

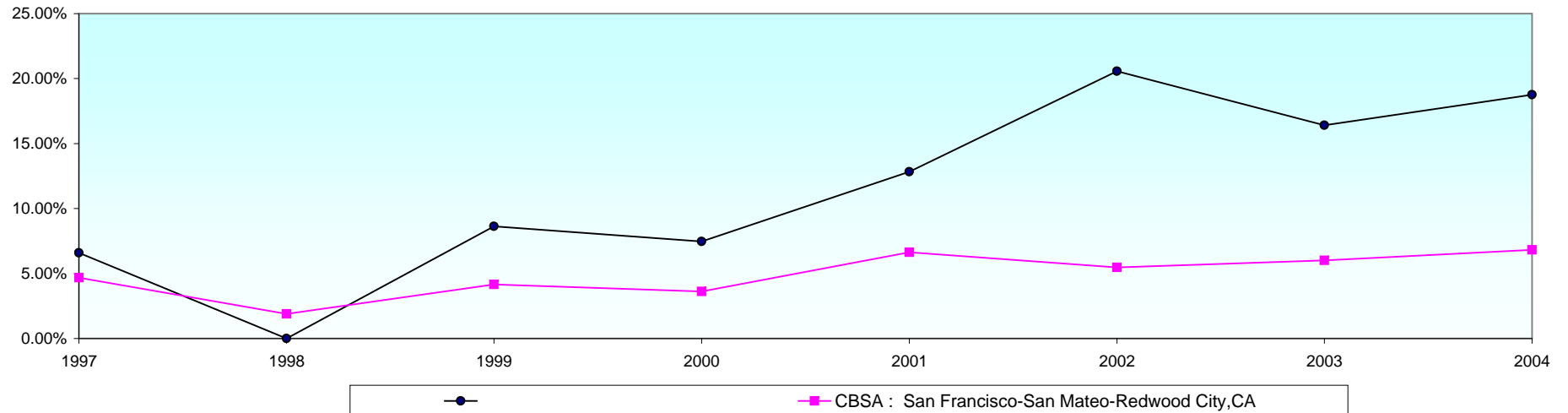


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**Total Margin
Medians
Sample Hospital**



Bond Rating Agency Medians	Fiscal Year							
	1997	1998	1999	2000	2001	2002	2003	2004
Moody's A Rated Hospitals			3.80%	3.70%	5.20%	4.20%	4.50%	5.20%
Standard and Poor's A Rated Hospitals			4.00%	4.70%	4.00%	3.20%	3.00%	3.00%
Fitch's A Rated Hospitals	6.40%	5.60%	4.20%	3.90%	3.90%	2.60%	2.90%	5.30%

Hospital's Total Margin	1997	1998	1999	2000	2001	2002	2003	2004
Sample Hospital	6.59%		8.64%	7.46%	12.83%	20.56%	16.42%	18.77%
U. S. Decile Rank (1 is best)	4		2	3	1	1	1	1
Ranking out of California Acute PPS Hospitals	114 out of 356		69 out of 351	88 out of 349	39 out of 319	16 out of 323	16 out of 316	9 out of 302

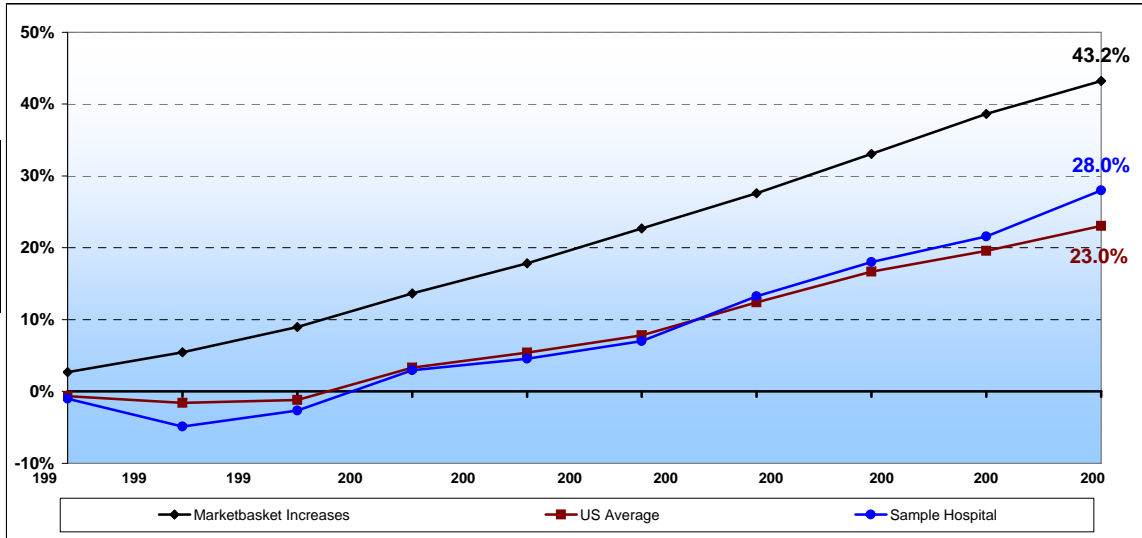
Comparative Group Medians	1997	1998	1999	2000	2001	2002	2003	2004
CBSA : San Francisco-San Mateo-Redwood City, CA	4.67%	1.89%	4.17%	3.61%	6.63%	5.46%	6.02%	6.82%
CA Minor Teaching in Limited Resident Training Areas	3.11%	0.35%	1.43%	3.49%	1.73%	1.53%	2.89%	2.75%
California Acute PPS Hospitals	3.62%	2.15%	0.99%	1.63%	2.23%	2.52%	2.56%	2.48%
US Minor Teaching in Limited Resident Training Areas	5.53%	3.93%	3.58%	3.72%	3.39%	2.83%	3.86%	4.20%
US Acute PPS Hospitals	4.26%	2.81%	2.36%	2.56%	2.58%	2.33%	2.84%	3.48%

Group indicator values are not shown for those groups with less than four valid observations.

Sample Hospital

1997 - 2007 Cumulative Medicare Hospital Rate Increases vs Marketbasket Cost Increases

Hospital Specific Information:	
Permanent CBSA: San Francisco-San Mateo-Redwood City, CA	
Beds:	144
Disproportionate Share (DSH) Percent:	0.2580
Intern and Resident to Bed (IRB) Ratio:	0.0209



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	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001	FFY 2002	FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	Avg. Annual Change
Marketbasket Increases												
Annual Change:		2.7%	2.7%	3.3%	4.3%	3.7%	4.1%	4.0%	4.3%	4.2%	3.3%	
Cumulative Change:		2.7%	5.5%	9.0%	13.6%	17.8%	22.7%	27.6%	33.1%	38.7%	43.2%	3.7%
Average Hospital PPS Rate Increase - US												
Medicare Payment Rate:	\$4,628	\$4,599	\$4,554	\$4,572	\$4,781	\$4,878	\$4,990	\$5,203	\$5,401	\$5,534	\$5,694	
Annual Change:		-0.6%	-1.0%	0.4%	4.6%	2.0%	2.3%	4.3%	3.8%	2.5%	2.9%	
Cumulative Change:		-0.6%	-1.6%	-1.2%	3.3%	5.4%	7.8%	12.4%	16.7%	19.6%	23.0%	2.1%

1997 - 2007 Cumulative Medicare Hospital Rate Increases vs Marketbasket Cost Increases

	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001	FFY 2002	FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	Avg. Annual Change
Average Hospital PPS Rate Increase												
Medicare Standard Amount:	\$3,908	\$3,905	\$3,915	\$3,951	\$4,072	\$4,157	\$4,251	\$4,410	\$4,554	\$4,731	\$4,874	
Wage Index:	1.4213	1.4091	1.3507	1.3784	1.4193	1.4140	1.4142	1.4514	1.4694	1.5000	1.5445	
Labor Share:	71.2%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	69.7%	69.7%	
Wage Adjusted Federal Rate:	\$5,081	\$5,040	\$4,891	\$5,014	\$5,286	\$5,380	\$5,503	\$5,825	\$6,074	\$6,380	\$6,724	
Disproportionate Share Adjustment (DSH):	0.1050	0.1040	0.1029	0.1019	0.1040	0.1019	0.1050	0.1050	0.1050	0.1050	0.1050	
Indirect Medical Education Adjustment (IME):	0.0159	0.0145	0.0135	0.0124	0.0140	0.0135	0.0114	0.0124	0.0119	0.0115	0.0111	
DSH and IME Adjusted Federal Rate:	\$5,695	\$5,637	\$5,460	\$5,587	\$5,909	\$6,001	\$6,143	\$6,509	\$6,784	\$7,124	\$7,505	
Adjustment for Post-Acute Transfer Policy:			-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.9%	-0.9%	-2.8%	-2.8%	
Post Acute Transfer Adjusted Rate:	\$5,695	\$5,637	\$5,418	\$5,544	\$5,863	\$5,955	\$6,096	\$6,450	\$6,723	\$6,925	\$7,295	
Annual Change:		-1.0%	-3.9%	2.3%	5.8%	1.6%	2.4%	5.8%	4.2%	3.0%	5.4%	
Cumulative Change:		-1.0%	-4.9%	-2.7%	3.0%	4.6%	7.0%	13.3%	18.0%	21.6%	28.0%	2.5%

Impact Due to Hospital PPS Rate Increases Less Than Marketbasket:	(\$326,000)	(\$907,000)	(\$1,018,000)	(\$936,000)	(\$1,164,000)	(\$1,370,000)	(\$1,255,000)	(\$1,317,000)	(\$1,496,000)	(\$1,327,000)	
Ten-Year Cumulative Impact:	(\$11,116,000)										

**Medicare Inpatient Prospective Payment System (IPPS)
Impact of Changes
Federal Fiscal Year (FFY) 2007 Final Rule Compared to FFY 2008 Proposed Rule**

Sample Hospital

Operating Rate		Final FFY 2007	Proposed FFY 2008	Percent Change
Standard Amount	Percentage change in the Standard Amount reflects a full 3.3% marketbasket increase, a reduction of 2.4% for the proposed "behavioral offset", and a 0.1% increase for budget neutrality.	\$4,874	\$4,922	1.0%
Labor Share		69.7%	69.7%	0.0%
Wage Index		1.5445	1.4766	-4.4%
Intern and Resident to Bed Ratio (IRB)	0.0209			
Indirect Medical Education (IME) Adjustment		0.0111	0.0114	2.3%
Disproportionate Share Hospital (DSH) Percent	25.8%			
DSH Adjustment		0.1050	0.1050	0.0%
Standard Amount Adjusted for Wage Index, IME, and DSH		\$7,505	\$7,319	-2.5%
Case-Mix Index (adjusted for transfers)		1.2765	1.3779	7.9%
Total Case Mix-Adjusted Rate		\$9,580	\$10,085	5.3%
Medicare Cases Billed (adjusted for transfers)		1,096	1,092	-0.3%
Estimated Operating Payments		\$10,501,000	\$11,016,000	4.9%

Capital Rate		Final FFY 2007	Proposed FFY 2008	Percent Change
Federal Rate	Percentage change in the Federal Rate reflects a full 0.8% marketbasket increase for rural hospitals or no marketbasket increase for urban hospitals, a reduction of 2.4% for the proposed "behavioral offset", and a 0.7% reduction for budget neutrality.	\$427	\$414	-3.1%
Large Urban Add-On		3.0%	0.0%	-3.0%
Geographic Adjustment Factor (GAF)		1.3467	1.3059	-3.0%
Interns & Residents per Average Daily Census (IRC):	0.1			
Indirect Medical Education (IME) Adjustment		0.0180	0.0180	0.0%
Disproportionate Share Hospital (DSH) Percent	25.8%			
DSH Adjustment		0.0536	0.0536	0.0%
Federal Rate Adjusted for Large Urban Add-On, GAF, IME, and DSH		\$635	\$579	-8.8%
Case-Mix Index (adjusted for transfers)		1.2765	1.3779	7.9%
Total Case Mix-Adjusted Rate		\$810	\$798	-1.5%
Medicare Cases Billed (adjusted for transfers)		1,096	1,092	-0.3%
Estimated Capital Payments		\$888,000	\$872,000	-1.8%

2007 Wage Index Information	
<i>Permanent Wage Area</i>	
CBSA Code	41884
CBSA Name	San Francisco-San Mateo-Redwood City, CA
CBSA Wage Index	1.5419
Section 505 Add-On	0.0026
CMS Final Wage Index	1.5445
CMS Final GAF	1.3467

Note: Due to the Wage Index appeals process, in rare instances, a hospital may be receiving a Wage Index that differs from the last published value provided by CMS (shown above).

2008 Wage Index Information	
<i>Permanent Wage Area</i>	
CBSA Code	41884
CBSA Name	San Francisco-San Mateo-Redwood City, CA
CBSA Wage Index	1.4766
CMS Final Wage Index	1.4792
CMS Final GAF	1.3075

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Notes:

Medicare cases and case-mix indexes are taken from the FFY 2008 Centers for Medicare and Medicaid Services (CMS) Impact file (Grouper Version 24 for FFY 2007 and Grouper Version 25 for FFY 2008). IRB, IRC, and DSH percent are from the latest available Medicare cost report file provided by CMS. Data from the FFY 2008 CMS Impact file are used when cost report data are not available. Provider types are held constant at the 2007 status.



Medicare Margins for Cost Reporting Years 1997 - 2005
(Margins Incorporate Full Inpatient Revenue)

Sample Hospital

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Medicare Discharges	1,075	0	894	1,063	1,072	1,166	1,380	1,485	1,559
Hospital	791	0	659	790	798	832	979	1,102	1,192
Sub I	74	0	126	120	116	136	167	148	148
Sub II	210	0	109	153	158	198	234	235	219
Facility Medicare Margin	PPS		PPS	PPS	PPS	PPS			
Revenues	\$19,875,681	No Data	\$12,557,857	\$14,797,983	\$15,302,133	\$21,289,261	\$23,860,287	\$24,652,196	\$25,159,550
Costs	\$19,742,630	No Data	\$13,805,815	\$16,589,493	\$17,182,261	\$22,687,826	\$29,070,162	\$29,810,693	\$32,679,746
Gains/(Losses)	\$133,051	No Data	(\$1,247,958)	(\$1,791,510)	(\$1,880,128)	(\$1,398,565)	(\$5,209,875)	(\$5,158,498)	(\$7,520,197)
Margin	0.7%	No Data	-9.9%	-12.1%	-12.3%	-6.6%	-21.8%	-20.9%	-29.9%
Full PPS Inpatient									
Revenues	\$7,999,207	No Data	\$5,514,960	\$6,673,097	\$7,066,233	\$8,228,073	\$9,545,248	\$10,804,825	\$11,943,167
Costs	\$7,470,529	No Data	\$4,940,632	\$6,866,094	\$7,488,390	\$9,788,680	\$10,308,634	\$11,571,847	\$14,557,525
Gains/(Losses)	\$528,678	No Data	\$574,328	(\$192,997)	(\$422,157)	(\$1,560,607)	(\$763,386)	(\$767,022)	(\$2,614,358)
Margin	6.6%	No Data	10.4%	-2.9%	-6.0%	-19.0%	-8.0%	-7.1%	-21.9%
Outpatient									
Revenues	\$2,243,367	No Data	\$1,037,326	\$815,066	\$1,340,764	\$1,618,982	\$2,017,279	\$2,120,356	\$2,497,736
Costs	\$2,377,932	No Data	\$1,393,848	\$1,074,366	\$1,416,924	\$1,504,513	\$2,392,916	\$2,783,627	\$3,124,050
Gains/(Losses)	(\$134,565)	No Data	(\$356,522)	(\$259,300)	(\$76,160)	\$114,469	(\$375,637)	(\$663,271)	(\$626,314)
Margin	-6.0%	No Data	-34.4%	-31.8%	-5.7%	7.1%	-18.6%	-31.3%	-25.1%
Psychiatric Unit									
Revenues	\$3,633,367	No Data	\$1,627,762	\$1,716,865	\$1,841,113	\$2,248,476	\$3,177,779	\$2,939,563	\$2,757,598
Costs	\$3,460,133	No Data	\$1,932,201	\$1,724,008	\$1,897,433	\$2,311,207	\$3,124,726	\$2,891,927	\$3,153,969
Gains/(Losses)	\$173,234	No Data	(\$304,439)	(\$7,143)	(\$56,320)	(\$62,731)	\$53,053	\$47,636	(\$396,371)
Margin	4.8%	No Data	-18.7%	-0.4%	-3.1%	-2.8%	1.7%	1.6%	-14.4%
Rehabilitation Unit									
Revenues	\$1,944,443	No Data	\$2,449,233	\$2,932,801	\$2,825,560	\$6,243,629	\$6,328,120	\$5,657,987	\$5,134,044
Costs	\$1,841,214	No Data	\$2,768,298	\$2,849,107	\$2,722,656	\$4,089,857	\$7,377,454	\$6,327,225	\$5,960,415
Gains/(Losses)	\$103,229	No Data	(\$319,065)	\$83,694	\$102,904	\$2,153,772	(\$1,049,334)	(\$669,238)	(\$826,371)
Margin	5.3%	No Data	-13.0%	2.9%	3.6%	34.5%	-16.6%	-11.8%	-16.1%
Skilled Nursing Facility									
Revenues	\$4,041,553	No Data	\$1,928,576	\$2,660,154	\$2,228,463	\$2,950,101	\$2,791,861	\$3,097,576	\$2,779,987
Costs	\$4,592,822	No Data	\$2,739,719	\$4,051,367	\$3,638,466	\$4,970,429	\$5,833,677	\$6,216,163	\$5,860,178
Gains/(Losses)	(\$551,269)	No Data	(\$811,143)	(\$1,391,213)	(\$1,410,003)	(\$2,020,328)	(\$3,041,816)	(\$3,118,587)	(\$3,080,191)
Margin	-13.6%	No Data	-42.1%	-52.3%	-63.3%	-68.5%	-109.0%	-100.7%	-110.8%
Home Health Agency									
Revenues	\$0	No Data	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Costs	\$0	No Data	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gains/(Losses)	\$0	No Data	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Margin	0.0%	No Data	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Swing Beds									
Revenues	\$0	No Data	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Costs	\$0	No Data	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gains/(Losses)	\$0	No Data	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Margin	0.0%	No Data	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes: Values that are identified as 'Extreme Values / Omitted' are not included in group averages for the specific margin identified. These values are, however, included in the hospital's overall Medicare margin. Inpatient Revenues exclude Direct and Indirect Medical Education (IME) payments for Medicare Managed Care patients.



Table 2
Final 2004 Hospital Wage Data for the Federal Fiscal Year (FFY) 2008 Wage Index Compared to
Core-based Statistical Area, State, and Nation

Sample Hospital

	Line *	HOSPITAL:			CBSA:	STATE:	NATION:
		Salaries	Hours	AHW **	San Francisco- San Mateo- Redwood City, CA AHW	California AHW	U.S. AHW
Calculation of Net Hospital Salaries							
Total Salaries	1	\$49,339,755	1,398,381	\$35.28	\$34.77	\$28.66	\$23.91
Minus Salaries for:							
Non-physician Anesthetist - Part A	2	-	-	-	-	-	71.63
Non-physician Anesthetist - Part B	3	-	-	-	-	48.60	66.55
Teaching Physicians	4.01	-	-	-	85.23	75.24	78.82
Physician - Part B	5	-	-	-	-	80.21	89.53
Non-physician - Part B	5.01	-	-	-	-	21.24	18.68
Interns and Residents	6	-	-	-	20.99	20.79	21.66
Contract Services - Interns and Residents	6.01	-	-	-	-	29.75	25.73
Home Office Personnel	7	-	-	-	34.12	33.73	26.45
Skilled Nursing Facility	8	3,687,403	105,977	34.79	31.86	24.67	18.94
Excluded Area Salaries	8.01	4,685,745	126,471	37.05	35.35	26.97	25.26
Net Hospital Salaries		40,966,607	1,165,933	35.14	35.27	28.87	23.23
Plus Contracts & Home Office Wages and Related Costs for:							
Contract Labor	9	1,366,280	32,369	42.21	58.34	51.70	43.57
Pharmacy Services Under Contract	9.01	-	-	-	-	56.40	43.41
Lab Services Under Contract	9.02	-	-	-	-	-	25.85
Management and Administrative Services	9.03	-	-	-	-	81.68	43.16
Contract Labor: Physician - Part A	10	-	-	-	96.29	100.53	97.16
Home Office Salaries and Wage-Related Costs	11	2,591,730	41,159	62.97	49.73	44.97	36.44
Home Office: Physician - Part A	12	-	-	-	-	-	104.11
Net Hospital Salaries Including Contracts and Home Office Wages and Related Costs		44,924,617	1,239,461	36.25	37.25	30.94	24.45
Plus Fringe Benefits (wage-related costs) for:							
Wage-related Costs (core)	13	9,399,389					
Wage-related Costs (other)	14	-					
Physician - Part A	18	58,459					
Total Fringe Benefits Included in the Wage Index Calculation		9,457,848					
Ratio of Total Fringe Benefits Included in the Wage Index Calculation to Net Hospital Salaries		23.1%			26.1%	26.4%	26.1%
Total Salaries and Hours Adjusted to Remove Teaching, CRNA, Part B, and Excluded Areas	Final 2004	54,382,465	1,239,461	\$43.88	\$45.50	\$37.81	\$30.11
	Revised 2004	54,178,308	1,239,461	\$43.71	\$45.50	\$37.81	\$30.03
Percentage Change		0.4%	0.0%	0.4%	0.0%	0.0%	0.3%

Notes:

* Line references are to Worksheet S-3, part II of the Medicare cost report.

** AHW = average hourly wage

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