

2003 Financial Analysis

VOLUME TWO • NON-GENERAL ACUTE CARE FACILITIES

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



Foreword

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

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

This is the second volume of a two-volume set. *Volume One*, released in April 2004, focused on the financial health of Pennsylvania's General Acute Care (GAC) hospitals. This report, *Volume Two*, addresses Pennsylvania's Non-General Acute Care hospitals (rehabilitation, psychiatric, long-term acute and specialty) and the ambulatory surgery centers. In addition, this report couples utilization information from the subunits of other hospitals with the data from the non-GAC hospitals. As a result, this report provides some perspectives on the total long-term acute, rehabilitation, and psychiatric care provided at both GAC and non-GAC hospitals.

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

Table of Contents

Introduction.....	1
Overview.....	2
Ambulatory Surgery Center Care	6
Rehabilitation Care	16
Psychiatric Care.....	28
Long-Term Acute Care.....	40
Specialty Care.....	48
Footnotes	50
Regional Map.....	50
Explanation of Terms	52
Non-Compliant Facilities	53

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

In addition to the profiles of the freestanding non-GAC hospitals, the psychiatric, rehabilitation, long-term acute care (LTAC) 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. While nursing home care is not within the Council's statutory authority, this report does present information on skilled nursing care provided by the non-GAC hospitals.

The individual facility data presented in each section are 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.

The fiscal year data provided by the majority of non-GAC hospitals (not including ASCs) cover the period between July 1, 2002 and June 30, 2003. For those hospitals that utilize a different fiscal year, the data reported cover the twelve-month period ending prior to June 30, 2003. The 35 hospitals utilizing a fiscal year ending other than June 30 are listed on page 51. The majority of the ASCs employ a fiscal year ending on December 31. The ASCs that utilize a fiscal year end other than December 31 are listed on page 51.

On page 53 is a list of facilities that failed to meet one or more of the Council's financial

filing requirements. In order to provide consistent statewide totals and averages for the various measures presented in this report, estimated data were employed in place of missing data. However, the individual facility data presented at the end of each section contain no estimated data.

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

TABLE 1
Number of Facilities, FY03
by Facility Type

Facility Type	Number
General Acute Care Hospitals	185
Rehabilitation Hospitals.....	21
Psychiatric Hospitals.....	17
State Psychiatric Hospitals	9
Long-Term Acute Care Hospitals	18
Specialty Hospitals.....	7
Ambulatory Surgery Centers	113
Total.....	370

FIGURE 1
Net Patient Revenue, FY03
by Facility Type

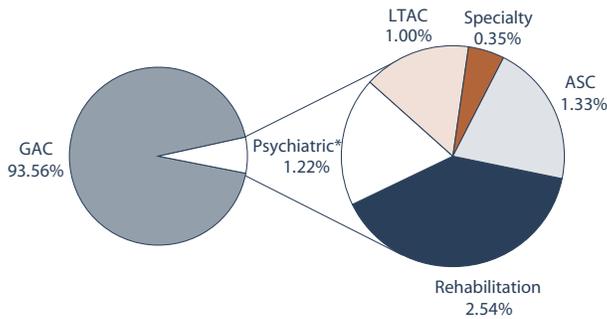


FIGURE 2
Staffed Beds, FY03
by Facility Type

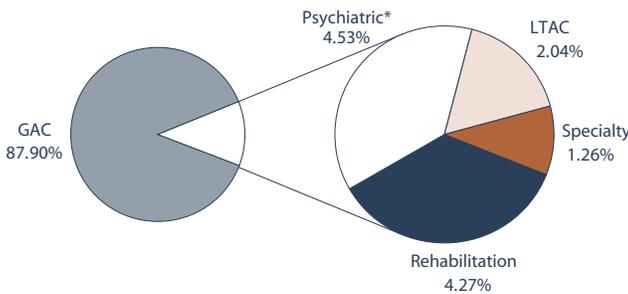
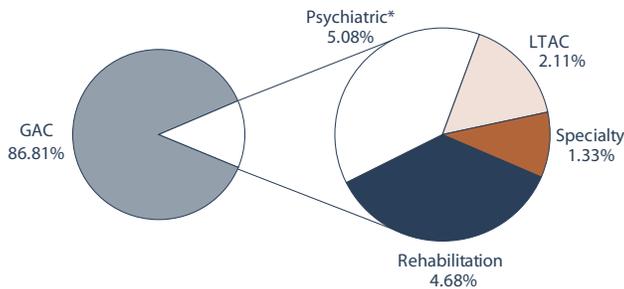


FIGURE 3
Patient Days, FY03
by Facility Type



* Excludes state psychiatric hospitals.

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

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

The variation in the average length of an inpatient stay at these five categories of hospitals represented in Figure 6 reflects the differences in the nature of care provided at these facilities. Please note that the average 13.5-day stay at psychiatric facilities does not include the state psychiatric hospitals, which are long-term psychiatric facilities.

During Fiscal Year 2003 (FY03) there were 3.4 million outpatient visits reported from the 176 non-GAC hospitals and ambulatory surgery centers (ASC) (Table 2). In contrast, the 185 GAC hospitals reported 32.9 million outpatient visits. Therefore, the GAC hospitals reported 90.6% of the total visits to all hospitals and ASCs.

Table 2 shows a wide variation in the average outpatient revenue per visit across the six facility categories. One reason for this diversity in revenue per visit is the variation in the intensity of care provided per visit. A psychiatric patient may receive care as a series of visits comprised of relatively short treatments, while a patient at an ASC may be subject to a surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

With the exception of psychiatric and specialty hospitals, Pennsylvania's hospital-based health system primarily serves an older population (see Figure 7). The average inpatient age at a GAC hospital is 51 years, but is over 67 years at rehabilitation and long-term acute care hospitals. In contrast, the average age of patients admitted to psychiatric facilities is 31. The average inpatient age of 44 at specialty hospitals is a reflection of the diversity in that category. For instance, included in the specialty facility category is the Children's Home of Pittsburgh, which specializes in newborn care.

The average total margins by facility categories are shown in Figure 8. The average total margin for the rehabilitation hospitals grew an unprecedented 9.1 points during FY03, from 1.78% in FY02 to 10.87% in FY03. As discussed in the Rehabilitation Section, the improvement in the total margin is the result of a 5.8% reduction in total operating expenses and an 8.7% increase in net patient revenue. The increase in patient revenue was largely driven by the reimbursement rates provided under the new Medicare Prospective Payment System for rehabilitation facilities.

ASCs continue to have the highest average total margin among the six categories of health care facilities shown in Figure 8. Part of the reason for the high average margin is that most of the facilities in this largely for-profit sector report their net income on a pre-tax basis. Taxes are typically paid by the physician-owners of the ASCs as personal income taxes. In addition, some of the compensation received by the physician-owners of an ASC may be reported as net income instead of an expense, which further increases the average total margin. In contrast, physician compensation at other categories of health care facilities is usually reported as salary or professional service expenses.

FIGURE 4
Discharges, FY03
by Facility Type

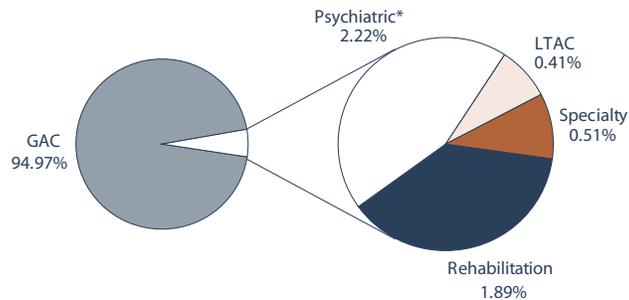


FIGURE 5
Patient Days, FY03
by Type of Care

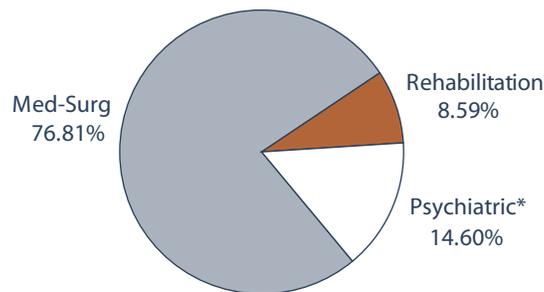
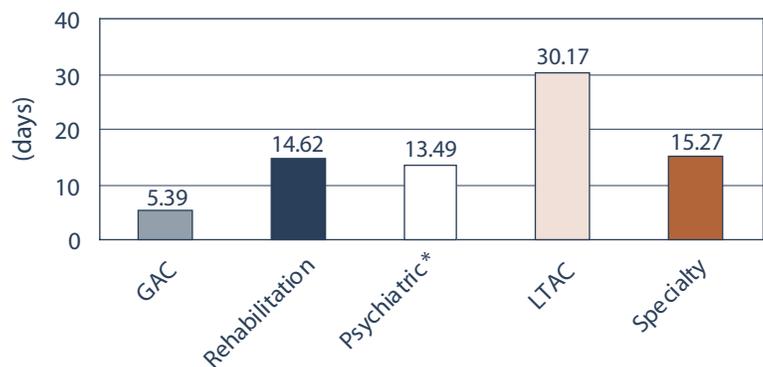


FIGURE 6
Average Length of Stay, FY03
by Facility Type



* Excludes state psychiatric hospitals.

FIGURE 7
Average Patient Age, FY03
by Facility Type

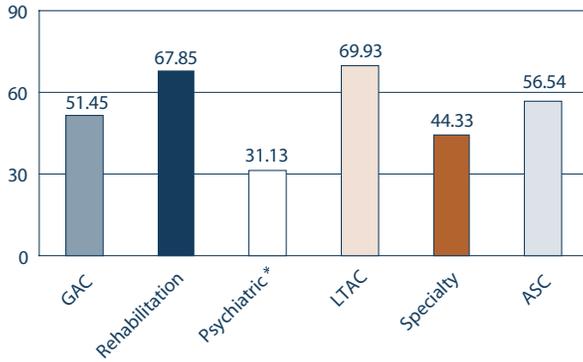


FIGURE 8
Average Total Margin, FY03
by Facility Type

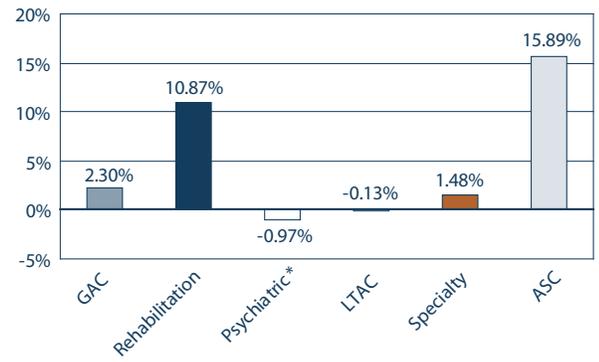
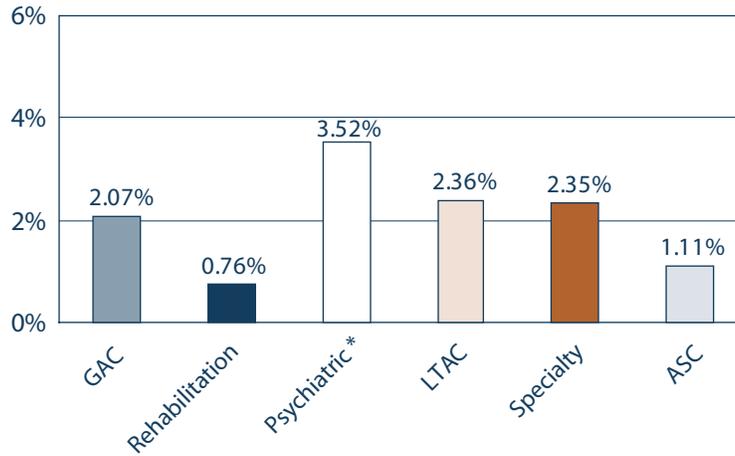


FIGURE 9
Percent of Uncompensated Care, FY03
by Facility Type[†]



* Excludes state psychiatric hospitals.

[†] To meet the requirements of Act 77 (Tobacco Settlement Act), hospital facilities, excluding ASCs, report uncompensated care at full charges as of FY03, which is calculated according to the definition on pg. 52. The uncompensated care figure for ASCs was calculated using the traditional method of comparing the sum of charity care revenue and bad debt expense to total net patient revenue. Consequently, the statewide uncompensated care rate would likely be lower if calculated in the same manner as for the five hospital categories.

TABLE 2
Outpatient Care, FY03
by Facility Type

Facility Type	Number of Facilities	Visits	Outpatient Revenue (thousands)	Outpatient Revenue per Visit
General Acute Care Hospitals	185	32,907,907	\$7,953,517	\$242
Non-GAC	176	3,411,965	\$552,267	\$162
Rehabilitation Hospitals	21	1,725,947	\$141,337	\$82
Psychiatric Hospitals	17	989,201	\$44,038	\$45
Long-Term Acute Care Hospitals	18	63,375	\$9,726	\$153
Specialty Hospitals	7	122,661	\$41,860	\$341
Ambulatory Surgery Centers	113	510,781	\$315,306	\$617
Total	361	36,319,872	\$8,505,784	\$234

TABLE 3
Net Patient Revenue, Beds, Days, and Discharges, FY03
by Facility Type

Facility Type	Staffed Beds	Patient Days	Discharges	Net Patient Revenue (thousands)
General Acute Care Hospitals	37,913	9,580,277	1,776,284	\$22,099,361
Rehabilitation Hospitals	1,841	516,562	35,331	\$598,920
Psychiatric Hospitals	1,953	560,229	41,523	\$287,682
Long-Term Acute Care Hospitals	882	232,549	7,708	\$236,596
Specialty Hospitals	542	146,601	9,603	\$83,330
Ambulatory Surgery Centers	NA	NA	NA	\$315,306
Total	43,131	11,036,218	1,870,449	\$23,621,195

TABLE 4
Patient Days, FY03
by Type of Care

Type of Services	Patient Days
Med-Surg **	7,813,876
Rehabilitation	874,288
Psychiatric *	1,485,054
Total	10,173,218

* Excludes state psychiatric hospitals.

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

Highlights

- There has been an explosion in the number of ambulatory surgery centers (ASCs) licensed in Pennsylvania. Between July 2003 and May 2004, 48 new ASCs opened, bringing the total to 161.
- In just two years, ASC visits increased 83%, rising from 279,335 during FY01 to over a half-million (501,781) during FY03.
- There has been a significant shift in the performance of outpatient surgical and diagnostic procedures from the General Acute Care hospitals to the freestanding surgery centers. During FY03, nearly one-fifth (19%) of the outpatient surgical and diagnostic¹ procedures performed in licensed facilities were performed at ASCs, up from 9% in FY00.

There has been an explosion in the number of ambulatory surgery centers (ASCs) licensed in Pennsylvania. Between July 2003 and May 2004, 48 new ASCs opened, bringing the total to 161. During Fiscal Year 2003 (FY03), there were 113 ASCs that operated for more than six months and were required to file financial data with PHC4.

The combination of the rapid growth in the number of licensed surgery centers and increases in the patient volume at the individual surgery center has resulted in a sharp increase in the overall number of patients receiving treatment at ASCs. In just two years, ASC visits increased about 83%, rising from 279,335 during FY01 to over a half-million (510,781) during FY03.

The rapid growth in the number of ASCs has not had a major effect on the overall volume of outpatient care provided by GAC hospitals. However, a significant portion of the outpatient surgical and diagnostic¹ procedures performed in Pennsylvania has shifted from GAC hospitals to ASCs.

The total net patient revenue of about \$315 million for ASCs during FY03 was equivalent to

TABLE A-1

Leading Clinical Classifications[†] at Ambulatory Surgery Centers and General Acute Care Outpatient Units

FY03 Top Five	ASC				GAC - Outpatient			
	FY03		FY00		FY03		FY00	
	Number	Percent [♦]	Number	Percent [♦]	Number	Percent [♦]	Number	Percent [♦]
Colonoscopy and biopsy	46,972	14.2%	12,456	9.7%	162,255	11.9%	136,759	9.4%
Lens and cataract procedures	75,698	23.0%	36,269	28.2%	72,502	5.3%	96,960	6.7%
Upper gastrointestinal (GI) endoscopy, biopsy	23,297	7.1%	8,967	7.0%	105,285	7.7%	97,329	6.7%
Other therapeutic procedures	85	0.0%*	65	0.1%	108,601	8.0%	43,996	3.0%
Other non-OR lower GI therapeutic procedures	20,398	6.2%	5,354	4.2%	78,510	5.8%	59,962	4.1%
Spinal treatment with medication/stimulator	22,556	6.9%	6,919	5.4%	57,437	4.2%*	56,615	3.9%

[†] Patients 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).

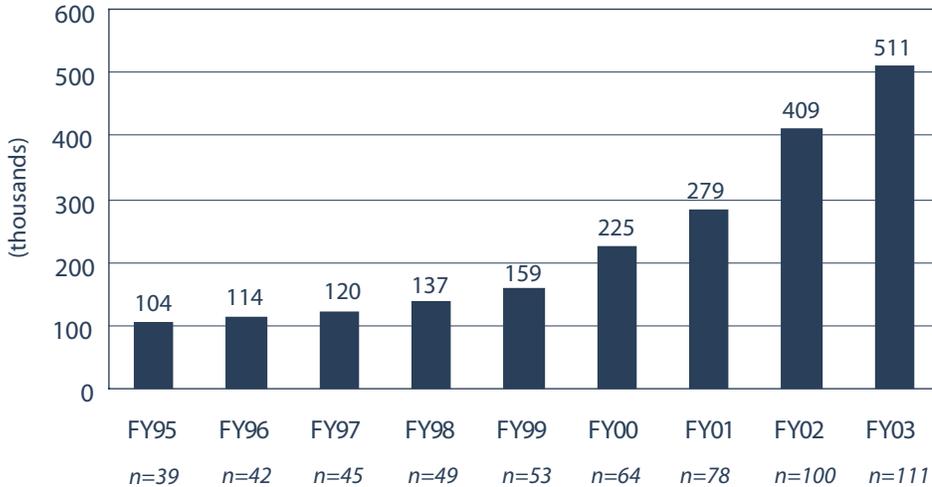
[♦] The percent of all outpatient surgical or diagnostic procedures performed at either all ASCs or all GACs in Pennsylvania during the fiscal year.

* Not among the top five for that facility category during FY03.

¹ PHC4. Pennsylvania Ambulatory Surgery Data: 2003 4th Quarter – Data Notes, p. 18.

FIGURE A-1

Statewide Outpatient Visits at Ambulatory Surgery Centers



only 4% of the total outpatient revenue received by GAC hospitals. Similarly, the 510,781 visits reported by ASCs were equal to 2% of the outpatient visits realized by GAC hospitals.

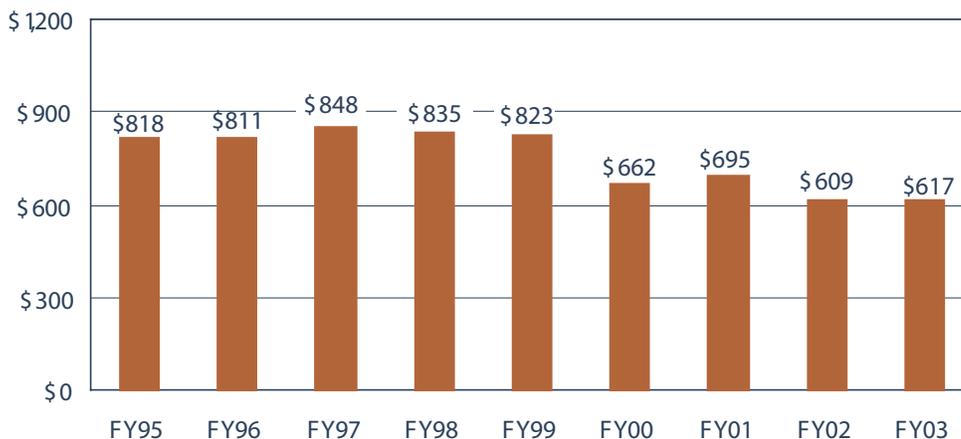
Patients visiting the various outpatient units of GAC hospitals receive a broad spectrum of services at GAC hospitals while the majority of the visits to ASCs involve a surgical or diagnostic procedure. During FY03, only 5% of the outpa-

tient visits to GAC hospitals involved surgical and diagnostic procedures while 65% of the visits to an ASC involved surgical or diagnostic procedures.

The emergence of the ASCs has resulted in a shift of a substantial portion of outpatient surgical and diagnostic procedures from the GAC hospitals to the ASCs. During FY03, nearly one-fifth (19%) of 1.7 million outpatient surgical and diagnostic procedures were performed at ASCs.

FIGURE A-2

Average Net Outpatient Revenue per Visit at Ambulatory Surgery Centers



This reflects a ten-point increase in just three years. In FY00, ASCs performed 9% of the total outpatient surgical and diagnostic procedures in Pennsylvania. Table A-1 compares the top-five surgical and diagnostic procedures at the ASCs and GAC hospitals during FY03 and FY00. This table provides some insight into the migration of outpatient care from the GAC hospitals to ASCs over the three-year period. For example, the number of outpatient lens and cataract procedures performed at GAC hospitals declined by 24,458, while the number of lens and cataract procedures performed at ASCs more than doubled (increased by 39,429) between FY00 and FY03. Similarly, the number of spinal treatment with medication/stimulation procedures grew by less than a thousand procedures at GAC hospitals while the number of procedures performed at ASCs during FY03 was more than triple the FY00 level (increase of 15,637).

The average net outpatient revenue per visit received by ASCs increased by only \$8 from FY02 to FY03 (up to \$617) after an \$86 per visit decline from F01 to FY02. It is difficult to draw specific conclusions from the changes in the statewide aver-

age net outpatient revenue per visit because there is a wide range of care provided across the individual ASCs. With the number of ASCs nearly tripling since FY95, the average revenue per visit could be heavily influenced by changes in the overall mix of care provided by this burgeoning health care sector.

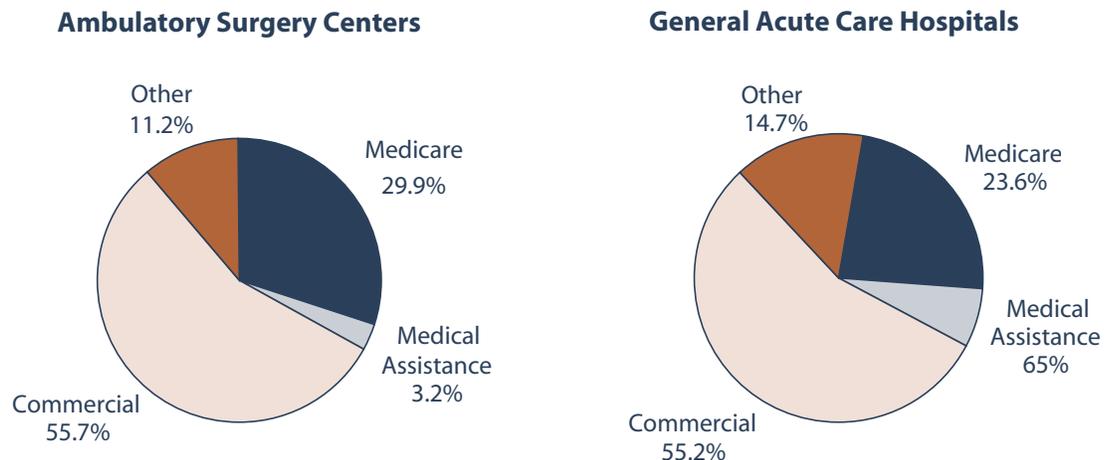
Both the ASCs and the outpatient units at GAC hospitals receive nearly the same percentage of their revenue (55.7% and 55.2%, respectively) from patients covered by commercial insurance. Figure A-3 reveals that the share of outpatient revenue from Medicare participants is a little more than six points greater at the ASCs than at the GAC hospitals. Consistent with the higher percentage of Medicare revenue, the average age of an ASC patient is 57, six years older than the average age of a GAC outpatient (51 years).

Typically, the addition of new surgery centers has a negative effect on the average statewide operating margin. Expenses at new facilities usually outpace revenues during the first few months of operation as patient traffic grows.

Despite an influx of new entrants into the ASC arena, the statewide average operating margin

FIGURE A-3

Statewide Net Outpatient Revenue at Ambulatory Surgery Centers and General Acute Care Outpatient Units, FY03



jumped 3.8 points during FY03, from 12.19% in FY02 to 15.94% in FY03. In the three years prior to FY03 (FY00 – FY02), the statewide average total margin had been relatively constant in the 11.85% to 12.56% range.

Isolating the effect of the new ASCs' total margin reveals that the 87 surgery centers that were in business for more than 24 months prior to the end of FY03 had an average total margin of 17.46%. This is about 1.6 points higher than the statewide average for all reporting ASCs.

The difference between the statewide average operating margin and total margin is typically very small at ASCs. For FY03, the average total margin was 15.89% – five one hundredths (0.05) of a point lower than the average operating margin of 15.94%.

There are two characteristics of the ASCs that result in the operating margin and total margin being very close. First, this sector does not have a large amount of non-operating income such as contributions and investment income from

endowments. Second, most of the ASCs are for-profit, organized as Sub-Chapter S corporations. Under this corporate structure, ASCs incur no income taxes. Income and the corresponding tax liability are allocated to the owners or partners of the ASC.

This Sub-Chapter S corporate structure is also partially responsible for the average total margins being much higher than the other hospital categories. Unlike most ASCs, the total margin is net of income taxes for other types of for-profit facilities, such as GAC and rehabilitation hospitals. If these facilities realize positive net operating income, the income taxes allocated to these facilities typically reduce the total margin. In addition, some physician-owners of surgery centers may receive all or part of their compensation as net income instead of salaries or fees. Consequently, the total margin for an ASC may reflect net income before physician-owners receive all or part of their compensation.

Ambulatory Surgery Center Care

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
		Statewide Average		\$2,866	\$2,520	\$2,526	\$2,527	38.38%	\$2,421	\$2,232	\$2,238
1	Aestique ASC ^{1,10}	\$2,637	\$1,608	\$1,416	\$1,498	25.33%	\$1,858	\$1,474	\$1,361	\$1,461	9.08%
1	ASC/New Kensington ⁷	\$8,374	\$7,482	NA	NA	NA	\$10,217	\$7,991	NA	NA	NA
1	Children's Hosp Pgh North ⁷	\$4,859	\$4,201	\$3,399	NA	NA	\$2,966	\$3,387	\$2,927	NA	NA
1	Dermatology & Cosmetic SC ^{1,3,10,14}	\$726	\$614	\$669	\$208	NA	\$617	\$546	\$623	\$178	NA
1	Digestive Hlth Endoscopy ^{1,10}	\$1,331	\$761	NA	NA	NA	\$911	\$761	NA	NA	NA
1	Four Seasons Endoscopy ^{1,3,10}	\$1,849	\$500	NA	NA	NA	\$929	\$469	NA	NA	NA
1	HEALTHSOUTH Mt Pleasant SC ^{1,10}	\$1,823	\$2,171	\$1,906	\$1,711	2.18%	\$1,958	\$2,057	\$1,896	\$1,706	4.92%
1	John A Zitelli ASC ^{1,10,14}	\$607	\$713	\$602	\$538	4.33%	\$607	\$713	\$596	\$535	4.43%
1	Lowry SC ^{1,10,13}	\$896	\$487	\$627	\$794	4.27%	\$753	\$542	\$683	\$826	-2.96%
1	Mt Lebanon SC	\$1,826	\$1,637	\$1,615	\$1,683	2.84%	\$1,538	\$1,486	\$1,402	\$1,508	0.65%
1	North Shore SC ^{1,10,13,14}	\$321	\$268	NR	NR	NR	\$336	\$329	NR	NR	NR
1	Norwin Hills SC ^{4,11,13}	\$1,117	NA	NA	NA	NA	\$1,609	NA	NA	NA	NA
1	Pittsburgh Specialty ASC ^{1,2,10,11,12}	NR	NA	NA	NA	NA	NR	NA	NA	NA	NA
1	SC Ligonier ¹³	\$740	\$795	\$795	\$850	-4.29%	\$677	\$683	\$679	\$718	-1.94%
1	Shadyside SC ^{1,10}	\$398	\$508	\$505	\$583	-10.58%	\$443	\$482	\$493	\$589	-8.25%
1	Southwestern ASC ^{1,10,13}	\$2,741	\$3,026	\$3,215	\$3,078	-3.65%	\$2,750	\$2,972	\$2,891	\$2,366	5.41%
1	Southwestern PA Eye SC ^{1,10}	\$3,018	\$2,946	NR	\$2,175	12.93%	\$1,581	\$1,390	NR	\$1,107	14.29%
1	Three Rivers Endoscopy ^{1,10,13,14}	\$3,817	\$3,567	\$2,795	\$1,725	40.44%	\$2,080	\$2,108	\$1,394	\$1,068	31.60%
1	Tri County Surgical ^{1,10}	\$526	\$413	\$375	\$262	33.57%	\$544	\$419	\$381	\$262	35.90%
1	UPMC Monroeville SC ¹³	\$5,738	\$5,339	\$4,492	\$3,508	21.19%	\$4,049	\$5,224	\$5,520	\$6,197	-11.55%
1	Western PA SC ^{1,3,10}	\$5,427	\$3,337	NA	NA	NA	\$4,475	\$4,286	NA	NA	NA
1	Zitelli South ASC ^{1,10,14}	\$541	\$602	\$547	\$401	11.64%	\$541	\$601	\$547	\$399	11.82%
2	Hamot SC ¹⁰	\$6,718	\$6,136	\$2,568	NA	NA	\$5,647	\$5,363	\$2,944	NA	NA
2	Laurel Laser & SC ^{1,3,10}	\$2,809	\$2,643	\$1,059	NA	NA	\$2,799	\$2,655	\$1,122	NA	NA
2	Regional ASC ^{1,2,4,10}	\$611	NA	NA	NA	NA	\$921	NA	NA	NA	NA
2	Saint Vincent SC ^{1,10,11}	\$7,475	\$7,329	\$6,951	\$7,062	1.95%	\$6,531	\$6,123	\$5,672	\$5,668	5.07%
2	Surgery & Laser ^{1,10}	\$2,350	\$1,611	NA	NA	NA	\$1,710	\$1,443	NA	NA	NA
2	Village SC ^{1,3,10}	\$6,693	\$5,132	\$3,440	\$356	NA	\$5,258	\$4,447	\$3,545	\$1,122	NA
3	Indiana AS Associates ^{1,10}	\$3,262	\$3,153	\$2,888	\$2,310	13.74%	\$2,171	\$2,133	\$2,105	\$1,863	5.51%
4	Centre Community SC ^{11,14}	\$6,129	\$5,311	\$5,180	\$5,090	6.81%	\$5,484	\$5,165	\$4,803	\$4,238	9.80%
4	Endoscopy PA ^{1,10,14}	\$1,816	\$1,301	\$1,136	\$1,080	22.70%	\$1,868	\$1,451	\$1,158	\$1,221	17.66%
4	Evangelical ASC ^{1,4,10}	\$2,789	NA	NA	NA	NA	\$3,174	NA	NA	NA	NA
4	Lewisburg Plastic SLC ^{1,2,4,10}	\$88	NA	NA	NA	NA	\$363	NA	NA	NA	NA
4	Mifflin County Com SC ^{1,10}	\$574	\$565	\$772	\$839	-10.51%	\$558	\$577	\$796	\$766	-9.05%
4	Susquehanna SC ^{3,10}	\$534	\$83	NA	NA	NA	\$545	\$265	NA	NA	NA
4	UOC Surgical Services ^{1,2,4,10}	\$426	NA	NA	NA	NA	\$941	NA	NA	NA	NA
5	Apple Hill SC ¹⁰	\$11,603	\$9,799	\$7,936	\$8,103	14.40%	\$7,766	\$7,277	\$5,700	\$5,024	18.20%

Ambulatory Surgery Center Care

Ambulatory Surgery Center	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03	Outpatient Visits
Statewide Average	15.94%	15.89%	13.71%	29.93%	3.15%	4,598
Aestique ASC ^{1,10}	29.53%	29.63%	17.26%	28.71%	0.76%	2,645
ASC/New Kensington ⁷	-17.30%	-17.30%	NA	41.64%	3.89%	68,173
Children's Hosp Pgh North ⁷	38.95%	38.95%	25.51%	0.11%	10.49%	3,377
Dermatology & Cosmetic SC ^{1,3,10,14}	15.11%	15.11%	11.14%	17.37%	0.11%	2,287
Digestive Hlth Endoscopy ^{1,10}	31.55%	31.55%	NA	44.76%	0.00%	2,996
Four Seasons Endoscopy ^{1,3,10}	49.77%	49.77%	NA	40.04%	0.34%	5,377
HEALTHSOUTH Mt Pleasant SC ^{1,10}	-6.90%	-6.90%	0.54%	29.13%	2.38%	1,700
John A Zitelli ASC ^{1,10,14}	0.15%	0.15%	0.39%	61.21%	0.00%	1,303
Lowry SC ^{1,10,13}	16.06%	16.06%	1.63%	53.19%	0.02%	1,612
Mt Lebanon SC	15.80%	15.96%	13.13%	73.61%	0.00%	2,201
North Shore SC ^{1,10,13,14}	-4.61%	-4.61%	NR	0.96%	0.00%	292
Norwin Hills SC ^{4,11,13}	-44.02%	-44.02%	NA	28.47%	0.65%	2,192
Pittsburgh Specialty ASC ^{1,2,10,11,12}	NR	NR	NA	NR	NR	NR
SC Ligonier ¹³	8.61%	10.04%	14.88%	83.55%	1.80%	1,032
Shadyside SC ^{1,10}	8.33%	8.33%	5.13%	35.54%	0.00%	369
Southwestern ASC ^{1,10,13}	-0.28%	-0.24%	4.17%	26.21%	14.52%	3,451
Southwestern PA Eye SC ^{1,10}	47.62%	47.62%	NR	73.56%	3.53%	3,162
Three Rivers Endoscopy ^{1,10,13,14}	45.60%	45.70%	45.59%	14.44%	0.03%	7,689
Tri County Surgical ^{1,10}	-3.54%	-1.24%	-0.50%	19.37%	0.00%	735
UPMC Monroeville SC ¹³	30.16%	30.16%	0.01%	38.24%	0.96%	7,722
Western PA SC ^{1,3,10}	17.55%	17.54%	NA	14.41%	1.21%	5,146
Zitelli South ASC ^{1,10,14}	0.17%	0.17%	0.09%	62.60%	0.00%	1,174
Hamot SC ¹⁰	16.21%	16.21%	11.27%	19.02%	6.41%	8,803
Laurel Laser & SC ^{1,3,10}	0.37%	0.37%	-1.01%	75.88%	1.01%	3,298
Regional ASC ^{1,2,4,10}	-50.86%	-49.17%	NA	67.83%	0.00%	864
Saint Vincent SC ^{1,10,11}	12.64%	13.17%	16.77%	27.57%	9.34%	6,599
Surgery & Laser ^{1,10}	27.22%	27.22%	NA	46.84%	4.25%	2,952
Village SC ^{1,3,10}	21.43%	21.48%	13.26%	18.57%	9.92%	6,333
Indiana AS Associates ^{1,10}	38.14%	38.14%	35.91%	36.99%	0.78%	3,802
Centre Community SC ^{11,14}	10.66%	10.66%	7.63%	19.68%	2.47%	7,630
Endoscopy PA ^{1,10,14}	6.09%	6.09%	4.89%	47.33%	2.45%	4,217
Evangelical ASC ^{1,4,10}	-13.82%	-13.38%	NA	33.52%	2.55%	3,184
Lewisburg Plastic SLC ^{1,2,4,10}	-310.48%	-310.48%	NA	15.38%	0.00%	122
Mifflin County Com SC ^{1,10}	2.81%	2.81%	0.20%	62.45%	5.68%	835
Susquehanna SC ^{3,10}	-1.94%	-1.91%	NA	8.78%	0.00%	796
UOC Surgical Services ^{1,2,4,10}	-120.94%	-120.94%	NA	12.09%	0.20%	622
Apple Hill SC ¹⁰	33.11%	33.21%	29.55%	27.55%	1.19%	12,213

See footnotes and map of regions on page 50.

Ambulatory Surgery Center Care

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
		Statewide Average									
		\$2,866	\$2,520	\$2,526	\$2,527	38.38%	\$2,421	\$2,232	\$2,238	\$2,235	35.15%
5	Carlisle Endoscopy ^{1,10}	\$1,547	\$607	NA	NA	NA	\$1,541	\$584	NA	NA	NA
5	Carlisle Regional SC ^{1,10,13}	\$2,035	\$605	NA	NA	NA	\$1,903	\$519	NA	NA	NA
5	Center Reproductive ^{1,10,13}	\$778	\$443	NA	NA	NA	\$550	\$477	NA	NA	NA
5	Cumberland SC ^{1,3,10}	\$185	\$9	NA	NA	NA	\$186	\$10	NA	NA	NA
5	Digestive Disease Inst ^{1,10,14}	\$1,658	\$1,186	\$914	\$784	37.22%	\$1,578	\$1,183	\$1,027	\$933	23.01%
5	Grandview SC ^{1,3,7,10}	\$2,098	\$1,671	\$580	NA	NA	\$1,374	\$1,215	\$376	NA	NA
5	Grandview Surgery & Laser ^{1,7,10}	\$4,093	\$4,003	\$4,075	\$3,745	3.09%	\$5,038	\$5,051	\$4,029	\$3,453	15.30%
5	Hanover SC	\$2,456	\$2,488	\$2,378	\$2,302	2.23%	\$2,106	\$2,009	\$1,951	\$1,844	4.72%
5	Harrisburg Endoscopy & SC ^{1,10}	\$1,784	\$1,037	NA	NA	NA	\$1,784	\$808	NA	NA	NA
5	HEALTHSOUTH SC Lancaster ^{1,10}	\$5,310	\$5,474	\$5,485	\$5,242	0.43%	\$5,291	\$5,965	\$5,107	\$4,880	2.81%
5	Leader SC ^{1,10}	\$690	\$488	\$352	NA	NA	\$418	\$444	\$317	NA	NA
5	Lebanon Outpatient SC ^{1,10}	\$3,421	\$3,141	\$3,233	\$3,217	2.11%	\$3,084	\$2,840	\$2,851	\$2,773	3.74%
5	Ophthalmology SC ^{1,10}	\$1,970	\$2,261	\$2,113	\$1,818	2.79%	\$2,114	\$2,190	\$1,940	\$1,703	8.05%
5	PA Eye SC ^{1,10,13}	\$1,593	\$1,737	\$2,033	NR	NR	\$917	\$1,173	\$1,181	NR	NR
5	Penn Surgery Inst ^{10,13,14}	\$348	\$427	\$713	NA	NA	\$677	\$392	\$619	NA	NA
5	SC York ¹³	\$5,095	\$3,810	\$3,666	\$3,580	14.11%	\$4,378	\$3,377	\$3,189	\$3,020	14.98%
5	Summit SC ¹⁰	\$2,980	\$3,412	\$755	NA	NA	\$3,354	\$3,331	\$2,228	NA	NA
5	Susquehanna Valley SC ^{1,3,10,14}	\$6,422	\$6,025	\$1,439	NA	NA	\$4,791	\$4,281	\$2,289	NA	NA
5	Valley View SC ^{1,3,10,13,14}	\$1,057	\$841	\$618	\$220	NA	\$1,060	\$508	\$443	\$206	NA
5	West Shore Endoscopy ^{1,10,13}	\$5,368	\$2,739	\$1,828	\$1,511	85.08%	\$3,026	\$2,337	\$1,467	\$1,165	53.24%
5	West Shore SC ^{1,10,13}	\$6,287	\$5,273	NA	NA	NA	\$4,886	\$4,922	NA	NA	NA
5	York Endoscopy ^{1,10}	\$1,234	\$809	NA	NA	NA	\$789	\$664	NA	NA	NA
6	Bucci Eye SC ^{1,10,13}	\$1,344	\$254	NA	NA	NA	\$901	\$408	NA	NA	NA
6	Center Same Day Surgery ^{1,10}	\$3,850	\$624	NA	NA	NA	\$2,974	\$784	NA	NA	NA
6	Guthrie Clinic ^{7,13}	\$3,044	\$2,574	NA	NA	NA	\$1,614	\$1,420	NA	NA	NA
6	Hazleton ASC ^{1,10,13}	\$1,112	\$1,518	\$1,637	\$1,080	0.98%	\$738	\$552	\$645	\$452	21.10%
6	Hazleton Endoscopy ^{1,10}	\$369	NA	NA	NA	NA	\$347	NA	NA	NA	NA
6	HEALTHSOUTH Scranton SC ^{1,10}	\$2,534	\$2,432	\$3,431	\$3,338	-8.03%	\$2,539	\$2,290	\$2,203	\$2,344	2.78%
6	Kingston Ophthalmology ^{1,10}	\$4,078	\$3,736	\$5,560	\$3,904	1.49%	\$1,996	\$2,557	\$2,352	\$1,906	1.57%
6	NEI AS ^{1,10}	\$4,008	\$3,802	\$3,955	\$3,469	5.18%	\$2,950	\$2,961	\$3,250	\$2,748	2.45%
6	North East SC ^{1,10,14}	\$3,913	\$2,930	NA	NA	NA	\$3,526	\$2,465	NA	NA	NA
6	Pocono ASC ^{1,10}	\$3,406	\$2,782	\$2,719	\$2,588	10.53%	\$2,647	\$2,257	\$2,182	\$2,092	8.83%
6	Riverview ASC ^{1,3,10,13}	\$4,376	\$1,410	\$202	NA	NA	\$2,582	\$1,446	\$628	NA	NA
6	Scranton Endoscopy ^{1,10,13,14}	\$2,679	\$1,718	NA	NA	NA	\$2,582	\$999	NA	NA	NA
6	Surgical Specialty NE PA ^{1,3,10}	\$1,830	\$79	NA	NA	NA	\$1,794	\$340	NA	NA	NA
6	Valley SC ^{3,10,13}	\$1,315	\$236	\$2,120	\$2,572	-16.29%	\$2,191	\$566	\$2,273	\$2,603	-5.27%
7	Berks Digestive Health ^{1,10}	\$2,246	NA	NA	NA	NA	\$1,376	NA	NA	NA	NA
7	Berkshire Eye SC ^{1,2,4,10}	\$809	NA	NA	NA	NA	\$1,142	NA	NA	NA	NA

Ambulatory Surgery Center Care

Ambulatory Surgery Center	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03	Outpatient Visits
Statewide Average	15.94%	15.89%	13.71%	29.93%	3.15%	4,598
Carlisle Endoscopy ^{1,10}	0.96%	0.96%	NA	37.86%	0.61%	3,303
Carlisle Regional SC ^{1,10,13}	6.47%	6.47%	NA	25.21%	0.22%	3,652
Center Reproductive ^{1,10,13}	29.30%	29.30%	NA	0.00%	0.00%	1,599
Cumberland SC ^{1,3,10}	-0.15%	-0.15%	NA	10.00%	0.00%	257
Digestive Disease Inst ^{1,10,14}	4.89%	4.89%	-0.78%	23.80%	NR	3,670
Grandview SC ^{1,3,7,10}	34.63%	34.63%	32.42%	9.15%	0.35%	1,807
Grandview Surgery & Laser ^{1,7,10}	-21.77%	-21.77%	-14.25%	22.42%	0.26%	4,157
Hanover SC	14.40%	14.38%	17.53%	38.63%	1.14%	2,585
Harrisburg Endoscopy & SC ^{1,10}	0.05%	0.05%	NA	29.82%	0.21%	4,338
HEALTHSOUTH SC Lancaster ^{1,10}	1.41%	1.41%	0.33%	26.04%	0.16%	5,511
Leader SC ^{1,10}	41.27%	41.27%	24.02%	18.15%	0.01%	1,135
Lebanon Outpatient SC ^{1,10}	9.84%	9.98%	10.65%	29.39%	5.59%	5,255
Ophthalmology SC ^{1,10}	-7.30%	-4.86%	2.43%	56.06%	0.99%	2,404
PA Eye SC ^{1,10,13}	45.68%	46.00%	40.64%	66.85%	1.93%	2,418
Penn Surgery Inst ^{10,13,14}	-94.41%	-94.41%	-13.35%	30.03%	0.00%	772
SC York ¹³	14.33%	14.33%	13.26%	25.13%	3.53%	5,144
Summit SC ¹⁰	-12.55%	-12.13%	-24.27%	32.91%	4.16%	3,326
Susquehanna Valley SC ^{1,3,10,14}	25.39%	25.32%	18.50%	16.61%	0.24%	8,343
Valley View SC ^{1,3,10,13,14}	-0.27%	-0.06%	20.37%	54.71%	0.00%	921
West Shore Endoscopy ^{1,10,13}	43.63%	43.65%	38.61%	23.34%	0.29%	6,113
West Shore SC ^{1,10,13}	22.37%	22.41%	NA	28.39%	1.13%	7,571
York Endoscopy ^{1,10}	36.08%	36.08%	NA	28.04%	0.05%	3,158
Bucci Eye SC ^{1,10,13}	33.17%	33.17%	NA	59.16%	0.50%	1,811
Center Same Day Surgery ^{1,10}	22.89%	22.89%	NA	11.21%	4.30%	4,202
Guthrie Clinic ^{7,13}	49.47%	45.03%	NA	4.43%	31.70%	5,984
Hazleton ASC ^{1,10,13}	33.60%	33.60%	54.63%	65.83%	1.63%	2,202
Hazleton Endoscopy ^{1,10}	6.04%	6.05%	NA	50.47%	0.00%	1,113
HEALTHSOUTH Scranton SC ^{1,10}	-1.02%	-1.02%	16.88%	10.36%	4.58%	2,574
Kingston Ophthalmology ^{1,10}	51.04%	51.08%	48.38%	49.76%	4.07%	12,014
NEI AS ^{1,10}	26.45%	26.45%	23.25%	63.21%	3.07%	6,019
North East SC ^{1,10,14}	10.00%	10.00%	NA	13.85%	3.26%	4,834
Pocono ASC ^{1,10}	22.28%	22.51%	20.64%	30.26%	2.20%	4,148
Riverview ASC ^{1,3,10,13}	40.99%	40.99%	22.25%	26.60%	3.06%	5,679
Scranton Endoscopy ^{1,10,13,14}	3.62%	3.62%	NA	28.66%	0.00%	6,925
Surgical Specialty NE PA ^{1,3,10}	1.92%	2.02%	NA	24.83%	7.57%	2,258
Valley SC ^{3,10,13}	-66.60%	-66.60%	-36.86%	20.33%	4.46%	1,762
Berks Digestive Health ^{1,10}	38.74%	38.75%	NA	43.70%	0.00%	4,734
Berkshire Eye SC ^{1,2,4,10}	-41.07%	-41.07%	NA	98.55%	0.00%	1,626

See footnotes and map of regions on page 50.

Ambulatory Surgery Center Care

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
		Statewide Average	\$2,866	\$2,520	\$2,526	\$2,527	38.38%	\$2,421	\$2,232	\$2,238	\$2,235
7	CHS ASC ^{1,10,13}	\$4,287	\$4,027	\$3,747	\$2,333	27.92%	\$3,798	\$3,432	\$3,602	\$2,634	14.73%
7	Eastern PA Endoscopy ^{1,2,4,10}	\$1,379	NA	NA	NA	NA	\$1,182	NA	NA	NA	NA
7	Exeter SC ^{1,10}	\$4,044	\$4,727	\$3,466	\$2,798	14.84%	\$3,669	\$4,047	\$3,525	\$3,212	4.75%
7	Fairgrounds SC ^{1,10,13}	\$8,826	\$7,970	\$7,235	\$6,090	14.97%	\$7,894	\$7,550	\$7,126	\$5,921	11.10%
7	Lehigh Plastic SC ^{1,12}	NR	NR	NA	NA	NA	NR	NR	NA	NA	NA
7	Mahoning Valley ASC ^{1,2,4,10,13}	\$338	NA	NA	NA	NA	\$376	NA	NA	NA	NA
7	Northwood SC ^{1,10,13,14}	\$5,281	\$4,394	\$2,972	NR	NR	\$3,511	\$3,119	\$3,197	NR	NR
7	Progressive Surgical Inst ^{1,3,10,13}	\$1,123	\$889	\$1,161	\$850	NA	\$572	\$607	\$681	\$523	NA
7	Reading SC ^{1,3,10,13}	\$4,830	\$137	NA	NA	NA	\$3,130	\$563	NA	NA	NA
7	Twin Rivers Endoscopy ^{1,10}	\$578	\$347	\$371	\$279	35.81%	\$425	\$326	\$344	\$278	17.61%
7	Westfield SC ^{1,10,13}	\$2,028	\$1,772	\$1,984	NA	NA	\$2,087	\$1,860	\$1,958	NA	NA
8	Abington SC ¹⁰	\$9,020	\$8,843	\$8,219	\$7,919	4.63%	\$7,149	\$7,088	\$6,916	\$6,234	4.89%
8	ASC Bucks County ⁷	\$3,478	\$3,108	\$2,364	NA	NA	\$3,088	\$2,512	\$2,124	NA	NA
8	Delaware Valley Laser ^{1,7,10,13}	\$2,141	\$2,256	\$2,061	\$1,889	4.44%	\$1,193	\$1,504	\$1,195	\$1,184	0.24%
8	Dermatologic/Drexel Hill ^{10,13}	\$671	\$408	\$511	NR	NR	\$795	\$255	\$150	NA	NA
8	Doylestown SC ^{1,3,10,13,14}	\$2,751	\$652	NA	NA	NA	\$3,106	\$1,330	NA	NA	NA
8	Einstein SC ⁷	\$6,626	\$5,128	NA	NA	NA	\$5,976	\$5,367	NA	NA	NA
8	Endoscopic Associates ^{1,3,10}	\$3,438	\$1,796	\$821	NA	NA	\$1,663	\$1,300	\$778	NA	NA
8	Eye SC ^{1,10,14}	\$4,386	\$10,454	\$13,487	\$11,849	-20.99%	\$3,924	\$9,509	\$10,288		-20.81%
8	Eye SC Chester ^{1,10}	\$2,551	\$2,225	\$860	NA	NA	\$1,707	\$1,492	\$971	NA	NA
8	Fort Washington SC ^{1,10,13}	\$1,820	\$1,413	\$376	NR	NR	\$1,617	\$1,392	\$464	NR	NR
8	Hillmont Endoscopy ^{1,10}	\$2,984	\$1,874	\$1,444	\$1,292	43.67%	\$1,615	\$1,057	\$914	\$827	31.77%
8	Holy Redeemer ASC ^{3,10}	\$4,018	\$4,212	\$2,919	\$1,287	NA	\$3,865	\$3,899	\$3,371	\$2,411	NA
8	Main Line SC ^{1,10}	\$3,811	\$3,297	\$2,876	\$2,340	20.96%	\$2,948	\$2,697	\$2,698	\$2,136	12.67%
8	Mercy SC ^{1,10,11,12}	NR	\$3,555	\$3,259	\$2,734	NR	NR	\$3,665	\$3,440	\$3,030	NR
8	Montgomery SC ^{1,2,4,10,13}	\$1,106	NA	NA	NA	NA	\$1,520	NA	NA	NA	NA
8	Paoli SC ^{1,10}	\$3,852	\$4,233	\$4,185	\$4,245	-3.08%	\$3,739	\$3,775	\$3,770	\$3,772	-0.29%
8	Sally Balin ASC ^{1,10,13}	\$897	\$685	\$461	\$196	119.54%	\$897	\$683	\$464	\$190	123.67%
8	SC Chester County ^{1,3,10}	\$2,730	\$993	\$1,741	\$1,728	19.34%	\$1,788	\$786	\$1,804	\$1,742	0.87%
8	Wills Eye SC Plymouth Mtg ¹⁰	\$3,388	\$3,485	\$3,114	\$2,978	4.59%	\$2,854	\$2,975	\$2,803	\$2,809	0.53%
8	Wills SC Bucks County ^{10,13,14}	\$3,144	\$3,192	\$3,132	\$2,814	3.91%	\$2,806	\$2,794	\$2,712	\$2,661	1.81%
9	CHOP ASC Exton ^{3,7}	\$3,659	\$2,771	\$2,431	NA	NA	\$2,576	\$2,139	\$2,032	NA	NA
9	Dermatologic/Philadelphia ^{10,13,14}	\$398	\$530	\$346	NR	NR	\$444	\$294	\$100	NA	NA
9	Gastrointestinal Spec ^{1,10,13,14}	\$1,272	\$1,263	\$912	\$984	9.75%	\$1,234	\$1,264	\$927	\$967	9.22%
9	Philadelphia SC ¹⁰	\$1,677	\$1,215	\$961	\$588	61.68%	\$1,503	\$1,186	\$1,163	\$589	51.70%
9	Wills Eye SC South Phila ^{10,13,14}	\$1,458	\$1,073	\$1,012	\$377	NA	\$2,768	\$1,684	\$1,785	\$974	61.36%
9	Wills SC Northeast ¹⁰	\$2,494	\$2,467	\$2,540	\$2,202	4.42%	\$2,473	\$2,404	\$2,369	\$2,002	7.84%
9	Wills Surgical Ctr City	\$6,306	NA	NA	NA	NA	\$6,544	NA	NA	NA	NA

Ambulatory Surgery Center Care

Ambulatory Surgery Center	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03	Outpatient Visits
Statewide Average	15.94%	15.89%	13.71%	29.93%	3.15%	4,598
CHS ASC ^{1,10,13}	11.40%	12.18%	10.71%	16.94%	0.15%	5,262
Eastern PA Endoscopy ^{1,2,4,10}	14.32%	14.32%	NA	42.88%	0.00%	2,726
Exeter SC ^{1,10}	9.70%	9.70%	8.72%	18.78%	1.49%	3,882
Fairgrounds SC ^{1,10,13}	10.68%	10.68%	5.66%	18.63%	9.80%	7,964
Lehigh Plastic SC ^{1,12}	NR	NR	NA	NR	NR	NR
Mahoning Valley ASC ^{1,2,4,10,13}	-11.41%	-11.41%	NA	85.80%	0.59%	580
Northwood SC ^{1,10,13,14}	33.51%	33.60%	22.53%	17.55%	0.33%	3,708
Progressive Surgical Inst ^{1,3,10,13}	49.06%	49.06%	41.37%	82.12%	1.82%	1,640
Reading SC ^{1,3,10,13}	35.20%	35.20%	NA	20.47%	1.14%	3,398
Twin Rivers Endoscopy ^{1,10}	26.59%	26.61%	15.86%	40.44%	0.00%	1,446
Westfield SC ^{1,10,13}	-2.92%	-2.92%	-2.08%	18.89%	0.82%	19,774
Abington SC ¹⁰	21.13%	21.13%	19.26%	29.51%	0.62%	14,413
ASC Bucks County ⁷	11.22%	11.22%	13.70%	0.00%	5.43%	1,801
Delaware Valley Laser ^{1,7,10,13}	44.28%	44.28%	39.76%	60.01%	6.18%	2,496
Dermatologic/Drexel Hill ^{10,13}	-18.54%	-18.54%	24.49%	43.68%	0.00%	2,676
Doylestown SC ^{1,3,10,13,14}	-12.88%	-12.79%	NA	11.56%	0.07%	3,469
Einstein SC ⁷	9.81%	9.81%	NA	34.94%	5.54%	22,731
Endoscopic Associates ^{1,3,10}	51.62%	51.69%	38.27%	19.83%	0.00%	7,873
Eye SC ^{1,10,14}	10.54%	10.55%	16.38%	14.00%	0.00%	6,755
Eye SC Chester ^{1,10}	33.08%	33.15%	26.08%	79.81%	1.16%	2,870
Fort Washington SC ^{1,10,13}	11.15%	-0.19%	-7.25%	6.45%	0.00%	3,173
Hillmont Endoscopy ^{1,10}	45.87%	45.87%	43.10%	11.84%	0.03%	6,270
Holy Redeemer ASC ^{3,10}	3.80%	3.86%	0.20%	15.84%	0.00%	4,732
Main Line SC ^{1,10}	22.67%	22.67%	16.45%	48.45%	2.00%	3,500
Mercy SC ^{1,10,11,12}	NR	NR	NR	NR	NR	NR
Montgomery SC ^{1,2,4,10,13}	-37.51%	-37.51%	NA	77.89%	0.05%	1,416
Paoli SC ^{1,10}	3.48%	3.48%	8.63%	13.40%	0.34%	4,655
Sally Balin ASC ^{1,10,13}	0.05%	0.05%	-0.02%	40.58%	0.00%	1,493
SC Chester County ^{1,3,10}	34.52%	34.52%	19.92%	8.18%	1.31%	3,629
Wills Eye SC Plymouth Mtg ¹⁰	16.05%	16.05%	14.11%	65.18%	0.91%	3,018
Wills SC Bucks County ^{10,13,14}	11.10%	11.10%	13.19%	59.00%	2.00%	2,604
CHOP ASC Exton ^{3,7}	29.60%	29.60%	23.86%	0.00%	6.95%	1,659
Dermatologic/Philadelphia ^{10,13,14}	-11.65%	-11.65%	34.22%	46.24%	0.00%	1,790
Gastrointestinal Spec ^{1,10,13,14}	2.97%	2.97%	0.65%	5.11%	1.96%	7,832
Philadelphia SC ¹⁰	10.34%	10.34%	6.43%	7.60%	2.85%	4,174
Wills Eye SC South Phila ^{10,13,14}	-89.83%	-89.83%	-75.92%	50.34%	17.12%	888
Wills SC Northeast ¹⁰	4.29%	4.29%	5.30%	73.74%	1.63%	2,091
Wills Surgical Ctr City	-3.76%	-3.76%	NA	40.27%	7.58%	5,164

Highlights

- After a 6.5-point decline in the statewide average total margin during FY02, the average total margin increased 9.1 points during FY03. The average total margin increased from 1.78% in FY02 to 10.87% in FY03.
- The improvement in the total margin was driven by an 8.9-point improvement in the average operating margin, which grew to 14.95% in FY03. The growth in the operating margin was due to the combination of a 5.8% reduction in operating expenses and an 8.7% increase in net patient revenue.
- The rehabilitation hospitals were able to reduce expenses despite a 3.2% increase in discharges and a 5.9% increase in outpatient visits in FY03.
- The increase in statewide net patient revenue was driven largely by a \$53 million increase in Medicare indemnity revenue. FY03 was the first year rehabilitation facilities were reimbursed under the new Medicare Prospective Payment System (PPS).
- The improvement in hospital net income was widespread. At the end of FY02, six of the ten non-profit rehabilitation hospitals had negative operating margins. In FY03, all but one non-profit hospital had a positive operating margin. The average non-profit operating margin improved over 10.5 points from -0.51% in FY02 to 10.02% in FY03.

Rehabilitation Care

During Fiscal Year 2003 (FY03) there were 21 freestanding rehabilitation hospitals that provided care to 48% of the patients admitted for hospital-based rehabilitation care. The remaining 52% of rehabilitation patients received care at rehabilitation units operated as part of General Acute Care hospitals (GAC rehabilitation units). Sixty-seven (67) of Pennsylvania's 185 GAC hospitals operated rehabilitation units in FY03.

Trends in Hospital-Based Rehabilitation Care

After four years of strong growth in the number of patients receiving in-patient rehabilitation care, total discharges leveled off during FY03. Between the end of FY98 to the end of FY02, rehabilitation discharges grew over 40%, or an average of about 9% per year. During FY03, statewide total rehabilitation discharges grew by only 128 or 0.2% to 73,044.

While the number of total rehabilitation discharges leveled off, the number of discharges at rehabilitation hospitals grew by 1,099 or 3.2% during FY03. This increase was offset by a 917-discharge decline (2.5%) at GAC rehabilitation units. This small decline in rehabilitation discharges at GAC hospitals

FIGURE R-1
Rehabilitation Discharges
by Facility Type

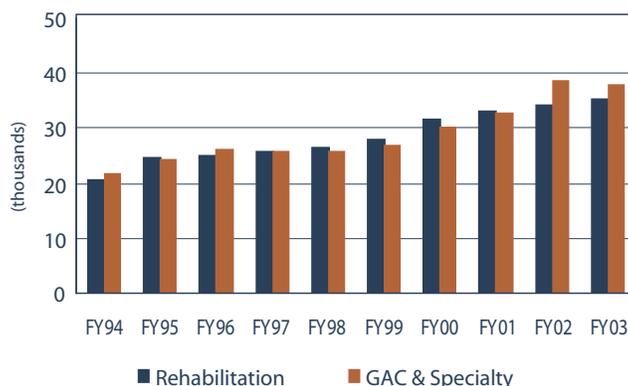


TABLE R-1
Utilization and Capacity of Rehabilitation Care
by Facility Type

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Patient Days										
Rehabilitation	427,593	488,414	479,299	470,707	457,332	483,402	527,382	525,866	521,371	516,562
GAC & Specialty	333,281	339,935	342,450	321,122	299,590	299,591	321,027	341,940	349,544	357,726
Statewide	760,874	828,349	821,749	791,829	756,922	782,993	848,409	867,806	870,915	874,288
Discharges										
Rehabilitation	20,571	24,699	25,087	25,637	26,311	28,056	31,709	33,148	34,232	35,331
GAC & Specialty	21,595	24,322	25,947	25,706	25,561	26,718	30,101	32,845	38,684	37,713
Statewide	42,166	49,021	51,034	51,343	51,872	54,774	61,810	65,993	72,916	73,044
Beds										
Rehabilitation	1,869	1,824	1,775	1,774	1,771	1,785	1,783	1,821	1,838	1,841
GAC & Specialty	1,242	1,296	1,334	1,318	1,244	1,241	1,318	1,373	1,429	1,478
Statewide	3,111	3,120	3,109	3,092	3,015	3,026	3,101	3,194	3,267	3,319
Occupancy Rate										
Rehabilitation	72.21%	73.00%	74.33%	72.65%	73.65%	74.56%	80.53%	79.43%	78.69%	77.69%
GAC & Specialty	74.29%	71.83%	69.96%	67.00%	66.48%	66.44%	67.20%	67.97%	66.92%	66.25%
Statewide	73.11%	72.52%	72.44%	70.25%	70.63%	71.23%	74.91%	74.48%	73.50%	72.57%
Average Length of Stay (Days)										
Rehabilitation	20.79	19.77	19.11	18.36	17.38	17.23	16.63	15.86	15.23	14.62
GAC & Specialty	15.43	13.98	13.20	12.49	11.72	11.21	10.66	10.41	9.04	9.49
Statewide	18.04	16.90	16.10	15.42	14.59	14.29	13.73	13.15	11.94	11.97

during FY03 is an abrupt change to the rapid growth that had occurred over the preceding four years. Between FY98 and FY02, discharges at GAC rehabilitation units grew over 51% or an average of almost 11% per year.

The trend in continuous declines in the average length of stay (ALOS) for rehabilitation care ended in FY03. In the eight years between FY94 and FY02, the ALOS fell 6.1 days from 18.04 to 11.94 days. During FY03, ALOS increased very slightly to 11.97 days. However, like discharges discussed above, rehabilitation hospitals and GAC rehabilitation units have moved in different directions. The ALOS for rehabilitation hospitals actually decreased another 0.61 day to 14.62 days. In contrast, the ALOS at

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

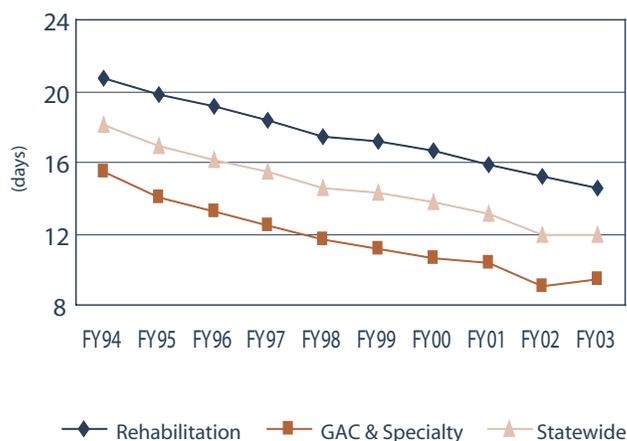
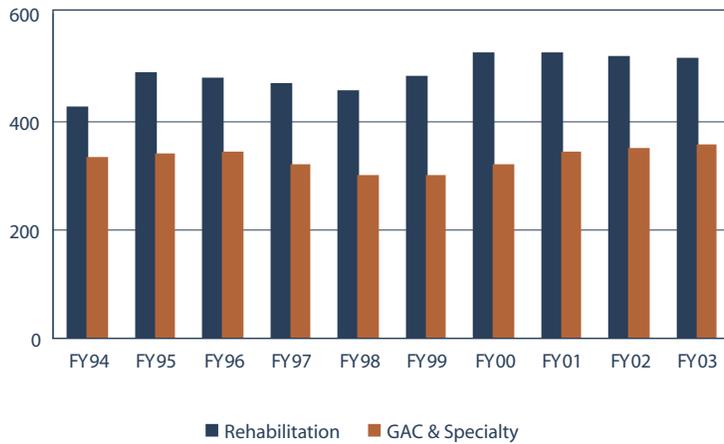


FIGURE R-3
Rehabilitation Patient Days
by Facility Type



GAC rehabilitation units rose for the first time in our analysis, from 9.04 days in FY02 to 9.49 days in FY03.

The combination of very slight increases in both the ALOS and total discharges resulted

in only a 0.4% increase in total rehabilitation patient days during FY03. Although discharges grew at rehabilitation hospitals by 3.2%, the decline in the ALOS resulted in less than a one percent (0.9%) decline in patient days. Alternately, the increase in ALOS at GAC rehabilitation units drove patient days 2.3% higher, despite the 2.5% decline in discharges.

Both the rehabilitation hospitals and the GAC rehabilitation units serve primarily an elderly population. Figure R-4 reflects that 67.2% of rehabilitation patients discharged

from rehabilitation hospitals and 75.5% from GAC rehabilitation units are 65 years or older.

Consistent with this age distribution, Table R-2 shows that the leading conditions treated at the rehabilitation hospitals are those most preva-

FIGURE R-4
Age Distribution of Rehabilitation Patients, FY03

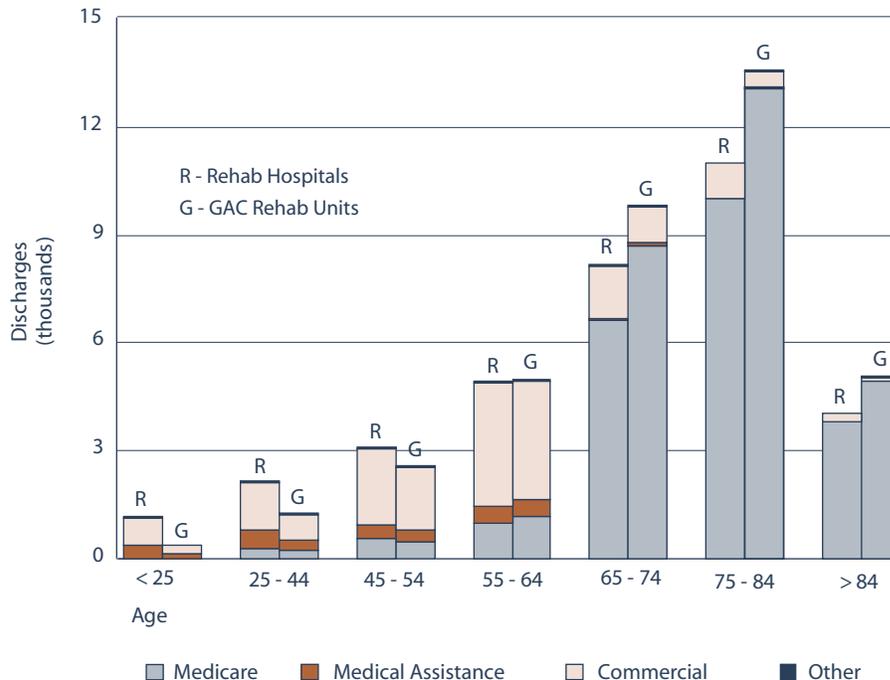


TABLE R-2

Leading Adult Inpatient Clinical Classifications[†] at Rehabilitation Hospitals, FY03
by Payor

Top Ten	Total	Commercial		Medical Assistance		Medicare	
	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Osteoarthritis	19.19%	1	22.87%	3	7.32%	1	18.50%
Stroke	10.07%	2	9.51%	1	10.40%	2	10.31%
Hip fracture	5.97%	7	3.25%	*	*	3	7.60%
Degenerative back disorders & problems	4.61%	5	3.95%	*	*	4	5.10%
Other (non-traumatic) joint disorders	4.42%	4	5.75%	7	3.36%	5	3.89%
Brain injury	3.76%	3	7.61%	2	8.25%	*	*
Other fractures	2.81%	8	2.81%	*	*	6	2.90%
Late effects of cerebrovascular disease	2.56%	*	*	6	3.36%	10	2.61%
Other connective tissue disease	2.56%	*	*	9	2.86%	7	2.75%
Complication of device, implant or graft	2.55%	10	2.59%	*	*	8	2.63%

* Not among the top ten diagnoses.

[†] 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).

lent among elderly patients. For example, the four leading clinical classifications—osteoarthritis, stroke, hip fracture and degenerative back disorders—represent the principal diagnoses for almost 40% of all patients admitted to a Pennsylvania rehabilitation hospital during FY03.

While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. Patients in the under-25 and the 25-44 year age groups had an ALOS of 26.0 and 18.5 days, respectively, during FY03. In contrast, patients in the 65–74 age group had an ALOS of 13.1 days. Part of the reason younger patients have longer stays is that a substantial portion of their care is for traumatic injuries, such as brain and spinal cord injury, which typically have longer recovery periods.

The rehabilitation hospitals have experienced a strong growth in outpatient care. The num-

ber of visits increased 10.0% during FY02 and 6.0% during FY03, growing to 1.7 million visits. Outpatient care generated \$141.3 million of net patient revenue (NPR) during FY03, which represents about 23.6% of all patient revenue received by the 21 rehabilitation hospitals. The range of outpatient care offered at rehabilitation hospitals may not be directly related to the care provided on an inpatient basis. Therefore, the dramatic increase in outpatient care does not necessarily reflect a shift of care historically provided on an inpatient basis to an outpatient setting.

Utilization and Revenue by Payor

With the average age of a Medicare patient admitted to a Pennsylvania rehabilitation hospital exceeding 75 years, the federal Medicare program provided 53% of the NPR received by rehabilitation hospitals during FY03. Consequently, changes in Medicare reimbursements can have a significant

Rehabilitation Care

TABLE R-3
Utilization and Capacity, FY03
by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	29,875	42,705	69.96%	2,465	117	12.12
Bryn Mawr Rehab	49,223	55,115	89.31%	3,771	151	13.05
Chestnut Hill Rehab	12,836	17,520	73.26%	1,293	48	9.93
Children's Inst Pgh	8,602	14,235	60.43%	247	39	34.83
Children's Seashore House	9,200	10,950	84.02%	341	30	26.98
Geisinger HEALTHSOUTH	11,367	14,600	77.86%	821	40	13.85
Good Shepherd/Bethlehem	5,220	8,352	62.50%	583	29	8.95
Good Shepherd Rehab	20,289	22,518	90.10%	2,243	75	9.05
HEALTHSOUTH Altoona	23,024	25,550	90.11%	1,631	70	14.12
HEALTHSOUTH Erie	27,496	36,500	75.33%	1,580	100	17.40
HEALTHSOUTH Harmarville	48,466	73,730	65.73%	2,369	202	20.46
HEALTHSOUTH Mechanicsburg	34,739	37,595	92.40%	2,436	103	14.26
HEALTHSOUTH Nittany	18,199	31,025	58.66%	1,215	85	14.98
HEALTHSOUTH Pittsburgh	25,064	32,485	77.16%	1,333	89	18.80
HEALTHSOUTH Reading	23,997	34,675	69.21%	1,534	95	15.64
HEALTHSOUTH Sewickley	11,714	16,060	72.94%	760	44	15.41
HEALTHSOUTH York	30,722	37,230	82.52%	2,137	102	14.38
John Heinz Rehab	29,719	34,310	86.62%	2,109	94	14.09
Magee Rehab	27,669	35,040	78.96%	1,628	96	17.00
Moss Rehab	44,556	53,655	83.04%	2,817	147	15.82
UPMC Rehab	24,585	31,025	79.24%	2,018	85	12.18

effect on the revenue and income of rehabilitation providers.

Beginning in January 2002, the cost-based Medicare reimbursement system for rehabilitation care was replaced by the Prospective Payment System (PPS). PPS was designed to reimburse rehabilitation facilities based on the expected resources needed to provide care.

Under PPS, a predetermined payment for each Medicare patient has been established based

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

The initial PPS rates were intended to provide the national rehabilitation sector with the same level of overall funding received under the former cost-based system (i.e., budget neutral). Individual hospitals may have experienced an increase or decrease in reimbursements under the PPS depending on the number and type of patients served. To reduce the impact of any shift in revenue caused by the transition to PPS, hospitals could elect to receive a blended payment comprised of 2/3 of the new PPS rates and 1/3 of the pre-PPS rates during their first year under PPS.

FY03 was the first full fiscal year that rehabilitation hospitals and GAC rehabilitation units were reimbursed under PPS. Rehabilitation hospitals in Pennsylvania reported a 22.8% or \$2,357 increase in the average revenue per discharge for Medicare indemnity patients. The increase in the average revenue per discharge resulted in a \$48 million increase in statewide NPR. This \$48 million increase reflects 90% of the \$53 million increase in NPR from the Medicare indemnity program during FY03.

In contrast to the indemnity program, the rehabilitation hospitals reported only \$369 or 3.7% increase in the average revenue per discharge from patients participating in a Medicare managed care plan. Of the total 23,125 discharges of Medicare participants, only 2,747 or 11.9% were enrolled in a managed care plan.

The \$53 million increase in NPR from the Medicare indemnity program plus the \$1 million increase from Medicare managed care patients yielded a total increase in Medicare NPR of \$54 million. This \$54 million increase from Medicare is larger than the net \$48 million increase in NPR from all payors during FY03.

FIGURE R-5
Statewide Net Patient Revenue at Rehabilitation Hospitals, FY03
by Payor

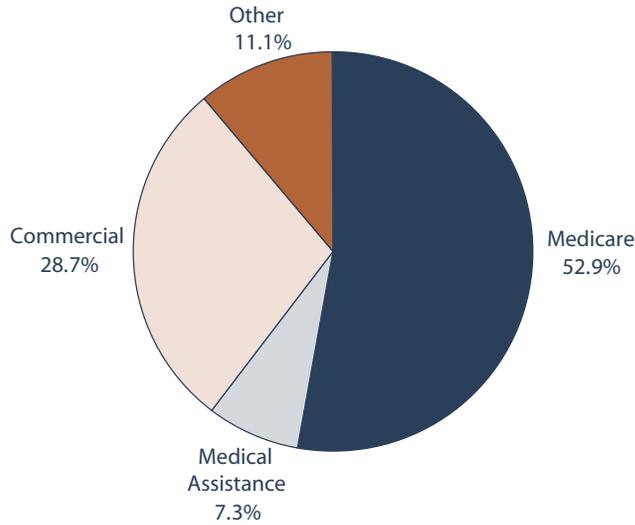


TABLE R-4
Statewide Net Patient Revenue at Rehabilitation Hospitals
by Payor (thousands)

	FY02	FY03	Percent Change FY02 to FY03
Commercial			
Indemnity	\$89,396	\$71,104	-20.46%
Managed Care	\$95,780	\$100,703	5.14%
Total	\$185,175	\$171,807	-7.22%
Medicare			
Indemnity	\$230,430	\$283,489	23.03%
Managed Care	\$32,070	\$33,057	3.08%
Total	\$262,500	\$316,546	20.59%
Medical Assistance			
Indemnity	\$27,297	\$28,491	4.38%
Managed Care	\$12,901	\$15,420	19.52%
Total	\$40,198	\$43,911	9.24%
Other	\$63,274	\$66,656	5.34%
Statewide	\$551,147	\$598,920	8.67%

Federal law requires the Centers for Medicare and Medicaid Services (CMS) to annually update PPS to reflect the changes in the costs of providing rehabilitation care. In July 2002, CMS announced a 3% increase in the overall Medicare rehabilitation PPS rates beginning in October 2002. This increase applied to three months of care during FY03 for the 10 rehabilitation hospitals that report on a calendar year basis and nine months of care during FY03 for those 11 rehabilitation hospitals on a July-June fiscal year. In August 2003, CMS announced a 3.2% increase for the 2004 federal fiscal year that began in October 2003.

Eligibility for the rehabilitation PPS rates may be affected by a new Medicare regulation. On May 7, 2004, the federal Department of Health and Human Services published a final rule¹, which

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

The \$54 million increase in Medicare NPR during FY03 was partially offset by a \$13 million decline in the inpatient revenue from commercial indemnity insurers. Contributing to the \$13 million decline was a 6.2% decrease in the average revenue per discharge and a reported 18.6% decline in the number of commercial indemnity discharges.

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

An alternative means to assess the variations in the average costs of patients covered by the different third-party payors is to observe the variations in the average charges by payor category.

TABLE R-5
Average Charge and Revenue per Discharge at Rehabilitation Hospitals, FY03
by Payor

	Average Revenue Index	Average Revenue per Discharge	Average Charge Index	Average Charge per Discharge *
Commercial	0.94	\$12,197	1.01	\$24,089
Indemnity	0.95	\$12,355	0.99	\$23,423
Managed Care	0.93	\$12,095	1.03	\$24,421
Medicare	0.96	\$12,428	0.92	\$21,961
Indemnity	0.98	\$12,695	0.93	\$22,125
Managed Care	0.81	\$10,451	0.86	\$20,517
Medical Assistance	1.38	\$17,936	1.55	\$36,890
Indemnity	1.61	\$20,889	1.76	\$41,695
Managed Care	1.08	\$14,031	1.27	\$30,205
Other	1.43	\$18,561	1.29	\$30,691
Statewide	1.00	\$12,951	1.00	\$23,757

* 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.

¹ May 7, 2004, 89 *Federal Register* 25752

While charges are typically higher than actual reimbursements and while the correlation between hospital charges and costs is not perfect, the differences in average charges for the entire cross section of patients covered by each payor category suggests differences in average costs across the payor categories. For example, the average charge index for Medicare patients in FY03 (Table R-5) was 0.92 or 8% below the all-payor average. This suggests that the average cost to treat Medicare patients is 8% below the average of all rehabilitation hospital patients. However, consistent with the 20.59% jump in average revenue per discharge from Medicare, the average revenue index, 0.96, was 4 points above the charge index for Medicare.

For commercial rehabilitation patients, the average charge index of 1.01 was very close to the average for all rehabilitation patients. The average revenue index was 0.94.

On average, Medical Assistance patients are younger, have a greater percentage of traumatic injuries, and require a longer length of stay in a rehabilitation hospital. Consequently, care provided to Medical Assistance (MA) patients at rehabilitation hospitals took, on average, 4.9 days longer than the all-patient average of 14.6 days during FY03.

Consistent with longer lengths of stay, rehabilitation hospitals reported receiving an average payment of \$17,936 for MA patients, which was 38.5% greater than the \$12,951 average revenue for all patients at rehabilitation hospitals during FY03. Table R-5 shows that the average revenue index was 1.38 for MA rehabilitation patients in FY03 and that the average charge index was 1.55.

In addition to the variation among the major payor

categories, ALOS and average net inpatient revenue per day and per discharge also vary depending on whether the patient is enrolled in a managed care or indemnity program. For example, the average stay for an MA indemnity patient was almost eight days longer than an MA patient participating in a managed care plan. Similarly, the \$20,889 average revenue per discharge for MA patients with indemnity coverage was 49% greater than the average revenue per discharge for patients in an MA managed care plan.

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

FIGURE R-6
Average Length of Stay at Rehabilitation Hospitals, FY03
by Payor

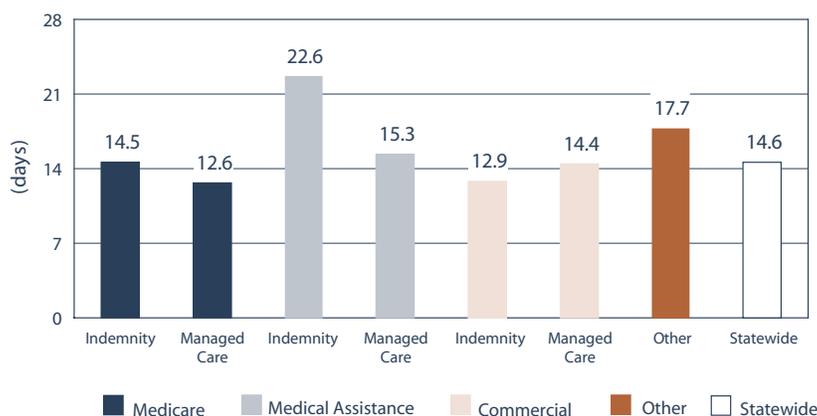
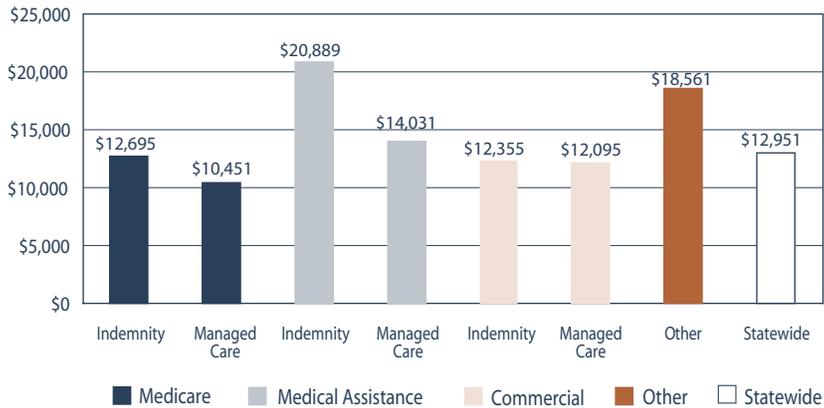
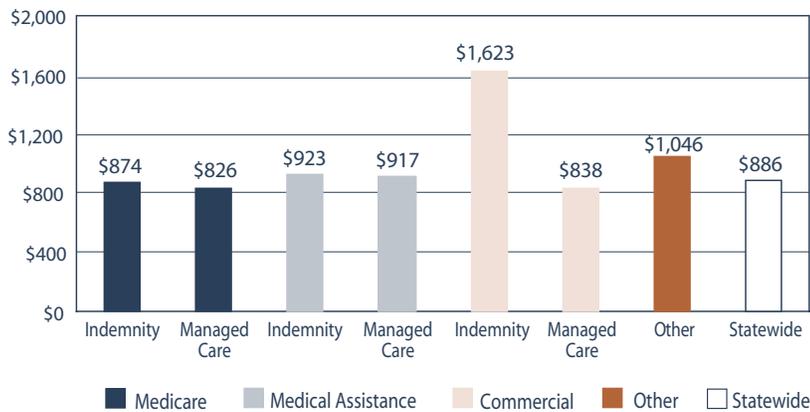


FIGURE R-7
Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY03
by Payor



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

FIGURE R-8
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY03
by Payor



Financial Profile

The average total margin for the rehabilitation hospitals grew 9.1 points during FY03 from 1.78% in FY02 to 10.87% in FY03. The improvement in the total margin was driven by the 8.9-point rise in the statewide average operating margin.

Operating margin increased due to the combination of a 5.8% reduction in total operating expenses and an 8.7% growth in statewide NPR. The rehabilitation hos-

pitals were able to reduce total operating expenses despite a 3.2% increase in discharges and a 5.9% increase in outpatient visits. Total NPR grew \$48 million largely due to a \$53 million increase from Medicare indemnity revenue.

At the end of FY02, six of the ten non-profit rehabilitation hospitals had negative operating margins. In FY03, all but one of the non-profit hospitals had positive operating margins and the average non-profit operating margin improved over 10.5 points, from -0.51% in FY02 to 10.02% in FY03. Similarly, the for-profit rehabilitation hospitals experienced a dramatic 7.1-point increase in the average operating margin from 14.58% in FY02 to 21.66% in FY03.

The improvement in the average total margin for non-profit hospitals was even more dramatic, rising 13.1 points from -3.79% in FY02 to 9.31% in FY03. While the net non-operating income for the non-profit hospitals is still negative, overall investment losses subsided during FY03 allowing net income to spring back closely behind the growth in operating income.

The total margin for for-profit hospitals is typically lower than the operating margin because income taxes usually cause non-operating income to be negative. Income tax expenses grew during FY03 because of the rise in operating incomes. Therefore, the 4.1-point growth in the total margin lagged behind the 7.1-point increase in the operating margin for the for-profit hospitals.

FIGURE R-9

Average Net Outpatient Revenue per Visit at Rehabilitation Hospitals, FY03 by Payor

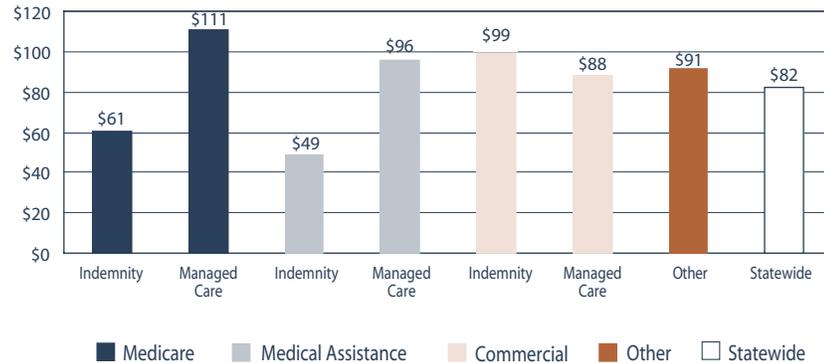


FIGURE R-10

Statewide Operating and Total Margins at Rehabilitation Hospitals

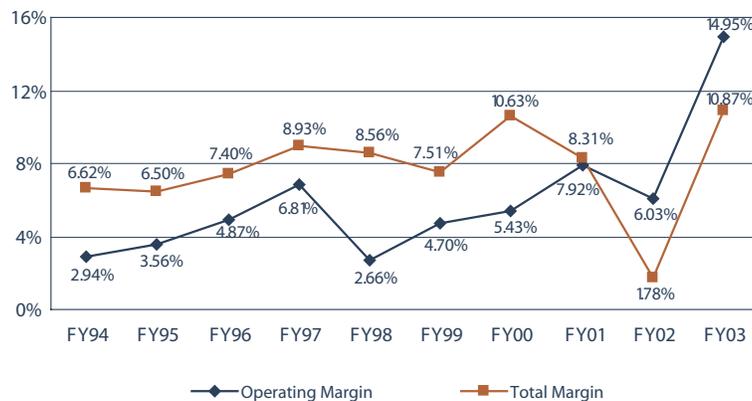


TABLE R-6

Statewide Revenue, Expenses, and Income at Rehabilitation Hospitals (thousands)

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Net Patient Revenue	\$365,328	\$427,831	\$434,726	\$446,229	\$462,176	\$477,694	\$495,754	\$530,168	\$551,147	\$598,920
Total Operating Revenue	\$377,744	\$444,290	\$455,043	\$477,146	\$486,779	\$505,574	\$517,593	\$554,948	\$601,725	\$626,596
Total Operating Expenses	\$366,654	\$428,490	\$432,887	\$444,650	\$473,841	\$481,823	\$489,496	\$510,999	\$565,430	\$532,907
Operating Income	\$11,090	\$15,800	\$22,156	\$32,496	\$12,938	\$23,751	\$28,097	\$43,949	\$36,295	\$93,689
Non-operating Income & Extraordinary Items	\$14,984	\$14,020	\$13,131	\$12,019	\$31,421	\$16,346	\$30,636	\$3,056	(\$25,769)	(\$25,884)
Revenue over Expenses	\$26,074	\$29,820	\$35,287	\$44,515	\$44,359	\$40,097	\$58,733	\$47,004	\$10,526	\$67,805

Rehabilitation Care

Region	Rehabilitation Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
		\$29	\$26	\$27	\$25		\$25	\$27	\$26	\$24	
	Statewide Average					6.94%					2.96%
6	Allied Services	\$35	\$36	\$37	\$35	-0.25%	\$34	\$36	\$39	\$35	-0.53%
8	Bryn Mawr Rehab ¹³	\$56	\$41	\$38	\$34	21.80%	\$41	\$37	\$36	\$33	8.13%
8	Chestnut Hill Rehab	\$14	\$11	\$12	\$12	6.99%	\$15	\$14	\$13	\$14	2.96%
1	Children's Inst Pgh ¹³	\$19	\$18	\$17	\$15	7.66%	\$26	\$25	\$23	\$20	8.56%
9	Children's Seashore House ¹⁴	\$27	\$24	\$21	\$19	14.86%	\$27	\$26	\$27	\$27	0.70%
4	Geisinger HEALTHSOUTH ^{1,10,13}	\$13	\$10	\$11	\$9	13.53%	\$11	\$9	\$8	\$7	16.27%
7	Good Shepherd Rehab	\$37	\$36	\$31	\$32	5.25%	\$37	\$65	\$37	\$34	2.28%
7	Good Shepherd/Bethlehem ⁴	\$5	NA	NA	NA	NA	\$4	NA	NA	NA	NA
3	HEALTHSOUTH Altoona ^{1,10}	\$24	\$21	\$22	\$20	6.12%	\$20	\$20	\$19	\$17	5.36%
2	HEALTHSOUTH Erie ^{1,10,13}	\$26	\$26	\$25	\$28	-1.57%	\$23	\$25	\$23	\$23	-1.25%
1	HEALTHSOUTH Harmorville ^{1,10}	\$43	\$43	\$42	\$38	3.61%	\$31	\$34	\$31	\$31	0.33%
5	HEALTHSOUTH Mechanicsburg ^{1,10}	\$45	\$40	\$43	\$34	9.92%	\$32	\$32	\$33	\$27	5.95%
4	HEALTHSOUTH Nittany ^{1,10}	\$19	\$18	\$17	\$18	1.80%	\$17	\$16	\$16	\$16	1.15%
1	HEALTHSOUTH Pittsburgh ^{1,10,11}	\$26	\$30	\$28	\$28	-2.03%	\$24	\$27	\$25	\$24	0.20%
7	HEALTHSOUTH Reading ^{1,10}	\$24	\$23	\$19	\$17	11.77%	\$17	\$18	\$15	\$14	7.45%
1	HEALTHSOUTH Sewickley ^{1,3,10}	\$11	\$13	\$10	\$1	NA	\$9	\$11	\$9	\$1	NA
5	HEALTHSOUTH York ^{1,10}	\$33	\$30	\$29	\$27	7.83%	\$24	\$24	\$23	\$22	2.66%
6	John Heinz Rehab	\$31	\$30	\$31	\$33	-2.19%	\$30	\$31	\$33	\$34	-4.21%
9	Magee Rehab	\$31	\$28	\$26	\$27	5.68%	\$36	\$33	\$31	\$30	6.93%
9	Moss Rehab	\$57	\$47	\$48	\$40	14.00%	\$50	\$51	\$48	\$45	4.46%
1	UPMC Rehab	\$24	\$22	\$21	\$20	7.43%	\$24	\$24	\$24	\$22	3.04%

Rehabilitation Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Statewide Average	14.95%	10.87%	7.03%	0.76%	52.85%	7.33%
Non-Profit Rehabilitation Hospitals						
Statewide Average (non-profit)	10.02%	9.31%	2.75%	1.19%	48.55%	10.67%
Allied Services	4.83%	1.23%	-1.98%	0.71%	69.37%	3.18%
Bryn Mawr Rehab ¹³	28.31%	28.74%	19.07%	0.23%	57.10%	2.23%
Chestnut Hill Rehab	0.23%	0.24%	-7.00%	0.80%	71.97%	1.24%
Children's Inst Pgh ¹³	-11.89%	-4.73%	-1.86%	5.11%	4.62%	14.59%
Children's Seashore House ¹⁴	0.22%	5.97%	-18.88%	2.02%	0.50%	38.47%
Good Shepherd Rehab	6.48%	6.48%	-2.81%	1.78%	50.95%	7.35%
Good Shepherd/Bethlehem ⁴	18.98%	18.98%	NA	1.07%	90.15%	0.03%
John Heinz Rehab	3.79%	3.10%	-0.68%	0.67%	68.02%	4.77%
Magee Rehab	2.08%	-12.59%	-4.37%	2.00%	41.44%	15.39%
Moss Rehab	18.93%	18.84%	12.63%	0.92%	42.49%	15.52%
UPMC Rehab	13.02%	13.02%	7.38%	1.64%	60.15%	9.21%
For-Profit Rehabilitation Hospitals						
Statewide Average (for-profit)	21.66%	12.97%	12.59%	0.12%	58.34%	3.07%
Geisinger HEALTHSOUTH ^{1,10,13}	14.80%	14.80%	19.02%	0.00%	63.63%	1.36%
HEALTHSOUTH Altoona ^{1,10}	15.73%	9.20%	8.06%	0.00%	74.05%	2.12%
HEALTHSOUTH Erie ^{1,10,13}	14.41%	8.43%	6.98%	0.30%	53.62%	3.80%
HEALTHSOUTH Harmarville ^{1,10}	27.32%	15.99%	14.69%	0.14%	49.19%	3.19%
HEALTHSOUTH Mechanicsburg ^{1,10}	30.45%	17.81%	17.34%	0.08%	56.74%	1.50%
HEALTHSOUTH Nittany ^{1,10}	9.89%	5.78%	6.61%	0.00%	65.57%	3.83%
HEALTHSOUTH Pittsburgh ^{1,10,11}	9.51%	5.57%	8.32%	0.10%	56.86%	2.81%
HEALTHSOUTH Reading ^{1,10}	27.95%	16.35%	16.02%	0.30%	60.47%	5.14%
HEALTHSOUTH Sewickley ^{1,10}	21.73%	12.71%	11.36%	0.05%	48.45%	0.50%
HEALTHSOUTH York ^{1,10}	26.72%	15.63%	14.70%	0.15%	61.56%	5.03%

See footnotes and map of regions on page 50.

Highlights

- As a group, the freestanding psychiatric hospitals have posted a negative average operating margin for nine consecutive years. FY94 was the last year that psychiatric hospitals realized a positive statewide average operating margin. The average operating margin for FY03 was -1.77% .
- Psychiatric hospitals have only realized a positive statewide average total margin in three of the last ten years. The average total margin was -0.97% in FY03.
- The financial performance of the 17 psychiatric hospitals was quite diverse and very unstable. The FY03 total margins of the individual hospitals ranged almost 35 points; from -17.01% to 17.57% . Nine of the 17 psychiatric hospitals had FY03 total margins that were seven or more points either higher or lower than the margin posted for FY02.
- The Commonwealth, through the Department of Public Welfare (DPW), is the largest provider of psychiatric care in Pennsylvania. Through its nine state hospitals, the Commonwealth provided about 34% of all psychiatric patient days during FY03. Pennsylvania's Medical Assistance Program (MA) provided about 60% of the net patient revenue received by the seventeen psychiatric hospitals in Pennsylvania. About 29% of the patients receiving psychiatric care at GAC hospitals were MA participants.

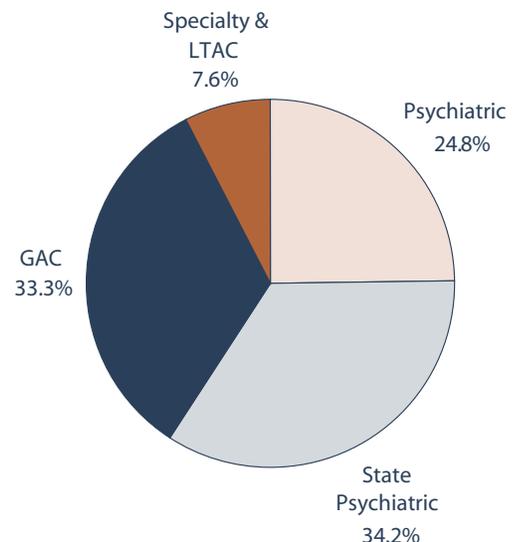
Psychiatric Care is Provided in a Variety of Settings

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

At the end of FY03, the nine **state hospitals** had a patient population of 2,309. These hospitals provided long-term psychiatric care with an average length of stay of about 1.4 years¹. Although the state hospitals provided 34% of statewide psychiatric patient days, they treated only 1.2% of all patients admitted for inpatient psychiatric care.

In contrast, **psychiatric units in GAC hospitals** (GAC psychiatric units) provided relatively short-term acute care with an average length of stay during FY03 of almost 9.0 days. Fifty-six percent (56%) of all GAC hospitals in Pennsylvania operated psychiatric units. These 106 GAC hospitals treated 61% of the patients admitted for inpatient psychiatric care and provided 33% of the total patient days of psychiatric care during FY03.

FIGURE P-1
Psychiatric Patient Days, FY03
by Facility Type



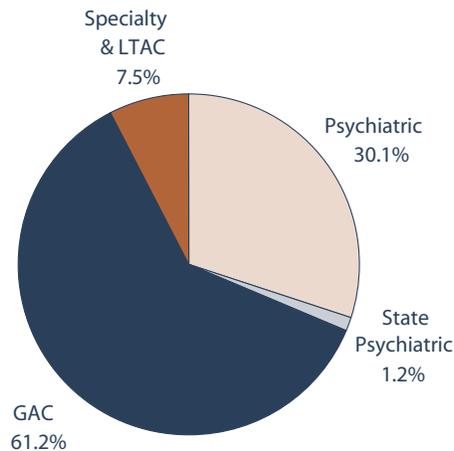
¹ 2004 – 05 Governor's Executive Budget, page E32.24

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

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Patient Days										
Psychiatric	562,047	546,033	526,095	487,532	473,325	496,081	522,871	506,981	542,743	560,229
State Psychiatric	1,545,993	1,433,590	1,447,964	1,272,597	1,168,093	1,081,464	1,020,777	939,634	855,179	772,491
GAC	962,162	875,050	839,791	804,859	745,240	715,370	777,093	769,658	738,873	752,413
Specialty	111,346	109,035	101,971	88,708	94,828	100,221	125,072	138,788	139,474	143,452
LTAC	12,743	52,154	51,818	44,586	35,200	31,598	26,252	28,008	29,226	28,960
Statewide	3,194,291	3,015,862	2,967,639	2,698,282	2,516,686	2,424,734	2,472,065	2,383,069	2,305,495	2,257,545
Discharges										
Psychiatric	31,306	33,926	34,813	35,572	38,975	40,181	38,765	38,077	39,297	41,523
State Psychiatric	3,137	2,813	2,421	2,366	2,595	2,107	2,060	1,988	1,955	1,674
GAC	69,971	70,097	71,654	73,017	73,629	77,342	89,727	87,079	85,449	84,338
Specialty	8,096	9,384	8,270	8,462	5,260	5,195	7,061	9,941	9,299	9,447
LTAC	396	1,879	1,803	1,693	1,368	1,303	1,162	1,203	1,215	921
Statewide	112,906	118,099	118,961	121,110	121,827	126,128	138,775	138,288	137,215	137,903
Beds										
Psychiatric	2,036	2,005	2,006	1,911	1,832	1,845	1,857	1,796	1,877	1,953
State Psychiatric	4,917	4,673	4,063	3,925	3,808	3,524	3,222	2,963	2,678	2,381
GAC	3,485	3,385	3,243	3,300	3,193	3,208	3,238	3,151	3,068	2,970
Specialty	403	423	404	402	372	389	463	531	516	531
LTAC	NC	NC	NC	131	112	112	112	112	112	112
Statewide	10,841	10,486	9,716	9,669	9,317	9,078	8,892	8,553	8,251	7,947
Occupancy Rate										
Psychiatric	76.02%	77.22%	74.67%	72.33%	69.52%	74.73%	77.22%	77.99%	79.30%	79.22%
State Psychiatric	87.54%	85.67%	90.21%	87.33%	76.31%	83.55%	85.77%	86.07%	87.02%	88.67%
GAC	75.84%	71.30%	70.80%	67.58%	65.64%	61.45%	64.93%	66.35%	65.88%	70.00%
Specialty	75.70%	72.35%	69.11%	60.97%	69.21%	70.59%	73.68%	75.77%	74.03%	74.58%
LTAC	NC	NC	NC	93.25%	86.11%	77.29%	64.22%	68.51%	71.49%	70.84%
Statewide	81.23%	79.38%	80.55%	76.75%	71.40%	73.36%	75.49%	76.24%	76.39%	78.21%
Statewide w/o State	76.09%	74.42%	73.09%	69.26%	67.63%	66.80%	69.62%	70.96%	71.26%	73.69%
Average Length of Stay (Days)										
Psychiatric	17.95	16.09	15.11	13.71	12.14	12.35	13.49	13.31	13.81	13.49
State Psychiatric	492.83	509.63	598.09	537.87	450.13	513.27	495.52	472.65	437.43	461.46
GAC	13.75	12.48	11.72	11.02	10.12	9.25	8.66	8.84	8.65	8.92
Specialty	13.75	11.62	12.33	10.48	18.03	19.29	17.71	13.96	15.00	15.18
LTAC	32.18	27.76	28.74	26.34	25.73	24.25	22.59	23.28	24.05	31.44
Statewide	28.29	25.54	24.95	22.28	20.66	19.22	17.81	17.23	16.80	16.37
Statewide w/o State	15.02	13.72	13.04	12.01	11.31	10.83	10.62	10.59	10.72	10.90

NC - Not captured by PHC4

FIGURE P-2
Psychiatric Discharges, FY03
by Facility Type

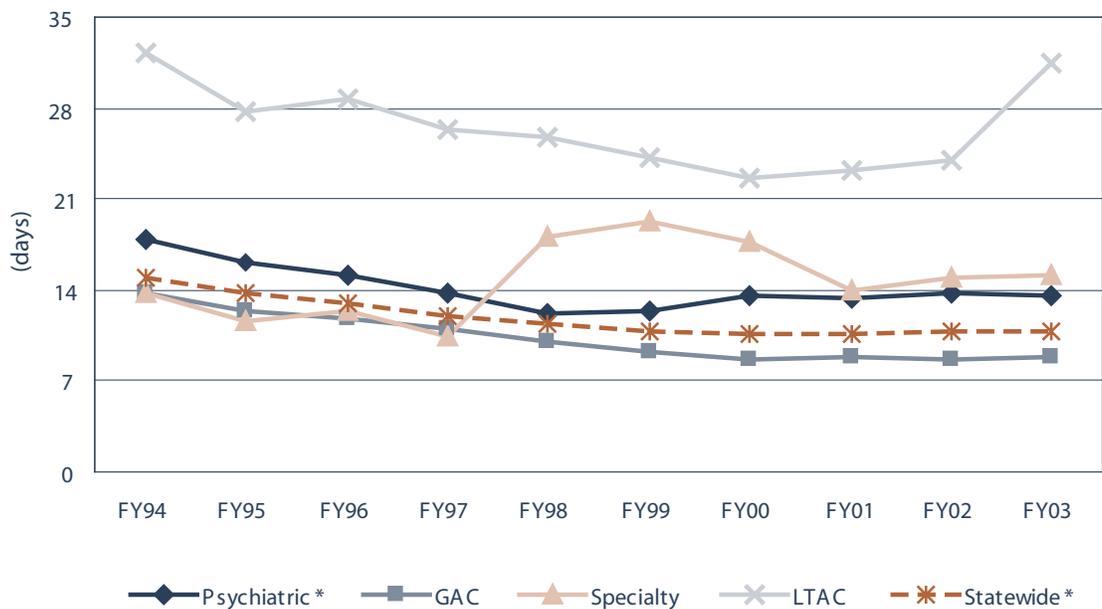


The 17 **psychiatric hospitals** accounted for 30% of patient discharges and provided 25% of the total days of psychiatric care in the Commonwealth during FY03. Excluding the long-term residential programs and non-psychiatric care, the average length of stay (ALOS) at these psychiatric hospitals was 10.5 days.

Eight of the psychiatric hospitals provided residential care and two provided drug and alcohol (D&A) care. Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. The ALOS at the residential and drug and alcohol programs was 50.8 days during FY03. The utilization and capacity of these programs are presented in Table P-2.

Five of the seven **specialty hospitals** in Pennsylvania provided psychiatric care. One facility

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



* Excludes state psychiatric hospitals.

TABLE P-2
Utilization and Capacity, FY03
by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (Days)	ALOS w/o Residential or D&A Treatment
All Hospital Services							
Belmont Center	46,715	53,655	87.07%	3,850	147	12.13	12.13
Clarion Psych	17,840	27,010	66.05%	1,306	74	13.66	8.69
Devereux Mapleton Psych	5,840	12,045	48.48%	555	33	10.52	10.52
Eugenia	11,509	35,770	32.18%	1,090	98	10.56	10.56
Fairmount Behavioral	48,870	58,765	83.16%	4,853	161	10.07	9.28
First Wyoming Valley	27,530	35,040	78.57%	2,686	96	10.25	10.25
Foundations Behavioral	32,288	34,310	94.11%	557	94	57.97	37.38
Friends	67,442	81,030	83.23%	5,829	222	11.57	9.91
Horsham Clinic	49,778	53,290	93.41%	4,247	146	11.72	11.72
Kirkbride Center	53,902	61,320	87.90%	2,973	173	18.13	6.33
Meadows Psych Center	31,955	38,690	82.59%	2,086	106	15.32	10.00
Montgomery Cty ES	24,574	29,565	83.12%	2,951	81	8.33	8.66
National Kids Crisis	17,978	26,280	68.41%	1,333	72	13.49	13.49
Northwestern Inst Psych	42,717	53,290	80.16%	3,695	146	11.56	11.56
Philhaven	41,548	58,400	71.14%	2,393	160	17.36	8.52
Southwood Psych	27,770	33,414	83.11%	998	21	27.83	6.14
St John Vianney	11,973	15,330	78.10%	121	42	98.95	3.14
Residential or Drug and Alcohol Treatment							
Clarion Psych	7,086	8,030	88.24%	68	22	104.21	NA
Fairmount Behavioral	7,925	8,395	94.40%	443	23	17.89	NA
Foundations Behavioral	14,347	14,600	98.27%	77	40	186.32	NA
Friends	9,698	10,950	88.57%	5	30	1,939.60	NA
Kirkbride Center	46,196	52,195	88.51%	1,756	148	26.31	NA
Meadows Psych Center	11,552	13,505	85.54%	45	37	256.71	NA
Montgomery Cty ES	2,181	2,920	74.69%	364	8	5.99	NA
Philhaven	22,106	28,105	78.66%	111	77	199.15	NA
Southwood Psych	22,238	25,749	86.36%	97	81	229.26	NA
St John Vianney	11,863	14,600	81.25%	86	40	137.94	NA

NA - Not applicable

operated a psychiatric unit and the other four offered drug and alcohol programs. The 143,452 days of inpatient psychiatric care at specialty hospitals represented 6% of the patient days of statewide psychiatric care during FY03.

Three **long-term acute care (LTAC)** hospitals rendered 28,960 psychiatric patient days, or slightly more than one percent of statewide inpatient psychiatric care during FY03. While this care represents only a small portion of inpatient psychiatric care in Pennsylvania, it represents 32% of the total patient days provided by these three LTAC hospitals and about 12% of the total patient days provided by all LTAC hospitals.

Trends in Hospital-Based Psychiatric Care

The demand and capacity of inpatient psychiatric care in Pennsylvania remained relatively

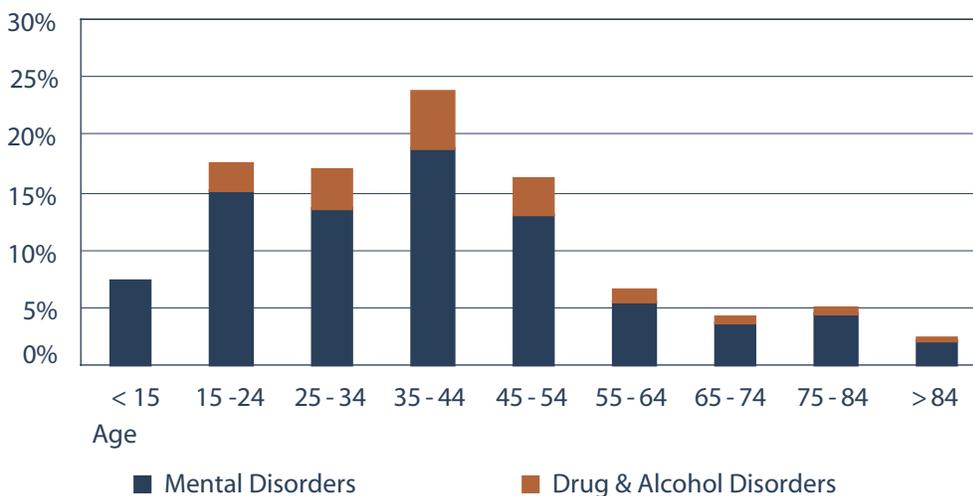
constant during FY03. Excluding the state hospitals, the number of discharges grew less than one percent (0.7%). The 2.4% growth in patient days was greater than the increase in discharges because the average length of stay (ALOS) increased by 0.2 of a day to 10.90 days.

It appears that the statewide average length of stay has stabilized over the past four years. Between FY99 and FY03, the ALOS (excluding state hospitals) has hovered in the 10.62 and 10.90-day range. This period of stability follows the 4.19-day decline during the five years between FY94 and FY99.

In contrast to the modest increase in the ALOS in Pennsylvania, the National Association of Psychiatric Health Systems reports a one-day increase in the national ALOS from 9.3 days in 2001 to 10.3 days in 2002.²

Excluding state hospitals, the net decline in the number of staffed beds was only 0.1% or 7

FIGURE P-4
Age Distribution of Psychiatric Patients*, FY03

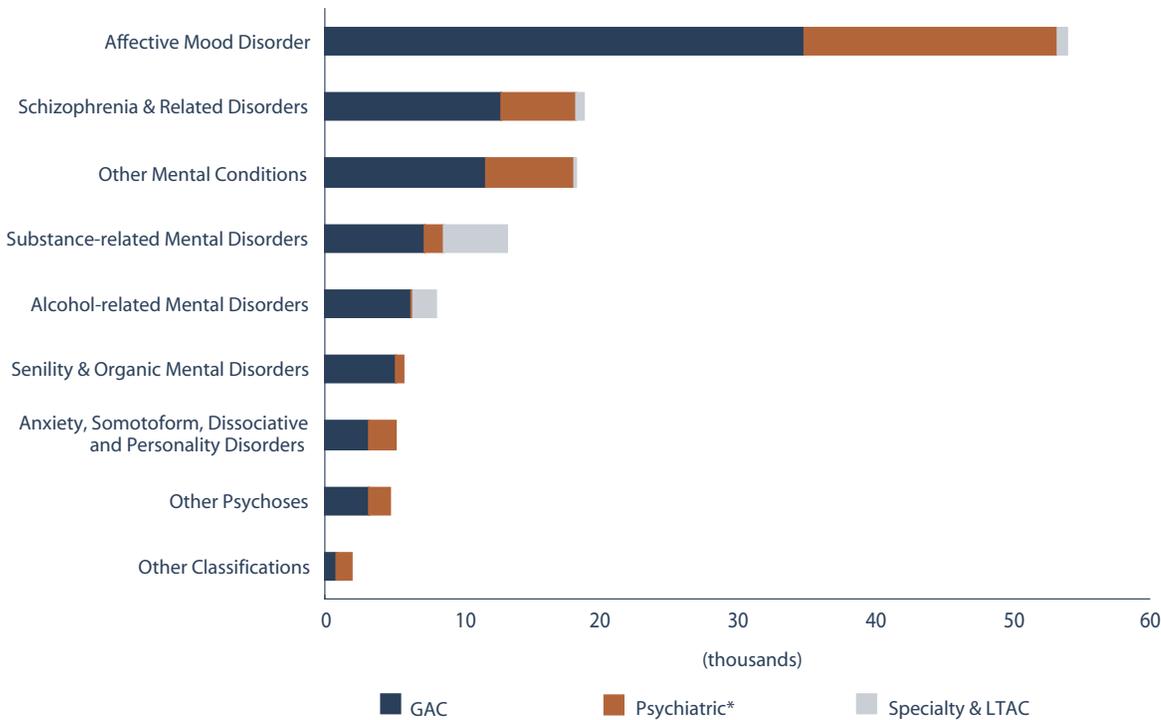


* Excludes state psychiatric patients

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

² 2003 Annual Survey, National Association of Psychiatric Health Systems.

FIGURE P-5
Psychiatric Discharges by Clinical Classification[†], FY03



[†] 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.

beds. The combination of the 2.4% increase in patient days and the small decline in the number of beds resulted in a 2.4-point increase in the average occupancy rate to 73.7%. The increase in the average occupancy rate was greater at the GAC psychiatric units where patient days increased by 1.8%, and the number of staffed beds declined by a net of 3.2% or 98 beds. As a result, the occupancy rate at GAC psychiatric units increased 4.1 points to 70%. At psychiatric hospitals, the net increase of 76 beds kept pace with the 3.2% increase in patient days causing the average occupancy rate to fall less than one-tenth of a percent to 79.2%.

During FY03, another 297 beds were taken out of service at the state hospitals. This reduction is in line with the average annual reduction of about 282 beds since FY94. The reduction in patient care by the state hospitals reflects the Department of Public Welfare's continuing efforts to integrate patients into community-based programs and private facilities.

Including their non-acute programs, the 17 psychiatric hospitals reported 1.0 million outpatient visits during FY03. Since there were 560,229 days of inpatient care provided at these hospitals, the ratio of outpatient visits to patient days was about 1.8 to 1.

Patients in the 35 - 44 year age group made up the largest component of inpatient psychiatric care at both the psychiatric hospitals and GAC psychiatric units. Inpatient psychiatric care has a younger age distribution than the other categories of hospital-based care.

The distribution of discharges by clinical classification at all hospitals providing psychiatric care in Pennsylvania (not including state hospitals) during FY03 is shown in Figure P-5. The leading principal diagnosis for a psychiatric patient admitted to these hospitals is affective mood disorders. Patients diagnosed with affective mood disorders comprised 50.0% of psychiatric admissions to the psychiatric hospitals and 40.8% of admissions to GAC psychiatric units.

Schizophrenia and affective mood disorder were the third and fourth leading principal diagnoses at LTAC hospitals. These two conditions together comprised 10.7% of LTAC admissions.

While drug and alcohol (D&A) related disorders were the primary diagnosis for only 16.4% of total inpatient psychiatric admissions, specialty hospitals handled 29.5% of all inpatient D&A admissions. During FY03 83.6% of all admissions at specialty hospitals were for D&A disorders.

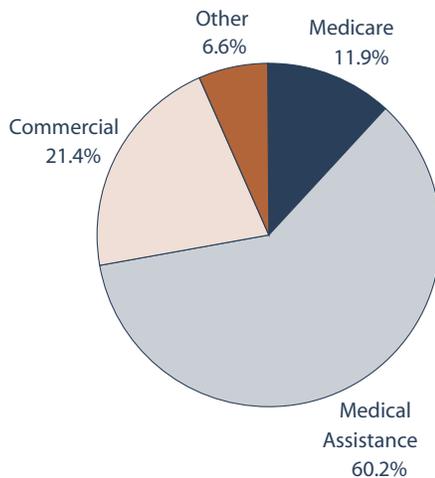
Financial Profile

The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's nine psychiatric hospitals (state hospitals) provided 34% of all patient days of psychiatric care during FY03. In addition, the Medical Assistance (MA) Program administered by DPW provided 60% of the net patient revenue received by the 17 psychiatric hospitals in Pennsylvania during FY03. About 29% of all patients receiving inpatient psychiatric care at GAC hospitals were MA participants. The DPW also sponsors psychiatric care in a variety of other settings.

The Commonwealth directly underwrites about 81% of the cost of the care provided at the nine state psychiatric hospitals. Of the remaining 19% of total expenses covered by patient revenue, 13% are paid under the Medical Assistance program, 4% from Medicare and about 2% are covered by private insurance and individuals.

It is difficult to extract any trends in the financial performance of the 17 psychiatric hospitals because their individual performances were so diverse. The psychiatric hospitals have posted a relatively wide spectrum of total margins for FY03, ranging from -17.01% to 17.57%. In addition, more than half of the hospitals have experienced large swings in their net income. Nine of the 17 psychiatric hospitals had FY03 total margins that were seven or more points either higher or lower than their FY02 total margin.

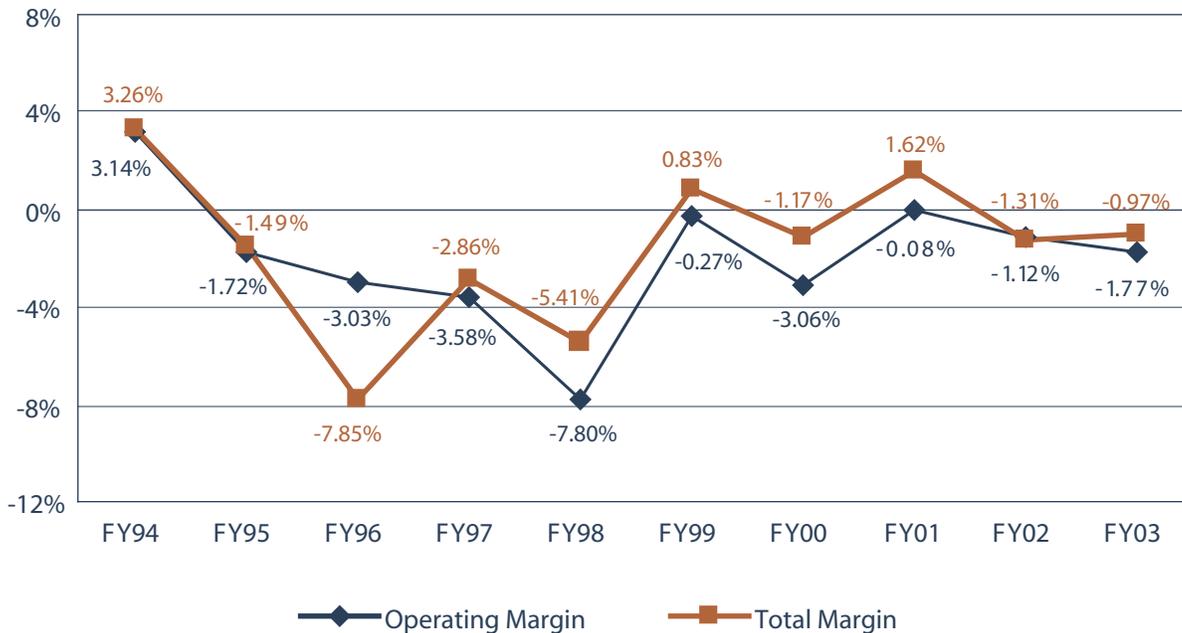
FIGURE P-6
Statewide Net Patient Revenue at Psychiatric Hospitals*, FY03



* Excludes state psychiatric hospitals.

FIGURE P-7

Statewide Operating and Total Margins at Psychiatric Hospitals*



* Excludes state psychiatric hospitals.

Notwithstanding the diverse performance of the individual hospitals, the average operating margin for the psychiatric hospitals as a group declined for the second year in a row from a near break-even point (-0.08%) in FY01, to -1.12% in FY02, and then to -1.77% in FY03. The operating margin continued to decline because the 2.31% increase in operating expenses outpaced the 1.65% increase in operating revenue.

The slow growth in operating revenue is largely caused by average inpatient reimbursement rates that have remained relatively flat. The average revenue per day at psychiatric hospitals remained the same at \$432 for both FY02 and FY03. Consistent with the decline in the ALOS, the average revenue per discharge actually fell 2.4% from \$5,965 in FY02 to \$5,822 in FY03.

While the average revenue per outpatient visit increased \$2.57 to \$44.52 during FY03, statewide outpatient revenue at psychiatric hospitals fell \$2.7 million because of an 11.4% decline in total visits to 989,201.

In November 2003, the Center for Medicare and Medicaid Services (CMS) published a new proposed per diem Prospective Payment System (PPS) for psychiatric hospitals and psychiatric units of GAC hospitals. PPS would replace the current system that bases reimbursements on historic individual hospital costs. Unlike PPS for other types of hospitals, such as GAC and rehabilitation hospitals, which are paid on a per discharge basis, the proposed psychiatric PPS would reimburse hospitals on a per diem basis. The initial proposed base rate is \$530 per day with various

adjustments to the daily rate. For example, the rate could be increased or decreased by one of 15 diagnosis related group (DRG) adjustments that are based on the principal diagnosis of the patient upon admission. The proposed rates may also be increased if the patient falls into one of 17 comorbidity groups (e.g., acute renal failure). There are also proposed adjustments that would provide higher rates for short stays, lower outlier rates for extended stays, and higher base rates for rural hospitals, as well as wage index and teaching hospital adjustments. CMS expects to issue final psychiatric PPS rules sometime in 2004.

While it is difficult to predict how the final PPS rules will affect Medicare revenue for Pennsylvania's psychiatric hospitals and GAC psychiatric units, the proposed base rate is only one dollar less than the \$531 average revenue per day received by rehabilitation hospitals for Medicare indemnity patients during FY03. The new PPS rules will likely have a smaller impact on psychiatric revenue than the transition of inpatient rehabilitation care to PPS during FY03. Medicare indemnity revenue only represents 10% total net patient revenue for psychiatric hospitals compared to 47% for rehabilitation hospitals.

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

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Net Patient Revenue	\$316,597	\$297,639	\$276,307	\$269,424	\$256,205	\$275,525	\$286,921	\$278,375	\$282,177	\$287,682
Total Operating Revenue	\$329,740	\$312,194	\$304,166	\$288,000	\$270,277	\$288,697	\$297,260	\$287,797	\$293,399	\$298,251
Total Operating Expenses	\$319,388	\$317,576	\$313,382	\$298,302	\$291,367	\$289,473	\$306,352	\$288,018	\$296,677	\$303,523
Operating Income	\$10,351	(\$5,382)	(\$9,216)	(\$10,302)	(\$21,089)	(\$776)	(\$9,092)	(\$220)	(\$3,278)	(\$5,272)
Non-Operating Income & Extraordinary Items	\$484	\$701	(\$15,003)	\$1,951	\$6,129	\$3,192	\$5,573	\$4,976	(\$602)	\$2,344
Revenue over Expenses	\$10,835	(\$4,681)	(\$24,219)	(\$8,351)	(\$14,960)	\$2,416	(\$3,519)	\$4,756	(\$3,881)	(\$2,928)

* Excludes state psychiatric hospitals.

Psychiatric Care

Region	Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
		Statewide Average									
9	Belmont Center ⁶	\$30	\$28	\$27	\$25	7.31%	\$30	\$30	\$28	\$26	4.78%
2	Clarion Psych ^{1,10}	\$9	\$7	\$7	\$7	7.96%	\$6	\$7	\$6	\$6	1.35%
8	Devereux Mapleton Psych ⁷	\$2	\$4	\$3	\$2	9.84%	\$3	\$4	\$3	\$2	8.13%
8	Eugenia ^{10,14}	\$11	\$12	\$9	\$7	18.42%	\$13	\$11	\$9	\$8	22.83%
9	Fairmount Behavioral ^{1,10}	\$22	\$22	\$8	\$21	2.98%	\$23	\$22	\$8	\$21	4.16%
6	First Wyoming Valley ⁷	\$12	\$11	\$12	\$11	2.83%	\$13	\$15	\$12	\$12	3.21%
8	Foundations Behavioral	\$17	\$17	\$17	\$14	7.28%	\$17	\$16	\$14	\$12	11.32%
9	Friends ¹³	\$31	\$31	\$29	\$30	0.69%	\$37	\$36	\$35	\$37	0.04%
8	Horsham Clinic ^{1,10}	\$27	\$26	\$26	\$24	4.24%	\$34	\$26	\$26	\$24	14.23%
9	Kirkbride Center ^{1,10,14}	\$17	\$16	\$16	\$20	-6.00%	\$17	\$21	\$18	\$25	-10.89%
4	Meadows Psych Center ^{1,10}	\$12	\$12	\$11	\$14	-5.62%	\$10	\$11	\$11	\$14	-10.86%
8	Montgomery Cty ES	\$13	\$12	\$11	\$10	9.15%	\$14	\$12	\$11	\$11	9.63%
7	National Kids Crisis ^{1,13}	\$15	\$16	\$15	\$17	-3.87%	\$15	\$16	\$16	\$15	1.46%
8	Northwestern Inst Psych ¹⁰	\$22	\$22	\$23	\$24	-1.82%	\$24	\$22	\$23	\$27	-3.89%
5	Philhaven ¹³	\$31	\$31	\$28	\$27	5.39%	\$35	\$35	\$30	\$28	9.44%
1	Southwood Psych ^{1,10}	\$11	\$10	\$10	\$9	6.11%	\$11	\$10	\$10	\$9	7.63%
8	St John Vianney	\$4	\$4	\$4	\$3	14.20%	\$4	\$4	\$3	\$3	6.51%

Region	State Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
		Statewide Average									
7	Allentown State	\$6	\$5	\$6	\$7	-5.13%	\$32	\$31	\$32	\$33	-1.22%
6	Clark Summit State	\$9	\$9	\$9	\$10	-2.98%	\$37	\$37	\$35	\$37	0.69%
4	Danville State	\$6	\$6	\$6	\$8	-7.73%	\$28	\$28	\$29	\$30	-1.90%
5	Harrisburg State	\$7	\$7	\$7	\$9	-8.18%	\$42	\$41	\$41	\$39	2.50%
1	Mayview State	\$10	\$10	\$8	\$10	0.06%	\$65	\$65	\$62	\$62	1.47%
8	Norristown State	\$11	\$12	\$12	\$16	-9.46%	\$77	\$78	\$80	\$93	-5.48%
1	Torrance State	\$8	\$8	\$9	\$10	-6.85%	\$40	\$39	\$37	\$37	2.51%
2	Warren State	\$8	\$8	\$9	\$10	-7.96%	\$37	\$37	\$36	\$36	1.79%
7	Wernersville State	\$9	\$8	\$9	\$10	-1.19%	\$35	\$34	\$34	\$36	-1.08%

Psychiatric Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Statewide Average	-1.77%	-0.97%	-0.23%	3.52%	11.87%	60.19%
Non-Profit Psychiatric Hospitals						
Statewide Average (non-profit)	-1.94%	-1.47%	-0.99%	2.26%	14.12%	53.35%
Belmont Center ⁶	7.30%	7.09%	4.70%	0.85%	28.81%	47.16%
Devereux Mapleton Psych ⁷	-8.44%	-8.44%	-8.95%	2.20%	0.00%	78.25%
First Wyoming Valley ⁷	7.38%	7.38%	-2.78%	1.38%	11.36%	47.48%
Foundations Behavioral	5.26%	7.48%	9.81%	3.11%	0.00%	77.60%
Friends ¹³	-14.52%	-17.01%	-9.47%	3.34%	25.27%	40.51%
Montgomery Cty ES	1.93%	2.64%	1.10%	10.43%	9.47%	55.21%
National Kids Crisis ^{1,13}	-0.26%	-0.26%	-1.47%	1.05%	0.00%	72.82%
Philhaven ¹³	-10.41%	-5.93%	-1.67%	1.24%	9.08%	56.67%
St John Vianney	12.22%	13.23%	6.68%	0.00%	0.00%	0.00%
For-Profit Psychiatric Hospitals						
Statewide Average (for-profit)	-1.56%	-0.35%	0.73%	4.91%	9.18%	68.37%
Clarion Psych ^{1,10}	31.02%	17.57%	5.78%	0.81%	4.92%	75.52%
Eugenia ^{10,14}	-15.00%	-10.05%	3.07%	12.96%	1.75%	90.38%
Fairmount Behavioral ^{1,10}	-4.17%	-0.70%	-2.04%	2.88%	9.76%	69.72%
Horsham Clinic ^{1,10}	-20.94%	-11.24%	1.36%	2.50%	6.68%	49.92%
Kirkbride Center ^{1,10,14}	8.84%	8.81%	-3.68%	12.20%	10.09%	89.56%
Meadows Psych Center ^{1,10}	21.22%	12.03%	3.10%	0.44%	4.12%	67.61%
Northwestern Inst Psych ¹⁰	-4.44%	-4.44%	1.57%	3.35%	23.52%	59.61%
Southwood Psych ^{1,10}	3.43%	3.20%	1.60%	0.92%	0.00%	72.77%

See footnotes and map of regions on page 50.

State Psychiatric Hospital	Percent of Expenses Not Covered by NPR FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Statewide Average	81.36%	18.81%	68.31%
Allentown State	82.38%	18.75%	62.52%
Clark Summit State	75.78%	21.20%	67.08%
Danville State	79.40%	19.25%	70.76%
Harrisburg State	84.50%	25.06%	56.74%
Mayview State	84.97%	20.61%	66.22%
Norristown State	85.33%	11.26%	77.57%
Torrance State	79.44%	17.69%	69.71%
Warren State	79.08%	18.91%	67.23%
Wernersville State	73.34%	20.07%	70.21%

Long-term acute care (LTAC) hospitals provide specialized acute care to medically complex patients who no longer require intensive care provided by a General Acute Care (GAC) hospital. However, LTAC patients are not medically ready for rehabilitation care, or they still need a higher level of care than can be provided by a skilled nursing facility or home health care. Patients are commonly admitted directly from a GAC hospital intensive care unit with complex medical conditions, such as respiratory or ventilator-dependent, that require continuous acute care. Therefore, the average length of stay at the LTAC hospitals was 30.2 days during FY03 compared to 5.4 days at Pennsylvania's GAC hospitals.

Trends in Long-Term Acute Care

LTAC hospitals have only been part of Pennsylvania's health care system for about a decade. The first LTAC hospital began during FY94 and the number of facilities grew to five by the end of FY97. Since then, an additional 18 LTAC hospitals have gone into operation, bringing the statewide total to 23. Eighteen of these 23 facilities operated during FY03 and are included in this report.

The growth in the LTAC sector resulted in the addition of 65 beds or a 9.2% increase in LTAC (non-psychiatric) capacity during FY03. Despite this additional capacity, the statewide average occupancy rate for LTAC beds rose by over seven points to 75.0% during the year because the demand for

TABLE L-1
Utilization and Capacity, FY03
by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (Days)
Girard	35,272	41,975	84.03%	1,107	115	31.86
Good Shepherd/Allentown	8,638	10,585	81.61%	328	29	26.34
HEALTHSOUTH Special Svcs	10,353	16,790	61.66%	384	46	26.96
Kindred/Delaware County	8,601	14,235	60.42%	304	39	28.29
Kindred/Philadelphia	16,275	18,980	85.75%	289	52	56.31
Kindred/Pittsburgh	21,094	22,995	91.73%	444	63	47.51
LifeCare Pittsburgh	38,340	56,575	67.77%	1,479	155	25.92
Mercy Special Care	18,037	20,440	88.24%	627	56	28.77
SCCI/Easton	5,333	11,315	47.13%	201	31	26.53
SCCI/Harrisburg	6,287	10,950	57.42%	245	30	25.66
Select Specialty/Camp Hill	7,537	11,315	66.61%	258	31	29.21
Select Specialty/Erie	11,168	12,774	87.43%	414	35	26.98
Select Specialty/Grnsbrg	8,756	11,315	77.38%	321	31	27.28
Select Specialty/Johnstown	12,967	14,235	91.09%	490	39	26.46
Select Specialty/Pgh	12,521	14,965	83.67%	418	41	29.95
Select Specialty/Phila	6,965	13,140	53.01%	217	36	32.10
Select Specialty/York	1,433	4,416	32.45%	58	23	24.71
SemperCare Lancaster	2,972	5,490	54.13%	124	30	23.97

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

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Patient Days										
Med-surg	16,742	33,904	38,833	49,411	63,799	79,632	107,499	139,441	170,347	203,589
Psychiatric	12,743	52,154	51,818	44,586	35,200	31,598	26,252	28,008	29,226	28,960
Skilled Nursing	0	0	0	10,574	8,734	5	0	0	0	0
Statewide	29,485	86,058	90,651	104,571	107,733	111,235	133,751	167,449	199,573	232,549
Discharges										
Med-surg	505	1,044	1,286	1,570	1,791	2,160	3,026	4,118	5,197	6,787
Psychiatric	396	1,879	1,803	1,693	1,368	1,303	1,162	1,203	1,215	921
Skilled Nursing	0	0	0	337	251	0	0	0	0	0
Statewide	901	2,923	3,089	3,600	3,410	3,463	4,188	5,321	6,412	7,708
Beds										
Med-surg	NC	NC	NC	258	288	329	491	646	705	770
Psychiatric	NC	NC	NC	131	112	112	112	112	112	112
Skilled Nursing	NC	NC	NC	75	75	20	0	0	0	0
Statewide	NC	NC	NC	464	475	461	603	758	817	882
Occupancy Rate										
Med-surg	NC	NC	NC	57.96%	61.29%	66.31%	64.18%	62.77%	67.63%	74.96%
Psychiatric	NC	NC	NC	93.25%	86.11%	77.29%	64.22%	68.51%	71.49%	70.84%
Skilled Nursing	NC	NC	NC	38.63%	50.30%	1.92%	0.00%	0.00%	0.00%	0.00%
Statewide	NC	NC	NC	65.18%	66.37%	68.99%	64.18%	63.67%	68.17%	74.42%
Average Length of Stay (Days)										
Med-surg	33.2	32.5	30.2	31.5	35.6	36.9	35.5	33.9	32.8	30.0
Psychiatric	32.2	27.8	28.7	26.3	25.7	24.3	22.6	23.3	24.1	31.4
Skilled Nursing	0.0	0.0	0.0	31.4	34.8	0.0	0.0	0.0	0.0	0.0
Statewide	32.7	29.4	29.3	29.0	31.6	32.1	31.9	31.5	31.1	30.2
Outpatient Visits										
Statewide	NC	NC	65,170	50,309	46,243	41,648	23,006	66,901	65,957	63,375

NC - Not captured by PHC4

LTAC care (patient days) increased by 19.5%. The numbers of med-surg LTAC patient days have nearly doubled in the three-year period between the end of FY00 and the end of FY03.

The new LTAC facilities that began operation since FY99 are smaller than the five facilities that opened prior to FY98. These newer facilities have an average of 34 staffed beds compared to an

average of over 88 staffed beds for the original five facilities.

One reason for the fast growth in LTAC hospitals is that most new facilities utilize space within an existing GAC hospital. Sixteen of the 23 LTAC hospitals occupy space within a GAC hospital. Consequently, construction time is reduced to the time needed to renovate exist-

TABLE L-3

Leading Clinical Classifications[†] at Long-Term Acute Care Hospitals, FY03

Top Eight	Percent
Adult respiratory failure, insufficiency, arrest	19.32%
Rehabilitation care, fitting of prostheses, and adjustment of devices	8.69%
Schizophrenia and related disorders	5.88%
Affective (mood) disorders	4.85%
Complications of surgical procedures or medical care	4.20%
Chronic ulcer of the skin	3.94%
Septicemia (except in labor).....	3.64%
Pneumonia (except that caused by tuberculosis or sexually transmitted disease)	3.50%

[†] 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).

ing 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 in LTAC care is that GAC hospitals have a financial incentive to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare Prospective Payment System, or PPS, GAC hospitals typically receive a predetermined fee based on the average cost to treat patients in the diagnosis

related group (DRG). If a patient requires acute care for an extended period of time, the GAC hospital can avoid the extraordinary costs associated with the extended stay by discharging the patient to an LTAC hospital.

The top eight clinical classifications for patients discharged from LTAC hospitals during FY03 are presented in Table L-3. These eight classifications represent 54% of all discharges during the fiscal year. There was a noticeable decline in the percentage of patients receiving care for the

FIGURE L-1

Patient Days at Long-Term Acute Care Hospitals

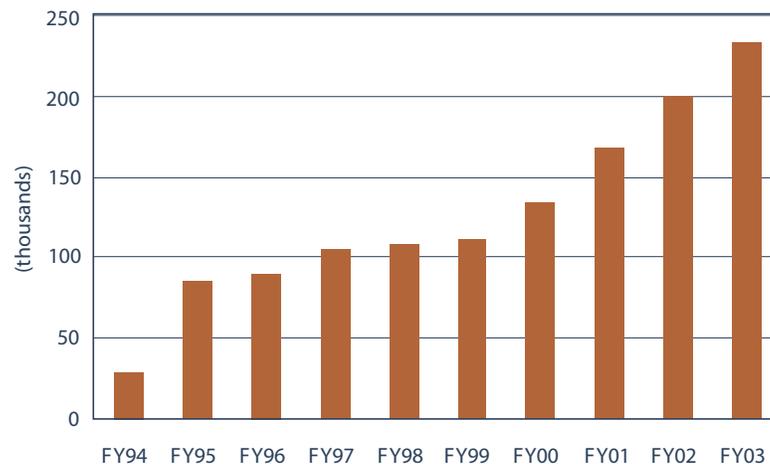
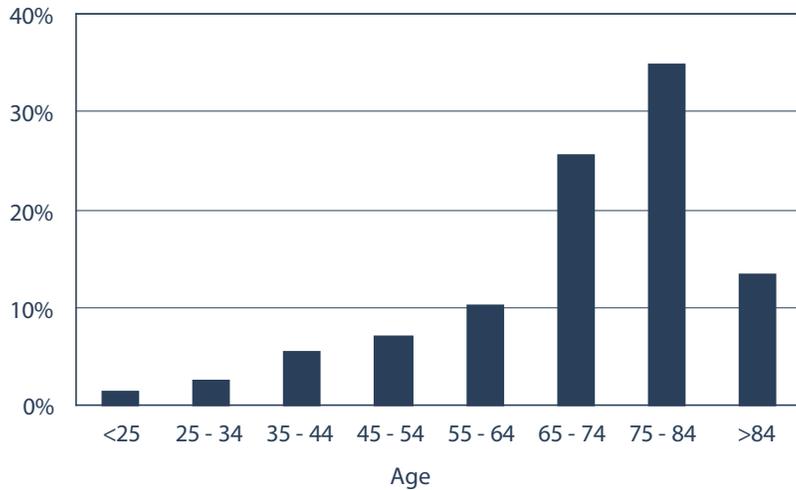


FIGURE L-2
Age Distribution at Long-Term Acute Care Hospitals, FY03



two psychiatric conditions that are among the top eight principal diagnoses. Schizophrenia fell 4.5 points from 10.4% in FY02 to 5.9% in FY03. Similarly, affective mood disorders fell 3.4 points from 8.3% to 4.9%.

During FY03, care provided in designated psychiatric units of LTAC hospitals represented 11.9% of the discharges and 12.5% of the total patient days of care. However, all of the new beds added since FY97 have been reported as acute med-surg beds.

The age distribution of patients receiving LTAC care is presented in Figure L-2. This distribution 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 65.9% of net patient revenue (NPR) was received from Medicare during FY03. In contrast, GAC hospitals in Pennsylvania received an average of 41.6% of their total NPR from Medicare.

Four of the LTAC hospitals reported a total of 63,375 outpatient visits during FY03. However, most of the outpatient care is not directly related to the hospitals' inpatient LTAC care. For exam-

ple, 78% of the outpatient visits to LTAC hospitals were reported by the Girard Medical Center and a large part of Girard's outpatient care is related to its drug and alcohol programs operated out of the same facility as the LTAC hospital.

Financial Profile

As a group, LTAC hospitals in Pennsylvania have never realized either a positive operating margin or a positive total margin. However, there

FIGURE L-3
Statewide Net Patient Revenue at Long-Term Acute Care Hospitals, FY03
by Payor

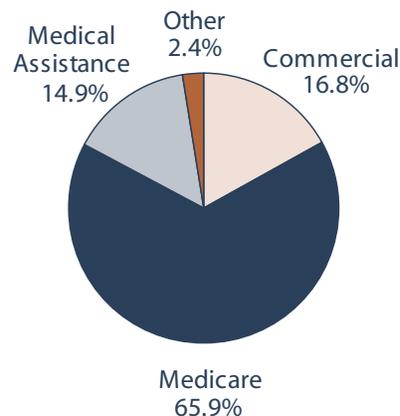


TABLE L-4

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

	FY01	FY02	FY03
Net Patient Revenue	\$144,855	\$198,285	\$236,596
Total Operating Revenue	\$147,790	\$199,451	\$238,373
Total Operating Expenses	\$155,577	\$203,144	\$238,974
Operating Income	(\$7,787)	(\$3,693)	(\$600)
Non-operating Income & Extraordinary Items	\$1,127	(\$589)	\$296
Revenue over Expenses	(\$6,660)	(\$4,282)	(\$304)

was a significant improvement in overall statewide income levels during FY03, with the statewide operating and total margins approaching the near break-even points of -0.25% and -0.13%, respectively. This improvement in the overall income levels is the net result of the non-profit and for-profit LTAC hospitals moving in different directions.

All three of the non-profit LTAC hospitals had negative margins during FY03, and two of the three saw their operating and total margins decline during the year. As a result, the average total margin for the three non-profit hospitals fell from -0.28% in FY02 to -1.75% in FY03.

In contrast, the statewide total margin for the 14 for-profit hospitals improved 3.7 points from -3.13% in FY02 to just above the break-even point at 0.56%. These low, but improving total margins are a reflection of the large portion of relatively new for-profit LTAC hospitals. Typically, during the first year or two of operations, expenses exceed revenues at new facilities until admissions and occupancy rates grow into profitable levels. For example, six of 13 for-profit hospitals had been in operation for two years or less during FY02. During FY03, after operating for an additional year, five of the six hospitals realized improvements to their total margins.

Like rehabilitation hospitals, LTAC hospitals have also been transitioning from a cost-based

Medicare reimbursement system to a Prospective Payment System (PPS). Also like rehabilitation hospitals, changes to the Medicare reimbursement mechanism could have a major effect on revenue since Medicare patients provided 66% of the revenue to LTAC hospitals during FY03.

Under PPS, psychiatric patients are classified into one of 527 long-term care diagnosis related groups (LTC-DRGs) based on the patients' clinical characteristics and expected resource needs. The LTC-DRGs are based on the DRGs utilized at GAC hospitals, but have been specifically weighted to reflect the resources required to treat the medically complex patients requiring LTAC. Payments to individual hospitals are also adjusted for regional labor costs.

PPS began for Medicare reporting years beginning after October 1, 2002. During the first year, only 20% of a facility's reimbursements was based on PPS, with the balance paid under the historic cost-based system. PPS will be phased in over the subsequent four years with full PPS reimbursement beginning with the reporting year after October 1, 2006. Hospitals can make a one-time election to switch to 100% PPS reimbursement during the phase-in period. The Centers for Medicare and Medicaid Services increased the LTC PPS reimbursement rates 2.5% for reporting years beginning after July 1, 2003 and has an-

nounced a 3.1% increase beginning July 2004.

Because the new LTC PPS started with Medicare reporting years starting after October 1, 2002, the new program had little, if any effect on the CY03 revenue presented in this report. Since PPS will be phased in over a five-year period, it may be a few years before it can be determined what effect PPS has on ALOS, revenue, expenses, and income at LTAC hospitals.

If adopted, a proposed regulation published in May 2004 by the federal Department of Health and Human Services¹ could have a significant effect on the Medicare revenue received by the LTACs that operate as a hospital-within-a-hospital (e.g., an LTAC facility leasing space on the campus of a GAC hospital.) The proposed rule would require that 75% of the patients treated by the LTAC hospital be admitted from sources other than the host GAC hospital. Among

other issues, this proposed requirement may be difficult to achieve in areas where the host GAC hospital has a large portion of the market share in the area. LTAC hospitals that are unable to meet the proposed standard would receive lower levels of reimbursement.

Medical Assistance (MA) is the third largest payor providing a total of 14.9% of LTAC net patient revenue. The MA share of LTAC revenue is almost twice the percent of MA revenue received by GAC hospitals. One reason that MA provides a larger share of LTAC revenue is that 11.9% of the patients at LTAC hospitals received psychiatric care. MA is the largest payor of psychiatric care in Pennsylvania. Another reason for MA's greater role is that MA often becomes the payor for under- or uninsured patients that do not have the resources to pay for extended care.

¹ May 18, 2004; 69 *Federal Register* 28196.

Long-Term Acute Care

Region	Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
	Statewide Average	\$13	\$12	\$10	\$12	33.14%	\$13	\$13	\$11	\$12	30.45%
9	Girard ⁵	\$49	\$48	\$41	\$39	7.89%	\$50	\$48	\$44	\$42	6.61%
7	Good Shepherd/Allentown ³	\$9	\$9	\$6	\$1	NA	\$10	\$9	\$6	\$2	NA
5	HEALTHSOUTH Special Svcs ^{1,10}	\$7	\$5	NA	NA	NA	\$9	\$5	NA	NA	NA
8	Kindred/Delaware County ^{1,3,10}	\$8	\$9	\$6	\$1	NA	\$8	\$9	\$7	\$2	NA
9	Kindred/Philadelphia ^{1,10}	\$17	\$14	\$12	\$11	20.28%	\$15	\$13	\$12	\$12	9.60%
1	Kindred/Pittsburgh ^{1,10}	\$20	\$20	\$15	\$14	14.18%	\$18	\$18	\$15	\$14	9.57%
1	LifeCare Pittsburgh ^{1,3,10,14}	\$37	\$33	\$31	\$13	NA	\$37	\$35	\$32	\$13	NA
6	Mercy Special Care ^{1,5}	\$12	\$11	\$10	\$9	8.95%	\$13	\$12	\$11	\$10	8.39%
7	SCCI/Easton ^{1,3,10}	\$7	\$7	\$1	NA	NA	\$7	\$7	\$3	NA	NA
5	SCCI/Harrisburg ^{1,3,10}	\$7	\$6	\$1	NA	NA	\$8	\$7	\$3	NA	NA
5	Select Specialty/Cmp Hill ^{1,3,10}	\$8	\$1	NA	NA	NA	\$9	\$3	NA	NA	NA
2	Select Specialty/Erie ^{1,3,10}	\$10	\$5	\$0.4	NA	NA	\$10	\$6	\$1	NA	NA
1	Select Specialty/Grnsbrg ^{1,3,10}	\$8	\$4	\$0.5	NA	NA	\$8	\$5	\$1	NA	NA
3	Select Specialty/Johnstwn ^{1,10}	\$10	\$9	\$6	\$5	31.98%	\$9	\$9	\$6	\$5	27.13%
1	Select Specialty/Pgh ^{1,10}	\$13	\$11	\$8	\$8	20.62%	\$12	\$10	\$8	\$7	21.10%
9	Select Specialty/Phila ^{1,10}	\$6	\$7	\$6	\$5	3.35%	\$8	\$7	\$6	\$5	18.76%
5	Select Specialty/York ^{1,2,4,10}	\$2	NA	NA	NA	NA	\$3	NA	NA	NA	NA
5	SemperCare Lancaster ^{1,2,10,14}	\$4	\$4	NA	NA	NA	\$4	\$5	NA	NA	NA

Long-Term Acute Care

Long-Term Acute Care Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Statewide Average	-0.25%	-0.13%	-1.92%	2.36%	65.87%	14.94%
Non-Profit LTAC Hospitals						
Statewide Average (non-profit)	-2.08%	-1.75%	-1.32%	7.51%	43.47%	52.85%
Girard ⁵	-1.18%	-0.75%	0.20%	13.47%	34.32%	65.15%
Good Shepherd/Allentown ³	-5.80%	-5.80%	-6.73%	0.40%	82.02%	0.00%
Mercy Special Care ^{1,5}	-2.95%	-2.75%	-3.91%	0.66%	81.48%	1.71%
For-Profit LTAC Hospitals						
Statewide Average (for-profit)	0.52%	0.56%	-2.22%	0.97%	74.35%	0.59%
HEALTHSOUTH Special Svcs ^{1,10}	-17.21%	-10.07%	NA	0.10%	76.73%	0.24%
Kindred/Delaware County ^{1,3,10}	3.31%	7.36%	2.11%	3.26%	78.58%	0.01%
Kindred/Philadelphia ^{1,10}	11.87%	11.01%	5.40%	1.21%	62.08%	6.14%
Kindred/Pittsburgh ^{1,10}	8.67%	5.33%	4.50%	1.27%	60.02%	0.00%
LifeCare Pittsburgh ^{1,3,10,14}	0.97%	0.56%	-1.55%	0.27%	92.60%	0.00%
SCCI/Easton ^{1,3,10}	-8.00%	-8.00%	-17.07%	-0.32%	72.93%	0.00%
SCCI/Harrisburg ^{1,3,10}	-12.45%	-12.45%	-31.29%	0.11%	70.91%	0.00%
Select Specialty/Cmp Hill ^{1,3,10}	-5.85%	-5.85%	NA	0.51%	59.85%	0.00%
Select Specialty/Erie ^{1,3,10}	0.12%	-0.24%	-6.77%	0.57%	69.99%	0.00%
Select Specialty/Grnsbrg ^{1,3,10}	4.30%	3.18%	-8.19%	0.41%	76.13%	0.00%
Select Specialty/Johnstwn ^{1,10}	3.73%	3.17%	1.94%	0.34%	78.39%	0.00%
Select Specialty/Pgh ^{1,10}	10.63%	7.21%	5.54%	0.80%	62.93%	0.00%
Select Specialty/Phila ^{1,10}	-38.79%	-26.07%	-11.57%	2.64%	89.16%	0.00%
Select Specialty/York ^{1,2,4,10}	-55.33%	-55.33%	NA	0.92%	73.14%	0.00%
SemperCare Lancaster ^{1,2,10,14}	8.58%	8.58%	NA	2.67%	66.87%	0.00%

See footnotes and map of regions on page 50.

Specialty Care

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-General Acute Care. There were seven hospitals in this category during FY03. In lieu of an analysis of the trends in utilization and financial health of this very diverse category of facilities, this section presents a brief summary of each of the facilities, based on data available at the end of Fiscal Year 2003 (FY03).

Children's Home of Pittsburgh is an eleven-bed inpatient non-profit transitional infant care hospital. It provides an intermediate level of medical care for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. The hospital discharged 156 patients during FY03.

Children's Home has a history of continuing operating losses. The revenues it receives for patient care and other services do not cover its operating expenses. However, as a result of contributions and investment earnings, the hospital was able to realize a small positive total margin of less than one percent (0.95%) during FY03.

Divine Providence is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital provides outpatient diagnostic and treatment services and operates a 31-bed inpatient psychiatric unit. During FY03, Divine Providence experienced 111,000 outpatient visits. Outpatient care represented about 93% of the facility's net patient revenue (NPR).

Eagleville Hospital is a 335-bed inpatient drug and alcohol treatment hospital located in Mont-

Region	Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY00-FY03
		FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
	Statewide Average	\$12	\$12	\$11	\$11	7.32%	\$13	\$12	\$12	\$12	8.95%
1	Children's Home Pgh	\$3	\$2	\$2	\$2	8.19%	\$3	\$3	\$3	\$3	7.80%
4	Divine Providence	\$44	\$43	\$40	\$36	7.10%	\$46	\$42	\$42	\$39	5.26%
8	Eagleville	\$20	\$19	\$18	\$16	8.23%	\$21	\$19	\$17	\$15	12.87%
9	Kensington ¹³	\$3	\$4	\$4	\$4	-8.17%	\$6	\$5	\$5	\$5	5.32%
8	Malvern Inst ¹⁰	\$4	\$4	\$4	\$4	2.67%	\$4	\$4	\$4	\$4	5.50%
1	Pittsburgh Specialty ^{1,2,10,11,12}	NR	\$3	\$2	\$2	NA	NR	\$5	\$3	\$3	NA
8	Valley Forge ^{1,10,13}	\$9	\$10	\$8	\$9	0.89%	\$10	\$9	\$8	\$8	10.83%

gomery County. Eagleville Hospital reported a negative operating margin of -8.15% and a total margin of 3.59% for FY03. The substantial difference between the operating and total margin is primarily the result of a \$2.1 million transition grant from the state and federal governments for FY02 that was posted in FY03. The purpose of this grant is to assist hospitals in adjusting to the reduction of funding from the Medicaid program. Another \$2.3 million grant was awarded for FY03 and had been deferred until FY04.

Kensington Hospital is a 36-bed drug and alcohol hospital in Philadelphia. Kensington reported 8,000 outpatient visits in FY03 and outpatient care represented about 19% of its NPR. The hospital realized a total margin of 9.75%, the first positive total margin in a number of years.

The Malvern Institute is a 51-bed for-profit drug and alcohol treatment hospital located in Chester County. Malvern emerged from Chapter 11 bankruptcy protection in January 2003.

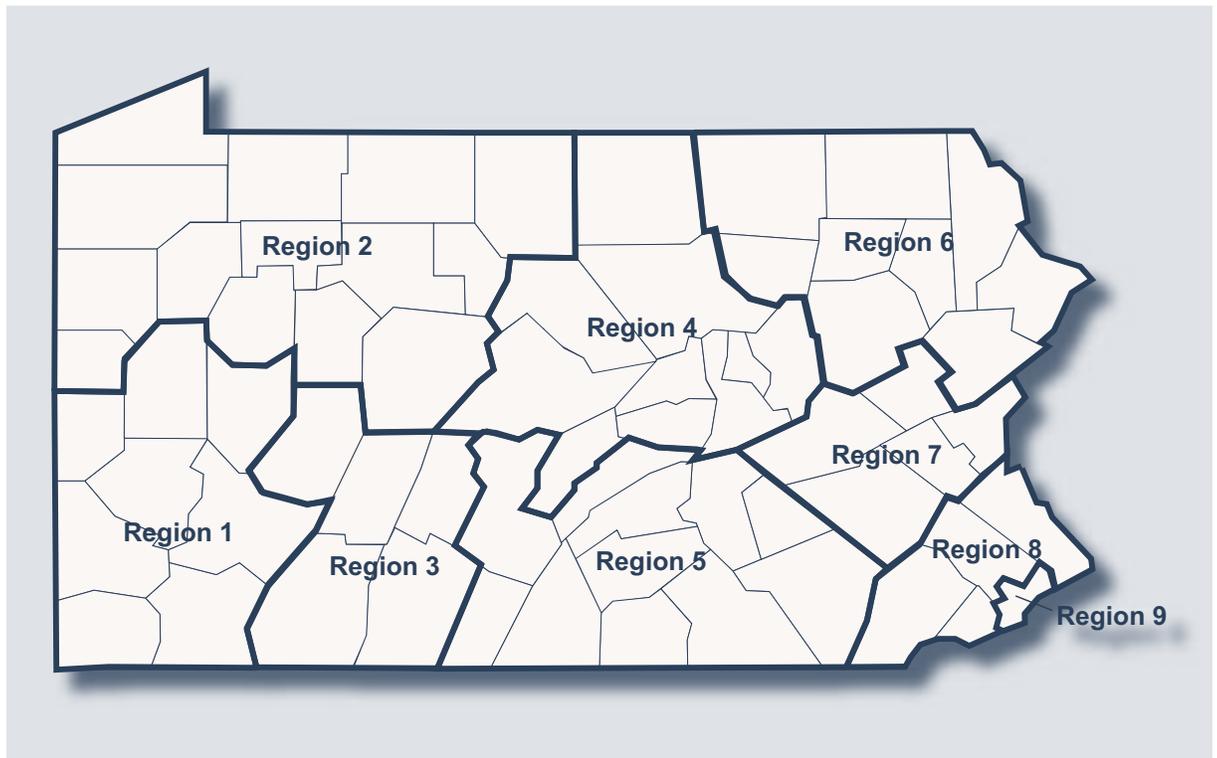
The Valley Forge Medical Center and Hospital is a 78-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other addictive-related conditions. After a 9.6-point improvement in total margin during FY02, the total margin fell over 15 points during FY03 to -7.85%. The large swing in the total margin was caused by the combination of a 6.4% decline in patient revenue and a 20% increase in operating expenses. While total patient days remained relatively constant, FY03 discharges increased about 5.6% above the FY02 levels.

Specialty Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Statewide Average	-2.10%	1.48%	3.54%	2.35%	17.95%	30.01%
Children's Home Pgh	-16.64%	0.95%	5.44%	0.98%	0.00%	35.66%
Divine Providence	3.03%	2.69%	4.19%	2.18%	25.53%	4.55%
Eagleville	-8.15%	3.59%	10.37%	1.48%	13.89%	52.89%
Kensington ¹³	9.67%	9.75%	0.18%	6.50%	13.52%	61.50%
Malvern Inst ¹⁰	-4.39%	-4.39%	2.23%	3.20%	0.00%	33.10%
Pittsburgh Specialty ^{1,2,10,11,12}	NR	NR	NR	NR	NR	NR
Valley Forge ^{1,10,13}	-12.99%	-7.85%	-0.42%	2.61%	4.48%	90.51%

See footnotes and map of regions on page 50.

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. FY03 data is less than 12 months of data; therefore a three-year comparison is not appropriate for some of the measures.
 3. Prior year(s) reflects less than twelve months of data; therefore, a three-year comparison is not appropriate for some of the measures.
 4. This facility began operating during this reporting year. Typically, total operating expenses are high compared to operating revenue during the start-up period.
 5. The hospital has specialty units such as psychiatric, rehabilitation, long-term care, skilled nursing, home health, etc., which are included in the data presented for the facility.
 6. Extraordinary item(s) reported on audited financial statement was included in the calculation of total margin.
 7. Balance sheet ratios are for the parent organization.
 8. Acquired or merged with another licensed hospital during the FY03 reporting period.
 9. Acquired or merged with another licensed hospital during the FY01 or FY02 reporting periods.
 10. For-profit facility; total margin includes *pro rata* share of taxes, other gains and/or expenses experienced by the parent organization. However, most ambulatory surgery centers are Subchapter S corporations that do not have an income tax liability.
 11. Facility is referred to by a different name or it closed after the FY03 reporting period.
 12. Facility failed to satisfy financial filing requirements.
 13. Facility filed one or more of the required financial submissions late.
 14. Facility submitted incomplete or inaccurate data.
- NR - Information necessary to report or calculate this measure was not provided by the facility.
NA - Not applicable.



Hospitals with Fiscal Year-End other than 6/30/03

Clarion Psych.....	12/31/2002
Fairmount Behavioral.....	12/31/2002
Geisinger HEALTHSOUTH.....	12/31/2002
HEALTHSOUTH Altoona.....	12/31/2002
HEALTHSOUTH Erie.....	12/31/2002
HEALTHSOUTH Harmarville.....	12/31/2002
HEALTHSOUTH Mechanicsburg.....	12/31/2002
HEALTHSOUTH Nittany.....	12/31/2002
HEALTHSOUTH Pittsburgh.....	12/31/2002
HEALTHSOUTH Reading.....	12/31/2002
HEALTHSOUTH Sewickley.....	12/31/2002
HEALTHSOUTH Special Svcs.....	12/31/2002
HEALTHSOUTH York.....	12/31/2002
Horsham Clinic.....	12/31/2002
Kindred/Delaware County.....	12/31/2002
Kindred/Philadelphia.....	12/31/2002
Kindred/Pittsburgh.....	12/31/2002
Kirkbride Center.....	12/31/2002
LifeCare Pittsburgh.....	12/31/2002
Meadows Psych Center.....	12/31/2002
Mercy Special Care.....	12/31/2002
National Kids Crisis.....	12/31/2002
Pittsburgh Specialty.....	12/31/2002
SCCI/Easton.....	12/31/2002
SCCI/Harrisburg.....	12/31/2002
Select Specialty/Cmp Hill.....	12/31/2002
Select Specialty/Erie.....	12/31/2002
Select Specialty/Grnsbrg.....	12/31/2002
Select Specialty/Johnstwn.....	12/31/2002
Select Specialty/Pgh.....	12/31/2002
Select Specialty/Phila.....	12/31/2002
Select Specialty/York.....	12/31/2002
SemperCare Lancaster.....	12/31/2002
Southwood Psych.....	12/31/2002
Valley Forge.....	8/31/2002

Ambulatory Surgery Centers with Fiscal Year End other than 12/31/02

Abington SC.....	6/30/2003
ASC Bucks County.....	6/30/2003
ASC/New Kensington.....	6/30/2003
Apple Hill SC.....	6/30/2003
Centre Community SC.....	6/30/2003
CHOP ASC Exton.....	6/30/2003
Children's Hosp Pgh North.....	6/30/2003
Dermatologic/Drexel Hill.....	7/31/2002
Dermatologic/Philadelphia.....	7/31/2002
Einstein SC.....	6/30/2003
Guthrie Clinic.....	6/30/2003
Hamot SC.....	6/30/2003
Hanover SC.....	6/30/2003
Holy Redeemer ASC.....	6/30/2003
Mt Lebanon SC.....	6/30/2003
Norwin Hills SC.....	6/30/2003
Penn Surgery Inst.....	6/30/2003
Philadelphia SC.....	6/30/2003
Summit SC.....	6/30/2003
SC York.....	6/30/2003
SC Ligonier.....	6/30/2003
Susquehanna SC.....	6/30/2003
UPMC Monroeville SC.....	6/30/2003
Valley SC.....	6/30/2003
Wills Surgical Ctr City.....	6/30/2003
Wills Eye SC Plymouth Mtg.....	6/30/2003
Wills Eye SC South Phila.....	6/30/2003
Wills SC Bucks County.....	6/30/2003
Wills SC Northeast.....	6/30/2003

Explanation of Terms

Ambulatory Surgery Center (ASC): A 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. Outpatient visits do not reflect the visits made by hospital staff to the patient's home (i.e., home health visits).

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

Psychiatric Hospital: An institution, other than a General Acute Care hospital, engaged in providing acute short-term psychiatric services on an inpatient basis. Psychiatric hospitals may also offer long-term residential 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: An inpatient facility, other than a

General Acute Care hospital, which is operated for the primary purpose of assisting in the physical rehabilitation of persons through an integrated program of medical and other services.

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 FY00 through FY03.

$$(((\text{NPR}_{03} - \text{NPR}_{00}) / \text{NPR}_{00}) / 3) \text{ or } (((\text{TOE}_{03} - \text{TOE}_{00}) / \text{TOE}_{00}) / 3)$$

Three-year Average Total Margin: The average total margin realized by the facility during FY01 through FY03.

$$(\sum \text{revenue over expenses}_{03,02,01} / \sum \text{total revenue}_{03,02,01})$$

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

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

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

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

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

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

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

Beginning with FY03, facilities reported bad debt and charity care at full charges. The sum of bad debt charges and charity care charges (uncompensated care charges) was divided by total charges to yield an uncompensated care rate. This rate should be a close approximation of the percent of facility revenue that was forgone due to uncompensated care.

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

Non-Compliant Facilities

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

Late Submission

Bryn Mawr Rehab
Bucci Eye SC
Carlisle Regional SC
Center Reproductive
Children's Inst Pgh
CHS ASC
Delaware Valley Laser
Dermatologic/Drexel Hill
Dermatologic/Philadelphia
Doylestown SC
Fairgrounds SC
Fort Washington SC
Friends
Gastrointestinal Spec
Geisinger HEALTHSOUTH
Guthrie Clinic
Hazleton ASC
HEALTHSOUTH Erie
Kensington
Lowry SC
Mahoning Valley ASC
Montgomery SC
National Kids Crisis
North Shore SC
Northwood SC
Norwin Hills SC
PA Eye SC
Penn Surgery Inst
Philhaven
Progressive Surgical Inst
Reading SC
Riverview ASC
Sally Balin ASC
SC Ligonier
SC York
Scranton Endoscopy
Southwestern ASC
Three Rivers Endoscopy
UPMC Monroeville SC
Valley Forge
Valley SC
Valley View SC
West Shore Endoscopy
West Shore SC
Westfield SC
Wills Eye SC South Phila
Wills SC Bucks County

No Submission

Lehigh Plastic SC
Mercy SC
Pittsburgh Specialty
Pittsburgh Specialty ASC



Pennsylvania Health Care Cost Containment Council

Marc P. Volavka, Executive Director

225 Market Street, Suite 400

Harrisburg, PA 17101

Phone: 717-232-6787

Fax: 717-232-3821

www.phc4.org

For More Information

Additional financial and utilization data for Fiscal Year 2003 and prior years may be purchased. For more information, contact PHC4's Data Requests Unit.

The information contained in this report and other PHC4 publications are available on our Web site www.phc4.org.