

An Annual Report on the Financial Health of
Pennsylvania's Non-GAC Hospitals

FINANCIAL ANALYSIS 2011

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



Pennsylvania Health Care Cost Containment Council

November 2012



About PHC4

The Pennsylvania Health Care Cost Containment Council (PHC4) is an independent state agency charged with collecting, analyzing, and reporting information that can be used to improve the quality and restrain the cost of health care in the state. It was created in the mid-1980s when Pennsylvania businesses and labor unions, in collaboration with other key stakeholders, joined forces to enact market-oriented health care reforms. As a result of their years of effort, the General Assembly passed legislation (Act 89 of 1986) creating PHC4.

The primary goal is to empower purchasers of health care benefits, such as businesses or labor unions, as well as other stakeholders, with information they can use to improve quality and restrain costs. Nearly 100 organizations and individuals annually utilize PHC4's special requests process to access and use data. More than 750,000 public reports on patient treatment results are downloaded from the PHC4 website each year. Today, PHC4 is a recognized national leader in public health care reporting.

It is governed by a 25-member board of directors representing business, labor, consumers, health care providers, insurers, and state government.

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Non-Compliant Hospitals

Late Submission

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

- Girard
- Haven Behavioral
- HealthSouth Erie
- Kensington
- Kindred/Delaware County
- Kindred/South Phila
- Kindred/Wyoming Valley
- Montgomery Cty ES
- Southwood Psych
- Valley Forge

Key Findings

- The statewide average operating margin for the state's rehabilitation hospitals improved 3.76 percentage points from 10.37% in FY10 to 14.13% in FY11. The statewide average total margin increased 3.21 percentage points from 10.65% in FY10 to 13.86% in FY11.
- Statewide, the number of patients that received rehab care increased 2.8%, and the number of rehab patient days increased 1.4% during FY11.
- The freestanding psychiatric hospitals as a group posted a 0.67 percentage point decrease in the statewide average operating margin from 5.90% in FY10 to 5.23% in FY11. The statewide average total margin increased 0.19 of a percentage point from 4.55% in FY10 to 4.74% in FY11.
- The Medical Assistance (MA) program provided 54.9% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY11. Of all patients that received inpatient psychiatric care at GAC psychiatric units, 23.2% were MA participants.
- The statewide average operating margin for the long-term acute care (LTAC) hospitals decreased 0.26 of a percentage point from 6.23% in FY10 to 5.97% in FY11. The statewide average total margin decreased 0.14 of a percentage point from 4.93% in FY10 to 4.79% in FY11.
- LTAC hospitals received 73.4% of their patient revenue from Medicare during FY11.

Introduction

The Pennsylvania Health Care Cost Containment Council (PHC4) annually produces a series of reports that measure the financial health of Pennsylvania's hospitals and ambulatory surgery centers.

This is the third volume of a three-volume series. *Volume One*, released in May 2012, focused on the financial health of Pennsylvania's general acute care (GAC) hospitals. *Volume Two*, released in September 2012, concentrated on Pennsylvania's ambulatory surgery centers (ASCs). This report, *Volume Three*, focuses on Pennsylvania's rehabilitation hospitals, psychiatric hospitals, state psychiatric hospitals, long-term acute care hospitals, and specialty hospitals (non-GAC hospitals). The total number of hospitals and ASCs that operated in Pennsylvania during fiscal year 2011 (FY11) is listed in Table 1.

TABLE 1
Number of Facilities, FY11
by Facility Type

Facility Type	Number of Facilities
General Acute Care Hospitals	168
Rehabilitation Hospitals	19
Psychiatric Hospitals	19
State Psychiatric Hospitals	7
Long-Term Acute Care Hospitals	27
Specialty Hospitals	6
Ambulatory Surgery Centers	271
Total	517

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

The reporting year for the non-GAC hospitals in this report is based on each facility's fiscal year that ended during 2011. The fiscal year for the majority of non-GAC hospitals is the calendar year ending on December 31, 2011. For those hospitals that do not utilize a calendar year, the fiscal year typically ended on June 30, 2011.

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

Hospital-specific financial data for the non-GAC hospitals that reported data and operated during FY11 are presented in tables at the end of each provider category section. Included in these tables are the FY11 operating and total margins for each individual hospital. Each hospital's corresponding operating income, total income, and total operating revenue, expressed in dollars, can be found on PHC4's website at www.phc4.org. (Note: Other operating revenue must be included with net patient revenue to calculate the operating income that is used for operating margin.)

Statewide averages are presented in the individual hospital tables. Averages expressed as a percentage (e.g., operating margin) were calculated as if the entire group (state) were a single reporting entity. For example, the statewide average operating margins for psychiatric hospitals were calculated by dividing the sum of operating income for all psychiatric hospitals in the state and the sum of total operating revenue for all psychiatric hospitals in the state.

In calculating statewide averages, estimated data was used for hospitals that reported less than a full year of data. No estimated data was used for the individual hospital data.

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

Overview

General acute care (GAC) hospitals (including their hospital-based subunits) are the predominate providers of hospital-based health care in Pennsylvania. During fiscal year 2011 (FY11), GAC hospitals received 93.1% of the statewide net patient revenue (Figure 1). GAC hospitals treated 94.7% of the patients receiving inpatient care (Figure 2). Similarly, the 39.7 million outpatient visits reported by the GAC hospitals represent 92.2% of the total outpatient visits to all hospitals and ambulatory surgery centers (ASCs) (Figure 3).

The four types of non-GAC hospitals covered in this report treated 5.3% of the patients receiving inpatient care. They received 5.4% of the outpatient visits, with ASCs accounting for the other 2.4%.

The figures and tables in this section, except for Figure 4 and Table 2, present a variety of information by facility type. These figures and tables reflect all care provided at each type of facility. For example, the patient days for long-term acute care (LTAC) hospitals in Table 3 include medical-surgical plus the psychiatric care provided at the LTAC hospitals. In contrast, Figure 4 and Table 2 present patient days by type of care (e.g., psychiatric), regardless of where that care was delivered. For example, statewide psychiatric care includes services provided at freestanding psychiatric, GAC, LTAC, and specialty hospitals.

Table 3 displays the differences in the average revenue per day

FIGURE 1
Net Patient Revenue, FY11
*by Facility Type**

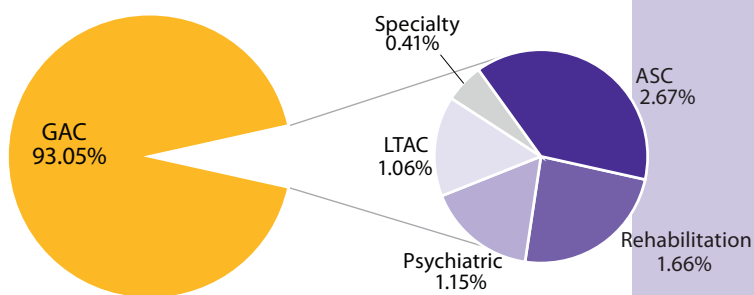


FIGURE 2
Discharges, FY11
*by Facility Type**

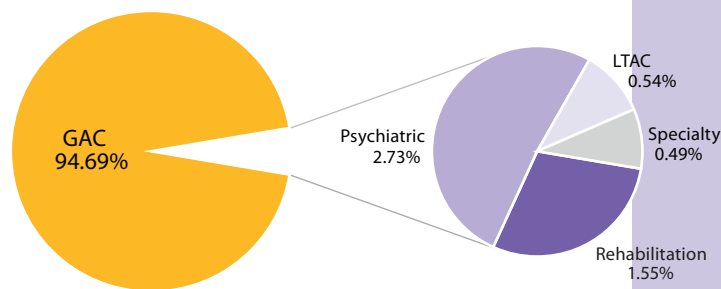
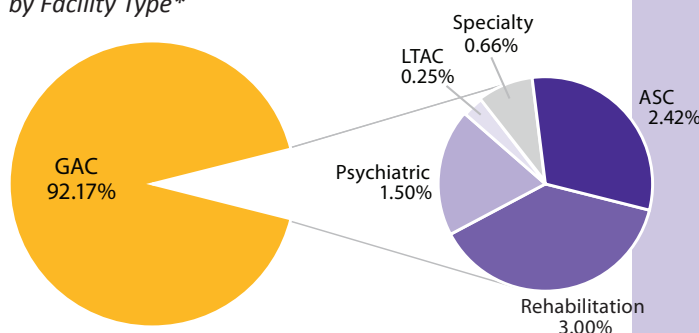


FIGURE 3
Outpatient Visits, FY11
*by Facility Type**



* Excludes state psychiatric hospitals

and revenue per discharge at the different types of hospitals. While a number of factors affect the revenue that hospitals receive, the variation in the average revenue per day provides some indication of the differences in resources required to treat patients in the different facility settings. For example, the revenue per day at rehabilitation hospitals is more than double the average for psychiatric hospitals. This exists, in large part, because rehabilitation hospitals generally provide care that is more resource intensive than psychiatric hospitals. In addition, Figure 5 reveals that the average age of patients treated at rehabilitation facilities is more than twice the average age of patients at psychiatric hospitals. Typically, older patients require more resources than younger patients being treated for the same condition.

Applying the differences in the average lengths of stay presented in Figure 6 to the variations in the average revenue per day results in large differences in the average revenue per discharge across the different hospital settings. The average revenue

TABLE 2
Patient Days, FY11
by Type of Care

Type of Services	Patient Days
Medical-Surgical	7,662,769
Rehabilitation	684,521
Psychiatric *	1,491,141
Other	615,732
Statewide *	10,454,163

FIGURE 4
Patient Days, FY11
by Type of Care

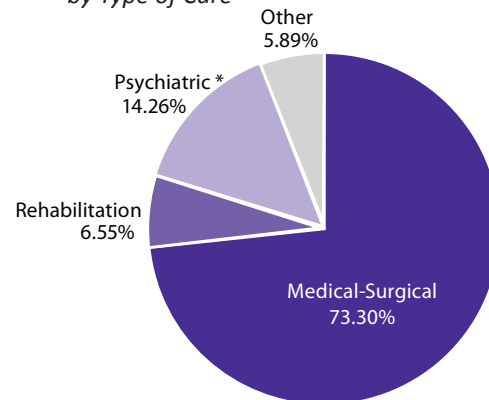


TABLE 3
Utilization and Net Inpatient Revenue, FY11
*by Facility Type**

Facility Type	Staffed Beds	Patient Days	Discharges	Net Inpatient Revenue (thousands)	Average Inpatient Revenue per Day	Average Inpatient Revenue per Discharge
General Acute Care Hospitals	36,711	8,966,854	1,715,593	\$21,156,604	\$2,359	\$12,332
Rehabilitation Hospitals	1,760	418,981	28,104	\$529,463	\$1,264	\$18,839
Psychiatric Hospitals	2,282	656,941	49,453	\$380,871	\$580	\$7,702
Long-Term Acute Care Hospitals	1,283	267,317	9,843	\$389,346	\$1,456	\$39,556
Specialty Hospitals	547	144,070	8,826	\$70,081	\$486	\$7,940
Statewide	42,583	10,454,163	1,811,819	\$22,526,366	\$2,155	\$12,433

* Excludes state psychiatric hospitals

per discharge during FY11 ranged from \$7,702 at psychiatric hospitals to \$39,556 at LTAC hospitals. LTAC hospitals treat complex medical conditions that require continuous care.

There is also a wide variation in the average outpatient revenue per visit across all facilities (Table 4). As with inpatient care, a primary reason for the diversity in outpatient revenue per visit among the facility types is the variation in level of resources provided per visit. A patient may receive care as a series of visits comprised of relatively short treatments (e.g., psychotherapy) in a hospital outpatient setting, while a patient at an ASC may be subject to an entire surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

TABLE 4
Outpatient Visits and Net Outpatient Revenue, FY11
*by Facility Type**

Facility Type	Outpatient Visits	Net Outpatient Revenue (thousands)	Average Outpatient Revenue per Visit
General Acute Care Hospitals	39,652,170	\$15,191,821	\$383
Rehabilitation Hospitals	1,291,271	\$119,934	\$93
Psychiatric Hospitals	645,686	\$69,186	\$107
Long-Term Acute Care Hospitals	107,745	\$23,412	\$217
Specialty Hospitals	283,205	\$89,760	\$317
Ambulatory Surgery Centers	1,040,919	\$1,043,609	\$1,003
Statewide	43,020,996	\$16,537,721	\$384

FIGURE 5
Average Inpatient Patient Age, FY11
*by Facility Type**

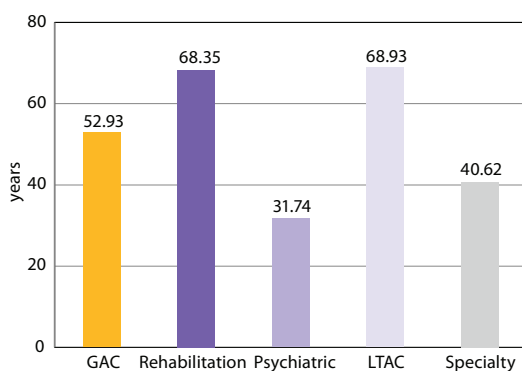
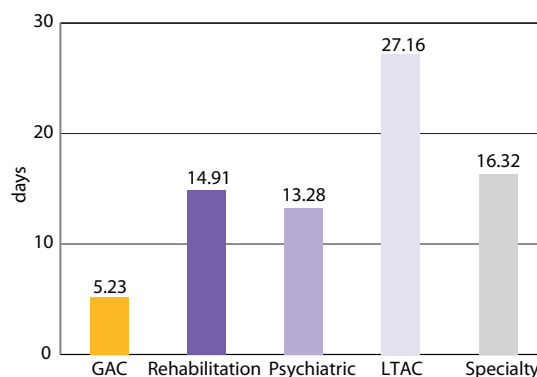


FIGURE 6
Average Length of Stay, FY11
*by Facility Type**



* Excludes state psychiatric hospitals

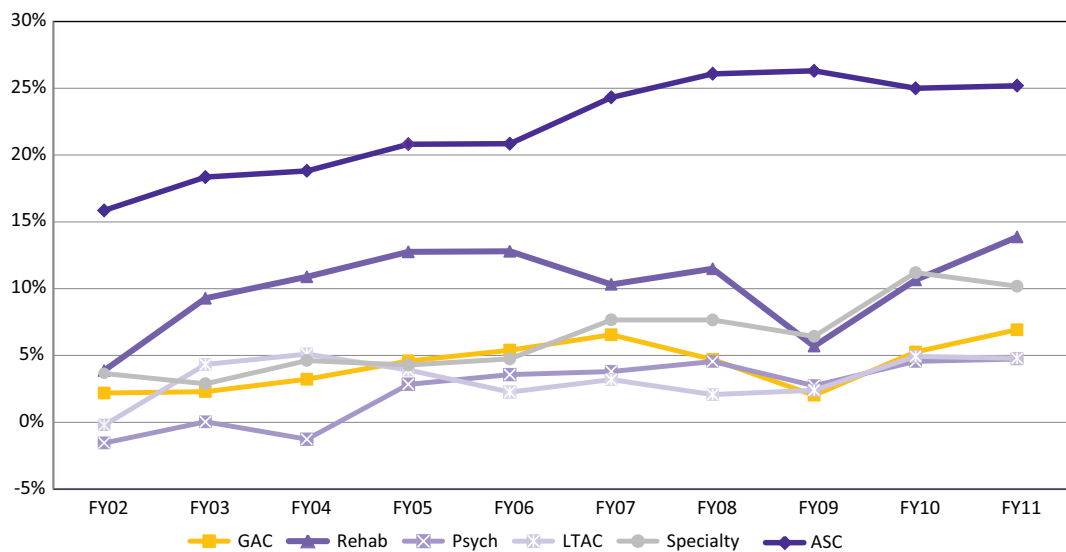
As statewide revenue per discharge increased from \$11,653 in FY10 to \$12,433 in FY11 and revenue per visit increased from \$360 in FY10 to \$384 in FY11, ASCs continue to have the highest average total margin among the different health care facility types (Figure 8). Contributing to the difference between the average ASC total margin and the average total margins for the other facility types is that most of the facilities in the largely for-profit ASC sector report their net income on a pre-tax basis. The net income reported for the for-profit hospitals in the other facility categories is reported after federal income taxes.

The only year during the past decade that all health care facility types as a group, except the ASCs, experienced an increase in the average total margin was in FY10 (Figure 7). The FY11 statewide average total margins for GAC hospitals, rehabilitation hospitals and psychiatric hospitals were the highest average total margin each posted over the last ten years. The statewide average total margin for specialty hospitals peaked in FY10, and long-term acute care hospitals peaked in FY04.

Other than the decline experienced during FY09, psychiatric hospitals as a group have experienced increases in the average total margin since FY05. The average total margins for psychiatric hospitals as a group have ranged from 2.74% to 4.74% over this seven-year time-period.

GAC hospitals' average total margin declined in both FY08 and FY09, before it improved 3.23 percentage points during FY10 and 1.67 percentage points in FY11. The average total margins of LTAC hospitals as a group have declined from their peak in FY04, but improved slightly during FY09 and FY10 before declining in

FIGURE 7
Total Margin
*by Fiscal Year and Facility Type**



* Excludes state psychiatric hospitals

FY11. The statewide average total margins for rehabilitation hospitals ranged from 3.87% in FY02 to 13.86% in FY11 over the ten-year period.

Over the last ten years, the total margin for ASCs as a group peaked during FY09. The average total margin for ASCs increased every year during the last decade, except for FY10. The average total margins for ASCs have ranged from 15.85% to 26.30% over this ten-year period.

Uncompensated care as a percent of net patient revenue ranged from 0.69% to 3.38% among the various non-GAC hospital categories (Figure 9). There was a significant change in the percentage of uncompensated care provided by LTAC and specialty hospitals from FY10 to FY11. The change was influenced by the reclassification of Girard Medical Center’s facility type from an LTAC to a specialty hospital, and Girard’s significant amount of uncompensated care.

FIGURE 8
Total Margin, FY11
*by Facility Type**

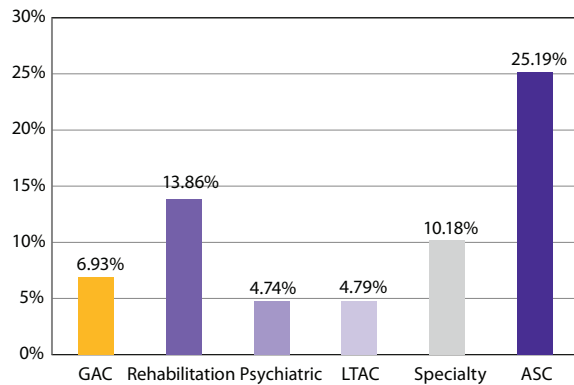
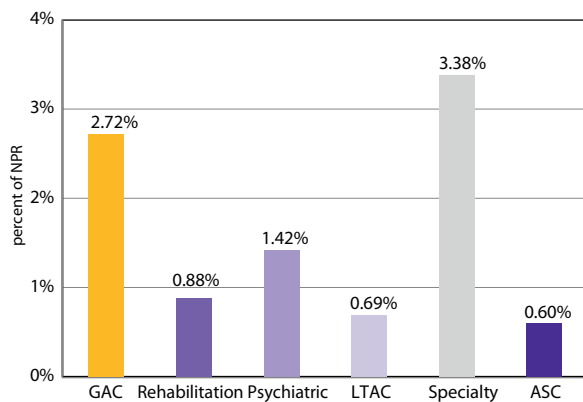


FIGURE 9
Percent of Uncompensated Care, FY11
*by Facility Type**



* Excludes state psychiatric hospitals

Rehabilitation

Highlights

- The statewide average operating margin for the state's rehabilitation hospitals improved 3.76 percentage points from 10.37% in FY10 to 14.13% in FY11. The statewide average total margin increased 3.21 percentage points from 10.65% in FY10 to 13.86% in FY11.
- Statewide, the number of patients that received rehab care increased 2.8%, and the number of rehab patient days increased 1.4% during FY11.

Rehabilitation Care

There were 19 freestanding rehabilitation hospitals in Pennsylvania during fiscal year 2011 (FY11). Table 5 displays the utilization and capacity for rehabilitation hospitals. In addition to providing rehabilitation services, two of the hospitals also provided skilled nursing care.

TABLE 5

Utilization and Capacity, FY11

by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	21,325	49,275	43.28%	2,097	135	10.2
Children's Inst Pgh	12,469	23,480	53.10%	419	64	29.8
Crichton Rehab Center	9,522	14,235	66.89%	640	39	14.9
Geisinger HealthSouth	11,012	15,330	71.83%	915	42	12.0
Good Shepherd Rehab	27,473	36,886	74.48%	1,890	102	14.5
HealthSouth Altoona	23,972	27,300	87.81%	1,740	80	13.8
HealthSouth Erie	25,228	39,420	64.00%	1,846	108	13.7
HealthSouth Harmarville	40,942	73,730	55.53%	2,304	202	17.8
HealthSouth Mechanicsburg	16,976	27,375	62.01%	1,315	75	12.9
HealthSouth Nittany	11,594	26,645	43.51%	894	73	13.0
HealthSouth Reading	15,201	21,900	69.41%	1,063	60	14.3
HealthSouth Sewickley	11,042	16,060	68.75%	734	44	15.0
HealthSouth York	20,041	32,850	61.01%	1,475	90	13.6
John Heinz Rehab	27,711	33,580	82.52%	2,242	92	12.4
Lancaster Rehab Hospital	17,607	21,535	81.76%	1,179	59	14.9
Magee Rehab	28,570	35,040	81.54%	1,150	96	24.8
Main Line Bryn Mawr Rehab	43,337	54,020	80.22%	2,841	148	15.3
Moss Rehab	39,912	71,905	55.51%	2,420	197	16.5
Penn State Hershey Rehab	15,047	19,710	76.34%	940	54	16.0

Rehabilitation hospitals provided care to 53.5% of the patients admitted for in-patient rehab care statewide in FY11. The remaining 46.5% received care at the rehab units that operated as part of a general acute care (GAC) hospital. Sixty (36%) of Pennsylvania’s GAC hospitals operated rehab units in FY11.

In addition to treating the majority of the rehab patients in FY11, rehabilitation hospitals had more patient days and a longer average length of stay (ALOS) than GAC rehab units. During FY11, rehabilitation hospitals provided 58.9% of the statewide patient days of acute rehab care, compared to 41.1% from GAC rehab units. The ALOS for rehab patients at rehabilitation hospitals was 14.8 days, compared to 11.9 days at GAC rehab units.

Trends in Rehabilitation Care

The number of patients that received rehab care at GAC rehab units and rehabilitation hospitals com-

FIGURE 10
Rehab Discharges
by Facility Type

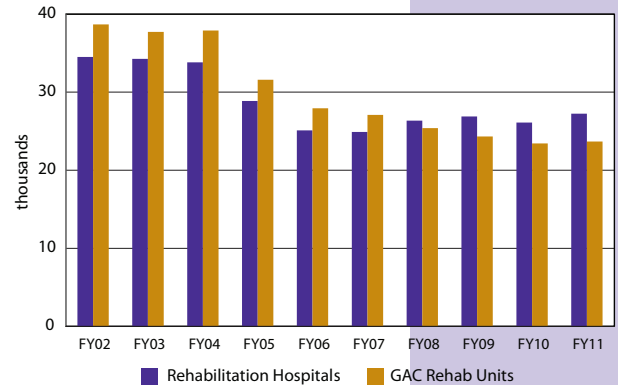


TABLE 6
Utilization and Capacity of Rehab Care
by Facility Type

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Patient Days										
Rehabilitation Hospitals	516,620	485,098	474,804	434,219	389,451	380,679	401,255	401,346	394,710	403,160
GAC Rehab Units	349,544	357,726	368,195	329,993	312,871	304,191	292,948	287,478	280,269	281,361
Statewide	866,164	842,824	842,999	764,212	702,322	684,870	694,203	688,824	674,979	684,521
Discharges										
Rehabilitation Hospitals	34,499	34,255	33,812	28,868	25,094	24,904	26,353	26,884	26,098	27,250
GAC Rehab Units	38,684	37,713	37,899	31,577	27,942	27,097	25,386	24,315	23,423	23,672
Statewide	73,183	71,968	71,711	60,445	53,036	52,001	51,739	51,199	49,521	50,922
Beds										
Rehabilitation Hospitals	1,803	1,757	1,827	1,734	1,577	1,656	1,712	1,664	1,718	1,699
GAC Rehab Units	1,429	1,478	1,543	1,391	1,411	1,306	1,270	1,255	1,227	1,204
Statewide	3,232	3,235	3,370	3,125	2,988	2,962	2,982	2,919	2,945	2,903
Occupancy Rate										
Rehabilitation Hospitals	78.55%	76.56%	72.29%	67.51%	67.66%	63.68%	65.31%	66.11%	63.84%	65.24%
GAC Rehab Units	66.92%	66.25%	66.11%	63.71%	62.95%	63.57%	64.70%	64.69%	63.87%	64.19%
Statewide	73.40%	71.82%	69.46%	65.82%	65.48%	63.63%	65.05%	65.51%	63.85%	64.80%
Average Length of Stay										
Rehabilitation Hospitals	15.0	14.2	14.0	15.0	15.5	15.3	15.2	14.9	15.1	14.8
GAC Rehab Units	9.0	9.5	9.7	10.5	11.2	11.2	11.5	11.8	12.0	11.9
Statewide	11.8	11.7	11.8	12.6	13.2	13.2	13.4	13.5	13.6	13.4

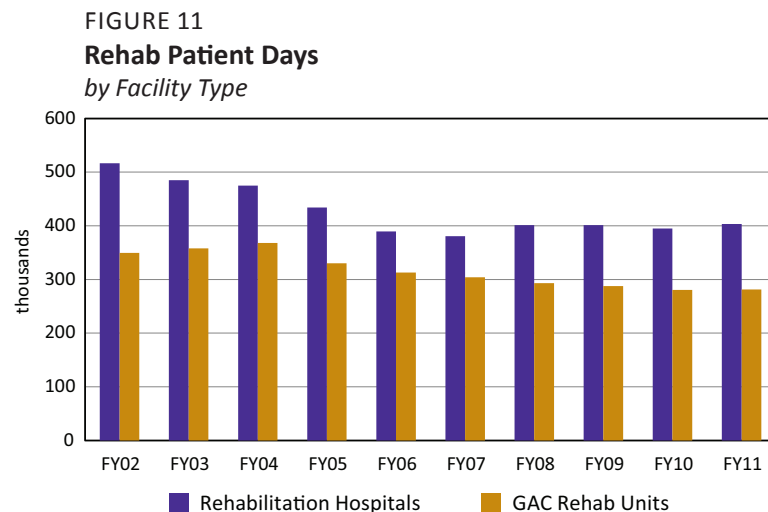
bined increased 2.8% during FY11. The number of patients discharged for rehab care increased 1.1% at GAC rehab units and increased 4.4% at rehabilitation hospitals in FY11.

The total number of rehab discharges statewide peaked during FY02 (Table 6 & Figure 10) and descended to its lowest point during FY10. The number of statewide rehab discharges decreased 30.4% from FY02 to FY11, an average of 3.4% per year. The number of discharges at GAC rehab units declined 38.8% from FY02 to FY11, an average decline of 4.3% per year. The number of rehab discharges at rehabilitation hospitals declined 21.0% from FY02 to FY11, an average of 2.3% per year.

The GAC rehab units and rehabilitation hospitals combined experienced a 1.4% increase in the number of rehab patient days during FY11. The statewide number of rehab patient days peaked during FY02 (Table 6 & Figure 11) and descended to its lowest point during FY10. The number of statewide rehab patient days decreased 21.0% from FY02 to FY11, an average of 2.3% per year. The number of patient days at GAC rehab units declined 19.5% from FY02 to FY11, an average decline of 2.2% per year. The number of rehab patient days at rehabilitation hospitals decreased 22.0% from FY02 to FY11, an average of 2.4% per year.

In FY11, the statewide ALOS for rehab care was 13.4 days, (Table 6 & Figure 12). The ALOS for patients receiving rehab care at rehabilitation hospitals has changed marginally over the past decade; the ALOS ranged from 14.0 to 15.5. The ALOS for patients that received rehab care at GAC rehab units has changed by 3.0 days over the 10-year period, ranging from 9.0 to 12.0.

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



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

Rehabilitation hospitals serve a predominately elderly population; 65.7% of the patients at these hospitals were 65 years or older in FY11 (Figure 13). While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. During FY11, patients in the under-25 and the 25-44 age groups had an ALOS of 24.5 and 20.2 days, respectively

FIGURE 12
Average Length of Stay for Rehab Care
by Facility Type

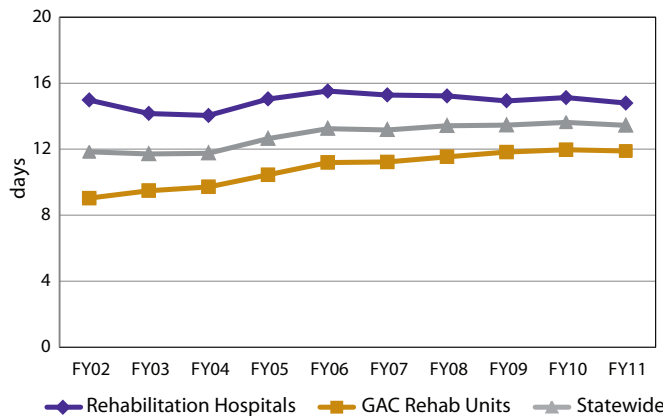


FIGURE 13
Inpatient Age Distribution at Rehabilitation Hospitals, FY11
by Age Group

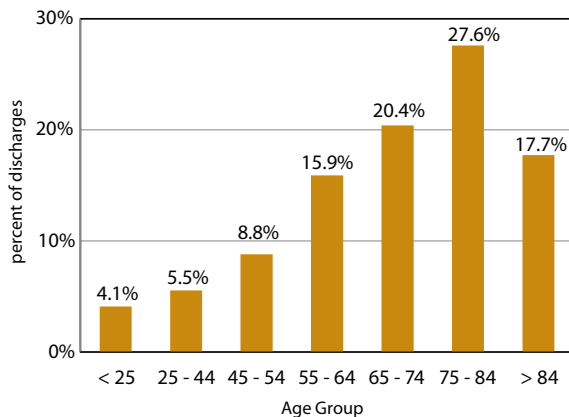
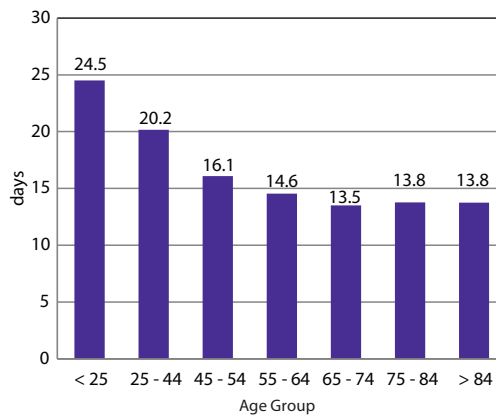


FIGURE 14
Average Length of Stay at Rehabilitation Hospitals, FY11
by Age Group



(Figure 14). In contrast, patients in the age groups over 65 had shorter stays of approximately 13.7 days on average.

The revenue rehabilitation hospitals received per discharge and per day varied considerably by payer category (Figures 15 & 16). Part of this variation is attributable to the mix of patients and care covered by the different third-party payers and the variation of costs associated with treating those patients. The variations in the average patient age (Table 7) and the ALOS by payer (Figure 17) indicate the differences in the average level of care among the payers. Younger patients are more likely to be admitted for traumatic injuries, such as brain and spinal cord injuries, which typically have longer recovery periods. As a result, younger patients, on average, require longer lengths of stay.

TABLE 7
Average Inpatient Age at Rehabilitation Hospitals, FY11
by Payer

Payer	Average Age
Commercial	52.28
Medicare	76.14
Medical Assistance	42.79
Other	55.32
Statewide	68.35

Rehabilitation Hospitals – Financial Profile

Net patient revenue (NPR) increased 8.5% at rehabilitation hospitals from \$598.7 million in FY10 to \$649.4 million in FY11 (Table 8). Medicare provided 55.8% of the NPR at rehabilitation hospitals in FY11 (Figure 18). In FY11, state-wide operating revenue at the rehabilitation hospitals grew 9.4% as total discharges (rehab and skilled nursing care) at these hospitals increased 2.7%. The average inpatient revenue per discharge increased 6.9% from \$17,618 in FY10 to \$18,839 in FY11. The average inpatient revenue per day increased 8.8% from \$1,161 in FY10 to \$1,264 in FY11.

Even though the highest percent increases in revenue per day and revenue per discharge that rehabilitation hospitals experienced came from Medical Assistance, 53% of the \$50.7 million growth in rehabilitation hospitals NPR resulted from revenue received from Medicare. The rehabilitation hospitals experienced a 4.6% increase in the number of discharges with Medicare as the payer. The 7.1% increase in the revenue per day from Medicare, coupled with the 4.6% increase in the number of Medicare discharges, resulted in Medicare inpatient revenues increasing by 8.5% in FY11.

The increases in revenue per day and revenue per discharge from the Medical Assistance (MA) program resulted in part from the passage of Pennsylvania Act 49 of 2010, which modernized MA payments. Prior to Act 49, MA payments to hospitals were based on the Diagnosis-Related Group (DRG) classification system, developed by the federal government for use with the Medicare program. The implementation of Pennsylvania Act 49 modernized the Commonwealth’s MA payment system by including the use of the All Patient Refined Diagnosis-Related Groups (APR DRGs) classification system.

FIGURE 15
Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY11
by Payer

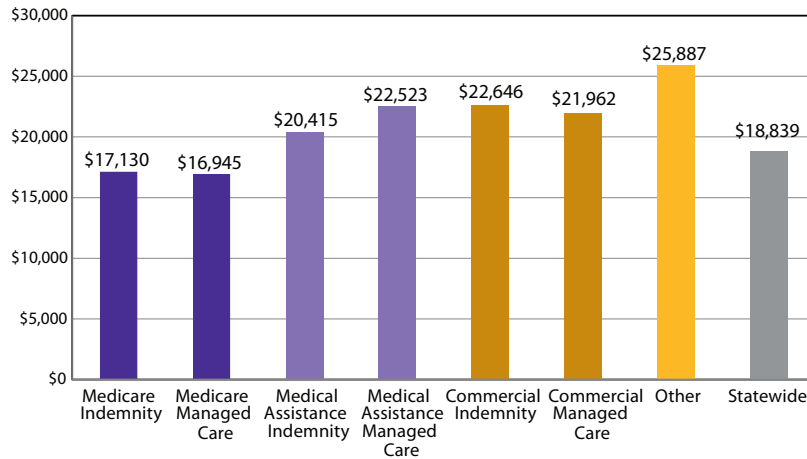


FIGURE 16
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY11
by Payer

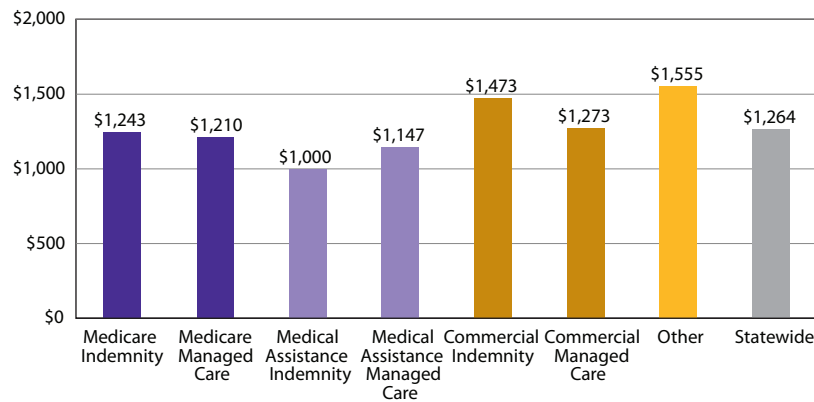
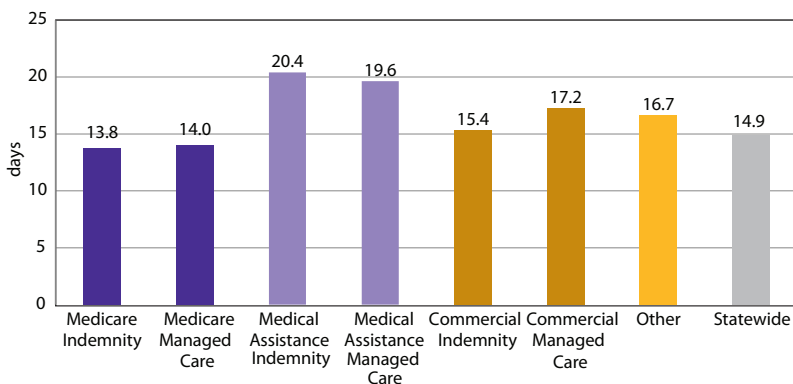


FIGURE 17
Average Length of Stay at Rehabilitation Hospitals, FY11
by Payer



Act 49 provisions also created a new assessment on hospitals referred to as the Quality Care Assessment. The additional revenue from this assessment allowed the MA program to update hospital base rates, which had not been performed since 1989, and to provide additional disproportionate share and supplemental payments to hospitals that are better aligned with patient treatment costs.

The increase in NPR from MA is predominately driven by changes brought about by Act 49, and is partly offset by the assessment that hospitals pay to the Commonwealth each year. The MA amounts in Table 8 do not reflect the additional costs of the assessment incurred by hospitals.

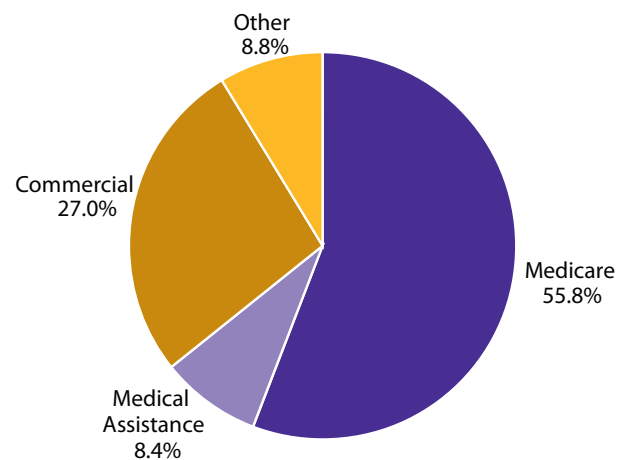
Outpatient and home health care at rehabilitation hospitals generated about one-fifth (18.5%) or \$119.9 million of the \$649.4 million in total NPR reported by the rehabilitation hospitals for FY11.

The 9.4% increase in total operating revenue for the rehabilitation hospitals outpaced the 4.9% increase in operating expenses during FY11 (Table 9). As a result, the statewide average operating margin improved 3.76 percentage points from 10.37% in FY10 to 14.13% in FY11 (Figure 19). This increase in FY11 was followed by a 0.14 percentage point increase in the statewide operating margin in FY10.

TABLE 8
Net Patient Revenue at Rehabilitation Hospitals
by Payer

	Net Patient Revenue (thousands)	
	FY10	FY11
Commercial		
Indemnity	\$68,840	\$82,063
Managed Care	\$97,067	\$93,544
Total	\$165,907	\$175,607
Medicare		
Indemnity	\$271,530	\$305,189
Managed Care	\$64,311	\$57,455
Total	\$335,841	\$362,644
Medical Assistance		
Indemnity	\$27,155	\$27,113
Managed Care	\$23,249	\$27,491
Total	\$50,404	\$54,604
Other	\$46,582	\$56,542
Statewide	\$598,734	\$649,397

FIGURE 18
Net Patient Revenue at Rehabilitation Hospitals, FY11
by Payer



The statewide average total margin increased 3.21 percentage points from 10.65% in FY10 to 13.86% in FY11. The increase in FY11 was followed by a 4.95 percentage point increase in the statewide average total margin in FY10.

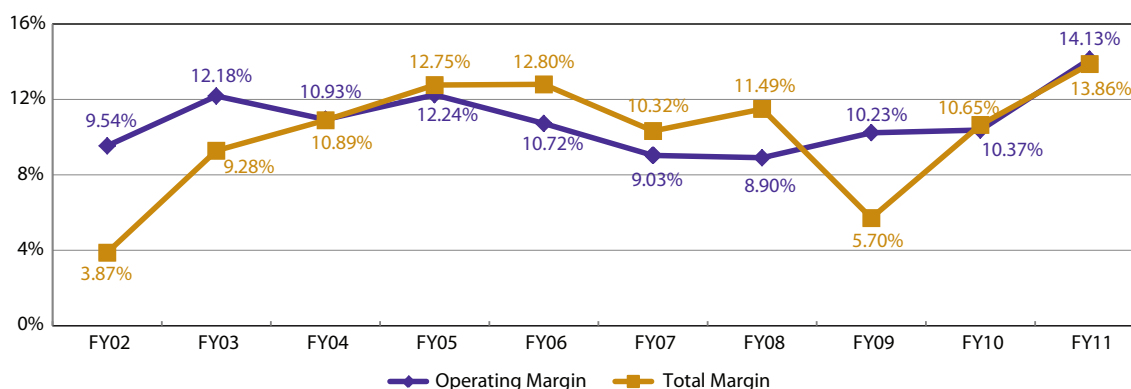
The 10.59% FY11 average operating margin for the non-profit rehabilitation hospitals was 8.91 percentage points below the 19.50% FY11 average operating margin for the for-profit rehabilitation hospitals. Investment and other non-operating gains generally drove the average total margin to 14.35% at the non-profit rehabilitation hospitals; 3.76 percentage points above their average operating margin. The 13.09% average total margin for the for-profit hospitals, which are subject to income tax, was 6.41 percentage points below their average operating margin. The 14.35% average total margin for the non-profit hospitals was 1.26 percentage points higher than the 13.09% average total margin at the for-profit rehabilitation hospitals.

TABLE 9
Revenue, Expenses, and Income at Rehabilitation Hospitals
by Fiscal Year (thousands)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Net Patient Revenue	\$556,241	\$562,271	\$575,035	\$549,165	\$514,631	\$532,349	\$564,962	\$584,647	\$598,734	\$649,397
Total Operating Revenue	\$606,514	\$596,907	\$606,827	\$583,200	\$547,486	\$575,710	\$600,282	\$619,369	\$635,778	\$695,854
Total Operating Expenses	\$548,682	\$524,222	\$540,481	\$511,814	\$488,781	\$523,738	\$546,874	\$556,021	\$569,853	\$597,554
Operating Income	\$57,831	\$72,685	\$66,346	\$71,386	\$58,705	\$51,972	\$53,408	\$63,348	\$65,925	\$98,300
Non-operating Income*	(\$34,715)	(\$17,553)	\$1,174	\$4,728	\$14,252	\$9,319	\$18,569	(\$29,174)	\$3,425	\$735
Revenue over Expenses	\$23,117	\$55,132	\$67,520	\$76,114	\$72,956	\$61,291	\$71,977	\$34,174	\$69,350	\$99,035

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

FIGURE 19
Operating and Total Margins at Rehabilitation Hospitals
by Fiscal Year



REHABILITATION

Region/ Rehabilitation Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY08-FY11	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY08-FY11
	FY11	FY10	FY09	FY08		FY11	FY10	FY09	FY08	
Statewide Average	\$34	\$30	\$29	\$27	9.01%	\$31	\$28	\$28	\$26	6.92%
Non-profit Rehabilitation Hospitals										
Statewide Average (non-profit)	\$49	\$45	\$44	\$43	4.76%	\$47	\$46	\$44	\$43	3.35%
6 Allied Services	\$35	\$36	\$36	\$37	-1.95%	\$34	\$36	\$36	\$37	-2.93%
1 Children's Inst Pgh	\$23	\$21	\$21	\$20	4.90%	\$40	\$42	\$42	\$41	-0.82%
3 Crichton Rehab Center ⁷	\$11	\$10	\$10	\$9	6.51%	\$8	\$7	\$8	\$8	0.37%
7 Good Shepherd Rehab	\$65	\$57	\$49	\$46	14.02%	\$69	\$63	\$55	\$50	12.79%
6 John Heinz Rehab ⁵	\$38	\$35	\$35	\$33	5.06%	\$36	\$34	\$34	\$33	2.35%
9 Magee Rehab	\$58	\$48	\$55	\$52	4.30%	\$56	\$55	\$57	\$55	0.35%
8 Main Line Bryn Mawr Rehab	\$75	\$69	\$68	\$65	5.04%	\$61	\$59	\$56	\$52	5.53%
9 Moss Rehab ⁷	\$84	\$82	\$76	\$78	2.27%	\$72	\$69	\$66	\$64	4.07%
For-profit Rehabilitation Hospitals										
Statewide Average (for-profit)	\$24	\$20	\$19	\$17	12.35%	\$20	\$17	\$17	\$16	9.20%
4 Geisinger HealthSouth ^{1,10}	\$17	\$17	\$17	\$16	3.36%	\$16	\$15	\$15	\$15	2.00%
3 HealthSouth Altoona ^{1,10}	\$34	\$28	\$27	\$26	10.00%	\$27	\$24	\$23	\$24	3.77%
2 HealthSouth Erie ^{1,10,13}	\$30	\$30	\$25	\$19	19.35%	\$23	\$22	\$21	\$19	8.15%
1 HealthSouth Harmarville ^{1,5,10}	\$42	\$39	\$40	\$39	2.36%	\$35	\$32	\$33	\$36	-0.88%
5 HealthSouth Mechanicsburg ^{1,10}	\$23	\$22	\$23	\$22	1.60%	\$20	\$19	\$20	\$20	0.19%
4 HealthSouth Nittany ^{1,10}	\$16	\$17	\$16	\$16	0.73%	\$16	\$15	\$16	\$16	-1.01%
7 HealthSouth Reading ^{1,10}	\$19	\$18	\$18	\$17	3.61%	\$16	\$15	\$15	\$15	3.16%
1 HealthSouth Sewickley ^{1,10}	\$12	\$11	\$11	\$9	12.16%	\$10	\$9	\$9	\$8	7.97%
5 HealthSouth York ^{1,10}	\$28	\$27	\$26	\$26	2.70%	\$23	\$22	\$21	\$22	2.26%
5 Lancaster Rehab Hospital ^{1,10}	\$21	\$19	\$17	\$17	8.69%	\$17	\$16	\$14	\$14	8.25%
5 Penn State Hershey Rehab ^{1,10}	\$18	\$12	\$9	\$8	43.93%	\$20	\$13	\$8	\$7	57.93%

See footnotes and map of regions on page 40.

Rehabilitation Hospital	Operating Margin FY11	Total Margin FY11	3-yr Average Total Margin FY09-FY11	Percent of Uncompensated Care FY11	Medicare Share of NPR FY11	Medical Assistance Share of NPR FY11
Statewide Average	14.13%	13.86%	10.31%	0.88%	55.84%	8.41%
Non-profit Rehabilitation Hospitals						
Statewide Average (non-profit)	10.59%	14.35%	9.13%	0.88%	45.70%	11.05%
Allied Services	8.20%	12.47%	7.07%	0.30%	81.62%	2.19%
Children's Inst Pgh	-7.50%	4.49%	-10.99%	1.33%	7.68%	44.26%
Crichton Rehab Center ⁷	22.21%	22.21%	21.69%	0.83%	75.91%	9.01%
Good Shepherd Rehab	4.16%	4.16%	2.04%	1.36%	37.57%	8.99%
John Heinz Rehab ⁵	9.16%	10.17%	5.15%	0.29%	74.79%	2.79%
Magee Rehab	9.09%	22.52%	6.59%	1.11%	22.36%	13.61%
Main Line Bryn Mawr Rehab	20.82%	21.66%	20.21%	1.17%	53.09%	0.99%
Moss Rehab ⁷	15.98%	16.01%	16.77%	0.51%	39.93%	18.51%
For-profit Rehabilitation Hospitals						
Statewide Average (for-profit)	19.50%	13.09%	12.17%	0.86%	70.98%	4.47%
Geisinger HealthSouth ^{1, 10}	24.41%	19.38%	19.07%	0.70%	70.82%	2.40%
HealthSouth Altoona ^{1, 10}	23.78%	18.12%	13.93%	0.79%	74.17%	3.83%
HealthSouth Erie ^{1, 10, 13}	26.19%	15.32%	15.60%	1.77%	82.23%	5.54%
HealthSouth Harmorville ^{1, 5, 10}	23.13%	13.49%	12.69%	0.45%	56.65%	3.30%
HealthSouth Mechanicsburg ^{1, 10}	18.77%	12.38%	9.98%	0.79%	78.80%	1.10%
HealthSouth Nittany ^{1, 10}	10.58%	6.92%	5.17%	0.63%	74.88%	4.91%
HealthSouth Reading ^{1, 10}	18.85%	11.03%	12.63%	1.38%	83.63%	3.80%
HealthSouth Sewickley ^{1, 10}	20.00%	14.18%	13.37%	0.41%	57.91%	4.13%
HealthSouth York ^{1, 10}	19.77%	11.57%	12.64%	0.61%	76.19%	4.06%
Lancaster Rehab Hospital ^{1, 10}	19.38%	19.38%	19.03%	0.65%	73.03%	4.86%
Penn State Hershey Rehab ^{1, 10}	-4.44%	-4.44%	-4.09%	1.32%	51.82%	13.57%

See footnotes and map of regions on page 40.

Psychiatric

Highlights

- The freestanding psychiatric hospitals as a group posted a 0.67 percentage point decrease in the statewide average operating margin, from 5.90% in FY10 to 5.23% in FY11.
- The statewide average total margin increased 0.19 of a percentage point, from 4.55% in FY10 to 4.74% in FY11.
- The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's seven state psychiatric hospitals provided 26.2% of all patient days of psychiatric care during FY11. In addition, the Medical Assistance (MA) program provided 54.9% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY11. Of all patients receiving inpatient psychiatric care at GAC psychiatric units, 23.2% were MA participants.

Psychiatric Care

Inpatient psychiatric care in Pennsylvania is provided by state psychiatric hospitals, freestanding psychiatric hospitals, general acute care (GAC) hospitals, specialty hospitals, and long-term acute care (LTAC) hospitals. During fiscal year 2011 (FY11), there were 19 psychiatric hospitals in Pennsylvania that treated 36.3% of the patients admitted for inpatient psychiatric care statewide and provided 32.5% of the total patient days of acute psychiatric care (Figures 20 & 21).

FIGURE 20
Psychiatric Discharges, FY11
by Facility Type

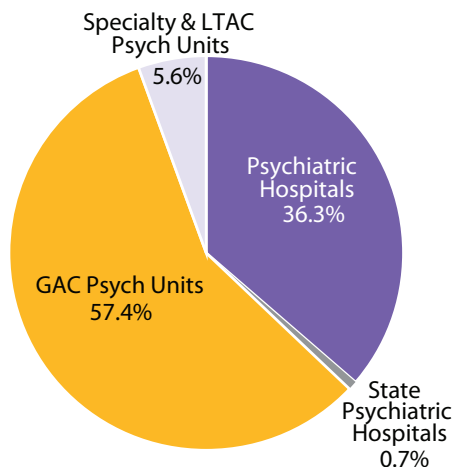
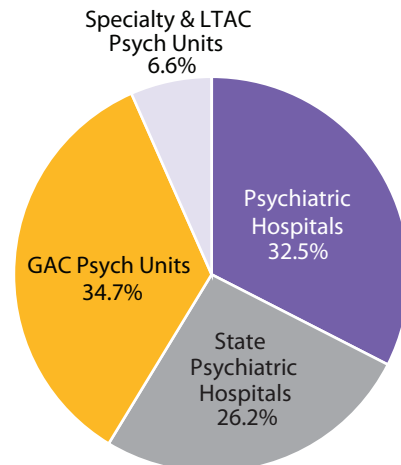


FIGURE 21
Psychiatric Patient Days, FY11
by Facility Type



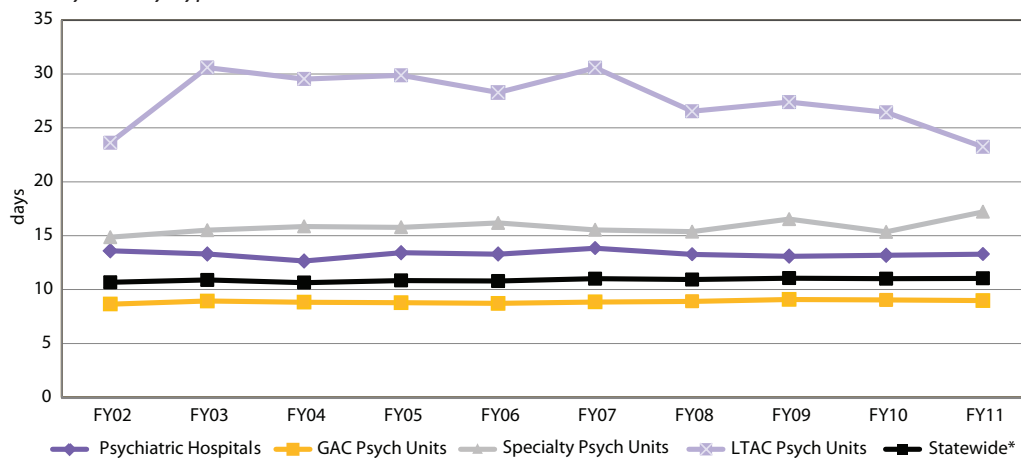
The average length of stay (ALOS) at psychiatric hospitals during FY11 was 13.3 (Table 10 & Figure 22). However, excluding long-term residential and drug and alcohol (D&A) care programs, the ALOS was 11.2 days. Six of the psychiatric hospitals provided residential care, and three provided inpatient D&A care (Table 11). Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. During FY11, the ALOS at the psychiatric hospitals' residential programs was 116.4 days.

The state psychiatric hospitals provide long-term inpatient care for individuals that require intensive treatment. Seven state psychiatric hospitals operated in Pennsylvania in FY11. Although state psychiatric hospitals provided 26.2% of statewide psychiatric patient days in FY11, they only discharged 1,011 patients, which is 0.7% of the total psychiatric discharges from all facilities. The ALOS at the state psychiatric hospitals was 523.3 days during FY11.

In contrast, psychiatric units that operated as part of a GAC hospital provided relatively short-term acute psychiatric care with an ALOS of 9.0 days during FY11. Eighty-seven (52%) of the GAC hospitals in Pennsylvania operated psychiatric units, which include three D&A programs, during FY11. These GAC psychiatric units treated 57.4% of the total patients admitted for inpatient psychiatric care statewide and provided 34.7% of the total patient days of psychiatric care during FY11.

Four specialty hospitals in Pennsylvania provided some form of psychiatric care. Three hospitals provided acute psychiatric care, which represented only 20.6% of the total psychiatric care provided at specialty hospitals. The remaining 79.4% of psychiatric care at specialty hospitals was provided by D&A programs at three hos-

FIGURE 22
Average Length of Stay for Psychiatric Care
*by Facility Type**



* Excludes state psychiatric hospitals

TABLE 10
Utilization and Capacity of Psychiatric Care
by Facility Type

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Patient Days										
Psychiatric Hospitals	548,281	567,435	558,552	558,059	556,829	586,344	591,751	625,567	639,643	656,941
State Psychiatric Hospitals	855,179	772,491	773,443	761,065	718,962	675,186	642,444	582,684	565,482	529,083
GAC Psych Units	738,873	753,413	757,131	742,683	730,956	718,089	700,008	680,291	691,435	700,058
Specialty Psych Units	139,380	145,703	149,446	155,908	151,878	124,008	128,898	98,880	102,302	120,431
LTAC Psych Units	28,788	29,033	28,223	29,324	28,455	30,518	29,516	29,251	29,724	13,711
Statewide	2,310,501	2,268,075	2,266,795	2,247,039	2,187,080	2,134,145	2,092,617	2,016,673	2,028,586	2,020,224
Discharges										
Psychiatric Hospitals	40,336	42,673	44,173	41,587	41,911	42,358	44,592	47,790	48,544	49,453
State Psychiatric Hospitals	1,955	1,674	1,634	1,637	1,741	1,479	1,346	1,257	1,111	1,011
GAC Psych Units	85,449	84,338	85,748	84,670	83,821	81,207	78,649	74,889	76,593	78,044
Specialty Psych Units	9,381	9,396	9,430	9,886	9,387	7,983	8,387	5,982	6,665	6,996
LTAC Psych Units	1,219	949	956	982	1,006	998	1,112	1,068	1,124	590
Statewide	138,340	139,030	141,941	138,762	137,866	134,025	134,086	130,986	134,037	136,094
Beds										
Psychiatric Hospitals	1,896	1,938	1,958	1,965	1,941	2,040	2,055	2,142	2,289	2,282
State Psychiatric Hospitals	2,678	2,381	2,387	2,440	2,198	2,206	2,173	2,238	1,857	1,732
GAC Psych Units	3,068	2,982	2,920	2,853	2,790	2,762	2,643	2,559	2,652	2,603
Specialty Psych Units	524	531	550	558	545	455	453	395	395	464
LTAC Psych Units	112	112	112	112	113	113	99	98	107	56
Statewide	8,278	7,944	7,927	7,928	7,587	7,576	7,423	7,432	7,300	7,137
Patient Population										
State Psychiatric Hospitals	2,215	2,164	2,142	2,120	1,916	1,848	1,710	1,627	1,584	1,472
Occupancy Rate										
Psychiatric Hospitals	79.76%	79.76%	78.55%	80.98%	81.71%	79.02%	78.98%	78.78%	80.21%	81.41%
State Psychiatric Hospitals	87.02%	88.67%	88.73%	85.07%	87.67%	83.85%	80.78%	77.78%	80.99%	79.52%
GAC Psych Units	65.88%	69.71%	72.13%	73.32%	72.46%	72.69%	72.88%	73.90%	73.62%	73.58%
Specialty Psych Units	72.85%	75.75%	75.92%	76.55%	76.35%	69.58%	76.65%	63.28%	70.96%	75.81%
LTAC Psych Units	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%	76.11%	67.08%
Statewide	76.41%	78.30%	78.98%	79.09%	79.53%	77.47%	77.23%	75.93%	77.48%	77.61%
Statewide w/o State*	71.30%	73.84%	74.72%	76.34%	76.07%	74.84%	75.76%	75.21%	76.21%	76.96%
Average Length of Stay										
Psychiatric Hospitals	13.6	13.3	12.6	13.4	13.3	13.8	13.3	13.1	13.2	13.3
State Psychiatric Hospitals	437.4	461.5	473.3	464.9	413.0	456.5	477.3	463.6	509.0	523.3
GAC Psych Units	8.6	8.9	8.8	8.8	8.7	8.8	8.9	9.1	9.0	9.0
Specialty Psych Units	14.9	15.5	15.8	15.8	16.2	15.5	15.4	16.5	15.3	17.2
LTAC Psych Units	23.6	30.6	29.5	29.9	28.3	30.6	26.5	27.4	26.4	23.2
Statewide	16.7	16.3	16.0	16.2	15.9	15.9	15.6	15.4	15.1	14.8
Statewide w/o State*	10.7	10.9	10.6	10.8	10.8	11.0	10.9	11.1	11.0	11.0

* Excludes state psychiatric hospitals

pitals. The 120,431 inpatient psychiatric care days at specialty hospitals represented 6.0%[†] of the statewide psychiatric care patient days during FY11.

Three LTAC hospitals provided 13,711 acute psychiatric patient days, or 0.7%[†] of the statewide inpatient psychiatric care during FY11. This care represents only a small portion of inpatient psychiatric care in Pennsylvania, but it represents 5.1% of the total patient days provided by all LTAC hospitals.

Trends in Psychiatric Care

Statewide psychiatric patient days combined from all hospital settings decreased 12.6% from FY02 to FY11. The number of statewide psychiatric patient days declined each year during FY02 to FY09, an average of about 1.8% per year, before it increased in FY10. During FY11 statewide psychiatric patient days decreased 0.4% from FY10.

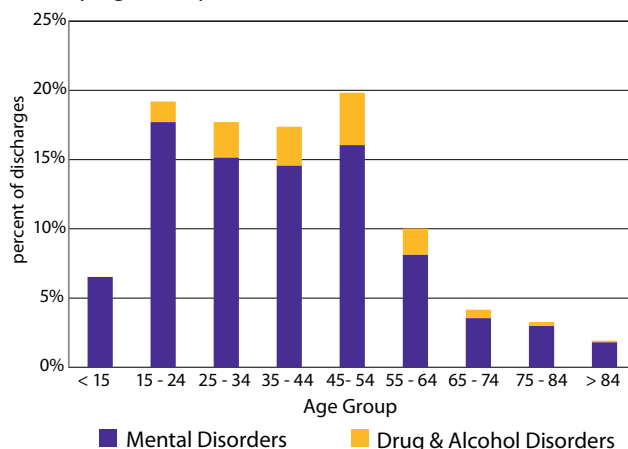
Psychiatric hospitals experienced a 2.7% increase in the number of patient days during FY11. The number of patient days increased 1.2% at GAC psychiatric units and decreased 6.4% at the state’s psychiatric hospitals during FY11. The Pennsylvania Department of Public Welfare (DPW) reported that the patient population at the state psychiatric hospitals declined by 112 patients, from 1,584 in July 2010 to 1,472 in July 2011.

The number of statewide psychiatric patient discharges in all hospital settings decreased 1.6% from FY02 to FY11. During FY11, there was a 1.5% increase from FY10 in the total number of psychiatric patient discharges statewide.

Since FY05, the number of patient discharges at psychiatric hospitals has increased 18.9%; an average increase of 3.2% per year. During FY11 the number of patient discharges at psychiatric hospitals increased 1.9%.

The GAC psychiatric units reported five consecutive years of decreases in the number of patient discharges from FY05 to FY09 before it increased in FY10. Total patient discharges for the GAC psychiatric units increased 1.9% during FY11. Psychiatric patient discharg-

FIGURE 23
Age Distribution of Inpatient Psychiatric Patients*, FY11
by Age Group



■ Mental Disorders ■ Drug & Alcohol Disorders
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 hospitals

[†] Does not equal percentage represented in figure 21 due to rounding.

TABLE 11
Utilization and Capacity, FY11
by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (ALOS)	ALOS w/o Residential & D&A
All Hospital Services (including Residential and Drug & Alcohol Treatment Programs)							
Belmont Center	48,637	53,655	90.65%	3,766	147	12.9	NA
Brooke Glen Behavioral	31,602	36,500	86.58%	3,193	146	9.9	NA
Clarion Psych	21,678	27,010	80.26%	1,707	74	12.7	NA
Devereux Behavioral Hlth	8,817	12,045	73.20%	391	33	22.5	NA
Fairmount Behavioral	77,051	87,235	88.33%	6,184	239	12.5	12.0
First Wyoming Valley	33,783	39,055	86.50%	3,627	107	9.3	NA
Foundations Behavioral	33,156	41,610	79.68%	1,024	114	32.4	16.3
Friends	60,053	79,935	75.13%	4,765	219	12.6	11.1
Haven Behavioral	9,199	12,060	76.28%	1,289	48	7.1	NA
Horsham Clinic	62,244	75,190	82.78%	5,583	206	11.1	NA
KidsPeace	25,389	29,456	86.19%	1,884	96	13.5	NA
Kirkbride Center	57,800	82,490	70.07%	3,313	226	17.4	6.9
Meadows Psych Center	21,770	25,561	85.17%	1,853	70	11.7	NA
Montgomery Cty ES	24,327	29,565	82.28%	2,362	81	10.3	10.9
PA Psych Institute	20,213	27,010	74.84%	2,413	74	8.4	NA
Philhaven	37,584	44,372	84.70%	2,107	136	17.8	13.9
Roxbury Treatment	33,540	40,880	82.05%	2,566	112	13.1	10.8
Southwood Psych	36,692	47,960	76.51%	1,346	112	27.3	9.0
St John Vianney	13,406	15,330	87.45%	80	42	167.6	3.8
Residential and Drug & Alcohol Treatment Programs							
Fairmount Behavioral	21,267	24,455	86.96%	1,525	67	13.9	NA
Foundations Behavioral	18,264	21,900	83.40%	111	60	164.5	NA
Friends	7,378	9,855	74.87%	4	27	1,844.5	NA
Kirkbride Center	49,981	56,210	88.92%	2,186	154	22.9	NA
Montgomery Cty ES	2,038	2,920	69.79%	318	8	6.4	NA
Philhaven	9,323	10,061	92.66%	72	37	129.5	NA
Roxbury Treatment	19,159	21,900	87.48%	1,237	60	15.5	NA
Southwood Psych	25,304	33,484	75.57%	77	68	328.6	NA
St John Vianney	13,360	14,600	91.51%	68	40	196.5	NA

NA-Not Applicable

es for LTAC and specialty hospitals combined decreased 2.6% in FY11.

Inpatient psychiatric care has a younger age distribution than other types of hospital-based care. The average age of inpatients treated at psychiatric hospitals was 31.7 years compared to a mean age of 52.9 years for all inpatients at GAC hospitals, 68.4 years at rehabilitation hospitals, and 68.9 years at LTAC hospitals. In FY11, discharges among patients age 15 through 54 made up 74.1% of inpatient psychiatric discharges, excluding state psychiatric discharges (Figure 23).

Psychiatric Hospitals – Financial Profile

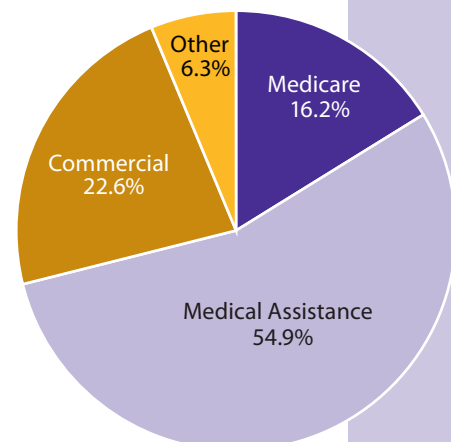
The Commonwealth, through DPW, is the largest provider of psychiatric care. As previously mentioned, DPW’s seven state hospitals provided 26.2% of all patient days of psychiatric care during FY11. In addition, the Medical Assistance (MA) program administered by DPW provided 54.9% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY11 (Figure 24). MA participants also comprised 23.2% of all patients that received inpatient psychiatric care at GAC psychiatric units in FY11. DPW also sponsors psychiatric care in a variety of other settings.

The Commonwealth directly underwrites 79.3% of the cost of the care provided at the state psychiatric hospitals. Of the remaining 20.7% of total expenses covered by third-party payers, patients and other sources; 11.5% are covered by MA, 6.2% by Medicare, and 3.0% are covered by private insurance, individuals and other sources.

As a group, psychiatric hospitals experienced a long history of negative or very small positive statewide average operating margins prior to FY05 (Figure 25). However, during the two-year period FY05 and FY06, they experienced a dramatic 9.08-point improvement in their combined operating margin. The statewide operating margin increased 4.99 points during FY05 and an additional 4.09 points during FY06. The statewide operating margins improved because operating revenue grew a total of 11.7% during FY05 and FY06, while the total growth in expenses was held to 1.9% over the two-year period (Table 12). Since statewide utilization levels at the psychiatric hospitals operating during FY05 and FY06 remained relatively constant, the growth in operating revenue was primarily driven by increases in reimbursement rates.

During FY11, the operating margin at psychiatric hospitals decreased 0.67 of a percentage point from 5.90% in FY10 to 5.23% in FY11. The statewide operating margin declined because, as a group, the growth in operating expenses outpaced the increase in operating revenue. During FY11, statewide operating revenue increased

FIGURE 24
Net Patient Revenue at Psychiatric Hospitals, FY11 by Payer



5.0%, while expenses rose 5.8%. Psychiatric hospitals' statewide average total margin increased 0.19 of a percentage point from 4.55% in FY10 to 4.74% in FY11.

The disparity in the average operating and total margins between the for-profit and non-profit psychiatric hospitals continued in FY11. The for-profit hospitals posted an average operating margin of 9.34%, compared to a negative 1.62% for the non-profit hospitals. Since the for-profit hospitals are subject to income taxes, the statewide average total margin for the for-profit hospitals was 6.79%.

Among the psychiatric hospitals, the FY11 average revenue per discharge of \$7,702 (Figure 26) was 2.9% higher than the FY10 average of \$7,487. The average revenue per day for FY11 was \$580 (Figure 27), compared to \$568 in FY10. Patients covered by commercial indemnity plans, commercial managed care plans, and MA indemnity program had a shorter ALOS than those covered by other payer types (Figure 28).

FIGURE 25
Operating and Total Margins at Psychiatric Hospitals
by Fiscal Year

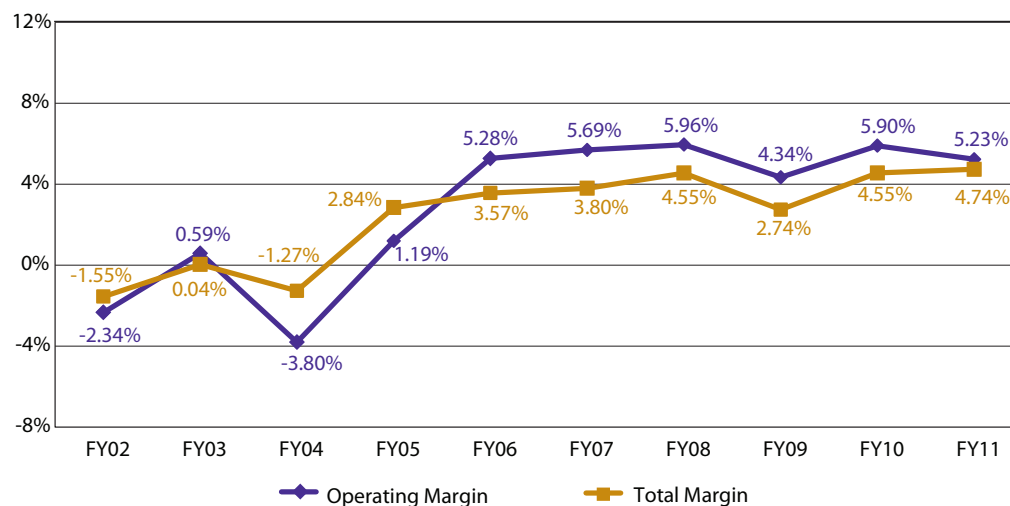


TABLE 12
Revenue, Expenses, and Income at Psychiatric Hospitals
by Fiscal Year (thousands)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Net Patient Revenue	\$285,797	\$297,816	\$292,978	\$315,600	\$330,133	\$357,768	\$373,111	\$403,582	\$429,987	\$450,057
Total Operating Revenue	\$297,000	\$306,541	\$303,161	\$324,388	\$338,594	\$364,279	\$383,325	\$411,203	\$439,728	\$461,890
Total Operating Expenses	\$303,944	\$304,742	\$314,693	\$320,517	\$320,728	\$343,536	\$360,482	\$393,341	\$413,778	\$437,712
Operating Income	(\$6,944)	\$1,798	(\$11,532)	\$3,872	\$17,866	\$20,743	\$22,843	\$17,861	\$25,950	\$24,177
Non-operating Income *	\$2,302	(\$1,685)	\$7,655	\$5,702	(\$5,745)	(\$6,844)	(\$5,121)	(\$6,311)	(\$5,369)	(\$1,537)
Revenue over Expenses	(\$4,642)	\$113	(\$3,877)	\$9,574	\$12,121	\$13,899	\$17,722	\$11,550	\$20,581	\$22,640

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

FIGURE 26
Average Net Inpatient Revenue per Discharge at Psychiatric Hospitals, FY11
by Payer

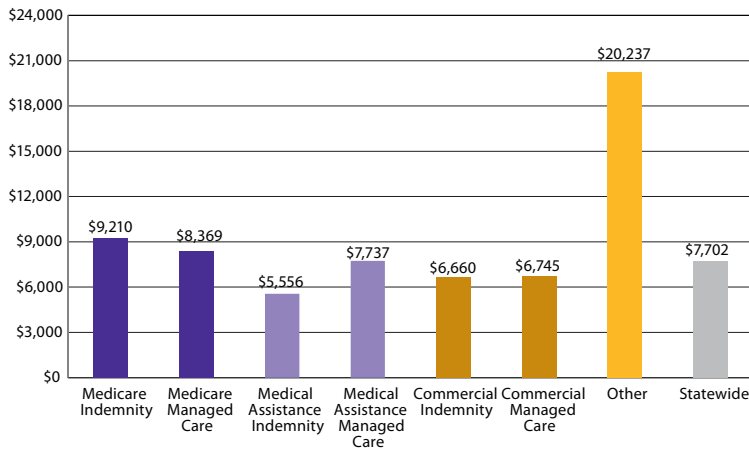


FIGURE 27
Average Net Inpatient Revenue per Day at Psychiatric Hospitals, FY11
by Payer

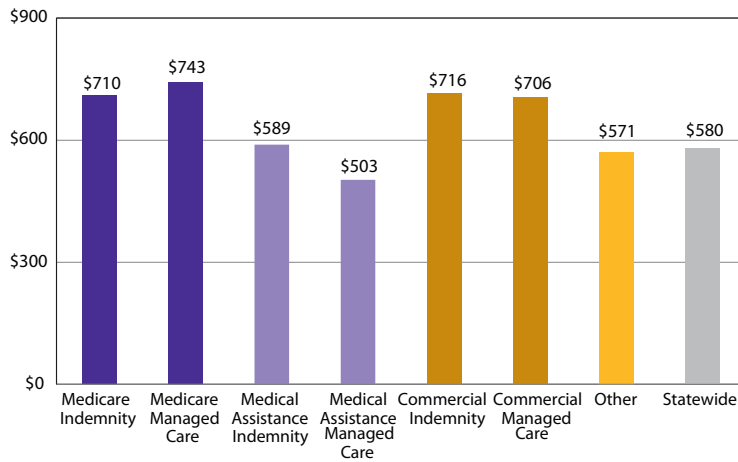
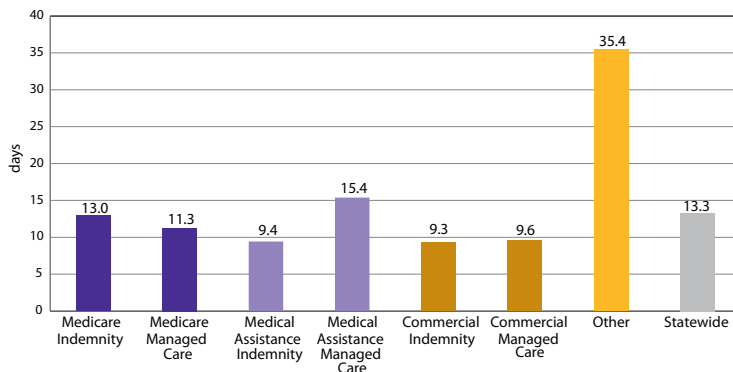


FIGURE 28
Average Length of Stay at Psychiatric Hospitals, FY11
by Payer



Region/Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY08-FY11	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY08-FY11
	FY11	FY10	FY09	FY08		FY11	FY10	FY09	FY08	
Statewide Average	\$24	\$23	\$21	\$22	2.64%	\$23	\$22	\$21	\$21	2.88%
Non-profit Psychiatric Hospitals										
Statewide Average (non-profit)	\$24	\$23	\$21	\$21	4.67%	\$25	\$24	\$22	\$22	4.57%
9 Belmont Center	\$39	\$38	\$37	\$36	2.44%	\$39	\$39	\$38	\$37	1.79%
8 Devereux Behavioral Hlth ⁷	\$6	\$6	\$5	\$5	8.53%	\$6	\$5	\$5	\$5	5.23%
7 KidsPeace ¹	\$24	\$22	\$19	\$18	11.40%	\$22	\$22	\$20	\$20	3.73%
8 Montgomery Cty ES ^{5,13}	\$17	\$16	\$16	\$15	4.00%	\$17	\$16	\$16	\$16	3.18%
5 PA Psych Institute	\$20	\$18	\$12	NA	NA	\$31	\$26	\$19	NA	NA
5 Philhaven ⁵	\$54	\$52	\$51	\$48	3.93%	\$54	\$52	\$52	\$50	2.75%
8 St John Vianney ⁵	\$7	\$6	\$5	\$3	38.98%	\$7	\$7	\$5	\$5	15.14%
For-profit Psychiatric Hospitals										
Statewide Average (for-profit)	\$24	\$23	\$21	\$23	1.61%	\$22	\$21	\$20	\$21	1.77%
8 Brooke Glen Behavioral ^{1,2,10}	\$20	\$30	\$29	\$28	NA	\$25	\$28	\$27	\$26	NA
2 Clarion Psych ^{1,10}	\$17	\$15	\$13	\$11	18.33%	\$10	\$9	\$8	\$8	11.48%
9 Fairmount Behavioral ^{1,5,10}	\$44	\$36	\$34	\$35	8.78%	\$37	\$31	\$30	\$30	8.60%
6 First Wyoming Valley ^{1,3,7,10}	\$21	\$20	\$13	\$17	8.22%	\$17	\$17	\$12	\$17	1.93%
8 Foundations Behavioral ^{1,5,10}	\$27	\$25	\$23	\$19	13.52%	\$25	\$23	\$21	\$19	11.30%
9 Friends ^{1,5,10}	\$37	\$37	\$41	\$44	-5.35%	\$40	\$40	\$42	\$42	-1.44%
7 Haven Behavioral ^{1,3,10,13}	\$8	\$2	\$3	NA	NA	\$8	\$3	\$6	NA	NA
8 Horsham Clinic ^{1,10}	\$43	\$35	\$34	\$32	11.08%	\$40	\$34	\$33	\$32	8.02%
9 Kirkbride Center ^{5,10}	\$19	\$15	\$16	\$19	-0.29%	\$17	\$17	\$15	\$17	-1.32%
4 Meadows Psych Center ^{1,10}	\$14	\$21	\$18	\$17	-6.53%	\$14	\$15	\$14	\$14	0.61%
5 Roxbury Treatment ^{1,5,10}	\$18	\$14	\$11	\$11	21.10%	\$12	\$11	\$9	\$8	17.37%
1 Southwood Psych ^{1,5,10,13}	\$16	\$17	\$16	\$15	2.72%	\$15	\$15	\$15	\$16	-1.94%

Region/ State Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY08-FY11	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY08-FY11
	FY11	FY10	FY09	FY08		FY11	FY10	FY09	FY08	
Statewide Average	\$10	\$11	\$10	\$9	3.83%	\$49	\$51	\$47	\$49	0.57%
7 Allentown State ^{2,11}	\$3	\$9	\$10	\$8	NA	\$9	\$36	\$39	\$38	NA
6 Clark Summit State	\$12	\$13	\$13	\$11	3.12%	\$50	\$49	\$49	\$48	1.04%
4 Danville State	\$10	\$10	\$9	\$7	11.58%	\$40	\$39	\$37	\$34	6.38%
8 Norristown State	\$10	\$11	\$11	\$10	2.76%	\$81	\$82	\$82	\$81	0.20%
1 Torrance State	\$10	\$10	\$8	\$8	6.17%	\$66	\$60	\$53	\$42	18.78%
2 Warren State	\$10	\$9	\$10	\$8	7.91%	\$43	\$44	\$46	\$44	-0.58%
7 Wernersville State	\$14	\$12	\$12	\$11	8.86%	\$58	\$46	\$46	\$44	10.34%

See footnotes and map of regions on page 40.

Psychiatric Hospital	Operating Margin FY11	Total Margin FY11	3-yr Average Total Margin FY09-FY11	Percent of Uncompensated Care FY11	Medicare Share of NPR FY11	Medical Assistance Share of NPR FY11
Statewide Average	5.23%	4.74%	4.06%	1.42%	16.17%	54.90%
Non-profit Psychiatric Hospitals						
Statewide Average (non-profit)	-1.62%	1.29%	-1.23%	1.67%	14.36%	53.57%
Belmont Center	3.09%	3.09%	2.03%	1.02%	24.69%	54.26%
Devereux Behavioral Hlth ⁷	8.13%	8.13%	5.57%	1.60%	0.00%	75.27%
KidsPeace ¹	4.96%	4.96%	1.45%	0.61%	0.00%	72.40%
Montgomery Cty ES ^{5, 13}	2.03%	4.06%	1.27%	6.40%	21.11%	50.86%
PA Psych Institute	-29.36%	-29.46%	-36.55%	3.22%	26.77%	35.12%
Philhaven ⁵	-0.41%	6.51%	4.79%	0.75%	10.02%	57.23%
St John Vianney ⁵	13.38%	21.09%	6.52%	0.00%	0.00%	0.00%
For-profit Psychiatric Hospitals						
Statewide Average (for-profit)	9.34%	6.79%	7.09%	1.27%	17.24%	55.69%
Brooke Glen Behavioral ^{1, 2, 10}	-23.65%	-12.44%	-0.29%	1.49%	21.18%	54.05%
Clarion Psych ^{1, 10}	41.62%	22.93%	21.85%	1.28%	14.12%	61.21%
Fairmount Behavioral ^{1, 5, 10}	15.34%	15.36%	16.41%	0.81%	18.12%	64.40%
First Wyoming Valley ^{1, 3, 7, 10}	20.94%	12.25%	11.15%	0.76%	17.76%	50.73%
Foundations Behavioral ^{1, 5, 10}	7.34%	4.05%	4.35%	0.33%	0.00%	60.52%
Friends ^{1, 5, 10}	-5.58%	-2.55%	-1.00%	1.58%	30.97%	50.17%
Haven Behavioral ^{1, 3, 10, 13}	-1.97%	-1.75%	-18.76%	3.75%	35.83%	30.64%
Horsham Clinic ^{1, 10}	8.83%	4.87%	3.69%	1.39%	20.14%	43.54%
Kirkbride Center ^{5, 10}	15.72%	9.74%	4.56%	3.74%	3.19%	95.56%
Meadows Psych Center ^{1, 10}	3.67%	2.02%	11.45%	0.53%	26.45%	45.17%
Roxbury Treatment ^{1, 5, 10}	30.00%	16.53%	14.15%	1.33%	18.21%	30.00%
Southwood Psych ^{1, 5, 10, 13}	3.65%	3.30%	5.82%	-0.06%	0.00%	75.45%

State Psychiatric Hospital	Percent of Expenses not covered by NPR FY11	Medicare Share of NPR FY11	Medical Assistance Share of NPR FY11
Statewide Average	79.27%	30.30%	56.32%
Allentown State ^{2, 11}	60.48%	34.04%	57.20%
Clark Summit State	75.76%	29.06%	57.80%
Danville State	75.69%	32.05%	54.47%
Norristown State	86.47%	26.91%	63.95%
Torrance State	84.65%	28.40%	54.17%
Warren State	74.67%	32.18%	53.01%
Wernersville State	74.90%	31.69%	54.47%

See footnotes and map of regions on page 40.

Long-Term Acute Care

Highlights

- The statewide average operating margin for the long-term acute care (LTAC) hospitals decreased 0.26 of a percentage point, from 6.23% in FY10 to 5.97% in FY11. The statewide average total margin decreased 0.14 of a percentage point, from 4.93% in FY10 to 4.79% in FY11.
- LTAC hospitals received 73.4% of their patient revenue from Medicare patients during FY11.
- In FY11, the mean age of patients admitted to LTAC facilities was 68.9 years, while the average age of inpatients at general acute care hospitals was 52.9 years.

Long-Term Acute Care

There were 27 long-term acute care (LTAC) hospitals in Pennsylvania during fiscal year 2011 (FY11). LTAC hospitals provide specialized acute care to medically complex patients. Patients are commonly admitted directly from a general acute care (GAC) hospital intensive care unit with complex medical conditions, such as

dependency on mechanical ventilation, that require continuous acute care. LTAC patients are not medically ready for rehabilitation care, or they still need a higher level of care than what is provided by a skilled nursing facility or home health care. The average length of stay (ALOS) at LTAC hospitals was 27.2 days during FY11 (Table 14).

Most of the care provided at LTAC hospitals is medical-surgical (med-surg). During FY11, 94.2% of the patient days at LTAC hospitals were med-surg. Three LTAC hospitals provided inpatient psychiatric care, representing 5.1% of statewide LTAC patient days during FY11.

TABLE 13
Long-Term Acute Care Hospitals Operating as a Hospital-within-a-Hospital*, FY11

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

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

Trends in Long-Term Acute Care

The first LTAC hospital in Pennsylvania began operating in FY94; by FY00, there were 14 LTAC hospitals statewide. Between FY00 and FY03, Pennsylvania averaged three new hospitals per year. Between FY03 and FY09, the number of new LTAC hospitals increased by an average of one hospital per year. During FY11, the total number of LTAC hospitals (27) operating in Pennsylvania remained the same as in FY10 and FY09. Between FY10 and FY11, one LTAC hospital opened and another LTAC hospital changed its services to a specialty hospital and later merged into a GAC hospital.

TABLE 14
Utilization and Capacity at Long-Term Acute Care Hospitals
by Type of Care

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Patient Days										
Med-surg	204,031	248,835	250,617	263,586	272,568	269,318	273,078	261,160	263,694	251,753
Psychiatric	28,788	29,033	28,223	29,324	28,455	30,518	29,516	29,251	29,724	13,711
Skilled Nursing	0	0	0	3,284	4,068	0	0	0	0	1,853
Statewide	232,819	277,868	278,840	296,194	305,091	299,836	302,594	290,411	293,418	267,317
Discharges										
Med-surg	6,760	8,707	8,753	8,778	9,383	9,332	9,415	9,326	9,529	9,195
Psychiatric	1,219	949	956	982	1,006	998	1,112	1,068	1,124	590
Skilled Nursing	0	0	0	290	382	0	0	0	0	58
Statewide	7,979	9,656	9,709	10,050	10,771	10,330	10,527	10,394	10,653	9,843
Beds										
Med-surg	770	957	1,026	1,046	1,117	1,151	1,217	1,225	1,214	1,187
Psychiatric	112	112	112	112	113	113	99	98	107	56
Skilled Nursing	0	0	0	22	23	0	0	0	0	40
Statewide	882	1,069	1,138	1,180	1,253	1,264	1,316	1,323	1,321	1,283
Occupancy Rate										
Med-surg	73.64%	73.51%	68.31%	70.29%	68.34%	64.61%	62.48%	58.53%	60.03%	59.32%
Psychiatric	70.42%	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%	76.11%	67.08%
Skilled Nursing	0.00%	0.00%	0.00%	54.28%	77.92%	0.00%	0.00%	0.00%	0.00%	49.49%
Statewide	73.23%	73.24%	68.37%	70.20%	68.57%	65.46%	63.93%	60.26%	61.34%	59.59%
Average Length of Stay										
Med-surg	30.2	28.6	28.6	30.0	29.1	28.9	29.0	28.0	27.7	27.4
Psychiatric	23.6	30.6	29.5	29.9	28.3	30.6	26.5	27.4	26.4	23.2
Skilled Nursing	0.0	0.0	0.0	11.3	10.6	0.0	0.0	0.0	0.0	31.9
Statewide	29.2	28.8	28.7	29.5	28.3	29.0	28.7	27.9	27.5	27.2
Outpatient Visits										
Statewide	61,850	118,399	115,745	114,108	111,295	107,464	96,084	181,291	179,461	107,745

The total number of patient days at LTAC hospitals peaked during FY06 (Figure 29). From FY02 to FY03, the number of med-surg patient days and discharges at LTAC hospitals increased 22.0% and 28.8%, respectively. From FY03 to FY11, utilization has leveled off with med-surg patient days and discharges increasing only 1.2% and 5.6%, respectively. During FY11, med-surg patient days and discharges decreased 4.5% and 3.5%, respectively.

One factor that previously facilitated the growth of LTAC hospitals is that many of the facilities utilize space within an existing GAC hospital (Table 13). During

TABLE 15
Utilization and Capacity, FY11
by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Good Shepherd Penn/Philadelphia	9,612	13,870	69.30%	315	38	30.5
Good Shepherd/Bethlehem	10,622	11,680	90.94%	399	32	26.6
Kindred/Delaware County	6,803	14,235	47.79%	235	39	28.9
Kindred/Easton	6,984	11,315	61.72%	275	31	25.4
Kindred/Havertown	12,315	20,805	59.19%	478	57	25.8
Kindred/Heritage Valley	8,721	12,775	68.27%	340	35	25.7
Kindred/North Shore	8,210	26,280	31.24%	306	72	26.8
Kindred/Philadelphia	13,452	18,980	70.87%	428	52	31.4
Kindred/Pittsburgh	10,177	22,995	44.26%	367	63	27.7
Kindred/South Philadelphia	3,738	21,228	17.61%	116	58	32.2
Kindred/Wyoming Valley	8,415	13,140	64.04%	330	36	25.5
LifeCare/Chester County	8,879	14,235	62.37%	281	39	31.6
LifeCare/Mechanicsburg	4,285	10,404	41.19%	169	68	25.4
LifeCare/Monroeville	4,981	13,311	37.42%	195	87	25.5
LifeCare/Pittsburgh - Alle-Kiski	7,257	10,220	71.01%	241	28	30.1
LifeCare/Pittsburgh	27,883	36,500	76.39%	1,011	100	27.6
LifeCare/Suburban	9,012	13,964	64.54%	304	68	29.6
Select Specialty/Camp Hill	8,269	11,315	73.08%	328	31	25.2
Select Specialty/Danville	5,169	10,950	47.21%	205	30	25.2
Select Specialty/Erie	10,848	18,250	59.44%	434	50	25.0
Select Specialty/Harrisburg	9,728	13,870	70.14%	355	38	27.4
Select Specialty/Johnstown	10,112	14,235	71.04%	407	39	24.8
Select Specialty/Laurel	7,785	14,600	53.32%	327	40	23.8
Select Specialty/Mckeesport	7,857	10,950	71.75%	296	30	26.5
Select Specialty/UPMC	8,138	11,680	69.67%	274	32	29.7
Select Specialty/York	5,388	8,395	64.18%	203	23	26.5
Special Care	15,023	24,455	61.43%	594	67	25.3

FY11, there were 15 LTAC hospitals that occupied space within a GAC hospital. Many new facilities lease space from a GAC hospital; capital requirements are considerably less than constructing a new freestanding facility. The Medicare, Medicaid, and SCHIP Extension Act (MMSEA) of 2007 and amendments (described in the next section of this report, Long-Term Acute Care Hospitals – Financial Profile) may have prompted the stagnant growth in the number of new LTAC hospitals and/or beds from FY09 to FY11.

Another reason for the growth in the number of LTAC facilities in prior years is that they provided a more cost-effective setting for the GAC hospitals to transfer Medicare patients that require extended acute care to LTAC hospitals. Under the Medicare Prospective Payment System, or PPS, GAC hospitals received a predetermined fee based on the average cost to treat patients in a diagnosis-related group (DRG). If a patient required acute care for an extended period of time, the GAC hospital could have avoided the additional costs associated with the extended stay by discharging the patient to an LTAC hospital. As discussed later in this section, there have been some changes to the Medicare payment system, which may reduce the incentive for LTAC hospitals to accept patients from their host GAC hospital.

The mean age of patients admitted to LTAC facilities during FY11 was 68.9 years. The age distribution of patients receiving care at LTAC hospitals is indicative of extended care facilities, which serve a predominately elderly population. Patients age 55 through 84 accounted for 71.7% of the discharges at the LTAC hospitals in FY11 (Figure 30). Consistent with

FIGURE 29
Patient Days at Long-Term Acute Care Hospitals
by Fiscal Year

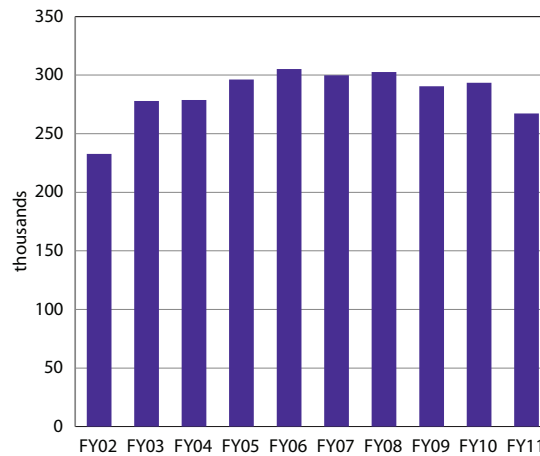
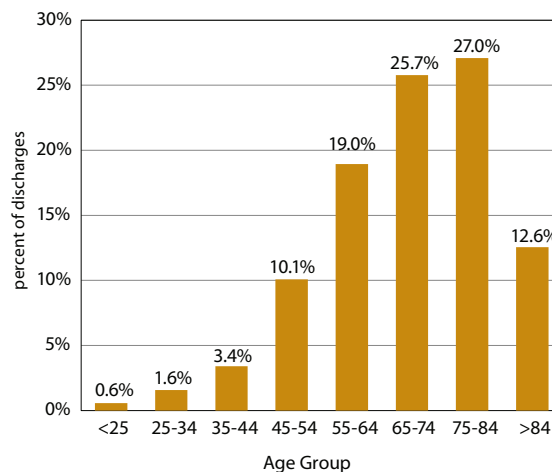


FIGURE 30
Inpatient Age Distribution at Long-Term Acute Care Hospitals, FY11
by Age Group



the age distribution of LTAC patients, 73.4% of net patient revenue (NPR) was received from Medicare patients during FY11 (Figure 31). In contrast, the average age of inpatients at GAC hospitals in Pennsylvania was 52.9 years, and GAC hospitals received an average of 43.8% of their total inpatient NPR from Medicare.

Four LTAC hospitals represent the statewide total of 107,745 outpatient visits during FY11. One of the four facilities reported 82.7% 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, such as rehab outpatient services.

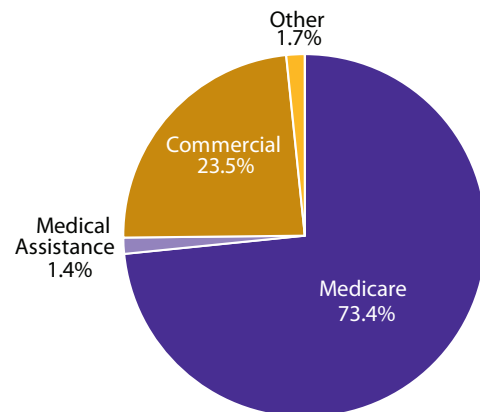
Long-Term Acute Care Hospitals – Financial Profile

LTAC hospitals have transitioned from a cost-based Medicare reimbursement system to a Long-Term Care Hospital Prospective Payment System (LTCH PPS). Changes to the Medicare reimbursement system have had a major effect on the financial health of Pennsylvania's LTAC hospitals. As previously mentioned, these hospitals received 73.4% of their patient revenue from treating Medicare patients during FY11.

Concurrent with the move to LTCH PPS in FY03, LTAC hospitals as a group began to post positive operating and total margins in FY03 after five consecutive years of negative margins. Not only did these margins move into positive territory in FY03, the statewide operating margin improved 5.43 points from a negative 0.25% in FY02 to 5.18% in FY03 (Figure 32). The statewide operating margin rose another 2.58 points in FY04 to 7.76% before falling for four consecutive years to 2.31% in FY08. In FY09, the statewide operating margin began to increase to 3.46% and again in FY10 to 6.23%. In FY11, the statewide operating margin decreased 0.26 of a percentage point to 5.97%.

In previous Reports to the Congress, the Medicare Payment Advisory Commission (MedPAC) estimated that LTAC hospitals experienced negative or small positive margins from treating Medicare patients under the pre-2003 cost-based Medicare reimbursement system. In MedPAC's March 2012 report, following the switch to the PPS system, national Medicare margins increased to 5.2% in 2003, 9.0% in

FIGURE 31
Net Patient Revenue at
Long-Term Acute Care Hospitals, FY11
by Payer



2004 and 11.9% in 2005. The national Medicare margin fell to 9.8% in 2006, 4.8% in 2007 and 3.5% in 2008, before it increased to 5.6% in 2009 and 6.4% in 2010.

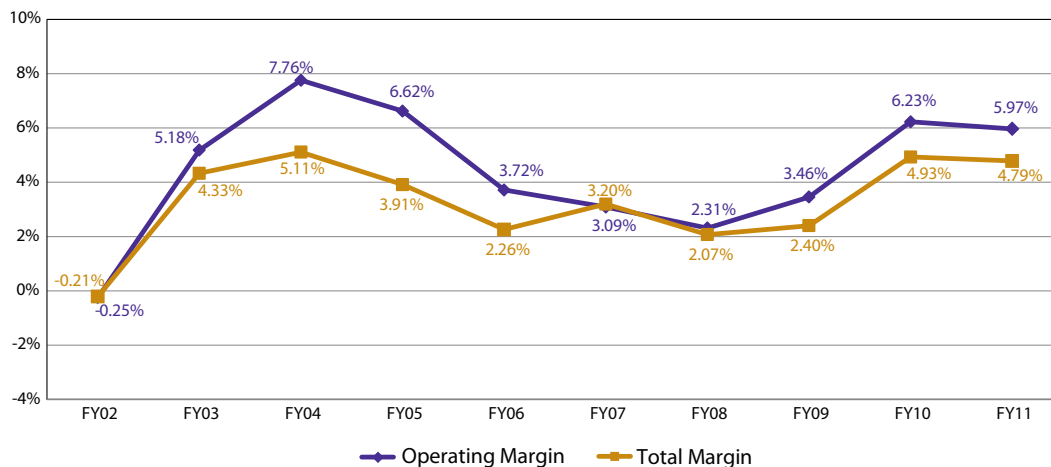
Medicare revenues and utilization were also affected by regulatory changes that established limits on the percentage of a facility’s patients that are reimbursed at the LTCH PPS rates. Patients admitted to LTAC facilities above those limits were reimbursed at the generally lower PPS rates for GAC hospitals.

In August 2004, the Centers for Medicare and Medicaid Services (CMS) published a final rule that would limit the percentage of patients that are eligible for LTCH PPS rates at facilities that operate as a hospital-within-a-hospital (an LTAC facility leasing space on the campus of a GAC hospital, or “HWH”). The limit applied to patients transferred from the host hospital to its tenant HWH. The limit was to be phased in over a three-year period from 75% after October 2005 to 25% after October 2007. Certain exceptions to the “25% Rule” can increase the threshold to 50% for rural areas and markets dominated by a single GAC hospital.

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

The MMSEA of 2007 froze the implementation of the “25% Rule” for three years. Instead of transitioning to 25%, CMS regulations set the limit for admissions from any single hospital at 50% for cost reporting years between December 29, 2007 and December 29, 2010. The MMSEA also prevented CMS from implementing the “25% Rule” beyond HWH to freestanding LTAC hospitals for three years.

FIGURE 32
Operating and Total Margins at Long-Term Acute Care Hospitals
by Fiscal Year



Additionally, the MMSEA also imposed a three-year freeze on new LTAC facilities and new beds in existing LTAC facilities.

The American Recovery and Reinvestment Act of 2009 (ARRA) modified some provisions of the MMSEA. ARRA altered the implementation dates for the rollback of the “25% Rule” and the moratorium on new LTAC facilities and beds in existing facilities to July 1, 2007, or October 1, 2007, depending on start of the facilities’ fiscal year. The Affordable Care Act of 2010 extends the “25% Rule” and moratorium for an additional two years.

FIGURE 33
Average Net Inpatient Revenue per Discharge at Long-Term Acute Care Hospitals, FY11
by Payer

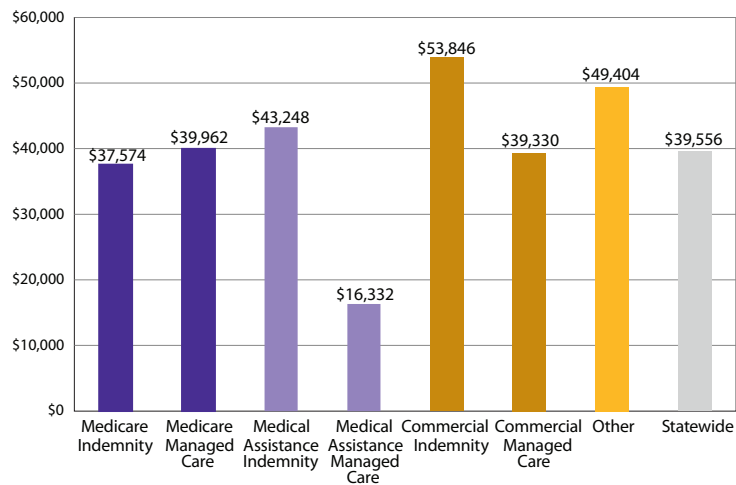
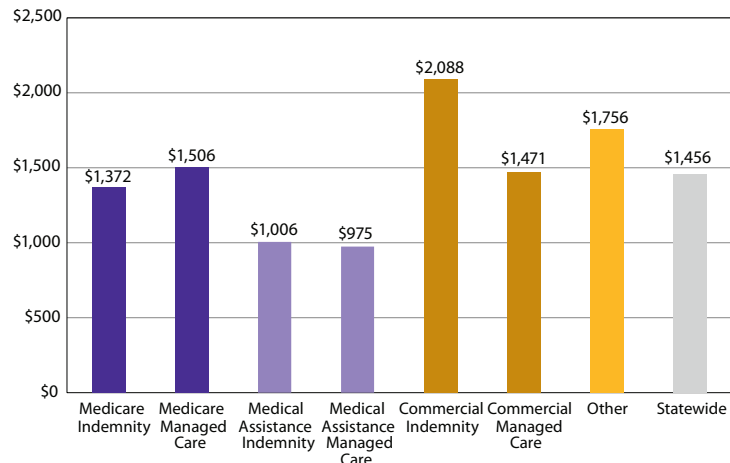


FIGURE 34
Average Net Inpatient Revenue per Day at Long-Term Acute Care Hospitals, FY11
by Payer



Among the payers, commercial indemnity was the highest average revenue per discharge during FY11 at LTAC hospitals (Figure 33). Commercial indemnity plans were also the highest average revenue per day payer during FY11 (Figure 34).

In combination with the decreases in utilization during FY11 at LTAC hospitals' the statewide NPR decreased 9.1% (Table 16). Since the 7.5% decrease in statewide total operating revenue outpaced the 7.3% decrease in statewide total operating expenses, the statewide average operating margin decreased 0.26 of a percentage point from 6.23% in FY10 to 5.97% in FY11. The statewide average total margin decreased 0.14 of a percentage point from 4.93% in FY10 to 4.79%.

TABLE 16
Revenue, Expenses, and Income at Long-Term Acute Care Hospitals
by Fiscal Year
(thousands)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Net Patient Revenue	\$231,795	\$310,147	\$341,561	\$384,488	\$397,337	\$403,658	\$422,000	\$443,338	\$453,889	\$412,758
Total Operating Revenue	\$233,428	\$313,135	\$344,141	\$385,991	\$398,515	\$405,257	\$423,762	\$463,430	\$477,821	\$441,780
Total Operating Expenses	\$234,012	\$296,900	\$317,451	\$360,440	\$383,704	\$392,744	\$413,957	\$447,410	\$448,075	\$415,416
Operating Income	(\$584)	\$16,235	\$26,690	\$25,551	\$14,811	\$12,513	\$9,805	\$16,020	\$29,746	\$26,364
Non-Operating Income*	\$88	(\$2,662)	(\$9,085)	(\$10,392)	(\$5,758)	\$496	(\$989)	(\$4,830)	(\$6,155)	(\$5,213)
Revenue over Expenses	(\$497)	\$13,573	\$17,605	\$15,159	\$9,053	\$13,009	\$8,816	\$11,190	\$23,591	\$21,151

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

LONG-TERM ACUTE CARE

Region/ Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY08-FY11	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY08-FY11
	FY11	FY10	FY09	FY08		FY11	FY10	FY09	FY08	
Statewide Average	\$15	\$17	\$16	\$16	-1.94%	\$15	\$17	\$17	\$16	-1.12%
Non-profit LTAC Hospitals										
Statewide Average (non-profit)	\$27	\$31	\$29	\$35	-7.08%	\$36	\$36	\$36	\$34	1.90%
9 Good Shepherd Penn/Phila	\$38	\$32	\$22	NA	NA	\$56	\$50	\$42	NA	NA
7 Good Shepherd/Bethlehem	\$17	\$17	\$17	\$18	-1.14%	\$16	\$15	\$15	\$15	1.23%
For-profit LTAC Hospitals										
Statewide Average (for-profit)	\$14	\$15	\$15	\$15	-0.83%	\$14	\$14	\$14	\$14	-1.55%
8 Kindred/Delaware County ^{1, 10, 13}	\$10	\$10	\$10	\$10	0.21%	\$11	\$10	\$11	\$12	-1.90%
7 Kindred/Easton ^{1, 10}	\$11	\$12	\$13	\$13	-5.10%	\$10	\$11	\$12	\$13	-6.78%
8 Kindred/Havertown ^{1, 10}	\$19	\$17	\$13	\$13	14.79%	\$18	\$16	\$14	\$14	9.34%
1 Kindred/Heritage Valley ^{1, 10}	\$13	\$12	\$13	\$13	0.66%	\$11	\$11	\$11	\$11	0.36%
1 Kindred/North Shore ^{1, 10}	\$14	\$13	\$13	\$11	9.57%	\$16	\$16	\$16	\$15	3.02%
9 Kindred/Philadelphia ^{1, 10}	\$22	\$22	\$23	\$21	0.40%	\$20	\$20	\$20	\$20	0.29%
1 Kindred/Pittsburgh ^{1, 10}	\$17	\$20	\$20	\$21	-6.36%	\$18	\$20	\$19	\$20	-4.10%
9 Kindred/South Phila ^{1, 3, 10, 13}	\$5	\$14	\$17	\$23	-25.54%	\$8	\$15	\$23	\$24	-22.65%
6 Kindred/Wyoming Valley ^{1, 10, 13}	\$12	\$13	\$13	\$11	3.39%	\$12	\$11	\$11	\$10	5.14%
8 LifeCare/Chester County ^{1, 10}	\$16	\$14	\$14	\$16	0.34%	\$15	\$14	\$14	\$14	2.00%
5 LifeCare/Mechanicsburg ^{1, 2, 10}	\$6	\$19	\$18	\$17	NA	\$7	\$16	\$16	\$16	NA
1 LifeCare/Monroeville ^{1, 2, 10}	\$7	\$20	\$22	\$22	NA	\$7	\$20	\$20	\$23	NA
1 LifeCare/Pgh - Alle-Kiski ^{1, 10}	\$11	\$9	\$12	\$11	1.31%	\$8	\$10	\$10	\$9	-1.63%
1 LifeCare/Pittsburgh ^{1, 10}	\$30	\$40	\$34	\$38	-7.10%	\$32	\$36	\$33	\$35	-3.17%
1 LifeCare/Suburban ^{1, 4, 5, 10}	\$12	NA	NA	NA	NA	\$12	NA	NA	NA	NA
5 Select Specialty/Camp Hill ^{1, 10}	\$13	\$12	\$12	\$13	1.11%	\$11	\$10	\$10	\$10	3.63%
4 Select Specialty/Danville ^{1, 10}	\$8	\$8	\$8	\$11	-7.90%	\$8	\$8	\$8	\$11	-8.37%
2 Select Specialty/Erie ^{1, 10}	\$17	\$16	\$16	\$17	-0.09%	\$16	\$15	\$16	\$17	-2.66%
5 Select Specialty/Harrisburg ^{1, 10}	\$16	\$12	\$10	NA	NA	\$13	\$10	\$9	NA	NA
3 Select Specialty/Johnstown ^{1, 10}	\$16	\$15	\$12	\$11	14.99%	\$13	\$12	\$11	\$11	4.65%
1 Select Specialty/Laurel ^{1, 10}	\$12	\$13	\$15	\$13	-2.94%	\$10	\$11	\$11	\$12	-4.43%
1 Select Specialty/Mckeesport ^{1, 10}	\$11	\$10	\$9	\$10	4.63%	\$9	\$9	\$9	\$10	-0.89%
1 Select Specialty/UPMC ^{1, 10}	\$14	\$12	\$12	\$12	5.32%	\$12	\$11	\$11	\$11	2.31%
5 Select Specialty/York ^{1, 10}	\$10	\$10	\$9	\$9	0.64%	\$8	\$8	\$8	\$9	-1.41%
6 Special Care ^{1, 5, 10}	\$17	\$17	\$17	\$15	2.17%	\$18	\$18	\$17	\$16	3.64%

See footnotes and map of regions on page 40.

Long-Term Acute Care Hospital	Operating Margin FY11	Total Margin FY11	3-yr Average Total Margin FY09-FY11	Percent of Uncompensated Care FY11	Medicare Share of NPR FY11	Medical Assistance Share of NPR FY11
Statewide Average	5.97%	4.79%	4.03%	0.69%	73.39%	1.45%
Non-profit LTAC Hospitals						
Statewide Average (non-profit)	13.46%	13.46%	5.52%	1.03%	50.67%	0.53%
Good Shepherd Penn/Phila	14.81%	14.81%	7.59%	1.48%	39.27%	0.78%
Good Shepherd/Bethlehem	8.28%	8.28%	9.59%	0.04%	75.79%	0.00%
For-profit LTAC Hospitals						
Statewide Average (for-profit)	4.25%	2.80%	3.62%	0.64%	77.10%	1.59%
Kindred/Delaware County ^{1,10,13}	-7.51%	-4.60%	-2.53%	-0.46%	86.54%	4.44%
Kindred/Easton ^{1,10}	6.10%	3.75%	7.26%	0.29%	80.44%	0.00%
Kindred/Havertown ^{1,10}	3.34%	2.20%	1.34%	0.40%	88.71%	0.00%
Kindred/Heritage Valley ^{1,10}	15.03%	9.21%	8.58%	0.99%	79.76%	6.92%
Kindred/North Shore ^{1,10}	-12.24%	-7.53%	-9.35%	0.40%	72.09%	2.64%
Kindred/Philadelphia ^{1,10}	5.69%	3.59%	4.97%	0.14%	73.78%	12.25%
Kindred/Pittsburgh ^{1,10}	-4.74%	-2.92%	-0.24%	1.20%	67.97%	4.94%
Kindred/South Phila ^{1,3,10,13}	-44.20%	-43.34%	-18.55%	3.83%	90.08%	-1.02%
Kindred/Wyoming Valley ^{1,10,13}	1.49%	0.97%	5.60%	0.30%	88.66%	0.00%
LifeCare/Chester County ^{1,10}	4.64%	2.50%	1.44%	0.51%	65.05%	0.00%
LifeCare/Mechanicsburg ^{1,2,10}	-3.60%	-2.34%	6.01%	0.87%	73.47%	0.00%
LifeCare/Monroeville ^{1,2,10}	-13.27%	-8.63%	1.34%	0.70%	58.24%	0.00%
LifeCare/Pgh - Alle-Kiski ^{1,10}	26.25%	17.06%	8.06%	0.42%	83.79%	0.00%
LifeCare/Pittsburgh ^{1,10}	-6.36%	-4.13%	2.77%	0.48%	73.31%	0.00%
LifeCare/Suburban ^{1,4,5,10}	1.17%	0.76%	NA	0.47%	75.12%	0.00%
Select Specialty/Camp Hill ^{1,10}	15.50%	15.55%	16.99%	0.48%	77.22%	0.00%
Select Specialty/Danville ^{1,10}	-0.17%	-0.73%	0.49%	0.24%	64.95%	0.00%
Select Specialty/Erie ^{1,10}	4.22%	2.15%	1.97%	0.95%	84.94%	0.00%
Select Specialty/Harrisburg ^{1,10}	20.61%	20.61%	15.02%	0.68%	73.51%	0.00%
Select Specialty/Johnstown ^{1,10}	19.77%	10.06%	8.56%	0.32%	82.43%	0.00%
Select Specialty/Laurel ^{1,10}	15.33%	10.37%	12.44%	0.44%	80.40%	0.00%
Select Specialty/Mckeesport ^{1,10}	14.58%	8.57%	7.01%	0.24%	82.86%	0.00%
Select Specialty/UPMC ^{1,10}	12.06%	7.78%	6.50%	2.11%	64.46%	0.00%
Select Specialty/York ^{1,10}	15.68%	15.68%	14.11%	0.03%	74.42%	0.00%
Special Care ^{1,5,10}	-9.20%	-11.34%	-3.37%	1.25%	85.65%	1.43%

See footnotes and map of regions on page 40.

Specialty

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 specialty hospitals during fiscal year 2011 (FY11). 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 FY11.

The Children's Home of Pittsburgh is a pediatric specialty hospital which serves children from birth to age 21. It provides short-term transitional care from hospital to home for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. For FY11, the hospital reported 15 staffed medical-surgical beds and 286 discharges with an average length of stay (ALOS) of 16.5 days.

A non-profit hospital, the Children's Home of Pittsburgh has had several years of operating and total losses due, in part, to lower patient volume and an increased cost structure after relocating to a new facility. During FY11, the hospital improved its operating margin from a negative 11.01% in FY10 to a positive 0.47% in FY11 and total margin from a positive 0.98% in FY10 to 6.93% in FY11.

Divine Providence Hospital is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital operated a 31-bed inpatient psychiatric unit and provides outpatient diagnostic and treatment services and home health services. During FY11, Divine Providence reported 207,285 outpatient and home health care visits. Outpatient and home health care represented about 94.1% of the hospital's total net patient revenue in FY11.

Region/Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY08-FY11	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY08-FY11
	FY11	FY10	FY09	FY08		FY11	FY10	FY09	FY08	
Statewide Average	\$27	\$27	\$25	\$21	9.27%	\$26	\$26	\$24	\$20	9.88%
1 Children's Home Pgh	\$7	\$7	\$6	\$4	26.47%	\$9	\$9	\$9	\$9	2.10%
4 Divine Providence	\$81	\$82	\$77	\$71	4.75%	\$78	\$75	\$68	\$62	8.48%
8 Eagleville ⁵	\$29	\$26	\$25	\$26	3.49%	\$29	\$26	\$25	\$27	2.32%
9 Girard ^{2,8,11,13}	\$23	\$44	\$49	\$52	NA	\$24	\$44	\$50	\$52	NA
9 Kensington ^{5,13}	\$7	\$6	\$7	\$7	2.44%	\$7	\$7	\$7	\$8	-1.04%
8 Valley Forge ^{1,5,10,13}	\$13	\$11	\$10	\$11	4.10%	\$12	\$11	\$12	\$11	2.27%

See footnotes and map of regions on page 40.

Eagleville Hospital, a non-profit hospital, had provided inpatient drug and alcohol (D&A) treatment as well as geriatric psychiatric services in Montgomery County during FY11. The hospital reported 326 staffed beds, 36 of which are acute psychiatric beds. The overall ALOS at Eagleville during FY11 was 21.9 days.

Eagleville Hospital reported an operating margin of 3.12% and a total margin of 13.79% for FY11, largely as a result of a \$2.4 million transition grant from the state and federal governments. The purpose of this grant is to offset reductions in funding from the Medicaid program.

Girard Medical Center, a non-profit hospital, operated as a freestanding hospital providing psychiatric services in Philadelphia County for a portion of FY11 before it later merged into St Joseph Hospital. Both hospitals are part of the North Philadelphia Health System. Previously, Girard operated as a long-term acute care hospital.

Girard's outpatient care represented 46.2% of its patient revenue with 60,279 outpatient visits in FY11. The hospital received 95.5% of its total net patient revenue from the Medical Assistance (MA) program. The hospital reported 51 acute psychiatric staffed beds and patients ALOS of 29.4 days in FY11.

Kensington Hospital is a 38-bed hospital in Philadelphia that primarily provides D&A treatment. Kensington, a non-profit hospital, received about 76.7% of its patient revenue from the MA program, excluding state grants. The hospital reported 8,019 outpatient visits in FY11, and outpatient care represented about 17.5% of its patient revenue.

The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility in Montgomery County that provided inpatient rehabilitative programs to patients with D&A dependencies and other addictive illnesses. During FY11, 64.8% of its patient revenue was MA.

Specialty Hospital	Operating Margin FY11	Total Margin FY11	3-yr Average Total Margin FY09-FY11	Percent of Uncompensated Care FY11	Medicare Share of NPR FY11	Medical Assistance Share of NPR FY11
Statewide Average	5.61%	10.18%	9.44%	3.38%	23.24%	36.74%
Children's Home Pgh	0.47%	6.93%	-0.69%	1.94%	0.00%	76.27%
Divine Providence	9.29%	13.51%	12.91%	1.75%	31.51%	3.57%
Eagleville ⁵	3.12%	13.79%	11.28%	1.04%	29.99%	52.23%
Girard ^{2, 8, 11, 13}	-2.79%	-2.29%	-0.64%	12.37%	3.56%	95.47%
Kensington ^{5, 13}	2.59%	2.59%	0.69%	8.26%	12.36%	76.72%
Valley Forge ^{1, 5, 10, 13}	7.32%	6.81%	0.31%	1.18%	8.89%	64.78%

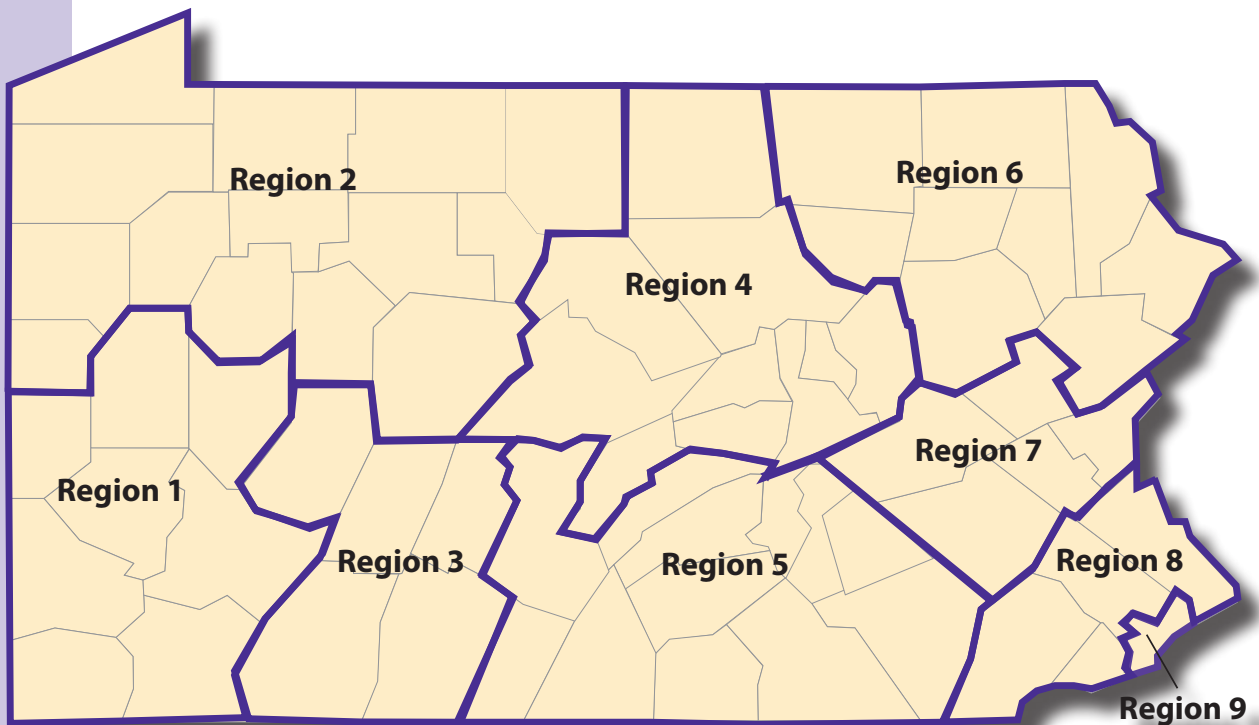
See footnotes and map of regions on page 40.

1. The end of the fiscal year is not June 30. The data reflects the fiscal year that ended prior to June 30.
2. The data is less than 12 months; therefore, a three-year comparison is not appropriate for some of the measures.
3. Prior year(s) reflect less than 12 months of data; therefore, a three-year comparison is not appropriate for some of the measures.
4. This is the first reporting year for this facility. Often expenses are higher than operating revenue during the start-up period. Three-year comparisons are not appropriate for this facility.
5. The hospital has a specialty unit(s) 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 FY11 reporting period.
9. Acquired or merged with another licensed hospital during the FY09 or FY10 reporting periods.
10. For-profit facility; total margin includes *pro rata* share of the parent corporation's federal income taxes.
11. Facility is referred to by a different name, or it closed after the FY11 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.

NA Not applicable.

NR Information necessary to report or calculate this measure was not reported by the facility.

Note: The above footnotes are applicable to all reports in PHC4's *Financial Analysis* series.



3-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the facility's NPR or TOE that occurred from the end of FY08 through FY11.

$$\frac{[(\text{NPR}_{11} - \text{NPR}_{08}) / \text{NPR}_{08}] / 3}{\text{or}}$$

$$\frac{[(\text{TOE}_{11} - \text{TOE}_{08}) / \text{TOE}_{08}] / 3}$$

3-year Average Total Margin: The average total margin realized by the facility during FY09 through FY11.

$$(\sum \text{revenue over expenses}_{11, 10, 09} / \sum \text{total revenue}_{11, 10, 09})$$

Ambulatory Surgery Center (ASC): A licensed facility by the Pennsylvania Department of Health that provides specialty or multi-specialty surgical care to patients who do not require overnight hospitalization, but require medical supervision following a procedure. An ASC does not include individual or group practice offices of private physicians or dentists.

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

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

Long-Term Acute Care (LTAC) Hospital: A licensed acute care hospital by the Pennsylvania Department of Health that provides medical services for patients that require extended lengths of acute care inpatient stay.

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

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

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

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

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

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

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

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

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

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

Patient Days: The total number of days patients stayed in the hospital during the fiscal year.

Percent of Uncompensated Care: This is the ratio of uncompensated care (charity care and bad debt) to the total care provided by the hospital. Charity care is the care a hospital provides without charge because the patient is unable to compensate the hospital through third-party coverage or the patient's own resources. Bad Debt represents the foregone revenue for care in which the hospital initially anticipated payment, extended credit to the patient, but later determined it to be uncollectable. This rate can be used to express uncompensated care as a percent of total charges or as an estimate of the percent of total net patient revenue

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

Psychiatric Hospital: A licensed institution certified by the Pennsylvania Department of Welfare to operate as a hospital that provides 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 by the Pennsylvania Department of Health, 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.

Specialty Hospital: A licensed facility by the Pennsylvania Department of Health that provides specific types of inpatient and outpatient settings of care, such as drug and alcohol.

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

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

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

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

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

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



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