

FINANCIAL ANALYSIS 2006

Volume Two

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



Pennsylvania Health Care Cost Containment Council
November 2007

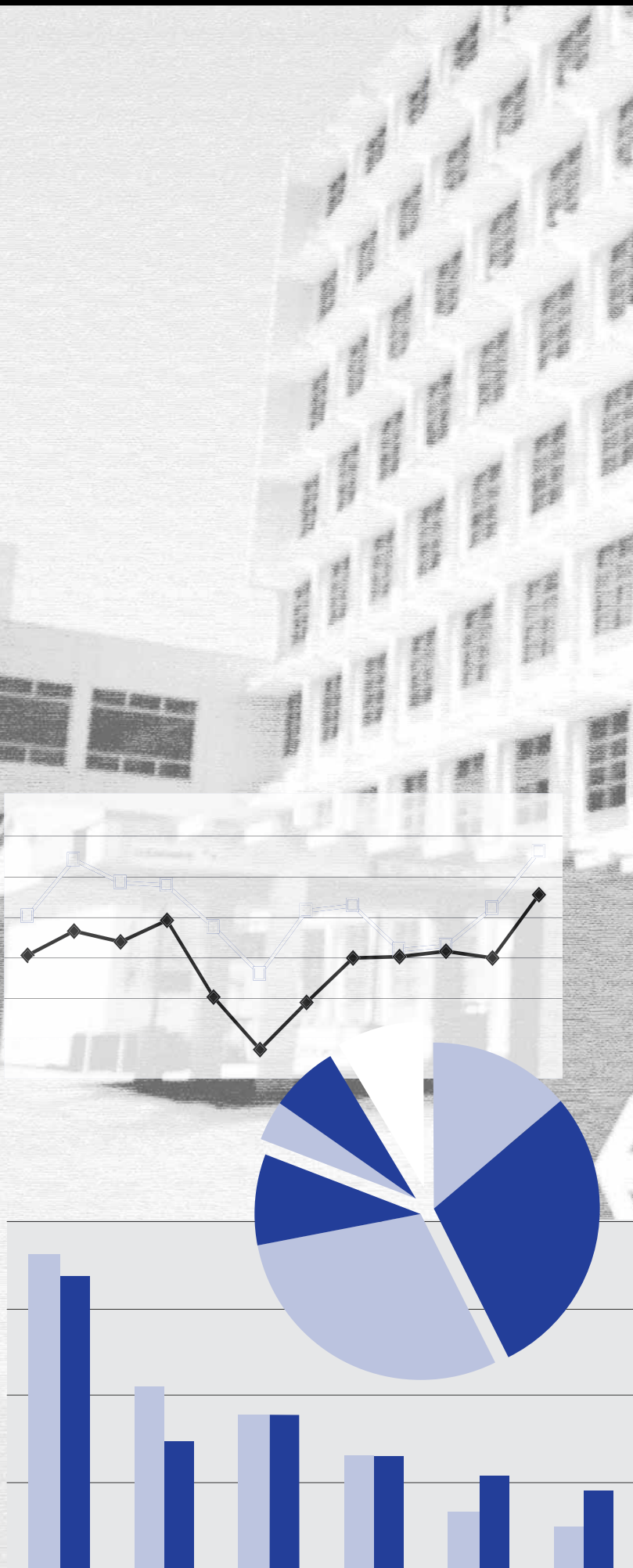


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The Pennsylvania Health Care Cost Containment Council (PHC4) is an independent state agency charged with addressing the cost and quality of health care in Pennsylvania. PHC4 fosters competition in the health care market through the collection, analysis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

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

This is the second volume of a two-volume set. Volume One, released in June 2007, focused on the financial health of Pennsylvania's General Acute Care (GAC) hospitals. This report, Volume Two, addresses Pennsylvania's non-general acute care (non-GAC) hospitals (rehabilitation, psychiatric, long-term acute and specialty), as well as ambulatory surgery centers.

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

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

In addition to the profiles of the freestanding non-GAC hospitals, the psychiatric, rehabilitation and ASC sections include information and analysis on the subunits of hospitals that provide care in those categories. For example, the psychiatric subunits of GAC hospitals are addressed in the Psychiatric Care section along with the freestanding psychiatric hospitals.

The individual facility data presented in each section is collected based on the individual licenses issued by the Pennsylvania Department of Health or the Pennsylvania Department of Public Welfare. If a health system operates multiple facilities under a single license, the entire health system will be reported as a single entity. Table 1 lists the number of licensed facilities in each category that operated for more than six months and were required to submit data to PHC4 for the fiscal year 2006 (FY06) reporting year.

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

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

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

This report presents statewide data on utilization and capacity. While the statewide data on utilization generally reflects the overall trends in the level of patient care and staffed beds in Pennsylvania, statewide utilization and capacity data must be viewed as a compilation of often unrelated local markets. For example, the addition or removal of LTAC staffed beds in one region of the Commonwealth may have little or no effect on the availability of LTAC care in the other regions of Pennsylvania.

TABLE 1
Number of Reporting Facilities, FY06
by Facility Type

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

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

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

LTAC hospitals, and specialty hospitals.

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

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

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

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

* Excludes state psychiatric hospitals

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

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

* Excludes state psychiatric hospitals

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

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

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

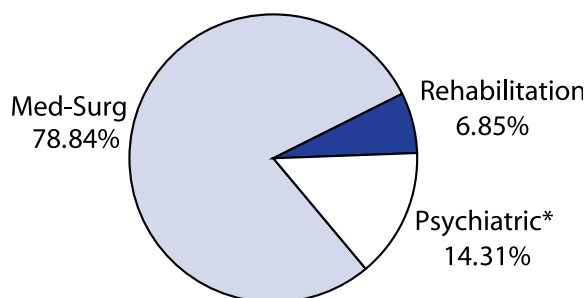
TABLE O-3
Patient Days, FY06
by Type of Care

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

* Excludes state psychiatric hospitals

** Includes acute non-psychiatric care from LTAC hospitals

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



* Excludes state psychiatric hospitals

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

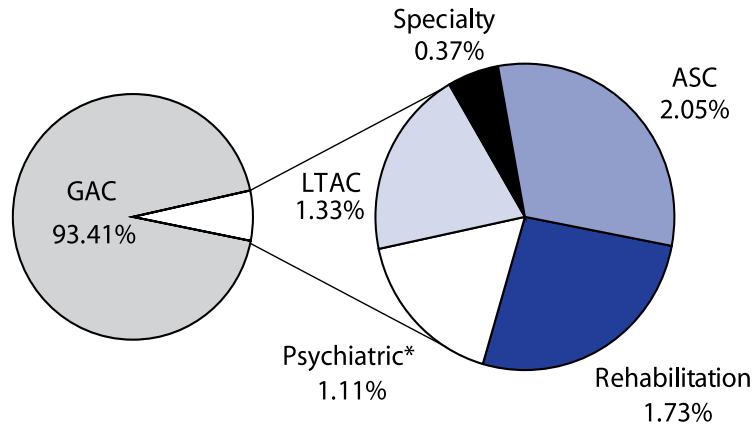
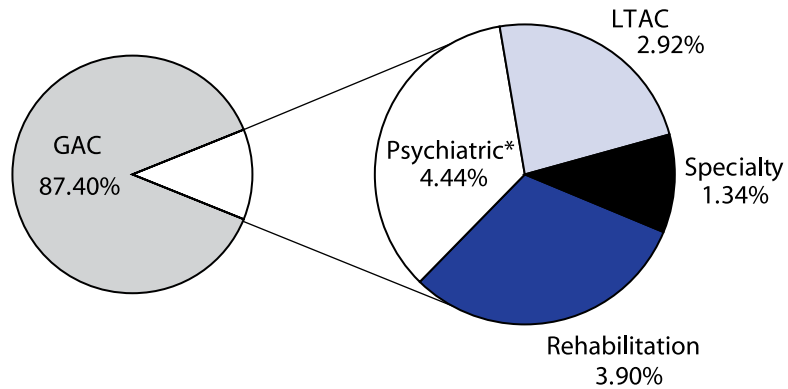


FIGURE 0-3
Staffed Beds, FY06
 by Facility Type



* Excludes state psychiatric hospitals

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

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

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

FIGURE 0-4
Patient Days, FY06
 by Facility Type

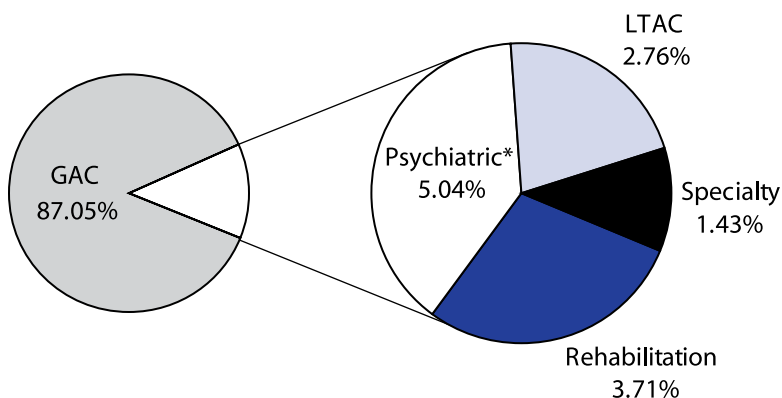
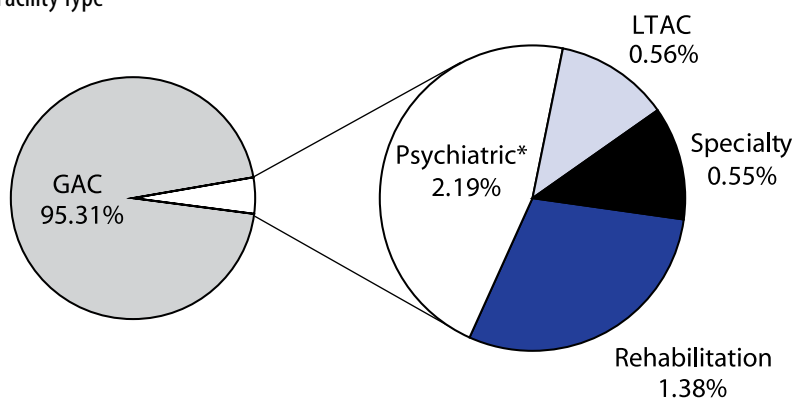


FIGURE 0-5
Discharges, FY06
 by Facility Type



* Excludes state psychiatric hospitals

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

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

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

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

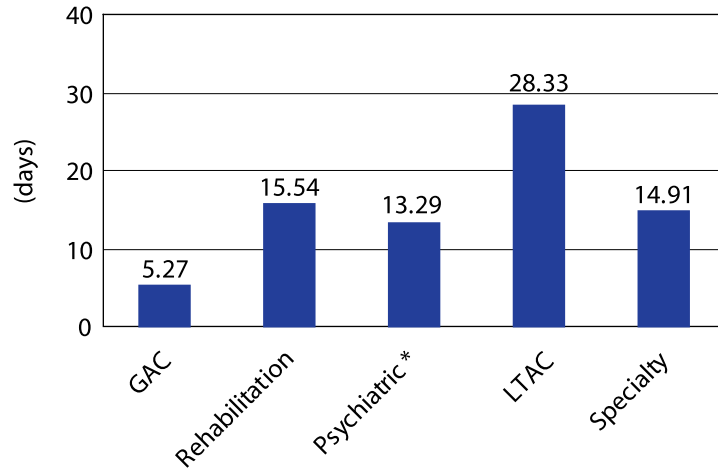
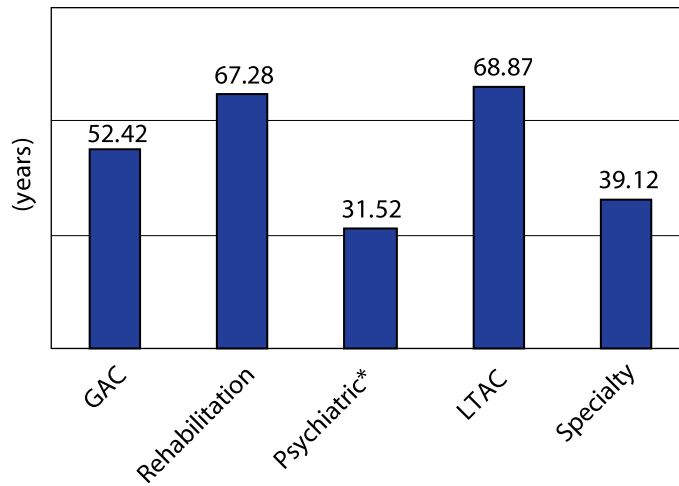


FIGURE 0-7
Average Inpatient Age, FY06
by Facility Type



* Excludes state psychiatric hospitals

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

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

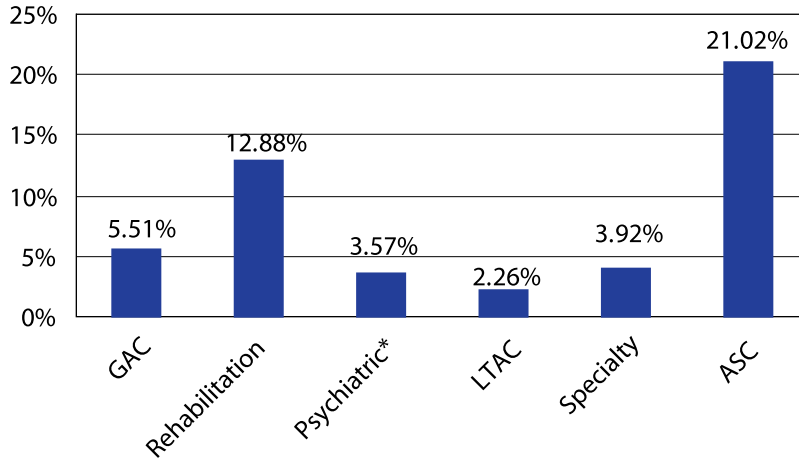
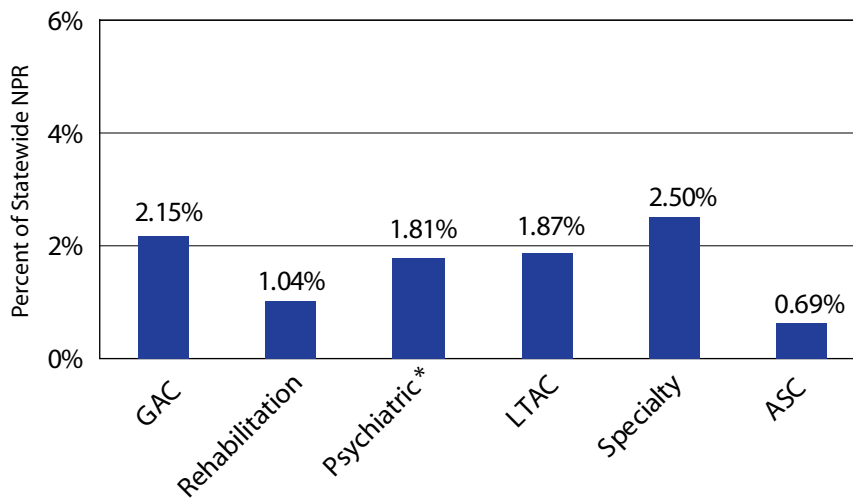


FIGURE O-9
Percent of Uncompensated Care, FY06
 by Facility Type



* Excludes state psychiatric hospitals

Highlights

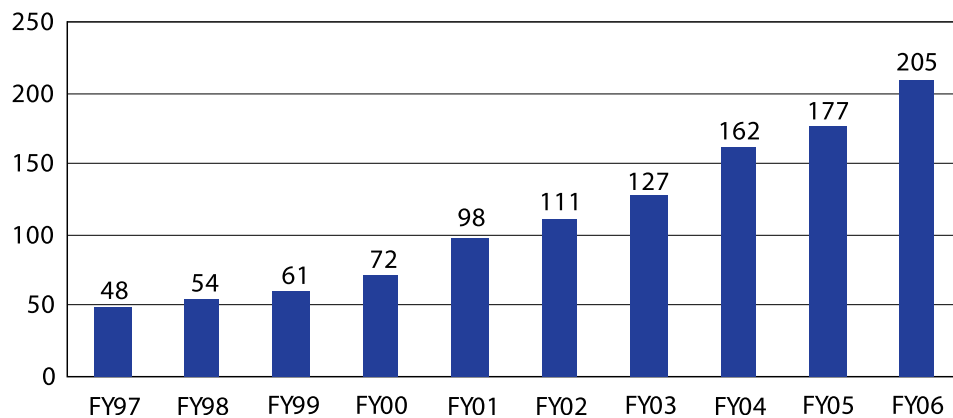
- The number of licensed ambulatory surgery centers (ASCs) in Pennsylvania continues to grow. Twenty-eight (28) new ASCs opened between June 2006 and May 2007, bringing the total to 232.
- During FY06, more than one-fourth (27.5%) of all outpatient diagnostic and surgical (D&S) procedures¹ were performed at the ASCs.
- There has been a 40.2% growth in the total number of outpatient D&S procedures performed in Pennsylvania between FY00 and FY06. More than two-thirds (70.5%) of that growth has occurred at the ASCs.
- In the four years between FY01 and FY05, the statewide total margin for ASCs increased 9.4 points or an average of more than 2.3 points per year. The rise in the statewide total margin leveled off during FY06, increasing only 0.2 points.

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

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

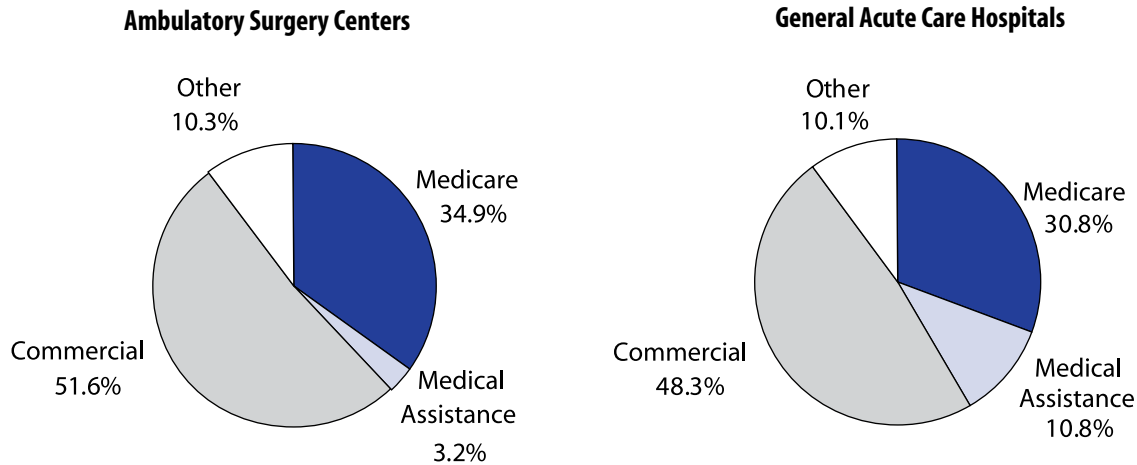
While the growth of ASCs has not had a significant effect on overall outpatient care at GAC hospitals, there has been a significant shift in the diagnostic and surgical (D&S) procedures¹ performed in an outpatient setting. During FY06, 27.5% or 622,652 of the total 2.3 million outpatient D&S procedures statewide were performed at the ASCs. This reflects more than a 17-point increase in the ASC share of total D&S procedures in just six years. In FY00, ASCs performed 10.2% or 164,690 of the total 1.6

FIGURE A-1
Statewide Reporting Ambulatory Surgery Centers



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

FIGURE A-2
Statewide Outpatient Diagnostic and Surgical Procedures¹ at Ambulatory Surgery Centers and General Acute Care Hospitals, FY06
 by Payor



1 See footnote on page 8.

million outpatient D&S procedures performed in Pennsylvania.

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

ASCs Provide Narrower Range of Procedures

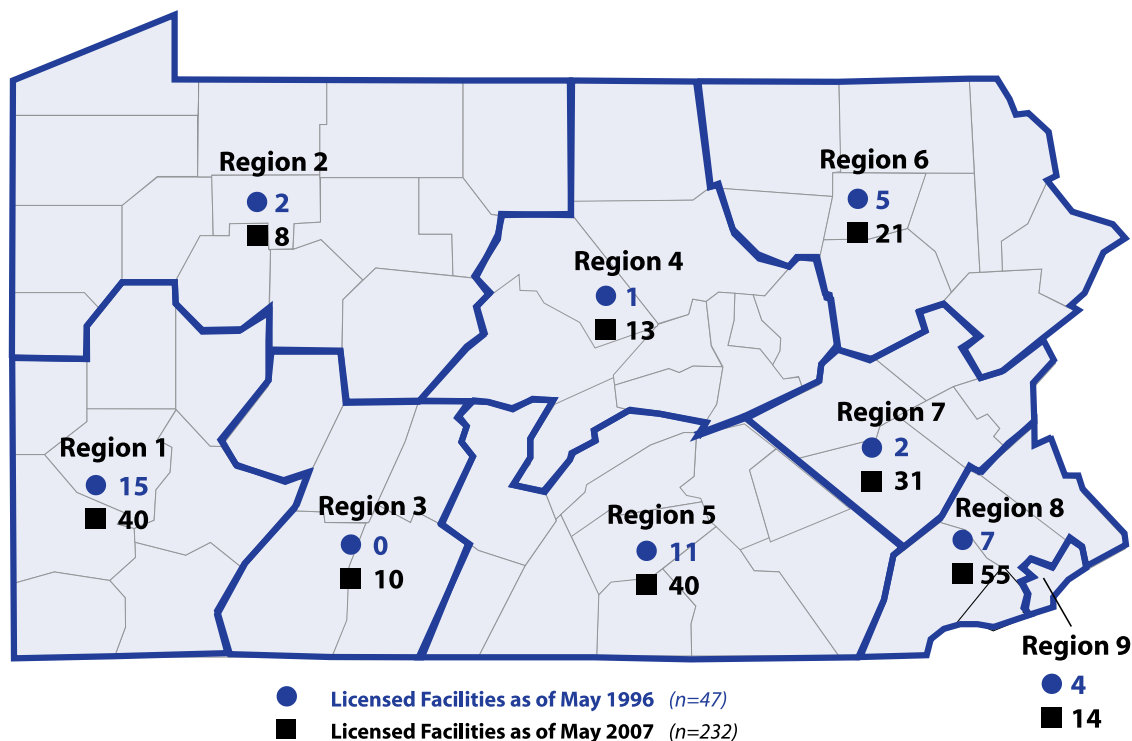
Pennsylvania’s ASCs, as a group, provide a narrower distribution of outpatient D&S procedures than the outpatient units of GAC hospitals. The Clinical Classification Software* (CCS) utilized by PHC4 enables outpatient D&S procedures to be distributed into groups. The top-five D&S procedures groups for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

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

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

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

FIGURE A-3
Growth in Ambulatory Surgery Centers by Region



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

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

Payor Mix

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

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

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

ASC Income

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

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

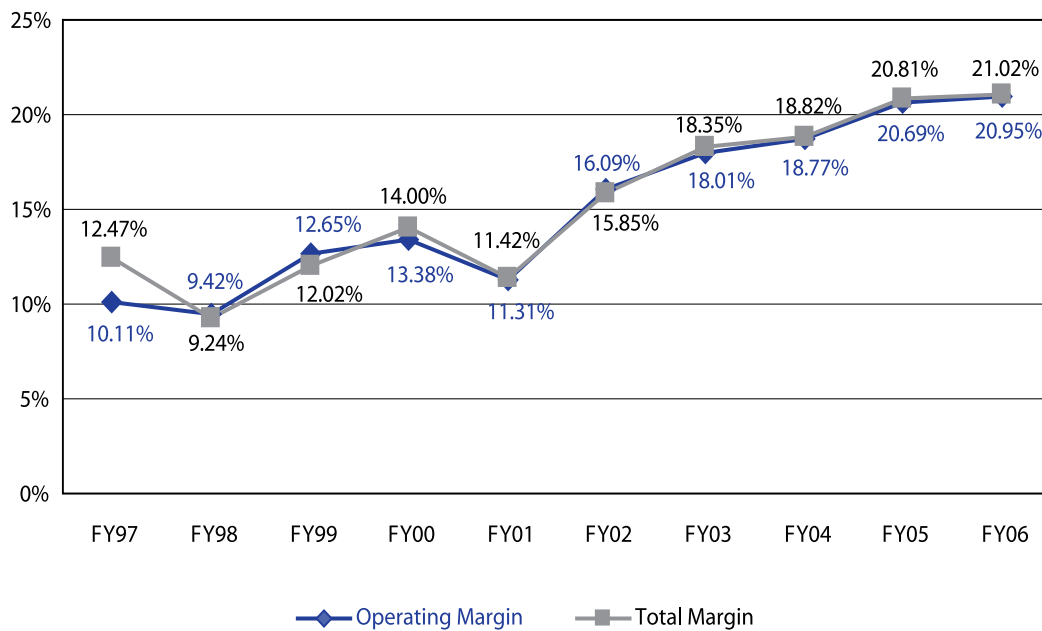
The statewide average margins for the ASCs cannot be directly compared to the average margins for the hospital categories for two reasons.

First, the majority of the ASCs are limited liability partnerships or Sub-Chapter S corporations that are not subject to income taxes. Income taxes are often paid as personal income tax by the owners, which are usually physicians. Consequently, the total margin for most of the for-profit ASCs does not reflect any income tax

expenses. In contrast, the total margins for the for-profit hospitals are calculated after the tax expense is deducted.

Second, some physician-owners of surgery centers may receive all or part of their compensation as net income, instead of salaries or fees. Consequently, salaries and professional fees are included in the net income that is used to calculate total margin, instead of being reported as an operating expense that would reduce operating and total margins. In contrast, physician compensation paid by other categories of health care facilities, such as GAC hospitals, is almost exclusively reported as salary or professional service expenses.

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



AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

AMBULATORY SURGERY CENTER CARE

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

See footnotes and map of regions on page 58.

Highlights

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

Hospital-based Rehabilitation Care

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

Trends in Hospital-based Rehabilitation Care

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

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

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

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

FIGURE R-1
Rehabilitation Discharges
 by Facility Type

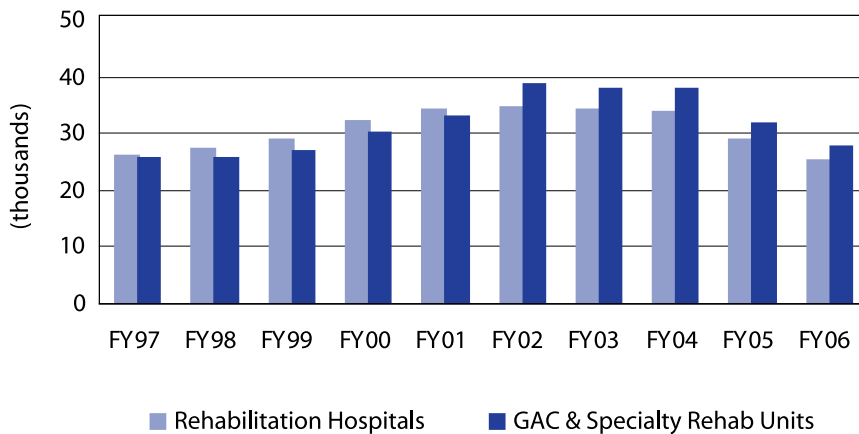
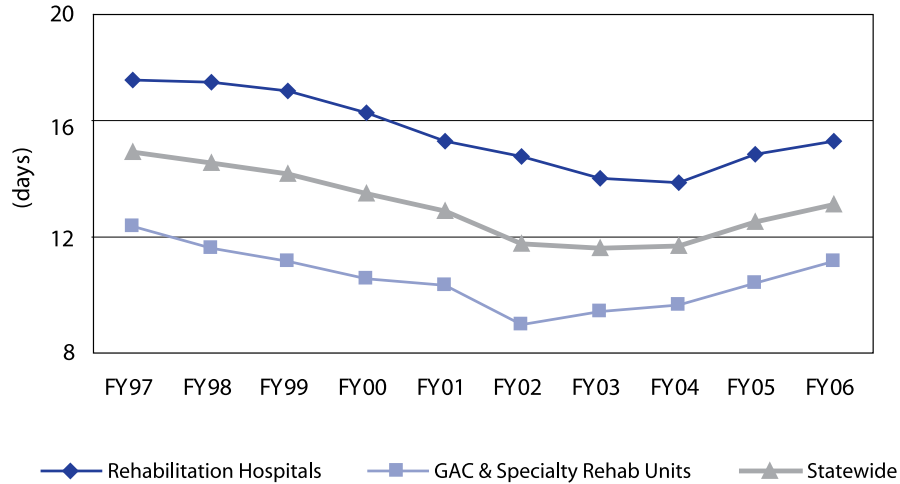


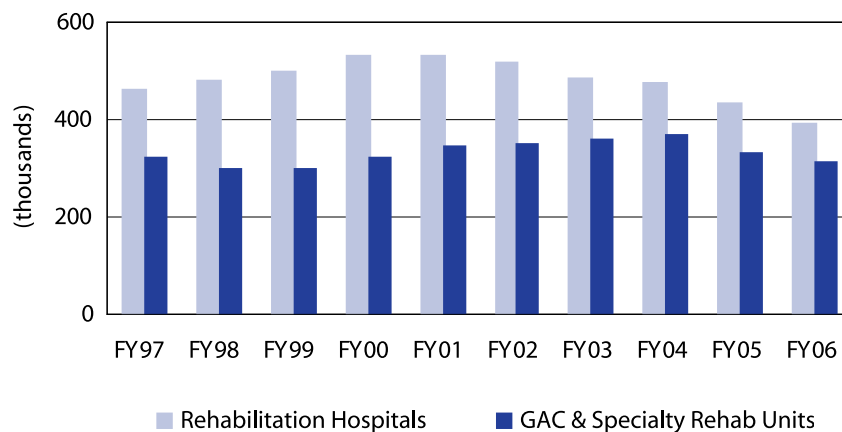
FIGURE R-2
Average Length of Stay for Rehabilitation Care
 by Facility Type



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

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

FIGURE R-3
Rehabilitation Patient Days
 by Facility Type



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

While the full effect of the “75% Rule” may not be evident until FY09, the initial thresholds of the 75% Rule have already had an impact on utilization by Medicare participants. There was an 8.0% decline in Medicare indemnity patient days at 18 of the rehabilitation hospitals¹ during FY06 compared to a 3.9% decline in patient days for patients in the other payor categories. Similarly, the 4.7% decline in Medicare indemnity discharges during FY06 was much larger than the 0.3% decline for other payor categories.

Table R-2 reveals that the initial phases of

the 75% Rule may have already resulted in some shifts in the top clinical classifications² treated at rehabilitation hospitals during FY06. For example, the fourth most common clinical classification in FY04 for Medicare patients, “Other Non-traumatic Joint Disorders” included 5.62% of the rehabilitation discharges at rehabilitation hospitals in that year. The classification fell to No. 31 in FY06, representing only 0.43% of Medicare discharges.

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

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

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

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

† See footnote 2.

* Not among the top ten diagnoses

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

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

² Adult discharges were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ’s Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP).

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

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

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

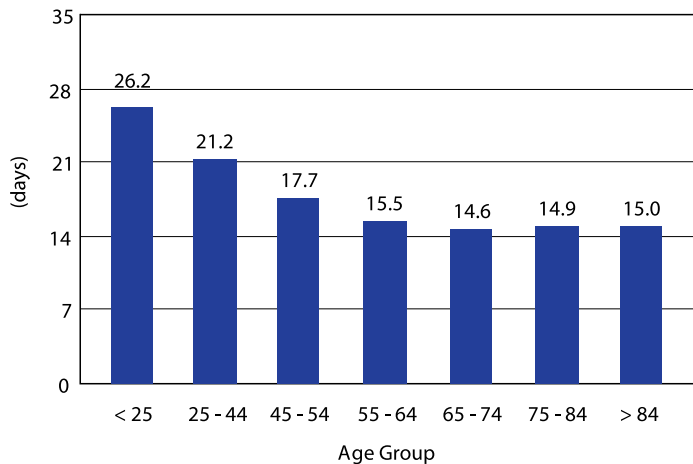
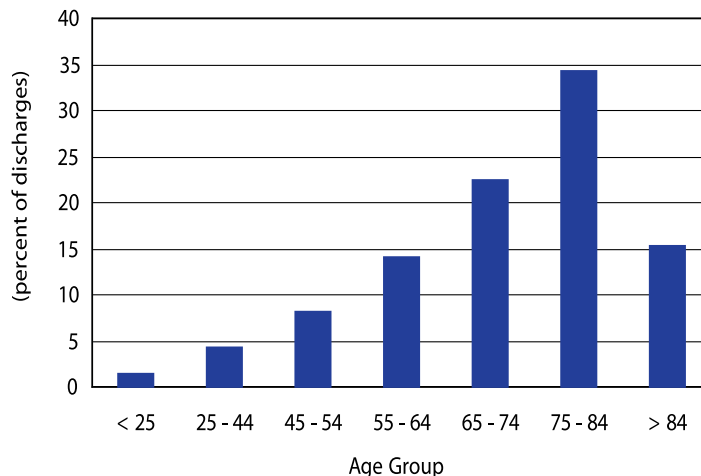


FIGURE R-5
Age Distribution at Rehabilitation Hospitals, FY06



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

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

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

Utilization and Revenue by Payor

Figures R-6 and R-7 reveal that the revenue that the rehabilitation hospitals received per discharge and per day varies considerably by payor category. Part of this variation is attributable to the mix

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

	Average Age
Commercial	52.64
Medicaid	41.09
Medicare	76.04
Other	60.70
Statewide	67.28

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

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

Table R-5 displays average charge indices and average revenue indices for the payor categories. These indices reflect how the average charge and average payment for each payor category compare to the statewide average for all payors. For example, the average charge index for Medicare patients in FY06 was

TABLE R-4
Statewide Net Patient Revenue at Rehabilitation Hospitals

By Payor (thousands)

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

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

by Payor

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

* Charges at individual facilities were normalized to adjust for differences in charges among the rehabilitation hospitals. Without adjustments, hospitals with higher than average charges would have a greater influence on the payor averages than hospitals with lower than average charges.

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

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

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

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

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

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

Financial Profile

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

Part of the decline in operating revenue and

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

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

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

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

day increased 5.1%.

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

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

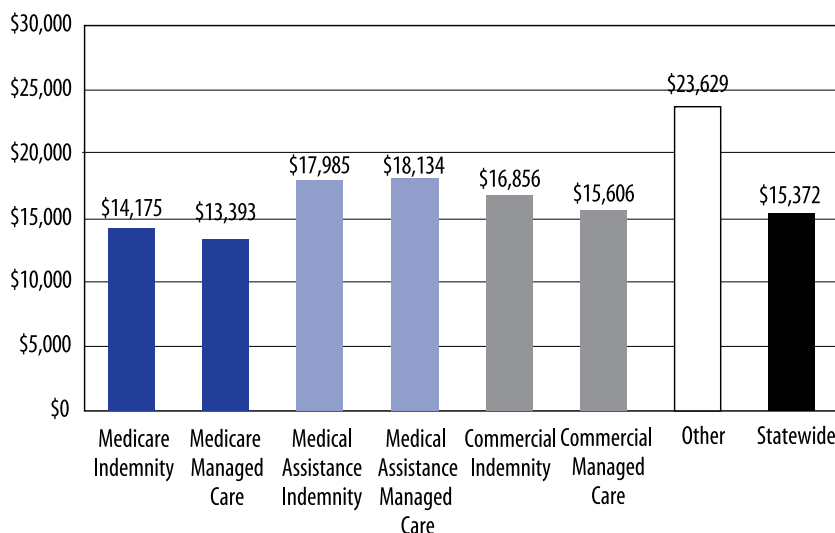


FIGURE R-7
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY06
 by Payor

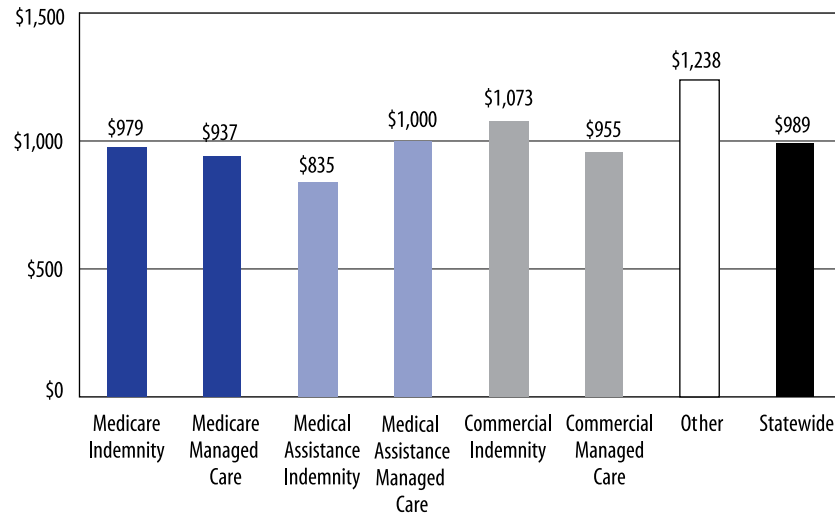
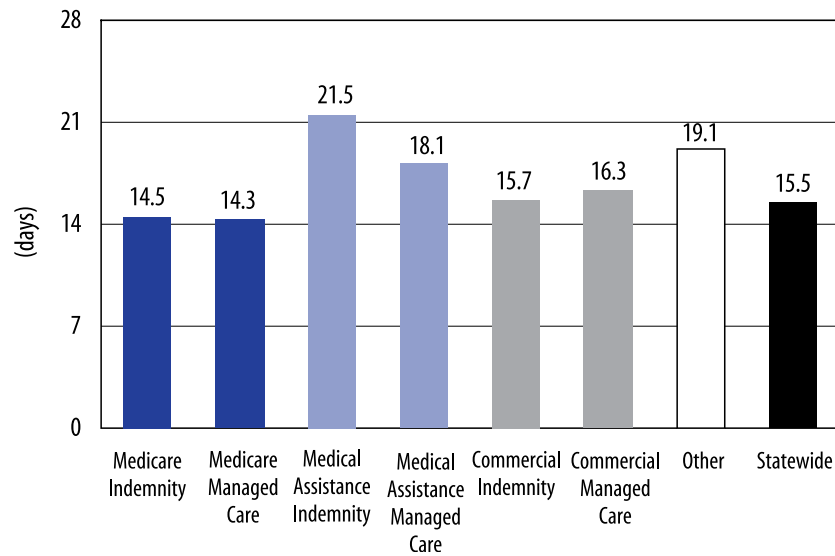


FIGURE R-8
Average Length of Stay at Rehabilitation Hospitals, FY06
 by Payor

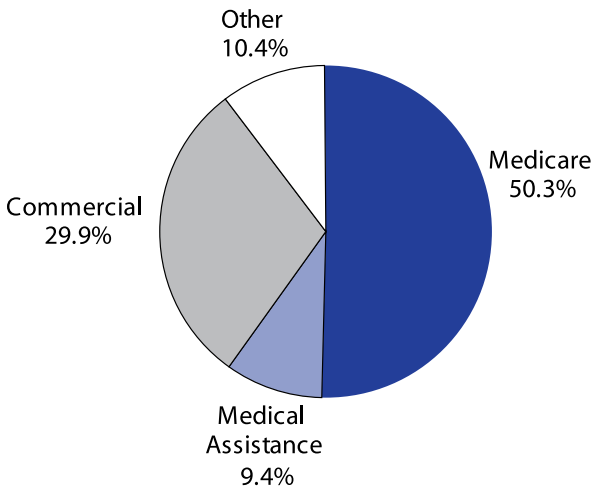


changes in Medicare reimbursements can have a significant effect on the revenue and income of rehabilitation providers.

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

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

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

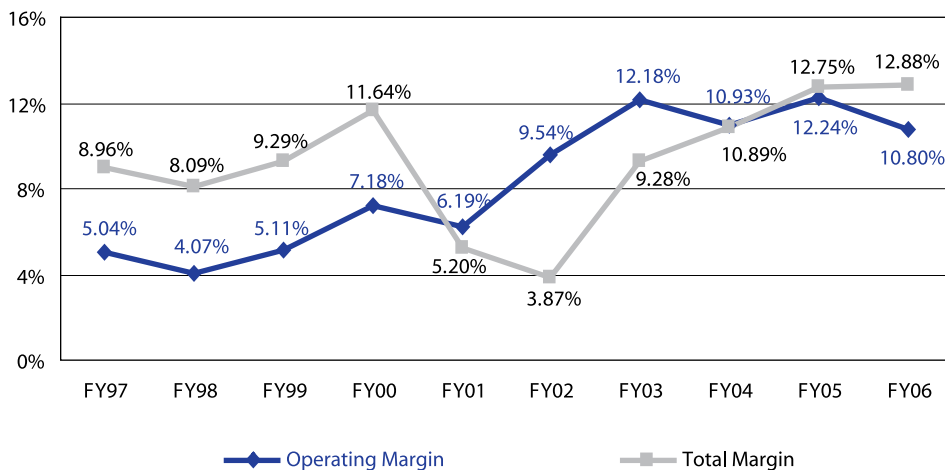


Although CMS announced annual 3.4% increases in Medicare IRF PPS rates for both FY05 and FY06, the 18 rehabilitation hospitals with usable payor data reported a 0.8% decline in the average Medicare indemnity revenue per discharge during FY06. With the average length of stay for Medicare indemnity patients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

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

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

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



REHABILITATION CARE

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

See footnotes and map of regions on page 58.

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

See footnotes and map of regions on page 58.

Highlights

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

Psychiatric Care is Provided in a Variety of Settings

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

At the end of fiscal year 2006 (FY06), the nine state hospitals had a patient population of 1,936. Although the state hospitals provided 32.9% of statewide psychiatric patient days, they only discharged 1,741 patients during FY06, which is about 1.3% of the total discharges of all facilities providing inpatient psychiatric care. The average length of stay (ALOS) at the state hospitals is well over one year.

In contrast, psychiatric units in GAC hospitals (GAC psychiatric units) provided relatively short-term acute care with an ALOS of 8.7 days during FY06. Fifty-four percent (54%) of the 174 GAC hospitals in Pennsylvania operated psychiatric units. These 94 GAC hospitals treated 60.4% of the patients admitted for inpatient psychiatric care and provided 33.4% of the total patient days of psychiatric care during FY06.

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

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

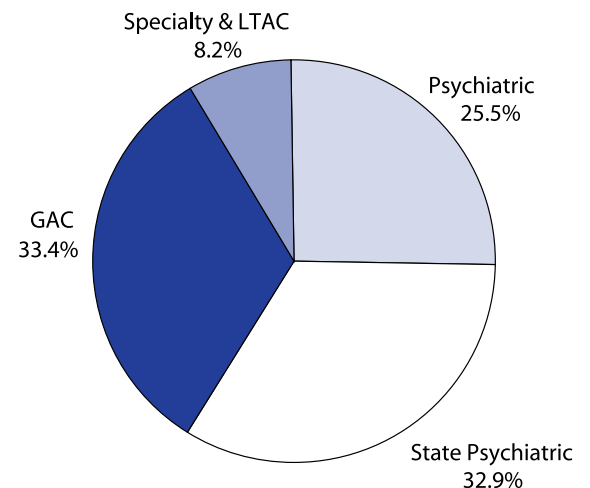


TABLE P-1
Utilization and Capacity of Psychiatric Care
 by Facility Type

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

*Excludes state psychiatric hospitals

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

Seven of the psychiatric hospitals provided residential care, and two provided inpatient drug and alcohol (D&A) care. Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. The ALOS of the seven residential programs was 107.1 days during FY06. The utilization and capacity of these programs are presented in Table P-2.

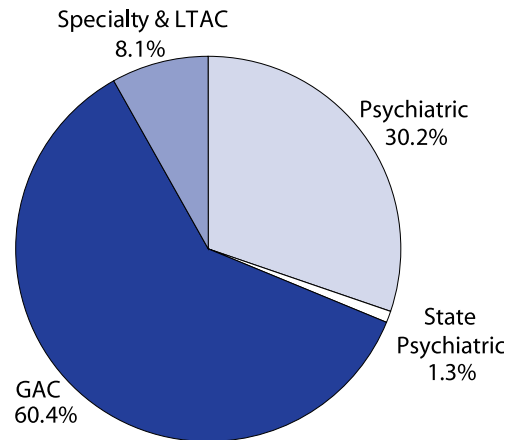
Five of the six specialty hospitals in Pennsylvania provided some form of psychiatric care. Two facilities reported providing acute psychiatric care, which represented only 5.2% of the psychiatric care provided at specialty hospitals. The remaining 94.8% of psychiatric care offered at specialty hospitals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

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

Trends in Hospital-based Psychiatric Care

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

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



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

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

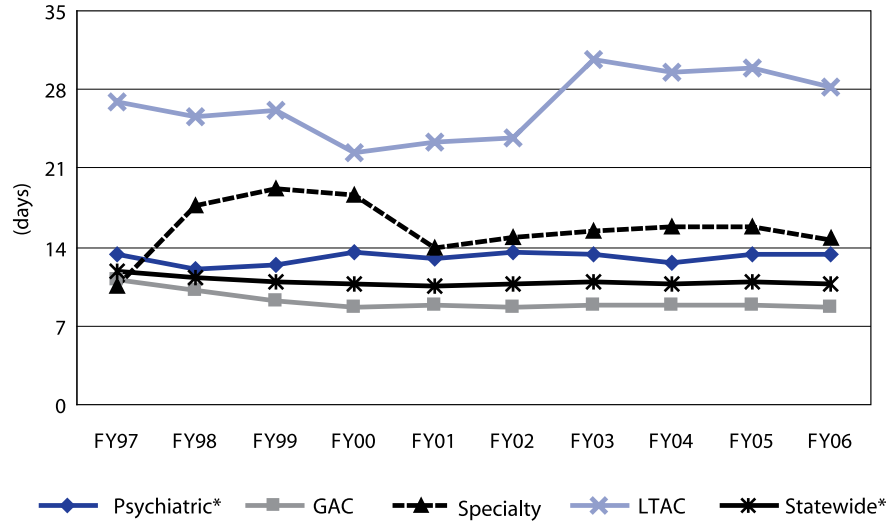
The distribution of discharges by clinical

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

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

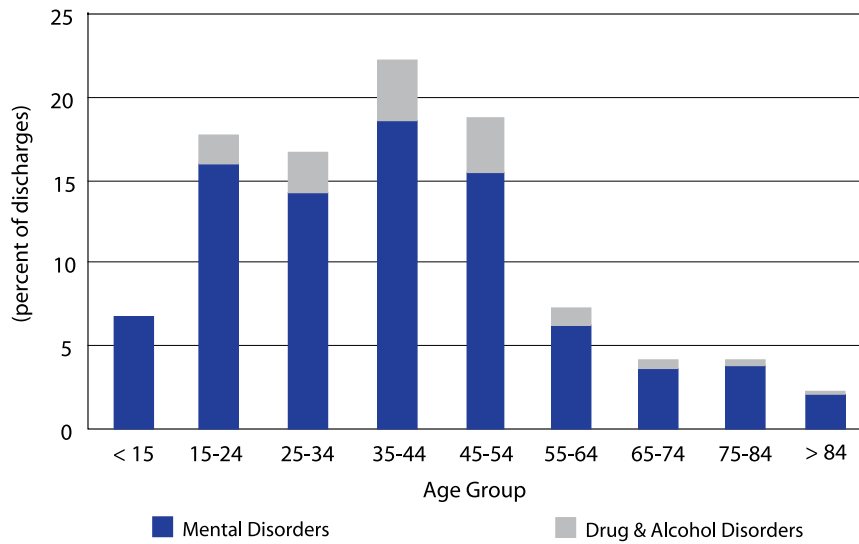
NA - Not Applicable

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



* Excludes state psychiatric hospitals

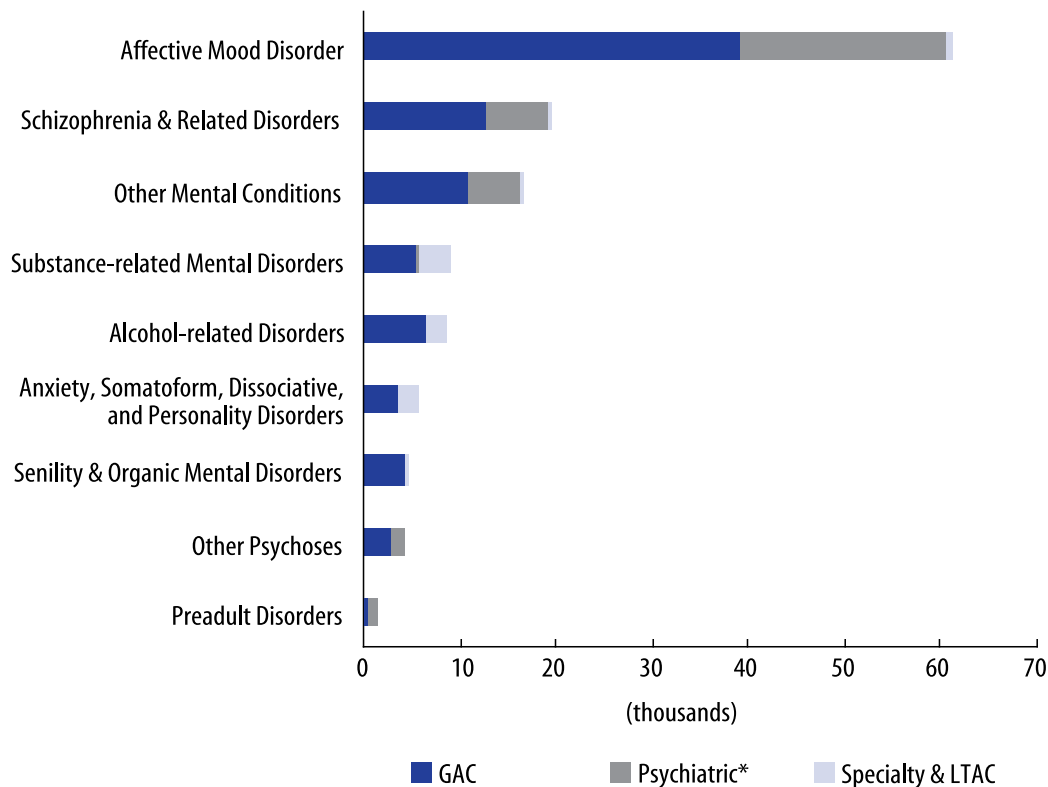
FIGURE P-4
Age Distribution of Inpatient Psychiatric Patients*, FY06



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

*Excludes state psychiatric patients

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



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

* Excludes state psychiatric hospitals

classification at all hospitals providing psychiatric care in Pennsylvania (except the state hospitals) during FY06 is shown in Figure P-5. The leading principal diagnosis for a psychiatric patient admitted to these hospitals is affective mood disorders. Patients diagnosed with affective mood disorders comprised 54.8% of psychiatric admissions to the psychiatric hospitals and 45.6% of admissions to GAC psychiatric units.

Financial Profile

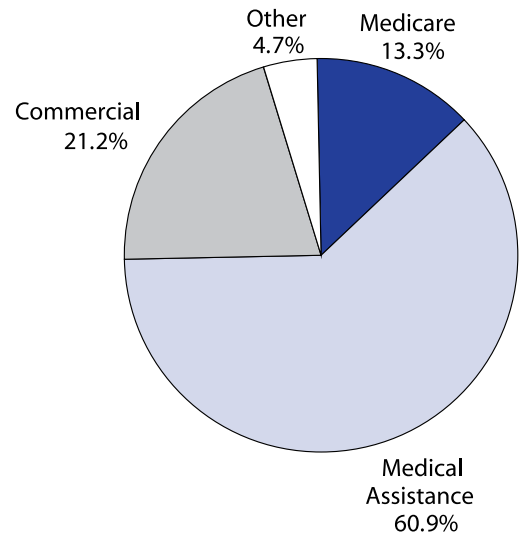
The Commonwealth, through DPW, is the largest provider of psychiatric care. DPW's nine state hospitals provided 32.9% of all patient days of psychiatric care during FY06. In addition, the Medical Assistance (MA) Program administered by DPW provided 60.9% of the net patient revenue received by the 16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

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

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

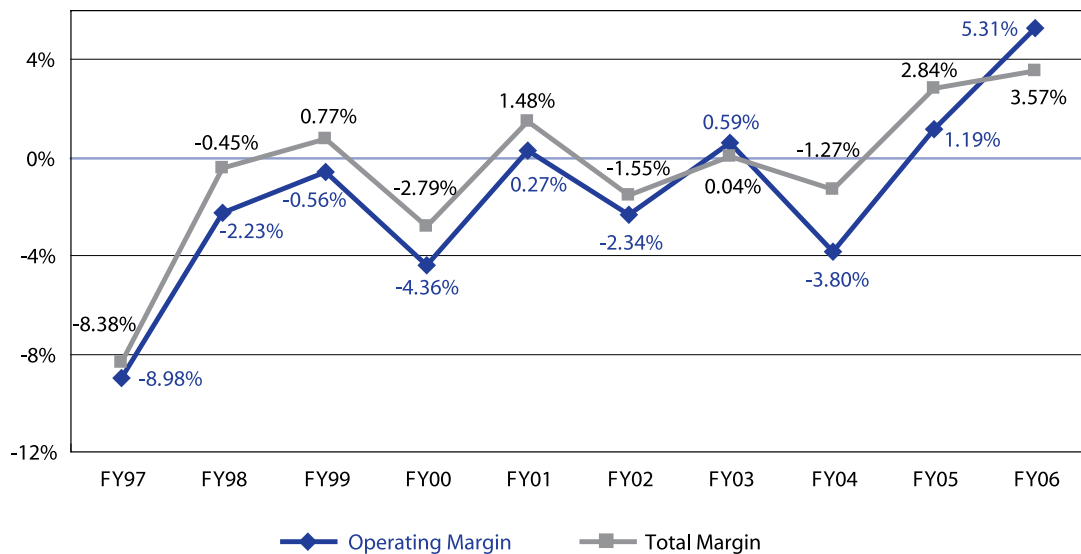
After a long history of negative or very small positive statewide average operating margins, the 16 psychiatric hospitals as a group have experienced a dramatic 9.1-point improvement in operating income over the past two years. The statewide operating margin increased 5.0 points during FY05 from -3.80%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

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



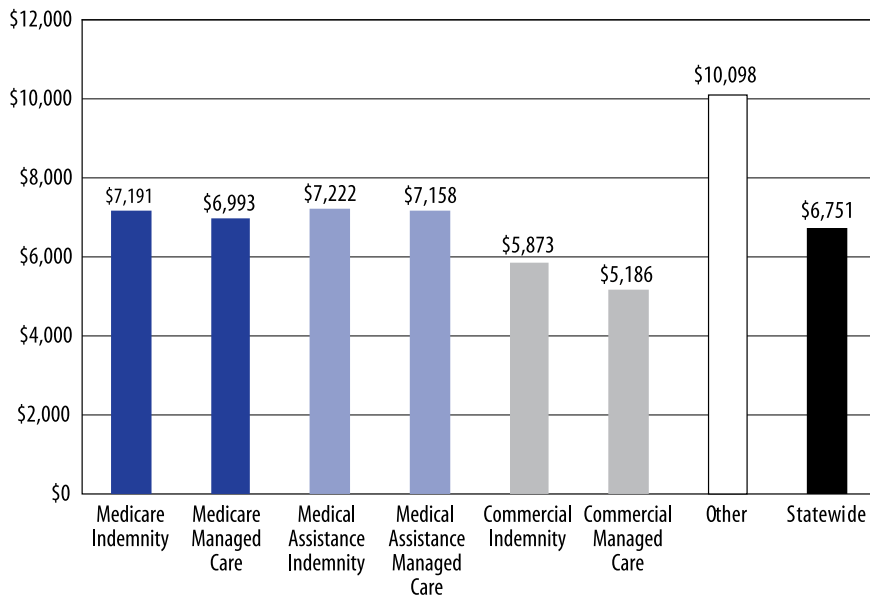
* Excludes state psychiatric hospitals

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



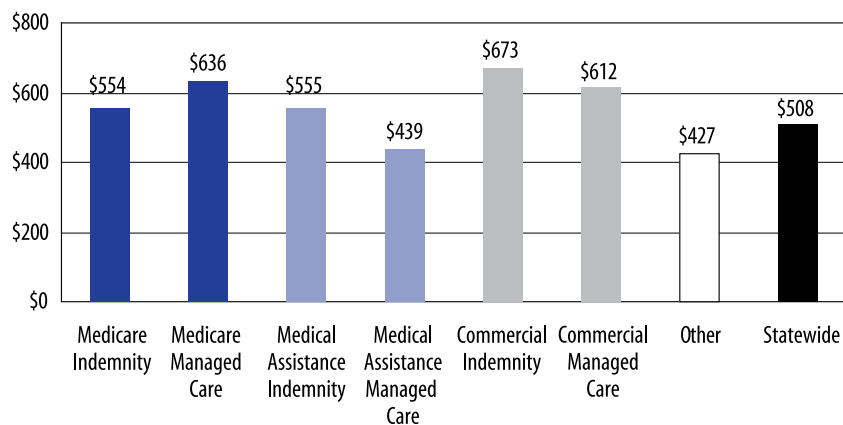
* Excludes state psychiatric hospitals

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



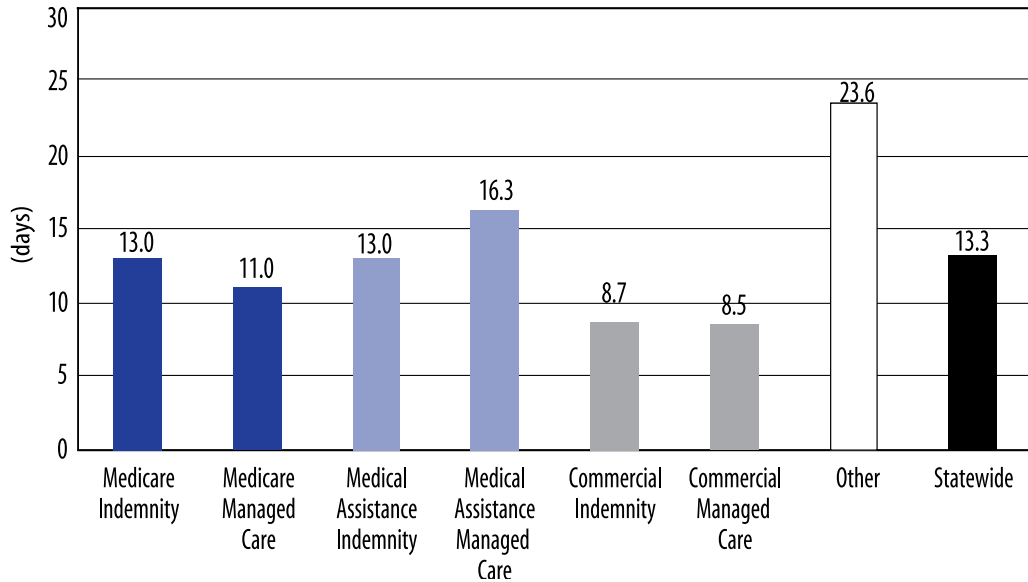
* Excludes state psychiatric hospitals

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



* Excludes state psychiatric hospitals

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



* Excludes state psychiatric hospitals

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

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

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

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

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

their total FY06 inpatient revenue from Medicare indemnity patients.

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

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

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

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

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

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

PSYCHIATRIC CARE

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

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

See footnotes and map of regions on page 58.

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

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

See footnotes and map of regions on page 58.

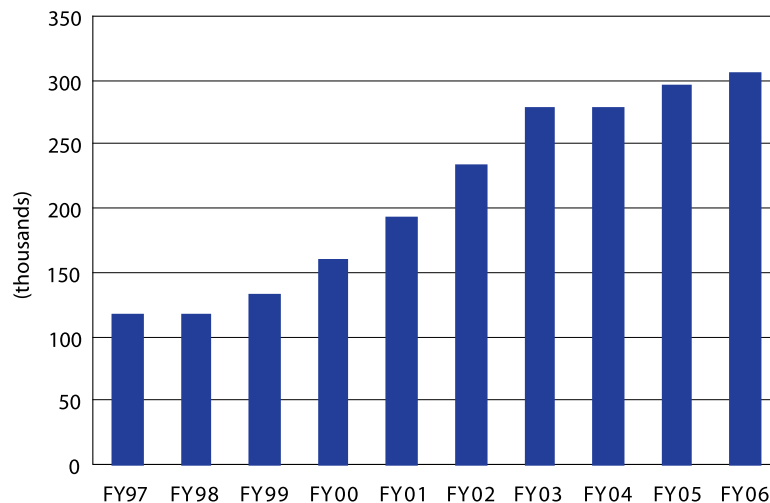
Highlights

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

Long-term acute care (LTAC) hospitals provide specialized acute care to medically complex patients. Patients are commonly admitted directly from a General Acute Care (GAC) hospital intensive care unit with complex medical conditions, such as respiratory or ventilator-dependent, that require continuous acute care. LTAC patients are not medically ready for rehabilitation care, or they still need a higher level of care than can be provided by a skilled nursing facility or home health care. Excluding psychiatric and skilled nursing care, the average length of stay (ALOS) at LTAC hospitals was 29.1 days during fiscal year 2006 (FY06). In contrast, the ALOS at Pennsylvania’s GAC hospitals was 5.3 days for all inpatient care during FY06.

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

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



Trends in Long-Term Acute Care

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

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

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

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

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

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

LONG-TERM ACUTE CARE

utilize space within an existing GAC hospital. As reflected in Table L-3, 17 of the 25 reporting LTAC hospitals occupy space within a GAC hospital. Consequently, construction time is often limited to the time needed to renovate existing hospital space. Moreover, since many new facilities lease space from a GAC hospital, capital requirements are considerably less than constructing a new freestanding facility.

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

incentive to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare Prospective Payment System, or PPS, GAC hospitals typically receive a predetermined fee based on the average cost to treat patients in the diagnosis-related group (DRG). If a patient requires acute care for an extended period of time, the GAC hospital can avoid the extraordinary costs associated with the extended stay by discharging the patient to an LTAC hospital. As discussed further in this section,

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

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

there have been some recent changes to the Medicare payment system which may reduce the incentive for LTAC hospitals to accept patients from their host GAC hospital.

The top ten clinical classifications for patients discharged from LTAC hospitals during FY06 are presented in Table L-4. These ten classifications represent nearly 62% of all discharges during the fiscal year.

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

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

TABLE L-3
Long-Term Acute Care Hospitals Operating as a Hospital-within-a-Hospital[†], FY06

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

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

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

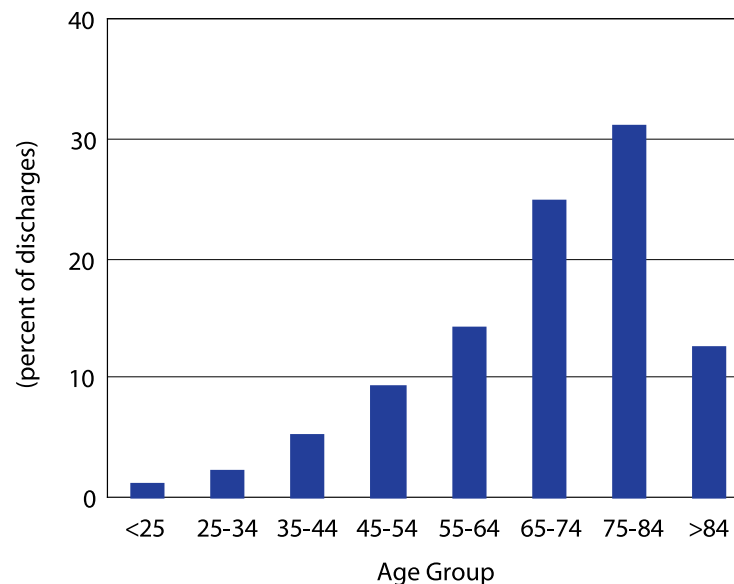


TABLE L-4
Leading Clinical Classifications* at Long-Term Acute Care Hospitals, FY06

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

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

inpatient NPR from Medicare.

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

Financial Profile

Like rehabilitation hospitals, LTAC hospitals have also transitioned from a cost-based Medicare reimbursement system to a Long-Term Care Hospital Prospective Payment System (LTCH PPS). Also like rehabilitation hospitals, changes to the Medicare reimbursement system have had

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

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

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

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

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

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

FIGURE L-3
Statewide Net Patient Revenue at Long-Term Acute Care Hospitals, FY06
 by Payor

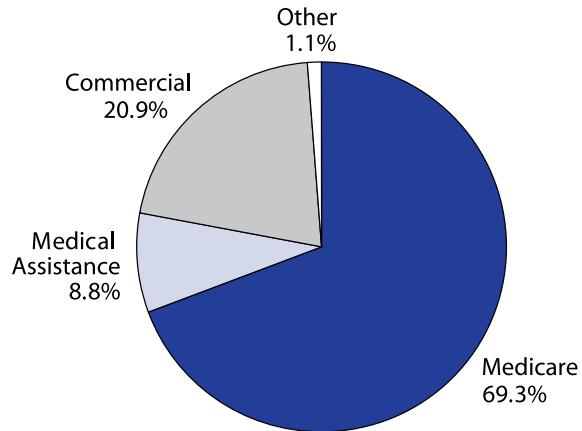


FIGURE L-4
Statewide Operating and Total Margins at Long-Term Acute Care Hospitals

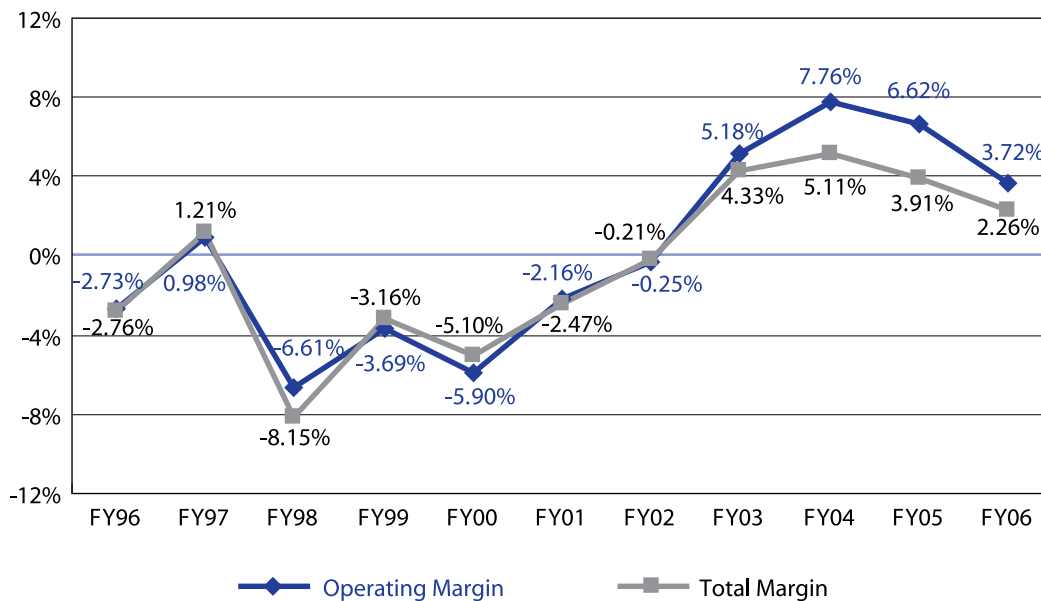


TABLE L-5
Statewide Revenue, Expenses, and Income at Long-Term Acute Care Hospitals
 (thousands)

	FY02	FY03	FY04	FY05	FY06
Net Patient Revenue	\$231,795	\$310,147	\$341,561	\$384,488	\$397,337
Total Operating Revenue	\$233,428	\$313,135	\$344,141	\$385,991	\$398,623
Total Operating Expenses	\$234,012	\$296,900	\$317,451	\$360,440	\$383,812
Operating Income	(\$584)	\$16,235	\$26,690	\$25,551	\$14,811
Non-Operating Adjustments †	\$88	(\$2,662)	(\$9,085)	(\$10,392)	(\$5,758)
Revenue over Expenses	(\$497)	\$13,573	\$17,605	\$15,159	\$9,053

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

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

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

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

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

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

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

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

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

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

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

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

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

LONG-TERM ACUTE CARE

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

See footnotes and map of regions on page 58.

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

See footnotes and map of regions on page 58.

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-General Acute Care hospitals. There were six hospitals in this category during fiscal year 2006 (FY06). In lieu of an analysis of the trends in utilization and financial health of this very diverse category of facilities, this section presents a brief summary of each of the facilities, based on data available at the end of FY06.

Children's Home of Pittsburgh is an 11-bed inpatient non-profit transitional infant care hospital. It provides an intermediate level of medical care for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. During FY06, the hospital discharged 182 patients with an average length of stay (ALOS) of 16.1 days.

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

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

Divine Providence is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital provides outpatient diagnostic and treatment services and operates a 31-bed inpatient psychiatric unit. During FY06, Divine Providence reported 105,270 outpatient visits. Outpatient and home health care represented about 94% of the facility's net patient revenue (NPR) during FY06.

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

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

See footnotes and map of regions on page 58.

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

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

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

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

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

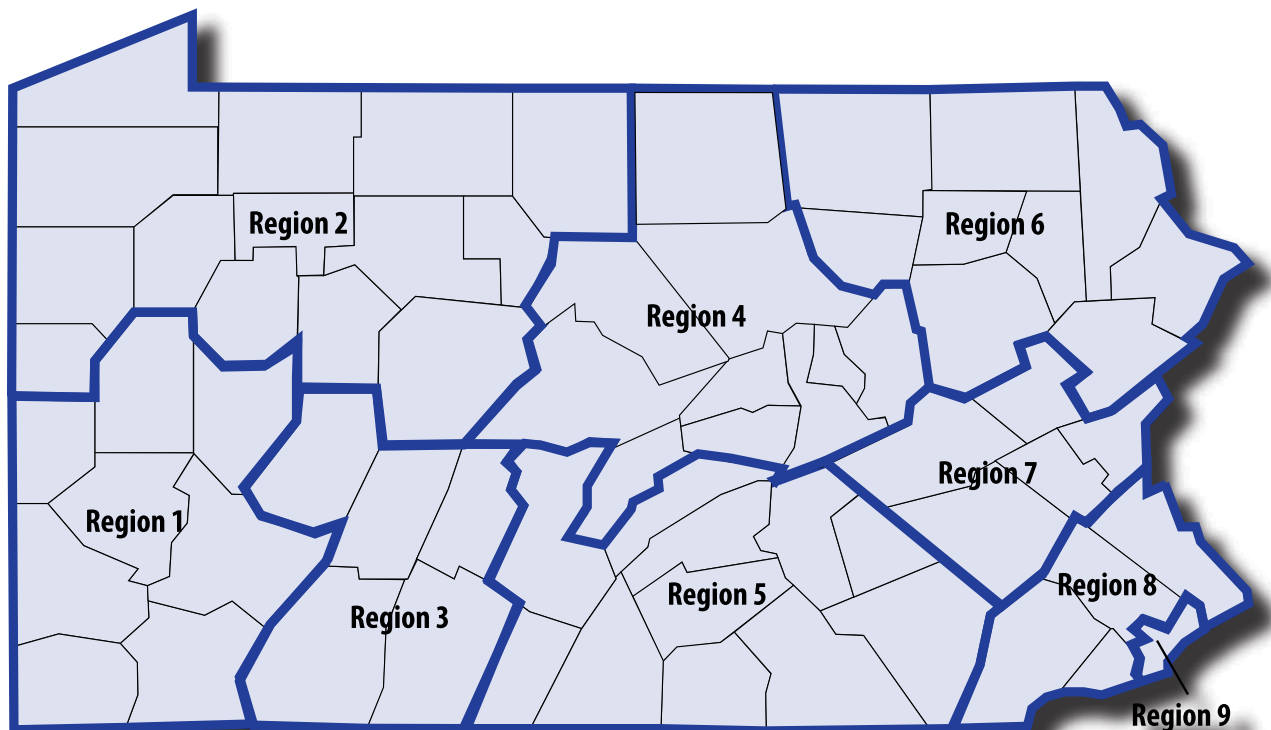
The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other medical conditions. A 10.1% decline in operating revenue coupled with a 6.7% increase in operating expenses during FY06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

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

See footnotes and map of regions on page 58.

Footnotes

1. The end of the fiscal year is not June 30. The data reflects the fiscal year that ended prior to June 30.
 2. FY06 data is less than 12 months; therefore, a 3-year comparison is not appropriate for some of the measures.
 3. Prior year(s) reflect less than 12 months of data; therefore, a 3-year comparison is not appropriate for some of the measures.
 4. This facility began operating during this reporting year. Typically, total operating expenses are high compared to operating revenue during the start-up period.
 5. The hospital has specialty units such as psychiatric, rehabilitation, long-term care, skilled nursing, home health, etc., which are included in the data presented for the facility.
 6. Extraordinary item(s) reported on audited financial statement was included in the calculation of total margin.
 7. Balance sheet ratios are for the parent organization.
 8. Acquired or merged with another licensed hospital during the FY06 reporting period.
 9. Acquired or merged with another licensed hospital during the FY04 or FY05 reporting periods.
 10. For-profit facility; total margin includes *pro rata* share of taxes, other gains and/or expenses experienced by the parent organization.
 11. Facility is referred to by a different name, or it closed after the FY06 reporting period.
 12. Facility failed to satisfy the financial filing requirements.
 13. One or more of the required financial submissions was filed late.
 14. Facility submitted incomplete or inaccurate data.
- NR Information necessary to report or calculate this measure was not reported by the hospital.
- NA Not applicable.



Explanation of Terms and Measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rehabilitation Hospital: A licensed inpatient facility, other than a General Acute Care hospital, which is operated for the primary pur-

pose of assisting in the physical rehabilitation of persons through an integrated program of medical and other services. Rehabilitation hospitals may also offer outpatient services.

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

Three-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the facility's NPR or TOE that occurred from the end of FY03 through FY06.

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

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

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

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

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

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

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

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

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

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

Facilities report bad debt and charity care at full charges. The sum of bad debt charges and charity care charges (uncompensated care charges) is divided by total charges to yield an uncompensated care rate. This rate should be a close approximation of the percent of facility net patient revenue that was forgone due to uncompensated care.

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

Non-Compliant Facilities

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

Late Submission

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

Partial Submission

Pottstown SC

No Submission

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



Pennsylvania Health Care Cost Containment Council

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FOR MORE INFORMATION

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