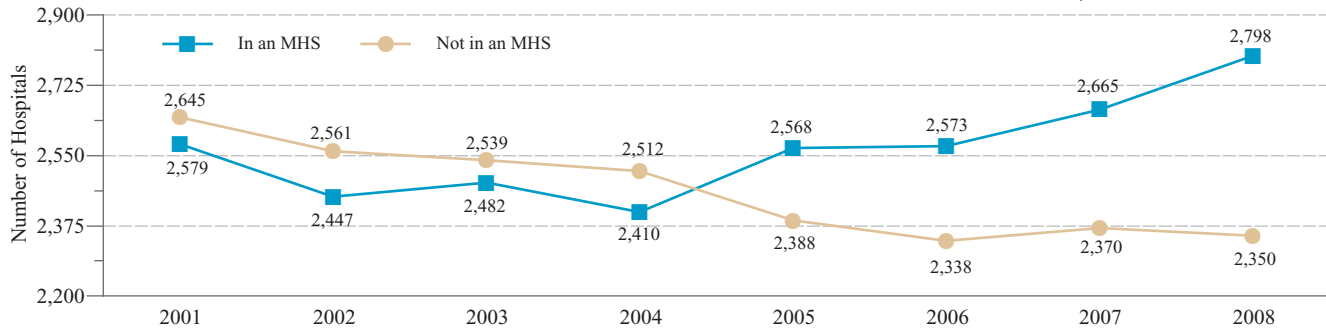


HOSPITALS EXECUTIVE SUMMARY

TOTAL NUMBER OF U.S. HOSPITALS IN AND OUT OF MULTIHOSPITAL SYSTEMS, 2001–2008



Data source: SDI © 2010

Hospital Demographics

- From 2006 (4,911) to 2008 (5,148), the overall short-term, acute-care hospital count in the U.S. rose 4.8%. Small hospitals (those with fewer than 50 beds) drove this increase, as their count grew 12.7% between 2006 (1,662) and 2008 (1,873).
- Not-for-profit facilities accounted for a notable 60.2% of hospitals nationwide in 2008. However, this percentage has steadily eroded in recent years, owing to a revived focus on the for-profit health care sector.

Hospital Medical Utilization

- Hospital outpatient visits per day rose a substantial 13.1% between 2005 (187.0) and 2008 (211.5). During this period, the number of ER visits increased a comparatively minor 8.3%, to 69.5 from 64.2 in 2005.
- MHS-owned facilities, which tend to be larger hospitals that often treat more complicated cases, had higher utilization rates (patient-days and occupancy rates alike) than non-MHS facilities in both CCU and ICU settings.
- In spite of a sharp rise in ICU occupancy rates at non-MHS facilities between 2004 (52.2%) and 2005 (61.3%), these hospitals still had notably lower ICU occupancy than their MHS-owned counterparts, a trend that persisted in 2008.

Hospital Expenditures

- In 2008, MHS-affiliated hospitals reported lower costs per admission than their non-MHS counterparts, a reflection of the cost efficiencies these hospitals have perhaps gained through economies of scale.
- Hospitals with fewer than 50 beds averaged pharmaceutical costs of \$1,375 per discharge in 2008, the highest, by bed size, by a considerable margin. Due to relative advantages in terms of access to technology and other resources, large hospitals are often able to achieve greater efficiencies in their pharmacy operations.

Hospitals in Multihospital Systems with HMOs

- Hospitals in MHSs that own HMOs relied more heavily on outpatient sources of revenue to drive business. For example, outpatient revenue climbed 8.0% at hospitals in MHSs owning HMOs in 2008, to \$193.9 million from \$179.5 million the year before, accounting for nearly 40% of total revenue.
- Between 2007 and 2008, total full-time-equivalent (FTE) staffing ratios rose for all U.S. hospitals, regardless of MHS affiliation. Over this time, the number of registered nurses (RNs) per occupied bed grew at hospitals in HMO-owning MHSs (to 2.21 from 2.09 in 2007) and at hospitals in MHSs not owning HMOs (to 2.21 from 2.10).

Inpatients with Chronic Diseases

- Between 2006 and 2008, the numbers of cardiovascular disease-related (ACS, angina and atrial fibrillation) hospital inpatient cases fell, while the number of inpatient diabetes cases rose slightly.
- Of hospital inpatient cases that treated patients diagnosed with atrial fibrillation in 2008, more than three-quarters (78.6%) were paid for by Medicare, the highest Medicare payer share, by disease state, by a considerable margin.
- In six of 10 disease states, average length of stay per hospital inpatient case was higher at MHS hospitals than at non-MHS facilities.

HOSPITAL REGIONS

Pacific Alaska California Hawaii Oregon Washington	South Central Alabama Arkansas Kentucky Louisiana Mississippi Oklahoma Tennessee Texas
Mountain Arizona Colorado Idaho Montana Nevada New Mexico Utah Wyoming	New England Connecticut Maine Massachusetts New Hampshire Rhode Island Vermont
W. North Central Iowa Kansas Minnesota Missouri Nebraska North Dakota South Dakota	Mid-Atlantic New Jersey New York Pennsylvania
E. North Central Illinois Indiana Michigan Ohio Wisconsin	South Atlantic Delaware D.C. Florida Georgia Maryland North Carolina Puerto Rico South Carolina Virginia West Virginia



DEMOGRAPHICS

Number of Small Short-Term, Acute-Care Hospitals Rises

From 2006 (4,911) to 2008 (5,148), the overall short-term, acute-care hospital count in the U.S. rose 4.8%.

- Small hospitals (those with fewer than 50 beds) drove this increase, as their count grew 12.7% between 2006 (1,662) and 2008 (1,873). The increasing interest in specialty hospital services contributed greatly to the growth of smaller, more efficient specialized facilities.
- A population boom in most Mountain states between 2000 and 2008 (Nevada, according to the U.S. Census Bureau, saw more than 30% growth) contributed to the addition of 46 hospitals (a 13.3% increase) between 2006 (347) and 2008 (393).

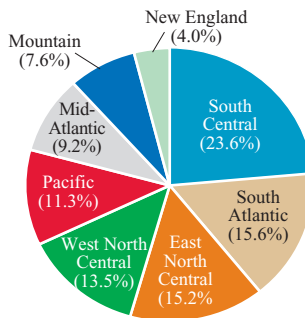
REGION	HOSPITAL DEMOGRAPHICS*, **					
	2006		2007		2008	
	# of Hospitals	% of Hospitals	# of Hospitals	% of Hospitals	# of Hospitals	% of Hospitals
REGION						
Pacific	567	11.5%	576	11.4%	582	11.3%
Mountain	347	7.1	377	7.5	393	7.6
West North Central	667	13.6	681	13.5	694	13.5
East North Central	747	15.2	759	15.1	784	15.2
South Central	1,122	22.8	1,159	23.0	1,213	23.6
New England	200	4.1	203	4.0	204	4.0
Mid-Atlantic	487	9.9	482	9.6	476	9.2
South Atlantic	774	15.8	798	15.9	802	15.6
SIZE (# of Licensed Beds)						
<50 Beds	1,662	33.8%	1,776	35.3%	1,873	36.4%
50–119 Beds	980	20.0	984	19.5	1,022	19.9
120–249 Beds	1,228	25.0	1,229	24.4	1,212	23.5
250+ Beds	1,041	21.2	1,046	20.8	1,041	20.2
OWNERSHIP TYPE						
Not-for-Profit	3,020	61.5%	3,083	61.2%	3,097	60.2%
For-Profit	702	14.3	740	14.7	855	16.6
Government	1,189	24.2	1,212	24.1	1,196	23.2
MHS OWNERSHIP						
MHS Owned	2,573	52.4%	2,665	52.9%	2,798	54.4%
Non-MHS Owned	2,338	47.6	2,370	47.1	2,350	45.6
TOTAL/OVERALL AVG.	4,911	100.0%	5,035	100.0%	5,148	100.0%

Multihospital System-Affiliated Facility Share Continues to Grow

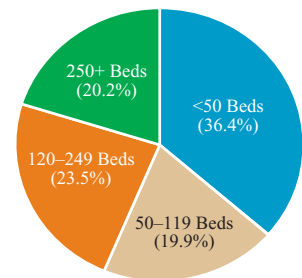
Multihospital systems (MHSs) and not-for-profit facilities accounted for the majority of U.S. hospitals in 2008.

- In 2008, a growing majority (54.4%) of all U.S. hospitals were affiliated with a multihospital system (MHS), up from 52.9% in 2007. Such an affiliation can provide hospitals with access to additional revenue streams, often including greater participation in managed care contracting.
- Not-for-profit facilities accounted for a notable 60.2% of hospitals nationwide in 2008. However, this share has steadily eroded in recent years, owing to a revived focus on the for-profit health care sector.
- The South Central region, which included a substantial 439 Texas hospitals, was home to nearly one-quarter (23.6%) of all facilities operating in the U.S. in 2008.

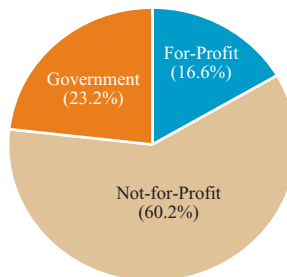
DISTRIBUTION OF HOSPITALS, BY REGION, 2008*, **



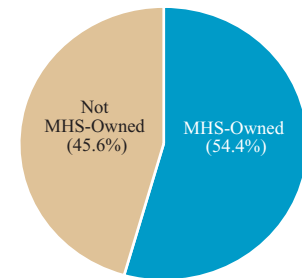
DISTRIBUTION OF HOSPITALS, BY SIZE, 2008*



DISTRIBUTION OF HOSPITALS, BY OWNERSHIP TYPE, 2008*



DISTRIBUTION OF HOSPITALS, BY MHS OWNERSHIP, 2008*



Data source: SDI © 2010

* Hospital data are based on all short-term, acute-care, nonfederal hospitals and are effective as of end-of-year 2007 and 2008. Psychiatric, rehabilitation and children's hospitals are excluded.

** A total of 58 hospitals in the South Atlantic region are physically located in Puerto Rico.

CONCOMITANT PROCEDURES

Ultrasounds Are Common Procedures for Patients with Cardiovascular Disease

Diagnostic imaging procedures (such as ultrasounds) were commonly performed on patients with eight of 10 primary diagnoses (osteoarthritis and neoplasms excluded).

- Ultrasounds were used to help fully diagnose patients with six of the 10 primary diagnoses listed. However, such procedures were less common in 2008 than in 2007 for patients with angina, DVT and hypertension.
- Arteriography and angiocardiology, procedures involving the injection of dye into the bloodstream to observe blood flow via X-ray, became more common in 2008, especially among patients with ACS, angina, DVT and stroke.

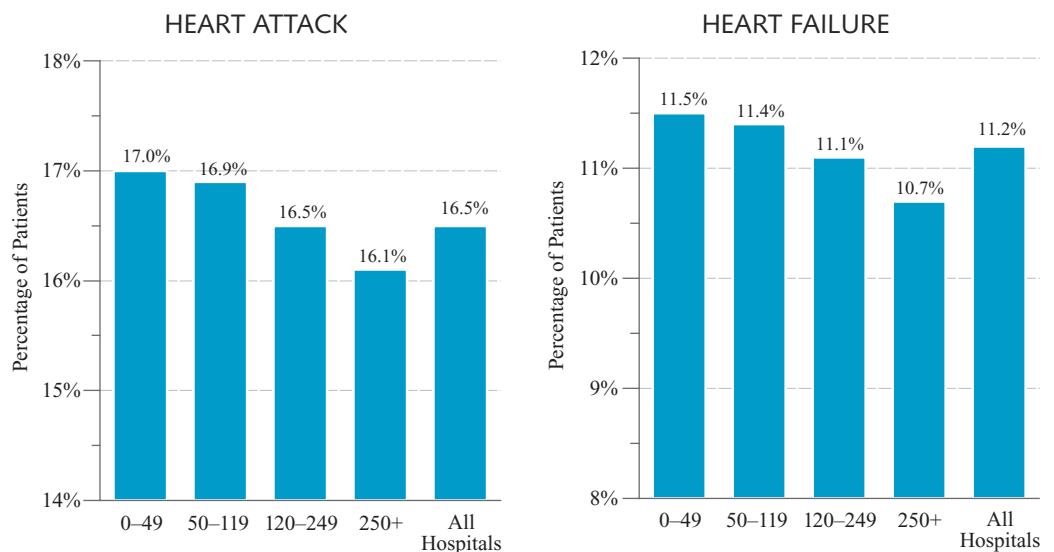
MOST COMMON CONCOMITANT PROCEDURES FOR PATIENTS WITH 10 PRIMARY DIAGNOSES, BY ICD-9 CODE

ICD-9 Code		2007	2008
ACUTE CORONARY SYNDROMES			
37.22	Left heart cardiac catheterization	12.7%	12.0%
88.56	Coronary arteriography using two catheters	11.2	11.4
88.53	Angiocardiology of left heart structures	9.7	10.7
88.72	Diagnostic ultrasound of heart	4.2	4.6
00.40	Procedure on single vessel	—	1.3
ANGINA			
88.56	Coronary arteriography using two catheters	—	17.0%
88.53	Angiocardiology of left heart structures	—	15.3
92.05	Cardiovascular and hematopoietic scan and radioisotope function study	—	7.9
88.72	Diagnostic ultrasound of heart	—	7.2
89.44	Other cardiovascular stress test	—	7.1
ATRIAL FIBRILLATION			
88.72	Diagnostic ultrasound of heart	11.4%	13.3%
99.62	Other electric countershock of heart	7.9	7.4
37.27	Cardiac mapping	4.5	6.2
37.26	Cardiac electrophysiologic stimulation and recording studies	5.0	6.2
88.56	Coronary arteriography using two catheters	7.5	5.2
DEEP VEIN THROMBOSIS			
99.04	Transfusion of packed cells	4.5%	6.5%
38.93	Venous catheterization, not elsewhere classified	4.3	6.2
88.51	Angiocardiology of venae cavae	3.0	5.2
88.77	Diagnostic ultrasound of peripheral vascular system	9.2	4.3
87.41	Computerized axial tomography of thorax	5.6	3.9
DIABETES MELLITUS			
38.93	Venous catheterization, not elsewhere classified	9.4%	10.7%
39.95	Hemodialysis	7.5	7.7
99.04	Transfusion of packed cells	5.5	6.0
86.22	Excisional debridement of wound, infection, or burn	4.9	4.6
88.48	Arteriography of femoral and other lower extremity arteries	2.4	2.5

Large Hospitals Operate the Most CCU Beds

Compared with the national average (14.4), hospitals with 250 or more beds (17.1) recorded higher average numbers of cardiac care unit (CCU) beds (data not shown) than smaller facilities. As a result, such facilities were more prepared to successfully treat heart attack and heart failure patients in these specialized settings. By size, hospitals with 250 or more beds recorded the lowest 30-day mortality rates for heart attack (16.1%) and heart failure (10.7%) in 2008.

HOSPITAL 30-DAY MORTALITY RATES, BY BED SIZE, 2008



Data source: SDI © 2010

MHS CASE STUDIES: JEFFERSON HEALTH SYSTEM

Jefferson Health System Hospitals Staff More Rehab, Long-Term Beds

The Jefferson Health System (JHS), comprising Magee Rehab Center, Main Line Health facilities and Thomas Jefferson University Hospital System, primarily serves the Philadelphia area. Providing care to the sixth largest city in the nation, JHS staffs far more beds per hospital than the national average. On average, JHS facilities also operate more rehabilitation and long-term beds.

▶ In 2008, JHS hospitals averaged 72.0 rehabilitation staffed beds, more than three times the Pennsylvania hospital average (22.4.) Similarly, JHS facilities averaged 170.0 skilled nursing beds in 2008, well above the statewide hospital average of 40.8.

BED TYPE	AVERAGE NUMBER OF STAFFED BEDS PER HOSPITAL					
	Jefferson Health System		Pennsylvania Hospitals		All U.S. Hospitals	
	2007	2008	2007	2008	2007	2008
Total Facility Staffed Beds	398.8	427.8	201.2	202.4	155.7	152.3
Hospital Unit Staffed Beds	396.0	385.3	191.1	191.0	147.9	145.0
Skilled Nursing Staffed Beds	—	170.0	35.2	40.8	49.3	50.0
Short-term Staffed Beds	358.1	349.6	163.5	165.2	131.5	129.4
Long-term Staffed Beds	65.0	125.0	52.0	53.8	51.5	51.0
Med./Surg. Staffed Beds	284.8	283.3	122.1	123.0	93.5	91.9
Rehabilitation Staffed Beds	76.0	72.0	22.7	22.4	22.8	22.4

▶ Between 2007 and 2008, JHS hospitals increased their average long-term care staffed bed count to 125.0 from 65.0. By comparison, U.S. hospitals averaged a comparatively slight 51.0 long-term beds.

Jefferson Health Maintains ALOS While Stroke, Neoplasms Case Counts Rise

UTILIZATION MEASURE	HOSPITAL UTILIZATION					
	Jefferson Health System		Pennsylvania Hospitals		All U.S. Hospitals	
	2007	2008	2007	2008	2007	2008
Total Facility Admissions	25,304.5	25,683.5	10,114.8	10,228.0	7,416.0	7,290.9
Total Facility Occupancy	78.9%	76.0%	62.4%	62.4%	52.0%	51.3%
Total Facility Patient Days	137,986.3	139,553.5	52,893.6	53,685.2	37,295.0	36,608.8
Total Facility ALOS	5.1	5.1	5.4	5.7	4.5	4.9
Hospital Unit ALOS	5.1	5.1	4.9	5.0	4.5	4.4
Outpatient Visits per Day	734.0	632.3	378.6	382.5	209.9	211.5
ER Visits per Day	174.0	203.0	86.9	92.8	68.6	69.5

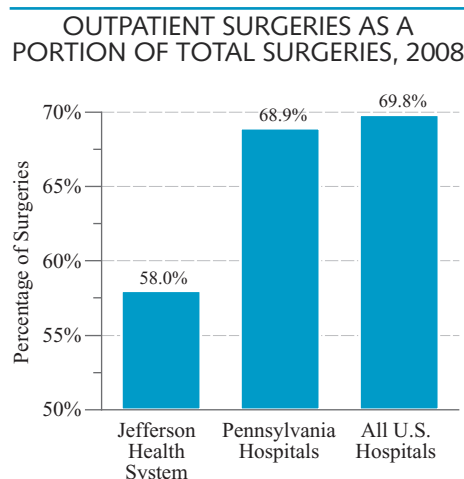
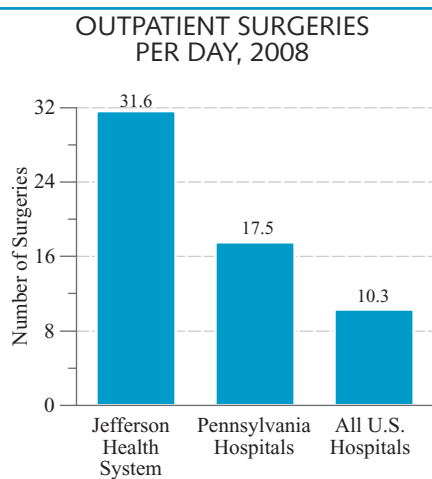
FTEs per Occupied Bed, 2008

Jefferson Health System	6.6
Pennsylvania Hospitals	8.1
All U.S. Hospitals	11.0

▶ Although total facility average length of stay (ALOS) rose for Pennsylvania (to 5.7 from 5.4 in 2007) and U.S. (to 4.9 from 4.5) hospitals alike, total facility ALOS for JHS hospitals remained at 5.1 days during this period.

▶ Between 2007 (78.9%) and 2008 (76.0%), total facility occupancy fell slightly at JHS facilities. In spite of this decline, total facility occupancy was notably higher at JHS hospitals than at facilities across Pennsylvania (62.4%).

JHS Outpatient Surgery Share Is Well Below the National Average



In 2008, Jefferson Health System facilities performed an average of 31.6 outpatient surgeries per day, more than three times the national average (10.3). Yet in spite of these high volumes, outpatient surgeries accounted for just 58.0% of all JHS surgeries, nearly 12 percentage points below the national average of 69.8%. This relatively low outpatient surgery share may in part be the result of a more complicated case mix that requires care in the inpatient setting.

Data source: SDI © 2010

MHS CASE STUDIES: METHODIST HOSPITAL SYSTEM

Methodist Hospital System Staffed Beds Are Largely Short-Term, Acute Care

In 2008, Methodist Hospital System staffed 1,318 beds across four hospitals, the vast majority of which were in the 950-bed Methodist Hospital, located in downtown Houston. The massive capacities of Methodist Hospital System facilities are essential considering the system serves as a primary health care provider to the nation's fourth largest city.

On average, Methodist Hospital System staffed 329.5 beds per facility, well above the Texas (140.2) and U.S. (152.3) averages. Short-term staffed beds (283.5) accounted for a notable 86.0% of total facility

BED TYPE	AVERAGE NUMBER OF STAFFED BEDS PER HOSPITAL					
	Methodist Hospital System		Texas Hospitals		All U.S. Hospitals	
	2007	2008	2007	2008	2007	2008
Total Facility Staffed Beds	341.5	329.5	147.4	140.2	155.7	152.3
Hospital Unit Staffed Beds	327.8	315.8	144.8	138.4	147.9	145.0
Skilled Nursing Staffed Beds	27.5	27.5	23.8	20.7	49.3	50.0
Short-term Staffed Beds	295.5	283.5	129.0	122.7	131.5	129.4
Long-term Staffed Beds	61.3	61.3	45.9	47.5	51.5	51.0
Med./Surg. Staffed Beds	223.5	204.0	84.6	80.3	93.5	91.9
Rehab Staffed Beds	31.0	31.0	20.4	19.9	22.8	22.4

In contrast, Methodist Hospital System facilities averaged just 27.5 skilled nursing staffed beds in 2008, moderately higher than the Texas average of 20.7 but well below the national mark of 50.0. Skilled nursing staffed

beds at Methodist Hospital System facilities in 2008, although this share was down fractionally from 86.5%.

beds were the only bed type in which Methodist System facilities averaged fewer beds than the national average.

Utilization Measures Grow at Methodist Hospital System

As a large multihospital system serving one of the nation's most populous urban markets, Methodist Hospital System reported increased utilization measures and higher-than-average inpatient surgery counts per staffed bed, even as such measures fell across Texas and nationally.

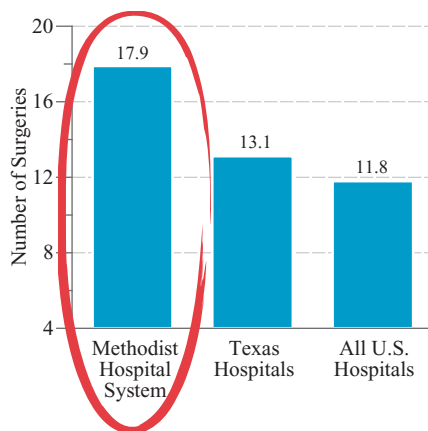
UTILIZATION MEASURE	HOSPITAL UTILIZATION					
	Methodist Hospital System		Texas Hospitals		All U.S. Hospitals	
	2007	2008	2007	2008	2007	2008
Total Facility Admissions	16,748.3	17,072.0	6,682.6	6,433.3	7,416.0	7,290.9
Total Facility Occupancy	81.2%	84.8%	46.3%	44.0%	52.0%	51.3%
Total Facility Patient Days	96,471.5	99,883.0	32,640.0	30,744.5	37,295.0	36,608.8
Total Facility ALOS	4.8	4.9	4.3	4.3	4.5	4.9
Hospital Unit ALOS	4.7	4.8	4.2	4.3	4.5	4.4
Outpatient Visits per Day	332.7	326.8	125.0	121.2	209.9	211.5
ER Visits per Day	119.4	124.9	61.0	59.4	68.6	69.5

In 2008, total facility admissions climbed to 17,072.0 from 16,748.3 at Methodist Hospital System facilities. During the same period, total facility occupancy increased to 84.8% from 81.2% the previous year.

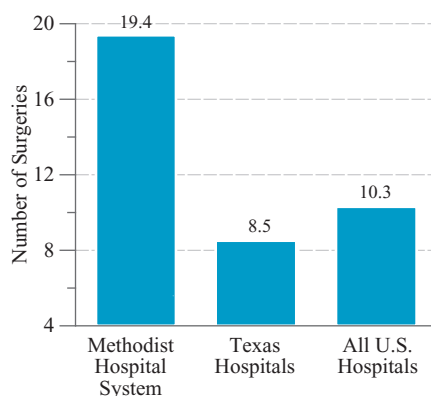
Although Methodist Hospital System facilities averaged a significant 19.4 outpatient surgeries per day in 2008, such procedures accounted for only 58.9% of total surgeries, well below the U.S. hospital average of 69.8%.

Inpatient Surgery Counts Indicate More High-Need Patients at Methodist

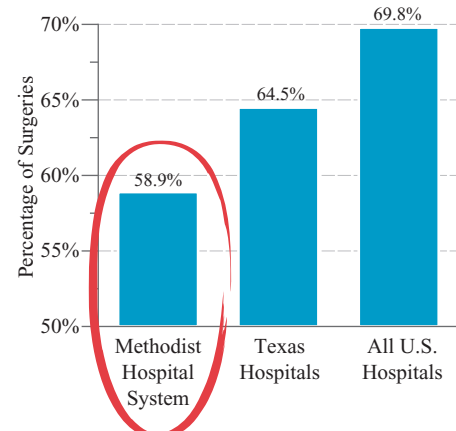
INPATIENT SURGERIES PER STAFFED BED, 2008



OUTPATIENT SURGERIES PER DAY, 2008



OUTPATIENT SURGERIES AS A PORTION OF TOTAL SURGERIES, 2008



Data source: SDI © 2010

Methodist Cancer Center Attracts Patients Seeking Specialized Treatment

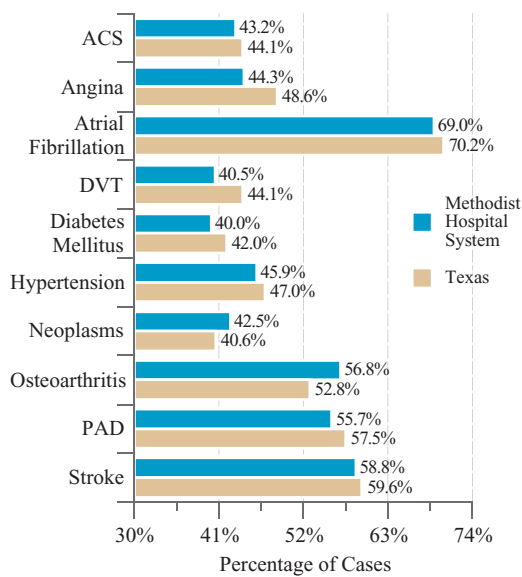
In 2008, Methodist Hospital System treated 1,468.8 inpatient neoplasms cases per facility, nearly three times the Texas (526.1) and national (562.6) per-facility averages.

- These high volumes likely stem from neoplasms cases admitted to the Methodist Cancer Center. The Center, which offers specialized treatment and intensive care, may have attracted neoplasms patients seeking specific modes of therapy. In part influenced by the needs of patients treated at the Methodist Cancer Center, average length of stay per inpatient neoplasms case was notably higher at Methodist Hospital System hospitals (6.9) than at hospitals nationwide (5.9).

DISEASE STATE	NUMBER OF INPATIENT CASES PER HOSPITAL PER YEAR					
	Methodist Hospital System		Texas Hospitals		All U.S. Hospitals	
	2007	2008	2007	2008	2007	2008
ACS	238.5	226.8	98.9	116.6	116.3	111.4
Angina	206.0	167.5	81.3	87.9	84.1	65.7
Atrial Fibrillation	1,597.5	1,428.3	506.6	502.9	664.0	599.0
DVT	469.8	467.8	120.5	137.7	141.7	148.8
Diabetes Mellitus	3,124.8	3,079.0	1,159.0	1,258.2	1,259.4	1,267.2
Hypertension	5,247.0	5,299.5	1,788.5	2,164.7	2,100.0	2,120.7
Neoplasms	1,445.0	1,468.8	426.6	526.1	536.0	562.6
Osteoarthritis	349.0	327.5	121.3	171.8	151.3	160.6
PAD	567.0	619.8	221.2	284.6	220.5	224.0
Stroke	487.5	511.3	156.6	173.9	173.7	177.8

Methodist Hospitals Treat Higher Shares of Medicaid and PFFS Patients

PERCENTAGE OF HOSPITAL INPATIENT CASES AGE 65+, 2008



PERCENTAGE OF HOSPITAL INPATIENT CASES, BY PAYER TYPE, 2008

DISEASE STATE	Medicare			Medicaid			Private Fee-for-Service			Other*		
	Methodist Hosp.	Texas Hosp.	All U.S. Hospitals	Methodist Hosp.	Texas Hosp.	All U.S. Hospitals	Methodist Hosp.	Texas Hosp.	All U.S. Hospitals	Methodist Hosp.	Texas Hosp.	All U.S. Hospitals
ACS	51.8%	53.3%	57.6%	8.6%	7.8%	7.5%	34.6%	29.0%	27.4%	7.9%	10.0%	7.5%
Angina	54.6	56.9	63.1	8.1	7.2	6.5	33.0	26.9	24.0	7.0	9.0	6.4
Atrial Fibrillation	74.6	74.0	78.6	4.2	3.7	3.4	18.2	15.6	14.1	3.8	6.6	3.9
DVT	53.2	52.7	57.0	10.7	10.0	9.5	32.3	27.8	26.0	7.2	9.5	7.5
Diabetes Mellitus	55.9	54.6	59.3	12.8	12.1	11.5	27.4	23.2	21.5	7.4	10.0	7.7
Hypertension	53.5	54.3	59.1	9.8	9.0	8.6	31.8	26.6	24.6	8.1	10.2	7.7
Neoplasms	48.7	45.8	51.7	10.1	9.4	9.4	39.1	35.1	32.3	6.1	9.8	6.5
Osteoarthritis	61.7	57.9	58.9	3.4	3.5	3.4	31.7	31.5	31.9	4.4	7.1	5.7
PAD	70.1	69.1	74.1	7.3	6.7	6.1	19.8	17.1	15.3	4.2	7.1	4.5
Stroke	66.3	65.2	69.7	6.8	6.4	6.0	22.4	19.8	18.2	6.0	8.6	6.1

Compared to hospitals across Texas and nationwide, Methodist Hospital Systems reported higher shares of patients covered by Medicaid and private fee-for-service for virtually every disease state listed in 2008. These results mirror demographic features of the Houston area, which, according to the U.S. Census Bureau, had lower percentages of adults age 65 and over (8.4% vs. 9.9%) and higher shares of individuals living below the poverty line (19.2% vs. 15.4%) than Texas as a whole.

LOCAL SPOTLIGHT

Complex Case Mix May Translate to Higher ALOS for Methodist Hospitals

As a response to the specialized needs of a massive population, Methodist Hospital System operates a variety of disease-specific service lines, including a diabetes program, bone and joint, cancer, heart and vascular, and neurology centers. Consequently, these programs likely attract a higher percentage of patients with extensive treatment needs. Perhaps owing to these disease-specific service lines, Methodist Hospital System reported higher average lengths of stay for patients with those chronic conditions.

ALOS PER HOSPITAL INPATIENT CASE, 2008

DISEASE STATE	Methodist Hospital System	Texas Hospitals	All U.S. Hospitals
DVT	6.0	5.2	4.9
Diabetes Mellitus	4.9	4.4	4.4
Neoplasms	6.9	5.6	5.9
Osteoarthritis	4.0	3.8	3.7
Stroke	5.0	4.5	4.6

Data source: SDI © 2010

* "Other" includes government, Department of Veterans Affairs and others.

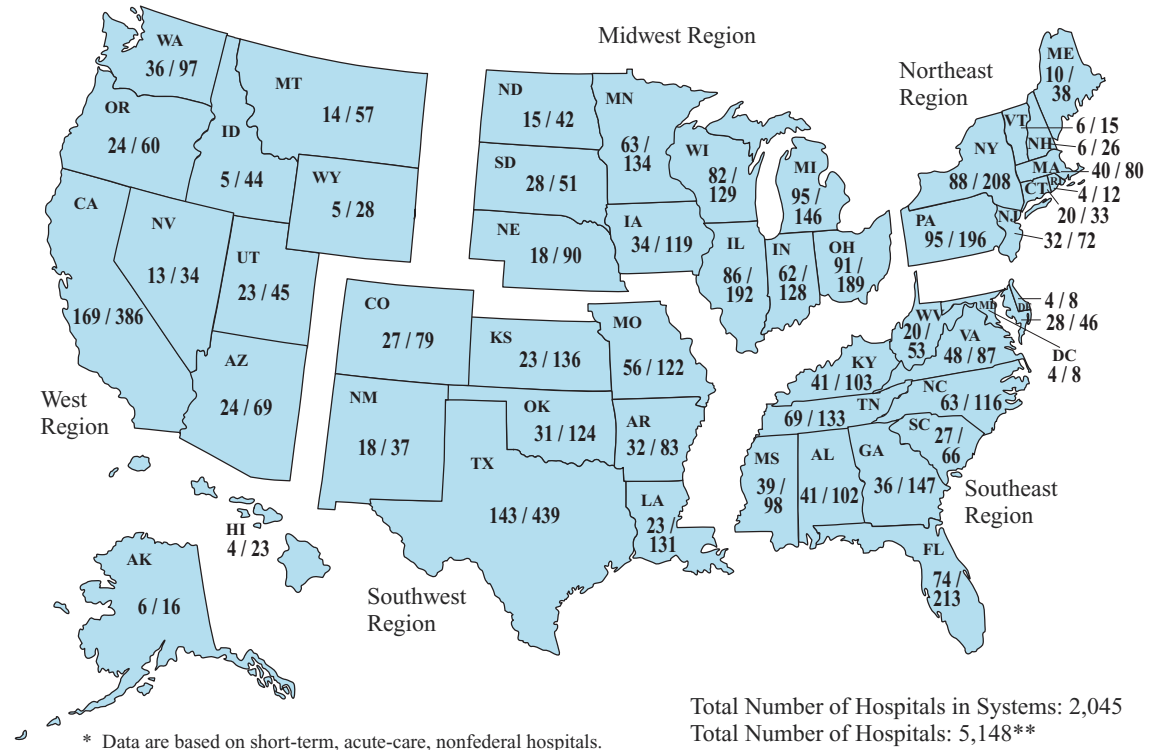
HOSPITALS IN INTEGRATED SYSTEMS

Number of System-Affiliated Hospitals Increases Moderately

The number of hospitals owned by, or contracted to, highly integrated systems in the U.S. rose 6.8% in 2009, to 2,045 from 1,914 in 2008.

- As a result, the share of all U.S. hospitals affiliated with systems increased to 39.7% from 38.0% the previous year.
- Incentives for hospitals to join systems include access to additional resources, stronger administration capacities and cost coordination among the various providers across the system.

HOSPITALS OWNED BY OR CONTRACTED TO HIGHLY INTEGRATED HEALTH SYSTEMS, 2009*



KEY TO MAP

This map depicts locations of the short-term, acute-care, nonfederal hospitals that were part of the 329 highly integrated health systems in 2009. The first number represents the number of hospitals in that state that were either owned by

or contracted to highly integrated systems. The second number represents the total number of hospitals in that state. For example, of 196 hospitals in Pennsylvania, 95 were either owned by, or contracted to, highly integrated health systems.

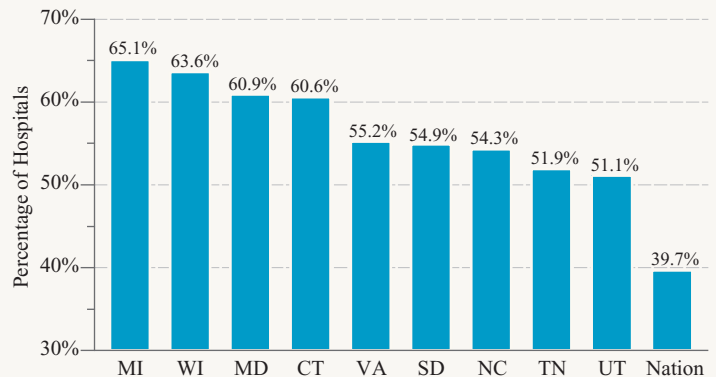
LOCAL SPOTLIGHT

Michigan Hospitals Are Largely Influenced by Highly Integrated Systems

Nearly two-thirds of Michigan hospitals were affiliated with highly integrated systems, the highest share by state.

- Health care in the state of Michigan is heavily influenced by prominent highly integrated health care systems. Major networks in Michigan include the Henry Ford Health System, Integrated Healthcare Associates, Detroit Medical Center and St. Mary's Health Care.
- Henry Ford Health System, one of the country's largest health care systems, includes six owned or affiliated hospitals, a 500,000-member HMO and 27 ambulatory centers. In 2009, Henry Ford Health System generated nearly \$4 billion in total revenue.¹

STATES WITH MORE THAN HALF OF ALL HOSPITALS AFFILIATED WITH HIGHLY INTEGRATED SYSTEMS



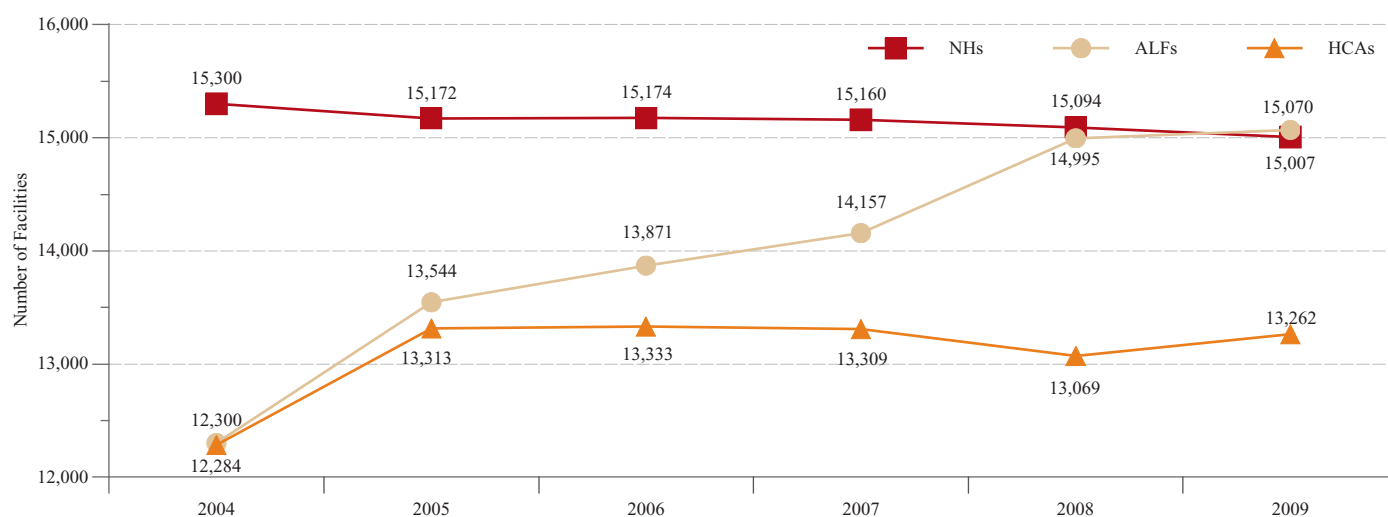
Data source: SDI © 2010

¹ Henry Ford Health System. (2010, February 8). *Henry Ford Ranked as Michigan's Top Integrated Health System*. Retrieved from <http://www.henryfordhealth.org/body.cfm?id=46335&action=detail&ref=1055>



EXECUTIVE SUMMARY: LONG-TERM CARE

NUMBERS OF LONG-TERM CARE FACILITIES, 2004–2009



Data source: SDI © 2010

Nursing Homes

- ▶ The total number of licensed nursing home beds in the U.S. continued its downward trend, falling to 1.65 million in 2009 from a high of 1.72 million in 2004. This decline, coupled with an ever-growing elderly population, led to a five-year low in the number of nursing home beds per 1,000 people age 65 and over, at just 41.7.
- ▶ Regardless of size or ownership status, the average total facility length of stay at nursing homes across the nation fell between 2008 and 2009. For facilities with fewer than 50 beds, this measure dropped significantly, to 226 in 2009 from 282 days in 2008.
- ▶ Nearly half (47.3%) of all nursing home residents suffered from some form of Alzheimer-type dementia in 2009, making it the third most common patient condition in such facilities after bladder incontinence (56.2%) and depression (52.0%).

Hospital-Based Skilled Nursing Facilities (SNFs)

- ▶ After having declined in number since 2003 (21.3%), hospital-based skilled nursing facilities became yet rarer in 2008. The share of hospitals containing such facilities dropped to 13.8% in 2008 from 14.3% in 2007.
- ▶ Along with a decrease in the total number of hospital-based skilled nursing facilities between 2007 (996) and 2008 (965), the average occupancy rate per facility edged downward (to 75.0% from 76.4%).

Assisted Living Facilities (ALFs)

- ▶ Albeit at a slower rate, the number of assisted living facilities (ALFs) across the nation continued to grow, to 15,070 in 2009 from 14,955 the year before. Meanwhile, the share of such facilities that were corporate owned also rose slightly, to 28.9% from 27.9% in 2008.
- ▶ Brookdale Senior Living Inc., by far the largest assisted living facility chain in the nation continued to expand in 2009, adding 24 new facilities for a total of 540 across 35 states. Sunrise Senior Living, the second largest chain, operated 313 facilities in 2009, down from 348 in 2008.

Home Care Agencies (HCAs)

- ▶ After a modest decline between 2007 (13,309) and 2008 (13,069), the number of home care agencies across the U.S. inched higher in 2009, to 13,262. This slight growth was led at the state level by Texas and Illinois, which added 257 and 110 agencies, respectively, in 2009.
- ▶ The average number of patient visits per week by home care agencies crept upward in 2009, to 329 from 326 in 2008. At the state level, Massachusetts (694) reported the most visits per agency per week in 2009.
- ▶ The shares of home care agencies offering services rose in nine of 10 categories listed in 2009. Skilled nursing services were offered nearly universally (99.4%), followed by physical and occupational therapy services (at 94.3% and 90.8%, respectively).

HOSPITAL-BASED SKILLED NURSING FACILITIES

Backgrounder

A **skilled nursing facility (SNF)** offers rehabilitation services and medical care that are unavailable in a nursing home and unable to be provided in a patient's own home. A SNF must have at least one registered nurse on duty, and may be part of a hospital or nursing facility. Medicare certifies SNFs if they have the staff and equipment to give skilled nursing care and/or skilled rehabilitation services and other related health services. Health care reform legislation passed this year includes provisions that encourage transparency in SNF ownership, compliance with federal regulations and innovation in the industry. This legislation also implements value-based purchasing programs for SNFs, which reward providers who meet specific performance standards.

Recalibrations to Prospective Payment System May Strain SNFs

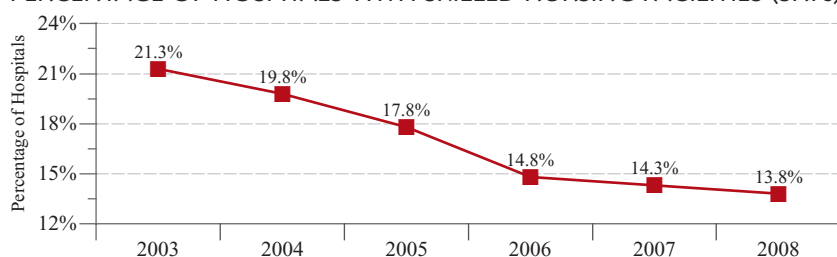
HOSPITAL-BASED SKILLED NURSING FACILITIES (SNFs),
BY OWNERSHIP TYPE

OWNERSHIP	# of Hospital-based Skilled Nursing Facilities		% of Hospitals with Skilled Nursing Facilities		% of Hospital-based Skilled Nursing Facility Beds	
	2007	2008	2007	2008	2007	2008
Government	306	292	16.7%	16.2%	49.8%	49.1%
Not-for-Profit	579	567	16.6	16.3	44.3	45.6
For-Profit	111	106	6.7	6.2	5.9	5.4
TOTAL/AVG.	996	965	14.3%	13.8%	100.0%	100.0%

Total Number of Hospital-Based SNFs in U.S.

2003—1,459
2004—1,360
2005—1,233
2006—1,030
2007—996
2008—965

PERCENTAGE OF HOSPITALS WITH SKILLED NURSING FACILITIES (SNFs)



Hospital-based SNFs recorded higher costs than their freestanding counterparts, a factor that may have made it difficult for them to continue to thrive under the prospective payment system implemented by the Balanced Budget Act of 1997. Recalibrations to this system forecasted for fiscal year 2010 may further strain these facilities.

ALOS Remains Above 100 Days at Government, For-Profit SNFs

Of the three ownership categories profiled in this Digest (government, not-for-profit and for-profit), only not-for-profit hospital-based SNFs recorded average lengths of stay per SNF patient that fell within Medicare Part A's 100-day coverage limit in 2007 (97.8) and 2008 (96.5).

HOSPITAL-BASED SKILLED NURSING FACILITY (SNF) UTILIZATION,
BY OWNERSHIP TYPE

OWNERSHIP TYPE	Patient-days per SNF Unit per Year		Average Occupancy per SNF Unit		ALOS (days) per SNF Patient	
	2007	2008	2007	2008	2007	2008
Government	25,072	25,533	76.4%	75.7%	228.8	220.6
Not-for-Profit	15,352	15,370	77.4	76.0	97.8	96.5
For-Profit	10,403	9,203	70.0	67.4	159.0	150.1
TOTAL/AVG.	17,251	17,645	76.4	75.0	138.3	138.9

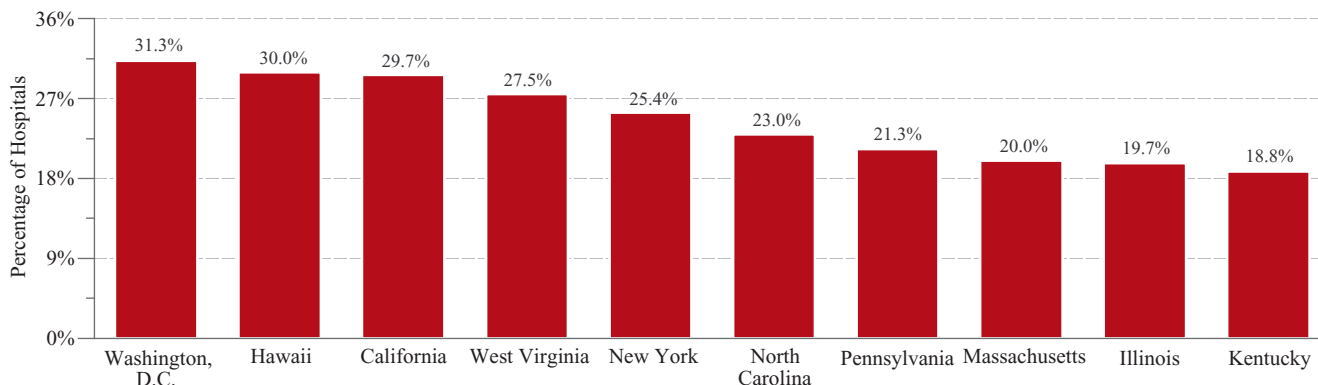
Data source: SDI © 2010

NOTE: The data on pages 46-47 refer strictly to hospital-based skilled nursing facilities (SNFs).

HOSPITAL-BASED SNFs: STATE-LEVEL TRENDS

Fewer Hospitals Offer Skilled Nursing Facilities

TOP 10 STATES, BY PERCENTAGE OF HOSPITALS WITH SKILLED NURSING FACILITIES (SNFs), 2008



Data source: SDI © 2010

In five of the top 10 states, ranked by percentage of hospitals with SNFs, shares of SNF-equipped hospitals fell between 2007 and 2008.

- For example, 30.0% of Hawaii hospitals had a SNF, down 2.3 percentage points from 32.3% in 2008.
- In California, 151 of 508 (29.7%) reporting hospitals had SNFs, a significant drop from 163 hospitals (or 32.0%) the year before.

- The percentage of Illinois hospitals with a SNF, however, rose slightly, to 19.7% in 2008 from 18.6% in 2007.
- As stipulated by the Patient Protection and Affordable Care Act, Medicare will incorporate a productivity adjustment into the SNF market basket update beginning in 2012. This adjustment could result in cuts to Medicare payments to SNFs. With lower Medicare reimbursement, hospitals may be less inclined to continue operating their SNF programs.

How the Patient Protection and Affordable Care Act Affects Skilled Nursing Facilities:¹

- Implements value-based purchasing programs for Medicare payments for SNFs (Sec. 3005).
- Equalizes cost sharing for SNF care between traditional FFS Medicare and Medicare Advantage (Sec. 3222).
- Requires SNFs under Medicare to provide ownership information of the SNF, including organizational structure and governing bodies (Sec. 6101).
- Requires SNFs to operate a compliance and ethics program to prevent and detect violations (Sec. 6102).
- Requires SNFs to report separately wages and benefits expenditures for staff (Sec. 6104).
- Reduces monetary penalties by 50% for certain SNFs that self-report and promptly correct deficiencies within 10 days of penalty imposition (Sec. 6111).
- Establishes a demonstration project for the development, testing and implementation of a national monitoring program to oversee interstate and large intrastate SNF chains (Sec. 6112).
- Requires SNFs that are preparing to close to notify, in writing, residents and other stakeholders of the closure at least 60 days in advance. The notice must include a plan of relocation to another setting; the state will ensure successful relocation (Sec. 6113).
- Calls for demonstration projects to develop best practices in culture change and information technology (Sec. 6114).
- Requires SNFs to include dementia management and abuse prevention training as part of pre-employment and ongoing training for staff (Sec. 6121).
- Establishes a national program for background checks on prospective direct-access employees of long-term care facilities (Sec. 6201).

¹ Govtrack. (2010). H.R. 3590: Patient Protection and Affordable Care Act: Congressional Research Service Summary. Retrieved from <http://www.govtrack.us/congress/bill.xpd?bill=h111-3590&tab=summary>