

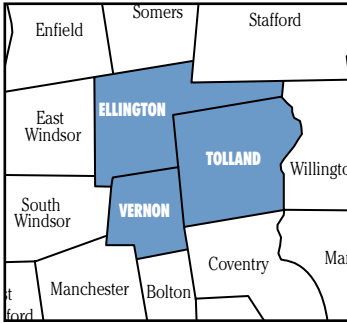
## ROCKVILLE GENERAL HOSPITAL

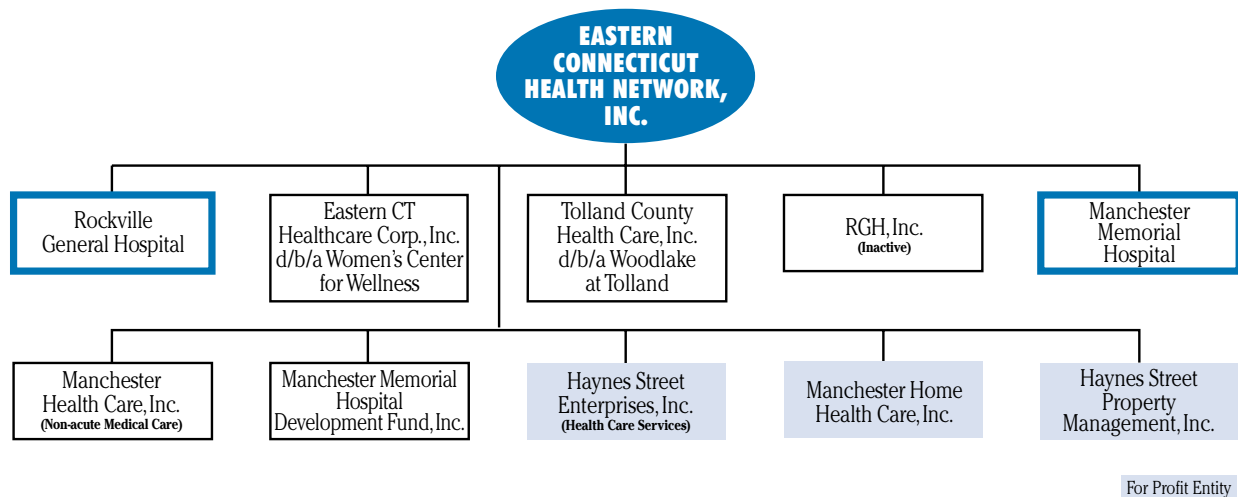
Rockville General Hospital, founded in 1921, is located in Vernon and, in addition to that town, primarily serves two other towns in Tolland County. In FY 1999, the hospital



staffed 54 of its 118 licensed beds and employed 465 Full Time Equivalents. It is a member of the Eastern Connecticut Health Network, Inc. (ECHN) along with

Manchester Memorial Hospital, with whom it was affiliated in 1994. The ECHN acts as a single administrative structure for the two hospitals. The hospital's average age of plant is 13.4 years as compared to the U.S. average of 9.2 years.



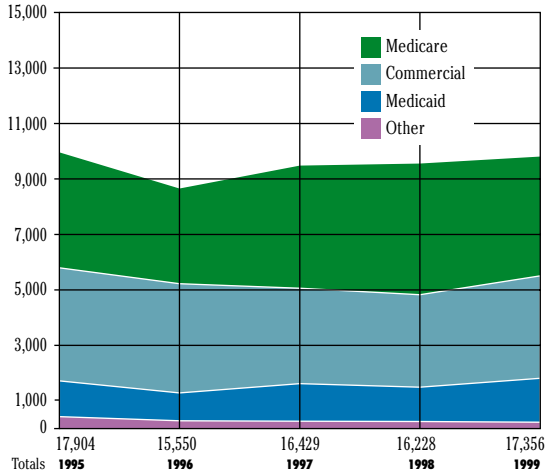


MARGINS	1997	1998	1999
Total margin	5.37%	8.53%	7.38%
Operating margin	-0.50%	4.39%	0.80%

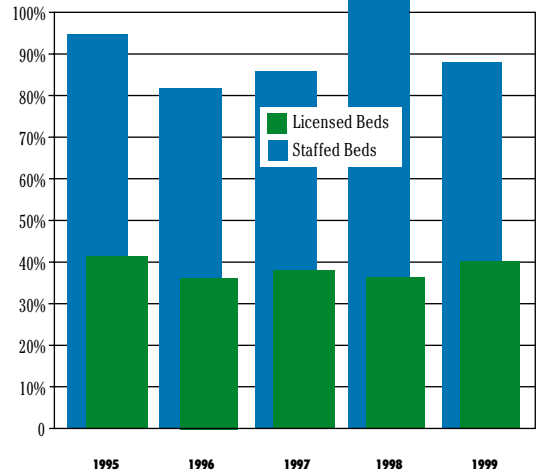
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.44	.43	.43
Medicare Payment to Cost	.92	.93	.85
Medicaid Payment to Cost	1.09	1.02	.84
Private Payment to Cost	1.26	1.34	1.35
Uncompensated Care Cost	\$1,644,472	\$1,174,743	\$1,305,492
Total expenses	\$40,192,470	\$40,784,977	\$43,819,826
Uncompensated care % of total expenses	4.09%	2.88%	2.98%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	74.20%	77.27%	80.26%
Debt service coverage	5.91	1.46	77.60

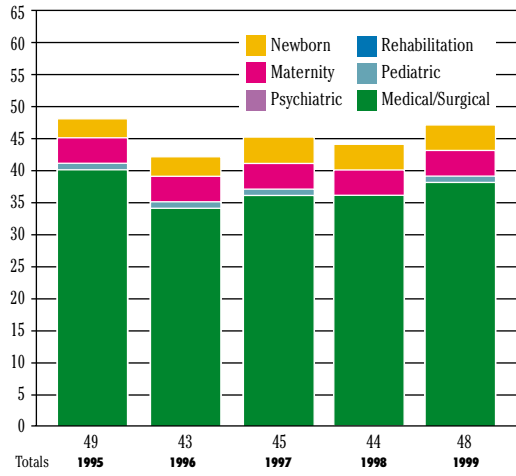
LIQUIDITY MEASURES			
Days of expenses in accounts payable	110.40	94.73	79.93
Days cash on hand	78.91	42.32	22.80
Days of revenue in accounts receivable	71.12	94.82	98.94



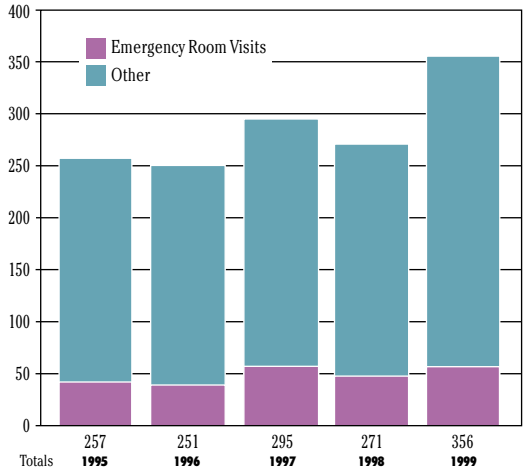
**PATIENT DAYS BY PAYER**



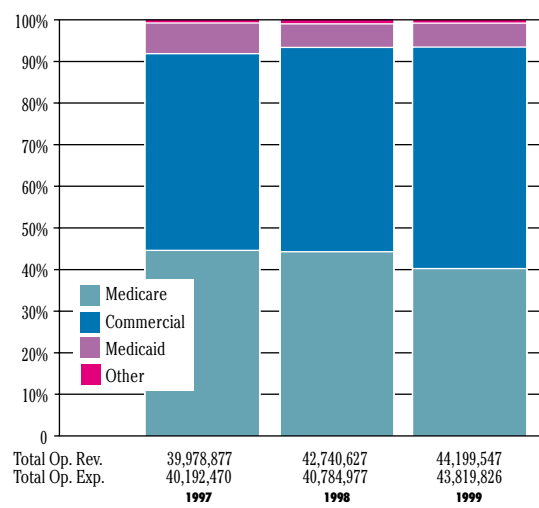
**AVERAGE OCCUPANCY**



**AVERAGE DAILY CENSUS BY SERVICE**



**AVERAGE DAILY OUTPATIENTS**



**NET PATIENT REVENUE BY PAYER**

## KEY PERFORMANCE DRIVERS

- ◆ A recent community health needs assessment indicated that ECHN should continue to operate both RGH and MMH, and should focus programmatic efforts in eldercare services, programs for women, behavioral health, and increased access to emergency care.
- ◆ RGH has obtained some valuable economies of scale from the 1994 merger with Manchester Memorial Hospital, but additional opportunities may be available from a single license and other initiatives.
- ◆ After declining in the mid-1990s, RGH's average daily census rose 6 percent to 48 during the two-year period from 1997 to 1999.
- ◆ Medicare payments account for 40 percent of RGH's revenue. Medicare payment to cost ratios have fallen from 93 percent in 1997 to approximately 85 percent in 1999.
- ◆ The hospital has experienced recent cost inflation from nursing salaries, specialized medical supplies, and new medical technologies.

## SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

**MMH and RGH Merger.** The 1994 merger of these two hospitals, and the formation of the Eastern Connecticut Health Network have continued to affect the development and performance of RGH. The merger allowed the hospitals to remain independent and to maintain existing referral relationships with larger Hartford hospitals. The full benefits of forming the ECHN have not yet been realized, however. The hospitals believe that establishing a single license would provide additional opportunities to achieve benefits from the merger.

**Utilization.** RGH is experiencing significantly higher volumes in 2000. Both RGH and MMH are developing services in collaboration with Hartford hospitals and in response to community needs.

**Finance.** The ECHN has significant reserves of about \$100 million, and has maintained positive operating margins over the last several years. The hospitals recently received a favorable "A-" bond rating from Standard & Poors. Maintaining positive margins is becoming more challenging due to Medicare cuts, low Medicaid payment, pressure by commercial payers to contain cost, and technology costs.

**Workforce Issues.** Management is concerned with the perception that this nursing shortage is similar to the shortage in the 1980s. The difference, they believe, is in today's average age of nurses. There are few nurses entering the field, and the current nurses are older than in the past.

**Staffing Shortage.** The hospital is experiencing a severe shortage of nurses and other health professionals, which is affecting service availability and capacity. A rumor of RGH's closing after the merger led to unexpected staff attrition, and the hospital is having difficulty in recruiting staff.