

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

2003 Financial Analysis

VOLUME ONE • GENERAL ACUTE CARE HOSPITALS



Pennsylvania Health Care Cost Containment Council
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Foreword

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

In order to maintain a high quality, cost-effective health care delivery system, hospitals and freestanding surgery centers must be financially viable. Beginning with fiscal year 1989, PHC4 has produced a series of financial reports that measure the financial health of the Commonwealth's hospitals and surgery centers and the utilization of their services.

This is the second report in PHC4's *Financial Analysis 2003* series. This volume presents a profile of the financial health of Pennsylvania's 185 General Acute Care (GAC) hospitals. A *Preview* of statewide financial trends was released in February 2004. A subsequent volume will report on the non-GAC hospitals (rehabilitation, long-term acute, psychiatric and specialty) as well as ambulatory surgery centers.

This report focuses primarily on Fiscal Year 2003 (FY03). For most General Acute Care hospitals, FY03 began on July 1, 2002 and ended June 30, 2003. For those hospitals that utilize a different fiscal year, the data presented in this report reflect the fiscal year that ended prior to June 30, 2003.

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

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Hospital Income

What are General Acute Care Hospitals?

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

During the 2003 fiscal year (FY03), there were 185 GAC hospitals licensed in Pennsylvania. However, three hospitals closed and did not provide data to PHC4.

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

In FY03, seventeen of the GAC hospitals were operated by for-profit corporations. For-profit hospitals may distribute a portion of their profits to their shareholders in the form of dividends. None of the five for-profit corporations operating GAC hospitals in Pennsylvania paid dividends to their common shareholders during FY03. Consequently, their after-tax income was retained within the corporation.

One for-profit corporation, Health Management Associates, did begin to pay dividends during each of the four quarters following FY03 (October

2002 to September 2003. However, the dividend payments to shareholders was equal to about 7% of the company's after-tax profits so about 93% of the company's profits were retained within the company. (Additional information on Pennsylvania's for-profit GAC hospitals is presented in the "For-Profit Hospitals" section on page 6.)

Why is Income Important?

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

Earning a positive total margin alone may not be enough to remain viable. Hospitals need to earn sufficient income to make improvements to their facilities and equipment. These investments are necessary to replace worn out or obsolete buildings and equipment, keep pace with changes in medical technology, and meet the changing health care needs of the community.

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

It is very important to closely monitor hospital income levels because relatively small changes in revenues or expenses can make a large difference in the financial health of a hospital. For example, a hospital realizing an above-average 4% operating

margin one year can have an operating deficit the following year if revenues fall by 2% and expenses rise at the rate of inflation (e.g., 2% to 3%).

What is an “Appropriate” Income Level?

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

For example, a hospital that has experienced low or negative income levels for a number of years may need to realize an above average income level if it is to make overdue capital improvements, reduce outstanding debts, and replenish its capital reserves. Alternatively, a hospital with a history of continuous moderate income levels can probably remain viable with a lower income level if it has kept pace with needed improvements and has not depleted its capital reserves or acquired debt in order to meet expenses in the past.

Operating Margin vs. Total Margin

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

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

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

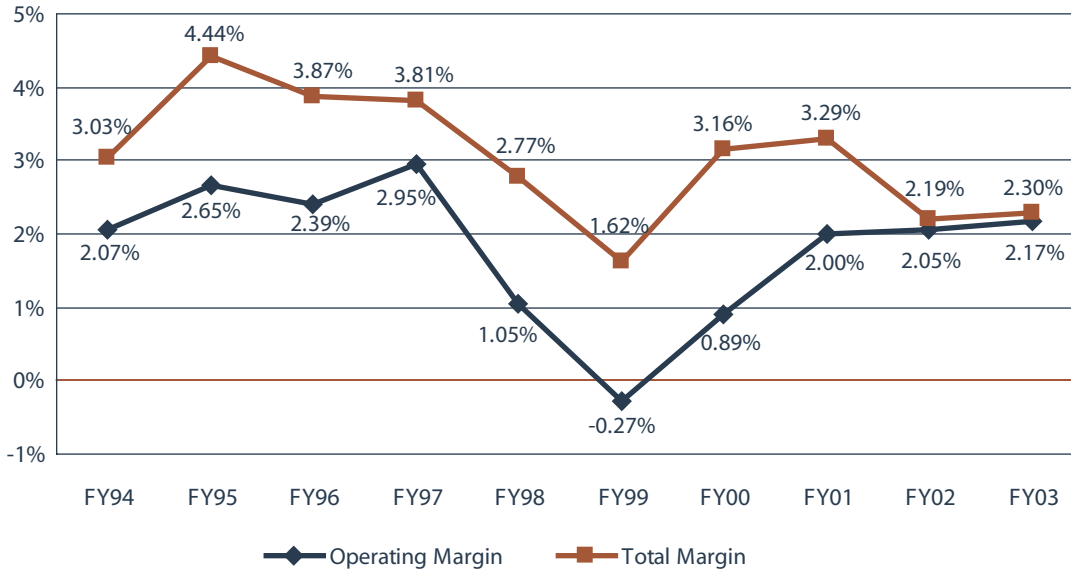
Total margin reveals the composite financial health of a facility during the year. If total margin is negative, the hospital is losing money after all sources of revenue and income have been considered.

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

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

For this report, the operating margins for the for-profit facilities reflect the total (pre-tax) net income for the facility, which accounts for all sources of revenue and all expenses, except federal income taxes. The total margin is computed from the hospital’s after-tax income. Consequently, if a for-profit facility is realizing positive income, its total margin will usually be less than its operating margin because of its federal tax liability.

FIGURE 1
Statewide Average Operating and Total Margins



If a for-profit facility is losing money, its total margin may be greater than its operating margin because it may record a tax credit. The tax credit reflects the amount its parent organization's net taxes have decreased because the facility lost money.

Little Change in the Statewide Average Operating Margin

For the second consecutive year, there was only a very small increase in the statewide average operating margin. Over the two-year period between FY01 and FY03, the average operating margin grew only 0.17 points to 2.17%.

Operating income remained relatively constant because, on a statewide basis, hospitals were able to keep the growth in operating expenses in line with the growth in operating revenue. GAC hospitals collectively received about \$23.3 billion in operating revenue during FY03, a growth of 9.2%, or \$2.0 billion over FY02. Statewide operating expenses grew 9.0%, or \$1.9 billion, to a total of \$22.8 billion.

Net patient revenue (NPR), the revenue hospitals receive for patient care, grew at about the same rate as overall hospital revenue. NPR increased 9.2% or \$1.9 billion, to a statewide total of \$22.1 billion. NPR represented 95% of total operating revenue during FY03.

While there was a slight improvement in the statewide average operating margin, more than half of the hospitals saw their individual operating margins decline for the second straight year. About 54% of the hospitals experienced lower operating margins during FY03 than they did during FY02. Similarly, 55% of the hospitals posted lower operating margins during FY02 than they did in the prior year (FY01).

Non-Operating Income Remains Low

During FY02 the GAC hospitals experienced an 88% decline in non-operating income to \$32.2 million compared to the \$264.8 million reported in FY01. This decline in statewide non-operating income was driven largely by losses in the value of the securities held by hospitals and declines in the

income hospitals received from their investments. This decline in non-operating income brought the statewide average total margin down more than a full point from 3.29% in FY01 to 2.19% in FY02.

The declines in the value of investments and investment income continued during FY03 keeping non-operating income at \$32.0 million for the year. This relatively flat non-operating income coupled with the small increase in operating income resulted in a very small increase in the statewide total margin from 2.19% in FY02 to 2.30% in FY03.

The dynamics of the changes in operating and non-operating income over the past seven years is illustrated in Figure 2. During FY99, the GAC hospitals as an industry had an operating loss. Consequently, all of the net statewide income was supplied by non-operating sources. In contrast, during FY02 and FY03, the relatively low non-op-

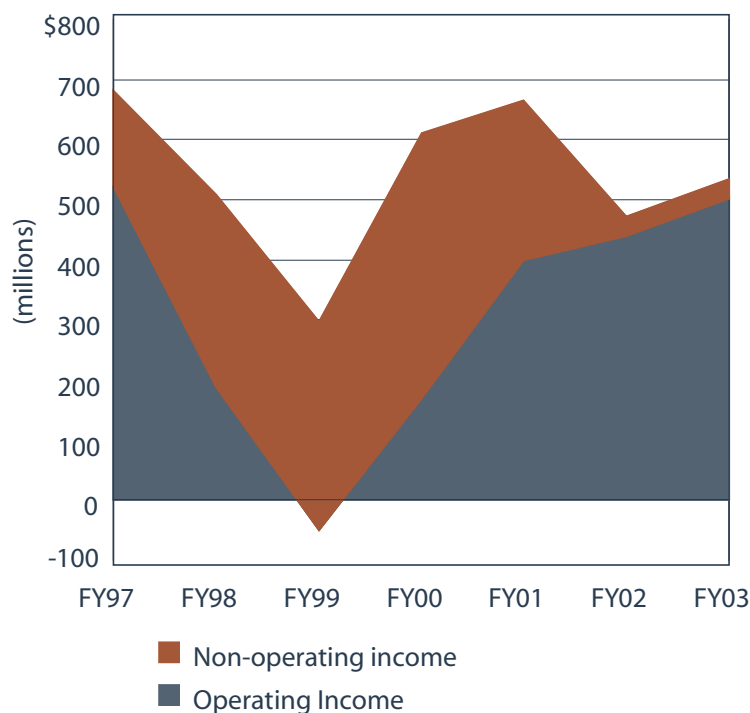
erating gains provided only a small contribution to statewide total income.

More Hospitals Lost Money

The continuation of low non-operating gains had an effect on a number of hospitals that rely on non-operating income to cover operating expenses. The percentage of hospitals that lost money grew to 48% during FY03 compared to 42% in FY02 and 34% during FY01. Eighty-seven (87) of the 182 reporting GAC hospitals reported negative total margins for FY03.

Consistent with more hospitals posting losses for FY03, there was a clear downward trend in the 3-year average total margins. The percent of hospitals that sustained average losses over the past three years grew from 35% in FY02 to 38% in FY03. As indicated on Figure 3, there was also a decline in the percent of hospitals with 3-year av-

FIGURE 2
Statewide Operating and Non-Operating Income



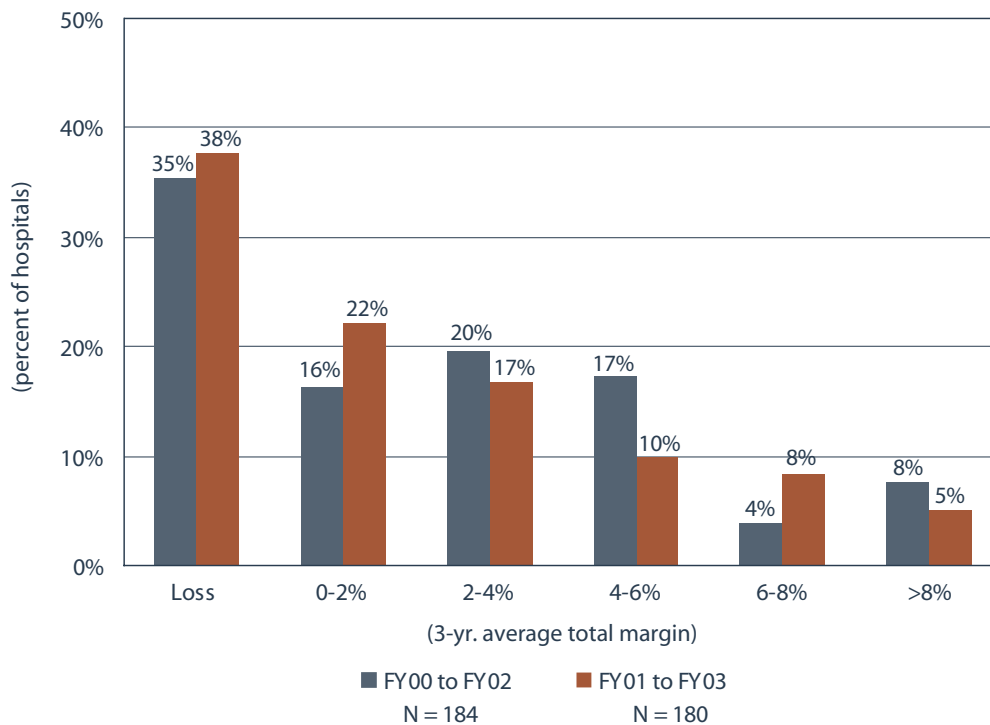
average total margins in the 2% to 6% range and an increase in the number of hospitals with relatively low total margins in the 0-2% range. The percent of hospitals with 3-year average total margins above 6% remained nearly the same.

With 60% of the GAC hospitals reporting 3-year average total margins below 2%, well over half of the hospitals in the Commonwealth may continue to find it difficult to replace worn-out or obsolete equipment and to finance improvements to their facilities and equipment.

TABLE 1
Statewide Distribution of Three-Year Average Total Margins

3-yr Average Total Margin	Reporting Hospitals FY00 to FY02		Reporting Hospitals FY01 to FY03	
	Number	Percent	Number	Percent
Loss	65	35%	68	38%
0-2%	30	16%	40	22%
2-4%	36	20%	30	17%
4-6%	32	17%	18	10%
6-8%	7	4%	15	8%
>8%	14	8%	9	5%
Total	184	100%	180	100%

FIGURE 3
Statewide Distribution of Three-Year Average Total Margins



For-Profit Hospitals

For-profit facilities are common among Pennsylvania's freestanding psychiatric, rehabilitation, and long-term acute care hospitals. However, prior to 1998, all of the GAC hospitals in the Commonwealth were operated by non-profit organizations. Seventeen of the 19 facilities listed on Table 2 operated as for-profit hospitals during FY03. Two facilities, Pottstown and Roxborough, will be reported as for-profit beginning with FY04. Tenet Healthcare closed Parkview Hospital and sold Elkins Park to Albert Einstein Healthcare Network.

A Means for Recovery

Seventeen of the 19 hospitals included in Table 2 had a negative 3-year average total margin, and sustained very large losses during the fiscal year before they were acquired, and/or were in danger of not satisfying debt obligations prior to their acquisition. Consequently, these hospitals were under considerable financial stress, and for most of them, their financial health had been deteriorating.

Sixteen of the 19 have been in operation for a full fiscal year following their acquisition by a for-profit corporation and 11 of the 16 have shown an improvement in their total margin. In addition to the short-term financial needs of the hospitals with negative total margins, none of the hospitals acquired by for-profit corporations had the internal funds or the ability to obtain the level of debt financing necessary to make significant capital improvements. Unless a hospital can replace obsolete equipment and buildings, keep pace with changes in medical technology and meet the changing health care needs of the community, its prospects for a viable financial future are not bright.

Sometimes not even the large resources of a for-profit corporation can turn around a financially troubled hospital. In November 1998,

Tenet Healthcare acquired eight hospitals out of bankruptcy from the former Allegheny Health and Research Foundation (AHERF). Since then, Tenet has closed two facilities, sold one to a non-profit healthcare system and has announced plans to close or sell a fourth facility. Three of the four remaining facilities had positive margins. The fourth, Warminster Hospital, would have posted a near break-even total margin except for an extraordinary asset impairment (depreciation) adjustment for FY03. Tenet acquired another financially-troubled facility, Roxborough Memorial, during FY03.

Taxes

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

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

Of all the taxes incurred by for-profit hospitals, PHC4 only receives separate data on each hospital's *pro rata* share of their parent corporation's federal income taxes. Eleven of the 17 for-profit hospitals had positive operating margins during FY03 and reported federal income tax expenses totaling \$54.0 million. For these hospitals, federal taxes were equal to about 4.3% of total operating revenue.

The six for-profit facilities that had negative operating margins during FY03 realized tax credits of \$45.9 million because their losses reduced the overall tax liability of the parent corporations, which made a profit and paid federal income taxes. The net effect of eleven hospitals that made a profit and the six that operated a loss was a net statewide federal tax expense of about \$8.0 million or 0.5% (one-half of one percent) of operating revenue for the 17 for-profit hospitals.

TABLE 2
Pennsylvania's For-Profit GAC Hospitals

Hospital	New Corporate Owner	Date Became For-Profit	Full Fiscal Year before Acquisition (Non-Profit)			Current Full Fiscal Year after Acquisition (For-Profit)	
			Fiscal Year	Total Margin	3-Yr Avg Total Margin	Fiscal Year	Total Margin
Ashland Regional	Province Healthcare	8/01	FY01	-5.94%	-1.84%	FY03	-18.25%
Berwick	Community Health Systems	3/99	FY98	3.67%	5.21%	FY03	8.07%
Brandywine	Community Health Systems	6/01	FY00	-2.39%	-3.72%	FY03	0.27%
Carlisle Regional	Health Management Associates	6/01	FY01	10.30%	4.53%	FY03	9.36%
Central Montgomery	Universal Health Services	12/01	FY01	-3.80%	-3.62%	FY03	0.19%
Community Lancaster	Health Management Associates	7/99	FY99	-17.69%	-6.19%	FY03	3.47%
Easton	Community Health Systems	10/01	FY01	-1.64%	-1.20%	FY03	2.04%
Elkins Park	Tenet Healthcare	11/98	FY98	-26.44%	-10.72%	FY03	-51.98% ³
Graduate	Tenet Healthcare	11/98	FY98	-8.63%	-7.51%	FY03	2.23%
Hahnemann University	Tenet Healthcare	11/98	FY98	-11.86%	-4.62%	FY03	8.60%
Jennersville Regional	Community Health Systems	10/01	FY01	-12.61%	-12.51%	FY03	3.00%
Lancaster Regional	Health Management Associates	7/00	FY00	24.32% ¹	-9.50%	FY03	10.85%
Lock Haven	Community Health Systems	8/02	FY02	-12.86%	-5.52%	FY04	NA
Medical College of PA	Tenet Healthcare	11/98	FY98	-21.19%	-5.23%	FY03	-21.20% ³
Parkview	Tenet Healthcare	11/98	FY98	-27.46% ²	-19.39% ²	FY03	-16.08% ³
Pottstown ⁴	Community Health Systems	07/03	FY03	-8.16%	-1.53%	FY04	NA
Roxborough ⁴	Tenet Healthcare	12/02	FY02	-12.66%	-6.64%	FY04	NA
St. Christopher's Children	Tenet Healthcare	11/98	FY98	-17.02%	-0.83%	FY03	9.88%
Warminster	Tenet Healthcare	11/98	FY98	-26.59%	-6.11%	FY03	-3.28% ⁵

- 1 The large positive FY00 total margin for Lancaster Regional is the result of a \$20.3 million non-operating gain associated with the acquisition of the hospital by Health Management Associates.
- 2 The Allegheny Health Education and Research Foundation (AHERF) reported Parkview and City Avenue Hospitals as a single facility. The data presented for FY98 reflects the combined operation of Parkview and City Avenue. City Avenue closed 4/00.
- 3 The large negative total margins were due to mergers and asset impairment adjustments resulting from the planned closing or sale of these facilities.
- 4 Pottstown and Roxborough hospitals operated as non-profit facilities during FY03. They will be reported as for-profit hospitals for FY04.
- 5 Warminster Hospital would realize a small positive total margin for FY03 if an asset impairment adjustment is excluded.

Utilization and Revenue by Payor

Hospitals received 91.5% of their net patient revenue (NPR) from third-party health care insurers in FY03. These third-party health insurers include the federal Medicare program, the state and federally-funded Medical Assistance (MA) program, and commercial managed care and indemnity companies. The remaining 8.5% came from patients and other insurers such as auto insurance and workers compensation.

Managed Care Reimbursement Rates Grow Much Faster than Indemnity Reimbursements

In all three of the principal payor categories, Commercial, Medicare and MA, the average revenue per day and discharge paid by managed care plans grew much faster than the average reimbursement rates for the indemnity programs during FY03. In all three payor categories, the increase in managed care reimbursements per discharge was approximately three times greater than the increase in indemnity payments per discharge.

Growth in Medicare Revenue Lags Behind Other Payors

Medicare was the largest payor, providing \$9.2 billion or 41.6% of statewide GAC NPR (see Figure 4 and Table 3). The total NPR hospitals received from Medicare grew 4.3% during FY03. This 4.3% increase was 4.9-points below the overall 9.2% increase in NPR from all payors and was less than a third of the increase in NPR reported for the Commercial and MA categories.

Medicare revenues lagged behind the other two payor categories because hospitals realized smaller increases in average inpatient reimbursement rates from Medicare and the utilization of

FIGURE 4
Statewide Net Patient Revenue by Payor, FY03

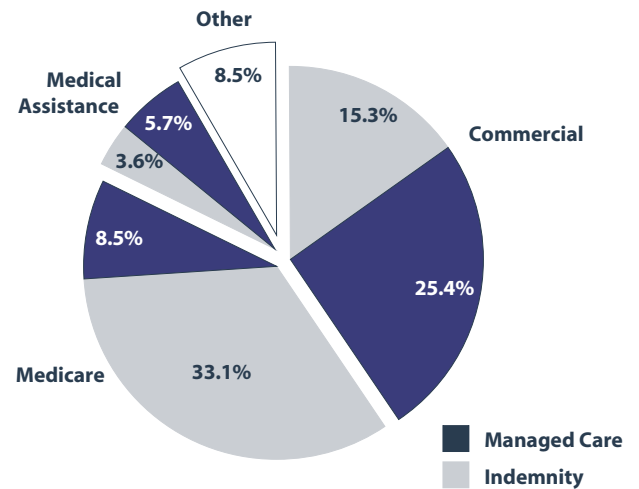


TABLE 3
Net Patient Revenue by Payor (millions)

	FY02	FY03	Percent Change FY02 to FY03
Commercial			
Indemnity	\$3,178	\$3,374	6.2%
Managed Care	\$4,675	\$5,609	20.0%
Total	\$7,853	\$8,983	14.4%
Medicare			
Indemnity	\$7,113	\$7,320	2.9%
Managed Care	\$1,716	\$1,884	9.8%
Total	\$8,829	\$9,204	4.3%
Medical Assistance			
Indemnity	\$809	\$789	-2.5%
Managed Care	\$996	\$1,255	26.0%
Total	\$1,805	\$2,044	13.2%
Other	\$1,757	\$1,869	6.4%
STATEWIDE	\$20,244	\$22,099	9.2%

TABLE 4
Discharges by Payor

	Discharges			Inpatient Revenue per Discharge		
	FY02	FY03	Percent Change FY02 to FY03	FY02	FY03	Percent Change FY02 to FY03
Commercial						
Indemnity	205,206	203,465	-0.8%	\$8,063	\$8,465	4.99%
Managed Care	377,182	386,347	2.4%	\$6,650	\$7,603	14.34%
Total	582,387	589,812	1.3%	\$7,148	\$7,901	10.53%
Medicare						
Indemnity	666,665	668,053	0.2%	\$8,438	\$8,620	2.15%
Managed Care	174,139	176,550	1.4%	\$7,355	\$7,889	7.26%
Total	840,804	844,603	0.5%	\$8,214	\$8,467	3.08%
Medical Assistance						
Indemnity	103,675	97,487	-6.0%	\$6,439	\$6,760	5.00%
Managed Care	127,573	142,932	12.0%	\$5,357	\$6,216	16.05%
Total	231,247	240,419	4.0%	\$5,842	\$6,437	10.19%
Other	98,685	101,449	2.8%	\$7,679	\$7,758	1.04%
STATEWIDE	1,753,124	1,776,284	1.3%	\$7,517	\$7,964	5.95%

inpatient services did not grow like the other two payor categories during FY03. The average revenue per discharge for Commercial and MA patients grew over three times faster during FY03 than the average revenue per discharge for Medicare patients. Similarly, the average Medicare payment per day grew at less than one-half the rate of Commercial and MA reimbursements.

Hospitals reported an 0.8% increase in patient days for patients covered by commercial insurance and 5.4% increase in the patient days for MA recipients. In contrast, the patient days for Medicare participants actually fell slightly (-0.6%) during FY03. Likewise, the one-half percent (0.5%) increase in Medicare discharges was smaller than

the 1.3% increase in Commercial discharges and 4.0% growth in Medical Assistance discharges.

Reimbursements from Commercial Insurers Increase

Hospitals reported a 10.5% growth in patient revenue per discharge and an 11.1% increase in average patient revenue per day from commercial health insurance companies during FY03. These higher reimbursement rates together with increases in the number of commercial patient days and discharges caused commercial inpatient revenue to increase by 14.4%.

Utilization and Revenue by Payor

TABLE 5
Patient Days by Payor

	Patient Days			Inpatient Revenue per Day		
	FY02	FY03	Percent Change FY02 to FY03	FY02	FY03	Percent Change FY02 to FY03
Commercial						
Indemnity	850,412	825,783	-2.9%	\$1,946	\$2,086	7.21%
Managed Care	1,530,009	1,573,578	2.8%	\$1,639	\$1,867	13.87%
Total	2,380,420	2,399,361	0.8%	\$1,749	\$1,942	11.06%
Medicare						
Indemnity	4,248,037	4,203,833	-1.0%	\$1,324	\$1,370	3.44%
Managed Care	1,011,372	1,024,586	1.3%	\$1,266	\$1,359	7.34%
Total	5,259,409	5,228,419	-0.6%	\$1,313	\$1,368	4.16%
Medical Assistance						
Indemnity	777,349	738,451	-5.0%	\$859	\$892	3.93%
Managed Care	601,283	714,275	18.8%	\$1,137	\$1,244	9.45%
Total	1,378,632	1,452,726	5.4%	\$980	\$1,065	8.72%
Other	467,930	499,769	6.8%	\$1,619	\$1,575	-2.75%
STATEWIDE	9,486,391	9,580,275	1.0%	\$1,389	\$1,477	6.30%

Medical Assistance Managed Care Plans Drive Reimbursement Rates Higher

Hospitals reported a 13.2% growth in the total MA revenue received during FY03. This growth resulted from the combination of a 4.0% increase in the number of discharges, a 5.4% increase in patient days, as well as an increase in the reimbursement rates reported by hospitals. These increases in average reimbursements per day and discharge were primarily driven by higher rates paid by the private managed care organizations (MCOs) that administer the Medical Assistance “capitation” program. Under this program, MCOs receive a flat fee per person to provide the medical care for enrollees.

Consistent with the ongoing transition of MA participants from the fee-for-service program to managed care plans, all of the net growth in MA utilization occurred in the managed care plans. MA fee-for-service discharges and patient days declined by 6.0% and 5.0%, respectively during FY03.

It is difficult to make comparisons between the average reimbursement rates per day and per discharge for MA indemnity and managed care components because the overall mix of care provided by each component is different. For example, long-term skilled nursing care is reimbursed through the MA indemnity category. This long-term care tends to have much longer lengths of stay, lower reimbursements per day, but higher

reimbursements per discharge. Also, MA recipients that need extraordinary levels of acute care are typically reimbursed through the indemnity program.

Are Some Payors Contributing More to Hospital Income than Others?

Comparing the case mix index for the three principal payor types with the average inpatient revenue per discharge may provide insight into how revenue from each payor type covers the costs of inpatient care. The comparisons presented on Table 7 indicate that the resources required to treat patients covered by commercial insurers and the MA program are consistent with or exceed the average revenue hospitals receive from those payors. In contrast, the average revenue received for Medicare patients in Pennsylvania may not be covering hospital costs.

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

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

In summary, a case mix index is typically used to compare the charges for a particular group of patients or a particular category of care with the average charges for all patients at a hospital. Individual hospital charge and utilization data can be aggregated to create a statewide case mix index. For example, the statewide average case mix index

of 0.91 for commercial payors indicates that the average charge for a patient covered by commercial health insurance is about 9% less than the average for all patients at Pennsylvania's GAC hospitals.

If the costs to provide care compared to the charges established by the hospital (cost-to-charge ratio) were the same for all categories of care, then the case mix index would be identical to an index derived from actual costs. However, the cost-to-charge ratio varies among the different categories of care provided at hospitals. For example, the cost-to-charge ratio may differ between routine maternity care and coronary artery bypass graft surgery. Consequently, the case mix index is not a perfect substitute for an index of actual costs. However, when a case mix index is developed us-

TABLE 6
Average Length of Stay by Payor

	FY02	FY03	Percent Change FY02 to FY03
Commercial			
Indemnity	4.14	4.06	-2.1%
Managed Care	4.06	4.07	0.4%
Total	4.09	4.07	-0.5%
Medicare			
Indemnity	6.37	6.29	-1.2%
Managed Care	5.81	5.80	-0.1%
Total	6.26	6.19	-1.0%
Medical Assistance			
Indemnity	7.50	7.57	1.0%
Managed Care	4.71	5.00	6.0%
Total	5.96	6.04	1.4%
Other	4.74	4.93	3.9%
STATEWIDE	5.41	5.39	-0.3%

Utilization and Revenue by Payor

TABLE 7
Inpatient Revenue Index and Case Mix Index by Payor, FY03

Payor	Average Inpatient Revenue per Discharge	Inpatient Revenue Index	Case Mix Index
Commercial	\$7,901	0.99	0.91
Medicare	\$8,467	1.06	1.16
Medical Assistance	\$6,437	0.81	0.77
Total Payors	\$7,964	1.00	1.00

ing a cross-section of treatment categories, it can provide a reasonably good reflection of differences in overall costs among various patient groups.

Table 7 presents the average inpatient revenue (NPR) per discharge for the three principal payor categories and an index that compares the average revenue per discharge for each payor category to the statewide average for all payors (inpatient revenue index). For example, the inpatient revenue

index of 1.06 for Medicare indicates that the average revenue hospitals receive for a Medicare discharge is about 6% greater than the average for all patients.

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

Comparing the inpatient revenue index of 1.06 to the case mix index of 1.16 for Medicare patients in Pennsylvania suggests that the revenue hospitals receive for Medicare patients may not be adequate to cover the costs of inpatient care. Alternatively, the inpatient revenue index is 8 points greater than the case mix index for commercial patients and 4 points higher for MA patients. These positive differences suggest that the overall average inpatient reimbursements by commercial payors and Pennsylvania’s MA Program are in line with the cost of care.

FIGURE 5
Statewide Inpatient Discharges

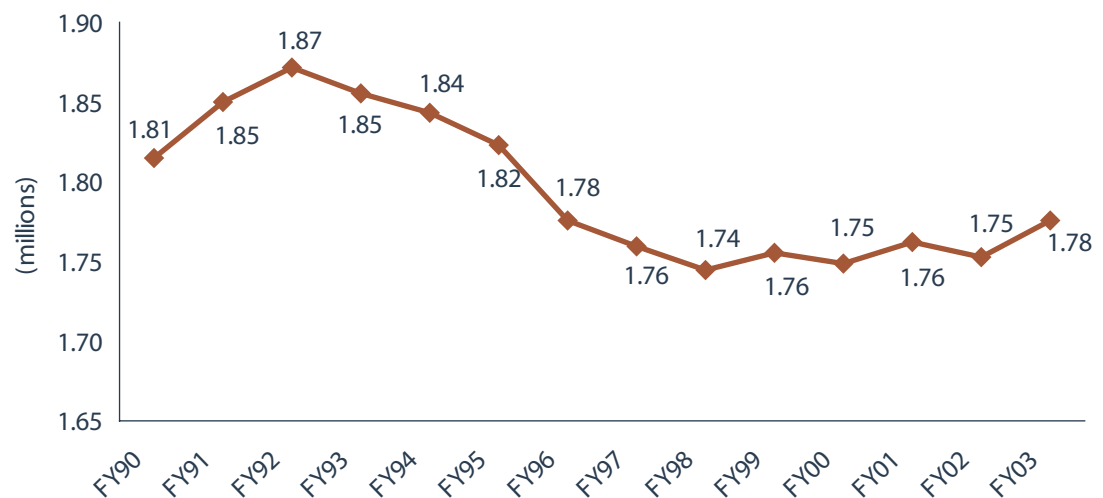
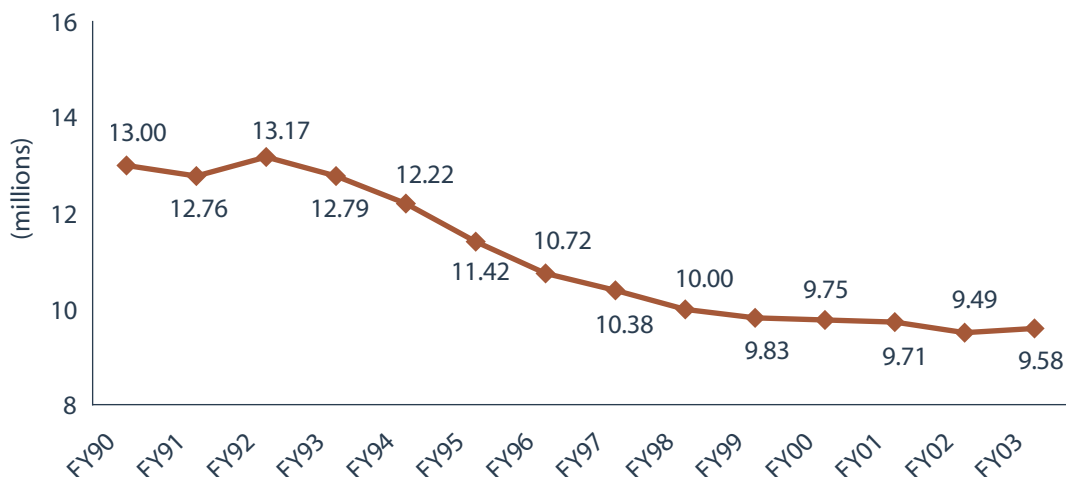


FIGURE 6
Statewide Inpatient Days



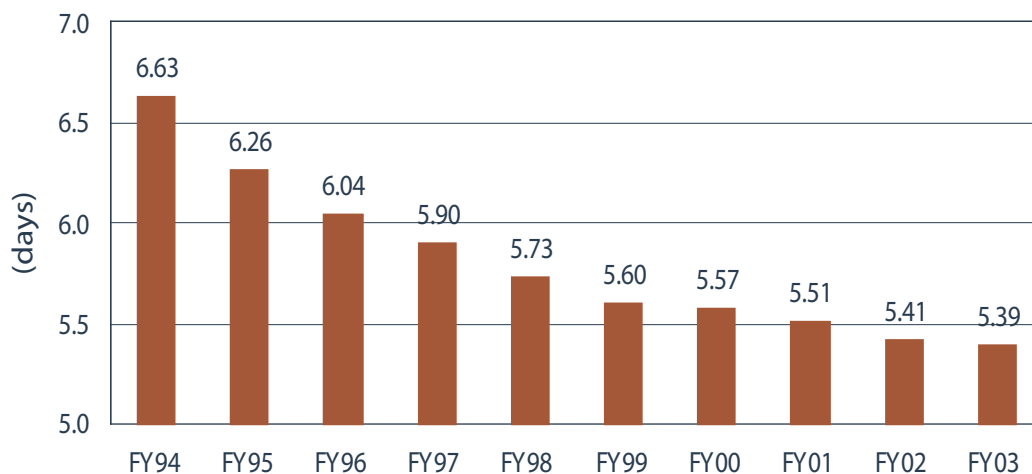
Overall Dynamics of Utilization

Figure 5 and 6 show a slight upturn in the level of inpatient care as the total number of statewide inpatient days and discharges grew during FY03. The small 1.0% increase in patient days ends a decade long decline since FY93. Statewide discharges grew 1.3% during FY03 to 1.78 million

discharges after oscillating in the 1.74 to 1.76 million discharge range since FY97.

The average length of an inpatient stay (ALOS) has declined every year since at least FY94 with the rate of decline waning in recent years. Figure 7 reveals that this trend continued in FY03 as the ALOS fell by another 0.02 of a day.

FIGURE 7
Statewide Average Length of Stay



Preliminary analysis of outpatient data indicates that the outpatient visits at GAC hospitals may have fallen slightly from 33.1 million visits in FY02 to 32.9 visits in FY03.

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

The reimbursement hospitals receive from most insurers and managed care organizations are derived through a contract negotiation process between the hospital and the third-party payor.

Figure 8 shows that, on average, hospitals received 19.1% of their total annual NPR from their largest single commercial payor. For this analysis, the revenue from the commercial payors includes all health insurance plans offered by that insurer, including Medicare and MA managed care plans.

A hospital may have leverage in negotiating reimbursement rates by exercising its option not to enter contractual arrangements with a specific payor. However, considering that the average

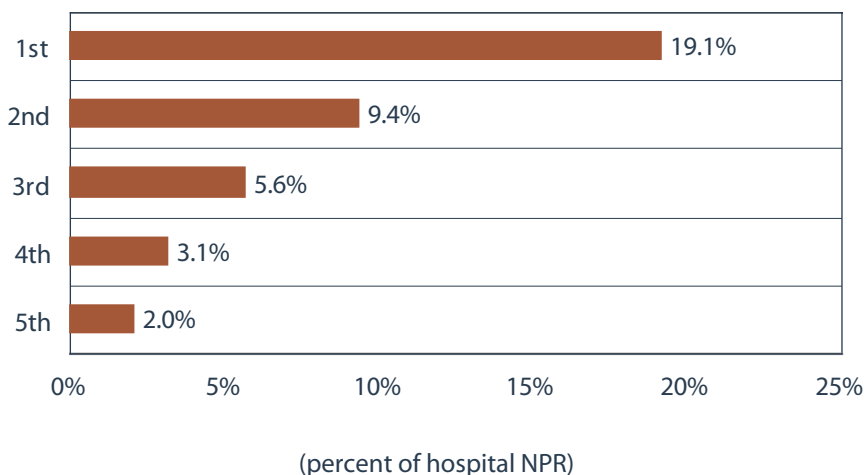
operating margin during FY03 was a little over 2.0%, hospitals with small positive operating margins might face operating losses, at least in the short-run, if even a contract with the fifth-highest commercial payor was rejected.

Figure 8 also reveals that small changes in reimbursement rates from third-party payors can have a significant impact on hospital income. For example, if payment rates from the largest third-party payor do not keep pace with increasing hospital costs, hospitals with a small positive margin one year could suddenly have a negative margin the following year.

The Average Days in Accounts Receivable Continues to Fall

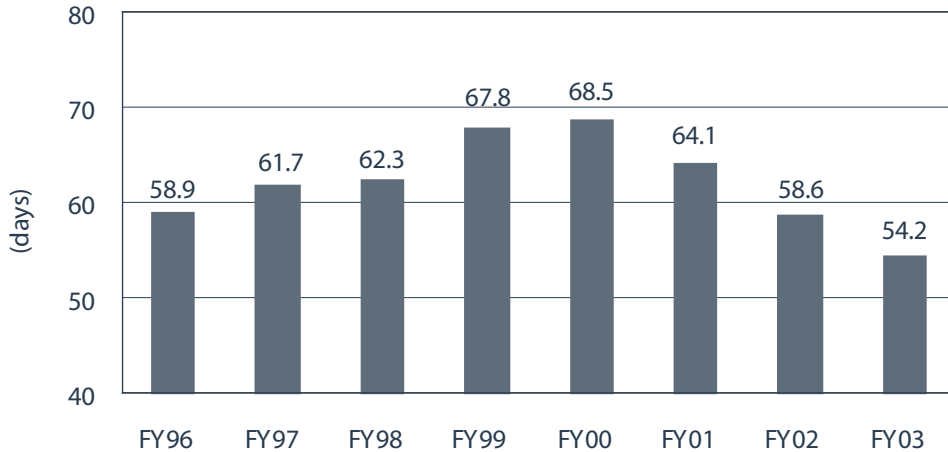
During the period between when hospital services to a patient are concluded and when a hospital records the payment for those services, the payment the hospital expects is booked as accounts receivable (AR). AR can be affected by a number of factors including: the efficiency of hospital bill-

FIGURE 8
Statewide Average Contribution to Net Patient Revenue by the Top Five Commercial Payors, FY03*



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

FIGURE 9
Statewide Average Days in Accounts Receivable



ing and claims systems, the time it takes third-party payors and individuals to pay bills, communications between hospitals and payors, and the time it takes hospitals to remove uncollectible accounts from accounts receivable.

On a statewide basis, the amount of time the average bill remained in AR declined by 4.4 days during FY03. Figure 9 shows that statewide average days in patient accounts receivable declined for the third straight year for a total of 14.3 days since the peak in FY00.

Over the past three years, a number of hospitals reported implementing a variety of measures to reduce the level of their patient AR as a means to improve financial performance. For example, many hospitals have reduced AR by implementing

measures that reduce the likelihood that claims will be rejected by an insurer.

In addition to hospital programs reducing AR, the decline in statewide days in AR is also the result of the implementation of Act 68 of 1998. Act 68, *inter alia*, requires licensed health insurers and managed care organizations to pay clean claims within 45 days of the receipt of the claim. These provisions of Act 68 are implemented and enforced by the Pennsylvania Insurance Department.

Assuming that the opportunity costs of financing AR are 5%, the benefit of the 4.4-day reduction in statewide AR was equal to about \$13.3 million, or 2.6% of FY03 statewide operating income.

Uncompensated Care

Tobacco Settlement Act Requires a New Methodology for Calculating Uncompensated Care Levels

In order to meet its responsibilities under Act 77 of 2001 (Tobacco Settlement Act), PHC4 has modified the manner in which uncompensated care data is captured and reported. To implement the recommendations of the Advisory Committee established by Act 77, PHC4 required hospitals to report bad debt at full charges for FY03.

Prior to FY03, PHC4 utilized the bad debt amount posted in each hospital's audited financial statements. For some hospitals, the bad debt reported in the financial statement is a combination of charges and foregone revenue. Prevailing accounting standards give hospitals discretion in reporting bad debt. Historically, charity care has been submitted to PHC4 on a charge-basis. Now that bad debt and charity care are both being reported as charges, uncompensated care is reported on a uniform basis by all hospitals. Therefore, PHC4 can now present uncompensated care revenue by utilizing each hospital's revenue-to-charge ratio. This ratio is based on the average overall reimbursement hospitals received from all payors including commercial health insurers, Medicare, Medical Assistance and patients.

Using New Methodology, Uncompensated Care Levels Fell During FY03

On a statewide basis, GAC hospitals provided \$9.6 million more of uncompensated care during FY03. However, statewide net patient revenue (NPR) grew at a greater rate than uncompensated care. Therefore, the portion of total hospital care that went unreimbursed fell from 2.21% in FY02 to 2.07% in FY03.

Sixty-three percent of uncompensated care was categorized as bad debt during FY03. This indicates that Pennsylvania hospitals as a group attempted to collect for 63% of the care that was ultimately determined to be uncompensated care. Alternatively, about 37% of unreimbursed care was provided to patients that met the individual hospital charity care guidelines.

Why the Uncompensated Care Levels and Rates are Lower with the New Methodology

Prior to FY03, PHC4 was unable to determine the portion of each hospital's bad debt that was posted as either charges or revenue. By comparing bad debt reported at full charges to the bad debt reported in financial statements, PHC4 can now determine that the bad debt posted by hospitals was equal to about 98% of bad debt reported

TABLE 8

Statewide Comparison of New and Previous Methods of Calculating Uncompensated Care

	FY01	FY02	FY03
Uncompensated Care Revenue - New Method (millions)	\$433*	\$447*	\$457
Uncompensated Care Revenue - Previous Method (millions)	\$867	\$965	\$1,083
Percent of Uncompensated Care - New Method	2.31%	2.21%	2.07%
Percent of Uncompensated Care - Previous Method	4.62%	4.76%	4.90%

* The uncompensated care levels for FY01 and FY02 are estimates based on the assumption that hospitals did not change their accounting procedures for bad debt between FY01 and FY03.

TABLE 9

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

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

at full charges. Consequently, the previous method for calculating uncompensated care was essentially comparing uncompensated care on a charge-basis to statewide NPR.

Table 8 shows statewide uncompensated care calculations using the new methodology compared to the prior methodology. For FY03, the previous methodology would have shown more than \$1 billion of uncompensated care (\$1,083 million) because a substantial portion of that calculation was based on charges instead of revenue. In addition, the previous methodology would have shown the “Percent of Uncompensated Care” increasing slightly to 4.90% during FY03, while under the new method, uncompensated care rates fell. The previous method would have inflated the increase in uncompensated care because statewide patient charges grew more than twice as fast as statewide net patient revenue (NPR) during FY03.

Table 9 demonstrates how much charges are increasing compared to hospital revenues and costs. For example, in FY97 hospital charges in Pennsylvania were on average about 2.2 times greater than hospital revenue (NPR). In seven years, average charges have grown faster than hospital revenue (NPR). By FY03, average charges are almost 3.3 times greater than NPR.

How Uncompensated Care is Calculated

The “Percent of Uncompensated Care” reflects the portion of all care that was written off as either

bad debt or charity care. This percentage is calculated as the ratio of statewide bad debt and charity care reported as charges to the total charges for all care provided by GAC hospitals.

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

All services and materials that are provided to the general public under an established fee are eligible to be included in uncompensated care. Consequently, the costs of important public health programs may not be included. Hospitals frequently report these activities separately.

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

Hospitals with a Negative 3-Year Average Total Margin

Hospitals with a Negative 3-Year Average Total Margin

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

For some hospitals, a negative 3-year average total margin may only indicate a cyclical downturn or the need to make adjustments in hospital operations and the sources of revenues. As shown in Table 10, 39 of the 117 hospitals posted a positive total margin during FY03 after experiencing a negative 3-year average total margin at some point since FY98.

Alternatively, 72 of the 117 hospitals reflected on Table 10 were still in operation with a negative total margin at the end of FY03.

Some hospitals join with other health systems as a means to preserve or enhance the operation of their facilities. Forty-eight of the 117 hospitals were either acquired by a for-profit hospital, merged under the license of another non-profit health system, or entered into an affiliation agreement while still operating as a separately licensed hospital. Less than half or 22 of the 48 hospitals had positive margins in FY03. Six of the 48 subsequently terminated their affiliation and returned to operating as an independent hospital or affiliated with another system. Two of these six hospitals had a positive total margin in FY03.

While five of the 17 hospitals that were acquired by for-profit corporations had a negative FY03 total margin, all of the multi-state parent corporations operating GAC hospitals in Pennsylvania had positive total margins during FY03. Only four of the seven non-profit health systems that absorbed hospitals under their licenses had a positive total margin in FY03.

Table 11 highlights the nine hospitals that have made recent recoveries. These nine hospitals experienced a negative 3-year average total margin at the

TABLE 10
Status of Hospitals with a Negative 3-Year Average Total Margin at Some Point during FY98-FY03

	Number of Facilities	Hospitals Closed	FY03 Total Margin ¹		
			Negative	0% - 2%	Above 2%
Acquired by for-profit corporation following bankruptcy	9	1	5	0	3
Acquired by for-profit corporation (no bankruptcy)	8	0	0	2	6
Merged with another facility or health system ¹	7	0	3	0	4
Affiliated with another facility or health system	19	1	13	2	3
No longer an operating licensed hospital	4	4	0	0	0
No change	65	0	48	8	9
Ended affiliation	5	0	3	0	2
Total	117	6	72	12	27

¹ The FY03 total margin for hospitals that merged with another hospital or health system reflects the total margin for the surviving hospital unless the merger occurred during FY03.

Hospitals with a Negative 3-Year Average Total Margin

end of FY02 and their net income was large enough during FY03 to give them a positive 3-year average total margin for the three years ending in FY03.

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

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

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

Tables 12 and 13 present the 66 hospitals where the 3-year average total margin either became negative during FY03 or remained negative. The "Notes" presented in those tables provide some information on why the hospital's income levels have changed and, where possible, some insights on the future solvency of the hospital. The information for these "Notes" was derived from each facility's audited financial statements, discussions with hospital financial officers, and public information made available by the hospitals and their parent organizations.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 11

Hospitals Where the 3-Year Average Total Margin was *Negative* during FY02 and Became *Positive* in FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Easton / 7	0.63%	2.04%	2.73%	-1.64%	The Hospital was purchased by the for-profit Community Health Systems (CHS) in 10/01. FY02 reflects three months of data. FY01 was the last fiscal year the hospital operated as a non-profit hospital.
Milton S. Hershey / 5	1.77%	3.09%	0.95%	1.18%	The Center had a negative three-year average total margin in prior years due to a one-time negative total margin of -6.09% in FY00.
Nazareth / 9	2.43%	2.44%	1.97%	2.67%	The Hospital had a negative 3-year average total margin in prior years due to a one-time negative total margin of -9.87 in FY00.
Pocono Medical Center / 6	0.86%	3.02%	2.46%	-3.87%	The Center has reversed the one-time loss that it posted in FY01.
Sacred Heart Allentown / 7	0.94%	2.92%	3.30%	-3.72%	The Hospital has overcome consecutive losses in FY00 and FY01.
Saint Vincent Health / 2	1.19%	3.40%	-2.95%	2.91%	The Center realized a 5.3 point improvement in the FY03 operating margin to 4.4% because the 14.5% increase in operating revenue surpassed the 8.5% increase in operating expenses.
Temple Lower Bucks / 8	0.86%	2.79%	3.27%	-4.25%	The Hospital posted positive margins for two consecutive years after realizing losses every year since FY95. In 6/02, the Hospital became independent of the Temple University Health System.
Warren General / 2	0.58%	2.77%	0.98%	-2.23%	The Hospital has been fluctuating between modest positive and negative margins for a number of years. The improvement in the FY03 total margin was largely the result of an increase in investment income.
Windber / 3	0.68%	1.23%	2.29%	-1.78%	After three consecutive years of modest losses between FY99 and FY01, the Hospital has posted positive margins during the last two years. The Hospital is a member of the Conemaugh Health System.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 12

Hospitals Where the 3-Year Average Total Margin Became Negative during FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Albert Einstein / 9	-0.09%	-4.36%	0.18%	4.18%	Extraordinary adjustments for restructuring costs, professional liability and worker's compensation, caused the decline in the FY03 total margin. The hospital realized a small positive operating margin for FY03.
Armstrong County Memorial / 1	-1.20%	-3.04%	-0.91%	0.56%	The hospital experienced a -3.04% FY03 total margin because increases in "salaries and benefits" and "supplies and other" caused operating expenses to increase 10.4% compared to a 8.5% growth in operating revenue.
Barnes Kasson County / 6	-1.99%	-6.11%	-2.04%	2.50%	The hospital reports that it has implemented a plan to reduce operating expenses. For example, it has terminated the advanced life support and obstetrics units and curtailed staff overtime.
Bradford Regional / 2	-1.89%	-2.45%	-3.84%	0.92%	The hospital has experienced operating losses every year since FY97 and positive total margins in three of the past seven years when investment income and contributions have been greater than the operating loss. Solvency does not appear to be an immediate concern.
Chestnut Hill / 9	-1.56%	-3.35%	-2.98%	2.12%	The hospital may not have sufficient available assets to sustain similar losses for an extended period of time.
Community /Scranton / 6	-1.89%	-2.38%	-2.54%	-0.74%	While the operating margin improved from -2.69% in FY02 to -1.46 in FY03, investment losses prevent the total margin from making a similar improvement.
Ellwood City / 2	-4.31%	-15.17%	-5.06%	5.82%	The hospital was able to keep operating expenses from increasing but operating revenue fell 4.7% during FY03. The hospital also sustained \$1.7 million in investment losses.
Geisinger /Danville / 4	-0.87%	-0.06%	-2.03%	-0.58%	The hospital improved its operating margin from -1.73% in FY02 to almost the break-even point in FY03.

Continued on next page.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 12 (CONTINUED)

Hospitals Where the 3-Year Average Total Margin *Became Negative* during FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Indiana Regional / 3	-1.96%	-7.14%	-0.43%	2.33%	The FY03 operating margin fell 5.2 points to -2.25% because operating expenses grew 13.3% compared to the 7.5% increase in operating revenue. The operating loss coupled with investment losses caused the total margin to fall 6.7 points during FY03.
Mercy Philadelphia / 9	-1.15%	-4.61%	-5.01%	6.37%	The hospital is part of the Mercy Health System of Southeastern Pennsylvania which had an operating margin of 2.94% and a total margin of 0.99% during FY03 (CY02).
Philipsburg Area / 4	-2.43%	-12.96%	1.64%	3.73%	The hospital reports that it is implementing expense reduction strategies and exploring sources of additional revenue to enable the hospital to continue as a going concern.
Pottstown Memorial / 8	-1.53%	-8.16%	2.81%	1.86%	The hospital was acquired by the for-profit Community Health Systems in 7/03. If acquisition-related expenses are excluded, the hospital would have realized small positive operating and total margins for FY03.
Punxsutawney Area / 2	-0.03%	-1.40%	-1.09%	2.67%	The hospital has had small operating losses since FY99. Since annual losses have been relatively small, the hospital has realized positive cash flow.
Titusville Area / 2	-0.49%	-3.78%	-1.44%	3.68%	The hospital had positive operating and total margins for three consecutive years FY99 - FY01. While the hospital was able to keep operating expenses relatively constant, the decline in the FY03 total margin was largely due to a decline in net patient revenue.
Warminster / 8	-1.33%	-3.28%	-1.07%	0.64%	Excluding an extraordinary asset impairment adjustments, the hospital would have realized small positive operating and total margins for FY03.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 13

Hospitals Where the 3-Year Average Total Margin Remained Negative during FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Aliquippa Community / 1	-26.03%	-23.47%	-13.49%	-43.57%	The hospital plans to emerge from Chapter 11 bankruptcy by cutting expenses, increasing revenue and obtaining short-term debt financing. For example, the hospital has already reduced staffing costs and has opened a new psychiatric unit. The hospital reports that it has operated in the black during late 2003 and early 2004 and projects positive margins for FY05.
Allegheny General / 1	-1.16%	-1.56%	-0.49%	-1.42%	Since becoming part of the West Penn Allegheny Health System (WPAHS) during FY01, the hospital had relatively small negative operating margins. WPAHS reports that the System has implemented strategies in revenue enhancement and cost containment to improve its financial position. WPAHS had a FY03 total margin of -1.28% and reports a positive margin for the second quarter of FY04.
Altoona / 3	-2.01%	0.44%	-5.97%	-0.77%	The hospital improved its operating margin from -7.00% in FY02 to -0.56% in FY03 by holding the growth in operating expenses to 6.4% while operating revenue increased 13.2%.
Ashland Regional / 7	-9.60%	-18.25%	-0.45%	-5.94%	The hospital was acquired by the for-profit Providence Healthcare in 8/01 following a 3/01 petition for Chapter 11 bankruptcy. FY02 reflects only the first five months of operation under Providence. Providence had a 5.13% after-tax total margin in FY03 (CY02).
Bloomsburg / 4	-6.97%	-8.52%	-6.87%	-5.46%	The hospital has posted negative total margins since FY99. The financial performance of the hospital's parent organization, Bloomsburg Health System, has triggered a provision in its loan agreements requiring it to engage a consultant to make recommendations on improving financial performance.
Brandywine / 8	-2.52%	0.27%	2.40%	-10.38%	The hospital was purchased by the for-profit Community Health Systems (CHS) in 6/01. FY01 reflects the last 11 months of operation as a non-profit. FY02 reflects the first seven months as a for-profit hospital and FY03 (CY02) is the first full year under CHS.
Brookville / 2	-1.62%	-1.56%	1.03%	-4.48%	The operating margin fell 1.9 points from 0.05% in FY02 to -1.80% in FY03 largely due to a 20% increase in the cost of "other professional services" which includes professional services other than nursing services.
Brownsville General / 1	-4.53%	-3.76%	-6.04%	-3.86%	The hospital had negative operating margins for the past six years (FY98 - FY03) and negative total margins in five of the last six years. The hospital's FY03 cash flow was positive which prevented an erosion of the hospital's very limited available assets.

Continued on next page.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 13 (CONTINUED)

Hospitals Where the 3-Year Average Total Margin Remained Negative during FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Bucktail / 4	-3.87%	-8.47%	3.80%	-7.20%	Operating revenue only grew 3.8% while operating expenses grew 20% during FY03 causing the operating margin to fall to -15.74%. The hospital reports it has developed a turnaround plan and has secured interim funding to support operations.
Central Montgomery / 8	-2.00%	0.19%	-2.98%	-3.80%	The hospital was acquired by the for-profit Universal Health Services (UHS) in 1/02. FY02 reflects the last six months of operating as a non-profit hospital. FY03 (CY02) reflects the first year of operation under UHS.
Charles Cole Memorial / 2	-4.91%	-4.86%	-10.34%	0.63%	The total margin would have improved to -1.10% if the hospital had not increased bad debt expense by \$1.86 million in FY03.
Chester County / 8	-2.53%	-0.75%	-4.35%	-2.69%	The hospital reported positive total margins in only two of the last seven years. However, an 11.1% increase in operating revenue contributed to a 3.6 point improvement in the total and operating margins during FY03.
Conemaugh Valley Memorial / 3	-2.94%	-0.31%	-4.18%	-4.76%	The hospital had positive operating margins each of the last three years (FY01 - FY03). The total margin improved during FY03 largely because investment losses declined substantially.
Doylestown / 8	-4.01%	1.74%	-13.28%	-1.02%	Net patient revenue grew 6.7% during FY03 while operating expenses fell. An investment impairment adjustment and investment losses contributed to the large negative FY02 total margin.
Elkins Park / 8	-26.38%	-51.98%	-12.47%	-13.40%	The hospital was sold to the Albert Einstein Health Network in 11/03. The large FY03 negative total margin was driven primarily by an asset impairment adjustment (extraordinary depreciation).
Forbes Regional / 1	-2.17%	-1.37%	-3.71%	-1.41%	The hospital improved its operating margin from -2.91% in FY02 to -1.27% in FY03 by holding operating expenses relatively constant and realizing a small increase in operating revenue. The hospital is part of WPAHS (see Allegheny General above).
Frick / 1	-5.42%	-9.16%	-2.90%	-4.22%	The hospital had a deficiency in unrestricted net assets of \$2.2 million at the end of FY03. Proceeds from a \$4 million loan from its affiliate Westmoreland Health System helped preserve a positive cash flow for FY03. As required by debt covenants, the hospital engaged an independent consultant to assist in the developed of a financial plan. A new outpatient clinic is expected to boost revenue.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 13 (CONTINUED)

Hospitals Where the 3-Year Average Total Margin Remained Negative during FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Hazleton General / 6	-2.15%	-4.30%	0.99%	-3.11%	Hazleton General and Hazleton-Saint Joseph have operated under a joint management and risk-sharing agreement since FY97. The declines in both hospitals' total margin were largely driven by three-fold increases in insurance expenses.
Hazleton St. Joseph / 6	-1.85%	-4.55%	1.04%	-2.06%	See Hazleton General above.
Highlands / 1	-0.07%	-6.14%	3.10%	2.62%	A 6.6% decline in net patient revenue was the primary factor in the 9.2 point decline in the FY03 total margin. A significant decline of inpatient care to Medicare patients was the major contributor in the decline in revenue.
J. C. Blair Memorial / 5	-3.98%	-5.43%	-3.86%	-2.53%	Increases in "salaries, wages and benefits" and "provision for bad debts" contributed to a 5.6 point decline in the hospital's operating margin which fell to -11.31% in FY03. Improvements in investment income and gifts and bequests prevented the total margin from making a similar decline. Solvency does not appear to be an immediate concern.
Jefferson Regional / 1	-7.57%	-4.44%	-7.47%	-11.91%	The magnitude of the hospital's net losses has declined over the past three years (FY01 - FY03). While the hospital had net losses since FY98, solvency is not a concern.
Jennersville Regional / 8	-4.64%	3.00%	-2.59%	-12.61%	The hospital was acquired by the for-profit Community Health Systems (CHS) in 10/01. The FY02 total margin reflects the first three months of operation by CHS.
Lancaster General / Susquehanna / 5	-25.90%	-58.68%	-9.50%	-14.52%	In 7/03 the hospital discontinued its inpatient operations and now operates as Columbia Health Center, an outpatient facility under Lancaster General's license. Over half (58%) of the FY03 net loss was due to an asset impairment adjustment.
Lock Haven / 4	-0.42%	11.06%	-12.86%	-0.07%	The hospital was acquired 8/02 by the for-profit Community Health Systems (CHS). The FY02 total margin reflects the final year as a non-profit hospital. The FY03 total margin reflects the first eleven months under CHS.
Marian Community / 6	-0.78%	-1.01%	-1.59%	0.34%	The hospital has had a positive cash flow, because the losses over the past two years have been relatively small.
Medical Center Beaver / 1	-1.11%	-2.67%	-1.60%	1.01%	While the operating margin improved from -2.17 in FY02 to -1.37 in FY03, the total margin fell by more than a full point due to investment losses.

Continued on next page.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 13 (CONTINUED)

Hospitals Where the 3-Year Average Total Margin Remained Negative during FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Medical College PA / 9	-10.63%	-21.20%	-2.29%	-7.26%	Excluding a \$63 million asset impairment adjustment, the hospital would have been close to a break-even point for FY03.
Mercy Fitzgerald / 8	-6.90%	-10.59%	-12.00%	1.71%	Operating revenue and operating expenses both increased about \$13 million during FY03 keeping the net loss in the same \$15 million range as FY02. The hospital is part of the Mercy Health System of Southeastern Pennsylvania which had an operating margin of 2.94% and a total margin of 0.99% during FY03 (CY02).
Mercy /Scranton / 6	-3.72%	-4.12%	-4.70%	-2.25%	The FY03 (CY02) operating expenses and revenue grew by similar amounts resulting in little change in the operating margin (-3.65%). The hospital is an affiliate of the multi-state Catholic Health Partners (CHP) which had a FY03 (CY02) total margin of 1.80%.
Mercy /Wilkes-Barre / 6	-6.04%	-5.17%	-7.36%	-5.63%	The FY03 (CY02) operating margin fell 4 points because operating revenue fell 2.7% and operating expenses grew 1.2%. Total margin improved because the hospital realized positive investment income in FY03 instead of the \$4.1 million net loss posted in FY02. The hospital is part of CHP (see Mercy-Scranton above).
Mercy Jeannette / 1	-11.18%	-8.07%	-13.85%	-11.81%	The hospital became a subsidiary of the Pittsburgh Mercy Health System (PMHS) in 2/03. The affiliation with PMHS occurred after the conclusion of FY03 (CY02).
Mercy Providence / 1	-6.16%	-8.13%	-5.92%	-4.01%	Effective 1/04, the hospital merged under Mercy Hospital - Pittsburgh and the facility has been renamed Mercy Hospital Northshore Campus. The hospital announced it has closed the emergency room and plans to expand its inpatient behavioral health services at Northshore.
Meyersdale Community / 3	-8.04%	-12.64%	-6.35%	-4.76%	The hospital had a negative total margin since FY97. Transfers from the Conemaugh Health System and another affiliate have helped slow the deterioration of net assets.
Mid-Valley / 6	-10.18%	-12.74%	-11.14%	-6.37%	Equity transfers from an affiliate, Moses Taylor Hospital, has enabled the hospital to preserve a positive net asset balance. The hospital reports that it has taken specific actions to aggressively control expenses and identify additional profitable services.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 13 (CONTINUED)

Hospitals Where the 3-Year Average Total Margin Remained Negative during FY03

Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
Miners / 3	-8.76%	-1.07%	-9.18%	-17.48%	Operating margin improved from -11.11% in FY02 to -1.39% in FY03 because the 16.2% increase in operating revenue outpaced the 6.0% growth in operating expenses during FY03. In 1/03 the hospital became "a non-controlled affiliated organization" of the Conemaugh Health System.
Montgomery / 8	-1.57%	0.61%	-5.38%	-0.15%	The 6-point improvement in the FY03 total margin was largely due to the 13% increase in operating revenue compared to the 5.6% increase in operating expenses.
Montrose General / 6	-3.89%	-7.15%	2.29%	-7.25%	About one-half of the FY03 net loss was due to a non-recurring malpractice insurance expense. The hospital reports that a number of operating changes including the new satellite clinic, staffing changes and cost reductions should improve operating results.
Moses Taylor / 6	-2.42%	-4.98%	-2.77%	0.83%	The hospital can not continue to sustain similar losses for an extended period of time. The hospital reports that it expects to improve operating results through focused cost reductions, improved reimbursement rates and increased utilization.
Parkview / 9	-11.14%	-16.08%	-7.36%	-8.69%	The hospital closed 9/03. The FY03 (CY02) total margin would be positive if an asset impairment adjustment is excluded.
Roxborough Memorial / 9	-8.70%	-12.88%	-12.66%	-2.79%	The hospital was acquired by the for-profit Tenet Healthcare in 12/02. The FY03 total margin reflects the last six months of operation as a non-profit hospital.
St Joseph's / Philadelphia / 9	-5.12%	-8.62%	-6.66%	0.10%	The hospital and its parent, the North Philadelphia Health System, report a net asset deficit for FY03. Uncompensated care (UC) represents about 14.9% of total care. Charity care comprised 75% of the hospital's UC.
Sharon Regional / 2	-1.24%	0.88%	-2.07%	-2.77%	The FY03 total margin improved because the 4.3% increase in operating revenue exceeded the 3% growth in expenses and the hospital realized a positive investment return after last year's net investment losses.
St Agnes / 9	-6.43%	-8.22%	-11.16%	-2.13%	Mid-way through FY02 (CY01), the hospital was sold by Catholic Health Initiatives to Catholic Health East's Mercy Health System of Southeastern Pennsylvania. The System had an operating margin of 2.94% and a total margin of 0.99% during FY03 (CY02).

Continued on next page.

Hospitals with a Negative 3-Year Average Total Margin

TABLE 13 (CONTINUED)

Hospitals Where the 3-Year Average Total Margin Remained Negative during FY03

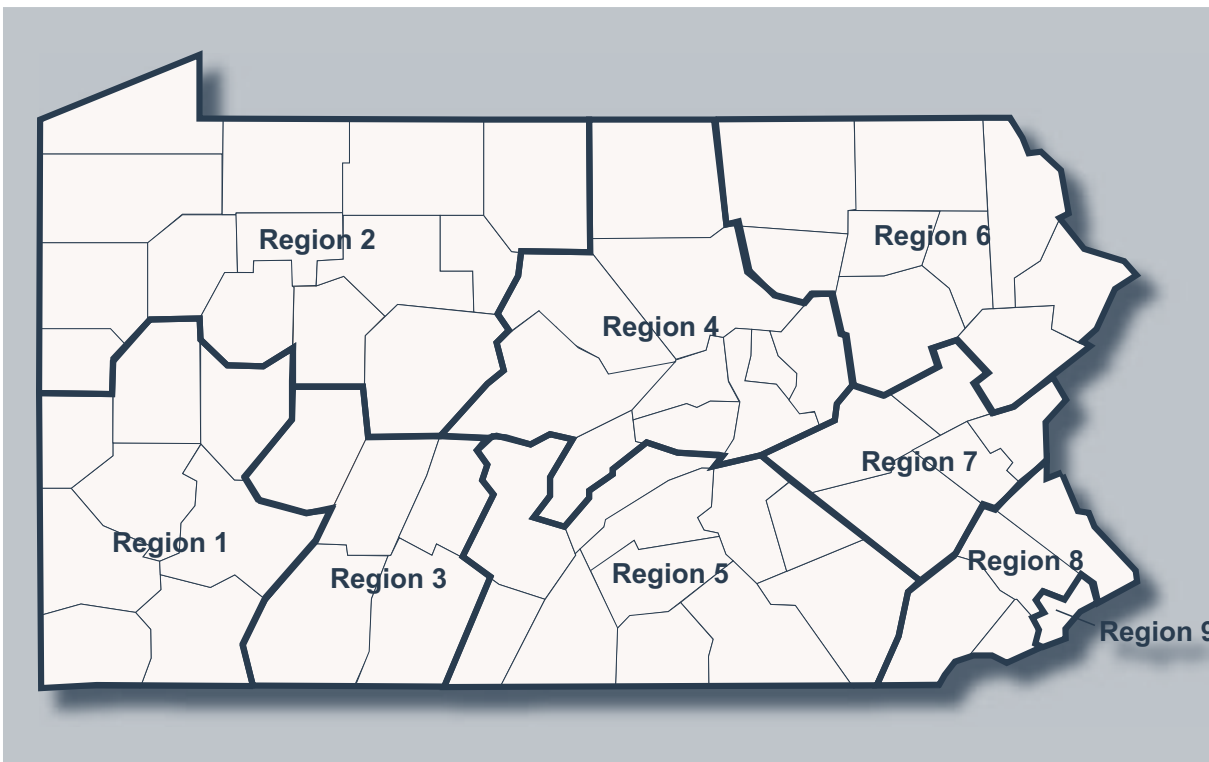
Name / Region	3-yr Avg Total Margin FY01-FY03	Total Margin			NOTES
		FY03	FY02	FY01	
St Luke's Quakertown / 8	-2.61%	-0.86%	-2.43%	-4.96%	The hospital has had negative operating and total margins for the last ten fiscal years. The facility is part of the St. Luke's Health Network which had a 2.00% total margin in FY03.
Suburban General /Pgh / 1	-3.11%	-4.66%	-4.09%	-0.33%	The hospital has had a negative total margin since FY97. The hospital is part of WPAHS (see Allegheny General above).
Sunbury Community / 4	-4.16%	-4.76%	-10.93%	3.10%	The FY03 total margin improved by 6 points largely because operating revenue increased 5.9% while operating expenses remained constant. The hospital announced a strategic plan to increase revenues through service enhancement and expansion.
Temple University Children's / 9	-31.79%	-11.04%	-90.75%	-1.22%	The large FY02 negative total margin was primarily driven by an asset impairment adjustment. The hospital began operations during FY98 and has a net equity deficit. The hospital has funded its operating deficit through equity transfers from affiliates of the Temple University Health System. The System has pledged continued support.
Troy Community / 6	-2.54%	-2.41%	-1.36%	-3.84%	The available assets of the hospital and its parent, the Guthrie Health Care System, make solvency not a concern.
Tyrone / 3	-19.27%	-33.96%	-21.80%	-4.66%	A small decline in FY03 operating revenue, a small increase in operating expenses and net investment losses have caused the total margin to deteriorate further. The hospital does not have sufficient available assets to continue to sustain similar losses for an extended period of time.
University PA /Presbyterian / 9	-4.76%	-5.33%	-7.96%	-0.92%	The hospital is part of the University of Pennsylvania Health System which had a FY03 total margin of 2.5% during FY03.
Wills Eye Hospital / 9	-27.64%	-25.75%	-62.83%	-8.49%	The hospital sold its former facility during FY01 and began operations in its new facility at the beginning of FY03 (7/02). Typically, expenses exceed revenue during the initial operation of a new facility.
WVHCS Hospital / 6	-4.08%	-4.97%	-4.95%	-2.41%	The hospital has had a negative total margin since FY99. The Wyoming Valley Health Care System appears to have sufficient available assets to make solvency not an immediate concern.

The tables on the following pages provide hospital-specific financial data for the 185 general acute care hospitals covered in this report. The hospitals have been arranged by PHC4's nine regions.

Included in these tables are the FY03 operating and total margins for each individual hospital. The corresponding operating income and total income expressed in dollars, as well as each hospital's total operating revenue, can be found on PHC4's Web site at www.phc4.org. **(Note: Comparing net patient revenue to total operating expenses will not provide operating income or operating margin. Operating revenue from the PHC4 Web site must be used to compute operating income.)**

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

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



Individual Hospital Data

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 1 Average	\$134	\$126	\$113	\$104	5.26%	\$141	\$129	\$119	\$112	4.65%
Aliquippa Community ^{5,13}	\$22	\$26	\$21	\$30	-9.04%	\$29	\$30	\$32	\$53	-15.22%
Allegheny General ⁵	\$453	\$409	\$393	\$400	4.45%	\$495	\$451	\$429	\$444	3.78%
Alle-Kiski ^{5,7}	\$88	\$90	\$89	\$69	9.13%	\$89	\$92	\$89	\$72	7.70%
Armstrong County Memorial ⁵	\$62	\$58	\$55	\$54	5.42%	\$66	\$60	\$57	\$53	8.06%
Brownsville General ^{5,13}	\$21	\$20	\$19	\$18	5.65%	\$23	\$21	\$21	\$20	3.69%
Butler Memorial ⁵	\$118	\$104	\$93	\$83	13.96%	\$113	\$101	\$90	\$81	13.11%
Canonsburg General ⁵	\$37	\$37	\$34	\$32	6.19%	\$40	\$36	\$33	\$34	6.71%
Children's Hosp Pgh ⁷	\$212	\$198	\$188	\$175	6.88%	\$265	\$245	\$220	\$208	9.17%
Forbes Regional ^{5,6}	\$106	\$103	\$96	\$92	5.28%	\$110	\$110	\$102	\$108	0.73%
Frick ⁵	\$42	\$43	\$41	\$40	1.51%	\$47	\$45	\$44	\$42	3.44%
Greene County Memorial ⁵	\$24	\$23	\$23	\$22	2.83%	\$25	\$25	\$24	\$26	-1.52%
Highlands ⁵	\$20	\$21	\$20	\$17	5.54%	\$22	\$21	\$20	\$19	4.29%
Jefferson Regional ^{5,6}	\$142	\$123	\$106	\$120	6.00%	\$156	\$138	\$126	\$136	4.83%
Latrobe Area ⁵	\$113	\$110	\$101	\$97	5.36%	\$122	\$114	\$100	\$104	5.50%
Magee-Womens ⁷	\$179	\$153	\$133	\$128	13.32%	\$174	\$160	\$141	\$133	10.41%
Medical Center Beaver ⁵	\$157	\$151	\$142	\$136	5.07%	\$163	\$158	\$150	\$149	3.16%
Mercy Jeannette ^{5,7}	\$46	\$43	\$39	\$35	10.08%	\$50	\$50	\$45	\$39	9.79%
Mercy Pittsburgh ^{1,5}	\$247	\$228	\$211	\$200	7.84%	\$252	\$227	\$218	\$214	5.84%
Mercy Providence ^{1,5,11}	\$28	\$26	\$23	\$23	8.39%	\$32	\$28	\$25	\$26	6.80%
Monongahela Valley ⁵	\$91	\$86	\$78	\$75	6.95%	\$92	\$87	\$80	\$76	7.00%
Monsour ^{5,13}	\$16	\$14	NR	NR	NR	\$19	\$19	NR	NR	NR
Ohio Valley General ⁵	\$48	\$47	\$43	\$39	7.28%	\$52	\$49	\$45	\$45	5.16%
Sewickley Valley ⁵	\$92	\$86	\$80	\$78	6.19%	\$103	\$97	\$88	\$87	6.46%
St Clair Memorial ⁵	\$128	\$121	\$107	\$98	10.37%	\$137	\$129	\$111	\$104	10.35%
St Francis ^{2,11,12}	NR	NR	\$138	\$146	NA	NR	NR	\$211	\$191	NA
Suburban General/Pgh ^{5,6}	\$33	\$32	\$28	\$28	5.77%	\$36	\$34	\$31	\$31	5.13%
Uniontown ^{5,14}	\$77	\$78	\$75	\$71	2.55%	\$81	\$77	\$74	\$69	5.88%
UPMC Braddock ⁵	\$45	\$40	\$38	\$40	4.47%	\$47	\$41	\$38	\$40	5.45%
UPMC McKeesport ⁵	\$82	\$78	\$78	\$75	3.32%	\$86	\$81	\$78	\$73	5.96%
UPMC Passavant ^{5,7}	\$124	\$110	\$104	\$98	8.79%	\$118	\$115	\$104	\$95	8.18%
UPMC Passavant Cranberry ^{2,7}	\$11	NR	\$20	\$19	NA	\$11	NR	\$24	\$22	NA
UPMC Presby Shadyside ^{5,6,8}	\$1,235	\$920	\$795	\$707	24.90%	\$1,260	\$835	\$759	\$710	25.87%
UPMC South Side ⁵	\$51	\$43	\$39	\$38	11.65%	\$51	\$47	\$43	\$38	10.98%
UPMC St Margaret ⁵	\$129	\$112	\$96	\$84	17.94%	\$124	\$110	\$97	\$87	14.08%
Washington ⁵	\$153	\$154	\$146	\$135	4.39%	\$172	\$164	\$149	\$142	7.04%
Western Pennsylvania ^{5,6}	\$268	\$246	\$222	\$214	8.45%	\$291	\$257	\$233	\$221	10.53%
Westmoreland Regional ⁵	\$124	\$123	\$114	\$109	4.77%	\$132	\$126	\$114	\$107	7.65%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 1 Average	2.45%	2.11%	3.42%	1.70%	48.07%	7.05%
Aliquippa Community ^{5,13}	-23.47%	-23.47%	-26.03%	4.11%	64.56%	7.81%
Allegheny General ⁵	-1.56%	-1.56%	-1.16%	1.53%	43.01%	8.10%
Alle-Kiski ^{5,7}	0.35%	1.00%	1.09%	1.41%	59.42%	4.67%
Armstrong County Memorial ⁵	-3.45%	-3.04%	-1.20%	1.56%	46.06%	7.60%
Brownsville General ^{5,13}	-4.31%	-3.76%	-4.53%	1.35%	62.98%	4.80%
Butler Memorial ⁵	5.52%	6.90%	7.72%	1.65%	48.73%	7.66%
Canonsburg General ⁵	-1.13%	-1.13%	3.31%	2.21%	57.74%	2.61%
Children's Hosp Pgh ⁷	1.15%	-0.08%	1.76%	1.37%	4.44%	26.67%
Forbes Regional ^{5,6}	-1.27%	-1.37%	-2.17%	1.36%	50.84%	4.93%
Frick ⁵	-9.33%	-9.16%	-5.42%	2.51%	53.06%	7.45%
Greene County Memorial ⁵	-3.05%	-2.39%	0.99%	3.95%	56.33%	5.95%
Highlands ⁵	-9.69%	-6.14%	-0.07%	3.09%	49.16%	20.42%
Jefferson Regional ^{5,6}	-5.20%	-4.44%	-7.57%	1.52%	67.47%	3.56%
Latrobe Area ⁵	-2.95%	-3.29%	1.87%	2.71%	49.95%	5.91%
Magee-Womens ⁷	6.43%	2.38%	2.17%	1.49%	6.94%	16.88%
Medical Center Beaver ⁵	-1.37%	-2.67%	-1.11%	1.48%	49.69%	6.88%
Mercy Jeannette ^{5,7}	-7.80%	-8.07%	-11.18%	1.37%	51.95%	5.15%
Mercy Pittsburgh ^{1,5}	1.23%	1.23%	3.75%	3.72%	51.16%	6.90%
Mercy Providence ^{1,5,11}	-8.13%	-8.13%	-6.16%	5.58%	54.11%	13.28%
Monongahela Valley ⁵	0.32%	2.48%	2.48%	1.70%	62.13%	8.21%
Monsour ^{5,13}	21.18%	21.18%	NR	4.58%	64.43%	21.58%
Ohio Valley General ⁵	0.18%	2.05%	5.22%	2.52%	53.53%	3.45%
Sewickley Valley ⁵	0.07%	-0.92%	1.70%	1.66%	45.08%	4.46%
St Clair Memorial ⁵	1.38%	2.04%	3.40%	1.48%	50.27%	0.95%
St Francis ^{2,11,12}	NR	NR	NR	NR	NR	NR
Suburban General/Pgh ^{5,6}	-4.44%	-4.66%	-3.11%	2.30%	70.38%	3.05%
Uniontown ^{5,14}	-4.16%	-1.74%	2.44%	3.87%	55.16%	12.41%
UPMC Braddock ⁵	0.01%	0.01%	0.57%	4.92%	60.14%	17.73%
UPMC McKeesport ⁵	1.66%	-1.06%	1.24%	2.67%	71.10%	9.73%
UPMC Passavant ^{5,7}	7.77%	8.31%	3.80%	0.56%	56.98%	0.86%
UPMC Passavant Cranberry ^{2,7}	-4.41%	-4.41%	NR	0.49%	23.70%	1.19%
UPMC Presby Shadyside ^{5,6,8}	9.51%	8.69%	13.17%	1.29%	38.15%	8.23%
UPMC South Side ⁵	3.51%	0.55%	0.84%	2.71%	59.03%	6.50%
UPMC St Margaret ⁵	6.96%	4.62%	6.79%	1.30%	52.68%	2.79%
Washington ⁵	-5.39%	-3.83%	0.56%	1.48%	47.72%	9.33%
Western Pennsylvania ^{5,6}	0.77%	0.57%	2.09%	1.71%	47.62%	8.01%
Westmoreland Regional ⁵	-3.40%	-1.18%	1.16%	1.92%	49.10%	3.90%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 2 Average	\$60	\$53	\$49	\$46	6.10%	\$61	\$55	\$50	\$48	5.59%
Bradford Regional ⁵	\$50	\$47	\$42	\$41	7.18%	\$52	\$51	\$44	\$42	7.92%
Brookville ⁵	\$24	\$23	\$22	\$21	5.33%	\$25	\$23	\$23	\$22	4.29%
Charles Cole Memorial ⁵	\$44	\$43	\$40	\$37	6.74%	\$52	\$49	\$43	\$39	10.57%
Clarion ^{5,14}	\$37	\$36	\$32	\$29	8.27%	\$37	\$36	\$33	\$31	5.82%
Clearfield	\$47	\$48	\$44	\$42	4.06%	\$49	\$47	\$44	\$44	4.21%
Corry Memorial ^{5,6,13}	\$18	\$18	\$15	\$15	8.28%	\$18	\$17	\$15	\$16	5.23%
DuBois Regional ⁵	\$110	\$99	\$91	\$84	10.38%	\$108	\$100	\$91	\$82	10.50%
Elk Regional ⁵	\$45	\$45	\$44	\$41	3.45%	\$48	\$45	\$44	\$41	5.47%
Ellwood City ⁵	\$26	\$27	\$25	\$23	2.90%	\$28	\$29	\$27	\$26	3.37%
Hamot ⁶	\$184	\$170	\$157	\$151	7.18%	\$188	\$172	\$156	\$155	7.15%
Jameson Memorial ^{5,8,13}	\$85	\$65	\$64	\$60	13.57%	\$89	\$69	\$67	\$63	13.50%
Kane Community	\$16	\$13	\$11	\$10	18.28%	\$16	\$13	\$11	\$10	17.19%
Meadville ^{5,13}	\$77	\$71	\$67	\$65	6.08%	\$79	\$76	\$68	\$67	6.04%
Metro Health Center ^{2,11,12}	NR	\$14	\$15	\$15	NA	NR	\$18	\$17	\$18	NA
Millcreek Community ⁵	\$26	\$26	\$23	\$24	2.92%	\$27	\$27	\$24	\$22	7.86%
Punxsutawney Area ⁵	\$24	\$23	\$21	\$20	6.43%	\$25	\$24	\$22	\$21	6.77%
Saint Vincent Health ^{5,6,9}	\$185	\$162	\$152	\$143	9.72%	\$181	\$167	\$153	\$155	5.62%
Sharon Regional ⁵	\$110	\$105	\$97	\$85	10.05%	\$119	\$115	\$107	\$88	11.43%
St Francis New Castle ^{2,11,12}	NR	NR	\$32	\$33	NA	NR	NR	\$35	\$37	NA
Titusville Area ⁵	\$25	\$26	\$26	\$22	4.47%	\$27	\$27	\$25	\$22	7.05%
United Community ⁵	\$33	\$29	\$28	\$27	6.84%	\$31	\$29	\$27	\$26	6.70%
UPMC Horizon ⁵	\$94	\$87	\$78	\$76	8.09%	\$90	\$84	\$77	\$74	7.06%
UPMC Northwest ⁵	\$67	\$65	\$63	\$60	3.66%	\$63	\$64	\$62	\$61	0.95%
Warren General ⁵	\$41	\$37	\$36	\$33	7.50%	\$42	\$37	\$40	\$36	5.67%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 2 Average	0.96%	1.19%	1.26%	1.77%	45.79%	8.25%
Bradford Regional ⁵	-2.53%	-2.45%	-1.89%	0.94%	38.72%	15.83%
Brookville ⁵	-1.80%	-1.56%	-1.62%	2.07%	56.52%	4.30%
Charles Cole Memorial ⁵	-5.80%	-4.86%	-4.91%	3.91%	33.47%	13.42%
Clarion ^{5,14}	2.13%	3.90%	2.62%	2.46%	NR	NR
Clearfield	-2.11%	-2.11%	1.71%	1.29%	52.91%	9.13%
Corry Memorial ^{5,6,13}	1.21%	-1.76%	3.57%	2.33%	48.53%	7.62%
DuBois Regional ⁵	3.42%	5.39%	3.78%	1.43%	43.48%	9.42%
Elk Regional ⁵	-2.32%	-0.48%	1.46%	2.12%	40.80%	13.89%
Ellwood City ⁵	-7.89%	-15.17%	-4.31%	1.90%	54.48%	3.67%
Hamot ⁶	0.45%	-1.30%	1.48%	1.45%	44.23%	7.12%
Jameson Memorial ^{5,8,13}	-0.57%	-0.61%	1.42%	1.61%	58.30%	5.81%
Kane Community	4.60%	6.83%	4.55%	2.23%	39.15%	3.09%
Meadville ^{5,13}	-0.33%	1.64%	0.33%	2.39%	41.50%	13.62%
Metro Health Center ^{2,11,12}	NR	NR	NR	NR	NR	NR
Millcreek Community ⁵	-1.29%	0.54%	4.79%	5.01%	37.80%	21.08%
Punxsutawney Area ⁵	-2.32%	-1.40%	-0.03%	4.27%	46.53%	9.68%
Saint Vincent Health ^{5,6,9}	4.35%	3.40%	1.19%	1.07%	42.46%	5.45%
Sharon Regional ⁵	0.17%	0.88%	-1.24%	1.82%	47.69%	9.99%
St Francis New Castle ^{2,11,12}	NR	NR	NR	NR	NR	NR
Titusville Area ⁵	-5.57%	-3.78%	-0.49%	2.95%	59.01%	6.21%
United Community ⁵	5.23%	8.44%	8.24%	2.00%	40.02%	3.64%
UPMC Horizon ⁵	6.72%	5.64%	5.40%	2.25%	46.76%	6.88%
UPMC Northwest ⁵	7.16%	8.62%	6.23%	2.30%	52.59%	5.68%
Warren General ⁵	0.08%	2.77%	0.58%	1.92%	47.66%	4.14%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 3 Average	\$62	\$59	\$53	\$51	7.31%	\$65	\$62	\$55	\$53	7.08%
Altoona ⁵	\$163	\$146	\$134	\$139	5.78%	\$170	\$160	\$145	\$144	6.01%
Bon Secours Holy Family ^{1,5}	\$66	\$63	\$51	\$50	10.55%	\$65	\$62	\$54	\$50	9.50%
Conemaugh Valley Memorial ⁵	\$217	\$214	\$184	\$167	9.98%	\$225	\$220	\$188	\$183	7.62%
Indiana Regional ⁵	\$73	\$68	\$61	\$56	10.14%	\$76	\$67	\$60	\$57	11.13%
Meyersdale Community	\$6	\$6	\$6	\$5	6.19%	\$7	\$6	\$6	\$6	7.50%
Miners	\$14	\$12	\$12	\$11	8.93%	\$15	\$14	\$15	\$14	2.16%
Nason	\$20	\$20	\$16	\$14	14.09%	\$21	\$19	\$16	\$16	10.78%
Somerset Center Health ⁵	\$45	\$43	\$41	\$39	5.61%	\$46	\$42	\$40	\$38	6.77%
Tyrone ¹³	\$9	\$10	\$11	\$11	-5.05%	\$12	\$12	\$12	\$10	6.12%
UPMC Bedford	\$27	\$24	\$24	\$23	6.15%	\$25	\$23	\$22	\$21	6.65%
UPMC Lee Regional ^{5,13}	\$82	\$88	\$82	\$79	1.24%	\$86	\$86	\$84	\$80	2.24%
Windber ⁵	\$23	\$21	\$18	\$17	10.01%	\$29	\$26	\$24	\$21	13.42%

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 4 Average	\$60	\$55	\$50	\$47	8.90%	\$61	\$57	\$52	\$48	9.51%
Berwick ^{1,5,10}	\$34	\$32	\$29	\$26	10.14%	\$30	\$30	\$27	\$26	4.54%
Bloomsburg ^{5,13}	\$28	\$28	\$26	\$25	3.46%	\$31	\$31	\$29	\$28	3.75%
Bucktail ⁵	\$4	\$4	\$3	\$3	6.81%	\$5	\$4	\$4	\$4	12.55%
Centre Community ^{5,11}	\$81	\$74	\$70	\$60	11.78%	\$80	\$75	\$70	\$61	10.22%
Evangelical Community ^{5,14}	\$73	\$73	\$70	\$63	5.31%	\$74	\$73	\$68	\$59	9.01%
Geisinger/Danville ⁵	\$333	\$292	\$262	\$254	10.41%	\$340	\$313	\$289	\$260	10.23%
Jersey Shore ^{5,6,13}	\$17	\$17	\$15	\$13	9.13%	\$18	\$17	\$15	\$14	9.40%
Lewistown ⁵	\$58	\$53	\$50	\$49	6.32%	\$59	\$53	\$51	\$46	9.33%
Lock Haven ^{2,5,10,13,14}	\$25	\$23	\$24	\$23	NA	\$22	\$27	\$25	\$25	NA
Muncy Valley ^{5,14}	\$26	\$22	\$19	\$18	15.41%	\$23	\$21	\$19	\$18	9.54%
Philipsburg Area ^{13,14}	\$15	\$16	\$15	\$12	9.00%	\$17	\$16	\$15	\$13	11.64%
Shamokin Area Community ⁵	\$24	\$20	\$17	\$16	16.84%	\$22	\$19	\$17	\$16	13.00%
Soldiers & Sailors ⁵	\$30	\$29	\$26	\$25	7.09%	\$32	\$30	\$27	\$25	9.10%
Sunbury Community ⁵	\$28	\$26	\$26	\$24	5.75%	\$32	\$32	\$29	\$26	8.11%
Williamsport ⁵	\$120	\$111	\$102	\$99	7.30%	\$133	\$120	\$102	\$96	12.80%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 3 Average	-0.06%	-1.03%	-0.87%	2.47%	49.84%	7.15%
Altoona ⁵	-0.56%	0.44%	-2.01%	1.52%	42.26%	7.79%
Bon Secours Holy Family ^{1,5}	4.24%	4.65%	2.49%	2.45%	55.06%	7.59%
Conemaugh Valley Memorial ⁵	1.47%	-0.31%	-2.94%	3.48%	58.07%	7.71%
Indiana Regional ⁵	-2.25%	-7.14%	-1.96%	2.48%	45.77%	6.67%
Meyersdale Community	-14.13%	-12.64%	-8.04%	4.88%	60.78%	2.22%
Miners	-1.39%	-1.07%	-8.76%	3.19%	41.54%	6.47%
Nason	-4.30%	-3.08%	1.54%	1.60%	44.09%	4.03%
Somerset Center Health ⁵	-0.14%	-0.35%	2.86%	1.94%	42.73%	10.68%
Tyrone ¹³	-31.16%	-33.96%	-19.27%	3.02%	46.04%	6.74%
UPMC Bedford	6.96%	5.21%	7.91%	2.10%	37.38%	7.25%
UPMC Lee Regional ^{5,13}	-1.63%	-3.55%	2.91%	1.93%	50.04%	4.96%
Windber ⁵	1.19%	1.23%	0.68%	1.85%	60.91%	2.90%

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 4 Average	1.68%	1.26%	1.22%	2.41%	39.27%	6.74%
Berwick ^{1,5,10}	14.40%	8.07%	5.48%	1.14%	39.77%	3.18%
Bloomsburg ^{5,13}	-8.47%	-8.52%	-6.97%	2.01%	36.21%	7.50%
Bucktail ⁵	-15.74%	-8.47%	-3.87%	7.37%	35.94%	36.77%
Centre Community ^{5,11}	2.98%	1.99%	2.38%	2.38%	36.35%	4.13%
Evangelical Community ^{5,14}	2.53%	2.41%	5.41%	2.07%	38.37%	3.40%
Geisinger/Danville ⁵	-0.08%	-0.06%	-0.87%	1.82%	35.84%	6.18%
Jersey Shore ^{5,6,13}	-4.47%	-2.21%	1.93%	2.34%	46.73%	3.07%
Lewistown ⁵	1.01%	-2.14%	2.33%	3.81%	48.90%	6.64%
Lock Haven ^{2,5,10,13,14}	13.82%	11.06%	-0.42%	5.30%	NR	17.79%
Muncy Valley ⁵	12.07%	12.43%	7.23%	2.17%	36.45%	23.32%
Philipsburg Area ^{13,14}	-13.26%	-12.96%	-2.43%	4.61%	37.63%	5.99%
Shamokin Area Community ⁵	9.69%	9.94%	8.90%	2.81%	58.28%	3.88%
Soldiers & Sailors ⁵	-0.66%	-0.06%	0.31%	3.99%	37.86%	9.73%
Sunbury Community ⁵	-6.52%	-4.76%	-4.16%	4.41%	55.65%	7.09%
Williamsport ⁵	3.41%	3.48%	3.39%	2.57%	42.95%	6.42%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 5 Average	\$142	\$128	\$117	\$109	10.00%	\$140	\$130	\$119	\$112	8.45%
Carlisle Regional ^{1,3,5,10}	\$86	\$22	\$66	\$62	12.92%	\$74	\$21	\$75	\$64	5.52%
Chambersburg ⁵	\$144	\$127	\$115	\$103	13.46%	\$134	\$123	\$113	\$101	10.64%
Community Lancaster ^{1,3,5,10,13}	\$39	\$46	\$41	\$9	NA	\$37	\$40	\$35	\$8	NA
Ephrata Community ⁵	\$96	\$78	\$65	\$70	11.99%	\$95	\$75	\$61	\$71	11.56%
Fulton County ⁵	\$18	\$17	\$15	\$15	7.62%	\$18	\$17	\$16	\$15	7.47%
Gettysburg ⁵	\$57	\$53	\$52	\$46	7.89%	\$56	\$54	\$51	\$45	7.98%
Good Samaritan/Lebanon	\$96	\$95	\$86	\$83	5.36%	\$99	\$93	\$85	\$83	6.41%
Hanover	\$73	\$67	\$63	\$59	7.64%	\$75	\$69	\$64	\$57	10.27%
Holy Spirit ⁵	\$152	\$129	\$114	\$105	14.73%	\$153	\$133	\$116	\$107	14.27%
J C Blair Memorial ⁵	\$29	\$29	\$28	\$28	2.35%	\$35	\$32	\$31	\$30	4.80%
Lancaster Gen/Susquehanna ^{5,11}	\$11	\$13	\$12	\$12	-3.42%	\$18	\$15	\$15	\$13	11.16%
Lancaster General ⁵	\$417	\$341	\$282	\$252	21.85%	\$395	\$341	\$299	\$262	16.94%
Lancaster Regional ^{1,3,5,10,13}	\$95	\$88	\$21	\$72	10.26%	\$77	\$76	\$19	\$76	0.50%
Memorial York	\$57	\$54	\$50	\$48	6.15%	\$58	\$56	\$51	\$48	7.17%
Milton S Hershey ⁵	\$369	\$358	\$322	\$299	7.81%	\$383	\$377	\$346	\$338	4.39%
Pinnacle Health ⁵	\$396	\$365	\$361	\$360	3.29%	\$403	\$392	\$382	\$365	3.51%
Waynesboro	\$38	\$36	\$34	\$30	10.14%	\$38	\$35	\$33	\$31	7.40%
York ⁵	\$379	\$349	\$313	\$285	11.07%	\$370	\$342	\$302	\$272	12.00%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 5 Average	4.78%	4.33%	3.85%	2.34%	36.47%	5.27%
Carlisle Regional ^{1,3,5,10}	15.19%	9.36%	9.17%	2.94%	37.88%	0.54%
Chambersburg ⁵	8.94%	8.64%	7.78%	2.57%	39.73%	2.76%
Community Lancaster ^{1,3,5,10,13}	5.64%	3.47%	8.33%	2.29%	34.68%	5.57%
Ephrata Community ⁵	3.43%	3.87%	6.36%	2.15%	32.58%	2.60%
Fulton County ⁵	1.61%	5.04%	2.71%	7.13%	43.37%	14.85%
Gettysburg ⁵	3.19%	-2.37%	0.70%	3.47%	38.61%	3.57%
Good Samaritan/Lebanon ⁵	1.29%	1.28%	3.70%	3.23%	52.46%	4.74%
Hanover	-1.04%	-0.21%	0.56%	2.65%	32.85%	1.24%
Holy Spirit ⁵	2.99%	0.85%	2.94%	2.02%	40.87%	2.92%
J C Blair Memorial ⁵	-11.31%	-5.43%	-3.98%	3.21%	41.07%	12.14%
Lancaster Gen/Susquehanna ^{5,11}	-58.71%	-58.68%	-25.90%	8.92%	34.42%	9.78%
Lancaster General ⁵	9.70%	10.08%	6.78%	2.52%	33.16%	4.61%
Lancaster Regional ^{1,3,5,10,13}	19.73%	10.85%	9.40%	0.76%	42.48%	2.42%
Memorial York	0.58%	0.87%	0.47%	2.24%	39.42%	10.41%
Milton S Hershey ⁵	2.23%	3.09%	1.77%	1.02%	29.75%	7.93%
Pinnacle Health ⁵	1.03%	2.16%	0.07%	2.13%	40.50%	5.96%
Waynesboro	3.14%	4.39%	3.34%	3.25%	37.56%	2.67%
York ⁵	5.42%	4.30%	6.21%	3.35%	33.88%	6.53%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 6 Average	\$65	\$62	\$58	\$55	5.73%	\$69	\$65	\$62	\$60	5.25%
Barnes Kasson County ^{1,5}	\$15	\$15	\$13	\$12	6.81%	\$17	\$16	\$14	\$13	8.02%
Community/Scranton ⁵	\$126	\$126	\$121	\$119	2.00%	\$133	\$134	\$129	\$121	3.20%
Geisinger Wyoming Valley ⁵	\$93	\$74	\$58	\$54	24.65%	\$91	\$77	\$62	\$56	20.63%
Hazleton General ^{1,5}	\$42	\$38	\$38	\$37	4.17%	\$43	\$40	\$41	\$40	3.06%
Hazleton St Joseph ¹	\$38	\$39	\$36	\$36	1.96%	\$41	\$39	\$38	\$38	2.88%
Marian Community ⁵	\$33	\$30	\$29	\$28	4.83%	\$34	\$32	\$30	\$30	4.67%
Memorial/Towanda ⁵	\$29	\$28	\$24	\$21	12.00%	\$29	\$27	\$24	\$21	11.79%
Mercy/Scranton ^{1,5}	\$116	\$110	\$103	\$102	4.67%	\$123	\$117	\$108	\$103	6.71%
Mercy/Wilkes-Barre ^{1,5}	\$73	\$75	\$71	\$70	1.52%	\$78	\$77	\$76	\$72	2.79%
Mid-Valley	\$10	\$9	\$9	\$10	1.62%	\$12	\$11	\$10	\$10	4.61%
Montrose General ¹	\$8	\$8	\$7	\$7	7.78%	\$9	\$8	\$8	\$8	6.63%
Moses Taylor ⁵	\$94	\$90	\$83	\$70	11.14%	\$103	\$96	\$87	\$77	11.65%
Pocono ⁵	\$116	\$102	\$86	\$82	14.25%	\$116	\$101	\$93	\$84	12.74%
Robert Packer ⁵	\$139	\$137	\$123	\$113	7.36%	\$149	\$145	\$134	\$127	5.86%
Troy Community	\$8	\$7	\$7	\$8	-1.37%	\$9	\$8	\$8	\$10	-2.54%
Tyler Memorial ¹³	\$21	\$21	\$19	\$17	6.21%	\$22	\$21	\$19	\$16	11.43%
Wayne Memorial ¹⁴	\$45	\$41	\$40	\$38	5.80%	\$49	\$46	\$43	\$40	8.01%
WVHCS ⁵	\$158	\$165	\$167	\$168	-1.95%	\$182	\$183	\$188	\$206	-3.97%

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 7 Average	\$142	\$126	\$114	\$105	11.83%	\$143	\$125	\$116	\$110	10.10%
Ashland Regional ^{1,3,5,10,14}	\$14	\$6	\$18	\$18	-7.25%	\$17	\$6	\$20	\$20	-4.23%
Easton ^{1,3,5,10,13}	\$145	\$31	\$115	\$107	11.85%	\$141	\$29	\$122	\$121	5.33%
Gnaden Huetten Memorial ^{5,13}	\$44	\$42	\$38	\$35	9.30%	\$44	\$40	\$37	\$34	9.23%
Good Samaritan Regional ⁶	\$55	\$52	\$49	\$48	5.24%	\$56	\$52	\$53	\$50	4.30%
Lehigh Valley ⁵	\$461	\$396	\$354	\$317	15.12%	\$476	\$407	\$372	\$353	11.62%
Lehigh Valley/Muhlenberg	\$79	\$63	\$56	\$45	25.32%	\$87	\$70	\$61	\$55	19.61%
Palmerton	\$26	\$26	\$23	\$21	9.39%	\$30	\$27	\$24	\$22	13.27%
Pottsville Warne Clinic ^{5,14}	\$61	\$56	\$52	\$48	9.04%	\$64	\$59	\$54	\$49	9.82%
Reading ⁵	\$368	\$332	\$304	\$274	11.46%	\$361	\$318	\$287	\$265	12.14%
Sacred Heart/Allentown ⁵	\$99	\$97	\$91	\$84	6.21%	\$102	\$98	\$98	\$93	3.49%
St Joseph MC/Reading ⁵	\$140	\$125	\$106	\$101	12.78%	\$132	\$116	\$102	\$100	10.48%
St Luke's Miners ⁵	\$30	\$28	\$27	\$27	3.79%	\$31	\$28	\$27	\$26	5.77%
St Luke's/Bethlehem ⁵	\$318	\$282	\$250	\$235	11.75%	\$316	\$281	\$250	\$237	11.03%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 6 Average	-2.27%	-1.57%	-1.06%	2.28%	44.62%	6.51%
Barnes Kasson County ^{1,5}	-3.99%	-6.11%	-1.99%	3.01%	40.31%	29.58%
Community/Scranton ⁵	-1.46%	-2.38%	-1.89%	2.15%	37.20%	7.92%
Geisinger Wyoming Valley ⁵	2.23%	2.24%	1.49%	1.47%	44.42%	2.59%
Hazleton General ^{1,5}	-3.81%	-4.30%	-2.15%	1.84%	60.19%	6.07%
Hazleton St Joseph ¹	-4.29%	-4.55%	-1.85%	2.71%	44.66%	7.36%
Marian Community ⁵	-1.39%	-1.01%	-0.78%	1.46%	48.00%	7.64%
Memorial/Towanda ⁵	2.69%	3.07%	4.77%	2.57%	33.00%	12.32%
Mercy/Scranton ^{1,5}	-3.65%	-4.12%	-3.72%	2.29%	45.07%	5.17%
Mercy/Wilkes-Barre ^{1,5}	-5.29%	-5.17%	-6.04%	2.04%	44.22%	7.10%
Mid-Valley	-12.97%	-12.74%	-10.18%	2.60%	53.20%	3.01%
Montrose General ¹	-7.31%	-7.15%	-3.89%	1.52%	48.89%	5.98%
Moses Taylor ⁵	-5.14%	-4.98%	-2.42%	2.02%	49.99%	7.06%
Pocono ⁵	2.17%	3.02%	0.86%	3.86%	44.00%	6.18%
Robert Packer ⁵	-1.35%	2.89%	4.17%	2.84%	44.83%	4.56%
Troy Community	-2.52%	-2.41%	-2.54%	5.06%	24.77%	13.04%
Tyler Memorial ¹³	-4.71%	-2.03%	1.43%	2.20%	35.37%	7.64%
Wayne Memorial ¹⁴	4.05%	4.82%	4.11%	2.83%	39.30%	4.51%
WVHCS ⁵	-5.98%	-4.97%	-4.08%	1.65%	48.21%	6.87%

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 7 Average	3.44%	4.03%	4.30%	4.46%	43.00%	7.62%
Ashland Regional ^{1,3,5,10,14}	-19.10%	-18.25%	-9.60%	2.42%	58.46%	11.30%
Easton ^{1,3,5,10,13}	4.28%	2.04%	0.63%	1.86%	48.39%	4.97%
Gnaden Huetten Memorial ^{5,13}	2.63%	2.85%	5.15%	2.43%	44.05%	13.70%
Good Samaritan Regional ⁶	0.95%	-2.11%	0.86%	1.80%	49.26%	2.00%
Lehigh Valley ⁵	2.73%	4.41%	4.44%	2.65%	39.84%	8.90%
Lehigh Valley/Muhlenberg	8.46%	9.50%	5.29%	2.52%	43.59%	2.89%
Palmerton	-4.69%	-1.92%	1.94%	3.30%	51.73%	2.55%
Pottsville Warne Clinic ^{5,14}	0.38%	0.38%	0.55%	2.24%	47.39%	8.79%
Reading ⁵	4.92%	5.29%	7.40%	2.12%	37.48%	4.24%
Sacred Heart/Allentown ⁵	1.67%	2.92%	0.94%	2.23%	50.73%	9.22%
St Joseph MC/Reading ⁵	6.96%	7.00%	7.34%	3.27%	43.18%	13.73%
St Luke's Miners ⁵	-1.40%	-1.39%	0.33%	2.94%	57.01%	10.62%
St Luke's/Bethlehem ⁵	3.27%	4.28%	4.00%	2.56%	44.04%	8.74%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 8 Average	\$131	\$113	\$104	\$96	10.28%	\$136	\$120	\$110	\$102	9.69%
Abington Memorial ⁵	\$390	\$348	\$312	\$288	11.90%	\$425	\$391	\$345	\$324	10.38%
Brandywine ^{1,3,5,10}	\$79	\$44	\$56	\$61	9.53%	\$82	\$44	\$62	\$71	5.14%
Central Montgomery ^{1,3,5,10}	\$56	\$27	\$52	\$43	9.97%	\$58	\$30	\$55	\$47	8.03%
Chester County ⁵	\$117	\$102	\$93	\$87	11.38%	\$123	\$115	\$101	\$92	10.98%
Crozer-Chester ⁵	\$465	\$431	\$394	\$360	9.74%	\$477	\$433	\$400	\$363	10.42%
Delaware County Memorial ⁵	\$142	\$131	\$116	\$104	12.20%	\$141	\$130	\$118	\$105	11.43%
Doylestown ⁵	\$142	\$133	\$107	\$86	21.33%	\$143	\$146	\$122	\$94	17.24%
Elkins Park ^{1,5,10,11,13}	\$38	\$35	\$36	\$46	-5.99%	\$71	\$44	\$45	\$49	15.14%
Grand View ⁵	\$104	\$96	\$86	\$77	11.69%	\$106	\$98	\$89	\$82	10.03%
Holy Redeemer ^{5,7}	\$148	\$135	\$119	\$112	10.71%	\$149	\$137	\$119	\$112	11.02%
Jennersville Regional ^{1,3,10,13}	\$35	\$7	\$26	\$23	18.38%	\$34	\$7	\$41	\$39	-3.96%
Main Line Bryn Mawr ^{5,13}	\$173	\$152	\$172	\$154	4.05%	\$180	\$158	\$175	\$160	4.05%
Main Line Lankenau ^{5,13}	\$229	\$199	\$180	\$166	12.67%	\$235	\$212	\$191	\$169	13.15%
Main Line Paoli ^{5,13}	\$100	\$80	\$67	\$62	20.32%	\$96	\$78	\$67	\$62	18.37%
Mercy Fitzgerald ^{1,5}	\$138	\$121	\$129	\$121	4.75%	\$159	\$146	\$136	\$128	8.04%
Mercy Suburban ^{1,5}	\$67	\$59	\$56	\$53	8.51%	\$68	\$62	\$56	\$55	8.07%
Montgomery ^{5,14}	\$85	\$75	\$70	\$71	6.35%	\$88	\$83	\$77	\$78	4.13%
Phoenixville ¹⁴	\$87	\$82	\$68	\$57	17.24%	\$88	\$78	\$64	\$57	18.26%
Pottstown Memorial ^{5,6,13}	\$102	\$92	\$83	\$72	13.97%	\$114	\$92	\$83	\$77	15.63%
Riddle Memorial ⁵	\$94	\$83	\$75	\$75	8.38%	\$98	\$90	\$82	\$76	9.70%
St Luke's Quakertown ⁵	\$26	\$23	\$21	\$21	7.86%	\$27	\$24	\$23	\$24	5.46%
St Mary ^{1,3,5}	\$172	\$71	\$133	\$115	16.53%	\$160	\$68	\$126	\$120	11.30%
Temple Lower Bucks ⁵	\$92	\$80	\$76	\$71	9.90%	\$96	\$84	\$82	\$78	7.68%
Warminster ^{1,5,10,13}	\$53	\$49	\$46	\$45	6.29%	\$57	\$50	\$46	\$46	7.68%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 8 Average	0.20%	1.38%	0.95%	1.63%	43.83%	5.30%
Abington Memorial ⁵	1.49%	3.92%	3.95%	1.06%	46.87%	2.63%
Brandywine ^{1,3,5,10}	0.47%	0.27%	-2.52%	2.09%	28.57%	5.81%
Central Montgomery ^{1,3,5,10}	-2.58%	0.19%	-2.00%	1.92%	39.66%	-0.09%
Chester County ⁵	-0.75%	-0.75%	-2.53%	2.15%	33.88%	4.71%
Crozer-Chester ⁵	0.42%	0.54%	1.41%	2.80%	39.95%	12.70%
Delaware County Memorial ⁵	2.02%	2.33%	2.09%	2.03%	47.56%	6.82%
Doylestown ⁵	1.69%	1.74%	-4.01%	1.28%	42.30%	1.71%
Elkins Park ^{1,5,10,11,13}	-83.84%	-51.98%	-26.38%	1.18%	49.15%	3.93%
Grand View ⁵	2.24%	5.22%	2.83%	1.32%	43.10%	2.41%
Holy Redeemer ^{5,7}	2.48%	3.93%	3.18%	0.44%	52.38%	2.28%
Jennersville Regional ^{1,3,10,13}	4.54%	3.00%	-4.64%	2.26%	30.48%	1.51%
Main Line Bryn Mawr ^{5,13}	1.42%	2.33%	1.75%	0.74%	45.03%	2.75%
Main Line Lankenau ^{5,13}	5.95%	4.36%	2.64%	1.02%	49.32%	4.27%
Main Line Paoli ^{5,13}	8.00%	11.58%	10.87%	0.98%	38.25%	1.13%
Mercy Fitzgerald ^{1,5}	-10.59%	-10.59%	-6.90%	2.42%	48.41%	11.17%
Mercy Suburban ^{1,5}	0.21%	0.21%	0.22%	2.33%	49.51%	6.16%
Montgomery ^{5,14}	-0.18%	0.61%	-1.57%	2.31%	49.72%	6.26%
Phoenixville ¹⁴	1.79%	2.64%	6.45%	1.50%	35.44%	1.66%
Pottstown Memorial ^{5,6,13}	-9.11%	-8.16%	-1.53%	2.70%	48.34%	5.61%
Riddle Memorial ⁵	2.98%	4.94%	1.08%	0.82%	37.75%	2.28%
St Luke's Quakertown ⁵	-1.69%	-0.86%	-2.61%	2.90%	40.26%	3.53%
St Mary ^{1,3,5}	8.39%	8.58%	7.53%	1.16%	44.81%	1.80%
Temple Lower Bucks ⁵	2.34%	2.79%	0.86%	2.44%	42.68%	9.96%
Warminster ^{1,5,10,13}	-5.30%	-3.28%	-1.33%	1.35%	52.69%	6.87%

See footnotes on pages 42 and 43.

Individual Hospital Data

Hospital	Net Patient Revenue NPR (million)				3-yr Avg Change in NPR FY00-FY03	Total Operating Expenses TOE (million)				3-yr Avg Change in TOE FY00-FY03
	FY03	FY02	FY01	FY00		FY03	FY02	FY01	FY00	
Region 9 Average	\$232	\$209	\$183	\$156	9.20%	\$239	\$218	\$190	\$164	8.28%
Albert Einstein ^{5,6,7}	\$344	\$322	\$320	\$311	3.52%	\$365	\$352	\$330	\$309	6.11%
Chestnut Hill	\$86	\$83	\$73	\$70	7.75%	\$93	\$88	\$75	\$73	9.12%
Children's Hosp Phila ^{7,14}	\$572	\$501	\$468	\$414	12.71%	\$653	\$578	\$521	\$462	13.71%
Frankford ^{5,6}	\$296	\$278	\$252	\$237	8.29%	\$298	\$284	\$250	\$234	9.19%
Graduate ^{1,5,10,13,14}	\$145	\$142	\$134	\$126	5.16%	\$144	\$134	\$127	\$121	6.26%
Hahnemann University ^{1,5,10,13}	\$397	\$356	\$292	\$265	16.65%	\$353	\$328	\$285	\$267	10.75%
Hospital Fox Chase Cancer	\$113	\$99	\$88	\$79	14.71%	\$108	\$95	\$85	\$77	13.43%
Hospital University PA ⁵	\$812	\$753	\$666	\$609	11.12%	\$790	\$736	\$670	\$665	6.27%
Jeanes ^{5,14}	\$100	\$81	\$75	\$75	11.24%	\$100	\$87	\$79	\$79	8.89%
Medical College PA ^{1,5,10,13,14}	\$183	\$169	\$150	\$153	6.72%	\$259	\$186	\$181	\$166	18.73%
Mercy Philadelphia ^{1,5}	\$97	\$81	\$83	\$75	9.84%	\$107	\$91	\$85	\$82	9.93%
Nazareth ^{1,3,5}	\$99	\$41	\$77	\$68	15.31%	\$98	\$41	\$76	\$74	10.95%
Parkview ^{1,5,10,11,13,14}	\$53	\$47	\$40	\$49	2.83%	\$74	\$54	\$49	\$52	13.62%
Pennsylvania ⁵	\$280	\$257	\$234	\$204	12.35%	\$293	\$266	\$237	\$230	9.19%
Roxborough Memorial ^{2,5,13,14}	\$22	\$44	\$44	\$42	NA	\$26	\$53	\$49	\$46	NA
St Agnes ^{1,3,5}	\$67	\$29	\$60	\$57	6.29%	\$76	\$34	\$65	\$61	8.25%
St Christopher's Children ^{1,10,13}	\$142	\$123	\$105	\$112	8.85%	\$123	\$112	\$101	\$113	2.99%
St Joseph's/Philadelphia	\$49	\$49	\$45	\$43	4.35%	\$54	\$52	\$48	\$46	6.08%
Temple East	\$85	\$78	\$71	\$71	6.88%	\$82	\$78	\$72	\$79	1.15%
Temple Univ Children's	\$42	\$30	\$31	\$29	15.62%	\$51	\$64	\$34	\$31	21.10%
Temple University ^{5,9}	\$575	\$456	\$406	\$336	23.69%	\$507	\$432	\$389	\$340	16.44%
Thomas Jefferson Univ ⁵	\$739	\$696	\$632	\$578	9.25%	\$768	\$722	\$655	\$591	9.97%
Univ PA/Presbyterian ^{5,14}	\$224	\$200	\$199	\$194	5.08%	\$249	\$230	\$214	\$189	10.46%
Wills Eye	\$19	\$28	\$36	\$55	-21.63%	\$40	\$49	\$57	\$73	-15.15%

Footnotes

1. The end of the fiscal year is not June 30. The data reflects the fiscal year that ended prior to June 30.
2. FY03 data is less than 12 months; therefore a three-year comparison is not appropriate for some of the measures.
3. Prior year(s) 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 startup period.
5. The hospital has specialty units such as psychiatric, rehabilitation, long-term care, skilled nursing, home health, etc., which are included in the data presented for the facility.
6. Extraordinary item(s) reported on audited financial statement was included in the calculation of total margin.
7. Balance sheet ratios are for the parent organization.
8. Acquired or merged with another licensed hospital during the FY03 reporting period.
9. Acquired or merged with another licensed hospital during the FY01 or FY02 reporting periods.

Individual Hospital Data

Hospital	Operating Margin FY03	Total Margin FY03	3-yr Average Total Margin FY01-FY03	Percent of Uncompensated Care FY03	Medicare Share of NPR FY03	Medical Assistance Share of NPR FY03
Region 9 Average	3.01%	3.15%	3.34%	2.37%	39.60%	17.01%
Albert Einstein ^{5,6,7}	0.04%	-4.36%	-0.09%	3.84%	46.39%	27.41%
Chestnut Hill ⁵	-3.86%	-3.35%	-1.56%	2.16%	44.28%	6.22%
Children's Hosp Phila ^{7,14}	4.87%	4.55%	5.01%	2.42%	0.24%	24.97%
Frankford ^{5,6}	3.43%	2.85%	3.22%	2.21%	44.59%	10.10%
Graduate ^{1,5,10,13,14}	3.60%	2.23%	3.98%	1.50%	46.96%	20.76%
Hahnemann University ^{1,5,10,13}	13.87%	8.60%	6.79%	1.79%	51.57%	15.04%
Hospital Fox Chase Cancer	5.22%	5.95%	4.96%	2.44%	34.31%	0.34%
Hospital University PA 5	7.77%	8.18%	8.22%	2.94%	26.73%	10.60%
Jeanes ^{5,14}	4.15%	5.64%	3.86%	1.26%	51.81%	4.00%
Medical College PA ^{1,5,10,13,14}	-34.19%	-21.20%	-10.63%	2.50%	48.53%	24.04%
Mercy Philadelphia ^{1,5}	-4.61%	-4.61%	-1.15%	5.23%	45.32%	31.74%
Nazareth ^{1,3,5}	2.24%	2.44%	2.43%	2.03%	69.40%	3.48%
Parkview ^{1,5,10,11,13,14}	-25.93%	-16.08%	-11.14%	4.26%	44.36%	30.77%
Pennsylvania ⁵	1.43%	1.44%	5.40%	1.72%	33.96%	9.13%
Roxborough Memorial ^{2,5,13,14}	-19.04%	-12.88%	-8.70%	2.18%	NR	NR
St Agnes ^{1,3,5}	-8.15%	-8.22%	-6.43%	3.65%	68.67%	10.68%
St Christopher's Children ^{1,10,13}	15.94%	9.88%	7.72%	1.57%	4.23%	44.87%
St Joseph's/Philadelphia	-9.11%	-8.62%	-5.12%	14.86%	41.63%	51.06%
Temple East	5.74%	5.94%	4.24%	1.33%	52.11%	27.12%
Temple Univ Children's	-11.09%	-11.04%	-31.79%	1.83%	1.53%	56.21%
Temple University ^{5,9}	13.86%	15.67%	12.05%	2.41%	30.49%	33.72%
Thomas Jefferson Univ ⁵	1.94%	2.68%	2.48%	1.80%	36.58%	10.43%
Univ PA/Presbyterian ^{5,14}	-5.34%	-5.33%	-4.76%	2.54%	38.37%	14.34%
Wills Eye	-39.32%	-25.75%	-27.64%	6.87%	32.42%	3.84%

10. For-profit facility; total margin includes *pro rata* share of taxes, other gains and/or expenses experienced by the parent organization.

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

11. Facility is referred to by a different name or it closed after FY03 reporting period.

NA – Not applicable.

12. Facility failed to satisfy the financial filing requirements.

13. One or more of the required financial submissions was filed late.

14. Facility submitted incomplete or inaccurate data.

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

Commercial Third-Party Payors: Commercial insurers encompass all indemnity and managed care health insurance plans, including Blue Cross and Blue Shield plans, and hospital and health care system plans. Does not include government-funded programs.

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

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 different fiscal year.

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

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

(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.

(operating income / total operating revenue)

Outpatient Visits: The number of visits to the individual outpatient units of the hospital during the fiscal year. Outpatient visits do not reflect visits made by hospital staff to patients' homes.

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

Three-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the hospital's NPR or TOE that occurred from the end of FY99 through FY02.

$((\text{NPR}_{03} - \text{NPR}_{00}) / \text{NPR}_{00}) / 3$ or $((\text{TOE}_{03} - \text{TOE}_{00}) / \text{TOE}_{00}) / 3$

Three-year Average Total Margin: The average total margin realized by the hospital during FY01 through FY03.

$(\sum \text{revenue over expenses}_{03,02,01} / \sum \text{total revenue}_{03,02,01})$

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

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

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

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

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

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

Percent of Uncompensated Care: This is the ratio of uncompensated care (charity care and bad debt) to the total care provided by the hospital. Charity care is the care a hospital provides without charge because the patient is unable to compensate the hospital through third-party coverage or the patient's own resources. Bad debt 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. This rate can be used to express uncompensated care as a percent of total charges or as an estimate of the percent of total net patient revenue.

(charity care charges + bad debt charges) / total charges

Non-Compliant Hospitals

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

No Submission

Metro Health Center
St Francis New Castle
St Francis

Late Submission

Aliquippa Community
Bloomsburg
Brownsville General
Community Lancaster
Corry Memorial
Easton
Elkins Park
Gnaden Huetten Memorial
Graduate
Hahnemann University
Jameson Memorial
Jennersville Regional
Jersey Shore
Lancaster Regional
Lock Haven
Main Line Bryn Mawr
Main Line Lankenau
Main Line Paoli
Meadville
Medical College PA
Monsour
Parkview
Philipsburg Area
Pottstown Memorial
Roxborough Memorial
St Christopher's Children
Tyler Memorial
Tyrone
UPMC Lee Regional
Warminster

Hospitals with Fiscal Year-End other than 6/30/03

Ashland Regional	12/31/2002
Barnes Kasson County	9/30/2002
Berwick	12/31/2002
Bon Secours Holy Family	8/31/2002
Brandywine	12/31/2002
Carlisle Regional	9/30/2002
Central Montgomery	12/31/2002
Community Lancaster	9/30/2002
Easton	12/31/2002
Elkins Park	12/31/2002
Graduate	12/31/2002
Hahnemann University	12/31/2002
Hazleton General	12/31/2002
Hazleton St Joseph	12/31/2002
Jennersville Regional	12/31/2002
Lancaster Regional	9/30/2002
Medical College PA	12/31/2002
Mercy Fitzgerald	12/31/2002
Mercy Philadelphia	12/31/2002
Mercy Pittsburgh	12/31/2002
Mercy Providence	12/31/2002
Mercy Suburban	12/31/2002
Mercy/Scranton	12/31/2002
Mercy/Wilkes-Barre	12/31/2002
Montrose General	12/31/2002
Nazareth	12/31/2002
Parkview	12/31/2002
St Agnes	12/31/2002
St Christopher's Children	12/31/2002
St Mary	12/31/2002
Warminster	12/31/2002



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For More Information

Additional financial and utilization data for Fiscal Year 2003 and prior years may be purchased. For more information, contact PHC4's Data Requests Unit.

The information contained in this report and other PHC4 publications are available on our Web site www.phc4.org.