

NON-GENERAL ACUTE CARE FACILITIES • VOLUME TWO

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

FINANCIAL ANALYSIS

2002

AN ANNUAL REPORT
ON THE FINANCIAL HEALTH OF
PENNSYLVANIA'S NON-GENERAL
ACUTE CARE FACILITIES



Pennsylvania Health Care Cost Containment Council
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Foreword

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

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

This is the second volume of a two-volume set. Volume One, released in April 2003, focused on the financial health of Pennsylvania's General Acute Care (GAC) hospitals. This report, Volume Two, address-

es Pennsylvania's Non-General Acute Care hospitals (rehabilitation, psychiatric, long-term acute and specialty) and the ambulatory surgery centers. In addition, this report couples utilization information from the subunits of other hospitals with the data from the non-GAC hospitals. As a result, this report provides some perspectives on the total long-term acute, rehabilitation, and psychiatric care provided at both GAC and non-GAC hospitals.

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

Introduction

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

In addition to the profiles of the freestanding non-GAC hospitals, the psychiatric, rehabilitation, long-term acute care (LTAC) and ASC sections include information and analysis on the subunits of hospitals that provide care in those categories. For example, the psychiatric subunits of GAC hospitals are addressed in the Psychiatric Care section with the freestanding psychiatric hospitals. While nursing home care is not within the Council’s statutory authority, this report does present information on skilled nursing care provided by the non-GAC hospitals.

The individual facility data presented in each section are collected based on the individual licenses issued by the Pennsylvania Department of Health or the Pennsylvania Department of Public Welfare. If a health system operates multiple facilities under a single license, the entire health system will be reported as a single entity. Table 1 lists the number of licensed facilities in each category.

The fiscal year data provided by the majority of non-GAC hospitals (not including surgery centers) covers the period between July 1, 2001 and June 30, 2002. For those hospitals that utilize a different fiscal year, the data reported covers the twelve-month period ending prior to June 30, 2002. The 33 hospitals and 74 ambulatory surgery centers utilizing a fiscal year ending other than June 30 are listed on page 47. The majority of the surgery centers employ a fiscal year ending on December 31.

On page 49 is a list of facilities that failed to meet one or more of the Council’s financial filing require-

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

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

TABLE 1
Number of Facilities, FY02
by Facility Type

Facility Type	Number
General Acute Care Hospitals	185
Rehabilitation Hospitals.....	21
Psychiatric Hospitals.....	17
State Psychiatric Hospitals	9
Long-Term Acute Care Hospitals	16
Specialty Hospitals.....	7
Ambulatory Surgery Centers	101
Total.....	356

OVERVIEW OF HOSPITAL-BASED HEALTH CARE

FIGURE 1
Net Patient Revenue, FY02
by Facility Type

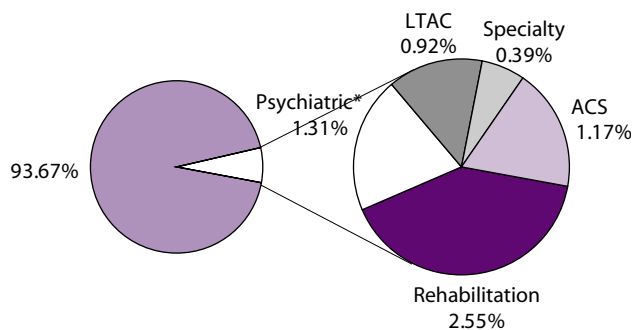


FIGURE 2
Staffed Beds, FY02
by Facility Type

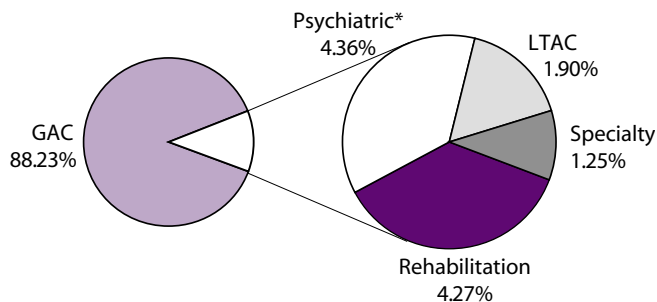
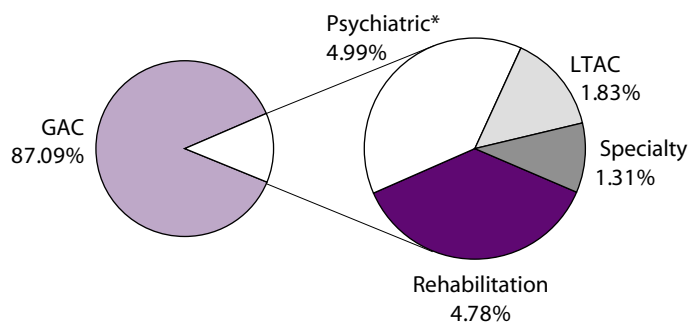


FIGURE 3
Patient Days, FY02
by Facility Type



* Excludes state psychiatric hospitals

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

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

The variation in the average length of an inpatient stay at these five categories of hospitals (Figure 6) reflects the differences in the nature of care provided at these facilities. Please note that the average 13.8-day stay at psychiatric facilities does not include the state psychiatric hospitals, which are long-term psychiatric facilities.

During FY02 there were 3.3 million outpatient visits to the 162 non-GAC hospitals and surgery centers reporting outpatient visits (Table 2). In contrast, the 185 GAC hospitals reported 35.0 million outpatient visits. Therefore, the GAC hospitals reported 91.5% of the total visits to hospitals and ambulatory surgery centers (ASCs).

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

With the exception of psychiatric and specialty hospitals, Pennsylvania's hospital-based health system primarily serves an older population (see Figure 7). The average inpatient age at GAC hospitals is 52 years, but is over 65 years at rehabilitation and long-term acute care hospitals. In contrast, the average age of patients admitted to psychiatric facilities is 32. The average inpatient age of 45 at specialty hospitals is a reflection of the diversity in that category. For instance, included in the specialty facility category is the Children's Home of Pittsburgh, which specializes in newborn care.

The average total margins by facility categories are shown in Figure 8. The rapid growth in two of the facility categories (LTAC and ASC) had a significant effect on the average total margins for those categories. A relatively large portion of the facilities in both of these categories had been in operation for less than two years prior to the end of FY02. New facilities typically have negative or very low margins because it takes time for the revenues from patient care to surpass the costs of operating the facilities.

FIGURE 4
Discharges, FY02
by Facility Type

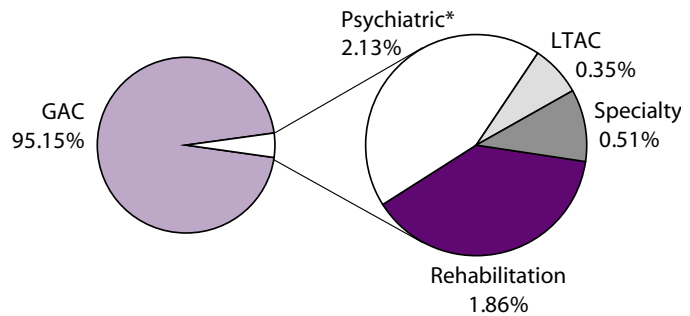


FIGURE 5
Patient Days, FY02
by Type of Care

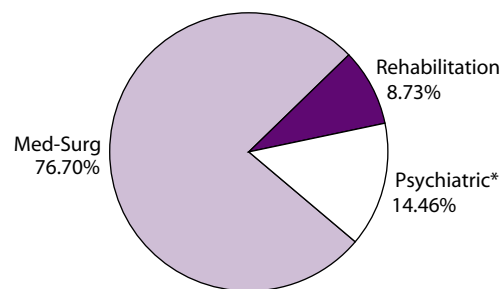
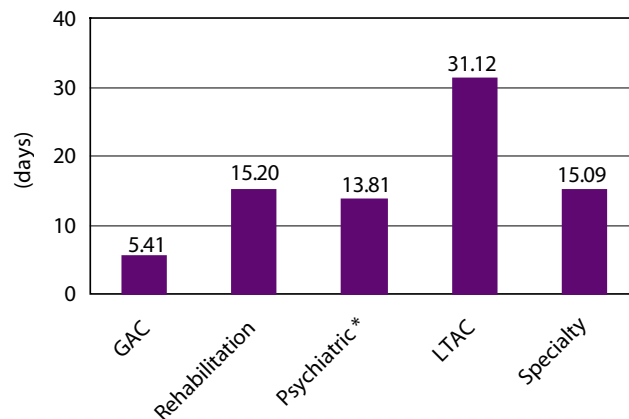


FIGURE 6
Average Length of Stay, FY02
by Facility Type



* Excludes state psychiatric hospitals

FIGURE 7

Average Patient Age, FY02 by Facility Type

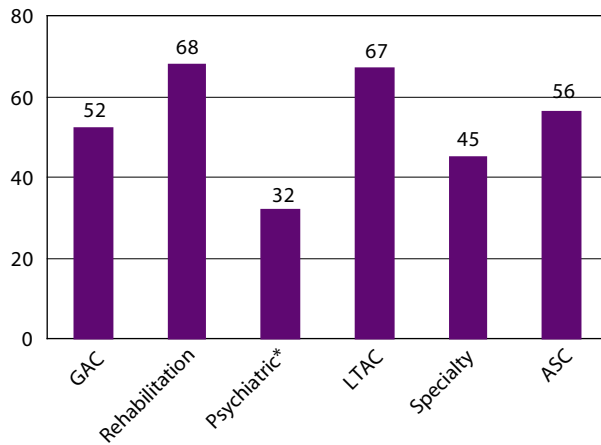
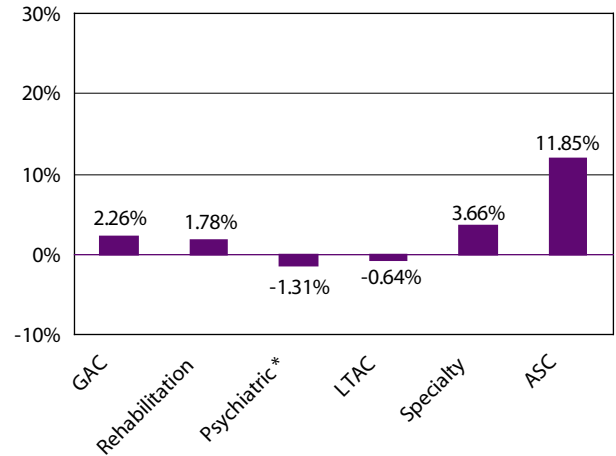


FIGURE 8

Average Total Margin, FY02 by Facility Type



* Excludes state psychiatric hospitals

TABLE 2

Outpatient Care, FY02 by Facility Type

Facility Type	Number of Facilities	Visits	Outpatient Revenue	Outpatient Revenue per Visit
General Acute Care Hospitals	185	35,062,538	\$6,692,829,918	\$191
Rehabilitation Hospitals	21	1,629,542	\$132,242,390	\$81
Psychiatric Hospitals	17	1,032,174	\$47,447,985	\$46
Long-Term Acute Care Hospitals	16	65,957	\$9,883,372	\$150
Specialty Hospitals	7	135,507	\$41,909,739	\$309
Ambulatory Surgery Centers	101	391,372	\$251,995,277	\$644
Total Non-GAC	162	3,254,552	\$483,478,763	\$149
Total	347	38,317,090	\$7,176,308,681	\$187

TABLE 3
NPR, Beds, Days and Discharges, FY02
by Facility Type

Facility Type	Net Patient Revenue	Staffed Beds	Patient Days	Discharges
General Acute Care Hospitals	\$20,246,634,515	38,007	9,480,425	1,752,913
Rehabilitation Hospitals	\$551,147,376	1,838	520,239	34,233
Psychiatric Hospitals	\$282,178,784	1,877	542,743	39,297
Long-Term Acute Care Hospitals	\$198,285,257	817	199,573	6,412
Specialty Hospitals	\$84,629,026	540	142,308	9,429
Ambulatory Surgery Centers	\$251,995,277	NA	NA	NA
Total	\$21,614,870,235	43,079	10,885,288	1,842,284

Despite the large number of new ASCs, this category had a largely pre-tax average total margin of 11.85% during FY02. The 65 ASC facilities that were in operation for more than two years prior to the end of FY02 had a slightly higher average total margin of 13.38%. Similarly, the average total margin for the 10 LTAC hospitals that operated for more than two years was 2.07% compared to the -0.64% average posted by all 16 LTAC hospitals.

The average total margin for GAC hospitals fell more than 1 point during FY02 and the average total margin for rehabilitation hospitals plummeted over 6.5 points. Both the non-profit GAC and rehabilitation hospitals saw their non-operating income fall due to declines in the income they receive from investments as well as the value of their securities. An increase in the overall federal tax expenses allocated to the for-profit rehabilitation hospitals was also a major factor in the decline in the total margin for this category.

TABLE 4
Patient Days, FY02
by Type of Care

Type of Services	Patient Days
Med-Surg **	7,637,599
Rehabilitation	869,783
Psychiatric *	1,450,265

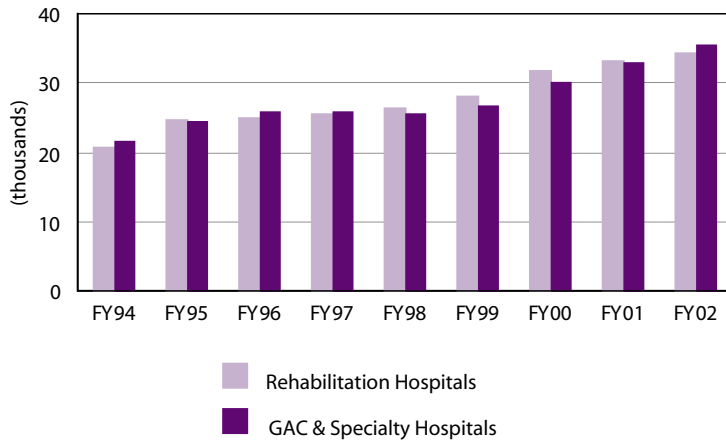
* Excludes state psychiatric hospitals

** Includes acute non-psychiatric care from LTAC hospitals

Highlights

- While the rate of growth has declined in the past two years, there is still strong growth in the number of patients receiving inpatient rehabilitation care. As a group, freestanding rehabilitation hospitals and the rehabilitation units of general acute care hospitals have experienced a 5.4% increase in the number of discharges during FY02 and an 8.1% annual average increase during the eight-year period between the end of FY94 and the end of FY02.
- The trend toward shorter lengths of stay continues. The average length of stay (ALOS) for all rehabilitation care fell nearly two-thirds of a day (0.65) during FY02 and has fallen more than five days (5.5) since FY94. The ALOS during FY02 was 12.5 days.
- While the number of people receiving inpatient care (discharges) increased 5.4% during FY02, the decline in the ALOS kept the total number of patient days in FY02 at nearly the same level as FY01.
- After three years of strong growth in the operating income at rehabilitation hospitals, the consolidated operating margin for the 21 rehabilitation hospitals fell by nearly two full points to 6.03%. One of the reasons for this decline was that average reimbursement rates remained unchanged while expenses grew.
- The statewide total margin plummeted almost 6.6 points from 8.31% in FY01 to 1.78% in FY02. There were two primary factors contributing to the sharp decline in the total margin. First, a few non-profit hospitals sustained large declines in their investment income and the value of their marketable securities. Second, the increase in the effective tax rate experienced by HEALTHSOUTH Corporation resulted in a sharp increase in the tax expenses imputed to its Pennsylvania rehabilitation facilities.

FIGURE R-1
Rehabilitation Discharges
by Facility Type



During fiscal year 2002 (FY02) there were 21 freestanding rehabilitation hospitals (rehabilitation hospitals) that provided care to about 50% of the patients admitted for hospital-based rehabilitation care. The remaining 50% of rehabilitation patients received care at rehabilitation units operated as part of General Acute Care (GAC) and Specialty hospitals (GAC rehabilitation units). Sixty-two (62) of Pennsylvania's 185 GAC hospitals operated rehabilitation units.

Trends in Hospital-Based Rehabilitation Care

During the eight years between the end of FY94 and FY02, the number of patients receiving hospital-based rehabilitation care (discharges) has grown 65.0% or an average of 8.1% per year. The growth in the number of patients has begun to wane slightly with a 6.8% increase in the number of rehabilitation discharges during FY01 and a 5.4% increase during FY02.

While the growth in the overall total number of rehabilitation patients may be slowing

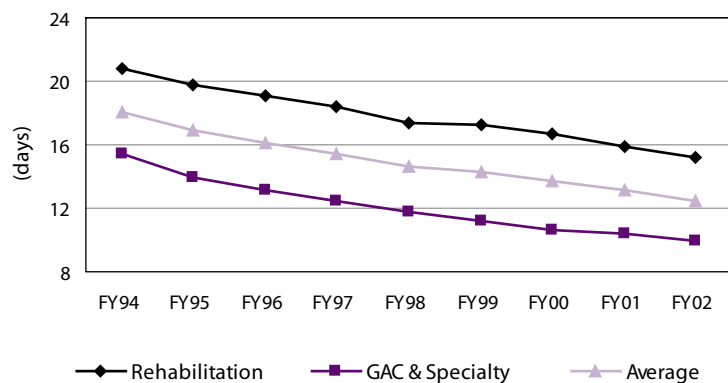
a little, the growth at GAC rehabilitation units remains relatively strong. The GAC rehabilitation units experienced a 9.1% growth in discharges during FY01 and a 7.6% growth during FY02. For the first time since FY97, GAC rehabilitation units treated more rehabilitation patients than the rehabilitation hospitals.

Despite the continued growth in the number of rehabilitation patients, the total number of patient days of care remained nearly unchanged as the average length of stay (ALOS) continued to fall. The ALOS for all rehabilitation care fell an average of 0.65 days to 12.50 days in FY02 and more than 5.54 days since FY94. The decline was somewhat more

dramatic at the rehabilitation hospitals during FY02 where the ALOS fell two-thirds (0.66) of a day compared to about a half-day (0.52) at the GAC rehabilitation units.

The way that hospitals are reimbursed for rehabilitation care by Medicare and managed care companies is a major factor influencing the continuing decline in the ALOS. Under the Medicare indem-

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



REHABILITATION CARE

TABLE R-1

Utilization and Capacity of Rehabilitation Care

by Facility Type

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
Patient Days									
Rehabilitation	427,593	488,414	479,299	470,707	457,332	483,402	527,382	525,866	520,239
GAC & Specialty	333,281	339,935	342,450	321,122	299,590	299,591	321,027	341,940	349,544
Total	760,874	828,349	821,749	791,829	756,922	782,993	848,409	867,806	869,783
Discharges									
Rehabilitation	20,571	24,699	25,087	25,637	26,311	28,056	31,709	33,148	34,233
GAC & Specialty	21,595	24,322	25,947	25,706	25,561	26,718	30,101	32,845	35,326
Total	42,166	49,021	51,034	51,343	51,872	54,774	61,810	65,993	69,559
Beds									
Rehabilitation	1,869	1,824	1,775	1,774	1,771	1,785	1,783	1,821	1,838
GAC & Specialty	1,242	1,296	1,334	1,318	1,244	1,241	1,318	1,373	1,429
Total	3,111	3,120	3,109	3,092	3,015	3,026	3,101	3,194	3,267
Occupancy Rate									
Rehabilitation	72.21%	73.00%	74.33%	72.65%	73.65%	74.56%	80.53%	79.43%	78.52%
GAC & Specialty	74.29%	71.83%	69.96%	67.00%	66.48%	66.44%	67.20%	67.97%	66.92%
Total	73.11%	72.52%	72.44%	70.25%	70.63%	71.23%	74.91%	74.48%	73.41%
Average Length of Stay									
Rehabilitation	20.79	19.77	19.11	18.36	17.38	17.23	16.63	15.86	15.20
GAC & Specialty	15.43	13.98	13.20	12.49	11.72	11.21	10.66	10.41	9.89
Average	18.04	16.90	16.10	15.42	14.59	14.29	13.73	13.15	12.50

nity system that was in place prior to January 2002¹, rehabilitation hospitals were paid on a per discharge basis. The individual hospital per discharge Medicare rates were developed from facility costs in a base year plus annual adjustments for inflation and other factors. Similarly, hospitals typically received flat, per discharge rates from managed care companies. Consequently, hospitals had an incentive to carefully manage the length of stay and maximize the number of patients that receive care (discharges). Medicare

and managed care companies together provided 66% of patient revenue at the freestanding rehabilitation hospitals during FY02.

There was a net 2.3% or 73-bed increase in statewide inpatient rehabilitation capacity during FY02. Since these new beds were added throughout the year, the increase in bed-days available was only 1.7%. This modest growth in capacity still outpaced the growth in demand for inpatient care (patient days) causing the occupancy rate at both rehabilita-

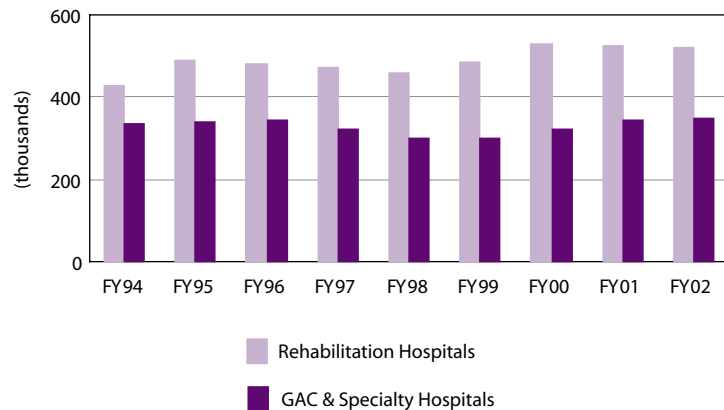
¹ A discussion of the new Medicare PPS begins on page 11.

tion hospitals and GAC rehabilitation units to decline about 1% during FY02 to 78.5% and 66.9%, respectively.

Both the rehabilitation hospitals and the GAC rehabilitation units serve primarily an elderly population. Figure R-4 shows that 68.2% of rehabilitation patients discharged from rehabilitation hospitals and 76.1% of rehabilitation patients at GAC rehabilitation units are 65 years or older.

Consistent with this age distribution, Table R-2 shows that the leading conditions treated at the freestanding rehabilitation hospitals are those most prevalent among elderly patients. For example, the four leading clinical classifications—osteoarthritis, stroke, other non-traumatic joint disorders, and hip fracture—represent the principal diagnoses for almost 44% of all patients admitted to a Pennsylvania rehabilitation hospital during FY02. Medicare patients in just these four clinical classifications

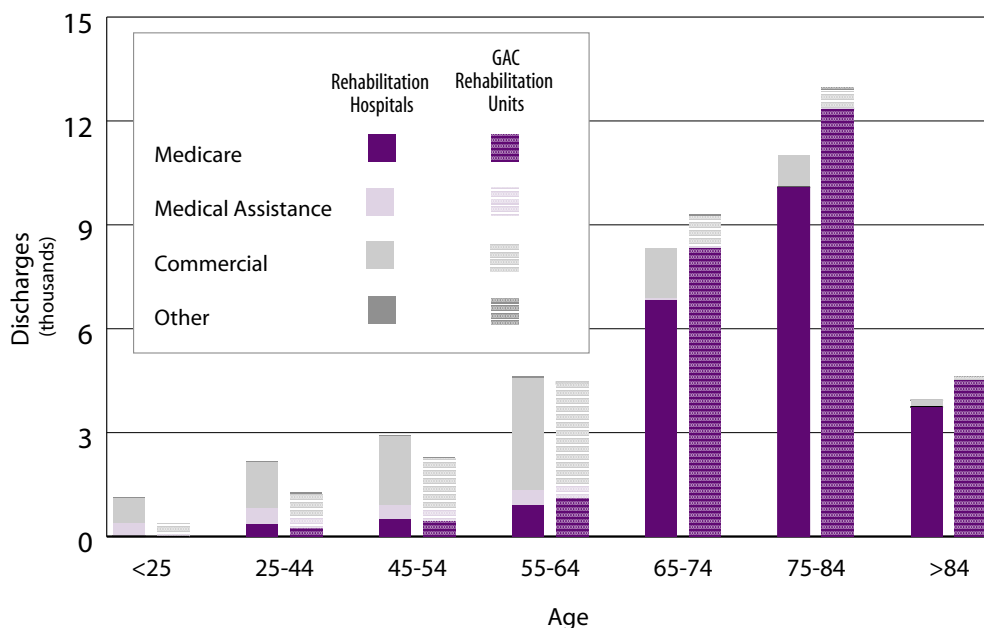
FIGURE R-3
Rehabilitation Patient Days
by Facility Type



represent over 29% of all rehabilitation patients at all rehabilitation hospitals.

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

FIGURE R-4
Age Distribution of Rehabilitation Patients, FY02
by Facility Type and Payor



tients in the under-25 and the 25-44 year age groups had an ALOS of 27.6 and 18.8 days, respectively, during FY02. In contrast, patients in the 65-74 age group had an ALOS of 13.9 days. Part of the reason younger patients have longer stays is that a larger portion of their care is for traumatic injuries, such as brain and spinal cord injury, which typically have longer recovery periods.

On the outpatient side, patient visits to rehabilitation hospitals appear to be increasing dramatically. For the 14 rehabilitation hospitals that have reported outpatient data from FY96 through FY02, outpatient visits increased by 105.9% over the six-year period and 5.2% during FY02. These 14 hospitals reported 692,201 outpatient visits compared to 324,724 inpatient days during FY02. The range of outpatient care offered at rehabilitation hospitals may not be directly related to the care provided on an inpatient basis. Therefore, the dramatic increase in outpatient care does not necessarily reflect a shift of care historically provided on an inpatient basis to

an outpatient setting.

Less extensive rehabilitation care is often offered at skilled nursing facilities (SNFs). The Medicare prospective payment system (PPS) for skilled nursing facilities that has been in effect since 1998 has placed constraints on the amount of rehabilitation care that is covered by Medicare. Under the SNF PPS, providing rehabilitation treatment beyond 720 minutes (12 hours) per week provides no additional payments from Medicare. Therefore, there is an economic disincentive for SNFs to admit Medicare patients requiring more extensive rehabilitation treatment.

Utilization and Revenue by Payor

With the average age of a Medicare patient in Pennsylvania exceeding 75 years in rehabilitation hospitals, the federal Medicare program provided 47.6% of the net patient revenue received by rehabilitation hospitals during FY02. Consequently, changes in Medicare reimbursements can have a

TABLE R-2

Leading Inpatient Clinical Classifications[†] at Rehabilitation Hospitals, FY02

by Payor

Top Ten	Total	Commercial		Medical Assistance		Medicare	
	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Osteoarthritis	19.36%	1	22.65%	2	9.41%	1	18.67%
Stroke	9.90%	2	10.16%	1	9.41%	2	9.81%
Other (non-traumatic) joint disorders	7.93%	3	8.90%	5	7.14%	4	7.60%
Hip fracture	6.31%	8	3.11%	*	*	3	7.95%
Degenerative back disorders & problems	4.92%	5	4.95%	7	2.94%	5	5.03%
Brain injury	3.50%	4	6.90%	4	8.67%	*	*
Paralysis	3.24%	6	3.94%	3	9.07%	8	2.54%
Other fractures	2.89%	7	3.22%	9	2.67%	6	2.73%
Other nervous system disorders	2.66%	10	2.47%	6	3.14%	7	2.72%
Fracture of lower limb	2.47%	9	2.96%	8	2.87%	*	*

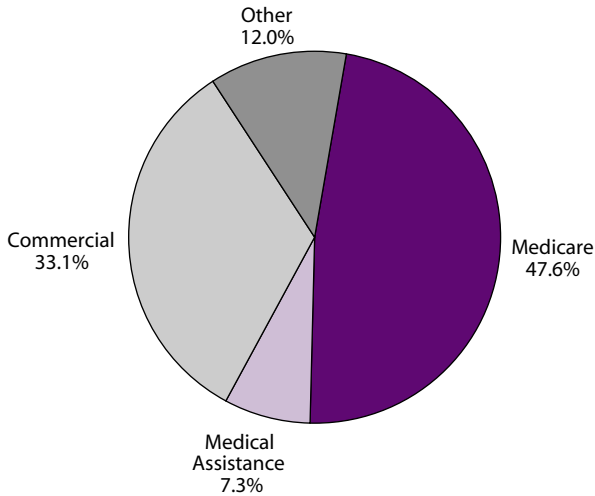
[†] Adult discharges were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ's Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP).

* Not among the top ten diagnoses

FIGURE R-5

Statewide Net Patient Revenue at Rehabilitation Hospitals, FY02

by Payor



significant effect on the revenue and income of rehabilitation providers.

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

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

also adjusted by regional cost differences.

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

Federal law requires the Centers for Medicare and Medicaid Services (CMS) to annually update the PPS to reflect the changes in the costs of providing rehabilitation care. In July 2002, the CMS announced a 3% increase in the overall Medicare rehabilitation PPS rates beginning in October 2002.

The revenue that the rehabilitation hospitals received per discharge and per day varies considerably by payor category. Part of this variation is attributable to the mix of patients and care covered by the various third-party payors.

FIGURE R-6

Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY02

by Payor

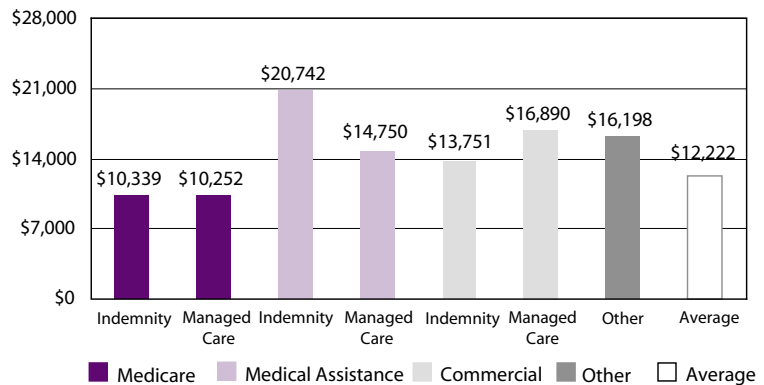
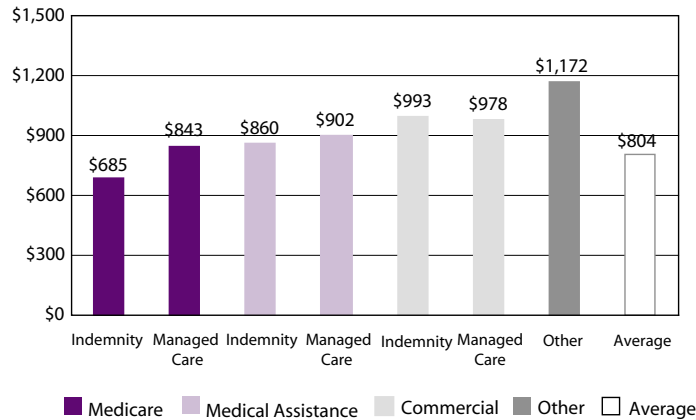


FIGURE R-7

Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY02

by Payor



For example, rehabilitation hospitals received an average payment of \$18,502 for Medical Assistance (MA) patients covered by both indemnity and managed care plans. The average payment for MA patients was about 51% greater than the \$12,222 average revenue for all patients at rehabilitation hospitals during FY02. Consistent with this higher average revenue per discharge, care provided to MA patients took an average 6 days longer than the all-patient average of 15.2 days.

While the charges that hospitals post are not a perfect reflection of the costs to provide individual patient care, charges can be used to make broad comparisons of the resources used to treat different groups of patients. The charges reported by rehabilitation hospitals for MA patients indicate that the overall treatment provided to MA patients was more extensive than the other payor categories. The average charge for an MA patient during FY02 was about 65% higher than the all-patient average, which mirrors the higher average revenue per discharge.

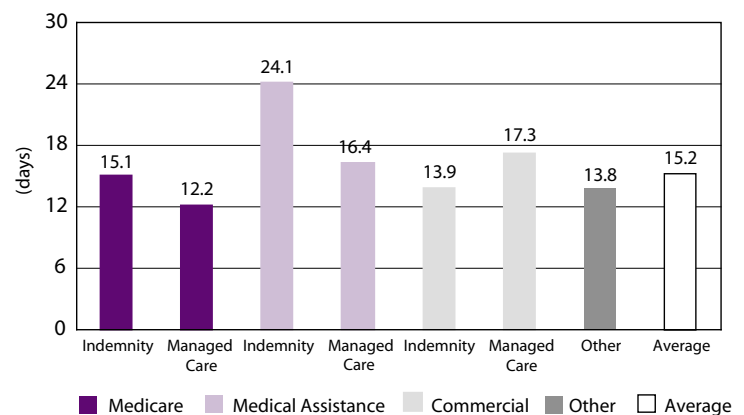
The ALOS, average inpatient revenue per day and average revenue per discharge also vary depending on whether the patient is enrolled in a managed care or indemnity program. A Medicare patient with indemnity coverage stays an average of almost three more days in a rehabilitation hospital than the average patient participating in a Medicare managed care plan. Since the new PPS system did not go into effect until January 2002, the majority of care reported here for FY02 was not reimbursed under the PPS system. Consequently, the effect that the new PPS system has on average revenue and ALOS may first be evident with the FY03 data.

This difference in the ALOS and the average revenue per discharge between indemnity and managed care patients is even more dramatic for the MA program. During FY02, the average stay for an MA managed care patient was almost eight days less than an MA patient with indemnity coverage. Similarly, the \$20,742 average revenue per discharge for MA patients with indemnity coverage is over 40% greater than the average revenue per

FIGURE R-8

Average Length of Stay at Rehabilitation Hospitals, FY02

by Payor



discharge for patients in an MA managed care plan.

One reason for the large differences between MA indemnity and managed care is that the MA program becomes the payor of last resort for patients who would not ordinarily be MA recipients. For example, under- or uninsured patients with traumatic injuries become eligible for MA when the injury makes them unable to work and the costs of medical treatment exhaust their financial resources. Patients that require rehabilitation care because of a traumatic medical condition typically require longer lengths of stay and have higher costs per discharge. Because all new MA patients are at least initially enrolled in the indemnity (fee for service) program, patients that become MA recipients because of a traumatic condition contribute to the higher average revenue per discharge and ALOS for the MA indemnity category. In addition, patients enrolled in a MA managed care plan revert back to the indemnity program if their inpatient stay exceeds 30 days.

In contrast to Medicare and MA managed care plans, patients with commercial managed care coverage stayed in rehabilitation hospitals an average of 3.4 days longer than commercial indemnity patients during FY02.

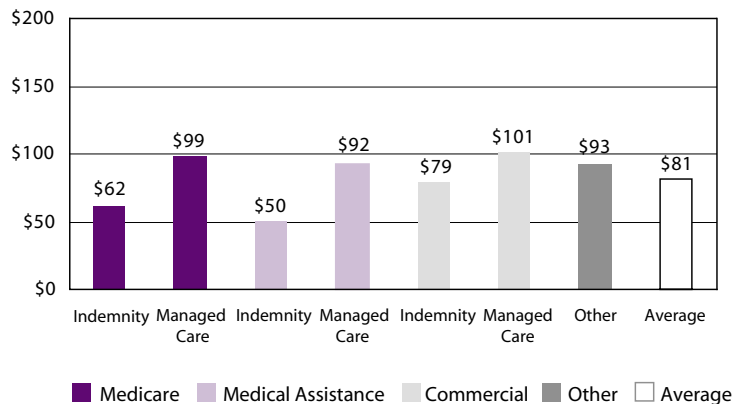
Financial Profile

After three years of strong growth in the average operating margin, the statewide operating income at rehabilitation hospitals fell sharply during FY02. Between the end of FY98 and FY01, the average operating margin for the rehabilitation hospitals improved at an average rate of 1.75 points a year to 7.92% in FY01. During FY02, the average operating margin fell back nearly two full points to 6.03%. Operating income fell because the 10.7% increase in operating

FIGURE R-9

Average Net Outpatient Revenue per Visit at Rehabilitation Hospitals, FY02

by Payor

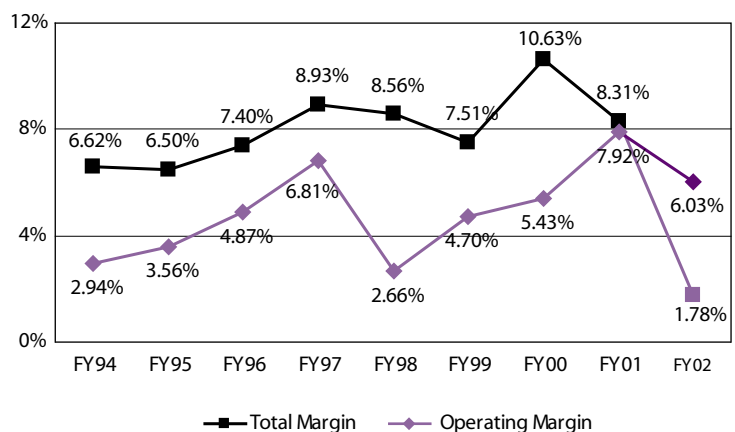


expenses outpaced the 8.4% growth in operating revenue during FY02.

One reason that the growth in operating revenues lagged behind the growth in operating expenses was that average reimbursement rates remained relatively constant during FY02. With the decline in the ALOS, average inpatient revenue per discharge actu-

FIGURE R-10

Statewide Operating and Total Margins at Rehabilitation Hospitals



REHABILITATION CARE

TABLE R-3

Utilization and Capacity, FY02

by Rehabilitation Hospital

Hospital	Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	33,222	42,705	77.79%	2,789	117	11.91
Bryn Mawr Rehab	48,648	51,465	94.53%	3,480	141	13.98
Chestnut Hill Rehab	13,683	17,520	78.10%	1,128	48	12.13
Children's Inst Pgh	9,076	14,235	63.76%	242	39	37.50
Children's Seashore House	8,599	10,950	78.53%	310	30	27.74
Geisinger HEALTHSOUTH	11,744	14,600	80.44%	831	40	14.13
Good Shepherd Rehab	24,577	27,375	89.78%	2,447	75	10.04
HEALTHSOUTH Altoona	21,959	25,550	85.95%	1,419	70	15.47
HEALTHSOUTH Erie	27,770	36,500	76.08%	1,544	100	17.99
HEALTHSOUTH Harmarville	48,945	73,730	66.38%	2,334	202	20.97
HEALTHSOUTH Mechanicsburg	32,650	37,595	86.85%	2,302	103	14.18
HEALTHSOUTH Nittany	15,811	31,025	50.96%	1,030	85	15.35
HEALTHSOUTH Pittsburgh	27,164	32,485	83.62%	1,603	89	16.95
HEALTHSOUTH Reading	24,939	34,675	71.92%	1,531	95	16.29
HEALTHSOUTH Special Svcs	6,113	8,464	72.22%	227	46	26.93
HEALTHSOUTH Sewickley	12,384	16,060	77.11%	758	44	16.34
HEALTHSOUTH York	30,060	33,580	89.52%	1,970	92	15.26
John Heinz Rehab	28,632	34,310	83.45%	2,078	94	13.78
Magee Rehab	24,053	35,040	68.64%	1,421	96	16.93
Moss Rehab	45,099	53,655	84.05%	2,799	147	16.11
UPMC Rehab	25,111	31,025	80.94%	1,990	85	12.62

ally fell from \$12,372 in FY01 to \$12,222 in FY02. Inpatient revenue at rehabilitation hospitals grew 2.0% because the number of discharges increased 3.3%. Similarly, the 9.9% increase in outpatient revenue was primarily due to the 9.8% growth in the number of visits. The average revenue per visit remained unchanged at about \$81.

The net effect of the increase in discharges and outpatient visits was a 4.0% increase in statewide net patient revenue during FY02. This growth in net patient revenue represents less than half of the 8.4%

growth in operating revenue during FY02. Consequently, the growth in other sources of operating revenue, such as rental income and interest income allocated to operations contributed more to the growth in operating income than patient revenue. Patient revenue represented about 92% of operating revenue at rehabilitation hospitals during FY02.

There is a wide disparity between the average operating margin of the for-profit and non-profit freestanding rehabilitation hospitals. The eleven rehabilitation hospitals operated by HEALTHSOUTH

reported an average FY02 pre-tax operating margin of 14.58%, a 4.28 point decline from FY01. In contrast, the ten non-profit hospitals posted a negative average operating margin of -0.51%, which is very similar to the -0.94% average operating margin for FY01. The -0.51% average operating margin for the non-profit hospitals is an average of a wide range of individual hospital margins from -16.18% to 13.56%.

The statewide average total margin for all rehabilitation hospitals plummeted almost 6.6 points from 8.31% in FY01 to 1.78% in FY02. Total margin fell 4.3 points below the statewide operating margin because total non-operating income for rehabilitation hospitals fell from a positive \$3.1 million in FY01 to a net loss of \$25.8 million in FY02. There are two principal reasons for the sharp decline.

First, a few of the non-profit hospitals that rely on investment income to help support the opera-

tions sustained large declines in their investment income and value of their marketable securities.

Second, the for-profit rehabilitation hospitals operated by HEALTHSOUTH realized an increase in their imputed federal tax rate. A tax expense is calculated for each HEALTHSOUTH facility based on the extent that the income or loss from the individual HEALTHSOUTH facility affects the tax liability of the parent corporation. This tax expense is reflected as an adjustment to total margin in this report. Because there was a significant increase in the parent corporation's federal tax rate for calendar year 2001 (FY02), a larger portion of each facility's net income had to be allocated to federal taxes. For the ten HEALTHSOUTH facilities subject to federal taxes, the average allocation for taxes was equal to 39.2% of the total net operating income during FY02. This is more than double the average allocation of 16.4% during FY01.

TABLE R-4

Statewide Revenue, Expenses and Income at Rehabilitation Hospitals

(thousands)

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

REHABILITATION CARE

TABLE R-5

Region	Rehabilitation Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY99-FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
	Statewide Average	\$26	\$27	\$25	\$24	5.13%	\$27	\$26	\$24	\$24	5.78%
1	Children's Inst Pgh	\$18	\$17	\$15	\$11	NA	\$25	\$23	\$20	\$18	NA
1	HEALTHSOUTH Harmarville ^{1,10}	\$43	\$42	\$38	\$40	2.06%	\$34	\$31	\$31	\$32	2.96%
1	HEALTHSOUTH Pittsburgh ^{1,10}	\$30	\$28	\$28	\$28	2.17%	\$27	\$25	\$24	\$24	4.45%
1	HEALTHSOUTH Sewickley ^{1,3,10}	\$13	\$10	\$1	\$10	9.08%	\$11	\$9	\$1	\$13	-4.97%
1	UPMC Rehab	\$22	\$21	\$20	\$21	1.90%	\$24	\$24	\$22	\$24	0.99%
2	HEALTHSOUTH Erie ^{1,10}	\$26	\$25	\$28	\$27	-1.12%	\$25	\$23	\$23	\$25	0.82%
3	HEALTHSOUTH Altoona ^{1,10}	\$21	\$22	\$20	\$20	2.20%	\$20	\$19	\$17	\$17	5.14%
4	Geisinger HEALTHSOUTH ^{1,10}	\$10	\$11	\$9	\$8	8.13%	\$9	\$8	\$7	\$7	8.41%
4	HEALTHSOUTH Nittany ^{1,10}	\$18	\$17	\$18	\$19	-1.43%	\$16	\$16	\$16	\$16	-0.16%
5	HEALTHSOUTH Mechanicsburg ^{1,10}	\$40	\$43	\$34	\$31	10.35%	\$32	\$33	\$27	\$23	12.70%
5	HEALTHSOUTH Special Svcs ^{1,4,10}	\$5	NA	NA	NA	NA	\$5	NA	NA	NA	NA
5	HEALTHSOUTH York ^{1,10}	\$30	\$29	\$27	\$25	6.40%	\$24	\$23	\$22	\$20	7.31%
6	Allied Services	\$36	\$37	\$35	\$33	2.72%	\$36	\$39	\$35	\$33	3.39%
6	John Heinz Rehab	\$30	\$31	\$33	\$33	-2.74%	\$31	\$33	\$34	\$34	-2.98%
7	Good Shepherd Rehab	\$36	\$31	\$32	\$28	9.38%	\$65	\$37	\$34	\$30	39.95%
7	HEALTHSOUTH Reading ^{1,10}	\$23	\$19	\$17	\$17	11.89%	\$18	\$15	\$14	\$14	7.42%
8	Bryn Mawr Rehab	\$41	\$38	\$34	\$32	9.85%	\$37	\$36	\$33	\$33	4.78%
8	Chestnut Hill Rehab	\$11	\$12	\$12	\$13	-5.03%	\$14	\$13	\$14	\$14	-0.92%
9	Children's Seashore House	\$24	\$21	\$19	\$24	0.02%	\$26	\$27	\$27	\$39	-10.91%
9	Magee Rehab	\$28	\$26	\$27	\$26	3.17%	\$33	\$31	\$30	\$28	5.44%
9	Moss Rehab ⁶	\$47	\$48	\$40	\$33	14.21%	\$51	\$48	\$45	\$37	12.68%

NA = Not Applicable.

Footnotes on page 46.

See page 46 for map of regions.

TABLE R-5 (continued)

Rehabilitation Hospital	Operating Margin FY02	Total Margin FY02	3-yr Average Total Margin FY00-FY02	Uncompensated Care to NPR FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02
Statewide Average	6.03%	1.78%	6.80%	1.73%	47.63%	7.29%
Non-Profit Rehabilitation Hospitals						
Statewide Average (non-profit)	-0.51%	-3.79%	2.12%	2.20%	44.88%	10.96%
Children's Inst Pgh	-16.18%	-29.38%	12.20%	7.46%	2.68%	16.00%
UPMC Rehab	4.36%	4.36%	4.21%	1.57%	56.03%	12.56%
Allied Services	1.51%	-0.90%	-0.05%	0.82%	66.88%	2.91%
John Heinz Rehab	-0.07%	-0.47%	-2.22%	1.18%	66.29%	4.32%
Good Shepherd Rehab	-7.12%	-6.28%	-5.45%	3.47%	45.12%	3.70%
Bryn Mawr Rehab	13.56%	13.88%	10.32%	0.63%	50.91%	2.89%
Chestnut Hill Rehab	-12.59%	-12.59%	-13.53%	0.81%	57.69%	1.49%
Children's Seashore House	-10.30%	-51.89%	-15.95%	4.31%	0.29%	44.35%
Magee Rehab	-1.41%	-6.02%	8.37%	2.97%	38.34%	14.26%
Moss Rehab ⁶	5.61%	4.85%	7.89%	1.39%	42.69%	15.08%
For-Profit Rehabilitation Hospitals						
Statewide Average (for-profit)	14.58%	8.86%	12.90%	1.19%	50.74%	3.14%
HEALTHSOUTH Harmarville ^{1,10}	20.22%	11.57%	14.88%	1.56%	39.23%	3.53%
HEALTHSOUTH Pittsburgh ^{1,10}	9.98%	5.95%	10.77%	0.84%	51.36%	3.86%
HEALTHSOUTH Sewickley ^{1,3,10}	16.41%	9.60%	9.84%	1.41%	46.06%	0.65%
HEALTHSOUTH Erie ^{1,10}	3.57%	2.09%	8.69%	2.69%	55.75%	5.21%
HEALTHSOUTH Altoona ^{1,10}	5.36%	3.14%	9.09%	0.10%	64.85%	2.61%
Geisinger HEALTHSOUTH ^{1,10}	16.56%	16.56%	21.36%	0.00%	37.20%	3.03%
HEALTHSOUTH Nittany ^{1,10}	7.65%	4.47%	7.52%	1.28%	59.37%	3.88%
HEALTHSOUTH Mechanicsburg ^{1,10}	21.41%	12.53%	17.99%	1.16%	50.83%	1.63%
HEALTHSOUTH Special Svcs ^{1,4,10}	-6.83%	0.44%	NA	0.59%	79.95%	0.00%
HEALTHSOUTH York ^{1,10}	17.59%	10.29%	14.38%	1.03%	51.64%	1.84%
HEALTHSOUTH Reading ^{1,10}	23.15%	13.56%	17.13%	0.98%	47.12%	5.51%

Highlights

- In contrast to the national trend of declining staffed beds and higher occupancy rates, the demand for and capacity of inpatient psychiatric care has remained relatively constant in Pennsylvania. Excluding the state hospitals, patient days only increased 1.0% and the net decline in the number of staffed beds was only 0.3% or 17 beds. The combination of the small increase in patient days and the small decline in the number of beds resulted in a 0.7 point increase in the average occupancy rate to 71.6%.
- After a 4.2-day decline between FY94 and FY99, the statewide average length of stay (ALOS) has hovered in the 10.6 to 11.1-day range between FY99 and FY02. This suggests that the adjustments in ALOS that have been driven by advances in treatment technologies as well as financial incentives to reduce costly acute care hospitalizations may have leveled off.
- The average operating margin fell more than a full point from -0.08% in FY01 to -1.11% in FY02. The average total margin fell by more than 2.9 points from 1.62% in FY01 to -1.31% in FY02.
- Unlike other hospital categories, such as GAC and rehabilitation, the leading factors affecting the decline in the total margin was *not* a decline in investment income or the value of securities. One-time extraordinary expense adjustments at three non-profit hospitals and an increase in the federal tax allocation at three for-profit hospitals had a significant effect on statewide income levels. Excluding these adjustments, the statewide operating margin would have increased 0.58 points to 0.50% and total margin would have only declined about 0.73 points to 0.89% instead of the actual decline of nearly three points.
- The Commonwealth, through the Department of Public Welfare (DPW), is the largest provider of psychiatric care in Pennsylvania. Through its nine state hospitals, the Commonwealth provided about 37% of all psychiatric patient days during FY02. Pennsylvania's Medical Assistance Program (MA) provided about 59% of the net patient revenue received by the nineteen freestanding psychiatric hospitals in Pennsylvania. About 28% of the patients receiving psychiatric care at GAC hospitals were MA participants.

Psychiatric Care is Provided in a Variety of Settings

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

At the end of FY02, the nine **state hospitals** had a patient population of 2,377. These hospitals provided long-term psychiatric care with an average length of stay of about 1.2 years. Although the state hospitals provided almost 37% of statewide psychiatric patient days, they treated only about 1.5% of all patients admitted for inpatient psychiatric care.

In contrast, **psychiatric units in GAC hospitals** (GAC psychiatric units) provided relatively short-term acute care with an average length of stay during FY02 of about 9.0 days. Fifty-eight percent (58%) of all GAC hospitals in Pennsylvania operated psychiatric units. These 107 GAC psychiatric units treated about 61% of the patients admitted for inpatient psychiatric care and provided 32% of the total patient days of psychiatric care during FY02.

The 17 **psychiatric hospitals** accounted for about 29% of patient discharges and provided 23% of the total days of psychiatric care in the Commonwealth during FY02. Excluding the long-term residential programs and non-psychiatric care, the average length of stay (ALOS) at these psychiatric hospitals was about 11.1 days.

Nine of the psychiatric hospitals provided residential care and one provided drug and alcohol care. Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. The ALOS at the residential and drug and alcohol programs was 52.1 days during FY02. The utilization and capacity of these programs is presented in Table P-2.

Five of the seven **specialty hospitals** in Pennsylvania provide psychiatric care. One facility operated a psychiatric unit and the other four offered drug and alcohol programs. The 147,250 days of inpatient psychiatric care at specialty hospitals represented about 6% of the patient days of statewide psychiatric care during FY02.

FIGURE P-1
Psychiatric Patient Days, FY02
by Facility Type

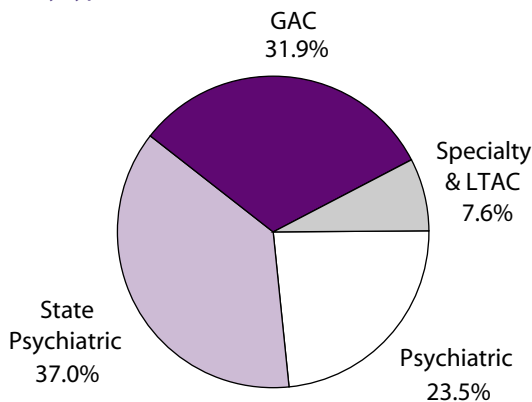


FIGURE P-2
Psychiatric Discharges, FY02
by Facility Type

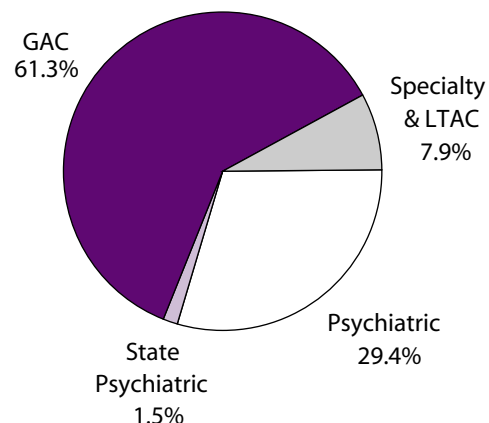


TABLE P-1

Utilization and Capacity of Psychiatric Care

by Facility Type

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
Patient Days									
Psychiatric	562,047	546,033	526,095	487,532	473,325	496,081	522,871	506,981	542,743
State Psychiatric	1,545,993	1,433,590	1,447,964	1,272,597	1,168,093	1,081,464	1,020,777	939,634	855,179
GAC	962,162	875,050	839,791	804,859	745,240	715,370	777,093	769,658	738,822
Specialty	111,346	109,035	101,971	88,708	94,828	100,221	125,072	138,788	147,250
LTAC	12,743	52,154	51,818	44,586	35,200	31,598	26,252	28,008	29,226
Total	3,194,291	3,015,862	2,967,639	2,698,282	2,516,686	2,424,734	2,472,065	2,383,069	2,313,220
Discharges									
Psychiatric	31,306	33,926	34,813	35,572	38,975	40,181	38,765	38,077	39,297
State Psychiatric	3,137	2,813	2,421	2,366	2,595	2,107	2,060	1,988	1,955
GAC	69,971	70,097	71,654	73,017	73,629	77,342	89,727	87,079	81,930
Specialty	8,096	9,384	8,270	8,462	5,260	5,195	7,061	9,941	9,299
LTAC	396	1,879	1,803	1,693	1,368	1,303	1,162	1,203	1,215
Total	112,906	118,099	118,961	121,110	121,827	126,128	138,775	138,288	133,696
Beds									
Psychiatric	2,036	2,005	2,006	1,911	1,832	1,845	1,857	1,796	1,877
State Psychiatric	4,917	4,673	4,063	3,925	3,808	3,524	3,222	2,963	2,678
GAC	3,485	3,385	3,243	3,300	3,193	3,208	3,238	3,151	3,068
Specialty	403	423	404	402	372	389	463	531	516
LTAC	NC	NC	NC	131	112	112	112	112	112
Total	10,841	10,486	9,716	9,669	9,317	9,078	8,892	8,553	8,251
Occupancy Rate									
Psychiatric	76.02%	77.22%	74.67%	72.33%	69.52%	74.73%	77.22%	77.99%	79.30%
State Psychiatric	87.54%	85.67%	90.21%	87.33%	76.31%	83.55%	85.77%	86.07%	87.02%
GAC	75.84%	71.30%	70.80%	67.58%	65.64%	61.45%	64.93%	66.35%	65.87%
Specialty	75.70%	72.35%	69.11%	60.97%	69.21%	70.59%	73.68%	75.77%	78.16%
LTAC	NC	NC	NC	93.25%	86.11%	77.29%	64.22%	68.51%	71.49%
Average	81.23%	79.38%	80.55%	76.75%	71.40%	73.36%	75.49%	76.24%	76.65%
Average w/o State Psychiatric	76.09%	74.42%	73.09%	69.26%	67.63%	66.80%	69.62%	70.96%	71.64%
Average Length of Stay									
Psychiatric	17.95	16.09	15.11	13.71	12.14	12.35	13.49	13.31	13.81
State Psychiatric	492.83	509.63	598.09	537.87	450.13	513.27	495.52	472.65	437.43
GAC	13.75	12.48	11.72	11.02	10.12	9.25	8.66	8.84	9.02
Specialty	13.75	11.62	12.33	10.48	18.03	19.29	17.71	13.96	15.84
LTAC	32.18	27.76	28.74	26.34	25.73	24.25	22.59	23.28	24.05
Average	28.29	25.54	24.95	22.28	20.66	19.22	17.81	17.23	17.30
Average w/o State Psychiatric	15.02	13.72	13.04	12.01	11.31	10.83	10.62	10.59	11.07

Three **long-term acute care (LTAC)** hospitals rendered 29,226 psychiatric patient days, or slightly more than one percent of inpatient statewide psychiatric care during FY02. While this care represents only a small portion of inpatient psychiatric care in Pennsylvania, it represents about 33% of the total patient days provided by these three LTAC hospitals and about 15% of the total patient days provided by all LTAC hospitals.

Trends in Hospital-Based Psychiatric Care

The National Association of Psychiatric Health Systems' (NAPHS) 2002 annual member survey¹ revealed that nationally, the trend of fewer beds and higher occupancy rates continued during calendar year 2001. The NAPHS member survey represents a cross-section of psychiatric settings, including freestanding, GAC and specialty hospitals. The average occupancy rate of survey participants increased almost 5 points from 69.2% in calendar year 2000 to 74.1% in calendar year 2001. This 5 point increase in 2001 follows a 7 point increase during calendar year 2000.

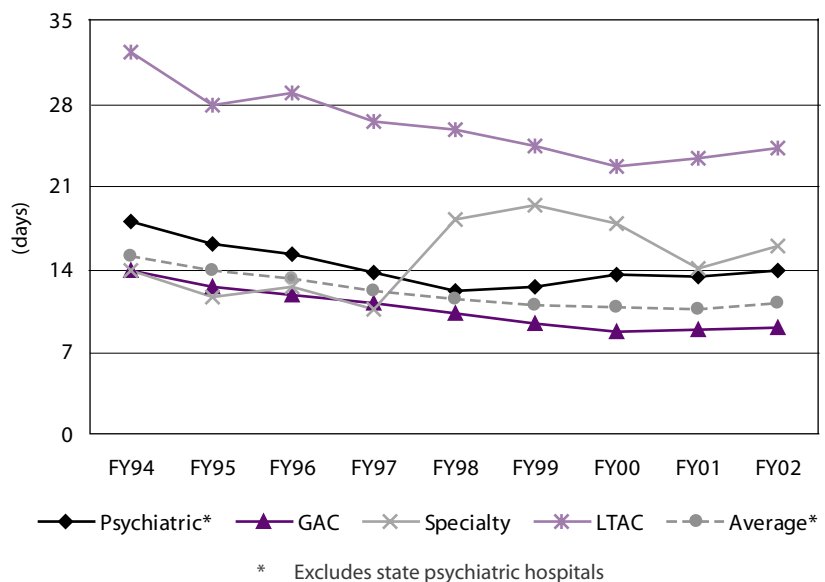
In contrast to the national trend in inpatient psychiatric care, the demand and capacity in Pennsylvania has remained relatively constant during FY02. Excluding the state hospitals, patient days increased 1.0% and the net decline in the number of staffed beds was only 0.3% or 17 beds. The combination of the small increase in patient days and the small decline in the number of beds resulted in a 0.7 point increase in the occupancy rate to 71.6%.

While overall number of patient days increased, the number of patient

days of psychiatric care at GAC psychiatric units fell by 30,836 days or 4.0% during FY02. This decline was offset by an increase of 35,762 days or 7.1% at the psychiatric hospitals.

The ALOS for psychiatric patients (excluding state hospitals) increased slightly (0.5 points) during FY02. After a 4.2-day decline between FY94 and FY99, the statewide ALOS has hovered in the 10.6 to 11.1-day range between FY99 and FY02. This suggests that the adjustments in ALOS that have been driven by advances in treatment technologies as well as financial incentives to reduce costly acute care hospitalizations may have leveled off. The healthcare literature explains that new medications and new treatment techniques have enabled many patients to receive a greater portion of their care in a community-based setting, thereby reducing the length of acute inpatient treatment. The shift to managed care has improved case management and provided financial incentives for hospitals to reduce inpatient stays.

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



¹ National Association of Psychiatric Health Systems, "Challenges Facing Behavioral Health Care," www.naphs.org.

TABLE P-2

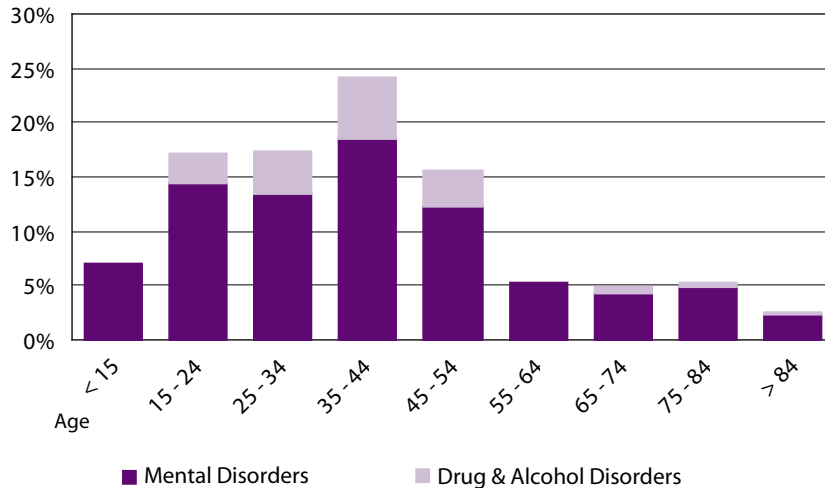
Utilization and Capacity, FY02

by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay	ALOS w/o Residential Treatment
All Hospital Services							
Belmont Center	45,698	53,655	85.17%	4,078	147	11.21	11.21
Clarion Psych	13,685	27,010	50.67%	1,220	74	11.22	8.78
Devereux Mapleton Psych	7,547	7,665	98.46%	561	21	13.45	13.45
Eugenia	11,471	35,770	32.07%	1,016	98	11.29	11.29
Fairmount Behavioral	47,809	58,765	81.36%	4,016	161	11.90	11.61
First Wyoming Valley	29,581	35,040	84.42%	2,718	96	10.88	10.88
Foundations Behavioral	30,679	33,460	91.69%	475	94	64.59	46.55
Friends	63,916	81,030	78.88%	5,527	222	11.56	9.90
Horsham Clinic	49,203	53,290	92.33%	4,212	146	11.68	11.68
Kirkbride Center	47,870	54,750	87.43%	2,550	150	18.77	8.25
Meadows Psych Center	32,116	38,690	83.01%	2,017	106	15.92	10.00
Montgomery Cty ES	23,190	25,550	90.76%	2,619	70	8.85	9.23
National Kids Crisis	18,695	26,280	71.14%	1,270	72	14.72	14.72
Northwestern Inst Psych	42,664	53,290	80.06%	3,452	146	12.36	12.36
Philhaven	41,050	54,385	75.48%	2,389	149	17.18	8.84
Southwood Psych	27,145	30,449	89.15%	1,049	83	25.88	5.43
St John Vianney	10,424	15,330	68.00%	128	42	81.44	3.27
Residential Treatment or Drug and Alcohol							
Clarion Psych	5,211	8,030	64.89%	255	22	20.44	NA
Fairmount Behavioral	7,469	8,395	88.97%	540	23	13.83	NA
Foundations Behavioral	12,244	13,750	89.05%	79	40	154.99	NA
Friends	9,272	10,950	84.68%	5	30	1,854.40	NA
Kirkbride Center	36,250	41,245	87.89%	1,142	113	31.74	NA
Meadows Psych Center	12,380	13,505	91.67%	44	37	281.36	NA
Montgomery Cty ES	1,794	2,555	70.22%	300	7	5.98	NA
Philhaven	20,815	24,090	86.41%	101	66	206.09	NA
Southwood Psych	21,789	22,784	95.63%	62	62	351.44	NA
St John Vianney	10,375	14,600	71.06%	113	40	91.81	NA

NA = Not Applicable

FIGURE P-4
Age Distribution of Psychiatric Patients*, FY02



* Excludes state psychiatric hospitals. Mental disorders include all patients whose principal diagnosis was grouped into MDC 19 and drug and alcohol disorders include patients grouped into MDC 20.

A study by Mark and Coffey published in *Health Affairs*² reveals that the level of spending on mental health and substance abuse (MH/SA) has affected national utilization trends. The study reports that the percent of spending on MH/SA nationally by employment-based health insurance declined from 7.2% in 1992 to 5.1% in 1999. This 2.1 point decline represents a 29% decline in the portion of spending by this payor category. The study found that the decline in inpatient expenditures was attributable to declines in the length of stay and in the percentage of insureds having any MH/SA admissions.

Consistent with Mark and Coffey's analysis, the ALOS and total patient days in Pennsylvania declined through FY99. While we are unable to separate employer-based utilization and revenue for Pennsylvania, overall psychiatric inpatient admissions (discharges) increased from FY94 through FY00. The only significant decline in discharges (3.3%) occurred during FY02.

During FY02 another 285 beds were taken out of service at the state hospitals. This reduction is in line with the average annual reduction of about 280 beds since FY94. The reduction in patient care by the state hospitals reflects the Department of Public Welfare's continuing efforts to integrate patients into community-based programs and private facilities.

Including their non-acute programs, the 17 psychiatric hospitals reported over 1.1 million outpatient visits during FY02. Since there were 542,743 days of inpatient care provided at these hospitals, the ratio of outpatient visits to patient days was about 2:1.

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

The distribution of discharges by clinical classification at all hospitals providing psychiatric care in

² T.L. Mark and R.L. Coffey, "What Drove Private Health Insurance Spending on Mental Health and Substance Abuse Care, 1992-1999," *Health Affairs* (January/February 2003): 165-172

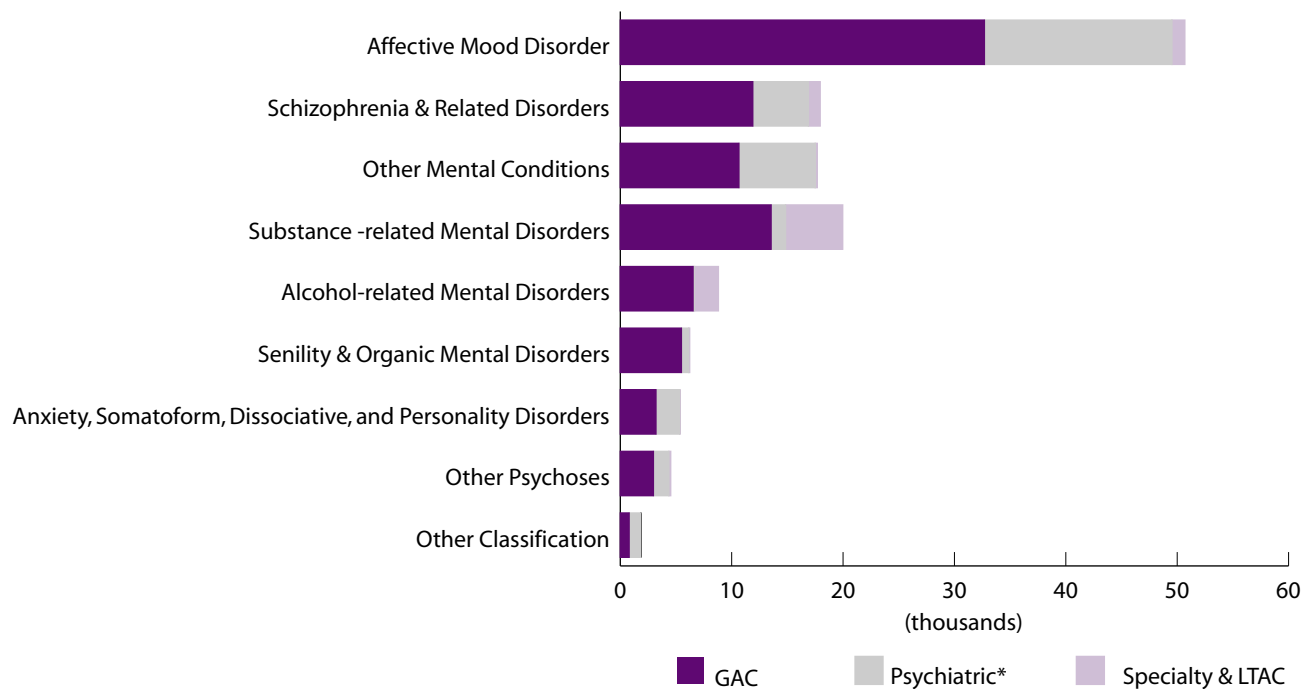
Pennsylvania (not including state hospitals) during FY02 is shown in Figure P-5. The leading principal diagnosis for a psychiatric patient admitted to these hospitals is affective mood disorders. Patients diagnosed with affective mood disorders comprised 47.7% of admissions to the psychiatric hospitals and 37.2% of admissions to GAC psychiatric units.

Drug and alcohol related disorders represented about 24.5% of the principal diagnosis of psychiatric patients admitted to specialty hospitals during FY02. The two leading principal psychiatric diagnoses at LTAC hospitals were schizophrenia (46.7%) and affective mood disorders (37.5%).

Financial Profile

The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's nine psychiatric hospitals (state hospitals) provided 37% of all patient days of psychiatric care during FY02, as shown in Table P-1. In addition, the Medical Assistance (MA) Program administered by DPW provided 59% of the net patient revenue received by the seventeen psychiatric hospitals in Pennsylvania during FY02. About 28% of all patients receiving inpatient psychiatric care at GAC hospitals were MA participants. The DPW also sponsors psychiatric care in a variety of other settings.

FIGURE P-5
Psychiatric Discharges by Clinical Classification[†], FY02



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

* Excludes state psychiatric hospitals

TABLE P-3
Revenue, Expenses and Income at Psychiatric Hospitals*

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
Net Patient Revenue	\$316,596,623	\$297,639,125	\$276,307,482	\$269,423,681	\$256,204,626	\$275,524,580	\$286,921,288	\$278,374,933	\$282,178,784
Total Operating Revenue	\$329,739,622	\$312,193,926	\$304,165,772	\$287,999,721	\$270,277,344	\$288,697,396	\$297,260,160	\$287,797,432	\$293,407,206
Total Operating Expenses	\$319,388,471	\$317,575,655	\$313,381,626	\$298,301,859	\$291,366,608	\$289,473,414	\$306,352,099	\$288,017,885	\$296,677,326
Operating Income	\$10,351,151	(\$5,381,729)	(\$9,215,854)	(\$10,302,138)	(\$21,089,264)	(\$776,018)	(\$9,091,939)	(\$220,453)	(\$3,270,120)
Non-operating Income & Extraordinary Items	\$484,206	\$700,778	(\$15,002,874)	\$1,950,672	\$6,128,834	\$3,191,668	\$5,572,853	\$4,976,192	(\$602,418)
Revenue over Expenses	\$10,835,357	(\$4,680,951)	(\$24,218,728)	(\$8,351,466)	(\$14,960,430)	\$2,415,650	(\$3,519,086)	\$4,755,739	(\$3,872,538)

* Excludes state psychiatric hospitals

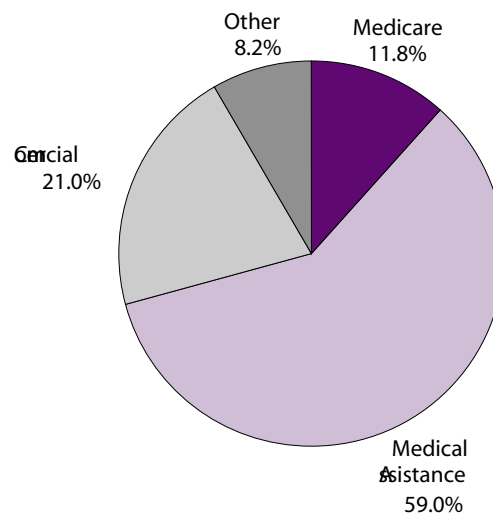
The Commonwealth directly underwrites about 81% of the cost of the care provided at the nine state psychiatric hospitals. Of the remaining 19% of total expenses covered by patient revenue, 14% are paid under the Medical Assistance program, 2% from Medicare and about 3% are covered by private insurance and individuals.

It is difficult to extract any trends in the financial performance of the 17 psychiatric hospitals because their individual performances were so diverse. Table P-4 reveals that both the non-profit and for-profit psychiatric hospitals have posted a relatively wide spectrum of total margins for FY02 ranging from -19.95% to 14.48%. Similarly, comparing the individual-facility three-year average total margin to each hospital's FY02 total margin indicates that some hospitals have experienced significant improvements in their financial performance while others have experienced significant declines.

Notwithstanding the diverse performance of the individual hospitals, the average operating margin for the freestanding psychiatric hospitals as a group fell more than a full point from -0.08% in FY01 to -1.11% in FY02. However, the statewide operating margin was strongly affected by extraordinary adjustments at two non-profit hospitals. Exclud-

ing a one-time asset impairment at First Wyoming Valley and litigation expenses at Philhaven from the statewide calculation results in a statewide average operating margin of 0.50%. This would be a 0.58 point improvement over FY01. There were no extraordinary adjustments reported in FY01.

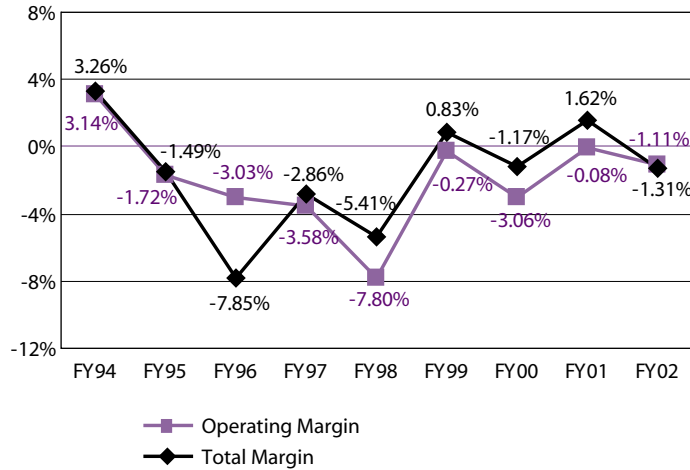
FIGURE P-6
Statewide Net Patient Revenue at Psychiatric Hospitals*, FY02
by Payor



* Excludes state psychiatric hospitals

FIGURE P-7

Statewide Operating and Total Margins at Psychiatric Hospitals*



* Excludes state psychiatric hospitals

Excluding the two extraordinary adjustments, the psychiatric hospitals were able to keep the growth in operating expenses to 1.4% despite a 7.1% increase in total patient days and a 3.2% increase in discharges. These in-

creases in days and discharges only resulted in a 1.4% increase in statewide net patient revenue.

The average total margin for the psychiatric hospitals fell over 2.9 points from 1.62% in FY01 to -1.31% in FY02. Unlike other hospital categories, such as GAC and rehabilitation, the leading factors affecting total margin was *not* a decline in investment income or the value of securities. The decline in the total margin was driven primarily by the two extraordinary adjustments to operating income discussed above plus a one-time restructuring expense posted by Belmont and a net increase in the federal income tax expense reported by three of the four for-profit hospitals operated by Universal Health Services, Inc. (Clarion, Fairmount, and Meadows). Excluding the extraordinary adjustments by the three non-profit hospitals and the net increases in the tax allocation for the Universal Health facilities, the statewide total margin would have only declined about 0.73 points to 0.89% instead of the actual decline of nearly three points.

TABLE P-4

Region	Psychiatric Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY99-FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
		Statewide Average	\$17	\$15	\$15		\$14	0.81%	\$17	\$15	
1	Southwood Psych ^{1,5,10}	\$10	\$10	\$9	\$4	NA	\$10	\$10	\$9	\$4	NA
2	Clarion Psych ^{1,5,10}	\$7	\$7	\$7	\$8	-3.88%	\$7	\$6	\$6	\$5	10.43%
4	Meadows Psych Center ^{1,5,10}	\$12	\$11	\$14	\$17	-10.13%	\$11	\$11	\$14	\$15	-9.04%
5	Philhaven ⁵	\$31	\$28	\$27	\$23	11.51%	\$35	\$30	\$28	\$24	15.38%
6	First Wyoming Valley ⁷	\$11	\$12	\$11	\$12	-1.91%	\$15	\$12	\$12	\$11	10.26%
7	National Kids Crisis ¹	\$16	\$15	\$17	\$17	-0.70%	\$16	\$16	\$15	\$15	2.69%
8	Devereux Mapleton Psych ⁷	\$4	\$3	\$2	\$2	21.82%	\$4	\$3	\$2	\$2	36.08%
8	Eugenia ^{6,10,14}	\$12	\$9	\$7	NR	NR	\$11	\$9	\$8	NR	NR
8	Foundations Behavioral ⁵	\$17	\$17	\$14	\$9	29.20%	\$16	\$14	\$12	\$8	30.29%
8	Horsham Clinic ^{1,10}	\$26	\$26	\$24	\$24	3.62%	\$26	\$26	\$24	\$23	4.07%
8	Montgomery Cty ES ⁵	\$12	\$11	\$10	\$7	27.06%	\$12	\$11	\$11	\$8	14.96%
8	Northwestern Inst Psych ^{6,10,14}	\$22	\$23	\$24	NR	NR	\$22	\$23	\$27	NR	NR
8	St John Vianney ⁵	\$4	\$4	\$3	\$3	4.19%	\$4	\$3	\$3	\$4	0.68%
9	Belmont Center ⁶	\$28	\$27	\$25	\$25	4.18%	\$30	\$28	\$26	\$26	5.09%
9	Fairmount Behavioral ^{1,3,5,10}	\$22	\$8	\$21	\$16	13.16%	\$22	\$8	\$21	\$17	8.05%
9	Friends ⁵	\$31	\$29	\$30	\$32	-1.48%	\$36	\$35	\$37	\$35	0.92%
9	Kirkbride Center ^{1,5,10}	\$16	\$16	\$20	\$13	8.15%	\$21	\$18	\$25	\$18	5.24%

NA Not Applicable

Footnotes on page 46.

NR Not Reported

See page 46 for map of regions.

TABLE P-4 (continued)

Psychiatric Hospital	Operating Margin FY02	Total Margin FY02	3-yr Average Total Margin FY00-FY02	Uncompensated Care to NPR FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02
Statewide Average	-1.11%	-1.31%	-0.30%	6.06%	11.77%	58.99%
Non-Profit Psychiatric Hospitals						
Statewide Average (non-profit)	-3.85%	-3.35%	-0.95%	4.11%	16.94%	50.78%
Philhaven ⁵	-8.60%	-8.69%	1.14%	2.25%	8.07%	52.82%
First Wyoming Valley ⁷	-19.95%	-19.95%	-5.12%	3.62%	33.85%	32.00%
National Kids Crisis ¹	-1.22%	-1.22%	4.04%	0.39%	0.00%	74.98%
Devereux Mapleton Psych ⁷	-12.49%	-12.49%	-12.10%	4.79%	0.00%	79.27%
Foundations Behavioral ⁵	8.89%	8.37%	11.82%	4.84%	0.00%	63.31%
Montgomery Cty ES ⁵	3.89%	2.58%	0.13%	6.99%	7.97%	53.43%
St John Vianney ⁵	8.84%	10.05%	4.19%	0.00%	0.00%	0.00%
Belmont Center ⁶	1.46%	-0.50%	3.71%	1.39%	29.12%	47.38%
Friends ⁵	-9.66%	-4.58%	-6.78%	9.53%	24.39%	36.68%
For-Profit Psychiatric Hospitals						
Statewide Average (for-profit)	2.24%	1.20%	0.55%	8.43%	5.01%	69.71%
Southwood Psych ^{1,5,10}	2.60%	2.01%	2.61%	3.48%	0.00%	73.32%
Clarion Psych ^{1,5,10}	4.85%	-6.50%	4.90%	3.64%	4.16%	71.56%
Meadows Psych Center ^{1,5,10}	8.95%	-2.49%	0.82%	0.67%	3.39%	68.21%
Eugenia ^{6,10,14}	13.08%	14.48%	6.62%	2.55%	2.23%	96.36%
Horsham Clinic ^{1,10}	2.14%	8.80%	6.65%	2.72%	4.89%	46.03%
Northwestern Inst Psych ^{6,10,14}	7.92%	8.64%	1.84%	9.93%	NR	66.91%
Fairmount Behavioral ^{1,3,5,10}	2.47%	-3.52%	-2.19%	7.39%	7.81%	74.38%
Kirkbride Center ^{1,5,10}	-19.06%	-19.06%	NR	32.23%	13.70%	85.27%

NA Not Applicable
NR Not Reported

Footnotes on page 46.
See page 46 for map of regions.

TABLE P-5

Region	State Psychiatric Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY99-FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
	Statewide Average	\$8	\$8	\$10	\$10	-6.80%	\$43	\$43	\$45	\$44	-0.72%
1	Mayview State	\$10	\$8	\$10	\$11	-2.32%	\$65	\$62	\$62	\$60	2.90%
1	Torrance State	\$8	\$9	\$10	\$11	-8.46%	\$39	\$37	\$37	\$38	1.01%
2	Warren State	\$8	\$9	\$10	\$9	-3.35%	\$37	\$36	\$36	\$35	2.26%
4	Danville State	\$6	\$6	\$8	\$9	-12.44%	\$28	\$29	\$30	\$31	-2.63%
5	Harrisburg State	\$7	\$7	\$9	\$9	-7.77%	\$41	\$41	\$39	\$38	1.96%
6	Clark Summit State	\$9	\$9	\$10	\$9	-1.82%	\$37	\$35	\$37	\$35	1.90%
7	Allentown State	\$5	\$6	\$7	\$7	-10.81%	\$31	\$32	\$33	\$34	-3.14%
7	Wernersville State	\$8	\$9	\$10	\$9	-3.19%	\$34	\$34	\$36	\$35	-0.66%
8	Norristown State	\$12	\$12	\$16	\$17	-9.87%	\$78	\$80	\$93	\$93	-5.48%

TABLE P-5 (continued)

State Psychiatric Hospital	Percent of Expenses not covered by NPR FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02
Statewide Average	81.41%	12.36%	73.31%
Mayview State	84.67%	17.06%	69.06%
Torrance State	78.71%	10.70%	75.15%
Warren State	77.85%	10.82%	75.58%
Danville State	79.95%	11.84%	74.77%
Harrisburg State	83.41%	17.46%	58.53%
Clark Summit State	76.01%	9.95%	77.72%
Allentown State	83.70%	13.70%	68.53%
Wernersville State	76.67%	10.62%	76.90%
Norristown State	84.98%	10.40%	78.05%

LONG-TERM ACUTE CARE

Long-term acute care (LTAC) hospitals provide specialized acute care to medically complex patients who no longer require intensive care provided by a general acute care (GAC) hospital. However, they are not medically ready for rehabilitation care, or they still need a higher level of care than can be provided by a skilled nursing facility or home health care. Patients are commonly admitted directly from a GAC hospital intensive care unit with complex medical conditions, such as respiratory or ventilator-dependent, that require continuous acute care. Therefore, the average length of stay at the LTAC facilities was 31.1 days during FY02 compared to 5.4 days at Pennsylvania's GAC hospitals.

Trends in Long-Term Acute Care

LTAC facilities are a relatively new sector in Pennsylvania's health care delivery system that began with one facility in FY94 and grew to five facilities by the end of FY97. Since then, 17 additional LTAC hospitals went into operation bringing the statewide total to 22. Sixteen of these 22 facilities operated during FY02 and are included in this report.

The growth in the LTAC sector resulted in the addition of 59 beds during FY02 which results in a 9% increase in LTAC (non-psychiatric) capacity during the year. Despite this additional capacity, the statewide average occupancy rate for LTAC beds rose by

nearly five points to 67.63% because the demand for LTAC care (patient days) increased by 22%.

One reason for the fast growth in LTAC hospitals is that most new facilities utilize space within an existing GAC hospital. All eleven hospitals that opened during FY00 through FY02 occupy space within GAC hospitals. Consequently, construction time is reduced to the time needed to renovate existing hospital space. Moreover, since many new facilities lease space from a GAC hospital, capital requirements are considerably less than constructing a new freestanding facility.

Another reason for the growth in LTAC care is that GAC hospitals have a financial incentive to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare prospective payment system, or PPS, GAC hospitals typically receive a predetermined fee based on the average cost to treat patients in the diagnosis related group (DRG) applicable to the patient. If a patient requires acute care for an extended period of time, the Medicare payment to the GAC hospital for short-term acute care is not intended to cover all of the costs of extended treatment. Therefore, GAC hospitals have an incentive to discharge a patient to a LTAC facility if the duration of the patient's acute hospitalization will be significantly longer than the average for patients in a particular GAC DRG.

The new LTAC facilities that began operation since FY99 are smaller than the five facilities that opened prior to FY98. These newer facilities have an average of 34 staffed beds compared to an average of over 88 staffed beds for the original five facilities.

The top eight clinical classifications for patients discharged from LTAC facilities during FY02 are presented in Table L-2. These eight classifications represent 57% of all discharges during the fiscal year. Approximately 19% of the patients in the top eight clinical classifications are receiving care for psychiatric disorders.

During FY02, care provided in designated psychiatric units of LTAC hospitals represented 18.9%

FIGURE L-1

Patient Days at Long-Term Acute Care Hospitals

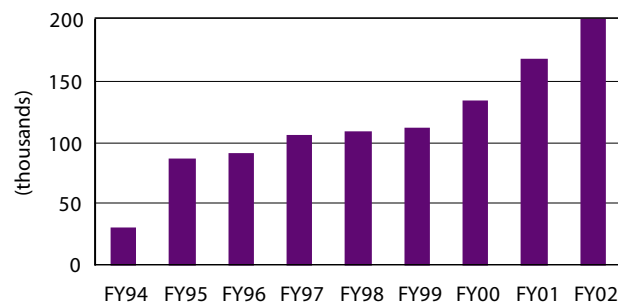


TABLE L-1

Utilization and Capacity of Long-Term Acute Care Hospitals

by Type of Care

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

NC = Not collected by the Council

of the discharges and 14.6% of the total patient days of care provided at LTAC hospitals. However, all of the new beds added since the PHC4 began tracking LTAC beds in FY97 have been reported as med-surg acute beds.

The age distribution of patients receiving LTAC care is presented in Figure L-2. This distribution is indicative of extended care facilities, which serve a

predominately elderly population. Consistent with the age distribution of LTAC patients, Figure L-3 shows that 61.3% of net patient revenue (NPR) was received from Medicare during FY02. In contrast, GAC hospitals in Pennsylvania received an average of 42.7% of their total NPR from Medicare.

Like rehabilitation hospitals, LTAC hospitals will also be transitioning from a cost-based Medicare

TABLE L-2

Leading Clinical Classifications[†] at Long-Term Acute Care Hospitals, FY02

Top Eight	Percent
Adult respiratory failure, insufficiency, arrest	19.64%
Schizophrenia and related disorders	10.37%
Rehabilitation care, fitting of prosthesis, and adjustment of devices	6.08%
Affective(mood) disorders	8.33%
Chronic ulcer of skin	4.29%
Complications of surgical procedures or medical care	2.87%
Chronic obstructive pulmonary disease and bronchiectasis	2.74%
Congestive heart failure, nonhypertensive	2.67%

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

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

The new PPS system began for Medicare reporting years beginning after October 1, 2002. During the first year, only 20% of a facility's reimbursements will be based on the PPS system with the balance paid under the historic cost-based system. The PPS system will be phased in over the subsequent four years with full PPS reimbursement beginning with the reporting year after October 1, 2006. Hospitals can make a one-time election to switch to 100% PPS reimbursement during the phase-in period. The federal Department of Health and Human Services will make annual adjustments to the PPS base rate every July.

Since the new PPS only began after the end of

FY02 and will be phased in over a five-year period, it may be a few years before it can be determined what effect PPS has on ALOS, revenue, expenses, and income.

Medical Assistance (MA) Program is the third largest payor providing a total 14.8% of LTAC net patient revenue. The MA share of LTAC revenue is almost twice the percent of MA revenue received by GAC hospitals. One reason that MA provides a larger share of LTAC revenue is that 18.9% of the patients at LTAC hospitals received psychiatric care. MA is the largest payor of psychiatric care in Pennsylvania. Another reason

for MA's greater role is that MA often becomes the payor for under- or uninsured patients that do not have the resources to pay for extended care.

Four of the LTAC hospitals reported a total of 65,957 outpatient visits during FY02. However, most of the outpatient care is not directly related to the hospitals' inpatient LTAC care. For example, 72% of the outpatient visits to LTAC hospitals were reported by the Girard Medical Center and a large part of Girard's outpatient care is related to its drug and alcohol programs operated out of the same facility as its LTAC.

FIGURE L-2

Age Distribution at Long-Term Acute Care Hospitals, FY02

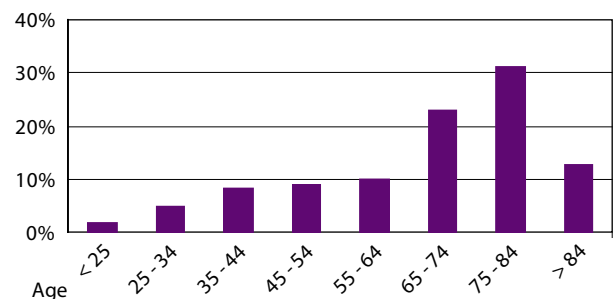


TABLE L-3

Utilization and Capacity, FY02

by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allentown Specialty	8,214	10,585	77.60%	307	29	26.76
Girard	34,974	41,975	83.32%	1,372	115	25.49
Kindred/Philadelphia	15,969	18,980	84.14%	292	52	54.69
Kindred/Pittsburgh	20,882	22,995	90.81%	363	63	57.53
LifeCare Pittsburgh	34,572	56,575	61.11%	1,252	155	27.61
Mercy Special Care	18,444	20,440	90.23%	580	56	31.80
SCCI/Easton	6,269	11,315	55.40%	262	31	23.93
SCCI/Harrisburg	5,522	10,950	50.43%	190	30	29.06
Select Specialty/Cmp Hill	982	5,859	16.76%	23	31	42.70
Select Specialty/Erie	5,127	12,775	40.13%	184	35	27.86
Select Specialty/Grnsbrg	4,483	11,315	39.62%	156	31	28.74
Select Specialty/Johnstwn	12,355	14,235	86.79%	416	39	29.70
Select Specialty/Phila	5,794	13,140	44.09%	182	36	31.84
Select Specialty/Pgh	11,901	14,965	79.53%	340	41	35.00
SemperCare Lancaster	3,964	10,950	36.20%	151	30	26.25
Specialty Philadelphia	10,121	15,695	64.49%	342	43	29.59

Financial Profile

The small negative FY02 average operating and total margins for the three non-profit hospitals and the 13 for-profit hospitals is largely a reflection of the recent growth in this sector. Typically the expenses exceed revenues at new facilities as admissions and occupancy rates grow into profitable levels.

Two of the three non-profit hospitals still have negative margins, but one of those facilities, Allentown Specialty Hospital, has steadily reduced its operating losses since it opened during FY00. Only Mercy Special Care Hospital has posted consistent losses since it began operations during FY95.

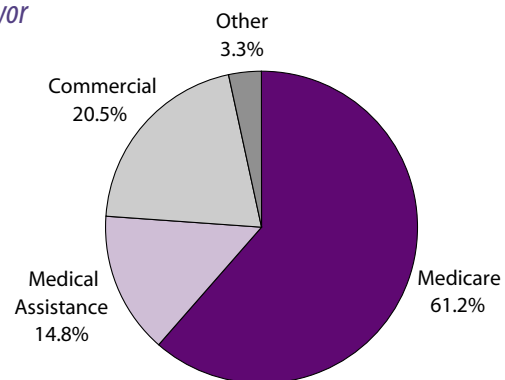
With one exception, six of the seven for-profit hospitals with negative margins have been in operation for less than two full years. Only Life Care of Pittsburgh was still operating at a loss after two full years. Life Care began providing LTAC dur-

ing FY00 in the facility formally operated as Forbes Metropolitan Hospital. Forbes operated as a LTAC hospital since FY94.

FIGURE L-3

Statewide Net Patient Revenue at Long-Term Acute Care Hospitals, FY02

by Payor



LONG-TERM ACUTE CARE

TABLE L-4

Region	Long-Term Acute Care Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY99-FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
	Statewide Average	\$12	\$10	\$12	\$19	35.45%	\$13	\$11	\$12	\$21	29.78%
1	Kindred/Pittsburgh ^{1,10}	\$20	\$15	\$14	\$16	6.98%	\$18	\$15	\$14	\$14	8.80%
1	LifeCare Pittsburgh ^{1,3,10}	\$33	\$31	\$13	NR	NR	\$35	\$32	\$13	NR	NR
1	Select Specialty/Grnsbrg ^{1,3,10}	\$4	\$1	NA	NA	NA	\$5	\$1	NA	NA	NA
1	Select Specialty/Pgh ^{1,10}	\$11	\$8	\$8	NA	NA	\$9	\$8	\$7	NA	NA
2	Select Specialty/Erie ^{1,3,10}	\$5	\$0.4	NA	NA	NA	\$5	\$1	NA	NA	NA
3	Select Specialty/Johnstwn ^{1,10}	\$9	\$6	\$5	NA	NA	\$8	\$6	\$5	NA	NA
5	SCCI/Harrisburg ^{1,3,10}	\$6	\$1	NA	NA	NA	\$7	\$3	NA	NA	NA
5	Select Specialty/Cmp Hill ^{1,2,4,10}	\$1	NA	NA	NA	NA	\$2	NA	NA	NA	NA
5	SemperCare Lancaster ^{4,10,14}	\$4	NA	NA	NA	NA	\$5	NA	NA	NA	NA
6	Mercy Special Care ^{1,5}	\$11	\$10	\$9	\$8	14.36%	\$12	\$11	\$10	\$9	10.25%
7	Allentown Specialty ³	\$9	\$6	\$1	NA	NA	\$9	\$6	\$2	NA	NA
7	SCCI/Easton ^{1,3,10}	\$7	\$1	NA	NA	NA	\$7	\$3	NA	NA	NA
8	Specialty Philadelphia ^{1,3,10}	\$9	\$6	\$1	NA	NA	\$9	\$7	\$2	NA	NA
9	Girard ⁵	\$48	\$41	\$39	\$36	11.31%	\$48	\$44	\$42	\$39	7.69%
9	Kindred/Philadelphia ^{1,10}	\$14	\$12	\$11	\$13	2.65%	\$13	\$12	\$12	\$11	5.56%
9	Select Specialty/Phila ^{1,10}	\$7	\$6	\$5	NA	NA	\$7	\$6	\$5	NA	NA

NA Not Applicable
NR Not Reported

Footnotes on page 46.
See page 46 for map of regions.

TABLE L-4 (continued)

Long-Term Acute Care Hospital	Operating Margin FY02	Total Margin FY02	3-yr Average Total Margin FY00-FY02	Uncompensated Care to NPR FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02
Statewide Average	-0.40%	-0.64%	-2.50%	5.08%	61.32%	14.85%
Non-Profit LTAC Hospitals						
Statewide Average (non-profit)	-0.32%	-0.28%	-1.83%	10.50%	45.18%	41.74%
Mercy Special Care ^{1,5}	-5.43%	-5.17%	-5.03%	2.30%	75.72%	0.86%
Allentown Specialty ³	-2.45%	-2.45%	-15.75%	2.27%	72.99%	0.00%
Girard ⁵	1.25%	1.25%	0.51%	13.86%	33.16%	58.65%
For-Profit LTAC Hospitals						
Statewide Average (for-profit)	-0.44%	-0.84%	-2.92%	2.26%	69.71%	0.86%
Kindred/Pittsburgh ^{1,10}	10.18%	6.26%	2.69%	1.64%	62.33%	0.00%
LifeCare Pittsburgh ^{1,3,10}	-4.90%	-2.94%	-2.29%	0.79%	84.61%	0.00%
Select Specialty/Grnsbrg ^{1,3,10}	-10.13%	-10.13%	NA	3.00%	85.74%	0.00%
Select Specialty/Pgh ^{1,10}	14.90%	15.48%	NR	5.70%	34.90%	0.00%
Select Specialty/Erie ^{1,3,10}	-9.06%	-9.06%	NA	3.00%	70.89%	0.00%
Select Specialty/Johnstwn ^{1,10}	9.68%	9.94%	NR	3.01%	60.77%	0.00%
SCCI/Harrisburg ^{1,3,10}	-30.77%	-30.77%	NA	6.51%	71.42%	0.00%
Select Specialty/Cmp Hill ^{1,2,4,10}	-103.85%	-103.85%	NA	3.95%	36.39%	0.00%
SemperCare Lancaster ^{4,10,14}	-20.82%	-20.82%	NA	0.39%	75.38%	0.00%
SCCI/Easton ^{1,3,10}	-2.81%	-2.81%	NA	1.90%	NR	0.00%
Specialty Philadelphia ^{1,3,10}	4.35%	2.69%	-5.63%	-0.29%	NR	NR
Kindred/Philadelphia ^{1,10}	6.16%	3.79%	-1.52%	1.53%	58.23%	7.95%
Select Specialty/Phila ^{1,10}	1.87%	1.87%	NR	6.25%	57.54%	0.00%

SPECIALTY CARE

Specialty facilities provide unique types or combinations of patient care that do not fall under the other categories of non-general acute care. There were seven hospitals in this category. In lieu of an analysis of the trends in utilization and financial health of this very diverse category of facilities, this section presents a brief summary of each of the facilities, based on data available at the end of fiscal year 2002 (FY02).

Children's Home of Pittsburgh is an eleven-bed inpatient non-profit transitional infant care hospital that provides an intermediate level of medical care for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. The hospital discharged 130 patients during FY02.

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

care and other services do not cover its operating expenses. However, as a result of contributions and investment earnings, the hospital continues to realize positive total margins, averaging 14.18% over the three-year FY00 to FY02 period.

Divine Providence is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital provides outpatient diagnostic and treatment services and operates a 31-bed inpatient psychiatric unit. During FY02, Divine Providence experienced 117,000 outpatient visits. Outpatient care represented about 93% of the facility's net patient revenue (NPR).

Eagleville Hospital is a 334-bed inpatient drug and alcohol treatment hospital located in Montgomery County. Eagleville Hospital reported a near break-even operating margin of 0.16% and a total margin of 11.62% for FY02. The substantial difference between the operating and total margin is

TABLE S-1

Region	Specialty Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY99-FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
	Statewide Average	\$12	\$11	\$11	\$6	42.48%	\$12	\$12	\$12	\$13	3.21%
1	Children's Home Pgh	\$2	\$2	\$2	\$2	7.25%	\$3	\$3	\$3	\$3	7.60%
1	Pittsburgh Specialty ^{1,10,11,14}	\$3	\$2	\$2	\$2	8.90%	\$5	\$3	\$3	\$3	15.35%
4	Divine Providence	\$43	\$40	\$36	\$34	9.07%	\$42	\$42	\$39	\$41	1.09%
8	Eagleville	\$19	\$18	\$16	\$14	13.66%	\$19	\$17	\$15	\$14	12.42%
8	Malvern Inst ^{6,10,14}	\$4	\$4	\$4	NR	NR	\$4	\$4	\$4	NR	NR
8	Valley Forge ^{1,10}	\$10	\$8	\$9	\$7	9.98%	\$8	\$8	\$8	\$7	5.50%
9	Kensington	\$4	\$4	\$4	NR	NR	\$5	\$5	\$5	NR	NR

NA Not Applicable
NR Not Reported

Footnotes on page 46.
See page 46 for map of regions.

primarily the result of a \$2.4 million transition grant from the state and federal government for FY01 that was posted in FY02. The purpose of this grant is to assist hospitals in adjusting to the reduction of funding from the Medicaid program. Another \$2.2 million grant was awarded for FY02 and had been deferred until FY03.

Kensington Hospital is a 29-bed drug and alcohol hospital in Philadelphia. Kensington reported 14,591 outpatient visits in FY02 and outpatient care represented about 34% of its net patient revenue. The -40.96% operating margin presented on Table S-1 is misleading. A substantial portion of the hospital's income reported as non-operating income is typically classified as operating income. The hospital's actual operating margin should be relatively close to the -8.21% total margin.

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

County. Malvern and its affiliate hospital Northwestern Institute of Psychiatry emerged from Chapter 11 bankruptcy protection in January 2003.

The Pittsburgh Specialty Hospital was a 13-bed for-profit hospital that specializes in pain management, plastic surgery and podiatry. The facility reported relatively large losses since FY97 and closed in May 2002.

The Valley Forge Medical Center and Hospital is a 70-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other addictive-related conditions. The facility reported a 16% increase in discharges and a 23% increase in net patient revenue during FY02. Because operating expenses increased only 3.8%, the operating margin improved over 16 points from the -2.20% operating margin for FY01. This 16 point improvement counters the 14.7 point decline in the operating margin during FY01.

TABLE S-1 (continued)

Specialty Hospital	Operating Margin FY02	Total Margin FY02	3-yr Average Total Margin FY00-FY02	Uncompensated Care to NPR FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02
Statewide Average	-0.52%	3.66%	5.13%	2.92%	18.97%	31.36%
Children's Home Pgh	-14.74%	0.65%	14.18%	0.57%	0.00%	34.35%
Pittsburgh Specialty ^{1,10,11,14}	-63.37%	-63.37%	NR	0.00%	NR	NR
Divine Providence	3.85%	4.82%	5.01%	3.88%	28.28%	3.77%
Eagleville	0.16%	11.62%	14.46%	2.26%	12.94%	53.58%
Malvern Inst ^{6,10,14}	4.07%	2.11%	4.97%	2.98%	NR	NR
Valley Forge ^{1,10}	13.83%	7.34%	4.74%	1.45%	4.01%	92.99%
Kensington	-40.96%	-8.09%	-5.84%	2.75%	13.98%	63.56%

AMBULATORY SURGERY CENTER CARE

During fiscal year 2002 (FY02) there were 101 free-standing ambulatory surgery centers (ASC) required to file data with the Council. This represents an increase of 23 ASCs during FY02 and 62 ASCs since FY95.

The combination of the rapid growth in the number of licensed surgery centers and increases in the traffic at the individual surgery center have resulted in a sharp increase in the number of patients receiving treatment at ASCs. The PHC4 estimates that during FY02 there were about 392,419 patient visits to ASCs, an increase of 40.5% over the 279,335 visits estimated for FY01.

The 39 centers operating during FY95 averaged 2,667 visits per center for the year. In contrast, the annual average number of visits per center during FY02 was 3,924. Since these annual averages include new facilities where patient traffic is generally low during the initial year, the rate of growth at the established facilities should be somewhat greater than the statewide average.

Despite this strong growth in the number of centers and total ASC visits, the care provided by ASCs is equal to slightly over one percent of all the outpatient visits to all licensed hospitals.

The average net patient revenue (NPR) per visit received by ASCs fell about \$60 during FY02. It is difficult to draw specific conclusions from the decline in the statewide average net patient revenue per visit because there is a wide range of care provided across the individual ASCs. With the number of ASCs

FIGURE A-1

Statewide Patient Visits at Ambulatory Surgery Centers

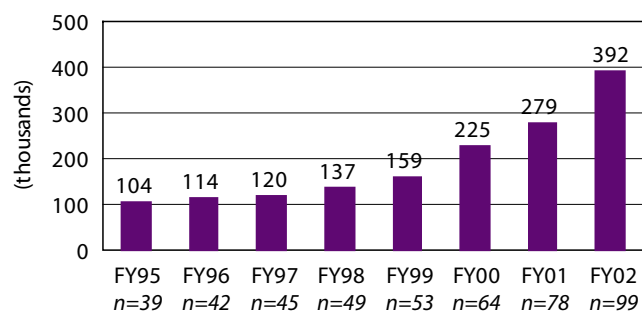
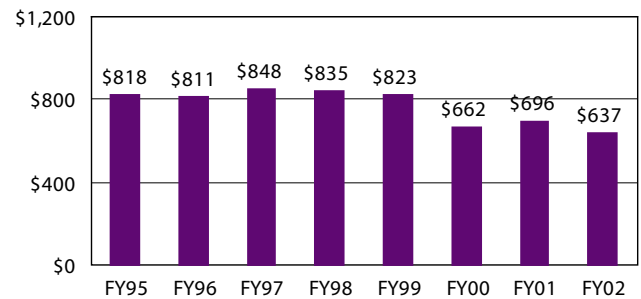


FIGURE A-2

Average Net Outpatient Revenue per Visit at Ambulatory Surgery Centers



nearly quadrupling since FY95, the average revenue per visit could be heavily influenced by changes in the overall mix of care provided by this burgeoning category of health care provider.

The top five principal procedures at ASCs and outpatient units of GAC hospitals are presented in Table A-1. The percent of cases in each category is similar for both ASCs and GAC hospitals, except for lens and cataract procedures. This category represents about 25% of all procedures at Pennsylvania's ASCs while less than 6% of the outpatient procedures performed at the outpatient units of GAC hospitals.

Both the ASCs and the outpatient units at GAC hospitals receive a little more than half of their outpatient revenue from patients covered by commercial insurance. Figure A-3 reveals that the share of outpatient revenue from Medicare participants is about five percent higher at ASCs than at outpatient units of GAC hospitals. In contrast, the percentage of outpatient revenue from Medical Assistance recipients at ASCs is less than half of the percentage of outpatient revenue at GAC hospitals. Consistent with the higher percentage of Medicare patients and lower percentage of Medical Assistance patients at ASCs, the average age of an ASC patient is 56, six years older than the average age of a GAC outpatient (50 years).

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

TABLE A-1

Top Five Principal Procedures[†] at Ambulatory Surgery Centers and General Acute Care Outpatient Units, FY02

	ASC		GAC - Outpatient	
	Count	Percent	Count	Percent
Lens and cataract procedures	62,879	24.74%	82,265	5.37%
Colonoscopy and biopsy	26,661	10.49%	157,447	10.27%
Spinal treatment with medication/stimulator	19,234	7.57%	60,882	3.97%
Upper gastrointestinal (GI) endoscopy, biopsy	14,654	5.77%	103,694	6.76%
Other non-operating room lower GI therapeutic procedures	11,595	4.56%	72,206	4.71%

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

patient traffic grows.

Despite an influx of new entrants into the ASC arena, the statewide average operating margin has remained relatively constant over the past three years. During FY02, the statewide average operating margin fell only one-tenth (0.1) of a point to 12.2%. During the previous year, the average operating margin fell 0.2 points from 12.5% in FY00 to 12.3% in FY01.

The average total margin fell 0.7 points from 12.6% in FY01 to 11.9% in FY02. This relatively small decline during FY02 follows a small 0.3 point increase in the average total margin during FY01.

Isolating the effect of the new ASC's reveals that the 65 surgery centers that were in business for more than 24 months prior to the end of FY02 had an average operating margin of 13.8%; about 1.6 points higher than the statewide average. The operating margin for this group fell 0.4 points from the FY01 average of 14.2%.

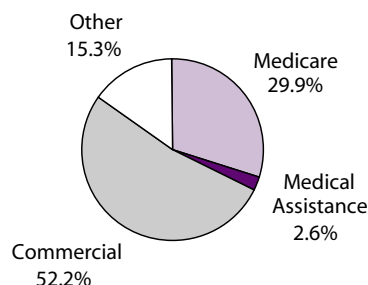
The difference between the statewide average operating margin and total margin is typically very small at ASCs. For FY02, the average total margin was about three-tenths (0.3) of a point lower

than the average operating margin.

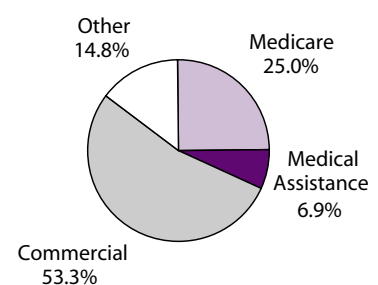
There are two characteristics of the ASCs that result in the operating margin and total margin being very close. First, most ASCs are for-profit corporations. Consequently, this sector does not have a large amount of non-operating income such as contributions and investment income from endowments. Second, unlike the for-profit hospitals, most of the for-profit ASCs are organized as Subchapter S corporations. Under this corporate structure, ASCs incur no income taxes. Income and the corresponding tax liability are allocated to the owners or partners of the ASC.

FIGURE A-3
Statewide Net Outpatient Revenue at Ambulatory Surgery Centers and General Acute Care Hospitals, FY02
by Payor

Ambulatory Surgery Centers



General Acute Care Hospitals



AMBULATORY SURGERY CENTER CARE

TABLE A-2

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY99- FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
	Statewide Average (ASC)	\$2,520	\$2,526	\$2,527	\$2,849	40.37%	\$2,232	\$2,238	\$2,235	\$2,568	39.09%
1	Aestique ASC ^{1,10}	\$1,608	\$1,416	\$1,498	\$1,583	0.53%	\$1,474	\$1,361	\$1,461	\$1,488	-0.31%
1	ASC/New Kensington ⁷	\$7,482	NA	NA	NA	NA	\$7,991	NA	NA	NA	NA
1	Children's Hosp Pgh North ⁷	\$4,201	\$3,399	NA	NA	NA	\$3,387	\$2,927	NA	NA	NA
1	Dermatology & Cosmetic SC ^{1,3,10}	\$614	\$669	\$208	NA	NA	\$546	\$623	\$178	NA	NA
1	Digestive Hlth Endoscopy ¹⁰	\$762	NA	NA	NA	NA	\$882	NA	NA	NA	NA
1	Four Seasons Endoscopy ^{1,2,4,10}	\$500	NA	NA	NA	NA	\$469	NA	NA	NA	NA
1	HEALTHSOUTH Mt Pleasant SC ^{1,10}	\$2,171	\$1,906	\$1,711	\$1,462	16.17%	\$2,057	\$1,896	\$1,706	\$1,511	12.04%
1	John A Zitelli ASC ^{1,10}	\$713	\$602	\$538	\$607	5.81%	\$713	\$596	\$535	\$607	5.78%
1	Lowry SC ^{1,10}	\$487	\$627	\$794	NR	NR	\$542	\$683	\$826	NR	NR
1	Mt Lebanon SC	\$1,637	\$1,615	\$1,683	\$1,738	-1.95%	\$1,486	\$1,402	\$1,508	\$1,550	-1.38%
1	North Shore SC ^{1,10,13}	\$268	NR	NR	\$616	-18.84%	\$329	NR	NR	\$503	-11.57%
1	SC Ligonier	\$795	\$795	\$850	\$834	-1.58%	\$683	\$679	\$718	\$674	0.41%
1	Shadyside SC ^{1,10}	\$508	\$505	\$583	NR	NR	\$482	\$493	\$589	NR	NR
1	Southwestern ASC ^{1,10}	\$3,026	\$3,215	\$3,078	\$3,095	-0.75%	\$2,972	\$2,891	\$2,366	\$2,544	5.61%
1	Southwestern PA Eye SC ^{1,10}	\$2,946	NR	\$2,175	NR	NR	\$1,390	NR	\$1,107	NR	NR
1	Three Rivers Endoscopy ^{1,10}	\$3,567	\$2,795	\$1,725	NR	NR	\$2,108	\$1,394	\$1,068	NR	NR
1	Tri County Surgical ^{1,10}	\$413	\$375	\$262	NA	NA	\$419	\$381	\$262	NA	NA
1	UPMC Monroeville SC	\$5,339	\$4,492	\$3,508	\$3,811	13.37%	\$5,224	\$5,520	\$6,197	\$7,235	-9.27%
1	Western PA SC ^{1,10}	\$3,337	NA	NA	NA	NA	\$4,286	NA	NA	NA	NA
1	Zitelli South ASC ^{1,10}	\$573	\$547	\$401	\$421	12.06%	\$601	\$547	\$399	\$421	14.32%
2	Hamot SC ^{3,10}	\$6,136	\$2,568	NA	NA	NA	\$5,363	\$2,944	NA	NA	NA
2	Laurel Laser & SC ^{1,3,10}	\$2,643	\$1,059	NA	NA	NA	\$2,655	\$1,122	NA	NA	NA
2	Saint Vincent SC ^{1,10}	\$7,329	\$6,951	\$7,062	\$6,310	5.38%	\$6,123	\$5,672	\$5,668	\$5,244	5.59%
2	Surgery & Laser ^{1,10}	\$1,611	NA	NA	NA	NA	\$1,443	NA	NA	NA	NA
2	Village SC ^{1,3,10}	\$5,132	\$3,440	\$356	NA	NA	\$4,447	\$3,545	\$1,122	NA	NA
3	Indiana AS Associates ^{1,10}	\$3,153	\$2,888	\$2,310	NA	NA	\$2,133	\$2,105	\$1,863	NA	NA
4	Centre Community SC	\$5,311	\$5,180	\$5,090	\$4,748	3.95%	\$5,165	\$4,803	\$4,238	\$3,832	11.59%
4	Endoscopy PA ^{1,10}	\$1,301	\$1,136	\$1,080	\$957	11.98%	\$1,451	\$1,158	\$1,221	\$955	17.31%
4	Mifflin County Com SC ^{1,10}	\$565	\$772	\$839	NA	NA	\$577	\$796	\$766	NA	NA
4	Susquehanna SC ^{2,4,10}	\$83	NA	NA	NA	NA	\$265	NA	NA	NA	NA
5	Apple Hill SC ¹⁰	\$9,799	\$7,936	\$8,103	\$7,526	10.07%	\$7,277	\$5,700	\$5,024	\$4,514	20.40%
5	Carlisle Endoscopy ^{1,4,10}	\$607	NA	NA	NA	NA	\$584	NA	NA	NA	NA
5	Carlisle Regional SC ^{1,10}	\$605	NA	NA	NA	NA	\$519	NA	NA	NA	NA
5	Center Reproductive ¹	\$443	NA	NA	NA	NA	\$442	NA	NA	NA	NA
5	Cumberland SC ^{1,2,4,10}	\$9	NA	NA	NA	NA	\$10	NA	NA	NA	NA

NA Not Applicable
NR Not Reported

Footnotes on page 46.
See page 46 for map of regions.

AMBULATORY SURGERY CENTER CARE

TABLE A-2 (continued)

Ambulatory Surgery Center	Operating Margin FY02	Total Margin FY02	3-yr Average Total Margin FY00-FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02	Visits
Statewide Average (ASC)	12.18%	11.85%	12.21%	29.88%	2.60%	3,953
Aestique ASC ^{1,10}	8.29%	8.48%	5.25%	28.37%	0.65%	1,817
ASC/New Kensington ⁷	-2.71%	-2.71%	NA	38.61%	4.47%	50,088
Children's Hosp Pgh North ⁷	19.37%	19.37%	NA	0.23%	10.33%	3,193
Dermatology & Cosmetic SC ^{1,3,10}	11.15%	11.15%	9.67%	0.00%	0.00%	2,683
Digestive Hlth Endoscopy ¹⁰	-15.69%	-15.69%	NA	36.35%	0.00%	1,876
Four Seasons Endoscopy ^{1,2,4,10}	6.63%	6.64%	NA	49.26%	0.01%	1,776
HEALTHSOUTH Mt Pleasant SC ^{1,10}	6.02%	6.02%	2.83%	32.79%	3.00%	1,866
John A Zitelli ASC ^{1,10}	0.08%	0.08%	0.49%	59.21%	0.21%	1,342
Lowry SC ^{1,10}	-11.35%	-11.35%	-7.49%	41.38%	0.00%	1,393
Mt Lebanon SC	9.23%	9.42%	11.49%	81.49%	0.00%	1,491
North Shore SC ^{1,10,13}	-22.77%	-22.77%	NR	4.00%	0.00%	219
SC Ligonier	14.13%	15.32%	17.15%	83.70%	1.91%	1,121
Shadyside SC ^{1,10}	4.98%	4.98%	1.90%	15.75%	0.00%	400
Southwestern ASC ^{1,10}	1.80%	1.87%	11.75%	29.86%	25.95%	3,883
Southwestern PA Eye SC ^{1,10}	52.81%	52.81%	NR	73.53%	2.69%	3,004
Three Rivers Endoscopy ^{1,10}	40.94%	41.23%	43.95%	14.99%	0.04%	6,605
Tri County Surgical ^{1,10}	-1.62%	1.24%	-0.01%	20.12%	0.00%	1,268
UPMC Monroeville SC	2.59%	-17.54%	-32.11%	34.15%	0.00%	7,216
Western PA SC ^{1,10}	-28.45%	-28.45%	NA	11.74%	0.42%	3,351
Zitelli South ASC ^{1,10}	0.06%	0.06%	0.19%	64.62%	0.17%	1,250
Hamot SC ^{3,10}	12.59%	12.81%	NA	24.57%	2.89%	7,419
Laurel Laser & SC ^{1,3,10}	-0.48%	-0.48%	NA	70.35%	2.00%	3,047
Saint Vincent SC ^{1,10}	16.46%	17.52%	19.40%	24.58%	5.11%	7,423
Surgery & Laser ^{1,10}	10.41%	10.41%	NA	55.42%	1.43%	2,069
Village SC ^{1,3,10}	13.34%	13.43%	-1.90%	21.85%	11.59%	5,305
Indiana AS Associates ^{1,10}	37.27%	37.27%	31.95%	38.06%	1.12%	3,828
Centre Community SC	3.08%	3.08%	9.66%	22.44%	2.68%	10,419
Endoscopy PA ^{1,10}	-0.29%	-0.28%	3.23%	50.13%	3.00%	3,075
Mifflin County Com SC ^{1,10}	-2.18%	-2.18%	3.77%	63.73%	3.30%	810
Susquehanna SC ^{2,4,10}	-219.92%	-219.92%	NA	19.74%	0.00%	116
Apple Hill SC ¹⁰	25.94%	26.13%	30.75%	27.94%	1.37%	10,827
Carlisle Endoscopy ^{1,4,10}	3.85%	3.85%	NA	46.90%	1.32%	1,887
Carlisle Regional SC ^{1,10}	14.27%	14.27%	NA	40.36%	5.06%	1,280
Center Reproductive ¹	0.18%	0.18%	NA	0.00%	0.00%	1,039
Cumberland SC ^{1,2,4,10}	-17.00%	-17.00%	NA	0.00%	0.00%	3

AMBULATORY SURGERY CENTER CARE

TABLE A-2

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY99- FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
	Statewide Average (ASC)	\$2,520	\$2,526	\$2,527	\$2,849	40.37%	\$2,232	\$2,238	\$2,235	\$2,568	39.09%
5	Digestive Disease Inst ^{1,10}	\$1,189	\$914	\$784	\$639	28.69%	\$1,183	\$1,027	\$933	\$355	77.64%
5	Endoscopy USA York ^{1,2,4,10,13,14}	NR	NA	NA	NA	NA	NR	NA	NA	NA	NA
5	Grandview SC ^{1,3,10}	\$1,671	\$580	NA	NA	NA	\$1,215	\$376	NA	NA	NA
5	Grandview Surgery & Laser ^{1,10}	\$4,003	\$4,075	\$3,745	\$5,082	-7.08%	\$5,051	\$4,029	\$3,453	\$3,439	15.62%
5	Hanover SC	\$2,488	\$2,378	\$2,302	\$2,234	3.79%	\$2,009	\$1,951	\$1,844	\$2,141	-2.06%
5	Harrisburg Endoscopy & SC ^{1,10}	\$1,037	NA	NA	NA	NA	\$808	NA	NA	NA	NA
5	HEALTHSOUTH SC Lancaster ^{1,10}	\$5,474	\$5,485	\$5,242	\$5,448	0.16%	\$5,965	\$5,107	\$4,880	\$4,958	6.77%
5	Leader SC ^{1,10}	\$488	\$352	NA	NA	NA	\$444	\$317	NA	NA	NA
5	Lebanon Outpatient SC ^{1,10}	\$3,141	\$3,233	\$3,217	\$3,155	-0.15%	\$2,840	\$2,851	\$2,773	\$2,755	1.03%
5	Ophthalmology SC ^{1,10}	\$2,261	\$2,113	\$1,818	\$1,794	8.68%	\$2,190	\$1,940	\$1,703	\$1,586	12.70%
5	PA Eye SC ^{1,10}	\$1,737	\$2,033	NR	NR	NR	\$1,173	\$1,181	NR	NR	NR
5	Penn Surgery Inst ¹⁰	\$427	\$713	NA	NA	NA	\$392	\$619	NA	NA	NA
5	SC York	\$3,810	\$3,666	\$3,580	\$3,094	7.72%	\$3,377	\$3,189	\$3,020	\$2,691	8.51%
5	Summit SC ^{3,10}	\$3,412	\$755	NA	NA	NA	\$3,331	\$2,228	NA	NA	NA
5	Susquehanna Valley SC ^{1,3,10,14}	\$6,025	\$1,439	NA	NA	NA	\$4,281	\$2,289	NA	NA	NA
5	Valley View SC ^{1,3,10}	\$841	\$618	\$220	NA	NA	\$508	\$443	\$206	NA	NA
5	West Shore Endoscopy ^{1,10}	\$2,739	\$1,828	\$1,511	\$1,587	24.19%	\$2,337	\$1,467	\$1,165	\$975	46.54%
5	West Shore SC ^{1,10}	\$5,273	NA	NA	NA	NA	\$4,922	NA	NA	NA	NA
5	York Endoscopy ^{1,10}	\$809	NA	NA	NA	NA	\$664	NA	NA	NA	NA
6	Bucci Eye SC ^{1,10}	\$254	NA	NA	NA	NA	\$408	NA	NA	NA	NA
6	Center Same Day Surgery ^{1,2,4,10}	\$624	NA	NA	NA	NA	\$784	NA	NA	NA	NA
6	Guthrie Clinic	\$2,574	NA	NA	NA	NA	\$1,420	NA	NA	NA	NA
6	Hazleton ASC ^{1,10}	\$1,518	\$1,637	\$1,080	NA	NA	\$552	\$645	\$452	NA	NA
6	HEALTHSOUTH Scranton SC ^{1,10}	\$2,432	\$3,431	\$3,338	\$3,422	-9.64%	\$2,290	\$2,203	\$2,344	\$2,339	-0.70%
6	Kingston Ophthalmology ^{1,10}	\$3,736	\$5,560	\$3,904	NR	NR	\$2,557	\$2,352	\$1,906	NR	NR
6	NEI AS ^{1,10}	\$3,802	\$3,955	\$3,469	\$3,578	2.09%	\$2,961	\$3,250	\$2,748	\$2,683	3.45%
6	North East SC ^{1,10}	\$2,929	NA	NA	NA	NA	\$2,465	NA	NA	NA	NA
6	Pocono ASC ^{1,10}	\$2,782	\$2,719	\$2,588	\$2,693	1.10%	\$2,257	\$2,182	\$2,092	\$1,812	8.18%
6	Riverview ASC ^{1,3,10}	\$1,410	\$202	NA	NA	NA	\$1,446	\$628	NA	NA	NA
6	Scranton Endoscopy ^{1,10,13,14}	\$1,718	NA	NA	NA	NA	\$999	NA	NA	NA	NA
6	Surgical Specialty NE ^{1,2,4,10}	\$79	NA	NA	NA	NA	\$340	NA	NA	NA	NA
6	Valley SC ^{2,10}	\$236	\$2,120	\$2,572	\$2,236	NA	\$566	\$2,273	\$2,603	\$2,410	NA
7	CHS ASC ^{1,10}	\$4,027	\$3,747	\$2,333	NA	NA	\$3,432	\$3,602	\$2,634	NA	NA
7	Exeter SC ^{1,10}	\$4,727	\$3,466	\$2,798	\$2,751	23.94%	\$4,047	\$3,525	\$3,212	\$3,272	7.90%
7	Fairgrounds SC ^{1,10}	\$7,970	\$7,235	\$6,090	\$5,918	11.55%	\$7,550	\$7,126	\$5,921	\$5,598	11.62%

NA Not Applicable
NR Not Reported

Footnotes on page 46.
See page 46 for map of regions.

AMBULATORY SURGERY CENTER CARE

TABLE A-2 (continued)

Ambulatory Surgery Center	Operating Margin FY02	Total Margin FY02	3-yr Average Total Margin FY00-FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02	Visits
Statewide Average (ASC)	12.18%	11.85%	12.21%	29.88%	2.60%	3,953
Digestive Disease Inst ^{1,10}	0.47%	0.47%	-8.94%	23.58%	0.34%	2,827
Endoscopy USA York ^{1,2,4,10,13,14}	NR	NR	NA	NR	NR	NR
Grandview SC ^{1,3,10}	28.76%	28.76%	NA	6.95%	0.71%	1,593
Grandview Surgery & Laser ^{1,10}	-22.48%	-22.48%	-4.56%	18.09%	0.72%	4,523
Hanover SC	19.59%	19.59%	19.43%	37.83%	1.61%	2,683
Harrisburg Endoscopy & SC ^{1,10}	22.07%	22.07%	NA	36.78%	0.26%	2,826
HEALTHSOUTH SC Lancaster ^{1,10}	-8.22%	-8.22%	2.52%	26.49%	0.11%	5,768
Leader SC ^{1,10}	8.92%	8.92%	NA	10.37%	0.04%	944
Lebanon Outpatient SC ^{1,10}	9.60%	9.80%	11.98%	40.20%	5.59%	4,883
Ophthalmology SC ^{1,10}	3.16%	3.30%	6.00%	57.00%	2.00%	2,490
PA Eye SC ^{1,10}	33.36%	33.36%	NR	47.51%	2.03%	2,336
Penn Surgery Inst ¹⁰	8.37%	8.37%	NA	25.52%	0.00%	1,050
SC York	11.67%	11.67%	13.68%	22.88%	3.96%	4,535
Summit SC ^{3,10}	2.38%	2.45%	NA	31.15%	4.04%	3,498
Susquehanna Valley SC ^{1,3,10,14}	28.95%	29.11%	NA	NR	NR	7,452
Valley View SC ^{1,3,10}	39.61%	39.87%	31.38%	53.00%	0.00%	1,103
West Shore Endoscopy ^{1,10}	32.40%	30.94%	35.65%	24.04%	0.24%	4,650
West Shore SC ^{1,10}	6.68%	6.70%	NA	26.18%	0.11%	6,054
York Endoscopy ^{1,10}	17.93%	17.93%	NA	39.87%	0.17%	2,132
Bucci Eye SC ^{1,10}	-59.52%	-59.52%	NA	86.82%	0.29%	298
Center Same Day Surgery ^{1,2,10}	-25.66%	-22.39%	NA	17.63%	2.31%	589
Guthrie Clinic	47.77%	47.77%	NA	31.58%	1.78%	5,388
Hazleton ASC ^{1,10}	63.62%	63.62%	61.05%	57.31%	2.03%	2,027
HEALTHSOUTH Scranton SC ^{1,10}	7.35%	7.35%	26.78%	9.09%	1.93%	2,978
Kingston Ophthalmology ^{1,10}	31.55%	31.55%	48.45%	51.11%	3.32%	8,765
NEI AS ^{1,10}	22.55%	24.99%	21.47%	59.60%	2.15%	5,327
North East SC ^{1,10}	15.90%	15.90%	NA	11.22%	1.96%	4,201
Pocono ASC ^{1,10}	18.87%	19.03%	19.49%	31.30%	2.46%	3,619
Riverview ASC ^{1,3,10}	-2.54%	-2.54%	NA	50.46%	4.32%	2,910
Scranton Endoscopy ^{1,10,13,14}	41.87%	41.87%	NA	NR	NR	5,271
Surgical Specialty NE ^{1,2,4,10}	-330.45%	-338.56%	NA	92.74%	0.00%	120
Valley SC ^{2,10}	-139.51%	-139.51%	-9.90%	20.05%	0.00%	274
CHS ASC ^{1,10}	14.77%	15.11%	4.77%	16.42%	0.16%	5,102
Exeter SC ^{1,10}	14.83%	14.83%	2.59%	31.57%	1.00%	4,790
Fairgrounds SC ^{1,10}	5.27%	5.45%	2.79%	19.17%	1.49%	8,176

AMBULATORY SURGERY CENTER CARE

TABLE A-2

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY99-FY02	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY99- FY02
		FY02	FY01	FY00	FY99		FY02	FY01	FY00	FY99	
	Statewide Average (ASC)	\$2,520	\$2,526	\$2,527	\$2,849	40.37%	\$2,232	\$2,238	\$2,235	\$2,568	39.09%
7	Lehigh Plastic SC ¹²	NR	NA	NA	NA	NA	NR	NA	NA	NA	NA
7	Northwood Surgery ^{1,10}	\$4,394	\$2,972	NR	NR	NR	\$3,119	\$3,197	NR	NR	NR
7	Progressive Surgical Inst ^{1,3,10}	\$889	\$1,161	\$850	NA	NA	\$607	\$681	\$523	NA	NA
7	Reading SC ^{1,2,4,10}	\$137	NA	NA	NA	NA	\$563	NA	NA	NA	NA
7	Twin Rivers Endoscopy ^{1,10}	\$347	\$371	\$279	NR	NR	\$326	\$344	\$278	NR	NR
7	Westfield SC ¹⁰	\$1,772	\$1,984	NA	NA	NA	\$1,860	\$1,958	NA	NA	NA
8	Abington SC ¹⁰	\$8,843	\$8,219	\$7,919	\$7,672	5.09%	\$7,088	\$6,916	\$6,234	\$5,850	7.05%
8	ASC Bucks County	\$3,108	\$2,364	NA	NA	NA	\$2,512	\$2,124	NA	NA	NA
8	Delaware Valley Laser ^{1,10}	\$2,256	\$2,061	\$1,889	\$1,800	8.44%	\$1,504	\$1,195	\$1,184	\$1,066	13.68%
8	Dermatologic/Drexel Hill ^{1,10}	\$408	\$511	NR	NR	NR	\$255	\$150	NR	NR	NR
8	Doylestown SC ^{1,2,4,10}	\$652	NA	NA	NA	NA	\$1,330	NA	NA	NA	NA
8	Einstein SC ⁷	\$5,128	NA	NA	NA	NA	\$5,367	NA	NA	NA	NA
8	Endoscopic Associates ^{1,3,10}	\$1,796	\$821	NA	NA	NA	\$1,300	\$778	NA	NA	NA
8	Eye SC ^{1,10}	\$10,454	\$13,487	\$11,849	\$6,376	21.32%	\$9,509	\$10,288	\$10,445	\$6,491	15.50%
8	Eye SC Chester ^{1,10,14}	\$2,225	\$860	NA	NA	NA	\$1,492	\$971	NA	NA	NA
8	Foundation SC Fort Wash ^{1,10,13,14}	\$1,413	\$376	NR	NR	NR	\$1,392	\$464	NR	NR	NR
8	Hillmont Endoscopy ^{1,10}	\$1,874	\$1,444	\$1,292	\$1,031	27.28%	\$1,057	\$914	\$827	\$779	11.86%
8	Holy Redeemer ASC ^{3,10}	\$4,212	\$2,919	\$1,287	NA	NA	\$3,899	\$3,371	\$2,411	NA	NA
8	Main Line SC ^{1,3,10}	\$3,297	\$2,876	\$2,340	\$369	NA	\$2,697	\$2,698	\$2,136	\$845	NA
8	Mercy SC ^{1,3,10}	\$3,555	\$3,259	\$2,734	\$1,484	NA	\$3,665	\$3,440	\$3,030	\$2,899	NA
8	Paoli SC ^{1,10}	\$4,233	\$4,185	\$4,245	\$4,126	0.86%	\$3,775	\$3,770	\$3,772	\$3,908	-1.13%
8	Sally Balin ASC ^{1,10}	\$685	\$461	\$196	NA	NA	\$683	\$464	\$190	NA	NA
8	SC Bucks County ¹⁰	\$3,192	\$3,132	\$2,814	\$2,202	14.98%	\$2,794	\$2,712	\$2,661	\$2,427	5.04%
8	SC Chester County ^{1,2,10}	\$993	\$1,741	\$1,728	\$1,580	NA	\$786	\$1,804	\$1,742	\$1,703	NA
8	Wills Eye SC Plymouth Mtg ¹⁰	\$3,485	\$3,114	\$2,978	\$2,250	18.31%	\$2,975	\$2,803	\$2,809	\$2,278	10.20%
9	CHOP ASC Exton ^{3,7}	\$2,771	\$2,431	NA	NA	NA	\$2,139	\$2,032	NA	NA	NA
9	Dermatologic/Philadelphia ^{1,10}	\$530	\$346	NR	NR	NR	\$294	\$100	NR	NR	NR
9	Gastrointestinal Spec ^{1,3,10}	\$1,263	\$912	\$984	\$625	NA	\$1,264	\$927	\$967	\$624	NA
9	Philadelphia SC ¹⁰	\$1,215	\$961	\$588	NA	NA	\$1,186	\$1,163	\$589	NA	NA
9	Wills Eye SC South Phila ^{3,10}	\$1,073	\$1,012	\$377	NA	NA	\$1,684	\$1,785	\$974	NA	NA
9	Wills SC Northeast ¹⁰	\$2,467	\$2,540	\$2,202	\$1,845	11.24%	\$2,404	\$2,369	\$2,002	\$1,592	17.01%

NA Not Applicable
NR Not Reported

Footnotes on page 46.
See page 46 for map of regions.

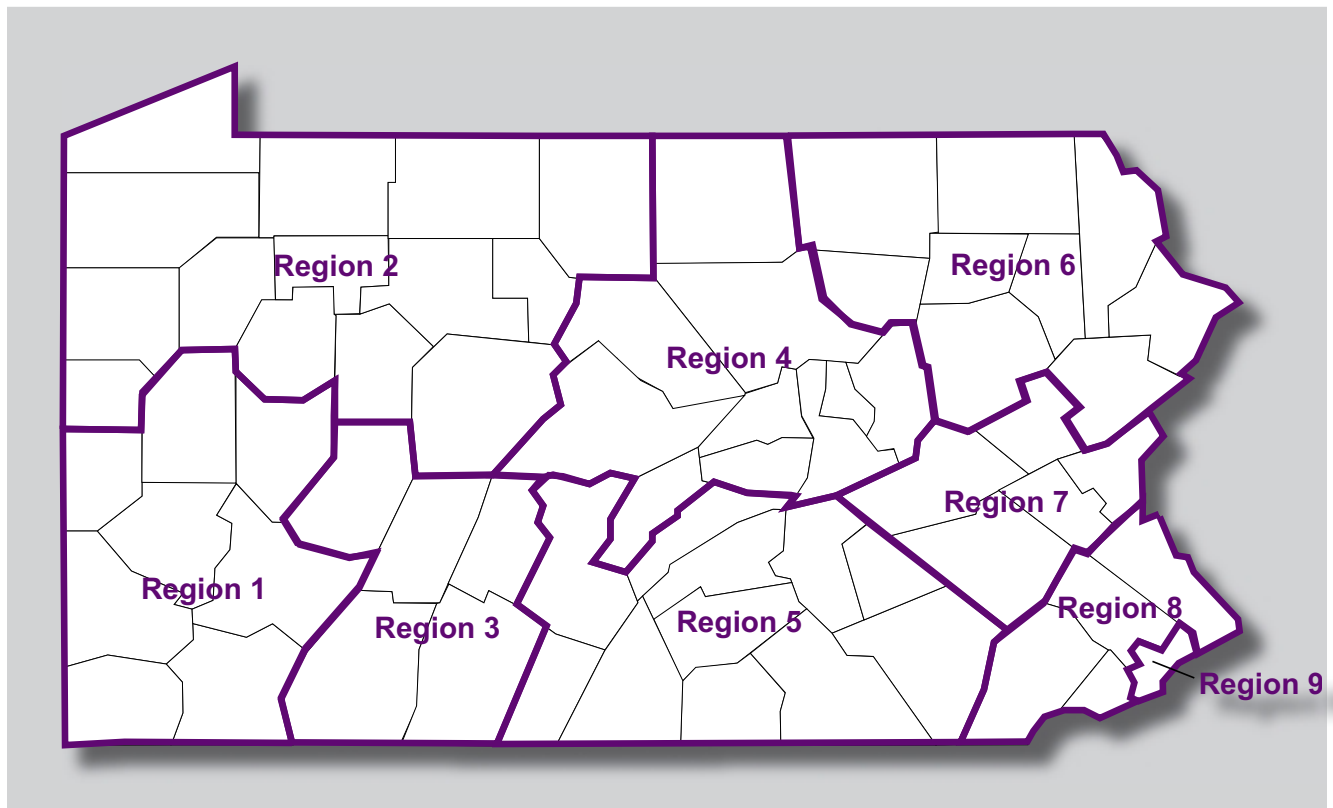
AMBULATORY SURGERY CENTER CARE

TABLE A-2 (continued)

Ambulatory Surgery Center	Operating Margin FY02	Total Margin FY02	3-yr Average Total Margin FY00-FY02	Medicare Share of NPR FY02	Medical Assistance Share of NPR FY02	Visits
Statewide Average (ASC)	12.18%	11.85%	12.21%	29.88%	2.60%	3,953
Lehigh Plastic SC ¹²	NR	NR	NA	NR	NR	NR
Northwood Surgery ^{1,10}	29.02%	29.19%	NR	16.25%	0.84%	3,966
Progressive Surgical Inst ^{1,3,10}	31.71%	31.71%	37.53%	62.91%	2.00%	1,308
Reading SC ^{1,2,4,10}	-310.84%	-310.84%	NA	32.47%	0.00%	113
Twin Rivers Endoscopy ^{1,10}	6.03%	6.50%	5.34%	29.95%	0.00%	1,214
Westfield SC ¹⁰	-4.96%	-4.96%	NA	25.18%	7.98%	2,935
Abington SC ¹⁰	20.03%	20.03%	19.38%	24.24%	0.59%	14,261
ASC Bucks County	19.17%	19.17%	NA	0.00%	6.64%	1,600
Delaware Valley Laser ^{1,10}	33.32%	33.41%	37.46%	50.16%	4.92%	2,432
Dermatologic/Drexel Hill ^{1,10}	37.50%	37.50%	NR	69.12%	0.00%	799
Doylestown SC ^{1,2,4,10}	-103.88%	-99.80%	NA	25.70%	0.20%	810
Einstein SC ⁷	-4.66%	-4.66%	NA	37.81%	6.49%	23,902
Endoscopic Associates ^{1,3,10}	27.59%	27.60%	NA	26.54%	0.01%	5,183
Eye SC ^{1,10}	9.04%	9.04%	11.74%	4.74%	0.00%	9,316
Eye SC Chester ^{1,10,14}	33.01%	33.01%	NA	NR	NR	NR
Foundation SC Fort Wash ^{1,10,13,14}	1.44%	-11.43%	NR	NR	NR	1,177
Hillmont Endoscopy ^{1,10}	43.61%	43.61%	39.31%	14.77%	0.01%	5,074
Holy Redeemer ASC ^{3,10}	7.43%	7.52%	-14.83%	22.26%	0.00%	4,669
Main Line SC ^{1,3,10}	18.20%	18.20%	11.54%	50.51%	2.01%	2,993
Mercy SC ^{1,3,10}	-2.75%	-2.75%	-5.48%	18.14%	2.05%	5,104
Paoli SC ^{1,10}	11.58%	11.58%	11.16%	13.86%	0.62%	4,838
Sally Balin ASC ^{1,10}	0.36%	0.36%	0.33%	38.43%	0.00%	1,314
SC Bucks County ¹⁰	13.42%	13.42%	11.75%	62.30%	0.66%	2,723
SC Chester County ^{1,2,10}	20.85%	20.86%	3.02%	14.61%	1.35%	1,430
Wills Eye SC Plymouth Mtg ¹⁰	15.03%	15.03%	10.97%	63.01%	1.15%	3,291
CHOP ASC Exton ^{3,7}	22.80%	22.80%	NA	0.00%	4.47%	1,432
Dermatologic/Philadelphia ^{1,10}	44.53%	44.53%	NR	32.98%	0.00%	864
Gastrointestinal Spec ^{1,3,10}	-0.05%	-0.05%	0.06%	17.10%	2.76%	5,438
Philadelphia SC ¹⁰	2.45%	2.45%	2.98%	7.69%	6.14%	3,980
Wills Eye SC South Phila ^{3,10}	-56.96%	-56.96%	-80.15%	41.13%	8.07%	1,388
Wills SC Northeast ¹⁰	3.29%	3.29%	7.15%	80.50%	1.76%	2,138

Footnotes

1. The end of the fiscal year is other than June 30. The data reflects the fiscal year that ended prior to June 30.
 2. Less than 12 months of data, therefore a three-year comparison is not appropriate for some of the measures.
 3. Prior year(s) reflects less than twelve months of data. A three-year comparison may not be appropriate for some of the measures.
 4. This facility began operating during this reporting year. Typically, total operating expenses are higher than operating revenue during the start-up period.
 5. The hospital has specialty units such as psychiatric, rehabilitation, long-term care, skilled nursing, home health, etc., which are included in the data presented for the facility.
 6. Extraordinary item(s) reported on audited financial statement was included in the calculation of total margin.
 7. Balance sheet ratios are for the parent organization.
 8. Acquired or merged with another licensed hospital during the FY02 reporting period.
 9. Acquired or merged with another licensed hospital during the FY00 or FY01 reporting periods.
 10. For-profit facility; total margin includes pro rata share of taxes, other gains and/or expenses experienced by the parent organization. However, most ambulatory surgery centers are Subchapter S corporations that do not have an income tax liability.
 11. Facility is referred to by a different name or it closed after FY02 reporting period.
 12. Facility failed to submit both an audited financial statement and PHC4's financial form.
 13. Not in compliance with one of PHC4's financial filing requirements.
 14. Incomplete data submission.
- NR Information necessary to report or calculate this measure was not provided by the facility.
- NA Not applicable.



Facilities with Fiscal Year End other than 6/30/02

Hospitals

Clarion Psych.....	12/31/2001
Fairmount Behavioral.....	12/31/2001
Geisinger HEALTHSOUTH.....	12/31/2001
HEALTHSOUTH Harmarville.....	12/31/2001
HEALTHSOUTH Nittany.....	12/31/2001
HEALTHSOUTH Reading.....	12/31/2001
HEALTHSOUTH Pittsburgh.....	12/31/2001
HEALTHSOUTH Sewickley.....	12/31/2001
HEALTHSOUTH Mechanicsburg.....	12/31/2001
HEALTHSOUTH Altoona.....	12/31/2001
HEALTHSOUTH Special Svcs.....	12/31/2001
HEALTHSOUTH Erie.....	12/31/2001
HEALTHSOUTH York.....	12/31/2001
Horsham Clinic.....	12/31/2001
Kindred/Philadelphia.....	12/31/2001
Kindred/Pittsburgh.....	12/31/2001
Kirkbride Center.....	12/31/2001
LifeCare Pittsburgh.....	12/31/2001
Meadows Psych Center.....	12/31/2001
Mercy Special Care.....	12/31/2001
National Kids Crisis.....	12/31/2001
Pittsburgh Specialty.....	12/31/2001
SCCI/Easton.....	12/31/2001
SCCI/Harrisburg.....	12/31/2001
Select Specialty/Cmp Hill.....	12/31/2001
Select Specialty/Erie.....	12/31/2001
Select Specialty/Grnsbrg.....	12/31/2001
Select Specialty/Johnstwn.....	12/31/2001
Select Specialty/Phila.....	12/31/2001
Select Specialty/Pgh.....	12/31/2001
Southwood Psych.....	12/31/2001
Specialty Philadelphia.....	12/31/2001
Valley Forge.....	8/31/2001

Surgery Centers

Aestique ASC.....	12/31/2001
Bucci Eye SC.....	12/31/2001
Carlisle Endoscopy.....	12/31/2001
Carlisle Regional SC.....	9/30/2001
Center Reproductive.....	12/31/2001
Center Same Day Surgery.....	12/31/2001
CHS ASC.....	12/31/2001
Cumberland SC.....	12/31/2001
Delaware Valley Laser.....	12/31/2001
Dermatologic/Drexel Hill.....	7/31/2001
Dermatologic/Philadelphia.....	7/31/2001
Dermatology & Cosmetic SC.....	12/31/2001
Digestive Disease Inst.....	12/31/2001
Doylestown SC.....	12/31/2001
Endoscopic Associates.....	12/31/2001
Endoscopy PA.....	12/31/2001
Endoscopy USA York.....	12/31/2001
Exeter SC.....	12/31/2001

Eye SC.....	12/31/2001
Eye SC Chester.....	12/31/2001
Fairgrounds SC.....	12/31/2001
Foundation SC Fort Wash.....	12/31/2001
Four Seasons Endoscopy.....	12/31/2001
Gastrointestinal Spec.....	12/31/2001
Grandview Surgery & Laser.....	12/31/2001
Grandview SC.....	12/31/2001
Harrisburg Endoscopy & SC.....	12/31/2001
Hazleton ASC.....	12/31/2001
HEALTHSOUTH Mt Pleasant SC.....	12/31/2001
HEALTHSOUTH Scranton SC.....	12/31/2001
HEALTHSOUTH SC Lancaster.....	12/31/2001
Hillmont Endoscopy.....	12/31/2001
Indiana AS Associates.....	12/31/2001
John A Zitelli ASC.....	12/31/2001
Kingston Ophthalmology.....	12/31/2001
Laurel Laser & SC.....	12/31/2001
Leader SC.....	12/31/2001
Lebanon Outpatient SC.....	12/31/2001
Lehigh Plastic SC.....	12/31/2001
Lowry SC.....	12/31/2001
Main Line SC.....	12/31/2001
Mercy SC.....	12/31/2001
Mifflin County Com SC.....	12/31/2001
NEI AS.....	12/31/2001
North East SC.....	12/31/2001
North Shore SC.....	12/31/2001
Northwood Surgery.....	12/31/2001
Ophthalmology SC.....	12/31/2001
Paoli SC.....	12/31/2001
PA Eye SC.....	12/31/2001
Pocono ASC.....	12/31/2001
Progressive Surgical Inst.....	12/31/2001
Reading SC.....	12/31/2001
Riverview ASC.....	12/31/2001
Saint Vincent SC.....	12/31/2001
Sally Balin ASC.....	12/31/2001
Scranton Endoscopy.....	12/31/2001
Shadyside SC.....	12/31/2001
Southwestern ASC.....	12/31/2001
Southwestern PA Eye SC.....	12/31/2001
Surgery & Laser.....	12/31/2001
SC Chester County.....	12/31/2001
Surgical Specialty NE.....	12/31/2001
Susquehanna Valley SC.....	12/31/2001
Three Rivers Endoscopy.....	12/31/2001
Tri County Surgical.....	9/30/2001
Twin Rivers Endoscopy.....	12/31/2001
Valley View SC.....	12/31/2001
Village SC.....	12/31/2001
West Shore Endoscopy.....	12/31/2001
West Shore SC.....	12/31/2001
Western PA SC.....	12/31/2001
York Endoscopy.....	12/31/2001
Zitelli South ASC.....	12/31/2001

Explanation of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Psychiatric Hospital: An institution, other than a General Acute Care hospital, engaged in providing acute short-term psychiatric services on an inpatient basis. Psychiatric hospitals may also offer long-term residential programs. Acute psychiatric care is rendered in response to severe psychiatric conditions requiring intensive or extensive intervention to bring the patient's symptoms under control.

Rehabilitation Hospitals: An inpatient facility, other than a General Acute Care hospital, which is operated for the primary purpose of assisting in the physical rehabilitation of persons through an integrated program of medical and other services.

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

Three-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the facility's NPR or TOE that occurred from the end of FY99 through FY02.

$$(((\text{NPR}_{02} - \text{NPR}_{99}) / \text{NPR}_{99}) / 3) \text{ or } (((\text{TOE}_{02} - \text{TOE}_{99}) / \text{TOE}_{99}) / 3)$$

Three-year Average Total Margin: The average total margin realized by the facility during the FY00 through FY02.

$$(\sum \text{revenue over expenses}_{02,01,00} / \sum \text{total revenue}_{02,01,00})$$

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

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

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

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

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

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

Uncompensated Care to NPR: The ratio of uncompensated care (charity care and bad debt) to net patient revenue. This measure puts the foregone revenue resulting from the care a hospital provides without compensation in perspective with net patient revenue. Charity care is the care a hospital provides without charges because the patient is unable to compensate the hospital either through third-party coverage or the patient's own resources. Bad debt expense represents the foregone revenue for care in which the hospital initially anticipated payment, extended credit to the patient, but was later determined to be uncollectable. Annual charity care amounts that are reported by hospitals as charges or costs have been adjusted to a revenue (NPR) basis.

$$((\text{foregone revenue of charity care} + \text{bad debt}) / \text{NPR})$$

Non-Compliant Facilities

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

Late Submission

Apple Hill SC	Hillmont Endoscopy	Progressive Surgical Inst
Carlisle Regional SC	Holy Redeemer ASC	Riverview ASC
Center Reproductive	John A Zitelli ASC	Saint Vincent SC
Delaware Valley Laser	Kindred/Philadelphia	SemperCare Lancaster
Dermatologic/Drexel Hill	Kingston Ophthalmology	Specialty Philadelphia
Dermatologic/Philadelphia	Kirkbride Center	Surgery & Laser
Dermatology & Cosmetic SC	Leader SC	Susquehanna Valley SC
Doylestown SC	Lowry SC	Three Rivers Endoscopy
Endoscopy PA	Main Line SC	UPMC Monroeville SC
Endoscopy USA York	Malvern Inst	Valley Forge
Eugenia	Mercy SC	Valley SC
Eye SC	North Shore SC	Valley View SC
Foundation SC Fort Wash	Northwestern Inst Psych	West Shore Endoscopy
Gastrointestinal Spec	Northwood Surgery	West Shore SC
Girard	PA Eye SC	Westfield SC
Hazleton ASC	Pittsburgh Specialty	Zitelli South ASC

No Submission

Lehigh Plastic SC
Scranton Endoscopy



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Cost Containment Council**

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For More Information

Additional financial and utilization data for Fiscal Year 2002 and prior years may be purchased.
For more information, contact PHC4's Data Requests Unit.

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