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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 01-01-2010 and ending 12-31-2010

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
NORTON HOSPITALS INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
224 E BROADWAY - 5TH FLOOR

Room/suite

City or town, state or country, and ZIP + 4
LOUISVILLE, KY 402022025

D Employer identification number
61-0703799

E Telephone number
(502) 629-8263

G Gross receipts $ 1,300,221,627

F Name and address of principal officer
STEPHEN A WILLIAMS
234 EAST GRAY ST SUITE 225
LOUISVILLE,KY 40202

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW NORTONHEALTHCARE COM

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1969

M State of legal domicile KY

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE QUALITY HEALTH CARE REGARDLESS OF A PATIENT'S ABILITY TO PAY

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	22
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	19
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	9,412
6	Total number of volunteers (estimate if necessary)	**6**	1,285
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	3,614,530
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	18,067,826	11,639,183
9	Program service revenue (Part VIII, line 2g)	1,209,298,877	1,283,063,357
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-190,997	-34,744
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,529,629	3,748,021
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,230,705,335	1,298,415,817
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	468,814,462	488,142,913
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	701,714,522	744,009,869
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,170,528,984	1,232,152,782
19	Revenue less expenses Subtract line 18 from line 12	60,176,351	66,263,035

		Beginning of Current Year	End of Year
Net Assets or Fund Balances			
20	Total assets (Part X, line 16)	764,799,143	849,219,774
21	Total liabilities (Part X, line 26)	65,479,695	83,370,485
22	Net assets or fund balances Subtract line 21 from line 20	699,319,448	765,849,289

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

****** 2011-11-11
Signature of officer Date

MICHAEL W GOUGH TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
Firm's name ▶ CROWE HORWATH LLP				Firm's EIN ▶
Firm's address ▶ 9600 BROWNSBORO ROAD SUITE 400 LOUISVILLE, KY 402411122				Phone no ▶ (502) 326-3996

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III . . . . . ☑

1 Briefly describe the organization's mission

NORTON HOSPITALS, INC 'S PURPOSE IS TO PROVIDE QUALITY HEALTH CARE TO ALL THOSE WE SERVE, IN A MANNER THAT RESPONDS TO THE NEEDS OF OUR COMMUNITIES AND HONORS OUR FAITH HERITAGE

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 1,197,522,015 including grants of $) (Revenue $ 1,281,974,430)

NORTON HOSPITALS, INC (NORTON) WAS FORMED TO I) ESTABLISH AND MAINTAIN HOSPITALS OR HEALTH CARE FACILITIES, WITHIN OR OUTSIDE THE COMMONWEALTH OF KENTUCKY, WITH PERMANENT FACILITIES THAT INCLUDE INPATIENT BEDS AND MEDICAL SERVICES TO PROVIDE DIAGNOSIS, CARE AND TREATMENT FOR PEDIATRIC AND ADULT PATIENTS, II) CARRY ON EDUCATIONAL ACTIVITIES RELATED TO RENDERING CARE TO THE SICK AND INJURED, III) PROMOTE AND CARRY ON SCIENTIFIC RESEARCH RELATED TO THE CARE OF THE SICK AND INJURED, IV) PARTICIPATE IN ANY ACTIVITY DESIGNED AND CARRIED ON TO PROMOTE THE GENERAL HEALTH OF THE COMMUNITY, AND V) PROVIDE ON A NONPROFIT BASIS, HOSPITAL OR HEALTH CARE FACILITIES AND SERVICES FOR THE CARE AND TREATMENT OF PERSONS WHO ARE ACUTELY ILL OR WHO OTHERWISE REQUIRE MEDICAL CARE AND RELATED SERVICES OF THE KIND CUSTOMARILY FURNISHED MOST EFFECTIVELY BY HOSPITALS OR HEALTH CARE FACILITIES NORTON HAS A TOTAL OF 1,837 LICENSED BEDS, NORTON HOSPITAL - 642 BEDS, KOSAIR CHILDREN'S HOSPITAL (KCH) - 263 BEDS, NORTON AUDUBON HOSPITAL - 432 BEDS, NORTON SUBURBAN HOSPITAL - 373 BEDS, AND NORTON BROWNSBORO HOSPITAL - 127 BEDS THESE HOSPITALS OPERATE TWENTY-FOUR (24) HOURS A DAY, SEVEN (7) DAYS A WEEK IN 2010, NORTON'S HOSPITALS SERVED 60,408 INPATIENTS, 373,239 OUTPATIENTS, AND 174,888 EMERGENCY ROOM VISITS IN ADDITION, NORTON'S OPERATING ROOMS CARED FOR 19,466 INPATIENT SURGICAL PATIENTS AND 32,274 OUTPATIENT SURGICAL PATIENTS ADDITIONALLY, 8,082 BABIES WERE DELIVERED AT NORTON BIRTHING CENTERS UNDER ITS CHARITY CARE PROGRAM, NORTON PROVIDED FREE CARE TO 5,575 PATIENTS, AT A COST OF $11 3 MILLION ALSO, NORTON GRANTS PATIENTS A DISCOUNT FROM BILLED CHARGES TO ANY INDIVIDUALS THAT HAVE NO ACCESS TO PRIVATE HEALTH INSURANCE OR DO NOT QUALIFY FOR GOVERNMENT ASSISTANCE OR CHARITY CARE UNDER THIS PROGRAM, 42,817 PATIENTS RECEIVED CARE AT DISCOUNTED RATES OTHER CONTRIBUTIONS TO THE COMMUNITY WERE THE UNPAID COST OF MEDICAID SERVICES TOTALING $80 2 MILLION AND EDUCATIONAL SUPPORT OF $24 3 MILLION, PRIMARILY TO THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE ALSO, COMMUNITY HEALTH IMPROVEMENT SERVICES TOTALED $9 9 MILLION AND CONTRIBUTIONS TO COMMUNITY GROUPS WERE $3 6 MILLION

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 1,197,522,015

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V . . . . . ☑

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	278		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c** Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	9,412		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b** Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a** Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b** Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			**4a**	No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			**5a**	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**	
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**	
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**	No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			**7f**	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**	
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?			**9a**	
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**	
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	**10a**			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	**11a**			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			**13a**	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**			
c	Enter the amount of reserves on hand	**13c**			
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**	No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			**14b**	

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	22		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	19		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Does the organization have members or stockholders?		6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

HELENA SCHULZ
224 E BROADWAY - 5TH FLOOR
LOUISVILLE, KY 402022025
(502) 629-8263

Part VII Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII . . . . . ☑

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								6,951,856	4,949,698	1,684,930

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 267

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
UNIVERSITY OF LOUISVILLE 323 E CHESTNUT STREET LOUISVILLE, KY 40202	RESIDENCY PROGRAM	9,033,097
MESSER TMG LLC 11001 PLANTSIDE DR LOUISVILLE, KY 40299	CONSTRUCTION & REPAIRS	6,336,556
MORRISON MANAGEMENT SPECIALIST P O BOX 102289 ATLANTA, GA 30368	DIETARY SERVICES	4,044,563
PEDIATRIC ANESTHESIA ASSOCIATION 462 S 4TH STREET LOUISVILLE, KY 40202	ANESTHESIA SERVICE	3,515,075
INO THERAPEUTICS INC P O BOX 642509 PITTSBURGH, PA 15264	INHALATION THERAPY SERVICES	3,166,535

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 128

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	4,838,603				
	e Government grants (contributions) 1e	1,097,306				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	5,703,274				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		11,639,183			
Program Service Revenue		Business Code				
	2a NET PATIENT REVENUE	621110	1,281,728,220	1,278,113,690	3,614,530	
	b HEALTHCARE EDUCATION	611710	1,335,137	1,335,137		
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		1,283,063,357			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		2,096			2,096
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real / (ii) Personal				
	6a Gross Rents	1,754,520				
	b Less rental expenses	1,594,595				
	c Rental income or (loss)	159,925				
	d Net rental income or (loss) . . . . . ▶		159,925			159,925
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	174,375				
	b Less cost or other basis and sales expenses	211,215				
	c Gain or (loss)	-36,840				
	d Net gain or (loss) . . . . . ▶		-36,840			-36,840
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . ▶					
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
	11a PURCHASING CO-OP INC	561499	2,484,361	2,484,361		
	b PARKING INCOME	812930	1,062,493			1,062,493
	c PURCHASING DISCOUNTS	900099	41,242	41,242		
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		3,588,096			
	12 **Total revenue.** See Instructions . . . ▶		1,298,415,817	1,281,974,430	3,614,530	1,187,674

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	2,916,134	2,916,134		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	98,500	98,500		
7 Other salaries and wages	386,601,520	386,601,520		
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	20,943,816	20,943,816		
9 Other employee benefits	50,733,005	50,733,005		
10 Payroll taxes	26,849,938	26,849,938		
a Fees for services (non-employees) Management				
b Legal	1,650	1,650		
c Accounting				
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	90,276,366	90,276,366		
12 Advertising and promotion				
13 Office expenses	283,017,067	283,017,067		
14 Information technology				
15 Royalties				
16 Occupancy	15,775,807	15,775,807		
17 Travel	1,070,840	1,070,840		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	37,770,726	37,770,726		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	51,838,876	51,838,876		
23 Insurance	30,761,517	30,761,517		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a ALLOCATED SUPPORT	144,294,862	109,664,095	34,630,767	
b BAD DEBT	49,234,161	49,234,161		
c PROVIDER TAX	20,129,732	20,129,732		
d REPAIRS & MAINTENANCE	8,380,473	8,380,473		
e EQUIP RENTAL & MAINT	6,158,909	6,158,909		
f All other expenses	5,298,883	5,298,883		
25 **Total functional expenses.** Add lines 1 through 24f	1,232,152,782	1,197,522,015	34,630,767	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		29,110	1	47,213
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		136,371,355	4	135,293,360
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		40,701,058	8	42,571,219
	9	Prepaid expenses and deferred charges		1,152,659	9	1,921,282
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 1,055,520,732			
	b	Less accumulated depreciation	10b 505,183,604	540,820,333	10c	550,337,128
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		1,945,521	14	2,141,356
	15	Other assets See Part IV, line 11		43,779,107	15	116,908,216
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		764,799,143	16	849,219,774
Liabilities	17	Accounts payable and accrued expenses		49,549,594	17	50,403,909
	18	Grants payable			18	
	19	Deferred revenue		272,458	19	234,894
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		15,657,643	25	32,731,682
	26	**Total liabilities.** Add lines 17 through 25		65,479,695	26	83,370,485
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		691,600,636	27	759,120,670
	28	Temporarily restricted net assets		7,718,812	28	6,728,619
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		699,319,448	33	765,849,289
	34	Total liabilities and net assets/fund balances		764,799,143	34	849,219,774

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	1,298,415,817
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,232,152,782
3	Revenue less expenses Subtract line 2 from line 1	3	66,263,035
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	699,319,448
5	Other changes in net assets or fund balances (explain in Schedule O)	5	266,806
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	765,849,289

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☑

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b	Yes	

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 331/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 331/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15
16	Public support percentage from 2009 Schedule A, Part III, line 15	16

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	17
18	Investment income percentage from **2009** Schedule A, Part III, line 17	18

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		23,220,715		23,220,715
b Buildings		506,740,420	178,053,859	328,686,561
c Leasehold improvements				
d Equipment		443,469,719	322,397,893	121,071,826
e Other		82,089,878	4,731,852	77,358,026
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				550,337,128

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) MISCELLANEOUS RECEIVABLES	1,227,168
(2) INVESTMENT IN PREMIER PURCHASING PARTNERS, L P	4,541,268
(3) RECEIVABLE FROM AFFILIATE	100,906,835
(4) PHYSICIAN GUARANTEE ASSET	10,232,945
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	116,908,216

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
DUE TO THIRD PARTY PAYORS	16,952,009
ASSET RETIREMENT OBLIGATION	5,546,728
PHYSICIAN GUARANTEE LIABILITY	10,232,945
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	32,731,682

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	1,298,415,817
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	1,232,152,782
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	66,263,035
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	266,806
9	Total adjustments (net) Add lines 4 - 8	9	266,806
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	66,529,841

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	NORTON HEALTHCARE, INC AND AFFILIATES (NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, NORTON ENTERPRISES, INC , NORTON HEALTHCARE FOUNDATION, INC , NORTON PROPERTIES, INC , THE CHILDREN'S HOSPITAL FOUNDATION) COMPLETED AN ANALYSIS OF ITS TAX POSITION AT DECEMBER 31, 2010 AND 2009, AND DETERMINED THAT NO MATERIAL AMOUNTS WERE REQUIRED TO BE RECOGNIZED UNDER ACCOUNTING STANDARDS CODIFICATION 740, INCOME TAXES, IN THE COMBINED FINANCIAL STATEMENTS AT DECEMBER 31, 2010 AND 2009
PART XI, LINE 8 - OTHER ADJUSTMENTS		AFFILIATE TRANSFER 266,806

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other **300.000000000000 %**	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b		No
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			11,336,345	0	11,336,345	0 960 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			244,489,026	194,306,708	50,182,318	4 240 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			10,609,585	3,088,019	7,521,566	0 640 %
d **Total** Financial Assistance and Means-Tested Government Programs			266,434,956	197,394,727	69,040,229	5 840 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			9,966,172	51,544	9,914,628	0 840 %
f Health professions education (from Worksheet 5)			27,862,911	3,542,882	24,320,029	2 060 %
g Subsidized health services (from Worksheet 6)			0	0		
h Research (from Worksheet 7)			359,937	0	359,937	0 030 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			3,595,782	0	3,595,782	0 300 %
j **Total** Other Benefits			41,784,802	3,594,426	38,190,376	3 230 %
k **Total.** Add lines 7d and 7j			308,219,758	200,989,153	107,230,605	9 070 %

Part II **Community Building Activities** during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building			9,711		9,711	0 %
7	Community health improvement advocacy			14,038		14,038	0 %
8	Workforce development						
9	Other						
10	**Total**			23,749		23,749	

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense (at cost)	2	37,982,756		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	2,546,961		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	279,906,832
6	Enter Medicare allowable costs of care relating to payments on line 5	6	305,687,913
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-25,781,081
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes		

Part IV **Management Companies and Joint Ventures**

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? **5**

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	NORTON HOSPITAL 200 E CHESTNUT STREET LOUISVILLE,KY 40202	X	X		X			X		
2	KOSAIR CHILDREN'S HOSPITAL 231 E CHESTNUT STREET LOUISVILLE,KY 40202	X	X	X	X			X		
3	NORTON AUDUBON HOSPITAL ONE AUDUBON PLAZA DRIVE LOUISVILLE,KY 40217	X	X		X			X		
4	NORTON SUBURBAN HOSPITAL 4001 DUTCHMANS LANE LOUISVILLE,KY 40207	X	X		X			X		
5	NORTON BROWNSBORO HOSPITAL 4950 NORTON HEALTHCARE BLVD LOUISVILLE,KY 40241	X	X					X		

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **1**

	Name and address	Type of Facility (Describe)
1	NORTON DIAG CTR-DXP IMAGING NEWBURG 3430 NEWBURG ROAD SUITE 150 LOUISVILLE,KY 40218	INDEPENDENT DIAGNOSTIC TESTING FACILITY
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 3C NOT APPLICABLE
		PART I, LINE 6A NOT APPLICABLE PART I, LINE 7G NOT APPLICABLE
		PART I, LINE 7 LINE 7A, 7B AND 7C, THE COSTING METHODOLOGY USED TO CALCULATE THE COMMUNITY BENEFIT EXPENSES WERE TO CALCULATE THE COST BY HOSPITAL LOCATION (5 SEPARATE HOSPITAL LOCATIONS UNDER ONE MEDICARE PROVIDER NUMBER) THE COST WAS DETERMINED BASED ON A SPECIFIC LOCATION COST TO CHARGE RATIO THE COST TO CHARGE RATIO WAS ADJUSTED FOR BAD DEBT AND OTHER COSTS THE COST USED IN THE CALCULATION WAS REDUCED BY BAD DEBTS, PROVIDER TAXES, GRADUATE MEDICAL EDUCATION EXPENSES, AND OTHER COSTS THE ADJUSTED COST TO CHARGE RATIO WAS THEN MULTIPLIED TIMES THE GROSS CHARGES FOR QUALIFIED FINANCIAL ASSISTANCE CHARGES, MEDICAID AND THE STATE DSH PROGRAM (OTHER MEANS TESTED GOVERNMENT PROGRAM) TO OBTAIN THE SPECIFIC COMMUNITY BENEFIT EXPENSE LINE 7E - AMOUNTS PRESENTED ARE BASED ON ACTUAL SPEND FOR THOSE SERVICES AND BENEFITS PROVIDED DEEMED TO IMPROVE THE HEALTH OF THE COMMUNITIES IN WHICH WE SERVE AND CONFORM TO THE MISSION OF OUR EXEMPT PURPOSE LINE 7F - AMOUNTS PRESENTED ARE BASED UPON ACTUAL SPEND AND ARE IN CONFORMITY WITH AGREED UPON COMMITMENTS WITH VARIOUS EDUCATIONAL PROGRAMS LINE 7H - AMOUNTS PRESENTED REPRESENT ACTUAL SPEND TO SUPPORT COMMUNITY HEALTH RESEARCH REGARDING OUTCOMES AND EFFECTIVENESS OF TREATMENTS LINE 7I - IN KEEPING WITH OUR MISSION AND COMMITMENT TO THE COMMUNITIES IN WHICH WE SERVE, NORTON HOSPITALS, INC CONTINUES ITS TRADITION OF CONTRIBUTING MONIES TO NUMEROUS ORGANIZATIONS AMOUNTS PRESENTED REPRESENT ACTUAL MONIES CONTRIBUTED TO ORGANIZATIONS THROUGHOUT OUR COMMUNITIES
		PART I, L7 COL(F) BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) IS $49,234,161 THE BAD DEBT EXPENSE WAS SUBTRACTED FROM TOTAL EXPENSES REPORTED ON FORM 990, PART IX, LINE 25 FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN
		PART III, LINE 4 RATIONALE AND THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNT REPORTED IN PART III, LINES 2 AND 3 THE FINANCIAL STATEMENTS BAD DEBT EXPENSE WAS UTILIZED AS THE STARTING POINT FOR ESTIMATING THE COST OF BAD DEBT WE FIRST ALLOCATED THE BAD DEBT EXPENSE BASED ON THE DECEMBER 31, 2010 ACCOUNTS RECEIVABLE RESERVE SCHEDULE BETWEEN SELF PAY AND ALL OTHER FINANCIAL CATEGORIES BOTH CATEGORIES (SELF PAY AND ALL OTHER) WERE MULTIPLIED TIMES THE FINANCIAL STATEMENTS BAD DEBT EXPENSE TO GET THEIR RESPECTIVE ESTIMATED BAD DEBT EXPENSE THE SELF PAY BAD DEBT EXPENSE WAS DIVIDED BY THE PERCENTAGE OF THE ACCOUNTS RECEIVABLE BALANCE EXPECTED AFTER THE HOSPITAL'S SELF PAY DISCOUNT WAS APPLIED TO ALL SELF PAY ACCOUNTS THE RESULT IS THE ESTIMATED GROSS CHARGES FOR SELF PAY ACCOUNTS WHICH WAS THEN MULTIPLIED TIMES THE RATIO OF COST TO CHARGES PER THE COMMUNITY BENEFIT CALCULATIONS, TO OBTAIN THE ESTIMATED COST OF BAD DEBT EXPENSE FOR SELF PAY PATIENTS THE "ALL OTHER" BAD DEBT EXPENSE WAS DIVIDED BY THE ESTIMATED ACCOUNTS RECEIVABLE BALANCE AFTER THE FYE 2010 "ALL OTHER" AVERAGE CONTRACTUAL PERCENTAGE THE RESULT IS THE ESTIMATED GROSS CHARGES FOR "ALL OTHER" ACCOUNTS, WHICH WAS THEN MULTIPLIED TIMES THE RATIO OF COST TO CHARGES PER THE COMMUNITY BENEFIT CALCULATIONS, TO OBTAIN THE ESTIMATED COST OF BAD DEBT EXPENSE FOR "ALL OTHER" PATIENTS THE ESTIMATED COST OF BAD DEBT EXPENSE FOR SELF PAY PATIENTS AND "ALL OTHER" PATIENTS WERE ADDED TOGETHER FOR THE AMOUNT REPORTED ON PART III, LINE 2 DESCRIBE HOW THE ORGANIZATION ACCOUNTS FOR DISCOUNTS AND PAYMENTS ON PATIENT ACCOUNTS IN DETERMINING BAD DEBT EXPENSE BAD DEBT EXPENSE IS BASED ON MANAGEMENT ASSESSMENT OF EXPECTED NET COLLECTIONS CONSIDERING ECONOMIC CONDITIONS AND HISTORICAL BUSINESS, TRENDS IN HEALTHCARE COLLECTIONS AND INSURANCE COVERAGE, AND OTHER COLLECTION INDICATORS MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THIS REVIEW IS THEN USED TO MAKE CHANGES TO THE PROVISION FOR UNCOLLECTIBLE ACCOUNTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES THE BAD DEBT EXPENSE IS BASED ON THE NET ESTIMATED AMOUNT EXPECTED TO BE DUE FROM THE PATIENT/PAYOR BAD DEBT EXPENSE FALLS INTO THREE CATEGORIES, TRUE SELF PAY, PATIENT RESPONSIBILITY AFTER INSURANCE, AND OTHER TRUE SELF PAY - FOR TRUE SELF PAY PATIENTS, THE SELF PAY DISCOUNT IS APPLIED TO THE ACCOUNT ASSUMING THE PATIENT DOES NOT QUALIFY FOR FINANCIAL ASSISTANCE THE BAD DEBT EXPENSE WRITE-OFF IS THE DISCOUNTED AMOUNT LESS ANY PAYMENTS MADE BY THE PATIENT PATIENT RESPONSIBILITY AFTER INSURANCE - THE BAD DEBT EXPENSE WRITE-OFF FOR PATIENT'S RESPONSIBILITY AFTER INSURANCE IS BASED ON THE PATIENT'S LIABILITY PER THE EXPLANATION OF BENEFITS AND CONTRACT WITH THE INSURANCE COMPANY THE BAD DEBT EXPENSE WRITE-OFF IS THE EXPECTED AMOUNT DUE LESS ANY PAYMENTS MADE BY THE PATIENT OTHER - THE OTHER CATEGORY IS FOR INSURANCE AMOUNTS DUE FROM PAYORS MOST EXPECTED PAYMENTS NOT RECEIVED FROM AN INSURANCE COMPANY AFTER INVESTIGATION INTO PAYMENT DIFFERENCE ARE WRITTEN OFF TO CONTRACTUAL ALLOWANCE/DENIAL CATEGORY DESCRIBE THE METHOD THE ORGANIZATION USES TO DETERMINE THE AMOUNT THAT REASONABLY COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY, IF SUFFICIENT INFORMATION HAD BEEN AVAILABLE TO MAKE A DETERMINATION OF THEIR ELIGIBILITY THE METHOD USED TO DETERMINE THE AMOUNT THAT REASONABLY COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER OUR FINANCIAL ASSISTANCE POLICY IS BASED ON OUR OUTSIDE ELIGIBILITY VENDOR'S EXPERIENCE WITH QUALIFYING ACCOUNTS AS FINANCIAL ASSISTANCE MEDASSIST, OUR OUTSIDE VENDOR SCREENS ALL SELF PAY ACCOUNTS AND BASED ON AN INITIAL SCREENING, WILL CLASSIFY THE ACCOUNT AS "PROBABLE" FINANCIAL ASSISTANCE IF THE ACCOUNTS APPEARS TO MEET NORTON HOSPITALS, INC 'S (NHI) FINANCIAL ASSISTANCE PROGRAM GUIDELINES THESE ACCOUNTS ARE THEN REQUIRED TO SUBMIT THE NECESSARY DOCUMENTATION TO ULTIMATELY BE CLASSIFIED AS A FINANCIAL ASSISTANCE ACCOUNT BASED ON ALL ACCOUNTS THAT ARE CLASSIFIED AS "PROBABLE FINANCIAL ASSISTANCE" BY MEDASSIST AND THEIR EXPERIENCE WITH GETTING ACCOUNTS QUALIFIED AS FINANCIAL ASSISTANCE, IT IS ESTIMATED THAT 80% OF THOSE ACCOUNTS CLASSIFIED AS PROBABLE FINANCIAL ASSISTANCE AND WHICH DO NOT SUBMIT THE REQUIRED DOCUMENTATION WOULD QUALIFY AS A NHI FINANCIAL ASSISTANCE ACCOUNT THE ESTIMATED COST OF ACCOUNTS THAT ARE ESTIMATED TO QUALIFY FOR OUR FINANCIAL ASSISTANCE PROGRAM IS CALCULATED BASED ON GROSS CHARGES FOR ACCOUNTS FOR THE YEAR THAT ARE PROBABLE, BUT DO NOT SUBMIT THE NECESSARY DOCUMENTATION MULTIPLIED TIMES OUR COST TO CHARGE RATIO TIMES THE 80% ESTIMATED CONVERSION FACTOR TEXT FROM FINANCIAL STATEMENTS THAT DESCRIBE BAD DEBT EXPENSE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTSTHE PROVISION FOR UNCOLLECTIBLE ACCOUNTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE MODIFICATIONS TO THE PROVISION FOR UNCOLLECTIBLE ACCOUNTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES
		PART III, LINE 8 THE COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COST WAS BASED ON THE MEDICARE PRINCIPLES USED IN COMPLETING THE MEDICARE COST REPORT ALL COST REPORTED CAME FROM THE MEDICARE COST REPORT NORTON HOSPITALS, INC (NHI) ACCEPTS ALL MEDICARE PATIENTS WITH THE KNOWLEDGE THAT THERE MAY BE SHORTFALLS AND OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY NHI BELIEVES THAT THE MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT BECAUSE MEDICARE DOES NOT FULLY COMPENSATE HOSPITALS FOR THE COST OF PROVIDING HOSPITAL CARE TO MEDICARE BENEFICIARIES NHI EXPERIENCED SIGNIFICANT LOSSES ($25 8 MILLION FOR FYE 2010) DUE TO UNDERPAYMENT FOR MEDICARE PATIENTS UNREIMBURSED MEDICARE COSTS REPRESENT A SIGNIFICANT VALUE THAT NONPROFIT HOSPITALS PROVIDE TO THE COMMUNITY, AS THE HOSPITAL RELIEVES THE FEDERAL GOVERNMENT OF A FINANCIAL BURDEN WHEN IT PROVIDES ESSENTIAL HEALTHCARE SERVICES TO MEDICARE COVERED PATIENTS
		PART III, LINE 9B AFTER THE PATIENT'S INITIAL SCREENING FOR FINANCIAL ASSISTANCE, IF IT APPEARS THAT THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, NORTON HOSPITALS, INC WILL NOT START COLLECTION EFFORTS PENDING THE PATIENT SUBMITTING THE NECESSARY INFORMATION TO DOCUMENT MEETING THE FINANCIAL ASSISTANCE QUALIFICATIONS IF THE PATIENT SUBMITS THE NECESSARY DOCUMENTATION WITHIN A REASONABLE TIME PERIOD AND QUALIFIES FOR FINANCIAL ASSISTANCE, THEN THERE WILL NOT BE ANY COLLECTION EFFORTS MADE TO COLLECT ANY AMOUNT FROM THE PATIENT THE PATIENT WILL RECEIVE A STATEMENT/BILL REFLECTING THE AMOUNT DUE THROUGHOUT THE FINANCIAL ASSISTANCE APPLICATION PROCESS PENDING THE PATIENT'S FINANCIAL ASSISTANCE APPLICATION, BUT THERE WILL BE NO COLLECTION EFFORTS ONLY AFTER SEVERAL ATTEMPTS TO CONTACT THE PATIENT TO GET THE NECESSARY DOCUMENTATION FOR COMPLETING THE FINANCIAL ASSISTANCE APPLICATION AND THE PATIENT NOT RESPONDING, WILL COLLECTION EFFORTS BEGIN TO COLLECT THE AMOUNT DUE FROM THE PATIENT THERE IS AN ONGOING EFFORT THROUGHOUT THE COLLECTION PROCESS TO SCREEN FOR MEDICAID ELIGIBILITY AND THE NEED FOR PROVIDING FINANCIAL ASSISTANCE APPLICATIONS TO PATIENTS IF A PATIENT IS APPROVED FOR FINANCIAL ASSISTANCE, THEIR ACCOUNT IS WRITTEN OFF
		PART VI, LINE 2 NEEDS ASSESSMENTNORTON HOSPITALS, INC (NHI) REGULARLY AND CONSISTENTLY EVALUATES WORKFORCE AND COMMUNITY HEALTH CARE NEEDS THROUGH PARTNERSHIPS WITH LOCAL HEALTH DEPARTMENTS, EMERGENCY MEDICAL SERVICE, LOCAL AND STATE UNIVERSITIES, AND KENTUCKIANA WORKS, THE WORKFORCE INVESTMENT BOARD FOR THE SEVEN COUNTY REGION SURROUNDING LOUISVILLE PARTNERSHIPS WITH THESE ORGANIZATIONS, ALONG WITH NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS SUCH AS THE AMERICAN CANCER SOCIETY, AMERICAN HEART ASSOCIATION AND OTHERS, ALSO PROVIDE NHI IMPORTANT STATISTICS AND DATA TO USE IN EVALUATING COMMUNITY ACCESS TO HEALTH CARE SERVICES AND HEALTH CARE DISPARITIES ADDITIONALLY, NHI ACCESSES DATA FROM ORGANIZATIONS SUCH AS THE CENTERS FOR DISEASE CONTROL AND THE UNITED STATES CENSUS BUREAU TO ASSESS AREAS OF GREATEST ANTICIPATED POPULATION GROWTH AND LOW-INCOME AREAS - BOTH OF WHICH MAY BE IN GREATEST NEED FOR PREVENTION EDUCATIONS, FREE SCREENINGS AND ACCESS TO HEALTH CARE
		PART VI, LINE 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE EDUCATION OF PATIENT/GUARANTORS REGARDING NORTON FINANCIAL ASSISTANCE AND KOSAIR CHARITIES ASSISTANCENORTON HOSPITALS, INC (NHI) EMPLOYS AN OUTSIDE ELIGIBILITY VENDOR, MEDASSIST ALL SELF PAY ACCOUNTS FOR THE ADULT FACILITIES ARE PLACED FOR ELIGIBILITY SCREENING WITH MEDASSIST THEY SCREEN FOR NORTON FINANCIAL ASSISTANCE, MEDICAID, PASSPORT, AND DSH/KHCP IN ADDITION, THEY ALSO PROVIDE EDUCATION AND REFERRAL ASSISTANCE TO THE APPROPRIATE COUNTY/STATE DEPARTMENTS FOR FOOD STAMPS, RENT ASSISTANCE, HEATING ASSISTANCE, ETC THE PROCESS OF COMPLETING THE APPLICATION IS OFTEN PERFORMED BY MEDASSIST THEMSELVES THEY PROTECT FILING DEADLINES BY SUBMITTING THE APPROPRIATE FORMS TO THE STATE/COUNTY, THEY FOLLOW UP TO SECURE PROOF OF INCOME DOCUMENTS FOR NORTON FINANCIAL ASSISTANCE, AND FOLLOW-UP WITH THE PATIENT'S ASSIGNED STATE CASEWORKER MEDASSIST ALSO MAKES OUTSIDE FIELD CALLS OR HOME VISITS TO THE PATIENTS TO SECURE THE NEEDED INFORMATION FOR ELIGIBILITY ASSISTANCE IF THEY ARE HOMEBOUND AS WELL AS PROVIDING ASSISTANCE WITH PATIENT TRANSPORTATION NEEDS SO THAT THE PATIENT CAN MAKE THEIR SCHEDULED APPOINTMENTS WITH THEIR CASEWORKER ALL OF THE SERVICES PROVIDED BY MEDASSIST ELIGIBILITY ARE AT NO COST TO THE PATIENT NHI PAYS FOR THESE ELIGIBILITY SERVICES AT NO COST OF WELL OVER $1,000,000 PER YEAR IN 2006, NHI RE-ASSIGNED FIVE INSURANCE COLLECTORS AND REMOVED THEM FROM FOLLOWING UP ON INSURANCE BALANCES THAT WERE OWED TO NHI NOW, THESE COLLECTORS ARE FINANCIAL ASSISTANCE COLLECTORS AND THEY FOLLOW UP AND ASSIST PATIENTS WITH SCREENING, APPLYING, AND PROVIDING THE DOCUMENTATION TO QUALIFY THE GUARANTORS FOR FINANCIAL ASSISTANCE THROUGH KOSAIR CHARITIES AND NORTON FINANCIAL ASSISTANCE IN 2008/2009 WE RE-ASSIGNED AN ADDITIONAL ONE AND ONE HALF FULL TIME EMPLOYEES FROM INSURANCE TO SELF PAY/FINANCIAL ASSISTANCE FOLLOW-UP FOR A TOTAL OF 8 FULL TIME EMPLOYEES, INCLUDING THE SUPERVISOR FINANCIAL ASSISTANCE FOR KOSAIR CHARITES FINANCIAL ASSISTANCE OR NORTON FINANCIAL ASSISTANCE IS NOT LIMITED TO THE SELF PAY POPULATION EVEN PATIENTS WITH INSURANCE COVERAGE ARE ENCOURAGED TO APPLY FOR ASSISTANCE SO THAT THEIR DEDUCTIBLES, CO-PAYMENTS, AND CO-INSURANCE AMOUNTS ARE COVERED UNDER THE VARIOUS ASSISTANCE PROGRAMS FINANCIAL COUNSELORS/SOCIAL WORKERS AT THE ADULT FACILITIES AS WELL AS KOSAIR CHILDREN'S HOSPITAL ARE EDUCATED AND TRAINED TO ASSIST WITH COUNSELING PATIENTS AND DETERMINING AND EXPLAINING OUR FINANCIAL ASSISTANCE PROGRAMS THEY CONTINUE TO RECEIVE ON-GOING EDUCATION THROUGHOUT THE YEAR REGARDING ELIGIBILITY CHANGES AND ADDITIONS FOR NORTON FINANCIAL ASSISTANCE, KOSAIR CHARITIES, DSH/KHCP, MEDICAID, ETC THE FOUNDATION OFFICE SENDS POTENTIAL REFERRALS TO PATIENT FINANCIAL SERVICES TO SCREEN FOR POSSIBLE FINANCIAL ASSISTANCE AS THEY RECEIVE INQUIRIES IN THE FOUNDATION OFFICE IF A PATIENT DOES NOT QUALIFY FOR KOSAIR CHARITY, THEN THOSE DENIED APPLICATIONS ARE REFERRED TO THE DIRECTOR OF PATIENT FINANCIAL SERVICES FOR CONSIDERATION FOR SPECIAL FUNDING THROUGH THE CHILDREN'S FOUNDATION AS WELL AS OTHER PROGRAMS ON THE BACK OF EVERY MONTHLY PATIENT ACCOUNT STATEMENT THAT IS SENT FROM NHI TO NON-OUTSOURCED ACCOUNTS, THE FINANCIAL ASSISTANCE APPLICATION IS PRINTED IN ADDITION, ON THE FRONT SIDE OF THE STATEMENT JUST ABOVE THE PERFORATION, IN ORDER TO DRAW GREATER ATTENTION TO THE APPLICATION LOCATED ON THE BACKSIDE OF THE STATEMENT, THERE IS A RED, BOLDED, CAPITALIZED PHRASE THAT INDICATES "SEE BACK FOR FINANCIAL ASSISTANCE APPLICATION "COLLECTION AGENCIES CHOSEN BY NHI PRINT ON THE BACK OF THEIR INITIAL PLACEMENT LETTER, OR AN INSERT IS MAILED WITH THE INITIAL PLACEMENT LETTER, A COPY OF THE FINANCIAL ASSISTANCE APPLICATION FOR THE GUARANTOR TO COMPLETE RECENT CHANGES HAVE BEEN MADE AND CONTINUE TO BE MADE TO THE PATIENT LETTERS TO FURTHER EXPLAIN THE PROGRAMS THAT ARE AVAILABLE TO ASSIST PATIENTS WITH THEIR BILLS COLLECTION AGENCIES CONTRACTED WITH NHI ARE REQUIRED TO PLACE A COPY OF THE FINANCIAL ASSISTANCE APPLICATION AS A PART OF THEIR STANDARD NOTIFICATION LETTER ON THE STANDARD NOTIFICATION LETTER THAT COLLECTION AGENCIES SEND TO NHI PATIENTS, IS A PHRASE WRITTEN IN SPANISH THAT THAT INDICATES FOR THE SPANISH SPEAKING PATIENT TO CONTACT A SPECIFIC NUMBER TO SPEAK WITH A SPANISH SPEAKING COLLECTOR THAT SPANISH SPEAKING REPRESENTATIVE WILL ALSO PROVIDE FINANCIAL ASSISTANCE INFORMATION NHI HAS TRANSLATED A SERIES OF FINANCIAL ASSISTANCE LETTERS AND THE FINANCIAL ASSISTANCE APPLICATION IN SPANISH AS WELL AS VIETNAMESE NHI CUSTOMER SERVICE DEPARTMENT ROUTINELY INSTRUCTS AND SCREENS PATIENTS IN THE PROTOCOL REGARDING FINANCIAL ASSISTANCE THRU KOSAIR CHARITIES OR NORTON FINANCIAL ASSISTANCE BEGINNING IN 2007, NHI OFFERED AT THE TIME OF FINAL BILLING ALL TRUE SELF PAY PATIENTS A SIGNIFICANT DISCOUNT OFF OF TOTAL CHARGES THAT WERE REFLECTED ON THEIR MONTHLY STATEMENTS AN ADDITIONAL PROMPT PAY DISCOUNT IS ALSO PROVIDED IF THE REMAINING BALANCE IS PAID WITHIN 30 DAYS FROM DATE OF FIRST BILL CONTRACTED COLLECTION AGENCIES ARE REQUIRED TO SOLICIT CHARITY APPLICATIONS WHEN THE GUARANTOR/PATIENT INDICATES "CANNOT PAY" NHI PAYS A COMMISSION TO OUR CONTRACTED COLLECTION AGENCIES FOR EVERY APPROVED CHARITY APPLICATION THAT IS FINALIZED THIS COMMISSION IS AN INCENTIVE FOR THE REPRESENTATIVES TO OBTAIN CHARITY APPLICATIONS AND NOT JUST COLLECT THE ACCOUNT
		PART VI, LINE 4 COMMUNITY INFORMATION PRIMARY SERVICE AREANORTON HOSPITALS INC 'S (NHI) PRIMARY SERVICE AREA POPULATION IS OVER ONE MILLION AND EXPECTED TO INCREASE 2 8% BETWEEN 2010 AND 2015 THE PRIMARY SERVICE AREA INCLUDES SEVEN COUNTIES, THREE OF WHICH ARE LOCATED ALONG THE OHIO RIVER BORDER IN KENTUCKY AND THE OTHER FOUR ARE BORDERING THE RIVER IN INDIANA EIGHY PERCENT OF NHI'S PATIENTS ARE DERIVED FROM THIS SERVICE AREA TWENTY-NINE PERCENT OF THE POPULATION IS OVER 55 YEARS OLD, COMPARED TO 25% IN THE USA THIS PORTION OF THE POPULATION TENDS TO USE ADDITIONAL HEALTHCARE SERVICES THE PEDIATRIC POPULATION IN 2010 WAS ESTIMATED AT 263,692 AND EXPECTED TO INCREASE TO 268,619 WITHIN FIVE YEARS AND REPRESENTS 24% OF THE TOTAL POPULATION THE NUMBER OF HOUSEHOLDS IN THE PRIMARY SERVICE AREA WAS ESTIMATED AT 451,136 IN 2010 AND IS EXPECTED TO INCREASE 3 5% BY 2015 CURRENTLY OVER 13% OF THE ADULT POPULATION DOES NOT HAVE A HIGH SCHOOL DEGREE AND 24% OF THE HOUSEHOLD INCOME IS LESS THAN $25,000 A YEAR, HOWEVER THE AVERAGE HOUSEHOLD INCOME IS $64,275 NHI TREATS 45% OF THE INPATIENT CASES IN THE COMMUNITY AND ITS PAYOR MIX IS 28% MEDICARE, 24% MEDICAID/PASSPORT AND 3% SELF PAY THE LARGEST COUNTY IN THE SERVICE AREA IS JEFFERSON COUNTY AND ITS APRIL 2011 PRELIMINARY NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATE WAS 10 0% COMPARED TO 10 0% FOR KENTUCKY AND 9 1% FOR THE UNITED STATES SECONDARY SERVICE AREANHI'S SECONDARY SERVICE AREA POPULATION WAS ESTIMATED AT 712,783 IN 2010 AND IS EXPECTED TO INCREASE 3 8% BETWEEN 2010 AND 2015 THE SECONDARY SERVICE AREA SPREADS ACROSS 22 KENTUCKY COUNTIES AND 4 INDIANA COUNTIES THE 55+ AGE COHORT REPRESENTS 25% OF THE SECONDARY SERVICE AREA POPULATION AND IS CONSISTENT WITH THE UNITED STATES, HOWEVER IT IS 1% LOWER THAN THE KENTUCKY PROPORTION THE PEDIATRIC POPULATION IN 2010 WAS ESTIMATED AT 168,000 AND EXPECTED TO INCREASE TO 172,000 BY 2015 ALTHOUGH THE PEDIATRIC POPULATION IS EXPECTED TO REMAIN FLAT THERE IS A NEED FOR CHILDREN TO HAVE APPROPRIATE ACCESS TO CARE IN THE RURAL AREAS OF KENTUCKY THE NUMBER OF HOUSEHOLDS IN THE SECONDARY SERVICE AREA WAS ESTIMATED AT 278,917 IN 2010 AND IS EXPECTED TO INCREASE OVER 13,000 BY 2015 ALMOST 94,000 ADULTS IN THIS SERVICE AREA DO NOT HAVE A HIGH SCHOOL EDUCATION AND THE HOUSEHOLD INCOME IS UNDER $25,000 FOR 28% OF THIS POPULATION THE AVERAGE HOUSEHOLD INCOME IS $55,071, SLIGHTLY LESS THAN KENTUCKY AND 14% LESS THAN THE PRIMARY SERVICE AREA
		PART VI, LINE 6 PROMOTION OF COMMUNITY HEALTHA THIRD OF THE ORGANIZATION'S MISSION STATEMENT SPEAKS TO THE COMMITMENT TO PROVIDE QUALITY HEALTHCARE THAT "RESPONDS TO THE NEEDS OF OUR COMMUNITIES " NORTON HOSPITALS, INC (NHI) ORGANIZATIONAL VALUES DIRECTLY ADDRESS THE NEED TO "CONTINUALLY IMPROVE CARE AND SERVICES" WHILE "DEMONSTRATING STEWARDSHIP OF RESOURCES " AS AN ORGANIZATION COMMITTED TO THE CONSTANT UNDERSTANDING AND ASSESSMENT OF THOSE SERVED, INITIATIVES AND PROGRAMS THAT ADDRESS THESE CONSTITUENTS ARE DEVELOPED AND IMPLEMENTED IN 2010 NHI'S TOTAL COMMUNITY BENEFIT WAS $107 MILLION, OVER $2 MILLION A WEEK, AND INCLUDES COMMUNITY INITIATIVES AND PROGRAMS SUCH AS FINANCIAL ASSISTANCE, EDUCATIONAL SUPPORT, UNPAID COSTS OF MEDICAID SERVICES, CORPORATE SPONSORSHIPS, PASTORAL CARE AND COUNSELING PROGRAMS, KENTUCKY POISON CONTROL CENTER AND CHILD GUIDANCE AND ADVOCACY PROGRAMS NHI EMPLOYEES PROVIDED 6,000 COMMUNITY SERVICE HOURS THAT SUPPORTED OVER 250 ORGANIZATIONS INCLUDING 150 ORGANIZATIONS WITH BOARD AND COMMITTEE REPRESENTATION OUR EMPLOYEES ALSO PROVIDED A SIGNIFICANT CONTRIBUTION TO THE HAITI RELIEF EFFORTS AND ALMOST 4,000 HOURS OF PERSONAL COMMUNITY SERVICE TO OVER 100 ORGANIZATIONS IN ADDITION TO THE ANNUAL COMBINED GIVING CAMPAIGN CONTRIBUTION OF $945,400 THE ORGANIZATION IS ALSO PARTNERING WITH OTHER NON-PROFIT ORGANIZATIONS, LOCAL GOVERNMENT AND THE CENTERS FOR DISEASE CONTROL TO IMPROVE THE HEALTH STATUS OF OUR COMMUNITY THROUGH EVIDENCE-BASED INITIATIVES THE ORGANIZATION'S PUBLICALLY ACCESSIBLE WEB-SITE OFFERS AN ON-LINE ASSESSMENT GUIDE TO IDENTIFY AND UNDERSTAND SYMPTOMS OVER 30 GET HEALTHY VIDEOS OFFER A VISUAL MEDIUM TO GET INFORMATION ABOUT MANY OF THE MOST VEXING HEALTH PROBLEMS IN THE COMMUNITY IN 2010 THESE HEALTH IMPROVEMENT SITES RECEIVED OVER 22,000 UNIQUE PAGE VIEWS THROUGHOUT THE YEAR FREE SEMINARS PLACE CLINICAL EXPERTS WITH COMMUNITY AUDIENCES ON SUCH TOPICS AS DIABETES, JOINT PAIN, WEIGHT MANAGEMENT, CANCER ASSESSMENTS - ALL CONDITIONS THAT KENTUCKY, UNFORTUNATELY, LEADS THE NATION IN HAVING THE PUBLICALLY AVAILABLE QUALITY REPORT ENSURES THAT THE COMMUNITY HAS ACCESS TO INFORMATION ABOUT THE QUALITY OF CARE PROVIDED BY THE ORGANIZATION THIS EDUCATION NOT ONLY EMPOWERS COMMUNITY MEMBERS, BUT ALSO DRIVES THE HEALTHCARE QUALITY AGENDA IN THE COMMUNITY THE OFFICE OF CHURCH & HEALTH MINISTRIES WORKS WITH AREA FAITH COMMUNITIES TO HELP THEM BUILD THEIR FAITH COMMUNITY NURSING AND HEALTH MINISTRY PROGRAMS LAST YEAR THIS OFFICE RECORDED OVER 41,800 HEALTH EDUCATION AND PREVENTION RELATED CONTACTS BI-MONTHLY THE OFFICE PRODUCES AN E-NEWSLETTER THAT DISSEMINATES INFORMATION ABOUT HEALTH IMPROVEMENT EVENTS TO OVER 1,900 INDIVIDUALS AND INSTITUTIONS IN THE AREA A SPECIAL PROGRAM CALLED "MAKING CONNECTIONS" WAS DESIGNED TO ASSIST INDIVIDUALS IN FOUR POOR DOWNTOWN NEIGHBORHOODS PREPARE FOR CAREERS IN HEALTHCARE THIS INITIATIVE PROVIDED FOR COUNSELING, FORGIVABLE EDUCATIONAL LOANS, AND SCHOLARSHIPS NHI IS COMMITTED TO INVESTING IN THE COMMUNITY IT SERVES IN FACT, "DEMONSTRATING STEWARDSHIP OF RESOURCES" IS ONE OF OUR ORGANIZATIONAL VALUES WE DO THIS IN A VARIETY OF WAYS, SUCH AS SUPPORTING LOCAL EDUCATIONAL INSTITUTIONS - INCLUDING THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE, OFFERING SCHOLARSHIPS TO STUDENTS, PROVIDING STUDENTS WITH FORGIVABLE LOANS FOR THEIR EDUCATION, PLACING MEDICAL PROFESSIONALS IN MEDICALLY-UNDERSERVED AREAS, PROVIDING FREE HEALTH SCREENINGS AND EDUCATION, CONTRIBUTING FUNDS TO OTHER NON-PROFIT HEALTH CARE ORGANIZATIONS, AND BUILDING A NEW HOSPITAL THAT FOLLOWS THE GREEN GUIDE TO HEALTH CARE, A BEST PRACTICES TOOL KIT FOR PLANNING, DESIGN, CONSTRUCTION, OPERATIONS AND MAINTENANCE OF NEW HOSPITALS IN AN EFFORT TO ENSURE THE BEST CARE FOR ITS PATIENTS, NHI GENERALLY EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY FOR SOME OR ALL OF ITS SERVICE LINES/DEPARTMENTS, AS APPLICABLE IN FACT, MORE THAN 2,000 PHYSICIANS ARE ON NHI MEDICAL STAFF NHI OPERATES SIX (6) FULL-TIME EMERGENCY ROOMS WHERE NO ONE REQUIRING EMERGENCY CARE IS DENIED TREATMENT NHI INVESTS IN ITS COMMUNITY BY APPLYING SURPLUS FUNDS TO IMPROVEMENTS IN PATIENT CARE - INCLUDING MANY FREE HEALTH CARE SCREENINGS AND EDUCATION PROGRAMS, MEDICAL EDUCATION AND RESEARCH NHI UTILIZES EXCESS FUNDS BY INVESTING IN THE EXPANSION AND REPLACEMENT OF EXISTING FACILITIES AND EQUIPMENT NHI OPENED A NEW 127 BED HOSPITAL IN AUGUST 2009 AND OPENED A NEW CHILDRENS OUTPATIENT FACILITY IN MAY 2010 A NEW CANCER BUILDING IS SCHEDULED TO OPEN IN AUGUST 2011 ON THE DOWNTOWN CAMPUS NHI PROVIDED OVER $24 MILLION IN EDUCATIONAL SUPPORT, PRIMARILY TO THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE BY ESTABLISHING PARTNERSHIPS, WE HELP TO BUILD A STRONGER AND MORE COHESIVE COMMUNITY THAT WORKS TOGETHER FOR THE GOOD OF ITS CITIZENS BY INVESTING IN EDUCATION, WE ARE - IN ESSENCE - INVESTING IN OUR COMMUNITY'S FUTURE BY MAKING SURE THAT WELL-PREPARED GRADUATES ARE EXITING LOCAL COLLEGES AND UNIVERSITIES, ULTIMATELY TO WORK IN A VARIETY OF LOCAL BUSINESSES - INCLUDING HEALTH CARE BY PROVIDING FREE EDUCATION AND SCREENINGS AND PLACING MEDICAL PROFESSIONALS IN UNDERSERVED AREAS, WE WILL PREVENT MORE TRAGIC AND COSTLY MEDICAL EMERGENCIES AND DISEASES THAT MIGHT NOT HAVE OTHERWISE BEEN PREVENTED BY INVESTING IN PATIENT-FRIENDLY FACILITIES, WE HELP TO ENSURE THAT PATIENTS WILL FEEL COMFORTABLE SEEKING HEALTH CARE WHEN THEY NEED IT MOST, RATHER THAN WAITING UNTIL A MEDICAL SITUATION EXACERBATES, WHILE AT THE SAME TIME WE HELP TO PRESERVE THE WORLD AND THE ENVIRONMENT IN WHICH WE LIVE NORTON HEALTHCARE, INC (NHC), PARENT OF NORTON HOSPITALS, INC (NHI), IS INDEPENDENTLY GOVERNED BY A 21-MEMBER BOARD OF TRUSTEES WITH THE EXCEPTION OF NHC'S PRESIDENT AND CHIEF EXECUTIVE OFFICER, NONE OF THESE INDIVIDUALS ARE EMPLOYEES OF THE ORGANIZATION ALL MEMBERS OF THE BOARD RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA
		PART VI, LINE 7 NOT APPLICABLE
	PART VI, LINE 7	STATE FILING OF COMMUNITY BENEFIT REPORT NOT APPLICABLE

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☑ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☑ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☑ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation
	PART I, LINE 1A	TAX INDEMNIFICATION AND GROSS-UP PAYMENTS ARE TREATED AS TAXABLE COMPENSATION TO THE INTERESTED PERSONS LISTED BELOW AT TIME OF PAYMENT PAYMENTS ARE IN ACCORDANCE WITH THE EXISTING COMPENSATION POLICY GROSS-UP PAYMENTS SHALL BE MADE ONLY WHEN SPECIFIED IN AN EMPLOYEE'S EMPLOYMENT CONTRACT, OR AS APPROVED IN WRITING BY THE PRESIDENT AND CEO OF NORTON HEALTHCARE, EXECUTIVE VICE PRESIDENT OR CFO DURING 2010, GROSS-UP PAYMENTS WERE PROCESSED AS OUTLINED IN THE EMPLOYMENT CONTRACT FOR THE CEO SEE NARRATIVE PROVIDED IN SCHEDULE O, REFERENCING PART VI, LINE 15, WHICH DESCRIBES THE PROCESS FOR DETERMINING COMPENSATION OF THE CEO, OFFICERS, AND KEY EMPLOYEES OF THE ORGANIZATION STEPHEN A WILLIAMS THE TOTAL TAX GROSS-UP BENEFITS INCLUDED IN TAXABLE COMPENSATION FOR MR WILLIAMS ARE $129,637 THE TAX GROSS-UPS ARE RELATED TO THE BENEFIT OUTLINED BELOW ANNUITY - THE TAX GROSS-UP ASSOCIATED WITH THE ANNUITY BENEFIT IS $129,637 THIS PURCHASED ANNUITY REPRESENTS ACCUMULATED BENEFITS EARNED IN PRIOR YEARS RELATED TO A NON-QUALIFIED DEFINED BENEFIT PENSION RESTORATION PLAN IN EFFECT SINCE 1990 CONTRIBUTIONS TO THIS PLAN WERE MADE IN 2005, 2006, 2007, 2008, 2009 AND 2010 INCLUDED IN MR WILLIAMS COMPENSATION IN 2010 IS $252,772, WHICH IS THE COST OF THE PURCHASED ANNUITY THE TOTAL COST OF THE PURCHASED ANNUITY AND THE ASSOCIATED TAX GROSS-UP IS $382,409, WHICH WAS INCLUDED IN TAXABLE COMPENSATION DISCRETIONARY SPENDING ACCOUNTS ARE TREATED AS TAXABLE COMPENSATION THE ORGANIZATION PROVIDES A DISCRETIONARY SPENDING ACCOUNT FOR ELIGIBLE NORTON HEALTHCARE EXECUTIVES, EFFECTIVE OCTOBER 1, 2007 NORTON HEALTHCARE PROVIDES BENEFITS TO ITS IDENTIFIED EXECUTIVE STAFF TO PROVIDE A TOTAL COMPENSATION PACKAGE THAT IS COMPETITIVE WITH THE MARKET AND WHICH CONFORMS TO THE PHILOSOPHY AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES, THROUGH THE EXECUTIVE COMPENSATION PHILOSOPHY AND PROGRAMS THROUGH THE DISCRETIONARY SPENDING ACCOUNT POLICY, EXECUTIVES ARE FREE TO CHOOSE WHATEVER BENEFITS THEY FIND MOST USEFUL OR IMPORTANT TO THEM AND NORTON HEALTHCARE DOES NOT REIMBURSE FOR THE COST OF THOSE BENEFITS, AS THEY ARE PART OF THE DISCRETIONARY SPENDING ACCOUNT THE INTERESTED PERSONS LISTED BELOW RECEIVED THE BENEFIT OF A DISCRETIONARY SPENDING ACCOUNT IN 2010 STEPHEN A WILLIAMS $58,789 RUSSELL F COX 59,434 MICHAEL W GOUGH 52,208 ROBERT B AZAR 17,500 GREGG DAVIS 6,731 JON COOPER 10,000 THOMAS KMETZ 17,500 JOHN HARRYMAN 17,500 KEVIN WARDELL 17,500 STEVEN MACLAUCHLAN 17,500 DOUGLAS WINKELHAKE 17,500 ROBERT SHAW 20,000
	PART I, LINE 4B	THE FOLLOWING INTERESTED PERSONS PARTICIPATED IN OR RECEIVED PAYMENT FROM SUPPLEMENTAL NONQUALIFIED RETIREMENT PLANS AS DESCRIBED IN IRC SECTION 457(F) THE INTERESTED PERSONS BELOW MAY HAVE PARTICIPATED IN ONE OR MORE OF THE FOLLOWING PLANS THE EXECU-FLEX BENEFIT PLAN, THE EXECU-PLUS BENEFIT PLAN, DEFINED BENEFIT AND DEFINED CONTRIBUTION RESTORATION PLANS, AND THE PHYSICIAN DEFERRED PLAN THE "PAY CREDIT" COLUMN REPRESENTS A REASONABLE ESTIMATE OF THE ANNUAL INCREASE IN ACTUARIAL VALUE OF THE PLANS, AND THEREFORE, REPRESENTS THE ORGANIZATION'S CONTRIBUTION TO THE VALUE OF THE BENEFITS THE "PAYMENTS RECEIVED" COLUMN REPRESENTS CASH PAYMENTS THAT THE EMPLOYEE RECEIVED DURING 2010 AND CAN BE COMPRISED OF PRIOR YEARS EMPLOYEE AND EMPLOYER CONTRIBUTIONS PARTICIPANTS NAME PAY CREDIT PAYMENTS RECEIVED STEPHEN A WILLIAMS $252,963 $0 RUSSELL F COX 155,141 0 MICHAEL W GOUGH 128,158 0 ROBERT B AZAR 63,243 0 GREGG DAVIS 16,296 31,818 JON COOPER 28,265 16,767 THOMAS KMETZ 84,456 55,632 JOHN HARRYMAN 83,565 50,776 KEVIN WARDELL 81,456 55,806 STEVEN MACLAUCHLAN 67,620 0 ROBERT SHAW 59,052 19,023 DOUGLAS WINKELHAKE 67,467 77,374 JOHN HAMM 0 199,102

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-0703799
Name: NORTON HOSPITALS INC

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
STEPHEN A WILLIAMS	(I)	0	0	0	0	0	0	0
	(II)	922,287	517,078	468,927	277,463	20,646	2,206,401	0
RUSSELL F COX	(I)	0	0	0	0	0	0	0
	(II)	690,430	241,507	155,237	172,291	26,874	1,286,339	0
MICHAEL W GOUGH	(I)	0	0	0	0	0	0	0
	(II)	599,288	203,578	115,459	145,308	25,242	1,088,875	0
ROBERT B AZAR	(I)	0	0	0	0	0	0	0
	(II)	260,914	101,412	120,825	77,943	8,792	569,886	0
THOMAS KMETZ	(I)	402,344	117,961	91,799	101,606	24,782	738,492	55,632
	(II)	0	0	0	0	0	0	0
JOHN HARRYMAN	(I)	395,425	116,513	88,099	100,715	23,807	724,559	50,776
	(II)	0	0	0	0	0	0	0
KEVIN WARDELL	(I)	409,755	126,322	96,019	96,156	15,340	743,592	55,806
	(II)	0	0	0	0	0	0	0
STEVEN MACLAUCHLAN	(I)	379,532	59,894	39,939	79,870	23,191	582,426	0
	(II)	0	0	0	0	0	0	0
DOUGLAS WINKELHAKE	(I)	326,355	93,015	112,525	84,617	23,163	639,675	77,374
	(II)	0	0	0	0	0	0	0
ROBERT SHAW	(I)	333,116	108,713	46,626	71,302	15,445	575,202	19,023
	(II)	0	0	0	0	0	0	0
JOHN HAMM	(I)	392,953	334,375	38,306	19,600	20,198	805,432	37,443
	(II)	0	0	0	0	0	0	0
STEVEN PURSELL	(I)	392,637	334,375	19,730	17,150	11,649	775,541	0
	(II)	0	0	0	0	0	0	0
THOMAS WOODCOCK	(I)	330,423	348,049	55,522	19,600	17,310	770,904	0
	(II)	0	0	0	0	0	0	0
DAVID DOERING	(I)	333,382	334,375	17,986	17,150	19,994	722,887	0
	(II)	0	0	0	0	0	0	0
BRIAN STOLL	(I)	333,191	334,375	8,225	12,250	21,884	709,925	0
	(II)	0	0	0	0	0	0	0
GREGG DAVIS	(I)	0	0	0	0	0	0	0
	(II)	122,198	47,142	59,133	16,296	14,730	259,499	31,818
JON COOPER	(I)	0	0	0	0	0	0	0
	(II)	204,326	69,072	34,067	42,965	19,601	370,031	16,767

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV **Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) AMY TONN	FAMILY MEMBER OF RUSSELL COX, OFFICER	31,306	COMPENSATION		No
(2) ANNE ROBINSON	FAMILY MEMBER OF DONALD H ROBINSON, TRUSTEE (CHAIRMAN)	67,194	COMPENSATION		No
(3) PEDIATRIC ANESTHESIA ASSOCIATES P	DR MARY BOUVETTE PARTNER IN PAA IS RELATED TO MARIA L BOUVETTE, TRUSTEE	3,515,075	PROFESSIONAL SERVICES		No

Part V **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 2		STEPHEN A WILLIAMS, PRESIDENT AND CEO OF NORTON HEALTHCARE, INC IS ALSO AN OFFICER FOR NORTON HEALTHCARE, INC , NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, INC , AND NORTON PROPERTIES, INC MARIA L BOUVETTE, PRESIDENT AND CEO OF PORTER BANCORP, INC IS A TRUSTEE FOR NORTON HEALTHCARE, INC , NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, INC , AND NORTON PROPERTIES, INC MR WILLIAMS IS A BOARD MEMBER OF PORTER BANCORP, INC

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		NORTON HEALTHCARE, INC EIN 61-1028725 IS THE SOLE MEMBER OF NORTON HOSPITALS INC

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		ALL FORMS 990 WERE REVIEWED IN ADVANCE OF FILING WITH THE NORTON HEALTHCARE, INC (NORTON) FINANCE COMMITTEE ON OCTOBER 6, 2011 AND THE FULL NORTON BOARD OF TRUSTEES ON NOVEMBER 8, 2011 NORTON IS THE PARENT OF NORTON HOSPITALS, INC ALSO, ELECTRONIC COPIES OF ALL FORMS 990 WERE MADE AVAILABLE TO ALL MEMBERS OF THE FINANCE COMMITTEE AND BOARD OF TRUSTEES

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION REGULARLY AND CONSISTENTLY MONITERS AND ENFORCES COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY BY ANNUALLY DISTRIBUTING A QUESTIONNAIRE THAT REQUIRES OFFICERS, TRUSTEES, AND KEY EMPLOYEES TO DISCLOSE INTERESTS THAT MAY GIVE RISE TO CONFLICTS IF A CONFLICT ARISES, THE POLICY PROVIDES PROCEDURES FOR ADDRESSING CONFLICTS TO ENSURE DECISIONS ARE MADE IN THE BEST INTEREST OF THE ORGANIZATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE ORGANIZATION TAKES ALL NECESSARY STEPS TO ENSURE THAT ALL OFFICERS, DIRECTORS AND KEY EMPLOYEES ARE COMPENSATED WITHIN APPROPRIATE LEVELS FOR THE SERVICES PROVIDED TO THE ORGANIZATION THE ORGANIZATION PROVIDES A TOTAL COMPENSATION PACKAGE THAT IS COMPETITIVE WITH THE MARKET AND WHICH CONFORMS TO THE PHILOSOPHY AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES NORTON HEALTHCARE INC (NHI) ENGAGES AN OUTSIDE INDEPENDENT COMPENSATION CONSULTANT, INTEGRATED HEALTHCARE STRATEGIES (IHS), TO PREPARE COMPENSATION ANALYSIS UTILIZING DATA FROM SIMILAR-SIZED HEALTH SYSTEMS AND HOSPITAL ORGANIZATIONS IN ADDITION, THE ORGANIZATION PARTICIPATES IN THIRD PARTY SURVEYS WHICH PROVIDE AGGREGATE, COMPARATIVE COMPENSATION DATA FOR OFFICERS AND KEY EMPLOYEES IN SIMILAR-TYPE POSITIONS IHS CONSULTANTS MET IN 2009 WITH THE COMMITTEE OF BOARD LEADERSHIP (NOW EXECUTIVE COMMITTEE) OF THE BOARD OF TRUSTEES (BOARD) CONCERNING EXECUTIVE COMPENSATION AND BENEFITS PROGRAM FOR NHI EXECUTIVES AND TOTAL COMPENSATION FOR THE CEO THE CONSULTANTS REVIEWED SOURCES OF COMPARABILITY DATA AND MARKET MOVEMENT COMPARISONS NHI'S VARIABLE COMPENSATION PROGRAM WAS REVIEWED ALONG WITH BENCHMARK COMPARISONS BASED ON THE RECOMMENDATIONS OF IHS, EMPLOYMENT CONTRACTS FOR THE CEO, COO AND CFO WERE SUBSEQUENTLY COMPLETED AND APPROVED BY THE BOARD THE EXECUTIVE COMMITTEE ALSO REVIEWED AND APPROVED ALL KEY EMPLOYEE COMPENSATION BASED ON THE THIRD-PARTY REPORT FURNISHED AND DISCUSSED WITH COMMITTEE MEMBERS, AND SUBSEQUENTLY APPROVED BY THE BOARD

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	FINANCIAL STATEMENTS, GOVERNING DOCUMENTS, AND CONFLICTS OF INTEREST POLICIES ARE NOT REQUIRED DISCLOSURES PURSUANT TO INTERNAL REVENUE CODE (IRC) SECTION 6104 THESE DOCUMENTS ARE NOT AVAILABLE TO THE PUBLIC AT THIS TIME

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	AFFILIATE TRANSFER 266,806 266,806 TOTAL TO FORM 990, PART XI, LINE 5 266,806

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE ORGANIZATION DID NOT CHANGE EITHER ITS OVERSIGHT PROCESS OR SELECTION PROCESS DURING THE TAX YEAR

Identifier	Return Reference	Explanation
	FORM 990, PART I, LINE 5 AND PART V, LINES 1 AND 2	NORTON HEALTHCARE, INC EIN 61-1028725 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC THEREFORE, ALL APPLICABLE IRS TAX COMPLIANCE FILINGS ARE REPORTED BY NORTON HEALTHCARE, INC ON BEHALF OF NORTON HOSPITALS, INC NORTON HOSPITALS, INC HAS APPROXIMATELY 9,412 EMPLOYEES

Identifier	Return Reference	Explanation
	FORM 990, PART V, LINE 1 AND PART VII, SECTION B, LINES 1 AND 2	NORTON HEALTHCARE, INC EIN 61-1028725 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC AND THEREFORE, ALL VENDORS, INCLUDING INDEPENDENT CONTRACTORS ARE PAID BY NORTON HEALTHCARE, INC ON BEHALF OF NORTON HOSPITALS, INC FOR PURPOSES OF PART V, LINE 1, THE NUMBER OF 1099S REPORTED AND FILED FOR 2010 BY NORTON HEALTHCARE, INC FOR NORTON HOSPITALS, INC WAS APPROXIMATELY 278 NORTON HOSPITALS, INC HAS APPROXIMATELY 128 INDEPENDENT CONTRACTORS EXCEEDING $100,000 FOR 2010

Identifier	Return Reference	Explanation
	FORM 990, PART VII, SECTION A, LINE 1A, COLUMN B	THE INTERESTED PERSONS LISTED BELOW ARE OFFICERS FOR NORTON HEALTHCARE, INC AND AFFILIATES, WHICH INCLUDES NORTON HEALTHCARE, INC (NHI), NORTON HOSPITALS, INC (HOSPITALS), COMMUNITY MEDICAL ASSOCIATES, INC (CMA), NORTON PROPERTIES, INC (PROPERTIES), NORTON HEALTHCARE FOUNDATION, INC (NHF) AND THE CHILDREN'S HOSPITAL FOUNDATION (CHF) ESTIMATED BELOW ARE THE AVERAGE HOURS PER WEEK DEVOTED TO EACH ORGANIZATION DURING 2010 NHI HOSPITALS CMA PROPERTIES NHF CHF TOTAL STEPHEN A WILLIAMS 30 10 6 2 1 1 50 RUSSELL F COX 30 10 6 2 1 1 50 MICHAEL W GOUGH 30 10 6 2 1 1 50 ROBERT B AZAR 30 10 6 2 1 1 50

Identifier	Return Reference	Explanation
	FORM 990, PART VII, SECTION A, LINE 1A, COLUMN E	NORTON HEALTHCARE, INC (NHI) AND AFFILIATES (NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, INC , NORTON PROPERTIES, INC , AND NORTON HEALTHCARE FOUNDATION, INC) ENCOURAGES AND FACILITATES BOARD MEMBER ATTENDANCE AT EDUCATIONAL PROGRAMS AND CONFERENCES ON SUBJECTS RELEVANT TO NHI NHI'S TRAVEL POLICY FOR BOARD OF TRUSTEES PROVIDES THAT FOR EACH TRUSTEE THAT ATTENDS AT LEAST ONE OUT OF TOWN EDUCATIONAL CONFERENCE, A LUMP SUM STIPEND WILL BE PAID TO COVER UNREIMBURSED TRAVEL EXPENSE AND OTHER MISCELLANEOUS EXPENSES ASSOCIATED WITH CONFERENCE PREPARATION, ATTENDANCE OR FOLLOW UP IN COMPLIANCE WITH IRS REGULATIONS, NHI PROVIDES A FORM 1099 TO ANY TRUSTEE THAT RECEIVES A STIPEND THESE AMOUNTS HAVE BEEN REPORTED IN PART VII OF THE FORM 990 AS REPORTABLE COMPENSATION TO THE TRUSTEE RECEIVING STIPENDS IN 2010

Identifier	Return Reference	Explanation
	FORM 990, PART IX, LINE 11G	FEES FOR SERVICES - OTHER INCLUDE FEES FOR PHYSICIAN, OUTSIDE LABORATORY, DIETARY, SURGICAL SUPPORT, AND FACULTY SUPPORT SERVICES

Identifier	Return Reference	Explanation
	FORM 990, PART IX, LINE 20	BONDS HAVE BEEN ISSUED BY THE OBLIGATED GROUP (NORTON HEALTHCARE, INC AND NORTON HOSPITALS, INC) THESE BONDS HAVE BEEN SECURED BY A MORTGAGE LIEN ON THE PRINCIPAL HOSPITAL FACILITIES OF NORTON HOSPITALS, INC AND A SECURITY INTEREST IN CERTAIN PLEDGED COLLATERAL, INCLUDING THE OPERATING REVENUES OF THE OBLIGATED GROUP PRINCIPLE AND INTEREST PAYMENTS RELATED TO THE BONDS ARE PAYABLE SOLELY BY THE OBLIGATED GROUP NORTON HEALTHCARE, INC HAS AGREED TO CERTAIN COVENANTS, WHICH LIMITS ADDITIONAL INDEBTEDNESS AND GUARANTEES AND REQUIRES NORTON HEALTHCARE, INC TO MAINTAIN SPECIFIC FINANCIAL RATIOS THE BONDS HAVE BEEN RECORDED ON THE BOOKS OF NORTON HEALTHCARE, INC AND INTEREST RELATED TO THESE BONDS ALLOCATED TO NORTON HOSPITALS, INC

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 3B	AS REQUIRED BY THE U S OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFITS ORGANIZATIONS, IN 2010 NORTON HEALTHCARE, INC AND AFFILIATES (NORTON HOSPITALS, INC COMMUNITY MEDICAL ASSOCIATES, INC , NORTON ENTERPRISES, INC , NORTON HEALTHCARE FOUNDATION, INC , NORTON PROPERTIES, INC , AND THE CHILDREN'S HOSPITAL FOUNDATION) RECEIVED AN AUDIT IN ACCORDANCE WITH SINGLE AUDIT ACT

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) NORTON HEALTHCARE INC 224 E BROADWAY - 5TH FLOOR LOUISVILLE, KY 40202 61-1028725	PROVIDE ADMINISTRATIVE AND SUPPORT SERVICES	KY	501(C)(3)	11 TYPE II	N/A		No
(2) COMMUNITY MEDICAL ASSOCIATES INC 224 E BROADWAY - 5TH FLOOR LOUISVILLE, KY 40202 61-1276316	OPERATES A NETWORK OF PHYSICIAN PRACTICES	KY	501(C)(3)	9	NORTON HEALTHCARE INC		No
(3) NORTON PROPERTIES INC 224 E BROADWAY - 5TH FLOOR LOUISVILLE, KY 40202 61-1028724	MAINTAIN OFFICE AND PARKING FACILITIES	KY	501(C)(3)	11 TYPE I	NORTON HEALTHCARE INC		No
(4) THE CHILDREN'S HOSPITAL FOUNDATION 224 E BROADWAY - 5TH FLOOR LOUISVILLE, KY 40202 61-6027530	GENERATE FUNDS TO SUPPORT PROGRAMS AND SERVICES	KY	501(C)(3)	7	NORTON HEALTHCARE INC		No
(5) NORTON HEALTHCARE FOUNDATION INC 224 E BROADWAY - 5TH FLOOR LOUISVILLE, KY 40202 31-0914919	GENERATE FUNDS TO SUPPORT PROGRAMS AND SERVICES	KY	501(C)(3)	7	NORTON HEALTHCARE INC		No

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

		Yes	No
1	During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	**1a**	**No**
b	Gift, grant, or capital contribution to other organization(s)	**1b**	**No**
c	Gift, grant, or capital contribution from other organization(s)	**1c**	**Yes**
d	Loans or loan guarantees to or for other organization(s)	**1d**	**No**
e	Loans or loan guarantees by other organization(s)	**1e**	**No**
f	Sale of assets to other organization(s)	**1f**	**No**
g	Purchase of assets from other organization(s)	**1g**	**No**
h	Exchange of assets	**1h**	**No**
i	Lease of facilities, equipment, or other assets to other organization(s)	**1i**	**No**
j	Lease of facilities, equipment, or other assets from other organization(s)	**1j**	**No**
k	Performance of services or membership or fundraising solicitations for other organization(s)	**1k**	**No**
l	Performance of services or membership or fundraising solicitations by other organization(s)	**1l**	**No**
m	Sharing of facilities, equipment, mailing lists, or other assets	**1m**	**No**
n	Sharing of paid employees	**1n**	**Yes**
o	Reimbursement paid to other organization for expenses	**1o**	**No**
p	Reimbursement paid by other organization for expenses	**1p**	**No**
q	Other transfer of cash or property to other organization(s)	**1q**	**Yes**
r	Other transfer of cash or property from other organization(s)	**1r**	**Yes**

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation

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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2010

Attachment Sequence No **67**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
NORTON HOSPITALS INC	FORM 990 PAGE 10	61-0703799

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount See the instructions for a higher limit for certain businesses	1	500,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost

7 Listed property Enter the amount from line 29	7		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	9		
10 Carryover of disallowed deduction from line 13 of your 2009 Form 4562	10		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12		
13 Carryover of disallowed deduction to 2011 Add lines 9 and 10, less line 12 ▶	13		

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2010	17	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	21	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	51,838,876
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						**28**		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1						**29**		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

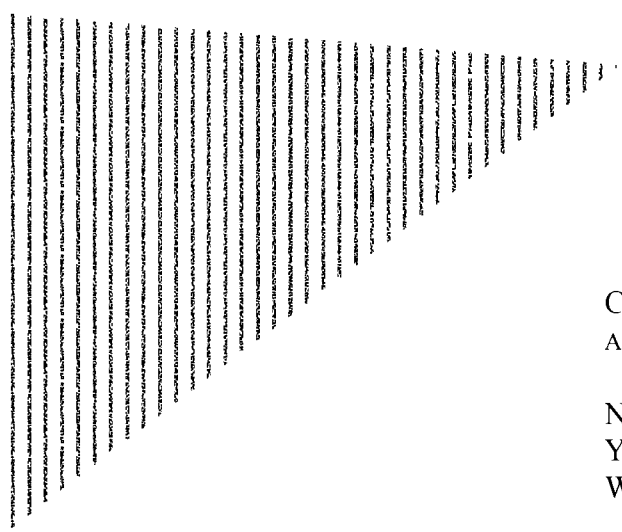
Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year (see instructions)					
43 Amortization of costs that began before your 2010 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report				**44**	



Combined Financial Statements and Other Financial Information

Norton Healthcare, Inc. and Affiliates
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Norton Healthcare, Inc. and Affiliates

Combined Financial Statements and Other Financial Information

Years Ended December 31, 2010 and 2009

Contents

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Report of Independent Auditors

The Board of Trustees
Norton Healthcare, Inc.

We have audited the accompanying combined balance sheets of Norton Healthcare, Inc. and Affiliates (the Corporation) as of December 31, 2010 and 2009, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 combined financial position of Norton Healthcare, Inc. and Affiliates at December 31, 2010 and 2009, and the combined results of their operations and changes in net assets, and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The unaudited community benefit information in Note 2 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and, accordingly, we do not express any assurances on such information.

Ernst & Young LLP

March 31, 2011

Norton Healthcare, Inc. and Affiliates

Combined Balance Sheets

	December 31	
	2010	**2009**
Assets		
Current assets:		
Cash and cash equivalents	**$ 176,390,088**	$ 165,774,233
Marketable securities and other investments	**22,142,059**	–
Patient accounts receivable, less allowance for doubtful accounts of $66,430,000 for 2010 and $75,380,000 for 2009	**151,661,384**	152,019,632
Inventory	**44,624,566**	42,699,977
Prepaid expenses and other	**24,381,507**	22,774,034
Miscellaneous receivables	**8,325,667**	8,496,391
Current portion of assets limited as to use	**19,982,748**	31,414,981
Total current assets	**447,508,019**	423,179,248
Assets limited as to use, including securities lent of $9,670,000 for 2010 and $12,200,000 for 2009	**518,435,343**	459,996,249
Property and equipment, net	**659,180,985**	650,399,210
Other assets:		
Investments in joint ventures	**5,712,230**	18,671,122
Pension	**12,867,244**	–
Beneficial interest in trusts held by others	**18,802,573**	17,674,506
Goodwill and intangible assets, net	**12,424,756**	12,216,146
Deferred financing costs, net	**14,463,950**	15,661,699
Other	**31,227,266**	16,423,010
	95,498,019	80,646,483
Total assets	**$ 1,720,622,366**	$ 1,614,221,190

	December 31	
	2010	**2009**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 46,579,664**	$ 41,102,493
Accrued expenses and other	**88,205,927**	92,531,742
Accrued payroll and related items	**55,959,923**	52,624,299
Due to third-party payors, net	**16,952,009**	8,244,879
Accrued interest	**7,301,448**	7,384,344
Current portion of long-term debt	**17,927,300**	17,573,800
Total current liabilities	**232,926,271**	219,461,557
Other noncurrent liabilities:		
Pension	**–**	14,821,491
Insurance liability	**85,105,038**	64,968,655
Interest rate swap liability	**14,748,375**	4,963,230
Other	**48,775,380**	42,499,725
	148,628,793	127,253,101
Long-term debt, net of current portion	**677,645,347**	687,357,681
Net assets:		
Unrestricted	**577,778,443**	508,451,376
Temporarily restricted	**48,835,488**	38,248,153
Permanently restricted	**34,808,024**	33,449,322
Total net assets	**661,421,955**	580,148,851
Total liabilities and net assets	**$ 1,720,622,366**	$ 1,614,221,190

See accompanying notes

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2010	**2009**
Net patient service revenue	**$ 1,442,866,875**	$1,345,885,702
Flood loss reimbursement	**12,642,005**	–
Other revenue	**13,756,687**	10,719,004
Donations and contributions	**16,310,204**	13,843,909
Joint venture revenue	**2,986,630**	5,508,169
	1,488,562,401	1,375,956,784
Operating expenses:		
Labor and benefits	**722,977,533**	674,731,832
Professional fees	**44,849,901**	41,833,040
Drugs and supplies	**294,226,499**	275,433,231
Fees and special services	**80,809,298**	70,746,732
Repairs, maintenance, and utilities	**48,687,648**	44,975,345
Rent and leases	**23,268,819**	20,117,304
Provision for doubtful accounts	**58,743,785**	65,032,900
Insurance	**34,103,114**	31,545,139
Provider tax	**20,129,732**	20,129,732
Flood losses	–	11,510,338
Other	**12,830,611**	12,125,953
	1,340,626,940	1,268,181,546
Earnings before fixed expenses and other gains (losses)	**147,935,461**	107,775,238
Fixed expenses:		
Depreciation and amortization	**73,039,911**	61,419,109
Interest expense	**37,485,311**	34,281,414
Interest rate swap benefit, net	**(4,337,213)**	(4,700,782)
	106,188,009	90,999,741
Patient service margin	**41,747,452**	16,775,497

Continued on next page

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets (continued)

	Year Ended December 31	
	2010	**2009**
Patient service margin	**$ 41,747,452**	$ 16,775,497
Investment gain (loss)	**21,762,860**	(6,853,626)
Goodwill adjustment	**–**	(1,936,190)
Operating gain	**63,510,312**	7,985,681
Nonoperating gains (losses):		
Change in net unrealized gains and losses on investments	**17,424,494**	45,291,873
Change in interest rate swap value	**(9,785,145)**	46,447,544
Petersdorf Fund grants	**(1,843,237)**	(3,195,692)
Asset impairment	**(12,650,508)**	–
Other nonoperating losses, net	**(546,959)**	(682,878)
Excess of revenue over expenses	**56,108,957**	95,846,528
Unrestricted net assets:		
Change in pension plan asset and obligation	**9,928,920**	71,833,513
Net assets released from restrictions for equipment	**3,297,655**	1,727,023
Other, net	**(8,465)**	(33,580)
Increase in unrestricted net assets	**69,327,067**	169,373,484
Temporarily restricted net assets:		
Investment gain (loss)	**2,081,353**	(654,542)
Contributions, fees, grants, bequests, net	**14,398,612**	8,350,906
Change in beneficial interest in trusts held by others	**8,072**	69,303
Change in net unrealized gains and losses on investments	**1,392,099**	3,606,835
Net assets released from restrictions	**(7,292,801)**	(4,923,531)
Increase in temporarily restricted net assets	**10,587,335**	6,448,971
Permanently restricted net assets:		
Change in beneficial interest in trusts held by others	**1,119,995**	2,368,215
Investment gain (loss)	**54,203**	(38,443)
Contributions, fees, grants, bequests, net	**145,244**	2,970,852
Change in net unrealized gains and losses on investments	**39,260**	122,978
Increase in permanently restricted net assets	**1,358,702**	5,423,602
Increase in net assets	**81,273,104**	181,246,057
Net assets at beginning of year	**580,148,851**	398,902,794
Net assets at end of year	**$ 661,421,955**	$ 580,148,851

See accompanying notes

Norton Healthcare, Inc. and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31	
	2010	**2009**
Operating activities		
Change in net assets	**$ 81,273,104**	$ 181,246,057
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**73,039,911**	61,419,109
Discount accretion	**8,314,960**	8,205,164
Non-cash asset impairment for joint venture	**12,650,508**	–
Goodwill adjustment	**–**	1,936,190
Change in net unrealized gains and losses on investments	**(18,855,853)**	(49,021,686)
Change in interest rate swap value	**9,785,145**	(46,447,544)
Change in pension plan assets and obligation	**(9,928,920)**	(71,833,513)
Restricted contributions and investment income	**16,679,412**	10,628,773
Change in patient accounts receivable, net of provision for doubtful accounts	**358,248**	(13,949,356)
Change in assets limited as to use, net	**(28,151,008)**	98,989,808
Change in amounts due to third-party payors	**8,707,130**	(835,697)
Change in other current and noncurrent assets and liabilities	**(33,555,008)**	(12,235,265)
Net cash provided by operating activities	**120,317,629**	168,102,040
Investing activities		
Purchase of property and equipment, net	**(81,821,686)**	(163,680,049)
Change in joint ventures and other	**308,384**	(2,256,992)
Net cash used in investing activities	**(81,513,302)**	(165,937,041)
Financing activities		
Payments on long-term debt	**(17,673,794)**	(43,052,897)
Restricted contributions and investment income	**(10,514,678)**	(8,142,760)
Net cash used in financing activities	**(28,188,472)**	(51,195,657)
Increase (decrease) in cash and cash equivalents	**10,615,855**	(49,030,658)
Cash and cash equivalents at beginning of year	**165,774,233**	214,804,891
Cash and cash equivalents at end of year	**$ 176,390,088**	$ 165,774,233

See accompanying notes

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The accompanying combined financial statements of Norton Healthcare, Inc. (the Corporation) include the transactions and accounts of Norton Healthcare, Inc. (the controlling company) and Affiliates, including the following: Norton Hospitals, Inc., Norton Enterprises, Inc., Norton Properties, Inc., The Children's Hospital Foundation, Inc., Norton Healthcare Foundation, Inc., and Community Medical Associates, Inc. Norton Healthcare, Inc. and Affiliates are collectively hereafter referred to as the Corporation. The Corporation operates in the Louisville, Kentucky metropolitan area, and its operations include 1,837 licensed beds, 73 physician practices and immediate care centers, and other ancillary healthcare services.

All significant intercompany transactions and accounts have been eliminated in combination.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments that are neither internally nor externally restricted. The Corporation considers highly liquid investments to be cash equivalents when they are both readily convertible to cash and so near to maturity (typically within three months) that their value is not subject to risk due to changes in interest rates. The amount of cash and cash equivalents carried in the combined balance sheet represents fair value.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

The provision for doubtful accounts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts.

Inventory

Inventories (primarily medical and surgical supplies and pharmaceuticals) are primarily carried at the lower of cost (first-in, first-out method) or market.

Assets Limited as to Use and Investment Results

Assets limited as to use include a portfolio of investments that are set aside by the Board of Trustees (the Board) for future services, indigent care, education, research, and community health initiatives over which the Board retains control and may, at its discretion, subsequently use for other purposes. This portfolio of investments also includes assets restricted by donors. The Corporation utilizes a pooled investment program (Master Trust Fund) to manage this portfolio of investments. Income is allocated to each entity based on their relative investment balance to the total investment balance by type of investment. All entities which participate in the Master Trust Fund are included in these combined financial statements. Other investments within assets limited as to use include assets held by trustees under a self-insurance trust agreement, assets under bond indenture trust agreements, assets restricted due to swap agreements, and assets due under securities lending agreements. Amounts required to meet current liabilities of the Corporation have been classified as current in the combined balance sheet at December 31, 2010 and 2009.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such change could materially affect the amounts reported in the combined balance sheets.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

All investment securities are considered trading. Included in investment gain (loss) are interest, dividends, realized gains and losses on investments, and changes in value of investments carried at net asset value (NAV). Investment gain (loss) and the change in net unrealized gains and losses on investments are included in the excess of revenue over expenses unless a donor or law restricts the income or loss.

Alternative investments, including hedge funds and real estate funds, are recorded under the equity method of accounting using NAV. The NAV of alternative investments is based on valuations provided by the administrators of the specific financial instrument. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments themselves are subject to various risks, including market, credit, liquidity, and foreign exchange risk. The Corporation believes the NAV is a reasonable estimate of its ownership interest in the alternative investments. The Corporation's risk of alternative investments is limited to its carrying value. Alternative investments can be divested only at specified times in accordance with terms of the subscription agreements. The financial statements of the alternative investments are audited annually.

Because these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such financial instruments existed. The change in the carrying value of the alternative investments is included in investment gain (loss).

Fair Value of Financial Instruments

The Corporation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumption in fair value measurements, and as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – inputs utilize quoted market prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Level 2 – inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 – inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Property and Equipment, Net

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Land improvements are depreciated over 8 to 25 years. Buildings are depreciated over 5 to 40 years. Equipment is depreciated over a 3 to 20 year range. Useful lives of assets are determined in accordance with the American Hospital Association's Life of Depreciable Hospital Assets.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenue over expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support.

Investments in Joint Ventures

The Corporation maintains an ownership percentage of 50% or less in various joint ventures and other companies that do not require consolidation. These investments are accounted for using the equity method of accounting. Joint venture revenue of $3.0 million and $5.5 million in 2010 and 2009, respectively, is included in unrestricted revenue.

Goodwill and Intangible Assets

Effective January 1, 2010, the Corporation adopted the provisions of ASC 958, *Not-for-Profit Entities* (ASC 958), which improves the information a not-for-profit reporting entity provides about goodwill and other intangible assets subsequent to an acquisition. ASC 958 requires an organization to test goodwill for impairment on an annual basis (October 1) and between annual tests in certain circumstances. This treatment provides consistency with the accounting treatment of goodwill recorded with respect to its for-profit entity, Norton Enterprises, Inc. The Corporation has goodwill recorded related to a pathology laboratory, several physician practices, and a diagnostic center of $12.0 million and $11.9 million at December 31, 2010 and 2009, respectively. The impairment testing performed in 2010 resulted in no adjustment to recorded goodwill. The impairment testing performed in 2009 indicated impairment on certain physician practices due to lack of revenue growth and operating performance of these physician practices. Based on this assessment, a goodwill adjustment of $1.9 million was recorded for the year-ended December 31, 2009. Separate intangible assets, net of accumulated amortization that are not deemed to have an indefinite life, continue to be amortized over their useful lives in accordance with US generally accepted accounting principles (GAAP).

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Deferred Financing Costs, Net

Deferred financing costs, net were $14.5 million and $15.7 million at December 31, 2010 and 2009, respectively. The costs are being amortized over the life of the respective bond issues using the effective interest method. Accumulated amortization was $18.4 million and $17.2 million at December 31, 2010 and 2009, respectively.

Medical Malpractice and General Liability Self-Insurance

The Corporation is self-insured for medical malpractice and general liability claims. The provision for estimated self-insured medical malpractice and general liability claims includes estimates of the ultimate costs of settlement for both reported claims and claims incurred but not reported. In addition to the long-term insurance liability, short-term liabilities of approximately $19.9 million and $31.3 million are included in accrued expenses and other current liabilities at December 31, 2010 and 2009, respectively, based on the expectation of payout in the subsequent year. The Corporation has engaged independent actuaries to estimate the ultimate costs of the settlement of such claims. Recorded malpractice and general liability self-insurance liabilities, discounted at 2.5% in 2010 and 2009, represent management's best estimate of ultimate costs.

The Corporation has excess loss insurance coverage for claims over the self-insured limits on a claims-made basis. Through the excess loss commercial policy, the Corporation is insured for losses up to established individual and aggregate claim limits.

The Corporation's management is of the opinion that the accompanying combined financial statements will not be materially affected by the ultimate cost related to unasserted claims, if any, at the combined balance sheet date.

Under the terms of the self-insurance trust agreements for the self-insurance funds, the Corporation makes annual deposits with its trustee based upon actuarial funding recommendations. Amounts deposited and interest thereon can only be used to pay self-insured losses and related expenses. Such trust fund assets are reported as assets limited as to use. Investment returns from trusteed assets are recorded as investment gain (loss) and change in unrealized gains and losses on investments as applicable.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Excess of Revenue Over Expenses

The statements of operations and changes in net assets include subtotals for patient service margin, operating gain, and excess of revenue over expenses which assist the users of the combined financial statements. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets and changes in pension obligation.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care provided in 2010 and 2009, measured at established rates, approximated $18.9 million and $15.1 million, respectively, and is not included in net patient service revenue.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as donations and contributions if the purpose relates to operations, or as a change in unrestricted net assets if the purpose relates to purchase of a fixed asset.

Beneficial Interest in Trusts Held by Others

The Corporation is an income beneficiary of irrevocable trust funds held by others. The Corporation has recorded the fair value of the ownership interest of the trusts as temporarily and permanently restricted net assets.

Contributions Received and Pledges Receivable

Pledges received are recorded as revenue in the year made. Unconditional donor pledges to give cash, marketable securities, and other assets are reported at fair value, through a discounted cash flow approach, at the date the pledge is made. Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restriction that limit the use of the donated assets are reported as either temporary or permanently restricted support until the donor restriction expires. An allowance is recorded for amounts deemed uncollectible.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Outstanding pledges receivable from various corporations, foundations and individuals at December 31 are as follows, and are included in miscellaneous receivables and other assets on the combined balance sheet:

	2010	2009
Gross pledges due:		
In less than one year	**$ 5,365,681**	$ 5,602,481
In one to five years	**3,851,079**	3,354,005
In more than five years	**16,020,658**	8,661,600
	25,237,418	17,618,086
Allowance for uncollectible pledges	**(516,894)**	(452,617)
Discounting	**(6,011,629)**	(4,578,731)
Net pledges receivable	**$ 18,708,895**	$ 12,586,738

Asset Impairment

The Corporation evaluates the carrying value of long-lived assets and the related estimated remaining lives when events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed.

Any resulting impairment losses or additional required depreciation due to shortened useful lives are reflected as nonoperating gains (losses) within the excess of revenue over expenses in the combined statements of operations.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

Most of the income received by the Corporation is exempt from taxation under Section 501(a) of the Internal Revenue Code. Some of the Corporation's affiliates are taxable entities and some of the income received by otherwise exempt entities is subject to taxation as unrelated business income. The Corporation files income tax returns in the U.S. federal and Kentucky. The statute of limitations for tax years 2007 through 2009 remains open in the major U.S. taxing jurisdictions in which Norton Healthcare, Inc. and Affiliates are subject to taxation. In addition, for all tax years prior to 2007 generating or utilizing a net operating loss (NOL), tax authorities can adjust the amount of NOL carryforward to subsequent years.

The Corporation completed an analysis of its tax position at December 31, 2010 and 2009, and determined that no material amounts were required to be recognized under ASC 740, *Income Taxes*, in the combined financial statements at December 31, 2010 and 2009.

The Corporation records deferred income taxes due to temporary differences between financial reporting and tax reporting for certain assets and liabilities of its taxable activities.

The Corporation has net operating loss carryforwards for income tax purposes of approximately $12.8 million that expire from 2011 to 2025.

Recent Accounting Pronouncements

In January 2010, the FASB issued authoritative guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between level 1 (quoted prices in active markets for identical assets or liabilities) and level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons for, and the timing of, the transfers. Additionally, the guidance requires a rollforward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (level 3 fair value measurements). The guidance became effective for interim and annual periods beginning after December 15, 2009, except for the disclosure on the rollforward activities for level 3 fair value measurements, which will become effective for interim and annual periods beginning after December 15, 2010. The Corporation adopted the required provisions of the new guidance (Note 5). Adoption of the new guidance had no impact on the combined financial results.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

In August 2010, the FASB issued authoritative guidance on the measurement basis used in the disclosure of charity care. The guidance requires that cost be used as the measurement basis for charity care disclosure, and that the disclosure should include the direct and indirect costs of providing charity care. The guidance also requires disclosure of the method used to identify or determine such costs. The guidance becomes effective for interim periods and annual periods beginning after December 15, 2010, and should be applied retrospectively. The Corporation is currently evaluating the new guidance, and will make additional disclosures as required upon the effective date.

In August 2010, the FASB issued authoritative guidance on the accounting by health care entities for medical malpractice and similar liabilities, and their related anticipated insurance recoveries. The guidance clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The guidance becomes effective for interim and annual periods beginning after December 15, 2010. The Corporation is currently evaluating the new guidance, and will adopt the provisions as required upon the effective date.

Reclassifications

Certain 2009 amounts have been reclassified to conform with 2010 classifications, which had no impact on previously reported excess of revenue over expenses or net assets.

2. Community Service (Unaudited)

The Corporation continues to build on a tradition of community service established over 100 years ago by its predecessor organizations with a mission to provide quality health care to all those served. Through Kosair Children's Hospital, a 263-bed facility, tertiary and acute-level inpatient services, as well as emergency and outpatient specialty care, are provided to children who live throughout Kentucky and Southern Indiana, regardless of ability to pay. In addition, many patients treated at Norton Hospital, Norton Audubon Hospital, Norton Suburban Hospital, and Norton Brownsboro Hospital receive free or discounted care. The Corporation is a major participant in the residency and medical education programs of the University of Louisville School of Medicine.

The Corporation uses the Catholic Health Association 2008 Guide for Planning and Reporting Community Benefit to report the community benefit amounts.

2. Community Service (Unaudited) (continued)

In 1987, the Corporation established a fund designated for providing indigent care, education, research, and community health initiatives, now known as the James R. Petersdorf Fund (Petersdorf Fund) (Note 4). Other programs that benefit the Corporation's community are listed below. The costs associated with providing community service for the years ended December 31 are as follows:

	2010	2009
Charity care	**$ 18,857,911**	$ 15,109,776
Educational support	**23,059,848**	19,501,900
Unpaid cost of Medicaid services	**50,182,318**	6,678,237
Petersdorf Fund grants	**1,843,237**	3,195,692
Sponsorships	**1,636,113**	1,565,814
Pastoral care and counseling programs	**1,169,891**	1,649,881
Kentucky Poison Control Center	**2,033,403**	1,969,169
Child guidance and advocacy program	**1,134,891**	894,689
Community cancer initiatives	**4,058,208**	4,090,533
Community service activities	**809,884**	–
Other community benefits	**2,657,958**	2,669,219
	$ 107,443,662	$ 57,324,910

The unpaid cost of Medicaid services increased sharply from the previous year. Several significant items accounted for the increase. These include: higher computed costs incurred in treating Medicaid patients coupled with the absence of rate or payment increases from Medicaid in the current year; additional costs were recorded to reserve previously received grants from University Health Care which were called into question by the Auditor of Public Accounts report in the current year; finally, in the current year, the Corporation began using the actual patient detail to determine Medicaid funding shortfall rather than use the previous method of utilizing summary amounts from the general ledger system. The patient detail provides a greater level of accuracy in determining uncompensated costs.

3. Property and Equipment

Property and equipment at December 31 consists of:

	2010	2009
Land and land improvements	**$ 39,513,231**	$ 36,849,762
Buildings	**595,555,718**	547,133,846
Equipment	**747,968,497**	650,548,779
	1,383,037,446	1,234,532,387
Accumulated depreciation and amortization	**(795,719,204)**	(725,616,235)
	587,318,242	508,916,152
Construction in process	**71,862,743**	141,483,058
	$ 659,180,985	$ 650,399,210

4. Assets Limited as to Use and Investment Return

Asset Limited as to Use

The composition of assets limited as to use at December 31 is set forth in the following table by type of board designation or restriction. Assets limited as to use are carried at fair value, except for alternative investments (consisting primarily of hedge funds and real estate funds), which are accounted for under the equity method of accounting.

	2010	2009
By Board of Trustees for indigent care, education, research, and community health initiatives (Petersdorf Fund)	**$ 101,072,080**	$ 94,215,322
By Board of Trustees	**251,425,787**	226,213,842
By self-insurance trust agreements	**101,798,473**	88,939,194
Less current portion	**(19,982,728)**	(31,357,651)
	81,815,745	57,581,543
By bond indenture trust agreements	**37,128,094**	37,413,734
Less current portion	**(20)**	(57,330)
	37,128,074	37,356,404
By securities lending agreements	**9,670,318**	12,470,370
By donors	**37,323,339**	32,158,768
	$ 518,435,343	$ 459,996,249

The Corporation's investment portfolio is structured in a manner that matches investment risk and return. Short-term volatility and uncertainty of investment results are recognized as real risks that are managed through specific asset allocation strategies and diversification.

4. Assets Limited as to Use and Investment Return (continued)

The Corporation's actual weighted-average allocations for assets limited as to use at December 31 by asset category, are as follows:

	2010	2009
Cash and cash equivalents	**6.2%**	9.5%
Marketable debt securities	**30.3**	30.2
Domestic equities	**10.6**	9.8
International equities	**7.9**	8.3
Global equities	**12.9**	12.2
Hedge funds	**19.4**	20.9
Real estate fund	**12.7**	9.1
	100.0%	100.0%

Securities Lending Program

The Corporation participates in a securities lending program, whereby securities owned by the Corporation are loaned to the other institutions. The Corporation requires that collateral from the borrower, in an amount equal to 102% in the case of securities of U.S. issuers, and 105% in the case of securities of non-U.S. issuers, of the market value of the loaned securities be placed with a third-party trustee. The Corporation maintains effective control of the loaned marketable securities through its custodian during the term of the arrangement in that they may be recalled at any time. Under the terms of the arrangement, the borrower must return the same, or substantially the same, marketable securities that were borrowed. The market value of cash collateral held for loaned marketable securities is reported as collateral held for securities lending agreement in assets limited as to use and a corresponding payable is reported for repayment of such collateral upon settlement of the securities lending arrangements and is part of other noncurrent liabilities. At December 31, 2010, securities on loan totaled $9.8 million and the value of the cash collateral held was $9.7 million. At December 31, 2009, securities on loan totaled $12.2 million and the value of the cash collateral held was $12.5 million. These amounts are treated as noncash items for purposes of the cash flow statements.

4. Assets Limited as to Use and Investment Return (continued)

Investment Return

Investment return is shown under unrestricted, temporarily restricted, and permanently restricted nets assets in the line items titled investment gain (loss) (included in operating gain for the unrestricted net assets) and change in net unrealized gains and losses on investments (included in nonoperating gains (losses) for unrestricted net assets). The following is a summary of the key components of investment return for the year ended December 31:

	2010	2009
Investment gain (loss) by net asset class:		
Unrestricted	**$ 21,762,860**	$ (6,853,626)
Temporarily restricted	**2,081,353**	(654,542)
Permanently restricted	**54,204**	(38,443)
Total investment gain (loss)	**$ 23,898,417**	$ (7,546,611)
Components of investment gain (loss):		
Interest and dividends	**$ 12,302,814**	$ 14,208,223
Income distributions from trusts	**610,552**	791,826
Investment fees	**(1,300,268)**	(1,161,246)
Realized gain (loss) on investments recorded at fair value	**3,978,220**	(21,454,699)
Realized gain on investments recorded at other than fair value	**1,443,692**	3,829,485
Change in unrealized gain (loss) on investments recorded at other than fair value	**6,863,407**	(3,760,200)
Total investment gain (loss)	**$ 23,898,417**	$ (7,546,611)

The unrestricted, temporarily restricted, and permanently restricted change in net unrealized gains and losses on investments is solely comprised of unrealized gains and losses on investments recorded at fair value.

5. Fair Value Measurements

Certain financial instruments are not required to be marked to fair value on a recurring basis and therefore are not disclosed in the accompanying table. The carrying value of long-term debt and pledges receivable is required to be disclosed at fair value under applicable accounting guidance. The fair value of the 2006, 2000 and 1997 Bonds is estimated based on the market price of similar debt instruments at December 31, 2010 and 2009 (level 2 methodology of the fair value hierarchy). The carrying amount and fair value of long-term debt was $695.6 million and $640.5 million at December 31, 2010, and $704.9 million and $672.2 million at December 31, 2009, respectively. The fair value of the Corporation's pledges receivable, based on discounted cash flow analysis (level 2 methodology of the fair value hierarchy) and adjusted for consideration of the donor's credit, is $18.7 million and $12.6 million at December 31, 2010 and 2009, respectively.

5. Fair Value Measurements (continued)

The following table summarizes the recorded amount of assets and liabilities by class of asset/liability recorded at fair value on a recurring basis or NAV. The valuation level of the asset or liability as defined by ASC 820 is included for assets and liabilities carried at fair value:

	2010	2009	Level
Marketable securities and other investments at fair value			
Marketable debt securities (A)	**$ 22,142,059**	$ –	2
Assets limited as to use at fair value:			
By Board of Trustees and donors:			
Mutual funds			
PIMCO Total Return (B)	**55,788,430**	51 262 135	1
Templeton Foreign Equity (C)	**16,716,184**	15 667 021	1
Artisan International (D)	**18,202,683**	17 142 912	1
Calamos (E)	**29,364,680**	25 578 947	1
PIMCO Real Return (F)	**17,195,845**	8 063 244	1
Wellington Diversified Inflation Fund (G)	**6,492,021**	–	2
Other publicly traded mutual funds (H)	**16,700,540**	15 704 592	1
Total mutual funds	**160,460,383**	133 418 851	
Separate accounts			
PNC (I)	**25,891,075**	37 631 677	2
Fairholme (J)	**20,508,143**	17 154 015	1
Baron (K)	**21,649,731**	17 577 732	1
Horizon (L)	**31,836,044**	26 294 482	1
Other (M)	**1,116,892**	1 116 250	1
Total separate accounts	**101,001,885**	99 774 156	
Total assets limited as to use by Board of Trustees and donors	**261,462,268**	233 193 007	
By self-insurance trust agreements:			
Mutual funds			
International equity funds (N)	**2,562,640**	2 255 296	1
Domestic equity funds (O)	**7,914,499**	6 859 017	1
Total mutual funds	**10,477,139**	9 114 113	
Separate accounts			
Cash	**3,467,717**	2 975 103	1
Marketable debt securities (P)	**87,853,617**	76 849 779	2
Total separate accounts	**91,321,334**	79 824 882	
Total assets limited as to use by self-insurance trust agreements	**101,789,473**	88 939 195	
By bond indenture trust agreements			
Marketable debt securities (Q)	**37,128,094**	57 330	2
Forward delivery agreement	**–**	37 356 404	2
Total assets limited as to use by bond indenture trust agreements	**37,128,094**	37 413 734	
Securities lending collateral (R)	**9,670,318**	12 470 370	2
Total assets limited as to use at fair value	**410,059,153**	372 016 306	
Assets limited as to use at net asset value			
Hedge funds (S)	**91,887,747**	88 600 825	N/A
Real estate funds (T)	**36,471,191**	30 794 100	N/A
Total assets limited as to use at net asset value	**128,358,938**	119 394 925	
Less current portion of self-insurance trust and bond indenture trust	**(19,982,748)**	(31 414 981)	
Total asset limited as to use	**$ 518,435,343**	$ 459 996 249	
Other assets at fair value			
Beneficial interest in outside trusts *(Note 1)*	**$ 18,802,572**	$ 17 674 506	2
Liabilities:			
Interest rate swap liability *(Note 7)*	**$ 14,748,375**	$ 4 963 230	2

5. Fair Value Measurements (continued)

(A) Investment grade, readily marketable domestic corporate and U S agency fixed income securities
(B) Mutual funds whose objective is to seek maximum total return while preserving capital Fund strives to exceed the Barclays Capital Aggregate index
(C) Mutual fund focused on international equities to achieve long term capital growth Fund strives to exceed the MSCI EAFE index
(D) Mutual fund focused on international growth companies and strives to exceed the MSCI EAFE Growth index
(E) Mutual fund focused on global companies that show growth and income potential and strives to exceed the MSCI World index
(F) Mutual fund focused on inflation indexed bonds issued by the U S and non U S governments Fund strives to exceed the Barclays Capital U S Treasury U S TIPS Index
(G) Commingled fund whose objective is to maximize real return by investing in a variety of securities that offer strong relative performance in a rising inflation environment Fund seeks to exceed the DJ-AIG Commodity Total Return Index
(H) Various mutual funds invested in money market, fixed income, domestic equity and international equity mutual funds The equity mutual funds are diverse in investment strategies, including both value and growth and a variety of market capitalizations
(I) Actively managed portfolio of readily marketable corporate and US treasury fixed income securities that strives to provide a return better than traditional cash or money market portfolios
(J) Manager invests in domestic equities with a variety of market capitalizations with a value orientation and strives to exceed the Russell 3000 Value index
(K) Manager invests in domestic equities with a variety of market capitalizations with a growth orientation and strives to exceed the Russell 3000 Growth index
(L) Manager invests in publicly traded global equities and real return assets choosing investments with a value orientation and risk-averse management style Manager strives to exceed the MSCI World Value index
(M) Conglomeration of smaller accounts whose components are not deemed material for individual breakout Largest holding is money market fund
(N) Mutual funds focused on international equities to achieve long term capital growth and equities that provide a high total return from foreign companies in developing and emerging markets Both funds strive to exceed the MSCI EAFE index
(O) Mutual funds focused on domestic equities, including both value and growth and a variety of market capitalizations
(P) Externally managed portfolio holding investment grade U S agency and U S treasury fixed income securities whose maximum maturity does not exceed five years
(Q) Externally managed portfolio holding readily marketable, investment grade corporate and US agency fixed income securities with a one year duration target
(R) Externally managed fund investing only in instruments which are eligible investments for a money market mutual fund under Rule 2a-7 promulgated pursuant to the Investment Company Act of 1940, as amended
(S) The hedge funds are comprised of funds of funds that seek to provide equity like returns over a full market cycle with reduced volatility and low correlation The manager is a core multi-strategy hedge fund of funds with a long/short equity bias and seeks to exceed the HFRI Fund of Funds Composite or Strategic index
(T) The real estate investments include an actively managed private REIT comprised of participating mortgages and wholly owned real estate investments A smaller portion of the holdings include a commingled real estate fund which includes the purchase of REITs, real estate properties, private equity funds, public debt securities and high yield private debt

5. Fair Value Measurements (continued)

Valuation

Marketable debt securities and other investments and assets limited as to use

As previously stated, level 1 securities are stated at unadjusted quoted market prices. The Corporation's various investment portfolios are held by a variety of business partners and these partners use external pricing services in providing the valuation for all levels of securities. For level 2 securities, this includes valuations based upon direct and indirect observable market inputs that may utilize the market, income, or cost approaches in determination of their fair value. The pricing services use a variety of pricing models and inputs based upon the type of security being valued. These inputs may include, but are not limited to: reported trades, similar security trade data, bid/ask spreads, institutional bids, benchmark yields, broker/dealer quotes, issuer spreads, yield to maturity, and corporate, industry, and economic events.

Beneficial interests in outside trusts

The Corporation is an income beneficiary of irrevocable trust funds held by others. The Corporation has recorded the fair value of the ownership interest of the trusts based on its pro-rata share of the underlying assets or income. Based on the observable inputs, typically marketable debt or equity securities held in the irrevocable trusts, the Corporation has determined its beneficial interests in outside trusts fall in level 2 of the fair value hierarchy. This technique is consistent with the market approach.

6. Net Patient Service Revenue

Revenue from the Medicare and Medicaid programs accounted for approximately 40% and 43% of the Corporation's net patient service revenue for the years ended December 31, 2010 and 2009, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. It has established a corporate compliance program to assist in maintaining compliance with such laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines and penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that current recorded estimates will change by material amounts in the near term.

6. Net Patient Service Revenue (continued)

Medicare

Payments for inpatient acute care services are made based upon the patient's diagnosis, irrespective of cost. Outpatient claims are reimbursed under Ambulatory Payment Classifications (APCs), which are based on the patient's diagnosis. Medicare reimbursements, and the diagnosis upon which payment is based, and disproportionate share payments, are subject to review by Medicare representatives. Provision has been made for the estimated effect of review and audits. In the opinion of management, adequate provision has been made in the combined financial statements for any adjustments that may result from such audits.

Medicaid

Inpatient services rendered to traditional Kentucky Medicaid beneficiaries are paid by Medicaid based on a prospective Diagnostic Related Group (DRGs) system similar to the Medicare acute reimbursement methodology. Outpatient services rendered to Medicaid beneficiaries are reimbursed under a mixed methodology consisting of prospectively set rates (similar to the Medicare APC methodology), fee schedules, and cost reimbursement. In the opinion of management, adequate provision has been made in the combined financial statements for any adjustments that may result from such audits.

The Commonwealth of Kentucky provides Medicaid coverage for Louisville, Kentucky area residents through a managed care plan called Passport. The Corporation has contracted with Passport to provide inpatient medical services to Passport enrollees utilizing a per diem reimbursement methodology. Outpatient services are reimbursed utilizing multiple methodologies including case rates, fee schedules, and percent of charges.

Other

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

6. Net Patient Service Revenue (continued)

The Commonwealth of Kentucky has established a provider tax program to provide funds for indigent care provided by Kentucky hospitals. Under the provider tax program, the Corporation's hospitals pay a fixed amount based on historical payments made to the program, and are eligible for reimbursement for certain services provided to indigent patients.

The Corporation recorded an increase in net patient service revenue of approximately $300,000 and $3.6 million in 2010 and 2009, respectively, as a result of favorable changes in estimated settlements payable to Medicare and Medicaid.

7. Long-Term Debt

Long-term debt at December 31 consists of the following:

	2010	2009
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2006, dated October 12, 2006 (2006 Bonds)	**$ 302,445,000**	$ 302,585,000
Kentucky Economic Development Finance Authority, Health System Revenue Bonds, Series 2000, dated October 1, 2000 (2000 Bonds)	**446,165,000**	462,325,000
County of Jefferson, Kentucky, Health System Revenue Bonds, Series 1997, dated September 15, 1997 (1997 Bonds)	**45,435,000**	46,405,000
	794,045,000	811,315,000
Less unamortized discounts	**(115,962,074)**	(124,277,034)
	678,082,926	687,037,966
Other debt and capital lease	**17,489,721**	17,893,515
	695,572,647	704,931,481
Less amounts due within one year	**(17,927,300)**	(17,573,800)
	$ 677,645,347	$ 687,357,681

7. Long-Term Debt (continued)

All bonds, except the 2006 Bonds, are secured by a mortgage lien on the principal hospital facilities and parking garages of Norton Hospitals, Inc. The net book value of these properties is $221.5 million and $200.1 million at December 31, 2010 and 2009, respectively. All bonds are secured by a security interest in certain pledged collateral, including the operating revenue of the Obligated Group (Norton Healthcare, Inc. and Norton Hospitals, Inc.). Principal and interest related to the bonds are payable solely by the Obligated Group.

The Corporation has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees, and require the Corporation to maintain specific financial ratios.

2006 Bonds

In 2006, the Corporation entered into a loan agreement with the Louisville/Jefferson County Metro Government to issue $302,710,000 uninsured revenue bonds. Proceeds from the 2006 Bonds and certain other available monies were used to legally defease a portion of certain outstanding 2000 Bonds (Series A and Series C) issued on behalf of the Corporation through deposits to irrevocable trusts pursuant to escrow agreements, to finance the Corporation for the costs of constructing and equipping a new hospital facility, to finance or reimburse the Corporation for the costs of renovation and expansion of various patient care areas and the acquisition of equipment, and to pay certain expenses in connection with the issuance of the 2006 Bonds. The escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 2000 Bonds.

At December 31, 2010, the 2006 Bonds consist of fixed rate term bonds, maturing on October 1, 2026, with an interest rate of 5.00%; fixed term bonds maturing on October 1, 2030, with an interest rate of 5.00%; and fixed rate term bonds maturing on October 1, 2036, with an interest rate of 5.25%. The 2006 Bonds have annual sinking fund deposits of various amounts annually on October 1 through 2036. Interest is payable on April 1 and October 1. Beginning October 1, 2016, the 2006 Bonds maturing on or after October 1, 2017 are subject to optional redemption prior to maturity for 100% of par.

7. Long-Term Debt (continued)

2003 Bonds

In 2003, the Corporation entered into a loan agreement with the City of St. Matthews, Kentucky to issue $51,600,000 of Health System Variable Rate Revenue Refunding Bonds, Series 2003 (Norton Healthcare, Inc.) Auction Rate Securities. Proceeds from the 2003 Bonds were used to legally defease the 1992 Bonds issued on behalf of the Corporation and its Affiliates through deposits to irrevocable trusts pursuant to escrow agreements and to pay certain expenses incurred in connection with the issuance of the 2003 Bonds. These escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 1992 Bonds.

The 2003 Bonds were issued as Auction Rate Securities and bear interest at the Auction Rate. Redemption can occur prior to maturity at the option of the Corporation, at a redemption price of 100% of the principal amount, plus accrued interest. During 2009, the Corporation extinguished all outstanding 2003 Bonds, and incurred a loss of approximately $700,000 as a result of the redemption, which is included in other nonoperating losses.

2000 Bonds

In 2000, the Corporation entered into loan agreements with Kentucky Economic Development Finance Authority to issue $148,285,000 of Series A uninsured revenue bonds, $119,247,912 of Series B and $180,482,605 of Series C insured revenue bonds for a total of $448,015,517. Proceeds from the 2000 Bonds and certain other available monies were used to legally defease the 1998 Bonds and a portion of certain outstanding 1997 and 1992 Bonds issued on behalf of the Corporation and its Affiliates through deposits to irrevocable trusts pursuant to escrow agreements, and to pay certain expenses incurred in connection with the issuance of the 2000 Bonds as well as fund a debt service reserve account. The escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 1998, 1997, and 1992 Bonds.

7. Long-Term Debt (continued)

At December 31, 2010, the remaining 2000 Bonds consist of Series A revenue bonds with rates ranging from 6.25% to 6.63%, maturing through October 1, 2023; Series B capital appreciation bonds with rates ranging from 5.53% to 6.23%, maturing through October 1, 2028; and Series C deferred income bonds with rates ranging from 5.50% to 6.15% maturing through October 1, 2028. Payment of principal and interest on Series 2000 B and 2000 C Bonds is guaranteed by National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation).

The Series A Bonds mature in various amounts on October 1 through 2023. Interest is payable on April 1 and October 1. Beginning October 1, 2010, Series A Bonds maturing on or after October 1, 2011 are subject to optional redemption prior to maturity for 101% of par through September 30, 2011. On or after October1, 2011, they may be redeemed at 100% of par. Interest on the Series B Bonds will be compounded from the dates of delivery to their respective maturities, and will be payable only at maturity, or upon redemption prior to maturity or acceleration. Series B Bonds mature in various amounts on October 1 through 2028. Series B Bonds are not subject to optional redemption prior to maturity. Interest on the Series C Bonds will be compounded from the dates of delivery to April 1, 2006. Thereafter, interest on the Series C Bonds will be payable on each April 1 and October 1. The Series C Bonds mature in various amounts on October 1 through 2028. Beginning October 1, 2013, the Series C Bonds maturing on or after October 1, 2014 are subject to optional redemption prior to maturity for 101% of par through September 30, 2014. On or after October1, 2014, they may be redeemed at 100% of par.

1997 Bonds

In 1997, the Corporation entered into a loan agreement with Jefferson County, Kentucky to issue $220,000,000 of insured health system revenue bonds. Proceeds from the 1997 Bonds and certain other available monies were used to legally defease the 1991 Bonds and a portion of certain outstanding 1992 Bonds issued on behalf of the Corporation and its Affiliates through deposits to an irrevocable trust pursuant to an escrow agreement; to pay or reimburse the Corporation for the payment of certain costs of acquiring, constructing, renovating, remodeling, and equipping health system facilities, and to pay certain expenses incurred in connection with the issuance of the 1997 Bonds and the legal defeasance of the 1991 and a portion of 1992 Bonds. The escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 1991 and 1992 Bonds. The 1997 Bonds were partially defeased in connection with the issuance of the 2000 Bonds.

7. Long-Term Debt (continued)

At December 31, 2010, the remaining 1997 Bonds consist of 5.00% fixed rate with serial maturing through October 1, 2013; fixed rate term bonds maturing on October 1, 2017, with an interest rate of 5.13%; and fixed rate term bonds maturing on October 1, 2027, with an interest rate of 5.13%. The 1997 Bonds have annual maturity and sinking fund deposits of various amounts annually on October 1 through 2027. Interest is payable on April 1 and October 1. Payment of principal and interest on 1997 Bonds is guaranteed by National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation). Currently, all 1997 Bonds are subject to optional redemption prior to maturity for 100% of par.

Required debt service on all outstanding bonds is as follows:

	Principal	Interest	Total
2011	$ 15,950,487	$ 30,745,308	$ 46,695,795
2012	17,117,598	29,781,535	46,899,133
2013	13,122,187	33,319,336	46,441,523
2014	13,520,471	33,240,081	46,760,552
2015	18,549,515	33,072,330	51,621,845
Thereafter	527,524,279	490,361,858	1,017,886,137
	$ 605,784,537	$ 650,520,448	$ 1,256,304,985

Included as part of the interest payments above is $1.5 million of Series 2000 B Bonds interest payable in 2011, which is paid at the maturity of the Series 2000 B Bonds. For 2011 through final maturity of Series 2000 B Bonds, $188.3 million is included in interest payments, which is paid at the various maturities of the Series 2000 B Bonds.

The Corporation paid interest of $35.5 million and $34.0 million during 2010 and 2009, respectively. The Corporation capitalized interest costs of $1.6 million and $5.8 million during 2010 and 2009, respectively.

7. Long-Term Debt (continued)

The remaining long-term debt consists primarily of a note payable and capital lease. Payments on these arrangements are as follows:

	Principal	Interest	Total
2011	$ 437,251	$ 1,281,749	$ 1,719,000
2012	473,480	1,245,520	1,719,000
2013	512,712	1,206,288	1,719,000
2014	555,194	1,163,806	1,719,000
2015	601,196	1,117,804	1,719,000
Thereafter	14,909,887	4,684,859	19,594,746
	$ 17,489,720	$ 10,700,026	$ 28,189,746

Interest Rate Swaps

The Corporation uses derivative instruments to manage its cost of capital by entering interest rate swaps which generate cash flow meant to reduce interest expense. The Corporation pays a rate based upon the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA), an index of seven-day, high-grade, tax-exempt variable-rate demand obligations. In return, the Corporation receives a fixed rate based upon the London Interbank Offered Rate (LIBOR), the average interest rate charged when banks in the London interbank market borrow unsecured funds from each other.

At December 31, 2010 and 2009 the Corporation holds the following interest rate swaps:

Effective Date	Notional Amount	Maturity Date	Receive	Pay
February 21, 2001	$ 100,000,000	October 1, 2028	1.4925 of one-month LIBOR	2 times SIFMA
October 1, 2004	$ 100,000,000	October 1, 2028	62.6% of one-month LIBOR plus .57%	SIFMA
November 3, 2006	$ 140,000,000	November 3, 2031	61.7% of one-month LIBOR plus .577%	SIFMA
November 3, 2008	$ 200,000,000	November 3, 2026	61.7% of ten-year LIBOR minus .016%	SIFMA

7. Long-Term Debt (continued)

All of the Corporation's derivative contracts are with Citigroup and, consistent with industry practice, require posting of collateral should either party's cumulative mark to market liability exceed certain thresholds based upon the credit rating of the counterparty. At December 31, 2010 and 2009, the Corporation had a cumulative mark to market liability of $19.4 million and $5.7 million, respectively. Based upon the Corporation's A- credit rating, collateral must be posted for liabilities in excess of $25 million. At December 31, 2010 and 2009, the Corporation had no collateral posted, and was not required to post any collateral. Should the Corporation's credit rating fall below BBB, Citigroup would have the option of terminating some or all of the interest rate swaps at the market value. Should the Corporation hold all interest rate swaps to maturity, as it intends, no cash settlement will be necessary, and at maturity, any posted interest rate swap collateral will be returned.

None of these interest rate swaps has been designated as a hedge for accounting purposes; therefore, the change in fair value for these interest rate swaps appears in the combined statement of operations and changes in net assets under nonoperating gains and losses in the line titled change in interest rate swap value. The cash flow impact of the interest rate agreements appears in the line interest rate swap benefit, net. The fair value is currently a liability for the Corporation, and therefore, is shown in the combined balance sheets under other noncurrent liabilities in the line swap liability. The fair value is calculated based on a discounted cash flow model taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable.

7. Long-Term Debt (continued)

The cash flow for these interest rate swaps is settled semi-annually on April 1 and October 1. In the interim periods a receivable or payable is recorded; currently the cash flows are in a receivable position, and this receivable is included in the line miscellaneous receivables under current assets in the combined balance sheets.

	Miscellaneous Receivable	Swap Liability	Balance Sheet, Net
December 31, 2008	$ (104,617)	$ (51,410,774)	$ (51,515,391)
Interest rate swap benefit, net	4,700,782	–	4,700,782
Swap cash settlement received	(3,147,805)	–	(3,147,805)
Change in interest rate swap value	–	46,447,544	46,447,544
December 31, 2009	1,448,360	(4,963,230)	(3,514,870)
Interest rate swap benefit, net	**4,337,213**	–	**4,337,213**
Swap cash settlement received	**(4,788,822)**	–	**(4,788,822)**
Change in interest rate swap value	–	**(9,785,145)**	**(9,785,145)**
December 31, 2010	**$ 996,751**	**$ (14,748,375)**	**$ (13,751,624)**

8. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets at December 31, 2010 and 2009 are available for the following purposes:

	2010	2009
Temporarily restricted:		
Health care services	**$ 48,835,488**	$ 38,248,153
Permanently restricted:		
Investments to be held in perpetuity, the income from which is expendable to support health care services	**$ 16,295,475**	$ 16,056,769
Beneficial interest in trusts held by others, the income from which is expendable to support health care services	**18,512,549**	17,392,553
Total permanently restricted	**$ 34,808,024**	$ 33,449,322

9. Endowment Funds

The Corporation's endowment consists of nine individual donor restricted endowment funds (seven at The Children's Hospital Foundation and two at Norton Healthcare Foundation, collectively referred to as the Foundations) established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in the state of Kentucky on March 25, 2010. The Foundations have interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundations classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) market appreciation and/or investment income that is permanently restricted by the donor in the gift agreement. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundations.

Investment Objectives and Policy

The Foundations follow the Investment Policy objectives of the Corporation. The long-term objective of the policy is to generate a return, which is sufficient to meet its current and expected future financial requirements, as defined by the Corporation's long-range financial plan. To accomplish this objective, the Corporation seeks to earn the greatest total return possible consistent with its general risk tolerance, the securities noted as eligible for purchase and the asset allocation strategies included in the Investment Policy. The asset allocation includes investments in cash, fixed income, equities, and alternative investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundations have adopted a 5% spending policy, which is based upon a three-year rolling average of the fair market value of the endowment fund. The current year spending policy is calculated using year end December 31 market values.

9. Endowment Funds (continued)

In addition to the 5% spending policy, the Foundations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundations
7. The investment policies of the Corporation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original fair market value of the gift. In accordance with FSP 117-1, deficiencies of this nature are reported in unrestricted net assets. The Foundations will not appropriate funds from the endowment for spending until the current value of the fund exceeds the fair value of the original gift, unless an appropriation is deemed prudent based upon the factors listed above.

Certain endowment funds are such that prior to the implementation of UPMIFA, investment activity was recorded as unrestricted net assets. This accounting resulted in negative balances in the unrestricted net assets due to market losses in 2008. These negative balances were reduced by market gains in 2010 and 2009. At the time when the unrestricted fund balance is no longer negative, future investment income and gains will be recorded as temporarily restricted net assets until appropriated for expenditure in accordance with UPMIFA.

9. Endowment Funds (continued)

In the year 2010, the Corporation had the following endowment-related activities:

	Changes in Endowment Net Assets for the Year Ended December 31, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (223,165)	$ 931,883	$ 16,056,769	$ 16,765,487
Investment return				
Investment income	31,084	82,000	565	113,649
Net appreciation (realized and unrealized)	155,160	1,028,648	92,898	1,276,706
Total investment return	186,244	1,110,648	93,463	1,390,355
Contributions	–	–	145,243	145,243
Reclassification for implementation of UPMIFA	(8,466)	8,466	–	–
Appropriation of endowment assets for expenditure	–	(599,778)	–	(599,778)
Endowment net assets, end of year	$ (45,387)	$ 1,451,219	$ 16,295,475	$ 17,701,307

9. Endowment Funds (continued)

In the year 2009, the Corporation had the following endowment-related activities:

	Changes in Endowment Net Assets for the Year Ended December 31, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (425,282)	$ 44,661	$ 13,007,538	$ 12,626,917
Investment return				
Investment income	34,405	194,239	–	228,644
Net appreciation (realized and unrealized)	167,712	770,857	84,536	1,023,105
Total investment return	202,117	965,096	84,536	1,251,749
Contributions	–	–	1,779,222	1,779,222
Transfer for establishment of endowment	–	–	1,185,473	1,185,473
Appropriation of endowment assets for expenditure	–	(77,874)	–	(77,874)
Endowment net assets, end of year	$ (223,165)	$ 931,883	$ 16,056,769	$ 16,765,487

10. Employee Benefit Plans

Defined Benefit Plan

Substantially all employees of the Corporation are covered by a noncontributory defined benefit pension plan (the Plan). Benefits are generally based upon years of service and an employee's annual compensation during their years of service. The Corporation annually funds an amount not less than the minimum required under ERISA.

The Plan was frozen effective January 1, 2010, and as a result, in 2010 and future years, no service cost is incurred. The tables below reflect the impact of the plan freeze through the curtailment gain (in 2009), and effects on the net periodic benefit (gain) cost and the projected benefit obligation.

10. Employee Benefit Plans (continued)

A summary of the components of net periodic benefit (gain) cost, which is included in labor and benefits, for the Plan for the years ended December 31, is as follows:

	2010	2009
Service cost	$ –	$ 18,780,492
Interest cost	**11,658,152**	14,717,736
Expected return on plan assets	**(16,080,085)**	(12,689,671)
Amortization of prior service cost	–	(1,086,322)
Amortization of unrecognized actuarial loss	**906,255**	6,208,372
Curtailment gain	–	(5,238,627)
Net periodic benefit (gain) cost	**$ (3,515,678)**	$ 20,691,980

Included in unrestricted net assets are $22.3 million and $32.5 million of unrecognized actuarial losses at December 31, 2010 and 2009, respectively that have not been recognized in net periodic benefit cost.

The actuarial losses included in unrestricted net assets expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2011 is $56,000.

Changes in plan assets and benefits obligations recognized in unrestricted net assets during 2010 and 2009 included:

	2010	2009
Current year actuarial gain	**$ (9,928,920)**	$ (77,986,519)
Amortization of prior service cost	–	6,153,006
Total	**$ (9,928,920)**	$ (71,833,513)

10. Employee Benefit Plans (continued)

A summary of the components of the changes in projected benefit obligation and fair value of plan assets for the Plan as of December 31 is as follows:

	2010	2009
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 213,474,785**	$ 242,533,774
Service cost	**–**	18,780,492
Interest cost	**11,658,152**	14,717,736
Curtailment gain	**–**	(24,651,907)
Actuarial loss (gain)	**1,790,543**	(28,726,732)
Benefits paid	**(11,373,683)**	(9,178,578)
Projected benefit obligation at the end of year	**$ 215,549,797**	$ 213,474,785
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 198,653,294**	$ 153,605,131
Actual return on plan assets	**27,747,182**	31,047,524
Employer contribution	**14,000,000**	24,000,000
Benefits paid	**(11,373,683)**	(9,178,578)
Administrative expenses and other	**(609,752)**	(820,783)
Fair value of plan assets at end of year	**228,417,041**	198,653,294
Funded status and net pension asset (liability)	**$ 12,867,244**	$ (14,821,491)

The accumulated benefit obligation was $215.5 million and $213.5 million for the years ending December 31, 2010 and 2009, respectively.

Assumptions

Weighted-average assumptions used to determine benefit obligation at December 31 are as follows:

	2010	2009
Discount rate	**5.00%**	5.625%
Rates of increase in compensation levels	**N/A**	4.00%

10. Employee Benefit Plans (continued)

Weighted-average assumptions used to determine net periodic benefit (gain) cost at December 31 is as follows:

	2010	2009
Discount rate	**5.625%**	6.25%
Expected long-term rate of return on assets	**8.00**	8.00
Rates of increase in compensation levels	**4.00**	4.625

The rate of return assumption was developed by applying an expected long-term rate of return, based primarily on historical returns for asset managers and investment type, to each asset class and applying the weighted-average percent of total assets.

Plan Assets

Plan assets are invested in a portfolio that provides for asset allocation strategies across equity markets, both domestic and international, debt markets, alternative investments, and real estate. The portfolio's objective is to maximize the pension plan's surplus, minimize annual contributions, and fund the annual interest credit. Management and its investment advisor have prepared asset allocation recommendations based on detailed analyses of the pension plan's current and expected future financial needs.

The Corporation's pension plan weighted-average allocations and target asset allocations at December 31, by asset category, are as follows:

	2010	2009	Target
Cash and cash equivalents	**0.2%**	0.3%	2.0%
Marketable debt securities	**39.6**	42.1	42.0
Domestic equities	**39.7**	37.2	36.0
International equities	**9.9**	10.1	10.0
Hedge funds	**4.4**	4.9	5.0
Real estate fund	**6.2**	5.4	5.0
	100.0%	100.0%	100.0%

10. Employee Benefit Plans (continued)

Fair Value Measurements

Similar to the Corporations' assets limited as to use (Notes 1 and 5), pension plan assets impacting the pension asset/obligation are accounted for using fair value measurements.

The following table presents the financial instruments carried at fair value as of December 31, by type of investments and the fair value levels defined in Note 1:

	2010	2009	Level
Money market fund	**$ 394,665**	$ 540,158	1
Mutual funds			
BlackRock Equity Dividend I (A)	**12,153,155**	10,359,151	1
American Funds Growth Fund of America (B)	**11,972,084**	10,281,820	1
American Funds EuroPacific Growth (C)	**11,527,183**	10,076,269	1
GE Institutional International Equity (D)	**10,993,928**	10,052,012	1
Allianz Small Cap Value (E)	**10,645,405**	8,214,137	1
Royce Value Plus (F)	**9,901,949**	7,966,061	1
Total mutual funds	**67,193,704**	56,949,450	
Common and collective trusts			
Diversified Core Bond (G)	**47,151,315**	41,957,137	2
Diversified Long Bond (H)	**24,910,959**	21,465,556	2
Diversified Stock Index (I)	**24,575,532**	20,585,343	2
Diversified Real Estate Securities (J)	**14,140,317**	10,661,200	2
Diversified High Yield Bond (K)	**12,351,822**	10,288,506	2
Diversified Mid Growth (L)	**11,150,145**	8,324,706	2
Diversified Mid Value (M)	**10,414,010**	8,225,341	2
Diversified Inflation-Protected Securities (N)	**6,021,469**	9,923,715	2
Total common and collective trusts	**150,715,569**	131,431,504	
Partnership/joint venture interests			
Hedge fund (O)	**10,113,103**	9,732,183	3
	$ 228,417,041	$ 198,653,294	

10. Employee Benefit Plans (continued)

(A) Mutual fund focused on domestic value companies with large market capitalizations, that also pay dividends The funds strive to exceed the Russell 1000 value index

(B) Mutual fund focused on growth companies with large market capitalizations and strives to exceed the S&P 500 index

(C) Mutual fund focused on international value and growth companies with large market capitalizations and strives to exceed the MSCI EAFE index

(D) Mutual fund focused primarily on international companies with large market capitalizations, and strives to exceed the MSCI EAFE index

(E) Mutual fund focused on domestic equities with middle of spectrum market capitalizations, that are viewed as a good value and strives to exceed the Russell 2000 Value index

(F) Mutual fund focused on smaller domestic equities that are expected to grow and fund strives to exceed the Russell 2000 Growth index

(G) Actively managed portfolio that represents an intermediate total return bond fund that invests primarily in investment grade debt securities and U S government obligations, mortgage-backed securities guaranteed by U S government agencies and instrumentalities, and those of private issuers The fund seeks to exceed the Barclay's Capital Aggregate Index

(H)Actively managed fund seeking to maximize total return through investment in a diversified portfolio of long duration fixed income securities, including long duration U S Government, agency and corporate securities, and to a lesser extent, asset-backed, and mortgage-backed holdings The fund seeks to exceed the Barclay's Capital Long Government Credit Index

(I) Passively managed portfolio seeking to match returns of the Standard & Poor's 500 Stock Index

(J) Actively managed portfolio seeking to maximize total return through investment in public real estate securities with a combination of above-average income and long-term growth of capital The funds seek to exceed the MSCI REIT Index

(K) Actively managed portfolio investing primarily in high-yielding, income producing debt securities such as debentures and notes, loan participations, and in convertible and non-convertible preferred stocks The funds seek to exceed the Bank of America/Merrill Lynch High Yield Master II Index

(L) Actively managed portfolio investing primarily in stocks of medium sized companies which the Fund's advisors believe have the potential to deliver earnings growth in excess of the market average, the Fund seeks to exceed the Russell Mid-Cap Growth index

(M) Actively managed portfolio investing primarily in stocks of medium sized companies which the Fund's advisors believe have below expected market valuations and present an opportunity for earnings improvement The Fund seeks to exceed the Russell Mid-Cap Value Index

(N) Actively managed portfolio investing primarily in inflation-protected securities issued by the U S government, its agencies, and instrumentalities The Fund also invests in inflation-protected securities of U S issuers, foreign governments, and other foreign issuers The Fund seeks to exceed the Barclays Capital U S TIPS Index

(O) The hedge fund manager is a core multi-strategy hedge fund of funds with a long/short equity bias The manager seeks to provide equity-like returns over a full market cycle with reduced volatility and low correlation The fund provides redemptions quarterly with a 91 notice requirement There were no unfunded commitments as of December 31, 2010 or 2009

10. Employee Benefit Plans (continued)

Valuation

As previously stated, level 1 securities are stated at unadjusted quoted market prices. The business partner for the assets of the Plan utilizes external pricing services in providing the valuation for all levels of securities. For level 2 securities, this includes valuations based upon direct and indirect observable market inputs that may utilize the market, income, or cost approaches in determination of their fair value. The pricing service uses a variety of pricing models and input based upon the type of security being valued. These inputs may include but are not limited to, reported trades, similar security trade data, bid/ask spreads, institutional bids, benchmark yields, broker/dealer quotes, issuer spreads, yield to maturity, and corporate, industry, and economic events. The Plan also holds a hedge fund that is funds of funds, while some of the funds include level 1 and 2 securities, some securities values include unobservable inputs, and therefore, the holding has been classified as level 3. The fair value for this investment is the Plan's ownership percentage applied against the entire fund's cumulative fair value.

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31:

	2010	2009
Balance, beginning of year	**$ 9,848,244**	$ 7,009,485
Additional investment	**–**	2,000,000
Unrealized gains relating to instruments still held at the reporting date	**264,859**	838,759
Balance, end of year	**$ 10,113,103**	$ 9,848,244

10. Employee Benefit Plans (continued)

Cash Flows

The Corporation expects to contribute at least $6,000,000 to the Plan in 2011. The following table sets forth the benefit payout projections for the next ten years:

Year	
2011	$14,190,000
2012	16,330,000
2013	15,180,000
2014	15,090,000
2015	14,060,000
2016-2020	73,500,000

Defined Contribution Plans

403(b)/401(k) Plan

In addition to the Plan, the Corporation also has a defined contribution 403(b)/401(k) retirement plan (Defined Contribution Plans). The 403(b) Plan is available to all employees that work more than 1000 hours in a year. The 401(k) Plan is available to all employees that work more than 581.5 hours in a year. The Corporation matches contributions to participants employed on the last day of the year. Under the terms of these Defined Contribution Plans, the Corporation provides for a 50% matching contribution of the participant's first 4% of plan deferrals for those participants employed on December 31.

10. Employee Benefit Plans (continued)

While the Plan was frozen effective January 1, 2010, additional discretionary employer contributions to the defined contribution plans went into effect on the same date. For fiscal year 2010, these contributions were based on years of services according to the following grid:

Years of Service	Employer Contribution
0-4	3%
5-9	4
10-14	5
15-19	6
20-24	7
25 +	8

Total expense related to the Defined Contribution Plans was approximately $31.3 million and $7.6 million for the years ended December 31, 2010 and 2009, respectively.

11. Functional Expenses

The Corporation, through certain affiliates (principally the hospitals), provides general health care services to residents within its geographic location. Approximately 89% and 88% of the Corporation's expenses relate to health care services for the years ended December 31, 2010 and 2009, respectively, and 11% and 12% of the Corporation's expenses relate to general and administrative expenses for the years ended December 31, 2010 and 2009, respectively.

12. Affiliation Agreement

In accordance with the second restated Affiliation Agreement between the Corporation and Kosair Charities Committee, Inc. (Kosair), Kosair agreed to contribute a total of $117.0 million to Kosair Children's Hospital from 2007 through 2026. Total contributions from Kosair were approximately $4.7 million and $4.6 million for the years ended December 31, 2010 and 2009, respectively. These contributions are reported as donations and contributions. Based on the terms of the agreements, this does not meet the accounting definition of a pledge receivable, and this will be recorded in the year received.

12. Affiliation Agreement (continued)

In March 2009, the Corporation and Kosair entered into an Additional Projects Funding Agreement where Kosair agreed to contribute $500,000 annually to Kosair Children's Hospital, beginning in 2010 and continuing through 2026, when, in the final year of the Additional Projects Funding Agreement, they will contribute $1.0 million.

13. Commitments and Contingency

The Corporation is in the process of improving and expanding its facilities. Commitments related to renovation of existing facilities or construction of new facilities totaled $32.9 million and $35.8 million at December 31, 2010 and 2009, respectively. This will be funded through cash flows from operations.

The Corporation is subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Corporation's financial position.

14. Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 is as follows:

	2010	2009
Medicare	**12%**	11%
Medicaid	**14**	15
Blue Cross plans	**16**	14
Other third-party payors	**27**	27
Self-pay accounts	**31**	33
	100%	100%

15. Flood Event Presentation

Included as a separate line in the combined statement of operations and changes in net assets is $11.5 million related to the operating costs and fixed asset write-offs related to flooding in 2009. This loss is primarily the result of flooding which occurred on August 4, 2009, when unprecedented rainfall occurred during the morning hours, including five inches in a ninety-minute period. The Corporation, along with other local institutions, incurred significant losses as a result of this event. Subsequently in 2010 an insurance recovery of $12.6 million was received and this amount is included separately in the combined statement of operations and changes in nets assets with other unrestricted revenue.

16. Asset Impairment

Included as a separate line in the combined statements of operations and changes in net assets is a $12.7 million impairment loss for an equity based investment in the joint venture, University Healthcare (UHC), whose only business is to operate the managed care Medicaid plan for Louisville area residents through a contract with the state of Kentucky. During 2010, a comprehensive audit by the state auditor of public accounts was conducted over the operations of UHC, which created an impairment indicator. The state auditor findings include the conclusion that reserves, which play significantly into the equity balances of UHC, belong to the state, and that UHC is a public agency since more than 25% of its revenue are derived from state revenue, as well as concerns over the governance structure of UHC. As a result of these indicators of impairment, management was required to determine the recoverability and fair value of the equity method joint venture. After considering ASC 820, management has concluded that the most appropriate measure of fair value for this investment is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence (level 2 in the fair value hierarchy). Management has further concluded that the investment should be deemed obsolete to a buyer based upon the findings of the state auditor and if a market participant wished to enter the market they could do so by entering a separate contract with the state to provide the services currently provided by UHC. As such, the Corporation impaired the entire value of this joint venture.

17. Subsequent Event

The Corporation has evaluated and disclosed any subsequent events through March 31, 2011, which is the date the combined financial statements were issued and made publicly available.

Other Financial Information

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Report of Independent Auditors on Other Financial Information

The Board of Trustees
Norton Healthcare, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The following combining balance sheet and combining statement of operations and changes in unrestricted net assets are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Ernst & Young LLP

March 31, 2011

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet

December 31, 2010

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation	Norton Healthcare, Foundation, Inc.	Eliminations	Combined Totals
Assets									
Current assets									
Cash and cash equivalents	$ 175 383 395	$ 47 213	$ 774 002	$ –	$ 53 635	$ 120 902	$ 10 941	$ –	$ 176 390 088
Marketable securities and other investments	22 142 059	–	–	–	–	–	–	–	22 142 059
Patient accounts receivable less allowance for doubtful accounts of $66 430 000	–	135 293 360	11 095 270	–	5 272 754	–	–	–	151 661 384
Inventory	1 160 395	42 571 219	–	–	815 138	25 446	52 368	–	44 624 566
Prepaid expenses and other	22 004 900	1 921 282	274 887	108 187	72 251	–	–	–	24 381 507
Miscellaneous receivables	2 245 154	1 227 168	–	4 343	216	3 991 915	856 871	–	8 325 667
Current portion of assets limited as to use	19 982 748	–	–	–	–	–	–	–	19 982 748
Total current assets	242 918 651	181 060 242	12 144 159	112 530	6 213 994	4 138 263	920 180	–	447 508 019
Assets limited as to use									
By Board of Trustees	319 652 163	–	–	–	–	30 464 854	2 380 850	–	352 497 867
By bond indenture trust agreements	37 128 074	–	–	–	–	–	–	–	37 128 074
By self-insurance trust agreement	81 815 745	–	–	–	–	–	–	–	81 815 745
By donors and other restrictions	9 670 318	–	–	–	–	19 159 371	18 163 968	–	46 993 657
	448 266 300	–	–	–	–	49 624 225	20 544 818	–	518 435 343
Property and equipment net	61 355 636	550 337 128	14 824 110	29 357 012	3 264 972	42 127	–	–	659 180 985
Other assets									
Investments in joint ventures	568 362	4 541 268	–	–	13 444 280	–	–	(12 841 680)	5 712 230
Pension	12 867 244	–	–	–	–	–	–	–	12 867 244
Beneficial interest in trusts held by others	–	–	–	–	–	12 861 881	5 940 692	–	18 802 573
Goodwill and intangible assets less accumulated amortization of $2 185 000	–	2 141 356	606 222	–	9 677 178	–	–	–	12 424 756
Deferred financing costs net	14 463 950	–	–	–	–	–	–	–	14 463 950
Other	7 815 448	111 139 780	(109 603 520)	2 683 795	4 831 674	5 217 898	9 142 191	–	31 227 266
	35 715 004	117 822 404	(108 997 298)	2 683 795	27 953 132	18 079 779	15 082 883	(12 841 680)	95 498 019
Total assets	$ 788 255 591	$ 849 219 774	$ (82 029 029)	$ 32 153 337	$ 37 432 098	$ 71 884 394	$ 36 547 881	$ (12 841 680)	$ 1 720 622 366

[1] Includes the balance sheet for Norton Kosair Children's Audubon Suburban Brownsboro Hospitals Kosair Children's Medical Center Norton Diagnostic Center-Fern Creek Norton Diagnostic Center-Dupont Norton Cancer Institute and Norton Hospitals Inc owned medical office building

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet (continued)

December 31, 2010

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation	Norton Healthcare, Foundation, Inc.	Eliminations	Combined Totals
Liabilities and net assets									
Current liabilities									
Accounts payable	$ 6 235 207	$ 39 025 792	$ 546 205	$ 104 493	$ 513 679	$ 143 962	$ 10 326	$ –	$ 46 579 664
Accrued expenses and other	72 590 834	10 137 022	4 465 896	151 106	751 125	48 014	61 930	–	88 205 927
Accrued payroll and related items	53 953 498	1 475 989	–	–	342 573	160 603	27 260	–	55 959 923
Due to third-party payors net	–	16 952 009	–	–	–	–	–	–	16 952 009
Accrued interest	7 301 448	–	–	–	–	–	–	–	7 301 448
Current portion of long-term debt	17 490 000	–	–	437 300	–	–	–	–	17 927 300
Total current liabilities	157 570 987	67 590 812	5 012 101	692 899	1 607 377	352 579	99 516	–	232 926 271
Other noncurrent liabilities									
Insurance liability	85 105 038	–	–	–	–	–	–	–	85 105 038
Interest rate swap liability	14 748 375	–	–	–	–	–	–	–	14 748 375
Other	24 584 554	15 779 673	–	3 933 050	–	2 284 103	2 194 000	–	48 775 380
	124 437 967	15 779 673	–	3 933 050	–	2 284 103	2 194 000	–	148 628 793
Long-term debt net of current portion	660 592 926	–	–	12 052 421	5 000 000	–	–	–	677 645 347
Net (deficit) assets									
Unrestricted	(154 583 381)	759 120 670	(87 088 730)	15 474 967	30 824 721	26 494 597	377 279	(12 841 680)	577 778 443
Temporarily restricted	237 092	6 728 619	47 600	–	–	24 395 666	17 426 511	–	48 835 488
Permanently restricted	–	–	–	–	–	18 357 449	16 450 575	–	34 808 024
Total net (deficit) assets	(154 346 289)	765 849 289	(87 041 130)	15 474 967	30 824 721	69 247 712	34 254 365	(12 841 680)	661 421 955
Total liabilities and net (deficit) assets	$ 788 255 591	$ 849 219 774	$ (82 029 029)	$ 32 153 337	$ 37 432 098	$ 71 884 394	$ 36 547 881	$ (12 841 680)	$ 1 720 622 366

[1] Includes the balance sheet for Norton Kosair Children s Audubon Suburban Brownsboro Hospitals Kosair Children's Medical Center Norton Diagnostic Center-Fern Creek Norton Diagnostic Center-Dupont Norton Cancer Institute and Norton Hospitals Inc owned medical office building

Norton Healthcare, Inc. and Affiliates

Combining Statement of Operations and Changes in Unrestricted Net Assets

Year Ended December 31, 2010

	Norton Healthcare, Inc	Norton Hospitals, Inc[1]	Community Medical Associates, Inc	Norton Properties, Inc	Norton Enterprises, Inc	The Children's Hospital Foundation	Norton Healthcare, Foundation, Inc	Eliminations	Combined Totals
Net patient service revenue	$ –	$ 1 281 728 220	$ 139 964 995	$ –	$ 28 020 653	$ –	$ –	$ (6 846 993)	$ 1 442 866 875
Flood loss reimbursement	12 642 005	–	–	–	–	–	–	–	12 642 005
Other revenue	2 588 980	10 188 153	9 130 703	6 536 463	4 860 640	195 494	549 575	(20 293 321)	13 756 687
Donations and contributions	818 318	9 321 998	68 135	–	489	7 116 282	3 861 924	(4 876 942)	16 310 204
Joint venture revenue	(26 321)	2 484 361	–	–	528 590	–	–	–	2 986 630
	16 022 982	1 303 722 732	149 163 833	6 536 463	33 410 372	7 311 776	4 411 499	(32 017 256)	1 488 562 401
Operating expenses									
Labor and benefits	83 790 558	489 166 622	131 641 617	829 060	15 759 058	1 282 607	408 011	100 000	722 977 533
Professional fees	311 434	47 479 507	1 852 945	–	–	164 094	–	(4 958 079)	44 849 901
Drugs and supplies	430 618	282 228 328	6 758 833	63 097	4 358 910	214 088	172 625	–	294 226 499
Fees and special services	36 130 932	42 177 604	6 574 090	806 587	4 611 969	376 902	616 984	(10 485 770)	80 809 298
Repairs, maintenance and utilities	24 894 041	19 985 286	1 706 815	1 775 644	300 857	13 750	11 255	–	48 687 648
Rent and leases	5 883 573	18 476 144	9 136 587	435 104	618 454	52 744	24 708	(11 358 495)	23 268 819
Provision for doubtful accounts	28 000	49 234 161	7 790 429	–	1 667 468	28 727	(5 000)	–	58 743 785
Insurance	(2 410 906)	30 761 517	5 112 065	198 731	441 707	–	–	–	34 103 114
Provider tax	–	20 129 732	–	–	–	–	–	–	20 129 732
Other	2 246 615	6 189 051	1 772 024	474 754	531 658	3 856 110	3 075 311	(5 314 912)	12 830 611
Management fees	(148 045 757)	144 294 862	1 467 143	370 735	1 913 017	–	–	–	–
	3 259 108	1 150 122 814	173 812 548	4 953 712	30 203 098	5 989 022	4 303 894	(32 017 256)	1 340 626 940
Earnings before fixed expenses and other gains (loss)	12 763 874	153 599 918	(24 648 715)	1 582 751	3 207 274	1 322 754	107 605	–	147 935 461
Fixed expenses, net of investment income									
Depreciation and amortization	16 571 642	51 838 876	2 277 283	1 702 254	640 944	6 719	2 193	–	73 039 911
Interest expense	(1 603 335)	37 770 726	–	1 015 206	301 172	1 542	–	–	37 485 311
Interest rate swap benefit, net	(4 337 213)	–	–	–	–	–	–	–	(4 337 213)
	10 631 094	89 609 602	2 277 283	2 717 460	942 116	8 261	2 193	–	106 188 009
Patient service margin	2 132 780	63 990 316	(26 925 998)	(1 134 709)	2 265 158	1 314 493	105 412	–	41 747 452
Investment gain	19 928 098	2 096	–	–	–	1 713 527	119 139	–	21 762 860
Operating gain (loss)	22 060 878	63 992 412	(26 925 998)	(1 134 709)	2 265 158	3 028 020	224 551	–	63 510 312
Nonoperating gains (losses)									
Change in net unrealized gains and losses on investments	15 851 660	–	–	–	–	1 464 161	108 673	–	17 424 494
Change in interest rate swap value	(9 785 145)	–	–	–	–	–	–	–	(9 785 145)
Petersdorf Fund grants	(1 843 237)	–	–	–	–	–	–	–	(1 843 237)
Asset impairment	(12 650 508)	–	–	–	–	–	–	–	(12 650 508)
Other nonoperating (losses) gains, net	(328 035)	(36 840)	7 741	449	(190 274)	–	–	–	(546 959)
Total nonoperating gains (losses)	(8 755 265)	(36 840)	7 741	449	(190 274)	1 464 161	108 673	–	(7 401 355)
Excess of revenue over expenses (expenses over revenue)	13 305 613	63 955 572	(26 918 257)	(1 134 260)	2 074 884	4 492 181	333 224	–	56 108 957
Change in net unrealized gains and losses on investments	–	–	–	–	–	–	–	–	–
Change in minimum pension liability	–	–	–	–	–	–	–	–	–
Change in pension plan asset and obligation	9 928 920	–	–	–	–	–	–	–	9 928 920
Net assets released from restrictions for equipment	–	3 297 655	–	–	–	–	–	–	3 297 655
Other, net	(69 200)	266 806	(2 800)	(285 005)	–	174 255	(92 521)	–	(8 465)
Increase (decrease) in unrestricted net assets	$ 23 165 333	$ 67 520 033	$ (26 921 057)	$ (1 419 265)	$ 2 074 884	$ 4 666 436	$ 240 703	$ –	$ 69 327 067
Cumulative effect of change in accounting principle									
Increase (decrease) in unrestricted net assets including cumulative effect of change in accounting principle	$ –	$ 67 520 033	$ (26 921 057)	$ (1 419 265)	$ 2 074 884	$ 4 666 436	$ 240 703	$ –	$ 69 327 067

[1] Includes the statements of operations and changes in unrestricted net assets for Norton Kosair Children's Audubon Suburban Brownsboro Hospitals, Kosair Children's Medical Center, Norton Diagnostic Center-Fern Creek, Norton Diagnostic Center-Dupont, Norton Cancer Institute and Norton Hospitals, Inc. owned medical office building

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Additional Data

Software ID:
Software Version:
EIN: 61-0703799
Name: NORTON HOSPITALS INC

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
DONALD H ROBINSON TRUSTEE (CHAIRMAN)	1 00	X						0	0	0
JOSEPH A PARADIS III TRUSTEE (VICE CHAIRMAN)	1 00	X						0	1,500	0
CHERYL BALKENHOL TRUSTEE	1 00	X						0	0	0
MARIA L BOUVETTE TRUSTEE	1 00	X						0	0	0
CAROLYN J GATZ TRUSTEE	1 00	X						0	1,500	0
ROBERT GOODIN MD TRUSTEE	1 00	X						0	1,500	0
CRAIG GRANT TRUSTEE	1 00	X						0	1,500	0
R K GUILLAUME TRUSTEE	1 00	X						0	1,500	0
KEVIN HABLE TRUSTEE	1 00	X						0	0	0
MARIA GERWING HAMPTON TRUSTEE	1 00	X						0	1,500	0
MARTHA HEYBURN MD TRUSTEE	1 00	X						0	1,500	0
RONALD LEHOCKY MD TRUSTEE	1 00	X						0	1,500	0
GREGORY E MAYES TRUSTEE	1 00	X						0	1,500	0
MARY MOSELEY TRUSTEE	1 00	X						0	0	0
MITCH NICHOLS TRUSTEE	1 00	X						0	0	0
GAIL LYTTLE TRUSTEE	1 00	X						0	0	0
G HUNT ROUNSAVALL TRUSTEE	1 00	X						0	0	0
REV WILLIAM J SCHULTZ TRUSTEE	1 00	X						0	0	0
RICHARD S WOLF MD TRUSTEE	1 00	X						0	0	0
STEPHEN A WILLIAMS PRESIDENT/TRUSTEE	10 00	X		X				0	1,908,292	298,109
WENDELL P WRIGHT TRUSTEE EX-OFFICIO	1 00	X						0	1,500	0
GARY L STEWART TRUSTEE	1 00	X						0	1,818	0
RUSSELL F COX VICE PRESIDENT	10 00			X				0	1,087,174	199,165
MICHAEL W GOUGH TREASURER	10 00			X				0	918,325	170,550
ROBERT B AZAR SECRETARY	10 00			X				0	483,151	86,735

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
THOMAS KMETZ HOSPITAL PRESIDENT	50 00				X			612,104	0	126,388
JOHN HARRYMAN HOSPITAL PRESIDENT	50 00				X			600,037	0	124,522
KEVIN WARDELL HOSPITAL PRESIDENT	50 00				X			632,096	0	111,496
STEVEN MACLAUCHLAN HOSPITAL PRESIDENT	50 00				X			479,365	0	103,061
DOUGLAS WINKELHAKE HOSPITAL PRESIDENT	50 00				X			531,895	0	107,780
ROBERT SHAW HOSPITAL PRESIDENT	50 00				X			488,455	0	86,747
JOHN HAMM PHYSICIAN	50 00					X		765,634	0	39,798
STEVEN PURSELL PHYSICIAN	50 00					X		746,742	0	28,799
THOMAS WOODCOCK PHYSICIAN	50 00					X		733,994	0	36,910
DAVID DOERING PHYSICIAN	50 00					X		685,743	0	37,144
BRIAN STOLL PHYSICIAN	50 00					X		675,791	0	34,134
GREGG DAVIS FORMER V P ORTHO, NEURO, SPINE	1 00						X	0	228,473	31,026
JON COOPER FORMER V P SURGICAL SERVICES	1 00						X	0	307,465	62,566