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Global For-Profit Hospital Industry

Summary

The purpose of this methodology is to describe how Moody's assigns ratings to issuers and obligations in the global for-profit hospital sector. Our goal is to help the market understand how key quantitative and qualitative risk factors map to specific rating outcomes.

This methodology is not an exhaustive treatment of all factors reflected in Moody's ratings of hospital companies but should enable the reader to understand the key considerations and financial ratios used by Moody's in determining a rating in this sector.

Moody's analysis of for-profit hospital companies focuses on four main rating factors. These are:

1. **Diversity and scale**
2. **Competitive position within local markets**
3. **Financial strength**
4. **Acquisition strategy and financial policy**

Also featured in this report are:

- An overview of the rated universe and challenges facing the for-profit hospital industry
- Tables showing Moody's actual application of the rating framework to the for-profit hospital sector
- A summary of our results

OVERVIEW OF THE RATED FOR-PROFIT HOSPITAL UNIVERSE

Globally, Moody's rates 12 for-profit acute care hospital companies:

- 10 hospital companies in the US with approximately $25 billion in rated debt and credit facilities, and
- 2 hospital companies domiciled in Germany with €100 million (approximately $120 million) in rated debt.

The median rating for the relatively mature US for-profit hospital sector is Ba3. Since the late 1990s, however, three of the largest for-profit hospital companies have seen precipitous declines in ratings related to operating and strategic changes following government investigations of Medicare billing practices (HCA, rated Ba2, and Tenet, rated B2) or fraudulent accounting (HealthSouth, which no longer carries a Moody's rating). Although litigation is not a measured factor in our methodology, we do incorporate the potential effect of any major investigation or litigation in our analysis.

In Germany, a less mature for-profit hospital market, both companies are rated investment grade (at the Baa level). These represent initial ratings, which have been assigned over the past 3 years.

Summary of Rated For-Profit Hospitals

Company	Country of Domicile	Current Ratings and Outlook		# of Facilities* (Acute Care only)	Total Debt* ($ millions)
Rhoen Klinikum	Germany	Baa2	NEG	30	$394.0
HMA	US	Baa3**	NEG	50	935.3
Helios Kliniken***	Germany	Baa3	RUR	25	116.5
Universal Health Services	US	Baa3	STA	44	869.2
HCA	US	Ba2	STA	174	10,530.0
Community Health Systems	US	Ba3	STA	71	1,831.7
LifePoint Hospitals	US	Ba3	STA	50	1,474.0
Triad Hospitals	US	Ba3	STA	50	1,667.0
IASIS Healthcare	US	B1	STA	14	912.8
Tenet Healthcare	US	B2	RUR	69	4,436.0
Vanguard Health Systems	US	B2	NEG	16	1,309.3
Capella Healthcare	US	B3	STA	4	155.0

** As of fiscal year end 2004. LifePoint, Vanguard and Capella are pro forma for recent transactions.*
*** Senior subordinated debt rating.*
**** Ratings are under review for possible downgrade following the announced acquisition of Helios by Fresenius.*

For-Profits in the Minority

In the US, only about 14% of the nation's approximately 5,760 hospitals are for-profit. This percentage, which is indicative of a relatively mature market, has remained fairly constant over the past decade. Consolidation activity during that time has involved the purchase, divestiture and repurchase of many of the same facilities operating under a variety of for-profit hospital operators. Spin-offs and divestitures, spurred in part as a result of actions following government investigations, have reshaped the for-profit landscape, creating both opportunities for new for-profit players to enter the market and for existing for-profit players to expand.

In Germany, a less mature market, about 10% of hospitals are for-profit operators, with the two rated hospitals, Rhoen Klinikum AG and Helios Kliniken GmbH, each maintaining about 2% of the total market. Unlike in the US, we expect the percentage of for-profits to continue growing, as a financially troubled government and not-for-profit hospitals fuel acceleration of the privatization process in Germany, creating more acquisition opportunities for for-profit operators.

INDUSTRY CHALLENGES AND RATING DRIVERS

Globally, many for-profit hospitals face similar challenges, at the core of which are constrained health care budgets of payors. These budgetary constraints and resulting reimbursement incentives drive the need for efficiencies, including shorter lengths of stay. This, in combination with shrinking admission rates, can create an oversupply of beds, leading to consolidation, particularly in transitioning markets. In more mature markets, these trends can make it more difficult to create shareholder value. Our rating assessment thus focuses on a hospital company's cost efficiencies, ability to manage overall utilization rates, as well as financial policy and the pace of acquisitions and their effects on operations and capital structure.

Reimbursement from government and health insurance payors under pressure everywhere

All of Moody's rated hospitals rely heavily on reimbursement from government or private health insurance payors for payment of services. Government systems all face budgetary constraints while private insurers seek cost efficiencies. For example, in the US, despite near-term stability under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), Moody's believes that MMA's new drug benefit program will likely strain the nation's Medicare budget. This, along with possible ongoing reductions in rate increases from consolidating health benefits companies, could place longer-term pressure on US hospital ratings. In Germany, a burdened public health-care system is now introducing a cost-reduction incentive system (diagnostic-related grouping [DRG] system) similar to one that has been in place in the US for over 20 years.

A low cost position distinguishes better rated hospitals

Hospitals will continue to be challenged by rising medical device and labor costs. Cost savings are usually associated with streamlining overhead, leveraging purchasing power, and efficient allocation of personnel. US hospitals — having operated under DRGs and periods of tight rates from health benefits companies — have long focused on cost-cutting efforts. Finding new efficiencies can be more difficult over time and US companies are now seeking some innovative ways to reduce costs, such as medical device "gain-sharing" arrangements with physicians. German hospitals, recently pushed by changes in reimbursement schemes, are intensifying their cost-saving initiatives. In both cases, better efficiency and profit margins will be reflected in higher-rated for-profit hospital companies.

Utilization trends will affect profit levels

Given hospital operators' high fixed cost base, inpatient admission and outpatient service trends, lengths of stay and complexity of treatments are drivers of margins and profitability. Generally speaking, the US and most EU-based for-profit hospitals have faced a slowdown in volume growth trends, attributed in part to increased numbers of uninsured or underinsured patients as well as new competition from outpatient centers and inpatient specialty hospitals. US hospital operators no longer are as focused on lengths of stay (LOS), having brought down LOS dramatically over the past two decades. In contrast, in Germany, reductions in LOS will likely accelerate with the new DRG-type system.

Acquirers in consolidating markets may diversify but may also increase leverage

In markets such as Germany, with a vast oversupply of often unprofitable public hospitals, for-profit operators can acquire facilities with restructuring potential at modest purchase prices, leading to good returns on investment. Further, acquisitions can help bring better diversity and scale to an organization. However, if debt-financed, acquisitions and their required follow-on capital investments may drive up leverage. The two rated German hospital companies are leading this trend, but are also pacing investments cautiously and funding a rising share from free cash flow.

Event risk from creating shareholder value in mature markets

Given the challenges to improve profitability, hospitals located in more mature markets face difficulties in growing shareholder value. With fewer not-for-profit acquisitions available, US for-profit hospital companies will likely need to rely more on shareholder initiatives such as larger acquisitions of for-profit operators, share repurchases and dividends.

Differences in the Risk Profiles of For-Profit and Not-for-Profit Hospital Operators

Unlike other healthcare sectors, the provider sector — including hospitals — is unique in that it comprises both not-for-profit and for-profit entities.

Despite the fact that these facilities perform similar services, co-exist in the same markets, and operate under the same industry-wide pressures, Moody's ratings for the two differ significantly.

As a group, the for-profit hospitals garner lower ratings (median rating of Ba3) than do the not-for-profit hospitals (median rating of A3) largely because of various risk factors that arise from their different ownership structures. Lack of cash balances — also a by-product of the for-profits' economic and incentive models — also differentiate the two.

In the past five to six years, the ratings gap has widened in part because of: (1) the impact of large government investigations on several for-profit hospital companies; (2) the formation of several smaller, highly leveraged, for-profit hospital companies, capitalizing on the break-up of certain for-profits; and (3) the fact that not-for-profits have become more financially prudent in their strategies and are less acquisition-minded.

For additional information, please see Moody's rating methodology, "*For-Profit Hospitals versus Not-for-profit Hospitals - Explaining the Gap,*" dated May 1999.

In this Rating Methodology

To explain Moody's approach to rating for-profit hospital companies, we will proceed through the following four steps:

1. IDENTIFICATION OF KEY RATING FACTORS

We identify four key rating factors that are critical to the credit analysis of for-profit hospital companies. These factors are:

- Diversity and scale
- Competitive position within local markets
- Financial strength
- Acquisition strategy and financial policy

These factors can be quantified and benchmarked across the for-profit hospital industry in the US and Germany. Several additional factors also considered by rating committees are described at the end of this report.

Readers may note that although our analysis considers basic factors similar to those used in rating not-for-profit hospital issuers, our approach is closer to that used when evaluating large not-for-profit multi-hospital systems. For example, because we are rating companies with a relatively large number of facilities, we often analyze local market strength for a critical subset of facilities rather than for all facilities.

2. MEASUREMENT OF THE KEY RATING FACTORS

We present a set of metrics that can be used to quantify each of the four key factors. Our metrics comprise both financial statement measurements (e.g., cash flow relative to debt) as well as other measurements that cannot be derived directly from financial statement analysis (e.g., percentage of facilities with leading market positions) but that can be approximated via additional research.

For each factor, we describe more than one measurement. In total, the rating methodology incorporates 16 separate measurement criteria spanning the four key rating factors. In considering these four factors, note that one factor may carry greater weight than another as it may represent a particular strength or weakness for a particular company. In general, however, "financial strength" is consistently the most heavily weighted factor, followed by "diversity and scale" and "competitive position." "Financial policy" is the least consistently weighted factor.

3. MAPPING TO THE RATING CATEGORIES

For each of the 16 measurement criteria, we describe "appropriate" ranges for Moody's broad rating categories, (A, Baa, Ba, B and Caa). For example, we identify what level of free cash flow to debt is generally acceptable for an A credit versus a Baa credit.

We employ "A" as the top category, rather than "Aaa" or "Aa" because the for-profit hospital industry is generally considered to be speculative grade in the US and low investment grade in Germany. This is due largely to reimbursement constraints as well as relatively high financial leverage. Currently, the debt of the highest-rated US hospital company (HMA) is rated Baa3 on a senior subordinated basis.

Although two not-for-profit hospital systems are rated as high as Aa1, the differences in ownership structure and the need to satisfy shareholders limit the likelihood that for-profit hospital ratings would be assigned senior unsecured ratings above the "A" category.

4. ILLUSTRATION OF THE RATING METHODOLOGY

To illustrate the global rating methodology, we have applied the methodology to nine representative credits in the US and two in Germany using fiscal year 2004 data. For each of the selected companies, we show the 16 measurements that comprise the key rating factors and the indicated rating for each measurement.

We also identify "favorable" and "unfavorable" outliers — companies with metrics in a particular category that would argue for a rating two or more full rating categories higher or lower than its existing rating (e.g., a Ba-rated company with a metric more appropriate for an A-rated company). We then comment on those credit factors that may help to explain the divergence.

The Four Key Rating Factors

FACTOR 1: DIVERSITY AND SCALE

Why it Matters

There are several advantages to diversity and scale. Diversity associated with operating a larger number of facilities across multiple geographic markets can help reduce a company's exposure to any single economy, regulatory structure or weakness at any one facility.

Further, larger hospital companies may be able to leverage their critical mass to benefit from lower purchasing and overhead costs as well as better managed care contracting. The size of a company's revenue base may also indicate its degree of financial flexibility. This factor is more critical as reimbursement changes — especially those dictated by the federal and state governments — can result in volatile revenue and cash flow.

Positive Rating Indicators

- Geographic diversity including presence in areas with lower regulatory, economic and reimbursement risk
- Limited dependence on a small percentage of facilities
- Large revenue base

Measurement Criteria

- Number of facilities
- Percentage of revenue derived from high-risk states
- Degree of cash flow concentration by number of facilities
- Net revenue

Factor Mapping

Diversity and Scale	A	Baa	Ba	B	Caa
Geographic Diversity					
# of Facilities (Acute Care only)	≥100	50-99	25-49	10-24	< 10
% of Revenue in Risk States	<15%	15-29%	30-44%	45-59%	≥60%
Dependence on Facilities					
Degree of Cash Flow Concentration by # of Facilities	Low	Low to Medium	Medium	Medium to High	High
Revenue Base					
Net Revenue	≥$10b	$5-9b	$3-4b	$1-2b	<$1b

Notes on Measurement Criteria

In determining the states with the highest operating risk, we examine seven factors, including the degree of negotiating leverage held by managed care companies within the state, litigation risk, environmental (such as seismic or weather-related) risk, and regulatory risks (such as material state budgetary constraints, lack of certificate of need [CON] legislation or nurse staffing requirements).

States with two or more of these risk factors were considered to have higher risk for purposes of our methodology. Many of the rated US for-profit companies have exposure in "risk" states such as Arizona, California and Florida. (See chart on "Risk Factors by US States" in Appendix.) In Germany, even though DRG-based rates or investment grants may vary across states, regulatory and reimbursement risks are generally not state specific; certain risk factors, such as CON legislation and degree of leverage held by managed care companies, are non-existent.

Moody's believes that the reporting of operating results for individual facilities is helpful to investors. However, because issuers typically do not make this information publicly available, Moody's often must rely on material non-public information for purposes of measuring cash flow concentration by number of facilities.

Our approach focuses particular attention on the facilities (sorted by highest to lowest cash flow) that generate in aggregate the top 50% of cash flow of the total corporation. Although Moody's prefers using operating cash flow, we use EBITDA in the hospital sector as a measurement for cash flow because EBITDA is generally tracked by companies on a facility-specific basis whereas operating cash flow is not. We recognize there are limitations associated with EBITDA,[1] such as not reflecting working capital.

1. *Please see Moody's special comment, "Putting EBITDA in Perspective," dated June 2000.*

Because facility-specific information is generally not publicly available, we report concentration indicators such as "low" for companies that have many facilities contributing to 50% of cash flow and "high" for companies that have very few facilities contributing to 50% of cash flow.

Rating Mapping

		Geographic Diversity			
Company	Current Ratings	# of Facilities (Acute Care only)	Indicated Rating	% of Revenue in Risk States	Indicated Rating
Rhoen	Baa2	30	Ba	0.0%	A
HMA	Baa3*	50	Baa	63.6%	Caa
Helios	Baa3	25	Ba	0.0%	A
Universal Health	Baa3	44**	Ba	33.3%	Ba
HCA	Ba2	174	A	43.0%	Ba
Community Health	Ba3	71	Baa	55.6%	B
LifePoint	Ba3	50	Baa	45.4%	B
Triad	Ba3	50	Baa	42.3%	Ba
IASIS	B1	14	B	46.0%	B
Tenet	B2	69	Baa	63.2%	Caa
Vanguard	B2	16	B	65.9%	Caa

		Dependence on Facilities		Revenue Base	
Company	Current Ratings	Cash Flow Concentration	Indicated Rating	Net Revenue	Indicated Rating
Rhoen	Baa2	Med/High	B	$1,414	B
HMA	Baa3*	Medium	Ba	3,206	Ba
Helios	Baa3	High	Caa	1,572	B
Universal Health	Baa3	Medium	Ba	3,938	Ba
HCA	Ba2	Low	A	23,502	A
Community Health	Ba3	Medium	Ba	3,333	Ba
LifePoint	Ba3	Medium	Ba	1,967	B
Triad	Ba3	Med/High	B	4,450	Ba
IASIS	B1	Med/High	B	1,387	B
Tenet	B2	Med/High	B	9,919	Baa
Vanguard	B2	High	Caa	2,222	B

** Senior subordinated debt rating*
*** Including 49 behavioral facilities, Universal Health's indicated rating for this factor would be a "Baa".*

= Negative Outlier

= Positive Outlier

Observations

Geographic Diversity

The two positive outliers relating to the number of facilities are HCA and Tenet. In HCA's case, this is not surprising because of the company's status as the largest hospital company in the nation. However, HCA's appetite for share buybacks and relatively high leverage are the key offsetting characteristics reflected in HCA's current ratings. In Tenet's case, volume trends, poor free cash flow and liquidity, as well as pending litigation more than offset this factor.

In addition, since Moody's methodology assumes that the largest contributor to operating results is from acute care facilities, we note that Universal Health's significant behavioral business is not captured by this factor.

There is only one outlier in the category of percentage of revenue derived from "risk states" indicating relatively good correlation with the overall ratings. HMA is a negative outlier in this category largely because of concentration in states such as Mississippi and Florida. Financial measures including operating margins and lower debt to capital help to offset this factor.

Dependence on Facilities

HCA is a positive outlier when measuring cash flow concentration by number of facilities. Again, shareholder initiatives and high leverage are key offsets to this strength. Rhoen and Helios are negative outliers when measuring cash flow concentration. The two German hospital companies are smaller than their US counterparts, but are growing rapidly through acquisitions, which should improve scale and cash flow diversity relatively quickly. Also, a more stable reimbursement and regulatory environment in Germany and the facilities' relatively strong market positioning help offset this negative factor.

Revenue Base

In this category, there are four outliers. HCA and Tenet are the two positive outliers, with relatively large revenue bases indicating an A rating and a Baa rating, respectively. In HCA's case, its shareholder initiatives and resulting higher leverage are key offsets to this positive factor. In Tenet's case, weak liquidity, poor competitive positioning and pending litigation provide key offsets to its relatively large revenue base.

Both Rhoen and Helios are negative outliers based on revenue. Despite the fact that these companies are the two largest private operators in Germany, they have not yet grown revenue to a size comparable to that of the leading US operators. We expect continued rapid external growth. A changing operating environment and better competitive positioning relative to government-sponsored hospitals provide stability and thus key offsets.

FACTOR 2: COMPETITIVE POSITION

Why it Matters

Because patients generally seek medical care from physicians and hospitals located close to their homes, and managed care companies establish and negotiate with local networks of providers on behalf of their members, local market positioning is critical to assessing competitive position.

Clearly, the presence of other players in the market will influence a hospital's local market position. Assuming there is more than one player in the market, a hospital's reputation for quality care, breadth of services and accessibility will play a critical role in its ability to attract physicians, and help to ensure favorable admissions trends. This cycle can be self-perpetuating.

Since the proliferation of managed care in the US, the need to be "indispensable" to the local market has become critical, as managed care contracts can influence wholesale movements in market share or the contract terms and reimbursement levels. A hospital with a leading market position — identified as being first or second in its local market based on admissions — is generally more highly "valued" by managed care companies. Such hospitals — particularly those that are considered to be indispensable — will have greater leverage and presumably greater success in negotiating rates with managed care companies.

In Germany, where managed care is not prevalent, the move toward differentiating on the basis of service — including treatment success rates and patient amenities — is expected to contribute to greater patient mobility. This should broaden the markets that hospitals are drawing from and increase competition as well as privatization.

Today, the quest for market share is often manifested in the rising levels of investment in physical plant. While patients may be attracted to the quality of general accommodations including patient rooms and emergency room areas, physicians — particularly specialists — are often lured by additional operating rooms, procedure space, or new technology such as in radiology or cardiac catheterization. Hospitals are investing capital to both expand and reinforce the range of services offered. Our view is that a hospital needs to invest at least at its level of depreciation to stay current in its plant. The reality today holds that most US hospitals, responding to competitive pressures, invest far more than their depreciation levels, going beyond expenses associated with normal maintenance.

Positive Rating Indicators

- Strong position in key markets
- Breadth of clinical services
- Above-average investment in plant
- Strong demand for services and growing physician base

Measurement Criteria

- Percentage of facilities comprising 50% of total EBITDA with leading market positions (defined as number one or number two player in market based on admissions)
- Average number of adjusted admissions per facility
- Capex (ex *de novo* development) divided by depreciation expense
- Growth in same-facility adjusted admissions

Factor Mapping

Competitive Position	A	Baa	Ba	B	Caa
Market Position in Key Markets					
% of Facilities Generating Top 50% of EBITDA with Leading Market Position	≥90%	70-89%	50-69%	30-49%	< 30%
Breadth of Clinical Services					
Average # Adjusted Admissions / Facility ('000)	≥20	15-19	10-14	5-9	< 5
Investment in Capex					
Capex / Depreciation	NA	≥1.3x	>1.0-1.2x	1.0x	<1.0x
Demand for Services & Physician Base					
Growth in Same-Facility Adjusted Admissions	≥5%	2.5-4.9%	1.2-2.4%	0-1.1%	< 0%

Notes on Measurement Criteria

In examining local market position, we use non-public information to identify those facilities that aggregate to 50% of total EBITDA, sorted from highest to lowest by EBITDA. We recognize that the market position of these hospitals may not be representative of all of a company's facilities. However, because these hospitals are critical to cash flow generation, we examine their market positioning to better measure overall sustainability of cash flow.

We assume that a facility has "leading" market share if it ranks number one or number two based on admissions in its "market." We then compute the percentage of those facilities with leading market position relative to the total facilities needed to aggregate to 50% of EBITDA.

To analyze the competitive environment for this report, we utilized data from the 2005 American Hospital Association (AHA) Guidebook, which includes 2003 reported data. To define each "market," we identified hospitals either within the same town or city, or located in reasonable proximity (less than 30 minutes) to the facility. For example, suburban Midwest City, Oklahoma was considered to be in the same market as Oklahoma City, based on relative ease of access.

To differentiate on breadth of services, we use average number of adjusted admissions per hospital as a proxy; adjusted admissions reflect outpatient services, which are calculated using the percentage of outpatient revenue relative to total revenue. We make the assumption that smaller community hospitals with fewer admissions are likely to have fewer specialists and offer a limited number or less sophisticated mix of services. In contrast, larger hospitals will often have a larger number of admitting physicians and therefore will be able to offer a wider array of services.

When measuring capital spending levels, we exclude any investment in new (versus replacement) facilities in new markets. We view *de novo* development as similar to acquisitions rather than aimed at improving the competitive positioning of existing facilities.

Looking at capital spending to depreciation levels, a ratio of less than 1.0 times would likely indicate deferred maintenance issues and is indicative of a Caa-rated organization, in our opinion. Although a higher ratio is generally viewed more favorably, a ratio well over 1.0 times might indicate accelerated catch-up of deferred maintenance, which could be associated with a highly acquisitive company. For this reason, we believe that this measure can differentiate at the Baa to Caa level, but that an extraordinarily high ratio would not indicate a rating higher than Baa.

Finally, we use growth in same-facility adjusted admissions to help us understand how strong demand is for a particular hospital's services. This indicator, when compared to prior periods, can help us understand if a specific company is losing patients — particularly as a result of the loss of a large number of physicians or managed care contracts. In addition to competitive forces, local area economic and demographic factors will also influence this trend. During the past two years, growth in same-facility adjusted admissions has been somewhat sluggish and erratic for almost all hospital companies. This is attributable to the growth in the uninsured and underinsured population and higher out-of-pocket expenses.

It is worth noting that highly acquisitive companies will tend to show higher growth in same-facility adjusted admissions. Typically, for-profit hospital companies focus heavily on recruiting physicians at newly acquired facilities, a process which may take up to three to five years to complete. However, this can distort same-facility admission trends as acquisitions are generally included as a "same facility" only one year after being acquired.

Rating Mapping

		Market Position in Key Markets		Breadth of Clinical Services		Investment in Capex		Demand for Services & Physician Base	
Company	Current Ratings	% of Fac. Generating Top 50% of EBITDA with Leading Mkt. Position	Indicated Rating	Average # Adjusted Admissions / Facility ('000)	Indicated Rating	Capex / Depreciation	Indicated Rating	Growth in Same-Facility Adjusted Admissions	Indicated Rating
Rhoen	Baa2	100%	A	10.1	Ba	1.2x	Ba	3.4%	Baa
HMA	Baa3*	70%	Baa	8.9	B	1.5x	Baa	2.7%	Baa
Helios	Baa3	100%	A	13.7	Ba	1.8x	Baa	-0.6%	Caa
Universal Health	Baa3	75%	Baa	15.4**	Baa	1.2x	Ba	1.6%	Ba
HCA	Ba2	70%	Baa	12.6	Ba	1.2x	Ba	1.3%	Ba
Community Health	Ba3	92%	A	7.6	B	1.0x	B	1.3%	Ba
LifePoint	Ba3	91%	A	6.8	B	1.2x	Ba	2.0%	Ba
Triad	Ba3	88%	Baa	10.4	Ba	1.5x	Baa	3.2%	Baa
IASIS	B1	20%	Caa	9.0	B	1.2x	Ba	-0.1%	Caa
Tenet	B2	78%	Baa	14.0	Ba	1.2x	Ba	-2.0%	Caa
Vanguard	B2	67%	Ba	13.9	Ba	1.0x	B	6.6%	A

** Senior subordinated debt rating.*
*** Including 49 behavioral facilities, Universal's indicated rating for this factor would be a "B".*

= Negative Outlier

= Positive Outlier

Observations

Market Position in Key Markets

While local market strength is a critical ratings factor, companies with the highest proportion of key facilities with leading market positions do not always have the strongest overall ratings.

LifePoint and Community Health — both concentrating on rural markets — are positive outliers, with a high percentage of leading facilities whose local market positions are characteristic of A-rated companies. These companies tend to operate in single-hospital towns, with limited competition. However, both companies are highly acquisitive and have raised debt levels to fund their growth strategies. Moody's recently lowered from positive to stable the outlook on LifePoint's Ba3 rating following its acquisition of Province, which increased debt significantly and reduced cash flow to debt metrics. Tenet is also a positive outlier based on market position but much of its cash flow is concentrated in a relatively small number of facilities. In addition, as stated earlier, the company's poor volume trends and weak liquidity provide offsets to this factor.

We should note that when appropriate, Moody's augments its analysis of hospital companies' top performing facilities with an analysis of their critical markets. For example, although not technically an outlier, HCA has a unique operating model relative to other for-profit hospital companies, and this is not fully captured in our methodology model. Moody's model examines market share of top *individual* performing facilities. This particular method works well for the majority of for-profit companies with single facilities in a variety of markets. In contrast, HCA focuses on operating multiple acute care facilities as well as ambulatory surgery centers within key markets; typically, there is one primary facility and several feeder facilities.

Breadth of Clinical Services

In this category, HMA is a negative outlier, with facilities that have average adjusted admissions per facility that are representative of a B-rated company. HMA's strong operating margins help provide an offset to this factor.

Investment in Capex

For this factor, there were no outliers. Two companies, Community Health and Vanguard, had a ratio of 1.0 times, which we believe is indicative of a B-rated company. More than half (56%) of the companies had ratios of 1.2 times, indicative of Ba-rated companies. Higher ratios in the 1.5 times range, indicative of Baa-companies (HMA and Triad) appear related to the more acquisitive for-profit companies that are adding services to existing facilities or constructing new replacement facilities in association with acquiring not-for-profits.

Similarly, among rated companies in Germany, capital spending includes restructuring of recently acquired hospitals as well as maintenance of older facilities. Ratios of 1.2 times (Rhoen) and 1.8 times (Helios) are in line with the ratings.

Demand for Services and Physician Base

Vanguard, one of our lowest-rated hospital companies is a positive outlier. Vanguard outperforms its B2 corporate family rating on the basis of growth in same-facility adjusted admissions trends (indicative of an A-rated company). This is attributable largely to its expansion of outpatient services. However, it is unclear whether a 6.6% growth trend is sustainable. Limited diversity and high concentration on a limited number of facilities as well as weak free cash flow to adjusted debt offset this factor.

Helios is a negative outlier on the basis of this factor. However, because the admissions rate for all German hospitals is declining slightly (-1% in 2003), the rates of admissions growth for Helios (and Rhoen) are actually above their German peers.

FACTOR 3: FINANCIAL STRENGTH

Why it Matters

A key focus of Moody's quantitative analysis is a review of a company's ability to generate cash to service its debt.

On the expense side, the ability to contain costs leads to better efficiency and profitability, and can help hospitals compete more effectively for resources such as staff and physicians.

For hospital companies, the quality of revenue — including ability to collect — can be particularly critical to cash generation. Bad debt rates are significantly higher for hospital companies than for other investor-owned health care companies because of a combination of regulatory requirements to provide services regardless of ability to pay as well as rising numbers of uninsured and underinsured patients. In addition, the degree to which a hospital company receives or is able to negotiate higher rate increases from governmental and managed care companies provides an indication of its future financial strength.

Financial strength also considers balance sheet flexibility. Companies with modest levels of debt relative to cash flow possess greater financial flexibility than companies with high levels of debt relative to cash flow.

For illustrative purposes, this methodology report provides data points for a single point in time. In our actual ratings practice, Moody's examines both historical and, more importantly, future financial trends. This can be particularly meaningful in situations where companies are acquisitive, actively engaged in large stock buybacks, involved in significant lawsuits, or likely to see material changes in reimbursement.

Positive Rating Indicators

- Strong cash flow in relationship to the amount of debt outstanding
- Favorable cost structure and efficiency
- High quality of revenue especially in terms of collectibility and pricing
- Conservative capital structure

Measurement Criteria

- Operating cash flow / Debt
- Free cash flow / Debt
- EBIT margin
- Bad debt as a percentage of revenue
- Growth in same-facility revenue per adjusted admission
- Debt / Capital

Factor Mapping

Financial Strength	A	Baa	Ba	B	Caa
Cash Flow					
CFO / Debt	≥40%	25-39%	15-24%	5-14%	<5%
FCF / Debt	≥25%	15-24%	10-14%	5-9%	<5%
Cost Structure and Efficiency					
EBIT Margin	≥15%	10-14%	5-9%	0-4%	<0%
Quality of Revenue					
Bad Debt Expense / Net Revenue	<2%	2-4%	5-9%	10-14%	≥15%
Growth in Same-Facility Rev./ Adj. Admission	≥10%	7-9%	4-6%	0-3%	<0%
Capital Structure					
Debt / Capital	<40%	40-49%	50-59%	60-69%	≥70%

Notes on Measurement Criteria

Unlike earnings measures, operating cash flow takes into account working capital uses and free cash flow considers capital investment as well as shareholder dividends. Free cash flow to debt is generally considered the more important measure, as it indicates a company's true discretionary cash flow relative to its debt obligations. We note, however, that the free cash flow ratio shown below does not take share buybacks into account; these are considered separately.

Moody's attempts to differentiate hospital companies on the basis of ability to collect revenue. To do this, we examine bad debt as a percentage of revenue. Charity care is considered in our analysis as well, although that figure is not uniformly reported by for-profit hospital companies.

Growth in same-facility revenue per adjusted admission is used as a measure of a company's pricing strength. Similar to two measures under "Competitive Position," this ratio uses adjusted admissions that include outpatient services, which are calculated using the percentage of outpatient revenue relative to total revenue.

Debt to capital, when adjusted for certain debt-like items such as leases, is a simple way to compare the capital structure of companies operating within a sector. It can also be an indicator of management's financial policies, including its tolerance for debt.

The financial ratios used to measure this factor — except for quality of revenue — are calculated using Moody's standard analytic adjustments to financial statements. For more information, please see Moody's rating methodology, "*Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations – Part I*," dated July 2005.

Rating Mapping

Company	Current Ratings	Cash Flow				Cost Structure & Efficiency	
		CFO / Debt	Indicated Rating	FCF / Debt	Indicated Rating	EBIT Margin	Indicated Rating
Rhoen	Baa2	42.0%	A	5.0%	B	11.8%	Baa
HMA	Baa3*	30.8%	Baa	14.5%	Ba	17.3%	A
Helios	Baa3	96.1%	A	21.0%	Baa	8.2%	Ba
Universal Health	Baa3	35.1%	Baa	14.8%	Ba	8.4%	Ba
HCA	Ba2	25.2%	Baa	11.2%	Ba	10.0%	Baa
Community Health	Ba3	14.9%	B	7.7%	B	10.8%	Baa
LifePoint	Ba3	18.1%	Ba	9.5%	B	13.0%	Baa
Triad	Ba3	17.0%	Ba	-3.6%	Caa	9.1%	Ba
IASIS	B1	9.6%	B	-2.5%	Caa	8.6%	Ba
Tenet	B2	10.3%	B	0.4%	Caa	1.7%	B
Vanguard	B2	6.5%	B	-5.0%	Caa	4.5%	B

Company	Current Ratings	Quality of Revenue				Capital Structure	
		Bad Debt Expense / Net Revenue	Indicated Rating	Growth in Same-Facility Revenue / Adjusted Admission	Indicated Rating	Debt / Capital	Indicated Rating
Rhoen	Baa2	0.0%	A	3.7%	B	35.1%	A
HMA	Baa3*	7.5%	Ba	8.5%	Baa	38.5%	A
Helios	Baa3	0.0%	A	3.3%	B	34.2%	A
Universal Health	Baa3	7.8%	Ba	2.8%	B	45.9%	Baa
HCA	Ba2	11.4%	B	6.0%	Ba	63.7%	B
Community Health	Ba3	10.3%	B	6.3%	Ba	62.4%	B
LifePoint	Ba3	9.2%	Ba	6.5%	Ba	57.2%	Ba
Triad	Ba3	10.2%	B	5.4%	Ba	43.6%	Baa
IASIS	B1	9.2%	Ba	10.6%	A	64.8%	B
Tenet	B2	12.1%	B	-1.3%	Caa	73.4%	Caa
Vanguard	B2	6.7%	Ba	2.5%	B	66.3%	B

** Senior subordinated debt rating.*

= Negative Outlier

= Positive Outlier

Observations

In general, financial strength measures are closely correlated with ratings. Four of the six measures — operating cash flow to debt, EBIT margin, bad debt expense to revenue and debt to capital — have no outliers.

Cash Flow

Hospital companies with stronger operating and free cash flow to debt metrics are typically rated higher.

There appears to be a very strong relationship between indicated ratings and operating cash flow to debt ratios with no outliers identified for this factor. In fact, seven of 11 company ratings fall exactly within the ratio category indicated by this factor.

Triad and Rhoen are negative outliers based on free cash flow to debt. In the case of Triad, significant capital spending tied to joint ventures with not-for-profits and replacement facilities results in negative free cash flow. Moody's recognizes that this growth strategy replaces one focused on acquisitions, which does not affect free cash flow. Nevertheless, we view this to be somewhat riskier as it delays the time that any benefit from capital commitments becomes visible in a company's cash flow performance. Rhoen's acquisition strategy also assumes a significant degree of restructuring and has resulted in higher capital spending associated with facility replacement.

Cost Structure and Efficiency

There are no outliers indicated for this factor.

Quality of Revenue

There are no outliers in the category of bad debt expense as a percentage of net revenue. In Germany, Rhoen and Helios do not encounter this issue, as virtually every patient is insured, either by the mandatory state health care system or private health insurance.

There are, however, four outliers when measuring growth in same-facility revenue per adjusted admission. One of the lower-rated companies, IASIS, had the strongest pricing growth, indicative of an A-rated company. This can be attributed to large price increases and increased volume in higher acuity/higher-priced admissions, such as those for inpatient surgeries. Weak market positioning and negative free cash flow are key offsets to this factor.

In contrast, Universal Health, one of our highest rated for-profit hospital companies, showed revenue per adjusted admission growth during 2004 at a level indicative of a B-rated company. Increased competition, which dampened growth in same-facility adjusted admissions for the company's acute care facilities, also reduced higher acuity services, including surgeries, which affected pricing. Strong market positioning and good operating cash flow relative to debt help offset this factor.

Finally, both Rhoen and Helios sustained 2004 pricing growth indicative of B-rated companies; however, this is in the context of frozen health care budgets and marginal inflation rates.

Capital Structure

The companies with the highest indicated ratings have the lowest debt to capital ratios, demonstrating strong correlation in this category.

FACTOR 4: ACQUISITION STRATEGY AND FINANCIAL POLICY

Why it Matters

As mentioned earlier, since the ability of for-profit hospital companies to expand shareholder value has been constrained by a variety of industry trends, a company's acquisition strategy and financial policy are of particular interest in our analysis.

Hospital companies that turn to aggressive acquisition strategies are considered riskier because of the potential for higher leverage as well as, in some cases, integration risks. Companies that choose to aggressively pursue share buybacks run the risk of raising debt levels while also decapitalizing their equity base.

All other things equal, debt-financed share buybacks will always result in lower cash flow relative to debt and therefore, lower financial flexibility. Debt-financed acquisitions typically result in lower cash flow relative to debt because initially the acquired cash flow does not proportionally offset the additional debt.

Positive Rating Indicators

- Ability to satisfy shareholders with high level of organic growth
- Willingness to fund growth using equity versus cash or debt
- Profitable return on investments

Measurement Criteria

- "Conservative" versus "moderate" versus "aggressive" reliance on cash financed acquisitions, share buybacks or dividends
- Net income from continuing operations divided by average total assets

Factor Mapping

Acquisition Strategy and Financial Policy	A	Baa	Ba	B	Caa
Reliance on Acquisitions, Dividends and Share Buybacks					
Acquisition strategy & financial policy	NA	Conservative	Moderate	Aggressive	NA
Return on Investment					
ROA (NPATBUI / Avg Total Assets)	≥ 7%	5-6%	3-4%	1-2%	< 1%

Notes on Measurement Criteria

A company's acquisition strategy or financial policy can be a distinguishing rating factor within the Baa to B ranges, but in and of itself, does not indicate ratings at the highest (A) or lowest (Caa) ranges.

From a credit perspective, a strategy or financial policy that enables a company to generate shareholder value without acquisitions or only modest share buybacks or dividends (<10% of net income) is viewed as "conservative" and less risky. Companies that make occasional acquisitions or pay out less than 50% of net income to shareholders are considered to have a "moderate" financial strategy. Strategies that rely largely on expanding shareholder value through acquisitions or investments of greater than or equal to 50% of net income in share buybacks or dividends are considered to be "aggressive" or most risky. Use of equity versus debt to finance acquisitions is viewed favorably.

However, if a company is very near bankruptcy or is divesting facilities to support liquidity, this factor is not relevant. In addition, although not reflected in this factor, Moody's does consider the quality, fit and benefits associated with acquisitions.

Similar to financial ratios used to measure "financial strength," return on investment ratios are calculated using Moody's standard analytic adjustments to financial statements.

Rating Mapping

		Growth Strategy		Return on Investment	
Company	Current Ratings	Growth Strategy	Indicated Ratings	ROA (NPATBUI / Avg Total Assets)	Indicated Ratings
Rhoen	Baa2	Aggressive	B	7.0%	A
HMA	Baa3*	Aggressive	B	8.9%	A
Helios	Baa3	Aggressive	B	8.0%	A
Universal Health	Baa3	Moderate	Ba	5.2%	Baa
HCA	Ba2	Aggressive	B	4.6%	Ba
Community Health	Ba3	Aggressive	B	3.9%	Ba
LifePoint	Ba3	Aggressive	B	4.0%	Ba
Triad	Ba3	Aggressive	B	3.1%	Ba
IASIS	B1	Conservative	Baa	3.9%	Ba
Tenet	B2	NA	NA	-2.3%	Caa
Vanguard	B2	Moderate	Ba	0.2%	Caa

** Senior subordinated debt rating.*

= Negative Outlier

= Positive Outlier

Observations

Acquisition Strategy and Financial Policy

HMA is a negative outlier with an "aggressive" acquisition strategy. The company is highly reliant on acquisitions for growth, indicative of a B-rated hospital organization. HMA's relative diversity, high margins and good returns on investment help to offset this risk factor. Helios and Rhoen are also negative outliers because they are aggressively consolidating; both companies have a high percentage of top performing facilities with leading market positions and relatively low leverage, which help to offset this factor.

IASIS is a positive outlier, with a "conservative" acquisition strategy that relies on organic growth. This factor is outweighed by IASIS's poor market positioning and negative free cash flow. Tenet's acquisition strategy is currently not a credit consideration as the company has been restructuring and divesting facilities — in part to improve its liquidity position. We believe this factor is neutral to Tenet's credit quality.

Return on Assets

This factor correlates well with the indicated ratings as there are no outliers.

Other Rating Considerations

LIQUIDITY

Although cash flow to debt ratios can provide some insight into a company's longer-term prospects for liquidity, they are no substitute for a thorough review of each company's near-term liquidity. Moody's considers all near-term sources of cash, including cash flow, balance sheet cash, external facilities, tax refunds and proceeds from divestitures. We also consider all potential near-term uses of cash, including debt maturities, capital expenditures, dividends, share buybacks, acquisitions and litigation settlements.

Cash flow ratios may lag underlying drivers and portray liquidity or credit concerns inaccurately. Severe liquidity problems can result in downward rating action even if cash flow to debt ratios are consistent with a higher rating.

REIMBURSEMENT AND REGULATORY ISSUES

Typically, hospital companies derive about 30%-40% of revenue from Medicare, 7%-10% from Medicaid, 40%-50% from health benefits companies and the remainder from self-pay patients. Reliance on these sources creates a level of risk that is inherent in all provider ratings.

Although the "diversity" factor does examine the percentage of revenue from states with high regulatory risk or other reimbursement challenges, certain reimbursement or regulatory issues may not be fully captured by measures outlined in our methodology. For example, California hospital operators face unique challenges such as seismic and nurse staffing requirements. In addition, health benefits companies are particularly well positioned in the state, making it a more difficult managed care environment.

LITIGATION AND INVESTIGATIONS

We believe US for-profit hospitals will be more susceptible than other healthcare companies to government monitoring and — where potential problems are perceived — investigations because they are direct recipients of funding from government programs (such as Medicare and Medicaid). This will result in more frequent rating transition. Because hospital providers derive such a high percentage of revenue from government programs, investigations in which the government determines that there are problems are likely to result in fundamental reimbursement or operational changes. These can have a meaningful impact on credit quality. Tenet's ratings deteriorated significantly following a deluge of government investigation activity related to the hospital's reimbursement practices. Although not-for-profit hospitals are also subject to government investigations, we continue to believe that for-profit hospitals are more likely targets because of their size (the magnitude of government reimbursement), visibility and focus on profitability and shareholder demands.

In the event an *actual* investigation is announced, Moody's assessment of the specific development will consider the following credit factors: the underlying reasons for the investigation, financial cushions, estimated losses and the company's reaction to the investigation — including management changes and risk management initiatives.

CORPORATE GOVERNANCE

During 2004, Moody's published corporate governance assessments (CGAs) on four of its rated for-profit hospital companies. Governance-related findings on these companies are incorporated into Moody's ratings.

These assessments identify areas of strength or concern principally related to board composition, executive compensation practices and financial expertise. Even if formal governance assessments have not been conducted for a hospital company, a review of a company's proxy statement and consideration of management's track record, depth and breadth of expertise, compensation arrangements and levels of turnover are considered in arriving at our credit ratings.

FINAL CONSIDERATIONS

The following chart summarizes the 16 measurement criteria for the nine US and two German investor-owned hospital companies in this report. We have highlighted favorable and unfavorable outliers of two or more ratings bands.

There is a natural inter-relationship among the measurement criteria. Generally speaking, companies with a larger revenue base have better diversity of facilities. In addition, cash flow to debt is likely to be stronger for companies that have lower debt to capital and are most efficient.

Based on the presence and significance of certain qualitative factors, the exact weightings for each factor or measure can vary. In general, however, "financial strength" is consistently the most heavily weighted factor, accounting for about 50% of the overall rating outcome. Within this factor, the measures of operating and free cash flow to debt metrics are generally the most critical to our analysis. "Diversity and scale" and "competitive position" are generally the next most heavily weighted factors, each accounting for about 20% of the overall rating outcome.

"Acquisition strategy and financial policy" can account for about 10% of the outcome, but is the least consistently weighted factor. A very aggressive strategy or policy could result in this factor being given additional weight in the rating outcome, while a moderate or conservative strategy or policy would likely result in this factor carrying less weight.

The following table illustrates what each hospital company's overall indicated rating would be if we applied these typical factor weightings to fiscal year 2004 data. Using this approach, six of the eleven companies (55%) are rated exactly in line with the indicated rating and four of the eleven companies (36%) are rated only one notch away from the indicated rating.

For-Profit Hospital Rating Methodology Mapping Model

	Moody's Weights	Equal Weights	Rhoen	HMA	Helios	Universal Health Services	HCA	Community Health Systems	LifePoint (5)	Triad	IASIS	Tenet	Vanguard (5)
Diversity and Scale													
Geographic Diversity													
# of Facilities (Acute Care only)	5.0%	6.3%	Ba	Baa	Ba	Ba	A	Baa	Baa	Baa	B	Baa	B
% of Revenue in Risk States (1)	5.0%	6.3%	A	Caa	A	Ba	Ba	B	B	Ba	B	Caa	Caa
Dependence on Facilities													
Cash Flow Concentration by Number of Facilities	5.0%	6.3%	B	Ba	Caa	Ba	A	Ba	Ba	B	B	B	Caa
Revenue Base													
Net Revenue	5.0%	6.3%	B	Ba	B	Ba	A	Ba	B	Ba	B	Baa	B
Competitive Position													
Market Position in Key Markets													
% Top Facilities with Leading Market Position (2)	5.0%	6.3%	A	Baa	A	Baa	Baa	A	A	Baa	Caa	Baa	Ba
Breadth of Clinical Services													
Average # Adjusted Admissions / Facility ('000)	5.0%	6.3%	Ba	B	Ba	Baa	Ba	B	B	Ba	B	Ba	Ba
Investment in Capex													
Capex / Depreciation (3)	5.0%	6.3%	Ba	Baa	Baa	Ba	Ba	B	Ba	Baa	Ba	Ba	B
Demand for Services & Physician Base													
Growth in Same-Facility Adjusted Admissions	5.0%	6.3%	Baa	Baa	Caa	Ba	Ba	Ba	Ba	Baa	Caa	Caa	A
Financial Strength													
Cash Flow													
CFO / Debt	15.0%	6.3%	A	Baa	A	Baa	Baa	B	Ba	Ba	B	B	B
FCF / Debt	15.0%	6.3%	B	Ba	Baa	Ba	Ba	B	B	Caa	Caa	Caa	Caa
Cost Structure and Efficiency													
EBIT Margin	5.0%	6.3%	Baa	A	Ba	Ba	Baa	Baa	Baa	Ba	Ba	B	B
Quality of Revenue													
Bad Debt Expense / Net Revenue	5.0%	6.3%	A	Ba	A	Ba	B	B	Ba	B	Ba	B	Ba
Growth in Same-Facility Revenue / Adjusted Admission	5.0%	6.3%	B	Baa	B	B	Ba	Ba	Ba	Ba	A	Caa	B
Capital Structure													
Debt / Capital	5.0%	6.3%	A	A	A	Baa	B	B	Ba	Baa	B	Caa	B
Acquisition Strategy and Financial Policy													
Dependence on Acquisitions, Dividends and Share Repurchases													
Acquisition Strategy	5.0%	6.3%	B	B	B	Ba	B	B	B	B	Baa	NA	Ba
Return on Investment													
ROA (NPATBUI / Avg Total Assets) (4)	5.0%	6.3%	A	A	A	Baa	Ba	Ba	Ba	Ba	Ba	Caa	Caa
Overall Ratings													
Current Rating			Baa2 NEG	Baa3 NEG (6)	Baa3 RUR	Baa3 STA	Ba2 STA	Ba3 STA	Ba3 STA	Ba3 STA	B1 STA	B2 RUR	B2 NEG
Indicated Corporate Family Rating — Moody's Weights			Baa3	Ba1	Baa3	Ba1	Ba1	Ba3	Ba2	Ba3	B1	B2	B2
Indicated Corporate Family Rating — Equal Weights			Baa3	Ba1	Ba1	Ba1	Ba1	Ba3	Ba2	Ba2	B1	B2	B1

(1) Risk states have two or more of the following risks: weather/seismic activity, nurse staffing ratios, state budgetary concerns, lack of CON, lack of tort reform, high union activity and difficult managed care environment.
(2) Leading market position defined as #1 or #2 player in its market based on admissions.
(3) Capex excludes de novo development and acquisitions.
(4) NPATBUI = Net Profit After Tax Before Unusual Items.
(5) Pro forma for recent transctions.
(6) Senior subordinated debt rating.

= Negative Outlier

= Positive Outlier

APPENDIX

Risk Factors by US States

		Risk Factors							
	States	Weather/ Seismic Activity	Nurse Staffing Ratios	State Budgetary Concerns	Lack of CON(1)	Lack of Tort Reform(2)	High Union Activity	Managed Care Environment	Total
1	Alabama					1			1
2	Alaska								0
3	Arizona				1	1			2
4	Arkansas				1	1			2
5	California	1	1	1	1		1	1	6
6	Colorado				1				1
7	Connecticut					1			1
8	Delaware					1			1
9	District of Columbia					1			1
10	Florida	1		1					2
11	Georgia								0
12	Hawaii					1			1
13	Idaho				1				1
14	Illinois			1		1			2
15	Indiana				1				1
16	Iowa				1	1			2
17	Kansas				1				1
18	Kentucky					1			1
19	Louisiana	1			1				2
20	Maine					1			1
21	Maryland								0
22	Massachusetts				1				1
23	Michigan							1	1
24	Minnesota				1	1			2
25	Mississippi	1		1					2
26	Missouri			1					1
27	Montana				1				1
28	Nebraska				1	1			2
29	Nevada					1			1
30	New Hampshire					1			1
31	New Jersey					1			1
32	New Mexico				1	1			2
33	New York			1		1	1		3
34	North Carolina					1			1
35	North Dakota				1				1
36	Ohio				1	1			2
37	Oklahoma				1	1			2
38	Oregon				1	1			2
39	Pennsylvania				1	1		1	3
40	Rhode Island					1	1		2
41	South Carolina								0
42	South Dakota				1	1			2
43	Tennessee			1		1			2
44	Texas				1				1
45	Utah				1				1
46	Vermont					1			1
47	Virginia					1			1
48	Washington					1			1
49	West Virginia								0
50	Wisconsin				1				1

Notes:
(1) MedPAC's report on Physician-Owned Specialty Hospitals, March 2005.
(2) The American Tort Reform Association and Moody's Research.

Related Research

Rating Methodologies:

Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations - Part I, July 2005 (93570)

Rating Methodology: For-Profit Hospitals Versus Not-For-Profit Hospitals, May 1999 (45061)

Special Comment:

Putting EBITDA In Perspective, June 2000 (55730)

Industry Outlook:

Healthcare Industry Outlook 2004, April 2004 (86932)

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