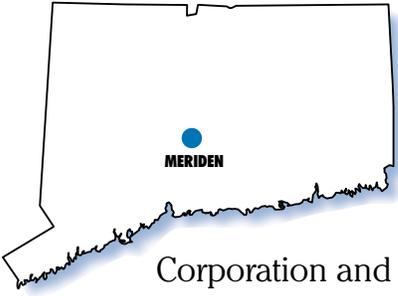


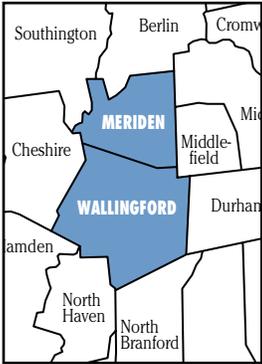
MIDSTATE MEDICAL CENTER

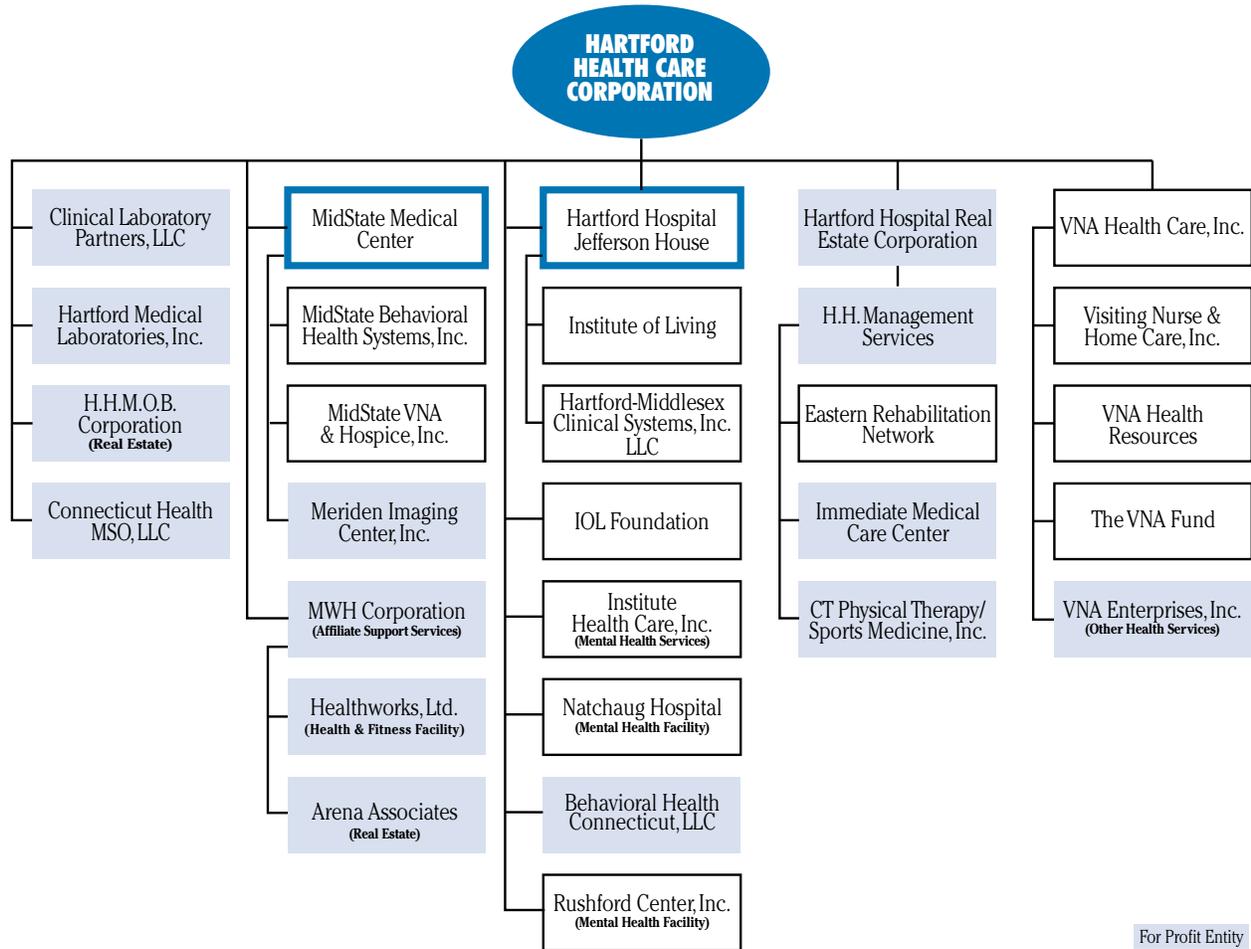
MidState Medical Center opened in 1998 as the successor to Veterans Memorial Medical Center in a new facility that is located in Meriden, and primarily serves that town and



Wallingford. In FY 1999, it staffed all of its 106 licensed beds and employed 740 Full Time Equivalents. MidState is affiliated with Hartford Health Care Corporation and Hartford Hospital. The hospital has board

representation at Hartford Health Care Corporation and shares finance, billing, and information systems functions with Hartford Hospital. The hospital's average age of plant is 4.6 years as compared to the U.S. average of 9.2 years.





MARGINS	1997	1998	1999
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Total margin	5.84%	-1.52%	-0.95%
Operating margin	3.73%	-3.39%	-3.50%

PAYMENT TO COST RATIOS BY PAYER	1997	1998	1999
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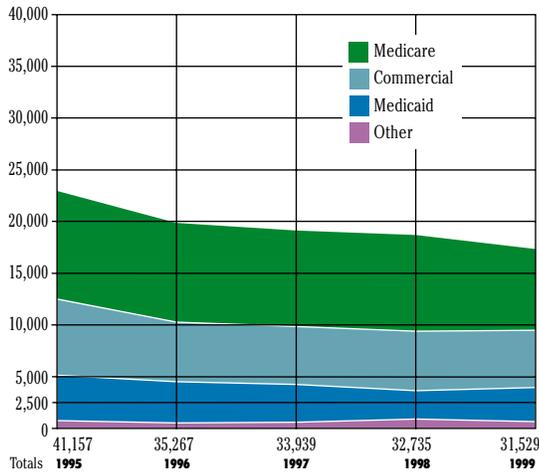
Ratio of cost to charges	.65	.69	.65
Medicare Payment to Cost	.95	.85	.86
Medicaid Payment to Cost	.74	.73	.71
Private Payment to Cost	1.30	1.23	1.25
Uncompensated Care Cost	\$3,440,602	\$3,583,757	\$3,301,295
Total expenses	\$89,230,497	\$93,775,957	\$97,870,511
Uncompensated care % of total expenses	3.86%	3.82%	3.37%

CAPITAL STRUCTURE RATIOS	1997	1998	1999
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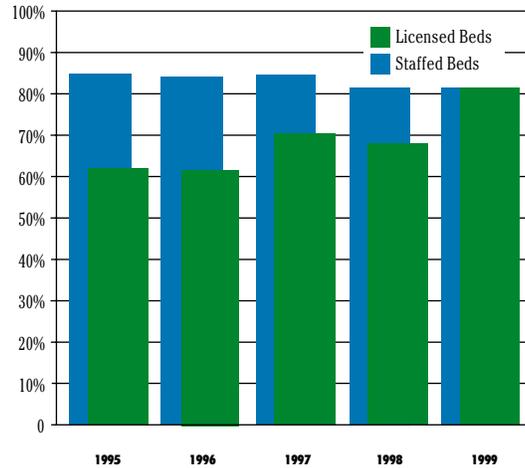
Equity financing ratio	37.50%	29.73%	29.56%
Debt service coverage	14.61	4.52	0.54

LIQUIDITY MEASURES	1997	1998	1999
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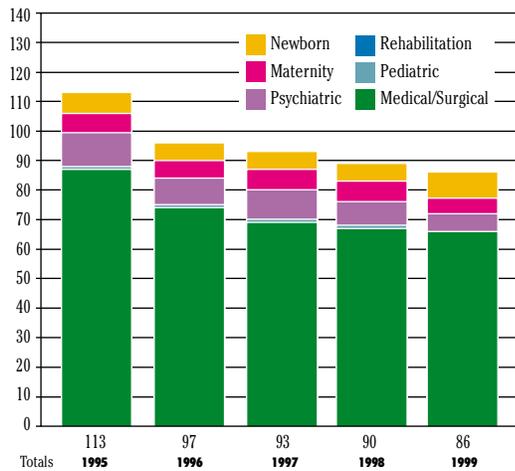
Days of expenses in accounts payable	45.40	51.77	44.14
Days cash on hand	77.78	50.35	32.57
Days of revenue in accounts receivable	54.47	56.13	62.33



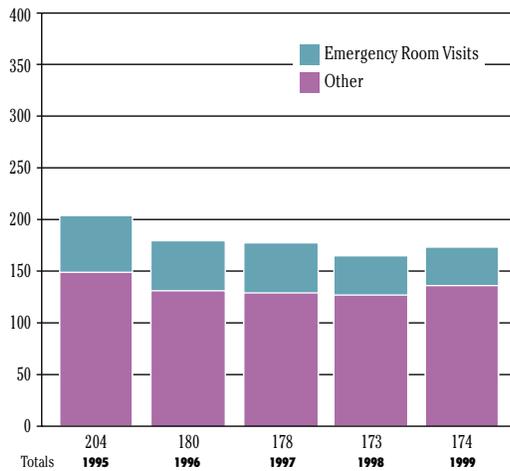
PATIENT DAYS BY PAYER



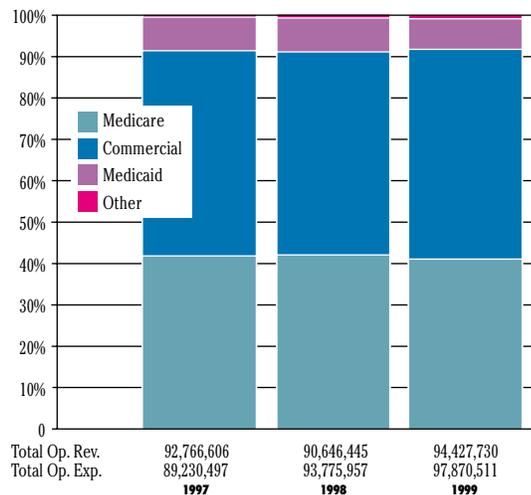
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- ◆ MidState Medical Center, formerly known as Veterans Memorial Medical Center, was constructed in 1998 with a \$30 million bond issue. As a result, the hospital's debt and annual capital-related expenses are high.
- ◆ MidState's affiliation with Hartford Hospital enables the two hospitals to share finance, billing, and information system functions, reducing administrative costs.
- ◆ The hospital, licensed and staffed for 100 beds, is operating at full capacity due to increases in inpatient admissions over the past six months.
- ◆ MidState recently opened a six-bed holding unit adjacent to the emergency room for patient evaluation.
- ◆ MidState Medical Center expects the Balanced Budget Act of 1997 to result in a 20 percent decrease in margins from Medicare, which is the hospital's largest payer at approximately 55 percent of its total patient days.
- ◆ Despite a relatively high payment to cost ratio from commercial payers, the hospital struggles with cash flow from private payers. In recent months, managed care payers increased both denials and late claims payments.
- ◆ Increasing pharmaceutical and staff compensation costs are key cost inflation drivers for the hospital.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Nursing Shortage. The nursing shortage is one of MidState's greatest challenges. The hospital is considering recruitment of foreign nurses and also is attempting to become a "magnet" hospital. Magnet hospitals are classified by the American Nurses Association as the best places for nurses to work.

Patient Volumes. The hospital frequently operates at 100 percent occupancy. If demand continues to rise, the hospital will not be able to accommodate all admissions.

Regulatory Environment. Recent regulations have increased hospital costs at the same time that hospitals are trying to lower expenses. Ambulatory Payment Classifications, corporate compliance regulations, and HIPAA requirements each will have an impact on MidState's staffing requirements and overall expense levels.

Managed Care. MidState Medical Center has experienced numerous instances of payment denials, high collection costs, and late payments from managed care organizations. Hospital executives also expressed concern over the extent to which managed care organizations appear to be performing case management.