

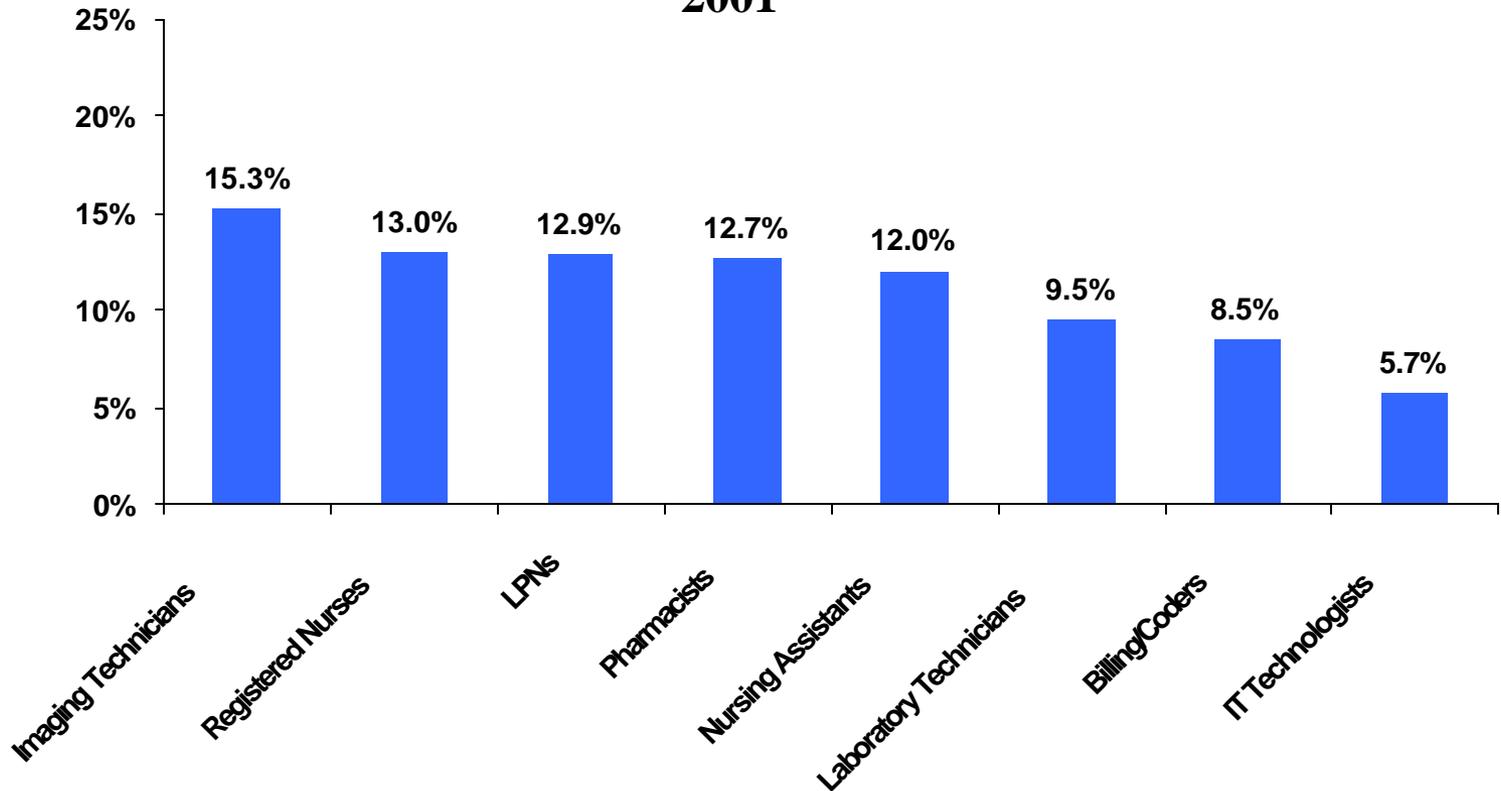
Cracks in the Foundation:

Averting a Crisis
in America's Hospitals



Hospitals face severe workforce shortages...

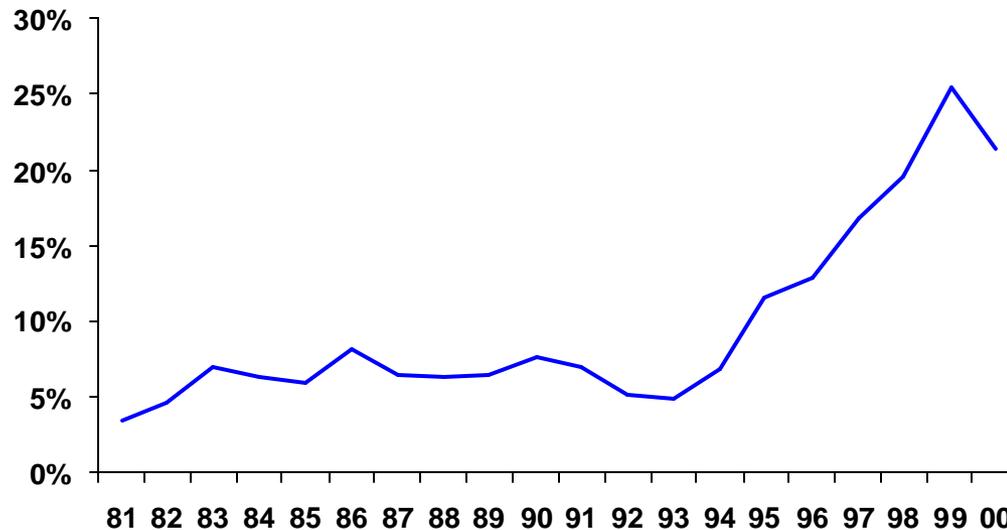
**Vacancy Rates for Selected Hospital Personnel
2001**



Source: The Healthcare Workforce Shortage and Its Implications for America's Hospitals, First Consulting Group, Fall 2001

... rapid growth in pharmaceutical costs...

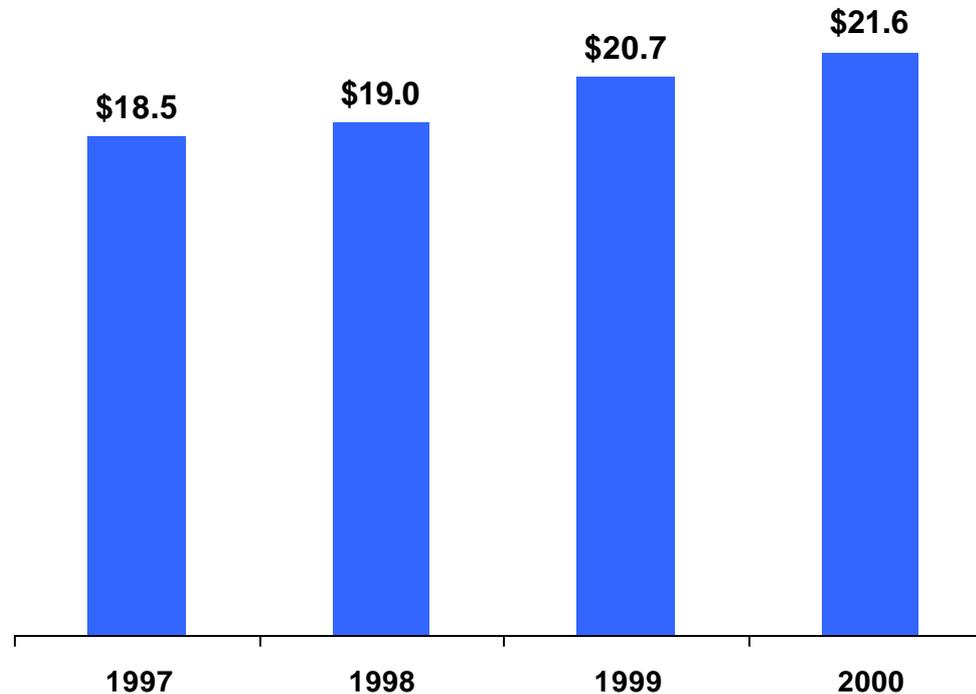
**Growth in Total Prescription Drug Spending
as a Percentage of Total Growth in National Health Expenditures
1981 - 2000**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

Meanwhile the cost of uncompensated care provided by hospitals is rising.

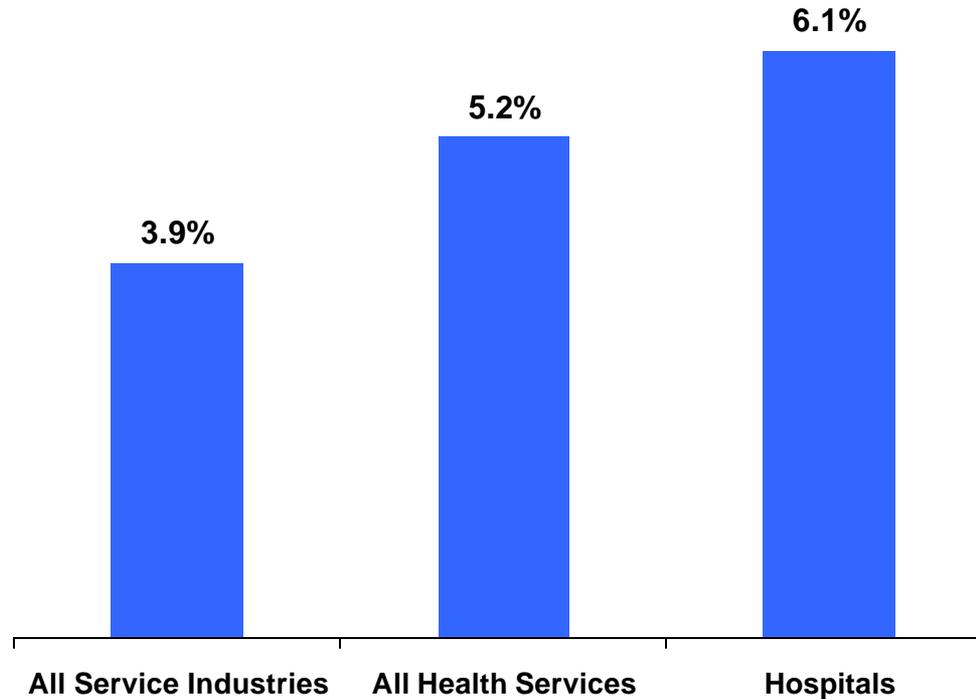
**Aggregate Hospital Uncompensated Care Costs
(in billions)
1997-2000**



Source: AHA Annual Survey

Hospitals face labor cost increases over 50% higher than service industries as a whole...

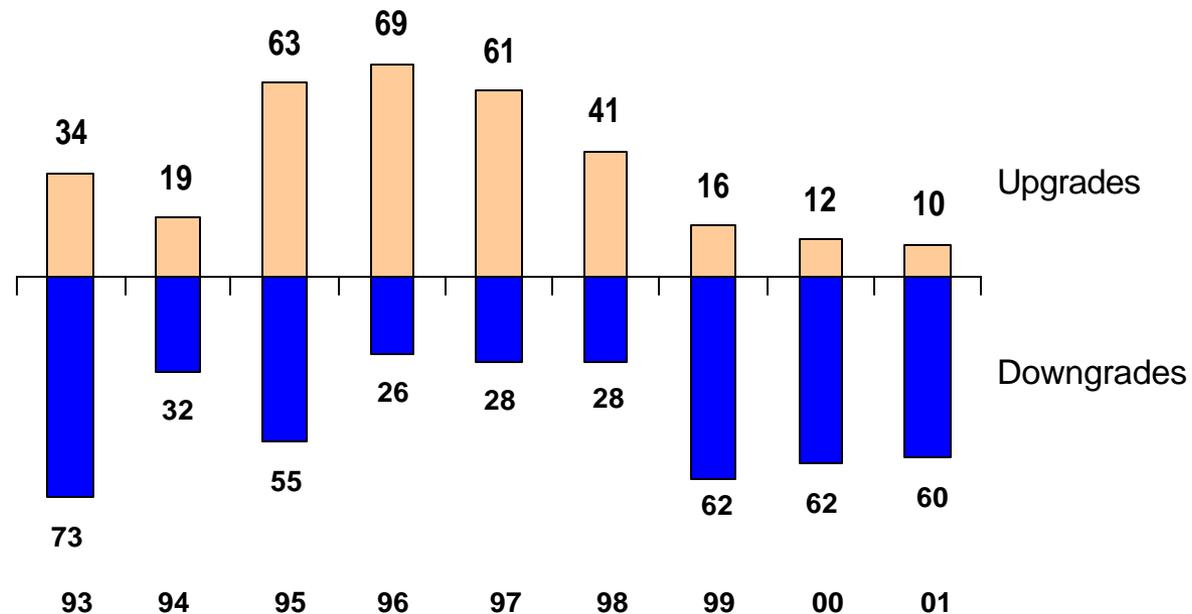
**Percent Change in Employment Cost Index for
Private Service Industries
12 Months Ending March 2002**



Source: Bureau of Labor Statistics, Data Released April 25, 2002

...hospitals are finding access to capital difficult.

**Number of Bond Rating Upgrades and Downgrades
of Non-profit Hospitals
1993 - 2001**



Source: Standard & Poor's Commentary "Hospital Stabilization Expected to Continue in 2002 -- But for How Long?" January 18, 2002

HMO Profits/Hospital Losses

