

FINANCIAL ANALYSIS 2005



AN ANNUAL REPORT
ON THE FINANCIAL HEALTH OF PENNSYLVANIA'S HOSPITALS

VOLUME ONE
GENERAL ACUTE CARE HOSPITALS



PENNSYLVANIA HEALTH CARE COST CONTAINMENT COUNCIL
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FOREWORD

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

In order to maintain a high quality, cost-effective health care delivery system, hospitals and freestanding surgery centers must be financially viable. Beginning with 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 first report in PHC4's Financial Analysis 2005 series. This volume presents a profile of the financial health of Pennsylvania's 176 General Acute Care (GAC) hospitals. A Preview of state-wide financial trends was released in March 2006.

A subsequent volume will report on the non-GAC hospitals (rehabilitation, long-term acute, psychiatric and specialty) as well as ambulatory surgery centers.

This report focuses primarily on Fiscal Year 2005 (FY05). For most General Acute Care hospitals, FY05 began on July 1, 2004 and ended June 30, 2005. For those hospitals that utilize a different fiscal year, the data presented in this report reflect the fiscal year that ended prior to June 30, 2005.

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

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HOSPITAL INCOME

What are General Acute Care Hospitals?

General Acute Care (GAC) hospitals include all non-federal, short-term general and specialty acute care hospitals open to the public. By definition, patients typically stay at GAC hospitals less than 30 days. However, many GAC hospitals operate subunits, such as skilled nursing units, where a patient's stay may exceed 30 days. Generally, all of the activities of a hospital and any of its subunits are included in the information presented in this report. Ancillary operations, such as physician practice groups, have been excluded whenever possible.

During the 2005 fiscal year (FY05), there were 176 GAC hospitals licensed in Pennsylvania. This is a net decline of six from the 182 licensed hospitals operating during FY04. Parkview closed, and St. Agnes is now operating as a long-term acute care hospital. Two hospitals that held separate licenses now operate under the license of an affiliate: Mercy Providence under Mercy Pittsburgh and Suburban General under Allegheny General. Two formerly independent hospitals merged; Bon Secours is now part of Altoona Hospital. Elkins Park was separately licensed as part of Tenet Healthcare and now operates as a unit of Albert Einstein.

All but 19 of the 176 GAC hospitals functioned solely as non-profit organizations or as components of larger non-profit organizations. All income or "profit" from their operations is retained within the organization. The primary uses of income are to fund capital improvements, retire outstanding debt, and to provide a reserve in the event revenues do not cover expenses in the future.

For-profit hospitals may distribute a portion

of their income to shareholders as dividends. In FY05, six for-profit corporations operated 19 GAC hospitals in Pennsylvania. Three of the six corporations made a profit during FY05 (2004), and two of these three corporations paid dividends to its shareholders. The dividends were equal to 9.1% of net (after-tax) income for Health Management Associates (HMA) and 11.0% of net income for Universal Health Systems (UHS). Consequently, about 91% of HMA's income and about 89% of UHS' income were retained within the corporation. Since Community Health Systems made a profit and did not pay dividends, 100% of its income was retained in the corporation. (Additional information on Pennsylvania's for-profit GAC hospitals is presented in the "For-Profit Hospitals" section beginning on page 7.)

Why is Income Important?

Hospitals need a positive total income (total margin) to operate effectively. Those that have a negative total margin (deficit) are not receiving sufficient revenue to pay all of their expenses. Hospitals operating at a deficit must use other sources of funds, such as cash reserves or the liquidation of assets, to pay their expenses. Unless these hospitals can alleviate the deficit by increasing revenues and/or cutting expenses, they can stay in business only as long as they have assets to liquidate.

Earning a positive total margin alone may not be enough to remain viable. Hospitals need to earn sufficient income to make improvements to their facilities and equipment. These investments are necessary to replace worn out or obsolete buildings and equipment, keep pace with changes in medi-

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cal technology, and meet the changing health care needs of the community.

In addition to using their own funds, hospitals finance improvements to facilities and equipment by issuing bonds or entering into other debt financing. However, financial institutions and potential bondholders must be convinced that a hospital is capable of repaying its debt. Therefore, it may be difficult for hospitals that are projected to have low or negative income to borrow money.

It is very important to closely monitor hospital income levels because relatively small changes in revenues or expenses can make a large difference in the financial health of a hospital. For example, a hospital realizing an average 4% operating margin one year can have an operating deficit the following year if revenues fall by 2% and expenses rise at the rate of inflation (e.g., 3%).

What is an “Appropriate” Income Level?

The “appropriate” level of income needed to keep a hospital viable will be different for each individual hospital or health system. The precise amount of income a hospital needs depends on several factors, including, but not limited to: the condition of its plant and equipment, amount of debt, assets available for capital improvements, the mix of care provided by the hospital, the level of payment risk, and the current and future needs of the market a hospital serves.

For example, a hospital that has experienced low or negative income levels for a number of years may need to realize an above average income level if it is to make overdue capital improvements, reduce outstanding debts, and replenish its capital reserves.

Alternatively, a hospital with a history of continuous moderate income levels can probably remain viable with a lower income level if it has kept pace with needed improvements and has not depleted its capital reserves or acquired debt in order to meet expenses in the past.

Operating Margin vs. Total Margin

Hospital income is usually expressed as either operating margin or total margin.

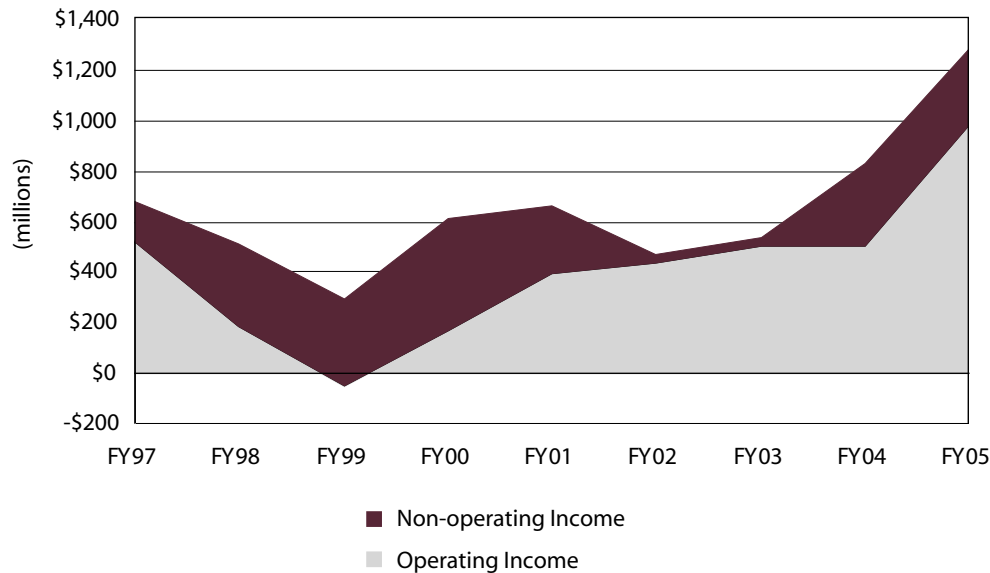
Operating margin reflects the percent of operating revenue remaining after all operating expenses are paid. A hospital’s operations include patient care, as well as a variety of other related functions, such as medical education, cafeterias, office space, and parking. A positive operating margin indicates a hospital is receiving more revenue for its operations than it costs to run them. Alternatively, a negative operating margin indicates that revenues are not covering costs.

The calculation of total margin includes both operating income and income from all other sources. The income from sources other than operations is called “non-operating income.” Examples of non-operating income are investment and trust income and contributions. However, some hospitals include all or part of investment and trust income in operating revenue, particularly when the funds have been designated to support specific operations of a hospital.

Total margin reveals the composite financial health of a facility during the year. If total margin is negative, the hospital is losing money after all sources of revenue and income have been considered.

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FIGURE 1
Statewide Operating and Non-operating Income



Some hospitals have endowments that enable them to provide care beyond the level of operating revenue they receive. For those hospitals, a negative operating margin may not be that critical as long as they can realize a healthy positive total margin. Other hospitals may not have large endowments or other sources of income. As a result, their operating margins and total margins will be very similar. In these instances, a low or negative operating and/or total margin may reveal the hospital is under financial stress.

Typically, for-profit hospitals present their financial statements differently than non-profit hospitals. The major differences are that for-profit hospitals usually do not have a significant amount of non-operating income (if any) and are subject to income taxes.

Thirteen of the 19 for-profit hospitals did not

report any non-operating income and five of the remaining six reported a relatively small amount of non-operating income. Consequently, for 18 of the 19 for-profit hospitals, the difference between the operating and total margins is primarily the hospitals' share of the parent corporations' income tax expense. The one exception is Medical College of Pennsylvania, which was sold and posted a non-operating loss resulting from the "disposals of facilities and long-term investments."

If a for-profit hospital had a positive operating margin and its parent corporation paid income taxes, the hospital will have an income tax expense. This tax expense will cause the hospital's total margin to be lower than the operating margin.

If a for-profit hospital lost money and its parent corporation was subject to income taxes or the parent posted a tax credit, a tax credit was

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calculated for the facility. The tax credit is an estimate of how much the parent's tax expense was affected because the hospital's loss reduced the parent's net income. In these circumstances, the tax credit will make the hospital's total margin greater than the operating margin.

Statewide Total Margin Rises Again in FY05, Driven by an Increase in Statewide Operating Income

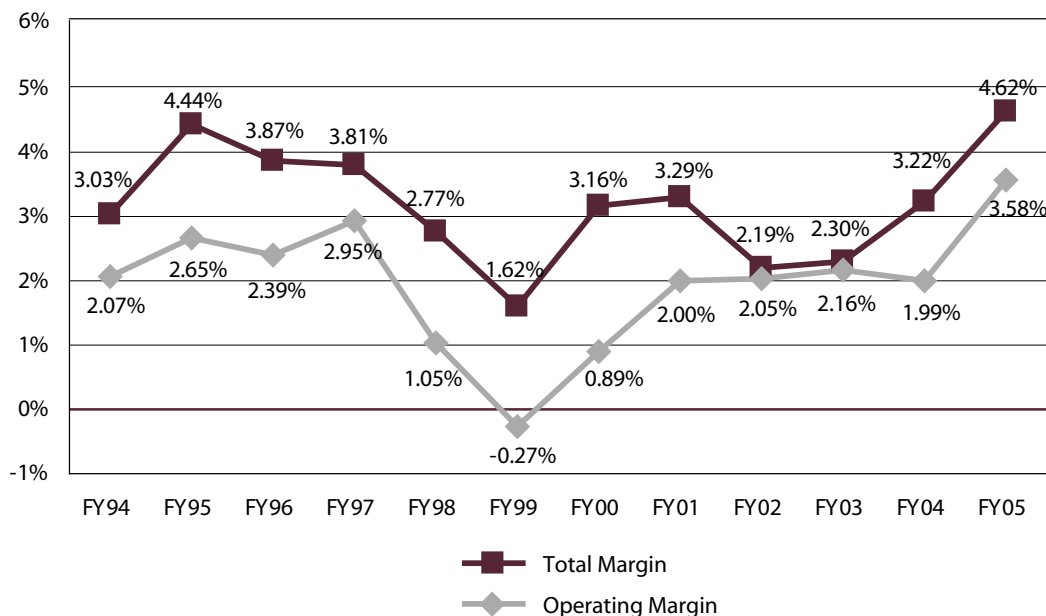
The overall net income or total margin realized by GAC hospitals grew by well over a full point, rising from 3.22% in fiscal year 2004 (FY04) to 4.62% in fiscal year 2005 (FY05). Including the 0.9 point improvement in FY04, the statewide total margin has grown 2.3 points over the past two years.

Unlike FY04, where the improvement in the total margin was primarily the result of non-

operating gains from investments, the growth in the FY05 total margin was driven by an increase in operating income. After falling slightly in FY04 to 1.99%, the statewide operating margin grew 1.6 points to 3.58% in FY05. Statewide operating income increased over 90% from \$506 million in FY04 to \$981 million in FY05.

Statewide operating income improved because operating revenue grew more than operating expenses. GAC hospitals collectively posted an increase in operating revenue of about 7.5% or \$1.9 billion while holding the increase in operating expenses to about 5.7% or \$1.4 billion. Total operating revenue rose to \$27.4 billion, and the hospitals posted operating expenses totaling \$26.4 billion. The revenue hospitals received for patient care, net patient revenue, grew at 7.4%, nearly the same rate

FIGURE 2
Statewide Average Total and Operating Margins¹



¹ The statewide operating income and operating margin were significantly affected by "merger, impairment and other unusual charges" posted by a single health system. These changes totaled \$111.3 million in FY03, \$85.6 million in FY04, and \$81.7 million in FY05. These adjustments had the effect of lowering the statewide operating margin from 2.64% to 2.16% in FY03, 2.32% to 1.99% in FY04 and 3.88% to 3.58% in FY05. Similarly, these adjustments had the effect of lowering the statewide total margin from 2.78% to 2.30% in FY03, 3.55% to 3.22% in FY04, and 4.92% to 4.62% in FY05.

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as overall operating revenue during FY05. State-wide net patient revenue was \$25.9 billion, making up 95% of statewide operating revenue in FY05.

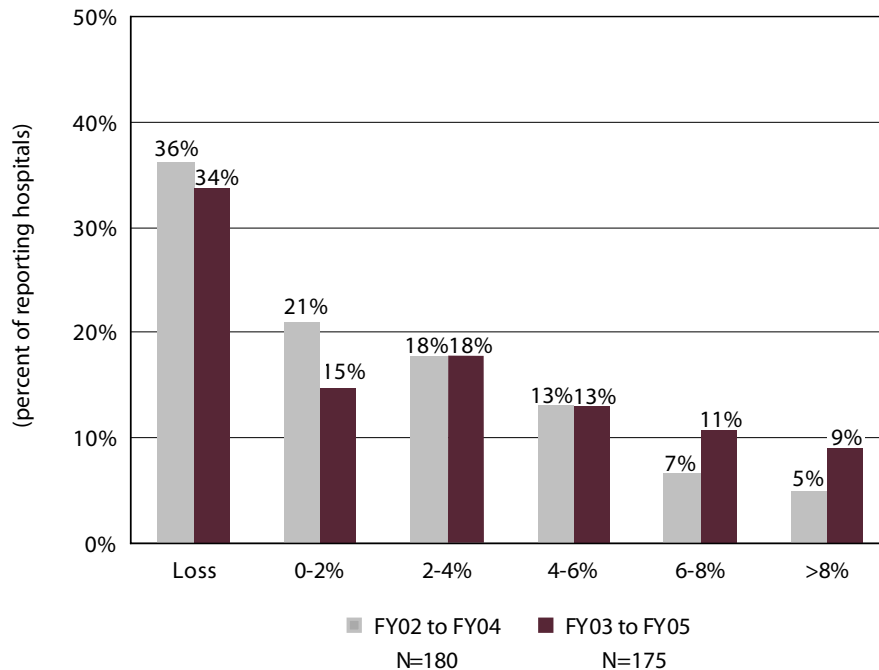
After nearly a ten-fold increase in non-operating income from about \$34 million in FY03 to \$325 million in FY04, non-operating income declined about 8.4% to \$298 million in FY05. Changes in non-operating income are primarily the result of changes in the income and value of hospital investments.

With the improvement in operating income, GAC hospitals received about 77% of their total income from operations with the remaining 23% coming from non-operating sources during FY05. This is a significant shift from the previous year, when 61% of income came from operations and non-operating sources provided 39% of statewide hospital income during FY04.

TABLE 1
Statewide Distribution of
Three-Year Average Total Margin

3-yr Average Total Margin	Reporting Hospitals FY02 to FY04		Reporting Hospitals FY03 to FY05	
	Number	Percent	Number	Percent
Loss	65	36%	59	34%
0-2%	38	21%	26	15%
2-4%	32	18%	32	18%
4-6%	24	13%	23	13%
6-8%	12	7%	19	11%
>8%	9	5%	16	9%
Total	180	100%	175	100%

FIGURE 3
Statewide Distribution of Three-Year Average Total Margin



HOSPITAL INCOME

Fewer Hospitals Lose Money

Fourteen fewer GAC hospitals reported losses during FY05, reducing the number of hospitals posting negative total margins from 61 in FY04 to 47 in FY05. Despite this improvement, 27% of GAC hospitals still lost money during FY05. However, the scenario in FY05 is much better than just two years earlier when nearly one-half (48%) of Pennsylvania's GAC hospitals posted losses and last year when 34% lost money.

Consistent with the growth in statewide operating income, 22 fewer hospitals ended FY05 with operating losses. The number of hospitals with negative operating margins fell from 75 in FY04 to 53 in FY05. At 53, 30% of GAC hospitals lost money from operations.

Since extraordinary or short-term events can have a significant impact on a hospital's annual total margin, a three-year average total margin can provide some perspective on a hospital's medium-term financial health. Six fewer hospitals realized average losses over the three-year period ending in FY05. There were 59 hospitals with a negative three-year average total margin at the end of FY05, compared to 65 at the end of FY04.

There was a more dramatic change in the number of hospitals that posted small positive three-year average total margins in the 0% to 2% range. Twelve fewer hospitals had three-year average total margins in this range at the end of FY05, compared to FY04. At the other end of the spectrum, 14 more hospitals had three-year average total margins above 6%, bringing the total to 35 of the 175 hospitals that operated over the three-year period. There was little change in the number of hospitals with three-year average total margins between 2% and 6%.

The Growth in Hospital Charges Continues to Outpace the Growth in Net Patient Revenue

Hospitals maintain a schedule of fees for all of the services they provide. These are commonly referred to as "charges." Table 2 demonstrates how much charges are increasing, compared to patient revenues and total operating expenses. For example, in FY97, hospital charges were 2.2 times greater than hospital net patient revenue (NPR). In the eight subsequent years, average charges have grown faster than NPR. By FY05, statewide charges were over 3.5 times greater than statewide NPR. During FY05, statewide charges increased 9.2%, compared to the 7.4% increase in total net patient revenue.

TABLE 2
Statewide Ratio of Charges to Net Patient Revenue (NPR) and Total Operating Expenses (TOE)

	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Charges to NPR	222%	231%	243%	255%	274%	294%	329%	348%	353%
Charges to TOE	215%	219%	228%	242%	263%	284%	318%	336%	347%

FOR-PROFIT HOSPITALS

For-profit facilities are common among Pennsylvania's freestanding psychiatric, rehabilitation, and long-term acute care hospitals. However, prior to 1998, all of the GAC hospitals in the Commonwealth were operated by non-profit organizations. In the seven fiscal years since FY98, 25 GAC hospitals were acquired by for-profit corporations, and one facility, Barix Clinics, opened as a new for-profit facility. Four of the 26 facilities have closed, and one is now operated as a non-profit hospital.

For-profit ownership of GAC hospitals began in Pennsylvania in November 1998 when Tenet acquired the eight Philadelphia-area AHERF hospitals out of bankruptcy. Tenet has subsequently closed the City Avenue and Parkview facilities, and Elkins Park was acquired by the non-profit Albert Einstein Health System. Another Tenet hospital, Medical College of Pennsylvania, was transferred to the non-profit Woman's Medical Hospital before it closed in March 2005. Tenet acquired the formerly non-profit Roxborough Hospital in December 2002. The fourth for-profit hospital to close was Brownsville General Hospital. A group of local investors bought the non-profit Brownsville hospital in March 2005. The hospital subsequently closed in January 2006.

A Means for Recovery

Seventeen of the hospitals in Table 3 operated for a full 12 months as a for-profit facility during FY05, and 14 of the 17 had either a negative three-year average total margin, sustained very large single-year losses, and/or were in danger of not satisfying debt obligations prior to their acquisition. Consequently, these 14 hospitals were under considerable financial stress, and for most

of them, their financial health had been deteriorating. Twelve of the 14 hospitals have experienced improvements of their total margins since they were acquired by for-profit corporations, and seven of the 12 have posted positive total margins in FY05.

Taxes

While some non-profit hospitals pay a fee in lieu of taxes to their local municipality, non-profit hospitals are exempt from local, state and federal taxes. In contrast, for-profit facilities generally pay all applicable taxes.

On one hand, the tax revenue generated from for-profit hospitals can be considered a public benefit. On the other hand, these tax expenses must be recovered through the fees for patient care.

Of all the taxes incurred by for-profit hospitals, PHC4 only receives separate data on each hospital's *pro rata* share of its parent corporation's federal income taxes. Of the 19 for-profit hospitals required to submit FY05 financial data to PHC4, ten had positive operating margins and reported federal income tax expenses totaling \$45.2 million. For these hospitals, federal taxes were equal to about 4.4% of their total operating revenue.

Nine of the 19 reporting hospitals had negative operating margins during FY05. Because their losses either reduced the overall tax expense or increased the tax credit posted by the parent corporations, tax credits of \$73.4 million were recorded for these hospitals. The net effect of the ten hospitals that made a profit and the nine that operated at a loss was a net statewide federal tax credit of about \$28.2 million for the 19 for-profit hospitals. Barix Clinics is a limited liability corporation and is not directly subject to income taxes.

FOR-PROFIT HOSPITALS

TABLE 3
Pennsylvania's For-profit GAC Hospitals

Hospital	New Corporate Owner	Date became For-profit	Full Fiscal Year before Acquisition (Non-profit)			Current Full Fiscal Year after Acquisition (For-profit)	
			Fiscal Year	Total Margin	3-yr Avg Total Margin	Fiscal Year	Total Margin
Ashland Regional	Province Healthcare	8/01	FY01	-5.94%	-1.84%	FY05	-5.43%
Barix Clinics of PA	Barix Clinics, LLC.	9/02	NA	NA	NA	FY05	-45.64%
Berwick	Community Health Systems, Inc.	3/99	FY98	3.67%	5.21%	FY05	8.38%
Brandywine	Community Health Systems, Inc.	6/01	FY00	-2.39%	-3.72%	FY05	5.08%
Brownsville	TriCounty Health System, LLC.	3/05	FY04	-6.90%	-5.50%	NA	NA
Carlisle Regional	Health Management Associates, Inc.	6/01	FY01	10.30%	4.53%	FY05	12.34%
Central Montgomery	Universal Health Services, Inc.	12/01	FY01	-3.80%	-3.62%	FY05	-5.04%
Chestnut Hill	Community Health Systems, Inc.	3/05	FY04	-22.44%	-9.90%	FY07	NA
Easton	Community Health Systems, Inc.	10/01	FY01	-1.64%	-1.20%	FY05	6.14%
Graduate	Tenet Healthcare	11/98	FY98	-8.63%	-7.51%	FY05	-8.64%
Greene County Memorial	Essent Healthcare	10/05	FY05	-8.26%	-5.99%	FY07	NA
Hahnemann University	Tenet Healthcare	11/98	FY98	-11.86%	-4.62%	FY05	-4.73%
Heart of Lancaster	Health Management Associates, Inc.	7/99	FY99	-17.69%	-6.19%	FY05	-7.81%
Jennersville Regional	Community Health Systems, Inc.	10/01	FY01	-12.61%	-12.51%	FY05	3.31%
Lancaster Regional	Health Management Associates, Inc.	7/00	FY00	24.32% ¹	-9.50%	FY05	3.36%
Lock Haven	Community Health Systems, Inc.	8/02	FY02	-12.86%	-5.52%	FY05	3.11%
Medical College of PA	Tenet Healthcare	11/98	FY98	-21.19%	-5.23%	FY04	-13.29%
Phoenixville	Community Health Systems, Inc.	8/04	FY04	1.01%	3.75%	FY06	NA
Pottstown Memorial	Community Health Systems, Inc.	07/03	FY03	-8.16%	-1.53%	FY05	5.26%
Roxborough Memorial	Tenet Healthcare	12/02	FY02	-12.66%	-6.64%	FY05	-7.72%
St. Christopher's Children	Tenet Healthcare	11/98	FY98	-17.02%	-0.83%	FY05	5.25%
Sunbury Community	Community Health Systems, Inc.	10/05	FY05	-14.41%	-7.43%	FY07	NA
Warminster	Tenet Healthcare	11/98	FY98	-26.59%	-6.11%	FY05	-14.49%

¹ The large positive FY00 total margin for Lancaster Regional is the result of a \$20.3 million non-operating gain associated with the acquisition of the hospital by Health Management Associates.

UTILIZATION AND REVENUE BY PAYOR

Hospitals received 91.5% of their net patient revenue (NPR) from third-party health care insurers in FY05. These third-party health insurers include the federal Medicare program, the state and federally-funded Medical Assistance (MA) program, and commercial managed care and indemnity companies. The remaining 8.5% came from patients and other insurers, such as auto insurance and workers compensation.

Managed Care Reimbursement Rates Continue to Grow Faster than Indemnity Reimbursements for Commercial and Medicare Patients

The average revenue per day and discharge paid by managed care plans covering commercial and Medicare patients grew faster than the average reimbursement rates for the indemnity programs for the fourth consecutive year (FY02 – FY05).

The average commercial managed care payment per discharge rose 10.3% or five times the 2.1% increase in indemnity payments during FY05. With this increase in managed care reimbursements, the average commercial indemnity payments are only \$321 or 3.4% greater than the average managed care payments. Just two years earlier in FY03, the difference between managed care and indemnity was \$1,228 or 16.4%.

The 9.0% increase in the average Medicare managed care payment per discharge was well over twice the 3.5% increase in Medicare indemnity reimbursement. With this increase, average Medicare managed care payments per discharge are now higher than average Medicare indemnity payments for the first time.

In contrast, after several years of above average-growth, MA managed care reimbursements

FIGURE 4
Statewide Net Patient Revenue by Payor, FY05

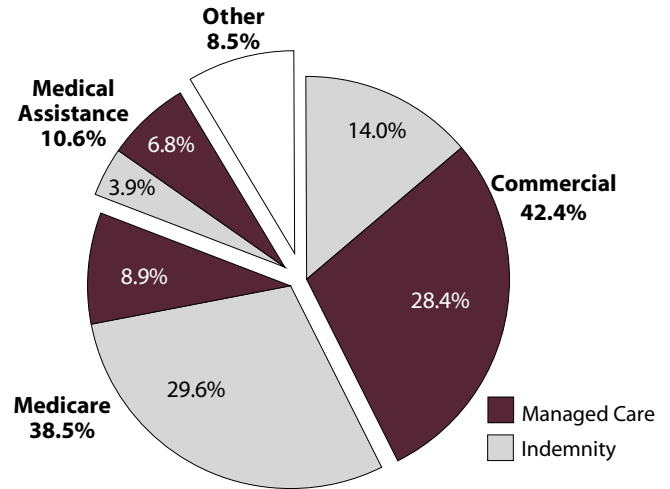


TABLE 4
Net Patient Revenue by Payor (millions)

	FY04	FY05	Percent Change FY04 to FY05
Commercial			
Indemnity	\$3,484	\$3,622	3.97%
Managed Care	\$6,661	\$7,367	10.60%
Total	\$10,144	\$10,989	8.32%
Medicare			
Indemnity	\$7,394	\$7,662	3.62%
Managed Care	\$2,075	\$2,316	11.66%
Total	\$9,469	\$9,979	5.38%
Medical Assistance			
Indemnity	\$887	\$1,005	13.27%
Managed Care	\$1,555	\$1,752	12.63%
Total	\$2,443	\$2,757	12.86%
Other			
STATEWIDE	\$24,136	\$25,920	7.39%

UTILIZATION AND REVENUE BY PAYOR

increased about half as much as MA indemnity payments during FY05. The average revenue per discharge for patients covered by the MA indemnity program grew 8.8%, compared to the 4.0% growth in the average reimbursement for MA managed care participants. The 12.9% increase in total MA revenue reported by hospitals for FY05 was the largest of the three major payor categories.

It is difficult to make comparisons between the average reimbursement rates per day and per discharge for MA indemnity and managed care components because the overall mix of care provided by each component is different. For example, long-term skilled nursing care is reimbursed through the

MA indemnity category. This long-term care tends to have much longer lengths of stay, lower reimbursements per day, but higher reimbursements per discharge. Table 7 demonstrates that the average length of stay for MA indemnity patients is over 2.8 days longer than for managed care participants. Also, MA recipients that need extraordinary levels of acute care are typically reimbursed through the indemnity program.

Revenue from Commercial Insurers Continues to Outpace Medicare

During FY04, commercial insurers surpassed Medicare as the largest payor for general acute care

TABLE 5
Discharges by Payor

	Discharges			Inpatient Revenue per Discharge		
	FY04	FY05	Percent Change FY04 to FY05	FY04	FY05	Percent Change FY04 to FY05
Commercial						
Indemnity	190,827	182,559	-4.33%	\$9,580	\$9,776	2.05%
Managed Care	401,560	401,460	-0.02%	\$8,573	\$9,455	10.28%
Total	592,388	584,019	-1.41%	\$8,898	\$9,555	7.39%
Medicare						
Indemnity	682,005	678,010	-0.59%	\$8,515	\$8,812	3.48%
Managed Care	187,062	191,928	2.60%	\$8,133	\$8,863	8.98%
Total	869,066	869,938	0.10%	\$8,433	\$8,823	4.62%
Medical Assistance						
Indemnity	105,104	108,950	3.66%	\$7,143	\$7,770	8.77%
Managed Care	161,143	172,532	7.07%	\$6,821	\$7,094	4.01%
Total	266,248	281,481	5.72%	\$6,948	\$7,356	5.87%
Other						
STATEWIDE	1,820,807	1,824,466	0.20%	\$8,416	\$8,900	5.75%

UTILIZATION AND REVENUE BY PAYOR

(GAC) hospital services in Pennsylvania. In FY05, total net patient revenue from commercial health insurers continued to grow faster than overall hospital revenue, as well as total Medicare payments. With the increases in Medicare payments lagging behind the other payor categories, the gap between total commercial and Medicare revenue has widened from about \$675 million in FY04 to over \$1.0 billion in FY05. Commercial health insurers now provide 42.4% of statewide net patient revenue compared to 38.5% for the Medicare program. This was the sixth straight year that the growth in Medicare revenue lagged behind the commercial and MA payor categories.

Are Some Payors Contributing More to Hospital Income than Others?

Comparing the statewide case mix index for the three principal payor types with the average inpatient revenue per discharge may provide insight into how revenue from each payor type compares to the costs of inpatient care. The comparisons presented on Table 8 indicate that the average revenue per discharge that hospitals received from commercial payors is about 7% greater than the all-payor average, while the case mix index for commercial payors is 6% lower than the statewide average. The commercial case mix index of 0.94 shows that the costs to treat the average patient covered by commercial

TABLE 6
Patient Days by Payor

	Patient Days			Inpatient Revenue per Day		
	FY04	FY05	Percent Change FY04 to FY05	FY04	FY05	Percent Change FY04 to FY05
Commercial						
Indemnity	768,637	725,157	-5.66%	\$2,378	\$2,461	3.48%
Managed Care	1,617,726	1,608,899	-0.55%	\$2,128	\$2,359	10.86%
Total	2,386,363	2,334,056	-2.19%	\$2,209	\$2,391	8.25%
Medicare						
Indemnity	4,190,282	4,096,372	-2.24%	\$1,386	\$1,458	5.23%
Managed Care	1,071,244	1,096,741	2.38%	\$1,420	\$1,551	9.22%
Total	5,261,526	5,193,112	-1.30%	\$1,393	\$1,478	6.11%
Medical Assistance						
Indemnity	822,512	843,880	2.60%	\$913	\$1,003	9.90%
Managed Care	798,586	849,481	6.37%	\$1,376	\$1,441	4.69%
Total	1,621,098	1,693,361	4.46%	\$1,141	\$1,223	7.15%
Other	465,802	424,964	-8.77%	\$1,877	\$2,145	14.25%
STATEWIDE	9,734,789	9,645,493	-0.92%	\$1,574	\$1,683	6.95%

UTILIZATION AND REVENUE BY PAYOR

TABLE 7
Average Length of Stay by Payor

	FY04	FY05	Percent Change FY04 to FY05
Commerical			
Indemnity	4.03	3.97	-1.38%
Managed Care	4.03	4.01	-0.52%
Total	4.03	4.00	-0.79%
Medicare			
Indemnity	6.14	6.04	-1.67%
Managed Care	5.73	5.71	-0.22%
Total	6.05	5.97	-1.40%
Medical Assistance			
Indemnity	7.83	7.75	-1.02%
Managed Care	4.96	4.92	-0.65%
Total	6.09	6.02	-1.20%
Other			
STATEWIDE	5.35	5.29	-1.12%

insurance is lower than the statewide average.

In contrast, the average revenue per discharge received for Medicare patients in Pennsylvania is one percent less than the statewide average while the case mix index is 15% greater than the statewide average. This relatively large difference indicates that Medicare reimbursements are not covering hospital costs of treating Medicare patients in Pennsylvania.

The inpatient revenue index for MA patients of 0.83 is about six points greater than the case mix index of 0.77 which suggests that MA payments are in line with or exceed the costs of providing inpatient care to MA recipients.

The ideal way to determine how a payor or a payor category is contributing to hospital income is to compare the costs to treat patients covered by that payor with the revenue received from that payor. Since comprehensive and comparable cost data are not available for all patients, a common alternative tool to compare the resources a hospital utilizes in treating patients is the case mix index.

Instead of costs, the case mix index utilizes charges to assess the monetary value of the treatment patients receive. Hospitals routinely track the charges incurred by each patient, providing a comprehensive database of charges.

In summary, a case mix index is typically used to compare the charges for a particular group of patients or a particular category of care with the average charges for all patients at a hospital. Individual hospital charge and utilization data can be aggregated to create a statewide case mix index. For example, the statewide average case mix index of 0.94 for commercial payors indicates that the average charge for a patient covered by commercial health insurance is about 6% less than the average for all patients at Pennsylvania's GAC hospitals.

TABLE 8
**Inpatient Revenue Index and
Case Mix Index by Payor, FY05**

Payor	Average Inpatient Revenue per Discharge	Inpatient Revenue Index	Case Mix Index
Commercial	\$9,555	1.07	0.94
Medicare	\$8,823	0.99	1.15
Medical Assistance	\$7,356	0.83	0.77
Total Payors	\$8,900	1.00	1.00

UTILIZATION AND REVENUE BY PAYOR

FIGURE 5
Statewide Inpatient Discharges

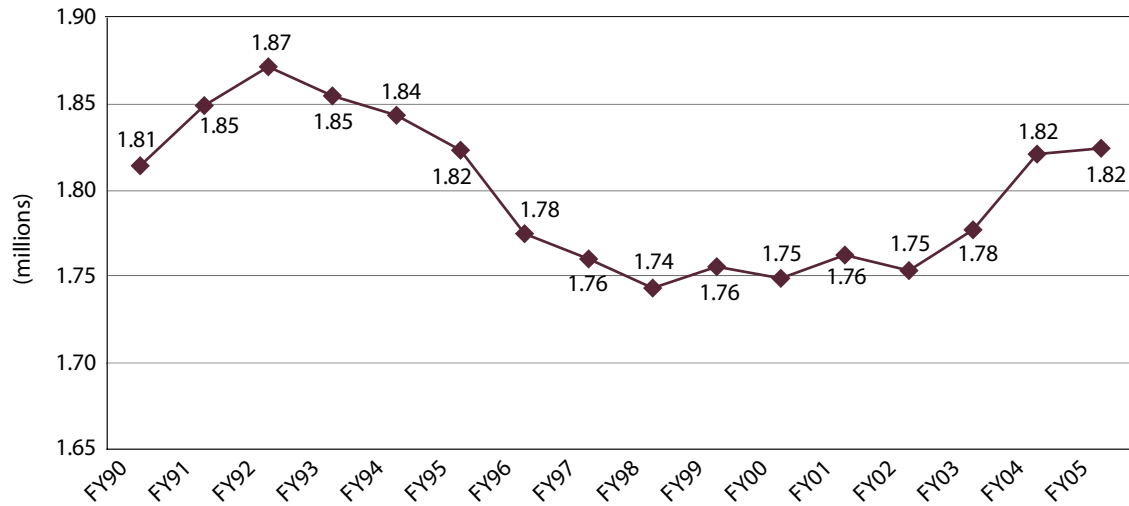
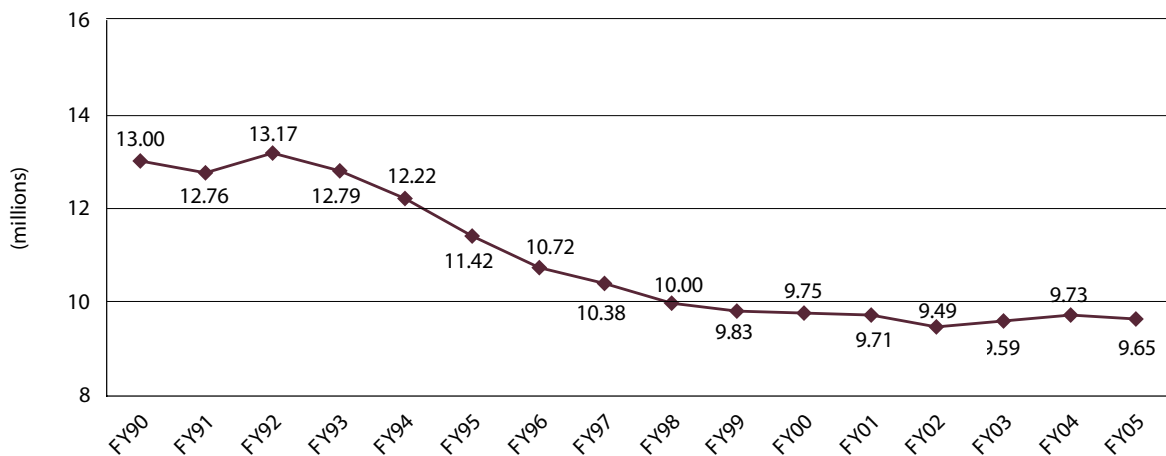


FIGURE 6
Statewide Inpatient Days

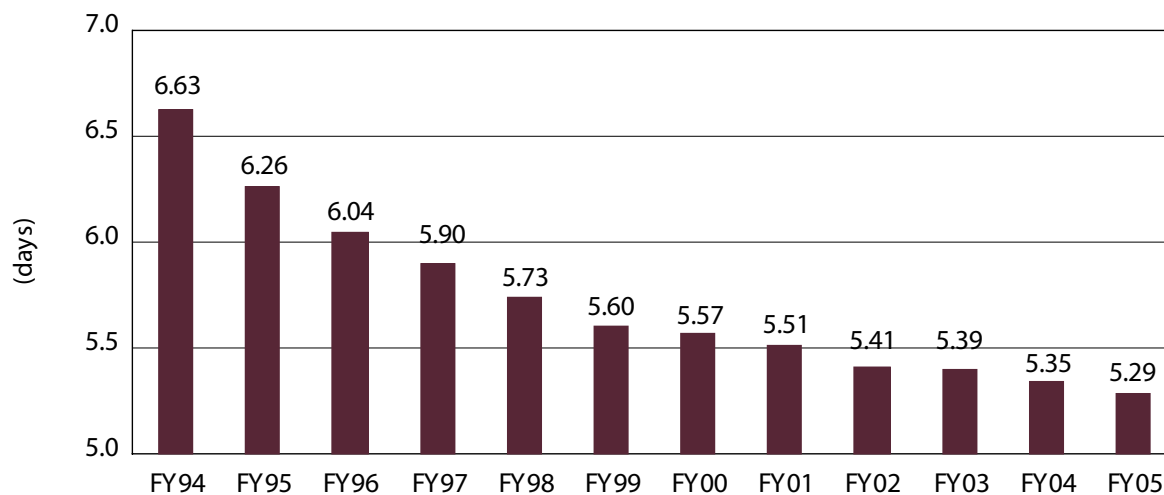


If the costs to provide care compared to the charges established by the hospital (cost-to-charge ratio) were the same for all categories of care, then the case mix index would be identical to an index derived from actual costs. However, the cost-to-

charge ratio varies among the different categories of care provided at hospitals. For example, the cost-to-charge ratio may differ between routine maternity care and coronary artery bypass graft surgery. The case mix index is not a perfect substitute for an index

UTILIZATION AND REVENUE BY PAYOR

FIGURE 7
Statewide Average Length of Stay



of actual costs. However, when a case mix index is developed using a cross-section of treatment categories, it can provide a reasonably good reflection of differences in overall costs among various patient groups.

The case mix index for commercial and MA patients is typically lower than Medicare patients because commercial insurers and MA serve a younger clientele that, on average, require less costly treatment. MA also funds the majority of psychiatric care in Pennsylvania. Inpatient psychiatric care at GAC hospitals tends to be less costly than most other inpatient care.

Growth in Inpatient Care Levels Off

After three years of growth in the number of inpatient discharges from 1.75 million in FY02 to 1.82 million in FY04, statewide inpatient discharges totaled 1.82 million for the second straight year. The average length of an inpatient stay (ALOS) has declined every year since at least FY94 with the rate

of decline waning in recent years. Figure 7 reveals that this trend continued in FY05 as the ALOS fell by another 0.06 of a day to 5.29 days. The combination of the slight decline in ALOS and total discharges remaining stable has resulted in a small decline in the number of total patient days from 9.73 million in FY04 to 9.65 in FY05.

Of the \$25.9 billion in statewide net patient revenue, 62.6% or \$16.2 billion was derived from inpatient care. Consistent with the slight decline in total patient days, the increase in inpatient revenue of 6.0% during FY05 was 1.4 points less than the increase in overall net patient revenue of 7.4%.

Statewide outpatient revenue posted by GAC hospitals increased 10.1% during FY05, rising to \$9.5 billion. Outpatient revenue made up 36.5% of total net patient revenue. Hospitals reported \$34.6 million outpatient visits during FY05, a 1.6% increase in visits over FY04.

The remaining 0.9% of statewide net patient revenue was generated by home health care pro-

UTILIZATION AND REVENUE BY PAYOR

vided by hospitals. Sixty-six of the 182 GAC hospitals offered home health services generating a total \$231 million in patient revenue.

How Much Influence Do Hospitals Have over Reimbursement Rates from Commercial Insurers?

The reimbursement hospitals receive from most insurers and managed care organizations is derived through a contract negotiation process between the hospital and the third-party payor. Figure 8 shows that hospitals receive a substantial portion of their revenue from just two or three payors.

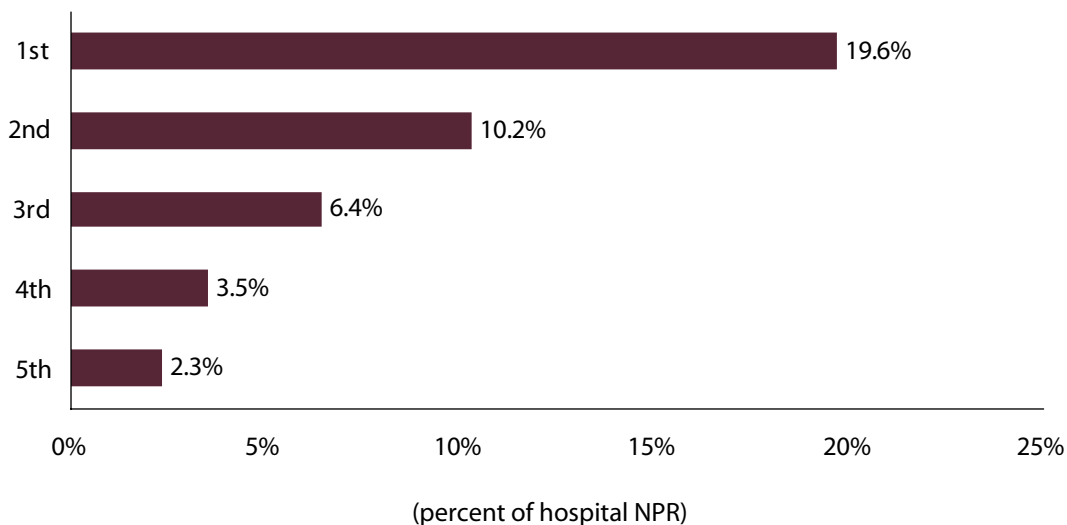
For this analysis, the revenue from the commercial payors includes all health insurance plans offered by that insurer, including managed care plans funded by the Medicare and MA programs. With the addition of Medicare and MA managed care, commercial insurers administer 58% of state-wide net patient revenue.

Pennsylvania hospitals, on average, receive 19.6% of their total annual NPR from their largest single commercial payor and 29.8% from the top two commercial payors. Consequently, the two top payors provide more than half of the annual reimbursements from commercial payors. The top five commercial payors provide an average of 42.0% of total NPR and almost 73% of commercial revenue.

A hospital may have leverage in negotiating reimbursement rates by exercising its option not to enter contractual arrangements with a specific payor. However, considering that the average operating margin during FY05 was 3.58%, hospitals with an average operating margin might face operating losses, at least in the short-run, if even a contract with the third-highest commercial payor was rejected.

Figure 8 also reveals that small changes in reimbursement rates from the top third-party payors

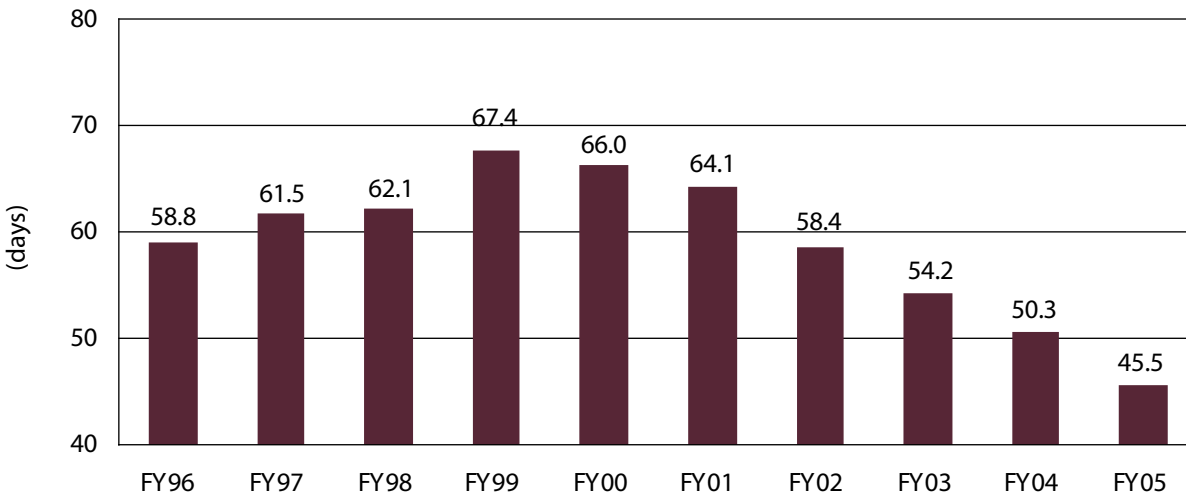
FIGURE 8
Top Five Commercial Payors*
Average Contribution to Individual Hospital NPR, FY05



* Includes Medicare and Medical Assistance funded managed care plans administered by commercial and other payors.

UTILIZATION AND REVENUE BY PAYOR

FIGURE 9
Statewide Average Days in Accounts Receivable



can have a significant impact on hospital income. For example, if payments from the largest third-party payor do not keep pace with increasing hospital costs, hospitals with a small positive margin one year could suddenly have a negative margin the following year.

The Average Days in Accounts Receivable Continues to Fall

During the period between when hospital services to a patient are concluded and when a hospital receives the payment for those services, the amount the hospital expects to receive is booked as accounts receivable (AR). AR can be affected by a number of factors including: the efficiency of hospital billing and claims systems, the time it takes third-party payors and individuals to pay bills, communications between hospitals and payors, and the time it takes hospitals to remove uncollectible accounts from accounts receivable.

On a statewide basis, the amount of time the average bill remained in AR declined another 4.8 days to 45.5 days during FY05. Figure 9 shows that statewide average days in patient accounts receivable declined for the sixth straight year for a total of more than 21.9 days since the peak of 67.4 days in FY99.

Over the past few years, hospitals have implemented a variety of measures to reduce the level of their patient AR as a means to improve financial performance. For example, many hospitals have reduced AR by implementing measures to ensure that claims can be processed promptly by an insurer.

Assuming that the opportunity costs of financing AR are 5%, the benefit of the 4.8-day reduction in statewide AR was equal to about \$17.2 million, or 1.8% of FY05 statewide operating income. The 21.9-day reduction in AR that hospitals and insurers have achieved since FY00 produced an annual savings in FY05 of \$78 million or 8.0% of statewide hospital income.

UNCOMPENSATED CARE

Uncompensated Care Rates Remain Stable

The dollar value of uncompensated care grew by 3.7% or about \$20 million from \$523 million during FY04 to \$543 million during FY05. However, since statewide net patient revenue grew a little faster (7.4%), uncompensated care comprised a slightly smaller portion of total patient care during FY05. Statewide uncompensated care revenue was equal to 2.09% of total net patient revenue in FY05; down from 2.17% in FY04.

Sixty-six percent of uncompensated care was categorized as bad debt during FY05. This indicates that Pennsylvania hospitals as a group attempted to collect for about two-thirds of the

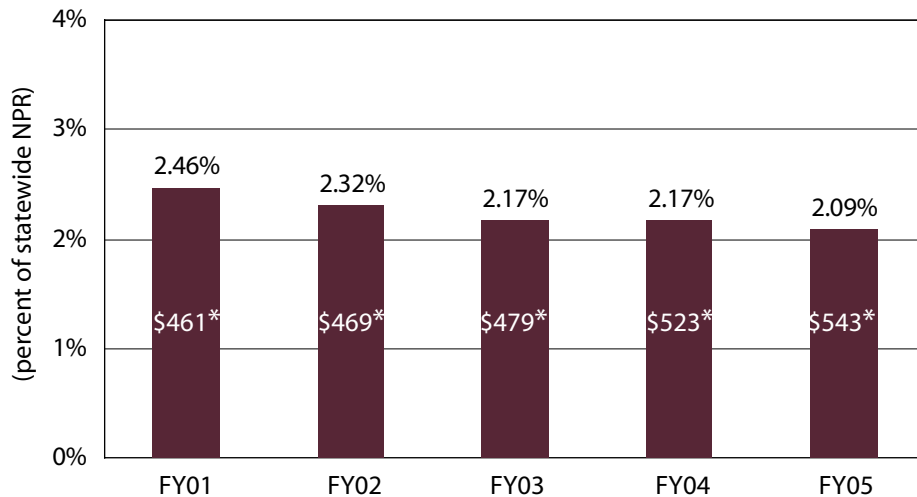
care that was ultimately determined to be uncompensated care. Alternatively, about 34% of unreimbursed care was provided as charity care to patients that met the individual hospital's charity care guidelines.

How Uncompensated Care is Calculated

The "Percent of Uncompensated Care" reflects the portion of all care that was written off as either bad debt or recorded as charity care. This percentage is calculated as the ratio of statewide bad debt and charity care reported as charges to the total charges for all care provided by GAC hospitals.

"Uncompensated Care Revenue" provides an

FIGURE 10
Statewide Uncompensated Care Revenue*



* Statewide Uncompensated Care Revenue in millions.

In order to meet the requirements under Act 77 of 2001 (Tobacco Settlement Act) PHC4 modified the way in which uncompensated care is captured and reported. Beginning in FY03, hospitals submit bad debt and charity care at full charges. Uncompensated care revenue is calculated using each hospital's unique revenue-to-charge ratio. The FY01 and FY02 statewide uncompensated care revenue levels are estimates developed by converting actual FY01 and FY02 data to the new methodology. In converting the data, it was assumed that hospitals did not change their accounting procedures for bad debt between FY01 and FY03.



UNCOMPENSATED CARE

estimate of the amount of revenue hospitals lost due to bad debt and charity care. This foregone revenue reflects what hospitals would have received if they had been reimbursed for uncompensated care. The estimate of foregone revenue is based on the average overall reimbursement hospitals received from all payors, including commercial health insurers, Medicare, Medical Assistance, and patients.

All services and materials that are provided to the general public under an established fee are eligible to be included in uncompensated care. Consequently, some of the costs of important public

health programs may not be included. Hospitals frequently report these activities separately.

A few hospitals include the difference between the reimbursement they receive from government-funded programs, such as Medical Assistance, and their customary fees or charges as a component of charity care in their audited financial statements. These differences are NOT included in the uncompensated care levels reported to PHC4. However, if a patient fails to pay a required co-payment, or receives care beyond the range of services covered by a third-party payor, these foregone revenues may be included in charity care or bad debt.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

The total margin for a single year may not completely reflect the financial health of a hospital. There are numerous factors that can affect a single-year margin, including a sharp decline in the value and earnings of securities, a reassessment of the book value of assets, early retirement of obsolete facilities and equipment, and the restructuring of the operations of the hospital. Therefore, the 3-year average total margin may be a better indicator of a hospital's medium-term performance.

For some hospitals, a negative 3-year average total margin may only indicate a cyclical downturn or the need to make adjustments in hospital operations and the sources of revenues. As shown in Table 9, 126 hospitals have realized a negative 3-year average total margin at some point since FY98. Nearly 60%, 74 of the 126 hospitals posted a positive total margin in FY05; and for 55 of those 74 hospitals, the total margin was above 2%.

Alternatively, a little more than a third, or 44 of the 126 hospitals reflected on Table 9 were still

in operation with a negative total margin during FY05.

Nine of the 126 hospitals have closed during the period. One hospital closed during FY05 and is reflected in the count of both closed hospitals and hospitals' negative margin during FY05.

Some hospitals join with other health systems as a means to preserve or enhance the operation of their facilities. Forty-nine of the 126 hospitals were either acquired by a for-profit hospital, merged under the license of another non-profit health system, or entered into an affiliation agreement while still operating as a separately licensed hospital. Twenty-nine of the 49 hospitals that are part of a health system had a positive margin in FY05. Five of the 49 were subsequently closed.

Five hospitals that had been affiliated with another hospital or health system prior to FY98 terminated their affiliation and returned to operating as an independent hospital or affiliated with another system between FY98 and FY05. Four of

TABLE 9

Status of Hospitals with a Negative 3-Year Average Total Margin at Some Point during FY98-FY05¹

	Number of Facilities	Hospitals Closed	FY05 Total Margin		
			Negative	0% - 2%	Above 2%
Acquired by for-profit corporation following bankruptcy	8	3	5	0	1
Acquired by for-profit corporation (no bankruptcy)	10	0	3	0	7
Merged with another non-profit facility or health system ²	11	0	1	2	8
Affiliated with another facility or health system	20	2	7	1	10
No longer an operating licensed hospital	4	4	0	0	0
No change	68	0	27	14	27
Ended affiliation	5	0	1	2	2
Total	126	9	44	19	55

¹ Four hospitals made more than one organizational change between FY98 and FY05. To avoid double counting, only the most recent organizational change is reflected on this table.

² The FY05 total margin for hospitals that merged with another hospital or health system reflects the total margin for the surviving hospital unless the merger occurred during FY05.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

the five hospitals where the affiliation was terminated had a positive total margin in FY05.

Tables 10 and 11 present the 59 hospitals where the 3-year average total margin either became negative during FY05 or remained negative. The “Notes” presented in those tables provide some information on why the hospital’s income level has changed and, where possible, some insights on the future solvency of the hospital. The information for these “Notes” was derived from each facility’s financial statements, discussions with hospital financial officers, and public information made available by the hospitals and their parent organizations.

Hospitals that have undertaken aggressive turnaround programs may experience a further decline in the annual total margin as they implement initiatives to reduce costs and improve revenue. For example, hospitals may take one-time restructuring charges related to severance and early-retirement programs. Hospitals that develop new or enhanced clinical operations will incur operating losses until new revenues catch up to the incremental expenses.

Some hospitals have available assets that enable them to operate for a period of time while sustaining annual losses. Available assets are those that can be liquidated by the hospital or its board of directors to fund operating deficits. Some of the hospitals with a negative 3-year average total margin have diverted funds earmarked for capital replacement or improvement to pay expenses not covered by revenue.

Some hospitals with persistent small negative margins may be able to function for an extended period of time because they are generating positive cash flow. For example, if a hospital’s annual operating loss is less than its annual depreciation expense, its net assets may actually increase even though it operated at a loss. However, hospitals in this situation are also using a portion of the funds that should be dedicated to replacing obsolete or worn out facilities and equipment to pay their operating expenses.

Hospitals cannot utilize available assets or divert depreciation funds to pay operating expenses indefinitely. Eventually, the hospital’s inability to replace or upgrade facilities and equipment will have an effect on their ability to provide quality health care.

A few hospitals may be able to function with persistent losses because they are part of a larger health system that can underwrite the hospital’s operating loss. A hospital with a negative margin may be an important source of patients to a health system; losses incurred by one facility may be at least partially offset by the overall economic benefit to the entire system.

Table 12 highlights the 11 hospitals that have made recent recoveries. These 11 hospitals experienced a negative 3-year average total margin at the end of FY04, and their net income was large enough during FY05 to give them a positive 3-year average total margin for the three years ending in FY05.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 10
Hospitals 3-Year Average Total Margin *Became Negative* during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			Notes
		FY05	FY04	FY03	
Bucktail / 4	-0.30%	0.64%	5.72%	-8.50%	Corrections to the data submitted to PHC4 for FY04 resulted in more than a 5-point swing in the FY04 total margin from 0.17% reported last year to 5.72%.
Corry Memorial / 2	-3.20%	-4.70%	-3.09%	-1.76%	Investment and other non-operating income lifted the FY05 total margin 3.3 points above the -8.03% operating margin.
Good Samaritan Regional / 7	-0.83%	-1.91%	1.42%	-2.11%	The Medical Center is part of Ascension Health which is a non-profit Catholic health system that operates 63 GAC hospitals and other facilities in 20 states and DC. Ascension reported a total margin of 5.66% in FY05.
Hahnemann University / 9	-1.07%	-4.73%	-7.80%	8.60%	In FY04 (CY03), a \$39.9 million asset impairment charge contributed to 84% of the Hospital's -12.59% pre-tax operating loss. Another \$8.6 million charge in FY05 (CY04) was responsible for only 29% of the -7.64% operating loss.
Heart of Lancaster / 5	-0.04%	-7.81%	3.34%	3.47%	Despite a 27% decline in total operating revenue since FY02, the Medical Center realized a 3-yr average total margin between FY02 and FY04 of 5.73%. In FY05, the 8.3% decline in operating revenue coupled with a 9.3% increase in expenses resulted in a -12.70% operating loss.
Holy Redeemer / 8	-1.37%	-3.43%	-4.86%	3.93%	The Hospital & Medical Center are part of a local health system which posted a small positive FY05 total margin of 0.81% as a result of investment income and contributions.
Holy Spirit / 5	-0.80%	-3.33%	0.57%	0.85%	The 7.7% growth in operating revenue was outpaced by the 12% increase in operating expenses during FY05, resulting in a -4.64% operating loss. Leading the growth in expenses was a \$9.4 million increase in "supplies and expenses."
Mercy Pittsburgh / 1	-1.63%	-1.04%	-5.09%	1.23%	The four-point improvement in the FY05 operating and total margins was the result of a 9.6% increase in operating revenue while the growth in expenses was held to 5.4%.
Tyler Memorial / 6	-0.44%	-0.11%	4.21%	-6.25%	The operating and total margins fell about four points during FY05 because the 15% growth in operating expenses outpaced the 10% increase in operating revenue between FY04 and FY05.
Windber Hospital / 3	-0.13%	0.78%	-2.46%	1.23%	The Hospital has been fluctuating between moderate positive and negative total margins since FY99. The Hospital is a member of the Connemaugh Health System.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 11
Hospitals 3-Year Average Total Margin *Remained Negative* during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			NOTES
		FY05	FY04	FY03	
Aliquippa Community / 1	-9.75%	0.52%	-8.15%	-23.47%	The Hospital emerged from Chapter 11 bankruptcy in 3/05. Despite reorganization expenses of \$2.0 million in FY04 and \$2.4 million in FY05, the Hospital reduced operating expenses by 7.7% between FY03 and FY05. Operating revenue grew 35% over the same period.
Ashland Regional / 7	-11.85%	-5.43%	-13.24%	-18.25%	The Hospital is operated by the for-profit Life Point Hospitals. Life Point operates 55 GAC hospitals in 20 states and posted a CY04 total margin of 8.7%.
Barnes Kasson County / 6	-4.72%	-3.72%	-4.51%	-6.06%	The Hospital posted losses for the fourth straight year and reports a negative net asset balance at the end of FY05.
Bloomsburg / 4	-6.24%	-1.25%	-9.86%	-8.51%	The Hospital has posted negative total margins since FY99. With the 8.6-point improvement in the total margin during FY05, the Hospital had positive cash flow which helped preserve its limited available assets.
Brookville / 2	-4.52%	-8.18%	-3.79%	-1.56%	The Hospital has only posted a positive total margin in one year since FY97. While patient and operating revenue remained constant, operating expenses increased 4.8% during FY05. As a result, total margin declined 4.4 points further deteriorating the Hospital's very limited available assets.
Brownsville General / 1	-5.10%	-4.62%	-6.90%	-3.76%	The Hospital was purchased by a group of local investors in 3/05. The Hospital subsequently closed in 1/06.
Central Montgomery / 8	-2.94%	-5.04%	-3.93%	0.19%	While FY05 operating expenses fell 1.2%, operating revenue also fell 2.8% leading to the 1.1-point decline in the FY05 total margin. The Hospital is owned by the for-profit Universal Health Services.
Charles Cole Memorial / 2	-1.18%	0.54%	0.58%	-4.86%	Except for FY02 and FY03, the Hospital has a long history of positive total margins.
Chestnut Hill / 9	-9.27%	2.01%	-22.44%	-3.35%	In 3/05, the Hospital was sold to the for-profit Community Health Systems (CHS). The University of Pennsylvania Health System has a 15% minority interest in the Hospital. The large FY04 loss was due to a \$21.9 million asset impairment adjustment. The FY05 total margin reflects the final eight months of operation as a non-profit hospital prior to the sale.
Community/Scranton / 6	-1.44%	0.52%	-2.72%	-2.38%	The Hospital had six years of positive margins between FY95 and FY00 and then four years of losses between FY01 and FY04. The Hospital has sufficient available assets to make solvency not a concern.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 11 (CONTINUED)

Hospitals 3-Year Average Total Margin *Remained Negative* during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			NOTES
		FY05	FY04	FY03	
Ellwood City / 2	-1.22%	4.70%	4.34%	-15.17%	While the Hospital has a history of operating losses, these losses are usually absorbed by non-operating gains to give the Hospital a positive total margin. In FY03, a combination of a decline in patient revenue and investment losses resulted in the large negative total margin. Both patient revenue and investment income have recovered in FY04 and FY05.
Frick / 1	-5.09%	-2.00%	-4.29%	-9.16%	Although the Hospital has reported negative total margins since FY99, the Hospital is part of the non-profit Excelsa Health, which posted a total margin of 4.58% in FY05.
Graduate / 9	-13.75%	-8.64%	-38.66%	2.23%	The Hospital is part of the Tenet Health System. Fifty-nine percent (59%) of the FY03 (CY02) pre-tax loss was due to an asset impairment adjustment. The total margins shown are after-tax margins.
Greene County Memorial / 1	-5.99%	-8.26%	-7.41%	-2.45%	In 10/05, the Hospital was purchased by the for-profit Essent Healthcare. Essent operates five GAC hospitals in four states.
Hazleton General / 6	-5.49%	-5.95%	-6.11%	-4.30%	Hazleton General and Hazelton St. Joseph are members of the Hazleton Healthcare Alliance. Except for modest positive total margins in FY02, the Hospitals have posted negative total margins since FY99. The Alliance initiated a turnaround program during FY04 which includes the consolidation of services during FY05 and FY06.
Hazleton St Joseph / 6	-6.56%	-7.77%	-7.52%	-4.55%	The Hospital surrendered its license in 9/05 and operates as a satellite of Hazleton General.
Highlands / 1	-5.70%	-1.80%	-9.48%	-6.14%	The 7.7-point improvement in the FY05 total margin was primarily the result of a 7.6% increase in patient revenue while operating expenses were held constant. In addition, patient accounts receivable was reduced by 15% during FY05.
J C Blair Memorial / 5	-4.53%	-0.16%	-8.28%	-5.43%	The 8.1-point improvement in the FY05 total margin was primarily the result of a 6.8% increase in operating revenue while operating expenses declined slightly. The Hospital has sufficient available assets to make solvency not an immediate concern.
Kane Community / 2	-1.75%	0.19%	-12.59%	6.83%	The FY04 negative total margin was the first loss the Hospital posted since FY95.
Marian Community / 6	-0.65%	-0.56%	-0.38%	-1.01%	The Hospital became part of Catholic Health East (CHE) in 7/04 (FY05). CHE operates 31 GAC hospitals and numerous other health care facilities in 11 states.

Continued on next page.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 11 (CONTINUED)

Hospitals 3-Year Average Total Margin *Remained Negative* during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			NOTES
		FY05	FY04	FY03	
Medical College PA / 9	-34.50%	-176.73%	-13.29%	-21.20%	Tenet Healthcare sold the Hospital to a non-profit organization in 9/04 (FY05). The successor, Woman's Medical Hospital, closed in 3/05. MCP's asset impairment and asset disposal expenses represent 63% of the FY05 (CY04) pre-tax loss. The total margins shown are MCP's after-tax margins.
Mercy Fitzgerald / 8	-6.67%	-3.83%	-5.95%	-10.59%	Prior to FY02, the Hospital had a history of positive operating and total margins. The Hospital is part of the Mercy Health System of Southeastern Pennsylvania which had a FY05 (CY04) total margin of 1.3% after restructuring expenses.
Mercy Jeannette / 1	-4.54%	-4.35%	-1.10%	-8.07%	The Hospital became part of the Pittsburgh Mercy Health System (PMHS) in 2/03 (FY04). PMHS had a FY05 (CY04) total margin of -1.65%. PMHS is part of Catholic Health East which operates 31 GAC hospitals and numerous other healthcare facilities in 11 states.
Mercy Philadelphia / 9	-3.16%	-2.05%	-3.06%	-4.61%	With the exception of a small operating loss in FY00, the hospital has a history of positive operating and total margins prior to FY02. See Mercy Fitzgerald above.
Mercy/Scranton / 6	-2.88%	0.98%	-5.73%	-4.12%	FY05 (CY04) operating revenue increased by 3.7% while operating expenses were held near the FY04 level resulting in a 6.7-point improvement in the FY05 total margin. The Hospital is part of the multi-state Catholic Health Partners that operates 28 GAC hospitals and numerous other facilities.
Mercy/Wilkes-Barre / 6	-3.10%	-1.28%	-3.04%	-5.17%	The Hospital was acquired by the Gesinger Health System in 12/05 (FY06).
Meyersdale Community / 3	-3.10%	1.30%	0.99%	-13.01%	FY04 was the first year the hospital posted a positive total margin since FY96. The Hospital is a controlled affiliate of the Connemaugh Health System.
Mid-Valley / 6	-12.07%	-13.02%	-10.42%	-12.74%	The Hospital has reported negative total margins since at least FY04 and has a negative net asset balance. The Hospital is an affiliate of the Moses Taylor Foundation.
Miners / 3	-1.16%	-0.74%	-0.40%	-2.38%	While the FY05 operating loss was relatively small, the change in additional pension liability contributed to a further deterioration of the negative net asset balance. The Medical Center is a jointly-controlled affiliate of the Connemaugh Health System.
Monsour / 1	-19.40%	-27.27%	-15.31%	-17.19%	The Medical Center announced it was closing in March 2006.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 11 (CONTINUED)

Hospitals 3-Year Average Total Margin *Remained Negative* during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			NOTES
		FY05	FY04	FY03	
Montrose General / 6	-2.23%	-0.61%	0.62%	-7.15%	The Hospital is part of the Endless Mountain Health Systems which posted a small positive FY05 (CY04) total margin after contributions posted to the Foundation are factored in.
Moses Taylor / 6	-2.11%	1.51%	-3.34%	-4.98%	A \$4.3 million gain on the disposal of fixed assets was the primary factor in the 4.9-point improvement in the FY05 total margin.
Palmerton / 7	-7.26%	-5.56%	-11.11%	-5.15%	Prior to FY03, the Hospital has a long history of positive total margins. Effective 7/04 (FY05), the Hospital affiliated with Gnaded Huetten Memorial Hospital to form Blue Mountain Health System.
Philipsburg Area / 4	-8.84%	-10.74%	-3.34%	-12.96%	While the Hospital was able to trim operating expenses by 12.8%, operating revenue fell 19.9% during FY05 resulting in a 7.4-point decline in the total margin.
Roxborough Memorial / 9	-6.79%	-7.72%	-2.46%	-12.88%	The Hospital was acquired by Tenet Healthcare in 12/02. The FY03 total margin reflects the last six months as a non-profit hospital. The FY04 (CY03) margin reflects the first full year as a Tenet facility.
St Joseph's/Philadelphia / 9	-3.02%	0.41%	-1.55%	-8.62%	During FY05, only 1.8% of the Hospital's patient revenue came from commercial health insurers, and 4.9% was provided by payors in the other third-party category. As a result, the Hospital had to rely on special state grants to help cover operating expenses.
St Luke's Miners / 7	-0.13%	1.32%	-0.52%	-1.39%	The Hospital is part of the St. Luke's Health Network that had a FY05 total margin of 3.87%.
St Luke's Quakertown / 8	-0.47%	1.48%	-2.48%	-0.82%	FY05 was the first year the Hospital reported a positive total margin since at least FY94. The Hospital is part of the St. Luke's Health Network. See St. Luke's Miners Hospital above.
Sunbury Community / 4	-7.43%	-14.41%	-3.52%	-4.76%	The Hospital was acquired by the for-profit Community Health Systems in 10/05 (FY06). The FY05 total margin fell 10.9 points because operating revenue declined 9.2% while operating expenses remained constant.
Temple Univ Children's / 9	-11.40%	-13.31%	-9.86%	-11.04%	The Hospital has incurred losses since its inception in FY98. The Hospital is sustained through transfers from the Temple University Health System (TUHS) Foundation and other TUHS affiliates.

Continued on next page.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 11 (CONTINUED)

Hospitals 3-Year Average Total Margin *Remained Negative* during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			NOTES
		FY05	FY04	FY03	
Titusville Area / 2	-0.63%	2.95%	-1.60%	-3.78%	The 9.1% increase in FY05 operating revenue outpaced the 3.9% increase in operating expenses resulting in a 4.6-point improvement in the total margin.
Tyrone / 3	-13.75%	-8.66%	-9.51%	-25.60%	To enhance its Medicare reimbursements, the Hospital reduced its staffed beds from 59 to 25 to qualify for Critical Access status. The large reduction in beds only reduced patient days by 15% while inpatient revenue increased 6.7%.
Univ PA/Presbyterian / 9	-2.06%	-0.60%	-1.39%	-5.33%	Beginning with FY04, the revenue and expenses associated with staff physicians providing care to hospital patients was included in the hospital's financial submission. This had the effect of lowering the FY04 total margin by 0.9 point and the FY05 total margin by 0.3 point.
UPMC Braddock / 1	-6.38%	-7.93%	-10.98%	0.01%	After six years of positive total margins between FY98 and FY03, a 14% increase in operating expenses during FY04 caused the total margin to plummet nearly 11 points. The 8.9% increase in FY05 operating revenue outpaced the 7.9% increase in expenses raising the FY05 total margin by 3 points.
UPMC Lee Regional / 3	-9.48%	-16.21%	-9.01%	-3.55%	Prior to FY02, the Hospital had a continuous history of positive total margins. The Hospital became part of the Connemaugh Health System in 8/05 (FY06).
UPMC McKeesport / 1	-1.87%	-0.94%	-4.15%	-0.52%	The 13% increase in operating expenses during FY04 was the primary factor in the 3.6-point decline in the FY04 total margin. The Hospital approached the break-even point in FY05 as the 15.5% increase in operating revenue overcame another 9.9% increase in operating expenses.
Warminster / 8	-7.84%	-14.49%	-6.21%	-3.28%	Contributing to the 8.3-point decline in the FY05 (CY04) total margin was a 22% decline in Medicare indemnity revenue. In contrast to the sharp decline in Medicare indemnity revenue, FY05 Medicare indemnity discharges remained close to the FY04 level and patient days declined by 8.4%.
Wills Eye / 9	-50.11%	-229.12%	2.83%	-50.08%	A \$23.8 million asset impairment expense was responsible for 96% of the Hospital's net loss in FY05.
WVHCS / 6	-1.49%	0.65%	-0.63%	-4.97%	FY05 was the first year the Hospital posted a positive total margin since FY98. Solvency is not an issue.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 12
Hospitals 3-Year Average Total Margin Was Negative and Became Positive during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			NOTES
		FY05	FY04	FY03	
Albert Einstein / 9	1.19%	4.02%	2.73%	-4.36%	With the exception of FY03, the Medical Center has a continuous history of positive total margins. The FY03 negative margin was the result of three extraordinary expenses: restructuring costs, professional liability adjustment and worker's compensation adjustment.
Altoona Regional / 3	3.48%	6.20%	2.55%	0.43%	The FY05 total margin includes eight months of operation of Bon Secours Hospital which merged into the Health System in 11/04.
Armstrong County Memorial / 1	0.25%	2.77%	0.72%	-3.04%	Between FY96 and FY05, the Hospital only posted negative total margins in two years, FY02 and FY03.
Bradford Regional / 2	0.47%	4.38%	-0.92%	-2.45%	FY05 is the first year since FY96 that the Hospital posted a positive operating margin. The FY05 operating margin improved 6.5 points to 3.96% because operating revenue improved 6.4% while operating expenses were held relatively constant.
Chester County / 8	3.10%	6.42%	2.71%	-0.75%	Between FY03 and FY05, the 28.4% growth in operating revenue outpaced the 19.7% increase in operating expenses resulting in a 7.2-point swing in the total margin.
Doylestown / 8	4.18%	5.88%	4.50%	1.74%	The Hospital only reported negative total margins in two of the last 11 years. The -13.28% total margin in FY02 put the Hospital on the 3-yr. Average Negative Margin List for FY02 - FY04. Nearly half (45%) of the FY02 net loss was due to investment impairment and investment losses.
Indiana Regional / 3	2.96%	9.59%	3.76%	-7.14%	With the exception of FY02 and FY03, the Medical Center has a continuous history of positive margins. Fifty-nine percent (59%) of the FY03 loss was due to investment losses.
Jefferson Regional / 1	1.77%	6.04%	2.64%	-4.50%	Although the Medical Center posted negative total margins every year between FY98 and FY03, the margins improved every year since FY01.

Continued on next page.

HOSPITALS WITH A NEGATIVE 3-YEAR AVERAGE TOTAL MARGIN

TABLE 12 (CONTINUED)

Hospitals 3-Year Average Total Margin Was Negative and Became Positive during FY05

Name / Region	3-yr Avg Total Margin FY03-FY05	Total Margin			NOTES
		FY05	FY04	FY03	
Montgomery / 8	1.24%	2.14%	0.86%	0.61%	The Medical Center has posted positive margins every year since FY94, except FY01 and FY02.
Pottstown Memorial / 8	0.27%	5.26%	2.73%	-8.16%	With the exception of FY00 and FY03, the Medical Center has a continuous history of positive total margins. The FY03 negative margin is largely the result of "acquisition costs" prior to the acquisition of the Medical Center by the for-profit Community Health Systems in 7/03 (FY04).
Washington / 1	1.30%	4.80%	2.28%	-3.83%	While the Hospital has fluctuated between positive and negative operating margins since FY98, it has a continuous history of positive total margins, except for FY03.

INDIVIDUAL HOSPITAL DATA

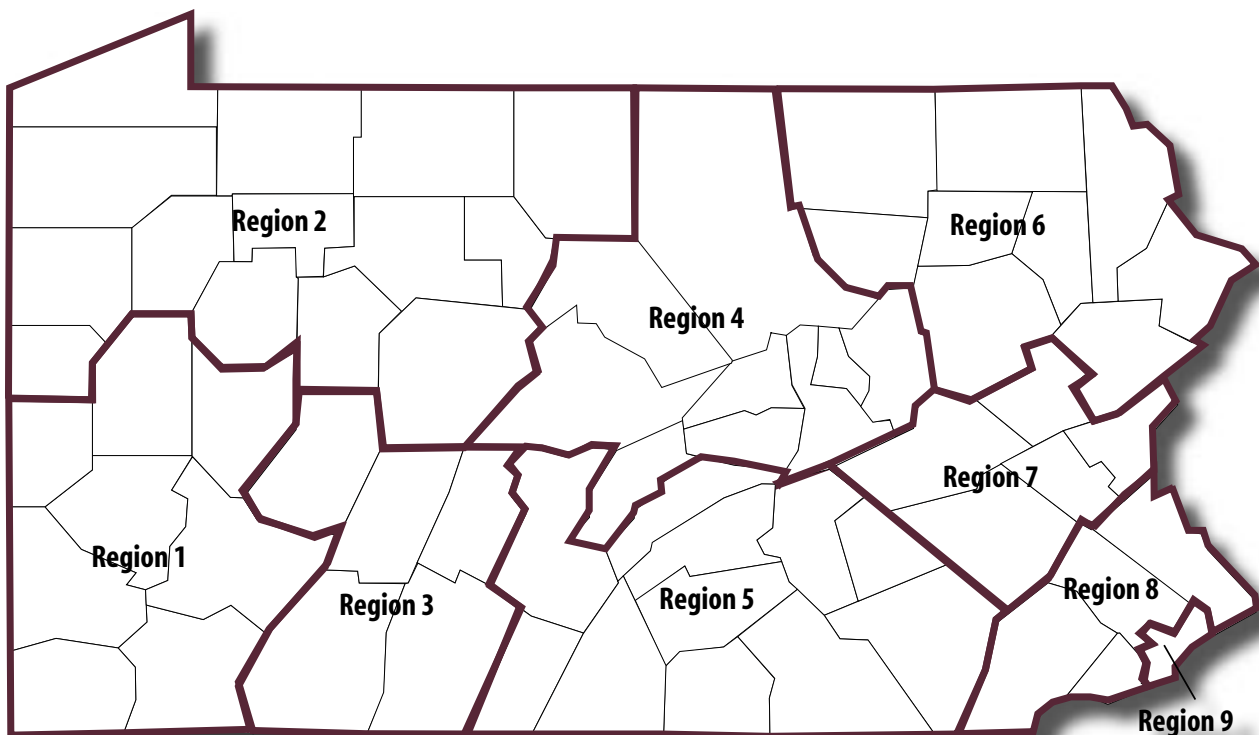
The tables on the following pages provide hospital-specific financial data for the 176 general acute care hospitals covered in this report. The hospitals have been arranged by PHC4's nine regions.

Included in these tables are the FY05 operating and total margins for each individual hospital. The corresponding operating income and total income expressed in dollars, as well as each hospital's total operating revenue, can be found on PHC4's Web site at www.phc4.org. (Note: Comparing net patient revenue to total operating expenses will not provide operating income or operating margin. Operating revenue from the PHC4 Web site must be used to compute operating income.)

Averages for all of the hospitals in the region are presented in the first row of each table. The

regional averages that are expressed as a percentage (e.g., "3-Year Average Change in NPR" and "Operating Margin") are calculated as if the entire region were a single reporting entity. For example, the regional average operating margins are calculated by adding the operating income and the operating revenue for all hospitals in the region. The regional total operating income is divided by the regional total operating revenue to yield a regional average operating margin.

In calculating the regional averages, estimated data was used for hospitals that reported less than a full year of data due to a change in the fiscal year, usually caused by a change in ownership. No estimated data was used for the individual hospital data.



INDIVIDUAL HOSPITAL DATA

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 1	\$161	\$143	\$133	\$126	7.09%	\$166	\$150	\$141	\$129	7.06%
Aliquippa Community ⁵	\$24	\$22	\$22	\$26	-3.00%	\$27	\$26	\$29	\$30	-2.91%
Allegheny General ^{5,8}	\$536	\$485	\$453	\$409	10.35%	\$545	\$496	\$495	\$451	6.96%
Alle-Kiski ^{5,7}	\$98	\$93	\$88	\$90	3.06%	\$93	\$88	\$89	\$92	0.64%
Armstrong County Memorial ^{5,13}	\$68	\$67	\$62	\$58	6.08%	\$69	\$68	\$66	\$60	5.13%
Brownsville General ^{1,2,5,11,13}	\$13	\$19	\$21	\$20	NA	\$13	\$21	\$23	\$21	NA
Butler Memorial ^{5,13}	\$140	\$130	\$118	\$104	11.58%	\$135	\$126	\$113	\$101	11.13%
Canonsburg General ⁵	\$44	\$44	\$37	\$37	6.38%	\$44	\$43	\$40	\$36	7.73%
Children's Hosp Pgh ⁷	\$273	\$244	\$212	\$198	12.64%	\$314	\$288	\$265	\$245	9.39%
Forbes Regional ^{5,11}	\$119	\$114	\$106	\$103	5.12%	\$116	\$111	\$110	\$110	1.75%
Frick ⁵	\$44	\$43	\$42	\$43	0.84%	\$46	\$45	\$47	\$45	0.82%
Greene County Memorial ^{5,11}	\$23	\$24	\$24	\$23	-0.32%	\$25	\$26	\$25	\$25	0.08%
Highlands ⁵	\$23	\$21	\$20	\$21	2.19%	\$24	\$24	\$22	\$21	4.30%
Jefferson Regional ^{5,6}	\$165	\$157	\$142	\$123	11.33%	\$173	\$171	\$156	\$138	8.45%
Latrobe Area ⁵	\$108	\$110	\$113	\$110	-0.51%	\$114	\$122	\$122	\$114	0.10%
Magee-Womens ¹³	\$210	\$190	\$179	\$153	12.35%	\$195	\$183	\$174	\$160	7.29%
Medical Center Beaver ⁵	\$175	\$167	\$157	\$151	5.25%	\$178	\$171	\$163	\$158	4.21%
Mercy Jeannette ^{1,3,5,7}	\$47	\$44	\$46	\$43	3.68%	\$50	\$45	\$50	\$50	-0.15%
Mercy Pittsburgh ^{1,5,8}	\$260	\$239	\$247	\$228	4.70%	\$286	\$271	\$252	\$227	8.54%
Monongahela Valley ^{5,13}	\$97	\$94	\$91	\$86	4.08%	\$98	\$95	\$92	\$87	4.23%
Monsour ^{5,11,13}	\$12	\$16	\$16	\$14	-4.42%	\$17	\$19	\$19	\$19	-3.59%
Ohio Valley General ^{5,13}	\$51	\$49	\$48	\$47	2.95%	\$52	\$51	\$52	\$49	1.83%
Sewickley Valley ^{5,7}	\$95	\$92	\$92	\$86	3.67%	\$107	\$105	\$103	\$97	3.73%
St Clair Memorial ⁵	\$152	\$143	\$128	\$121	8.48%	\$160	\$151	\$137	\$129	8.03%
Uniontown ⁵	\$94	\$88	\$77	\$78	6.77%	\$94	\$89	\$81	\$77	7.32%
UPMC Braddock ⁵	\$51	\$46	\$45	\$40	8.41%	\$56	\$53	\$47	\$41	11.99%
UPMC McKeesport ⁵	\$100	\$87	\$83	\$78	9.31%	\$105	\$96	\$85	\$81	10.29%
UPMC Passavant ^{5,7}	\$154	\$138	\$124	\$110	13.11%	\$145	\$136	\$118	\$115	8.80%
UPMC Passavant Cranberry ^{3,7,11}	\$30	\$21	\$11	NR	NR	\$24	\$19	\$11	NR	NR
UPMC Presby Shadyside ^{5,9}	\$1,414	\$1,285	\$1,213	\$920	17.91%	\$1,463	\$1,360	\$1,250	\$835	25.05%
UPMC South Side ⁵	\$60	\$57	\$51	\$43	13.18%	\$60	\$57	\$51	\$47	9.92%
UPMC St Margaret ⁵	\$172	\$152	\$129	\$112	17.59%	\$169	\$152	\$124	\$110	17.75%
Washington ⁵	\$172	\$161	\$153	\$154	3.79%	\$183	\$175	\$172	\$164	3.92%
Western Pennsylvania ⁵	\$313	\$294	\$268	\$246	9.08%	\$315	\$308	\$291	\$257	7.63%
Westmoreland Regional ⁵	\$150	\$139	\$124	\$123	7.39%	\$150	\$140	\$132	\$126	6.40%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 1	4.95%	6.08%	4.18%	1.72%	42.21%	10.31%
Aliquippa Community ⁵	0.52%	0.52%	-9.75%	1.94%	69.80%	14.93%
Allegheny General ^{5,8}	2.88%	2.88%	1.59%	1.58%	41.29%	10.92%
Alle-Kiski ^{5,7}	6.40%	6.40%	4.81%	1.18%	56.91%	6.34%
Armstrong County Memorial ^{5,13}	1.81%	2.77%	0.25%	1.89%	44.81%	7.65%
Brownsville General ^{1,2,5,11,13}	-5.86%	-4.62%	-5.10%	3.28%	57.35%	6.84%
Butler Memorial ^{5,13}	5.36%	6.87%	6.32%	1.67%	49.62%	8.65%
Canonsburg General ⁵	5.24%	5.24%	3.37%	1.64%	53.46%	3.59%
Children's Hosp Pgh ⁷	5.63%	7.88%	4.74%	1.08%	4.41%	32.00%
Forbes Regional ^{5,11}	4.67%	4.67%	3.14%	1.62%	51.60%	7.74%
Frick ⁵	-2.11%	-2.00%	-5.09%	2.30%	57.39%	6.97%
Greene County Memorial ^{5,11}	-7.44%	-8.26%	-5.99%	3.74%	54.42%	6.01%
Highlands ⁵	-4.19%	-1.80%	-5.70%	3.53%	46.63%	21.72%
Jefferson Regional ^{5,6}	2.66%	6.04%	1.77%	1.47%	62.02%	3.71%
Latrobe Area ⁵	1.73%	6.86%	1.14%	2.66%	50.25%	6.98%
Magee-Womens ¹³	11.74%	13.56%	9.56%	1.88%	7.37%	18.54%
Medical Center Beaver ⁵	1.69%	4.37%	2.56%	1.45%	49.54%	4.50%
Mercy Jeannette ^{1,3,5,7}	-4.63%	-4.35%	-4.54%	1.52%	54.48%	4.40%
Mercy Pittsburgh ^{1,5,8}	-1.04%	-1.04%	-1.63%	3.56%	45.64%	11.53%
Monongahela Valley ^{5,13}	0.08%	2.80%	2.61%	1.59%	63.16%	9.63%
Monsour ^{5,11,13}	-27.27%	-27.27%	-19.40%	6.49%	55.03%	31.20%
Ohio Valley General ^{5,13}	1.27%	9.12%	6.54%	2.47%	55.66%	4.74%
Sewickley Valley ^{5,7}	0.66%	2.87%	1.60%	1.85%	43.95%	5.06%
St Clair Memorial ⁵	2.21%	4.67%	3.77%	1.46%	46.59%	2.64%
Uniontown ⁵	2.06%	2.32%	0.85%	3.47%	52.14%	14.86%
UPMC Braddock ⁵	-7.93%	-7.93%	-6.38%	4.19%	50.34%	18.41%
UPMC McKeesport ⁵	-1.26%	-0.94%	-1.87%	2.40%	62.39%	10.11%
UPMC Passavant ^{5,7}	8.34%	9.38%	7.92%	0.74%	53.18%	1.04%
UPMC Passavant Cranberry ^{3,7,11}	18.51%	18.51%	11.44%	1.63%	24.32%	1.27%
UPMC Presby Shadyside ^{5,9}	9.31%	9.72%	8.96%	1.44%	36.30%	10.90%
UPMC South Side ⁵	3.97%	4.22%	3.11%	2.40%	49.55%	6.59%
UPMC St Margaret ⁵	4.22%	4.60%	4.66%	1.14%	51.09%	3.56%
Washington ⁵	1.63%	4.80%	1.30%	2.23%	46.54%	10.13%
Western Pennsylvania ⁵	7.64%	7.64%	4.16%	1.12%	45.61%	9.03%
Westmoreland Regional ⁵	2.37%	6.09%	3.15%	1.25%	51.90%	6.25%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 2	\$73	\$68	\$60	\$53	8.60%	\$72	\$68	\$61	\$55	6.89%
Bradford Regional ⁵	\$55	\$52	\$50	\$47	5.62%	\$55	\$55	\$52	\$51	3.07%
Brookville ⁵	\$24	\$24	\$24	\$23	1.99%	\$27	\$25	\$25	\$23	5.02%
Charles Cole Memorial ⁵	\$51	\$48	\$44	\$43	6.79%	\$54	\$50	\$52	\$49	3.28%
Clarion ⁵	\$40	\$39	\$37	\$36	3.44%	\$40	\$39	\$37	\$36	3.84%
Clearfield ¹³	\$56	\$53	\$47	\$48	5.80%	\$56	\$53	\$49	\$47	6.54%
Corry Memorial ^{5,13}	\$18	\$19	\$18	\$18	0.32%	\$20	\$20	\$18	\$17	6.60%
DuBois Regional ⁵	\$136	\$119	\$110	\$99	12.38%	\$131	\$116	\$108	\$100	10.40%
Elk Regional ^{5,13}	\$53	\$46	\$45	\$45	5.88%	\$52	\$49	\$48	\$45	5.22%
Ellwood City ⁵	\$28	\$27	\$26	\$27	1.15%	\$29	\$28	\$28	\$29	0.18%
Hamot	\$247	\$204	\$184	\$170	15.15%	\$232	\$202	\$188	\$172	11.75%
Jameson Memorial ^{5,9}	\$104	\$101	\$85	\$65	20.10%	\$106	\$103	\$89	\$69	17.82%
Kane Community	\$15	\$16	\$16	\$13	6.34%	\$16	\$18	\$16	\$13	7.64%
Meadville ⁵	\$82	\$81	\$77	\$71	5.10%	\$84	\$82	\$79	\$76	3.27%
Millcreek Community ⁵	\$28	\$30	\$26	\$26	2.71%	\$28	\$28	\$27	\$27	1.25%
Punxsutawney Area	\$27	\$26	\$24	\$23	5.29%	\$27	\$26	\$25	\$24	4.33%
Saint Vincent Health ^{5,6,7,13}	\$226	\$217	\$185	\$162	13.28%	\$218	\$208	\$181	\$167	10.17%
Sharon Regional ⁵	\$127	\$123	\$110	\$105	7.00%	\$130	\$127	\$119	\$115	4.30%
Titusville Area	\$30	\$27	\$25	\$26	5.30%	\$29	\$28	\$27	\$27	3.31%
United Community ^{5,11}	\$37	\$35	\$33	\$29	8.96%	\$36	\$34	\$31	\$29	7.30%
UPMC Horizon ⁵	\$101	\$96	\$94	\$87	5.49%	\$102	\$97	\$90	\$84	6.84%
UPMC Northwest ⁵	\$72	\$68	\$67	\$65	3.48%	\$71	\$66	\$63	\$64	4.05%
Warren General ⁵	\$51	\$45	\$41	\$37	12.76%	\$51	\$47	\$42	\$37	12.45%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 2	3.67%	4.90%	3.28%	2.04%	45.53%	9.04%
Bradford Regional ⁵	3.96%	4.38%	0.47%	1.14%	39.65%	18.17%
Brookville ⁵	-9.16%	-8.18%	-4.52%	2.59%	55.31%	4.96%
Charles Cole Memorial ⁵	-1.71%	0.54%	-1.18%	2.94%	37.21%	13.02%
Clarion ⁵	2.93%	4.73%	4.28%	2.23%	48.85%	5.83%
Clearfield ¹³	3.50%	3.50%	1.97%	1.73%	50.83%	5.74%
Corry Memorial ^{5,13}	-8.03%	-4.70%	-3.20%	3.34%	46.12%	12.81%
DuBois Regional ⁵	5.40%	6.52%	5.80%	1.76%	43.91%	8.16%
Elk Regional ^{5,13}	5.84%	6.94%	2.14%	2.38%	41.31%	15.11%
Ellwood City ⁵	-0.61%	4.70%	-1.22%	1.55%	55.83%	5.48%
Hamot	8.37%	8.37%	4.04%	1.60%	41.20%	7.39%
Jameson Memorial ^{5,9}	1.02%	1.71%	0.82%	1.81%	59.33%	7.34%
Kane Community	0.19%	0.19%	-1.75%	2.67%	50.34%	6.77%
Meadville ⁵	0.52%	2.75%	3.66%	2.06%	40.94%	14.71%
Millcreek Community ⁵	2.86%	9.12%	7.97%	4.99%	39.82%	20.85%
Punxsutawney Area	1.19%	2.63%	1.48%	3.49%	47.34%	9.78%
Saint Vincent Health ^{5,6,7,13}	5.61%	6.10%	5.13%	1.67%	43.59%	9.14%
Sharon Regional ⁵	3.87%	5.20%	3.44%	1.65%	48.25%	10.91%
Titusville Area	1.77%	2.95%	-0.63%	4.29%	55.83%	6.93%
United Community ^{5,11}	5.29%	7.95%	7.82%	1.82%	40.84%	2.45%
UPMC Horizon ⁵	2.38%	3.95%	3.90%	2.39%	46.42%	5.88%
UPMC Northwest ⁵	2.80%	5.60%	6.83%	2.54%	48.88%	7.64%
Warren General ⁵	0.42%	2.24%	1.83%	2.14%	43.71%	5.04%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 3	\$75	\$66	\$62	\$59	5.06%	\$76	\$69	\$65	\$62	4.48%
Altoona Regional ^{5,8}	\$250	\$184	\$167	\$146	23.84%	\$245	\$191	\$172	\$160	17.83%
Conemaugh Valley Memorial ⁵	\$242	\$216	\$217	\$214	4.40%	\$242	\$230	\$225	\$220	3.22%
Indiana Regional ⁵	\$90	\$81	\$73	\$68	11.00%	\$88	\$83	\$76	\$67	10.51%
Meyersdale Community ⁵	\$7	\$7	\$6	\$6	8.94%	\$8	\$7	\$7	\$6	6.92%
Miners	\$15	\$15	\$14	\$12	7.70%	\$16	\$15	\$15	\$14	4.22%
Nason	\$23	\$21	\$20	\$20	6.52%	\$23	\$21	\$21	\$19	7.21%
Somerset Center Health ⁵	\$52	\$48	\$45	\$43	7.16%	\$51	\$49	\$46	\$42	7.15%
Tyrone	\$12	\$11	\$9	\$10	7.28%	\$14	\$14	\$12	\$12	3.86%
UPMC Bedford	\$29	\$27	\$27	\$24	6.46%	\$29	\$27	\$25	\$23	8.21%
UPMC Lee Regional ^{5,11,13}	\$76	\$84	\$82	\$88	-4.42%	\$92	\$96	\$86	\$86	2.27%
Windber ⁵	\$25	\$24	\$23	\$21	6.69%	\$30	\$30	\$29	\$26	5.84%

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 4	\$76	\$68	\$60	\$55	12.95%	\$76	\$67	\$61	\$57	11.06%
Berwick ^{1,5,10,13}	\$54	\$40	\$34	\$32	23.70%	\$47	\$37	\$30	\$30	18.83%
Bloomsburg ⁵	\$31	\$26	\$28	\$28	3.73%	\$33	\$30	\$31	\$31	2.08%
Bucktail ⁵	\$5	\$5	\$4	\$4	9.42%	\$5	\$5	\$5	\$4	11.35%
Evangelical Community ^{5,13}	\$89	\$79	\$73	\$73	7.06%	\$94	\$80	\$74	\$73	9.96%
Geisinger/Danville ⁵	\$462	\$397	\$333	\$292	19.40%	\$449	\$380	\$340	\$313	14.56%
Jersey Shore ^{5,13}	\$19	\$19	\$17	\$17	4.53%	\$19	\$18	\$18	\$17	5.23%
Lewistown ⁵	\$74	\$66	\$58	\$53	13.66%	\$71	\$64	\$59	\$53	11.13%
Lock Haven ^{1,3,5,10}	\$30	\$28	\$25	\$23	10.75%	\$29	\$26	\$22	\$27	2.63%
Mount Nittany ⁵	\$110	\$95	\$81	\$74	16.02%	\$107	\$92	\$80	\$75	14.63%
Muncy Valley ⁵	\$26	\$28	\$26	\$22	6.24%	\$28	\$26	\$23	\$21	10.72%
Philipsburg Area ¹³	\$12	\$16	\$15	\$16	-7.94%	\$14	\$17	\$17	\$16	-3.74%
Shamokin Area Community ⁵	\$29	\$28	\$24	\$20	14.65%	\$28	\$26	\$22	\$19	15.47%
Soldiers & Sailors ^{5,13}	\$32	\$31	\$30	\$29	4.07%	\$34	\$32	\$32	\$30	3.86%
Sunbury Community ⁵	\$28	\$31	\$28	\$26	2.75%	\$35	\$35	\$32	\$32	2.79%
Williamsport ⁵	\$136	\$129	\$120	\$111	7.36%	\$152	\$142	\$133	\$120	8.86%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 3	2.15%	5.36%	2.31%	2.18%	46.69%	7.62%
Altoona Regional ^{5,8}	3.78%	6.20%	3.48%	1.83%	38.62%	8.71%
Conemaugh Valley Memorial ⁵	6.43%	11.34%	5.87%	2.20%	54.42%	7.89%
Indiana Regional ⁵	4.55%	9.59%	2.96%	2.63%	45.45%	7.03%
Meyersdale Community ⁵	0.13%	1.30%	-3.10%	5.31%	56.89%	3.59%
Miners	-0.84%	-0.74%	-1.16%	2.87%	43.77%	7.26%
Nason	2.64%	4.35%	1.25%	1.92%	42.32%	6.44%
Somerset Center Health ⁵	3.04%	4.62%	2.57%	2.39%	44.89%	9.80%
Tyrone	-11.40%	-8.66%	-13.75%	4.07%	47.58%	9.79%
UPMC Bedford	2.18%	3.86%	4.32%	2.13%	40.95%	6.26%
UPMC Lee Regional ^{5,11,13}	-17.81%	-16.21%	-9.48%	2.15%	50.55%	4.18%
Windber ⁵	1.65%	0.78%	-0.13%	1.70%	58.24%	5.13%

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 4	4.23%	4.67%	4.24%	2.21%	36.45%	5.70%
Berwick ^{1,5,10,13}	14.96%	8.38%	6.67%	1.24%	39.70%	4.81%
Bloomsburg ⁵	-2.86%	-1.25%	-6.24%	1.53%	39.92%	5.83%
Bucktail ⁵	0.64%	0.64%	-0.30%	3.60%	34.59%	35.08%
Evangelical Community ^{5,13}	2.41%	5.70%	5.77%	3.30%	34.65%	3.66%
Geisinger/Danville ⁵	6.65%	6.99%	6.13%	1.43%	31.88%	4.01%
Jersey Shore ^{5,13}	2.28%	2.33%	1.91%	2.29%	48.09%	2.79%
Lewistown ⁵	6.81%	7.55%	3.93%	2.56%	45.97%	6.76%
Lock Haven ^{1,3,5,10}	5.31%	3.11%	6.13%	2.45%	23.31%	15.73%
Mount Nittany ⁵	3.13%	3.97%	3.44%	2.05%	32.77%	3.40%
Muncy Valley ⁵	0.43%	1.47%	7.00%	2.58%	25.54%	30.07%
Philipsburg Area ¹³	-13.53%	-10.74%	-8.84%	4.28%	46.56%	6.23%
Shamokin Area Community ⁵	7.90%	8.62%	9.78%	2.35%	62.83%	1.33%
Soldiers & Sailors ^{5,13}	1.14%	1.81%	1.53%	3.75%	33.60%	10.61%
Sunbury Community ⁵	-16.37%	-14.41%	-7.43%	5.33%	51.57%	6.17%
Williamsport ⁵	1.29%	2.10%	2.95%	3.19%	43.16%	6.49%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 5	\$184	\$166	\$142	\$128	11.85%	\$177	\$161	\$140	\$130	9.68%
Carlisle Regional ^{1,3,5,7,10}	\$98	\$88	\$86	\$22	NA	\$78	\$67	\$74	\$21	NA
Chambersburg ⁵	\$173	\$156	\$144	\$127	12.10%	\$165	\$150	\$134	\$123	11.35%
Ephrata Community ⁵	\$122	\$113	\$96	\$78	18.71%	\$117	\$109	\$95	\$75	18.63%
Fulton County ⁵	\$21	\$20	\$18	\$17	6.34%	\$20	\$20	\$18	\$17	6.34%
Gettysburg ^{5,7}	\$76	\$67	\$57	\$53	14.94%	\$67	\$60	\$56	\$54	7.81%
Good Samaritan/Lebanon ⁵	\$111	\$106	\$96	\$95	5.78%	\$120	\$107	\$99	\$93	9.75%
Hanover ⁵	\$93	\$82	\$73	\$67	12.68%	\$91	\$81	\$75	\$69	10.69%
Heart of Lancaster ^{1,10}	\$34	\$37	\$39	\$46	-8.33%	\$38	\$35	\$37	\$40	-1.77%
Holy Spirit ⁵	\$193	\$178	\$152	\$129	16.68%	\$208	\$186	\$153	\$133	18.77%
J C Blair Memorial ^{5,13}	\$32	\$29	\$29	\$29	3.64%	\$34	\$35	\$35	\$32	2.35%
Lancaster General ⁵	\$542	\$478	\$417	\$341	19.66%	\$493	\$461	\$395	\$341	14.90%
Lancaster Regional ^{1,5,10}	\$111	\$109	\$95	\$88	8.36%	\$104	\$89	\$77	\$76	11.97%
Memorial York ¹³	\$75	\$62	\$57	\$54	13.55%	\$75	\$64	\$58	\$56	11.61%
Milton S Hershey ⁵	\$507	\$442	\$369	\$358	13.93%	\$490	\$431	\$383	\$377	10.02%
Pinnacle Health ⁵	\$443	\$409	\$396	\$365	7.08%	\$439	\$416	\$403	\$392	4.01%
Waynesboro	\$46	\$42	\$38	\$36	9.13%	\$44	\$40	\$38	\$35	8.26%
York ⁵	\$456	\$407	\$379	\$349	10.18%	\$426	\$394	\$370	\$342	8.18%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 5	7.00%	8.00%	6.46%	2.33%	35.35%	6.26%
Carlisle Regional ^{1,3,5,7,10}	19.99%	12.34%	12.20%	1.69%	35.39%	4.13%
Chambersburg ⁵	6.48%	9.55%	8.59%	3.29%	39.83%	3.70%
Ephrata Community ⁵	6.09%	6.48%	5.56%	2.04%	29.45%	3.40%
Fulton County ⁵	4.61%	4.61%	3.94%	6.68%	38.04%	12.72%
Gettysburg ^{5,7}	13.32%	15.87%	11.05%	3.83%	35.97%	4.72%
Good Samaritan/Lebanon ⁵	-3.52%	-2.71%	0.82%	3.49%	46.83%	5.50%
Hanover ⁵	2.52%	4.24%	2.49%	2.69%	36.32%	1.03%
Heart of Lancaster ^{1,10}	-12.70%	-7.81%	-0.04%	3.59%	19.80%	7.85%
Holy Spirit ⁵	-4.64%	-3.33%	-0.80%	1.65%	41.90%	2.53%
J C Blair Memorial ^{5,13}	-2.74%	-0.16%	-4.53%	2.56%	40.95%	9.58%
Lancaster General ⁵	13.00%	13.38%	10.92%	1.70%	31.41%	5.96%
Lancaster Regional ^{1,5,10}	6.78%	3.36%	8.09%	1.70%	40.91%	5.03%
Memorial York ¹³	3.30%	4.46%	2.38%	3.38%	35.61%	5.65%
Milton S Hershey ⁵	8.78%	9.03%	6.77%	1.29%	28.50%	10.37%
Pinnacle Health ⁵	4.11%	6.83%	4.28%	2.19%	40.76%	7.04%
Waynesboro	5.11%	7.37%	6.66%	3.88%	34.21%	3.33%
York ⁵	8.70%	10.93%	8.13%	3.40%	35.79%	6.61%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 6	\$74	\$69	\$65	\$62	6.63%	\$77	\$72	\$69	\$65	5.67%
Barnes Kasson County ^{1,5,13}	\$16	\$13	\$15	\$15	2.61%	\$19	\$15	\$17	\$16	5.72%
Community/Scranton ⁵	\$142	\$129	\$126	\$126	4.35%	\$150	\$140	\$133	\$134	4.09%
Geisinger Wyoming Valley ⁵	\$114	\$100	\$93	\$74	17.70%	\$114	\$101	\$91	\$77	15.94%
Hazleton General ^{1,5,6}	\$49	\$44	\$42	\$38	9.48%	\$49	\$47	\$43	\$40	7.32%
Hazleton St Joseph ^{1,6,11}	\$33	\$34	\$38	\$39	-4.45%	\$37	\$38	\$41	\$39	-1.40%
Marian Community ^{1,5,13}	\$34	\$33	\$33	\$30	4.93%	\$36	\$34	\$34	\$32	4.05%
Memorial/Towanda ⁵	\$35	\$31	\$29	\$28	8.61%	\$32	\$29	\$29	\$27	7.02%
Mercy/Scranton ^{1,5}	\$122	\$117	\$116	\$110	3.58%	\$125	\$125	\$123	\$117	2.18%
Mercy/Wilkes-Barre ^{1,5,11}	\$81	\$75	\$73	\$75	2.69%	\$83	\$77	\$78	\$77	2.66%
Mid-Valley	\$10	\$10	\$10	\$9	2.23%	\$12	\$11	\$12	\$11	2.79%
Montrose General ^{1,13}	\$10	\$9	\$8	\$8	5.68%	\$10	\$9	\$9	\$8	6.76%
Moses Taylor ⁵	\$105	\$100	\$94	\$90	5.60%	\$112	\$108	\$103	\$96	5.49%
Pocono ⁵	\$145	\$134	\$116	\$102	13.84%	\$142	\$132	\$116	\$101	13.60%
Robert Packer ⁵	\$170	\$156	\$139	\$137	7.95%	\$163	\$158	\$149	\$145	4.09%
Troy Community	\$10	\$9	\$8	\$7	12.89%	\$10	\$9	\$9	\$8	7.71%
Tyler Memorial	\$26	\$24	\$21	\$21	7.84%	\$27	\$23	\$22	\$21	9.66%
Wayne Memorial ¹³	\$50	\$48	\$45	\$41	7.27%	\$53	\$53	\$49	\$46	4.80%
VVHCS ⁵	\$185	\$169	\$158	\$165	4.20%	\$205	\$189	\$182	\$183	3.96%

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 7	\$175	\$161	\$142	\$126	13.08%	\$172	\$160	\$143	\$125	12.47%
Ashland Regional ^{1,3,5,10,13}	\$18	\$15	\$14	\$6	NA	\$19	\$18	\$17	\$6	NA
Easton ^{1,3,5,10}	\$180	\$174	\$145	\$31	NA	\$158	\$159	\$141	\$29	NA
Gnaden Huetten Memorial ^{5,13}	\$48	\$47	\$44	\$42	4.76%	\$49	\$48	\$44	\$40	7.89%
Good Samaritan Regional ⁵	\$62	\$60	\$55	\$52	6.47%	\$67	\$63	\$56	\$52	9.69%
Lehigh Valley ^{5,13}	\$606	\$532	\$461	\$396	17.72%	\$584	\$536	\$476	\$407	14.47%
Lehigh Valley/Muhlenberg	\$129	\$105	\$79	\$63	34.68%	\$121	\$105	\$87	\$70	24.37%
Palmerton ¹³	\$24	\$25	\$26	\$26	-1.95%	\$28	\$30	\$30	\$27	1.86%
Pottsville Warne Clinic ⁵	\$66	\$65	\$61	\$56	6.21%	\$69	\$66	\$64	\$59	5.99%
Reading ^{5,7}	\$450	\$416	\$368	\$332	11.91%	\$436	\$404	\$361	\$318	12.42%
Sacred Heart/Allentown ⁵	\$104	\$104	\$99	\$97	2.40%	\$108	\$106	\$102	\$98	3.59%
St Joseph/Reading ⁵	\$152	\$146	\$140	\$125	7.28%	\$147	\$144	\$132	\$116	8.88%
St Luke's Miners ⁵	\$35	\$31	\$30	\$28	7.59%	\$34	\$32	\$31	\$28	7.78%
St Luke's/Bethlehem ⁵	\$405	\$370	\$318	\$282	14.65%	\$416	\$367	\$316	\$281	16.04%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 6	1.39%	3.00%	0.89%	2.20%	45.48%	7.05%
Barnes Kasson County ^{1,5,13}	-7.05%	-3.72%	-4.72%	2.79%	50.94%	21.88%
Community/Scranton ⁵	-0.41%	0.52%	-1.44%	2.18%	39.33%	9.66%
Geisinger Wyoming Valley ⁵	3.06%	3.47%	3.49%	1.23%	42.38%	3.66%
Hazleton General ^{1,5,6}	-3.95%	-5.95%	-5.49%	1.92%	56.34%	9.49%
Hazleton St Joseph ^{1,6,11}	-2.89%	-7.77%	-6.56%	2.05%	47.29%	4.29%
Marian Community ^{1,5,13}	-0.75%	-0.56%	-0.65%	2.00%	53.59%	7.23%
Memorial/Towanda ⁵	8.97%	6.35%	6.28%	3.40%	29.89%	12.80%
Mercy/Scranton ^{1,5}	0.80%	0.98%	-2.88%	2.57%	48.10%	7.62%
Mercy/Wilkes-Barre ^{1,5,11}	-1.26%	-1.28%	-3.10%	2.49%	47.40%	8.66%
Mid-Valley	-13.08%	-13.02%	-12.07%	2.45%	55.22%	3.10%
Montrose General ^{1,13}	-0.71%	-0.61%	-2.23%	2.17%	50.07%	5.30%
Moses Taylor ⁵	-2.36%	1.51%	-2.11%	1.76%	48.15%	7.53%
Pocono ⁵	3.28%	4.64%	4.47%	3.39%	41.46%	6.69%
Robert Packer ⁵	8.74%	14.53%	9.42%	2.02%	45.35%	4.89%
Troy Community	3.27%	3.71%	2.66%	2.75%	45.42%	9.71%
Tyler Memorial	-0.20%	-0.11%	-0.44%	2.39%	36.12%	5.94%
Wayne Memorial ¹³	7.54%	9.71%	6.73%	2.39%	45.83%	4.69%
WVHCS ⁵	-1.56%	0.65%	-1.49%	1.69%	49.59%	6.56%

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 7	6.33%	6.27%	4.78%	2.47%	39.41%	8.61%
Ashland Regional ^{1,3,5,10,13}	-8.91%	-5.43%	-11.85%	2.72%	44.90%	35.90%
Easton ^{1,3,5,10}	12.86%	6.14%	4.27%	1.02%	40.59%	3.00%
Gnaden Huetten Memorial ^{5,13}	-1.52%	-0.38%	0.58%	2.58%	49.48%	14.73%
Good Samaritan Regional ⁵	-5.71%	-1.91%	-0.83%	2.27%	54.62%	2.37%
Lehigh Valley ^{5,13}	10.08%	10.05%	6.37%	2.34%	34.66%	10.00%
Lehigh Valley/Muhlenberg	10.32%	10.26%	8.14%	2.26%	38.15%	3.32%
Palmerton ¹³	-7.77%	-5.56%	-7.26%	2.29%	49.85%	6.40%
Pottsville Warne Clinic ⁵	0.07%	0.07%	0.68%	2.68%	47.15%	9.53%
Reading ^{5,7}	6.32%	6.41%	6.00%	2.69%	34.56%	5.92%
Sacred Heart/Allentown ⁵	2.00%	2.00%	1.69%	2.43%	49.86%	9.58%
St Joseph/Reading ⁵	4.28%	5.51%	5.62%	3.54%	38.78%	14.97%
St Luke's Miners ⁵	1.43%	1.32%	-0.13%	3.14%	59.11%	12.00%
St Luke's/Bethlehem ⁵	4.08%	5.24%	4.94%	2.66%	41.98%	9.76%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 8	\$150	\$135	\$131	\$113	9.13%	\$151	\$138	\$136	\$120	7.16%
Abington Memorial	\$439	\$416	\$390	\$348	8.77%	\$451	\$423	\$425	\$391	5.14%
Barix Clinics of PA ^{1,10,13}	\$10	\$11	NA	NA	NA	\$14	\$13	NA	NA	NA
Brandywine ^{1,3,5,10}	\$106	\$105	\$79	\$44	NA	\$99	\$95	\$82	\$44	NA
Central Montgomery ^{1,3,5,10}	\$57	\$58	\$56	\$27	NA	\$62	\$62	\$58	\$30	NA
Chester County	\$150	\$125	\$116	\$102	15.78%	\$147	\$130	\$123	\$115	9.30%
Crozer-Chester ⁵	\$495	\$470	\$465	\$431	4.90%	\$503	\$479	\$477	\$433	5.45%
Delaware County Memorial ⁵	\$152	\$141	\$142	\$131	5.13%	\$153	\$141	\$141	\$130	5.74%
Doylestown ⁵	\$172	\$157	\$142	\$133	9.77%	\$167	\$158	\$143	\$146	4.88%
Grand View ⁵	\$125	\$112	\$104	\$96	9.96%	\$124	\$112	\$106	\$98	8.84%
Holy Redeemer ^{5,7}	\$142	\$137	\$148	\$135	1.78%	\$155	\$153	\$149	\$137	4.52%
Jennersville Regional ^{1,3,10,13}	\$44	\$39	\$35	\$7	NA	\$41	\$41	\$34	\$7	NA
Main Line Bryn Mawr ⁵	\$200	\$185	\$173	\$152	10.52%	\$199	\$197	\$180	\$158	8.77%
Main Line Lankenau ⁵	\$287	\$266	\$229	\$199	14.56%	\$296	\$276	\$235	\$212	13.12%
Main Line Paoli	\$142	\$123	\$100	\$80	26.12%	\$125	\$115	\$96	\$78	20.19%
Mercy Fitzgerald ^{1,5}	\$152	\$144	\$138	\$121	8.40%	\$166	\$160	\$159	\$146	4.54%
Mercy Suburban ^{1,5}	\$90	\$81	\$67	\$59	16.91%	\$88	\$81	\$68	\$62	13.62%
Montgomery ^{5,6}	\$93	\$84	\$85	\$75	7.91%	\$96	\$87	\$88	\$83	4.96%
Phoenixville ^{1,7,10}	\$108	\$96	\$87	\$82	10.54%	\$104	\$97	\$88	\$78	11.02%
Pottstown Memorial ^{1,5,10,13}	\$121	\$115	\$102	\$92	10.70%	\$111	\$109	\$114	\$92	7.14%
Riddle Memorial ⁵	\$110	\$102	\$94	\$83	10.85%	\$114	\$108	\$98	\$90	8.59%
St Luke's Quakertown ⁵	\$35	\$30	\$26	\$23	17.53%	\$36	\$31	\$27	\$24	15.32%
St Mary ^{1,3,5,13}	\$222	\$195	\$172	\$71	NA	\$208	\$185	\$160	\$68	NA
Temple Lower Bucks ⁵	\$107	\$104	\$92	\$80	10.88%	\$109	\$106	\$96	\$84	9.48%
Warminster ^{1,5,10,13}	\$50	\$54	\$53	\$49	0.49%	\$62	\$60	\$57	\$50	7.82%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 8	2.65%	3.11%	2.17%	1.56%	41.06%	6.47%
Abington Memorial	0.98%	1.90%	2.62%	1.42%	46.27%	3.40%
Barix Clinics of PA ^{1,10,13}	-45.42%	-45.64%	NA	15.71%	0.00%	0.00%
Brandywine ^{1,3,5,10}	8.68%	5.08%	4.43%	1.20%	27.89%	3.39%
Central Montgomery ^{1,3,5,10}	-8.03%	-5.04%	-2.94%	1.38%	46.69%	2.86%
Chester County	6.08%	6.42%	3.10%	1.87%	34.35%	5.83%
Crozer-Chester ⁵	0.86%	1.06%	0.86%	2.38%	33.98%	15.72%
Delaware County Memorial ⁵	0.60%	1.32%	1.94%	1.90%	40.61%	10.21%
Doylestown ⁵	5.22%	5.88%	4.18%	1.15%	42.67%	1.36%
Grand View ⁵	3.69%	5.40%	6.01%	2.03%	43.21%	2.50%
Holy Redeemer ^{5,7}	-4.85%	-3.43%	-1.37%	0.44%	50.12%	2.50%
Jennersville Regional ^{1,3,10,13}	5.70%	3.31%	1.58%	1.70%	32.79%	9.78%
Main Line Bryn Mawr ⁵	4.87%	5.34%	2.60%	0.59%	42.26%	3.50%
Main Line Lankenau ⁵	4.49%	5.51%	4.45%	1.10%	45.74%	6.91%
Main Line Paoli	15.44%	16.56%	13.98%	0.67%	34.85%	1.74%
Mercy Fitzgerald ^{1,5}	-3.83%	-3.83%	-6.67%	2.33%	49.33%	15.46%
Mercy Suburban ^{1,5}	3.62%	3.62%	2.19%	2.25%	41.70%	10.10%
Montgomery ^{5,6}	-0.49%	2.14%	1.24%	2.21%	47.40%	5.39%
Phoenixville ^{1,7,10}	5.70%	3.29%	2.35%	1.40%	39.45%	2.33%
Pottstown Memorial ^{1,5,10,13}	9.09%	5.26%	0.27%	0.99%	37.58%	3.69%
Riddle Memorial ⁵	1.19%	1.98%	2.91%	1.03%	36.96%	3.06%
St Luke's Quakertown ⁵	1.01%	1.48%	-0.47%	2.93%	37.05%	4.80%
St Mary ^{1,3,5,13}	8.03%	8.28%	8.04%	1.13%	44.93%	2.66%
Temple Lower Bucks ⁵	0.75%	1.39%	1.87%	2.01%	40.07%	9.48%
Warminster ^{1,5,10,13}	-23.38%	-14.49%	-7.84%	1.64%	43.58%	5.89%

* See footnotes on pages 42 and 43.

INDIVIDUAL HOSPITAL DATA

Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY02-FY05
	FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
Region 9	\$296	\$257	\$232	\$209	9.95%	\$315	\$278	\$239	\$218	10.97%
Albert Einstein ^{5,7,9}	\$454	\$406	\$344	\$322	13.67%	\$466	\$425	\$365	\$352	10.71%
Chestnut Hill ^{1,2,5,13}	\$61	\$91	\$86	\$83	NA	\$62	\$115	\$93	\$88	NA
Children's Hosp Phila ⁷	\$743	\$647	\$580	\$501	16.13%	\$837	\$758	\$661	\$578	14.94%
Frankford ⁵	\$348	\$316	\$296	\$278	8.38%	\$340	\$314	\$298	\$284	6.49%
Graduate ^{1,10,13}	\$121	\$118	\$145	\$142	-4.90%	\$142	\$197	\$144	\$134	1.98%
Hahnemann University ^{1,5,8,10,13}	\$375	\$361	\$397	\$356	1.80%	\$422	\$423	\$353	\$328	9.53%
Hospital Fox Chase Cancer	\$146	\$127	\$113	\$99	15.68%	\$138	\$120	\$108	\$95	14.77%
Hospital University PA ⁵	\$1,212	\$1,103	\$812	\$753	20.33%	\$1,269	\$1,152	\$790	\$736	24.15%
Jeanes ⁵	\$114	\$112	\$100	\$81	13.55%	\$117	\$112	\$100	\$87	11.72%
Medical College PA ^{1,2,8,10,11}	NA	\$155	\$183	\$169	NA	\$159	\$199	\$259	\$186	NA
Mercy Philadelphia ^{1,5}	\$116	\$112	\$97	\$81	14.31%	\$124	\$121	\$107	\$91	12.28%
Nazareth ^{1,3,5,6}	\$118	\$107	\$99	\$41	NA	\$116	\$105	\$98	\$41	NA
Pennsylvania ⁵	\$322	\$306	\$257	\$257	8.53%	\$331	\$314	\$266	\$266	8.27%
Roxborough Memorial ^{1,3,5,10,13}	\$54	\$44	\$22	\$44	7.64%	\$64	\$47	\$26	\$53	7.15%
St Christopher's Children ^{1,10,13}	\$153	\$160	\$142	\$123	8.06%	\$146	\$138	\$123	\$112	9.81%
St Joseph's/Philadelphia ¹³	\$57	\$54	\$49	\$49	5.80%	\$58	\$55	\$54	\$52	3.42%
Temple East	\$98	\$99	\$85	\$78	8.64%	\$100	\$97	\$82	\$78	9.40%
Temple Univ Children's ¹⁴	\$49	\$50	\$42	\$30	20.47%	\$58	\$59	\$51	\$64	-2.79%
Temple University ⁵	\$619	\$578	\$575	\$456	11.87%	\$610	\$568	\$507	\$432	13.73%
Thomas Jefferson Univ ^{5,13}	\$902	\$812	\$753	\$696	9.83%	\$918	\$840	\$782	\$722	9.06%
Univ PA/Presbyterian ^{5,14}	\$350	\$300	\$224	\$200	25.08%	\$379	\$332	\$249	\$230	21.50%
Wills Eye	\$19	\$20	\$19	\$28	-10.70%	\$36	\$36	\$40	\$49	-9.05%

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. FY05 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 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 FY05 reporting period.
9. Acquired or merged with another licensed hospital during the FY03 or FY04 reporting periods.

INDIVIDUAL HOSPITAL DATA

Hospital	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Percent of Uncompensated Care FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Region 9	0.87%	2.20%	2.27%	2.42%	30.95%	18.81%
Albert Einstein ^{5,7,9}	2.64%	4.02%	1.19%	3.52%	45.28%	25.82%
Chestnut Hill ^{1,2,5,13}	1.59%	2.01%	-9.27%	2.73%	45.23%	8.17%
Children's Hosp Phila ⁷	6.13%	6.53%	5.33%	2.60%	2.91%	27.25%
Frankford ⁵	5.92%	6.73%	5.23%	2.21%	40.32%	14.08%
Graduate ^{1,10,13}	-13.93%	-8.64%	-13.75%	1.41%	51.07%	11.11%
Hahnemann University ^{1,5,8,10,13}	-7.64%	-4.73%	-1.07%	2.10%	37.68%	15.61%
Hospital Fox Chase Cancer	5.69%	7.37%	6.85%	2.06%	30.35%	0.52%
Hospital University PA ⁵	5.90%	7.31%	6.76%	2.66%	25.73%	9.26%
Jeanes ⁵	0.91%	-0.85%	3.22%	0.55%	48.66%	7.70%
Medical College PA ^{1,2,8,10,11}	-248.16%	-176.73%	-34.50%	NA	NA	NA
Mercy Philadelphia ^{1,5}	-2.05%	-2.05%	-3.16%	3.92%	44.18%	32.98%
Nazareth ^{1,3,5,6}	3.03%	2.90%	2.91%	1.97%	58.44%	6.96%
Pennsylvania ⁵	3.03%	3.46%	5.60%	1.59%	31.30%	11.38%
Roxborough Memorial ^{1,3,5,10,13}	-12.47%	-7.72%	-6.79%	3.04%	63.32%	5.67%
St Christopher's Children ^{1,10,13}	8.47%	5.25%	8.40%	0.78%	6.49%	41.29%
St Joseph's/Philadelphia ¹³	-0.40%	0.41%	-3.02%	12.29%	41.03%	52.12%
Temple East	0.57%	0.72%	3.50%	2.84%	42.69%	32.62%
Temple Univ Children's ¹⁴	-13.39%	-13.31%	-11.40%	1.97%	2.27%	55.12%
Temple University ⁵	3.77%	5.41%	8.88%	2.03%	28.88%	36.13%
Thomas Jefferson Univ ^{5,13}	3.10%	3.45%	2.98%	1.97%	34.68%	13.79%
Univ PA/Presbyterian ^{5,14}	-0.95%	-0.60%	-2.06%	2.27%	42.92%	15.81%
Wills Eye	-25.51%	-229.12%	-50.11%	8.76%	41.02%	3.30%

- 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 FY05 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

NOTE: Utilization and financial data include subunits of a hospital such as skilled nursing, long-term care, rehabilitation and psychiatric. Utilization data excludes routine newborn care; the mother and routine newborn are presented as a single patient.

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 care system plans. Commercial insurers do not include government-funded programs such as Medicare or Medical Assistance sponsored managed care.

Discharges: The total inpatient discharges that occurred during the fiscal year.

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 payors for care provided during a prior fiscal year.

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 hospital.

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

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

Percent of Uncompensated Care: This is the ratio of uncompensated care (charity care and bad debt) to the total care provided by the hospital. Charity care is the care a hospital provides without charge because the patient is unable to compensate the hospital through third-party coverage or the patient's own resources. Bad debt represents the foregone revenue for care in which the hospital initially anticipated pay-

ment, extended credit to the patient, but was later determined 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.

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

Three-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the hospital's NPR or TOE that occurred from the end of FY02 through FY05.

$$(((\text{NPR}_{05} - \text{NPR}_{02}) / \text{NPR}_{02}) / 3) \text{ or } (((\text{TOE}_{05} - \text{TOE}_{02}) / \text{TOE}_{02}) / 3)$$

Three-year Average Total Margin: The average total margin realized by the hospital during FY03 through FY05.

$$(\sum \text{revenue over expenses}_{05,04,03} / \sum \text{total revenue}_{05,04,03})$$

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

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

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 and are reflected on the hospital's balance sheet as assets. However, the cost to finance equipment (interest) as well as the depreciation, operation and maintenance costs of capital equipment are operating expenses.

Total Operating Revenue (TOR): All revenues allocated by the hospital 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 hospitals 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.

Non-Compliant Hospitals - Late Submissions

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

Armstrong County Memorial
 Ashland Regional
 Barix Clinics of PA
 Barnes Kasson County
 Berwick
 Brownsville General
 Butler Memorial
 Chestnut Hill
 Clearfield
 Corry Memorial
 Elk Regional
 Evangelical Community
 Gnaden Huetten Memorial
 Graduate
 Hahnemann University
 J C Blair Memorial
 Jennersville Regional
 Jersey Shore
 Lehigh Valley
 Magee-Womens
 Marian Community
 Memorial York
 Monongahela Valley
 Monsour
 Montrose General
 Ohio Valley General
 Palmerton
 Philipsburg Area
 Pottstown Memorial
 Roxborough Memorial
 Saint Vincent Health
 Soldiers & Sailors
 St Christopher's Children
 St Joseph's/Philadelphia
 St Mary
 Temple Univ Children's
 Thomas Jefferson Univ
 Univ PA/Presbyterian
 UPMC Lee Regional
 Warminster
 Wayne Memorial

Hospitals with Fiscal Year-End other than 6/30/05

Ashland Regional 12/31/2004
 Barix Clinics of PA 12/31/2004
 Barnes Kasson County 9/30/2004
 Berwick..... 12/31/2004
 Brandywine 12/31/2004
 Brownsville General..... 2/28/2005
 Carlisle Regional 9/30/2004
 Central Montgomery 12/31/2004
 Chestnut Hill..... 2/28/2005
 Easton..... 12/31/2004
 Graduate..... 12/31/2004
 Hahnemann University 12/31/2004
 Hazleton General..... 12/31/2004
 Hazleton St Joseph 12/31/2004
 Heart of Lancaster..... 9/30/2004
 Jennersville Regional 12/31/2004
 Lancaster Regional..... 9/30/2004
 Lock Haven 12/31/2004
 Marian Community..... 12/31/2004
 Medical College PA 8/31/2004
 Mercy Fitzgerald 12/31/2004
 Mercy Jeannette 12/31/2004
 Mercy Philadelphia 12/31/2004
 Mercy Pittsburgh..... 12/31/2004
 Mercy/Scranton 12/31/2004
 Mercy Suburban 12/31/2004
 Mercy/Wilkes-Barre 12/31/2004
 Montrose General 12/31/2004
 Nazareth 12/31/2004
 Phoenixville..... 12/31/2004
 Pottstown Memorial..... 12/31/2004
 Roxborough Memorial 12/31/2004
 St Christopher's Children 12/31/2004
 St Mary 12/31/2004
 Warminster 12/31/2004

PENNSYLVANIA HEALTH CARE
COST CONTAINMENT COUNCIL

Marc P. Volavka, Executive Director
225 Market Street, Suite 400
Harrisburg, PA 17101
Phone: 717-232-6787
Fax: 717-232-3821
www.phc4.org

FOR MORE INFORMATION

Additional financial and utilization data for Fiscal Year 2005 and prior years may be purchased. For more information, contact PHC4's Data Requests Unit. The information contained in this report and other PHC4 publications are available on our Web site www.phc4.org.