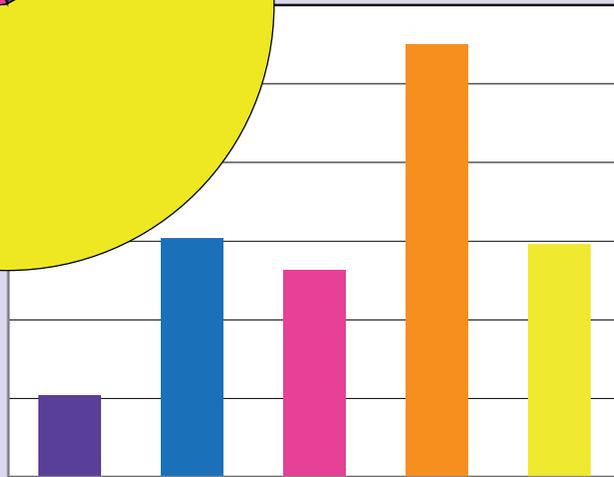
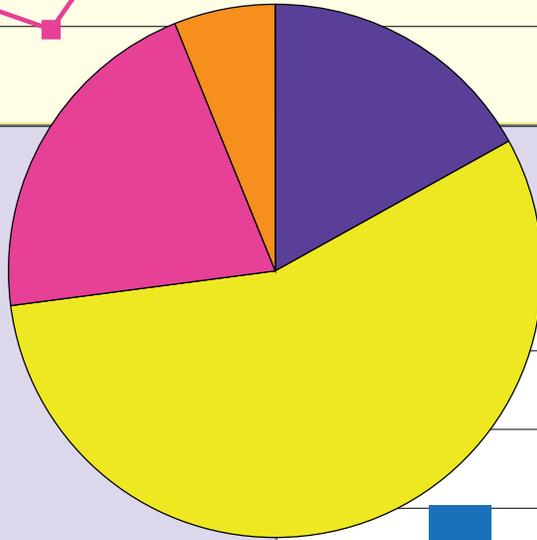
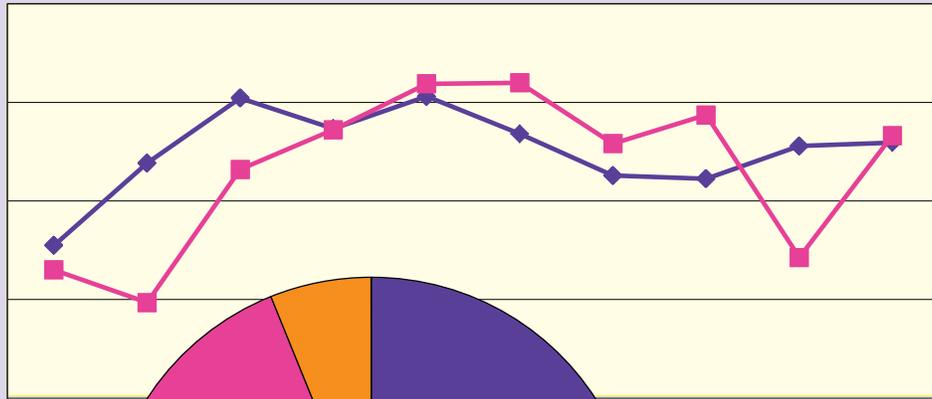


Financial Analysis 2010

Volume Three

Rehabilitation • Psychiatric • Long-Term Acute Care • Specialty
Fiscal Year 2010



The Pennsylvania Health Care Cost Containment Council (PHC4) is an independent state agency established by Pennsylvania law (Act 89 of 1986, as amended). PHC4 is charged with collecting, analyzing and reporting information that can be used to improve the quality and restrain the cost of health care in Pennsylvania.

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Non-Compliant Hospitals

No Submission - The following hospital was not in compliance with one or more of PHC4's filing requirements and is not included in this report.

- Angela Jane Rehab (*closed 7/1/2010*)

Late Submission - The following hospitals submitted their annual financial data and/or the supporting audited financial statements late.

- | | |
|---------------------------|----------------------------|
| • Kensington | • PA Psych Institute |
| • Kindred/Delaware County | • Penn State Hershey Rehab |
| • Kindred/Havertown | • Southwood Psych |
| • Kindred/Wyoming Valley | • Triumph/Easton |
| • Kirkbride Center | • Triumph/Philadelphia |
| • Montgomery Cty ES | • Valley Forge |

Key Findings

- The statewide average operating margin for the state's rehabilitation hospitals improved 0.14 percentage points from 10.23% in FY09 to 10.37% in FY10. The statewide average total margin increased 4.95 percentage points from 5.70% in FY09 to 10.65% in FY10.
- Statewide the number of patients that received rehab care decreased 3.3% and the number of rehab patient days decreased 2.0% during FY10.
- The freestanding psychiatric hospitals as a group have posted a 1.58 percentage point increase in the statewide average operating margin from 4.34% in FY09 to 5.92% in FY10. The statewide average total margin increased 1.84 percentage points from 2.74% in FY09 to 4.58% in FY10.
- The Medical Assistance (MA) program provided 56.0% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY10. Of all patients receiving inpatient psychiatric care at GAC psychiatric units, 24.1% were MA participants.
- The statewide average operating margin for the long-term acute care (LTAC) hospitals increased 2.77 percentage points from 3.46% in FY09 to 6.23% in FY10. The statewide average total margin increased 2.53 percentage points from 2.40% in FY09 to 4.93% in FY10.
- LTAC hospitals received 68.5% of their patient revenue from Medicare patients during FY10.

Introduction

The Pennsylvania Health Care Cost Containment Council (PHC4) annually produces a series of reports that measure the financial health of Pennsylvania's hospitals and ambulatory surgery centers.

This is the third volume of a three-volume series. *Volume One*, released in May 2011, focused on the financial health of Pennsylvania's general acute care (GAC) hospitals. *Volume Two*, released in September 2011, concentrated on Pennsylvania's ambulatory surgery centers (ASCs). This report, *Volume Three*, focuses on Pennsylvania's rehabilitation hospitals, psychiatric hospitals, state psychiatric hospitals, long-term acute care hospitals, and specialty hospitals (non-GAC hospitals). The total number of licensed hospitals and ASCs that operated in Pennsylvania during fiscal year 2010 (FY10) is listed in Table 1.

This report provides an individual profile of each type of provider category for the freestanding non-GAC hospitals. The subunits from hospitals that provide similar care in those categories are also included. For example, the psychiatric subunits of GAC hospitals are addressed in the section on psychiatric care along with the freestanding psychiatric hospitals.

The reporting year for the non-GAC hospitals in this report is based on each facility's fiscal year that ended during 2010. The fiscal year for the majority of non-GAC hospitals is the calendar year ending on December 31, 2010. For those hospitals that do not utilize a calendar year, the fiscal year typically ended on June 30, 2010.

In addition to statewide financial data, this report presents statewide data on utilization and capacity. While the statewide data on utilization generally reflects the overall trends in the level of patient care and staffed beds in Pennsylvania, statewide utilization and capacity data must be viewed as a compilation

of often unrelated local markets. For example, the addition or removal of staffed beds at rehabilitation hospitals in one region of the Commonwealth may have little or no effect on the availability of rehab care in other regions of Pennsylvania.

Hospital-specific financial data for the non-GAC hospitals that reported data and operated during FY10 are presented in tables at the end of each provider category section. Included in these tables are the FY10 operating and total margins for each individual hospital. Each hospital's corresponding operating income, total income, and total operating revenue, expressed in dollars, can be found on PHC4's website at www.phc4.org. (Note: Other operating revenue

must be included with net patient revenue to calculate the operating income that is used for operating margin.)

Statewide averages are presented in the individual hospital tables. Averages expressed as a percentage (e.g., operating margin) were calculated as if the entire group (state) were a single reporting entity. For example, the statewide average operating margins were calculated by dividing the sum of operating income for all psychiatric hospitals in the state and the sum of total operating revenue for all psychiatric hospitals in the state.

In calculating statewide averages, estimated data was used for hospitals that reported less than a full year of data. No estimated data was used for the individual hospital data.

Information in this report was derived from annual financial statements and data submissions, as well as quarterly inpatient discharge data supplied by each facility. Every reasonable effort has been made to ensure the accuracy of the information. Each facility had the opportunity to review its data and make changes, if necessary. The ultimate responsibility for accuracy lies with the individual facility.

TABLE 1
Number of Facilities, FY10
by Facility Type

Facility Type	Number of Facilities
General Acute Care Hospitals	165
Rehabilitation Hospitals	20
Psychiatric Hospitals	19
State Psychiatric Hospitals	7
Long-Term Acute Care Hospitals	27
Specialty Hospitals	5
Ambulatory Surgery Centers	266
Total	509

Overview

General acute care (GAC) hospitals (including their hospital-based subunits) are the predominate providers of hospital-based health care in Pennsylvania. During fiscal year 2010 (FY10), GAC hospitals received 93.0% of the statewide net patient revenue (Figure 1). GAC hospitals treated 94.9% of the patients receiving inpatient care (Figure 2). Similarly, the 39.9 million outpatient visits reported by the GAC hospitals represent 92.2% of the total outpatient visits to all hospitals and ambulatory surgery centers (ASCs) (Figure 3).

The figures and tables in this section, except for Figure 4 and Table 2, present a variety of information by facility type. These figures and tables reflect all care provided at each type of facility. For example, the patient days for long-term acute care (LTAC) hospitals in Table 3 include medical-surgical plus the psychiatric care provided at the LTAC hospitals. In contrast, Figure 4 and Table 2 present patient days by type of care (e.g., psychiatric), regardless of where that care was delivered. For example, statewide psychiatric care includes services provided at freestanding psychiatric, GAC, LTAC, and specialty hospitals.

Table 3 displays the differences in the average revenue per day and discharge at the different types of hospitals. While a number of factors affect the revenue that hospitals receive, the variation in the average revenue per day provides some indication of the differences in resources required to treat patients in the different facility settings. For example, the revenue per day at rehabilitation hospitals is more than double the average for psychiatric hospitals. This disparity exists, in large part, because rehabilitation hospitals generally provide care that is more resource intensive than psychiatric hospitals. In addition, Figure 5 reveals that the average age of patients treated at rehabilitation facilities is more than twice the average age of patients at psychiatric hospitals. Typically, older patients require more resources than younger patients being treated for the same condition.

FIGURE 1
Net Patient Revenue, FY10
by Facility Type*

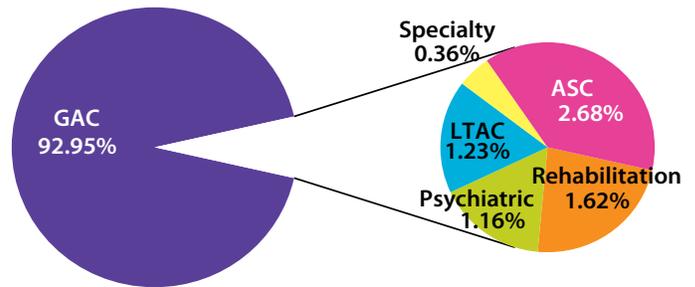


FIGURE 2
Discharges, FY10
by Facility Type*

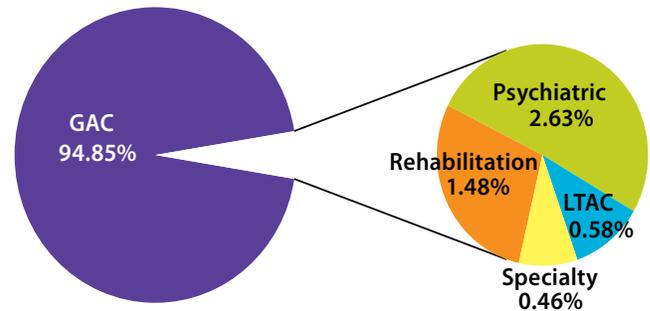
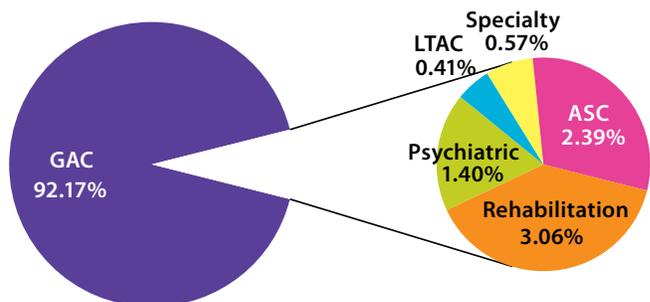


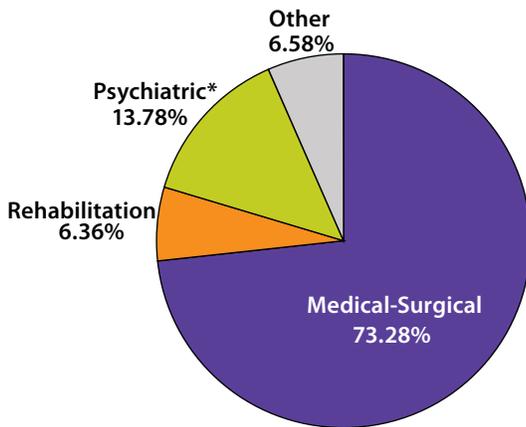
FIGURE 3
Outpatient Visits, FY10
by Facility Type*



* Excludes State Psychiatric Hospitals

Overview

FIGURE 4
Patient Days, FY10
by Type of Care



Applying the differences in the average lengths of stay presented in Figure 6 to the variations in the average revenue per day result in large differences in the average revenue per discharge across the different hospital settings. The average revenue per discharge during FY10 ranged from \$5,918 at specialty hospitals to \$39,462 at LTAC hospitals. LTAC hospitals treat complex medical conditions that require continuous care.

There is also a wide variation in the average outpatient revenue per visit across all facilities

TABLE 2
Patient Days, FY10
by Type of Care

Type of Services	Patient Days
Medical-Surgical	7,779,042
Rehabilitation	674,979
Psychiatric *	1,462,916
Other	698,098
Statewide	10,615,035

(Table 4). As with inpatient care, a primary reason for the diversity in outpatient revenue per visit among the facility types is the variation in level of resources provided per visit. A patient may receive care as a series of visits comprised of relatively short treatments (e.g., psychotherapy) in a hospital outpatient setting, while a patient at an ASC may be subject to an entire surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

As statewide revenue per discharge increased from \$11,211 to \$11,647 and revenue per visit increased from \$339 to \$359 from FY09 to FY10, ASCs continue to have the highest average total margin among the different health care facility types (Figure 8). Contributing to the difference between

TABLE 3
Utilization and Net Inpatient Revenue, FY10
by Facility Type*

Facility Type	Staffed Beds	Patient Days	Discharges	Net Inpatient Revenue (thousands)	Average Inpatient Revenue per Day	Average Inpatient Revenue per Discharge
General Acute Care Hospitals	36,675	9,140,871	1,750,996	\$20,185,912	\$2,208	\$11,528
Rehabilitation Hospitals	1,811	415,149	27,357	\$481,984	\$1,161	\$17,618
Psychiatric Hospitals	2,289	639,455	48,534	\$363,029	\$568	\$7,480
Long-term Acute Care Hospitals	1,321	293,418	10,653	\$420,390	\$1,433	\$39,462
Specialty Hospitals	478	126,142	8,513	\$50,381	\$399	\$5,918
Statewide	42,574	10,615,035	1,846,053	\$21,501,696	\$2,026	\$11,647

* Excludes State Psychiatric Hospitals

Overview

TABLE 4
Outpatient Visits and Net Outpatient Revenue, FY10
by Facility Type*

Facility Type	Outpatient Visits	Net Outpatient Revenue (thousands)	Average Outpatient Revenue per Visit
General Acute Care Hospitals	39,883,587	\$14,236,009	\$357
Rehabilitation Hospitals	1,322,780	\$116,750	\$88
Psychiatric Hospitals	607,375	\$67,060	\$110
Long-Term Acute Care Hospitals	179,461	\$33,499	\$187
Specialty Hospitals	244,582	\$82,287	\$336
Ambulatory Surgery Centers	1,034,225	\$993,903	\$961
Statewide	43,272,010	\$15,529,508	\$359

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

FY10 is the first year over the last decade that all health care facility types as a group, except the ASCs,

experienced an increase in the average total margin (Figure 7). The average total margin for ASCs only decreased a 0.01 of a percentage point during FY10. The FY10 statewide average total margin for psychiatric hospitals and specialty hospitals were their highest total margins posted in over the last ten years. Other than the decline experienced during FY09, psychiatric hospitals as a group have experienced increases in the average total margin since FY05. The average total margins for psychiatric hospitals have ranged from 2.74% to 4.58% over this six-year time-period.

The GAC hospitals' total margins peaked at their highest level in FY07, declined in both FY08 and FY09, and improved during FY10. The total margins of LTAC hospitals as a group have declined from their peak in FY04, but have improved slightly during the last two years. Similarly, the statewide average total margins for rehabilitation hospitals have declined from their peak of 12.80% in FY06, but increased 4.95 percentage points in FY10.

FIGURE 5
Average Inpatient Patient Age, FY10
by Facility Type*

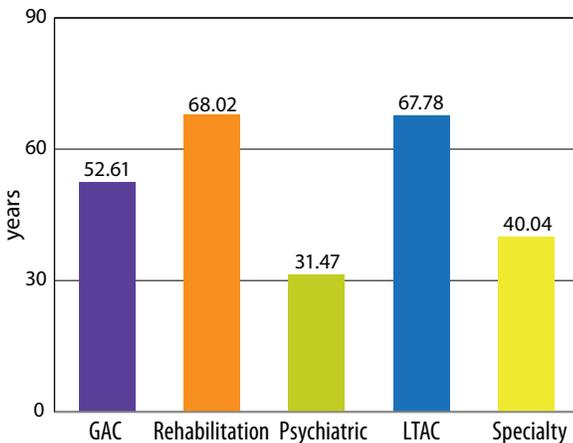
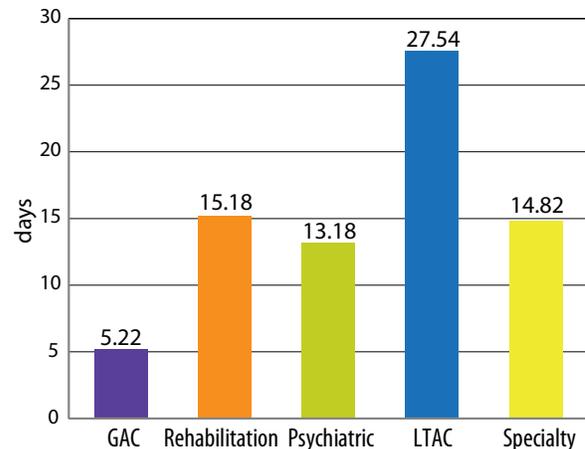


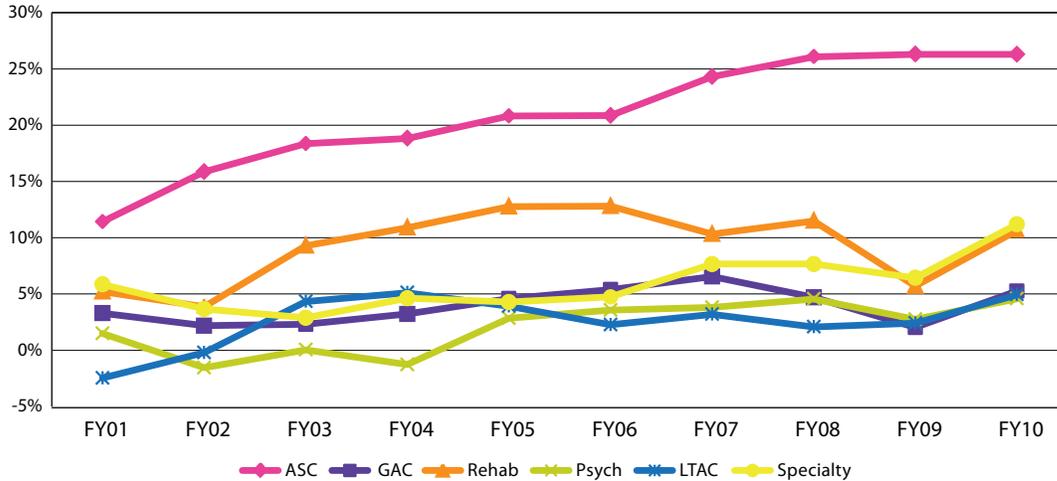
FIGURE 6
Average Length of Stay, FY10
by Facility Type*



* Excludes State Psychiatric Hospitals

Overview

FIGURE 7
Total Margin
by Fiscal Year and Facility Type*



Over the last ten years, the total margin for the ASCs as a group peaked during FY09. The average total margin for ASCs increased every year over the last decade, except for FY10. The average total margins for ASCs have ranged from 11.42% to 26.30% over this ten-year period.

Among all facility types, GAC hospitals had the highest level of uncompensated care as a percent of net patient revenue in FY10, while ASCs had the lowest level (Figure 9). Uncompensated care as a percent of net patient revenue ranged from 0.81% to 1.79% among the various non-GAC hospital categories.

FIGURE 8
Total Margin, FY10
by Facility Type*

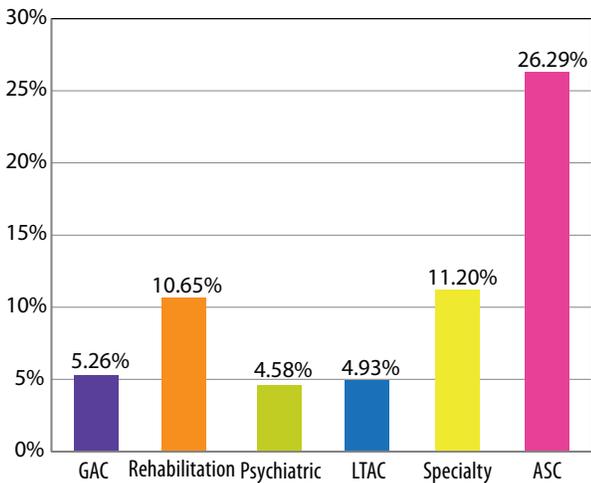
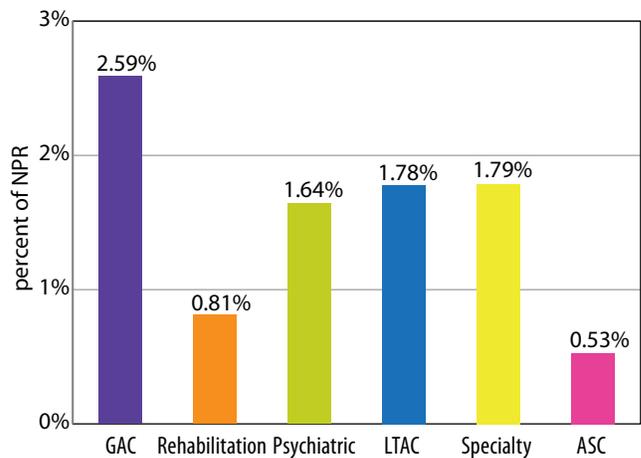


FIGURE 9
Uncompensated Care, FY10
by Facility Type*



* Excludes State Psychiatric Hospitals

Rehabilitation

Highlights

- The statewide average operating margin for the state's rehabilitation hospitals improved 0.14 percentage points from 10.23% in FY09 to 10.37% in FY10. The statewide average total margin increased 4.95 percentage points from 5.70% in FY09 to 10.65% in FY10.
- Statewide the number of patients that received rehab care decreased 3.3% and the number of rehab patient days decreased 2.0% during FY10.

Rehabilitation Care

There were 20 freestanding rehabilitation hospitals in Pennsylvania during fiscal year 2010 (FY10). One closed during the year and did not submit data. Table 5 displays the utilization and capacity for rehabilitation hospitals, a few of which provide skilled nursing care.

Rehabilitation hospitals provided care to 52.7% of the patients admitted for inpatient rehab care statewide in FY10. The remaining 47.3% received care at the rehab units that operated as part of a general acute care (GAC) hospital. Sixty-three (38%) of Pennsylvania's GAC hospitals operated rehab units in FY10.

In addition to treating more of the rehab patients in FY10, rehabilitation hospitals had more patient

TABLE 5
Utilization and Capacity, FY10
by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	21,398	49,275	43.43%	2,100	135	10.2
Bryn Mawr Rehab	44,059	54,020	81.56%	2,635	148	16.7
Children's Inst Pgh	14,002	24,820	56.41%	489	68	28.6
Crichton Rehab Center	9,004	14,235	63.25%	597	39	15.1
Geisinger HealthSouth	10,868	15,330	70.89%	877	42	12.4
Good Shepherd Rehab	24,834	35,770	69.43%	1,790	98	13.9
HealthSouth Altoona	22,171	25,550	86.77%	1,659	70	13.4
HealthSouth Erie	26,320	39,420	66.77%	1,745	108	15.1
HealthSouth Harmarville	40,052	73,730	54.32%	2,280	202	17.6
HealthSouth Mechanicsburg	17,602	27,375	64.30%	1,239	75	14.2
HealthSouth Nittany	12,451	31,025	40.13%	920	85	13.5
HealthSouth Reading	14,813	21,900	67.64%	974	60	15.2
HealthSouth Sewickley	9,723	16,060	60.54%	679	44	14.3
HealthSouth York	19,258	32,850	58.62%	1,407	90	13.7
John Heinz Rehab	26,838	33,580	79.92%	2,146	92	12.5
Lancaster Rehab Hospital	17,398	20,176	86.23%	1,132	59	15.4
Magee Rehab	27,752	35,040	79.20%	1,184	96	23.4
Moss Rehab	41,386	71,905	57.56%	2,461	197	16.8
Penn State Hershey Rehab	9,790	15,420	63.49%	596	54	16.4

Rehabilitation

days and a longer average length of stay (ALOS) than GAC rehab units. During FY10, rehabilitation hospitals provided 58.5% of the statewide patient days of acute rehab care, compared to 41.5% from GAC rehab units. The ALOS for rehab patients at rehabilitation hospitals was 15.1 days, compared to 12.0 days at GAC rehab units.

Trends in Rehabilitation Care

The number of patients that received rehab care at GAC rehab units and rehabilitation hospitals combined decreased 3.3% during FY10. The number of rehab discharges declined 3.7% at GAC rehab units and declined 2.9% at rehabilitation hospitals in FY10. The total number of rehab discharges statewide peaked during FY02 (Table 6 & Figure 10).

FIGURE 10
Rehab Discharges
by Facility Type

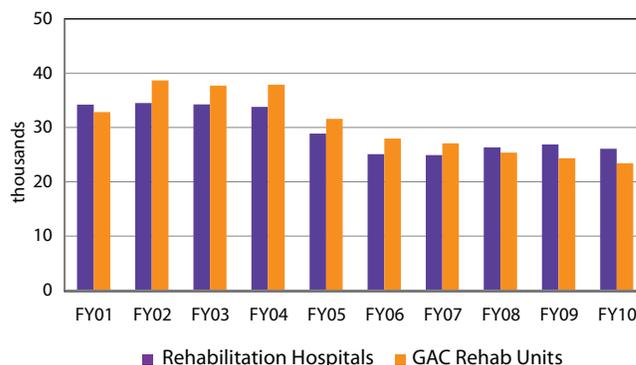


TABLE 6
Utilization and Capacity of Rehab Care
by Facility Type

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Patient Days										
Rehabilitation Hospitals	530,434	516,620	485,098	474,804	434,219	389,451	380,679	401,255	401,346	394,710
GAC Rehab Units	341,940	349,544	357,726	368,195	329,993	312,871	304,191	292,948	287,478	280,269
Statewide	872,374	866,164	842,824	842,999	764,212	702,322	684,870	694,203	688,824	674,979
Discharges										
Rehabilitation Hospitals	34,237	34,499	34,255	33,812	28,868	25,094	24,904	26,353	26,884	26,098
GAC Rehab Units	32,845	38,684	37,713	37,899	31,577	27,942	27,097	25,386	24,315	23,423
Statewide	67,082	73,183	71,968	71,711	60,445	53,036	52,001	51,739	51,199	49,521
Beds										
Rehabilitation Hospitals	1,867	1,803	1,757	1,827	1,734	1,577	1,656	1,712	1,664	1,718
GAC Rehab Units	1,373	1,429	1,478	1,543	1,391	1,411	1,306	1,270	1,255	1,228
Statewide	3,240	3,232	3,235	3,370	3,125	2,988	2,962	2,982	2,919	2,946
Occupancy Rate										
Rehabilitation Hospitals	79.22%	78.55%	76.56%	72.29%	67.51%	67.66%	63.68%	65.31%	66.11%	63.84%
GAC Rehab Units	67.97%	66.92%	66.25%	66.11%	63.71%	62.95%	63.57%	64.70%	64.69%	63.87%
Statewide	74.39%	73.40%	71.82%	69.46%	65.82%	65.48%	63.63%	65.05%	65.51%	63.85%
Average Length of Stay										
Rehabilitation Hospitals	15.5	15.0	14.2	14.0	15.0	15.5	15.3	15.2	14.9	15.1
GAC Rehab Units	10.4	9.0	9.5	9.7	10.5	11.2	11.2	11.5	11.8	12.0
Statewide	13.0	11.8	11.7	11.8	12.6	13.2	13.2	13.4	13.5	13.6

Rehabilitation

FIGURE 11
Rehab Patient Days
by Facility Type

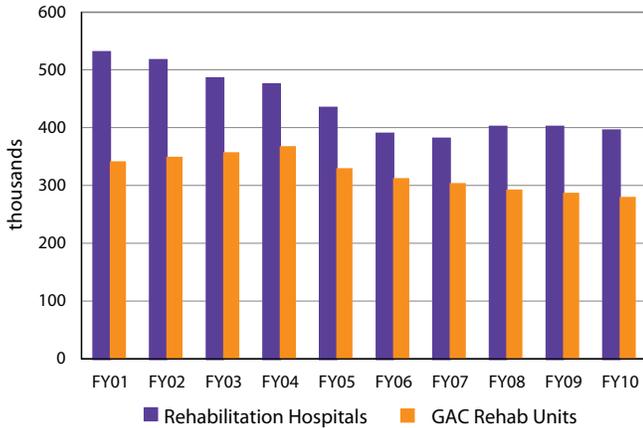


FIGURE 12
Average Length of Stay for Rehab Care
by Facility Type

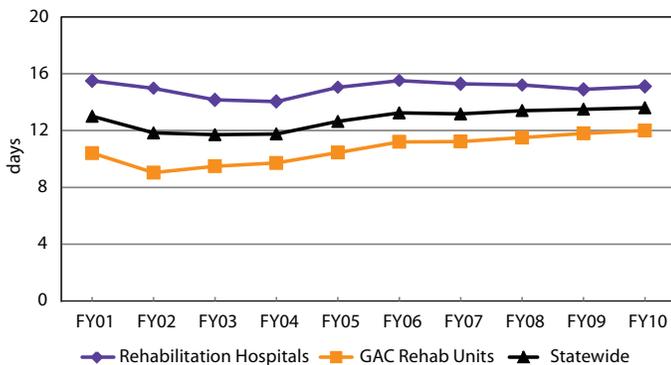


TABLE 7
Average Inpatient Age
at Rehabilitation Hospitals, FY10
by Payer

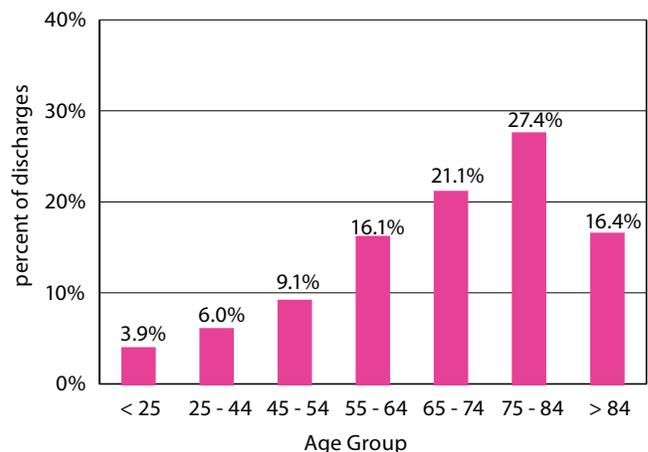
Payer	Average Age
Commercial	52.77
Medicare	76.05
Medical Assistance	43.41
Other	53.28
Statewide	68.02

From FY02 to FY10, the discharges at GAC rehab units declined 39.5%, an average decline of 4.9% per year. From FY02 to FY07, the rehab discharges at rehabilitation hospitals declined 27.8%, an average of 5.6% per year, before an increase in FY08.

The GAC rehab units and rehabilitation hospitals combined experienced a 2.0% decline in the number of rehab patient days during FY10. The statewide number of rehab patient days peaked during FY01 (Table 6 & Figure 11). From FY01 to FY10, the rehab patient days statewide declined 22.6%, an approximate average of 2.5% per year. In FY10, the statewide ALOS for rehab care was 13.6 days, the highest in the last decade (Table 6 & Figure 12).

One key factor in the decline in the utilization of inpatient rehab care in prior years is the Medicare "75% Rule." In May 2004, the Centers for Medicare and Medicaid Services (CMS) published a final regulation, which mandated that a minimum of 75% of a facility's inpatient rehab patients must require treatment for one or more of 13 specific conditions in order for the facility to qualify for the higher Medicare inpatient rehabilitation facility prospective payment system (IRF PPS) rates. Facilities that did not meet the threshold were to be reimbursed at the lower gen-

FIGURE 13
Inpatient Age Distribution
at Rehabilitation Hospitals, FY10
by Age Group



Rehabilitation

eral PPS rates. Initially, the minimum threshold was being phased-in in annual increments from 50% for cost reporting years after July 2004 to 75% after July 2008. However, the federal Medicare, Medicaid and SCHIP Extension Act of 2007 limited the minimum threshold to 60% permanently and was retroactive to cost reporting periods after July 2005.

Rehabilitation hospitals serve a predominately elderly population; 64.9% of the patients at these hospitals were 65 years or older in FY10 (Figure 13). While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. During FY10, patients in the under-25 and the 25-44 age groups had an ALOS of 25.6 and 19.1 days, respectively (Figure 14). In contrast, patients in the age groups over 65 had shorter stays of approximately 14.0 days on average.

The revenue rehabilitation hospitals received per discharge and per day varied considerably by payer category (Figures 15 & 16). Part of this variation is attributable to the mix of patients and care covered by the different third-party payers and the variation of costs associated with treating those patients. The variations in the average patient age (Table 7) and

FIGURE 14
Average Length of Stay
at Rehabilitation Hospitals, FY10
by Age Group

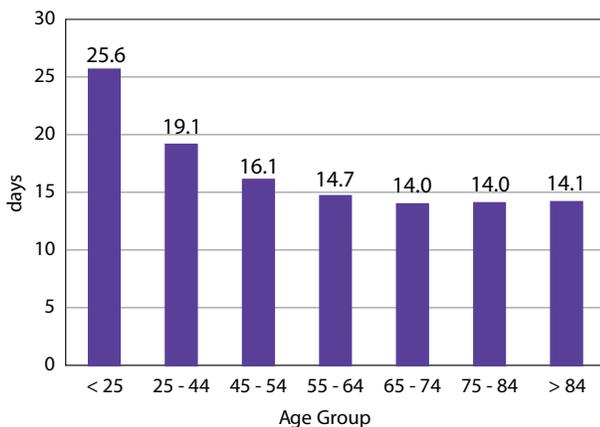


FIGURE 15
Average Net Inpatient Revenue per Discharge
at Rehabilitation Hospitals, FY10
by Payer

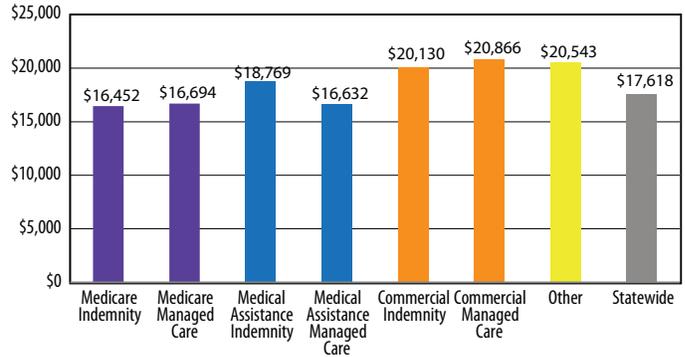


FIGURE 16
Average Net Inpatient Revenue per Day
at Rehabilitation Hospitals, FY10
by Payer

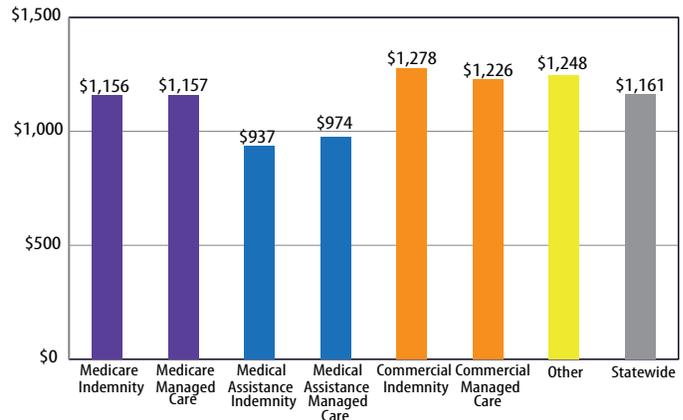
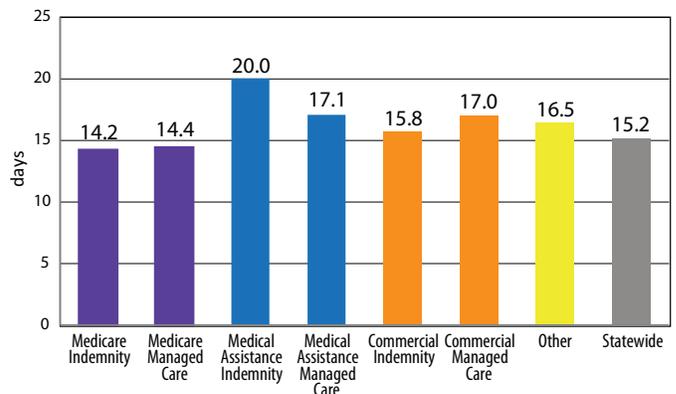


FIGURE 17
Average Length of Stay
at Rehabilitation Hospitals, FY10
by Payer

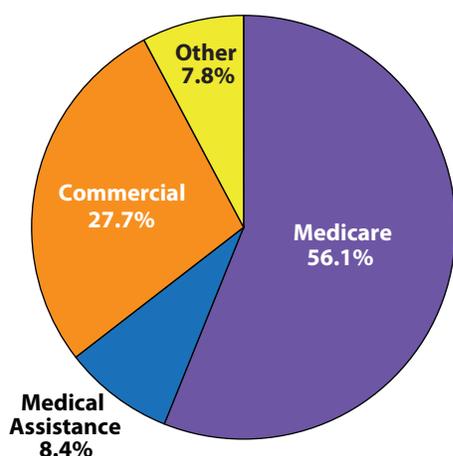


Rehabilitation

TABLE 8
Net Patient Revenue at Rehabilitation Hospitals
by Payer

	Net Patient Revenue (thousands)		Percent Change FY09 to FY10
	FY09	FY10	
Commercial			
Indemnity	\$65,037	\$68,840	5.85%
Managed Care	\$95,545	\$97,067	1.59%
Total	\$160,582	\$165,907	3.32%
Medicare			
Indemnity	\$254,077	\$271,530	6.87%
Managed Care	\$68,499	\$64,311	-6.11%
Total	\$322,576	\$335,841	4.11%
Medical Assistance			
Indemnity	\$25,392	\$27,155	6.94%
Managed Care	\$23,031	\$23,249	0.95%
Total	\$48,423	\$50,404	4.09%
Other	\$53,066	\$46,582	-12.22%
Statewide	\$584,647	\$598,734	2.41%

FIGURE 18
Net Patient Revenue at Rehabilitation Hospitals, FY10
by Payer



the ALOS by payer (Figure 17) indicate the differences in the average level of care among the payers. Younger patients are more likely to be admitted for traumatic injuries, such as brain and spinal cord injuries, which typically have longer recovery periods. As a result, younger patients, on average, require longer lengths of stay.

Rehabilitation Hospitals – Financial Profile

Net patient revenue (NPR) increased 2.4% at rehabilitation hospitals during FY10 (Table 8). Medicare provided 56.1% of the NPR at rehabilitation hospitals in FY10 (Figure 18). In FY10, statewide operating revenue at the rehabilitation hospitals grew 2.6% as total discharges (rehab and skilled nursing care) at these hospitals decreased 4.0%. The average inpatient revenue per discharge increased 6.3% from \$16,567 in FY09 to \$17,618 in FY10. The average inpatient revenue per day increased 4.5% from \$1,111 in FY09 to \$1,161 in FY10.

Outpatient and home health care at rehabilitation hospitals generated about one-fifth (19.5%) or \$116.8 million of the \$598.7 million in total NPR reported by the rehabilitation hospitals for FY10.

The 2.6% increase in total operating revenue for the rehabilitation hospitals outpaced the 2.5% increase in operating expenses during FY10 (Table 9). As a result, the statewide average operating margin improved 0.14 of a percentage point from 10.23% in FY09 to 10.37% in FY10 (Figure 19). This increase in FY10 was followed by a 1.33 percentage point increase in the statewide operating margin in FY09.

The statewide average total margin increased 4.95 percentage points from 5.70% in FY09 to 10.65% in FY10. The increase in the statewide total margin during FY10 was a greater difference than the increase in the statewide operating margin because of the rise in non-operating income at the non-profit rehabilitation hospitals. Non-operating income at the hospitals is primarily comprised of investments and contributions. In FY10, the non-

Rehabilitation

TABLE 9
Revenue, Expenses, and Income at Rehabilitation Hospitals
by Fiscal Year
(thousands)

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Net Patient Revenue	\$541,437	\$556,241	\$562,271	\$575,035	\$549,165	\$514,631	\$532,349	\$564,962	\$584,647	\$598,734
Total Operating Revenue	\$567,296	\$606,514	\$596,907	\$606,827	\$583,200	\$547,486	\$575,710	\$600,282	\$619,369	\$635,778
Total Operating Expenses	\$532,164	\$548,682	\$524,222	\$540,481	\$511,814	\$488,781	\$523,738	\$546,874	\$556,021	\$569,853
Operating Income	\$35,132	\$57,831	\$72,685	\$66,346	\$71,386	\$58,705	\$51,972	\$53,408	\$63,348	\$65,925
Non-operating Income Adjustments *	(\$5,140)	(\$34,715)	(\$17,553)	\$1,174	\$4,728	\$14,252	\$9,319	\$18,569	(\$29,174)	\$3,425
Revenue over Expenses	\$29,992	\$23,117	\$55,132	\$67,520	\$76,114	\$72,956	\$61,291	\$71,977	\$34,174	\$69,350

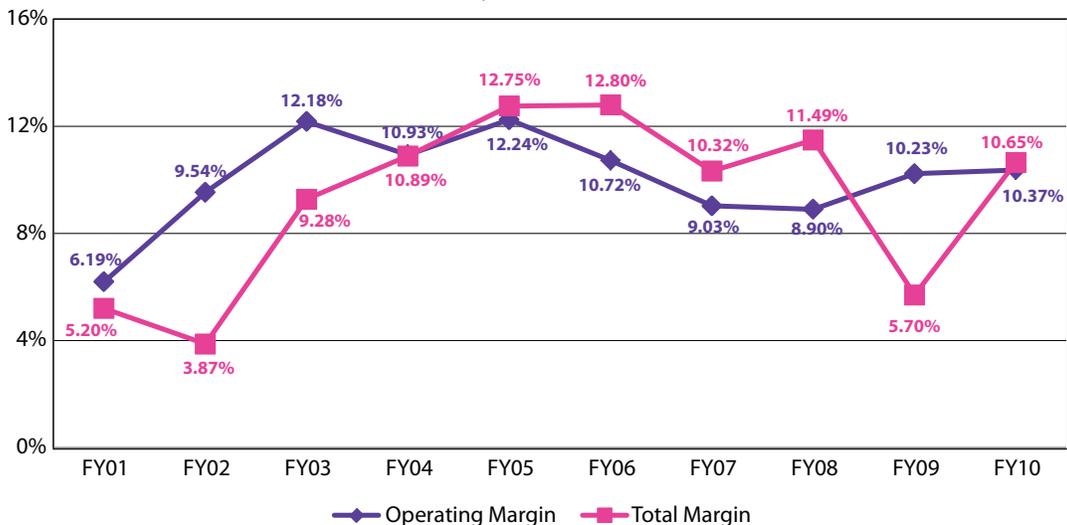
*Includes non-operating income, income taxes and extraordinary items.

profit hospitals combined earned a positive \$15.4 million in non-operating income, while in FY09 these hospitals combined reported a negative \$20.0 million in non-operating income.

The 6.36% FY10 average operating margin for the non-profit rehabilitation hospitals was 10.36 percentage points below the 16.72% FY10 average operating margin for the for-profit hospitals. Investment and other non-operating gains generally drove the average total margin at the non-profit rehabilitation hospitals 3.55 percentage points above the

average operating margin to 9.91%. The 11.86% average total margin for the for-profit hospitals, which are subject to income tax, was 4.86 percentage points below the average operating margin as a group. The 9.91% average total margin for the non-profit hospitals was 1.95 percentage points lower than the 11.86% average total margin at the for-profit hospitals.

FIGURE 19
Operating and Total Margins at Rehabilitation Hospitals
by Fiscal Year



Rehabilitation

Region/ Rehabilitation Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY07-FY10	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY07-FY10
	FY10	FY09	FY08	FY07		FY10	FY09	FY08	FY07	
Statewide Average	\$30	\$29	\$27	\$25	6.03%	\$28	\$28	\$26	\$25	4.75%
Non-profit Rehabilitation Hospitals										
Statewide Average (non-profit)	\$45	\$44	\$43	\$36	7.94%	\$46	\$44	\$43	\$37	7.82%
6 Allied Services	\$36	\$36	\$37	\$37	-0.80%	\$36	\$36	\$37	\$36	-0.24%
8 Bryn Mawr Rehab ¹¹	\$69	\$68	\$65	\$64	2.38%	\$59	\$56	\$52	\$49	6.78%
1 Children's Inst Pgh	\$21	\$21	\$20	\$17	7.91%	\$42	\$42	\$41	\$36	4.89%
3 Crichton Rehab Center ⁷	\$10	\$10	\$9	\$8	4.27%	\$7	\$8	\$8	\$8	-0.43%
7 Good Shepherd Rehab	\$57	\$49	\$46	\$41	12.44%	\$63	\$55	\$50	\$48	10.70%
6 John Heinz Rehab ⁵	\$35	\$35	\$33	\$31	3.77%	\$34	\$34	\$33	\$31	3.39%
9 Magee Rehab	\$48	\$55	\$52	\$43	3.79%	\$55	\$57	\$55	\$56	-0.44%
9 Moss Rehab ⁷	\$82	\$76	\$78	\$73	4.17%	\$69	\$66	\$64	\$60	4.67%
For-profit Rehabilitation Hospitals										
Statewide Average (for-profit)	\$20	\$19	\$17	\$17	5.42%	\$17	\$17	\$16	\$16	2.39%
4 Geisinger HealthSouth ^{1, 10}	\$17	\$17	\$16	\$14	6.57%	\$15	\$15	\$15	\$14	1.74%
3 HealthSouth Altoona ^{1, 10}	\$28	\$27	\$26	\$25	4.48%	\$24	\$23	\$24	\$23	1.61%
2 HealthSouth Erie ^{1, 10}	\$30	\$25	\$19	\$20	16.54%	\$22	\$21	\$19	\$19	5.26%
1 HealthSouth Harmarville ^{1, 5, 10}	\$39	\$40	\$39	\$39	-0.09%	\$32	\$33	\$36	\$34	-1.33%
5 HealthSouth Mechanicsburg ^{1, 10}	\$22	\$23	\$22	\$23	-0.52%	\$19	\$20	\$20	\$20	-1.10%
4 HealthSouth Nittany ^{1, 10}	\$17	\$16	\$16	\$16	1.63%	\$15	\$16	\$16	\$16	-0.87%
7 HealthSouth Reading ^{1, 10}	\$18	\$18	\$17	\$17	0.99%	\$15	\$15	\$15	\$15	-1.03%
1 HealthSouth Sewickley ^{1, 10}	\$11	\$11	\$9	\$8	12.76%	\$9	\$9	\$8	\$7	6.13%
5 HealthSouth York ^{1, 10}	\$27	\$26	\$26	\$25	2.41%	\$22	\$21	\$22	\$22	-0.06%
5 Lancaster Rehab Hospital ^{1, 3, 10}	\$19	\$17	\$17	\$5	NA	\$16	\$14	\$14	\$7	NA
5 Penn State Hershey Rehab ^{1, 10, 13}	\$12	\$9	\$8	NA	NA	\$13	\$8	\$7	NA	NA

See footnotes and map of regions on page 34.

Rehabilitation

Rehabilitation Hospital	Operating Margin FY10	Total Margin FY10	3-yr Average Total Margin FY08-FY10	Percent of Uncompensated Care FY10	Medicare Share of NPR FY10	Medical Assistance Share of NPR FY10
Statewide Average	10.37%	10.65%	9.35%	0.81%	56.09%	8.42%
Non-profit Rehabilitation Hospitals						
Statewide Average (non-profit)	6.36%	9.91%	8.89%	1.00%	47.29%	11.10%
Allied Services	4.36%	5.58%	4.45%	0.44%	80.39%	2.94%
Bryn Mawr Rehab ¹¹	16.24%	17.59%	22.43%	1.16%	51.41%	1.36%
Children's Inst Pgh	-21.80%	8.30%	1.05%	0.92%	5.16%	31.45%
Crichton Rehab Center ⁷	22.29%	22.29%	17.26%	0.62%	72.47%	8.99%
Good Shepherd Rehab	0.88%	0.88%	1.35%	2.02%	38.89%	8.28%
John Heinz Rehab ⁵	2.29%	2.61%	1.87%	0.39%	71.53%	2.80%
Magee Rehab	0.45%	4.49%	-2.63%	0.71%	39.31%	16.32%
Moss Rehab ⁷	18.37%	18.39%	18.08%	0.91%	37.45%	20.24%
For-profit Rehabilitation Hospitals						
Statewide Average (for-profit)	16.72%	11.86%	10.09%	0.54%	69.27%	4.41%
Geisinger HealthSouth ^{1, 10}	25.11%	19.88%	18.02%	0.60%	66.47%	2.54%
HealthSouth Altoona ^{1, 10}	16.71%	12.73%	8.98%	0.70%	72.81%	4.33%
HealthSouth Erie ^{1, 10}	26.61%	16.21%	12.08%	1.15%	74.93%	9.72%
HealthSouth Harmarville ^{1, 5, 10}	18.31%	13.98%	10.09%	0.43%	54.19%	3.80%
HealthSouth Mechanicsburg ^{1, 10}	14.03%	10.07%	8.17%	0.15%	73.73%	0.60%
HealthSouth Nittany ^{1, 10}	8.78%	5.41%	2.86%	0.32%	73.64%	4.13%
HealthSouth Reading ^{1, 10}	18.68%	11.85%	11.94%	0.52%	77.84%	4.79%
HealthSouth Sewickley ^{1, 10}	19.42%	14.70%	10.72%	0.56%	80.07%	3.87%
HealthSouth York ^{1, 10}	18.37%	11.54%	12.03%	0.10%	71.00%	2.09%
Lancaster Rehab Hospital ^{1, 3, 10}	17.34%	17.34%	18.74%	0.40%	73.96%	6.21%
Penn State Hershey Rehab ^{1, 10, 13}	-12.41%	-12.41%	-0.49%	1.16%	51.57%	5.76%

See footnotes and map of regions on page 34.

Psychiatric

Highlights

- The freestanding psychiatric hospitals as a group have posted a 1.58 percentage point increase in the statewide average operating margin from 4.34% in FY09 to 5.92% in FY10. The statewide average total margin increased 1.84 percentage points from 2.74% in FY09 to 4.58% in FY10.
- The Pennsylvania Department of Public Welfare (DPW) is the largest provider of psychiatric care in the state. DPW's seven state psychiatric hospitals provided 27.9% of all patient days of psychiatric care during FY10.
- The Medical Assistance (MA) program provided 56.0% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY10. Of all patients receiving inpatient psychiatric care at GAC psychiatric units, 24.1% were MA participants.

Psychiatric Care

Inpatient psychiatric care in Pennsylvania is provided by state psychiatric hospitals, freestanding psychiatric hospitals, general acute care (GAC) hospitals, specialty hospitals, and long-term acute care (LTAC) hospitals. During fiscal year 2010 (FY10), there were 19 psychiatric hospitals in Pennsylvania that treated 36.2% of the patients admitted for inpatient psychiatric care statewide and provided 31.5% of the total patient days of acute psychiatric care (Figures 20 & 21).

The average length of stay (ALOS) at psychiatric hospitals during FY10 was 13.2 (Table 10 & Figure 22). However, excluding long-term residential and drug and alcohol (D&A) care programs, the ALOS was 10.9 days. Six of the psychiatric hospitals provided residential care, and three provided inpatient D&A care (Table 11). 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. During FY10, the ALOS at the psychiatric hospitals' residential programs was 125.9 days.

FIGURE 20
Psychiatric Discharges, FY10
by Facility Type

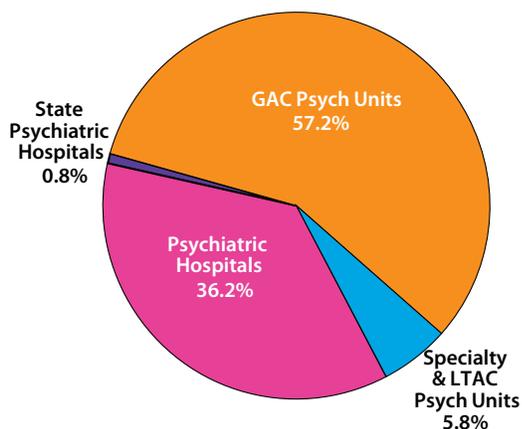
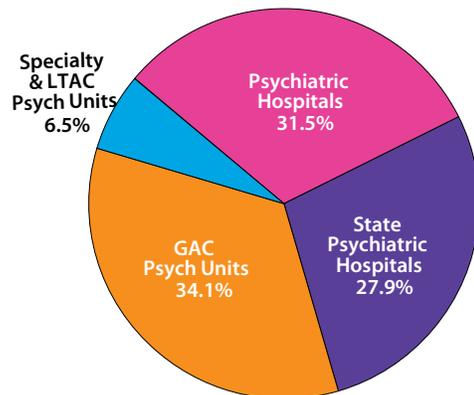


FIGURE 21
Psychiatric Patient Days, FY10
by Facility Type



Psychiatric

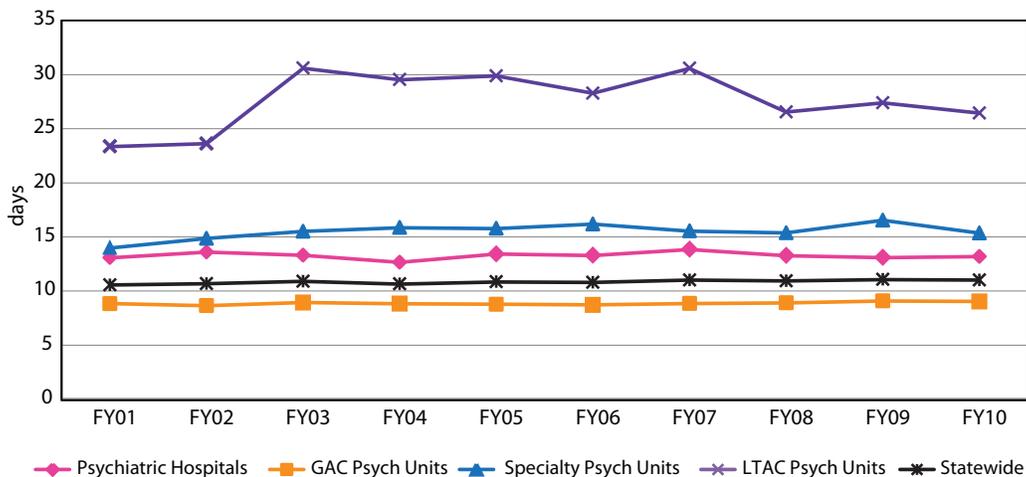
TABLE 10
Utilization and Capacity of Psychiatric Care
by Facility Type

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Patient Days										
Psychiatric Hospitals	511,681	548,281	567,435	558,552	558,059	556,829	586,344	591,751	625,567	639,455
State Psychiatric Hospitals	939,634	855,179	772,491	773,443	761,065	718,962	675,186	642,444	582,684	565,482
GAC Psych Units	769,658	738,873	753,413	757,131	742,683	730,956	718,089	700,008	680,291	691,435
Specialty Psych Units	141,783	139,380	145,703	149,446	155,908	151,878	124,008	128,898	98,880	102,302
LTAC Psych Units	28,184	28,788	29,033	28,223	29,324	28,455	30,518	29,516	29,251	29,724
Statewide	2,390,940	2,310,501	2,268,075	2,266,795	2,247,039	2,187,080	2,134,145	2,092,617	2,016,673	2,028,398
Discharges										
Psychiatric Hospitals	39,153	40,336	42,673	44,173	41,587	41,911	42,358	44,592	47,790	48,534
State Psychiatric Hospitals	1,988	1,955	1,674	1,634	1,637	1,741	1,479	1,346	1,257	1,111
GAC Psych Units	87,079	85,449	84,338	85,748	84,670	83,821	81,207	78,649	74,889	76,593
Specialty Psych Units	10,142	9,381	9,396	9,430	9,886	9,387	7,983	8,387	5,982	6,665
LTAC Psych Units	1,207	1,219	949	956	982	1,006	998	1,112	1,068	1,124
Statewide	139,569	138,340	139,030	141,941	138,762	137,866	134,025	134,086	130,986	134,027
Beds										
Psychiatric Hospitals	1,801	1,896	1,938	1,958	1,965	1,941	2,040	2,055	2,142	2,289
State Psychiatric Hospitals	2,963	2,678	2,381	2,387	2,440	2,198	2,206	2,173	2,238	1,857
GAC Psych Units	3,151	3,068	2,982	2,920	2,853	2,790	2,762	2,643	2,559	2,643
Specialty Psych Units	531	524	531	550	558	545	455	453	395	395
LTAC Psych Units	112	112	112	112	112	113	113	99	98	107
Statewide	8,558	8,278	7,944	7,927	7,928	7,587	7,576	7,423	7,432	7,291
Patient Population										
State Psychiatric Hospitals	2,510	2,215	2,164	2,142	2,120	1,916	1,848	1,710	1,627	1,584
Occupancy Rate										
Psychiatric Hospitals	78.51%	79.76%	79.76%	78.55%	80.98%	81.71%	79.02%	78.98%	78.78%	80.18%
State Psychiatric Hospitals	86.07%	87.02%	88.67%	88.73%	85.07%	87.67%	83.85%	80.78%	77.78%	80.99%
GAC Psych Units	66.35%	65.88%	69.71%	72.13%	73.32%	72.46%	72.69%	72.88%	73.90%	73.88%
Specialty Psych Units	77.41%	72.85%	75.75%	75.92%	76.55%	76.35%	69.58%	76.65%	63.28%	70.96%
LTAC Psych Units	68.94%	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%	76.11%
Statewide	76.45%	76.41%	78.30%	78.98%	79.09%	79.53%	77.47%	77.23%	75.93%	77.57%
Statewide*	71.29%	71.30%	73.84%	74.72%	76.34%	76.07%	74.84%	75.76%	75.21%	76.33%
Average Length of Stay										
Psychiatric Hospitals	13.1	13.6	13.3	12.6	13.4	13.3	13.8	13.3	13.1	13.2
State Psychiatric Hospitals	472.7	437.4	461.5	473.3	464.9	413.0	456.5	477.3	463.6	509.0
GAC Psych Units	8.8	8.6	8.9	8.8	8.8	8.7	8.8	8.9	9.1	9.0
Specialty Psych Units	14.0	14.9	15.5	15.8	15.8	16.2	15.5	15.4	16.5	15.3
LTAC Psych Units	23.4	23.6	30.6	29.5	29.9	28.3	30.6	26.5	27.4	26.4
Statewide	17.1	16.7	16.3	16.0	16.2	15.9	15.9	15.6	15.4	15.1
Statewide*	10.5	10.7	10.9	10.6	10.8	10.8	11.0	10.9	11.1	11.0

* Excludes State Psychiatric Hospitals

Psychiatric

FIGURE 22
Average Length of Stay for Psychiatric Care
by Facility Type*



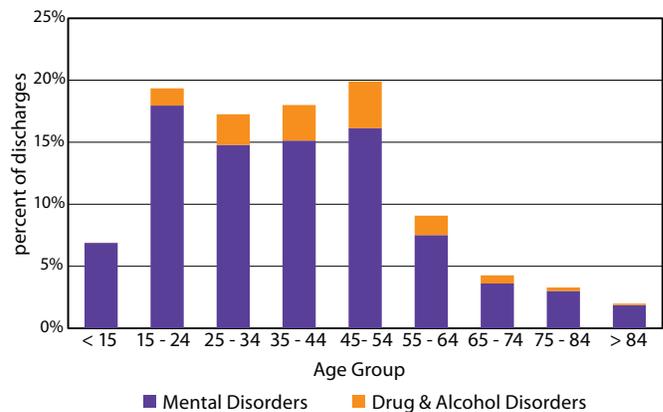
The state psychiatric hospitals provide long-term inpatient care for individuals that require intensive treatment. Seven state psychiatric hospitals operated in Pennsylvania in FY10, and there were eight in FY09. Although state psychiatric hospitals provided 27.9% of statewide psychiatric patient days in FY10, they only discharged 1,111 patients, which is 0.8% of the total psychiatric discharges from all facilities. The ALOS at the state psychiatric hospitals was 509.0 days.

In contrast, psychiatric units that operated as part of a GAC hospital provided relatively short-term acute psychiatric care with an ALOS of 9.0 days during FY10. Eighty-eight (53.3%) of the GAC hospitals in Pennsylvania operated psychiatric units during FY10. These GAC psychiatric units treated 57.2% of the total patients admitted for inpatient psychiatric care statewide and provided 34.1% of the total patient days of psychiatric care during FY10.

Four specialty hospitals in Pennsylvania provided some form of psychiatric care. Two hospitals

provided acute psychiatric care, which represented only 14.6% of the total psychiatric care provided at specialty hospitals. The remaining 85.4% of psychiatric care at specialty hospitals was provided by D&A programs at three hospitals. The 102,302 inpatient psychiatric care days at specialty hospitals

FIGURE 23
Age Distribution of Inpatient Psychiatric Patients,* FY10
by Age Group



Mental disorders include all patients whose principal diagnoses were grouped into MDC19, and drug and alcohol disorders include patients grouped into MDC20.

* Excludes State Psychiatric Hospitals

Psychiatric

TABLE 11
Utilization and Capacity, FY10
by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (ALOS)	ALOS w/o Residential & D&A
All Hospital Services (including Residential and Drug & Alcohol Treatment Programs)							
Belmont Center	49,411	53,655	92.09%	3,708	147	13.3	NA
Brooke Glen Behavioral	45,654	53,290	85.67%	4,773	146	9.6	NA
Clarion Psych	20,103	27,010	74.43%	1,935	74	10.4	NA
Devereux Behavioral Hlth	8,616	12,045	71.53%	463	33	18.6	NA
Fairmount Behavioral	64,021	69,199	92.52%	5,019	239	12.8	11.8
First Wyoming Valley	32,368	39,055	82.88%	3,508	107	9.2	NA
Foundations Behavioral	31,563	41,245	76.53%	983	113	32.1	15.1
Friends	58,969	79,935	73.77%	5,105	219	11.6	10.1
Haven Behavioral	2,577	3,416	75.44%	284	28	9.1	NA
Horsham Clinic	50,539	55,990	90.26%	4,711	206	10.7	NA
KidsPeace	21,831	24,820	87.96%	1,648	68	13.2	NA
Kirkbride Center	46,602	74,147	62.85%	3,065	203	15.2	6.5
Meadows Psych Center	34,542	36,865	93.70%	2,381	101	14.5	NA
Montgomery Cty ES	22,738	29,565	76.91%	2,419	81	9.4	10.0
PA Psych Institute	19,242	27,010	71.24%	2,258	74	8.5	NA
Philhaven	40,458	51,100	79.17%	2,160	140	18.7	12.7
Roxbury Treatment	30,172	40,074	75.29%	2,244	112	13.4	11.8
Southwood Psych	41,453	56,940	72.80%	1,203	156	34.5	8.7
St John Vianney	13,442	15,330	87.68%	99	42	135.8	4.0
Residential and Drug & Alcohol Treatment Programs							
Fairmount Behavioral	15,620	17,107	91.31%	921	67	17.0	NA
Foundations Behavioral	18,232	21,535	84.66%	101	59	180.5	NA
Friends	7,273	9,855	73.80%	1	27	7,273.0	NA
Kirkbride Center	38,161	47,867	79.72%	1,766	131	21.6	NA
Montgomery Cty ES	1,875	2,920	64.21%	327	8	5.7	NA
Philhaven	13,909	17,885	77.77%	72	49	193.2	NA
Roxbury Treatment	18,401	21,900	84.02%	1,245	60	14.8	NA
Southwood Psych	31,767	44,895	70.76%	93	123	341.6	NA
St John Vianney	13,418	14,600	91.90%	93	40	144.3	NA

NA - Not Applicable

Psychiatric

represented 5.0% of the statewide psychiatric care patient days during FY10.

Three LTAC hospitals provided 29,724 acute psychiatric patient days, or 1.5% of the statewide inpatient psychiatric care during FY10. This care represents only a small portion of inpatient psychiatric care in Pennsylvania, but it represents 10.1% of the total patient days provided by all LTAC hospitals.

Trends in Psychiatric Care

Over the past nine years (FY01-FY09), statewide psychiatric patient days combined from all hospital settings declined an average of about 2.0% per year; FY10 was the first year in the past ten years that total statewide psychiatric patient days increased over the previous year. The 0.6% increase in patient days during FY10 was driven, in part, by a 2.2% increase in utilization at psychiatric hospitals and 1.6% increase at the GAC psychiatric units. LTAC and specialty hospitals psychiatric patient days combined increased 3.0% in FY10. Patient days at the state's psychiatric hospitals decrease by 3.0% in FY10. The Pennsylvania Department of Public Welfare (DPW) reported that the patient population at the state psychiatric hospitals declined by 43 patients, from 1,627 in July 2009 to 1,584 in July 2010.

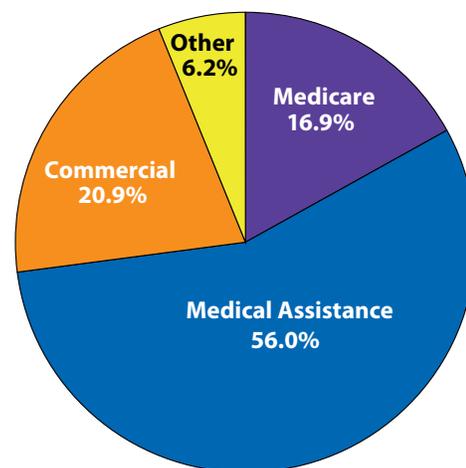
While there was a 2.3% decrease in statewide psychiatric patient discharges in all hospital settings during FY09, there was a 2.3% increase in the total psychiatric patient discharges statewide during FY10. Since FY05, the number of patient discharges at psychiatric hospitals has increased 16.7%; an average increase of 3.3% per year. In addition to reporting an increase in patient days, the GAC psychiatric units reported an increase in the total number of patient discharges after reporting five consecutive years of decreases. Total patient discharges for the GAC psychiatric units increased 2.3% during FY10. Psychiatric patient discharges for LTAC and specialty hospitals combined increased 10.5% in FY10.

Inpatient psychiatric care has a younger age distribution than other types of hospital-based care. The average age of inpatients treated at psychiatric hospitals was 31.5 years compared to a mean age of 52.6 years for all inpatients at GAC hospitals, 68.0 years at rehabilitation hospitals, and 67.8 years at LTAC hospitals. In FY10, discharges among patients age 15 through 54 made up 74.5% of inpatient psychiatric discharges, excluding state psychiatric discharges (Figure 23).

Psychiatric Hospitals – Financial Profile

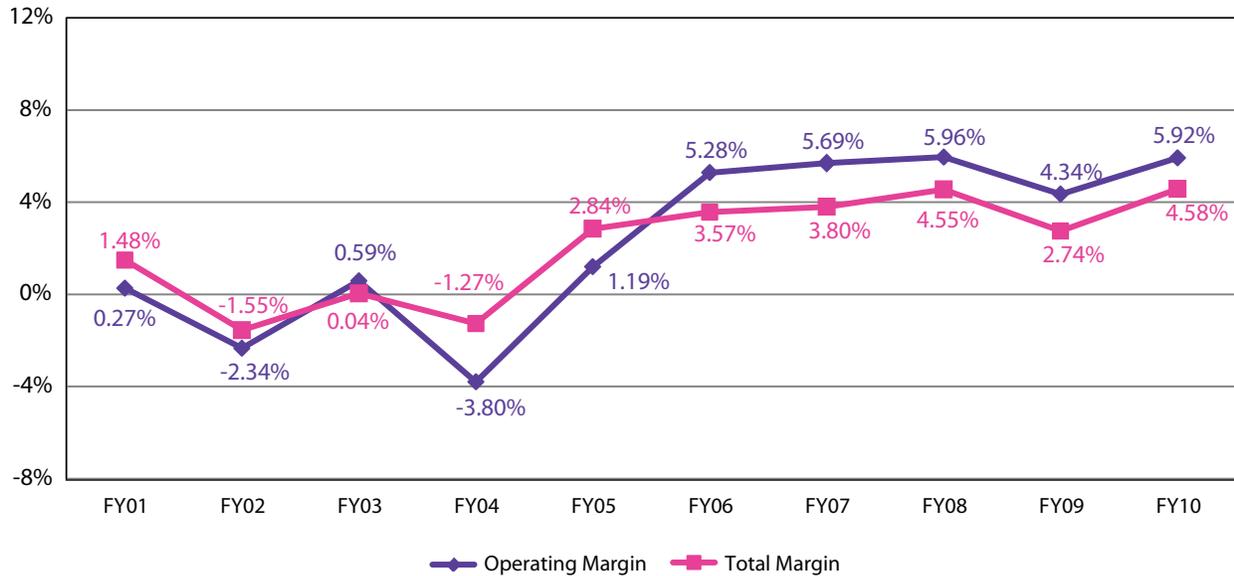
The Commonwealth, through DPW, is the largest provider of psychiatric care. As previously mentioned, DPW's seven state hospitals provided 27.9% of all patient days of psychiatric care during FY10. In addition, the Medical Assistance (MA) program administered by DPW provided 56.0% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY10 (Figure 24). MA participants also comprised 24.1% of all patients that received inpatient psychiatric care at

FIGURE 24
Net Patient Revenue at Psychiatric Hospitals, FY10
by Payer



Psychiatric

FIGURE 25
Operating and Total Margins at Psychiatric Hospitals
by Fiscal Year



GAC psychiatric units in FY10. DPW also sponsors psychiatric care in a variety of other settings.

The Commonwealth directly underwrites 78.9% of the cost of the care provided at the state psychiatric hospitals. Of the remaining 21.1% of total expenses covered by third-party payers, patients and other sources, 11.8% are covered by MA; 5.8% by Medicare; and 3.5% are covered by private insurance, individuals and other sources.

As a group, psychiatric hospitals experienced a long history of negative or very small positive statewide average operating margins prior to FY05 (Figure 25). However, during the two-year period FY05 and FY06, they experienced a dramatic 9.08-point improvement in their combined operating margin. The statewide operating margin increased 4.99 points during FY05 and an additional 4.09 points during FY06. The statewide operating margins improved because operating revenue grew a total of 11.7% during FY05 and FY06 while the total

growth in expenses was held to 1.9% over the two-year period (Table 12). Since statewide utilization levels at the psychiatric hospitals operating during FY05 and FY06 remained relatively constant, the growth in operating revenue was primarily driven by increases in reimbursement rates.

During FY10, the operating margin at psychiatric hospitals increased 1.58 percentage points from 4.34% in FY09 to 5.92% in FY10. Two new psychiatric hospitals began operating during FY09, which both experienced a large loss during their first year of operation. Prior to FY09 the operating margin increased slightly every year between FY04 and FY08 for the psychiatric hospitals. The statewide operating margin improved because, as a group, the growth in operating revenue outpaced the increase in operating expenses. During FY10, statewide operating revenue increased 7.0%, while expenses rose 5.2%.

Psychiatric

TABLE 12
Revenue, Expenses, and Income at Psychiatric Hospitals
by Fiscal Year
(thousands)

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Net Patient Revenue	\$281,870	\$285,797	\$297,816	\$292,978	\$315,600	\$330,133	\$357,768	\$373,111	\$403,582	\$430,089
Total Operating Revenue	\$291,382	\$297,000	\$306,541	\$303,161	\$324,388	\$338,594	\$364,279	\$383,325	\$411,203	\$439,830
Total Operating Expenses	\$290,603	\$303,944	\$304,742	\$314,693	\$320,517	\$320,728	\$343,536	\$360,482	\$393,341	\$413,778
Operating Income	\$778	(\$6,944)	\$1,798	(\$11,532)	\$3,872	\$17,866	\$20,743	\$22,843	\$17,861	\$26,052
Non-operating Income Adjustments*	\$3,625	\$2,302	(\$1,685)	\$7,655	\$5,702	(\$5,745)	(\$6,844)	(\$5,121)	(\$6,311)	(\$5,369)
Revenue over Expenses	\$4,403	(\$4,642)	\$113	(\$3,877)	\$9,574	\$12,121	\$13,899	\$17,722	\$11,550	\$20,683

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

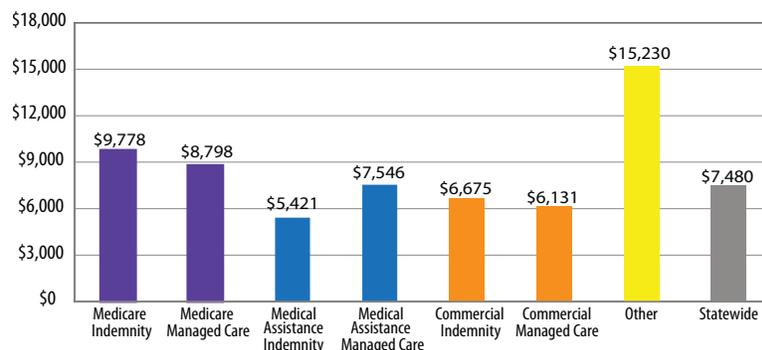
Psychiatric hospitals' statewide average total margin increased 1.84 percentage points from 2.74% in FY09 to 4.58% in FY10. This increase occurred after the psychiatric hospitals experienced a decline in FY09, which was the first drop after four years of consecutive increases.

The disparity in the average operating and total margins between the for-profit and non-profit psychiatric hospitals continued in FY10. The for-profit hospitals posted an average operating margin of 10.64% compared to a negative 2.08% for the non-profit hospitals. Since the for-profit hospitals

are subject to income taxes, the statewide average total margin for the for-profit hospitals was 7.68%.

Among the psychiatric hospitals, the FY10 average revenue per discharge of \$7,480 (Figure 26) was 4.9% higher than the FY09 average of \$7,134. The average revenue per day for FY10 was \$568 (Figure 27), compared to \$545 in FY09. Patients covered by commercial indemnity plans, commercial managed care plans, and MA indemnity program had a shorter ALOS than those covered by other payer types (Figure 28).

FIGURE 26
Average Net Inpatient Revenue per Discharge
at Psychiatric Hospitals, FY10
by Payer



Psychiatric

FIGURE 27
Average Net Inpatient Revenue per Day
at Psychiatric Hospitals, FY10
by Payer

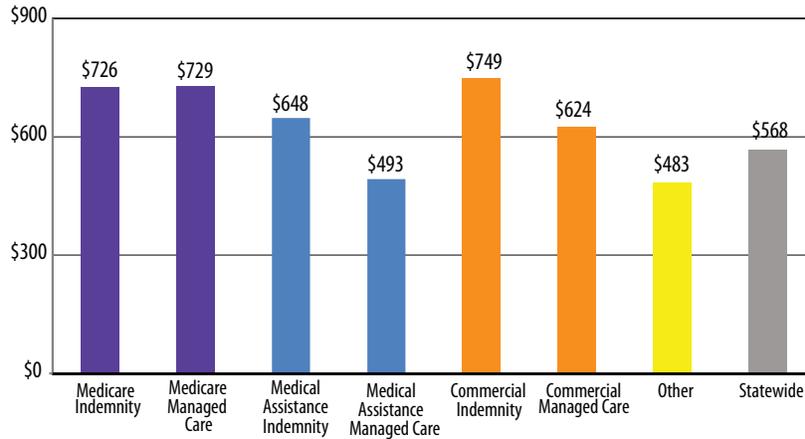
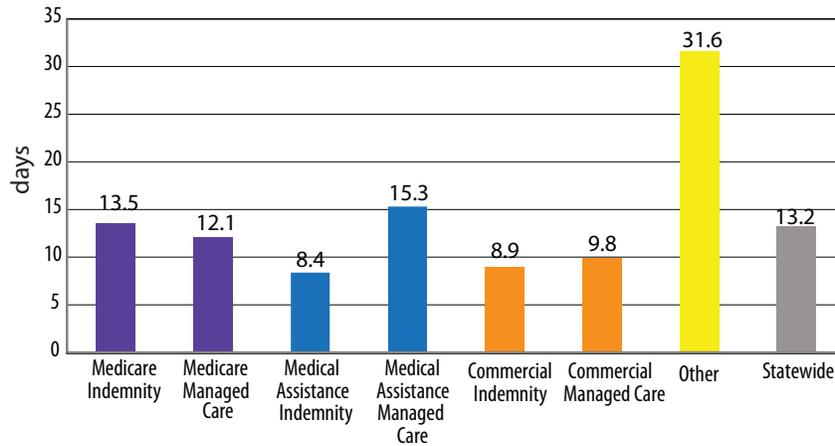


FIGURE 28
Average Length of Stay
at Psychiatric Hospitals, FY10
by Payer



Psychiatric

Region/Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY07-FY10	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY07-FY10
	FY10	FY09	FY08	FY07		FY10	FY09	FY08	FY07	
Statewide Average	\$23	\$21	\$22	\$21	2.52%	\$22	\$21	\$21	\$20	2.59%
Non-profit Psychiatric Hospital										
Statewide Average (non-profit)	\$23	\$21	\$21	\$20	3.59%	\$24	\$22	\$22	\$21	4.05%
9 Belmont Center	\$38	\$37	\$36	\$34	3.55%	\$39	\$38	\$37	\$36	2.45%
8 Devereux Behavioral Hlth ⁷	\$6	\$5	\$5	\$5	7.22%	\$5	\$5	\$5	\$5	5.28%
7 KidsPeace ¹	\$22	\$19	\$18	\$18	7.52%	\$22	\$20	\$20	\$20	2.91%
8 Montgomery Cty ES ^{5,13}	\$16	\$16	\$15	\$15	1.82%	\$16	\$16	\$16	\$16	2.00%
5 PA Psych Institute ¹³	\$18	\$12	NA	NA	NA	\$26	\$19	NA	NA	NA
5 Philhaven ⁵	\$52	\$51	\$48	\$47	3.37%	\$52	\$52	\$50	\$47	3.18%
8 St John Vianney ⁵	\$6	\$5	\$3	\$3	35.48%	\$7	\$5	\$5	\$4	23.46%
For-profit Psychiatric Hospital										
Statewide Average (for-profit)	\$23	\$21	\$23	\$21	1.96%	\$21	\$20	\$21	\$20	1.60%
8 Brooke Glen Behavioral ^{1,10}	\$30	\$29	\$28	\$27	3.81%	\$28	\$27	\$26	\$23	6.53%
2 Clarion Psych ^{1,10}	\$15	\$13	\$11	\$11	12.33%	\$9	\$8	\$8	\$7	9.22%
9 Fairmount Behavioral ^{1,5,10}	\$36	\$34	\$35	\$33	2.31%	\$31	\$30	\$30	\$28	3.18%
6 First Wyoming Valley ^{1,3,7,10}	\$20	\$13	\$17	\$16	7.69%	\$17	\$12	\$17	\$16	2.13%
8 Foundations Behavioral ^{1,5,10}	\$25	\$23	\$19	\$17	14.34%	\$23	\$21	\$19	\$18	9.09%
9 Friends ^{1,5,10}	\$37	\$41	\$44	\$39	-1.78%	\$40	\$42	\$42	\$39	0.40%
7 Haven Behavioral ^{1,2,3,10}	\$2	\$3	NA	NA	NA	\$3	\$6	NA	NA	NA
8 Horsham Clinic ^{1,10}	\$35	\$34	\$32	\$33	2.70%	\$34	\$33	\$32	\$32	2.45%
9 Kirkbride Center ^{5,10,13}	\$15	\$16	\$19	\$21	-8.27%	\$17	\$15	\$17	\$18	-2.62%
4 Meadows Psych Center ^{1,10}	\$21	\$18	\$17	\$16	11.71%	\$15	\$14	\$14	\$13	7.18%
5 Roxbury Treatment ^{1,5,10}	\$14	\$11	\$11	\$8	26.44%	\$11	\$9	\$8	\$7	21.13%
1 Southwood Psych ^{1,5,10,13}	\$17	\$16	\$15	\$15	4.69%	\$15	\$15	\$16	\$16	-0.59%

Region/State Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY07-FY10	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY07-FY10
	FY10	FY09	FY08	FY07		FY10	FY09	FY08	FY07	
Statewide Average	\$11	\$10	\$9	\$9	5.84%	\$51	\$47	\$49	\$50	0.49%
7 Allentown State ¹¹	\$9	\$10	\$8	\$7	11.82%	\$36	\$39	\$38	\$37	-0.88%
6 Clark Summit State	\$13	\$13	\$11	\$8	16.49%	\$50	\$49	\$48	\$46	2.40%
4 Danville State	\$10	\$9	\$7	\$8	6.69%	\$39	\$37	\$34	\$37	1.50%
8 Norristown State	\$11	\$11	\$10	\$11	-0.41%	\$82	\$82	\$81	\$83	-0.58%
1 Torrance State	\$10	\$8	\$8	\$8	5.57%	\$59	\$53	\$42	\$43	12.57%
2 Warren State	\$9	\$10	\$8	\$8	7.62%	\$44	\$46	\$44	\$44	0.21%
7 Wernersville State	\$12	\$12	\$11	\$12	2.55%	\$46	\$46	\$44	\$44	1.38%

See footnotes and map of regions on page 34.

Psychiatric

Psychiatric Hospital	Operating Margin FY10	Total Margin FY10	3-yr Average Total Margin FY08-FY10	Percent of Uncompensated Care FY10	Medicare Share of NPR FY10	Medical Assistance Share of NPR FY10
Statewide Average	5.92%	4.58%	3.96%	1.64%	16.93%	56.00%
Non-profit Psychiatric Hospital						
Statewide Average (non-profit)	-2.08%	-0.81%	-1.29%	1.89%	15.53%	54.10%
Belmont Center	2.16%	2.16%	1.94%	1.31%	24.78%	56.81%
Devereux Behavioral Hlth ⁷	8.68%	8.68%	4.51%	2.48%	0.00%	84.78%
KidsPeace ¹	1.11%	1.11%	-4.49%	0.95%	0.00%	73.10%
Montgomery Cty ES ^{5, 13}	0.21%	1.16%	-0.28%	5.68%	24.43%	50.37%
PA Psych Institute ¹³	-28.05%	-28.10%	NA	4.96%	25.48%	41.71%
Philhaven ⁵	0.72%	3.65%	5.46%	0.54%	12.53%	52.83%
St John Vianney ⁵	3.79%	7.86%	-9.86%	0.51%	0.00%	0.00%
For-profit Psychiatric Hospital						
Statewide Average (for-profit)	10.64%	7.68%	6.87%	1.50%	17.76%	57.12%
Brooke Glen Behavioral ^{1, 10}	5.87%	3.24%	4.07%	4.04%	21.67%	55.88%
Clarion Psych ^{1, 10}	40.21%	22.16%	20.42%	0.67%	15.38%	60.22%
Fairmount Behavioral ^{1, 5, 10}	14.33%	18.27%	14.93%	0.48%	17.30%	65.25%
First Wyoming Valley ^{1, 3, 7, 10}	20.59%	12.04%	9.03%	0.34%	18.99%	53.85%
Foundations Behavioral ^{1, 5, 10}	8.53%	4.70%	3.66%	0.69%	0.00%	64.10%
Friends ^{1, 5, 10}	-2.90%	-1.60%	1.43%	2.58%	31.37%	50.43%
Haven Behavioral ^{1, 2, 3, 10}	-14.45%	-13.24%	NA	1.80%	62.67%	18.04%
Horsham Clinic ^{1, 10}	5.39%	2.97%	2.46%	1.29%	24.59%	40.94%
Kirkbride Center ^{5, 10, 13}	-7.32%	-5.18%	4.84%	3.08%	4.34%	92.07%
Meadows Psych Center ^{1, 10}	28.55%	15.73%	14.34%	0.69%	19.02%	51.76%
Roxbury Treatment ^{1, 5, 10}	23.88%	13.16%	12.58%	1.25%	15.97%	38.13%
Southwood Psych ^{1, 5, 10, 13}	10.20%	9.24%	1.88%	0.25%	0.00%	78.09%

State Psychiatric Hospital	Percent of Expenses not covered by NPR FY10	Medicare Share of NPR FY10	Medical Assistance Share of NPR FY10
Statewide Average	78.93%	28.08%	57.12%
Allentown State ¹¹	74.80%	30.62%	48.35%
Clark Summit State	74.60%	26.98%	61.94%
Danville State	74.01%	29.47%	55.98%
Norristown State	85.98%	23.19%	64.94%
Torrance State	83.71%	27.89%	52.78%
Warren State	77.92%	31.80%	51.73%
Wernersville State	73.22%	27.84%	60.07%

See footnotes and map of regions on page 34.

Long-Term Acute Care

Highlights

- The statewide average operating margin for the long-term acute care (LTAC) hospitals increased 2.77 percentage points from 3.46% in FY09 to 6.23% in FY10. The statewide average total margin increased 2.53 percentage points from 2.40% in FY09 to 4.93% in FY10.
- LTAC hospitals received 68.5% of their patient revenue from Medicare patients during FY10.
- In FY10, the mean age of patients admitted to LTAC facilities was 67.8 years, while the average age of inpatients at general acute care hospitals was 52.6 years.

Long-Term Acute Care

There were 27 long-term acute care (LTAC) hospitals in Pennsylvania during fiscal year 2010 (FY10). LTAC hospitals provide specialized acute care to medically complex patients. Patients are commonly admitted directly from a general acute care (GAC) hospital intensive care unit with complex medical conditions, such as dependency on mechanical ventilation, that require continuous acute care. LTAC patients are not medically ready for rehabilitation care, or they still need a higher level of care than what is provided by a skilled nursing facility or home health care. The average length of stay (ALOS) at LTAC hospitals was 27.5 days during FY10 (Table 14).

Most of the care provided at LTAC hospitals is medical-surgical (med-surg). During FY10, 89.9% of the patient days at LTAC hospitals were med-surg. Three LTAC hospitals provided inpatient psychiatric care, representing 10.1% of statewide LTAC patient days during FY10.

Trends in Long-Term Acute Care

The first LTAC hospital in Pennsylvania began operating in FY94; by FY00, there were 14 LTAC hospitals statewide. Between FY00 and FY03, Pennsylvania averaged three new hospitals per year. Between FY03 and FY09, the number of new LTAC hospitals increased by an average of one hospital per year. During FY10, the number of LTAC hospitals (27) remained the same as in FY09.

The total number of patient days at LTAC hospitals peaked during FY06 (Figure 29). From FY00 to FY03, the number of med-surg patient days and discharges at LTAC hospitals increased 83.8% and 119.8%, respectively. From FY03 to FY09, utilization has leveled-off with med-surg patient days and discharges increased only 5.0% and 7.1%, respectively. During FY10, med-surg patient days and discharges increased 1.0% and 2.2%, respectively.

TABLE 13
Long-Term Acute Care Hospitals
Operating as a Hospital-within-a-Hospital,* FY10

LTAC Hospital	GAC Hospital
Good Shepherd/Bethlehem	Lehigh Valley/Muhlenberg
Kindred/Delaware County	Mercy Fitzgerald
Kindred/Heritage Valley	Heritage Valley Beaver
Kindred/Wyoming Valley	Wilkes-Barre General
LifeCare/Chester County	Chester County
LifeCare/Pgh - Alle-Kiski	Alle-Kiski
Select Specialty/Camp Hill	Holy Spirit
Select Specialty/Danville	Geisinger/Danville
Select Specialty/Harrisburg	Pinnacle Health
Select Specialty/Johnstown	Conemaugh Valley Memorial
Select Specialty/Laurel	Latrobe Area
Select Specialty/Mckeesport	UPMC McKeesport
Select Specialty/UPMC	UPMC Presby Shadyside
Select Specialty/York	York
Triumph/Easton	Easton

* A hospital-within-a-hospital is a licensed long-term acute care hospital that operates within a separately-licensed general acute care hospital.

Long-Term Acute Care

TABLE 14
Utilization and Capacity at Long-Term Acute Care Hospitals
by Type of Care

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Patient Days										
Med-surg	163,913	204,031	248,835	250,617	263,586	272,568	269,318	273,078	261,160	263,694
Psychiatric	28,184	28,788	29,033	28,223	29,324	28,455	30,518	29,516	29,251	29,724
Skilled Nursing	0	0	0	0	3,284	4,068	0	0	0	0
Statewide	192,097	232,819	277,868	278,840	296,194	305,091	299,836	302,594	290,411	293,418
Discharges										
Med-surg	4,915	6,760	8,707	8,753	8,778	9,383	9,332	9,415	9,326	9,529
Psychiatric	1,207	1,219	949	956	982	1,006	998	1,112	1,068	1,124
Skilled Nursing	0	0	0	0	290	382	0	0	0	0
Statewide	6,122	7,979	9,656	9,709	10,050	10,771	10,330	10,527	10,394	10,653
Beds										
Med-surg	678	770	957	1,026	1,046	1,117	1,151	1,217	1,225	1,214
Psychiatric	112	112	112	112	112	113	113	99	98	107
Skilled Nursing	0	0	0	0	22	23	0	0	0	0
Statewide	790	882	1,069	1,138	1,180	1,253	1,264	1,316	1,323	1,321
Occupancy Rate										
Med-surg	67.73%	73.64%	73.51%	68.31%	70.29%	68.34%	64.61%	62.48%	58.33%	60.03%
Psychiatric	68.94%	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%	76.11%
Skilled Nursing	0.00%	0.00%	0.00%	0.00%	54.28%	77.92%	0.00%	0.00%	0.00%	0.00%
Statewide	67.90%	73.23%	73.24%	68.37%	70.20%	68.57%	65.46%	63.93%	60.26%	61.34%
Average Length of Stay										
Med-surg	33.3	30.2	28.6	28.6	30.0	29.1	28.9	29.0	28.0	27.7
Psychiatric	23.4	23.6	30.6	29.5	29.9	28.3	30.6	26.5	27.4	26.4
Skilled Nursing	0.0	0.0	0.0	0.0	11.3	10.6	0.0	0.0	0.0	0.0
Statewide	31.4	29.2	28.8	28.7	29.5	28.3	29.0	28.7	27.9	27.5
Outpatient Visits										
Statewide	64,801	61,850	118,399	115,745	114,108	111,295	107,464	96,084	181,291	179,461

One factor that facilitated the growth of LTAC hospitals is that many of the facilities utilize space within an existing GAC hospital (Table 13). During FY10, there were 15 LTAC hospitals that occupied space within a GAC hospital. Consequently, construction time is often limited to the time needed to renovate existing hospital space. Moreover, since many new facilities lease space from a GAC hospital, capital requirements are considerably less than

constructing a new freestanding facility.

Another reason for the growth in the number of LTAC facilities in prior years is that they provided a more cost-effective setting for the GAC hospitals to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare Prospective Payment System, or PPS, GAC hospitals received a predetermined fee based on the average cost to treat patients in a diagnosis-related group

Long-Term Acute Care

(DRG). If a patient required acute care for an extended period of time, the GAC hospital could have avoided the additional costs associated with the extended stay by discharging the patient to an LTAC hospital. As discussed later in this section, there have been some changes to the Medicare payment system, which may reduce the incentive for LTAC hospitals to accept patients from their host GAC hospital.

The mean age of patients admitted to LTAC facili-

ties during FY10 was 67.8 years. The age distribution of patients receiving care at LTAC hospitals is indicative of extended care facilities, which serve a predominately elderly population. Patients age 55 through 84 accounted for 67.5% of the discharges at the LTAC hospitals in FY10 (Figure 30). Consistent with the age distribution of LTAC patients, 68.5% of net patient revenue (NPR) was received from Medicare patients during FY10 (Figure 31). In contrast, the average age of inpatients at GAC hospitals

TABLE 15
Utilization and Capacity, FY10
by Long-Term Acute Care Hospital

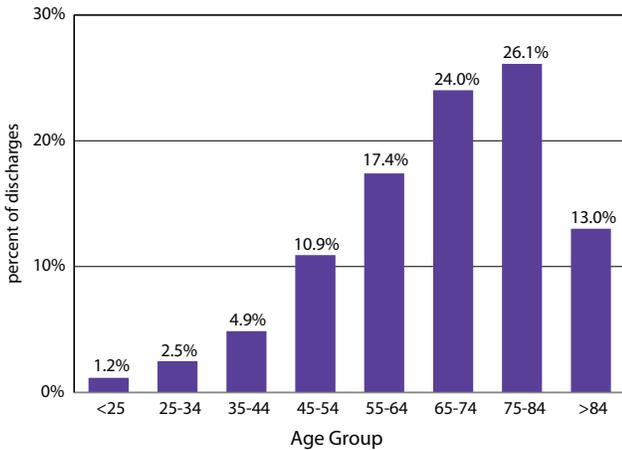
Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Girard	22,186	34,840	63.68%	656	106	33.8
Good Shepherd Penn/Phila	7,617	13,870	54.92%	278	38	27.4
Good Shepherd/Bethlehem	10,460	11,680	89.55%	394	32	26.5
HealthSouth Pittsburgh	15,517	16,425	94.47%	538	45	28.8
HealthSouth Specialty	14,746	24,820	59.41%	541	68	27.3
Kindred/Delaware County	6,839	14,235	48.04%	245	39	27.9
Kindred/Havertown	12,133	20,805	58.32%	452	57	26.8
Kindred/Heritage Valley	8,794	12,775	68.84%	357	35	24.6
Kindred/North Shore	9,342	26,280	35.55%	328	72	28.5
Kindred/Philadelphia	14,302	18,980	75.35%	476	52	30.0
Kindred/Pittsburgh	12,729	22,995	55.36%	376	63	33.9
Kindred/Wyoming Valley	8,430	13,140	64.16%	346	36	24.4
LifeCare/Chester County	8,362	14,235	58.74%	327	39	25.6
LifeCare/Pittsburgh - Alle-Kiski	6,789	13,505	50.27%	258	37	26.3
LifeCare/Pittsburgh	34,153	48,545	70.35%	1,200	133	28.5
Mercy Special Care	16,317	24,455	66.72%	576	67	28.3
Select Specialty/Camp Hill	7,225	11,315	63.85%	309	31	23.4
Select Specialty/Danville	5,086	10,950	46.45%	210	30	24.2
Select Specialty/Erie	10,999	18,250	60.27%	401	50	27.4
Select Specialty/Harrisburg	7,293	13,870	52.58%	291	38	25.1
Select Specialty/Johnstown	10,510	14,235	73.83%	417	39	25.2
Select Specialty/Laurel	8,923	14,600	61.12%	410	40	21.8
Select Specialty/Mckeesport	7,019	10,950	64.10%	265	30	26.5
Select Specialty/UPMC	7,645	11,680	65.45%	297	32	25.7
Select Specialty/York	5,309	8,395	63.24%	209	23	25.4
Triumph/Easton	7,140	11,315	63.10%	259	31	27.6
Triumph/Philadelphia	7,553	21,170	35.68%	237	58	31.9

Long-Term Acute Care

FIGURE 29
Patient Days at Long-Term Acute Care Hospitals
by Fiscal Year



FIGURE 30
Inpatient Age Distribution at
Long-Term Acute Care Hospitals, FY10
by Age Group



in Pennsylvania was 52.6 years, and GAC hospitals received an average of 45.2% of their total inpatient NPR from Medicare.

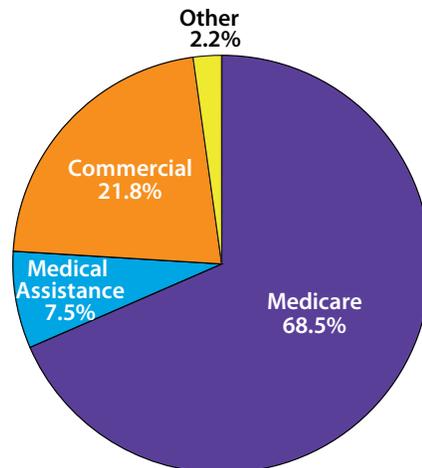
Five of the LTAC hospitals reported a combined total of 179,461 outpatient visits during FY10. Two of the five facilities reported 88.4% of the total outpatient visits. Most of the outpatient care is not directly related to the hospitals' inpatient LTAC services but reflects the broader spectrum of care provided by each facility's affiliated health system, such as rehab outpatient services.

Long-Term Acute Care Hospitals – Financial Profile

LTAC hospitals have transitioned from a cost-based Medicare reimbursement system to a Long-Term Care Hospital Prospective Payment System (LTCH PPS). Changes to the Medicare reimbursement system have had a major effect on the financial health of Pennsylvania's LTAC hospitals. As previously mentioned, these hospitals received 68.5% of their patient revenue from treating Medicare patients during FY10.

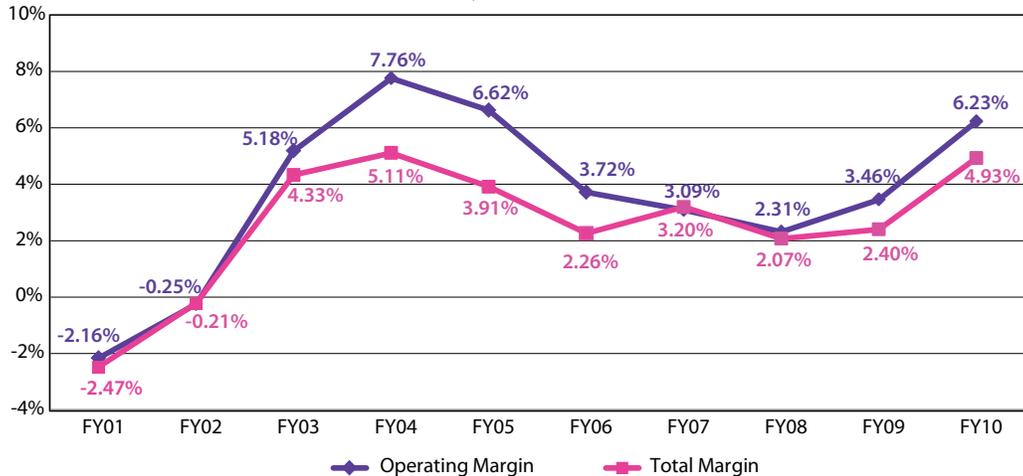
Concurrent with the move to LTCH PPS in FY03, LTAC hospitals as a group began to post positive operating and total margins in FY03 after five consecutive years of negative margins. Not only did these margins move into positive territory in FY03, the statewide operating margin improved 5.43 points from a negative 0.25% in FY02 to 5.18% in FY03 (Figure 32). The statewide operating margin rose another 2.58 points in FY04 to 7.76% before falling for four consecutive years to 2.31% in FY08. In FY09, the statewide operating margin began to increase to 3.46% and again in FY10 to 6.23%.

FIGURE 31
Net Patient Revenue at
Long-Term Acute Care Hospitals, FY10
by Payer



Long-Term Acute Care

FIGURE 32
Operating and Total Margins at Long-Term Acute Care Hospitals
by Fiscal Year



In its March 2008 Report to the Congress, the Medicare Payment Advisory Commission (MedPAC) estimated that under the pre-2003 cost-based Medicare reimbursement system, LTAC hospitals experienced negative or small positive margins from treating Medicare patients. Following the switch to the PPS system, national Medicare margins increased to 5.3% in 2003, 8.9% in 2004 and 11.8% in 2005. The national Medicare margin fell to 9.4% in 2006 and, according to the March 2009 and 2010 MedPAC reports, it fell to 4.7% in 2007 and 3.4% in 2008. The 2011 MedPAC report, reported the national Medicare margin was 5.7% in 2009 for LTAC hospitals.

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

In August 2004, the Centers for Medicare and Medicaid Services (CMS) published a final rule that would limit the percentage of patients that are eligible for LTAC PPS rates at facilities that operate

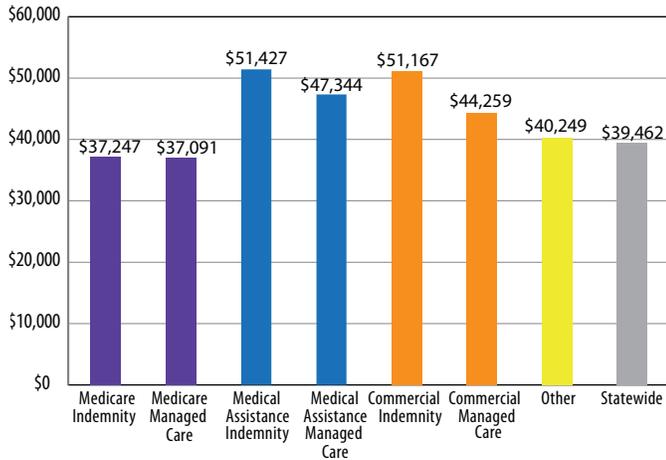
as a hospital-within-a-hospital (an LTAC facility leasing space on the campus of a GAC hospital or "HWH"). The limit applied to patients transferred from the host hospital to its tenant HWH. The limit was to be phased in over a three-year period from 75% after October 2005 to 25% after October 2007. Certain exceptions to the "25% Rule" can increase the threshold to 50% for rural areas and markets dominated by a single GAC hospital.

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

The Medicare, Medicaid, SCHIP Extension Act (MMSEA) of 2007 froze the implementation of the "25% Rule" for three years. Instead of transitioning to 25%, CMS regulations set the limit for admissions from any single hospital at 50% for cost reporting years between December 29, 2007 and December 29, 2010. The MMSEA also prevented CMS from implementing the "25% Rule" beyond HWH to freestanding LTAC hospitals for three years.

Long-Term Acute Care

FIGURE 33
Average Net Inpatient Revenue per Discharge
at Long-Term Acute Care Hospitals, FY10
by Payer

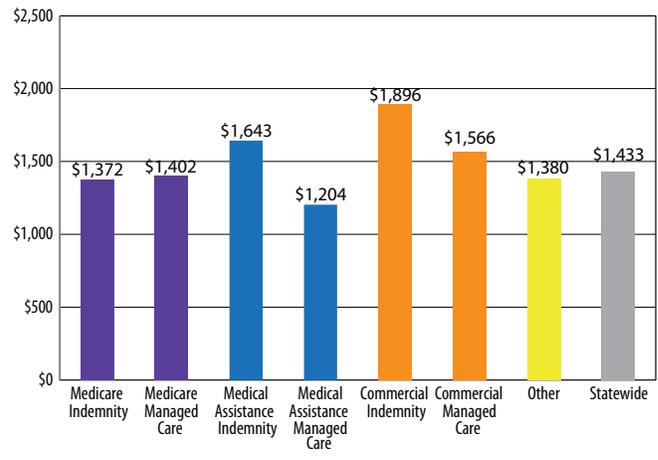


Additionally, the MMSEA also imposed a three-year freeze on new LTAC facilities and new beds in existing LTAC facilities.

The American Recovery and Reinvestment Act of 2009 (ARRA) modified some provisions of the MMSEA. ARRA altered the implementation dates for the rollback of the “25% Rule” and the moratorium on new LTAC facilities and beds in existing facilities to July 1, 2007, or October 1, 2007, depending on start of the facilities’ fiscal year. The Affordable Care Act of 2010 extends the “25% Rule” and moratorium for an additional two years.

During FY10, Medical Assistance indemnity plans

FIGURE 34
Average Net Inpatient Revenue per Day
at Long-Term Acute Care Hospitals, FY10
by Payer



had the highest average revenue per discharge (Figure 33), and commercial indemnity plans had the highest average revenue per day (Figure 34) at LTAC hospitals.

While total LTAC discharges increased 2.5% in FY10, the LTAC hospitals’ statewide NPR increased 2.4% (Table 16). Since the 3.1% increase in statewide total operating revenue outpaced the 0.2% increase in statewide total operating expenses, the statewide average operating margin increased 2.77 percentage points from 3.46% in FY09 to 6.23% in FY10. The statewide average total margin increased 2.53 percentage points from 2.40% in FY09 to 4.93% in FY10.

TABLE 16
Revenue, Expenses, and Income at Long-Term Acute Care Hospitals
by Fiscal Year
(thousands)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Net Patient Revenue	\$231,795	\$310,147	\$341,561	\$384,488	\$397,337	\$403,658	\$422,000	\$443,338	\$453,889
Total Operating Revenue	\$233,428	\$313,135	\$344,141	\$385,991	\$398,515	\$405,257	\$423,762	\$463,430	\$477,828
Total Operating Expenses	\$234,012	\$296,900	\$317,451	\$360,440	\$383,704	\$392,744	\$413,957	\$447,410	\$448,082
Operating Income	(\$584)	\$16,235	\$26,690	\$25,551	\$14,811	\$12,513	\$9,805	\$16,020	\$29,746
Non-Operating Adjustments*	\$88	(\$2,662)	(\$9,085)	(\$10,392)	(\$5,758)	\$496	(\$989)	(\$4,830)	(\$6,155)
Revenue over Expenses	(\$497)	\$13,573	\$17,605	\$15,159	\$9,053	\$13,009	\$8,816	\$11,190	\$23,591

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

Long-Term Acute Care

Region/Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY07-FY10	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY07-FY10
	FY10	FY09	FY08	FY07		FY10	FY09	FY08	FY07	
Statewide Average	\$17	\$16	\$16	\$16	1.37%	\$17	\$17	\$16	\$16	1.88%
Non-profit LTAC Hospitals										
Statewide Average (non-profit)	\$27	\$26	\$28	\$27	0.42%	\$32	\$31	\$28	\$27	5.73%
9 Girard ⁵	\$44	\$49	\$52	\$50	-4.44%	\$44	\$50	\$52	\$50	-4.40%
9 Good Shepherd Penn/Phila	\$32	\$22	NA	NA	NA	\$50	\$42	NA	NA	NA
7 Good Shepherd/Bethlehem	\$17	\$17	\$18	\$16	3.11%	\$15	\$15	\$15	\$15	-0.21%
6 Mercy Special Care ^{1,5,11}	\$17	\$17	\$15	\$15	4.54%	\$18	\$17	\$16	\$15	4.71%
For-profit LTAC Hospitals										
Statewide Average (for-profit)	\$15	\$15	\$15	\$15	0.70%	\$14	\$14	\$14	\$14	-0.45%
1 HealthSouth Pittsburgh ^{1,10}	\$20	\$22	\$22	\$21	-1.73%	\$20	\$20	\$23	\$23	-4.46%
5 HealthSouth Specialty ^{1,10}	\$19	\$18	\$17	\$16	5.64%	\$16	\$16	\$16	\$14	5.61%
8 Kindred/Delaware County ^{1,10,13}	\$10	\$10	\$10	\$11	-4.43%	\$10	\$11	\$12	\$11	-4.55%
8 Kindred/Havertown ^{1,10,13}	\$17	\$13	\$13	NA	NA	\$16	\$14	\$14	NA	NA
1 Kindred/Heritage Valley ^{1,10}	\$12	\$13	\$13	\$11	3.30%	\$11	\$11	\$11	\$10	3.83%
1 Kindred/North Shore ^{1,3,10}	\$13	\$13	\$11	\$2	NA	\$16	\$16	\$15	\$7	NA
9 Kindred/Philadelphia ^{1,10}	\$22	\$23	\$21	\$23	-1.79%	\$20	\$20	\$20	\$20	-0.11%
1 Kindred/Pittsburgh ^{1,10}	\$20	\$20	\$21	\$22	-3.41%	\$20	\$19	\$20	\$21	-1.42%
6 Kindred/Wyoming Valley ^{1,10,13}	\$13	\$13	\$11	\$10	9.73%	\$11	\$11	\$10	\$10	4.48%
8 LifeCare/Chester County ^{1,10}	\$14	\$14	\$16	\$12	5.96%	\$14	\$14	\$14	\$12	6.85%
1 LifeCare/Pgh - Alle-Kiski ^{1,10}	\$9	\$12	\$11	\$8	4.05%	\$10	\$10	\$9	\$9	4.64%
1 LifeCare/Pittsburgh ^{1,10}	\$40	\$34	\$38	\$37	3.03%	\$36	\$33	\$35	\$37	-0.40%
5 Select Specialty/Camp Hill ^{1,10}	\$12	\$12	\$13	\$12	-0.72%	\$10	\$10	\$10	\$10	-0.60%
4 Select Specialty/Danville ^{1,10}	\$8	\$8	\$11	\$12	-10.12%	\$8	\$8	\$11	\$11	-9.45%
2 Select Specialty/Erie ^{1,10}	\$16	\$16	\$17	\$17	-1.47%	\$15	\$16	\$17	\$17	-3.86%
5 Select Specialty/Harrisburg ^{1,10}	\$12	\$10	NA	NA	NA	\$10	\$9	NA	NA	NA
3 Select Specialty/Johnstown ^{1,10}	\$15	\$12	\$11	\$14	2.95%	\$12	\$11	\$11	\$12	0.15%
1 Select Specialty/Laurel ^{1,10}	\$13	\$15	\$13	\$12	4.36%	\$11	\$11	\$12	\$11	0.04%
1 Select Specialty/Mckeesport ^{1,10}	\$10	\$9	\$10	\$8	7.95%	\$9	\$9	\$10	\$8	2.04%
1 Select Specialty/UPMC ^{1,10}	\$12	\$12	\$12	\$12	0.66%	\$11	\$11	\$11	\$12	-2.49%
5 Select Specialty/York ^{1,10}	\$10	\$9	\$9	\$10	0.55%	\$8	\$8	\$9	\$8	0.85%
7 Triumph/Easton ^{1,10,13}	\$12	\$13	\$13	\$12	0.22%	\$11	\$12	\$13	\$12	-2.19%
9 Triumph/Philadelphia ^{1,3,10,13}	\$14	\$17	\$23	\$27	-15.60%	\$15	\$23	\$24	\$23	-11.66%

See footnotes and map of regions on page 34.

Long-Term Acute Care

Long-Term Acute Care Hospital	Operating Margin FY10	Total Margin FY10	3-yr Average Total Margin FY08-FY10	Percent of Uncompensated Care FY10	Medicare Share of NPR FY10	Medical Assistance Share of NPR FY10
Statewide Average	6.23%	4.93%	3.18%	1.78%	68.45%	7.51%
Non-profit LTAC Hospitals						
Statewide Average (non-profit)	4.71%	4.92%	2.26%	5.29%	44.76%	26.02%
Girard ⁵	0.65%	1.28%	0.00%	11.04%	36.44%	62.35%
Good Shepherd Penn/Phila	7.29%	7.29%	NA	2.33%	30.71%	3.13%
Good Shepherd/Bethlehem	11.83%	11.83%	11.28%	0.56%	61.81%	0.00%
Mercy Special Care ^{1,5,11}	0.04%	0.11%	-1.06%	0.86%	74.40%	2.05%
For-profit LTAC Hospitals						
Statewide Average (for-profit)	6.81%	4.93%	3.49%	0.66%	76.13%	1.52%
HealthSouth Pittsburgh ^{1,10}	0.13%	0.14%	0.98%	0.60%	76.28%	0.02%
HealthSouth Specialty ^{1,10}	12.17%	9.04%	6.87%	1.02%	73.17%	0.00%
Kindred/Delaware County ^{1,10,13}	0.74%	0.74%	-4.01%	0.85%	88.20%	0.00%
Kindred/Havertown ^{1,10,13}	5.47%	3.50%	-1.00%	0.33%	72.27%	-0.01%
Kindred/Heritage Valley ^{1,10}	10.33%	6.76%	8.43%	1.20%	73.33%	7.50%
Kindred/North Shore ^{1,3,10}	-15.78%	-9.70%	-12.98%	0.24%	76.60%	0.03%
Kindred/Philadelphia ^{1,10}	7.48%	4.75%	4.95%	0.68%	66.64%	14.80%
Kindred/Pittsburgh ^{1,10}	-1.23%	-1.01%	1.30%	1.23%	68.02%	4.01%
Kindred/Wyoming Valley ^{1,10,13}	11.37%	6.96%	6.54%	0.15%	82.71%	-0.02%
LifeCare/Chester County ^{1,10}	1.87%	-0.13%	3.53%	0.46%	82.40%	0.00%
LifeCare/Pgh - Alle-Kiski ^{1,10}	-4.53%	-6.49%	7.66%	0.42%	82.13%	0.00%
LifeCare/Pittsburgh ^{1,10}	10.62%	8.66%	5.06%	0.50%	70.48%	0.00%
Select Specialty/Camp Hill ^{1,10}	16.01%	16.08%	19.03%	0.78%	70.51%	0.00%
Select Specialty/Danville ^{1,10}	2.60%	1.56%	0.29%	0.24%	72.21%	0.00%
Select Specialty/Erie ^{1,10}	5.39%	3.09%	0.80%	0.31%	83.72%	0.00%
Select Specialty/Harrisburg ^{1,10}	13.64%	13.64%	NA	0.34%	74.50%	0.73%
Select Specialty/Johnstown ^{1,10}	16.22%	9.08%	5.72%	0.30%	84.05%	0.00%
Select Specialty/Laurel ^{1,10}	17.92%	11.13%	12.07%	0.36%	83.89%	0.12%
Select Specialty/Mckeesport ^{1,10}	9.50%	6.26%	4.11%	0.79%	85.44%	0.00%
Select Specialty/UPMC ^{1,10}	8.79%	4.92%	5.08%	3.60%	64.97%	0.00%
Select Specialty/York ^{1,10}	18.10%	18.10%	12.75%	0.26%	81.12%	0.00%
Triumph/Easton ^{1,10,13}	13.82%	8.51%	5.38%	0.12%	87.78%	0.17%
Triumph/Philadelphia ^{1,3,10,13}	-5.17%	-3.19%	-11.67%	0.37%	81.96%	0.46%

See footnotes and map of regions on page 34.

Specialty

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-general acute care hospitals. There were five specialty hospitals during fiscal year 2010 (FY10). 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 FY10.

The Pediatric Specialty Hospital of the Children's Home of Pittsburgh, serving children from birth to age 21, provides short-term transitional care from hospital to home for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. For FY10, the hospital

reported 15 staffed medical-surgical beds and 288 discharges with an average length of stay (ALOS) of 15.6 days.

The Children's Home of Pittsburgh, a non-profit hospital, has had several years of operating and total losses due, in part, to lower patient volume and an increased cost structure after relocating to a new facility. During FY10, the hospital improved its operating margin from a negative 28.84% in FY09 to a negative 11.89% in FY10 and total margin from a negative 12.87% in FY09 to a positive 0.96% in FY10.

Divine Providence Hospital is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital operates a 31-bed inpatient psychiatric unit and provides outpatient

Region/Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY07-FY10	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY07-FY10
	FY10	FY09	FY08	FY07		FY10	FY09	FY08	FY07	
Statewide Average	\$27	\$25	\$21	\$19	12.66%	\$26	\$24	\$20	\$19	10.62%
1 Children's Home Pgh	\$7	\$6	\$4	\$3	36.21%	\$9	\$9	\$9	\$6	15.64%
4 Divine Providence	\$82	\$77	\$71	\$64	9.17%	\$75	\$68	\$62	\$59	9.22%
8 Eagleville ⁵	\$26	\$25	\$26	\$25	1.45%	\$26	\$25	\$27	\$27	-1.66%
9 Kensington ^{5, 13}	\$6	\$7	\$7	\$7	-3.76%	\$7	\$7	\$8	\$8	-4.57%
8 Valley Forge ^{1, 5, 10, 13}	\$11	\$10	\$11	\$11	2.67%	\$11	\$12	\$11	\$11	0.51%

See footnotes and map of regions on page 34.

Specialty

diagnostic and treatment services and home health services. During FY10, Divine Providence reported 229,373 outpatient and home health care visits. Outpatient and home health care represented about 95.8% of the facility's net patient revenue in FY10.

Eagleville Hospital, a non-profit hospital, provides inpatient drug and alcohol (D&A) treatment as well as geriatric psychiatric services in Montgomery County. The hospital reported 308 staffed beds, 20 of which are acute psychiatric beds. The overall ALOS at Eagleville during FY10 was 18.7 days.

Eagleville Hospital reported an operating margin of 1.08% and a total margin of 10.69% for FY10, largely as a result of a \$2.1 million transition grant from the state and federal governments. The purpose of this grant is to offset reductions in funding from the Medicaid program.

Kensington Hospital is a 38-bed hospital in Philadelphia that primarily provides D&A treatment. Kensington, a non-profit hospital, receives about 93.7% of its patient revenue from the Medical Assistance (MA) program, excluding state grants. The hospital reported 6,560 outpatient visits in FY10, and outpatient care represented about 24.8% of its patient revenue.

The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility in Montgomery County that provides inpatient rehabilitative programs to patients with D&A dependencies and other addictive illnesses. The hospital reported that during FY10, 69.7% of its patient revenue was received for patients participating in MA.

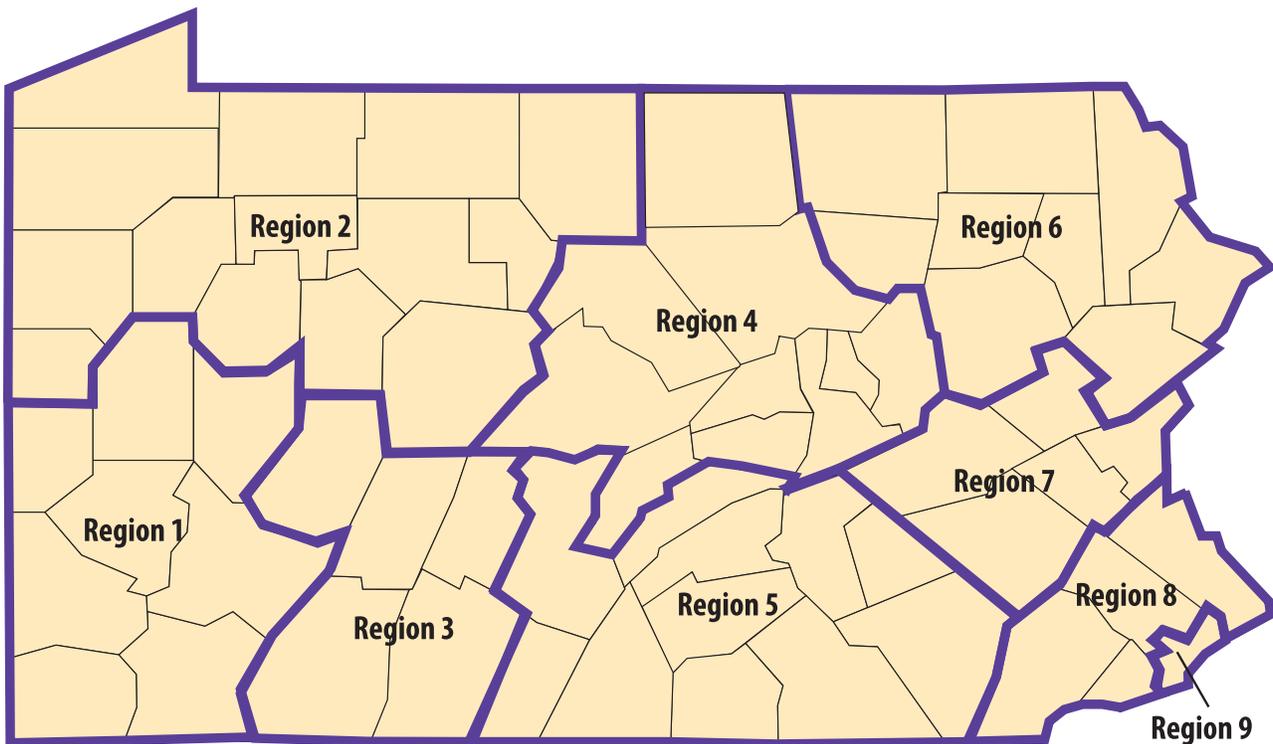
Specialty Hospital	Operating Margin FY10	Total Margin FY10	3-yr Average Total Margin FY08-FY10	Percent of Uncompensated Care FY10	Medicare Share of NPR FY10	Medical Assistance Share of NPR FY10
Statewide Average	7.43%	11.20%	8.53%	1.79%	24.26%	25.96%
Children's Home Pgh	-11.89%	0.96%	-16.51%	2.51%	0.00%	71.00%
Divine Providence	12.56%	14.55%	12.65%	1.35%	28.69%	3.19%
Eagleville ⁵	1.08%	10.69%	10.61%	1.54%	27.34%	52.87%
Kensington ^{5, 13}	-0.69%	-0.69%	-0.15%	8.07%	5.32%	93.70%
Valley Forge ^{1, 5, 10, 13}	1.82%	1.90%	-1.58%	1.55%	9.22%	69.67%

See footnotes and map of regions on page 34.

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. The data is less than 12 months; therefore, a three-year comparison is not appropriate for some of the measures.
 3. Prior year(s) reflect less than 12 months of data; therefore, a three-year comparison is not appropriate for some of the measures.
 4. This is the first reporting year for this facility. Often expenses are higher than operating revenue during the start-up period. Three-year comparisons are not appropriate for this facility.
 5. The hospital has a specialty unit(s) 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 FY10 reporting period.
 9. Acquired or merged with another licensed hospital during the FY08 or FY09 reporting periods.
 10. For-profit facility; total margin includes *pro rata* share of the parent corporation's federal income taxes.
 11. Facility is referred to by a different name, or it closed after the FY10 reporting period.
 12. Facility failed to satisfy the financial filing requirements.
 13. One or more of the required financial submissions was filed late.
 14. Facility submitted incomplete or inaccurate data.
- NR Information necessary to report or calculate this measure was not reported by the facility.
- NA Not applicable.

Note: The above footnotes are applicable to all reports in PHC4's *Financial Analysis* series.



Explanation of Terms and Measures

3-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 FY07 through FY10.

$$\begin{aligned} & \left[\frac{(\text{NPR}_{10} - \text{NPR}_{07}) / \text{NPR}_{07}}{3} \right] \\ & \text{or} \\ & \left[\frac{(\text{TOE}_{10} - \text{TOE}_{07}) / \text{TOE}_{07}}{3} \right] \end{aligned}$$

3-year Average Total Margin: The average total margin realized by the facility during FY08 through FY10.

$$\left(\frac{\sum \text{revenue over expenses}_{10,09,08}}{\sum \text{total revenue}_{10,09,08}} \right)$$

Ambulatory Surgery Center (ASC): A licensed facility by the Pennsylvania Department of Health that provides specialty or multi-specialty surgical care to patients who do not require overnight hospitalization, but require medical supervision following a procedure. An ASC does not include individual or group practice offices of private physicians or dentists.

Commercial Third-Party Payers: 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 total number of patients released from the hospital during the fiscal year.

Long-Term Acute Care (LTAC) Hospital: A licensed acute care hospital by the Pennsylvania Department of Health that provides medical services for patients that require extended lengths of acute care inpatient stay.

Managed Care: Managed care includes all licensed HMO, PPO, and POS plans that require some form of pre-authorization or limit care to in-network providers.

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 payers 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.

$$\left(\frac{\text{patient days}}{\text{bed days available}} \right)$$

Other Third-Party Payers: Third-party payers 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.

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

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.

$$\left(\frac{\text{operating income}}{\text{total operating revenue}} \right)$$

Outpatient Visits: The number of visits to the individual outpatient department of the hospital or surgery center during the fiscal year.

Patient Days: The total number of days patients stayed in the hospital during the fiscal year.

Percent of Uncompensated Care: This is the ratio of uncompensated care (charity care and bad debt) to the total care provided by the hospital. Charity care is the care a hospital provides without charge because the patient is unable to compensate the hospital through third-party coverage or the patient's own resources. Bad Debt represents the foregone revenue for care in which the hospital initially anticipated payment, extended credit to the patient, but later determined it to be uncollectable. This rate can be used to express uncompensated care as a percent of total charges or as an estimate of the percent of total net patient revenue

$$\left(\frac{\text{charity care charges} + \text{bad debt charges}}{\text{total charges}} \right)$$

Psychiatric Hospital: A licensed institution certified by the Pennsylvania Department of Welfare to operate as a hospital that provides short-term acute psychiatric services on an inpatient basis. Psychiatric hospitals may also offer long-term residential and outpatient programs. Acute psychiatric care is rendered in response to severe psychiatric conditions requiring intensive or extensive intervention to bring the patient's symptoms under control.

Rehabilitation Hospital: A licensed inpatient facility by the Pennsylvania Department of Health, which is operated for the primary purpose of assisting in the physical rehabilitation of persons through an integrated program of medical and other services. Rehabilitation hospitals may also offer outpatient services.

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

Specialty Hospital: A licensed facility by the Pennsylvania Department of Health that provides specific types of inpatient and outpatient settings of care, such as drug and alcohol.

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.

$$\left(\frac{\text{revenue over expenses}}{\text{total revenue}} \right)$$

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 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 and are reflected on the facility's balance sheet as assets. However, the cost 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, investment income, and net investment gains and losses on marketable securities.

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