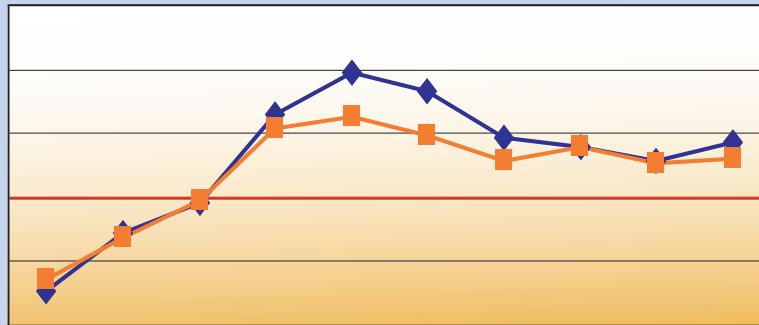
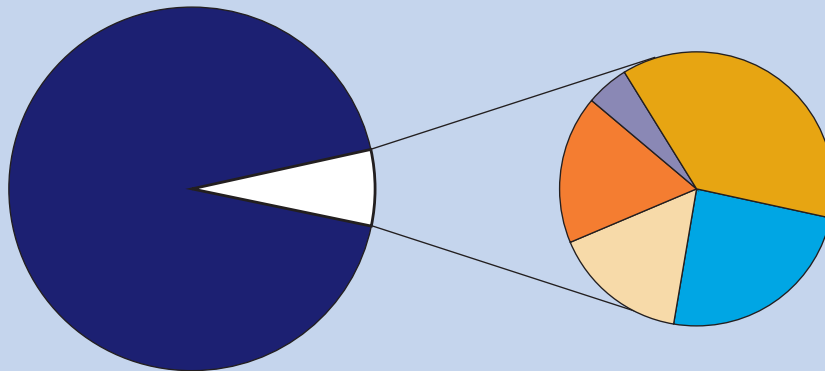
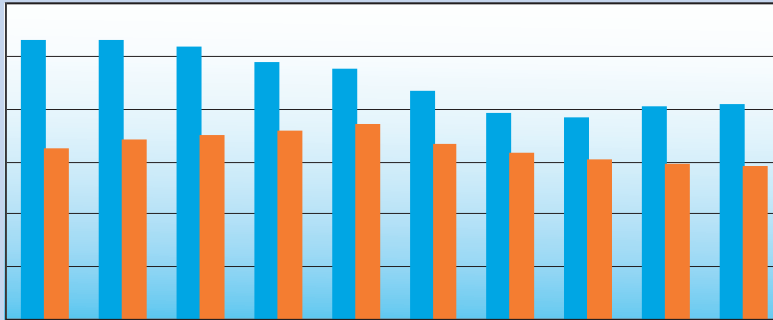


Financial Analysis 2009

Volume Three

Rehabilitation Care • Psychiatric Care • Long-Term Acute Care • Specialty Care





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

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Non-Compliant Hospitals/Late Submission

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

Angela Jane Rehab	LifeCare/Chester County
Berkshire Pavilion	LifeCare/Pgh - North
Brooke Glen Behavioral	LifeCare/Pittsburgh
First Wyoming Valley	Penn State Hershey Rehab
Kindred/Delaware County	Select Specialty/Camp Hill
Kindred/Heritage Valley	Select Specialty/Erie
Kindred/Philadelphia	Select Specialty/Harrisburg
Kindred/Pittsburgh	Select Specialty/York
Lancaster Rehab Hospital	Valley Forge

Key Findings

- The statewide average operating margin for the state’s 20 rehabilitation hospitals improved 1.33 percentage points from 8.90% in FY08 to 10.23% in FY09. The statewide average total margin declined 5.79 percentage points from 11.49% in FY08 to 5.70% in FY09. However, the decline in total margin was driven almost entirely by the size of a single rehabilitation hospital’s negative total margin (-75.09%).
- Rehabilitation hospitals had the highest statewide average operating margin among all of the hospital categories.
- For the fifth consecutive year, the state’s 19 freestanding psychiatric hospitals as a group have posted an increase in the statewide average operating margin. The statewide average operating margin grew another 0.23 of a point from 5.96% in FY08 to 6.19% in FY09.
- After four years of consecutive increases, the statewide average total margin for psychiatric hospitals decreased 1.96 points from 4.55% in FY08 to 2.59% in FY09.
- The statewide average operating margin for the Commonwealth’s 27 long-term acute care (LTAC) hospitals increased 1.15 points from 2.31% in FY08 to 3.46% in FY09. The statewide average total margin increased 0.33 of a point from 2.07% in FY08 to 2.40% in FY09.
- LTAC hospitals received nearly two-thirds (65.9%) of their patient revenue from Medicare patients during FY09.

Introduction

On an annual basis, the Pennsylvania Health Care Cost Containment Council (PHC4) has produced a series of financial reports that measure the financial health of Pennsylvania's hospitals and freestanding ambulatory surgery centers.

This is the third volume of a three-volume series. *Volume One*, released in May 2010, focused on the financial health of Pennsylvania's general acute care (GAC) hospitals. *Volume Two*, released in October 2010, concentrated on Pennsylvania's freestanding ambulatory surgery centers (ASCs). This report, *Volume Three*, focuses on Pennsylvania's freestanding rehabilitation hospitals, psychiatric hospitals, state psychiatric hospitals, long-term acute care hospitals, and specialty hospitals (non-GAC hospitals). Table 1 lists the total number of licensed hospitals and ASCs that operated in Pennsylvania during fiscal year 2009 (FY09).

Table 1
Number of Facilities, FY09
by Facility Type

Facility Type	Number of Facilities
General Acute Care Hospitals	171
Rehabilitation Hospitals	20
Psychiatric Hospitals	19
State Psychiatric Hospitals	8
Long-Term Acute Care Hospitals	27
Specialty Hospitals	5
Ambulatory Surgery Centers	262
Total	512

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

The reporting year for the non-GAC hospitals in this report is based on each facility's accounting year (fiscal year) that ended during 2009. For the majority of non-GAC hospitals, the fiscal year is the calendar year ending on December 31, 2009. For those hospitals that do not utilize a calendar year, the fiscal year typically ended on June 30, 2009.

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

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

Overview

General acute care (GAC) hospitals (including their hospital-based subunits) are the predominate providers of hospital-based health care in Pennsylvania. During fiscal year 2009 (FY09), GAC hospitals received 93.0% of the statewide net patient

revenue (Figure 1). GAC hospitals treated 95.0% of the patients receiving inpatient care (Figure 2). Similarly, the 40.0 million outpatient visits reported by the GAC hospitals represent 92.4% of the total outpatient visits to all hospitals and ambulatory surgery centers (ASCs) (Figure 3).

Figure 1
Net Patient Revenue, FY09
by Facility Type*

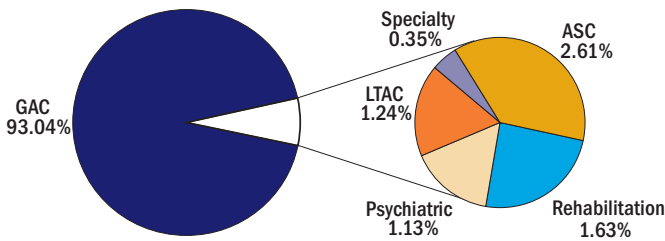


Figure 2
Discharges, FY09
by Facility Type*

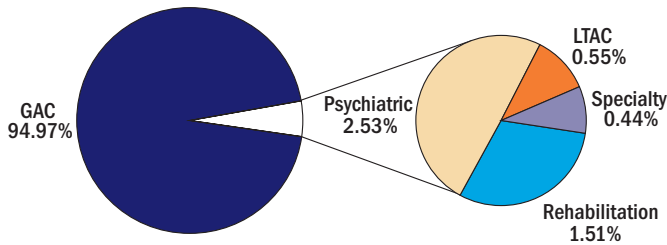
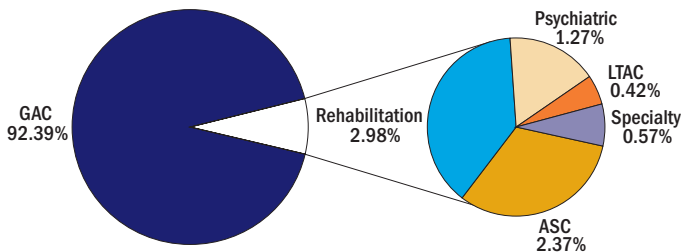


Figure 3
Outpatient Visits, FY09
by Facility Type*



* Excludes State Psychiatric Hospitals

The figures and tables in this section, except for Figure 4 and Table 2, present a variety of information by facility type. These figures and tables reflect all care provided at each type of facility. For example, the patient days for long-term acute

Figure 4
Patient Days, FY09
by Type of Care

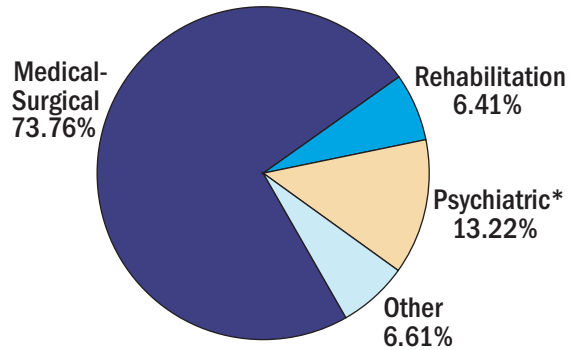


Table 2
Patient Days, FY09
by Type of Care

Type of Services	Patient Days
Medical-Surgical	8,001,443
Rehabilitation	695,578
Psychiatric*	1,433,989
Other	716,864
Statewide	10,847,874

Table 3
Utilization and Net Inpatient Revenue, FY09
by Facility Type*

Facility Type	Staffed Beds	Patient Days	Discharges	Net Inpatient Revenue (thousands)	Average Inpatient Revenue per Day	Average Inpatient Revenue per Discharge
General Acute Care Hospitals	36,855	9,385,882	1,793,912	\$19,811,181	\$2,111	\$11,044
Rehabilitation Hospitals	1,739	424,733	28,483	\$471,877	\$1,111	\$16,567
Psychiatric Hospitals	2,956	625,567	47,790	\$339,879	\$543	\$7,112
Long-Term Acute Care Hospitals	1,390	290,411	10,394	\$411,243	\$1,416	\$39,565
Specialty Hospitals	478	121,281	8,310	\$47,479	\$391	\$5,714
Statewide	43,418	10,847,874	1,888,889	\$21,081,659	\$1,943	\$11,161

care (LTAC) hospitals in Table 3 include medical-surgical plus the psychiatric and the relatively small amount of skilled nursing care provided at the LTAC hospitals. In contrast, Figure 4 and Table 2 present patient days by type of care (e.g., psychiatric), regardless of where that care was delivered.

For example, statewide psychiatric care includes services provided at freestanding psychiatric, GAC, LTAC, and specialty hospitals.

Table 3 displays the differences in the average revenue per day and discharges at the different types of hospitals. While a number of factors affect

the revenue that hospitals receive, the variation in the average revenue per day provides some indication of the differences in resources required to treat patients in the different facility settings. For example, the revenue per day at rehabilitation hospitals is more than double the average for psychiatric hospitals. This disparity exists, in large part, because rehabilitation hospitals generally provide care that is more resource intensive than psychiatric hospitals. In addition, Figure 6 reveals that the average age of patients treated at rehabilitation facili-

Table 4
Outpatient Visits and Net Outpatient Revenue, FY09
by Facility Type*

Facility Type	Outpatient Visits	Net Outpatient Revenue (thousands)	Average Outpatient Revenue per Visit
General Acute Care Hospitals	39,969,108	\$13,463,139	\$337
Rehabilitation Hospitals	1,289,584	\$112,770	\$87
Psychiatric Hospitals	547,708	\$62,530	\$114
Long-Term Acute Care Hospitals	181,291	\$32,095	\$177
Specialty Hospitals	248,595	\$76,921	\$309
Ambulatory Surgery Centers	1,023,804	\$934,691	\$913
Statewide	43,260,090	\$14,682,146	\$339

* Excludes State Psychiatric Hospitals

Figure 5
Average Length of Stay, FY09
by Facility Type*

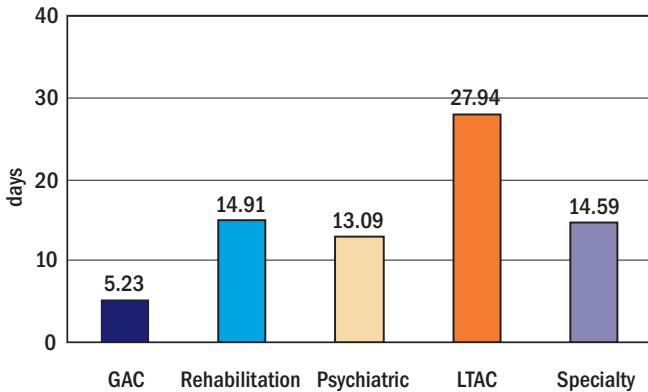
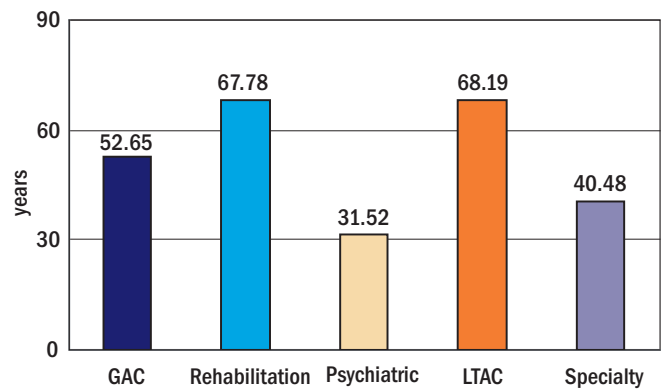


Figure 6
Average Inpatient Patient Age, FY09
by Facility Type*



ties 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 5 to the variations in the average revenue per day result in large differences in the average revenue per discharge across the different hospital settings. The average revenue per discharge during FY09 ranged from \$5,714 at specialty hospitals to \$39,565 at LTAC hospitals. LTAC hospitals treat complex medical conditions that require continuous care.

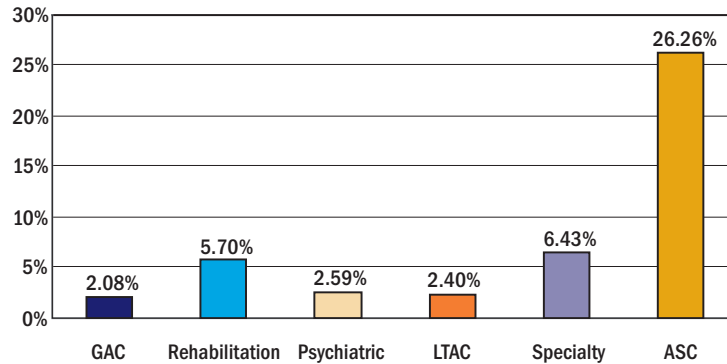
During FY09, there were 43.3 million outpatient visits reported statewide, of which 2.3 million were from rehabilitation, psychiatric, LTAC and specialty hospitals (Table 4). There is also a wide variation in the average outpatient revenue per visit across all facilities. Like inpatient care, a primary reason for the diversity in outpatient revenue per visit among the facility types is the variation in level of resources provided per visit. A patient may receive

care as a series of visits comprised of relatively short treatments (e.g., psychotherapy) in a hospital outpatient setting, while a patient at an ASC may be subject to an entire surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

Only ASCs and LTAC hospitals experienced an increase in their statewide average total margin during FY09. The FY09 statewide average operating and total margin for ASCs were the highest margins posted in over ten years. The GAC hospitals' operating and total margins peaked at their highest levels in FY07 and declined in both FY08 and FY09. The operating and total margins of LTAC facilities as a group have declined from their peak in FY04, but slight improvements in both were made during FY09. Similarly, the FY09 statewide operating and total margins for rehabilitation hospitals have declined from the FY06 peak for total margin and FY05 peak for operating margin. However, only the operating margin for rehabilita-

* Excludes State Psychiatric Hospitals

Figure 7
Total Margin, FY09
by Facility Type*



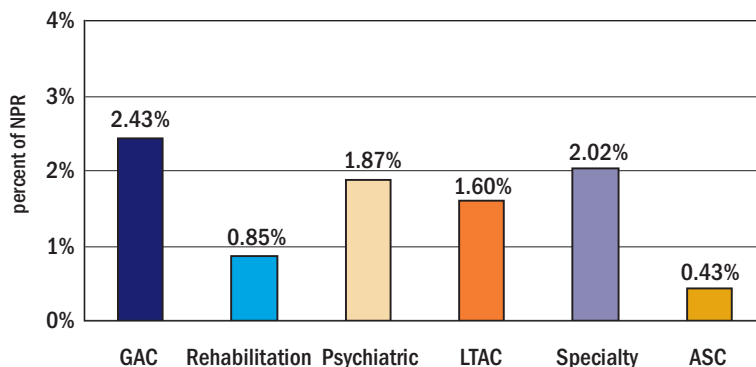
tion hospitals improved slightly in FY09. Among the hospital categories, rehabilitation hospitals had the highest statewide average operating margin in FY09. The psychiatric hospitals experienced their highest operating margin in FY09, but their total margin declined after peaking in FY08.

ASCs continue to have the highest average total margin among the different health care facility types (Figure 7). Contributing to the difference between the average ASC total margin and the average total margins for the other facility types is

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

Among all facility types, GAC hospitals had the highest level of uncompensated care as a percent of net patient revenue (NPR) in FY09, while ASCs had the lowest level. Uncompensated care as a percent of NPR ranged from 0.85% to 2.02% among the various non-GAC hospital categories.

Figure 8
Percent of Uncompensated Care, FY09
by Facility Type*



* Excludes State Psychiatric Hospitals

Rehabilitation Care

Highlights

- The statewide average operating margin for the state's 20 rehabilitation hospitals improved 1.33 percentage points from 8.90% in FY08 to 10.23% in FY09. The statewide average total margin declined 5.79 percentage points from 11.49% in FY08 to 5.70% in FY09. However, the decline in total margin was driven almost entirely by the size of a single rehabilitation hospital's negative total margin (-75.09%).
- Rehabilitation hospitals had the highest statewide average operating margin among all of the hospital categories.

Table 5
Utilization and Capacity of Rehab Care
by Facility Type

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Patient Days										
Rehabilitation Hospitals	529,817	530,434	516,620	485,098	474,804	434,219	389,451	380,679	401,255	408,100
GAC Rehab Units	321,027	341,940	349,544	357,726	368,195	329,993	312,871	304,191	292,948	287,478
Statewide	850,844	872,374	866,164	842,824	842,999	764,212	702,322	684,870	694,203	695,578
Discharges										
Rehabilitation Hospitals	32,142	34,237	34,499	34,255	33,812	28,868	25,094	24,904	26,353	27,334
GAC Rehab Units	30,101	32,845	38,684	37,713	37,899	31,577	27,942	27,097	25,386	24,315
Statewide	62,243	67,082	73,183	71,968	71,711	60,445	53,036	52,001	51,739	51,649
Beds										
Rehabilitation Hospitals	1,798	1,867	1,803	1,757	1,827	1,734	1,577	1,656	1,694	1,667
GAC Rehab Units	1,318	1,373	1,429	1,478	1,543	1,391	1,411	1,306	1,270	1,219
Statewide	3,116	3,240	3,232	3,235	3,370	3,125	2,988	2,962	2,964	2,886
Occupancy Rate										
Rehabilitation Hospitals	80.51%	79.22%	78.55%	76.56%	72.29%	67.51%	67.66%	63.68%	66.01%	67.10%
GAC Rehab Units	67.20%	67.97%	66.92%	66.25%	66.11%	63.71%	62.95%	63.57%	64.70%	64.56%
Statewide	74.91%	74.39%	73.40%	71.82%	69.46%	65.82%	65.48%	63.63%	65.45%	66.02%
Average Length of Stay										
Rehabilitation Hospitals	16.5	15.5	15.0	14.2	14.0	15.0	15.5	15.3	15.2	14.9
GAC Rehab Units	10.7	10.4	9.0	9.5	9.7	10.5	11.2	11.2	11.5	11.8
Statewide	13.7	13.0	11.8	11.7	11.8	12.6	13.2	13.2	13.4	13.5

Rehabilitation Care

Figure 9
Rehab Discharges
by Facility Type

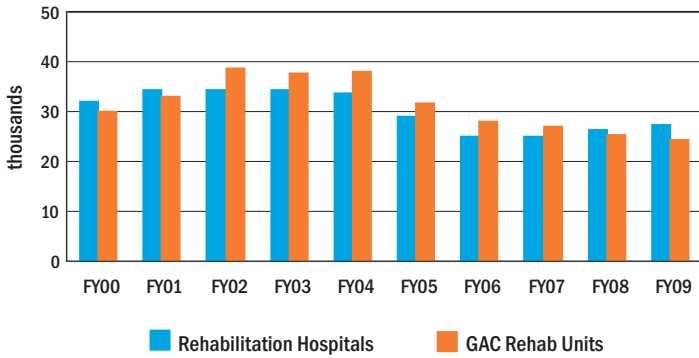
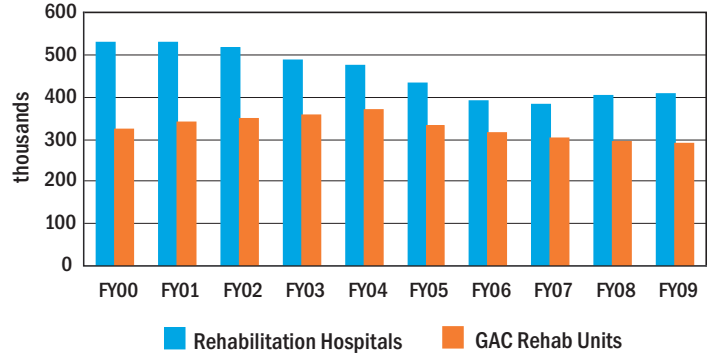


Figure 10
Rehab Patient Days
by Facility Type



Rehabilitation Care

During fiscal year 2009 (FY09), there were 20 freestanding rehabilitation hospitals in Pennsylvania that provided care to 52.9% of the patients admitted for inpatient rehab care statewide (Table 5 & Figure 9). The remaining 47.1% received care at the rehab units that operated as part of a general acute care (GAC) hospital. Sixty-two, or 36%, of Pennsylvania's GAC hospitals operated rehab units in FY09.

In addition to treating more of the rehab patients in FY09, there were more patient days and a longer average length of stay (ALOS) at rehabilitation hospitals than at the GAC rehab units. The rehabilitation hospitals provided 58.7% of the patient days of acute rehab care during FY09 compared to 41.3% from the GAC rehab units (Figure 10). The ALOS at rehabilitation hospitals was 14.9 days compared to 11.8 days at the GAC rehab units (Figure 11).

Trends in Rehab Care

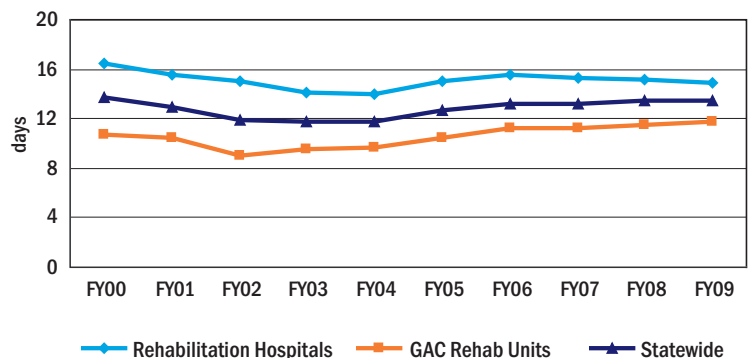
The combined number of patients receiving rehab care at both GAC rehab units and rehabilitation hospitals peaked during FY02. From FY02 to FY09, the discharges at GAC rehab units declined 37.1%, an average decline of 5.3% per year. From FY02 to

FY07, the rehab discharges at rehabilitation hospitals declined 27.8%, an average of 5.6% per year, and then increased 5.8% in FY08.

The total number of rehab care discharges statewide decreased 0.2% during FY09. However, the number of discharges at the GAC rehab units declined 4.2% in FY09 while rehab discharges increased 3.7% at rehabilitation hospitals.

There was a net decline of 51 staffed beds (4.0%) at GAC rehab units and a net decline of 27 staffed rehab beds (1.6%) at rehabilitation hospitals in FY09, which resulted in an overall 2.6% decline in the

Figure 11
Average Length of Stay for Rehab Care
by Facility Type



Rehabilitation Care

Table 6
Utilization and Capacity, FY09
by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	24,372	42,705	57.07%	2,283	117	10.7
Angela Jane Rehab	10,860	17,885	60.72%	893	49	12.2
Bryn Mawr Rehab	46,834	54,020	86.70%	2,852	148	16.4
Children's Inst Pgh	14,035	24,820	56.55%	554	68	25.3
Crichton Rehab Center	9,565	14,235	67.19%	634	39	15.1
Geisinger HealthSouth	11,203	15,090	74.24%	870	42	12.9
Good Shepherd Rehab	22,386	29,930	74.79%	1,738	82	12.9
HealthSouth Altoona	21,840	25,550	85.48%	1,604	70	13.6
HealthSouth Erie	24,251	39,420	61.52%	1,605	108	15.1
HealthSouth Harnarville	41,821	73,730	56.72%	2,492	202	16.8
HealthSouth Mechanicsburg	17,563	27,375	64.16%	1,269	75	13.8
HealthSouth Nittany	13,463	31,025	43.39%	1,037	85	13.0
HealthSouth Reading	15,222	21,900	69.51%	951	60	16.0
HealthSouth Sewickley	10,110	16,060	62.95%	751	44	13.5
HealthSouth York	19,197	30,295	63.37%	1,458	83	13.2
John Heinz Rehab	28,777	33,580	85.70%	2,301	92	12.5
Lancaster Rehab Hospital	15,958	18,250	87.44%	1,083	50	14.7
Magee Rehab	29,717	35,040	84.81%	1,221	96	24.3
Moss Rehab	40,240	71,905	55.96%	2,345	197	17.2
Penn State Hershey Rehab	7,319	11,680	62.66%	542	32	13.5

number of staffed rehab beds statewide. Montgomery Rehab Hospital of Chestnut Hill, which closed in FY08, contributed to some of the decline in the number of staffed beds.

One key factor in the decline in the utilization of inpatient rehab care in prior years is the Medicare "75% Rule." In May 2004, the Centers for Medicare and Medicaid Services (CMS) published a final regulation, which mandated that a minimum of 75% of a facility's inpatient rehab patients must require treatment for one or more of 13 specific conditions in order for the facility to qualify for the higher Medicare inpatient rehabilitation facility prospective payment

Figure 12
Average Length of Stay
at Rehabilitation Hospitals, FY09
by Age Group

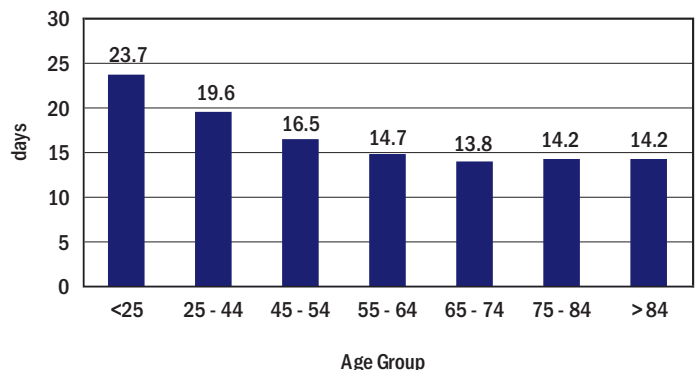
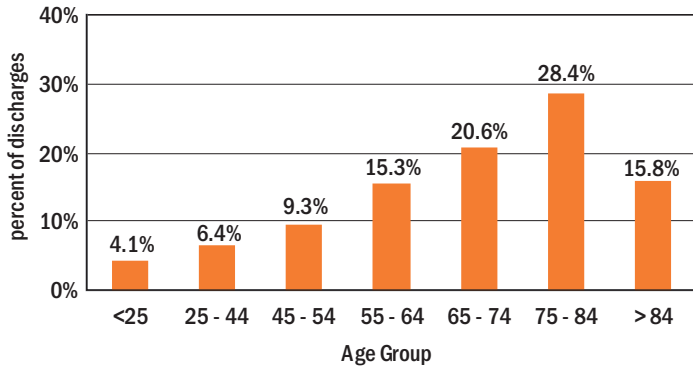


Figure 13
Inpatient Age Distribution
at Rehabilitation Hospitals, FY09
by Age Group



system (IRF PPS) rates. Facilities that did not meet the threshold were to be reimbursed at the lower general PPS rates. Initially, the minimum threshold was being phased-in in annual increments from 50% for cost reporting years after July 2004 to 75% after July 2008. However, the federal Medicare, Medicaid and SCHIP Extension Act of 2007 limited the minimum threshold to 60% permanently and was retroactive to cost reporting periods after July 2005.

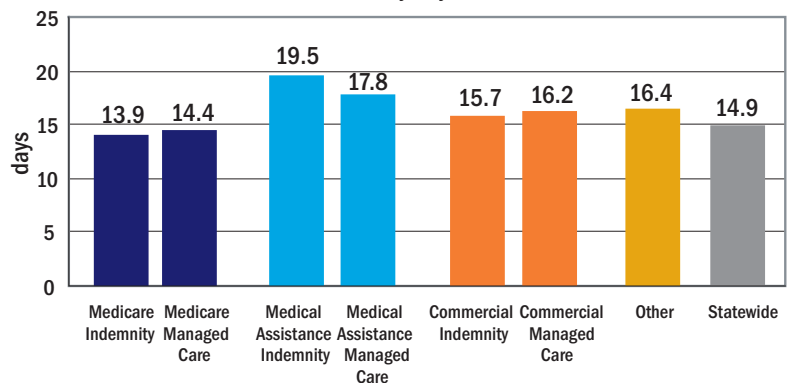
Rehabilitation hospitals serve a predominately elderly population; 64.8% of the patients at these hospitals were 65 years or older in FY09 (Figure 13). While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. During FY09, patients in the under-25 and the 25-44 age groups had an ALOS of 23.7 and 19.6 days, respectively (Figure 12). In contrast, patients in the 65-74 age group had an ALOS of 13.8 days.

The revenue that rehabilitation hospitals received per discharge and per day varied considerably by payer category (Figures 15 & 16). Part of this variation is attributable to the mix of patients and care covered by the different third-party payers and the variation of costs associated with treating those patients. The variations in the average patient age and the ALOS presented by payer in Table 7 and Figure 14 indicate the differences in the average level of care among the payers. Younger patients are more likely to be admitted for traumatic injuries, such as brain and spinal cord injuries, which typically have longer recovery periods. As a result, younger patients, on average, require longer lengths of stay.

Table 7
Average Inpatient Age
at Rehabilitation Hospitals, FY09
by Payer

Payer	Average Age
Commercial	51.58
Medicare	75.95
Medical Assistance	42.92
Other	61.69
Statewide	67.78

Figure 14
Average Length of Stay
at Rehabilitation Hospitals, FY09
by Payer



Rehabilitation Hospitals – Financial Profile

Net patient revenue (NPR) increased 3.5% at rehabilitation hospitals during FY09; most of the growth occurred in Medicare managed care plans (Table 8). The 3.2% increase in total operating revenue for the rehabilitation hospitals outpaced the 1.7% increase in operating expenses during FY09 (Table 9). As a result, the statewide average operating margin improved 1.33 points from 8.90% in FY08 to 10.23% in FY09 (Figure 18). This increase in FY09 followed a 0.13-point decline in the statewide operating margin in FY08.

In FY09, statewide operating revenue at the rehabilitation hospitals grew 3.2% as total discharges (rehab and skilled nursing care) at these hospitals increased 4.4%. The average inpatient revenue per discharge decreased 0.5% from \$16,648 in FY08 to \$16,567 in FY09. However, the average inpatient revenue per day

Figure 15
Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY09
by Payer

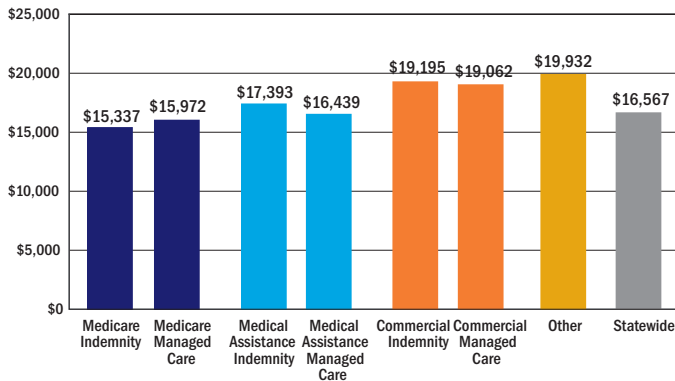


Figure 16
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY09
by Payer

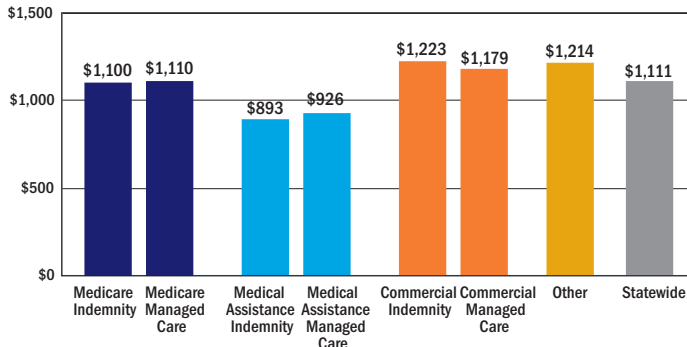


Figure 17
Net Patient Revenue at Rehabilitation Hospitals, FY09
by Payer

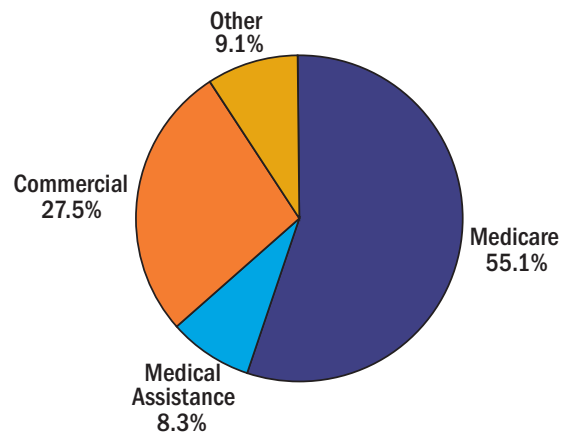


Table 8
Net Patient Revenue at Rehabilitation Hospitals
by Payer

	Net Patient Revenue (thousands)		Percent Change FY08 to FY09
	FY08	FY09	
Commercial			
Indemnity	\$75,595	\$65,037	-13.97%
Managed Care	\$91,378	\$95,827	4.87%
Total	\$166,973	\$160,864	-3.66%
Medicare			
Indemnity	\$245,874	\$254,077	3.34%
Managed Care	\$51,575	\$68,217	32.27%
Total	\$297,449	\$322,294	8.35%
Medical Assistance			
Indemnity	\$25,624	\$24,462	-4.54%
Managed Care	\$21,933	\$23,961	9.25%
Total	\$47,557	\$48,423	1.82%
Other	\$52,983	\$53,066	0.16%
Statewide	\$564,962	\$584,647	3.48%

Table 9
Revenue, Expenses, and Income at Rehabilitation Hospitals
(thousands)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Net Patient Revenue	\$512,735	\$541,437	\$556,241	\$562,271	\$575,035	\$549,165	\$514,631	\$532,349	\$564,962	\$584,647
Total Operating Revenue	\$533,894	\$567,296	\$606,514	\$596,907	\$606,827	\$583,200	\$547,486	\$575,710	\$600,282	\$619,356
Total Operating Expenses	\$495,548	\$532,164	\$548,682	\$524,222	\$540,481	\$511,814	\$488,781	\$523,738	\$546,874	\$556,021
Operating Income	\$38,346	\$35,132	\$57,831	\$72,685	\$66,346	\$71,386	\$58,705	\$51,972	\$53,408	\$63,336
Non-operating Income Adjustments*	\$27,956	(\$5,140)	(\$34,715)	(\$17,553)	\$1,174	\$4,728	\$14,252	\$9,319	\$18,569	(\$29,174)
Revenue over Expenses	\$66,302	\$29,992	\$23,117	\$55,132	\$67,520	\$76,114	\$72,956	\$61,291	\$71,977	\$34,162

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

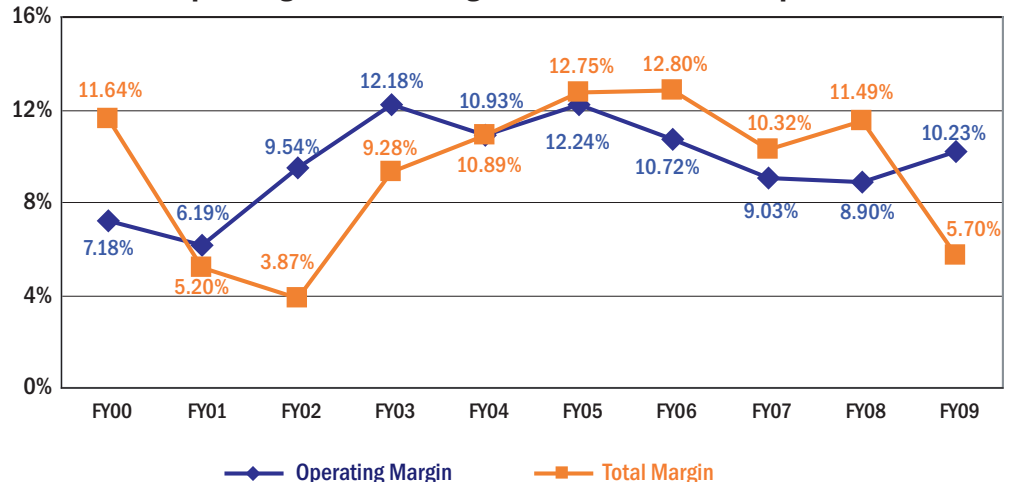
increased 2.0% from \$1,089 in FY08 to \$1,111 in FY09.

Outpatient and home health care at rehabilitation hospitals generated about one-fifth (19.3%) or \$112.7 million of the \$584.6 million in total NPR reported by the rehabilitation hospitals for FY09.

The statewide average total margin decreased 5.79 points from 11.49% in FY08 to 5.70% in FY09. The decrease in the statewide total margin during FY09 was a greater difference than the increase in the statewide operating margin because of the reduction in non-operating income at the non-profit rehabilitation hospitals. Non-operating income at the hospitals is primarily comprised of investments and contributions. The decline in total margin was driven almost entirely by the size of a single non-profit rehabilitation hospital's negative total margin (-75.09%). However, all six non-profit rehabilitation hospitals that reported non-operating income had significant non-operating income losses in FY09. In FY08, these six hospitals combined earned a *positive* \$26.1 million in non-operating income. In FY09, these hospitals combined reported a *negative* \$20.0 million in non-operating income.

The 7.06% FY09 average operating margin for the eight non-profit rehabilitation hospitals was 8.24 points below the 15.30% FY09 average operating margin for the 12 for-profit hospitals. Investment and other non-operating losses generally drove the average total margin at the non-profit rehabilitation hospitals 5.15 points below the average operating margin to 1.91%. The 11.44% average total margin for the for-profit hospitals, which are subject to income tax, was 3.86 points below the average operating margin as a group. The 1.91% average total margin for the non-profit hospitals was 9.53 points lower than the 11.44% average total margin at the for-profit hospitals.

Figure 18
Operating and Total Margins at Rehabilitation Hospitals



Rehabilitation Care

Region/Rehabilitation Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY06-FY09	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY06-FY09
	FY09	FY08	FY07	FY06		FY09	FY08	FY07	FY06	
Statewide Average	\$29	\$27	\$25	\$27	2.64%	\$28	\$26	\$25	\$26	2.69%
Non-profit Rehabilitation Hospitals										
Statewide Average (non-profit)	\$44	\$43	\$36	\$39	4.54%	\$44	\$43	\$37	\$38	5.91%
6 Allied Services	\$36	\$37	\$37	\$38	-1.77%	\$36	\$37	\$36	\$37	-0.81%
8 Bryn Mawr Rehab	\$68	\$65	\$64	\$60	4.45%	\$56	\$52	\$49	\$48	5.54%
1 Children's Inst Pgh	\$21	\$20	\$17	\$15	13.76%	\$42	\$41	\$36	\$30	12.40%
3 Crichton Rehab Center ⁷	\$10	\$9	\$8	NA	NA	\$8	\$8	\$8	NA	NA
7 Good Shepherd Rehab	\$49	\$46	\$41	\$41	7.33%	\$55	\$50	\$48	\$44	8.25%
6 John Heinz Rehab	\$35	\$33	\$31	\$32	2.87%	\$34	\$33	\$31	\$32	2.62%
9 Magee Rehab	\$55	\$52	\$43	\$41	11.47%	\$57	\$55	\$56	\$44	10.09%
9 Moss Rehab ⁷	\$76	\$78	\$73	\$71	2.64%	\$66	\$64	\$60	\$57	4.91%
For-profit Rehabilitation Hospitals										
Statewide Average (for-profit)	\$19	\$17	\$17	\$19	1.38%	\$17	\$16	\$16	\$17	-0.52%
9 Angela Jane Rehab ^{1, 5, 10, 13}	\$6	\$7	\$8	\$8	-7.02%	\$7	\$8	\$8	\$8	-1.13%
4 Geisinger HealthSouth ^{1, 10}	\$17	\$16	\$14	\$13	8.10%	\$15	\$15	\$14	\$13	4.19%
3 HealthSouth Altoona ^{1, 10}	\$27	\$26	\$25	\$23	5.97%	\$23	\$24	\$23	\$22	1.06%
2 HealthSouth Erie ^{1, 10}	\$25	\$19	\$20	\$23	2.65%	\$21	\$19	\$19	\$22	-1.19%
1 HealthSouth Harmarville ^{1, 5, 10}	\$40	\$39	\$39	\$41	-0.82%	\$33	\$36	\$34	\$34	-0.15%
5 HealthSouth Mechanicsburg ^{1, 10}	\$23	\$22	\$23	\$22	0.66%	\$20	\$20	\$20	\$20	0.21%
4 HealthSouth Nittany ^{1, 10}	\$16	\$16	\$16	\$16	-0.40%	\$16	\$16	\$16	\$18	-4.95%
7 HealthSouth Reading ^{1, 10}	\$18	\$17	\$17	\$17	1.50%	\$15	\$15	\$15	\$14	1.30%
1 HealthSouth Sewickley ^{1, 10}	\$11	\$9	\$8	\$7	15.01%	\$9	\$8	\$7	\$7	8.78%
5 HealthSouth York ^{1, 10}	\$26	\$26	\$25	\$26	-0.35%	\$21	\$22	\$22	\$23	-1.94%
5 Lancaster Rehab Hospital ^{1, 3, 10, 13}	\$17	\$17	\$5	NA	NA	\$14	\$14	\$7	NA	NA
5 Penn State Hershey Rehab ^{1, 10, 13}	\$9	\$8	NA	NA	NA	\$8	\$7	NA	NA	NA

See footnotes and map of regions on page 34.

Rehabilitation Care

Rehabilitation Hospital	Operating Margin FY09	Total Margin FY09	3-yr Average Total Margin FY07-FY09	Percent of Uncompensated Care FY09	Medicare Share of NPR FY09	Medical Assistance Share of NPR FY09
Statewide Average	10.23%	5.70%	9.20%	0.85%	55.13%	8.28%
Non-profit Rehabilitation Hospitals						
Statewide Average (non-profit)	7.06%	1.91%	9.86%	0.78%	46.86%	10.97%
Allied Services	4.35%	2.90%	5.26%	0.23%	79.20%	2.79%
Bryn Mawr Rehab	20.01%	21.26%	26.47%	0.47%	51.85%	1.28%
Children's Inst Pgh	-16.88%	-75.09%	0.09%	1.50%	4.88%	35.91%
Crichton Rehab Center ⁷	20.57%	20.57%	13.62%	1.11%	67.50%	11.66%
Good Shepherd Rehab	0.62%	0.62%	0.69%	1.92%	44.26%	6.68%
John Heinz Rehab	1.94%	1.97%	1.60%	0.55%	70.31%	3.40%
Magee Rehab	2.90%	-13.88%	-1.67%	0.63%	34.43%	15.76%
Moss Rehab ⁷	15.85%	15.86%	18.49%	0.58%	35.87%	19.34%
For-profit Rehabilitation Hospitals						
Statewide Average (for-profit)	15.30%	11.44%	8.09%	0.95%	67.53%	4.24%
Angela Jane Rehab ^{1, 5, 10, 13}	-20.41%	-18.72%	-11.31%	0.35%	55.03%	0.00%
Geisinger HealthSouth ^{1, 10}	22.55%	17.92%	16.18%	1.54%	68.04%	1.54%
HealthSouth Altoona ^{1, 10}	15.41%	9.71%	6.59%	1.30%	71.74%	4.93%
HealthSouth Erie ^{1, 10}	17.72%	15.24%	7.39%	1.23%	73.04%	5.86%
HealthSouth Harmarville ^{1, 5, 10}	17.22%	10.52%	8.32%	0.92%	51.14%	6.33%
HealthSouth Mechanicsburg ^{1, 10}	11.93%	7.33%	7.35%	1.03%	68.34%	2.34%
HealthSouth Nittany ^{1, 10}	5.20%	3.05%	1.33%	0.80%	73.59%	4.85%
HealthSouth Reading ^{1, 10}	18.30%	15.16%	10.68%	1.15%	71.23%	4.76%
HealthSouth Sewickley ^{1, 10}	18.92%	11.08%	7.11%	0.95%	84.51%	3.91%
HealthSouth York ^{1, 10}	17.64%	14.96%	10.63%	0.52%	73.29%	1.74%
Lancaster Rehab Hospital ^{1, 3, 10, 13}	20.50%	20.50%	12.99%	-0.13%	69.57%	3.34%
Penn State Hershey Rehab ^{1, 10, 13}	7.91%	7.91%	NA	1.55%	58.86%	8.44%

See footnotes and map of regions on page 34.

Psychiatric Care

Highlights

- For the fifth consecutive year, the 19 freestanding psychiatric hospitals as a group have posted an increase in the statewide average operating margin. The statewide average operating margin grew another 0.23 of a point from 5.96% in FY08 to 6.19% in FY09.
- After four years of consecutive increases, the statewide average total margin for psychiatric hospitals decreased 1.96 points from 4.55% in FY08 to 2.59% in FY09.
- The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's eight state psychiatric hospitals provided 28.9% of all patient days of psychiatric care during FY09. In addition, the Medical Assistance (MA) program provided 58.7% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY09. Of all patients receiving inpatient psychiatric care at GAC psychiatric units, 24.5% were MA participants.

Psychiatric Care

Inpatient psychiatric care in Pennsylvania is provided by state psychiatric hospitals, freestanding psychiatric hospitals, general acute care (GAC) hospitals, specialty hospitals, and long-term acute care (LTAC) hospitals. During fiscal year 2009 (FY09), there were 19 freestanding psychiatric hospitals in Pennsylvania that treated 36.5% of the patients admitted for inpa-

tient psychiatric care statewide and provided 31.0% of the total patient days of acute psychiatric care (Table 10). The average length of stay (ALOS) at psychiatric hospitals during FY09 was 13.1 (Figure 21). However, excluding their long-term residential and drug and alcohol (D&A) care programs, the ALOS was 10.8 days. Six of the psychiatric hospitals provided residential care, and three provided inpatient D&A care (Table 11).

Figure 19
Psychiatric Patient Days, FY09
by Facility Type

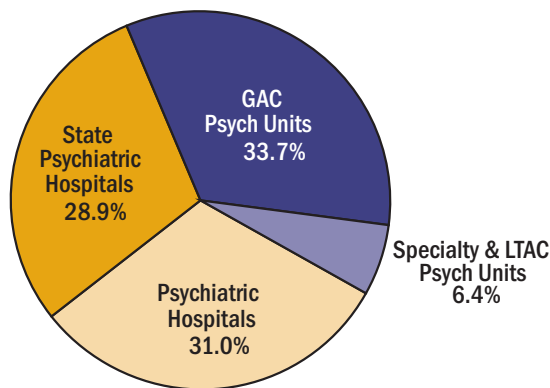
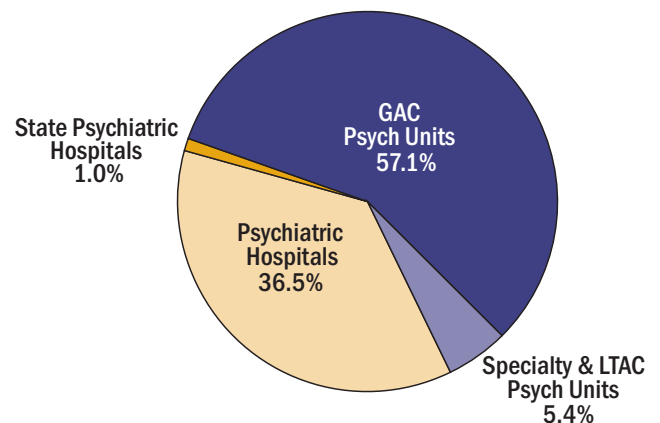


Figure 20
Psychiatric Discharges, FY09
by Facility Type



Psychiatric Care

Table 10
Utilization and Capacity of Psychiatric Care
 by Facility Type

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Patient Days										
Psychiatric Hospitals	526,150	511,681	548,281	567,435	558,552	558,059	556,829	586,344	591,751	625,567
State Psychiatric Hospitals	1,020,777	939,634	855,179	772,491	773,443	761,065	718,962	675,186	642,444	582,684
GAC Psych Units	777,093	769,658	738,873	753,413	757,131	742,683	730,956	718,089	700,008	680,291
Specialty Psych Units	124,811	141,783	139,380	145,703	149,446	155,908	151,878	124,008	128,898	98,880
LTAC Psych units	25,005	28,184	28,788	29,033	28,223	29,324	28,455	30,518	29,516	29,251
Statewide	2,473,836	2,390,940	2,310,501	2,268,075	2,266,795	2,247,039	2,187,080	2,134,145	2,092,617	2,016,673
Discharges										
Psychiatric Hospitals	38,815	39,153	40,336	42,673	44,173	41,587	41,911	42,358	44,592	47,790
State Psychiatric Hospitals	2,060	1,988	1,955	1,674	1,634	1,637	1,741	1,479	1,346	1,257
GAC Psych Units	89,727	87,079	85,449	84,338	85,748	84,670	83,821	81,207	78,649	74,888
Specialty Psych Units	6,705	10,142	9,381	9,396	9,430	9,886	9,387	7,983	8,387	5,982
LTAC Psych units	1,116	1,207	1,219	949	956	982	1,006	998	1,112	1,068
Statewide	138,423	139,569	138,340	139,030	141,941	138,762	137,866	134,025	134,086	130,985
Beds										
Psychiatric Hospitals	1,862	1,801	1,896	1,938	1,958	1,965	1,941	2,040	2,055	2,956
State Psychiatric Hospitals	3,222	2,963	2,678	2,381	2,387	2,440	2,198	2,206	2,173	2,238
GAC Psych Units	3,238	3,151	3,068	2,982	2,920	2,853	2,790	2,762	2,643	2,565
Specialty Psych Units	463	531	524	531	550	558	545	455	453	395
LTAC Psych units	112	112	112	112	112	112	113	113	99	98
Statewide	8,897	8,558	8,278	7,944	7,927	7,928	7,587	7,576	7,423	8,252
Patient Population										
State Psychiatric Hospitals	2,699	2,510	2,215	2,164	2,142	2,120	1,916	1,848	1,710	1,613
Occupancy Rate										
Psychiatric Hospitals	77.46%	78.51%	79.76%	79.76%	78.55%	80.98%	81.71%	79.02%	78.98%	78.78%
State Psychiatric Hospitals	85.77%	86.07%	87.02%	88.67%	88.73%	85.07%	87.67%	83.85%	80.78%	77.78%
GAC Psych Units	64.93%	66.35%	65.88%	69.71%	72.13%	73.32%	72.46%	72.69%	72.88%	73.73%
Specialty Psych Units	73.52%	77.41%	72.85%	75.75%	75.92%	76.55%	76.35%	69.58%	76.65%	63.28%
LTAC Psych units	61.17%	68.94%	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%
Statewide	75.49%	76.45%	76.41%	78.30%	78.98%	79.09%	79.53%	77.47%	77.23%	75.87%
Statewide*	69.63%	71.29%	71.30%	73.84%	74.72%	76.34%	76.07%	74.84%	75.76%	75.12%
Average Length of Stay										
Psychiatric Hospitals	13.6	13.1	13.6	13.3	12.6	13.4	13.3	13.8	13.3	13.1
State Psychiatric Hospitals	495.5	472.7	437.4	461.5	473.3	464.9	413.0	456.5	477.3	463.6
GAC Psych Units	8.7	8.8	8.6	8.9	8.8	8.8	8.7	8.8	8.9	9.1
Specialty Psych Units	18.6	14.0	14.9	15.5	15.8	15.8	16.2	15.5	15.4	16.5
LTAC Psych units	22.4	23.4	23.6	30.6	29.5	29.9	28.3	30.6	26.5	27.4
Statewide	17.9	17.1	16.7	16.3	16.0	16.2	15.9	15.9	15.6	15.4
Statewide*	10.7	10.5	10.7	10.9	10.6	10.8	10.8	11.0	10.9	11.1

*Excluding State Psychiatric Hospitals

Psychiatric Care

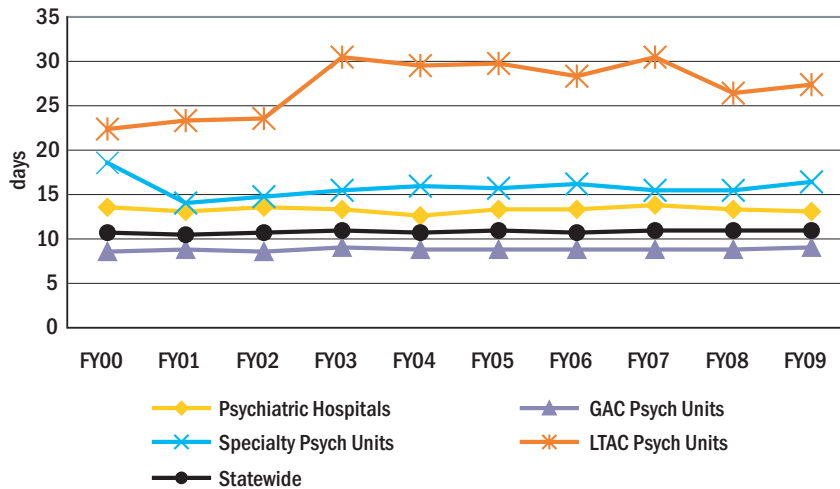
Table 11
Utilization and Capacity, FY09
by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (ALOS)	ALOS w/o Residential & D&A
All Hospital Services (Includes Residential and Drug & Alcohol Treatment Programs)							
Belmont Center	48,107	53,655	89.66%	3,943	147	12.2	NA
Berkshire Pavilion	5,834	9,352	62.38%	531	28	11.0	NA
Brooke Glen Behavioral	44,773	53,290	84.02%	4,020	146	11.1	NA
Clarion Psych	16,871	27,010	62.46%	1,823	74	9.3	NA
Devereux Behavioral Hlth	8,267	12,045	68.63%	394	33	21.0	NA
Fairmount Behavioral	63,124	67,525	93.48%	4,861	185	13.0	12.2
First Wyoming Valley	20,684	29,425	70.29%	2,325	107	8.9	NA
Foundations Behavioral	32,086	41,245	77.79%	1,020	113	31.5	13.9
Friends	63,399	79,935	79.31%	5,911	219	10.7	9.5
Horsham Clinic	50,200	53,290	94.20%	4,668	146	10.8	NA
KidsPeace	18,484	24,820	74.47%	1,448	68	12.8	NA
Kirkbride Center	48,372	81,760	59.16%	2,962	196	16.3	7.4
Meadows Psych Center	31,019	36,865	84.14%	2,403	101	12.9	NA
Montgomery Cty ES	24,198	29,565	81.85%	2,415	81	10.0	10.5
PA Psych Institute	17,095	27,010	63.29%	2,094	888	8.2	NA
Philhaven	43,172	51,100	84.49%	2,272	140	19.0	12.5
Roxbury Treatment	26,006	31,390	82.85%	2,208	86	11.8	10.0
Southwood Psych	42,484	59,802	71.04%	1,253	156	33.9	7.9
St John Vianney	11,050	15,330	72.08%	76	42	145.4	3.8
Residential and Drug & Alcohol Treatment Programs							
Fairmount Behavioral	15,057	16,425	91.67%	909	45	16.6	NA
Foundations Behavioral	19,499	21,535	90.55%	114	59	171.0	NA
Friends	7,489	9,855	75.99%	3	27	2,496.3	NA
Kirkbride Center	38,811	55,480	69.95%	1,664	124	23.3	NA
Montgomery Cty ES	2,109	2,920	72.23%	318	8	6.6	NA
Philhaven	15,847	17,885	88.60%	80	49	198.1	NA
Roxbury Treatment	18,096	21,900	82.63%	1,417	60	12.8	NA
Southwood Psych	34,127	47,757	71.46%	199	123	171.5	NA
St John Vianney	10,971	14,600	75.14%	55	40	199.5	NA

NA - Not Applicable

Psychiatric Care

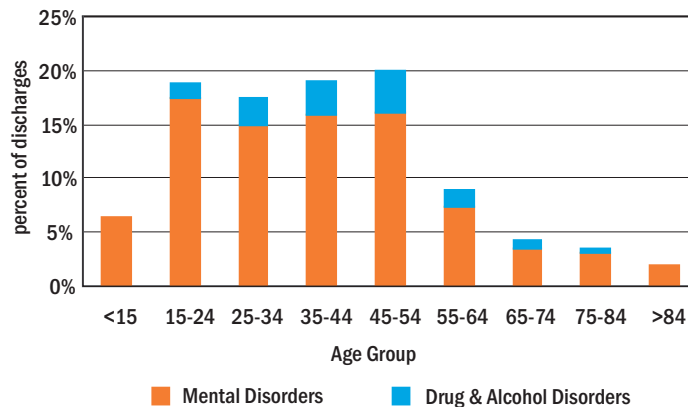
Figure 21
Average Length of Stay for Psychiatric Care
by Facility Type*



Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. During FY09, the ALOS at the psychiatric hospitals' residential programs was 117.1 days.

The state psychiatric hospitals provide long-term inpatient care for individuals that require intensive treatment. There were eight state psychiatric hospitals in Pennsylvania during FY09. Although the state psychiatric hospitals provided 28.9% of statewide psychiatric patient days during FY09, they only

Figure 22
Age Distribution of Inpatient Psychiatric Patients*, FY09
by Age Group



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

* Excludes State Psychiatric Hospitals

discharged 1,257 patients, which is 1.0% of the total psychiatric discharges from all facilities. The ALOS at the state psychiatric hospitals is well over one year.

In contrast, psychiatric units that operated as part of a GAC hospital provided relatively short-term acute psychiatric care with an ALOS of 9.1 days during FY09. Ninety-three, or 54.4%, of the GAC hospitals in Pennsylvania operated psychiatric units during FY09. These GAC psychiatric units treated 57.1% of the total patients admitted for inpatient psychiatric care statewide and provided 33.7% of the total patient days of psychiatric care during FY09.

Four specialty hospitals in Pennsylvania provided some form of psychiatric care. Two of the hospitals reported providing acute psychiatric care, which represented only 15.0% of the total psychiatric care provided at specialty hospitals. The remaining 85.0% of psychiatric care offered at specialty hospitals was provided by D&A programs at three hospitals. The 98,880 inpatient psychiatric care days at specialty hospitals represented 4.9% of the statewide psychiatric care patient days during FY09.

Three LTAC hospitals provided 29,251 acute psychiatric patient days, or 1.5% of the statewide inpatient psychiatric care during FY09. This care represents only a small portion of inpatient psychiatric care in Pennsylvania, but it represents 10.1% of the total patient days provided by all LTAC hospitals.

Trends in Psychiatric Care

Over the past ten years (FY00-FY09), statewide psychiatric patient days in all hospital settings declined an average of about 1.8% per year. The 3.6% decline in patient days during FY09 was driven, in part, by reductions in utilization at the state psychiatric hospitals. The Pennsylvania Department of Public Welfare (DPW) reported that the patient population at the state

psychiatric hospitals declined by 97 patients, from 1,710 in July 2008 to 1,613 in July 2009, and that the patient days of care fell by 9.3% or 59,760 days during FY09.

Despite the 2.3% decrease in statewide psychiatric patient discharges provided in all hospital settings during FY09, there was a 7.2% increase in the total patient discharges reported by the psychiatric hospitals. Because the 7.2% increase in patient discharges was greater than the 5.7% increase in patient days, there was a slight decrease in the ALOS from 13.3 days to 13.1 days at psychiatric hospitals.

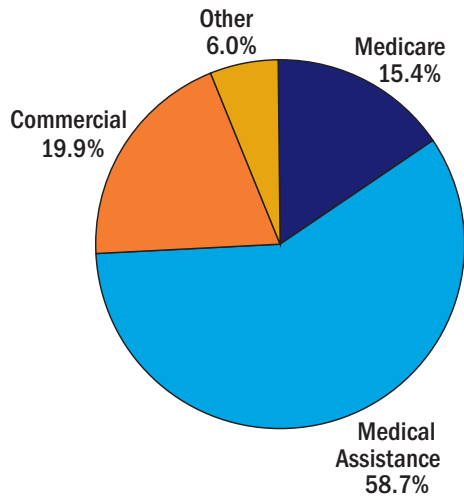
The GAC psychiatric units reported a decline in total patient days and discharges for the fifth consecutive year. Total patient days for the GAC psychiatric units declined 2.8% or 19,717 days, and discharges fell 4.8% or by 3,761 discharges during FY09.

Inpatient psychiatric care has a younger age distribution than other types of hospital-based care. The average age of inpatients treated at psychiatric hospitals was 31.5 years compared to a mean age of 52.7 years for all inpatients at GAC hospitals, 67.8 years at rehabilitation hospitals, and 68.2 years at LTAC hospitals. In FY09, discharges among patients age 15 through 54 made up 75.0% of inpatient psychiatric discharges — excluding state psychiatric discharges (Figure 22).

Psychiatric Hospitals – Financial Profile

The Commonwealth, through DPW, is the largest provider of psychiatric care. As previously mentioned, DPW's eight state hospitals provided 28.9% of all patient days of psychiatric care during FY09. In addition, the Medical Assistance (MA) program administered by DPW provided 58.7% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY09 (Figure 23). MA participants

Figure 23
Net Patient Revenue at Psychiatric Hospitals, FY09
 by Payer



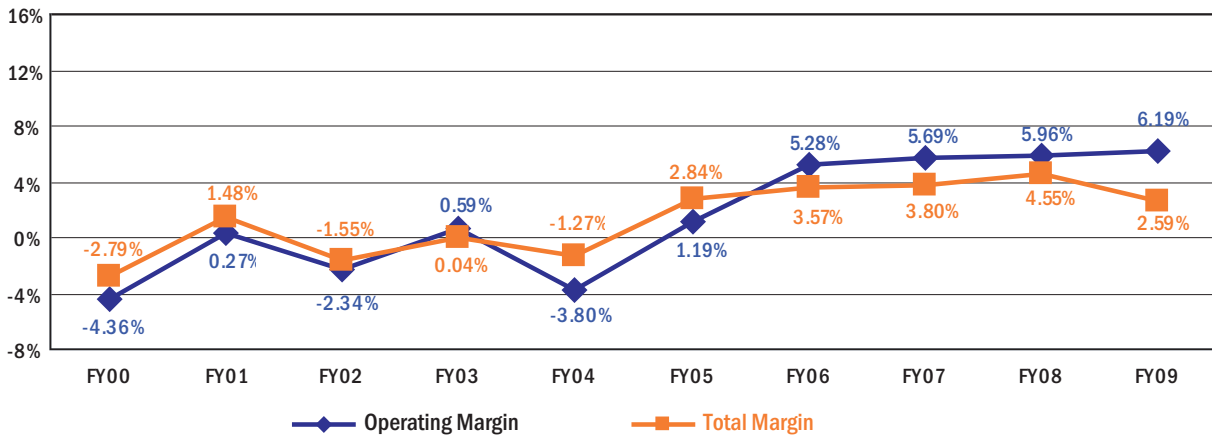
also comprised 24.5% of all patients that received inpatient psychiatric care at GAC psychiatric units in FY09. DPW also sponsors psychiatric care in a variety of other settings.

The Commonwealth directly underwrites 79.2% of the cost of the care provided at the state psychiatric

hospitals. Of the remaining 20.8% of total expenses covered by third-party payers, patients and other sources, 11.6% are covered by MA; 5.8% by Medicare; and 3.4% are covered by private insurance, individuals and other sources.

As a group, psychiatric hospitals experienced a long history of negative or very small positive statewide average operating margins prior to FY05 (Figure 24). However, during the two-year period FY05 and FY06, they experienced a dramatic 9.08-point improvement in their combined operating margin. The statewide operating margin increased 4.99 points during FY05 and an additional 4.09 points during FY06. The statewide operating margins improved because operating revenue grew a total of 11.7% during FY05 and FY06 while the total growth in expenses was held to 1.9% over the two-year period. Since statewide utilization levels at the psychiatric hospitals operating during FY05 and FY06 remained relatively constant, the growth in operating revenue was primarily driven by increases in reimbursement rates. 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 (Table 12).

Figure 24
Operating and Total Margins at Psychiatric Hospitals



Psychiatric Care

While not as large as the increases in FY05 and FY06, the statewide operating margin at psychiatric hospitals has increased slightly every year since then — an average of about 0.30 of a point per year. The FY09 statewide operating margin of 6.19% is the highest reported in a decade. The statewide operating margin continued to grow because, as a group, the growth in operating revenue outpaced the increase in operating expenses. Statewide operating revenue increased 9.4% during FY09 while expenses rose 9.1%.

However, psychiatric hospitals' statewide average total margin decreased 1.96 points from 4.55% in FY08 to 2.59% in FY09. This decline is the first drop after four years of consecutive increases.

The disparity in the average operating and total margins between the for-profit and non-profit psychi-

atric hospitals continued in FY09. The 12 for-profit hospitals posted an average operating margin of 12.45% compared to -5.17% for the seven non-profit hospitals. Since the for-profit hospitals are subject to income taxes, the statewide average total margin for the for-profit hospitals was 6.58%.

Among the psychiatric hospitals, the FY09 average revenue per discharge of \$7,112 (Figure 25) was similar to the FY08 average of \$7,116. The average revenue per day for FY09 was \$543 (Figure 26), compared to \$536 in FY08. Patients covered by commercial indemnity and commercial managed care plans had a shorter ALOS than those covered by other payer types (Figure 27).

Figure 25
Average Net Inpatient Revenue per Discharge at Psychiatric Hospitals, FY09
by Payer

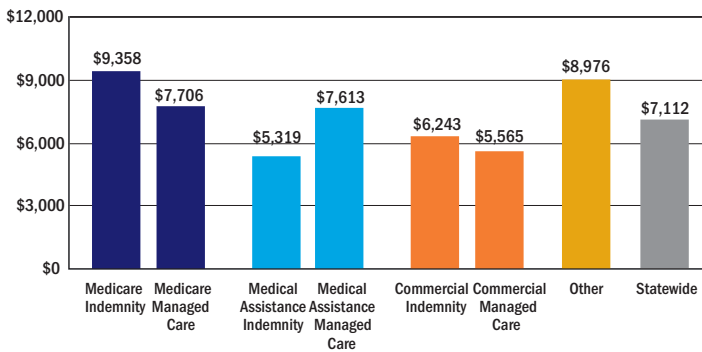


Figure 26
Average Net Inpatient Revenue per Day at Psychiatric Hospitals, FY09
by Payer

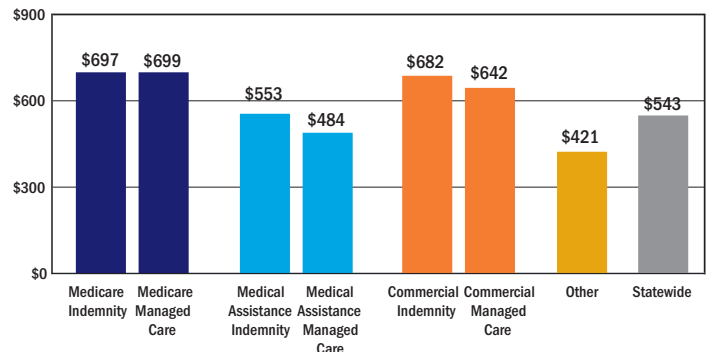


Figure 27
Average Length of Stay at Psychiatric Hospitals, FY09
 by Payer

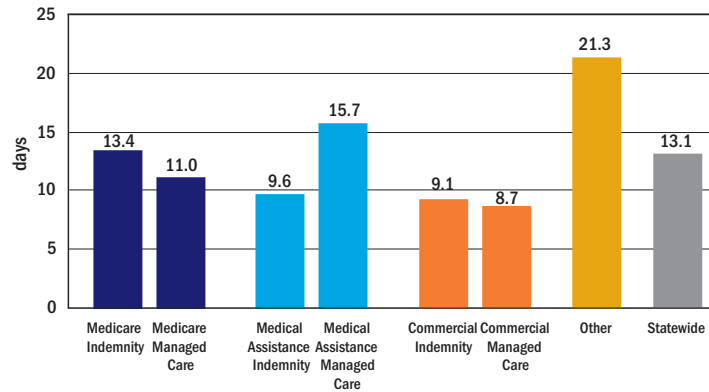


Table 12
Revenue, Expenses, and Income at Psychiatric Hospitals
 (thousands)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Net Patient Revenue	\$283,706	\$281,870	\$285,797	\$297,816	\$292,978	\$315,600	\$330,133	\$357,768	\$373,111	\$402,409
Total Operating Revenue	\$294,518	\$291,382	\$297,000	\$306,541	\$303,161	\$324,388	\$338,594	\$364,279	\$383,325	\$419,273
Total Operating Expenses	\$307,359	\$290,603	\$303,944	\$304,742	\$314,693	\$320,517	\$320,728	\$343,536	\$360,482	\$393,299
Operating Income	(\$12,842)	\$778	(\$6,944)	\$1,798	(\$11,532)	\$3,872	\$17,866	\$20,743	\$22,843	\$25,973
Non-operating Income Adjustments*	\$4,554	\$3,625	\$2,302	(\$1,685)	\$7,655	\$5,702	(\$5,745)	(\$6,844)	(\$5,121)	(\$15,097)
Revenue over Expenses	(\$8,288)	\$4,403	(\$4,642)	\$113	(\$3,877)	\$9,574	\$12,121	\$13,899	\$17,722	\$10,877

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

Psychiatric Care

Region/Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY06-FY09	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY06-FY09
	FY09	FY08	FY07	FY06		FY09	FY08	FY07	FY06	
Statewide Average	\$21	\$22	\$21	\$21	0.88%	\$21	\$21	\$20	\$20	1.09%
Non-profit Psychiatric Hospitals										
Statewide Average (non-profit)	\$21	\$21	\$20	\$19	2.75%	\$22	\$22	\$21	\$20	4.05%
9 Belmont Center ⁶	\$37	\$36	\$34	\$34	2.54%	\$38	\$37	\$36	\$34	4.28%
8 Devereux Behavioral Hlth ⁷	\$5	\$5	\$5	\$3	19.42%	\$5	\$5	\$5	\$4	9.67%
7 KidsPeace ¹	\$19	\$18	\$18	\$18	2.80%	\$20	\$20	\$20	\$19	1.21%
8 Montgomery Cty ES ⁵	\$16	\$15	\$15	\$15	2.35%	\$16	\$16	\$16	\$16	1.75%
5 PA Psych Institute ⁴	\$12	NA	NA	NA	NA	\$19	NA	NA	NA	NA
5 Philhaven ⁵	\$51	\$48	\$47	\$42	7.33%	\$52	\$50	\$47	\$43	6.51%
8 St John Vianney ⁵	\$5	\$3	\$3	\$3	27.91%	\$5	\$5	\$4	\$4	17.44%
For-profit Psychiatric Hospitals										
Statewide Average (for-profit)	\$21	\$23	\$21	\$21	-0.13%	\$20	\$21	\$20	\$20	-0.63%
7 Berkshire Pavilion ^{1,2,4,10,13}	\$3	NA	NA	NA	NA	\$6	NA	NA	NA	NA
8 Brooke Glen Behavioral ^{1,10,13}	\$29	\$28	\$27	\$22	10.65%	\$27	\$26	\$23	\$19	13.17%
2 Clarion Psych ^{1,10}	\$13	\$11	\$11	\$11	3.83%	\$8	\$8	\$7	\$7	3.80%
9 Fairmount Behavioral ^{1,5,10}	\$34	\$35	\$33	\$30	4.10%	\$30	\$30	\$28	\$27	3.29%
6 First Wyoming Valley ^{1,2,7,10,13}	\$13	\$17	\$16	\$14	NA	\$12	\$17	\$16	\$14	NA
8 Foundations Behavioral ^{1,5,10}	\$23	\$19	\$17	\$18	9.67%	\$21	\$19	\$18	\$18	5.81%
9 Friends ^{1,5,10}	\$41	\$44	\$39	\$37	3.12%	\$42	\$42	\$39	\$37	4.50%
8 Horsham Clinic ^{1,10}	\$34	\$32	\$33	\$32	2.37%	\$33	\$32	\$32	\$31	2.06%
9 Kirkbride Center ^{5,10}	\$15	\$19	\$21	\$23	-11.62%	\$15	\$17	\$18	\$20	-8.54%
4 Meadows Psych Center ^{1,10}	\$18	\$17	\$16	\$14	9.53%	\$14	\$14	\$13	\$13	3.31%
5 Roxbury Treatment ^{1,5,10}	\$11	\$11	\$8	NA	NA	\$9	\$8	\$7	NA	NA
1 Southwood Psych ^{1,5,10}	\$16	\$15	\$15	\$13	8.03%	\$15	\$16	\$16	\$14	2.90%

Region/State Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY06-FY09	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY06-FY09
	FY09	FY08	FY07	FY06		FY09	FY08	FY07	FY06	
Statewide Average	\$10	\$9	\$9	\$8	7.89%	\$47	\$49	\$50	\$46	0.61%
7 Allentown State	\$10	\$8	\$7	\$6	22.68%	\$39	\$38	\$37	\$37	1.60%
6 Clark Summit State	\$13	\$11	\$8	\$8	19.01%	\$49	\$48	\$46	\$44	3.75%
4 Danville State	\$9	\$7	\$8	\$6	15.13%	\$37	\$34	\$37	\$35	2.24%
1 Mayview State ^{2,11}	\$3	\$8	\$10	\$10	NA	\$22	\$59	\$66	\$69	NA
8 Norristown State	\$11	\$10	\$11	\$11	-0.26%	\$82	\$81	\$83	\$85	-1.00%
1 Torrance State	\$8	\$8	\$8	\$8	1.08%	\$53	\$42	\$43	\$42	8.58%
2 Warren State	\$10	\$8	\$8	\$7	14.02%	\$46	\$44	\$44	\$42	2.82%
7 Wernersville State	\$12	\$11	\$12	\$11	2.16%	\$46	\$44	\$44	\$44	1.84%

See footnotes and map of regions on page 34.

Psychiatric Care

Psychiatric Hospital	Operating Margin FY09	Total Margin FY09	3-yr Average Total Margin FY07-FY09	Percent of Uncompensated Care FY09	Medicare Share of NPR FY09	Medical Assistance Share of NPR FY09
Statewide Average	6.19%	2.59%	3.62%	1.87%	15.42%	58.66%
Non-profit Psychiatric Hospitals						
Statewide Average (non-profit)	-5.17%	-4.64%	-1.11%	2.16%	14.71%	57.30%
Belmont Center ⁶	0.96%	0.81%	1.71%	1.75%	26.46%	55.41%
Devereux Behavioral Hlth ⁷	0.91%	0.91%	2.70%	4.15%	0.00%	86.02%
KidsPeace ¹	-2.43%	-2.43%	-8.91%	1.01%	0.00%	79.03%
Montgomery Cty ES ⁵	1.76%	-1.70%	0.11%	6.10%	22.51%	51.75%
PA Psych Institute ⁴	-65.16%	-65.20%	NA	4.90%	10.25%	53.56%
Philhaven ⁵	-0.37%	4.09%	4.98%	1.03%	13.37%	55.64%
St John Vianney ⁵	-1.10%	-24.19%	-18.52%	0.00%	0.00%	0.00%
For-profit Psychiatric Hospitals						
Statewide Average (for-profit)	12.45%	6.58%	6.17%	1.71%	15.83%	59.46%
Berkshire Pavilion ^{1, 2, 4, 10, 13}	-62.03%	-62.03%	NA	0.00%	22.64%	39.72%
Brooke Glen Behavioral ^{1, 10, 13}	7.57%	4.62%	5.43%	2.18%	14.05%	57.61%
Clarion Psych ^{1, 10}	36.36%	20.04%	19.20%	1.19%	14.82%	60.89%
Fairmount Behavioral ^{1, 5, 10}	31.12%	15.75%	11.04%	0.69%	17.91%	65.96%
First Wyoming Valley ^{1, 2, 7, 10, 13}	13.56%	7.93%	7.70%	2.10%	21.47%	52.99%
Foundations Behavioral ^{1, 5, 10}	7.84%	4.32%	2.74%	1.10%	0.00%	70.37%
Friends ^{1, 5, 10}	1.41%	0.94%	2.34%	2.86%	27.49%	50.57%
Horsham Clinic ^{1, 10}	5.35%	2.95%	2.36%	1.16%	23.95%	42.90%
Kirkbride Center ^{5, 10}	3.79%	3.52%	9.54%	4.57%	3.87%	92.25%
Meadows Psych Center ^{1, 10}	24.98%	13.77%	12.89%	0.37%	14.40%	56.52%
Roxbury Treatment ^{1, 5, 10}	20.97%	11.55%	11.26%	2.09%	12.98%	45.41%
Southwood Psych ^{1, 5, 10}	5.20%	4.75%	-2.74%	1.11%	0.00%	81.18%

State Psychiatric Hospital	Percent of Expenses not covered by NPR FY09	Medicare Share of NPR FY09	Medical Assistance Share of NPR FY09
Statewide Average	79.20%	28.35%	56.67%
Allentown State	74.27%	29.74%	50.18%
Clark Summit State	73.58%	19.78%	66.12%
Danville State	76.18%	29.24%	57.79%
Mayview State ^{2, 11}	84.31%	34.35%	47.56%
Norristown State	86.16%	22.99%	63.66%
Torrance State	84.31%	34.02%	46.25%
Warren State	76.80%	35.76%	49.71%
Wemersville State	73.44%	28.81%	60.18%

See footnotes and map of regions on page 34.

Long-Term Acute Care

Highlights

- The statewide average operating margin for the 27 long-term acute care (LTAC) hospitals increased 1.15 points from 2.31% in FY08 to 3.46% in FY09. The statewide average total margin increased 0.33 of a point from 2.07% in FY08 to 2.40% in FY09.
- LTAC hospitals received nearly two-thirds (65.9%) of their patient revenue from Medicare patients during FY09.
- In FY09, the mean age of patients admitted to LTAC facilities was 68.2 years while the average age of inpatients at general acute care hospitals was 52.7 years.

Table 13
Utilization and Capacity at Long-Term Acute Care Hospitals
 by Type of Care

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Patient Days										
Med-surg	135,363	163,913	204,031	248,835	250,617	263,586	272,568	269,318	273,078	261,160
Psychiatric	25,005	28,184	28,788	29,033	28,223	29,324	28,455	30,518	29,516	29,251
Skilled Nursing	0	0	0	0	0	3,284	4,068	0	0	0
Statewide	160,368	192,097	232,819	277,868	278,840	296,194	305,091	299,836	302,594	290,411
Discharges										
Med-surg	3,961	4,915	6,760	8,707	8,753	8,778	9,383	9,332	9,415	9,326
Psychiatric	1,116	1,207	1,219	949	956	982	1,006	998	1,112	1,068
Skilled Nursing	0	0	0	0	0	290	382	0	0	0
Statewide	5,077	6,122	7,979	9,656	9,709	10,050	10,771	10,330	10,527	10,394
Beds										
Med-surg	646	678	770	957	1,026	1,046	1,117	1,151	1,217	1,292
Psychiatric	112	112	112	112	112	112	113	113	99	98
Skilled Nursing	0	0	0	0	0	22	23	0	0	0
Statewide	758	790	882	1,069	1,138	1,180	1,253	1,264	1,316	1,390
Occupancy Rate										
Med-surg	62.67%	67.73%	73.64%	73.51%	68.31%	70.29%	68.34%	64.61%	62.48%	55.49%
Psychiatric	61.17%	68.94%	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%
Skilled Nursing	0.00%	0.00%	0.00%	0.00%	0.00%	54.28%	77.92%	0.00%	0.00%	0.00%
Statewide	62.43%	67.90%	73.23%	73.24%	68.37%	70.20%	68.57%	65.46%	63.93%	57.35%
Average Length of Stay										
Med-surg	34.2	33.3	30.2	28.6	28.6	30.0	29.1	28.9	29.0	28.0
Psychiatric	22.4	23.4	23.6	30.6	29.5	29.9	28.3	30.6	26.5	27.4
Skilled Nursing	0.0	0.0	0.0	0.0	0.0	11.3	10.6	0.0	0.0	0.0
Statewide	31.6	31.4	29.2	28.8	28.7	29.5	28.3	29.0	28.7	27.9
Outpatient Visits										
Statewide	27,411	64,801	61,850	118,399	115,745	114,108	111,295	107,464	96,084	181,291

Long-Term Acute Care

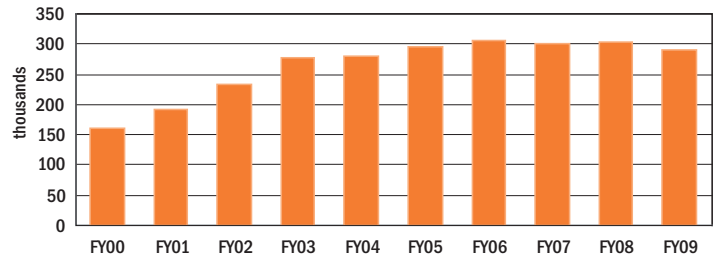
There were 27 freestanding long-term acute care (LTAC) hospitals in Pennsylvania during fiscal year 2009 (FY09). LTAC hospitals provide specialized acute care to medically complex patients. Patients are commonly admitted directly from a general acute care (GAC) hospital intensive care unit with complex medical conditions, such as dependency on mechanical ventilation, that require continuous acute care. LTAC patients are not medically ready for rehabilitation care, or they still need a higher level of care than can be provided by a skilled nursing facility or home health care. The average length of stay (ALOS) at LTAC hospitals was 27.9 days during FY09 (Table 13). In contrast, the ALOS at GAC hospitals was 5.2 days for all inpatient care during FY09.

Table 14
Long-Term Acute Care Hospitals
Operating as a Hospital-within-a-Hospital*, FY09

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

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

Figure 28
Patient Days at Long-Term Acute Care Hospitals



Most (89.9%) of the patient days of care provided at LTAC hospitals during FY09 fell into the medical-surgical (med-surg) category. There are three LTAC facilities that provide inpatient psychiatric care, representing 10.1% of statewide LTAC patient days during FY09.

Trends in Long-Term Acute Care

The first LTAC hospital in Pennsylvania began operating in FY94; by FY00, there were 14 LTAC hospitals statewide. Between FY00 and FY03, Pennsylvania averaged three new hospitals per year. Since FY03, the number of new LTAC hospitals has grown by an average of one hospital per year.

From FY00 to FY03, the number of med-surg patient days and discharges at LTAC hospitals increased 83.8% and 119.8%, respectively. From FY03 to FY09, utilization has leveled-off with patients days and discharges increasing only 5.0% and 7.1%, respectively.

One factor that facilitates the growth of LTAC hospitals is that many of the facilities utilize space within an existing GAC hospital (Table 14). During FY09, there were 15 LTAC hospitals that occupied space within a GAC hospital. Consequently, construction time is often limited to the time needed to renovate existing hospital space. Moreover, since many new facilities lease

Long-Term Acute Care

Table 15
Utilization and Capacity, FY09
by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Girard	25,785	38,690	66.65%	715	106	36.1
Good Sheph/Penn Partners	2,995	13,870	21.59%	115	38	26.0
Good Shepherd/Bethlehem	10,419	11,680	89.20%	421	32	24.7
HealthSouth Pittsburgh	16,414	31,755	51.69%	656	87	25.0
HealthSouth Specialty	13,712	24,820	55.25%	531	68	25.8
Kindred/Delaware County	6,588	14,235	46.28%	185	39	35.6
Kindred/Havertown	9,241	20,805	44.42%	349	57	26.5
Kindred/Heritage Valley	9,830	12,775	76.95%	360	35	27.3
Kindred/North Shore	9,104	26,280	34.64%	304	72	29.9
Kindred/Philadelphia	14,449	18,980	76.13%	425	52	34.0
Kindred/Pittsburgh	12,903	22,995	56.11%	391	63	33.0
Kindred/Wyoming Valley	9,196	13,140	69.98%	338	36	27.2
LifeCare/Chester County	8,510	14,235	59.78%	295	39	28.8
LifeCare/Pgh - North	8,484	14,600	58.11%	295	40	28.8
LifeCare/Pittsburgh	29,638	56,575	52.39%	1,129	155	26.3
Mercy Special Care	16,472	24,455	67.36%	620	67	26.6
Select Specialty/Camp Hill	7,732	11,315	68.33%	304	31	25.4
Select Specialty/Danville	5,528	10,950	50.48%	228	30	24.2
Select Specialty/Erie	10,362	18,250	56.78%	391	50	26.5
Select Specialty/Harrisburg	6,730	13,870	48.52%	298	38	22.6
Select Specialty/Johnstown	8,675	14,235	60.94%	351	39	24.7
Select Specialty/Laurel	9,536	14,600	65.32%	377	40	25.3
Select Specialty/Mckeesport	6,865	11,680	58.78%	258	32	26.6
Select Specialty/UPMC	8,282	11,680	70.91%	306	32	27.1
Select Specialty/York	5,931	8,395	70.65%	216	23	27.5
St Agnes Long Term Care	9,606	20,242	47.46%	276	58	34.8
Triumph/Easton	7,424	11,315	65.61%	260	31	28.6

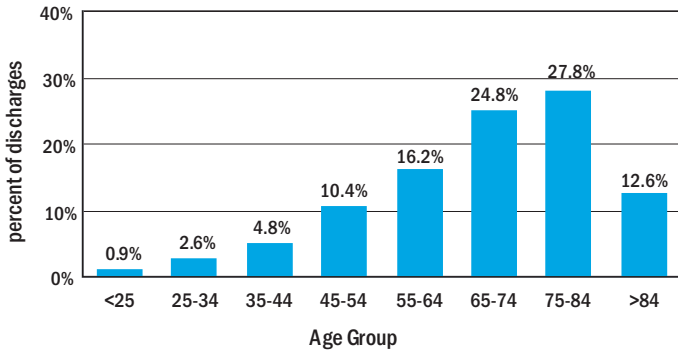
space from a GAC hospital, capital requirements are considerably less than constructing a new freestanding facility.

Another reason for the growth in the number of LTAC facilities is that they provide a more cost-effective setting for the GAC hospitals to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare Prospective Payment System, or PPS, GAC hospitals receive a predetermined

fee based on the average cost to treat patients in a diagnosis-related group (DRG). If a patient requires acute care for an extended period of time, the GAC hospital can avoid the additional costs associated with the extended stay by discharging the patient to an LTAC hospital. As discussed later in this section, there have been some changes to the Medicare payment system, which may reduce the incentive for LTAC hospitals to accept patients from their host GAC hospital.

Long-Term Acute Care

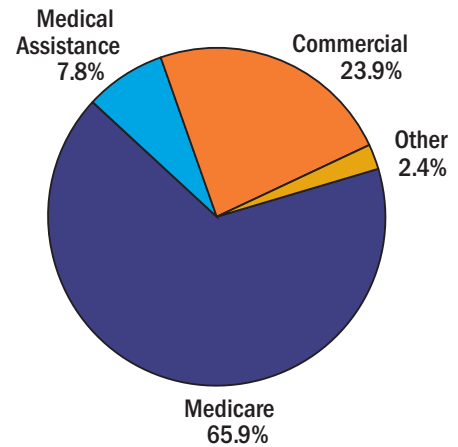
Figure 29
Inpatient Age Distribution at
Long-Term Acute Care Hospitals, FY09
 by Age Group



The mean age of patients admitted to LTAC facilities during FY09 was 68.2 years. The age distribution of patients receiving care at LTAC hospitals is indicative of extended care facilities, which serve a predominantly elderly population. Patients age 55 through 84 accounted for 68.8% of the discharges at the LTAC hospitals in FY09 (Figure 29). Consistent with the age distribution of LTAC patients, 65.9% of net patient revenue (NPR) was received from Medicare patients during FY09 (Figure 30). In contrast, the average age of inpatients at GAC hospitals in Pennsylvania was 52.7 years, and GAC hospitals received an average of 45.3% of their total inpatient NPR from Medicare.

Six of the LTAC hospitals reported a combined total of 181,291 outpatient visits during FY09. Two of the six facilities reported 87.6% 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

Figure 30
Net Patient Revenue at
Long-Term Acute Care Hospitals, FY09
 by Payer

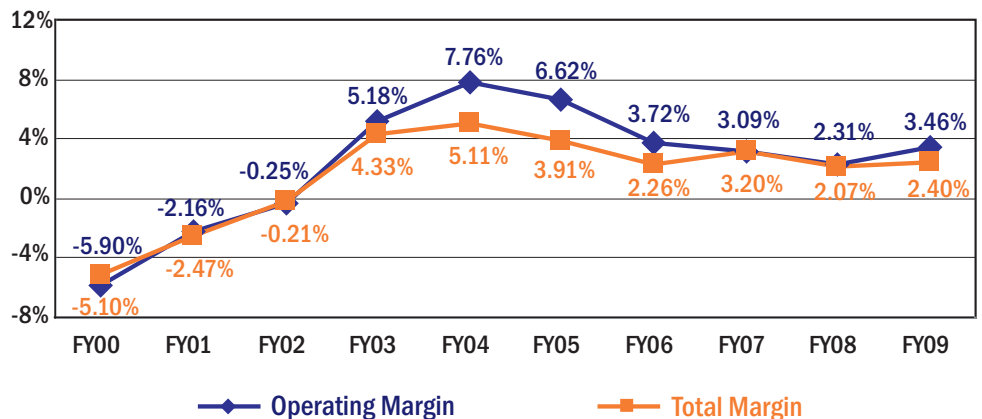


of care provided by each facility's affiliated health system, such as rehab outpatient services.

Long-Term Acute Care Hospitals – Financial Profile

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

Figure 31
Operating and Total Margins at Long-Term Acute Care Hospitals



Long-Term Acute Care

Table 16
Revenue, Expenses, and Income at Long-Term Acute Care Hospitals
(thousands)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Net Patient Revenue	\$231,795	\$310,147	\$341,561	\$384,488	\$397,337	\$403,658	\$422,000	\$443,338
Total Operating Revenue	\$233,428	\$313,135	\$344,141	\$385,991	\$398,515	\$405,257	\$423,762	\$463,430
Total Operating Expenses	\$234,012	\$296,900	\$317,451	\$360,440	\$383,704	\$392,744	\$413,957	\$447,410
Operating Income	(\$584)	\$16,235	\$26,690	\$25,551	\$14,811	\$12,513	\$9,805	\$16,020
Non-operating Income Adjustments*	\$88	(\$2,662)	(\$9,085)	(\$10,392)	(\$5,758)	\$496	(\$990)	(\$4,831)
Revenue over Expenses	(\$497)	\$13,573	\$17,605	\$15,159	\$9,053	\$13,009	\$8,816	\$11,190

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

hospitals received nearly two-thirds (65.9%) of their patient revenue from treating Medicare patients during FY09.

Concurrent with the move to LTCH PPS in FY03, LTAC hospitals as a group began to post positive operating and total margins in FY03 after five consecutive years of negative margins. Not only did these margins move into positive territory in FY03, the statewide operating margin improved 5.43 points from -0.25% in FY02 to 5.18% in FY03 (Figure 31). The statewide operating margin rose another 2.58 points in FY04 to 7.76% before falling for four consecutive years to 2.31% in FY08. The statewide operating margin rose again in FY09 to 3.46%.

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

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

In August 2004, the Centers for Medicare and Medicaid Services (CMS) published a final rule that would limit the percentage of patients that are eligible for LTAC PPS rates at facilities that operate as a hospital-within-a-hospital (an LTAC facility leasing space on the campus of a GAC hospital or "HWH"). The limit would apply to patients transferred from the host hospital to its tenant HWH. The limit was to be phased in over a three-year period from 75% after October

Figure 32
Average Net Inpatient Revenue per Discharge
at Long-Term Acute Care Hospitals, FY09
by Payer

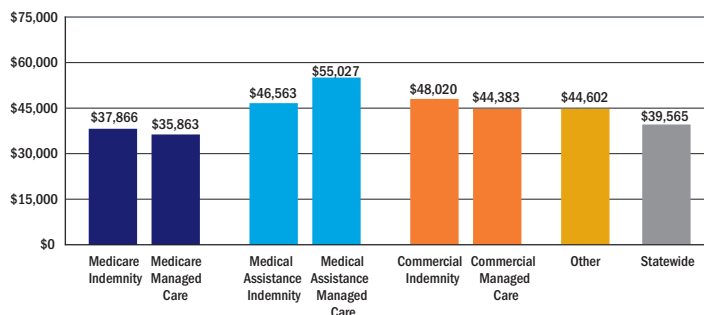
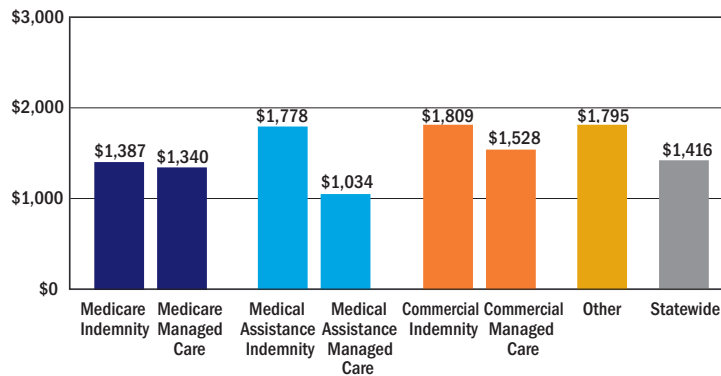


Figure 33
Average Net Inpatient Revenue per Day
at Long-Term Acute Care Hospitals, FY09
 by Payer



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.

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

The Medicare, Medicaid, SCHIP Extension Act (MMSEA) of 2007 froze the implementation of the “25% Rule” for three years. Instead of transitioning to 25%, CMS regulations set the limit for admissions from any single hospital at 50% for cost reporting years between December 29, 2007 and December 29, 2010. The MMSEA also prevented CMS from implementing the “25% Rule” beyond HWH to freestanding LTAC hospitals for three years. Additionally, the MMSEA also imposed a three-year freeze on new LTAC facilities and new beds in existing LTAC facilities.

The American Recovery and Reinvestment Act of 2009 (ARRA) modified some provisions of the MMSEA.

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

When looking at the various payer types, patients covered by Medical Assistance (MA) managed care plans had the highest average revenue per discharge (Figure 32) in FY09. Patients covered by commercial indemnity plans had the highest average revenue per day (Figure 33).

While total LTAC discharges decreased 1.3% in FY09, the LTAC hospitals’ statewide NPR increased 5.1% (Table 16). Since the 9.4% increase in statewide total operating revenue outpaced the 8.1% increase in statewide total operating expenses, the statewide average operating margin increased 1.15 points from 2.31% in FY08 to 3.46% in FY09. The statewide average total margin increased 0.33 of a point from 2.07% in FY08 to 2.40% in FY09.

Long-Term Acute Care

Region/Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY06-FY09	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY06-FY09
	FY09	FY08	FY07	FY06		FY09	FY08	FY07	FY06	
Statewide Average	\$16	\$16	\$16	\$16	1.10%	\$17	\$16	\$16	\$15	2.66%
Non-profit LTAC Hospitals										
Statewide Average (non-profit)	\$24	\$27	\$27	\$24	0.61%	\$29	\$27	\$26	\$26	4.99%
9 Girard ⁵	\$49	\$52	\$50	\$49	-0.07%	\$50	\$52	\$50	\$49	0.61%
9 Good Sheph/Penn Partners ⁴	\$22	NA	NA	NA	NA	\$42	NA	NA	NA	NA
7 Good Shepherd/Bethlehem	\$17	\$18	\$16	\$15	4.38%	\$15	\$15	\$15	\$15	1.14%
6 Mercy Special Care ^{1,5}	\$17	\$15	\$15	\$16	1.91%	\$17	\$16	\$15	\$15	3.29%
9 St Agnes Long Term Care ^{1,2,11}	\$17	\$23	\$27	\$15	NA	\$23	\$24	\$23	\$23	NA
For-profit LTAC Hospitals										
Statewide Average (for-profit)	\$15	\$14	\$14	\$14	0.60%	\$14	\$14	\$14	\$13	0.63%
1 HealthSouth Pittsburgh ^{1,10}	\$22	\$22	\$21	\$24	-2.67%	\$20	\$23	\$23	\$22	-2.63%
5 HealthSouth Specialty ^{1,10}	\$18	\$17	\$16	\$15	5.98%	\$16	\$16	\$14	\$14	6.56%
8 Kindred/Delaware County ^{1,10,13}	\$10	\$10	\$11	\$12	-4.18%	\$11	\$12	\$11	\$12	-3.76%
8 Kindred/Havertown ^{1,10}	\$13	\$13	NA	NA	NA	\$14	\$14	NA	NA	NA
1 Kindred/Heritage Valley ^{1,10,13}	\$13	\$13	\$11	\$12	4.74%	\$11	\$11	\$10	\$10	3.01%
1 Kindred/North Shore ^{1,3,10}	\$13	\$11	\$2	NA	NA	\$16	\$15	\$7	NA	NA
9 Kindred/Philadelphia ^{1,10,13}	\$23	\$21	\$23	\$21	3.27%	\$20	\$20	\$20	\$18	4.42%
1 Kindred/Pittsburgh ^{1,10,13}	\$20	\$21	\$22	\$22	-3.87%	\$19	\$20	\$21	\$20	-2.32%
6 Kindred/Wyoming Valley ^{1,10}	\$13	\$11	\$10	\$11	5.76%	\$11	\$10	\$10	\$10	5.07%
8 LifeCare/Chester County ^{1,10,13}	\$14	\$16	\$12	\$8	25.18%	\$14	\$14	\$12	\$10	14.42%
1 LifeCare/Pgh - North ^{1,10,13}	\$12	\$11	\$8	NA	NA	\$10	\$9	\$9	NA	NA
1 LifeCare/Pittsburgh ^{1,10,13}	\$34	\$38	\$37	\$41	-6.33%	\$33	\$35	\$37	\$38	-4.97%
5 Select Specialty/Camp Hill ^{1,10,13}	\$12	\$13	\$12	\$12	-0.78%	\$10	\$10	\$10	\$9	4.43%
4 Select Specialty/Danville ^{1,10}	\$8	\$11	\$12	\$12	-10.45%	\$8	\$11	\$11	\$12	-11.10%
2 Select Specialty/Erie ^{1,10,13}	\$16	\$17	\$17	\$15	2.67%	\$16	\$17	\$17	\$16	-0.74%
5 Select Specialty/Harrisburg ^{1,4,10,13}	\$10	NA	NA	NA	NA	\$9	NA	NA	NA	NA
3 Select Specialty/Johnstown ^{1,10}	\$12	\$11	\$14	\$14	-5.09%	\$11	\$11	\$12	\$12	-3.64%
1 Select Specialty/Laurel ^{1,10}	\$15	\$13	\$12	\$12	7.79%	\$11	\$12	\$11	\$10	5.10%
1 Select Specialty/Mckeesport ^{1,10}	\$9	\$10	\$8	\$6	18.91%	\$9	\$10	\$8	\$6	11.24%
1 Select Specialty/UPMC ^{1,10}	\$12	\$12	\$12	\$13	-0.67%	\$11	\$11	\$12	\$13	-3.26%
5 Select Specialty/York ^{1,10,13}	\$9	\$9	\$10	\$9	2.06%	\$8	\$9	\$8	\$8	3.93%
7 Triumph/Easton ^{1,10}	\$13	\$13	\$12	\$12	3.28%	\$12	\$13	\$12	\$11	1.33%

See footnotes and map of regions on page 34.

Long-Term Acute Care

Long-Term Acute Care Hospital	Operating Margin FY09	Total Margin FY09	3-yr Average Total Margin FY07-FY09	Percent of Uncompensated Care FY09	Medicare Share of NPR FY09	Medical Assistance Share of NPR FY09
Statewide Average	3.46%	2.40%	2.54%	1.60%	65.87%	7.81%
Non-profit LTAC Hospitals						
Statewide Average (non-profit)	-5.39%	-3.56%	-0.12%	4.67%	48.54%	25.48%
Girard ⁵	-2.09%	-1.60%	0.07%	10.35%	37.20%	61.58%
Good Sheph/Penn Partners ⁴	-3.71%	-3.71%	NA	0.92%	17.58%	0.00%
Good Shepherd/Bethlehem	8.64%	8.64%	8.49%	0.12%	70.65%	0.00%
Mercy Special Care ^{1,5}	0.59%	0.81%	-0.80%	0.79%	69.89%	1.84%
St Agnes Long Term Care ^{1,2,11}	-39.59%	-23.30%	-4.29%	1.62%	78.01%	4.09%
For-profit LTAC Hospitals						
Statewide Average (for-profit)	7.27%	5.01%	3.56%	0.44%	72.40%	1.16%
HealthSouth Pittsburgh ^{1,10}	7.53%	5.42%	-0.69%	-0.15%	78.67%	0.00%
HealthSouth Specialty ^{1,10}	10.16%	5.95%	7.80%	0.51%	81.95%	0.00%
Kindred/Delaware County ^{1,10,13}	-3.71%	-3.61%	-3.96%	2.44%	67.69%	0.28%
Kindred/Havertown ^{1,10}	-4.25%	-2.61%	NA	0.59%	71.54%	0.00%
Kindred/Heritage Valley ^{1,10,13}	15.72%	9.67%	8.60%	0.10%	79.19%	3.57%
Kindred/North Shore ^{1,3,10}	-17.65%	-10.85%	-24.08%	0.45%	71.66%	0.37%
Kindred/Philadelphia ^{1,10,13}	10.54%	6.48%	5.94%	0.50%	61.73%	12.28%
Kindred/Pittsburgh ^{1,10,13}	4.59%	2.82%	2.72%	0.06%	70.82%	2.34%
Kindred/Wyoming Valley ^{1,10}	13.75%	8.43%	4.33%	0.74%	69.72%	0.00%
LifeCare/Chester County ^{1,10,13}	4.30%	1.83%	4.61%	0.54%	72.32%	0.00%
LifeCare/Pgh - North ^{1,10,13}	18.35%	11.01%	9.13%	0.65%	42.26%	0.00%
LifeCare/Pittsburgh ^{1,10,13}	4.11%	1.83%	2.09%	0.46%	49.88%	0.00%
Select Specialty/Camp Hill ^{1,10,13}	19.29%	19.49%	19.35%	-0.31%	74.95%	0.00%
Select Specialty/Danville ^{1,10}	0.52%	0.64%	1.04%	0.35%	73.61%	0.00%
Select Specialty/Erie ^{1,10,13}	4.71%	0.67%	-0.27%	0.02%	87.11%	0.00%
Select Specialty/Harrisburg ^{1,4,10,13}	7.46%	7.72%	NA	0.77%	81.46%	0.00%
Select Specialty/Johnstown ^{1,10}	11.19%	5.97%	6.42%	-0.16%	86.74%	0.00%
Select Specialty/Laurel ^{1,10}	21.58%	15.33%	10.70%	0.16%	85.96%	0.00%
Select Specialty/Mckeesport ^{1,10}	9.14%	6.01%	1.10%	0.11%	86.79%	0.00%
Select Specialty/UPMC ^{1,10}	6.55%	6.68%	3.55%	2.85%	75.09%	0.00%
Select Specialty/York ^{1,10,13}	8.26%	8.27%	13.37%	0.34%	80.53%	0.00%
Triumph/Easton ^{1,10}	9.35%	8.94%	4.37%	-0.19%	79.89%	0.00%

See footnotes and map of regions on page 34.

Specialty Care

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-general acute care hospitals. There were five hospitals in this category during fiscal year 2009 (FY09). 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 FY09.

The Pediatric Specialty Hospital of the Children's Home of Pittsburgh provides short-term transitional care from hospital to home for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. For FY09, the hospital

reported 15 staffed medical-surgical beds and 260 discharges with an average length of stay (ALOS) of 14.2 days.

The Pediatric Specialty Hospital has had several years of operating losses due, in part, to lower patient volume and an increased cost structure after relocating to a new facility. During FY09, the hospital's net patient revenue (NPR) increased \$1.5 million and its operating expenses decreased \$0.3 million, which improved its operating margin from a *negative* 91.26% in FY08 to a *negative* 28.84% in FY09.

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

Region/Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY06-FY09	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY06-FY09
	FY09	FY08	FY07	FY06		FY09	FY08	FY07	FY06	
Statewide Average	\$25	\$21	\$19	\$18	11.55%	\$24	\$20	\$19	\$19	9.15%
1 Children's Home Pgh	\$6	\$4	\$3	\$3	38.82%	\$9	\$9	\$6	\$3	61.23%
4 Divine Providence	\$77	\$71	\$64	\$62	7.93%	\$68	\$62	\$59	\$59	4.88%
8 Eagleville ⁵	\$25	\$26	\$25	\$24	0.68%	\$25	\$27	\$27	\$26	-1.65%
9 Kensington ⁵	\$7	\$7	\$7	\$6	6.80%	\$7	\$8	\$8	\$7	1.47%
8 Valley Forge ^{1, 5, 10, 13}	\$10	\$11	\$11	\$11	-2.14%	\$12	\$11	\$11	\$13	-2.86%

See footnotes and map of regions on page 34.

Specialty Care

treatment services and home health services. During FY09, Divine Providence reported 229,400 outpatient and home health care visits. Outpatient and home health care represented about 95.9% of the facility's NPR in FY09.

Eagleville Hospital provides inpatient drug and alcohol (D&A) treatment as well as geriatric psychiatric services in Montgomery County. The hospital reported 308 staffed beds, 20 of which are acute psychiatric beds. The overall ALOS at Eagleville during FY09 was 18.1 days.

Eagleville Hospital reported an operating margin of -0.91% for FY09, but it was able to realize a positive total margin of 8.86%, largely as a result of a \$2.2 million transition grant from the state and federal

governments. The purpose of this grant is to offset reductions in funding from the Medicaid program.

Kensington Hospital is a 38-bed hospital in Philadelphia that primarily provides D&A treatment. Kensington receives about 93.0% of its patient revenue from the Medical Assistance (MA) program, excluding state grants. The hospital reported 11,901 outpatient visits in FY09, and outpatient care represented about 27.1% of its patient revenue.

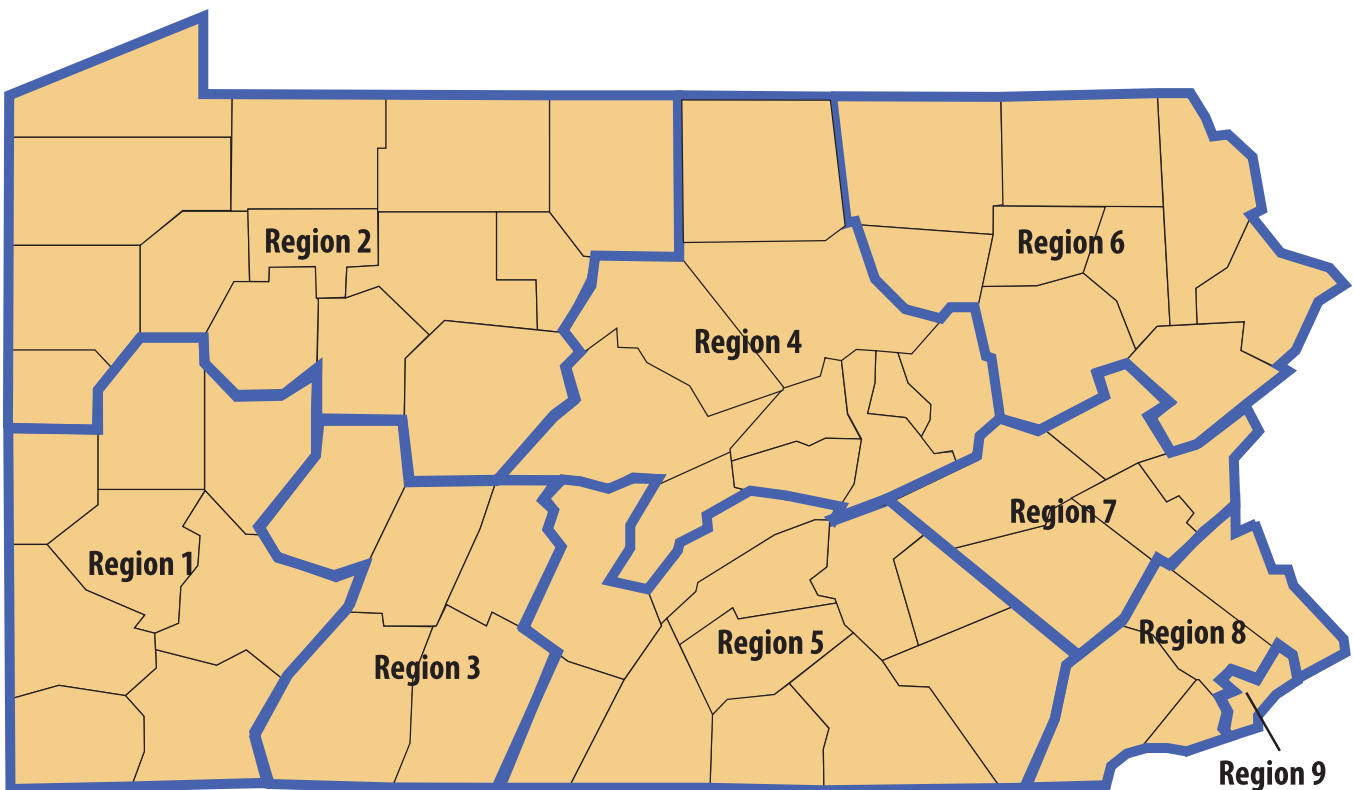
The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility that provides inpatient rehabilitative programs to patients with D&A dependencies and other addictive illnesses. The hospital reported that during FY09, 68.0% of its patient revenue was received for patients participating in MA.

Specialty Hospital	Operating Margin FY09	Total Margin FY09	3-yr Average Total Margin FY07-FY09	Percent of Uncompensated Care FY09	Medicare Share of NPR FY09	Medical Assistance Share of NPR FY09
Statewide Average	7.12%	6.43%	7.25%	2.02%	23.17%	26.10%
Children's Home Pgh	-28.84%	-12.87%	-21.44%	2.20%	0.00%	67.45%
Divine Providence	15.58%	10.27%	12.53%	1.60%	28.74%	3.68%
Eagleville ⁵	-0.91%	8.86%	8.47%	1.17%	21.72%	49.86%
Kensington ⁵	0.00%	0.00%	-3.25%	7.11%	3.52%	92.96%
Valley Forge ^{1, 5, 10, 13}	-10.77%	-9.18%	-3.94%	3.52%	11.06%	68.02%

See footnotes and map of regions on page 34.

Footnotes

1. The end of the fiscal year is not June 30. The data reflects the fiscal year that ended prior to June 30.
 2. The data is less than 12 months; therefore, a three-year comparison is not appropriate for some of the measures.
 3. Prior year(s) reflect less than 12 months of data; therefore, a three-year comparison is not appropriate for some of the measures.
 4. This is the first reporting year for this facility. Often expenses are higher than operating revenue during the start-up period. Three-year comparisons are not appropriate for this facility.
 5. The hospital has 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 FY09 reporting period.
 9. Acquired or merged with another licensed hospital during the FY07 or FY08 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 FY09 reporting period.
 12. Facility failed to satisfy the financial filing requirements.
 13. One or more of the required financial submissions was filed late.
 14. Facility submitted incomplete or inaccurate data.
- NR Information necessary to report or calculate this measure was not reported by the facility.
- NA Not applicable.



Explanation of Terms and Measures

3-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the facility's NPR or TOE that occurred from the end of FY06 through FY09.

$$(((\text{NPR}_{09} - \text{NPR}_{06}) / \text{NPR}_{06}) / 3) \text{ or } (((\text{TOE}_{09} - \text{TOE}_{06}) / \text{TOE}_{06}) / 3)$$

3-year Average Total Margin: The average total margin realized by the facility during FY07 through FY09.

$$(\sum_{09, 08, 07} \text{revenue over expenses} / \sum_{09, 08, 07} \text{total revenue})$$

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

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

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

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

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

Net Patient Revenue (NPR) by Payer: Data regarding net patient revenue by payer category was obtained from the hospitals.

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

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

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

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.

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 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 to be uncollectable. This rate can be used to express uncompensated care as a percent of total charges or as an estimate of the percent of total net patient revenue.

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

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

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

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

For the for-profit hospitals, total net income is net of a *pro rata* share of income taxes, gains and non-operating expenses incurred by the parent corporation.

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

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

Total Revenue: Operating revenue plus non-operating income. The non-operating income component typically includes unrestricted contributions, investment income, and net investment gains and losses on marketable securities.



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