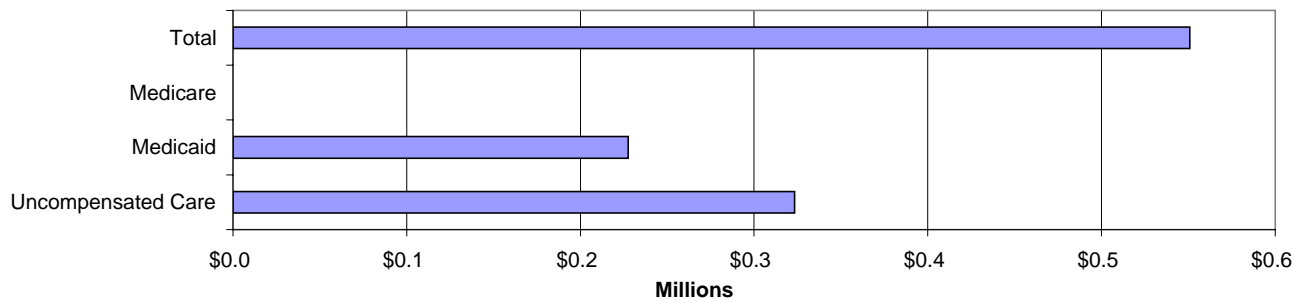


GRACE COTTAGE HOSPITAL

Cost Shift

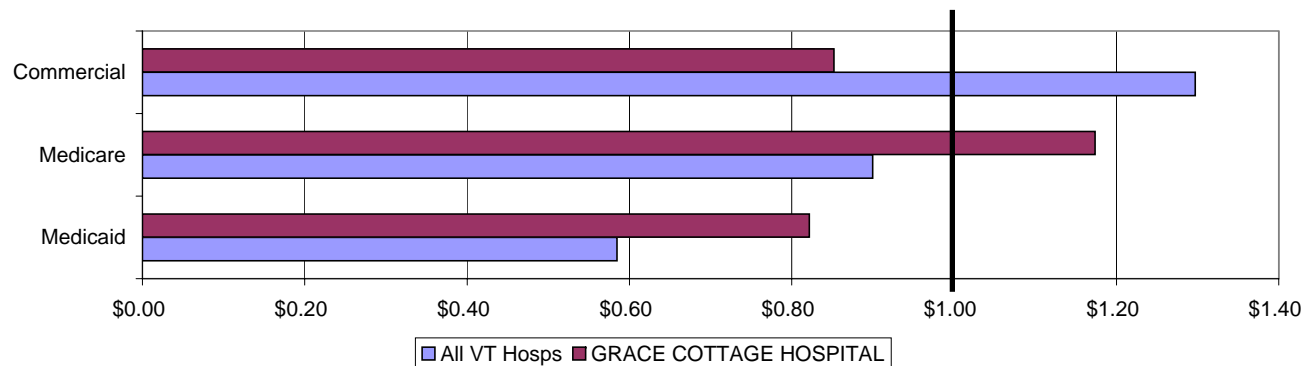
A hospital incurs costs to provide services to their patients. All patients, regardless of their ability to pay, are billed the same price for the same service. Sometimes the payment received by the hospital is less than cost for the services provided. This includes payments from uninsured, Medicare, and Medicaid patients. When the payment doesn't cover the cost to provide those services, this unreimbursed cost is passed on to other payers; this is the "cost shift". The ability to cost shift helps the hospital maintain its financial health.

**Costs Shifted by Payer Type
Actual 2007**



This graph shows the discounts to total hospital billings by Medicare, Medicaid, and Uncompensated Care. The top line shows the total of these discounts and is the amount of costs which is shifted to others who pay. This total is the cost shift.

**Amount Collected for Each \$1 of Expense and Surplus
Actual 2007**



This graph shows amount of money collected for each dollar of expense and surplus. If a payer (Commercial, Medicare, or Medicaid) is above \$1.00, then it pays more on average than the costs of its patients. If a payer is below \$1.00, then it pays less on average than the costs of its patients.