



**Earl Ray Tomblin  
Governor**



## **2015 Annual Report**



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Health and Human Resources**

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Board Members**

# Mission



## **The West Virginia Health Care Authority works to:**

- Protect citizens from unreasonable increases in the cost of healthcare services;
- Promote appropriate distribution of quality health care services;
- Promote the financial viability of the healthcare delivery system; and,
- Assure the collection, analysis and dissemination of health related information to citizens, providers, policy makers and other customers.

# Vision

All West Virginians will have appropriate access to a continuum of affordable, quality, coordinated healthcare services.

[www.hca.wv.gov](http://www.hca.wv.gov)

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## Introduction

The 2015 Annual Report to the Legislature (Annual Report) includes information about both the West Virginia Health Care Authority (Authority) and the state's health care providers. It is required by W. Va. Code §16-29B-9. Information about the Authority's activities are presented within the Agency Highlights section. The provider information focuses primarily on financial data, but also includes some utilization, staffing and quality information. The financial data is based on the provider's 2014 fiscal year and clinical data is presented by calendar year. Quality measurements cover a broader length of time than one 12-month period. The notations of FY and CY are used for fiscal year and calendar year, respectively.

The report includes written narratives, charts, tables and maps. Detailed tables, with information shown by provider, are available on the Authority's website: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

While the information is published as a report to the Legislature, it is also prepared for use by the industry, other decision makers, researchers, members of the public and anyone who wants to know more about the financial status of the state's health care providers and the services delivered. Comparing data over a span of time is especially useful, so the Authority has on its website all of the Annual Reports since 1997. Additionally, a variety of charts and trend tables that allow the casual reader to gain meaningful information, with a quick review, about the state's health care providers are included within the body of the report.

## Provider Information

Health care is delivered by a variety of organizations and professionals. The term "provider" references healthcare entities as opposed to the healthcare professional. Additionally, this report organizes the information by provider type: hospitals, nursing homes, behavioral health centers, primary care centers, home health agencies, hospice agencies, renal dialysis centers and ambulatory surgical centers. The presentation of the information is ordered by the level of revenue reported as a rough means of demonstrating the impact of each provider type. While nursing homes, in aggregate, report total revenue that is greater than the aggregate amount of revenue reported by behavioral health centers, it does not imply that the services provided by nursing homes are more important. However, it may give the reader a clearer perspective on the relative financial impact the various provider types have within the state. The section entitled "Overview of Key Indicators" is useful for comparing aggregate financial information among provider types.

Multiple sources are used for the provider information. Almost all source documents are compiled from submissions made by providers through the financial disclosure program of the Financial Analysis and Clinical Analysis Divisions. Hospital data comes from multiple sources. The Uniform Financial Report contains information on financial operations, staffing, and aggregate utilization data. Uniform Billing data is the source of information regarding clinical utilization.

Information on quality indicators comes from two sources: the Healthcare-Associated Infection Public Reporting Program and the CMS Hospital Compare Quality Reporting Program. Average charges and benchmarking information comes from the Rate Review section of the Financial Analysis Division. Data for nursing homes, home health agencies, hospice agencies and ambulatory surgical centers are gathered from annual surveys the Authority conducts for each of those provider types. Financial statements submitted as part of the annual financial disclosure requirements are the source of the information for behavioral health centers, primary care centers and ambulatory care centers.

## Terminology

To support our goal of providing a valuable document for all interested in learning more about the state's healthcare providers, brief explanations of several terms and concepts found in this report may be beneficial.

### Financial terms

**Profit, net income** and **EROE** (Excess Revenue Over Expenses) are all used interchangeably in this report. The term **EROE** almost defines itself – it is the amount of income or revenue remaining after the expenses of the entity have been incurred. Although providers may be identified as not-for-profit, no organization can continually lose money and still remain a viable entity. Therefore, the financial concept of profit is the key variable in evaluating the financial status of a healthcare provider or category of providers.

The reader should also understand that healthcare entities often incur losses in one year, or even several years, but then return to profitability as circumstances change. As mentioned above, comparing data over a span of time is valuable in gaining a clearer picture of the financial status of a healthcare provider or healthcare sector. Finally, the purpose of this report is not to evaluate and assess the appropriateness of the level of profits or losses, but to provide data that is helpful to others in their analysis or for use in developing more informed questions.

A complementary financial concept to EROE is that of **margins**. While EROE provides a specific dollar amount, it does so without a relationship to any other factor. Margins, while they reflect a level of profit or loss, can only suggest a relationship since they are a percentage that compares profits or losses to another financial variable. Typically, the margins in this report are comparisons of the amount of profit to the amount of net patient revenue and are expressed as a percentage. For example, a profit of \$1.0 million on net patient revenue of \$10.0 million equals a 10.0% margin. In some instances, though, margins are calculated using total revenue instead of net patient revenue. This occurs with certain provider types that either do not have well-defined revenue sources on their financial statements, so that total revenue is used; or, the other revenue is so small that it is not important to present separately. The detailed tables do not include the percentage symbol (%) for readability purposes, but percentage is indicated on the column headings.

**revenue** and **total revenue**, which equals net patient revenue plus other revenue. **Gross patient revenue** measures the amount charged by the provider at full charge, before any discounts or contractual allowances. **Net patient revenue** is what the provider actually receives in payment for services. It also can be thought of as the cost paid for healthcare services by the consumer and/or payor. The calculation for net patient revenue is gross patient revenue minus contractual allowances, minus bad debts, minus charity.

**Other revenue**, in this report, refers to other operating and non-operating revenue. These sources of revenue are considered distinct from revenue received from patient services. And, this brings us to the concept of **income (or losses) from patient services**, which are essentially the profits or losses for patient care alone without regard to the receipt of other revenue, the payment of taxes or extraordinary gains or losses, etc. Margins on income from patient services are presented within the hospital narrative in depth.

### **Payor categories**

The Authority uses five standard categories: Medicare, Medicaid, PEIA (Public Employees Insurance Agency), other governmental and nongovernmental. These categories can include multiple payor entities. For example, the nongovernmental category includes commercial payors, Blue Cross plans, Union plans, self-insurance, etc. In some instances Medicaid and PEIA are discussed together and referred to as “state payors.”

Finally, the report has an appendix section that includes a glossary and a list of hospitals along with abbreviated names that are used to improve readability of the report.

### **Questions about the 2015 Annual Report to the Legislature should be addressed to:**

Research & Analysis Section  
Financial Analysis Division  
WV Health Care Authority  
100 Dee Drive  
Charleston, WV 25311  
304.558.7000  
888.558.7000

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# Agency Review

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Agency Highlights

Grant Programs

West Virginia Health Information Network

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## Agency Highlights

The mission of the West Virginia Health Care Authority (Authority) encompasses a range of functions in the state's health care sector that relate to: Access, Cost, Information and Quality. The agency accomplishes this through its Certificate of Need (CON), Rate Review and Rural Health Systems programs, clinical and financial disclosure data collection and analysis functions, the administration of the West Virginia State Privacy Office (SPO) and the West Virginia Health Information Network (WVHIN) and much more. Through these activities, the agency assists hospitals, providers, policymakers and consumers to promote quality, affordable, coordinated health care in communities across West Virginia.

### Access and Quality

The Authority's accomplishments this year for the promotion of access and quality include funding services, new CON standards and quality improvement projects.

The Authority's internal quality improvement projects include the ongoing **Healthcare-Associated Infection (HAI) Public Reporting Project**. The 2016 HAI Annual Report details hospital inpatient healthcare-associated infection rates by hospital and healthcare personnel seasonal influenza vaccination data by hospital as reported to the Centers for Disease Control and Prevention's National Healthcare Safety Network.

New **Certificate of Need** standards were revised in 2015 for the provision of End-Stage Renal Disease (ESRD) treatment services and Megavoltage Radiation Therapy Services/Units (MRT). The ESRD standards were designed to strengthen the overall ESRD service network in the state by increasing access for underserved populations. The MRT Standards were designed to strengthen and allow for new and innovative medical technology services for those individuals requiring these services.

Funding and grants were provided to the following:

- **The Healthcare Education Foundation of West Virginia**
  - **Professional consulting and other administrative service supports** were funded to support the medical professional health program and for the Critical Access Hospital (CAH) Network to assist in meeting the challenges of maintaining access to healthcare in rural areas, stabilizing rural hospitals and improving quality of care.
  - **KeySTATS**, a software package that assists West Virginia hospitals in performing individual analysis of Medicare reimbursement changes and the impact to their financial stability, was purchased.

- A Trustee Newsletter was purchased to promote education regarding trustee responsibilities.
- **City of Richwood** was granted funding for health service feasibility studies.
- **The West Virginia Telehealth Alliance** grant was continued that provides federal matching funds for the deployment of up to \$8.4 million in federal funding that allowed 100 health care locations across West Virginia to receive upgrades and improvements in their broadband connections and capabilities.

The Authority's **Rural Health System Program** is another funding source that promotes access and quality health care services in rural areas throughout the state. More information on the grant program is provided on page 13 of this report. Below is a brief outline of the grants provided this year:

- **Cabin Creek Health Systems, Inc.** was granted funding for the purchase of patient care equipment.
- **WV Health Right, Inc.** was granted funding to expand the medication assistance program for the uninsured and underinsured.
- **Minnie Hamilton Health Care Center, Inc.** was granted funding for the purchase of off-road emergency response equipment.
- **Davis Medical Center** was granted funding to implement a coordination care program focused on prevention, management of chronic health conditions and avoidance of emergency hospitalizations for seniors in residential housing.
- **Montgomery General Hospital** was granted funding assistance for the purchase and installation of a new hospital elevator.
- **Grafton City Hospital** was granted funding for outstanding vendor accounts for patient laboratory, diagnostic testing and IV therapy.
- **Hardy County Commission** was granted funding to purchase two advance life support ambulance vehicles.

## Cost Containment

**CompareCareWV** is an ongoing program that allows consumers to compare charges among hospitals for medical procedures and diagnostic tests. It is an online and interactive service that the consumer uses not only to compare hospitals by cost, but also quality for select services. The program has been utilized more than 54,000 times in 2015 and is available at the following website: <http://www.comparecarewv.gov/>.

**Certificate of Need** is one method used to contain healthcare costs by avoiding unnecessary and expensive duplication of services. It is a review process which balances concerns of accessibility, efficiency, quality and stability in the healthcare delivery system. Thirty-seven exemptions were granted in 2014 and 2015 allowing for new hospital owned and operated ambulatory health care centers to be developed. This service decreases costs by reducing the more expensive use of hospital emergency rooms and improves access to services.

**Rate Review** continues to protect the citizens of West Virginia from excess increases in healthcare costs by limiting the rate increases of acute care hospitals.

- For FY 2014, acute care hospitals requested, on average, a 5.40% increase per inpatient discharge and a 4.81% increase per outpatient visit. Hospitals, on average, were granted a 4.83% increase per inpatient discharge and 3.76% increase per outpatient visit.
- For FY 2015, acute care hospitals requested, on average, a 5.76% increase per inpatient discharge and a 5.78% increase per outpatient visit. Hospitals on average were granted a 4.09% increase per inpatient discharge and a 4.58% increase per outpatient visit.
- *The Almanac of Hospital Financial and Operating Indicators – 2015*, which contains actual data for 2013, indicates that the median Gross Price per Inpatient Discharge in West Virginia is 21.48% lower than the United States median and 22.06% lower than the median Gross Price per Inpatient Discharge in the Southern Region of the United States.

## Data and Information Technology

Data, information technology and their importance as an asset necessary for a robust healthcare delivery system continue to grow. The Authority provides a wealth of healthcare data through multiple services and partners with various organizations to use data and new technology to develop such a system.

**Financial Disclosure** provides clinical, financial, operational and utilization information through collection of Uniform Billing data, financial statements, hospital uniform financial reports, Medicare and Medicaid cost reports, charge data, surveys and many other documents. This information is available either through data requests or an online archive called YODA, the acronym for Your Online Document Archive.

Data from 430 health care providers was compiled by **Research and Analysis** staff for use in this report, and for public data requests, market research and policy makers. Current projects include:

- Dataset development of hospital uniform financial report data and survey data for ambulatory surgical centers, home health and hospice agencies and nursing homes for Standard or custom reports.

- Participation in an in-depth collaborative review process with other departments formulating data disclosure security policies.

The Authority's **Information Technology (IT)** division provided essential support to the agency's mission by completing key projects for external and internal customers and maintaining its many data and technology driven functions.

- Improvements in computer systems security, speed and efficiency were achieved through upgrades to servers and firewalls, new backup processes and desktop operating systems.
- The Authority's actively used website, [www.hca.wv.gov](http://www.hca.wv.gov), was managed internally, receiving over 80,000 distinct user visits per year. The website provides a link to YODA, the agency's document archive that the public has used to view over 70,000 documents annually.
- Technology upgrades for video conferencing, microphone and speaker systems and voice mail messaging were made. Skype business conferencing service is being implemented which will save costs and expand functionality.
- The Authority's IT staff created two surveys that were utilized throughout state government: The Privacy Impact Assessment and the BRIM Privacy Self-Assessment, a program for the Board of Risk and Insurance Management. These projects eliminated the costs of using an outside vendor.
- The functionality of the online information services CompareCareWV and HealthIQ was improved with program re-writes completed by internal staff instead of outside vendors.
- Ongoing projects to support management include the implementation of an executive management portal and document imaging archive for Human Resources.

**West Virginia Health Information Network (WVHIN)**, housed within the Authority, is a public/private partnership which continues to expand the number of healthcare organizations exchanging patient health information.

- The WVHIN connected five new hospitals to the query based network in 2015, for a total of 18 hospitals.
- Thirty-six medical facilities are using the WVHIN to transmit data to the WV Immunization Registry. Sixteen medical organizations were added in 2015.

- Thirty-eight medical facilities are now using the WVHIN for syndromic surveillance reporting after adding 13 organizations in 2015. In total there has been close to twenty million syndromic surveillance transactions reported to the WV Bureau for Public Health.
- WVDirect, a service of the WVHIN that provides direct messaging, has over 1,200 individual WVDirect addresses representing 300 plus organizations. In 2015, the number of direct messages exchanged has averaged over 27,000 per quarter.
- The WV e-Directive Registry has grown to 100 organizations with access to the 45,000 plus forms in that database.

## Privacy

**The State Privacy Office (SPO)** implemented several new projects in 2015:

- The Privacy Impact Assessment (PIA) program was completed and implemented across the Executive Branch in 2015. The PIA is a decision-making tool used to identify and mitigate privacy risks at the beginning and throughout the development life cycle of a program, product, system or service. A PIA process helps organizations understand what personal information they are collecting, how it will be used, stored, accessed and shared, and how privacy risks can be mitigated.
- A guidance document and a tool regarding public records release was created. This assists state government in determining whether disclosure of personal information would result in an unreasonable invasion of personal privacy.

Ongoing and/or continued privacy projects include:

- Close collaboration with the Authority's Director of Information Technology to update the HCA's Information Security and Privacy Policies continued. This included the formation of an interdepartmental team, with staff from the Clinical Analysis and Financial Analysis Divisions to update the Data Disclosure policy.
- *Privacy Rocks!*, the award winning, online privacy awareness training program was continued. This training program is utilized by all Executive Branch employees and on-site contractors and gives users an awareness of privacy policies, best practices and security incident response.
- The administration of the West Virginia Executive Branch Confidentiality Agreement course and electronic signature processes remains an efficient and effective tool for the state's compliance efforts.

For information about additional SPO program accomplishments, please click here: [Privacy Office Annual Report](#)

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## GRANT PROGRAMS

The West Virginia Health Care Authority (Authority) has administered the Rural Health Systems Program (RHSP) since Governor Gaston Caperton signed HB 4137 on March 19, 1996, which created and codified the Program at W. Va. Code §16-2D-5. The Authority may issue grants to financially vulnerable healthcare facilities located in underserved areas with the goal of avoiding the potential crisis or collapse of essential rural healthcare services, while ensuring that healthcare delivery is streamlined and continuous.

The RHSP has two program areas for not-for-profit agencies located in areas that are designated as medically underserved or health professional shortage areas. First, collaborative grants may be sought by a lead agency that is collaborating with other healthcare entities. One-to-one matching funds are required for collaborative grants. Second, crisis grants are available to not-for-profit applicants that are facing closure or severe financial difficulties. In providing grants, the Authority seeks to prevent the loss of essential health services for the people and/or community the applicant serves.

Since its inception, the RHSP has awarded numerous grants. The RHSP program has been successful in ensuring that the entities in crisis are able to continue to function and provide essential healthcare services in their communities.

The Authority also administers the Hospital Assistance Program, which funds are expended pursuant to W.Va. Code §16-29B-8. The purpose of this funding source is to make grants available to West Virginia hospitals for projects that are of special importance to the hospital or group of hospitals.

### WV Health Care Authority Grant Awards

Grant Programs	SFY 2010	SFY 2011	SFY 2012	SFY 2013	SFY 2014	SFY 2015	Total
Rural Health System							
Collaborative	\$313,805	\$98,688	\$250,000	\$99,986	\$210,020	\$158,330	\$1,130,829
Crisis	150,000	187,000	259,104	327,448	135,000	150,000	1,258,552
Hospital Assistance	325,000	82,000	339,376	289,710	408,587	333,213	1,777,886
<b>Total Awards</b>	<b>\$788,805</b>	<b>\$367,688</b>	<b>\$848,480</b>	<b>\$717,144</b>	<b>\$753,607</b>	<b>\$641,543</b>	<b>\$4,167,267</b>

*SFY: State Fiscal Year*

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The [West Virginia Health Information Network](#) (WVHIN) is a public/private partnership created to build a secure electronic health information exchange (HIE) for the purpose of exchanging patient data among physicians, hospitals, diagnostic laboratories, other care providers and stakeholders. WVHIN services allow health care providers to securely exchange patient health information electronically by replacing antiquated data sharing methods like fax and mail. For example, in situations involving emergency treatment and/or public health reporting the providers will have quicker access to patient data to ensure proper treatment decisions are made while potentially saving the patient's life.

The use of a HIE, such as the WVHIN, can also potentially reduce costs for both patients and providers by eliminating the need for duplicate tests and assisting medical providers improve the quality of care to patients. The access to a patient's data and medical history can also be very beneficial in assisting health care systems maximize care management programs and assist with the reporting of key quality measures used to improve the quality of care. In a care management setting, the patient data available in a HIE can assist providers in tracking appointments, emergency room visits, care plans, etc. while also identifying high risk patients in need of health education and intervention.

The WVHIN's HIE gives authorized users the ability to query clinical information on patients who have consented to their information being made available. Such information includes medication history, lab results, diagnosis history, allergies, and patient visit history. The number of queries to the WVHIN's query based exchange has continued to grow at a steady pace over the past two years. The ability for providers to share patient and clinical data is paramount to improving health care quality while also reducing health care costs.

Over the course of 2015 the WVHIN has made significant progress growing the statewide electronic health information system. The number of hospitals connected to the WVHIN's query based exchange has grown to 18, with representation from almost every major population center in the State. Looking forward to 2016, the WVHIN has 21 hospitals scheduled for implementation and has participation agreements in place for close to 80% of the total hospitals in the State. Also, there are more than 100 hospital-owned physician practices with access to the WVHIN's query based exchange and over 200 physician practices in total with signed participation agreements. For a listing of WVHIN participants, click on the following link to view the [WVHIN's Provider Map](#).

Earlier in 2015, the WVHIN and Greenway Health finalized an agreement for Greenway to build a hub so that Greenway PrimeSUITE clients can connect to the WVHIN's Health Information

Exchange (HIE). Thomas Health Systems Physician Partners was selected as the pilot site for this project and the organization went live on the WVHIN's HIE December 2<sup>nd</sup> 2015. For the next Greenway hub project, Pulmonary Associates of Charleston will be the next physician practice to connect to the Greenway Hub. The WVHIN is in discussions with other potential Greenway PrimeSUITE clients to fill out the remaining 2016 schedule.

In an effort to broaden ambulatory provider participation in the query-based HIE, the WVHIN is still exploring similar hub connectivity options with e-Clinical Works, Athena Health and other prominent ambulatory EHR vendors utilized in West Virginia. Correspondence with these additional EHR vendors is ongoing at this time.

The WVHIN is also the point of access for online patient advance directives, such as living wills, through the WV e-Directive Registry. Currently there are 97 organizations with access to the 45,000 plus forms in the WV e-Directive Registry. This access can help providers ensure a patient's end of life plans and wishes are respected and observed.

An additional value added service of the WVHIN is enabling participants to automatically report necessary data to state public health registries through real-time data feeds. To date the WVHIN has assisted 36 hospitals connect to the West Virginia Statewide Immunization Information System and 38 hospitals connect to the CDC's BioSense 2.0 program for mandatory reporting to the State's syndromic surveillance system. These connections allowed the participants to move forward in their efforts to satisfy Meaningful Use Stage 2 requirements under the [Medicare and Medicaid Electronic Health Record \(EHR\) incentive program](#). Also, the public health information reported from these hospitals will assist public health officials in their review of patient data to allow for better response to potential public health threats.

Also the WVHIN has continued to grow its secure clinical messaging service, WVDirect, to include users from almost every corner of the State. At the end of 2015, there are now approximately 1,200 individual WVDirect accounts representing users from hospitals, pharmacies, Federally Qualified Health Centers, primary care providers, etc. These 1,200 accounts represent over 300 healthcare organizations in the State of West Virginia. Since the first quarter of 2014 the number of direct messages sent grew from 200 to now averaging over 25,000 per quarter. WVDirect assists eligible professionals and eligible hospitals in meeting the transitions of care Meaningful Use requirements that are also a part of the Medicare and Medicaid EHR Incentive Programs.

The WVHIN had a strong finish to 2015 and is entering 2016 poised to continue building its network of healthcare providers. The WVHIN is currently in the process of completing a care alerting project in Huntington. The project participants are Highmark Blue Cross Blue Shield, Cabell Huntington Hospital, St. Mary's Medical Center, Marshall Health, Valley Health Systems and Huntington Internal Medicine Group. Marshall Health will be the first physician practice connected to receive care alerts from the hospitals in Huntington. After the Marshall Health connection is completed, Valley Health System will be next in the queue, followed by HIMG.

The care alerts are designed to provide real-time notifications to a patient's primary care provider when a patient is admitted to or discharged from the hospital, treated and released from the ER,

transferred to another facility or held for observation. The intent of the alerts would be to assist the primary care physician in following up with the patient in an effort to better coordinate follow-up care and decrease costs by potentially reducing hospital readmissions and emergency room visits. These alerts will also give providers the opportunity to react quicker to the patient's current health conditions but also allow the providers to quickly adjust the patient's care management plan.

These efforts are building off the previous achievements to further enable the electronic exchange of patient health information to support patient-centered care, care management programs, increase efficiencies, fewer emergency department visits, and fewer hospital admissions while helping to reduce costs within the healthcare system as a whole.

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# Provider Review

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Financial Highlights

Overview of Key Indicators

Hospitals

Hospital Quality

Nursing Homes

Behavioral Health Centers

Primary Care Centers

Home Health Agencies

Hospice Agencies

Kidney Dialysis Centers

Ambulatory Surgical Centers

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# FINANCIAL HIGHLIGHTS

## Hospitals

Overall, the profitability of West Virginia hospitals increased in FY 2014. Profits of \$331.2 million or 5.8% of net patient revenue (NPR) were reported, up from \$188.1 million (3.5% of NPR) in FY 2013.

The primary focus of the West Virginia Health Care Authority (Authority) emphasizes the *operations* of healthcare providers versus the effects of *financial market fluctuations*. As such, this report excludes the impact of certain market changes related to investments such as derivative agreements and related accounting standards from hospital profits and losses, except where the market effects are specifically addressed or otherwise noted.

A brief discussion of the financial market fluctuations that some West Virginia hospitals experience is provided in the Hospital Narrative section of this report.

### Acute Care Hospitals

The profit margin for the 29 general acute care hospitals increased to 5.6% of NPR in FY 2014, with profits of \$279.3 million, up from \$173.5 million (3.6% of NPR) in the prior year.

Nineteen of the 29 general acute hospitals reported a profit.

### Critical Access Hospitals (CAH)

Profitability for the 20 CAHs increased to \$15.7 million (3.5% of NPR) from an aggregate profit of \$3.7 million (1.0% of NPR) in FY 2013.

Fourteen of the 20 CAHs reported a profit.

### Long-term Acute Care Hospitals (LTCH)

The two LTCHs reported a total profit of \$4.9 million (15.4% of NPR). The total profit in FY 2013 was \$6.1 million (19.3% of NPR).

### Psychiatric Hospitals

The psychiatric hospitals had an aggregate EROE of \$15.6 million (20.0% of NPR), which included a \$22.8 million capital appropriation for one state hospital. The two state psychiatric hospitals reported an EROE of \$16.6 million; the three private hospitals lost an aggregate of \$977,000 (1.8% of NPR).

In FY 2013 an aggregate loss of \$10.9 million (16.5% of NPR) was reported by the psychiatric hospitals.

### Rehabilitation Hospitals

The five rehabilitation hospitals reported an aggregate profit of \$15.6 million (14.6% of NPR). The aggregate profit for the prior year was \$15.8 million (15.1% of NPR).

## Other Facilities

### Nursing Homes

Overall profit for the state's 107 nursing homes increased by \$5.5 million in FY 2014 to \$2.9 million (0.3% of NPR); for FY 2013 there was a loss of \$2.6 million (0.3% of NPR).

Sixty-seven of 107 facilities were profitable in FY 2014.

### Behavioral Health Centers

Ninety-eight behavioral health centers reported an aggregate profit of \$40.3 million, 5.5% of total revenue. Profit for the prior year was \$41.1 million, 5.7% of total revenue.

Sixty-nine of the 98 facilities were profitable.

### Methadone Treatment Facilities

The cumulative profit for the nine facilities was \$8.4 million, 32.9% of total revenue.

Every provider reported profits for FY 2014.

### Primary Care Centers

Thirty-two primary care centers reported an aggregate profit of \$2.8 million, 1.0% of total revenue. Profit for the prior year was \$6.8 million, 2.7% of total revenue.

Seventeen of the 32 centers were profitable.

### Home Health

Home health agencies reported a total profit of \$4.1 million, 2.7% on \$150.0 million in total revenue. Aggregate profit for the prior year was \$1.5 million 1.1% on \$140.6 million in total revenue.

Forty-one of the 60 agencies were profitable in FY 2014.

### Hospice

Hospice profits for the 20 agencies were \$6.9 million (6.7% of NPR) compared to \$8.4 million (8.0% of NPR) in FY 2013.

Thirteen agencies were profitable in FY 2014.

### Renal Dialysis Centers

Thirty-four renal dialysis centers reported an aggregate profit of \$24.6 million, 23.5% of total revenue.

Twenty-five centers were profitable.

### Ambulatory Surgical Centers (ASC)

Nine ASCs reported an aggregate profit of \$3.4 million, 16.9% of total revenue.

Six ASCs reported a profit.

## OVERVIEW OF KEY INDICATORS

The healthcare industry in West Virginia continues to grow and be a major force in the state. According to the U.S. Department of Commerce’s Bureau of Economic Analysis, the state’s estimated 2014 Gross Domestic Product, in current dollars, was \$75.3 billion up from \$70.6 billion in the prior year. For FY 2014, total revenues of \$8.4 billion were reported to the West Virginia Health Care Authority (Authority) from eight types of healthcare providers, an increase of 4.8% from FY 2013.

The Authority collects and disseminates financial data on healthcare facilities, including hospitals, nursing homes, behavioral health centers, primary care centers, home health agencies, hospice agencies, renal dialysis centers and ambulatory surgical centers. The reporting period is the facility fiscal year which ended during the calendar year. Therefore, the data are reflective of a time span rather than of one point in time. The data are presented here as reported by the facilities.

This report includes information related to 430 healthcare providers operating in West Virginia in FY 2014.

<b>Number of Providers by Service</b>			
<b>Type of Provider</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Hospitals</b>	<b>61</b>	<b>61</b>	<b>61</b>
General Acute	32	31	29
Critical Access	18	19	20
Long-term Acute	2	2	2
Psychiatric	4	4	5
Rehabilitation	5	5	5
<b>Nursing Homes</b>	<b>106</b>	<b>107</b>	<b>107</b>
<b>Behavioral Health Centers</b>	<b>102</b>	<b>105</b>	<b>107</b>
Behavioral Health Centers	80	83	85
Comprehensive Centers	13	13	13
Methadone Treatment	9	9	9
<b>Primary Care Centers</b>	<b>32</b>	<b>32</b>	<b>32</b>
<b>Home Health Agencies</b>	<b>63</b>	<b>62</b>	<b>60</b>
<b>Hospice Agencies</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Renal Dialysis Centers</b>	<b>33</b>	<b>34</b>	<b>34</b>
<b>Ambulatory Surgery Centers</b>	<b>11</b>	<b>11</b>	<b>9</b>
<b>Total</b>	<b>428</b>	<b>432</b>	<b>430</b>

## Total Revenue

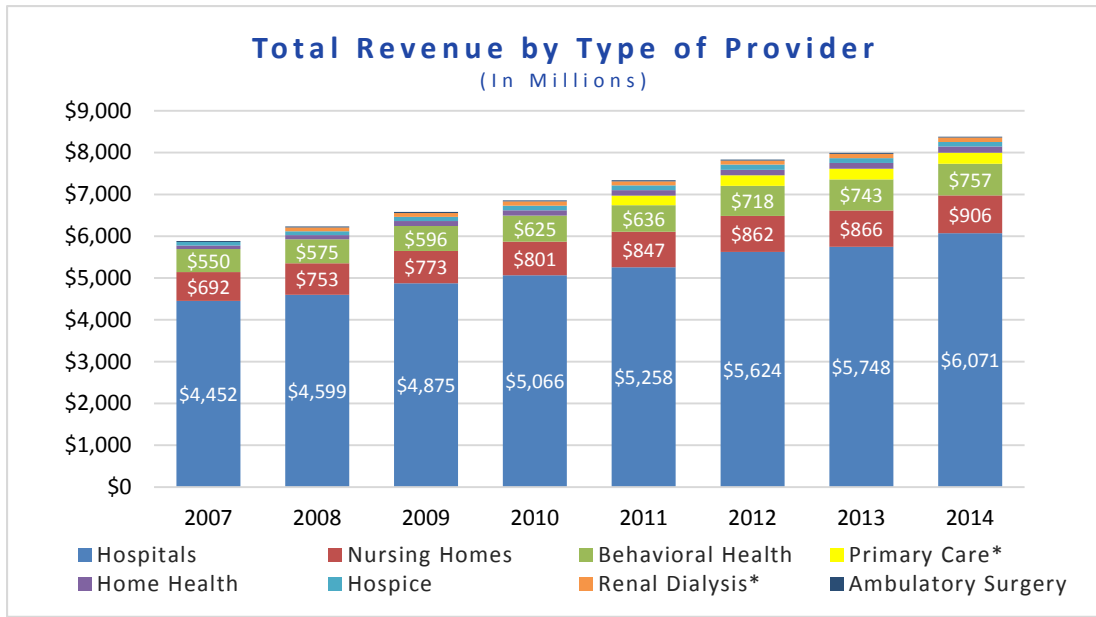
Total revenue of \$8.4 billion was reported by the 430 facilities for FY 2014, an increase of \$385.9 million (4.8%) over FY 2013. Total revenue equals the sum of revenue from patient services plus other operating and non-operating revenue.

General acute care hospitals accounted for \$208.6 million (54.1%) of the growth in revenue. Critical access hospitals provided the second greatest increase of revenue of \$67.5 million (17.5%).

Type of Facility or Agency	Total Revenue (In Thousands)		
	FY 2012	FY 2013	FY 2014
<b>Hospitals</b>	<b>\$5,624,090</b>	<b>\$5,747,500</b>	<b>\$6,070,659</b>
General Acute	5,006,449	5,091,213	5,299,817
Critical Access	370,300	405,402	472,879
Long-term Acute	32,679	31,542	32,033
Psychiatric	114,114	115,688	158,426
Rehabilitation	100,548	103,656	107,286
<b>Nursing Homes</b>	<b>861,857</b>	<b>866,207</b>	<b>905,615</b>
<b>Behavioral Health Centers</b>	<b>718,317</b>	<b>743,109</b>	<b>757,282</b>
Behavioral Health Centers	489,733	505,231	515,766
Comprehensive Centers	196,758	213,871	216,110
Methadone Treatment	23,144	24,006	25,407
<b>Primary Care Centers</b>	<b>252,114</b>	<b>255,895</b>	<b>263,646</b>
<b>Home Health Agencies</b>	<b>132,572</b>	<b>140,630</b>	<b>149,952</b>
<b>Hospices</b>	<b>124,264</b>	<b>113,921</b>	<b>107,101</b>
<b>Renal Dialysis Centers</b>	<b>95,417</b>	<b>102,862</b>	<b>104,322</b>
<b>Ambulatory Surgery Centers</b>	<b>25,628</b>	<b>22,779</b>	<b>20,230</b>
<b>Total</b>	<b>\$7,834,259</b>	<b>\$7,992,903</b>	<b>\$8,378,808</b>
<b>Percentage Change from Prior Year</b>	<b>6.8%</b>	<b>2.0%</b>	<b>4.8%</b>

The percentage of total revenue generated by each provider type in FY 2014 is as follows:

- Hospitals – 72.5%
- Nursing Homes – 10.8%
- Behavioral Health Centers – 9.0%
- Primary Care Centers – 3.2%
- Home Health Agencies – 1.8%
- Hospices – 1.3%
- Renal Dialysis Centers – 1.2%
- Ambulatory Surgery Centers – 0.2%



\*Data for Renal Dialysis and Primary Care Centers was added starting in FY 2008 and FY 2011, respectively.

Total revenue grew by 4.8% (\$385.9 million) in FY 2014. The increase in total revenue in FY 2013 was 2.0% (\$156.9 million). Since FY 2007 total revenue has increased approximately 36.1% (\$2.1 billion), not including renal dialysis and primary care revenue. The average annual increase in total revenue for FY 2008 – FY 2014 was 4.5%.<sup>1</sup>

The increase in total revenue since FY 2007 is as follows:

- Hospitals – \$1.6 billion (36.3%)
- Nursing Homes – \$213.9 million (30.9%)
- Behavioral Health Centers – \$207.2 million (37.7%)
- Home Health Agencies – \$65.8 million (78.2%)
- Hospices – \$23.3 million (27.8%)

Reviewing total revenue for ambulatory surgery centers since FY 2007 shows a decrease of \$3.8 million (15.7%); however, this decrease has occurred within the last two years. In FY 2013 two ambulatory surgery centers were purchased by a hospital; the revenues associated with those services would be included within the hospital sector.

Total revenue for primary care centers has grown \$33.0 million (14.3%) since FY 2011.

<sup>1</sup>Adjustments were made for renal dialysis and primary care revenue to the calculation of average annual increase in total revenue. Data for these providers were added beginning with FY 2008 and FY 2011, respectively.

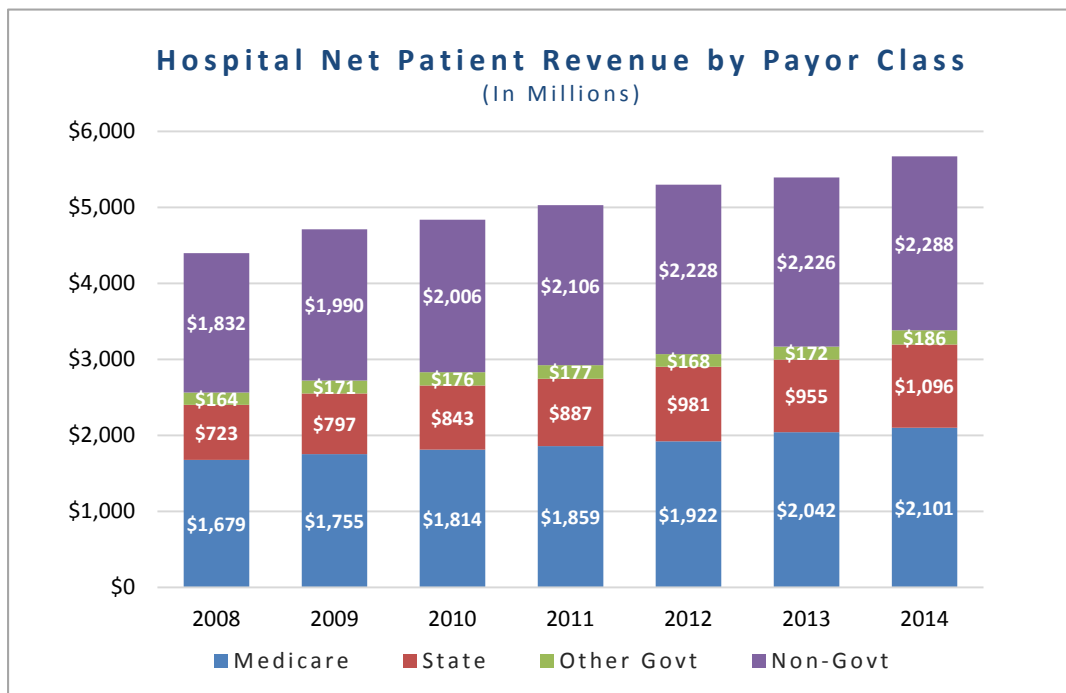
## Net Patient Revenue

Net patient revenue (NPR), the amount received in payment for patient services, is also reported by payor categories for hospitals and nursing homes.

### Hospitals

Nongovernmental payors (commercial, Blue Cross Blue Shield, Coventry, unions, ERISAs, self-pay) provided the largest amount of hospital revenue of \$2.3 billion (40.3%) in FY 2014. Medicare followed, with revenue of \$2.1 billion (37.0%). State payors (Medicaid, PEIA) and other governmental payors (VA, Worker's Comp, etc.) combined for revenue of \$1.3 billion (22.6%).

Total net patient revenue for all payors equaled \$5.7 billion, an increase of 5.1% over the prior year. Since FY 2007 net patient revenue has grown by \$1.5 billion (36.1%), with nongovernmental revenue increasing the most: \$578.8 million (33.9%). The second largest increase was from Medicare: \$493.8 million (30.7%). The largest percentage increase occurred within the state payors category: 56.3% (\$394.9 million).

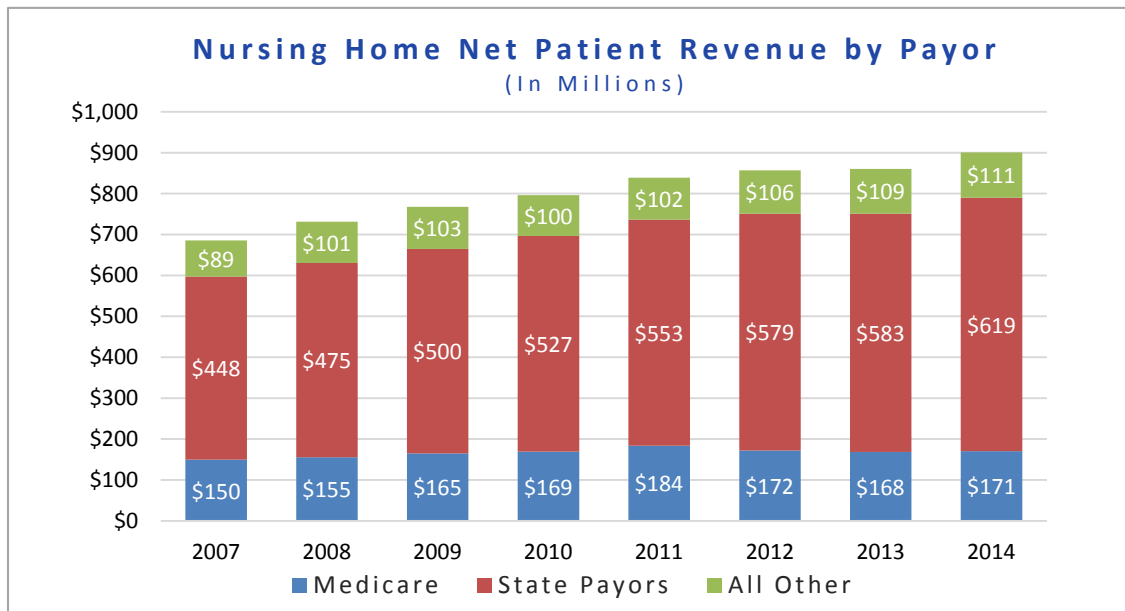


## Nursing Homes

For nursing homes, the payor category with largest amount of revenue is the state payors category; it consists almost entirely of Medicaid revenue, but also includes some PEIA payments. Net patient revenue for the state payors category equaled \$619.2 million in FY 2014. Medicare revenue equaled \$170.6 million. Revenue from all other payors was \$110.8 million.

Total net patient revenue was \$900.6 million in FY 2014, an increase of 4.7% over FY 2013 levels. The prior year's increase was 0.4%. For FY 2014, revenue from the state payors increased by \$36.7 million (6.3%) and accounted for 91.1% of the increase in total revenue. Medicare and other payors had increases of 5.2% and 3.7%, respectively.

Since FY 2007 net patient revenue has increased by \$214.9 million (31.3%). Revenue from state payors grew by \$171.7 million (38.4%); Medicare revenue increased by \$21.0 million (14.1%), but has decreased by \$13.1 million from the peak of \$183.6 million in FY 2011.



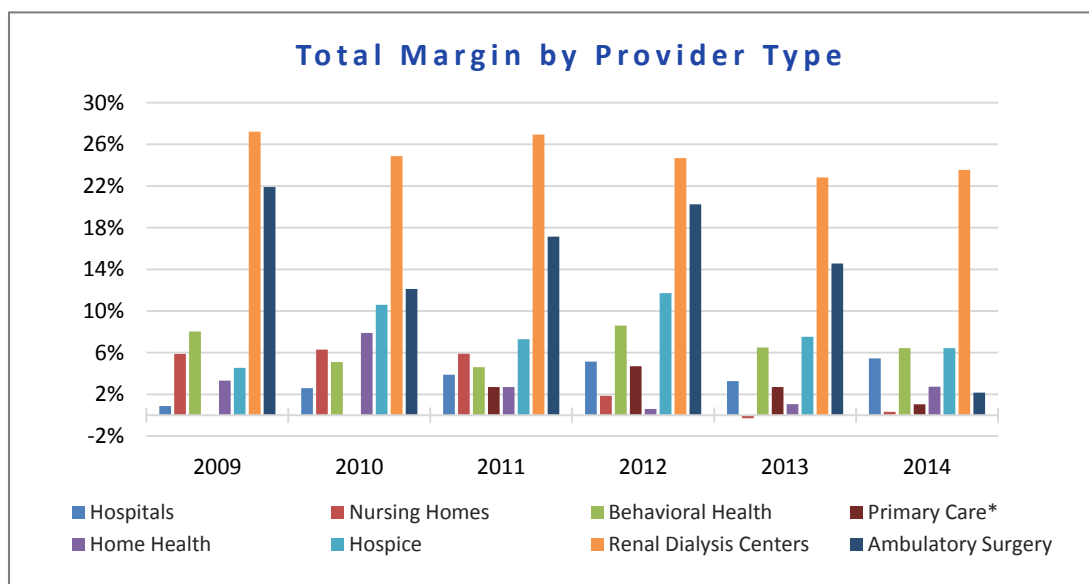
## Excess Revenue (Deficit) Over Expenses (EROE)

The aggregate profit for all facilities was \$421.5 million, an increase of \$144.0 million over FY 2013. The term profit (loss) is used here interchangeably with excess (deficit) of revenue before taxes and extraordinary items (EROE), and is applied to all facilities, including not-for-profits.

Type of Provider	EROE (in 000's)			Margin		
	FY 2012	FY 2013	FY 2014	FY 2012	FY 2013	FY 2014
Hospitals*	\$289,766	\$188,104	\$331,150	5.5%	3.3%	5.5%
Nursing Homes	16,046	(2,567)	2,890	1.9%	-0.3%	0.3%
Behavioral Health	62,073	48,452	48,689	8.6%	6.5%	6.4%
Primary Care	11,962	6,813	2,751	4.7%	2.7%	1.0%
Home Health	791	1,481	4,097	0.6%	1.1%	2.7%
Hospice	14,560	8,433	6,892	11.7%	7.5%	6.4%
Renal Dialysis Centers	23,549	23,480	24,562	24.7%	22.8%	23.5%
Ambulatory Surgery	5,190	3,318	3,411	20.3%	14.6%	16.9%
<b>Total</b>	<b>\$423,937</b>	<b>\$277,483</b>	<b>\$421,469</b>	<b>5.4%</b>	<b>3.5%</b>	<b>5.0%</b>

\*Profits are adjusted to remove the impact of certain market fluctuations of investments. See Financial Highlights.

Margins (a financial ratio measuring the return on revenue) are calculated comparing EROE to total revenue, as opposed to operating revenue, and are shown by provider type. Renal dialysis providers have consistently reported the highest margins. Hospital margins have fluctuated between 0.9% and 5.5% over the last six years. Nursing homes reported the only negative margin during the same period -0.3%, which occurred in FY 2013. Ambulatory surgery centers reported the greatest decrease in margins going from 21.9% in FY 2009 to 2.2% in FY 2014. Margins for categories of providers and individual providers are included in the narrative and detailed tables of this report.



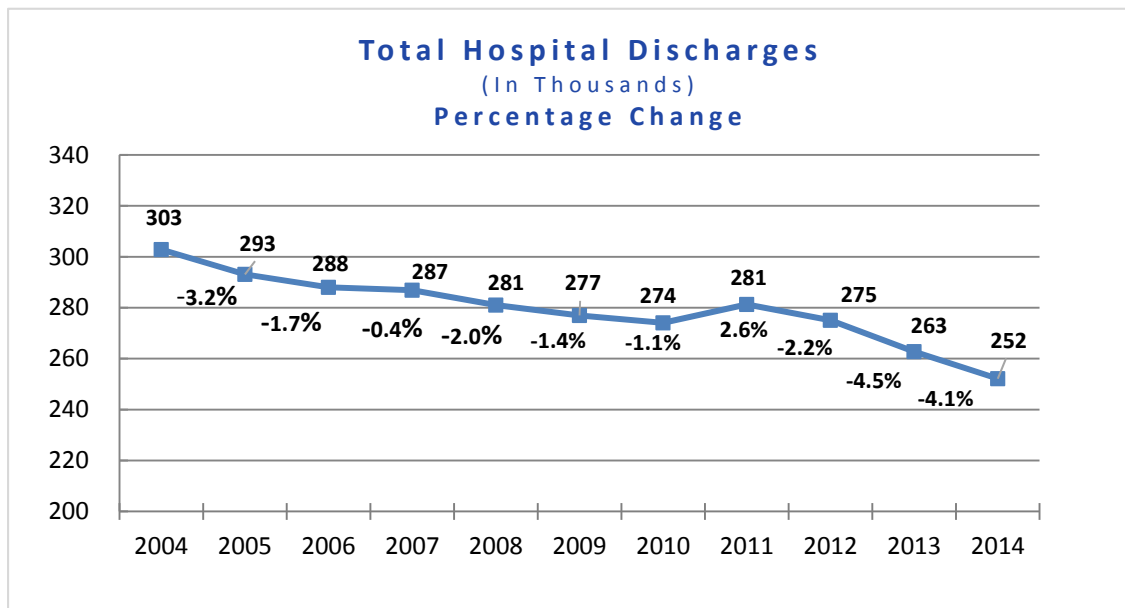
\*Primary Care Center margins are presented starting with FY 2011.



## Utilization

### Hospitals

Hospital inpatient discharges decreased by 10,656 (4.1%) in FY 2014; the decrease in FY 2013 was 12,311 (4.5%). Between FY 2004 and FY 2014 inpatient utilization decreased by almost 51,000 discharges (16.8%). During that ten-year span only FY 2011 saw an increase in discharges.

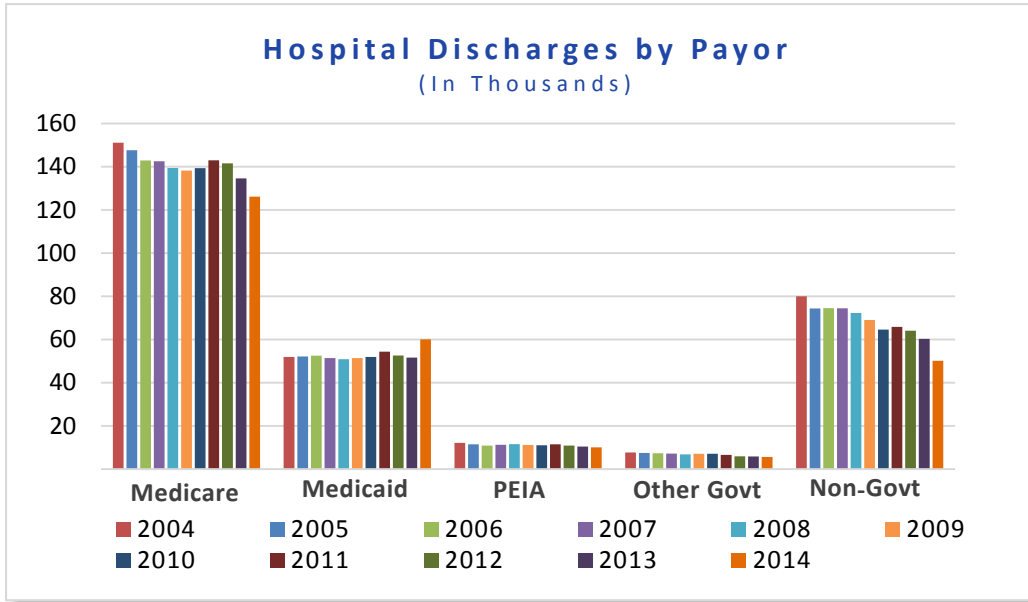


Forty-one (67.2%) out of 61 hospitals reported decreased discharges. This occurred mainly within general acute and critical access hospitals. The number of hospitals reporting a decrease in discharges were as follows:

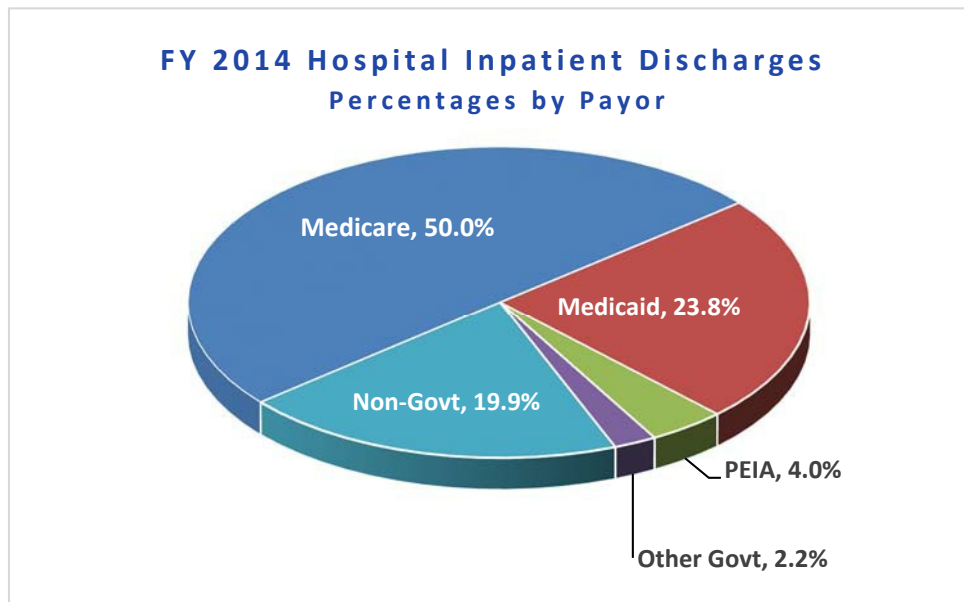
- 22 general acute
- 14 critical access
- 3 psychiatric
- 1 long-term acute care
- 1 rehabilitation

In FY 2014 there was a significant change in payor mix from prior years: Medicaid was the only payor with an increase in discharges. An increase of 16.4% (8,469 discharges) resulted in Medicaid becoming the second largest payor category for the number of inpatient discharges. Non-governmental payors had a decrease in discharges of 16.7% (10,092 discharges). Medicare discharges decreased by 16.3% (8,432 discharges)

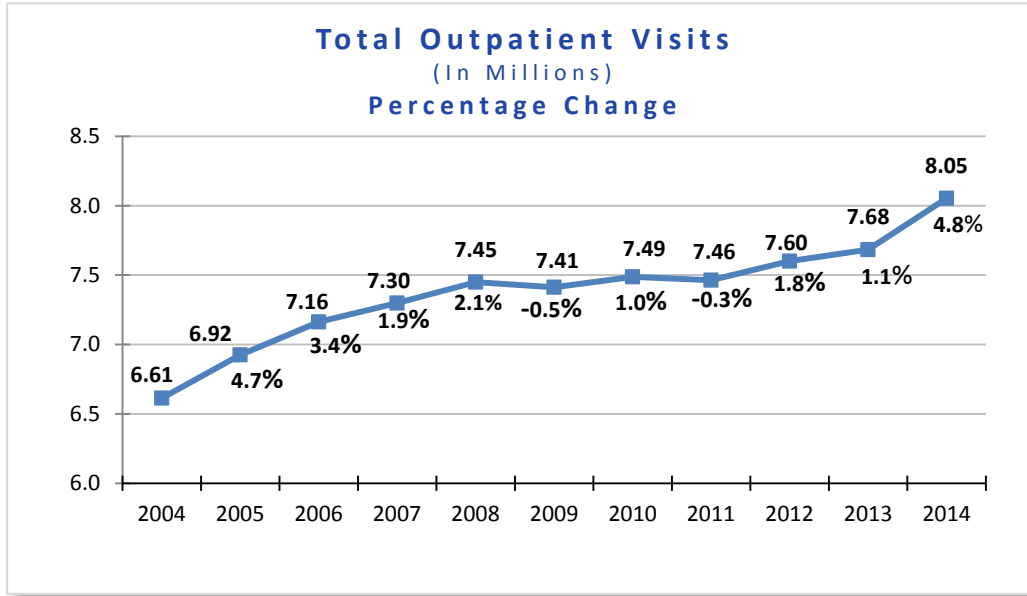
Since FY 2004 nongovernmental discharges decreased the most, by 29,824 (37.3%); Medicare discharges decreased by 24,933 (16.5%). Due to the increase that occurred in FY 2014, Medicaid discharges increased by 8,189 (15.8%) over the same time-period, and PEIA discharges decreased by 2,075 (17.1%).



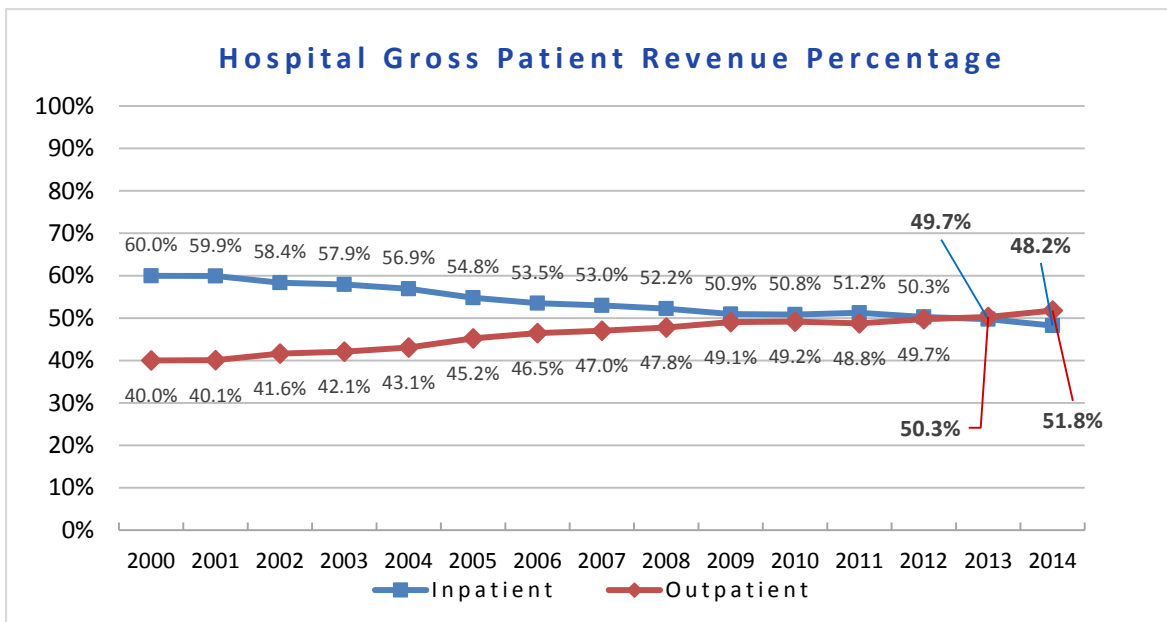
Medicare remains the largest payor category with 50.0% of the total discharges. Medicaid increased from 19.6% of discharges in FY 2013 to 23.8% in FY 2014. The nongovernmental category had 19.9% of discharges, down from 22.9% in the prior year. The remaining 6.2% of discharges were covered by PEIA and other governmental payors.



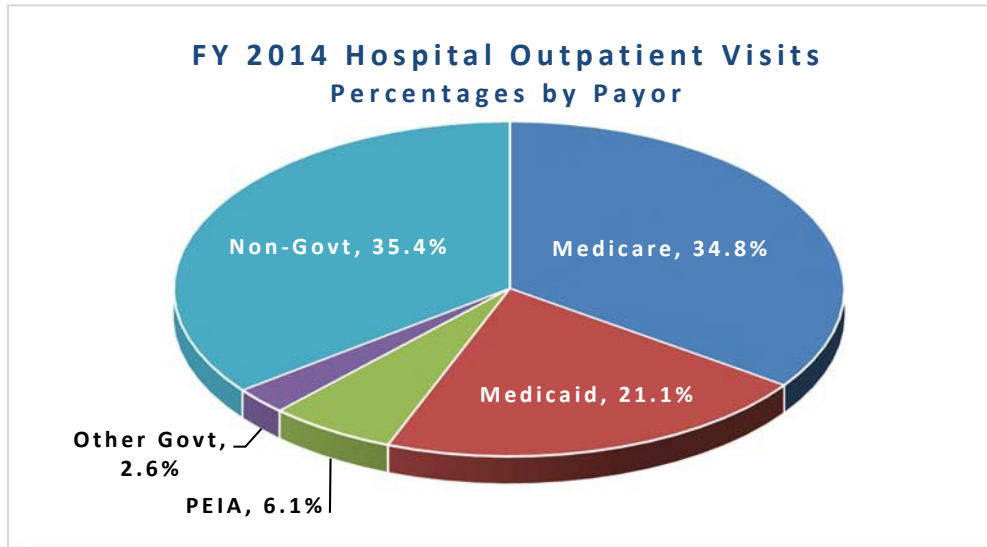
Utilization of hospital outpatient services has increased by 1.4 million visits (21.8%), since FY 2004. In FY 2014 total outpatient visits of 8.1 million were reported, an increase from the prior year of 369,496 (4.8%).



Gross patient revenue is one measure of volume. Outpatient gross patient revenue surpassed inpatient gross patient revenue for the first time in FY 2013 at 50.3% and 49.7%, respectively, of total charges. The trend continued in FY 2014 with outpatient revenue growing to 51.8% of total charges. In comparison, FY 2000 outpatient revenue was 40.0% of total charges.

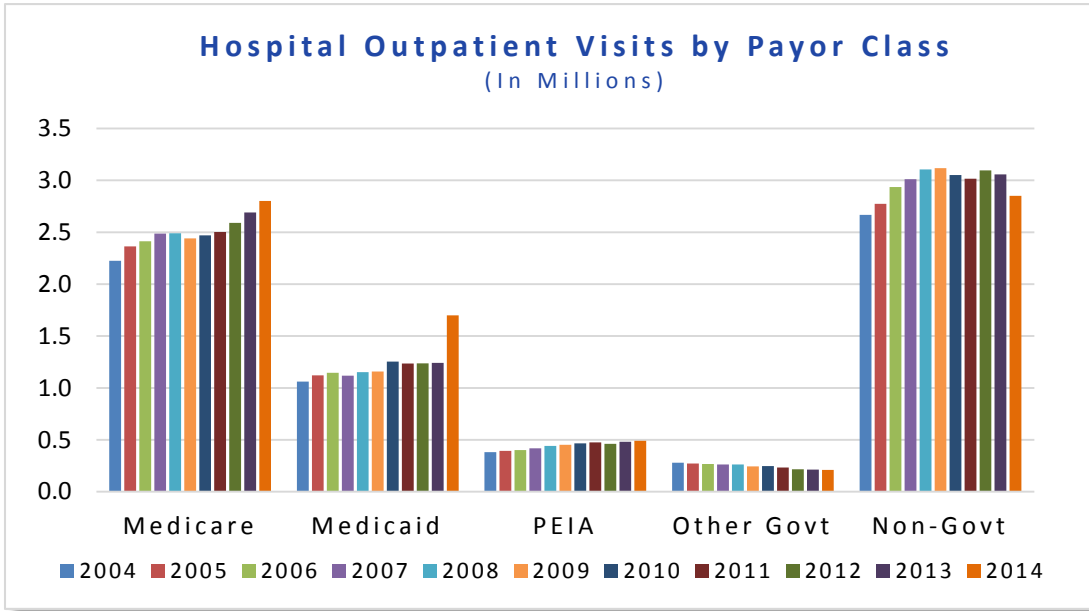


Outpatient utilization patterns by payor vary from inpatient patterns. Nongovernmental payors remained the largest payor category for the number of outpatient visits, with Medicare increasing to a close second. Nongovernmental outpatient visits in FY 2014 equaled 2.9 million or 35.4% of total visits, a 6.8% decrease from the prior year. Medicare outpatient visits equaled 2.8 million or 34.8% of total visits, a 4.1% increase.

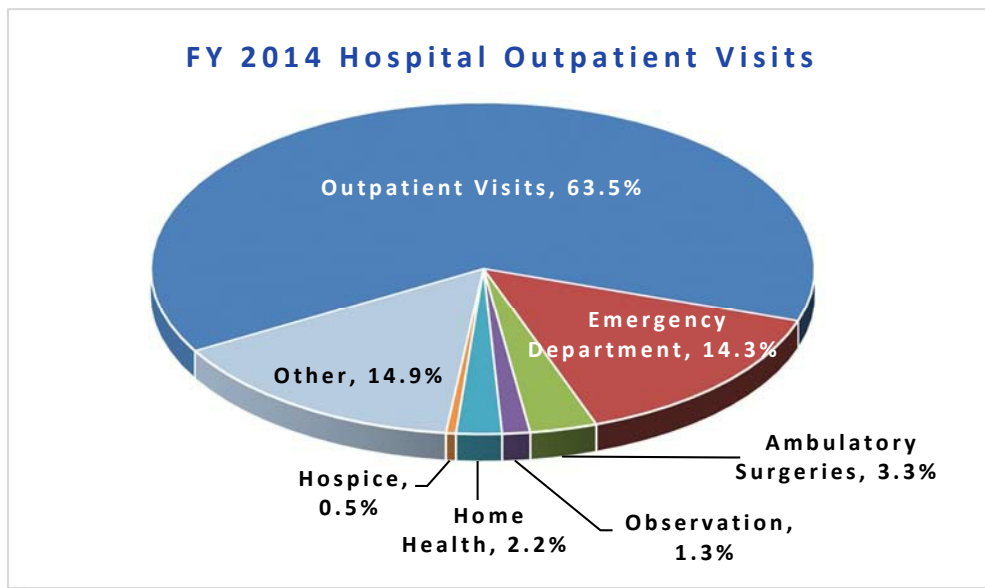


Nongovernmental visits for FY 2014 are 6.8% greater than in FY 2004. This category peaked in FY 2009 with 3.1 million visits. Medicare visits are now 26.0% higher than in FY 2004.

Medicaid visits increased by 36.9% to 1.7 million in FY 2014, about 21.1% of total visits. PEIA and other governmental payors combined accounted for 8.7% of visits.



Outpatient visits cover a wide range services, including: diagnostic imaging, laboratory tests, physical and mental health therapies, emergency and observation services, same day surgeries, home health and hospice services and a variety of physician specialties.



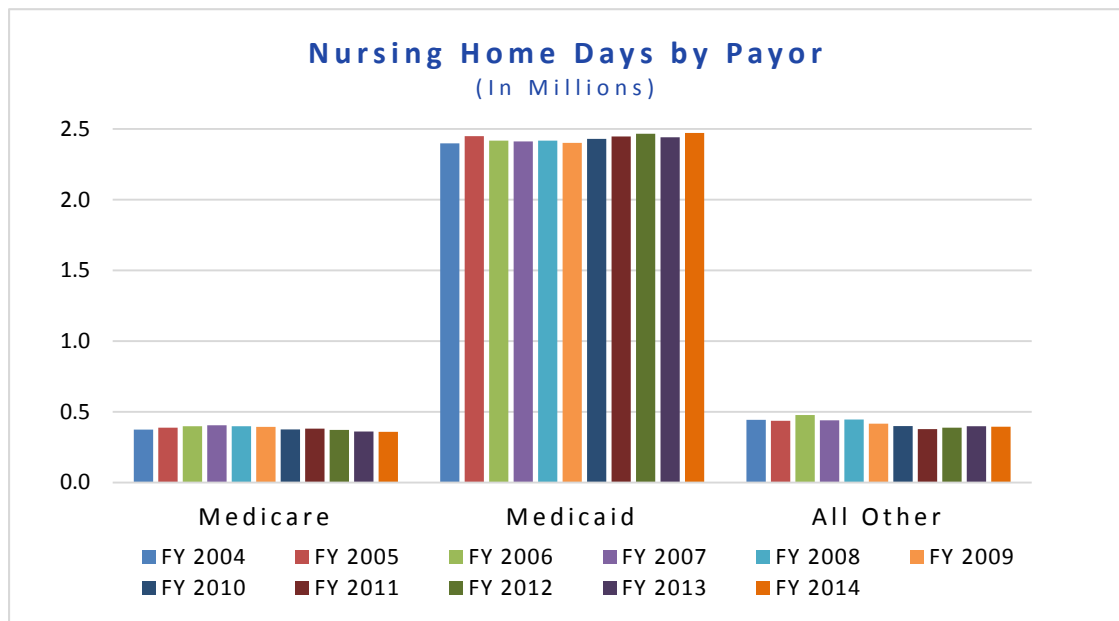
## Nursing Home

Nursing home utilization in FY 2014 remained stable at 3.2 million days with 9,905 licensed nursing home beds reported statewide. This equaled an occupancy rate of 89.2%.

The total population served during FY 2014 was approximately 25,090. Population served is estimated by adding total discharges (16,299) to the census count (8,791) at the end of the fiscal year. This calculation may include readmissions in the same year.

Governmental programs pay for the vast majority of nursing home services. Residents covered by Medicare or Medicaid equaled 87.8% of patient days. Medicaid, with 2.5 million inpatient days (76.6%), is by far the largest payor; Medicare days equal 358,807 (11.1%). Medicare coverage requires a more intensive level of care with greater use of skilled nursing and rehabilitation services rather than mainly custodial care.

Some nursing homes offer outpatient services, such as physical, occupational and speech therapies, but the level of utilization has historically been minimal.



## HOSPITALS

The economic status of West Virginia’s hospitals is reported based on information submitted in the hospitals’ FY 2014 Uniform Financial Report and is presented according to their respective service categories:

- General Acute Care – 29 hospitals
- Critical Access – 20 hospitals
- Long-term Acute Care – 2 hospitals
- Psychiatric – 5 hospitals
- Rehabilitation – 5 hospitals

The services provided by each type of hospital vary considerably, and are presented separately in the 2015 Annual Report to the Legislature (Annual Report). The general acute care hospitals are presented first followed by the other categories in the order listed above.

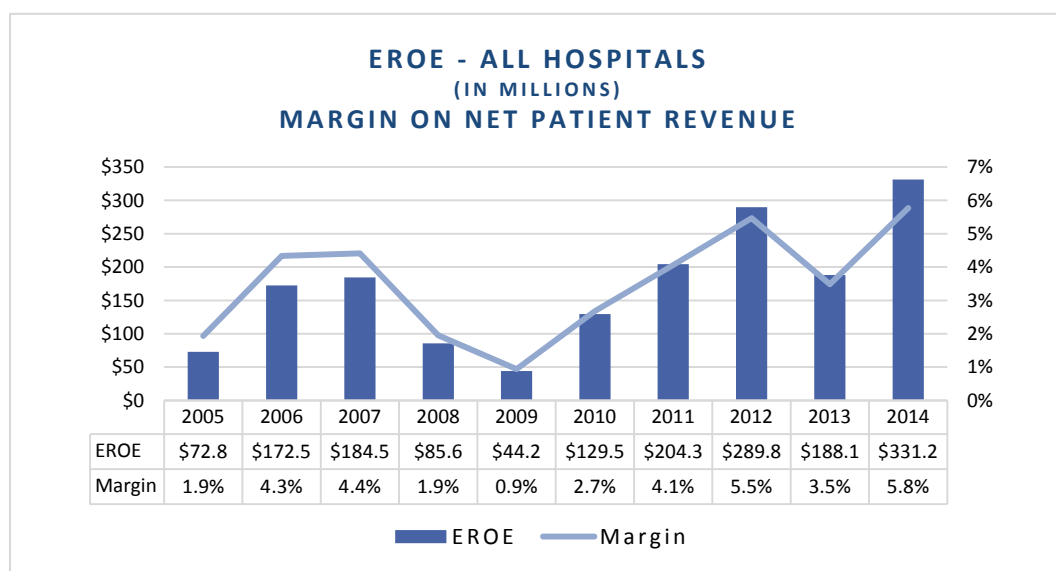
The Annual Report and detailed data tables are available on the website of the West Virginia Health Care Authority (Authority): [www.hca.wv.gov](http://www.hca.wv.gov). Abbreviations for hospital names are used in this narrative and data tables (see Appendix A for list of hospitals names and abbreviations).

As a group, West Virginia’s 61 hospitals reported an increase in profitability in FY 2014. Excess (deficit) of revenue over expenses (EROE) is used here to describe profit (loss) prior to

- taxes,
- any extraordinary gains or losses, and
- certain changes in market values of investments.

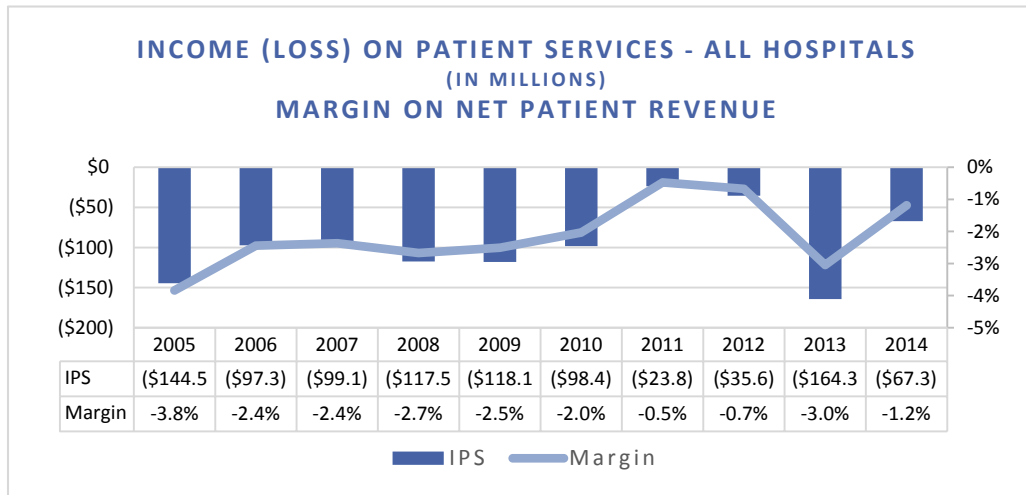
EROE is used for not-for-profit as well as for-profit hospitals.

- Total EROE for FY 2014 was \$331.2 million, 5.8% of net patient revenue (NPR), and an increase of 76.0% from the prior year.



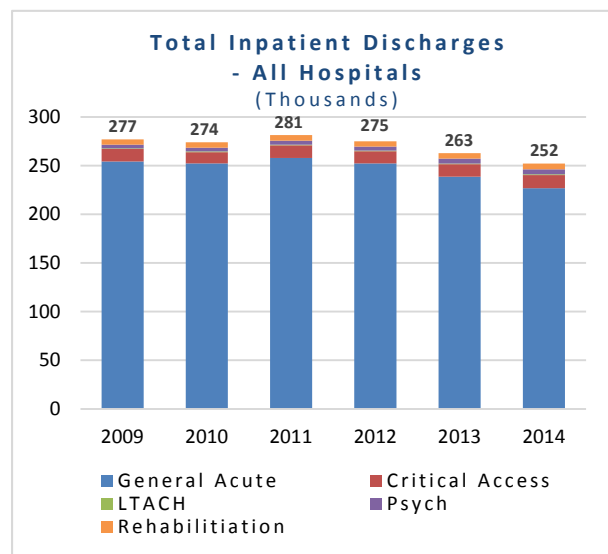
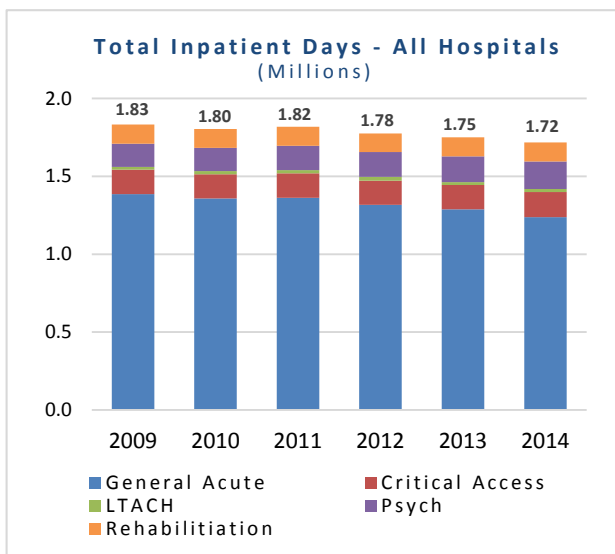
NOTE: EROE for 2009 would be \$69.3 million (a margin of 1.5%), without a \$25 million write-off of Goodwill by one hospital.

- The increase in the FY 2014 profit is due to an increase in net patient revenue that was greater than the increase in expenses, combined with significant other revenues.
- Losses on patient services (net patient revenue minus expenses) decreased by \$97.0 million in FY 2014. Net patient revenue increased by \$277.1 million (5.1%) and expenses increased by \$180.1 million (3.2%).



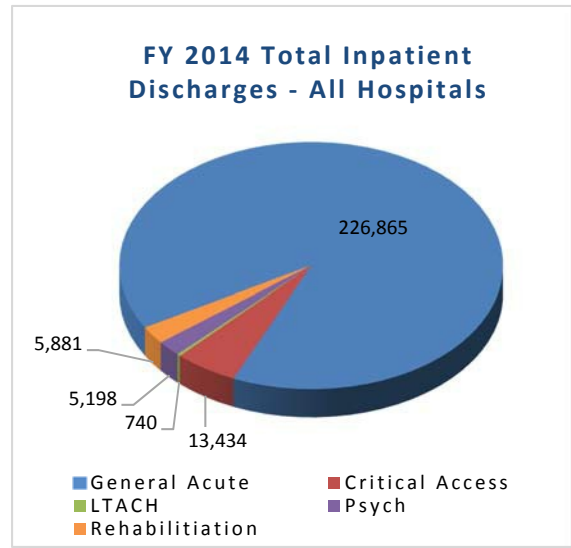
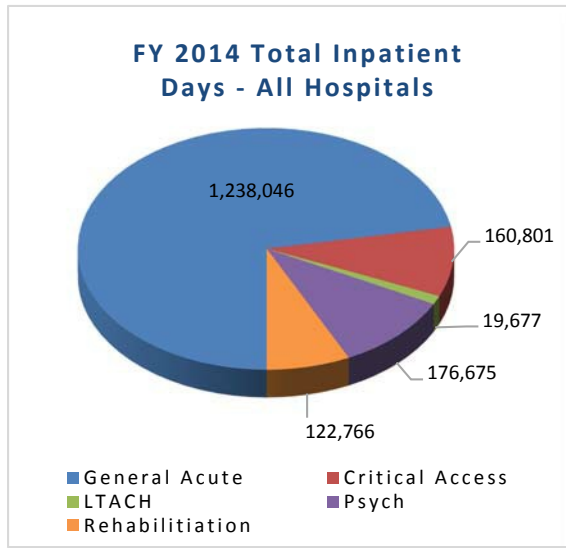
Patient care, hospitals' core mission, is measured in multiple ways. Utilization is not only one measure of patient care, it is also a key component of economic performance. Each of the sectors provide significantly different services and experience varying average lengths of stay. The utilization data presented include both acute and distinct part units.

- Total inpatient days of 1.7 million were reported, a decrease of 1.8% from FY 2013. Total inpatient discharges equaled 252,000, a decrease of 4.1%.

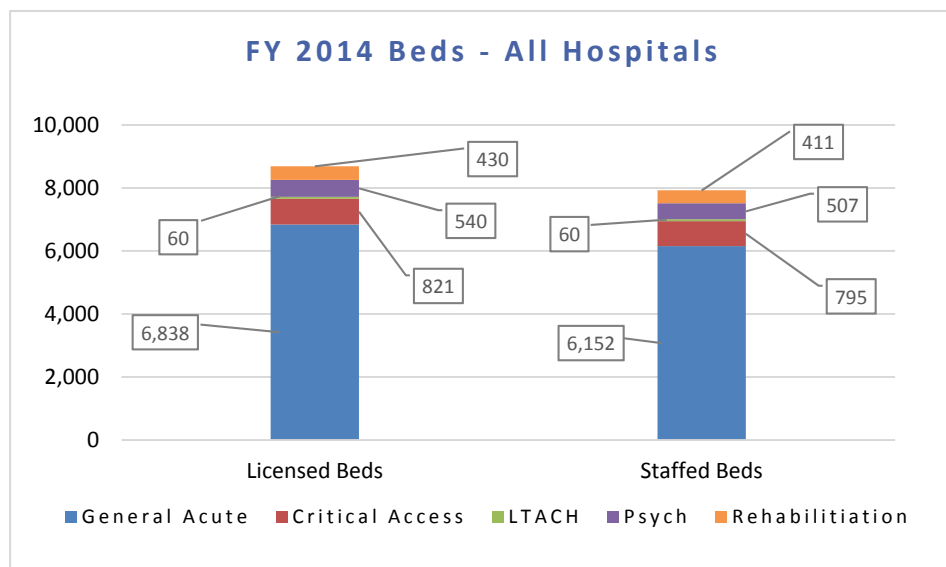




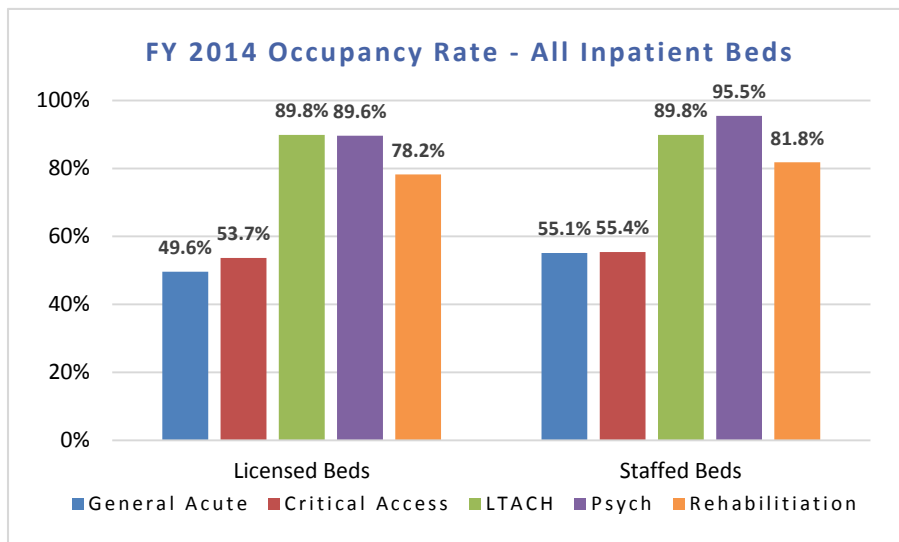
- General acute hospitals provided 72.1% of hospital days and 90.0% of hospital discharges.



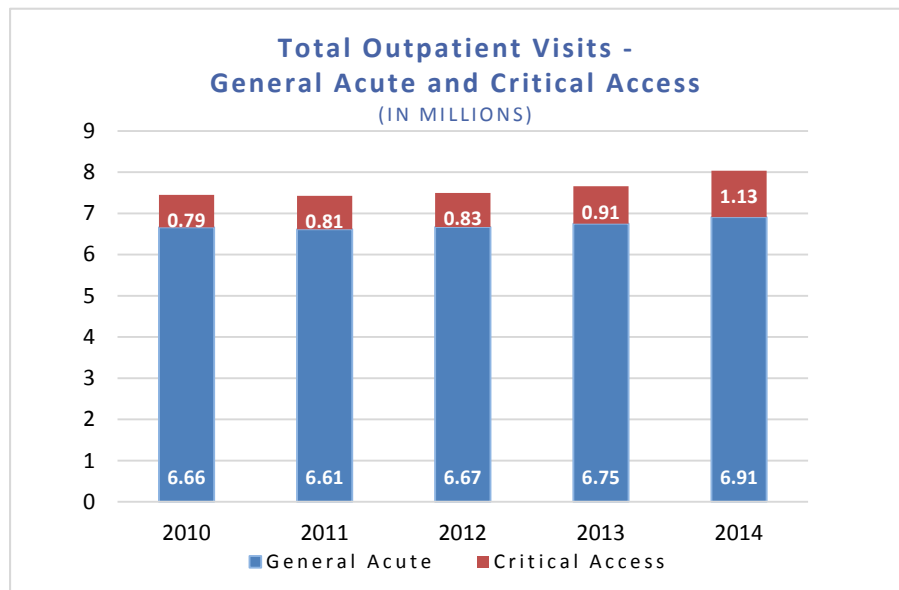
- Total licensed and staffed beds reported for FY 2014 equaled 8,689 and 7,925, respectively. General acute hospitals account for 78.7% and 77.6%, respectively, of the total licensed and staffed beds.



- The overall occupancy rate for all licensed beds for FY 2014 was 54.2%, but varies significantly between hospital types.



- General acute and critical access hospitals accounted for 99.8% of total outpatient visits in FY 2014. Total visits of 8.1 million were reported, an increase of 4.8% over FY 2013.
- The increase in outpatient visits for FY 2014 was 1.1%.



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## Special Items of Note

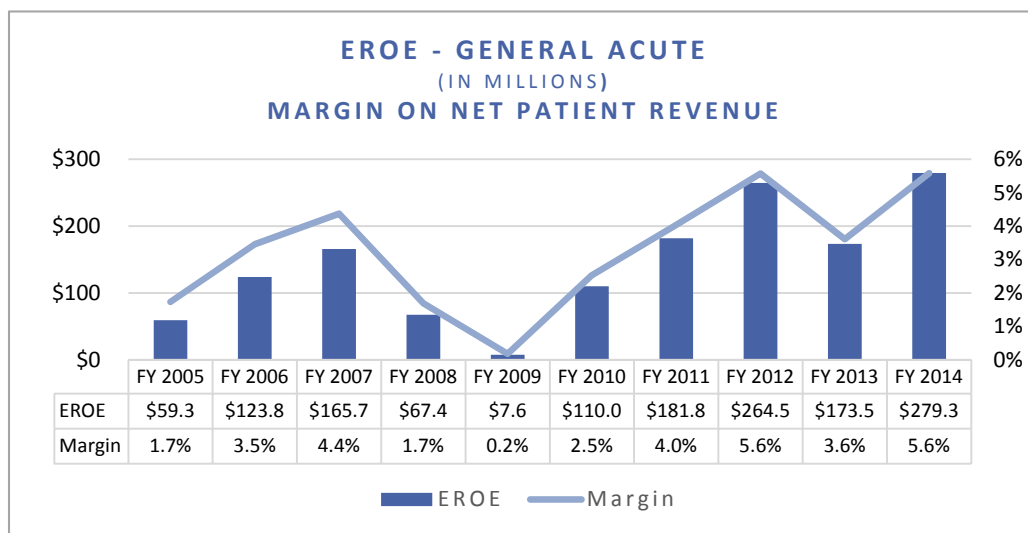
- ◆ *The Authority determined that certain market fluctuations, which are included in a hospital's financial statements, should be excluded from the data used for rate setting and reporting functions. Therefore, the profits and losses used in this report, except where noted otherwise, excludes income taxes, extraordinary items, and gains or losses due to changes in the market value of derivatives and other investments impacted by the adoption of related accounting standards. The market changes are included in the profit or loss after tax and after extraordinary items in the Uniform Financial Report (UFR), which is the hospital data source for this report.*
- ◆ *St. Joseph's Hospital in Buckhannon became a Critical Access Hospital on April 2, 2014, which is six months after the beginning of the hospital's 2014 fiscal year. In this report the hospital is included in the Critical Access category. In last year's Annual Report it was reported with the General Acute Care category.*
- ◆ *CAMC Teays Valley Hospital merged with Charleston Area Medical Center (CAMC) on March 2, 2014, three months into the hospital's 2014 fiscal year. In this report the hospital is included in CAMC. In last year's Annual Report it was reported separately.*
- ◆ *Highland Hospital – Clarksburg began operations on August 19, 2013, one and half months before its 2013 fiscal year end. Information for this hospital is included in this report for the first time.*
- ◆ *Preston Memorial Hospital opened a new facility on May 17, 2015. Additionally, it merged with Mon Health System (MHS) in 2014, with MHS remaining as the governing entity.*
- ◆ *Current hospital news of note includes the following 2015 Certificate of Need (CON) activity:*
  - *Acuity Specialty Hospital opened two Long-Term Acute Care Hospitals (LTACH). One 20 bed facility began operations within Weirton Medical Center in January 2015 and a 13 bed facility began operations in Wheeling Hospital in February 2015.*
  - *Acuity Specialty Hospital has submitted CON applications requesting to expand the number of LTACH beds at Weirton Medical Center and Wheeling Hospital by 8 and 16, respectively.*
  - *Appalachian Regional Healthcare requested a CON from the Authority for the acquisition of Williamson Memorial from Community Health Systems, Inc. A Decision denying this request was issued on April 29, 2015.*
  - *Cabell Huntington Hospital, Inc. (CHHI), submitted an expedited application for a CON on April 30, 2015 to acquire St. Mary's Medical Center. The acquisition plan would result in a two hospital campus, single hospital system with CHHI remaining as the sole corporate member. The Federal Trade Commission has filed a complaint blocking the acquisition.*
  - *United Hospital Center (United) was issued a CON on July 8, 2015 for the purchase of St. Joseph's Hospital of Buckhannon from the Pallotine Sisters for an amount not to exceed \$20.8 million. The transfer of sponsorship to United and West Virginia United Health System, the parent of United, was completed on October 6, 2015.*

## General Acute Care Hospitals

These hospitals primarily provide short-stay, medical-surgical services, although they often include distinct part units providing a wide range of other services, such as physician, psychiatric, skilled nursing and rehabilitation. There were 29 general acute care hospitals at the end of FY 2014 after St. Joseph's was re-licensed as a critical access hospital and CAMC Teays Valley was merged with CAMC.

### Financial Results

- Profits from acute care hospitals increased by \$105.8 million, increasing from \$173.5 million (3.6% of NPR) in FY 2013 to \$279.3 million in FY 2014 (5.6% of NPR).
- Profitability increased in FY 2014 due to a \$196.4 million (4.1%) increase in net patient revenue that outpaced a \$102.8 million (2.1%) increase in operating expenses. Additionally, other revenue increased by \$12.2 million (4.3%).



NOTE: 2009 EROE would equal \$32.7 million (a margin of 0.8%), without a \$25 million write-off of Goodwill by one hospital.

- Nineteen of the 29 acute care hospitals reported a profit for FY 2014. Positive EROEs ranged from WVUH's \$73.4 million (10.2% of NPR) to Davis Memorial's \$2.5 million (3.0% of NPR). The average profit for these 19 hospitals was \$16.7 million, up from \$13.0 million in FY 2013.

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#### Hospitals with a Positive EROE – General Acute

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
20	22	27	23	18	17	22	22	18	19

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- Twenty-two hospitals reported an improvement in EROE.
  - Two hospitals that reported losses in FY 2013 reported a profit in FY 2014.
  - Eight hospitals reported reduced losses.
  - Twelve hospitals reported larger profits in FY 2014 than in FY 2013.
  - The average increase in EROE was \$5.3 million.
- Ten hospitals reported losses ranging from Bluefield Regional’s loss of \$8.7 million (11.2% of NPR) to Pleasant Valley’s \$486,000 loss (0.8% of NPR). The average loss was \$3.9 million.
- Five hospitals reported margins (profits as a percentage of NPR) 10% or greater: Charleston Surgical (27.6%), Greenbrier Valley (21.1%), Raleigh General (11.5%), Wheeling (11.0%) and WVU Hospitals (10.2%).

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**Hospitals with a Margin of at least 10.0% – General Acute**

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
2	3	6	4	3	4	3	4	3	5

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- Seven hospitals had a margin between 5.0% and 9.9%: Stonewall Jackson (9.7%), United Hospital (9.6%), Princeton (9.2%), Logan Regional (7.2%), CAMC (6.1%), Weirton Medical (5.9%), and Monongalia General (5.6%).

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**Hospitals with a Margin of 5.0% - 9.9% – General Acute**

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
3	8	7	1	2	5	7	8	7	7

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- The average margin for all 29 hospitals was 3.0%.

**Market Fluctuations and Accounting Items**

As discussed in the *Special Items of Note* section, certain market fluctuations and related accounting standards are excluded from the results published in this report. Changes in market forces and new investment instruments have significantly impacted global, national and local enterprises over the past decade. Accounting standards adopted in order to recognize unrealized changes in value of financial investments have compounded the impact on hospitals’ statements of operations. These circumstances can result in substantial swings in profitability from year to year and can mask factors of operation that are more relevant to the Authority’s mission. The

Authority determined that these types of market fluctuations would be reported separately, so the impact of market variation is only included in this section of the report.

- In FY 2014 eight hospitals reported a combined net loss of \$26.9 million due to market fluctuations of derivative agreements and accounting changes. Seven hospitals reported losses and one reported a profit from these market changes. Last year, there was a combined gain of \$110.5 million.

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**\*Aggregate Derivative Market and  
Certain Accounting Gains/(Losses) – General Acute  
(In Millions)**

	2008	2009	2010	2011	2012	2013	2014
Gains / (Losses)	(\$191.5)	\$102.0	\$7.3	(\$59.9)	\$14.5	\$110.5	(\$26.9)
Change from Prior Year		\$293.5	(\$94.9)	(\$67.0)	\$74.4	\$96.0	(\$138.9)

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*\*These gains and losses are not included in EROE.*

- Four hospitals reported losses of over \$5.0 million in FY 2014 from these types of market fluctuations, which include derivatives: CAMC (\$10.6 million), WVU Hospitals (\$9.6 million), United Hospital (\$7.0 million) and Camden Clark (\$5.5 million).
- Monongalia General reported the only gain (\$7.2 million) from market fluctuation.
- If these results were included in the FY 2014 data, the aggregate profit of \$279.3 million for general acute care hospitals would decrease to \$252.4 million.

Another accounting item that was excluded from the FY 2014 aggregate EROE was a \$7.3 million impairment loss by Camden Clark for the excess carrying value of the purchase of St. Joseph’s Hospital in Parkersburg and closure of its campus. In FY 2013 the hospital also reported an impairment loss of \$41.2 million due to the same event. These losses were reported as extraordinary items and not included in the aggregate EROE before taxes, market changes and extraordinary items.

### Uncompensated Care

Uncompensated care, which is comprised of bad debt and charity care, decreased 2.9 percentage points from 6.4% to 3.5% of gross patient revenue (GPR) in FY 2014. Uncompensated care as a percentage of GPR had remained relatively constant (0.5% fluctuation) during the prior nine years.

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**Uncompensated Care as % of Gross Patient Revenue – General Acute**

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
5.9%	6.3%	6.4%	6.4%	6.1%	6.4%	6.4%	6.4%	6.4%	3.5%

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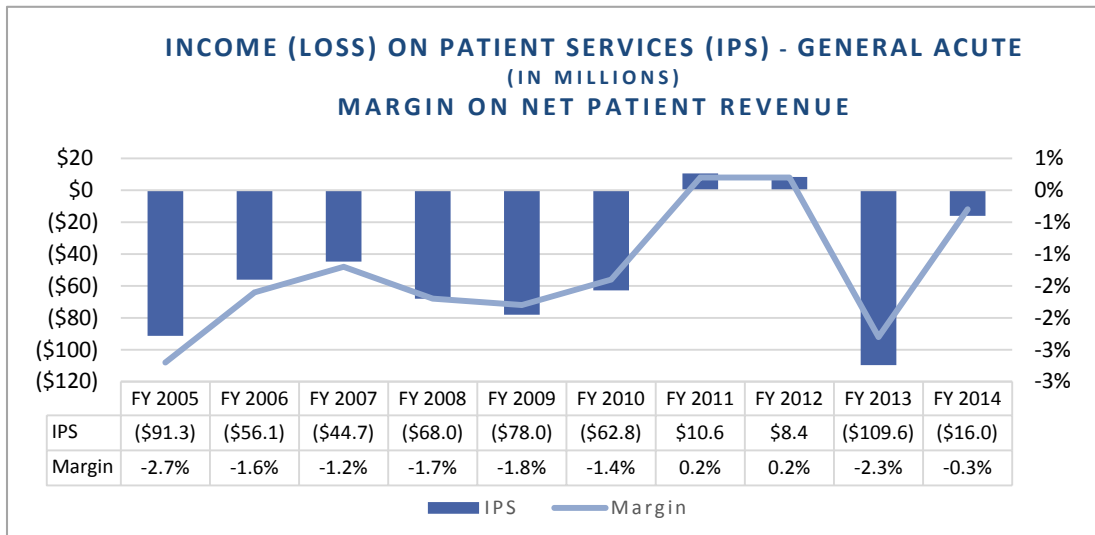


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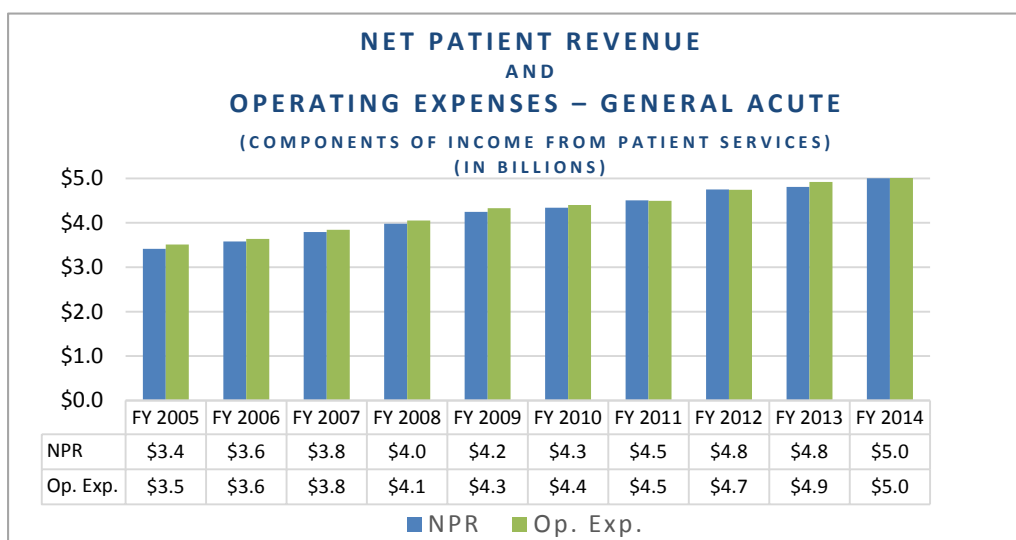
## Patient Services

Income from patient services is an important financial and operating indicator. It is derived by subtracting operating expenses from net patient revenue, which is the amount received in payment for patient services.

- General acute hospitals reported an aggregate loss on patient services of \$16.0 million (0.3% of NPR) in FY 2014. The prior year's loss was \$109.6 million (2.3% of NPR)



- Net patient revenues increased by \$196.4 million (4.1%) to \$5.0 billion and operating expenses increased by \$102.8 (2.1%), also to \$5.0 billion.
- Since the mid-1990s general acute hospitals have reported aggregate losses on patient services, except for FY 2011 and FY 2012.



- The average change in net patient revenue was an increase of 3.3% (\$8.0 million), with 21 of the 29 general acute hospitals reporting an increase in net patient revenue.
- Thirteen hospitals reported positive incomes from patient services ranging from \$16.8 million (10.9% of NPR) at Raleigh General to \$627,000 (0.4% of NPR) at Berkeley Medical. The average income from patient services for these 13 hospitals was \$6.3 million, with an average margin of 6.3%.
- Positive margins on income from patient services ranged from 28.7% (\$4.7 million) at Charleston Surgical to 0.4% (\$627,000) at Berkeley Medical.
- Three hospitals, all for-profit, reported margins greater than 10%: Charleston Surgical (28.7%), Greenbrier Valley (18.3%) and Raleigh General (10.9%). Two hospitals had margins above 10% in the prior year.
- Sixteen hospitals reported losses on patient services in FY 2014, ranging from \$21.3 million (9.8% of NPR) at Camden Clark to \$482,000 (1.1% on NPR) at Stonewall Jackson. The average loss from patient services for these hospitals was \$6.1 million (10.3% of NPR).
- Negative margins on patient services ranged from 44.4% (\$9.2 million) at Welch Community to 0.3% (\$2.9 million) at CAMC.

### Operating Expense

Besides net patient revenue, the other factor in the calculation of income from patient services is operating expense.

- Overall, acute care expenses of \$5.0 billion were reported in FY 2014, an increase of 2.1% over FY 2013. The average rate of increase over the last eleven years is 4.3%.

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**Operating Expenses – General Acute**  
(In Billions)  
Percentage Increases over Prior Year

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$3.3	\$3.4	\$3.6	\$3.8	\$4.0	\$4.3	\$4.4	\$4.5	\$4.7	\$4.9	\$5.0
6.4%	3.8%	3.6%	5.7%	5.4%	6.8%	1.7%	2.1%	5.5%	3.7%	2.1%

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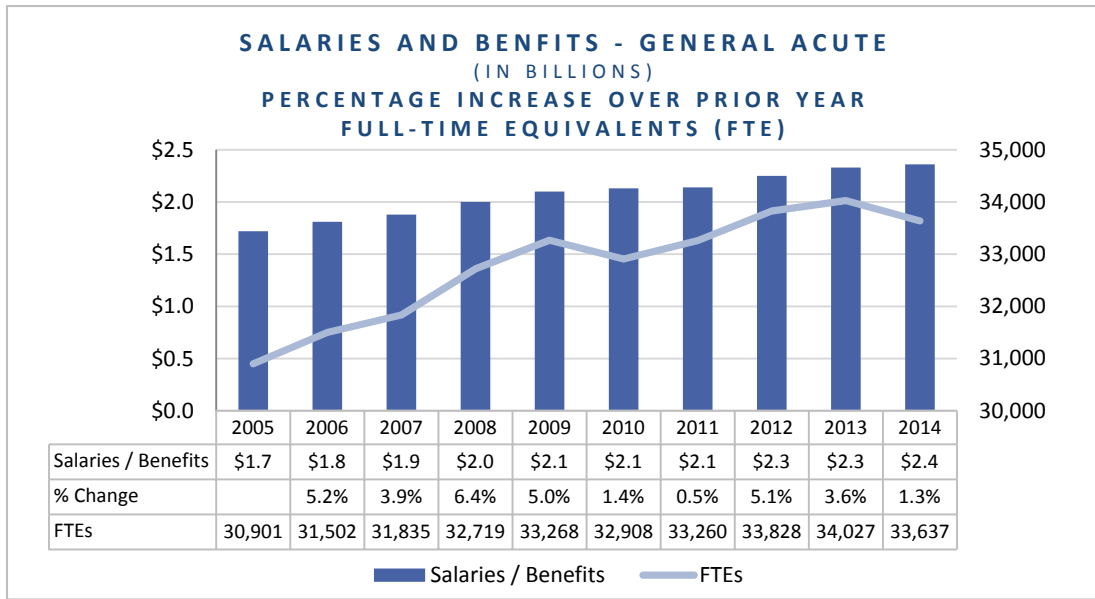
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- Twenty hospitals reported an increase in operating expenses. Two hospitals reported an increase of 10.0% or more: Beckley ARH (11.1%) and Weirton Medical (10.0%).



- Nine hospitals reduced operating expenses. Three hospitals reduced expenses by more than 5.0% or more: Charleston Surgical (10.1%), Fairmont Regional (7.2%) and Williamson Memorial (5.0%).

The largest component of total operating expense is salaries and benefits expense, which equaled 46.9% of total operating expenses. Total salaries and benefits expense in FY 2014 was \$2.4 billion, an increase of \$29.5 million (1.3%). Excluding the \$26.1 million in St. Joseph’s salaries and benefits expense from FY 2013, the increase equals \$55.5 million (2.4%). St. Joseph’s became a critical access hospital in FY 2014.



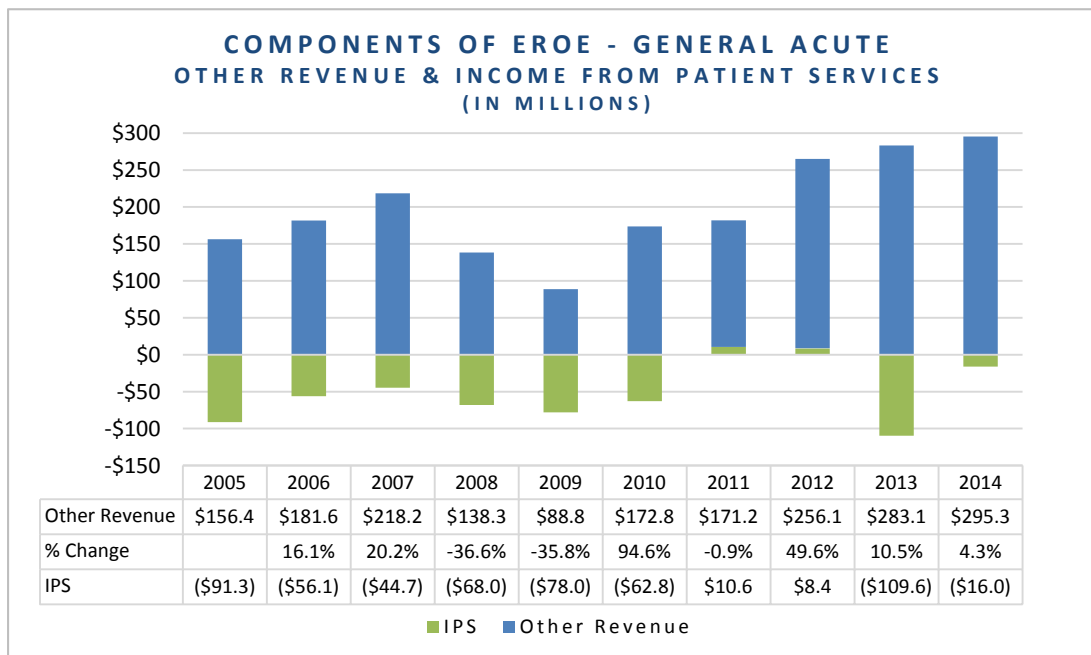
- Seventeen hospitals reported a net increase in salaries and benefits, with an average increase of 4.6%; 12 hospitals reported a net decrease, with an average decrease of 3.4%.
- The average salary and benefits for general acute hospitals increased by 2.5% from \$68,354 in FY 2013 to \$70,024 in FY 2014.
- Five hospitals reported increases in aggregate salaries and benefits of 5.0% or more: Beckley ARH (21.1% or \$7.9 million), United Hospital (9.6% or \$11.6 million), Weirton Medical (6.8% or \$3.8 million), Summersville (6.7% or \$1.9 million) and Cabell Huntington (5.0% or \$9.8 million).
- Three hospitals reported an increase in FTEs greater than 5.0%: Beckley ARH (11.7%), Weirton Medical (11.6%), and Summersville (6.5%).
- Three hospitals reported a decrease in aggregate salaries and benefits greater than 5.0%: Williamson (13.2% or \$2.1 million), Charleston Surgical (8.5% or \$446,000) and Fairmont Regional (6.6% or \$2.8 million). These are the same hospitals that reported a decrease in overall expenses by 5.0% or more.

- Six hospitals reported a decrease in FTEs greater than 5.0%: Williamson (15.0%), Charleston Surgical (14.5%), Fairmont Regional (11.1%), Reynolds Memorial (7.0%), Pleasant Valley (5.9%) and Greenbrier Valley (5.8%).

### Other Revenues

Other revenues provide a secondary income source compared to patient revenues, but are nevertheless an important component of a hospital’s financial status and are often the only source of a positive margin. Other revenues consist of other non-patient operating revenue and non-operating revenue.

- Other revenues equaled \$295.3 million, a 4.3% increase over FY 2013.



NOTE: 2009 Other Revenue would equal \$113.9 million, without a \$25 million write-off of Goodwill by one hospital.

- Three hospitals reported other revenue greater than \$20.0 million: WVUH (\$67.5 million), CAMC (\$56.4 million), and Cabell Huntington (\$27.6 million).
- Four hospitals had other revenue between \$10.0 million and \$20.0 million: United (\$19.1 million), Wheeling (\$18.5 million), Camden Clark (\$14.5 million), and St. Mary’s (\$11.0 million).
- The other revenue for the remaining 22 hospitals ranged from \$9.97 million (Princeton) to a loss of \$180,000 (Charleston Surgical).
- The average amount of other revenue for all 29 general acute hospitals was \$10.2 million.

- Fifteen hospitals reported increases in other revenue for FY 2014.
- Six of the 19 hospitals that reported profits were due to other revenues that were greater than the losses on patient care.

**Profitable Hospitals Solely Due to Other Revenue – General Acute**

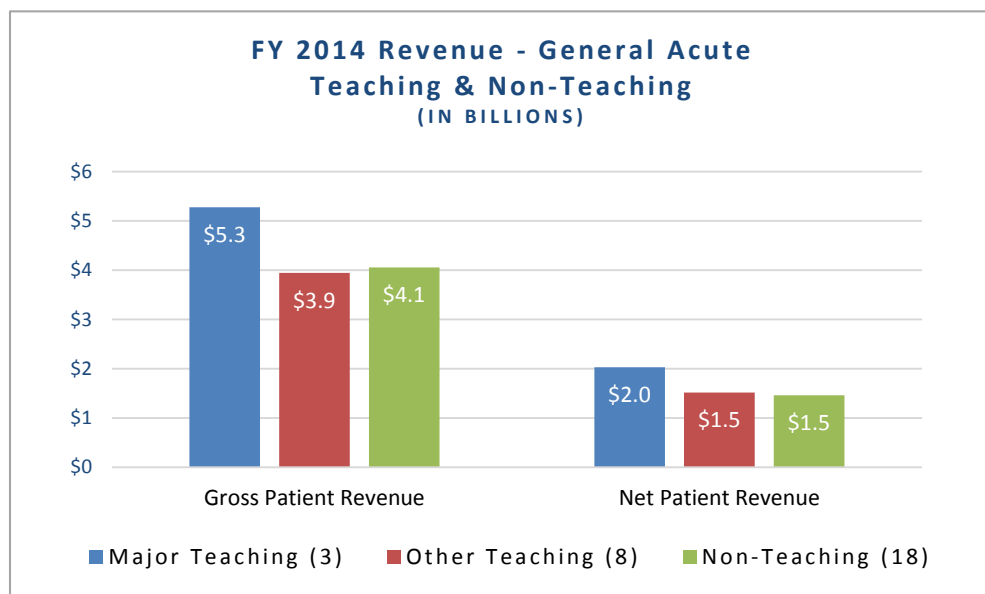
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
9	9	13	14	7	6	6	10	9	6

**Teaching Hospitals**

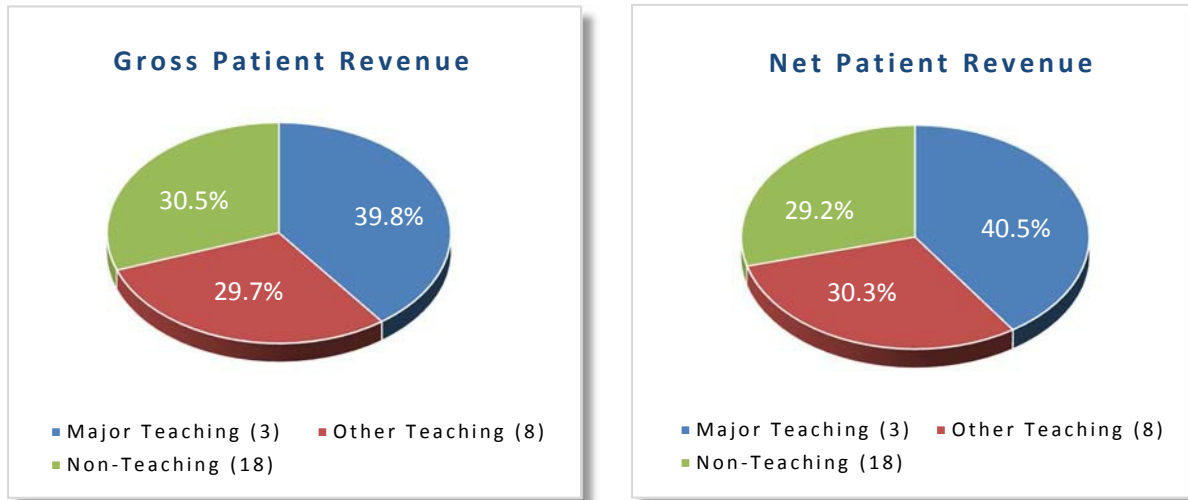
For 2014, the Centers for Medicare and Medicaid identified eleven of the state’s hospitals as teaching hospitals. Three of these hospitals are members of the Council of Teaching Hospitals (COTH), according to the COTH website: Cabell Huntington, CAMC and WVUH. Membership in COTH is often used as an identifier of major teaching hospital status. The other eight teaching hospitals are Berkeley Medical, Bluefield Regional, Camden Clark, Greenbrier Valley, Ohio Valley, St. Mary’s, United and Wheeling.

The services provided by the teaching hospitals in the state are significant. One measure of services provided is revenue.

- The three major teaching hospitals reported \$5.3 billion in gross patient revenue (GPR), more than \$1.4 billion greater than the \$3.9 billion aggregate GPR of the other eight teaching hospitals and \$1.2 billion greater than the \$4.1 billion GPR of the 18 non-teaching hospitals.



- Net patient revenue was \$2.0 billion for the three major teaching hospitals and \$1.5 billion each for the other teaching and non-teaching hospitals.
- The eleven state teaching hospitals reported 69.5% of the gross patient revenue for all acute care hospitals and 70.8% of the net patient revenue.



- Teaching hospitals report 66.9% of total general acute discharges and 61.7% of outpatient visits.

**Utilization by Teaching and Non-Teaching Hospitals – General Acute**

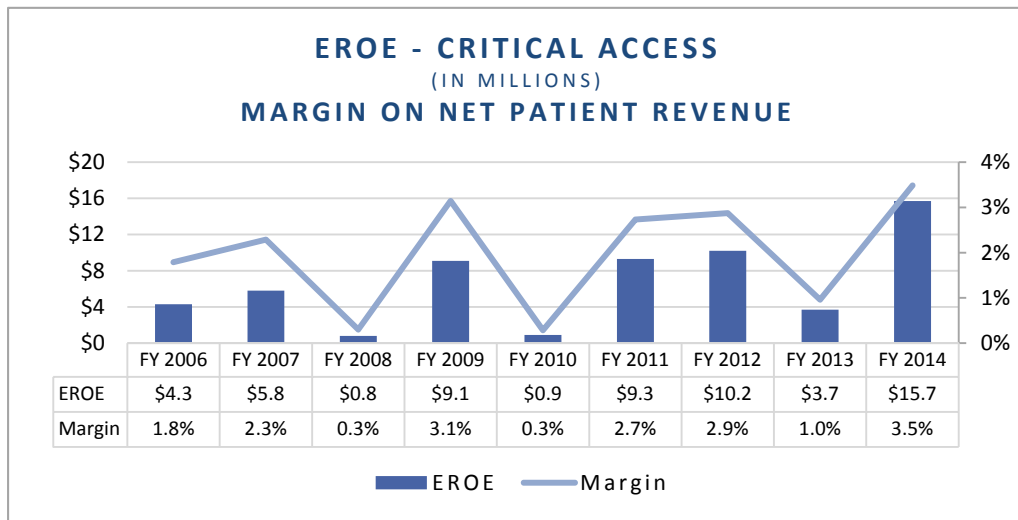
	Total Inpatient Discharges	Inpatient Percentage	Total Outpatient Visits	Outpatient Percentage
Major Teaching Hospitals (3)	79,046	34.8%	1,990,987	28.8%
Other Teaching Hospitals (8)	72,810	32.1%	2,275,338	32.9%
Non-Teaching Hospitals (18)	75,009	33.1%	2,643,469	38.3%
Total Hospitals (29)	226,865	100.0%	6,909,794	100.0%

## Critical Access Hospitals

Critical Access is a federal designation for a small rural hospital where cost-based reimbursement is provided for limited acute care services in combination with swing-bed and skilled nursing care. There are 20 critical access hospitals.

### Financial Results

- Total profit for FY 2014 was \$15.7 million (3.5% of NPR). This includes a \$1.4 million profit from St. Joseph's, newly designated as a critical access hospital in FY 2014. The total profit reported for FY 2013 was \$3.7 million (1.0% of NPR), which did not include St. Joseph's.



- The increase in profit of \$12.0 million was due mainly to a decrease in the loss from patient services of \$10.1 million.
- Other revenue of \$22.3 million, which increased by \$1.9 million, provided the aggregate EROE of \$15.7 million after the loss on patient care of \$6.6 million.
- St. Joseph's contributed \$2.8 million to the increase in other revenue as well as \$1.4 million to the increase in profit.
- Five more critical access hospitals reported profits in FY 2014 than in FY 2013.

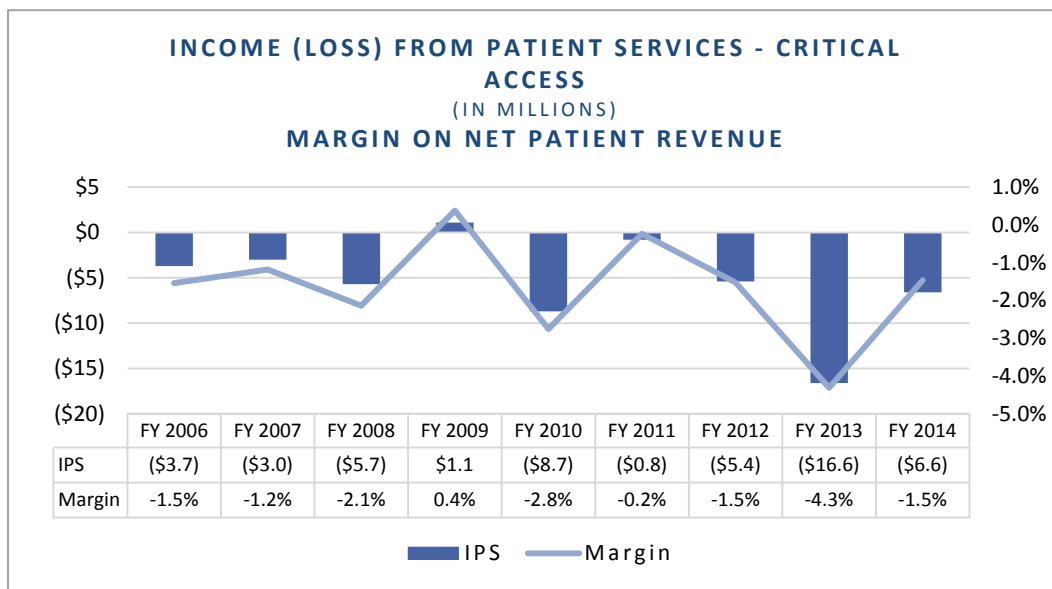
#### Hospitals with Positive EROE – Critical Access

2006	2007	2008	2009	2010	2011	2012	2013	2014
12	11	9	13	10	11	12	9	14

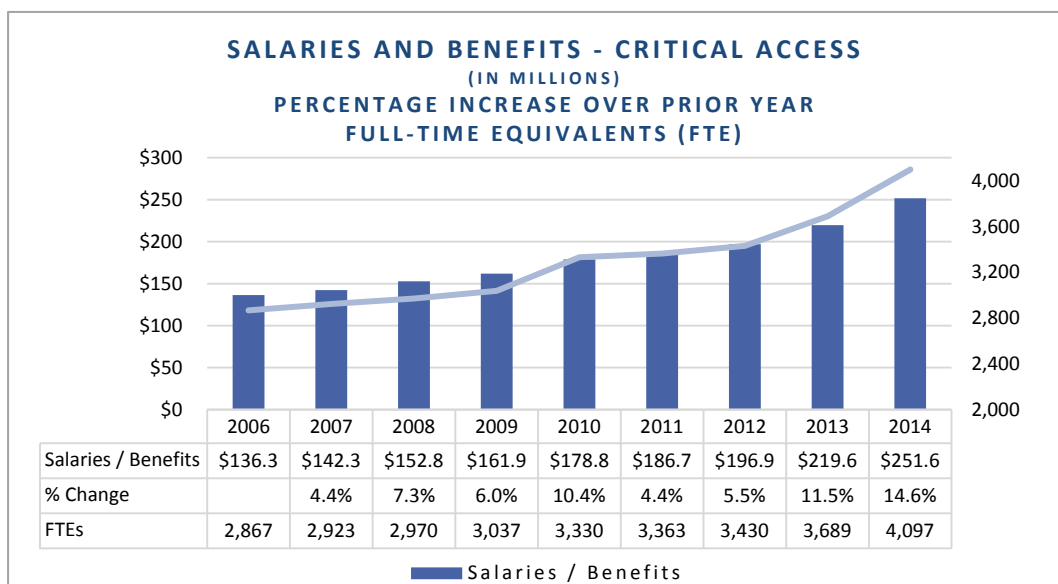
- The average EROE for FY 2014 and FY 2013 was \$785,000 and \$193,000, respectively.

## Revenue and Expense Items

- The aggregate loss on patient services was \$6.6 million (1.5% of NPR), \$10.1 million less than in FY 2013.
- Net patient revenues of \$450.6 million and operating expenses of \$457.2 million were reported in FY 2014.



- Employee compensation and benefits of \$251.6 million were reported and equaled 55.0% of total operating expenses. The addition of St. Joseph's \$24.7 million in expenses for salary and benefits was significant and resulted in a 14.6% increase. Excluding St. Joseph's expenses from FY 2014, the increase in salary and benefits would have been 3.3%.



- Uncompensated care of \$56.5 million (6.1% of gross patient revenue) was reported for the 20 critical access hospitals in FY 2014, including \$5.6 million from St. Joseph’s. In FY 2013 uncompensated care, not including St. Joseph’s, was \$76.4 million (9.6% of gross patient revenue).
- Fourteen hospitals reported profits ranging from \$5.3 million (Plateau Medical) to \$236,000 (Boone Memorial). The average profit for these hospitals was \$1.3 million.
- Three hospitals reported profits greater than \$2.0: Plateau Medical (\$5.3 million, 14.8% of NPR), Jefferson (\$3.4 million, 7.2% of NPR), and War Memorial (\$2.0 million, 8.8% of NPR). In FY 2013, one hospital reported more than \$2.0 million in profits.
- Six hospitals reported losses ranging from \$677,000 (Sistersville) to \$71,000 (Minnie Hamilton). The average loss was \$505,000.
- Six hospitals reported a positive income from patient services: Plateau Medical (\$4.5 million, 12.6% of NPR), Potomac (\$992,000, 4.9% of NPR), Jackson General (\$989,000, 3.9% of NPR), War Memorial (\$871,000, 3.9% of NPR), Preston Memorial (\$577,000, 2.1% of NPR), and Summers ARH (\$349,000, 2.5 of NPR).

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**Hospitals with Positive Income from Patient Services - Critical Access**

2006	2007	2008	2009	2010	2011	2012	2013	2014
6	6	5	7	3	5	5	3	6

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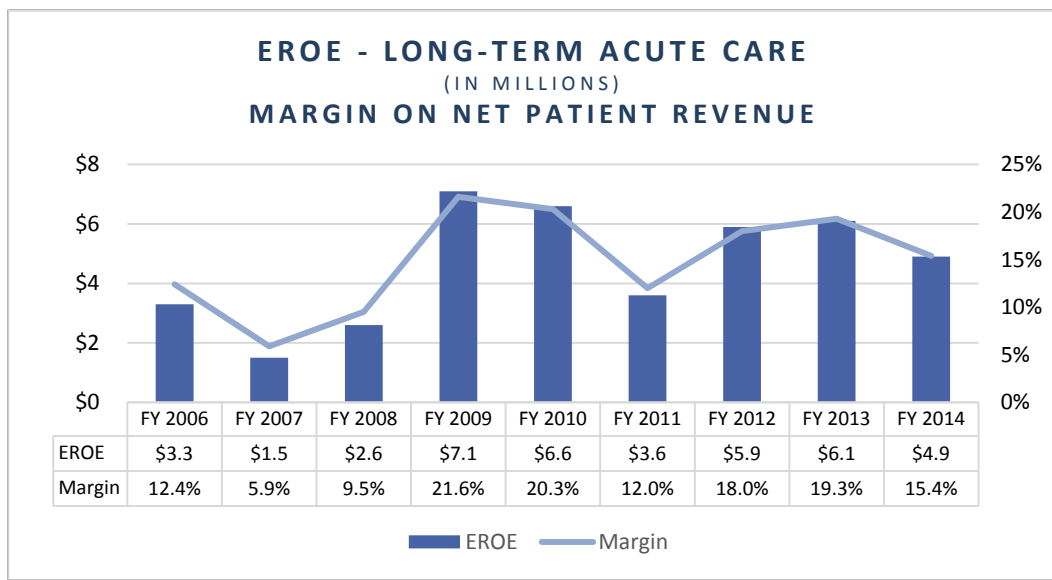
- Fourteen hospitals reported losses on patient services ranging from Minnie Hamilton’s \$2.6 million (14.5% on NPR) to Jefferson \$12,000 (0.03% on NPR). The average loss was \$1.1 million for the hospitals that reported losses on patient services.

## Long-Term Acute Care Hospitals

Long-Term Acute Care Hospitals (LTCH) are generally defined as hospitals that provide extended medical and rehabilitative care, generally for stays greater than 25 days, for those with clinically complex issues.

Two LTCHs operated in West Virginia during FY 2014. Both facilities are for-profit and privately owned. Select Specialty is located in St. Francis Hospital and Cornerstone Hospital of Huntington is located within St. Mary's Medical Center. There are a total of 60 LTCH beds with a reported occupancy rate of 89.8%.

- Total profit for FY 2014 was \$4.9 million (15.4% of NPR).



- Cornerstone reported a profit of \$3.1 million (21.4% of NPR) a decrease of \$1.1 million from the prior year's EROE of \$4.2 million (28.6% of NPR).
- Select Specialty reported a profit of \$1.8 million (10.4% of NPR) a decrease from \$1.9 million (11.1% of NPR) in FY 2013.
- Uncompensated care of \$477,000, all of which was bad debt, was reported. This equaled 0.5% of gross patient revenue.
- Total days and discharges reported were 19,677 and 740, respectively, for an average length of stay of 26.6 days. The occupancy rate for the 60 beds was 89.8%.



## Psychiatric Hospitals

Five free-standing psychiatric hospitals operate in West Virginia: three are privately-owned (Highland, Highland-Clarksburg and River Park) and two are state-owned (Mildred Mitchell Bateman and William R. Sharpe, Jr.). Because the state facilities provide substantially more uncompensated care and have a different payor mix, state and private hospitals are reviewed separately. State-run facilities provided \$26.8 million in uncompensated care and the private facilities reported \$1.2 million in uncompensated care.

Aggregate EROE for the psychiatric facilities as a sector equaled \$15.6 million. These facilities provided 540 licensed psychiatric beds to West Virginia. The state hospitals have 260 beds and private hospitals have 280 beds. General acute care hospitals reported an additional 603 psychiatric beds.

### Financial Results – Private Hospitals

- For FY 2014 there was an aggregate loss of \$977,000 (1.8% of NPR).

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**EROE – Private Psychiatric**  
(In Thousands)  
**Margin on Net Patient Revenue**

	2006	2007	2008	2009	2010	2011	2012	2013	2014
EROE	\$1,811	\$1,288	\$1,015	\$3,389	\$3,668	\$962	\$1,234	(\$49)	(\$977)
Margin	6.6%	4.9%	3.7%	10.9%	11.4%	2.8%	3.3%	(0.1%)	(1.8%)

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- Highland-Clarksburg, in its first full year of operation, reported a loss of \$3.6 million (49.4% of NPR).
- Highland (Charleston) reported a profit of \$406,000 (2.1% of NPR), up from a loss of \$856,000 (5.2% of NPR) in FY 2013.
- River Park reported an EROE of \$2.1 million (7.5% of NPR) in FY 2014. The prior year's profit was \$808,000 (3.0% of NPR).
- River Park's net patient revenue increased by \$2.0 million and its expenses increased by \$683,000. The hospital's operating expenses include a yearly capital charge of over \$5.0 million. The expense began after Universal Health Services, Inc. purchased Psychiatric Solutions, Inc., the prior owner of River Park; it is an intercompany interest allocation charged every year since FY 2011. Only River Park, a for-profit facility, has consistently reported profits on patient services for the last twelve fiscal years. The average profit for River Park for the five years prior to the start of the capital charge was \$2.1 million.

- An aggregate loss on patient services of \$1.7 million (3.1% of NPR) was reported by the private psychiatric hospitals. Highland-Clarksburg’s first-year loss on patient services was \$3.6 million (49.4% of NPR). In FY 2013 the loss on patient services for the two private hospitals was \$903,000 (2.1% of NPR).
- The respective occupancy rate and licensed bed count for the three private hospitals were as follows:
  - River Park – 88.7% for 165 beds;
  - Highland – 84.4% for 80 beds; and,
  - Highland-Clarksburg’s – 71.2% for 35 beds.

### Financial Results – State Hospitals

- The aggregate EROE was \$16.6 million (72.0% of NPR). The prior year’s loss was \$10.9 million (47.4% of NPR).

<b>EROE – State Psychiatric</b>									
(In Thousands)									
<b>Margin on Net Patient Revenue</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
EROE	(\$2,513)	(\$9,584)	(\$4,014)	(\$2,318)	(\$9,934)	(\$13,695)	(\$7,605)	(\$10,855)	\$16,569
Margin*		NA	NA	NA	(41.8%)	(63.0%)	(32.3%)	(47.4%)	72.0%

\*Margin calculation is not comparable prior to 2010 due to reporting changes of state allocations.

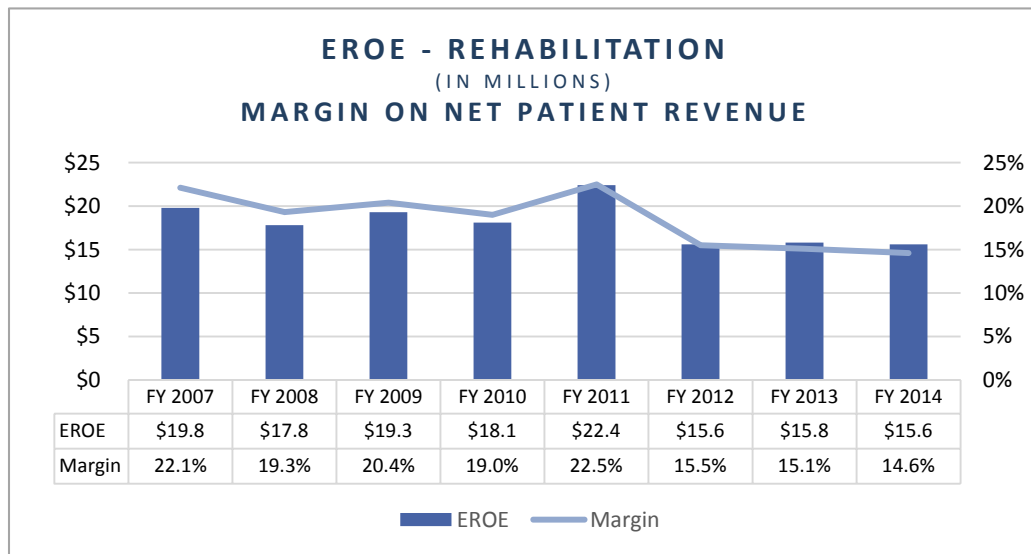
- Sharpe reported other revenue of \$56.1 million, an increase of \$29.6 million over FY 2013. A capital appropriation of \$22.8 million was provided in FY 2014 for a 50-bed expansion project, an HVAC renovation and HVAC commissioning services. No debt financing was used to fund this project according to information filed with the Authority.
- The state hospitals reported net patient revenue of \$23.0 million and operating expenses of \$86.3 million for the year, resulting in an aggregate loss on patient services of \$63.3 million (275.3% of NPR). The loss on patient services in FY 2013 was \$59.7 million (260.8% of NPR).
- Besides the capital appropriation for Sharpe of \$22.8 million other revenue of \$57.1 million was reported. This includes the standard state appropriations for Bateman and Sharpe, which reduce losses on patient care. The state hospitals operate at full capacity with extremely high levels of uncompensated care at 36.9% of gross patient revenue.
- Bateman reported a loss of \$4.1 million (37.8% of NPR) and Sharpe reported a profit of \$20.7 million (170.7% of NPR), which includes the \$22.8 million capital appropriation.
- The occupancy rate and licensed bed count for Bateman was 93.9% for 110 beds and 94.6% for 150 beds for Sharpe.

## Rehabilitation Hospitals

In FY 2014 five rehabilitation hospitals operated in West Virginia. All five hospitals are for-profit facilities; four are owned and operated by HealthSouth, Inc. The remaining facility, Peterson Rehabilitation and Geriatric Center, is owned and operated by Guardian Eldercare. These hospitals have a total of 430 licensed rehabilitation and/or skilled nursing beds in West Virginia.

### Financial Results

- Aggregate profit for FY 2014 was \$15.6 million (14.6% of NPR).

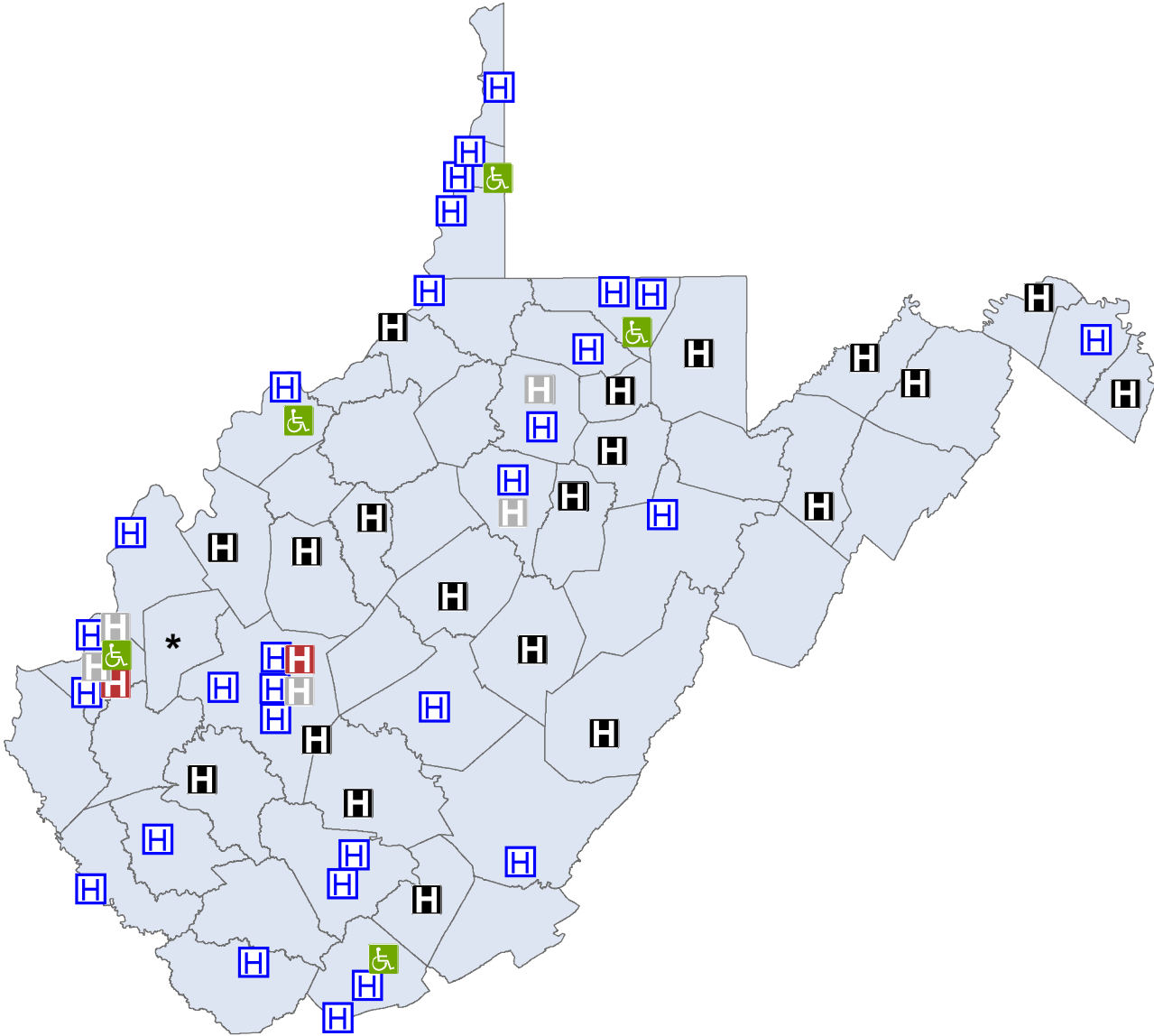







- Net patient revenue increased by \$2.8 million (2.7%) to \$107.2 million, while operating expenses increased by \$4.0 million (4.5%) to \$91.1 million, resulting in a \$1.1 million decrease in income from patient services.
- Income from patient services accounts for 98.3% of the rehabilitation hospitals' profit levels, with only \$270,000 in other revenue reported.
- Other revenue of \$270,000 increased by \$1.0 million in FY 2014, from a loss of \$734,000 in FY 2013. In FY 2013 three of the four HealthSouth hospitals reported losses in other revenue.
- Discharges increased by 4.0% to 5,881 and days increased by 0.9% to 122,766. The aggregate occupancy rate for FY 2014 was 78.2%.

Detailed information on hospital rates, income, uncompensated care, staffing, utilization and quality indicators can be reviewed in Tables 1-22 on the Authority's website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

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# West Virginia Hospitals



-  Acute Care Hospital (29)
-  Critical Access Hospital (20)
-  Rehabilitation Hospitals (5)
-  Psychiatric Hospital (5)
-  Long Term Acute Care Hospitals (2)

\* Campus of CAMC located in Putnam County

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## QUALITY INDICATORS

Healthcare-associated infections (HAIs) can be acquired from any healthcare setting, but patients receiving surgical care in a hospital are particularly vulnerable. HAIs are infections that are acquired by patients when seeking treatment in a healthcare setting. The Centers for Disease Control and Prevention (CDC) estimated in 2011 that approximately 722,000 HAIs occurred nationally, which equated to 4% of inpatients in US acute care facilities, and were associated with as many as 75,000 deaths. The costs associated with HAI treatment are substantial, with the annual cost of treating HAIs in US hospitals estimated to be \$28 to \$33 billion dollars.

Concern over patient safety and the financial burden on facilities place the prevention of healthcare-associated infections as one of the highest priorities for healthcare facilities across the nation. In 2008, the West Virginia Legislature created §16-5B-17 to make HAI data available to the public and to promote quality improvement initiatives to reduce HAIs in West Virginia hospitals. The legislation mandated hospitals to report HAI data and required the West Virginia Healthcare Authority (WVHCA) to create a HAI Control Advisory Panel (Panel).

Annually, the Panel reviews and updates the hospital HAI public reporting requirements. When choosing the measures required for reporting, the Panel considers the impact of HAIs on patient outcomes and the ability for hospitals to collect and report the data through the CDC's National Healthcare Safety Network (NHSN).

To reduce the reporting burden on hospitals, the Panel adopted CMS requirements as West Virginia's reporting requirements. In addition, they also recommended that Critical Access Hospitals (CAHs) report State specific HAI since the Hospital Inpatient Quality Reporting Program is voluntary and not required for CAHs by CMS. Healthcare Personnel Influenza vaccination data was also required for all hospitals in West Virginia, except federal programs and state-run psychiatric facilities.

The HCA analyzes the healthcare-associated infections data for calendar year 2014, which are based upon the national averages of infections from NHSN; the HAI Annual report rates and hospital performance is based on those benchmarks. Key findings for all reporting requirements in 2014 by hospital type are provided. For those years when reporting for multiple years has occurred, comparisons will also be provided.

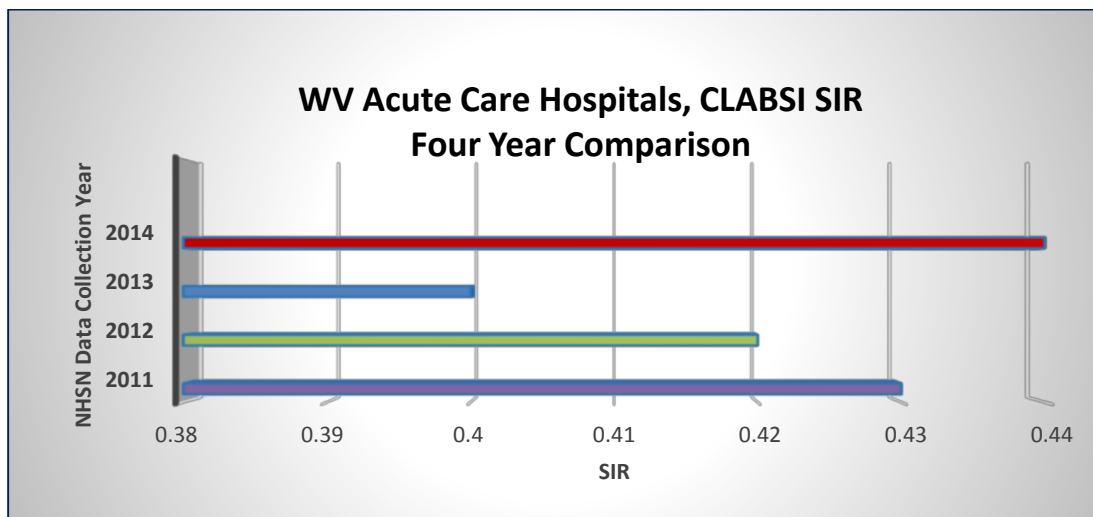
### Central-Line Associated Blood Stream Infection (CLABSI)

A central line, also known as a central catheter, is a tube that is inserted into a large vein, usually in the neck, chest, arm, or groin and is commonly used to administer fluids and medications as well as draw blood. Depending on its use in the patient, it may be left in place for days to weeks in order to help facilitate treatment. Central line-associated blood stream infections occur when microorganisms, like bacteria, enter into the blood stream via the tube.

West Virginia General Acute Care Hospitals and Long Term Acute Care Hospitals (LTCHs) have also been required to report data on CLABSIs that occur among patients in all ICUs.

### Key Findings for CLABSI: General Acute Care Hospitals

- In 2014, 75 CLABSIs were reported in all ICUs in West Virginia General Acute Care Hospitals.
- Significantly fewer CLABSIs occurred in these units in West Virginia General Acute Care Hospitals than were expected based on national baseline set by NHSN. The West Virginia standardized infection ratio (SIR) was 0.44, indicating that 56% fewer CLABSI events occurred than the NHSN baseline expected.
- Of those facilities that had a sufficient number of central line days to calculate a reliable SIR, all West Virginia General Acute Care Hospitals met or exceeded national standards of CLABSI events by having as many or fewer events than expected.
- Of 30 General Acute Care Hospitals, 16 (53%) General Acute Care Hospitals had zero CLABSIs.
- Although fewer CLABSIs occurred than were expected, CLABSIs increased in 2014 from the previous three years.



### Key Findings for CLABSI: Long Term Acute Care Facilities

- In 2014, 11 CLABSIs were reported for Long Term Acute Care Facilities in West Virginia.
- The 2014 CLABSI SIR for West Virginia Long Term Acute Care Facilities is not significantly different than the national SIR from NHSN, with 3% fewer CLABSIs than expected.
- All West Virginia Long Term Acute Care facilities met national standards of CLABSI events by having as many or fewer events than expected.



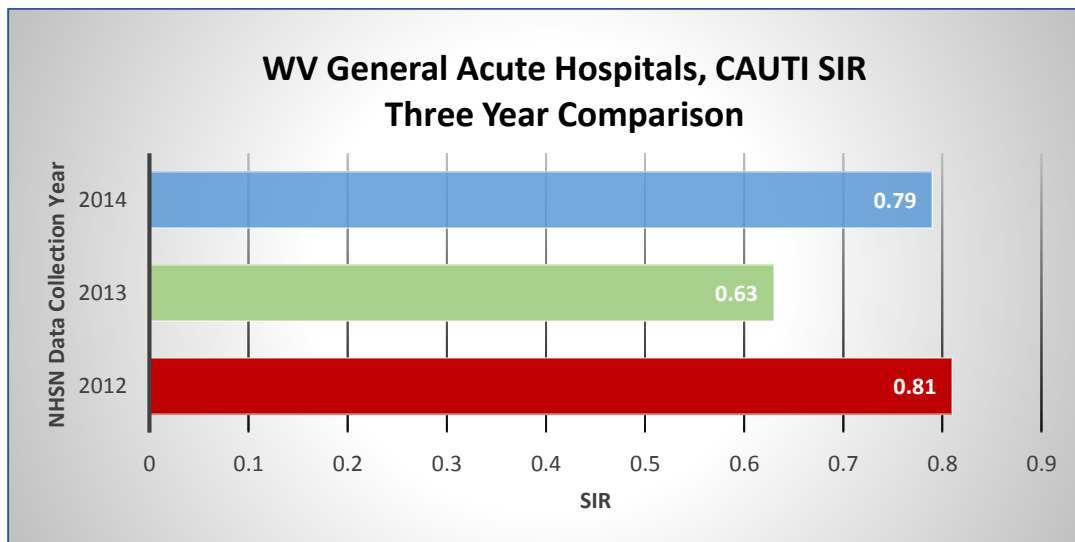
### Catheter-Associated Urinary Tract Infection (CAUTI)

Urinary tract infections are infections of any part of the urinary system, which includes the bladder and the kidneys. Catheter associated urinary tract infections (CAUTI) arise in those hospitalized patients who have had a urinary catheter placed, which is a tube that is inserted into the bladder to drain urine into a connected bag. In the same way that central lines can introduce microorganisms, urinary catheters provide an access point for these infections to spread into the body, in this case the urinary tract.

General acute care hospitals and critical access hospitals (CAHs) with an ICU were required to report CAUTI for all adult and pediatric ICUs. Those General Acute Care hospitals, CAHs, Rehabilitation Facilities, and Long Term Acute Care Hospitals (LTCHs) without an ICU were required to report CAUTI for inpatient medical wards.

### **Key Findings for CAUTI: General Acute Care Facilities**

- In 2014, there were 162 CAUTIs reported for all West Virginia General Acute Care Hospitals.
- Significantly fewer CAUTIs occurred in West Virginia General Acute Care Hospitals than were expected based on the national baseline set by NHSN. The West Virginia SIR was 0.79, indicating that 21% fewer CAUTIs occurred than were expected.
- Of those facilities that had a sufficient number of urinary catheter days to calculate a reliable SIR, national standards were met or exceeded, with the exception of two (0.07%) General Acute Care Hospitals.
- Of 30 General Acute Care Hospitals, 11 (37%) General Acute Care Hospitals had zero CAUTIs.
- Although fewer CAUTIs occurred than were expected, CAUTIs increased from the previous year by 16%.



### **Key Findings for CAUTI: Long Term Acute Care Hospitals**

- In 2014, 23 CAUTIs were reported for Long Term Acute Care Facilities in West Virginia, down from 24 infections in 2013.
- The 2014 CAUTI SIR for West Virginia Long Term Acute Care Facilities was not significantly different than the national rate, with 5% fewer CAUTIs than expected.
- All West Virginia long term acute care facilities met national standards for CAUTI events by having a similar number of CAUTI events compared to what was expected.

### **Key Findings for CAUTI: Critical Access Hospitals**

- In 2014, there were 2 CAUTIs reported for all West Virginia Critical Access Hospitals, down from 3 reported infections in 2013.
- The number of CAUTIs that occurred in West Virginia Critical Access Hospitals in 2014 were less than expected based on the national baseline.
- The West Virginia SIR was 0.20, indicating that 80% fewer CAUTIs occurred than the NHSN baseline expected.
- Of 20 Critical Access Hospitals, 19 (95%) Critical Access Hospitals had zero CAUTIs.

### **Key Findings for CAUTI: Inpatient Rehabilitation Hospitals, Freestanding and Units within a Hospital**

- In 2014, a total of 7 CAUTIs were reported for Freestanding Inpatient Rehabilitation Hospitals and Rehabilitation Units within Hospitals in West Virginia, up from 3 infections in 2013.
- The 2014 CAUTI SIRs for West Virginia Freestanding Inpatient Rehabilitation Hospitals and Rehabilitation Units within Hospitals was not significantly different than the national rate.
- All West Virginia Inpatient Rehabilitation Hospitals and Units met national standards for CAUTI events.

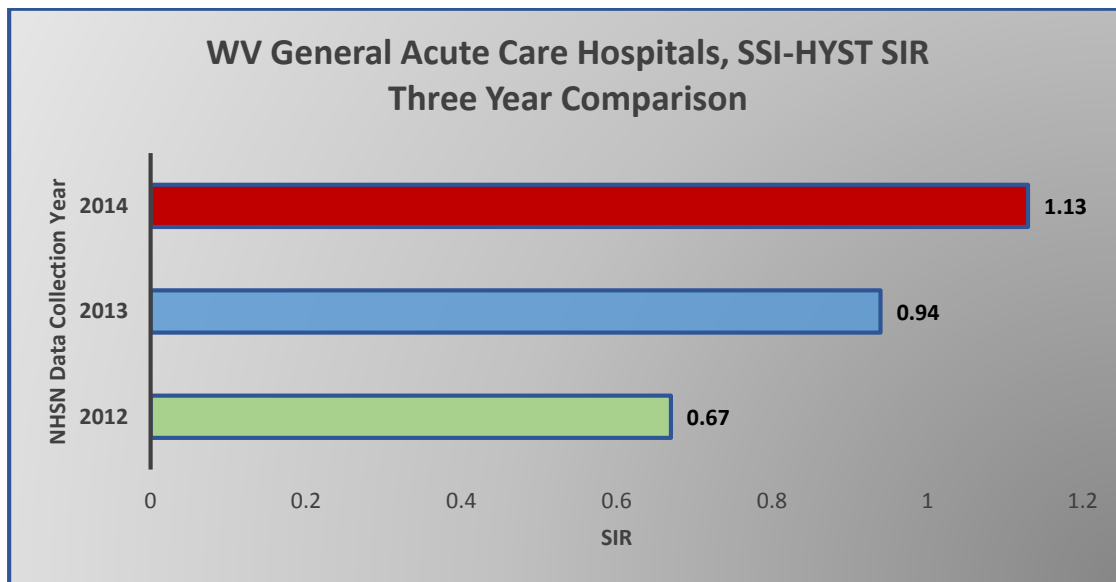
Of the 8 Inpatient Rehabilitation Hospitals and Units in West Virginia, 3 (38%) of the Inpatient Rehabilitation Hospitals and Units had zero CAUTIs.

### **Surgical Site Infection (SSI)**

Surgical site infections are infections that occur at the site where a surgical procedure was performed and may be superficial or involve tissue, organs or implanted material. CMS requirements for HAI reporting target two types of surgeries: colon procedures and abdominal hysterectomies. Colon procedures are surgeries that involve the colon, or large intestine, but do not include any procedure involving the rectum. An abdominal hysterectomy is a surgery that removes the uterus by entering and exiting via an abdominal incision. Adherence to proper sterilization procedures throughout the surgical process helps reduce the risk of SSIs. GAC hospitals are required to report SSIs for colon procedures and abdominal hysterectomies.

### Key Findings for SSI: General Acute Care Hospitals for Abdominal Hysterectomy Procedures

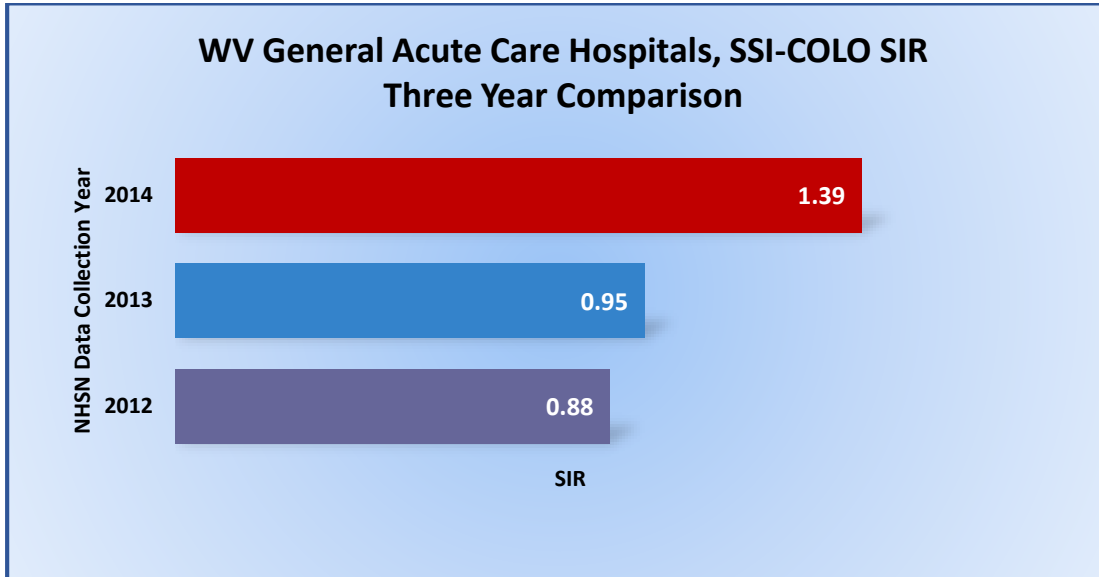
- In 2014, there were 22 SSIs for abdominal hysterectomy procedures reported for all West Virginia General Acute Care Hospitals.
- A similar (not significantly different) number of SSIs for abdominal hysterectomy procedures occurred in West Virginia General Acute Care Hospitals in 2014 than were expected based on the national baseline.
- The West Virginia SIR was 1.13, indicating that 13% more SSIs for abdominal hysterectomy procedures occurred than the NHSN baseline expected.
- Of those facilities that had a sufficient number of abdominal hysterectomy procedures to calculate a reliable SIR, all West Virginia General Acute Care Hospitals met national standards.
- Of the 30 General Acute Care Hospitals, 19 (63%) of General Acute Care Hospitals had zero SSIs for abdominal hysterectomy procedures.
- Hysterectomy SSI rates have steadily increased each year for the past three years.



### Key Findings for SSI: General Acute Care Hospitals for Colon Procedures

- In 2014, there were 87 SSIs for colon procedures reported for all West Virginia General Acute Care Hospitals.
- A significantly higher number of SSIs for colon procedures occurred in West Virginia General Acute Care Hospitals in 2014 than were expected based on the national baseline.
- The West Virginia SIR was 1.39, indicating that 39% more SSIs for colon procedures occurred than were expected.

- Of the 30 General Acute Care Hospitals, 12 (40%) General Acute Care Hospitals had zero SSIs for colon procedures.
- The SSI for colon procedures has risen each year for the past three years.



#### Methicillin-Resistant *Staphylococcus aureus* (MRSA) Bacteremia

While *Staphylococcus aureus* is a common bacteria found both in the environment and on humans, it normally does not affect them. MRSA, however, is a variant of the bacteria that is resistant to antibiotics. MRSA is spread via direct contact and can cause serious complications, including wound infections or blood stream infections (bacteremia), which makes hospitals and other healthcare facilities at a high risk of spreading the infection to patients and healthcare workers. West Virginia GAC hospitals are required to report MRSA Bacteremia events for facility-wide inpatient areas.

#### **Key Findings for MRSA Bacteremia LabID Events: General Acute Care Hospitals**

- In 2014, there were 74 MRSA Bacteremia LabID events reported for all West Virginia General Acute Care Hospitals, down from 81 infections in 2013.
- A similar (not significantly different) number of MRSA Bacteremia LabID events occurred in West Virginia General Acute Care Hospitals in 2014 than were expected based on the national baseline.
- The West Virginia SIR was 0.84, indicating that 16% fewer MRSA Bacteremia LabID events occurred than the NHSN baseline expected, down from 0.94 in 2013.
- Of those facilities that had a sufficient number of patient days to calculate a reliable SIR, all but one West Virginia General Acute Care Hospitals met national standards.
- Of the 30 General Acute Care Hospitals, 14 (47%) General Acute Care Hospitals had zero infections.

### [Clostridium difficile Infection \(CDI\)](#)

*Clostridium difficile* (CDI) is a bacteria that can cause diarrhea and large intestine inflammation, usually in those patients with a recent history of antibiotic use. CDI is spread through direct contact with contaminated surfaces and can live outside the body in a hardy spore form for a long time. Therefore, environmental control in healthcare settings is one of the most critical forms of prevention, along with proper hygiene and adherence to evidence-based practices. All General Acute Care hospitals are required to report facility-wide, inpatient CDI Events.

### **Key Findings for CDI LabID Events: General Acute Care Hospitals**

- In 2014, there were 810 CDI LabID events reported for all West Virginia General Acute Care Hospitals, down from 877 events in 2013.
- A similar (not significantly different) number of CDI LabID events occurred in West Virginia General Acute Care Hospitals in 2014 than were expected based on the national baseline.
- The West Virginia SIR was 0.96, indicating that 4% fewer CDI LabID events occurred than the NHSN baseline expected, down from 1.02 in 2013 when there were 2% more CDI events than expected.
- Of those facilities that had a sufficient number of patient days to calculate a reliable SIR, all but two West Virginia General Acute Care Hospitals met or exceeded national standards.
- Of the 30 General Acute Care Hospitals, 2 (0.07%) General Acute Care Hospitals had zero CDI LabID Events.

### [Healthcare Personnel Influenza Vaccination](#)

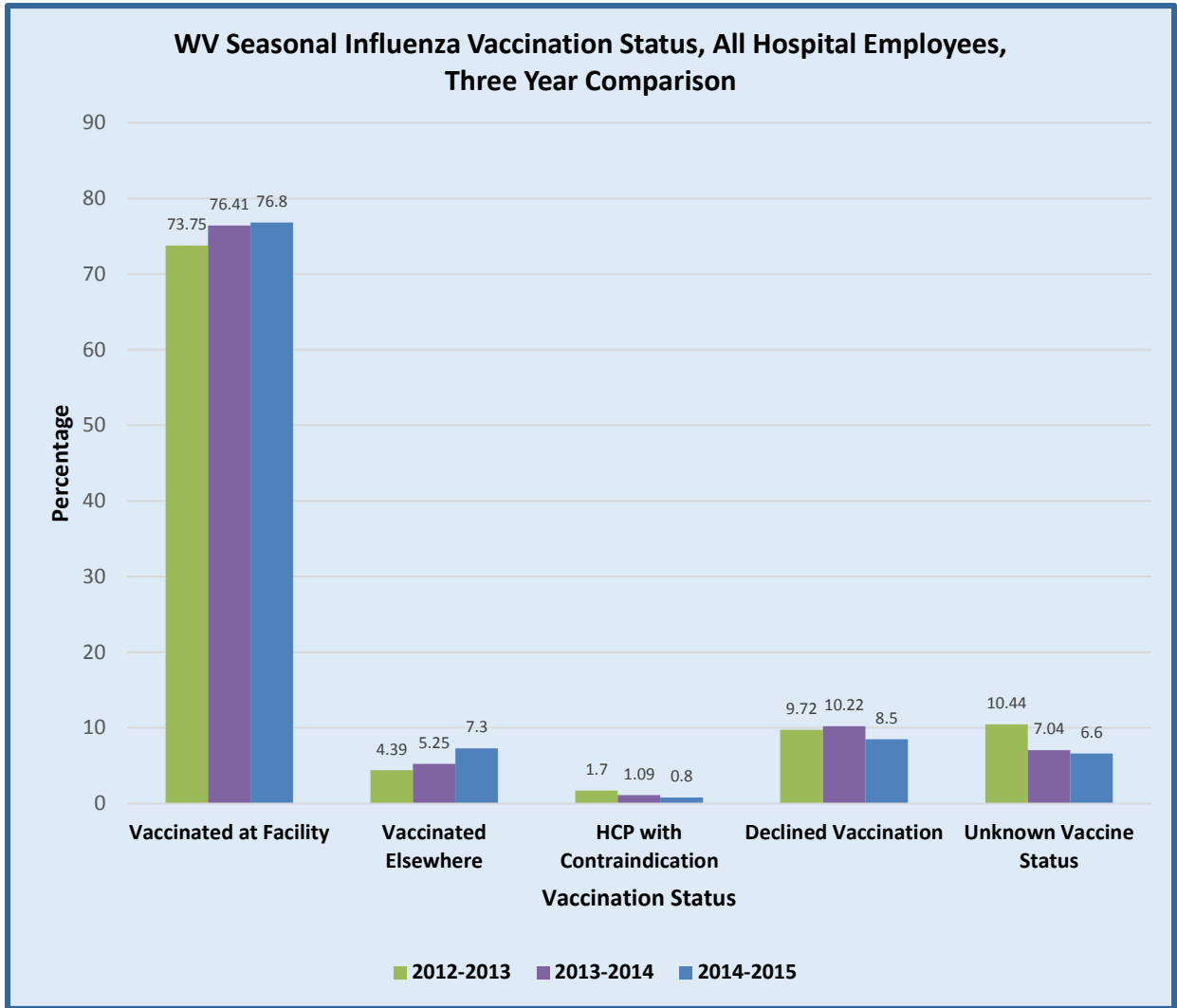
Influenza vaccinations are important for healthcare personnel as they not only safeguard the individual, they also help protect patients from becoming infected. The CDC, the Advisory Committee on Immunization Practices (ACIP), and the Healthcare Infection Control Practices Advisory Committee (HICPAC) recommends that all healthcare workers receive a seasonal influenza vaccination. All non-federal hospitals (excluding state run psychiatric facilities) are required to report personnel vaccination status.

### **Key Findings for Healthcare Personnel Influenza Vaccinations, by Hospital Type and Healthcare Personnel Population**

- 78.4% of all healthcare workers in all West Virginia hospitals (including employees, licensed independent practitioners, and student volunteers) received a seasonal influenza vaccination during the 2014-2015 influenza season, up from 76.9% from last year.
- The percentage of healthcare employees in West Virginia that received a seasonal influenza vaccination ranged from a low of 45% to a high of 100% by facility for the 2014-2015 season, with an average of 81.1% of hospital employees vaccinated.

- In the federally run program Healthy People 2020, which gives health related goals for the nation to meet by the year 2020, the goal for healthcare worker influenza vaccination is 90% in each facility. In the 2014-2015 season, 20 of 58 (34%) West Virginia hospitals have exceeded this goal.<sup>1</sup>
- During the 2014-2015 seasons, 100% (58) of hospitals provided the seasonal influenza vaccine to all employees at no cost.
- Methods of influenza vaccination included: vaccination in wards, clinics, cafeterias, and/or common areas (77.5%), mobile vaccination carts (75.8%), vaccinations at meetings or grand rounds (67.2%), vaccination during nights and weekends (98.3%), and vaccination through occupational/employee health (89.7%). Other methods included a special vaccination week, facility health assessments, health fairs, and 24/7 access to vaccination in ED.
- For declinations, 79.3% (46) of hospitals require a completed form from the employee, 9% (5) of hospitals accept verbal declinations, and 3.5% (2) of hospitals do not require anything from employees who refuse vaccination.
- Vaccination strategies of hospitals included 87.9% (51) plan to provide feedback of vaccination rates to administration, 84.5% (49) had vaccination campaigns, including posters, flyers, buttons, and/or fact sheets, 31% (18) of hospitals coordination vaccination with other annual programs, 96.6% (56) of hospitals provide education on benefits and risks of vaccination, 17.2% (10) require receipt of vaccination as condition of employment, 32.8% (19) provide incentives for vaccination, and 75.9% (44) send reminders by mail, email, and/or pager.
- 56.9% (33) of hospitals track unit-based vaccination rates for some units, while 51.7% (30) of hospitals track vaccination rates on a regular basis for targeting purposes.
- Vaccination campaigns of hospitals include 100% (58) of hospitals target full-time and part-time employees, 82.8% (48) of hospitals targeted a campaign to students and trainees, and 77.6% (45) of hospitals targeted adult volunteers.
- Of 58 hospitals, 54 (93.1%) required documentation for off-site vaccinations.

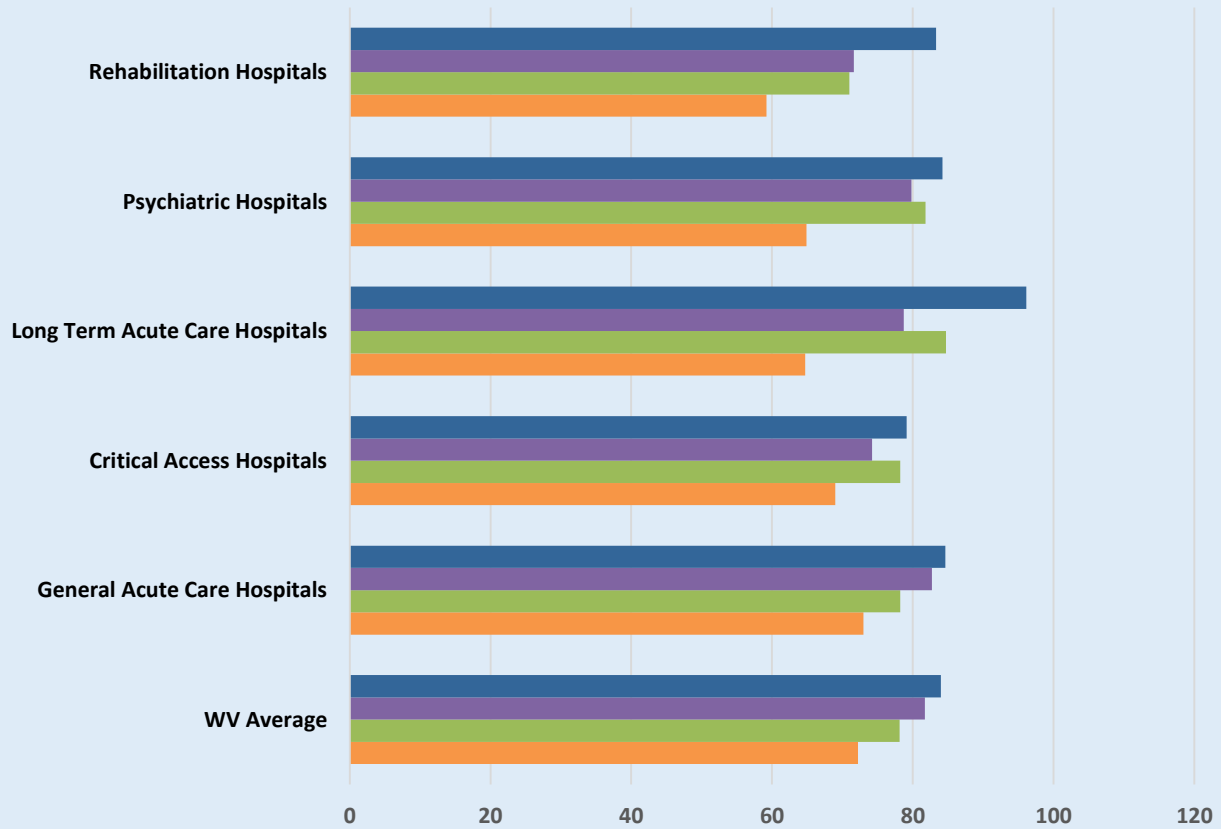
<sup>1</sup> US Department of Health and Human Services, Healthy People 2020, *Immunization and Infectious Disease*. Goal IID-12.13. Website: <https://www.healthypeople.gov/2020/topics-objectives/topic/immunization-and-infectious-diseases/objectives>. November 2014.



\*HCP with Contraindication = Healthcare Personnel with Contraindication to the influenza vaccine or vaccine components.

The total influenza vaccination status of all WV hospital employees in 2014-2015 has improved from the previous years. When broken down by facility type, not only have all hospitals had an overall increase in vaccination rates compared to last year, but all hospital types have shown an increase in employee influenza vaccinations each year since data collection began in the 2011-2012 season.

### Percentage of WV Hospital Employees Vaccinated for Seasonal Influenza Four Year Comparison



	WV Average	General Acute Care Hospitals	Critical Access Hospitals	Long Term Acute Care Hospitals	Psychiatric Hospitals	Rehabilitation Hospitals
■ 2014-2015	84	84.6	79.1	96.1	84.2	83.3
■ 2013-2014	81.7	82.7	74.2	78.7	79.8	71.6
■ 2012-2013	78.1	78.2	78.2	84.7	81.8	71
■ 2011-2012	72.2	73	69	64.7	64.9	59.2

The Panel uses the data collected to assist hospitals in reducing rates of infections in hospitals, but also to increase the number of hospital workers receiving the influenza vaccination by comparing hospital outcomes across the state. The Panel also works very closely with the Department of Health and Human Resources, Bureau for Public Health, Office of Epidemiology, to identify issues with facilities that may require immediate intervention. One of the goals of the Panel is to review processes of hospitals that consistently perform well, using the information to assist other hospitals to improve outcomes.



\*For more detailed information regarding healthcare-associated infections in West Virginia see the Healthcare-Associated Infections Annual Report 2015, which is available online at: <http://www.hca.wv.gov/infectioncontrolpanel/annualrp/Pages/default.aspx>.

\*Additional information on hospital quality indicators can be reviewed in Table 22 on the Authority's website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

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## NURSING HOMES

The FY 2014 Annual Survey of Nursing Homes, conducted by the West Virginia Health Care Authority (Authority), was submitted by each of the 107 long-term care facilities that provided services in the state. The financial status of West Virginia’s nursing homes is presented according to the respective ownership status as reported by the facilities in the annual survey:

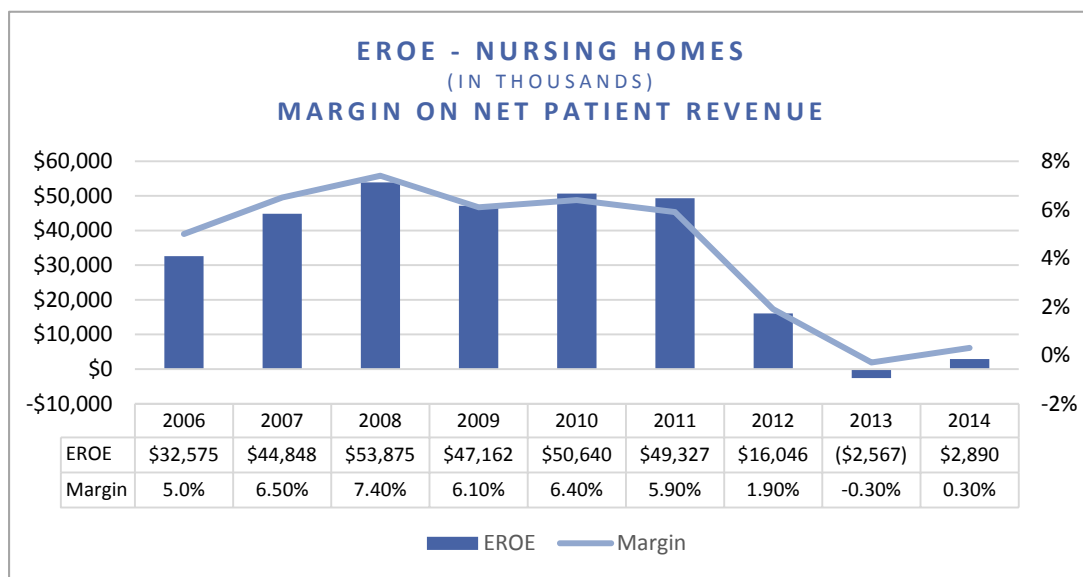
- Proprietary – 88 nursing homes
- Not-for-profit – 14 nursing homes
- Government – 5 nursing homes

Five for-profit corporate entities owned or operated multiple nursing homes. The number owned or operated by each corporate entity is provided in parentheses:

- Genesis HealthCare (34)
- American Medical Facilities Management (15)
- Stonerise Healthcare (6)
- The Carlyle Group (5)
- Filmore Capital Partners (3)

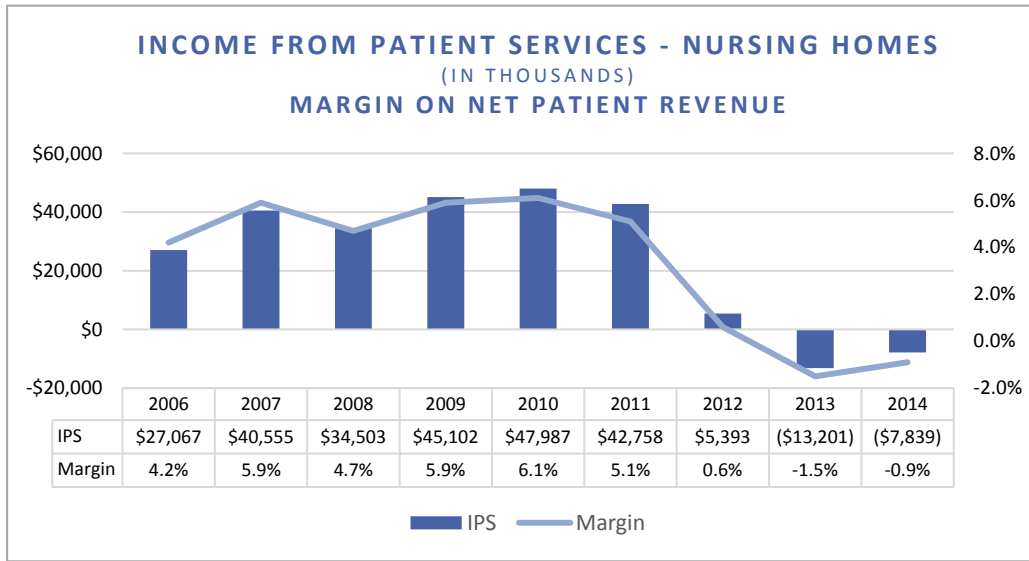
West Virginia’s 107 nursing homes reported an aggregate profit in FY 2014. Profit (loss) as reported here is defined as excess (deficit) of revenue over expenses (EROE) after taxes and any extraordinary gains or losses.

Total profit for FY 2014 was \$2.9 million, 0.3% of net patient revenue (NPR), a \$5.5 million increase from the FY 2013 loss of \$2.6 million (0.3% of NPR). Total profit for FY 2012 was \$16.0 million (1.9% of NPR).

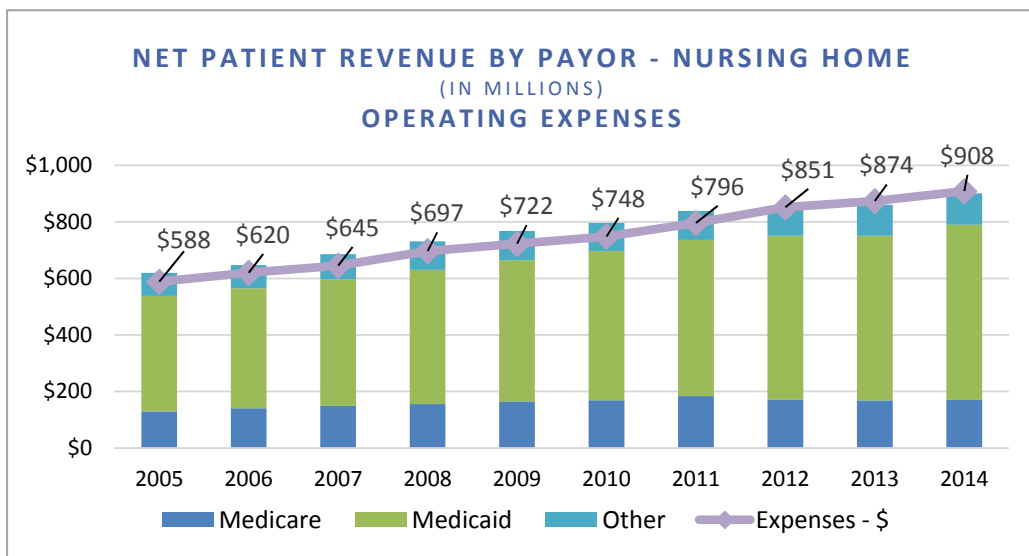


NOTE: FY 2008 included \$14.8 million in total for gains on sale of assets for two facilities.

- Operating expenses of \$908.5 million exceeded net patient revenue of \$900.6 million in FY 2014 for a loss on patient services of \$7.8 million (0.9% of NPR). Other revenue of \$5.0 million and tax credits of \$5.8 million produced the net profit of \$2.9 million.



- FY 2014 was the second year since FY 2002 that an aggregate loss on patient services was reported. The loss on income from patient services for FY 2013 was \$13.2 million.
- An increase in net patient revenue of \$40.3 million (4.7%) exceeded an increase in operating expenses of \$34.9 million (4.0%) by \$5.4 million. This is the first year since FY 2010 that net patient revenue increased more than operating expenses.
- Medicare and Medicaid net patient revenue increased by \$2.1 million (1.2%) and \$36.7 million (6.3%), respectively.



- Aggregate utilization of more than 3.2 million days was reported for FY 2014, an increase of 25,900 days (0.8%) over FY 2013. Medicare and Medicaid days comprised 11.1% and 76.6% respectively, of total days for FY 2014.
- Medicare days decreased by 1,314 (0.4%) to 358,807 in FY 2014 and decreased by 11,391 (3.1%) in FY 2013. Since FY 2006 Medicare days have decreased by 13.0%.
- Medicaid days increased by 30,837 (1.3%). In FY 2013 Medicaid days decreased by 25,483 (1.0%). Since FY 1999 the range for Medicaid days has been between 2.4 to 2.5 million.

Total residents served was approximately 25,100. The calculation for residents served equals FY 2014 discharges plus FY 2013 year-end census. It is anticipated that the residents served count would include some readmissions. Residents served during FY 2013 was 24,700.

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### ***Special Items of Note***

- ◆ *American Realty Capital Healthcare Trust, Inc., a publicly traded real estate investment trust and Platinum Health Care (operations), through affiliated companies acquired the real estate, tangible personal property and operations of Nicholas County Nursing and Rehabilitation and Worthington Nursing and Rehabilitation. The cost of the project was \$33.1 million.*
  - ◆ *Brookdale Senior Living, Inc. and Emeritus Corporation merged. Emeritus Corporation is the indirect parent of EmeriCare Heritage LLC, the licensed operator of Emeritus at the Heritage, located in Bridgeport, WV. Total cost was \$2.8 million.*
  - ◆ *TERPAX, Inc. acquired Seventeenth Street Associates, LLC the licensed operator of Huntington Health and Rehabilitation Center. The project cost was \$2.4 million.*
  - ◆ *Rose Terrace Health and Rehabilitation Center; Laurel Nursing and Rehabilitation Center and Boone Health Care Center were acquired and names changed to Cabell Health Care Center, LLC; Clay Health Care Center, LLC; and Hillcrest Health Care Center, LLC respectively. Southern Investment and Leasing Company acquired the real property of Rose Terrace and the leaseholds interests of Laurel Nursing and Rehabilitation and Boone Health Care Center. The total cost of the project was \$16.3 million.*
  - ◆ *Affiliated Stonerise companies, Riparian Investments, LLC and Dry Hill Properties, LLC acquired the operations and real property and equipment of Heartland of Beckley. The facility's name was changed to Harper Mills. The total cost of the project was \$13.2 million.*
-

## Proprietary

There were 88 nursing homes in West Virginia that were proprietary entities, the same number as the previous year. Financial results for these nursing homes are as follows:

- An aggregate profit of \$5.2 million (0.7% of NPR) was reported for FY 2014, an increase of \$5.5 million over the prior year's loss of \$300,000 (0.04% of NPR).
- Losses on patient services decreased by \$4.2 million, other revenue increased by \$283,000 and tax benefits increased by \$991,000.
- The average EROE was \$59,000. The average profit for the 55 providers with a positive return was \$620,000. The average loss for the 33 facilities that reported a negative EROE was \$876,000.
- Income from patient services, which equals net patient revenue minus operating expenses, was a loss of \$2.5 million.
- Net patient revenue increased by \$35.7 million (4.9%) to \$765.0 million and operating expenses increased by \$31.5 million (4.1%) to a total of \$767.5 million.
- Positive incomes from patient services were reported by 54 nursing homes ranging from \$2.1 million (Golden Living Center Morgantown) to \$16,000 (Cabell Health Care Center). The average was \$619,000.
- Losses from patient services were reported by 34 nursing homes ranging from \$9.1 million (Harper Mills) to \$17,000 (Willows Center) with an average of \$1.1 million.
- Golden Living Center Morgantown reported the largest profit of \$2.1 million (20.0% of NPR); Hampshire Health Care Center reported the second largest profit of \$1.9 million (27.0% of NPR). These facilities also reported the largest EROEs in the prior year of \$2.2 million (21.3% of NPR) and \$1.7 million (24.4% of NPR), respectively.
- Harper Mills (previously Heartland of Beckley) reported the largest loss of \$5.8 million. Without a tax credit of \$3.3 million, the loss would have been \$9.1 million. This is the fourth consecutive loss for this provider. Stonerise purchased the nursing home on August 1, 2014.
- Heartland of Clarksburg reported the second largest loss of \$4.8 million. Without a tax credit, the loss would have been \$8.0 million. This is the third consecutive loss for this provider.

- Eighty-four of the facilities provided Medicare and Medicaid services. Four facilities did not provide Medicare services: Emeritus at the Heritage, Madison Park, Nella's and Nella's Nursing Home.
- The occupancy rate was 90.2% for proprietary facilities and reported 8,122 (82.0%) of the total 9,905 licensed beds. Proprietary staffed beds equaled 7,974 (82.3%).

### **Not-for-Profit**

Fourteen of the 107 nursing homes were not-for-profit providers. This category included two nursing homes that are affiliated with hospitals, two with church organizations, and ten independent nursing homes. Financial results are as follows:

- Aggregate profit was \$4.4 million (4.3% of NPR), up from a profit of \$2.4 million (2.5% of NPR) in the prior year. The average EROE was \$316,000.
- Income from patient services increased by \$2.3 million. Net patient revenue increased by \$5.2 million (5.4%) to \$102.1 million and operating expenses increased by \$2.9 million (3.0%) to a total of \$98.9 million.
- Eleven facilities reported a profit ranging from Good Shepherd Nursing Home's \$1.2 million (8.1% of NPR) to Greenbrier Manor's \$16,000 (0.2% of NPR). Nine facilities reported profits in the prior year.
- Glenwood Park reported the largest loss of \$1.1 million (15.3% of NPR) which included a profit of \$196,000 for assisted living services. This is the third consecutive loss for this provider. Losses of \$736,000 (9.4% of NPR) and \$35,000 (0.4% of NPR) were reported in FY 2013 and FY 2012, respectively.
- Medicare and Medicaid services were provided by 12 of the 14 providers. Main Street Care provides only Medicaid services and Woodland's Retirement Community is private pay only.
- Facilities in this category reported 1,221 (12.3%) of the total 9,905 licensed beds; the occupancy rate was 90.9%. Staffed and set up beds equaled 1,204 (12.4%) of the total 9,685 beds set up and staffed.

## Government

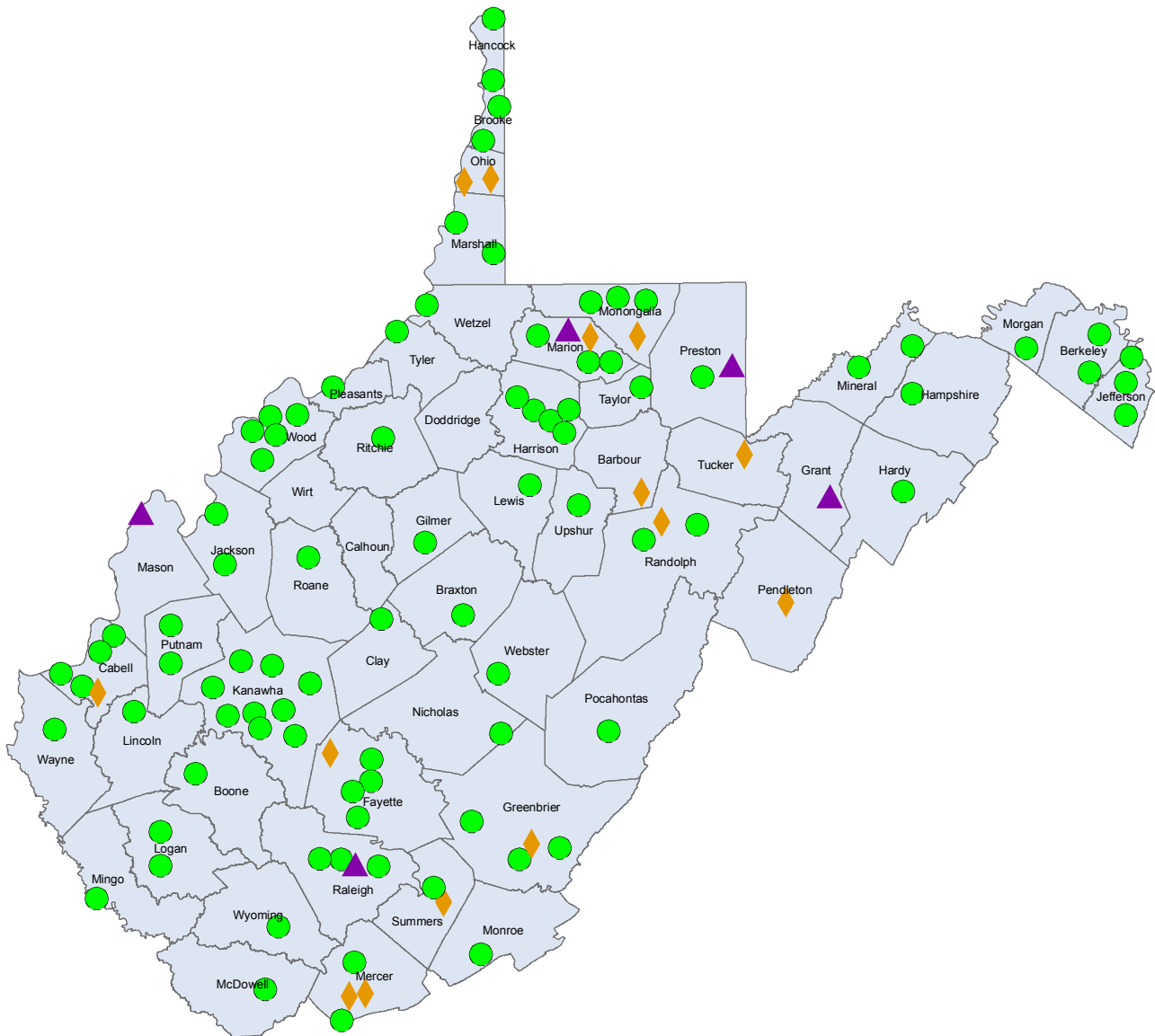
Five nursing homes were owned by government entities: Grant County Nursing Home was county owned; Hopemont Hospital, Jackie Withrow Hospital, John Manchin, Sr. Health Care Center and Lakin Hospital were state owned. The financial results for these facilities are as follows:

- Aggregate EROE was a loss of \$6.7 million (20.0% of NPR). The loss was \$4.7 million (13.7% of NPR) in FY 2013.
- Three state owned facilities reported losses: Jackie Withrow (\$3.7 million, 54.2% of NPR), Hopemont (\$2.1 million, 30.3% of NPR), and John Manchin Sr. Health Care (\$817,000, 36.1% of NPR). Jackie Withrow and Hopemont reported losses the last ten years, which averaged \$3.2 million and \$1.7 million, respectively. John Manchin Sr. Health Care reported losses four of the last ten years for an average loss of \$393,000.
- The other state facility, Lakin reported a profit of \$610,000 (6.5% of NPR). Lakin reported profits seven of the last ten years for an average profit of \$473,000.
- The four state providers reported 452 licensed beds (4.6% of total licensed beds) with an occupancy rate of 65.4%. Beds staffed and set up equaled 397 (4.1% of total staffed and set up beds).
- Medicaid utilization, measured by days of service, equaled 98.0% for the state-owned nursing homes. These providers did not offer Medicare Services.
- Grant County Nursing Home, with an occupancy rate of 94.1% and 110 licensed beds, reported a loss of \$739,000 (8.8% of NPR), up from a loss of \$247,000 (2.8% of NPR) in FY 2013.

Detailed information on nursing homes can be reviewed in Tables 23-26 on the Authority's website under the Data and Public information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.



# West Virginia Nursing Homes



- Proprietary (88)
- ▲ Government (5)
- ◆ Not-For-Profit (14)

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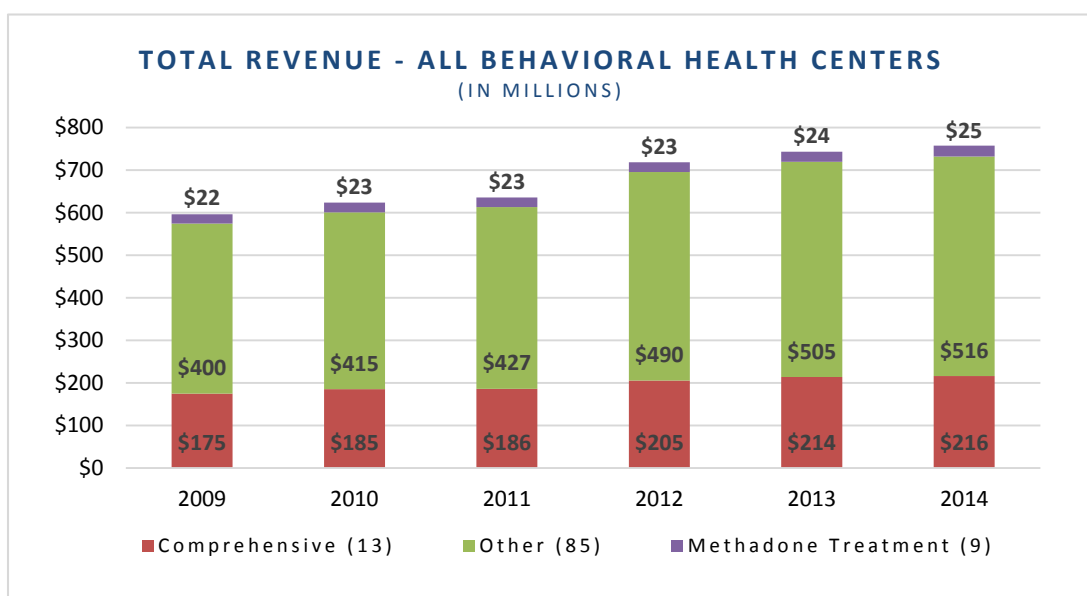
## BEHAVIORAL HEALTH

The FY 2014 operations for 107 behavioral health providers, two more than the previous report, are discussed below. The data for these providers are classified in three sections:

- Comprehensive Behavioral Health – 13 centers
- Other Behavioral Health – 85 centers
- Methadone Treatment – 9 centers.

In the aggregate, West Virginia’s behavioral health centers continued to be profitable in FY 2014. Profit (loss) is used here to mean excess (deficit) of revenue over expenses (EROE) or changes in unrestricted net assets and is presented before taxes. Data are compiled from financial statements submitted by the providers, which have various formats. Prior years’ data may be updated due to significant restatements or variances between interim and final financial statements.

- Total profit for FY 2014 was \$48.7 million (6.4% of total revenue). Total EROE for FY 2013 was \$48.5 million (6.5% of total revenue).
- Total revenue was \$757.3 million, an increase of \$14.2 million (1.9%). Expenses were \$708.6 million, an increase of \$13.9 million (2.0%).
- For FY 2014 total revenue reported was as follows:
  - Comprehensive Centers - \$216.1 million (28.5%)
  - Other Centers - \$515.8 million (68.1%) and
  - Methadone Treatment Centers \$25.4 million (3.4%).



## Special Items of Note

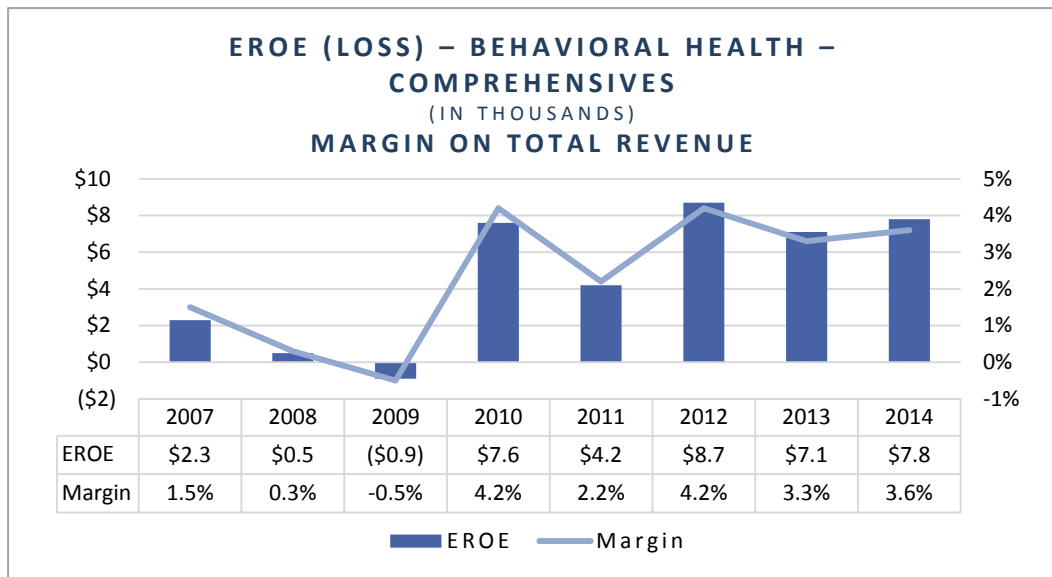
- ◆ Three new behavioral health providers submitted financial data for FY 2014: American Family Matters; Grafton Integrated Health Network and Youth Advocate Programs.
- ◆ Olympic Center – Preston closed during FY 2014 and did not submit financial information.

## Comprehensive Behavioral Health Centers

Thirteen regional comprehensive behavioral health centers continued to operate in FY 2014. These providers offered a full array of services including crisis services, linkages with inpatient and residential treatment facilities, diagnostic and assessment services, support services and treatment services. Populations served include those with mental health challenges, substance abuse problems and developmental disabilities.

## Financial Results

- Total profit for FY 2014 was \$7.8 million (3.6% of total revenue), an increase of \$674,000 from the prior year.



- Total revenue was \$216.1 million, an increase of \$2.2 million (1.0%). Total expenses were \$208.3, an increase of \$1.6 million (0.8%). In the prior year expenses increased by \$10.0 million (5.1%) and revenue increased by \$8.4 million (4.1%).

- The average increase in total revenue and total expense for FY 2014 was \$172,000 and \$120,000, respectively. The average increase in total revenue for FY 2013 was \$648,000 and the average increase in total expense was \$769,000.
- Labor costs equaled \$151.5 million and 72.8% of total expenses. These expenses consisted of salaries and wages, benefits, professional fees and contract expenses.

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**Selected Expenses by Type – Behavioral Health – Comprehensives**  
(In Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014
Salaries/Wages, Benefits	\$80,805	\$91,509	\$107,659	\$109,701	\$115,885	\$127,683	\$132,180	\$132,023
Contract/Pro Fees	22,075	21,999	21,649	25,784	22,241	19,332	23,006	19,432
Utilities/Rents	3,881	4,239	5,133	5,488	6,056	6,145	6,896	7,544
Other	11,723	12,119	9,658	4,025	6,161	9,066	8,402	13,791

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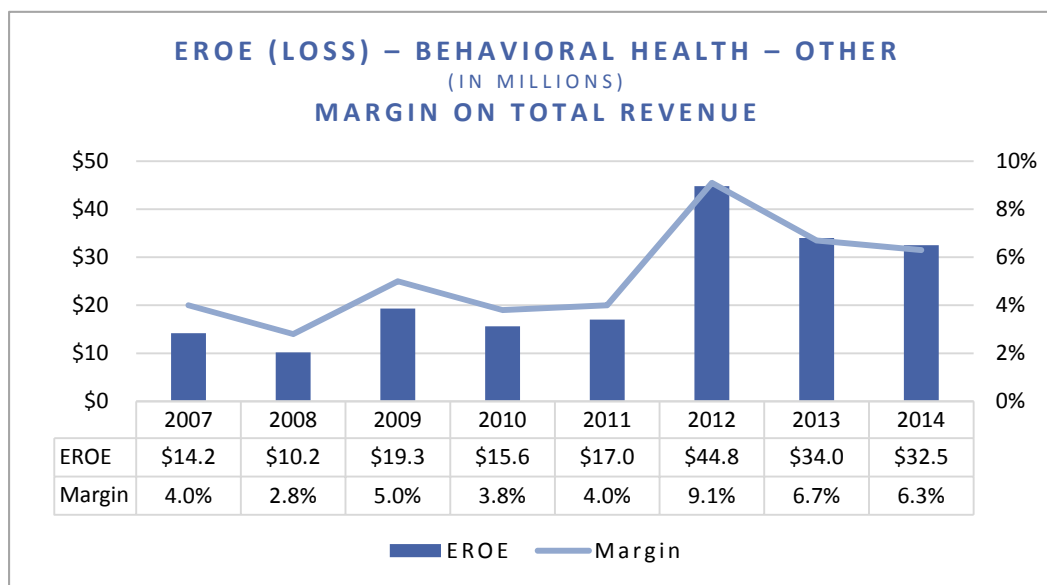
- United Summit Center reported the largest increase in net patient revenue of \$1.6 million (6.8%). Logan–Mingo Area Mental Health reported the largest decrease in net patient revenue of \$1.7 million (23.6%).
- Westbrook Health Services reported the largest increase in expenses of \$1.2 million (5.5%) and Logan-Mingo Area Mental Health reported the largest decrease in expenses of \$1.1 million (16.6%).
- Ten providers reported profits in FY 2014 ranging from \$2.2 million (Healthways) to \$1,000 (Potomac Highlands Guild), with an average EROE of \$873,000. In FY 2013 the average EROE for 11 profitable centers was \$749,000.
- United Summit Center had the largest increase in EROE of \$2.3 million, with a profit of \$1.6 million, up from loss of \$765,000 in FY 2013. This provider reported profits in nine of the last ten years.
- Six comprehensive centers experienced profits for nine of the last ten years. Two providers reported profits all ten years.
- Three comprehensive centers reported losses: Pretera Center (\$371,000, 0.9% of total revenue), Logan-Mingo Area Mental Health (\$344,000, 6.3% of total revenue), Northwood (\$223,000, 1.2% of total revenue).
- Over the last ten years Logan-Mingo reported six losses, Northwood reported four losses and Pretera reported two losses.

## Other Behavioral Health Providers

Eighty-five behavioral health providers offered specialized services during FY 2014, two more than in FY 2013. These services included but were not limited to residential treatment, case management, waiver, counseling or a combination of services.

### Financial Results

- Total profit for FY 2014 was \$32.5 million (6.3% of total revenue). Total profit for FY 2013 was \$34.0 (6.7% of net patient revenue).



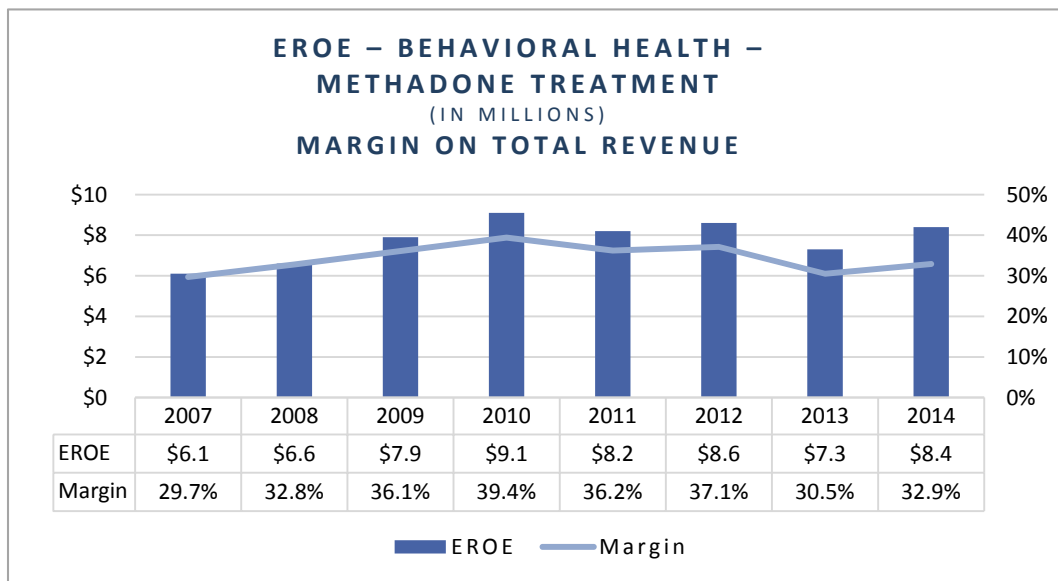
- Revenue increased by \$10.5 million (2.1%) to \$515.8 million and expenses increased by \$12.0 million (2.5%) to \$483.2 million.
- Four providers were responsible for \$8.6 million (82.1%) of the total increase in revenue: Diversified Assessment & Therapy Services (\$2.62 million, 24.6%), Coordinating Council for Independent Living (\$2.59 million, 24.9%), RSCR West Virginia (\$1.8 million, 17.2%), and Voca Corporation West Virginia (\$1.6 million, 15.4%).
- Three providers accounted for \$9.0 million (74.9%) of the expense increase: Coordinating Council for Independent Living (\$3.9 million, 32.2%), Diversified Assessment & Therapy Services (\$2.6 million, 21.3%) and REM Community Options (\$2.6 million, 21.4%).
- Sixty providers reported profits, ranging from \$10.3 million (RSCR of West Virginia) to \$9,000 (The ARC of Three Rivers). The average EROE was \$610,000 for these providers.
- Twenty-five centers reported losses averaging \$162,000. The Board of Child Care reported the largest loss of \$1.1 million (20.1% of total revenue). This was the tenth consecutive loss for this provider.

## Methadone Treatment Centers

In FY 2014 nine licensed methadone treatment centers operated in the state. All centers are for-profit. Seven of the treatment centers are owned by CRC Health Corporation, a privately held company, which operates nationally.

### Financial Results

- Total profit was \$8.4 million (32.9% of total revenue) an increase of \$1.0 million. Revenue increased by \$1.4 million (5.8%) to \$25.4 million, and operating expenses increased \$375,000 (2.3%) to \$17.1 million.



- All treatment centers reported a profit. Three providers reported profits of over \$1.0 million: Huntington (\$2.2 million), Beckley (\$1.4 million) and Charleston (\$1.1 million), with margins on total revenue of 41.9%, 37.3% and 28.9%, respectively. Two providers reported profits of over \$1.0 million in the prior year.
- The smallest profit was reported by Martinsburg Institute, \$288,000 (18.3% on total revenue).
- The average profit was \$928,000 in FY 2014 and \$814,000 in FY 2013, on average revenues of \$2.8 million and \$2.7 million, respectively.

Detailed information on behavioral health centers can be reviewed in Table 27 on the Authority's website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

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## PRIMARY CARE

Primary Care Centers in West Virginia are typically organized as not-for-profit entities for the purpose of providing primary care services to the residents of their respective service areas. Additionally, many are established as Federally Qualified Health Centers.

- Thirty-two centers operated in 29 West Virginia counties during FY 2014. Greenbrier County has three centers and Kanawha County has two.
- The Primary Care Centers operate more than 200 service sites, including approximately 100 school-based health centers. The financial information provided here and in the Primary Care Center table is for the entire corporate entity.
- All 32 primary care centers operated as not-for-profit entities.

### Financial Results

- Total revenue for FY 2014 was \$263.6 million, with expenses of \$260.9 million producing an aggregate profit of \$2.8 million (1.0% on total revenue).

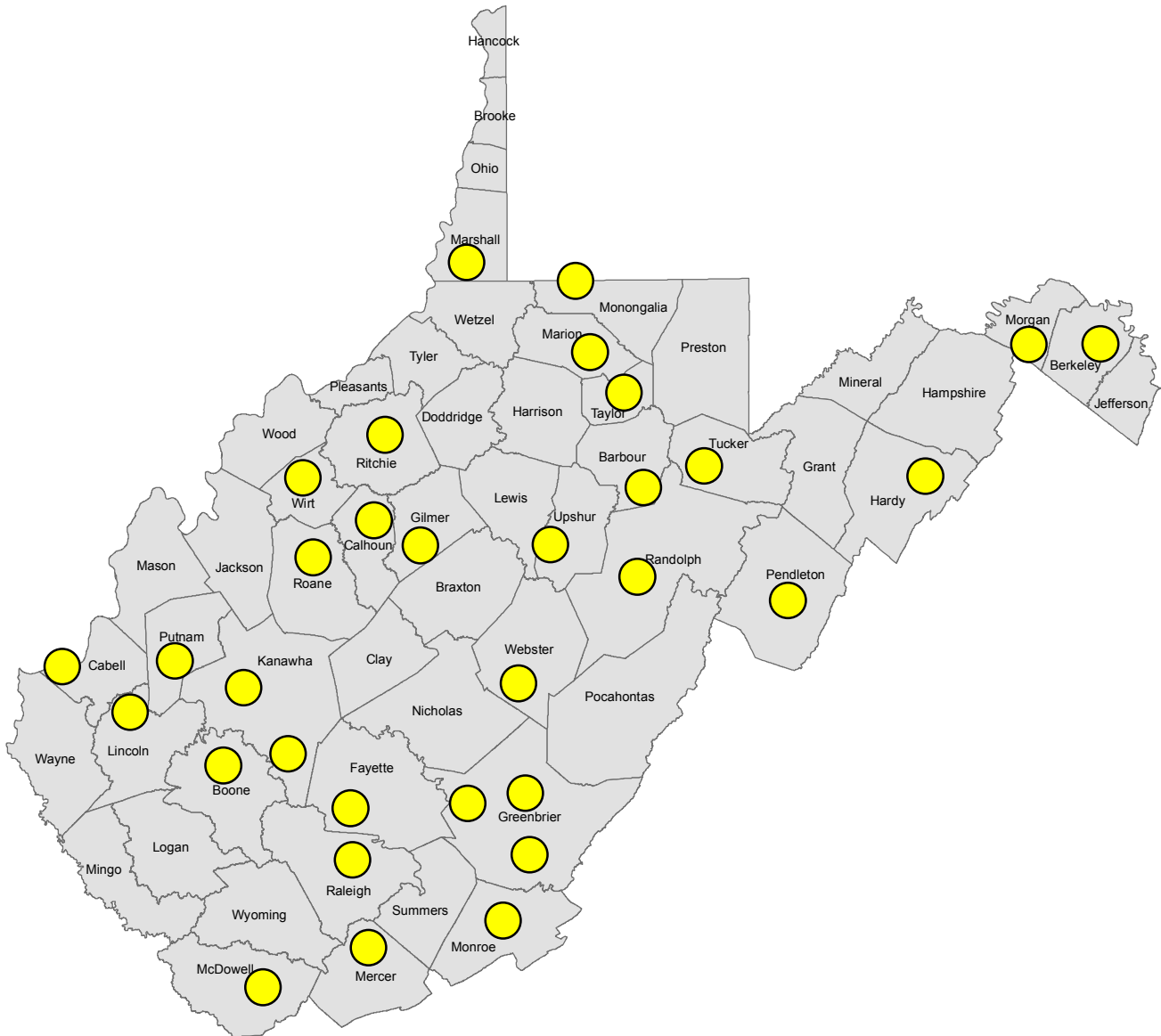
<b>EROE – Primary Care Centers</b>				
<i>(In thousands)</i>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
EROE	\$6,249	\$11,962	\$6,813	\$2,751
Margin	2.7%	4.7%	2.7%	1.0%

- Average profit was \$86,000 in FY 2014, \$212,000 in FY 2013 and \$374,000 in FY 2012.
- For FY 2014, seventeen centers reported profits. Reported profits ranged from \$4.4 million (Valley Health Systems) to \$26,000 (Clay-Battelle Health Services).
- Fifteen other centers reported losses which ranged from \$1.7 million (Minnie Hamilton Health Care Center) to \$18,000 (Mountaineer Community Health).

Detailed information on primary care centers can be reviewed in Table 28 on the Authority's website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

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# West Virginia Primary Care Centers



● Main Health Clinics (32)

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# HOME HEALTH

The FY 2014 Annual Survey of Home Health Services was completed by 60 home health agencies that serve West Virginia residents, including those agencies based in Kentucky, Maryland, and Ohio.

Analysis of home health agencies by type of ownership shows mixed results. The agencies are classified by the following ownership categories:

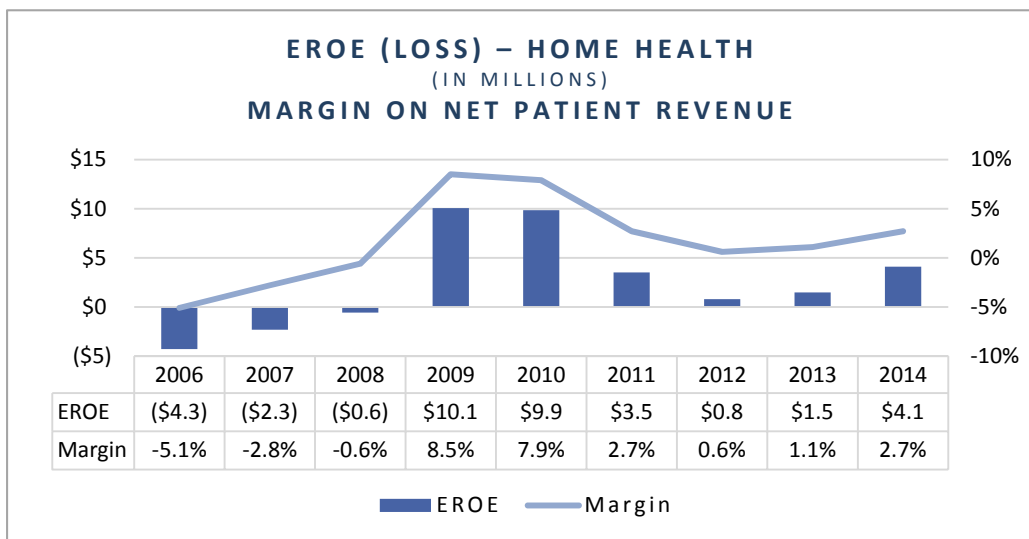
- County-owned (3 agencies), proprietary (36 agencies) and not-for-profit (6 agencies).
- Fifteen hospital-based agencies are discussed as a separate category because administrative expenses are typically allocated by the hospital which translates to an increase in operating expenses. Hospital-based agencies have historically reported the greatest losses.

Three publicly-traded companies operated multiple home health agencies in West Virginia. The number operated by each entity is in parenthesis:

- LHC Group (13)
- Gentiva Health Services (6)
- Amedisys (5)

## Financial Results

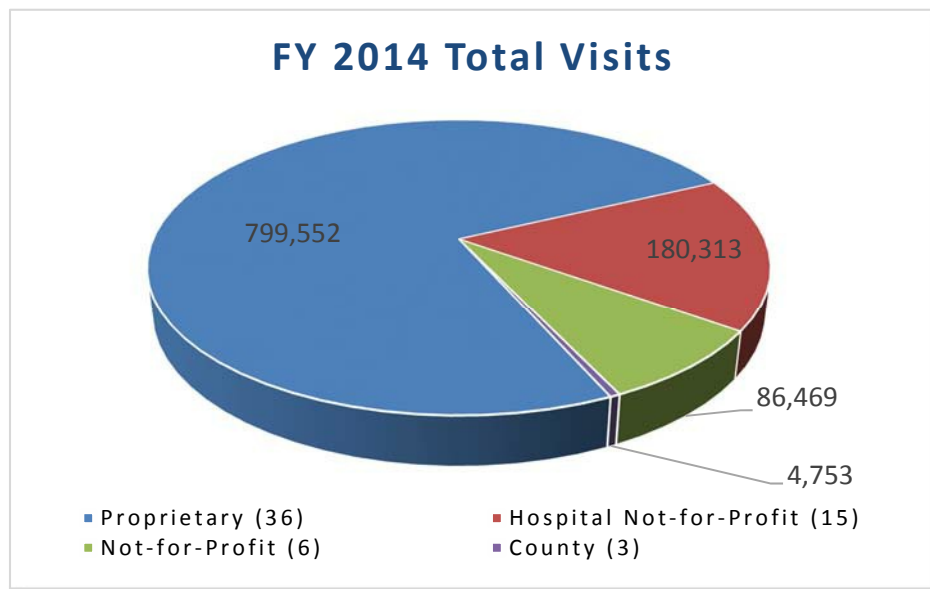
West Virginia’s 60 home health agencies reported an aggregate profit in FY 2014 of \$4.1 million, a 2.7% margin on total revenue of \$150.0 million. Total operating expenses equaled \$145.9 million.



- Forty-one of the 60 agencies were profitable.
- FY 2014 is the sixth consecutive year home health agencies reported an aggregate profit. Prior to FY 2009 home health agencies experienced aggregate losses for FY 2004 through FY 2008.
- LHC Group purchased St. Joseph’s Home Health effective April 1, 2014. It was renamed West Virginia Home Health.

### Utilization

Client counts and numbers of visits are two utilization measures of home health services. For FY 2014, unduplicated clients of 46,300 were reported with total home health visits of 1.1 million. Proprietary home health agencies served a significant portion of the market (69.6% of total unduplicated clients) during FY 2014. Utilization, as measured by the number of visits, also reveals the significant market share of the proprietary agencies.



Overall, home health agencies averaged 23.1 visits per unduplicated client. The average number of visits by category was:

- Proprietary – 24.8
- Not-for-Profit Hospital-Based – 19.5
- Not-for-Profit – 19.4
- County – 12.4



## County-owned

- Three agencies operating in FY 2014 reported an aggregate profit of \$48,000 (4.2% of total revenue). The average profit was \$16,000.
- Total revenue reported for FY 2014 was \$1.1 million.
- The number of county-owned agencies remained at three in FY 2014. Fifteen county owned agencies were operating in FY 2000.

## Proprietary

- Thirty-six proprietary agencies reported an aggregate profit of \$13.9 million (12.2% of total revenue) for FY 2014, an increase of \$2.5 million from the prior year.
- Total revenues reported were \$113.9 million, an increase of \$9.1 million (8.7%) and expenses were \$100.0 million, an increase of \$6.7 million (7.1%).
- The average profit was \$386,000 for the proprietary agencies with 32 of the 36 reporting profits.

## Not-for-Profit Hospital-Based

- Fifteen agencies operated in FY 2014 and reported losses of \$10.1 million (46.3% of total revenue).
- Total revenue of \$21.9 million was reported, an increase of \$187,000 (0.9%) over the prior year. Operating expenses increased by \$768,000 (2.5%).
- Aggregate losses for prior five years totaled almost \$37.0 million.
- The average EROE was a loss of \$676,000.
- Twelve agencies reported losses in FY 2014 and three reported profits. Thirteen agencies reported losses in the prior year while three reported profits.

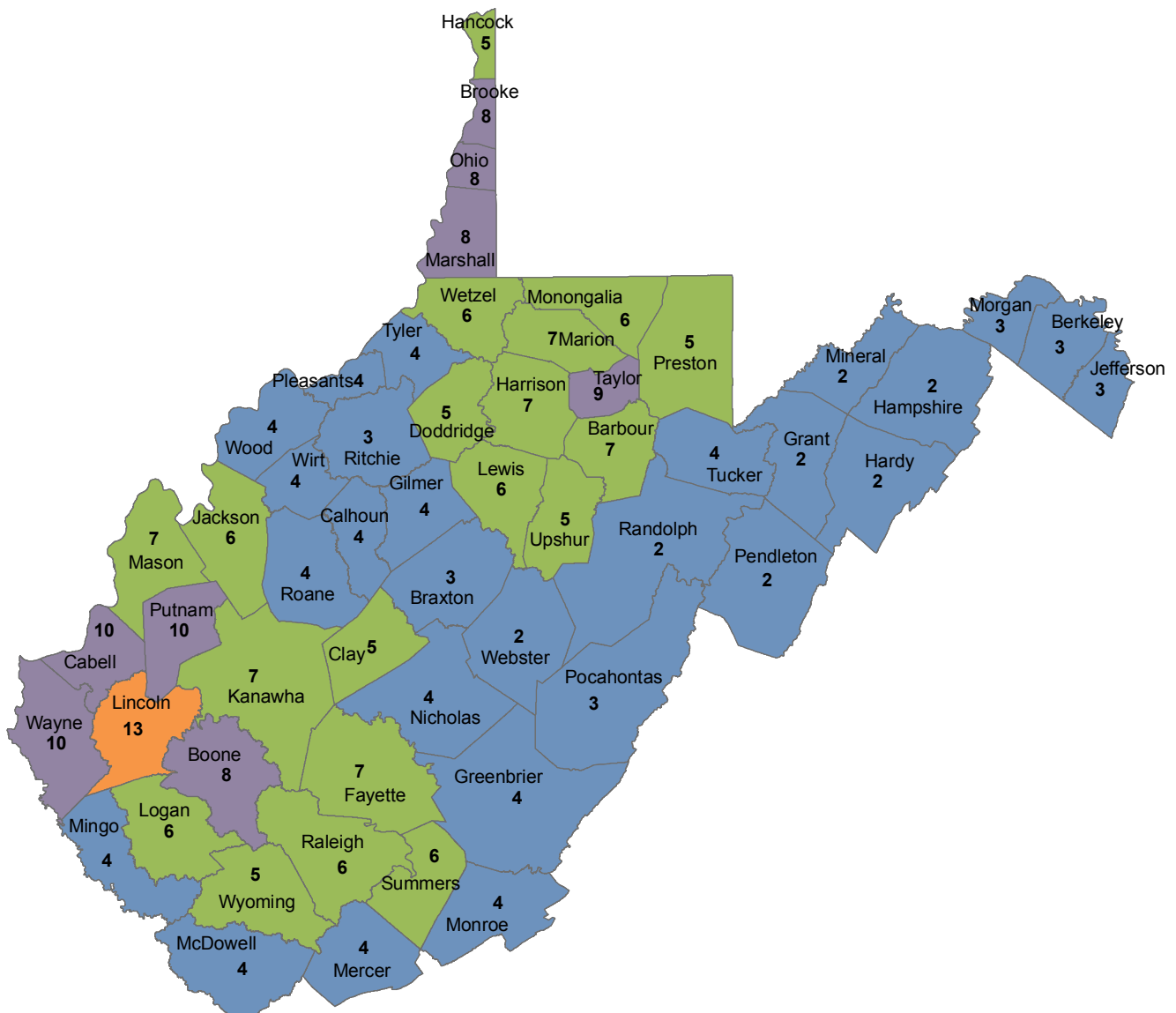
## Not-for-Profit

- Six agencies reported an aggregate profit in FY 2014 of \$306,000 (2.4% of total revenue). In FY 2013 an aggregate loss of \$345,000 (2.6% of total revenue) was reported.

- Total revenue equaled \$13.0 million, a decrease of \$357,000 from the prior year.
- Three agencies were profitable in FY 2014 and three reported losses. The average was \$51,000. The same three agencies were profitable in FY 2013.
- In FY 2013, Man ARH Home Health in Logan reported data separately from the Beckley ARH location but returned to combining its data for FY 2014.

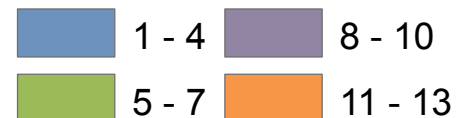
Detailed information on home health agencies can be reviewed in Tables 29-30 on the Authority's website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

# West Virginia Home Health Agencies by County



Source: 2014 Annual Survey of Home Health Services

## Number of Agencies Serving County



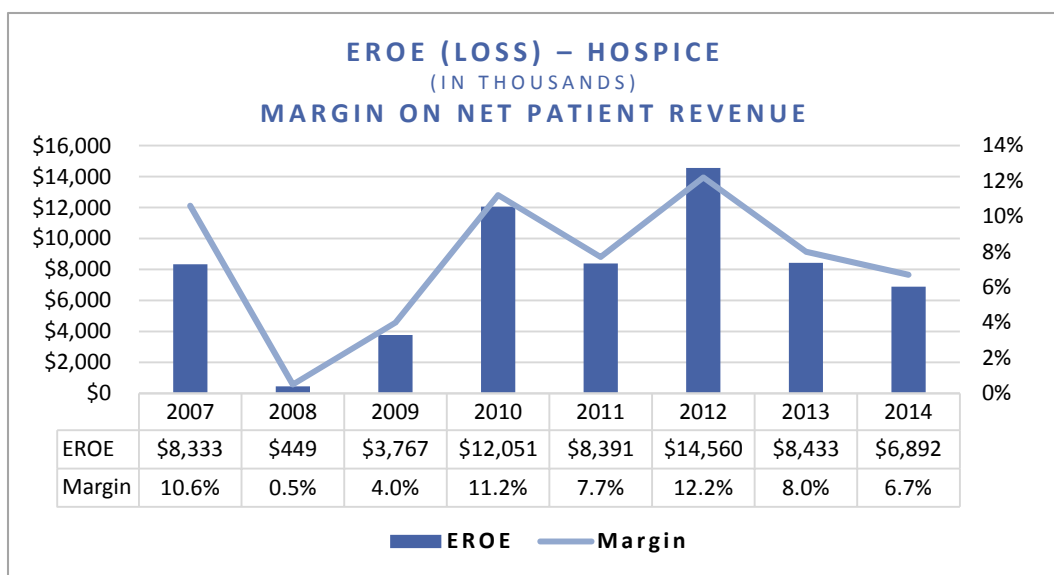
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# HOSPICE

The West Virginia Health Care Authority (Authority) collected data from 20 West Virginia hospice organizations using the FY 2014 West Virginia Annual Hospice Survey.

## Financial Results

- Total hospice profit was \$6.9 million, or 6.7% of net patient revenue (NPR), a decrease from \$8.4 million (8.0% of NPR) in FY 2013.

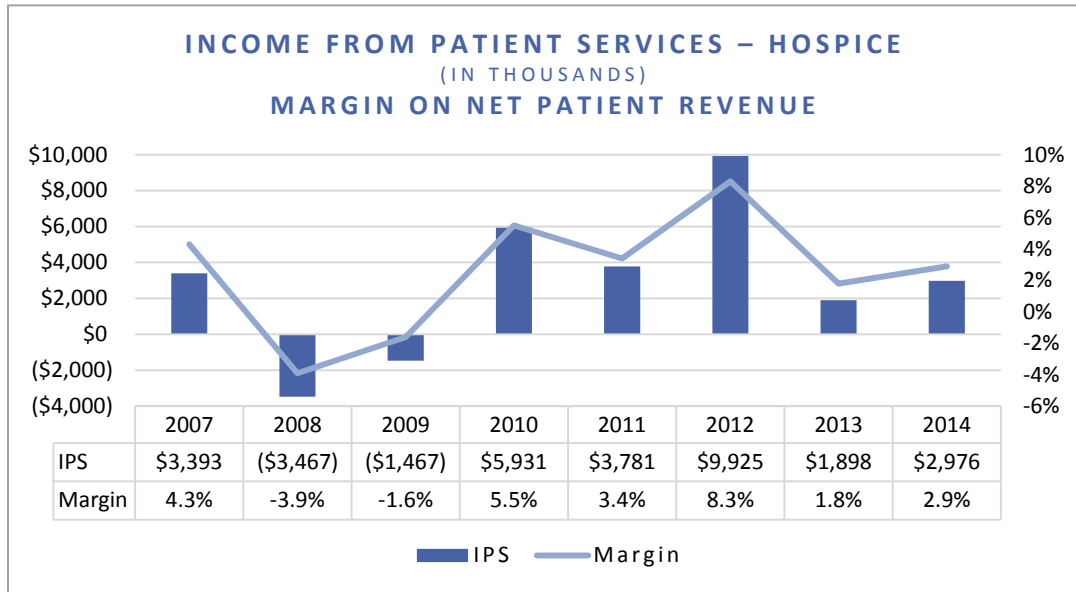


## Special Items of Note

- ◆ Amedisys entered into a joint venture with Morgantown Hospice on October 13, 2013. The agency's fiscal year end was changed from June 30 to December 31. In the 2015 Annual Report Morgantown Hospice's FY 2014 data is included with the free-standing agencies and is for a full year of Amedisys operations.
- ◆ LHC Group purchased St. Joseph's Hospice – Buckhannon, effective April 1, 2014. Its data is also being included in with the free-standing agencies.

- Thirteen of the 20 hospice agencies reported profits, the same number as in FY 2013.
- The average profit for all twenty agencies was \$345,000 in FY 2014.

- Net patient revenue was \$103.2 million, a decrease of \$2.3 million (2.2%) from the previous year.
- Expenses of \$100.2 million were reported, a decrease of \$3.4 million (3.3%) from \$103.6 million in FY 2013.
- Income from patient services of \$3.0 million (2.9% on NPR) was reported, an increase of the \$1.9 million reported in FY 2013.



- Eleven agencies reported positive incomes from patient services; nine reported positive incomes from patient services in FY 2013.
- Two agencies that experienced a loss from patient services had a positive EROE as a result of other and non-operating revenue.
- Aggregate other and non-operating revenues were \$3.9 million, a decrease of \$2.6 million from revenues reported in FY 2013. Non-operating revenues include contributions from fundraising campaigns and other donations. Consequently, non-operating revenue levels may fluctuate widely from year to year.
- Sixteen free-standing agencies reported an aggregate EROE of \$7.0 million (7.1% of NPR), with an average profit of \$440,000. Twelve agencies reported a profit.
- Four hospital based-based agencies reported an aggregate loss of \$150,000, with one agency (People’s Hospice) reporting a profit of \$115,000 (3.8% of NPR). The average EROE was a loss of \$37,000.

## Utilization

- The number of patients served was 10,515, an increase of 5.1%.
- Total patient days increased by 10.2%, to 694,000.

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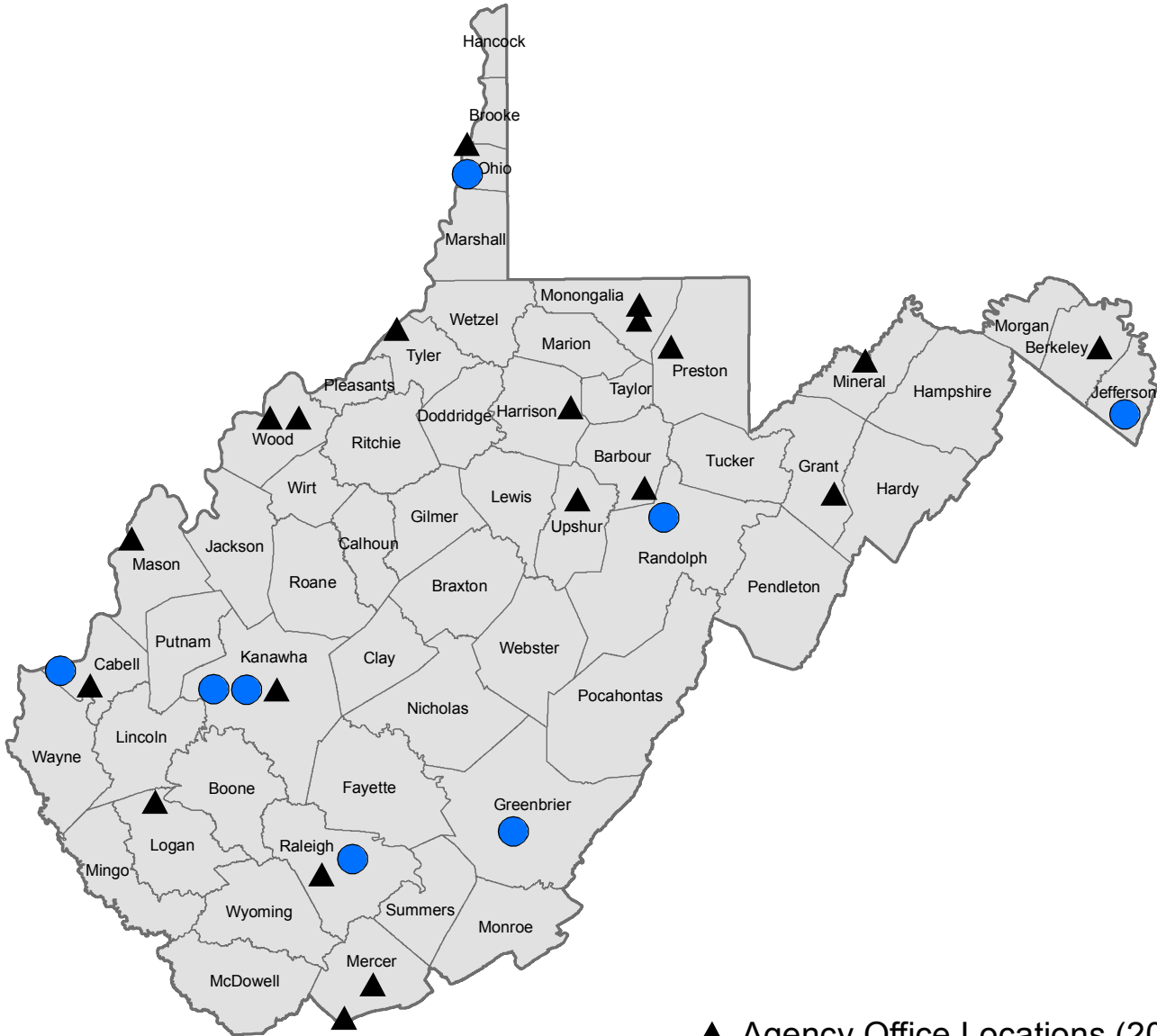
	<b>Number of Patients Served / Number of Patient Days – Hospice</b>						
<b>Patients</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Served	8,283	8,929	9,766	10,366	10,982	10,001	10,515
% Change	3.1%	7.8%	9.3%	6.1%	5.9%	(8.9%)	5.1%
Days	571,716	615,801	742,424	728,874	766,959	629,959	694,207
% Change	5.3%	7.7%	20.6%	(1.83%)	5.2%	(17.9%)	10.2%

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Detailed information on hospice agencies can be reviewed in Tables 31-32 on the Authority's website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

# West Virginia Hospice Agency Locations



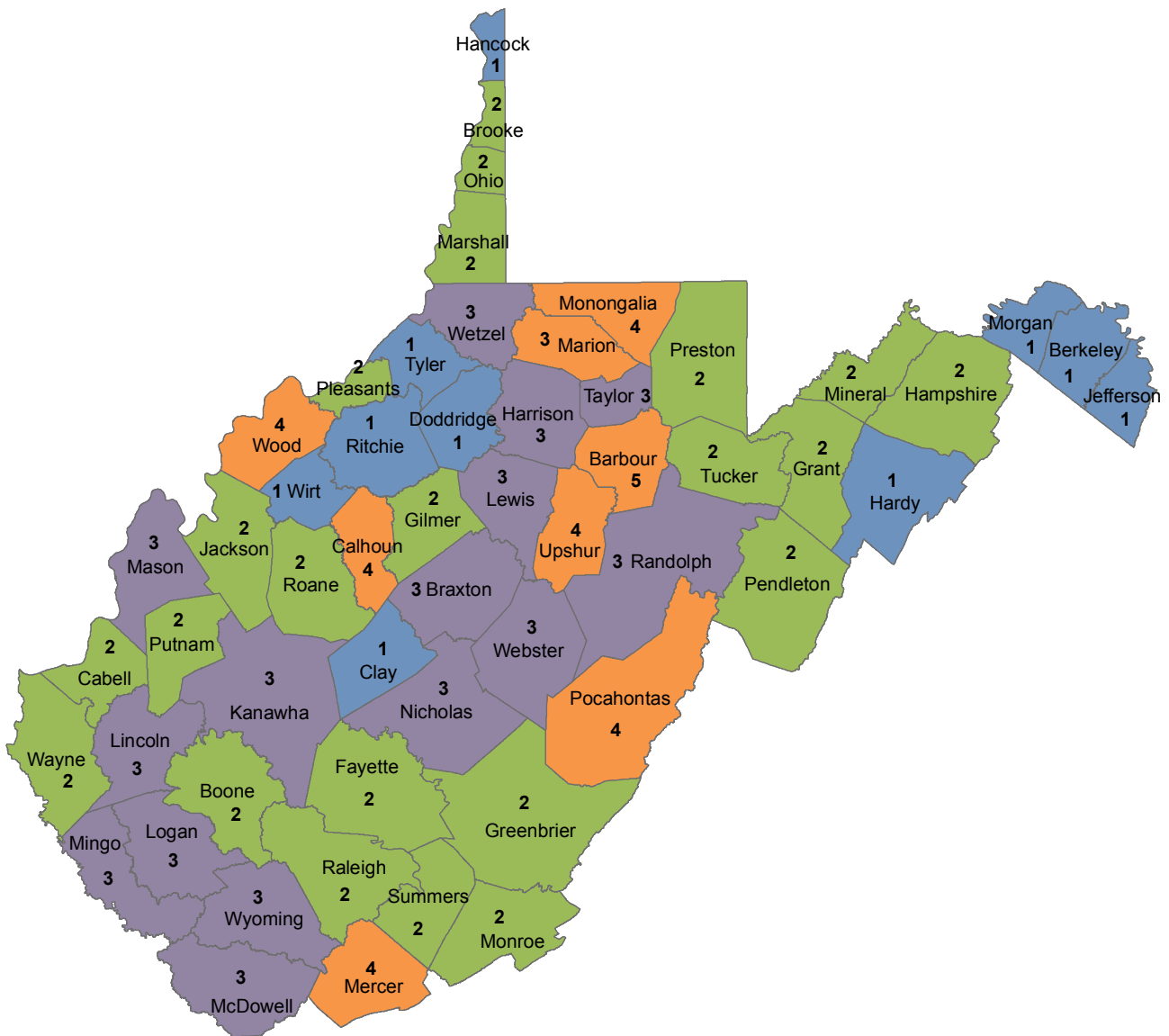
- ▲ Agency Office Locations (20)
- Inpatient Residential Facilities (8)

One hospice agency that serves the northern panhandle is based in Ohio.

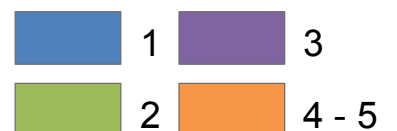
Source: 2014 West Virginia Hospice Services Survey



# West Virginia Hospices by County



## Number of Agencies Serving County



Source: 2014 West Virginia Hospice Services Survey

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## RENAL DIALYSIS

Renal dialysis centers are distinct entities that provide treatment for patients in kidney failure. Thirty-four renal dialysis centers are located in 27 counties. Information for FY 2014 was compiled from financial statements.

All dialysis centers are for-profit entities. Thirty of the 34 centers are associated with two corporations that provide dialysis on both a national and international basis:

- Fresenius Medical Care (23)
- DaVita (7)

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### Special Items of Note

- ◆ *Total Renal Care, Inc., a wholly owned subsidiary of DaVita Healthcare Partners, Inc., purchased Greater Boone Dialysis and Greater Charleston Dialysis during FY 2014.*
- ◆ *On September 10, 2014, the West Virginia Health Care Authority (Authority) issued a moratorium on the “development, acquisition, or other establishment of End Stage Renal Dialysis services, including stations.” The moratorium has expired and new standards were approved by the Governor on March 8, 2015.*

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### Financial Results

- Total revenue reported for FY 2014 was \$104.3 million, with expenses of \$79.8 million resulting in an aggregate profit of \$24.6 million. The profit for FY 2013 was \$23.5 million from total revenue of \$102.9 million.

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#### EROE – Renal Dialysis Centers (In thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
EROE	\$25,438	\$26,199	\$23,549	\$23,480	\$24,562
Margin	24.9%	26.9%	24.7%	22.8%	23.5%

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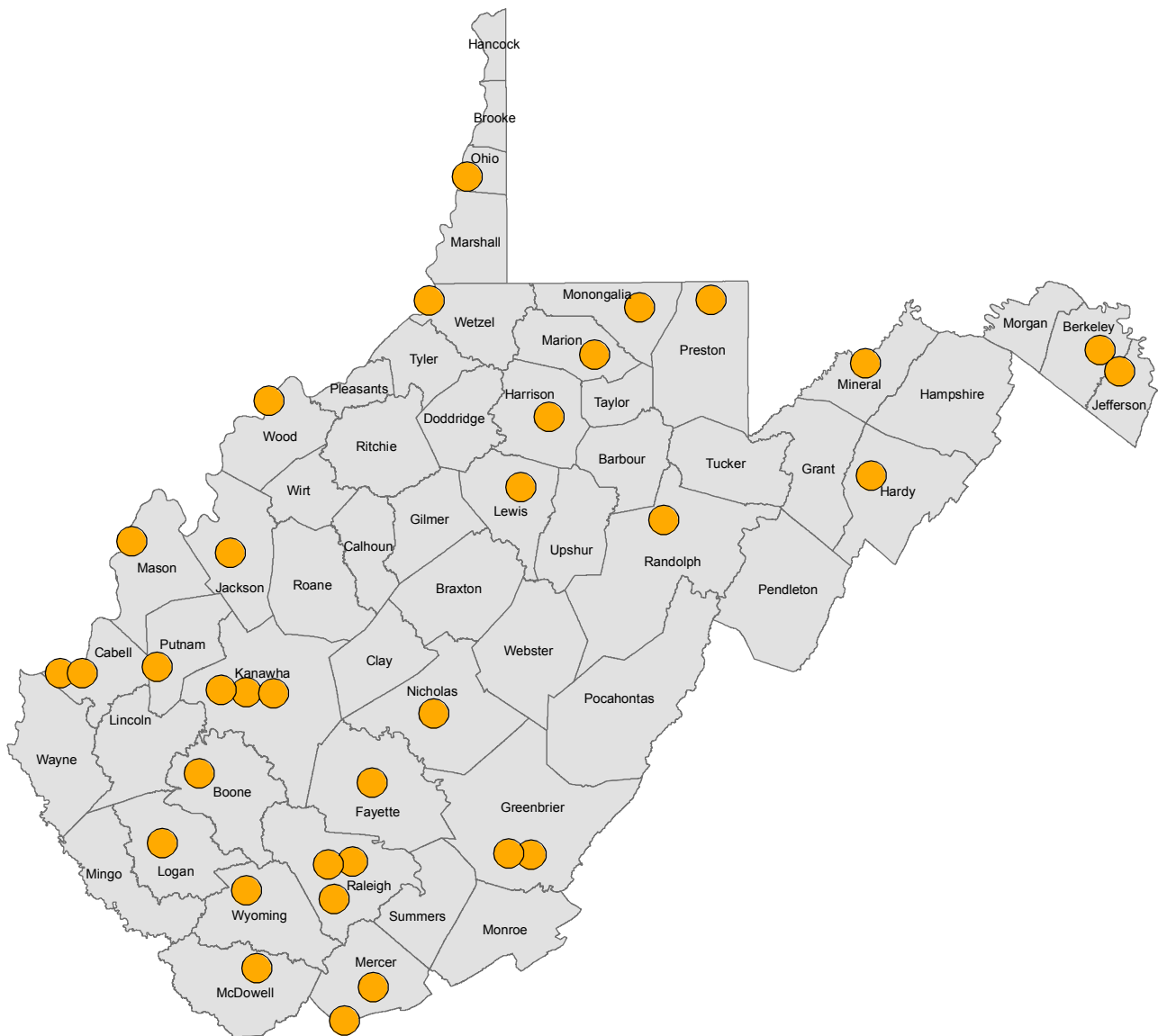
- Only three months of data are included for Greater Boone Dialysis and Greater Charleston Dialysis for FY 2014, due to the sale and transfer to the DaVita system. For FY 2013 Greater Boone reported revenue of \$488,000 and a loss of \$620,000, and Greater Charleston reported revenue of \$4.9 million and a profit of \$693,000. In FY 2014, Greater

Boone Dialysis reported revenue of \$206,000 and Greater Charleston Dialysis reported revenue of \$2.2 million.

- Total margin for FY 2014 was 23.5%, an increase from 22.8% in FY 2013.
- Twenty-five facilities reported profits for FY 2014 ranging from \$3.4 million (Davita–Parkersburg) to \$140,000 (Fresenius–Hurricane). Nine providers earned more than \$1.0 million.
- Average profit was \$778,000 for the 32 centers that submitted a full year of data. Greater Boone Dialysis and Greater Charleston Dialysis were not included in the calculation of the average profit since a full year of data was not available.

Detailed information on renal dialysis centers can be reviewed in Table 33 on the Authority’s website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

# West Virginia Renal Dialysis Centers



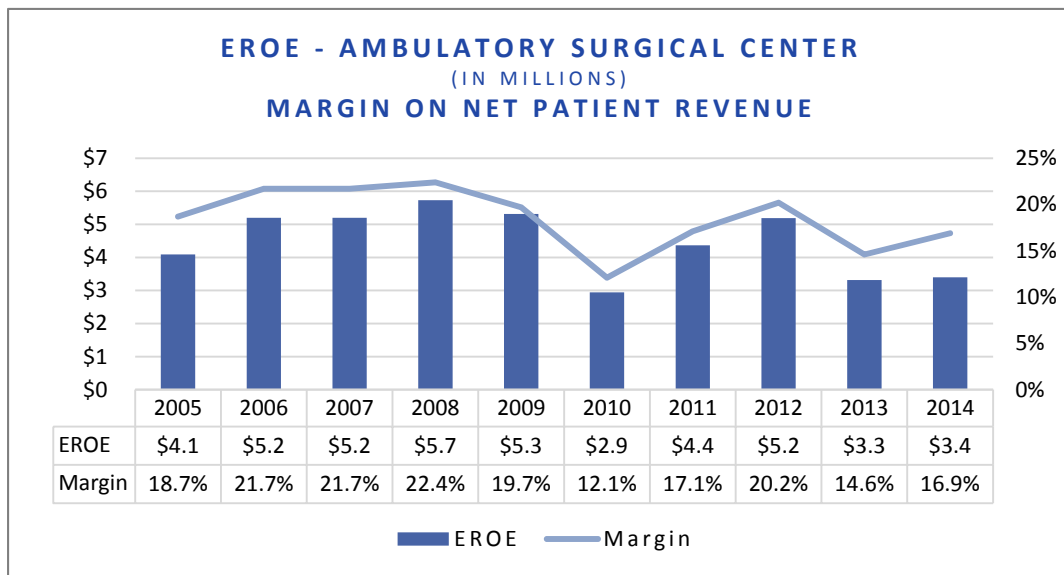
● Renal Dialysis Centers (34)

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## AMBULATORY SURGERY

Ambulatory surgical centers (ASCs) are distinct entities that provide surgical services to patients not requiring a hospital admission. Nine certified ASCs operated in West Virginia during the year and completed the FY 2014 Annual Survey for Ambulatory Surgical Centers.

- Total revenue for FY 2014 was \$20.2 million, with expenses of \$16.8 million resulting in an aggregate profit of \$3.4 million, a 2.8% increase over the FY 2013 profit. The total margin was 16.9%.



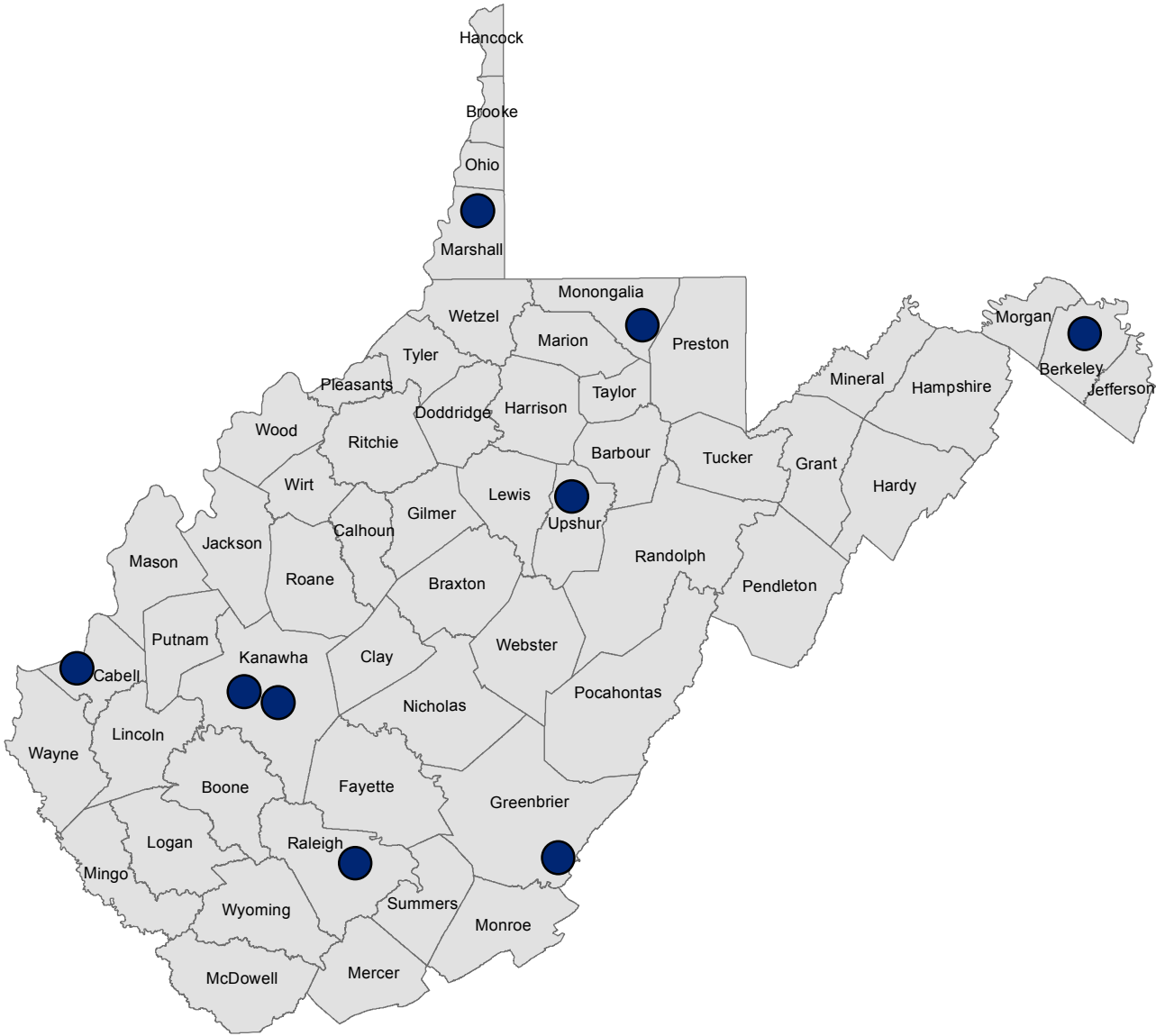
- Total revenue and expenses decreased in FY 2014 due to the purchase of two ASCs by Cabell Huntington Hospital. Revenue and expenses, excluding the two ASCs from FY 2013, increased by \$807,000 (4.2%) and \$783,000 (4.9%).
- Average profit was \$379,000 for FY 2014 and \$302,000 in the prior year.
- For FY 2014, six facilities reported profits ranging from \$1.7 million (Day Surgery Center) to \$53,000 (Lee’s Surgicenter). One center reported a zero margin.
- All ASCs operated as for-profit entities.
- Combined utilization of 26,947 cases was reported for FY 2014 by the nine ASCs.

Detailed information on ambulatory surgery centers can be reviewed in Tables 34-35 on the Authority’s website under the Data and Public Information link, Annual Reports section. The direct link is: <http://www.hca.wv.gov/data/Reports/Pages/default.aspx>.

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# West Virginia Ambulatory Surgery Centers



● Ambulatory Surgery Centers (9)

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# Appendix

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List of WV Hospitals and Abbreviations

Glossary

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## Appendix A – List of West Virginia Hospitals and Abbreviations (Abbreviated names used in narratives and detailed hospital tables)

### General Acute

Hospital Name	Hospital Abbreviation
Beckley Appalachian Regional Hospital	Beckley ARH
Berkeley Medical Center	Berkeley Medical
Bluefield Regional Medical Center	Bluefield Regional
Cabell Huntington Hospital	Cabell Huntington
Camden Clark Medical Center	Camden Clark
Charleston Area Medical Center	CAMC
Charleston Surgical Hospital	Charleston Surgical
Davis Medical Center	Davis Medical
Fairmont Regional Medical Center	Fairmont Regional
Greenbrier Valley Medical Center	Greenbrier Valley
Logan Regional Medical Center	Logan Regional
Monongalia General Hospital	Monongalia General
Ohio Valley Medical Center	Ohio Valley
Pleasant Valley Hospital	Pleasant Valley
Princeton Community Hospital	Princeton
Raleigh General Hospital	Raleigh General
Reynolds Memorial Hospital	Reynolds Memorial
St. Francis Hospital	St Francis
St. Mary's Medical Center	St Mary's
Stonewall Jackson Memorial Hospital	Stonewall Jackson
Summersville Memorial Hospital	Summersville
Thomas Memorial Hospital	Thomas Memorial
United Hospital Center	United Hospital
Weirton Medical Center	Weirton Medical
Welch Community Hospital	Welch Community
West Virginia University Hospitals	WVU Hospitals
Wetzel County Hospital	Wetzel County
Wheeling Hospital	Wheeling
Williamson Memorial Hospital	Williamson

## Appendix A – List of West Virginia Hospitals and Abbreviations (cont.)

### Critical Access

<b>Hospital Name</b>	<b>Hospital Abbreviation</b>
Boone Memorial Hospital	Boone Memorial
Braxton County Memorial Hospital	Braxton County
Broadus Hospital Association	Broadus
Grafton City Hospital	Grafton City
Grant Memorial Hospital	Grant Memorial
Hampshire Memorial Hospital	Hampshire
Jackson General Hospital	Jackson General
Jefferson Medical Center	Jefferson
Minnie Hamilton Health Care Center	Minnie Hamilton
Montgomery General Hospital	Montgomery
Plateau Medical Center	Plateau Medical
Pocahontas Memorial Hospital	Pocahontas
Potomac Valley Hospital	Potomac Valley
Preston Memorial Hospital	Preston Memorial
Roane General Hospital	Roane General
St. Joseph's Hospital of Buckhannon	St Joseph's
Sistersville General Hospital	Sistersville General
Summers County - ARH	Summers ARH
War Memorial Hospital	War Memorial
Webster County Memorial Hospital	Webster County

### Long-Term Acute Care

Cornerstone Hospital of Huntington	Cornerstone
Select Specialty Hospital	Select Specialty

### Psychiatric Hospitals

Mildred Mitchell-Bateman Hospital	Bateman
Highland Hospital	Highland
Highland-Clarksburg Hospital	Highland-Clarksburg
River Park Hospital	River Park
William R. Sharpe, Jr. Hospital	Sharpe

### Rehabilitation Hospitals

Huntington Rehabilitation Hospital	Huntington Rehab
MountainView Regional Hospital	Mountainview
Peterson Rehab and Geriatric Center	Peterson Rehab
Southern Hills Regional Hospital	Southern Hills
Western Hills Regional Hospital	Western Hills

## APPENDIX B – GLOSSARY OF TERMS

**Accounts Payable:** Amounts owed to others for goods, services, and supplies purchased and received, but not yet paid for as of the balance sheet date.

**Accumulated Depreciation:** Amount charged to expense through the annual amortization of the cost of the property, plant, and equipment.

**Bad Debt:** Amount not recoverable from a patient following exhaustion of all collection efforts.

**Capital Lease Obligations:** Consists of a portion of the long-term debt obligations incurred for leased items such as equipment and other long-lived assets when leases meet criteria necessary for being capitalized.

**Cash:** Money in the bank available for immediate expenditure. This may include cash equivalents which are financial instruments that may be readily and quickly converted into cash.

**Charity Care:** Uncompensated care given by a health care facility to indigent and medically-indigent people as part of a written mission or charity care policy. It does not include accounts written off as “bad debts” or thirty-party adjustments, including those for Medicare and Medicaid. This represents health care services accounted for on the accrual basis which were provided, but were never expected to result in cash inflows.

**Contractual Allowance:** Accounting adjustment to reflect uncollectable differences between established charges for services rendered to insured persons and rates payable for those services under contracts with third-party payors. The amount of the discount from total charges negotiated by the health care provider with an insurer for the provision of health care services. Or, the difference between total charges and the reimbursement allowed by a governmental payor.

**Critical Access Hospital:** Rural acute care hospital with no more than 25 licensed beds consisting of acute care beds and/or swing beds. The average length of stay must not exceed 96 hours. The Critical Access Hospital has emergency services available 24 hours and agreements, contracts or affiliations for transfer and services.

**Current Maturities of Long Term Debt:** Amounts payable on bonds, mortgage loans, capital lease obligations, and other long-term debts to be paid in the next 12 months.

**Derivative Agreement:** A financial instrument that is derived from some other asset, index, event, value or condition (known as the underlying asset). Rather than trade or exchange the underlying asset itself, derivative traders enter into an agreement to exchange cash or assets over time based on the underlying asset.

## Appendix B – Glossary of Terms (Cont.)

**Employment Retirement Income Security Act (ERISA) of 1974:** A federal law which established rules for pension and retirement plans, which excluded states from regulating these plans. The majority of health plans in the US are covered by ERISA, and therefore exempted from certain regulations. Only federal courts have jurisdiction for lawsuits against ERISA covered plans.

**Excess Revenue (Deficit) Over Expenses (EROE):** Bottom line measure of residual income or (loss) that is generated from the aggregate revenues, expenses, gains, and losses of the facility due to the overall activities of the facility.

**Fiscal Year:** A twelve-month period of time established for an organization’s accounting and reporting purposes without regard to the calendar year.

**Fund Balance and/or Equity:** Consists of tax-exempt corporation fund balances and proprietary corporation owner’s equity including capital invested and retained earnings.

**Goodwill:** Additional value above fair value of an entity, creating an intangible asset, which is attributed to an organization for a perceived competitive advantage due to outstanding reputation, employee morale, or potential synergy with a purchasing entity.

**Gross Domestic Product (GDP):** A measure of the total monetary value of goods produced and services provided within a country or specified region such as a state.

**Gross Patient Revenue (GPR):** Amount charged by the facility for services provided to patients. It is the standard charge made by the facility before discounts and contractual allowances.

**Income (Loss) from Patient Services:** Equals net patient revenue less operating expenses. Net patient revenue only includes payments for patient services rendered; it does not include other operating or non-operating revenues.

**Inventory:** Cost of supply items on hand that will be used in the next period. It may consist of medical supplies, surgical supplies, pharmaceutical supplies, food, and other supplies.

**Long Term Acute Care Hospital (LTCH):** Acute care hospital that provides care for patients who have been in an intensive care or short-term care setting and who require an extended length of stay (greater than 25 days). LTCHs are often referred to as a “hospital within a hospital”.

**Long-term Debt:** Consists of notes payable to banks, revenue bonds payable, and, in some cases, capital lease obligations due to be paid at a date more than one year in the future.

**Major Diagnosis Category (MDC):** Grouping of MSDRGs into a higher category of medically related system classifications.

**Margin:** The percentage of revenue or net income that has been realized after expenses.



## Appendix B – Glossary of Terms (Cont.)

**Medicare Severity Diagnosis Related Groups (MSDRG):** Classification system which groups inpatient discharges by principal and secondary diagnosis. This system became effective as of December 1, 2007, replacing the DRG classification system.

**Net Patient Receivables:** Amounts owed by patients less contractual adjustments and estimated allowances for bad debt.

**Net Patient Revenue (NPR):** Amount the facility receives or expects to receive from patients and/or third-party payors for the services provided by the facility less contractual adjustments, and allowances for Charity Care and Bad Debt.

**Net Property, Plant, and Equipment:** Remaining book value of physical assets such as buildings and equipment after subtracting accumulated depreciation.

**Non-operating Revenue:** Amounts the facility receives from items that are neither directly nor indirectly the result of treating patients or other operating activity. Examples of revenue in this category are investment income and donations.

**Other Assets:** Items not expected to be expended in the current period, but with limited use due to restrictions. These consist of items such as funds held for bond indenture requirements, investments for self-insured malpractice, and hospitalization programs.

**Other Current Assets:** Items expected to be expended during the current period. These consist of items such as short-term investments and current portion of assets.

**Other Current Liabilities:** Accrued expenses for wages and salaries, benefits, and interest.

**Other Liabilities:** Consists of items such as liabilities for self-insured malpractice, employee benefit programs (pension and health care), and inter-company payables for affiliated facilities.

**Other Operating Revenue:** Amount the facility receives from sales of items not directly resulting from treating patients. It includes items such as cafeteria sales and the sale of copies of medical records.

**Other Receivables:** Receivables from revenue sources other than patients. The receivable may consist of settlement amounts due from Medicare, Medicaid, or from other parties.

**Other Revenue:** Other operating revenue plus non-operating revenue.

**Payor:** The person, government body, or public or private organization that is responsible for payment of health care expenses. Payors include insurance companies and self-insured employers.

## Appendix B – Glossary of Terms (Cont.)

**Pre-tax Income:** Revenues minus expenses before income tax, and may also exclude extraordinary items.

**Prepaid Expenses:** Amounts already paid for the cost of items that will be expended in the current period. The prepaid expenses may consist of items such as prepaid insurance.

**Property, Plant, and Equipment:** Historical cost of land, buildings, and equipment owned by the facility. It may also include capital leases, which are leases for the approximate life of the asset.

**Proprietary:** Refers to the concept of ownership; usage in this report indicates a for-profit status for the owned entity as opposed to a not-for-profit, charitable organization.

**Provider:** An organization that is established for the purpose of providing preventative, therapeutic and rehabilitative medical or healthcare services.

**Renal Dialysis:** A process that filters the blood, the way kidneys do when functioning normally, using a special machine. The filtration rids the blood of waste products then returns it to the patient through a venous catheter. Also, referred to as End-Stage Renal Dialysis (ESRD).

**Swing Bed:** Beds certified by Medicare for use in small hospitals as either general medical/surgical or skilled nursing beds with reimbursement based on the specific care provided. Swing beds provide small hospitals with greater flexibility to meet fluctuating demands for inpatient hospital and skilled nursing care.

**Total Assets:** Total of all assets listed in the balance sheet.

**Total Liabilities:** Total of all liabilities listed on the balance sheet.

**Total Liabilities and Fund Balances and/or Equity:** Summation of the total liabilities and fund balance or equity shown on the balance sheet.

**Total Operating Expenses:** Amount recorded by the facility for items purchased or accrued as normal operating expenses. It includes, but is not limited to, items such as salaries, employee benefits, medical supplies, utilities, depreciation, interest on debt, income and provider taxes (if applicable), and all other necessary supplies.

**Uncompensated Care:** Amount of patient care provided without compensation or reimbursement, consisting of charity care and bad debt. Contractual allowances are not included.

**Unduplicated Client Count:** The number of clients served where clients are only counted one time during the year regardless of how many times they received services.