

ABOUT THIS REPORT ON FINANCIAL INDICATORS

INTRODUCTION

The District of Columbia's health care delivery system continues to undergo changes that began in 2001 when the District privatized the city's public hospital and ambulatory clinics and created the D.C. Healthcare Alliance. In addition, the health care community saw the conversion of Hadley Memorial Hospital from an acute to a long-term acute care facility in 2001 and the closure of Columbia Hospital for Women in 2002, as well as the conversion of D.C. General Hospital to an urgent care center. The impact of these changes can be seen in the charts and graphs in this Financial Indicators Report.

The closure and conversion of three hospitals, the potential for a terrorist event or major disease epidemic and the severe workforce shortage that District health care facilities are experiencing, have added significant stress on the District's health care delivery system. District hospitals, already constrained financially by inadequate reimbursement from managed care organizations and public payers, and the continuing challenges of caring for a large uninsured population, are struggling to find ways to handle these changes in a manner that maintains the highest quality of patient care.

SOURCE

The data in this report come from the ***DCHA Annual Hospital Survey***, which gathers standard audited information from the hospitals in the District. The information in this report is based on each hospital's own 2005 fiscal year. The charts and graphs on the financial condition of hospitals provide collective (and some individual) information about nine of the eighteen DCHA hospitals. Excluded from all aggregate data are a long-term acute care facility, three facilities providing only psychiatric services and four federally-owned acute care hospitals.

Data are reported to DCHA directly by individual hospitals that follow the accounting guidelines defined in the *Audits of Providers of Health Care Services of the American Institute of Certified Public Accountants* (AICPA). AICPA guidelines require health care providers to classify bad debt as a part of operating expense, and to establish and disclose their policies regarding charity care along with the amount of charity care provided. These rules went into effect in 1990 and two related rules also went into effect in 1995. For analysis purposes, DCHA has classified bad debt as a separate line item.

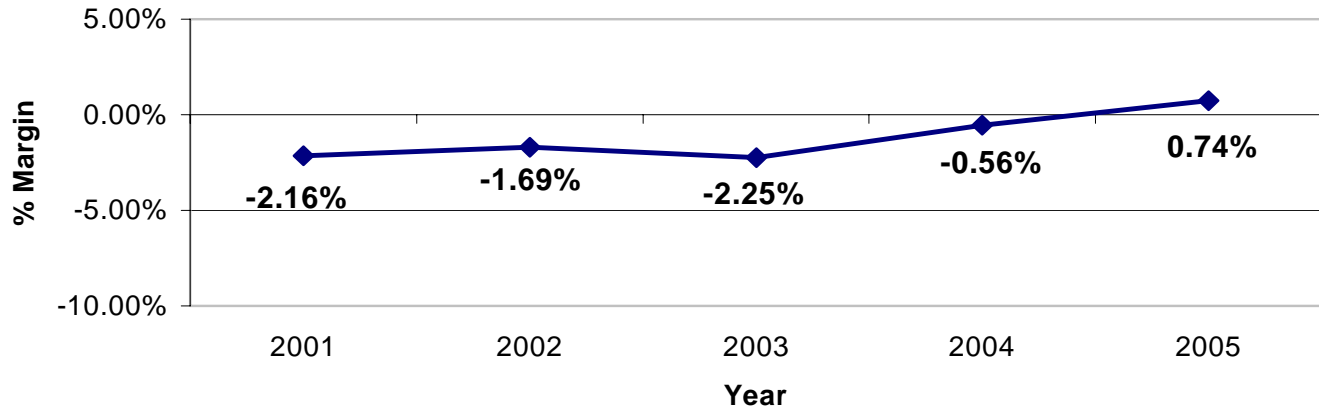
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Operating Margin Percent District of Columbia Hospitals

Beginning with the closure of D.C. General Hospital in 2001, massive changes to the District of Columbia health care system contributed to a significant downturn in the financial health of District hospitals as the responsibility of providing a safety net to the uninsured falls to members of the D.C. Healthcare Alliance and other private hospitals.

Aggregate Operating Margin Percent, 2001-2005



In 2005, one-third of the private hospitals in the District had an operating margin less than one percent. While there have been some improvements since the closure of D.C. General Hospital, hospitals still have a significant number of visits to the emergency department where many patients continue to seek primary care and the treatment of ambulatory sensitive conditions. Hospitals continue to be concerned about the access, delivery and cost of health care services for District of Columbia Medicaid patients, as well as the uninsured and under-insured populations.

Operating Margin Percent	2003	2004	2005
Children's National Medical Center	-3.28%	1.07%	4.70%
George Washington University Hospital	1.73%	0.80%	2.06%
Georgetown University Hospital	-7.62%	-3.34%	1.23%
Greater Southeast Community Hospital	-8.95%	-20.6%	-11.98%
Howard University Hospital	1.20%	-0.14%	-7.01%
National Rehabilitation Hospital	1.16%	1.25%	2.27%
Providence Hospital	0.33%	-6.01%	-0.87%
Sibley Memorial Hospital	2.79%	5.60%	3.16%
Washington Hospital Center	-2.73%	1.42%	1.6%
Aggregate Percentage	-2.25%	-0.56%	0.74%

Note: New financial figures became available for National Rehabilitation Hospital, and operating margin percents were recalculated. Thus, the aggregate operating margin percents differ from previous DCHA Financial Indicators Reports.

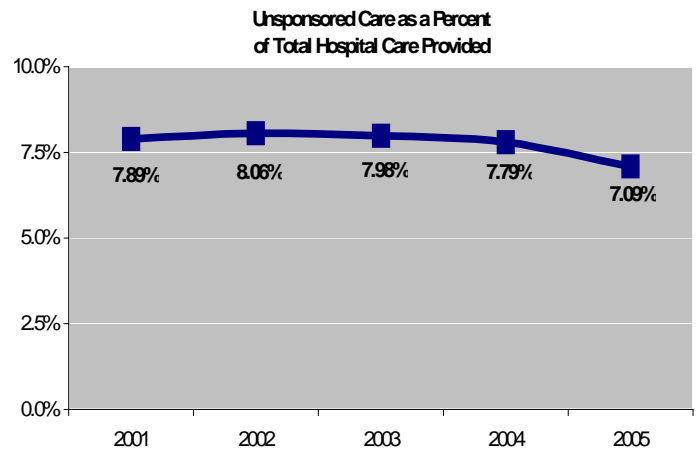
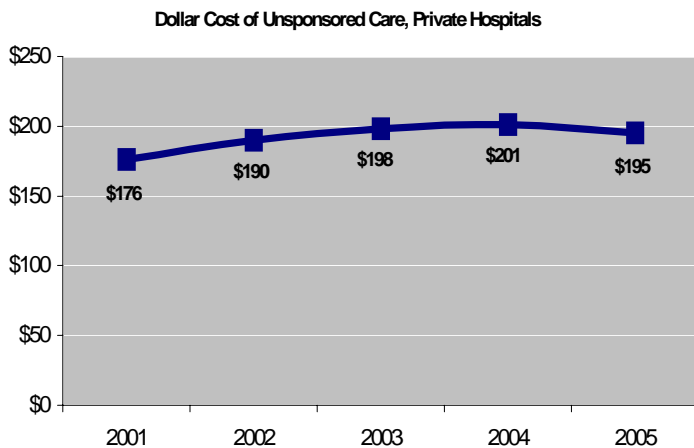
Note: Aggregate Operating Margin Percent is computed by calculating the percentage difference between aggregate operating expenses and aggregate operating revenues.

Note: Calculations exclude SHW-Hadley Memorial Hospital, Specialty Hospital of Washington, psychiatric and federal hospitals.

Source: 2005 DCHA Financial Indicators Survey.

Un-sponsored Care District of Columbia Hospitals

Before its closure in June 2001, D.C. General Hospital provided over one-third, or about \$75 million of the \$200 million in unsponsored care provided to the uninsured and under-insured by District hospitals annually. Since the establishment of the D.C. Healthcare Alliance, the District government's funding that had previously been allocated to D.C. General has now been transferred to the Alliance, which utilizes six private hospitals to eligible individuals. For those individuals who are not eligible for the Alliance and are still uninsured, the private hospitals have picked up much of the burden that had been carried by D.C. General Hospital.



	<u>2003</u>		<u>2004</u>		<u>2005</u>	
	Cost of Unsponsored Care	Percent Of Total Care	Cost of Unsponsored Care	Percent Of Total Care	Cost of Unsponsored Care	Percent Of Total Care
Children's National Medical Center	\$43,410,901	12.07%	\$39,346,583	10.16%	\$36,945,842	8.84%
George Washington University Hospital	\$9,058,000	3.71%	\$6,421,000	2.60%	\$7,704,689	2.96%
Georgetown University Hospital	\$10,938,000	2.92%	\$12,157,000	3.22%	\$13,406,396	3.37%
Greater Southeast Community Hospital	\$39,568,000	32.05%	\$48,429,000	41.14%	\$35,932,228	30.93%
Howard University Hospital	\$38,326,000	15.28%	\$46,004,000	17.54%	\$52,175,605	18.88%
National Rehabilitation Hospital	\$773,000	1.30%	\$1,184,000	1.90%	\$971,485	1.5%
Providence Hospital	\$10,252,000	6.17%	\$10,727,000	6.16%	\$11,575,415	6.45%
Sibley Memorial Hospital	\$4,427,000	2.76%	\$4,844,000	2.86%	\$6,041,654	3.34%
Washington Hospital Center	\$41,174,000	5.55%	\$31,476,000	4.06%	\$30,353,852	3.53%
District Total	\$197,926,336	7.98%	\$200,599,374	7.79%	\$195,107,166	7.09%

Note: New financial figures became available for Children's National Medical Center, and the cost of unsponsored care costs were recalculated. Thus, the aggregate unsponsored care costs differ from previous DCHA Financial Indicators Reports.

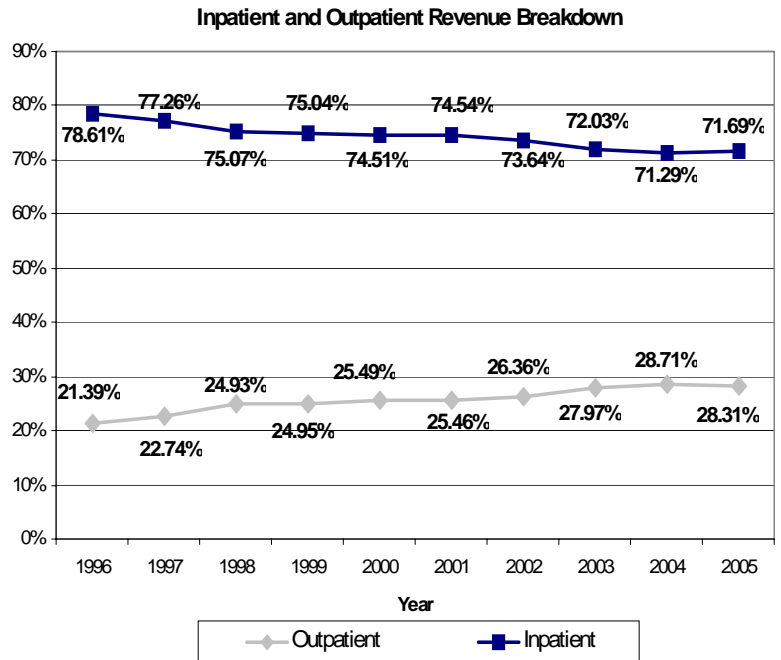
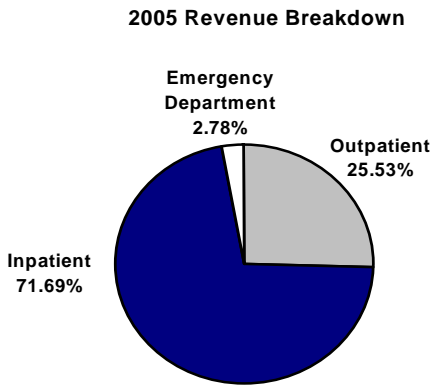
Note: Unsponsored care is a combination of bad debt and charity care.

Note: Calculations exclude SHW-Hadley Memorial Hospital, Specialty Hospital of Washington, psychiatric and federal hospitals.

Source: 2005 DCHA Financial Indicators Survey.

Inpatient, Outpatient and Emergency Department Revenue as a Percentage of Total Gross Patient Revenue

Until 1999, District hospitals reported only inpatient and outpatient revenues, with emergency department revenue included in each hospital's outpatient revenues. Beginning in fiscal year 1999, hospitals began extracting their emergency department revenue from outpatient revenues. The pie chart shows the 2005 breakdown of District hospital revenues in these three categories.

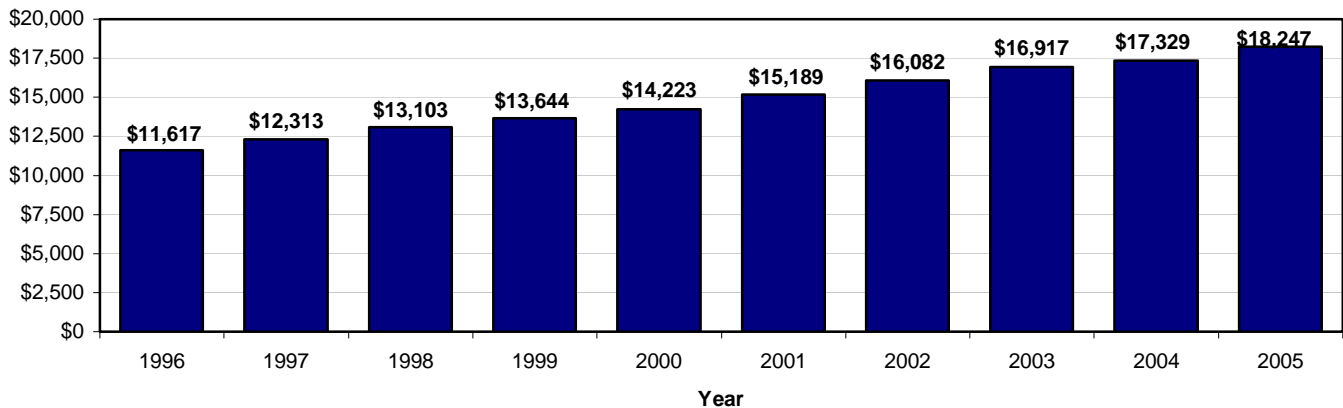


Over the past 10 years, the increased sophistication and technology of outpatient services has moved many services previously performed on an inpatient basis to the outpatient setting.

Note: Calculations exclude Specialty Hospital of Washington, psychiatric and federal hospitals.

Average Cost per Discharge – Ten-Year Trend: 1996 - 2005

The average cost per inpatient discharge includes a number of components: nursing, medical education, pharmaceuticals, dietary, housekeeping, laundry services, payroll, plant operations, maintenance, supplies, malpractice insurance, and other patient care costs. The chart indicates that cost per patient discharge has increased each year. In fiscal year 2005, the average cost per discharge at District hospitals increased 5.3 percent over 2004.

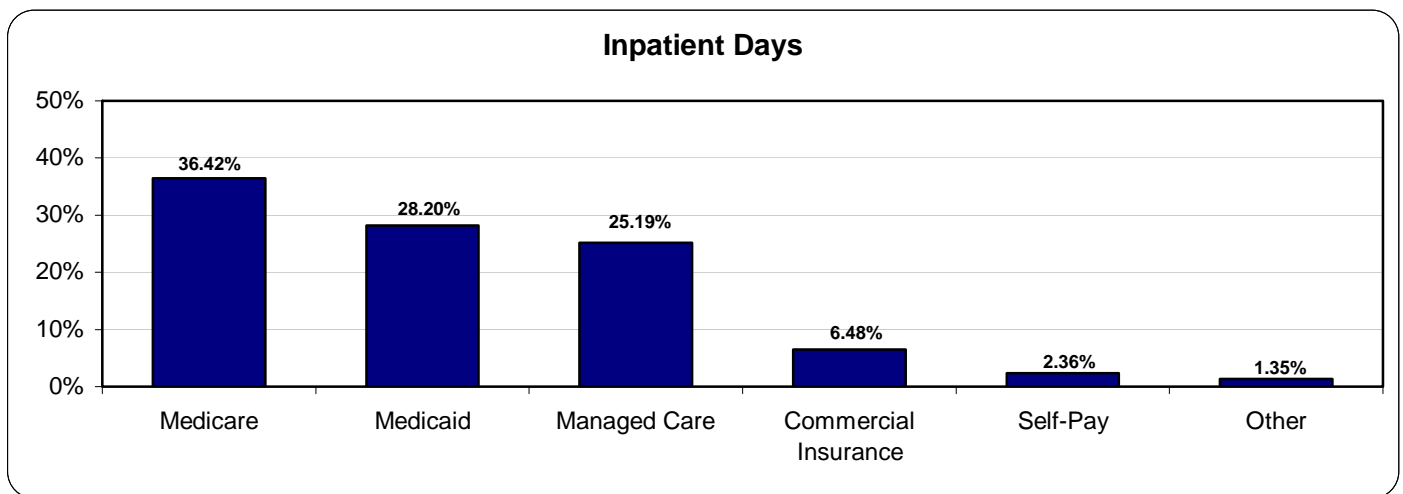
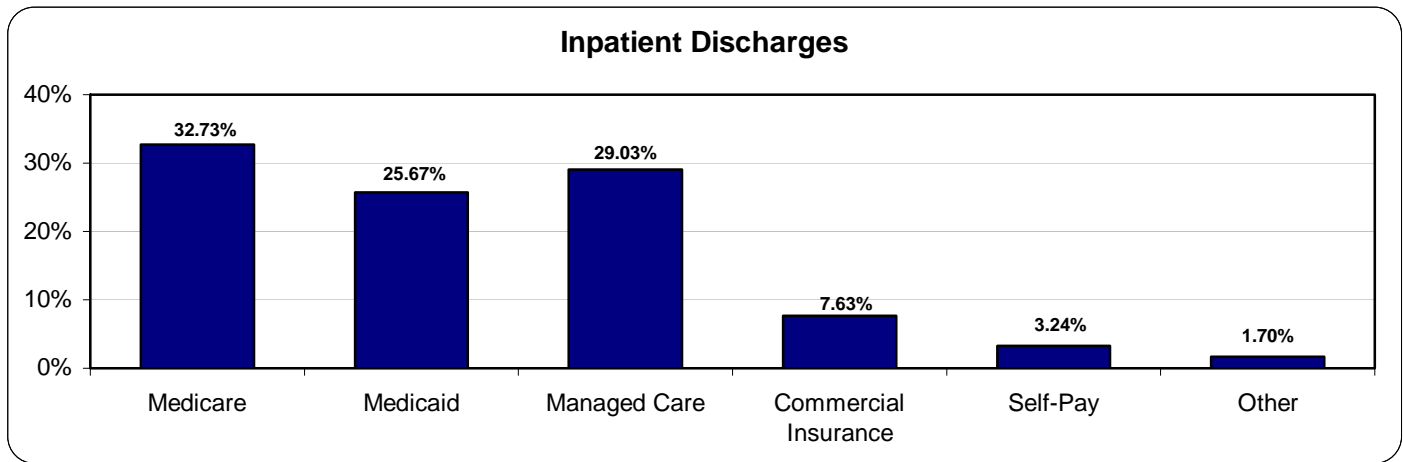
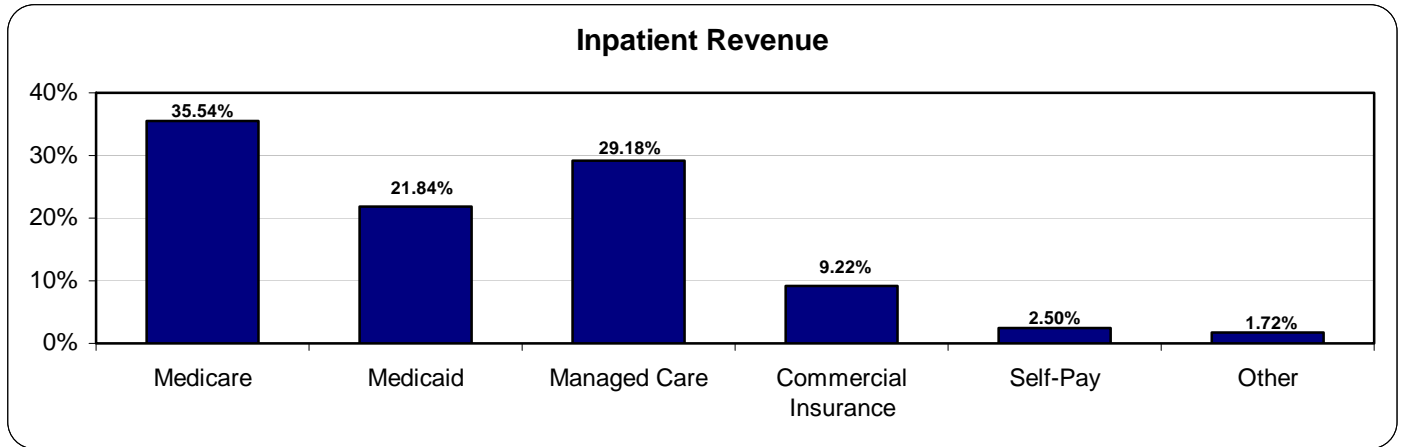


Note: Calculations exclude National Rehabilitation Hospital, SHW-Hadley Memorial Hospital, Specialty Hospital of Washington, psychiatric and federal hospitals.

Source: 2005 DCHA Financial Indicators Survey.

Total Inpatient Revenue, Discharges & Patient Days by Payer Class

The correlation between inpatient revenues and inpatient discharges and patient days is consistent among all of the payers except Medicaid, where the percentage of revenue is significantly less than the percentage of discharges and patient days.



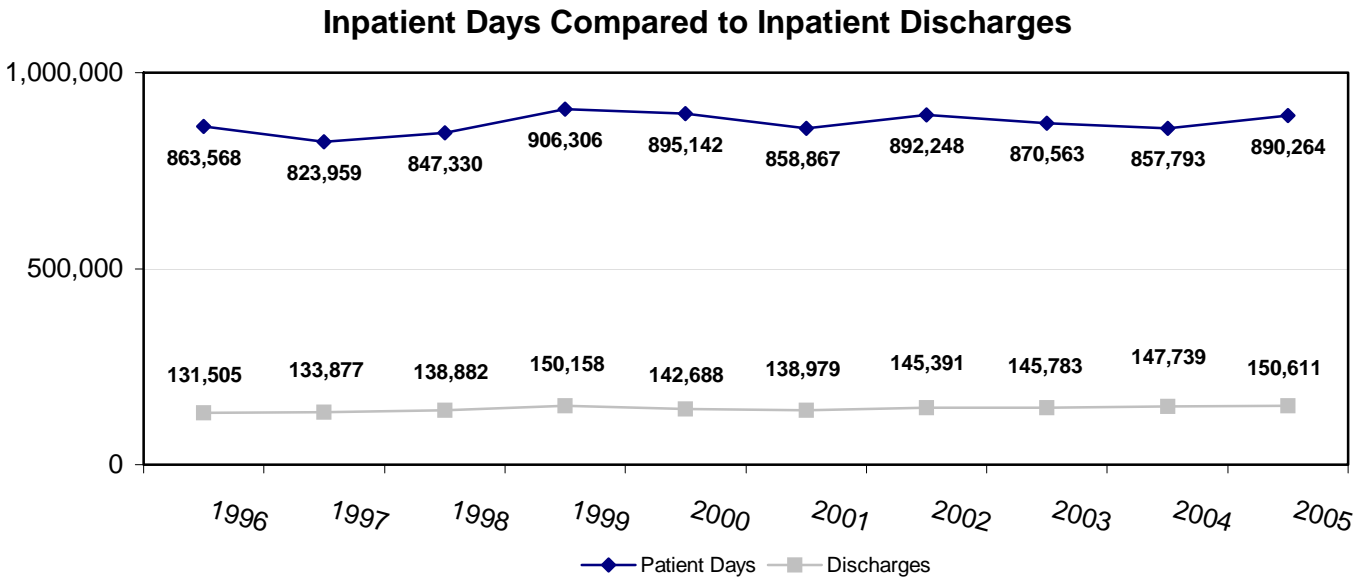
Note: "Medicaid" includes all Medicaid programs (regardless of state), including D.C. Healthy Families, all medical charities programs as well as the D.C. Healthcare Alliance program.

Note: Calculations exclude Specialty Hospital of Washington, psychiatric and federal hospitals.

Source: 2005 DCHA Financial Indicators Survey.

Inpatient Days Compared to Inpatient Discharges Ten-Year Comparison: 1996 v. 2005

While compared to 10 years ago, inpatient discharges and patient days increased by 14.5 percent and 3.1 percent, respectively, both remain fairly constant throughout the time period.

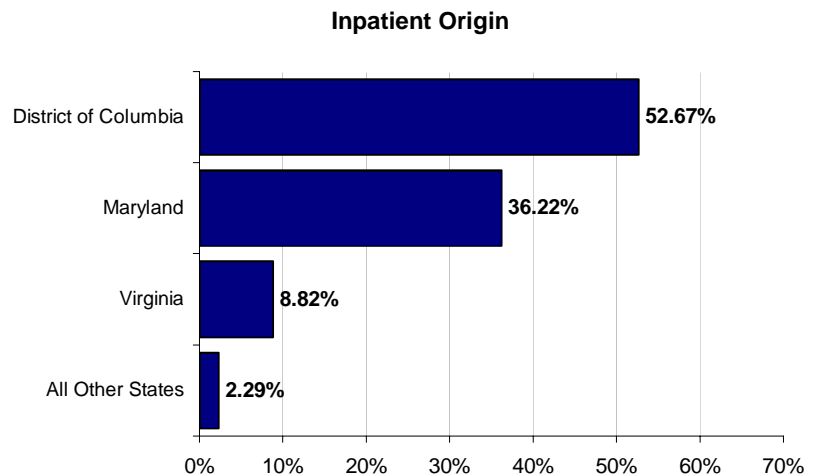


Note: Calculations exclude Specialty Hospital of Washington, psychiatric and federal hospitals.
Source: 2005 DCHA Financial Indicators Survey.

Inpatient Origin District of Columbia Hospitals

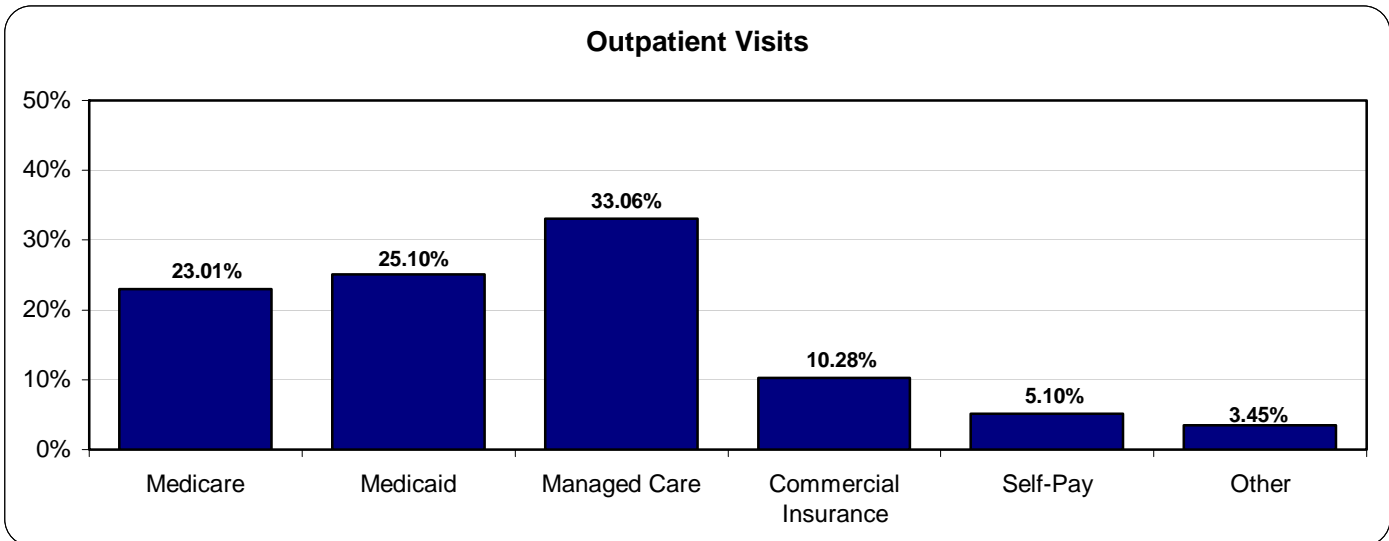
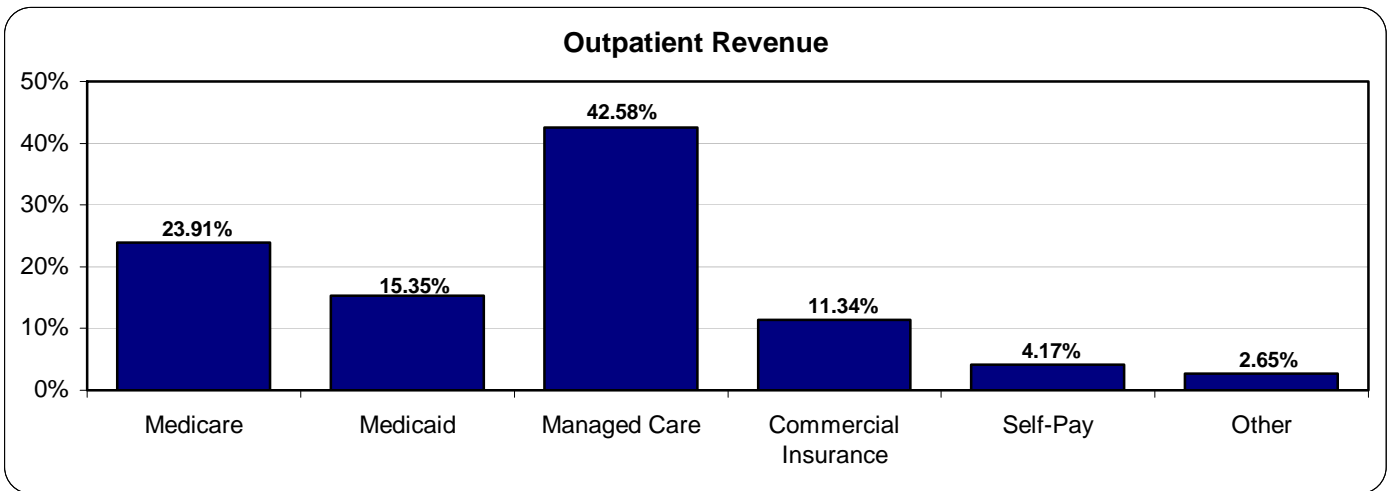
While the District of Columbia has a relatively small population (550,521 in 2005, as estimated by the U.S. Census Bureau), District hospitals serve patients from throughout the region. In fact, only about half of the patients served in D.C. hospitals actually live in the city.

Source: DCHA Patient Data System, 2005. Hospitals in this database include Children's National Medical Center, George Washington University Hospital, Georgetown University Hospital, Greater Southeast Community Hospital, Howard University Hospital, National Rehabilitation Hospital, Providence Hospital, Sibley Memorial Hospital, Veterans Affairs Medical Center and Washington Hospital Center.



Total Outpatient Revenue and Visits by Payer Class *Fiscal Year 2005*

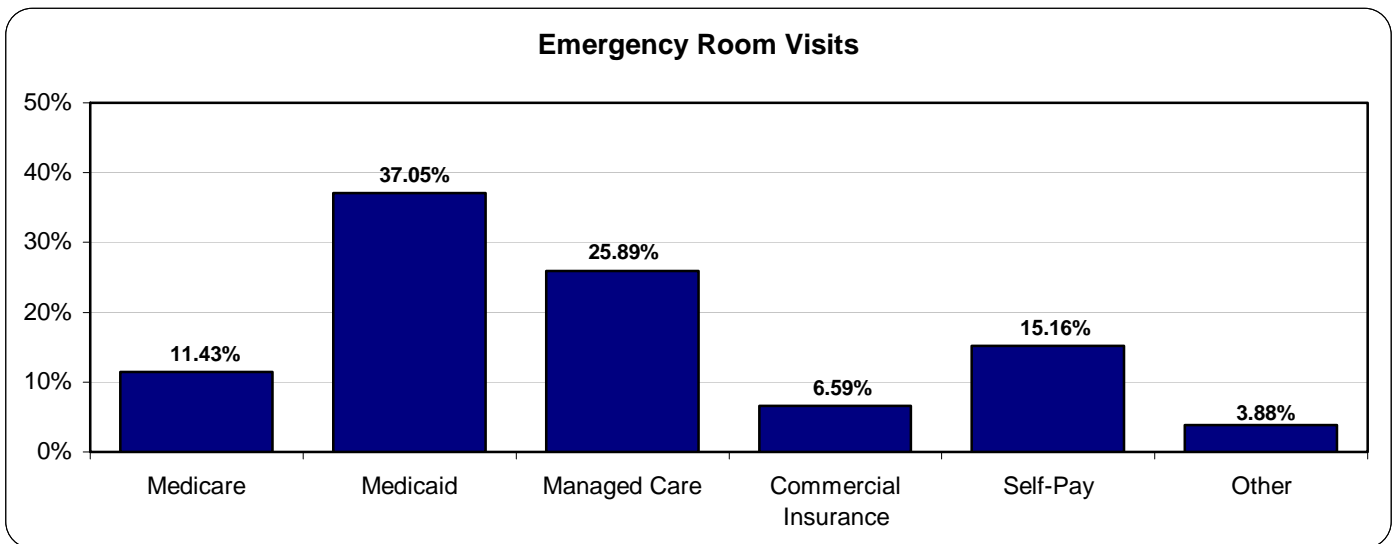
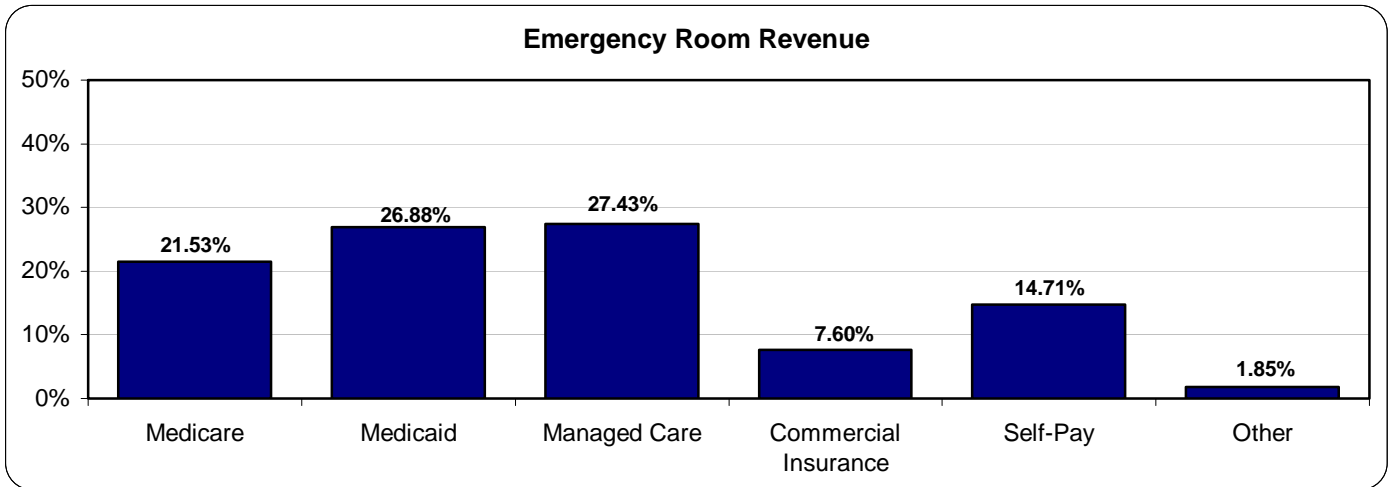
Previously, District hospitals reported only inpatient and outpatient revenues, with emergency department revenue included in each hospital's outpatient revenues. Beginning in fiscal year 1999, hospitals began to extract their emergency department revenue from outpatient revenues. The correlation between outpatient revenues and outpatient visits is fairly consistent among the payers except Medicaid and managed care, where the percentage of revenue compared to the percentage of outpatient visits is considerable and contrary.



- Note:** "Medicaid" includes all Medicaid programs (regardless of state), including D.C. Healthy Families, all medical charities programs as well as the D.C. Healthcare Alliance program.
- Note:** Calculations exclude National Rehabilitation Hospital, SHW-Hadley Memorial Hospital, Specialty Hospital of Washington, psychiatric and federal hospitals.
- Note:** George Washington University Hospital includes self-pay in "Other."
- Source:** 2005 DCHA Financial Indicators Survey.

Total Emergency Room Revenue and Visits by Payer Class *Fiscal Year 2005*

As seen in the outpatient revenue/visits data, the correlation between emergency room revenues and emergency room visits is consistent among most of the payers. However, once again the percentage of Medicaid revenue is significantly less than the percentage of visits. In addition, the Medicare revenue is significantly greater than the percentage of Medicare emergency room visits.



Note: "Medicaid" includes all Medicaid programs (regardless of state), including D.C. Healthy Families, all medical charities programs as well as the D.C. Healthcare Alliance program.

Note: Calculations exclude National Rehabilitation Hospital, SHW-Hadley Memorial Hospital, Specialty Hospital of Washington, psychiatric and federal hospitals.

Note: Data was unavailable by payer class for George Washington University Hospital.

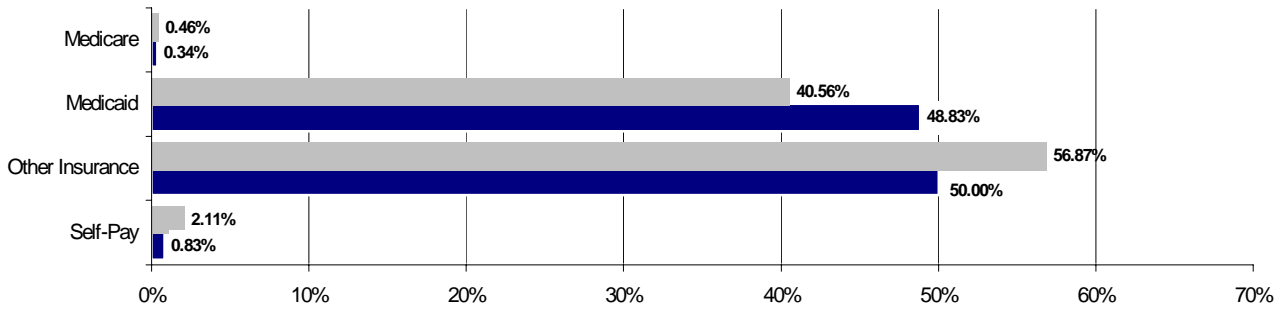
Source: 2005 DCHA Financial Indicators Survey.

Payer Mix by Gross Patient Revenue – 2001 v. 2005 District of Columbia Hospitals

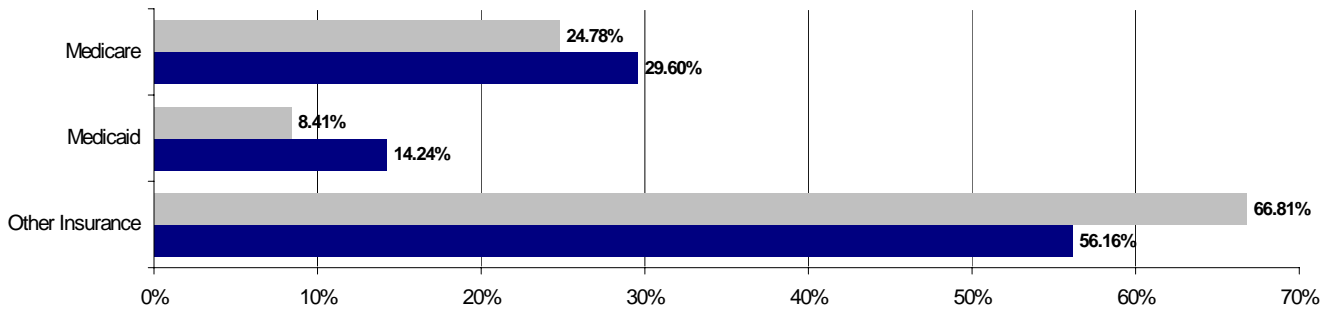
Payer mix is an important characteristic that defines hospital financial stability. A hospital's balance between public and private payers is often reflected in its overall financial health. In the District, both Medicare and Medicaid patients generally have longer lengths of stay, more severe acuity, frequent co-morbidities, as well as complications resulting from intermittent insurance coverage.

NOTE: In all charts below "Medicaid" includes all Medicaid payers regardless of state, as well as revenues from D.C. Healthy Families and the D.C. Healthcare Alliance, as described in the Introduction to this Report. "Other Insurance" includes commercial managed care, commercial fee-for-service and other insurers. D.C. Healthcare Alliance hospital providers include: Children's National Medical Center, George Washington University Hospital, Greater Southeast Community Hospital, Howard University Hospital, Providence Hospital and Washington Hospital Center.

Children's National Medical Center

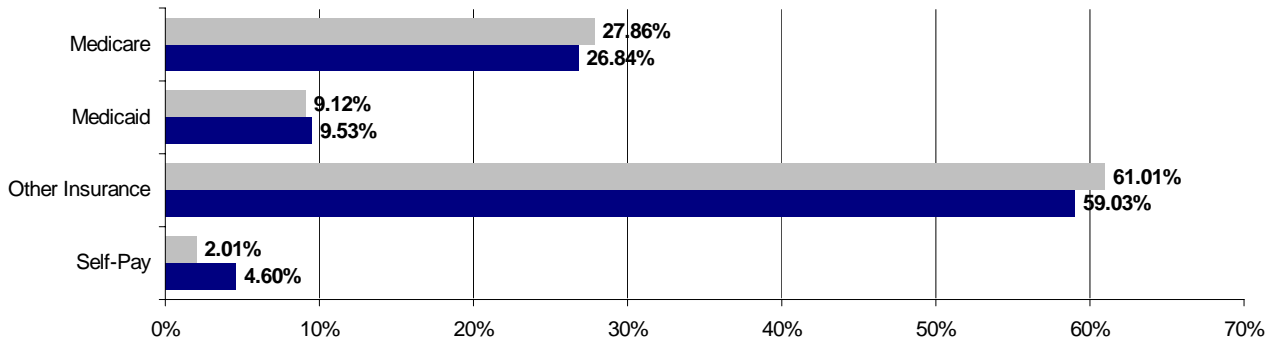


George Washington University Hospital



Note: George Washington University Hospital includes self-pay in "Other."

Georgetown University Hospital

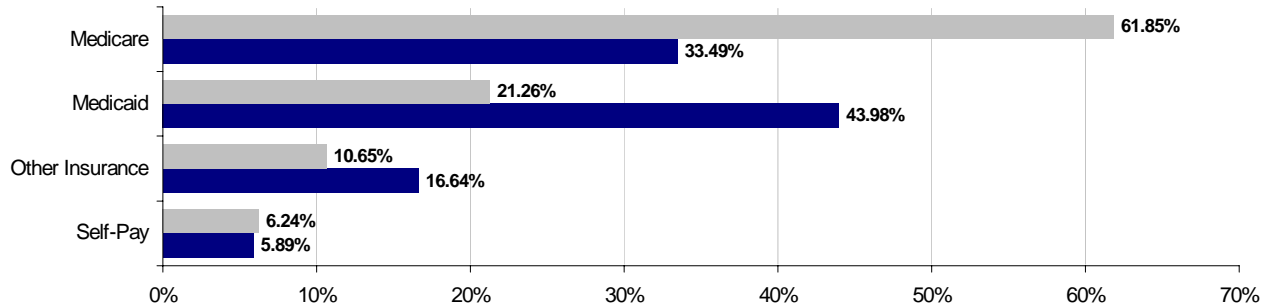


■ 2005 ■ 2001

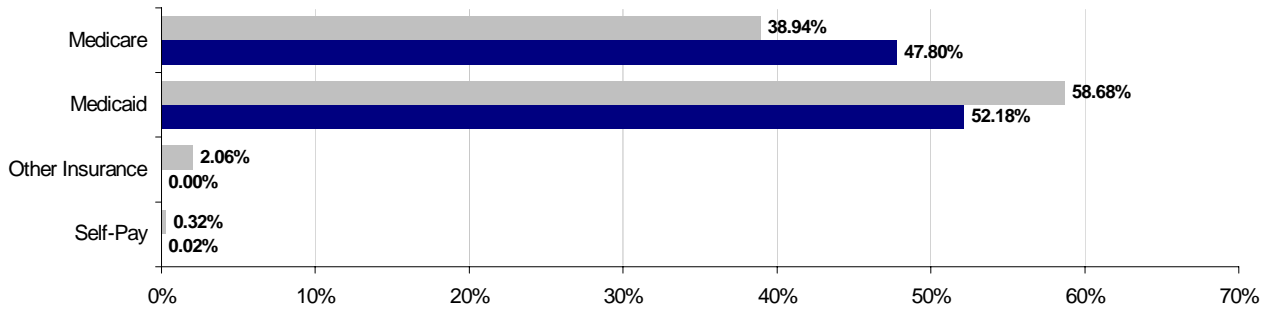
Payer Mix by Gross Patient Revenue – 2001 v. 2005 District of Columbia Hospitals (continued)

NOTE: In all charts below “Medicaid” includes all Medicaid payers regardless of state, as well as revenues from D.C. Healthy Families and the D.C. Healthcare Alliance, as described in the Introduction to this Report. “Other Insurance” includes commercial managed care, commercial fee-for-service and other insurers. D.C. Healthcare Alliance hospital providers include: Children’s National Medical Center, George Washington University Hospital, Greater Southeast Community Hospital, Howard University Hospital, Providence Hospital and Washington Hospital Center.

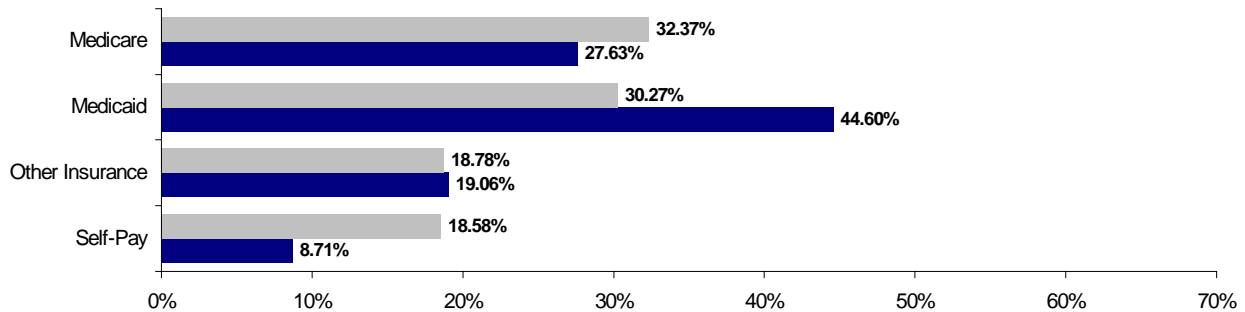
Greater Southeast Community Hospital



Hadley Memorial Hospital



Howard University Hospital

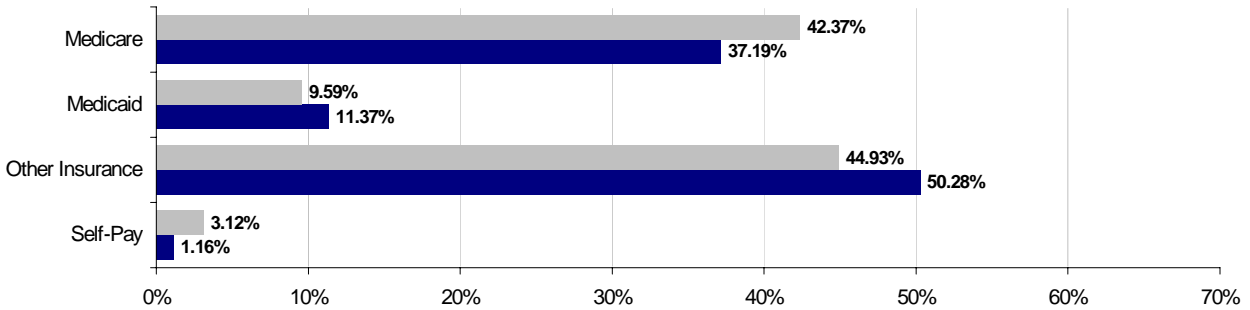


■ 2005 ■ 2001

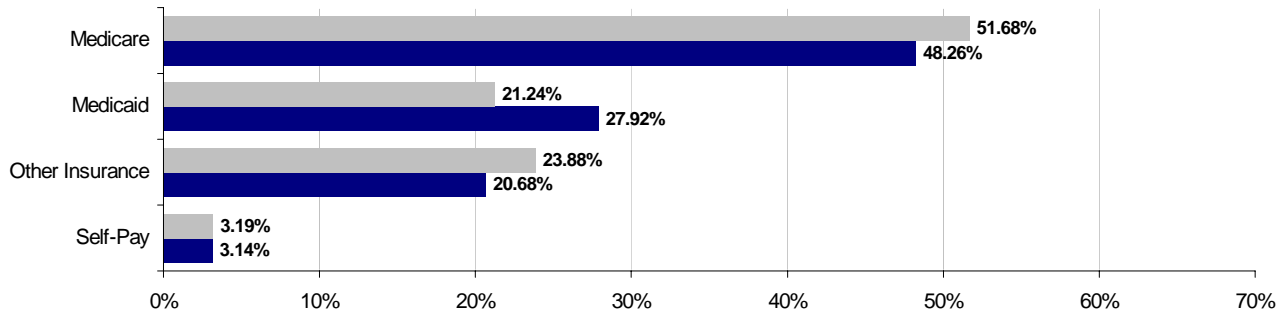
Payer Mix by Gross Patient Revenue – 2001 v. 2005 District of Columbia Hospitals (continued)

NOTE: In all charts below “Medicaid” includes all Medicaid payers regardless of state, as well as revenues from D.C. Healthy Families and the D.C. Healthcare Alliance, as described in the Introduction to this Report. “Other Insurance” includes commercial managed care, commercial fee-for-service and other insurers. D.C. Healthcare Alliance hospital providers include: Children’s National Medical Center, George Washington University Hospital, Greater Southeast Community Hospital, Howard University Hospital, Providence Hospital and Washington Hospital Center.

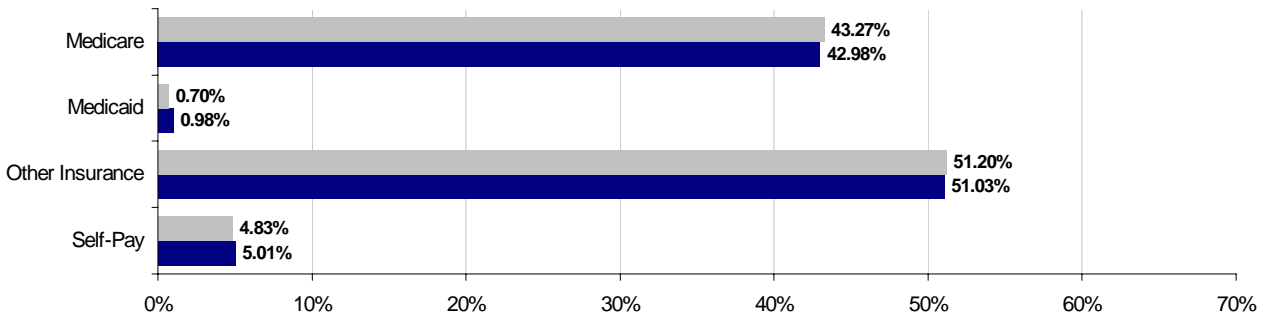
National Rehabilitation Hospital



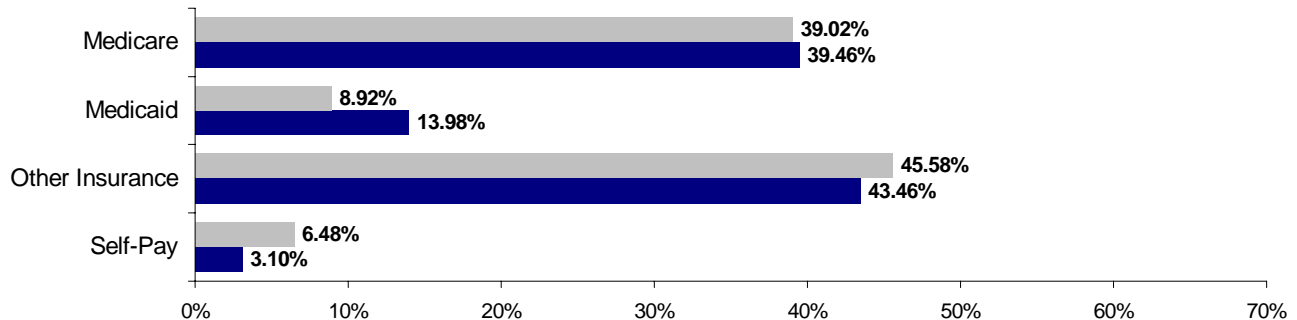
Providence Hospital



Sibley Memorial Hospital



Washington Hospital Center



■ 2005 ■ 2001

Operating Beds by Service Third Quarter 2006

Among the factors influencing bed-need in the District are: District hospitals continue to be the tertiary referral center for a population of over three million people; the District remains an international center of activity, drawing dignitaries from throughout the world for major events, requiring effective and accessible premiere acute health care services; and the very real threat of terrorism that requires hospitals to maintain “surge capacity” for beds and services in the event of an attack.

	MED/ SURG	OB/ GYN	PEDS	ICU	NICU	PSYCH	SUBST ABUSE	OTHER	TOTAL
Non-Federal Acute Care Hospitals:									
Children’s National Medical Center	0	0	140	27	40	23	0	0	230
George Washington University Hospital	185	45	0	48	12	20	0	16	326
Georgetown University Hospital	250	22	34	38	44	14	0	0	402
Howard University Hospital	208	10	16	30	9	18	0	0	291
Providence Hospital	183	31	0	12	9	29	0	0	264
Sibley Memorial Hospital	144	34	0	14	0	20	0	16	228
Washington Hospital Center	605	35	0	63	20	36	22	22	803
Non-Federal Acute Subtotal	1,575	177	190	232	134	160	22	54	2,544
Federal Acute Care Hospitals:									
Veterans Affairs Medical Center	93	0	0	20	0	28	0	0	141
Walter Reed Army Medical Center	159	0	17	60	0	25	0	0	261
Malcolm Grow Medical Center/Andrews AFB	20	17	0	4	0	0	0	0	41
National Naval Medical Center/Bethesda	146	34	0	20	24	10	0	23	257
Federal Acute Subtotal	418	51	17	104	24	63	0	23	700
Other Specialty and Psychiatric Hospitals:									
National Rehabilitation Hospital	0	0	0	0	0	0	0	137	137
SHW-Hadley Memorial Hospital	0	0	0	0	0	0	0	77	77
Specialty Hospital of Washington	39	0	0	21	0	0	0	0	60
Psychiatric Institute of Washington	0	0	0	0	0	104	0	0	104
Riverside Hospital	0	0	0	0	0	126	16	0	142
Saint Elizabeths Hospital	0	0	0	0	0	548	0	0	548
Specialty and Psychiatric Subtotal	39	0	0	21	0	778	16	214	1,068
GRAND TOTAL	2,032	228	207	357	158	1,001	38	291	4,312

Source: DCHA Bed Capacity and Occupancy Report, Third Quarter 2006.

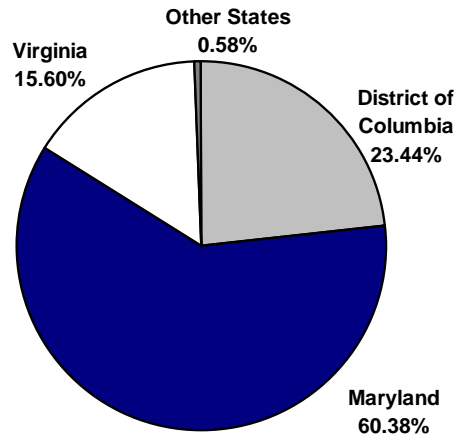
Health Care Employee Information Fiscal Year 2005

As the second largest non-government employer in the District of Columbia, hospitals are an economic force that provides stability to the Washington, D.C. metropolitan area. Hospitals in the District of Columbia consistently employ over 25,000 people from around the region.

The current critical health professions shortage across the U.S. has affected District hospitals as well. Vacancies in nursing, pharmacy, radiology technicians, medical technicians and others are major causes for concern. The shortage is the primary reason why District hospitals are unable to staff additional beds, which can lead to overcrowding of emergency rooms and increased ambulance diversions.

While hospitals' efforts to attract and retain these employees continue, District hospitals reported an estimated 15.76 percent vacancy rate for nurses (includes all Registered Nurses, Licensed Practical Nurses and Nursing Aides) in 2005.

D.C. Hospital Employee State of Residence



Percentage of District Hospital Employees Residing in D.C., Maryland and Virginia				
	District of Columbia	Maryland	Virginia	Other
Children's National Medical Center	24.82%	60.03%	14.47%	0.69%
George Washington University Hospital	21.16%	49.35%	29.29%	0.19%
Georgetown University Hospital	24.90%	42.56%	31.12%	1.43%
Howard University Hospital	28.98%	63.04%	7.87%	0.11%
National Rehabilitation Hospital	16.01%	71.19%	12.79%	0.00%
Providence Hospital	25.21%	67.70%	6.24%	0.85%
SHW-Hadley Memorial Hospital	24.80%	69.07%	6.13%	0.00%
Sibley Memorial Hospital	22.02%	56.24%	21.59%	0.14%
Washington Hospital Center	21.50%	66.48%	11.38%	0.65%

Note: Calculations exclude Greater Southeast Community Hospital, Specialty Hospital of Washington, psychiatric and federal hospitals.

Source: 2005 DCHA Financial Indicators Survey.

GLOSSARY OF FINANCIAL TERMS

BAD DEBT: *The unpaid obligation for care provided to patients who have been determined to be able to pay, but have not demonstrated a willingness to do so.* Bad debt includes any unpaid patient responsibility, which may include, but is not limited to: deductibles; co-insurance; co-payments; and, non-covered services. Patients are presumed to be able to pay until and unless information is obtained which indicates an inability on their part to do so.

CHARGES: *The dollar amount billed for a service by a health care provider, similar to the “retail” price.*

CHARITY CARE: *Health care services provided to people who are determined to be unable to pay for the cost of health care services. Charity care results from a provider’s policy to render health care services to those individuals who are unable to pay for some or all of their care.* Inability to pay is determined through examination of one or more of the following: individual and family income; assets; employment status; family size; or, availability of alternative sources of payment. Charity care may include patients who may qualify for a public assistance program and meet the hospital’s guidelines, but who do not complete the application process despite the hospital’s best efforts.

CONTRACTUAL ALLOWANCES: *The difference between gross charges and payments received under contractual arrangements with third party payers, including insurance companies, Medicare, Medicaid, D.C. Healthcare Alliance and health plans.*

COSTS: *The actual dollar amount incurred in providing a health service.*

DISCHARGE: *The formal release of a patient from a health care facility.*

INPATIENT SERVICES: *Health care treatment rendered to a patient while residing in the hospital.*

MANAGED CARE: *An entity that “manages” or controls what it spends on health care by closely monitoring how health care providers render services to patients.*

OPERATING MARGIN: *The percent difference between operating expenses and operating revenue.*

OUTPATIENT SERVICES: *Health care treatment rendered to a patient without being admitted to stay overnight in the hospital.*

PAYOR MIX: *The percentage of patients from each category of payers. The major payer classes included in the payer mix are: Medicare, Medicaid, Blue Cross, commercial insurance, managed care contracts, and self-pay patients.* Medicaid includes all Medicaid payers regardless of state, as well as revenues from D.C. Healthy Families and the D.C. Healthcare Alliance, as described in the Introduction to this Report. “Other Insurance” includes Blue Cross, commercial managed care, commercial fee-for-service and other insurers. D.C. Healthcare Alliance hospital providers include: Children’s National Medical Center, George Washington University Hospital, Greater Southeast Community Hospital, Howard University Hospital, Providence Hospital and Washington Hospital Center.

UNSPONSORED CARE: *The actual cost of services rendered to patients for which the health care provider does not expect to receive payment.* According to accounting guidelines, unsponsored care is a combination of bad debt and charity care. Unsponsored care does not include contractual allowances.



**District of Columbia
Hospital Association**

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