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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
NORTON HOSPITALS INC

Doing Business As

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

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

D Employer identification number
61-0703799

E Telephone number
(502)629-8263

G Gross receipts $ 1,388,017,311

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

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW NORTONHEALTHCARE COM

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

L Year of formation 1969

M State of legal domicile KY

Part I Summary

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

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	26
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	23
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	9,627
6	Total number of volunteers (estimate if necessary)	**6**	1,069
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	4,363,043
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-109,749

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	11,639,183	11,695,612
	9 Program service revenue (Part VIII, line 2g)	1,283,063,357	1,369,464,955
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-34,744	-44,885
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,748,021	4,937,576
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,298,415,817	1,386,053,258
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	488,142,913	502,607,452
	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)	744,009,869	768,583,549
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,232,152,782	1,271,191,001
	19 Revenue less expenses Subtract line 18 from line 12	66,263,035	114,862,257

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	849,219,774	961,472,634
	21 Total liabilities (Part X, line 26)	83,370,485	80,980,602
	22 Net assets or fund balances Subtract line 21 from line 20	765,849,289	880,492,032

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

****** 2012-11-12
Signature of officer — Date

MICHAEL W GOUGH TREASURER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: GERALYN R HURD | Date | Check if self-employed ☐ | Preparer's taxpayer identification number (see instructions) P00933422

Firm's name (or yours if self-employed), address, and ZIP + 4: CROWE HORWATH LLP, 9600 BROWNSBORO ROAD SUITE 400, LOUISVILLE, KY 402520649 | EIN ▶ 35-0921680 | Phone no ▶ (502) 326-3996

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the 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 $ 1,239,081,609 including grants of $) (Revenue $ 1,368,787,677)

NORTON HOSPITALS, INC (NORTON) WAS FORMED TO I) ESTABLISH AND MAINTAIN HOSPITALS OR HEALTH CARE FACILITIES, WITHIN OR OUTSIDE THE COMMONWEALTH OF KENTUCKY, WITH PERMANENT FACILITIES THAT INCLUDE INPATIENT BEDS AND MEDICAL SERVICES TO PROVIDE DIAGNOSIS, CARE AND TREATMENT FOR PEDIATRIC AND ADULT PATIENTS, II) CARRY ON EDUCATIONAL ACTIVITIES RELATED TO RENDERING CARE TO THE SICK AND INJURED, III) PROMOTE AND CARRY ON SCIENTIFIC RESEARCH RELATED TO THE CARE OF THE SICK AND INJURED, IV) PARTICIPATE IN ANY ACTIVITY DESIGNED AND CARRIED ON TO PROMOTE THE GENERAL HEALTH OF THE COMMUNITY, AND V) PROVIDE ON A NONPROFIT BASIS, HOSPITAL OR HEALTH CARE FACILITIES AND SERVICES FOR THE CARE AND TREATMENT OF PERSONS WHO ARE ACUTELY ILL OR WHO OTHERWISE REQUIRE MEDICAL CARE AND RELATED SERVICES OF THE KIND CUSTOMARILY FURNISHED MOST EFFECTIVELY BY HOSPITALS OR HEALTH CARE FACILITIES NORTON HAS A TOTAL OF 1,837 LICENSED BEDS, NORTON HOSPITAL - 642 BEDS, KOSAIR CHILDREN'S HOSPITAL (KCH) - 263 BEDS, NORTON AUDUBON HOSPITAL - 432 BEDS, NORTON SUBURBAN HOSPITAL - 373 BEDS, AND NORTON BROWNSBORO HOSPITAL - 127 BEDS THESE HOSPITALS OPERATE TWENTY-FOUR (24) HOURS A DAY, SEVEN (7) DAYS A WEEK IN 2011, NORTON'S HOSPITALS AND DIAGNOSTIC CENTERS SERVED 61,828 INPATIENTS, 406,124 OUTPATIENTS, AND 191,901 EMERGENCY ROOM VISITS IN ADDITION, NORTON'S OPERATING ROOMS CARED FOR 19,518 INPATIENT SURGICAL PATIENTS AND 33,425 OUTPATIENT SURGICAL PATIENTS ADDITIONALLY, 8,126 DELIVERIES WERE PERFORMED AT NORTON BIRTHING CENTERS UNDER ITS CHARITY CARE PROGRAM, NORTON PROVIDED FREE CARE TO 7,772 PATIENTS, AT A COST OF $12 8 MILLION ALSO, NORTON GRANTS PATIENTS A DISCOUNT FROM BILLED CHARGES TO ANY INDIVIDUALS THAT HAVE NO ACCESS TO PRIVATE HEALTH INSURANCE OR DO NOT QUALIFY FOR GOVERNMENT ASSISTANCE OR CHARITY CARE UNDER THIS PROGRAM, 43,958 PATIENTS RECEIVED CARE AT DISCOUNTED RATES OTHER CONTRIBUTIONS TO THE COMMUNITY WERE THE UNPAID COST OF MEDICAID AND THE KENTUCKY DISPROPORTIONATE SHARE PROGRAM SERVICES TOTALING $68 3 MILLION AND EDUCATIONAL SUPPORT OF $23 5 MILLION, PRIMARILY TO THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE ALSO, COMMUNITY HEALTH IMPROVEMENT SERVICES TOTALED $10 2 MILLION AND CONTRIBUTIONS TO COMMUNITY GROUPS WERE $3 4 MILLION

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 1,239,081,609

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		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or 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**		No
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**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	299		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	9,627			
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**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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	26		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	23		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	3			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5			No
6	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			No
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			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

			Yes	No
10a	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 ▶

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 ▶

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

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, 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)**								10,437,876	5,225,631	1,719,867

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 ▶ 263

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization 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
ABEL CONSTRUCTION 3401 BASHFORD AVENUE CT LOUISVILLE, KY 40218	CONSTRUCTION & REPAIRS	8,720,038
UNIVERSITY OF LOUISVILLE 323 E CHESTNUT LOUISVILLE, KY 40202	RESIDENCY PROGRAM	8,560,611
MORRISON MANAGEMENT SPECIALIST P O BOX 102289 ATLANTA, GA 30368	DIETARY SERVICES	6,757,825
PEDIATRIC ANESTHESIA ASSOCIATION 462 S 4TH STREET LOUISVILLE, KY 40202	ANESTHESIA SERVICE	3,669,764
FTI CONSULTING INC P O BOX 418005 BOSTON, MA 02241	CONSULTING SERVICES	3,002,338

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 ▶ 142

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	4,744,014			
	e	Government grants (contributions)	1e	1,060,447			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	5,891,151			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		11,695,612			
Program Service Revenue			Business Code				
	2a	NET PATIENT REVENUE	621110	1,367,499,162	1,363,150,789	4,348,373	
	b	HEALTHCARE EDUCATION	611710	1,965,793	1,965,793		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		1,369,464,955			
	3	Investment income (including dividends, interest and other similar amounts)		8,411			8,411
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	2,037,996				
	b	Less rental expenses	1,844,508				
	c	Rental income or (loss)	193,488				
	d	Net rental income or (loss)		193,488			193,488
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		66,249			
	b	Less cost or other basis and sales expenses		119,545			
	c	Gain or (loss)		-53,296			
	d	Net gain or (loss)		-53,296			-53,296
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	PURCHASING CO-OP INC	561499	3,475,089	3,460,419	14,670	
	b	PARKING INCOME	812930	1,072,993			1,072,993
	c	PURCHASING DISCOUNTS	900099	196,006	196,006		
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		4,744,088			
	12	**Total revenue.** See Instructions		1,386,053,258	1,368,773,007	4,363,043	1,221,596

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	2,953,921	2,953,921		
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	173,429	173,429		
7	Other salaries and wages	393,749,020	393,749,020		
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	23,110,716	23,110,716		
9	Other employee benefits	55,485,105	55,485,105		
10	Payroll taxes	27,135,261	27,135,261		
11	Fees for services (non-employees)				
a	Management				
b	Legal	4,754	4,754		
c	Accounting				
d	Lobbying	55,569	55,569		
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	97,572,167	97,572,167		
12	Advertising and promotion				
13	Office expenses	4,022,555	4,022,555		
14	Information technology				
15	Royalties . .				
16	Occupancy	14,965,507	14,965,507		
17	Travel	1,173,443	1,173,443		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	37,310,835	37,310,835		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	54,871,039	54,871,039		
23	Insurance	33,423,402	33,423,402		
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	MEDICAL SUPPLIES	275,964,456	275,964,456		
b	ALLOCATED SUPPORT	152,901,867	120,792,475	32,109,392	
c	BAD DEBT	54,088,590	54,088,590		
d	PROVIDER TAX	20,129,732	20,129,732		
e					
f	All other expenses	22,099,633	22,099,633		
25	**Total functional expenses.** Add lines 1 through 24f	1,271,191,001	1,239,081,609	32,109,392	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		47,213	1	28,915
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		135,293,360	4	151,995,025
	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		42,571,219	8	43,849,372
	9	Prepaid expenses and deferred charges		1,921,282	9	1,481,623
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 1,105,459,016			
	b	Less accumulated depreciation	10b 558,337,738	550,337,128	10c	547,121,278
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		2,141,356	14	4,446,271
	15	Other assets See Part IV, line 11		116,908,216	15	212,550,150
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		849,219,774	16	961,472,634
Liabilities	17	Accounts payable and accrued expenses		50,403,909	17	53,192,462
	18	Grants payable			18	
	19	Deferred revenue		234,894	19	4,465
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		32,731,682	25	27,783,675
	26	**Total liabilities.** Add lines 17 through 25		83,370,485	26	80,980,602
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		759,120,670	27	871,062,342
	28	Temporarily restricted net assets		6,728,619	28	9,429,690
	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		765,849,289	33	880,492,032
	34	Total liabilities and net assets/fund balances		849,219,774	34	961,472,634

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,386,053,258
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,271,191,001
3	Revenue less expenses Subtract line 2 from line 1	3	114,862,257
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	765,849,289
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-219,514
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	880,492,032

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
NORTON HOSPITALS INC

Employer identification number
61-0703799

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

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

1 ☐ A church, convention of churches, or association of churches **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
NORTON HOSPITALS INC	61-0703799

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)?	Yes		
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		1,052
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		55,569
j	Total lines 1c through 1i			56,621
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
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	AN EMPLOYEE OF NORTON HOSPITALS, INC (NHI) IS ENGAGED IN LOBBYING HEALTH POLICY ISSUES AT THE STATE LEVEL WITH THE EXECUTIVE AND LEGISLATIVE BRANCHES OF KENTUCKY STATE GOVERNMENT NHI IS NOT REGISTERED TO LOBBY AT THE FEDERAL LEVEL LOBBYING COMPENSATION PAID AS REPORTED TO THE KENTUCKY LEGISLATIVE ETHICS COMMISSION IS $1,052 NHI PAYS DUES TO THE KENTUCKY HOSPITAL ASSOCIATION A PORTION OF THOSE DUES IN THE AMOUNT OF $55,569 IS SPENT ON LOBBYING

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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
NORTON HOSPITALS INC

Employer identification number
61-0703799

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part VI 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		23,553,664		23,553,664
b Buildings		559,983,879	198,571,772	361,412,107
c Leasehold improvements				
d Equipment		482,786,749	354,606,461	128,180,288
e Other		39,134,724	5,159,505	33,975,219
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				547,121,278

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

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

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

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

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

(a) Description	(b) Book value
(1) MISCELLANEOUS RECEIVABLES	1,156,488
(2) INVESTMENT IN PREMIER PURCHASING PARTNERS, L P	7,192,087
(3) RECEIVABLE FROM AFFILIATE	200,582,380
(4) PHYSICIAN GUARANTEE ASSET	3,619,195
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	212,550,150

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
DUE TO THIRD PARTY PAYORS	18,330,091
ASSET RETIREMENT OBLIGATION	5,834,389
PHYSICIAN GUARANTEE LIABILITY	3,619,195
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	27,783,675

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	1,386,053,258
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	1,271,191,001
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	114,862,257
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	-219,514
9	Total adjustments (net) Add lines 4 - 8	9	-219,514
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	114,642,743

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	NORTON HEALTHCARE, INC AND AFFILIATES (NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, NORTON ENTERPRISES, INC , NORTON HEALTHCARE FOUNDATION, INC , NORTON PROPERTIES, INC , THE CHILDREN'S HOSPITAL FOUNDATION) COMPLETED AN ANALYSIS OF ITS TAX POSITION AT DECEMBER 31, 2011 AND 2010, AND DETERMINED THAT NO MATERIAL AMOUNTS WERE REQUIRED TO BE RECOGNIZED UNDER ACCOUNTING STANDARDS CODIFICATION 740, INCOME TAXES, IN THE COMBINED FINANCIAL STATEMENTS AT DECEMBER 31, 2011 AND 2010
PART XI, LINE 8 - OTHER ADJUSTMENTS		AFFILIATE TRANSFER -219,514

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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
NORTON HOSPITALS INC

Employer identification number
61-0703799

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 **300.000000000000 %**	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		No
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)			12,830,971	0	12,830,971	1 050 %
b Medicaid (from Worksheet 3, column a)			267,922,447	205,252,693	62,669,754	5 150 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			9,618,988	3,983,312	5,635,676	0 460 %
d **Total** Charity Care and Means-Tested Government Programs			290,372,406	209,236,005	81,136,401	6 660 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			10,155,263	0	10,155,263	0 830 %
f Health professions education (from Worksheet 5)			27,525,218	3,987,534	23,537,684	1 930 %
g Subsidized health services (from Worksheet 6)			0	0		
h Research (from Worksheet 7)			2,678,206	0	2,678,206	0 220 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			4,551,211	5	4,551,206	0 370 %
j **Total** Other Benefits			44,909,898	3,987,539	40,922,359	3 350 %
k **Total.** Add lines 7d and 7j			335,282,304	213,223,544	122,058,760	10 010 %

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			0			
2	Economic development			0			
3	Community support			0	0		
4	Environmental improvements			0			
5	Leadership development and training for community members			0			
6	Coalition building			6,178	0	6,178	0 %
7	Community health improvement advocacy			3,039	0	3,039	0 %
8	Workforce development			0			
9	Other			0			
10	**Total**			9,217		9,217	

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	Yes		
2	Enter the amount of the organization's bad debt expense	2	54,088,590		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	5,731,493		
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	296,158,508
6	Enter Medicare allowable costs of care relating to payments on line 5	6	325,453,429
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-29,294,921
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? 5

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

NORTON HOSPITAL

Name of Hospital Facility: NORTON HOSPITAL

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 300 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		No
	If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11		No
	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**		No
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)

KOSAIR CHILDREN'S 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 300 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		No
	If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11		No
	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**		No
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)

NORTON AUDUBON HOSPITAL

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

		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 300 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		No
	If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11		No
	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**		No
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)

NORTON SUBURBAN HOSPITAL

Name of Hospital Facility: NORTON SUBURBAN HOSPITAL

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 4

		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 300 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		No
	If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11		No
	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**		No
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)

NORTON BROWNSBORO HOSPITAL

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 5

		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 300 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		No
	If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11		No
	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**		No
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? _____

	Name and address	Type of Facility (Describe)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the 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 3C AND LINE 3B NORTON HOSPITALS, INC HAS RESPONDED NO TO LINE 3B IN THAT WE DO NOT UTILIZE FEDERAL POVERTY GUIDELINES FOR PROVIDING DISCOUNTED CARE THIS RESPONSE IS A RESULT OF THE FACT THAT WE DISCOUNT ALL SELF PAY PATIENTS WITH NO INSURANCE COVERAGE REGARDLESS OF INCOME QUALIFICATIONS

Identifier	ReturnReference	Explanation
		PART I, LINE 6A COMMUNITY BENEFIT IS REPORTED UNDER NORTONHEALTHCARE COM, PARENT OF NORTON HOSPITALS, INC PART I, LINE 7G NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 LINE 7A, 7B AND 7C, THE COSTING METHODOLOGY USED TO CALCULATE THE COMMUNITY BENEFIT EXPENSES WERE TO CALCULATE THE COST BY HOSPITAL LOCATION (5 SEPARATE HOSPITAL LOCATIONS UNDER ONE MEDICARE PROVIDER NUMBER) THE COST WAS DETERMINED BASED ON A SPECIFIC LOCATION COST TO CHARGE RATIO THE COST TO CHARGE RATIO WAS ADJUSTED FOR BAD DEBT EXPENSE AND OTHER COSTS THE COST USED IN THE CALCULATION WAS REDUCED BY BAD DEBT EXPENSE, PROVIDER TAXES, GRADUATE MEDICAL EDUCATION EXPENSES, AND OTHER COSTS THE ADJUSTED COST TO CHARGE RATIO WAS THEN MULTIPLIED TIMES THE GROSS CHARGES FOR QUALIFIED FINANCIAL ASSISTANCE CHARGES, MEDICAID AND THE STATE DISPROPORTIONATE SHARE PROGRAM (OTHER MEANS TESTED GOVERNMENT PROGRAM) TO OBTAIN THE SPECIFIC COMMUNITY BENEFIT EXPENSE LINE 7E - AMOUNTS PRESENTED ARE BASED ON ACTUAL SPEND FOR THOSE SERVICES AND BENEFITS PROVIDED DEEMED TO IMPROVE THE HEALTH OF THE COMMUNITIES IN WHICH WE SERVE AND CONFORM TO THE MISSION OF OUR EXEMPT PURPOSE LINE 7F - AMOUNTS PRESENTED ARE BASED UPON ACTUAL SPEND AND ARE IN CONFORMITY WITH AGREED UPON COMMITMENTS WITH VARIOUS EDUCATIONAL PROGRAMS LINE 7H - AMOUNTS PRESENTED REPRESENT ACTUAL SPEND TO SUPPORT COMMUNITY HEALTH RESEARCH REGARDING OUTCOMES AND EFFECTIVENESS OF TREATMENTS LINE 7I - IN KEEPING WITH OUR MISSION AND COMMITMENT TO THE COMMUNITIES IN WHICH WE SERVE, NORTON HOSPITALS, INC CONTINUES ITS TRADITION OF CONTRIBUTING MONIES TO NUMEROUS ORGANIZATIONS AMOUNTS PRESENTED REPRESENT ACTUAL MONIES CONTRIBUTED TO ORGANIZATIONS THROUGHOUT OUR COMMUNITIES

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 24, COLUMN (A) IS $54,088,590 THE BAD DEBT EXPENSE WAS SUBTRACTED FROM TOTAL EXPENSES REPORTED ON FORM 990, PART IX, LINE 25 FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN

Identifier	ReturnReference	Explanation
		PART III, LINE 4 DESCRIBE HOW THE ORGANIZATION ACCOUNTS FOR DISCOUNTS AND PAYMENTS ON PATIENT ACCOUNTS IN DETERMINING BAD DEBT EXPENSE BAD DEBT EXPENSE IS BASED ON MANAGEMENT ASSESSMENT OF EXPECTED NET COLLECTIONS CONSIDERING ECONOMIC CONDITIONS AND HISTORICAL BUSINESS, TRENDS IN HEALTHCARE COLLECTIONS AND INSURANCE COVERAGE, AND OTHER COLLECTION INDICATORS MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THIS REVIEW IS THEN USED TO MAKE CHANGES TO THE PROVISION FOR UNCOLLECTIBLE ACCOUNTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES THE BAD DEBT EXPENSE IS BASED ON THE NET ESTIMATED AMOUNT EXPECTED TO BE DUE FROM THE PATIENT/PAYOR BAD DEBT EXPENSE FALLS INTO THREE CATEGORIES, TRUE SELF PAY, PATIENT RESPONSIBILITY AFTER INSURANCE, AND OTHER TRUE SELF PAY - FOR TRUE SELF PAY PATIENTS, THE SELF PAY DISCOUNT IS APPLIED TO THE ACCOUNT ASSUMING THE PATIENT DOES NOT QUALIFY FOR FINANCIAL ASSISTANCE THE BAD DEBT EXPENSE WRITE-OFF IS THE DISCOUNTED AMOUNT LESS ANY PAYMENTS MADE BY THE PATIENT PATIENT RESPONSIBILITY AFTER INSURANCE - THE BAD DEBT EXPENSE WRITE-OFF FOR PATIENT'S RESPONSIBILITY AFTER INSURANCE IS BASED ON THE PATIENT'S LIABILITY PER THE EXPLANATION OF BENEFITS AND CONTRACT WITH THE INSURANCE COMPANY THE BAD DEBT EXPENSE WRITE-OFF IS THE EXPECTED AMOUNT DUE LESS ANY PAYMENTS MADE BY THE PATIENT OTHER - THE OTHER CATEGORY IS FOR INSURANCE AMOUNTS DUE FROM PAYORS MOST EXPECTED PAYMENTS NOT RECEIVED FROM AN INSURANCE COMPANY AFTER INVESTIGATION INTO PAYMENT DIFFERENCE ARE WRITTEN OFF TO CONTRACTUAL ALLOWANCE/DENIAL CATEGORY DESCRIBE THE METHOD THE ORGANIZATION USES TO DETERMINE THE AMOUNT THAT REASONABLY COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY, IF SUFFICIENT INFORMATION HAD BEEN AVAILABLE TO MAKE A DETERMINATION OF THEIR ELIGIBILITY THE METHOD USED TO DETERMINE THE AMOUNT THAT REASONABLY COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER OUR FINANCIAL ASSISTANCE POLICY IS BASED ON OUR OUTSIDE ELIGIBILITY VENDOR'S EXPERIENCE WITH QUALIFYING ACCOUNTS AS FINANCIAL ASSISTANCE MEDASSIST, OUR OUTSIDE VENDOR, SCREENS ALL SELF PAY ACCOUNTS AND BASED ON AN INITIAL SCREENING, WILL CLASSIFY THE ACCOUNT AS "PROBABLE" FINANCIAL ASSISTANCE IF THE ACCOUNTS APPEARS TO MEET NORTON HOSPITALS, INC 'S (NHI) FINANCIAL ASSISTANCE PROGRAM GUIDELINES THESE ACCOUNTS ARE THEN REQUIRED TO SUBMIT THE NECESSARY DOCUMENTATION TO ULTIMATELY BE CLASSIFIED AS A FINANCIAL ASSISTANCE ACCOUNT BASED ON ALL ACCOUNTS THAT ARE CLASSIFIED AS "PROBABLE FINANCIAL ASSISTANCE" BY MEDASSIST AND THEIR EXPERIENCE WITH GETTING ACCOUNTS QUALIFIED AS FINANCIAL ASSISTANCE, IT IS ESTIMATED THAT 80% OF THOSE ACCOUNTS CLASSIFIED AS PROBABLE FINANCIAL ASSISTANCE AND WHICH DO NOT SUBMIT THE REQUIRED DOCUMENTATION WOULD QUALIFY AS A NHI FINANCIAL ASSISTANCE ACCOUNT THE ESTIMATED COST OF ACCOUNTS THAT ARE ESTIMATED TO QUALIFY FOR OUR FINANCIAL ASSISTANCE PROGRAM IS CALCULATED BASED ON GROSS CHARGES FOR ACCOUNTS FOR THE YEAR THAT ARE PROBABLE, BUT DON'T SUBMIT THE NECESSARY DOCUMENTATION MULTIPLIED TIMES OUR COST TO CHARGE RATIO TIMES THE 80% ESTIMATED CONVERSION FACTOR TEXT FROM FINANCIAL STATEMENTS THAT DESCRIBE BAD DEBT EXPENSE ALLOWANCE FOR DOUBTFUL ACCOUNTSTHE PROVISION FOR DOUBTFUL ACCOUNTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE MODIFICATIONS TO THE PROVISION FOR DOUBTFUL ACCOUNTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COST WAS BASED ON THE MEDICARE PRINCIPLES USED IN COMPLETING THE MEDICARE COST REPORT ALL COST REPORTED CAME FROM THE MEDICARE COST REPORT NORTON HOSPITALS, INC (NHI) ACCEPTS ALL MEDICARE PATIENTS WITH THE KNOWLEDGE THAT THERE MAY BE SHORTFALLS AND OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY NHI BELIEVES THAT THE MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT BECAUSE MEDICARE DOES NOT FULLY COMPENSATE HOSPITALS FOR THE COST OF PROVIDING HOSPITAL CARE TO MEDICARE BENEFICIARIES NHI EXPERIENCED SIGNIFICANT LOSSES ($29 3 MILLION IN ALLOWABLE COSTS FOR THE FISCAL YEAR ENDING 2011) DUE TO UNDERPAYMENT FOR MEDICARE PATIENTS UNREIMBURSED MEDICARE COSTS REPRESENT A SIGNIFICANT VALUE THAT NONPROFIT HOSPITALS PROVIDE TO THE COMMUNITY, AS THE HOSPITAL RELIEVES THE FEDERAL GOVERNMENT OF A FINANCIAL BURDEN WHEN IT PROVIDES ESSENTIAL HEALTHCARE SERVICES TO MEDICARE COVERED PATIENTS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B AFTER THE PATIENT'S INITIAL SCREENING FOR FINANCIAL ASSISTANCE, IF IT APPEARS THAT THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, NORTON HOSPITALS, INC WILL NOT START COLLECTION EFFORTS PENDING THE PATIENT SUBMITTING THE NECESSARY INFORMATION TO DOCUMENT MEETING THE FINANCIAL ASSISTANCE QUALIFICATIONS IF THE PATIENT SUBMITS THE NECESSARY DOCUMENTATION WITHIN A REASONABLE TIME PERIOD, THEN THERE WILL NOT BE ANY COLLECTION EFFORTS MADE TO COLLECT ANY AMOUNT FROM THE PATIENT THE PATIENT WILL RECEIVE A STATEMENT/BILL REFLECTING THE AMOUNT DUE THROUGHOUT THE FINANCIAL ASSISTANCE APPLICATION PROCESS PENDING THE PATIENT'S FINANCIAL ASSISTANCE APPLICATION, BUT THERE WILL BE NO COLLECTION EFFORTS ONLY AFTER SEVERAL ATTEMPTS TO CONTACT THE PATIENT TO GET THE NECESSARY DOCUMENTATION FOR COMPLETING THE FINANCIAL ASSISTANCE APPLICATION AND THE PATIENT NOT RESPONDING, WILL COLLECTION EFFORTS BEGIN TO COLLECT THE AMOUNT DUE FROM THE PATIENT THERE IS AN ONGOING EFFORT THROUGHOUT THE COLLECTION PROCESS TO SCREEN FOR MEDICAID ELIGIBILITY AND THE NEED FOR PROVIDING FINANCIAL ASSISTANCE APPLICATIONS TO PATIENTS IF A PATIENT IS APPROVED FOR FINANCIAL ASSISTANCE, THEIR ACCOUNT IS WRITTEN OFF

Identifier	ReturnReference	Explanation
	PART V, SECTION B	NORTON HOSPITALS, INC IS CURRENTLY IN THE PROCESS OF REVISING THE POLICIES FOR EACH OF ITS HOSPITALS BASED ON THE GUIDANCE PROVIDED IN THE PROPOSED 501(R) REGULATIONS ISSUED IN JUNE 2012 THE RESPONSES TO PART V REFLECT THE CURRENT PRACTICES AND PROCEDURES IN PLACE AT EACH OF THE HOSPITAL FACILITIES REPORTED

Identifier	ReturnReference	Explanation
NORTON HOSPITAL		PART V, SECTION B, LINE 10 NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT

Identifier	ReturnReference	Explanation
KOSAIR CHILDREN'S HOSPITAL		PART V, SECTION B, LINE 10 NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT

Identifier	ReturnReference	Explanation
NORTON AUDUBON HOSPITAL		PART V, SECTION B, LINE 10 NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT

Identifier	ReturnReference	Explanation
NORTON SUBURBAN HOSPITAL		PART V, SECTION B, LINE 10 NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT

Identifier	ReturnReference	Explanation
NORTON BROWNSBORO HOSPITAL		PART V, SECTION B, LINE 10 NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT

Identifier	ReturnReference	Explanation
NORTON HOSPITAL		PART V, SECTION B, LINE 13G SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

Identifier	ReturnReference	Explanation
KOSAIR CHILDREN'S HOSPITAL		PART V, SECTION B, LINE 13G SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

Identifier	ReturnReference	Explanation
NORTON AUDUBON HOSPITAL		PART V, SECTION B, LINE 13G SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

Identifier	ReturnReference	Explanation
NORTON SUBURBAN HOSPITAL		PART V, SECTION B, LINE 13G SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

Identifier	ReturnReference	Explanation
NORTON BROWNSBORO HOSPITAL		PART V, SECTION B, LINE 13G SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

Identifier	ReturnReference	Explanation
NORTON HOSPITAL		PART V, SECTION B, LINE 17E NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS

Identifier	ReturnReference	Explanation
KOSAIR CHILDREN'S HOSPITAL		PART V, SECTION B, LINE 17E NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS

Identifier	ReturnReference	Explanation
NORTON AUDUBON HOSPITAL		PART V, SECTION B, LINE 17E NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS

Identifier	ReturnReference	Explanation
NORTON SUBURBAN HOSPITAL		PART V, SECTION B, LINE 17E NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS

Identifier	ReturnReference	Explanation
NORTON BROWNSBORO HOSPITAL		PART V, SECTION B, LINE 17E NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 NEEDS ASSESSMENTNORTON HOSPITALS, INC (NHI) REGULARLY AND CONSISTENTLY EVALUATES WORKFORCE AND COMMUNITY HEALTH CARE NEEDS THROUGH PARTNERSHIPS WITH LOCAL HEALTH DEPARTMENTS, EMERGENCY MEDICAL SERVICE, LOCAL AND STATE UNIVERSITIES, AND KENTUCKIANA WORKS, THE WORKFORCE INVESTMENT BOARD FOR THE SEVEN COUNTY REGION SURROUNDING LOUISVILLE PARTNERSHIPS WITH THESE ORGANIZATIONS, ALONG WITH NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS SUCH AS THE AMERICAN CANCER SOCIETY, AMERICAN HEART ASSOCIATION AND OTHERS, ALSO PROVIDE NHI IMPORTANT STATISTICS AND DATA TO USE IN EVALUATING COMMUNITY ACCESS TO HEALTH CARE SERVICES AND HEALTH CARE DISPARITIES ADDITIONALLY, NHI ACCESSES DATA FROM ORGANIZATIONS SUCH AS THE CENTERS FOR DISEASE CONTROL AND THE UNITED STATES CENSUS BUREAU TO ASSESS AREAS OF GREATEST ANTICIPATED POPULATION GROWTH AND LOW-INCOME AREAS - BOTH OF WHICH MAY BE IN GREATEST NEED FOR PREVENTION EDUCATIONS, FREE SCREENINGS AND ACCESS TO HEALTH CARE NHI IS CURRENTLY IN THE PROCESS OF COMPLETING A COMMUNITY HEALTH NEEDS ASSESSMENT FOR EACH OF THE FIVE HOSPITALS, TO BE COMPLETED BY THE FIRST QUARTER OF 2013

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE EDUCATION OF PATIENT/GUAR ANTORS REGARDING NORTON FINANCIAL ASSISTANCE AND KOSAIR CHARITIES ASSISTANCENORTON HOSPITA LS, INC (NHI) EMPLOYS AN OUTSIDE ELIGIBILITY VENDOR, MEDASSIST ALL SELF PAY ACCOUNTS FOR THE ADULT FACILITIES ARE PLACED FOR ELIGIBILITY SCREENING WITH MEDASSIST THEY SCREEN FOR NORTON FINANCIAL ASSISTANCE, MEDICAID, PASSPORT, AND DSH/KHCP IN ADDITION, THEY ALSO PR OVIDE EDUCATION AND REFERRAL ASSISTANCE TO THE APPROPRIATE COUNTY/STATE DEPARTMENTS FOR FO OD STAMPS, RENT ASSISTANCE, HEATING ASSISTANCE, ETC THE PROCESS OF COMPLETING THE APPLICA TION IS OFTEN PERFORMED BY MEDASSIST THEMSELVES THEY PROTECT FILING DEADLINES BY SUBMITTI NG THE APPROPRIATE FORMS TO THE STATE/COUNTY, THEY FOLLOW UP TO SECURE PROOF OF INCOME DOC UMENTS FOR NORTON FINANCIAL ASSISTANCE, AND FOLLOW-UP WITH THE PATIENT'S ASSIGNED STATE CA SEWORKER MEDASSIST ALSO MAKES OUTSIDE FIELD CALLS OR HOME VISITS TO THE PATIENTS TO SECUR E THE NEEDED INFORMATION FOR ELIGIBILITY ASSISTANCE IF THEY ARE HOMEBOUND AS WELL AS PROVI DING ASSISTANCE WITH PATIENT TRANSPORTATION NEEDS SO THAT THE PATIENT CAN MAKE THEIR SCHED ULED APPOINTMENTS WITH THEIR CASEWORKER ALL OF THE SERVICES PROVIDED BY MEDASSIST ELIGIBI LITY ARE AT NO COST TO THE PATIENT NHI PAYS FOR THESE ELIGIBILITY SERVICES AT NO COST OF WELL OVER $1,000,000 PER YEAR IN 2006, NHI RE-ASSIGNED FIVE INSURANCE COLLECTORS AND REMO VED THEM FROM FOLLOWING UP ON INSURANCE BALANCES THAT WERE OWED TO NHI NOW, THESE COLLECT ORS ARE FINANCIAL ASSISTANCE COLLECTORS AND THEY FOLLOW UP AND ASSIST PATIENTS WITH SCREEN ING, APPLYING, AND PROVIDING THE DOCUMENTATION TO QUALIFY THE GUARANTORS FOR FINANCIAL ASS ISTANCE THROUGH KOSAIR CHARITIES AND NORTON FINANCIAL ASSISTANCE IN 2008/2009 WE RE-ASSIG NED AN ADDITIONAL ONE AND ONE HALF FULL TIME EMPLOYEES FROM INSURANCE TO SELF PAY/FINANCIA L ASSISTANCE FOLLOW-UP FOR A TOTAL OF 8 FULL TIME EMPLOYEES, INCLUDING THE SUPERVISOR FINA NCIAL ASSISTANCE FOR NORTON FINANCIAL FINANCIAL ASSISTANCE OR KOSAIR CHARITES FINANCIAL AS SISTANCE IS NOT LIMITED TO THE SELF PAY POPULATION EVEN PATIENTS WITH INSURANCE COVERAGE ARE ENCOURAGED TO APPLY FOR ASSISTANCE SO THAT THEIR DEDUCTIBLES, CO-PAYMENTS, AND CO-INSU RANCE AMOUNTS ARE COVERED UNDER THE VARIOUS ASSISTANCE PROGRAMS FINANCIAL COUNSELORS/SOCIA L WORKERS AT THE ADULT FACILITIES AS WELL AS KOSAIR CHILDREN'S HOSPITAL ARE EDUCATED AND T RAINED TO ASSIST WITH COUNSELING PATIENTS AND DETERMINING AND EXPLAINING OUR FINANCIAL ASS ISTANCE PROGRAMS THEY CONTINUE TO RECEIVE ON-GOING EDUCATION THROUGHOUT THE YEAR REGARDIN G ELIGIBILITY CHANGES AND ADDITIONS FOR NORTON FINANCIAL ASSISTANCE, KOSAIR CHARITIES, DSH /KHCP, MEDICAID, ETC THE FOUNDATION OFFICE SENDS POTENTIAL REFERRALS TO PATIENT FINANCIAL SERVICES TO SCREEN FOR POSSIBLE FINANCIAL ASSISTANCE AS THEY RECEIVE INQUIRIES IN THE FOU NDATION OFFICE IF A PATIENT DOES NOT QUALIFY FOR KOSAIR CHARITY, THEN THOSE DENIED APPLICA TIONS ARE REFERRED TO THE DIRECTOR OF PATIENT FINANCIAL SERVICES FOR CONSIDERATION FOR SPE CIAL FUNDING THROUGH THE CHILDREN'S FOUNDATION AS WELL AS OTHER PROGRAMS ON THE BACK OF E VERY MONTHLY PATIENT ACCOUNT STATEMENT THAT IS SENT FROM NHI TO NON-OUTSOURCED ACCOUNTS, T HE FINANCIAL ASSISTANCE APPLICATION IS PRINTED IN ADDITION, ON THE FRONT SIDE OF THE STAT EMENT JUST ABOVE THE PERFORATION, IN ORDER TO DRAW GREATER ATTENTION TO THE APPLICATION LO CATED ON THE BACKSIDE OF THE STATEMENT, THERE IS A RED, BOLDED, CAPITALIZED PHRASE THAT IN DICATES "SEE BACK FOR FINANCIAL ASSISTANCE APPLICATION "COLLECTION AGENCIES CHOSEN BY NHI PRINT ON THE BACK OF THEIR INITIAL PLACEMENT LETTER, OR AN INSERT IS MAILED WITH THE INITI AL PLACEMENT LETTER, A COPY OF THE FINANCIAL ASSISTANCE APPLICATION FOR THE GUARANTOR TO C OMPLETE COLLECTION AGENCIES CONTRACTED WITH NHI ARE REQUIRED TO PLACE A COPY OF THE FINANC IAL ASSISTANCE APPLICATION AS A PART OF THEIR STANDARD NOTIFICATION LETTER ON THE STANDARD NOTIFICATION LETTER THAT COLLECTION AGENCIES SEND TO NHI PATIENTS, IS A PHRASE WRITTEN IN SPANISH THAT THAT INDICATES FOR THE SPANISH SPEAKING PATIENT TO CONTACT A SPECIFIC NUMBER TO SPEAK WITH A SPANISH SPEAKING COLLECTOR THAT SPANISH SPEAKING REPRESENTATIVE WILL ALS O PROVIDE FINANCIAL ASSISTANCE INFORMATION NHI HAS TRANSLATED A SERIES OF FINANCIAL ASSIST ANCE LETTERS AND THE FINANCIAL ASSISTANCE APPLICATION IN SPANISH AS WELL AS VIETNAMESE NHI CUSTOMER SERVICE DEPARTMENT ROUTINELY INSTRUCTS AND SCREENS PATIENTS IN THE PROTOCOL REGA RDING FINANCIAL ASSISTANCE THRU KOSAIR CHARITIES OR NORTON FINANCIAL ASSISTANCE BEGINNING IN 2007, NHI OFFERED AT THE TIME OF FINAL BILLING ALL TRUE SELF PAY PATIENTS A SIGNIFICANT DISCOUNT OFF OF TOTAL CHARGES THAT WERE REFLECTED ON THEIR MONTHLY STATEMENTS AN ADDITIO NAL PROMPT PAY DISCOUNT IS ALSO PROVIDED IF THE REMAINING BALANCE IS PAID WITHIN 30 DAYS F ROM DATE OF FIRST BILL CONTRACTED COLLECTION AGENCIES ARE REQUIRED TO SOLICIT CHARITY APPL ICATIONS WHEN THE GUARANTOR/PATIENT INDICATES "CAN

Identifier	ReturnReference	Explanation
		NOT PAY" NHI PAYS A COMMISSION TO OUR CONTRACTED COLLECTION AGENCIES FOR EVERY APPROVED CH ARITY APPLICATION THAT IS FINALIZED THIS COMMISSION IS AN INCENTIVE FOR THE REPRESENTATIV ES TO OBTAIN CHARITY APPLICATIONS AND NOT JUST COLLECT THE ACCOUNT

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 COMMUNITY INFORMATION PRIMARY SERVICE AREANORTON HOSPITALS INC 'S (NHI) PRIMARY SERVICE AREA POPULATION IS OVER ONE MILLION AND EXPECTED TO INCREASE 3 8% BETWEEN 2012 AND 2017 THE PRIMARY SERVICE AREA INCLUDES SEVEN COUNTIES, THREE OF WHICH ARE LOCATED ALONG THE OHIO RIVER BORDER IN KENTUCKY AND THE OTHER FOUR ARE BORDERING THE RIVER IN INDIANA SEVENTY-NINE PERCENT OF NHI'S PATIENTS ARE DERIVED FROM THIS SERVICE AREA TWENTY-SEVEN PERCENT OF THE POPULATION IS OVER 55 YEARS OLD, COMPARED TO 24% IN THE USA THIS PORTION OF THE POPULATION TENDS TO USE ADDITIONAL HEALTHCARE SERVICES THE PEDIATRIC POPULATION IN 2012 WAS ESTIMATED AT 271,382 AND IS EXPECTED TO INCREASE TO 280,004 WITHIN FIVE YEARS AND REPRESENTS 24% OF THE POPULATION THE NUMBER OF HOUSEHOLDS IN THE PRIMARY SERVICE AREA WAS ESTIMATED AT 463,470 IN 2012 AND IS EXPECTED TO INCREASE 4 0% BY 2017 CURRENTLY 13% OF THE ADULT POPULATION DOES NOT HAVE A HIGH SCHOOL DEGREE AND 25% OF THE HOUSEHOLD INCOME IS LESS THAN $25,000 A YEAR, HOWEVER THE AVERAGE HOUSEHOLD INCOME IS $61,532 NHI TREATS 43% OF THE ADULT INPATIENT CASES IN THE COMMUNITY AND ITS PAYOR MIX IS 34% MEDICARE, 26% MEDICAID/PASSPORT AND 2% SELF PAY THE LARGEST COUNTY IN THE SERVICE AREA IS JEFFERSON COUNTY AND ITS JUNE 2012 PRELIMINARY NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATE WAS 8 3% COMPARED TO 8 2% FOR KENTUCKY AND 8 2% FOR THE UNITED STATES SECONDARY SERVICE AREANHI'S SECONDARY SERVICE AREA POPULATION WAS ESTIMATED AT 737,908 IN 2012 AND IS EXPECTED TO INCREASE 4 9% BETWEEN 2012 AND 2017 THE SECONDARY SERVICE AREA SPREADS ACROSS 22 KENTUCKY COUNTIES AND 4 INDIANA COUNTIES THE 55+ AGE COHORT REPRESENTS 25% OF THE SECONDARY SERVICE AREA POPULATION AND IS CONSISTENT WITH KENTUCKY AND THE UNITED STATES THE PEDIATRIC POPULATION IN 2012 WAS ESTIMATED AT 176,860 AND EXPECTED TO INCREASE TO 182,049 BY 2017 ALTHOUGH THE PEDIATRIC POPULATION IS EXPECTED TO REMAIN FLAT THERE IS A NEED FOR CHILDREN TO HAVE APPROPRIATE ACCESS TO CARE IN THE RURAL AREAS OF KENTUCKY THE NUMBER OF HOUSEHOLDS IN THE SECONDARY SERVICE AREA WAS ESTIMATED AT 285,099 IN 2012 AND IS EXPECTED TO INCREASE 15,550 BY 2017 ALMOST 93,000 ADULTS IN THIS SERVICE AREA DO NOT HAVE A HIGH SCHOOL EDUCATION AND THE HOUSEHOLD INCOME IS UNDER $25,000 FOR 30% OF THIS POPULATION THE AVERAGE HOUSEHOLD INCOME IS $52,101, SLIGHTLY LESS THAN KENTUCKY AND 15% LESS THAN THE PRIMARY SERVICE AREA

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 PROMOTION OF COMMUNITY HEALTHA THIRD OF THE ORGANIZATION'S MISSION STATEM ENT SPEAKS TO THE COMMITMENT TO PROVIDE QUALITY HEALTHCARE THAT "RESPONDS TO THE NEEDS OF OUR COMMUNITIES " NORTON HOSPITALS, INC (NHI) ORGANIZATIONAL VALUES DIRECTLY ADDRESS THE NEED TO "CONTINUALLY IMPROVE CARE AND SERVICES" WHILE "DEMONSTRATING STEWARDSHIP OF RESOUR CES " AS AN ORGANIZATION COMMITTED TO THE CONSTANT UNDERSTANDING AND ASSESSMENT OF THOSE S ERVED, INITIATIVES AND PROGRAMS THAT ADDRESS THESE CONSTITUENTS ARE DEVELOPED AND IMPLEMEN TED IN 2011 NHI'S TOTAL COMMUNITY BENEFIT WAS $122 MILLION, OVER $2 MILLION A WEEK, AND IN CLUDES COMMUNITY INITIATIVES AND PROGRAMS SUCH AS FINANCIAL ASSISTANCE, EDUCATIONAL SUPPOR T, UNPAID COSTS OF MEDICAID SERVICES, CORPORATE SPONSORSHIPS, PASTORAL CARE AND COUNSELING PROGRAMS, KENTUCKY POISON CONTROL CENTER AND CHILD GUIDANCE AND ADVOCACY PROGRAMS NHI EM PLOYEES PROVIDED NEARLY 6,000 COMMUNITY SERVICE HOURS THAT SUPPORTED OVER 200 ORGANIZATION S INCLUDING 150 ORGANIZATIONS WITH BOARD AND COMMITTEE REPRESENTATION NHI IS ALSO PARTNER ING WITH OTHER NON-PROFIT ORGANIZATIONS, LOCAL GOVERNMENT AND THE CENTERS FOR DISEASE CONT ROL TO IMPROVE THE HEALTH STATUS OF OUR COMMUNITY THROUGH EVIDENCE-BASED INITIATIVES THE ORGANIZATION'S PUBLICALLY ACCESSIBLE WEBSITE OFFERS AN ONLINE ASSESSMENT GUIDE TO IDENTIFY AND UNDERSTAND SYMPTOMS GET HEALTHY VIDEOS OFFER A VISUAL MEDIUM TO GET INFORMATION ABOU T MANY OF THE MOST VEXING HEALTH PROBLEMS IN THE COMMUNITY THROUGHOUT THE YEAR FREE SEMINA RS PLACE CLINICAL EXPERTS WITH COMMUNITY AUDIENCES ON SUCH TOPICS AS DIABETES, JOINT PAIN, WEIGHT MANAGEMENT, CANCER ASSESSMENTS - ALL CONDITIONS THAT KENTUCKY, UNFORTUNATELY, LEAD S THE NATION IN HAVING THE PUBLICLY AVAILABLE QUALITY REPORT ENSURES THAT THE COMMUNITY HA S ACCESS TO INFORMATION ABOUT THE QUALITY OF CARE PROVIDED BY THE ORGANIZATION THIS EDUCA TION NOT ONLY EMPOWERS COMMUNITY MEMBERS, BUT ALSO DRIVES THE HEALTHCARE QUALITY AGENDA IN THE COMMUNITY THE OFFICE OF CHURCH AND HEALTH MINISTRIES (OFFICE) PROVIDES EDUCATIONAL PR OGRAMS FOR CHURCH LEADERS AND MEMBERS TO LEARN ABOUT FAITH COMMUNITY NURSING, ETHICS, WHOL E-PERSON CARE AND OTHER TOPICS RELATED TO HEALTH MINISTRIES IN 2012, A SEMINAR ABOUT HEAR T HEALTH WAS ATTENDED BY 41 MEMBERS OF THE CLERGY AND CHURCH STAFF AND A WORKSHOP INTRODUC ING THE REVISED STANDARDS OF PRACTICE FOR FAITH COMMUNITY NURSING WAS HELD FOR 50 ATTENDEE S THE OFFICE HAS CREATED A NETWORK OF MORE THAN 160 FAITH COMMUNITIES THAT HAVE HEALTH AND WELLNESS ACTIVITIES FOR THEIR MEMBERS AND THE LARGER COMMUNITY STAFF MEMBERS, INCLUDING FOUR REGISTERED NURSES, TEACH THE CONCEPTS OF THE FAITH COMMUNITY NURSING SPECIALTY AND ME NTOR CHURCH LEADERS AS THEY DEVELOP HEALTH AND WELLNESS INITIATIVES THE OFFICE FREQUENTLY PROVIDES COMMUNICATIONS ABOUT HEALTH AND WELLNESS ISSUES TO CHURCHES IN THE LOUISVILLE AND SOUTHERN INDIANA REGION FOR INSTANCE, THIS SUMMER, STAFF ISSUED AN ADVISORY EMAIL ABOUT HEART RELATED ILLNESS TO MORE THAN 160 FAITH COMMUNITIES IN THE ORGANIZATION'S HEALTH MINI STRIES NETWORK AN ELECTRONIC NEWS BULLETIN AND PRINTED NEWSLETTER FEATURING DISEASE PREVE NTION AND WELLNESS NEWS AND EVENTS ALSO ARE WIDELY DISTRIBUTED THE OFFICE CONTINUALLY PROM OTES NETWORKING OPPORTUNITIES AMOUNG CHURCHES WANTING TO LEARN HOW TO CREATE AND ENHANCE F AITH COMMUNITY NURSING AND HEALTH AND WELLNESS ACTIVITIES AN ANNUAL HEALTH MINISTRIES DIR ECTORY FOR KENTUCKY AND SOUTHERN INDIANA IS PUBLISHED AND DISTRIBUTED BY THE OFFICE TO ENC OURAGE COLLABORATION IN PARTNERSHIP WITH NORTON UNIVERSITY, THE OFFICE OFFERS COMPLIMENTAR Y COURSES TO PASTORS AND STAFF OF CHURCHES IN THE ORGANIZATION'S FOUNDING FAITHS THE OFFIC E HELPED TO CREATE THE MID-KENTUCKY PRESBYTERY DISASTER PREPAREDNESS AND RESPONSE TEAM TO OFFER PERSONAL AND FAITH COMMUNITY PREPAREDNESS REGIONAL TRAINING TO CHRUCHES NHI PARTNERE D WITH THE LOUISVILLE METRO DEPARTMENT OF PUBLIC HEALTH AND WELLNESS IN 2011 TO PROVIDE FR EE SEASONAL FLU IMMUNIZATIONS IN JEFFERSON COUNTY PUBLIC SCHOOLS NHI CONTRIBUTED TO THE S CHOOL IMMUNIZATION CAMPAIGN BY PROVIDING 238 NURSING SHIFTS FOR A TOTAL DONATED LABOR COST OF $27,192 THIS IS THE THIRD YEAR NHI HAS PROVIDED STAFFING, AT NO COST, FOR IMMUNIZATIO NS IN JEFFERSON COUNTY PUBLIC SCHOOLS ACCORDING TO THE LOUISVILLE METRO DEPARTMENT OF PUB LIC HEALTH AND WELLNESS, 20,448 VACCINATIONS WERE ADMINISTERED NORTON HEART CARE PROVIDES THE REGION'S MOST COMPREHENSIVE SCREENING, EDUCATION AND PREVENTION PROGRAM AND IS COMMITT ED TO EDUCATING OUR COMMUNITY ABOUT HEART HEALTH AND RISK FACTOR MANAGEMENT IN 2011 THE C ENTERS FOR PREVENTION AND WELLNESS SCREENED 6,720 PEOPLE FOR HIGH BLOOD PRESSURE, DIABETES , HIGH CHOLESTEROL AND OSTEOPOROSIS AND PROVIDED INFORMATION ABOUT SMOKING CESSATION, DIET AND EXERCISE THIS WORK WAS ACCOMPLISHED IN PARTNERSHIP WITH THE AMERICAN HEART ASSOCIATI ON AND NORTON HEART CARE THROUGH LOCAL BUSINESS AND COMMUNITY GROUPS IN 2011, NORTON CANC ER INSTITUTE'S SCREENING STAFF TRAVELED TO MORE TH

Identifier	ReturnReference	Explanation
		AN 200 LOCATIONS, 60 PERCENT OF WHICH WERE IN UNDERSERVED COMMUNITIES THIS OUTREACH RESUL TED IN 3,117 PEOPLE BEING SCREENED FOR CANCER OF THESE, APPROXIMATELY 25 PERCENT EITHER H AD NEVER BEEN SCREENED FOR CANCER OR HAD NOT BEEN SCREENED IN THE PAST FIVE YEARS SINCE T HE INCEPTION OF THE PROGRAM, 69 INDIVIDUALS HAVE BEEN DIAGNOSED AND TREATED FOR PRE-INVASI VE AND INVASIVE CANCER KOSAIR CHILDREN'S HOSPITAL IS HOME TO THE KENTUCKY REGIONAL POISON CONTROL CENTER, WHERE IN 2011 NEARLY 72,000 CONCERNED FAMILIES FROM ALL 120 COUNTIES IN KE NTUCKY CALLED THE CENTER TO LEARN HOW TO CORRECTLY HANDLE EXPOSURES TO POISON AND FOR TREA TMENT ADVICE NHI IS COMMITTED TO INVESTING IN THE COMMUNITY IT SERVES IN FACT, "DEMONSTR ATING STEWARDSHIP OF RESOURCES" IS ONE OF OUR ORGANIZATIONAL VALUES WE DO THIS IN A VARIE TY OF WAYS, SUCH AS WORKFORCE DEVELOPMENT EFFORTS, SUPPORTING LOCAL EDUCATIONAL INSTITUTI ONS - INCLUDING THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE, OFFERING SCHOLARSHIPS TO STUDENTS, PROVIDING STUDENTS WITH FORGIVABLE LOANS FOR THEIR EDUCATION, PLACING MEDICAL PR OFESSIONALS IN MEDICALLY-UNDERSERVED AREAS, PROVIDING FREE HEALTH SCREENINGS AND EDUCATION , CONTRIBUTING FUNDS TO OTHER NON-PROFIT HEALTH CARE ORGANIZATIONS, AND BUILDING A NEW HOS PITAL THAT FOLLOWS THE GREEN GUIDE TO HEALTH CARE, A BEST PRACTICES TOOL KIT FOR PLANNING, DESIGN, CONSTRUCTION, OPERATIONS AND MAINTENANCE OF NEW HOSPITALS IN AN EFFORT TO ENSURE THE BEST CARE FOR ITS PATIENTS, NHI GENERALLY EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUA LIFIED PHYSICIANS IN ITS COMMUNITY FOR SOME OR ALL OF ITS SERVICE LINES/DEPARTMENTS, AS AP PLICABLE IN FACT, MORE THAN 2,000 PHYSICIANS ARE ON NHI MEDICAL STAFF NHI OPERATES SIX (6) FULL-TIME EMERGENCY ROOMS WHERE NO ONE REQUIRING EMERGENCY CARE IS DENIED TREATMENT NHI INVESTS IN ITS COMMUNITY BY APPLYING SURPLUS FUNDS TO IMPROVEMENTS IN PATIENT CARE - INCLU DING MANY FREE HEALTH CARE SCREENINGS AND EDUCATION PROGRAMS, MEDICAL EDUCATION AND RESEAR CH NHI UTILIZES EXCESS FUNDS BY INVESTING IN THE EXPANSION AND REPLACEMENT OF EXISTING FA CILITIES AND EQUIPMENT NHI OPENED A RADIATION CENTER AND MULTIDISCIPLINARY CLINIC IN AUGU ST 2011 NHI PROVIDED OVER $23 5 MILLION IN EDUCATIONAL SUPPORT, PRIMARILY TO THE UNIVERSI TY OF LOUISVILLE SCHOOL OF MEDICINE BY ESTABLISHING PARTNERSHIPS, NHI HELPS TO BUILD A ST RONGER AND MORE COHESIVE COMMUNITY THAT WORKS TOGETHER FOR THE GOOD OF ITS CITIZENS BY IN VESTING IN EDUCATION, NHI IS - IN ESSENCE - INVESTING IN OUR COMMUNITY'S FUTURE BY MAKING SURE THAT WELL-PREPARED GRADUATES ARE EXITING LOCAL COLLEGES AND UNIVERSITIES, ULTIMATELY TO WORK IN A VARIETY OF LOCAL BUSINESSES - INCLUDING HEALTH CARE BY PROVIDING FREE EDUCAT ION AND SCREENINGS AND PLACING MEDICAL PROFESSIONALS IN UNDERSERVED AREAS, NHI IS POSSIBLY PREVENTING MORE TRAGIC AND COSTLY MEDICAL EMERGENCIES AND DISEASES THAT MIGHT NOT HAVE OT HERWISE BEEN PREVENTED BY INVESTING IN ENVIRONMENTALLY-FRIENDLY AND PATIENT-FRIENDLY FACI LITIES, NHI HELPS TO ENSURE THAT PATIENTS WILL FEEL COMFORTABLE SEEKING HEALTH CARE WHEN T HEY NEED IT MOST, RATHER THAN WAITING UNTIL A MEDICAL SITUATION EXACERBATES, WHILE AT THE SAME TIME NHI HELPS TO PRESERVE THE WORLD AND THE ENVIRONMENT IN WHICH WE LIVE NORTON HEAL THCARE, INC (NHC), PARENT OF NORTON HOSPITALS, INC (NHI), IS INDEPENDENTLY GOVERNED BY A 26 MEMBER BOARD OF TRUSTEES WITH THE EXCEPTION OF NHC'S PRESIDENT AND CHIEF EXECUTIVE OF FICER, NONE OF THESE INDIVIDUALS ARE EMPLOYEES OF THE ORGANIZATION ALL MEMBERS OF THE BOA RD RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 NORTON HOSPITALS, INC IS A WHOLLY OWNED AFFILIATE OF NORTON HEALTHCARE, INC (NHC) COMMUNITY MEDICAL ASSOCIATES, INC (CMA) IS ALSO A WHOLLY OWNED AFFILIATE OF NHC CMA'S PHYSICIANS PROVIDE CHARITY CARE FOR PATIENTS THAT MEET THE CHARITY GUIDELINES OF CMA

Identifier	ReturnReference	Explanation
	PART VI, LINE 7	STATE FILING OF COMMUNITY BENEFIT REPORT NOT REQUIRED AT THIS TIME

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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
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use 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				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	TAX INDEMNIFICATION AND GROSS-UP PAYMENTS ARE TREATED AS TAXABLE COMPENSATION TO THE INTERESTED PERSONS LISTED BELOW AT TIME OF PAYMENT PAYMENTS ARE IN ACCORDANCE WITH THE EXISTING COMPENSATION POLICY GROSS-UP PAYMENTS SHALL BE MADE ONLY WHEN SPECIFIED IN AN EMPLOYEE'S EMPLOYMENT CONTRACT, OR AS APPROVED IN WRITING BY THE PRESIDENT AND CEO OF NORTON HEALTHCARE, EXECUTIVE VICE PRESIDENT OR CFO DURING 2011, GROSS-UP PAYMENTS WERE PROCESSED AS OUTLINED IN THE EMPLOYMENT CONTRACT FOR THE CEO, AND AS OUTLINED IN THE RETIREMENT DOCUMENT FOR FORMER HOSPITAL PRESIDENT, DOUGLAS EIGHMEY SEE NARRATIVE PROVIDED IN SCHEDULE O, REFERENCING PART VI, LINE 15, WHICH DESCRIBES THE PROCESS FOR DETERMINING COMPENSATION OF THE CEO, OFFICERS, AND KEY EMPLOYEES OF THE ORGANIZATION STEPHEN A WILLIAMS THE TOTAL TAX GROSS-UP BENEFITS INCLUDED IN TAXABLE COMPENSATION FOR MR WILLIAMS ARE $334,602 THE TAX GROSS-UPS ARE RELATED TO THE BENEFIT OUTLINED BELOW ANNUITY - THE TAX GROSS-UP ASSOCIATED WITH THE ANNUITY BENEFIT IS $317,315 THIS PURCHASED ANNUITY REPRESENTS ACCUMULATED BENEFITS EARNED IN PRIOR YEARS RELATED TO A NON-QUALIFIED DEFINED BENEFIT PENSION RESTORATION PLAN IN EFFECT SINCE 1990 CONTRIBUTIONS TO THIS PLAN WERE MADE IN 2005, 2006, 2007, 2008, 2009, 2010 AND 2011 INCLUDED IN MR WILLIAMS COMPENSATION IN 2011 IS $405,562, WHICH IS THE COST OF THE PURCHASED ANNUITY THE TOTAL COST OF THE PURCHASED ANNUITY AND THE ASSOCIATED TAX GROSS-UP IS $722,877, WHICH WAS INCLUDED IN TAXABLE COMPENSATION TEMPORARY TOTAL DISABILITY COVERAGE - THE TAX GROSS-UP ASSOCIATED WITH THE PURCHASE OF THIS COVERAGE IS $17,287 INCLUDED IN MR WILLIAMS COMPENSATION IN 2011 IS $33,707 WHICH IS THE COST OF THE PURCHASED COVERAGE THE TOTAL COST OF THE POLICY AND THE ASSOCIATED TAX GROSS-UP IS $50,994, WHICH WAS INCLUDED IN TAXABLE COMPENSATION DOUGLAS EIGHMEY THE TOTAL TAX GROSS-UP BENEFITS INCLUDED IN TAXABLE COMPENSATION FOR MR EIGHMEY IN 2011 IS $6,444 61 THIS INCLUDES THE COST OF ANNUAL COBRA VALUE $12,154 56 THIS COST AND THE ASSOCIATED TAX GROSS-UP IS $18,599 17, WHICH WAS INCLUDED IN TAXABLE COMPENSATION DISCRETIONARY SPENDING ACCOUNTS ARE TREATED AS TAXABLE COMPENSATION THE ORGANIZATION PROVIDES A DISCRETIONARY SPENDING ACCOUNT FOR ELIGIBLE NORTON HEALTHCARE EXECUTIVES, EFFECTIVE OCTOBER 1, 2007 NORTON HEALTHCARE PROVIDES BENEFITS TO ITS IDENTIFIED EXECUTIVE STAFF TO PROVIDE A TOTAL COMPENSATION PACKAGE THAT IS COMPETITIVE WITH THE MARKET AND WHICH CONFORMS TO THE PHILOSOPHY AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES, THROUGH THE EXECUTIVE COMPENSATION PHILOSOPHY AND PROGRAMS THROUGH THE DISCRETIONARY SPENDING ACCOUNT POLICY, EXECUTIVES ARE FREE TO CHOOSE WHATEVER BENEFITS THEY FIND MOST USEFUL OR IMPORTANT TO THEM AND NORTON HEALTHCARE DOES NOT REIMBURSE FOR THE COST OF THOSE BENEFITS, AS THEY ARE PART OF THE DISCRETIONARY SPENDING ACCOUNT THE INTERESTED PERSONS LISTED BELOW RECEIVED THE BENEFIT OF A DISCRETIONARY SPENDING ACCOUNT IN 2011 STEPHEN A WILLIAMS $57,229 RUSSELL F COX 59,434 MICHAEL W GOUGH 52,208 ROBERT B AZAR 17,500 JON COOPER 10,000 THOMAS KMETZ 17,500 JOHN HARRYMAN 17,500 KEVIN WARDELL 17,500 STEVEN MACLAUCHLAN 17,500 DOUGLAS WINKELHAKE 17,500 ROBERT SHAW 20,000
	PART I, LINE 3	NORTON HEALTHCARE INC (NHI) EIN 61-1028725 IS THE PARENT ORGANIZATION FOR NORTON HOSPITALS, INC AND THEREFORE ESTABLISHES COMPENSATION FOR THE CEO, OFFICERS AND KEY EMPLOYEES THROUGH ENGAGING WITH THE EXECUTIVE COMMITTEE OF NHI, AN INDEPENDENT COMPENSATION CONSULTANT, WRITTEN EMPLOYMENT AGREEMENTS, THIRD PARTY COMPENSATION SURVEYS AND APPROVAL BY THE EXECUTIVE COMMITTEE AND BOARD SEE NARRATIVE IN SCHEDULE O, REFERENCING PART VI, LINE 15 WHICH FURTHER DESCRIBES THE PROCESS FOR DETERMINING COMPENSATION FOR THE ORGANIZATION
	PART I, LINE 4B	THE FOLLOWING INTERESTED PERSONS PARTICIPATED IN OR RECEIVED PAYMENT FROM SUPPLEMENTAL NONQUALIFIED RETIREMENT PLANS AS DESCRIBED IN IRC SECTION 457(F) THE INTERESTED PERSONS BELOW MAY HAVE PARTICIPATED IN ONE OR MORE OF THE FOLLOWING PLANS THE EXECU-FLEX BENEFIT PLAN, THE EXECU-PLUS BENEFIT PLAN, DEFINED BENEFIT AND DEFINED CONTRIBUTION RESTORATION PLANS, AND THE PHYSICIAN DEFERRED PLAN THE "PAY CREDIT" COLUMN REPRESENTS A REASONABLE ESTIMATE OF THE ANNUAL INCREASE IN ACTUARIAL VALUE OF THE PLANS, AND THEREFORE, REPRESENTS THE ORGANIZATION'S CONTRIBUTION TO THE VALUE OF THE BENEFITS THE "PAYMENTS RECEIVED" COLUMN REPRESENTS CASH PAYMENTS THAT THE EMPLOYEE RECEIVED DURING 2011 AND CAN BE COMPRISED OF PRIOR YEARS EMPLOYEE AND EMPLOYER CONTRIBUTIONS PARTICIPANTS NAME PAY CREDIT PAYMENTS RECEIVED STEPHEN A WILLIAMS $258,507 $0 RUSSELL F COX 157,977 0 MICHAEL W GOUGH 129,734 0 ROBERT B AZAR 64,122 0 JON COOPER 27,906 19,102 THOMAS KMETZ 87,868 64,617 JOHN HARRYMAN 85,699 61,192 KEVIN WARDELL 81,885 72,861 STEVEN MACLAUCHLAN 72,213 35,241 ROBERT SHAW 63,413 45,524 DOUGLAS WINKELHAKE 64,933 45,524 DOUGLAS EIGHMEY 0 1,134,656 DON STEVENS 0 635,918 DAVID DOERING 0 614,149 TERENCE HADLEY 0 526,847 STEVEN PURSELL 0 305,492

Additional Data

Return to Form

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
STEPHEN A WILLIAMS	(I)	0	0	0	0	0	0	0
	(II)	937,187	558,916	854,866	292,890	25,217	2,669,076	0
RUSSELL F COX	(I)	0	0	0	0	0	0	0
	(II)	716,158	282,021	131,086	178,100	23,982	1,331,347	0
MICHAEL W GOUGH	(I)	0	0	0	0	0	0	0
	(II)	587,065	237,623	115,459	149,599	25,033	1,114,779	0
ROBERT B AZAR	(I)	0	0	0	0	0	0	0
	(II)	345,672	116,063	35,802	79,486	8,125	585,148	0
THOMAS KMETZ	(I)	407,526	152,887	100,784	108,018	24,299	793,514	64,617
	(II)	0	0	0	0	0	0	0
JOHN HARRYMAN	(I)	395,149	136,585	101,405	105,800	23,875	762,814	61,192
	(II)	0	0	0	0	0	0	0
KEVIN WARDELL	(I)	401,455	118,026	116,397	98,098	19,978	753,954	72,861
	(II)	0	0	0	0	0	0	0
STEVEN MACLAUCHLAN	(I)	373,597	116,521	75,180	84,630	26,871	676,799	35,241
	(II)	0	0	0	0	0	0	0
DOUGLAS WINKELHAKE	(I)	326,078	88,669	80,675	83,771	23,488	602,681	45,524
	(II)	0	0	0	0	0	0	0
ROBERT SHAW	(I)	332,348	169,436	73,127	76,560	15,536	667,007	45,524
	(II)	0	0	0	0	0	0	0
DON STEVENS	(I)	305,627	346,875	640,295	22,443	15,996	1,331,236	635,918
	(II)	0	0	0	0	0	0	0
DAVID DOERING	(I)	303,430	356,875	615,635	18,683	22,810	1,317,433	614,149
	(II)	0	0	0	0	0	0	0
TERENCE HADLEY	(I)	325,106	346,875	529,128	18,813	12,509	1,232,431	0
	(II)	0	0	0	0	0	0	0
STEVEN PURSELL	(I)	380,565	346,875	308,841	18,683	10,690	1,065,654	305,492
	(II)	0	0	0	0	0	0	0
JOHN HAMM	(I)	396,102	346,875	1,615	22,443	20,135	787,170	0
	(II)	0	0	0	0	0	0	0
DOUGLAS EIGHMEY	(I)	0	168,057	1,153,255	0	0	1,321,312	1,134,656
	(II)	0	0	0	0	0	0	0
JON COOPER	(I)	0	0	0	0	0	0	0
	(II)	198,420	40,177	46,616	43,159	20,147	348,519	19,102

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) JASON NACAZEL	FAMILY MEMBER OF RONALD LEHOCKY, TRUSTEE	62,727	COMPENSATION		No
(2) ANNE ROBINSON	FAMILY MEMBER OF DONALD H ROBINSON, TRUSTEE (CHAIRMAN)	69,558	COMPENSATION		No
(3) AMY TONN	FAMILY MEMBER OF RUSSELL COX, OFFICER	41,144	COMPENSATION		No
(4) PEDIATRIC ANESTHESIA ASSOCIATES PSC (PAA)	DR MARY BOUVETTE PARTNER IN PAA IS RELATED TO MARIA L BOUVETTE, TRUSTEE	3,669,764	PROFESSIONAL SERVICES		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	THE EXECUTIVE COMMITTEE SHALL POSSESS AND MAY EXERCISE ALL THE POWERS AND AUTHORITY OF THE BOARD OF TRUSTEES IN THE MANAGEMENT AND DIRECTION OF THE BUSINESS AND AFFAIRS OF THE CORPORATION HOWEVER, THE EXECUTIVE COMMITTEE DOES NOT POSSESS THE AUTHORITY TO DO THE FOLLOWING A)FILL VACANCIES ON THE BOARD, B)CHANGE THE MEMBERSHIP OF THE EXECUTIVE COMMITTEE, C)MAKE DECISIONS TO MERGE, LIQUIDATE, OR OTHERWISE MAKE DECISIONS OUTSIDE OF THE NORMAL COURSE OF BUSINESS, D)MAKE FINAL DETERMINATIONS OF LONG-TERM POLICY, E)HIRE OR FIRE THE CHIEF EXECUTIVE OFFICER, AND F)AMEND THE ARTICLES OF INCORPORATION OR BYLAWS

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

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

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	ALL FORMS 990 WERE REVIEWED IN ADVANCE OF FILING WITH THE NORTON HEALTHCARE, INC (NORTON) FINANCE COMMITTEE ON OCTOBER 25, 2012 AND THE FULL NORTON BOARD OF TRUSTEES ON NOVEMBER 1, 2012 NORTON IS THE PARENT OF NORTON HOSPITALS, INC ALSO, ELECTRONIC COPIES OF ALL FORMS 990 WERE MADE AVAILABLE TO ALL MEMBERS OF THE FINANCE COMMITTEE AND BOARD OF TRUSTEES

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

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE ORGANIZATION TAKES ALL NECESSARY STEPS TO ENSURE THAT COMPENSATION FOR ALL OFFICERS, DIRECTORS AND KEY EMPLOYEES IS REASONABLE AND APPROPRIATE FOR THE SERVICES PROVIDED TO THE ORGANIZATION THE ORGANIZATION PROVIDES A TOTAL COMPENSATION PACKAGE THAT IS ON PAR WITH COMPENSATION PROVIDED BY SIMILAR ORGANIZATIONS AND WHICH CONFORMS TO THE POLICIES AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES NORTON HEALTHCARE, INC (NHI) ENGAGES AN OUTSIDE INDEPENDENT COMPENSATION CONSULTANT, INTEGRATED HEALTHCARE STRATEGIES (IHS), TO PROVIDE COMPARABILITY DATA FOR NHI'S OFFICERS AND KEY EMPLOYEES ON TOTAL COMPENSATION FOR SIMILAR POSITIONS AT HEALTH SYSTEMS AND HOSPITAL ORGANIZATIONS SIMILAR IN SIZE, SCOPE OF SERVICES, AND CIRCUMSTANCES IN ADDITION, THE ORGANIZATION PARTICIPATES IN THIRD PARTY SURVEYS WHICH PROVIDE AGGREGATE, COMPARATIVE COMPENSATION DATA FOR OFFICERS AND KEY EMPLOYEES IN SIMILAR POSITIONS AT SIMILAR ORGANIZATIONS IHS CONSULTANTS PRESENTED AND DISCUSSED THIS COMPARABILITY DATA IN 2010 FOR THE 2011 COMPENSATION REVIEW AND MET IN 2011 FOR THE 2012 COMPENSATION REVIEW WITH THE COMMITTEE OF BOARD LEADERSHIP (NOW EXECUTIVE COMMITTEE) OF THE BOARD OF TRUSTEES (BOARD) THE COMMITTEE REVIEWED THE EXECUTIVE COMPENSATION AND BENEFITS PROGRAM, DETERMINED TOTAL COMPENSATION FOR THE CEO, AND APPROVED COMPENSATION FOR OTHER OFFICERS AND KEY EMPLOYEES THE COMMITTEE REVIEWED NHI'S VARIABLE COMPENSATION PROGRAM AND DETERMINED APPROPRIATE AWARDS FOR PERFORMANCE RELATIVE TO GOALS SET FOR THE YEAR AFTER THE COMMITTEE DETERMINED APPROPRIATE COMPENSATION AND BENEFITS FOR OFFICERS AND KEY EMPLOYEES, THE BOARD APPROVED THEIR TOTAL COMPENSATION EMPLOYMENT CONTRACTS FOR THE CEO, COO, AND CFO AND KEY EMPLOYEES ARE SIGNED, AND REVIEWED AS NECESSARY

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

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	AFFILIATE TRANSFER -219,514 TOTAL TO FORM 990, PART XI, LINE 5 -219,514

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

Identifier	Return Reference	Explanation
	FORM 990, PART I, LINE 5 AND PART V, LINES 1 AND 2	NORTON HEALTHCARE, INC EIN 61-1028725 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC THEREFORE, ALL APPLICABLE IRS TAX COMPLIANCE FILINGS ARE REPORTED BY NORTON HEALTHCARE, INC ON BEHALF OF NORTON HOSPITALS, INC NORTON HOSPITALS, INC HAS APPROXIMATELY 9,627 EMPLOYEES

Identifier	Return Reference	Explanation
	FORM 990, PART V, LINE 1 AND PART VII, SECTION B, LINES 1 AND 2	NORTON HEALTHCARE, INC EIN 61-1028725 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC AND THEREFORE, ALL VENDORS, INCLUDING INDEPENDENT CONTRACTORS ARE PAID BY NORTON HEALTHCARE, INC ON BEHALF OF NORTON HOSPITALS, INC FOR PURPOSES OF PART V, LINE 1, THE NUMBER OF 1099S REPORTED AND FILED FOR 2011 BY NORTON HEALTHCARE, INC FOR NORTON HOSPITALS, INC WAS APPROXIMATELY 299 NORTON HOSPITALS, INC HAS APPROXIMATELY 142 INDEPENDENT CONTRACTORS EXCEEDING $100,000 FOR 2011

Identifier	Return Reference	Explanation
	FORM 990, PART VI, LINE 16B	NORTON HOSPITALS INC (NHI) IS PROACTIVE IN EVALUATING ITS PARTICIPATION IN JOINT VENTURE ARRANAGMENTS AND TAKES ALL NECESSARY STEPS TO SAFEGUARD ITS EXEMPT STATUS WITH RESPECT TO SUCH ARRANGEMENTS AS PART OF ITS INTERNAL DUE DILIGENCE, NHI'S PROCEDURES INCLUDE ENGAGING OUTSIDE LEGAL COUNSEL AND TAX ACCOUNTANTS, AS DEEMED NECESSARY, TO FULLY REVIEW AND ANALYZE ANY TAX IMPLICATIONS OR ISSUES THAT MAY AFFECT NHI AS A RESULT OF ITS INVESTMENTS

Identifier	Return Reference	Explanation
	FORM 990, PART VII, SECTION A, LINE 1A, COLUMN B	ESTIMATED BELOW ARE THE AVERAGE HOURS PER WEEK THE INTERESTED PERSONS DEVOTED TO EACH RELATED ORGANIZATION NORTON HEALTHCARE,INC (NHI), NORTON HOSPITALS,INC (HOSPITALS), COMMUNITY MEDICAL ASSOCIATES,INC (CMA), NORTON PROPERTIES,INC (PROPERTIES), NORTON HEALTHCARE FOUNDATION,INC (NHF) AND THE CHILDREN'S HOSPITAL FOUNDATION (CHF) DURING 2011 NHI HOSPITALS CMA PROPERTIES NHF CHF TOTAL OFFICERS STEPHEN A WILLIAMS 30 10 6 2 1 1 50 RUSSELL F COX 30 10 6 2 1 1 50 MICHAEL W GOUGH 30 10 6 2 1 1 50 ROBERT B AZAR 30 10 6 2 1 1 50 TRUSTEES DONALD H ROBINSON 3 1 1 50 5 50 JOSEPH A PARADIS,III 10 1 1 50 12 50 CHERYL BALKENHOL 1 1 1 50 3 50 MARIA L BOUVETTE 1 1 1 50 3 50 ROBERT R GOODIN, MD 3 1 1 50 5 50 CRAIG D GRANT 1 1 1 50 3 50 R K GUILLAUME 3 1 1 50 5 50 KEVIN J HABLE 1 1 1 50 3 50 MARIA GERWING HAMPTON 6 1 1 50 8 50 MARTHA HEYBURN, MD 2 1 1 50 4 50 RONALD LEHOCKY, MD 1 1 1 50 3 50 GREGORY E MAYES 5 1 1 50 7 50 MARY MOSELY(PARTIAL YR) 1 1 1 50 3 50 MITCH NICHOLS 1 1 1 50 3 50 GAIL LYTTE 1 1 1 50 3 50 G HUNT ROUSAVALL 3 1 1 50 5 50 REV WILLIAM J SCHULTZ 3 1 1 50 5 50 WENDALL P WRIGHT 1 1 1 50 3 50 GARY L STEWART 1 1 1 50 3 50 CAROLYN J GATZ(PART YR)1 1 1 50 3 50 RICHARD S WOLF(PART YR)1 1 1 50 3 50 LOUIS S HEUSER, MD 1 1 1 50 3 50 JOSEPH J MCGOWAN 1 1 1 50 3 50 EDIE NIXON 1 1 1 50 3 50

Identifier	Return Reference	Explanation
	FORM 990, PART VII, SECTION A, LINE 1A, COLUMN E	NORTON HEALTHCARE, INC (NHI) AND AFFILIATES (NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, INC , NORTON PROPERTIES, INC , AND NORTON HEALTHCARE FOUNDATION, INC) ENCOURAGES AND FACILITATES BOARD MEMBER ATTENDANCE AT EDUCATIONAL PROGRAMS AND CONFERENCES ON SUBJECTS RELEVANT TO NHI NHI'S TRAVEL POLICY FOR BOARD OF TRUSTEES PROVIDES THAT FOR EACH TRUSTEE THAT ATTENDS AT LEAST ONE OUT OF TOWN EDUCATIONAL CONFERENCE, A LUMP SUM STIPEND WILL BE PAID TO COVER UNREIMBURSED TRAVEL EXPENSE AND OTHER MISCELLANEOUS EXPENSES ASSOCIATED WITH CONFERENCE PREPARATION, ATTENDANCE OR FOLLOW UP IN COMPLIANCE WITH IRS REGULATIONS, NHI PROVIDES A FORM 1099 TO ANY TRUSTEE THAT RECEIVES A STIPEND THESE AMOUNTS HAVE BEEN REPORTED IN PART VII OF THE FORM 990 AS REPORTABLE COMPENSATION TO THE TRUSTEE RECEIVING STIPENDS IN 2011

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

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

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 3B	AS REQUIRED BY THE U S OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFITS ORGANIZATIONS, IN 2011 NORTON HEALTHCARE, INC AND AFFILIATES (NORTON HOSPITALS, INC COMMUNITY MEDICAL ASSOCIATES, INC , NORTON ENTERPRISES, INC , NORTON HEALTHCARE FOUNDATION, INC , NORTON PROPERTIES, INC , AND THE CHILDREN'S HOSPITAL FOUNDATION) RECEIVED AN AUDIT IN ACCORDANCE WITH SINGLE AUDIT ACT

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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

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

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

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

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

		Yes	No
1	During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	**1a**	**No**
b	Gift, grant, or capital contribution to related organization(s)	**1b**	**No**
c	Gift, grant, or capital contribution from related organization(s)	**1c**	**Yes**
d	Loans or loan guarantees to or for related organization(s)	**1d**	**No**
e	Loans or loan guarantees by related organization(s)	**1e**	**No**
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**	**No**
j	Lease of facilities, equipment, or other assets from related organization(s)	**1j**	**No**
k	Performance of services or membership or fundraising solicitations for related organization(s)	**1k**	**No**
l	Performance of services or membership or fundraising solicitations by related organization(s)	**1l**	**No**
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)				
(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	

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493317021132

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

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

OMB No 1545-0172

2011

Attachment Sequence No **179**

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

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

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

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

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

7 Listed property Enter the amount from line 29	**7**		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	**8**		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	**9**		
10 Carryover of disallowed deduction from line 13 of your 2010 Form 4562	**10**		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	**11**		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	**12**		
13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 ▶	**13**		

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

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

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

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

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2011	**17**	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

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

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

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

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	**21**	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	**22**	54,871,039
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	**23**	

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

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

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

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

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

Section B—Information on Use of Vehicles

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

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

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

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

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

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					
43 Amortization of costs that began before your 2011 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report				**44**	

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Norton Healthcare, Inc and Affiliates
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Norton Healthcare, Inc. and Affiliates

Combined Financial Statements and Supplementary Information

Years Ended December 31, 2011 and 2010

Contents

Report of Independent Auditors

The Board of Trustees
Norton Healthcare, Inc and Affiliates

We have audited the accompanying combined balance sheets of Norton Healthcare, Inc and Affiliates (the Corporation) as of December 31, 2011 and 2010, and the related combined statements of operations and changes in net assets and cash flows for the years then ended These financial statements are the responsibility of the Corporation's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement We were not engaged to perform an audit of the Corporation's internal control over financial reporting Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Norton Healthcare, Inc and Affiliates at December 31, 2011 and 2010, and the combined results of their operations and changes in net assets, and their cash flows for the years then ended, in conformity with U S generally accepted accounting principles

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

March 29, 2012

Norton Healthcare, Inc. and Affiliates

Combined Balance Sheets

	December 31 2011	2010
Assets		
Current assets		
Cash and cash equivalents	**$ 167,637,591**	$ 135,694,330
Marketable securities and other investments	**63,536,820**	62,837,817
Patient accounts receivable, less allowance for doubtful accounts of $74,206,000 for 2011 and $66,430,000 for 2010	**175,987,443**	151,661,384
Inventory	**46,535,923**	44,624,566
Prepaid expenses and other	**16,877,224**	16,610,993
Miscellaneous receivables	**11,847,941**	10,103,933
Current portion of assets limited as to use	**27,962,776**	19,982,748
Total current assets	**510,385,718**	441,515,771
Assets limited as to use, including securities lent of $9,609,000 for 2011 and $9,670,000 for 2010	**592,773,574**	524,331,490
Property and equipment, net	**668,473,696**	652,927,379
Other assets		
Investments in joint ventures	**9,086,896**	5,712,230
Pension	**30,186,451**	12,867,244
Pledges receivable, net	**20,081,913**	13,860,109
Beneficial interest in trusts held by others	**18,119,328**	18,802,573
Goodwill and intangible assets, net less accumulated amortization of $3,025,000 for 2011 and $2,185,000 for 2010	**17,566,081**	18,678,362
Deferred financing costs, net	**13,074,144**	14,463,950
Other	**20,659,719**	23,359,405
Total other assets	**128,774,532**	107,743,873
Total assets	**$ 1,900,407,520**	$ 1,726,518,513

	December 31	
	2011	2010
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 58,621,775**	$ 51,363,040
Accrued expenses and other	**105,573,965**	83,422,551
Accrued payroll and related items	**65,964,382**	55,959,923
Due to third-party payors	**18,330,091**	16,952,009
Accrued interest	**6,205,671**	7,301,448
Current portion of long-term debt	**24,399,900**	17,927,300
Total current liabilities	**279,095,784**	232,926,271
Other noncurrent liabilities		
Insurance liability	**104,342,845**	85,105,038
Interest rate swap liability	**8,253,028**	14,748,375
Other	**47,502,375**	54,671,527
Total other noncurrent liabilities	**160,098,248**	154,524,940
Long-term debt, net of current portion	**744,937,627**	677,645,347
Net assets		
Unrestricted	**623,902,718**	577,778,443
Temporarily restricted	**58,973,722**	48,835,488
Permanently restricted	**33,399,421**	34,808,024
Total net assets	**716,275,861**	661,421,955
Total liabilities and net assets	**$ 1,900,407,520**	$ 1,726,518,513

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2011	**2010**
Unrestricted revenue		
Net patient service revenue	**$ 1,584,302,076**	$1,442,866,875
Flood loss reimbursement	**–**	12,642,005
Other revenue	**14,737,723**	13,756,687
Donations and contributions	**13,342,285**	16,310,204
Joint venture revenue	**4,448,320**	2,986,630
Total unrestricted revenue	**1,616,830,404**	1,488,562,401
Operating expenses		
Labor and benefits	**814,442,983**	722,977,533
Professional fees	**45,361,128**	44,849,901
Drugs and supplies	**293,549,402**	294,226,499
Fees and special services	**88,601,857**	80,809,298
Repairs, maintenance, and utilities	**58,662,963**	48,687,648
Rent and leases	**26,932,828**	23,268,819
Provision for doubtful accounts	**67,081,710**	58,743,785
Insurance	**40,536,609**	34,103,114
Provider tax	**20,129,732**	20,129,732
Other	**14,297,590**	12,830,611
Total operating expenses	**1,469,596,802**	1,340,626,940
Earnings before fixed expenses and other gains (losses)	**147,233,602**	147,935,461
Fixed expenses		
Depreciation and amortization	**76,550,638**	73,039,911
Interest expense	**37,039,697**	37,485,311
Interest rate swap benefit, net	**(4,551,585)**	(4,337,213)
	109,038,750	106,188,009
Patient service margin	**38,194,852**	41,747,452

Continued on next page.

Norton Healthcare, Inc. and Affiliates

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

	Year Ended December 31	
	2011	**2010**
Patient service margin	**$ 38,194,852**	$ 41,747,452
Investment gain	**12,579,769**	21,762,860
Operating gain	**50,774,621**	63,510,312
Nonoperating (losses) gains		
Change in net unrealized (losses) gains on investments	**(20,779,571)**	17,424,494
Change in interest rate swap value	**6,495,347**	(9,785,145)
Petersdorf Fund grants	**(2,377,353)**	(1,843,237)
Asset impairment	**(1,448,081)**	(12,650,508)
Loss on extinguishment of debt	**(2,967,642)**	–
Other nonoperating losses, net	**(850,377)**	(546,959)
Total nonoperating gains	**(21,927,677)**	(7,401,355)
Excess of revenue over expenses	**28,846,944**	56,108,957
Unrestricted net assets		
Change in pension plan asset and obligation	**16,588,412**	9,928,920
Net assets released from restrictions for equipment	**688,919**	3,289,190
Increase in unrestricted net assets	**46,124,275**	69,327,067
Temporarily restricted net assets		
Investment gain	**1,659,545**	2,081,353
Contributions, fees, grants, bequests, net	**12,972,127**	14,398,612
Change in beneficial interest in trusts held by others	**586,616**	8,072
Change in net unrealized (losses) gains on investments	**(1,805,870)**	1,392,099
Net assets released from restrictions	**(3,274,184)**	(7,292,801)
Increase in temporarily restricted net assets	**10,138,234**	10,587,335
Permanently restricted net assets		
Change in beneficial interest in trusts held by others	**(1,269,859)**	1,119,995
Investment gain	**20,038**	54,203
Contributions, fees, grants, bequests, net	**(91,902)**	145,244
Change in net unrealized (losses) gains on investments	**(66,880)**	39,260
(Decrease) increase in permanently restricted net assets	**(1,408,603)**	1,358,702
Increase in net assets	**54,853,906**	81,273,104
Net assets at beginning of year	**661,421,955**	580,148,851
Net assets at end of year	**$ 716,275,861**	$ 661,421,955

See accompanying notes

Norton Healthcare, Inc and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31 2011	2010
Operating activities		
Increase in net assets	**$ 54,853,906**	$ 81,273,104
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	**76,550,638**	73,039,911
Discount accretion	**8,230,464**	8,314,960
Asset impairment	**1,448,081**	12,650,508
Change in net unrealized losses (gains) on investments	**22,652,321**	(18,855,853)
Change in interest rate swap value	**(6,495,347)**	9,785,145
Change in pension plan assets and obligation	**(16,588,412)**	(9,928,920)
Loss on extinguishment of debt	**2,967,642**	–
Restricted contributions and investment income	**(10,602,381)**	(10,514,678)
Changes in operating assets and liabilities		
Change in patient accounts receivable, net of provision for doubtful accounts	**(24,326,059)**	358,248
Change in assets limited as to use, net	**(99,074,433)**	(28,151,008)
Change in amounts due to third-party payors	**1,378,082**	8,707,130
Change in other current and noncurrent assets and liabilities	**41,578,721**	(27,390,274)
Net cash provided by operating activities	**52,573,223**	99,288,273
Investing activities		
Purchase of property and equipment	**(90,654,260)**	(81,821,686)
Change in joint ventures and other	**(3,374,666)**	308,384
Net cash used in investing activities	**(94,028,926)**	(81,513,302)
Financing activities		
Increase in long-term debt	**157,476,661**	–
Principal payments on long-term debt	**(17,658,049)**	(17,673,794)
Payment on 1997 bonds	**(23,111,821)**	–
Payment on 2000A bonds	**(52,615,068)**	–
Costs of long-term debt issuances	**(1,294,780)**	–
Restricted contributions and investment income	**10,602,381**	10,514,678
Net cash provided by (used in) financing activities	**73,399,324**	(7,159,116)
Increase in cash and cash equivalents	**31,943,621**	10,615,855
Cash and cash equivalents at beginning of year	**135,694,330**	125,078,475
Cash and cash equivalents at end of year	**$ 167,637,951**	$ 135,694,330

See accompanying notes

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The accompanying combined financial statements of Norton Healthcare, Inc (the Corporation) include the transactions and accounts of Norton Healthcare, Inc (the controlling company) and Affiliates, including the following Norton Hospitals, Inc , Norton Enterprises, Inc , Norton Properties, Inc , The Children's Hospital Foundation, Inc , Norton Healthcare Foundation, Inc , and Community Medical Associates, Inc Norton Healthcare, Inc and Affiliates are collectively hereafter referred to as the Corporation The Corporation operates in the Louisville, Kentucky metropolitan area, and its operations include 1,837 licensed beds, 122 physician practice and immediate care center locations, and other ancillary healthcare services

All significant intercompany transactions and accounts have been eliminated in combination

Use of Estimates

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

Cash and Cash Equivalents

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

Marketable Debt Securities and Other Investments

Marketable debt securities and other investments consist primarily of marketable debt securities which are used by the organization to support operations

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

Allowance for Doubtful Accounts

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

Inventory

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

Assets Limited as to Use and Investment Results

Assets limited as to use include a portfolio of investments that are set aside by the Board of Trustees (the Board) for future services, indigent care, education, research, and community health initiatives over which the Board retains control and may, at its discretion, subsequently use for other purposes This portfolio of investments also includes assets restricted by donors The Corporation utilizes a pooled investment program (Master Trust Fund) to manage this portfolio of investments Income is allocated to each entity based on their relative investment balance to the total investment balance by type of investment All entities which participate in the Master Trust Fund are included in these combined financial statements Other investments within assets limited as to use include assets held by trustees under a self-insurance trust agreement, assets under bond indenture trust agreements, assets restricted due to swap agreements, and assets due under securities lending agreements Amounts required to meet current liabilities of the Corporation have been classified as current in the combined balance sheets at December 31, 2011 and 2010

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

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

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

Alternative investments, including hedge funds and real estate funds, are recorded under the equity method of accounting using NAV The NAV of alternative investments is based on valuations provided by the administrators of the specific financial instrument The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments The underlying investments themselves are subject to various risks, including market, credit, liquidity, and foreign exchange risk The Corporation believes the NAV is a reasonable estimate of its ownership interest in the alternative investments The Corporation's risk of alternative investments is limited to its carrying value Alternative investments can be divested only at specified times in accordance with terms of the subscription agreements The financial statements of the alternative investments are audited annually Because these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such financial instruments existed The change in the carrying value of the alternative investments is included in investment gain

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

Fair Value of Financial Instruments

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

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

- Level 1 – inputs utilize quoted market prices in active markets for identical assets or liabilities

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

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

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

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

In order to meet the requirements of ASC 820, the Corporation utilizes three basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded at fair value The first approach is the cost approach The cost approach is generally the value a market participant would expect to replace the respective asset or liability The second approach is the market approach The market approach looks at what a market participant would consider an exact or similar asset or liability to that of the Corporation, including those traded on exchanges, to determine value The third approach is the income approach The income approach uses estimation techniques to determine the estimated future cash flows of the Corporation's respective asset or liability expected by a market participant and discounts those cash flows back to present value (more typically referred to as a discounted cash flow approach)

Property and Equipment

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

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

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

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

Investments in Joint Ventures

The Corporation maintains an ownership percentage of 50% or less in various joint ventures and other companies that do not require consolidation These investments are accounted for using the equity method of accounting Joint venture revenue of $4 4 million and $3 0 million in 2011 and 2010, respectively, is included in unrestricted revenue

Goodwill and Intangible Assets

The Corporation follows the provisions of ASC 958, *Not-for-Profit Entities* (ASC 958), which provides guidance for a not-for-profit entity with respect to goodwill and other intangible assets subsequent to an acquisition In 2011, the Corporation adopted ASU 2011-08, *Testing Goodwill for Impairment*, which allows companies to qualitatively evaluate reporting units for potential goodwill impairments, and, in some cases, not perform the two-step impairment test specified in ASC 350, *Goodwill and Other* In accordance with ASC 958, the Corporation tests goodwill and indefinite-lived intangible assets for impairment on an annual basis (October 1) utilizing qualitative and quantitative factors and between annual tests in certain circumstances The Corporation has goodwill and indefinite-lived intangible assets recorded related to a pathology laboratory, several physician practices, a diagnostic center, a cardiology practice, and an ambulatory surgical center license totaling $16 6 million and $16 7 million at December 31, 2011 and 2010, respectively The annual impairment test performed in 2011 and 2010 resulted in no adjustments to recorded goodwill Separate intangible assets, net of accumulated amortization of $1 0 million and $2 0 million at December 31, 2011 and 2010, respectively, that are not deemed to have an indefinite life, continue to be amortized over their useful lives

Deferred Financing Costs, Net

Deferred financing costs, net were $13 1 million and $14 5 million at December 31, 2011 and 2010, respectively The costs are being amortized over the life of the respective bond issues using the effective interest method for fixed rate bonds and the bonds outstanding method for variable rate bonds

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

Medical Malpractice and General Liability Self-Insurance

The Corporation is self-insured for medical malpractice and general liability claims The provision for estimated self-insured medical malpractice and general liability claims includes estimates of the ultimate costs of settlement for both reported claims and claims incurred but not reported In addition to the long-term insurance liability, short-term liabilities of approximately $27 9 million and $20 0 million are included in accrued expenses and other current liabilities at December 31, 2011 and 2010, respectively, based on the expectation of the payout of claims in the subsequent year The Corporation has engaged independent actuaries to estimate the ultimate costs of the settlement of such claims Recorded malpractice and general liability self-insurance liabilities, discounted at 2 5% in 2011 and 2010, represent management's best estimate of ultimate costs

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

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

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

In August 2010, the FASB issued Accounting Standards Update ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries,* which provides clarification in the health care industry on the accounting treatment for professional liability and similar insurance ASU 2010-24 states that insurance liabilities should not be presented net of insurance recoveries and that an insurance receivable should be recognized on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts ASU 2010-24 is effective for fiscal years beginning after December 15, 2010 and was

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

adopted by the Corporation on January 1, 2011 The adoption of ASU 2010-24 increased miscellaneous receivables by $3 3 million, other assets by $8 4 million, accrued expenses and other by $3 3 million and insurance liability by $8 4 million in the combined financial statements at December 31, 2011 The adoption of ASU 2010-24 did not result in the recognition of a valuation allowance and, therefore, did not impact the combined statements of operations and changes in net assets

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payment to the Corporation at amounts different than the Corporation's established charges Payment arrangements include prospectively determined rates per discharge based on severity of illness, per-diems, discounted charges, reimbursed costs, and flat fees

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined

Excess of Revenue Over Expenses

The combined statements of operations and changes in net assets include subtotals for patient service margin, operating gain, and excess of revenue over expenses The line excess of revenue over expenses represents the operating indicator for the Corporation as defined under GAAP Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets and changes in pension obligation

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

Charity Care

As a part of its not-for-profit mission, the Corporation provides care to patients who may be unable to pay For those patients meeting certain criteria, the Corporation does not pursue collection of amounts determined to qualify as charity care

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure.* ASU 2010-23 requires that cost be used as the measurement for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing charity care ASU 2010-23 also requires corporations to disclose any reimbursement received to offset the cost of providing charity care ASU 2010-23 is effective for fiscal years beginning after December 15, 2010 and was adopted by the Corporation on January 1, 2011

The Corporation estimates charity care cost by calculating a ratio of cost to gross charges, and then multiplying the ratio by the gross charges attributable to patients that qualify for charity care, based on the Corporation's policy The cost associated with charity care provided in 2011 and 2010 was $22 5 million and $21 9 million, respectively These amounts are not included in revenue To offset the cost of charity care provided, the Corporation received state means program reimbursement of $4 0 million and private contributions of $5 4 million in 2011 and state means program reimbursement of $3 0 million and private contributions of $5 2 million in 2010

Donor-Restricted Gifts

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

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

Beneficial Interest in Trusts Held by Others

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

Contributions Received and Pledges Receivable

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

Outstanding pledges receivable from various corporations, foundations and individuals at December 31 are as follows

	2011	2010
Gross pledges due		
In less than one year	**$ 5,432,004**	$ 5,365,681
In one to five years	**5,595,513**	3,851,079
In more than five years	**24,193,932**	16,020,658
	35,221,449	25,237,418
Allowance for uncollectible pledges	**(552,871)**	(516,894)
Discounting	**(9,707,535)**	(6,011,629)
Net pledges receivable	**$ 24,961,043**	$ 18,708,895

The current portion of pledges receivable, included in miscellaneous receivables, was approximately $4,879,000 and $4,849,000 at December 31, 2011 and 2010, respectively The remaining net pledges receivable balance is included in other assets

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

Asset Impairment

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

Any resulting impairment losses are reflected as nonoperating (losses) gains within the excess of revenue over expenses in the combined statements of operations and changes in net assets

Income Taxes

Most of the income received by the Corporation is exempt from taxation under Section 501(a) of the Internal Revenue Code Some of the Corporation's affiliates are taxable entities and some of the income received by otherwise exempt entities is subject to taxation as unrelated business income The Corporation files federal and Kentucky state income tax returns The statute of limitations for tax years 2008 through 2010 remains open in the major U S taxing jurisdictions in which the Corporation is subject to taxation In addition, for all tax years prior to 2008 generating or utilizing a net operating loss (NOL), tax authorities can adjust the amount of NOL carryforward to subsequent years The Corporation has net operating loss carryforwards for income tax purposes of approximately $11 0 million that expire from 2018 to 2025

The Corporation completed an analysis of its tax position at December 31, 2011 and 2010, and determined that no material amounts were required to be recognized under ASC 740, *Income Taxes,* in the combined financial statements

The Corporation records deferred income taxes due to temporary differences between financial reporting and tax reporting for certain assets and liabilities of its taxable activities Deferred income taxes were $3 7 million and $4 4 million at December 31, 2011 and 2010, respectively, and are included in other assets on the combined balance sheets

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

Recent Accounting Pronouncements

In July 2011, the FASB issued Accounting Standards Update (ASU) No 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* ASU 2011-07 is intended to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful receivables ASU 2011-07 requires certain health care entities to change the presentation of their statement of operations and changes in net assets by reclassifying the provision for doubtful accounts associated with patient service revenue from an operating expense to a reduction from patient service revenue Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts The amendments also require disclosures of net patient service revenue as well as qualitative and quantitative information about changes in allowance for doubtful accounts The guidance becomes effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011 The Corporation intends to adopt the provisions as required upon the effective date The adoption of this guidance will not impact the excess of revenue over expenses

In May 2011, FASB issued ASU No 2011-04, Fair Value Measurements (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosures Requirements in U.S. GAAP and IFRSs* The amendments in ASU 2011-04 change the wording used to describe many of the requirements in U S Generally Accepted Accounting Principles (GAAP) for measuring fair value and for disclosing information about fair value measurements The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 The Corporation is currently evaluating the impact of the adoption of ASU 2011-04 and will adopt the provisions as required upon the effective date

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

Other Developments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 to certain hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology in ways that demonstrate improved quality and effectiveness of care Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period An initial Medicaid incentive payment is available to providers that adopt, implement or upgrade certified EHR technology However, in order to receive additional Medicaid incentive payments in subsequent years, providers must demonstrate continued meaningful use of EHR technology As of December 31, 2011, the Corporation has not received meaningful use incentive payments The Corporation is evaluating its revenue recognition policy surrounding these inventive payments

Reclassifications

Certain 2010 amounts have been reclassified to conform with 2011 classifications, which had no impact on previously reported excess of revenue over expenses or net assets

2. Community Service (Unaudited)

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

The Corporation uses the 2008 edition of the Catholic Health Association's "Guide for Planning and Reporting Community Benefit" (CHA guidelines) to report the community benefit amounts

2. Community Service (Unaudited) (continued)

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

	2011	2010
Charity care[A]	**$ 18,466,647**	$ 18,857,911
Educational support	**23,410,390**	23,059,848
Unpaid cost of Medicaid services	**62,669,754**	50,182,318
Petersdorf Fund grants	**2,377,353**	1,843,237
Sponsorships	**967,385**	1,636,113
Pastoral care and counseling programs	**1,657,376**	1,169,891
Kentucky Poison Control Center	**2,064,796**	2,033,403
Child guidance and advocacy program	**1,108,233**	1,134,891
Community cancer initiatives	**4,495,338**	4,058,208
Community service activities	**1,140,011**	809,884
Other community benefits	**4,187,225**	2,657,958
	$ 122,544,508	$ 107,443,662

[A] Consistent with IRS Form 990 requirements and CHA guidelines, this amount is to be reported net of state means programs only The Corporation received state means program reimbursement of $4 0 million and $3 0 million in 2011 and 2010, respectively

The unpaid cost of Medicaid services increased from the previous year as a result of an increase in costs with no corresponding increase in reimbursement

3. Property and Equipment

Property and equipment at December 31 consists of

	2011	2010
Land and land improvements	**$ 40,409,759**	$ 39,513,231
Buildings	**664,429,563**	595,555,718
Equipment	**769,137,151**	747,968,497
	1,473,976,473	1,383,037,446
Accumulated depreciation and amortization	**(866,479,731)**	(795,719,204)
	607,496,742	587,318,242
Construction in process	**60,976,954**	65,609,137
	$ 668,473,696	$ 652,927,379

4. Assets Limited as to Use and Investment Return

Asset Limited as to Use

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

	2011	2010
By Board of Trustees for indigent care, education, research, and community health initiatives (Petersdorf Fund)	**$ 95,571,086**	$ 101,072,080
By Board of Trustees	**328,339,757**	257,321,934
By self-insurance trust agreements	**116,385,446**	101,798,473
Less current portion	**(27,866,122)**	(19,982,728)
	88,519,324	81,815,745
By bond indenture trust agreements	**32,426,285**	37,128,094
Less current portion	**(96,654)**	(20)
	32,329,631	37,128,074
By securities lending agreements	**9,608,924**	9,670,318
By donors	**38,404,852**	37,323,339
	$ 592,773,574	$ 524,331,490

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

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

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

	2011	2010
Cash and cash equivalents	**7.7%**	6 2%
Marketable debt securities	**30.7**	30 3
Domestic equities	**11.4**	10 6
International equities	**9.3**	7 9
Global equities	**12.0**	12 9
Hedge funds	**14.1**	19 4
Real estate/real return	**14.8**	12 7
	100.0%	100 0%

Securities Lending Program

The Corporation participates in a securities lending program, whereby securities owned by the Corporation are loaned to the other institutions The Corporation requires that collateral from the borrower, in an amount equal to 102% in the case of securities of U S issuers, and 105% in the case of securities of non-U S issuers, of the market value of the loaned securities be placed with a third-party trustee The Corporation maintains effective control of the loaned marketable securities through its custodian during the term of the arrangement in that they may be recalled at any time Under the terms of the arrangement, the borrower must return the same, or substantially the same, marketable securities that were borrowed The market value of cash collateral held for loaned marketable securities is reported as collateral held for securities lending agreement in assets limited as to use and a corresponding payable is reported for repayment of such collateral upon settlement of the securities lending arrangements and is part of other noncurrent liabilities At December 31, 2011, securities on loan totaled $9 6 million and the value of the collateral held was $9 9 million, including $9 6 million in cash collateral At December 31, 2010, securities on loan totaled $9 6 million and the value of the collateral held was $9 8 million, including $9 7 million in cash collateral These amounts are treated as noncash items for purposes of the combined cash flow statements

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

Investment Return

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

	2011	2010
Investment gain by net asset class		
Unrestricted	**$ 12,579,769**	$ 21,762,860
Temporarily restricted	**1,659,545**	2,081,353
Permanently restricted	**20,038**	54,203
Total investment gain	**$ 14,259,352**	$ 23,898,416
Components of investment gain		
Interest and dividends	**$ 11,472,472**	$ 12,302,814
Income distributions from trusts	**925,760**	610,552
Investment fees	**(1,761,780)**	(1,300,269)
Realized gain on investments recorded at fair value	**4,478,410**	3,978,220
Realized gain on investments recorded at other than fair value	**1,387,834**	1,443,692
Change in unrealized (losses) gains on investments recorded at other than fair value	**(2,243,344)**	6,863,407
Total investment gain	**$ 14,259,352**	$ 23,898,416

The unrestricted, temporarily restricted, and permanently restricted change in net unrealized (losses) gains on investments of $(22 7) million and $18 9 million for the years ended December 31, 2011 and 2010, respectively, is solely comprised of unrealized gains and losses on investments recorded at fair value

5. Fair Value Measurements

Certain financial instruments are not required to be marked to fair value on a recurring basis and therefore are not disclosed in the accompanying table The carrying value of long-term debt and pledges receivable is required to be disclosed at fair value under applicable accounting guidance Management has determined the carrying amount of the Corporation's variable rate bonds are representative of fair value as the interest rates associated with these bonds are set by market participants The fair value of the 2011, 2006, 2000 and 1997 Bonds is determined by applying the yield of openly marketable bonds that have substantially the same characteristics as the tax-exempt bond obligations issued for the benefit of the Corporation (i e , bond rating, call provisions, maturity, etc) to outstanding amounts of the Corporation's bond issues The determination of fair value of the Corporation's long-term debt is consistent with a Level 2 measurement under the fair value hierarchy The carrying amount and fair value of long-term debt was $769 3 million and $776 1 million at December 31, 2011, and $695 6 million and $640 5 million at December 31, 2010, respectively The fair value of the Corporation's pledges receivable, based on discounted cash flow analysis (level 2 methodology in the fair value hierarchy based on observable inputs through formal pledge agreements and other similar documents) and adjusted for consideration of the donor's credit, is $25 0 million and $18 7 million at December 31, 2011 and 2010, respectively

5. Fair Value Measurements (continued)

The following table summarizes the recorded amount of assets and liabilities by class of asset/liability recorded at fair value on a recurring basis or NAV (which are marked N/A in the table below as they are not recorded at fair value on a recurring basis) The valuation level of the asset or liability as defined by ASC 820 is included for assets and liabilities carried at fair value

	2011	2010	Level
Marketable securities and other investments at fair value			
Marketable debt securities (A)	$ 63,536,820	$ 62,837,817	2
Assets limited as to use at fair value			
By Board of Trustees and donors			
Mutual funds			
PIMCO Total Return (B)	$ 55,606,359	$ 55,788,430	1
Templeton Foreign Equity (C)	27,943,568	16,716,184	1
Artisan International (D)	26,766,765	18,202,683	1
Calamos (E)	39,075,865	29,364,680	1
PIMCO Real Return (F)	25,680,882	17,195,845	1
Wellington Diversified Inflation Fund (G)	24,500,862	6,492,021	2
Other publicly traded mutual funds (H)	21,414,844	22,596,687	1
Total mutual funds	220,989,145	166,356,530	
Separate accounts			
PNC (I)	32,187,849	25,891,075	2
Fairholme (J)	18,070,177	20,508,143	1
Baron (K)	25,408,056	21,649,731	1
Horizon (L)	35,710,685	31,836,044	1
Other (M)	1,195,500	1,116,892	1
Total separate accounts	112,572,267	101,001,885	
Total assets limited as to use by Board of Trustees and donors at fair value	333,561,412	267,358,415	
By self-insurance trust agreements			
Mutual funds			
International equity funds (N)	2,991,821	2,562,640	1
Domestic equity funds (O)	9,337,596	7,914,499	1
Total mutual funds	12,329,417	10,477,139	
Separate accounts			
Cash	3,887,684	3,467,717	1
Marketable debt securities (P)	100,168,345	87,853,617	2
Total separate accounts	104,056,029	91,321,334	
Total assets limited as to use by self-insurance trust agreements at fair value	116,385,446	101,798,473	
By bond indenture trust agreements			
Marketable debt securities (Q)	32,426,285	37,128,094	2
Total assets limited as to use by bond indenture trust agreements at fair value	32,426,285	37,128,094	
Securities lending collateral (R)	9,608,924	9,670,318	2
Total assets limited as to use at fair value	491,982,067	415,955,300	
Assets limited as to use by Board of Trustees and donors at net asset value			
Hedge funds (S)	87,231,204	91,887,747	N A
Real estate funds (T)	41,523,079	36,471,191	N A
Total assets limited as to use by Board of Trustees and donors at net asset value	128,754,283	128,358,938	
Less current portion of self-insurance trust and bond indenture trust	(27,962,776)	(19,982,748)	
Total assets limited as to use	$ 592,773,574	$ 524,331,490	
Other assets at fair value			
Beneficial interest in outside trusts *(Note 1)*	$ 17,566,081	$ 18,802,572	2
Liabilities			
Interest rate swap liability *(Note 7)*	8,253,028	14,748,375	2

5. Fair Value Measurements (continued)

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

5. Fair Value Measurements (continued)

Valuation

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

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

Beneficial interests in outside trusts

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

Interest rate swap liability

The fair value is calculated based on a discounted cash flow model taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable The fair value is calculated based on a discounted cash flow model taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable Based on the observable inputs, typically published interest rates and credit spreads, the Corporation has determined its interest rate swaps fall in level 2 of the fair value hierarchy The specific Corporation inputs are disclosed in Note 7 This technique is consistent with the income or discounted cash flow approach

6. Net Patient Service Revenue

Revenue from the Medicare and Medicaid programs accounted for approximately 39% and 40% of the Corporation's net patient service revenue for the years ended December 31, 2011 and 2010, respectively Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing It has established a corporate compliance program to assist in maintaining compliance with such laws and regulations Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines and penalties and exclusion from the Medicare and Medicaid programs As a result, there is at least a reasonable possibility that current recorded estimates will change by material amounts in the near term

Medicare

Inpatient acute care services are reimbursed based on the patient's diagnosis (DRGs) Outpatient services are reimbursed based on the services provided (APCs) Medicare payments include Disproportionate Share Hospital (DSH) and Medical Education (MedEd) add-ons These add-ons are subject to annual retrospective review by the Medicare program In the opinion of management, adequate provision has been made in the combined financial statements for any adjustments that may result from such audits

Medicaid

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

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

6. Net Patient Service Revenue (continued)

Other

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

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

The Corporation recorded an increase in net patient service revenue of approximately $1 7 million and $300,000 in 2011 and 2010, respectively, as a result of favorable changes in estimated settlements primarily with Medicare and Medicaid

7. Long-Term Debt

Long-term debt at December 31 consists of the following

	2011	2010
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2011 dated August 2011 (2011 Bonds)	**$ 152,435,000**	$ –
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2006, dated October 12, 2006 (2006 Bonds)	**301,950,000**	302,445,000
Kentucky Economic Development Finance Authority, Health System Revenue Bonds, Series 2000, dated October 1, 2000 (2000 Bonds)	**376,715,000**	446,165,000
County of Jefferson, Kentucky, Health System Revenue Bonds, Series 1997, dated September 15, 1997 (1997 Bonds)	**21,305,000**	45,435,000
	852,405,000	794,045,000
Less unamortized discounts	**(106,323,500)**	(115,962,074)
	746,081,500	678,082,926
Other debt and capital leases	**23,256,027**	17,489,721
	769,337,527	695,572,647
Less amounts due within one year	**(24,399,900)**	(17,927,300)
	$ 744,937,627	$ 677,645,347

All bonds, except the 2011 and 2006 Bonds, are secured by a mortgage lien on the principal hospital facilities and parking garages of Norton Hospitals, Inc built before 2006 The net book value of these properties is $216 2 million and $221 5 million at December 31, 2011 and 2010, respectively All bonds, with the exception of the Series 2011 D bonds are tax-exempt bond issues All bonds are secured by a security interest in certain pledged collateral, including the operating revenue of the Obligated Group (Norton Healthcare, Inc and Norton Hospitals, Inc) Principal and interest related to the bonds are payable solely by the Obligated Group

The Corporation has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees, and require the Corporation to maintain specific financial ratios The Corporation is in compliance with these covenants as of December 31, 2011

7. Long-Term Debt (continued)

2011 Bonds

In 2011, the Corporation entered into loan agreements with Louisville/Jefferson County Metro Government to issue $35 0 million of Series A uninsured variable rate revenue bonds, $40 0 million of Series B uninsured variable rate revenue bonds, $23 8 million of Series C uninsured variable rate bonds and $53 7 million of Series D uninsured taxable variable rate bonds Proceeds from Series A and B were used to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating and equipping areas related to patient care and to pay certain expense in connection with the issuance of the bonds Proceeds from Series C were used to refund a portion of Series 1997 bonds and proceeds from Series D were used to refund all of Series 2000 A Bonds As a result of the refunding, the Corporation reported a loss on extinguishment of debt of $3 0 million in 2011

Series A and B are secured by an irrevocable direct-pay letter of credit issued by JPMorgan Chase Bank and their final maturity occurs in 2039 At December 31, 2011, the applicable cost of the debt for Series A and B was approximately 1% Series C and D are a direct placement issue and are held entirely by PNC Bank and their final maturity occurs in 2021 At December 31, 2011, the applicable cost of debt was 1 3% and 1 4% for Series C and D, respectively

2006 Bonds

In 2006, the Corporation entered into a loan agreement with the Louisville/Jefferson County Metro Government to issue $302 7 million uninsured revenue bonds Proceeds from the 2006 Bonds and certain other available monies were used to legally defease a portion of certain outstanding 2000 Bonds (Series A and Series C) issued on behalf of the Corporation through deposits to irrevocable trusts pursuant to escrow agreements, to finance the Corporation for the costs of constructing and equipping a new hospital facility, to finance or reimburse the Corporation for the costs of renovation and expansion of various patient care areas and the acquisition of equipment, and to pay certain expenses in connection with the issuance of the 2006 Bonds The escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 2000 Bonds

7. Long-Term Debt (continued)

At December 31, 2011, the 2006 Bonds consist of fixed rate term bonds, maturing on October 1, 2026, with an interest rate of 5 00%, fixed term bonds maturing on October 1, 2030, with an interest rate of 5 00%, and fixed rate term bonds maturing on October 1, 2036, with an interest rate of 5 25% The 2006 Bonds have annual sinking fund deposits of various amounts annually on October 1 through 2036 Interest is payable on April 1 and October 1 Beginning October 1, 2016, the 2006 Bonds maturing on or after October 1, 2017 are subject to optional redemption prior to maturity for 100% of par

2000 Bonds

In 2000, the Corporation entered into loan agreements with Kentucky Economic Development Finance Authority to issue $148 3 million of Series A uninsured revenue bonds, $119 2 million of Series B and $180 5 million of Series C insured revenue bonds for a total of $448 0 million Proceeds from the 2000 Bonds and certain other available monies were used to legally defease the 1998 Bonds and a portion of certain outstanding 1997 and 1992 Bonds issued on behalf of the Corporation and its Affiliates through deposits to irrevocable trusts pursuant to escrow agreements, and to pay certain expenses incurred in connection with the issuance of the 2000 Bonds as well as fund a debt service reserve account The escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 1998, 1997, and 1992 Bonds

At December 31, 2011, the remaining 2000 Bonds consist of Series B capital appreciation bonds with rates ranging from 5 63% to 6 23%, maturing through October 1, 2028, and Series C deferred income bonds with rates ranging from 5 60% to 6 15% maturing through October 1, 2028 Payment of principal and interest on Series 2000 B and 2000 C Bonds is guaranteed by National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation)

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

7. Long-Term Debt (continued)

1997 Bonds

In 1997, the Corporation entered into a loan agreement with Jefferson County, Kentucky to issue $220 0 million of insured health system revenue bonds Proceeds from the 1997 Bonds and certain other available monies were used to legally defease the 1991 Bonds and a portion of certain outstanding 1992 Bonds issued on behalf of the Corporation and its Affiliates through deposits to an irrevocable trust pursuant to an escrow agreement, to pay or reimburse the Corporation for the payment of certain costs of acquiring, constructing, renovating, remodeling, and equipping health system facilities, and to pay certain expenses incurred in connection with the issuance of the 1997 Bonds and the legal defeasance of the 1991 and a portion of 1992 Bonds The escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 1991 and 1992 Bonds The 1997 Bonds were partially defeased in connection with the issuance of the 2000 Bonds and partially refunded in connection with the issuance of the Series 2011 C Bonds

At December 31, 2011, the remaining 1997 Bonds consist of 5 00% fixed rate with serial maturing through October 1, 2013, fixed rate term bonds maturing on October 1, 2017, with an interest rate of 5 13%, and fixed rate term bonds maturing on October 1, 2027, with an interest rate of 5 13% The 1997 Bonds have annual maturity and sinking fund deposits of various amounts annually on October 1 through 2027 Interest is payable on April 1 and October 1 Payment of principal and interest on 1997 Bonds is guaranteed by National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation) Currently, all 1997 Bonds are subject to optional redemption prior to maturity for 100% of par

Required debt service on all outstanding bonds is as follows

	Principal	Interest	Total
2012	$ 22,137,598	$ 30,867,082	$ 53,004,680
2013	18,752,187	34,284,640	53,036,827
2014	19,050,471	33,989,865	53,040,336
2015	19,429,515	33,623,252	53,052,767
2016	19,869,043	33,192,574	53,061,617
Thereafter	566,445,236	494,921,558	1,061,366,794
	$ 665,684,050	$ 660,878,971	$ 1,326,563,021

7. Long-Term Debt (continued)

Included as part of the interest payments above is $1 4 million of Series 2000 B Bonds interest payable in 2012, which is paid at the maturity of the Series 2000 B Bonds For 2012 through final maturity of Series 2000 B Bonds, $186 7 million is included in interest payments, which is paid at the various maturities of the Series 2000 B Bonds For the variable rate bond series (Series 2011) the future periods estimate interest using terms of the master trust indenture and is calculated using an average of Securities Industry and Financial Markets Association (SIFMA), for tax exempt issues, or London Interbank Offered Rate (LIBOR), the average interest rate charged when banks in the London interbank market borrow unsecured funds from each other, for taxable issues, over the last twenty years plus 1% to estimate liquidity, credit support and remarketing fees Thus utilizing, for purpose of this presentation, 3 42% for tax-exempt issues and 4 55% for taxable issues

The Corporation paid interest of $32 6 million and $35 5 million during 2011 and 2010, respectively The Corporation capitalized interest costs of $1 2 million and $1 6 million during 2011 and 2010, respectively

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

	Principal	Interest	Total
2012	$ 894,975	$ 1,606,911	$ 2,501,886
2013	963,032	1,540,245	2,503,277
2014	1,073,637	1,468,659	2,542,296
2015	1,150,514	1,391,782	2,542,296
2016	6,251,108	1,059,209	7,310,317
Thereafter	12,922,761	4,624,555	17,547,316
	$ 23,256,027	$ 11,691,361	$ 34,947,388

Interest Rate Swaps

The Corporation uses derivative instruments to manage its cost of capital by entering interest rate swaps which generate cash flow meant to reduce interest expense The Corporation pays a rate based upon the SIFMA Municipal Swap Index, an index of seven-day, high-grade, tax-exempt variable-rate demand obligations In return, the Corporation receives a fixed rate based upon LIBOR

7. Long-Term Debt (continued)

At December 31, 2011 and 2010, the Corporation holds the following interest rate swaps

Effective Date	Notional Amount	Maturity Date	Receive	Pay
February 21, 2001	$ 100,000,000	October 1, 2028	1 4925% of one-month LIBOR	2 times SIFMA
October 1, 2004	$ 100,000,000	October 1, 2028	62 6% of one-month LIBOR plus 57%	SIFMA
November 3, 2006	$ 140,000,000	November 3, 2031	61 7% of one-month LIBOR plus 577%	SIFMA
November 3, 2008	$ 200,000,000	November 3, 2026	61 7% of ten-year LIBOR minus 016%	SIFMA

All of the Corporation's derivative contracts are with Citigroup and, consistent with industry practice, require posting of collateral should either party's cumulative mark-to-market liability exceed certain thresholds based upon the credit rating of the counterparty At December 31, 2011 and 2010, based upon the agreements with Citigroup, the Corporation's cumulative mark to market liability at contract value was $12 4 million and $19 4 million, respectively Based upon the Corporation's A- credit rating, collateral must be posted for liabilities in excess of $25 million At December 31, 2011 and 2010, the Corporation had no collateral posted, and was not required to post any collateral Should the Corporation's credit rating fall below BBB, Citigroup would have the option of terminating some or all of the interest rate swaps at the market value Should the Corporation hold all interest rate swaps to maturity, as it intends, no cash settlement will be necessary, and at maturity, any posted interest rate swap collateral will be returned

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

7. Long-Term Debt (continued)

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

	Miscellaneous Receivable	Interest Rate Swap Liability	Balance Sheet, Net
December 31, 2009	$ 1,448,360	$ (4,963,230)	$ (3,514,870)
Interest rate swap benefit, net	4,337,213	–	4,337,213
Swap cash settlement received	(4,788,822)	–	(4,788,822)
Change in interest rate swap value	–	(9,785,145)	(9,785,145)
December 31, 2010	996,751	(14,748,375)	(13,751,624)
Interest rate swap benefit, net	**4,551,585**	–	**4,551,585**
Swap cash settlement received	**(4,548,113)**	–	**(4,548,113)**
Change in interest rate swap value	–	**6,495,347**	**6,495,347**
December 31, 2011	**$ 1,000,223**	**$ (8,253,028)**	**$ (7,252,805)**

8. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets at December 31 are available for the following purposes

	2011	2010
Temporarily restricted		
Health care services	**$ 58,973,722**	$ 48,835,488
Permanently restricted		
Investments to be held in perpetuity, the income from which is expendable to support health care services	**$ 16,156,731**	$ 16,295,475
Beneficial interest in trusts held by others, the income from which is expendable to support health care services	**17,242,690**	18,512,549
Total permanently restricted	**$ 33,399,421**	$ 34,808,024

9. Endowment Funds

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

Interpretation of Relevant Law

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

Investment Objectives and Policy

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

9. Endowment Funds (continued)

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

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

Funds With Deficiencies

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

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

9. Endowment Funds (continued)

In 2011, the Corporation had the following endowment-related activities

	Changes in Endowment Net Assets for the Year Ended December 31, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net (deficit) assets, beginning of year	$ (45,387)	$ 1,451,219	$ 16,295,475	$ 17,701,307
Investment return (loss)				
Investment income	6,289	73,226	226	79,741
Net appreciation (depreciation) (realized and unrealized)	5,532	(585,061)	(47,067)	(626,596)
Total investment gain (loss)	11,821	(511,835)	(46,841)	(546,855)
Contributions	–	–	(91,902)	(91,902)
Appropriation of endowment assets for expenditure	(44,854)	(629,357)	–	(674,211)
Endowment net assets (deficit), end of year	$ (78,420)	$ 310,027	$ 16,156,732	$ 16,388,339

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

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

10. Employee Benefit Plans

Defined Benefit Plan

Substantially all employees of the Corporation are covered by a noncontributory defined benefit pension plan (the Plan) Benefits are generally based upon years of service and an employee's annual compensation during their years of service The Corporation annually funds an amount not less than the minimum required under ERISA The Plan was frozen effective January 1, 2010, and as a result, in 2010 and future years, no service cost is incurred

A summary of the components of net periodic benefit gain, which is included in labor and benefits in the combined statements of operations and changes in net assets, for the Plan for the years ended December 31 is as follows

	2011	2010
Interest cost	**$ 10,427,067**	$ 11,658,152
Expected return on plan assets	**(11,220,028)**	(16,080,085)
Amortization of unrecognized actuarial loss	–	906,255
Net periodic benefit gain	**$ (792,961)**	$ (3,515,678)

Included in unrestricted net assets are $5 8 million and $22 3 million of unrecognized actuarial losses at December 31, 2011 and 2010, respectively that have not been recognized in net periodic benefit cost

The unrecognized actuarial losses included in unrestricted net assets expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2012 is $59,000

Changes in plan assets and benefits obligations recognized in unrestricted net assets for the years ended December 31, 2011 and 2010 were comprised solely of actuarial gains of $16 6 million and $9 9 million, respectively

10. Employee Benefit Plans (continued)

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

	2011	2010
Change in projected benefit obligation		
Benefit obligation at beginning of year	**$ 215,549,797**	$ 213,474,785
Interest cost	**10,427,067**	11,658,152
Actuarial loss	**13,507,409**	1,790,543
Benefits paid	**(11,696,006)**	(11,373,683)
Projected benefit obligation at the end of year	**$ 227,788,267**	$ 215,549,797
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 228,417,041**	$ 198,653,294
Actual return on plan assets	**42,171,314**	27,747,182
Employer contribution	–	14,000,000
Benefits paid	**(11,696,006)**	(11,373,683)
Administrative expenses and other	**(917,631)**	(609,752)
Fair value of plan assets at end of year	**257,974,718**	228,417,041
Funded status and net pension asset	**$ 30,186,451**	$ 12,867,244

Since the Plan is frozen there is no difference between the projected benefit obligation and the accumulated benefit obligation

Assumptions

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

	2011	2010
Discount rate	**3.875%**	5 00%

10. Employee Benefit Plans (continued)

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

	2011	2010
Discount rate	**5.00%**	5 625%
Expected long-term rate of return on assets	**5.00%**	8 00%
Rates of increase in compensation levels	**N/A**	4 00%

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

Plan Assets

In 2011, following the achievement of fully funded status, the Corporation revised the Plan asset allocation to an all fixed income portfolio This change was made to decrease volatility in the portfolio and provide a better matching of plan asset and liability durations Prior to the move to the fixed income portfolio the asset allocation strategy objective was to maximize the Plan surplus, minimize annual contributions and fund the annual interest credit Management and its investment advisor have prepared asset allocation recommendations based on detailed analyses of the pension plan's current and expected future financial needs

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

	2011	2010	2011 Target
Cash and cash equivalents	**0.0%**	0 2%	0 0%
Marketable debt securities	**100.0**	39 6	100 0
Domestic equities	**0.0**	39 7	0 0
International equities	**0.0**	9 9	0 0
Hedge funds	**0.0**	4 4	0 0
Real estate fund	**0.0**	6 2	0 0
	100.0%	100 0%	100 0%

10. Employee Benefit Plans (continued)

Fair Value Measurements

Similar to the Corporations' assets limited as to use (Notes 1 and 5), Plan assets impacting the funded status of the Plan are accounted for using fair value measurements

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

	2011	2010	Level
Money market fund	$ –	$ 394,665	1
Mutual funds			
BlackRock Equity Dividend I (A)	–	12,153,155	1
American Funds Growth Fund of America (B)	–	11,972,084	1
American Funds EuroPacific Growth (C)	–	11,527,183	1
GE Institutional International Equity (D)	–	10,993,928	1
Allianz Small Cap Value (E)	–	10,645,405	1
Royce Value Plus (F)	–	9,901,949	1
JP Morgan Core Bond Select (G)	**11,990,523**	–	1
PIMCO Long Duration Total Return (H)	**72,476,030**	–	1
Vanguard Long Term Bond Index (I)	**74,876,857**	–	1
Vanguard Total Bond Market Index (J)	**12,054,844**	–	1
Total mutual funds	**171,398,254**	67,193,704	
Common and collective trusts			
Diversified Core Bond (K)	–	47,151,315	2
Diversified Long Bond (L)	**75,682,841**	24,910,959	2
Diversified Stock Index (M)	–	24,575,532	2
Diversified Real Estate Securities (N)	–	14,140,317	2
Diversified High Yield Bond (O)	–	12,351,822	2
Diversified Mid Growth (P)	–	11,150,145	2
Diversified Mid Value (Q)	–	10,414,010	2
Diversified Inflation-Protected Securities (R)	–	6,021,469	2
Diversified High Quality Bond (S)	**10,893,623**	–	2
Total common and collective trusts	**86,576,464**	150,715,569	
Partnership/joint venture interests			
Hedge fund (T)	–	10,113,103	3
	$ 257,974,718	$ 228,417,041	

10. Employee Benefit Plans (continued)

(A) Mutual fund focused on domestic value companies with large market capitalizations, that also pay dividends The funds strive to exceed the Russell 1000 value index
(B) Mutual fund focused on growth companies with large market capitalizations and strives to exceed the S&P 500 index
(C) Mutual fund focused on international value and growth companies with large market capitalizations and strives to exceed the MSCI EAFE index
(D) Mutual fund focused primarily on international companies with large market capitalizations, and strives to exceed the MSCI EAFE index
(E) Mutual fund focused on domestic equities with middle of spectrum market capitalizations, that are viewed as a good value and strives to exceed the Russell 2000 Value index
(F) Mutual fund focused on smaller domestic equities that are expected to grow and fund strives to exceed the Russell 2000 Growth index
(G) Actively managed fund is designed to maximize total return by investing in a portfolio of investment grade intermediate and long term debt securities The fund invests at least 80% of net assets in bonds The objective of the fund is to maximize total return
(H) Actively managed fund invests in a diversified portfolio of fixed income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements The portfolio seeks to maximize total return
(I) Passively managed portfolio seeks to track the performance of the Barclays Capital Aggregate Long Government/Credit Long Index The portfolio has diversified exposure to the long-term, investment-grade U S bond market The objective of the portfolio is to provide high current income with high credit quality
(J) Passively managed portfolio seeks to track the performance of the Barclays Capital Aggregate Long Government/Credit Long Index It holds a broadly diversified collection of securities that approximates the full index in terms of risk factors and other characteristics The fund invests at least 80% of assets in bonds held in the index The fund seeks to provide moderate current income with high credit quality
(K) Actively managed portfolio that represents an intermediate total return bond fund that invests primarily in investment grade debt securities and U S government obligations, mortgage-backed securities guaranteed by U S government agencies and instrumentalities, and those of private issuers The fund seeks to exceed the Barclay`s Capital Aggregate Index
(L) Actively managed fund seeking to maximize total return through investment in a diversified portfolio of long duration fixed income securities, including long duration U S Government, agency and corporate securities, and to a lesser extent, asset-backed, and mortgage-backed holdings The fund seeks to exceed the Barclay`s Capital Long Government Credit Index
(M) Passively managed portfolio seeking to match returns of the Standard & Poor`s 500 Stock Index
(N) Actively managed portfolio seeking to maximize total return through investment in public real estate securities with a combination of above-average income and long-term growth of capital The funds seek to exceed the MSCI REIT Index
(O) Actively managed portfolio investing primarily in high-yielding, income producing debt securities such as debentures and notes, loan participations, and in convertible and non-convertible preferred stocks The funds seek to exceed the Bank of America/Merrill Lynch High Yield Master II Index

10. Employee Benefit Plans (continued)

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

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

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

(S) Actively managed portfolio invests primarily in high quality debt debt securities with short and intermediate maturities Securities can include corporate bodns and notes. mortgage-backed and asset backed securities. U S Treasury and agency obligations and securities of foreign issuers The portfolio seeks to provide a high. risk-adjusted return while preserving capital

(T) The hedge fund manager is a core multi-strategy hedge fund of funds with a long/short equity bias The manager seeks to provide equity-like returns over a full market cycle with reduced volatility and low correlation The fund provides redemptions quarterly with a 91 notice requirement There were no unfunded commitments as of December 31. 2011 or 2010

Valuation

As previously stated, level 1 securities are stated at unadjusted quoted market prices The business advisor for the assets of the Plan utilizes external pricing services in providing the valuation for all levels of securities For level 2 securities, this includes valuations based upon direct and indirect observable market inputs that may utilize the market, income, or cost approaches in determination of their fair value The pricing service uses a variety of pricing models and inputs based upon the type of security being valued These inputs may include but are not limited to, reported trades, similar security trade data, bid/ask spreads, institutional bids, benchmark yields, broker/dealer quotes, issuer spreads, yield to maturity, and corporate, industry, and economic events In 2010, the Plan held a hedge fund that is a funds of funds, while some of the funds include level 1 and 2 securities, some securities values include unobservable inputs, and therefore, the holding has been classified as level 3 The fair value for this investment is the Plan's ownership percentage applied against the entire fund's cumulative fair value

10. Employee Benefit Plans (continued)

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

	2011	2010
Balance, beginning of year	**$ 10,113,103**	$ 9,848,244
Unrealized gains relating to instruments still held at the reporting date	–	264,859
Realized gains	**349,489**	–
Redemptions	**(10,462,592)**	–
Balance, end of year	**$** –	$ 10,113,103

Cash Flows

The Corporation does not expect to contribute to the Plan in 2012 The following table sets forth the benefit payout projections for the next ten years

Year	
2012	$ 17,810,000
2013	15,320,000
2014	16,640,000
2015	15,230,000
2016	15,100,000
2017-2021	75,100,000

Defined Contribution Plans

403(b) 401(k) Plan

In addition to the Plan, the Corporation also has a defined contribution 403(b)/401(k) retirement plan (Defined Contribution Plans) The 403(b) Plan is available to all employees that work more than 1000 hours in a year The 401(k) Plan is available to all employees that work more than 581 5 hours in a year The Corporation matches contributions to participants employed on the last day of the year Under the terms of these Defined Contribution Plans, for the 2010 plan year the Corporation provided for a 50% matching contribution of the participant's first 4% of plan deferrals for those participants employed on December 31 For the 2011 plan year the Corporation provides for a 100% matching contribution of the participant's first 4% of plan deferrals for those participants employed on December 31

10. Employee Benefit Plans (continued)

While the Plan was frozen effective January 1, 2010, additional discretionary employer contributions to the defined contribution plans went into effect on the same date For fiscal years 2011 and 2010, these contributions were based on years of services according to the following grid

2011	
Years of Service	**Employer Contribution**
0-4	**1%**
5-9	**2**
10-14	**3**
15-19	**4**
20-24	**5**
25 +	**6**

2010	
Years of Service	**Employer Contribution**
0-4	3%
5-9	4
10-14	5
15-19	6
20-24	7
25 +	8

Total expense related to the Defined Contribution Plans was $32 8 million and $31 3 million for the years ended December 31, 2011 and 2010, respectively

11. Functional Expenses

The Corporation, through certain affiliates (principally the hospitals), provides general health care services to residents within its geographic location Approximately 88% and 89% of the Corporation's expenses relate to health care services for the years ended December 31, 2011 and 2010, respectively, and 12% and 11% of the Corporation's expenses relate to general and administrative expenses for the years ended December 31, 2011 and 2010, respectively

12. Affiliation Agreement

In accordance with the second restated Affiliation Agreement between the Corporation and Kosair Charities Committee, Inc (Kosair), Kosair agreed to contribute a total of $117 0 million to Kosair Children's Hospital from 2007 through 2026 Total contributions from Kosair were approximately $4 9 million and $4 7 million for the years ended December 31, 2011 and 2010, respectively These contributions are reported as donations and contributions Based on the terms of the agreements, this does not meet the accounting definition of a pledge receivable, and will be recorded in the year cash is received

The Corporation and Kosair entered into a Special Project Agreement and Additional Projects Funding Agreement where Kosair agreed to contribute $1 0 million annually to Kosair Children's Hospital, beginning in 2010 and continuing through 2026, when, in the final year of these agreements, they will contribute $1 5 million

13. Commitments and Contingency

The Corporation is in the process of improving and expanding its facilities Commitments related to renovation of existing facilities or construction of new facilities totaled $14 6 million and $32 9 million at December 31, 2011 and 2010, respectively This will be funded through cash flows from operations

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

14. Concentration of Credit Risk

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

	2011	2010
Medicare	**12%**	12%
Medicaid	**15**	14
Blue Cross plans	**16**	16
Other third-party payors	**27**	27
Self-pay accounts	**30**	31
	100%	100%

15. Flood Event Presentation

Included as a separate line in the combined statement of operations and changes in net assets is $12 6 million for flood loss reimbursement in 2010 This insurance recovery is related to a loss recorded in 2009 Due to the nature of the recovery and its loss event no amounts have been recorded in 2011 and no future amounts are known or anticipated

16. Asset Impairment

Included as a separate line in the combined statements of operations and changes in net assets is an impairment loss of $1 4 million and $12 7 million in 2011 and 2010, respectively, for an equity based investment in the joint venture, University Healthcare (UHC) UHC's only business is to operate the managed care Medicaid plan for Louisville area residents through a contract with the state of Kentucky During 2010, a comprehensive audit by the state auditor of public accounts was conducted over the operations of UHC, which created an impairment indicator The state auditor findings include the conclusion that reserves, which play significantly into the equity balances of UHC, belong to the state, and that UHC is a public agency since more than 25% of its revenue are derived from state revenue, as well as concerns over the governance structure of UHC As a result of these indicators of impairment, management was required to determine the recoverability and fair value of the equity method joint venture After considering ASC 820, management has concluded that the most appropriate measure of fair value for this investment is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence (level 2 in the fair value hierarchy) Management has further concluded that the investment should be deemed obsolete to a buyer based upon the findings of the state auditor and if a market participant wished to enter the market they could do so by entering a separate contract with the state to provide the services currently provided by UHC As such, the Corporation impaired the entire value of this joint venture in 2010 In 2011, following involvement of the State Attorney General of the Commonwealth of Kentucky, the Corporation, along with other UHC equity members, was asked to repay an amount previously received from UHC that represented the return of the Corporation's original equity investment The $1 4 million impairment loss represents that repayment

17. Subsequent Event

The Corporation has evaluated and disclosed any subsequent events through March 29, 2012, which is the date the combined financial statements were issued and made publicly available

Report of Independent Auditors on Supplementary Information

The Board of Trustees
Norton Healthcare, Inc and Affiliates

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole The following combining balance sheet and combining statement of operations and changes in unrestricted net assets are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole

March 29, 2012

Norton Healthcare, Inc and Affiliates

Combining Balance Sheet

December 31, 2011

	Norton Healthcare, Inc	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc	Norton Properties, Inc	Norton Enterprises, Inc	The Children's Hospital Foundation	Norton Healthcare, Foundation, Inc	Eliminations	Combined Totals
Assets									
Current assets									
Cash and cash equivalents	$ 166 271 480	$ 28 915	$ 701 124	$ –	$ 234 420	$ 400 952	$ 700	$ –	$ 167 637 591
Marketable securities and other investments	63 536 820	–	–	–	–	–	–	–	63 536 820
Patient accounts receivable less allowance for doubtful accounts of $74 206 000	–	151 995 025	18 207 074	–	5 785 344	–	–	–	175 987 443
Inventory	1 710 128	43 849 372	77 514	–	832 657	21 005	45 247	–	46 535 923
Prepaid expenses and other	14 808 111	1 481 623	262 736	173 428	79 742	71 584	–	–	16 877 224
Miscellaneous receivables	5 766 276	1 156 488	45 833	(3)	215	3 644 614	1 234 518	–	11 847 941
Current portion of assets limited as to use	27 962 776	–	–	–	–	–	–	–	27 962 776
Total current assets	280 055 591	198 511 423	19 294 281	173 425	6 932 378	4 138 155	1 280 465	–	510 385 718
Assets limited as to use									
By Board of Trustees	391 842 871	–	–	–	–	29 743 694	2 324 278	–	423 910 843
By bond indenture trust agreements	32 329 632	–	–	–	–	–	–	–	32 329 632
By self-insurance trust agreement	88 519 323	–	–	–	–	–	–	–	88 519 323
By donors and other restrictions	9 608 924	–	–	–	–	20 696 144	17 708 708	–	48 013 776
	522 300 750	–	–	–	–	50 439 838	20 032 986	–	592 773 574
Property and equipment net	71 684 333	547 121 278	12 741 964	34 298 982	2 591 173	35 966	–	–	668 473 696
Other assets									
Investments in joint ventures	867 706	7 192 087	–	–	13 868 783	–	–	(12 841 680)	9 086 896
Pension	30 186 451	–	–	–	–	–	–	–	30 186 451
Pledges receivable net	–	–	–	–	–	7 612 295	12 469 618	–	20 081 913
Beneficial interest in trusts held by others	–	–	–	–	–	12 550 706	5 568 622	–	18 119 328
Goodwill and intangible assets less accumulated amortization of $3 025 000	78 334	4 446 271	3 364 298	–	9 677 178	–	–	–	17 566 081
Deferred financing costs net	13 074 144	–	–	–	–	–	–	–	13 074 144
Other	(34 583 657)	204 201 575	(154 905 236)	1 696 232	3 949 257	267 737	33 811	–	20 659 719
	9 622 978	215 839 933	(151 540 938)	1 696 232	27 495 218	20 430 738	18 072 051	(12 841 680)	128 774 532
Total assets	$ 883 663 652	$ 961 472 634	$ (119 504 693)	$ 36 168 639	$ 37 018 769	$ 75 044 697	$ 39 385 502	$ (12 841 680)	$ 1 900 407 520

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

Norton Healthcare, Inc and Affiliates

Combining Balance Sheet (continued)

December 31, 2011

	Norton Healthcare, Inc	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc	Norton Properties, Inc	Norton Enterprises, Inc	The Children's Hospital Foundation	Norton Healthcare, Foundation, Inc	Eliminations	Combined Totals
Liabilities and net assets									
Current liabilities									
Accounts payable	$ 15 140 143	$ 40 334 247	$ 2 399 069	$ 77 541	$ 500 737	$ 148 342	$ 21 696	$ –	$ 58 621 775
Accrued expenses and other	81 820 753	11 293 348	11 763 647	199 141	343 696	89 246	64 134	–	105 573 965
Accrued payroll and related items	63 889 064	1 569 332	–	–	288 013	190 450	27 523	–	65 964 382
Due to third-party payors, net	–	18 330 091	–	–	–	–	–	–	18 330 091
Accrued interest	6 205 671	–	–	–	–	–	–	–	6 205 671
Current portion of long-term debt	23 505 000	–	–	894 900	–	–	–	–	24 399 900
Total current liabilities	190 560 631	71 527 018	14 162 716	1 171 582	1 132 446	428 038	113 353	–	279 095 784
Other noncurrent liabilities									
Insurance liability	104 342 845	–	–	–	–	–	–	–	104 342 845
Interest rate swap liability	8 253 028	–	–	–	–	–	–	–	8 253 028
Other	29 584 268	9 453 584	–	4 076 421	–	2 194 102	2 194 000	–	47 502 375
Total other noncurrent liabilities	142 180 141	9 453 584	–	4 076 421	–	2 194 102	2 194 000	–	160 098 248
Long-term debt, net of current portion	722 576 500	–	–	17 361 127	5 000 000	–	–	–	744 937 627
Net (deficit) assets									
Unrestricted	(172 100 406)	871 062 342	(133 766 003)	13 559 509	30 886 323	26 763 333	339 300	(12 841 680)	623 902 718
Temporarily restricted	446 786	9 429 690	98 594	–	–	28 347 626	20 651 026	–	58 973 722
Permanently restricted	–	–	–	–	–	17 311 598	16 087 823	–	33 399 421
Total net (deficit) assets	(171 653 620)	880 492 032	(133 667 409)	13 559 509	30 886 323	72 422 557	37 078 149	(12 841 680)	716 275 861
Total liabilities and net (deficit) assets	$ 883 663 652	$ 961 472 634	$ (119 504 693)	$ 36 168 639	$ 37 018 769	$ 75 044 697	$ 39 385 502	$ (12 841 680)	$ 1 900 407 520

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

Norton Healthcare, Inc and Affiliates

Combining Statement of Operations and Changes in Unrestricted Net Assets

Year Ended December 31, 2011

	Norton Healthcare, Inc	Norton Hospitals, Inc [1]	Community Medical Associates, Inc	Norton Properties, Inc	Norton Enterprises, Inc	The Children's Hospital Foundation	Norton Healthcare, Foundation, Inc	Eliminations	Combined Totals
Unrestricted revenue									
Net patient service revenue	$ –	$ 1 367 490 162	$ 190 862 384	$ –	$ 31 410 070	$ –	$ –	$ (5 478 540)	$ 1 584 302 076
Other revenue	3 264 225	11 582 578	12 087 555	6 844 428	3 183 738	401 020	514 025	(23 140 746)	14 737 723
Donations and contributions	760 491	8 100 505	35 398	172	1 042	7 857 277	2 514 707	(5 936 907)	13 312 285
Joint venture revenue	377 716	3 475 089	–	–	595 515	–	–	–	4 448 320
Total unrestricted revenue	4 411 432	1 390 657 334	202 985 337	6 844 600	35 190 374	8 258 297	3 028 732	(34 556 202)	1 616 830 404
Operating expenses									
Labor and benefits	98 788 021	505 003 662	191 547 383	938 846	16 433 873	1 290 708	440 490	–	814 442 983
Professional fees	142 982	49 615 201	1 654 074	–	–	64 094	–	(6 115 223)	45 361 128
Drugs and supplies	(204 370)	270 132 307	6 210 522	77 870	4 812 821	317 701	103 371	–	293 540 402
Fees and special services	37 550 929	46 069 145	8 213 607	802 145	4 976 971	424 709	228 020	(6 663 666)	88 601 857
Repairs, maintenance and utilities	33 670 914	20 448 601	2 357 025	1 842 289	321 652	14 615	7 867	–	58 662 963
Rent and leases	6 253 095	19 416 557	12 332 202	537 377	674 793	74 850	27 154	(12 383 209)	26 932 828
Provision for doubtful accounts	1 540	54 088 590	10 571 401	–	2 406 923	13 247	–	–	67 081 710
Insurance	625 204	33 423 402	5 793 761	216 572	445 284	24 852	7 534	–	40 536 609
Provider tax	–	20 129 732	–	–	–	–	–	–	20 129 732
Other	2 246 509	6 934 271	3 042 111	344 888	654 374	5 362 561	2 106 977	(6 304 101)	14 267 590
Management allocation	(157 040 862)	152 901 867	1 540 010	389 148	2 209 837	–	–	–	–
Total operating expenses	22 033 962	1 187 163 425	246 271 096	5 149 144	32 936 528	7 587 436	3 011 413	(34 556 202)	1 460 596 802
Earnings before fixed expenses and other gains (loss)	(17 622 530)	203 493 909	(43 285 759)	1 695 456	2 253 846	671 761	17 319	–	147 233 602
Fixed expenses									
Depreciation and amortization	14 789 813	54 871 039	3 292 264	2 340 915	1 248 519	6 109	1 976	–	76 550 638
Interest (income) expense	(1 820 716)	37 310 835	–	1 269 849	279 729	–	–	–	37 039 697
Interest rate swap benefit, net	(4 551 585)	–	–	–	–	–	–	–	(4 551 585)
	8 417 512	92 181 874	3 292 264	3 610 764	1 528 248	6 109	1 976	–	109 038 750
Patient service margin	(26 040 042)	111 312 035	(46 578 023)	(1 915 308)	735 198	665 652	15 343	–	38 194 852
Investment gain	11 438 036	8 411	–	–	–	1 009 027	64 295	–	12 579 769
Operating (loss) gain	(14 602 006)	111 320 446	(46 578 023)	(1 915 308)	735 198	1 734 679	79 638	–	50 774 621
Nonoperating (losses) gains									
Change in net unrealized losses on investments	(19 008 957)	–	–	–	–	(1 562 625)	(117 980)	–	(20 779 571)
Change in interest rate swap value	6 405 347	–	–	–	–	–	–	–	6 405 347
Petersdorf Fund grants	(2 377 353)	–	–	–	–	–	–	–	(2 377 353)
Asset impairment	(1 348 581)	–	(99 500)	–	–	–	–	–	(1 448 081)
Loss on extinguishment of debt	(2 967 642)	–	–	–	–	–	–	–	(2 967 642)
Other nonoperating (losses) gains, net	(103 442)	(53 296)	250	–	(673 590)	(20 293)	–	–	(850 377)
Total nonoperating (losses) gains	(19 400 628)	(53 296)	(99 250)	–	(673 590)	(1 582 918)	(117 980)	–	(21 927 677)
Excess of (expenses over revenue) revenue over expenses	(34 002 634)	111 267 150	(46 677 273)	(1 915 308)	61 602	151 761	(38 354)	–	28 846 944
Change in pension plan asset and obligation	16 588 412	–	–	–	–	–	–	–	16 588 412
Net assets released from restrictions for equipment	–	688 910	–	–	–	–	–	–	688 910
Other, net	(102 803)	(14 397)	–	(150)	–	116 975	375	–	–
(Decrease) increase in unrestricted net assets	$ (17 517 025)	$ 111 941 662	$ (46 677 273)	$ (1 915 458)	$ 61 602	$ 268 736	$ (37 979)	$ –	$ 46 124 275

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

Additional Data

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

Form 990, Special Condition Description:

Special Condition Description

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
DONALD H ROBINSON TRUSTEE	1 00	X						0	0	0
JOSEPH A PARADIS III TRUSTEE (CHAIRMAN)	1 00	X						0	0	0
CHERYL BALKENHOL TRUSTEE	1 00	X						0	0	0
MARIA L BOUVETTE TRUSTEE	1 00	X						0	0	0
CAROLYN J GATZ TRUSTEE (PARTIAL YR)	1 00	X						0	0	0
ROBERT GOODIN MD TRUSTEE	1 00	X						0	1,500	0
CRAIG GRANT TRUSTEE	1 00	X						0	1,500	0
R K GUILLAUME TRUSTEE	1 00	X						0	1,500	0
KEVIN HABLE TRUSTEE	1 00	X						0	0	0
MARIA GERWING HAMPTON TRUSTEE (VICE CHAIRMAN)	1 00	X						0	1,500	0
MARTHA HEYBURN MD TRUSTEE	1 00	X						0	1,500	0
RONALD LEHOCKY MD TRUSTEE	1 00	X						0	1,500	0
GREGORY E MAYES TRUSTEE	1 00	X						0	1,500	0
MARY MOSELEY TRUSTEE (PARTIAL YR)	1 00	X						0	0	0
MITCH NICHOLS TRUSTEE	1 00	X						0	0	0
GAIL LYTTLE TRUSTEE	1 00	X						0	0	0
G HUNT ROUNSAVALL TRUSTEE	1 00	X						0	1,500	0
REV WILLIAM J SCHULTZ TRUSTEE	1 00	X						0	1,500	0
RICHARD S WOLF MD TRUSTEE (PARTIAL YR)	1 00	X						0	1,500	0
STEPHEN A WILLIAMS PRESIDENT/TRUSTEE	10 00	X		X				0	2,350,969	318,107
GARY L STEWART TRUSTEE	1 00	X						0	1,500	0
LOUIS S HEUSER MD TRUSTEE	1 00	X						0	1,500	0
RICHARD R IVEY TRUSTEE	1 00	X						0	0	0
JOSEPH J MCGOWAN TRUSTEE	1 00	X						0	1,500	0
EDIE NIXON TRUSTEE	1 00	X						0	1,500	0

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			
WENDELL P WRIGHT TRUSTEE EX-OFFICIO	1 00	X						0	1,500	0
RUSSELL F COX VICE PRESIDENT	10 00			X				0	1,129,265	202,082
MICHAEL W GOUGH TREASURER	10 00			X				0	940,147	174,632
ROBERT B AZAR SECRETARY	10 00			X				0	497,537	87,611
THOMAS KMETZ HOSPITAL PRESIDENT	50 00				X			661,197	0	132,317
JOHN HARRYMAN HOSPITAL PRESIDENT	50 00				X			633,139	0	129,675
KEVIN WARDELL HOSPITAL PRESIDENT	50 00				X			635,878	0	118,076
STEVEN MACLAUCHLAN HOSPITAL PRESIDENT	50 00				X			565,298	0	111,501
DOUGLAS WINKELHAKE HOSPITAL PRESIDENT	50 00				X			495,422	0	107,259
ROBERT SHAW HOSPITAL PRESIDENT	50 00				X			574,911	0	92,096
DON STEVENS PHYSICIAN	50 00					X		1,292,797	0	38,439
DAVID DOERING PHYSICIAN	50 00					X		1,275,940	0	41,493
TERENCE HADLEY PHYSICIAN	50 00					X		1,201,109	0	31,322
STEVEN PURSELL PHYSICIAN	50 00					X		1,036,281	0	29,373
JOHN HAMM PHYSICIAN	50 00					X		744,592	0	42,578
DOUGLAS EIGHMEY FORMER HOSPITAL PRESIDENT	0 00						X	1,321,312	0	0
JON COOPER FORMER V P SURGICAL SERV	1 00						X	0	285,213	63,306