

MANAGED CARE DIGEST SERIES® 2007



1 *Hospitals/Systems Digest*

2 *Senior Care Digest*

3 *Government Digest*

4 *HMO-PPO Digest*

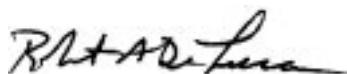
Dear Digest Reader:

The nationally renowned sanofi-aventis **Managed Care Digest Series**[®], now in its 21st year, is part of our continuing commitment to provide you with key data on the evolution of health care. Our goal is to help you remain on the leading edge of health care changes in America, and we hope that this information enables you to identify the trends that can result in positive outcomes for your organization.

Sanofi-aventis is pleased to provide you with your complimentary copy of the *Senior Care Digest* for 2007, the second Digest in the four-part series. The *Senior Care Digest* provides information about the key components of senior care, including care delivered by nursing homes and home health care agencies, along with services provided by skilled nursing facilities (SNFs), assisted living facilities (ALFs), and long-term care pharmacy providers (LTCPPs).

Your sanofi-aventis account manager or sales representative would be happy to provide you with additional information on our products and services. Thank you for your continuing commitment to the quality of health care in America. We look forward to continuing our role in this important endeavor.

Sincerely,



Robert DeLuca
Vice President
U.S. Managed Markets

MANAGED CARE DIGEST SERIES[®]

2007

*Commissioned, sponsored
and underwritten by*
sanofi-aventis
Bridgewater, NJ 08807

Developed and produced by
Forte Information Resources LLC
Denver, CO

Data provided by
Verispan LLC
Yardley, PA

www.managedcaredigest.com

Inquiries relating to the mailing or distribution of the **Managed Care Digest Series**[®] can be addressed by calling 1-800-529-9615.

Managed Care Digest Series is a registered trademark of sanofi-aventis

© 2007 sanofi-aventis U.S. LLC

Contents, Vol. 2

■ Introduction and Methodology	2–3
SENIOR CARE INDUSTRY SUMMARY	4–5
■ Nursing Home Industry Overview	6–7
■ Nursing Home Chains	8
■ Nursing Home Patient Mix	9
■ Nursing Home Utilization	10
■ Nursing Home Services	11
■ Nursing Home Conditions	12
■ Nursing Home Medications	13
■ Nursing Home Revenue	14
■ Nursing Home Staffing	15
■ Hospital-Based Skilled Nursing	16–17
■ Hospital-Based Senior Care	18–19
■ Long-Term Care Pharmacy	20–26
■ Assisted Living Facilities	27–29
■ Home Care Industry Overview	30–31
■ Home Care Chains	32
■ Home Care Patient Visits	33
■ Home Care Services	34
■ Home Care Staffing	35
■ Afterword	36

Introduction

Sanofi-aventis is pleased to present the **Senior Care Digest** of the sanofi-aventis **Managed Care Digest Series®** for 2007. This annual series of Digests, sponsored by sanofi-aventis, includes the **Government Digest**, the **HMO-PPO Digest** and the **Hospitals/Systems Digest**. The series provides essential information about all the major components of health care delivery. To access electronic versions of the sanofi-aventis **Managed Care Digest Series®**, please visit us at www.managedcaredigest.com.

The **Senior Care Digest** for 2007 is designed to serve as a single resource for information about the key components of senior care, including subacute care delivered by nursing homes, in-home care delivered by home health care agencies, along with services delivered by hospital-based skilled nursing facilities (SNFs), assisted living facilities (ALFs), and long-term care pharmacy providers (LTCPPs).

This **Senior Care Digest** features expanded sections on nursing homes, LTCPPs, and home health care agencies: National and state-by-state data for each of these three senior care industry segments are presented. Additional information is provided on both the 35 largest nursing home and home health care chains in the nation.

This Digest once again also provides demographic and utilization data on hospital-based SNFs, along with demographic as well as chain data on ALFs. These sections profile hospital-based SNFs and ALFs from across the nation. Updated data are also presented that profile common diagnoses and procedures of seniors in hospitals.

USES FOR THIS DIGEST

The four print digests and five electronic digests that comprise the **Managed Care Digest Series®** are used by health care providers, professional associations, insurers, consultants, strategists, employers and policy analysts. Feel free to use this publication's contents in any way you like, provided that you credit the sanofi-aventis **Managed Care Digest Series®**, the **Senior Care Digest** and Verispan LLC, which copyrights all its data. Digest statistics are often used for:

- Speeches and presentations
- Health care organization planning and budgeting
- Health care strategic forecasting
- Comparisons of industry segments with an individual organization's results
- Benchmarking for quality analysis and improvement
- Marketing projections
- Product development.

Research Methodology

Data for this Digest were gathered by Verispan LLC, Yardley, Pa., a recognized leader in the health care information market, providing comprehensive profiling solutions to health care marketing business problems. Verispan uses rigorous survey methodology in producing reports and validating data.

The definition of nursing homes included in this Digest encompasses only freestanding long-term care facilities providing skilled and unskilled care. No long-term care facilities attached to hospitals or long-term care or subacute beds within hospitals are included, since they are typically licensed by states as part of hospitals and their beds are counted as hospital beds. Also, no intermediate care facilities or mental retardation (ICF/MR) homes are included in the nursing home data in this Digest. These data were effective as of end-of-year 2006.

Hospital-based SNF data for this report are based on information from the Verispan Hospital Profiling Solution®. Hospital utilization data were compiled between mid-2005 and mid-2006, and were effective as of December 31, 2005. These data were gathered from state health licensing agencies, federal government sources and telephone or mail surveys. Hospital procedural/diagnosis discharge data are from the Verispan National Patient Profile®, and ALF data are from the Verispan

Healthcare Market Index®. Updated LTCPP data are from the Verispan Long-Term Care Pharmacy Provider Profiling Solution®.

Detailed information on corporate affiliations was used to compile the profile of the home care industry. This information is based on data from the Verispan Home Health Market/Chains Profiling Solution®. Data were effective as of end-of-year 2006. All identified home health care agencies and home health care chains are contacted annually by telephone and by mail for survey information.

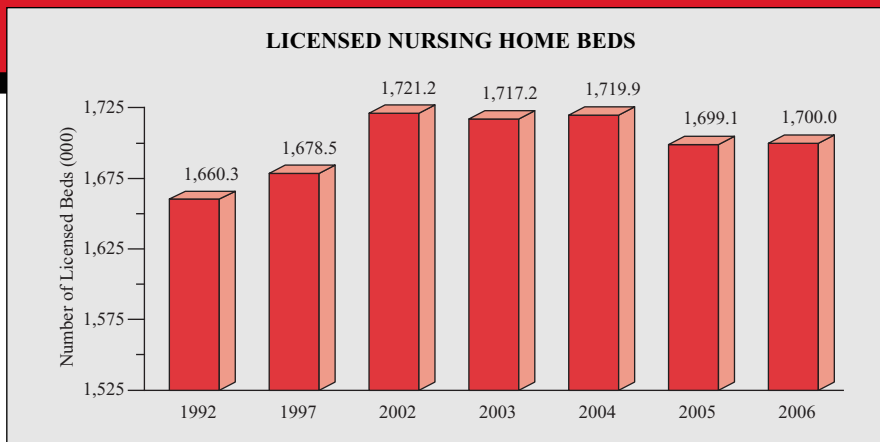
Verispan compares its data with those gathered by other organizations, including trade associations, periodicals and journals, state licensing information and the Centers for Medicare and Medicaid Services (CMS).

A final review process takes place, before and during production of this report, between Verispan and Forte Information Resources LLC, Denver, Colo., a leading provider of publishing and communications products and services for the health care industry.

Sanofi-aventis, as sponsor of this report, maintains an arm's-length relationship with the organizations that prepare the Digest and carry out the research. The desire of sanofi-aventis is for the **Managed Care Digest Series®** to be completely independent and objective.

NUMBER OF LICENSED NURSING HOME BEDS HOLDS STEADY IN 2006

After falling slightly between 2004 (1.72 million) and 2005 (1.70 million), the number of licensed nursing home beds held virtually steady in 2006. Over the 15-year period between 1992 (1.66 million) and 2006, the number of nursing home beds in the U.S. edged up only 2.4%.



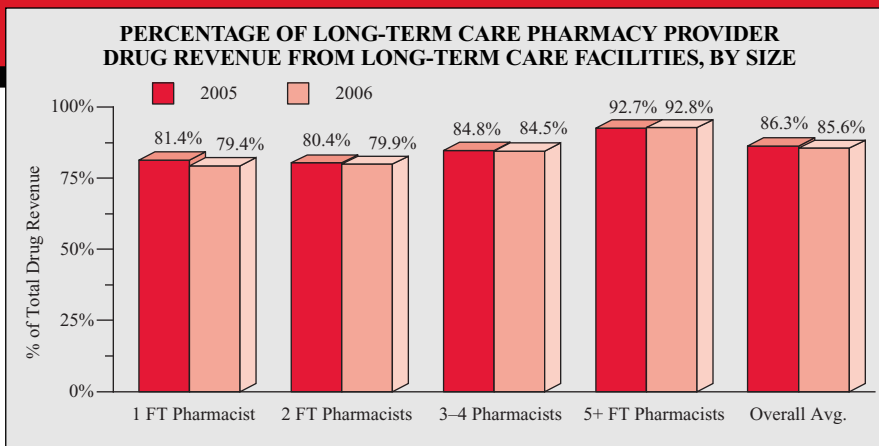
Data source: Verispan LLC © 2007

Senior Care Industry Summary

- The share of all nursing home patients who received Medicaid benefits grew in 2006, to 64.1% from 62.9% in 2005, the first reported annual rise since 2003.
- Between 2005 (36,861) and 2006 (35,898), the total facility patient-days count fell 2.6% at nursing homes nationwide.
- The share of all nursing home residents who received mechanically altered diets was 35.4% in 2006, up from 34.8% in 2005.
- The percentage of nursing home residents overall who were afflicted with bladder incontinence was 54.8%, up from 51.6% in 2005, the largest share of the 11 conditions listed.
- Total patient revenue per nursing home per year rose 3.5% in 2006, to \$7.7 million from \$7.4 million in 2005, the second consecutive annual increase.
- The number of hospital-based skilled nursing facilities (SNFs) in the U.S. fell 9.3% in 2005, to 1,233 from 1,360 in 2004.
- In 2005, the average length of stay per patient at hospital-based SNFs rose 6.6%, to 151.1 days from 141.7 the year before.
- The percentage of hospital patients diagnosed with diabetes mellitus who were at least 65 years of age declined to 55.1% in 2005 from 56.6% in 2004.
- Between 2005 (13,544) and 2006 (13,871), the total number of assisted living facilities (ALFs) in the U.S. rose 2.4%.
- After a notable 14.0% increase between 2001 (11,677) and 2005 (13,313), the number of home care agencies in the U.S. grew fractionally in 2006, to 13,333.
- The number of hospital-based home care agencies dropped 6.5% in 2006, to 1,529 from 1,636 in 2005, the fourth consecutive annual decrease.
- Over three-quarters (76.2%) of home care agencies nationwide provided speech therapy to their patients in 2006, up from 72.7% the previous year.

REGIONS

Pacific	South Central
Alaska	Alabama
California	Arkansas
Hawaii	Kentucky
Oregon	Louisiana
Washington	Mississippi
	Oklahoma
Mountain	Tennessee
Arizona	Texas
Colorado	New England
Idaho	Connecticut
Montana	Maine
Nevada	Massachusetts
New Mexico	New Hampshire
Utah	Rhode Island
Wyoming	Vermont
W. North Central	Mid-Atlantic
Iowa	New Jersey
Kansas	New York
Minnesota	Pennsylvania
Missouri	South Atlantic
Nebraska	Delaware
North Dakota	D.C.
South Dakota	Florida
E. North Central	Georgia
Illinois	Maryland
Indiana	North Carolina
Michigan	South Carolina
Ohio	Virginia
Wisconsin	West Virginia



Data source: Verispan LLC © 2007

SHARE OF LTCPP DRUG REVENUE FROM LTC FACILITIES DECLINES

LTCPPs with at least 50% of their revenue from long-term care facilities generated 85.6% of their total drug revenue from such facilities in 2006, down from 86.3% in 2005. LTCPPs with just one full-time (FT) pharmacist generated 79.4% of their total drug revenue from long-term care facilities, down from 81.4% the prior year, and the lowest share by LTCPP size.

Senior Care Pharmacy Summary

- The number of long-term care pharmacy providers (LTCPPs) in the U.S. generating at least half of their revenue from long-term care facilities was 1,105, up 2.4% from 1,079 in 2005.
- The nursing home resident share of all LTCPP prescriptions dispensed continued to decline in 2006, to 62.7% from 64.4% in 2005 and from 65.7% in 2004.
- Between 2005 and 2006, the nursing home shares of all prescriptions dispensed by LTCPPs declined in seven of eight geographic regions (the Mountain region excepted).
- Of prescriptions dispensed by LTCPPs in 2006, 12.8% overall went to residential care facilities, up moderately from 11.9% in 2005 and from 11.3% in 2004.
- Overall, LTCPPs that generated at least half their revenue from long-term care facilities dispensed 11,287.8 nursing home prescriptions per month in 2006, down 1.3% from 11,435.3 the previous year.
- Between 2004 (8,224.8) and 2006 (6,440.7), the number of nursing home prescriptions dispensed per month by independently owned LTCPPs declined a notable 21.7%.
- In 2006, 13.2% of prescriptions dispensed by LTCPPs to nursing homes were cardiovascular, down slightly from 13.5% the year before, but still the highest share by therapeutic category.
- The prescription cost per long-term care bed declined 2.5% at corporate-owned LTCPPs in 2006, to \$50.06 from \$51.33.
- The share of total LTCPP drug sales that went to long-term care facilities fell at both corporate- (to 94.7% from 94.9% in 2005) and independently (to 83.4% from 84.7%) owned LTCPPs.
- In the three years from 2004 to 2006, the long-term care facility share of total LTCPP drug revenue at independently owned LTCPPs decreased more than four percentage points, to 80.2% from 84.3%.

Nursing home, licensed bed counts are virtually unchanged

The total number of nursing homes operating in the U.S. in 2006 was 15,174, just fractionally more than the 15,172 reported in 2005. The number of licensed beds also rose fractionally, to 1.70 million from 1.69 million the

previous year. The total U.S. nursing home count has remained largely static over the past decade. In the 10 years from 1996 (15,323) to 2006, the nursing home count has hovered between 15,130 (1999) and 15,371 (2000).

FIVE STATES HAVE ALTOGETHER A THIRD OF ALL U.S. BEDS

In 2006, five states—California, Illinois, New York, Ohio, and Texas—had at least 100,000 licensed nursing home beds each, together accounting for approximately one-third of all licensed beds in the U.S. Another five states (Florida, Indiana, Massachusetts, Missouri, Pennsylvania) each served as home for more than 50,000 nursing home beds. These 10 states combined to have 52.7% of all licensed nursing home beds in the nation.

BEDS PER 1,000 RATIO DECLINES AGAIN

The average number of nursing home beds per 1,000 residents aged 65 and older dropped again in 2006, to 46.2 from 46.8 in 2005, the sixth consecutive annual decline. At 75.3, Iowa had the highest number of nursing home beds per 1,000 seniors, by state, while Alaska had the smallest (13.9). Between 2005 and 2006, the beds per 1,000 ratio fell in all but three states: Kentucky, Nebraska and West Virginia, as well as Washington D.C.

* "Beds/1,000" represents the number of licensed nursing home beds per 1,000 people age 65 and older in that state. State population data are a projection of the U.S. Department of Commerce Bureau of the Census, Population Distribution Branch, published July 2005.

NUMBER OF NURSING HOMES AND LICENSED BEDS IN EACH STATE, BY BED SIZE

STATE	<50 Beds		50–100 Beds		101–150 Beds		151–200 Beds		201+ Beds		Total NHs	Total Beds	Beds/1,000*
	NHs	Beds	NHs	Beds	NHs	Beds	NHs	Beds	NHs	Beds			
Alabama	6	198	81	6,111	85	10,403	38	6,561	14	3,326	224	26,599	44.1
Alaska	2	83	4	306	—	—	—	—	1	224	7	613	13.9
Arizona	6	208	34	2,408	62	7,518	23	4,091	10	2,320	135	16,545	21.8
Arkansas	2	81	91	7,328	117	13,785	13	2,120	3	789	226	24,103	62.7
California	159	6,076	662	53,388	216	27,133	111	19,163	48	11,937	1,196	117,697	30.4
Colorado	22	856	86	6,326	66	7,879	16	2,793	6	1,375	196	19,229	41.3
Connecticut	14	522	77	5,897	105	13,223	30	5,245	17	4,488	243	29,375	62.0
Delaware	5	142	12	904	22	2,534	6	993	1	397	46	4,970	44.3
Florida	28	985	128	9,084	379	45,278	102	17,781	36	9,022	673	82,150	27.4
Georgia	17	596	110	8,169	158	18,275	35	5,925	24	5,819	344	38,784	44.6
Hawaii	7	246	10	821	7	839	2	340	3	780	29	3,026	17.3
Idaho	12	455	23	1,665	24	2,882	3	471	—	—	62	5,473	33.4
Illinois	38	1,440	270	21,231	233	28,643	98	17,163	139	35,683	778	104,160	68.1
Indiana	51	1,944	183	13,660	166	19,688	61	10,646	32	9,369	493	55,307	71.1
Iowa	72	2,881	255	17,493	69	7,863	13	2,263	7	2,288	416	32,788	75.3
Kansas	62	2,567	192	12,992	53	6,286	15	2,532	6	1,537	328	25,914	72.6
Kentucky	31	1,053	117	8,625	104	12,357	16	2,703	6	1,655	274	26,393	50.2
Louisiana	5	168	54	4,329	150	18,256	65	11,033	18	4,161	292	37,947	71.4
Maine	35	1,262	58	4,060	12	1,352	—	—	2	499	107	7,173	37.2
Maryland	18	655	51	3,838	85	10,653	45	7,724	22	5,960	221	28,830	44.7
Massachusetts	48	1,756	115	8,931	195	24,211	69	11,579	17	4,092	444	50,569	59.3
Michigan	28	1,012	125	9,280	164	19,749	63	10,770	27	6,512	407	47,323	37.6
Minnesota	51	1,939	185	12,963	84	10,132	26	4,513	17	4,981	363	34,528	55.4
Mississippi	7	204	91	6,108	76	9,268	10	1,751	4	1,118	188	18,449	51.5
Missouri	29	971	223	16,434	205	24,771	43	7,398	25	6,684	525	56,258	72.8
Montana	16	613	24	1,869	20	2,247	6	1,074	2	501	68	6,304	48.9
Nebraska	61	2,437	103	7,051	29	3,402	10	1,704	4	1,116	207	15,710	67.3
Nevada	2	38	8	665	16	1,926	7	1,284	5	1,225	38	5,138	18.8
New Hampshire	13	381	33	2,392	26	3,025	3	492	5	1,369	80	7,659	47.0
New Jersey	28	986	66	4,464	120	14,478	83	14,520	53	14,388	350	48,836	43.2
New Mexico	9	295	27	1,972	30	3,528	2	338	2	579	70	6,712	28.6
New York	34	1,295	87	6,826	147	17,883	150	26,850	194	62,328	612	115,182	45.8
North Carolina	29	781	135	10,241	188	22,462	39	6,740	13	3,212	404	43,436	41.2
North Dakota	17	660	33	2,188	15	1,775	6	1,026	2	542	73	6,191	66.1
Ohio	85	2,867	314	22,291	377	43,495	112	19,416	56	15,127	944	103,196	67.5
Oklahoma	26	1,033	169	11,865	125	14,653	20	3,408	7	1,824	347	32,783	69.9
Oregon	19	677	69	5,137	42	4,870	9	1,516	2	423	141	12,623	26.9
Pennsylvania	60	2,204	167	11,827	267	33,043	102	17,793	76	23,595	672	88,462	46.7
Rhode Island	17	607	32	2,231	26	3,271	13	2,204	5	1,275	93	9,588	64.0
South Carolina	35	1,378	60	5,074	59	7,365	20	3,469	5	1,462	179	18,748	35.0
South Dakota	34	1,371	57	3,775	11	1,286	3	535	—	—	105	6,967	63.0
Tennessee	15	552	91	6,814	132	16,088	49	8,381	18	4,754	305	36,589	48.8
Texas	52	1,976	384	29,131	537	65,212	107	18,534	35	8,374	1,115	123,227	54.2
Utah	19	675	33	2,386	28	3,232	6	970	2	483	88	7,746	35.9
Vermont	14	439	12	821	10	1,193	6	983	—	—	42	3,436	41.9
Virginia	23	833	90	6,172	97	11,749	45	8,109	18	4,824	273	31,687	36.6
Washington	34	1,259	100	7,861	82	9,842	14	2,349	4	871	234	22,182	30.8
Washington DC	1	20	5	286	—	—	4	715	6	1,748	16	2,769	41.2
West Virginia	2	85	55	3,827	41	4,886	7	1,299	1	214	106	10,311	37.0
Wisconsin	31	1,080	175	12,685	106	12,615	40	6,945	18	4,552	370	37,877	52.5
Wyoming	3	128	11	811	8	970	3	510	—	—	25	2,419	39.0
TOTAL	1,434	52,970	5,577	413,013	5,376	647,474	1,769	306,722	1,018	279,802	15,174	1,699,981	46.2

Data source: Verispan LLC © 2007

Medicare-certified nursing home ratio rebounds in 2006

The ratio of Medicare-certified nursing homes to all nursing homes grew to 96.3% in 2006, after slipping to 95.8% from 97.2% between 2004 and 2005. The ratios rose for all bed size categories, between 2005 and 2006, most

notably for homes with fewer than 50 licensed beds, to 87.0% from 85.8% the year before.

The percentage of Medicare-certified nursing homes with more than 200 beds edged up only fractionally, to 96.7% from 96.3% in 2005.

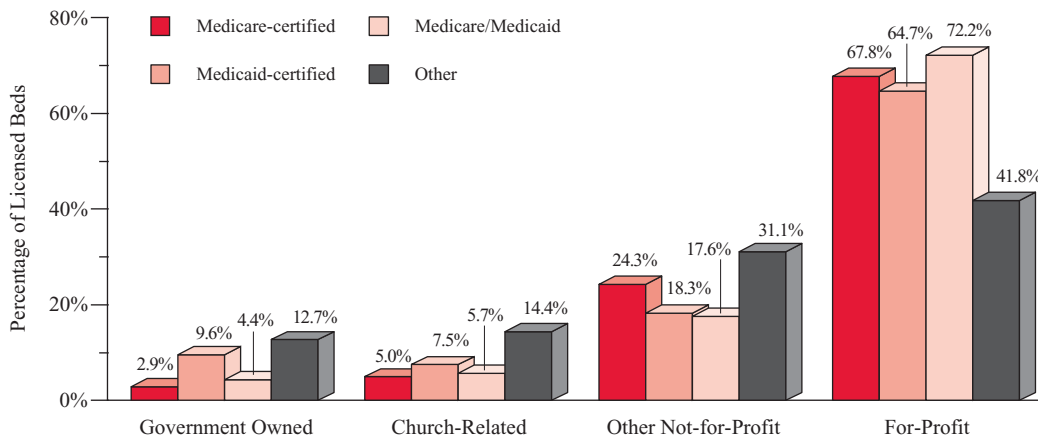
NURSING HOMES, LICENSED BEDS AND OCCUPANCY, BY SIZE*

SIZE (Licensed Beds)	Percentage of All Nursing Homes	Percentage of All Licensed Beds	Average Occupancy Rate (Licensed Beds)	Medicare-certified Percentage of All Nursing Homes
<50 Beds	9.5%	3.2%	85.4%	87.0%
50–100 Beds	36.8	24.3	84.5	96.7
101–150 Beds	35.4	38.1	84.4	97.8
151–200 Beds	11.7	18.1	84.7	97.4
201+ Beds	6.7	16.3	84.1	96.7
TOTAL/AVERAGE	100.0%	100.0%	84.6%	96.3%

MEDICARE AND MEDICAID BEDS FOR ALL NURSING HOMES*, **

TYPE OF BED	Total # of Licensed Beds		Avg. # of Licensed Beds/NH	
	2005	2006	2005	2006
Medicare-certified	62,638	63,595	4.1	4.2
Medicaid-certified	228,910	226,166	15.1	14.9
Medicare/Medicaid	1,335,952	1,337,411	88.1	88.1
Other	71,585	72,344	4.7	4.8
TOTAL	1,699,126	1,699,981	112.0	112.0

DISTRIBUTION OF LICENSED BEDS, BY OWNERSHIP TYPE*, **



OCCUPANCY RATE REMAINS STABLE

The overall average occupancy rate at the nation's nursing homes was 84.6% in 2006, unchanged from 2005 and up just slightly from 84.5% in 2004. For the sixth consecutive year, facilities with fewer than 50 licensed beds had the highest occupancy rate among the five bed size categories (85.4%).

MEDICAID-CERTIFIED LICENSED BED COUNT DECLINE SLOWS

The number of licensed nursing home beds certified exclusively for Medicaid reimbursement fell just 2.0% in 2006, to 226,166 from 228,910 in 2005. Between 2000 (837,792) and 2006, the number of these Medicaid-certified beds plummeted 73.0%, while the average number of Medicaid beds per facility dropped to 14.9 from 54.7.

* Based on 15,174 nursing homes in the U.S. Overall averages include the smallest homes.

** "Medicare-certified" refers to those nursing home beds that are eligible for Medicare payment under Title XVIII of the Social Security Act. "Medicaid-certified" refers to those nursing home beds that are eligible for Medicaid reimbursement under Title XIX of the Social Security Act. "Medicare/Medicaid" beds qualify for payment from either Medicare or Medicaid. "Other" nursing home beds are paid for by sources other than Medicare and Medicaid, such as private insurance, self-pay and Veterans Affairs.

NOTE: Percentages may not always sum to 100% due to rounding.

Data source: Verispan LLC © 2007

Numbers of homes, licensed beds in top chains edge up again

In 2006, the 35 largest nursing home chains owned or leased a combined total of 3,430 facilities, up from 3,406 in 2005, and 3,388 in 2004. The number of licensed beds in these chains also grew, to 385,426 from 383,225 the

year before. These 35 chains operated 22.6% of all nursing homes in the U.S. and housed 22.7% of all licensed beds. The 10 largest chains operated 2,030 facilities (13.4% of total) and 235,623 licensed beds (13.8% of total).

LICENSED BED COUNT GROWS AT 17 CHAINS

Of the 33 nursing home chains that returned to the top 35 list in 2006, 17 housed more licensed beds than the previous year, while eight had fewer beds. The remaining eight had the same number in 2006 as in 2005. Sun Healthcare Group reported the largest annual gain, managing 14,138 licensed beds in 2006, up 42.6% from 9,916 in 2005. By comparison, Atlanta-based Sava Senior Care saw its licensed bed total decline 27.5%, to 22,168 from 30,617 in 2005.

NON-PROFIT CHAINS ACCOUNT FOR MORE FACILITIES AND BEDS

The total number of nursing home facilities owned or leased by large chains that operated on a not-for-profit basis climbed 22.7% between 2004 and 2006 (to 286 from 233), while the combined number of licensed beds in such chains jumped 25.1% during the same time (to 22,852 from 18,269). The largest not-for-profit nursing home corporation in the U.S., Evangelical Lutheran Good Samaritan, operated 190 nursing homes with a total of 14,672 licensed beds, making it the country's fifth largest nursing home chain in 2006.

THE NATION'S 35 LARGEST NURSING HOME CHAINS*

CHAIN / HEADQUARTERS	Current Rank	Previous Rank	Tax Status	Total NHs	Total Lic. Beds	Avg. Beds/NH	# of States
Golden Ventures / Fort Smith, Ark.**	1	1	FP	336	34,701	103.3	24
Manor Care / Toledo, Ohio	2	2	FP	283	38,044	134.4	30
Kindred Healthcare / Louisville, Ky.	3	3	FP	251	31,614	126.0	28
Life Care Centers of America / Cleveland, Tenn.	4	5	FP	223	29,212	131.0	28
Evangelical Lutheran Good Samaritan / Sioux Falls, S.D.	5	6	NFP	190	14,672	77.2	24
Genesis Health Care / Kennett Square, Penn.	6	7	FP	188	23,964	127.5	13
Sava Senior Care / Atlanta, Ga.	7	4	FP	181	22,168	122.5	19
Extencare Health Services / Milwaukee, Wisc.	8	8	FP	146	15,386	105.4	11
Sun Healthcare Group / Albuquerque, N.M.	9	10	FP	129	14,138	109.6	19
Trans Healthcare Inc. / Sparks, Md.	10	9	FP	103	11,724	113.8	16
Daybreak Healthcare / Denton, Texas	11	11	FP	77	8,435	109.5	1
National HealthCare Corporation / Murfreesboro, Tenn.	12	13	FP	73	9,163	125.5	10
Life Care Services Corporation / Des Moines, Iowa	12	14	FP	73	5,462	74.8	26
Five Star Quality Care / Newton, Mass.	12	12	FP	73	6,114	83.8	20
Senior Health Management / St. Petersburg, Fla.	15	15	FP	70	8,670	123.9	4
Coastal Administration Services / Atlanta, Ga.	16	16	FP	66	7,127	108.0	17
Harborside Healthcare / Boston, Mass.	17	23	FP	64	7,323	114.4	9
Tandem Health Care / Maitland, Fla.	18	16	FP	63	6,820	108.3	7
Skilled Healthcare / Foothill Ranch, Calif.	19	18	FP	62	7,559	121.9	5
Evergreen Healthcare / Vancouver, Wash.	20	30	FP	55	5,535	100.6	7
Health Systems Inc. / Sikeston, Mo.	21	20	FP	53	4,608	86.9	2
Magnolia Management / Ridgeland, Miss.	21	—	FP	53	6,395	120.7	3
Home Quality Management Inc. / Palm Beach Gardens, Fla.	21	20	FP	53	6,023	113.6	6
Sea Crest Health Care Management / Tampa, Fla.	21	23	FP	53	6,696	126.3	1
Britthaven Inc. / Kinston, N.C.	25	22	FP	52	6,516	125.3	3
Pruitt Corporation / Toccoa, Ga.	26	25	FP	51	5,655	110.9	3
Sunrise Senior Living / McLean, Va.	27	18	FP	50	2,768	55.4	20
Petersen Health Care / Peoria, Ill.	27	30	NFP	50	4,525	90.5	2
Ethica Health & Retirement Communities / Macon, Ga.	29	—	FP	48	5,066	105.5	1
Care Initiatives / West Des Moines, Iowa	30	28	NFP	46	3,655	79.5	1
Complete Care Services / Horsham, Penn.	30	33	FP	46	6,349	138.0	2
Delta Health Group / Pensacola, Fla.	32	28	FP	45	5,402	120.0	3
Advocat Diversicare / Brentwood, Tenn.	33	26	FP	43	4,535	105.5	8
Covenant Care / Aliso Viejo, Calif.	34	33	FP	41	4,747	115.8	7
Ensign Group / Mission Viejo, Calif.	35	33	FP	40	4,655	116.4	4
TOTAL/AVERAGE				3,430	385,426	112.4	

* This table includes all nursing homes owned and leased by these chains, and the licensed beds within those homes, as of December 2006.

** Formerly Beverly Enterprises.

Data source: Verispan LLC © 2007



Medicaid recipients account for larger share of patient mix

The share of all nursing home patients who received Medicaid benefits grew in 2006, to 64.1% from 62.9% in 2005, the first reported annual increase since 2003. The Medicaid recipient annual patient share grew in every

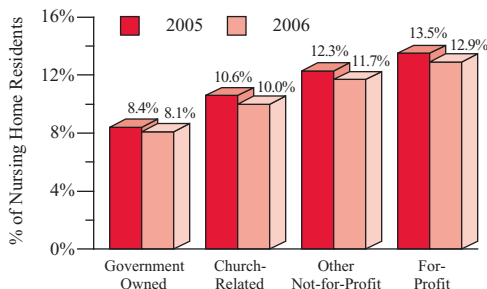
geographical region, for nursing homes of all sizes, and for each ownership type profiled. Conversely, the overall ratio of nursing home residents who were Medicare beneficiaries slipped in 2006, to 12.4% from 12.9% in 2005.

NURSING HOME PATIENT MIX, BY PAYER TYPE

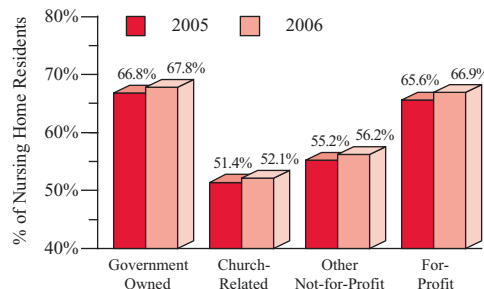
	Percentage of Nursing Home Residents			
	Medicare*		Medicaid**	
	2005	2006	2005	2006
OWNERSHIP				
Government	8.4%	8.1%	66.8%	67.8%
Church-Related	10.6	10.0	51.4	52.1
Other Not-for-Profit	12.3	11.7	55.2	56.2
For-Profit	13.5	12.9	65.6	66.9
SIZE (Licensed beds)				
<50 Beds	14.7%	13.6%	54.2%	55.9%
50–100 Beds	12.0	11.4	61.5	62.6
101–150 Beds	13.8	13.2	64.5	65.6
151–200 Beds	13.1	12.6	65.5	66.8
201+ Beds	11.7	11.5	68.4	69.2
REGION				
Pacific	12.6%	12.0%	62.7%	63.2%
Mountain	12.9	11.8	58.8	61.3
West North Central	8.7	8.4	55.5	56.5
East North Central	13.9	13.1	62.0	63.0
South Central	12.7	11.9	68.3	69.9
New England	13.7	12.6	65.2	67.2
Mid-Atlantic	13.1	12.9	63.3	64.3
South Atlantic	15.5	15.4	63.8	64.6
CERTIFICATION				
Medicare-certified	12.9%	12.4%	62.9%	64.0%
AVERAGE	12.9%	12.4%	62.9%	64.1%

NURSING HOME PATIENT MIX, BY OWNERSHIP TYPE

MEDICARE BENEFICIARIES*



MEDICAID RECIPIENTS**



LARGE HOMES HAVE GREATEST SHARE OF MEDICAID PATIENTS

At nursing homes with 201 or more licensed beds, Medicaid recipients accounted for 69.2% of the patient mix, up from 68.4% in 2005, and the largest share by size category. The Medicaid recipient share, in this largest nursing home size category, was more than 13 percentage points higher than the share claimed by nursing homes with fewer than 50 licensed beds (55.9%). Meanwhile, only 11.5% of the patient mix in the largest homes were Medicare beneficiaries, the second lowest share by size.

GOVERNMENT HOMES HAVE THE FEWEST MEDICARE RESIDENTS

At nursing homes operated by government entities in 2006, just 8.1% of patients were Medicare beneficiaries, down from 8.4% in 2005, and the lowest share by ownership type. Conversely, the share of all patients at government nursing homes who were Medicaid recipients was 67.8%, up from 66.8% the previous year.

* Based on 13,571 nursing homes in the U.S.

** Based on 14,508 nursing homes in the U.S.

Data source: Verispan LLC © 2007

Nursing home patient-days, average length of stay decline

Between 2005 (36,861) and 2006 (35,898), the total facility patient-days per year count fell 2.6% at the nation's nursing homes, while total facility average length of stay (ALOS) dropped 2.3% (to 295 days from 302 days). The number

of patient-days (82,959) and ALOS (305) each remained highest at the largest homes, while homes with fewer than 50 beds had the lowest patient-days count (16,449) and homes with 50 to 100 beds had the shortest ALOS (293).

TOTAL PATIENT-DAYS COUNT SLIPS IN MID-ATLANTIC REGION

The total number of patient-days per year at nursing homes in the Mid-Atlantic region fell 1.7%, to 52,471 from 53,383 in 2005, yet still exceeded both the overall average (35,898) and all seven other region totals by a wide margin. For example, the West North Central region reported just 26,598 total nursing home patient-days in 2006 (down 5.1% from 2005), which was half of the Mid-Atlantic total.

ALOS DECREASES AT FOR-PROFIT HOMES

The total facility ALOS at for-profit nursing homes was 289 days, down 2.7% from 297 in 2005, and the shortest average of the four ownership types profiled. By comparison, nursing homes operated by church-related entities had the longest ALOS (317 days).

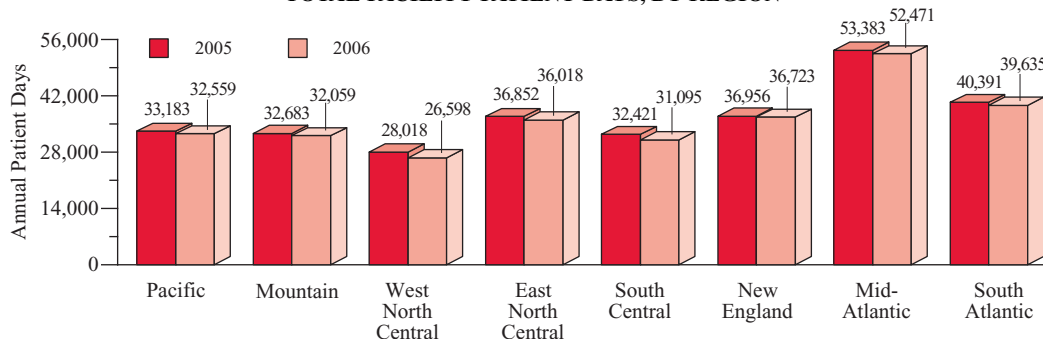
SOUTH CENTRAL REGION REPORTS SHORTEST ALOS

In 2006, nursing homes in the South Central region trimmed their ALOS by 3.6%, to 263 days, which was at least 20 days shorter than in any other region. The steepest annual percentage decline was at nursing homes in the West North Central region, where ALOS dropped 5.0% in 2006, to 284 days from 298 in 2005.

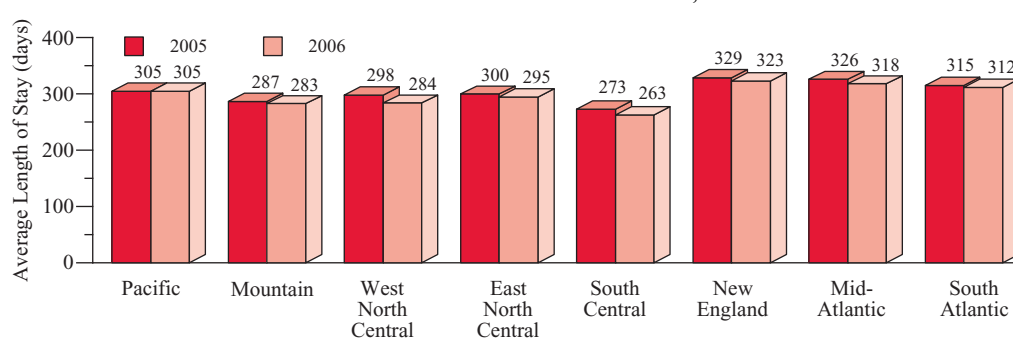
NURSING HOME UTILIZATION RATES

SIZE (Licensed Beds)	Total Facility Patient-days per Year		Total Facility Average Length of Stay (days)	
	2005	2006	2005	2006
<50 Beds	16,805	16,449	302	296
50-100 Beds	24,804	24,273	300	293
101-150 Beds	37,003	36,021	301	294
151-200 Beds	53,611	52,494	307	302
201+ Beds	84,343	82,959	310	305
OWNERSHIP				
Government	50,038	48,028	314	307
Church-Related	41,766	41,204	323	317
Other Not-for-Profit	40,582	39,925	315	314
For-Profit	35,076	34,006	297	289
OVERALL AVERAGE	36,861	35,898	302	295

TOTAL FACILITY PATIENT DAYS, BY REGION



TOTAL FACILITY AVERAGE LENGTH OF STAY, BY REGION



Data source: Verispan LLC © 2007

Larger percentage of nursing home residents has altered diets

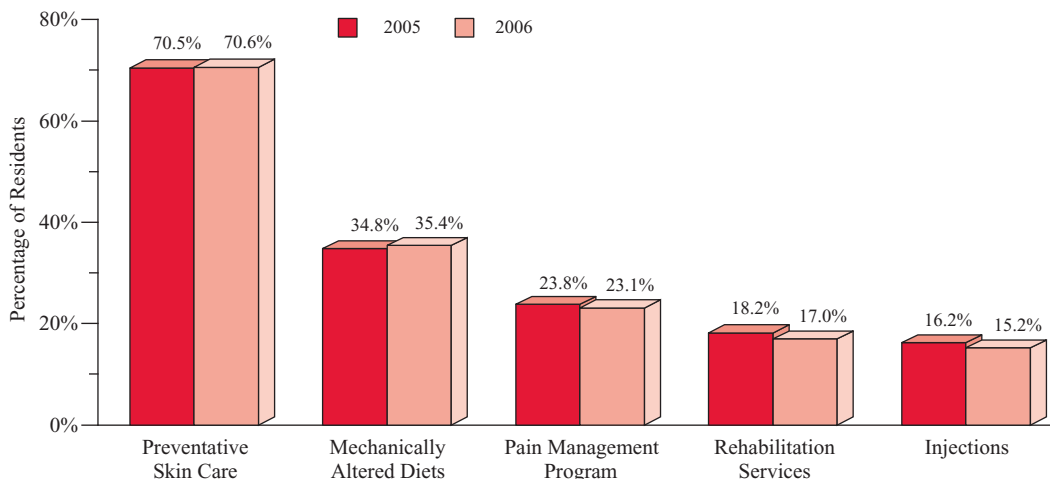
The percentage of all nursing home residents who received mechanically altered diets was 35.4% in 2006, up from 34.8% in 2005. The share of residents who received such services underwent an annual increase, between 2005

and 2006, regardless of nursing home ownership type. Residents of government-run homes (36.8%) were most likely to have mechanically altered diets in 2006, while residents of secular not-for-profit homes (33.0%) were least likely.

PERCENTAGE OF NURSING HOME RESIDENTS RECEIVING VARIOUS SERVICES, BY OWNERSHIP TYPE

SERVICES	Government		Church-Related		Other Not-for-Profit		For-Profit		All Nursing Homes	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Assisted Devices for Eating	12.0%	12.1%	10.2%	9.7%	9.1%	9.1%	7.4%	7.4%	8.1%	8.0%
Behavioral Management	13.4	15.2	12.6	12.7	11.5	12.1	12.4	12.8	12.3	12.8
Bladder Training Program	6.5	6.5	7.1	7.3	6.4	6.6	5.5	5.6	5.8	5.9
Bowel Training Program	4.3	4.5	4.3	4.7	3.8	4.1	3.1	3.3	3.3	3.5
Catheters	6.3	6.5	5.3	5.1	5.8	5.8	6.4	6.4	6.2	6.2
Dialysis	0.8	0.8	0.7	0.7	0.9	0.9	1.4	1.4	1.3	1.2
Hospice Care Benefit	2.0	1.7	3.6	2.9	3.6	3.0	3.7	3.1	3.6	3.0
Injections	15.0	14.7	13.1	12.7	14.3	13.4	17.1	15.9	16.2	15.2
IV Therapy	1.1	0.9	1.1	0.9	1.4	1.4	1.4	1.4	1.4	1.3
Mechanically Altered Diets	35.7	36.8	33.2	33.5	32.2	33.0	35.5	36.1	34.8	35.4
Ostomy Care	3.8	3.9	2.8	2.9	3.8	3.8	4.3	4.3	4.1	4.1
Pain Management Program	30.7	31.9	30.5	30.5	28.8	28.2	21.6	20.7	23.8	23.1
Preventative Skin Care	72.9	72.9	74.5	74.2	71.9	71.9	69.6	69.9	70.5	70.6
Radiation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receiving Suction	1.1	0.9	0.6	0.6	1.1	1.1	1.2	1.2	1.1	1.1
Rehabilitation Services	12.9	13.0	15.8	14.6	17.2	16.3	19.0	17.7	18.2	17.0
Respiratory Therapy	12.6	12.1	10.7	10.0	11.5	11.1	11.3	10.6	11.4	10.7
Tracheostomy Care	0.6	0.5	0.3	0.3	0.8	0.8	0.8	0.8	0.8	0.8
Tube Feedings	4.7	4.8	3.8	3.7	4.8	4.9	6.3	6.5	5.8	6.0

PERCENTAGE OF NURSING HOME RESIDENTS RECEIVING VARIOUS SERVICES



Data source: Verispan LLC © 2007

SHARE OF RESIDENTS ON RESPIRATORY THERAPY DECLINES

Of nursing home residents nationwide, 10.7% underwent respiratory therapy in 2006, down moderately from 11.4% in 2005. The share of residents who received respiratory therapy fell, between 2005 and 2006, at nursing homes in all eight geographic regions profiled. At nursing homes in the Mountain region, 17.9% of residents received respiratory therapy services, down from 19.6% the previous year, but still the largest share by region. (Some data not shown.)

PAIN MANAGEMENT IS MOST COMMON AT GOVERNMENT HOMES

In 2006, 31.9% of residents at government-operated nursing homes took part in pain management programs, up from 30.7% in 2005, and the highest share, by ownership type, by a sizable margin. By comparison, just 20.7% of patients at for-profit homes received such services, down from 21.6% the year before. Overall, 23.1% of nursing home patients nationwide were enrolled in pain management programs, down from 23.8% in 2005.

Smaller share of nursing home residents suffers from depression

In 2006, 46.6% of nursing home residents were diagnosed with depression, down from 48.8% in 2005. More than half of nursing home residents suffered from depression in two regions: the West North Central (54.9%)

and East North Central (51.1%). Only Mid-Atlantic region nursing homes reported that less than 40% of their residents were afflicted with depression, at 39.1%, down slightly from 40.8% the previous year.

SHARE OF RESIDENTS WITH BLADDER INCONTINENCE RISES

The percentage of nursing home residents overall who were afflicted with bladder incontinence was 54.8%, up moderately from 51.6% in 2005, the largest share, by a wide margin, of the 11 conditions profiled. In 2006, the share of nursing home residents with bladder incontinence was highest in the Mid-Atlantic region (59.4%) and lowest in the East North Central region (50.3%).

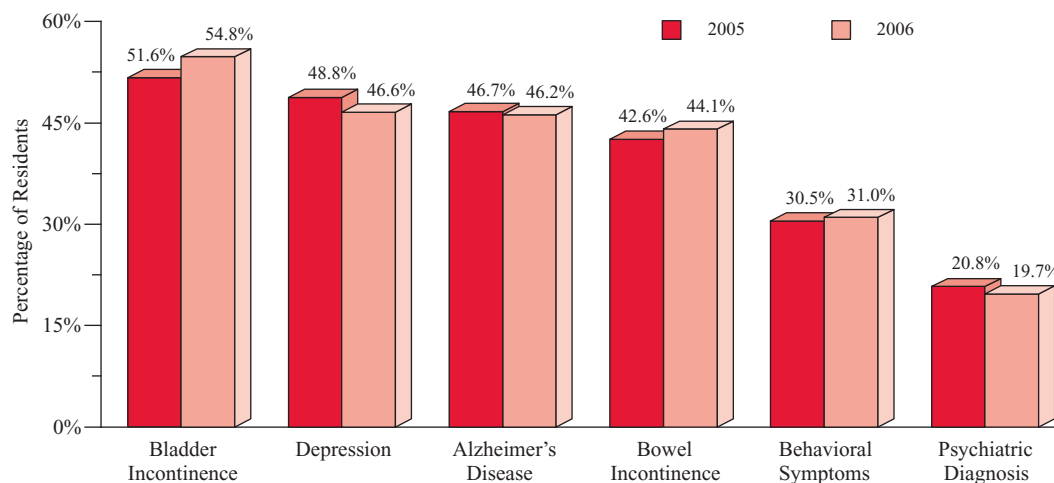
LARGER SHARE OF RESIDENTS HAS BEHAVIORAL ISSUES

The share of nursing home residents overall who were diagnosed with behavioral symptoms grew to 31.0% in 2006 from 30.5% in 2005. This percentage rose for residents of nursing homes in six of eight geographic regions profiled (the Mountain and South Atlantic regions excluded), most notably the Mid-Atlantic region, to 25.5% from 24.2% the previous year. Despite this increase, residents of nursing homes in the Mid-Atlantic region were least likely, by region, to suffer from behavioral problems.

PERCENTAGE OF NURSING HOME RESIDENTS WITH VARIOUS CONDITIONS

CONDITIONS	Pacific	Mountain	West North Central	East North Central	South Central	New England	Mid-Atlantic	South Atlantic	Overall Average
Alzheimer's Disease	44.0%	42.9%	44.5%	48.1%	45.0%	49.5%	47.5%	46.6%	46.2%
Behavioral Symptoms	29.1	33.5	36.1	33.9	28.9	31.5	25.5	29.6	31.0
Bladder Incontinence	54.9	52.2	53.8	50.3	53.6	57.8	59.4	59.2	54.8
Bowel Incontinence	48.0	39.8	34.8	37.2	47.6	43.4	48.5	52.6	44.1
Depression	40.9	48.6	54.9	51.1	45.5	44.5	39.1	44.6	46.6
Mental Retardation	2.5	2.4	3.4	2.9	4.1	2.6	2.3	2.8	3.0
Pressure Sores	8.1	6.5	4.9	6.6	7.3	6.2	8.4	8.2	7.1
Psychiatric Diagnosis	18.1	14.8	20.2	22.7	22.7	17.3	16.4	17.5	19.7
Skin Rashes	5.7	5.7	6.2	5.8	4.4	5.1	5.1	5.2	5.4
Ulcers	4.9	3.4	2.0	3.2	3.4	2.7	4.7	4.2	3.5
Weight Variation	7.3	8.3	8.3	8.7	8.9	7.0	7.1	8.0	8.1

PERCENTAGE OF NURSING HOME RESIDENTS WITH VARIOUS CONDITIONS



Data source: Verispan LLC © 2007

Share of nursing home residents using antipsychotics edges up

The share of nursing home residents receiving antipsychotic medications rose slightly in 2006, to 26.9% from 26.7% in 2005. The share of residents on antipsychotics grew modestly at nursing homes with fewer than 50 licensed

beds, to 26.5% from 25.8% the year before. By comparison, 28.4% of residents at homes with more than 200 licensed beds received antipsychotic medications in 2006, unchanged from 2005, but still the highest share by size.

PERCENTAGE OF NURSING HOME RESIDENTS RECEIVING VARIOUS MEDICATIONS

SIZE (Licensed beds)	Antianxiety		Antibiotics		Anti-depressants		Anti- psychotic		Chemo- therapeutic		Hypnotic		Psychoactive	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
<50 Beds	16.9%	17.1%	8.5%	8.2%	45.7%	45.7%	25.8%	26.5%	0.4%	0.4%	5.3%	5.2%	62.8%	63.8%
50-100 Beds	17.2	16.9	7.8	7.6	46.0	45.6	26.3	26.6	0.4	0.4	5.5	5.3	63.5	63.6
101-150 Beds	17.7	17.5	8.3	8.2	46.5	45.6	26.6	26.9	0.3	0.3	6.3	6.0	64.2	63.8
151-200 Beds	16.5	16.5	8.0	8.1	44.1	43.7	27.5	27.5	0.3	0.3	6.0	5.8	62.6	62.8
201+ Beds	15.0	15.2	7.7	7.6	41.2	40.7	28.4	28.4	0.4	0.4	5.7	5.5	60.8	60.4
OWNERSHIP														
Government	17.2%	17.4%	7.6%	7.6%	45.8%	45.3%	26.4%	26.6%	0.5%	0.5%	3.6%	3.8%	62.7%	62.9%
Church-Related	15.4	15.4	7.9	7.6	47.4	46.9	21.6	21.9	0.4	0.4	4.4	4.5	62.2	62.2
Other Not-for-Profit	15.6	15.5	8.3	8.0	45.9	45.6	22.6	22.8	0.4	0.4	5.2	4.9	61.6	61.6
For-Profit	17.6	17.4	8.1	8.0	45.4	44.8	28.1	28.4	0.3	0.3	6.2	6.0	64.0	64.0
OVERALL AVG.	17.1%	17.0%	8.1%	7.9%	45.6%	45.1%	26.7%	26.9%	0.4%	0.4%	5.8%	5.6%	63.4%	63.4%

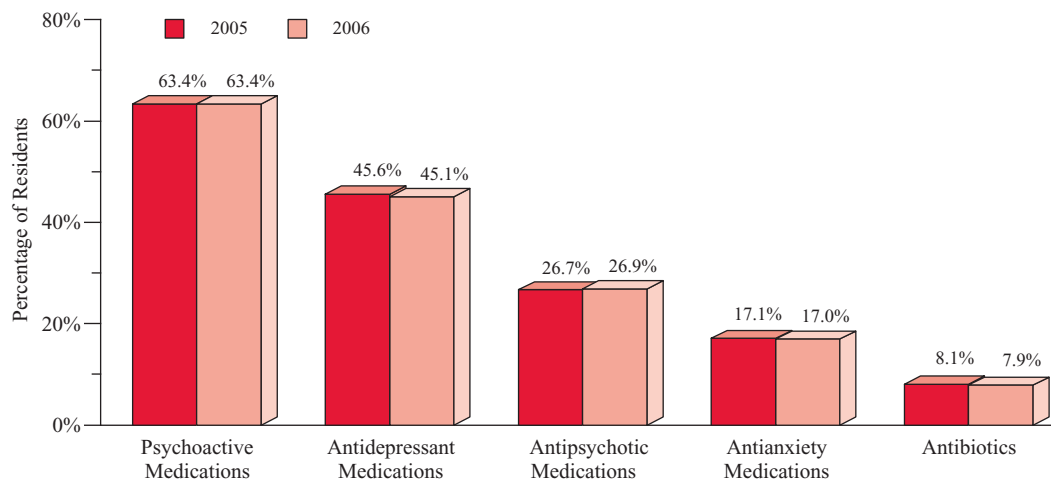
SMALLER SHARE OF RESIDENTS RECEIVES ANTIDEPRESSANTS

In 2006, 45.1% of nursing home residents were dispensed antidepressant medications, down from 45.6% in 2005. The shares of residents who were administered antidepressants at nursing homes fell, between 2005 and 2006, regardless of ownership type. Moreover, in seven of eight regions (the West North Central excluded), the percentages of nursing home residents who were dispensed antidepressants declined in 2006. (Some data not shown.)

PERCENTAGE OF HOME RESIDENTS TAKING HYPNOTICS DECLINES

Of all nursing home residents in the nation, 5.6% received hypnotic medications in 2006, down slightly from 5.8% in 2005. During this period, the share of residents who were administered these medications slipped, regardless of nursing home size. For example, the percentage of such residents at homes with fewer than 50 licensed beds fell to 5.2% from 5.3% the year before, the lowest share by size.

PERCENTAGE OF NURSING HOME RESIDENTS RECEIVING VARIOUS MEDICATIONS



Data source: Verispan LLC © 2007

Total patient revenue continues to climb at nursing homes

Total patient revenue per nursing home per year rose 3.5% in 2006, to \$7.7 million from \$7.4 million in 2005, the second consecutive annual increase. Since 2004 (\$6.9 million), average total patient revenue has climbed a

notable 11.6%. By ownership type, nursing home patient revenue was highest at secular not-for-profit homes (to \$9.1 million from \$8.7 million in 2005) and lowest at for-profit homes (to \$7.2 million from \$6.9 million).

PATIENT REVENUE INCREASES AT HOMES IN SEVEN REGIONS

Nursing homes located in seven of eight geographic regions (the West North Central region excluded) reported a rise in average total patient revenue between 2005 and 2006. The Mid-Atlantic region averaged the greatest total patient revenue in 2006, at \$13.6 million, up 2.5% from \$13.3 million the year before. Meanwhile, nursing homes in the West North Central region generated average total patient revenue of \$4.5 million in 2006, down slightly from \$4.6 million in 2005, by far the lowest by region.

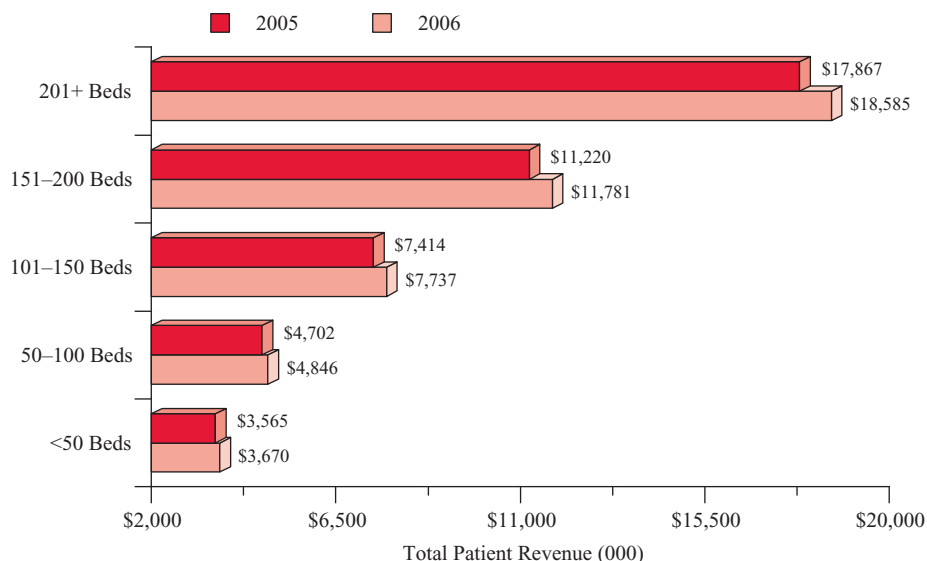
PATIENT REVENUE GROWTH IS HIGHEST AT MIDSIZED HOMES

Nursing homes with 151 to 200 licensed beds averaged total patient revenue of \$11.8 million in 2006, up 5.0% from \$11.2 million in 2005, and the greatest percentage increase by bed size. Similarly, homes with 101 to 150 licensed beds generated total patient revenue of \$7.7 million, a 4.4% rise from \$7.4 million the prior year. By comparison, the smallest nursing homes—those with fewer than 50 licensed beds—averaged total patient revenue of \$3.7 million in 2006, up a more modest 3.0% from \$3.6 million the year before.

NURSING HOME REVENUE

OWNERSHIP	Total Patient Revenue per Nursing Home per Year	
	2005	2006
Government	\$9,143,313	\$9,035,556
Church-Related	8,673,102	8,850,671
Other Not-for-Profit	8,748,562	9,117,824
For-Profit	6,935,464	7,186,627
SIZE (Licensed Beds)		
<50 Beds	\$3,565,253	\$3,670,490
50–100 Beds	4,701,631	4,846,005
101–150 Beds	7,413,980	7,737,404
151–200 Beds	11,220,069	11,780,966
201+ Beds	17,867,455	18,585,184
REGION		
Pacific	\$6,952,696	\$7,332,071
Mountain	6,102,679	6,509,083
West North Central	4,600,472	4,519,755
East North Central	7,286,860	7,530,391
South Central	4,976,795	5,139,809
New England	9,601,719	10,107,528
Mid-Atlantic	13,277,353	13,615,239
South Atlantic	7,997,165	8,438,853
OVERALL AVERAGE	\$7,406,400	\$7,667,945

NURSING HOME REVENUE (IN \$ THOUSANDS), BY SIZE



Data source: Verispan LLC © 2007

LPN/LVN staffing ratio increases at homes in the Pacific region

In 2006, licensed practical nurses (LPNs) and licensed vocational nurses (LVNs) at nursing homes in the Pacific region worked on average 0.70 hours per resident per day, up 9.4% from 0.64 in 2005. In spite of this notable rise, the

LPN/LVN staffing ratio was lower at nursing homes in just two other regions: New England (0.66) and the West North Central (0.62). The LPN/LVN staffing ratio was highest at homes in the South Atlantic region in 2006, at 0.91.

NURSING HOME STAFFING RATIOS

OWNERSHIP	Registered Nurse Hours per Resident per Day		Licensed Practical/Vocational Nurse Hours per Resident per Day		Certified Nursing Assistant Hours per Resident per Day	
	2005	2006	2005	2006	2005	2006
Government	0.60	0.61	0.72	0.72	2.57	2.55
Church-Related	0.64	0.64	0.71	0.73	2.53	2.56
Other Not-for-Profit	0.65	0.63	0.73	0.76	2.47	2.47
For-Profit	0.51	0.51	0.72	0.75	2.25	2.24
REGION						
Pacific	0.58	0.57	0.64	0.70	2.55	2.54
Mountain	0.67	0.65	0.69	0.71	2.31	2.28
West North Central	0.51	0.52	0.60	0.62	2.28	2.30
East North Central	0.57	0.58	0.70	0.73	2.19	2.19
South Central	0.38	0.38	0.80	0.81	2.27	2.26
New England	0.74	0.74	0.61	0.66	2.40	2.43
Mid-Atlantic	0.65	0.64	0.74	0.74	2.23	2.21
South Atlantic	0.51	0.50	0.88	0.91	2.44	2.44
OVERALL AVERAGE	0.54	0.54	0.72	0.75	2.32	2.31

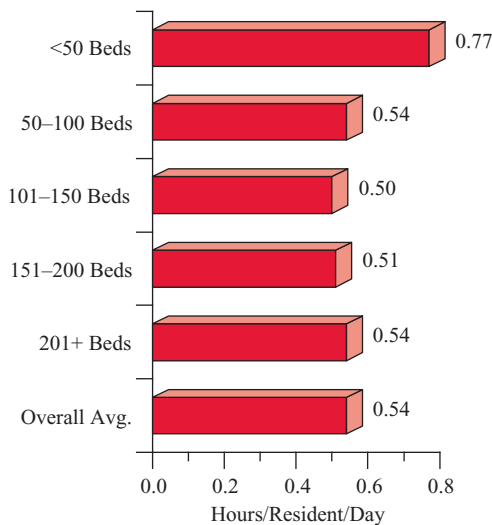
RN STAFFING RATIO IS RELATIVELY LOW AT FOR-PROFIT HOMES

On average, resident nurses (RNs) at for-profit nursing homes worked 0.51 hours per resident per day in 2006, 5.6% shorter than the average for nursing homes overall (0.54 hours per day). By comparison, the RN staffing ratio was considerably higher at church-related (0.64), other not-for-profit (0.63) and government (0.61) nursing homes in 2006.

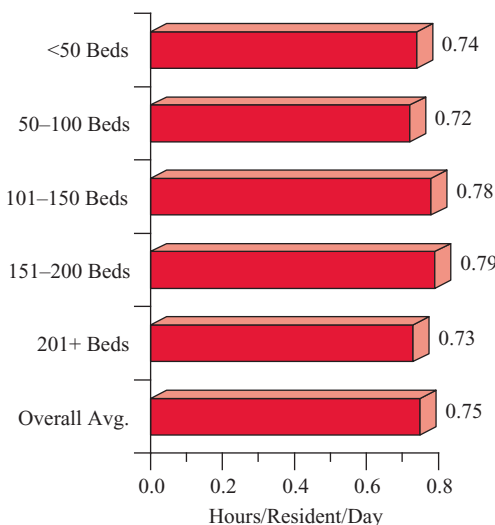
NEW ENGLAND REGION HOMES HAVE HIGHEST RN STAFFING RATIO

Resident nurses at nursing homes in the New England region worked on average 0.74 hours per resident per day in 2006, the highest ratio, by region, by a significant margin. The RN staffing ratio at New England homes was 37.0% higher than the average for nursing homes overall (0.54 hours per day) and 13.8% higher than the average for nursing homes in the Mountain region (0.65), the second highest ratio by region. Meanwhile, the RN staffing ratio was lowest at nursing homes in the South Central region (0.38) in 2006.

RN HOURS PER RESIDENT PER DAY, BY SIZE



LPN/LVN HOURS PER RESIDENT PER DAY, BY SIZE



Data source: Verispan LLC © 2007

Total number of hospital-based skilled nursing facilities falls

The number of hospital-based skilled nursing facilities (SNFs) in the U.S. declined 9.3% in 2005, to 1,233 from 1,360 in 2004. Since 2003 (1,459), this number dropped a notable 15.5%. The numbers of hospital-based SNFs slipped,

between 2004 and 2005, regardless of hospital ownership type. The most notable decline was among for-profit hospitals, to 148 from 174 in 2004, or -14.9%. The share of all hospitals with SNFs also fell, to 17.8% from 19.8% in 2004.

NUMBER OF SNF BEDS DECLINES IN SEVEN OF EIGHT REGIONS

Between 2004 and 2005, the number of hospital-based SNF beds dropped in seven of eight geographic regions (the New England region, up 18.7%, to 2,151 from 1,812 the year before, being the lone exception). The four regions with the most SNF beds—the Mid-Atlantic (18,029), Pacific (15,988), South Atlantic (12,165) and South Central (11,434)—accounted for more than seven out of 10 (71.5%) hospital-based SNF beds nationwide (76,098) in 2005.

THREE OUT OF 10 PACIFIC REGION HOSPITALS HAVE SNFs

Although down by nearly two percentage points from the year before, the share of hospitals in the Pacific region with a SNF component, at 30.0%, was the highest of the eight regions in 2005. By comparison, just 11.9% of hospitals in the New England region had SNFs, down from 14.3% the previous year, and the lowest share by region.

* According to CMS, a skilled nursing Facility (SNF) could be part of a hospital or nursing facility. Medicare certifies these facilities if they have the staff and equipment to give skilled nursing care and/or skilled rehabilitation services and other related health services. The data on pages 16 and 17 refer strictly to hospital-based skilled nursing facilities.

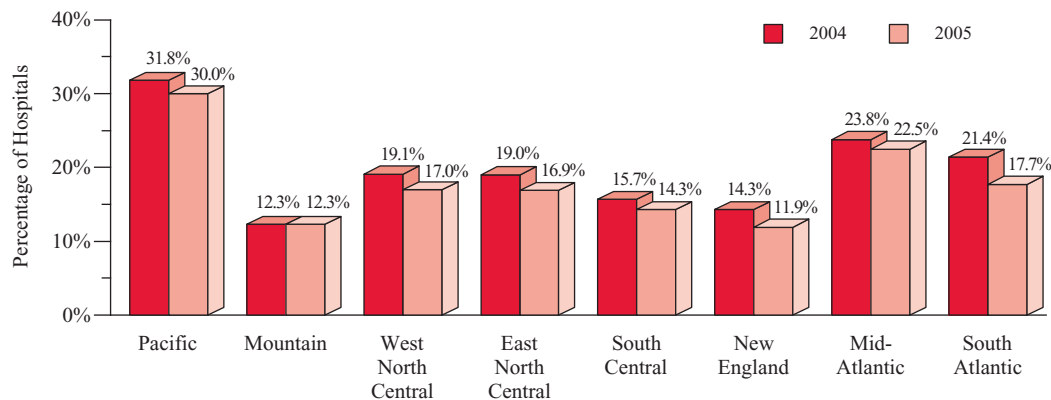
HOSPITAL-BASED SKILLED NURSING FACILITIES (SNFs), BY OWNERSHIP TYPE*

OWNERSHIP	# of Hospital-based Skilled Nursing Facilities		% of Hospitals with Skilled Nursing Facilities		# of Hospital-based Skilled Nursing Facility Beds	
	2004	2005	2004	2005	2004	2005
Government	391	356	21.0%	19.1%	36,846	35,948
Not-for-Profit	795	729	22.6	20.8	37,810	35,512
For-Profit	174	148	11.6	9.5	5,295	4,638
TOTAL/AVG.	1,360	1,233	19.8%	17.8%	79,951	76,098

HOSPITAL-BASED SKILLED NURSING FACILITIES (SNFs), BY REGION*

REGION	# of Hospital-based Skilled Nursing Facilities		% of Hospitals with Skilled Nursing Facilities		# of Hospital-based Skilled Nursing Facility Beds	
	2004	2005	2004	2005	2004	2005
Pacific	241	228	31.8%	30.0%	15,988	15,551
Mountain	63	65	12.3	12.3	2,768	2,760
West North Central	157	140	19.1	17.0	8,118	7,472
East North Central	186	166	19.0	16.9	9,637	9,283
South Central	265	244	15.7	14.3	11,434	10,652
New England	43	36	14.3	11.9	1,812	2,151
Mid-Atlantic	169	159	23.8	22.5	18,029	17,264
South Atlantic	236	195	21.4	17.7	12,165	10,965
TOTAL/AVG.	1,360	1,233	19.8%	17.8%	79,951	76,098

PERCENTAGE OF HOSPITALS WITH SKILLED NURSING FACILITIES (SNFs), BY REGION*



Data source: Verispan LLC © 2007

Average length of stay per SNF patient increases in 2005

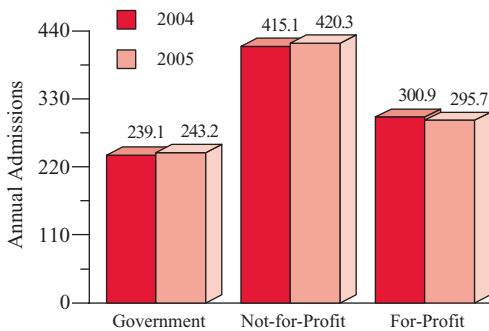
In 2005, the average length of stay (ALOS) per patient at hospital-based SNFs rose 6.6%, to 151.1 days from 141.7 in 2004. ALOS grew for SNF patients in six of eight regions during this period, most notably the Pacific, to 172.6

from 138.0 the previous year, or 25.1%. In 2005, ALOS for SNF patients was longest in the Mountain region (to 195.6 days from 177.3 in 2004) and shortest in the East North Central region (to 81.1 days from 100.4).

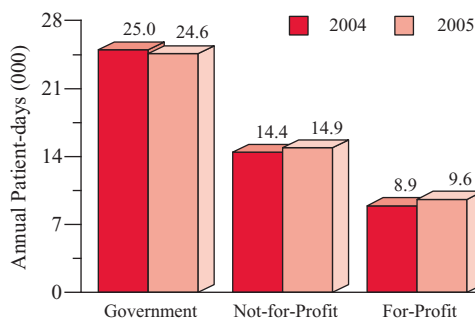
HOSPITAL-BASED SKILLED NURSING FACILITY (SNF) UTILIZATION, BY REGION

REGION	# of Hospital-based SNF Admissions per Year		Patient-days per SNF Unit per Year		Average Occupancy per SNF Unit		ALOS (days) per SNF Patient	
	2004	2005	2004	2005	2004	2005	2004	2005
Pacific	366.1	361.4	15,887.3	15,535.8	72.0%	70.7%	138.0	172.6
Mountain	245.0	241.8	13,108.8	13,761.3	74.8	76.9	177.3	195.6
West North Central	289.4	288.5	14,576.6	15,342.1	75.9	72.7	169.5	186.3
East North Central	411.9	429.2	15,259.0	13,729.7	74.1	74.7	100.4	81.1
South Central	338.1	339.0	13,240.0	13,412.2	74.4	75.3	139.5	145.8
New England	485.1	535.9	11,732.9	11,549.3	77.4	81.0	100.1	110.8
Mid-Atlantic	388.9	397.1	30,773.2	32,042.3	86.2	88.3	163.3	173.1
South Atlantic	314.6	325.0	15,687.0	14,904.9	77.8	78.2	148.9	144.8
OVERALL AVG.	352.0	358.4	16,697.0	16,735.9	76.2%	76.3%	141.7	151.1

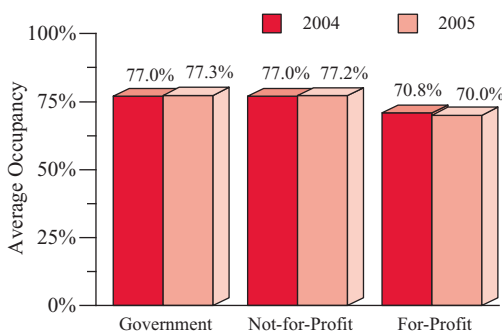
NUMBER OF HOSPITAL-BASED SNF ADMISSIONS, BY OWNERSHIP TYPE



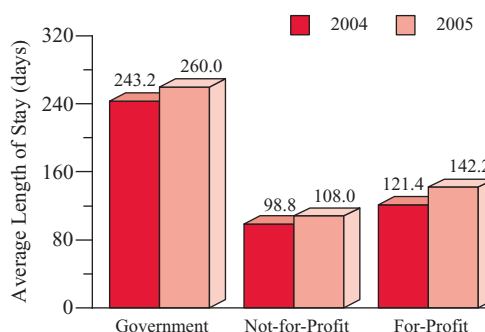
NUMBER OF PATIENT-DAYS PER SNF UNIT PER YEAR, BY OWNERSHIP TYPE



AVERAGE OCCUPANCY PER SNF UNIT, BY OWNERSHIP TYPE



ALOS PER SNF PATIENT, BY OWNERSHIP TYPE



SNF PATIENT-DAY COUNT IS HIGHEST IN MID-ATLANTIC REGION

Hospital-based SNFs in the Mid-Atlantic region reported annual SNF unit patient-days of 32,042.3 in 2005, up 4.1% from 30,773.2 in 2004, and the highest count, by region, by a wide margin. SNFs in the Mid-Atlantic region averaged nearly twice as many patient-days per year as SNFs nationwide in 2005 (16,735.9). Meanwhile, New England region SNFs reported the fewest annual patient-days per unit, at 11,549.3, down slightly from 11,732.9 the previous year.

ALOS RISES NOTABLY AT FOR-PROFIT HOSPITAL-BASED SNFs

Between 2004 and 2005, ALOS per patient at SNFs based in for-profit hospitals climbed 17.1%, to 142.2 days from 121.4 the year before. Since 2003 (72.6), ALOS at these facilities has nearly doubled. Over the same three-year period, ALOS at SNFs based in not-for-profit facilities increased just 4.3%, to 108.0 days from 103.5 in 2003. By comparison, ALOS at SNFs based in government hospitals underwent a fairly minimal drop between 2003 (265.2) and 2005 (260.0).

Data source: Verispan LLC © 2007

Shares of patients 65+ fall for 11 circulatory disease diagnoses

The shares of patients 65 years of age and older dropped, between 2004 and 2005, in 11 of the 13 circulatory diseases profiled (other diseases of the endocardium and occlusion of cerebral arteries being the exceptions). In

spite of these annual declines, the 65+ patient share remained above 70% for all 13 circulatory diseases. Of patients with diseases of the mitral and aortic valves, 88.1% were 65+ in 2005, the highest share of the 13 diseases.

PATIENTS 65+ SHARE OF PARKINSON'S DISEASE DIAGNOSES DECLINES

Between 2004 and 2005, the percentages of patients diagnosed with Parkinson's disease decreased slightly in all three senior age categories profiled. For example, the share of patients 65+ diagnosed with Parkinson's disease slipped to 90.4% from 91.0% the year before.

SMALLER SHARE OF DIABETES MELLITUS PATIENTS IS 65+ IN 2005

The share of hospital patients diagnosed with diabetes mellitus who were at least 65 years of age declined to 55.1% in 2005 from 56.6% in 2004. A smaller share of these hospital patients were diagnosed with diabetes mellitus in 2005 than the other three endocrine, nutritional and metabolic diseases.

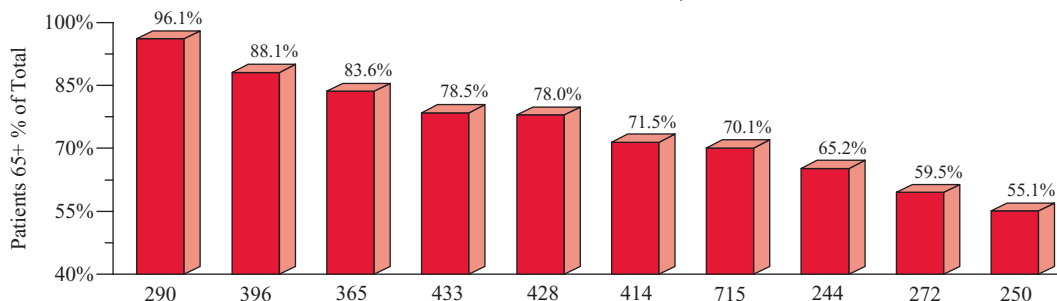
NEARLY ALL HOSPITAL MENTAL DISORDER PATIENTS ARE 65+

For the second straight year, hospital patients 65 years of age and older accounted for at least 95.0% of the mental disorder diagnoses profiled. For example, 96.1% of patients diagnosed with senile and presenile organic psychotic conditions were at least 65 years of age in 2005, up from 95.8% the prior year.

COMMON DIAGNOSES FOR PATIENTS 65+, BY ICD-9 CODE

ICD-9 Code	Endocrine, Nutritional and Metabolic Diseases, and Immunity Disorders (240-279)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
244	Acquired hypothyroidism	65.2%	46.1%	17.3%
250	Diabetes mellitus	55.1	31.3	7.8
272	Disorders of lipid metabolism	59.5	33.4	7.5
276	Disorders of fluid/electrolyte/acid-base imbalance	57.0	40.1	15.1
ICD-9 Code	Mental Disorders (290-319)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
290	Senile and presenile organic psychotic conditions	96.1%	84.3%	43.1%
294	Other organic psychotic conditions (chronic)	95.0	84.3	41.3
ICD-9 Code	Diseases of the Nervous System and Sense Organs (320-389)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
331	Other cerebral degenerations	89.3%	77.8%	34.6%
332	Parkinson's disease	90.4	69.5	21.9
365	Glaucoma	83.6	63.6	26.0
ICD-9 Code	Diseases of the Circulatory System (390-459)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
396	Diseases of mitral and aortic valves	88.1%	71.1%	29.5%
397	Diseases of other endocardial structures	76.7	57.6	20.9
402	Hypertensive heart disease	74.2	52.1	18.4
414	Other forms of chronic ischemic heart disease	71.5	45.7	13.6
424	Other diseases of endocardium	73.5	54.1	20.2
426	Conduction disorders	76.4	54.6	19.0
427	Cardiac dysrhythmias	78.2	56.7	20.2
428	Heart failure	78.0	57.1	22.5
433	Occlusion and stenosis of precerebral arteries	78.5	49.4	12.8
434	Occlusion of cerebral arteries	72.8	52.0	19.6
438	Late effects of cerebrovascular disease	72.7	49.3	16.0
440	Atherosclerosis	73.5	45.1	12.0
443	Other peripheral vascular disease	73.3	47.0	13.6
ICD-9 Code	Diseases of the Musculoskeletal System and Connective Tissue (710-739)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
715	Osteoarthritis and allied disorders	70.1%	44.5%	14.4%
733	Other disorders of bone and cartilage	76.9	57.7	22.9

COMMON DIAGNOSES FOR PATIENTS 65+, BY ICD-9 CODE



Data source: Verispan LLC © 2007

Shares of patients 65+ undergoing digestive procedures decrease

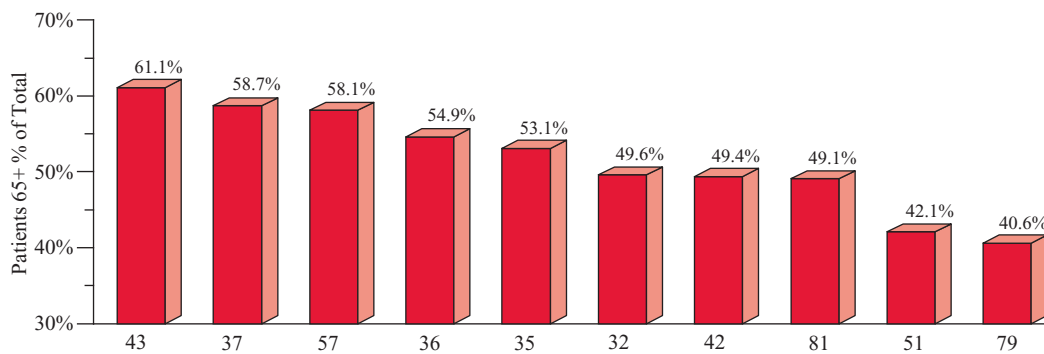
The shares of all patients undergoing operations on the digestive system who were age 65 or older fell for five of the seven procedures listed in 2005. For example, the share of patients who underwent operations on the

esophagus slipped below half, to 49.4% from 50.1% in 2004. Of the seven operations on the digestive system listed, only the share of patients 65 and older having gall bladder operations increased, to 42.1% from 41.4%.

COMMON PROCEDURES FOR PATIENTS 65+, BY ICD-9 CODE

ICD-9 Code	Operations on the Respiratory System (30–34)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
32	Excision of lung and bronchus	49.6%	20.8%	1.7%
33	Other operations on lung and bronchus	49.9	27.0	5.5
34	Operations on chest wall, pleura, mediastinum, and diaphragm	51.7	31.4	8.6
ICD-9 Code	Operations on the Cardiovascular System (35–39)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
35	Operations on valves and septa of heart	53.1%	29.8%	3.6%
36	Operations on vessels of heart	54.9	26.3	3.6
37	Other operations on heart and pericardium	58.7	33.7	7.6
38	Incision, excision, and occlusion of vessels	47.7	28.7	7.8
39	Other operations on vessels	53.4	28.1	4.9
ICD-9 Code	Operations on the Digestive System (42–54)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
42	Operations on esophagus	49.4%	29.8%	8.4%
43	Incision and excision of stomach	61.1	43.0	15.2
45	Incision, excision, and anastomosis of intestine	57.4	37.3	11.1
46	Other operations on intestine	44.3	24.8	5.8
48	Operations on rectum rectosigmoid, and perirectal tissue	47.4	28.2	7.6
51	Operations on gallbladder and biliary tract	42.1	25.1	7.1
53	Repair of hernia	41.0	22.3	5.4
ICD-9 Code	Operations on the Urinary System (55–59)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
57	Operations on urinary bladder	58.1%	38.3%	12.4%
58	Operations on urethra	57.7	36.5	10.1
ICD-9 Code	Operations on the Musculoskeletal System (76–84)	Pat. 65+ %	Pat. 75+ %	Pat. 85+ %
79	Reduction of fracture and dislocation	40.6%	30.0%	13.0%
81	Repair and plastic operations on joint structures	49.1	25.7	5.7

COMMON PROCEDURES FOR PATIENTS 65+, BY ICD-9 CODE



Data source: Verispan LLC © 2007

PATIENTS 85+ SHARE OF STOMACH OPERATIONS INCREASES SLIGHTLY

Patients 85 years of age and older accounted for 15.2% of all those undergoing incision and excision of the stomach operations, up from 15.1% in 2004, by far the largest share in this age category. By comparison, 11.1% of patients receiving incision, excision and anastomosis operations on the intestines were in this age category.

PATIENTS 65+ ACCOUNT FOR NEARLY HALF OF PROCEDURES ON JOINTS

Nearly half (49.1%) of patients receiving repairs and plastic operations on joint structures were 65 years of age and older in 2005, up slightly from 48.8% in 2004. By comparison, the share of patients 65 years of age and older receiving reduction of fracture and dislocation operations fell, to 40.6% from 41.9% the previous year.

HALF OF MOST HEART PATIENTS ARE 65+

Patients 65 and older represented at least 53% of all hospital patients receiving four of five operations profiled on the cardiovascular system in 2005. The patient share for incisions, excisions and occlusions of vessels operations (47.7%) was the lone exception.

Long-term care pharmacy provider count has moderate growth

The number of long-term care pharmacy providers (LTCPPs) in the U.S. generating at least half of their revenue from long-term care facilities was 1,105 in 2006, up 2.4% from 1,079 in 2005. This growth was wholly owing

to a moderate increase in the number of independently owned LTCPPs, to 682 from 645 the previous year. Provider organizations of this ownership type accounted for 61.7% of all LTCPPs, compared with 59.8% in 2005.

NUMBER OF LTCPPS IN THE SOUTH ATLANTIC REGION INCREASES

The number of LTCPPs located in the South Atlantic region increased slightly, to 205 from 200 in 2005. These LTCPPs accounted for 18.6% of all such providers in the nation, up fractionally from 18.5% the previous year, and the highest share by region. By comparison, the number of LTCPPs in the New England region fell to 41 from 44 in 2005. These providers made up just 3.7% of LTCPPs nationally, down from 4.1% the prior year, and the lowest share by region.

METROPOLITAN AREA-BASED SHARE OF ALL LTCPPS EDGES DOWN

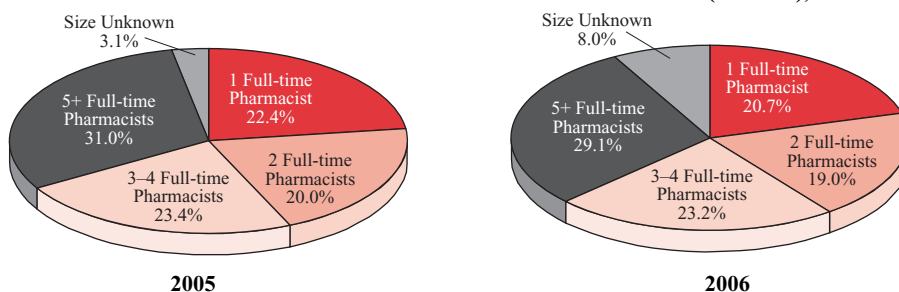
The ratio of LTCPPs that were located in metropolitan areas to all LTCPPs was 77.0% in 2006, down fractionally from 77.8% in 2005. Conversely, the ratio of LTCPPs based in nonmetropolitan areas to all LTCPPs inched up, to 23.0% from 22.2% the previous year. Meanwhile, 29.1% of all LTCPPs employed five or more pharmacists, down from 31.0% in 2005, but still the largest share by provider size. (Some data not shown.)

NOTE: Percentages may not sum to 100% due to rounding.

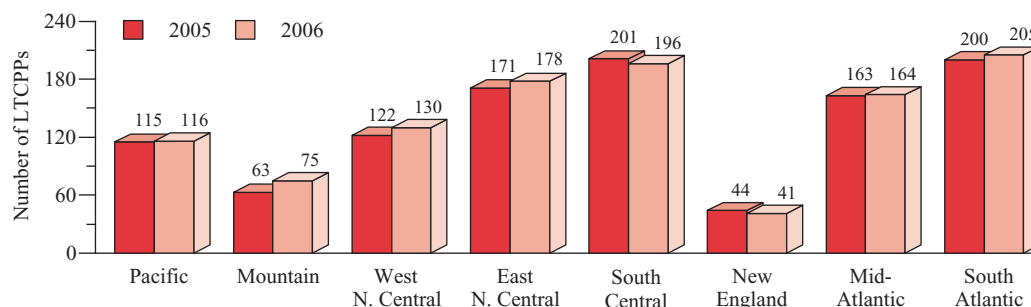
LONG-TERM CARE PHARMACY PROVIDERS (LTCPPS)*

REGION	Number of Long-term Care Pharmacy Providers		Percentage of Long-term Care Pharmacy Providers	
	2005	2006	2005	2006
Pacific	115	116	10.7%	10.5%
Mountain	63	75	5.8	6.8
West North Central	122	130	11.3	11.8
East North Central	171	178	15.8	16.1
South Central	201	196	18.6	17.7
New England	44	41	4.1	3.7
Mid-Atlantic	163	164	15.1	14.8
South Atlantic	200	205	18.5	18.6
OWNERSHIP				
Corporate Owned	434	423	40.2%	38.3%
Independently Owned	645	682	59.8	61.7
TOTAL	1,079	1,105	100.0%	100.0%

PERCENTAGE OF LONG-TERM CARE PHARMACY PROVIDERS (LTCPPs), BY SIZE*



NUMBER OF LONG-TERM CARE PHARMACY PROVIDERS (LTCPPs), BY REGION*



* On pages 20–26, long-term care pharmacy provider (LTCPP) data pertain only to those pharmacies that have an implied contract/agreement to perform pharmaceutical consulting and/or dispensing services to long-term care facility patients on an ongoing basis. They must have at least one licensed pharmacist employed at the location and generate at least 50% of their revenue from long-term care facilities.

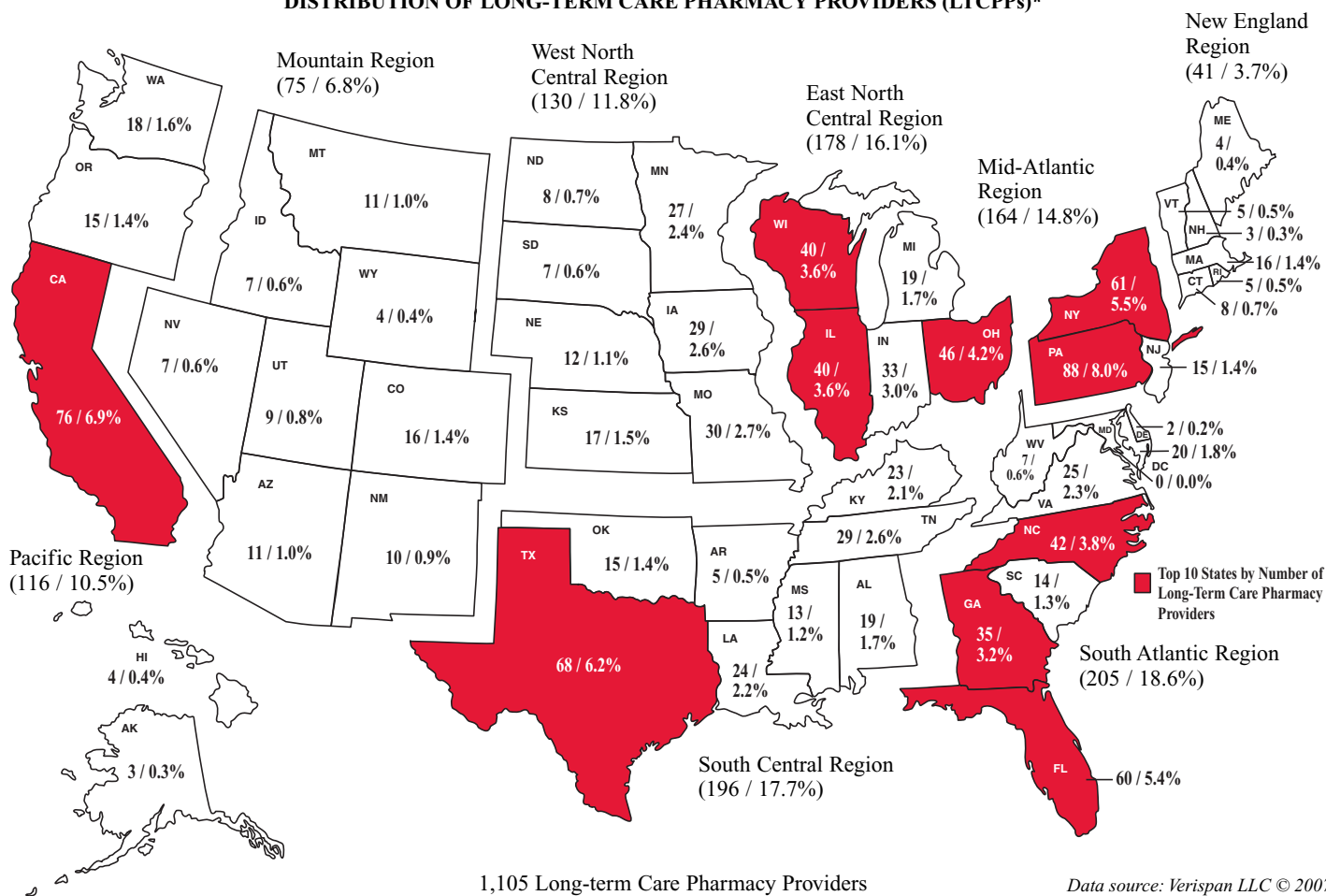
Data source: Verispan LLC © 2007

Top 10 states by number of LTCPPs demonstrate consistency

Of the 10 states with the greatest number of LTCPPs in 2006, only Georgia was not likewise included on the 2005 list. Although these 10 states combined to serve as home for 556 LTCPPs, up 1.8% from 546 in 2005,

they nevertheless accounted for a fractionally smaller share of all such providers (50.3%) than the previous year (50.6%). During this period, the numbers of LTCPPs rose in six of the nine states which returned to the list.

DISTRIBUTION OF LONG-TERM CARE PHARMACY PROVIDERS (LTCPPs)*



KEY TO MAP

The first number represents the number of long-term care pharmacy providers in that state or region. The second number represents the share of all long-term care pharmacy providers in the U.S. located in that state or region.

Five states serve as home for just under a third of all LTCPPs

In 2006, the top five states, by number of LTCPPs—Pennsylvania (88), California (76), Texas (68), New York (61) and Florida (60)—together accounted for nearly a third (31.9%) of all such providers in the nation. For the

third consecutive year, Pennsylvania was home to more LTCPPs than any other state, by a considerable margin. However, the total number of providers located in that state has dropped 5.4% between 2006 and 2004 (93).

* State long-term care pharmacy provider figures are based on the physical location of the provider. No long-term care pharmacy providers were located in Washington, D.C. Data are effective as of end-of-year 2006.

Share of LTCPP drugs dispensed to nursing home residents falls

The nursing home resident share of all LTCPP prescriptions dispensed continued to decline in 2006, to 62.7% from 64.4% in 2005 and from 65.7% in 2004. As in years past, in 2006 this prescription ratio rose in relation to LTCPP

size: Pharmacy providers employing five or more full-time (FT) pharmacists (73.3%) dispensed a notably higher ratio of their drugs to nursing home residents than providers with one full-time pharmacist (56.6%) in 2006.

RESIDENTIAL CARE FACILITY PORTION OF ALL LTCPP RXS RISES

Of prescriptions dispensed by LTCPPs in 2006, 12.8% overall went to residential care facilities, up moderately from 11.9% in 2005 and from 11.3% in 2004. LTCPPs that employed two FT pharmacists dispensed the highest ratio (13.6%) of their drugs, by size, to residential care facilities, while the largest LTCPPs—those with five or more FT pharmacists—dispensed the lowest ratio (11.0%) in 2006.

SOUTH CENTRAL LTCPPS DISPENSE MOST RXS TO HOMES

Although South Central region LTCPPs dispensed 71.2% of their prescriptions to nursing homes in 2006, the highest such ratio by region, the share slipped from 72.7% in 2005. Between 2005 and 2006, the nursing home shares of all prescriptions dispensed by LTCPPs declined in seven of the eight regions (the Mountain region excepted). In the New England region, this ratio fell 5.5 percentage points, to 62.2% from 67.7% in 2005, most by region.

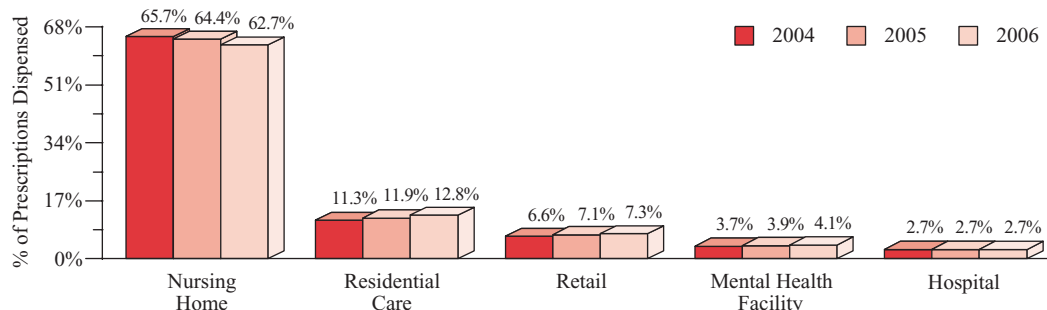
* Percentages may not sum to 100% due to rounding.

** "Other" includes retirement communities, hospices, home health agencies, correctional centers, substance abuse centers and all others.

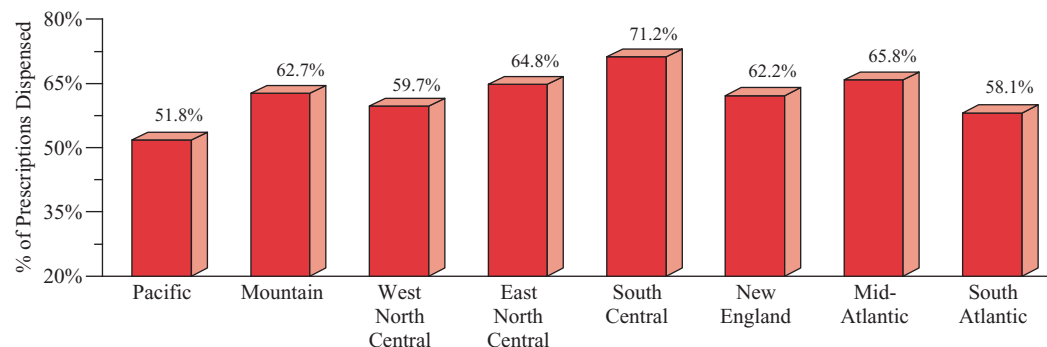
LONG-TERM CARE PHARMACY PROVIDER (LTCPP) CUSTOMER MIX

SIZE (# of FT Pharmacists)	Percentage of Prescriptions Dispensed*					
	Nursing Home	Residential Care	Retail	Mental Health Facility	Hospital	Other**
1 FT Pharmacist	56.6%	12.7%	10.7%	3.5%	3.9%	12.6%
2 FT Pharmacists	57.3	13.6	10.8	5.8	1.2	11.3
3-4 FT Pharmacists	63.8	11.6	8.2	4.1	2.4	9.8
5+ FT Pharmacists	73.3	11.0	1.9	2.6	3.5	7.6
Size Unknown	47.7	21.3	8.0	7.4	1.2	14.3
OWNERSHIP						
Corporate Owned	74.2%	10.6%	2.8%	3.2%	2.1%	7.1%
Independently Owned	55.5	14.1	10.1	4.7	3.1	12.5
OVERALL AVERAGE	62.7%	12.8%	7.3%	4.1%	2.7%	10.4%

LONG-TERM CARE PHARMACY PROVIDER (LTCPP) CUSTOMER MIX



LTCPP NURSING HOME CUSTOMER MIX, BY REGION



Data source: Verispan LLC © 2007

LTCPPs dispense fewer Rx's per month to nursing homes

Overall, LTCPPs that generated at least half their revenue from long-term care facilities dispensed 11,287.8 nursing home prescriptions per month in 2006, down 1.3% from 11,435.3 in 2005. Much of this decline

occurred among New England region LTCPPs, which dispensed 20,215.4 nursing home prescriptions per month, an 11.1% decline from 22,750.0 the year before, the highest annual percentage drop by region.

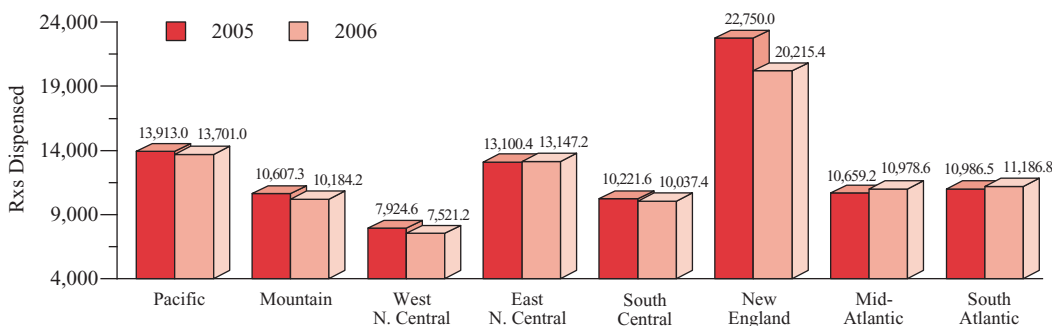
NUMBER OF LTCPP NURSING HOME PRESCRIPTIONS PER LTCPP PER MONTH

REGION	LTCPP Nursing Home Patient Prescriptions per Month		
	2004	2005	2006
Pacific	13,863.2	13,913.0	13,701.0
Mountain	9,037.2	10,607.3	10,184.2
West North Central	7,684.2	7,924.6	7,521.2
East North Central	13,147.0	13,100.4	13,147.2
South Central	9,970.2	10,221.6	10,037.4
New England	23,220.0	22,750.0	20,215.4
Mid-Atlantic	10,068.3	10,659.2	10,978.6
South Atlantic	11,305.9	10,986.5	11,186.8
SIZE (# of FT Pharmacists)			
1 FT Pharmacists	3,191.0	3,099.3	3,027.8
2 FT Pharmacists	4,724.4	4,547.4	4,562.3
3-4 FT Pharmacists	8,377.3	8,322.4	8,271.0
5+ FT Pharmacists	23,140.9	23,518.9	23,618.5
OVERALL AVERAGE	11,211.1	11,435.3	11,287.8

LARGEST LTCPP NURSING HOME RX AVERAGE GROWS

The average number of nursing home prescriptions dispensed per month by the largest LTCPPs—those employing five or more FT pharmacists—continued to rise, to 23,618.5 from 23,518.9 in 2005 and from 23,140.9 in 2004. By comparison, the number of nursing home prescriptions dispensed per month by the smallest LTCPPs—those employing one FT pharmacist—fell again, to 3,027.8 from 3,099.3 in 2005, and from 3,191.0 in 2004.

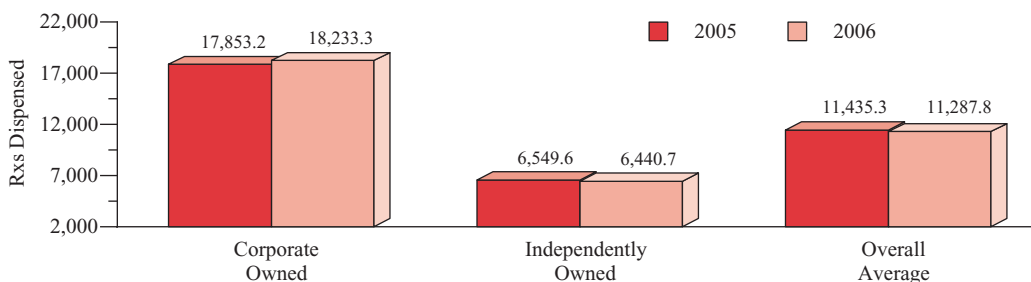
NUMBER OF LTCPP NURSING HOME PRESCRIPTIONS PER LTCPP PER MONTH, BY REGION



INDEPENDENT LTCPPs AVERAGE FEWER NURSING HOME RXS

The number of nursing home prescriptions dispensed by independently owned LTCPPs fell in 2006, to 6,440.7 per month from 6,549.6 in 2005. In the two years from 2004 (8,224.8) to 2006, the number of nursing home prescriptions dispensed per month by LTCPPs of this owner type declined 21.7%. Conversely, over that same two-year period, the number of such prescriptions dispensed by corporate-owned LTCPPs increased 20.1%, to 18,233.3 per month from 15,185.9.

NUMBER OF LTCPP NURSING HOME PRESCRIPTIONS PER LTCPP PER MONTH, BY OWNERSHIP TYPE



Data source: Verispán LLC © 2007

Independent LTCPP nursing home psychiatric drug share dips

Of prescriptions dispensed to nursing homes in 2006 by independently owned LTCPPs generating at least half their revenue from long-term care facilities, 13.0% were psychiatric, down fractionally from 13.1% in 2005, but the largest

share by therapeutic category for this owner type. By comparison, 12.9% of all prescriptions dispensed by independent LTCPPs treated hypertension, unchanged from the year before, and the second highest share by owner type.

NUMBER OF FT PHARMACISTS PER LTCPP INCREASES

The overall average number of FT pharmacists employed by LTCPPs edged up, to 4.5 from 4.4 in 2005. Much of this increase is owing to LTCPPs in the New England region, which employed 5.4% more FT pharmacists in 2006 (7.8) than in 2005 (7.4), by far the largest annual increase by region. LTCPPs in this region also boosted their average number of part-time pharmacists, to 1.9 from 1.8 the previous year. The overall average number of part-time pharmacists employed by LTCPPs remained at 1.7.

CARDIOVASCULAR PART OF ALL LTCPP PRESCRIPTIONS FALLS

Overall, 13.2% of prescriptions dispensed by LTCPPs to nursing homes were cardiovascular, down from 13.5% in 2005, but still the highest share by therapeutic category. Shares of prescriptions in this therapeutic category fell for corporate- (to 14.3% from 14.5% in 2005) and independently (to 12.5% from 12.8%) owned LTCPPs alike. Conversely, shares of prescriptions for Alzheimer's rose for corporate- (to 6.4% from 6.0% in 2005) and independently (to 6.6% from 5.8%) owned LTCPPs alike.

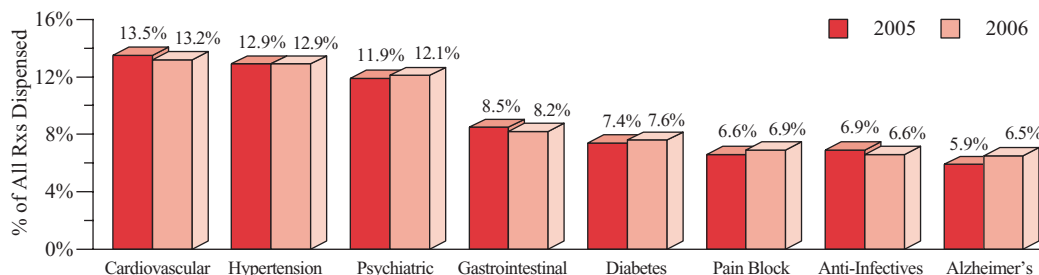
NUMBER OF PHARMACISTS PER LONG-TERM CARE PHARMACY PROVIDER (LTCPP), BY REGION

REGION	Full-time Pharmacists		Part-time Pharmacists	
	2005	2006	2005	2006
Pacific	4.1	4.1	1.9	1.9
Mountain	3.9	3.8	1.6	1.6
West North Central	3.6	3.6	1.4	1.4
East North Central	5.2	5.2	1.8	1.9
South Central	3.9	3.9	1.5	1.5
New England	7.4	7.8	1.8	1.9
Mid-Atlantic	4.8	4.9	2.0	2.0
South Atlantic	4.4	4.4	1.7	1.7
OVERALL AVERAGE	4.4	4.5	1.7	1.7

COMMON RXs DISPENSED BY LONG-TERM CARE PHARMACY PROVIDERS (LTCPPs), BY OWNERSHIP TYPE

PRESCRIPTION	Percentage of all Prescriptions Dispensed to Nursing Homes			
	Corporate Owned		Independently Owned	
	2005	2006	2005	2006
Alzheimer's	6.0%	6.4%	5.8%	6.6%
Anti-Arthritics	6.4	6.2	6.8	6.1
Anti-Infectives	7.0	7.0	6.8	6.4
Cardiovascular	14.5	14.3	12.8	12.5
Diabetes	6.8	6.7	7.9	8.2
Gastrointestinal	9.1	9.0	7.9	7.7
Osteoporosis	2.2	2.4	2.1	2.1
Pain Block	6.7	6.9	6.5	7.0
Hypertension	12.9	12.8	12.9	12.9
Psychiatric	10.5	10.7	13.1	13.0

RXs COMMONLY DISPENSED BY LONG-TERM CARE PHARMACY PROVIDERS (LTCPPs)



Data source: Verispan LLC © 2007

Anti-arthritics share of LTCPP nursing home prescriptions slips

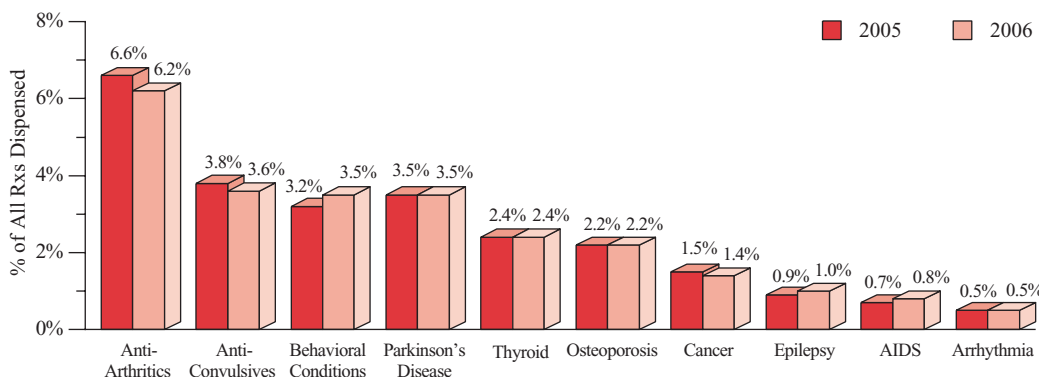
Overall, the ratio of anti-arthritics to all prescription drugs dispensed by LTCPPs to nursing homes declined in 2006, to 6.2% from 6.6% in 2005. This ratio slipped, between 2005 and 2006, regardless of LTCPP

size. At the largest LTCPPs, for instance—those employing five or more FT pharmacists per provider—the anti-arthritics drug class share of all prescriptions dispensed to nursing homes dropped to 6.6% from 6.9% in 2005.

RXs DISPENSED BY LONG-TERM CARE PHARMACY PROVIDERS (LTCPPs), BY SIZE*

PRESCRIPTIONS	Percentage of all Prescriptions Dispensed to Nursing Homes									
	1 FT Pharmacist		2 FT Pharmacists		3-4 FT Pharmacists		5+ FT Pharmacists		Overall Average	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
AIDS	0.5%	0.5%	0.9%	0.9%	0.6%	0.6%	0.8%	0.8%	0.7%	0.8%
Alzheimer's Disease	5.5	5.5	6.0	6.2	7.2	7.2	5.2	6.0	5.9	6.5
Anti-Arthritics	6.9	6.8	6.7	6.4	5.8	5.7	6.9	6.6	6.6	6.2
Anti-Convulsives	3.7	3.7	4.1	4.0	3.2	3.2	4.1	4.0	3.8	3.6
Anti-Infectives	7.9	7.8	7.4	7.5	5.5	5.5	6.9	7.0	6.9	6.6
Arrhythmia	0.8	0.7	0.5	0.4	0.4	0.4	0.5	0.4	0.5	0.5
Behavioral Conditions	2.9	3.5	2.6	2.7	4.0	4.2	3.2	3.3	3.2	3.5
Cancer	1.7	1.8	1.7	1.7	1.4	1.4	1.2	1.2	1.5	1.4
Cardiovascular	12.5	12.0	12.0	12.0	13.6	13.3	15.5	15.3	13.5	13.2
Diabetes	7.7	7.9	6.4	6.6	8.2	8.2	7.2	7.3	7.4	7.6
Epilepsy	1.1	1.1	1.0	1.0	0.8	0.9	0.7	0.7	0.9	1.0
Gastrointestinal	8.9	8.6	7.5	7.4	8.7	8.9	8.6	8.6	8.5	8.2
Hypertension	12.5	12.5	11.4	11.2	13.7	13.5	13.8	13.7	12.9	12.9
Osteoporosis	2.0	2.1	2.3	2.6	2.0	2.1	2.4	2.3	2.2	2.2
Pain Block	6.3	6.5	7.1	7.3	6.9	6.8	6.1	6.6	6.6	6.9
Parkinson's Disease	3.4	3.2	3.7	3.8	3.1	3.2	3.9	3.9	3.5	3.5
Psychiatric	11.9	12.3	15.0	14.4	12.3	12.3	9.3	8.9	11.9	12.1
Thyroid	2.9	2.8	2.7	2.8	1.9	2.0	2.2	2.1	2.4	2.4

RXs DISPENSED BY LONG-TERM CARE PHARMACY PROVIDERS (LTCPPs)*



Data source: Verispan LLC © 2007

* For prescription drug benefit and common diagnoses and procedure data on Medicare beneficiaries with Part D coverage, please refer to the *Government Digest*, pp. 15-19.

DIABETES SHARE OF ALL LTCPP-DISPENSED DRUGS INCREASES

Of all prescriptions dispensed to nursing homes by LTCPPs, 7.6% treated diabetes, up slightly from 7.4% in 2005. Between 2005 and 2006, the ratio of prescriptions of this type to all drugs dispensed by LTCPPs to nursing homes rose in three of four provider size categories and remained unchanged in the fourth—those employing three-to-four FT pharmacists. Still, these midsized LTCPPs accounted for the highest share of nursing home-dispensed diabetes drugs, by size, in 2005 and 2006 alike.

MIDSIZED LTCPPs DISPENSE HIGHEST RATIO OF GI DRUGS

Of LTCPPs that dispensed gastrointestinal prescription drugs to nursing homes, those employing three-to-four FT pharmacists accounted for the highest share, by provider size, at 8.9%, up from 8.7% in 2005. LTCPPs of this size generated the only annual percentage rise for prescriptions in this drug category. Overall, the ratio of gastrointestinal drugs to all prescriptions dispensed by LTCPPs to nursing homes declined, to 8.2% from 8.5% in 2005.

Corporate LTCPP prescription costs per long-term care bed fall

The prescription cost per long-term care bed declined 2.5% at corporate-owned LTCPPs in 2006, to \$50.06 from \$51.33 in 2005. Conversely, such costs increased fractionally at independently owned LTCPPs, to \$60.99

from \$60.41 the previous year. As a consequence, the average prescription cost per long-term care bed for LTCPPs of the latter ownership type exceeded that of the former by 21.8% in 2006, up from 17.7% in 2005.

LONG-TERM CARE PART OF TOTAL LTCPP DRUG SALES FALLS

Long-term care facilities accounted for 88.6% of total LTCPP prescription drug sales, down from 89.4% in 2005. Between 2005 and 2006, this ratio declined in every region but that of the Mountain states (up fractionally, to 87.2% from 87.1%). The percentage of total LTCPP drug sales that went to long-term care facilities likewise dropped among corporate- (to 94.7% from 94.9% in 2005) and independently (to 83.4% from 84.7%) owned LTCPPs alike.

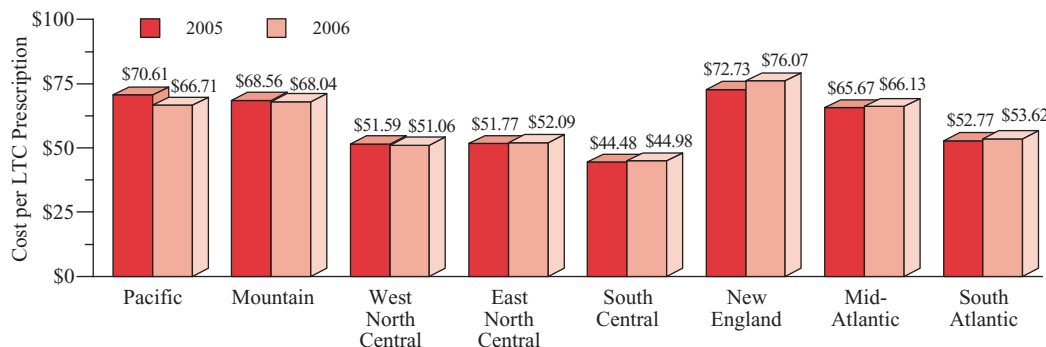
INDEPENDENT LTCPP DRUG REVENUE RATIO CONTINUES TO DROP

In the three years from 2004 to 2006, the long-term care facility part of total LTCPP drug revenue at independently owned LTCPPs dropped 4.1 percentage points, to 80.2% from 84.3%. Conversely, over that same three-year period, this ratio increased 2.8 percentage points at corporate-owned LTCPPs, to 91.9% from 89.1%. As a consequence, the percentage gap for this ratio between LTCPPs of the two ownership types grew, to 11.7 percentage points from 4.8 points in 2004.

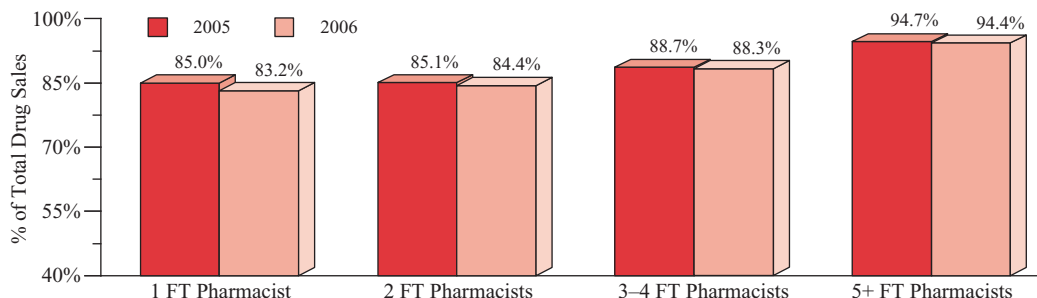
LONG-TERM CARE PHARMACY PROVIDER (LTCPP) FINANCIALS

REGION	Average Cost per LTC Prescription		% of Total LTCPP Drug Sales to Long-term Care Facilities		% of Total LTCPP Drug Revenue from Long-term Care Facilities	
	2005	2006	2005	2006	2005	2006
Pacific	\$70.61	\$66.71	92.9%	91.9%	88.5%	87.6%
Mountain	68.56	68.04	87.1	87.2	82.2	83.0
West North Central	51.59	51.06	78.4	76.9	73.5	73.2
East North Central	51.77	52.09	89.7	89.1	84.4	83.5
South Central	44.48	44.98	91.7	91.2	91.3	90.8
New England	72.73	76.07	91.5	90.3	90.7	88.9
Mid-Atlantic	65.67	66.13	91.9	91.2	89.0	88.5
South Atlantic	52.77	53.62	88.9	88.6	87.1	86.7
OWNERSHIP						
Corporate Owned	\$51.33	\$50.06	94.9%	94.7%	92.1%	91.9%
Independently Owned	60.41	60.99	84.7	83.4	81.1	80.2
AVERAGE	\$56.70	\$56.59	89.4%	88.6%	86.3%	85.6%

AVERAGE COST PER LONG-TERM CARE PRESCRIPTION, BY REGION



PERCENTAGE OF TOTAL DRUG SALES TO LONG-TERM CARE FACILITIES, BY SIZE



Data source: Verispan LLC © 2007

Larger share of assisted living facilities is in the Mid-Atlantic

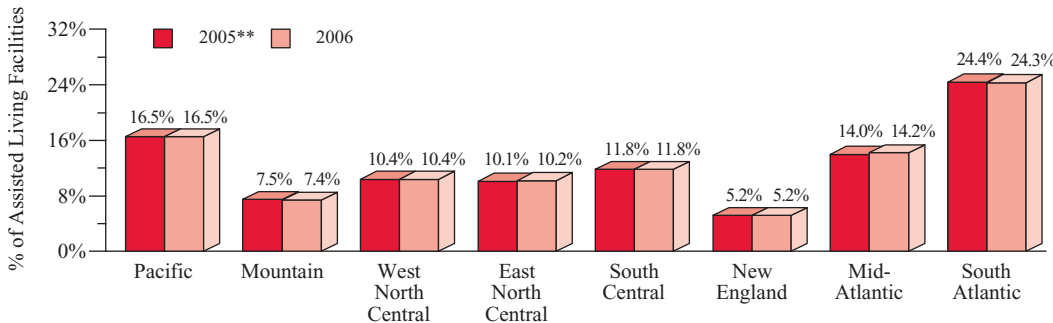
In 2006, 1,964 (14.2%) of the 13,871 assisted living facilities (ALFs) in the U.S. were located in the Mid-Atlantic region, up from 1,896 (14.0%) in 2005, the third largest share of the eight geographic regions profiled. The South

Atlantic (24.3%) and Pacific (16.5%) regions were home to the largest shares of ALFs in 2006. By comparison, the smallest share of ALFs were located in New England (5.2%) in 2006, unchanged from the previous year.

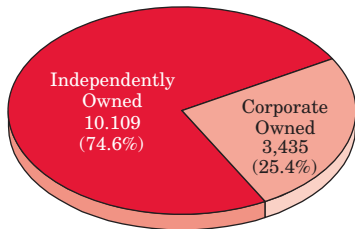
ASSISTED LIVING FACILITIES (ALFs), BY REGION*

REGION	Number of Assisted Living Facilities		Percentage of Assisted Living Facilities	
	2005**	2006	2005**	2006
Pacific	2,232	2,287	16.5%	16.5%
Mountain	1,020	1,033	7.5	7.4
West North Central	1,410	1,436	10.4	10.4
East North Central	1,366	1,419	10.1	10.2
South Central	1,601	1,633	11.8	11.8
New England	711	723	5.2	5.2
Mid-Atlantic	1,896	1,964	14.0	14.2
South Atlantic	3,308	3,376	24.4	24.3
TOTAL	13,544	13,871	100.0%	100.0%

PERCENTAGE OF ASSISTED LIVING FACILITIES (ALFs), BY REGION

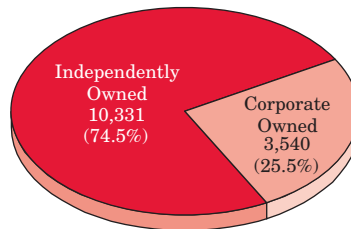


ASSISTED LIVING FACILITIES (ALFs), BY OWNERSHIP TYPE



2005**

ASSISTED LIVING FACILITIES (ALFs), BY OWNERSHIP TYPE



2006

Data source: Verispan LLC © 2007

NOTE: Percentages may not always sum to 100% due to rounding.

MORE ASSISTED LIVING FACILITIES ARE INDEPENDENTLY RUN

Between 2005 (10,109) and 2006 (10,331), the number of ALFs in the U.S. that were independently owned increased 2.2%. In spite of this growth, independently owned ALFs accounted for 74.5% of ALFs nationwide, compared with 74.6% the year before. By comparison, the number of corporate owned ALFs fell slightly in 2006, to 3,540 from 3,577.

NUMBER OF ALFs RISES IN THE EAST NORTH CENTRAL REGION

The total number of ALFs located in the East North Central region increased to 1,419 in 2006 from 1,366 in 2005. During this period, the number of ALFs grew for each of the five states in this region: Illinois (to 204 from 193 in 2005), Indiana (to 139 from 137), Ohio (to 383 from 368), Michigan (to 344 from 330) and Wisconsin (to 349 from 338). (Some data not shown.)

* Verispan defines an assisted living facility (ALF) as a facility in which residents are provided 24-hour monitoring and assistance with activities of daily living (ADL). A nursing staff administers medications. These facilities are not certified or regulated by Medicare.

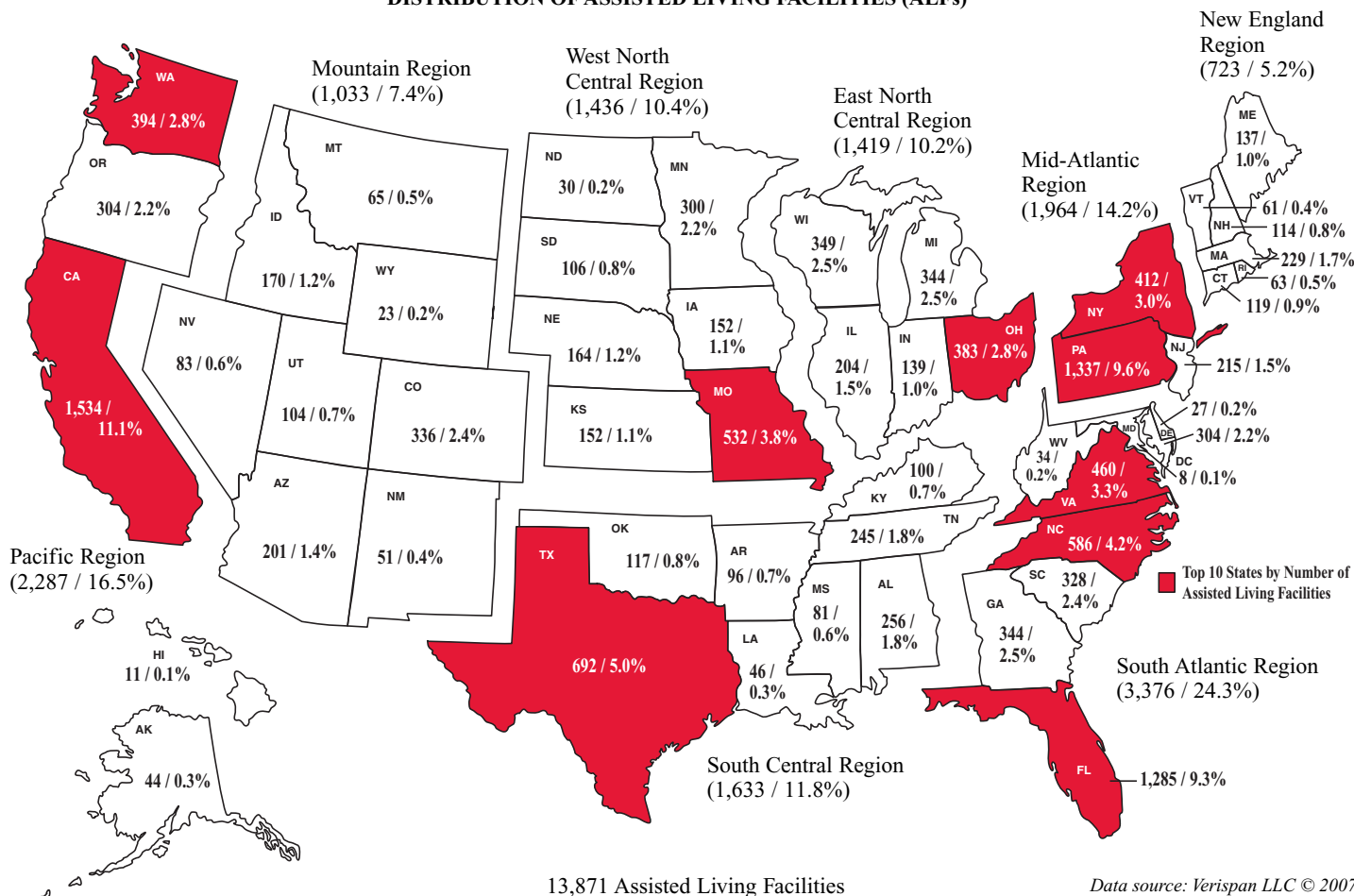
** Assisted living facility data for 2005 were restated and, therefore, differ from those shown in the *Senior Care Digest* for 2006.

Top 10 ALF states represent majority of nation's facilities

The top 10 states by number of ALFs combined for 7,615 facilities in 2006, up 2.5% from 7,431 in 2005. Four of these top 10 states each reported an annual rise in the numbers of ALFs of at least three percentage points: Pennsylvania

(4.3%), Ohio (4.1%), Washington (3.4%) and Florida (3.0%). In spite of this moderate growth, ALFs in these top 10 states represented 54.9% of ALFs in the U.S. (13,871) in 2006, unchanged from the previous year (13,544).

DISTRIBUTION OF ASSISTED LIVING FACILITIES (ALFs)*



KEY TO MAP

The first number represents the number of assisted living facilities in that state or region. The second number represents the share of all assisted living facilities in the U.S. located in that state or region.

Numbers of ALFs grow across all eight geographic regions

* State assisted living facility figures are based on the physical location of the facility. Data are effective as of end-of-year 2006.

Between 2005 and 2006, the numbers of ALFs rose in all eight geographic regions profiled. The East North Central region experienced the greatest annual percentage rise, to 1,419 from 1,366 the previous year, or 3.9%.

The South Atlantic region was home to the largest number of ALFs, by region, at 3,376, up 2.1% from 3,308 in 2005. By comparison, 723 ALFs were located in the New England region, up 1.7% from 711 the previous year.

Nation's 35 largest assisted living chains operate many facilities

The 35 largest assisted living chains in the U.S. operated 2,874 ALFs in 2006, a 7.9% increase from 2,663 in 2005. These 35 largest chains accounted for 20.7% of the 13,871 facilities nationwide, up from 19.7% the year

before. The three largest chains—Brookdale Living Communities Inc. (507), Sunrise Senior Living (362) and Extendicare Health Services (215)—together operated 1,084 facilities, up a notable 16.1% from 934 in 2005.

THE NATION'S 35 LARGEST ASSISTED LIVING CHAINS¹

NAME / HEADQUARTERS	Current Rank	Previous Rank	# of Assisted Living Facilities	# of States
Brookdale Living Communities Inc. ² / Chicago, Ill.	1	2	507	35
Sunrise Senior Living / McLean, Va.	2	1	362	34
Extendicare Health Services / Milwaukee, Wis.	3	3	215	17
Emeritus Assisted Living / Seattle, Wash.	4	4	194	34
Sun West Management / Salem, Ore.	5	7	182	28
Health Care Property Investors / Orlando, Fla.	6	5	154	31
Atria Communities / Louisville, Ky.	7	6	120	27
Five Star Quality Care / Newton, Mass.	8	8	97	20
Manor Care / Toledo, Ohio	9	9	83	15
Evangelical Lutheran Good Samaritan / Sioux Falls, S.D.	10	11	82	18
Summerville Senior Living / San Ramon, Calif.	11	16	76	13
Life Care Services Corporation / Des Moines, Iowa	12	19	66	25
Merrill Gardens / Seattle, Wash.	13	13	63	11
Americare Properties / Sikeston, Mo.	14	12	62	4
Genesis Health Care / Kennett Square, Penn.	15	21	45	12
Benchmark Assisted Living / Wellesley, Mass.	16	18	42	6
Harbor Senior Concepts / Madison, Wisc.	17	—	36	3
Outlook Pointe/Balanced Care Corp. / Mechanicsburg, Penn.	17	20	36	6
Good Neighbor Care / Springfield, Ore.	19	25	34	9
Century Park Associates / Chattanooga, Tenn.	19	N/A	34	20
Aegis Assisted Living / Redmond, Wash.	21	21	32	3
Hearthstone Senior Services / Spring, Texas	21	23	32	10
Leisure Care / Bellevue, Wash.	23	25	29	8
Golden Ventures ³ / Fort Smith, Ark.	23	23	29	9
Ecumen / Shoreview, Minn.	25	28	28	2
Mountain West Retirement / Salem, Ore.	25	31	28	2
Bickford Senior Living Group / Olathe, Kansas	25	30	28	5
Horizon Bay Senior Communities / Tampa, Fla.	28	34	25	8
Prestige Care / Vancouver, Wash.	29	32	24	7
Our House Assisted Living / Sun Prairie, Wisc.	30	29	23	2
Kisco Senior Living / Carlsbad, Calif.	31	—	22	7
Regency South Pacific Facility Supply / Issaquah, Wash.	31	—	22	5
JEA Senior Living / Vancouver, Wash.	33	34	21	7
Sun Healthcare Group / Albuquerque, N.M.	33	—	21	11
Elmcroft Assisted Living / Louisville, Ky.	35	—	20	8
TOTAL/AVERAGE			2,874	

Data source: Verispan LLC © 2007

¹ This table includes all assisted living facilities owned and leased by these chains.

² Merged with Alterra Healthcare.

³ Formerly Beverly Enterprises.

SUN WEST ADDS LARGE NUMBER OF ASSISTED LIVING FACILITIES

In 2006, Sun West Management operated 182 assisted living facilities, up substantially from 112 in 2005. Sun West Management ran the fifth largest number of ALFs in 2006, compared with the seventh most the previous year. Of the 29 assisted living chains ranked among the nation's 35 largest in both 2005 and 2006, Life Care Services Corporation (to 66 from 57 facilities), moved up most in the rankings in 2006, to 12 from 19 in 2005.

35 LARGEST CHAINS SERVE FEWER NUMBER OF STATES ON AVERAGE

On average, the 35 largest assisted living chains operated facilities in 13 states in 2006, down slightly from 14 states in 2005. Fewer than half (17) of the 35 largest assisted living chains ran facilities in at least 10 states, compared with 19 the year before. However, four chains—Brookdale Living Communities Inc. (35), Sunrise Senior Living (34), Emeritus Assisted Living (34) and Health Care Property Investors (31)—operated ALFs in more than 30 states, up from three chains in 2005.

Home care agency growth trend slows considerably

After a notable 14.0% increase between 2001 (11,677) and 2005 (13,313), the number of home care agencies in the U.S. grew only fractionally in 2006 (to 13,333). Between 2005 and 2006, 29 states had a decline in the number of

home care agencies, up from 23 states the year before. Just seven states recorded double-digit annual percentage rises in the numbers of agencies, down from 12 in 2005. Hawaii (23.8%) had the largest annual percentage rise in 2006.

AGENCIES ARE VERY BROADLY DEFINED

A home care agency may be included in the database for this Digest if it is licensed by the state in which it is located, certified by the Centers for Medicare and Medicaid Services or part of a licensed home care chain. It must also have at least three nonadministrative staff members (i.e., field members) permanently located in that office. Finally, the agency staff must provide at least two types of home care services, except where the agency is providing only skilled nursing care. Excluded from the database are home care agencies offering only durable medical equipment and home care agency branch offices with staffs that rotate between and among several offices.

NUMBER OF HOME CARE AGENCIES IN THE UNITED STATES

STATE	Total No. in 2005	Total No. in 2006	% Change 2005–2006	Total No. in 1986	% Change 1986–2006	Population 65+ (000s)*	Agencies/1,000**
Alabama	198	221	11.6%	111	99.1%	604	0.37
Alaska	17	16	-5.9	3	433.3	44	0.36
Arizona	122	116	-4.9	70	65.7	758	0.15
Arkansas	228	225	-1.3	183	23.0	384	0.59
California	957	940	-1.8	401	134.4	3,869	0.24
Colorado	182	179	-1.6	109	64.2	465	0.38
Connecticut	137	139	1.5	123	13.0	474	0.29
Delaware	35	31	-11.4	21	47.6	112	0.28
Florida	1,309	1,358	3.7	148	817.6	2,993	0.45
Georgia	176	194	10.2	74	162.2	870	0.22
Hawaii	21	26	23.8	0	—	175	0.15
Idaho	74	75	1.4	23	226.1	164	0.46
Illinois	476	481	1.1	288	67.0	1,530	0.31
Indiana	259	281	8.5	106	165.1	778	0.36
Iowa	196	195	-0.5	126	54.8	435	0.45
Kansas	261	247	-5.4	112	120.5	357	0.69
Kentucky	212	215	1.4	95	126.3	526	0.41
Louisiana	312	304	-2.6	119	155.5	532	0.57
Maine	92	80	-13.0	20	300.0	193	0.42
Maryland	91	85	-6.6	96	-11.5	645	0.13
Massachusetts	183	185	1.1	161	14.9	853	0.22
Michigan	356	349	-2.0	157	122.3	1,258	0.28
Minnesota	353	329	-6.8	143	130.1	623	0.53
Mississippi	145	162	11.7	135	20.0	358	0.45
Missouri	212	212	0.0	175	21.1	773	0.27
Montana	53	50	-5.7	20	150.0	129	0.39
Nebraska	104	103	-1.0	30	243.3	234	0.44
Nevada	83	93	12.0	16	481.3	273	0.34
New Hampshire	71	70	-1.4	42	66.7	163	0.43
New Jersey	186	175	-5.9	54	224.1	1,129	0.15
New Mexico	104	98	-5.8	42	133.3	235	0.42
New York	650	639	-1.7	144	343.8	2,515	0.25
North Carolina	426	425	-0.2	107	297.2	1,054	0.40
North Dakota	36	36	0.0	24	50.0	94	0.38
Ohio	520	515	-1.0	204	152.5	1,529	0.34
Oklahoma	304	320	5.3	123	160.2	469	0.68
Oregon	81	80	-1.2	60	33.3	470	0.17
Pennsylvania	415	423	1.9	199	112.6	1,893	0.22
Rhode Island	52	46	-11.5	15	206.7	150	0.31
South Carolina	119	113	-5.0	36	213.9	535	0.21
South Dakota	59	58	-1.7	17	241.2	111	0.52
Tennessee	328	341	4.0	253	34.8	750	0.45
Texas	2,167	2,176	0.4	490	344.1	2,272	0.96
Utah	129	127	-1.6	22	477.3	216	0.59
Vermont	20	22	10.0	21	4.8	82	0.27
Virginia	316	289	-8.5	95	204.2	865	0.33
Washington	148	143	-3.4	42	240.5	721	0.20
Washington DC	23	23	0.0	14	64.3	67	0.34
West Virginia	79	71	-10.1	33	115.2	278	0.26
Wisconsin	192	198	3.1	118	67.8	722	0.27
Wyoming	44	54	22.7	30	80.0	62	0.87
TOTAL U.S.	13,313	13,333	0.2%	5,250	154.0%	36,790	0.36

* State population data are a projection of the U.S. Department of Commerce Bureau of the Census, Population Distribution Branch, published July 2005.

** "Per 1,000" ratio is for people age 65 and older.

Data source: Verispan LLC © 2007

Number of agencies in 35 largest home care chains climbs

In 2006, the 35 largest home care chains in the U.S. operated 2,607 agencies, up from 2,486 in 2005 and 2,234 in 2004. Agencies operated by the 35 largest chains accounted for 19.6% of all home care agencies, up from 18.7% in 2005.

Meanwhile, the average number of employees per office in these chains fell 16.8%, to 35.7 from 42.9 the previous year. Just seven of these 35 chains employed 50 or more workers per office in 2006, compared with 13 in 2005.

LHC GROUP BECOMES ONE OF FIVE LARGEST HOME CARE CHAINS

Louisiana Healthcare Group (LHC) was the nation's fifth largest home care chain in 2006, up three spots from eighth largest in 2005. LHC's agency total jumped nearly 50% between 2005 (78) and 2006 (115). Intrepid USA, which dropped from fifth to sixth largest, operated 96 agencies in 2006, down a considerable 17.2% from 116 the previous year.

PROPRIETARY CHAINS ACCOUNT FOR 80% OF THE TOP 35 CHAINS

Four-fifths (28) of the nation's 35 largest home care chains were for-profit in 2006. Moreover, just one of the 12 largest home care chains (8.3%) operated not-for-profit agencies in 2006, compared with two (16.7%) the year before. Of the three chains that were new to the list of the nation's 35 largest home care chains in 2006—Alacare Home Health, Critical Care Systems and Catholic Health Initiatives—just Catholic Health Initiatives (ranked 35th) operated not-for-profit home health care agencies.

THE NATION'S 35 LARGEST HOME CARE CHAINS*

NAME / HEADQUARTERS	Current Rank	Previous Rank	Tax Status	# of Agencies	Avg. # of Employees per Office	# of States
Gentiva Health Services / Melville, N.Y.	1	1	FP	299	120.2	35
Interim HealthCare / Sunrise, Fla.	2	2	FP	274	23.4	38
Amedisys / Baton Rouge, La.	3	3	FP	263	29.2	18
Maxim Healthcare Services / Columbia, Md.	4	4	FP	202	152.4	41
Louisiana Healthcare Group-LHC Group / Lafayette, La.	5	8	FP	115	22.7	10
Intrepid USA Corporate Office / Edina, Minn.	6	5	FP	96	2.8	23
Bayada Nurses / Moorestown, N.J.	7	7	FP	95	92.9	15
Option Care / Corp. Office / Buffalo Grove, Ill.	8	6	FP	89	12.8	30
Arkansas Department of Health / Little Rock, Ark.	9	9	NFP	84	14.2	1
Heartland Home Healthcare & Hospice / Toledo, Ohio	10	10	FP	73	49.5	21
Tender Loving Care Staff Builders / Lake Success, N.Y.	11	11	FP	69	37.9	23
Coram Healthcare / Denver, Colo.	12	12	FP	65	22.2	35
Department of Veterans Affairs / Washington, D.C.	13	13	NFP	63	3.2	32
Almost Family / Louisville, Ky.	14	16	FP	56	35.1	7
Pediatric Services of America / Norcross, Ga.	14	15	FP	56	33.3	18
Personal Touch Home Care / Bayside, N.Y.	16	17	FP	51	42.3	14
Kelly Home Care Services / Troy, Mich.	17	14	FP	50	77.3	16
Sta-Home Health Agency / Jackson, Miss.	18	18	FP	43	18.0	1
Angmar Medical Holdings / Arlington, Texas	18	22	NFP	43	6.8	4
Kaiser Permanente / Oakland, Calif.	20	23	NFP	42	61.9	4
Quorum Health Resources / Brentwood, Tenn.	20	20	NFP	42	17.3	22
Texas Home Health / Silsbee, Texas	22	29	FP	41	22.8	3
Arcadia Services Inc. / Southfield, Mich.	22	21	FP	41	56.3	12
Community Health Systems / Brentwood, Tenn.	24	26	FP	39	15.0	15
Omni Health Management / Coral Springs, Fla.	25	19	FP	37	13.9	8
CareAll Home Care Services / Lebanon, Tenn.	26	28	FP	34	9.4	1
CareSouth Home Care Professionals / Augusta, Ga.	27	25	FP	33	34.0	6
National HealthCare Corporation / Murfreesboro, Tenn.	28	30	FP	31	17.3	3
Nursefinders / Arlington, Texas	28	27	FP	31	83.3	13
Girling Health Care / Austin, Texas	30	31	FP	30	34.1	6
Alacare Home Health / Birmingham, Ala.	31	—	FP	25	23.1	1
Avera Health / Sioux Falls, S.D.	32	32	NFP	24	13.1	4
Critical Care Systems / Nashua, N.H.	32	—	FP	24	9.0	18
Deaconess Homecare / Hattiesburg, Miss.	32	24	FP	24	21.9	3
Catholic Health Initiatives / Denver, Colo.	35	—	NFP	23	22.6	12
TOTAL/AVERAGE				2,607	35.7	

* This table includes all home care agency offices owned, franchised or managed by these chains.

Data source: Verispan LLC © 2007

Number of patient visits per agency per week decreases

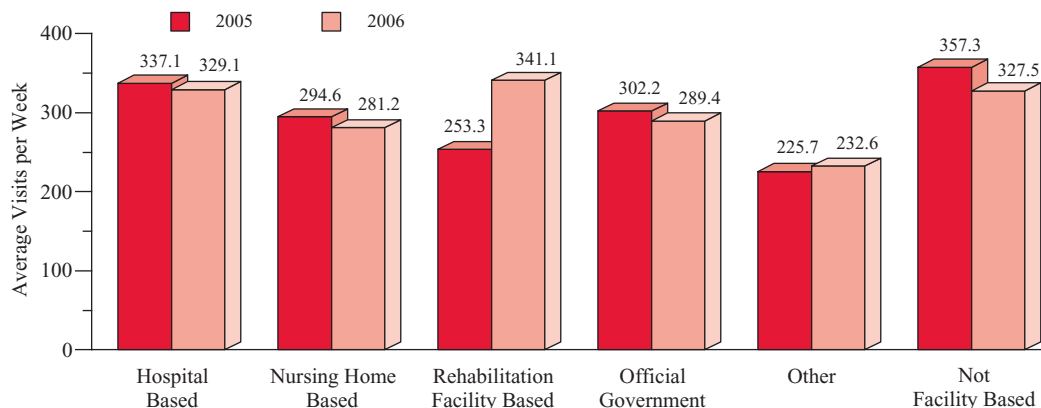
Home care agencies averaged 322.5 patient visits per week in 2006, down a notable 6.9% from 346.3 in 2005. The average number of patient visits per week dropped, between 2005 and 2006, for home care agencies in each of

eight geographic regions. Agencies in the South Atlantic region (to 335.0 from 365.3 the previous year, or -8.3%) reported the greatest annual percentage decline in the number of patient visits per week during this period.

NUMBER OF HOME CARE AGENCY PATIENT VISITS PER WEEK

OWNERSHIP	Number of Patient Visits per Agency per Week	
	2005	2006
Government	274.0	263.6
Church-Related	452.1	447.4
Independent For-Profit	276.9	266.5
Independent Not-for-Profit	364.3	341.2
Chain For-Profit	410.3	361.1
Chain Not-for-Profit	404.6	371.4
FACILITY		
Hospital Based	337.1	329.1
Nursing Home Based	294.6	281.2
Rehabilitation Facility Based	253.3	341.1
Official Government	302.2	289.4
Other	225.7	232.6
Not Facility Based	357.3	327.5
REGION		
Pacific	321.0	305.2
Mountain	282.0	269.9
West North Central	225.4	219.3
East North Central	363.0	334.1
South Central	292.7	271.2
New England	596.2	563.3
Mid-Atlantic	501.5	467.7
South Atlantic	365.3	335.0
CERTIFICATION		
Medicare-certified	353.0	326.6
Noncertified	334.2	314.7
AVERAGE	346.3	322.5

NUMBER OF PATIENT VISITS PER AGENCY PER WEEK, BY FACILITY TYPE



Data source: Verispan LLC © 2007

CHAIN FP AGENCIES SEE A SHARP DECLINE IN VISITS PER WEEK

The number of patient visits per week at chain for-profit home care agencies dropped 12.0% in 2006, to 361.1 from 410.3 in 2005. By comparison, the number of patient visits per week fell a more modest 3.8% at independent for-profit agencies (to 266.5 from 276.9 in 2005). Of the six distinct ownership categories profiled, church-related agencies averaged the most patient visits per week, at 447.4, down slightly from 452.1 the year before.

NUMBER OF VISITS PER WEEK FALLS NOTABLY AT NON-FACILITY HHAs

In 2006, home care agencies that were not affiliated with a facility averaged 327.5 patient visits per week, down 8.3% from 357.3 in 2005. The number of patient visits per week also dropped at nursing home-based agencies (to 281.2 from 294.6 in 2005, or -4.5%), official government-based agencies (to 289.4 from 302.2, or -4.2%) and hospital-based agencies (to 329.1 from 337.1, or -2.4%) over this time. Conversely, rehabilitation facility-based home care agencies reported a substantial increase in the number of patient visits per week, to 341.1 from 253.3 in 2005.

Larger percentage of home care agencies offers speech therapy

Over three-quarters (76.2%) of home care agencies nationwide provided speech therapy to their patients in 2006, up from 72.7% in 2005. Church-related agencies (86.7%) were most likely, by ownership type, to offer such services

while chain for-profit agencies (70.4%) were least likely. Despite the overall growth, speech therapy services remained less prevalent among home care agencies than both physical therapy (85.0%) and occupational therapy (80.3%).

SOCIAL SERVICES ARE OFTEN PROVIDED BY CHURCH AGENCIES

In 2006, 82.7% of church-related home care agencies extended social services to their residents, notably higher than the share for agencies overall (73.6%), and the greatest share by ownership type. By comparison, just 67.6% of government agencies offered such services. In total, church-related home care agencies were most likely to provide 10 of the 13 services provided.

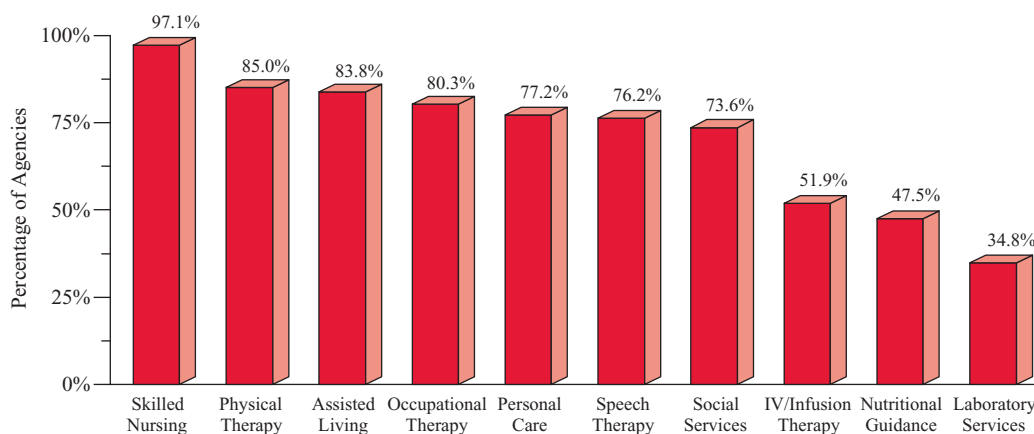
SHARE OF AGENCIES OFFERING PERSONAL CARE FALLS SHARPLY

The share of home care agencies in the U.S that provided personal care declined, between 2005 and 2006, regardless of agency ownership type. Although down slightly from 89.2%, church-related homes were most likely to provide personal care services in 2006, at 87.8%. Meanwhile, independent for-profit agencies (68.6%) were least likely to offer personal services, down substantially from 81.0% the year before. Overall, 77.2% of home care agencies had personal care services in 2006, down from 85.1% in 2005.

PERCENTAGE OF HOME CARE AGENCIES PROVIDING VARIOUS SERVICES, BY OWNERSHIP TYPE

	Independent For-Profit	Independent Not-for-Profit	Chain For-Profit	Chain Not-for-Profit	Government	Church-Related
MEDICAL SERVICES						
Laboratory Services	31.9%	42.1%	32.4%	39.2%	35.2%	39.8%
Pharmacy Services	15.5	26.6	19.1	25.6	18.3	32.7
Skilled Nursing	97.3	98.1	95.2	98.2	98.7	99.0
THERAPIES						
IV/Infusion Therapy	32.8%	59.5%	60.7%	70.8%	71.2%	58.2%
Occupational Therapy	79.3	85.0	75.2	85.6	83.9	89.8
Physical Therapy	84.3	89.2	78.3	91.7	92.3	90.8
Respiratory Therapy	8.8	13.3	11.7	17.1	12.9	23.5
Speech Therapy	74.1	81.9	70.4	84.3	81.3	86.7
NONMED. SERVICES						
Assisted Living Services	80.3%	90.8%	80.3%	89.7%	91.8%	91.8%
Nutritional Guidance	39.3	58.2	46.9	56.8	51.8	64.3
Personal Care	68.6	83.4	79.8	86.5	86.1	87.8
Social Services	72.6	81.3	68.0	81.2	67.6	82.7
Vocational Guidance	4.3	8.0	7.2	7.6	10.4	13.3

PERCENTAGE OF HOME CARE AGENCIES PROVIDING VARIOUS SERVICES



Data source: Verispan LLC © 2007

Number of employees per home care agency continues to slide

The number of employees per home care agency dropped 6.4% in 2006, to 35.1 from 37.5 in 2005, the second consecutive annual decline. The number of home health aides per agency fell a notable 13.5% during this

period, to 12.2 from 14.1 the year before. Of the six home care agency job titles listed, just one (physical therapists) reported an increase in the number of employees per agency in 2006, to 2.2 in from 2.0 in 2005.

AGENCIES WITH THE MOST VISITS SEE A DROP IN EMPLOYEES

Home care agencies that averaged more than 500 patient visits per week reported a 6.6% decrease in the average number of employees per agency, to 74.0 from 79.2 in 2005. Among these agencies, four of the six job titles profiled (physical therapists and speech therapists excluded) underwent a drop in the number of employees per agency. By comparison, agencies that made 100 or fewer patient visits per week averaged 20.0 employees per agency, up fractionally from 19.9 the previous year.

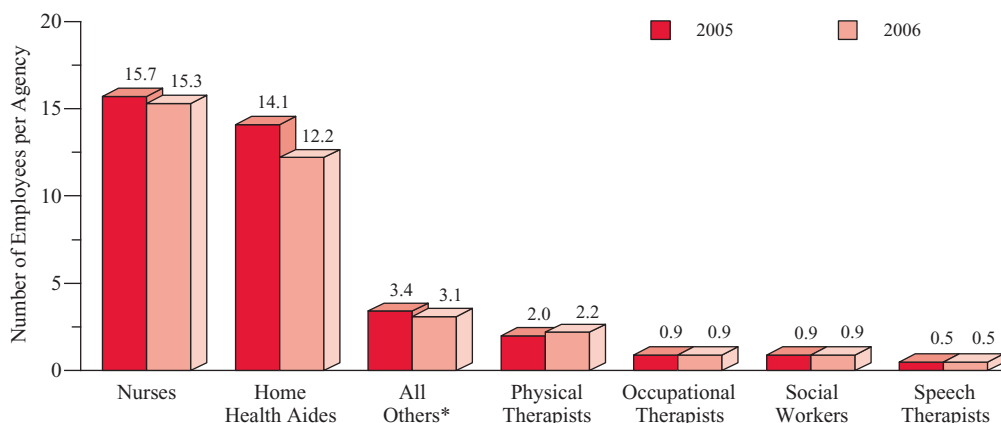
AVERAGE NUMBER OF NURSES PER HOME CARE AGENCY FALLS

Overall, the average number of nurses per home care agency declined 2.5% in 2006, to 15.3 from 15.7 in 2005. Agencies that made more than 500 patient visits per week averaged 32.6 nurses per agency, down 5.5% from 34.5 the year before. By comparison, agencies that averaged 1 to 100 patient visits per week employed 14.3% more nurses per agency in 2006 (8.8) than in 2005 (7.7). Similarly, agencies that averaged 101 to 300 patient visits per week employed 12.3 nurses, up 9.8% from 11.2 in 2005.

NUMBER OF EMPLOYEES PER HOME CARE AGENCY, BY PATIENT VISITS PER WEEK

JOB TITLE/ POSITION	1-100 Visits/Week		101-300 Visits/Week		301-500 Visits/Week		501+ Visits/Week		Overall Average	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Home Health Aides	7.2	6.1	10.0	9.5	15.5	14.6	31.0	27.4	14.1	12.2
Nurses	7.7	8.8	11.2	12.3	15.8	15.7	34.5	32.6	15.7	15.3
Occupational Therapists	0.6	0.6	0.7	0.7	1.1	1.1	1.8	1.7	0.9	0.9
Physical Therapists	1.1	1.2	1.4	1.8	2.4	2.6	4.1	4.4	2.0	2.2
Social Workers	0.6	0.6	0.6	0.7	1.3	1.3	1.5	1.6	0.9	0.9
Speech Therapists	0.3	0.4	0.4	0.4	0.6	0.6	1.0	0.9	0.5	0.5
All Others*	2.4	2.2	2.7	2.7	3.4	3.4	5.3	5.3	3.4	3.1
TOTAL**	19.9	20.0	27.1	28.0	40.2	39.3	79.2	74.0	37.5	35.1

NUMBER OF EMPLOYEES PER HOME CARE AGENCY



Data source: Verispan LLC © 2007

* "All Others" includes medical social workers, pharmacists, accounting staff, dietitians and quality assurance staff.

** Column totals represent the average of each facility's total employees.

Medicare population growth expected to challenge senior care

The U.S. population is aging rapidly, even as the life expectancy of seniors is increasing. This expansion in the age and volume of seniors will strain the U.S. health care system in the coming years. At midyear 2006, Medi-

care provided coverage to 42.8 million seniors. By 2030, however, this number is expected to swell to 78.3 million. As a result, government will likely face numerous challenges upholding its long-standing commitment to senior care.

LEGISLATION MAY ADD TO GROWTH OF RESIDENTIAL CARE

The Home and Community-Based Services Copayment Equity Act of 2007, now reintroduced in the U.S. Senate, would ensure that qualified assisted living and other types of residential care facility residents receive the same exemption from copayments under the new Medicare Prescription Drug Program as nursing home residents. This legislation would likewise eliminate copayments under Medicare Part D for dual-eligible beneficiaries (those eligible for Medicare *and* Medicaid coverage) residing in assisted living communities and other home- and community-based settings.

If passed, this proposed change to current law would further contribute to an anticipated paradigm shift in the senior care market, in which the number of dual-eligible beneficiaries who choose a home- or community-based alternative to a nursing home or other institutional setting for their long-term care would soon outnumber those dual eligibles who are receiving nursing facility services.

LTCPPs ADJUST TO THE SHIFTING SENIOR CARE MARKETPLACE

The nursing home resident share of all prescriptions dispensed by long-term care pharmacy providers (LTCPPs) continued to drop between 2005 and 2006, the second consecutive annual decline. Conversely, the LTCPP shares of prescriptions dispensed to residential care, retail and mental health facility customers during this period rose in accordance. Viewed in the context of the long-term stagnancy of the nursing home industry, in which growing numbers of seniors have drifted away from nursing homes and toward alternative means of long-term care, selling to a more diverse customer base is good business practice and an indication of the growing complexity of senior care. In this period, the ratios of LTCPP drug sales and revenue from long-term care facilities likewise underwent moderate declines.

ALMOST HALF OF NURSING HOME RESIDENTS SUFFER DEPRESSION

In 2006, nearly half (47%) of nursing home residents suffered from depression, the second most common (behind bladder incontinence) of the 11 conditions profiled. The share of residents diagnosed with depression was fractionally higher among nursing home residents than Alzheimer's Disease (46%), and more than double that of general psychiatric diagnoses (20%). In accordance, just over 45% of nursing home residents were dispensed antidepressant medications in 2006. Depression has long been recognized as an extensive problem among the institutionalized elderly. It is a condition often linked to increased risk of secondary diseases and higher health care costs.

ADDED SERVICES AND COST SAVINGS PUSH SENIORS TOWARD HOME CARE

Since 1986, the number of home care agencies operating in the U.S. has increased by more than 150%. One catalyst for this growth, according to conventional wisdom, is the rising cost of institutional care. But home care agencies have also contributed by improving their quality of care and making available to their customers such nonmedical services as personal care, nutritional and vocational guidance, and social services.

Unlike nursing homes and traditional long-term care facilities, which typically treat chronically ill patients, home health care is designed primarily for patients recovering from past medical treatment or those in need of daily assistance. And with ALFs becoming a more expensive and, often enough, less comfortable option, the demand for home health care services has ballooned.

Another recent health care trend that has contributed to the increase in the number of home care agencies is shorter hospital stays. Between 2003 (5.0 days) and 2006 (4.5 days), the average length of stay per hospital admission declined notably. As patients are discharged from hospitals sooner and, as a consequence, require more recovery time at home, the demand for home care and related services is growing. As one industry insider put it, "More and more people are leaving hospitals sicker and quicker. The whole health care system is moving toward home health care."

As more quality home health care services are made available to seniors, and coverage for such care expands, home care will continue to play a larger and more important role in long-term care in the future.

A Commitment to Health Care

At sanofi-aventis, our commitment to health care systems is to continue to support you with products, services and resources distinguished by *innovation*, not imitation.

Our commitment to staying at the forefront of health care is exemplified by our extensive product pipeline, our dedication to understanding today's complex health care environment, and our continuing resolve to anticipate critical health care trends and their impact on the industry.

As health care evolves, so, too, will sanofi-aventis—to better meet the needs of all our health care customers.

The sanofi-aventis **Managed Care Digest Series**[®] represents just one of the ways sanofi-aventis will continue to bring information and insight to our customers.

Suggested Uses for This Digest:

- **Presentations**
- **Comparisons**
- **Benchmarking**
- **Formulation of policies**
- **Business plans**
- **Budgeting**
- **Strategic forecasting**
- **Analyses/trends**

Sanofi-aventis offers the information presented in the **Managed Care Digest Series**[®] for general educational and informational purposes only. This information is not intended as a substitute for advice or recommendations from relevant professionals. Care has been taken to confirm the accuracy of the information presented. However, sanofi-aventis is not responsible for errors or omissions or for any consequences from application of the information in the **Managed Care Digest Series**[®], and makes no warranty, expressed or implied, with respect to the currency, completeness or accuracy of the contents of the publication. Application of this information in a particular situation remains the professional responsibility of the user.

BROUGHT TO YOU AS A
PROFESSIONAL SERVICE BY
SANOFI-AVENTIS, PROVIDER OF:

AMBIENCR[™]
[ZOLPIDEM TARTRATE EXTENDED RELEASE] ^{CR}
6.25-MG & 12.5-MG EXTENDED RELEASE TABLETS

Amaryl[®]
glimepiride TABLETS

Plavix[®]
(clopidogrel bisulfate) 75mg tablets

Nasacort[®]AO
(triamcinolone acetonide) Nasal Spray

Anzemet[®]
dolasetron mesylate injection/tablets

Uroxatral[®]
alfuzosin HCl 10 mg
Extended-Release Tablets

12 Hour
allegra-D[®]
fexofenadine HCl 60 mg/pseudoephedrine HCl 120 mg
Extended-Release Tablets

Apidra[®]
insulin glulisine [rDNA origin] injection

LANTUS[®]
insulin glargine [rDNA origin]
injection

24 Hour
allegra-D[®]
fexofenadine HCl 180 mg/pseudoephedrine HCl 240 mg
Extended-Release Tablets

allegra[®]
fexofenadine HCl
Oral Suspension, 30mg/5mL (6 mg/mL)

HYALGAN[®]
sodium hyaluronate