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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

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

C Name of organization
GENESIS HEALTHCARE SYSTEM

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2951 MAPLE AVENUE

City or town, state or country, and ZIP + 4
ZANESVILLE, OH 43701

D Employer identification number
31-1480941

E Telephone number
(740) 586-6731

G Gross receipts $ 358,142,476

F Name and address of principal officer
MATTHEW PERRY
2951 MAPLE AVENUE
ZANESVILLE, OH 43701

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 ▶ 3727

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

J Website: ▶ WWW GENESISHCS ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1997 | **M** State of legal domicile OH

Part I Summary

1 Briefly describe the organization's mission or most significant activities
IN 1997, GOOD SAMARITAN MEDICAL CENTER AND BETHESDA HOSPITAL ASSOCIATION, A TAX-EXEMPT COMMUNITY HOSPITAL ALSO LOCATED IN ZANESVILLE, AFFILIATED TO FORM GENESIS HEALTHCARE SYSTEM GENESIS HAS BEEN GRANTED 501C3 STATUS AS A HOSPITAL ALL HOSPITAL OPERATIONS AND ASSETS OF GOOD SAMARITAN MEDICAL CENTER WERE TRANSFERRED TO GENESIS WITH THE EXCEPTION OF CERTAIN INVESTMENTS GOOD SAMARITAN MEDICAL CENTER WILL CONTINUE TO HAVE CONTROL OVER CERTAIN INVESTMENTS WHICH ARE BEING USED BY THE GENESIS HEALTHCARE SYSTEM IN FULFILLING ITS TAX-EXEMPT PURPOSE

Activities & Governance

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**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	3,126
6	Total number of volunteers (estimate if necessary)	**6**	521
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	788,780
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-237,102

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	20,582,713	349,173
9	Program service revenue (Part VIII, line 2g)	276,615,314	306,080,751
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,791,490	7,084,413
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	7,737,809	6,974,580
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	306,727,326	320,488,917
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	5,775,117	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)	135,648,080	143,634,510
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–24e)	134,591,324	153,509,050
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	276,014,521	297,143,560
19	Revenue less expenses Subtract line 18 from line 12	30,712,805	23,345,357

		Beginning of Current Year	End of Year
Net Assets or Fund Balances			
20	Total assets (Part X, line 16)	262,408,298	261,394,145
21	Total liabilities (Part X, line 26)	123,421,792	130,414,955
22	Net assets or fund balances Subtract line 21 from line 20	138,986,506	130,979,190

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

****** | 2012-11-14
Signature of officer | Date

PAUL MASTERSON CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: BERNIE OSTROWSKI | Date | Check if self-employed ☐ | Preparer's taxpayer identification number (see instructions) P00366367

Firm's name (or yours if self-employed), address, and ZIP + 4: PLANTE & MORAN PLLC
65 EAST STATE ST STE 600
COLUMBUS, OH 43215

EIN ▶ 38-1357951

Phone no ▶ (614) 849-3000

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

TO PROMOTE CHARITABLE SUPPORT FOR GENESIS HEALTHCARE SYSTEM AS WE SHARE ITS MISSION TO PROVIDE COMPASSIONATE, QUALITY HEALTHCARE

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 organization's program service accomplishments for each of its three largest program services, as measured 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 $ 135,232,976 including grants of $ 0) (Revenue $ 96,632,223)

SEE SCHEDULE OGENESIS PROVIDES ACUTE CARE SERVICES INCLUDING MEDICAL, SURGICAL, OBSTETRICAL, PEDIATRIC AND CRITICAL CARE THE MEDICAL/SURGICAL UNITS ARE STAFFED AT BOTH CAMPUSES FOR A COMBINED TOTAL OF 245 BEDS TOTAL PATIENTS DISCHARGED FROM THESE UNITS IN 2011 WERE 14,425 OBSTETRICS STAFFS A TOTAL OF 24 BEDS AT THE BETHESDA CAMPUS AND DISCHARGED 1,453 PATIENTS FOR A TOTAL OF 1,370 BIRTHS THE PEDIATRIC UNIT IS LOCATED AT THE BETHESDA CAMPUS WITH 14 BEDS AND HAD 373 DISCHARGES IN 2011 THERE ARE 21 CRITICAL CARE BEDS BETWEEN THE TWO CAMPUSES AND DISCHARGED 350 PATIENTS DURING THE YEAR AND 25 CARDIOVASCULAR BEDS IN A UNIT LOCATED ON THE GOOD SAMARITAN CAMPUS WITH 1,709 DISCHARGES IN 2011 THERE IS ALSO A CANCER UNIT ON THE GOOD SAMARITAN CAMPUS WITH 827 DISCHARGES IN 2011 AND AN ORTHOPAEDIC UNIT WITH 730 DISCHARGES IN 2011 GENESIS PROVIDES A WIDE RANGE OF DIAGNOSTIC AND SUPPORT SERVICES ON BOTH CAMPUSES FOR INPATIENTS AND OUTPATIENTS THESE SERVICES ARE COMPRISED OF LABORATORY, IMAGING SERVICES, CARDIAC, AND PHARMACY LABORATORY SERVICES INCLUDE CHEMISTRY, PATHOLOGY, MICROBIOLOGY, HEMATOLOGY, AND CYTOLOGY FOR TOTAL VOLUMES IN 2011 OF 1,430,463 IMAGING SERVICES INCLUDES RADIOLOGY, NUCLEAR MEDICINE, MRI, ULTRASOUND, CT SCAN, AND PET SCAN WITH TOTAL VOLUMES OF 144,463 PHARMACY PRESCRIPTIONS TOTALED 6,377,285

4b (Code) (Expenses $ 45,715,581 including grants of $) (Revenue $ 120,240,875)

CARDIAC SERVICES - GENESIS PROVIDES CARDIAC SERVICES INCLUDING AN OPEN-HEART SURGERY PROGRAM THE MOST COMMON OPEN-HEART SURGERY PERFORMED AT GENESIS IS CORONARY ARTERY BYPASS GRAFTING HOWEVER, OUR BOARD-CERTIFIED SURGEONS PERFORM SEVERAL HEART AND LUNG SURGICAL PROCEDURES THE TOTAL NUMBER OF CARDIAC CASES TREATED IN 2011 WERE 3,036

4c (Code) (Expenses $ 17,858,818 including grants of $) (Revenue $ 46,972,167)

RESPIRATORY SERVICES - GENESIS TREATS A LARGE VOLUME OF RESPIRATORY CASES ON INPATIENT BASIS THIS INCLUDES PATIENTS WITH CHRONIC LUNG DISEASE AS WELL AS PNEUMONIA PATIENTS THE TOTAL NUMBER OF INPATIENT RESPIRATORY CASES TREATED IN 2011 WERE 2,211

(Code) (Expenses $ 13,014,427 including grants of $) (Revenue $ 34,230,477)

ORTHOPEDIC SERVICES - GENESIS HAS COMBINED SEVERAL SERVICES INTO A COMPLETE ORTHOPEDIC PROGRAM GENESIS HAS SPECIALLY EQUIPPED OPERATING ROOMS, A DEDICATED INPATIENT UNIT, AN ORTHOPEDIC REHAB PROGRAM, A SKILLED NURSING FACILITY AND SPORTS MEDICINE SERVICES BUT THE MOST IMPORTANT ELEMENT IS A COMMITMENT TO EXCELLENCE IN CLINICAL QUALITY, MADE POSSIBLE BY A TEAM OF WELL-TRAINED AND DEDICATED STAFF THE TOTAL NUMBER OF ORTHOPEDIC INPATIENT CASES TREATED IN 2011 WERE 1,383

(Code) (Expenses $ 4,545,128 including grants of $) (Revenue $ 11,954,573)

GENESIS PROVIDES BEHAVIORAL HEALTH SERVICES FOR PSYCHIATRIC ADULTS ON AN OPEN UNIT AND A PROTECTED UNIT THERE ARE 8 PSYCHIATRIC INTENSIVE TREATMENT BEDS LOCATED WITHIN THE PROTECTED UNIT WE HAVE A 14-BED CHILD/ADOLESCENT INPATIENT UNIT, WHICH IS PROTECTED INPATIENT DETOXIFICATION SERVICES ARE PROVIDED AS WELL AS OUTPATIENT DRUG AND ALCOHOL SERVICES THERE ARE PARTIAL HOSPITAL PROGRAMS FOR CHILDREN, ADOLESCENTS, ADULTS AND A DUALLY DIAGNOSED PARTIAL PROGRAM FOR ADOLESCENTS A FULL RANGE OF THERAPEUTIC SERVICES IS OFFERED INCLUDING ART, MUSIC, RECREATION AND OCCUPATIONAL THERAPY OTHER MISCELLANEOUS PROGRAMS INCLUDE DUI SCHOOL, SHOP LIFTING DIVERSION, UNDERAGECONSUMPTION SCHOOLS AND CLASSES FOR DIVORCING PARENTS AND CHILDREN OF DIVORCE TOTAL INPATIENTS TREATED IN 2011 WERE 1,784

4d Other program services (Describe in Schedule O)

(Expenses $ 17,559,555 including grants of $) (Revenue $ 46,185,050)

4e Total program service expenses ▶ $ 216,366,930

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 instructions)?	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	Yes	
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		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which 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 temporarily restricted endowments, permanent endowments, 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	Yes	
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		No
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		No
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, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	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, Part 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, Part 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*	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.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	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 questions 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**		No
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 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	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**	Yes	
b	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*	**35b**	Yes	
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**	375		
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**	3,126			
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 or securities account)?			**4a**	Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ 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.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate 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 aggregate 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	16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
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		No
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	Yes	
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	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
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	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete 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 the Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did 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	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		No

Section C. Disclosure

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

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 made 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 made 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 ▶

MARTI NASH
2951 MAPLE AVENUE
ZANESVILLE, OH 43701
(740) 586-6731

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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 (do not check more than one box, unless person is both an officer and a director/trustee)						(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)**								3,987,493	0	916,990

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 45

			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**		No
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 Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
ACCENTURE LLC 161 CLARK ST CHICAGO, IL 60601	CONSULTING	4,372,591
ZANESVILLE ANESTHESIA PHYSICIANS INC PO BOX 475 ZANESVILLE, OH 43701	MEDICAL SERVICES	3,399,189
ARUP LABORATORIES 500 CHIPETA WAY SALT LAKE CITY, UT 84108	MEDICAL SERVICES	1,260,026
QUADRAMED 12110 SUNSET HILLS RD RESTON, VA 20190	IT SUPPORT SERVICES	840,715
PRIMECARE OF SE OHIO INC 860 BETHESDA DR ZANESVILLE, OH 43701	MEDICAL SERVICES	483,972

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 35

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	16,539			
	e	Government grants (contributions)	1e	278,749			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	53,885			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		349,173			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICES	621110	304,795,957	304,795,957		
	b	PASSTHROUGH INCOME	621110	1,284,794	1,284,794		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		306,080,751			
	3	Investment income (including dividends, interest and other similar amounts)		3,043,180			3,043,180
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	1,083,991				
	b	Less rental expenses	1,115,266				
	c	Rental income or (loss)	-31,275				
	d	Net rental income or (loss)		-31,275	-49,401	18,126	
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	20,289,763	20,289,763			
	b	Less cost or other basis and sales expenses	17,384,847	19,153,446			
	c	Gain or (loss)	2,904,916	1,136,317			
	d	Net gain or (loss)		4,041,233			4,041,233
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a	240			
	b	Less direct expenses	b	0			
	c	Net income or (loss) from fundraising events		240			240
	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					
Other Revenue		Miscellaneous Revenue	Business Code				
	11a	CAFETERIA SALES	621110	3,331,699		148,312	3,183,387
	b	PHARMACY INCOME	621110	411,816	407,442	4,374	
	c	MGMT FEES FROM AFFILIA	900099	145,010		145,010	
	d	All other revenue		3,117,090		472,958	2,644,132
	e	**Total.** Add lines 11a–11d		7,005,615			
	12	**Total revenue.** See Instructions		320,488,917	306,438,792	788,780	12,912,172

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)
Check if Schedule O contains a response to any question in this Part IX . . . . . ☐

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 United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,260,636		1,260,636	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	108,252,347	78,645,518	29,606,829	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	3,846,949	2,979,766	867,183	
9	Other employee benefits	22,402,326	16,154,968	6,247,358	
10	Payroll taxes	7,872,252	5,670,383	2,201,869	
11	Fees for services (non-employees)				
a	Management	1,149,678	1,149,678		
b	Legal	1,499,491	469	1,499,022	
c	Accounting	504,858		504,858	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	25,668,406	13,271,917	12,396,489	
12	Advertising and promotion	342,307	342,307		
13	Office expenses	64,659,830	55,868,432	8,791,398	
14	Information technology	5,434,981	1,208,562	4,226,419	
15	Royalties . .				
16	Occupancy	4,171,720	3,337,376	834,344	
17	Travel	758,116	253,436	504,680	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	2,268,240	2,268,240		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	14,607,730	8,177,136	6,430,594	
23	Insurance				
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	BAD DEBT EXPENSE	18,344,422	18,344,422		
b	PHYSICIAN RECRUITMENT	2,794,884		2,794,884	
c	HOSPITAL FRANCHISE FEE	2,298,431	2,298,431		
d	LAB REFERENCE FEES	1,423,209	1,423,209		
e					
f	All other expenses	7,582,747	4,972,680	2,610,067	
25	**Total functional expenses.** Add lines 1 through 24f	297,143,560	216,366,930	80,776,630	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		3,501,934	1	5,412,570
	2	Savings and temporary cash investments		13,687,149	2	8,796,626
	3	Pledges and grants receivable, net		3,370,000	3	855,000
	4	Accounts receivable, net		46,536,863	4	50,608,666
	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)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		4,657,481	8	4,410,061
	9	Prepaid expenses and deferred charges		11,564,043	9	9,328,849
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 285,059,211			
	b	Less accumulated depreciation	10b 187,196,955	94,118,544	10c	97,862,256
	11	Investments—publicly traded securities		54,688,261	11	54,916,565
	12	Investments—other securities See Part IV, line 11		12,370,164	12	16,905,822
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		1,703,129	14	1,703,129
	15	Other assets See Part IV, line 11		16,210,730	15	10,594,601
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		262,408,298	16	261,394,145
Liabilities	17	Accounts payable and accrued expenses		28,601,476	17	27,409,472
	18	Grants payable			18	
	19	Deferred revenue		9,593,192	19	8,540,401
	20	Tax-exempt bond liabilities		25,084,395	20	0
	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		16,541,077	23	53,943,286
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		43,601,652	25	40,521,796
	26	**Total liabilities.** Add lines 17 through 25		123,421,792	26	130,414,955
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		138,986,506	27	130,979,190
	28	Temporarily restricted net assets			28	
	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		138,986,506	33	130,979,190
	34	Total liabilities and net assets/fund balances		262,408,298	34	261,394,145

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	320,488,917
2	Total expenses (must equal Part IX, column (A), line 25)	2	297,143,560
3	Revenue less expenses Subtract line 2 from line 1	3	23,345,357
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	138,986,506
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-31,352,673
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	130,979,190

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

2011

Open to Public Inspection

Name of the organization
GENESIS HEALTHCARE SYSTEM

Employer identification number
31-1480941

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 **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 33 1/3% 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 33 1/3% 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** 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—2010.** 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—2011.** 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—2010.** 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** 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—2010.** 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	Employer identification number
GENESIS HEALTHCARE SYSTEM	31-1480941

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

Part I-B Complete if the organization is exempt under section 501(c)(3).

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

(a) Name	**(b)** Address	**(c)** EIN	**(d)** Amount paid from filing organization's funds If none, enter -0-	**(e)** Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A **Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ **Yes** ☐ **No**

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		232,315
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		18,048
j	Total lines 1c through 1i			250,363
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures **(do not include amounts of political expenses for which the section 527(f) tax was paid).**		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i Also, complete this part for any additional information

Identifier	Return Reference	Explanation
PART IV, SUPPLEMENTAL INFORMATION		PART II-B, LINES 1(G) AND 1(I) GENESIS HEALTHCARE SYSTEM PAYS MEMBERSHIP DUES TO THE FOLLOWING ORGANIZATIONS A PORTION OF THE DUES ARE RELATED TO LOBBYING ACTIVITIES FSCC HEALTHCARE MINISTRY (FOR CHA) 5 2% OF $13,952 ($719) CATHOLIC CONFERENCE OF OHIO 5 9% OF $2,007 ($118) OHIO HOSPITAL ASSOCIATION 5 9% OF $73,599 ($4,342) FSCC HEALTHCARE MINISTRY (FOR AHA) 24 6% OF $48,586 ($11,952) OHIO HOSPICE AND PALLIATIVE CARE ORG 6 6% OF $7,000 ($461) NATIONAL HOSPICE AND PALLIATIVE ORG 0 8% OF $4,256 ($36) OHIO ASSOCIATION OF REHABILITATION FACILITIES 20% OF $2,100 ($420) IN ADDITION, GENESIS HEALTHCARE SYSTEM PAID MATTHEW KALLNER, LOBBYIST, $91,100 DURING THE YEAR FOR GENERAL LOBBYING RELATING TO OHIO STATEHOUSE ISSUES LASTLY, THE FIRM WILLIAMS AND JENSEN WAS PAID $141,215 FOR SERVICES IN RELATION TO BUILDING AND STRENGTHENING RELATIONSHIPS WITH OHIO MEMBERS OF CONGRESS AND OTHER RELEVANT MEMBERS AND THEIR STAFFS, IDENTIFYING OPPORTUNITIES IN THE ECONOMIC STIMULUS PACKAGE AND WORKING TO ENSURE THE ORGANIZATION IS WELL POSITIONED TO BENEFIT FROM ANY FUNDING FOR WHICH PROJECTS MAY BE ELIGIBLE, ASSIST IN SEEKING FEDERAL FUNDS THROUGH FISCAL YEAR 2011 APPROPRIATIONS REQUESTS, AND MONITOR, REPORT, AND COLLABORATIVELY IDENTIFY NEW OPPORTUNITIES IN THE FEDERAL LEGISLATIVE, REGULATORY AND/OR FUNDING SECTOR, AND ASSIST IN FINDING SOLUTIONS TO REPLACE THE LOSS OF THE MEDICARE WAGE INDEX RECLASSIFICATION THAT IS EFFECTIVE 10/1/2011

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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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GENESIS HEALTHCARE SYSTEM

Employer identification number
31-1480941

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		7,713,399		7,713,399
b Buildings		48,289,930	30,567,610	17,722,320
c Leasehold improvements		2,273,687	788,353	1,485,334
d Equipment		223,298,355	152,863,381	70,434,974
e Other		3,483,840	2,977,611	506,229
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				97,862,256

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		
(3) Other		
(A) OTHER INVESTMENTS	14,377,640	F
(B) CORPORATE OBLIGATIONS	2,528,182	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	16,905,822	

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
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
ACCRUED MINIMUM PENSION LIABILITY	35,915,235
ACCRUED PROFESSIONAL LIABILITY	2,173,933
FAIR VALUE OS INTEREST RATE SWAP	2,432,628
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	40,521,796

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	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
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	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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

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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

2011

Open to Public Inspection

Name of the organization
GENESIS HEALTHCARE SYSTEM

Employer identification number
31-1480941

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did 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 policy provide 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 charity care 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	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)			7,878,193		7,878,193	2 650 %
b Medicaid (from Worksheet 3, column a)			13,974,318	2,974,318	11,000,000	3 700 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			21,852,511	2,974,318	18,878,193	6 350 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	15	52,254	701,047	53,000	648,047	0 220 %
f Health professions education (from Worksheet 5)	1	89	1,025		1,025	0 %
g Subsidized health services (from Worksheet 6)			5,012,202	4,141,523	870,679	0 290 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	1		6,720		6,720	0 %
j **Total** Other Benefits	17	52,343	5,720,994	4,194,523	1,526,471	0 510 %
k **Total.** Add lines 7d and 7j	17	52,343	27,573,505	7,168,841	20,404,664	6 860 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

		(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		13,877		13,877	0 %
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**	9		13,877		13,877	

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 Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense	2	6,975,691		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	1,318,671		
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	114,089,000		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	120,489,000		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-6,400,000		
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	Did the organization have a written debt collection policy during the tax year?		9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	Yes	

Part IV Management Companies and Joint Ventures (see instructions)

	(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 from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

	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	GOOD SAMARITAN HOSPITAL 800 FOREST AVE ZANESVILLE,OH 43701	X	X					X		ACUTE CARE HOSPITAL
2	BETHESDA HOSPITAL 2951 MAPLE AVE ZANESVILLE,OH 43701	X	X					X		ACUTE CARE HOSPITAL

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

GOOD SAMARITAN HOSPITAL

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100.000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☑ Medical indigency			
	d ☐ Insurance status			
	e ☐ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**	Yes	
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

BETHESDA HOSPITAL

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100.000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☑ Medical indigency			
	d ☐ Insurance status			
	e ☐ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**	Yes	
If "Yes," explain in Part VI			

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 from largest to smallest)

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

	Name and address	Type of Facility (Describe)
1	HOSPICE & PALLIATIVE CARE 713 FOREST AVENUE ZANESVILLE,OH 43701	HOSPICE & PALLIATIVE CARE CENTER
2	RADIATION ONCOLOGY 817 FOREST AVENUE ZANESVILLE,OH 43701	OUTPATIENT RADIATION TREATMENT CENTER
3	CTR FOR OUTPATIENT & OCCUPATIONAL REHAB 740 ADAIR AVENUE ZANESVILLE,OH 43701	OUTPATIENT REHAB SERVICES
4	HEALTHPLEX 2800 MAPLE AVENUE ZANESVILLE,OH 43701	OUTPATIENT LAB, IMAGING, & URGENT CARE SERVICES
5	BETHESDA PHYSICIAN'S PAVILION 945 BETHESDA DRIVE ZANESVILLE,OH 43701	OUTPATIENT CARDIAC REHAB SERVICES
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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 7 COSTS OF CHARITY CARE AND COMMUNITY BENEFIT ACTIVITIES WERE CALCULATED USING THE HOSPITAL'S COST ACCOUNTING SYSTEM PART I, LINE 7, COLUMN (F) PERCENTAGE OF TOTAL EXPENSES WAS CALCULATED BASED ON TOTAL EXPENSES LESS BAD DEBT EXPENSE AS REPORTED ON FORM 990, PART IX

Identifier	ReturnReference	Explanation
		PART II GENESIS HAS AN ACTIVE PRESENCE ON MANY COMMITTEES INVOLVED IN FINDING LOW COST SOLUTIONS TO PHYSICAL AND MENTAL HEALTH ISSUES PREVALENT IN OUR COMMUNITIES, WITH PARTICULAR FOCUS ON SERVING LOW-INCOME, UNINSURED OR OTHERWISE UNDERSERVED GENESIS NURSES, THERAPISTS, DIABETES COUNSELORS, ADMINISTRATORS AND OTHER PROFESSIONALS PARTICIPATE IN COMMUNITY COALITIONS AND PREVENTION PROGRAMS, PRIMARILY WITH A FOCUS ON DIABETES, DOMESTIC VIOLENCE, FAMILY SERVICES AND WELLNESS INITIATIVES

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO CHARITY CARE WAS ESTIMATED BASED UPON BAD DEBT A/R RECLASSIFIED IN 2011 TO CHARITY WITH SERVICE DATES OF 2010 AND PRIOR BAD DEBT COST IS CALCULATED USING THE COST TO CHARGE RATIO FINANCIAL STATEMENT FOOTNOTE AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS ESTABLISHED ON AN AGGREGATE BASIS BY USING HISTORICAL WRITE-OFF RATE FACTORS APPLIED TO UNPAID ACCOUNTS BASED ON AGING LOSS RATE FACTORS ARE BASED ON HISTORICAL LOSS EXPERIENCE AND ADJUSTED FOR ECONOMIC CONDITIONS AND OTHER TRENDS AFFECTING THE SYSTEM'S ABILITY TO COLLECT OUTSTANDING AMOUNTS UNCOLLECTIBLE AMOUNTS ARE WRITTEN OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE PERIOD THEY ARE DETERMINED TO BE UNCOLLECTIBLE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 CALCULATION WAS BASED ON THE MEDICARE COST TO CHARGE RATIO NONE OF THE MEDICARE SHORTFALL IS CONSIDERED TO BE COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B TRUE SELF-PAY ACCOUNTS AND ACCOUNTS UNDER $500 AFTER INSURANCE HAS PAID RECEIVE THREE STATEMENTS BEFORE GOING TO PRE-COLLECTION (APPROXIMATELY 45 DAYS) BALANCES OVER $500 WITH INSURANCE ARE WORKED IN-HOUSE UNTIL WE REACH APPROXIMATELY DAY 105, AND FIVE STATEMENTS HAVE BEEN ISSUED ALL ACCOUNTS GO TO FULL COLLECTION AFTER DAY 105 IF NO PRIOR ARRANGEMENTS HAVE BEEN MADE EACH OF THE COLLECTION AGENCIES ARE INSTRUCTED TO MAKE PHONE CALLS AND SEND LETTERS IF THEY CANNOT RESOLVE THE BALANCE, OR HAVE NOT BEEN ABLE TO MAKE PAYMENT ARRANGEMENTS, IT IS SENT BACK TO GENESIS AS NON-COLLECTIBLE IN 180 DAYS COLLECTION PRACTICES DO NOT APPLY TO ACCOUNT BALANCES KNOWN TO QUALIFY FOR CHARITY

Identifier	ReturnReference	Explanation
GOOD SAMARITAN HOSPITAL		PART V, SECTION B, LINE 19D FAP PATIENTS ARE PROVIDED A DISCOUNTED FEE FROM GROSS CHARGES THAT MAY BE LESS THAN INSURED PATIENTS

Identifier	ReturnReference	Explanation
BETHESDA HOSPITAL		PART V, SECTION B, LINE 19D FAP PATIENTS ARE PROVIDED A DISCOUNTED FEE FROM GROSS CHARGES THAT MAY BE LESS THAN INSURED PATIENTS

Identifier	ReturnReference	Explanation
GOOD SAMARITAN HOSPITAL		PART V, SECTION B, LINE 21 THIRD PARTY PAYORS FROM AUTO ACCIDENTS, LIABILITY INJURIES, WORK-RELATED ACCIDENTS IN WHICH PATIENT IS UNWILLING TO REPORT, ELECTIVE PROCEDURES FINANCIAL ASSISTANCE IS PAYOR OF LAST RESORT

Identifier	ReturnReference	Explanation
BETHESDA HOSPITAL		PART V, SECTION B, LINE 21 THIRD PARTY PAYORS FROM AUTO ACCIDENTS, LIABILITY INJURIES, WORK-RELATED ACCIDENTS IN WHICH PATIENT IS UNWILLING TO REPORT, ELECTIVE PROCEDURES FINANCIAL ASSISTANCE IS PAYOR OF LAST RESORT

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 GENESIS HEALTHCARE SYSTEM, AS A NOT-FOR-PROFIT HEALTH CARE SYSTEM, IS DEDICATED TO MEETING THE HEALTH NEEDS OF OUR COMMUNITIES, REGARDLESS OF ONE'S ABILITY TO PAY WE ENCOURAGE AND SUPPORT COLLABORATION WITH OTHER COMMUNITY PARTNERS TO IDENTIFY, RESPOND TO AND STRIVE TO IMPROVE THE HEALTH-RELATED NEEDS OF THE POOR, THE UNDERSERVED, AND THE COMMUNITY AT LARGE WE PLEDGE ALL AVAILABLE FINANCIAL RESOURCES - AFTER OUR OPERATING EXPENSES ARE MET - TO RESPOND TO THE COMMUNITY'S HEALTH NEEDS WITH SERVICE INITIATIVES, FINANCIAL AND PROFESSIONAL SUPPORT, AND EDUCATION AND WELLNESS PROGRAMS THE COMMUNITY BENEFIT COMMITTEE COLLABORATES WITH GENESIS ADMINISTRATION AND DEPARTMENTS AND WITH COMMUNITY AGENCIES IN OUR DEFINED GEOGRAPHIC MARKET, INCLUDING BUT NOT LIMITED TO THE PUBLIC HEALTH DEPARTMENT, MUSKINGUM VALLEY HEALTH CENTERS, AND THE UNITED WAY, TO ASSESS COMMUNITY HEALTH NEEDS AND STRENGTHS, DEVELOP A COMMUNITY BENEFIT PLAN WITH STRATEGIC GOALS AND INTERVENTIONS, MONITOR IMPLEMENTATION OF COMMUNITY BENEFIT ACTIVITIES, EVALUATE COMMUNITY BENEFIT ACTIVITIES, ADVOCATE FOR THE COMMUNITY BENEFIT PROGRAMS, AND ASSIST IN TELLING THE GENESIS COMMUNITY BENEFIT STORY

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 GENESIS HAS SIGNAGE STRATEGICALLY LOCATED IN THE FACILITY (REGISTRATION AREAS AND CASHIER AREAS) ADVISING OF FREE CARE BILLING STATEMENTS ALSO CONTAIN THIS INFORMATION ALONG WITH A CHARITY CARE APPLICATION PRINTED ON THE REVERSE SIDE OF THE BILL THE INFORMATION IS ALSO AVAILABLE ON OUR WEBSITE WE HAVE A THIRD PARTY THAT WORKS IN THE EMERGENCY DEPARTMENT TO SCREEN PATIENTS FOR CHARITY ASSISTANCE AND LOOK FOR POTENTIAL MEDICAID QUALIFIERS FOR INPATIENTS, WE ALSO HAVE A THIRD PARTY THAT SCREENS SELF-PAYS, UNDERINSURED AND MEDICARE ONLY PATIENTS FOR MEDICAID AND/OR CHARITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 OUR GEOGRAPHIC MARKET AREA IS A SIX-COUNTY RURAL REGION OF SOUTHEAST OHIO, INCLUDING MUSKINGUM, MORGAN, PERRY, COSHOCTON, GUERNSEY AND NOBLE COUNTIES TOTAL MARKET AREA POPULATION IS APPROXIMATE 250,000, WITH MUSKINGUM COUNTY (80,000) REPRESENTING THE LARGEST COUNTY GROWTH IS STABLE MEDIAN HOUSEHOLD INCOME LEVELS RANGE FROM $6,000 TO $11,000 LOWER THAN THE STATE MEDIAN HOUSEHOLD INCOME AND $7,000 TO $12,000 LOWER THAN THE NATIONAL MEDIAN HOUSEHOLD INCOME PEOPLE LIVING BELOW POVERTY LEVEL RANGES FROM 11 4% TO 14 2% IN THE REGION VERSUS 11 7% FOR STATE AND 12 7% FOR NATION

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 ONGOING COMMUNITY HEALTH EDUCATION IS PROVIDED THROUGH REGULARLY SCHEDULED HEALTH AND WELLNESS PROGRAMS PRESENTED BY GENESIS STAFF AND AFFILIATED PHYSICIANS PREVENTATIVE HEALTH SCREENINGS ARE ALSO ROUTINELY SCHEDULED INDIVIDUALS AT RISK ARE ENCOURAGED TO SEE A PHYSICIAN AND PROVIDED ASSISTANCE WITH PHYSICIAN ACCESS AS NEEDED PROGRAM TOPICS ARE BASED ON COMMUNITY NEED AS DETERMINED BY FEEDBACK FROM PARTICIPANTS, A COMMUNITY ADVISORY GROUP AND INTERNAL CLINICAL GROUP GENESIS ALSO REGULARLY PROVIDES HEALTH AND WELLNESS EDUCATION THROUGH COMMUNITY-BASED HEALTH FAIRS HELD THROUGHOUT THE COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 SYSTEM MEMBER ORGANIZATIONS ROUTINELY PARTICIPATE WITH THE HOSPITAL IN PROVIDING HEALTH AND WELLNESS PROGRAMS AND SCREENINGS SPECIFICALLY, FITNESS CENTER STAFF PROVIDES ADVICE ON EXERCISE AND THE RETAIL PHARMACY OFFERS ONGOING SCREENINGS THROUGH A WELL-ESTABLISHED WELLNESS PROGRAM AND SERVES AS THE HOSPITAL'S SCREENING PARTNER FOR COMMUNITY-BASED INITIATIVES

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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

2011

Open to Public Inspection

Name of the organization
GENESIS HEALTHCARE SYSTEM

Employer identification number
31-1480941

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?	**4a**	Yes	
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 Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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				
(1) MATTHEW PERRY	(i)	570,473	43,278	0	157,458	17,177	788,386	0
	(ii)	0	0	0	0	0	0	0
(2) PAUL MASTERSON	(i)	328,885	40,390	0	85,013	17,952	472,240	0
	(ii)	0	0	0	0	0	0	0
(3) ALAN VIERLING	(i)	249,526	38,993	118,728	9,886	13,360	430,493	0
	(ii)	0	0	0	0	0	0	0
(4) CASSANDRA PALMER	(i)	320,889	28,606	0	94,881	13,967	458,343	0
	(ii)	0	0	0	0	0	0	0
(5) EDMOND ROMITO	(i)	236,201	25,659	0	50,503	14,139	326,502	0
	(ii)	0	0	0	0	0	0	0
(6) ALAN BURNS	(i)	254,095	28,606	0	71,985	13,956	368,642	0
	(ii)	0	0	0	0	0	0	0
(7) PATRICIA CAMPBELL	(i)	309,061	28,706	0	87,915	11,501	437,183	0
	(ii)	0	0	0	0	0	0	0
(8) REGINA PENNINGTON	(i)	194,555	22,062	0	32,981	15,533	265,131	0
	(ii)	0	0	0	0	0	0	0
(9) DANIEL SCHEERER	(i)	238,266	29,031	0	42,756	9,653	319,706	0
	(ii)	0	0	0	0	0	0	0
(10) TIMOTHY RAYMOND	(i)	169,827	5,763	0	51,120	19,714	246,424	0
	(ii)	0	0	0	0	0	0	0
(11) CRAIG SMALL	(i)	141,352	1,826	0	8,294	10,843	162,315	0
	(ii)	0	0	0	0	0	0	0
(12) PETE HAMILTON	(i)	136,612	5,005	0	8,913	13,164	163,694	0
	(ii)	0	0	0	0	0	0	0
(13) CHUCK ADAMS	(i)	137,702	4,265	0	6,096	10,933	158,996	0
	(ii)	0	0	0	0	0	0	0
(14) RON WEINER	(i)	132,292	5,001	0	8,767	11,114	157,174	0
	(ii)	0	0	0	0	0	0	0

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	THE ORGANIZATION PAYS COUNTRY CLUB DUES AND RELATED BUSINESS EXPENSES FOR FIVE MEMBERS OF LEADERSHIP PERSONAL USAGE IS PAID BY THE INDIVIDUAL AND THE PERCENTAGE OF DUES RELATED TO PERSONAL USAGE ARE ADDED TO THE INDIVIDUALS W-2
	PART I, LINES 4A-B	PART I, LINE 4A ALAN VIERLING RECEIVED A LUMP-SUM SEVERANCE PAYMENT OF $118,728 DURING 2011 PART I, LINE 4B GENESIS HEALTHCARE SYSTEM MADE CONTRIBUTIONS TO NONQUALIFIED RETIREMENT PLANS FOR THE FOLLOWING INDIVIDUALS MATTHEW PERRY, $133,191 PAUL MASTERSON, $62,309 CASSANDRA PALMER, $80,381 PATRICIA CAMPBELL, $73,954 EDMOND ROMITO, $30,290 ALAN BURNS, $55,172 REGINA PENNINGTON, $25,350 DANIEL SCHEERER, $31,201 TIM RAYMOND $26,000

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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

2011

Open to Public Inspection

Name of the organization
GENESIS HEALTHCARE SYSTEM

Employer identification number
31-1480941

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 3	THE MANAGEMENT OF PHYSICIAN OFFICE SPACE (PROPERTY MANAGEMENT) IS OUTSOURCED AND THE MANAGER REPORTS TO A VP OF THE HOSPITAL THE MANAGEMENT OF FOOD & NUTRITION AND PLANT OPERATION IS ALSO OUTSOURCED THE DIRECTORS OF THESE AREAS ALSO REPORT TO A VP OF THE HOSPITAL
	FORM 990, PART VI, SECTION A, LINE 6	GENESIS HEALTHCARE SYSTEM IS THE SOLE MEMBER OF THE ORGANIZATION
	FORM 990, PART VI, SECTION A, LINE 7A	GENESIS HEALTHCARE SYSTEM, THE MEMBER OF THE FILING ORGANIZATION, HAS THE RIGHT TO ELECT OR APPOINT ONE OR MORE MEMBERS OF THE ORGANIZATION'S GOVERNING BODY, WHETHER PERIODICALLY, OR AS VACANCIES ARISE, OR OTHERWISE
	FORM 990, PART VI, SECTION A, LINE 7B	GENESIS HEALTHCARE SYSTEM, THE MEMBER OF THE FILING ORGANIZATION, HAS THE RIGHT TO APPROVE OR RATIFY DECISIONS OF THE ORGANIZATION'S GOVERNING BODY SUCH AS APPROVAL OF THE GOVERNING'S BODY'S DECISION TO DISSOLVE THE ORGANIZATION
	FORM 990, PART VI, SECTION B, LINE 11	FORM 990 IS REVIEWED IN DETAIL BY THE CFO AND COPIES ARE OFFERED TO ALL BOARD MEMBERS PRIOR TO FILING
	FORM 990, PART VI, SECTION B, LINE 12C	THE CONFLICT OF INTEREST POLICY STATES THAT BOARD MEMBERS AND OFFICERS HAVE A DUTY TO GOVERN HONESTLY AND ECONOMICALLY ALL POTENTIAL CONFLICTS OF INTEREST MUST BE DISCLOSED TO THE BOARD OF DIRECTORS AND THE BOARD WILL DETERMINE IF A CONFLICT EXISTS AND APPROPRIATE PROCEDURES TO MITIGATE THE SITUATION, SUCH AS ALTERNATIVE TRANSACTIONS AND PARTICIPATION AND VOTING RESTRICTIONS THE COMPLIANCE OFFICER MONITORS AND ENFORCES THESE POLICIES ALL OFFICERS AND DIRECTORS REVIEW AND SIGN A CONFLICT OF INTEREST DISCLOSURE STATEMENT ANNUALLY
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION OF THE CEO IS MANAGED THROUGH A THIRD PARTY THAT IS A NATIONALLY RECOGNIZED FIRM SPECIALIZING IN COMPENSATION BENCHMARKING AND ANALYSIS THE FIRM IS RECOGNIZED FOR THEIR EXPERTISE IN EVALUATING TOTAL COMPENSATION AT THE EXECUTIVE LEVEL THIS FIRM PRESENTS THEIR RECOMMENDATIONS AND ANALYSIS TO THE COMPENSATION COMMITTEE, WHICH IS MADE UP OF INDEPENDENT MEMBERS OF THE GENESIS BOARD OF DIRECTORS THE COMMITTEE IS RESPONSIBLE FOR MAKING A RECOMMENDATION TO THE BOARD OF DIRECTORS REGARDING THE EXECUTIVE COMPENSATION POLICY AND SPECIFIC COMPONENTS OF THE TOTAL COMPENSATION OF THE CEO THE CEO IS ACTIVELY INVOLVED IN THE REVIEW, ANALYSIS AND RECOMMENDATION RELATED TO THE TOTAL COMPENSATION FOR THE REMAINING MEMBERS OF THE SENIOR LEADERSHIP TEAM THE CEO DETERMINES THE COMPENSATION OF THE SENIOR LEADERSHIP TEAM MEMBERS WITHIN THE PARAMETERS ESTABLISHED BY THE COMPENSATION COMMITTEE THIS COMPENSATION PROCESS WAS LAST COMPLETED IN 2011
	FORM 990, PART VI, SECTION C, LINE 18	FORM 1023, FORM 990, AND FORM 990-T ARE AVAILABLE UPON REQUEST
	FORM 990, PART VI, SECTION C, LINE 19	THE GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND CONSOLIDATED FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -3,170,684 GAIN IN FAIR VALUE OF PERPETUAL TRUST -9,989,479 PLEDGE RECEIVABLE FROM RELATED PARTY -18,192,510 TOTAL TO FORM 990, PART XI, LINE 5 -31,352,673
	FORM 990, PART XII, LINE 2C	THE FINANCE COMMITTEE OVERSEES THE AUDIT OF THE FINANCIAL STATEMENTS AND IS INVOLVED IN THE SELECTION OF THE INDEPENDENT ACCOUNTANT WHICH COMPLETES THE AUDIT THIS PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR
	SCHEDULE L, PART IV, COLUMN B	BOARD MEMBER WILLIAM SHADE IS A BOARD MEMBER OF ZANDEX HEALTH CARE CORPORATION
SEPARATE RETURN COVERED BY A GROUP RULING	FORM 990, PAGE 1, LINE H(D)	THIS IS THE PARENT RETURN FOR A GROUP GENESIS HEALTHCARE SYSTEM GROUP RETURN, EIN 31-1773259
		PART VI, SECTION B, LINE 16B ALTHOUGH THE ORGANIZATION DOES NOT HAVE A WRITTEN POLICY REGARDING JOINT VENTURES, LEGAL COUNSEL EVALUATES EACH VENTURE IN ADVANCE AND THE BOARD MUST APPROVE CURRENTLY GENESIS HEALTHCARE SYSTEM IS INVOLVED IN ONE JOINT VENTURE, OF WHICH IT OWNS 57 5%

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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

2011

Open to Public Inspection

Name of the organization
GENESIS HEALTHCARE SYSTEM

Employer identification number
31-1480941

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
(1) ZANESVILLE SURGERY CENTER 2907 BELL STREET ZANESVILLE, OH 43701 31-1620813	SURGICAL CENTER	OH	0	0	GENESIS HEALTHCARE SYSTEM

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
See Additional Data Table							

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) Disproportionate 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
(1) ZANESVILLE IMAGING CENTER 2800 MAPLE AVE ZANESVILLE, OH 43701 20-2934562	IMAGING CARE	OH	GENESIS HEALTHCARE SYSTEM	RELATED				No		Yes		100 000 %

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
(1) CARELIFE LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 31-1128717	FITNESS CENTER, CHILDCARE SVCS, PHARMACY, DME	OH	GENESIS HEALTHCARE SYSTEM	C	90,861,753	22,448,309	100 000 %
(2) SOUTHEAST OHIO MEDICAL INSURANCE COMPANY FIRST CARIBBEAN HOUSE GEORGE TOWN, CAYMAN ISLANDS CJ 98-0436356	CAPTIVE INSURANCE COMPANY	CJ	GENESIS HEALTHCARE SYSTEM	C	1,180,731	19,098,311	100 000 %
(3) CAREEQUIP INC 800 FOREST AVENUE ZANESVILLE, OH 43701 31-1125841	RETAIL & NURSING HOME CONSULTING PHARMACY	OH	N/A	C			
(4) PROFESSIONALS PRN LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 31-1282151	HOME INFUSION, OXYGEN & MEDICAL EQUIPMENT	OH	N/A	C			
(5) GENESIS MEDICAL GROUP LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 26-3428410	MEDICAL & HEALTHCARE SERVICES	OH	N/A	C			
(6) GENESIS EMERGENCY PHYSICIANS LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 26-4094289	MEDICAL & HEALTHCARE SERVICES	OH	N/A	C			
(7) GENESIS URGENT CARE PHYSICIANS LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 26-4094224	MEDICAL & HEALTHCARE SERVICES	OH	N/A	C			

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
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	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e	Yes	
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i	Yes	
j Lease of facilities, equipment, or other assets from related organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q	Yes	
r Other transfer of cash or property from related 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) See Additional Data Table			
(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) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 31-1480941
Name: GENESIS HEALTHCARE SYSTEM

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
GENESIS HEALTHCARE FOUNDATION 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-1629304	FUNDRAISING FOR GHS	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
GOOD SAMARITAN MEDICAL CENTER FOUNDATION 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-0969646	FUNDRAISING FOR GHS	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
BETHESDA HOSPITAL FOUNDATION 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-0885513	FUNDRAISING FOR GHS	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
FRANCISCAN SISTERS OF CHRISTIAN CHARITY 2951 MAPLE AVENUE ZANESVILLE, OH 43701 39-1530622	SPONSOR OF GHS	WI	501(C)(3)	7	GOOD SAMARITAN MEDICAL CENTER	Yes	
GOOD SAMARITAN MEDICAL CENTER 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-4379479	MAINTAINS REAL ESTATE TITLE FOR HOSPITAL	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
BETHESDA CARE SYSTEM 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-1067174	SPONSOR OF GHS	OH	501(C)(3)	9	GENESIS HEALTHCARE SYSTEM	Yes	
BETHESDA HOSPITAL ASSOCIATION 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-4380038	MAINTAINS REAL ESTATE TITLE FOR HOSPITAL	OH	501(C)(3)	11C	GENESIS HEALTHCARE SYSTEM	Yes	
ALTERNACARE 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-1487187	STERILIZATIONS	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
CARESERVE 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-1099924	2 NURSING HOMES & HOME CARE SERVICES	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
GENESIS PROFESSIONAL CORPORATION 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-1599754	PHYSICIAN PRACTICES	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
COMMUNITY AMBULANCE SERVICE 2951 MAPLE AVENUE ZANESVILLE, OH 43701 34-1773323	AMBULANCE SERVICE	OH	501(C)(3)	9	GENESIS HEALTHCARE SYSTEM	Yes	
GENESIS CAREGIVERS 2951 MAPLE AVENUE ZANESVILLE, OH 43701 31-1282152	2 NURSING HOMES & HOME CARE SERVICES	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	
BETHESDA HOSPITALITY SHOP 1135 MAPLE AVENUE ZANESVILLE, OH 43701 31-6050713	GIFT SHOP	OH	501(C)(3)	3	GENESIS HEALTHCARE SYSTEM	Yes	

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
CARELIFE LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 31-1128717	FITNESS CENTER, CHILDCARE SVCS, PHARMACY, DME	OH	GENESIS HEALTHCARE SYSTEM	C	90,861,753	22,448,309	100 000 %
SOUTHEAST OHIO MEDICAL INSURANCE COMPANY FIRST CARIBBEAN HOUSE GEORGE TOWN, CAYMAN ISLANDS CJ 98-0436356	CAPTIVE INSURANCE COMPANY	CJ	GENESIS HEALTHCARE SYSTEM	C	1,180,731	19,098,311	100 000 %
CAREEQUIP INC 800 FOREST AVENUE ZANESVILLE, OH 43701 31-1125841	RETAIL & NURSING HOME CONSULTING PHARMACY	OH	N/A	C			
PROFESSIONALS PRN LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 31-1282151	HOME INFUSION, OXYGEN & MEDICAL EQUIPMENT	OH	N/A	C			
GENESIS MEDICAL GROUP LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 26-3428410	MEDICAL & HEALTHCARE SERVICES	OH	N/A	C			
GENESIS EMERGENCY PHYSICIANS LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 26-4094289	MEDICAL & HEALTHCARE SERVICES	OH	N/A	C			
GENESIS URGENT CARE PHYSICIANS LLC 800 FOREST AVENUE ZANESVILLE, OH 43701 26-4094224	MEDICAL & HEALTHCARE SERVICES	OH	N/A	C			

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	CAREEQUIP INC	K	76,033	ACCRUAL TRANSACTION
(2)	CAREEQUIP INC	Q	277,085	ACCRUAL TRANSACTION
(3)	CARELIFE LLC	K	77,230	ACCRUAL TRANSACTION
(4)	CARELIFE LLC	R	110,154	ACCRUAL TRANSACTION
(5)	CARESERVE	A	58,212	ACCRUAL TRANSACTION
(6)	PROFESSIONALS PRN LLC	Q	123,245	ACCRUAL TRANSACTION
(7)	GENESIS MEDICAL GROUP LLC	K	340,950	ACCRUAL TRANSACTION
(8)	GENESIS MEDICAL GROUP LLC	N	2,362,235	ACCRUAL TRANSACTION
(9)	GENESIS EMERGENCY PHYSICIANS INC	N	226,894	ACCRUAL TRANSACTION
(10)	COMMUNITY AMBULANCE SERVICE	L	1,266,738	ACCRUAL TRANSACTION
(11)	PROFESSIONALS PRN LLC	K	51,479	ACCRUAL TRANSACTION
(12)	CAREEQUIP INC	R	368,016	ACCRUAL TRANSACTION
(13)	GENESIS EMERGENCY PHYSICIANS INC	R	1,305,086	ACCRUAL TRANSACTION
(14)	GENESIS HEALTH & REHAB	R	2,728,916	ACCRUAL TRANSACTION
(15)	GENESIS MEDICAL GROUP LLC	R	16,707,960	ACCRUAL TRANSACTION
(16)	GENESIS EXTENDED CARE & REHAB	Q	770,045	ACCRUAL TRANSACTION
(17)	NORTHSIDE OXYGEN & MEDICAL EQUIPMENT	Q	100,000	ACCRUAL TRANSACTION
(18)	GENESIS CHILDREN'S CENTER	Q	150,000	ACCRUAL TRANSACTION
(19)	ZANESVILLE SURGERY CENTER	Q	1,107,071	ACCRUAL TRANSACTION
(20)	ZANESVILLE IMAGING CENTER	Q	57,782	ACCRUAL TRANSACTION

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(21)	GOOD SAMARITAN MEDICAL CENTER	R	840,000	ACCRUAL TRANSACTION

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TY 2011 Earnings and Profits Other Adjustments Statement

Name: GENESIS HEALTHCARE SYSTEM

EIN: 31-1480941

Description	Amount
INVESTMENT LOSS	-6,667
NON-EMPLOYEE PHYSICIAN PREMIUMS	967,271
NON-EMPLOYEE PHYSICIAN LOSSES	-554,881
ADMINISTRATIVE EXPENSES	-207,155
UNEARNED PREMIUM RESERVE HAIRCUT	-334,772

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TY 2011 Itemized Other Current Liabilities Schedule

Name: GENESIS HEALTHCARE SYSTEM

EIN: 31-1480941

Corporation Name	Corporation EIN	Description	Beginning Amount	Ending Amount
SOUTHEAST OHIO MEDICAL INSURANCE COMPANY	98-0436356	LOSSES PAYABLE	409,680	854,548

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TY 2011 Itemized Other Current Assets Schedule

Name: GENESIS HEALTHCARE SYSTEM

EIN: 31-1480941

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
SOUTHEAST OHIO MEDICAL INSURANCE COMPANY	98-0436356	INVESTMENTS - SMITH BARNEY	16,747,040	12,224,589
		PREPAIDS	10,366	10,366

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TY 2011 Other Deductions Schedule

Name: GENESIS HEALTHCARE SYSTEM

EIN: 31-1480941

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
PROFESSIONAL FEES		119,401
MANAGEMENT FEES		51,000
BANK CHARGES		335
MEETING EXPENSES		44,763
GOVERNMENT FEES		12,698
UTILITIES		4,590
EXPENSES ALLOCATED TO DEPOSIT ACCT		1,104,265

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TY 2011 Itemized Other Liabilities Schedule

Name: GENESIS HEALTHCARE SYSTEM

EIN: 31-1480941

TY 2011 Itemized Other Liabilities Schedule

Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
SOUTHEAST OHIO MEDICAL INSURANCE COMPANY	98-0436356	DEPOSIT LIABILITIES	17,062,681	15,574,897
		ACCOUNTS PAYABLE AND ACCRUED EXPENSES	14,456	17,867

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TY 2011 Other Income Statement

Name: GENESIS HEALTHCARE SYSTEM

EIN: 31-1480941

Description	Foreign Amount	Amount
UNREALIZED LOSS ON INVESTMENTS		154,231

Genesis HealthCare System and Subsidiaries

Consolidated Financial Report
with Additional Information
December 31, 2011

Genesis HealthCare System and Subsidiaries

Contents

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Independent Auditor's Report

To the Board of Directors
Genesis HealthCare System and Subsidiaries

We have audited the accompanying consolidated balance sheet of Genesis HealthCare System and Subsidiaries (the "System") as of December 31, 2011 and 2010 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Genesis HealthCare Foundation, a controlled subsidiary of Genesis HealthCare System, whose assets represent 13.0 percent and 12.8 percent of the total assets of the System as of December 31, 2011 and 2010, respectively, and whose excess of revenue and gains over expenses represent 7.1 percent and 19.8 percent of the total excess of revenue and gains over expenses of the System for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to data included for Genesis HealthCare Foundation, is based solely on the report of the other auditors.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genesis HealthCare System and Subsidiaries at December 31, 2011 and 2010 and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the consolidated financial statements, the System adopted the provisions of Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities,* during 2011.

As explained in Note 1, the consolidated financial statements include investment values of $47,462,716 (24.2 percent of net assets) at December 31, 2011 and $42,281,605 (21.0 percent of net assets) at December 31, 2010, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund managers of the general partners.

Plante & Moran, PLLC

March 20, 2012

Genesis HealthCare System and Subsidiaries

Consolidated Balance Sheet

	December 31, 2011	December 31, 2010
Assets		
Current Assets		
Cash and cash equivalents	$ 20,431,390	$ 18,849,614
Accounts receivable (Note 3)	48,935,648	45,885,389
Estimated third-party payor settlements	2,083,036	3,116,427
Inventory	8,101,348	7,724,096
Other assets	13,792,355	11,923,877
Total current assets	93,343,777	87,499,403
Assets Limited as to Use (Note 6)	122,186,104	127,920,200
Property and Equipment - Net (Note 7)	105,397,379	100,712,941
Beneficial Interest in Perpetual Trusts	12,035,007	13,321,568
Other Assets		
Long-term investments	1,321,717	1,548,664
Other noncurrent assets	8,028,863	11,422,783
Total assets	**$ 342,312,847**	**$ 342,425,559**
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 8)	$ 3,967,909	$ 9,726,867
Line of credit (Note 10)	-	5,000,000
Accounts payable	19,906,868	17,209,716
Accrued liabilities and other		
Accrued compensation	16,442,034	15,991,891
Other accrued liabilities	926,358	4,663,389
Total current liabilities	41,243,169	52,591,863
Long-term Debt - Net of current portion (Note 8)	50,134,631	43,896,362
Fair Value of Interest Rate Swap Agreement (Note 9)	2,432,628	-
Other Liabilities		
Pension and other postretirement obligations (Note 15)	35,915,235	27,529,100
Deferred revenue	8,562,610	8,807,194
Accrued professional liability	7,620,656	8,376,711
Total liabilities	145,908,929	141,201,230
Net Assets		
Unrestricted		
Net assets	177,444,181	181,864,474
Noncontrolling interest	1,032,555	884,891
Temporarily restricted	3,216,806	2,500,795
Permanently restricted	14,710,376	15,974,169
Total net assets	196,403,918	201,224,329
Total liabilities and net assets	**$ 342,312,847**	**$ 342,425,559**

Genesis HealthCare System and Subsidiaries

Consolidated Statement of Operations

	Year Ended December 31, 2011	Year Ended December 31, 2010
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	$ 338,887,363	$ 307,637,361
Less provision for bad debts	(23,535,137)	(19,323,250)
Net patient service revenue less provision for bad debts	315,352,226	288,314,111
Pharmacy sales and other	65,226,905	61,721,722
Total unrestricted revenue, gains, and other support	380,579,131	350,035,833
Expenses		
Salaries and wages	153,691,427	143,098,740
Employee benefits and payroll taxes	40,211,506	38,559,438
Operating supplies and expenses	56,478,480	53,811,613
Professional services and consultant fees	8,288,528	8,563,011
Purchased services	29,768,912	28,551,101
Utilities	5,558,188	5,001,829
Repairs, rentals, insurance, and other	29,333,241	23,869,060
Pharmacy cost of goods sold	31,063,445	29,911,571
Depreciation	15,679,794	14,088,079
Interest expense	2,375,686	2,581,041
Total expenses (Note 13)	372,449,207	348,035,483
Operating Income	8,129,924	2,000,350
Other Income (Loss)		
Investment income (Note 6)	6,104,857	2,351,798
Loss on refunding of debt	(1,064,722)	-
Unrealized (losses) gains on trading securities (Note 6)	(4,746,568)	7,759,524
Change in fair value of interest rate swap agreement (Note 9)	(2,432,628)	-
Total other (loss) income	(2,139,061)	10,111,322
Income from Continuing Operations	-	12,111,672
Income from Discontinued Operations (Note 17)	-	3,585,853
Excess of Revenue Over Expenses	5,990,863	15,697,525
Capital Distributions	(1,148,991)	(2,749,796)
Pension-related Changes Other than Net Periodic Cost	(9,989,479)	(831,336)
Net Assets Released from Restriction for Capital Equipment	874,978	683,559
(Decrease) Increase in Unrestricted Net Assets	**$ (4,272,629)**	**$ 12,799,952**

Genesis HealthCare System and Subsidiaries

Consolidated Statement of Changes in Net Assets

	Year Ended December 31	
	2011	2010
Unrestricted Net Assets		
Excess of revenue over expenses	$ 5,990,863	$ 15,697,525
Capital distributions	(1,148,991)	(2,749,796)
Pension-related changes other than net periodic cost	(9,989,479)	(831,336)
Net assets released from restriction for capital equipment	874,978	683,559
(Decrease) Increase in Unrestricted Net Assets	(4,272,629)	12,799,952
Temporarily Restricted Net Assets		
Restricted contributions and contributions for charity care	1,590,989	1,631,624
Net assets released from restriction for capital equipment	(874,978)	(683,559)
Increase in Temporarily Restricted Net Assets	716,011	948,065
Permanently Restricted Net Assets - Net unrealized (loss) gain in fair value of perpetual trusts	(1,263,793)	1,837,349
(Decrease) Increase in Net Assets	(4,820,411)	15,585,366
Net Assets - Beginning of year	201,224,329	185,638,963
Net Assets - End of year	**$ 196,403,918**	**$ 201,224,329**

Genesis HealthCare System and Subsidiaries

Consolidated Statement of Cash Flows

	Year Ended December 31, 2011	Year Ended December 31, 2010
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (4,820,411)	$ 15,585,366
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	15,679,794	14,088,079
Unrealized losses (gains) on trading securities	4,746,568	(7,759,524)
Net realized gain on investments	(3,463,846)	(986,018)
Change in fair value of interest rate swap agreement	2,432,628	-
Pension-related changes other than net periodic cost	9,989,479	831,336
Member contributions	(840,000)	(840,000)
Restricted contributions and contributions for charity care	(1,590,989)	(1,631,624)
Provision for bad debts	23,535,137	19,323,250
Net unrealized loss (gain) in fair value of perpetual trusts	1,263,793	(1,837,349)
Changes in assets and liabilities which (used) provided cash:		
Accounts receivable	(26,585,396)	(28,368,977)
Inventory and other assets	1,148,190	(13,075,131)
Estimated third-party payor settlements	1,033,391	492,570
Accounts payable and accrued liabilities	1,093,808	5,528,273
Accrued compensation	(3,286,888)	1,575,651
Deferred revenue	(244,584)	8,807,194
Accrued professional liability and other	(756,055)	938,800
Net cash provided by operating activities	19,334,619	12,671,896
Cash Flows from Investing Activities		
Purchase of property and equipment	(21,454,301)	(41,227,816)
Proceeds from sale of property and equipment	1,090,069	37,193,959
Purchases of investments and assets limited as to use	(16,799,965)	(17,717,918)
Proceeds from investments and assets limited as to use	21,501,054	16,252,158
Net cash used in investing activities	(15,663,143)	(5,499,617)
Cash Flows from Financing Activities		
Principal payment on long-term debt	(54,520,689)	(23,663,065)
(Payments) borrowings on line of credit - Net	(5,000,000)	1,000,000
Proceeds from long-term debt	55,000,000	15,282,891
Proceeds from restricted contributions and contributions for charity care	1,590,989	1,631,624
Member contributions	840,000	840,000
Net cash used in financing activities	(2,089,700)	(4,908,550)
Net Increase in Cash and Cash Equivalents	1,581,776	2,263,729
Cash and Cash Equivalents - Beginning of year	18,849,614	16,585,885
Cash and Cash Equivalents - End of year	**$ 20,431,390**	**$ 18,849,614**
Supplemental Cash Flow Information - Cash paid for interest	**$ 2,513,000**	**$ 2,627,000**

Note 1 - Nature of Business and Significant Accounting Policies

Organization - Genesis HealthCare System (the "System") is a nonprofit corporation organized under the laws of the State of Ohio to provide and promote healthcare services.

Effective January 1, 1997, Bethesda Care System (Bethesda Care), an Ohio nonprofit corporation, signed an affiliation agreement (the "agreement") with Good Samaritan Medical Center of the Franciscan Sisters of Christian Charity (GSMC), an Ohio nonprofit corporation, and Franciscan Sisters of Christian Charity HealthCare Ministry, Inc., a Wisconsin nonstock, nonprofit corporation (HealthCare Ministry), which is the sole corporate member of GSMC. The agreement provided for the creation of Genesis HealthCare System, of which Bethesda Care and HealthCare Ministry are 50 percent co-members. The agreement provides for the integration of GSMC and Bethesda Care operations under the System and shall be a community-based healthcare delivery system operating a Catholic and a community hospital and healthcare system.

The System is the sole corporate member of CareServe and its subsidiaries (CareServe), Genesis HealthCare Foundation (the "Foundation") and Genesis Professional Corporation. In addition, the System owns 100 percent of the stock of CareLife, Inc. and its wholly owned subsidiaries. The System also has a 75 percent member interest in Community Ambulance Service and its subsidiary (CAS). During 2010, the System purchased the remaining ownership in Zanesville Surgery Center (ZSC), in which it had maintained a 57.5 percent member interest.

All rights, titles, and interest of Bethesda Care and GSMC and their nonprofit and for-profit subsidiaries were transferred to the System on January 1, 1997, with the exception of legal title to certain real property comprising substantially all of Bethesda Hospital and GSMC's current campuses, and cash and investments totaling approximately $5,710,000 for each member. Bethesda Care and GSMC have entered into a 70-year lease agreement to lease the nontransferred real property to the System for a nominal amount. Related debt of Bethesda Care and GSMC was transferred to the System effective January 1, 1997. During 2009, both Bethesda Care and GSMC provided member contributions and pledges of funding to the System that totaled $10,200,000. Bethesda provided a member contribution totaling $6,000,000 while GSMC has pledged to contribute a total of $4,200,000 between 2010 and 2014. As of December 31, 2011, the remaining pledged contribution was $2,520,000.

During 2004, the System established Southern Ohio Medical Insurance Company, Ltd. (SOMIC), a wholly owned captive insurance company incorporated in the Cayman Islands. Effective August 1, 2004, SOMIC began providing professional liability and related general liability insurance to the System and certain employed health professionals. SOMIC also provides professional liability and related general liability coverage to participating staff physicians.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

During 2010, the System entered into a joint venture with an Ohio limited liability company (Alternate Solutions Healthcare Central, LLC) to form Zanesville Homecare Ventures, LLC (Genesis Homecare). The System assigned 100 percent of its membership interest to Carelife, LLC. Each member owns 50 percent of Zanesville Homecare Ventures, LLC. The operations of the new LLC are accounted for using the equity method on Carelife LLC.

The System paid approximately $1,380,000 and $1,321,000 in 2011 and 2010, respectively, to HealthCare Ministry for management and support services.

Discontinued Operations - In October 2010, Careserve, a wholly owned subsidiary of Genesis, sold its 130-bed skilled nursing facility, located in Zanesville, and its 151-bed skilled nursing facility and related property, located in McConnelsville, to a Delaware limited liability company (Trilogy FSC Investors, LLC). Careserve recognized a gain of $3,995,000 in 2010 from the sale of the beds and property (see Note 17).

Principles of Consolidation - The consolidated financial statements include all the accounts of the System, including all wholly owned subsidiaries and majority-owned entities. The noncontrolling interest in majority-owned entities on the December 31, 2011 and 2010 consolidated balance sheet represents a 25 percent outside membership interest in CAS. The System consolidated the balance sheets and statements of operations and changes in net assets of CAS. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents - Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less, excluding those amounts included in assets limited as to use.

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

Inventories - Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at cost, determined on a first-in, first-out basis or market.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investments in partnerships and limited liability companies are reported using the equity method of accounting. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law. Substantially all of the System's investments are classified as trading securities due to the investment strategy and investment philosophies used by the System. Investment managers may execute purchases and sales of investments without prior approval of management.

The System invests much of its funds in the Franciscan Sisters of Christian Charity HealthCare Ministry, Inc. (FHCM) pooled investment management program. Effective January 12, 2012, FHCM changed its legal name to Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. The pooled investment management program primarily invests in cash and cash equivalents, marketable equity securities, corporate and government bonds, mutual funds, common collective funds, fund of funds hedge funds, real estate funds, and private equity funds. Earnings in the pooled investment program are allocated to the participants based upon each participant's weighted average percentage of the pooled investment fund.

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 changes could materially affect the amounts reported on the consolidated balance sheet.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Interest Rate Swap - The System entered into an interest rate swap transaction to reduce economic risks associated with variability in cash outflows for interest required under provisions of a variable-rate syndicated loan. Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of income from operations and are presented as part of interest expense in the consolidated statement of changes in net assets. Unrealized changes in the fair value of the interest rate swap are recognized as other income or loss, separate from income from operations.

Fair Value of Financial Instruments - The fair value of financial instruments, including cash, accounts receivable, accounts payable, third-party payor settlements, and other liabilities, approximates carrying values. Investments are recorded at fair value under generally accepted accounting principles. The fair value of the note payable approximates carrying value because of the variable-rate nature of the instrument, and the interest rate swap liability is marked to market, thus approximating fair value.

Beneficial Interest in Perpetual Trusts - The Foundation is the beneficiary of certain funds held in trust by others, which represent resources neither in the possession nor under the control of the Foundation, but held in perpetuity and administered by outside trustees, with the Foundation deriving income from a portion of the assets held in such trusts. The Foundation's interest in perpetual trusts is recorded at the fair market value of the Foundation's interest in the trust and is recorded as an investment held for long-term purposes. The contribution revenue from perpetual trusts is an increase in permanently restricted net assets.

Cash distributions received by these perpetual trusts are reported as investment income in the accompanying consolidated statement of operations. The investment income is reported as increases in temporarily restricted or unrestricted net assets based upon the existence or absence of donor-imposed restrictions.

Changes in the fair market value of the Foundation's portion of the funds held in perpetual trusts are reported in the accompanying consolidated statement of operations as a net unrealized gain or loss in permanently restricted net assets.

Assets Limited as to Use - Assets limited as to use include assets designated by the board of trustees for future capital improvement and assets held by trustees under indenture agreements. The board retains control over assets held for future capital improvements and may, at its discretion, use them for other purposes.

Charity Care - The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Charity care is determined based on established policies, using patient income and assets to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenues received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the System's total operating expenses less bad debt expense less other operating revenue divided by gross patient service revenue. The System estimates that it provided approximately $7,878,000 and $8,430,000 of services to indigent patients during 2011 and 2010, respectively. The System received $2,961,000 and $2,516,000 in net distributions from the Ohio Medicaid HCAP program during 2011 and 2010, respectively.

Property and Equipment - Property and equipment purchases are recorded at cost or at fair value if acquired by gift. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Professional and Other Liability Insurance - The System accrues an estimate of the ultimate expense, including litigation and settlement expense, for incidents of potential improper professional service and other liability claims occurring during the year as well as for those claims that have not been reported at year end.

Classification of Net Assets - Net assets of the System are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the System's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Net Patient Service Revenue - The System has agreements with third-party payors that provide for payments to the System 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. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources in total was $338,887,000 at December 31, 2011. This amount is made up of amounts from third-party payors of $319,223,000 and amounts from self-pay payors of $19,664,000.

Other Revenue - Other revenue is primarily comprised of retail pharmacy sales, home infusion services, durable medical equipment sales, and hospital cafeteria sales.

Contributions - The System reports gifts of cash and other assets as 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 to unrestricted net assets and reported in the consolidated statement of changes in net assets as net assets released from restrictions.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The System reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the System reports the expiration of donor restrictions when the assets are placed in service.

Excess of Revenue Over Expenses - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include net assets released from restrictions for the acquisition of long-lived assets, permanent transfers of assets to and from affiliates for other than goods and services, capital distributions to joint venture partners, and the decrease in pension-related changes other than net periodic cost.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status - The System and its subsidiaries are tax-exempt organizations, except for CareLife. There was no significant provision for income taxes for 2011 and 2010. The System files federal and state tax returns and is no longer subject to federal, state, or local income tax examinations by tax authorities for the years before fiscal year 2008.

Accounting for Conditional Asset Retirement Obligation - *Accounting for Conditional Asset Retirement Obligation* clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered the standard, specifically as it related to its legal obligation to report asset retirement activities, such as asbestos removal, on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the System may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount at December 31, 2011.

Sale Leaseback - The System has entered into sale-leaseback arrangements. Under the arrangements, the System sold property and leased it back. The leasebacks have been accounted for as operating leases. The gain on the transactions is deferred and recognized into income in proportion to rental expense over the term of the lease.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including March 20, 2012, which is the date that the consolidated financial statements were issued.

New Accounting Pronouncements - During 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, establishing accounting and disclosures for healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. The amendments in the ASU change the presentation of the consolidated statement of operations and add new disclosures that are not required under current GAAP for entities within the scope of this update. The provision for bad debts associated with patient service revenue for certain entities is required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the consolidated statement of operations. The ASU is effective for the System for the year ending December 31, 2012. As permitted, the System has early adopted the provisions of the update for the year ended December 31, 2011, and the provisions have been applied retrospectively to the year ended December 31, 2010. As a result of the retrospective application, total unrestricted revenue, gains, and other support and total operating expenses decreased by $19,323,250, with no change to excess of revenue over expenses for the year ended December 31, 2010.

The System has adopted ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, for the year ended December 31, 2011. In accordance with the ASU, the accrued liability for malpractice claims and similar liabilities and the related insurance recovery receivable, if applicable, will be presented separately on the consolidated balance sheet on a gross basis. Prior guidance allowed the liability to be reported net of the estimated insurance recovery receivable. There was no impact on beginning net assets related to the implementation of this ASU.

Note 2 - Cash in Excess of Insured Limits

The System and its subsidiaries maintain cash and investment balances at several financial institutions located in the vicinity of Zanesville, Ohio. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. As of December 31, 2011, the consolidated uninsured cash balances total $11,150,000.

Note 2 - Cash in Excess of Insured Limits (Continued)

The Federal Deposit Insurance Corporation (FDIC) implemented a transaction account guarantee program for all noninterest-bearing checking accounts and some interest-bearing checking accounts with interest rates of .50 percent or less per year. This program is effective for the period from October 3, 2008 through December 31, 2012. The System's cash balance for participating funds was approximately $15,186,000, which is fully guaranteed by the FDIC.

Note 3 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2011	2010
Patient accounts receivable	$ 112,456,648	$ 101,170,389
Less:		
Allowance for uncollectible accounts	(14,739,000)	(11,612,000)
Allowance for contractual adjustments	(48,782,000)	(43,673,000)
Net patient accounts receivable	$ 48,935,648	$ 45,885,389

The System grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	Percent	
	2011	2010
Medicare	33	36
Medicaid	14	10
Commercial insurance and HMOs	50	53
Self-pay	3	1
Total	100	100

The System's allowance for doubtful accounts for self-pay patients is 58 percent of self-pay accounts receivable at December 31, 2011. In addition, the System's self-pay write-offs were $12,965,000 at December 31, 2011. The System revised its charity care policy in September 2010. The System does not maintain a significant allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Note 4 - Patient Service Revenue

Approximately 51 percent of the System's net patient service revenue is received from the Medicare and Medicaid programs. Subsidiaries of the System have agreements with third-party payors that provide for reimbursement at amounts different from established rates. A summary of the basis of reimbursement with these third-party payors is as follows:

- **Medicare** - Inpatient, acute-care, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient and home care services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care.

- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.

The Medicaid payment system in Ohio is a prospective one, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

- **Other Third-party Payors** - The System has also entered into agreements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement to the System under these agreements is discounts from established charges, prospectively determined rates per discharge, and prospectively determined daily rates.

- **Health Maintenance Organizations** - Services rendered to HMO beneficiaries are paid at predetermined rates or at a percentage of hospital charges.

Cost report settlements result from the adjustment of interim payments to final reimbursement under the Medicare and HMO programs that are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 4 - Patient Service Revenue (Continued)

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. The RAC program began for Ohio in 2009. The System has been contacted by the RAC auditors with several requests. Through examinations thus far, the System has not had any significant overpayments for Medicare. The extent of the liability that may stem from future requests is not expected to have a material effect on the accompanying consolidated financial statements.

Note 5 - Community Benefit

In support of its mission, the System provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the System's community benefit expense:

	2011	2010
Community partnership programs	$ 649,000	$ 564,000
Donations/Contributions	7,000	100,000
Traditional charity care	7,878,000	8,430,000
Unpaid costs for government program patients	18,500,000	20,300,000
Total	$ 27,034,000	$ 29,394,000

Community Partnership Programs - Community partnership programs include programs provided to persons with inadequate healthcare resources or for other groups within the community that need special services and support. Examples include programs related to the poor, elderly, substance abuse, child abuse, and others with specific particular healthcare needs. They also include broader populations who benefit from health community initiatives such as health promotion, education, and health screening.

Donations/Contributions - Donations/Contributions include cash and in-kind donations that are made on behalf of the poor and needy to community agencies and to special funds for charitable activities as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and disadvantaged.

Traditional Charity Care - Traditional charity care covers services provided to persons who cannot afford to pay. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. Charity care is determined based on established policies, using patient income and assets to determine payment ability.

Note 5 - Community Benefit (Continued)

Unpaid Costs for Government Program Patients - The System is a licensed Medicare and Medicaid provider with approximately 65 percent of its patient base qualifying for one of these two programs. At present, the reimbursement rates for both programs do not fully cover the cost of provider care to these patients. This represents the estimated shortfall created when a facility receives payments below the costs of treating Medicare and Medicaid beneficiaries.

Note 6 - Assets Limited as to Use

The detail of investments is summarized as follows:

	2011	2010
Assets limited as to use:		
By board of directors for future capital expenditures	$ 75,796,420	$ 74,647,300
Funds held in trust for payment of debt service	-	7,811,303
Funds received from donors	29,613,176	28,582,510
Funds held for professional and other liability claims	16,776,508	16,879,087
Total assets limited as to use	$ 122,186,104	$ 127,920,200

Investments consist of the following:

	2011	2010
Cash equivalents	$ 5,325,362	$ 10,259,708
U.S. government obligations	-	6,855,393
Corporate obligations	21,609	89,165
Alternative investments	18,660,075	18,468,734
Marketable equity securities	6,249,146	4,773,853
Mutual funds	16,133,492	12,826,047
Investment in FHCM pooled investment management program	75,796,420	74,647,300
Total	$ 122,186,104	$ 127,920,200

Investment income and gains and losses are comprised of the following:

	2011	2010
Investment income and other	$ 1,579,308	$ 1,366,322
Net realized gains on sales of investments	4,525,549	985,476
Unrealized investment (losses) gains on trading securities	(4,746,568)	7,759,524
Total	$ 1,358,289	$ 10,111,322

Note 7 - Property and Equipment

Cost of property and equipment and depreciable lives are summarized as follows:

	2011	2010	Depreciable Life - Years
Land and land improvements	$ 12,346,946	$ 11,644,038	10-15
Buildings and fixed equipment	115,667,960	118,176,277	7-40
Major movable and minor equipment	161,419,645	129,089,717	3-10
Construction in progress	15,049,187	29,528,681	-
Total cost	304,483,738	288,438,713	
Accumulated depreciation	(199,086,359)	(187,725,772)	
Net property and equipment	$ 105,397,379	$ 100,712,941	

The System sold several medical office properties on and near the hospital campuses in 2010. The net book value of the properties sold totaled $24,320,000. The net gain on the sale of the properties totaled approximately $9,100,000.

During 2010, the System entered into an agreement to sell various medical office buildings and then lease a portion of the medical office buildings back under lease arrangements for up to 12 years. The net proceeds from the sale of the medical office buildings were approximately $18,500,000, resulting in a gain on sale on the sale of approximately $10,000,000 and a loss (net of gains) of $900,000 which was recorded in 2010. Approximately 66 percent of the space is being leased back by the System.

The System also sold a medical office building in January 2011. The net book value of the property was $1,333,000. The System entered into a lease agreement to lease back approximately 59 percent of the space; therefore, the entire gain of $618,000 will be deferred and recognized over the life of the lease.

In addition, during 2010, the System committed to the completion of an electronic medical records installation. The total cost of the project will be approximately $48,000,000, which will be funded through debt financing, board-designated assets, and operating funds. As of December 31, 2011, the remaining commitment on the project was $7,240,000.

Note 8 - Long-term Debt

Long-term debt at December 31, 2011 and 2010 is as follows:

	2011	2010
Genesis HealthCare System note payable to PNC Bank, N.A. and the parties hereto, dated June 17, 2011, carrying an interest rate equal to LIBOR, plus an applicable margin (1.80 percent at December 31, 2011), due June 17, 2026, with principal payments due quarterly and interest payments due monthly	$ 53,166,667	$ -
Muskingum County, Ohio Hospital Revenue Refunding and Improvement Bonds (Series 1996), maturing in various amounts through December 1, 2016 with interest due semiannually at rates ranging from 5.40 percent to 6.25 percent. These bonds were paid in full during 2011	-	13,245,000
Muskingum County, Ohio Hospital Facilities Revenue Refunding and Improvement Bonds (Series 2000), maturing in various amounts through December 1, 2020 with interest adjusted weekly. These bonds were paid in full during 2011	-	9,935,000
Genesis HealthCare System note payable for equipment purchases, dated December 22, 2008, imputed interest of 4.32 percent, maturing on December 22, 2015 with 78 equal installments of principal plus interest totaling $107,418 each month. This note was paid in full during 2011	-	8,759,793
Muskingum County Hospital Facilities Revenue Refunding Bonds (Series 1995), maturing in various amounts through February 15, 2012 with interest due semiannually at 5.38 percent. These bonds were paid in full during 2011	-	4,635,000
Huntington National Bank master equipment loan dated February 26, 2010, fixed interest of 4.84 percent, maturing on February 26, 2015. This note was paid in full during 2011	-	15,282,891
Other	935,873	1,765,545
Total	54,102,540	53,623,229
Less current portion	3,967,909	9,726,867
Long-term portion	$ 50,134,631	$ 43,896,362

Note 8 - Long-term Debt (Continued)

Management estimates that the fair market value of the System's outstanding debt was approximately $54,103,000 and $54,017,000 at December 31, 2011 and 2010, respectively.

In June 2011, the System refinanced the majority of long-term debt by entering into a Master Credit Agreement with PNC Bank, N.A. as the lead bank. The refinance was undertaken in accordance with the defeasance of the Series 1995, 1996, and 2000 bond issuances, as well as the master equipment loan, and several other outstanding loan agreements. PNC Bank holds 50 percent of the total outstanding balance, and a total of five banks hold the remaining 50 percent. The borrowing carries an interest rate that is tied to LIBOR, plus an applicable margin. The applicable margin through December 31, 2011 is equal to 1.50 percent. Thereafter, the applicable margin varies with the System's debt service coverage ratio, as follows: an applicable margin of 1.75 percent relating to a debt service coverage ratio of less than 3.25 to 1.00; an applicable margin of 1.50 percent relating to a debt service coverage ratio of greater than or equal to 3.25 to 1.00, but less than 4.25 to 1.00; or an applicable margin of 1.25 percent relating to a debt service coverage ratio of greater than or equal to 4.25 to 1.00. As described in Note 9, the System entered into an interest rate swap to manage the variability of cash flows associated with variable interest rate. The terms of the swap essentially result in a fixed interest rate of 3.16 percent on a portion of the outstanding debt (equal to the notional amount of the interest rate swap).

The terms of the debt require the System to, among other things, comply with certain financial ratios, restrict additional encumbrances, maintain rates sufficient to meet debt service requirements, and maintain specified net assets.

The System formed an obligated group to accomplish common financing plans during 1997. The obligated group is comprised of Hospital Operations (GSMC and BHA), CareServe, and CareLife (the "Obligated Group"). Each member of the Obligated Group is jointly and severally obligated with respect to substantially all of the debt for the System. This borrowing group changed in 2011. The revised borrowing group is governed by a Master Agreement, and it revises the Obligated Group to include Hospital Operations, CareServe, CareLife and Subsidiaries, and the HealthCare Foundation.

Note 8 - Long-term Debt (Continued)

The affiliation agreement (described in Note 1) also established a credit enhancement and line of credit agreement. In addition, the credit enhancement and line of credit agreement provide that the System could loan or provide credit support to HealthCare Ministry up to certain specified limits. Such loans cannot exceed 25 percent of the debt capacity of the System, as defined in the affiliation agreement ($58,980,000 and $10,678,000 at December 31, 2011 and 2010, respectively), and interest is payable based on the Dow Jones Bond Averages, 20 Bond Taxable Index. HealthCare Ministry does not anticipate exercising the line of credit in 2012. In lieu of borrowing amounts from the System, HealthCare Ministry has the option to seek credit enhancement from the System. The System shall have the option to become a member of HealthCare Ministry's obligated group with respect to the proposed borrowing, provide a contractual guaranty with respect to the proposed borrowing, or pay to HealthCare Ministry credit enhancement payments with respect to such proposed borrowing for the difference between the credit rating obtained with and without the System as a member of the HealthCare Ministry obligated group. No loans or credit support were provided to HealthCare Ministry by the System in 2011 or 2010.

Minimum principal payments on long-term debt to maturity as of December 31, 2011 are as follows:

2012		$ 3,967,909
2013		3,970,354
2014		3,972,918
2015		3,691,363
2016		3,666,667
Thereafter		34,833,329
	Total	$ 54,102,540

Note 9 - Derivative Instruments

In June 2011, the System entered into an interest rate swap agreement with PNC Bank, N.A. in conjunction with the long-term debt refinance. The System's objectives with respect to its use of this derivative instrument include managing the risk of increased debt service resulting from rising long-term interest rates, the risk of decreased surplus returns resulting from falling short-term interest rates, and the management of the risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, the System entered into an interest rate swap agreement with a total outstanding notional amount of $39,875,000 at December 31, 2011. Under the terms of the interest rate swap, the System pays a fixed 3.16 percent rate on the notional amount. In return, the System receives a rate equal to the one-month LIBOR. At December 31, 2011, this rate was equal to 1.80 percent. The swap has an early termination option that becomes effective in June 2016. This option makes the swap cancelable five years from its inception, without penalty.

The following table summarized the fair value of the System's interest rate swap agreement:

	Liability at December 31	
	2011	2010
Derivatives not designated as hedging instruments -		
Interest rate swap	$ 2,432,628	$ -

Liability derivatives are reported on the consolidated balance sheet as fair value of interest rate swap agreements.

For the years ended December 31, the amounts of loss recognized in the consolidated statement of operations attributable to derivative instruments and their locations in the consolidated statement of operations are as follows:

	Amount of Loss Recognized at December 31	
	2011	2010
Interest expense	$ 652,623	$ -
Change in fair market value of interest rate swap agreement	2,432,628	-

Note 10 - Line of Credit

The System has a revolving credit facility with PNC Bank, N.A. and five other banks in connection with the Master Loan Agreement. The maximum borrowing capacity is $15,000,000, and is split between the banks using the same terms and percentages as used in connection with the Master Loan Agreement. The System has the ability to choose an interest rate that is based upon a selection of various market interest rates at the time the revolving credit facility is drawn upon. At December 31, 2011, there have been no borrowings against the revolving credit facility.

The System had another line of credit with the bank with interest due monthly at LIBOR plus 1.52 percent. The line of credit has a maximum borrowing capacity of $10,000,000, is collateralized by gross receipts of the System, and expired on July 31, 2011, at which time the full balance was due at maturity. During 2011, the balance of this line of credit was paid in full, and the agreement was permitted to expire. At December 31, 2010, the System had $5,000,000 outstanding against this line of credit.

Note 11 - Operating Leases

The System is obligated under various operating leases. Total rent expense under these leases was approximately $5,325,000 and $2,434,000 for the years ended December 31, 2011 and 2010, respectively. Future lease payments include additional operating lease costs based on the sale-leaseback agreement that the System entered into during 2010.

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

Years Ending December 31	Amount
2012	$ 5,490,560
2013	4,944,706
2014	4,799,468
2015	4,621,529
2016	3,627,317
Thereafter	29,904,402
Total	$ 53,387,982

Note 12 - Professional Liability Insurance

Effective August 1, 2004, the System, through SOMIC, maintains a policy of self-insuring its professional liability risks for individual losses up to specified amounts per claim. In addition, the self-insurance plan has specified annual aggregate limits. The System carries commercial insurance coverage for incidents which would exceed coverages specified by the self-insurance program on a claims-made basis.

Note 12 - Professional Liability Self-insurance (Continued)

Because of the nature of its operations, the System is at all times subject to pending and threatened legal actions which arise in the normal course of its activities.

Malpractice and general patient liability claims for incidents which may give rise to litigation have been asserted against the System and attending physicians with insurance coverage provided by SOMIC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred through December 31, 2011 that may result in the assertion of additional claims. There may be other claims from unreported incidents arising from services provided to patients. The reserve for medical malpractice includes amounts for claims and related legal expenses for these unreported incidents. In 2011 and 2010, the reserve was actuarially determined by combining industry data and the System's historical experience. Accrued malpractice losses have been discounted at 3.00 percent, and in management's opinion, provide an adequate reserve for loss contingencies.

The System established a trust for the purpose of setting aside assets based on actuarial funding recommendations for claims incurred prior to August 1, 2004. Under the trust agreement, the trust assets can only be used for payment of malpractice losses, related expenses, and the cost of administering the trust.

Note 13 - Functional Expenses

The System provides diversified healthcare services to residents in the southeastern Ohio area. Expenses related to providing these services for the years ended December 31, 2011 and 2010 are approximately as follows:

	2011	2010
Healthcare services	$ 281,895,000	$ 267,291,000
General and administrative	90,554,000	80,744,000
Total	$ 372,449,000	$ 348,035,000

Note 14 - Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents - The carrying amount approximates fair value because of the short maturity of those instruments.

Assets Limited as to Use, Investments, and Beneficial Interest in Perpetual Trusts - Fair values, which are the amounts reported in the consolidated balance sheet, are based on quoted market prices and equity method accounting which approximates fair value.

Note 14 - Fair Value (Continued)

Accounts Receivable, Accounts Payable, and Accrued Liabilities - The carrying amount reported in the consolidated balance sheet for accounts receivable, accounts payable, and accrued liabilities approximates its fair value.

Estimated Cost Report Settlements - Net - The carrying amount reported in the consolidated balance sheet for estimated third-party payor settlements - net approximates its fair value.

Long-term Debt - The fair value of the System's bonds is based on current rates at which the System could borrow funds with similar remaining maturities.

Interest Rate Swap Agreement - The fair value of the System's interest rate swap agreement is determined based on the terms of the agreement and related market conditions.

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the System has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Level 2 inputs used in estimating the fair value of the swap agreement include the notional amount, effective interest rate, and maturity date.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. Significant Level 3 inputs primarily consist of beneficial interest in perpetual trusts and alternative investments, including private equity funds, real estate funds, and fund-of-funds hedge funds.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

During 2010, the System adopted, on a prospective basis, new accounting standards, which require disclosure of fair value by major class of investments.

Note 14 - Fair Value (Continued)

The following tables present information about the System's assets and liabilities, held directly by the System, excluding its investment in the pooled investment program, measured at fair value on a recurring basis at December 31, 2011 and 2010 and the valuation techniques used by the System to determine those fair values.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2011

	Balance at December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate obligations	$ 21,609	$ 21,609	$ -	$ -
Marketable equity securities:				
Growth equities	3,015,294	3,015,294	-	-
Value equities	3,233,852	3,233,852	-	-
Hedge funds and other alternatives:				
Private equity (1)	4,257,704	-	-	4,257,704
Multi-strategy hedge fund (2)	6,371,585	-	-	6,371,585
Long and short equities hedge fund (3)	2,572,494	-	-	2,572,494
Private real estate (4)	1,246,856	-	-	1,246,856
Managed futures (5)	966,643	-	-	966,643
Event-driven hedge fund (6)	3,244,793	-	-	3,244,793
Mutual funds:				
International funds	1,731,812	1,731,812	-	-
Emerging markets	2,047,599	2,047,599	-	-
Gold	382,259	382,259	-	-
Natural resources	508,987	508,987	-	-
Mortgages	1,032,424	1,032,424	-	-
Fixed-income funds	10,430,411	10,430,411	-	-
Beneficial interest in perpetual trusts	12,035,007	-	-	12,035,007
Total	$ 53,099,329	$ 22,404,247	$ -	$ 30,695,082
Liabilities - Interest rate swap agreement	$ (2,432,628)	$ -	$ (2,432,628)	$ -

Note 14 - Fair Value (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2010

	Balance at December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government obligations:				
Federal farm credit	$ 1,771,193	$ -	$ 1,771,193	$ -
Federal home loan	3,353,222	-	3,353,222	-
U.S. Treasury note	1,730,978	-	1,730,978	-
Corporate obligations	89,165	-	89,165	-
Marketable equity securities:				
Growth equities	2,437,283	2,437,283	-	-
Value equities	2,336,570	2,336,570	-	-
Hedge funds and other alternatives:				
Private equity (1)	3,135,946	-	-	3,135,946
Multi-strategy hedge fund (2)	6,906,570	-	-	6,906,570
Long and short equities hedge fund (3)	2,568,708	-	-	2,568,708
Private real estate (4)	870,670	-	-	870,670
Managed futures (5)	1,016,401	-	-	1,016,401
Event-driven hedge fund (6)	3,970,439	-	-	3,970,439
Mutual funds:				
International funds	3,971,707	3,971,707	-	-
Emerging markets	1,743,646	1,743,646	-	-
Gold	799,514	799,514	-	-
Growth fund	940,715	940,715	-	-
Fixed-income funds	5,370,465	5,370,465	-	-
Beneficial interest in perpetual trusts	13,321,568	-	-	13,321,568
Total	$ 56,334,760	$ 17,599,900	$ 6,944,558	$ 31,790,302

(1) Private equity funds broadly diversified across managers, investment stages, geography, industry sectors, and company size.

(2) Multi-strategy hedge funds with broadly diversified multi-advisor, multi-strategy fund of hedge funds utilizing a proprietary portfolio construction methodology that combined a top-down strategy allocation process with comprehensive manager selection, due diligence, and risk management.

(3) A fund of funds with long/short focus. The managers employed by the fund are fundamentally driven, bottoms-up, research-intensive stock pickers who use very little, if any, leverage.

(4) Private real estate funds that invest in private real estate broadly classified as core, value-added, and opportunistic.

Note 14 - Fair Value (Continued)

(5) Manage futures fund engaged in trading a diversified portfolio of commodity interests including futures contracts, options, and forward contracts.

(6) Multiple hedge funds seeking stable returns and appreciation, independent of returns of the overall equity and debt markets by using a variety of strategies but principally employing event-driven strategies.

The fair value of fixed-income investments and corporate and U.S. bonds at December 31, 2010 was determined primarily based on Level 2 inputs. The System estimates the fair value of these investments based upon the amortized value of bonds and the readily determinable fair value of the underlying investments in fixed-income investments.

As described in Note 1, the System participates in the FHCM's pooled investment program. As of December 31, 2011 and 2010, the System has $75,796,420 and $74,647,300, respectively, of investments at market value in the pool. The fair value of the investment in the pooled investment program is determined based on Level 3 inputs. The underlying investments in the pool program are comprised of assets with valuation techniques that result in 54 percent as Level 1, 8 percent as Level 2, and 38 percent as Level 3 inputs as of December 31, 2011, and 58 percent as Level 1, 10 percent as Level 2, and 32 percent as Level 3 inputs as of December 31, 2010.

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Years Ended December 31, 2010 and 2011

	Alternative Investments, Including Hedge Funds and Other	Beneficial Interest in Perpetual Trusts	FHCM's Pooled Investments
Balance at December 31, 2010	$ 18,468,734	$ 13,321,568	$ 74,647,300
Total (losses) gains (realized/unrealized) included in excess of revenue over expenses	(1,239,777)	(1,286,561)	309,120
Net additions, purchases, sales, and maturities	1,431,118	-	840,000
Balance at December 31, 2011	$ 18,660,075	$ 12,035,007	$ 75,796,420

Note 14 - Fair Value (Continued)

	Alternative Investments, Including Hedge Funds and Other	Beneficial Interest in Perpetual Trusts	Pooled Investments
Balance at December 31, 2009	$ 16,074,866	$ 11,527,547	$ 66,675,997
Total gains (realized/unrealized) included in excess of revenue over expenses	532,380	1,794,021	7,131,303
Net additions, purchases, sales, and maturities	1,861,488	-	840,000
Balance at December 31, 2010	$ 18,468,734	$ 13,321,568	$ 74,647,300

Within the FHCM investment pool program and the alternative investments, including hedge funds and others, the fair value of private equity, hedge funds, and real estate alternative investments at December 31, 2011 was determined primarily based on Level 3 inputs. Both the pool and management estimate the fair value of these investments based upon audited and interim unaudited financial statements for the respective funds.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The FHCM investment pool and the alternative investments, including hedge funds and others, include shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. The details of fair value, unfunded commitments, and fund strategies are described at length in the financial statements of FHCM. The System's pro rata share of unfunded commitments at the pool is $4,030,755 as of December 31, 2011 and minimal commitments are outstanding within the alternative investments, including hedge funds and other investments.

Note 15 - Pension and Other Postretirement Benefit Plans

The System maintains a defined benefit pension plan covering substantially all its employees who have completed one year of continuous service as defined by the plan. Benefits paid under the plan are based generally on employees' years of service and compensation levels during employment. The plan requires annual contributions that are sufficient to meet the minimum funding standards of the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986.

Effective April 8, 2009, new employees are no longer eligible to participate in the defined benefit plan, but will be eligible to participate in a defined contribution plan in which substantially all employees are eligible. The contributions are based on an employer's matching contribution of an employee's contribution up to a maximum of 60 percent of an employee's 5 percent contribution to the employee plan, based on years of service. For the years ended December 31, 2011 and 2010, the amount of retirement expense for the defined contributions plan was approximately $1,587,000 and $1,496,000, respectively.

The plan was amended in 2011. As a result of the amendment, contributions to the plan for participants that were 50 years old and older as of June 30, 2011 were reduced as follows based on years of service.

- Up to 5 years of service were reduced from 2.25 percent to 2 percent
- 5-10 years of service were reduced from 3 percent to 2 percent
- 10 years of service or greater were reduced from 4 percent to 3 percent

For participants that were under the age of 50 as of June 30, 2011, benefits were frozen but interest would continue to accrue on the frozen balance. Participants who retired after June 30, 2011 will not receive the $5,000 life insurance benefit.

Note 15 - Pension and Other Postretirement Benefit Plans (Continued)

Obligations and Funded Status

	Pension Benefits	
	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 79,724,823	$ 71,660,699
Service cost	1,497,015	2,282,333
Interest cost	4,412,466	4,354,516
Amendments	(220,699)	-
Actuarial loss	9,123,589	4,249,546
Curtailments	(557,673)	-
Benefits paid	(4,120,519)	(2,822,271)
Projected benefit obligation at end of year	89,859,002	79,724,823
Change in plan assets:		
Fair value of plan assets at beginning of year	54,544,982	49,647,005
Actual return on plan assets	112,454	5,617,887
Employer contributions	4,875,628	2,102,361
Benefits paid	(4,120,519)	(2,822,271)
Fair value of plan assets at end of year	55,412,545	54,544,982
Funded status at end of year	$ (34,446,457)	$ (25,179,841)

Included in unrestricted net assets at December 31, 2011 and 2010 are the following amounts that have not yet been recognized in net periodic pension cost:

	Pension Benefits	
	2011	2010
Net loss	$ 35,728,921	$ 25,238,060
Prior service cost	(205,499)	2,612
Total included in net assets not yet recognized in net periodic benefit cost	$ 35,523,422	$ 25,240,672

The accumulated benefit obligation for all defined benefit pension plans was $89,696,300 and $78,847,548 at December 31, 2011 and 2010, respectively.

Note 15 - Pension and Other Postretirement Benefit Plans (Continued)

Components of Net Periodic Benefit Cost

	2011	2010
Service cost	$ 1,497,015	$ 2,282,333
Interest cost	4,412,466	4,354,516
Expected return on plan assets	(4,278,382)	(4,057,875)
Recognized prior service credit	(12,588)	3,437
Recognized actuarial loss	2,210,983	1,936,748
Net periodic benefit cost	$ 3,829,494	$ 4,519,159

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized into net periodic benefit cost over the next fiscal year are $3,548,402.

Assumptions

Weighted Average Assumptions Used to Determine Benefit Obligations at December 31

	Pension Benefits	
	2011	2010
Discount rate	5.00 %	5.75 %
Rate of compensation increase	3.00	3.50

Weighted Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended December 31

	Pension Benefits	
	2011	2010
Discount rate	5.75 %	6.25 %
Increase in future compensation levels	3.50	3.50
Expected rate of return on plan assets	8.00	8.00

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes adjusted for anticipated market movements.

Note 15 - Pension and Other Postretirement Benefit Plans (Continued)

Pension Plan Assets

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the System, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

The System's overall investment strategy is to achieve a mix of approximately 40 percent equity, 25 percent of investments in fixed income, and 35 percent in alternative investments, with a wide diversification of asset types, fund strategies, and fund managers.

Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States, international equities, along with mutual funds. Fixed-income securities include asset management investments that invest in corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Alternative investments include investments in fund of funds hedge funds, real estate funds, and private equity funds that follow several different strategies.

Note 15 - Pension and Other Postretirement Benefit Plans (Continued)

The fair values of the System's pension plan assets at December 31, 2011 and 2010 by major asset classes are as follows:

Fair Value Measurements at December 31, 2011

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Growth funds	$ 1,810,517	$ 1,810,517	$ -	$ -
Value funds	2,267,384	2,267,384	-	-
Emerging market funds	2,128,099	2,128,099	-	-
Gold funds	483,217	483,217	-	-
Fixed-income investments	6,312,295	6,312,295	-	-
Money market funds	4,230,151	4,230,151	-	-
Bonds and notes:				
U.S. Treasury securities and municipal bonds	852,694	-	852,694	-
Federal Home Loan Mortgage bonds	2,259,328	-	2,259,328	-
Corporate bonds	5,928,006	-	5,928,006	-
Common stock	11,032,377	11,032,377	-	-
Investments in limited partnerships:				
Long and short equities hedge fund (1)	5,731,999	-	-	5,731,999
Equity and credit market hedge fund (2)	4,681,486	-	-	4,681,486
Event-driven hedge fund (3)	2,557,467	-	-	2,557,467
Managed futures (4)	1,652,078	-	-	1,652,078
Private equity funds (5)	1,642,720	-	-	1,642,720
Real estate funds (6)	1,842,727	-	-	1,842,727
Total	$ 55,412,545	$ 28,264,040	$ 9,040,028	$ 18,108,477

Note 15 - Pension and Other Postretirement Benefit Plans (Continued)

Fair Value Measurements at December 31, 2010

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Growth funds	$ 4,354,078	$ 4,354,078	$ -	$ -
Value funds	3,137,446	3,137,446	-	-
Emerging market funds	2,107,454	2,107,454	-	-
Gold funds	1,006,462	1,006,462	-	-
Fixed-income funds	4,695,501	4,695,501	-	-
Money market funds	2,536,940	2,536,940	-	-
Bonds and notes:				
U.S. Treasury securities and municipal bonds	4,510,841	-	4,510,841	-
Federal Home Loan Mortgage bonds	984,908	-	984,908	-
Corporate bonds	4,163,743	-	4,163,743	-
Common stock	8,201,668	8,201,668	-	-
Investments in limited partnerships:				
Long and short equities hedge fund (1)	6,323,763	-	-	6,323,763
Equity and credit market hedge fund (2)	6,281,300	-	-	6,281,300
Event-driven hedge fund (3)	1,947,196	-	-	1,947,196
Managed futures (4)	1,378,582	-	-	1,378,582
Private equity funds (5)	1,552,570	-	-	1,552,570
Real estate funds (6)	1,362,530	-	-	1,362,530
Total	$ 54,544,982	$ 26,039,549	$ 9,659,492	$ 18,845,941

(1) Long and short equities hedge fund. A fund of funds with long/short focus. The managers employed by the fund are fundamentally driven, bottoms-up, research-intensive stock pickers who use very little, if any, leverage.

(2) Equity and credit market hedge fund. A fund of funds with a mix of directional and non-directional strategies that include equity long/short, event-driven, relative-value, and global asset allocation. The managers seek equity-like returns that will capture opportunities in up markets while preserving capital in more difficult markets.

(3) Low-volatility hedge fund. A fund of funds with a low-volatility focus often used as a fixed-income alternative. Managers attempt returns similar to U.S. equities, seek to maintain bond-like volatility, and strive for superior preservation of capital during stock and bond market stress periods.

(4) A managed futures fund engaged in trading a diversified portfolio of commodity interests including futures contracts, options, and forward contracts.

Note 15 - Pension and Other Postretirement Benefit Plans (Continued)

(5) Three private equity funds broadly diversified across managers, investment stages, geography, industry sectors, and company size.

(6) Investment in private property funds broadly classified as core, value-added, and opportunistic.

The tables above present information about the pension and postretirement benefit plan assets measured at fair value at December 31, 2011 and 2010 and the valuation techniques used by the System to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the System has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Hedge Funds	Private Equity Funds	Private Real Estate Funds	Futures Funds	Total
Beginning balance at December 31, 2010	$ 14,552,259	$ 1,552,570	$ 1,362,530	$ 1,378,582	$ 18,845,941
Actual return on plan assets					
Relating to assets still held at the reporting date	(1,373,405)	101,048	292,697	(144,324)	(1,123,984)
Relating to assets sold during the period	462,098	161,090	(45,000)	-	578,188
Purchases, sales, and settlements	(670,000)	(171,988)	232,500	417,820	(191,668)
Ending balance at December 31, 2011	$ 12,970,952	$ 1,642,720	$ 1,842,727	$ 1,652,078	$ 18,108,477

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Hedge Funds	Private Equity Funds	Private Real Estate Funds	Futures Funds	Total
Beginning balance at December 31, 2009	$ 14,400,525	$ 1,586,081	$ 1,123,786	$ 1,370,250	$ 18,480,642
Actual return on plan assets					
Relating to assets still held at the reporting date	1,246,101	95,989	(47,672)	(369,413)	925,005
Relating to assets sold during the period	75,137	15,808	-	425,064	516,009
Purchases, sales, and settlements	(1,169,504)	(145,308)	286,416	(47,319)	(1,075,715)
Ending balance at December 31, 2010	$ 14,552,259	$ 1,552,570	$ 1,362,530	$ 1,378,582	$ 18,845,941

Note 15 - Pension and Other Postretirement Benefit Plans (Continued)

Cash Flow

Contributions

The System expects to contribute $4,159,000 to its pension plan in 2012.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending December 31	Pension Benefits
2012	$ 3,218,232
2013	3,503,054
2014	3,829,416
2015	4,204,117
2016	4,500,484
2017-2020	28,475,994

The employees who retired prior to December 31, 2001 are eligible for postretirement healthcare benefits. The future expected liability at December 31, 2011 and 2010 is approximately $1,000,000.

Note 16 - Changes in Consolidated Unrestricted Net Assets Attributable to the System and the Noncontrolling Interest

The changes in consolidated unrestricted net assets attributable to the System and the noncontrolling interest were as follows:

	Total	Controlling Interest	Noncontrolling Interest
Balance at December 31, 2009	$ 169,949,413	$ 167,054,686	$ 2,894,727
Excess of revenue over expenses	15,697,525	14,845,391	852,134
Capital distributions	(2,749,796)	112,174	(2,861,970)
Pension-related changes other than net periodic cost	(831,336)	(831,336)	-
Net assets released from restriction for capital equipment	683,559	683,559	-
Balance at December 31, 2010	182,749,365	181,864,474	884,891
Excess of revenue over expenses	5,990,863	5,666,700	324,163
Capital distributions	(1,148,991)	(972,492)	(176,499)
Pension-related changes other than net periodic cost	(9,989,479)	(9,989,479)	-
Net assets released from restriction for capital equipment	874,978	874,978	-
Balance at December 31, 2011	$ 178,476,736	$ 177,444,181	$ 1,032,555

Note 17 - Discontinued Operations

In October 2010, Careserve, a wholly owned subsidiary of the System, sold its 130-bed skilled nursing facility, located in Zanesville, and its 151-bed skilled nursing facility and related property, located in McConnelsville, to a Delaware limited liability company (Trilogy FSC Investors, LLC). Careserve recognized a gain of $3,995,000 in 2010 from the sale of the beds and property. Careserve entered into an agreement to lease the Zanesville property to the new buyer for a period of three years or until the tenant completes construction of a new facility.

Note 17 - Discontinued Operations (Continued)

Continued cash flow was generated from the sale of the nursing facilities operations subsequent to the sale from accounts receivable that are outstanding related to the operations of the nursing facilities. In addition, Careserve recorded a receivable of $2,500,000 due from the buyer the earlier of (1) the third anniversary of the lease agreement or (2) the termination of the lease agreement. Careserve also recorded a receivable of $500,000 for money held in escrow at the time of the purchase. Careserve will receive half of the escrow less an amount for any open claims on the first 12-month anniversary of the closing date and the remaining escrow balance less any amount for open claims on the second 12-month anniversary of the closing date.

Discontinued operations for the year ended December 31, 2010 are as follows:

	2010
Net patient revenue	$ 11,085,278
Other expenses	(7,499,425)
Income from discontinued operations	$ 3,585,853

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Independent Auditor's Report on Additional Information

To the Board of Directors
Genesis HealthCare System and Subsidiaries

We have audited the consolidated financial statements of Genesis HealthCare System and Subsidiaries as of and for the years ended December 31, 2011 and 2010. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in the accompanying schedules is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the report of other auditors for the 2011 Genesis HealthCare Foundation financial statements, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

March 20, 2012

Genesis HealthCare System and Subsidiaries

Consolidating Balance Sheet
December 31, 2011

	Obligated Group						Non-Obligated Group			
	Hospital Operations	Careserve	Carelife, Inc and Subsidiaries	Genesis HealthCare Foundation	Obligated Eliminating Entries	Total Obligated Group	Community Ambulance Service	Southeast Ohio Medical Insurance Company Ltd	Eliminating Entries	Total
Assets										
Current Assets										
Cash and cash equivalents	$ 11,976,958	$ 1,177,551	$ 4,210,540	$ 870,151	$ -	$ 18,235,200	$ 2,155,758	$ 40,432	$ -	$ 20,431,390
Accounts receivable	37,892,938	237,985	9,210,507	-	-	47,341,430	603,478	1,612,620	(621,880)	48,935,648
Estimated third-party payor settlements	2,083,036	-	-	-	-	2,083,036	-	-	-	2,083,036
Inventory	4,410,061	-	3,685,542	-	-	8,095,603	5,745	-	-	8,101,348
Other assets	8,651,713	2,791,620	577,749	1,580,255	-	13,601,337	180,653	10,365	-	13,792,355
Total current assets	65,014,706	4,207,156	17,684,338	2,450,406	-	89,356,606	2,945,634	1,663,417	(621,880)	93,343,777
Assets Limited as to Use	74,054,625	767,854	261,470	29,613,175	-	104,697,124	712,465	16,776,515	-	122,186,104
Property and Equipment - Net	97,862,256	1,268,854	4,913,800	246,733	-	104,291,643	1,105,736	-	-	105,397,379
Beneficial Interest in Perpetual Trusts	-	-	-	12,035,007	-	12,035,007	-	-	-	12,035,007
Other Assets										
Long-term investments	4,633,328	-	271,267	-	-	4,904,595	-	-	(3,582,878)	1,321,717
Other noncurrent assets	19,829,230	-	149,264	-	(1,090,236)	18,888,258	-	-	(10,859,395)	8,028,863
Total assets	**$ 261,394,145**	**$ 6,243,864**	**$ 23,280,139**	**$ 44,345,321**	**$ (1,090,236)**	**$ 334,173,233**	**$ 4,763,835**	**$ 18,439,932**	**$ (15,064,153)**	**$ 342,312,847**

Genesis HealthCare System and Subsidiaries

Consolidating Balance Sheet (Continued)
December 31, 2011

	Obligated Group						Non-Obligated Group			
	Hospital Operations	Careserve	Carelife, Inc and Subsidiaries	Genesis HealthCare Foundation	Obligated Eliminating Entries	Total Obligated Group	Community Ambulance Service	Southeast Ohio Medical Insurance Company, Ltd	Eliminating Entries	Total
Liabilities and Net Assets										
Current Liabilities										
Current portion of long-term debt	$ 3,925,543	$ -	$ -	$ -	$ -	$ 3,925,543	$ 42,366	$ -	$ -	$ 3,967,909
Accounts payable	13,376,847	23,627	5,821,189	5,092	-	19,226,755	169,578	1,132,415	(621,880)	19,906,868
Accrued liabilities and other										
Accrued compensation	13,129,382	93,558	3,106,365	-	-	16,329,305	112,729	-	-	16,442,034
Other accrued liabilities	903,243	7,418	185,539	-	(1,090,236)	5,964	38,995	11,740,794	(10,859,395)	926,358
Total current liabilities	31,335,015	124,603	9,113,093	5,092	(1,090,236)	39,487,567	363,668	12,873,209	(11,481,275)	41,243,169
Long-term Debt - Net of current portion	50,017,743	-	-	-	-	50,017,743	116,888	-	-	50,134,631
Fair Value of Interest Rate Swap Agreement	2,432,628	-	-	-	-	2,432,628	-	-	-	2,432,628
Other Liabilities										
Pension and postretirement obligations	35,915,235	-	-	-	-	35,915,235	-	-	-	35,915,235
Deferred revenue	8,540,401	-	22,209	-	-	8,562,610	-	-	-	8,562,610
Accrued professional liability	2,173,933	-	-	-	-	2,173,933	-	5,446,723	-	7,620,656
Total liabilities	130,414,955	124,603	9,135,302	5,092	(1,090,236)	138,589,716	480,556	18,319,932	(11,481,275)	145,908,929
Net Assets										
Unrestricted										
Net assets	130,979,190	6,119,261	14,144,837	26,413,047	-	177,656,335	3,250,724	120,000	(3,582,878)	177,444,181
Noncontrolling Interest	-	-	-	-	-	-	1,032,555	-	-	1,032,555
Temporarily restricted	-	-	-	3,216,806	-	3,216,806	-	-	-	3,216,806
Permanently restricted	-	-	-	14,710,376	-	14,710,376	-	-	-	14,710,376
Total liabilities and net assets	**$ 261,394,145**	**$ 6,243,864**	**$ 23,280,139**	**$ 44,345,321**	**$ (1,090,236)**	**$ 334,173,233**	**$ 4,763,835**	**$ 18,439,932**	**$ (15,064,153)**	**$ 342,312,847**

Genesis HealthCare System and Subsidiaries

Consolidating Statement of Operations and Changes in Unrestricted Net Assets
Year Ended December 31, 2011

	Obligated Group							Non-Obligated Group			
	Hospital Operations	Careserve	Carelife, Inc and Subsidiaries	Genesis HealthCare Foundation	Transferred Entities	Obligated Eliminating Entries	Total Obligated Group	Community Ambulance Service	Southeast Ohio Medical Insurance Company, Ltd	Eliminating Entries	Total
Unrestricted Revenue, Gains, and Other Support											
Net patient service revenue	$ 305,987,612	$ 747,064	$ 25,811,236	$ -	$ -	$ -	$ 332,545,912	$ 6,341,451	$ -	$ -	$ 338,887,363
Less provision for bad debts	(18,344,423)	(736,368)	(4,119,125)	-	-	-	(23,199,916)	(335,221)	-	-	(23,535,137)
Net patient service revenue less provision for bad debts	287,643,189	10,696	21,692,111	-	-	-	309,345,996	6,006,230	-	-	315,352,226
Pharmacy sales and other	14,016,859	2,723,430	52,760,232	1,121,238	-	(4,467,465)	66,154,294	606,567	149,359	(1,683,315)	65,226,905
Total unrestricted revenue, gains, and other support	301,660,048	2,734,126	74,452,343	1,121,238	-	(4,467,465)	375,500,290	6,612,797	149,359	(1,683,315)	380,579,131
Expenses											
Salaries and wages	109,186,241	2,012,361	40,323,035	344,596	-	-	151,866,233	1,825,194	-	-	153,691,427
Employee benefits and payroll taxes	34,448,271	297,065	4,726,304	-	-	(123,846)	39,347,794	869,394	-	(5,682)	40,211,506
Operating supplies and expenses	55,989,934	16,950	656,412	10,680	-	(586,536)	56,087,440	391,040	-	-	56,478,480
Professional services and consultant fees	8,284,978	2,050	2,614,192	-	-	(2,622,692)	8,278,528	10,000	-	-	8,288,528
Purchased services	25,442,844	77,720	5,353,344	148,692	-	(1,003,285)	30,019,315	928,851	144,769	(1,324,023)	29,768,912
Utilities	4,843,927	12,894	604,922	5,097	-	-	5,466,840	86,758	4,590	-	5,558,188
Repairs, rentals, insurance, and other	23,727,234	38,801	4,726,062	726,568	-	(72,894)	29,145,771	541,080	-	(353,610)	29,333,241
Pharmacy cost of goods sold	-	-	30,720,313	-	-	-	30,720,313	343,132	-	-	31,063,445
Depreciation	14,607,723	181,923	560,981	12,776	-	-	15,363,403	316,391	-	-	15,679,794
Interest expense	2,268,241	123,280	32,067	-	-	(58,212)	2,365,376	10,310	-	-	2,375,686
Total expenses	278,799,393	2,763,044	90,317,632	1,248,409	-	(4,467,465)	368,661,013	5,322,150	149,359	(1,683,315)	372,449,207
Operating Income (Loss)	22,860,655	(28,918)	(15,865,289)	(127,171)	-	-	6,839,277	1,290,647	-	-	8,129,924
Other Income (Loss)											
Investment income	3,982,054	30,112	(2,410)	2,052,560	-	-	6,062,316	42,541	-	-	6,104,857
Loss on refunding of debt	(1,064,722)	-	-	-	-	-	(1,064,722)	-	-	-	(1,064,722)
Unrealized losses on trading securities	(3,170,684)	(34,416)	(5,526)	(1,499,407)	-	-	(4,710,033)	(36,535)	-	-	(4,746,568)
Change in fair value of interest rate swap agreement	(2,432,628)	-	-	-	-	-	(2,432,628)	-	-	-	(2,432,628)
Total other (loss) income	(2,685,980)	(4,304)	(7,936)	553,153	-	-	(2,145,067)	6,006	-	-	(2,139,061)
Excess of Revenue Over (Under) Expenses	20,174,675	(33,222)	(15,873,225)	425,982	-	-	4,694,210	1,296,653	-	-	5,990,863
Capital Distribution	-	-	-	-	-	-	-	(706,000)	-	(442,991)	(1,148,991)
Transfer (to) from Affiliate	(18,192,510)	1,969,991	17,764,376	(385,831)	(1,156,026)	-	-	-	-	-	-
Pension-related Changes Other than Net Periodic Cost	(9,989,479)	-	-	-	-	-	(9,989,479)	-	-	-	(9,989,479)
Net Assets Released from Restriction for Purchase of Property and Equipment	-	-	-	874,978	-	-	874,978	-	-	-	874,978
(Decrease) Increase in Unrestricted Net Assets	**$ (8,007,314)**	**$ 1,936,769**	**$ 1,891,151**	**$ 915,129**	**$ (1,156,026)**	**$ -**	**$ (4,420,291)**	**$ 590,653**	**$ -**	**$ (442,991)**	**$ (4,272,629)**

Additional Data

Software ID:
Software Version:
EIN: 31-1480941
Name: GENESIS HEALTHCARE SYSTEM

Form 990, Special Condition Description:

Special Condition Description

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

(Code) (Expenses $ 13,014,427 including grants of $) (Revenue $ 34,230,477)

ORTHOPEDIC SERVICES - GENESIS HAS COMBINED SEVERAL SERVICES INTO A COMPLETE ORTHOPEDIC PROGRAM GENESIS HAS SPECIALLY EQUIPPED OPERATING ROOMS, A DEDICATED INPATIENT UNIT, AN ORTHOPEDIC REHAB PROGRAM, A SKILLED NURSING FACILITY AND SPORTS MEDICINE SERVICES BUT THE MOST IMPORTANT ELEMENT IS A COMMITMENT TO EXCELLENCE IN CLINICAL QUALITY, MADE POSSIBLE BY A TEAM OF WELL-TRAINED AND DEDICATED STAFF THE TOTAL NUMBER OF ORTHOPEDIC INPATIENT CASES TREATED IN 2011 WERE 1,383

(Code) (Expenses $ 4,545,128 including grants of $) (Revenue $ 11,954,573)

GENESIS PROVIDES BEHAVIORAL HEALTH SERVICES FOR PSYCHIATRIC ADULTS ON AN OPEN UNIT AND A PROTECTED UNIT THERE ARE 8 PSYCHIATRIC INTENSIVE TREATMENT BEDS LOCATED WITHIN THE PROTECTED UNIT WE HAVE A 14-BED CHILD/ADOLESCENT INPATIENT UNIT, WHICH IS PROTECTED INPATIENT DETOXIFICATION SERVICES ARE PROVIDED AS WELL AS OUTPATIENT DRUG AND ALCOHOL SERVICES THERE ARE PARTIAL HOSPITAL PROGRAMS FOR CHILDREN, ADOLESCENTS, ADULTS AND A DUALLY DIAGNOSED PARTIAL PROGRAM FOR ADOLESCENTS A FULL RANGE OF THERAPEUTIC SERVICES IS OFFERED INCLUDING ART, MUSIC, RECREATION AND OCCUPATIONAL THERAPY OTHER MISCELLANEOUS PROGRAMS INCLUDE DUI SCHOOL, SHOP LIFTING DIVERSION, UNDERAGECONSUMPTION SCHOOLS AND CLASSES FOR DIVORCING PARENTS AND CHILDREN OF DIVORCE TOTAL INPATIENTS TREATED IN 2011 WERE 1,784

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			
MICHAEL BENNETT CHAIR	3 10	X		X				0	0	0
WALTER OFFINGER VICE CHAIR	2 50	X		X				0	0	0
JODY BALLAS TREASURER	3 60	X		X				0	0	0
JERRY NOLDER SECRETARY	3 50	X		X				0	0	0
MARK MOYER EX-OFFICIO	3 10	X						0	0	0
SR LAURA WOLF EX-OFFICIO	2 70	X						0	0	0
RANDY COCHRANE EX-OFFICIO	2 10	X						0	0	0
THOMAS DIEHL MD DIRECTOR	2 50	X						0	0	0
SR THERESA FELDKAMP DIRECTOR	1 60	X						0	0	0
ROBERT KESSLER DIRECTOR	3 40	X						0	0	0
ERIC NEWSOM MD CHIEF OF STAFF	2 70	X						0	0	0
JAMES MCDONALD DIRECTOR	2 30	X						0	0	0
WILLIAM PHILLIPS DIRECTOR	1 30	X						0	0	0
WILLIAM SHADE MD DIRECTOR	2 30	X						0	0	0
ERIN WELCH DIRECTOR	1 60	X						0	0	0
WALTER WIELKIEWICZ MD DIRECTOR	1 60	X						0	0	0
MATTHEW PERRY CHIEF EXEC OFFICER	37 00			X				613,751	0	174,635
PAUL MASTERSON CHIEF FINANCIAL OFFICER	35 50			X				369,275	0	102,965
ALAN VIERLING COO (JAN-SEPT)	40 00			X				407,247	0	23,246
CASSANDRA PALMER CHIEF HR OFFICER	40 00				X			349,495	0	108,848
EDMOND ROMITO CHIEF INFOR OFFICER	40 00				X			261,860	0	64,642
ALAN BURNS CHIEF DEVELOPMENT OFFICER	40 00				X			282,701	0	85,941
PATRICIA CAMPBELL CHIEF NURSING OFFICER	40 00				X			337,767	0	99,416
REGINA PENNINGTON CHIEF QUALITY OFFICER	40 00				X			216,617	0	48,514
DANIEL SCHEERER CHIEF MEDICAL AFFAIRS OFFI	40 00				X			267,297	0	52,409

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			
TIMOTHY RAYMOND CHIEF ADMIN OFFICER- PHYS SVS	40 00				X			175,590	0	70,834
CRAIG SMALL CLINICAL PHARMACIST	40 00					X		143,178	0	19,137
PETE HAMILTON DIRECTOR OF PHARMACY SERVICES	40 00					X		141,617	0	22,077
CHUCK ADAMS DIRECTOR OF LEAN SIGMA	40 00					X		141,967	0	17,029
KELLI DIALS DIRECTOR OF NURSING ADMINISTRATION	40 00					X		141,838	0	7,416
RON WEINER DIRECTOR OF CORPORATE CONSULTING	40 00					X		137,293	0	19,881