Earl Ray Tomblin
Governor

2014 Annual Report

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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. The use of a HIE can also potentially reduce costs for both patients and providers by eliminating the need for duplicate tests and assisting medical providers to improve the quality of care to patients.

The WVHIN made significant progress growing the statewide electronic health information system during 2014. The number of hospitals connected to the WVHIN's query based exchange grew to 13 and with representation from almost every major population center in the State. Looking forward to 2015, the WVHIN has 21 hospitals scheduled for implementation and has participation agreements in place for close to 75% 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 submitted participation agreements. For a listing of WVHIN participants, click on the following link to view the WVHIN's Provider Map.

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 grew threefold over the duration of 2014, with almost 12,000 in the 4th quarter alone. 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 94 organizations with access to the WV e-Directive Registry.

An additional value added service of the network is enabling participants to automatically report necessary data to state public health registries through real-time data feeds. To date the WVHIN has assisted 20 hospitals to connect to the West Virginia Statewide Immunization Information System and 25 hospitals to the CDC's BioSense 2.0 program for Quisque 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.

During 2014 the WVHIN also grew its secure clinical messaging service, WVDirect, to include users from almost every corner of the State. As of the end of 2014, there are now approximately 1,100 individual WVDirect accounts representing users from hospitals, pharmacies, Federally Qualified Health Centers, primary care providers, etc. These 1,100 accounts represent over 300 healthcare organizations in the State of West Virginia. In 2014 the number of direct messages sent grew from 200 in the first quarter to over 15,000 in the fourth 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.

WVHIN enters 2015 poised to continue building its network of healthcare providers and enabling the electronic exchange of patient health information in an effort to support patient-centered care, increase efficiencies, and reduces costs within the healthcare system as a whole.

WVDIRECT A Service of the WVHIN

www.wvhin.org

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Agency Highlights

The West Virginia Health Care Authority administers programs to contain the rising cost of health care and to assure reasonable access to necessary and quality health services, primarily through its Certificate of Need and rate-setting programs. The agency also collects, analyzes, and disseminates health care financial and clinical data to assess utilization, access, costs, and quality. In this way, the agency assists hospitals, providers, policymakers and consumers to promote quality, affordable, coordinated health care in communities across West Virginia. Overall, profitability is down for West Virginia hospitals and regulated treatment facilities, although some continue to struggle. Changing federal requirements continue to affect health care programs across the state.

- **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 2013, acute care hospitals requested, on average, a 6.14% increase per inpatient discharge and a 6.20% increase per outpatient visit. Hospitals on average were granted a 5.03% increase per inpatient discharge and 4.48% increase per outpatient visit. 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 a 3.76% increase per outpatient visit.
  - ✓ *The Almanac of Hospital Financial and Operating Indicators – 2014*, which contains actual data for 2012, indicates that the median Gross Price per Inpatient Discharge in West Virginia is 25.92% lower than the United States median and 25.91% lower than the median Gross Price per Inpatient Discharge in the Southern Region of the United States.
- **Quality Improvement Projects**
  - ✓ **Healthcare-Associated Infection (HAI) Public Reporting Project** is ongoing; the 2015 HAI Annual Report was recently published detailing hospital inpatient healthcare-associated infection rates by hospital as reported to the Centers for Disease Control and Prevention's National Healthcare Safety Network.
- **Funding and Grants were provided to the following:**
  - ✓ **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 and patient safety.
    - **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.
    - **ICD-10** data analysis audit was funded for up to 10 Critical Access Hospitals to assist in identifying readiness for ICD-10 implementation and for addressing any gaps found.
  - ✓ **The West Virginia Telehealth Alliance** was granted the federal matching funds to allow health care locations across West Virginia to receive upgrades and improvements in their broadband connections and capabilities.

Agency Highlights

- ✓ **Rural Health Systems Programs** provide funds that support continuing quality health care service availability in rural areas:
  - **Minnie Hamilton Health Care Center, Inc.** was granted funding for generator replacements.
  - **Montgomery General Hospital** was granted funding to replace the nurse call system.
  - **Change, Inc.** was granted funding for equipment for its oral health program.
  - **WV Health Right** was granted funding to assist patients with access to medications.
  - **Hardy County Emergency Ambulance Authority** was granted funding for defibrillators.
  - **Pocahontas Memorial Hospital** was granted funding for patient care equipment.
  - **Ritchie County Primary Care Association** was granted funding for computer equipment.

- **Primary Care Centers' service data** is included in this report for the first time. It is an important service for the health care needs of the state and accounts for $255.9 million in revenue, or 3.2% of the healthcare revenue presented in this report.

- **Abeyance Reduction Program** allowed hospitals to eliminate penalties by providing services that benefit the community, such as health fairs and free or reduced costs for health exams or tests, valued at $3,882,666.

- **West Virginia Health Information Network (WVHIN)**
  - ✓ The WVHIN expanded the number of hospitals connected to the network to thirteen.
  - ✓ Expanded the number of WVDirect accounts that represent hospitals, pharmacies, Federally Qualified Health Centers, primary care providers, etc., to approximately 1,100, and added 17 local health departments in the State of West Virginia.

- **State Privacy Office (SPO)**
  - ✓ Continued to implement the award winning ***Privacy Rocks!,*** an online training program***,*** and Confidentiality Agreement for employees of the West Virginia Executive Branch, along with the Privacy Self-Assessment Program. Several new projects were initiated and/or implemented in 2014 which involved assisting the West Virginia Board of Risk and Insurance Management (BRIM) with obtaining Cyber Insurance for entities that fall within the Executive Branch, beginning development of a Privacy Impact Assessment (PIA) process for the Executive Branch Departments, updating the Response to Unauthorized Disclosures Procedure and providing technical assistance on privacy issues to wvOASIS. The SPO and the HCA Director of Information Technology developed a new Bring Your Own Device policy for HCA staff and are working together to update the HCA's Information Security and Privacy Policies. For additional information about other SPO program accomplishments, please click here: Privacy Office Annual Report

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GRANT PROGRAMS

The West Virginia Health Care Authority (WVHCA) 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. WVHCA may issue grants to financially vulnerable health care facilities located in underserved areas with the goal of avoiding the potential crisis or collapse of essential rural health care services, while ensuring that health care delivery is streamlined and continuous.

The RHSP has two program areas for not-for-profit agencies. First, a lead agency located in a medically underserved area or health professional shortage area collaborating with other health care entities may seek a collaborative grant. One to one matching funds are required for collaborative grants.

Second, crisis grants are available to not-for-profit applicants located in medically underserved or health professional shortage areas that are facing closure or severe financial difficulties. In providing grants, the WVHCA 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 health care services in their communities.

The hospital assistance program is to be expended pursuant to W.Va. Code §16-29B-8. The purpose of this source of funding is to provide WV hospitals with grant availability 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	Total
Rural Health System						
Collaborative	$313,805	$98,688	$250,000	$99,986	$210,020	$972,499
Crisis	150,000	187,000	259,104	327,448	185,000	1,108,552
Hospital Assistance	325,000	82,000	339,376	289,710	408,587	1,444,673
Total Awards	**$788,805**	**$367,688**	**$848,480**	**$717,144**	**$803,607**	**$3,525,724**

SFY: State Fiscal Year

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FINANCIAL HIGHLIGHTS

Hospitals

Overall, the profitability of West Virginia hospitals decreased in FY 2013. Profits of $188.1 million or 3.5% of net patient revenue (NPR) were reported, down from $289.8 million (5.5% of NPR) in FY 2012.

The West Virginia Health Care Authority's primary focus 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 31 general acute care hospitals decreased to 3.6% of NPR in FY 2013, with profits of $173.5 million, down from $264.5 million (5.6% of NPR) in the prior year.

Eighteen of the 31 general acute hospitals reported a profit.

Critical Access Hospitals (CAH)

Profitability for the 19 CAHs decreased to $3.7 million (1.0% of NPR) from an aggregate profit of $10.2 million (2.9% of NPR) in FY 2012.

Nine of the 19 CAHs reported a profit.

Long-term Acute Care Hospitals (LTCH)

The two facilities reported a total profit of $6.1 million (19.3% of NPR). The total profit in FY 2012 was $5.9 million (18.0% of NPR).

Psychiatric Hospitals

The psychiatric hospitals had an aggregate loss of $10.9 million (16.5% of NPR). The two state psychiatric hospitals lost an aggregate $10.9 million; the two private hospitals lost an aggregate of $48,000.

In FY 2012 a loss of $6.4 million (10.5% of NPR) was reported.

Rehabilitation Hospitals

The five rehabilitation hospitals reported an aggregate profit of $15.8 million (15.1% of NPR). The aggregate profit for the prior year was $15.6 million (15.5% of NPR).

Other Facilities

Nursing Homes

Overall profit for the state's 107 nursing homes decreased by $18.6 million in FY 2013 to a loss of $2.6 million (0.3% of NPR); for FY 2012 profit was $16.0 million (1.9% of NPR).

Fifty-nine of 107 facilities were profitable in FY 2013.

Behavioral Health Centers

Ninety-six behavioral health centers reported an aggregate profit of $41.1 million, 5.7% of total revenue. Profit for the prior year was $53.5 million, 7.7% of total revenue.

Sixty-nine of the 96 facilities were profitable.

Methadone Treatment Facilities

The cumulative profit for the nine facilities was $7.3 million, 30.5% of total revenue. Every provider reported profits for FY 2013.

Primary Care Centers

Thirty-two primary care centers reported an aggregate profit of $6.8 million, 2.7% of total revenue. Profit for the prior year was $12.0 million, 4.7% of total revenue.

Sixteen of the 32 centers were profitable.

Home Health

Home health agencies reported a total profit of $1.5 million, 1.1% on $140.6 million in total revenue. Aggregate profit for the prior year was $791,000, 0.6% on $132.6 million in total revenue.

Thirty-five of the 62 agencies were profitable in FY 2013.

Hospice

Hospice profits for the 20 agencies were $8.4 million (8.0% of NPR) compared to $14.6 million (12.2% of NPR) in FY 2012.

Thirteen agencies were profitable in FY 2013.

Renal Dialysis Centers

Thirty-four renal dialysis centers reported an aggregate profit of $23.5 million, 22.8% of total revenue.

Twenty-six of the centers were profitable.

Ambulatory Surgical Centers (ASC)

Eleven reporting certified ASCs had an aggregate profit of $3.3 million, 14.6% of total revenue.

Six ASCs reported a profit.

OVERVIEW OF KEY INDICATORS

The health care 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 2013 Gross Domestic Product was $74.0 billion up from $69.7 billion in the prior year. For FY 2013, total revenues of $8.0 billion were reported to the West Virginia Health Care Authority (Authority) from eight reporting healthcare provider types, an increase of 2.0% from FY 2012.

Data for the services from the primary care centers is being included in this report for the first time. It is an important service for the health care needs of the state, and accounts for $255.9 million in revenue or 3.2% of the healthcare revenue presented in this report.

The Authority collects and disseminates financial data on health care 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 432 health care providers operating in West Virginia in FY 2013.

Number of Facilities			
Type of Facility or Agency	**FY 2011**	**FY 2012**	**FY 2013**
Hospitals	**61**	**61**	**61**
General Acute	32	32	31
Critical Access	18	18	19
Long-term Acute	2	2	2
Psychiatric	4	4	4
Rehabilitation	5	5	5
Nursing Homes	**105**	**106**	**107**
Behavioral Health Centers	**101**	**102**	**105**
Behavioral Health Centers	79	80	83
Comprehensive Centers	13	13	13
Methadone Treatment	9	9	9
Primary Care Centers	**32**	**32**	**32**
Home Health Agencies	**63**	**63**	**62**
Hospice Agencies	**20**	**20**	**20**
Renal Dialysis Centers	**32**	**33**	**34**
Ambulatory Surgery Centers	**11**	**11**	**11**
Total	**425**	**428**	**432**

Total Revenue

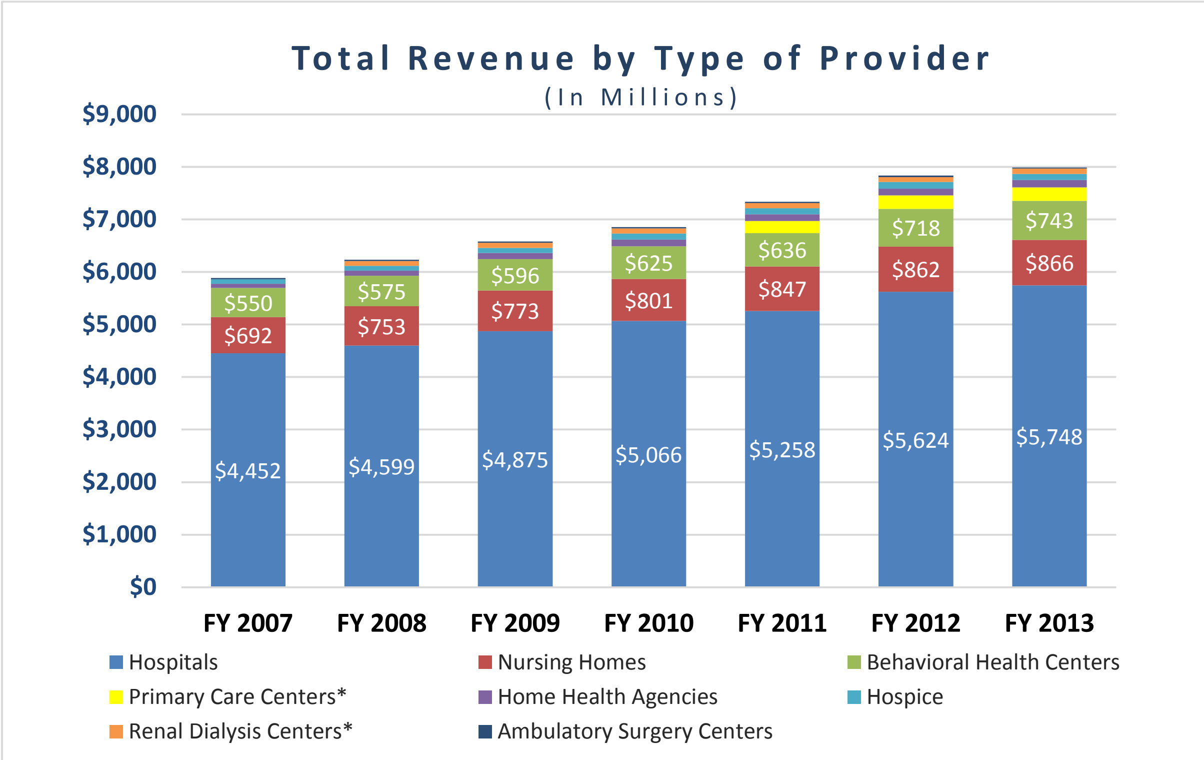
The 432 facilities included in this report had total revenue of $8.0 billion, which equals revenue from patient services plus other operating and non-operating revenue. Total revenue increased by $156.9 million (2.0%) over FY 2012.

General acute care hospitals accounted for $84.8 million (54.0%) of the growth in revenue. Critical access hospitals and behavioral health centers provided the second and third greatest increases of revenue, with $35.1 million (22.4%) and $25.0 million (15.9%), respectively.

Type of Facility or Agency	Total Revenue (in thousands)		
	FY 2011	FY 2012	FY 2013
Hospitals	**$5,258,169**	**$5,624,090**	**$5,747,500**
General Acute	4,675,265	5,006,449	5,091,213
Critical Access	350,484	370,300	405,402
Long-term Acute	29,852	32,679	31,542
Psychiatric	103,087	114,114	115,688
Rehabilitation	99,481	100,548	103,656
Nursing Homes	**847,214**	**861,857**	**866,207**
Behavioral Health Centers	**635,536**	**718,317**	**743,281**
Behavioral Health Centers	410,045	489,733	505,001
Comprehensive Centers	181,722	196,758	214,274
Methadone Treatment	14,463	23,144	24,006
Primary Care Centers	**230,664**	**252,114**	**255,895**
Home Health Agencies	**130,332**	**132,572**	**140,630**
Hospices	**114,224**	**124,264**	**112,023**
Renal Dialysis Centers	**97,260**	**95,417**	**102,862**
Ambulatory Surgery Centers	**25,464**	**25,628**	**22,779**
Total	**$7,338,863**	**$7,834,259**	**$7,991,177**
Percentage Change from Prior Year		**6.8%**	**2.0%**

The percentage of total revenue generated by each provider type in FY 2013 is as follows:

- Hospitals – 71.9%
- Nursing Homes – 10.8%
- Behavioral Health Centers – 9.3%
- Primary Care Centers – 3.2%
- Home Health Agencies – 1.8%
- Hospices – 1.4%
- Renal Dialysis Centers – 1.3%
- Ambulatory Surgery Centers – 0.3%



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

Total revenue grew by 2.0% ($156.9 million) in FY 2013, slowing compared to the prior year increase of 6.8% ($495.4 million). Since FY 2007 total revenue has increased approximately 29.7% ($1.7 billion), not including renal dialysis and primary care revenue. The average increase for the five years prior to FY 2013 was 5.2%, adjusting for revenue from renal dialysis and primary care which was added in the FY 2008 and FY 2011 data, respectively.

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

- Hospitals – $1.3 billion (29.1%)
- Nursing Homes – $174.5 million (25.2%)
- Behavioral Health Centers – $193.2 million (35.1%)
- Home Health Agencies – $56.5 million (67.1%)
- Hospices – $28.2 million (33.7%)

Total revenue for ambulatory surgery centers decreased $1.2 million (5.1%) since FY 2007 due to a decline in FY 2013 revenue.

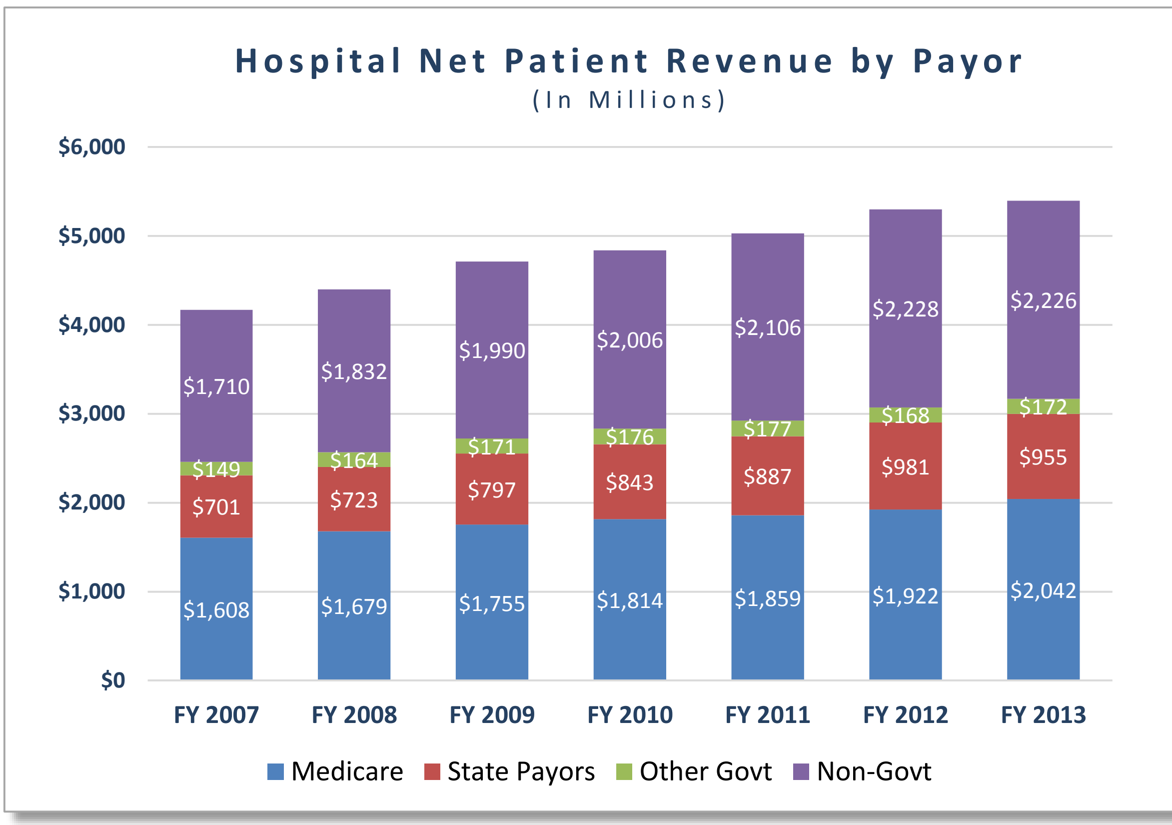
Total revenue for primary care centers has grown $25.2 million (10.9%) since FY 2011. Total revenue for renal dialysis centers increased $13.7 million (15.4%) since FY 2008.

Net Patient Revenue

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

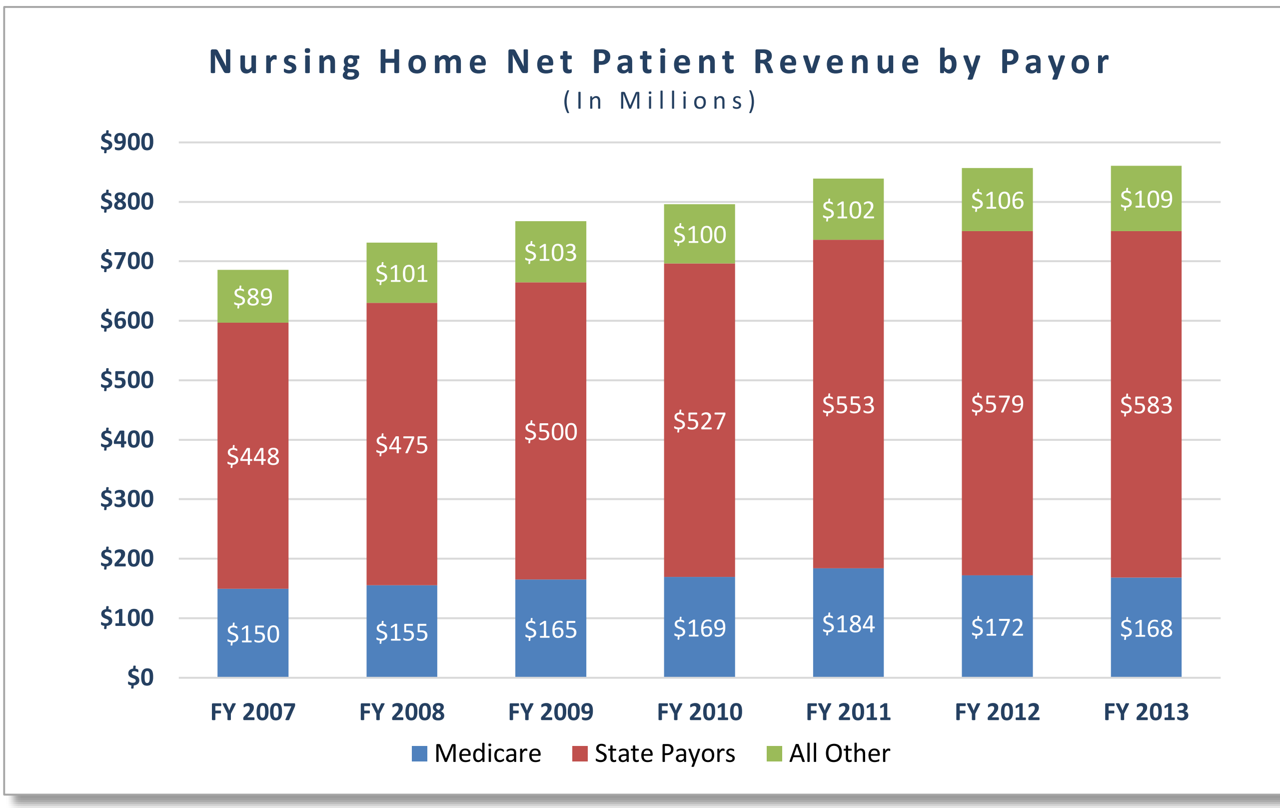
Nongovernmental payors (commercial, Blue Cross Blue Shield, Coventry, unions, ERISAs, self-pay) provided the largest amount of revenue of $2.2 billion to hospitals in FY 2013. Medicare followed, with revenue of $2.0 billion. State payors (Medicaid, PEIA) and other governmental payors (VA, Worker's Comp, etc.) combined for revenue of $1.1 billion.

Total net patient revenue for all payors equaled $5.4 billion, an increase of 1.8% over the prior year. Since FY 2007 net patient revenue has grown by $1.2 billion (29.5%), with the largest increase coming from nongovernmental revenue of $516.0 million (29.5%). The second largest increase was from Medicare, with an increase in net patient revenue of $434.5 million (27.0%.



For nursing homes, the state payors category consists almost entirely of Medicaid, but also includes some PEIA payments. Net patient revenue for the state payors category equaled $582.5 million in FY 2013. Medicaid accounted for all but $66,677 of the state payor revenue. Medicare revenue equaled $168.5 million. Revenue from all other payors was $109.4 million. Total net patient revenue was $860.3 million in FY 2013, an increase of 0.4% over FY 2012 levels. The prior year's increase was 2.2%.

Since FY 2007 net patient revenue has increased by $174.6 million (25.5%). Revenue from state payors grew by $135.0 million (30.2%); Medicare revenue increased by $19.0 million (12.7%), but has decreased by $15.2 million from the peak of $184 million in FY 2011.

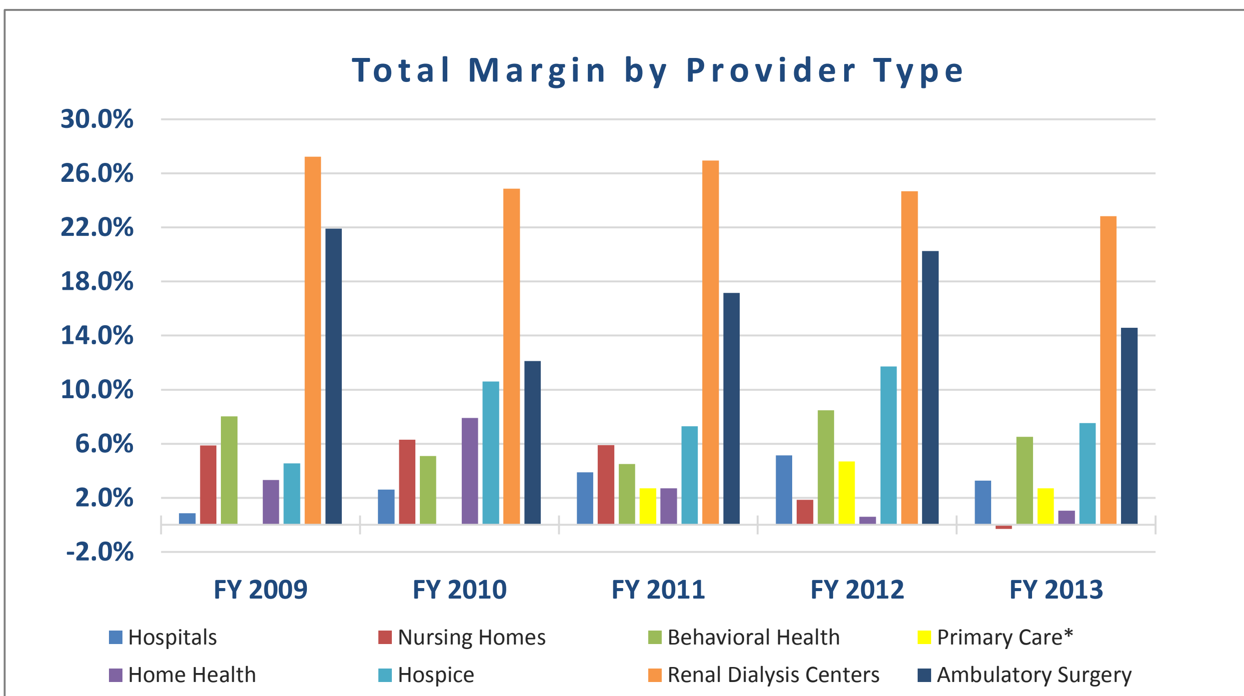


Excess Revenue (Deficit) Over Expenses (EROE)

The aggregate profit for all facilities was $277.5 million, a decrease of 146.3 million from FY 2012. 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 2011	FY 2012	FY 2013	FY 2011	FY 2012	FY 2013
Hospitals*	$204,292	$289,766	$188,104	3.9%	5.5%	3.3%
Nursing Homes	49,327	16,046	(2,567)	5.9%	1.9%	-0.3%
Behavioral Health	29,306	62,073	48,421	4.6%	8.6%	6.5%
Primary Care	6,249	11,962	6,813	2.7%	4.7%	2.7%
Home Health	3,516	791	1,481	2.7%	0.6%	1.1%
Hospice	8,391	14,560	8,433	7.3%	11.7%	7.5%
Renal Dialysis Centers	26,199	23,549	23,480	26.9%	24.7%	22.8%
Ambulatory Surgery	4,366	5,190	3,318	17.1%	20.3%	14.6%
Total	**$331,646**	**$423,937**	**$277,483**	**4.5%**	**5.4%**	**3.5%**

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



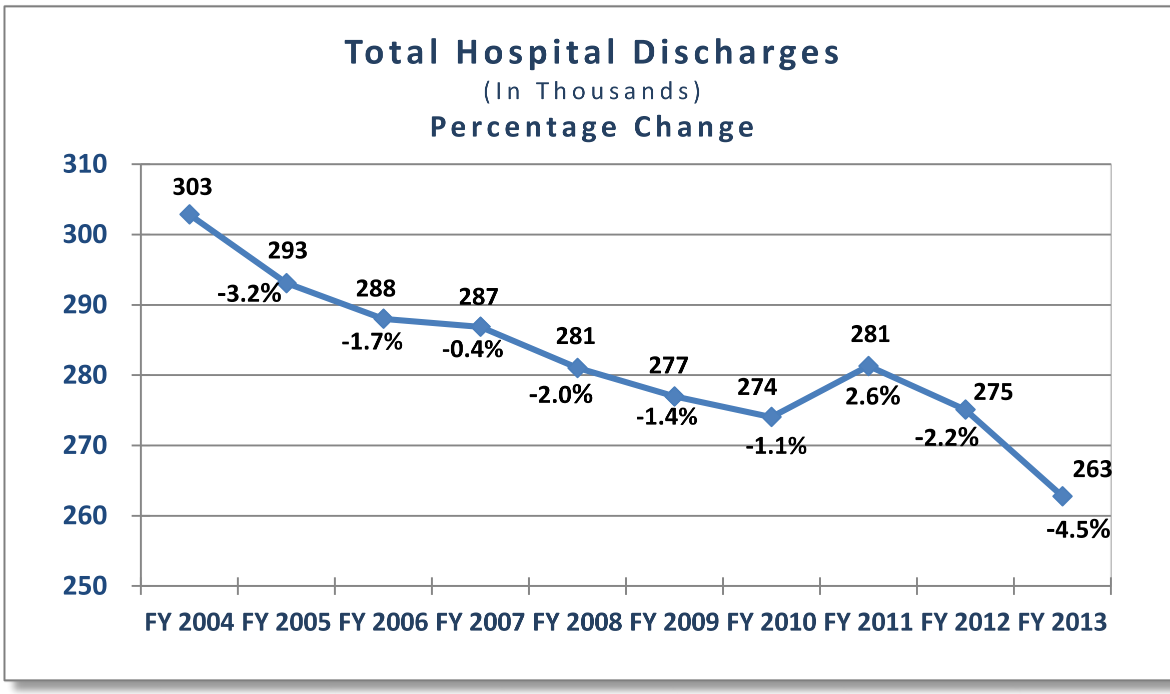
*Primary Care Center margins are presented starting with FY 2011.

Utilization

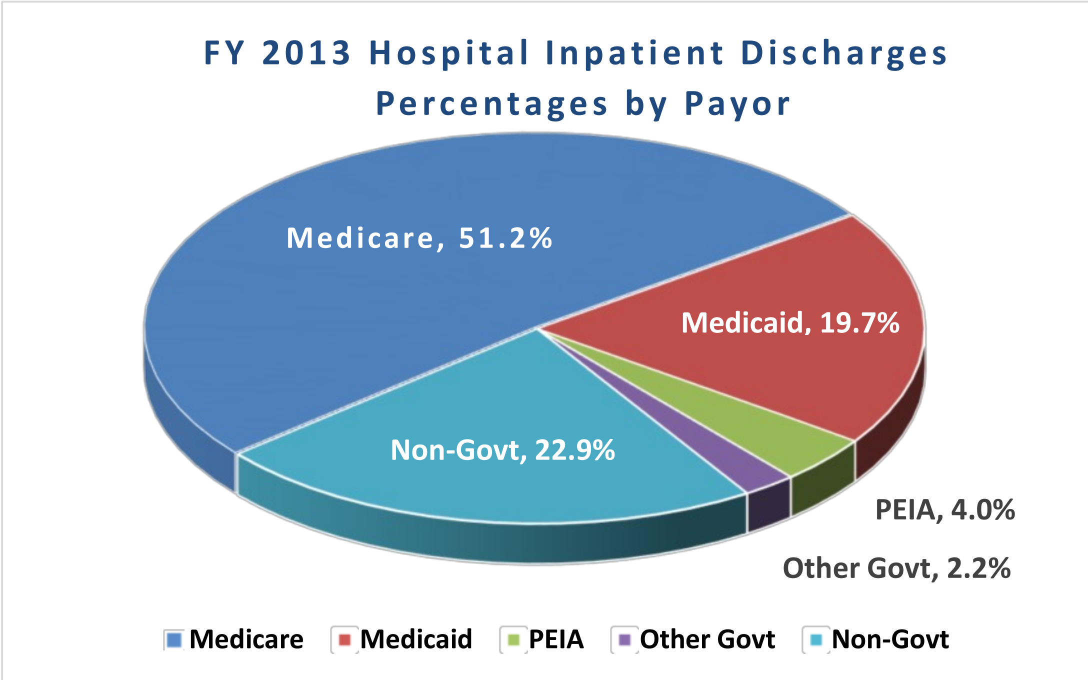
Hospitals reported a decrease in total inpatient discharges of 12,311 (4.5%) in FY 2013. The decrease in FY 2012 was 6,214 (2.2%). Between FY 2004 and FY 2013 inpatient utilization has decreased by nearly 40,071 discharges (13.2%).

Several items of note related to the decrease in inpatient discharges are:

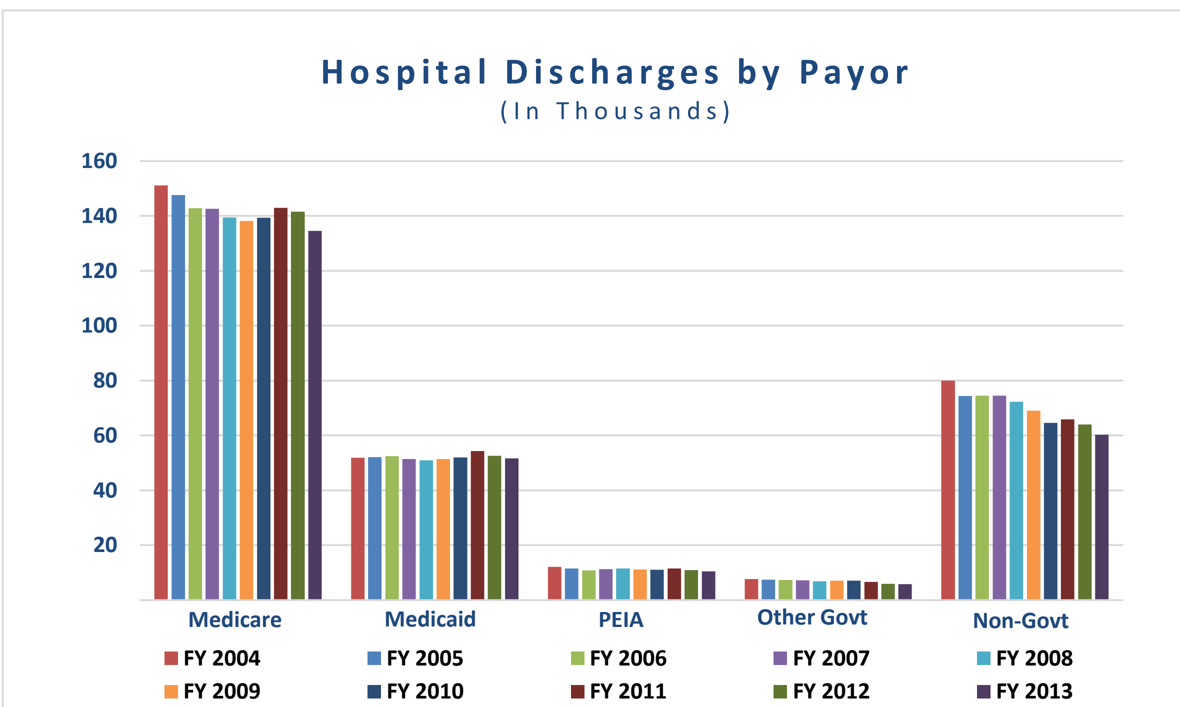
- For two years discharges have decreased in all payor categories.
- The decrease in non-governmental discharges was 5.9% in FY 2013. Medicare and Medicaid discharges decreased by 4.9% and 1.9%, respectively.
- Decreases in discharges was widespread; forty-five (73.8%) of the 61 hospitals reported a decrease in discharges.



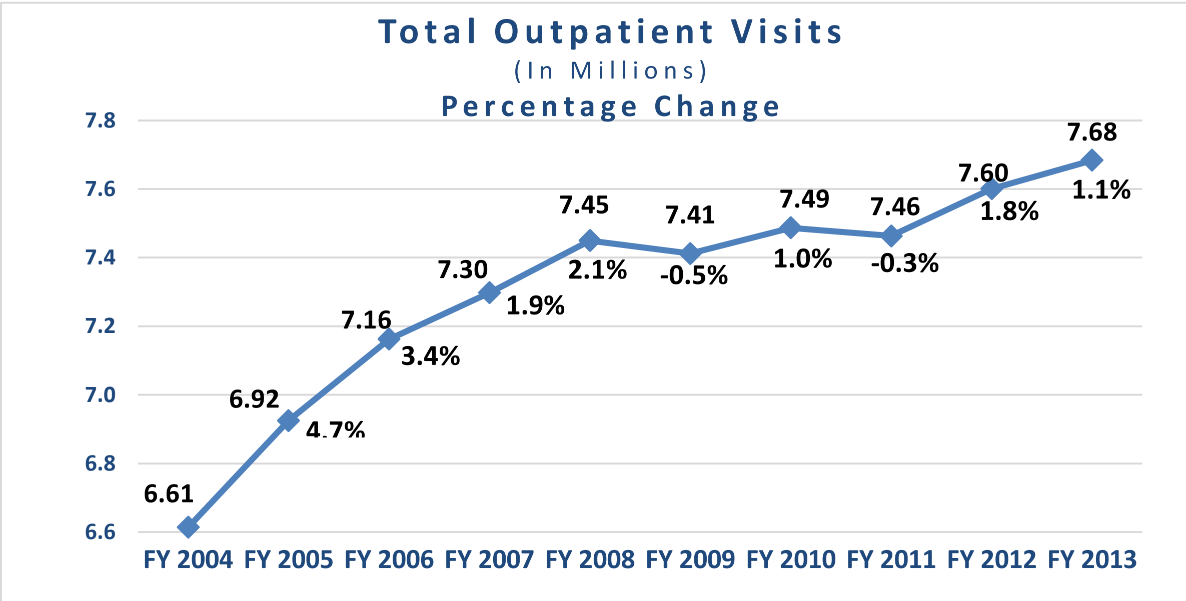
Medicare is the largest payor category with 51.2% of the total discharges, and 53.1% of all payor inpatient charges. The nongovernmental category is the second largest with 22.9% of the discharges and 21.3% of the inpatient charges. Medicaid accounts for 19.6% of discharges and 19.4% of inpatient charges. The remaining 6.2% of discharges were covered by PEIA and other governmental payors, and generated 6.2% of inpatient charges.



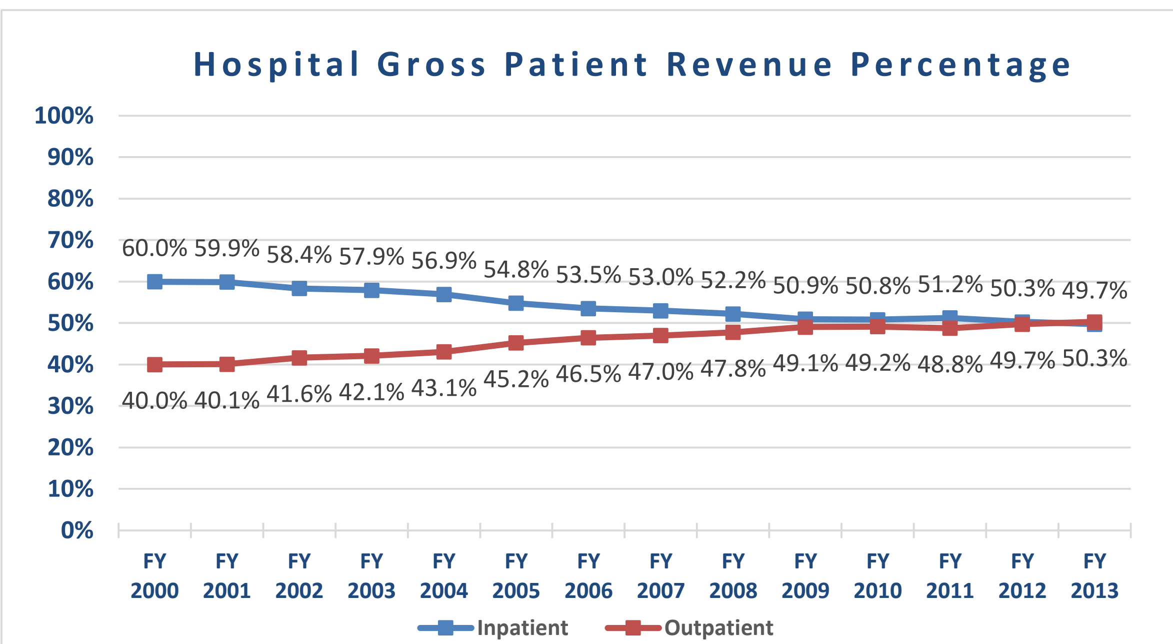
Since FY 2004 total discharges have decreased by 40,071 (13.2%). Nongovernmental discharges decreased the most, by 19,732 (24.7%). Medicare discharges decreased 16,501 (10.9%) over the same time period. Medicaid discharges decreased slightly, 280 (0.5%), since FY 2004. PEIA discharges decreased by 1,719 (14.1%).



Utilization of hospital outpatient services has increased by 1.1 million visits (16.2%), since FY 2004. In FY 2013 total outpatient visits of 7.7 million were reported, an increase from the prior year of 83,085 (1.1%).



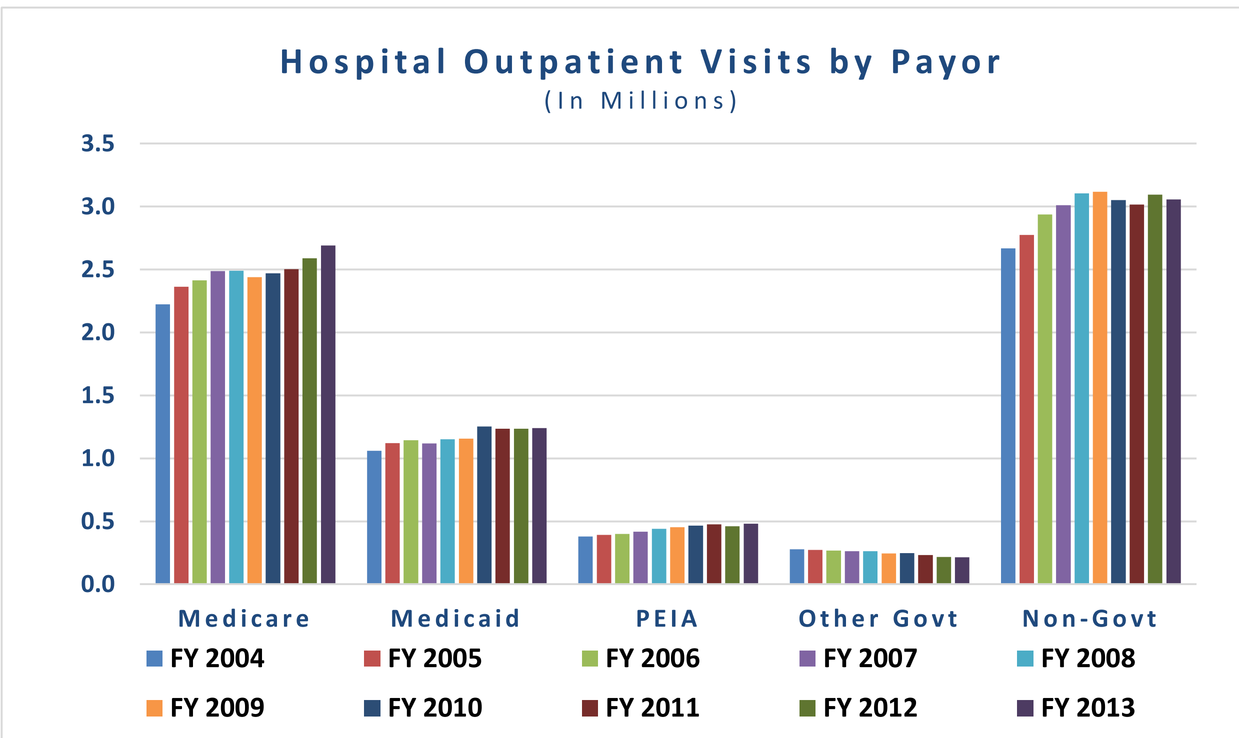
Gross patient revenue is one measure of volume. Outpatient gross patient revenue surpassed inpatient gross patient revenue for the first time in FY 2013 at 50.3% and 49.7%, respectively, of total charges. In FY 2000 outpatient revenue was 40.0% of total charges.

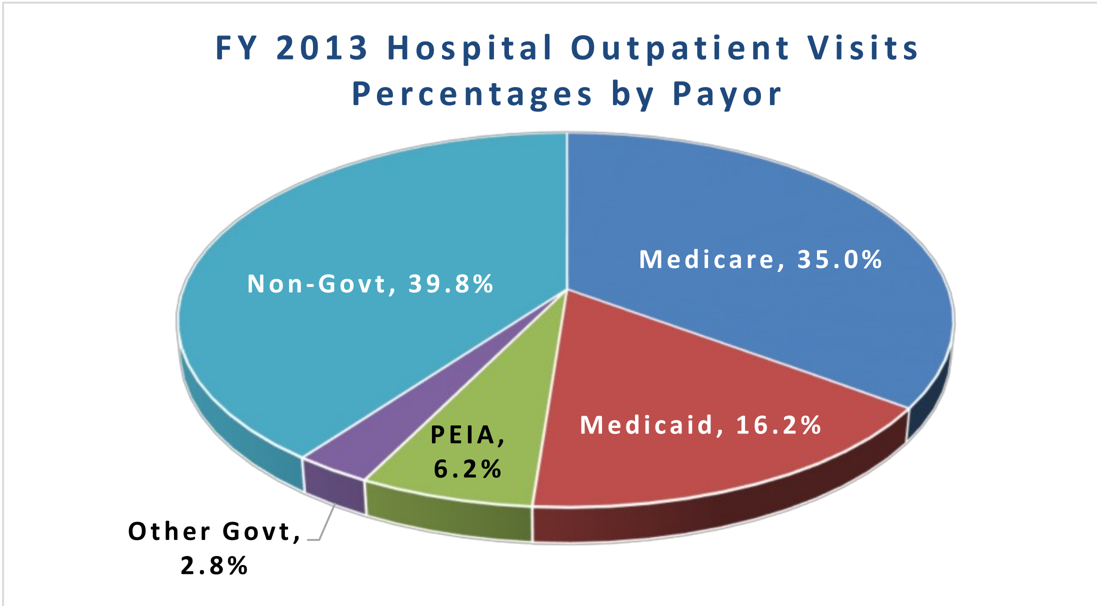


Nongovernmental and Medicare patients comprise almost three-quarters of total outpatient visits. Nongovernmental outpatient visits equaled 3.1 million (39.8%) in FY 2013, a slight decrease (1.2%) from the prior year. Since FY 2004 nongovernmental visits have increased by 14.6%. Nongovernmental gross outpatient revenue ($2.5 billion) accounted for approximately 36.3% of total gross outpatient revenue ($6.9 billion).

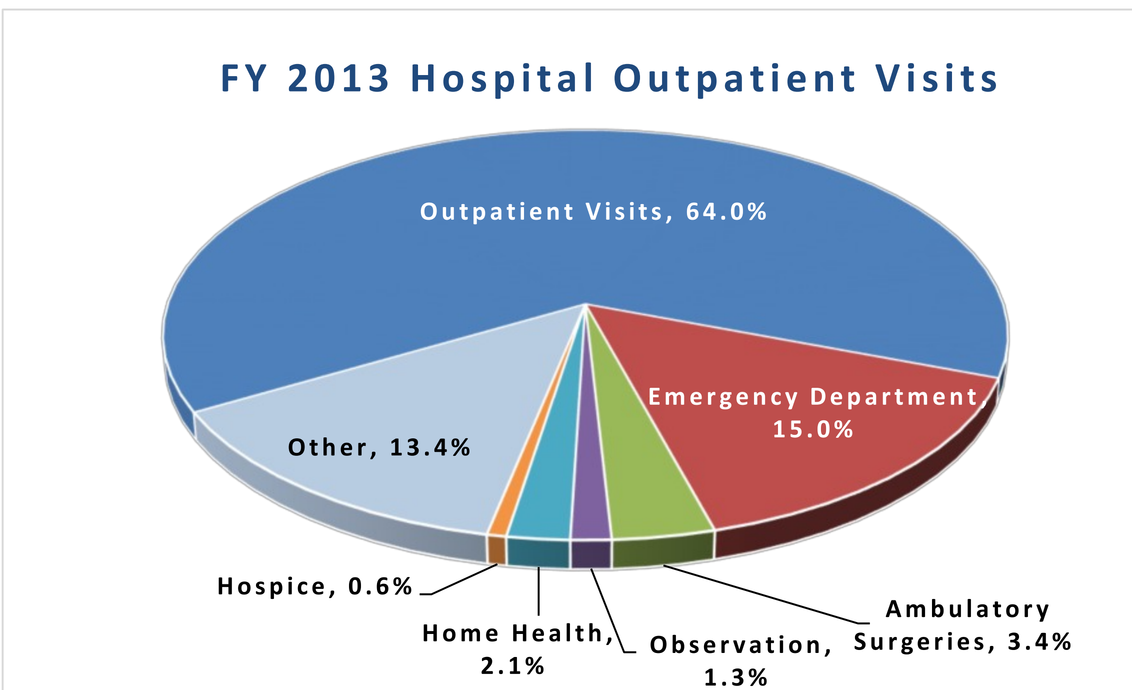
Medicare outpatient visits equaled 2.7 million visits (35.0%). Medicare gross patient revenue was $2.6 billion or 37.6% of gross outpatient revenue. Medicare visits grew 3.9% over the prior year and 21.0% since FY 2004.

Medicaid visits remained at 1.2 million in FY 2013 with a slight increase of 0.4%, about 16.2% of total visits. Gross outpatient revenue for Medicaid was 16.5%. PEIA and other governmental payors combined accounted for 9.0% of visits, and produced 9.7% of outpatient charges.





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.

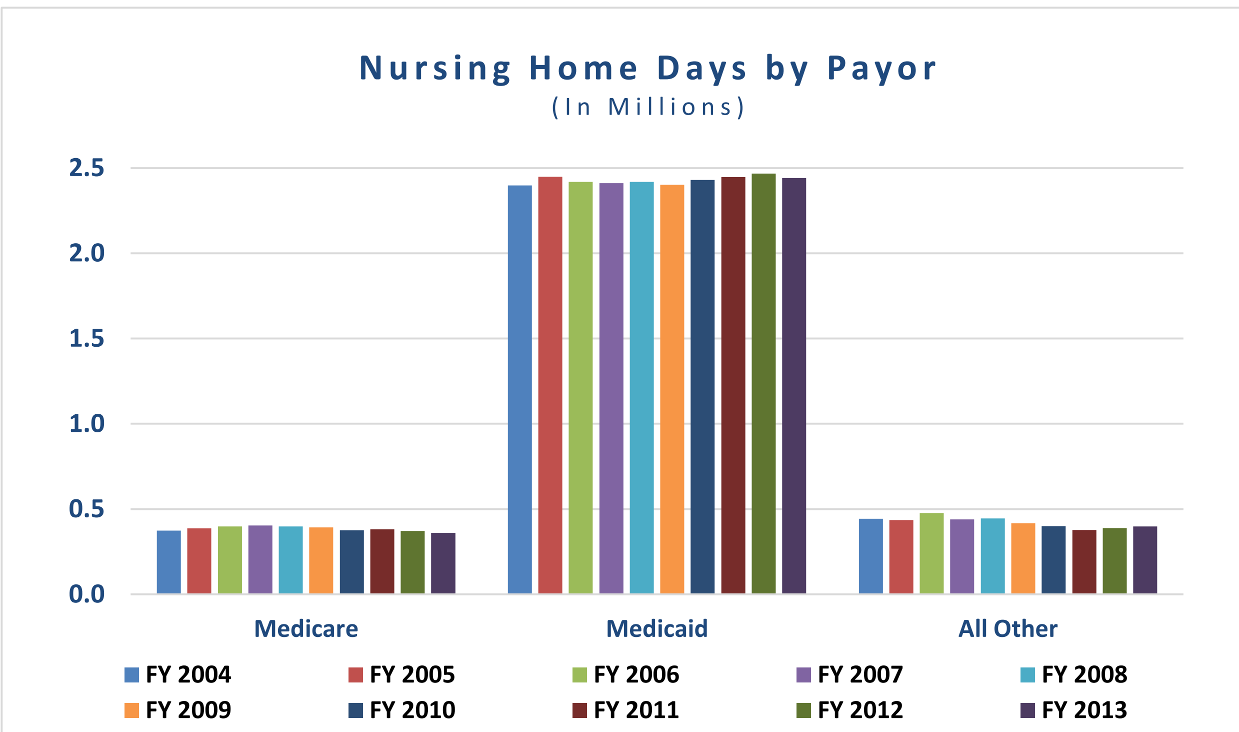


Nursing home utilization in FY 2013 remained stable at 3.2 million days with 9,905 licensed nursing home beds reported statewide. This equaled an occupancy rate of 88.5%.

The total population served during FY 2013 is estimated to be over 24,700. Population served is estimated by adding total discharges (15,874) to the census count (8,770) 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 87.6% of patient days. Medicaid, with 2.4 million inpatient days (76.3%), is by far the largest payor; Medicare days equal 360,121 (11.3%). 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 the hospital's 2013 fiscal year and is presented according to their respective service categories:

- general acute care – 31 hospitals
- critical access – 19 hospitals
- long-term acute care – 2 hospitals
- psychiatric – 4 hospitals
- rehabilitation – 5 hospitals.

The services provided by each type of hospital varies considerably, therefore each category is presented independently. Hospital data tables, available on the West Virginia Health Care Authority's website with the 2014 Annual Report, begin with general acute care hospital statistics followed by the other categories.

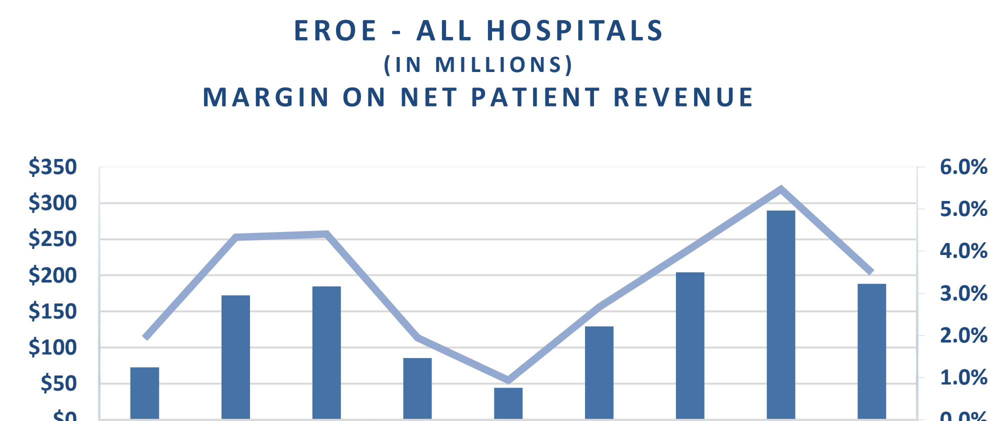
Hospital names are abbreviated in this narrative. A list of West Virginia hospitals and abbreviations used is included on pages 95-96.

As a group, West Virginia's 61 hospitals reported a decrease in profitability in FY 2013. 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 2013 was $188.1 million, 3.5% of net patient revenue (NPR), and a decrease of 35.1% from the prior year.

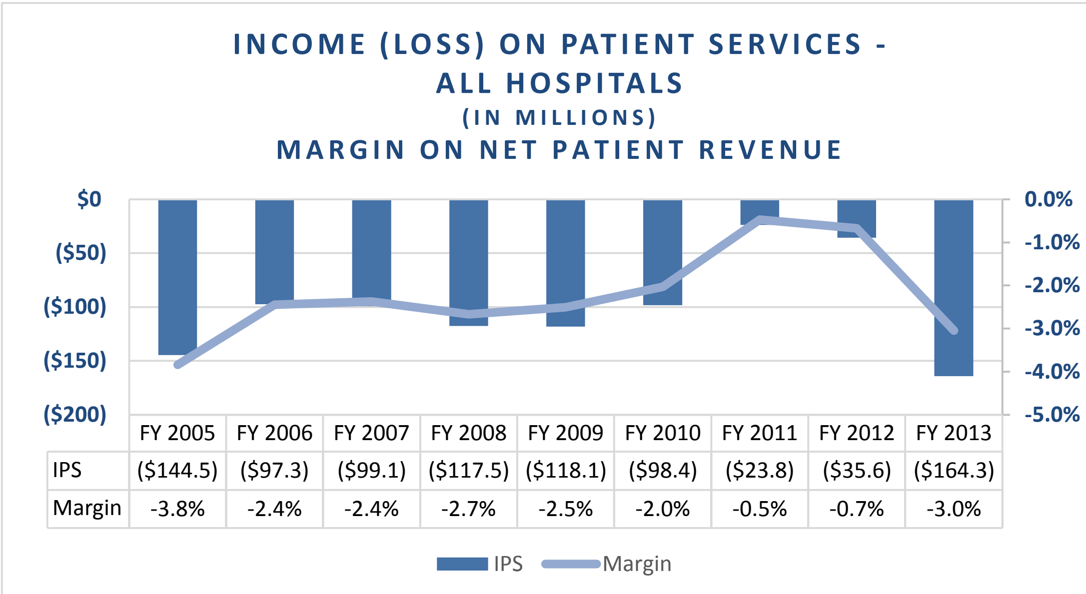


	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	$72.8	$172.5	$184.5	$85.6	$44.2	$129.5	$204.3	$289.8	$188.1
Margin	1.9%	4.3%	4.4%	1.9%	0.9%	2.7%	4.1%	5.5%	3.5%

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 decrease in the FY 2013 profit is due to an increase in expenses that was greater than the increase in net patient revenue.

- Losses on patient services (net patient revenue minus expenses) increased by $128.7 million in FY 2013. Net patient revenue increased by $96.4 million (1.8%), while expenses increased $225.1 million (4.2%).



	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
IPS	($144.5)	($97.3)	($99.1)	($117.5)	($118.1)	($98.4)	($23.8)	($35.6)	($164.3)
Margin	-3.8%	-2.4%	-2.4%	-2.7%	-2.5%	-2.0%	-0.5%	-0.7%	-3.0%

Special Items of Note

- ♦ *The Health Care Authority (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 the FY 2013 annual report, except where noted otherwise, are pre-tax, pre-extraordinary item, and exclude 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.*

- ♦ *Jackson General Hospital became a Critical Access Hospital on October 1, 2012, which is the first day of the hospital's 2013 fiscal year. In this report Jackson General is included in the Critical Access category. In last year's Annual Report it was reported with the General Acute Care category.*

- ♦ *In FY 2013 two hospitals within the West Virginia University Health System were renamed. City Hospital, in Martinsburg, WV, became Berkeley Medical Center. Jefferson Memorial*

Hospital, in Ranson, WV, became Jefferson Medical Center. The new names are used in this report.

- *On December 3, 2013, CamdenClark Medical Center received a CON for the consolidation of services provided at its St. Joseph's Campus with the Memorial Campus (previously known as Camden-Clark Memorial Hospital). The closure was completed August 2014.*

- *On August 19, 2013, Highland Hospital – Clarksburg began operation of Phase 1 as a new 150 bed psychiatric Hospital. It is housed in United Hospital Center's previous facility. Data will be included for FY 2014 in the WVHCA's 2015 Annual Report.*

- *Current hospital news of note includes the following 2014 Certificate of Need (CON) activity:*
  - *Preston Memorial Hospital merged with Mon Health System (MHS), with MHS remaining as the governing entity. Preston Memorial also received funding through a construction loan, guaranteed by MHS, for a new hospital facility. It is expected to be complete in 2015.*
  - *Fairmont General Hospital was acquired in September 2014 by Alecto Health Services Fairmont, LLC; MPT of Fairmont-Alecto, LLC; MPT of Fairmont-Alecto Hospital, LLC. The hospital had sought Chapter 11 bankruptcy protection in 2013. The hospital was renamed Fairmont Regional Medical Center.*
  - *Acuity Specialty Hospital received CONs for the development of two Long-term Acute Care Hospitals to be located within Weirton Medical Center and Wheeling Hospital. They are in the process of being opened.*
  - *Potomac Valley Hospital was purchased by West Virginia United Health Systems, Inc. for $22 million after being granted a CON for the purchase in 2013.*
  - *United Hospital Center filed a Letter of Intent on November 3, 2014 for the purchase of St. Joseph's Hospital of Buckhannon from the Pallotine Sisters.*
  - *Appalachian Regional Healthcare submitted a CON application to the Authority for the acquisition of the Williamson Memorial from Community Health Systems, Inc. Two affected parties requested administrative hearings be held. As of this writing the decision is pending.*
  - *Cabell Huntington Hospital, Inc., filed a Letter of Intent on December 23, 2014 to acquire St. Mary's Medical Center at a cost of $175.0 million.*

- *Boone Memorial Hospital started construction in August 2014 for a new hospital facility, which is expected to be completed in 2016. In FY 2013 the hospital became a private, not-for-profit entity; prior to that the facility was owned by Boone County.*

- *Mountain View Rehabilitation re-established a 16 bed satellite site located in Bridgeport, WV, adding 16 beds to its license. Space for the rehabilitation unit is leased from United Hospital Center.*

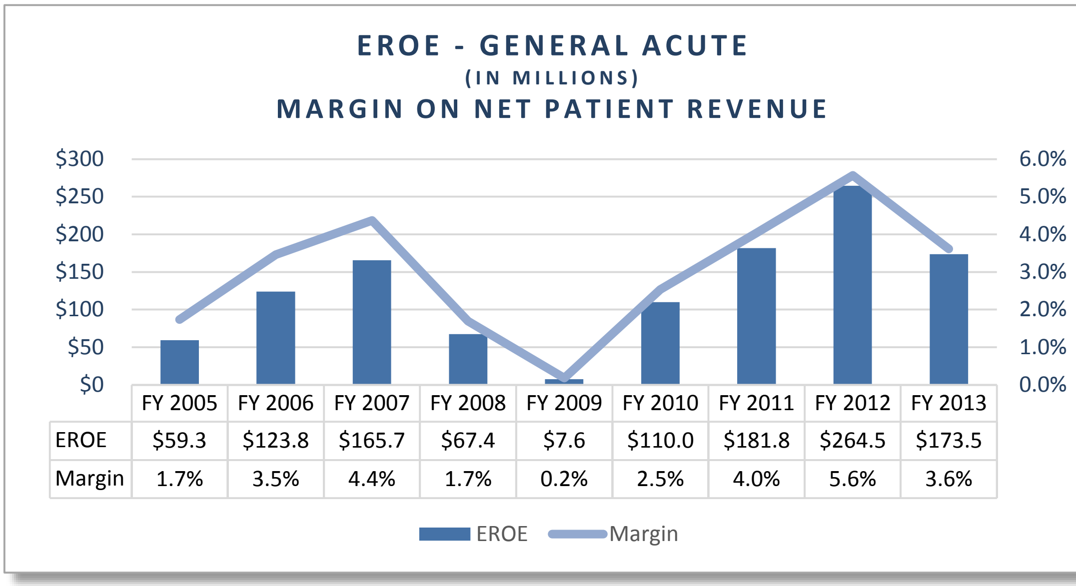
General Acute Care Hospitals

These hospitals primarily provide short-stay, medical-surgical services, although they may include units providing a wide range of other services. There were 31 general acute care hospitals in FY 2013 after Jackson General's re-licensing as a critical access hospital.

Financial Results

Financial items of note regarding the general acute care hospitals:

- Profits from acute care hospitals were down $91.0 million, decreasing from $264.5 million (5.6% of NPR) in FY 2012 to $173.5 million in FY 2013 (3.6% of NPR).



	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	$59.3	$123.8	$165.7	$67.4	$7.6	$110.0	$181.8	$264.5	$173.5
Margin	1.7%	3.5%	4.4%	1.7%	0.2%	2.5%	4.0%	5.6%	3.6%

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

- Profitability decreased in FY 2013 due to a 3.7% increase in operating expenses that outpaced a 1.2% increase in net patient revenue.

- Twenty-seven of the 31 general acute hospitals reported a decrease in income from patients from the prior year. Four hospitals reported either an improvement in income from patient services or reduced losses on patient care.

- Five hospitals reported an increase in EROE, each increase was more than $1.0 million: Weirton ($10.7 million), Princeton ($9.2 million), St. Mary's ($3.0 million), Wheeling ($2.8 million), and St. Francis ($1.6 million).
    - Weirton had a loss of $9.3 million in FY 2012, but reported a profit of $1.4 million in FY 2013.
    - Princeton, St. Francis, St. Mary's and Wheeling were profitable in FY 2012 and reported increased profits in FY 2013.

- Eighteen of the 31 acute care hospitals reported a profit for FY 2013. Twenty-two out of 32 acute care hospitals, including Jackson General, reported a profit for FY 2012. Positive EROEs ranged from WVUH's $49.2 million (7.4% of NPR) to CAMC Teays Valley's $603,000 (1.2% of NPR). The average profit for these 18 hospitals was $13.0 million, down from $13.7 million in FY 2012.

Hospitals with a Positive EROE – General Acute

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

- Thirteen hospitals reported losses ranging from CamdenClark's loss of $11.4 million (5.4% of NPR) to Stonewall Jackson's $340,000 loss (0.9% of NPR). The average loss was $4.7 million.

- Three hospitals reported margins (profits as a percentage of NPR) greater than 10%: Charleston Surgical (32.0%), Greenbrier Valley (17.1%), and Princeton (10.8%).

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

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

- Seven hospitals had a margin between 5.0% and 9.9%: Raleigh General (9.2%), WVUH (7.4%), United Hospital (6.2%), Cabell Huntington (5.8%), CAMC (5.6%), Beckley ARH (5.6%), and Wheeling (5.1%).

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

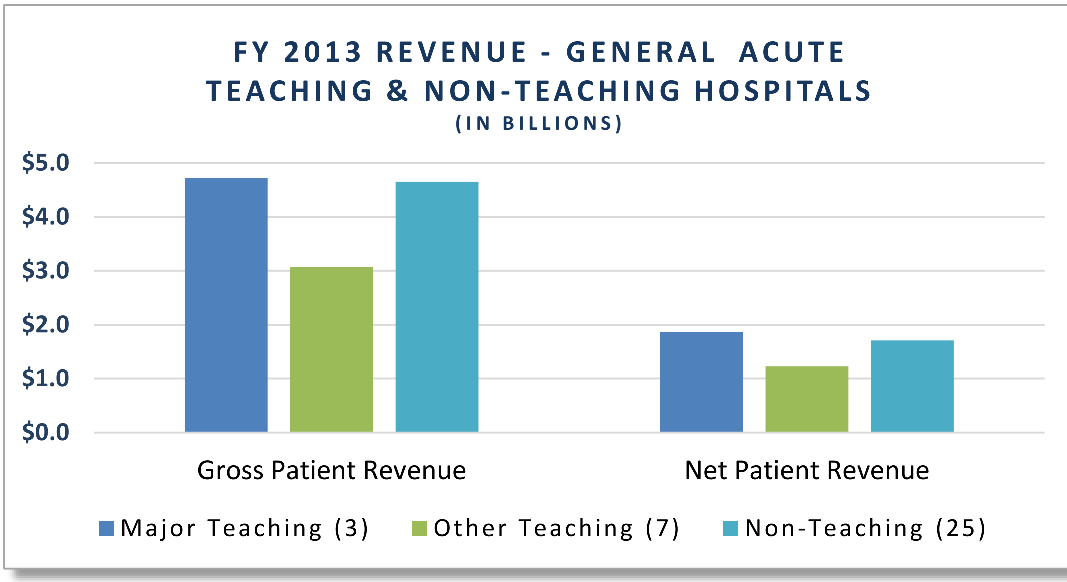
2005	2006	2007	2008	2009	2010	2011	2012	2013
3	8	7	1	2	5	7	8	7

Teaching Hospitals

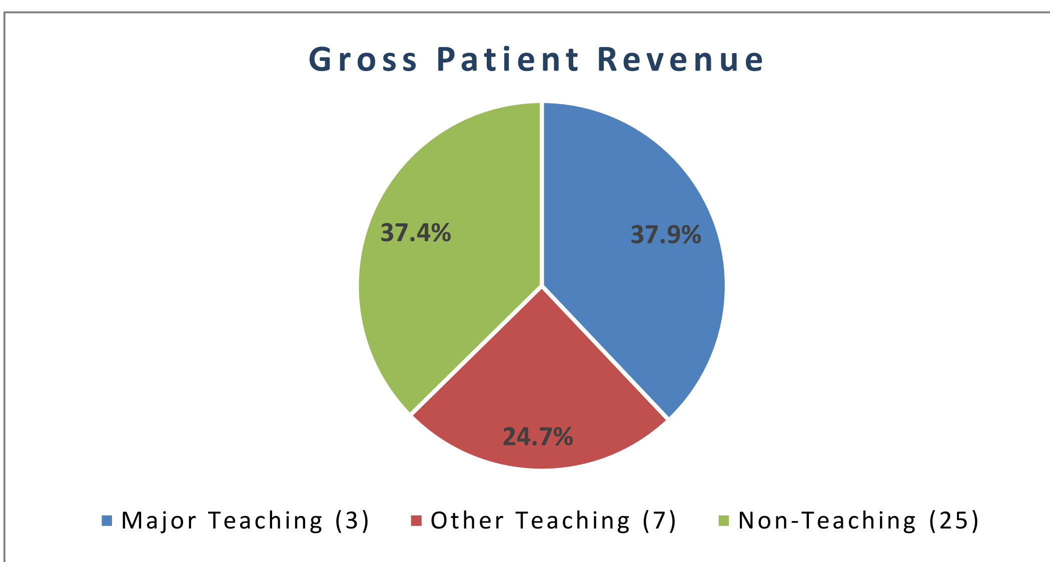
For 2013, the Centers for Medicare and Medicaid identified ten of the state's hospitals as teaching hospitals. Three of these hospitals are members of the Council of Teaching Hospitals (COTH), according to the COTH website: Cabell Huntington, CAMC and WVUH. Membership in COTH is often used as an identifier of major teaching hospital status. The other seven teaching hospitals are Berkley Medical, Bluefield Regional, CamdenClark, 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 $4.72 billion in gross patient revenue, slightly more than the 25 non-teaching hospitals with $4.65 billion in gross patient revenue. The seven other teaching hospitals reported $3.1 billion in gross patient revenue.



- The ten state teaching hospitals reported 62.6% of the gross patient revenue for all acute care hospitals and 64.4% of the net patient revenue, with the three major hospitals accounting for two-thirds of the total teaching gross patient revenue.



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. 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 not included except in this section of the report.

- In FY 2013 ten hospitals reported combined net income of $110.5 million due to market fluctuations of derivative agreements and accounting changes. All ten hospitals reported gains in market fluctuations. Last year, while there was an overall gain, four hospitals reported net market losses.

***Aggregate Derivative Market and**
Certain Accounting Gains/(Losses) – General Acute
(in millions)

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

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

Two WVUH System hospitals reported the largest gains in FY 2013 from these types of market fluctuations, which include derivatives:

- WVU Hospitals - $50.7 million, up from a gain of $19.8 million in FY 2012; and,
- United Hospital - $15.7 million, up from a gain of $4.9 million.

Market fluctuations continue to occur with the potential for significant swings in profitability in the future. If these gains were included in the FY 2013 data, the aggregate profit of $173.5 million for general acute care hospitals would increase to $284.0 million.

Another significant accounting item that was not included with the other aggregate EROE is related to a $41.2 million impairment loss by CamdenClark on the carrying value of the St. Joseph's campus that exceeded the estimated value. This was reported as an extraordinary item and was not used in the aggregate EROE that does not include taxes, market changes and extraordinary items.

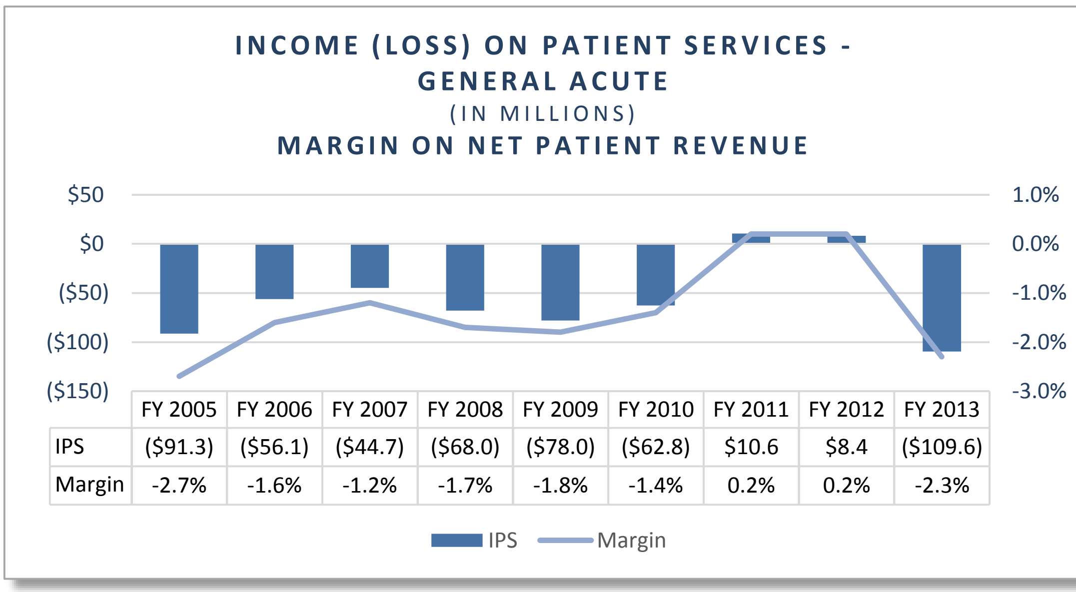
Patient Services

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 $109.6 million (2.3% of NPR) a $118.0 million decrease from the FY 2012 income of $8.4 million (0.2% of NPR).

- Since the mid-1990s general acute hospitals have reported aggregate losses on patient services, except for FY 2011 and FY 2012.

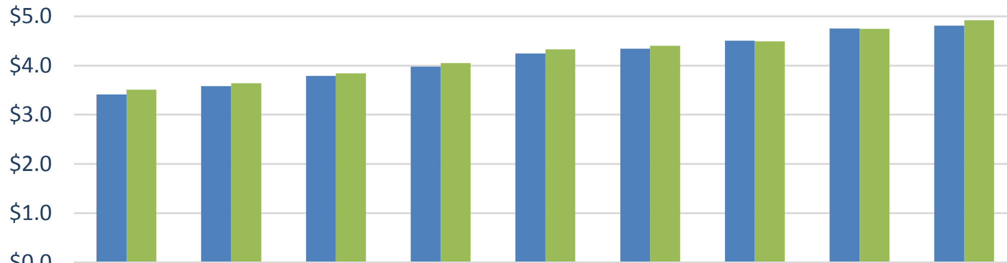
- The last loss on patient care that was greater than $100.0 million was in FY 2002 with a loss of $101.4 million.



	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
IPS	($91.3)	($56.1)	($44.7)	($68.0)	($78.0)	($62.8)	$10.6	$8.4	($109.6)
Margin	-2.7%	-1.6%	-1.2%	-1.7%	-1.8%	-1.4%	0.2%	0.2%	-2.3%

- The FY 2013 loss from patient services occurred with a $175.7 million (3.7%) increase in operating expenses and a $57.7 million (1.2%) increase in net patient revenue.

NET PATIENT REVENUE AND
OPERATING EXPENSES – GENERAL ACUTE
(COMPONENTS OF INCOME FROM PATIENT SERVICES)
(IN BILLIONS)



	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
NPR	$3.4	$3.6	$3.8	$4.0	$4.2	$4.3	$4.5	$4.8	$4.8
Op. Exp.	$3.5	$3.6	$3.8	$4.1	$4.3	$4.4	$4.5	$4.7	$4.9

- Nine of the 31 general acute care hospitals reported a positive income from patient services ranging from $11.0 million (16.4% of NPR) at Greenbrier Valley to $1.8 million (2.1% of NPR) at Logan Regional. The average income from patient services for these nine hospitals was $6.0 million.

- Positive margins on income from patient services ranged from 31.3% ($5.9 million) at Charleston Surgical to 1.8% ($7.3 million) at Cabell Huntington.

- Two hospitals, both for-profit, reported margins greater than 10%: Charleston Surgical (31.3%) and Greenbrier Valley (16.4%). Four hospitals had margins above 10% in the prior year.

- Twenty-two hospitals reported losses on patient services in FY 2013, an increase from 20 in the prior year. The average loss from patient services for these hospitals was $7.5 million.

- Losses on patient services ranged from $26.9 million (12.7% of NPR) at CamdenClark to $1.8 million (3.6% on NPR) at CAMC Teays Valley.

- Negative margins on patient services ranged from 51.5% ($10.3 million) at Welch Community to 0.8% ($5.6 million) at WVUH.

Uncompensated Care

Uncompensated care, which is comprised of bad debt and charity care, remained at 6.4% of gross patient revenue (GPR) for the fourth year. Uncompensated care as a percentage of gross patient revenue has remained relatively constant (0.5% fluctuation) during the last nine years.

Uncompensated Care as % of Gross Patient Revenue – General Acute

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

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 $4.9 billion were reported in FY 2013, an increase of 3.7% over FY 2012. The average rate of increase over the last ten years is 4.5%.

Operating Expenses – General Acute
(in billions)
Percentage Increases over Prior Year

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

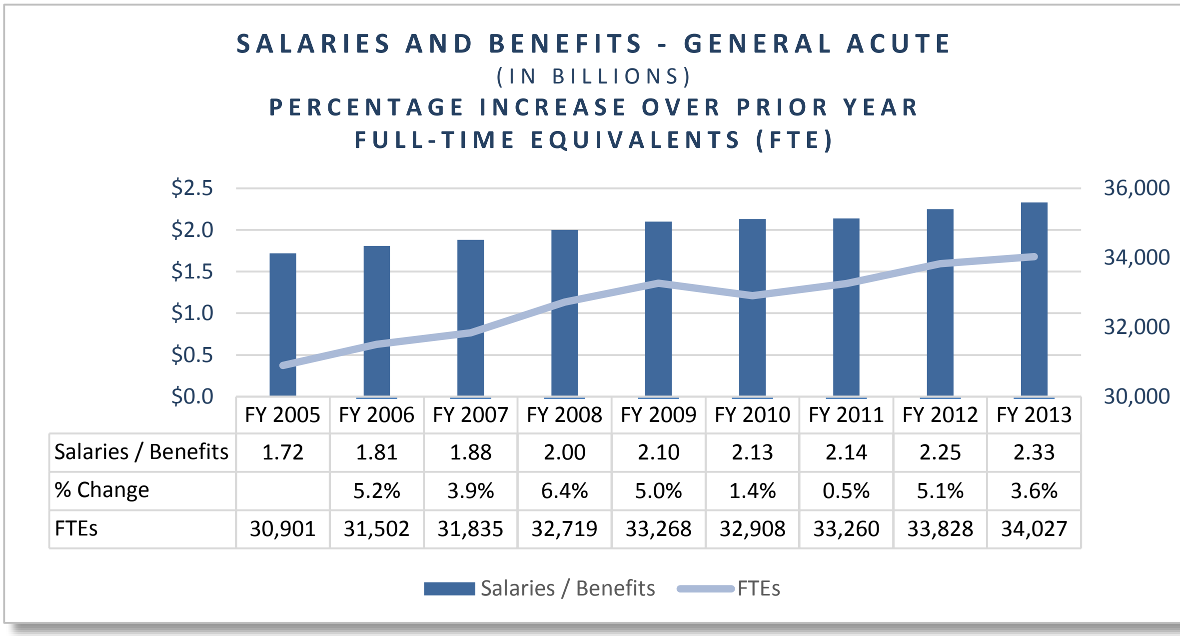
- Twenty-four hospitals reported an increase in operating expenses. Three hospitals reported an increase greater than 10%: Weirton Medical (10.7%), Berkeley Medical (10.3%), and Bluefield Regional (10.1%).

- Three hospitals reduced operating expenses more than $1 million: Logan Regional ($5.0 million), Williamson ($3.6 million), and Raleigh General ($1.8 million).

- Total salaries and benefits increased $86.7 million (3.9%) to $2.3 billion. This is the largest component of total operating expenses (47.3%). Cabell Huntington reported the largest increase of $19.6 million (11.1%), next was WVUH with an increase of $17.8 million (6.2%) and third was CAMC with a $17.6 million (5.0%) increase.

    - Cabell Huntington reported an increase of 104 FTEs (5.3%) and a 5.6% increase in the average salary.
    - WVUH reported an increase of 218 FTEs (4.7%) and 1.4% increase in average salary.

- CAMC reported an increase of 49 FTEs (1.0%) and 4.0% increase in average salary.
- The largest percentage increase in FTEs was reported by Fairmont (14.9%); however, the average salary decreased by 10.8%.



	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Salaries / Benefits	1.72	1.81	1.88	2.00	2.10	2.13	2.14	2.25	2.33
% Change		5.2%	3.9%	6.4%	5.0%	1.4%	0.5%	5.1%	3.6%
FTEs	30,901	31,502	31,835	32,719	33,268	32,908	33,260	33,828	34,027

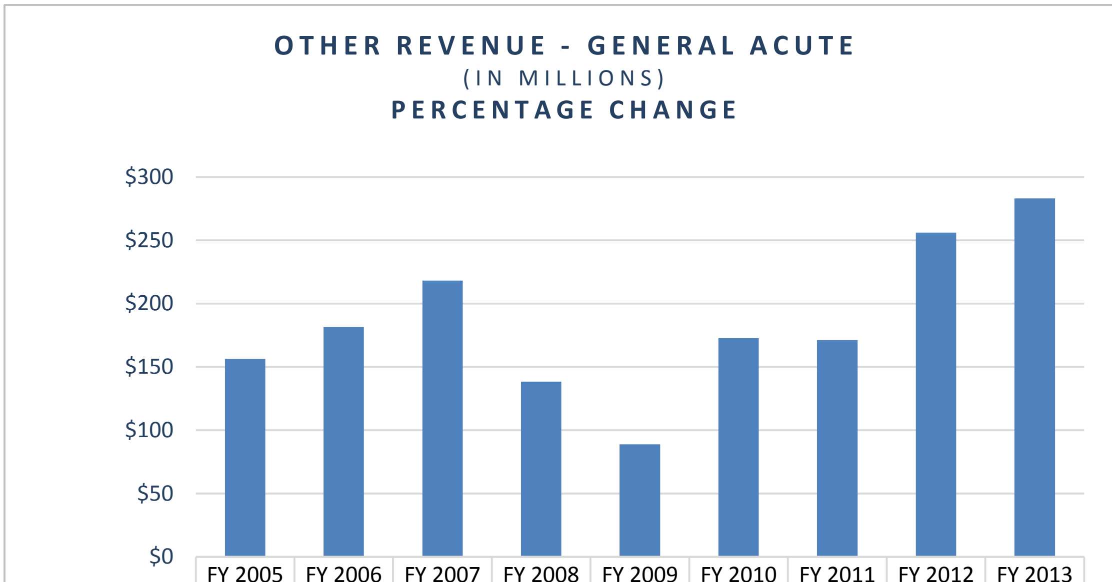
- Eight hospitals reduced salaries and benefits from the prior year, five by more than $1.0 million.

  - Raleigh General reported a decrease of $3.3 million (5.1%) and a decrease in FTEs of 15 (1.5%), lowering the average salaries and benefits by 3.7%.
  - CamdenClark reported a decrease of $2.8 million (2.9%) and a decrease in FTEs of 86 (4.8%).
  - Williamson reported a decrease of $2.4 million (13.1%) and a decrease in FTEs of 11 (4.4%), reducing the average salary and benefits by 9.1%.
  - Logan Regional reported a decrease of $2.0 million (5.0%) and a decrease in FTEs of 30 (4.7%), resulting in a slight 0.3% reduction in the average.
  - Welch Community reported a $1.7 million (11.0%) and a decrease in two FTEs, lowering the average by 10.5%.

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. Items of note include:

- Other revenues equaled $283.1 million, a 10.6% increase over FY 2012.



	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Other Revenue	$156.4	$181.6	$218.2	$138.3	$88.8	$172.8	$171.2	$256.1	$283.1
% Change		16.1%	20.2%	-36.6%	-35.8%	94.6%	-0.9%	49.6%	10.5%

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: CAMC ($70.4 million), WVUH ($54.8 million), and Wheeling ($21.2 million).

- Four hospitals had other revenue between $10.0 million and $20.0 million: United ($17.3 million), Cabell Huntington ($16.5 million), CamdenClark ($15.5 million), and St. Mary's ($10.2 million).

- The other revenue for the remaining 24 hospitals ranged from $9.6 million (Ohio Valley) to a loss of $2.5 million (Williamson). The average amount of other revenue for all 31 general acute hospitals was $9.1 million.

- Eighteen hospitals reported increases in other revenue for FY 2013.

- Nine of the 18 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

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

Critical Access Hospitals

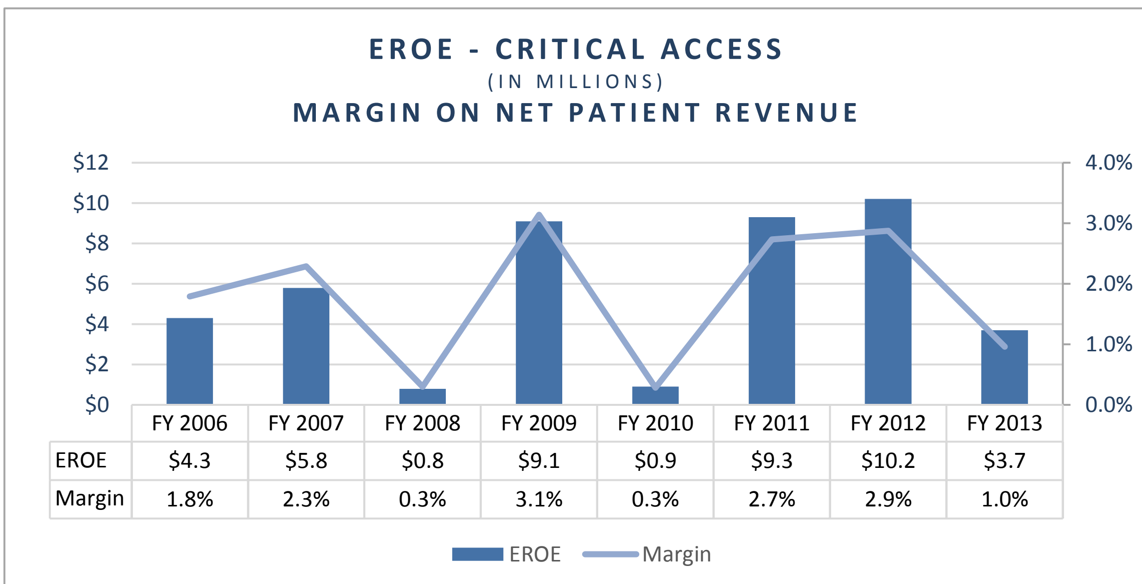
Critical Access is a federal designation for a small rural hospital where cost-based reimbursement is provided for limited acute care services in combination with swing-bed and skilled nursing care. There are 19 critical access hospitals.

Financial items of note regarding the critical access hospitals:

- Total profit for FY 2013 was $3.7 million (1.0% of NPR), including Jackson General, which was newly designated as a critical access hospital in FY 2013. The total profit reported for FY 2012 was $10.2 million (2.9% of NPR), which did not include Jackson General. The average EROE for FY 2013 and FY 2012 was $193,000 and $566,000, respectively.

- The decrease in profit of $6.5 million was due to an increase in operating expenses that exceeded an increase in net patient revenue by $11.3 million. Other revenue reduced the decrease in EROE by a $4.8 million increase.

- Without Jackson General's profit of $1.1 million in FY 2013, the decrease in profit would be $7.6 million.



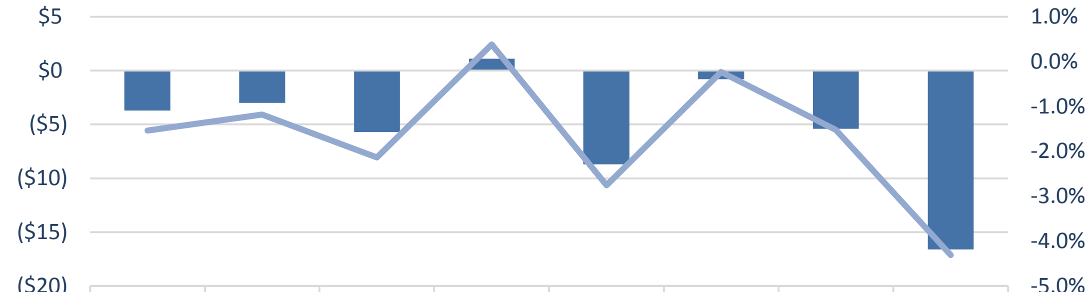
- Three fewer critical access hospitals reported profits in FY 2013 than in FY 2012.

Hospitals with Positive EROE

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Positive EROE	12	11	9	13	10	11	12	9

**Note: Grant Memorial and Jackson General became critical access hospitals, respectively, in FY 2010 and FY 2013.*

- The aggregate loss on patient services was $16.6 million (4.3% of NPR).



	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
IPS	($3.7)	($3.0)	($5.7)	$1.1	($8.7)	($0.8)	($5.4)	($16.6)
Margin	-1.5%	-1.2%	-2.1%	0.4%	-2.8%	-0.2%	-1.5%	-4.3%

- Three hospitals reported positive income from patient services for FY 2013.

Hospitals with Positive Income from Patient Services - Critical Access

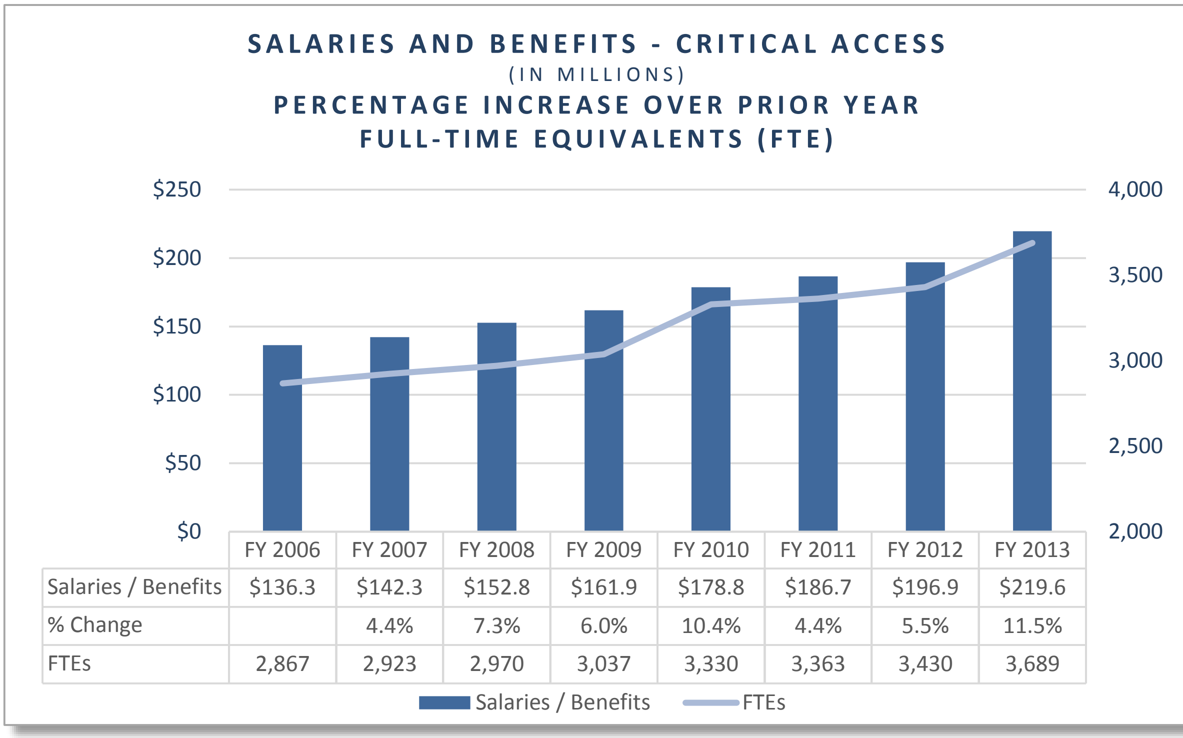
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010*	FY 2011	FY 2012	FY 2013
Positive IPS	6	6	5	7	3	5	5	3

Note: Grant Memorial and Jackson General became critical access hospitals, respectively, in FY 2010 and FY 2013.

- Other revenue, of $20.3 million, provided the aggregate EROE of $3.7 million after the loss on patient care of $16.6 million

- Uncompensated care of $76.4 million (9.6% of gross patient revenue) was reported.

- Employee compensation and benefits for critical access hospitals equaled $219.6 million, which equaled 54.7% of total operating expenses.



	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Salaries / Benefits	$136.3	$142.3	$152.8	$161.9	$178.8	$186.7	$196.9	$219.6
% Change		4.4%	7.3%	6.0%	10.4%	4.4%	5.5%	11.5%
FTEs	2,867	2,923	2,970	3,037	3,330	3,363	3,430	3,689

Note: Grant Memorial and Jackson General became critical access hospitals, respectively, in FY 2010 and FY 2013.

Items of note related to specific hospitals:

- In FY 2013 two hospitals reported profits greater than $1.0 million: Plateau Medical ($3.6 million, 10.5% of NPR) and Jackson General ($1.1 million, 4.7% of NPR). In FY 2012 six hospitals reported more than $1.0 million in profits.

- Profits ranged from $3.6 million (Plateau Medical) to $110,000 (Broaddus) for the nine profitable hospitals. The average profit was $923,000.

- Ten hospitals reported losses ranging from $1.7 million (Hampshire) to $29,000 (Pocahontas). The average loss was $463,000.

- The three hospitals that reported a positive income from patient services were: Plateau Medical ($2.0 million, 5.8% of NPR), Jackson General ($583,000, 2.5% of NPR) and Preston Memorial ($230,000, 0.9% of NPR).

- Losses on patient services ranged from Minnie Hamilton's $2.9 million (19.3% on NPR) to War Memorial $187,000 (0.9% on NPR). The average loss was $1.2 million for the hospitals that reported losses on patient services.

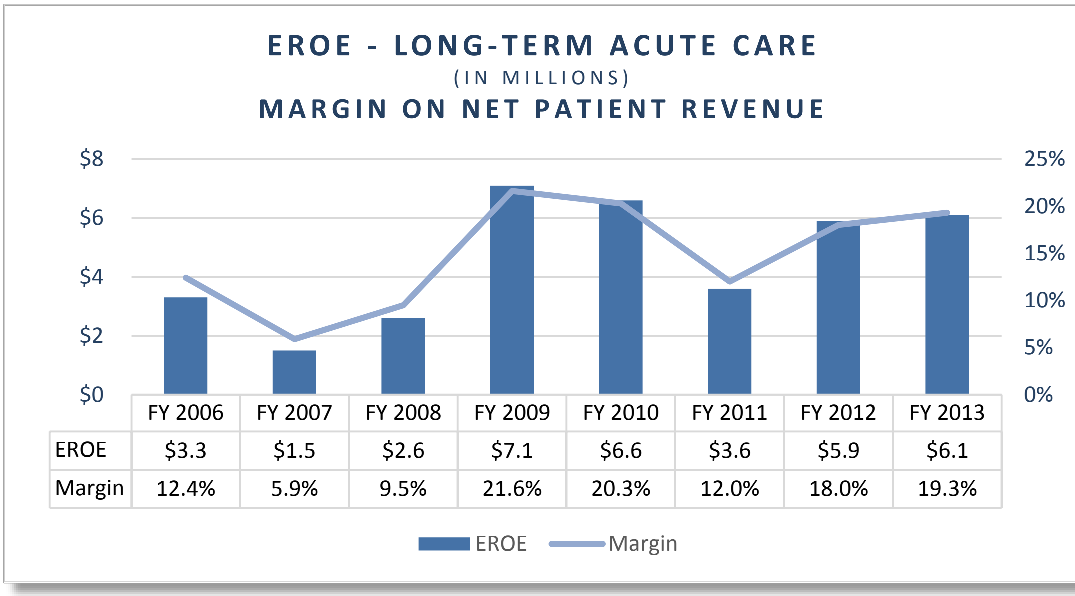
Long-term Acute Care Hospitals

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

Two LTCHs operated in West Virginia in FY 2013. 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 90.5%.

Items of note regarding the financial status of long-term acute care hospitals:

- Total profit for FY 2013 was $6.1 million (19.3% of NPR).



	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	$3.3	$1.5	$2.6	$7.1	$6.6	$3.6	$5.9	$6.1
Margin	12.4%	5.9%	9.5%	21.6%	20.3%	12.0%	18.0%	19.3%

- For FY 2013 Cornerstone reported a profit of $4.2 million (28.6% of NPR) down from $4.5 million (28.5% of NPR) in the prior year.

- Select Specialty reported a profit of $1.9 million (11.1% of NPR) up from $1.3 million (8.0% of NPR) in FY 2012.

- Uncompensated care of $388,000, all of which was bad debt, was reported. This equaled 0.5% of gross patient revenue.

Psychiatric Hospitals

Two private (Highland and River Park) and two state (Mildred Mitchell Bateman and William R. Sharpe, Jr.) hospitals operate as free-standing psychiatric hospitals in West Virginia. Although both the private and state hospitals treat patients with mental illness, state-run facilities have taken the lead role in providing publicly funded care. Payor mix and coverage for the uninsured are substantially different between private and state-run hospitals. Consequently, state-run facilities provided over $33 million in uncompensated care. The two private facilities reported $680,000 in uncompensated care.

Aggregate losses for the psychiatric facilities as a sector equaled $10.9 million. These facilities provided a total of 505 licensed psychiatric beds in West Virginia. The state hospitals have 260 beds and private hospitals have 245 beds. General acute care hospitals reported an additional 603 psychiatric beds.

Financial items related to the private psychiatric hospitals:

- For FY 2013 there was an aggregate loss of $49,000 (0.1% of NPR), a decrease from the FY 2012 profit of $1.2 million (3.3% of NPR).

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

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

- Income from patient services decreased. Increases in operating expenses outpaced increases in net patient revenue by $1.7 million.

- River Park reported an EROE of $808,000 (1.9% of NPR) in FY 2013. The prior year's profit was $473,000 (1.9% of NPR).

- River Park's expenses increased by $957,000 while net patient revenue increased by $1.3 million. The hospital's operating expense includes a 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 eleven fiscal years. The average profit for River Park for the five years prior to the Capital Charge was $2.1 million.

- Highland reported a loss of $856,000 (5.2% of NPR), down from a profit of $761,000 (6.4% of NPR) in FY 2012.

- Highland's occupancy rate was 75.3% of its 80 licensed beds, the lowest rate of all four psychiatric hospitals. River Park reported an occupancy rate of 86.4% for its 165 licensed beds.

Financial items related to the state psychiatric hospitals:

- The aggregate loss was $10.9 million (47.4% of NPR). Prior year losses were $7.6 million (32.3% of NPR).

EROE – State Psychiatric
(In thousands)
Margin on Net Patient Revenue

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	($2,513)	($9,584)	($4,014)	($2,318)	($9,934)	($13,695)	($7,605)	($10,855)
Margin*		NA	NA	NA	(41.8%)	(63.0%)	(32.3%)	(47.4%)

*Current margin calculation is not comparable with prior to 2010 due to reporting changes of state allocations.

- Net patient revenue of $22.9 million and operating expenses of $82.6 million was reported for the year, resulting in a loss on patient services of $59.7 million (260.8% of NPR). The loss on patient services in FY 2012 was $60.6 million (257.6% of NPR).

- Other revenue of $48.9 million, which includes state appropriations, reduced losses on patient care. The state hospitals operate at full capacity with extremely high levels of uncompensated care at 44.5% of gross patient revenue.

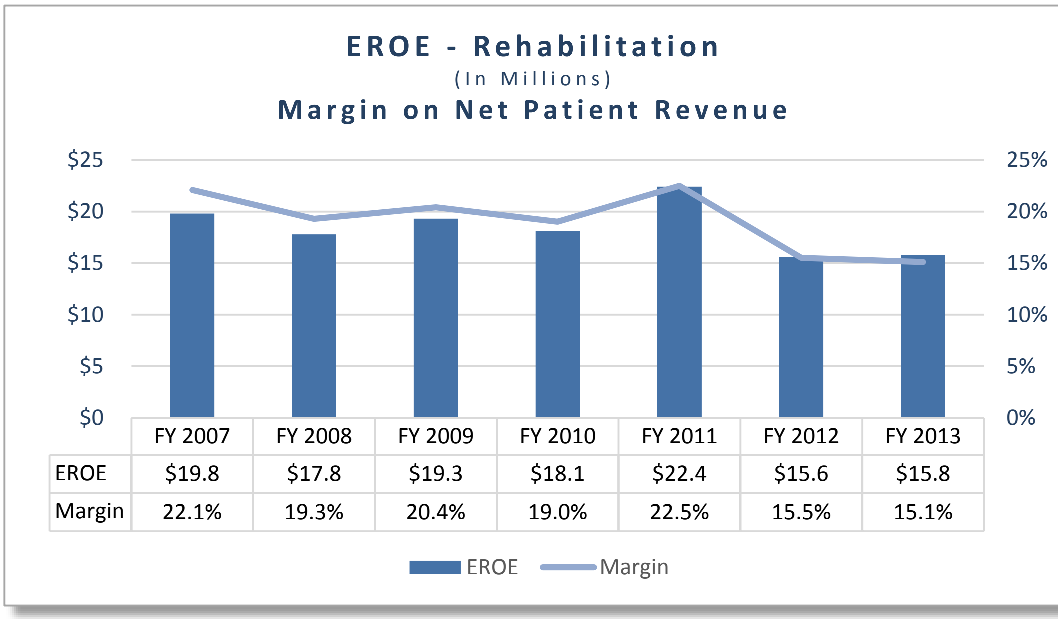
- Mildred M. Bateman, one of the two state hospitals, reported a loss of $5.8 million (57.4% of NPR). Sharpe, the other state facility, reported a loss of $5.0 million (39.5% of NPR).

Rehabilitation Hospitals

In FY 2013 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 the state.

Items of note regarding the financial status of the rehabilitation hospitals:

- Aggregate profit was $15.8 million (15.1% of NPR) for FY 2013, an increase of $169,000 over the profit of $15.6 million (15.5% of NPR) reported in the prior year.



	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	$19.8	$17.8	$19.3	$18.1	$22.4	$15.6	$15.8
Margin	22.1%	19.3%	20.4%	19.0%	22.5%	15.5%	15.1%

- Income from patient services accounts for 104.7% of the rehabilitation hospitals' profit levels.

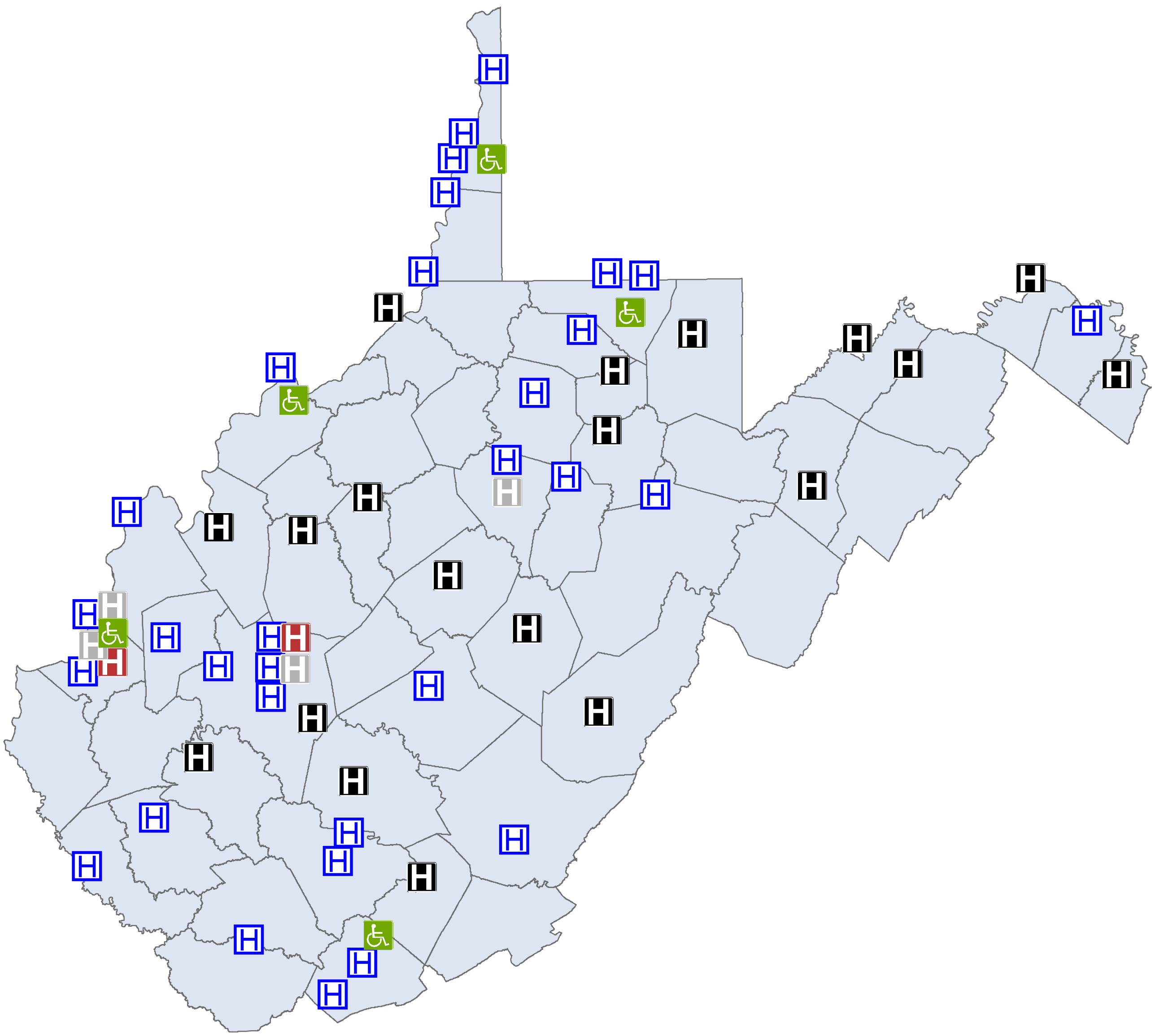
- Net patient revenue increased by $4.1 million (4.1%), while operating expenses increased by $2.9 million (3.5%) resulting in a $1.2 million increase in income from patient services.

- For FY 2013 other revenue was reported at an aggregate loss of $734,000. Three of the four HealthSouth hospitals reported losses in other revenue; Huntington Rehab reported the largest loss of $708,000. In FY 2012 other revenue was an aggregate $250,000.

- Discharges increased 2.3% to 5,657 and days increased 1.7% to 121,614. The aggregate occupancy rate for FY 2013 was 77.5%.

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

West Virginia Hospitals



Acute Care Hospital (31)
Critical Access Hospital (19)
Rehabilitation Hospitals (5)
Psychiatric Hospital (4)
Long Term Acute Care Hospitals (2)

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.

Key findings for all reporting requirements in 2013 by hospital type are provided. For those years where reporting for multiple years has occurred, comparisons will also be provided.

Central-Line Associated Blood Stream Infection (CLABSI)

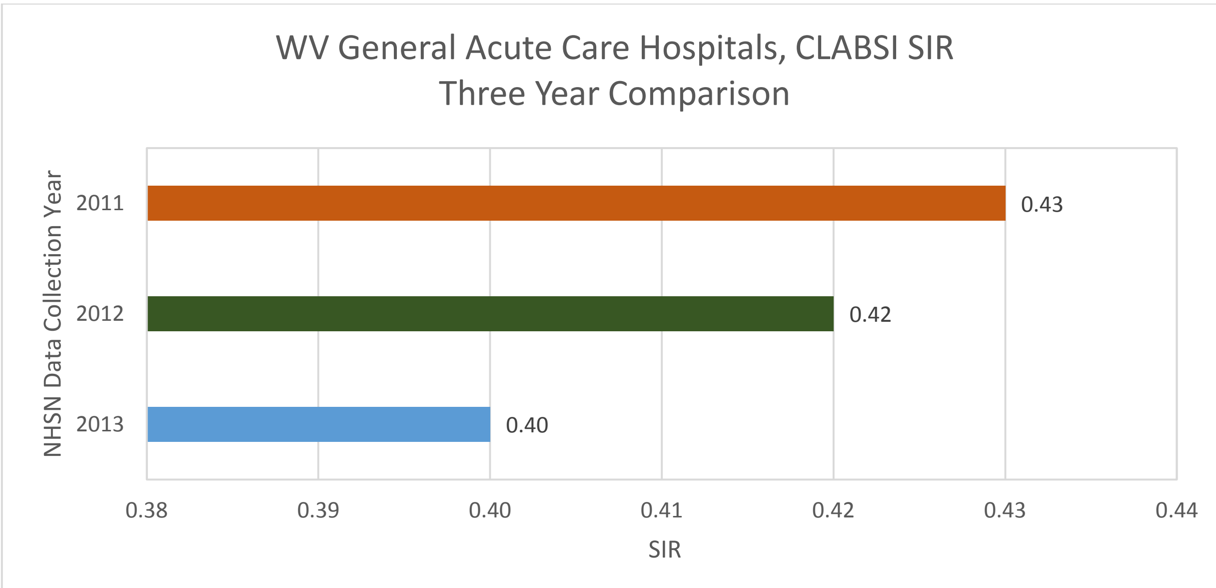
A central line, also known as a central catheter, is a tube that is inserted into a large vein, usually in the neck, chest, arm, or groin and is commonly used to administer fluids and medications as well as draw blood. Depending on its use in the patient, it may be left in place for days to weeks in 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 been required to report data on CLABSIs that occur among patients in all ICUs.

Key Findings for General Acute Care (GAC) Hospitals

- 71 CLABSIs were reported in all ICUs in West Virginia GAC hospitals.

- The West Virginia standardized infection ratio (SIR) was 0.40, indicating that 60% fewer CLABSI events occurred than the NHSN baseline expected.
- A statistically significant fewer number of CLABSIs occurred in these units in West Virginia GAC hospitals than were expected based on national baseline set by NHSN.
- Since data collection began for CLABSI for GAC hospitals, the SIR has trended downward, indicating a reduction in the number of CLABSI events in WV compared to the expected number of CLABSI events. In 2011, the CLABSI SIR for WV GAC hospitals was 0.43 and in 2012, the CLABSI SIR was 0.42.



Key Findings for Long Term Acute Care Hospitals (LTCH)

- The CLABSI rate for Long Term Acute Care Facilities (LTCH) in West Virginia was 0.38 infections per 1,000 central line days in 2013.
- The 2013 rate of CLABSI for Long Term Acute Care Facilities (LTCH) is not significantly different, statistically, than the national rate from NHSN (1.00 infections per 1,000 central line days).

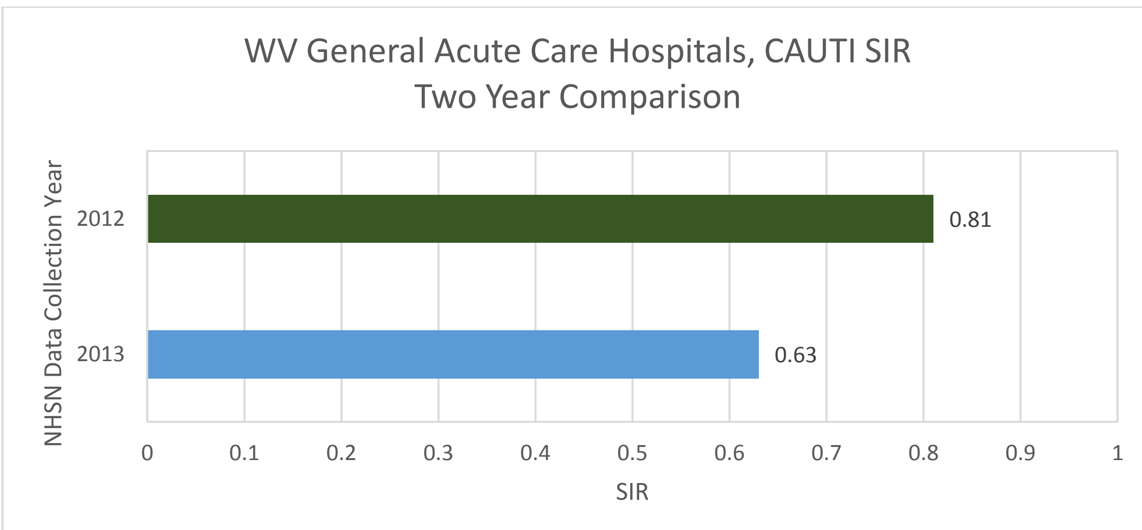
Catheter-Associated Urinary Tract Infection (CAUTI)

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 GAC 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 General Acute Care (GAC) Hospitals

- There were 135 CAUTIs reported for all West Virginia GAC Hospitals.
- The West Virginia SIR was 0.63, indicating that 37% fewer CAUTIs occurred than were expected.
- A statistically significant fewer number of CAUTIs occurred in West Virginia GAC hospitals than were expected based on the national baseline set by NHSN.
- Since data collection began for CAUTI for GAC hospitals in 2012, the SIR has trended downward, indicating a reduction in the number of CAUTI events in WV compared to the expected number of CAUTI events. In 2012, the CAUTI SIR for WV GAC hospitals was 0.81.



Key Findings for Long Term Acute Care Hospitals (LTCH)

- The CAUTI rate for Long Term Acute Care Facilities in West Virginia was 1.90 infections per 1,000 urinary catheter days.
- The rate of CAUTI for Long Term Acute Care Facilities is not significantly different, statistically, than the national rate (2.00 infections per 1,000 catheter days).

Key Findings for Critical Access Hospitals (CAH)

- There were 3 CAUTIs reported for all West Virginia CAHs.
- The number of CAUTIs that occurred in West Virginia CAHs in 2013 were statistically similar to those expected based on the national baseline.
- The West Virginia SIR was 0.54, indicating that 46% fewer CAUTIs occurred than the NHSN baseline expected.

Key Findings for Rehabilitation Hospitals, Freestanding

- The CAUTI rate for Freestanding Inpatient Rehabilitation Hospitals in West Virginia was 0.60 infections per 1,000 urinary catheter days.
- The rate of CAUTI for West Virginia Freestanding Inpatient Rehabilitation Hospitals is significantly lower, statistically, than the national rate.

Key Findings for Rehabilitation Hospitals, Within Hospital

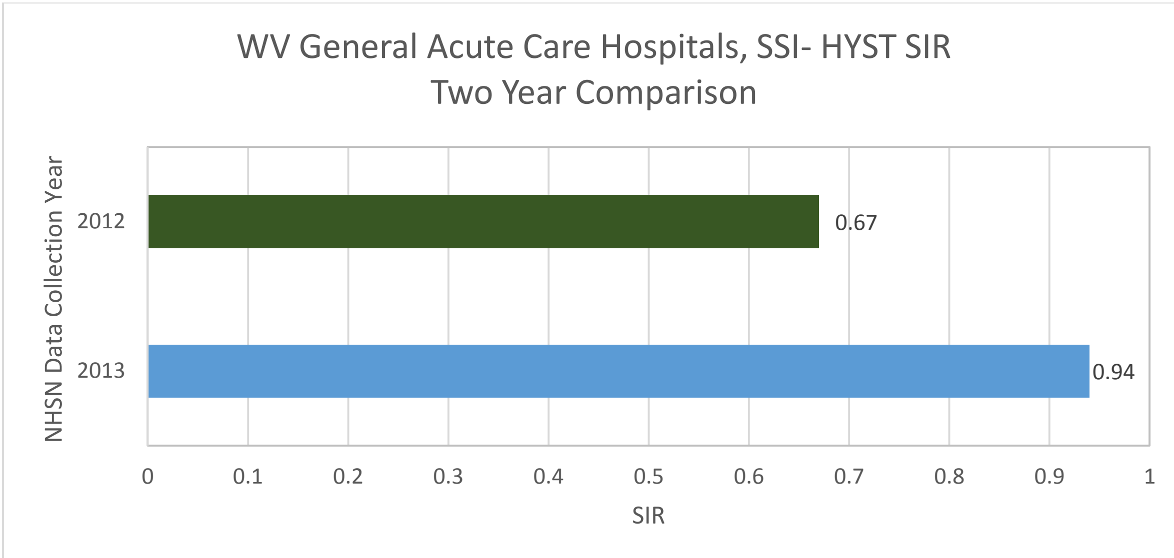
- The CAUTI rate for Inpatient Rehabilitation Hospitals (Units within Hospitals) in West Virginia was 0 infections per 1,000 urinary catheter days.
- The 2013 rate of CAUTI for West Virginia Inpatient Rehabilitation Hospitals (Units within Hospitals) is significantly lower, statistically, than the national rate from NHSN.

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.

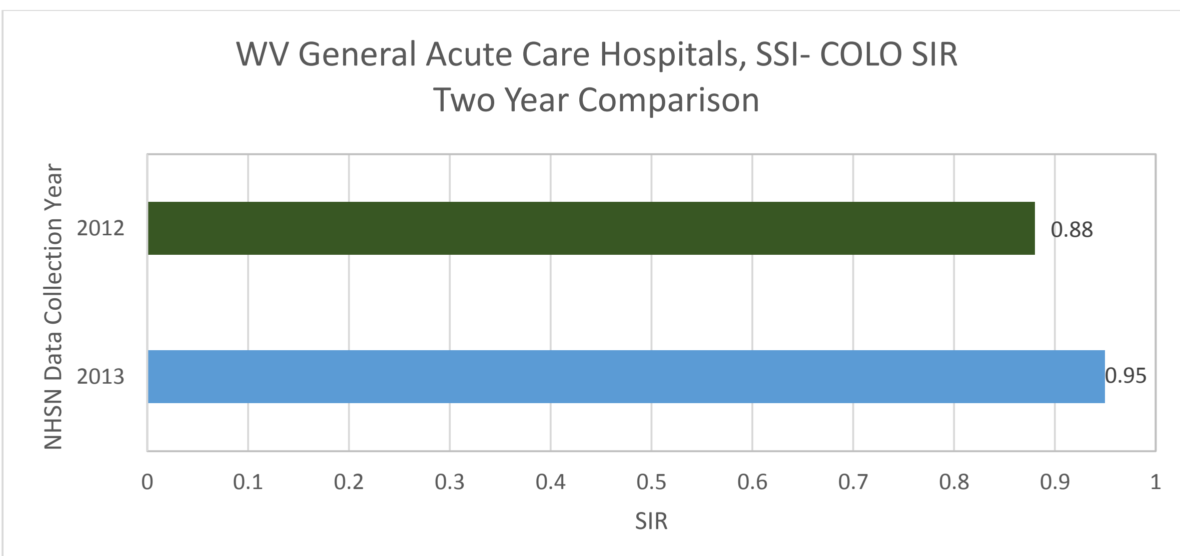
Key Findings for General Acute Care Hospitals (GAC), SSIs with Abdominal Hysterectomy (SSI-HYST)

- There were 22 SSIs for abdominal hysterectomy procedures reported for all West Virginia GAC hospitals.
- A similar (not statistically significant) number of SSIs for abdominal hysterectomy procedures occurred in West Virginia GAC hospitals in 2013 than were expected based on the national baseline.
- The West Virginia SIR was 0.94, indicating that 6% fewer SSIs for abdominal hysterectomy procedures occurred than the NHSN baseline expected.
- Since data collection began for SSI-HYST for GAC hospitals in 2012, the SIR has trended upward, indicating an increase in the number of SSI –HYST events in WV compared to the expected number of SSI-HYST events. In 2012, the SSI-HYST SIR for WV GAC hospitals was 0.66.



Key Findings for General Acute Care Hospitals (GAC), SSIs with Colon Procedures (SSI-COLO)

- There were 65 SSIs for colon procedures reported for all West Virginia GAC hospitals.
- A similar (not statistically significant) number of SSIs for colon procedures occurred in West Virginia GAC hospitals in 2013 than were expected based on the national baseline.
- The West Virginia SIR was 0.95, indicating that 5% fewer SSIs for colon procedures occurred than were expected.



<u>Methicillin-Resistant *Staphylococcus aureus* (MRSA) Bacteremia</u>

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 General Acute Care Hospitals (GAC)

- There were 81 MRSA Bacteremia events reported for all West Virginia GAC hospitals.
- A similar (not statistically significant) number of MRSA Bacteremia events occurred in West Virginia GAC hospitals in 2013 than were expected based on the national baseline.
- The West Virginia SIR was 0.94, indicating that 6% fewer MRSA Bacteremia events occurred than the NHSN baseline expected.

<u>*Clostridium difficile* Infection (CDI)</u>

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 GAC hospitals are required to report facility wide, inpatient CDI Events.

Key Findings for General Acute Care Hospitals (GAC)

- There were 877 CDI events reported for all West Virginia GAC hospitals.
- A similar (not statistically significant) number of CDI events occurred in West Virginia GAC hospitals in 2013 than were expected based on the national baseline.
- The West Virginia SIR was 1.02, indicating that 2% more CDI events occurred than the NHSN baseline expected.

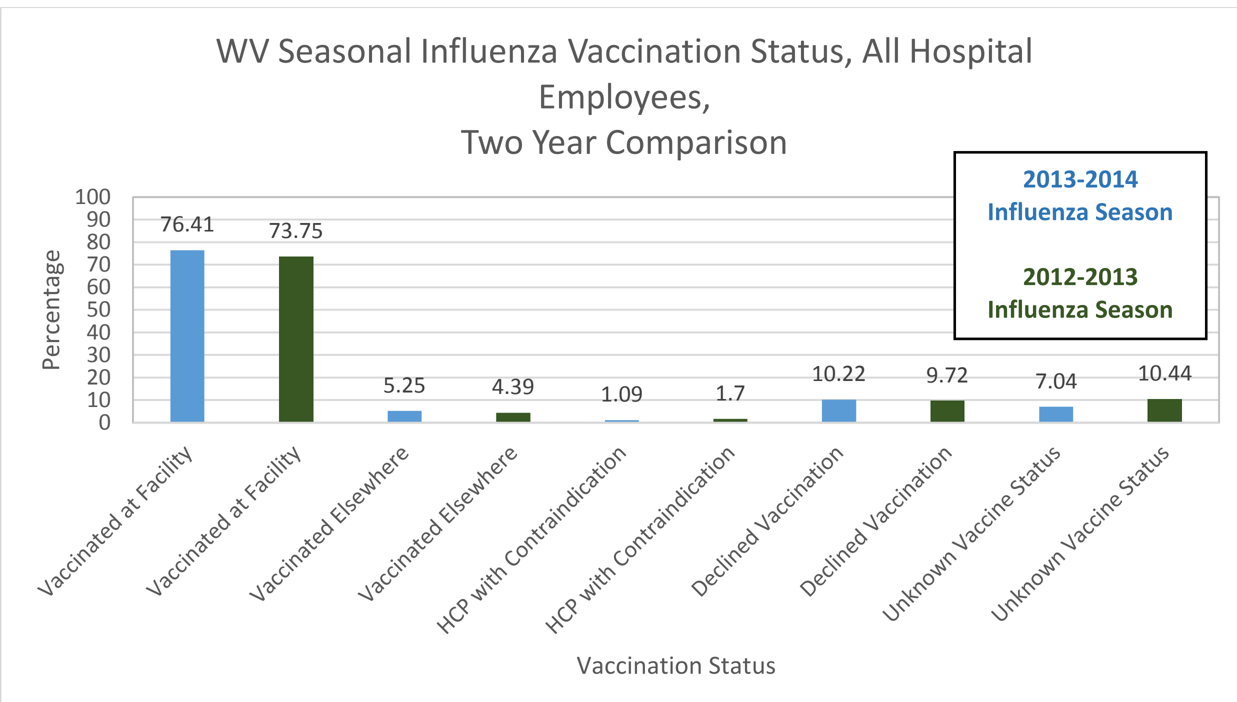
The HCA analyzes the healthcare-associated infections data for calendar year 2013, which are based upon the national averages of infections from NHSN and the HAI Annual report rates and hospital performance is based on those benchmarks. Recently, six West Virginia hospitals received penalties from the Centers for Medicare and Medicaid Services based on 2011 and 2013 performance on several indicators, two of which are hospital acquired infections covered in this report (CLABSI and CAUTI). CMS found that each hospital had high rates of potentially avoidable “hospital acquired conditions,” including falls, bed sores, blood clots and certain infections. The standards used by CMS in determining penalties are defined internally within CMS and the HCA reporting does not reflect those standards, nor does the HCA report on falls, blood clots or bed sores. In the 2012-2013 data collection year, those six hospitals met or exceeded the national standards set by NHSN for CLABSI and CAUTI.

Healthcare Personnel Influenza Vaccination

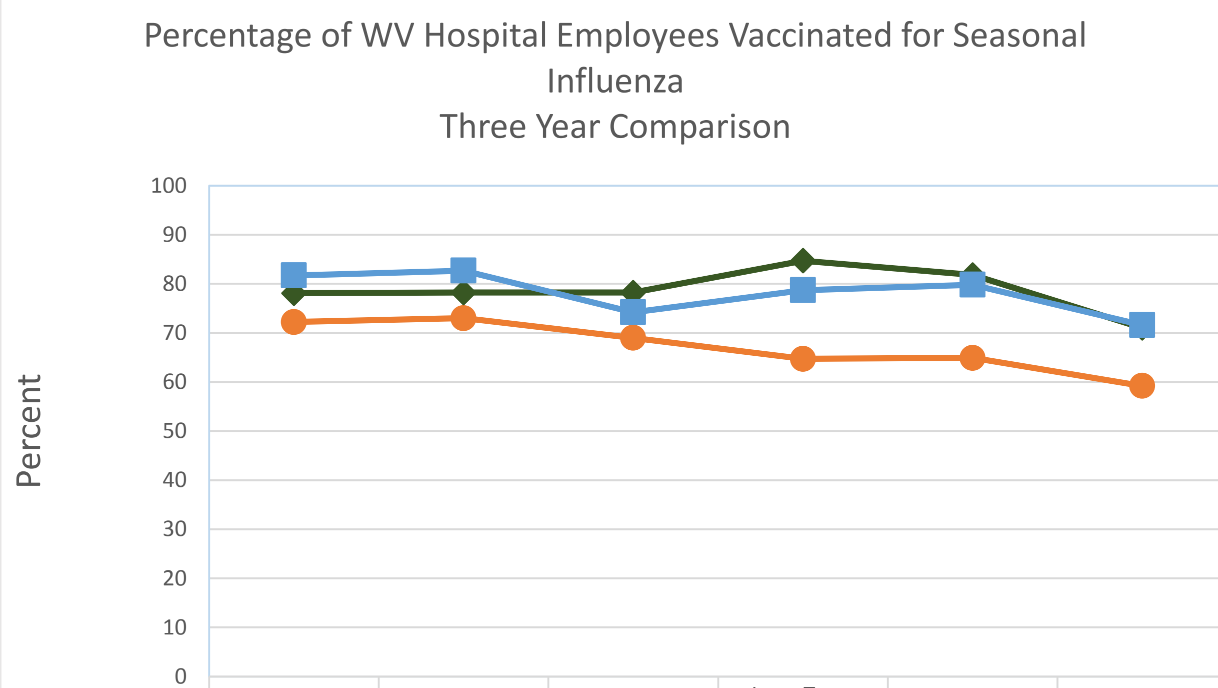
Influenza vaccinations are important for healthcare personnel as they not only safeguard the individual, they also help protect patients from becoming infected. The CDC, the Advisory Committee on Immunization Practices (ACIP), and the Healthcare Infection Control Practices Advisory Committee (HICPAC) 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

- 81.7% of all WV healthcare employees were vaccinated for seasonal influenza, up from 78.1% vaccinated the previous year.
- The number of healthcare employees declining the influenza vaccination has increased.
- The number of healthcare employees indicating a contraindication for receiving the influenza vaccination have decreased.



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



	Total	General Acute Care Hospitals	Critical Access Hospitals	Long Term Acute Care Hospitals	Pyschiatric Hospitals	Rehabilitation Hospitals
2011-2012	72.2	73	69	64.7	64.9	59.2
2012-2013	78.1	78.2	78.2	84.7	81.8	71
2013-2014	81.7	82.7	74.2	78.7	79.8	71.6

The total influenza vaccination status of all WV healthcare employees in 2013-2014 has increased from the previous year. When broken down by facility type, freestanding rehabilitation hospitals and general acute care hospitals saw an overall increase in vaccination while critical access hospitals, long term acute care hospitals, and psychiatric hospitals saw a decrease compared to last year. However, all hospitals types have shown an increase in employee influenza vaccination since the 2011-2012 season.

*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.

NURSING HOMES

The FY 2013 Annual Report of Nursing Homes contained information submitted by each of the 107 long term care facilities that provided services in the state; one more facility than operated in the prior year. 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 surveys:

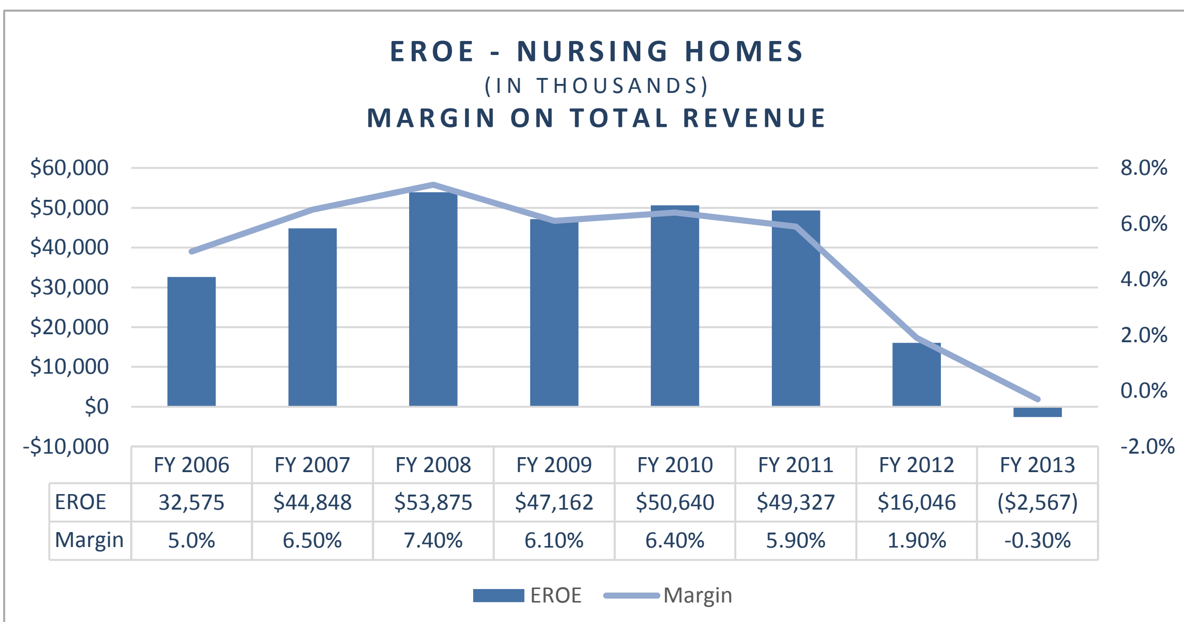
- Proprietary (88)
- Not-for-profit (14)
- Government (5)

The for-profit corporate entities that owned or operated multiple nursing homes were:

- Genesis HealthCare (34);
- Allegheny Commercial Enterprises (12);
- The Carlyle Group (6);
- Stonerise Healthcare(5);
- Diversicare (3); and,
- Filmore Capital Partners (3).

West Virginia's 107 nursing homes reported an aggregate loss in FY 2013. Profit (loss) as reported here is defined as excess (deficit) of revenue over expenses (EROE) after taxes and any extraordinary gains or losses.

Aggregate loss for FY 2013 was $2.6 million, 0.3% of net patient revenue (NPR). Total profits for FY 2012 and FY 2011 were $16.0 million (1.9% of NPR) and $49.3 million (5.9% of NPR, respectively.



	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	32,575	$44,848	$53,875	$47,162	$50,640	$49,327	$16,046	($2,567)
Margin	5.0%	6.50%	7.40%	6.10%	6.40%	5.90%	1.90%	-0.30%

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

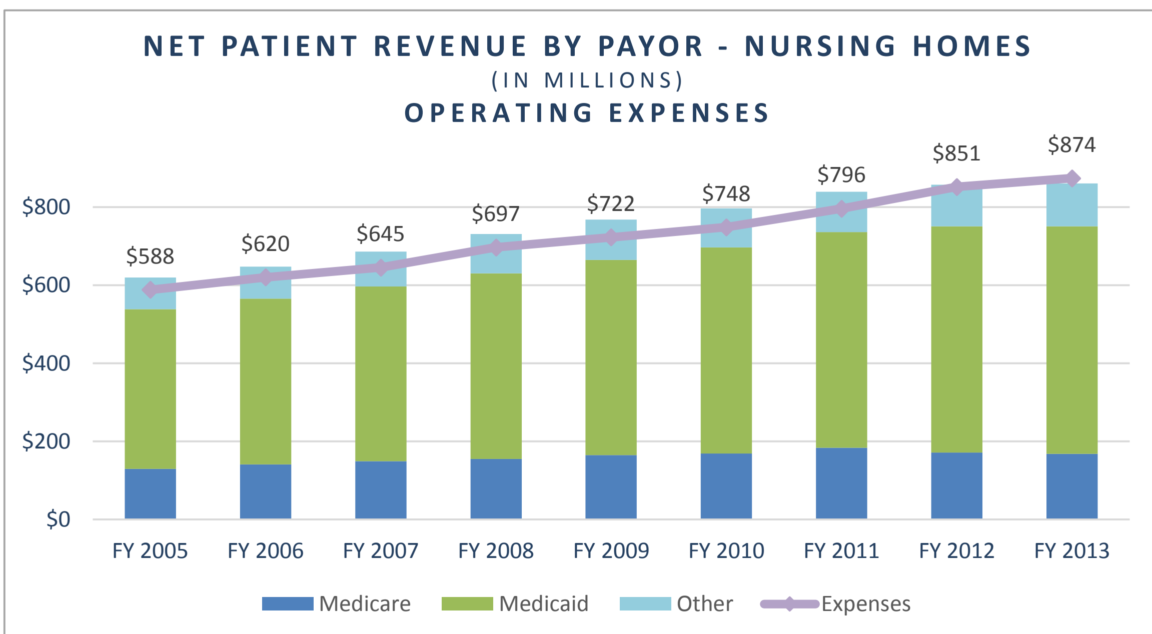
- Operating expenses of $873.5 million exceeded net patient revenue of $860.3 million in FY 2013 for a loss on patient services of $13.2 million. Other revenues of $5.9 million reduced that loss to $2.6 million. This was the first year since FY 2002 that an aggregate loss on patient services was reported.

- Net patient revenue increased by 0.4% ($3.5 million) and was outpaced by a 2.6% ($22.1 million) increase in expenses. Revenues increased by 2.2% ($18.1 million) in 2012 and 5.3% ($42.6 million) in FY 2011. Expenses increased by 7.0% ($55.5 million) in FY 2012 and by 6.4% ($47.8 million) in FY 2011.

- The increase in net patient revenue in FY 2013 was the lowest over the last nine years. The average increase in net patient revenue for FY 2006 through FY 2012 was 4.7% ($33.9 million).

- Medicare net patient revenue decreased by 2.0% ($3.4 million) in FY 2013 and 6.4% ($11.8 million) in FY 2012. Medicaid net patient revenue increased by 0.6% ($3.7 million) in FY 2013 and 4.7% ($26.2 million).

- Between FY 2006 and FY 2011 the average Medicare and Medicaid net patient revenues increased by 6.0% ($9.0 million) and 5.2% ($24.0 million), respectively.



- Some factors that likely contributed to the loss in profitability included reduced Medicare payments for therapy, bad debts, and a two percent reduction due to federal sequestration cuts. Additionally, Medicare and Medicaid utilization decreased by 3.1% and 1.0%.

- Aggregate utilization of 3.2 million days was reported for FY 2013, a decrease of 27,000 days (0.8%) from FY 2012. Medicare and Medicaid days comprised 11.3% and 76.3% respectively, of total days for FY 2013.

    - Medicare days decreased by 11,391 (3.1%) compared to a decrease of 9,217 (2.4%) for FY 2012. This was a return to the trend reported for FY 2007 through FY 2010 where days decreased by 37,012 (9.3%). In FY 2011, utilization increased by 5,089 (1.4%) days.

    - Medicaid days decreased by 25,483 (1.0%), a reversal from FY 2012 where days increased by 19,818 (0.8%). The range for Medicaid days, since FY 1999, has been between 2.4 million to 2.5 million days.

- Total residents served is approximately 24,700, counting discharges and the year-end census, which would include some readmissions.

Special Items of Note

Significant changes during FY 2013 included corporate reorganizations, purchases and updates for licensed beds:

- ♦ *Total licensed beds in FY 2013 were 9,905, a net increase of one over the FY 2012 total of 9,904. Main Street Care, a new provider licensed in January 2013, added 34 beds. It is located in Hinton, WV within Summers County Appalachian Regional Hospital. Special legislation (W.Va. Code §16-2D-5b) was passed that deemed the provider a "stand alone" facility. Two providers, Brightwood Center and New Martinsville Center reduced the number of licensed beds by 13 and 20, respectively.*

- ♦ *Total set up and staffed beds in FY 2013 were 9,764 (98.6% of total beds), a net decrease of 32 from the prior year. Five providers reduced staffed beds: The Brier (3), Brightwood Center (13), Mapleshire (30), New Martinsville Center (20) and Woodland's Retirement Community (1). Two providers added staffed beds: Elkins Rehabilitation and Care (1), and Main Street Care (34), the new provider.*

- ♦ *Stonerise Healthcare became the operator of Heartland of Charleston, a 184 bed nursing home located in Charleston, WV, subsequent to its acquisition by Chesterfield Company, LLC, an affiliate of Stonerise. The facility's name was changed to Eastbrook Center, LLC. The final cost for the project was $10.1 million.*

- *Two affiliates of Allegheny Commercial Enterprises, acquired the real property and licensed operations of Braxton Health Care Center located in Sutton, WV. The capital expenditure for the project was $9.6 million.*

- *Five Genesis HealthCare affiliates were involved in the transfer of the membership interests of the licensed operators associated with Pierpont Center and Tygart Center, both located in Fairmont, WV. The capital expenditure associated with the project was $7.9 million.*

- *HCP Senior Housing Properties Trust acquired the real property and equipment of the Heritage located in Bridgeport, WV. The capital expenditure for the project was $9.2 million.*

- *Current news of note during FY 2014: Edgewood Summit, Inc. developed a twenty bed skilled nursing unit, the Arthur B. Hodges Center, which was licensed and received Medicare certification effective April 9, 2014. The final capital expenditure for the project was $13.9 million.*

Proprietary

There were 88 nursing homes in West Virginia that were proprietary entities, the same number as the previous year.

Financial items of interest regarding the proprietary facilities:

- An aggregate loss of $300,000 (0.04% of NPR) was reported, a decrease of $16.0 million from the FY 2012 profit of $15.7 million (2.2% of NPR). Without a recorded tax benefit for the Heartland providers of $4.8 million, the loss would have equaled $5.1 million.

- Operating expenses increased by $19.9 million (2.8%), which outpaced the $4.7 million (0.6%) increase in net patient revenue, reducing income from patient services by $15.2 million. Three corporations accounted for 97.9% of the total increase in expenses.

    - Twenty-five of the 34 Genesis facilities reported increases in expenses. The net increase was $12.7 million, 63.8% of the total increase. The expenses for the seven Sunbridge facilities acquired by Genesis in FY 2012 accounted for $7.5 million of the $12.7 million increase.

    - All three Diversicare providers reported increases in expenses. The increase was $5.0 million, 25.1% of the net increase.

    - The three Golden Living Centers reported increases in expenses. The increase was $1.8 million, 9.0% of the net increase.

- Income from patient services decreased $15.2 million, from an aggregate of $8.5 million in FY 2012 to a loss of $6.8 million.

- The Genesis facilities reported a net decrease of $13.0 million in income from patient services.

- In FY 2013, losses were reported by 40 of the 88 facilities, with an average loss of $690,000. Thirty-nine facilities reported losses with an average of $614,000 in FY 2012.

- Heartland of Charleston reported the largest loss of $2.8 million, which was based on only ten months of data due to its sale. Heartland of Beckley reported the second largest loss of $2.5 million, the third consecutive loss for this provider. These losses would have been larger if not for the respective tax benefits of $1.8 million and a $1.7 million reported by the Heartland facilities.

- Golden Living Center Morgantown reported the largest profit of $2.2 million, an increase from the prior year's profit of $1.7 million. Hampshire Health Care Center reported the second largest profit of $1.7 million, up from $1.4 million in FY 2012.

- Eighty-four of the facilities provided Medicare and Medicaid Services. Four nursing homes did not provide Medicare services.

- Proprietary facilities provided 8,122 (82.0%) of the total 9,905 licensed beds. Proprietary staffed beds equaled 8,051 (82.5%) of the total 9,764 staffed beds.

Not-for-Profit

Fourteen providers (13.1%) were not-for-profit, one more than the prior year. This category includes nursing homes that are affiliated with hospitals (2), church organizations (3), and nine independent nursing homes. Main Street Care began providing services during FY 2013.

Financial points of note regarding the not-for-profit facilities:

- Aggregate profit was $2.4 million (2.5% of NPR), down from a profit of $4.2 (4.4% of NPR) million in the prior year. The average EROE was $172,000.

- Nine facilities reported a profit ranging from Princeton Health Care Center's $1.0 million (9.7% of NPR) to Main Street Care's $101,000 (6.9% of NPR).

- Woodland's Retirement Community reports financial information for three nursing home beds and assisted living services. It reported the largest loss of $468,000 (26.4% of NPR), which $448,000 of the loss was attributed to the assisted living services. Woodland's reported a loss of $1.4 million (61.0% of NPR) in FY 2012, which was almost all from the assisted living. This is the provider's ninth consecutive year for reporting losses.

- Medicare and Medicaid services were provided by 12 of the 14 providers. Woodland's Retirement Community is private pay only. Main Street Care offers Medicaid services only. Cortland Acres, Greenbrier Manor and Sundale Nursing Home reported losses on Medicare services. Eight reported profits on Medicaid Services.

- Not-for-Profit facilities provided 1,221 (12.3%) of the total 9,905 licensed beds; the occupancy rate was 89.8%. Staffed and set up beds equaled 1,206 (12.4%) of the total 9,764 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.

- Aggregate EROE was a loss of $4.7 million (13.7% of NPR). The loss was $3.8 million (10.6% of NPR) in FY 2012.

- Two state owned facilities, Jackie Withrow and Hopemont reported losses of $3.3 million (48.0% of NPR) and $2.6 million (40.8% of NPR) respectively. These providers reported losses the last nine years which averaged $3.1 million and $1.6 million, respectively.

- The other two state facilities, John Manchin, Sr. and Lakin reported profits of $770,000 (27.0% of NPR) and $696,000 (7.5% of NPR). John Manchin reported profits six of the last nine years for an average profit of $92,000. Lakin reported profits six of the last nine years for an average profit of $63,000.

- The four state providers reported 452 licensed beds (4.6% of total licensed beds) with an occupancy rate of 66.9%. Licensed beds staffed and set up equaled 397 (4.1% of total licensed beds set up and staffed). Medicaid utilization comprised 98.2 % of the total state utilization of 110,365 days. These providers did not offer Medicare Services.

- Grant County Nursing Home, with an occupancy rate of 97.3% and 110 licensed beds, reported a loss of $247,000 (2.8% of NPR), up from a loss of $18,000 (0.2% of NPR) in FY 2012.

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.

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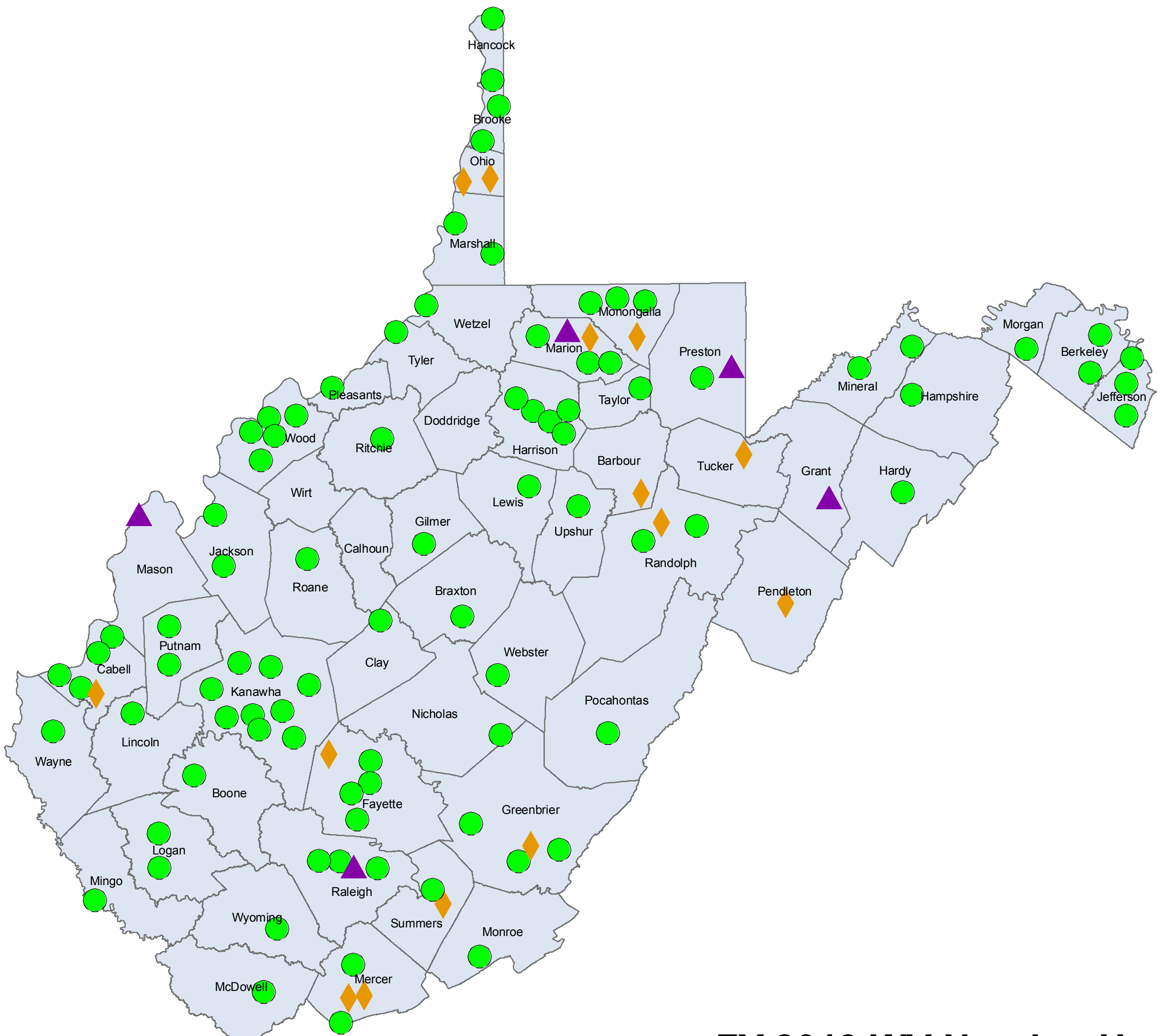
West Virginia Nursing Homes



FY 2013 WV Nursing Homes Grouped by Ownership Type

Proprietary	(88)
Government	(5)
Not-For-Profit	(14)
Total	**(107)**

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BEHAVIORAL HEALTH

The FY 2013 operations for 105 behavioral health providers are discussed below. The data for these providers are classified in three sections.

- Comprehensive Behavioral Health Centers;
- Other Behavioral Health Providers; and
- Methadone Treatment Centers.

As a group, West Virginia's Behavioral Health Centers continued profitability in FY 2013. Profit (loss) is used here to mean excess (deficit) of revenue over expenses (EROE) or Changes in Unrestricted Net Assets. Data are compiled from financial statements submitted by the providers, which have various formats.

- Total EROE for FY 2013 was $48.4 million (6.5% of total revenue). Total profit for FY 2012 was $62.1 million (8.6 % of total revenue).

- Total revenue was $743.3 million, an increase of $25.0 million (3.5%). Expenses were $694.9 million, an increase of $38.6 million (5.9%).

Special Items of Note

- ♦ *Three new behavioral health providers submitted financial data during FY 2013: Autism Management Group, Hancock County Sheltered Workshop, and Sheltered Workshop of Nicholas County.*

- ♦ *Grafton Integrated Health Network was granted a license to provide behavioral health services in April 2013; however due to the limited time of operations, financial reports were not submitted.*

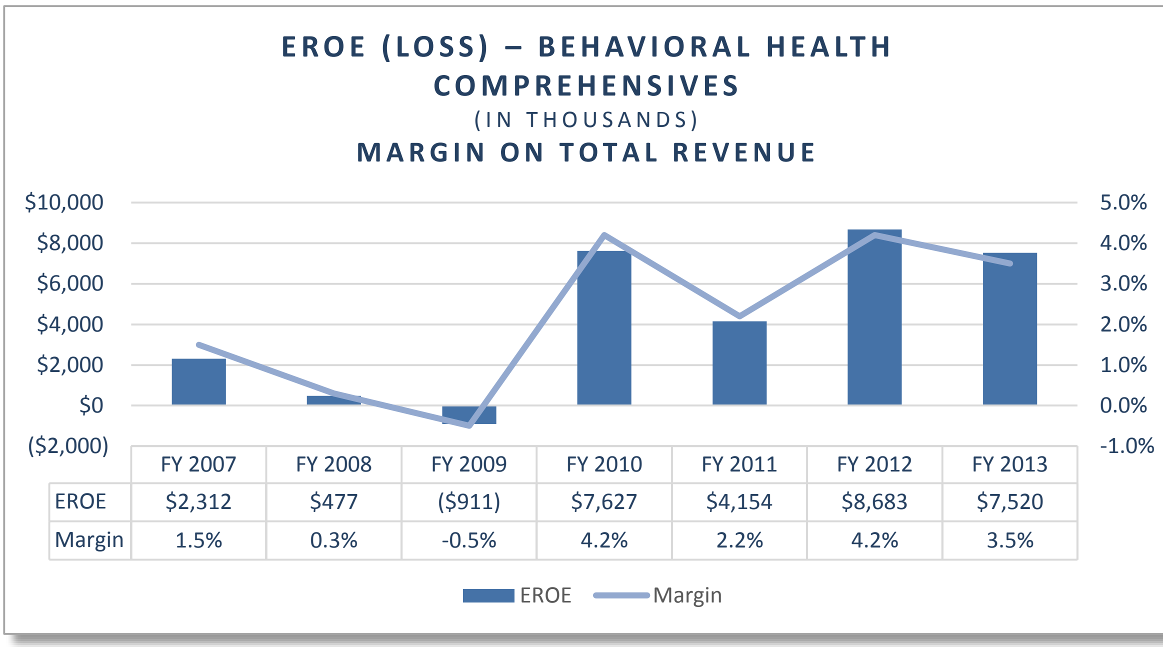
- ♦ *In compliance with Accounting Standards Update 2011-07 and to represent comparable data in this presentation, amounts reported as bad debt expenses in the individual financial statements were removed from expenses and reported as reductions to revenue.*

Comprehensive Behavioral Health Centers

Thirteen regional comprehensive behavioral health centers continued to operate in FY 2013. These providers offered a full array of services including crisis services; linkages with inpatient and residential treatment facilities; diagnostic and assessment services; provision of support services and treatment services. Populations served include those with mental health challenges, substance abuse problems and developmental disabilities.

Financial items of note regarding the comprehensive centers included:

- Total profit for FY 2013 was $7.5 million (3.5% of total revenue), a decrease of $1.2 million from the prior year.



	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	$2,312	$477	($911)	$7,627	$4,154	$8,683	$7,520
Margin	1.5%	0.3%	-0.5%	4.2%	2.2%	4.2%	3.5%

- An increase in expenses of $10.0 million (5.1%) outpaced an increase in total revenue of $8.8 million (4.3%), a reversal from the prior year where revenues increased by $19.6 million (10.5%) and expenses grew by $15.0 million (8.3%).

- Salaries, wages and benefits increased $4.5 million (3.5%), Contract labor and Professional fees increased $3.7 million (19.0%), and Utilities and rents increased $751,000 (12.2%).

Selected Expenses by Type – Behavioral Health – Comprehensives
(In thousands)

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

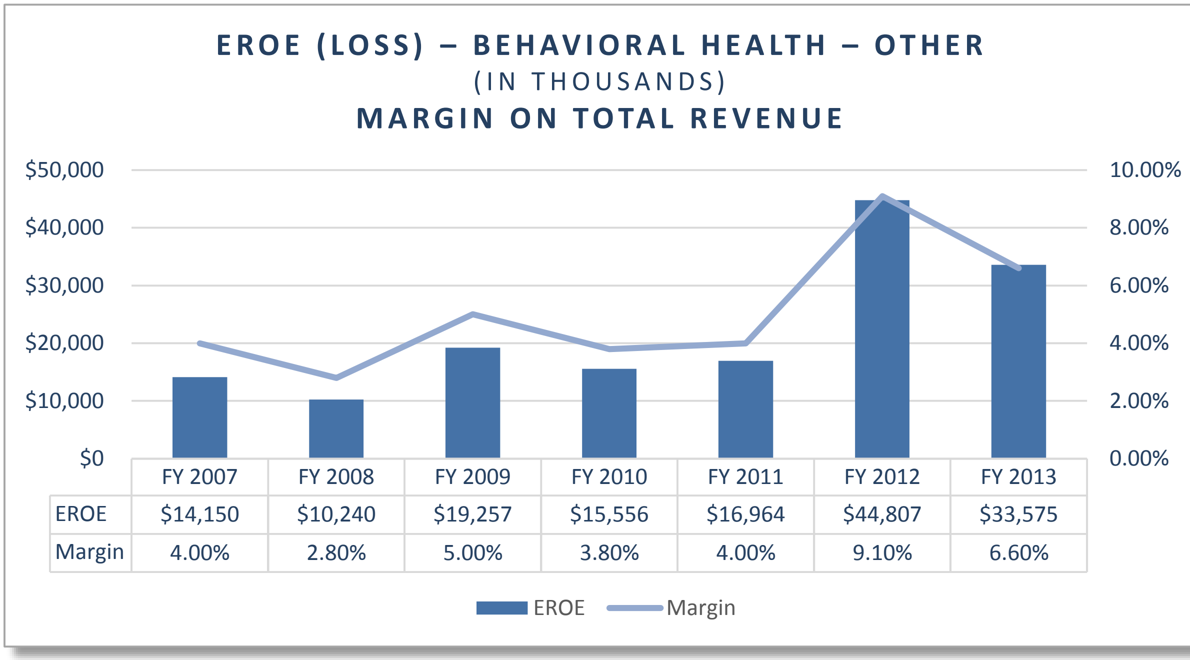
- The three largest increases in expenses were reported by Northwood Health Systems ($2.6 million, 14.7%), Westbrook Health Services ($2.2 million, 11.5%) and United Summit Center ($1.9 million, 8.3%). Northwood reported non-recurring expenses of $4.4 million.
- Eleven providers reported profits in FY 2013 ranging from $2.4 million (HealthWays) to $68,000 (Prestera), with an average EROE of $785,000 for those providers that reported profits.
- Appalachian Community Health Center reported the largest positive change in EROE of $1.1 million, with a loss of $370,000 in FY 2012 and a profit of $752,000 in FY 2013. This provider experienced losses eight of the last nine years.
- Seven comprehensive centers experienced profits for six of the last nine years. Four centers reported profits all nine years.
- Two comprehensive centers reported losses. United Summit Center recorded the largest loss of $765,000 (3.2% of total revenue). This provider has reported profits in eight of the last nine years. Northwood Health Systems reported a loss of $352,000 (1.8% of total revenue), its third loss in the last nine years.

Other Behavioral Health Providers

Eighty-three behavioral health providers offered specialized services during FY 2013, three more than in FY 2012. These services included but were not limited to residential treatment, case management, waiver, counseling or a combination of services.

Financial items of significance related to the other, non-comprehensive providers included:

- Total profit for FY 2013 was $33.6 million (6.6% of total revenue). Total profit for FY 2012 was $44.8 million (9.1% of total revenue).



- Revenue increased by $15.3 million (3.1%) to $505.0 million and expenses increased by $26.5 million (6.0%) to $471.4 million. Five providers reporting for the first time were responsible for additional revenue and expenses of $6.8 million (44.7% of the total increase) and $6.7 million (25.2% of the total increase), respectively.

- Program service fee revenue increased by more than $7.0 million and client/patient revenue increase by more than $6.0 million. Other operating and non-operating revenue increased by more than $4.0 million. Grant revenues decreased by $2.7 million.

- One provider, Coordinating Council for Independent Living, reported an increase in expenses of $11.7 million (33.9%). This was responsible for 44.0% of the aggregate expense increase of $26.5 million. Almost $10.7 million was due to an arrangement to provide continuing care services by a third party.

- Fifty-eight providers reported profits in FY 2013, ranging from $9.5 million (RSCR of West Virginia) to $2,000 (Burlington United Methodist Family Services). The average profit was $653,000 for those providers that reported a profit.

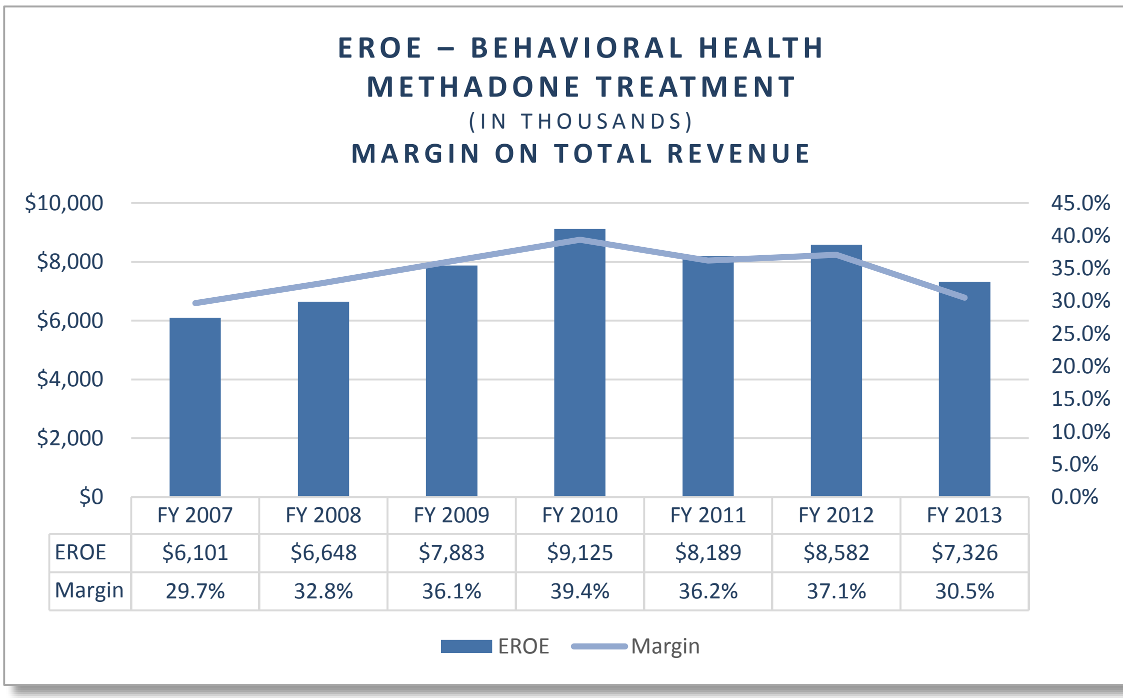
- Twenty-five centers reported losses averaging $172,000. The Board of Child Care, reported the largest loss of $1.4 million (27.2% of total revenue), the ninth consecutive year of losses.

Methadone Treatment Centers

In FY 2013 nine licensed methadone treatment centers operated in the state.

Financial items of interest related to the methadone treatment centers included:

- Total profit was $7.3 million (30.5% of total revenue) a decrease of $1.3 million. Revenue increased by $862,000 (3.7%) to $24.0 million, and operating expenses increased $2.1 million (14.6%) to $16.7 million.



- All treatment centers reported a profit. Two providers reported profits over $1.0 million: Huntington ($1.9 million) and Beckley ($1.1 million). Four providers reported profits over $1.0 million in the prior year.

- The smallest profit was reported by Wheeling Treatment Center $348,000. The average profit was $814,000.

- All nine treatment centers are for-profit. Seven of the treatment centers are owned by CRC Health Corporation, a privately held company, which operates nationally.

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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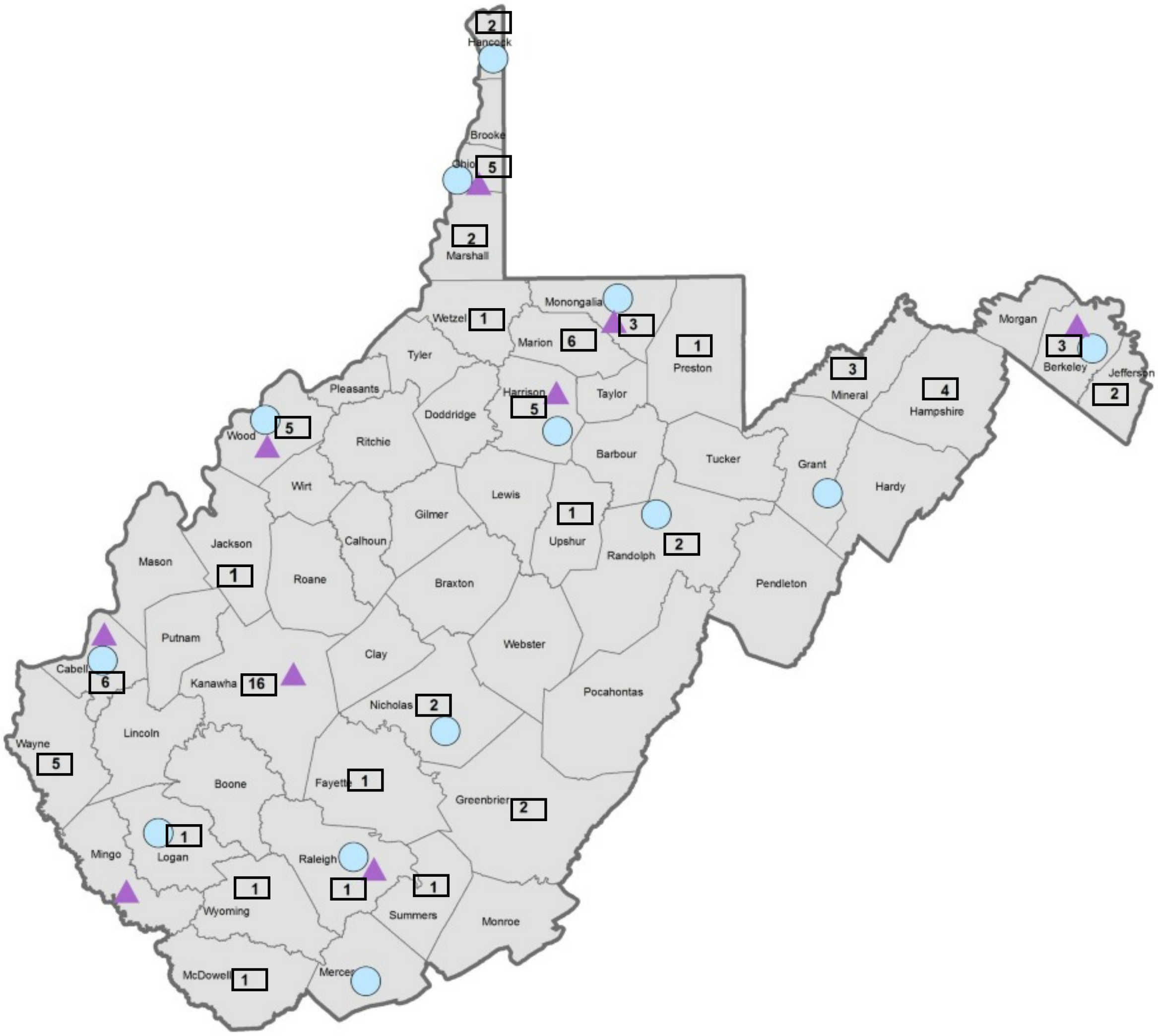
West Virginia Behavioral Health and MethadoneTreatment Centers



Behavioral Health Centers

○	Comprehensive	(13)
▲	Methadone	(9)
No.	Other	(83)

Note: This map highlights Administrative Sites only.

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PRIMARY CARE CENTERS

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 (FQHC).

Information related to Primary Care Centers are being reported for the first time in this report.

Financial items of note included:

- Thirty-two centers operated in 29 West Virginia counties during FY 2013; three centers are operating in Greenbrier County while two operate in Kanawha County.

- 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.

- Total revenue for FY 2013 was $255.9 million, with expenses of $249.1 million producing an aggregate profit of $6.8 million.

EROE – Primary Care Centers
(In thousands)

	FY 2011	FY 2012	FY 2013
EROE	$6,249	$11,962	$6,813
Margin	2.7%	4.7%	2.7%

- Average profit was $212,000 for FY 2013 and $374,000 in the prior year.

- For FY 2013, sixteen centers reported profits. Reported profits ranged from $2.6 million (Lincoln County Primary Care Center) to $6,000 (FamilyCare Health Center).

- Sixteen other centers reported losses which ranged from $1.5 million (Minnie Hamilton Health Care Center) to $11,000 (Tug River 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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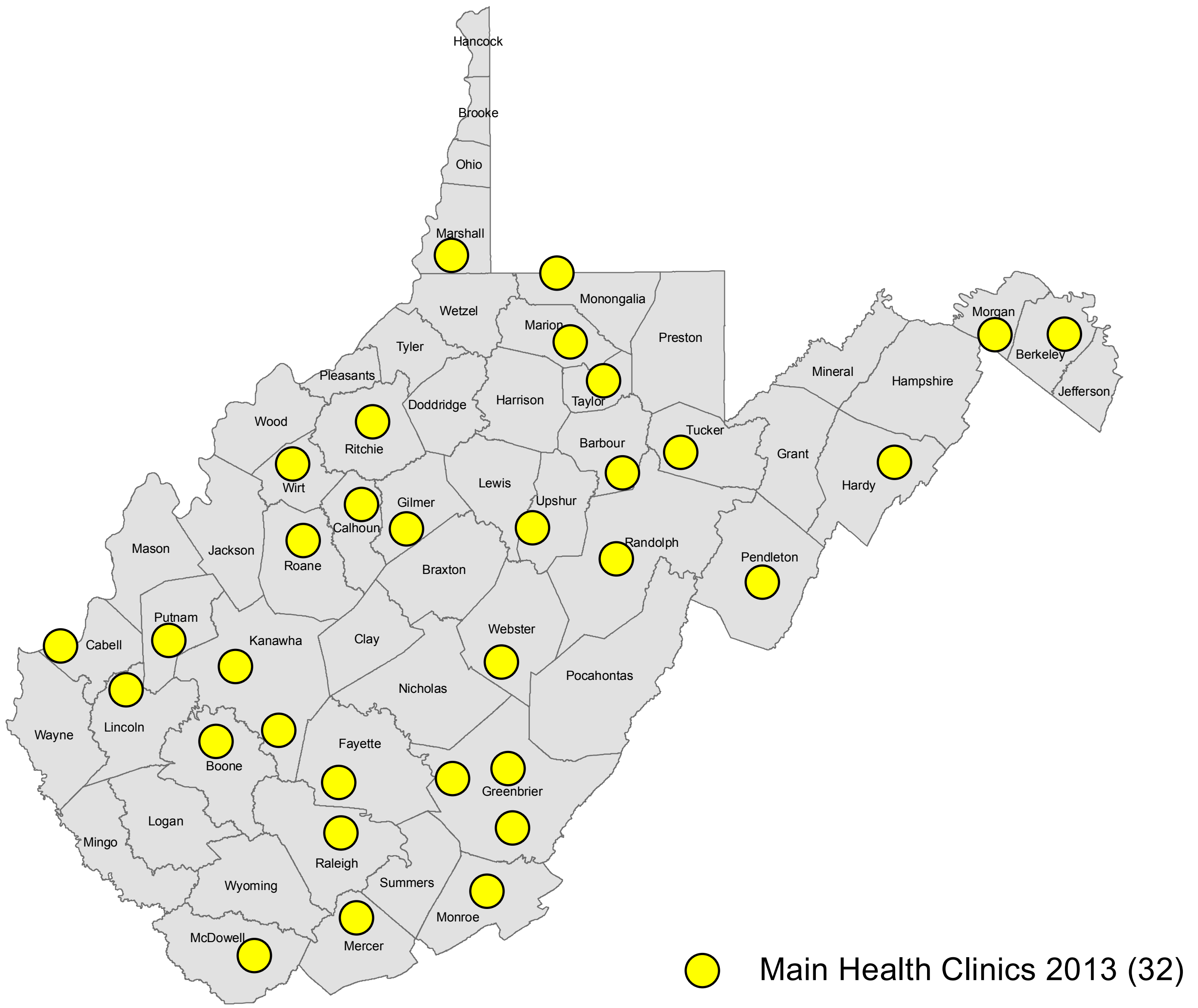
West Virginia
Primary Care Centers



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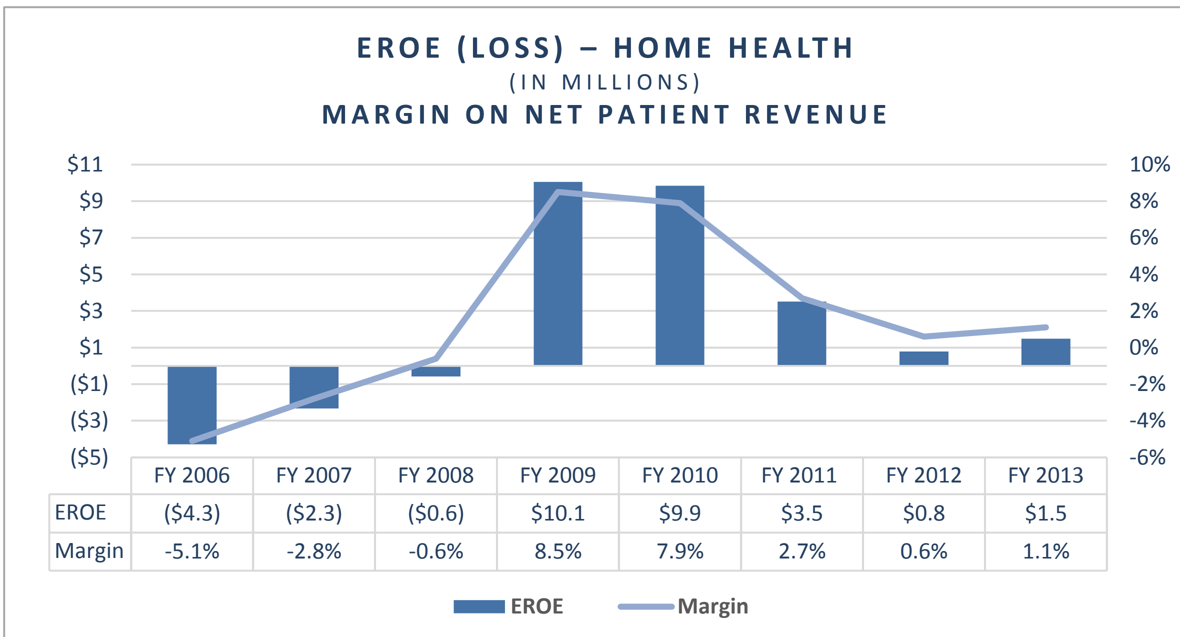
HOME HEALTH

The FY 2013 Annual Survey of Home Health Services was completed by 62 home health agencies that serve West Virginia residents, including those agencies based in Kentucky, Maryland, and Ohio. The data are provided as reported by the facilities.

- Overall, home health agencies reported a profit of $1.5 million.
- Thirty-five of the 62 agencies were profitable.
- FY 2013 is the fifth 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.



	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	($4.3)	($2.3)	($0.6)	$10.1	$9.9	$3.5	$0.8	$1.5
Margin	-5.1%	-2.8%	-0.6%	8.5%	7.9%	2.7%	0.6%	1.1%

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

- County-owned, proprietary and not-for-profit.
- 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.

County-owned

Items of note regarding county-owned agencies:

- Three of four agencies reported losses, with an aggregate loss of $36,000 (4.7% of total revenue).

- Total revenue reported for FY 2013 was $769,000.

- The number of county-owned agencies continued to decrease. Wayne County Home Health closed during FY 2013 and Reliable Healthcare Solutions purchased Monongalia County Home Care Services at the end of FY 2012. Fifteen county owned agencies were operating in FY 2000; by the end of FY 2013 there were only three.

Proprietary

There are 35 proprietary home health agencies in West Virginia. Three publicly-traded companies, with operations in multiple locations, participate in the West Virginia home health market:

- Amedisys, Inc. (5);
- Gentiva Health Services, Inc. (5); and
- LHC Group, Inc. (12).

Financial items related to the proprietary agencies:

- An aggregate profit of $11.4 million (10.9% of total revenue) was reported for FY 2013, a decrease of $680,000 from the prior year.

- Total revenues reported were $104.8 million, an increase of $1.7 million.

- Twenty-seven of the 35 proprietary agencies reported profits.

Not-for-Profit Hospital-Based

Items of note regarding the not-for-profit hospital-based agencies:

- Sixteen agencies operated in FY 2013 and reported losses of $9.6 million (44.0% of total revenue).

- Total revenue of $21.7 million was reported, an increase of $3.3 million (17.8%) from the prior year. Operating expenses increased by $1.6 million (5.5%).

- Prior years' losses were $11.2 million in FY 2012, $7.2 million in FY 2011; $3.7 million in FY 2010; and $5.2 million in FY 2009.

- Thirteen agencies reported losses in FY 2013 and three reported profits. Fourteen agencies reported losses in the prior year, while two reported profits.

Not-for-Profit

Items of note regarding the not-for-profit home health agencies:

- Seven agencies reported an aggregate loss in FY 2013 of $345,000 (2.6% of total revenue). In FY 2012 an aggregate loss of $422,000 (4.6% of total revenue) was reported.

- Total revenue equaled $13.3 million, an increase of $4.2 million from the prior year.

- Four agencies were profitable, with a combined EROE of $462,000. Two agencies were profitable in FY 2012.

- In FY 2013, Man ARH Home Health in Logan began reporting data separately from the Beckley ARH location.

Utilization

Proprietary home health care providers served a significant portion of the home health market in West Virginia during FY 2013. Reported utilization indicated that 69.8% of total unduplicated clients were served by the proprietary category. Other home health services as a percentage of unduplicated clients were as follows:

- Skilled nursing care – 69.5%;
- Physical Therapy – 71.9%;
- Speech Therapy – 87.4%;
- Occupational Therapy – 83.0%; and
- Social Service – 79.4%.

The proprietary category reported an average of 21.1 visits per unduplicated client. The average number of visits per client for the other categories was: 12.5 (County Agencies), 19.0 (Not-for-Profit Hospital-Based), and 21.0 (Not-for-Profit).

Overall, home health agencies averaged 20.6 visits per client.

Detailed information on home health agencies can be reviewed in Table 29 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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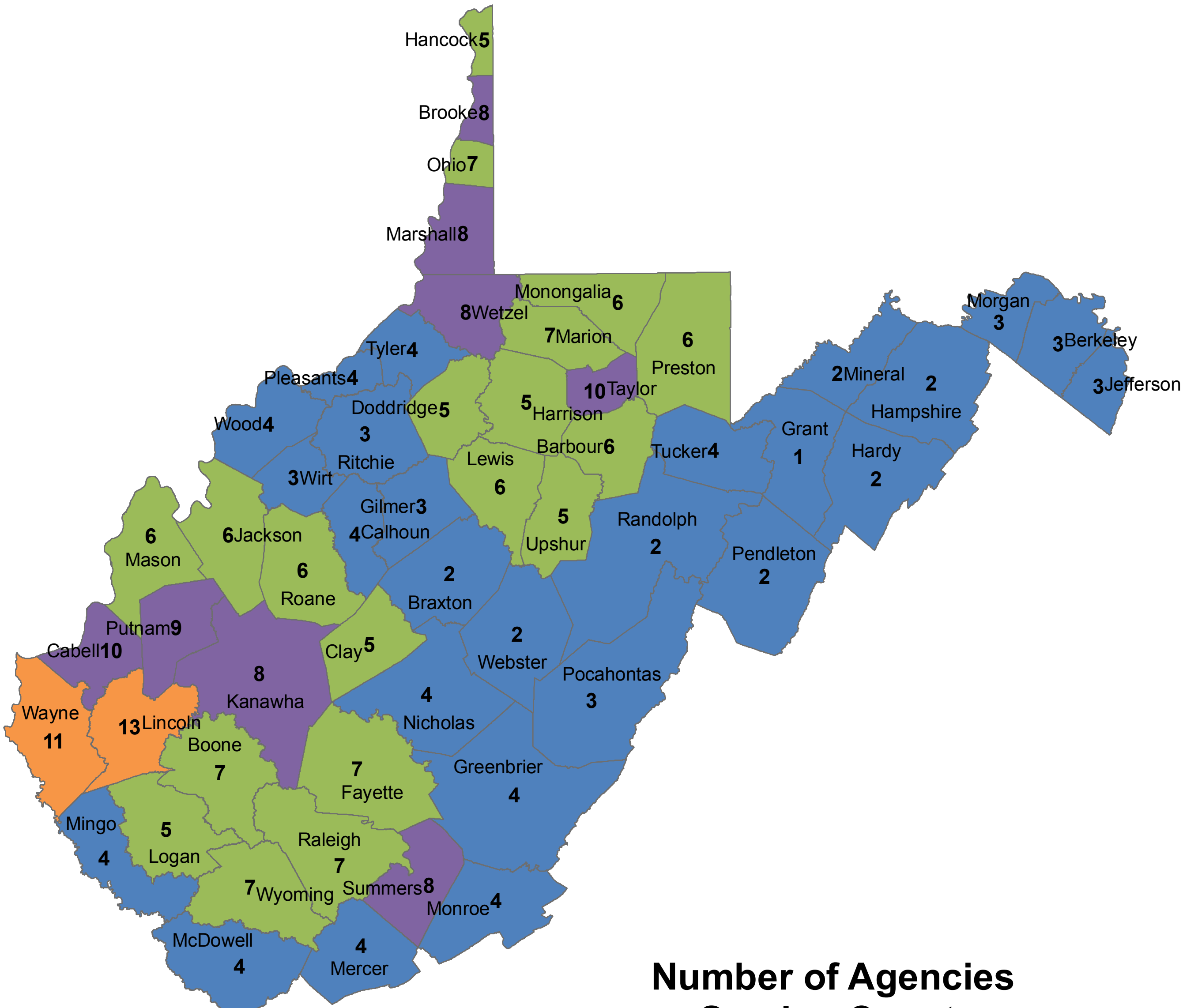
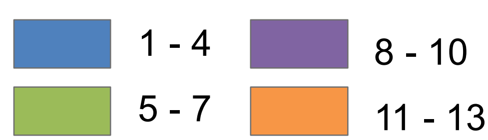
West Virginia Home Health Agencies by County



Number of Agencies Serving County



Source: 2013 Annual Survey of Home Health Services

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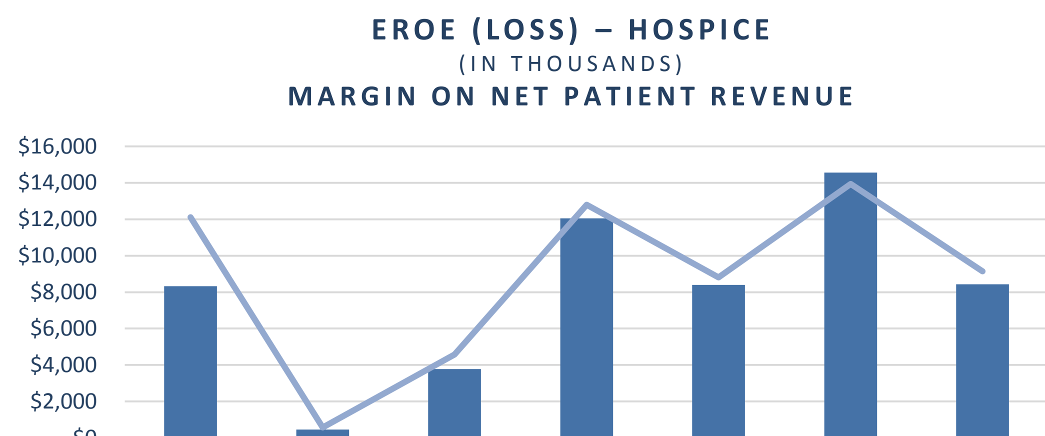
HOSPICE

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

Information submitted for FY 2013 provided the following:

- Total hospice profit was $8.4 million, or 8.0% of net patient revenue (NPR), a decrease from $14.6 million (12.2% of NPR) in FY 2012.



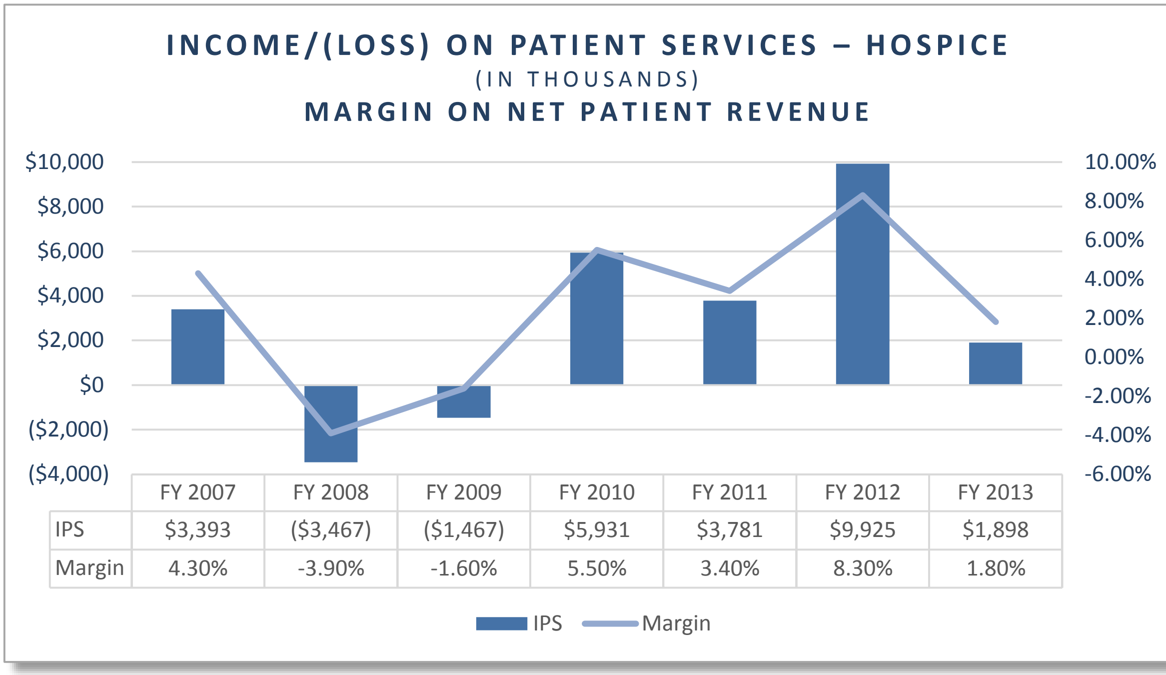
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	$8,333	$449	$3,767	$12,051	$8,391	$14,560	$8,433
Margin	10.6%	0.5%	4.0%	11.2%	7.7%	12.2%	8.0%

- Thirteen of the 20 hospice agencies reported profits. Sixteen were profitable in the prior year.

- Net patient revenue was $105.5 million, a decrease of $14.1 million (11.8%) from the previous year.

- Expenses decreased $6.1 million (5.6%) from $109.7 million in FY 2012.

- Income from patient services was $1.9 million (1.8% on NPR), a decrease of $8.0 million from the previous year.



- Nine agencies reported positive incomes from patient services. Four agencies that experienced a loss from patient services had a positive EROE as a result of other and non-operating revenue. Fifteen agencies experienced positive income from patient services in the prior year.

- Aggregate other and non-operating revenues were $6.5 million, an increase of $1.9 million over revenues reported in FY 2012. Non-operating revenues include contributions from fundraising campaigns and other donations. Consequently, non-operating revenue levels may fluctuate widely from year to year.

- The number of patients served and total patient days decreased by 8.9% and by 17.9%, respectively. Eleven agencies reported decreases in both patients served and patient days.

Number of Patients Served / Number of Patient Days – Hospice

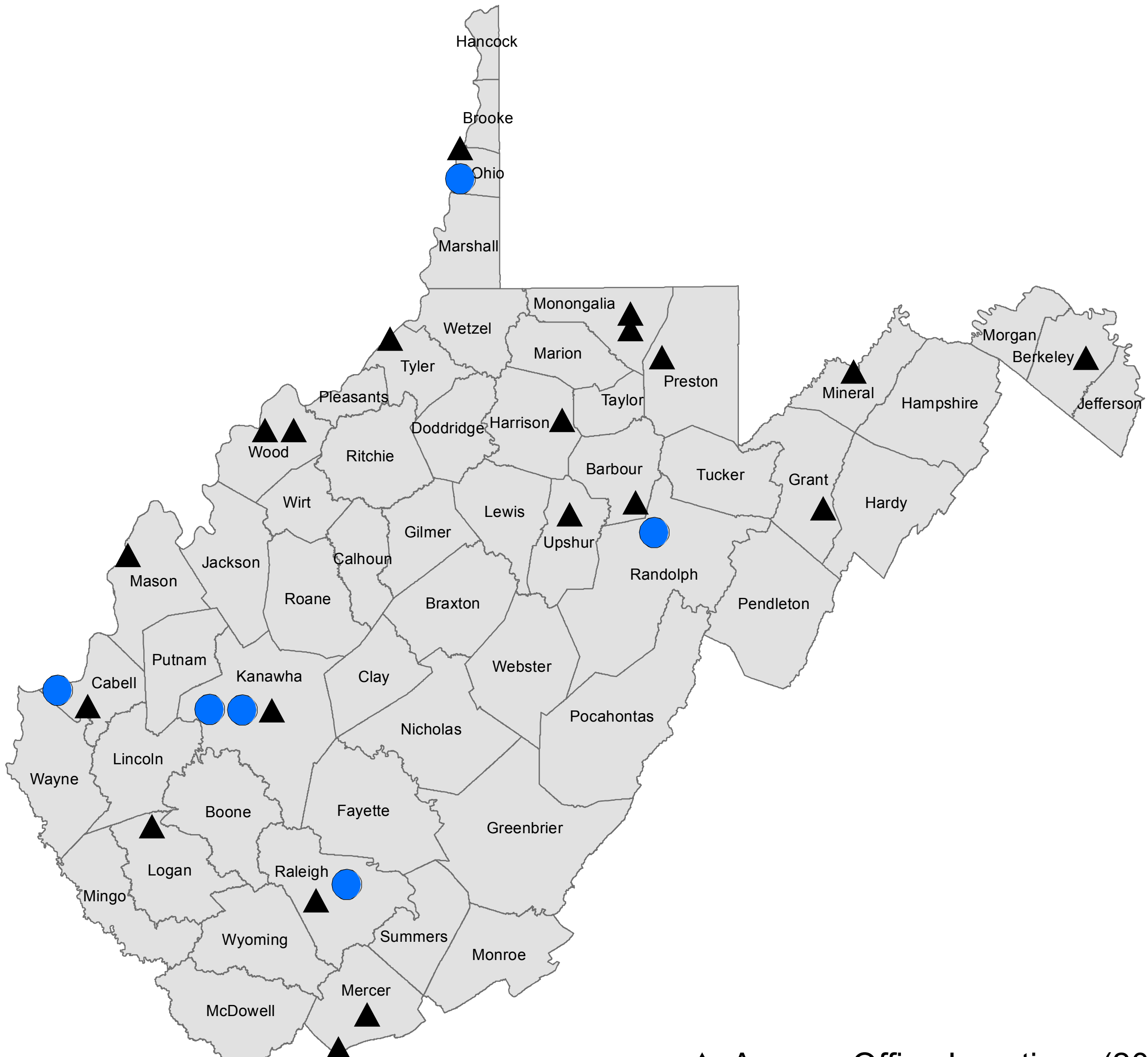
Patients	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Served	8,283	8,929	9,766	10,366	10,982	10,001
% Change	3.1%	7.8%	9.3%	6.1%	5.9%	(8.9%)
Days	571,716	615,801	742,424	728,874	766,959	629,959
% Change	5.3%	7.7%	20.6%	(1.83%)	5.2%	(17.9%)

- Thirteen agencies were free-standing, six were hospital-based, and one was based in a home health agency. Amedisys entered into a joint venture with Morgantown Hospice on October 13, 2013. In the 2015 Annual Report Morgantown Hospice's FY 2014 data will be included with the free-standing agencies.

- Ten free-standing agencies were profitable, as were two of the six hospital-based agencies, and the one home-health based agency.

Detailed information on hospice agencies can be reviewed in Table 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 Hospice Agency Locations



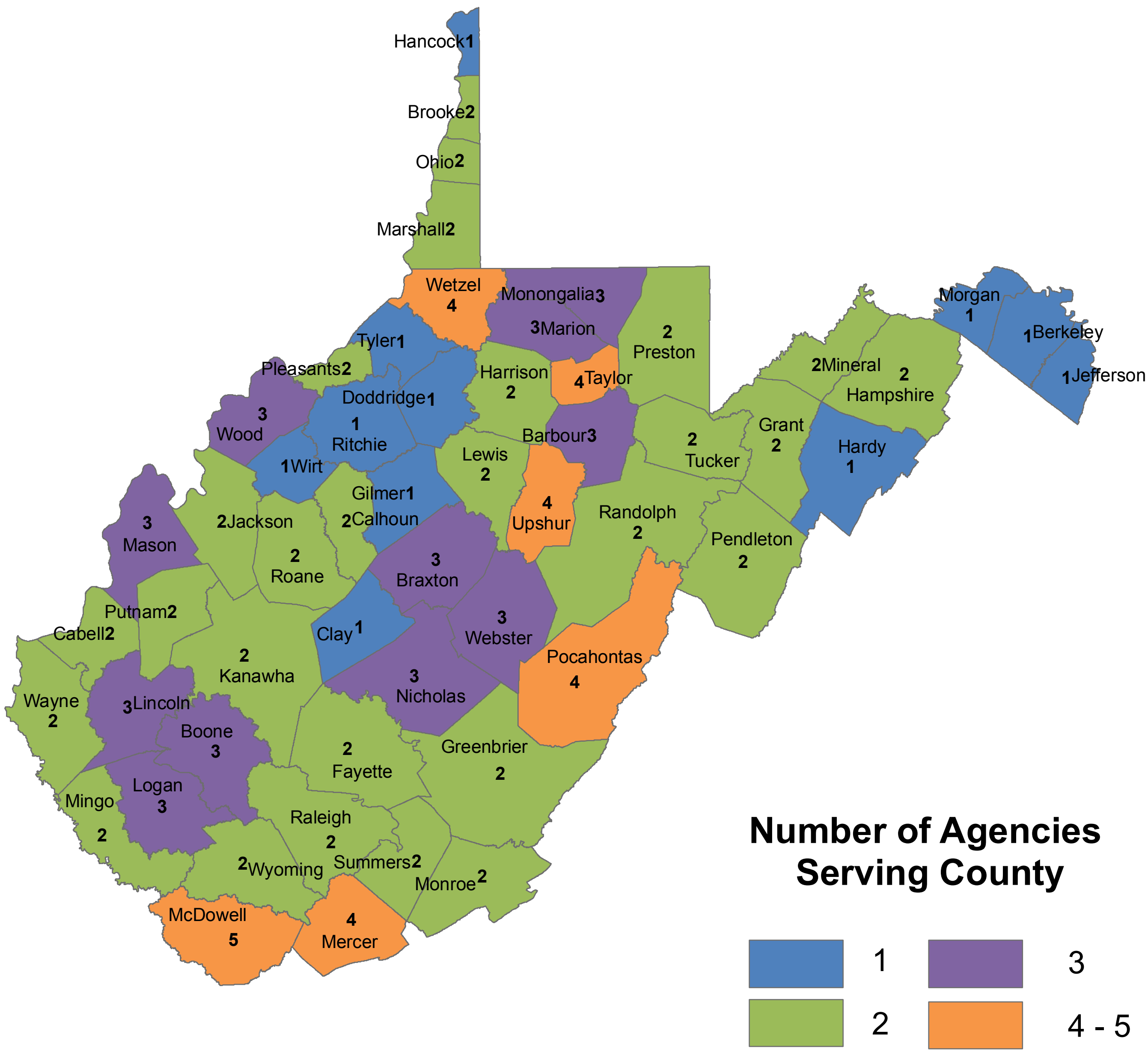
▲ Agency Office Locations (20)

● Inpatient Residential Facilities (6)

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

Source: 2013 West Virginia Hospice Services Survey

West Virginia Hospices by County



Source: 2013 West Virginia
Hospice Services Survey

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RENAL DIALYSIS CENTERS

Renal dialysis centers are distinct entities that provide treatment for patients in kidney failure.

- Thirty-four renal dialysis centers located in 27 counties reported operations for FY 2013.
- All dialysis centers are for-profit entities.
- Total revenue for FY 2013 was $102.9 million, with expenses of $79.4 million resulting in an aggregate profit of $23.5 million. The profit for FY 2012 was $23.5 million from total revenue of $95.4 million.

EROE – Renal Dialysis Centers
(In thousands)

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

- Total margin for FY 2013 was 22.8%, a decrease from 24.7% in FY 2012.
- Twenty-six facilities reported profits for FY 2013 ranging from $3.7 million to $87,000. Ten providers earned more than $1.0 million. Average profit was $748,000 for the 32 centers that operated during the entire fiscal year.
- Two renal dialysis centers, Mountaineer Dialysis (Davita) and Appalachian Dialysis (Fresenius) opened late in FY 2013 and reported data for only part of the year. They were not included in the calculation of the average profit. Both facilities are in Raleigh County.
- On September 10, 2014, the Health Care Authority issued a moratorium on the "development, acquisition, or other establishment of End Stage Renal Dialysis services, including stations." This was done pursuant to West Virginia Code §16-2D-5(k) which authorizes moratoriums when it is determined "that the proliferation of the service may cause an adverse impact on the cost of health care or the health status of the public."

Detailed information on renal dialysis centers can be reviewed in Table 31 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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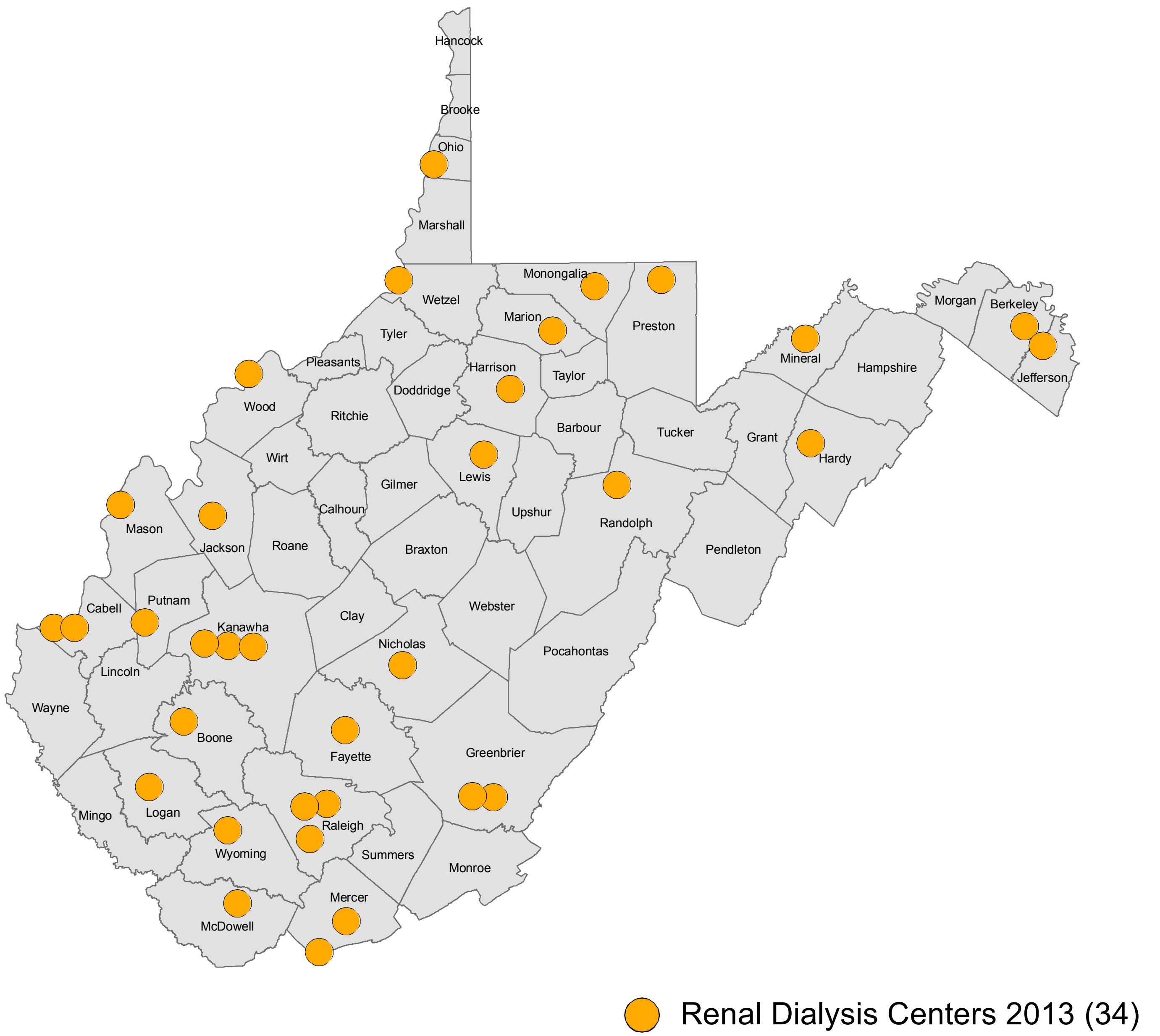
West Virginia
Renal Dialysis Centers



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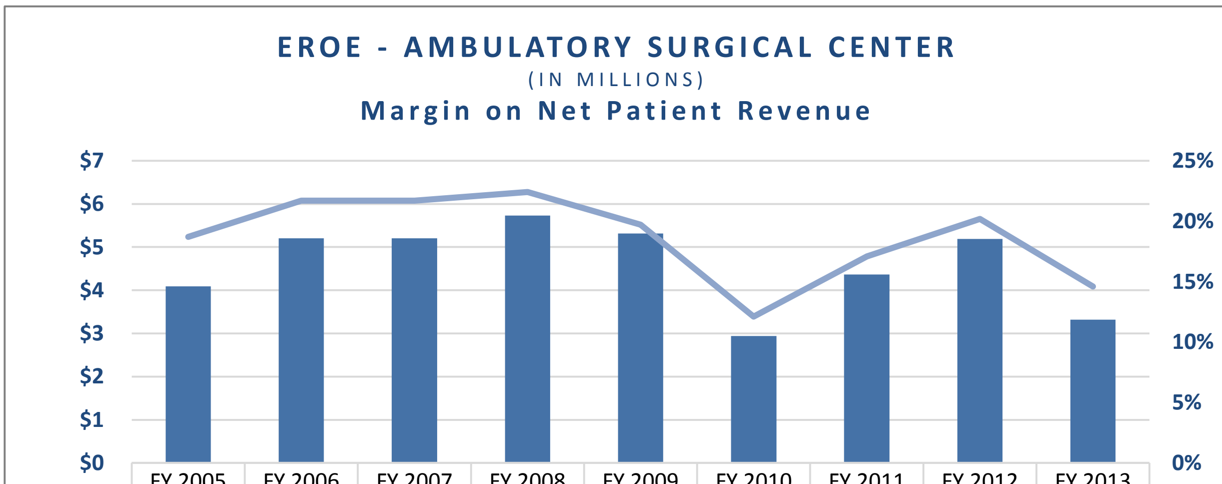
AMBULATORY SURGERY CENTERS

Ambulatory surgical centers (ASCs) are distinct entities that provide surgical services to patients not requiring a hospital admission.

- Eleven certified ASCs operated in West Virginia during FY 2013. Two ASCs were acquired by Cabell-Huntington Hospital and became units of the hospital.
    - Cabell-Huntington Surgery Center had been operating under a partnership arrangement with the hospital as one of the partners. In 2013 the hospital acquired the interests of the other partners and began operating the center as an outpatient department of the hospital.
    - Cook Eye Center was purchased on May 1, 2013.
- All ASCs operated as for-profit entities.
- Total revenue for FY 2013 was $22.8 million, with expenses of $19.5 million resulting in an aggregate profit of $3.3 million, a 36.1% decrease from FY 2012.
- Total revenue decreased by $2.8 million from the prior year, and expenses decreased by $977,000.



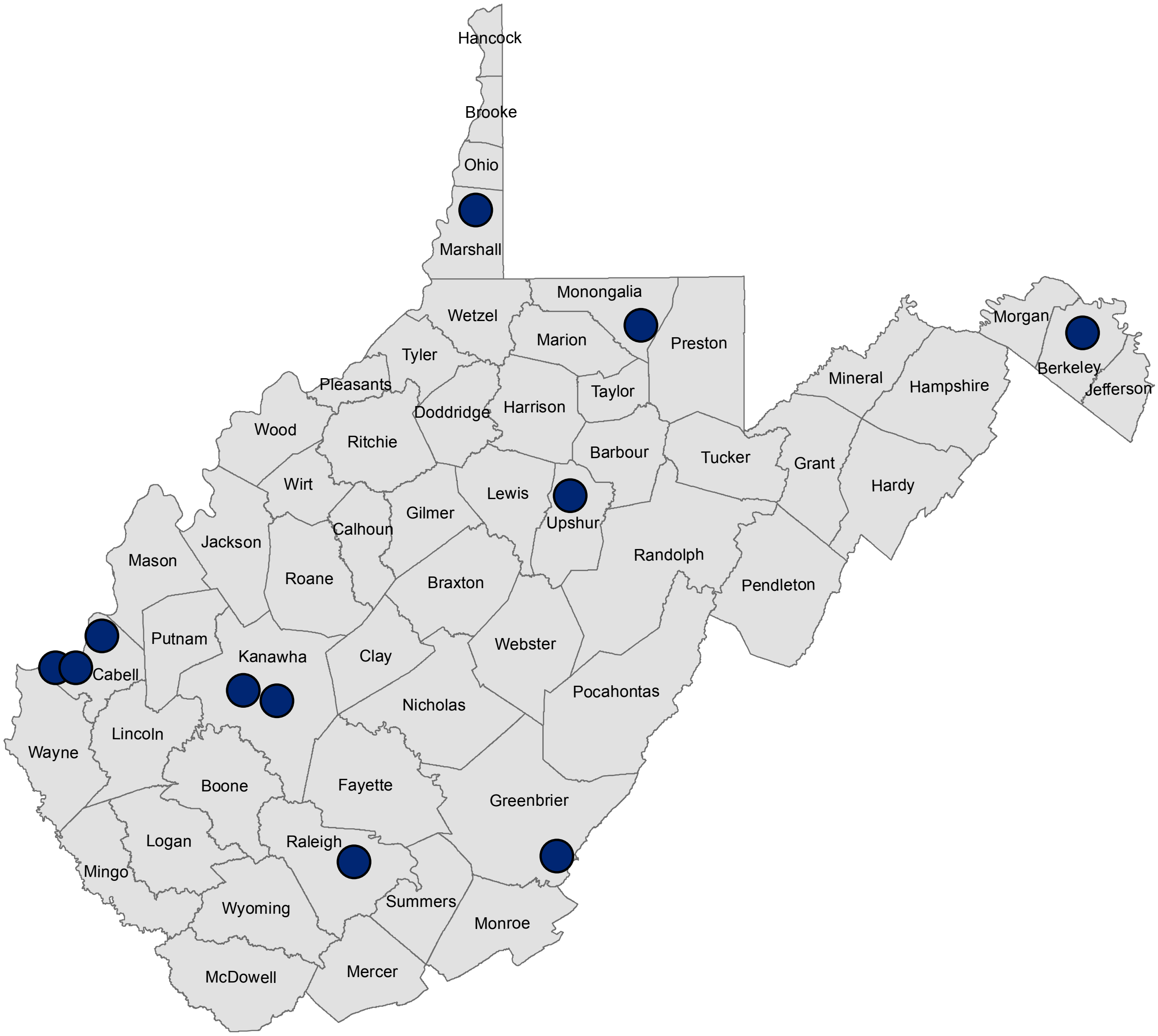
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EROE	$4.1	$5.2	$5.2	$5.7	$5.3	$2.9	$4.4	$5.2	$3.3
Margin	18.7%	21.7%	21.7%	22.4%	19.7%	12.1%	17.1%	20.2%	14.6%

- Average profit was $302,000 for FY 2013 and $472,000 in the prior year.

- For FY 2013, six facilities reported profits and one center reported a zero margin.

Detailed information on ambulatory surgery centers can be reviewed in Tables 32-33 on the Authority's website under the Data and Public Information link, Annual Reports section. The link is http://www.hca.wv.gov/data/Reports/Pages/default.aspx

West Virginia
Ambulatory Surgery Centers



Ambulatory Surgery Centers (11)

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List of WV Hospitals and Abbreviations

Abbreviated Names Used in Hospital Tables

Hospital Name	Hospital Abbreviation
General Acute	
Beckley Appalachian Regional Hospital	Beckley ARH
Bluefield Regional Medical Center	Bluefield Regional
Cabell Huntington Hospital	Cabell Huntington
CAMC Teays Valley Hospital	CAMC Teays Valley
Camden-Clark Memorial Hospital	Camden-Clark
Charleston Area Medical Center	CAMC
Charleston Surgical Hospital	Charleston Surgical
City Hospital	City Hospital
Davis Memorial Hospital	Davis Memorial
Fairmont General Hospital	Fairmont General
Greenbrier Valley Medical Center	Greenbrier Valley
Jackson General Hospital	Jackson General
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. Joseph's Hospital	St Joseph's
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

(Continued on Next Page)

List of WV Hospitals and Abbreviations

Abbreviated Names Used in Hospital Tables

Hospital Name	Hospital Abbreviation
Critical Access	
Boone Memorial Hospital	Boone Memorial
Braxton County Memorial Hospital	Braxton County
Broaddus Hospital Association	Broaddus
Grafton City Hospital	Grafton City
Grant Memorial Hospital	Grant Memorial
Hampshire Memorial Hospital	Hampshire
Jefferson Memorial Hospital	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
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	
Highland Hospital	Highland
Mildred Mitchell - Bateman Hospital	Bateman
River Park Hospital	River Park
William R. Sharpe 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

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.

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.

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 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.

Glossary of Terms (Cont.)

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

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.

Glossary of Terms (Cont.)

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.

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.

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.

Standardized Infection Ratio (SIR): There are various statistics that can be used to summarize and report HAI data at a national, state, or local level. The standardized infection ratio (SIR) is a commonly reported summary measure because it adjusts for patients of varying risk within each facility, which allows for valid comparisons between facilities. The SIR compares the actual number of infections reported by the hospital to the national baseline (from the National Healthcare Safety Network (NHSN) aggregate data), adjusting for several risk factors that have been significantly associated with differences in infection incidence. A SIR greater than 1.0 indicates that more infections occurred in the hospital than were expected based on national averages for hospitals of that type and size. Conversely, a SIR less than 1.0 indicates that fewer infections occur than expected. For example, a SIR of 1.20 indicates that the hospital had 20% more infections than expected; a SIR of 0.80 indicates that the hospital had 20% fewer infections than expected. When the number of expected infections are <1, the number of procedures performed is too low to calculate a precise SIR and comparative statistics.

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.

Glossary of Terms (Cont.)

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

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

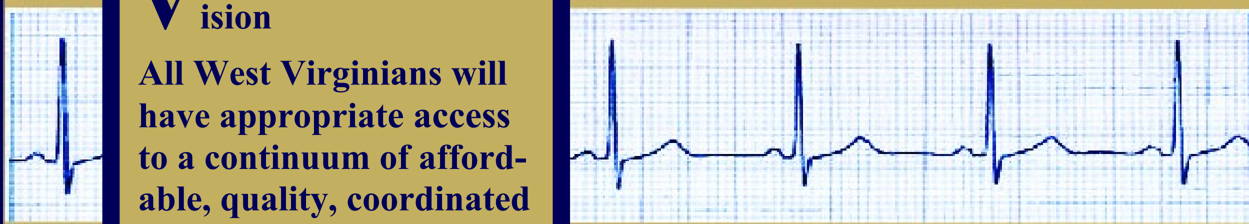
Total Liabilities and Fund Balances and/or Equity: Summation of the total liabilities and fund balance or equity shown on the balance sheet.

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.

Upper Payment Limits (UPLs): A program that caps the amount of Medicaid payments which states can use to receive federal match funds. UPLs are set to reflect what Medicare would pay for comparable services. Supplemental payments may be made to providers under this program when Medicaid payments are below Medicare rates.



Vision

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

Mission

The Health Care Authority administers programs primarily to constrain the rising cost of health care and to assure reasonable access to necessary and quality health services.

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