

FINANCIAL ANALYSIS 2005



AN ANNUAL REPORT
ON THE FINANCIAL HEALTH OF PENNSYLVANIA'S NON-GAC FACILITIES

VOLUME TWO
AMBULATORY SURGERY CENTER CARE
REHABILITATION CARE
PSYCHIATRIC CARE
LONG-TERM ACUTE CARE
SPECIALTY CARE



PENNSYLVANIA HEALTH CARE COST CONTAINMENT COUNCIL
OCTOBER 2006

FOREWORD

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

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

This is the second volume of a two-volume set. Volume One, released in April 2006, focused on the financial health of Pennsylvania's Gen-

eral Acute Care (GAC) hospitals. This report, Volume Two, addresses Pennsylvania's non-general acute care (non-GAC) hospitals (rehabilitation, psychiatric, long-term acute and specialty), as well as ambulatory surgery centers.

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

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Reporting Period Advanced to Provide More Timely Data

PHC4 initiated an aggressive data collection and review process in order to include more timely calendar year 2005 (CY05) data in this report.

The majority of facilities presented in this report operate on a calendar year. With the cooperation of the hospitals and surgery centers that operate on a calendar year, PHC4 was able to capture and review CY05 data in a relatively short time period after it became available. Consequently, for all the non-GAC facilities included in this report, the fiscal year 2005 (FY05) data now reflects the reporting year that ended during 2005. For those facilities that do not utilize a calendar year, the reporting year typically ends on June 30.

If the collection process had not been advanced for the calendar-year facilities, the most recent reporting year for these facilities would have ended a full year earlier on December 31, 2004.

In order to present accurate and consistent trends, the historical data presented in this report was adjusted to be compatible with the new time frames for the FY05 data. Where appropriate, annual data for individual facilities that operated on a calendar year was rolled back one year. For example, CY01 data for a facility is now part of the FY01 statewide data presented in this report. In prior editions of this report, CY01 data would have been included in the FY02 statewide data.

As a result of the rollback process, historical data presented in this report will not match the data presented in prior editions of this report.

INTRODUCTION

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

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

The individual facility data presented in each section is collected based on the individual licenses issued by the Pennsylvania Department of Health or the Pennsylvania Department of Public Welfare. If a health system operates multiple facilities under a single license, the entire health system will be reported as a single entity. Table 1 lists the number of licensed facilities in each category that operated for more than six months and were required to submit data to PHC4 for the FY05 reporting year.

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

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

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

TABLE 1
Number of Facilities, FY05
by Facility Type

Facility Type	Number of Facilities
General Acute Care Hospitals	176
Rehabilitation Hospitals	21
Psychiatric Hospitals	17
State Psychiatric Hospitals	9
Long-Term Acute Care Hospitals	24
Specialty Hospitals	6
Ambulatory Surgery Centers	177
Total	430

OVERVIEW

TABLE O-1
Net Inpatient Revenue, Beds, Days, and Discharges, FY05
by Facility Type

Facility Type	Staffed Beds	Patient Days	Discharges	Net Inpatient Revenue (thousands)	Average Inpatient Revenue per Day	Average Inpatient Revenue per Discharge
General Acute Care Hospitals	37,203	9,645,493	1,824,466	\$16,237,982	\$1,683	\$8,900
Rehabilitation Hospitals	1,815	449,046	29,611	\$436,182	\$971	\$14,730
Psychiatric Hospitals*	1,970	558,054	41,587	\$265,945	\$477	\$6,395
Long-Term Acute Care Hospitals	1,180	296,194	10,050	\$370,757	\$1,252	\$36,891
Specialty Hospitals	569	158,756	10,042	\$49,759	\$313	\$4,955
Total	42,737	11,113,506	1,915,841	\$17,360,625	\$1,562	\$9,062

* Excludes state psychiatric hospitals
NA - Not applicable

General Acute Care (GAC) hospitals (including GAC subunits) clearly are the predominate providers of hospital-based health care in Pennsylvania. The 176 GAC hospitals received 93.3% of statewide net patient revenue and treated 95.2% of patients receiving inpatient care (discharges) during FY05. Similarly, the 36.5 million outpatient visits reported by the GAC hospitals represents 91.3% of the total visits to all hospitals and ASCs.

All of the figures and tables in this section, except Figure O-5 and Table O-3, present a variety of information by facility type. These figures and tables reflect all care provided at each type of facility. For example, the patient days for Long-Term Acute Care (LTAC) hospitals include LTAC plus the psychiatric and the relatively small amount of skilled nursing care provided at the LTAC hospitals. In contrast, Figure O-5 and Table O-3 present

TABLE O-2
Net Outpatient Revenue and Visits, FY05
by Facility Type

Facility Type	Visits	Net Outpatient Revenue (thousands)	Average Outpatient Revenue per Visit
General Acute Care Hospitals	36,468,385	\$9,682,465	\$266
Rehabilitation Hospitals	1,398,478	\$116,193	\$83
Psychiatric Hospitals*	1,094,235	\$48,770	\$45
Long-Term Acute Care Hospitals	114,108	\$13,731	\$120
Specialty Hospitals	181,652	\$54,105	\$298
Ambulatory Surgery Centers	708,120	\$515,079	\$727
Total	39,964,978	\$10,430,344	\$261

* Excludes state psychiatric hospitals

OVERVIEW

**TABLE O-3
Patient Days, FY05**

Type of Services	Patient Days
Med-Surg **	8,061,396
Rehabilitation	766,643
Psychiatric *	1,483,327
Total	10,311,366

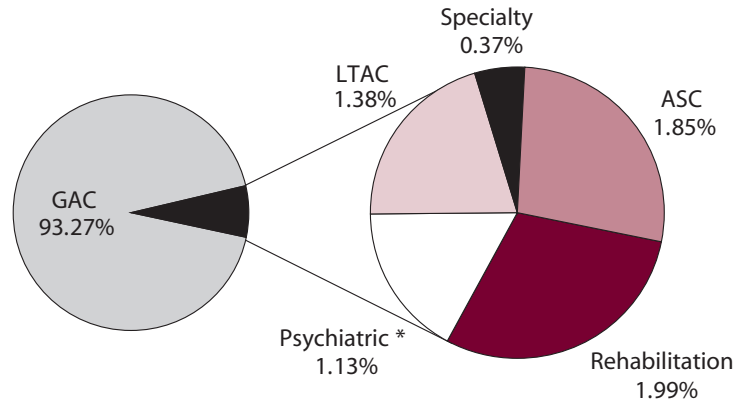
* Excludes state psychiatric hospitals

** Includes acute non-psychiatric care from LTAC hospitals

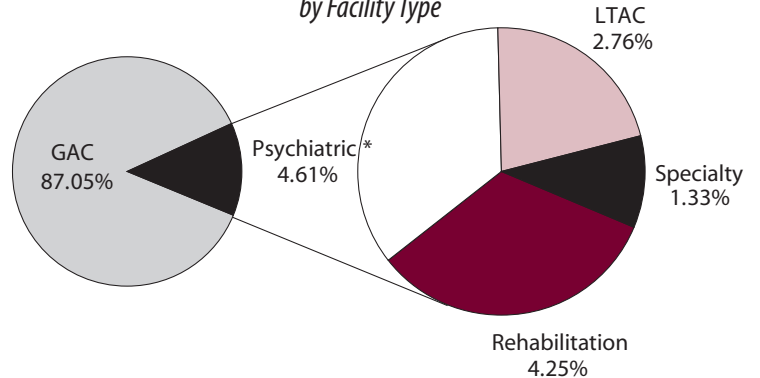
patient days by type of care (e.g., psychiatric care), regardless of where that care was delivered. For example, statewide psychiatric care includes services provided at freestanding psychiatric hospitals, GAC hospitals, LTAC hospitals, and specialty hospitals.

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

**FIGURE O-1
Net Patient Revenue, FY05
by Facility Type**



**FIGURE O-2
Staffed Beds, FY05
by Facility Type**



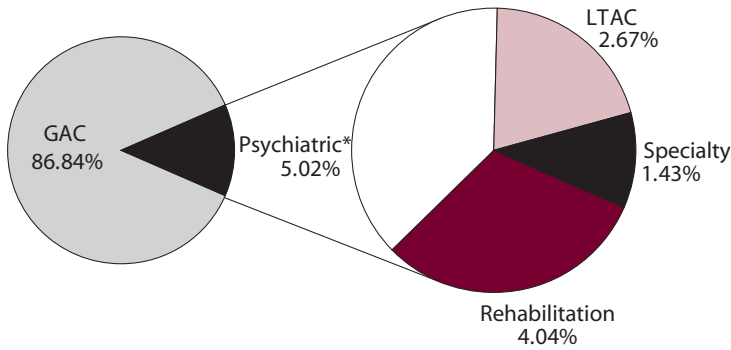
* Excludes state psychiatric hospitals

patients being treated for the same condition.

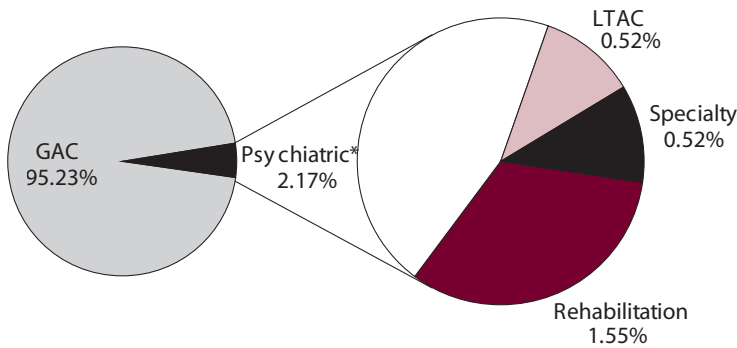
Applying the differences in the average lengths of stay presented in Figure O-6 to the variations in the average revenue per day result in large differences in the average revenue per discharge across the five facility types. Table O-1 shows that the average revenue per discharge during Fiscal Year 2005 (FY05) ranges from \$4,995 at the specialty

OVERVIEW

**FIGURE O-3
Patient Days, FY05
by Facility Type**



**FIGURE O-4
Discharges, FY05
by Facility Type**



* Excludes state psychiatric hospitals

hospitals to \$36,891 at the LTAC hospitals.

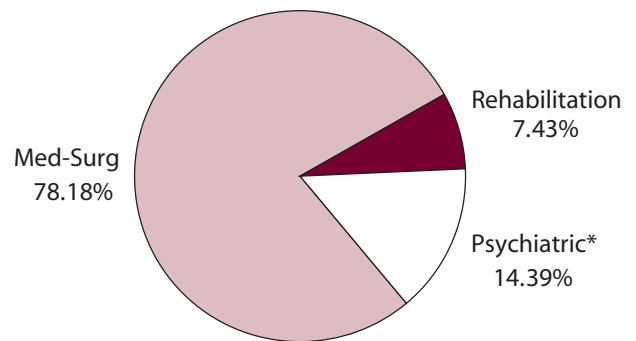
During FY05, there were 3.5 million outpatient visits reported from the ambulatory surgery centers (ASCs) and the rehabilitation, psychiatric, long-term acute and specialty hospitals. Table O-2 shows a wide variation in the average outpatient revenue per visit across the six facility categories. Like inpatient care, a primary reason for the diver-

sity in revenue per visit among the facility types is the variation in level of resources provided per visit. A psychiatric patient may receive care as a series of visits comprised of relatively short treatments while a patient at an ASC may be subject to an entire surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

With the exception of the LTAC hospitals, the FY05 statewide average total margins posted by all of the other five facility categories are the highest in the last ten years (FY96 – FY05). The 3.91% average total margin for the LTAC facilities was the third highest over the ten-year period, being surpassed by the 4.33% and 5.11% average total margins in FY03 and FY04.

The ASCs continue to have the highest average total margin among the six categories

**FIGURE O-5
Patient Days, FY05
by Type of Care**



* Excludes state psychiatric hospitals

OVERVIEW

FIGURE 0-6
Average Length of Stay, FY05
by Facility Type

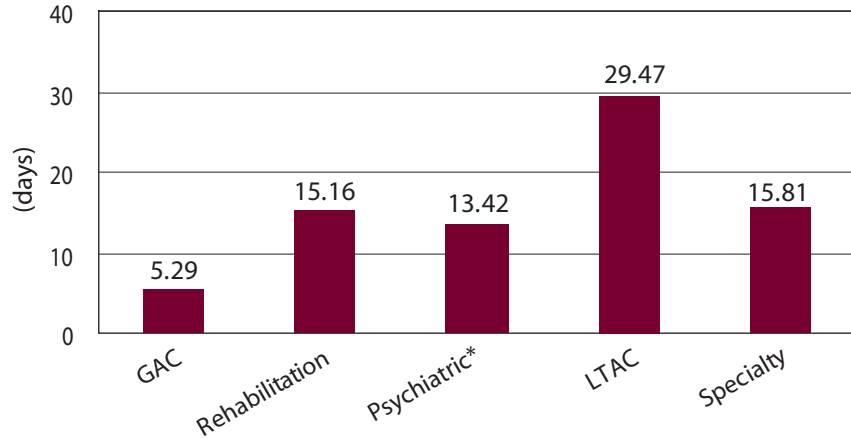
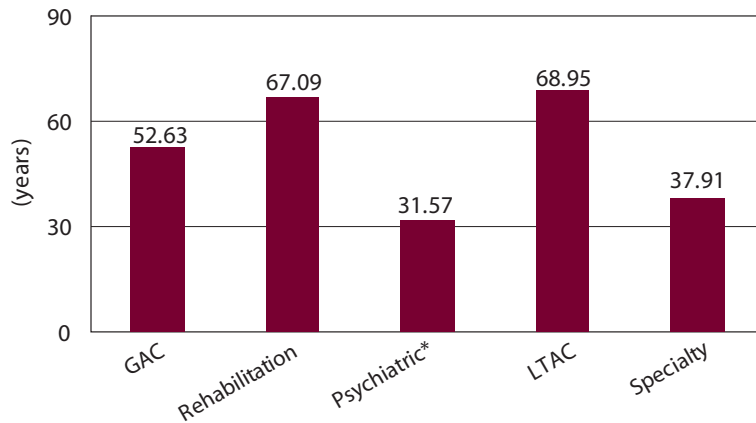


FIGURE 0-7
Average Inpatient Age, FY05
by Facility Type



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

* Excludes state psychiatric hospitals

of health care facilities. The statewide average total margin grew more than two full points to 20.87%. Contributing to the large difference between the average ASC total margin and the average total margin for the other facility types is that most of

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

OVERVIEW

FIGURE 0-8
Average Total Margin, FY05
by Facility Type

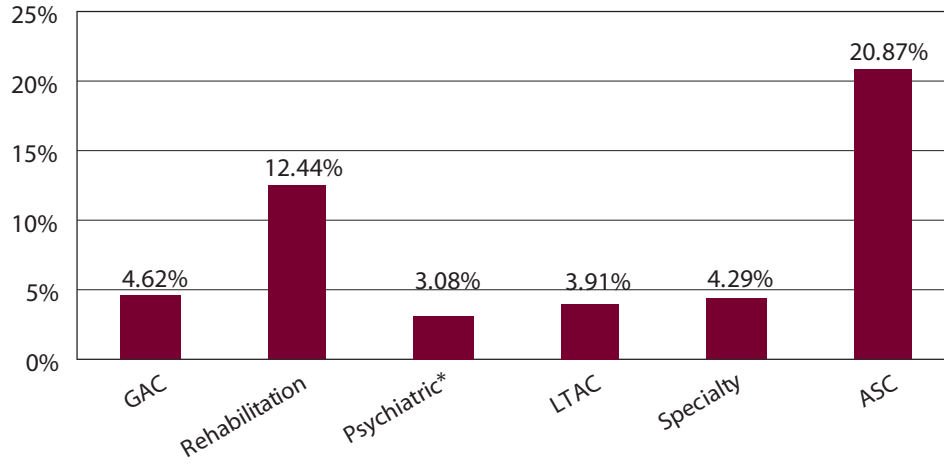
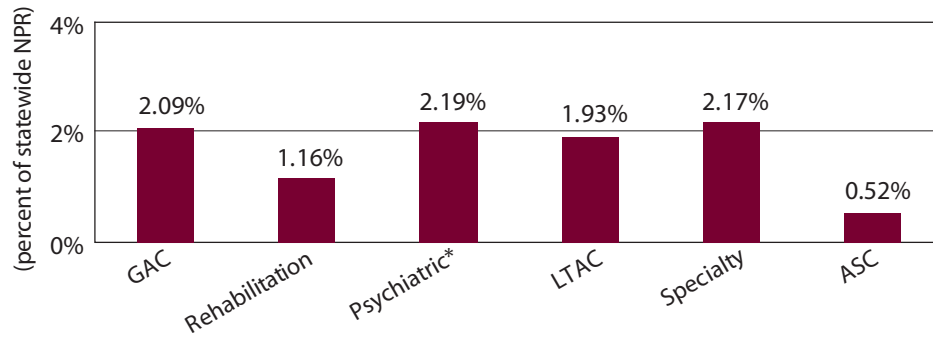


FIGURE 0-9
Uncompensated Care, FY05
by Facility Type



* Excludes state psychiatric hospitals

AMBULATORY SURGERY CENTER CARE

Highlights

- The number of licensed ambulatory surgery centers (ASCs) in Pennsylvania continues to grow. Twenty-five (25) new ASCs opened between June 2005 and May 2006, bringing the total to 202.
- During FY05, more than one-fourth (26.5%) of all outpatient diagnostic and surgical (D&S) procedures were performed at the ASCs.
- There has been a 34.5% growth in the total number of outpatient D&S procedures performed in Pennsylvania between FY00 and FY05. Nearly three-fourths (73.9%) of that growth has occurred at the ASCs.
- The statewide total margin for ASCs increased more than two full points from 18.82% in FY04 to 20.87% in FY05. In the four years since FY01, the statewide total margin has increased 9.4 points.

The number of ambulatory surgery centers (ASCs) continues to grow, with 25 new facilities opening between June 2005 and May 2006. This brings the total to 202 licensed facilities. There were 172 ASCs that operated for more than six months during FY05 and submitted financial data to PHC4.

Despite the rapid growth in the number of ASCs, the \$515.1 million in net patient revenue reported by the 172 ASCs during FY05 is equal to only about 5.3% of the outpatient revenue received by the 176 general acute care (GAC) hospitals.

While the growth of ASCs has not had a significant effect on overall outpatient care at GAC hospitals, there has been a significant shift in the diagnostic and surgical (D&S) procedures¹ performed in an outpatient setting. During FY05, more than one-fourth (26.5%) or 575,984 of the total 2.2 million outpatient D&S procedures statewide were performed at the ASCs. This reflects a 16-point increase in the ASC share of total D&S procedures in just five years. In FY00, ASCs performed 10.2%

TABLE A-1
Top Five Principal Procedures² at Ambulatory Surgery Centers and General Acute Care Outpatient Units

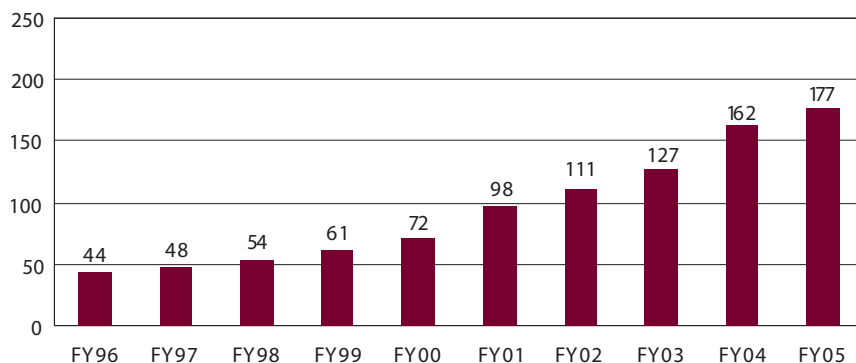
	FY05				FY00			
	ASC		GAC - Outpatient		ASC		GAC - Outpatient	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Colonoscopy and biopsy	113,243	19.7%	157,218	9.9%	14,811	9.0%	136,310	9.4%
Lens and cataract procedures	102,940	17.9%	64,262	4.0%	49,275	29.9%	96,158	6.6%
Upper gastrointestinal (GI) endoscopy, biopsy	52,695	9.2%	99,747	6.3%	10,165	6.2%	97,079	6.7%
Other non-OR lower GI therapeutic procedures	46,145	8.0%	73,898	4.6%	6,492	3.9%	59,679	4.1%
Insertion of catheter or spinal stimulator/inject spinal canal	44,752	7.8%	60,285	3.8%	9,116	5.5%	56,577	3.9%

¹ PHC4 Ambulatory Surgery Data: 2005 Fourth Quarter Data Notes, Appendix 1 – Procedures Collected

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

AMBULATORY SURGERY CENTER CARE

FIGURE A-1
Statewide Reporting Ambulatory Surgery Centers



or 164,690 of the total 1.6 million outpatient D&S procedures performed in Pennsylvania.

Most of the growth in outpatient D&S procedures over the last five years has occurred at the ASCs. There has been a 34.5% growth in the total number of outpatient D&S procedures between FY00 and FY05 performed in Pennsylvania. Nearly, three-fourths (73.9%) of that growth has occurred at the ASCs.

The ASCs, as a group, provide a narrower distribution of procedures than the outpatient units of GAC hospitals. The Clinical Classification Software² (CCS) utilized by PHC4 enables outpatient D&S procedures to be grouped into 234 procedures. During FY05, the D&S procedures performed at the ASCs fell into 148 of the 234 available CCS procedure groups while the procedures performed at GAC outpatient units fell into 197 of the groups.

Although ASCs performed procedures in 148 different procedure groups, Table A-1 shows that nearly two-thirds (62.5%) of the procedures per-

formed at ASCs in FY05 fell into the top five procedure groups. In contrast, the top five procedures for GAC hospitals comprised 28.5% of the procedures performed in FY05. In addition, these top five procedure groups at ASCs alone were responsible for nearly half of the total growth in D&S procedures in Pennsylvania between FY00 and FY05. The 269,916 procedures growth in the top five procedures at the ASCs represented 48.5% of the total increase of 556,668 diagnostic and surgical procedures at both ASCs and GAC hospitals between FY00 and FY05.

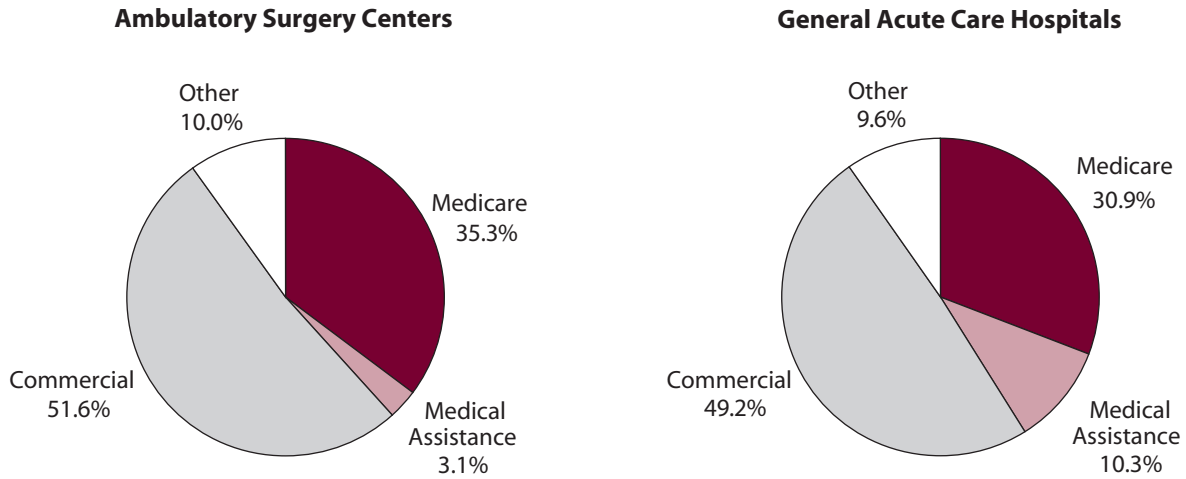
Since only the D&S procedure component of outpatient care provided at the GAC hospitals is comparable to the care provided at the ASCs, Figure A-2 presents a comparison of the payor mix for the D&S procedures performed at both settings during FY05. The greatest difference in the payor mix between the two facility types is in the portion of patients participating in the Medical Assistance (MA) program. The GAC hospitals reported that one in ten (10.3%) of their outpatients undergoing a D&S procedure was an MA participant, while only 3.1% of ASC patients were covered by MA.

The average age for an ASC patient was 56.8 years in FY05, nearly seven years older than the average age of 50.0 years for a D&S outpatient at the GAC hospitals. Consistent with the older patient population, the portion of ASC patients

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

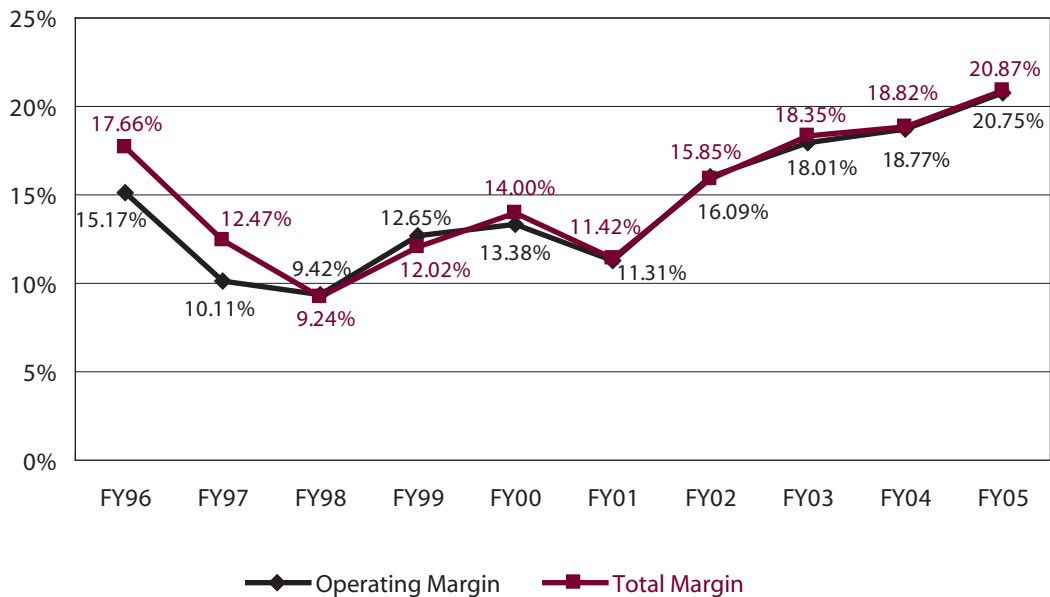
AMBULATORY SURGERY CENTER CARE

FIGURE A-2
Statewide Diagnostic and Surgical Procedures¹ at Ambulatory Surgery Centers and General Acute Care Hospitals, FY05
by Payor



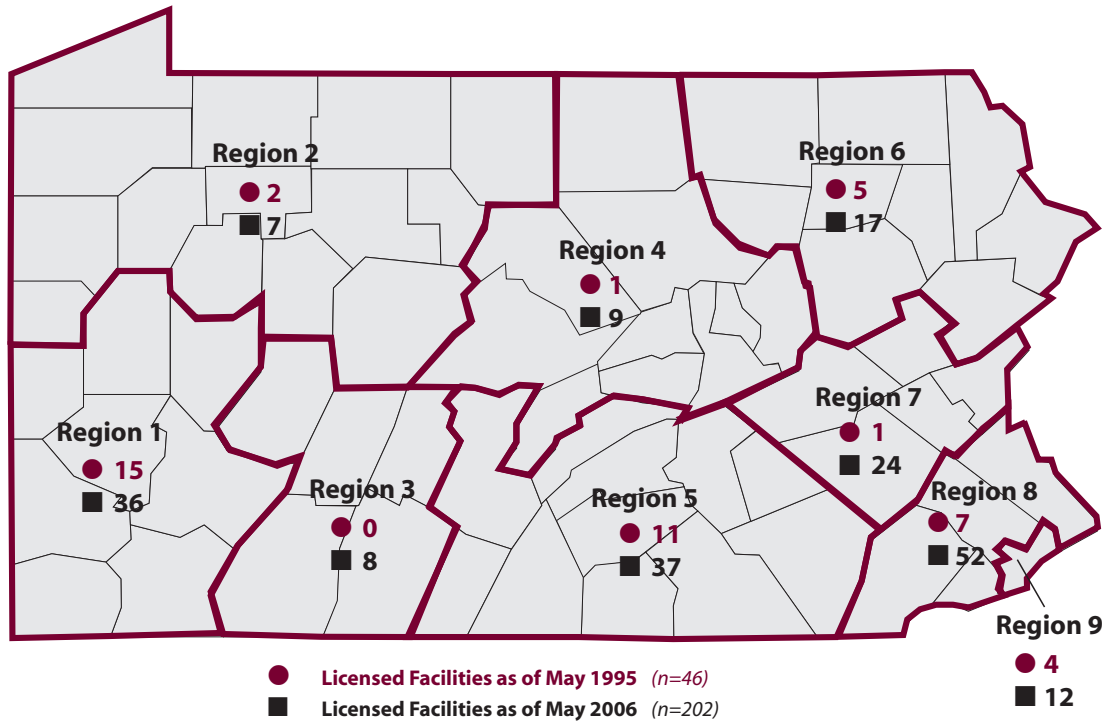
¹ PHC4 Ambulatory Surgery Data: 2005 Fourth Quarter Data Notes, Appendix 1 – Procedures Collected

FIGURE A-3
Statewide Operating and Total Margins at Ambulatory Surgery Centers



AMBULATORY SURGERY CENTER CARE

FIGURE A-4
Growth in Ambulatory Surgery Centers by Region



covered by Medicare is about 4.4 points greater than outpatient D&S care at GAC hospitals.

The statewide total margin for ASCs increased more than two full points from 18.82 % in FY04 to 20.87% in FY05. In the four years since FY01, the statewide total margin has increased 9.5 points, which averages to more than two points per year.

The statewide average margins for the ASCs cannot be directly compared to the average margins for the hospital categories for two reasons. First, most of the ASCs are limited liability partnerships or Sub-Chapter S corporations that are not subject to income taxes. Income taxes are often paid as personal income tax by the owners, which are usually physicians. Consequently, the total margin of the for-profit ASCs does

not reflect any income tax expenses. In contrast, the total margins for the for-profit hospitals are calculated after the tax expense is deducted.

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

AMBULATORY SURGERY CENTER CARE

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE
		FY05	FY04	FY03	FY02	FY02-FY05	FY05	FY04	FY03	FY02	FY02-FY05
	Statewide Average	\$2,995	\$3,019	\$3,043	\$2,832	22.80%	\$2,396	\$2,474	\$2,528	\$2,388	19.93%
1	Aestique ASC ^{1,10}	\$1,747	\$2,119	\$2,335	\$2,637	-11.25%	\$1,882	\$1,952	\$1,960	\$1,858	0.42%
1	ASC/New Kensington ¹³	\$8,374	\$9,571	\$8,374	\$7,482	3.97%	\$9,554	\$10,618	\$10,217	\$7,991	6.52%
1	Children's Hosp Pgh North ⁷	\$7,280	\$7,024	\$4,859	\$4,201	24.43%	\$4,620	\$2,625	\$2,966	\$3,387	12.13%
1	Dermatology & Cosmetic SC ^{1,10,13}	\$819	\$800	\$799	\$726	4.26%	\$746	\$796	\$724	\$617	6.98%
1	Digestive Hlth Endoscopy ^{1,10}	\$2,242	\$1,706	\$1,638	\$1,331	22.82%	\$1,132	\$1,018	\$972	\$911	8.10%
1	Four Seasons Endoscopy ^{1,10,13}	\$2,959	\$2,773	\$2,392	\$1,849	20.03%	\$1,391	\$1,442	\$1,088	\$929	16.58%
1	HealthSouth Mt Pleasnt SC ^{1,10}	\$1,501	\$1,868	\$2,228	\$1,823	-5.89%	\$1,903	\$2,058	\$2,024	\$1,960	-0.96%
1	Heritage Valley SC ⁷	\$5,716	\$5,073	NA	NA	NA	\$5,269	\$5,202	NA	NA	NA
1	Laurel Surgical Assoc ^{1,10,13}	\$2,664	NA	NA	NA	NA	\$2,424	NA	NA	NA	NA
1	Leo R. McCafferty Plastic ^{1,3,10}	\$232	\$139	NA	NA	NA	\$284	\$307	NA	NA	NA
1	Lowry SC ^{1,10,13}	\$894	\$854	\$907	\$896	-0.07%	\$957	\$953	\$917	\$753	9.05%
1	Mt Lebanon SC	\$1,959	\$1,836	\$1,826	\$1,637	6.56%	\$1,754	\$1,663	\$1,538	\$1,486	6.03%
1	North Shore Endoscopy ^{1,10}	\$1,146	\$868	\$422	NA	NA	\$871	\$763	\$598	NA	NA
1	North Shore SC ^{1,10}	\$482	\$407	\$409	\$321	16.77%	\$557	\$552	\$418	\$336	21.96%
1	SC Cranberry ^{1,10,13}	\$1,959	\$1,427	NA	NA	NA	\$1,798	\$1,458	NA	NA	NA
1	SC Edgeworth Commons ^{1,2,4,10,13}	\$1,285	NA	NA	NA	NA	\$1,706	NA	NA	NA	NA
1	SC Ligonier	\$786	\$727	\$740	\$795	-0.37%	\$735	\$679	\$677	\$683	2.57%
1	Shadyside SC ^{1,10}	\$451	\$464	\$514	\$398	4.41%	\$387	\$430	\$452	\$443	-4.27%
1	Smarthealth Norwin Hills ^{1,3,7}	\$1,459	\$1,634	\$1,117	NA	NA	\$1,347	\$1,424	\$1,609	NA	NA
1	Southwestern ASC ^{1,10,13}	\$3,047	\$2,098	\$3,316	\$2,741	3.72%	\$3,159	\$1,928	\$3,289	\$2,750	4.97%
1	Southwestern Endoscopy ^{1,3,10}	\$3,446	\$1,549	NA	NA	NA	\$1,719	\$1,072	NA	NA	NA
1	Southwestern PA Eye SC ^{1,10,13}	\$2,809	\$2,695	\$2,961	\$3,018	-2.31%	\$1,711	\$1,738	\$1,634	\$1,581	2.75%
1	Three Rivers Endoscopy ^{1,10}	\$3,686	\$3,312	\$3,580	\$3,817	-1.14%	\$2,164	\$2,199	\$2,189	\$2,080	1.35%
1	Tri County Surgical ^{1,10}	\$562	\$805	\$538	\$526	2.32%	\$564	\$806	\$531	\$544	1.19%
1	Tri-State SC ^{1,3,10}	\$5,144	\$2,874	NA	NA	NA	\$4,395	\$3,433	NA	NA	NA
1	UPMC Monroeville SC ¹⁰	\$6,913	\$6,602	\$5,738	\$5,339	9.83%	\$5,506	\$3,847	\$4,049	\$5,224	1.80%
1	Waterfront SC ^{1,3,10}	\$3,568	\$2,901	\$958	NA	NA	\$3,271	\$3,067	\$2,916	NA	NA
1	Western PA SC ^{1,10}	\$6,153	\$5,438	\$6,242	\$5,427	4.46%	\$5,222	\$4,992	\$5,124	\$4,475	5.56%
1	Zitelli Brodland Central ^{1,10}	\$766	\$785	\$630	\$607	8.70%	\$766	\$784	\$630	\$607	8.76%
1	Zitelli Brodland South ^{1,10}	\$652	\$703	\$551	\$541	6.82%	\$651	\$702	\$551	\$541	6.84%
2	Hamot SC ¹⁰	\$7,924	\$6,875	\$6,718	\$6,136	9.71%	\$6,667	\$6,000	\$5,647	\$5,363	8.10%
2	Laurel Laser & SC ^{1,10}	\$2,815	\$2,810	\$2,873	\$2,809	0.06%	\$1,924	\$2,972	\$2,845	\$2,799	-10.42%
2	Lawrence County SC ^{1,3,10}	\$1,145	\$467	NA	NA	NA	\$1,105	\$647	NA	NA	NA
2	Regional ASC ^{1,3,10,13}	\$2,111	\$2,077	\$1,953	\$611	81.87%	\$1,680	\$1,767	\$1,687	\$921	27.45%
2	Saint Vincent SC Erie ¹	\$9,382	\$9,139	\$7,241	\$7,475	8.50%	\$7,631	\$7,201	\$6,941	\$6,531	5.62%
2	Surgery & Laser ^{1,10,13}	\$3,223	\$3,069	\$2,868	\$2,350	12.39%	\$2,005	\$1,946	\$1,838	\$1,710	5.74%
2	Village SC ^{1,10}	\$6,937	\$6,837	\$7,045	\$6,693	1.22%	\$5,439	\$5,409	\$5,503	\$5,258	1.15%
3	Allegheny SC ^{1,2,4,10}	\$769	NA	NA	NA	NA	\$623	NA	NA	NA	NA
3	Altoona Hospital ASC ⁷	\$5,628	\$2,942	NA	NA	NA	\$4,674	\$3,430	NA	NA	NA
3	Altoona Specialty ^{1,2,4,10,13}	\$1	NA	NA	NA	NA	\$44	NA	NA	NA	NA
3	Center for Surgical Arts ^{1,4,10}	\$475	NA	NA	NA	NA	\$473	NA	NA	NA	NA
3	Indiana AS Associates ^{1,10}	\$3,574	\$3,658	\$3,256	\$3,262	3.19%	\$2,239	\$2,234	\$2,084	\$2,171	1.04%
4	BHH Eye Center ^{1,10,11}	\$1,807	NA	NA	NA	NA	\$1,000	NA	NA	NA	NA
4	Endoscopy PA ^{1,10}	\$1,883	\$1,922	\$1,828	\$1,816	1.25%	\$2,243	\$2,165	\$1,938	\$1,868	6.69%

See footnotes and map of regions on page 54.

AMBULATORY SURGERY CENTER CARE

Ambulatory Surgery Center	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05	Visits
Statewide Average	20.75%	20.87%	19.46%	27.29%	3.07%	4,117
Aestique ASC ^{1,10}	-7.70%	-6.15%	7.03%	15.82%	0.01%	1,838
ASC/New Kensington ¹³	-8.26%	-8.26%	-10.36%	40.59%	6.02%	56,888
Children's Hosp Pgh North ⁷	36.54%	36.54%	46.71%	0.00%	16.88%	4,650
Dermatology & Cosmetic SC ^{1,10,13}	8.96%	8.96%	6.32%	33.25%	0.18%	2,973
Digestive Hlth Endoscopy ^{1,10}	49.58%	49.58%	44.17%	27.38%	0.00%	4,460
Four Seasons Endoscopy ^{1,10,13}	53.01%	53.05%	51.76%	41.35%	0.55%	7,775
HealthSouth Mt Pleasnt SC ^{1,10}	-26.65%	-26.29%	-6.58%	50.89%	4.62%	1,294
Heritage Valley SC ⁷	7.81%	7.81%	NA	32.12%	3.69%	5,067
Laurel Surgical Assoc ^{1,10,13}	9.02%	9.04%	NA	21.62%	1.79%	3,233
Leo R. McCafferty Plastic ^{1,3,10}	-21.94%	-21.94%	NA	4.31%	0.00%	709
Lowry SC ^{1,10,13}	-7.00%	-6.89%	-6.40%	37.02%	0.22%	1,522
Mt Lebanon SC	10.44%	10.59%	11.98%	74.32%	0.00%	2,377
North Shore Endoscopy ^{1,10}	23.98%	23.98%	8.34%	19.69%	0.00%	2,138
North Shore SC ^{1,10}	-15.44%	-15.44%	-17.60%	2.72%	0.00%	411
SC Cranberry ^{1,10,13}	8.24%	8.24%	NA	69.71%	1.11%	2,552
SC Edgeworth Commons ^{1,2,4,10,13}	-32.74%	-32.73%	NA	23.46%	0.95%	995
SC Ligonier	6.46%	7.66%	8.47%	77.61%	1.80%	1,128
Shadyside SC ^{1,10}	30.71%	30.71%	26.14%	23.48%	0.00%	325
Smarterhealth Norwin Hills ^{1,3,7}	7.66%	7.66%	-4.04%	31.80%	0.59%	2,891
Southwestern ASC ^{1,10,13}	-3.68%	-3.66%	0.98%	21.80%	1.00%	3,713
Southwestern Endoscopy ^{1,3,10}	50.12%	50.12%	NA	24.15%	15.22%	5,239
Southwestern PA Eye SC ^{1,10,13}	39.07%	39.07%	39.95%	71.40%	3.12%	3,205
Three Rivers Endoscopy ^{1,10}	41.30%	41.44%	38.19%	31.17%	0.25%	7,353
Tri County Surgical ^{1,10}	-0.26%	-0.26%	0.22%	21.81%	0.00%	665
Tri-State SC ^{1,3,10}	15.26%	14.70%	NA	26.87%	7.08%	5,253
UPMC Monroeville SC ¹⁰	20.36%	20.36%	30.66%	43.00%	1.17%	8,359
Waterfront SC ^{1,3,10}	8.34%	8.34%	-24.45%	25.34%	1.93%	4,554
Western PA SC ^{1,10}	15.17%	15.18%	14.32%	18.84%	2.04%	5,398
Zitelli Brodland Central ^{1,10}	0.00%	0.00%	0.03%	51.50%	0.45%	2,383
Zitelli Brodland South ^{1,10}	0.11%	0.11%	0.08%	51.57%	0.46%	1,903
Hamot SC ¹⁰	15.87%	16.21%	15.18%	22.65%	7.84%	10,174
Laurel Laser & SC ^{1,10}	31.65%	31.65%	8.90%	58.30%	0.81%	3,286
Lawrence County SC ^{1,3,10}	3.54%	3.56%	NA	83.10%	0.36%	1,079
Regional ASC ^{1,3,10,13}	20.40%	20.97%	16.65%	26.86%	0.64%	2,070
Saint Vincent SC Erie ¹	18.67%	18.98%	20.64%	30.73%	12.08%	7,846
Surgery & Laser ^{1,10,13}	37.80%	37.80%	36.76%	40.69%	1.57%	3,919
Village SC ^{1,10}	21.59%	21.68%	21.56%	19.44%	11.14%	7,121
Allegheny SC ^{1,2,4,10}	19.04%	19.04%	NA	19.91%	11.58%	484
Altoona Hospital ASC ⁷	16.95%	16.95%	NA	16.04%	6.48%	3,962
Altoona Specialty ^{1,2,4,10,13}	-0.14%	-0.14%	NA	0.00%	0.00%	1
Center for Surgical Arts ^{1,4,10}	0.41%	0.41%	NA	0.00%	0.00%	273
Indiana AS Associates ^{1,10}	41.62%	41.62%	41.58%	28.54%	1.70%	3,978
BHH Eye Center ^{1,10,11}	44.64%	44.64%	NA	65.07%	0.00%	2,610
Endoscopy PA ^{1,10}	-6.66%	-6.62%	-1.82%	39.54%	4.40%	4,048

AMBULATORY SURGERY CENTER CARE

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY02-FY05
		FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
	Statewide Average	\$2,995	\$3,019	\$3,043	\$2,832	22.80%	\$2,396	\$2,474	\$2,528	\$2,388	19.93%
4	Evangelical ASC ^{1,10}	\$6,613	\$6,405	\$5,699	\$2,789	45.71%	\$5,284	\$4,979	\$4,600	\$3,174	22.16%
4	Lewisburg Plastic/Laser ^{1,3,10}	\$277	\$223	\$181	\$88	71.20%	\$445	\$425	\$260	\$363	7.51%
4	Mifflin County Com SC ^{1,10}	\$952	\$891	\$714	\$574	21.91%	\$841	\$785	\$639	\$558	16.90%
4	Mount Nittany SC	\$7,887	\$7,702	\$6,129	\$5,311	16.16%	\$6,168	\$5,797	\$5,484	\$5,165	6.48%
4	Susquehanna SC ^{3,10}	\$735	\$860	\$534	\$83	262.08%	\$742	\$753	\$545	\$265	59.86%
4	UOC Surgical Services ^{1,3,10}	\$3,443	\$2,769	\$1,869	\$426	236.18%	\$2,749	\$2,784	\$2,169	\$941	64.06%
5	Apple Hill SC ¹⁰	\$11,875	\$12,219	\$11,603	\$9,799	7.06%	\$8,817	\$8,445	\$7,766	\$7,277	7.06%
5	Carlisle Endoscopy ^{1,10,13}	\$2,224	\$1,890	\$1,599	\$1,547	14.57%	\$2,232	\$1,849	\$1,605	\$1,541	14.95%
5	Carlisle Regional SC ^{1,7,10,13}	\$3,176	\$3,488	\$2,478	\$2,035	18.69%	\$2,551	\$3,157	\$2,339	\$1,903	11.33%
5	Center Reproductive ^{1,10}	\$869	\$1,013	\$914	\$778	3.88%	\$532	\$550	\$436	\$550	-1.09%
5	Cumberland SC ^{1,10}	\$1,149	\$840	\$582	\$185	173.21%	\$1,094	\$786	\$422	\$186	163.06%
5	Digestive Disease Inst ^{1,10}	\$2,374	\$2,151	\$1,824	\$1,658	14.38%	\$2,392	\$2,043	\$1,777	\$1,578	17.20%
5	Endoscopy Ctr/Central PA ^{1,10}	\$708	NA	NA	NA	NA	\$770	NA	NA	NA	NA
5	Foot and Ankle SC ^{1,10}	\$1,064	NA	NA	NA	NA	\$869	NA	NA	NA	NA
5	Grandview SC ^{1,7,10,11}	\$2,499	\$2,241	\$2,189	\$2,098	6.38%	\$1,305	\$1,506	\$1,583	\$1,374	-1.69%
5	Grandview Surgery & Laser ^{1,7,10}	\$2,641	\$3,577	\$3,708	\$4,093	-11.83%	\$3,791	\$3,961	\$5,199	\$5,038	-8.25%
5	Hanover SC	\$2,433	\$2,511	\$2,456	\$2,488	-0.74%	\$2,122	\$2,116	\$2,106	\$2,009	1.87%
5	Harrisburg Endoscopy & SC ^{1,10}	\$3,165	\$3,303	\$2,477	\$1,784	25.78%	\$3,163	\$3,302	\$2,469	\$1,784	25.78%
5	Harrisburg Pain Mgmt ^{1,2,4,10}	\$217	NA	NA	NA	NA	\$332	NA	NA	NA	NA
5	HealthSouth SC Lancaster ^{1,10}	\$3,598	\$5,397	\$5,059	\$5,310	-10.75%	\$3,881	\$5,840	\$5,270	\$5,243	-8.66%
5	Hershey Endoscopy Center ^{1,10}	\$1,958	\$1,073	NA	NA	NA	\$1,454	\$1,105	NA	NA	NA
5	Hershey Outpatient SC ^{1,10,12}	\$4,077	\$606	NA	NA	NA	\$4,976	\$2,665	NA	NA	NA
5	Lancaster Gastro Center ^{1,10}	\$3,238	\$2,776	NA	NA	NA	\$1,262	\$1,416	NA	NA	NA
5	Leader SC ^{1,10}	\$783	\$959	\$770	\$690	4.50%	\$558	\$494	\$460	\$418	11.18%
5	Lebanon Outpatient SC ^{1,10}	\$4,128	\$3,966	\$3,529	\$3,421	6.89%	\$3,592	\$3,352	\$3,289	\$3,084	5.49%
5	Mid-Atlantic Gastro Ctr ^{1,10}	\$2,428	\$2,351	\$2,151	NA	NA	\$1,778	\$1,533	\$1,422	NA	NA
5	Ophthalmology SC ^{1,10,13}	\$1,921	\$1,760	\$1,935	\$1,970	-0.84%	\$1,912	\$1,926	\$1,984	\$2,114	-3.18%
5	PA Eye SC ^{1,10,13}	\$2,099	\$2,091	\$1,778	\$1,593	10.59%	\$1,076	\$1,199	\$1,245	\$917	5.80%
5	Penn Surgery Inst ¹⁰	\$623	\$645	\$348	\$427	15.21%	\$506	\$598	\$677	\$392	9.74%
5	SC York ¹²	\$5,889	\$5,610	\$5,095	\$3,810	18.19%	\$5,405	\$5,023	\$4,378	\$3,377	20.02%
5	Summit SC ¹⁰	\$3,775	\$3,340	\$2,980	\$3,412	3.55%	\$3,801	\$3,590	\$3,354	\$3,331	4.71%
5	Susquehanna Valley SC ^{1,10}	\$8,828	\$8,654	\$7,801	\$6,422	12.49%	\$6,711	\$6,431	\$5,680	\$4,791	13.36%
5	Valley View SC ^{1,10,13}	\$1,087	\$1,068	\$1,095	\$1,057	0.95%	\$1,049	\$872	\$636	\$1,060	-0.36%
5	Wellspan Endoscopy Center ^{7,11}	\$1,420	\$847	NA	NA	NA	\$904	\$852	NA	NA	NA
5	West Shore Endoscopy ^{1,10}	\$8,790	\$7,913	\$6,828	\$5,368	21.25%	\$5,101	\$4,329	\$3,789	\$3,026	22.86%
5	West Shore SC ^{1,10}	\$8,419	\$7,576	\$6,802	\$6,287	11.30%	\$6,025	\$5,394	\$4,858	\$4,886	7.77%
5	York Endoscopy ^{1,10}	\$2,151	\$1,488	\$1,352	\$1,234	24.77%	\$1,489	\$1,057	\$958	\$789	29.57%
5	York Pain Specialists ^{1,3,10}	\$1,305	\$518	NA	NA	NA	\$976	\$606	NA	NA	NA
6	Angelina Theresa Bucci SC ^{1,10}	\$1,319	\$1,133	\$1,283	\$1,344	-0.64%	\$1,087	\$898	\$886	\$901	6.86%
6	Center Same Day Surgery ^{1,10}	\$4,150	\$3,765	\$3,675	\$3,850	2.60%	\$3,281	\$3,175	\$3,121	\$2,974	3.44%
6	Eynon SC ^{1,10,13,14}	\$1,674	NA	NA	NA	NA	\$913	NA	NA	NA	NA
6	Gastroenterology Consult ^{1,3,10}	\$1,277	\$1,174	\$961	NA	NA	\$1,227	\$1,125	\$924	NA	NA
6	Guthrie Clinic	\$3,161	\$3,033	\$3,044	\$2,574	7.60%	\$2,269	\$2,253	\$2,145	\$1,420	19.93%
6	Hazleton ASC ^{1,10}	\$1,643	\$1,724	\$2,224	\$1,112	15.94%	\$1,607	\$1,604	\$830	\$738	39.24%
6	Hazleton Endoscopy ^{1,10}	\$831	\$783	\$699	\$369	41.74%	\$833	\$788	\$677	\$347	46.70%

See footnotes and map of regions on page 54.

AMBULATORY SURGERY CENTER CARE

Ambulatory Surgery Center	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05	Visits
Statewide Average	20.75%	20.87%	19.46%	27.29%	3.07%	4,117
Evangelical ASC ^{1,10}	20.09%	20.57%	20.87%	15.86%	1.13%	7,752
Lewisburg Plastic/Laser ^{1,3,10}	-60.40%	-60.40%	-65.87%	10.71%	0.00%	324
Mifflin County Com SC ^{1,10}	11.62%	11.62%	11.42%	66.85%	3.36%	1,344
Mount Nittany SC	21.79%	21.79%	19.69%	22.62%	1.44%	5,487
Susquehanna SC ^{3,10}	-0.93%	-0.93%	4.23%	8.27%	0.00%	932
UOC Surgical Services ^{1,3,10}	20.16%	20.16%	4.68%	8.04%	0.21%	4,957
Apple Hill SC ¹⁰	25.79%	26.22%	30.12%	27.00%	2.12%	11,675
Carlisle Endoscopy ^{1,10,13}	-0.11%	0.00%	0.91%	33.56%	0.07%	4,838
Carlisle Regional SC ^{1,7,10,13}	19.69%	19.69%	11.98%	18.50%	1.24%	3,569
Center Reproductive ^{1,10}	38.75%	38.75%	45.71%	0.00%	0.00%	2,038
Cumberland SC ^{1,10}	4.77%	4.84%	10.46%	7.38%	0.00%	1,357
Digestive Disease Inst ^{1,10}	-0.75%	0.22%	2.67%	30.58%	1.04%	4,880
Endoscopy Ctr/Central PA ^{1,10}	-8.54%	-8.54%	NA	24.11%	0.00%	1,705
Foot and Ankle SC ^{1,10}	18.33%	18.33%	NA	10.96%	0.00%	556
Grandview SC ^{1,7,10,11}	47.83%	47.83%	36.65%	7.29%	1.07%	1,791
Grandview Surgery & Laser ^{1,7,10}	-39.49%	-38.92%	-28.29%	12.53%	1.00%	2,725
Hanover SC	13.06%	13.26%	14.43%	41.85%	0.51%	2,322
Harrisburg Endoscopy & SC ^{1,10}	0.04%	0.04%	0.12%	25.86%	0.97%	7,600
Harrisburg Pain Mgmt ^{1,2,4,10}	-52.88%	-52.88%	NA	89.12%	1.75%	649
HealthSouth SC Lancaster ^{1,10}	-5.11%	-4.93%	-5.31%	24.64%	1.96%	2,985
Hershey Endoscopy Center ^{1,10}	25.74%	25.75%	NA	25.21%	0.03%	2,980
Hershey Outpatient SC ^{1,10,12}	-21.90%	-21.90%	NA	19.59%	14.11%	4,884
Lancaster Gastro Center ^{1,10}	61.03%	61.03%	NA	29.26%	0.02%	5,296
Leader SC ^{1,10}	29.03%	29.03%	39.95%	23.13%	0.00%	1,249
Lebanon Outpatient SC ^{1,10}	12.98%	13.49%	12.29%	29.07%	5.12%	8,038
Mid-Atlantic Gastro Ctr ^{1,10}	26.78%	26.78%	31.71%	15.46%	0.03%	5,382
Ophthalmology SC ^{1,10,13}	0.45%	0.61%	-3.05%	58.00%	1.00%	2,466
PA Eye SC ^{1,10,13}	48.73%	48.84%	41.59%	67.60%	5.90%	2,246
Penn Surgery Inst ¹⁰	18.70%	18.70%	-10.25%	17.00%	0.00%	901
SC York ¹²	8.57%	8.57%	11.08%	20.26%	4.32%	5,677
Summit SC ¹⁰	-0.69%	-0.55%	-6.22%	34.28%	3.39%	3,882
Susquehanna Valley SC ^{1,10}	24.00%	24.24%	25.70%	20.59%	1.42%	11,358
Valley View SC ^{1,10,13}	3.54%	3.69%	14.86%	59.83%	0.00%	1,352
Wellspan Endoscopy Center ^{7,11}	36.32%	36.32%	NA	26.28%	1.23%	2,671
West Shore Endoscopy ^{1,10}	41.97%	42.20%	43.93%	14.48%	0.78%	8,696
West Shore SC ^{1,10}	28.46%	28.70%	28.73%	25.61%	2.12%	10,013
York Endoscopy ^{1,10}	30.85%	30.85%	29.83%	34.94%	0.00%	4,398
York Pain Specialists ^{1,3,10}	25.19%	25.19%	NA	34.54%	3.61%	2,687
Angelina Theresa Bucci SC ^{1,10}	17.62%	17.62%	23.20%	52.45%	0.50%	1,613
Center Same Day Surgery ^{1,10}	20.96%	21.21%	17.53%	10.85%	6.04%	4,542
Eynon SC ^{1,10,13,14}	50.46%	50.46%	NA	37.93%	0.00%	3,890
Gastroenterology Consult ^{1,3,10}	3.92%	3.92%	4.01%	23.67%	0.00%	2,777
Guthrie Clinic	32.39%	32.39%	31.76%	33.68%	3.66%	5,908
Hazleton ASC ^{1,10}	2.21%	2.21%	27.74%	47.32%	1.37%	2,391
Hazleton Endoscopy ^{1,10}	-0.17%	-0.17%	0.71%	30.42%	0.00%	2,001

AMBULATORY SURGERY CENTER CARE

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY02-FY05
		FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
	Statewide Average	\$2,995	\$3,019	\$3,043	\$2,832	22.80%	\$2,396	\$2,474	\$2,528	\$2,388	19.93%
6	HealthSouth Scranton SC ^{1,10,11}	\$1,873	\$2,117	\$2,450	\$2,534	-8.69%	\$2,538	\$2,980	\$2,571	\$2,565	-0.34%
6	Kingston Ophthalmology ^{1,10,13}	\$4,143	\$4,185	\$3,903	\$4,078	0.54%	\$2,099	\$2,106	\$2,022	\$1,996	1.72%
6	NEI AS ^{1,10}	\$4,293	\$4,099	\$4,146	\$4,008	2.37%	\$3,513	\$3,192	\$3,121	\$2,950	6.36%
6	North East SC ^{1,10,13,14}	\$4,604	\$4,183	\$3,839	\$3,913	5.88%	\$4,155	\$3,942	\$3,844	\$3,526	5.95%
6	Northeast Regional SC ^{1,3,10}	\$3,873	\$2,032	NA	NA	NA	\$1,456	\$1,297	NA	NA	NA
6	Pocono ASC ^{1,10}	\$4,343	\$3,600	\$3,627	\$3,406	9.18%	\$3,321	\$3,016	\$2,689	\$2,647	8.49%
6	Riverview ASC ^{1,10}	\$4,225	\$4,727	\$4,137	\$4,376	-1.15%	\$2,654	\$2,685	\$2,739	\$2,582	0.93%
6	Scranton Endoscopy ^{1,10,13}	\$4,222	\$3,473	\$2,934	\$2,679	19.20%	\$1,276	\$3,376	\$2,842	\$2,582	-16.86%
6	Surgical Specialty NE PA ^{1,10}	\$3,438	\$3,388	\$3,041	\$1,830	29.31%	\$2,708	\$2,607	\$2,319	\$1,794	16.97%
6	Valley SC ^{3,10,11}	\$1,999	\$1,571	\$1,315	\$236	248.60%	\$2,721	\$2,537	\$2,191	\$566	126.90%
7	Berks Digestive Health ^{1,10}	\$5,162	\$4,236	\$3,390	\$2,246	43.27%	\$2,655	\$2,250	\$1,885	\$1,376	30.98%
7	Berks Urologic SC ¹⁰	\$3,232	\$957	NA	NA	NA	\$1,583	\$1,051	NA	NA	NA
7	Berkshire Eye SC ^{1,3,10}	\$2,640	\$3,106	\$2,733	\$809	75.43%	\$1,690	\$1,854	\$1,679	\$1,142	16.01%
7	Bethlehem Endoscopy ^{1,10}	\$1,827	\$1,735	\$1,287	NA	NA	\$1,009	\$1,039	\$843	NA	NA
7	Carbon-Schuylkill Endo ^{1,10}	\$1,056	\$593	NA	NA	NA	\$557	\$423	NA	NA	NA
7	CHS ASC ^{1,10,13}	\$6,390	\$5,570	\$5,393	\$4,287	16.35%	\$5,448	\$4,655	\$4,477	\$3,798	14.48%
7	College Heights Endoscopy ^{1,10}	\$3,650	\$3,317	\$1,615	NA	NA	\$1,828	\$1,662	\$1,668	NA	NA
7	Eastern PA Endoscopy ^{1,3,10}	\$4,003	\$3,789	\$3,512	\$1,379	63.39%	\$1,856	\$1,755	\$1,674	\$1,182	19.00%
7	Exeter SC ^{1,10}	\$1,109	\$1,544	\$2,815	\$4,044	-24.19%	\$1,895	\$2,323	\$2,894	\$3,657	-16.06%
7	Fairgrounds SC ^{1,10}	\$9,534	\$9,069	\$8,549	\$8,826	2.67%	\$9,141	\$8,368	\$7,953	\$7,894	5.27%
7	Keystone SC ^{1,10}	\$422	\$221	NA	NA	NA	\$412	\$350	NA	NA	NA
7	Mahoning Valley ASC ^{1,3,10}	\$1,232	\$1,332	\$810	\$338	88.28%	\$730	\$654	\$539	\$376	31.32%
7	Northwood SC ^{1,10,12}	NR	\$5,646	\$5,749	\$5,281	NR	NR	\$4,550	\$4,150	\$3,511	NR
7	PA Eye & Ear SC ¹⁰	\$3,864	\$2,479	NA	NA	NA	\$3,238	\$2,454	NA	NA	NA
7	Progressive Laser Surgi ^{1,3,10,13}	\$480	\$317	NA	NA	NA	\$559	\$510	NA	NA	NA
7	Progressive Surgical Inst ^{1,10,13}	\$1,458	\$1,283	\$1,129	\$1,123	9.94%	\$695	\$672	\$585	\$572	7.18%
7	Prosperpi-Schlechter ^{1,10,12}	NR	\$835	NA	NA	NA	NR	\$625	NA	NA	NA
7	Reading ASC ^{1,10,13}	\$7,432	\$6,475	\$6,078	\$4,830	17.96%	\$4,219	\$3,688	\$3,329	\$3,130	11.60%
7	Reading Endoscopy Center ^{1,2,4,10,13}	\$420	NA	NA	NA	NA	\$731	NA	NA	NA	NA
7	Reading SC/Spring Ridge ^{1,3,10}	\$8,988	\$8,050	\$3,278	NA	NA	\$8,431	\$7,995	\$2,942	NA	NA
7	Schuylkill Endoscopy ^{1,3,10,13}	\$2,858	\$1,317	NA	NA	NA	\$1,670	\$941	NA	NA	NA
7	Twin Rivers Endoscopy ^{1,10}	\$1,198	\$943	\$716	\$578	35.73%	\$972	\$660	\$658	\$425	43.00%
7	Westfield SC ^{1,10,12}	\$3,733	\$3,584	\$2,791	\$2,028	28.04%	\$2,841	\$2,671	\$2,342	\$2,087	12.05%
7	Wyomissing Surgical Serv ^{1,3,10}	\$1,947	\$1,436	\$331	NA	NA	\$1,160	\$1,278	\$629	NA	NA
8	Abington SC ¹⁰	\$11,786	\$10,849	\$9,020	\$8,843	11.09%	\$9,139	\$8,200	\$7,149	\$7,088	9.65%
8	AFP SC ^{1,3,10}	\$2,685	\$3,133	\$215	NA	NA	\$2,661	\$2,980	\$178	NA	NA
8	Ambulatory Endo SC/Bucks ^{1,3,10}	\$1,478	\$1,075	NA	NA	NA	\$1,219	\$671	NA	NA	NA
8	ASC Bucks County	\$4,028	\$3,520	\$3,478	\$3,108	9.87%	\$2,754	\$3,297	\$3,088	\$2,512	3.21%
8	Brandywine Cosmetic SC ^{1,10,13}	\$366	\$165	NA	NA	NA	\$363	\$158	NA	NA	NA
8	Bryn Mawr Med Specialists ^{1,10,12}	NR	NR	NA	NA	NA	NR	NR	NA	NA	NA
8	Del Valley Ortho/Spine SC ^{1,10,13}	\$4,146	\$3,580	\$3,593	NA	NA	\$3,393	\$2,827	\$1,959	NA	NA
8	Delaware Valley Laser ^{1,10,13}	\$2,239	\$1,910	\$1,854	\$2,141	1.53%	\$1,606	\$1,467	\$1,186	\$1,193	11.55%
8	Dermatologic/Drexel Hill ^{1,10,13}	\$891	\$440	\$671	\$671	10.94%	\$903	\$614	\$795	\$795	4.50%
8	Doylestown SC ^{1,10,13}	\$4,090	\$4,145	\$3,558	\$2,751	16.22%	\$4,248	\$4,095	\$3,716	\$3,106	12.26%

See footnotes and map of regions on page 54.

AMBULATORY SURGERY CENTER CARE

Ambulatory Surgery Center	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05	Visits
Statewide Average	20.75%	20.87%	19.46%	27.29%	3.07%	4,117
HealthSouth Scranton SC ^{1,10,11}	-33.27%	-31.59%	-24.21%	7.29%	6.12%	1,673
Kingston Ophthalmology ^{1,10,13}	49.33%	49.33%	49.10%	66.16%	2.35%	6,825
NEI AS ^{1,10}	18.17%	18.32%	21.73%	60.37%	2.10%	6,927
North East SC ^{1,10,13,14}	22.17%	22.17%	19.78%	13.21%	5.26%	6,172
Northeast Regional SC ^{1,3,10}	62.45%	62.45%	NA	37.25%	7.85%	2,718
Pocono ASC ^{1,10}	23.53%	23.70%	22.15%	24.74%	1.24%	5,552
Riverview ASC ^{1,10}	37.19%	37.41%	38.36%	19.49%	2.60%	6,341
Scranton Endoscopy ^{1,10,13}	69.77%	69.79%	29.51%	31.88%	0.00%	8,303
Surgical Specialty NE PA ^{1,10}	21.24%	21.24%	22.63%	19.94%	11.70%	4,417
Valley SC ^{3,10,11}	-36.12%	-36.12%	-50.55%	28.39%	1.76%	3,069
Berks Digestive Health ^{1,10}	50.19%	50.20%	48.04%	33.30%	0.00%	10,378
Berks Urologic SC ¹⁰	51.18%	51.18%	NA	46.10%	0.00%	5,091
Berkshire Eye SC ^{1,3,10}	36.06%	36.16%	38.51%	63.31%	0.40%	3,270
Bethlehem Endoscopy ^{1,10}	44.74%	44.87%	40.36%	40.28%	0.50%	3,773
Carbon-Schuylkill Endo ^{1,10}	47.31%	47.31%	NA	30.33%	1.25%	1,803
CHS ASC ^{1,10,13}	14.74%	18.16%	17.60%	19.72%	0.02%	7,942
College Heights Endoscopy ^{1,10}	49.91%	49.91%	39.88%	23.69%	0.18%	5,463
Eastern PA Endoscopy ^{1,3,10}	53.64%	53.64%	53.25%	28.40%	0.41%	5,809
Exeter SC ^{1,10}	-70.80%	-70.78%	-29.35%	8.46%	3.64%	1,170
Fairgrounds SC ^{1,10}	4.12%	4.35%	6.38%	23.47%	0.97%	8,377
Keystone SC ^{1,10}	2.43%	2.43%	NA	37.44%	0.00%	233
Mahoning Valley ASC ^{1,3,10}	40.77%	40.77%	42.99%	66.04%	1.50%	1,693
Northwood SC ^{1,10,12}	NR	NR	NR	NR	NR	NR
PA Eye & Ear SC ¹⁰	16.20%	16.20%	NA	45.25%	0.13%	3,615
Progressive Laser Surgj ^{1,3,10,13}	-16.61%	-16.61%	NA	42.10%	19.04%	517
Progressive Surgical Inst ^{1,10,13}	52.32%	52.32%	49.56%	73.72%	3.88%	1,794
Prosperpi-Schlechter ^{1,10,12}	NR	NR	NA	NR	NR	NR
Reading ASC ^{1,10,13}	43.26%	43.26%	43.79%	34.00%	0.20%	6,139
Reading Endoscopy Center ^{1,2,4,10,13}	-73.97%	-73.97%	NA	61.86%	1.67%	827
Reading SC/Spring Ridge ^{1,3,10}	6.20%	6.21%	4.67%	8.26%	2.64%	6,637
Schuylkill Endoscopy ^{1,3,10,13}	41.57%	41.57%	NA	32.00%	1.32%	8,315
Twin Rivers Endoscopy ^{1,10}	18.86%	19.09%	20.14%	27.05%	0.00%	2,184
Westfield SC ^{1,10,12}	23.90%	23.90%	22.30%	22.40%	1.65%	6,056
Wyomissing Surgical Serv ^{1,3,10}	40.43%	40.49%	17.54%	25.30%	0.13%	2,297
Abington SC ¹⁰	22.61%	22.61%	22.87%	26.33%	0.54%	17,030
AFP SC ^{1,3,10}	0.90%	0.90%	3.56%	7.31%	0.06%	2,378
Ambulatory Endo SC/Bucks ^{1,3,10}	17.55%	17.55%	NA	18.59%	1.18%	4,690
ASC Bucks County	31.63%	31.63%	17.12%	0.00%	8.24%	1,865
Brandywine Cosmetic SC ^{1,10,13}	0.93%	0.93%	NA	0.00%	0.00%	352
Bryn Mawr Med Specialists ^{1,10,12}	NR	NR	NA	NR	NR	NR
Del Valley Ortho/Spine SC ^{1,10,13}	18.16%	18.16%	41.31%	4.62%	0.00%	2,744
Delaware Valley Laser ^{1,10,13}	28.26%	28.26%	29.05%	31.52%	9.99%	2,768
Dermatologic/Drexel Hill ^{1,10,13}	-1.31%	-1.31%	-15.49%	29.04%	0.00%	2,320
Doylestown SC ^{1,10,13}	-3.86%	-3.86%	-2.24%	14.87%	0.00%	4,105

AMBULATORY SURGERY CENTER CARE

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY02-FY05
		FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
	Statewide Average	\$2,995	\$3,019	\$3,043	\$2,832	22.80%	\$2,396	\$2,474	\$2,528	\$2,388	19.93%
8	Einstein SC ⁷	\$3,940	\$3,602	\$6,626	\$5,128	-7.72%	\$3,223	\$2,726	\$5,976	\$5,367	-13.32%
8	Endoscopic Associates ^{1,10}	\$4,462	\$4,390	\$4,290	\$3,438	9.92%	\$2,023	\$2,002	\$1,854	\$1,663	7.20%
8	Endoscopy Center ^{1,10,13,14}	\$2,306	\$1,711	NA	NA	NA	\$1,983	\$1,641	NA	NA	NA
8	Endoscopy/Delaware County ^{1,10}	\$601	\$573	\$125	NA	NA	\$697	\$642	\$336	NA	NA
8	Eye SC ^{1,2,3,10,13}	\$2,044	\$19,323	\$15,105	\$13,889	-28.43%	\$1,743	\$15,352	\$12,265	\$12,136	-28.55%
8	Eye SC Chester ^{1,10}	\$3,256	\$3,158	\$2,807	\$2,551	9.21%	\$2,129	\$1,792	\$1,614	\$1,707	8.25%
8	Foundation/Ft Washington ^{1,10,13,14}	\$1,863	\$2,015	\$2,258	\$1,820	0.79%	\$1,749	\$1,881	\$1,854	\$1,617	2.72%
8	Hillmont Endoscopy ^{1,10,13}	\$4,247	\$4,078	\$4,154	\$2,984	14.10%	\$2,313	\$2,029	\$2,395	\$1,615	14.39%
8	Holy Redeemer ASC ¹⁰	\$4,923	\$5,707	\$4,018	\$4,212	5.62%	\$4,199	\$4,695	\$3,865	\$3,899	2.56%
8	Huntingdon Valley SC ^{1,10,13,14}	\$5,641	\$6,333	NA	NA	NA	\$3,551	\$4,162	NA	NA	NA
8	Keystone Kidney Center ^{1,3,10}	\$2,495	\$1,038	NA	NA	NA	\$1,260	\$727	NA	NA	NA
8	Kole Plastic SC ^{1,2,4,10}	\$24	NA	NA	NA	NA	\$23	NA	NA	NA	NA
8	Leonard Dzubow ASC ^{1,10}	\$527	\$252	NA	NA	NA	\$123	\$408	NA	NA	NA
8	Liberty Eye SC ^{1,3,10,13}	\$4,272	\$1,249	NA	NA	NA	\$3,958	\$1,446	NA	NA	NA
8	Main Line Endoscopy/East ^{1,7,10}	\$3,123	\$2,815	NA	NA	NA	\$1,480	\$1,317	NA	NA	NA
8	Main Line Endoscopy/West ^{1,3,7,10}	\$3,328	\$3,312	\$2,029	NA	NA	\$1,735	\$1,716	\$1,875	NA	NA
8	Main Line SC ^{1,10}	\$4,581	\$4,670	\$4,316	\$3,811	6.73%	\$3,495	\$3,334	\$3,118	\$2,948	6.20%
8	Montgomery SC ^{1,3,10}	\$2,055	\$2,071	\$1,924	\$1,106	28.61%	\$2,348	\$2,055	\$1,929	\$1,520	18.14%
8	Paoli SC ^{1,10}	\$4,162	\$4,113	\$3,970	\$3,852	2.67%	\$4,131	\$3,947	\$3,682	\$3,543	5.53%
8	Parkway SC ^{1,10,12}	NR	NR	NR	NA	NA	NR	NR	NR	NA	NA
8	Penn Medicine Radnor Endo ⁷	\$2,251	\$2,205	NA	NA	NA	\$2,333	\$2,131	NA	NA	NA
8	Phila Cosmetic Surgery ^{1,3,10,12}	NR	\$793	NA	NA	NA	NR	\$783	NA	NA	NA
8	Plaza SC ^{1,3,10}	\$192	\$241	NA	NA	NA	\$192	\$241	NA	NA	NA
8	Pottstown SC ^{1,10,13}	\$547	NA	NA	NA	NA	\$462	NA	NA	NA	NA
8	Sally Balin ASC ^{1,10,13}	\$634	\$701	\$762	\$897	-9.77%	\$653	\$700	\$759	\$897	-9.05%
8	SC Chester County ^{1,10,13}	\$2,333	\$2,475	\$2,727	\$2,730	-4.85%	\$2,083	\$2,178	\$1,960	\$1,788	5.50%
8	SC Limerick ^{1,3,7,10,13}	\$3,474	\$4,328	\$2,020	NA	NA	\$1,786	\$1,835	\$1,096	NA	NA
8	SC Pennsylvania ^{1,10}	\$5,603	\$5,485	\$5,240	NR	NR	\$5,084	\$4,489	\$4,228	NR	NR
8	Turk's Head SC ^{1,2,4,10}	\$1,045	NA	NA	NA	NA	\$1,996	NA	NA	NA	NA
8	Valley Forge SC ^{1,10}	\$191	NA	NA	NA	NA	\$28	NA	NA	NA	NA
8	Valley Pain Center ^{1,10,13}	\$2,265	\$1,310	NA	NA	NA	\$2,771	\$2,437	NA	NA	NA
8	Wills Eye SC Plymouth Mtg ¹⁰	\$3,930	\$3,437	\$3,388	\$3,485	4.26%	\$3,137	\$3,000	\$2,854	\$2,975	1.82%
8	Wills SC Bucks County ^{10,12}	\$3,619	\$3,508	\$3,144	\$3,192	4.46%	\$3,001	\$3,039	\$2,806	\$2,794	2.47%
9	CHOP ASC Exton	\$3,963	\$3,500	\$3,659	\$2,771	14.34%	\$2,389	\$2,731	\$2,576	\$2,139	3.90%
9	Dermatologic/Philadelphia ^{1,10,13}	\$1,039	\$319	\$398	\$398	53.69%	\$1,044	\$424	\$444	\$444	44.98%
9	Drexel Centers ^{4,13}	\$550	NA	NA	NA	NA	\$572	NA	NA	NA	NA
9	Gastrointestinal Spec ^{1,10}	\$1,612	\$1,544	\$1,164	\$1,272	8.92%	\$1,611	\$1,521	\$1,122	\$1,234	10.19%
9	HUP Reproductive Surgical ^{3,7,13}	\$756	\$625	NA	NA	NA	\$509	\$604	NA	NA	NA
9	Philadelphia SC ^{10,13}	\$1,562	\$1,879	\$1,677	\$1,215	9.51%	\$1,778	\$1,776	\$1,503	\$1,186	16.66%
9	Temple Univ/Podiatric ASC ^{3,7}	\$38	NA	NA	NA	NA	\$224	NA	NA	NA	NA
9	Washington Endoscopy ^{1,10,13}	\$3,236	\$3,010	\$1,163	NA	NA	\$2,536	\$2,394	\$1,888	NA	NA
9	Wills Eye SC South Phila ¹⁰	\$3,361	\$2,178	\$1,458	\$1,073	71.07%	\$3,270	\$2,366	\$2,768	\$1,684	31.38%
9	Wills SC Northeast ^{10,13}	\$1,347	\$2,743	\$2,494	\$2,467	-15.14%	\$2,225	\$2,647	\$2,473	\$2,404	-2.48%
9	Wills Surgical Ctr City	\$9,080	\$8,065	\$6,306	NA	NA	\$8,112	\$7,822	\$6,544	NA	NA

See footnotes and map of regions on page 54.

AMBULATORY SURGERY CENTER CARE

Ambulatory Surgery Center	Operating Margin FY05	Total Margin FY05	3-yr Average Total Margin FY03-FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05	Visits
Statewide Average	20.75%	20.87%	19.46%	27.29%	3.07%	4,117
Einstein SC ⁷	21.69%	21.69%	17.80%	26.36%	9.90%	3,009
Endoscopic Associates ^{1,10}	54.66%	54.72%	55.41%	12.89%	0.00%	9,051
Endoscopy Center ^{1,10,13,14}	13.98%	13.98%	NA	17.36%	0.59%	4,519
Endoscopy/Delaware County ^{1,10}	-16.01%	-15.86%	-28.87%	18.57%	0.00%	1,516
Eye SC ^{1,2,3,10,13}	14.76%	14.76%	19.54%	30.85%	0.00%	3,234
Eye SC Chester ^{1,10}	34.60%	34.65%	40.03%	67.71%	1.20%	3,424
Foundation/Ft Washington ^{1,10,13,14}	6.13%	6.13%	10.70%	4.39%	0.00%	1,767
Hillmont Endoscopy ^{1,10,13}	45.54%	45.54%	46.01%	11.96%	0.55%	8,875
Holy Redeemer ASC ¹⁰	14.71%	14.83%	12.96%	10.90%	0.00%	5,654
Huntingdon Valley SC ^{1,10,13,14}	37.06%	37.06%	NA	8.87%	0.00%	5,151
Keystone Kidney Center ^{1,3,10}	49.50%	49.50%	NA	10.70%	5.82%	473
Kole Plastic SC ^{1,2,4,10}	3.01%	3.01%	NA	0.00%	0.00%	36
Leonard Dzubow ASC ^{1,10}	76.67%	76.67%	NA	34.23%	0.00%	1,969
Liberty Eye SC ^{1,3,10,13}	7.35%	7.35%	NA	41.86%	1.17%	4,440
Main Line Endoscopy/East ^{1,7,10}	55.27%	55.27%	NA	27.69%	0.00%	6,821
Main Line Endoscopy/West ^{1,3,7,10}	50.82%	50.82%	40.70%	18.34%	0.00%	7,175
Main Line SC ^{1,10}	26.18%	26.18%	27.51%	29.21%	1.98%	3,681
Montgomery SC ^{1,3,10}	-14.27%	-14.27%	-4.66%	71.27%	0.96%	2,496
Paoli SC ^{1,10}	0.30%	0.41%	3.88%	12.59%	0.76%	4,455
Parkway SC ^{1,10,12}	NR	NR	NR	NR	NR	NR
Penn Medicine Radnor Endo ⁷	-1.84%	-1.84%	NA	13.01%	0.81%	2,959
Phila Cosmetic Surgery ^{1,3,10,12}	NR	NR	NA	NR	NR	NR
Plaza SC ^{1,3,10}	0.00%	0.00%	NA	0.00%	0.00%	3,099
Pottstown SC ^{1,10,13}	15.60%	15.60%	NA	49.20%	0.00%	1,456
Sally Balin ASC ^{1,10,13}	-3.01%	-3.01%	-0.73%	31.66%	0.00%	1,083
SC Chester County ^{1,10,13}	10.76%	10.76%	17.48%	7.44%	0.00%	3,282
SC Limerick ^{1,3,7,10,13}	48.60%	48.60%	51.98%	17.48%	0.81%	3,534
SC Pennsylvania ^{1,10}	9.26%	9.29%	15.23%	22.74%	2.16%	6,951
Turk's Head SC ^{1,2,4,10}	-90.91%	-89.46%	NA	9.99%	0.00%	1,062
Valley Forge SC ^{1,10}	87.14%	87.14%	NA	0.00%	0.00%	609
Valley Pain Center ^{1,10,13}	13.75%	13.75%	NA	10.28%	0.00%	4,999
Wills Eye SC Plymouth Mtg ¹⁰	20.38%	20.14%	16.57%	58.19%	1.35%	3,500
Wills SC Bucks County ^{10,12}	17.77%	17.77%	14.30%	54.22%	0.40%	2,076
CHOP ASC Exton	39.72%	39.72%	30.81%	0.00%	9.98%	1,850
Dermatologic/Philadelphia ^{1,10,13}	-0.48%	-0.48%	-8.92%	9.39%	0.00%	1,940
Drexel Centers ^{4,13}	-4.09%	-4.09%	NA	22.85%	9.63%	1,715
Gastrointestinal Spec ^{1,10}	0.06%	0.06%	1.51%	30.11%	3.84%	4,157
HUP Reproductive Surgical ^{3,7,13}	32.67%	32.67%	NA	0.00%	0.00%	303
Philadelphia SC ^{10,13}	4.00%	4.00%	6.48%	16.46%	9.75%	4,229
Temple Univ/Podiatric ASC ^{3,7}	-484.56%	-484.56%	NA	43.03%	11.97%	99
Washington Endoscopy ^{1,10,13}	21.68%	21.68%	8.00%	16.47%	3.40%	6,726
Wills Eye SC South Phila ¹⁰	2.74%	2.74%	-20.08%	19.97%	27.42%	4,025
Wills SC Northeast ^{10,13}	-51.36%	-51.36%	-6.24%	58.16%	5.52%	1,443
Wills Surgical Ctr City	10.66%	10.50%	4.13%	41.21%	7.09%	6,758

REHABILITATION CARE

Highlights

- The utilization and capacity of inpatient rehabilitation care in Pennsylvania fell dramatically during FY05. Statewide patient days of rehabilitation care fell by 9.1%, total discharges fell by 15.7% and staffed beds fell 7.5% by 253 beds. Total patient days reported for FY05 at both rehabilitation hospitals and rehabilitation units of general acute care (GAC) hospitals were the lowest in the last ten or more years.
- The decline in overall utilization was larger at the GAC rehabilitation units which collectively reported a 10.7% decline in patient days and a 17.0% decline in discharges.
- The 21 rehabilitation hospitals posted the highest average total margin in the last ten or more years. The statewide operating margin grew 0.8 point to 11.73% in FY05 and the composite total margin rose by over 1.5 points to 12.44%.
- Over the past three years, the average operating margins for the 11 non-profit hospitals and ten for-profit hospitals have been moving in opposite directions. As a group, the non-profit hospitals have improved their average operating margin 12.3 points from a negative -0.51% in FY02 to 11.78% in FY05. In contrast, the for-profit hospitals have posted a 10.8-point decline in their average operating margin from 22.43% in FY02 to 11.63% in FY05.

Hospital-based Rehabilitation Care

During Fiscal Year 2005 (FY05), there were 21 freestanding rehabilitation hospitals that provided care to 48.0% of the patients admitted for hospital-based inpatient rehabilitation care. The remaining 52.0% of rehabilitation patients received care at the rehabilitation units operated as part of General Acute Care hospitals (GAC rehabilitation units). Seventy (70) of Pennsylvania's 176 GAC hospitals operated rehabilitation units in FY05.

Trends in Hospital-based Rehabilitation Care

After two years of relatively constant utilization of inpatient rehabilitation care during FY03 and FY04, there was a significant decline in patient days and discharges during FY05. Statewide patient days of rehabilitation care fell by 9.1%, total discharges fell by 15.7%, and staffed beds fell 7.5% or 253 beds. Total patient days reported for FY05 at both rehabilitation hospitals and GAC rehabilitation units were the lowest of the ten years presented on Table R-1.

The declines in overall utilization were larger at the GAC rehabilitation units, which collectively reported a 10.7% decline in patient days and a 17.0% decline in discharges. Despite the sharp decline in patient days, the statewide average occupancy at the GAC rehabilitation units fell only 2.3 points to 63.85% because there was a net reduction of 169 beds during the year.

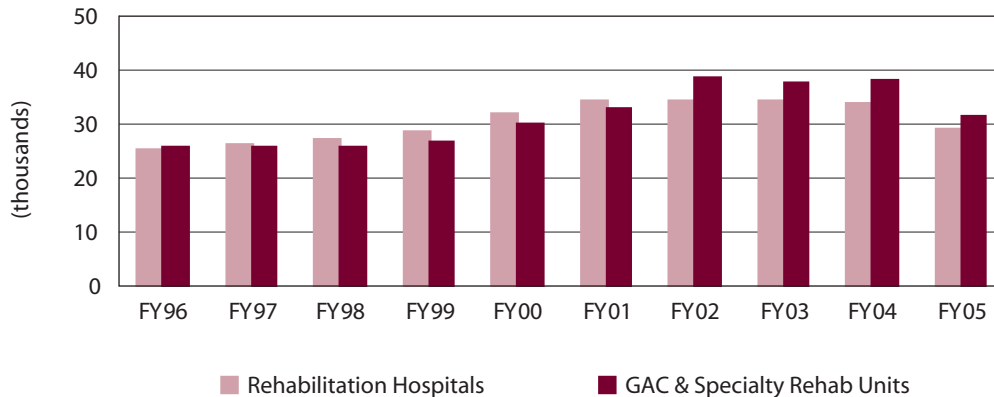
The continuous trend of shorter average lengths of stay (ALOS) came to an end at rehabilitation hospitals during FY05. The ALOS at rehabilitation hospitals climbed more than a full day to 15.1 days during FY05 after declining 4.8 days from

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

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Patient Days										
Rehabilitation Hospitals	477,464	459,837	481,339	497,761	529,817	530,434	516,620	485,098	474,804	437,815
GAC & Specialty Rehab Units	342,450	321,122	299,590	299,591	321,027	341,940	349,544	357,726	368,195	328,828
Statewide	819,914	780,959	780,929	797,352	850,844	872,374	866,164	842,824	842,999	766,643
Discharges										
Rehabilitation Hospitals	25,333	26,015	27,307	28,792	32,142	34,237	34,499	34,255	33,812	28,989
GAC & Specialty Rehab Units	25,947	25,706	25,561	26,718	30,101	32,845	38,684	37,713	37,899	31,448
Statewide	51,280	51,721	52,868	55,510	62,243	67,082	73,183	71,968	71,711	60,437
Beds										
Rehabilitation Hospitals	1,774	1,774	1,740	1,822	1,798	1,867	1,803	1,757	1,827	1,743
GAC & Specialty Rehab Units	1,334	1,318	1,244	1,241	1,318	1,373	1,429	1,478	1,543	1,374
Statewide	3,108	3,092	2,984	3,063	3,116	3,240	3,232	3,235	3,370	3,117
Occupancy Rate										
Rehabilitation Hospitals	74.04%	73.62%	76.10%	74.85%	80.51%	79.22%	78.55%	76.56%	72.29%	67.91%
GAC & Specialty Rehab Units	69.96%	67.00%	66.48%	66.44%	67.20%	67.97%	66.92%	66.25%	66.11%	63.85%
Statewide	72.28%	70.75%	72.09%	71.45%	74.91%	74.39%	73.40%	71.82%	69.46%	66.11%
Average Length of Stay										
Rehabilitation Hospitals	18.85	17.68	17.63	17.29	16.48	15.49	14.97	14.16	14.04	15.10
GAC & Specialty Rehab Units	13.20	12.49	11.72	11.21	10.66	10.41	9.04	9.49	9.72	10.46
Statewide	15.99	15.10	14.77	14.36	13.67	13.00	11.84	11.71	11.76	12.68

FIGURE R-1
Rehabilitation Discharges
by Facility Type



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FY96 through FY04. Although not quite as dramatic, the ALOS at GAC rehabilitation units rose a full day over the past two years (FY04 and FY05) after falling 3.5 days from FY96 to FY04.

Both the rehabilitation hospitals and the GAC rehabilitation units primarily serve an elderly population. Figure R-4 reflects that 65.0% of rehabilitation patients discharged from rehabilitation hospi-

tals and 74.2% from GAC rehabilitation units are 65 years or older.

Consistent with this age distribution, Table R-2 shows that the leading conditions treated at the rehabilitation hospitals are those most prevalent among elderly patients. For example, the three leading clinical classifications—osteoarthritis, stroke and hip fracture—represent the principal diagnoses for one-third (31.7%) of all patients admitted to Pennsylvania rehabilitation hospitals during FY05.

While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. Patients in the under-25 and the 25–44 year age groups had an ALOS of 27.5 and 20.8 days, respectively, during FY05. In contrast, patients in the 65–74 age group had an ALOS of 14.2 days. Part of the reason younger patients have longer stays is that a substantial portion of their care is for traumatic injuries, such as brain and spinal cord injuries, which typically have longer recovery periods.

Outpatient care at rehabilitation hospitals generated

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

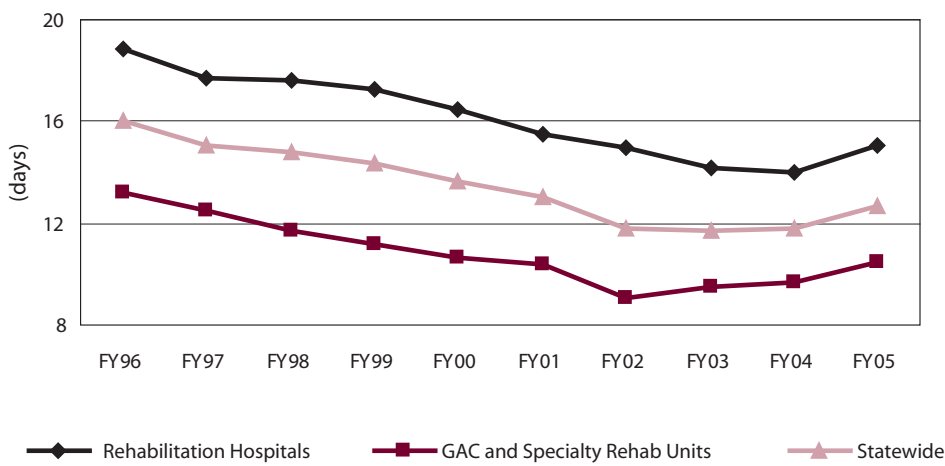
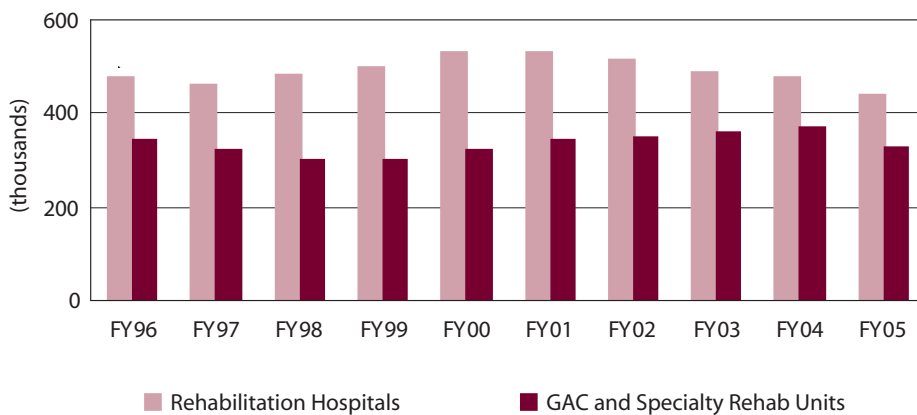


FIGURE R-3
Rehabilitation Patient Days
by Facility Type



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about one-fifth (21.0%) or \$116.2 million of the \$552.4 million in total net patient revenue (NPR) reported by the rehabilitation hospitals for FY05. Total outpatient revenue fell by \$4.9 million during FY05. However, one facility, Children's Seashore House, reported an \$11.2 million reduction in outpatient revenue during FY05, primarily due to a realignment of care within its parent organization, Children's Hospital of Philadelphia. Excluding Children's Seashore House from the statewide totals, outpatient revenue actually increased by 5.7%, while total visits declined 6.6%. Including Children's Seashore House, 20 of the 21 rehabilitation hospitals reported a total of 1.4 million outpatient visits during FY05. The Angela Jane Pavilion was the only rehabilitation hospital that did not provide outpatient services during the year.

Utilization and Revenue by Payor

The federal Medicare program provided 52.6% of the NPR received by rehabilitation hospitals during FY05. Ninety percent (90.3%) of that revenue was paid through the Medicare indemnity program in FY05. Consequently, the adequacy of Medicare reimbursements has a significant effect on the revenue and income of rehabilitation providers.

Beginning in January 2002, the cost-based Medicare reimbursement system for rehabilitation care was replaced by the Inpatient Rehabilitation Facility Prospective Payment System (IRF PPS). The Centers for Medicare and Medicaid Services (CMS) announced annual increases in the IRF PPS payments in the 3.0% to 3.2% range for each of the three federal fiscal years (2003 to 2005) that

FIGURE R-4
Age Distribution of Inpatient Rehabilitation, FY05
by Facility Type

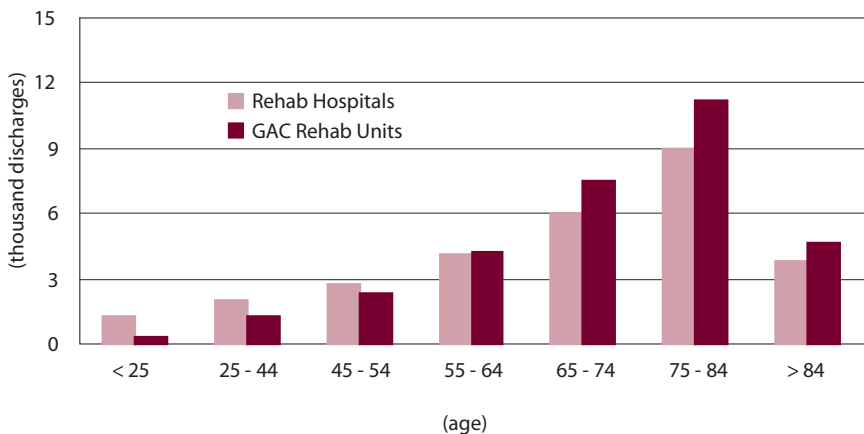
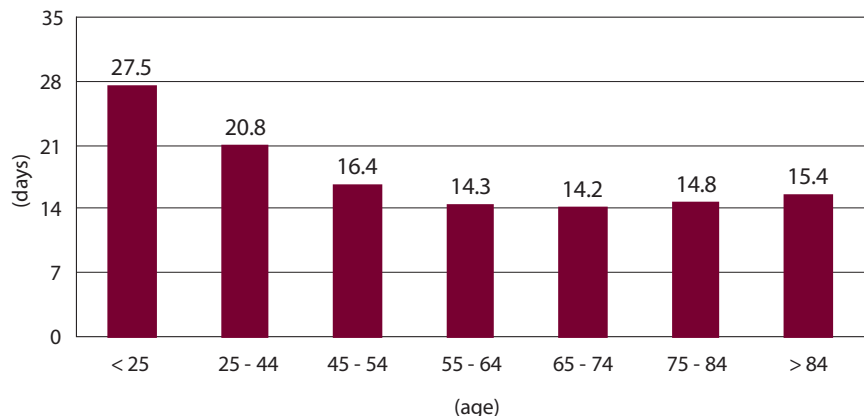


FIGURE R-5
Average Length of Stay at Rehabilitation Hospitals, FY05
by Age



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TABLE R-2
Leading Inpatient Clinical Classifications[†] at Rehabilitation Hospitals, FY05
by Payor

Top Ten	Total	Commercial		Medicare		Medical Assistance	
	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Osteoarthritis	13.62%	1	15.91%	1	13.79%	6	3.69%
Stroke	11.54%	2	11.21%	2	11.95%	4	8.28%
Hip fracture	6.52%	9	3.21%	3	8.44%	*	*
Other nervous system disorders	5.30%	5	5.56%	5	4.48%	1	11.84%
Late effects of cerebrovascular disease	5.02%	6	4.12%	4	5.18%	5	7.13%
Brain injury	4.76%	3	9.34%	*	*	3	8.82%
Paralysis	4.09%	4	6.69%	*	*	2	11.18%
Degenerate back disorders & problems	3.80%	8	3.30%	6	4.25%	*	*
Other connective tissue disease	3.48%	*	*	7	3.95%	9	2.60%
Other (non-traumatic) joint disorders	2.71%	7	3.51%	10	2.53%	*	*

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

* Not among the top ten diagnoses

followed the initial conversion to IRF PPS.

While the changes in the average revenue per discharge for Medicare indemnity patients treated at rehabilitation hospitals in Pennsylvania have not mirrored the annual changes in the federal IRF PPS rates, the average Medicare reimbursements realized by Pennsylvania's rehabilitation hospitals have exceeded the IRF PPS rate increases. Rehabilitation hospitals reported average revenue per discharge for Medicare indemnity patients of \$11,593 for FY02, \$12,807 for FY03, \$12,832 for FY04, and \$14,190 for FY05. Consequently, average Medicare indemnity reimbursements increased 10.5% during FY03, less than one percent (0.2%) during FY04 and 10.6% in FY05. The net increase in the average Medicare indemnity payments per discharge over the three-year period was 22.4%.

Despite the 10.6% increase in the average revenue per discharge, total revenue received by rehabilitation hospitals from the Medicare indemnity program actually fell 5.7% during FY05. This decline in Medicare indemnity revenue was driven by a 14.9% decline in discharges during the year. The decline in Medicare indemnity discharges was only slightly greater than the overall 14.3% decline in total discharges at rehabilitation hospitals during FY05.

Future Medicare payments to rehabilitation hospitals and GAC rehabilitation units may be affected by regulations adopted by CMS on May 7, 2004 and modified on August 18, 2006 (69 *Federal Register* 48353). The regulation requires that a minimum percentage of a facility's patients must be recovering from 13 specified conditions for the

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facility to qualify for the higher IRF PPS rates. Facilities that do not meet the criteria would be reimbursed under the lower general PPS rates. The minimum threshold began at 50% for cost reporting years beginning after July 2004, rose to 60% after July 2006 and is scheduled to rise to 65% after July 2007 and finally to 75% after July 2008.

Figures R-6 and R-7 reveal that the revenue that the rehabilitation hospitals received per discharge and per day varies considerably by payor category. Part of this variation is attributable to the mix of patients and care covered by the different third-party payors and the variation of costs associated with treating those patients. The variation of the average length of stay presented in Figure R-8 is one indication of the differences in the average level of care among the payors.

The ideal way of determining how the variation in patient revenue by payor compares to the costs to treat patients covered by that payor is to do a direct comparison of revenue and costs. Since comprehensive and comparable cost data is not available for all patients, it is not possible to do a direct comparison.

An alternate means to assess the variation in average costs of patients covered by the different third-party payors is to observe the variations in the average charges by payor category. Charges are typically higher than actual reimbursements, and the correlation between charges and costs is not perfect. However, the differences in average charges for the entire

FIGURE R-6
Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY05
by Payor

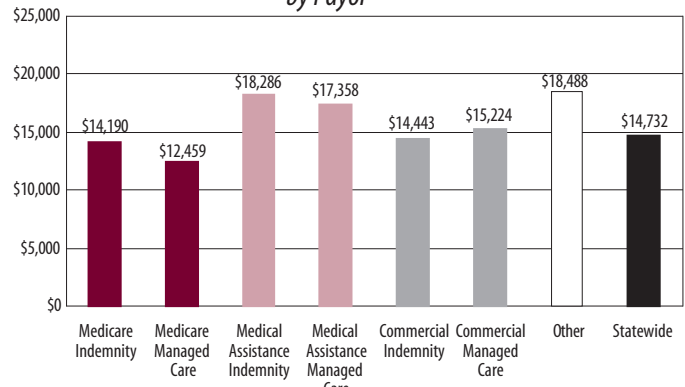


FIGURE R-7
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY05
by Payor

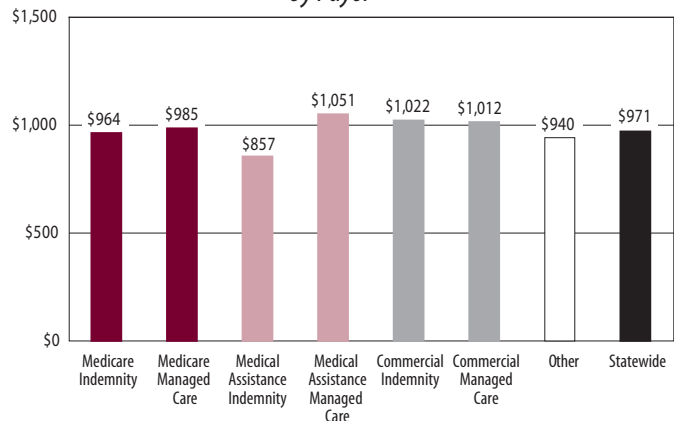
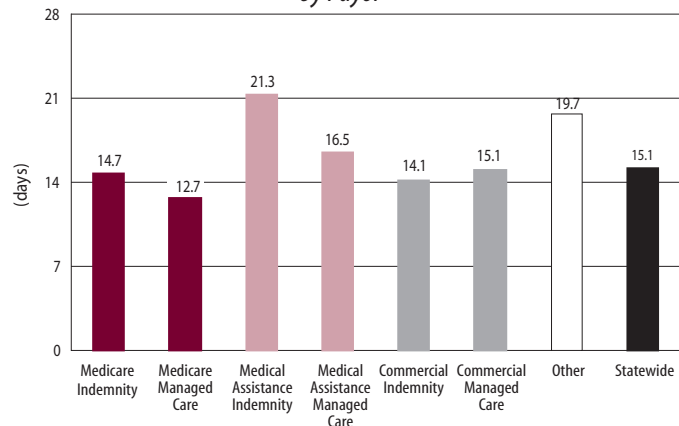


FIGURE R-8
Average Length of Stay at Rehabilitation Hospitals, FY05
by Payor



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TABLE R-3
Statewide Net Patient Revenue at Rehabilitation Hospitals
by Payor (thousands)

	FY04	FY05	Percent Change FY04 to FY05
Commercial			
Indemnity	\$67,385	\$66,266	-1.66%
Managed Care	\$95,196	\$94,987	-0.22%
Total	\$162,581	\$161,253	-0.82%
Medicare			
Indemnity	\$277,891	\$262,062	-5.70%
Managed Care	\$29,318	\$28,304	-3.46%
Total	\$307,209	\$290,366	-5.48%
Medical Assistance			
Indemnity	\$30,170	\$27,256	-9.66%
Managed Care	\$22,109	\$23,033	4.18%
Total	\$52,279	\$50,289	-3.81%
Other	\$52,966	\$50,467	-4.72%
Statewide	\$575,035	\$552,375	-3.94%

cross section of patients covered by each payor category should reflect the differences in average costs among payor categories.

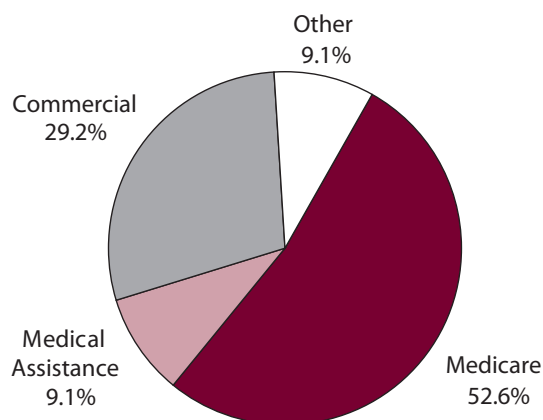
Table R-4 displays average charge indices and average revenue indices for the payor categories. These indices reflect how the average charge and average payment for each payor category compares to the statewide average for all payors. For example, the average charge index for Medicare patients in FY05 was 0.89. This indicates that the average hospital charge for Medicare patients was 11% below the average of all charges for rehabilitation hospital patients and suggests that the average cost to treat a

Medicare patient was about 11% below the average. In comparison, the average revenue index for Medicare patients was 0.95, five points below the average revenue received for all patients at rehabilitation hospitals but six points above the charge index.

Patients covered by commercial insurance represent a broad spectrum of ages and rehabilitation treatment. Consequently, the average charge index of 1.05 was relatively close to the average (1.00) for all patients at rehabilitation hospitals. However, the average revenue index was 1.01, four points below the average charge index.

On average, Medical Assistance (MA) patients are younger, have a greater percentage of traumatic injuries, and require a longer length of stay in a rehabilitation hospital. Consequently, care provided to MA patients at rehabilitation hospitals averaged 19.4 days, or 4.4 days longer than the all-patient

FIGURE R-9
Statewide Net Patient Revenue at Rehabilitation Hospitals, FY05
by Payor



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TABLE R-4
Average Charge and Revenue per Discharge at Rehabilitation Hospitals, FY05

	Average Revenue Index	Average Revenue per Discharge	Average Charge Index	Average Charge per Discharge*
Commercial	1.01	\$14,917	1.05	\$32,523
Indemnity	0.98	\$14,443	1.04	\$32,440
Managed Care	1.03	\$15,224	1.05	\$32,567
Medicare	0.95	\$14,012	0.89	\$27,606
Indemnity	0.96	\$14,190	0.88	\$27,433
Managed Care	0.85	\$12,459	0.95	\$29,637
Medical Assistance	1.22	\$17,915	1.49	\$46,351
Indemnity	1.24	\$18,286	1.52	\$47,429
Managed Care	1.18	\$17,358	1.44	\$44,885
Other	1.25	\$18,488	1.43	\$44,441
Statewide	1.00	\$14,732	1.00	\$31,107

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

average of 15.1 days during FY05. Consistent with longer lengths of stay, rehabilitation hospitals reported receiving an average payment of \$17,915 per discharge for MA patients, which was 21.6% greater than the \$14,732 average revenue per discharge for all patients at rehabilitation hospitals during FY05. Table R-4 shows that the average revenue index was 1.22 for MA rehabilitation patients in FY05 and that the average charge index was 1.49.

In addition to the variation among the major payor categories, ALOS and average net inpatient revenue per day and per discharge also vary depending on whether the patient is enrolled in a managed care or indemnity program. For example, the aver-

age stay for an MA indemnity patient was nearly five days longer than an MA patient participating in a managed care plan. Similarly, the \$18,286 average revenue per discharge for MA patients with indemnity coverage was 5.3% greater than the average revenue per discharge for patients in an MA managed care plan.

One reason for the differences between MA indemnity and managed care is that the MA indemnity program becomes the payor of last resort for patients who would not ordinarily be MA recipients. For example, uninsured patients with traumatic injuries become eligible for MA when the injury makes them unable to work and

the costs of medical treatment exhaust their financial resources. Patients that require rehabilitation care because of a traumatic medical condition typically require longer lengths of stay and have higher costs per discharge. Because all new MA patients are at least initially enrolled in the indemnity (fee-for-service) program, patients that become MA recipients because of a traumatic condition contribute to the higher average revenue per discharge and ALOS for the MA indemnity category. In addition, patients enrolled in an MA managed care plan revert back to the indemnity program if their inpatient stay exceeds 30 days.

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TABLE R-5
Utilization and Capacity, FY05
by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	27,871	42,705	65.26%	2,503	117	11.14
Angela Jane Rehab	14,322	17,885	80.08%	867	49	16.52
Bryn Mawr Rehab	48,078	55,115	87.23%	3,370	151	14.27
Chestnut Hill Rehab	NR	NR	NR	NR	NR	NR
Children's Inst Pgh	9,540	14,235	67.02%	274	39	34.82
Children's Seashore House	5,158	6,570	78.51%	219	18	23.55
Geisinger HealthSouth	10,811	14,600	74.05%	817	40	13.23
Good Shepherd/Bethlehem	2,980	5,336	55.85%	348	29	8.56
Good Shepherd Rehab	18,980	28,642	66.27%	1,380	82	13.75
HealthSouth Harmarville	46,767	73,730	63.43%	2,352	202	19.88
HealthSouth Nittany	17,417	31,025	56.14%	1,307	85	13.33
HealthSouth Mechanicsburg	18,942	37,595	50.38%	1,143	103	16.57
HealthSouth Reading	19,444	34,675	56.07%	1,242	95	15.66
HealthSouth Sewickley	8,557	16,060	53.28%	552	44	15.50
HealthSouth Altoona	21,979	25,550	86.02%	1,443	70	15.23
HealthSouth Erie	25,421	39,420	64.49%	1,328	108	19.14
HealthSouth York	19,100	29,556	64.62%	1,262	63	15.13
John Heinz Rehab	28,675	34,310	83.58%	2,132	94	13.45
Magee Rehab	29,637	35,040	84.58%	1,737	96	17.06
Moss Rehab	44,682	71,905	62.14%	2,727	197	16.39
UPMC Rehab	21,037	29,750	70.71%	1,606	85	13.10

NR - Not Reported

Financial Profile

The statewide operating margin for the 21 rehabilitation hospitals grew 0.8 points to 11.73% during FY05. The composite total margin rose by over 1.5 points to 12.44%. The FY05 total margin is the highest in the ten years presented on Figure R-10. The dynamics of the changes in operating and total margins are quite different for the non-profit and for-profit hospitals.

In FY01 and FY02, the 11 non-profit hospitals as a group had negative operating margins of -0.94%

and -0.51%, respectively. Since FY02, the average operating margin for the non-profit hospitals has climbed 12.3 points to 11.78% in FY05. Including investment gains, contributions and other non-operating gains to the income calculation, the average total margin for the non-profit hospitals increased to 15.34%. A gain from the sale of property at the Children's Seashore House had a measurable impact on the growth in the statewide total margin. Removing the Children's Seashore House from the calculation, the FY05 statewide total

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TABLE R-6
Statewide Revenue, Expenses, and Income at Rehabilitation Hospitals
(thousands)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Net Patient Revenue	\$436,226	\$457,870	\$472,229	\$483,241	\$512,735	\$541,437	\$556,241	\$562,271	\$575,035	\$552,375
Total Operating Revenue	\$457,109	\$487,864	\$496,329	\$511,850	\$533,894	\$567,296	\$606,514	\$596,907	\$606,827	\$589,616
Total Operating Expenses	\$431,901	\$463,275	\$476,127	\$485,720	\$495,548	\$532,164	\$548,682	\$524,222	\$540,481	\$520,481
Operating Income	\$25,208	\$24,590	\$20,201	\$26,130	\$38,346	\$35,132	\$57,831	\$72,685	\$66,346	\$69,134
Non-operating Income Adjustments*	\$14,210	\$21,023	\$22,525	\$24,056	\$27,956	(\$5,140)	(\$34,715)	(\$17,553)	\$1,174	\$4,469
Revenue over Expenses	\$39,418	\$45,613	\$42,726	\$50,186	\$66,302	\$29,992	\$23,117	\$55,132	\$67,520	\$73,603

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

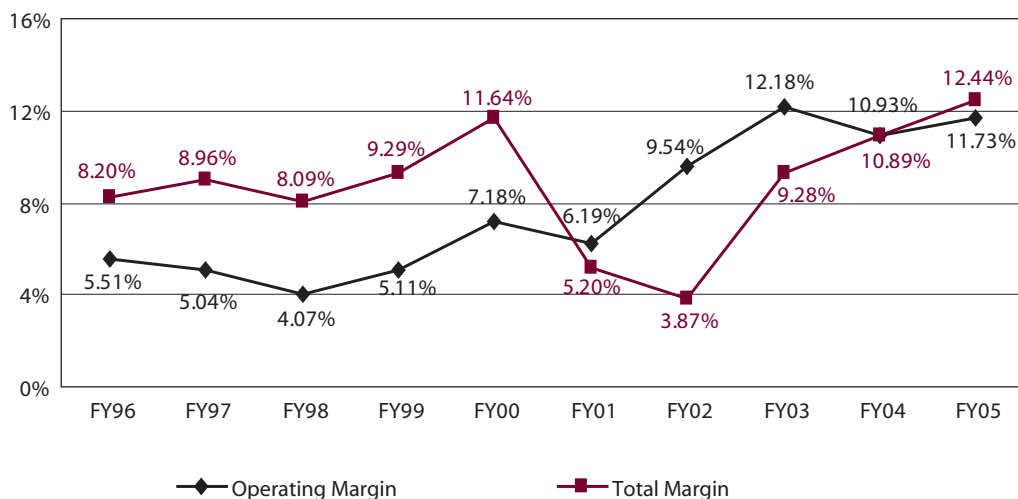
margin for the remaining ten non-profit hospitals fell to 13.89%.

In FY02 when the non-profit rehabilitation hospitals had an overall negative operating margin of -0.51%, the for-profit hospitals had a combined average operating margin of 22.43%. Since then, the average operating margins of the two groups have moved in opposite directions. While the operating margin of the non-profit facilities has recovered since FY02, the average operating margin for the for-profit hospitals fell almost eleven points

to 11.63% by the end of FY05. At 11.78%, the average operating margin for the non-profit hospitals is slightly above the 11.63% average for the ten for-profit hospitals in FY05.

Because the for-profit hospitals are subject to income taxes, the 7.38% average FY05 total margin for the group is more than four points below the average operating margin. This is the lowest average total margin posted by the for-profit hospitals since FY96, when an average total margin of 6.93% was recorded.

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



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Region	Rehabilitation Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR	Total Operating Expenses TOR (millions)				3-yr Avg Change in TOE
		FY05	FY04	FY03	FY02	FY02-FY05	FY05	FY04	FY03	FY02	FY02-FY05
	Statewide Average	\$26	\$27	\$27	\$28	-0.23%	\$25	\$26	\$25	\$27	-1.71%
6	Allied Services	\$38	\$36	\$35	\$36	2.47%	\$35	\$33	\$34	\$36	-0.97%
9	Angela Jane Rehab ^{1,5,10,13}	\$8	\$8	\$6	NA	NA	\$7	\$7	\$7	NA	NA
8	Bryn Mawr Rehab	\$59	\$55	\$56	\$41	14.95%	\$44	\$44	\$41	\$37	6.29%
8	Chestnut Hill Rehab ^{1,2,10,12}	NR	\$14	\$14	\$11	NR	NR	\$15	\$15	\$14	NR
1	Children's Inst Pgh	\$14	\$13	\$12	\$18	-6.76%	\$29	\$28	\$26	\$25	5.79%
9	Children's Seashore House ⁷	\$10	\$27	\$27	\$24	-19.87%	\$9	\$29	\$27	\$26	-22.09%
4	Geisinger HealthSouth ^{1,10}	\$14	\$14	\$13	\$13	1.81%	\$11	\$11	\$9	\$9	7.92%
7	Good Shepherd Rehab	\$36	\$38	\$37	\$36	0.09%	\$44	\$40	\$37	\$65	-10.61%
7	Good Shepherd/Bethlehem ^{2,11}	\$4	\$9	\$5	NA	NA	\$3	\$7	\$4	NA	NA
3	HealthSouth Altoona ^{1,10}	\$25	\$25	\$23	\$24	1.67%	\$24	\$17	\$22	\$20	6.08%
2	HealthSouth Erie ^{1,10,13}	\$24	\$24	\$26	\$26	-2.29%	\$23	\$24	\$24	\$23	0.09%
1	HealthSouth Harmarville ^{1,5,10}	\$42	\$41	\$42	\$43	-0.36%	\$34	\$34	\$33	\$31	3.33%
5	HealthSouth Mechanicsburg ^{1,10}	\$25	\$32	\$37	\$45	-14.79%	\$23	\$31	\$33	\$32	-8.73%
4	HealthSouth Nittany ^{1,10}	\$19	\$20	\$20	\$19	0.04%	\$18	\$18	\$18	\$17	3.27%
7	HealthSouth Reading ^{1,10}	\$20	\$23	\$23	\$24	-4.91%	\$17	\$18	\$18	\$17	0.19%
1	HealthSouth Sewickley ^{1,10}	\$8	\$9	\$10	\$11	-9.10%	\$8	\$9	\$9	\$9	-3.92%
5	HealthSouth York ^{1,10}	\$25	\$33	\$35	\$33	-7.81%	\$24	\$29	\$27	\$24	-0.86%
6	John Heinz Rehab	\$32	\$32	\$31	\$30	1.69%	\$30	\$29	\$30	\$31	-0.50%
9	Magee Rehab	\$41	\$32	\$31	\$28	15.55%	\$42	\$37	\$36	\$33	9.27%
9	Moss Rehab ^{7,9}	\$73	\$66	\$57	\$47	18.56%	\$56	\$54	\$50	\$51	3.04%
1	UPMC Rehab ¹¹	\$22	\$24	\$24	\$22	0.28%	\$23	\$24	\$24	\$24	-2.23%

See footnotes and map of regions on page 54.

REHABILITATION CARE

Rehabilitation 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
Statewide Average	11.73%	12.44%	10.87%	1.16%	52.57%	9.10%
Non-profit Rehabilitation Hospitals						
Statewide Average (non-profit)	11.78%	15.34%	12.40%	1.09%	48.43%	11.59%
Allied Services	10.33%	11.07%	7.80%	0.15%	74.00%	3.37%
Bryn Mawr Rehab	27.83%	28.83%	28.34%	0.20%	48.37%	4.40%
Children's Inst Pgh	-8.00%	5.33%	3.86%	2.97%	2.73%	28.20%
Children's Seashore House ⁷	7.09%	46.60%	13.25%	2.54%	0.47%	48.98%
Good Shepherd Rehab	-2.88%	-2.88%	2.01%	0.46%	43.64%	10.50%
Good Shepherd/Bethlehem ^{2,11}	22.29%	22.29%	20.51%	-1.48%	85.60%	0.43%
John Heinz Rehab	5.83%	6.25%	6.69%	0.33%	71.78%	4.00%
Magee Rehab	7.42%	9.77%	1.46%	3.23%	39.83%	14.96%
Moss Rehab ^{7,9}	25.32%	25.36%	21.65%	1.02%	37.07%	19.59%
UPMC Rehab ¹¹	9.18%	9.83%	11.69%	1.63%	54.16%	9.61%
For-profit Rehabilitation Hospitals						
Statewide Average (for-profit)	11.63%	7.38%	8.33%	1.26%	60.02%	4.64%
Angela Jane Rehab ^{1,5,10,13}	8.51%	8.51%	4.04%	0.37%	57.69%	0.00%
Chestnut Hill Rehab ^{1,2,10,12}	NR	NR	NR	NR	NR	NR
Geisinger HealthSouth ^{1,10}	29.86%	24.11%	20.13%	0.86%	65.34%	3.16%
HealthSouth Altoona ^{1,10}	5.32%	2.46%	8.25%	2.65%	68.77%	2.90%
HealthSouth Erie ^{1,10,13}	8.29%	4.86%	3.50%	1.96%	64.59%	8.25%
HealthSouth Harmarville ^{1,5,10}	18.91%	11.07%	11.87%	0.81%	58.30%	7.06%
HealthSouth Mechanicsburg ^{1,10}	8.46%	4.96%	4.80%	0.53%	NR	NR
HealthSouth Nittany ^{1,10}	3.03%	1.78%	3.60%	1.77%	70.10%	3.88%
HealthSouth Reading ^{1,10}	15.32%	8.96%	11.75%	0.99%	NR	NR
HealthSouth Sewickley ^{1,10}	2.94%	1.72%	1.20%	1.64%	57.99%	NR
HealthSouth York ^{1,10}	8.07%	4.80%	9.25%	0.87%	57.32%	2.55%

PSYCHIATRIC CARE

Highlights

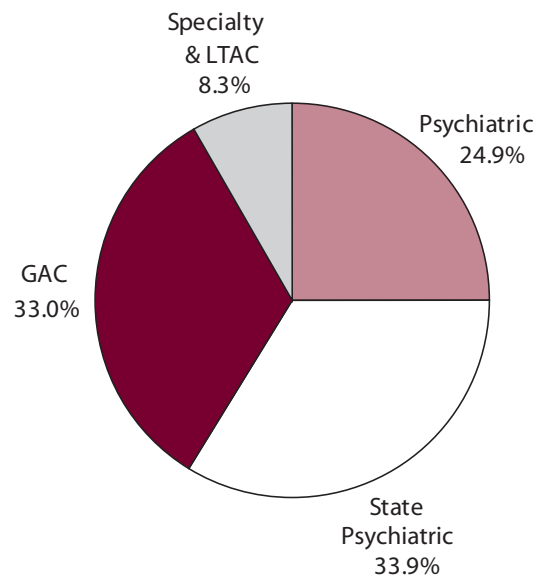
- After posting average operating and net losses in FY04, the 17 psychiatric hospitals as a group realized a 5.5-point improvement in the average operating margin, which rose to 1.73% in FY05, and a 4.4-point improvement in the average total margin, which climbed to 3.08%. In the past ten years, psychiatric hospitals have only posted positive statewide operating and total margins four times.
- While the statewide average margins of the psychiatric hospitals improved during FY05, the overall financial performance of the non-profit and for-profit hospitals moved in opposite directions during FY05. Six of the nine non-profit hospitals actually saw their total margins decline during FY05. The (negative) -1.38% average total margin for the non-profit facilities was nearly ten points lower than the 8.52% total margin reported by the eight for-profit hospitals.
- The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's nine psychiatric hospitals (state hospitals) provided 33.9% of all patient days of psychiatric care during FY05. In addition, the Medical Assistance (MA) Program administered by DPW provided 62.1% of the net patient revenue received by the 17 psychiatric hospitals in Pennsylvania during FY05. About 33% of all patients receiving inpatient psychiatric care at GAC hospitals were MA participants.

Psychiatric Care is Provided in a Variety of Settings

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

At the end of FY05, the nine state hospitals had a patient population of 2,125. Although the state hospitals provided 33.9% of statewide psychiatric patient days, they only discharged 1,637 patients during FY05, which is about 1.2% of the total discharges of the other facilities providing inpatient psychiatric care. The average length of stay (ALOS) at the state hospitals is well over one year.

FIGURE P-1
Psychiatric Patient Days, FY05
by Facility Type



PSYCHIATRIC CARE

In contrast, psychiatric units in GAC hospitals (GAC psychiatric units) provided relatively short-term acute care with an ALOS of 8.8 days during FY05. Fifty-six percent (56%) of the 176 GAC hospitals in Pennsylvania operated psychiatric units. These 98 GAC hospitals treated 61.0% of the patients admitted for inpatient psychiatric care and provided 33.0% of the total patient days of psychiatric care during FY05.

The 17 psychiatric hospitals accounted for 30.0% of patient discharges and provided 24.9% of the total days of psychiatric care in the Commonwealth during FY05. Excluding the long-term residential programs and non-psychiatric care, the ALOS at these psychiatric hospitals was 10.6 days.

FIGURE P-2
Psychiatric Discharges, FY05
by Facility Type

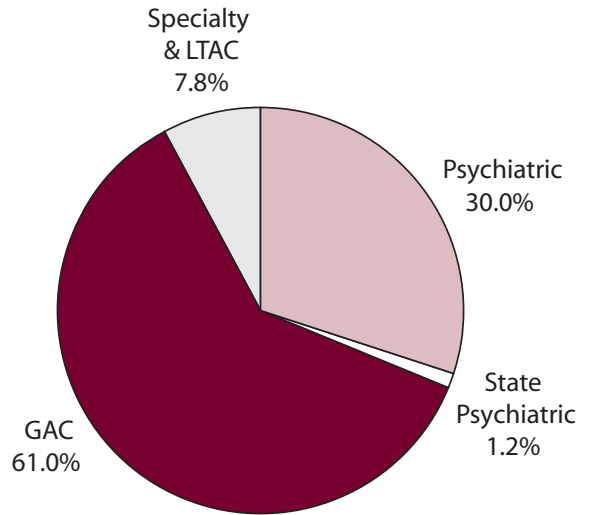
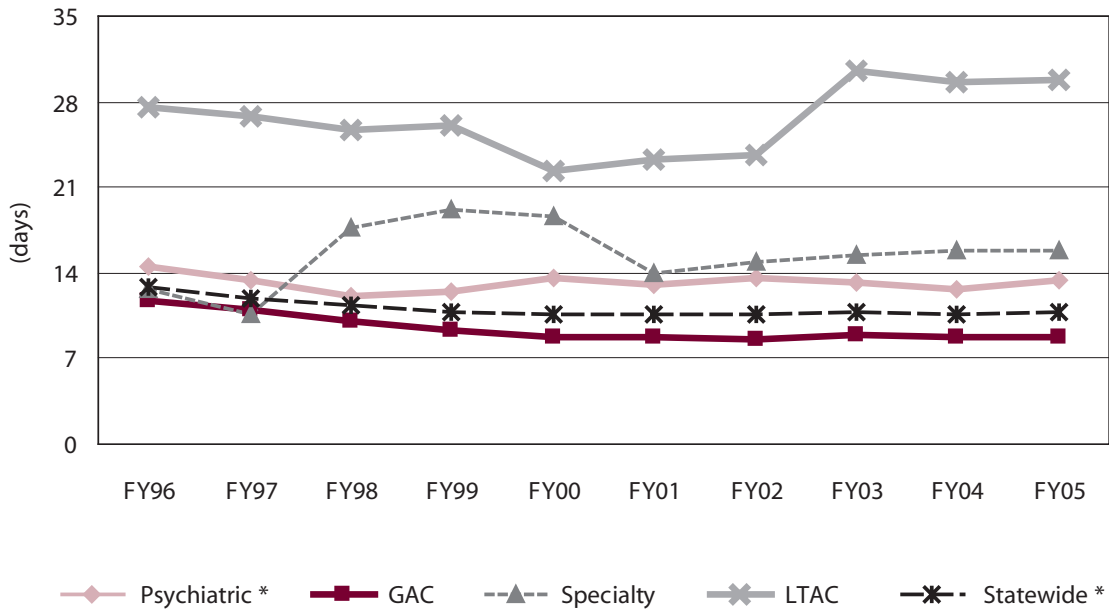


FIGURE P-3
Average Length of Stay for Psychiatric Care
by Facility Type



* Excludes state psychiatric hospitals.

PSYCHIATRIC CARE

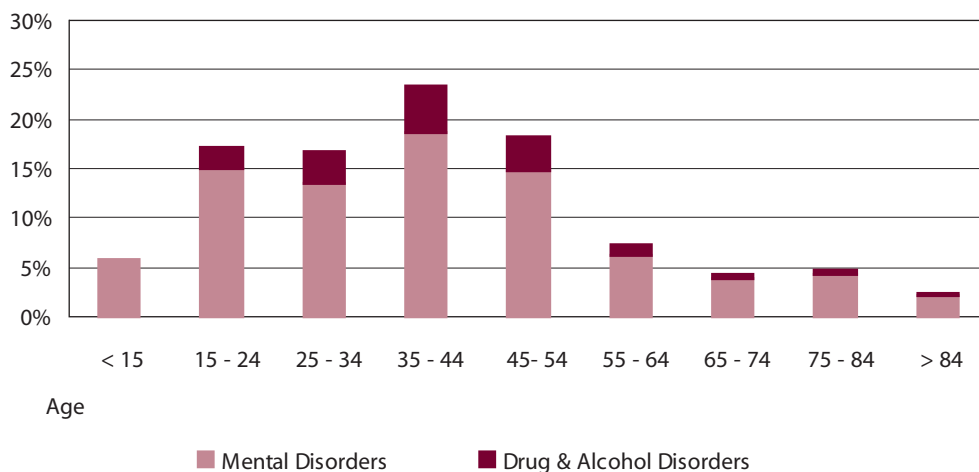
Seven of the psychiatric hospitals provided residential care, and two provided inpatient drug and alcohol (D&A) care. Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. The ALOS of the seven residential programs was 118.9 days during FY05. The utilization and capacity of these programs are presented in Table P-2.

Five of the six specialty hospitals in Pennsylvania provided some form of psychiatric care. Two facilities reported providing acute psychiatric care, which represented only 3.8% of the psychiatric

care provided at specialty hospitals. The remaining 96.2% of psychiatric care offered at specialty hospitals was provided by D&A programs at four hospitals. The 155,908 days of inpatient psychiatric care at specialty hospitals represented 6.9% of the patient days of statewide psychiatric care during FY05.

Four long-term acute care (LTAC) hospitals rendered 29,324 acute psychiatric patient days, or slightly more than one percent of statewide inpatient psychiatric care during FY05. While this care represents only a small portion of inpatient psychiatric care in Pennsylvania, it represents 9.9% of the total patient days provided by all LTAC hospitals.

FIGURE P-4
Age Distribution of Psychiatric Patients*, FY05



Mental disorders include all patients whose principal diagnoses were grouped into MDC19, and drug and alcohol disorders include patients grouped into MDC 20.

* Excludes state psychiatric patients

PSYCHIATRIC CARE

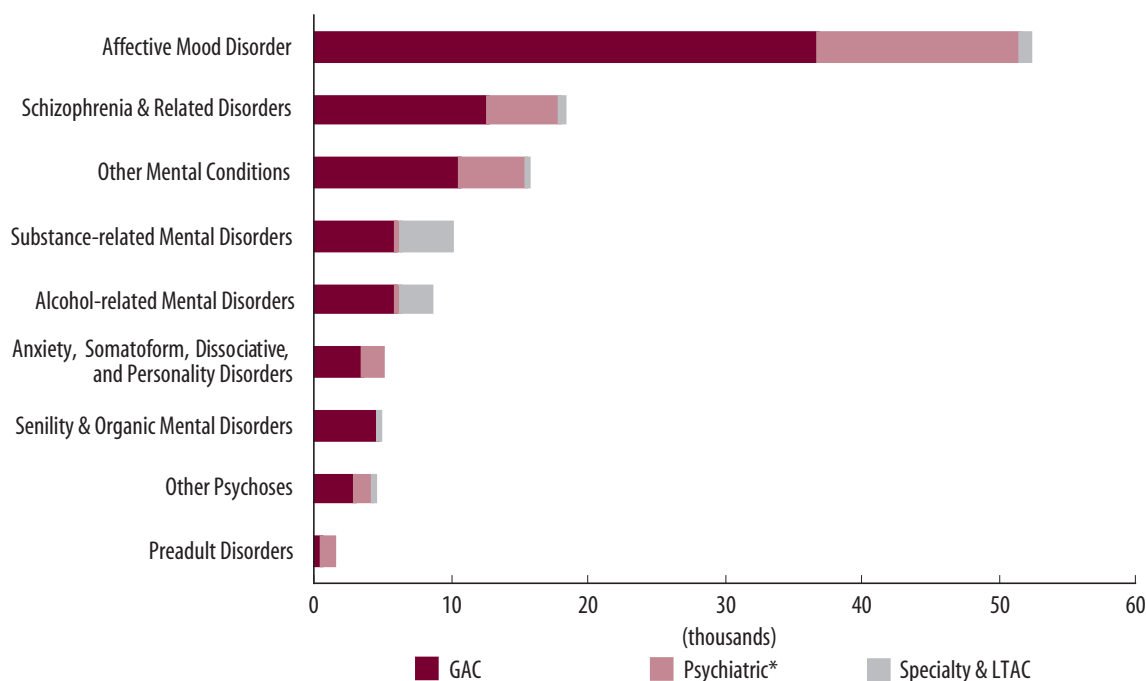
TABLE P-1
Utilization and Capacity of Psychiatric Care
by Facility Type

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Patient Days										
Psychiatric	530,797	493,783	475,660	511,883	526,150	511,681	548,281	567,435	558,552	558,054
State Psychiatric	1,447,964	1,272,597	1,168,093	1,081,464	1,020,777	939,634	855,179	772,491	773,443	761,065
GAC	839,791	804,859	745,240	715,370	777,093	769,658	738,873	753,413	757,131	740,041
Specialty	101,284	85,678	93,665	102,204	124,811	141,783	139,380	145,703	149,446	155,908
LTAC	50,254	44,467	34,924	26,426	25,005	28,184	28,788	29,033	28,223	29,324
Statewide	2,970,090	2,701,384	2,517,582	2,437,347	2,473,836	2,390,940	2,310,501	2,268,075	2,266,795	2,244,392
Discharges										
Psychiatric	36,362	36,942	39,215	41,097	38,815	39,153	40,336	42,673	44,173	41,587
State Psychiatric	2,421	2,366	2,595	2,107	2,060	1,988	1,955	1,674	1,634	1,637
GAC	71,654	73,017	73,629	77,342	89,727	87,079	85,449	84,338	85,749	84,438
Specialty	8,052	8,128	5,323	5,324	6,705	10,142	9,381	9,396	9,430	9,886
LTAC	1,819	1,658	1,362	1,011	1,116	1,207	1,219	949	956	982
Statewide	120,308	122,111	122,124	126,881	138,423	139,569	138,340	139,030	141,942	138,530
Patient Population										
State Psychiatric	3,968	3,586	3,104	2,967	2,699	2,510	2,215	2,164	2,142	2,125
Beds										
Psychiatric	2,006	1,911	1,850	1,862	1,862	1,801	1,896	1,938	1,958	1,970
State Psychiatric	4,063	3,925	3,808	3,524	3,222	2,963	2,678	2,381	2,387	2,440
GAC	3,243	3,300	3,193	3,208	3,238	3,151	3,068	2,982	2,920	2,883
Specialty	404	402	372	389	463	531	524	531	550	558
LTAC	112	131	112	112	112	112	112	112	112	112
Statewide	9,828	9,669	9,335	9,095	8,897	8,558	8,278	7,944	7,927	7,963
Occupancy Rate										
Psychiatric	75.33%	72.50%	69.45%	76.25%	77.46%	78.51%	79.76%	79.76%	78.55%	80.77%
State Psychiatric	90.21%	87.33%	76.31%	83.55%	85.77%	86.07%	87.02%	88.67%	88.73%	85.07%
GAC	70.80%	67.58%	65.64%	61.45%	64.93%	66.35%	65.88%	69.71%	72.13%	72.81%
Specialty	68.64%	58.91%	68.33%	71.98%	73.52%	77.41%	72.85%	75.75%	75.92%	76.55%
LTAC	122.79%	93.00%	85.43%	64.64%	61.17%	68.94%	70.42%	71.02%	68.90%	71.73%
Statewide	80.61%	76.69%	71.34%	73.58%	75.49%	76.45%	76.41%	78.30%	78.98%	78.85%
Statewide w/o State*	73.20%	69.18%	67.54%	67.18%	69.63%	71.29%	71.30%	73.84%	74.72%	76.00%
Average Length of Stay										
Psychiatric	14.60	13.37	12.13	12.46	13.56	13.07	13.59	13.30	12.64	13.42
State Psychiatric	598.09	537.87	450.13	513.27	495.52	472.65	437.43	461.46	473.34	464.91
GAC	11.72	11.02	10.12	9.25	8.66	8.84	8.65	8.93	8.83	8.76
Specialty	12.58	10.54	17.60	19.20	18.61	13.98	14.86	15.51	15.85	15.77
LTAC	27.63	26.82	25.64	26.14	22.41	23.35	23.62	30.59	29.53	29.88
Statewide	24.69	22.12	20.61	19.21	17.87	17.13	16.70	16.31	15.97	16.20
Statewide w/o State*	12.91	11.93	11.29	10.87	10.66	10.55	10.67	10.89	10.64	10.84

* Excludes state psychiatric hospitals.

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FIGURE P-5
Psychiatric Discharges by Clinical Classification[†], FY05



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

* Excludes state psychiatric hospitals

Trends in Hospital-based Psychiatric Care

With the exception of statewide discharges at psychiatric hospitals, there were only moderate changes in the utilization and capacity of inpatient psychiatric care during FY05. Total discharges fell by 2.4%, patient days declined by 1.0% and staffed beds rose by one-half percent (0.5%).

Psychiatric hospitals reported a net decline of 2,586 discharges or 5.9%, with most of the reduction occurring at two facilities. Eugenia Hospital closed during FY05, and Fairmount Behavioral Health Services reported a reduction of over 1,300 discharges despite an increase in patient days.

Patients in the 35–44 year age group made up the largest component of inpatient psychiatric care. Nearly one-fourth (23.4%) of patients at the psychiatric hospitals and GAC psychiatric units during FY05 were in this age group. Inpatient psychiatric care has a younger age distribution than the other categories of hospital-based care with 63% of patients under age 45.

The distribution of discharges by clinical classification at all hospitals providing psychiatric care in Pennsylvania (except the state hospitals) during FY05 is shown in Figure P-5. The leading principal diagnosis for a psychiatric patient admitted to

PSYCHIATRIC CARE

TABLE P-2
Utilization and Capacity, FY05
by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (ALOS)	ALOS w/o Residential & D&A Treatment
All Hospital Services (including Residential and Drug & Alcohol Treatment)							
Belmont Center	48,399	53,655	90.20%	3,866	147	12.52	12.52
Brooke Glen Behavioral	24,726	37,230	66.41%	2,484	102	9.95	9.95
Clarion Psych	19,424	27,010	71.91%	1,529	74	12.70	8.94
Devereux Behavioral Hlth	7,357	12,045	61.08%	504	33	14.60	14.60
Eugenia	4,826	9,200	52.46%	590	100	8.18	8.18
Fairmount Behavioral	61,326	67,525	90.82%	4,375	185	14.02	14.02
First Wyoming Valley	29,873	35,040	85.25%	2,972	96	10.05	10.05
Foundations Behavioral	24,079	34,310	70.18%	688	94	35.00	18.35
Friends	66,181	81,030	81.67%	5,769	222	11.47	10.08
Horsham Clinic	50,562	53,290	94.88%	4,845	146	10.44	10.44
KidsPeace	15,826	19,710	80.29%	1,343	54	11.78	11.78
Kirkbride Center	62,889	73,940	85.05%	3,900	203	16.13	8.20
Meadows Psych Center	29,435	36,865	79.85%	2,556	101	11.52	11.52
Montgomery Cty ES	24,773	29,565	83.79%	2,895	81	8.56	8.86
Philhaven	42,352	54,750	77.36%	2,159	150	19.62	9.45
Southwood Psych	37,319	50,423	74.01%	1,051	140	35.51	7.55
St John Vianney	8,707	15,330	56.80%	61	42	142.74	4.00
Residential and Drug & Alcohol Treatment							
Clarion Psych	6,079	8,030	75.70%	37	22	164.30	NA
Fairmount Behavioral	14,106	14,600	96.62%	749	40	18.83	NA
Foundations Behavioral	13,323	14,600	91.25%	102	40	130.62	NA
Friends	8,064	10,950	73.64%	3	30	2,688.00	NA
Kirkbride Center	47,132	50,005	94.25%	1,978	137	23.83	NA
Montgomery Cty ES	2,132	2,920	73.01%	339	8	6.29	NA
Philhaven	22,867	24,455	93.51%	97	67	235.74	NA
Southwood Psych	30,392	38,628	78.68%	133	115	228.51	NA
St John Vianney	8,699	14,600	59.58%	59	40	147.44	NA

NA - Not Applicable

PSYCHIATRIC CARE

these hospitals is affective mood disorders. Patients diagnosed with affective mood disorders comprised 50.2% of psychiatric admissions to the psychiatric hospitals and 43.7% of admissions to GAC psychiatric units.

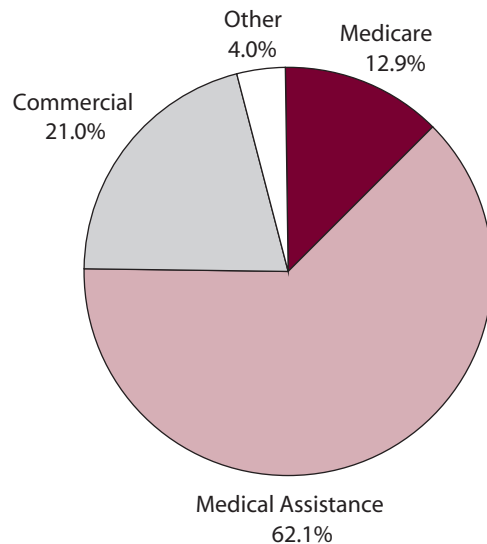
While substance-related and alcohol-related disorders were the principal diagnosis of only 15.5% of all patients admitted for psychiatric inpatient care during FY05, 89.6% of patients receiving inpatient care at specialty hospitals were admitted for drug and alcohol treatment.

Financial Profile

The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's nine psychiatric hospitals (state hospitals) provided 33.9% of all patient days of psychiatric care during FY05. In addition, the Medical Assistance (MA) Program administered by DPW provided 62.1% of the net patient revenue received by the 17 psychiatric hospitals in Pennsylvania during FY05. About 33% of all patients receiving inpatient psychiatric care at GAC hospitals were MA participants. DPW also sponsors psychiatric care in a variety of other settings.

The Commonwealth directly underwrites about 83.0% of the cost of the care provided at the nine state psychiatric hospitals. Of the remaining 17.0% of total expenses covered by patients and other revenue sources, 11.4% are covered by MA, 3.2% by Medicare, and about 2.2% are covered by private insurance and individuals.

FIGURE P-6
Statewide Net Patient Revenue
at Psychiatric Hospitals*, FY05
by Payor



* Excludes state psychiatric hospitals

After posting average operating and total losses in FY04, the 17 psychiatric hospitals realized a 5.5-point improvement in statewide average operating margin and a 4.4-point improvement in statewide average total margin during FY05. The statewide average operating margin rose to 1.73%, and the total margin climbed to 3.08%. In the past ten years, psychiatric hospitals as a group have only posted a positive annual total and operating margin four times.

Despite the dramatic gain in the statewide operating and total margins, changes in financial performance during FY05 were not uniform among the 17 psychiatric hospitals. Four of the nine non-

PSYCHIATRIC CARE

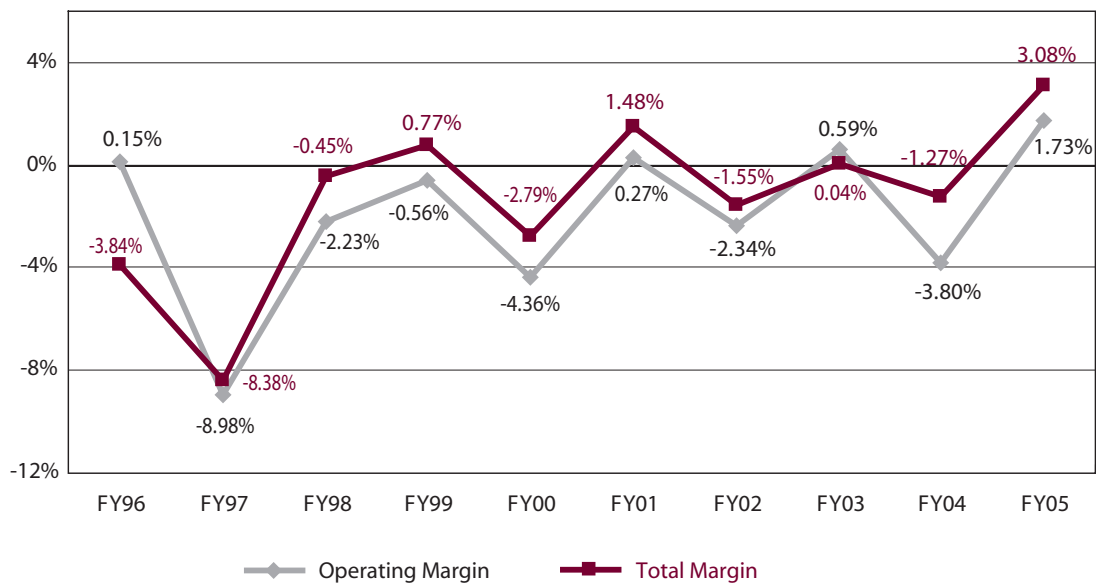
profit psychiatric hospitals experienced a decline in operating margin during FY05, and six of the nine had lower total margins in FY05 than they did in FY04. The average operating margin for the nine non-profit hospitals was -3.15%. Investment income and contributions brought the average total margin up to -1.38%.

The average FY05 operating margin for the eight for-profit psychiatric hospitals was ten points higher than the nine non-profit facilities. As a group, the for-profit hospitals posted an average operating margin of 7.77% even though three hospitals had operating losses for the year. The average total margin for the group was even higher at 8.52%. Typically, the total margin for for-profit hos-

pitals is lower because their income is subject to tax. However, one facility, Eugenia Hospital, reported an extraordinary non-operating gain resulting from the sale of property. Eugenia closed during FY05.

In November 2004, the Centers for Medicare and Medicaid Services (CMS) published a final rule that established the new per diem Medicare Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) for psychiatric hospitals and psychiatric units of GAC hospitals (November 15, 2004, 69 *Federal Register* 66922). The new PPS replaces the former system that based reimbursements on historical individual hospital costs. Unlike other IPF PPS programs, such as GAC, rehabilitation care and long-term acute care, which

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



* Excludes state psychiatric hospitals

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are paid on a per-discharge basis, the new psychiatric IPF PPS reimburses psychiatric hospitals on a per-diem (patient-day) basis.

The new IPF PPS system went into effect for cost reporting years that began after January 1, 2005. The final rule provides for a three-year phase-in period so hospitals will not be subject to 100% IPF PPS rates until 2008.

The initial base rate was \$576 per day with various adjustments for patient characteristics, such as age, principal diagnosis, co-morbidities and length of stay, as well as for facility characteristics, such as the local wage index and availability of an emergency department. In May 2006, CMS announced changes to the IPF PPS system that will result in a 4.5% increase in total Medicare payments for psychiatric care. These new rates will raise the base rate about \$19 per day to \$595 and will be effective for care between July 1, 2006 and June 30, 2007 (May 9, 2006, 71 *Federal Register* 27039).

The psychiatric hospitals reported a 6.0%

increase in the average revenue per day for Medicare indemnity patients to \$510 during FY05. The average Medicare indemnity reimbursement in Pennsylvania is well below the IPF PPS base rate because the new IPF PPS rates are being phased in over three years, and hospitals received a portion of their FY05 Medicare reimbursements before the new IPF PPS rule became effective. However, the average Medicare indemnity reimbursement was about \$29 greater than the \$481 average payment per day that psychiatric hospitals received from all payors.

The 6.0% increase in the per diem rate, coupled with the 0.9-day increase in the ALOS for Medicare indemnity patients, resulted in a 14.2% increase in the average revenue per discharge during FY05 to \$6,412. Similarly, the combination of the 6.9% increase in the average revenue per day from all patients at psychiatric hospitals and the overall 0.8-day increase in the ALOS resulted in an 11.8% increase in the average revenue per discharge to \$6,366.

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TABLE P-3
Revenue, Expense, and Income at Psychiatric Hospitals *
(thousands)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Net Patient Revenue	\$288,289	\$266,840	\$263,444	\$276,926	\$283,706	\$281,870	\$285,797	\$297,816	\$292,978	\$314,715
Total Operating Revenue	\$315,500	\$285,949	\$277,977	\$292,690	\$294,518	\$291,382	\$297,000	\$306,541	\$303,161	\$324,237
Total Operating Expenses	\$315,022	\$311,637	\$284,185	\$294,330	\$307,359	\$290,603	\$303,944	\$304,742	\$314,693	\$318,621
Operating Income	\$478	(\$25,688)	(\$6,208)	(\$1,640)	(\$12,842)	\$778	(\$6,944)	\$1,798	(\$11,532)	\$5,616
Non-Operating Adjustments †	(\$12,777)	\$2,975	\$4,942	\$3,938	\$4,554	\$3,624	\$2,301	(\$1,685)	\$7,655	\$4,698
Revenue over Expenses	(\$12,298)	(\$22,713)	(\$1,266)	\$2,298	(\$8,288)	\$4,403	(\$4,642)	\$113	(\$3,877)	\$10,314

* Excludes state psychiatric hospitals

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

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Region	Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY02-FY05
		FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
	Statewide Average	\$19	\$17	\$18	\$17	3.37%	\$19	\$19	\$18	\$18	1.61%
9	Belmont Center	\$32	\$31	\$30	\$28	4.71%	\$33	\$32	\$30	\$30	3.58%
8	Brooke Glen Behavioral ^{1,10}	\$18	\$9	\$22	\$22	-6.02%	\$17	\$16	\$24	\$22	-7.93%
2	Clarion Psych ^{1,5,10}	\$11	\$11	\$10	\$9	8.46%	\$7	\$7	\$7	\$6	2.96%
8	Devereux Behavioral Hlth ⁷	\$3	\$3	\$2	\$4	-4.29%	\$4	\$3	\$3	\$4	-3.31%
8	Eugenia ^{2,10,11,13}	\$8	\$11	\$11	\$12	-10.31%	\$11	\$14	\$13	\$11	-1.32%
9	Fairmount Behavioral ^{1,5,10}	\$28	\$25	\$24	\$22	8.90%	\$27	\$26	\$23	\$23	4.81%
6	First Wyoming Valley ^{7,13}	\$14	\$14	\$12	\$11	8.78%	\$14	\$12	\$13	\$15	-2.11%
8	Foundations Behavioral ^{5,13}	\$15	\$16	\$17	\$17	-4.24%	\$17	\$17	\$17	\$16	1.13%
9	Friends ^{5,6}	\$37	\$36	\$31	\$31	6.44%	\$42	\$41	\$37	\$36	5.46%
8	Horsham Clinic ^{1,10}	\$29	\$29	\$29	\$27	2.23%	\$31	\$32	\$28	\$34	-2.60%
7	KidsPeace ¹	\$16	\$16	\$17	\$15	2.39%	\$18	\$18	\$18	\$15	5.35%
9	Kirkbride Center ^{5,10,13}	\$20	\$15	\$17	\$16	7.52%	\$17	\$19	\$17	\$21	-5.92%
4	Meadows Psych Center ^{1,10}	\$14	\$13	\$13	\$12	6.61%	\$11	\$11	\$12	\$10	5.97%
8	Montgomery Cty ES ⁵	\$14	\$14	\$14	\$12	6.52%	\$15	\$14	\$14	\$12	7.78%
5	Philhaven ^{5,13}	\$37	\$36	\$31	\$31	5.68%	\$40	\$38	\$35	\$35	4.45%
1	Southwood Psych ^{1,5,10,13}	\$13	\$13	\$12	\$11	6.80%	\$13	\$12	\$11	\$11	8.97%
8	St John Vianney ⁵	\$3	\$3	\$4	\$4	-7.43%	\$3	\$3	\$4	\$4	-1.00%

Region	State Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY02-FY05
		FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
	Statewide Average	\$8	\$8	\$8	\$8	-1.50%	\$46	\$45	\$44	\$43	2.06%
7	Allentown State	\$5	\$6	\$6	\$5	0.33%	\$33	\$33	\$32	\$31	3.04%
6	Clark Summit State	\$8	\$8	\$9	\$9	-4.10%	\$42	\$39	\$37	\$37	3.68%
4	Danville State	\$6	\$6	\$6	\$6	1.21%	\$30	\$28	\$28	\$28	1.65%
5	Harrisburg State	\$7	\$7	\$7	\$7	0.29%	\$45	\$45	\$42	\$41	3.36%
1	Mayview State	\$9	\$9	\$10	\$10	-2.21%	\$67	\$66	\$65	\$65	0.96%
8	Norristown State	\$11	\$11	\$11	\$12	-2.68%	\$80	\$77	\$77	\$78	0.81%
1	Torrance State	\$7	\$8	\$8	\$8	-6.95%	\$42	\$41	\$40	\$39	2.93%
2	Warren State	\$8	\$8	\$8	\$8	-1.85%	\$40	\$40	\$37	\$37	2.93%
7	Wernersville State	\$9	\$9	\$9	\$8	5.45%	\$36	\$35	\$35	\$34	1.27%

See footnotes and map of regions on page 54.

PSYCHIATRIC CARE

Psychiatric 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
Statewide Average	1.73%	3.08%	0.69%	2.19%	12.88%	62.14%
Non-profit Psychiatric Hospitals						
Statewide Average (non-profit)	-3.15%	-1.38%	-0.64%	2.34%	14.65%	58.18%
Belmont Center	1.77%	1.79%	3.99%	1.39%	25.97%	49.06%
Devereux Behavioral Hlth ⁷	-16.68%	-16.68%	-5.26%	8.36%	0.00%	83.70%
First Wyoming Valley ^{7,13}	5.84%	6.80%	10.20%	1.03%	13.94%	49.98%
Foundations Behavioral ^{5,13}	-2.75%	-0.86%	2.14%	2.88%	0.00%	81.26%
Friends ^{5,6}	-7.14%	-2.39%	-4.89%	3.88%	23.69%	52.00%
KidsPeace ¹	-8.54%	-8.54%	-8.88%	0.16%	0.00%	75.95%
Montgomery Cty ES ⁵	3.15%	3.19%	2.61%	5.73%	11.44%	59.24%
Philhaven ^{5,13}	-5.64%	-4.06%	-3.61%	1.24%	12.54%	59.72%
St John Vianney ⁵	-9.15%	0.09%	4.40%	0.00%	0.00%	0.00%
For-profit Psychiatric Hospitals						
Statewide Average (for-profit)	7.77%	8.52%	2.36%	2.00%	10.69%	67.06%
Brooke Glen Behavioral ^{1,10}	6.69%	4.08%	-8.80%	4.86%	23.85%	42.98%
Clarion Psych ^{1,5,10}	40.73%	23.32%	19.48%	0.98%	4.99%	74.08%
Eugenia ^{2,10,11,13}	-20.46%	33.49%	4.64%	3.07%	2.13%	88.19%
Fairmount Behavioral ^{1,5,10}	6.04%	3.98%	0.32%	1.25%	11.24%	72.67%
Horsham Clinic ^{1,10}	-3.46%	-1.30%	-1.13%	1.29%	12.85%	51.13%
Kirkbride Center ^{5,10,13}	15.99%	7.25%	3.82%	2.96%	9.74%	87.50%

State Psychiatric Hospital	Percent of Expenses not covered by NPR FY05	Medicare Share of NPR FY05	Medical Assistance Share of NPR FY05
Statewide Average	82.96%	19.13%	68.01%
Allentown State	84.72%	24.00%	60.51%
Clark Summit State	81.03%	19.82%	65.37%
Danville State	80.12%	20.10%	68.86%
Harrisburg State	84.55%	28.97%	53.20%
Mayview State	86.09%	20.20%	69.28%
Norristown State	85.96%	15.11%	74.22%
Torrance State	84.22%	20.03%	65.54%
Warren State	79.95%	14.10%	71.73%
Wernersville State	73.20%	15.19%	74.76%

LONG-TERM ACUTE CARE

Highlights

- The robust growth in Pennsylvania's long-term acute care (LTAC) sector leveled off in FY05. In the six-year period between FY98 and FY04, the number of staffed medical-surgical LTAC beds grew at an average rate of 39% each year, and the demand for this care (patient days) grew at an annual average rate of 41%. During FY05, there was only a 2% increase in staffed beds and 5% growth in patient days.
- After five consecutive years of negative average statewide operating margins between FY98 and FY02, the LTAC sector has realized positive statewide operating margins in the 5.18% to 7.76% range in the last three years (FY03 – FY05). This transformation from average operating losses to positive statewide operating margins was concurrent with the transition from the former cost-based Medicare reimbursement system to the new prospective payment system. Pennsylvania's LTAC hospitals receive 73% of their patient revenue from Medicare patients.

Long-term acute care (LTAC) hospitals provide specialized acute care to medically complex patients. Patients are commonly admitted directly from a GAC hospital intensive care unit with complex medical conditions, such as respiratory or ventilator-dependent, that require continuous acute care. LTAC patients are not medically ready for rehabilitation care, or they still need a higher level

of care than can be provided by a skilled nursing facility or home health care. The average length of stay at the LTAC hospitals was 29.5 days during FY05, compared to 5.3 days at Pennsylvania's GAC hospitals.

Most (89%) of the patient days of care provided at LTAC hospitals during FY05 fell into the "medical-surgical" (med-surg) category. Three facilities provide inpatient psychiatric care, representing about 10% of statewide LTAC patient days during FY05, and the remaining 1% is skilled nursing care provided at a 22-bed unit of the HealthSouth Special Services Hospital.

Trends in Long-Term Acute Care

The first LTAC hospital began operating in Pennsylvania during FY94, and the number of facilities grew to five by the end of FY97. Since then, an additional 22 LTAC hospitals have gone into operation, and one subsequently closed. Consequently, there were 26 LTAC hospitals as of July 2005. Twenty-four (24) of these 26 facilities operated as an LTAC hospital for more than six months during FY05 and are included in the analysis presented in this report.

In the six-year period between FY98 and FY04, the number of staffed LTAC med-surg beds grew from 309 to 1,026, an average growth rate of 120 beds per year. The improvement in the statewide occupancy rate for med-surg beds from 65.4% in FY98 to 70.3% in FY05 indicates the growth in the demand for LTAC (patient days) has outpaced the robust growth in the number of staffed beds in the markets served by these facilities.

The strong growth in med-surg beds at LTAC hospitals subsided in FY05 with a net growth of only 20 staffed med-surg beds. This net growth in med-surg beds occurred in Philadelphia, where the

LONG-TERM ACUTE CARE

conversion of St. Agnes Hospital from a GAC facility to an LTAC hospital added 58 beds and the closure of Select Specialty's facility at Albert Einstein Medical Center removed 38 beds. HealthSouth reported a reduction of two med-surg beds at its Greater Pittsburgh facility. HealthSouth added 22 skilled nursing beds at its Special Services Hospital near Harrisburg.

One reason for the fast growth in LTAC hospi-

itals is that most new facilities utilize space within an existing GAC hospital. As reflected in Table L-3, 16 of the 26 LTAC hospitals occupy space within a GAC hospital. Consequently, construction time is often limited to the time needed to renovate existing hospital space. Moreover, since many new facilities lease space from a GAC hospital, capital requirements are considerably less than constructing a new freestanding facility.

TABLE L-1
Utilization and Capacity, FY05
by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (Days)
Girard	35,969	41,975	85.69%	1,078	115	33.37
Good Shepherd/Allentown	8,362	10,585	79.00%	299	29	27.97
HealthSouth Pittsburgh	19,861	31,893	62.27%	696	87	28.54
HealthSouth Special Services	14,901	22,840	65.24%	704	68	21.17
Kindred/Delaware County	9,773	14,235	68.65%	286	39	34.17
Kindred/Heritage Valley	9,178	12,775	71.84%	336	35	27.32
Kindred/Philadelphia	15,195	18,980	80.06%	325	52	46.75
Kindred/Pittsburgh	16,067	22,995	69.87%	516	63	31.14
Kindred/Wyoming Valley	8,763	13,140	66.69%	348	36	25.18
LifeCare Pittsburgh	36,702	56,575	64.87%	1,347	155	27.25
Mercy Special Care	17,389	20,440	85.07%	657	56	26.47
SCCI/Easton	7,454	11,315	65.88%	261	31	28.56
SCCI/Harrisburg	6,970	12,410	56.16%	286	34	24.37
Select Specialty/Camp Hill	8,307	11,315	73.42%	312	31	26.63
Select Specialty/Danville	5,654	10,950	51.63%	190	30	29.76
Select Specialty/Erie	10,924	12,775	85.51%	395	35	27.66
Select Specialty/Greensburg	9,770	11,315	86.35%	320	31	30.53
Select Specialty/Johnstown	12,975	14,235	91.15%	398	39	32.60
Select Specialty/Lancaster	6,350	10,950	57.99%	220	30	28.86
Select Specialty/McKeesport	4,142	10,950	37.83%	176	30	23.53
Select Specialty/Pittsburgh	11,363	14,965	75.93%	324	41	35.07
Select Specialty/UPMC	7,364	11,680	63.05%	228	32	32.30
Select Specialty/York	5,894	8,395	70.21%	214	23	27.54
St Agnes Intensive Care	6,867	14,244	48.21%	134	58	51.25

LONG-TERM ACUTE CARE

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

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Patient Days										
Med-surg	52,915	61,678	72,698	105,121	135,363	163,913	204,031	248,835	250,617	263,586
Psychiatric	50,254	44,467	34,924	26,426	25,005	28,184	28,788	29,033	28,223	29,324
Skilled Nursing	0	10,574	8,734	0	0	0	0	0	0	3,284
Statewide	103,169	116,719	116,356	131,547	160,368	192,097	232,819	277,868	278,840	296,194
Discharges										
Med-surg	1,599	1,883	1,937	3,010	3,961	4,915	6,760	8,707	8,753	8,778
Psychiatric	1,819	1,658	1,362	1,011	1,116	1,207	1,219	949	956	982
Skilled Nursing	0	337	251	0	0	0	0	0	0	290
Statewide	3,418	3,878	3,550	4,021	5,077	6,122	7,979	9,656	9,709	10,050
Beds										
Med-surg	327	269	309	459	646	678	770	957	1,026	1,046
Psychiatric	112	131	112	112	112	112	112	112	112	112
Skilled Nursing	0	75	75	0	0	0	0	0	0	22
Statewide	439	475	496	571	758	790	882	1,069	1,138	1,180
Occupancy Rate										
Med-surg	47.86%	63.49%	65.42%	64.90%	62.67%	67.73%	73.64%	73.51%	68.31%	70.29%
Psychiatric	122.79%	93.00%	85.43%	64.64%	61.17%	68.94%	70.42%	71.02%	68.90%	71.73%
Skilled Nursing	0.00%	38.63%	50.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	54.28%
Statewide	68.10%	67.72%	68.70%	64.85%	62.43%	67.90%	73.23%	73.24%	68.37%	70.20%
Average Length of Stay										
Med-surg	33.1	32.8	37.5	34.9	34.2	33.3	30.2	28.6	28.6	30.0
Psychiatric	27.6	26.8	25.6	26.1	22.4	23.4	23.6	30.6	29.5	29.9
Skilled Nursing	0.0	31.4	34.8	0.0	0.0	0.0	0.0	0.0	0.0	11.3
Statewide	30.2	30.1	32.8	32.7	31.6	31.4	29.2	28.8	28.7	29.5
Visits										
Statewide	63,601	43,473	44,824	20,363	27,411	64,801	61,850	118,399	115,745	114,108

Another reason for the growth of LTAC facilities is that GAC hospitals have a financial incentive to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare Prospective Payment System, or PPS, GAC hospitals typically receive a predetermined fee based on the average cost to treat patients in the diagnosis-related group (DRG). If a patient requires

acute care for an extended period of time, the GAC hospital can avoid the extraordinary costs associated with the extended stay by discharging the patient to an LTAC hospital. As discussed below, there have been some recent changes to the Medicare payment system which, in the future, may limit the incentive for LTAC hospitals to accept patients from their host GAC hospital.

LONG-TERM ACUTE CARE

The top ten clinical classifications for patients discharged from LTAC hospitals during FY05 are presented in Table L-4. These ten classifications represent 60% of all discharges during the fiscal year.

There was a five-point increase in the percentage of LTAC patients receiving care under the “respiratory failure, insufficiency, arrest” clinical classification. The portion of patients in this classification increased from 24.6% in FY04 to 29.6% in FY05. The increase in this category was primarily driven by the newer (reporting) facilities that began operations during FY04 and early FY05. These new facilities generally had a higher percentage of their care in this classification than the overall average of the pre-FY04 facilities. None of the facilities that began operation prior to FY04 reported a significant change in this classification between FY04 and FY05.

The average age of patients admitted to LTAC facilities during FY05 was 69 years. The age distribution of patients receiving LTAC presented in Figure L-2 is indicative of extended care facilities, which serve a predominately elderly population. Consistent with the age distribution of LTAC patients, Figure L-3 shows that 73.2% of net patient revenue (NPR) was received from Medicare during FY05. In contrast, GAC hospitals in Pennsylvania received an average of 38.5% of their total NPR from Medicare.

Five of the LTAC hospitals reported a total

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

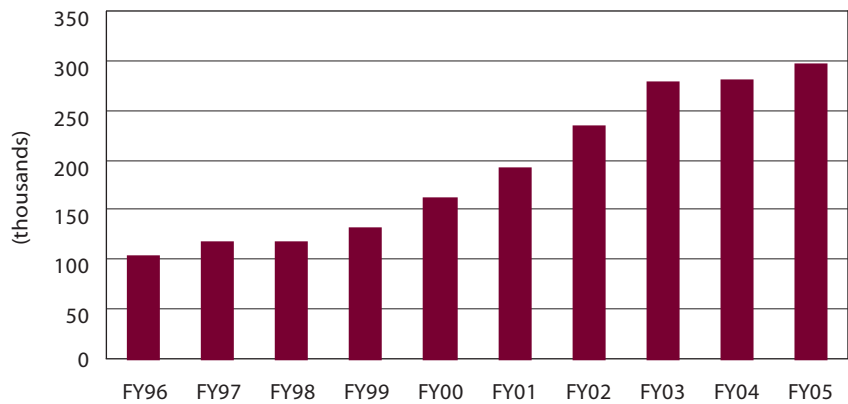
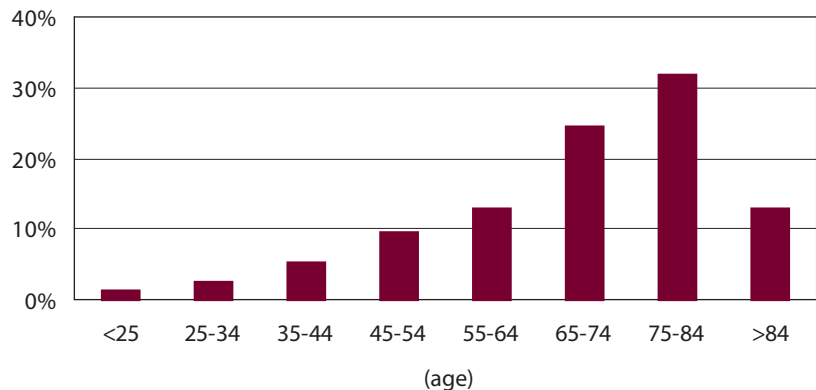


FIGURE L-2
Age Distribution at Long-Term Acute Care Hospitals, FY05



of 114,108 outpatient visits during FY05. Three of the five facilities reported over 99% of the total outpatient visits. Most of the outpatient care is not directly related to the hospitals' inpatient LTAC services but reflects the broader spectrum of care provided by each facility's affiliated health system. For example, 67% of the outpatient visits to LTAC hospitals were reported by the Girard Medical Center, and a large part of Girard's outpatient care is related to its drug and alcohol programs operated out of the same facility as the LTAC hospital.

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TABLE L-3
LTAC Facilities as a Hospital-within-a-Hospital[†], F05

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

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

Financial Profile

Like rehabilitation hospitals, LTAC hospitals have also transitioned from a cost-based Medicare reimbursement system to a Long-Term Care Hospital Prospective Payment System (LTCH PPS). Also like rehabilitation hospitals, changes to the Medicare reimbursement system have a major effect on the financial health of Pennsylvania's LTAC hospitals, since they received nearly three-fourths of their patient revenue from Medicare patients during FY05.

Concurrent with the move to LTCH PPS in FY03, LTAC hospitals as a group began to post positive operating and total margins in FY03 after five consecutive years of negative margins. Not only did these margins move into positive territory in

FY03, the statewide operating margin improved 5.4 points from (a negative) -0.25% in FY02 to 5.18% in FY03. The statewide operating margin rose another 2.6 points in FY04 to 7.76% before falling to 6.62% in FY05.

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

After three consecutive annual increases in LTCH PPS Medicare rates, CMS is attempting to restrain its payments to LTAC hospitals. On May 12, 2006, CMS published a final rule which delineates its LTCH PPS rates for the 12 months between July 2006 through June 2007 (71 *Federal Register* 27798). Among the many changes to the PPS methodology, CMS will not increase the base rate over the 2005-2006 level and will not reduce the

TABLE L-4
Leading Clinical Classifications[†] at Long-Term Acute Care Hospitals, FY05

Adult respiratory failure, insufficiency, arrest	29.61%
Complications of surgical procedures or medical care	5.23%
Schizophrenia and related disorders	4.86%
Septicemia (except in labor).....	3.71%
Affective (mood) disorders	3.50%
Pneumonia (except that caused by tuberculosis or sexually transmitted disease).....	3.48%
Congestive heart failure, nonhypertensive.....	2.84%
Complication of device, implant or graft	2.54%
Chronic obstructive pulmonary disease and bronchiectasis ..	2.12%
Late effects of cerebrovascular disease.....	2.04%

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

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payment for many patients with shorter than average stays (short-stay outlier patients). CMS also adjusted the relative weights that are used to determine the reimbursement rates for individual DRGs. These changes in the PPS system are expected to lower overall Medicare payments in FY07.

In discussing the need to change Medicare LTCH rates, CMS reports that the “Medicare margin” for FY03, the first year that PPS rates were implemented, was 7.8%. Preliminary data from Medicare cost reports for FY04 “reveal an even higher Medicare margin of 12.7%” (FR27820). The “Medicare margin” reflects the income LTAC hospitals realize after “Medicare expenses” are deducted from “Medicare revenue.” CMS notes that the number of LTCHs being reimbursed under Medicare “has almost doubled from approximately 200 LTCHs in FY2003 to 378 LTCHs at the start of FY2005” (FR27819).

Restructure and expansion of this relatively new sector had an impact on the income realized by the LTAC hospitals. Despite the statewide operating margins in the 5.18% to 7.76% range over the past three years, seven of the 24 reporting LTAC hospitals posted operating losses in FY05. Five of the seven facilities are either in their first full year of operation or are in their first year under a new corporate owner. While Select Specialty has operated its Pittsburgh facility since 1997,

FIGURE L-3
Statewide Net Patient Revenue at Long-Term Acute Care Hospitals, FY05
by Payor

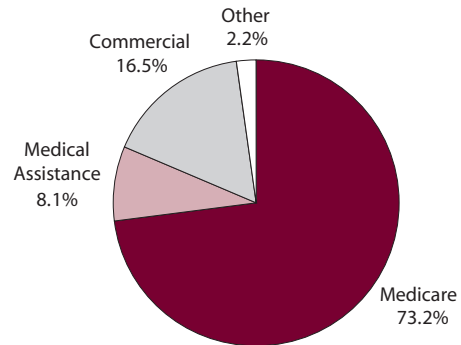


FIGURE L-4
Statewide Operating and Total Margins at Long-Term Acute Care Hospitals

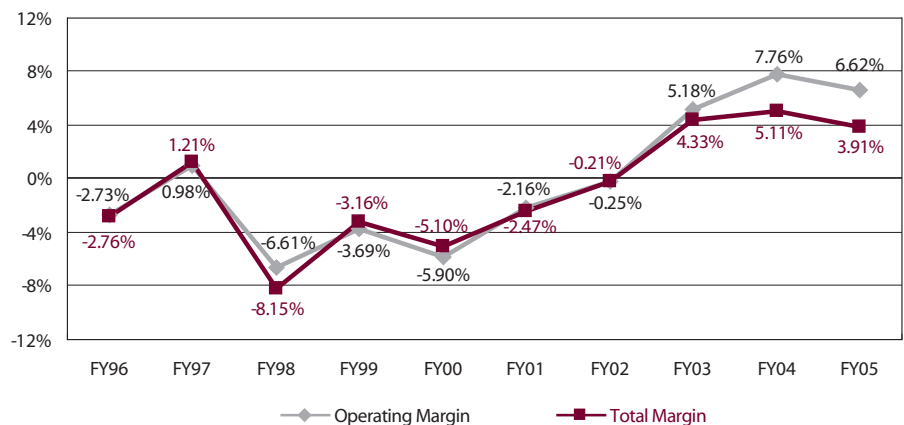


TABLE L-5
Statewide Revenue, Expenses, and Income at Long-Term Acute Care Hospitals
(thousands)

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

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

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corporate restructuring costs allocated to the facility contributed to the facility's FY05 operating loss. The remaining facility with a FY05 operating loss, Girard Medical Center, approached the break-even mark in FY05. Girard reported a one-point improvement in its operating margin from -1.43% in FY04 to -0.40% in FY05 and posted a small positive total margin of 0.05% for the year.

On August 11, 2004, CMS published a final regulation (69 *Federal Register* 48916) that could have

a significant effect on the Medicare revenue received by the LTAC hospitals that operate as a hospital-within-a-hospital (e.g., an LTAC facility leasing space on the campus of a GAC hospital). Among the many provisions of the new regulations, there are limits on the number of patients admitted by the LTAC from the host hospital that are eligible to receive the higher LTCH PPS rates. This limit will ratchet down in 25% annual increments between 2005 and 2007. Consequently, for the cost report-

Region	Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY02-FY05
		FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
	Statewide Average	\$16	\$14	\$14	\$13	21.96%	\$15	\$13	\$13	\$13	18.01%
9	Girard ^{5,13}	\$49	\$53	\$49	\$48	0.28%	\$49	\$54	\$50	\$48	0.79%
7	Good Shepherd/Allentown	\$12	\$11	\$9	\$9	13.40%	\$12	\$10	\$10	\$9	11.27%
1	HealthSouth Pittsburgh ^{1,10,13}	\$24	\$24	\$25	\$26	-3.08%	\$22	\$25	\$25	\$24	-2.32%
5	HealthSouth Special Svcs ^{1,5,10}	\$15	\$12	\$10	\$7	34.39%	\$13	\$10	\$10	\$9	15.03%
8	Kindred/Delaware County ^{1,10}	\$12	\$12	\$11	\$8	15.21%	\$11	\$11	\$12	\$8	12.69%
1	Kindred/Heritage Valley ^{1,10}	\$12	\$9	\$4	NA	NA	\$10	\$7	\$4	NA	NA
9	Kindred/Philadelphia ^{1,10}	\$20	\$18	\$17	\$17	4.95%	\$17	\$16	\$15	\$15	4.57%
1	Kindred/Pittsburgh ^{1,10}	\$23	\$22	\$22	\$20	4.89%	\$20	\$21	\$20	\$18	2.52%
6	Kindred/Wyoming Valley ^{1,10}	\$10	\$10	\$7	NA	NA	\$9	\$7	\$6	NA	NA
1	LifeCare Pittsburgh ^{1,10}	\$44	\$40	\$40	\$37	6.96%	\$35	\$34	\$37	\$37	-1.30%
6	Mercy Special Care ^{1,5}	\$15	\$14	\$14	\$12	8.76%	\$14	\$13	\$12	\$13	3.41%
7	SCCI/Easton ^{1,10}	\$12	\$13	\$10	\$7	26.13%	\$11	\$12	\$10	\$7	20.49%
5	SCCI/Harrisburg ^{1,10}	\$11	\$8	\$8	\$7	20.34%	\$10	\$8	\$8	\$8	10.79%
5	Select Special Lancaster ^{1,10}	\$9	\$9	\$9	\$4	42.63%	\$10	\$8	\$7	\$5	32.44%
1	Select Special McKeesport ^{1,10}	\$5	\$3	NA	NA	NA	\$6	\$4	NA	NA	NA
4	Select Special/Danville ^{1,3,10}	\$8	\$0.70	NA	NA	NA	\$10	\$2	NA	NA	NA
1	Select Specialty UPMC ^{1,3,10}	\$12	\$7	NA	NA	NA	\$12	\$9	NA	NA	NA
5	Select Specialty/Cmp Hill ^{1,10}	\$13	\$11	\$10	\$8	18.49%	\$9	\$8	\$9	\$9	-0.04%
2	Select Specialty/Erie ^{1,10}	\$16	\$13	\$12	\$10	22.21%	\$15	\$11	\$11	\$10	18.22%
1	Select Specialty/Grnsbrg ^{1,10}	\$13	\$11	\$10	\$8	19.57%	\$11	\$9	\$9	\$8	15.11%
3	Select Specialty/Johnstwn ^{1,10}	\$15	\$14	\$13	\$10	18.00%	\$14	\$12	\$11	\$9	17.76%
1	Select Specialty/Pgh ^{1,10}	\$15	\$14	\$15	\$13	4.26%	\$17	\$12	\$14	\$12	14.45%
5	Select Specialty/York ^{1,3,10}	\$9	\$7	\$6	\$2	NA	\$7	\$7	\$6	\$3	NA
9	St Agnes Intensive Care ^{1,3,14}	\$12	\$74	\$67	\$29	NA	\$16	\$80	\$76	\$34	NA

See footnotes and map of regions on page 54.

LONG-TERM ACUTE CARE

ing years beginning after October 2007, only 25% of the LTAC patients admitted from the host hospital will be eligible for LTCH PPS rates. Patients that exceed the 25% limit will be reimbursed at either the standard inpatient PPS (IPPS) rates for GAC hospitals or the LTCH PPS rates, whichever is lower.

An exemption has been implemented for LTAC hospitals located within GAC facilities that are the primary provider of GAC services in rural and urban areas. With an exemption, the limit for

patients admitted from the host GAC hospital may be as high as 50%.

Since many local markets in Pennsylvania are served by fewer than four GAC hospitals, it may be difficult for some LTAC hospitals to meet the 25% to 50% limits on Medicare patients from host GAC hospitals. It is expected that the future trend will be to locate or relocate LTAC facilities to either freestanding sites or small GAC hospitals in order to remain eligible for Medicare LTCH PPS rates.

Long-Term Acute Care 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
Statewide Average	6.62%	3.91%	4.43%	1.93%	73.16%	8.13%
Non-profit LTAC Hospitals						
Statewide Average (non-profit)	-3.08%	-2.43%	0.52%	6.92%	55.78%	33.01%
Girard ^{5,13}	-0.40%	0.48%	-0.47%	11.61%	39.20%	59.09%
Good Shepherd/Allentown	2.19%	2.19%	3.90%	1.17%	67.68%	0.00%
Mercy Special Care ^{1,5}	7.33%	7.80%	10.37%	0.89%	83.24%	1.65%
St Agnes Intensive Care ^{1,3,14}	-32.01%	-31.48%	-7.58%	1.31%	76.51%	0.32%
For-profit LTAC Hospitals						
Statewide Average (for-profit)	9.50%	5.80%	5.61%	0.45%	78.31%	0.76%
HealthSouth Pittsburgh ^{1,10,13}	7.27%	4.29%	1.80%	0.01%	64.55%	2.22%
HealthSouth Special Svcs ^{1,5,10}	14.88%	8.71%	7.47%	0.88%	82.32%	0.00%
Kindred/Delaware County ^{1,10}	8.33%	4.95%	2.43%	-0.99%	73.96%	5.66%
Kindred/Heritage Valley ^{1,10}	16.65%	10.24%	8.48%	1.02%	82.35%	0.00%
Kindred/Philadelphia ^{1,10}	12.95%	7.71%	6.16%	-0.55%	65.70%	5.30%
Kindred/Pittsburgh ^{1,10}	14.24%	8.76%	6.57%	0.61%	77.85%	0.00%
Kindred/Wyoming Valley ^{1,10}	13.58%	8.07%	10.46%	-0.17%	88.94%	0.00%
LifeCare Pittsburgh ^{1,10}	21.34%	11.76%	8.78%	0.87%	84.65%	0.00%
SCCI/Easton ^{1,10}	2.20%	0.86%	4.52%	0.14%	81.29%	0.00%
SCCI/Harrisburg ^{1,10}	7.66%	4.11%	2.17%	0.39%	84.55%	0.00%
Select Special Lancaster ^{1,10}	-4.61%	-5.40%	4.42%	0.43%	82.88%	0.00%
Select Special McKeesport ^{1,10}	-24.78%	-24.78%	NA	6.18%	86.92%	0.01%
Select Special/Danville ^{1,3,10}	-26.03%	-26.03%	NA	0.81%	73.87%	0.00%
Select Specialty UPMC ^{1,3,10}	-2.89%	-3.81%	NA	1.65%	61.56%	0.00%
Select Specialty/Cmp Hill ^{1,10}	31.99%	32.38%	23.94%	0.05%	75.26%	0.00%
Select Specialty/Erie ^{1,10}	7.33%	4.89%	7.48%	0.03%	83.36%	0.00%
Select Specialty/Grnsbrg ^{1,10}	12.36%	8.90%	12.19%	0.18%	86.25%	0.00%
Select Specialty/Johnstwn ^{1,10}	3.87%	4.22%	10.71%	0.14%	87.53%	0.00%
Select Specialty/Pgh ^{1,10}	-14.02%	-10.93%	4.35%	0.59%	70.32%	0.00%
Select Specialty/York ^{1,3,10}	23.65%	23.65%	NA	-0.26%	79.86%	0.00%

SPECIALTY CARE

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-General Acute Care hospitals. There were six hospitals in this category during Fiscal Year 2005 (FY05). In lieu of an analysis of the trends in utilization and financial health of this very diverse category of facilities, this section presents a brief summary of each of the facilities, based on data available at the end of FY05.

Children's Home of Pittsburgh is an 11-bed inpatient non-profit transitional infant care hospital. It provides an intermediate level of medical care for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. During FY05, the hospital discharged 156 patients with an average length of stay (ALOS) of 18.3 days.

Children's Home has a history of continuing operating losses. The revenues it receives for patient care and other services do not cover its operating expenses. Prior to FY04, contributions and investment earnings were larger than the operating deficit; therefore, the hospital has historically realized a positive total margin. However, in FY04 and FY05, the operating deficit was larger than normal, and the Home posted negative total margins of -14.86% and -5.59%, respectively.

Divine Providence is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital provides outpatient diagnostic and treatment services and operates a 31-bed inpatient psychiatric unit. During FY05, Divine Providence experienced 110,626 outpatient visits. Outpatient and home health care

Region	Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY02-FY05	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY02-FY05
		FY05	FY04	FY03	FY02		FY05	FY04	FY03	FY02	
	Statewide Average	\$17	\$16	\$14	\$12	8.59%	\$19	\$17	\$15	\$12	10.16%
1	Children's Home Pgh	\$2	\$3	\$3	\$2	-0.12%	\$5	\$4	\$3	\$3	19.24%
4	Divine Providence	\$55	\$53	\$44	\$43	9.63%	\$57	\$56	\$46	\$42	11.50%
8	Eagleville ⁵	\$23	\$21	\$20	\$19	6.41%	\$26	\$23	\$21	\$19	11.65%
9	Kensington ^{6,13,14}	\$5	\$6	\$5	\$4	9.41%	\$7	\$6	\$5	\$5	7.61%
8	Malvern Inst ¹⁰	\$5	\$4	\$4	\$4	11.41%	\$5	\$4	\$4	\$4	10.51%
8	Valley Forge ^{1,5,10}	\$12	\$12	\$11	\$9	12.21%	\$12	\$11	\$11	\$10	5.14%

See footnotes and map of regions on page 54.

SPECIALTY CARE

represented about 94% of the facility's net patient revenue (NPR).

Eagleville Hospital provides inpatient drug and alcohol treatment as well as geriatric psychiatric services in Montgomery County. The hospital reports 350 staffed beds, 20 of which are acute psychiatric beds. The overall ALOS during FY05 was 23.9 days.

Eagleville Hospital reported a negative operating margin of -12.13% for FY05 but was able to realize a small positive total margin of 0.29% as a result of a \$2.4 million transition grant from the state and federal governments. The purpose of this grant is to assist hospitals in adjusting to the reduction of funding from the Medicaid program.

Kensington Hospital is a 33-bed drug and alcohol hospital in Philadelphia. Not including state grants, Kensington receives about 73% of its patient

revenue from the Medical Assistance program. The hospital reported 9,044 outpatient visits in FY05, and outpatient care represented about 30% of its patient revenue.

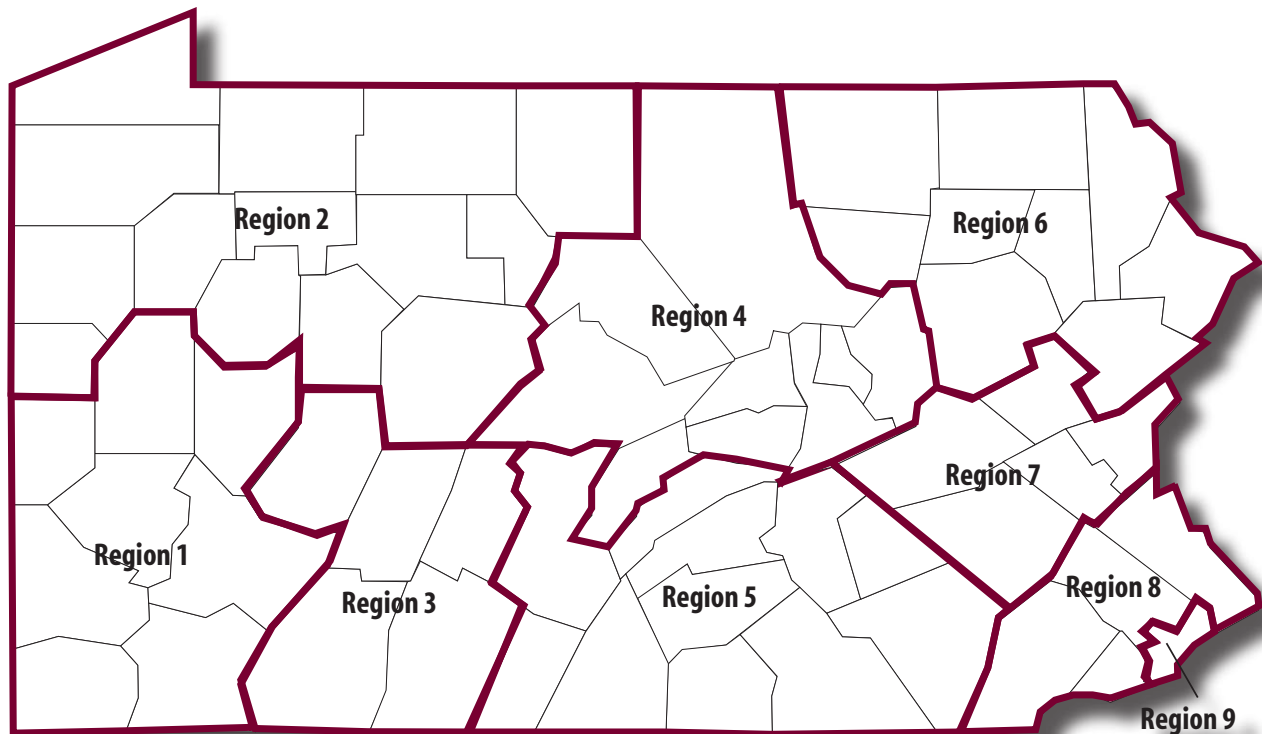
The Malvern Institute is a 58-bed for-profit drug and alcohol treatment hospital located in Chester County. While the hospital offers outpatient services, less than 5% of its revenue came from outpatient care in FY05.

The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other related conditions. The hospital has experienced a steady growth in the total patient days of care over the past few years and reported an increase of eight staffed beds during FY05.

Specialty 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
Statewide Average	0.00%	4.29%	3.99%	2.17%	21.81%	26.97%
Children's Home Pgh	-30.30%	-5.59%	-6.38%	0.55%	0.00%	61.27%
Divine Providence	5.31%	7.42%	5.51%	2.22%	32.02%	3.31%
Eagleville ⁵	-12.13%	0.29%	3.11%	1.22%	16.12%	46.21%
Kensington ^{6,13,14}	-1.27%	-0.98%	5.85%	3.82%	11.43%	72.85%
Malvern Inst ¹⁰	6.15%	6.14%	2.56%	5.71%	0.00%	10.64%
Valley Forge ^{1,5,10}	4.58%	3.05%	1.59%	1.73%	4.80%	77.07%

Footnotes

1. The end of the fiscal year is other than 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.
 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 facility.
- NA Not applicable.



Explanation of Terms and Measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

$$\left[\frac{(\text{NPR}_{05} - \text{NPR}_{02})}{\text{NPR}_{02}} / 3 \right] \text{ or } \left[\frac{(\text{TOE}_{05} - \text{TOE}_{02})}{\text{TOE}_{02}} / 3 \right]$$

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

$$\frac{\sum_{05,04,03} \text{revenue over expenses}}{\sum_{05,04,03} \text{total revenue}}$$

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

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

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

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

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

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

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

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

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

Non-Compliant Facilities

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

Late Submission

Altoona Specialty
Angela Jane Rehab
ASC/New Kensington
Brandywine Cosmetic SC
Carlisle Endoscopy
Carlisle Regional SC
CHS ASC
Del Valley Ortho/Spine SC
Delaware Valley Laser
Dermatologic/Drexel Hill
Dermatologic/Philadelphia
Dermatology & Cosmetic SC
Doylestown SC
Drexel Centers
Endoscopy Center
Eugenia
Eye SC
Eynon SC
First Wyoming Valley
Foundation/Ft Washington
Foundations Behavioral
Four Seasons Endoscopy
Girard
HEALTHSOUTH Erie
Hillmont Endoscopy
Huntingdon Valley SC
HUP Reproductive Surgical
Kensington
Kingston Ophthalmology
Kirkbride Center
Laurel Surgical Assoc
Liberty Eye SC
Lowry SC
North East SC
Ophthalmology SC
PA Eye SC

Philadelphia SC
Philhaven
Pottstown SC
Progressive Laser Surgi
Progressive Surgical Inst
Reading ASC
Reading Endoscopy Center
Regional ASC
Sally Balin ASC
SC Chester County
SC Cranberry
SC Edgeworth Commons
SC Limerick
Schuylkill Endoscopy
Scranton Endoscopy
Southwestern ASC
Southwestern PA Eye SC
Southwood Psych
Surgery & Laser
Valley Pain Center
Valley View SC
Washington Endoscopy
Wills SC Northeast

Partial Submission

Hershey Outpatient SC
SC York
Westfield SC
Wills SC Bucks County

No Submission

Bryn Mawr Med Specialists
Chestnut Hill Rehab
Northwood SC
Parkway SC
Phila Cosmetic Surgery
Prosperpi-Schlechter

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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.