

Trends and Opportunities in the Consulate Territory

From the data presented, several trends have emerged in the W.P.A region. The general trends are as follows:

1. Large and growing elderly population
2. Increase in managed care participation
3. Decreasing average length of stays, and admissions to acute facilities
4. Increasing utilization of outpatient services and facilities
5. Acute financial distress from on-going operations; solvency only from non-operating revenues, e.g., investments, gifts, and bequests

These trends do not appear to be alleviating in the short - to - intermediate term. If the national trend continues, reimbursement to acute care facilities will continue to be squeezed, without further obligations coming from those receiving welfare, Social Security, or Medicare.

The elderly population, highest by percentage in the nation, creates both opportunities and difficulties. How this is perceived depends on the individual viewpoint. Recently, Moody's Investors Services in New York City created a list of twenty national institutions that would be considered "at risk" due to their high reliance on Medicare and Medicaid. Seven health care providers from Western Pennsylvania were on the list. The number one ranked facility is a local residential care facility for mentally retarded children. It receives 99.9% of its funding from Medicaid. The other six were local hospitals.

The hospitals are as follows:

<u>Name</u>	<u>% Medicare/Medicaid</u>	<u>Rank</u>
McKeesport Hospital	77.7%	3
Armstrong County Memorial Hospital	77.5%	4
Monongahela Valley Hospital	76.9%	6
Suburban General Hospital	74.6%	14
South Hills Health System	73.0%	16
Uniontown Hospital	73.0%	16

The national average is 55.3%. All Western Pennsylvania hospitals received more than the national average in Medicare/Medicaid payments as a portion of their revenue. The "at risk" group could possibly have their bond ratings lowered. This would create higher borrowing costs, and staff cuts. The need for consolidation, mergers, alliances and closures among the provider community are all becoming necessities.