

A silhouette of a construction site at sunset. A large crane stands on the right, and a multi-story building is under construction in the center. The background is a gradient from yellow to red, with a bright sun on the left. A white box with a black border is overlaid on the image, containing the title text.

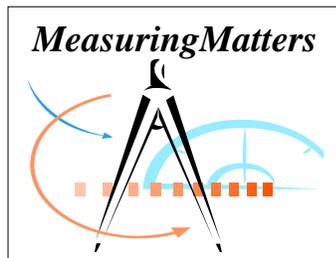
Hospital Capital Investment in RI (2008)

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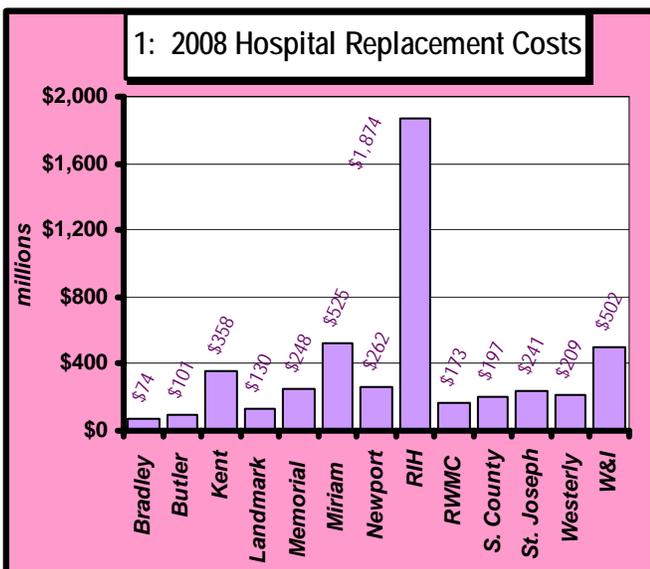
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I: EXECUTIVE SUMMARY

Rhode Island's (RI's) 13 hospitals cost \$2.6 billion to build and equip, but it would require \$4.9 billion to replace them (in 2008 dollars). Statewide, hospitals spent \$171 million annually in new capital and this was more than sufficient to maintain their physical plants. On a categorical basis, the six independent hospitals were much less able to afford this investment than the network (Care New England and Lifespan) hospitals.

Hospitals are highly capital intensive and subject to a considerable degree of technological and functional obsolescence. One of the most critical issues facing the industry is access to capital financing. This (2nd edition) report examines different aspects of hospital capital investment in the state, and ranks the strength of each hospital's capital structure. This effort is meant to inform healthcare policy and programs alike (e.g., Certificate of Need). Findings show:

The replacement costs of RI hospitals was \$4.9 billion in 2008. The specialty behavioral health providers, Bradley and Butler Hospitals, and Landmark Medical Center (currently in receivership) had the smallest physical plants. Three Providence teaching facilities, RI Hospital, Miriam and W&I Hospitals had the largest plants (Chart 1).

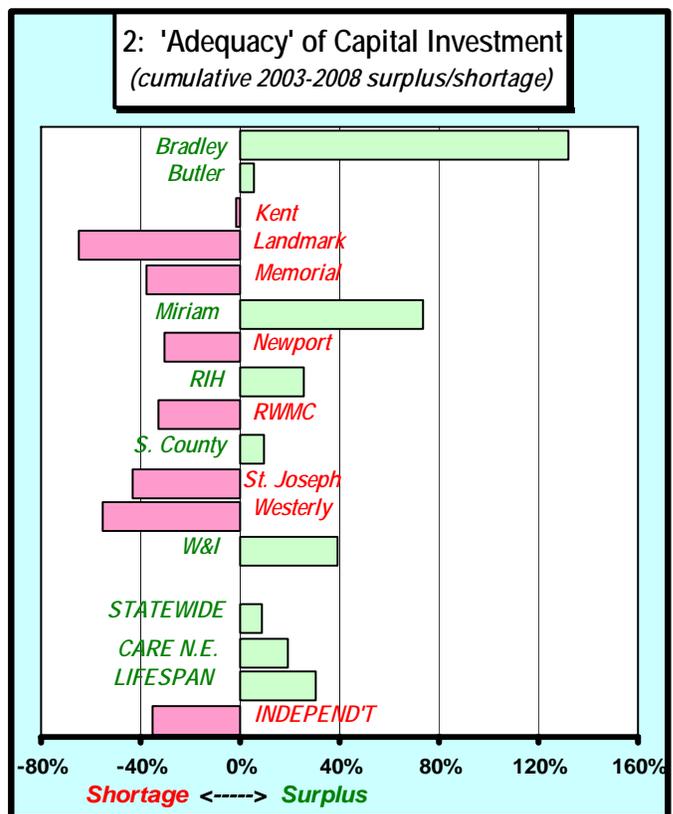


RI hospitals financed their fixed assets with less debt than hospitals in the Northeast (47% vs. 61%¹). The independent hospitals operated with much higher financial leverage than their network peers (72% vs. 40%).

The statewide cost of borrowing was 4.9% in 2008, with the independent hospitals paying considerably more for financing than the network facilities (6.2% vs. 4.2%).

RI's capital-related expenses were lower than those in the Northeast (4.4% vs. 5.7%¹). As expected, with greater leverage and financing costs, the independents had a higher capital expense burden than the network hospitals (4.7% vs. 4.3%).

RI hospitals spent \$171 million annually on new capital from 2003-2008. This was sufficient to meet their minimum capital needs over the period (+9% statewide investment 'surplus'). The network hospitals posted a cumulative investment 'surplus' of +27%, while the independents contended with a -35% cumulative 'deficit' (Chart 2).



¹ *Almanac of Hospital Financial and Operating Indicators, 2010 Ed., Ingenix; 2008 Northeastern data*

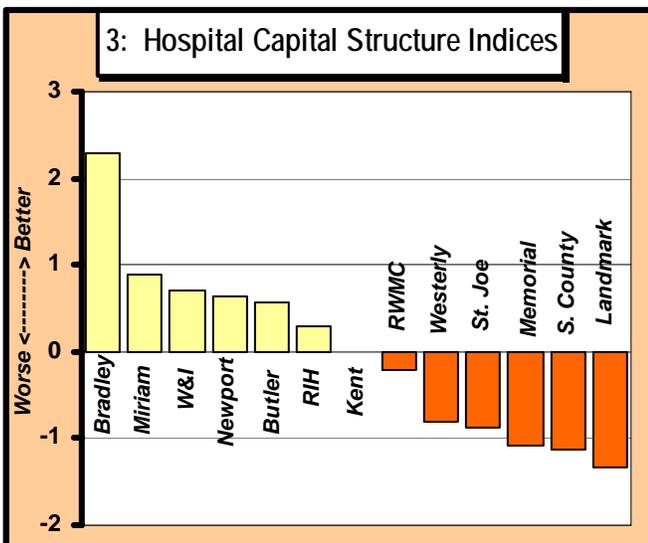
RI hospitals may need to invest in new capital sooner than their regional peers because their physical plants are older (13.1 vs. 10.8 years¹). In aggregate, the independents were slightly younger than the network facilities (12.8 vs. 13.2 years).

RI hospitals had less capacity to finance new capital than hospitals in the Northeast (2.1 vs. 2.7¹ debt service coverage values). The network hospitals could easily accommodate additional borrowings (4.7), while the independents were barely able to service their existing debt (0.1).

RI hospitals could fund 28% of their replacement costs internally (with equity), and the networks' funding capacity was far superior to that of the independent hospitals (32% vs. 14%).

RI's hospitals generated less revenue from their physical plants than their regional peers (\$2.50 vs. \$2.62¹ per dollar of fixed assets). The independent hospitals used their fixed assets more productively than the network hospitals (\$3.22 vs. \$2.24).

Chart 3 ranks each hospital's capital structure using a standardized composite of six different capital-related measures.² In this grading, the hospitals are compared to each other, and not to any regional or national cohorts.



Bradley, Miriam, and W&I Hospitals had the strongest capital structures in the state, while

Landmark, South County, and Memorial Hospitals had the weakest capital structures, respectively.

Consistent with their poor performance on most of the previous measures, all six of the lowest ranked hospitals are independent facilities. Generally, these hospitals are facing a capital 'crisis' whereby their material needs have been neglected and there are few resources to meet those needs.

To mitigate a hospital capital 'arms-race,' new spending is regulated through the Health Department's Certificate of Need (CON) program. However, CON evaluates less than 40% of all hospital capital spending.³ To assist CON deliberations, statewide healthcare planning has been mandated, but to-date, no resources have been appropriated for that effort.

² see Appendix D for methodology

³ CON evaluated 39%, or \$389 million of the \$1.0 billion in statewide capital spending from 2003 to 2008

II: INTRODUCTION

The ability to provide hospital services requires significant investment in 'hard' assets, such as plant and equipment. From 2003-2008, RI hospitals spent \$1.0 billion in new capital. Not only is the hospital system highly capital-intensive, it is subject to technological and functional obsolescence to a greater degree than many other industries.

Background:

Access to capital financing is repeatedly identified as one of the most critical issues facing the hospital industry, and the collapse of the credit markets in 2008 makes the issue even more timely. As far back as 1979, a study commissioned by the RI Department of Health (RI-DOH) noted the potential problems associated with acquiring new capital. As stated:

*"...(T)he scarcity of capital and increasing reliance on debt financing suggests that the hospital industry will find financial resources less available in the future. In sum, there has been shown to exist in Rhode Island a classic case of great need and limited resources. While it is doubtful that the system will be able to maintain the status quo, it is highly unlikely that capital resources currently available will permit modernization or additions to the current stock of hospital facilities."*⁴

Since then, the general demise of cost-based reimbursement and spiraling healthcare expenses have stressed hospitals' profitability and their ability to access the debt markets favorably.

A national 2004 report stated:

"...Seventy-two percent of hospital CFOs surveyed predict that capital spending will increase ...an average of 14 percent annually, compared with the 1 percent annual increase of recent years (p 1). The hospital industry is concerned about its ability to address its current and future capital needs. Nearly half of hospital

*CFOs say they're not able to keep up with deteriorating plants (p ii). Exacerbating the situation, the deteriorating financial situation of hospitals is making capital access a more significant challenge and is polarizing the industry into the "haves" and "have-nots" (p 1). Drivers of increased capital spending will be most intense in Idaho, Georgia, Florida, California, Tennessee, Alaska, Texas, (and) Rhode Island... (p ii)."*⁵

A local 2005 report confirmed:

*"Rhode Island's hospitals face serious financial challenges. An aging infrastructure with some facilities in serious disrepair, (and) the need to continually upgrade or purchase new equipment ... are... factors contributing to (the) financial strain."*⁶

Subsequent to the national financial meltdown in 2008, the American Hospital Association conducted a national survey on the effects of the resultant credit crisis on the hospitals.⁷ From the 639 responses received, 45% of the hospitals reported they had postponed capital projects, and 13% actually stopped capital projects already in progress. In addition, 45% of the respondents stated that tax-exempt financing was 'significantly harder' to acquire, and 12% stated there was 'no access' to this financing source whatsoever.

Objectives:

Given the persistence of this issue, the objectives of this (2nd edition) report are five-fold: 1) to identify the hospital capital base and amount of new investment, 2) to analyze that spending in terms of financing mix, and associated costs, 3) to present a measure of the 'adequacy' of this investment in terms of maintaining the capital base, 4) to examine the ability to acquire new capital, and 5) to review the capital structure of each hospital.

⁴ *Technical Report No. 15, RI-DOH, The Ritchie Organization, 1979, (p 125)*

⁵ *How Are Hospitals Financing the Future? -The Future of Capital Spending, Healthcare Financial Management Association & GE Healthcare Financial Services, March 2004*

⁶ *Under Pressure, Today's Questions and Tomorrow's Consequences for Rhode Island's Healthcare Facilities, SHAPE Foundation, 2005, p8*

⁷ *Report on the Capital Crisis: Impact on Hospitals, AHA, January 2009*

This effort is meant to inform healthcare policy, and programs (e.g., Certificate of Need) with regard to the financing of new hospital capital projects. This report is not intended to quantify the need for hospital infrastructure in the state, nor the optimal configuration of that infrastructure. That determination would necessarily involve comprehensive health services and facilities planning (see section XI).

Data:

Appendix A provides the raw financial data used in the report and are sourced from the hospitals' audited financial statements (<http://www.health.ri.gov/chic/performance/hospitals/finances/index.php>). Appendix B provides the worksheet for assessing the 'adequacy' of hospital capital investment including the Turner Building Cost Index data sourced from <http://www.turnerconstruction.com/Uploads/Documents/4thQtr2009.pdf>. Appendix C compares the Certificate of Need (CON) approved capital spending with the actual spending amounts. CON-approved spending data are sourced from the RI-DOH's Office of Health Systems Development (401-222-2788). Appendix D provides the individual hospital ranking methodology and worksheet. Lastly, any comparable Northeastern or regional data referenced in the report are sourced from the *Almanac of Hospital Financial and Operating Indicators, 2010 Edition*, Ingenix.

Discussion:

Capital investment requires major planning efforts, involving non-recourse decisions, long-term financial commitments and high opportunity costs. Whereas a machinist may be retrained if those skills are no longer needed or land put to other uses, the functional obsolescence of a building or technical obsolescence of a piece of equipment can be much more expensive to correct.

Many factors could impact the need for capital investment locally, among them:

- The age of the state's facilities. In general, RI hospitals are older than their regional counterparts (12.7 vs. 11.0 years⁸). The implica-

tion is that, other things being equal, RI hospitals will have to invest in capital sooner than those elsewhere as their assets wear out (it does not mean that the capital needs will be greater in RI).

- Technological advances have created costly new modalities of care. More often than not, these exist side by side with existing technologies and are not utilized as replacements to same (e.g., MRI and CT). This complementary effect increases healthcare utilization and the need for new capital.
- Demographic factors influence the need for hospital capital. In 2000, RI had the 6th largest percentage of its population over 64.⁹ As this group continues to age, it is expected to put greater demand on hospital services.
- Disease trends are changing. The increased incidence of chronic diseases (e.g., diabetes, HIV/AIDS, hypertension), infectious diseases with drug resistance (e.g., TB, MRSA), and behavioral health impairments (e.g., substance abuse, eating disorders, dementia) may create further demand for hospital services and capital.
- Alternately, real healthcare reform that rations resources with results may temper hospital spending by redirecting reimbursement towards more cost-effective preventive and primary care provided outside the hospital setting.

As the credit markets recover, another factor could raise the hospitals' costs of new capital. External demands for financing will compete with the healthcare sector for a limited supply of funds. As industry retools to keep pace with increased foreign competition, as municipalities seek to repair failing infrastructures and as the federal and state governments grapple with growing budget deficits, the real costs of debt will likely remain high and available to only the most creditworthy borrowers.

In the report, the terms capital, fixed assets, and physical plant are used interchangeably to refer to the depreciable 'hard' assets of the hospital, or the so-called plant & equipment (i.e., the 'bricks & mortar,' equipment and furnishings).

⁸ *Almanac of Hospital Financial & Operating Indicators, 2010 ed.*, Ingenix; 2008 Northeastern data

⁹ US Census Bureau, 2000 data (www.census.gov)

III: REPLACEMENT COSTS

This section calculates the replacement costs of each hospital's fixed assets in 2008 dollars (Table 1).

Fixed assets are recorded at historical costs at the time of acquisition, and do not represent what it would cost in current dollars to replace. Given the age of plant, an inflation factor may be determined by using an applicable measure of construction costs.¹⁰ Clearly, the older the physical plant, the greater the understatement of replacement costs (in an inflationary environment).

1: 2008 Hospital Replacement Costs				
\$\$s in millions	1 Historical Costs ¹	2 Age of Plant	3 Inflation Factor	Replace- ment Costs
Bradley	\$41.4	11.9	179%	\$74
Butler	\$58.1	11.1	173%	\$101
Kent	\$195.2	12.8	183%	\$358
Landmark	\$71.4	12.4	181%	\$130
Memorial	\$119.0	18.4	208%	\$248
Miriam	\$289.4	12.4	181%	\$525
Newport	\$152.7	10.8	171%	\$262
RI Hospital	\$947.9	15.1	198%	\$1,874
RWMC	\$102.3	10.5	169%	\$173
S. County	\$123.8	9.0	159%	\$197
St. Joseph	\$127.7	13.6	189%	\$241
Westerly	\$105.3	15.3	198%	\$209
W&I	\$282.2	11.8	178%	\$502
STATEWIDE	\$2,616	---	---	\$4,891
CARE N.E.	\$536	---	---	\$960
LIFESPAN	\$1,431	---	---	\$2,734
INDEPENDENTS	\$650	---	---	\$1,197

Historical Costs = net fixed assets & accumulated depreciation; the Inflation Factor is based on the Age of Plant (Chart 6) & the Turner Building Cost Index (Appx. A); Replacement Costs = (col.1 * col.3)

¹ To preserve the calculations of Historical Costs, Landmark's 2008 capital base was increased \$25.7m to adjust for the accounting 'reduction' in the value of its building & improvements in 2007 (as a result of SFAS#144)

Care N.E. includes Butler, Kent, and W&I; Lifespan includes Bradley, Miriam, Newport, and RI Hospital; the independents include Landmark, Memorial, RWMC, S. County, St. Joseph, and Westerly

RI's 13 hospitals cost \$2.6 billion to build and equip, however, it would cost almost \$4.9 billion to replace them (in 2008 dollars).

At the low end of the replacement scale were Bradley and Butler (\$74 and \$101 million, respectively). This is expected, given they are specialty behavioral health providers without the need to maintain the high-tech medical/surgical capacities of the acute-care hospitals.

Landmark, currently in receivership, also had a fairly modest replacement cost of \$130 million. This was a result of the \$5.9 million sale of the Rehab Hospital property in 2008, and its chronic underfunding of capital (-64% investment 'shortage,' Table 5).

The most expensive hospitals to replace were RI Hospital (\$1.9 billion), Miriam (\$525 million), and W&I (\$502 million). Not coincidentally, they are all Providence teaching hospitals, with strong capital funding surpluses (+25%, +74% & +39% investment 'surpluses,' respectively, Table 5).

IV: CAPITAL FINANCING

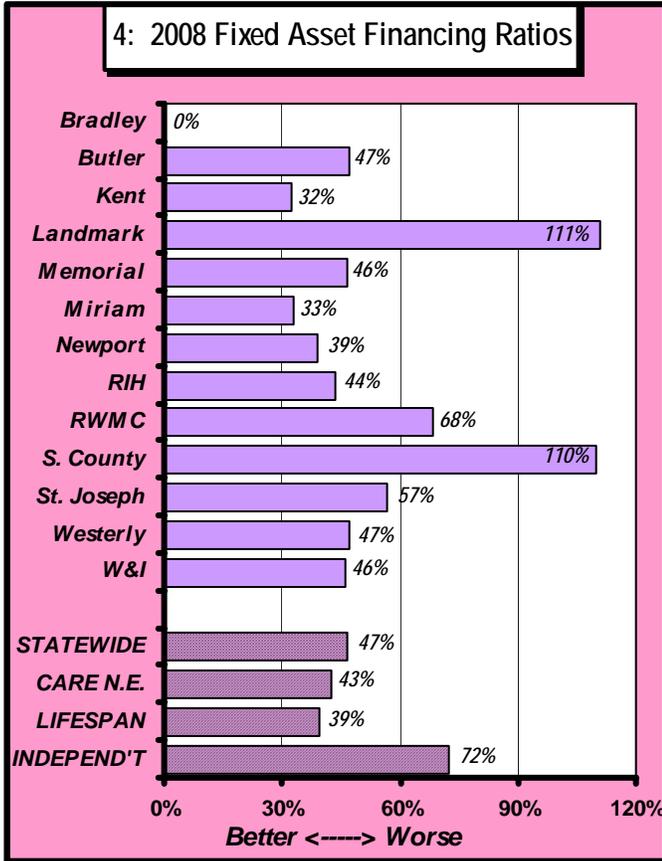
Capital financing refers to the relative amount of debt incurred in the acquisition of fixed assets. The ultimate financing mix (debt vs. equity) affects the cost of new capital through the amount of interest expensed each year.

The *Fixed Asset Financing Ratio*¹¹ defines the portion of a hospital's fixed assets financed with debt (Chart 4). Lower values are preferred because they indicate less reliance on borrowing and a less leveraged capital structure. All else being equal, 1) less leverage allows hospitals to access the debt markets at more favorable rates (i.e., interest savings on future borrowings) and 2) less leverage generates lower interest expense

¹⁰ The Turner Construction Company, a leading U.S. builder of healthcare facilities, maintains the Turner Index to reflect the impact of inflation on the costs of hospital construction.

¹¹ Fixed Asset Financing Ratio = ((long term debt & capital leases + current portion of long term debt) / net fixed assets)

each year (i.e., reducing the burden of capital expenses).



The statewide *Fixed Asset Financing Ratio* was 47% (2008), and RI hospitals were less leveraged than their regional peers (47% vs. 61%¹²).

Categorically, Lifespan had the lowest financial leverage (39%), followed by Care New England (43%). The independent hospitals operated with much higher debt levels than the networks (72% vs. 43% and 39%).

Individually, Bradley had the lowest leverage (0%), because it carried no long-term debt (in 2008), although it was approved to borrow \$23.2 million to finance a replacement inpatient facility in June 2007.

Landmark and South County had the highest debt burdens in the state (111% and 110%, respectively). That both values exceeded 100% is prob-

lematic, and indicates that debt is not being repaid as assets are exhausted.

Landmark's high leverage was caused by the \$25.7 million revaluation¹³ of its Building & Improvements in 2007, without any corresponding retirement of debt. In South County's case, it began with very high leverage (103% in 2003¹⁴), and continued to heavily finance its capital spending with debt over the period.

V: CAPITAL COSTS

Capital costs are the yearly expenses associated with the physical plant. Rather than simply evaluating the dollar amounts invested in fixed assets, this section shows what it actually costs the hospitals and, ultimately the consumers, to acquire these assets.

New capital is expensed through depreciation of the acquisition costs and interest incurred on the associated debt. The *Imputed Interest Rate* calculated each hospital's 2008 borrowing costs, with lower values preferred (Table 2). These costs are affected by the timing and size of individual debt obligations as well as the need to borrow working capital. The use of variable-rate versus fixed-rate financing may also lower initial borrowing costs.

The statewide *Imputed Interest Rate* was 4.9% in 2008. Categorically, Care New England had the most favorable rate (2.9%), followed by Lifespan (4.6%). The independent hospitals had much higher borrowing costs than their network competitors (6.2% vs. 4.6 and 2.9%).

Individually, two network hospitals, W&I, and Kent had the lowest *Imputed Interest Rates* (1.7% and 3.0%), while three independents, South County, Roger Williams, and Westerly, had the highest rates (7.1%, 6.4% and 6.2%, respectively).

¹² *Almanac of Hospital Financial and Operating Indicators, 2010 ed., Ingenix; 2008 Northeastern data*

¹³ *prescribed by Statement of Financial Accounting Standards (#144) when the carrying amount (i.e., the book value) of a long-lived asset exceeds its fair value (i.e., its market value)*
¹⁴ *includes \$15.7 million line of credit (used to finance the ED & diagnostic imaging) refinanced into long-term debt in 2004*

2: 2008 Hospital Borrowing Costs					
\$\$s in millions	1	2	3	4	Imputed Interest Rates
	2007 Total Debt	2008 Total Debt	2007 & 2008 Avg.	2008 Interest Exp.	
Bradley	\$0.0	\$0.0	\$0.0	\$0.0	---
Butler	\$11.3	\$10.8	\$11.1	\$0.6	5.4%
Kent	\$27.4	\$24.5	\$25.9	\$0.8	3.0%
Landmark	\$18.6	\$14.9	\$16.8	\$0.8	4.8%
Memorial	\$23.6	\$22.4	\$23.0	\$1.3	5.5%
Miriam	\$52.0	\$51.5	\$51.7	\$2.4	4.6%
Newport	\$32.6	\$30.9	\$31.8	\$1.5	4.7%
RI Hospital	\$211.2	\$209.3	\$210.3	\$9.7	4.6%
RWMC	\$28.8	\$29.0	\$28.9	\$1.8	6.4%
S. County	\$72.3	\$69.3	\$70.8	\$5.0	7.1%
St. Joseph	\$26.9	\$25.4	\$26.2	\$1.4	5.4%
Westerly	\$22.9	\$22.6	\$22.8	\$1.4	6.2%
W&I	\$34.6	\$61.1	\$47.9	\$1.1	2.2%
STATEWIDE	\$566.7	\$576.1	\$571	\$27.9	4.9%
CARE N.E.	\$77.7	\$100.6	\$89.2	\$2.6	2.9%
LIFESPAN	\$295.9	\$291.7	\$293.8	\$13.6	4.6%
INDEPENDENTS	\$193.1	\$183.8	\$188.4	\$11.7	6.2%

Total debt includes capital leases, short-term credit, and current portions; Imputed Interest Rates = (col.4 / col.3)

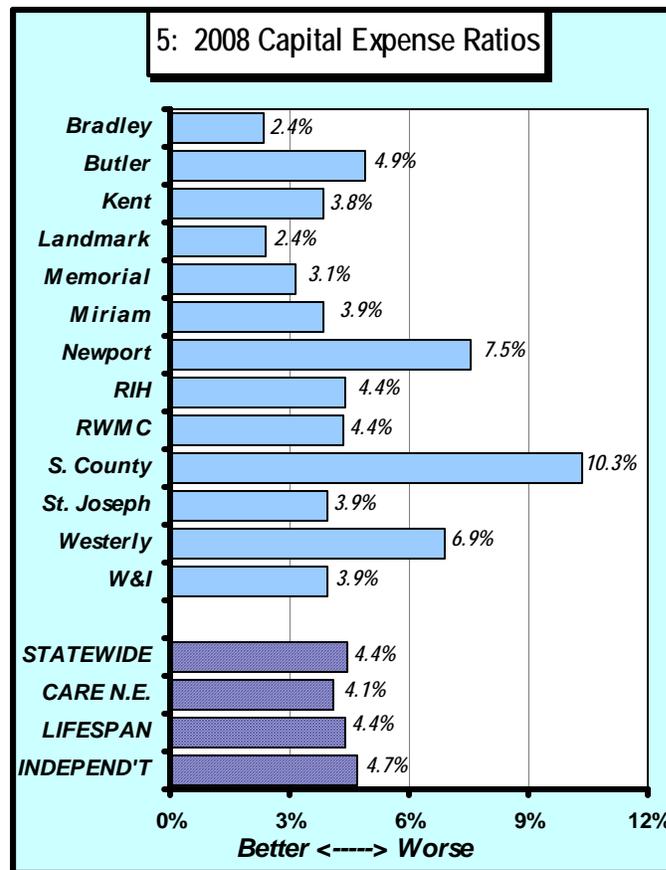
Care N.E. includes Butler, Kent, and W&I; Lifespan includes Bradley, Miriam, Newport, and RI Hospital; the independents include Landmark, Memorial, RWMC, S. County, St. Joseph, and Westerly

The *Capital Expense Ratio*.¹⁵ presents the burden of each hospital's capital expenses relative to its total expenses (Chart 5). Capital expenses (interest and depreciation) are considered fixed in that they are long-lived and do not vary with volume. Lower values on this measure are, therefore, preferred.

In addition to lower financial leverage, lower *Capital Expense Ratios* may reflect any combination of: 1) a smaller mix of short to long-term debt,¹⁶ 2) more favorable financing rates, 3) lower depreciation expenses from smaller (or older) physical plants, or 4) greater relative hospital expenses in general.

The statewide *Capital Expense Ratio* was 4.4% in 2008, and RI hospitals had a lower capital expense burden than their Northeastern peers (4.4% vs. 5.7%¹⁷).

On a categorical basis, Care New England had the most favorable value (4.1%), followed by Lifespan at 4.4%. The independent hospitals had higher capital expenses than the network facilities (4.7% vs. 4.4% and 4.1%).



On an individual basis, Bradley had the lowest *Capital Expense Ratio* (2.4%), because it held no debt. Landmark also had a low value (2.4%), primarily because it underfunded its capital needs for years (-64% investment 'shortage,' Table 5), resulting in the second lowest depreciation expense in the state (\$2.6 million).

South County, Newport and Westerly all had high *Capital Expense Ratios* (10.3%, 7.5% and 6.9%, respectively). In South County's case, it strongly invested in new capital (+10% investment 'sur-

¹⁵ *Capital Expense Ratio* = (interest expense + depreciation & amortization) / total operating expenses)

¹⁶ The cost of borrowing short-term (i.e., the associated interest expense) is almost always greater than that of borrowing long-term

¹⁷ *Almanac of Hospital Financial and Operating Indicators, 2010 ed., Ingenix; 2008 northeastern data*

plus,' Table 5), which raised its depreciation expenses. It also financed its acquisitions aggressively with debt (110% vs. 47% statewide), at high cost (7.1% vs. 4.9% statewide), both of which increased its interest expenses.

Newport's situation was different. It was not over-leveraged (39% vs. 47% statewide), it did not have high borrowing costs (4.7% vs. 4.9% statewide), nor did it over-invest in new capital (-30% investment 'shortage,' Table 5). Newport's predicament was that its capital base was too large for the activity generated (\$1.36 vs. \$2.50 statewide *Fixed Asset Turnover*, Chart 8). Having to maintain excessive fixed assets (even at minimal levels), has strained Newport's fixed-cost structure resulting in its relatively high *Capital Expense Ratio*.

Likewise, Westerly was not highly leveraged (47% vs. 47% statewide), but it had high borrowing costs (6.2% vs. 4.9% statewide), and a relatively large physical plant given its low *Fixed Asset Turnover* value (\$2.12 vs. \$2.50 statewide).

VI: CAPITAL INVESTMENT

This section presents each hospital's investment in new capital over six years (Table 3). Capital spending can be sporadic in that it involves large expenditures over a short period of time, usually after lengthy planning efforts. Therefore, analyzing six years' of data minimizes any vagaries associated with examining only a single year (or a few years) that may miss some important activity.

Even though individual hospital spending varied widely over the period, the statewide amounts were surprisingly consistent. The six year average was \$171 million, with a small variation (i.e., standard deviation) of only \$15.7 million. Lifespan led the spending (\$586 million, 58% of the total), followed by Care New England (\$246 million, 24% of the total), and the independents (\$173 million, 17% of the total).

3: Hospital Capital Investment

<i>\$\$s in millions</i>	'03 & '04	'05 & '06	'07 & '08	<i>Total</i>
Bradley	\$7.4	\$4.9	\$13.9	\$26
Butler	\$9.3	\$8.1	\$8.2	\$26
Kent	\$33.8	\$30.6	\$14.3	\$79
Landmark	\$2.3	\$5.4	\$3.4	\$11
Memorial	\$5.5	\$13.4	\$9.7	\$29
Miriam	\$30.4	\$59.0	\$58.8	\$148
Newport	\$14.8	\$8.0	\$17.1	\$40
RI Hospital	\$143.4	\$97.6	\$131.3	\$372
RWMC	\$4.0	\$16.3	\$12.1	\$32
S. County	\$17.7	\$9.9	\$26.6	\$54
St. Joseph	\$9.5	\$10.8	\$7.9	\$28
Westerly	\$12.5	\$1.9	\$4.7	\$19
W&I	\$30.3	\$43.6	\$67.7	\$142
STATEWIDE	\$321	\$310	\$376	\$1,006
CARE N.E.	\$73	\$82	\$90	\$246
LIFESPAN	\$196	\$170	\$221	\$586
INDEPENDENTS	\$51	\$58	\$64	\$173

Care N.E. includes Butler, Kent, and W&I; Lifespan includes Bradley, Miriam, Newport, and RI Hospital; the independents include Landmark, Memorial, RWMC, S. County, St. Joseph, and Westerly

Individually, RIH invested the most (\$372 million), followed by Miriam (\$148 million), and W&I (\$142 million). At the low end of the scale were Landmark (\$11 million), Westerly (\$19 million), and Bradley and Butler (\$26 million each).

These data do not address the adequacy of a hospital's investment in new capital, they simply report the amount of the expenditures. Section VII evaluates the adequacy of each hospital's capital spending.

VII: ADEQUACY OF CAPITAL INVESTMENT

This section assesses the adequacy of hospital capital spending, by comparing what was required to maintain the fixed assets to what was actually invested.

The most accurate measure of the need for capital investment is the annual depreciation expense. Technically, it is the amount that should be invested (or escrowed) each year to replace the assets as they wear out. However, the depreciation expense is based on historical costs (at the time of acquisition), and not on replacement costs. Therefore, depreciation is adjusted by an inflation factor to approximate the actual costs to replace these assets (see Appx. B).

Table 4 summarizes the difference between each hospital's capital spending from 2003 to 2008, with the need for that capital to determine any 'deficit' or 'surplus' spending. In addition it standardizes the 'surplus/shortage' amounts by presenting them as percentages of what was actually needed to maintain the fixed assets. In this context, a 'surplus' simply means a hospital invested an amount in excess of that required to maintain its capital base, it does not mean that investment was not needed.

4: Investment Surpluses/Shortages (2003-2008)				
<i>\$\$s in millions</i>	\$\$s	Rank	%s	Rank
Bradley	\$15	4	132%	1
Butler	\$1	6	5%	6
Kent	-\$2	7	-2%	7
Landmark	-\$20	11	-64%	13
Memorial	-\$17	9	-38%	10
Miriam	\$63	2	74%	2
Newport	-\$17	10	-30%	8
RI Hospital	\$75	1	25%	4
RWMC	-\$16	8	-33%	9
S. County	\$5	5	10%	5
St. Joseph	-\$21	12	-43%	11
Westerly	-\$24	13	-55%	12
W&I	\$40	3	39%	3
STATEWIDE	\$82		9%	
CARE N.E.	\$40		19%	
LIFESPAN	\$136		30%	
INDEPENDENTS	-\$93		-35%	

Care N.E. includes Butler, Kent, and W&I; Lifespan includes Bradley, Miriam, Newport, and RI Hospital; the independents include Landmark, Memorial, RWMC, S. County, St. Joseph, and Westerly

There was a cumulative statewide capital investment 'surplus' of +\$82 million from 2003-

2008. Lifespan had a 'surplus' of +\$136 million, followed by Care New England at +\$40 million. The independent hospitals did not meet their minimum capital needs and posted a cumulative investment 'shortage' of -\$93 million.

Individually, RIH had the largest 'surplus' (+\$75 million), followed by Miriam (+\$63 million), and W&I (+\$40 million). Hospitals with investment 'shortages' were: Westerly (-\$24 million), St. Joseph (-\$21 million), Landmark (-\$20 million), Memorial and Newport (-\$17 million each), and Roger Williams (-\$16 million). With the exception of Newport, all of the hospitals underinvesting in capital were independent facilities.

On a relative basis, there was a cumulative statewide investment 'surplus' of +9% between 2003-2008. Lifespan led with a 'surplus' of +30%, followed by Care New England (+19%). The independents posted a cumulative 'shortage' of -35%.

Individually, Bradley had the largest relative 'surplus' (+132%), followed by Miriam (+74%), and W&I (+39%). Hospitals underinvesting in capital were: Landmark (-64%), Westerly (-55%), and St. Joseph (-43%).

Relatively small spending 'shortages' (e.g., Kent at -2%), are not a great concern given the six year time-frame in this analysis. It is possible that such a hospital made significant capital investment in recent prior years to the analysis¹⁸ or has major capital projects pending.¹⁹ This reaffirms the fact that capital investment is episodic for individual hospitals even though the statewide spending was fairly consistent.

Likewise, a capital investment 'surplus' does not necessarily indicate a facility 'overspent' on capital. A hospital experiencing increasing demand for services or one with a pressing need for new technology will need to expand beyond its existing capital base (or become that much more productive with its existing capital).

¹⁸ This was not the case with Kent, as it invested an average of \$8.5 million annually from 1999-2002, compared to \$13.1 million for the six years in this report (2003-2008).

¹⁹ In 2009, there are \$18 million in pending hospital capital projects under CON review, including Kent's \$15.1 million ambulatory surgery center & 10 bed short-stay unit proposal

This analysis does not assess the future capital needs of the hospitals nor does it make any determination on the optimal configuration of the state's hospital system. Such a finding requires comprehensive healthcare and facilities planning, including an evaluation of less costly alternatives to hospital-based care.

These data present a worst-case scenario by assuming that all of the hospital fixed assets, as presently configured, are required. Barring any determination of the need for each and every institution, it can be concluded that, with the exceptions of the 'independent' facilities, the network hospitals adequately addressed their capital needs over this period.²⁰

VIII: CAPITAL TIMING

Capital timing refers to the relative timeframe of the need to replace fixed assets. This is determined by the age of the physical assets, which affects their remaining utility.

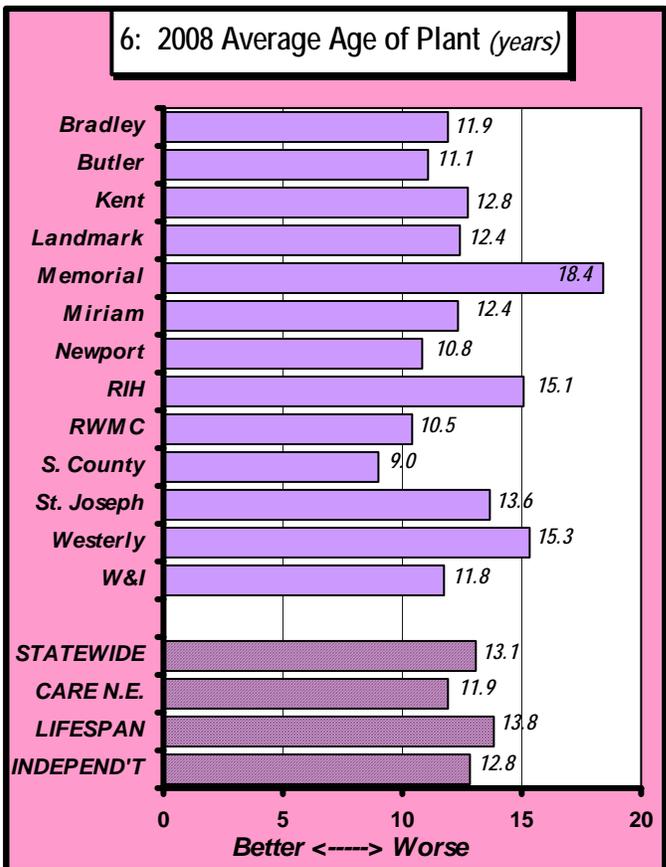
The average *Age of Plant*²¹ measures the accounting age of a hospital's fixed assets (Chart 6). A lower value on this measure is preferred, as it indicates a younger physical plant and less need for short-term capital investment (all else being equal).

The statewide *Age of Plant* was 13.1 years in 2008, and RI hospitals were older than their regional peers (13.1 vs. 10.8 years²²). On a categorical basis, Care New England had the youngest plant (11.9 years), followed by the independents (12.8 years), and Lifespan (13.8 years).

²⁰ Newport Hospital, a Lifespan member, had a cumulative investment 'deficit' of -30%, but its capital base is excessively large and could be reduced accordingly to increase the productivity of these assets (Chart 8)

²¹ Average Age of Plant = accumulated depreciation / depreciation expense

²² *Almanac of Hospital Financial and Operating Indicators*, 2010 ed., Ingenix; 2008 Northeastern data



Individually, South County, Roger Williams, and Newport had the youngest plants (9.0, 10.5, and 10.8 years, respectively), while Memorial, Westerly, and RI Hospital had the oldest plants in the state (18.4, 15.3, and 15.1 years, respectively).

IX: CAPITAL CAPACITY

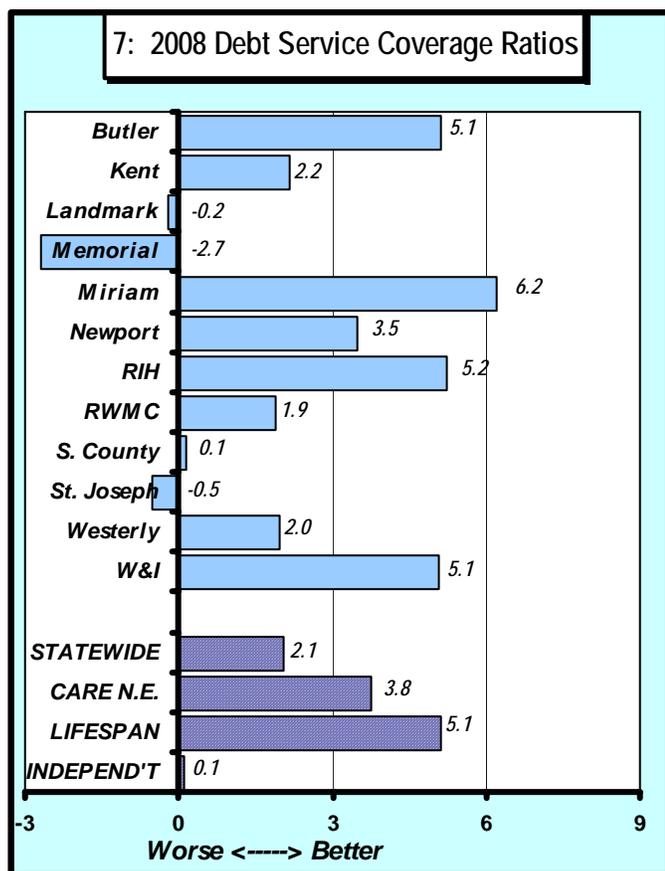
Capital capacity refers to a hospital's ability to afford new fixed assets. Two factors determine this ability; 1) the amount of equity funds available to invest, and 2) the capacity for additional borrowing.

The *Debt Service Coverage Ratio*²³ is the key measure of hospital creditworthiness used by bond-rating agencies (Chart 7). It defines the multiple by which cash flow is available to repay

²³ $Debt\ Service\ Coverage = \frac{((net\ income\ \&\ gains + depreciation\ expense + interest\ expense))}{(current\ principal\ payment + interest\ expense)}$

the debt and is the single most important indicator of debt capacity. Higher values on this measure are, therefore, preferred.

The statewide *Debt Service Coverage Ratio* was 2.1 in 2008, and the debt capacity of RI hospitals was similar to that of their Northeastern peers (2.1 vs. 2.7²⁴). On a categorical basis, Lifespan had the strongest coverage value (5.1), followed by Care New England (3.8). Collectively, the independent hospitals were so weak they could barely service their existing debt (0.1).



Individually, Miriam and RIH had the highest *Debt Service Coverage* values in the state²⁵ (6.2 and 5.2, respectively). Miriam benefited from very low leverage (33% vs. 47% statewide), reasonable borrowing costs (4.6% vs. 4.9% statewide), and the 5th highest profitability in the state (2.1% in 2008). RIH's advantage was moderate leverage

(44% vs. 47% statewide), reasonable borrowing costs (4.6% vs. 4.9% statewide), and the 2nd highest profitability in the state (2.9% in 2008).

Alternately, Memorial and St. Joseph had the lowest *Debt Service Coverage* values (-2.7 and -0.5, respectively). Memorial was not overleveraged (46% vs. 47% statewide), but it had high borrowing costs (5.5% vs. 4.9% statewide), and the 2nd weakest profitability in the state (-7.7% in 2008). St. Joseph was compromised by high leverage (57% vs. 47% statewide), high borrowing costs (5.4% vs. 4.9% statewide), and the 3rd weakest profitability (-5.1% in 2008).

Equity, the other component of finance capital, is defined as owned as opposed to borrowed (i.e., with a repayment requirement) monies used to effect a project. Equity sources include hospital operating profits, fundraising, and investment returns.

The *Funding Capacity* measures each hospital's ability to internally fund its replacement costs, with higher values preferred (Table 5). These calculations use the lower of investments or net assets. This is necessary because net assets are actually an accounting convention to 'balance-the-books,' and usually overstate the amount of financial assets (i.e., cash, investments and endowments²⁶) available to fund capital. Likewise, there are cases where investments exceed net assets (e.g., Landmark, St. Joseph and W&I) indicating that some of the financial assets are 'obligated'²⁷ and not fully available to invest in new capital.

²⁴ *Almanac of Hospital Financial and Operating Indicators, 2010 ed., Ingenix; 2008 Northeastern data*

²⁵ *Bradley's value could not be calculated because it carried no long-term debt*

²⁶ *Clearly, some of these endowments are restricted as to use and their principal may not be invested in capital unless so designated. Nevertheless, even these restricted funds are viewed very favorably by bond-rating agencies when determining creditworthiness.*

²⁷ *'Obligated' means that the investments may be needed to pay the liabilities of the hospitals (i.e., there are 'claims' on part of these assets identified on the Balance Sheet of the hospital). The investments include both unrestricted and restricted endowments (i.e., monies restricted by donors for specific purposes), therefore, the calculation of a hospital's Funding Capacity will be overstated to the extent it has restricted endowments for non-capital purposes.*

5: 2008 Hospital Funding Capacity					
\$s in millions	1	2	3	4	Funding Capacity
	Investments	Net Assets	Lower of 1 or 2	Replacement Costs	
Bradley	\$56	\$81	\$56	\$74	75%
Butler	\$39	\$41	\$39	\$101	39%
Kent	\$55	\$74	\$55	\$358	15%
Landmark	\$12	-\$20	-\$20	\$130	-15%
Memorial	\$49	\$62	\$49	\$248	20%
Miriam	\$138	\$232	\$138	\$525	26%
Newport	\$216	\$271	\$216	\$262	82%
RI Hospital	\$503	\$714	\$503	\$1,874	27%
RWMC	\$40	\$40	\$40	\$173	23%
S. County	\$62	\$53	\$53	\$197	27%
St. Joseph	\$25	\$11	\$11	\$241	5%
Westerly	\$32	\$40	\$32	\$209	15%
W&I	\$211	\$187	\$187	\$502	37%
STATEWIDE	---	---	\$1,359	\$4,891	28%
CARE N.E.	---	---	\$281	\$960	29%
LIFESPAN	---	---	\$912	\$2,734	33%
INDEPENDENTS	---	---	\$165	\$1,197	14%

Investments include cash, investments & endowments; Replacement Costs are from Table 1; Funding Capacity = (col.3 / col.4)

Care N.E. includes Butler, Kent, and W&I; Lifespan includes Bradley, Miriam, Newport, and RI Hospital; the independents include Landmark, Memorial, RWMC, S. County, St. Joseph, and Westerly

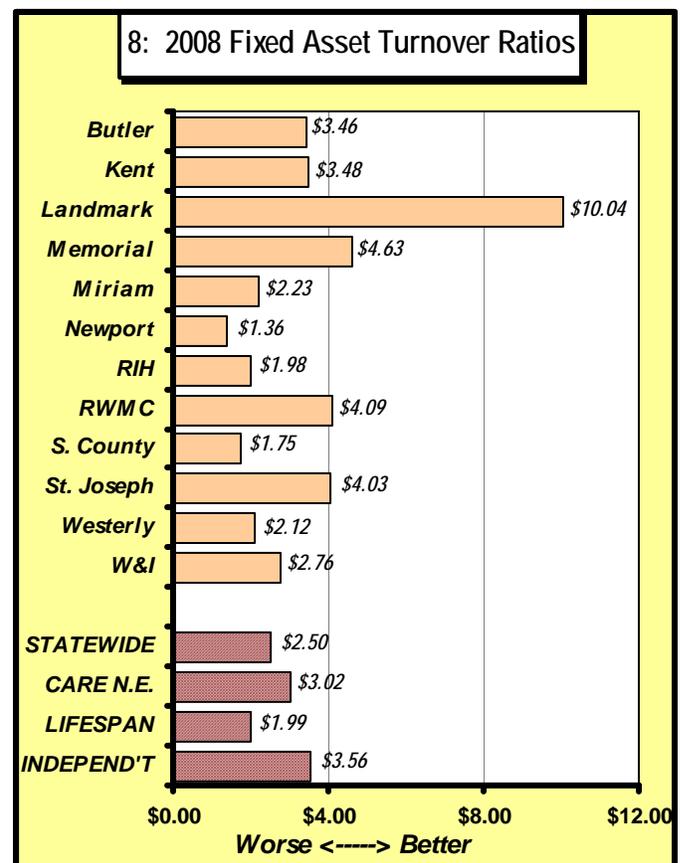
The statewide *Funding Capacity* was 28% in 2008. Lifespan had the strongest value (33%), followed by Care New England (29%). The independent hospitals' *Funding Capacity* was much weaker than the network hospitals (14% vs. 29% and 33%).

Newport topped the individual rankings with a value of 82%, followed by Bradley at 75%. Landmark was at the other end of the scale, with a value of -15% because it was technically insolvent (i.e., a negative net worth). St. Joseph's *Funding Capacity* was marginal (5%), due to the 72% decline in its net assets in 2008 (from \$39.6 to \$10.9 million).

X: CAPITAL PRODUCTIVITY

Capital productivity refers to how efficiently a hospital uses its fixed assets to generate revenue.

The *Fixed Asset Turnover Ratio*.²⁸ is a key productivity measure, showing how many dollars are produced from each dollar invested in plant and equipment (Chart 8). Higher values are preferred, because these assets are essentially constant (independent of patient volume), long-lived (useful lives to 30 years), and, for the most part, illiquid (not easily sold or converted to other uses). In addition to higher utilization, larger turnover values may reflect: higher relative reimbursement rates, a more acute case-mix, or a more generous payer-mix.



The statewide *Fixed Asset Turnover Ratio* was \$2.50 in 2008, and RI hospitals were less efficient at generating revenue from their physical plants

²⁸ Fixed-Asset Turnover Ratio = total revenue / net fixed assets

than their regional peers (\$2.50 vs. \$2.62²⁹). On a categorical basis, the independent hospitals used their fixed assets most productively (\$3.56), followed by Care New England (\$3.02), and Life-span (\$1.99).

Individually, Landmark and Memorial had the highest values in the state (\$10.04 and \$4.63, respectively), while Newport and South County had the lowest values (\$1.36 and \$1.75, respectively).

X: CAPITAL REGULATION & PLANNING

Hospital capital spending in RI is regulated through the Certificate of Need (CON) process administered by the HEALTH. Technically, any hospital capital project³⁰ over \$2 million must be approved prior to initiation.

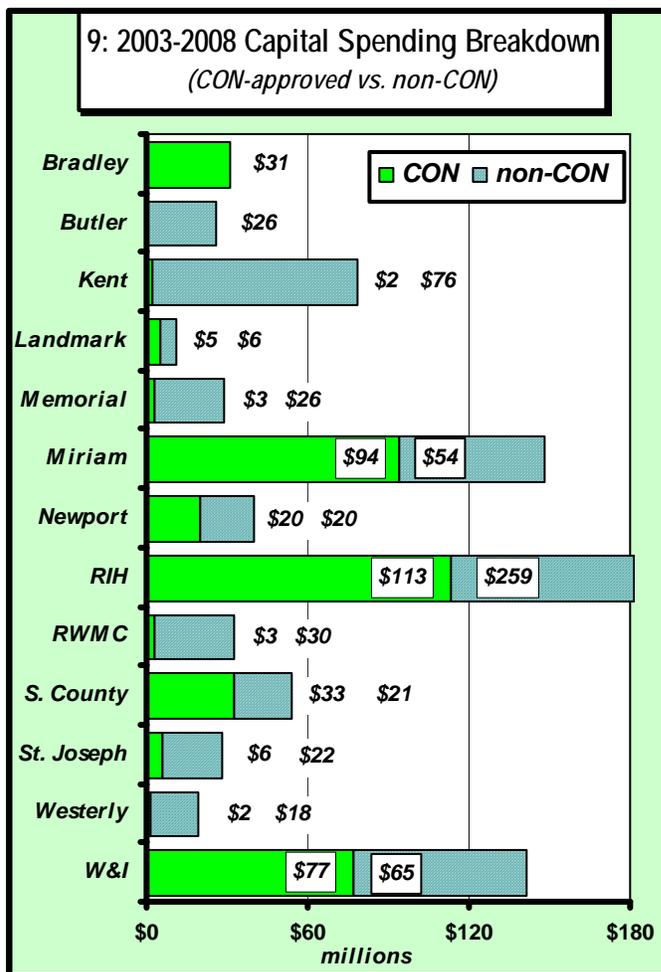
Chart 9 provides a breakdown of all hospital capital spending from 2003-2008, by whether that spending was reviewed (and approved) through CON, or not.

For these six years, statewide capital spending was \$1 billion (Appx. C), with only \$389 million (39%) assessed by the CON process. Individual hospitals ran the gamut from 0% of spending reviewed at Butler Hospital, to 100% reviewed at Bradley Hospital.

CON traces its origins back to the mid-sixties and was instituted in response to the inflationary cost-based reimbursement of that time. In order to moderate a hospital capital ‘arms-race,’ CON was implemented to bring rationality to capital (and service) development.

Another limitation of CON is that it is reactive and not proactive; responding to submitted proposals rather than soliciting them.³¹ Projects are evalu-

ated individually, and generally without regard to a system-wide perspective.³² Missing is a state-wide facilities and services health plan to inform policy and deliberations.



The last comprehensive RI health plan was adopted in 1986.³³ Since then, planning has been sporadic and categorical.³⁴ In 2006, the General Assembly charged the Director of Health to assess the “...capacity (and authority) to per-

²⁹ *Almanac of Hospital Financial and Operating Indicators, 2010 ed., Ingenix; 2008 Northeastern data*

³⁰ *non-patient care proposals such as parking structures or physician office buildings are exempt from CON*

³¹ *Although infrequent, the HEALTH CON program has initiated RFPs in the past, including MRI ('86), and PET ('01)*

³² *For certain high-value, high-cost services, the HEALTH CON program has commissioned single issue studies of statewide need (e.g., gamma knife ('90), BMT ('92 & '07), surgicenters ('93, '00, '02 & '09), PET ('02 & '05), radiation oncology ('03 & '05), and endoscopy ('04))*

³³ *The Rhode Island Health Plan (1987-1992), (RI) Statewide Health Coordinating Council, October 1986*

³⁴ *in addition to those services identified in footnote 26, examples include: The (2005) SHAPE Study, the RAND Corporation & Booz Allen; the 2005 Needs Assessment Report: Vocational Rehabilitation Needs, RI-DHS -Rehabilitation Services*

form coordinated statewide health planning...including capital investment..."³⁵

In response, the Director acknowledged the state's authority to conduct planning but found insufficient capacity to effect the process.³⁶ The Director proposed a model for comprehensive health planning including objectives, organizational structure, and resources required. To-date, however, no resources have been appropriated for this effort.

XI: HOSPITAL SUMMARIES

Each hospital's capital structure³⁷ is summarized and ranked using a standardized composite of six different measures (Appx. D³⁸). In this ranking, the hospitals are compared to each other, and not to any regional or national peer groups.

Bradley Hospital:

Bradley had the strongest capital structure in the state (2.29, ranked #1 out of 13). It had the lowest replacement costs (\$74 million), no long-term debt and, as expected, the lowest capital expenses (2.4%). Bradley spent \$4.4 million annually in new capital, resulting in the largest capital investment 'surplus' (+132%). Bradley's physical plant was newer than average (11.9 years vs. 13.1 years statewide), and it had the 2nd greatest internal funding capacity of all hospitals (75% of replacement costs).

Butler Hospital:

Butler's capital structure was stronger than average (0.58, ranked #5 out of 13). It had the 2nd lowest replacement costs (\$101 million), and average financial leverage (47% debt vs. 47% debt statewide). Butler had above average borrowing costs (5.4% vs. 4.9% statewide), and capital expenses (4.9% vs. 4.4% statewide). The Hospital spent \$4.3 million annually in new capital (3rd lowest), but this was sufficient to cover its minimum capital needs (+5% 'surplus', 6th highest). Butler had the 3rd highest debt service coverage (5.1), and the 3rd highest internal funding capacity of all hospitals (39% of replacement costs).

Kent Hospital:

Kent's capital structure was average (0.00, ranked #7 out of 13). It had the 4th highest replacement costs (\$358 million), but the 2nd lowest financial leverage (32% debt). Kent had the 2nd lowest borrowing costs (3.0%), and the 4th lowest capital expenses (3.8%). The Hospital spent \$13.1 million annually in new capital, resulting in a slight investment 'shortfall' (-2%). Kent had an average debt service coverage value (2.2 vs. 2.1 statewide), but its internal funding capacity was the 3rd weakest in the state (15% of replacement costs).

Landmark Medical Center:

Landmark had the weakest capital structure in the state (-1.33, ranked #13 out of 13), and is currently in receivership (i.e., Special Mastership). It had the 3rd lowest replacement costs (\$130 million), but the greatest financial leverage (111% debt). Landmark had average borrowing costs (4.8% vs. 4.9% statewide), and favorable capital expenses (2.4%, the 2nd lowest). The Hospital spent the least in new capital (\$1.8 million annually), resulting in the largest capital spending 'shortfall' (-64%). Landmark had the 3rd lowest debt service coverage (-0.2), and the lowest internal funding capacity of all hospitals (-15% of replacement costs).

Memorial Hospital:

Memorial had the 3rd weakest capital structure in the state (-1.07, ranked #11 out of 13). It had the oldest physical plant (18.4 years), with average financial leverage (46% debt vs. 47% debt statewide). Memorial had high borrowing costs (5.5%, 4th highest), but favorable capital expenses (3.1%, 3rd lowest). The Hospital invested \$4.8 million annually in new capital, resulting in the 4th largest

³⁵ RI Coordinated Health Planning Act of 2006, S 2757 Sub. A as amended, H 7424 Sub. A as amended

³⁶ *Coordinated Health Planning in Rhode Island -Report to the General Assembly, Director of Health, Coordinated Health Planning Advisory Committee, March 30, 2007*

³⁷ Traditionally, capital structure refers to the amount of debt and equity that finance a hospital's fixed assets. Used here the definition is broader, encompassing the six separate measures comprising the index in Appendix D.

³⁸ This methodology provides a robust evaluation of a hospital's capital structure. When these findings were correlated with those using a different methodology in *The Health of RI's Hospitals (2008)* (www.health.ri.gov), the results were highly associated, yielding a correlation coefficient of 0.937 (a value of 1.0 is perfect positive correlation).

spending 'shortfall' (-38%). Memorial had the lowest debt service coverage (-2.7), and its internal funding capacity was the 5th lowest (20% of replacement costs).

Miriam Hospital:

Miriam had the 2nd strongest capital structure in the state (0.89, ranked #2 out of 13). It had the 2nd highest replacement costs (\$525 million), but the 3rd lowest leverage (33% debt). Miriam had the 4th lowest borrowing costs (4.6%), and better than average capital expenses (3.9% vs. 4.4% statewide). Miriam spent \$24.7 million annually in new capital (2nd highest), resulting in a 74% investment 'surplus' (2nd highest). Miriam had an average capacity to internally fund its replacement costs (26% vs. 28% statewide), but it had the highest debt service coverage (6.2).

Newport Hospital:

Newport's capital structure was stronger than average (0.64, ranked #4 out of 13). It had the 3rd youngest physical plant (10.8 years), with low financial leverage (39% debt, 4th lowest). Newport had favorable borrowing costs (4.7% 5th lowest), but the 2nd highest capital expenses (7.5%). The Hospital spent \$6.6 million annually in new capital, resulting in a -30% cumulative investment 'shortfall' (ranked #8). Newport's debt service coverage was strong (3.5, 5th highest), and it had the greatest internal funding capacity of all hospitals (82% of replacement costs).

Rhode Island Hospital:

RI Hospital's capital structure was slightly stronger than average (0.30, ranked #6 out of 13). It had the largest replacement costs (\$1.9 billion), the 3rd oldest physical plant (15.1 years), but moderate financial leverage (44% debt vs. 47% debt statewide). The Hospital had the 3rd lowest borrowing costs (4.6%), and average capital expenses (4.4% vs. 4.4% statewide). RI Hospital spent \$62.1 million annually on new capital (ranked #1), and this was more than adequate to cover its minimal capital needs (+25% 'surplus', 4th highest). The Hospital's debt service coverage was the 2nd highest in the state (5.2), and it could fund 27% of its replacement costs (vs. 28% statewide).

Roger Williams Medical Center:

Roger Williams' capital structure was slightly weaker than average (-0.22, ranked #8 out of 13). It had the 4th lowest replacement costs (\$173 million), but the 3rd highest financial leverage (68%). Roger Williams had the 2nd highest borrowing costs (6.4%), but average capital expenses (4.4% vs. 4.4% statewide). Its physical plant was the 2nd youngest (10.5 years), and it spent \$5.4 million annually in new capital, resulting in a -33% investment 'shortfall' (4th largest). Roger Williams' debt service coverage was below average (1.9 vs. 2.1 statewide), as was its internal funding capacity (34% of replacement costs vs. 28% statewide).

South County Hospital:

South County had the 2nd weakest capital structure in the state (-1.13, ranked #12 out of 13). It had the youngest physical plant (9.0 years), but the 2nd highest financial leverage (110% debt). South County had the highest borrowing costs (7.1%), and the highest capital expenses (10.3%). The Hospital spent \$9.0 million annually in new capital, resulting in a 10% investment 'surplus' (the 5th largest). South County had the 4th lowest debt service coverage (0.1), and an average internal funding capacity (27% of replacement costs vs. 28% statewide).

St. Joseph Hospital:

St. Joseph's capital structure was weaker than average (-0.87, ranked #10 out of 13). The hospital had the 4th oldest physical plant (13.6 years), and high financial leverage (55% debt, 4th highest). St. Joseph's borrowing costs were above average (5.4% vs. 4.9% statewide), but it had favorable capital expenses (3.9% vs. 4.4% statewide). The Hospital spent \$4.7 million annually in new capital, yielding a -43% investment 'deficit' (3rd largest 'shortfall'). St. Joseph's debt service coverage was very weak (-0.5, 2nd lowest), and its internal funding capacity was the 2nd lowest of all hospitals (5% of replacement costs).

Westerly Hospital:

Westerly's capital structure was weaker than average (-0.80, ranked #9 out of 13). Its physical plant was the 2nd oldest in the state (15.3 years), but its financial leverage was average (47% debt vs. 47% debt statewide). Westerly had the 3rd highest borrowing costs (6.2%), and the 3rd highest capital expenses (6.9%). Westerly spent \$3.2 million annually in new capital (2nd lowest), result-

ing in the 2nd largest investment 'shortage' (-55%). The Hospital's debt service coverage was below average (2.0 vs. 2.1 statewide), and its internal funding capacity was weak (24% of replacement costs, the 4th lowest).

Women & Infants Hospital:

W&I had the 3rd strongest capital structure in the state (0.71, ranked #3 out of 13). Even though it had the 3rd highest replacement costs (\$502 million), its leverage was average (46% debt, vs. 47% debt statewide). W&I had the lowest borrowing cost (2.2%), and better than average capital expenses (3.9% vs. 4.4% statewide). W&I spent \$23.6 million annually in new capital (3rd highest), resulting in a +39% cumulative 'surplus' (3rd highest). W&I had the 4th strongest debt service coverage (5.1), and its internal funding capacity was superior at 37% of replacement costs (4th highest).

APPENDIX A: Hospital Financial Data																
	ALL RI HOSPITALS (in millions)							'07-'08 Change	CARE NEW ENGLAND (in millions)							'07-'08 Change
	2003	2004	2005	2006	2007	2008	2003		2004	2005	2006	2007	2008			
1 Net Fixed Assets	\$819.49	\$912.98	\$984.66	\$1,049.29	\$1,130.51	\$1,217.48	8%	\$130.23	\$160.03	\$184.19	\$197.09	\$205.47	\$236.06	15%		
2 Accumulated Depreciation	\$1,012.92	\$1,084.24	\$1,165.52	\$1,258.17	\$1,288.33	\$1,384.32	7%	\$197.26	\$215.21	\$236.06	\$259.59	\$283.50	\$308.96	9%		
3 Current Portion of L.T. Debt	\$18.72	\$22.01	\$23.73	\$25.72	\$38.23	\$38.74	1%	\$4.45	\$5.73	\$6.57	\$7.67	\$6.25	\$6.35	2%		
4 Line of Credit	\$34.62	\$20.09	\$7.73	\$5.65	\$11.13	\$9.44	-15%	\$0.00	\$7.50	\$0.00	\$0.00	\$0.00	\$0.00	--		
5 L.T. Debt & Capital Leases	\$493.49	\$519.14	\$515.36	\$537.80	\$517.31	\$527.93	2%	\$73.40	\$67.94	\$73.61	\$72.20	\$71.44	\$94.29	32%		
6 Net Assets	\$1,313.64	\$1,472.21	\$1,636.83	\$1,783.37	\$2,047.59	\$1,807.68	-12%	\$197.23	\$228.99	\$245.24	\$277.07	\$314.91	\$299.09	-5%		
7 Total Revenue	\$2,299.84	\$2,404.33	\$2,591.51	\$2,763.72	\$2,877.62	\$3,042.68	6%	\$462.96	\$518.14	\$569.64	\$610.85	\$654.05	\$712.60	9%		
8 Interest Expense	\$27.50	\$26.05	\$28.18	\$28.17	\$27.61	\$27.90	1%	\$2.19	\$1.90	\$2.46	\$3.34	\$3.48	\$2.57	-26%		
9 Depreciation & Amortization	\$88.43	\$89.42	\$92.44	\$96.60	\$101.82	\$105.97	4%	\$16.79	\$18.65	\$22.37	\$24.11	\$25.29	\$26.01	3%		
10 Total Operating Expenses	\$2,295.52	\$2,381.06	\$2,552.40	\$2,737.08	\$2,856.02	\$3,019.21	6%	\$462.40	\$515.85	\$565.54	\$611.14	\$655.47	\$694.15	6%		
11 Net Income	(\$7.65)	\$58.45	\$84.05	\$57.12	\$101.54	\$3.52	-97%	\$2.30	\$7.13	\$11.04	\$5.20	\$9.00	\$5.09	-43%		
12 Purchases of Plant & Equipment	\$154.58	\$181.88	\$157.03	\$155.26	\$184.86	\$192.21	4%	\$30.40	\$48.39	\$46.49	\$36.95	\$33.61	\$56.59	68%		
13 Investments (all, including cash)	\$1,198.30	\$1,313.99	\$1,474.64	\$1,596.44	\$1,792.93	\$1,570.59	-12%	\$220.10	\$223.42	\$230.76	\$243.92	\$286.10	\$300.73	5%		
LIFESPAN (in millions)																
	2003	2004	2005	2006	2007	2008	'07-'08 Change	'INDEPENDENTS' (in millions)							'07-'08 Change	
1 Net Fixed Assets	\$465.78	\$531.85	\$571.70	\$615.48	\$681.60	\$740.95	9%	\$223.48	\$221.10	\$228.77	\$236.72	\$243.43	\$240.48	-1%		
2 Accumulated Depreciation	\$515.28	\$558.38	\$600.35	\$642.27	\$648.79	\$692.02	7%	\$300.38	\$310.65	\$329.11	\$356.32	\$356.04	\$383.34	8%		
3 Current Portion of L.T. Debt	\$6.10	\$7.38	\$7.73	\$8.10	\$3.50	\$5.98	71%	\$8.17	\$8.90	\$9.43	\$9.96	\$28.48	\$26.41	-7%		
4 Line of Credit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	--	\$34.62	\$12.59	\$7.73	\$5.65	\$11.13	\$9.44	-15%		
5 L.T. Debt & Capital Leases	\$298.98	\$298.65	\$290.98	\$296.51	\$292.36	\$285.72	-2%	\$124.11	\$152.55	\$150.77	\$169.09	\$153.51	\$147.92	-4%		
6 Net Assets	\$868.40	\$981.16	\$1,124.00	\$1,234.03	\$1,467.50	\$1,322.40	-10%	\$248.01	\$262.06	\$267.59	\$272.28	\$265.18	\$186.19	-30%		
7 Total Revenue	\$1,170.11	\$1,165.90	\$1,261.70	\$1,348.34	\$1,397.62	\$1,473.15	5%	\$666.77	\$720.29	\$760.17	\$804.53	\$825.96	\$856.93	4%		
8 Interest Expense	\$16.97	\$14.98	\$16.10	\$15.34	\$13.99	\$13.60	-3%	\$8.34	\$9.17	\$9.62	\$9.49	\$10.15	\$11.73	16%		
9 Depreciation & Amortization	\$46.68	\$44.40	\$43.38	\$44.09	\$47.07	\$50.06	6%	\$24.96	\$26.37	\$26.69	\$28.40	\$29.47	\$29.90	1%		
10 Total Operating Expenses	\$1,154.15	\$1,142.10	\$1,218.00	\$1,304.95	\$1,349.42	\$1,441.17	7%	\$678.97	\$723.11	\$768.86	\$820.98	\$851.13	\$883.90	4%		
11 Net Income	\$0.71	\$50.93	\$71.30	\$61.36	\$102.22	\$36.39	-64%	(\$10.67)	\$0.39	\$1.71	(\$9.44)	(\$9.69)	(\$37.95)	-292%		
12 Purchases of Plant & Equipment	\$95.72	\$110.50	\$83.23	\$87.86	\$113.19	\$109.41	-3%	\$28.45	\$22.99	\$27.31	\$30.45	\$38.07	\$26.21	-31%		
13 Investments (all, including cash)	\$804.20	\$864.70	\$994.30	\$1,093.17	\$1,237.99	\$1,050.34	-15%	\$174.00	\$225.87	\$249.58	\$259.34	\$268.84	\$219.52	-18%		
BRADLEY (in thousands)																
	2003	2004	2005	2006	2007	2008	'07-'08 Change	BUTLER (in thousands)							'07-'08 Change	
1 Net Fixed Assets	\$10,914	\$11,779	\$12,474	\$14,401	\$15,277	\$25,737	68%	\$14,504	\$18,568	\$20,324	\$21,386	\$24,255	\$22,959	-5%		
2 Accumulated Depreciation	\$11,571	\$12,768	\$13,890	\$15,028	\$14,340	\$15,630	9%	\$23,438	\$25,320	\$27,870	\$30,330	\$32,072	\$35,180	10%		
3 Current Portion of L.T. Debt	\$0	\$0	\$0	\$0	\$0	\$0	--	\$550	\$679	\$895	\$1,006	\$524	\$532	1%		
4 Line of Credit	\$0	\$0	\$0	\$0	\$0	\$0	--	\$0	\$0	\$0	\$0	\$0	\$0	--		
5 L.T. Debt & Capital Leases	\$0	\$0	\$0	\$0	\$0	\$0	--	\$8,230	\$7,564	\$7,886	\$7,298	\$10,767	\$10,309	-4%		
6 Net Assets	\$44,506	\$50,011	\$54,925	\$56,829	\$83,705	\$80,676	-4%	\$28,868	\$32,723	\$36,278	\$38,475	\$45,085	\$41,264	-8%		
7 Total Revenue	\$47,636	\$53,888	\$55,254	\$53,364	\$56,078	\$58,377	4%	\$48,961	\$51,221	\$60,744	\$64,804	\$71,221	\$79,331	11%		
8 Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	--	\$356	\$339	\$414	\$459	\$485	\$595	23%		
9 Depreciation & Amortization	\$993	\$1,213	\$1,122	\$1,141	\$1,228	\$1,310	7%	\$1,831	\$2,034	\$2,597	\$2,677	\$2,981	\$3,183	7%		
10 Total Operating Expenses	\$44,837	\$50,246	\$51,832	\$52,884	\$51,069	\$55,238	8%	\$48,499	\$51,735	\$58,466	\$65,443	\$69,636	\$76,926	10%		
11 Net Income	\$2,914	\$3,659	\$3,472	\$480	\$5,022	\$3,168	-37%	\$847	(\$100)	\$2,705	(\$124)	\$2,338	\$1,978	-15%		
12 Purchases of Plant & Equipment	\$5,287	\$2,078	\$1,817	\$3,068	\$2,104	\$1,170	-45%	\$3,130	\$6,155	\$4,358	\$3,746	\$6,322	\$1,879	-70%		
13 Investments (all, including cash)	\$41,037	\$43,103	\$45,762	\$44,628	\$67,027	\$55,900	-17%	\$32,801	\$32,515	\$36,376	\$37,454	\$39,883	\$39,044	-2%		
KENT (in thousands)																
	2003	2004	2005	2006	2007	2008	'07-'08 Change	LANDMARK (in thousands)							'07-'08 Change	
1 Net Fixed Assets	\$51,162	\$67,321	\$76,621	\$80,161	\$80,485	\$75,956	-6%	\$18,076	\$16,795	\$21,261	\$20,057	\$13,825	\$13,495	-2%		
2 Accumulated Depreciation	\$77,776	\$84,592	\$91,837	\$100,986	\$110,104	\$119,220	8%	\$47,494	\$48,082	\$51,000	\$53,854	\$31,118	\$32,204	3%		
3 Current Portion of L.T. Debt	\$2,454	\$2,968	\$3,299	\$3,721	\$2,892	\$2,890	0%	\$1,602	\$1,762	\$1,632	\$2,282	\$14,556	\$13,745	-6%		
4 Line of Credit	\$0	\$0	\$5,112	\$9,751	\$0	\$0	--	\$275	\$450	\$750	\$775	\$2,000	\$0	-100%		
5 L.T. Debt & Capital Leases	\$28,746	\$25,778	\$27,562	\$27,361	\$24,469	\$21,624	-12%	\$16,827	\$16,218	\$18,604	\$16,314	\$2,038	\$1,186	-42%		
6 Net Assets	\$66,681	\$79,409	\$79,198	\$82,790	\$89,213	\$74,271	-17%	(\$781)	\$633	(\$505)	(\$2,418)	(\$8,950)	(\$19,715)	-120%		
7 Total Revenue	\$181,635	\$200,681	\$217,863	\$236,473	\$241,790	\$264,014	9%	\$98,822	\$104,751	\$117,425	\$129,993	\$135,568	\$135,487	0%		
8 Interest Expense	\$897	\$691	\$1,057	\$1,924	\$1,992	\$784	-61%	\$1,156	\$1,054	\$1,151	\$1,013	\$896	\$805	-10%		
9 Depreciation & Amortization	\$6,589	\$7,132	\$8,564	\$9,190	\$9,224	\$9,325	1%	\$3,568	\$3,280	\$2,814	\$3,235	\$3,272	\$2,600	-21%		
10 Total Operating Expenses	\$184,505	\$202,081	\$220,234	\$238,463	\$250,771	\$263,433	5%	\$98,987	\$104,581	\$119,047	\$134,850	\$144,183	\$141,782	-2%		
11 Net Income	(\$2,804)	\$179	(\$172)	(\$100)	(\$5,262)	(\$2,134)	-59%	(\$472)	\$684	(\$1,091)	(\$2,941)	(\$8,090)	(\$6,144)	24%		
12 Purchases of Plant & Equipment	\$10,488	\$23,272	\$17,846	\$12,712	\$9,529	\$4,789	-50%	\$846	\$1,413	\$2,809	\$2,566	\$1,593	\$1,795	13%		
13 Investments (all, including cash)	\$65,244	\$57,430	\$52,303	\$53,197	\$55,581	\$55,097	-1%	\$15,163	\$14,541	\$12,466	\$11,088	\$13,119	\$11,782	-10%		
MEMORIAL (in thousands)																
	2003	2004	2005	2006	2007	2008	'07-'08 Change	MIRIAM (in thousands)							'07-'08 Change	
1 Net Fixed Assets	\$32,741	\$32,071	\$35,437	\$36,604	\$35,893	\$37,622	5%	\$65,053	\$73,861	\$82,280	\$117,060	\$146,031	\$156,219	7%		
2 Accumulated Depreciation	\$60,507	\$64,485	\$68,747	\$73,022	\$77,017	\$81,333	6%	\$95,842	\$103,808	\$111,675	\$119,615	\$122,504	\$133,159	9%		
3 Current Portion of L.T. Debt	\$924	\$1,694	\$1,584	\$1,581	\$1,582	\$1,582	0%	\$1,048	\$1,096	\$1,157	\$1,222	\$417	\$914	119%		
4 Line of Credit	\$8,400	\$5,863	\$2,481	\$537	\$4,594	\$5,000	9%	\$0	\$0	\$0	\$0	\$0	\$0	--		
5 L.T. Debt & Capital Leases	\$5,759	\$22,191	\$20,602	\$19,025	\$17,441	\$15,858	-9%	\$52,584	\$51,500	\$50,355	\$52,140	\$51,592	\$50,546	-2%		
6 Net Assets	\$73,672	\$76,779	\$75,222	\$79,922	\$77,213	\$62,231	-19%	\$138,341	\$161,972	\$189,924	\$207,797	\$249,480	\$232,390	-7%		
7 Total Revenue	\$148,515	\$163,746	\$166,740	\$169,863	\$171,589	\$174,218	2%	\$256,111	\$278,886	\$303,182	\$304,314	\$317,829	\$347,656	9%		
8 Interest Expense	\$887	\$1,236	\$1,348	\$1,084	\$1,366	\$1,257	-8%	\$3,183	\$3,135	\$3,083	\$2,715	\$2,452	\$2,400	-2%		
9 Depreciation & Amortization	\$4,005	\$4,078	\$4,394	\$4,519	\$4,314	\$4,425	3%	\$7,273	\$8,044	\$7,978	\$8,057	\$9,080	\$10,772	19%		
10 Total Operating Expenses	\$151,013	\$164,461	\$168,299	\$172,237	\$173,516	\$181,558	5%	\$243,038	\$270,529	\$293,075	\$299,515	\$308,684	\$340,735	10%		
11 Net Income	(\$860)	\$1,493	\$475	\$3,013	\$5,057	(\$13,368)	-364%	\$13,311	\$10,836	\$14,712	\$6,768	\$16,183	\$7,439	-54%		
12 Purchases of Plant & Equipment	\$2,147	\$3,366	\$7,732	\$5,661	\$3,576	\$6,127	71%	\$13,605	\$16,774	\$16,320	\$42,727	\$37,919	\$20,838	-45%		
13 Investments (all, including cash)	\$44,061	\$62,628	\$59,265	\$58,543	\$64,843	\$48,982	-24%	\$129,556	\$148,535	\$175,562	\$169,230	\$165,870	\$137,796	-17%		

APPENDIX A cont.: Hospital Financial Data															
	NEWPORT (in thousands)								RI HOSPITAL (in thousands)						
	2003	2004	2005	2006	2007	2008	07-08 Change	2003	2004	2005	2006	2007	2008	07-08 Change	
1 Net Fixed Assets	\$75,320	\$79,412	\$77,272	\$75,010	\$75,578	\$79,009	5%	\$313,865	\$366,132	\$398,920	\$408,169	\$443,933	\$479,148	8%	
2 Accumulated Depreciation	\$51,897	\$57,234	\$62,806	\$67,474	\$73,018	\$73,645	1%	\$355,503	\$384,002	\$411,521	\$439,619	\$438,261	\$468,798	7%	
3 Current Portion of L.T. Debt	\$560	\$1,580	\$1,605	\$1,630	\$1,660	\$1,690	2%	\$4,492	\$4,699	\$4,963	\$5,243	\$1,418	\$3,371	138%	
4 Line of Credit	\$0	\$0	\$0	\$0	\$0	\$0	---	\$0	\$0	\$0	\$0	\$0	\$0	---	
5 L.T. Debt & Capital Leases	\$27,420	\$35,840	\$34,235	\$32,605	\$30,945	\$29,255	-5%	\$215,974	\$211,312	\$206,386	\$211,765	\$209,822	\$205,922	-2%	
6 Net Assets	\$205,509	\$223,845	\$249,542	\$267,793	\$315,573	\$271,496	-14%	\$462,151	\$532,304	\$602,666	\$677,266	\$787,860	\$714,186	-9%	
7 Total Revenue	\$87,875	\$96,273	\$101,556	\$103,563	\$105,890	\$107,411	1%	\$675,917	\$726,994	\$794,343	\$876,583	\$907,320	\$949,642	5%	
8 Interest Expense	\$1,451	\$1,499	\$1,603	\$1,676	\$1,625	\$1,492	-8%	\$10,142	\$10,341	\$11,388	\$10,950	\$9,911	\$9,707	-2%	
9 Depreciation & Amortization	\$5,747	\$6,054	\$6,176	\$6,211	\$6,292	\$6,806	8%	\$29,216	\$28,894	\$27,833	\$28,546	\$30,326	\$31,024	2%	
10 Total Operating Expenses	\$87,689	\$96,504	\$100,804	\$104,153	\$107,365	\$110,193	3%	\$673,217	\$717,756	\$771,341	\$841,968	\$871,466	\$923,477	6%	
11 Net Income	\$2,144	\$11,749	\$12,216	\$12,306	\$20,610	\$2,758	-87%	\$338	\$18,830	\$32,082	\$34,160	\$52,883	\$27,716	-48%	
12 Purchases of Plant & Equipment	\$4,651	\$10,146	\$4,035	\$3,950	\$6,859	\$10,237	49%	\$62,539	\$80,827	\$60,294	\$37,342	\$65,559	\$65,747	0%	
13 Investments (all, including cash)	\$150,977	\$177,114	\$204,147	\$223,292	\$261,246	\$215,593	-17%	\$407,382	\$408,062	\$462,480	\$531,128	\$603,223	\$503,160	-17%	
ROGER WILLIAMS (in thousands)															
	ROGER WILLIAMS (in thousands)								SOUTH COUNTY (in thousands)						
	2003	2004	2005	2006	2007	2008	07-08 Change	2003	2004	2005	2006	2007	2008	07-08 Change	
1 Net Fixed Assets	\$41,873	\$39,041	\$41,597	\$44,175	\$43,494	\$42,504	-2%	\$45,249	\$49,184	\$47,054	\$47,436	\$61,995	\$63,136	2%	
2 Accumulated Depreciation	\$46,417	\$38,379	\$43,790	\$49,921	\$54,169	\$59,831	10%	\$42,222	\$47,544	\$44,800	\$49,373	\$54,458	\$60,660	11%	
3 Current Portion of L.T. Debt	\$1,906	\$1,917	\$2,133	\$1,646	\$1,917	\$2,485	30%	\$2,122	\$1,682	\$1,960	\$906	\$7,000	\$4,797	-31%	
4 Line of Credit	\$5,500	\$3,000	\$0	\$0	\$0	\$0	---	\$15,732	\$0	\$0	\$0	\$0	\$0	---	
5 L.T. Debt & Capital Leases	\$29,443	\$27,500	\$26,081	\$25,871	\$26,882	\$26,522	-1%	\$30,858	\$46,846	\$45,719	\$65,542	\$65,252	\$64,516	-1%	
6 Net Assets	\$32,273	\$35,643	\$40,436	\$38,411	\$43,702	\$39,639	-9%	\$48,913	\$51,972	\$56,012	\$61,241	\$65,764	\$53,411	-19%	
7 Total Revenue	\$139,367	\$146,466	\$154,152	\$161,772	\$168,278	\$173,674	3%	\$72,883	\$80,923	\$88,210	\$93,515	\$98,685	\$110,616	12%	
8 Interest Expense	\$2,189	\$1,861	\$1,712	\$1,673	\$1,811	\$1,836	1%	\$1,411	\$2,166	\$2,735	\$2,732	\$3,060	\$5,003	63%	
9 Depreciation & Amortization	\$5,100	\$5,126	\$5,411	\$5,935	\$6,042	\$5,721	-5%	\$4,379	\$5,430	\$5,424	\$5,774	\$6,122	\$6,731	10%	
10 Total Operating Expenses	\$139,692	\$145,574	\$157,250	\$163,003	\$168,158	\$173,658	3%	\$76,525	\$80,676	\$87,012	\$96,052	\$105,048	\$113,622	8%	
11 Net Income	(\$1,456)	\$509	\$2,346	(\$1,666)	\$1,775	\$621	-65%	(\$3,562)	(\$1,901)	\$1,100	(\$5,762)	(\$4,315)	(\$10,333)	-139%	
12 Purchases of Plant & Equipment	\$1,728	\$2,294	\$7,971	\$8,376	\$7,407	\$4,679	-37%	\$8,301	\$9,380	\$3,095	\$6,827	\$18,681	\$7,884	-58%	
13 Investments (all, including cash)	\$28,845	\$32,175	\$40,361	\$40,780	\$45,486	\$39,713	-13%	\$37,761	\$49,620	\$55,282	\$72,488	\$75,681	\$61,950	-18%	
ST. JOSEPH (in thousands)															
	ST. JOSEPH (in thousands)								WESTERLY (in thousands)						
	2003	2004	2005	2006	2007	2008	07-08 Change	2003	2004	2005	2006	2007	2008	07-08 Change	
1 Net Fixed Assets	\$37,684	\$37,747	\$39,387	\$45,657	\$48,171	\$44,869	-7%	\$47,856	\$46,264	\$44,033	\$42,788	\$40,057	\$38,853	-3%	
2 Accumulated Depreciation	\$58,314	\$62,409	\$66,832	\$72,037	\$77,133	\$82,844	7%	\$45,428	\$49,749	\$53,941	\$58,109	\$62,145	\$66,466	7%	
3 Current Portion of L.T. Debt	\$784	\$811	\$1,028	\$2,087	\$1,962	\$2,064	5%	\$832	\$1,034	\$1,094	\$1,456	\$1,466	\$1,737	18%	
4 Line of Credit	\$0	\$0	\$0	\$0	\$0	\$0	---	\$4,710	\$3,273	\$4,494	\$4,338	\$4,535	\$4,444	-2%	
5 L.T. Debt & Capital Leases	\$22,237	\$21,658	\$21,846	\$23,980	\$24,955	\$23,376	-6%	\$18,986	\$18,135	\$17,920	\$18,357	\$16,941	\$16,464	-3%	
6 Net Assets	\$42,272	\$44,547	\$46,182	\$44,588	\$39,579	\$10,891	-72%	\$51,662	\$52,487	\$50,240	\$50,533	\$47,868	\$39,729	-17%	
7 Total Revenue	\$144,245	\$158,080	\$167,024	\$177,815	\$178,673	\$180,669	1%	\$62,937	\$66,321	\$66,617	\$71,568	\$73,169	\$82,271	12%	
8 Interest Expense	\$1,601	\$1,320	\$1,253	\$1,463	\$1,468	\$1,407	-4%	\$1,093	\$1,529	\$1,424	\$1,523	\$1,545	\$1,424	-8%	
9 Depreciation & Amortization	\$3,664	\$4,143	\$4,458	\$4,770	\$5,473	\$6,073	11%	\$4,242	\$4,315	\$4,192	\$4,167	\$4,243	\$4,346	2%	
10 Total Operating Expenses	\$145,233	\$156,958	\$165,892	\$178,365	\$181,075	\$189,910	5%	\$67,523	\$70,862	\$71,364	\$76,476	\$79,150	\$83,370	5%	
11 Net Income	(\$988)	\$1,122	\$1,132	(\$550)	(\$2,402)	(\$9,241)	-285%	(\$3,330)	(\$1,517)	(\$2,249)	(\$1,530)	(\$1,715)	\$512	130%	
12 Purchases of Plant & Equipment	\$5,699	\$3,815	\$4,692	\$6,119	\$5,297	\$2,584	-51%	\$9,731	\$2,720	\$1,015	\$904	\$1,512	\$3,142	108%	
13 Investments (all, including cash)	\$14,618	\$30,772	\$44,321	\$41,727	\$33,918	\$24,836	-27%	\$33,557	\$36,135	\$37,885	\$34,718	\$35,794	\$32,260	-10%	
WOMEN & INFANTS (in thousands)															
	WOMEN & INFANTS (in thousands)														
	2003	2004	2005	2006	2007	2008	07-08 Change								
1 Net Fixed Assets	\$61,647	\$67,796	\$81,105	\$89,690	\$95,363	\$132,449	39%								
2 Accumulated Depreciation	\$94,373	\$103,379	\$113,708	\$125,069	\$137,285	\$149,763	9%								
3 Current Portion of L.T. Debt	\$1,404	\$1,923	\$2,208	\$2,764	\$2,649	\$2,740	3%								
4 Line of Credit	\$0	\$0	\$0	\$0	\$0	\$0	---								
5 L.T. Debt & Capital Leases	\$31,782	\$29,860	\$33,600	\$33,149	\$31,999	\$58,330	82%								
6 Net Assets	\$100,309	\$115,189	\$128,702	\$155,161	\$182,668	\$186,613	2%								
7 Total Revenue	\$224,938	\$258,829	\$281,968	\$302,206	\$335,039	\$365,251	9%								
8 Interest Expense	\$864	\$799	\$1,026	\$1,559	\$1,577	\$1,060	-33%								
9 Depreciation & Amortization	\$8,039	\$9,041	\$10,362	\$11,396	\$12,248	\$12,731	4%								
10 Total Operating Expenses	\$222,738	\$254,407	\$277,887	\$298,001	\$326,141	\$349,540	7%								
11 Net Income	\$3,285	\$6,778	\$7,475	\$6,386	\$14,695	\$5,483	-63%								
12 Purchases of Plant & Equipment	\$15,097	\$15,155	\$23,637	\$19,947	\$17,889	\$49,807	178%								
13 Investments (all, including cash)	\$115,114	\$127,445	\$133,097	\$144,422	\$187,011	\$210,817	13%								

Source: audited financial statements

APPENDIX B: 'Adequacy' of Capital Investment Worksheet (\$s in thousands)																								
'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	2003	2004	2005	2006	2007	2008		
384	397	412	426	441	448	450	460	474	492	505	525	549	570	595	613	619	621	655	717	793	854	907		
BRADLEY	Depreciation Expense (Historical Cost Basis):	\$993	\$1,213	\$1,122	\$1,141	\$1,228	\$1,310																	
	Age of Plant:	11.65	10.53	12.38	13.17	11.68	11.93																	
	Inflation Factor (using index values above):	138%	140%	157%	173%	172%	179%																	
	Depreciation Expense (Replacement Basis):	\$1,374	\$1,703	\$1,763	\$1,974	\$2,114	\$2,346																	
	Actual Capital Investment:	\$5,287	\$2,078	\$1,817	\$3,068	\$2,104	\$11,770																	
	Annual Surplus/(Deficit) Investment (in \$s):	\$3,913	\$375	\$54	\$1,094	-\$10	\$9,424																	
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$3,913	\$4,288	\$4,341	\$5,435	\$5,425	\$14,849																	
	Annual Surplus/(Deficit) Investment (%s):	285%	22%	3%	55%	0%	402%																	
Cumulative Surplus/(Deficit) Investment (%s):	285%	139%	90%	80%	61%	132%																		
BUTLER	Depreciation Expense (Historical Cost Basis):	\$1,831	\$2,034	\$2,597	\$2,677	\$2,981	\$3,183																	
	Age of Plant:	12.80	12.45	10.73	11.33	10.76	11.05																	
	Inflation Factor (using index values above):	140%	146%	150%	163%	168%	173%																	
	Depreciation Expense (Replacement Basis):	\$2,570	\$2,967	\$3,889	\$4,367	\$4,994	\$5,510																	
	Actual Capital Investment:	\$3,130	\$6,155	\$4,358	\$3,746	\$6,322	\$1,879																	
	Annual Surplus/(Deficit) Investment (in \$s):	\$560	\$3,188	\$469	-\$622	\$1,328	-\$3,631																	
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$560	\$3,748	\$4,218	\$3,596	\$4,924	\$1,293																	
	Annual Surplus/(Deficit) Investment (%s):	22%	107%	12%	-14%	27%	-66%																	
Cumulative Surplus/(Deficit) Investment (%s):	22%	68%	45%	26%	26%	5%																		
KENT	Depreciation Expense (Historical Cost Basis):	\$6,589	\$7,132	\$8,564	\$9,190	\$9,224	\$9,325																	
	Age of Plant:	11.80	11.86	10.72	10.99	11.94	12.78																	
	Inflation Factor (using index values above):	138%	145%	150%	161%	173%	183%																	
	Depreciation Expense (Replacement Basis):	\$9,125	\$10,349	\$12,818	\$14,808	\$15,986	\$17,092																	
	Actual Capital Investment:	\$10,488	\$23,272	\$17,846	\$12,712	\$9,529	\$4,789																	
	Annual Surplus/(Deficit) Investment (in \$s):	\$1,363	\$12,923	\$5,028	-\$2,096	-\$6,456	-\$12,302																	
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$1,363	\$14,286	\$19,314	\$17,218	\$10,761	-\$1,541																	
	Annual Surplus/(Deficit) Investment (%s):	15%	125%	39%	-14%	-40%	-72%																	
Cumulative Surplus/(Deficit) Investment (%s):	15%	73%	60%	37%	17%	-2%																		
LANDMARK	Depreciation Expense (Historical Cost Basis):	\$3,568	\$3,280	\$2,814	\$3,235	\$3,272	\$2,600																	
	Age of Plant:	13.31	14.66	18.12	16.65	9.51	12.38																	
	Inflation Factor (using index values above):	142%	152%	181%	184%	159%	181%																	
	Depreciation Expense (Replacement Basis):	\$5,078	\$4,984	\$5,102	\$5,948	\$5,206	\$4,717																	
	Actual Capital Investment:	\$846	\$1,413	\$2,809	\$2,566	\$1,593	\$1,795																	
	Annual Surplus/(Deficit) Investment (in \$s):	-\$4,232	-\$3,571	-\$2,293	-\$3,382	-\$3,613	-\$2,922																	
	Cumulative Surplus/(Deficit) Investment (in \$s):	-\$4,232	-\$7,802	-\$10,096	-\$13,478	-\$17,091	-\$20,013																	
	Annual Surplus/(Deficit) Investment (%s):	-83%	-72%	-45%	-57%	-69%	-62%																	
Cumulative Surplus/(Deficit) Investment (%s):	-83%	-78%	-67%	-64%	-65%	-64%																		
MEMORIAL	Depreciation Expense (Historical Cost Basis):	\$4,005	\$4,078	\$4,394	\$4,519	\$4,314	\$4,425																	
	Age of Plant:	15.11	15.81	15.65	16.16	17.85	18.38																	
	Inflation Factor (using index values above):	151%	158%	166%	181%	199%	208%																	
	Depreciation Expense (Replacement Basis):	\$6,061	\$6,442	\$7,306	\$8,171	\$8,604	\$9,220																	
	Actual Capital Investment:	\$2,147	\$3,366	\$7,732	\$5,661	\$3,576	\$6,127																	
	Annual Surplus/(Deficit) Investment (in \$s):	-\$3,914	-\$3,076	\$426	-\$2,510	-\$5,028	-\$3,093																	
	Cumulative Surplus/(Deficit) Investment (in \$s):	-\$3,914	-\$6,990	-\$6,563	-\$9,073	-\$14,101	-\$17,194																	
	Annual Surplus/(Deficit) Investment (%s):	-65%	-48%	6%	-31%	-58%	-34%																	
Cumulative Surplus/(Deficit) Investment (%s):	-65%	-56%	-33%	-32%	-39%	-38%																		

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APPENDIX B cont.: 'Adequacy' of Capital Investment Worksheet (\$s in thousands)																						
'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	2003	2004	2005	2006	2007	2008
384*	397	412	426	441	448	450	460	474	492	505	525	549	570	595	613	619	621	655	717	793	854	907
MIRIAM	Depreciation Expense (Historical Cost Basis):	\$7,273	\$8,044	\$7,978	\$8,057	\$9,080	\$10,772															
	Age of Plant:	13.18	12.91	14.00	14.85	13.49	12.36															
	Inflation Factor (using index values above):	142%	146%	160%	177%	183%	181%															
	Depreciation Expense (Replacement Basis):	\$10,305	\$11,756	\$12,768	\$14,252	\$16,600	\$19,528															
	Actual Capital Investment:	\$13,605	\$16,774	\$16,320	\$42,727	\$37,919	\$20,838															
	Annual Surplus/(Deficit) Investment (in \$s):	\$3,300	\$5,018	\$3,552	\$28,475	\$21,319	\$1,310															
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$3,300	\$8,318	\$11,870	\$40,345	\$61,664	\$62,974															
	Annual Surplus/(Deficit) Investment (%s):	32%	43%	28%	200%	128%	7%															
Cumulative Surplus/(Deficit) Investment (%s):	32%	38%	34%	82%	94%	74%																
NEWPORT	Depreciation Expense (Historical Cost Basis):	\$5,747	\$6,054	\$6,176	\$6,211	\$6,292	\$6,806															
	Age of Plant:	9.03	9.45	10.17	10.86	11.60	10.82															
	Inflation Factor (using index values above):	131%	135%	147%	161%	172%	171%															
	Depreciation Expense (Replacement Basis):	\$7,536	\$8,195	\$9,057	\$9,974	\$10,807	\$11,662															
	Actual Capital Investment:	\$4,651	\$10,146	\$4,035	\$3,950	\$6,859	\$10,237															
	Annual Surplus/(Deficit) Investment (in \$s):	-\$2,885	\$1,951	-\$5,022	-\$6,024	-\$3,948	-\$1,425															
	Cumulative Surplus/(Deficit) Investment (in \$s):	-\$2,885	-\$934	-\$5,955	-\$11,979	-\$15,928	-\$17,353															
	Annual Surplus/(Deficit) Investment (%s):	-38%	24%	-55%	-60%	-37%	-12%															
Cumulative Surplus/(Deficit) Investment (%s):	-38%	-6%	-24%	-34%	-35%	-30%																
R.I. HOSPITAL	Depreciation Expense (Historical Cost Basis):	\$29,216	\$28,894	\$27,833	\$28,546	\$30,326	\$31,024															
	Age of Plant:	12.17	13.29	14.79	15.40	14.45	15.11															
	Inflation Factor (using index values above):	139%	147%	162%	178%	187%	198%															
	Depreciation Expense (Replacement Basis):	\$40,606	\$42,437	\$45,102	\$50,847	\$56,857	\$61,318															
	Actual Capital Investment:	\$62,539	\$80,827	\$60,294	\$37,342	\$65,559	\$65,747															
	Annual Surplus/(Deficit) Investment (in \$s):	\$21,933	\$38,390	\$15,192	-\$13,505	\$8,702	\$4,429															
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$21,933	\$60,323	\$75,515	\$62,010	\$70,712	\$75,142															
	Annual Surplus/(Deficit) Investment (%s):	54%	90%	34%	-27%	15%	7%															
Cumulative Surplus/(Deficit) Investment (%s):	54%	73%	59%	35%	30%	25%																
ROGER WILLIAMS	Depreciation Expense (Historical Cost Basis):	\$5,100	\$5,126	\$5,411	\$5,935	\$6,042	\$5,721															
	Age of Plant:	9.10	7.49	8.09	8.41	8.97	10.46															
	Inflation Factor (using index values above):	131%	127%	137%	147%	155%	169%															
	Depreciation Expense (Replacement Basis):	\$6,701	\$6,517	\$7,415	\$8,730	\$9,388	\$9,646															
	Actual Capital Investment:	\$1,728	\$2,294	\$7,971	\$8,376	\$7,407	\$4,679															
	Annual Surplus/(Deficit) Investment (in \$s):	-\$4,973	-\$4,223	\$556	-\$354	-\$1,981	-\$4,967															
	Cumulative Surplus/(Deficit) Investment (in \$s):	-\$4,973	-\$9,196	-\$8,640	-\$8,995	-\$10,976	-\$15,943															
	Annual Surplus/(Deficit) Investment (%s):	-74%	-65%	7%	-4%	-21%	-51%															
Cumulative Surplus/(Deficit) Investment (%s):	-74%	-70%	-42%	-31%	-28%	-33%																
SOUTH COUNTY	Depreciation Expense (Historical Cost Basis):	\$4,379	\$5,430	\$5,424	\$5,774	\$6,122	\$6,731															
	Age of Plant:	9.64	8.76	8.26	8.55	8.90	9.01															
	Inflation Factor (using index values above):	134%	132%	138%	148%	155%	159%															
	Depreciation Expense (Replacement Basis):	\$5,848	\$7,183	\$7,482	\$8,546	\$9,486	\$10,714															
	Actual Capital Investment:	\$8,301	\$9,380	\$3,095	\$6,827	\$18,681	\$7,884															
	Annual Surplus/(Deficit) Investment (in \$s):	\$2,453	\$2,197	-\$4,387	-\$1,718	\$9,195	-\$2,830															
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$2,453	\$4,650	\$263	-\$1,455	\$7,740	\$4,909															
	Annual Surplus/(Deficit) Investment (%s):	42%	31%	-59%	-20%	97%	-26%															
Cumulative Surplus/(Deficit) Investment (%s):	42%	36%	1%	-5%	20%	10%																

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APPENDIX B cont.: 'Adequacy' of Capital Investment Worksheet (\$s in thousands)																							
'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	2003	2004	2005	2006	2007	2008	
384*	397	412	426	441	448	450	460	474	492	505	525	549	570	595	613	619	621	655	717	793	854	907	
ST. JOSEPH	Depreciation Expense (Historical Cost Basis):	\$3,664	\$4,143	\$4,458	\$4,770	\$5,473	\$6,073																
	Age of Plant:	15.92	15.06	14.99	15.10	14.09	13.64																
	Inflation Factor (using index values above):	156%	154%	163%	177%	186%	189%																
	Depreciation Expense (Replacement Basis):	\$5,714	\$6,383	\$7,247	\$8,456	\$10,181	\$11,465																
	Actual Capital Investment:	\$5,699	\$3,815	\$4,692	\$6,119	\$5,297	\$2,584																
	Annual Surplus/(Deficit) Investment (in \$s):	-\$15	-\$2,568	-\$2,555	-\$2,337	-\$4,884	-\$8,881																
	Cumulative Surplus/(Deficit) Investment (in \$s):	-\$15	-\$2,583	-\$5,138	-\$7,475	-\$12,358	-\$21,239																
	Annual Surplus/(Deficit) Investment (%s):	0%	-40%	-35%	-28%	-48%	-77%																
Cumulative Surplus/(Deficit) Investment (%s):	0%	-21%	-27%	-27%	-33%	-43%																	
WESTERLY	Depreciation Expense (Historical Cost Basis):	\$4,242	\$4,315	\$4,192	\$4,167	\$4,243	\$4,346																
	Age of Plant:	10.71	11.53	12.87	13.94	14.65	15.29																
	Inflation Factor (using index values above):	137%	144%	159%	176%	188%	198%																
	Depreciation Expense (Replacement Basis):	\$5,816	\$6,216	\$6,660	\$7,334	\$7,990	\$8,624																
	Actual Capital Investment:	\$9,731	\$2,720	\$1,015	\$904	\$1,512	\$3,142																
	Annual Surplus/(Deficit) Investment (in \$s):	\$3,915	-\$3,496	-\$5,645	-\$6,430	-\$6,478	-\$5,482																
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$3,915	\$419	-\$5,226	-\$11,656	-\$18,134	-\$23,616																
	Annual Surplus/(Deficit) Investment (%s):	67%	-56%	-85%	-88%	-81%	-64%																
Cumulative Surplus/(Deficit) Investment (%s):	67%	3%	-28%	-45%	-53%	-55%																	
WOMEN & INFANTS	Depreciation Expense (Historical Cost Basis):	\$8,039	\$9,041	\$10,362	\$11,396	\$12,248	\$12,731																
	Age of Plant:	11.74	11.43	10.97	10.98	11.21	11.76																
	Inflation Factor (using index values above):	138%	144%	151%	161%	170%	178%																
	Depreciation Expense (Replacement Basis):	\$11,130	\$12,995	\$15,656	\$18,358	\$20,825	\$22,650																
	Actual Capital Investment:	\$15,097	\$15,155	\$23,637	\$19,947	\$17,889	\$49,807																
	Annual Surplus/(Deficit) Investment (in \$s):	\$3,967	\$2,160	\$7,981	\$1,589	-\$2,936	\$27,157																
	Cumulative Surplus/(Deficit) Investment (in \$s):	\$3,967	\$6,126	\$14,107	\$15,696	\$12,761	\$39,917																
	Annual Surplus/(Deficit) Investment (%s):	36%	17%	51%	9%	-14%	120%																
Cumulative Surplus/(Deficit) Investment (%s):	36%	25%	35%	27%	16%	39%																	
ALL HOSPITALS (\$s in millions)																							
Depreciation Expense (Replacement Basis):	\$117.9	\$128.1	\$142.3	\$161.8	\$179.0	\$194.5																	
Actual Capital Investment:	\$143.2	\$177.4	\$155.6	\$153.9	\$184.2	\$191.3																	
Annual Surplus/(Deficit) Investment (in \$s):	\$25.4	\$49.3	\$13.4	-\$7.8	\$5.2	-\$3.2																	
Cumulative Surplus/(Deficit) Investment (in \$s):	\$25.4	\$74.7	\$88.0	\$80.2	\$85.4	\$82.2																	
Annual Surplus/(Deficit) Investment (%s):	22%	38%	9%	-5%	3%	-2%																	
Cumulative Surplus/(Deficit) Investment (%s):	22%	30%	23%	15%	12%	9%																	
CARE NEW ENGLAND HOSPITALS (\$s in millions)																							
Depreciation Expense (Replacement Basis):	\$22.8	\$26.3	\$32.4	\$37.5	\$41.8	\$45.3																	
Actual Capital Investment:	\$28.7	\$44.6	\$45.8	\$36.4	\$33.7	\$56.5																	
Annual Surplus/(Deficit) Investment (in \$s):	\$5.9	\$18.3	\$13.5	-\$1.1	-\$8.1	\$11.2																	
Cumulative Surplus/(Deficit) Investment (in \$s):	\$5.9	\$24.2	\$37.6	\$36.5	\$28.4	\$39.7																	
Annual Surplus/(Deficit) Investment (%s):	26%	69%	42%	-3%	-19%	25%																	
Cumulative Surplus/(Deficit) Investment (%s):	26%	49%	46%	31%	18%	19%																	
LIFESPAN HOSPITALS (\$s in millions)																							
Depreciation Expense (Replacement Basis):	\$59.8	\$64.1	\$68.7	\$77.0	\$86.4	\$94.9																	
Actual Capital Investment:	\$86.1	\$109.8	\$82.5	\$87.1	\$112.4	\$108.6																	
Annual Surplus/(Deficit) Investment (in \$s):	\$26.3	\$45.7	\$13.8	\$10.0	\$26.1	\$13.7																	
Cumulative Surplus/(Deficit) Investment (in \$s):	\$26.3	\$72.0	\$85.8	\$95.8	\$121.9	\$135.6																	
Annual Surplus/(Deficit) Investment (%s):	44%	71%	20%	13%	30%	14%																	
Cumulative Surplus/(Deficit) Investment (%s):	44%	58%	45%	36%	34%	30%																	
'INDEPENDENT' HOSPITALS (\$s in millions)																							
Depreciation Expense (Replacement Basis):	\$35.2	\$37.7	\$41.2	\$47.2	\$50.9	\$54.4																	
Actual Capital Investment:	\$28.5	\$23.0	\$27.3	\$30.5	\$38.1	\$26.2																	
Annual Surplus/(Deficit) Investment (in \$s):	-\$6.8	-\$14.7	-\$13.9	-\$16.7	-\$12.8	-\$28.2																	
Cumulative Surplus/(Deficit) Investment (in \$s):	-\$6.8	-\$21.5	-\$35.4	-\$52.1	-\$64.9	-\$93.1																	
Annual Surplus/(Deficit) Investment (%s):	-19%	-39%	-34%	-35%	-25%	-52%																	
Cumulative Surplus/(Deficit) Investment (%s):	-19%	-29%	-31%	-32%	-31%	-35%																	

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APPENDIX C: CON-Approved vs. Actual Capital Spending Data ¹														
<i>dollar amounts in millions</i>	2003		2004		2005		2006		2007		2008		TOTAL	
	Capital Spending	CON Reviewed & Approved												
Bradley	\$5.3	\$0.0	\$2.1	\$0.0	\$1.8	\$0.0	\$3.1	\$0.0	\$2.1	\$31.1	\$11.8	\$0.0	\$26	\$31
Amount not Reviewed:	\$5.3		\$2.1		\$1.8		\$3.1		-\$29.0		\$11.8		-\$5	
% not Reviewed:	100%		100%		100%		100%		-1378%		100%		-19%	
Butler	\$3.1	\$0.0	\$6.2	\$0.0	\$4.4	\$0.0	\$3.7	\$0.0	\$6.3	\$0.0	\$1.9	\$0.0	\$26	\$0
Amount not Reviewed:	\$3.1		\$6.2		\$4.4		\$3.7		\$6.3		\$1.9		\$26	
% not Reviewed:	100%		100%		100%		100%		100%		100%		100%	
Kent	\$10.5	\$0.0	\$23.3	\$2.3	\$17.8	\$0.0	\$12.7	\$0.0	\$9.5	\$0.0	\$4.8	\$0.1	\$79	\$2
Amount not Reviewed:	\$10.5		\$21.0		\$17.8		\$12.7		\$9.5		\$4.7		\$76	
% not Reviewed:	100%		90%		100%		100%		100%		98%		97%	
Landmark	\$0.8	\$2.3	\$1.4	\$0.0	\$2.8	\$1.9	\$2.6	\$0.0	\$1.6	\$0.0	\$1.8	\$0.8	\$11	\$5
Amount not Reviewed:	-\$1.5		\$1.4		\$0.9		\$2.6		\$1.6		\$1.0		\$6	
% not Reviewed:	-172%		100%		32%		100%		100%		55%		55%	
Memorial	\$2.1	\$0.0	\$3.4	\$0.0	\$7.7	\$0.0	\$5.7	\$0.0	\$3.6	\$3.0	\$6.1	\$0.0	\$29	\$3
Amount not Reviewed:	\$2.1		\$3.4		\$7.7		\$5.7		\$0.6		\$6.1		\$26	
% not Reviewed:	100%		100%		100%		100%		16%		100%		90%	
Miriam	\$13.6	\$25.2	\$16.8	\$15.6	\$16.3	\$51.6	\$42.7	\$0.0	\$37.9	\$1.7	\$20.8	\$0.0	\$148	\$94
Amount not Reviewed:	-\$11.6		\$1.2		-\$35.3		\$42.7		\$36.2		\$20.8		\$54	
% not Reviewed:	-85%		7%		-216%		100%		96%		100%		36%	
Newport	\$4.7	\$10.2	\$10.1	\$0.0	\$4.0	\$0.0	\$4.0	\$4.9	\$6.9	\$4.6	\$10.2	\$0.0	\$40	\$20
Amount not Reviewed:	-\$5.5		\$10.1		\$4.0		-\$1.0		\$2.3		\$10.2		\$20	
% not Reviewed:	-119%		100%		100%		-24%		33%		100%		51%	
RI Hospital	\$62.5	\$32.0	\$80.8	\$0.0	\$60.3	\$19.1	\$37.3	\$61.9	\$65.6	\$0.3	\$65.7	\$0.0	\$372	\$113
Amount not Reviewed:	\$30.5		\$80.8		\$41.2		-\$24.6		\$65.3		\$65.7		\$259	
% not Reviewed:	49%		100%		68%		-66%		100%		100%		70%	
Roger Williams	\$1.7	\$0.0	\$2.3	\$0.0	\$8.0	\$0.0	\$8.4	\$2.2	\$7.4	\$0.6	\$4.7	\$0.0	\$32	\$3
Amount not Reviewed:	\$1.7		\$2.3		\$8.0		\$6.2		\$6.8		\$4.7		\$30	
% not Reviewed:	100%		100%		100%		74%		92%		100%		91%	
South County	\$8.3	\$3.0	\$9.4	\$0.0	\$3.1	\$0.0	\$6.8	\$19.8	\$18.7	\$9.9	\$7.9	\$0.0	\$54	\$33
Amount not Reviewed:	\$5.3		\$9.4		\$3.1		-\$13.0		\$8.8		\$7.9		\$21	
% not Reviewed:	64%		100%		100%		-190%		47%		100%		40%	
St. Joseph	\$5.7	\$0.0	\$3.8	\$0.0	\$4.7	\$0.0	\$6.1	\$0.0	\$5.3	\$0.0	\$2.6	\$6.1	\$28	\$6
Amount not Reviewed:	\$5.7		\$3.8		\$4.7		\$6.1		\$5.3		-\$3.5		\$22	
% not Reviewed:	100%		100%		100%		100%		100%		-136%		78%	
Westerly	\$9.7	\$0.0	\$2.7	\$0.0	\$1.0	\$0.0	\$0.9	\$0.0	\$1.5	\$1.5	\$3.1	\$0.0	\$19	\$2
Amount not Reviewed:	\$9.7		\$2.7		\$1.0		\$0.9		\$0.0		\$3.1		\$18	
% not Reviewed:	100%		100%		100%		100%		1%		100%		92%	
W&I	\$15.1	\$0.0	\$15.2	\$0.0	\$23.6	\$0.0	\$19.9	\$64.0	\$17.9	\$0.0	\$49.8	\$12.8	\$142	\$77
Amount not Reviewed:	\$15.1		\$15.2		\$23.6		-\$44.1		\$17.9		\$37.0		\$65	
% not Reviewed:	100%		100%		100%		-221%		100%		74%		46%	
ALL HOSPITALS	\$143	\$73	\$177	\$18	\$156	\$73	\$154	\$153	\$184	\$53	\$191	\$20	\$1,006	\$389
Amount not Reviewed:	\$71		\$159		\$83		\$1		\$132		\$171		\$617	
% not Reviewed:	49%		90%		53%		1%		71%		90%		61%	
CARE N.E.	\$29	\$0	\$45	\$2	\$46	\$0	\$36	\$64	\$34	\$0	\$56	\$13	\$246	\$79
Amount not Reviewed:	\$29		\$42		\$46		-\$28		\$34		\$44		\$167	
% not Reviewed:	100%		95%		100%		-76%		100%		77%		68%	
LIFESPAN	\$86	\$67	\$110	\$16	\$82	\$71	\$87	\$67	\$112	\$38	\$109	\$0	\$586	\$258
Amount not Reviewed:	\$19		\$94		\$12		\$20		\$75		\$109		\$328	
% not Reviewed:	22%		86%		14%		23%		66%		100%		56%	
'INDEPENDENTS'	\$28	\$5	\$23	\$0	\$27	\$2	\$30	\$22	\$38	\$15	\$26	\$7	\$173	\$51
Amount not Reviewed:	\$23		\$23		\$25		\$8		\$23		\$19		\$122	
% not Reviewed:	81%		100%		93%		28%		61%		74%		71%	

¹ Sources: audited financial statements for the actual capital investment; RI-DOH's Office of Health Systems Development for the CON-approved amounts (to provide for a 3 month lag-time in capital projects, the CON-approved amounts are for the July 1-June 30 time periods (as of the Director's final decision date), whereas the capital investment amounts are for the Fiscal Years (October 1-September 30))

Appendix D: Hospital Ranking Methodology

Individual hospital performance and ranking were assessed by developing a capital structure index. To accomplish this, the individual values on six different measures were standardized ((individual hospital value – mean of all hospitals' values) / standard deviation of all hospitals' values). In those cases where the desired trend for an individual measure is for lower values (i.e., Fixed Asset Financing, Capital Expense Ratio, and Age of Plant), the inverse of the standardized values were taken (to preserve larger relative values as the desired outcome). A weighted composite was then calculated from the standardized values, and these weighted composites were again standardized to yield the index.

A higher value on the index indicates a more favorable capital structure. To interpret this metric, one concludes that the index value is so many standard deviations from the mean (i.e., the average for all the hospitals). For example, Bradley's index is 2.29, or 2.29 standard deviations above the state average. In a 'normal' distribution, approximately 67% of the population is within +/-1 standard deviations, and 95% is within +/-2 standard deviations (of the mean). This puts Bradley at the top of the state, and examination of all other hospital indices bears this out.

Weights given to the individual measures are 23% for both the Debt Service Coverage, and Funding Capacity measures. This reflects their importance in evaluating a hospital's ability to acquire new capital, either through debt financing (Debt Service Coverage) or equity (Funding Capacity).

The Fixed Asset Financing, and Capital Expense Ratio are weighted next most important, at 16% each. This reflects their secondary importance in evaluating a hospital's credit worthiness, however, they are used to determine a hospital's financial leverage (Fixed Asset Financing) and the actual, fixed-cost burden of the capital base (Capital Expense Ratio).

Lastly, the Age of Plant, and Investment Surplus or Shortage are weighted least important, at 11% each. This reflects their primary focus on the timing of a hospital's capital needs, without regard to its ability to meet those needs.

Raw Data	-1- Debt Service Coverage	-2- Funding Capacity	-3- Fixed Asset Financing	-4- Capital Expense Ratio	-5- Age of Plant	-6- Investment Surplus or Shortage
Bradley	n/a	75%	0%	2.4%	11.9	132%
Butler	5.1	39%	47%	4.9%	11.1	5%
Kent	2.2	15%	32%	3.8%	12.8	-2%
Landmark	-0.2	-15%	111%	2.4%	12.4	-64%
Memorial	-2.7	20%	46%	3.1%	18.4	-38%
Miriam	6.2	26%	33%	3.9%	12.4	74%
Newport	3.5	82%	39%	7.5%	10.8	-30%
RI Hospital	5.2	27%	44%	4.4%	15.1	25%
Roger Williams	1.9	23%	68%	4.4%	10.5	-33%
South County	0.1	27%	110%	10.3%	9.0	10%
St. Joseph	-0.5	5%	57%	3.9%	13.6	-43%
Westerly	2.0	15%	47%	6.9%	15.3	-55%
W & I	5.1	37%	46%	3.9%	11.8	39%
Step 1: Standardize the raw data	Adjustments ¹ :					
			-1	-1	-1	
Bradley	n/a	1.85	1.81	1.11	0.32	2.42
Butler	1.05	0.39	0.18	-0.07	0.70	0.07
Kent	-0.06	-0.54	0.69	0.43	-0.04	-0.06
Landmark	-0.94	-1.76	-2.02	1.09	0.13	-1.23
Memorial	-1.89	-0.37	0.21	0.76	-2.41	-0.73
Miriam	1.46	-0.11	0.67	0.42	0.14	1.35
Newport	0.43	2.12	0.45	-1.28	0.79	-0.59
RI Hospital	1.09	-0.08	0.30	0.16	-1.03	0.44
Roger Williams	-0.16	-0.24	-0.55	0.19	0.95	-0.64
South County	-0.82	-0.08	-1.99	-2.58	1.56	0.16
St. Joseph	-1.06	-0.97	-0.15	0.38	-0.40	-0.83
Westerly	-0.13	-0.54	0.19	-1.00	-1.10	-1.06
W & I	1.03	0.32	0.21	0.38	0.39	0.70
Weights:	23%	23%	16%	16%	11%	11%
Step 2: Calculate the weighted composites			Step 3: Standardize into final indices		Value	Rank
Bradley ²	1.62	<-46% to FC	Bradley		2.29	1
Butler	0.43		Butler		0.58	5
Kent	0.03		Kent		0.00	7
Landmark	-0.89		Landmark		-1.33	13
Memorial	-0.71		Memorial		-1.07	11
Miriam	0.65		Miriam		0.89	2
Newport	0.48		Newport		0.64	4
RI Hospital	0.24		RI Hospital		0.30	6
Roger Williams	-0.12		Roger Williams		-0.22	8
South County	-0.75		S. County		-1.13	12
St. Joseph	-0.57		St. Joseph		-0.87	10
Westerly	-0.52		Westerly		-0.80	9
W & I	0.53		W & I		0.71	3

Step 1: ((individual hospital value - mean of all hospitals' values) / standard deviation of all hospitals' values)

Step 2: (standardized value on measure 1 * weight for measure 1) + (standardized value on measure 2 * weight for measure 2) + (standardized value on measure 3 * weight for measure 3) ... thru measure 6

Step 3: ((individual hospital's weighted composite - mean of all hospitals' weighted composites) / standard deviation of all hospitals' weighted composites)