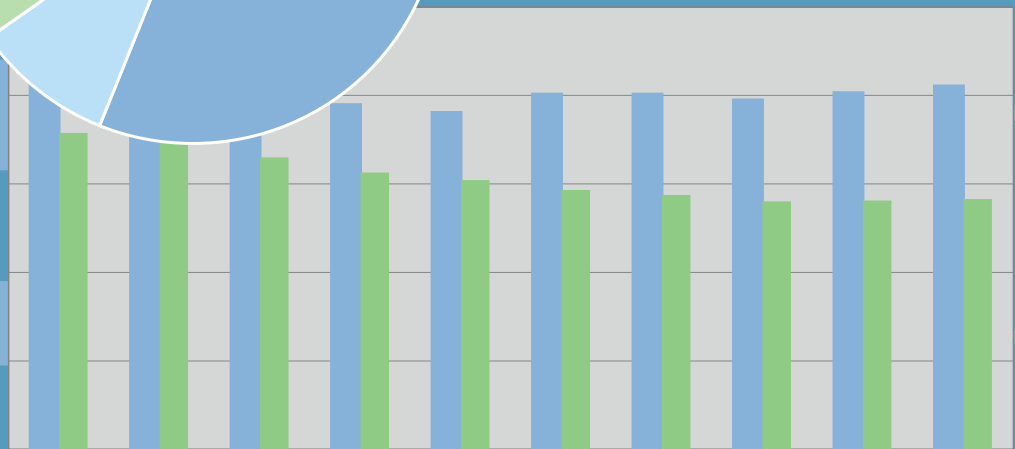
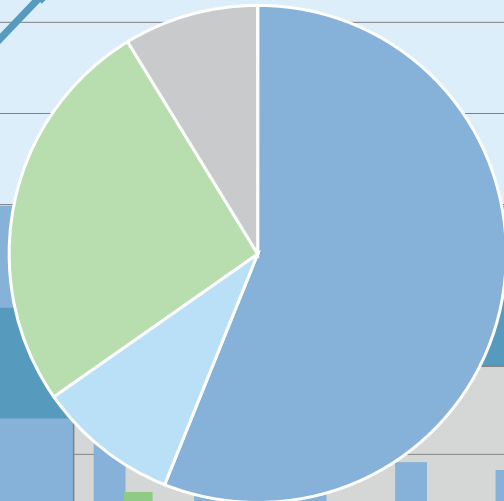
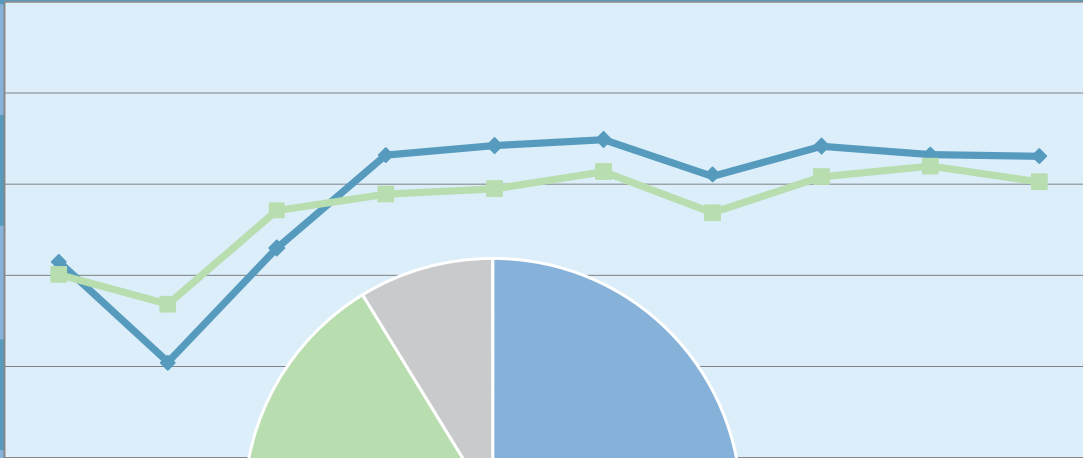


An Annual Report on the Financial Health
of Pennsylvania's Non-GAC Hospitals

FINANCIAL ANALYSIS 2012

Volume Three:

Rehabilitation • Psychiatric • Long-Term Acute Care • Specialty



Pennsylvania Health Care Cost Containment Council

December 2013



About PHC4

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

The primary goal is to empower purchasers of health care benefits, such as businesses and labor unions, as well as other stakeholders, with information they can use to improve quality and restrain costs. Nearly 100 organizations and individuals annually utilize PHC4's special requests process to access and use data. More than 840,000 public reports on patient treatment results are downloaded from the PHC4 website annually. Today, PHC4 is a recognized national leader in public health care reporting.

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

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Non-Compliant Hospitals

Late Submission

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

- First Wyoming Valley
- Lancaster Rehab Hospital
- Montgomery Cty ES
- Penn State Hershey Rehab
- Select Specialty/Camp Hill
- Select Specialty/Danville
- Select Specialty/Erie
- Select Specialty/Harrisburg
- Select Specialty/Johnstown
- Select Specialty/Laurel
- Select Specialty/McKeesport
- Select Specialty/UPMC
- Select Specialty/York

Introduction

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

This is the third volume of a three-volume series. *Volume One*, released in May 2013, focused on the financial health of Pennsylvania’s general acute care (GAC) hospitals. *Volume Two*, released in November 2013, concentrated on Pennsylvania’s ambulatory surgery centers (ASCs). This report, *Volume Three*, focuses on Pennsylvania’s rehabilitation hospitals, psychiatric hospitals, state psychiatric hospitals, long-term acute care hospitals, and specialty hospitals (non-GAC hospitals). The total number of hospitals that operated in Pennsylvania during fiscal year 2012 (FY12) is listed in Table 1.

TABLE 1
Number of Facilities, FY12
by Facility Type

Facility Type	Number of Facilities
General Acute Care Hospitals	171
Rehabilitation Hospitals	19
Psychiatric Hospitals	19
State Psychiatric Hospitals	6
Long-Term Acute Care Hospitals	27
Specialty Hospitals	5
Total	247

Key Findings

- The statewide average operating margin for the state’s rehabilitation hospitals improved 0.95 percentage points from 13.7% in FY11 to 14.65% in FY12. The statewide average total margin decreased 0.88 percentage points from 13.45% in FY11 to 12.57% in FY12.
- Statewide, the number of rehab patient days increased 1.3% during FY12.
- The freestanding psychiatric hospitals as a group posted a 0.07 percentage point decrease in the statewide average operating margin, from 5.3% in FY11 to 5.23% in FY12. The statewide average total margin decreased 0.69 of a percentage point, from 4.79% in FY11 to 4.1% in FY12.
- The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW’s six state psychiatric hospitals provided 25.2% of all patient days of psychiatric care during FY12. In addition, the Medical Assistance (MA) program provided 53.9% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY12.
- The statewide average operating margin for the long-term acute care (LTAC) hospitals increased 0.82 of a percentage point, from 5.94% in FY11 to 6.76% in FY12. The statewide average total margin increased 1.19 of a percentage point, from 4.68% in FY11 to 5.87% in FY12.
- LTAC hospitals received 74.6% of their patient revenue from Medicare patients during FY12.

INTRODUCTION

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

The reporting year for the non-GAC hospitals in this report is based on each facility's fiscal year that ended during 2012. The fiscal year for the majority of non-GAC hospitals is the calendar year ending on December 31, 2012. For those hospitals that do not utilize a calendar year, the fiscal year typically ended on June 30, 2012.

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

Hospital-specific financial data for the non-GAC hospitals that reported data and operated during FY12 are presented in tables at the end of each provider category section. Included in these tables are the FY12 operating and total

margins for each individual hospital. Each hospital's corresponding operating income, total income and total operating revenue, expressed in dollars, can be found on PHC4's website at www.phc4.org. (Note: Other operating revenue must be included with net patient revenue to calculate the operating income that is used for operating margin.)

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

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

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

Overview

General acute care (GAC) hospitals (including their hospital-based subunits) are the predominate providers of hospital-based health care in Pennsylvania. During fiscal year 2012 (FY12), GAC hospitals received 95.6% of the statewide net patient revenue (Figure 1). GAC hospitals treated 94.5% of the patients receiving inpatient care (Figure 2). Similarly, the 40.7 million outpatient visits reported by the GAC hospitals represent 94.7% of the total outpatient visits to all hospitals (Figure 3). The four types of non-GAC hospitals covered in this report treated 5.5% of the patients receiving inpatient care. They received 5.3% of the outpatient visits.

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

FIGURE 1
Net Patient Revenue, FY12
by Facility Type*

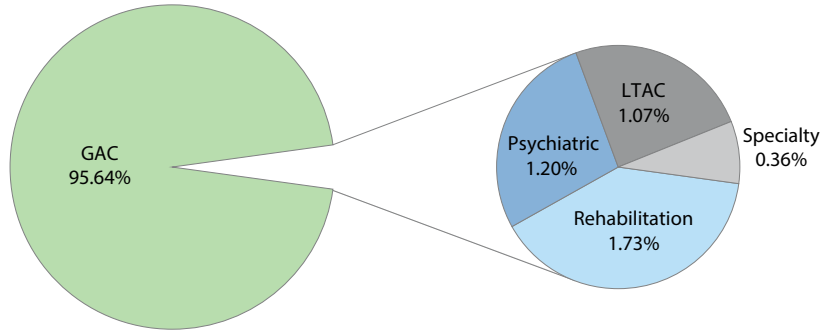


FIGURE 2
Discharges, FY12
by Facility Type*

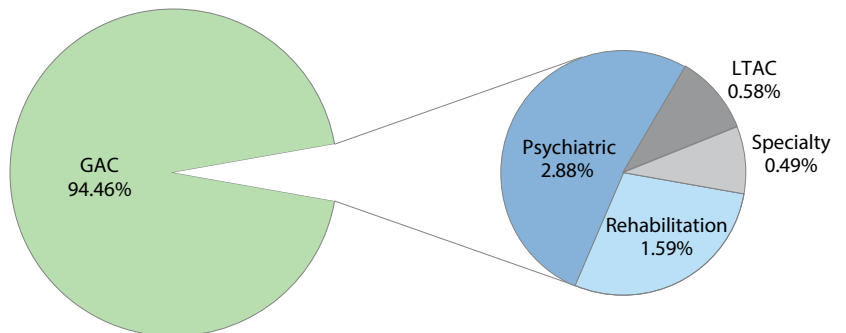
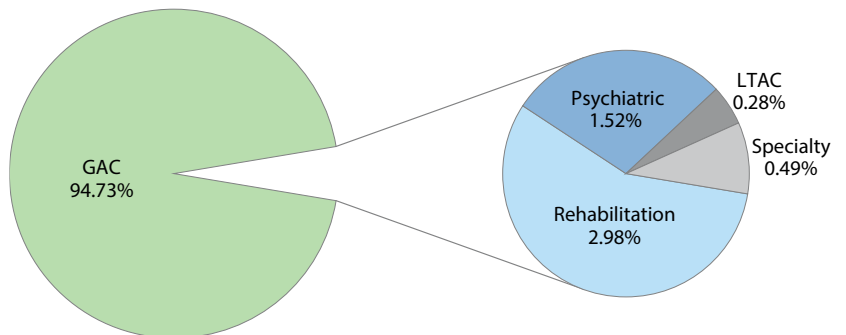


FIGURE 3
Outpatient Visits, FY12
by Facility Type*



* Excludes state psychiatric hospitals

OVERVIEW

TABLE 2
Patient Days, FY12
by Type of Care

Type of Services	Patient Days
Medical-Surgical	7,426,745
Rehabilitation	693,616
Psychiatric *	1,528,204
Other	605,682
Statewide*	10,254,247

FIGURE 4
Patient Days, FY12
by Type of Care

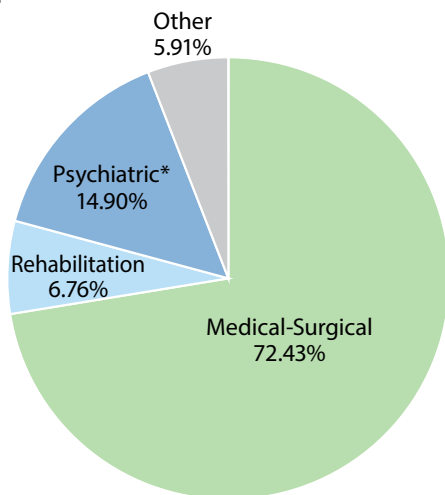


TABLE 3
Utilization and Net Inpatient Revenue, FY12
by Facility Type*

Facility Type	Staffed Beds	Patient Days	Discharges	Net Inpatient Revenue (thousands)	Average Inpatient Revenue Per Day	Average Inpatient Revenue Per Discharge
General Acute Care Hospitals	36,768	8,744,057	1,687,712	\$21,130,352	\$2,417	\$12,520
Rehabilitation Hospitals	1,768	426,298	28,428	\$549,823	\$1,290	\$19,341
Psychiatric Hospitals	2,264	676,359	51,512	\$399,760	\$591	\$7,761
Long-Term Acute Care Hospitals	1,323	267,138	10,359	\$391,636	\$1,466	\$37,806
Specialty Hospitals	458	140,395	8,776	\$64,004	\$456	\$7,293
Statewide	42,581	10,254,247	1,786,787	\$22,535,575	\$2,198	\$12,612

* Excludes state psychiatric hospitals

statewide psychiatric care includes services provided at freestanding psychiatric, GAC, LTAC and specialty hospitals.

Table 3 displays the differences in the average revenue per day and revenue per discharge at the different types of hospitals. While a number of factors affect the revenue that hospitals receive, the variation in the average revenue per day provides some indication of the differences in resources required to treat patients in the different facility settings. For example, the revenue per day at rehabilitation hospitals is more than double the average for psychiatric hospitals. This exists, in large part, because rehabilitation hospitals generally provide care that is more resource intensive than psychiatric hospitals. In addition, Figure 5 reveals that the average age of patients treated at rehabilitation facilities is more than twice the average age of patients at psychiatric hospitals. Typically, older patients require more resources than younger patients being treated for the same condition.

Applying the differences in the average lengths of stay presented in Figure 6 to the

OVERVIEW

variations in the average revenue per day results in large differences in the average revenue per discharge across the different hospital settings. The average revenue per discharge during FY12 ranged from \$7,293 at specialty hospitals to \$37,806 at LTAC hospitals. LTAC hospitals treat complex medical conditions that require continuous care.

There is also a variation in the average outpatient revenue per visit across all facilities (Table 4). As with inpatient care, a primary reason for the diversity in outpatient revenue per visit among the facility types is the variation in level of resources provided per visit. A patient may receive care as a series of visits comprised of relatively short treatments (e.g., psychotherapy)

TABLE 4
Outpatient Visits and Net Outpatient Revenue, FY12
by Facility Type*

Facility Type	Outpatient Visits	Net Outpatient Revenue (thousands)	Average Outpatient Revenue Per Visit
General Acute Care Hospitals	40,655,219	\$16,215,038	\$399
Rehabilitation Hospitals	1,280,261	\$126,591	\$99
Psychiatric Hospitals	650,534	\$68,993	\$106
Long-Term Acute Care Hospitals	118,434	\$26,584	\$224
Specialty Hospitals	211,616	\$77,030	\$364
Statewide	42,916,064	\$16,514,237	\$385

FIGURE 5
Average Inpatient Patient Age, FY12
by Facility Type*

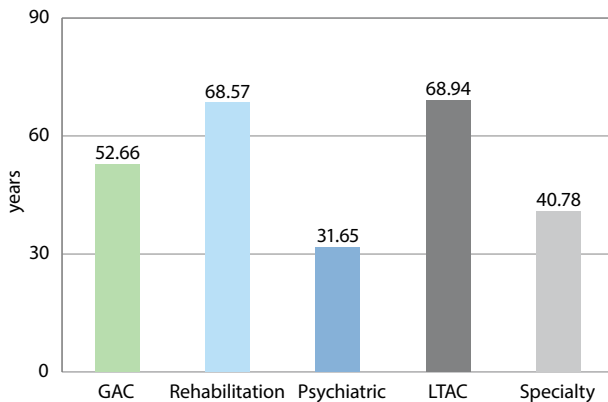
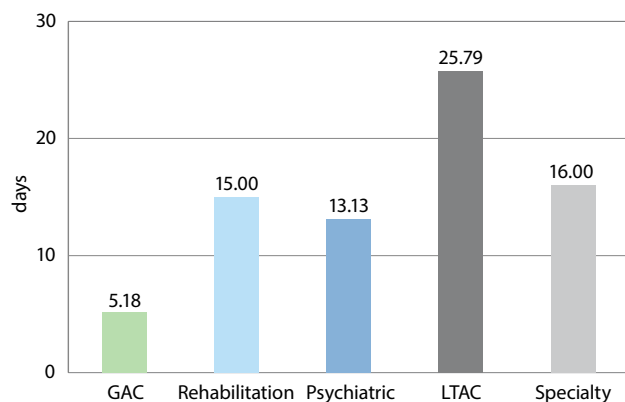


FIGURE 6
Average Length of Stay, FY12
by Facility Type*



* Excludes state psychiatric hospitals

OVERVIEW

in a hospital outpatient setting, while a patient at an another hospital outpatient setting may be subject to an entire surgical procedure during a single visit. The average revenue per visit at GAC hospitals reflects reimbursements for a wide range of outpatient services. Statewide, inpatient revenue per discharge increased from \$12,267 in FY11 to \$12,612 in FY12 and outpatient revenue per visit increased from \$359 in FY11 to \$385 in FY12.

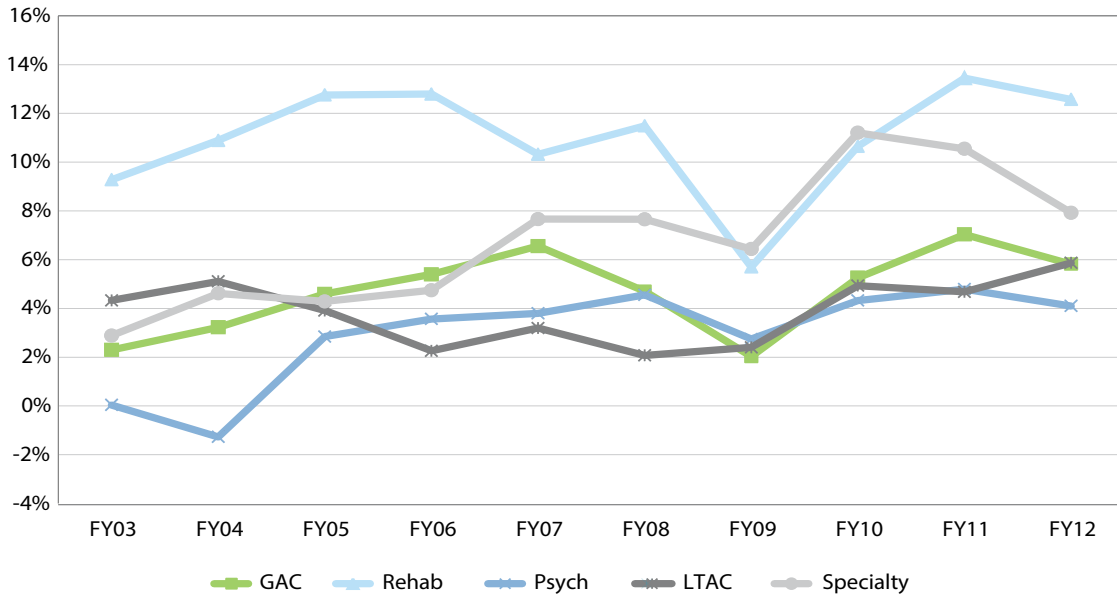
The statewide average total margins experienced by each facility type during the past ten years are displayed in Figure 7. The FY11 statewide average total margins for GAC hospitals, rehabilitation hospitals and psychiatric hospitals were the highest average total margin each posted over the last ten years. The statewide average total margin for specialty hospitals peaked in FY10

and long-term acute care hospitals peaked in FY12.

GAC hospitals' average total margin declined in both FY08 and FY09, before it improved 3.23 percentage points during FY10 and 1.78 percentage points in FY11 with a decline in FY12. The average total margins of LTAC hospitals as a group have declined from FY04, but improved slightly during FY09 and FY10 before declining in FY11 and then increasing to a new ten year high of 5.87% in FY12. The statewide average total margins for rehabilitation hospitals as a group have declined from FY04, but improved slightly during FY09 and FY10 before declining in FY11 and then increasing to a new ten year high of 5.87% in FY12. The statewide average total margins for psychiatric hospitals ranged from 5.7% in FY09 to 13.45% in FY11.

Uncompensated care as a percent of net patient revenue in FY12 ranged from 0.46% to 1.85% among the various non-GAC hospital categories (Figure 9).

FIGURE 7
Total Margin
by Fiscal Year and Facility Type*



* Excludes state psychiatric hospitals

OVERVIEW

FIGURE 8
Total Margin, FY12
by Facility Type*

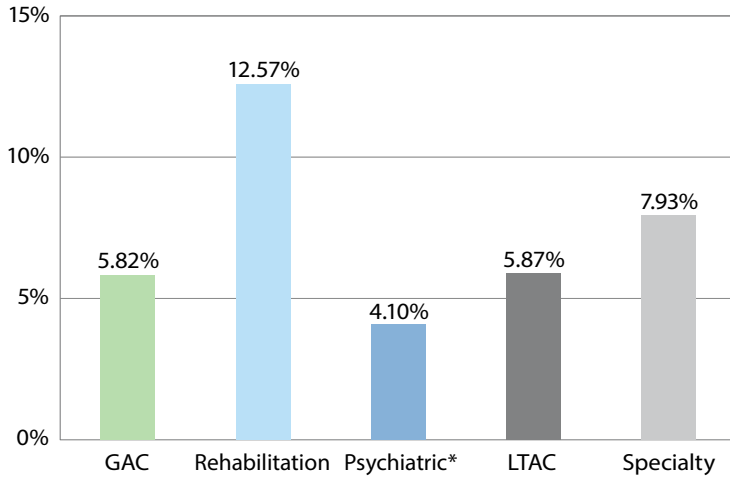
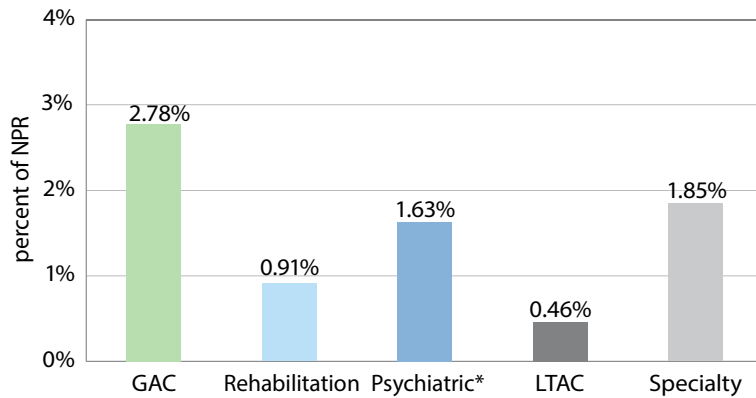


FIGURE 9
Percent of Uncompensated Care, FY12
by Facility Type*



* Excludes state psychiatric hospitals

REHABILITATION

Rehabilitation

Highlights

- The statewide average operating margin for the state's rehabilitation hospitals improved 0.95 percentage points from 13.7% in FY11 to 14.65% in FY12. The statewide average total margin decreased 0.88 percentage points from 13.45% in FY11 to 12.57% in FY12.
- Statewide, the number of rehab patient days increased 1.3% during FY12.

Rehabilitation Care

There were 19 freestanding rehabilitation hospitals in Pennsylvania during fiscal year 2012 (FY12). Table 5 displays the utilization and capacity for rehabilitation hospitals. In addition to providing rehabilitation services, two of the hospitals also provided skilled nursing care.

Rehabilitation hospitals provided care to 53.8% of the patients admitted for inpatient rehab care statewide in FY12. The remaining 46.2% received care at the rehab units that operated as part of a general acute care (GAC) hospital. Sixty (35%) of Pennsylvania's GAC hospitals operated rehab units in FY12.

TABLE 5
Utilization and Capacity, FY12
by Rehabilitation Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Allied Services	21,325	49,410	43.16%	2,124	135	10.0
Children's Inst Pgh	11,932	26,352	45.28%	400	72	29.8
Crichton Rehab Center	9,613	14,274	67.35%	658	39	14.6
Geisinger HealthSouth	11,773	15,372	76.59%	942	42	12.5
Good Shepherd Rehab	29,033	37,332	77.77%	1,908	102	15.2
HealthSouth Altoona	25,281	29,200	86.58%	1,842	80	13.7
HealthSouth Erie	22,431	39,528	56.75%	1,709	108	13.1
HealthSouth Harmarville	43,925	73,932	59.41%	2,485	202	17.7
HealthSouth Mechanicsburg	18,430	27,450	67.14%	1,458	75	12.6
HealthSouth Nittany	13,305	26,718	49.80%	1,034	73	12.9
HealthSouth Reading	15,372	21,960	70.00%	1,120	60	13.7
HealthSouth Sewickley	12,007	16,104	74.56%	797	44	15.1
HealthSouth York	19,635	32,940	59.61%	1,351	90	14.5
John Heinz Rehab	26,987	33,672	80.15%	2,007	92	13.4
Lancaster Rehab Hospital	18,154	21,594	84.07%	1,215	59	14.9
Magee Rehab	28,197	35,136	80.25%	1,113	96	25.3
Main Line Bryn Mawr Rehab	39,230	54,168	72.42%	2,714	148	14.5
Moss Rehab	42,323	72,102	58.70%	2,507	197	16.9
Penn State Hershey Rehab	17,345	19,764	87.76%	1,044	54	16.6

REHABILITATION

In addition to treating the majority of the rehab patients in FY12, rehabilitation hospitals had more patient days and a longer average length of stay (ALOS) than GAC rehab units. During FY12, rehabilitation hospitals provided 59.2% of the statewide patient days of acute rehab care, compared to 40.8% from GAC rehab units. The ALOS for rehab patients at rehabilitation hospitals was 14.8 days, compared to 11.9 days at GAC rehab units.

Trends in Rehabilitation Care

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

FIGURE 10
Rehab Discharges
by Facility Type

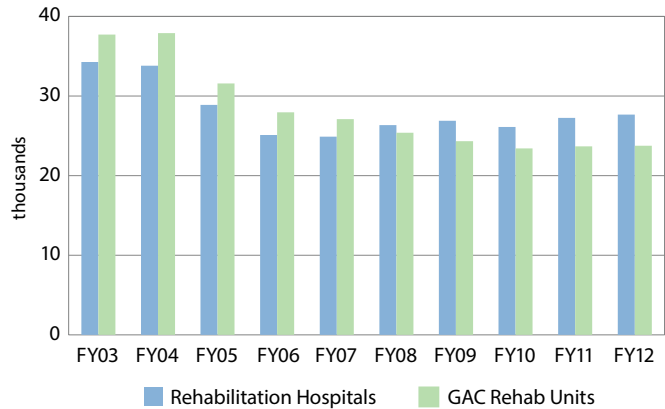


TABLE 6

Utilization and Capacity of Rehab Care by Facility Type

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Patient Days										
Rehabilitation Hospitals	485,098	474,804	434,219	389,451	380,679	401,255	401,346	394,710	403,160	410,670
GAC Rehab Units	357,726	368,195	329,993	312,871	304,191	292,948	287,478	280,269	281,361	282,946
Statewide	842,824	842,999	764,212	702,322	684,870	694,203	688,824	674,979	684,521	693,616
Discharges										
Rehabilitation Hospitals	34,255	33,812	28,868	25,094	24,904	26,353	26,884	26,098	27,250	27,668
GAC Rehab Units	37,713	37,899	31,577	27,942	27,097	25,386	24,315	23,423	23,672	23,765
Statewide	71,968	71,711	60,445	53,036	52,001	51,739	51,199	49,521	50,922	51,433
Beds										
Rehabilitation Hospitals	1,757	1,827	1,734	1,577	1,656	1,712	1,664	1,718	1,699	1,707
GAC Rehab Units	1,478	1,543	1,391	1,411	1,306	1,270	1,255	1,227	1,204	1,200
Statewide	3,235	3,370	3,125	2,988	2,962	2,982	2,919	2,945	2,903	2,907
Occupancy Rate										
Rehabilitation Hospitals	76.56%	72.29%	67.51%	67.66%	63.68%	65.31%	66.11%	63.84%	65.24%	65.74%
GAC Rehab Units	66.25%	66.11%	63.71%	62.95%	63.57%	64.70%	64.69%	63.87%	64.19%	64.88%
Statewide	71.82%	69.46%	65.82%	65.48%	63.63%	65.05%	65.51%	63.85%	64.80%	65.39%
Average Length of Stay										
Rehabilitation Hospitals	14.2	14.0	15.0	15.5	15.3	15.2	14.9	15.1	14.8	14.8
GAC Rehab Units	9.5	9.7	10.5	11.2	11.2	11.5	11.8	12.0	11.9	11.9
Statewide	11.7	11.8	12.6	13.2	13.2	13.4	13.5	13.6	13.4	13.5

REHABILITATION

FIGURE 11
Rehab Patient Days
by Facility Type

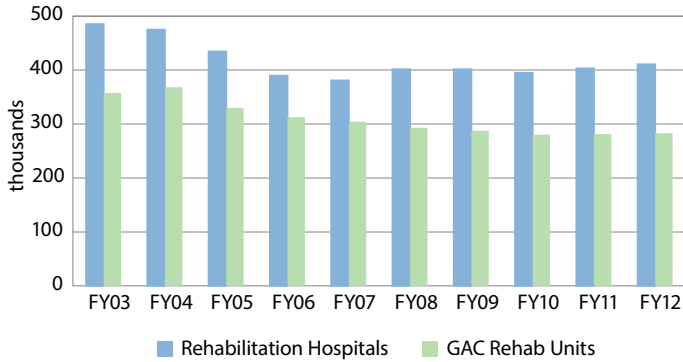


FIGURE 12
Average Length of Stay for Rehab Care
by Facility Type

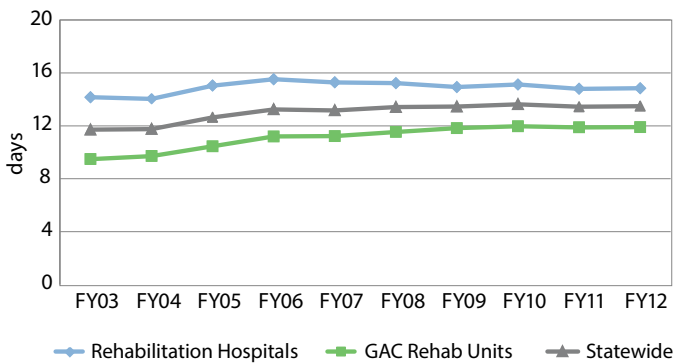
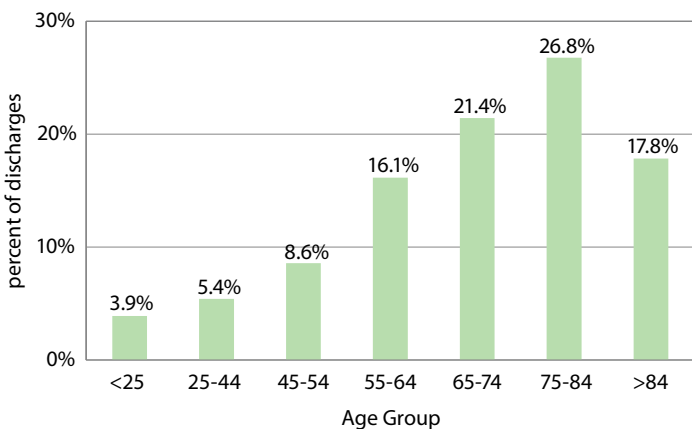


FIGURE 13
Inpatient Age Distribution at Rehabilitation Hospitals, FY12
by Age Group



combined increased 1% during FY12. The number of patients discharged for rehab care increased 0.4% at GAC rehab units and increased 1.5% at rehabilitation hospitals in FY12.

The number of statewide rehab discharges decreased 28.5% from FY03 to FY12, an average of 3.2% per year. The number of discharges at GAC rehab units declined 37% from FY03 to FY12, an average decline of 4.1% per year. The number of rehab discharges at rehabilitation hospitals declined 19.2% from FY03 to FY12, an average of 2.1% per year.

The GAC rehab units and rehabilitation hospitals combined experienced a 1.3% increase in the number of rehab patient days during FY12. The number of statewide rehab patient days decreased 17.7% from FY03 to FY12. The number of patient days at GAC rehab units declined 20.9% from FY03 to FY12, an average decline of 2.3% per year. The number of rehab patient days at rehabilitation hospitals decreased 15.3% from FY03 to FY12, an average of 1.7% per year.

In FY12, the statewide ALOS for rehab care was 13.5 days, (Table 6 & Figure 12). The ALOS for patients receiving rehab care at rehabilitation hospitals has changed marginally over the past decade; the ALOS ranged from 14 to 15.5 days. The ALOS for patients that received rehab care at GAC rehab units has changed by 2.5 days over the ten-year period, ranging from 9.5 to 12 days.

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

REHABILITATION

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

Rehabilitation hospitals serve a predominately elderly population; 66% of the patients at these hospitals were 65 years or older in FY12 (Figure 13). While care for elderly patients dominates the number of discharges at rehabilitation hospitals, younger patients experience much longer stays. During FY12, patients in the under-25 and the 25-44 age groups

had an ALOS of 25.2 and 19.2 days, respectively (Figure 14). In contrast, patients in the age groups over 65 had shorter stays of approximately 13.8 days on average.

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

FIGURE 14
Average Length of Stay at Rehabilitation Hospitals, FY12
by Age Group

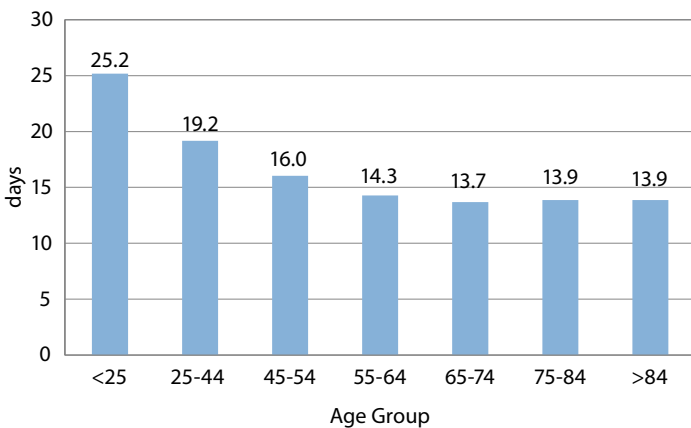


TABLE 7
Average Inpatient Age at Rehabilitation Hospitals, FY12
by Payer

Payer	Average Age
Commercial	52.35
Medicare	76.12
Medical Assistance	43.38
Other	57.20
Statewide	68.57

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TABLE 8
Net Patient Revenue at Rehabilitation Hospitals
 by Payer

	Net Patient Revenue* (thousands)	
	FY11	FY12
Commercial		
Indemnity	\$81,620	\$78,901
Managed Care	\$93,039	\$96,769
Total	\$174,659	\$175,669
Medicare		
Indemnity	\$303,541	\$317,857
Managed Care	\$57,145	\$61,648
Total	\$360,686	\$379,506
Medical Assistance		
Indemnity	\$26,967	\$28,575
Managed Care	\$27,342	\$33,414
Total	\$54,309	\$61,989
Other	\$56,237	\$59,249
Statewide	\$645,891	\$676,414

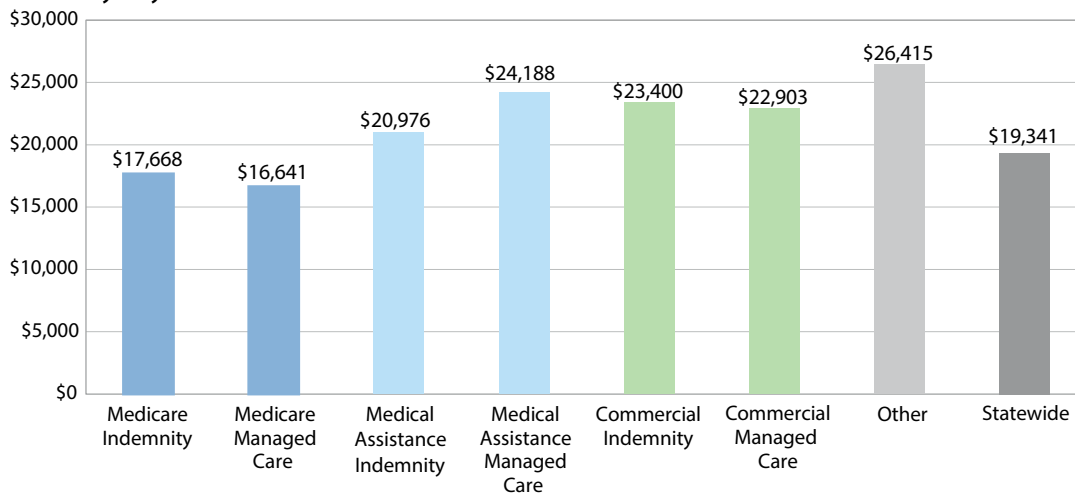
* May not sum to equal totals due to rounding.

Rehabilitation Hospitals – Financial Profile

Net patient revenue (NPR) increased 4.7% at rehabilitation hospitals from \$645.9 million in FY11 to \$676.4 million in FY12 (Table 8). Medicare provided 56.1% of the NPR at rehabilitation hospitals in FY12 (Figure 18). In FY12, statewide operating revenue at the rehabilitation hospitals grew 4.1%. The average inpatient revenue per discharge increased 3.2% from \$18,738 in FY11 to \$19,341 in FY12. The average inpatient revenue per day increased 2.6% from \$1,257 in FY11 to \$1,290 in FY12.

The rehabilitation hospitals experienced a 2.2% increase in the number of discharges with Medicare as the payer. The 2.6% increase in the revenue per day from Medicare, coupled with the 2.2% increase in the number of Medicare discharges, resulted in Medicare inpatient revenues increasing by 5.2% in FY12. Sixty-two percent of the \$30.5 million growth in rehabilitation hospitals total NPR resulted from revenue received from Medicare.

FIGURE 15
Average Net Inpatient Revenue per Discharge at Rehabilitation Hospitals, FY12
 by Payer



REHABILITATION

The highest percent increases in revenue per day and revenue per discharge that rehabilitation hospitals experienced came from Medical Assistance (MA). The increases in revenue per day and revenue per discharge from the MA program resulted in part from the passage of Pennsylvania Act 49 of

2010, which modernized MA payments. Prior to Act 49, MA payments to hospitals were based on the Diagnosis-Related Group (DRG) classification system, developed by the federal government for use with the Medicare program. The implementation of Pennsylvania Act 49 modernized the Common-

FIGURE 16
Average Net Inpatient Revenue per Day at Rehabilitation Hospitals, FY12
 by Payer

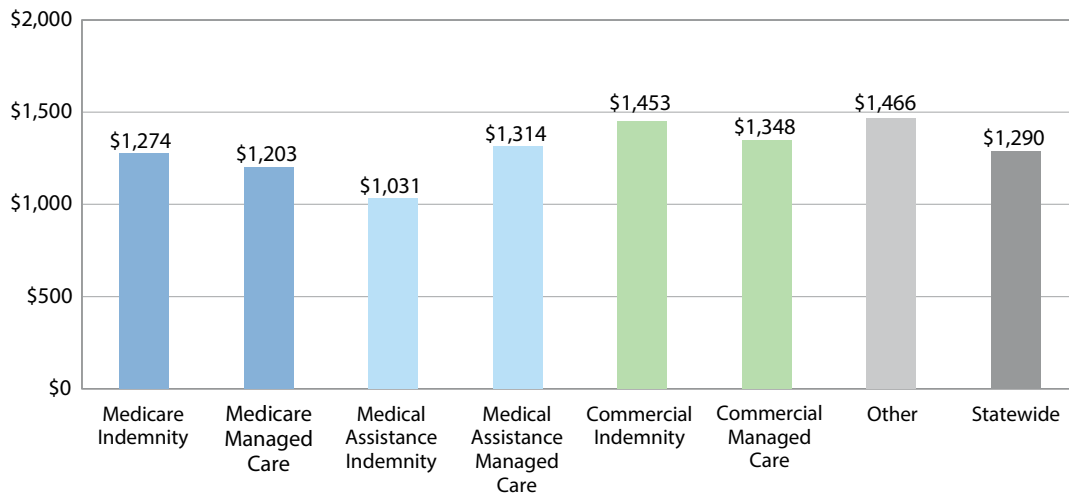
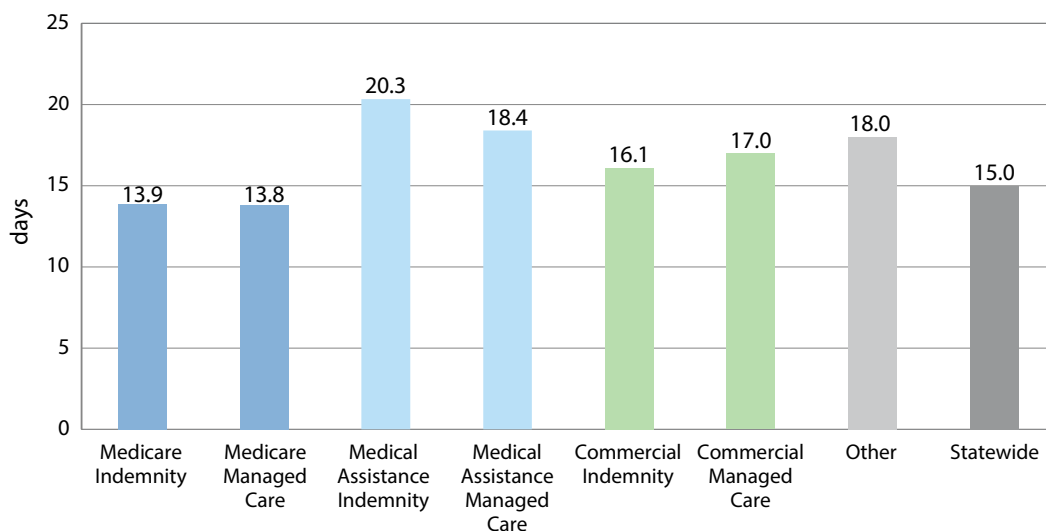


FIGURE 17
Average Length of Stay at Rehabilitation Hospitals, FY12
 by Payer



REHABILITATION

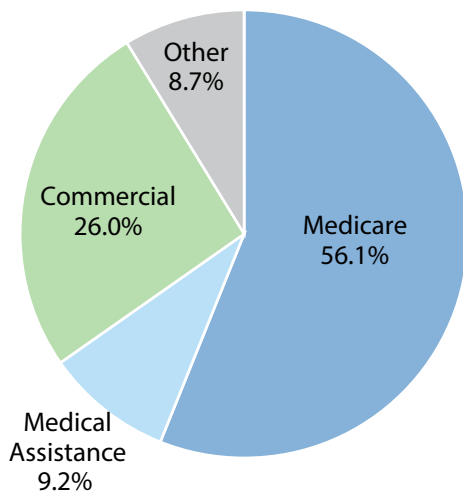
TABLE 9
Revenue, Expenses, and Income at Rehabilitation Hospitals*
 by Fiscal Year (*thousands*)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Net Patient Revenue	\$562,271	\$575,035	\$549,165	\$514,631	\$532,349	\$564,962	\$584,647	\$598,734	\$645,891	\$676,414
Total Operating Revenue	\$596,907	\$606,827	\$583,200	\$547,486	\$575,710	\$600,282	\$619,369	\$635,778	\$692,348	\$721,064
Total Operating Expenses	\$524,222	\$540,481	\$511,814	\$488,781	\$523,738	\$546,874	\$556,021	\$569,853	\$597,508	\$615,454
Operating Income	\$72,685	\$66,346	\$71,386	\$58,705	\$51,972	\$53,408	\$63,348	\$65,925	\$94,840	\$105,610
Non-operating Income**	(\$17,553)	\$1,174	\$4,728	\$14,252	\$9,319	\$18,569	(\$29,174)	\$3,425	\$735	(\$13,869)
Revenue over Expenses	\$55,132	\$67,520	\$76,114	\$72,956	\$61,291	\$71,977	\$34,174	\$69,350	\$95,575	\$91,741

* Some figures are off due to rounding.

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

FIGURE 18
Net Patient Revenue at Rehabilitation Hospitals, FY12
 by Payer



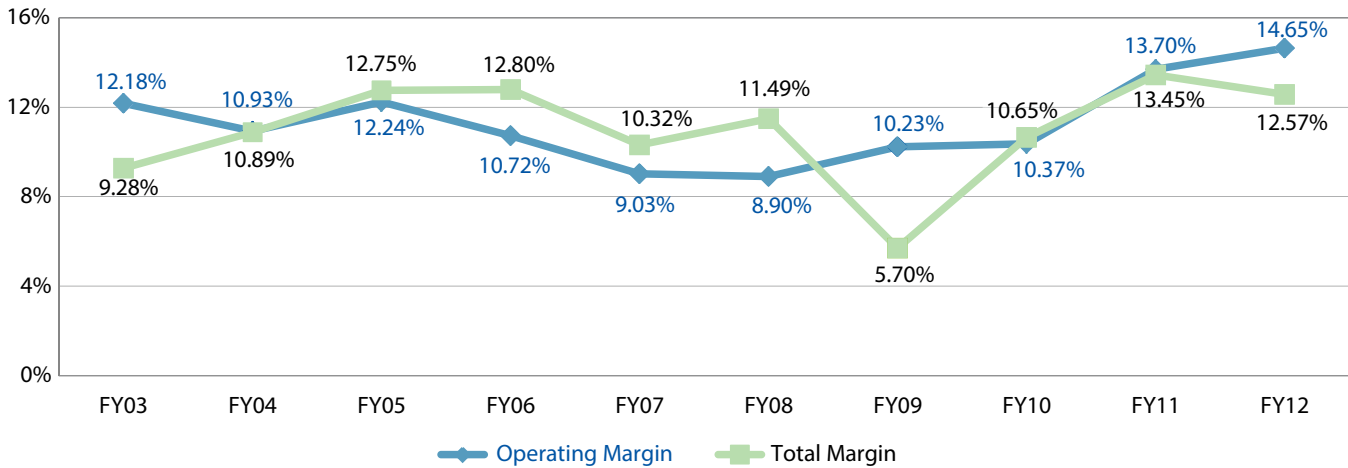
wealth's MA payment system by including the use of the All Patient Refined Diagnosis-Related Groups (APR DRGs) classification system.

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

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

REHABILITATION

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



Outpatient and home health care at rehabilitation hospitals generated 18.7% or \$126.6 million of the \$676.4 million in total NPR reported by the rehabilitation hospitals for FY12.

The 4.1% increase in total operating revenue for the rehabilitation hospitals outpaced the 3% increase in operating expenses during FY12 (Table 9). The statewide average operating margin improved 0.95 percentage points from 13.7% in FY11 to 14.65% in FY12 (Figure 19).

The statewide average total margin decreased 0.88 percentage points from 13.45% in FY11 to 12.57% in FY12.

The 11.48% FY12 average operating margin for the non-profit rehabilitation hospitals was

7.96 percentage points below the 19.44% FY12 average operating margin for the for-profit rehabilitation hospitals. Investment and other non-operating gains generally drove the average total margin to 13.2% at the non-profit rehabilitation hospitals, 1.72 percentage points above their average operating margin. The 11.6% average total margin for the for-profit hospitals, which are subject to income tax, was 7.84 percentage points below their average operating margin. The 13.2% average total margin for the non-profit hospitals was 1.6 percentage points higher than the 11.6% average total margin at the for-profit rehabilitation hospitals.

REHABILITATION

Region/ Rehabilitation Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY09-FY12	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY09-FY12
	FY12	FY11	FY10	FY09		FY12	FY11	FY10	FY09	
Statewide Average	\$36	\$34	\$30	\$29	7.26%	\$32	\$31	\$28	\$28	5.50%
Non-profit Rehabilitation Hospitals										
Statewide Average (non-profit)	\$50	\$49	\$45	\$44	4.77%	\$48	\$47	\$46	\$44	2.83%
6 Allied Services	\$35	\$35	\$36	\$36	-0.70%	\$34	\$34	\$36	\$36	-2.18%
1 Children's Inst Pgh	\$24	\$23	\$21	\$21	4.39%	\$42	\$40	\$42	\$42	0.23%
3 Crichton Rehab Center ⁷	\$11	\$11	\$10	\$10	2.01%	\$9	\$8	\$7	\$8	2.77%
7 Good Shepherd Rehab	\$67	\$64	\$57	\$49	12.04%	\$70	\$68	\$63	\$55	9.14%
6 John Heinz Rehab ⁵	\$37	\$38	\$35	\$35	2.49%	\$35	\$36	\$34	\$34	0.85%
9 Magee Rehab	\$58	\$58	\$48	\$55	2.13%	\$58	\$56	\$55	\$57	0.48%
8 Main Line Bryn Mawr Rehab	\$74	\$75	\$69	\$68	2.76%	\$60	\$61	\$59	\$56	2.35%
9 Moss Rehab ⁷	\$95	\$84	\$82	\$76	7.85%	\$76	\$72	\$69	\$66	5.41%
For-profit Rehabilitation Hospitals										
Statewide Average (for-profit)	\$25	\$23	\$20	\$19	9.49%	\$21	\$20	\$17	\$17	8.33%
4 Geisinger HealthSouth ^{1, 10}	\$18	\$17	\$17	\$17	3.11%	\$16	\$16	\$15	\$15	2.30%
3 HealthSouth Altoona ^{1, 10}	\$36	\$33	\$28	\$27	10.76%	\$32	\$30	\$24	\$23	12.71%
2 HealthSouth Erie ^{1, 10}	\$27	\$29	\$30	\$25	2.32%	\$21	\$22	\$22	\$21	-0.18%
1 HealthSouth Harmorville ^{1, 5, 10}	\$45	\$42	\$39	\$40	3.81%	\$36	\$34	\$32	\$33	2.48%
5 HealthSouth Mechanicsburg ^{1, 10}	\$26	\$23	\$22	\$23	5.58%	\$21	\$20	\$19	\$20	0.92%
4 HealthSouth Nittany ^{1, 10}	\$17	\$16	\$17	\$16	2.61%	\$16	\$16	\$15	\$16	1.74%
7 HealthSouth Reading ^{1, 10}	\$21	\$18	\$18	\$18	5.04%	\$16	\$16	\$15	\$15	3.90%
1 HealthSouth Sewickley ^{1, 10}	\$14	\$12	\$11	\$11	11.65%	\$11	\$10	\$9	\$9	8.53%
5 HealthSouth York ^{1, 10}	\$28	\$28	\$27	\$26	2.42%	\$24	\$23	\$22	\$21	3.46%
5 Lancaster Rehab Hospital ^{1, 10, 13}	\$22	\$21	\$19	\$17	10.08%	\$17	\$17	\$16	\$14	9.41%
5 Penn State Hershey Rehab ^{1, 10, 13}	\$21	\$18	\$12	\$9	48.75%	\$21	\$20	\$13	\$8	55.95%

See footnotes and map of regions on page 40.

REHABILITATION

Rehabilitation Hospital	Operating Margin FY12	Total Margin FY12	3-yr Average Total Margin FY10-FY12	Percent of Uncompensated Care FY12	Medicare Share of NPR FY12	Medical Assistance Share of NPR FY12
Statewide Average	14.65%	12.57%	12.27%	0.91%	56.11%	9.16%
Non-profit Rehabilitation Hospitals						
Statewide Average (non-profit)	11.48%	13.20%	12.57%	0.85%	44.41%	12.84%
Allied Services	10.82%	12.08%	10.07%	0.34%	81.22%	2.56%
Children's Inst Pgh	-7.54%	0.76%	4.61%	0.52%	9.03%	40.22%
Crichton Rehab Center ⁷	18.85%	18.85%	21.08%	0.62%	79.46%	6.49%
Good Shepherd Rehab	4.74%	4.74%	3.42%	1.22%	40.17%	12.86%
John Heinz Rehab ⁵	8.57%	9.09%	7.45%	0.56%	76.11%	2.70%
Magee Rehab	7.93%	11.34%	13.46%	1.60%	19.08%	16.83%
Main Line Bryn Mawr Rehab	20.38%	22.58%	20.69%	0.96%	50.39%	2.85%
Moss Rehab ⁷	20.34%	20.32%	18.32%	0.46%	36.93%	19.95%
For-profit Rehabilitation Hospitals						
Statewide Average (for-profit)	19.44%	11.60%	11.79%	0.99%	72.95%	3.87%
Geisinger HealthSouth ^{1, 10}	25.51%	14.93%	18.06%	0.87%	72.23%	2.43%
HealthSouth Altoona ^{1, 10}	14.03%	8.74%	9.65%	0.57%	78.91%	3.86%
HealthSouth Erie ^{1, 10}	26.61%	15.68%	15.88%	1.36%	85.32%	3.46%
HealthSouth Harmorville ^{1, 5, 10}	23.06%	9.32%	12.19%	0.75%	NR	NR
HealthSouth Mechanicsburg ^{1, 10}	24.01%	14.56%	12.53%	0.99%	80.50%	1.62%
HealthSouth Nittany ^{1, 10}	10.85%	6.70%	6.38%	0.72%	76.77%	5.06%
HealthSouth Reading ^{1, 10}	22.28%	12.82%	12.00%	1.94%	85.22%	2.74%
HealthSouth Sewickley ^{1, 10}	25.75%	16.63%	15.31%	0.56%	NR	NR
HealthSouth York ^{1, 10}	16.81%	9.61%	10.94%	0.81%	77.86%	2.86%
Lancaster Rehab Hospital ^{1, 10, 13}	21.69%	21.69%	19.60%	0.95%	73.48%	4.60%
Penn State Hershey Rehab ^{1, 10, 13}	0.63%	0.63%	-4.14%	1.72%	49.10%	11.23%

See footnotes and map of regions on page 40.

Psychiatric

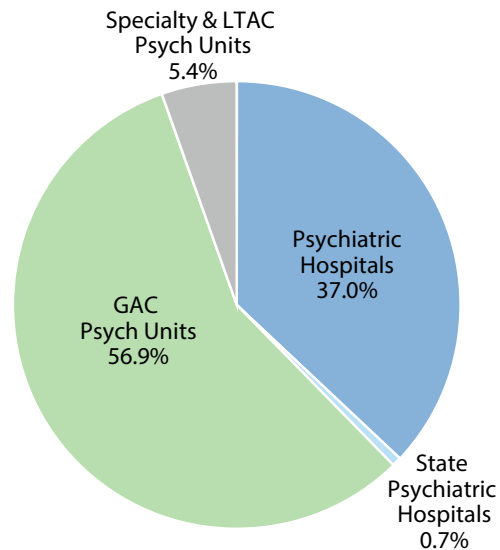
Highlights

- The freestanding psychiatric hospitals as a group posted a 0.07 percentage point decrease in the statewide average operating margin, from 5.3% in FY11 to 5.23% in FY12.
- The statewide average total margin decreased 0.69 of a percentage point, from 4.79% in FY11 to 4.1% in FY12.
- The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care in the state. DPW's six state psychiatric hospitals provided 25.2% of all patient days of psychiatric care during FY12. In addition, the Medical Assistance (MA) program provided 53.9% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY12.

Psychiatric Care

Inpatient psychiatric care in Pennsylvania is provided by state psychiatric hospitals, freestanding psychiatric hospitals, general acute care (GAC) hospitals, specialty hospitals and long-term acute care (LTAC) hospitals. During fiscal year 2012 (FY12), there were 19 psychiatric hospitals in Pennsylvania that treated 37% of the patients admitted for inpatient psychiatric care statewide and provided 33.1% of the total patient days of acute psychiatric care (Figures 20 & 21).

FIGURE 20
Psychiatric Discharges, FY12
by Facility Type



The average length of stay (ALOS) at psychiatric hospitals during FY12 was 13.1 days (Table 10 & Figure 22). Six of the psychiatric hospitals provided residential care, and three provided inpatient drug and alcohol (D&A) care (Table 11). Residential care is typically a less intensive treatment that often follows acute psychiatric hospital care. Residential treatment is often utilized when community or family-based options are not appropriate for the patient. During FY12, the ALOS at the psychiatric hospitals' residential programs was 106.1 days.

The state psychiatric hospitals provide long-term inpatient care for individuals that require intensive treatment. Six state psychiatric hospitals operated in Pennsylvania in FY12. One state psychiatric hospital, Allentown State Hospital, closed between FY11 and FY12.

PSYCHIATRIC

Although state psychiatric hospitals provided 25.2% of statewide psychiatric patient days in FY12, they only discharged 946 patients, which is 0.7% of the total psychiatric discharges from all facilities. The ALOS at the state psychiatric hospitals was 545.4 days during FY12.

In contrast, psychiatric units that operated as part of a GAC hospital provided relatively short-term acute psychiatric care with an ALOS of 9.1 days during FY12. Eighty-eight (51%) of Pennsylvania's GAC hospitals operated psychiatric units in FY12, including D&A. These GAC psychiatric units treated 56.9% of the total patients admitted for inpatient psychiatric care statewide and provided 35.4% of the total patient days of psychiatric care during FY12.

FIGURE 21
Psychiatric Patient Days, FY12
by Facility Type

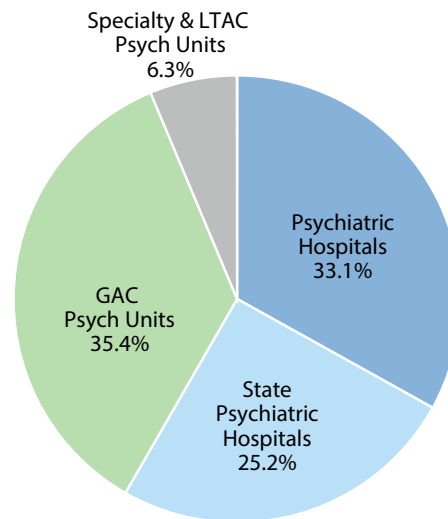
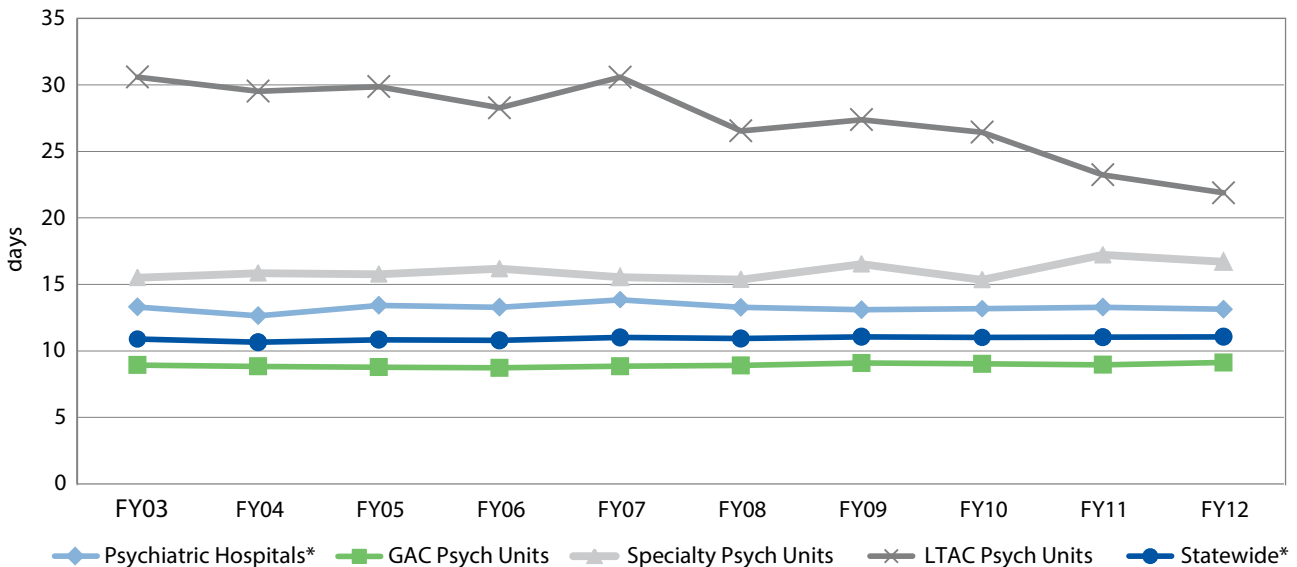


FIGURE 22
Average Length of Stay for Psychiatric Care
by Facility Type*



* Excludes state psychiatric hospitals

PSYCHIATRIC

TABLE 10
Utilization and Capacity of Psychiatric Care
 by Facility Type

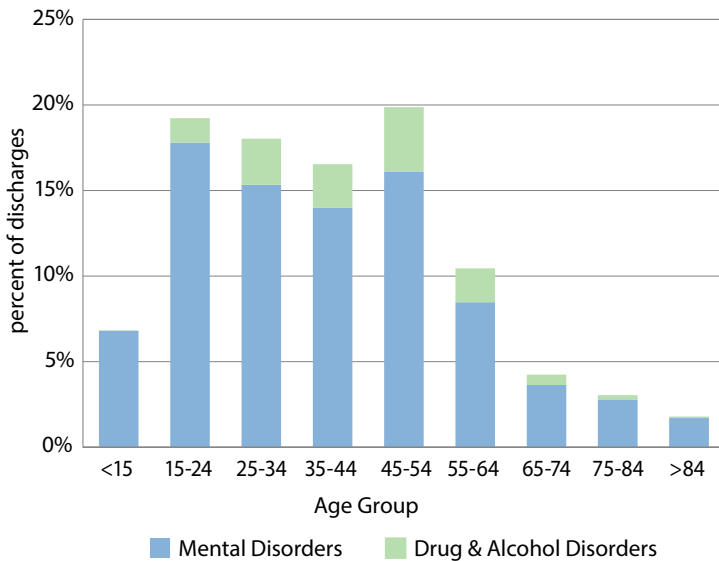
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Patient Days										
Psychiatric Hospitals	567,435	558,552	558,059	556,829	586,344	591,751	625,567	639,643	656,941	676,359
State Psychiatric Hospitals	772,491	773,443	761,065	718,962	675,186	642,444	582,684	565,482	529,083	515,974
GAC Psych Units	753,413	757,131	742,683	730,956	718,089	700,008	680,291	691,435	700,829	722,474
Specialty Psych Units	145,703	149,446	155,908	151,878	124,008	128,898	98,880	102,302	120,431	116,437
LTAC Psych Units	29,033	28,223	29,324	28,455	30,518	29,516	29,251	29,724	13,711	12,934
Statewide	2,268,075	2,266,795	2,247,039	2,187,080	2,134,145	2,092,617	2,016,673	2,028,586	2,020,995	2,044,178
Discharges										
Psychiatric Hospitals	42,673	44,173	41,587	41,911	42,358	44,592	47,790	48,544	49,453	51,512
State Psychiatric Hospitals	1,674	1,634	1,637	1,741	1,479	1,346	1,257	1,111	1,011	946
GAC Psych Units	84,338	85,748	84,670	83,821	81,207	78,649	74,889	76,593	78,281	79,164
Specialty Psych Units	9,396	9,430	9,886	9,387	7,983	8,387	5,982	6,665	6,996	6,975
LTAC Psych Units	949	956	982	1,006	998	1,112	1,068	1,124	590	591
Statewide	139,030	141,941	138,762	137,866	134,025	134,086	130,986	134,037	136,331	139,188
Beds										
Psychiatric Hospitals	1,938	1,958	1,965	1,941	2,040	2,055	2,142	2,289	2,282	2,264
State Psychiatric Hospitals	2,381	2,387	2,440	2,198	2,206	2,173	2,238	1,857	1,732	1,701
GAC Psych Units	2,982	2,920	2,853	2,790	2,762	2,643	2,559	2,652	2,613	2,679
Specialty Psych Units	531	550	558	545	455	453	395	395	464	375
LTAC Psych Units	112	112	112	113	113	99	98	107	56	65
Statewide	7,944	7,927	7,928	7,587	7,576	7,423	7,432	7,300	7,147	7,084
Patient Population										
State Psychiatric Hospitals	2,164	2,142	2,120	1,916	1,848	1,710	1,627	1,584	1,472	1,461
Occupancy Rate										
Psychiatric Hospitals	79.76%	78.55%	80.98%	81.71%	79.02%	78.98%	78.78%	80.21%	81.41%	82.63%
State Psychiatric Hospitals	88.67%	88.73%	85.07%	87.67%	83.85%	80.78%	77.78%	80.99%	79.52%	83.20%
GAC Psych Units	69.71%	72.13%	73.32%	72.46%	72.69%	72.88%	73.90%	73.62%	73.38%	73.90%
Specialty Psych Units	75.75%	75.92%	76.55%	76.35%	69.58%	76.65%	63.28%	70.96%	75.81%	84.84%
LTAC Psych Units	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%	76.11%	67.08%	54.37%
Statewide	78.30%	78.98%	79.09%	79.53%	77.47%	77.23%	75.93%	77.48%	77.53%	79.31%
Statewide w/o State*	73.84%	74.72%	76.34%	76.07%	74.84%	75.76%	75.21%	76.21%	76.85%	78.08%
Average Length of Stay										
Psychiatric Hospitals	13.3	12.6	13.4	13.3	13.8	13.3	13.1	13.2	13.3	13.1
State Psychiatric Hospitals	461.5	473.3	464.9	413.0	456.5	477.3	463.6	509.0	523.3	545.4
GAC Psych Units	8.9	8.8	8.8	8.7	8.8	8.9	9.1	9.0	9.0	9.1
Specialty Psych Units	15.5	15.8	15.8	16.2	15.5	15.4	16.5	15.3	17.2	16.7
LTAC Psych Units	30.6	29.5	29.9	28.3	30.6	26.5	27.4	26.4	23.2	21.9
Statewide	16.3	16.0	16.2	15.9	15.9	15.6	15.4	15.1	14.8	14.7
Statewide w/o State*	10.9	10.6	10.8	10.8	11.0	10.9	11.1	11.0	11.0	11.1

* Excludes state psychiatric hospitals

The specialty hospitals and LTAC hospitals in Pennsylvania provided some form of psychiatric care. Combined their psychiatric units provided 6.3% of the statewide psychiatric patient days and 5.4% of the statewide psychiatric discharges during FY12.

Inpatient psychiatric care has a young age distribution. The average age of inpatients treated at psychiatric hospitals was 31.7 years. In FY12 discharges among patients age 15 through 54 made up 73.7% of inpatient psychiatric discharges, excluding state psychiatric discharges (Figure 23).

FIGURE 23
Age Distribution of Inpatient Psychiatric Patients*, FY12
 by Age Group



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

* Excludes state psychiatric hospitals

Trends in Psychiatric Care

Statewide psychiatric patient days combined from all hospital settings decreased 9.9% from FY03 to FY12. The number of statewide psychiatric patient days declined each year during FY03 to FY09, an average of about 1.8% per year, before it increased in FY10. During FY12, statewide psychiatric patient days increased 1.1% from FY11.

Psychiatric hospitals experienced a 3% increase in the number of patient days during FY12. The number of patient days increased 3.1% at GAC psychiatric units and decreased 2.5% at the state's psychiatric hospitals during FY12.

The number of statewide psychiatric patient discharges in all hospital settings increased 0.1% from FY03 to FY12. During FY12, there was a 2.1% increase from FY11 in the total number of psychiatric patient discharges statewide.

Since FY05, the number of patient discharges at psychiatric hospitals has increased 23.9%, an average increase of 3.4% per year. During FY12, the number of patient discharges at psychiatric hospitals increased 4.2%.

The GAC psychiatric units reported five consecutive years of decreases in the number of patient discharges from FY05 to FY09 before it increased in FY10. Total patient discharges for the GAC psychiatric units increased 1.1% during FY12. Psychiatric patient discharges for LTAC and specialty hospitals combined decreased 0.3% in FY12.

PSYCHIATRIC

TABLE 11
Utilization and Capacity, FY12
 by Psychiatric Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay (ALOS)	ALOS w/o Residential & D&A
All Hospital Services (including Residential and Drug & Alcohol Treatment Programs)							
Belmont Center	47,927	53,802	89.08%	3,662	147	13.1	NA
Brooke Glen Behavioral	34,348	44,384	77.39%	3,261	146	10.5	NA
Clarion Psych	21,716	27,084	80.18%	1,913	74	11.4	NA
Devereux Behavioral Hlth	8,803	12,078	72.88%	446	33	19.7	NA
Fairmount Behavioral	78,553	87,474	89.80%	6,205	239	12.7	12.4
First Wyoming Valley	33,278	39,162	84.98%	3,710	107	9.0	NA
Foundations Behavioral	30,709	43,188	71.11%	1,076	118	28.5	16.9
Friends	66,058	80,154	82.41%	5,072	219	13.0	11.5
Haven Behavioral	13,594	17,520	77.59%	1,774	48	7.7	NA
Horsham Clinic	63,800	75,396	84.62%	5,568	206	11.5	NA
KidsPeace	26,642	35,136	75.83%	2,255	96	11.8	NA
Kirkbride Center	54,673	65,514	83.45%	3,259	179	16.8	6.5
Meadows Psych Center	32,066	37,332	85.89%	2,424	102	13.2	NA
Montgomery Cty ES	23,620	29,646	79.67%	2,446	81	9.7	10.1
PA Psych Institute	19,981	27,084	73.77%	2,239	74	8.9	NA
Philhaven	38,111	45,676	83.44%	2,097	123	18.2	14.4
Roxbury Treatment	33,785	40,992	82.42%	2,525	112	13.4	11.1
Southwood Psych	35,644	41,544	85.80%	1,468	118	24.3	9.3
St John Vianney	13,051	15,372	84.90%	112	42	116.5	3.5
Residential and Drug & Alcohol Treatment Programs							
Fairmount Behavioral	22,482	24,522	91.68%	1,697	67	13.2	NA
Foundations Behavioral	14,352	21,960	65.36%	108	60	132.9	NA
Friends	7,787	9,882	78.80%	16	27	486.7	NA
Kirkbride Center	48,168	56,364	85.46%	2,261	154	21.3	NA
Montgomery Cty ES	2,086	2,928	71.24%	317	8	6.6	NA
Philhaven	8,841	9,516	92.91%	68	26	130.0	NA
Roxbury Treatment	19,281	21,960	87.80%	1,216	60	15.9	NA
Southwood Psych	22,381	24,888	89.93%	45	68	497.4	NA
St John Vianney	12,977	14,640	88.64%	91	40	142.6	NA

NA-Not Applicable

Psychiatric Hospitals – Financial Profile

The Commonwealth, through the Pennsylvania Department of Public Welfare (DPW), is the largest provider of psychiatric care. The Medical Assistance (MA) program administered by DPW provided 53.9% of the net patient revenue received by the 19 psychiatric hospitals in Pennsylvania during FY12 (Figure 24). MA participants comprised 22.1% of all patients that received inpatient psychiatric care at GAC psychiatric units in FY12. DPW sponsors psychiatric care in a variety of other settings.

The Commonwealth directly underwrites 80% of the cost of the care provided at the state psychiatric hospitals. Of the remaining 20% of total expenses covered by third-party payers, patients and other sources, 11.4% are covered by MA, 5.7% by Medicare, and 2.9% are covered by private insurance, individuals and other sources.

FIGURE 24
Net Patient Revenue at Psychiatric Hospitals, FY12
 by Payer

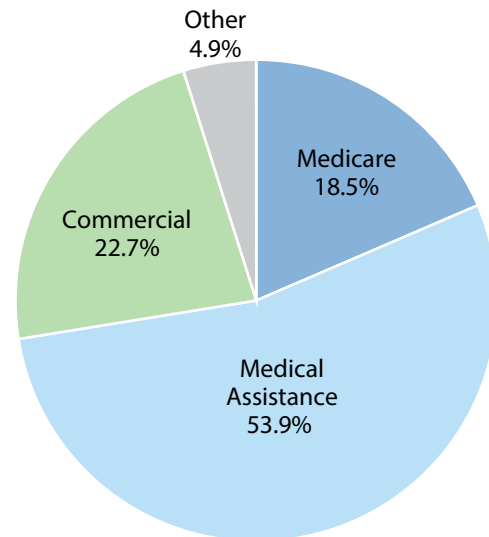
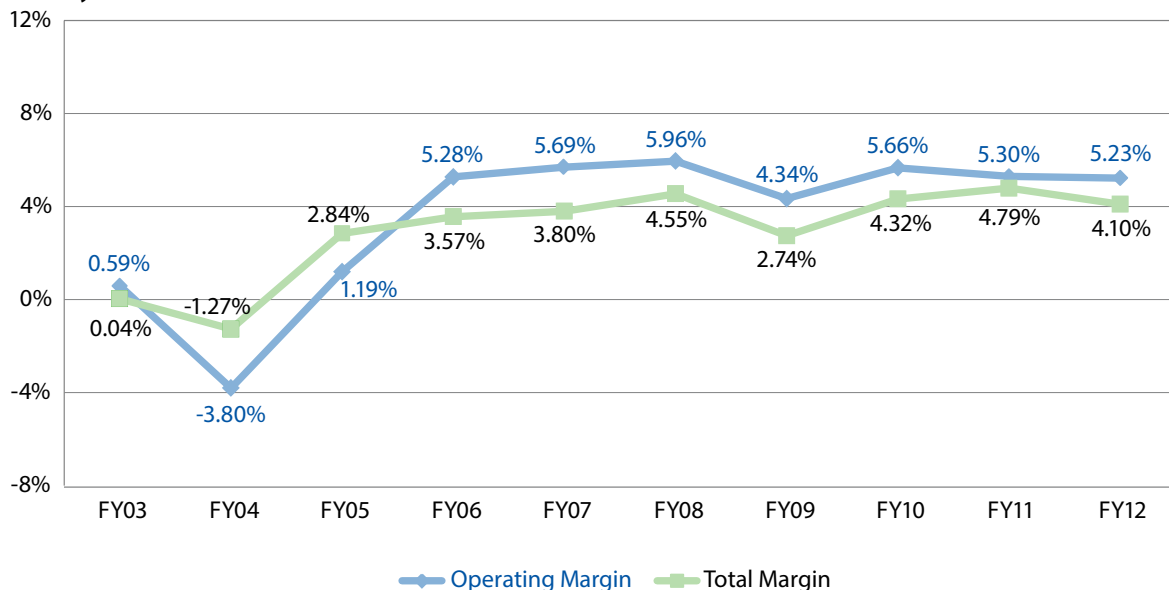


FIGURE 25
Operating and Total Margins at Psychiatric Hospitals
 by Fiscal Year



PSYCHIATRIC

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

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Net Patient Revenue	\$297,816	\$292,978	\$315,600	\$330,133	\$357,768	\$373,111	\$403,582	\$429,987	\$444,286	\$468,753
Total Operating Revenue	\$306,541	\$303,161	\$324,388	\$338,594	\$364,279	\$383,325	\$411,203	\$439,728	\$456,592	\$480,655
Total Operating Expenses	\$304,742	\$314,693	\$320,517	\$320,728	\$343,536	\$360,482	\$393,341	\$414,821	\$432,414	\$455,527
Operating Income	\$1,798	(\$11,532)	\$3,872	\$17,866	\$20,743	\$22,843	\$17,861	\$24,907	\$24,177	\$25,128
Non-operating Income**	(\$1,685)	\$7,655	\$5,702	(\$5,745)	(\$6,844)	(\$5,121)	(\$6,311)	(\$5,369)	(\$1,537)	(\$4,882)
Revenue over Expenses	\$113	(\$3,877)	\$9,574	\$12,121	\$13,899	\$17,722	\$11,550	\$19,539	\$22,640	\$20,247

* Some figures are off due to rounding.

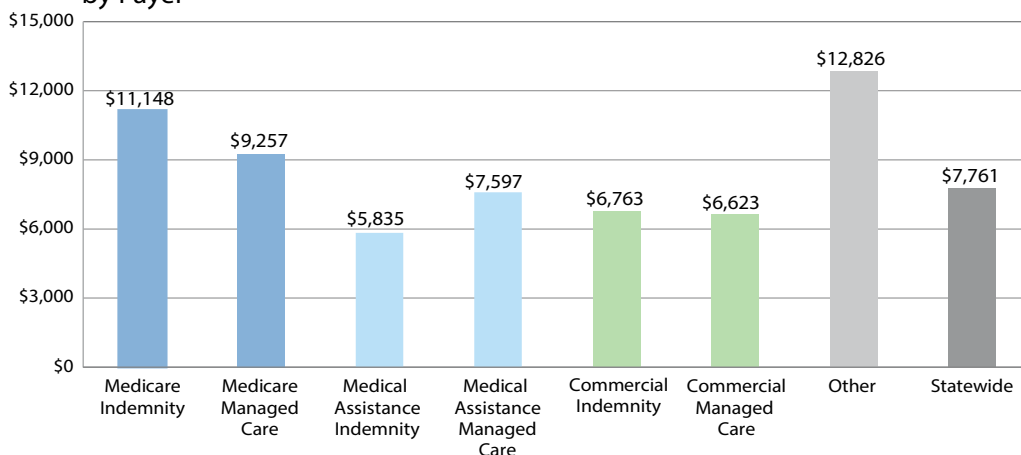
** Includes non-operating income, income taxes, and extraordinary items.

As a group, psychiatric hospitals experienced a long history of negative or very small positive statewide average operating margins prior to FY05 (Figure 25). However, during the two-year period FY05 and FY06, they experienced a dramatic 9.08-point improvement in their combined operating margin. The statewide operating margin increased 4.99 points during FY05 and an additional 4.09 points during FY06. The statewide operating margins improved because operating revenue grew a total of 11.7% during FY05 and FY06,

while the total growth in expenses was held to 1.9% over the two-year period (Table 12). Since statewide utilization levels at the psychiatric hospitals operating during FY05 and FY06 remained relatively constant, the growth in operating revenue was primarily driven by increases in reimbursement rates.

During FY12, the operating margin at psychiatric hospitals decreased 0.07 of a percentage point from 5.3% in FY11 to 5.23% in FY12. The statewide operating margin declined because, as a group, the growth

FIGURE 26
Average Net Inpatient Revenue per Discharge at Psychiatric Hospitals, FY12
 by Payer



PSYCHIATRIC

in operating expenses outpaced the increase in operating revenue. During FY12, statewide operating revenue increased 5.27%, while expenses rose 5.34%. Psychiatric hospitals' statewide average total margin decreased 0.69 of a percentage point from 4.79% in FY11 to 4.1% in FY12.

The disparity in the average operating and total margins between the for-profit and non-profit psychiatric hospitals continued in FY12. The for-profit hospitals posted an average operating margin of 8.63%, compared to a negative 0.5% for the non-profit hospitals. Since the for-profit hospitals are subject to income taxes, the statewide average total margin for the for-profit hospitals was 6.34%.

Among the psychiatric hospitals, the FY12 average revenue per discharge of \$7,761 (Figure 26) was 2.1% higher than the FY11 average of \$7,603. The average revenue per day for FY12 was \$591 (Figure 27), compared to \$572 in FY11. Patients covered by commercial indemnity plans, commercial managed care plans, and MA indemnity program had a shorter ALOS than those covered by other payer types (Figure 28).

FIGURE 27
Average Net Inpatient Revenue per Day at Psychiatric Hospitals, FY12 by Payer

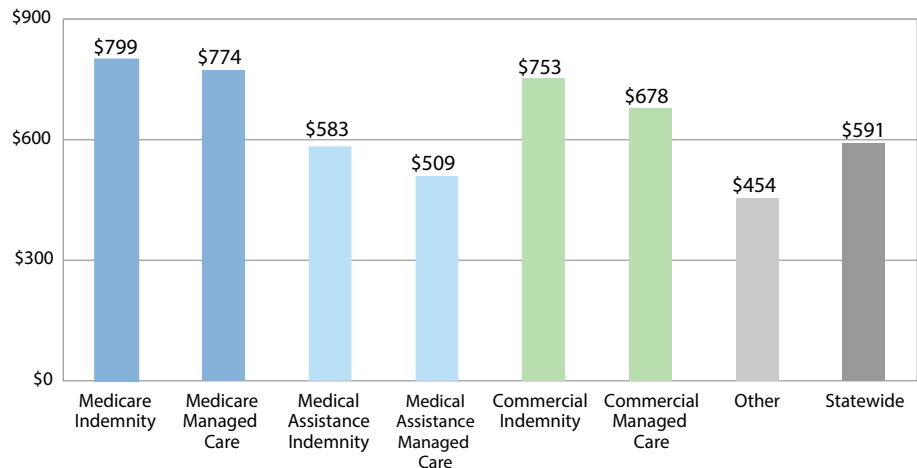
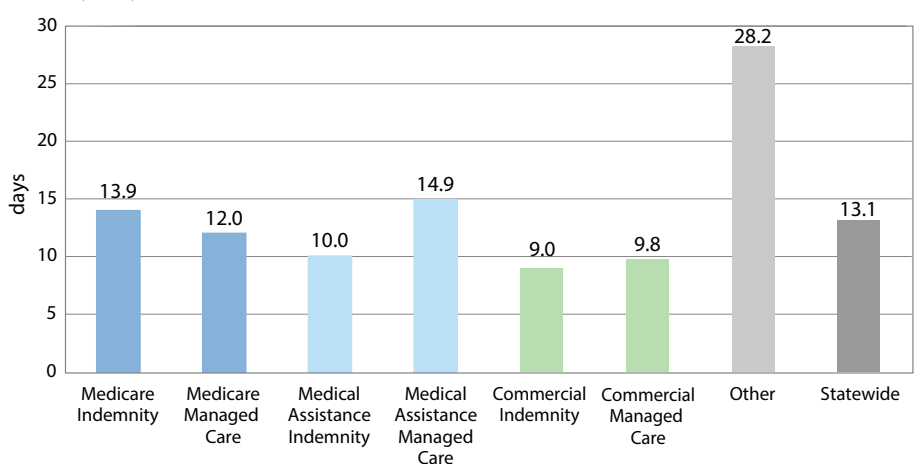


FIGURE 28
Average Length of Stay at Psychiatric Hospitals, FY12 by Payer



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Region/Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY09-FY12	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY09-FY12
	FY12	FY11	FY10	FY09		FY12	FY11	FY10	FY09	
Statewide Average	\$25	\$23	\$23	\$21	5.38%	\$24	\$23	\$22	\$21	5.27%
Non-profit Psychiatric Hospitals										
Statewide Average (non-profit)	\$25	\$24	\$23	\$21	6.31%	\$26	\$25	\$24	\$22	5.04%
9 Belmont Center	\$41	\$39	\$38	\$37	3.66%	\$42	\$39	\$39	\$38	2.86%
8 Devereux Behavioral Hlth ⁷	\$6	\$6	\$6	\$5	7.08%	\$6	\$6	\$5	\$5	5.09%
7 KidsPeace ¹	\$24	\$23	\$22	\$19	7.32%	\$24	\$22	\$22	\$20	6.94%
8 Montgomery Cty ES ^{5, 13}	\$17	\$17	\$16	\$16	1.69%	\$17	\$17	\$16	\$16	1.28%
5 PA Psych Institute	\$23	\$20	\$18	\$12	33.43%	\$28	\$31	\$26	\$19	14.27%
5 Philhaven ⁵	\$55	\$53	\$52	\$51	2.20%	\$56	\$54	\$52	\$52	2.87%
8 St John Vianney ⁵	\$7	\$7	\$6	\$5	14.83%	\$8	\$7	\$7	\$5	12.30%
For-profit Psychiatric Hospitals										
Statewide Average (for-profit)	\$25	\$23	\$23	\$21	4.86%	\$23	\$21	\$21	\$20	5.42%
8 Brooke Glen Behavioral ^{1, 2, 3, 10}	\$22	\$20	\$30	\$29	NA	\$29	\$25	\$28	\$27	NA
2 Clarion Psych ^{1, 10}	\$16	\$17	\$15	\$13	9.63%	\$11	\$10	\$9	\$8	10.51%
9 Fairmount Behavioral ^{1, 5, 10}	\$44	\$43	\$36	\$34	9.13%	\$39	\$37	\$31	\$30	9.92%
6 First Wyoming Valley ^{1, 3, 7, 10, 13}	\$23	\$21	\$20	\$13	NA	\$17	\$17	\$17	\$12	NA
8 Foundations Behavioral ^{1, 5, 10}	\$25	\$27	\$25	\$23	3.83%	\$24	\$25	\$23	\$21	5.05%
9 Friends ^{1, 5, 10}	\$40	\$36	\$37	\$41	-0.46%	\$41	\$39	\$40	\$42	-0.49%
7 Haven Behavioral ^{1, 3, 10}	\$11	\$7	\$2	\$3	NA	\$10	\$8	\$3	\$6	NA
8 Horsham Clinic ^{1, 10}	\$43	\$42	\$35	\$34	9.25%	\$41	\$39	\$34	\$33	8.25%
9 Kirkbride Center ^{5, 10}	\$18	\$19	\$15	\$16	3.10%	\$20	\$17	\$17	\$15	10.46%
4 Meadows Psych Center ^{1, 10}	\$19	\$14	\$21	\$18	1.19%	\$16	\$14	\$15	\$14	3.92%
5 Roxbury Treatment ^{1, 5, 10}	\$17	\$17	\$14	\$11	18.73%	\$12	\$12	\$11	\$9	13.77%
1 Southwood Psych ^{1, 5, 10}	\$17	\$16	\$17	\$16	1.86%	\$16	\$15	\$15	\$15	0.64%

Region/State Psychiatric Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY09-FY12	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY09-FY12
	FY12	FY11	FY10	FY09		FY12	FY11	FY10	FY09	
Statewide Average	\$11	\$10	\$11	\$10	5.72%	\$57	\$49	\$51	\$47	7.13%
6 Clark Summit State	\$11	\$12	\$13	\$13	-4.24%	\$49	\$50	\$49	\$49	-0.14%
4 Danville State	\$11	\$10	\$10	\$9	6.71%	\$40	\$40	\$39	\$37	2.58%
8 Norristown State	\$11	\$10	\$11	\$11	-1.07%	\$79	\$81	\$82	\$82	-1.31%
1 Torrance State	\$9	\$10	\$10	\$8	3.83%	\$68	\$66	\$60	\$53	9.15%
2 Warren State	\$10	\$10	\$9	\$10	-0.02%	\$43	\$43	\$44	\$46	-1.78%
7 Wernersville State	\$15	\$14	\$12	\$12	8.92%	\$61	\$58	\$46	\$46	11.04%

See footnotes and map of regions on page 40.

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Psychiatric Hospital	Operating Margin FY12	Total Margin FY12	3-yr Average Total Margin FY10-FY12	Percent of Uncompensated Care FY12	Medicare Share of NPR FY12	Medical Assistance Share of NPR FY12
Statewide Average	5.23%	4.10%	4.40%	1.63%	18.55%	53.89%
Non-profit Psychiatric Hospitals						
Statewide Average (non-profit)	-0.50%	0.20%	0.23%	1.85%	15.90%	51.97%
Belmont Center	1.02%	1.79%	2.34%	1.87%	24.44%	56.16%
Devereux Behavioral Hlth ⁷	5.16%	5.16%	6.77%	1.03%	0.12%	75.93%
KidsPeace ¹	-1.78%	-1.71%	1.47%	1.06%	0.00%	68.95%
Montgomery Cty ES ^{5, 13}	2.27%	3.66%	3.00%	6.07%	23.78%	46.43%
PA Psych Institute	-5.75%	-5.81%	-20.19%	2.77%	25.51%	36.57%
Philhaven ⁵	-0.89%	0.42%	3.56%	0.78%	13.70%	53.92%
St John Vianney ⁵	4.75%	4.03%	11.41%	0.36%	0.00%	0.00%
For-profit Psychiatric Hospitals						
Statewide Average (for-profit)	8.63%	6.34%	6.84%	1.50%	20.13%	55.03%
Brooke Glen Behavioral ^{1, 2, 3, 10}	-29.26%	-16.12%	-7.13%	2.20%	27.11%	44.24%
Clarion Psych ^{1, 10}	34.82%	19.19%	21.57%	1.27%	15.89%	60.68%
Fairmount Behavioral ^{1, 5, 10}	12.25%	15.17%	16.21%	0.94%	19.16%	63.89%
First Wyoming Valley ^{1, 3, 7, 10, 13}	25.82%	15.11%	13.18%	0.67%	49.01%	36.51%
Foundations Behavioral ^{1, 5, 10}	5.04%	2.78%	3.84%	1.47%	0.00%	59.65%
Friends ^{1, 5, 10}	-0.31%	-0.28%	-1.46%	1.62%	30.13%	52.10%
Haven Behavioral ^{1, 3, 10}	7.75%	3.69%	-1.82%	2.81%	39.88%	41.19%
Horsham Clinic ^{1, 10}	8.24%	4.54%	4.24%	1.63%	20.07%	46.11%
Kirkbride Center ^{5, 10}	-3.67%	-5.31%	0.21%	4.11%	2.70%	96.38%
Meadows Psych Center ^{1, 10}	19.82%	10.92%	10.50%	1.29%	22.70%	51.72%
Roxbury Treatment ^{1, 5, 10}	28.78%	15.86%	15.44%	0.81%	18.70%	36.58%
Southwood Psych ^{1, 5, 10}	8.46%	7.67%	6.80%	0.22%	0.00%	70.19%

State Psychiatric Hospital	Percent of Expenses Not Covered by NPR FY12	Medicare Share of NPR FY12	Medical Assistance Share of NPR FY12
Statewide Average	79.96%	29.07%	57.68%
Clark Summit State	76.85%	31.57%	56.60%
Danville State	73.45%	27.96%	61.50%
Norristown State	86.13%	22.92%	63.44%
Torrance State	86.53%	28.83%	49.23%
Warren State	75.30%	29.89%	59.79%
Wernersville State	74.76%	31.76%	55.54%

See footnotes and map of regions on page 40.

Long-Term Acute Care

Highlights

- The statewide average operating margin for the long-term acute care (LTAC) hospitals increased 0.82 of a percentage point, from 5.94% in FY11 to 6.76% in FY12. The statewide average total margin increased 1.19 of a percentage point, from 4.68% in FY11 to 5.87% in FY12.
- LTAC hospitals received 74.6% of their total net patient revenue from Medicare patients during FY12.

TABLE 13
Long-Term Acute Care Hospitals Operating as a Hospital-within-a-Hospital*, FY12

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

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

Long-Term Acute Care

There were 27 long-term acute care (LTAC) hospitals in Pennsylvania during fiscal year 2012 (FY12). LTAC hospitals provide specialized acute care to medically complex patients. Patients are commonly admitted directly from a general acute care (GAC) hospital intensive care unit with complex medical conditions, such as dependency on mechanical ventilation, that require continuous acute care. LTAC patients are not medically ready for rehabilitation care, or they still need a higher level of care than what is provided by a skilled nursing facility or home health care.

Table 14 displays the utilization and capacity for LTAC hospitals. The average length of stay (ALOS) at LTAC hospitals was 25.8 days during FY12. Most of the care provided at LTAC hospitals is medical-surgical (med-surg). During FY12, 91.4% of the patient days at LTAC hospitals were med-surg. The remaining 8.6% patient days served as psychiatric and skilled nursing care.

Trends in Long-Term Acute Care

The first LTAC hospital in Pennsylvania began operating in FY94; by FY00, there were 14 LTAC hospitals statewide. Between FY00 and FY03, Pennsylvania averaged three new LTAC hospitals per year. Between FY03 and FY09, the number of new LTAC hospitals increased by an average of one hospital per year. The total number of LTAC hospitals (27) operating in Pennsylvania has remained the same since FY09.

The total number of patient days at LTAC hospitals peaked during FY06 (Figure 29). From FY03 to FY12, med-surg patient days decreased 1.8% and med-surg discharges increased 6.9%. During FY12,

LONG-TERM ACUTE CARE

med-surg patient days decreased 3% and discharges increased 1.2%.

One factor that previously facilitated the growth of LTAC hospitals is that many of the facilities utilize space within an existing GAC hospital (Table 13). During FY12, there were 15 LTAC hospitals that occupied space within a GAC hospital. Many new

facilities lease space from a GAC hospital; capital requirements are considerably less than constructing a new freestanding facility. The Medicare, Medicaid, and SCHIP Extension Act (MMSEA) of 2007 and amendments (described in the next section of this report, Long-Term Acute Care Hospitals – Financial Profile) may have prompted the stagnant growth in

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

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Patient Days										
Med-surg	248,835	250,617	263,586	272,568	269,318	273,078	261,160	263,694	251,753	244,234
Psychiatric	29,033	28,223	29,324	28,455	30,518	29,516	29,251	29,724	13,711	12,934
Skilled Nursing	0	0	3,284	4,068	0	0	0	0	1,853	9,970
Statewide	277,868	278,840	296,194	305,091	299,836	302,594	290,411	293,418	267,317	267,138
Discharges										
Med-surg	8,707	8,753	8,778	9,383	9,332	9,415	9,326	9,529	9,195	9,306
Psychiatric	949	956	982	1,006	998	1,112	1,068	1,124	590	591
Skilled Nursing	0	0	290	382	0	0	0	0	58	462
Statewide	9,656	9,709	10,050	10,771	10,330	10,527	10,394	10,653	9,843	10,359
Beds										
Med-surg	957	1,026	1,046	1,117	1,151	1,217	1,225	1,214	1,187	1,218
Psychiatric	112	112	112	113	113	99	98	107	56	65
Skilled Nursing	0	0	22	23	0	0	0	0	40	40
Statewide	1,069	1,138	1,180	1,253	1,264	1,316	1,323	1,321	1,283	1,323
Occupancy Rate										
Med-surg	73.51%	68.31%	70.29%	68.34%	64.61%	62.48%	58.53%	60.03%	59.32%	55.39%
Psychiatric	71.02%	68.90%	71.73%	69.55%	73.99%	81.46%	81.78%	76.11%	67.08%	54.37%
Skilled Nursing	0.00%	0.00%	54.28%	77.92%	0.00%	0.00%	0.00%	0.00%	49.49%	68.10%
Statewide	73.24%	68.37%	70.20%	68.57%	65.46%	63.93%	60.26%	61.34%	59.59%	55.73%
Average Length of Stay										
Med-surg	28.6	28.6	30.0	29.1	28.9	29.0	28.0	27.7	27.4	26.2
Psychiatric	30.6	29.5	29.9	28.3	30.6	26.5	27.4	26.4	23.2	21.9
Skilled Nursing	0.0	0.0	11.3	10.6	0.0	0.0	0.0	0.0	31.9	21.6
Statewide	28.8	28.7	29.5	28.3	29.0	28.7	27.9	27.5	27.2	25.8
Outpatient Visits										
Statewide	118,399	115,745	114,108	111,295	107,464	96,084	181,291	179,461	107,745	118,434

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TABLE 15
Utilization and Capacity, FY12
 by Long-Term Acute Care Hospital

Hospital	Patient Days	Bed Days Available	Occupancy Rate	Discharges	Beds	Average Length of Stay
Good Shepherd Penn/Philadelphia	8,175	13,908	58.78%	310	38	26.4
Good Shepherd/Bethlehem	10,365	11,712	88.50%	405	32	25.6
Kindred/Delaware County	2,328	9,477	24.56%	91	39	25.6
Kindred/Easton	7,359	11,346	64.86%	268	31	27.5
Kindred/Havertown	14,994	20,862	71.87%	646	57	23.2
Kindred/Heritage Valley	8,913	12,810	69.58%	359	35	24.8
Kindred/North Shore	6,878	26,352	26.10%	290	72	23.7
Kindred/Philadelphia	11,737	19,032	61.67%	403	52	29.1
Kindred/Pittsburgh	10,341	23,058	44.85%	387	63	26.7
Kindred/South Philadelphia	9,138	21,228	43.05%	303	58	30.2
Kindred/Wyoming Valley	8,443	13,176	64.08%	339	36	24.9
LifeCare/Chester County	7,651	14,235	53.75%	278	39	27.5
LifeCare/Mechanicsburg	9,253	24,888	37.18%	365	68	25.4
LifeCare/Monroeville	13,182	31,842	41.40%	524	87	25.2
LifeCare/Pittsburgh - Alle-Kiski	6,923	12,810	54.04%	245	35	28.3
LifeCare/Pittsburgh	25,292	47,214	53.57%	1,049	129	24.1
LifeCare/Suburban	18,019	26,352	68.38%	768	72	23.5
Select Specialty/Camp Hill	9,567	11,346	84.32%	350	31	27.3
Select Specialty/Danville	4,904	10,980	44.66%	201	30	24.4
Select Specialty/Erie	9,686	18,300	52.93%	407	50	23.8
Select Specialty/Harrisburg	9,671	13,908	69.54%	377	38	25.7
Select Specialty/Johnstown	11,242	14,274	78.76%	431	39	26.1
Select Specialty/Laurel	7,287	14,640	49.77%	289	40	25.2
Select Specialty/McKeesport	8,001	10,980	72.87%	312	30	25.6
Select Specialty/UPMC	8,773	11,712	74.91%	276	32	31.8
Select Specialty/York	5,709	8,418	67.82%	218	23	26.2
Special Care	13,307	24,522	54.27%	468	67	28.4

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the number of new LTAC hospitals and/or beds from FY09 to FY12.

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

The mean age of patients admitted to LTAC facilities during FY12 was 68.9 years. The age distribution of patients receiving care at LTAC hospitals is indicative of extended care facilities, which serve a predominately elderly population. Patients age 55 through 84 accounted for 71.8% of the discharges at the LTAC hospitals in FY12 (Figure 30). Consistent with the age distribution of LTAC patients, 78.7% of their inpatient net patient revenue (NPR) was received from Medicare patients during FY12. In contrast, the average age of inpatients at GAC hospitals in Pennsylvania was 52.7 years, and GAC hospitals received an average of 43.4% of their total inpatient NPR from Medicare.

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

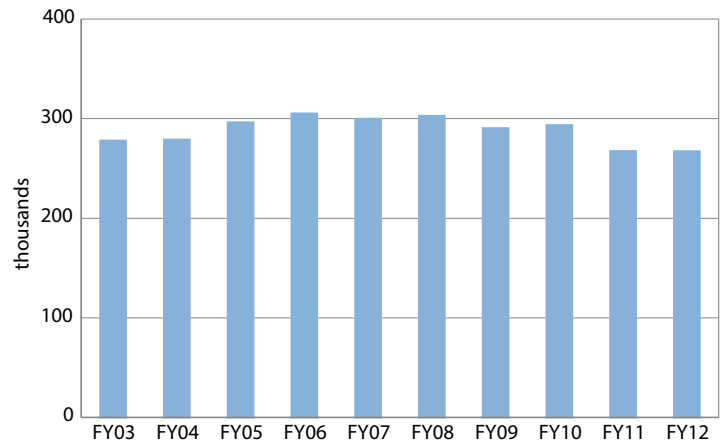
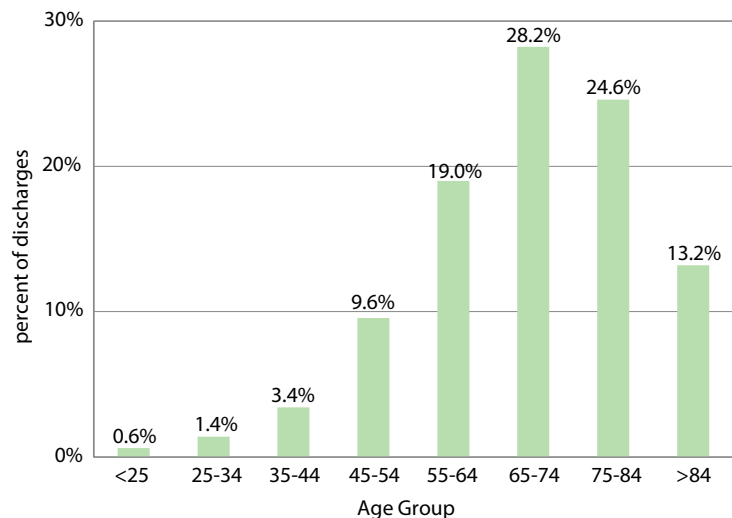


FIGURE 30
Inpatient Age Distribution at Long-Term Acute Care Hospitals, FY12
by Age Group



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Four LTAC hospitals represent the statewide total of 118,434 outpatient visits during FY12. One of the four facilities reported 85.8% of the total outpatient visits. Most of the outpatient care is not directly related to the hospitals' inpatient LTAC services, but reflects the broader spectrum of care provided by each facility's affiliated health system, such as rehab outpatient services.

Long-Term Acute Care Hospitals – Financial Profile

LTAC hospitals have transitioned from a cost-based Medicare reimbursement system to a Long-Term Care Hospital Prospective Payment System (LTCH PPS). Changes to the Medicare reimbursement system have had a major effect on the financial health of Pennsylvania's LTAC hospitals. These hospitals received 74.6% of their patient revenue from treating Medicare patients during FY12. In addition to participation conditions for an acute care hospital, the ALOS for Medicare patients in the LTAC hospital must be greater than 25 days in order to qualify to receive Medicare payment.

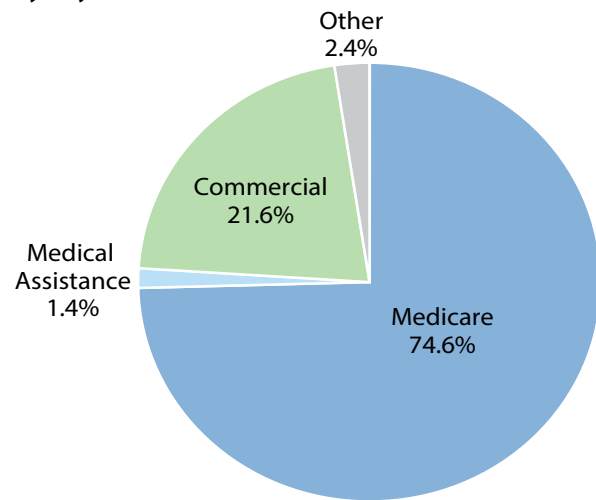
Concurrent with the move to LTCH PPS in FY03, LTAC hospitals as a group began to post positive operating and total margins in FY03 after five consecutive years of negative margins. Not only did these margins move into positive territory in FY03, the statewide operating margin improved 5.43 points from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

the statewide operating margin decreased 0.29 of a percentage point to 5.94%. In FY12, the statewide operating margin increased 0.82 of a percentage point to 6.76%.

In previous reports to the Congress, the Medicare Payment Advisory Commission (MedPAC) estimated that LTAC hospitals experienced negative or small positive margins from treating Medicare patients under the pre-2003 cost-based Medicare reimbursement system. In MedPAC's March 2013 report, following the switch to the PPS system, national Medicare margins increased to 9.1% in 2004 and 11.9% in 2005. The national Medicare margin fell to 9.7% in 2006, 4.6% in 2007 and 3.5% in 2008, before it increased to 5.6% in 2009, 6.6% in 2010 and 6.9% in 2011.

Medicare revenues and utilization were also affected by regulatory changes that established limits

FIGURE 31
Net Patient Revenue at Long-Term Acute Care Hospitals, FY12
by Payer



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on the percentage of a facility's patients that are reimbursed at the LTCH PPS rates. Patients admitted to LTAC facilities above those limits were reimbursed at the generally lower PPS rates for GAC hospitals.

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

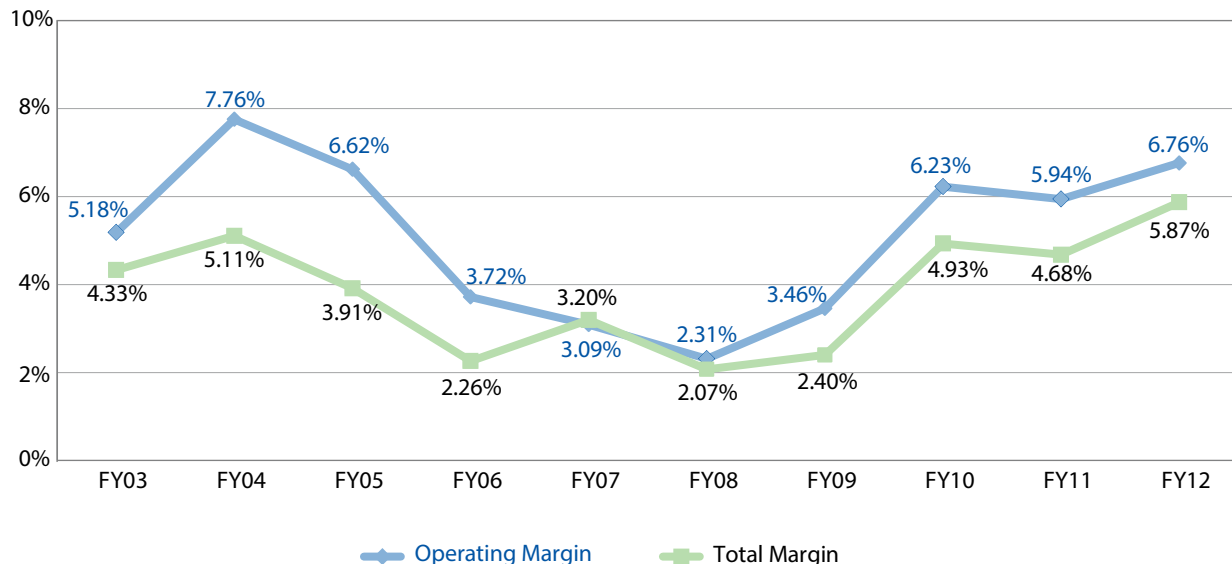
In May 2007, CMS expanded the "25% Rule" to apply to all LTAC hospitals, (not only LTAC HWHs)

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

The MMSEA of 2007 froze the implementation of the "25% Rule" for three years. Instead of transitioning to 25%, CMS regulations set the limit for admissions from any single hospital at 50% for cost reporting years between December 29, 2007 and December 29, 2010. The MMSEA also prevented CMS from implementing the "25% Rule" beyond HWH to freestanding LTAC hospitals for three years, until the end of 2010. Additionally, the MMSEA imposed a three-year freeze on new LTAC facilities and new beds in existing LTAC facilities.

The American Recovery and Reinvestment Act of 2009 (ARRA) modified some provisions of the

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



LONG-TERM ACUTE CARE

MMSEA. ARRA altered the implementation dates for the rollback of the “25% Rule” and the moratorium on new LTAC facilities and beds in existing facilities to July 1, 2007, or October 1, 2007, depending on start of the facilities’ fiscal year. The Patient Protection and Affordable Care Act of 2010 extended the “25% Rule” and the moratorium on new LTAC facilities and beds for an additional two years, until the end of 2012.

Among the payers, other third-party payer was the highest average revenue per discharge during FY12 at LTAC hospitals (Figure 33). Other third-

party was also the highest average revenue per day payer during FY12 (Figure 34).

In combination with the increases in discharges during FY12 at LTAC hospitals’ the statewide NPR increased 1.8% (Table 16). Since the 1.8% increase in statewide total operating revenue outpaced the 0.9% increase in statewide total operating expenses, the statewide average operating margin increased 0.82 of a percentage point from 5.94% in FY11 to 6.76% in FY12. The statewide average total margin increased 1.19 of a percentage point from 4.68% in FY11 to 5.87% in FY12.

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

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Net Patient Revenue	\$310,147	\$341,561	\$384,488	\$397,337	\$403,658	\$422,000	\$443,338	\$453,889	\$410,969	\$418,220
Total Operating Revenue	\$313,135	\$344,141	\$385,991	\$398,515	\$405,257	\$423,762	\$463,430	\$477,821	\$412,690	\$420,215
Total Operating Expenses	\$296,900	\$317,451	\$360,440	\$383,704	\$392,744	\$413,957	\$447,410	\$448,075	\$388,163	\$391,792
Operating Income	\$16,235	\$26,690	\$25,551	\$14,811	\$12,513	\$9,805	\$16,020	\$29,746	\$24,526	\$28,423
Non-Operating Income**	(\$2,662)	(\$9,085)	(\$10,392)	(\$5,758)	\$496	(\$989)	(\$4,830)	(\$6,155)	(\$5,210)	(\$3,707)
Revenue over Expenses	\$13,573	\$17,605	\$15,159	\$9,053	\$13,009	\$8,816	\$11,190	\$23,591	\$19,316	\$24,716

* Some figures are off due to rounding.

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

LONG-TERM ACUTE CARE

FIGURE 33
Average Net Inpatient Revenue per Discharge at Long-Term Acute Care Hospitals, FY12
 by Payer

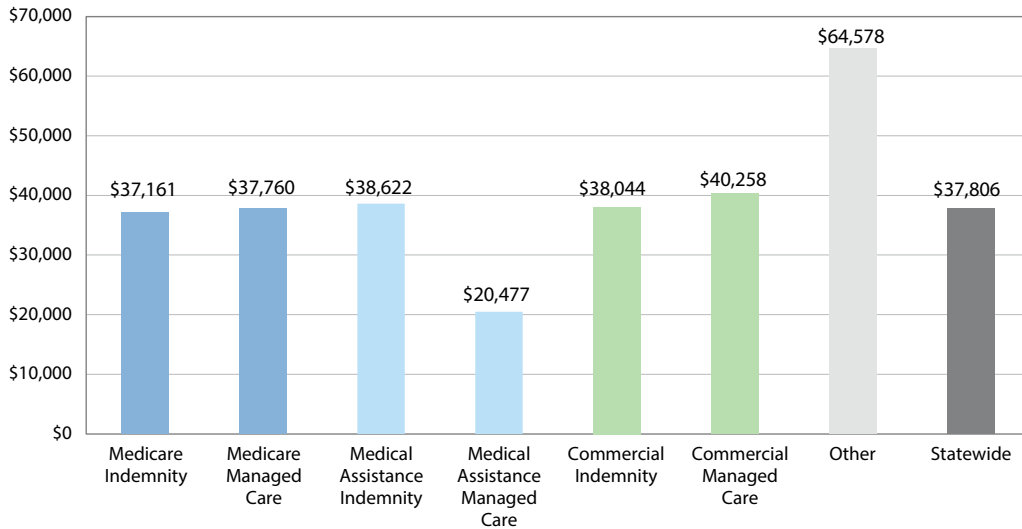
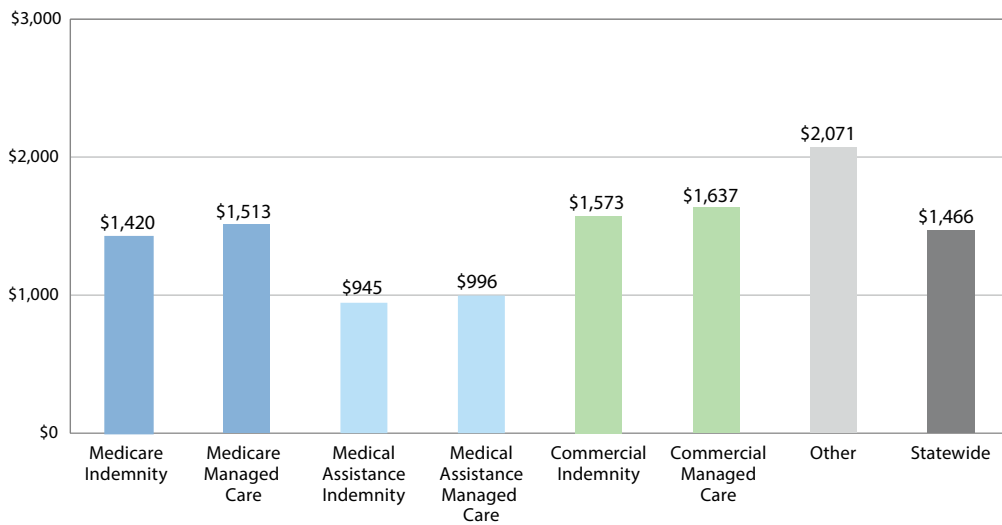


FIGURE 34
Average Net Inpatient Revenue per Day at Long-Term Acute Care Hospitals, FY12
 by Payer



LONG-TERM ACUTE CARE

Region/ Long-Term Acute Care Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY09-FY12	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY09-FY12
	FY12	FY11	FY10	FY09		FY12	FY11	FY10	FY09	
Statewide Average	\$15	\$15	\$17	\$16	-1.89%	\$15	\$14	\$17	\$17	-4.14%
Non-profit LTAC Hospitals										
Statewide Average (non-profit)	\$28	\$27	\$31	\$29	-1.54%	\$24	\$22	\$36	\$36	-10.95%
9 Good Shepherd Penn/Phila ⁷	\$39	\$36	\$32	\$22	24.94%	\$33	\$29	\$50	\$42	-7.18%
7 Good Shepherd/Bethlehem	\$17	\$17	\$17	\$17	0.52%	\$15	\$16	\$15	\$15	-0.43%
For-profit LTAC Hospitals										
Statewide Average (for-profit)	\$15	\$14	\$15	\$15	-0.73%	\$14	\$14	\$14	\$14	-1.01%
8 Kindred/Delaware County ^{1,2,10,11}	\$4	\$10	\$10	\$10	NA	\$6	\$11	\$10	\$11	NA
7 Kindred/Easton ^{1,10}	\$11	\$11	\$12	\$13	-4.58%	\$12	\$10	\$11	\$12	-0.72%
8 Kindred/Havertown ^{1,10}	\$24	\$19	\$17	\$13	25.57%	\$20	\$18	\$16	\$14	15.22%
1 Kindred/Heritage Valley ^{1,10}	\$12	\$13	\$12	\$13	-2.42%	\$11	\$11	\$11	\$11	-0.27%
1 Kindred/North Shore ^{1,10}	\$10	\$14	\$13	\$13	-8.24%	\$14	\$16	\$16	\$16	-5.55%
9 Kindred/Philadelphia ^{1,10}	\$20	\$22	\$22	\$23	-4.29%	\$18	\$20	\$20	\$20	-3.33%
1 Kindred/Pittsburgh ^{1,10}	\$16	\$17	\$20	\$20	-5.66%	\$17	\$17	\$20	\$19	-3.61%
9 Kindred/South Phila ^{1,3,10}	\$17	\$5	\$14	\$17	NA	\$17	\$8	\$15	\$23	NA
6 Kindred/Wyoming Valley ^{1,10}	\$14	\$12	\$13	\$13	1.92%	\$12	\$12	\$11	\$11	1.78%
8 LifeCare/Chester County ^{1,10,11}	\$13	\$16	\$14	\$14	-2.47%	\$14	\$15	\$14	\$14	-0.33%
5 LifeCare/Mechanicsburg ^{1,3,10,11}	\$14	\$6	\$19	\$18	-7.45%	\$15	\$7	\$16	\$16	-2.85%
1 LifeCare/Monroeville ^{1,3,10,11}	\$19	\$7	\$20	\$22	-4.55%	\$18	\$7	\$20	\$20	-4.41%
1 LifeCare/Pgh - Alle-Kiski ^{1,10,11}	\$12	\$11	\$9	\$12	-0.31%	\$8	\$8	\$10	\$10	-5.03%
1 LifeCare/Pittsburgh ^{1,10,11}	\$28	\$30	\$40	\$34	-5.54%	\$29	\$32	\$36	\$33	-3.27%
1 LifeCare/Suburban ^{1,5,10,11}	\$17	\$12	NA	NA	NA	\$16	\$12	NA	NA	NA
5 Select Specialty/Camp Hill ^{1,10,13}	\$15	\$13	\$12	\$12	8.40%	\$12	\$11	\$10	\$10	7.79%
4 Select Specialty/Danville ^{1,10,13}	\$8	\$8	\$8	\$8	-0.14%	\$8	\$8	\$8	\$8	-1.95%
2 Select Specialty/Erie ^{1,10,13}	\$15	\$17	\$16	\$16	-1.87%	\$15	\$16	\$15	\$16	-0.80%
5 Select Specialty/Harrisburg ^{1,10,13}	\$16	\$16	\$12	\$10	18.87%	\$13	\$13	\$10	\$9	12.82%
3 Select Specialty/Johnstown ^{1,10,13}	\$16	\$16	\$15	\$12	12.36%	\$13	\$13	\$12	\$11	8.54%
1 Select Specialty/Laurel ^{1,10,13}	\$11	\$12	\$13	\$15	-8.15%	\$9	\$10	\$11	\$11	-5.92%
1 Select Specialty/McKeesport ^{1,10,13}	\$11	\$11	\$10	\$9	4.12%	\$9	\$9	\$9	\$9	1.90%
1 Select Specialty/UPMC ^{1,10,13}	\$14	\$14	\$12	\$12	4.82%	\$12	\$12	\$11	\$11	2.89%
5 Select Specialty/York ^{1,10,13}	\$11	\$10	\$10	\$9	4.62%	\$9	\$8	\$8	\$8	0.25%
6 Special Care ^{1,5,10}	\$14	\$16	\$17	\$17	-5.36%	\$16	\$18	\$18	\$17	-1.70%

See footnotes and map of regions on page 40.

LONG-TERM ACUTE CARE

Long-Term Acute Care Hospital	Operating Margin FY12	Total Margin FY12	3-yr Average Total Margin FY10-FY12	Percent of Uncompensated Care FY12	Medicare Share of NPR FY12	Medical Assistance Share of NPR FY12
Statewide Average	6.76%	5.87%	5.15%	0.46%	74.57%	1.43%
Non-profit LTAC Hospitals						
Statewide Average (non-profit)	14.18%	14.18%	10.52%	1.33%	44.58%	1.42%
Good Shepherd Penn/Phila ⁷	15.50%	15.50%	13.71%	1.71%	32.81%	2.06%
Good Shepherd/Bethlehem	11.18%	11.18%	10.45%	0.46%	70.91%	0.00%
For-profit LTAC Hospitals						
Statewide Average (for-profit)	5.63%	4.60%	4.04%	0.32%	79.17%	1.43%
Kindred/Delaware County ^{1,2,10,11}	-42.59%	-25.99%	-6.33%	-2.22%	87.89%	-0.79%
Kindred/Easton ^{1,10}	-2.83%	-1.61%	3.72%	0.63%	88.41%	0.00%
Kindred/Havertown ^{1,10}	14.06%	8.54%	5.11%	-0.07%	83.48%	-0.14%
Kindred/Heritage Valley ^{1,10}	9.87%	5.99%	7.34%	0.57%	72.90%	12.29%
Kindred/North Shore ^{1,10}	-29.41%	-18.09%	-11.19%	0.22%	80.88%	1.83%
Kindred/Philadelphia ^{1,10}	7.26%	4.56%	4.30%	-0.06%	77.94%	12.52%
Kindred/Pittsburgh ^{1,10}	-2.58%	-1.59%	-1.80%	0.48%	72.12%	3.53%
Kindred/South Phila ^{1,3,10}	-3.28%	-2.02%	-8.56%	0.86%	87.06%	1.06%
Kindred/Wyoming Valley ^{1,10}	14.10%	8.59%	5.71%	0.10%	84.73%	-0.01%
LifeCare/Chester County ^{1,10,11}	1.09%	1.12%	1.22%	-0.08%	83.51%	0.00%
LifeCare/Mechanicsburg ^{1,3,10,11}	-6.04%	-3.93%	2.48%	0.31%	81.23%	0.00%
LifeCare/Monroeville ^{1,3,10,11}	6.92%	4.51%	0.69%	0.27%	84.65%	0.00%
LifeCare/Pgh - Alle-Kiski ^{1,10,11}	30.02%	19.51%	11.17%	0.45%	77.62%	0.21%
LifeCare/Pittsburgh ^{1,10,11}	-3.75%	-2.42%	1.61%	0.16%	83.78%	0.15%
LifeCare/Suburban ^{1,5,10,11}	6.23%	4.05%	NA	0.44%	60.24%	0.07%
Select Specialty/Camp Hill ^{1,10,13}	20.49%	20.52%	17.56%	0.68%	76.49%	0.00%
Select Specialty/Danville ^{1,10,13}	5.91%	5.42%	2.11%	0.38%	74.42%	0.00%
Select Specialty/Erie ^{1,10,13}	1.56%	3.51%	2.90%	0.14%	81.00%	0.00%
Select Specialty/Harrisburg ^{1,10,13}	18.19%	18.19%	17.84%	0.33%	74.10%	0.54%
Select Specialty/Johnstown ^{1,10,13}	18.64%	12.31%	10.53%	0.40%	81.56%	0.00%
Select Specialty/Laurel ^{1,10,13}	14.64%	12.06%	11.16%	0.33%	83.56%	0.00%
Select Specialty/McKeesport ^{1,10,13}	14.52%	10.18%	8.39%	0.52%	82.67%	0.00%
Select Specialty/UPMC ^{1,10,13}	11.18%	8.12%	7.01%	1.42%	62.62%	0.00%
Select Specialty/York ^{1,10,13}	18.81%	18.81%	17.57%	0.11%	78.67%	0.00%
Special Care ^{1,5,10}	-12.48%	-9.93%	-6.89%	0.51%	80.56%	1.08%

See footnotes and map of regions on page 40.

SPECIALTY

Specialty

Specialty hospitals provide unique types or combinations of patient care that do not fall under the other categories of non-general acute care hospitals. There were five specialty hospitals during fiscal year 2012 (FY12). Between FY11 and FY12, one specialty hospital, Girard Medical Center, merged into St. Joseph Hospital. In lieu of an analysis of the trends in utilization and financial health of this very diverse category of facilities, this section presents a brief summary of each of the facilities, based on data available at the end of FY12.

The Children's Home of Pittsburgh is a non-profit pediatric specialty hospital that serves children from birth to age 21. It provides short-term transitional care from hospital to home for premature and high-risk infants who have passed the life-threatening stage of their illness, but continue to require medical

monitoring, care and supervision. For FY12, the hospital reported 15 staffed medical-surgical beds and 329 discharges with an average length of stay (ALOS) of 14.1 days.

The Children's Home of Pittsburgh has previously had several years of operating and total losses due, in part, to lower patient volume and an increased cost structure after relocating to a new facility. During FY12, the hospital improved its operating margin from 0.47% in FY11 to 2.52% in FY12 while total margin decreased from 6.85% in FY11 to 4.53% in FY12.

Divine Providence Hospital is a non-profit hospital affiliated with the Susquehanna Health System in Lycoming County. The hospital operated a 31-bed inpatient psychiatric unit and provides outpatient diagnostic and treatment services and home

Region/ Specialty Hospital	Net Patient Revenue NPR (millions)				3-yr Avg Change in NPR FY09-FY12	Total Operating Expenses TOE (millions)				3-yr Avg Change in TOE FY09-FY12
	FY12	FY11	FY10	FY09		FY12	FY11	FY10	FY09	
Statewide Average	\$28	\$27	\$27	\$25	4.46%	\$27	\$26	\$26	\$24	4.55%
1 Children's Home Pgh	\$9	\$8	\$7	\$6	18.15%	\$9	\$10	\$9	\$9	3.45%
4 Divine Providence	\$78	\$79	\$82	\$77	0.52%	\$75	\$75	\$75	\$68	3.63%
8 Eagleville ⁵	\$34	\$29	\$26	\$25	13.10%	\$33	\$29	\$26	\$25	9.76%
9 Kensington ⁵	\$7	\$7	\$6	\$7	0.26%	\$7	\$7	\$7	\$7	-1.41%
8 Valley Forge ^{1,5,10}	\$13	\$13	\$11	\$10	8.41%	\$13	\$12	\$11	\$12	3.12%

See footnotes and map of regions on page 40.

SPECIALTY

health services. During FY12, Divine Providence reported 195,756 outpatient and home health care visits. Outpatient and home health care represented about 94% of the hospital's total net patient revenue in FY12.

Eagleville Hospital, a non-profit hospital, had provided inpatient drug and alcohol (D&A) treatment as well as geriatric psychiatric services in Montgomery County during FY12. The hospital reported 288 staffed beds, 34 of which are acute psychiatric beds. The overall ALOS at Eagleville during FY12 was 21.7 days.

Eagleville Hospital reported an operating margin of 7.04% and a total margin of 8.54% for FY12, largely as a result of a \$2.4 million transition grant from the state and federal governments. The purpose

of this grant is to offset reductions in funding from the Medicaid program.

Kensington Hospital is a 38-bed hospital in Philadelphia that primarily provides D&A treatment. Kensington, a non-profit hospital, received about 88.9% of its patient revenue from the Medical Assistance (MA) program, excluding state grants. The hospital reported 8,614 outpatient visits in FY12, and outpatient care represented about 30.3% of its patient revenue.

The Valley Forge Medical Center and Hospital is an 86-bed for-profit facility in Montgomery County that provided inpatient rehabilitative programs to patients with D&A dependencies and other addictive illnesses. During FY12, 59% of its patient revenue was MA.

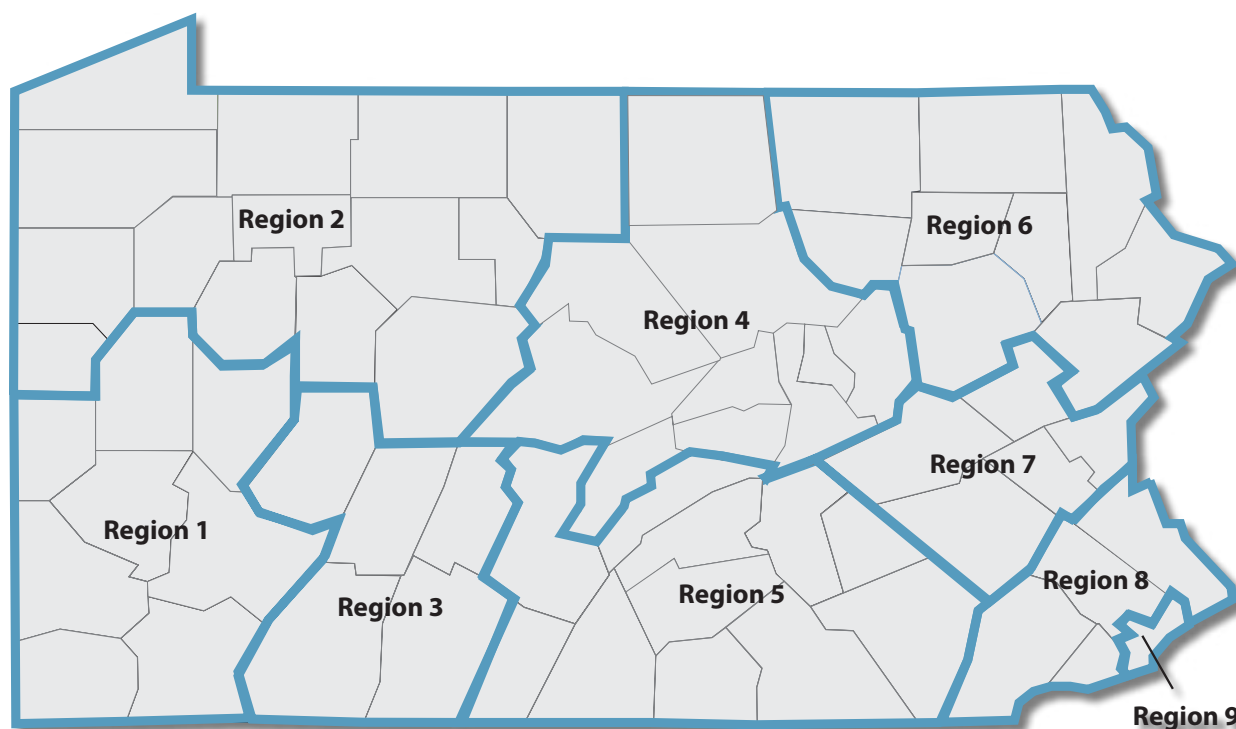
Specialty Hospital	Operating Margin FY12	Total Margin FY12	3-yr Average Total Margin FY10-FY12	Percent of Uncompensated Care FY12	Medicare Share of NPR FY12	Medical Assistance Share of NPR FY12
Statewide Average	7.10%	7.93%	9.92%	1.85%	25.81%	31.44%
Children's Home Pgh	2.52%	4.53%	4.25%	2.52%	0.00%	71.54%
Divine Providence	8.50%	9.19%	12.61%	1.40%	34.75%	3.39%
Eagleville ⁵	7.04%	8.54%	11.18%	1.39%	21.85%	62.72%
Kensington ⁵	4.47%	4.63%	3.23%	6.10%	8.95%	88.88%
Valley Forge ^{1, 5, 10}	3.28%	2.68%	3.79%	2.95%	7.48%	59.03%

See footnotes and map of regions on page 40.

FOOTNOTES

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. The data is less than 12 months; therefore, a three-year comparison is not appropriate for some of the measures.
 3. Prior year(s) reflect less than 12 months of data; therefore, a three-year comparison is not appropriate for some of the measures.
 4. This is the first reporting year for this facility. Often expenses are higher than operating revenue during the start-up period. Three-year comparisons are not appropriate for this facility.
 5. The hospital has a specialty unit(s) such as psychiatric, rehabilitation, long-term care, skilled nursing, home health, etc., which are included in the data presented for the facility.
 6. Extraordinary item(s) reported on audited financial statement was included in the calculation of total margin.
 7. Balance sheet ratios are for the parent organization.
 8. Acquired or merged with another licensed hospital during the FY12 reporting period.
 9. Acquired or merged with another licensed hospital during the FY10 or FY11 reporting periods.
 10. For-profit facility; total margin includes *pro rata* share of the parent corporation's federal income taxes.
 11. Facility is referred to by a different name, or it closed after the FY12 reporting period.
 12. Facility failed to satisfy the financial filing requirements.
 13. One or more of the required financial submissions was filed late.
 14. Facility submitted incomplete or inaccurate data.
- NA Not applicable.
NR Information necessary to report or calculate this measure was not reported by the facility.
- Note: The above footnotes are applicable to all reports in PHC4's *Financial Analysis* series.



EXPLANATION OF TERMS & MEASURES

Explanation of Terms & Measures

3-year Average Change in Net Patient Revenue (NPR) or Total Operating Expenses (TOE): The average annual change in the facility's NPR or TOE that occurred from the end of FY09 through FY12.

$$\frac{[(NPR_{12} - NPR_{09}) / NPR_{09}] / 3}{\text{or}}$$
$$\frac{[(TOE_{12} - TOE_{09}) / TOE_{09}] / 3}$$

3-year Average Total Margin: The average total margin realized by the facility during FY10 through FY12.

$$(\Sigma \text{ revenue over expenses}_{12, 11, 10} / \Sigma \text{ total revenue}_{12, 11, 10})$$

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Psychiatric Hospital: A licensed institution certified by the Pennsylvania Department of Welfare to operate as a hospital that provides short-term acute psychiatric services on an inpatient basis. Psychiatric hospitals may also offer long-term residential and outpatient programs. Acute psychiatric care is rendered in response to severe psychiatric conditions requiring intensive or extensive intervention to bring the patient's symptoms under control.

Rehabilitation Hospital: A licensed inpatient facility by the Pennsylvania Department of Health, which is operated for the primary purpose of assisting in the physical rehabilitation of persons through an integrated program of medical and other services. Rehabilitation hospitals may also offer outpatient services.

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

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

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

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

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

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

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

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



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For More Information

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