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GENESIS HEALTH VENTURES INC /PA
Form 11-K
June 30, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 11-K

(Mark One)

Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934 [fee required]

For the fiscal year end December 31, 2002

OR

Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934 [no fee required]

For the transition period from _____ to _____ Commission file number _____

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

Genesis Health Ventures, Inc. Retirement Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Genesis Health Ventures, Inc.
101 East State Street
Kennett Square, PA 19348
(610) 444-6350

Genesis Health Ventures, Inc. Retirement Plan Financial Statements, Supplemental Schedule and Exhibits as of December 31, 2002 and 2001 and for the year ended December 31, 2002.

The following plan financial statements, schedules and reports, have been prepared in accordance with the financial reporting requirements of ERISA.

Items 1 - 3: Not applicable under ERISA filing.

Item 4: Financial Statements and Exhibits.

GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

Financial Statements and Supplemental Schedule

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

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Independent Auditors' Report

The Pension Committee and the Participants
Genesis Health Ventures, Inc. Retirement Plan:

We were engaged to audit the accompanying statements of net assets available for benefits of the Genesis Health Ventures, Inc. Retirement Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 12, 2003

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Statements of Net Assets Available for Benefits

December 31, 2002 and 2001

	2002	2001
	-----	-----
Assets:		
Investments, at fair value	\$ 173,491,054	180,362,747
Employer matching receivable	5,570,912	6,211,685
Employee contribution receivable	1,633,310	1,958,329
Loans to participants	6,435,615	5,786,895
	-----	-----
Total assets	187,130,891	194,319,656
	-----	-----
Liabilities:		
Due to administrator	61,358	49,162
	-----	-----
Total liabilities	61,358	49,162
	-----	-----
Net assets available for benefits	\$ 187,069,533	194,270,494
	=====	=====

See accompanying notes to financial statements.

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GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2002 and 2001

	2002

Additions:	
Contributions:	
Employees	\$ 30,989,680
Employer	5,570,912
Rollovers	733,950
Interest income and dividends	1,781,200
Transfers from affiliated plans	400,983

Total additions	39,476,725

Deductions:	

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Administrative expenses	1,130,936
Distributions	18,185,083
Net depreciation in fair value of investments	27,257,115
Transfers to affiliated plans	104,552

Total deductions	46,677,686

Net decrease	(7,200,961)
Net assets:	
Beginning of year	194,270,494

End of year	\$ 187,069,533
	=====

See accompanying notes to financial statements.

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GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(1) Description of the Plan

The following description of the Genesis Health Ventures, Inc. Retirement Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan is for the benefit of all employees of Genesis Health Ventures, Inc. (the Company) who complete six consecutive months during which they have been credited with at least 500 hours of service in their first six months or if initial eligibility is not met, employees who complete 12 consecutive months of service during which they have been credited with at least 1,000 hours of service in their first year or any calendar year thereafter, and who have not been employed under the terms and conditions of a collective bargaining agreement. The Plan was adopted on January 1, 1989, and is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 401(k) of the Internal Revenue Code.

(b) Contributions

Eligible employees may make a voluntary, tax-deferred annual contribution of up to \$11,000 to the Plan for the year ended December 31, 2002. This figure is adjusted annually for inflation as provided under the Internal Revenue Code. In addition,

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effective in 2002, each eligible participant who has attained age 50 before the close of the Plan year is eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Internal Revenue Code. For 2002, the catch-up contribution limitation is \$1,000.

Each plan year, the board of directors of the Company may fix the proportionate matching contribution at any level, and intends to announce the level of such contributions in advance of each plan year. During the year ended December 31, 2002, the Company contributed amounts on behalf of each participant as 50% of the individual's contribution, limited to 1.5% of the employee's annual salary. During the year ended December 31, 2001, the Company contributed amounts on behalf of each participant as follows:

For one to six years of service - 50% of the individual's contribution, limited to 1% of the employee's annual salary.

For seven years or more of service - 75% of the individual's contribution, limited to 3% of the employee's annual salary.

The Company may also elect to make an additional profit-sharing contribution to the Plan. Such contribution is a discretionary contribution, subject to approval by the Company's board of directors. The Company did not elect to make any profit-sharing contributions for the year ended December 31, 2002 and 2001.

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GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

Notes to Financial Statements

December 31, 2002 and 2001

In order for a participant to share in the employer's matching and/or profit-sharing contributions for any plan year, the participant must have met one of the following conditions during the plan year to be considered an "active participant:"

- (a) Remained employed on the last day of the plan year;
- (b) retired;
- (c) died; or
- (d) became disabled.

In addition, a participant is also required to have a minimum of 1,000 hours of service in the plan year to share in profit-sharing contributions.

(c) Forfeitures

Forfeitures of nonvested Company contributions are used to offset such future contributions.

(d) Participant Accounts

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Participants have a nonforfeitable interest in their contributions at all times, although there are certain restrictions and options on withdrawals. The participants' vested interest in their accounts under the Plan as it is attributable to employer matching contributions and employer profit-sharing contributions is as follows:

- (a) With regard to employer matching contributions and employer profit-sharing contributions made for Plan years after December 31, 2001:

Participant's years of vesting service	Participant's vested percentage
-----	-----
Less than 2 years of vesting service	None
2 years of vesting, but fewer than 3	20%
3 years of vesting, but fewer than 4	40%
4 years of vesting, but fewer than 5	60%
5 years of vesting, but fewer than 6	80%
6 years or more	100%

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GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

Notes to Financial Statements

December 31, 2002 and 2001

- (b) With regard to employer matching contributions and employer profit-sharing contributions made for Plan years on or before December 31, 2001:

Participant's years of service	Participant's vested percentage
-----	-----
Fewer than five years	None
Five years or more	100%
Attainment of age 65, death, or disability while in the employ of the Company	100%

The Plan provides for modification of the vesting schedule to 100% after three or more years of service in certain situations.

- (e) Payment of Benefits

Normal and deferred retirement benefits, disability benefits, and vested benefits are generally distributed as a single sum. A

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participant may request that normal retirement benefits be distributed in approximately equal installments over a period of years not to exceed the life expectancy of the participant and the participant's designated beneficiary.

(f) Investment Income

Unrealized appreciation (depreciation) of investments is determined based upon quoted market values. Dividends, interest income, and capital gains (losses) are reinvested. Such amounts are added to or deducted from the participants' accounts based on the terms of the Plan.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting and present the net assets available for plan benefits and changes in those net assets.

(a) Administrative Expenses

Most administrative expenses incurred in the operation of the Plan are paid by the Plan.

(b) Investments

Plan investments are stated at fair value based on their quoted net asset value. Participant loans are valued at cost which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

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GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(3) Investments

A participant may direct contributions in any of the following investment options in increments of 1%:

AIM Basic Value Fund seeks long-term capital appreciation and invests in large value funds.

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Federated Capital Preservation Fund invests primarily in guaranteed investment contracts.

Janus Fund invests primarily in large-cap equity funds.

Janus Adviser Worldwide Fund invests primarily in common stocks of foreign and domestic companies.

Wachovia Diversified Bond Group Trust Fund invests in full maturity bonds.

Wachovia Enhanced Stock Market Fund invests in large-cap equity index funds.

Vanguard Wellington Fund invests in a balance of equities and fixed income securities.

MFS Capital Opportunities Fund invests in large and mid-cap equity funds.

MFS New Discovery Fund invests in small-cap equity funds.

Dreyfus Mid Cap Index Fund invests in mid-cap equity funds.

Genesis Health Ventures Stock Fund invests primarily in Company common stock.

The following presents the investment balances at December 31, 2002 and 2001:

	2002	2001
	-----	-----
AIM Basic Value Fund	\$ 244,957	--
Federated Capital Preservation Fund*	41,542,961	35,674,142
Janus Fund*	37,657,949	53,601,529
Janus Adviser Worldwide Fund*	22,557,685	31,299,052
Wachovia Enhanced Stock Market Fund*	10,547,234	12,320,965
Wachovia Diversified Bond Group Trust Fund*	24,076,058	17,664,265
Vanguard Wellington Fund	28,247,958	24,803,789
MFS Capital Opportunities Fund	4,101,656	4,128,982
MFS New Discovery Fund	1,324,793	870,023
Dreyfus Mid Cap Index Fund	2,764,436	--
Genesis Health Ventures, Inc. Stock Fund	425,367	--
	-----	-----
	\$ 173,491,054	180,362,747
	=====	=====

*Represents 5% or more of the Plan's net assets.

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Notes to Financial Statements

December 31, 2002 and 2001

During 2002, the Plan's investments in Funds and the Genesis Health Ventures, Inc. Stock Fund (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$27,211,186 and \$45,929, respectively.

During 2001, the Plan's investments, which consisted solely of Funds, depreciated in value by \$30,699,411.

(4) Forfeitures

The employer contributions for the 2002 and 2001 plan years are made subsequent to Plan year-end, and are offset by nonvested forfeiture accounts. As of December 31, 2002 and 2001, forfeiture accounts available for and to be used for the reduction of future employer contributions was \$342,066 and \$842,509, respectively.

The total of nonvested forfeiture accounts used to reduce employer contributions in 2002 and 2001 was \$842,509 and \$518,392, respectively.

(5) Federal Income Tax

The Internal Revenue Service has determined that the Plan is designed in accordance with applicable sections of the Internal Revenue Code and thus is a qualified plan for federal income tax purposes. A favorable determination letter was received March 10, 2003. The Company believes the Plan, as amended, continues to operate and qualify as designed.

(6) Plan Termination

Although it has not expressed any intent to do so, the Company reserves the right to amend, suspend, and/or terminate the Plan at any time. Upon termination, all participants will become fully vested in the amounts standing to their credit under the Plan.

(7) Loan Fund

Participants are able to borrow up to 50% of their vested balance with a minimum loan of \$1,000 and a maximum loan of \$50,000. Such loans are generally repaid through payroll deductions over a period not to exceed five years and bear interest at prime rate at the date of the loan. Only one loan outstanding at a time is permitted. Prior plans merged into the Plan permitted multiple loans, which were grandfathered into the Plan.

(8) Party-in-Interest Transactions

Plan investments in the Wachovia Diversified Bond Group Trust Fund and the Wachovia Enhanced Stock Market Fund are shares of funds managed by Wachovia Bank, N.A., the trustee. These transactions qualify as party-in-interest transactions.

During 2002, Plan incurred \$831,150 of administrative fees for Wachovia's trustee and record-keeping services. During 2001, the Plan incurred \$1,037,546 of administrative fees for First Union Bank, N.A.'s trustee and record-keeping services. These transactions qualify as party-in-interest transactions.

GENESIS HEALTH VENTURES, INC.
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Notes to Financial Statements

December 31, 2002 and 2001

Plan investments in the Genesis Health Ventures, Inc. Stock Fund consists primarily of shares of the plan sponsor's publicly traded stock. These transactions qualify as party-in-interest transactions.

(9) Reconciliation of Financial Statements of Form 5500

The following is a reconciliation of net assets available for plan benefits as of December 31, 2002, from the financial statements to the Form 5500:

	2002

Net assets available for benefits per the financial statements	\$ 187,069,533
Employer and participant receivables	(7,204,222)
Amounts due to administrator	61,358

Net assets available for benefits per the the Form 5500	\$ 179,926,669
	=====

Schedule 1

GENESIS HEALTH VENTURES, INC.
RETIREMENT PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2002

Description	Shares or face amount
-----	-----
Funds:	
Federated Capital Preservation Fund	3,751,566
Janus Fund	2,113,241
Janus Adviser Worldwide Fund	1,043,854

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Wachovia Diversified Bond Group Trust Fund*	673,883
Wachovia Enhanced Stock Market Fund*	188,981
Vanguard Wellington Fund	1,150,161
MFS Capital Opportunities Fund	439,149
MFS New Discovery Fund	115,905
AIM Basic Value Fund	11,206
Dreyfus Mid Cap Index Fund	158,239
Stock Fund:	
Genesis Health Ventures, Inc. Stock Fund *	42,104
Loans to participants (interest rates range from 4.25% to 11%)*	
Total investments	

* Represents a party-in-interest.

See accompanying independent auditors' report.

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SIGNATURES

The Plan: Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other person who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereto duly authorized.

GENESIS HEALTH VENTURES, INC. RETIREMENT PLAN

(Name of Plan)

By: /s/ James W. Tabak

James W. Tabak, Sr. Vice President,
Human Resources

Date: June 30, 2003

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EXHIBIT INDEX

Item

- | | |
|----|--|
| 23 | Consent of Independent Auditors |
| 99 | Certificate of James W. Tabak, Senior Vice President, Human Resources of the Company dated June 30, 2003 pursuant to 18 U.S.C. Section 1350. |