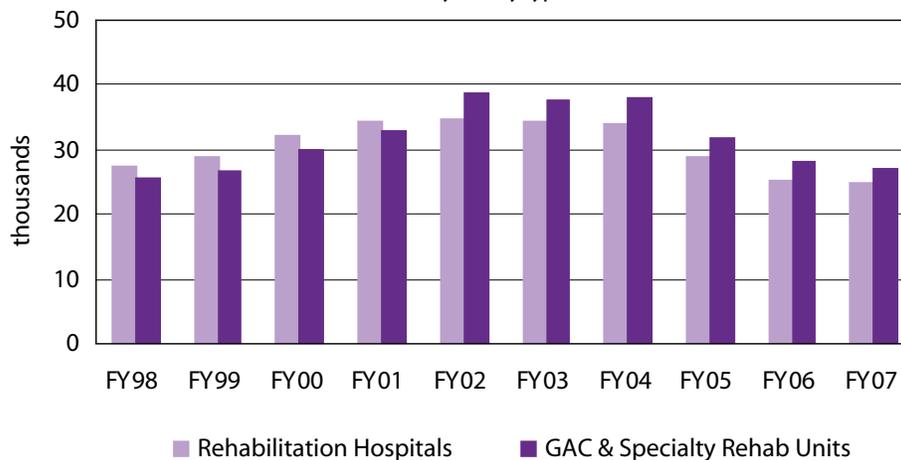
Trends in Hospital-based Rehabilitation Care

The number patients receiving care at both the rehabilitation hospitals and GAC rehabilitation units peaked during FY02. During the five years since FY02, discharges at the rehabilitation hospitals declined 27.7% or an average of 5.5% per year. The decline in discharges at the GAC rehabilitation units was somewhat greater, declining 30.0% over the five-year period for an annual average decline of 6.0%. Because the ALOS at the GAC rehabilitation units has increased 2.2 days since FY02, the 13.0% decline in the number of patient days over the five-year period was much less than 30.0% decline in discharges. The ALOS at the rehabilitation hospitals only increased 0.3 days over the five-year period so the 26.3% decline in patient days was

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

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Patient Days										
Rehabilitation Hospitals	481,339	497,761	529,817	530,434	516,620	485,098	474,804	434,219	389,451	380,964
GAC & Specialty Rehab Units	299,590	299,591	321,027	341,940	349,544	357,726	368,195	329,993	312,871	304,191
Statewide	780,929	797,352	850,844	872,374	866,164	842,824	842,999	764,212	702,322	685,155
Discharges										
Rehabilitation Hospitals	27,307	28,792	32,142	34,237	34,499	34,255	33,812	28,868	25,094	24,939
GAC & Specialty Rehab Units	25,561	26,718	30,101	32,845	38,684	37,713	37,899	31,577	27,942	27,097
Statewide	52,868	55,510	62,243	67,082	73,183	71,968	71,711	60,445	53,036	52,036
Beds										
Rehabilitation Hospitals	1,740	1,822	1,798	1,867	1,803	1,757	1,827	1,734	1,577	1,664
GAC & Specialty Rehab Units	1,244	1,241	1,318	1,373	1,429	1,478	1,543	1,391	1,411	1,306
Statewide	2,984	3,063	3,116	3,240	3,232	3,235	3,370	3,125	2,988	2,970
Occupancy Rate										
Rehabilitation Hospitals	76.10%	74.85%	80.51%	79.22%	78.55%	76.56%	72.29%	67.51%	67.66%	63.62%
GAC & Specialty Rehab Units	66.48%	66.44%	67.20%	67.97%	66.92%	66.25%	66.11%	63.71%	62.95%	63.57%
Statewide	72.09%	71.45%	74.91%	74.39%	73.40%	71.82%	69.46%	65.82%	65.48%	63.60%
Average Length of Stay										
Rehabilitation Hospitals	17.6	17.3	16.5	15.5	15.0	14.2	14.0	15.0	15.5	15.3
GAC & Specialty Rehab Units	11.7	11.2	10.7	10.4	9.0	9.5	9.7	10.5	11.2	11.2
Statewide	14.8	14.4	13.7	13.0	11.8	11.7	11.8	12.6	13.2	13.2

FIGURE R-1
Rehabilitation Discharges
 by Facility Type



relatively close to the 27.7% decline in discharges since FY02.

The decrease in statewide acute rehabilitation utilization during FY07 slowed considerably below the five-year trend. For example, discharges at the rehabilitation hospitals fell by only 0.6%,

well below the 5.5% five-year annual average between FY02 and FY07. Similarly, discharges at the GAC rehabilitation units declined 3.0%, half of the 6.0% annual average decline since FY02.

In concert with the decline in utilization, there was a net decline of 105 staffed beds (7.4%)

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

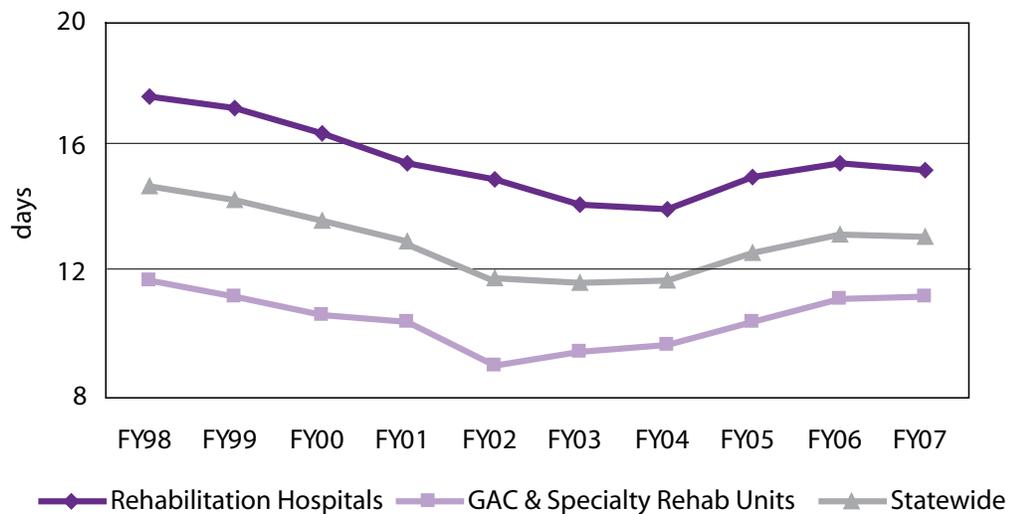
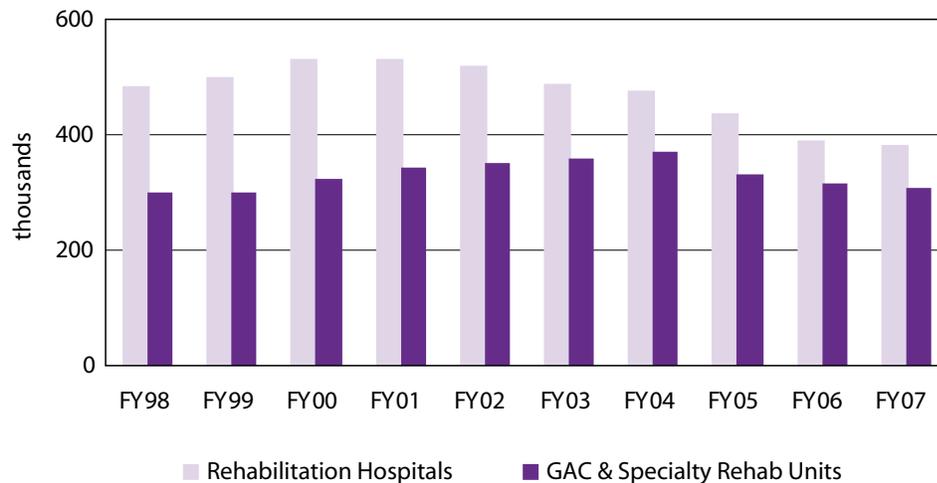


FIGURE R-3
Rehabilitation Patient Days
by Facility Type



at the GAC rehabilitation units. Alternatively, the addition of two new rehabilitation hospitals, Crichton Rehabilitation Center and Lancaster Rehabilitation Hospital, were primarily responsible for the net increase of 87 staffed beds (5.5%) at the rehabilitation hospitals.

A primary factor in the decline in the utilization of inpatient rehabilitation care is the Medicare “75% Rule.” In May 2004, the Centers for Medicare and Medicaid Services (CMS) published a final regulation which mandated 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 reimbursed at the lower general

PPS rates. Initially, the minimum threshold was being phased in annual increments from 50% for cost reporting years after July 2004 to 75% after July 2008. However, the federal Medicare, Medicaid and SCHIP Extension Act of 2007 limited the minimum threshold to 60% for three years from July 2007.

Rehabilitation hospitals serve a predominately elderly population. Figure R-5 reflects that 64.1% 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 rehabilitation hospitals are those most prevalent among elderly patients. For example, the four leading clinical classifications—osteoarthritis, stroke, hip fracture and late effects of stroke—represent the principal diagnoses for

TABLE R-2
Leading Inpatient Clinical Classifications[†] at Rehabilitation Hospitals, FY07
by Payor

Top Ten by Rank – All Payors	Percent	Commercial		Medicare		Medical Assistance	
		Rank	Percent	Rank	Percent	Rank	Percent
1 Osteoarthritis	12.58%	1	12.92%	1	13.36%	6	3.91%
2 Stroke	12.40%	2	11.93%	2	12.89%	4	8.44%
3 Hip fracture	6.32%	8	2.75%	3	8.19%	10	1.68%
4 Late effects of cerebrovascular disease	5.77%	5	5.17%	4	5.63%	2	9.61%
5 Brain injury	4.97%	3	9.16%	8	2.85%	3	8.99%
6 Other nervous system disorders	4.42%	6	4.35%	5	4.36%	5	5.53%
7 Paralysis	3.79%	4	7.42%	*	*	1	9.89%
8 Degenerate back disorders & problems	3.28%	10	2.25%	6	3.94%	*	*
9 Other fractures	3.20%	7	4.01%	7	3.19%	*	*
10 Other connective tissue disease	2.31%	*	*	10	2.33%	7	2.29%

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

* Not among the top ten diagnoses

TABLE R-3
Average Inpatient Age at Rehabilitation Hospitals, FY07
 by Payor

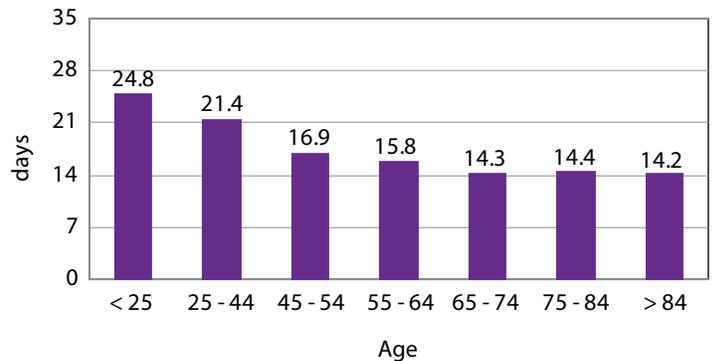
	Average Age
Commercial	51.67
Medicaid	41.34
Medicare	75.84
Other	63.97
Statewide	66.99

more than one-third (37.1%) of all patients admitted to Pennsylvania rehabilitation hospitals during FY07.

While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. Patients in the under-25 and the 25–44 year age groups had an ALOS of 24.8 and 21.4 days, respectively, during FY07. In contrast, patients in the 65–74 age group had an ALOS of 14.3 days.

Outpatient and home health care at rehabilitation hospitals generated about one-fifth (20.5%) or \$107.6 million of the \$524.3 million in total net patient revenue (NPR) reported by the rehabilitation hospitals for FY07. The Angela Jane Pavilion, the Children’s Seashore House of the Children’s Hospital of Philadelphia (CHOP), Crichton Rehabilitation Center, and the Lancaster Rehabilitation Hospital were the only four of the 21 rehabilitation hospitals that did not report any outpatient care. CHOP provides outpatient care at other affiliated hospitals.

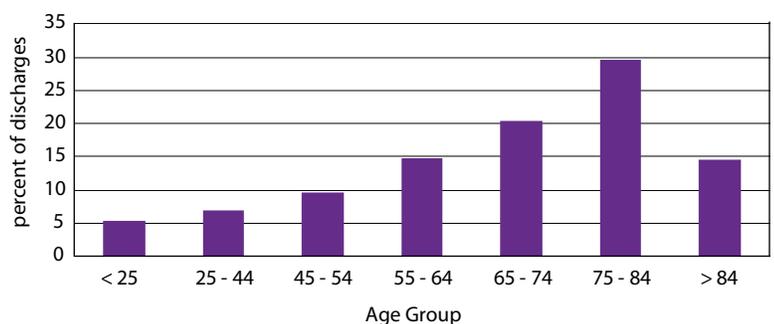
FIGURE R-4
Average Length of Stay at Rehabilitation Hospitals, FY07
 by Age Group



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 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 ALOS and average patient age presented in Table R-3 and Figure 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

FIGURE R-5
Age Distribution at Rehabilitation Hospitals, FY07



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 FY07 was 0.87. This indicates that the average hospital charge for Medicare patients was 13% below the average of all charges for rehabilitation hospital patients and suggests that the average cost to treat a Medicare patient was about 13% below the average. In comparison, the average revenue index for Medicare patients was 0.92, eight percent below the average revenue received for all patients at rehabilitation hospitals but five points above the charge index.

Patients covered by commercial insurance represent a broad spectrum of ages and reha-

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

	FY06	FY07	Percent Change FY06 to FY07
Commercial			
Indemnity	\$67,560	\$63,919	-5.39%
Managed Care	\$86,812	\$90,142	3.84%
Total	\$154,372	\$154,061	-0.20%
Medicare			
Indemnity	\$234,475	\$235,958	0.63%
Managed Care	\$24,543	\$40,568	65.29%
Total	\$259,018	\$276,526	6.76%
Medical Assistance			
Indemnity	\$26,743	\$23,509	-12.09%
Managed Care	\$21,199	\$22,467	5.98%
Total	\$47,942	\$45,977	-4.10%
Other	\$53,299	\$55,785	4.66%
Statewide	\$514,631	\$532,349	3.44%

TABLE R-5
Revenue per Discharge and Average Charge
at Rehabilitation Hospitals, FY07
by Payor

	Average Revenue Index	Average Revenue per Discharge	Average Charge Index	Average Charge per Discharge*
Commercial				
Indemnity	1.11	\$17,974	1.04	\$37,878
Managed Care	1.08	\$17,636	1.20	\$43,884
Medicare				
Indemnity	0.91	\$14,827	0.86	\$31,197
Managed Care	0.95	\$15,383	0.97	\$35,183
Medical Assistance				
Indemnity	1.06	\$17,217	1.47	\$53,442
Managed Care	1.22	\$19,822	1.35	\$49,321
Other	1.51	\$24,574	1.42	\$51,606
Statewide	1.00	\$16,265	1.00	\$36,452

* 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, FY07
 by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	24,253	42,705	56.79%	2,288	117	10.6
Angela Jane Rehab	12,817	17,885	71.66%	804	49	15.9
Bryn Mawr Rehab	47,789	54,020	88.47%	3,022	148	15.8
Children's Inst Pgh	11,705	17,520	66.81%	378	48	31.0
Children's Seashore House	4,601	6,570	70.03%	247	18	18.6
Crichton Rehab Center	9,021	14,235	63.37%	568	39	15.9
Geisinger HealthSouth	10,678	14,600	73.14%	760	40	14.1
Good Shepherd Rehab	18,415	29,930	61.53%	1,448	82	12.7
HealthSouth Altoona	20,889	25,550	81.76%	1,396	70	15.0
HealthSouth Erie	18,590	39,420	47.16%	1,214	108	15.3
HealthSouth Harmarville	42,501	73,730	57.64%	2,339	202	18.2
HealthSouth Mechanicsburg	16,155	30,295	53.33%	1,086	83	14.9
HealthSouth Nittany	14,106	31,025	45.47%	1,125	85	12.5
HealthSouth Reading	14,126	21,900	64.50%	934	60	15.1
HealthSouth Sewickley	7,319	16,060	45.57%	526	44	13.9
HealthSouth York	21,689	31,493	68.87%	1,568	90	13.8
John Heinz Rehab	23,048	34,310	67.18%	1,805	94	12.8
Lancaster Rehab Hospital	5,451	9,700	56.20%	322	50	16.9
Magee Rehab	28,235	35,040	80.58%	1,337	96	21.1
Moss Rehab	42,386	71,905	58.95%	2,356	197	18.0

bilitation treatment. Consequently, the average charge index of 1.12 was about 12% above the average charge for all patients at rehabilitation hospitals. However, the average revenue index was 1.09, three 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 charge and revenue indices are well above the all-patient averages. Younger patients

are more likely to be admitted for traumatic injuries, which typically have longer recovery periods, and younger patients are expected to achieve a higher level of functionality.

Financial Profile

Table R-7 reveals that the 7.1% increase in total operating expenses for the rehabilitation hospitals outpaced the 5.2% increase in operating revenue during FY07. As a result, the statewide average operating margin declined 1.66 points from 10.72% in FY06 to 9.06% in FY07. This

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

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Net Patient Revenue	\$472,229	\$483,241	\$512,735	\$541,437	\$556,241	\$562,271	\$575,035	\$549,165	\$514,631	\$532,349
Total Operating Revenue	\$496,329	\$511,850	\$533,894	\$567,296	\$606,514	\$596,907	\$606,827	\$583,200	\$547,486	\$575,710
Total Operating Expenses	\$476,127	\$485,720	\$495,548	\$532,164	\$548,682	\$524,222	\$540,481	\$511,814	\$488,781	\$523,559
Operating Income	\$20,201	\$26,130	\$38,346	\$35,132	\$57,831	\$72,685	\$66,346	\$71,386	\$58,705	\$52,150
Non-operating Income Adjustments *	\$22,525	\$24,056	\$27,956	(\$5,140)	(\$34,715)	(\$17,553)	\$1,174	\$4,728	\$14,252	\$9,993
Revenue over Expenses	\$42,726	\$50,186	\$66,302	\$29,992	\$23,117	\$55,132	\$67,520	\$76,114	\$72,956	\$62,143

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

1.66 point decline in FY07 follows a 1.52 point decline in the statewide operating margin in FY06 for a total two-year decline of 3.18 points.

While total discharges at the rehabilitation hospitals continued to fall during FY07, statewide operating revenue grew for the first time since FY04. Statewide operating revenue grew because rehabilitation hospitals reported higher average payments during FY07. The average revenue per discharges grew 5.7% from \$15,392 in FY06 to \$16,265 in FY07.

The leading contributors to the increase in operating revenue were the Medicare managed care plans. The average revenue per discharge grew 14.9% for Medicare managed care patients receiving inpatient care at rehabilitation hospitals in FY07. This increase in the average payment coupled with the 49.6% increase in Medicare managed care discharges was responsible for 86.8% of the net increase in total inpatient revenue and 83.6% of the net increase in total net patient revenue during FY07.

FIGURE R-6
Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY07
 by Payor

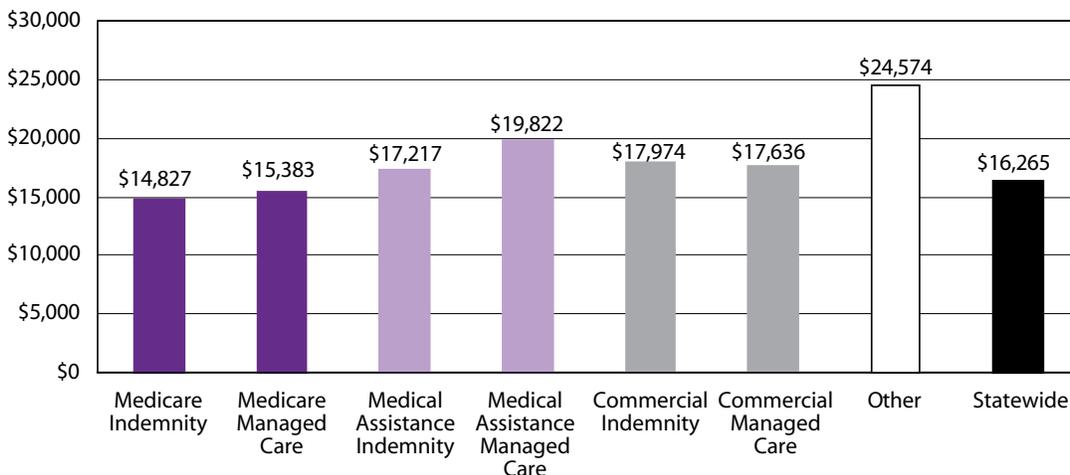


FIGURE R-7
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY07
 by Payor

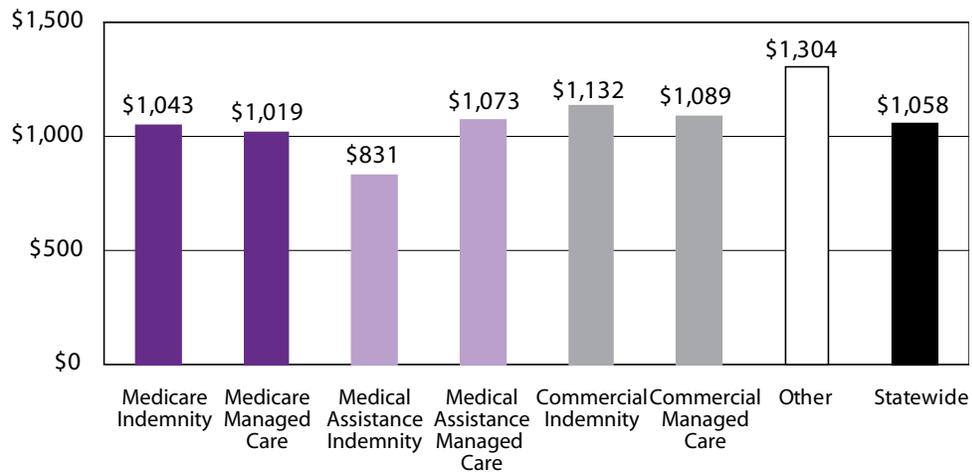
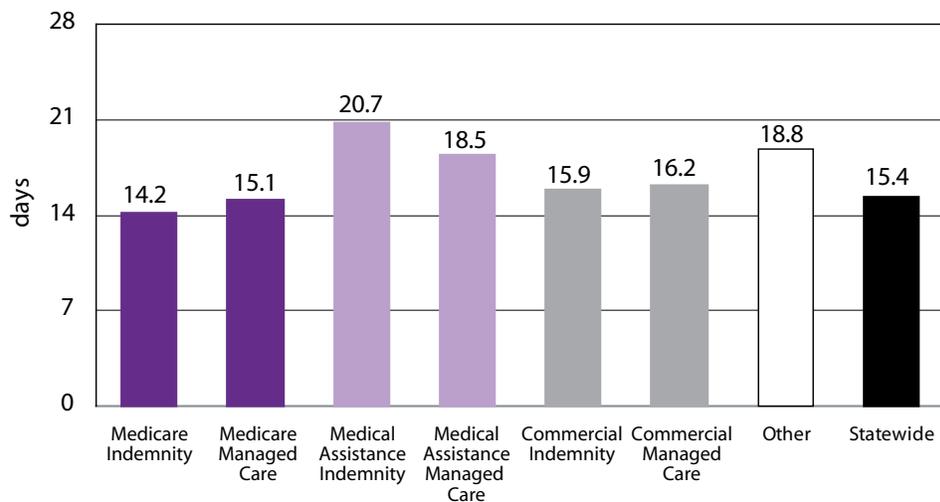


FIGURE R-8
Average Length of Stay at Rehabilitation Hospitals, FY07
 by Payor

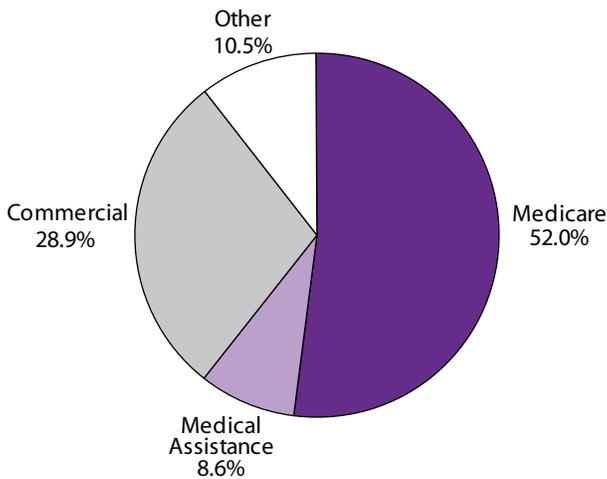


The statewide total margin fell 2.33 points during FY07, from 12.80% in FY06 to 10.47% in FY07. The decline in the statewide total margin during FY07 was greater than the decline in the statewide operating margin largely because of a decrease in the non-operating income at

the non-profit rehabilitation hospitals. Non-operating income at the non-profit hospitals is primarily comprised of investment gains and contributions.

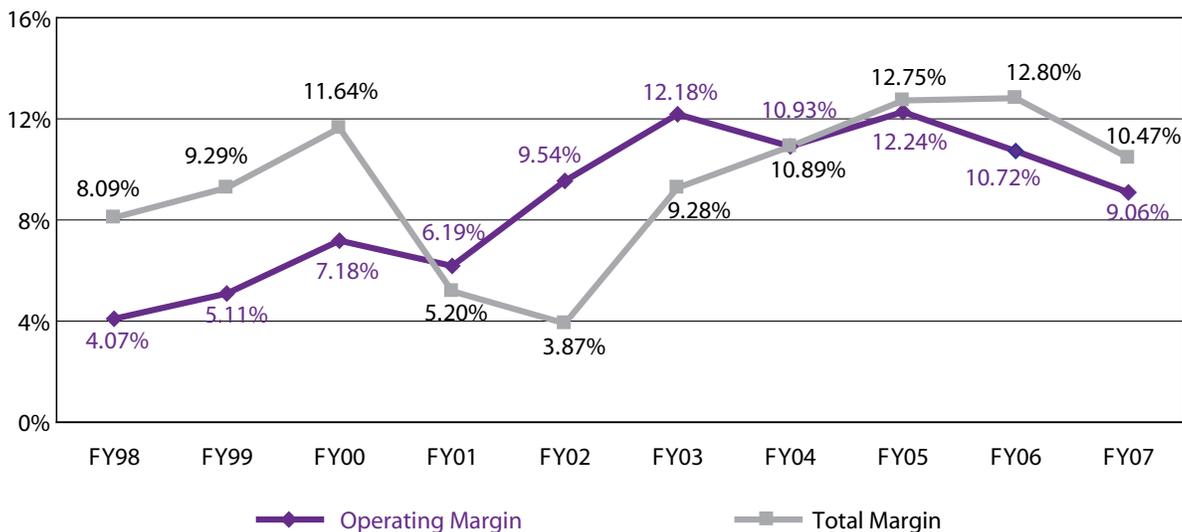
The 8.58% FY07 average operating margin for the nine non-profit rehabilitation hospitals

FIGURE R-9
Statewide Net Patient Revenue at Rehabilitation Hospitals, FY07



was 1.30 points below the 9.88% average operating margin for the 12 for-profit hospitals in FY07. Investment proceeds and other non-operating gains generally drove the average total margin at the non-profit rehabilitation hospitals 4.30 points above the average operating margin to 12.88%. Because for-profit hospitals are subject to income taxes, the 6.12% average total margin for the for-profit hospitals was 3.76 points below the average operating margins for the group. As a result, the average 12.88% total margin for the non-profit hospitals was 6.76 points higher than the 6.12% 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 NPR (millions)				3-yr Avg Change in NPR FY04-FY07	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
Statewide Average		\$25	\$27	\$26	\$27	-2.47%	\$25	\$26	\$24	\$26	-1.04%
Non-profit Rehabilitation Hospitals											
Statewide Average (non-profit)		\$36	\$39	\$33	\$33	2.74%	\$37	\$38	\$31	\$33	4.42%
6	Allied Services	\$37	\$38	\$38	\$36	0.57%	\$36	\$37	\$35	\$33	2.32%
8	Bryn Mawr Rehab ¹³	\$64	\$60	\$59	\$55	5.45%	\$49	\$48	\$44	\$44	3.83%
1	Children's Inst Pgh	\$17	\$15	\$14	\$13	9.08%	\$36	\$30	\$29	\$28	9.49%
9	Children's Seashore House ^{7,11}	\$9	\$11	\$10	\$27	-22.14%	\$9	\$8	\$9	\$29	-23.26%
3	Crichton Rehab Center ^{4,7}	\$8	NA	NA	NA	NA	\$8	NA	NA	NA	NA
7	Good Shepherd Rehab	\$41	\$41	\$36	\$38	3.46%	\$48	\$44	\$41	\$40	6.28%
6	John Heinz Rehab	\$31	\$32	\$32	\$32	-0.93%	\$31	\$32	\$30	\$29	2.52%
9	Magee Rehab	\$43	\$41	\$41	\$32	11.22%	\$56	\$44	\$42	\$37	17.22%
9	Moss Rehab ⁷	\$73	\$71	\$73	\$66	3.50%	\$60	\$57	\$56	\$54	3.80%
For-profit Rehabilitation Hospitals											
Statewide Average (for-profit)		\$17	\$19	\$20	\$22	-7.08%	\$16	\$17	\$18	\$19	-6.09%
9	Angela Jane Rehab ^{1,5,10,13}	\$8	\$8	\$8	\$8	1.21%	\$8	\$8	\$7	\$7	4.97%
4	Geisinger HealthSouth ^{1,10}	\$14	\$13	\$14	\$14	0.64%	\$14	\$13	\$11	\$11	9.01%
3	HealthSouth Altoona ^{1,10}	\$25	\$23	\$25	\$25	0.29%	\$23	\$22	\$24	\$17	11.00%
2	HealthSouth Erie ^{1,10}	\$20	\$23	\$24	\$24	-6.20%	\$19	\$22	\$23	\$24	-7.62%
1	HealthSouth Harmorville ^{1,5,10}	\$39	\$41	\$42	\$41	-1.81%	\$34	\$34	\$34	\$34	-0.06%
5	HealthSouth Mechanicsburg ^{1,10}	\$23	\$22	\$25	\$32	-9.45%	\$20	\$20	\$23	\$31	-12.07%
4	HealthSouth Nittany ^{1,10}	\$16	\$16	\$19	\$20	-6.35%	\$16	\$18	\$18	\$18	-4.37%
7	HealthSouth Reading ^{1,10}	\$17	\$17	\$20	\$23	-8.53%	\$15	\$14	\$17	\$18	-6.15%
1	HealthSouth Sewickley ^{1,10}	\$8	\$7	\$8	\$9	-4.40%	\$7	\$7	\$8	\$9	-6.99%
5	HealthSouth York ^{1,5,10}	\$25	\$26	\$25	\$33	-7.84%	\$22	\$23	\$24	\$29	-7.87%
5	Lancaster Rehab Hospital ^{1,2,4,10}	\$5	NA	NA	NA	NA	\$7	NA	NA	NA	NA

See footnotes and map of regions on page 58.

Rehabilitation Hospital	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Percent of Uncompensated Care FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07
Statewide Average	9.06%	10.47%	12.00%	1.22%	51.94%	8.64%
Non-profit Rehabilitation Hospitals						
Statewide Average (non-profit)	8.58%	12.88%	15.22%	1.24%	45.63%	11.11%
Allied Services	5.88%	7.94%	9.06%	0.50%	75.78%	2.73%
Bryn Mawr Rehab ¹³	26.79%	29.87%	28.87%	0.35%	48.19%	4.29%
Children's Inst Pgh	-17.19%	6.59%	13.86%	0.96%	9.07%	37.36%
Children's Seashore House ^{7,11}	5.06%	24.65%	38.57%	5.14%	0.23%	31.08%
Crichton Rehab Center ^{4,7}	11.19%	11.19%	NA	0.93%	72.97%	10.45%
Good Shepherd Rehab	-1.42%	-1.42%	0.21%	2.51%	45.31%	8.09%
John Heinz Rehab	0.79%	1.88%	3.70%	0.55%	69.75%	3.70%
Magee Rehab	1.17%	6.88%	8.21%	0.81%	30.83%	10.39%
Moss Rehab ⁷	19.62%	19.68%	22.02%	1.94%	37.90%	18.09%
For-profit Rehabilitation Hospitals						
Statewide Average (for-profit)	9.88%	6.12%	6.44%	1.19%	62.21%	4.62%
Angela Jane Rehab ^{1,5,10,13}	0.30%	-2.55%	2.81%	0.74%	63.84%	0.00%
Geisinger HealthSouth ^{1,10}	16.82%	14.30%	17.04%	1.98%	59.82%	2.55%
HealthSouth Altoona ^{1,10}	9.87%	5.78%	3.41%	1.32%	66.80%	3.98%
HealthSouth Erie ^{1,10}	5.40%	3.19%	4.36%	0.73%	74.96%	7.65%
HealthSouth Harmorville ^{1,5,10}	14.73%	8.62%	10.20%	1.34%	52.47%	6.18%
HealthSouth Mechanicsburg ^{1,10}	12.92%	7.56%	6.25%	0.84%	58.77%	1.97%
HealthSouth Nittany ^{1,10}	1.51%	0.89%	-1.10%	0.65%	64.82%	3.36%
HealthSouth Reading ^{1,10}	13.75%	8.05%	9.13%	2.42%	57.96%	12.84%
HealthSouth Sewickley ^{1,10}	5.73%	3.36%	2.97%	0.94%	72.86%	3.05%
HealthSouth York ^{1,5,10}	12.26%	7.18%	6.62%	0.68%	64.25%	0.98%
Lancaster Rehab Hospital ^{1,2,4,10}	-25.71%	-12.86%	NA	0.00%	64.70%	4.52%

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 17 psychiatric hospitals as a group have posted an increase in the statewide operating margin for the third consecutive year. The statewide operating margin grew another 0.4 point from 5.28% in FY06 to 5.69% in FY07. There was also a corresponding increase in the statewide total margin from 3.57% to 3.80%.
- While the operating margin for the 17 hospitals as a group has improved a total of 9.5 points over the past three years (FY04 – FY07), the financial performance of the individual hospitals has been quite diverse. For example, the average operating margin for the nine for-profit psychiatric hospitals was 9.99% in FY07. Alternatively, the average operating margin for the eight non-profit hospitals was just above the break-even point at 0.28%.
- The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW’s eight psychiatric hospitals (state hospitals) provided 31.6% of all patient days of psychiatric care during FY07. In addition, the Medical Assistance (MA) Program administered by DPW provided 58.8% of the net patient revenue received by the 17 psychiatric hospitals in Pennsylvania during FY07. About 27% 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 2007 (FY07), the eight state hospitals had a patient population of 1,848. The state psychiatric hospitals provide long-term inpatient care for individuals that require intensive treatment. Although the state hospitals provided 31.6% of statewide psychiatric patient days, they only discharged 1,443 patients during FY07, which is about 1.1% 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

FIGURE P-1
Psychiatric Patient Days, FY07
by Facility Type

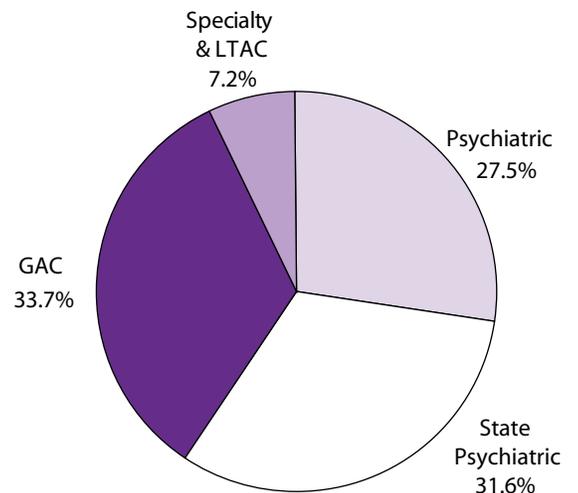


TABLE P-1
Utilization and Capacity of Psychiatric Care
 by Facility Type

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Patient Days										
Psychiatric	475,660	511,883	526,150	511,681	548,281	567,435	558,552	558,059	556,829	586,344
State Psychiatric	1,168,093	1,081,464	1,020,777	939,634	855,179	772,491	773,443	761,065	718,962	675,187
GAC	745,240	715,370	777,093	769,658	738,873	753,413	757,131	742,683	730,956	718,089
Specialty	93,665	102,204	124,811	141,783	139,380	145,703	149,446	155,908	137,494	124,008
LTAC	34,924	26,426	25,005	28,184	28,788	29,033	28,223	29,324	28,455	30,518
Statewide	2,517,582	2,437,347	2,473,836	2,390,940	2,310,501	2,268,075	2,266,795	2,247,039	2,172,696	2,134,146
Discharges										
Psychiatric	39,215	41,097	38,815	39,153	40,336	42,673	44,173	41,587	41,911	42,358
State Psychiatric	2,595	2,107	2,060	1,988	1,955	1,674	1,634	1,637	1,741	1,443
GAC	73,629	77,342	89,727	87,079	85,449	84,338	85,748	84,670	83,821	81,207
Specialty	5,323	5,324	6,705	10,142	9,381	9,396	9,430	9,886	8,075	7,983
LTAC	1,362	1,011	1,116	1,207	1,219	949	956	982	1,006	998
Statewide	122,124	126,881	138,423	139,569	138,340	139,030	141,941	138,762	136,554	133,989
Patient Population										
State Psychiatric	3,104	2,967	2,699	2,510	2,215	2,164	2,142	2,120	1,916	1,848
Beds										
Psychiatric	1,850	1,862	1,862	1,801	1,896	1,938	1,958	1,965	1,941	2,040
State Psychiatric	3,808	3,524	3,222	2,963	2,678	2,381	2,387	2,440	2,198	2,206
GAC	3,193	3,208	3,238	3,151	3,068	2,982	2,920	2,853	2,790	2,762
Specialty	372	389	463	531	524	531	550	558	545	455
LTAC	112	112	112	112	112	112	112	112	113	113
Statewide	9,335	9,095	8,897	8,558	8,278	7,944	7,927	7,928	7,587	7,576
Occupancy Rate										
Psychiatric	69.45%	76.25%	77.46%	78.51%	79.76%	79.76%	78.55%	80.98%	81.71%	79.02%
State Psychiatric	76.31%	83.55%	85.77%	86.07%	87.02%	88.67%	88.73%	85.07%	87.67%	83.85%
GAC	65.64%	61.45%	64.93%	66.35%	65.88%	69.71%	72.13%	73.32%	72.46%	72.69%
Specialty	68.33%	71.98%	73.52%	77.41%	72.85%	75.75%	75.92%	76.55%	69.12%	69.58%
LTAC	85.43%	64.64%	61.17%	68.94%	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%
Statewide	71.34%	73.58%	75.49%	76.45%	76.41%	78.30%	78.98%	79.09%	79.00%	77.47%
Statewide w/o State*	67.54%	67.18%	69.63%	71.29%	71.30%	73.84%	74.72%	76.34%	75.32%	74.84%
Average Length of Stay										
Psychiatric	12.1	12.5	13.6	13.1	13.6	13.3	12.6	13.4	13.3	13.8
State Psychiatric	450.1	513.3	495.5	472.7	437.4	461.5	473.3	464.9	413.0	467.9
GAC	10.1	9.2	8.7	8.8	8.6	8.9	8.8	8.8	8.7	8.8
Specialty	17.6	19.2	18.6	14.0	14.9	15.5	15.8	15.8	17.0	15.5
LTAC	25.6	26.1	22.4	23.4	23.6	30.6	29.5	29.9	28.3	30.6
Statewide	20.6	19.2	17.9	17.1	16.7	16.3	16.0	16.2	15.9	15.9
Statewide w/o State*	11.3	10.9	10.7	10.5	10.7	10.9	10.6	10.8	10.8	11.0

* Excludes state psychiatric hospitals

8.8 days during FY07. Fifty-six percent (56%) of the 170 GAC hospitals in Pennsylvania operated psychiatric units. These 95 GAC hospitals treated 60.6% of the patients admitted for inpatient psychiatric care and provided 33.7% of the total patient days of psychiatric care during FY07.

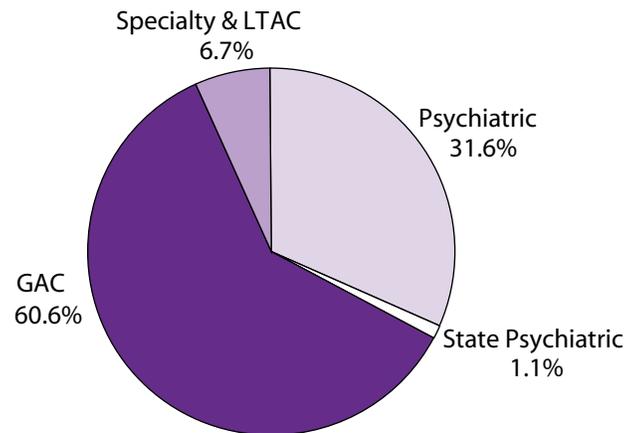
The 17 psychiatric hospitals accounted for 31.6% of patient discharges and provided 27.5% of the total days of psychiatric care in the Commonwealth during FY07. Excluding the long-term residential programs and non-psychiatric care, the ALOS at these psychiatric hospitals was 11.3 days.

Six of the psychiatric hospitals provided residential care and three 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 six residential programs was 34.0 days during FY07. The utilization and capacity of these programs are presented at the bottom of 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 6.4% of the psychiatric care provided at specialty hospitals. The remaining 93.6% of psychiatric care offered at specialty hospitals was provided by D&A programs at four hospitals. The 124,008 days of inpatient psychiatric care at specialty hospitals represented 5.8% of the patient days of statewide psychiatric care during FY07.

Five long-term acute care (LTAC) hospitals rendered 30,518 acute psychiatric patient days, or 1.4% of statewide inpatient psychiatric care during FY07. While this care represents only

FIGURE P-2
Psychiatric Discharges, FY07
by Facility Type



a small portion of inpatient psychiatric care in Pennsylvania, it represents 10.2% of the total patient days provided by all LTAC hospitals.

Trends in Hospital-based Psychiatric Care

Over the past nine years (FY98-FY07), total statewide patient days of psychiatric care provided at all five facility categories declined an average of about 1.7% per year. The 1.8% decline in patient days during FY07 was largely driven by reductions in utilization at the state psychiatric hospitals. The Pennsylvania Department of Public Welfare (DPW) continued its initiative to transition patients into community mental health programs where services are provided in a less restrictive level of care. DPW reports that the patient population at the state hospitals declined by 68 patients, from 1,916 in July 2006 to 1,848 in July 2007 and that the patient days of care fell by 6.1% or 43,775 days during FY07.

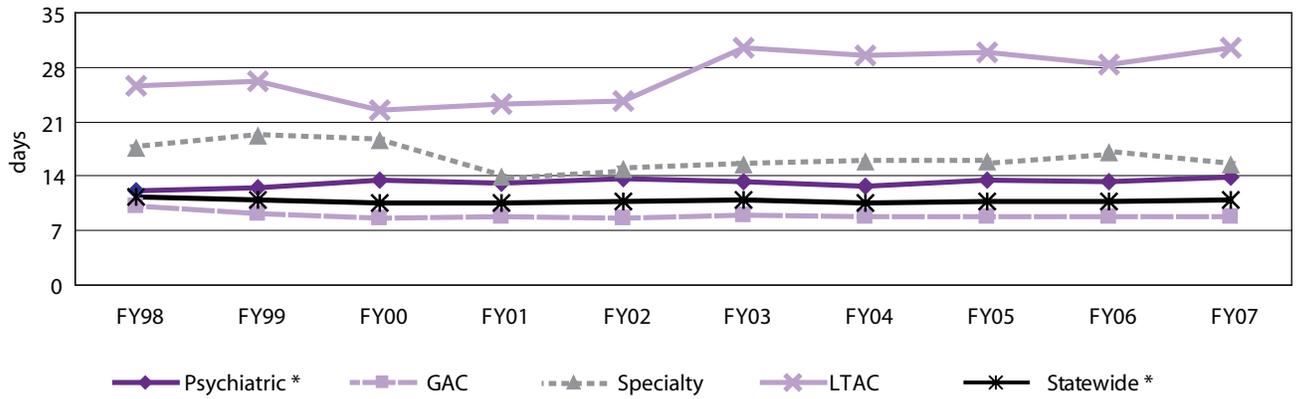
Despite the overall 1.8% decline in statewide

TABLE P-2
Utilization and Capacity, FY07
 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
All Hospital Services (including Residential and Drug & Alcohol Treatment)							
Belmont Center	47,284	53,655	88.13%	3,778	147	12.52	12.52
Brooke Glen Behavioral	40,926	53,290	76.80%	3,668	146	11.16	11.16
Clarion Psych	14,907	27,010	55.19%	1,845	74	8.08	8.08
Devereux Behavioral Hlth	8,327	12,045	69.13%	537	33	15.51	15.51
Fairmount Behavioral	61,930	65,700	94.26%	4,243	180	14.60	14.12
First Wyoming Valley	29,172	35,040	83.25%	2,869	96	10.17	10.17
Foundations Behavioral	21,715	37,230	58.33%	662	102	32.80	11.04
Friends	62,736	79,935	78.48%	5,132	219	12.22	10.90
Horsham Clinic	50,671	53,290	95.09%	4,730	146	10.71	10.71
KidsPeace	16,450	20,440	80.48%	1,188	56	13.85	13.85
Kirkbride Center	62,159	77,518	80.19%	4,045	212	15.37	8.77
Meadows Psych Center	28,275	36,865	76.70%	2,481	101	11.40	11.40
Montgomery Cty ES	26,085	29,565	88.23%	2,479	81	10.52	11.10
Philhaven	44,832	52,435	85.50%	1,942	151	23.09	13.78
Roxbury Treatment Center	20,949	28,470	73.58%	1,672	78	12.53	9.79
Southwood Psych	41,653	64,240	64.84%	1,027	176	40.56	7.19
St John Vianney	8,273	15,330	53.97%	60	42	137.88	3.00
Residential and Drug & Alcohol Treatment							
Fairmount Behavioral	13,154	14,600	90.10%	789	40	16.67	NA
Foundations Behavioral	15,068	17,520	86.00%	60	48	251.13	NA
Friends	6,799	9,855	68.99%	1	27	NA	NA
Kirkbride Center	44,794	51,238	87.42%	2,064	140	21.70	NA
Montgomery Cty ES	2,192	2,920	75.07%	326	8	6.72	NA
Philhaven	19,580	21,900	89.41%	110	60	178.00	NA
Roxbury Treatment Center	16,043	18,980	84.53%	1,171	52	13.70	NA
Southwood Psych	35,416	51,465	68.82%	159	141	222.74	NA
St John Vianney	8,267	14,600	56.62%	58	40	142.53	NA

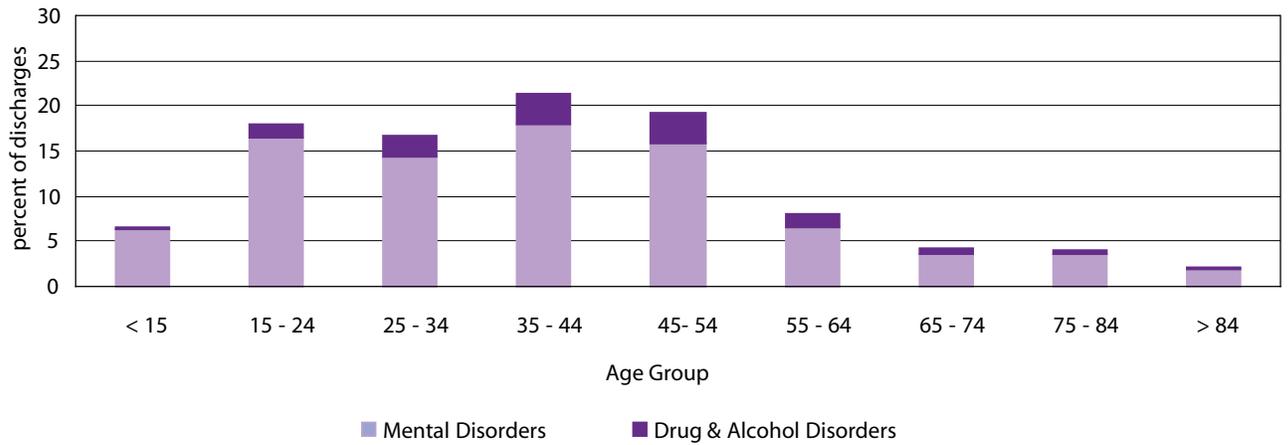
NA - Not Applicable

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



* Excludes state psychiatric hospitals

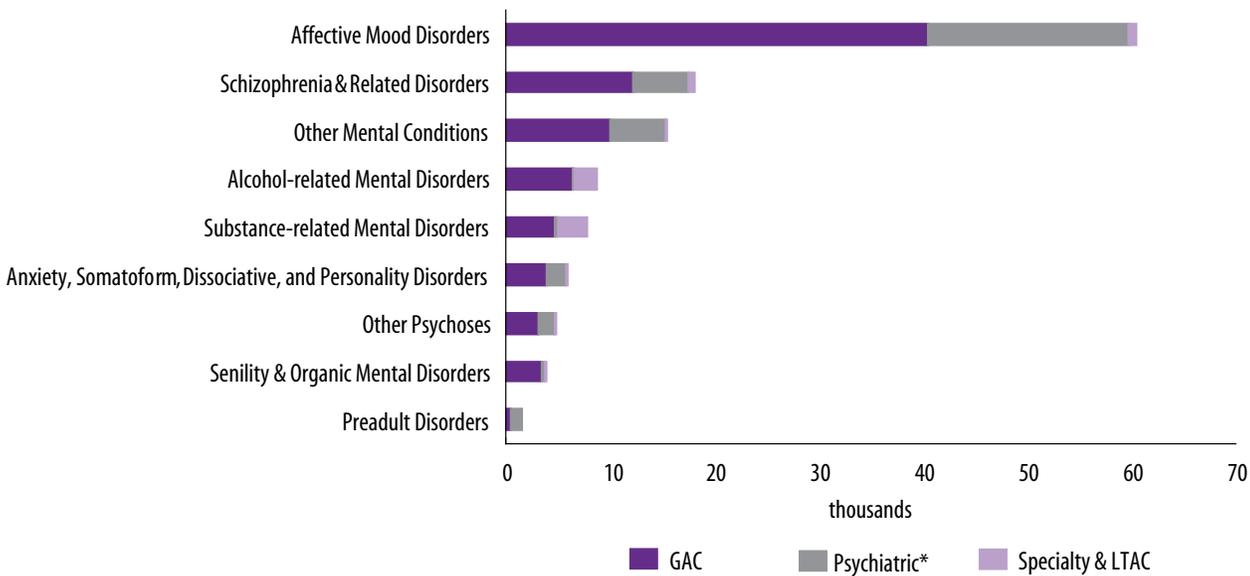
FIGURE P-4
Age Distribution of Inpatient Psychiatric Patients*, FY07



Mental disorders include all patients whose principal diagnoses were grouped into MDC19, and drug and alcohol disorders include patients grouped into MDC 20.

* Excludes state psychiatric hospitals

**FIGURE P-5
Psychiatric Discharges by Clinical Classification[†], FY07**



[†] 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

psychiatric patient days provided in all facility categories, there was a 5.3% increase in the total patient days reported by the psychiatric hospitals. Because the 5.3% increase in patient days was greater than the 1.1% increase in discharges, there was a half-day increase in the average length stay from 13.3 days to 13.8 days at psychiatric hospitals.

Most of the increase in utilization and staffed beds in the psychiatric hospital category was the result of Roxbury Treatment Center's recent licensure as an inpatient psychiatric hospital. Excluding the addition of Roxbury, statewide psychiatric hospital discharges fell by 1,225 discharges or 2.9% while total patient days increased by 8,566 days or 1.5%.

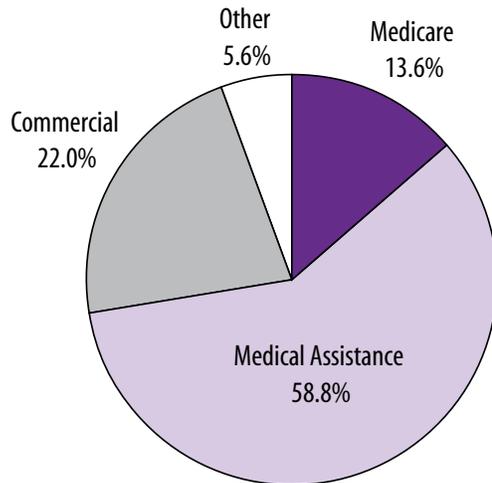
The GAC psychiatric units reported a decline in total patient days and discharges for the third

consecutive year. Total patient days for the GAC psychiatric units declined 1.8% or 12,867 days and discharges fell 3.1% or by 2,614 discharges during FY07.

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 31.4 years compared to a mean age of 52.4 years for all inpatients at GAC hospitals, 67.1 years at rehabilitation hospitals and 69.0 years at long-term acute care hospitals.

The distribution of discharges by clinical classification at all hospitals providing psychiatric care in Pennsylvania (except the state hospitals) during FY07 is shown in Figure P-5. The leading principal diagnosis for a psychiatric patient admitted for inpatient psychiatric care was affective mood

FIGURE P-6
Statewide Net Patient Revenue at Psychiatric Hospitals*, FY07
 by Payor



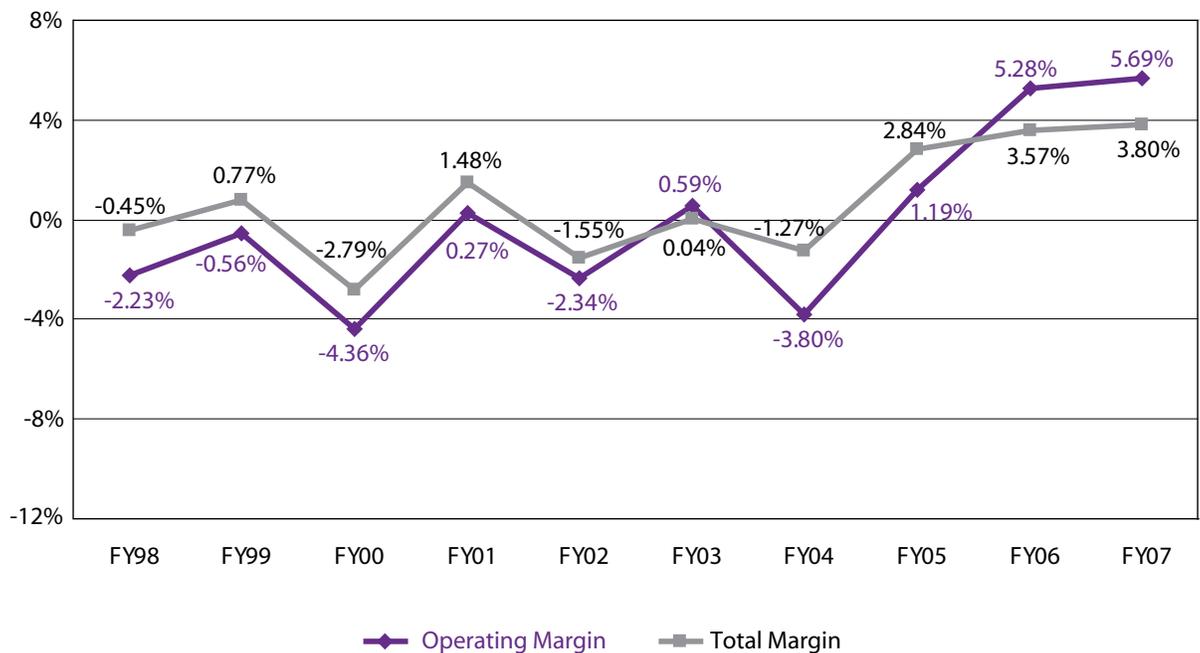
* Excludes state psychiatric hospitals

disorders. Patients diagnosed with affective mood disorders comprised 54.4% of psychiatric admissions to the psychiatric hospitals and 47.7% of admissions to GAC psychiatric units.

Financial Profile

The Commonwealth, through DPW, is the largest provider of psychiatric care. DPW's eight state hospitals provided 31.6% of all patient days of psychiatric care during FY07. In addition, the Medical Assistance (MA) Program administered by DPW provided 58.8% of the net patient revenue received by the 17 psychiatric hospitals in Pennsylvania during FY07. MA participants also comprised 28.6% of all patients receiving inpatient psychiatric care at GAC hospitals. DPW also sponsors psychiatric care in a variety of other settings.

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



* Excludes state psychiatric hospitals

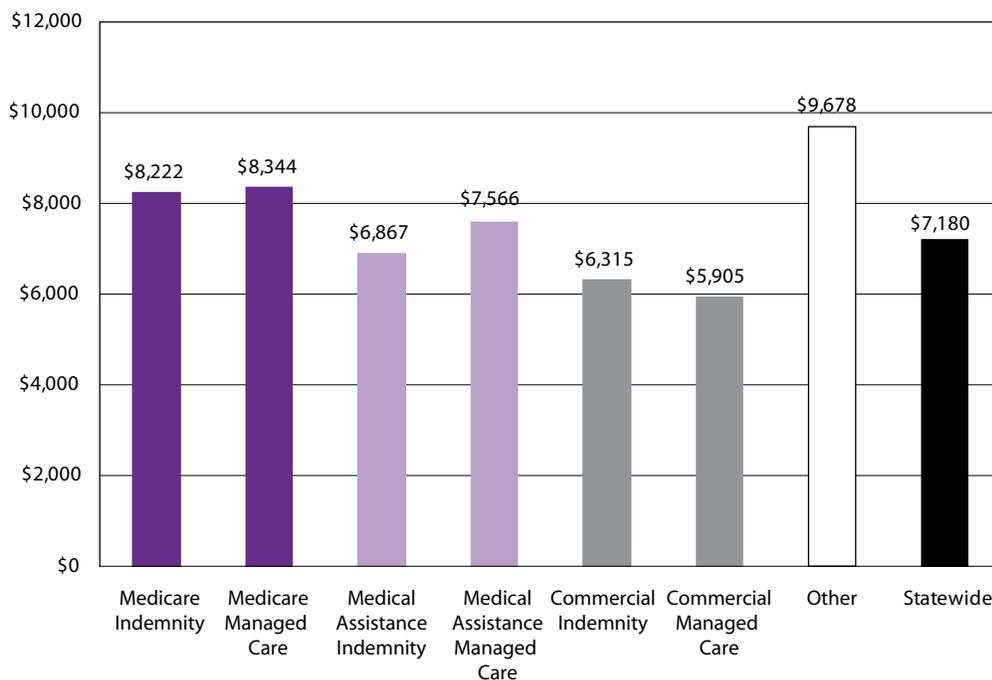
The Commonwealth directly underwrites 81.9% of the cost of the care provided at the eight state psychiatric hospitals. Of the remaining 18.1% of total expenses covered by third-party payors, patients and other sources; 10.2% are covered by MA, 5.1% by Medicare, and about 2.7% are covered by private insurance, individuals and other sources.

Prior to FY05, the psychiatric hospitals as a group experienced a long history of negative or very small positive statewide average operating margins. However, during the two-year period FY05 and FY06, the 17 psychiatric hospitals experienced a dramatic 9.1-point improvement in their combined operating income. The statewide operating margin increased 5.0 points during FY05 and an additional 4.1-point gain 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 operating during FY05 and FY06 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.

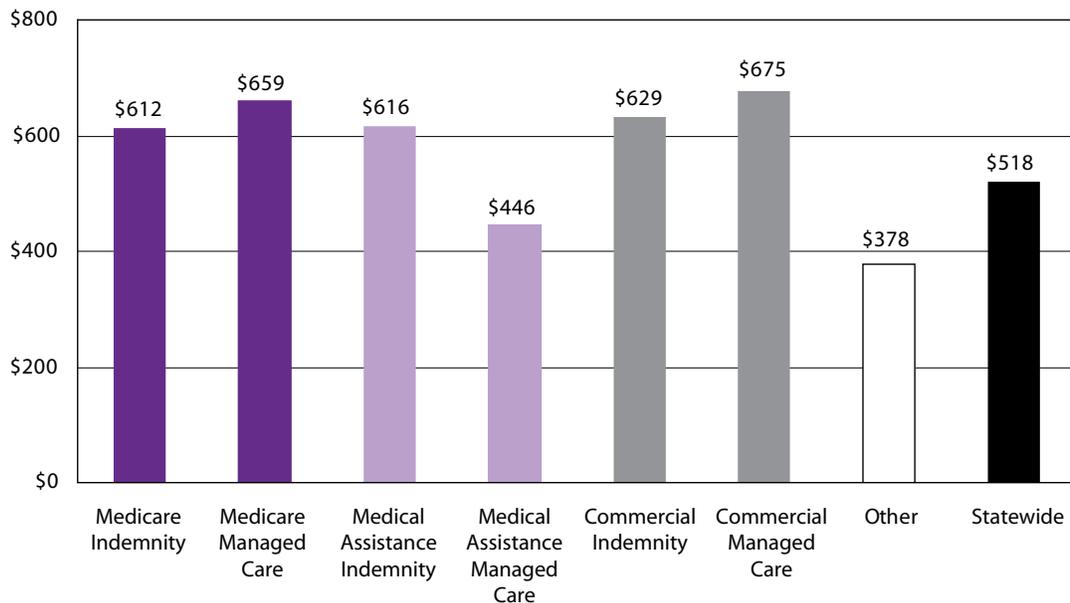
While not as large as the increases in FY05 and FY06, the statewide operating margin at psychiatric hospitals increased another 0.41 points during FY07, from 5.28% in FY06 to 5.69% in FY07. The statewide operating margin continued

FIGURE P-8
Average Net Inpatient Revenue per Discharge at Psychiatric Hospitals*, FY07
 by Payor



* Excludes state psychiatric hospitals

FIGURE P-9
Average Net Inpatient Revenue per Day at Psychiatric Hospitals*, FY07
 by Payor



* Excludes state psychiatric hospitals

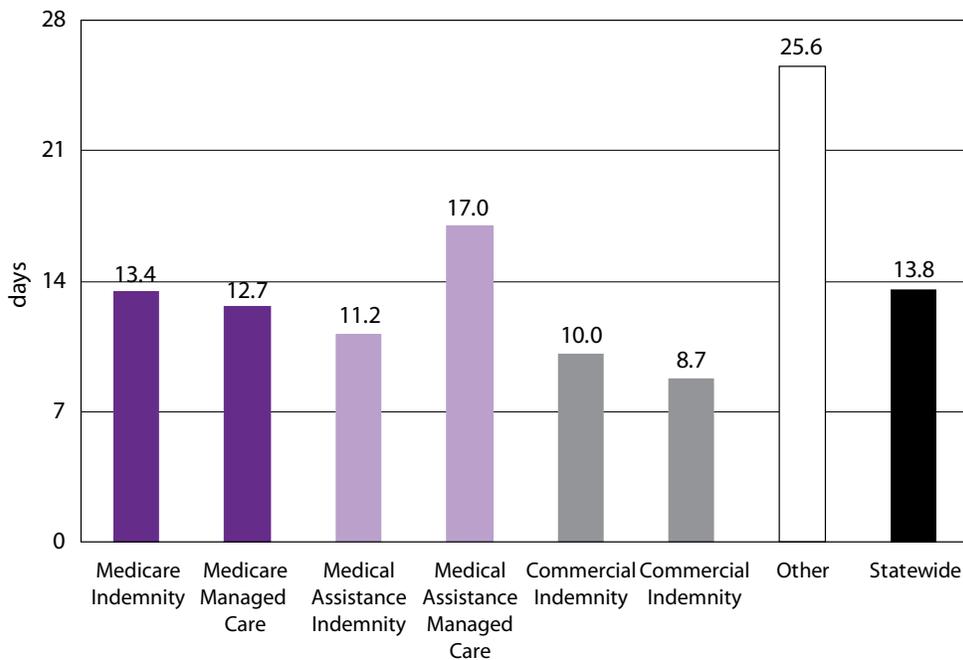
to grow because as a group the growth in operating revenue outpaced the increase in operating expenses. Statewide operating revenue increased 7.6% during FY07 while expenses rose 7.1%.

The disparity in the average operating and total margins between the for-profit and non-profit psychiatric hospitals continued in FY07. The nine for-profit hospitals posted an average operating margin of 9.99% compared to 0.28% for the eight non-profit hospitals. Since the for-profit hospitals are subject to income taxes, the statewide average total margin for the for-profit facilities fell to 5.96%. For a few of the non-profit psychiatric hospitals, non-operating income from investment gains and contributions resulted in total margins above their operating margins. As a result, the average total margin for the non-

profit hospitals was 1.11% or 0.83 points above the average operating margin of 0.28%.

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 the rehabilitation and LTAC hospitals where Medicare is the predominate payor, psychiatric hospitals in Pennsylvania reported receiving only 10.1% of their total FY07

FIGURE P-10
Average Length of Stay at Psychiatric Hospitals*, FY07
 by Payor



* Excludes state psychiatric hospitals

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 were not 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, \$615 after July 1, 2007 and \$638 after July 1, 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.

The average Medicare indemnity payments of \$612 per day reported by Pennsylvania's psychiatric hospitals for FY07 fell in between the base rate of \$595 for care after July 1, 2006 and the \$615 rate for care after July 1, 2007. Hospitals reporting on a July 2006 to June 2007 fiscal year would subject to a base rate of \$595 for the entire year and hospitals reporting on a calendar year 2007 basis would be subject to a base rate of \$595 for the first six months and \$615 for the second six months. In addition to the patient and facility adjustments, the average Medicare indemnity payments received by Pennsylvania hospitals was also affected by each facility's former cost-based rates which did not completely phase out until July 2008.

Region	Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY04-FY07	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
Statewide Average		\$21	\$21	\$19	\$17	7.19%	\$20	\$20	\$19	\$19	3.06%
Non-profit Psychiatric Hospitals											
Statewide Average (non-profit)		\$19	\$18	\$17	\$17	5.46%	\$20	\$19	\$18	\$17	5.89%
9	Belmont Center	\$34	\$34	\$32	\$31	3.36%	\$36	\$34	\$33	\$32	4.65%
8	Devereux Behavioral Hlth ^{7,13}	\$4	\$3	\$3	\$3	24.75%	\$5	\$4	\$4	\$3	26.33%
6	First Wyoming Valley ⁷	\$16	\$14	\$14	\$14	5.26%	\$16	\$14	\$14	\$12	10.27%
8	Foundations Behavioral	\$17	\$18	\$16	\$16	3.40%	\$18	\$18	\$17	\$17	1.96%
7	KidsPeace ^{1,13}	\$18	\$18	\$16	\$16	3.14%	\$20	\$19	\$18	\$18	2.80%
8	Montgomery Cty ES ^{5,13}	\$15	\$15	\$14	\$14	3.21%	\$16	\$16	\$15	\$14	2.63%
5	Philhaven ⁵	\$46	\$42	\$37	\$36	9.20%	\$47	\$43	\$40	\$38	8.63%
8	St John Vianney ⁵	\$3	\$3	\$3	\$3	1.05%	\$4	\$4	\$3	\$3	5.65%
For-profit Psychiatric Hospitals											
Statewide Average (for-profit)		\$22	\$23	\$20	\$18	8.63%	\$20	\$21	\$20	\$20	0.88%
8	Brooke Glen Behavioral ^{1,10}	\$27	\$22	\$18	\$9	NA	\$23	\$19	\$17	\$16	NA
2	Clarion Psych ^{1,10}	\$11	\$11	\$11	\$11	-0.43%	\$7	\$7	\$7	\$7	2.16%
9	Fairmount Behavioral ^{1,5,10}	\$33	\$30	\$28	\$25	11.94%	\$28	\$27	\$27	\$26	2.31%
9	Friends ^{1,5,10}	\$39	\$37	\$37	\$36	3.29%	\$39	\$37	\$42	\$41	-1.60%
8	Horsham Clinic ^{1,10}	\$33	\$32	\$29	\$29	4.64%	\$32	\$31	\$31	\$32	-0.22%
9	Kirkbride Center ^{5,10}	\$21	\$23	\$20	\$15	13.15%	\$18	\$20	\$19	\$19	-1.04%
4	Meadows Psych Center ^{1,10}	\$16	\$14	\$14	\$13	7.76%	\$13	\$13	\$11	\$11	5.48%
5	Roxbury Treatment Center ^{1,4,5,10}	\$8	NA	NA	NA	NA	\$7	NA	NA	NA	NA
1	Southwood Psych ^{1,5,10}	\$15	\$13	\$13	\$13	4.88%	\$16	\$14	\$13	\$12	9.11%

Region	State Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY04-FY07	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
Statewide Average		\$9	\$8	\$8	\$8	3.11%	\$51	\$46	\$46	\$45	4.24%
7	Allentown State	\$7	\$6	\$5	\$6	2.17%	\$38	\$37	\$33	\$33	4.86%
6	Clark Summit State	\$8	\$8	\$8	\$8	1.43%	\$47	\$44	\$42	\$39	6.69%
4	Danville State	\$8	\$6	\$6	\$6	11.54%	\$35	\$35	\$30	\$28	7.66%
1	Mayview State	\$10	\$10	\$9	\$9	2.88%	\$67	\$69	\$67	\$66	0.54%
8	Norristown State	\$11	\$11	\$11	\$11	-1.02%	\$85	\$85	\$80	\$77	3.40%
1	Torrance State	\$8	\$8	\$7	\$8	1.37%	\$44	\$42	\$42	\$41	2.27%
2	Warren State	\$8	\$7	\$8	\$8	-3.22%	\$45	\$42	\$40	\$40	4.21%
7	Wernersville State	\$12	\$11	\$9	\$9	9.21%	\$45	\$44	\$36	\$35	9.47%

See footnotes and map of regions on page 58.

Psychiatric Hospital	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Percent of Uncompensated Care FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07
Statewide Average	5.69%	3.80%	3.42%	1.80%	13.58%	58.83%
Non-profit Psychiatric Hospitals						
Statewide Average (non-profit)	0.28%	1.11%	0.34%	1.73%	13.70%	55.64%
Belmont Center	1.43%	1.44%	3.18%	1.30%	24.59%	50.23%
Devereux Behavioral Hlth ^{7,13}	3.85%	3.85%	-9.19%	6.83%	0.00%	83.32%
First Wyoming Valley ⁷	9.00%	9.00%	5.41%	1.14%	26.39%	30.83%
Foundations Behavioral	-2.40%	2.02%	1.09%	1.15%	0.12%	78.17%
KidsPeace ^{1,13}	-11.23%	-11.23%	-8.23%	0.33%	0.00%	74.56%
Montgomery Cty ES ^{5,13}	1.27%	2.39%	2.05%	5.49%	15.19%	54.43%
Philhaven ⁵	1.90%	1.87%	-0.16%	1.38%	13.11%	54.31%
St John Vianney ⁵	-14.59%	-2.94%	-2.78%	0.00%	0.00%	0.00%
For-profit Psychiatric Hospitals						
Statewide Average (for-profit)	9.99%	5.96%	5.82%	1.85%	13.49%	61.28%
Brooke Glen Behavioral ^{1,10}	12.15%	7.41%	6.53%	3.21%	17.13%	56.67%
Clarion Psych ^{1,10}	35.77%	18.93%	19.38%	1.11%	10.21%	67.73%
Fairmount Behavioral ^{1,5,10}	11.59%	5.99%	4.53%	0.22%	11.50%	70.01%
Friends ^{1,5,10}	2.01%	1.40%	0.80%	2.81%	23.93%	50.77%
Horsham Clinic ^{1,10}	5.09%	2.71%	1.44%	2.06%	13.69%	55.18%
Kirkbride Center ^{5,10}	13.08%	13.08%	11.71%	2.44%	5.42%	86.13%
Meadows Psych Center ^{1,10}	21.60%	11.44%	10.16%	1.45%	13.72%	55.32%
Roxbury Treatment Center ^{1,4,5,10}	16.38%	8.68%	NA	1.84%	7.12%	42.69%
Southwood Psych ^{1,5,10}	-4.16%	-4.03%	-4.43%	0.22%	0.00%	68.59%

State Psychiatric Hospital	Percent of Expenses not covered by NPR FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07
Statewide Average	81.94%	28.94%	57.59%
Allentown State	82.12%	33.75%	51.06%
Clark Summit State	81.80%	23.76%	63.38%
Danville State	76.88%	31.40%	55.87%
Mayview State	84.93%	25.57%	62.05%
Norristown State	86.62%	24.80%	63.11%
Torrance State	80.85%	32.17%	47.96%
Warren State	81.84%	31.93%	55.69%
Wernersville State	73.78%	30.82%	57.23%

See footnotes and map of regions on page 58.

Highlights

- The initial implementation of the Medicare “25% Rule” was a major factor in the 0.6 point decline in the statewide operating margin from 3.72% in FY06 to 3.09% in FY07. During FY07, Medicare discharges fell 6.0% while discharges from all other payors increased an average of 2.3%. Because long-term acute care (LTAC) hospitals received more than two-thirds (67.7%) of their patient revenue from Medicare patients during FY07, the decline in admissions by Medicare patients had a significant impact on statewide patient revenue. The “25% Rule” phases in limits on the percentage of patients admitted to a LTAC hospital from a single general acute care hospital (GAC) that are eligible for Medicare’s higher long-term care hospital rates.
- The federal Medicare, Medicaid and SCHIP Extension Act (MMSEA) of 2007 interrupted the full implementation of the “25% Rule.” The percentage of admissions to a LTAC from a single GAC hospital will not fall below 50% for three years. This will likely mitigate further reductions in Medicare admissions to LTAC facilities over the next few years.

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 28.9 days during fiscal year 2007 (FY07). In contrast, the ALOS at Pennsylvania’s GAC hospitals was 5.3 days for all inpatient care during FY07.

Most (89.8%) of the patient days of care provided at LTAC hospitals during FY07 fell into the “medical-surgical” (med-surg) category. There are three facilities that provide inpatient psychiatric care, representing 10.2% of statewide LTAC patient days during FY07. Three other facilities reported a small amount of psychiatric care totaling only 109 patient days.

Trends in Long-Term Acute Care

The first LTAC hospital in Pennsylvania began operating during FY94. Fourteen years later, there were 26 licensed LTAC hospitals operating during FY07. Twenty-five (25) of these 26 facilities are included in this analysis. A new facility not included in this analysis, Kindred Hospital – Havertown, is a 57-bed freestanding facility that opened in August 2007. Triumph Hospital Harrisburg closed in April 2008 (FY08) and is included in the FY07 analysis.

In the nine-year period between FY98 and FY07, the number of staffed LTAC med-surg beds grew from 309 to 1,151, an average growth rate

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

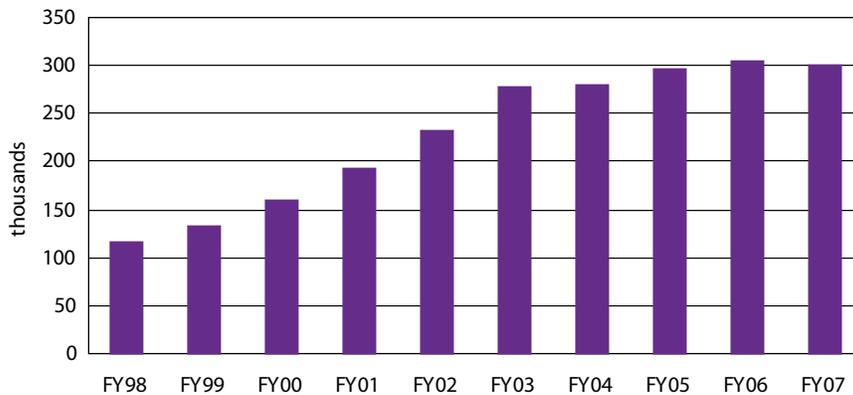


TABLE L-1
Utilization and Capacity, FY07
by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (Days)
Girard	29,860	43,800	68.17%	879	120	33.97
Good Shepherd	10,147	11,680	86.88%	368	32	27.57
HealthSouth Pittsburgh	17,133	31,755	53.95%	561	87	30.54
HealthSouth Specialty	13,364	24,820	53.84%	468	68	28.56
Kindred Hosp North Shore	2,804	9,792	28.64%	98	32	28.61
Kindred/Delaware County	8,524	14,235	59.88%	284	39	30.01
Kindred/Heritage Valley	8,998	12,775	70.43%	371	35	24.25
Kindred/Philadelphia	16,904	18,980	89.06%	383	52	44.14
Kindred/Pittsburgh	16,706	22,995	72.65%	571	63	29.26
Kindred/Wyoming Valley	8,294	13,140	63.12%	297	36	27.93
Lifecare Hosp / N. Campus	7,573	14,965	50.60%	365	41	20.75
LifeCare/Chester County	7,638	14,235	53.66%	290	39	26.34
LifeCare/Pittsburgh	33,718	56,575	59.60%	1,183	155	28.50
Mercy Special Care	17,172	24,455	70.22%	658	67	26.10
Select Special/Mckeesport	5,903	10,950	53.91%	188	30	31.40
Select Specialty/Cmp Hill	8,689	11,315	76.79%	316	31	27.50
Select Specialty/Danville	8,304	10,950	75.84%	324	30	25.63
Select Specialty/Erie	11,678	18,250	63.99%	469	50	24.90
Select Specialty/Johnstwn	10,395	14,235	73.02%	353	39	29.45
Select Specialty/Laurel	8,620	13,205	65.28%	329	40	26.20
Select Specialty/UPMC	8,355	11,680	71.53%	309	32	27.04
Select Specialty/York	6,305	8,395	75.10%	227	23	27.78
St Agnes Long Term Care	15,708	21,170	74.20%	417	58	37.67
Triumph/Easton	7,825	11,315	69.16%	267	31	29.31
Triumph/Harrisburg	9,219	12,410	74.29%	355	34	25.97

LONG-TERM ACUTE CARE

of about 94 beds per year. Observing that FY07 med-surg occupancy rate of 64.6% is just slightly lower than the FY98 occupancy rate of 65.4% reveals the growth in LTAC capacity (staffed beds) has trended with the 270.5% increase in the demand (patient days) for med-surg LTAC care over the nine-year period.

One factor that has facilitated the fast growth in LTAC hospitals is that many of the newer facilities utilize space within an existing GAC

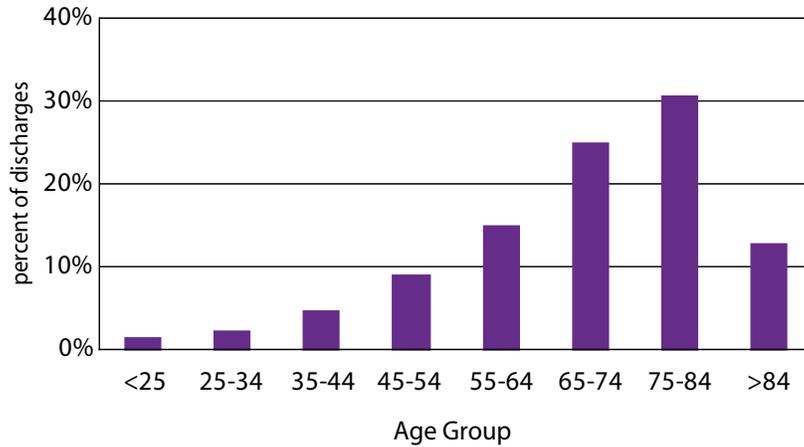
hospital. As reflected in Table L-3, 16 of the 25 reporting LTAC hospitals occupy space within a GAC hospital. Consequently, construction time is often limited to the time needed to renovate existing hospital space. Moreover, since many new facilities lease space from a GAC hospital, capital requirements are considerably less than constructing a new freestanding facility.

Another reason for the growth of LTAC facilities is that GAC hospitals have a financial

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

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Patient Days										
Med-surg	72,698	105,121	135,363	163,913	204,031	248,835	250,617	263,586	272,568	269,318
Psychiatric	34,924	26,426	25,005	28,184	28,788	29,033	28,223	29,324	28,455	30,518
Skilled Nursing	8,734	0	0	0	0	0	0	3,284	4,068	0
Statewide	116,356	131,547	160,368	192,097	232,819	277,868	278,840	296,194	305,091	299,836
Discharges										
Med-surg	1,937	3,010	3,961	4,915	6,760	8,707	8,753	8,778	9,383	9,332
Psychiatric	1,362	1,011	1,116	1,207	1,219	949	956	982	1,006	998
Skilled Nursing	251	0	0	0	0	0	0	290	382	0
Statewide	3,550	4,021	5,077	6,122	7,979	9,656	9,709	10,050	10,771	10,330
Beds										
Med-surg	309	459	646	678	770	957	1,026	1,046	1,117	1,151
Psychiatric	112	112	112	112	112	112	112	112	113	113
Skilled Nursing	75	0	0	0	0	0	0	22	23	0
Statewide	496	571	758	790	882	1,069	1,138	1,180	1,253	1,264
Occupancy Rate										
Med-surg	65.42%	64.90%	62.67%	67.73%	73.64%	73.51%	68.31%	70.29%	68.34%	64.61%
Psychiatric	85.43%	64.64%	61.17%	68.94%	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%
Skilled Nursing	50.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	54.28%	77.92%	0.00%
Statewide	68.70%	64.85%	62.43%	67.90%	73.23%	73.24%	68.37%	70.20%	68.57%	65.46%
Average Length of Stay										
Med-surg	37.5	34.9	34.2	33.3	30.2	28.6	28.6	30.0	29.1	28.9
Psychiatric	25.6	26.1	22.4	23.4	23.6	30.6	29.5	29.9	28.3	30.6
Skilled Nursing	34.8	0.0	0.0	0.0	0.0	0.0	0.0	11.3	10.6	0.0
Statewide	32.8	32.7	31.6	31.4	29.2	28.8	28.7	29.5	28.3	29.0
Visits										
Statewide	44,824	20,363	27,411	64,801	61,850	118,399	115,745	114,108	111,295	107,464

FIGURE L-2
Age Distribution at Long-Term Acute Care Hospitals, FY07



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, there have been some 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 FY07 are presented in Table L-4. These ten classifications represent nearly 60% of all discharges during the fiscal year. The percentage of all LTAC patients receiving care under the leading classification, “adult respiratory failure, insufficiency, arrest,” has grown a total of 3.6 points over the past three years from 24.63% in FY04 to 28.24% in FY07.

TABLE L-3
Long-Term Acute Care Hospitals Operating as a Hospital-within-a-Hospital†, FY07

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
Lifecare Hosp / N. Campus	Allegheny General
Select Specialty/Camp Hill	Holy Spirit
Select Specialty/Danville	Geisinger/Danville
Select Specialty/Erie	Hamot
Select Specialty/Laurel	Westmoreland Regional
Select Specialty/Johnstown	Conemaugh Valley Memorial
Select Specialty/McKeesport	UPMC McKeesport
Select Specialty/UPMC	UPMC Presbyterian Shadyside
Select Specialty/York	York Hospital
Triumph/Easton	Easton
Triumph/Harrisburg	Pinnacle Health

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

TABLE L-4
Leading Clinical Classifications[†] at Long-Term Acute Care Hospitals, FY07

Adult respiratory failure, insufficiency, arrest-----	28.24%
Complications of surgical procedures or medical care-----	5.22%
Schizophrenia and related disorders-----	4.90%
Septicemia (except in labor)-----	4.14%
Affective (mood) disorders-----	4.07%
Pneumonia (except that caused by tuberculosis or sexually transmitted disease) ---	3.50%
Chronic obstructive pulmonary disease and bronchiectasis -----	2.90%
Congestive heart failure, nonhypertensive -----	2.42%
Complication of device, implant or graft-----	2.28%
Senility and organic mental disorders -----	2.23%

† 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).

The average (mean) age of patients admitted to LTAC facilities during FY07 was 69.0 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 67.7% of net patient revenue (NPR) was received from Medicare during FY07. In contrast, the average age of inpatients at GAC hospitals in Pennsylvania was 52.4 years, and GAC hospitals received an average of 46.1% of their total inpatient NPR from Medicare.

Five of the LTAC hospitals reported a total of 107,464 outpatient visits during FY07. Three of the five facilities reported more than 99.4% 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 affil-

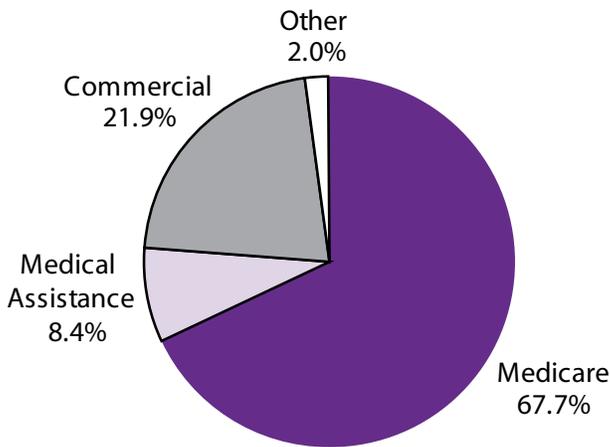
iated health system. For example, 67.7% of the outpatient visits to LTAC hospitals were reported by the Girard Medical Center. A large part of Girard's outpatient care is related to its drug and alcohol programs operated out of the same facility as the LTAC hospital.

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 (67.7%) of their patient revenue from Medicare patients during FY07.

Concurrent with the move to LTCH PPS in FY03, LTAC hospitals as a group began to post

FIGURE L-3
Statewide Net Patient Revenue at
Long-Term Acute Care Hospitals, FY07
 by Payor



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 for three consecutive years to 3.09% in FY07.

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 2008 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

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

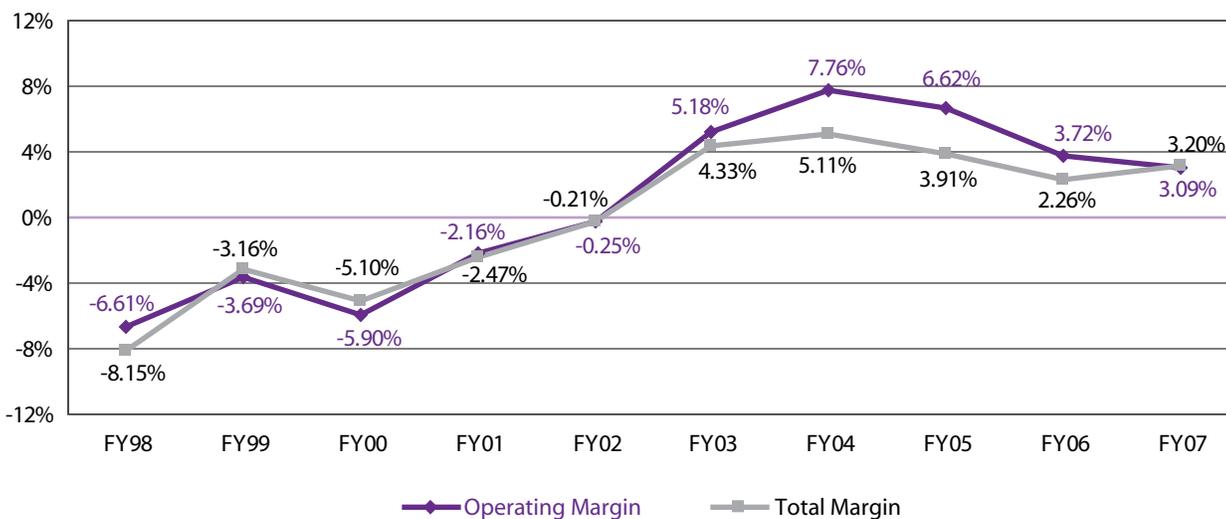


TABLE L-5
Statewide Revenue, Expenses, and Income at Long-Term Acute Care Hospitals
(thousands)

	FY02	FY03	FY04	FY05	FY06	FY07
Net Patient Revenue	\$231,795	\$310,147	\$341,561	\$384,488	\$397,337	\$403,341
Total Operating Revenue	\$233,428	\$313,135	\$344,141	\$385,991	\$398,515	\$404,940
Total Operating Expenses	\$234,012	\$296,900	\$317,451	\$360,440	\$383,704	\$392,427
Operating Income	(\$584)	\$16,235	\$26,690	\$25,551	\$14,811	\$12,513
Non-Operating Adjustments [†]	\$88	(\$2,662)	(\$9,085)	(\$10,392)	(\$5,758)	\$496
Revenue over Expenses	(\$497)	\$13,573	\$17,605	\$15,159	\$9,053	\$13,009

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

switch to the PPS system, national Medicare margins jumped to 5.3% in 2003, 8.9% in 2004 and 11.8% in 2005. The national Medicare operating margin fell to 9.4% in 2006.

The Centers for Medicare and Medicaid Services (CMS) makes annual adjustments to the LTCH PPS reimbursement rates. After three consecutive annual increases in LTCH PPS Medicare rates for cost reporting years beginning after July 2003 through 2005, 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 less than one percent (0.71%). CMS announced that LTCH PPS base for reporting years beginning after July 2008 will increase 2.7%.

Medicare revenues and utilization will also be affected 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 was to be 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 was to be phased in over three years starting with cost reporting years beginning after July 2007.

The federal Medicare, Medicaid and SCHIP Extension Act (MMSEA) of 2007 interrupted the full implementation of the "25% Rule." The MMSEA prevents CMS from establishing a threshold for admissions to a LTAC from a single GAC hospital below 50% for three years.

It appears that the initial phases of the "25% Rule" has had an effect on Medicare admissions

to LTAC hospitals. During FY07, Medicare discharges fell 6.0% while discharges from all other payors increased an average of 2.3%.

While Medicare discharges fell, LTAC hospitals reported a 6.7% increase in the average revenue per discharge received for Medicare indemnity patients and virtually no change in the average revenue per discharge for Medicare managed care patients. The combination of the decline in Medicare discharges and higher average Medicare indemnity reimbursements per discharge resulted in a net decline in Medicare net inpatient revenue of -0.1% during FY07. In FY07, 83.0% of Medicare NPR was received from the indemnity program.

The combination of a 4.1% decline in total discharges from all payors and an average 6.6% increase in the NPR per discharge resulted in

an increase in statewide NPR from the LTAC hospitals of 1.5% and an increase in total operating revenue of 1.6%. Inpatient care generated 96.5% of statewide NPR during FY07.

Because the 2.3% increase in statewide operating expenses outpaced the 1.6% increase in total operating revenue, the average statewide operating margin fell 0.6 points from 3.72% in FY06 to 3.09% in FY07.

The statewide total margin increased 0.9 points from 2.26% in FY06 to 3.20% in FY07. The primary factor in the improvement in the average total margin was the overall decline in income tax expense at the for-profit hospitals. There was a general decline in the operating income at the for-profit hospitals during FY07 which resulted in lower net income tax expenses attributed to the for-profit hospitals.

LONG-TERM ACUTE CARE

Region	Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY04-FY07	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
Statewide Average		\$16	\$16	\$16	\$14	4.45%	\$16	\$15	\$15	\$13	6.22%
Non-profit LTAC Hospitals											
Statewide Average (non-profit)		\$27	\$24	\$22	\$26	1.18%	\$26	\$26	\$23	\$26	0.61%
9	Girard ^{5,13}	\$50	\$49	\$49	\$53	-1.60%	\$50	\$49	\$49	\$54	-2.37%
7	Good Shepherd	\$16	\$15	\$12	\$11	13.16%	\$15	\$15	\$12	\$10	18.96%
6	Mercy Special Care ^{1,5}	\$15	\$16	\$15	\$14	2.26%	\$15	\$15	\$14	\$13	6.37%
9	St Agnes Long Term Care ¹	\$27	\$15	\$12	\$74	-21.10%	\$23	\$23	\$16	\$80	-23.55%
For-profit LTAC Hospitals											
Statewide Average (for-profit)		\$14	\$14	\$15	\$13	4.04%	\$14	\$13	\$13	\$11	6.58%
1	HealthSouth Pittsburgh ^{1,10}	\$21	\$24	\$24	\$24	-4.51%	\$23	\$22	\$22	\$25	-2.22%
5	HealthSouth Specialty ^{1,10}	\$16	\$15	\$15	\$12	11.57%	\$14	\$14	\$13	\$10	12.88%
1	Kindred Hosp North Shore ^{1,2,4,10}	\$2	NA	NA	NA	NA	\$7	NA	NA	NA	NA
8	Kindred/Delaware County ^{1,10,13}	\$11	\$12	\$12	\$12	-1.52%	\$11	\$12	\$11	\$11	0.63%
1	Kindred/Heritage Valley ^{1,10}	\$11	\$12	\$12	\$9	9.12%	\$10	\$10	\$10	\$7	12.63%
9	Kindred/Philadelphia ^{1,10,13}	\$23	\$21	\$20	\$18	9.97%	\$20	\$18	\$17	\$16	8.28%
1	Kindred/Pittsburgh ^{1,10,13}	\$22	\$22	\$23	\$22	-0.77%	\$21	\$20	\$20	\$21	0.16%
6	Kindred/Wyoming Valley ^{1,10,13}	\$10	\$11	\$10	\$10	-0.33%	\$10	\$10	\$9	\$7	10.71%
1	Lifecare Hosp / N. Campus ^{1,4,10,13}	\$8	NA	NA	NA	NA	\$9	NA	NA	NA	NA
8	LifeCare/Chester County ^{1,10,13}	\$12	\$8	NA	NA	NA	\$12	\$10	NA	NA	NA
1	LifeCare/Pittsburgh ^{1,10,13}	\$37	\$41	\$44	\$40	-2.77%	\$37	\$38	\$35	\$34	3.07%
1	Select Special/Mckeesport ^{1,10}	\$8	\$6	\$5	\$3	56.04%	\$8	\$6	\$6	\$4	29.13%
5	Select Specialty/Cmp Hill ^{1,10}	\$12	\$12	\$13	\$11	4.22%	\$10	\$9	\$9	\$8	10.65%
4	Select Specialty/Danville ^{1,3,10}	\$12	\$12	\$8	\$1	NA	\$11	\$12	\$10	\$2	NA
2	Select Specialty/Erie ^{1,10}	\$17	\$15	\$16	\$13	10.63%	\$17	\$16	\$15	\$11	17.65%
3	Select Specialty/Johnstwn ^{1,10}	\$14	\$14	\$15	\$14	-1.67%	\$12	\$12	\$14	\$12	2.38%
1	Select Specialty/Laurel ^{1,10}	\$12	\$12	\$13	\$11	2.91%	\$11	\$10	\$11	\$9	8.67%
1	Select Specialty/UPMC ^{1,10}	\$12	\$13	\$12	\$7	22.88%	\$12	\$13	\$12	\$9	13.61%
5	Select Specialty/York ^{1,10}	\$10	\$9	\$9	\$7	10.21%	\$8	\$8	\$7	\$7	6.01%
7	Triumph/Easton ^{1,10}	\$12	\$12	\$12	\$13	-1.76%	\$12	\$11	\$11	\$12	-1.87%
5	Triumph/Harrisburg ^{1,10}	\$13	\$14	\$11	\$8	20.56%	\$13	\$13	\$10	\$8	20.43%

See footnotes and map of regions on page 58.

Long-Term Acute Care Hospital	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Percent of Uncompensated Care FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07
Statewide Average	3.09%	3.20%	3.12%	1.87%	67.72%	8.37%
Non-profit LTAC Hospitals						
Statewide Average (non-profit)	4.21%	4.07%	-1.66%	5.20%	59.77%	27.74%
Girard ^{5,13}	0.82%	1.32%	0.76%	10.37%	38.76%	58.28%
Good Shepherd	2.96%	2.96%	1.36%	0.00%	83.32%	0.49%
Mercy Special Care ^{1,5}	0.33%	1.07%	4.34%	1.21%	78.14%	1.61%
St Agnes Long Term Care ¹	13.54%	11.77%	-15.96%	0.81%	74.91%	1.39%
For-profit LTAC Hospitals						
Statewide Average (for-profit)	2.68%	2.88%	4.67%	0.64%	70.63%	1.25%
HealthSouth Pittsburgh ^{1,10}	-8.56%	-5.00%	1.58%	0.96%	73.54%	0.55%
HealthSouth Specialty ^{1,10}	12.37%	12.39%	11.06%	2.41%	78.25%	0.00%
Kindred Hosp North Shore ^{1,2,4,10}	-179.22%	-110.52%	NA	0.00%	97.71%	0.00%
Kindred/Delaware County ^{1,10,13}	0.36%	0.24%	1.10%	0.46%	70.84%	0.30%
Kindred/Heritage Valley ^{1,10}	11.62%	7.15%	8.19%	-0.01%	70.36%	4.24%
Kindred/Philadelphia ^{1,10,13}	12.42%	7.65%	7.73%	1.23%	57.54%	8.33%
Kindred/Pittsburgh ^{1,10,13}	5.34%	3.29%	5.96%	0.36%	68.10%	5.02%
Kindred/Wyoming Valley ^{1,10,13}	-0.90%	-0.54%	5.09%	0.46%	85.13%	0.00%
Lifecare Hosp / N. Campus ^{1,4,10,13}	-2.07%	-2.66%	NA	0.57%	57.78%	0.00%
LifeCare/Chester County ^{1,10,13}	4.03%	2.98%	NA	0.65%	72.66%	0.00%
LifeCare/Pittsburgh ^{1,10,13}	0.98%	0.26%	5.81%	0.69%	57.78%	0.00%
Select Special/Mckeesport ^{1,10}	-5.63%	-3.51%	-9.59%	2.02%	78.06%	0.18%
Select Specialty/Cmp Hill ^{1,10}	16.33%	17.13%	27.07%	0.51%	72.79%	0.00%
Select Specialty/Danville ^{1,3,10}	5.34%	3.16%	-5.81%	0.39%	70.13%	0.00%
Select Specialty/Erie ^{1,10}	-2.40%	-0.20%	0.82%	0.10%	81.80%	0.00%
Select Specialty/Johnstwn ^{1,10}	9.19%	11.03%	8.71%	0.40%	80.48%	0.00%
Select Specialty/Laurel ^{1,10}	7.22%	6.49%	8.85%	0.52%	81.50%	0.00%
Select Specialty/UPMC ^{1,10}	-0.48%	0.43%	-1.69%	0.86%	69.33%	0.00%
Select Specialty/York ^{1,10}	18.84%	19.96%	18.96%	-0.74%	70.71%	0.00%
Triumph/Easton ^{1,10}	7.14%	5.42%	2.88%	0.05%	71.97%	0.00%
Triumph/Harrisburg ^{1,10}	0.39%	-0.77%	2.57%	0.25%	71.04%	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 (GAC) hospitals. There were six hospitals in this category during fiscal year 2007 (FY07). 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 FY07.

The Pediatric Specialty Hospital of the Children’s Home of Pittsburgh provides short-term transitional care from hospital to home 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. For FY07, the hospital reported 15 staffed med-surg beds and 134 discharges with an average length of stay (ALOS) of 20.7 days.

The Pediatric Specialty Hospital has a history of continuing operating losses. In FY07, investment gains and contributions enabled the hospital to post a positive total margin of 17.79%. While the hospital realized a net gain, the overall Children’s Home, including the infant adoption and pediatric extended care programs, reported a net loss (negative total margin) for FY07.

Divine Providence is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital operates a 31-bed inpatient psychiatric unit and provides outpatient diagnostic and treatment services and home health services. During FY07, Divine Providence reported 116,310 outpatient visits. Outpatient and home health care represented about 95% of the facility’s net patient revenue (NPR) in FY07.

Region	Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY04-FY07	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY04-FY07
		FY07	FY06	FY05	FY04		FY07	FY06	FY05	FY04	
	Statewide Average	\$19	\$18	\$17	\$16	5.47%	\$19	\$19	\$19	\$17	3.13%
1	Children’s Home Pgh ⁷	\$2	\$3	\$2	\$3	-2.52%	\$4	\$3	\$5	\$4	-3.39%
4	Divine Providence	\$64	\$62	\$55	\$53	7.04%	\$59	\$59	\$57	\$56	1.80%
8	Eagleville ^{5,13}	\$25	\$24	\$23	\$21	5.69%	\$27	\$26	\$26	\$23	6.62%
9	Kensington ^{5,14}	\$7	\$6	\$5	\$6	8.90%	\$8	\$7	\$7	\$6	8.29%
8	Malvern Inst ^{10,13}	\$5	\$5	\$5	\$4	9.99%	\$5	\$5	\$5	\$4	11.40%
8	Valley Forge ^{1,5,10}	\$11	\$11	\$12	\$12	-3.33%	\$11	\$13	\$12	\$11	-0.73%

See footnotes and map of regions on page 58.

Eagleville Hospital provides inpatient drug and alcohol treatment as well as geriatric psychiatric services in Montgomery County. The hospital reports 310 staffed beds, 20 of which are acute psychiatric beds. The overall ALOS for Eagleville during FY07 was 18.0 days.

Eagleville Hospital reported a negative operating margin of -9.48% for FY07 but was able to realize a positive total margin of 4.17% 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 hospital in Philadelphia that primarily provides drug and alcohol treatment. Not including state grants, Kensington receives about 94% of its patient revenue from the Medical Assistance (MA) program. The hospital reported 8,759 outpatient

visits in FY07, and outpatient care represented about 28% 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, 80% of Malvern Institute's patient revenue was remitted by commercial insurers and other non-government payors. While the hospital offers outpatient services, only about 9% of its revenue came from outpatient care in FY07.

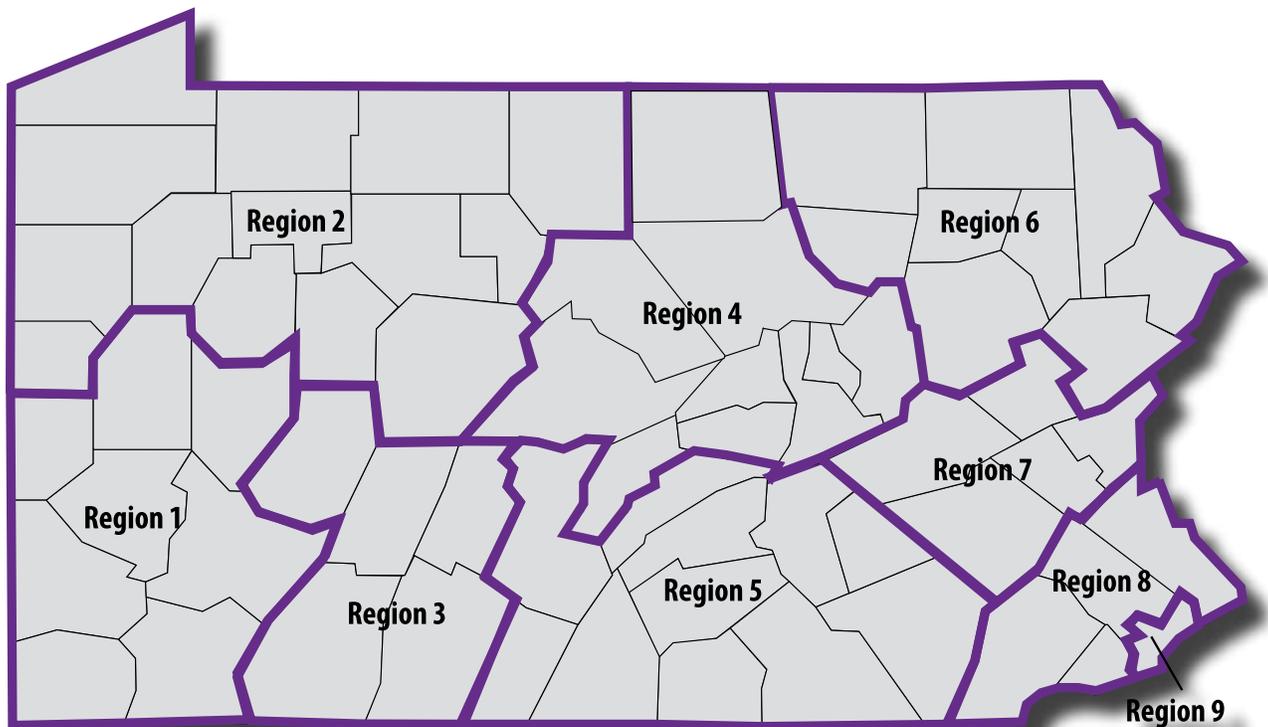
The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other addictive illnesses. The hospital reports that during FY07, 64% of its patient revenue was received for patients participating in MA.

Specialty Hospital	Operating Margin FY07	Total Margin FY07	3-yr Average Total Margin FY05-FY07	Percent of Uncompensated Care FY07	Medicare Share of NPR FY07	Medical Assistance Share of NPR FY07
Statewide Average	2.13%	8.64%	5.95%	1.95%	21.76%	24.58%
Children's Home Pgh ⁷	-30.09%	17.79%	7.89%	9.27%	0.00%	61.38%
Divine Providence	10.55%	14.69%	10.54%	1.20%	27.22%	3.16%
Eagleville ^{5,13}	-9.48%	4.17%	2.54%	1.14%	21.61%	43.43%
Kensington ^{5,14}	-10.32%	-10.14%	-6.51%	5.24%	4.10%	94.18%
Malvern Inst ^{10,13}	-1.04%	-1.04%	2.51%	2.18%	0.00%	19.90%
Valley Forge ^{1,5,10}	-4.45%	-4.99%	-3.88%	4.30%	15.28%	63.52%

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. FY07 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 is the first reporting year for this facility. Often expenses are higher than operating revenue during the start-up period. Three-year comparisons are not appropriate for this facility.
 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 FY07 reporting period.
 9. Acquired or merged with another licensed hospital during the FY05 or FY06 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 FY07 reporting period.
 12. Facility did not provide annual financial and utilization data on the PHC4 Web Site and/or did not provide financial statements to document the web submission.
 13. One or more of the financial submissions was provided after the collection period had ended.
 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.

$$(((\text{NPR}_{07} - \text{NPR}_{04}) / \text{NPR}_{04}) / 3) \text{ or } (((\text{TOE}_{07} - \text{TOE}_{04}) / \text{TOE}_{04}) / 3)$$

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

$$(\sum_{07,06,05} \text{revenue over expenses} / \sum_{07,06,05} \text{total revenue})$$

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.

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

The following facilities did not provide any annual financial and utilization data to PHC4 for Fiscal Year 2007 and are not included in this report.

Altoona Specialty Center
Brandywine Cosmetic SC
Bryn Mawr Med Specialists
Carbon-Schuylkill Endo
Doylestown SC
Hanover SC
Main Line Plastic Surgery
Montgomery Rehab Hospital
Northwood SC
Parkway SC
Rhawn Street Endoscopy
SC at Brinton Lake
Smarthealth Norwin Hills
Southwestern ASC
Street Road SC
York Pain Specialists



Pennsylvania Health Care Cost Containment Council

David Wilderman, Acting Executive Director
225 Market Street, Suite 400, Harrisburg, PA 17101
Phone: 717-232-6787 • Fax: 717-232-3821
www.phc4.org

FOR MORE INFORMATION

Additional financial and utilization data for Fiscal Year 2007 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 www.phc4.org.