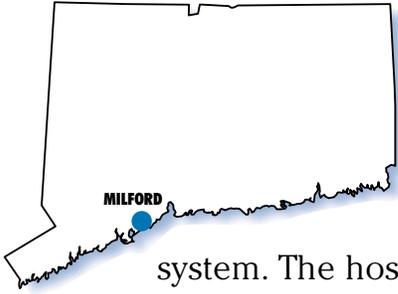
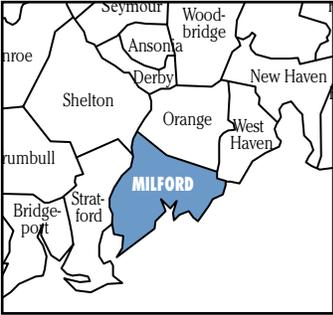


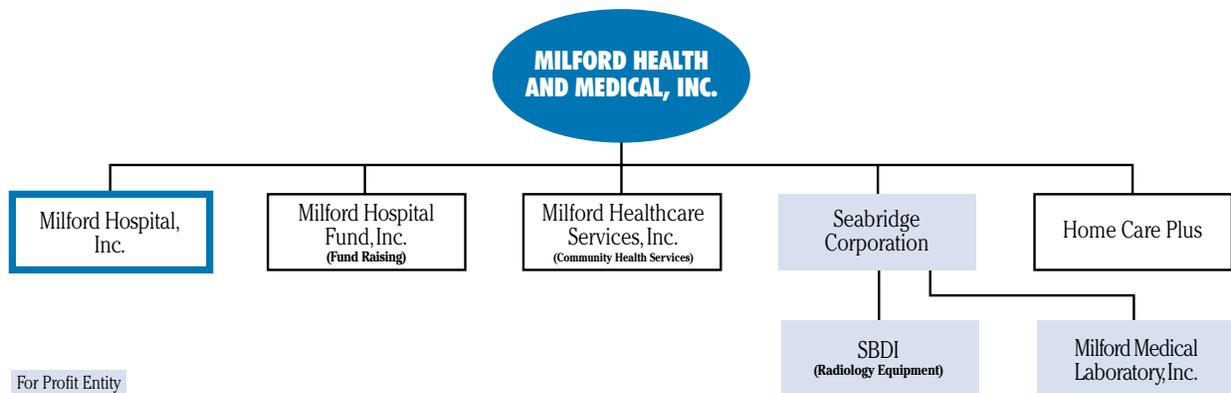
## MILFORD HOSPITAL

Milford Hospital, founded in 1920, is located in Milford and primarily serves that town's residents. In FY 1999, the hospital staffed 73 of its 112 licensed beds and employed



470 Full Time Equivalents. Milford Hospital, a subsidiary of Milford Health and Medical, Inc., is not part of any integrated delivery system. The hospital's average age of plant is 5.5 years as compared to the U.S. average of 9.2 years.



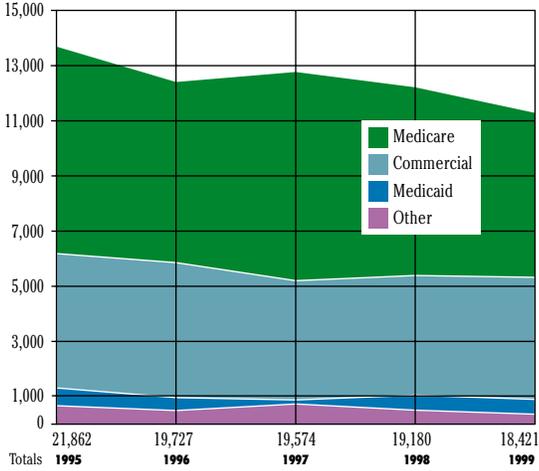


MARGINS	1997	1998	1999
Total margin	15.64%	10.79%	4.26%
Operating margin	12.05%	6.26%	-0.30%

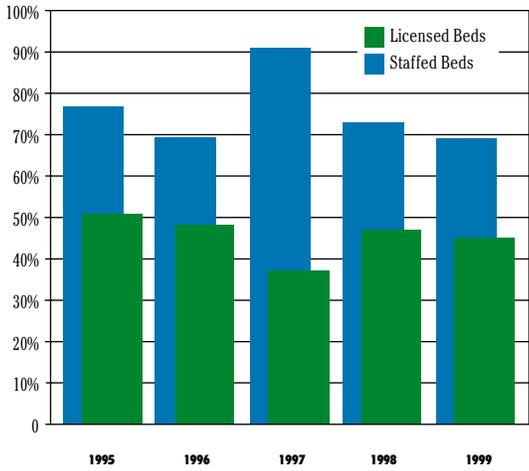
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.42	.41	.39
Medicare Payment to Cost	1.04	.92	.78
Medicaid Payment to Cost	.80	.85	.60
Private Payment to Cost	1.43	1.38	1.48
Uncompensated Care Cost	\$1,723,991	\$1,877,953	\$2,515,263
Total expenses	\$35,689,030	\$38,824,845	\$42,487,688
Uncompensated care % of total expenses	4.83%	4.84%	5.92%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	74.30%	62.73%	63.24%
Debt service coverage			

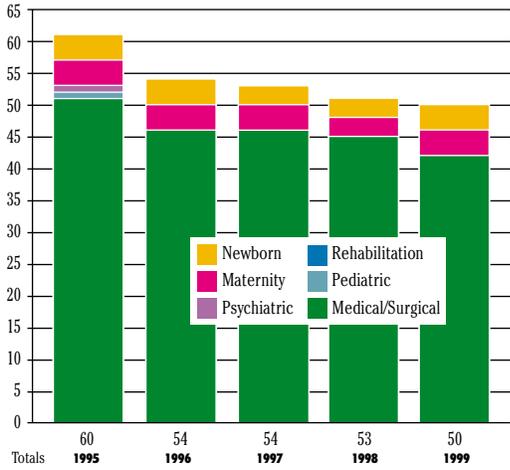
LIQUIDITY MEASURES			
Days of expenses in accounts payable	143.19	140.41	140.01
Days cash on hand	218.01	176.25	183.19
Days of revenue in accounts receivable	52.19	62.50	40.37



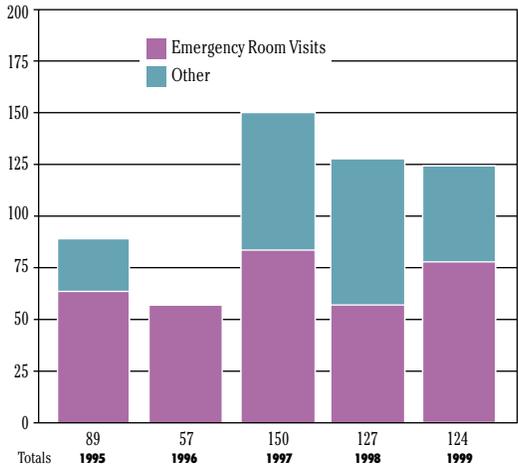
**PATIENT DAYS BY PAYER**



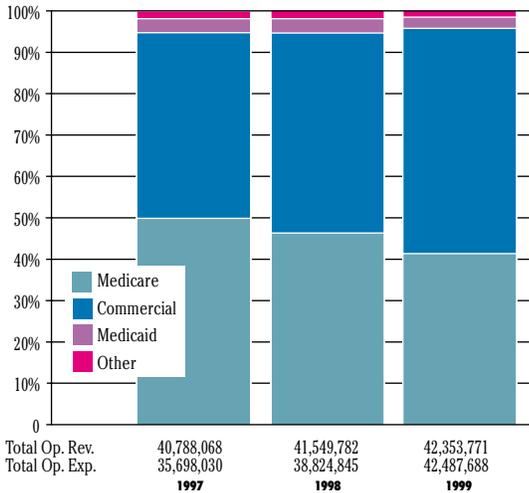
**AVERAGE OCCUPANCY**



**AVERAGE DAILY CENSUS BY SERVICE**



**AVERAGE DAILY OUTPATIENTS**



**NET PATIENT REVENUE BY PAYER**

## KEY PERFORMANCE DRIVERS

- ◆ Milford Hospital recently opened a \$24 million patient care facility primarily dedicated to outpatient services. The new facility has enabled the hospital to increase ambulatory volume, but the building's depreciation expense is affecting current operating margins.
- ◆ Increasing patient acuity is driving changes in patient care. For example, the hospital recently decided to make hospitalist physicians available on a 24-hour basis, adding to its cost.
- ◆ Salary expenses frequently run above budget due to wide swings in census and the nursing shortage.
- ◆ The hospital will need to upgrade its clinical and administrative information systems in the next few years.
- ◆ Inpatient lengths of stay are affected by the lack of outpatient dialysis services and skilled nursing facility capacity in the area.
- ◆ Management expressed concerns about the impact of delayed payments by managed care organizations on the hospital's cash flow.

## SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

**Appropriate Care Settings.** As noted above, Milford patients stay in the hospital longer than necessary due to a lack of capacity in alternative care settings.

**Community Hospital.** Located close to New Haven and Bridgeport, Milford Hospital competes with several tertiary teaching facilities. Management has focused successfully on providing quality care for the local community.

**Staffing Shortage.** The nursing shortage has led Milford to rely on more costly agency or travelling nurses. Salary expenses are the most significant source of budget variances.

**Managed Care Payments.** Milford Hospital believes the State should intervene in issues regarding the timeliness of managed care payment.

**Uncompensated Care Pool.** For years, the hospital has experienced net losses in the uncompensated care pool. In 1999, Milford paid out approximately \$750,000 more in taxes than it received in DSH payments.