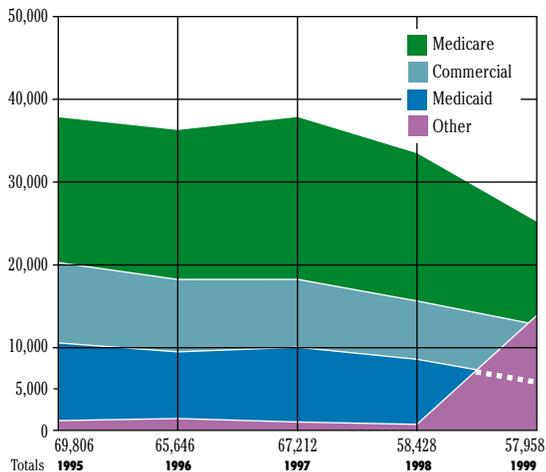


MARGINS	1997	1998	1999
Total margin	6.06%	-0.65%	-6.38%
Operating margin	4.40%	-3.32%	-7.54%

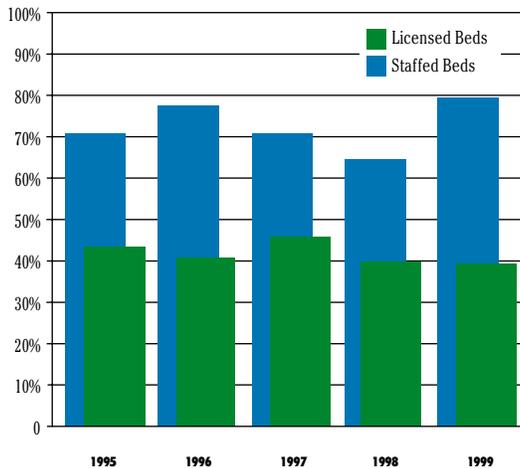
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.53	.55	.57
Medicare Payment to Cost	1.07	.97	.94
Medicaid Payment to Cost	.67	.70	.69
Private Payment to Cost	1.15	1.03	.60
Uncompensated Care Cost	\$4,608,307	\$5,670,434	\$5,045,940
Total expenses	\$126,478,109	\$131,068,842	\$132,007,214
Uncompensated care % of total expenses	3.64%	4.33%	3.82%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	40.70%	41.45%	40.39%
Debt service coverage	5.00	2.79	2.79

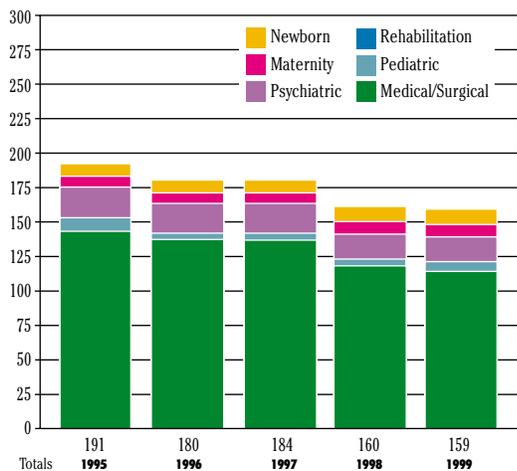
LIQUIDITY MEASURES			
Days of expenses in accounts payable	79.85	64.19	49.43
Days cash on hand	9.51	18.44	6.06
Days of revenue in accounts receivable	48.24	48.11	52.50



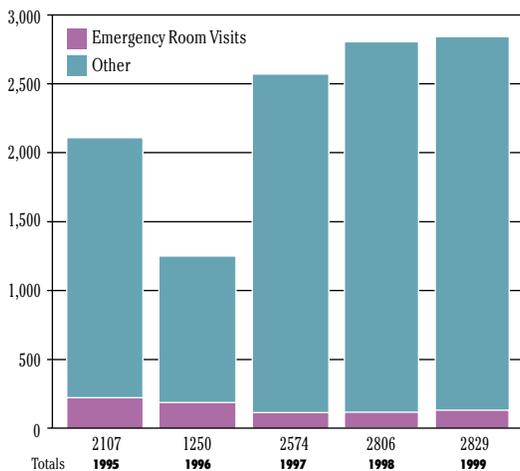
PATIENT DAYS BY PAYER



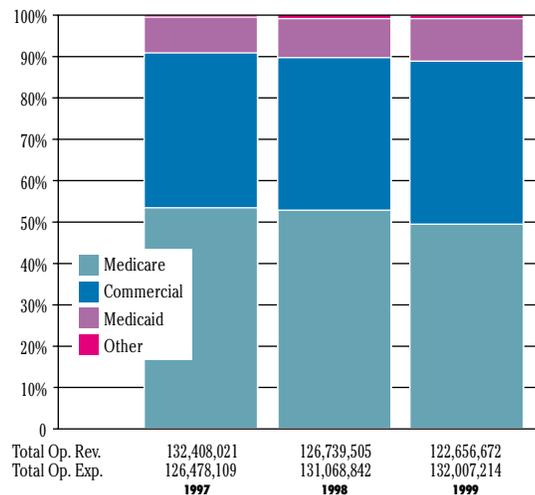
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- ◆ Waterbury Hospital is part of the Greater Waterbury Health Network, a vertically integrated system comprising physician practices, a VNA, and other health-related activities.
- ◆ Waterbury is licensed for 350 beds and staffs 170 beds. The hospital recently has experienced a surge in inpatient volume, including surgeries.
- ◆ St. Mary's Hospital is Waterbury's principal competition. The two hospitals compete for patient volume, physicians, and employees, but also have developed several joint venture programs.
- ◆ Payment to cost ratios are below cost for all payers. A relatively low reimbursement from commercial payers may reflect the high level of competition that exists in the Waterbury area.
- ◆ The hospital has had negative operating and total margins for the past two years. Management believes that the hospital has limited opportunity to further reduce expenses.
- ◆ Waterbury Hospital's average age of plant is above the state and national average. The hospital is addressing this issue by investing \$50 million in plant and equipment over four years.
- ◆ The hospital has implemented several strategies to recruit and retain nursing staff, including offering flexible work schedules and increasing pay at all levels of nursing.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Hospital Competition. While Waterbury and St. Mary's are intense competitors, the two hospitals have collaborated on several initiatives. In addition to collaborating on a cancer center, St. Mary's and Waterbury are considering joint expansion of cardiovascular services.

Managed Care. Insurers appear to have taken advantage of the competition between Waterbury and St. Mary's hospitals. Both hospitals have signed unfavorable managed care contracts in an attempt to obtain additional patient volume and market share. Waterbury is attempting to renegotiate many of these contracts.

Unmet Community Needs. Despite the hospital's outreach work in the community, there are several unmet community needs including expanded access to preventive medicine, specialized services for the chronically ill, and diagnostic and interventional cardiac services.

Debt. Waterbury must improve operating margins to remain in compliance with bond covenants.