

Non-General Acute Care Facilities

Volume Two

Rehabilitation Care

Psychiatric Care

Long-Term Acute Care

Specialty Care

Ambulatory Surgery Center Care

Financial Analysis 2001

**An Annual Report on the
Financial Health of Pennsylvania's
Non-General Acute Care Facilities**
Fiscal Year 2001: July 1, 2000 – June 30, 2001



Pennsylvania Health Care
Cost Containment Council

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Foreword

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

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

This is the second volume of a two-volume set. Volume One was released in April 2002 and focused on the financial health of Pennsylvania's General Acute Care (GAC) hospitals. This report, Volume Two, addresses Pennsylvania's Non-General Acute Care hospitals (rehabilitation, psychiatric, long-term acute and specialty) and the ambulatory surgery centers. In addition, this report couples utilization information from the subunits of other hospitals with the data from the freestanding non-GAC hospitals. As a result, this report provides some perspectives on the *total* long-term acute, rehabilitation, and psychiatric care provided at both GAC and freestanding non-GAC hospitals.

The information contained in this report was derived from audited financial statements submitted by the facilities, the Council's annual financial form, and the Council's clinical database. The hospitals and the surgery centers are required by law, under ACT 89 of 1986, to submit this financial and utilization information to the Council. Every reasonable effort has been made by the Council to ensure the accuracy of the information herein. Each facility had the opportunity to review their data and to make corrections. The ultimate responsibility for data accuracy lies with the individual facility.

Introduction

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

In addition to the profiles of the freestanding non-GAC facilities, the psychiatric, rehabilitation, long-term acute care (LTAC) and ASC sections include information and analysis on the subunits of hospitals that provide care in those categories. For example, the psychiatric subunits of GAC facilities are addressed in the Psychiatric Care section with the freestanding psychiatric facilities. While nursing home care is not within the Council’s statutory authority, this report does present information on skilled nursing care provided by the non-GAC facilities.

The individual facility data presented in each section are collected based on the individual licenses issued by the Pennsylvania Department of Health or the PA Department of Public Welfare. If a health system operates multiple facilities under a single license, the entire health system will be reported as a single entity. Table 1 lists the number of licensed facilities in each category.

The fiscal year data provided by the majority of non-GAC hospitals (not including surgery centers) covers the period between July 1, 2000 and June 30, 2001. For those hospitals that utilize a different fiscal year, the data reported covers the twelve-month period ending prior to June 30, 2001. The 31 hospitals and 55 ambulatory surgery centers utilizing a fiscal year ending other than June 30 are listed on page 47. The majority of the surgery centers employ a fiscal year ending on December 31.

On page 49 is a list of facilities that failed to meet one or more of the Council’s financial filing requirements. In order to provide consistent statewide totals and averages for the various measures presented in this report, estimated data were employed. The individual facility data presented at the end of each section contain no estimated data. However, statewide averages may include estimated data.

Several non-compliant facilities submitted data after the filing deadline. These data may not be presented with the individual facility data at the end of each section, but are included in statewide averages and totals whenever possible.

TABLE 1
Number of Facilities, FY01
by Facility Type

Facility Type	Number
General Acute Care Hospitals	189
Rehabilitation Hospitals	20
Psychiatric Hospitals	19
State Psychiatric Hospitals	9
Long-Term Acute Care Hospitals	14
Specialty Hospitals	7
Ambulatory Surgery Centers	78
Total	336

Overview of Hospital-Based Health Care

FIGURE 1
Net Patient Revenue, FY01
by Facility Type

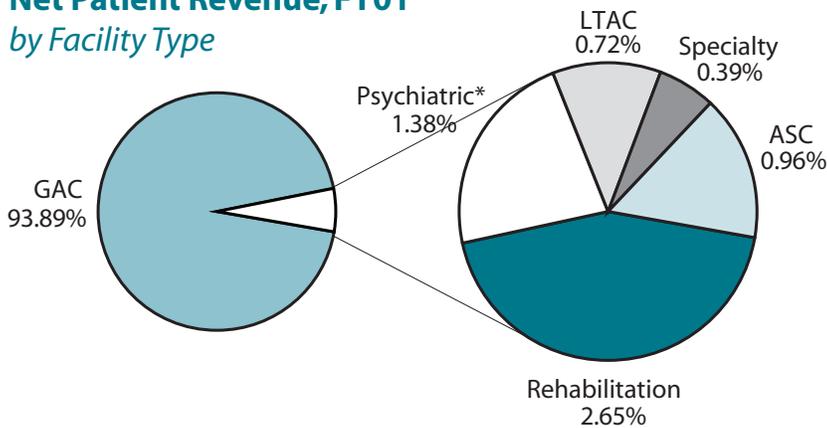


FIGURE 2
Staffed Beds, FY01
by Facility Type

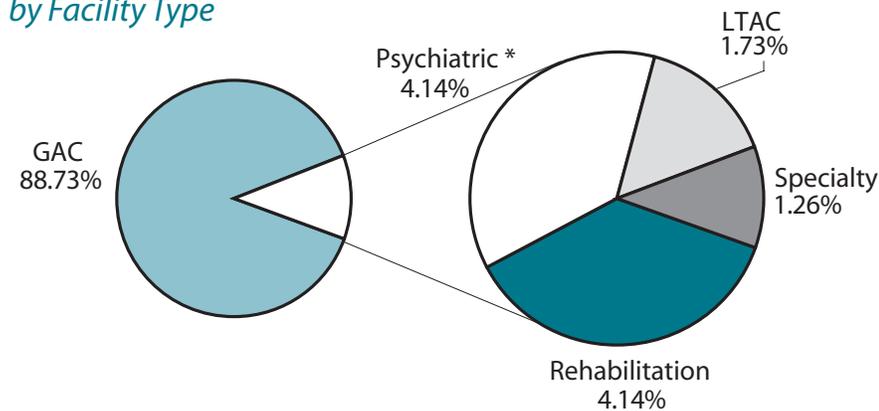
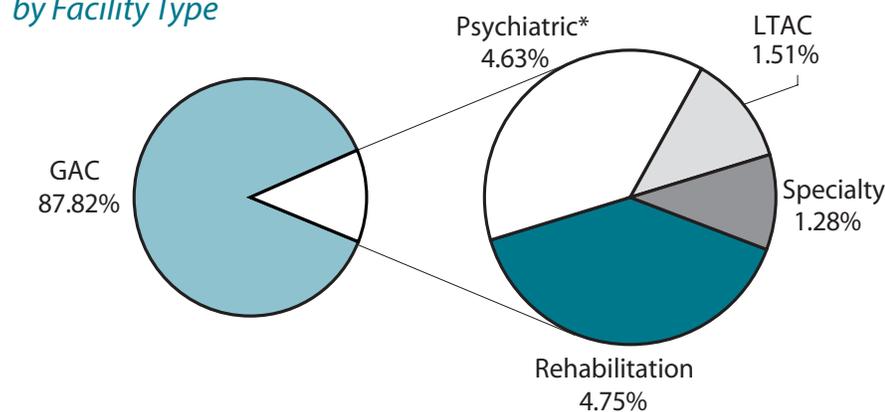


FIGURE 3
Patient Days, FY01
by Facility Type



* Does not include state psychiatric hospitals

General Acute Care (GAC) facilities (including GAC subunits) clearly are the predominate providers of hospital-based health care in Pennsylvania as seen in Figures 1 through 4. These figures reflect all care provided by facilities within each category. For example, the patient day figures for the freestanding long-term acute care hospitals (Figure 3 and Table 3) represent all care provided at these hospitals, including psychiatric care.

In contrast, Figure 5 presents patient days by type of care (e.g. psychiatric care) regardless of where that care was delivered. For example, psychiatric care provided at freestanding psychiatric hospitals, long-term acute care facilities, specialty hospitals and GAC hospitals is included under psychiatric care in Figure 5.

The variation in the average length of an inpatient stay at these five categories of facilities (Figure 6) reflects the differences in the nature of care provided at these facilities. Please note that the average 13.4 day stay at psychiatric facilities does not include the state psychiatric facilities, which are long-term psychiatric facilities.

FIGURE 4
Discharges, FY01
by Facility Type

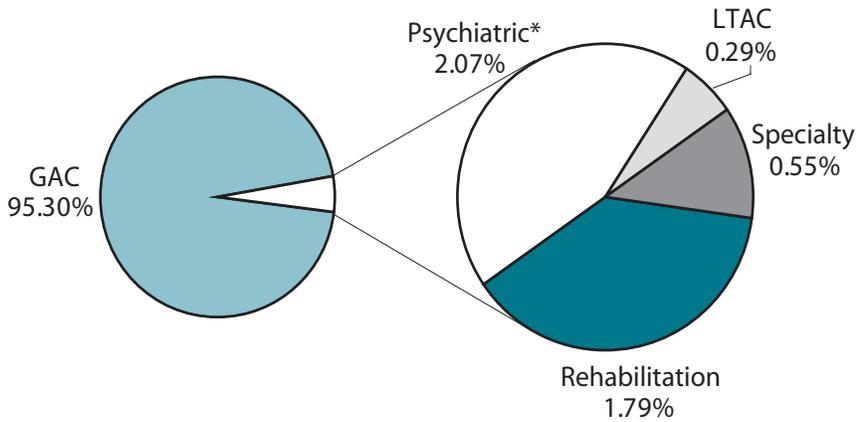


FIGURE 5
Patient Days, FY01
by Type of Care

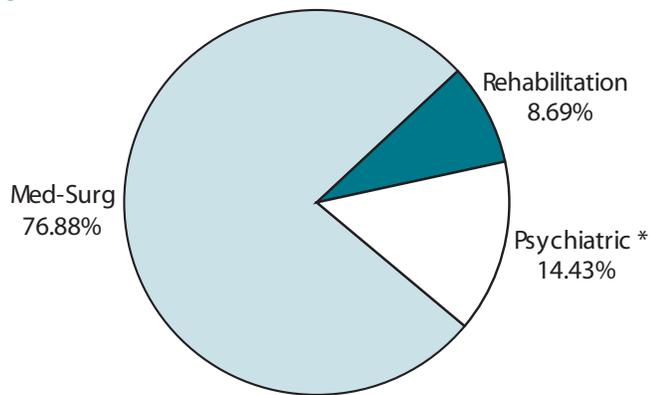
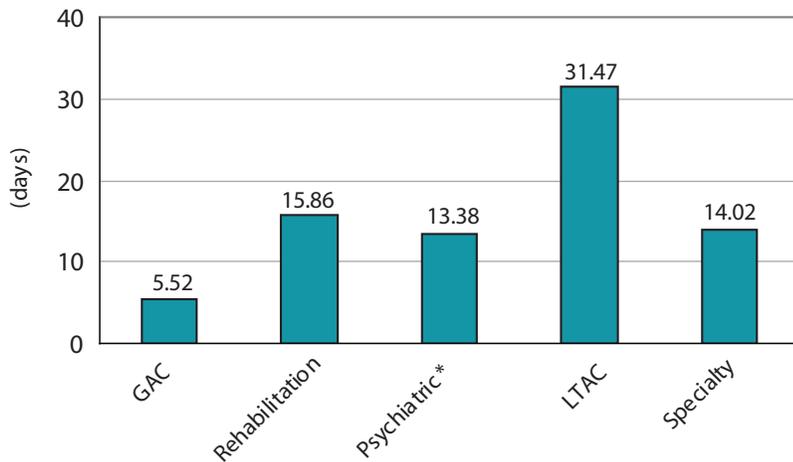


FIGURE 6
Average Length of Stay, FY01
by Facility Type



* Does not include state psychiatric hospitals

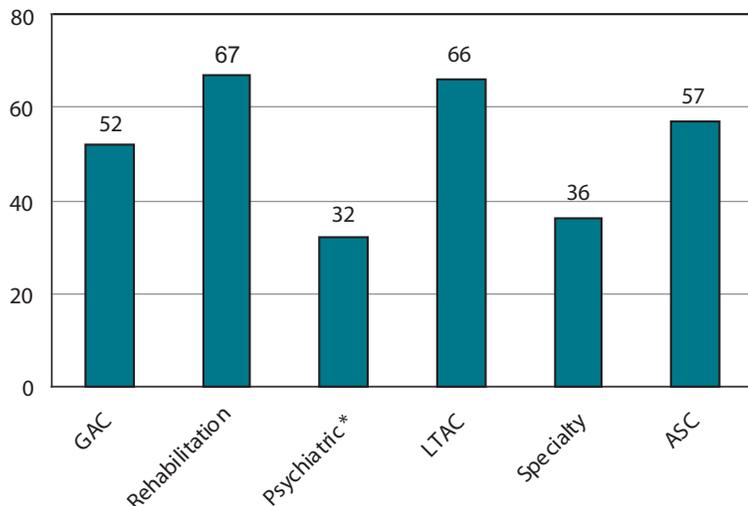
TABLE 2
Outpatient Care, FY01
by Facility Type

Facility Type	Number of Reporting Facilities	Visits	Outpatient Revenue	Outpatient Revenue per Visit
General Acute Care Hospitals	176	29,484,062	\$5,767,654,014	\$196
Rehabilitation Hospitals	20	816,014	\$95,871,455	\$117
Psychiatric Hospitals	16	430,095	\$46,947,092	\$109
Long-Term Acute Care Hospitals	4	66,901	\$4,428,090	\$66
Specialty Hospitals	4	136,497	\$40,787,117	\$299
Ambulatory Surgery Centers	74	274,740	\$191,394,730	\$697
Total Non-GAC	118	1,724,247	\$379,428,484	\$220
Total	294	31,208,309	\$6,147,082,498	\$197

During FY01 there were 1.7 million outpatient visits to the 118 non-GAC hospitals and surgery centers reporting outpatient visits (Table 2). In contrast, 176 of the 189 GAC facilities reported 29.5 million outpatient visits. The remaining 13 GAC facilities did not provide data about the outpatient care they provide.

Table 2 shows a wide variation in the average outpatient revenue per visit across the six facility categories. One reason for this diversity in revenue per visit is the variation in the intensity of care provided per visit. A psychiatric patient may receive care as a series of visits comprised of relatively short treatments, while a patient at an ambulatory surgery center (ASC) may be subject to a surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services.

FIGURE 7
Average Patient Age, FY01
by Facility Type



* Does not include state psychiatric hospitals

With the exception of psychiatric and specialty hospitals, Pennsylvania’s hospital-based health system primarily serves an older population (see Figure 7). The average inpatient age at GAC hospitals is 52 years, but is over 65 years at rehabilitation and long-term acute care hospitals. In contrast, the average age of patients admitted to psychiatric facilities is 32. The average inpatient age of 36 at specialty hospitals is a reflection of the diversity in that category. For instance, included in the specialty facility category is the Children’s Home of Pittsburgh, which specializes in newborn care.

The average total margins by facility categories are shown in Figure 8. The changing

dynamics of three of the facility categories (Rehabilitation, LTAC and ASC) had a significant effect on the average total margins for those categories.

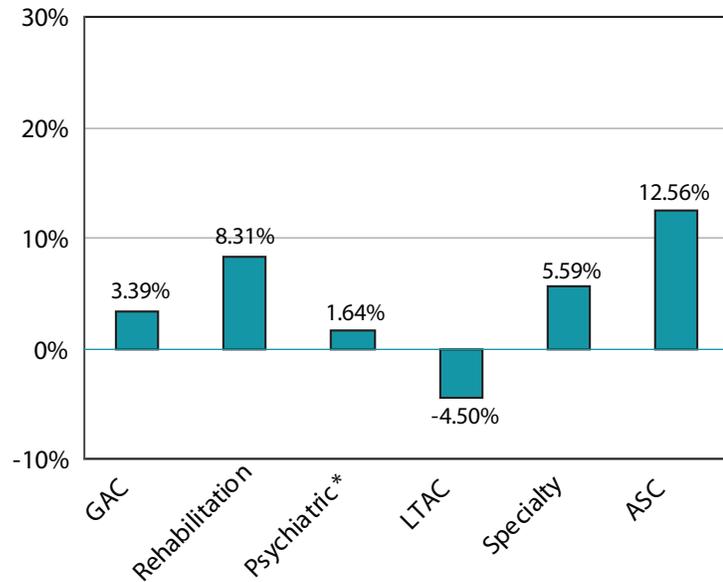
The acquisition of a number of non-profit rehabilitation hospitals by a multi-state for-profit corporation has contributed to a continual increase in the average total margin for the rehabilitation category.

Twelve of the 17 long-term acute care hospitals began operations, changed ownership, or reorganized following bankruptcy during FY00 and FY01. While the average total margin for all LTAC hospitals was -4.50% during FY01, the five LTAC hospitals that were neither new nor subject to an organizational change had a negative average total margin of -0.84%.

The ASCs are a fast growing facility category with 39 of the 78 reporting facilities beginning as new facilities since FY95. New facilities typically have negative or very low margins because it takes time for the revenues from patient care to surpass the costs of operating the facilities. Despite the relatively large number of new facilities, ASCs as a group had a positive total margin of 12.56% during FY01. However, if the calculation of total margin were limited to the 57 ASCs that had operated for at least two full fiscal years (FY00 and FY01) the average total margin increased about 2.1 points to 14.67%.

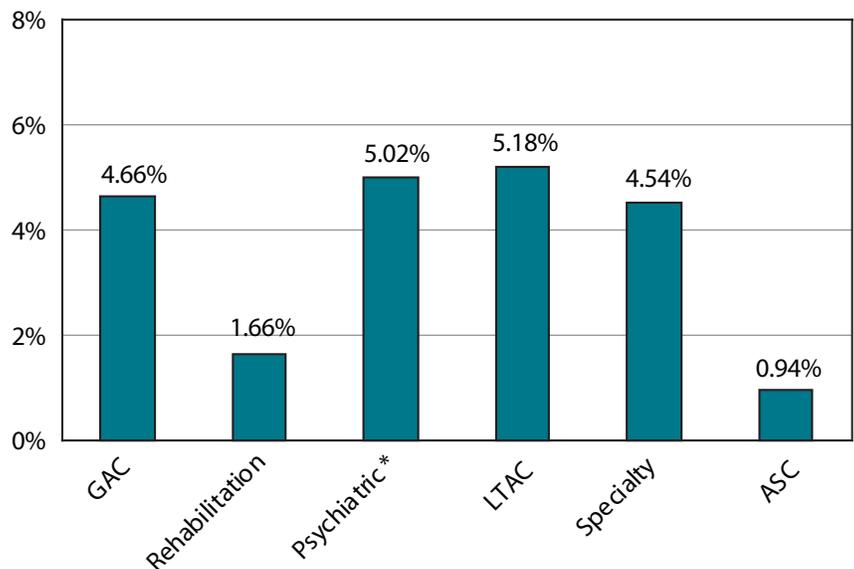
The levels of uncompensated care provided by the facility categories are compared in Figure 9. The average uncompensated care rate for four of the

FIGURE 8
Average Total Margin, FY01
by Facility Type



* Does not include state psychiatric hospitals

FIGURE 9
Uncompensated Care to Net Patient Revenue, FY01
by Facility Type



* Does not include state psychiatric hospitals

TABLE 3
NPR, Beds, Days and Discharges, FY01
by Facility Type

Facility Type	Net Patient Revenue	Staffed Beds	Patient Days	Discharges
General Acute Care Hospitals	\$18,761,411,455	38,982	9,721,596	1,762,191
Rehabilitation Hospitals	\$530,167,615	1,821	525,866	33,148
Psychiatric Hospitals*	\$276,388,785	1,819	512,963	38,349
Long-Term Acute Care Hospitals	\$144,855,024	758	167,449	5,321
Specialty Hospitals	\$78,281,168	555	141,696	10,106
Ambulatory Surgery Centers	\$191,972,533	NA	NA	NA
Total	\$19,983,076,580	43,935	11,069,570	1,849,115

TABLE 4
Patient Days, FY01
by Type of Care

Type of Care	Patient Days
Med-Surg	7,677,707
Rehabilitation	867,828
Psychiatric *	1,440,817

* Does not include state psychiatric hospitals

five categories of hospitals that provide inpatient care lie in the relatively narrow range between 4.5% and 5.2% of net patient revenue. The one exception is the rehabilitation hospital category where the average uncompensated care rate is slightly above 1.7%.

The two rehabilitation hospitals that focus on care to children had uncompensated care rates at 6% or above. The remaining rehabilitation hospitals that serve a predominately elderly population incur relatively low uncompensated care rates. One reason for these low rates is that large portions of rehabilitation patients receive health insurance through the Medicare Program.

Rehabilitation Care

Highlights

- There has been a significant growth in the number of people receiving inpatient rehabilitation care. As a group, freestanding rehabilitation hospitals and the rehabilitation units of general acute care hospitals have experienced a 20.5% growth in discharges over the past two years and a 56.5% growth during the seven-year period between the end of FY94 and the end of FY01.
- The trend toward shorter lengths of stay continued. The average length of stay (ALOS) for all rehabilitation care fell almost a half day during FY01 alone and has fallen nearly five days since FY94. The ALOS during FY01 was 13.2 days.
- While the number of people receiving inpatient care (discharges) increased 7.0% during FY01, the decline in the ALOS kept the increase in the number of total patient days to 2.6%.
- On the outpatient side, patient visits to rehabilitation hospitals appear to be increasing dramatically. For the 13 rehabilitation hospitals that have reported consistent outpatient data from FY96 through FY01, outpatient visits increased by 110% over this five-year period and 20% during FY01.
- The consolidated operating margin for the 20 freestanding rehabilitation hospitals improved 2.5 points during FY01 to 7.9%. The operating margin improved because the freestanding rehabilitation hospitals as a group have kept the growth in operating expenses to 4.4% while operating revenue increased 7.2%.
- While operating margins improved, the total margin for the 20 freestanding rehabilitation hospitals fell by 2.3 points to 8.3%. This decline was driven chiefly by a few of the non-profit hospitals, which posted large declines in investment income, and the value of marketable securities.

During fiscal year 2001 (FY01) there were 20 freestanding rehabilitation hospitals that provided care to about 50% of the patients admitted for hospital-based rehabilitation care.

The remaining 50% of rehabilitation patients received care at rehabilitation units operated as part of General Acute Care (GAC) and Specialty hospitals. Sixty of Pennsylvania's 189 GAC hospitals operated rehabilitation units.

Trends in Hospital-Based Rehabilitation Care

The number of patients receiving hospital-based rehabilitation care (discharges) has grown 20.5% between FY99 and FY01 and 56.5% during the seven-year period between the end of FY94 and the end of FY01. Over this seven-year period, the number of rehabilitation discharges grew at very similar rates at both rehabilitation hospitals and the GAC rehabilitation units (see Figure R-1 and Table R-1).

The trend toward shorter lengths of stay continued during FY01 (Figure R-2). The average length of stay (ALOS) for all rehabilitation care fell almost one-half day to 13.2 days in FY01 and nearly five days since FY94. The decline was most dramatic at the rehabilitation hospitals during FY01 where the ALOS fell three-fourths (0.75) of a day.

The ALOS was over five days shorter at GAC rehabilitation units than at rehabilitation hospitals.

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The way that hospitals are reimbursed for rehabilitation care by Medicare and managed care companies is a major factor influencing the decline in the ALOS. Under the Medicare indemnity system that was in place prior to the 2002 federal fiscal year, rehabilitation hospitals were paid on a per discharge basis. The individual hospital per discharge Medicare rates were developed from facility costs in a base year plus adjustment for inflation and other factors. Similarly, hospitals typically received flat, per discharge rates from managed care companies. Consequently, hospitals had an incentive to carefully manage the length of stay and maximize the number of patients that receive care (discharges). Medicare and managed care companies together provided 66% of patient revenue at the freestanding rehabilitation hospitals during FY01.

While the number of discharges grew by 4.9% at freestanding rehabilitation hospitals during FY01, the 0.75-day decline in the ALOS kept the growth in patient

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FIGURE R-1
Rehabilitation Discharges
by Facility Type

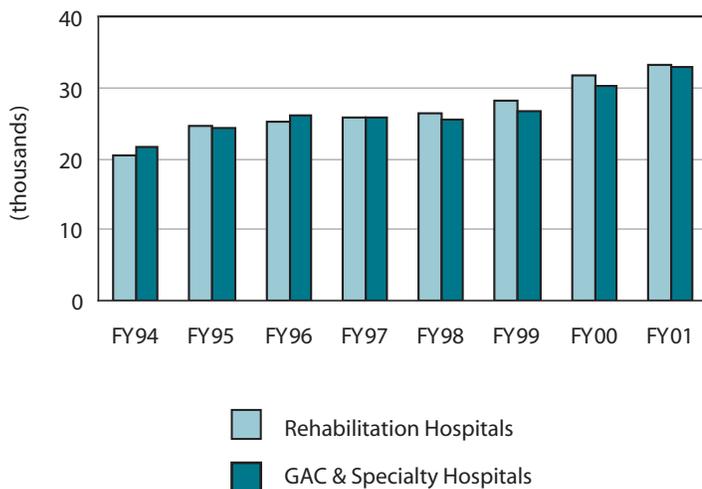


TABLE R-1
Utilization of Rehabilitation Care
by Facility Type

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
Patient Days								
Rehabilitation	427,593	488,414	479,299	470,707	457,332	483,402	524,496	525,866
GAC & Specialty	332,981	339,935	342,450	321,122	299,590	299,591	321,027	341,962
Total	760,574	828,349	821,749	791,829	756,922	782,993	845,523	867,828
Discharges								
Rehabilitation	20,571	24,699	25,087	25,637	26,311	28,056	31,586	33,148
GAC & Specialty	21,595	24,322	25,947	25,706	25,561	26,718	30,101	32,856
Total	42,166	49,021	51,034	51,343	51,872	54,774	61,687	66,004
Beds								
Rehabilitation	1,869	1,824	1,775	1,774	1,771	1,785	1,706	1,821
GAC & Specialty	1,242	1,296	1,334	1,318	1,244	1,241	1,318	1,373
Total	3,111	3,120	3,109	3,092	3,015	3,026	3,024	3,194
Occupancy Rate								
Rehabilitation	72.21%	73.00%	74.33%	72.65%	73.65%	74.56%	80.99%	79.43%
GAC & Specialty	74.22%	71.83%	69.96%	67.00%	66.48%	66.44%	67.20%	67.98%
Total	73.08%	72.52%	72.44%	70.25%	70.63%	71.23%	75.13%	74.49%
Average Length of Stay								
Rehabilitation	20.79	19.77	19.11	18.36	17.38	17.23	16.61	15.86
GAC & Specialty	15.42	13.98	13.20	12.49	11.72	11.21	10.66	10.41
Average	18.04	16.90	16.10	15.42	14.59	14.29	13.71	13.15

days to only three-tenths of a percent (0.3%). In contrast, the much smaller decline in ALOS at GAC rehabilitation units coupled with the 9.2% increase in discharges resulted in a 6.5% growth in patient days during FY01.

There was a net 5.6% or 170-bed increase in statewide inpatient rehabilitation capacity during FY01. This increase in capacity was partially absorbed by the 2.6% overall increase in patient days. The net effect of the increase in rehabilitation beds was a modest 0.6 point decline in the average occupancy rate to 74.5%. One hundred fifteen (115) of these new beds were placed into service at freestanding rehabilitation hospitals causing

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

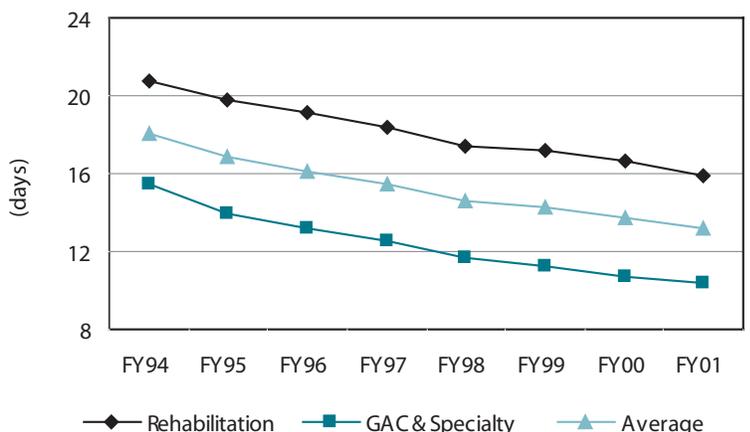
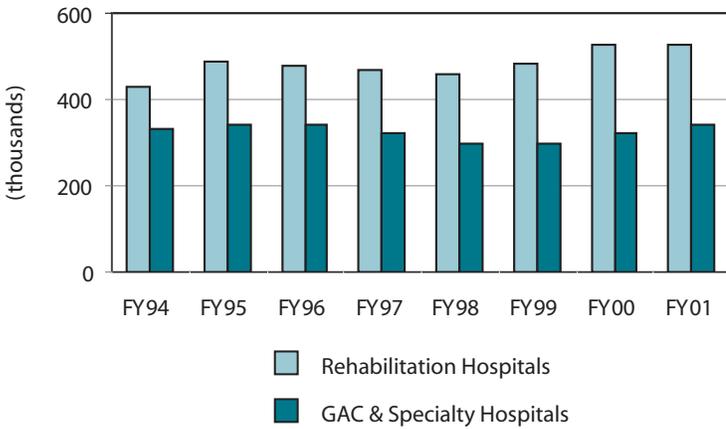
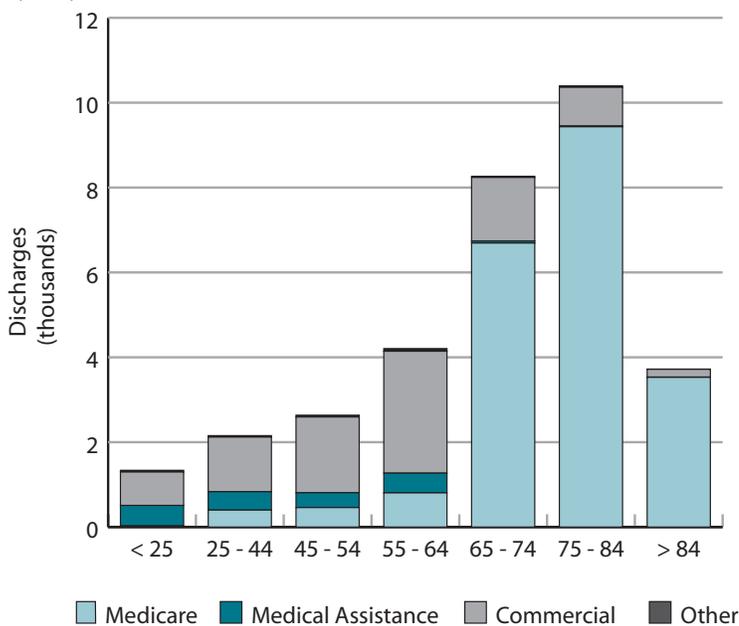


FIGURE R-3
Rehabilitation Patient Days
by Facility Type



... classifications — osteoarthritis, stroke, other non-traumatic joint disorders, and hip fracture — represent the principal diagnoses for over 45% of all Medicare patients in Pennsylvania. Medicare patients in just these four clinical classifications represent over 29% of all rehabilitation patients at all rehabilitation hospitals.

FIGURE R-4
Age Distribution of Rehabilitation Patients at Rehabilitation Hospitals, FY01
by Payor



the overall occupancy rate to fall 1.6 points to 79.4%. Freestanding rehabilitation hospitals still had the highest average occupancy rate of any hospital category in Pennsylvania.

Both the freestanding rehabilitation hospitals and the GAC rehabilitation units serve primarily an elderly population. Figure R-4 shows that 68.4% of rehabilitation patients discharged from rehabilitation hospitals are 65 years or older.

Consistent with this age distribution, Table R-2 shows that the leading conditions treated at the freestanding rehabilitation hospitals are those most prevalent among elderly patients. For example, the four leading clinical

While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. Patients in the under-25 and the 25-44 year age groups had an ALOS of 25.3 and 20.0 days, respectively, during FY01. In contrast, patients in the 65-74 age group had an ALOS of 14.6 days. Part of the reason younger patients have longer stays is that a larger portion of their care is for traumatic injuries, such as brain and spinal cord injury, which typically have longer recovery periods.

On the outpatient side, patient visits to rehabilitation hospitals appear to be increasing dramatically. For the 13 rehabilitation hospitals that have reported consistent outpatient data from FY96 through FY01, outpatient visits increased by 110%. These thirteen hospitals reported 707,690 outpatient visits and 325,015 inpatient days during FY01. Therefore, the ratio of outpatient visits to inpatient days was slightly more than 2:1.

TABLE R-2
Adult Rehabilitation Discharges at Rehabilitation Hospitals, FY01
*by Clinical Classification*¹

Top Ten	Total		Commercial		Medical Assistance		Medicare	
	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Osteoarthritis	1	18.58%	1	19.91%	1	10.88%	1	18.67%
Stroke	2	10.15%	3	10.44%	5	7.87%	2	10.19%
Other (non-traumatic) joint disorders	3	9.53%	2	11.62%	3	9.31%	3	8.51%
Hip fracture	4	6.07%	8	3.10%	10	2.33%	4	7.60%
Paralysis	5	4.55%	5	6.01%	2	9.45%	6	3.55%
Degenerative back disorder & other back problems	6	4.30%	6	3.63%	8	2.81%	5	4.71%
Brain injury	7	3.33%	4	6.64%	4	8.08%	*	*
Other nervous system disorders	8	2.80%	9	3.05%	6	4.86%	8	2.54%
Fracture of lower limb	9	2.58%	7	3.26%	7	3.83%	*	*
Other fractures	10	2.50%	10	2.87%	*	*	9	2.40%

* Not among the top ten diagnoses

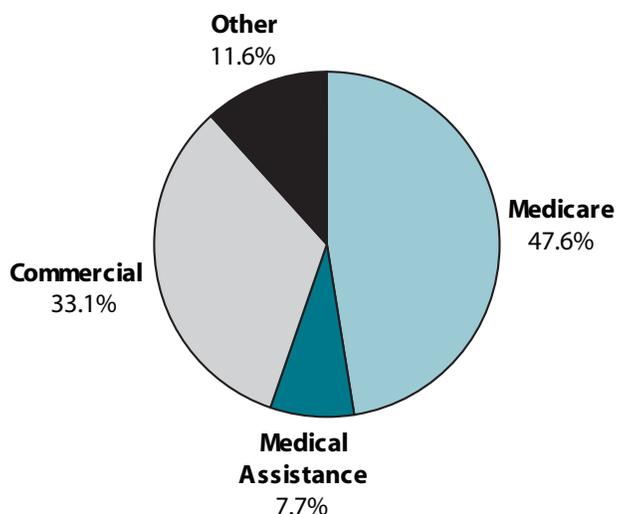
¹ Discharges were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ's Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP).

Utilization and Revenue by Payor

Consistent with the age distribution of rehabilitation patients, the federal Medicare program provided 47.6% of the net patient revenue received by freestanding rehabilitation hospitals during FY01 (see Figure R-5). Consequently, rehabilitation providers may be very vulnerable to changes in the Medicare program.

Beginning with each hospital's 2002 Medicare cost reporting year, the current cost-based Medicare reimbursement system will be replaced by the Medicare Prospective Payment System (PPS). The new PPS system is designed to reimburse rehabilitation facilities based on the expected resources needed to provide care.

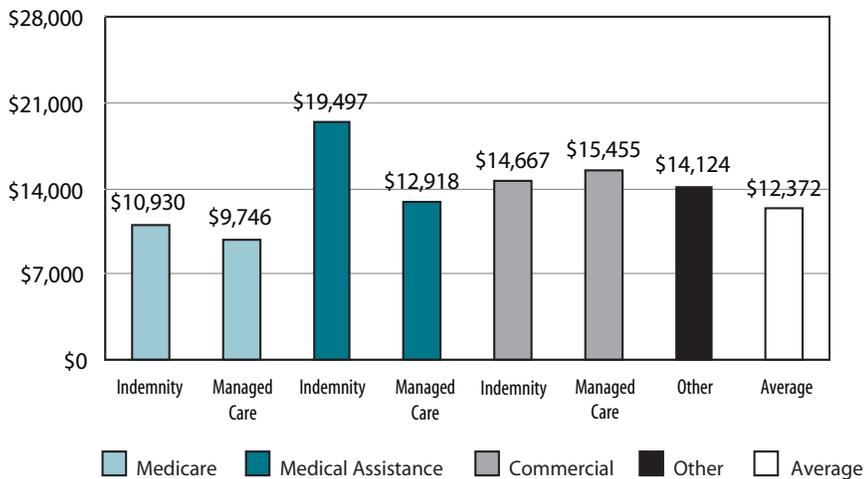
FIGURE R-5
Statewide Net Patient Revenue at Rehabilitation Hospitals, FY01



Rehabilitation Care

FIGURE R-6
Average Net Patient Revenue per Discharge at Rehabilitation Hospitals, FY01

by Payor



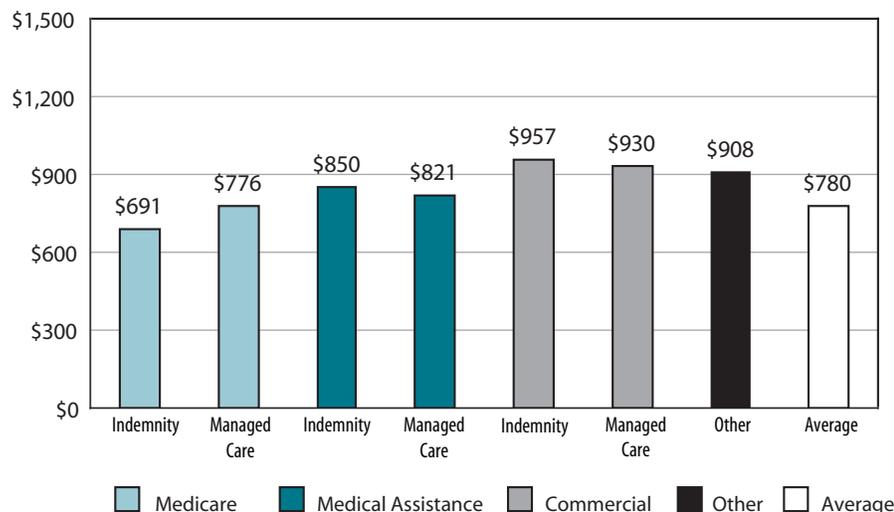
Under PPS, the payment amount for each Medicare patient will be determined by the Case Mix Group (CMG) in which each patient is placed. Patients will be assigned to one of 380 CMGs based on the primary reason for rehabilitation care (e.g. stroke or burn), the patient's age, the level of functional and cognitive impairment, and types of co-existing conditions (co-morbidities). The CMGs will be adjusted for cost differences among the local markets that hospitals serve. Payment rates will also be increased for hospitals in rural areas and for those facilities that treat a disproportionate share of low-income

patients. Hospitals may also receive outlier payments for extraordinarily costly patients.

The initial PPS rates are intended to provide the rehabilitation sector with the same level of overall funding received under the current cost-based system. Individual hospitals may experience an increase or decrease in reimbursements under the PPS system depending on the number and type of patients served. Because reimbursement rates will be predetermined for each patient, hospitals will have an incentive to minimize the costs to provide care.

FIGURE R-7
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY01

by Payor



The revenue that the freestanding rehabilitation hospitals received per discharge and per day varies considerably by payor category (see Figures R-6 and R-7). Part of this variation is attributable to the mix of patients covered by the various third-party payors. For example, the average age of patients covered by the Medical Assistance (MA) Program during FY01 was 39.6 years, far below the average age of 67.5 years for all rehabilitation patients. Since younger rehabilitation patients tend to present conditions that require longer, more costly treatments,

higher revenue per discharge is expected for MA patients.

The ALOS, average inpatient revenue per day and average revenue per discharge also vary depending on whether the patient is enrolled in a managed care or indemnity program. A Medicare patient with indemnity coverage stays an average of over three more days in a rehabilitation hospital than the average patient participating in a managed care plan (see Figure R-8).

This difference is even more dramatic for MA patients. During FY01, the average stay for an MA managed care patient was more than seven days less than an MA patient with indemnity coverage. Similarly, the \$19,497 average revenue per discharge for MA patients with indemnity coverage is over 50% greater than the average revenue per discharge for patients in an MA managed care plan.

One reason for the large differences between MA indemnity and managed care is that the MA program becomes the payor of last resort for patients who would not ordinarily be MA recipients. For example, under- or uninsured patients with traumatic injuries become eligible for MA when the injury makes them unable to work and the costs of medical treatment exhaust their financial resources. Patients that require rehabilitation care because of a traumatic medical condition typically require longer lengths of stay and have higher costs per discharge. Because all new MA patients are at least initially enrolled in the indemnity (fee for service) program, patients that become MA recipients because of a traumatic condition contribute to the higher average revenue per discharge and ALOS for the MA indemnity category.

In contrast to Medicare and MA managed care plans, patients with commercial managed care coverage stayed in rehabilitation hospitals an average of 1.3 days longer than commercial indemnity patients during FY01.

FIGURE R-8
Average Length of Stay at Rehabilitation Hospitals, FY 01 by Payor

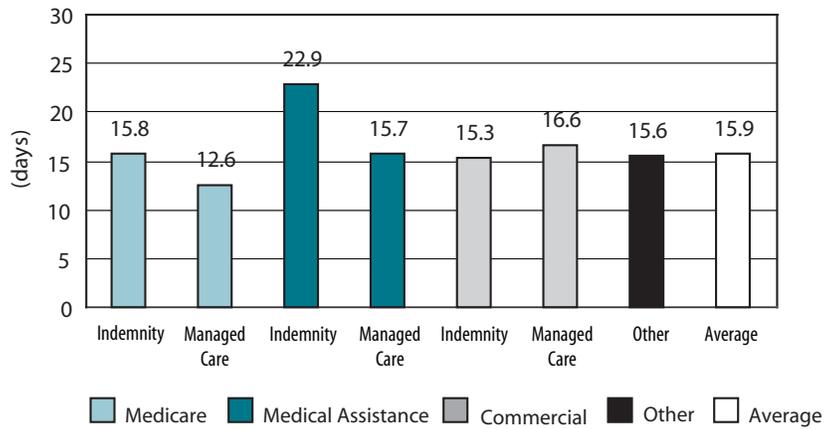


FIGURE R-9
Average Net Outpatient Revenue per Visit at Rehabilitation Hospitals, FY01

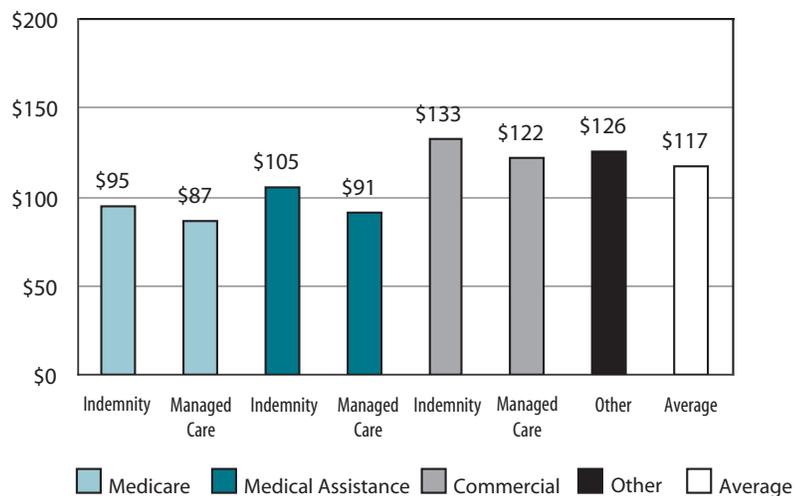


TABLE R-3
Total Utilization and Capacity, FY01
by Rehabilitation Hospital

Hospital	Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	33,481	42,705	78.40%	2,751	117	12.17
Bryn Mawr Rehab	48,427	51,465	94.10%	3,319	141	14.59
Chestnut Hill Rehab	15,163	17,520	86.55%	1,202	48	12.61
Children's Inst Pgh	9,161	12,775	71.71%	227	35	40.36
Children's Seashore House	12,451	16,425	75.81%	613	45	20.31
Geisinger HEALTHSOUTH	12,787	14,640	87.34%	923	40	13.85
Good Shepherd Rehab	24,558	27,375	89.71%	2,153	75	11.41
HEALTHSOUTH Harmarville	50,637	73,932	68.49%	2,235	202	22.66
HEALTHSOUTH Nittany	16,303	31,842	51.20%	1,077	87	15.14
HEALTHSOUTH Reading	21,695	34,770	62.40%	1,344	95	16.14
HEALTHSOUTH Pittsburgh	27,655	32,574	84.90%	1,589	89	17.40
HEALTHSOUTH Sewickley	11,051	16,104	68.62%	640	44	17.27
HEALTHSOUTH Mechanicsburg	32,305	37,698	85.69%	2,106	103	15.34
HEALTHSOUTH Altoona	23,188	25,620	90.51%	1,397	70	16.60
HEALTHSOUTH Erie	29,265	36,600	79.96%	1,357	100	21.57
HEALTHSOUTH York	30,085	32,940	91.33%	1,792	90	16.79
John Heinz Rehab	30,161	37,334	80.79%	2,019	112	14.94
Magee Rehab	26,236	35,040	74.87%	1,465	96	17.91
Moss Rehab	45,145	53,655	84.14%	2,941	147	15.35
UPMC Rehab	26,112	31,025	84.16%	1,998	85	13.07

Financial Profile

The consolidated operating margin for the 20 freestanding rehabilitation hospitals improved 2.49 points during FY01 to 7.92%. The average operating margin for the group improved 5.26 points in the three years since FY98 (Figure R-10).

Operating margin continues to improve because the freestanding rehabilitation hospitals as a group have kept the growth in operating expenses to 4.4% while operating revenue increased 7.2% and net patient revenue increased 6.9% during FY01.

Total net patient revenue for the freestanding rehabilitation hospitals also increased, in part, because of higher average inpatient reimbursement rates. The number of total patient days of care provided during FY01 only increased by 0.3% while the average revenue per day increased from \$728 during FY00 to \$780 in FY01. This increase in the average revenue per day is also a reflection of the continual decline in the average length of stay.

Outpatient revenues grew about 16% during FY01 and comprise about 22% of the total net patient revenue for the freestanding rehabilitation hospitals. Since the average revenue per visit declined about three dollars, the growth in outpatient revenue was the result of the approximately 18% increase in outpatient visits during FY01.

There is a wide disparity between the average operating margin of the for-profit and non-profit freestanding rehabilitation hospitals. The ten rehabilitation hospitals operated by HEALTHSOUTH reported an average FY01 pre-tax operating margin of 18.86%, a 3.09 point increase over FY00.

In contrast, the ten non-profit hospitals posted a negative average operating margin of -0.94%, a 2.03 point improvement over FY00. The -0.94% average operating margin for the non-profit hospitals is the average of a wide range of individual hospital margins from -26.78% to 11.86%.

While the average operating margins improved, the average total margin for the 20 freestanding rehabilitation hospitals fell by 2.32 points to 8.31%. This decline was driven chiefly by a few of the non-profit hospitals, which posted large declines in investment income and the value of marketable securities. An increase in the average tax liability of the for-profit hospitals also contributed to the decline in the overall total margin. As the operating margin for the for-profit facilities improved, the amount of income taxes that are pro-rated to these facilities also increased.

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

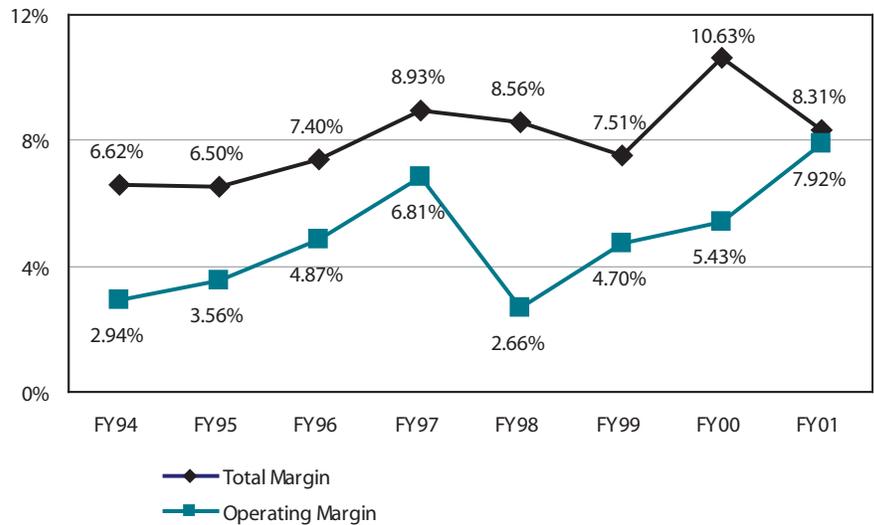


TABLE R-4
Revenue, Expenses and Income at Rehabilitation Hospitals
(thousands)

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
Net Patient Revenue	\$365,328	\$427,831	\$434,726	\$446,229	\$462,176	\$477,694	\$495,754	\$530,168
Total Operating Revenue	\$377,744	\$444,290	\$455,043	\$477,146	\$486,779	\$505,574	\$517,593	\$554,948
Total Operating Expenses	\$366,654	\$428,490	\$432,887	\$444,650	\$473,841	\$481,823	\$489,496	\$510,999
Operating Income	\$11,090	\$15,800	\$22,156	\$32,496	\$12,938	\$23,751	\$28,097	\$43,949
Non-operating Income & Extraordinary Items	\$14,984	\$14,020	\$13,131	\$12,019	\$31,421	\$16,346	\$30,636	\$3,056
Revenue over Expenses	\$26,074	\$29,820	\$35,287	\$44,515	\$44,359	\$40,097	\$58,733	\$47,004

Rehabilitation Care

TABLE R-5

Region	Rehabilitation Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY98- FY01	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY98- FY01		
		FY01	FY00	FY99	FY98		FY01	FY00	FY99	FY98			
		Statewide Average					\$27	\$25	\$24	\$26		4.90%	\$26
1	Children's Inst Pgh	\$17	\$15	\$11	NA	NA	\$23	\$20	\$18	NA	NA		
1	HEALTHSOUTH Harmarville ^{1,10}	\$42	\$38	\$40	\$41	1.09%	\$31	\$31	\$32	\$34	-3.17%		
1	HEALTHSOUTH Pittsburgh ^{1,10,14}	\$28	\$28	\$28	\$27	1.50%	\$25	\$24	\$24	\$23	2.40%		
1	HEALTHSOUTH Sewickley ^{1,3,10}	\$10	\$1	\$10	\$12	-5.13%	\$9	\$1	\$13	\$13	-10.98%		
1	UPMC Rehab	\$21	\$20	\$21	\$24	-3.22%	\$24	\$22	\$24	\$29	-6.35%		
2	HEALTHSOUTH Erie ^{1,10}	\$25	\$28	\$27	\$30	-5.00%	\$23	\$23	\$25	\$28	-6.52%		
3	HEALTHSOUTH Altoona ^{1,10}	\$22	\$20	\$20	\$19	4.50%	\$19	\$17	\$17	\$17	4.25%		
4	Geisinger HEALTHSOUTH ^{1,10}	\$11	\$9	\$8	NA	NA	\$8	\$7	\$7	NA	NA		
4	HEALTHSOUTH Nittany ^{1,10}	\$17	\$18	\$19	\$18	-1.86%	\$16	\$16	\$16	\$17	-1.38%		
5	HEALTHSOUTH Mechanicsburg ^{1,10}	\$43	\$34	\$31	\$28	17.00%	\$33	\$27	\$23	\$22	14.97%		
5	HEALTHSOUTH York ^{1,10}	\$29	\$27	\$25	\$23	9.25%	\$23	\$22	\$20	\$19	7.96%		
6	Allied Services	\$37	\$35	\$33	\$32	5.56%	\$39	\$35	\$33	\$31	8.10%		
6	John Heinz Rehab ¹⁴	\$31	\$33	\$33	\$34	-2.43%	\$33	\$34	\$34	\$35	-2.05%		
7	Good Shepherd Rehab	\$31	\$32	\$28	\$29	3.14%	\$37	\$34	\$30	\$31	6.52%		
7	HEALTHSOUTH Reading ^{1,10}	\$19	\$17	\$17	\$18	1.16%	\$15	\$14	\$14	\$19	-5.74%		
8	Bryn Mawr Rehab	\$38	\$34	\$32	\$32	6.97%	\$36	\$33	\$33	\$32	3.83%		
8	Chestnut Hill Rehab	\$12	\$12	\$13	\$13	-4.23%	\$13	\$14	\$14	\$15	-4.06%		
9	Children's Seashore House	\$21	\$19	\$24	\$25	-5.31%	\$27	\$27	\$39	\$45	-12.90%		
9	Magee Rehab ¹	\$26	\$27	\$26	\$26	0.49%	\$31	\$30	\$28	\$30	1.56%		
9	Moss Rehab	\$48	\$40	\$33	\$32	16.80%	\$48	\$45	\$37	\$35	12.35%		

NA = Not Applicable

NR = Not Reported

Footnotes on page 46.

See page 46 for map of regions.

TABLE R-5 (continued)

Rehabilitation Hospital	Operating Margin FY01	Total Margin FY01	3-yr Average Total Margin FY99-FY01	Uncompensated Care to NPR FY01	Medicare Share of NPR FY01	Medical Assistance Share of NPR FY01
Statewide Average	7.92%	8.31%	8.83%	1.66%	47.61%	7.70%
Non-Profit Rehabilitation Hospitals						
Statewide Average (non-profit)	-0.94%	2.18%	5.41%	2.11%	46.10%	11.13%
Children’s Inst Pgh	-7.35%	19.18%	25.10%	6.22%	1.79%	19.18%
UPMC Rehab	4.15%	4.15%	3.00%	2.69%	60.53%	11.26%
Allied Services	-1.58%	-6.12%	2.31%	1.26%	63.66%	2.59%
John Heinz Rehab ¹⁴	-3.98%	-4.64%	-1.75%	0.48%	63.93%	4.34%
Good Shepherd Rehab	-9.90%	-7.24%	-2.71%	2.69%	46.89%	7.59%
Bryn Mawr Rehab	9.45%	10.73%	7.66%	0.85%	56.89%	3.00%
Chestnut Hill Rehab	-10.47%	-10.45%	-10.43%	0.48%	61.58%	2.09%
Children’s Seashore House	-26.78%	-25.69%	-5.39%	7.90%	0.45%	51.53%
Magee Rehab ¹	-1.13%	5.23%	17.43%	1.01%	36.05%	10.24%
Moss Rehab	11.86%	13.41%	8.29%	1.15%	43.48%	12.83%
For-Profit Rehabilitation Hospitals						
Statewide Average (for-profit)	18.86%	16.09%	13.39%	1.14%	49.33%	3.76%
HEALTHSOUTH Harmarville ^{1,10}	27.27%	16.53%	16.49%	0.54%	37.03%	4.53%
HEALTHSOUTH Pittsburgh ^{1,10,14}	12.95%	13.31%	12.03%	0.52%	59.29%	2.23%
HEALTHSOUTH Sewickley ^{1,3,10}	13.99%	12.11%	-4.98%	0.00%	54.62%	3.65%
HEALTHSOUTH Erie ^{1,10}	10.00%	10.58%	9.93%	0.08%	46.52%	4.67%
HEALTHSOUTH Altoona ^{1,10}	12.49%	11.58%	11.17%	0.00%	53.06%	5.83%
Geisinger HEALTHSOUTH ^{1,10}	26.04%	26.44%	18.00%	0.00%	24.18%	1.53%
HEALTHSOUTH Nittany ^{1,10}	6.90%	9.72%	8.58%	0.00%	57.45%	6.49%
HEALTHSOUTH Mechanicsburg ^{1,10}	25.21%	21.37%	19.30%	5.39%	52.71%	1.50%
HEALTHSOUTH York ^{1,10}	20.05%	18.15%	15.58%	0.11%	47.40%	3.71%
HEALTHSOUTH Reading ^{1,10}	20.81%	18.49%	16.92%	0.45%	60.66%	4.82%

Highlights

- Consistent with the national trend, psychiatric occupancy rates have been increasing in Pennsylvania because the number of staffed beds are declining faster than the demand for inpatient psychiatric care. The total number of patient days declined 3.6% during FY01 while the number of staffed beds fell 4.3%. As a result, total inpatient psychiatric occupancy rates have increased 1.1 points to 76.6%.
- After two years of sharp increases in the number of patients receiving inpatient psychiatric care, the growth in the number of discharges leveled off during FY01. During the two-year period FY99 and FY00 inpatient discharges increased over 13.2%. The growth in discharges was only 0.3% during FY01.
- While the average operating margin for the 19 freestanding psychiatric hospitals improved two points to -1.02% during FY01, these hospitals as a group have not had a positive average operating margin since FY94.
- The improvement in the operating margin plus small gains in non-operating income enabled the group to realize an average total margin of 1.64% in FY01, an improvement of 2.26 points over the FY00 negative margin of -0.62%.
- The Commonwealth, through the Department of Public Welfare (DPW), is the largest provider of psychiatric care in Pennsylvania. Through its nine state hospitals, the Commonwealth provided about 40% of all psychiatric patient days during FY01. Pennsylvania's Medical Assistance Program (MA) provided about 57% of the net patient revenue received by the nineteen freestanding psychiatric hospitals in Pennsylvania. About 27% of the patients receiving psychiatric care at GAC hospitals were MA participants.

At the end of FY01, the nine state hospitals had a patient population of 2,692 and provided care for 4,713 residents during the year. These hospitals provided long-term psychiatric care with an average length of stay of about 1.5 years.¹ Though the state hospitals provided almost 40% of psychiatric patient days, (Figure P-1), they treated only about 1% of all patients admitted for inpatient psychiatric care (Figure P-2).

In contrast, psychiatric units in GAC hospitals (GAC psychiatric units) provided relatively short-term care with an average length of stay during FY01 of about 8.8 days. More than half of all GAC hospitals in Pennsylvania operated psychiatric units. These 134 GAC psychiatric units treated about 63% of the patients admitted for inpatient psychiatric care and provided 32% of statewide total patient days for psychiatric care during FY01.

The 19 freestanding psychiatric hospitals accounted for about 28% of patient discharges and provided 21% of the total days of psychiatric care in the Commonwealth during FY01. Excluding the long-term residential programs and non-psychiatric care, the average length of stay at these psychiatric hospitals was about 11.3 days. Including long-term residential care, the average length of stay increased to 13.2 days.

Ten of the freestanding psychiatric hospitals provided residential care. Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. The utilization and capacity of these residential programs is presented in Table P-2.

Five of the seven specialty hospitals in Pennsylvania provided psychiatric care. One facility operated a psychiatric unit and the other four offered drug and alcohol programs. The 138,788 days of inpatient psychiatric care at specialty hospitals represented about 6% of the patient days of statewide psychiatric care during FY01.

FIGURE P-1
Psychiatric Patient Days, FY01
by Facility Type

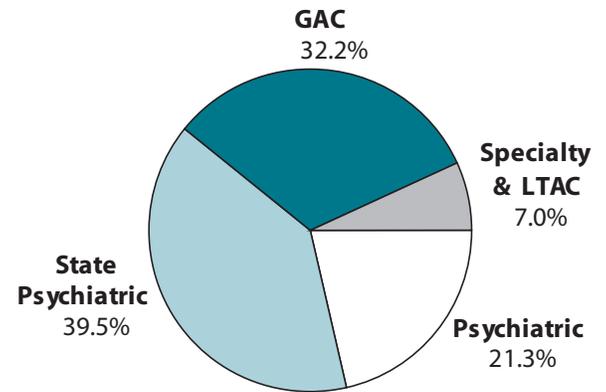
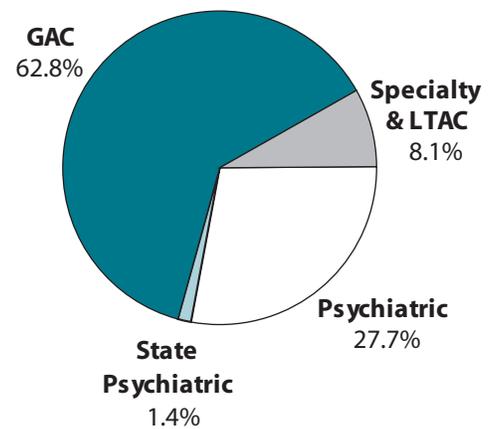


FIGURE P-2
Psychiatric Discharges, FY01
by Facility Type



¹ Commonwealth of Pennsylvania, *The Governor's Recommended Budget, Pennsylvania's Mental Health and Drug and Alcohol Service System: Changes Accomplishments and Opportunities*, www.dpw.state.pa.us/general/guides.asp (February 2002).

Psychiatric Care

TABLE P-1
Utilization of Psychiatric Care
by Facility Type

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
Patient Days								
Psychiatric	562,047	546,033	526,095	487,532	473,325	496,081	522,871	507,830
State Psychiatric	1,545,993	1,433,590	1,447,964	1,272,597	1,168,093	1,081,464	1,020,777	939,634
GAC	962,162	875,050	839,791	804,859	745,240	715,370	770,953	766,191
Specialty	111,346	109,035	101,971	88,708	94,828	100,221	125,072	138,788
LTAC	12,743	52,154	51,818	44,586	35,200	31,598	26,252	28,008
Total	3,194,291	3,015,862	2,967,639	2,698,282	2,516,686	2,424,734	2,465,925	2,380,451
Discharges								
Psychiatric	31,306	33,926	34,813	35,572	38,975	40,181	38,765	38,352
State Psychiatric	3,137	2,813	2,421	2,366	2,595	2,107	2,060	1,988
GAC	69,971	70,097	71,654	73,017	73,629	77,342	88,838	86,742
Specialty	8,096	9,384	8,270	8,462	5,260	5,195	7,061	9,941
LTAC	396	1,879	1,803	1,693	1,368	1,303	1,162	1,203
Total	112,906	118,099	118,961	121,110	121,827	126,128	137,886	138,226
Staffed Beds								
Psychiatric	2,036	2,005	2,006	1,911	1,832	1,845	1,857	1,796
State Psychiatric	4,917	4,673	4,063	3,925	3,808	3,524	3,222	2,963
GAC	3,485	3,385	3,243	3,300	3,193	3,208	3,218	3,106
Specialty	403	423	404	402	372	389	463	531
LTAC	NC	NC	NC	131	112	112	112	112
Total	10,841	10,486	9,716	9,669	9,317	9,078	8,872	8,508
Occupancy Rate								
Psychiatric	75.80%	77.22%	74.67%	72.33%	69.52%	74.73%	77.22%	78.14%
State Psychiatric	87.54%	85.67%	90.21%	87.33%	76.31%	83.55%	85.77%	86.07%
GAC	75.84%	71.30%	70.80%	67.58%	65.64%	61.45%	64.81%	67.00%
Specialty	75.70%	72.35%	69.11%	60.97%	69.21%	70.59%	73.68%	75.77%
LTAC	NC	NC	NC	93.25%	86.11%	77.29%	64.22%	68.51%
Average	81.42%	80.24%	81.46%	76.75%	71.40%	73.36%	75.47%	76.56%
Average w/o State Psychiatric	76.41%	75.88%	74.56%	69.26%	67.63%	66.80%	69.57%	71.41%
Average Length of Stay								
Psychiatric	17.95	16.09	15.11	13.71	12.14	12.35	13.49	13.24
State Psychiatric	492.83	509.63	598.09	537.87	450.13	513.27	495.52	472.65
GAC	13.75	12.48	11.72	11.02	10.12	9.25	8.68	8.83
Specialty	13.75	11.62	12.33	10.48	18.03	19.29	17.71	13.96
LTAC	32.18	27.76	28.74	26.34	25.73	24.25	22.59	23.28
Average	28.29	25.54	24.95	22.28	20.66	19.22	17.88	17.22
Average w/o State Psychiatric	15.02	13.72	13.04	12.01	11.31	10.83	10.64	10.58

Three long-term acute care (LTAC) facilities rendered 28,008 psychiatric patient days, or slightly more than one percent of inpatient statewide psychiatric care during FY01. While this care represents only a small portion of inpatient psychiatric care in Pennsylvania, it represents about 37% of the total care provided by these three LTAC facilities and about 17% of the total patient days provided by all LTAC facilities.

Trends in Hospital-Based Psychiatric Care

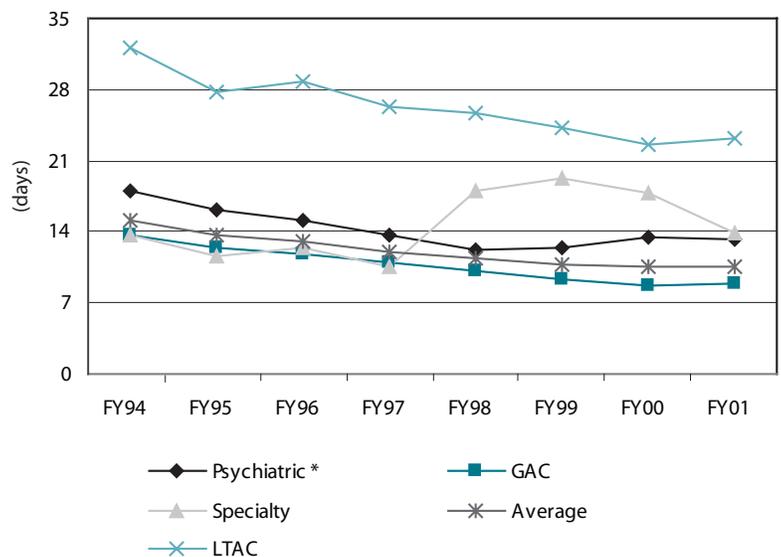
The National Association of Psychiatric Health Systems' (NAPHS) 2001 annual member survey² revealed that nationally, consolidations and closings have resulted in fewer beds and higher occupancy rates. The NAPHS member survey represents a cross-section of psychiatric settings, including freestanding, GAC and specialty hospitals. The average occupancy rate of survey participants increased almost 7 points from 62.3% in calendar year 1999 to 69.2% in calendar year 2000.

Consistent with the national trend, psychiatric occupancy rates have been increasing in Pennsylvania because the number of staffed beds is declining faster than the demand for inpatient psychiatric care. Table P-1 shows that the total number of patient days (including state hospitals) declined 3.6% during FY01 while the number of staffed beds fell 4.3%. As a result, total inpatient psychiatric occupancy rates have increased 1.1 points to 76.6%.

The largest decline in staffed beds occurred at the state hospitals where 259 beds were taken out of service during FY01. This 8.7% decline in capacity mirrors the 8.6% decline in patient days during FY01. The reduction in patient care by the state hospitals reflects the Department of Public Welfare's continuing efforts to integrate patients into community-based programs and private facilities.

The NAPHS survey also revealed that nationally, the average length of stay (ALOS) remained stable at 10 days during calendar

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



* Excludes state psychiatric hospitals

² National Association of Psychiatric Health Systems, Behavioral Healthcare Occupancy is the Highest in More than Five Years, NAPHS Study Finds, www.naphs.org/News/2001AnnualSurvey.html

TABLE P-2
Utilization and Capacity, FY01
by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay	ALOS w/o Residential Treatment
All Hospital Services							
Belmont Center	46,262	53,655	86.22%	4,315	147	10.72	10.72
Child Guidance CHOP	0	0	NA	0	0	NA	NA
Clarion Psych	14,609	25,550	57.18%	854	70	17.11	9.85
Devereux Mapleton Psych	5,868	6,570	89.32%	296	18	19.82	19.82
Edgewater Psych	NR	NR	NR	NR	NR	NR	NR
Eugenia	8,243	35,868	22.98%	718	98	11.48	11.48
Fairmount Behavioral*	17,043	21,735	78.41%	1,610	161	10.59	10.12
First Wyoming Valley	30,319	35,040	86.53%	2,705	96	11.21	11.21
Foundations Behavioral	28,974	30,660	94.50%	476	84	60.87	43.09
Friends	61,343	68,985	88.92%	5,893	189	10.41	8.95
Horsham Clinic	50,593	53,290	94.94%	3,827	146	13.22	13.22
Kirkbride Center	44,316	48,728	90.95%	2,364	150	18.75	14.87
Meadows Psych Center	31,352	38,690	81.03%	1,803	106	17.39	10.98
Montgomery Cty ES	22,506	25,550	88.09%	2,674	70	8.42	8.55
National Kids Crisis	19,726	26,352	74.86%	1,296	72	15.22	15.22
Northwestern Inst Psych	41,491	53,436	77.65%	3,310	146	12.54	12.54
Philhaven	18,936	33,215	57.01%	2,201	91	8.60	8.60
Southwood Psych	22,275	30,012	74.22%	904	82	24.64	8.54
St John Vianney	10,503	15,330	68.51%	73	42	143.88	3.07
Residential Treatment Only							
Clarion Psych	6,513	6,570	99.13%	32	18	203.53	
Edgewater Psych	NR	NR	NR	NR	NR	NR	
Fairmount Behavioral	2,707	3,105	87.18%	194	23	13.95	
Foundations Behavioral	10,832	10,950	98.92%	55	30	196.95	
Friends	8,619	8,760	98.39%	0	24	NA	
Kirkbride Center	30,252	33,215	91.08%	1,418	101	21.33	
Meadows Psych Center	11,920	13,505	88.26%	33	37	361.21	
Montgomery Cty ES	2,222	2,555	86.97%	302	7	7.36	
Southwood Psych	15,037	15,372	97.82%	56	42	268.52	
St John Vianney	10,279	14,600	70.40%	71	40	144.77	

* Less than 12 months of data

NA - Not Applicable

NR - Not Reported

year 2000 after a 13-day decline since 1991. In Pennsylvania, the ALOS, excluding the state hospitals, has remained relatively constant in the 10.6 to 10.8-day range between FY99 and FY01. However, the Council’s data reveals an average 4.2-day decline between FY94 and FY99 (Figure P-3).

The state hospitals experienced an almost 23-day decline in ALOS during FY01. Because the ALOS at the state hospitals was over 472 days, this 23-day decline represents only a 4.6% change.

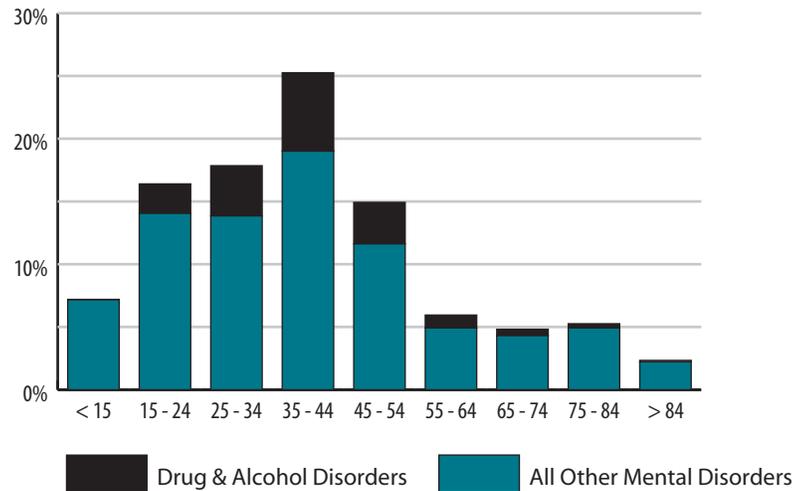
The health care literature explains that the reduction in the ALOS of inpatient psychiatric care has been driven by advances in treatment technologies as well as financial incentives to reduce costly acute care hospitalizations. New medications and new treatment techniques have enabled many patients to receive a greater portion of their care in a community-based setting, thereby reducing the length of acute inpatient treatment. The shift to managed care has improved case management and provided financial incentives for hospitals to reduce inpatient stays.

Table P-2 shows that the average length of stay at individual freestanding psychiatric hospitals in Pennsylvania ranges from 8 days to over 140 days. This range reflects the wide variation in the mix of patients and nature of care performed at psychiatric hospitals.

The Council has limited data about outpatient care provided by freestanding psychiatric hospitals. Sixteen of the 19 freestanding psychiatric hospital submitted complete outpatient data. During FY01, these 16 hospitals reported 430,095 outpatient visits. These same 16 hospitals had 438,284 patient days during the year. Therefore, on average, the ratio of outpatient visits to patient days was about 1:1 for those hospitals.

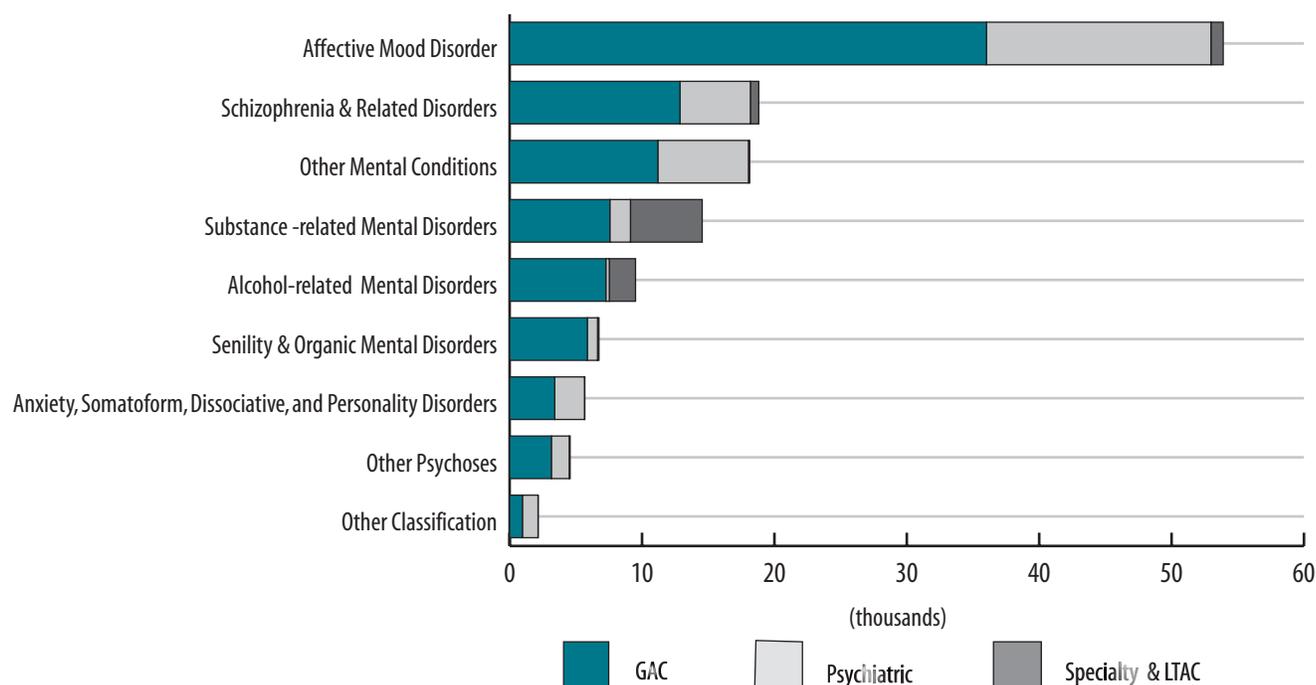
Patients in the 35 - 44 year age group made up the largest component of inpatient psychiatric care at both the freestanding psychiatric hospitals and GAC psychiatric units (Figure P-4). Inpatient psychiatric care has a younger age distribution than the other categories of hospital-based care.

FIGURE P-4
Age Distribution of Psychiatric Patients*, FY01



* Excludes state psychiatric hospitals

FIGURE P-5
Psychiatric Discharges by Clinical Classification*, FY01



* Excludes state psychiatric hospitals
 Patients were grouped based on their principal diagnosis using the clinical classification system.

The distribution of discharges by clinical classification at all hospitals providing psychiatric care in Pennsylvania (not including state hospitals) during FY01 is shown in Figure P-5. The leading principal diagnosis for a psychiatric patient admitted to these hospitals is affective mood disorders. Patients diagnosed with affective mood disorders comprised 46.5% of admissions to the freestanding psychiatric hospitals and 40.8% of admissions to GAC psychiatric units.

Drug and alcohol related disorders represented about 91.7% of the principal diagnosis of psychiatric patients admitted to specialty hospitals during FY01. The two leading principal psychiatric diagnoses at LTAC hospitals were schizophrenia (43.7%) and affective mood disorders (40.9%).

Financial Profile

The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's nine psychiatric hospitals (state hospitals) provided 40% of all patient days of psychiatric care during Fiscal Year 2001 (FY01), as shown in Table P-1. In addition, the Medical Assistance (MA) Program administered by DPW provided 57% of the net patient

TABLE P-3
Revenue, Expenses and Income at Psychiatric Hospitals *

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
Net Patient Revenue	\$316,596,623	\$297,639,125	\$276,307,482	\$269,423,681	\$256,204,626	\$275,524,580	\$285,205,947	\$276,388,785
Total Operating Revenue	\$329,739,622	\$312,193,926	\$304,165,772	\$287,999,721	\$270,277,344	\$288,697,396	\$296,923,031	\$286,847,640
Total Operating Expenses	\$319,388,471	\$317,575,655	\$313,381,626	\$298,301,859	\$291,366,608	\$289,473,414	\$306,352,099	\$289,769,522
Operating Income	\$10,351,151	(\$5,381,729)	(\$9,215,854)	(\$10,302,138)	(\$21,089,264)	(\$776,018)	(\$9,429,068)	(\$2,921,882)
Non-operating Income & Extraordinary Item	\$484,206	\$700,778	(\$15,002,874)	\$1,950,672	\$6,128,834	\$3,191,668	\$7,567,763	\$7,756,908
Revenue over Expenses	\$10,835,357	(\$4,680,951)	(\$24,218,728)	(\$8,351,466)	(\$14,960,430)	\$2,415,650	(\$1,861,305)	\$4,835,026

* Excludes state psychiatric hospitals

revenue received by the nineteen private freestanding psychiatric hospitals in Pennsylvania during FY01 (Figure P-6). About 27% of all patients receiving inpatient psychiatric care at general acute care (GAC) hospitals were MA participants. The DPW also sponsors psychiatric care in a variety of other settings.

It is difficult to delineate any trends in the financial performance of the 19 freestanding psychiatric hospitals because the performance of the individual hospitals during FY01 was so diverse. For example, the operating margin for the ten reporting non-profit hospitals ranged from -204.92% to 14.65%. Similarly, the operating margin for the eight for-profit hospitals ranged from -12.26% to 21.93% (Table P-4).

Notwithstanding the diverse performance of the individual hospitals, the average operating margin for the freestanding psychiatric hospitals as a group improved 2.16 points to -1.02% (Figure P-7). In the face of declining patient days of care, the freestanding psychiatric hospitals collectively reduced their expenses by 5.4% while operating revenue declined 3.4% (Table P-3).

The improvement in the operating margin plus small gains in non-operating revenues resulted in an increase in the average total margin of the freestanding psychiatric hospitals of 2.26 points. Since nine of the 18 reporting hospitals experienced a decline in their total margin during FY01, the improvement in the overall average total margin was driven by im-

FIGURE P-6
Statewide Net Patient Revenue at Psychiatric Hospitals, FY01

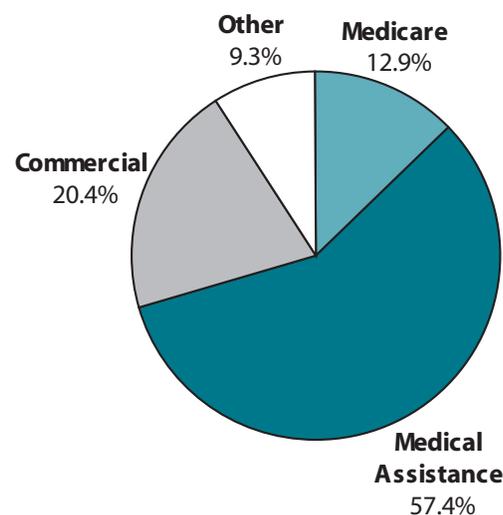
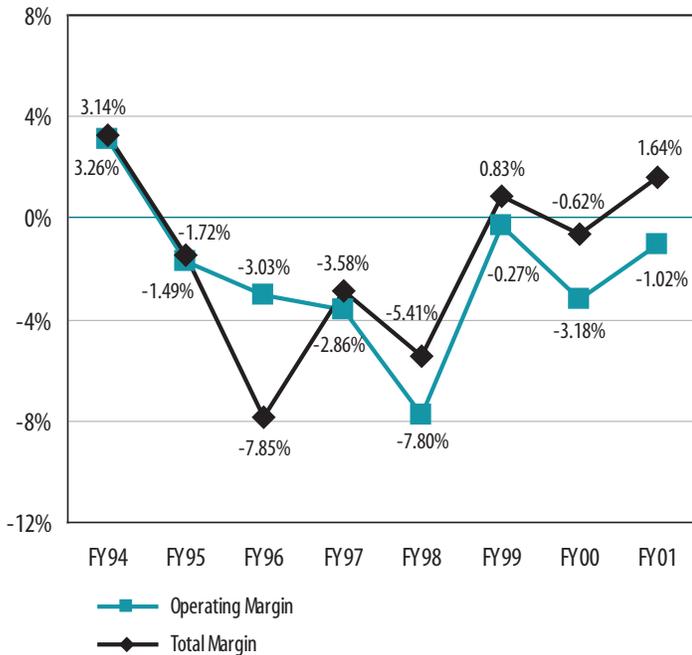


FIGURE P-7
Statewide Operating and Total Margins at Psychiatric Hospitals *



* Excludes state psychiatric hospitals

improvements in the total margins of the remaining nine hospitals. There was an array of reasons for the improvement in non-operating income at the nine hospitals including increased contributions, gains on the sale of investments and other assets, and a growth in investment income.

Eight of the nineteen freestanding psychiatric hospitals operate as for-profit facilities. As a group, the eight for-profit hospitals had an average operating margin of -0.38% compared to the -1.50% operating margin realized by the eleven non-profit hospitals. However, the non-profit freestanding psychiatric hospitals, as a group, had an average total margin of 2.85%, which was 2.85 points greater than the break-even total margin of 0.00% for the for-profit hospitals. There were no clear patterns to distinguish the operating and total margins of the non-profit from the for-profit hospitals.

The Child Guidance Center in Philadelphia (Center) reported an operating loss of -204.92%. During FY00, all inpatient and a majority of outpatient operations were closed at the facility. As of December 31, 2000, only six programs were in operation and these programs were transferred to its affiliate, the Children’s Hospital of Philadelphia. The large operating losses were the result of the phase-out of operations. Since the FY01 operating expenses of the Center represent less than one percent of the total expenses of all freestanding psychiatric hospitals, the Center’s large negative operating margin had very little effect on the average statewide operating and total margins.

The Commonwealth directly underwrites about 81% of the cost of the care provided at the nine state psychiatric hospitals (Table P-5). Of the remaining 19% of total expenses covered by patient revenue, 84% of that revenue comes from the Medicare and Medical Assistance programs. Consequently, only about 3% of the expenses to operate the state hospitals are provided by private insurance and individuals.

TABLE P-4

Region	Psychiatric Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY98-FY01	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY98-FY01
		FY01	FY00	FY99	FY98		FY01	FY00	FY99	FY98	
		\$15	\$15	\$14	\$12		2.63%	\$15	\$16	\$14	
1	Southwood Psych ^{1,5,10}	\$10	\$9	\$4	\$9	4.08%	\$10	\$9	\$4	\$8	5.78%
2	Clarion Psych ^{1,5,10}	\$7	\$7	\$8	\$7	-2.12%	\$5	\$6	\$5	\$5	5.20%
4	Meadows Psych Center ^{1,5,10}	\$11	\$14	\$17	\$15	-7.29%	\$9	\$14	\$15	\$13	-9.87%
5	Edgewater Psych ^{11,12}	NR	\$15	NR	\$16	NR	NR	\$16	NR	\$16	NR
5	Philhaven ⁶	\$28	\$27	\$23	\$21	10.96%	\$30	\$28	\$24	\$23	9.22%
6	First Wyoming Valley ⁷	\$12	\$11	\$12	\$12	-0.32%	\$12	\$12	\$11	\$11	1.32%
7	National Kids Crisis ¹	\$15	\$17	\$17	\$15	1.44%	\$16	\$15	\$15	\$13	5.79%
8	Devereux Mapleton Psych ⁷	\$3	\$2	\$2	NR	NR	\$3	\$2	\$2	NR	NR
8	Eugenia ^{10,14}	\$9	\$7	NR	NR	NR	\$9	\$8	NR	NR	NR
8	Foundations Behavioral ⁵	\$17	\$14	\$9	\$8	40.72%	\$14	\$12	\$8	\$7	30.54%
8	Horsham Clinic ^{1,10}	\$26	\$24	\$24	\$22	7.03%	\$30	\$24	\$23	\$27	3.35%
8	Montgomery Cty ES ⁵	\$9	\$8	\$7	\$6	16.15%	\$11	\$11	\$8	\$8	15.34%
8	Northwestern Inst Psych ¹⁰	\$23	\$24	NR	NR	NR	\$23	\$27	NR	NR	NR
8	St John Vianney ¹	\$4	\$3	\$3	\$3	1.86%	\$3	\$3	\$4	\$3	1.64%
9	Belmont Center	\$27	\$25	\$25	\$24	4.92%	\$28	\$26	\$26	\$25	4.42%
9	Child Guidance CHOP ^{1,2,11}	\$0.3	\$6	\$8	\$4	NA	\$2	\$13	\$14	\$15	NA
9	Fairmount Behavioral ^{1,2,5,10,14}	\$8	\$21	\$16	NR	NR	\$8	\$21	\$17	NR	NR
9	Friends ⁵	\$29	\$30	\$32	\$32	-2.66%	\$35	\$37	\$35	\$35	-0.40%
9	Kirkbride Center ^{5,7,10}	\$16	\$20	\$13	\$8	31.31%	\$18	\$25	\$18	\$8	43.24%

NA = Not Applicable

NR = Not Reported

Footnotes on page 46.

See page 46 for map of regions.

TABLE P-4 (continued)

Psychiatric Hospital	Operating Margin FY01	Total Margin FY01	3-yr Average Total Margin FY99-FY01	Uncompensated Care to NPR FY01	Medicare Share of NPR FY01	Medical Assistance Share of NPR FY01
Statewide Average	-1.02%	1.64%	0.61%	5.02%	12.90%	57.40%
Non-Profit Psychiatric Hospitals						
Statewide Average (non-profit)	-1.50%	2.85%	1.55%	5.84%	15.65%	51.16%
Edgewater Psych ^{11,12}	NR	NR	NR	NR	NR	NR
Philhaven ⁶	-1.41%	9.59%	5.43%	2.81%	8.53%	52.21%
First Wyoming Valley ⁷	3.31%	3.31%	4.91%	4.00%	32.27%	42.74%
National Kids Crisis ¹	-2.96%	-2.96%	7.23%	0.34%	0.00%	74.08%
Devereux Mapleton Psych ⁷	-4.68%	-4.68%	-4.59%	5.73%	0.00%	74.18%
Foundations Behavioral ⁵	14.65%	13.86%	13.41%	3.05%	0.00%	70.52%
Montgomery Cty ES ⁵	-3.83%	12.40%	10.52%	8.00%	7.85%	64.43%
St John Vianney ¹	8.91%	-6.17%	4.76%	0.00%	0.00%	0.00%
Belmont Center	6.55%	7.33%	5.19%	1.60%	25.80%	49.50%
Child Guidance CHOP ^{1,2,11}	-204.92%	-189.12%	-47.21%	0.00%	0.00%	20.95%
Friends ⁵	-14.34%	-6.74%	-4.42%	17.48%	29.42%	32.72%
For-Profit Psychiatric Hospitals						
Statewide Average (for-profit)	-0.38%	0.00%	-0.68%	3.97%	9.26%	65.61%
Southwood Psych ^{1,5,10}	-0.66%	-0.66%	3.28%	0.99%	0.00%	63.93%
Clarion Psych ^{1,5,10}	21.93%	12.30%	22.59%	2.07%	4.84%	35.06%
Meadows Psych Center ^{1,5,10}	18.10%	11.57%	10.33%	1.31%	4.27%	58.82%
Eugenia ^{10,14}	0.57%	3.88%	NR	6.52%	NR	NR
Horsham Clinic ^{1,10}	-12.26%	-7.21%	-0.63%	2.55%	5.77%	54.66%
Northwestern Inst Psych ¹⁰	0.11%	0.11%	NR	9.50%	20.72%	61.57%
Fairmount Behavioral ^{1,2,5,10,14}	-2.66%	-1.70%	-4.18%	6.62%	2.79%	87.02%
Kirkbride Center ^{5,7,10}	-1.44%	-1.37%	NA	-1.83%	14.18%	84.49%

TABLE P-5

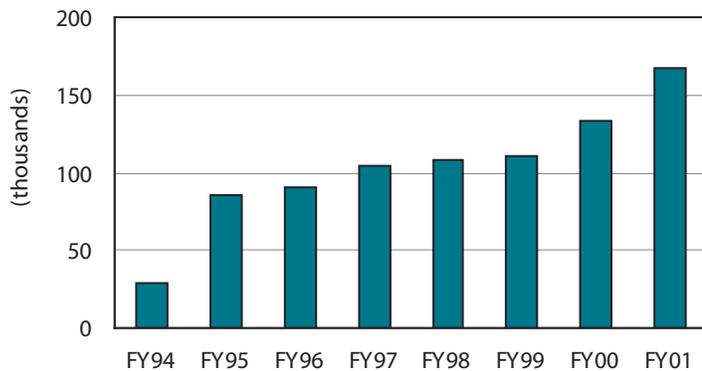
Region	State Psychiatric Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY98-FY01	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY98-FY01
		FY01	FY00	FY99	FY98		FY01	FY00	FY99	FY98	
	Statewide Average	\$8	\$10	\$10	\$10	-7.86%	\$43	\$45	\$44	\$40	-1.46%
1	Mayview State	\$8	\$10	\$11	\$11	-7.95%	\$62	\$62	\$60	\$60	1.28%
1	Torrance State	\$9	\$10	\$11	\$11	-6.71%	\$37	\$37	\$38	\$35	2.29%
2	Warren State	\$9	\$10	\$9	\$9	-0.86%	\$36	\$36	\$35	\$34	1.75%
4	Danville State	\$6	\$8	\$9	\$11	-14.87%	\$29	\$30	\$31	\$31	-2.42%
5	Harrisburg State	\$7	\$9	\$9	\$8	-4.03%	\$41	\$39	\$38	\$38	2.58%
6	Clark Summit State	\$9	\$10	\$9	\$13	-11.76%	\$35	\$37	\$35	\$35	0.06%
7	Allentown State	\$6	\$7	\$7	\$8	-11.25%	\$32	\$33	\$34	\$35	-3.26%
7	Wernersville State	\$9	\$10	\$9	\$8	1.59%	\$34	\$36	\$35	\$35	-0.79%
8	Norristown State	\$12	\$16	\$17	\$12	-0.75%	\$80	\$93	\$93	\$74	2.52%

TABLE P-5 (continued)

State Psychiatric Hospital	Percent of Expenses not covered by NPR FY01	Medicare Share of NPR FY01	Medical Assistance Share of NPR FY01
Statewide Average	80.74%	11.08%	72.92%
Mayview State	86.39%	20.03%	63.03%
Torrance State	75.95%	7.24%	75.80%
Warren State	75.86%	11.78%	72.08%
Danville State	78.39%	9.24%	73.37%
Harrisburg State	82.32%	13.79%	64.36%
Clark Summit State	75.13%	7.74%	78.33%
Allentown State	82.26%	10.59%	70.62%
Wernersville State	74.89%	7.06%	79.24%
Norristown State	85.16%	12.02%	75.87%

Long-Term Acute Care

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



Long-term acute care (LTAC) hospitals provide specialized acute care to medically complex patients who no longer require intensive care provided by a general acute care (GAC) hospital. However, they are not medically ready for rehabilitation care, or they still need a higher level of care than can be provided by a skilled nursing facility or home health care. Patients are commonly admitted directly from a GAC hospital intensive care unit with complex medical conditions, such as respiratory or ventilator-dependent, that require continuous acute care. Therefore, the average length of stay at the LTAC facilities was 31.5 days during FY01 compared to 5.5 days at Pennsylvania's GAC hospitals.

Trends in Long-Term Acute Care

LTAC facilities are a relatively new sector in Pennsylvania's health care delivery system that began with one facility in FY94 and grew to five facilities by the end of FY98. Since then, 12 additional LTAC hospitals went into operation bringing the statewide total to 17. Fourteen of these facilities operated during FY01 and are included in this report.

The growth in the LTAC sector resulted in the addition of 155 beds during FY01 (Table L-1). Despite this additional capacity, the statewide average occupancy rate at LTAC facilities fell only 0.5 points to 63.7% during FY01 because the demand for LTAC kept pace with the growth in staffed beds. This sector of Pennsylvania's health care system experienced a 27.1% increase in the number of patients receiving care (discharges) and a 25.2% growth in the number of patient days of care during FY01 alone, as reflected in Figure L-1 and Table L-1.

One reason for the fast growth in LTAC hospitals is that most new facilities utilize space within an existing GAC hospital. Of the nine facilities that opened during FY00 and FY01, eight occupy space within GAC hospitals. Consequently, construction time is reduced to the time needed to renovate existing hospital space. Moreover, since many new facilities lease space from a GAC hospital, capital requirements are considerably less than constructing a new freestanding facility.

TABLE L-1
Utilization at Long-Term Acute Care Hospitals

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
Patient Days								
Med-Surg	16,742	33,904	38,833	49,411	63,799	79,632	107,499	139,441
Psychiatric	12,743	52,154	51,818	44,586	35,200	31,598	26,252	28,008
Skilled Nursing	0	0	0	10,574	8,734	5	0	0
Total	29,485	86,058	90,651	104,571	107,733	111,235	133,751	167,449
Discharges								
Med-Surg	505	1,044	1,286	1,570	1,791	2,160	3,026	4,108
Psychiatric	396	1,879	1,803	1,693	1,368	1,303	1,162	1,203
Skilled Nursing	0	0	0	337	251	0	0	10
Total	901	2,923	3,089	3,600	3,410	3,463	4,188	5,321
Beds								
Med-Surg	NC	NC	NC	258	288	329	491	646
Psychiatric	NC	NC	NC	131	112	112	112	112
Skilled Nursing	NC	NC	NC	75	75	20	0	0
Total	NC	NC	NC	464	475	461	603	758
Occupancy Rate								
Med-Surg	NC	NC	NC	57.96%	61.29%	71.77%	64.18%	62.77%
Psychiatric	NC	NC	NC	93.25%	86.11%	77.29%	64.22%	68.51%
Skilled Nursing	NC	NC	NC	38.63%	50.30%	1.92%	0.00%	0.00%
Total	NC	NC	NC	65.16%	66.37%	71.10%	64.18%	63.67%
Average Length of Stay								
Med-Surg	33.2	32.5	30.2	31.5	35.6	36.9	35.5	33.9
Psychiatric	32.2	27.8	28.7	26.3	25.7	24.3	22.6	23.3
Skilled Nursing	0.0	0.0	0.0	31.4	34.8	0.0	0.0	0.0
Total	32.7	29.4	29.3	29.0	31.6	32.1	31.9	31.5
Visits								
Total	NC	NC	65,170	50,309	46,243	41,648	23,006	66,901

NC = Not collected by the Council

Another reason for the growth in LTAC care is that GAC hospitals have a financial incentive to transfer Medicare patients that require extended acute care to LTAC units. Under the Medicare prospective payment system, or PPS, GAC hospitals typically receive a predetermined fee based on the average cost to treat patients in the diagnosis related group (DRG) in which the patient falls. If a patient requires acute care for an extended period of time, the Medicare payment to the GAC hos-

TABLE L-2
Discharges at Long-Term Acute Care Hospitals, FY01
*by Clinical Classifications*¹

Top Eight	Percent
Adult respiratory failure, insufficiency, arrest	18.37%
Schizophrenia and related disorders	11.45%
Rehabilitation care, fitting of prostheses, and adjustment of devices	11.36%
Affective (mood) disorders	10.72%
Chronic ulcer of skin	3.92%
Other aftercare	2.60%
Chronic obstructive pulmonary disease and bronchiectasis	2.33%
Pneumonia	2.20%

¹ Discharges were grouped into classifications from the ICD-9-CM codes reported by the facilities. These groupings were performed using the Clinical Classification Software developed by AHRQ's Center for Organization and Delivery Studies, Healthcare Cost and Utilization Project (HCUP).

pital is not likely to cover all of the costs of providing care. Therefore, GAC hospitals have an incentive to discharge a patient to a LTAC facility if the duration of the patient's acute hospitalization will be significantly longer than average for patients in a particular DRG. The average length of stay has remained relatively constant in the 29 to 33 day range since FY94 (Table L-1).

The new LTAC facilities that began operation since FY99 are smaller than the five facilities that opened prior to FY98 (see Table L-3). These

new facilities have an average of 35-staffed beds compared to an average of over 88-staffed beds for the original five facilities. The top eight clinical classifications for patients discharged from LTAC facilities during FY01 are presented in Table L-2. These eight classifications represent 63% of all discharges during the fiscal year. Approximately 22% of the patients in the top eight clinical classifications are receiving care for psychiatric disorders.

During FY01, care provided in designated psychiatric units of LTAC facilities represented 22.6% of the discharges and 16.7% of the total patient days of care provided at Pennsylvania's LTAC facilities. However, all of the new beds added during FY01 by the four new LTAC facilities were reported as med-surg acute beds.

The age distribution of patients receiving LTAC care is presented in Figure L-2. This distribution is indicative of both extended care facilities, which serve a predominately elderly population, and psychiatric care facilities, where the majority of patients are in the 25 to 54 year age range.

Consistent with the age distribution of LTAC patients, Figure L-3 shows that 62.6% of net patient revenue (NPR) was received from Medicare during FY01. In contrast, GAC hospitals in Pennsylvania received an average of 42.6% of their total NPR from Medicare. Like rehabilitation facilities, the LTAC facilities may be more vulnerable to changes in the Medicare program.

FIGURE L-2
Age Distribution at Long-Term Acute Care Hospitals, FY01

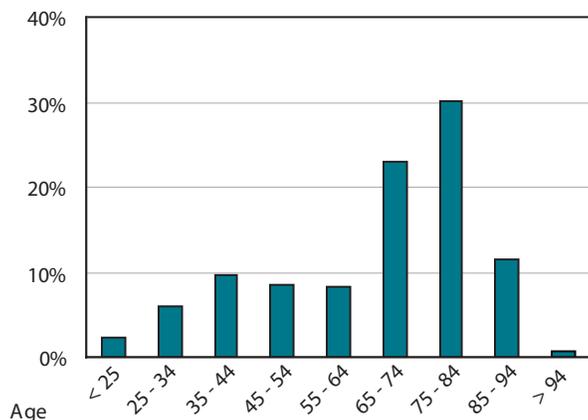


TABLE L-3
Utilization and Capacity, FY01
by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay	First Fiscal Year of Operation
Allentown Specialty	5,878	11,680	50.33%	234	32	25.12	FY00
Girard	33,798	41,975	80.52%	1,306	168	25.88	FY95
Kindred/Philadelphia	15,098	18,098	83.42%	271	52	55.71	FY96
Kindred/Pittsburgh	17,723	23,058	76.86%	384	63	46.15	FY97
LifeCare Pittsburgh	38,373	56,575	67.83%	1,419	155	27.04	FY94
Mercy Special Care	18,858	20,440	92.26%	543	56	34.73	FY95
SCCI/Easton	1,878	8,525	22.03%	58	31	32.38	FY01
SCCI/Harrisburg	1,394	7,350	18.97%	41	30	34.00	FY01
Select Specialty/Erie *	406	12,775	3.18%	10	35	40.60	FY01
Select Specialty/Grnsbrg *	563	4,500	12.51%	19	30	29.63	FY01
Select Specialty/Johnstwn	9,979	14,235	70.10%	322	39	30.99	FY00
Select Specialty/Pgh	10,737	14,965	71.75%	341	41	31.49	FY00
Select Specialty/Phila	6,177	13,140	47.01%	189	36	32.68	FY00
Specialty Philadelphia	6,587	15,695	41.97%	184	43	35.80	FY00

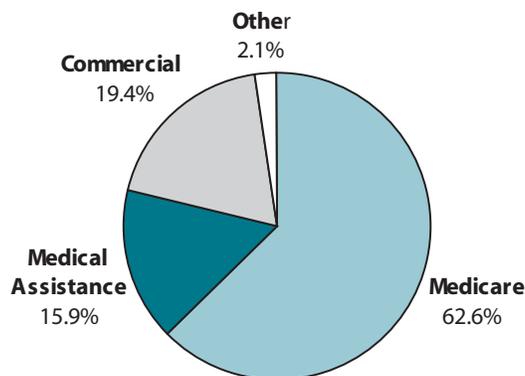
* Less than 12 months of data

The Medical Assistance (MA) Program is the third largest payor providing a total 15.9% of LTAC net patient revenue. The MA share of LTAC revenue is almost twice the percent of MA revenue received by GAC hospitals. One reason that MA provides a larger share of LTAC revenue is that 22.6% of the patients at LTAC facilities received psychiatric care. MA is the largest payor of psychiatric care in Pennsylvania. Another reason for MA's greater role is that MA often becomes the payor for under- or uninsured patients that do not have the resources to pay for extended care.

Four of the LTAC facilities also provide outpatient services. The large decline in the number of visits during FY00 (see Table L-1) is primarily the result of the acquisition of the former Allegheny University Forbes Metropolitan Hospital by the LifeCare Hospitals during FY00. Outpatient visits at that facility declined from 17,797 during FY99 to 1,043 for the first six months LifeCare operated the facility during FY00. The number of outpatient visits has grown to over 8,000 at LifeCare Hospital during FY01.

The total number of outpatient visits reported during FY01 has nearly tripled over the level reported for FY00. This large change is driven by an increase of nearly 40,000 visits reported by the Girard Medical Center. For the first time, Girard has reported the number of visits associated with its methadone treatment program.

FIGURE L-3
Statewide Net Patient Revenue at Long-Term Acute Care Hospitals, FY01



Financial Profile

It is difficult to portray any broad trends in the financial health of this relatively young sector of Pennsylvania's hospital-based healthcare industry. Nine LTAC hospitals began operations during either FY00 or FY01. One existing hospital, Forbes Metropolitan, was acquired by the for-profit LifeCare Hospital during FY00. Two other existing hospitals were operated by Vencor, which emerged from bankruptcy in April 2001 and is now operating as Kindred Healthcare. Therefore, it is too soon to assess the financial viability for twelve LTAC hospitals.

There were only five freestanding LTAC facilities in operation without an organizational change for more than two full fiscal years. These five hospitals, Girard Medical Center,

Mercy Special Care and the Select Specialty Hospitals in Johnstown, Philadelphia and Pittsburgh collectively had an average total margin of -0.84% .

Four of the LTAC hospitals, the SCCI facilities in Easton and Harrisburg and the Select Specialty facilities in Erie and Greensburg, had large negative operating margins because they began operations during FY01 (see Table L-4). Often expenses are disproportionately higher than revenue as patient traffic builds during the first months of operation.

TABLE L-4

Region	Long-Term Acute Care Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY98- FY01	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY98- FY01
		FY01	FY00	FY99	FY98		FY01	FY00	FY99	FY98	
		Statewide Average		\$10	\$12		\$19	\$17	24.12%	\$11	
1	Kindred/Pittsburgh ^{1,10}	\$15	\$14	\$16	\$12	9.43%	\$15	\$14	\$14	\$10	15.64%
1	LifeCare Pittsburgh ^{1,3,10}	\$31	\$13	NR	\$22	13.58%	\$32	\$13	NR	\$33	-0.76%
1	Select Specialty/Grnsbrg ^{1,2,4,10}	\$0.5	NA	NA	NA	NA	\$1	NA	NA	NA	NA
1	Select Specialty/Pgh ^{1,10}	\$8	\$8	NA	NA	NA	\$8	\$7	NA	NA	NA
2	Select Specialty/Erie ^{1,2,4,10}	\$0.4	NA	NA	NA	NA	\$1	NA	NA	NA	NA
3	Select Specialty/Johnstwn ^{1,10}	\$6	\$5	NA	NA	NA	\$6	\$5	NA	NA	NA
5	SCCI/Harrisburg ^{1,10}	\$1	NA	NA	NA	NA	\$3	NA	NA	NA	NA
6	Mercy Special Care ^{1,5}	\$10	\$9	\$8	\$7	15.03%	\$11	\$10	\$9	\$8	10.45%
7	Allentown Specialty ³	\$6	\$1	NA	NA	NA	\$6	\$2	NA	NA	NA
7	SCCI/Easton ^{1,10}	\$1	NA	NA	NA	NA	\$3	NA	NA	NA	NA
8	Specialty Philadelphia ^{1,3,10}	\$6	\$1	NA	NA	NA	\$7	\$2	NA	NA	NA
9	Girard	\$41	\$39	\$36	\$31	11.02%	\$44	\$42	\$39	\$33	10.67%
9	Kindred/Philadelphia ^{1,10}	\$12	\$11	\$13	\$12	0.39%	\$12	\$12	\$11	\$10	6.02%
9	Select Specialty/Phila ^{1,10}	\$6	\$5	NA	NA	NA	\$6	\$5	NA	NA	NA

TABLE L-4 (continued)

Long-Term Acute Care Hospital	Operating Margin FY01	Total Margin FY01	3-yr Average Total Margin FY99-FY01	Uncompensated Care to NPR FY01	Medicare Share of NPR FY01	Medical Assistance Share of NPR FY01
Statewide Average	-5.27%	-4.50%	-3.95%	5.18%	62.63%	15.90%
Non-Profit LTAC Hospitals						
Statewide Average (non-profit)	-2.06%	-2.01%	-3.91%	10.29%	55.10%	38.41%
Mercy Special Care ^{1,5}	-4.15%	-3.91%	-7.20%	1.85%	75.62%	0.72%
Allentown Specialty ³	-14.96%	-14.96%	NA	0.00%	80.28%	0.00%
Girard	0.10%	0.10%	-1.56%	13.80%	46.56%	53.03%
For-Profit LTAC Hospitals						
Statewide Average (for-profit)	-7.45%	-6.20%	-3.99%	1.84%	67.59%	1.10%
Kindred/Pittsburgh ^{1,10}	1.85%	1.13%	3.28%	0.91%	56.14%	-0.10%
LifeCare Pittsburgh ^{1,3,10}	-4.32%	-2.59%	NR	0.75%	73.64%	0.00%
Select Specialty/Grnsbrg ^{1,2,4,10}	-156.74%	-95.61%	NA	3.11%	76.38%	0.00%
Select Specialty/Pgh ^{1,10}	0.83%	0.50%	NA	4.54%	62.39%	0.00%
Select Specialty/Erie ^{1,2,4,10}	-69.81%	-42.58%	NA	7.82%	16.55%	0.00%
Select Specialty/Johnstwn ^{1,10}	-0.89%	-0.54%	NA	2.79%	66.91%	0.00%
SCCI/Harrisburg ^{1,10}	-160.95%	-160.95%	NA	2.14%	69.85%	0.00%
SCCI/Easton ^{1,10}	-148.72%	-148.72%	NA	6.89%	86.74%	0.00%
Specialty Philadelphia ^{1,3,10}	-6.26%	-6.26%	NA	2.03%	83.33%	0.00%
Kindred/Philadelphia ^{1,10}	-1.18%	-0.57%	-0.15%	2.19%	67.80%	8.05%
Select Specialty/Phila ^{1,10}	-7.30%	-4.45%	NA	2.91%	54.83%	0.00%

NA = Not Applicable
NR = Not Reported

Footnotes on page 46.
See page 46 for map of regions.

Specialty Care

Specialty facilities provide unique types or combinations of patient care that do not fall under the other categories of non-general acute care. There are seven facilities in this category. 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 fiscal year 2001 (FY01).

Children's Home of Pittsburgh is an eleven-bed inpatient non-profit transitional infant care facility that provides an intermediate level of medical care for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical monitoring, care and supervision. The facility discharged 135 patients during FY01.

Children's Home has a history of continuing operating losses. The revenues it receives for patient care and other services do not cover its operating expenses. However, as a result of contributions, investment earnings, and other asset-related gains, the hospital continues to realize positive total margins, averaging 17.7% from FY99 to FY01.

Divine Providence is a non-profit facility operated by the Sisters of Christian Charity in Lycoming County. The facility provides outpatient diagnostic and treatment services and operates a 31-bed inpatient psychiatric unit. During FY01, Divine Providence experienced over 118,000 outpatient visits. Outpatient care represents about 94% of the facility's net patient revenue (NPR).

Eagleville Hospital is a 334-bed inpatient drug and alcohol treatment facility located in Montgomery County. Eagleville Hospital reported an FY01 operating margin of 4.27% and a total margin of 16.36%. The substantial difference between

TABLE S-1

Region	Specialty Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY98-FY01	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY98-FY01
		FY01	FY00	FY99	FY98		FY01	FY00	FY99	FY98	
		\$11	\$11	\$6	\$7		\$12	\$12	\$13	\$7	
	Statewide Average					29.27%					31.21%
1	Children's Home Pgh	\$2	\$2	\$2	\$2	6.15%	\$3	\$3	\$3	\$3	5.97%
1	Pittsburgh Specialty ^{1,10,14}	\$2	\$2	\$2	\$2	-9.99%	\$3	\$3	\$3	\$4	-8.20%
4	Divine Providence ⁵	\$40	\$36	\$34	\$42	-1.60%	\$42	\$39	\$41	\$48	-4.37%
8	Eagleville ⁵	\$18	\$16	\$14	\$13	13.81%	\$17	\$15	\$14	\$13	12.36%
8	Malvern Inst ¹⁰	\$4	\$4	NR	NR	NR	\$4	\$4	NR	NR	NR
8	Valley Forge ^{1,5,10}	\$8	\$9	\$7	\$9	-3.22%	\$8	\$8	\$7	\$7	3.15%
9	Kensington	\$4	\$4	NR	NR	NR	\$5	\$5	NR	NR	NR

the operating and total margin is primarily the result of a \$2.1 million transition grant from the state and federal government. This grant assisted the hospital in adjusting to the reduction of funding from the Medical Assistance program.

Kensington Hospital is a 45-bed facility in Philadelphia. Kensington previously operated as a general acute care hospital, but changed its focus to providing drug and alcohol treatment. Kensington reported 9,375 outpatient visits in FY01 and outpatient care represented about 31% of its net patient revenue.

The Malvern Institute is a 51-bed for-profit drug and alcohol treatment facility located in Chester County. Malvern and its affiliate hospital Northwestern Institute of Psychiatry filed for Chapter 11 bankruptcy protection in October 2000. Malvern reported a 3.8% operating margin in FY00 and an 8.79% operating margin in FY01. Malvern's operating margin improved during FY01 because it realized a 10.4% increase in patient revenue while the growth in operating expenses was held to 4.8%.

The Pittsburgh Specialty Hospital is a 13-bed for-profit facility that specializes in pain management, plastic surgery and podiatry. The hospital is primarily an outpatient facility, reporting only 30 discharges and 59 days of inpatient care in FY01. Alternatively, Pittsburgh Specialty had about 4,600 outpatient visits during the year. The hospital reported an operating loss of -77.85% for FY01 and large losses during the period FY98-00.

The Valley Forge Medical Center and Hospital is a 70-bed for-profit facility that provides inpatient rehabilitative programs to patients with drug and alcohol dependencies and other addictive related conditions. The facility reported a 22% decline in discharges and an 11.1% decline in operating revenue during FY01. Because operating expenses increased 3.8% while operating revenue fell, the operating margin fell 14.68 points from 12.48% in FY00 to -2.20% in FY01.

TABLE S-1 (continued)

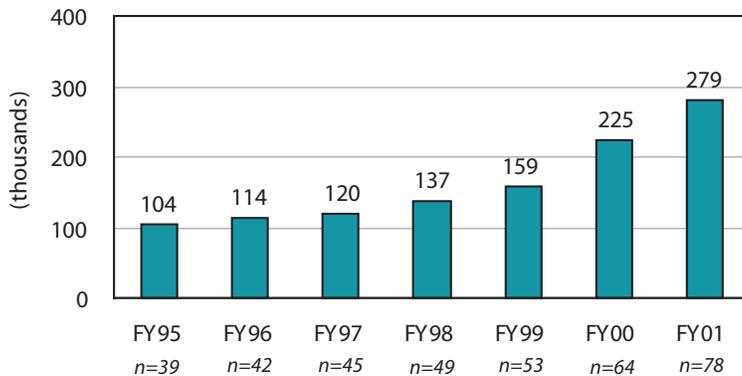
Specialty Hospital	Operating Margin FY01	Total Margin FY01	3-yr Average Total Margin FY99-FY01	Uncompensated Care to NPR FY01	Medicare Share of NPR FY01	Medical Assistance Share of NPR FY01
Statewide Average	0.68%	5.59%	10.88%	4.54%	23.24%	33.13%
Children's Home Pgh	-9.11%	14.32%	17.70%	0.82%	0.00%	50.07%
Pittsburgh Specialty ^{1,10,14}	-77.85%	-77.85%	NR	0.00%	29.33%	35.10%
Divine Providence ⁵	3.40%	5.16%	3.80%	4.79%	37.26%	3.66%
Eagleville ⁵	4.27%	16.36%	14.79%	4.70%	12.48%	58.93%
Malvern Inst ¹⁰	8.79%	8.79%	NR	3.16%	0.00%	43.90%
Valley Forge ^{1,5,10}	-2.20%	-1.91%	2.53%	3.00%	2.93%	92.78%
Kensington	-6.59%	-4.38%	NR	9.40%	6.95%	71.57%

NR = Not Reported
NA = Not Applicable

Footnotes on page 46.
See page 46 for map of regions.

Ambulatory Surgery Center Care

FIGURE A-1
Statewide Patient Visits at Ambulatory Surgery Centers



During fiscal year 2001 (FY01) there were 78 freestanding ambulatory surgery centers (ASC) required to file data with the Council. This was an increase of 14 ASCs required to report data to the Council during FY01 and 39 since FY95.

The Council estimates that during FY01 there were about 279,336 patient visits to ASCs, an increase of 24.0% over FY00 and 168.5% since FY95 (Figure A-1). This growth in patient visits is the result of both the increase in the number of ASCs and an increase in visits at individual centers. The 39 centers

operating during FY95 averaged 2,667 visits per center. The average number of visits at the 78 centers treating patients during FY01 was 3,581. Consequently, in addition to the growth in the number of ASCs licensed in Pennsylvania, the annual average number of patient visits per center has increased 34.3% since FY95.

Despite this steady growth in the number of centers and total visits, ASC visits represent less than one percent (about 0.9%) of all the outpatient visits to licensed hospitals and surgery centers reported to the Council for FY01.

FIGURE A-2
Statewide Average Net Outpatient Revenue per Visit at Ambulatory Surgery Centers

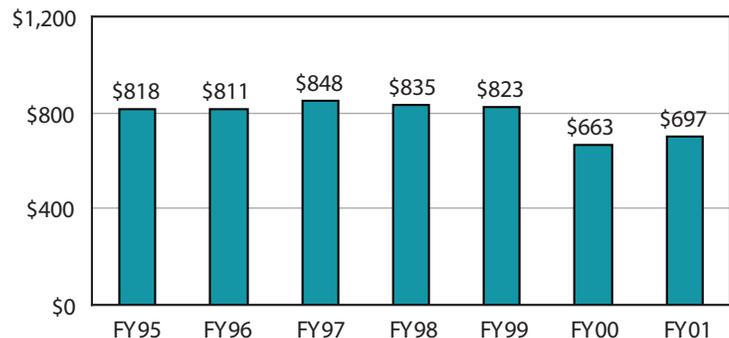


TABLE A-1
Top Five Principal Procedures at Ambulatory Surgery Centers and
General Acute Care Outpatient Units, FY01

	ASC		GAC - Outpatient	
	Count	Percent	Count	Percent
Lens and cataract procedures	52,798	27.80%	88,368	5.88%
Colonoscopy and biopsy	16,121	8.49%	152,006	10.11%
Spinal treatment with medication/stimulator	13,950	7.34%	61,165	4.07%
Upper gastrointestinal(GI) endoscopy, biopsy	10,618	5.59%	100,044	6.66%
Other non-operating room lower GI therapeutic procedures	6,613	3.48%	67,828	4.51%

Net patient revenue (NPR) per visit received by ASCs had remained relatively constant between FY95 and FY99, ranging between \$818 and \$823 as shown in Figure A-2. The average revenue per visit fell sharply during FY00 to \$663, increasing to \$697 for FY01.

It is difficult to draw specific conclusions from the changes in the statewide average net patient revenue per visit because there is a wide range of average net patient revenue per visit across the individual ASCs. During FY01, the average revenue per visit for each ASC ranged from \$223 to \$1,945. This wide range in the average payment is primarily due to the variation in the complexity of procedures performed at the different ASCs. Therefore, with the number of ASCs more than doubling since FY95, the type of care provided at these new facilities could have a strong influence on the changes in the average statewide revenue per visit.

The top five principal procedures at ASCs and outpatient units of GAC hospitals are presented in Table A-1. The percent of cases in each category is similar for both ASCs and GAC hospitals, except for lens and cataract procedures. This category represents about 28% of all procedures at Pennsylvania’s ASCs while less than 6% of the procedures performed at the outpatient units of GAC hospitals.

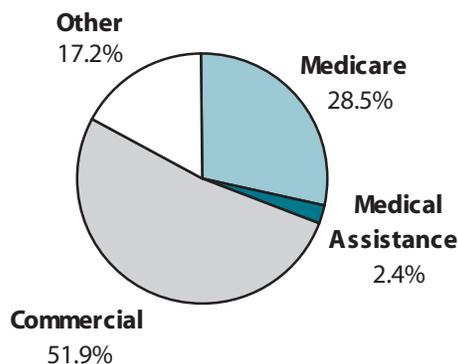
Both the ASCs and the outpatient units at GAC hospitals receive slightly more than half of their outpatient NPR from patients covered by commercial insurance. Figure A-3 reveals that the share of NPR from Medicare participants is about three percent higher at ASCs than outpatient NPR at GAC hospitals. However, the NPR from Medical Assistance recipients at ASCs is less than half of the percentage of outpatient NPR at GAC hospitals.

The average operating margin at Pennsylvania's ASCs fell about 0.2 points from 12.5% in FY00 to 12.3% during FY01. Similarly, the average total margin fell from nearly 12.4% in FY00 to 12.6% during FY01. These statewide average margins include 14 new facilities that reported to the Council for the first time during FY01. Typically, the addition of new facilities has a negative effect on the statewide margins. Expenses at new facilities usually outpace revenues during the first few months of operation as patient traffic grows.

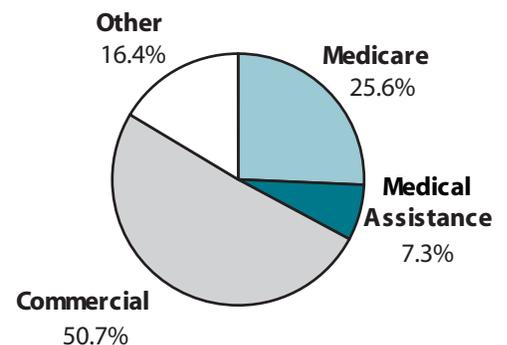
The average operating margin actually increased more than 2.59 points during FY01 for 57 of the ASCs that were in operation for the twenty-four months during both FY00 and FY01. The average operating margin for this group increased from 11.98% in FY00 to 14.57% during FY01.

FIGURE A-3
Statewide Net Outpatient Revenue at Ambulatory Surgery Centers and General Acute Care Hospitals, FY01

Ambulatory Surgery Centers



General Acute Care Hospitals



Unlike the other hospital categories, the difference between the statewide average total and operating margins is very small at ASCs. For FY01, the average total margin was less than three-tenths of a point higher than the average operating margin.

There are two characteristics of the ASCs that result in the operating margin and total margin being very close. First, most ASCs are for-profit corporations. Consequently, this sector does not have a large amount of non-operating income such as contributions and investment income from endowments. Second, unlike the for-profit hospitals, most of the for-profit ASCs are organized as Subchapter S corporations. Under this corporate structure, ASCs incur no income taxes. Income and the corresponding tax liability are allocated to the owners or partners of the ASC.

Ambulatory Surgery Center Care

TABLE A-2

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY98- FY01	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY98- FY01		
		FY01	FY00	FY99	FY98		FY01	FY00	FY99	FY98			
		Statewide Average					\$2,526	\$2,527	\$2,849	\$2,552		27.84%	\$2,238
1	Aestique ASC ^{1,10}	\$1,416	\$1,498	\$1,583	\$1,566	-3.18%	\$1,361	\$1,461	\$1,488	\$1,502	-3.14%		
1	Children's Hosp Pgh North	\$3,399	NA	NA	NA	NA	\$2,927	NA	NA	NA	NA		
1	Dermatology & Cosmetic SC ^{1,3,10}	\$669	\$208	NA	NA	NA	\$623	\$178	NA	NA	NA		
1	HEALTHSOUTH Mt Pleasant SC ^{1,10}	\$1,906	\$1,711	\$1,462	\$1,505	8.88%	\$1,896	\$1,706	\$1,511	\$1,556	7.29%		
1	Jefferson SC ¹¹	\$6,311	\$5,559	\$5,271	\$4,565	12.76%	\$4,637	\$4,158	\$4,164	\$3,911	6.18%		
1	John A Zitelli ASC ^{1,10}	\$602	\$538	\$607	\$655	-2.69%	\$596	\$535	\$607	\$655	-3.00%		
1	Lowry SC ^{1,10,14}	\$627	\$794	NR	\$582	2.58%	\$683	\$826	NR	\$574	6.37%		
1	Mount Lebanon SC ¹⁴	\$1,615	\$1,683	\$1,738	\$1,558	1.21%	\$1,402	\$1,508	\$1,550	\$1,645	-4.92%		
1	North Shore SC ^{1,10,13}	NR	NR	\$616	\$651	NR	NR	NR	\$503	\$620	NR		
1	SC Ligonier ¹⁴	\$795	\$850	\$834	\$875	-3.07%	\$679	\$718	\$674	\$693	-0.68%		
1	Shadyside SC ^{1,10}	\$505	\$583	NR	NR	NR	\$493	\$589	NR	NR	NR		
1	Southwestern ASC ^{1,10,14}	\$3,215	\$3,078	\$3,095	\$2,594	7.98%	\$2,891	\$2,366	\$2,544	\$2,403	6.77%		
1	Southwestern PA Eye SC ^{1,10,12}	NR	\$2,175	NR	\$2,418	NR	NR	\$1,107	NR	\$1,003	NR		
1	Three Rivers Endoscopy ^{1,10}	\$2,795	\$1,725	NR	\$813	81.24%	\$1,394	\$1,068	NR	\$757	28.05%		
1	Tri County Surgical ^{1,10}	\$375	\$262	NA	NA	NA	\$381	\$262	NA	NA	NA		
1	UPMC Monroeville SC	\$4,492	\$3,508	\$3,811	\$3,535	9.03%	\$5,520	\$6,197	\$7,235	\$6,095	-3.15%		
1	Zitelli South ASC ^{1,10}	\$547	\$401	\$421	\$150	87.95%	\$547	\$399	\$421	\$150	87.87%		
2	Hamot SC ^{2,4,10}	\$2,568	NA	NA	NA	NA	\$2,944	NA	NA	NA	NA		
2	Laurel Laser & SC ^{1,10}	\$1,059	NA	NA	NA	NA	\$1,122	NA	NA	NA	NA		
2	Saint Vincent SC ^{1,10}	\$6,951	\$7,062	\$6,310	\$6,160	4.28%	\$5,672	\$5,668	\$5,244	\$5,255	2.64%		
2	Village SC ^{1,3,10}	\$3,440	\$356	NA	NA	NA	\$3,545	\$1,122	NA	NA	NA		
3	Indiana AS Associates ^{1,10}	\$2,888	\$2,310	NA	NA	NA	\$2,105	\$1,863	NA	NA	NA		
4	Centre Community SC	\$5,180	\$5,090	\$4,748	\$4,680	3.56%	\$4,803	\$4,238	\$3,832	\$3,774	9.09%		
4	Endoscopy PA ^{1,10}	\$1,136	\$1,080	\$957	\$728	18.71%	\$1,158	\$1,221	\$955	\$761	17.39%		
4	Mifflin County Com SC ^{1,10}	\$772	\$839	NA	NA	NA	\$796	\$766	NA	NA	NA		
5	Apple Hill SC ¹⁰	\$7,936	\$8,103	\$7,526	\$6,712	6.08%	\$5,700	\$5,024	\$4,514	\$4,035	13.75%		
5	Digestive Disease Inst ^{1,10,14}	\$914	\$784	\$639	NR	NR	\$1,027	\$933	\$355	NR	NR		
5	Grandview SC ^{1,10}	\$580	NA	NA	NA	NA	\$376	NA	NA	NA	NA		
5	Grandview Surgery & Laser ^{1,10}	\$4,075	\$3,745	\$5,082	\$4,959	-5.94%	\$4,029	\$3,453	\$3,439	\$3,178	8.92%		
5	Hanover SC ¹⁴	\$2,378	\$2,302	\$2,234	\$1,849	9.53%	\$1,951	\$1,844	\$2,141	\$2,064	-1.82%		
5	HEALTHSOUTH SC Lancaster ^{1,10}	\$5,485	\$5,242	\$5,448	\$5,607	-0.73%	\$5,107	\$4,880	\$4,958	\$5,118	-0.07%		
5	Leader SC ¹⁰	\$352	NA	NA	NA	NA	\$317	NA	NA	NA	NA		
5	Lebanon Outpatient SC ^{1,10}	\$3,233	\$3,217	\$3,155	\$3,365	-1.31%	\$2,851	\$2,773	\$2,755	\$2,784	0.79%		
5	Ophthalmology SC ^{1,10}	\$2,113	\$1,818	\$1,794	\$1,549	12.12%	\$1,940	\$1,703	\$1,586	\$1,446	11.39%		
5	PA Eye SC ^{1,10}	\$2,033	NR	NR	\$1,541	10.63%	\$1,181	NR	NR	\$1,175	0.16%		
5	Penn Surgery Inst ¹⁰	\$713	NA	NA	NA	NA	\$619	NA	NA	NA	NA		
5	SC York	\$3,666	\$3,580	\$3,094	\$2,892	8.92%	\$3,189	\$3,020	\$2,691	\$2,543	8.46%		
5	Summit SC ^{2,4,10}	\$755	NA	NA	NA	NA	\$2,228	NA	NA	NA	NA		

NA = Not Applicable
NR = Not Reported

Footnotes on page 46.
See page 46 for map of regions.

TABLE A-2 (continued)

Ambulatory Surgery Center	Operating Margin FY01	Total Margin FY01	3-yr Average Total Margin FY99-FY01	Medicare Share of NPR FY01	Medical Assistance Share of NPR FY01	Visits
Statewide Average	12.30%	12.56%	12.09%	27.62%	2.33%	3,713
Aestique ASC ^{1,10}	3.94%	4.21%	4.49%	31.80%	0.83%	1,776
Children's Hosp Pgh North	13.87%	13.87%	NA	0.03%	8.53%	2,726
Dermatology & Cosmetic SC ^{1,3,10}	6.83%	6.83%	NA	3.80%	0.00%	2,599
HEALTHSOUTH Mt Pleasnt SC ^{1,10}	1.39%	1.39%	-0.28%	28.89%	1.19%	1,937
Jefferson SC ¹¹	28.75%	28.75%	30.84%	32.17%	0.86%	9,369
John A Zitelli ASC ^{1,10}	1.02%	1.02%	0.48%	45.43%	0.65%	1,268
Lowry SC ^{1,10,14}	-8.92%	-8.92%	NR	NR	NR	1,240
Mount Lebanon SC ¹⁴	13.14%	13.70%	12.28%	74.17%	1.12%	2,002
North Shore SC ^{1,10,13}	NR	NR	NR	NR	NR	NR
SC Ligonier ¹⁴	14.56%	18.82%	18.81%	NR	NR	1,127
Shadyside SC ^{1,10}	2.20%	2.20%	NR	28.00%	0.00%	396
Southwestern ASC ^{1,10,14}	10.10%	10.10%	16.96%	37.24%	23.33%	4,152
Southwestern PA Eye SC ^{1,10,12}	NR	NR	NR	NR	NR	NR
Three Rivers Endoscopy ^{1,10}	50.63%	50.95%	NR	23.25%	0.10%	5,498
Tri County Surgical ^{1,10}	-1.40%	-1.40%	NA	11.83%	0.00%	905
UPMC Monroeville SC	-21.26%	-21.26%	-53.64%	17.02%	0.18%	6,159
Zitelli South ASC ^{1,10}	0.06%	0.06%	0.19%	40.88%	0.36%	1,069
Hamot SC ^{2,4,10}	-14.65%	-3.82%	NA	22.39%	1.79%	3,199
Laurel Laser & SC ^{1,10}	-5.99%	-5.99%	NA	84.19%	0.44%	1,591
Saint Vincent SC ^{1,10}	18.40%	19.81%	19.66%	26.00%	6.12%	7,221
Village SC ^{1,3,10}	-3.03%	-3.01%	NA	24.55%	12.21%	3,972
Indiana AS Associates ^{1,10}	31.87%	31.87%	NA	36.44%	1.54%	3,806
Centre Community SC	8.71%	8.71%	15.06%	21.87%	1.86%	6,992
Endoscopy PA ^{1,10}	8.91%	8.91%	4.47%	50.14%	2.80%	2,753
Mifflin County Com SC ^{1,10}	-0.01%	-0.01%	NA	62.06%	5.99%	1,092
Apple Hill SC ¹⁰	28.17%	28.44%	35.80%	32.20%	1.30%	9,584
Digestive Disease Inst ^{1,10,14}	-12.44%	-12.44%	0.86%	NR	NR	2,438
Grandview SC ^{1,10}	35.15%	35.15%	NA	18.28%	1.91%	638
Grandview Surgery & Laser ^{1,10}	1.64%	1.64%	15.73%	17.64%	0.51%	4,512
Hanover SC ¹⁴	18.60%	18.60%	14.46%	NR	NR	2,633
HEALTHSOUTH SC Lancaster ^{1,10}	7.78%	7.78%	9.08%	17.22%	0.80%	5,968
Leader SC ¹⁰	10.10%	10.10%	NA	12.82%	0.10%	710
Lebanon Outpatient SC ^{1,10}	11.82%	12.17%	12.97%	36.85%	4.76%	4,903
Ophthalmology SC ^{1,10}	8.20%	8.45%	8.05%	69.26%	1.08%	2,414
PA Eye SC ^{1,10}	41.89%	42.46%	NR	37.60%	1.80%	2,208
Penn Surgery Inst ¹⁰	13.23%	13.23%	NA	23.99%	0.39%	1,096
SC York	13.42%	13.42%	14.33%	20.83%	4.50%	4,322
Summit SC ^{2,4,10}	-194.97%	-190.68%	NA	47.84%	4.01%	1,051

Ambulatory Surgery Center Care

TABLE A-2

Region	Ambulatory Surgery Center	Net Patient Revenue NPR (thousands)				3-yr Avg Change in NPR FY98- FY01	Total Operating Expenses TOE (thousands)				3-yr Avg Change in TOE FY98- FY01
		FY01	FY00	FY99	FY98		FY01	FY00	FY99	FY98	
		\$2,526	\$2,527	\$2,849	\$2,552		\$2,238	\$2,235	\$2,568	\$2,271	
	Statewide Average										
5	Susquehanna Valley SC ^{1,10}	\$1,439	NA	NA	NA	NA	\$2,289	NA	NA	NA	NA
5	Valley View SC ^{1,3,10}	\$618	\$220	NA	NA	NA	\$443	\$206	NA	NA	NA
5	West Shore Endoscopy ^{1,10}	\$1,828	\$1,511	\$1,587	\$1,128	20.66%	\$1,467	\$1,165	\$975	\$612	46.51%
6	Hazleton ASC ^{1,10}	\$1,637	\$1,080	NA	NA	NA	\$645	\$452	NA	NA	NA
6	HEALTHSOUTH Scranton SC ^{1,10}	\$3,431	\$3,338	\$3,422	\$3,196	2.44%	\$2,203	\$2,344	\$2,339	\$2,599	-5.08%
6	Kingston SC ^{1,10}	\$5,560	\$3,904	NR	NR	NR	\$2,352	\$1,906	NR	NR	NR
6	NEI AS ^{1,14}	\$3,955	\$3,469	\$3,578	\$3,328	6.28%	\$3,250	\$2,748	\$2,683	\$2,455	10.80%
6	Pocono ASC ^{1,10}	\$2,719	\$2,588	\$2,693	\$2,092	9.98%	\$2,182	\$2,092	\$1,812	\$1,634	11.17%
6	Riverview SC ^{1,2,10,14}	\$202	NA	NA	NA	NA	\$628	NA	NA	NA	NA
6	Wyoming Valley SC ¹¹	\$2,120	\$2,572	\$2,236	\$2,170	-0.76%	\$2,273	\$2,603	\$2,410	\$2,616	-4.36%
7	CHS ASC ^{1,10}	\$3,747	\$2,333	NA	NA	NA	\$3,602	\$2,634	NA	NA	NA
7	Exeter SC ^{1,10}	\$3,466	\$2,798	\$2,751	\$995	82.82%	\$3,525	\$3,212	\$3,272	\$1,119	71.68%
7	Fairgrounds SC ^{1,10}	\$7,235	\$6,090	\$5,918	\$5,430	11.08%	\$7,126	\$5,921	\$5,598	\$5,253	11.88%
7	Northwood SC ^{1,10,11}	\$2,972	NR	NR	NR	NR	\$3,197	NR	NR	NR	NR
7	Progressive Surgical Inst ^{1,3,10}	\$1,161	\$850	NA	NA	NA	\$681	\$523	NA	NA	NA
7	Twin Rivers Endoscopy ^{1,10}	\$371	\$279	NR	\$53	201.48%	\$344	\$278	NR	\$141	48.18%
7	Westfield SC ^{1,10}	\$1,984	NA	NA	NA	NA	\$1,958	NA	NA	NA	NA
8	Abington SC ¹⁰	\$8,219	\$7,919	\$7,672	\$7,572	2.85%	\$6,916	\$6,234	\$5,850	\$5,425	9.16%
8	ASC Bucks County ⁷	\$2,364	NA	NA	NA	NA	\$2,124	NA	NA	NA	NA
8	Delaware Valley Laser ^{1,10}	\$2,061	\$1,889	\$1,800	\$1,812	4.58%	\$1,195	\$1,184	\$1,066	\$1,084	3.39%
8	Dermatologic/Drexel Hill ^{1,10}	\$511	NR	NR	NR	NR	\$150	NR	NR	NR	NR
8	Endoscopic Associates ^{1,10}	\$821	NA	NA	NA	NA	\$778	NA	NA	NA	NA
8	Eye SC ^{1,10}	\$13,487	\$11,849	\$6,376	\$5,191	53.27%	\$10,288	\$10,445	\$6,491	\$5,629	27.59%
8	Eye SC Chester ^{1,10,14}	\$860	NA	NA	NA	NA	\$971	NA	NA	NA	NA
8	Fort Washington SC ^{1,10,11,13,14}	\$376	NR	NR	NR	NR	\$464	NR	NR	NR	NR
8	Hillmont Endoscopy ^{1,10}	\$1,444	\$1,292	\$1,031	NA	NA	\$914	\$827	\$779	NA	NA
8	Holy Redeemer ASC ^{3,10}	\$2,919	\$1,287	NA	NA	NA	\$3,371	\$2,411	NA	NA	NA
8	Main Line SC ^{1,3,10}	\$2,876	\$2,340	\$369	NA	NA	\$2,698	\$2,136	\$845	NA	NA
8	Mercy SC ^{1,3,10}	\$3,259	\$2,734	\$1,484	NA	NA	\$3,440	\$3,030	\$2,899	NA	NA
8	Paoli SC ^{1,10}	\$4,185	\$4,245	\$4,126	\$4,377	-1.46%	\$3,770	\$3,772	\$3,908	\$4,010	-2.00%
8	Sally Balin ASC ^{1,10}	\$461	\$196	NA	NA	NA	\$464	\$190	NA	NA	NA
8	SC Bucks County ¹⁰	\$3,132	\$2,814	\$2,202	\$1,479	37.25%	\$2,712	\$2,661	\$2,427	\$2,002	11.81%
8	SC Chester County ^{1,10,14}	\$1,741	\$1,728	\$1,580	\$1,461	6.40%	\$1,804	\$1,742	\$1,703	\$1,613	3.96%
8	Wills Eye SC Plymouth Mtg ¹⁰	\$3,114	\$2,978	\$2,250	\$1,431	39.20%	\$2,803	\$2,809	\$2,278	\$1,778	19.23%
9	CHOP ASC Exton ^{2,4,7}	\$2,431	NA	NA	NA	NA	\$2,032	NA	NA	NA	NA
9	Dermatologic/Philadelphia ^{1,10}	\$346	NR	NR	NR	NR	\$100	NR	NR	NR	NR
9	Gastrointestinal Spec ^{1,3,10}	\$912	\$984	\$625	NA	NA	\$927	\$967	\$624	NA	NA
9	Philadelphia SC ¹⁰	\$961	\$588	NA	NA	NA	\$1,163	\$589	NA	NA	NA
9	Wills Eye SC Northeast ^{10,11}	\$2,540	\$2,202	\$1,845	\$1,296	31.99%	\$2,369	\$2,002	\$1,592	\$1,363	24.58%
9	Wills Eye SC Philadelphia ^{3,10,11}	\$1,012	\$377	NA	NA	NA	\$1,785	\$974	NA	NA	NA

TABLE A-2 (continued)

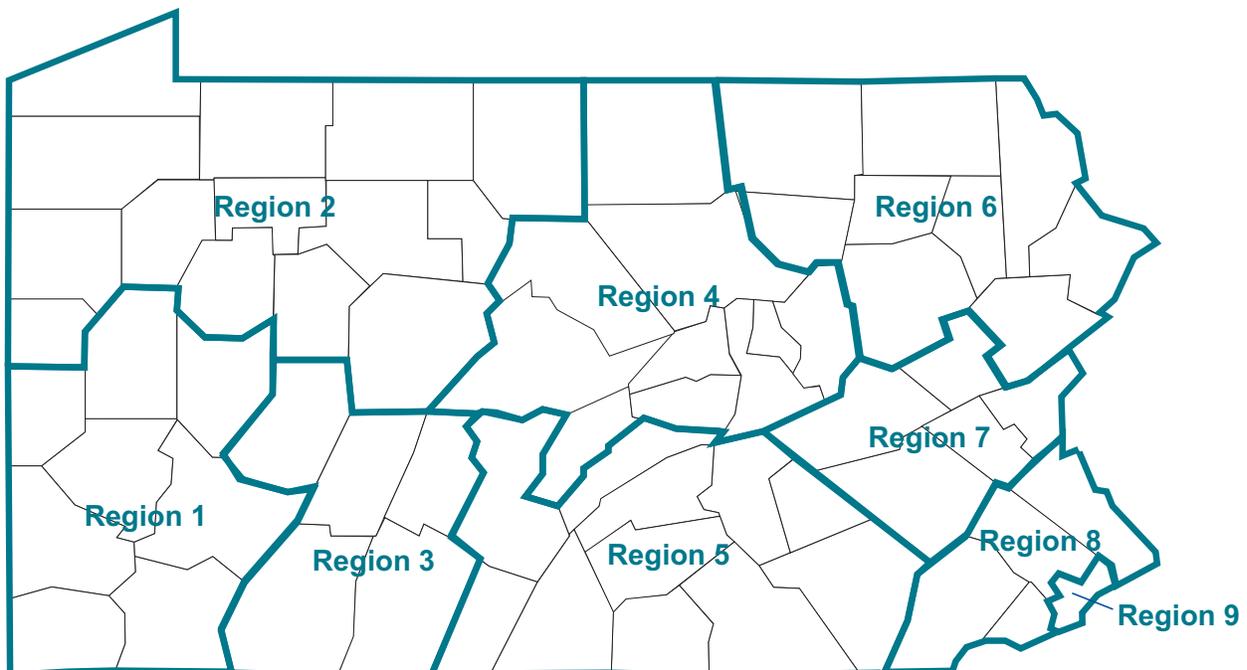
Ambulatory Surgery Center	Operating Margin FY01	Total Margin FY01	3-yr Average Total Margin FY99-FY01	Medicare Share of NPR FY01	Medical Assistance Share of NPR FY01	Visits
Statewide Average	12.30%	12.56%	12.09%	27.62%	2.33%	3,713
Susquehanna Valley SC ^{1,10}	-59.00%	-54.10%	NA	18.03%	0.12%	1,815
Valley View SC ^{1,3,10}	28.33%	28.67%	NA	87.00%	0.00%	874
West Shore Endoscopy ^{1,10}	37.78%	38.17%	39.17%	29.33%	0.53%	3,585
Hazleton ASC ^{1,10}	60.58%	60.58%	NA	70.28%	1.87%	2,355
HEALTHSOUTH Scranton SC ^{1,10}	36.61%	36.61%	33.42%	20.66%	5.37%	3,984
Kingston SC ^{1,10}	57.71%	57.71%	NR	56.83%	2.89%	10,388
NEI AS ^{1,14}	18.29%	18.29%	21.51%	68.02%	1.93%	5,187
Pocono ASC ^{1,10}	19.76%	19.95%	24.29%	24.89%	1.99%	3,583
Riverview SC ^{1,2,10,14}	-210.66%	-210.66%	NA	NR	NR	NR
Wyoming Valley SC ¹¹	-7.22%	-7.03%	-4.47%	47.18%	2.22%	2,031
CHS ASC ^{1,10}	3.87%	4.30%	NA	19.07%	0.10%	4,309
Exeter SC ^{1,10}	-0.72%	-0.72%	-9.93%	27.93%	2.06%	3,618
Fairgrounds SC ^{1,10}	1.51%	-0.38%	2.51%	20.63%	0.25%	7,698
Northwood SC ^{1,10,11}	-7.56%	-6.86%	NR	21.67%	0.83%	3,807
Progressive Surgical Inst ^{1,3,10}	41.32%	41.32%	NA	76.06%	3.51%	1,274
Twin Rivers Endoscopy ^{1,10}	7.28%	7.96%	NR	27.74%	0.00%	1,151
Westfield SC ^{1,10}	1.35%	1.35%	NA	17.75%	1.97%	3,058
Abington SC ¹⁰	16.41%	16.41%	20.72%	12.75%	0.92%	12,256
ASC Bucks County ⁷	10.14%	10.14%	NA	0.00%	5.00%	1,310
Delaware Valley Laser ^{1,10}	42.03%	42.03%	40.08%	45.96%	3.83%	2,263
Dermatologic/Drexel Hill ^{1,10}	70.63%	70.63%	NR	28.78%	2.19%	989
Endoscopic Associates ^{1,10}	5.18%	5.41%	NA	0.00%	0.00%	3,686
Eye SC ^{1,10}	23.72%	23.94%	10.75%	3.20%	0.00%	38,212
Eye SC Chester ^{1,10,14}	-12.87%	-12.82%	NA	NR	NR	1,047
Fort Washington SC ^{1,10,11,13,14}	-23.61%	-23.61%	NR	NR	NR	NR
Hillmont Endoscopy ^{1,10}	36.69%	36.69%	33.08%	22.27%	0.52%	4,093
Holy Redeemer ASC ^{3,10}	-15.48%	-15.40%	NA	24.33%	0.00%	2,960
Main Line SC ^{1,3,10}	6.20%	6.20%	-1.67%	71.11%	0.40%	3,207
Mercy SC ^{1,3,10}	-4.93%	-4.93%	-24.24%	20.58%	2.91%	4,945
Paoli SC ^{1,10}	10.39%	10.39%	9.26%	11.09%	2.37%	4,853
Sally Balin ASC ^{1,10}	-0.73%	-0.73%	NA	48.79%	0.00%	909
SC Bucks County ¹⁰	15.02%	15.02%	5.28%	62.47%	0.65%	2,808
SC Chester County ^{1,10,14}	-3.62%	-3.46%	-3.55%	NR	NR	2,202
Wills Eye SC Plymouth Mtg ¹⁰	10.98%	10.98%	6.10%	46.17%	1.45%	2,946
CHOP ASC Exton ^{2,4,7}	16.42%	16.42%	NA	0.00%	6.76%	1,250
Dermatologic/Philadelphia ^{1,10}	71.13%	71.13%	NR	28.87%	2.16%	698
Gastrointestinal Spec ^{1,3,10}	-1.64%	-1.64%	0.14%	18.36%	0.11%	2,602
Philadelphia SC ¹⁰	5.02%	5.02%	NA	17.76%	4.73%	3,872
Wills Eye SC Northeast ^{10,11}	8.25%	8.25%	10.50%	72.61%	1.37%	2,174
Wills Eye SC Philadelphia ^{3,10,11}	-75.99%	-75.99%	NA	39.45%	2.81%	1,415

Footnotes

1. The end of the fiscal year is other than June 30. The data reflects the fiscal year that ended prior to June 30.
2. FY01 includes less than 12 months of data; therefore, a three-year comparison is not appropriate for some of the measures.
3. FY00 or FY99 reflects less than twelve months of data; therefore, a three-year comparison is not appropriate for some of the measures.
4. This facility began operating during this reporting year. Typically, total operating expenses are high compared to operating revenue during the start-up period.
5. The hospital has specialty units such as psychiatric, rehabilitation, long-term care, skilled nursing facilities, home health agency, 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 FY01 reporting period.
9. Acquired or merged with another licensed hospital during the FY99 or FY00 reporting periods.
10. For-profit facility; total margin includes pro rata share of taxes, other gains and/or expenses experienced by the parent organization. However, most ambulatory surgery centers are Subchapter S corporations that do not have an income tax liability.
11. Facility operated under a different name after the FY01 reporting period.
12. Facility failed to submit both an audited financial statement and the Council's financial form.
13. Not in compliance with one or more of the Council's financial filing requirements.
14. Incomplete data submission.

NR – Information necessary to report or calculate this measure was not provided by facility.

NA – Not applicable.



Facilities with Fiscal Year End other than 6/30/01

Hospitals

	<u>Fiscal Year End</u>
Child Guidance CHOP	12/31/2000
Clarion Psych.....	12/31/2000
Fairmount Behavioral.....	12/31/2000
Geisinger HEALTHSOUTH	12/31/2000
HEALTHSOUTH Altoona	12/31/2000
HEALTHSOUTH Erie.....	12/31/2000
HEALTHSOUTH Harmarville.....	12/31/2000
HEALTHSOUTH Mechanicsburg	12/31/2000
HEALTHSOUTH Nittany	12/31/2000
HEALTHSOUTH Pittsburgh.....	12/31/2000
HEALTHSOUTH Reading.....	12/31/2000
HEALTHSOUTH Sewickley	12/31/2000
HEALTHSOUTH York.....	12/31/2000
Horsham Clinic	12/31/2000
Kindred/Philadelphia.....	12/31/2000
Kindred/Pittsburgh.....	12/31/2000
LifeCare Pittsburgh.....	12/31/2000
Meadows Psych Center	12/31/2000
Mercy Special Care.....	12/31/2000
National Kids Crisis.....	12/31/2000
Pittsburgh Specialty	12/31/2000
SCCI/Easton	12/31/2000
SCCI/Harrisburg	12/31/2000
Select Specialty/Erie.....	12/31/2000
Select Specialty/Greensburg	12/31/2000
Select Specialty/Johnstown	12/31/2000
Select Specialty/Pgh	12/31/2000
Select Specialty/Phila.....	12/31/2000
Southwood Psych	12/31/2000
Specialty Philadelphia	12/31/2000
Valley Forge	8/31/2000

Surgery Centers

	<u>Fiscal Year End</u>
Aestique ASC.....	12/31/2000
CHS ASC	12/31/2000
Delaware Valley Laser	12/31/2000
Dermatologic/Drexel Hill.....	7/31/2000
Dermatologic/Philadelphia	7/31/2000
Dermatology & Cosmetic SC	12/31/2000
Digestive Disease Inst	12/31/2000
Endoscopic Associates	12/31/2000
Endoscopy PA	12/31/2000
Exeter SC.....	12/31/2000
Eye SC	12/31/2000
Eye SC Chester	12/31/2000
Fairgrounds SC	12/31/2000
Fort Washington SC	12/31/2000
Gastrointestinal Spec.....	12/31/2000
Grandview SC	12/31/2000
Grandview Surgery & Laser	12/31/2000
Hazleton ASC	12/31/2000
HEALTHSOUTH Mt Pleasnt SC.....	12/31/2000
HEALTHSOUTH SC Lancaster.....	12/31/2000
HEALTHSOUTH Scranton SC	12/31/2000
Hillmont Endoscopy.....	12/31/2000
Indiana AS Associates	12/31/2000
John A Zitelli ASC	12/31/2000
Kingston SC	12/31/2000
Laurel Laser & SC	12/31/2000
Lebanon Outpatient SC	12/31/2000
Lowry SC	12/31/2000
Main Line SC.....	12/31/2000
Mercy SC.....	12/31/2000
Mifflin County Com SC	12/31/2000
NEI AS	12/31/2000
North Shore SC.....	12/31/2000
Northwood SC	12/31/2000
Ophthalmology SC	12/31/2000
PA Eye SC	12/31/2000
Paoli SC	12/31/2000
Pocono ASC	12/31/2000
Progressive Surgical Inst	12/31/2000
Riverview SC.....	12/31/2000
Saint Vincent SC	12/31/2000
Sally Balin ASC	12/31/2000
SC Chester County	12/31/2000
Shadyside SC	12/31/2000
Southwestern ASC	12/31/2000
Southwestern PA Eye SC	12/31/2000
Susquehanna Valley SC.....	12/31/2000
Three Rivers Endoscopy	12/31/2000
Tri County Surgical.....	9/30/2000
Twin Rivers Endoscopy	12/31/2000
Valley View SC	12/31/2000
Village SC	12/31/2000
West Shore Endoscopy	12/31/2000
Westfield SC.....	12/31/2000
Zitelli South ASC	12/31/2000

Explanation of Terms

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

Commercial Third-Party Payor: Commercial insurers encompass all indemnity and managed care health insurance plans, including Blue Cross and Blue Shield plans, and hospital healthsystem plans. Government-funded programs are not included even if a commercial insurer administers them.

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

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

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

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

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

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

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

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

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

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

Outpatient Visits: The number of visits to the individual outpatient units of the hospital or surgery center during the fiscal year. Outpatient visits do not reflect the visits made by hospital staff to the patient's home.

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

Psychiatric Hospital: An institution, other than a GAC hospital, engaged in providing acute short-term psychiatric services on an inpatient basis. Psychiatric hospitals may also offer long-term residential 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 Hospitals: An inpatient facility, other than a GAC hospital, which is operated for the primary purpose of assisting in the physical rehabilitation of persons through an integrated program of medical and other services. Treatment of drug and alcohol related conditions are not included here.

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

Three-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the hospitals NPR or TOE that occurred from the end of FY98 through FY01.

$$\left[\frac{(\text{NPR}_{01} - \text{NPR}_{98})}{\text{NPR}_{98}} / 3 \right] \text{ or } \left[\frac{(\text{TOE}_{01} - \text{TOE}_{98})}{\text{TOE}_{98}} / 3 \right]$$

Three-year Average Total Margin: The average total margin realized by the hospital during the FY99 through FY01.

$$\left(\frac{\sum \text{revenue over expenses}_{01, 00, 99}}{\sum \text{total revenue}_{01, 00, 99}} \right)$$

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

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

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

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

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

Uncompensated Care to NPR: The ratio of uncompensated care (charity care and bad debt) to net patient revenue. This measure puts the foregone revenue resulting from the care a hospital provides without compensation in perspective with net patient revenue. Charity care is the care a hospital provides without charges because the patient is unable to compensate the hospital either through third-party coverage or the patient's own resources. Bad debt expense represents the foregone revenue for care in which the hospital initially anticipated payment, extended credit to the patient, but was later determined to be uncollectable. Annual charity care amounts that are reported by hospitals as charges or costs have been adjusted to a revenue (NPR) basis.

$$\text{((foregone revenue of charity care + bad debt) / NPR)}$$

Non-Compliant Facilities

The following facilities were not in compliance with one or more of the Council's filing requirements (audited financial statements or the financial data form) at the filing deadline.

No Submission

Edgewater Psych
Southwestern PA Eye SC

Partial Submission

Fort Washington SC
North Shore SC

Late Submission

Children's Hosp Pgh North
Dermatology & Cosmetic SC
Endoscopic Associates
Eye SC
Friends
Gastrointestinal Spec
Hazleton ASC
John A Zitelli ASC
Kensington
Kingston SC
Kirkbride Center
Mercy SC
NEI AS
Northwood SC
Penn Surgery Inst
PA Eye SC
Philadelphia SC
Pittsburgh Specialty
Progressive Surgical Inst
Riverview SC
Southwestern ASC
Specialty Philadelphia
SC Bucks County
Susquehanna Valley SC
Three Rivers Endoscopy
Tri County Surgical
Twin Rivers Endoscopy
Wills Eye SC Plymouth Mtg
Wills Eye SC Northeast
Wills Eye SC Philadelphia
Zitelli South ASC



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For More Information

Additional financial and utilization data for Fiscal Year 2001 and prior years may be purchased from the Council.

For more information, contact the Special Requests Unit.

The information contained in this report, as well as other Council publications, are available on our Web site www.phc4.org.