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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

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

Room/suite

1265 UNION AVENUE

City or town, state or country, and ZIP + 4

MEMPHIS, TN 38104

F Name and address of principal officer

GARY SHORB

1265 UNION AVENUE

MEMPHIS, TN 38104

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

D Employer identification number

62-0479367

E Telephone number

(901) 516-0696

G Gross receipts \$ 1,339,625,312

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.METHODISTHEALTH.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1935

M State of legal domicile

TN

Part I	Summary																																										
Activities & Governance	1 Briefly describe the organization's mission or most significant activities METHODIST HEALTHCARE-MEMPHIS HOSPITALS, IN PARTNERSHIP WITH ITS MEDICAL STAFF, IS THE PREMIER, COMPREHENSIVE HEALTHCARE PROVIDER SERVING PATIENTS AND FAMILIES IN ITS SURROUNDING COMMUNITIES. HIGH QUALITY, PATIENT AND FAMILY-CENTERED CARE IS PROVIDED IN A PERSONALIZED ENVIRONMENT.																																										
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets																																										
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>26</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>22</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2011 (Part V, line 2a)</td><td>9,956</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>1,126</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>1,411,273</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>0</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	26	4	Number of independent voting members of the governing body (Part VI, line 1b)	22	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	9,956	6	Total number of volunteers (estimate if necessary)	1,126	7a	Total unrelated business revenue from Part VIII, column (C), line 12	1,411,273	7b	Net unrelated business taxable income from Form 990-T, line 34	0																								
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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

Signature of officer

2012-11-12

Date

CHRISTOPHER MCLEAN CFO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

AMY BIBBY

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)

P00445891

Firm's name (or yours if self-employed), address, and ZIP + 4

DIXON HUGHES GOODMAN LLP

500 RIDGEFIELD COURT

ASHEVILLE, NC 28806

EIN ☐ 56-0747981

Phone no ☐ (828) 254-2254

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

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

METHODIST LE BONHEUR HEALTHCARE, IN PARTNERSHIP WITH ITS MEDICAL STAFFS, WILL COLLABORATE WITH PATIENTS AND THEIR FAMILIES TO BE THE LEADER IN PROVIDING HIGH QUALITY, COST-EFFECTIVE PATIENT-AND FAMILY-CENTERED CARE SERVICES WILL BE PROVIDED IN A MANNER WHICH SUPPORTS THE HEALTH MINISTRIES AND SOCIAL PRINCIPLES OF THE UNITED METHODIST CHURCH TO BENEFIT THE COMMUNITIES WE SERVE

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 \$ 1,056,801,841 including grants of \$ 1,265,206) (Revenue \$ 1,299,937,583)

METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS A 501(C)(3) NON-PROFIT ORGANIZATION CONSISTING OF FIVE HOSPITALS WITHIN AN INTEGRATED HEALTHCARE DELIVERY SYSTEM BASED IN MEMPHIS, TENNESSEE THE FIRST METHODIST HOSPITAL IN THE SYSTEM WAS FOUNDED IN 1918 BY THE UNITED METHODIST CHURCH TO HELP MEET THE GROWING NEEDS FOR QUALITY HEALTHCARE IN THE MID-SOUTH AFFILIATED WITH THE MEMPHIS, MISSISSIPPI AND ARKANSAS CONFERENCES OF THE UNITED METHODIST CHURCH, METHODIST HEALTHCARE - MEMPHIS HOSPITALS COMBINE A DEDICATION TO THE ART OF HEALING WITH A CHRIST-CENTERED COMMITMENT TO MINISTER TO THE WHOLE PERSON

4b

(Code) (Expenses \$ 0 including grants of \$ 0) (Revenue \$)

PLEASE SEE OUR EXTENDED DESCRIPTION OF PROGRAM SERVICE ACCOMPLISHMENTS IN SCHEDULE O IN ADDITION, PLEASE VISIT OUR WEBSITE FOR A POSTING OF THE MOST CURRENT COMMUNITY BENEFIT REPORT AT WWW.METHODISTHEALTH.ORG/ARTICLES/COMMUNITY-INVOLVEMENT

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 \$ 1,056,801,841

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 	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	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		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		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III		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 		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 		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 		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 		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 		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, line 10? If "Yes," complete Schedule D, Part VI. 	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. 		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. 		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. 		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	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. 	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 		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 	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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		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		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		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		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		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		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	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 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
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? <i>If "Yes," complete Schedule J</i>	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? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part II</i>	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? <i>If "Yes," complete Schedule L, Part III</i>	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? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	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? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	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? <i>If "Yes," complete Schedule R, Part VI</i>	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	490	
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	9,956	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
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?				
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?				
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . .	14b		No

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	22
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	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	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

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 ▶ SUE WAUGH 1211 UNION AVENUE MEMPHIS, TN 38104 (901) 516-0656

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

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

Form **990** (2011)

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	8,376,356	7,472,016	2,663,972

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 354

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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)	(B)	(C)
Name and business address	Description of services	Compensation
UNIVERSITY OF TENNESSEE 910 MADISON AVENUE MEMPHIS, TN 38163	PHYSICIAN SERVICES	27,463,636
UT MEDICAL GROUP 1407 UNION AVENUE MEMPHIS, TN 38104	PHYSICIAN SERVICES	8,213,253
MORRISON MANAGEMENT SPECIALISTS INC PO BOX 102289 ATLANTA, GA 30368	FOOD SERVICE MANAGEMENT	6,488,053
JOHNSON CONTROL PO BOX 905240 CHARLOTTE, NC 28201	MAINTENANCE SERVICES	5,077,370
MEDICAL ANESTHESIA GROUP PA 1755 KIRBY PKWY MEMPHIS, TN 38120	MEDICAL SERVICE	2,704,393

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 40

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	108,036				
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	7,799,758				
	e	Government grants (contributions)	1e	1,082,036				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		8,989,830				
Program Service Revenue			Business Code					
	2a	NET PATIENT SERVICE	623000	1,161,412,613	1,161,412,613			
	b	OUTPATIENT LABS	900099	134,587,854	134,442,685	145,169		
	c	DRUG SALES	446110	5,733,581	5,733,581			
	d	SUBSIDIARY INCOME	623000	-1,651,296	-1,651,296			
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		1,300,082,752				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		20,742,064			20,742,064	
	4	Income from investment of tax-exempt bond proceeds . . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				5,513,968
		5,423,860		90,108				
		0		0				
		5,423,860		90,108				
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)		5,513,968				
	7a	(i) Securities		(ii) Other				99,283
				99,283				
				0				
				99,283				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss)		99,283				
	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				202,489
				282,753				
		Less cost of goods sold		b				
c	Net income or (loss) from sales of inventory . . .			202,489			202,489	
Miscellaneous Revenue		Business Code						
11a	HEALTHSOUTH	900099		1,933,501		1,266,104	667,397	
b	CAFETERIA & VENDING	722210		524,348			524,348	
c	EDUCATION & DAYCARE	900099		269,694			269,694	
d	All other revenue			1,187,119			1,187,119	
e	Total. Add lines 11a-11d			3,914,662				
12	Total revenue. See Instructions			1,339,545,048	1,299,937,583	1,411,273	29,206,362	

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	1,265,206	1,265,206		
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	3,820,754	2,985,359	835,395	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	429,314,342	398,591,324	30,723,018	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	23,781,819	22,049,065	1,732,754	
9	Other employee benefits	44,398,177	41,163,306	3,234,871	
10	Payroll taxes	30,359,708	28,147,686	2,212,022	
11	Fees for services (non-employees)				
a	Management	3,868,684		3,868,684	
b	Legal	130,672		130,672	
c	Accounting	369,057		369,057	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	105,517,684	91,830,789	13,686,895	
12	Advertising and promotion	894,302	894,302		
13	Office expenses	273,145,144	253,773,345	19,371,799	
14	Information technology	789,606	789,606		
15	Royalties				
16	Occupancy	20,666,555	20,666,555		
17	Travel	905,858	905,858		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	783,239	783,239		
20	Interest	24,441,664		24,441,664	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	71,306,201	71,306,201		
23	Insurance	8,603,264	8,603,264		
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	CORPORATE OVERHEAD	113,716,248		113,716,248	
b	BAD DEBT EXPENSE	112,524,959	112,524,959		
c	MISCELLANEOUS EXPENSE	521,777	521,777		
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	1,271,124,920	1,056,801,841	214,323,079	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)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			-10,058,336	1	-7,899,676
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			137,257,902	4	139,932,384
	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			211,375	7	221,875
	8	Inventories for sale or use			17,679,906	8	20,816,845
	9	Prepaid expenses and deferred charges			2,681,108	9	3,436,416
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	1,390,974,217			
	b	Less: accumulated depreciation	10b	641,834,419	747,164,284	10c	749,139,798
	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			5,769,408	13	6,669,551
	14	Intangible assets			991,775	14	1,037,297
	15	Other assets. See Part IV, line 11			7,234,120	15	6,689,711
16	Total assets. Add lines 1 through 15 (must equal line 34)			908,931,542	16	920,044,201	
Liabilities	17	Accounts payable and accrued expenses			96,595,515	17	89,960,116
	18	Grants payable				18	
	19	Deferred revenue				19	
	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			604,556	23	4,538,713
	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			15,231,470	25	11,361,779
	26	Total liabilities. Add lines 17 through 25			112,431,541	26	105,860,608
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			796,500,001	27	814,183,593
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			796,500,001	33	814,183,593
	34	Total liabilities and net assets/fund balances			908,931,542	34	920,044,201

Part XI **Reconciliation 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	1,339,545,048
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,271,124,920
3	Revenue less expenses Subtract line 2 from line 1	3	68,420,128
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	796,500,001
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-50,736,536
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	814,183,593

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?		No
b	Were the organization's financial statements audited by an independent accountant?	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	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?	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	Yes	

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
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

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?

(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?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
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 IIIPart 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

SCHEDULE D
(Form 990)

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

Department of the Treasury
Internal Revenue Service

Name of the organization
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

► \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
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

(i)

unrelated organizations

(ii)

related organizations

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

	Yes	No
3a(i)		
3a(ii)		
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		58,820,547		58,820,547
b Buildings		604,858,156	261,357,579	343,500,577
c Leasehold improvements		58,698,782	41,981,763	16,717,019
d Equipment		662,440,281	338,495,077	323,945,204
e Other		6,156,451		6,156,451
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				749,139,798

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE ORGANIZATION CONSOLIDATES ITS AUDIT WITH ITS CORPORATE PARENT AND OTHER SUBSIDIARIES OF THE PARENT. THE FOLLOWING STATEMENT REFLECTS THE FIN 48 FOOTNOTE OF THE CONSOLIDATED GROUP: THE INTERNAL REVENUE SERVICE HAS DETERMINED THAT THE SYSTEM AND ALL OF THE NONPROFIT AFFILIATES FOR WHICH THE SYSTEM OR ITS BOARD OF DIRECTORS IS CONTROLLING MEMBER ARE EXEMPT FROM FEDERAL INCOME TAX UNDER INTERNAL REVENUE CODE (IRC) SECTION 501(A) AS ORGANIZATIONS DESCRIBED IN SECTION 501(C)(3) AS QUALIFIED TAX-EXEMPT ORGANIZATIONS, THE SYSTEM'S NONPROFIT AFFILIATES MUST OPERATE IN CONFORMITY WITH THE IRC TO MAINTAIN THEIR TAX-EXEMPT STATUS. INCOME TAX FROM THE OPERATIONS OF THE SYSTEM'S WHOLLY OWNED FOR-PROFIT SUBSIDIARY, AMBULATORY OPERATIONS, INC., AND ITS SUBSIDIARIES IS NOT SIGNIFICANT. THE SYSTEM APPLIES FASB ASC TOPIC 740 (TOPIC 740), ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES. TOPIC 740 CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAX POSITIONS AND PROVIDES GUIDANCE ON WHEN TAX POSITIONS ARE RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS AND HOW THE VALUES OF THESE POSITIONS ARE DETERMINED. THERE HAS BEEN NO IMPACT ON THE SYSTEM'S COMBINED FINANCIAL STATEMENTS AS A RESULT OF TOPIC 740.

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
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

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 ☐ Generally tailored to individual hospitals ☐ Applied uniformly to most 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 <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100%☒ 150%☐ 200%☐ Other _____% b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200%☐ 250%☐ 300%☐ 350%☒ 400%☐ Other _____% 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"?	3a	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 eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during 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)			90,155,039	110,022	90,045,017	7 770 %
b Medicaid (from Worksheet 3, column a)			318,177,109	281,291,966	36,885,143	3 180 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			4,047,137	7,462,126	-3,414,989	0 %
d Total Charity Care and Means-Tested Government Programs			412,379,285	288,864,114	123,515,171	10 950 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			34,554,403	11,131,080	23,423,323	2 020 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			946,234		946,234	0 080 %
j Total Other Benefits			35,500,637	11,131,080	24,369,557	2 100 %
k Total. Add lines 7d and 7j			447,879,922	299,995,194	147,884,728	13 050 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support			1,090,318		1,090,318	0.090 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			5,188,588		5,188,588	0.450 %
9Other						
10Total			6,278,906		6,278,906	0.540 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A.Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	29,882,343	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	14,941,171	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	312,605,816	
6Enter Medicare allowable costs of care relating to payments on line 5	6	309,005,234	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	3,600,582	
8Describe 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

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "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 IVManagement 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 %
11 NORTH SURGERY CENTER LP	OUTPATIENT SURGERY	60.500 %		39.500 %
22 METHODIST SURGERY CENTER - GERMANTOWN LP	OUTPATIENT SURGERY	55.000 %		45.000 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Name and address

[illegible]

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.)

METHODIST UNIVERSITY HOSPITAL

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 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)	1Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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	3Yes	
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	4Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? 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)	5	No
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	No
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?	8Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? 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)	11	Yes	
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? 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)	13	Yes	

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? 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)	16		No
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? If "No," indicate why	18 Yes	
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? If "Yes," explain in Part VI	20		No
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? If "Yes," explain in Part VI	21		No

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.)

METHODIST LE BONHEUR GERMANTOWN 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 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)	1 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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 Yes	
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 Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? 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)	5	No
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	No
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? If "Yes," indicate the FPG family income limit for eligibility for free care 200 00000000000000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? 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)	11	Yes	
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? 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)	13	Yes	

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? 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)	16		No
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? If "No," indicate why	18 Yes	
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? If "Yes," explain in Part VI	20		No
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? If "Yes," explain in Part VI	21		No

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.)

LE BONHEUR CHILDREN'S 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 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)	1 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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 Yes	
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 Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? 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)	5	No
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	No
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? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? 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)	11	Yes	
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? 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)	13	Yes	

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? 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)	16		No
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? If "No," indicate why	18 Yes	
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? If "Yes," explain in Part VI	20		No
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? If "Yes," explain in Part VI	21		No

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.)

METHODIST NORTH HOSPITAL

Name of Hospital Facility:

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 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)	1 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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 Yes	
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 Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? 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)	5	No
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	No
Financial Assistance Policy		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that 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? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? 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)	11	Yes	
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? 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)	13	Yes	

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? 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)	16		No
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? If "No," indicate why	18 Yes	
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? If "Yes," explain in Part VI	20		No
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? If "Yes," explain in Part VI	21		No

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.)

METHODIST SOUTH 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 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)	1 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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 Yes	
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 Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? 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)	5	No
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	No
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? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? 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)	11	Yes	
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? 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)	13	Yes	

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? 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)	16		No
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? 13

Name and address	Type of Facility (Describe)
1 See Additional Data Table	
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, 6l, 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 6A METHODIST HEALTHCARE-MEMPHIS HOSPITALS' COMMUNITY BENEFIT REPORT IS PREPARED PRIMARILY BY THE COMMUNICATIONS AND MARKETING DEPARTMENT, WITH SUPPORT FROM THE ACCOUNTING AND FINANCE DEPARTMENTS, OF METHODIST LE BONHEUR HEALTHCARE, THE HOME OFFICE/CORPORATE PARENT ENTITY OF THE HOSPITAL THE HOSPITAL'S COMMUNITY BENEFIT REPORT CAN BE FOUND ON THE COMPANY'S WEBSITE AT WWW.METHODISTHEALTH.ORG UNDER THE "ABOUT US" SECTION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 WORKSHEET 2 OF THE 2011 SCHEDULE H INSTRUCTIONS WAS USED TO COMPUTE A COST-TO-CHARGES RATIO THAT WAS USED TO CALCULATE CHARITY CARE, UNREIMBURSED MEDICAID, AND OTHER MEANS-TESTED PROGRAM SHORTFALLS AT COST

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT ON FORM 990, PART IX, LINE 25 CONTAINS A BAD DEBT EXPENSE OF \$ 112,524,959 THAT HAS BEEN REMOVED FOR PURPOSES OF CALCULATING PERCENT OF TOTAL EXPENSE ON SCHEDULE H, PART I, LINE 7, COLUMN (F)

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE ORGANIZATION'S FINANCIAL STATEMENTS DO NOT INCLUDE A FOOTNOTE ON BAD DEBTS, ACCOUNTS RECEIVABLE, OR ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS WORKSHEET 2 OF THE 2011 SCHEDULE H INSTRUCTIONS WAS USED TO COMPUTE A COST-TO-CHARGES RATIO THAT WAS USED TO CALCULATE BAD DEBT AT COST WHEN A PORTION OF PATIENT CHARGES BECOME PATIENT RESPONSIBILITY, THE AMOUNT IS WRITTEN OFF TO BAD DEBTS AND THEN SENT TO OUR COLLECTION GROUP ANY PAYMENTS RECOUPED BY OUR COLLECTIONS GROUP ARE THEN APPLIED AGAINST THE BAD DEBT EXPENSE IT IS OUR ESTIMATION BASED ON HISTORICAL EXPERIENCE THAT ABOUT 50% OF THE REMAINING PORTION OF BAD DEBTS (AFTER RECOVERIES) COULD BE APPLICABLE TO PATIENTS WHO, ON ADDITIONAL REVIEW AND PROVIDING ALL RELEVANT INFORMATION, WOULD QUALIFY FOR FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE ORGANIZATION USED ITS MEDICARE COST REPORT TO COMPUTE AMOUNTS PRESENTED ON LINES 5 AND 6

Identifier	ReturnReference	Explanation
		PART III, LINE 9B METHODIST LE BONHEUR HEALTHCARE'S COLLECTION PROCESS BEGINS WITH THE ORGANIZATION'S REVENUE CYCLE TEAM MAKING INITIAL COLLECTION EFFORTS TO RECOUP ALL MONIES DUE FROM THE PATIENTS' INSURANCE PROVIDERS WHEN THE AMOUNT DUE IS SOLELY THE PATIENT'S PORTION, THE ACCOUNT IS TRANSFERRED TO ANOTHER TEAM THAT SPECIALIZES IN PATIENT PORTION ACCOUNTS (EARLY-OUT PROGRAM) IT IS THIS PROGRAM THAT INITIALLY DETERMINES IF A PATIENT QUALIFIES FOR CHARITY CARE UNDER THE ORGANIZATION'S POLICY IF QUALIFICATION IS UNCLEAR, THIS PROGRAM ATTENDS TO THE ACCOUNT FOR A PREDETERMINED TIME THROUGH LETTERS AND PHONE CALLS THE DURATION IS DEPENDENT ON VARIOUS SCENARIOS THAT AFFECT ITS LENGTH, SUCH AS PAYMENT ARRANGEMENTS, DISPUTES, ETC AFTER THE EARLY-OUT TIME PERIOD HAS EXPIRED, THE ACCOUNT IS THEN SENT TO OUR COLLECTIONS GROUP AN ACCOUNT PLACED WITH OUR COLLECTION GROUP EXPERIENCES A CONTINUED AND THOROUGH COLLECTION PHASE ONCE ALL COLLECTION EFFORTS HAVE BEEN EXHAUSTED AND IT IS DETERMINED THAT THE REMAINING BALANCE WILL NOT BE COLLECTED, THE ACCOUNT IS REEVALUATED ON THE CRITERIA USED TO DETERMINE FINANCIAL AID ELIGIBILITY

Identifier	ReturnReference	Explanation
METHODIST UNIVERSITY HOSPITAL		PART V, SECTION B, LINE 3 THE CURRENT SURVEY IS CONDUCTED VIA THE INTERNET FUTURE ASSESSMENTS ARE SCHEDULED TO INCORPORATE ADDITIONAL MEASURES TO ENSURE REPRESENTATION FROM ALL POPULATIONS

Identifier	ReturnReference	Explanation
METHODIST LE BONHEUR GERMANTOWN HOSPITAL		PART V, SECTION B, LINE 3 THE CURRENT SURVEY IS CONDUCTED VIA THE INTERNET FUTURE ASSESSMENTS ARE SCHEDULED TO INCORPORATE ADDITIONAL MEASURES TO ENSURE REPRESENTATION FROM ALL POPULATIONS

Identifier	ReturnReference	Explanation
LE BONHEUR CHILDREN'S HOSPITAL		PART V, SECTION B, LINE 3 THE CURRENT SURVEY IS CONDUCTED VIA THE INTERNET FUTURE ASSESSMENTS ARE SCHEDULED TO INCORPORATE ADDITIONAL MEASURES TO ENSURE REPRESENTATION FROM ALL POPULATIONS

Identifier	ReturnReference	Explanation
METHODIST NORTH HOSPITAL		PART V, SECTION B, LINE 3 THE CURRENT SURVEY IS CONDUCTED VIA THE INTERNET FUTURE ASSESSMENTS ARE SCHEDULED TO INCORPORATE ADDITIONAL MEASURES TO ENSURE REPRESENTATION FROM ALL POPULATIONS

Identifier	ReturnReference	Explanation
METHODIST SOUTH HOSPITAL		PART V, SECTION B, LINE 3 THE CURRENT SURVEY IS CONDUCTED VIA THE INTERNET FUTURE ASSESSMENTS ARE SCHEDULED TO INCORPORATE ADDITIONAL MEASURES TO ENSURE REPRESENTATION FROM ALL POPULATIONS

Identifier	ReturnReference	Explanation
METHODIST UNIVERSITY HOSPITAL		PART V, SECTION B, LINE 4 THE NEEDS ASSESSMENT WAS CONDUCTED IN CONJUNCTION WITH THE OTHER HOSPITAL FACILITIES WITHIN THE FILING ORGANIZATION, AS WELL AS METHODIST HEALTHCARE - FAYETTE HOSPITAL, A RELATED ORGANIZATION

Identifier	ReturnReference	Explanation
METHODIST LE BONHEUR GERMANTOWN HOSPITAL		PART V, SECTION B, LINE 4 THE NEEDS ASSESSMENT WAS CONDUCTED IN CONJUNCTION WITH THE OTHER HOSPITAL FACILITIES WITHIN THE FILING ORGANIZATION, AS WELL AS METHODIST HEALTHCARE - FAYETTE HOSPITAL, A RELATED ORGANIZATION

Identifier	ReturnReference	Explanation
LE BONHEUR CHILDREN'S HOSPITAL		PART V, SECTION B, LINE 4 THE NEEDS ASSESSMENT WAS CONDUCTED IN CONJUNCTION WITH THE OTHER HOSPITAL FACILITIES WITHIN THE FILING ORGANIZATION, AS WELL AS METHODIST HEALTHCARE - FAYETTE HOSPITAL, A RELATED ORGANIZATION

Identifier	ReturnReference	Explanation
METHODIST NORTH HOSPITAL		PART V, SECTION B, LINE 4 THE NEEDS ASSESSMENT WAS CONDUCTED IN CONJUNCTION WITH THE OTHER HOSPITAL FACILITIES WITHIN THE FILING ORGANIZATION, AS WELL AS METHODIST HEALTHCARE - FAYETTE HOSPITAL, A RELATED ORGANIZATION

Identifier	ReturnReference	Explanation
METHODIST SOUTH HOSPITAL		PART V, SECTION B, LINE 4 THE NEEDS ASSESSMENT WAS CONDUCTED IN CONJUNCTION WITH THE OTHER HOSPITAL FACILITIES WITHIN THE FILING ORGANIZATION, AS WELL AS METHODIST HEALTHCARE - FAYETTE HOSPITAL, A RELATED ORGANIZATION

Identifier	ReturnReference	Explanation
METHODIST UNIVERSITY HOSPITAL		PART V, SECTION B, LINE 7 THE ORGANIZATION IS IN THE PROCESS OF FORMULATING A PLAN OF ACTION TO ADDRESS THE IDENTIFIED COMMUNITY NEEDS

Identifier	ReturnReference	Explanation
METHODIST LE BONHEUR GERMANTOWN HOSPITAL		PART V, SECTION B, LINE 7 THE ORGANIZATION IS IN THE PROCESS OF FORMULATING A PLAN OF ACTION TO ADDRESS THE IDENTIFIED COMMUNITY NEEDS

Identifier	ReturnReference	Explanation
LE BONHEUR CHILDREN'S HOSPITAL		PART V, SECTION B, LINE 7 THE ORGANIZATION IS IN THE PROCESS OF FORMULATING A PLAN OF ACTION TO ADDRESS THE IDENTIFIED COMMUNITY NEEDS

Identifier	ReturnReference	Explanation
METHODIST NORTH HOSPITAL		PART V, SECTION B, LINE 7 THE ORGANIZATION IS IN THE PROCESS OF FORMULATING A PLAN OF ACTION TO ADDRESS THE IDENTIFIED COMMUNITY NEEDS

Identifier	ReturnReference	Explanation
METHODIST SOUTH HOSPITAL		PART V, SECTION B, LINE 7 THE ORGANIZATION IS IN THE PROCESS OF FORMULATING A PLAN OF ACTION TO ADDRESS THE IDENTIFIED COMMUNITY NEEDS

Identifier	ReturnReference	Explanation
METHODIST UNIVERSITY HOSPITAL		PART V, SECTION B, LINE 19D THE ORGANIZATION IS IN PROCESS OF ADOPTING PROCEDURES OUTLINED IN PROP REG 1 501(R)-5 TO DETERMINE THE AMOUNTS GENERALLY BILLED FOR THE FACILITY UNTIL SUCH TIME AS THOSE PROCEDURES ARE ADOPTED, THE ORGANIZATION IS CONFIDENT THAT ITS DISCOUNTS UNDER ITS FINANCIAL ASSISTANCE POLICY ARE SUBSTANTIALLY LARGE ENOUGH TO BE IN COMPLIANCE OF SEC 501(R)(5) AND THE LIMITS SET ON CHARGES THEREUNDER

Identifier	ReturnReference	Explanation
METHODIST LE BONHEUR GERMANTOWN HOSPITAL		PART V, SECTION B, LINE 19D THE ORGANIZATION IS IN PROCESS OF ADOPTING PROCEDURES OUTLINED IN PROP REG 1 501(R)-5 TO DETERMINE THE AMOUNTS GENERALLY BILLED FOR THE FACILITY UNTIL SUCH TIME AS THOSE PROCEDURES ARE ADOPTED, THE ORGANIZATION IS CONFIDENT THAT ITS DISCOUNTS UNDER ITS FINANCIAL ASSISTANCE POLICY ARE SUBSTANTIALLY LARGE ENOUGH TO BE IN COMPLIANCE OF SEC 501(R)(5) AND THE LIMITS SET ON CHARGES THEREUNDER

Identifier	ReturnReference	Explanation
LE BONHEUR CHILDREN'S HOSPITAL		PART V, SECTION B, LINE 19D THE ORGANIZATION IS IN PROCESS OF ADOPTING PROCEDURES OUTLINED IN PROP REG 1 501(R)-5 TO DETERMINE THE AMOUNTS GENERALLY BILLED FOR THE FACILITY UNTIL SUCH TIME AS THOSE PROCEDURES ARE ADOPTED, THE ORGANIZATION IS CONFIDENT THAT ITS DISCOUNTS UNDER ITS FINANCIAL ASSISTANCE POLICY ARE SUBSTANTIALLY LARGE ENOUGH TO BE IN COMPLIANCE OF SEC 501(R)(5) AND THE LIMITS SET ON CHARGES THEREUNDER

Identifier	ReturnReference	Explanation
METHODIST NORTH HOSPITAL		PART V, SECTION B, LINE 19D THE ORGANIZATION IS IN PROCESS OF ADOPTING PROCEDURES OUTLINED IN PROP REG 1 501(R)-5 TO DETERMINE THE AMOUNTS GENERALLY BILLED FOR THE FACILITY UNTIL SUCH TIME AS THOSE PROCEDURES ARE ADOPTED, THE ORGANIZATION IS CONFIDENT THAT ITS DISCOUNTS UNDER ITS FINANCIAL ASSISTANCE POLICY ARE SUBSTANTIALLY LARGE ENOUGH TO BE IN COMPLIANCE OF SEC 501(R)(5) AND THE LIMITS SET ON CHARGES THEREUNDER

Identifier	ReturnReference	Explanation
METHODIST SOUTH HOSPITAL		PART V, SECTION B, LINE 19D THE ORGANIZATION IS IN PROCESS OF ADOPTING PROCEDURES OUTLINED IN PROP REG 1 501(R)-5 TO DETERMINE THE AMOUNTS GENERALLY BILLED FOR THE FACILITY UNTIL SUCH TIME AS THOSE PROCEDURES ARE ADOPTED, THE ORGANIZATION IS CONFIDENT THAT ITS DISCOUNTS UNDER ITS FINANCIAL ASSISTANCE POLICY ARE SUBSTANTIALLY LARGE ENOUGH TO BE IN COMPLIANCE OF SEC 501(R)(5) AND THE LIMITS SET ON CHARGES THEREUNDER

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 METHODIST HEALTHCARE - MEMPHIS HOSPITALS (MHMH) COMMISSIONED THE NATIONAL RESEARCH CORPORATION TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITIES IT SERVES THE ASSESSMENT WAS BASED ON SURVEYS MADE IN 2009 AND EARLY 2010 THE REPORT ENABLES MHMH TO STRENGTHEN THE HEALTH OF THE COMMUNITY BY ASSISTING IN THE FOLLOWING (1) MEASUREMENT AND EVALUATION OF HEALTH STATUS AND HEALTHCARE UTILIZATION WITHIN THE COMMUNITY,(2) IDENTIFICATION OF THE PREVALENCE OF CHRONIC CONDITIONS WITHIN VARIOUS DEMOGRAPHIC AND GEOGRAPHIC SEGMENTS WITHIN THE COMMUNITY,(3) PROFILING OF HIGH-RISK POPULATIONS,(4) IDENTIFICATION OF GAPS IN CARE AND PREVENTIVE HEALTH BEHAVIORS AMONG VARIOUS DEMOGRAPHIC AND GEOGRAPHIC SEGMENTS WITHIN THE COMMUNITY FINDINGS ARE REVIEWED WITH SENIOR LEADERSHIP AND THE BOARD OF DIRECTORS TO BE INCLUDED IN FUTURE DEPLOYMENT MAPS AND BUDGETS

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 METHODIST HEALTHCARE - MEMPHIS HOSPITALS UTILIZES THE FEDERAL POVERTY GUIDELINES (FPG) TO DETERMINE THE LEVEL OF DISCOUNT UNINSURED PATIENTS MAY RECEIVE THE LEVEL BY WHICH ASSISTANCE IS DETERMINED IS THROUGH THE SCALE SET BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS), WHICH INCLUDES FACTORS SUCH AS RESIDENTS PER HOUSEHOLD AND INCOME MHMH COMMUNICATES AND PROVIDES ASSISTANCE CONCERNING ELIGIBILITY FOR FINANCIAL ASSISTANCE IN SEVERAL WAYS CHARITY CARE POLICIES ARE POSTED AND UPDATED AS PART OF THE ORGANIZATION'S SYSTEM POLICIES AND ARE AVAILABLE TO ALL STAFF THROUGH THE COMPANY INTRANET CONNECTIONS IN ADDITION, PATIENT-FRIENDLY SUMMARIES OF THESE POLICIES ARE POSTED IN VISIBLE LOCATIONS THROUGHOUT ALL PUBLIC AREAS OF THE FACILITY AT THE TIME OF PATIENT REGISTRATION, MHMH PROVIDES FINANCIAL COUNSELING BASED ON THE AVAILABLE INSURANCE AND "ABILITY TO PAY" INFORMATION PROVIDED MHMH ALSO SUPPLIES CHARITY CARE APPLICATIONS AND OFFERS ASSISTANCE IN THE COMPLETION OF FORMS IN ALL INSTANCES WHERE THE "FINANCIAL PICTURE AS PRESENTED TO US" APPEARS TO WARRANT THAT SERVICE FINALLY, THE HOSPITAL DISCUSSES WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENTAL BENEFITS, SUCH AS MEDICAID OR OTHER STATE PROGRAMS, AND ASSISTS THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS, AS APPLICABLE LANGUAGE BARRIERS ARE TAKEN INTO ACCOUNT WITH ALL PATIENT COMMUNICATION ALL STAFF WITH PATIENT CONTACT, INCLUDING ADMISSION AND BILLING CLERKS, NURSES AND THE MEDICAL STAFF, SOCIAL WORKERS, CHAPLAINS, AND PATIENT ADVOCATES, ARE KNOWLEDGEABLE ABOUT THE CHARITY CARE POLICY AND ASSIST PATIENTS WHEN NECESSARY

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 METHODIST HEALTHCARE - MEMPHIS HOSPITALS WAS FOUNDED BY THE MEMPHIS, ARKANSAS, AND MISSISSIPPI CONFERENCES OF THE UNITED METHODIST CHURCH TO SERVE ITS POPULATION IN THESE AREAS. MHMH HAS FOUR ADULT LOCATIONS AND A PEDIATRIC FACILITY, LE BONHEUR CHILDREN'S HOSPITAL. THE PRIMARY SERVICE AREA IS SHELBY COUNTY, TENNESSEE, WITH AN URBAN POPULATION OF APPROXIMATELY ONE MILLION. THE HOSPITAL FURNISHES TERTIARY SERVICES TO RURAL AREAS IN EASTERN ARKANSAS, WEST TENNESSEE, AND NORTH MISSISSIPPI. THE POPULATION OF THE AREA IS EXPECTED TO GROW BY FOUR PERCENT OVER THE NEXT FIVE YEARS. MHMH IS THE LARGEST TENNCARE PROVIDER IN THE AREA WITH OVER 13,000 INPATIENTS SERVED EACH YEAR. LE BONHEUR CHILDREN'S HOSPITAL IS THE ONLY PEDIATRIC HOSPITAL IN THE REGION SERVING CHILDREN'S PRIMARY AND TERTIARY CARE NEEDS. AS AN ACADEMIC MEDICAL CENTER, MHMH TRAINS HEALTH PROFESSIONALS AND FURNISHES SPECIALIZED HEALTHCARE SERVICES NOT OTHERWISE AVAILABLE IN THE REGION. MHMH IS THE PRIMARY PRACTICE LOCATION FOR THE UNIVERSITY OF TENNESSEE SCHOOL OF MEDICINE. THIS DISTINCTION, ALONG WITH THE ACCOMPANYING RESEARCH, BENEFITS THE ENTIRE METROPOLITAN COMMUNITY.

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 AT METHODIST LE BONHEUR HEALTHCARE, WE TAKE OUR MISSION SERIOUSLY AND ARE COMMITTED TO GIVING BACK TO THE COMMUNITY IN A MEANINGFUL WAY OUR HOSPITALS ARE PART OF A SYSTEM THAT IS THE LARGEST PROVIDER OF MEDICARE SERVICES IN THE STATE, AND OUR FACILITIE S PROVIDE FULL ACCESS TO ALL INDIVIDUALS IN OUR SERVICE AREA BECAUSE OUR FACILITIES ARE P LACED IN ALL QUADRANTS OF OUR GEOGRAPHIC SERVICE AREAS, WE PROVIDE ACCESS TO HEALTHCARE FO R ALL OF THE COMMUNITY - CHURCH HEALTH CENTER -AS AN EARLY SUPPORTER OF THE CHURCH HEALTH CENTER, METHODIST LE BONHEUR HEALTHCARE STRONGLY BELIEVES IN ITS MISSION TO SERVE THE WOR KING POOR FROM ITS BEGINNINGS AS A PROJECT OF ST JOHN'S UNITED METHODIST CHURCH AND OF D R SCOTT MORRIS TO THE COMPREHENSIVE COMMUNITY RESOURCE IT IS TODAY, THE CHURCH HEALTH CEN TER PROVIDES AFFORDABLE HEALTH CARE, DENTISTRY, OPTOMETRY, PASTORAL COUNSELING, AND HEALTH EDUCATION TO THOSE WHO NEED THESE SERVICES IN MEMPHIS METHODIST LE BONHEUR HEALTHCARE IS PROUD TO SUPPORT THIS WORTHY ENDEAVOR METHODIST LE BONHEUR HEALTHCARE HELPS SUPPORT THE CHURCH HEALTH CENTER BY PROVIDING PATIENT CARE FREE OF CHARGE - EARLY SUCCESS COALITION - THE SHELBY COUNTY EARLY SUCCESS COALITION (ESC) IS A CONSORTIUM OF LOCAL AND STATE, PUBLIC AND PRIVATE AGENCIES AND GROUPS COMMITTED TO IMPROVING THE HEALTH AND WELL-BEING OF YOUNG CHILDREN (PRE-CONCEPTION TO AGE EIGHT) AND THEIR FAMILIES IN 2011, ESC PARTNERED WITH CO MMUNITY GROUPS TO BRING TOGETHER PROVIDERS FOR LINC 2-1-1 DAY, DEVELOPED A WEBSITE AS A CO MMUNITY RESOURCE FOR EARLY CHILDHOOD (WWW.EARLYSUCCESSCOALITION.COM) AND SUPPORTED THE LAU NCH OF THE NURSE-FAMILY PARTNERSHIP HOME VISITATION PROGRAM IN WEST TENNESSEE, THE MOBILE MEDICAL UNIT, LE BONHEUR ON THE MOVE, CONTINUED TO PROVIDE MEDICAL HOMES FOR RURAL AND MIG RANT CHILDREN AND THEIR FAMILIES THE UNIT IS STAFFED WITH AN ADVANCED PRACTICE NURSE, COO RDINATOR, AND DRIVER - COMMUNITY HEALTH SCREENINGS AND EDUCATION -METHODIST HEALTHCARE - MEMPHIS HOSPITALS ASSO CIATES DONATED THOUSANDS OF HOURS TO MANY COMMUNITY GROUPS BY SERVIN G ON NUMEROUS BOARDS AND COMMITTEES, INCLUDING THE TENNESSEE HOSPITAL ASSOCIATION, AMERICA N HEART ASSOCIATION, HABITAT FOR HUMANITY, AMERICAN PHARMACISTS ASSOCIATION, MARCH OF DIME S, SUBSIDIUM, MEMPHIS BUSINESS ACADEMY, TENNESSEE HEALTH INFORMATION MANAGEMENT ASSOCIATIO N, CHESTER COUNTY HEALTH COUNCIL, LIFEBLOOD, TENNESSEE HOSPICE ORGANIZATION, LES PASSESS, DECATUR COUNTY HEALTH COUNCIL, ALZHEIMER'S ASSOCIATION OF WEST TENNESSEE, WHITEHAVEN KIWAN IS, MID-SOUTH ASSOCIATION OF CATHOLIC NURSES, UNIVERSITY OF MEMPHIS MONITORING PROJECT, BO YS AND GIRLS CLUB OF GREATER MEMPHIS, RALEIGH COMMUNITY COUNCIL, MEMPHIS DISTRICT DIETETIC ASSOCIATION, AMERICAN COLLEGE OF HEALTHCARE EXECUTIVES, MID-SOUTH AMERICAN CANCER SOCIETY , HEALTHY MEMPHIS COMMON TABLE, LEADERSHIP GERMANTOWN, MEMPHIS DIABETES EDUCATORS ASSOCIAT ION, ARKANSAS CONFERENCE, THE UNITED METHODIST CHURCH, CARROLL COUNTY HEALTH COUNCIL, AMER ICAN NURSES ASSOCIATION EMERGENCY NURSES ASSOCIATION, CROCKETT COUNTY HEALTH COUNCIL, LEAD ERSHIP FAYETTE, UNITED METHODIST NEIGHBORHOOD CENTERS, PROFESSIONAL NETWORK ON AGING, MISS ISSIPPI CONFERENCE, THE UNITED METHODIST CHURCH, MILLINGTON ROTARY, BARTLETT CHAMBER OF CO MMERCE, GERMANTOWN CHAMBER OF COMMERCE, CONCORDE COLLEGE, THE STARKS LEGACY CIRCLE, MEMPHI S THEOLOGICAL SEMINARY, TENNESSEE PHYSICAL THERAPY ASSOCIATION, CHICKASAW COUNCIL BOY SCOU TS, POLYSOMNOGRAPHY PROFESSIONAL STANDARDS COMMITTEE, HEALTHCARE FINANCIAL MANAGEMENT ASSO CIATION, VOLUNTEER MID-SOUTH, EARLY SUCCESS COALITION, CHRISTIAN BROTHERS UNIVERSITY, TENN ESSEE SLEEP SOCIETY, MEMPHIS ACADEMY OF HEALTH SCIENCES, GERMANTOWN PERFORMING ARTS CENTER , MILLINGTON CHAMBER OF COMMERCE, TENNESSEE ORGANIZATION OF NURSE EXECUTIVES, MEMPHIS AMER ICAN SOCIETY OF PARENTAL NUTRITION, OAKLAND CHAMBER OF COMMERCE, FRIENDS OF MEMPHIS PUBLIC LIBRARY, DELTA CONSORTIUM, MEMPHIS AND SHELBY COUNTY CHILDREN AND YOUTH COUNCIL, MOSES CO ALITION, TENNESSEE GENERAL ASSEMBLY'S BLACK HEALTH CARE COMMISSION, FAYETTE CHAMBER OF COM MERCE, MEMPHIS CONFERENCE, BENTON COUNTY HEALTH COUNCIL, TENNESSEE HOME VISITATION COALITI ON, TENNESSEE PHARMACISTS ASSOCIATION, GERMANTOWN PUBLIC SAFETY EDUCATION COMMISSION, CCR&R STATE ADVISORY BOARD, KIWANIS CLUB, SPECIAL KIDS AND FAMILIES, MCNAIRY COUNTY HEALTH COU NCIL, WHITEHAVEN ECONOMIC DEVELOPMENT CORP, COMMUNITY-BASED CHILD ABUSE PREVENTION STATE A DVISORY BOARD, ROTARY CLUB, TIPTON COUNTY HEALTH COUNCIL, DYER COUNTY HEALTH COUNCIL, MEMP HIS REGIONAL EARLY HOME VISITATION COLLABORATION, NORTHWEST MISSISSIPPI COMMUNITY COLLEGE, WEST TENNESSEE REGIONAL HEALTH COUNCIL, HARDIN COUNTY COMMUNITY HEALTH CENTER, HENDERSON COUNTY HEALTH COUNCIL, LAUDERDALE COUNTY HEALTH COUNCIL, TENNESSEE SOCIETY FOR RESPIRATORY CARE, FAYETTE COUNTY HEALTH COUNCIL, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE OF CUMBERLAND COUNTY, SHELBY COUNTY DSC, CHESTER AND HARDIN STUDENT ADVISORY COUNCIL, HAYWOOD COUNTY HEALTH COUNCIL, LAKE COUNTY HEALTH COUN

Identifier	ReturnReference	Explanation
		CIL, OBION COUNTY HEALTH COUNCIL INFANT MORTALITY REDUCTION CORE LEADERSHIP COMMITTEE, HAR DEMAN COUNTY HEALTH COUNCIL, WEAKLEY COUNTY HEALTH COUNCIL, MATERNAL LEAGUE OF MEMPHIS, WE ST TENNESSEE ASSOCIATION OF SCHOOL NURSES, FUTURE LEADERS ACADEMY, HENRY COUNTY HEALTH COU NCIL, PEOPLE FIRST, TENNESSEE CHILD PASSENGER SAFETY BOARD, MADISON COUNTY HEALTH COUNCIL, HEAD START, TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, AMERICAN ASSOCIATI ON OF GRANT PROFESSIONALS - TENNESSEE CHAPTER, MID-SOUTH PRENATAL BEREAVEMENT COUNCIL, MEM PHIS URBAN LEAGUE, TENNESSEE COUNCIL ON CHILDREN'S MENTAL HEALTH, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE, MID-SOUTH COALITION ON HIV/AIDS, TENNESSEE INTEGRATED CORE IN JURY PREVENTION AND CONTROL, AMERICAN COUNCIL OF GRANT PROFESSIONALS-NATIONAL, GERMANTOWN ATHLETIC COMMISSION, AND THE GIBSON COUNTY HEALTH COUNCIL A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE PRIMARY SERVICE AREA AND WHO ARE NEITHER EMPLOYEES OF NOR INDEPENDENT CONTRACTORS OF THE ORGANIZATION THE HOSPITAL EXTEND S MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 METHODIST HEALTHCARE - MEMPHIS HOSPITALS, THE FILING ORGANIZATION, IS PART OF AN AFFILIATED HEALTH CARE SYSTEM, METHODIST LE BONHEUR HEALTHCARE (MLH) ALTHOUGH THIS FORM 990 ONLY INCLUDES THE CHARITY CARE AND COMMUNITY BENEFIT OF THIS ORGANIZATION, MLH INCLUDES THE FOLLOWING ENTITIES THAT ALSO PROVIDE CHARITY CARE AND COMMUNITY BENEFIT - METHODIST HEALTHCARE - FAYETTE HOSPITAL - METHODIST EXTENDED CARE HOSPITAL - ALLIANCE HEALTH SERVICES - METHODIST HEALTHCARE COMMUNITY CARE ASSOCIATESIN ADDITION, METHODIST HEALTHCARE FOUNDATION AND LE BONHEUR CHILDREN'S HOSPITAL FOUNDATION PROVIDE VALUABLE FINANCIAL SUPPORT TO THE OPERATIONS OF THE GROUP, ALLOWING IT TO PURSUE RESEARCH AND CONSTRUCTION PROJECTS TO PROVIDE ADDITIONAL BENEFITS TO THE COMMUNITY MLH OPERATES HOSPITALS, CLINICS, URGENT CARE CENTERS, AMBULATORY SURGERY CENTERS, AND OTHER NON-HOSPITAL FACILITIES THAT INCURRED OVER \$151 MILLION IN CHARITY CARE AND COMMUNITY BENEFIT IN 2011 METHODIST HEALTHCARE - MEMPHIS HOSPITALS ALSO HAS A TEACHING AND RESEARCH AFFILIATION WITH THE UNIVERSITY OF TENNESSEE THE UNIVERSITY HAS A CLINICAL REACH THAT EXTENDS BEYOND THE LOCAL SERVICE AREA, PROVIDING HIGHLY SPECIALIZED SERVICES THAT ATTRACT PATIENTS FROM A MULTI-STATE SERVICE AREA MMH HAD OVER 225 RESIDENTS, FELLOWS, NURSES, AND ALLIED HEALTH PROFESSIONALS THAT TRAINED IN OUR FACILITIES DURING 2011

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	TN

Additional Data

Software ID:
Software Version:
EIN: 62-0479367
Name: METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

[illegible]

Department of the Treasury
Internal Revenue Service

Employer identification number

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed.

[illegible]

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE ORGANIZATION HELPS TO SUBSIDIZE THE OPERATIONS OF METHODIST HEALTHCARE PRIMARY CARE ASSOCIATES, A RELATED ORGANIZATION, TO FURTHER ITS EXEMPT PURPOSE OF PROVIDING A FULLER CONTINUUM OF HEALTH CARE IN ADDITION, GRANTS AND ASSISTANCE ARE MADE TO RELATED ORGANIZATIONS THAT SUPPORT AND ASSIST IN THE ORGANIZATION'S EXEMPT PURPOSE, AND THROUGH A SIGNIFICANT OVERLAP IN GOVERNANCE, MHMH IS ASSURED THAT THE USE OF FUNDS IS AS INTENDED

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization METHODIST HEALTHCARE - MEMPHIS HOSPITALS	Employer identification number 62-0479367
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Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate 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		
☐ Travel for companions		
☐ Tax idemnification and gross-up payments		
☐ Discretionary spending account		
☐ Housing allowance or residence for personal use		
☐ Payments for business use of personal residence		
☐ Health or social club dues or initiation fees		
☐ Personal services (e g , maid, chauffeur, chef)		
1b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		
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?	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		
☒ Independent compensation consultant		
☒ Form 990 of other organizations		
☐ Written employment contract		
☒ Compensation survey or study		
☒ 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?		No
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c Participate in, or receive payment from, an equity-based compensation arrangement?		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?		No
b Any related organization?		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?		No
b Any related organization?		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	Yes	
8 Were any amounts reported in Form 990, Part VII, paid or accrued 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		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

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.

[illegible]

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 3	NOTE THAT THE GOVERNING BODY OF METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS IDENTICAL TO THE GOVERNING BODY OF METHODIST LE BONHEUR HEALTHCARE, THE SOLE MEMBER AND CONTROLLING ORGANIZATION.
	PART I, LINE 4B	THE PURPOSE OF THE METHODIST LE BONHEUR HEALTHCARE CONSOLIDATED EXECUTIVE DEFERRED COMPENSATION PLAN IS TO PROVIDE RETIREMENT BENEFITS FOR CERTAIN EXECUTIVE LEVEL EMPLOYEES IN ADDITION TO THE BENEFITS PROVIDED THROUGH THE OTHER RETIREMENT PLANS THAT ARE SPONSORED BY THE COMPANY. IT IS INTENDED THAT THIS PLAN COMPLY WITH INTERNAL REVENUE CODE SECTION 457(F) AND QUALIFY FOR THE SHORT TERM DEFERRAL EXCEPTION TO CODE SECTION 409A. UNDER THE PLAN, CORPORATE EXECUTIVES AT OR ABOVE THE VICE PRESIDENT LEVEL ARE ELIGIBLE TO RECEIVE EXECUTIVE DEFERRED COMPENSATION CREDITS DEPENDING ON THEIR POSITION CLASSIFICATION [6%,8%,10%,12% OF BASE SALARY]. EACH PLAN YEAR, THE EXECUTIVE MUST ELECT A DEFERRED VESTING DATE TO BE APPLIED TO THE DEFERRED COMPENSATION CREDIT THAT WILL BE EARNED IN THAT PLAN YEAR. THE DEFERRED VESTING DATE IS SUBJECT TO A VESTING SCHEDULE THAT REQUIRES A MINIMUM DEFERRAL OF 5 YEARS TO BECOME VESTED. UPON REACHING AGE 55, THE MINIMUM DEFERRAL IS REDUCED TO 3 YRS. UPON REACHING AGE 60, THE MINIMUM DEFERRAL IS REDUCED TO 2 YRS. AT AGE 64, A CASH EQUIVALENT IS PROVIDED TO THE EXECUTIVE AND NO ADDITIONAL DEFERRALS ARE MADE UNDER THIS PLAN. THE PLAN IS UNFUNDED WITH ALL BENEFITS PAID FROM THE COMPANY'S GENERAL ASSETS. HOWEVER, THE EXECUTIVE IS ALLOWED TO DIRECT THE INVESTMENTS OF HIS DEFERRED COMPENSATION CREDIT IN A MENU OF INVESTMENT ALTERNATIVES MADE AVAILABLE BY THE COMPANY. UPON VESTING, A DISTRIBUTION IS PROVIDED LESS APPLICABLE TAX. IN THE CASE OF A VOLUNTARY TERMINATION OF EMPLOYMENT BY THE EXECUTIVE OR INVOLUNTARY TERMINATION OF EMPLOYMENT FOR CAUSE BY THE COMPANY, THE NON-VESTED FUNDS ARE FORFEITED. ACCELERATED VESTING (100%) IS ALLOWED UPON DEATH, DISABILITY OR AN INVOLUNTARY TERMINATION BY THE COMPANY WITHOUT CAUSE. ALLOCATIONS TO THE PLAN FOR 2011 INCLUDE THE FOLLOWING - FROM A RELATED ORGANIZATION: GARY SHORB - \$ 91,481; CHRISTOPHER MCLEAN - 54,104; DONNA ABNEY - 48,365; SUSAN THURMOND - 45,389; STEVE WEST - 25,362; GEORGE MAYZELL - 40,662; ANDREW FOLWER - 31,386; DAVID BAYTOS - 35,811; CAROL ROSS-SPANG - 33,494; ALEXANDER MACGREGOR - 39,840; LYNN FIELD - 11,700; GARY GUNDERSON - 18,801; WILLIAM BREEN, JR. - 41,205; EDWARD RAFALSKI - 28,025. FROM THE FILING ORGANIZATION: MERI AMOUR - 45,866; WILLIAM KENLEY - 40,565; KEVIN SPIEGEL - 43,736; MICHAEL UGWUEKE - 42,641; LARRY SPRATLIN - 18,629.
	PART I, LINE 7	THE MANAGEMENT INCENTIVE PLAN INTENDS TO REWARD MANAGEMENT FOR THE ACHIEVEMENT OF PERFORMANCE AGAINST A PRE-ESTABLISHED SET OF BALANCED AND CHALLENGING GOALS. THE PLAN ALSO INCLUDES A PROVISION THAT DEFERS VESTING OF A PORTION OF THE AWARD SUBJECT TO CONTINUED EMPLOYMENT (WITH A SUBSTANTIAL RISK OF FORFEITURE) TO ENCOURAGE RETENTION OF EXECUTIVES. THIS PLAN IS REVIEWED BY AN EXTERNAL THIRD-PARTY CONSULTANT.

Software ID:
Software Version:
EIN: 62-0479367
Name: METHODIST HEALTHCARE - MEMPHIS HOSPITALS

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				
JIMMIE MANCELL	(i)	348,774	0	130,402	14,700	26,602	520,478	0
	(ii)	0	0	0	0	0	0	0
GARY SHORB	(i)	0	0	0	0	0	0	0
	(ii)	791,018	251,322	74,129	583,580	8,532	1,708,581	54,000
CHRISTOPHER MCLEAN	(i)	0	0	0	0	0	0	0
	(ii)	465,323	114,042	41,935	123,432	13,301	758,033	36,815
DONNA ABNEY	(i)	0	0	0	0	0	0	0
	(ii)	409,263	102,830	77,074	171,911	12,915	773,993	71,064
JERRY MALIOT	(i)	0	0	0	0	0	0	0
	(ii)	401,435	77,803	111,823	28,324	13,421	632,806	95,301
SUSAN THURMOND	(i)	0	0	0	0	0	0	0
	(ii)	378,748	79,975	50,028	147,803	4,706	661,260	41,841
STEVE WEST	(i)	0	0	0	0	0	0	0
	(ii)	310,320	78,691	28,040	76,298	13,541	506,890	22,404
GEORGE MAYZELL	(i)	0	0	0	0	0	0	0
	(ii)	339,143	97,218	6,015	65,516	13,421	521,313	0
ANDREW FOWLER	(i)	0	0	0	0	0	0	0
	(ii)	262,207	60,832	48,378	46,086	9,030	426,533	44,409
DAVID BAYTOS	(i)	0	0	0	0	0	0	0
	(ii)	303,111	65,755	50,548	91,716	13,301	524,431	46,258
CAROL ROSS-SPANG	(i)	0	0	0	0	0	0	0
	(ii)	281,195	60,899	30,286	72,856	13,421	458,657	24,881
CATO JOHNSON	(i)	0	0	0	0	0	0	0
	(ii)	252,658	56,192	117,298	58,866	9,150	494,164	110,738
ALEXANDER MACGREGOR	(i)	0	0	0	0	0	0	0
	(ii)	332,000	68,684	45,530	80,134	9,030	535,378	35,002
LYNN FIELD	(i)	0	0	0	0	0	0	0
	(ii)	194,993	31,862	77	38,504	9,030	274,466	0
GARY GUNDERSON	(i)	0	0	0	0	0	0	0
	(ii)	180,515	39,365	3,840	49,138	13,301	286,159	0
WILLIAM BREEN JR	(i)	0	0	0	0	0	0	0
	(ii)	344,360	37,070	2,153	68,262	4,346	456,191	0
EDWARD RAFALSKI	(i)	0	0	0	0	0	0	0
	(ii)	241,765	29,040	1,177	51,718	4,346	328,046	0
STEPHEN MILLER	(i)	210,564	204,991	19,746	24,070	9,270	468,641	37,538
	(ii)	0	0	0	0	0	0	0

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				
MERI ARMOUR	(i) (ii)	389,611 0	82,890 0	62,074 0	85,141 0	13,301 0	633,017 0	52,642 0
WILLIAM KENLEY	(i) (ii)	340,754 0	56,333 0	20,049 0	85,797 0	13,301 0	516,234 0	15,824 0
KEVIN SPIEGEL	(i) (ii)	364,466 0	75,719 0	5,410 0	93,736 0	13,301 0	552,632 0	0 0
MICHAEL UGWUEKE	(i) (ii)	358,606 0	91,675 0	2,720 0	94,638 0	12,555 0	560,194 0	0 0
LARRY SPRATLIN	(i) (ii)	233,595 0	19,825 0	22,675 0	49,659 0	13,301 0	339,055 0	19,312 0
WILLIAM MAY	(i) (ii)	440,320 0	8,818 0	25,795 0	12,433 0	12,555 0	499,921 0	25,795 0
ROBIN WOMEODU	(i) (ii)	270,315 0	21,252 0	0 0	18,415 0	13,301 0	323,283 0	0 0
GALEN VAN WHYHE	(i) (ii)	1,014,161 0	83,270 0	0 0	14,700 0	13,301 0	1,125,432 0	0 0
JAMES LITZOW	(i) (ii)	917,749 0	77,036 0	0 0	14,700 0	13,301 0	1,022,786 0	0 0
CLARO DIAZ	(i) (ii)	860,803 0	77,107 0	0 0	14,700 0	13,301 0	965,911 0	0 0
MIKE MCDONALD	(i) (ii)	762,070 0	59,919 0	0 0	12,019 0	13,301 0	847,309 0	0 0
ANDREW WATSON	(i) (ii)	662,340 0	54,522 0	0 0	14,700 0	9,030 0	740,592 0	0 0

2011

Open to Public
Inspection

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.

Name of the organization

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number

62-0479367

Identifier	Return Reference	Explanation
CONTINUATION OF PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	METHODIST WAS RECENTLY NAMED THE BEST HOSPITAL IN MEMPHIS BY U.S. NEWS AND WORLD REPORT AND RANKS #29 IN ORTHOPEDICS IN THE COUNTRY. FOR THE LAST SEVERAL YEARS, METHODIST HAS BEEN NAMED IN MODERN HEALTHCARE MAGAZINE, AS ONE OF THE TOP 100 INTEGRATED HEALTHCARE NETWORKS IN THE COUNTRY. THE FIVE (5) FACILITIES OF METHODIST HEALTHCARE - MEMPHIS HOSPITALS ARE LICENSED AS ONE HOSPITAL. IT IS THE THIRD LARGEST HOSPITAL IN THE COUNTRY. METHODIST HAS FOUR MAJOR AREAS OF FOCUS: CARDIOLOGY, NEUROSCIENCES, TRANSPLANT, AND PEDIATRICS. METHODIST HEALTHCARE - MEMPHIS HOSPITALS OPERATES THE FOLLOWING HOSPITALS: - METHODIST UNIVERSITY HOSPITAL, THE FLAGSHIP OF THE METHODIST HEALTHCARE SYSTEM, IS LOCATED IN THE HEART OF THE MEMPHIS MEDICAL CENTER. METHODIST IS FORMALLY AFFILIATED WITH THE UNIVERSITY OF TENNESSEE HEALTH SCIENCE CENTER AND SERVES AS ITS PRIMARY TEACHING SITE. A TERTIARY CARE AND REFERRAL CENTER, METHODIST UNIVERSITY HOSPITAL HAS ONE OF THE LARGEST NEUROSCIENCES PROGRAMS IN THE COUNTRY. THE TRANSPLANT PROGRAM SPECIALIZES IN SOLID ORGAN TRANSPLANTS OF THE KIDNEY, LIVER AND PANCREAS. THE HOSPITAL IS HOME TO ONE OF TWO DA VINCI-S SURGICAL SYSTEMS WITHIN THE HEALTH SYSTEM. DA VINCI IS THE MOST ADVANCED MINIMALLY-INVASIVE ROBOTIC SURGICAL SYSTEM AVAILABLE. - METHODIST NORTH HOSPITAL IS A COMMUNITY HOSPITAL SERVING RESIDENTS OF THE RALEIGH-BARTLETT AREA OF NORTH MEMPHIS AND SURROUNDING AREAS. THE FACILITY OFFERS STATE-OF-THE-ART, COMPREHENSIVE CARDIAC SERVICES. THE HOSPITAL HAS EXPANDED LASER SURGERY CAPABILITIES AND SAME-DAY SURGERY SERVICES ON CAMPUS, AS WELL AS AN AFFILIATED REHABILITATION FACILITY ON CAMPUS. THE METHODIST TOTAL JOINT CENTER LOCATED ON THE METHODIST NORTH HOSPITAL CAMPUS IS THE ONLY DEDICATED JOINT CENTER IN THE REGION AND PROVIDES A UNIQUE ORTHOPAEDIC UNIT FOCUSED ON DELIVERING COMPREHENSIVE CARE TO PATIENTS UNDERGOING TOTAL KNEE OR HIP REPLACEMENTS. THE HOSPITAL IS HOME TO ONE OF TWO DA VINCI-S ROBOTIC SURGICAL SYSTEMS WITHIN THE HEALTH SYSTEM. - METHODIST SOUTH HOSPITAL SERVES THE CITIZENS OF SOUTH MEMPHIS AND SURROUNDING AREAS. THIS ACUTE CARE HOSPITAL INCLUDES A MATERNITY CENTER, A CANCER CENTER, A CRITICAL CARE UNIT, A SAME-DAY SURGERY UNIT AND A COMPLETE ARRAY OF OUTPATIENT SERVICES. THE METHODIST SOUTH HOSPITAL ALSO OFFERS STATE-OF-THE-ART CARDIAC SERVICES, INCLUDING CARDIAC CATHETERIZATION AND OPEN-HEART SURGERY. - METHODIST LE BONHEUR GERMANTOWN HOSPITAL IS A COMMUNITY HOSPITAL SERVING GERMANTOWN, COLLIERVILLE, EAST MEMPHIS AND NORTH MISSISSIPPI. THE HOSPITAL OFFERS ACUTE INPATIENT CARE AND TREATMENT, EXTENSIVE SURGICAL SERVICES, WOMEN'S HEALTH SERVICES, CARDIAC SERVICES, CHILDREN'S SERVICES AND EMERGENCY SERVICES WITH URGENT AND EMERGENCY CARE FOR ADULTS AND CHILDREN. THE HOSPITAL HAS RECENTLY COMPLETED A \$124 MILLION EXPANSION THAT INCLUDES A NEW WOMEN'S AND CHILDREN'S PAVILION. - LE BONHEUR CHILDREN'S HOSPITAL IS THE MID-SOUTH'S FIRST AND ONLY COMPREHENSIVE PEDIATRIC MEDICAL FACILITY. FOUNDED IN 1952, LE BONHEUR TREATS 130,000 CHILDREN FROM 47 STATES AND MANY COUNTRIES. THE HOSPITAL IS HOME TO ONE OF THE NATION'S 10 BUSIEST PEDIATRIC EMERGENCY DEPARTMENTS AND HOSTS ONE OF THE LARGEST PEDIATRIC SURGICAL BRAIN TUMOR PROGRAMS. IT IS THE TEACHING SITE FOR THE UNIVERSITY OF TENNESSEE DEPARTMENT OF PEDIATRICS AND HOME TO THE CHILDREN'S FOUNDATION RESEARCH CENTER OF MEMPHIS. AT METHODIST LE BONHEUR HEALTHCARE, WE TAKE OUR MISSION SERIOUSLY AND ARE COMMITTED TO GIVING BACK TO THE COMMUNITY IN A MEANINGFUL WAY. OUR HOSPITALS ARE PART OF A SYSTEM THAT IS THE LARGEST PROVIDER OF TENNCARE SERVICES IN THE STATE, AND OUR FACILITIES PROVIDE FULL ACCESS TO ALL INDIVIDUALS IN OUR SERVICES AREA. BECAUSE OUR FACILITIES ARE PLACED IN ALL QUADRANTS OF OUR GEOGRAPHIC SERVICE AREAS, WE PROVIDE ACCESS TO HEALTH CARE FOR ALL OF THE COMMUNITY. *** MEDICAL EDUCATION AND RESEARCH: METHODIST SUPPORTS VIA DIRECT SALARY AND BENEFIT CONTRIBUTIONS TO THE UNIVERSITY OF TENNESSEE GRADUATE MEDICAL TRAINING POSITIONS (GME) AT METHODIST UNIVERSITY HOSPITAL, LE BONHEUR CHILDREN'S MEDICAL CENTER, AND METHODIST LE BONHEUR GERMANTOWN HOSPITAL. THIS IS AN INCREASE OF OVER FIFTY POSITIONS OVER THE PAST FOUR YEARS DUE TO THE GROWTH OF ACADEMIC PROGRAMS AT METHODIST UNIVERSITY HOSPITAL AND LE BONHEUR CHILDREN'S MEDICAL CENTER. THESE GME RESIDENTS AND FELLOWS ARE EMPLOYEES AND TRAINEES AT THE UNIVERSITY OF TENNESSEE, BUT THEIR FINANCIAL SUPPORT FOR SALARIES AND BENEFITS COMES VIA METHODIST. THESE TRAINEES SPEND TIME AT A METHODIST HOSPITAL DURING THE PERIODS OF METHODIST SUPPORT AND ARE INVOLVED IN PATIENT CARE IN ADDITION TO EDUCATIONAL ACTIVITIES. CHURCH HEALTH CENTER: AS AN EARLY SUPPORTER OF THE CHURCH HEALTH CENTER, METHODIST LE BONHEUR HEALTHCARE STRONGLY BELIEVES IN ITS MISSION TO SERVE THE WORKING POOR. FROM ITS BEGINNINGS AS A PROJECT OF ST. JOHN'S UNITED METHODIST CHURCH AND OF DR. SCOTT MORRIS TO THE COMPREHENSIVE COMMUNITY RESOURCE IT IS TODAY, THE CHURCH HEALTH CENTER PROVIDES AFFORDABLE HEALTH CARE, DENTISTRY, OPTOMETRY.

Identifier	Return Reference	Explanation
CONTINUATION OF PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	RY , PASTORAL COUNSELING, AND HEALTH EDUCATION TO THOSE WHO NEED THESE SERVICES IN MEMPHIS METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS PROUD TO SUPPORT THIS WORTHY ENDEAVOR MHMH HELPS SUPPORT THE CHURCH HEALTH CENTER BY PROVIDING PATIENT CARE FREE OF CHARGE LE BONHEUR COMMUNITY HEALTH & WELL-BEING LE BONHEUR CHILDREN'S HOSPITAL'S COMMUNITY OUTREACH DIVISION WORKS TO EXTEND THE WORK OF THE HOSPITAL BEYOND ITS WALLS THROUGH A VARIETY OF PROGRAMS , WE MAKE A DIFFERENCE IN THE EVERYDAY LIVES OF CHILDREN IN COMMUNITIES THROUGHOUT THE REGION WHILE THESE PROGRAMS ARE LARGELY FUNDED BY GRANTS, METHODIST GAVE LE BONHEUR CHILDREN 'S HOSPITAL'S COMMUNITY OUTREACH DIVISION WORKS TO EXTEND THE WORK OF THE HOSPITAL BEYOND ITS WALLS THROUGH A VARIETY OF PROGRAMS, WE MAKE A DIFFERENCE IN THE EVERYDAY LIVES OF CHILDREN IN COMMUNITIES THROUGHOUT THE REGION WHILE THESE PROGRAMS ARE LARGELY FUNDED BY GRANTS, METHODIST GAVE \$275,000 IN SUPPORT IN 2011 FOR IN-KIND DONATIONS TO SUPPORT THESE PROGRAMS IN WEST TENNESSEE, THE MOBILE MEDICAL UNIT - LE BONHEUR ON THE MOVE - CONTINUED TO PROVIDE MEDICAL HOMES FOR RURAL AND MIGRANT CHILDREN AND THEIR FAMILIES THE UNIT IS STAFFED WITH AN ADVANCED PRACTICE NURSE, A NURSE, COORDINATOR, AND DRIVER

Identifier	Return Reference	Explanation
		IN 2011, OUR CENTER OF EXCELLENCE OF FAITH WAS OPENED AT METHODIST UNIVERSITY HOSPITAL. THE SPIRIT OF FAITH AND HEALING PERVADES METHODIST LE BONHEUR HEALTHCARE. AS A FAITH-BASED INSTITUTION, WE ARE WORKING TO DEFINE HOW WE CAN BETTER UTILIZE OUR FAITH RESOURCES AND OTHER ASSETS IN THE COMMUNITY TO IMPROVE HEALTH. THAT MISSION HAS RESULTED IN A STRATEGY AROUND CONGREGATIONS AND OUR CONNECTION WITH THEM. WE BELIEVE THAT CONGREGATIONS CAN PLAY A SIGNIFICANT ROLE IN HEALTHCARE WHEN THEY ARE STRATEGIC PARTNERS IN THEIR MEMBERS' HEALTH JOURNEYS. TO THAT END, WE HAVE ENTERED INTO COVENANT RELATIONSHIPS WITH 350+ CONGREGATIONS TO IMPROVE THE ACCESS TO COMPREHENSIVE HEALTH SERVICES FOR ALL CITIZENS AND TO IMPROVE THE HEALTH STATUS OF THESE PATIENTS. THE CENTER OF EXCELLENCE IN FAITH AND HEALTH (COE) WAS COMPLETED IN JANUARY 2011 AND IS HOUSED IN RENOVATED SPACE AT METHODIST UNIVERSITY HOSPITAL. THE COE WILL ADVANCE HEALTH BY BRINGING FAITH AND HEALTH TOGETHER FOR THE IMPROVED WELLBEING OF THOUSANDS OF PATIENTS. THE CENTER'S GOAL IS TO DRAMATICALLY ENHANCE QUALITY OF CARE AND SUPPORT FOR OUR PATIENTS AND THEIR FAMILIES. WE BELIEVE THAT THE COUPLING OF FAITH AND HEALTH CAN NOT ONLY ELEVATE THE LEVEL OF CARE WE DELIVER TO OUR PATIENTS, BUT ALSO IMPROVE THE QUALITY OF LIFE FOR OUR COMMUNITY AND BEYOND. THE ACTUAL CENTER OF EXCELLENCE SPACE TRANSFORMED THE PREVIOUSLY EXISTING INTENSIVE CARE WAITING ROOM INTO A STATE-OF-THE-ART FAMILY-CENTERED HEALING ENVIRONMENT WITH A QUIET AREA, RESOURCE ROOM, EDUCATION SPACES, MOVEABLE FURNITURE, AS WELL AS SPACE FOR LOCAL CLERGY TO COUNSEL THEIR MEMBERS. IT ALSO HOUSES CREATIVE MEETING SPACE FOR ACADEMIC PARTNERS LOCALLY AND ACROSS THE GLOBE TO WORK WITH EACH OTHER, AS WELL AS PROVIDE TRAINING AND EDUCATION TO OUR ASSOCIATES, LOCAL CLERGY AND COMMUNITY HEALTH PARTNERS. THE FOUNDATION RAISED OVER \$2 MILLION TO MAKE THIS PROJECT A REALITY. METHODIST PLACES A STRONG VALUE ON EDUCATION. THROUGH THE MEMPHIS CITY ADOPT-A-SCHOOL PROGRAM, MLH ASSOCIATES WORKED TO - TUTOR AND MENTOR STUDENTS - PROVIDE SPEAKERS FOR A NUMBER OF EVENTS INCLUDING CAREER DAYS - JUDGE EVENTS SUCH AS SCIENCE PROJECTS - PROCTOR TESTS - PROVIDE FINANCIAL SUPPORT FOR SPECIAL NEEDS AND PROGRAMS. METHODIST LE BONHEUR HEALTH CARE SUPPORTS COMMUNITY EVENTS. METHODIST LE BONHEUR ASSOCIATES ARE STRONG SUPPORTERS OF NUMEROUS COMMUNITY EVENTS AND CAUSES INCLUDING UNITED WAY \$ 518,317 RACE FOR A CURE \$ 61,786 OPERATION FEED \$ 7,784 WEAR RED DAY FOR THE AMERICAN HEART ASSOCIATION \$ 2,047 MH-MH ADOPTED 113 ANGELS FROM THE SALVATION ARMY ANGEL TREE PROGRAM TO HELP INNER-CITY CHILDREN AND ELDERLY ADULTS HAVE PRESENTS FOR THE HOLIDAY. IN-KIND GOODS AND SERVICES MH-MH ASSOCIATES DONATED THOUSANDS OF HOURS TO MANY COMMUNITY GROUPS BY SERVING ON NUMEROUS BOARDS AND COMMITTEES, INCLUDING TENNESSEE HOSPITAL ASSOCIATION, AMERICAN HEART ASSOCIATION, HABITAT FOR HUMANITY, AMERICAN PHARMACISTS ASSOCIATION, MARCH OF DIMES, SUBSIDIUM, MEMPHIS BUSINESS ACADEMY, TN HEALTH INFORMATION MANAGEMENT ASSOC, CHESTER COUNTY HEALTH COUNCIL, LIFEBLOOD, TN HOSPICE ORGANIZATION. LES PASSESS DECATUR COUNTY HEALTH COUNCIL, ALZHEIMER'S ASSOCIATION OF WEST TENNESSEE, WHITEHAVEN KIWANIS, MID-SOUTH ASSOCIATION OF CATHOLIC NURSES, UNIVERSITY OF MEMPHIS MENTORING PROJECT, BOYS AND GIRLS CLUB OF GREATER MEMPHIS, RALEIGH COMMUNITY COUNCIL, MEMPHIS DISTRICT DIETETIC ASSOCIATION, JUNIOR LEAGUE, AMERICAN COLLEGE OF HEALTHCARE EXECUTIVES, MID-SOUTH AMERICAN CANCER SOCIETY, HEALTHY MEMPHIS COMMON TABLE, LEADERSHIP GERMANTOWN, MEMPHIS DIABETES EDUCATORS ASSOCIATION, ARKANSAS CONFERENCE, THE UNITED METHODIST CHURCH, CARROLL COUNTY HEALTH COUNCIL, AMERICAN NURSES ASSOCIATION, EMERGENCY NURSES ASSOCIATION, CROCKETT COUNTY HEALTH COUNCIL, LEADERSHIP FAYETTE, UNITED METHODIST NEIGHBORHOOD CENTERS, PROFESSIONAL NETWORK ON AGING, MISSISSIPPI CONFERENCE, THE UNITED METHODIST CHURCH, MILLINGTON ROTARY, BARTLETT CHAMBER OF COMMERCE, GERMANTOWN CHAMBER OF COMMERCE, THE STARKS LEGACY CIRCLE, MEMPHIS THEOLOGICAL SEMINARY, TN PHYSICAL THERAPY ASSOCIATION, CHICKASAW COUNCIL BOY SCOUTS, POLYSOMNOGRAPHY PROFESSIONAL STANDARDS COMMITTEE, HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION, VOLUNTEER MID-SOUTH, EARLY SUCCESS COALITION, CHRISTIAN BROTHERS UNIVERSITY, TENNESSEE SLEEP SOCIETY, MEMPHIS ACADEMY OF HEALTH SCIENCES, GERMANTOWN PERFORMING ARTS CENTER, MILLINGTON CHAMBER OF COMMERCE, TN ORGANIZATION OF NURSE EXECUTIVES, MEMPHIS AMERICAN SOCIETY OF PARENTERAL NUTRITION, OAKLAND CHAMBER OF COMMERCE, FRIENDS OF MEMPHIS PUBLIC LIBRARY, DELTA CONSORTIUM, MEMPHIS AND SHELBY COUNTY CHILDREN AND YOUTH COUNCIL, MOSES COALITION, TN GENERAL ASSEMBLY'S BLACK HEALTH CARE COMMISSION, FAYETTE CHAMBER OF COMMERCE, MEMPHIS CONFERENCE, THE UNITED METHODIST CHURCH, BENTON COUNTY HEALTH COUNCIL, TN HOME VISITATION COALITION, TN PHARMACISTS ASSOCIATION, GERMANTOWN PUBLIC SAFETY EDUCATION COMMISSION, CCR & R STATE ADVISORY BOARD, KIWANIS CLUB, SPECIAL KIDS AND FAMILIES, MCNairy County Health Council, WHITEHAVEN ECONOMIC DE

Identifier	Return Reference	Explanation
		VELOPMENT CORP COMMUNITY-BASED CHILD ABUSE PREVENTION STATE ADVISORY BOARD, ROTARY CLUB T IPTON COUNTY HEALTH COUNCIL, DYER COUNTY HEALTH COUNCIL, MEMPHIS REGIONAL EARLY HOME VISIT ATION COLLABORATION, NORTHWEST MISSISSIPPI COMMUNITY COLLEGE WEST TN REGIONAL HEALTH COUNCIL, HARDIN COUNTY COMMUNITY HEALTH CENTER, HENDERSON COUNTY HEALTH COUNCIL, LAUDERDALE COUNTY HEALTH COUNCIL, TN SOCIETY FOR RESPIRATORY CARE, FAYETTE COUNTY HEALTH COUNCIL, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE (CUMBERLAND COUNTY), SHELBY COUNTY DCS, CHES TER AND HARDIN STUDENT ADVISORY COUNCIL HAYWOOD COUNTY HEALTH COUNCIL, LAKE COUNTY HEALTH COUNCIL, OBION COUNTY HEALTH COUNCIL INFANT MORTALITY REDUCTION CORE LEADERSHIP COMMITTEE , HARDEMAN COUNTY HEALTH COUNCIL, WEAKLEY COUNTY HEALTH COUNCIL, MATERNAL LEAGUE OF MEMPHIS, WEST TN ASSOCIATION OF SCHOOL NURSES, FUTURE LEADER'S ACADEMY HENRY COUNTY HEALTH COUNCIL, PEOPLE FIRST, TN CHILD PASSENGER SAFETY BOARD MADISON COUNTY HEALTH COUNCIL, HEAD STAR T, TN ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, AMERICAN ASSOCIATION OF GRANT PROFESSIONALS-TN CHAPTER MID-SOUTH PERINATAL BEREAVEMENT COUNCIL, MEMPHIS URBAN LEAGUE, TN COUNCIL ON CHILDREN'S MENTAL HEALTH, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE, MID- SOUTH COALITION ON HIV/AIDS, TN INTEGRATED CORE INJURY PREVENTION AND CONTROL, AMERICAN COUNCIL OF GRANT PROFESSIONALS-NATIONAL, GERMANTOWN ATHLETIC COMMISSION, AND THE GIBSON COUNTY HEALTH COUNCIL

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS A SUBSIDIARY OF METHODIST LE BONHEUR HEALTHCARE (MLH, 58-1454711), WITH THE PERSONS SERVING ON THE MLH BOARD OF DIRECTORS SERVING AS THE MEMBERS OF MHMH

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS COMPRISED OF THE SAME PERSONS AS METHODIST LE BONHEUR HEALTHCARE, THE PARENT ORGANIZATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	THE MEMBERS SHALL, FROM TIME TO TIME, ADOPT AND PROMULGATE SUCH AMENDMENTS AS THEY SHALL DEEM APPROPRIATE TO THE BYLAWS AND TO THE GENERAL POLICIES AND GUIDELINES OF THE ORGANIZATION, ALL OF WHICH SHALL NOT BE INCONSISTENT WITH THE PURPOSES OF METHODIST LE BONHEUR HEALTHCARE UPON REQUEST BY THE BOARD OF DIRECTORS OF THE CORPORATION AND AT SUCH TIMES AS THE MEMBERS MAY SELECT, THE MEMBERS SHALL REVIEW THE AFFAIRS OF THE CORPORATION AND TAKE SUCH ACTION AS THEY MAY DEEM APPROPRIATE IN ACCORDANCE WITH THE BYLAWS THE FOLLOWING ITEMS, AFTER BEING REVIEWED AND ACCEPTED BY THE BOARD OF DIRECTORS, SHALL BE SUBMITTED FOR APPROVAL BY THE MEMBERS - IN DECEMBER OF EACH YEAR, A STRATEGIC PLAN AND A ONE YEAR OPERATING BUDGET OF THE CORPORATION'S ENSUING FISCAL YEAR, AND, THEREAFTER, ANY ACTION WHICH WILL RESULT IN A SUBSTANTIAL CHANGE IN THE EXPENDITURES OR REVENUE FORCAST IN ANY SUCH PLAN OR BUDGET, - ANY CREATION OR SUBSTANTIVE AMENDMENT OF A CONTRACT, LEASE OR OTHER AGREEMENT OF WHICH THE CORPORATION IS A PARTY WHICH INVOLVES AN OBLIGATION, OR A POTENTIAL OBLIGATION, ON THE PART OF THE CORPORATION IN EXCESS OF THE CORPORATE LIMIT, UNLESS SUCH TRANSACTION HAS BEEN PREVIOUSLY APPROVED WITHIN THE CAPITAL OR OPERATING BUDGETS, - ANY SALE, EXCHANGE, GIFT, MORTGAGE, OPTION, LEASE WITH A TERM IN EXCESS OF ONE YEAR (EXCEPT TO DOCTORS FOR OFFICE SPACE), OR OTHER DISPOSITION OF ANY REAL PROPERTY OR INTEREST THEREIN OWNED BY THE CORPORATION, OR ANY OTHER ASSET OWNED BY THE CORPORATION WITH A VALUE IN EXCESS OF THE CORPORATE LIMIT, EXCEPT WITH RESPECT TO TRANSACTIONS SPECIFIED AND PREVIOUSLY APPROVED WITHIN THE CAPITAL OR OPERATING BUDGET, - ANY RELEASE OR CANCELLATION BY THE CORPORATION OF A CLAIM OR RIGHT OF ACTION AGAINST ANOTHER PARTY IN AN AMOUNT IN EXCESS OF THE CORPORATE LIMIT, - ANY APPLICATION FOR A GOVERNMENT GRANT, - ANY AMENDMENT OR RESTATEMENT OF THE CORPORATE CHARTER OR ANY PLAN OF MERGER, CONSOLIDATION OR DISSOLUTION OF THE CORPORATION, - ANY ACTION OR INACTION AT VARIANCE WITH THE STATED POLICIES OF THE CORPORATION WHICH POLICIES HAVE BEEN APPROVED BY THE MEMBERS, - THE SELECTION OF ANY BANKING INSTITUTION AS A DESPOSITORY OF CORPORATE FUNDS, AND - ANY OTHER MATTERS AS MAY BE REQUIRED BY LAW TO BE SUBMITTED TO THE MEMBERS OF A NOT-FOR-PROFIT CORPORATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM WITH INPUT FROM HUMAN RESOURCES, LEGAL, COMPLIANCE, AND FINANCE DEPARTMENTS AND EXTERNAL FINANCIAL CONSULTANTS. FINANCIAL INFORMATION IS RECONCILED TO AUDITED FINANCIAL STATEMENTS AS APPROPRIATE. THE INFORMATION TO BE DISCLOSED REGARDING COMPENSATION IS REVIEWED WITH THE COMPENSATION COMMITTEE OF THE BOARD. THE RETURN IS REVIEWED BY THE CHIEF FINANCIAL OFFICER OF MLH AND MANAGEMENT OF THE ORGANIZATION AS APPROPRIATE. A COPY OF THE RETURN IS MADE AVAILABLE TO ALL BOARD MEMBERS AND DISCUSSED AT A SCHEDULED BOARD MEETING PRIOR TO FILING WITH THE IRS.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	METHODIST LE BONHEUR HEALTHCARE, THE PARENT ORGANIZATION, EMPLOYS A COMPLIANCE OFFICER WHO MONITORS AND ENFORCES COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY FOR ALL VOTING BOARD MEMBERS AND APPLICABLE OFFICERS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION FOR OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION IS DETERMINED BY THE BOARD OF DIRECTORS OF METHODIST LE BONHEUR HEALTHCARE, THE SOLE MEMBER ORGANIZATION. AN EXTERNAL INDEPENDENT CONSULTANT ADVISES THE BOARD COMPENSATION COMMITTEE ON EXECUTIVE SALARY AND INCENTIVE COMPENSATION. BENEFITS ARE PERIODICALLY BENCHMARKED BY A SEPARATE EXTERNAL CONSULTANT AND ANY CHANGES ARE APPROVED BY THE BOARD OF DIRECTORS COMPENSATION COMMITTEE. THE COMPENSATION COMMITTEE IS COMPRISED OF INDEPENDENT MEMBERS AND IS A SUBGROUP OF THE FULL BOARD OF DIRECTORS. THE COMPENSATION CONSULTANT ANNUALLY DEVELOPS TOTAL CASH COMPENSATION COMPARISONS OF PEER NON-PROFIT SYSTEMS ESTABLISHED BY THE COMPENSATION COMMITTEE. THE COMPENSATION CONSULTANT INTERPRETS THE INFORMATION AND PROVIDES AN OPINION OF REASONABLENESS ON THE TOTAL CASH COMPENSATION PACKAGE. THE COMPENSATION COMMITTEE APPROVES ANY CHANGES TO THE COMPENSATION AND EXECUTIVE BENEFIT STRUCTURE OF THE CEO AND OTHER TOP EXECUTIVES, OTHERWISE KNOWN AS DISQUALIFIED CANDIDATES. ALL OTHER COMPENSATION DECISIONS ARE DETERMINED BY ARRANGEMENT AS DELEGATED BY THE BOARD OF DIRECTORS. THE COMMITTEE DOCUMENTS ALL DETERMINATIONS.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 18	PHOTOCOPIES OF THE FORM 990 ARE AVAILABLE UPON REQUEST AT THE ORGANIZATION'S ADMINISTRATIVE OFFICE. IN ADDITION, RECENT FILINGS OF THE FORM 990 ARE AVAILABLE ONLINE AT OUR WEBSITE IN THE "ABOUT US" SECTION, OR AT WWW.GUIDESTAR.ORG

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S FINANCIAL STATEMENTS ARE AUDITED IN A CONSOLIDATION WITH ITS CORPORATE PARENT, METHODIST LE BONHEUR HEALTHCARE, AND RELATED SUBSIDIARIES. INFORMATION ON FINANCIAL STATEMENTS IS AVAILABLE BY CONTACTING THE ORGANIZATION'S CORPORATE OFFICE. PLEASE SEE FORM 990, PART VI, LINE 20 FOR DETAILS. CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS FOR ALL AFFILIATES OF METHODIST LE BONHEUR HEALTHCARE ARE ALSO AVAILABLE BY REQUEST.

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 5,099,424 EQUITY TRANSFERS TO AFFILIATES -55,835,960 TOTAL TO FORM 990, PART XI, LINE 5 -50,736,536

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR

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

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number

62-0479367

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) LE BONHEUR PATIENT TRANSPORTATION LLC 1265 UNION AVENUE MEMPHIS, TN 38104 20-3200654	MEDICAL TRANSPORT	TN	0	0	N/A
(2) METHODIST INPATIENT PHYSICIANS LLC 1265 UNION AVENUE MEMPHIS, TN 38104 47-0892411	PHYSICIANS	TN	0	0	N/A
(3) SPECIALTY PHYSICIAN GROUP LLC 1211 UNION AVENUE MEMPHIS, TN 38104 27-2097600	PHYSICIANS	TN	13,008,181	3,426,780	N/A
(4) PRIMARY CARE GROUP LLC 1265 UNION AVENUE MEMPHIS, TN 38104 27-3186375	PHYSICIANS	TN	8,420,804	10,095,729	N/A
(5) FOUNDATION PRIMARY CARE LLC 1265 UNION AVENUE MEMPHIS, TN 38104 27-4200498	HEALTHCARE	TN	0	0	PRIMARY CARE GROUP LLC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(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	
(1) DESOTO DIAGNOSTIC LLC 9085 SANDIDGE CTR CV OLIVE BRANCH, MS 38654 62-1802576	RADIOLOGY	MS	N/A									
(2) NORTH SURGERY CENTER LP 3960 NEW COVINGTON PIKE MEMPHIS, TN 38128 62-1685756	SURGERY CENTER	TN	N/A	RELATED	636,725	1,469,293		No		Yes		60 500 %
(3) METHODIST SURGERY CENTER-GERMANTOWN LP 1363 S GERMANTOWN ROAD GERMANTOWN, TN 38138 62-1659904	SURGERY CENTER	TN	N/A	RELATED	1,748,258	2,517,537		No		Yes		55 000 %
(4) HAMILTON EYE INSTITUTE SURGERY CENTER LP 930 MADISON AVE 3RD FLOOR MEMPHIS, TN 38103 20-2873438	SURGERY CENTER	TN	N/A	RELATED	132,150	972,277		No		Yes		35 400 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) AMBULATORY OPERATIONS INC 1211 UNION AVENUE SUITE 600 MEMPHIS, TN 38104 62-1157166	MEDICAL SERVICES	TN	N/A	C			
(2) SOLUS MANAGEMENT SERVICES INC 6400 SHELBY VIEW SUITE 101 MEMPHIS, TN 38134 62-1361349	HEALTH SERVICES MANAGEMENT	TN	N/A	C			
(3) MEMPHIS PROFESSIONAL BUILDING INC 1211 UNION AVENUE SUITE 600 MEMPHIS, TN 38104 62-1847544	INVESTMENTS	TN	N/A	C			

Part V

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

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

1

During the tax year, did the organization 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

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

Lease of facilities, equipment, or other assets to related organization(s)

j

Lease of facilities, equipment, or other assets from related organization(s)

k

Performance of services or membership or fundraising solicitations for related organization(s)

l

Performance of services or membership or fundraising solicitations by related organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

Yes

Yes

Yes

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) METHODIST SURGERY CENTER - GERMANTOWN LP	R	1,700,600	CASH
(2) NORTH SURGERY CENTER LP	R	527,816	CASH
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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.

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	
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Software ID:

Software Version:

EIN: 62-0479367

Name: METHODIST HEALTHCARE - MEMPHIS HOSPITALS

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
METHODIST LE BONHEUR HEALTHCARE 1211 UNION AVENUE SUITE 700 MEMPHIS, TN 38104 58-1454711	SUPPORTING ORGANIZATION	TN	501(C) (3)	LINE 11B, II	N/A		No
METHODIST HEALTHCARE - FAYETTE HOSPITAL 214 LAKEVIEW DRIVE SOMERVILLE, TN 38068 62-0862334	HOSPITAL	TN	501(C) (3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST EXTENDED CARE HOSPITAL INC 225 SOUTH CLAYBROOK MEMPHIS, TN 38104 62-1518342	HOSPITAL	TN	501(C) (3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST HEALTHCARE PRIMARY CARE ASSOCIATES 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 58-2078931	OUTPATIENT HEALTHCARE	TN	501(C) (3)	LINE 9	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST HEALTHCARE COMMUNITY CARE ASSOCIATES 6400 SHELBY VIEW SUITE 101 MEMPHIS, TN 38134 62-1403517	OUTPATIENT HEALTHCARE	TN	501(C) (3)	LINE 9	METHODIST LE BONHEUR HEALTHCARE		No
ALLIANCE HEALTH SERVICES INC 6400 SHELBY VIEW SUITE 101 MEMPHIS, TN 38134 62-0841121	HEALTHCARE	TN	501(C) (3)	LINE 9	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST HEALTHCARE FOUNDATION 1211 UNION AVENUE SUITE 450 MEMPHIS, TN 38104 23-7320638	FOUNDATION	TN	501(C) (3)	LINE 11A, I	METHODIST LE BONHEUR HEALTHCARE		No
LE BONHEUR CHILDREN'S HOSPITAL FOUNDATION 850 POPLAR AVENUE BLDG 2 MEMPHIS, TN 38105 62-1872938	FOUNDATION	TN	501(C) (3)	LINE 11A, I	METHODIST LE BONHEUR HEALTHCARE		No
LE BONHEUR COMMUNITY HEALTH AND WELL-BEING 50 PEABODY PLACE MEMPHIS, TN 38103 62-1251288	FOUNDATION	TN	501(C) (3)	LINE 7	LE BONHEUR CHILDREN'S FOUNDATION		No
METHODIST HEALTHCARE- JONESBORO HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 71-0499625	INACTIVE HOSPITAL	TN	501(C) (3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST HEALTHCARE- DYERSBURG HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 62-1155084	INACTIVE HOSPITAL	TN	501(C) (3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST HEALTHCARE CENTRAL MS MEDICAL ASSOCIATES 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 64-0884720	INACTIVE HOSPITAL	TN	501(C) (3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST HEALTHCARE- JACKSON HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 64-0794199	INACTIVE HOSPITAL	TN	501(C) (3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
METHODIST HEALTHCARE-MIDDLE MISSISSIPPI HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 64-0698911	INACTIVE HOSPITAL	TN	501(C) (3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
MEMPHIS MEDICAL CENTER AIR AMBULANCE SERVICES INC 1080 EASTMORELAND AVE MEMPHIS, TN 38104 62-1280261	AMBULATORY SERVICES	TN	501(C) (3)	LINE 11B, II	N/A		No



METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
Morgan Keegan Tower
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Methodist Le Bonheur Healthcare

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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. An audit includes 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 System'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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Methodist Le Bonheur Healthcare and Affiliates as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2012 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

April 16, 2012

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Balance Sheets

December 31, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets		
Cash and cash equivalents	\$ 71,558	84,803
Investments	569,779	565,555
Net patient accounts receivable	170,705	167,534
Due from third-party payors	523	—
Other current assets	45,013	39,267
Assets limited as to use – current portion	897	719
Total current assets	858,475	857,878
Assets limited as to use, less current portion	40,754	40,176
Property and equipment, net	808,006	810,344
Other assets	58,613	58,448
Total assets	\$ 1,765,848	1,766,846
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 58,581	58,302
Accrued expenses and other current liabilities	85,280	78,027
Due to third-party payors	—	8,066
Long-term debt – current portion	18,849	14,009
Total current liabilities	162,710	158,404
Long-term debt, less current portion	515,322	532,819
Estimated professional and general liability costs	25,392	41,642
Accrued pension cost	190,519	119,906
Other long-term liabilities	92,448	54,229
Total liabilities	986,391	907,000
Net assets		
Unrestricted	751,126	827,195
Temporarily restricted	20,081	22,743
Permanently restricted	3,004	2,840
Total net assets attributable to Methodist Le Bonheur Healthcare	774,211	852,778
Noncontrolling interests	5,246	7,068
Total net assets	779,457	859,846
Commitments and contingencies		
Total liabilities and net assets	\$ 1,765,848	1,766,846

See accompanying notes to combined financial statements

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Operations

Years ended December 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Unrestricted revenues and other support		
Net patient service revenue	\$ 1,356,646	1,255,227
Other revenue	30,639	38,123
Net assets released from restrictions used for operations	9,055	10,118
Total unrestricted revenues and other support	<u>1,396,340</u>	<u>1,303,468</u>
Expenses		
Salaries and benefits	662,305	625,914
Supplies and other	473,492	441,738
Provision for uncollectible accounts	109,570	90,558
Depreciation and amortization	85,282	75,004
Interest	25,586	13,657
Total expenses	<u>1,356,235</u>	<u>1,246,871</u>
Operating income	<u>40,105</u>	<u>56,597</u>
Nonoperating gains (losses)		
Investment income, net	36,271	30,781
Change in fair value of interest rate swaps	(38,084)	(2,253)
Unrealized gain (loss) on trading securities, net	(27,261)	27,277
Impairment of land	—	(399)
Impairment of goodwill	(3,800)	—
Impairment loss on equity investee	—	(3,961)
Total nonoperating (losses) gains, net	<u>(32,874)</u>	<u>51,445</u>
Revenues, gains and other support in excess of expenses and losses, before noncontrolling interests	7,231	108,042
Noncontrolling interests	<u>(382)</u>	<u>(2,383)</u>
Revenues, gains and other support in excess of expenses and losses	6,849	105,659
Other changes in unrestricted net assets		
Accrued pension cost adjustments	(85,813)	(10,730)
Other	—	40
Net assets released from restrictions used for capital purposes	2,895	7,318
(Decrease) increase in unrestricted net assets	<u>\$ (76,069)</u>	<u>102,287</u>

See accompanying notes to combined financial statements

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Noncontrolling interests</u>	<u>Total</u>
Balances at December 31, 2009	\$ 724,908	28,714	2,227	6,834	762,683
Revenues, gains and other support in excess of expenses and losses	105,659	—	—	2,383	108,042
Distributions to minority shareholders	—	—	—	(2,149)	(2,149)
Accrued pension cost adjustments	(10,730)	—	—	—	(10,730)
Other	40	—	—	—	40
Donor-restricted gifts, grants, and bequests	—	10,873	613	—	11,486
Investment income, net	—	592	—	—	592
Net assets released from restrictions used for operations	—	(10,118)	—	—	(10,118)
Net assets released from restrictions used for capital purposes	7,318	(7,318)	—	—	—
Change in net assets	102,287	(5,971)	613	234	97,163
Balances at December 31, 2010	827,195	22,743	2,840	7,068	859,846
Revenues, gains and other support in excess of expenses and losses	6,849	—	—	382	7,231
Distributions to minority shareholders	—	—	—	(2,204)	(2,204)
Accrued pension cost adjustments	(85,813)	—	—	—	(85,813)
Donor-restricted gifts, grants, and bequests	—	9,116	164	—	9,280
Investment income, net	—	172	—	—	172
Net assets released from restrictions used for operations	—	(9,055)	—	—	(9,055)
Net assets released from restrictions used for capital purposes	2,895	(2,895)	—	—	—
Change in net assets	(76,069)	(2,662)	164	(1,822)	(80,389)
Balances at December 31, 2011	\$ 751,126	20,081	3,004	5,246	779,457

See accompanying notes to combined financial statements

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Cash Flows
Years ended December 31, 2011 and 2010
(In thousands)

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ (80,389)	97,163
Adjustments to reconcile change in net assets to net cash provided by operating activities, net of effects of acquisitions		
Depreciation and amortization	85,282	75,004
Unrealized (gain) loss on trading securities, net	27,261	(27,277)
Change in fair value of interest rate swaps	38,084	2,253
Provision for uncollectible accounts	109,570	90,558
Restricted contributions and investment income	(1,184)	(6,125)
Equity in net income of equity investees	(163)	(4,295)
Impairment loss on equity investee	—	3,961
Impairment of land	—	399
Impairment of goodwill	3,800	—
(Gain) on disposal of property and equipment	(99)	(110)
Accrued pension cost adjustments	85,813	10,730
Distributions from equity investees	5,535	4,895
Changes in operating assets and liabilities		
Accounts receivable	(112,742)	(101,462)
Other current assets and due from third-party payors	(4,056)	(629)
Other assets	(9,069)	21,100
Accounts payable, accrued expenses and other current liabilities	(7,445)	9,619
Other long-term liabilities, estimated professional and general liability costs and accrued pension costs	(31,315)	(26,853)
Net cash provided by operating activities	108,883	148,931
Cash flows from investing activities		
Capital expenditures	(73,344)	(177,765)
Proceeds from sales of property and equipment	561	248
Sales of investments	1,237,632	1,532,582
Purchases of investments	(1,269,685)	(1,410,066)
Change in assets limited as to use	(187)	142
Purchase of businesses	(2,389)	(6,451)
Net cash used in investing activities	(107,412)	(61,310)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	128	—
Repayment of long-term debt	(16,028)	(24,976)
Restricted contributions and investment income	1,184	6,125
Net cash used in financing activities	(14,716)	(18,851)
Net (decrease) increase in cash and cash equivalents	(13,245)	68,770
Cash and cash equivalents at beginning of year	84,803	16,033
Cash and cash equivalents at end of year	\$ 71,558	84,803

See accompanying notes to combined financial statements

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2011 and 2010

(1) Organization and Summary of Significant Accounting Policies

Methodist Le Bonheur Healthcare and Affiliates (the System) is a not-for-profit healthcare system providing a continuum of healthcare services primarily to residents of Memphis, West Tennessee, North Mississippi, and East Arkansas through its acute care and specialty care facilities. The System operates seven hospitals and a home health agency, with over 11,000 employees and over 1,700 licensed beds. The significant accounting policies used by the System in preparing and presenting its combined financial statements follow:

(a) *Principles of Combination*

The accompanying combined financial statements include Methodist Le Bonheur Healthcare (Methodist Le Bonheur), all affiliates for which Methodist Le Bonheur or its board of directors is controlling member, and its wholly owned subsidiaries. Such affiliates and subsidiaries of the System include:

- Methodist Healthcare – Memphis Hospitals (Methodist Healthcare – University Hospital, North Hospital, South Hospital, Germantown Hospital and Le Bonheur Children’s Hospital).
- Methodist Healthcare – Fayette Hospital.
- Alliance Health Services, Inc.
- Methodist Extended Care Hospital, Inc.
- Methodist Le Bonheur Healthcare Foundation (comprised of Methodist Healthcare Foundation, Le Bonheur Children’s Hospital Foundation, and Le Bonheur Community Health and Well-Being).
- Methodist Healthcare Community Care Associates.
- Methodist Healthcare Primary Care Associates, and
- Ambulatory Operations, Inc.

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

(b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, reserves for general and professional liability claims, reserves for workers’ compensation claims, reserves for employee healthcare claims, estimated third-party payor settlements, certain investments in alternative funds, and the actuarially determined benefit liability related to the System’s pension plan. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

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to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

(c) *Cash Equivalents*

The System considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(d) *Investments and Investment Income*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investment income items (including realized and unrealized gains and losses on investments, interest, and dividends) are included in revenues, gains and other support in excess of expenses and losses unless the income or loss is temporarily or permanently restricted by donor or law. The System considers all of its investments to be trading securities.

The System also has investments in alternative funds, which represent investments in real estate through a private Real Estate Investment Trust (REIT) and hedge funds through direct and fund-of-funds structures generally organized as corporations or limited partnerships.

The System's investments in alternative funds are accounted for using the equity method, which generally approximates fair value. The change in carrying amount is reported as investment income or loss in the accompanying combined statements of operations.

Certain underlying holdings of alternative funds are typically valued by the general partner and/or trustee using quoted market prices for publicly traded securities and valuation estimates for derivative instruments. Other underlying holdings are typically valued at cost or adjusted value based on recent arms length transactions, appraisals by third parties of properties held, or other correspondence with the manager. The valuations provided by the general partners and trustees are reviewed by management, and management believes such values are reasonable.

(e) *Inventories*

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or market.

(f) *Assets Limited as to Use*

Assets limited as to use include assets held by trustees under indenture and other funding agreements. Amounts required to meet current liabilities of the System are classified as current assets in the accompanying combined balance sheets.

(g) *Property and Equipment*

Property and equipment are stated at cost. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

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Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support and are excluded from revenues, gains and other support in excess of expenses and losses unless explicit donor stipulations specify how the donated assets must be used. 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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted for the purchase of property and equipment for which restrictions are met within the same year as the contributions are received are reported as increases in unrestricted net assets in the combined financial statements.

(h) *Impairment of Long-lived Assets*

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Assets to be disposed of are separately presented in the accompanying combined balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the accompanying combined balance sheet.

(i) *Goodwill*

Goodwill is the amount by which purchase price exceeds the fair value of assets acquired and is included in other assets within the accompanying combined balance sheet. Goodwill totaled \$11,691,000 and \$16,088,000 at December 31, 2011 and 2010, respectively. In 2011, the System recognized a loss on the impairment of goodwill of \$3,800,000. This amount is reported in the accompanying 2011 combined statement of operations as a nonoperating loss.

On January 1, 2010 the System adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions* (ASU 2010-07), which amends Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. ASU 2010-07 requires that all future acquired goodwill is generally non-amortizable and subject solely to routine impairment testing. Additionally, existing goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life continue to be amortized over their useful lives. The System's adoption of this intangible asset accounting did not have any impact on its combined financial statements.

ASU 2010-07 additionally requires that noncontrolling ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the combined balance

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sheet within net assets, but separate from the parent's net assets. In addition, the standard requires that a combined schedule of changes in net assets attributable to the parent and noncontrolling interests be provide for each class of net assets for which a noncontrolling interest exists during the reporting period

(j) Costs of Borrowing

Bond discounts, premiums, and issuance costs are amortized over the terms of the related bond issues using the interest method

The System capitalizes interest costs on qualified construction projects as a component of the cost of related projects

(k) Equity Investees

Investments in the following affiliated companies, where the System's ownership interests range from 20% – 50%, are accounted for using the equity method (note 18)

- HealthSouth/Methodist Rehabilitation Hospital, L P (30% owned).
- Midtown Surgery Center, L P (32 65% owned).
- Le Bonheur East Surgery Center II, L P (35% owned).
- Hamilton Eye Institute Surgery Center, L P (33% owned).
- Health Choice, LLC (50% owned).
- Urology Ambulatory Surgery Center, LLC (30% owned).
- UT Le Bonheur Pediatric Specialists, Inc (50% owned).
- UT Blood and Marrow Transplant Center, LLC (50% owned), and
- Acorn Research, LLC (28% owned)

(l) Derivative Instruments and Hedging Activities

On the date a derivative contract is entered into, the System designates the derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) or (2) a hedge of a forecasted transaction related to the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The System formally assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the System discontinues hedge accounting prospectively.

The System does not currently apply hedge accounting with respect to any of its interest rate swaps. All of those swaps (including those dedesignated as hedges as a part of previous bond refinancing/conversion transactions) continue to be carried in the System's combined balance sheets.

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at fair value, with related changes in fair value included as nonoperating gains or losses in the combined statements of operations

(m) *Pension Accounting Standard*

The System follows the recognition and disclosure provisions of FASB ASC Subtopic 715-20 (Subtopic 715-20), *Defined Benefit Plans*. Subtopic 715-20 requires that the System recognize the unfunded status of its defined benefit plan on its combined balance sheets. The System measures the plan at December 31 each year.

Subtopic 715-20 additionally requires enhanced disclosures related to pension plan assets, including disclosures related to the fair value of the plan assets. These enhanced disclosures are included in these combined financial statements at note 13.

(n) *Asset Retirement Obligations*

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the System capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the combined statement of operations.

(o) *Guarantees*

The System follows the provisions of FASB ASC Topic 460 (Topic 460), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. Topic 460 requires entities to disclose additional information about certain guarantees, or groups of similar guarantees, even if the likelihood of the guarantor having to make any payments under the guarantee is remote. For certain guarantees, the interpretation also requires that a guarantor recognize a liability equal to the fair value of the guarantee upon its issuance. Topic 460 accounting has had no financial impact on, and the System has complied with the additional disclosure requirements of Topic 460 in these combined financial statements.

(p) *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive revenue adjustments (if necessary) due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

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(q) *Charity Care*

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

As discussed in note 1(v), the System adopted a new accounting standard in fiscal 2011, under which, the cost of providing charity care will be used as the measurement basis for disclosure purposes.

(r) *Revenues, Gains and Other Support in Excess of Expenses and Losses*

The combined statements of operations include revenues, gains and other support in excess of expenses and losses. Changes in unrestricted net assets which are excluded from revenues, gains and other support in excess of expenses and losses include certain impacts of pension accounting adjustments, effects of defined accounting changes, and net assets released from restrictions used for capital purposes.

(s) *Contributions*

Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. Unconditional promises to give cash and other assets are reported at fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in other revenue in the accompanying combined statements of operations. 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 asset. 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 as net assets released from restrictions. Donor-restricted contributions for which restrictions are met within the same year as the contributions are received are reported as unrestricted contributions in the combined statements of operations. To the extent that restricted resources from multiple donors are available for the same purpose, the System expends such gifts on a "first-in, first-out" basis.

(t) *Income Taxes*

The Internal Revenue Service has determined that the System and all of the nonprofit affiliates for which the System or its board of directors is controlling member are exempt from Federal income tax on related income under Internal Revenue Code (IRC) Section 501(a) as organizations described in Section 501(c)(3). As qualified tax-exempt organizations, the System's nonprofit affiliates must operate in conformity with the IRC to maintain their tax-exempt status. Income tax from the operations of the System's wholly owned for-profit subsidiary, Ambulatory Operations, Inc., is not significant.

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The System applies FASB ASC Topic 740 (Topic 740), *Accounting for Uncertainty in Income Taxes*. Topic 740 clarifies the accounting for uncertainty in income tax positions and provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There has been no impact on the System's combined financial statements as a result of Topic 740.

(u) Functional Expense Classification

All expenses in the accompanying combined statements of operations were incurred for or related to the provision of healthcare services by the System.

(v) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets which use by the System is restricted by donors for a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

(w) Fair Value Measurements

The System applies FASB ASC Topic 820 (Topic 820), *Fair Value Measurements*, which establishes an enhanced framework for measuring fair value and expands disclosures about fair value measurements.

The System also follows FASB ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which amended Topic 820. ASU 2010-06 requires that the System provide enhanced disclosures related to its fair value measurements.

(x) New Accounting Standards

The FASB issued ASU 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, in August 2010. ASU 2010-23 amends ASC Subtopic 954-605 for *Health Care Entities – Revenue Recognition* to require that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services provided should also be disclosed. The System adopted ASU 2010-23 in fiscal year 2011, and these enhanced disclosures are included in note 17.

The FASB issued ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, in August 2010. ASU 2010-24 amends ASC Subtopic 954-450 for *Health Care Entities – Contingencies* to clarify that a healthcare entity should not net insurance recoveries against a related liability and the claim liability should be determined without consideration of insurance recoveries. The System adopted ASU 2010-24 in fiscal year 2011.

The FASB issued ASC Topic 954 (Topic 954), *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASC Topic 954 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered, even though they do not assess the

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patient's ability to pay, to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on the statement of operations. The systems will adopt ASC Topic 954 in fiscal year 2012.

(y) *Healthcare Industry Environment*

The U.S. economy appears to be slowly recovering from ongoing characteristics associated with the downturn of the past several years. System management monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While the System was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to impact the System in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of federal healthcare reform legislation which was passed in the spring of 2010. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT).
- Continuing volatility in the state and federal government reimbursement programs.
- Lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding the constitutionality of the legislation, exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system.
- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to ICD-10, and
- Significant potential business model changes throughout the healthcare ecosystem, including within the healthcare commercial payor industry.

The business of healthcare in the current economic, legislative and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and/or which may arise in the future, could have a material adverse impact on the System's financial position and operating results.

(2) **Acquisitions**

During 2011, the System completed nine acquisitions of various physician practices for a total purchase price of \$12,980,000. The System incurred \$1,361,000 in consulting, legal and accounting expenses associated with the acquisitions, and these expenses have been included in supplies and other expenses in the accompanying 2011 combined statement of operations.

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In total, the various physician acquisitions included the addition of 52 physicians, of which 24 are employed through the System and 28 through a professional service agreement, and 467 other clinical and administrative staff. The most significant of these acquisitions was the purchase of a comprehensive cancer center on December 26, 2011. Each acquisition was funded with cash on hand, with the exception of the comprehensive cancer center as a notes payable of approximately \$4 million was issued as part of the closing agreement. Additionally, not all physician practice acquisitions were funded in 2011, therefore resulting in a payable account on the System's books at December 31, 2011.

Each of the acquisitions were accounted for at fair value under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, and allocated as indicated in the table below. The combined financial statements included the results of each acquired physician practice from the dates of acquisition.

The following table summarizes the estimated accumulated fair value of the assets acquired and liabilities assumed at the dates of the acquisition (in thousands):

Current assets	\$	2,213
Property and equipment		8,686
Other assets		2,281
Liabilities		(200)
Total purchase price	\$	<u>12,980</u>

(3) Investments and Assets Limited as to use

In accordance with Topic 820, the System has categorized its financial instruments, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

When available, the System generally uses quoted market prices to determine fair value, and classifies such items as Level 1. The System's Level 2 securities are commingled funds that invest in equity securities and bonds whose fair values are determined by independent vendors. The vendors compile prices from various sources and often apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued.

In 2011, the System underwent a significant transition of assets in its operating investment portfolio which resulted in a transfer of approximately \$100,500,000 from Level 1, \$83,000,000 into Level 2, and \$17,500,000 into Level 3. Additionally in 2011, the System liquidated one of their hedge fund investments, within the operating investment portfolio, of approximately \$28.7 million, which resulted in a transfer out of Level 3. The System recognizes transfers between levels on the actual date of the event.

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The System's Level 3 securities are comprised of alternative investments and bonds that have less liquidity, a stale quoted price, or varying prices from independent sources. The Level 3 bonds are priced using cash flow models, remittance data, and the investment manager's best estimate based on the likelihood of any cash flows. The System's Level 3 alternative investments' prices are obtained from the related fund manager. For the System's fund of funds, the manager receives account statements directly from independent administrators or the underlying hedge fund managers, who are responsible for the pricing of these funds. Before reliance on these valuations, the manager evaluates the investee fund's fair value estimation processes and control environment, the investee fund's policies and procedures for estimating fair value of underlying investments, the investee fund's use of independent third party valuation experts, the portion (approximately 97% for the System) of the underlying securities traded on active markets, and the professional reputation and standing of the investee fund's auditor. The System's private REIT investment is valued by the fund manager based upon third-party appraisals of the fund's properties.

The System is subject to limitations on redemption of certain alternative investments. For the private REIT investment, redemption can only occur quarterly with at least 45 days notice given to the fund manager, or other times at the managers' discretion. The limited partnerships have specific redemption provisions, with most allowing redemptions quarterly upon 30 to 60 day notice. Certain limited partnerships have one or two year lockups and others may charge 3 – 5% redemption fees for withdrawals within the first year.

The composition of investments follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
U S Treasury obligations	\$ 4.127	—
Equity securities	43.772	139.679
Federal mortgage-backed securities	56.535	43.159
Corporate bonds	304.368	273.958
Mutual funds	45.837	43.938
Real estate – private REIT	22.088	20.696
Hedge funds – limited partnerships	31.671	44.125
Commingled funds	61.381	—
Total	<u>\$ 569.779</u>	<u>565.555</u>

At December 31, 2011, the System's remaining outstanding commitments to private equity interests total \$25,000,000 in the operating investment portfolio. This outstanding commitment was funded in April 2012 and resulted in an increase in Level 3 investments in the 2012 fiscal year. There are no projected capital call commitments in 2012 and thereafter for the operating investment portfolio.

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Notes to Combined Financial Statements

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The fair value hierarchy of investments follows

	2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
U S Treasury obligations	\$ 4.127	—	—	4.127
Equity securities				
Consumer discretionary	5.839	—	—	5.839
Consumer staples	2.853	—	—	2.853
Energy	3.914	—	—	3.914
Financials	6.871	—	—	6.871
Healthcare	6.008	—	—	6.008
Industrials	5.889	—	—	5.889
Information technology	6.934	—	—	6.934
Materials	3.685	—	—	3.685
Telecommunication	802	—	—	802
Utilities	977	—	—	977
Federal mortgage-backed securities				
Residential	—	56.535	—	56.535
Corporate bonds				
Financials	—	108.211	—	108.211
Industrials	—	140.236	—	140.236
Utilities	—	36.512	—	36.512
Other	—	18.000	1.409	19.409
Mutual funds				
Equities	45.837	—	—	45.837
Real estate – private REIT	—	—	22.088	22.088
Hedge funds – limited partnerships	—	—	31.671	31.671
Commingled funds	—	61.381	—	61.381
Total	\$ 93.736	420.875	55.168	569.779

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Notes to Combined Financial Statements

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	2010			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Equity securities				
Consumer discretionary	\$ 18,989	—	—	18,989
Consumer staples	6,704	—	—	6,704
Energy	14,813	—	—	14,813
Financials	20,906	—	—	20,906
Healthcare	15,896	—	—	15,896
Industrials	16,159	—	—	16,159
Information technology	29,862	—	—	29,862
Materials	6,802	—	—	6,802
Telecommunication	1,844	—	—	1,844
Utilities	3,623	—	—	3,623
Other	4,081	—	—	4,081
Federal mortgage-backed securities				
Residential	—	43,159	—	43,159
Corporate bonds				
Financials	—	88,360	—	88,360
Industrials	—	128,668	—	128,668
Utilities	—	34,196	—	34,196
Other	—	21,939	795	22,734
Mutual funds				
Equities	43,938	—	—	43,938
Real estate – private REIT	—	—	20,696	20,696
Hedge funds – limited partnerships	—	—	44,125	44,125
Total	\$ 183,617	316,322	65,616	565,555

The rollforward of Level 3 investments follows

	2011	2010
	(In thousands)	
Beginning of year	\$ 65,616	60,546
Net realized and unrealized gains	321	5,314
Purchases	—	—
Sales	(40)	(313)
Dividends	1,139	993
Contributions	—	(879)
Transfers into Level 3	18,190	—
Transfers out of Level 3	(30,058)	(45)
End of year	\$ 55,168	65,616

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The composition of assets limited as to use follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Under bond indenture agreements-held by trustee (note 4)		
Cash and short-term investments	\$ 3,894	7,482
U S Treasury obligations	782	769
Corporate and municipal bonds	21,173	18,940
Agency securities	14,203	12,788
Asset-backed securities	623	—
Interest receivable	258	251
	<u>40,933</u>	<u>40,230</u>
Under other funding arrangements-held by trustees		
Cash and short-term investments	17	11
U S Treasury obligations	129	94
Corporate bonds	287	314
Mortgage-backed securities	285	246
	<u>718</u>	<u>665</u>
Total assets limited as to use	41,651	40,895
Less amounts required to meet current obligations	897	719
	<u>\$ 40,754</u>	<u>40,176</u>

All amounts under bond indenture agreements held by trustee are maintained in accordance with revenue bond trust indentures as further described in note 11

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The fair value hierarchy of assets limited as to use follows

		2011			
		(In thousands)			
		Level 1	Level 2	Level 3	Total
Under bond indenture agreements-held by trustee					
Cash and short-term investments	\$	3,894	—	—	3,894
U S Treasury obligations		782	—	—	782
Municipal obligations		—	10,844	900	11,744
Corporate bonds					
Financials		—	6,101	—	6,101
Industrials		—	535	—	535
Other		—	2,793	—	2,793
Agency securities		—	14,203	—	14,203
Asset-backed securities		—	623	—	623
Interest receivable		258	—	—	258
		4,934	35,099	900	40,933
Under other funding arrangements-held by trustees					
Cash and short-term investments		17	—	—	17
U S Treasury obligations		129	—	—	129
Corporate bonds		—	287	—	287
Mortgage-backed securities		—	285	—	285
		146	572	—	718
Total assets limited as to use	\$	5,080	35,671	900	41,651

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2010				
(In thousands)				
	Level 1	Level 2	Level 3	Total
Under bond indenture agreements-held by trustee				
Cash and short-term investments	\$ 7,482	—	—	7,482
U S Treasury obligations	769	—	—	769
Municipal obligations	—	9,404	900	10,304
Corporate bonds				
Financials	—	6,795	—	6,795
Industrials	—	534	—	534
Other	—	1,307	—	1,307
Agency securities	—	12,788	—	12,788
Interest receivable	251	—	—	251
	<u>8,502</u>	<u>30,828</u>	<u>900</u>	<u>40,230</u>
Under other funding arrangements-held by trustees				
Cash and short-term investments	11	—	—	11
U S Treasury obligations	94	—	—	94
Corporate bonds	—	314	—	314
Mortgage-backed securities	—	246	—	246
	<u>105</u>	<u>560</u>	<u>—</u>	<u>665</u>
Total assets limited as to use	\$ <u>8,607</u>	<u>31,388</u>	<u>900</u>	<u>40,895</u>

The Level 3 securities represent auction rate securities. There has been no activity related to this investment during the 2011 and 2010 fiscal years, therefore, a rollforward of the activity is not provided.

Investment income is comprised of the following:

	2011	2010
	(In thousands)	
Investment income		
Interest and dividends	\$ 20,759	21,496
Realized gains on sales of securities	15,684	9,877
	<u>36,443</u>	<u>31,373</u>
Less investment income recognized in restricted net assets	<u>172</u>	<u>592</u>
Investment income in combined statements of operations	\$ <u>36,271</u>	<u>30,781</u>

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(4) Trusteed Bond Funds

The trustee bond funds, included in assets limited as to use in the accompanying combined balance sheets (note 3), were established in accordance with the requirements of revenue bond indentures as further discussed in note 11

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Debt service reserve funds	\$ 40,295	39,763
Interest funds	638	467
	<u>\$ 40,933</u>	<u>40,230</u>

The interest funds are used to pay principal and interest on the various bond issues. The debt service reserve funds secure any potential deficiencies in the interest funds.

(5) Patient Accounts Receivable

The composition of net patient accounts receivable follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Patient accounts receivable, net of contractual and other allowances	\$ 215,174	210,065
Less allowance for uncollectible accounts	44,469	42,531
	<u>\$ 170,705</u>	<u>167,534</u>

(6) Other Current Assets

The composition of other current assets follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Other receivables, net of allowance for uncollectible accounts of \$1.926 and \$2.899 in 2011 and 2010, respectively	\$ 9,124	9,284
Inventories	23,081	19,815
Prepaid expenses and other current assets	8,099	5,200
Pledges receivable, net (note 8)	4,709	4,968
	<u>\$ 45,013</u>	<u>39,267</u>

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(7) Property and Equipment

A summary of property and equipment follows

	Useful lives (years)	2011	2010
		(In thousands)	
Land	—	\$ 72.639	71.628
Land improvements	5 – 20	24.006	22.885
Buildings and improvements	10 – 40	665.033	620.351
Fixed equipment	5 – 30	301.554	292.868
Movable equipment	3 – 20	497.577	475.024
Construction-in-progress	—	7.950	24.716
		1,568.759	1,507.472
Less accumulated depreciation		760.753	697.128
		<u>\$ 808.006</u>	<u>810.344</u>

The System capitalized approximately \$327,000 and \$10,369,000 of interest expense and associated construction fund investment income as part of major construction and development projects in 2011 and 2010, respectively

(8) Other Assets

The composition of other assets follows

	2011	2010
	(In thousands)	
Pledges receivable net, noncurrent	\$ 6.200	9.425
Note receivable	7.022	7.667
Unamortized bond issuance costs	13.250	14.396
Investments in equity investees (note 18)	10.758	6.406
Cash surrender value and prepaid life insurance premiums	1.523	1.658
Goodwill	11.691	16.088
Other	8.169	2.808
	<u>\$ 58.613</u>	<u>58.448</u>

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Pledges receivable at December 31, 2011 are due as follows (in thousands)

Less than one year	\$	4,709
One to five years		<u>6,377</u>
		11,086
Less unamortized discounts at 3 1% to 4 0%		<u>177</u>
	\$	<u><u>10,909</u></u>

(9) Leases

The System has entered into noncancelable operating leases for certain office space

Rental expense for all operating leases for the years ended December 31, 2011 and 2010 was approximately \$9,339,000 and \$8,508,000, respectively. Future minimum payments under noncancelable operating leases as of December 31, 2011 follow (in thousands)

2012	\$	9,142
2013		8,451
2014		7,952
2015		6,958
2016		5,098
Thereafter		<u>8,238</u>
Total	\$	<u><u>45,839</u></u>

In late 2010, the FASB issued for comment *Proposed Accounting Standards Update – Leases (Topic 840)*. After receiving and considering significant feedback, the FASB intends to issue a related final ASU in calendar year 2012. This new guidance is expected to require the System to recognize virtually all of its leases in the consolidated balance sheet. Assuming the ASU is in fact issued, adoption will cause considerable changes in the presentation of the System's debt and interest expense in its combined financial statements (among other things). Management is reviewing the implications of the proposed ASU for the System, including potential implications for many complex agreements and arrangements which might be impacted by this potential major accounting change. While that work is ongoing, management is optimistic that there will not be material issues associated with important related matters, such as overall System credit ratings or future debt covenant compliance.

(10) Accrued Expenses and Other Current Liabilities

The composition of accrued expenses and other current liabilities follows

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	<u>2011</u>	<u>2010</u>
	(In thousands)	
Accrued payroll and payroll taxes	\$ 29,589	23,379
Accrued compensated absences	25,469	26,524
Accrued self-insurance costs	22,509	20,369
Accrued interest	3,852	4,299
Other accrued expenses	3,861	3,456
	<u>\$ 85,280</u>	<u>78,027</u>

(11) Long-term Debt

A summary of long-term debt follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
The Health, Educational and Housing Facility Board (HEHFB) of the County of Shelby, Tennessee		
Series 2004A/B, interest from 5.00% to 5.25%, through 2027	\$ 154,570	154,570
Series 2004C, interest of 4.00%, through 2014	5,025	7,125
Series 2008A/B, variable rate, through 2042	270,000	270,000
Series 2008C, interest from 4.00% to 5.25%, through 2018	80,980	91,085
	<u>510,575</u>	<u>522,780</u>
Other promissory notes, interest from 5.47% to 9.50%, through 2041	11,945	11,761
Total contractual long-term debt	522,520	534,541
Unamortized premiums and discounts, net	11,651	12,287
Total long-term debt	534,171	546,828
Less current portion of long-term debt	18,849	14,009
	<u>\$ 515,322</u>	<u>532,819</u>

The System utilizes interest rate swap agreements to synthetically convert certain of its variable rate long-term debt to fixed rate obligations. The maturity structure of such swaps generally corresponds with the maturity structure of the related debt.

Future maturities of long-term debt consist of the following at December 31, 2011 (in thousands)

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2012	\$	18.849
2013		15.678
2014		15.638
2015		15.313
2016		16.715
Thereafter		<u>440.327</u>
Total contractual long-term debt	\$	<u><u>522.520</u></u>

In June 2008, the System issued \$270,000,000 in HEHFB Series 2008A and 2008B variable rate revenue bonds (the Series 2008AB Bonds). The proceeds from the issuance were used to finance the cost of acquiring, constructing, and equipping certain renovations and improvements to health care facilities, refund \$65,615,000 in aggregate principal amount of Series 2004C variable rate bonds, fund a debt service reserve and pay certain expenses incurred in connection with the issuance.

The Series 2008AB Bonds bear interest at a variable rate for weekly rate periods, but either series may be converted at the option of the System, subject to certain restrictions, to a different rate period. Holders of the Series 2008AB Bonds have the option to tender the bonds for purchase on any business day during a weekly rate period. The bonds are also subject to a mandatory tender for purchase upon the occurrence of certain events. Each remarketing agent has agreed to use its best efforts to solicit offers to purchase the tendered bonds, but in the event that there are insufficient funds available, no purchase of bonds of such series so tendered will be made. In such event (or any "default," as defined), the System has in place a liquidity facility through November 1, 2013 to provide funds for the purchase of the tendered bonds that are not remarketed, which will bear interest from such date at a rate equal to the lesser of index rate of LIBOR plus 150 basis points for the first 90 days, and Prime Rate plus 100 basis points for any days thereafter, or the maximum lawful rate as defined in the indenture agreement until such default is cured or the bond is paid in full. Upon activation of the liquidity facility, the bonds will mature within five years, with payments due ratably in each of the five years of the maturity term. The bonds may be redeemed by the System, in whole or in part at any time during a daily rate period, at the principal amount of the bonds to be redeemed, plus accrued interest, and without premium. The average contractual interest rate on the 2008AB revenue bonds approximated 0.21% and 0.25%, for the years ended December 31, 2011 and 2010, respectively.

In June 2008, the System also issued \$107,020,000 in HEHFB Series 2008C fixed rate revenue bonds (the Series 2008C Bonds). The proceeds from the issuance were used to refund all of the current outstanding portion of the Series 1985C, 1995D, and 1998 Revenue Bonds, fund a debt service reserve and pay certain expenses incurred in connection with the issuance. The Series 2008C Bonds are not subject to optional redemption prior to maturity, other than optional redemption under certain defined extraordinary circumstances.

In June 2008, the System effected a fixed rate conversion of \$168,070,000 in HEHFB Series 2004ABC bonds to convert all of the then-outstanding Series 2004A and 2004B, and a portion of the 2004C, variable rate revenue bonds to fixed rate bonds. As noted above, the System also refunded the most significant portion of the Series 2004C Bonds through the issuance of Series 2008A and B Bonds. The Series 2004A, Series 2004B, and Series 2004C fixed rate bonds maturing on or after September 1, 2018 are subject to

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redemption prior to maturity on or after March 1, 2018, at redemption price equal to one hundred percent of the principal amount, plus accrued interest

All of the HEHFB revenue bonds are collateralized by related trusteed bond funds, certain municipal bond insurance policies and contribution agreements between the System and certain affiliates (the Combined Group, as defined). The System has also agreed under the Master Trust Indenture to subject the Combined Group to various operational and financial covenants typical of such agreements. In addition, the System has granted to the Master Trustee a deed of trust lien on three hospitals and a security interest in the Combined Group's accounts receivable to secure payment of the outstanding revenue bonds.

Included in other promissory notes is a note for the Memphis Professional Building in the amount of \$6,975,427 at December 31, 2011, due 2021. Additionally, a variable rate promissory note of approximately \$4 million was obtained through physician acquisitions in the current year.

At December 31, 2011, the System has three defeased bond issues, with outstanding principal balances of approximately \$256,985,000. Assets are held in trust, irrevocably restricted, to satisfy the debt service requirements of the defeased issues. These assets and related liabilities are not included in the accompanying combined balance sheets.

Interest paid, net of capitalized interest, totaled approximately \$26,063,000 and \$13,606,000 in 2011 and 2010, respectively.

(12) Interest Rate Swaps

In June 2004, the System entered into two forward-starting interest rate swaps with JP Morgan Chase Bank, N.A. (JP Morgan). Under these swap agreements, the System receives variable rate payments and makes fixed rate payments (which is known as a "fixed payor swap"). The total notional amount is \$161,400,000, with an effective date of September 15, 2004. The System's payments on these swaps are fully insured by Financial Security Assurance, Inc.

In August 2004, the System entered into a forward-starting fixed payor swap with JP Morgan. The original notional amount was \$23,450,000, with an effective date of September 15, 2004. The current notional amount is \$22,010,000.

In July 2007, the System entered into a forward-starting fixed payor swap with JP Morgan. The total notional amount is \$75,000,000, with an effective date of June 1, 2008. In August 2007, the System entered into an additional forward-starting fixed payor swap with JP Morgan. The total notional amount is \$25,000,000, with an effective date of June 1, 2008. Both swaps contain a "knockout" provision whereby on each monthly payment date, if the daily weighted average of the SIFMA Municipal Swap Index for the prior 180 days is equal to or greater than 6.00%, no payments shall be due to either party on the swap payment date. The System's payments on these swaps are fully insured by Assured Guaranty Corp.

The System has the right to terminate the 2004 and 2007 fixed payor swaps at any time without notice. Termination of the agreements will result in market value settlement.

In July 2007, the System entered into a Constant Maturity Swap (CMS) with JP Morgan. Under this swap agreement, the System receives variable rate payments based on the five-year International Swaps and

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Derivatives Association, Inc. (ISDA) swap rate and makes variable rate payments based on one-month LIBOR. The total notional amount is \$120,000,000, with an effective date of June 1, 2008. Also in July 2007, the System entered into a similar CMS with Morgan Keegan Financial Products, Inc. (Morgan Keegan). The total notional amount is \$30,000,000, with an effective date of June 1, 2008.

In October 2010, the System assigned its duties and obligations related to the \$120,000,000 CMS to another counterparty, effectively terminating the swap for the System. The System received a payment of \$16,110,000 to settle this transaction. Also in October 2010, the System terminated the \$30,000,000 CMS and received a payment of \$4,040,000 to settle this transaction.

In July 2010, the System assumed two fixed payor swaps as part of a physician practice acquisition. The total notional amount for the two swaps (when they were assumed in July 2010) was \$12,192,000. In December 2010, the System terminated both swaps and made a payment of \$1,812,000 to settle these transactions.

The System's credit risk involves the possible default of the counterparty. Collateral may be required in the future based on the System's credit rating, the insurer's credit rating, or market valuations of the swaps. At December 31, 2011 and through the date of these combined financial statements, no such collateral was required.

The swap fair values, if positive to the System, are included in other assets in the accompanying combined balance sheets. If negative to the System, the swap fair values are included in other long-term liabilities in the accompanying combined balance sheets. The following is a summary of the contracts outstanding at December 31, 2011 and 2010 (in thousands):

2011						
Related bond issuance	Notional amount	Maturity date	Average variable rate (paid) received	Fixed rate (paid) received	Increase in interest expense	Swap fair value
2004	\$ 80,700	August 2027	0.57%	(3.80)%	\$ 2,595	(18,094)
2004	80,700	August 2027	0.57	(3.80)	2,602	(18,134)
2004	22,010	July 2024	0.23	(5.40)	1,137	(5,691)
2008	75,000	June 2042	0.16	(3.70)	2,654	(34,671)
2008	25,000	June 2038	0.16	(3.47)	828	(9,725)

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2010						
Related bond issuance	Notional amount	Maturity date	Average variable rate (paid) received	Fixed rate (paid) received	Increase in interest expense	Swap fair value
2004	\$ 80,700	August 2027	0.59%	(3.80)%	\$ 2,585	(10,976)
2004	80,700	August 2027	0.60	(3.80)	2,568	(11,002)
2004	22,010	July 2024	0.27	(5.40)	1,134	(3,690)
2008	75,000	June 2042	0.18	(3.70)	2,633	(17,729)
2008	25,000	June 2038	0.18	(3.47)	821	(4,834)

In accordance with Topic 820, the System has also categorized its interest rate swaps into a three-level fair value hierarchy (as described in note 3). The interest rate swaps that have been entered into by the System are executed over the counter and are valued using the net present value of the cash flow streams as no quoted market prices exist for such instruments. For swaps that have an option component, the value will reflect the time value and intrinsic value of the option as well as whether the option was bought or sold. The value of the option is driven by its term to maturity, volatility, forward rates, and strike. The System also employs an independent third party to perform a fair value assessment on the swaps to assess the reasonableness of the valuations otherwise received by the System.

The fair value hierarchy of interest rate swaps at December 31, 2011 follows (in thousands):

	Level 1	Level 2	Level 3	Total
Swap liabilities	\$ —	(86,315)	—	(86,315)

The fair value hierarchy of interest rate swaps at December 31, 2010 follows (in thousands):

	Level 1	Level 2	Level 3	Total
Swap liabilities	\$ —	(48,231)	—	(48,231)

(13) Employee Benefit Plans

(a) Pension Plan

The System sponsors a noncontributory defined benefit pension plan (the Plan) covering substantially all nonsupplemental employees hired prior to July 1, 2009. Benefits of the Plan are based on average monthly compensation and service with the System. The Plan assets primarily consist of United States Government securities, investment grade corporate bonds, equity securities, and hedge funds. The Plan has been determined to be a church plan under Section 414(e) of the IRC, and is therefore exempt from minimum funding and certain other requirements of the Employee Retirement Income Security Act of 1974.

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The System's funding policy is to annually contribute an amount equal to the greater of accounting expense or an actuarially determined amount that amortizes unfunded past and future benefits as a level percent of payroll. In addition, this policy requires the System to contribute any additional amount necessary to ensure that accumulated benefits will be at least 100% funded within 5 years, using a long-term discount rate of 6.50%.

In February 2009, the System amended the Plan whereby employees hired subsequent to July 1, 2009 are not eligible for benefits under the Plan.

The following table sets forth the Plan's funded status and amounts recognized in the accompanying combined balance sheets at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$ 474,348	429,297
Service cost	13,702	14,121
Interest cost	25,774	24,958
Actuarial gain	56,450	26,768
Benefits paid	(19,997)	(20,796)
Projected benefit obligation at end of year	<u>550,277</u>	<u>474,348</u>
Change in plan assets		
Fair value of plan assets at beginning of year	354,442	294,920
Actual return on plan assets	(6,845)	40,694
Employer contributions	32,158	39,624
Benefits paid	(19,997)	(20,796)
Fair value of plan assets at end of year	<u>359,758</u>	<u>354,442</u>
Funded status (deficit)	<u>\$ (190,519)</u>	<u>(119,906)</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	\$ 240,010	155,669
Prior service cost	(3,166)	(4,638)
	<u>\$ 236,844</u>	<u>151,031</u>

The accumulated benefit obligation at December 31, 2011 and 2010 totaled \$519,134,000 and \$439,531,000, respectively.

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Components of net periodic benefit cost follow

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Service cost	\$ 13,702	14,121
Interest cost	25,774	24,958
Expected return on plan assets	(30,271)	(27,693)
Amortization of prior service cost	(1,472)	(2,147)
Amortization of net loss	9,225	5,185
Net periodic benefit cost	<u>\$ 16,958</u>	<u>14,424</u>

The amount of net actuarial loss and prior service cost expected to be amortized in net periodic pension cost in 2012 is \$15,122,000 and \$(1,472,000), respectively

Additional information follows

	<u>2011</u>	<u>2010</u>
Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets at December 31		
Discount rate	4.53%	5.51%
Rate of compensation increase	2.50	4.00
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.51%	6.02%
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increase	4.00	4.00

The Plan's expected long-term rate of return on assets is determined by reviewing expected long-term returns by asset category. This review produces an annual return assumption for each asset category. The product of the annual return assumption and the Plan's target asset allocation percentage for each asset category equals the annual return attribution by asset category.

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Plan Assets

The Plan's target minimum and maximum and weighted average asset allocations follow

	Target allocation		Plan assets at December 31	
	Minimum	Maximum	2011	2010
Asset category				
Equity securities	20%	56%	32%	41%
Real estate – private REIT	—	13	7	6
International equity securities	10	32	15	13
Global equity securities	—	16	7	—
Hedge funds –				
fund-of-funds & direct	3	12	7	10
Debt securities*	15	50	27	26
Cash and cash equivalents*			5	4
Total			100%	100%

* Target is combined debt securities and cash and cash equivalents

In 2011, the Plan underwent a significant transition of assets in its pension investment portfolio, which resulted in a transfer of approximately \$124,000,000 from Level 1, \$110,000,000 into Level 2, and \$14,000,000 into Level 3. Additionally in 2011, the System liquidated one of their hedge fund investments, within the pension investment portfolio, of approximately 22.4 million, which resulted in a transfer out of Level 3. The System recognizes transfers of the Plan's assets between levels on the actual date of the event. The Plan had no significant transfers of assets and liabilities into or out of Level 1 and 2 during 2010.

At December 31, 2011, the System's remaining outstanding commitments to private equity interests total \$900,000 in the pension investment portfolio. This outstanding commitment was funded in April 2012 and resulted in an increase in Level 3 investments in the 2012 fiscal year. There is approximately \$13,000,000 in projected capital call commitments in 2012 and none thereafter for the pension investment portfolio.

The Plan's investment objectives are to protect long-term asset values by applying prudent, low risk, high quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the investment policy. Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives.

Cash Flows

The System expects to contribute approximately \$36,449,000 to the Plan in 2012.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2011 and 2010

Expected Future Benefit Payments

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

	Pension benefits
	<u>(In thousands)</u>
2012	\$ 25,027
2013	25,765
2014	26,713
2015	31,205
2016	31,236
2017 – 2021	184,900

Fair Value of Plan Assets

In accordance with Topic 715-20, the System has categorized its plan assets, based on Topic 820 and the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy as described in note 3

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

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The fair value hierarchy of investments follows

	2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Cash	\$ 21,645	—	—	21,645
U S Treasury obligations	5,113	—	—	5,113
Equity securities				
Consumer discretionary	5,250	—	—	5,250
Consumer staples	912	—	—	912
Energy	3,116	—	—	3,116
Financials	4,496	—	—	4,496
Healthcare	4,889	—	—	4,889
Industrials	5,057	—	—	5,057
Information technology	6,440	—	—	6,440
Materials	1,219	—	—	1,219
Telecommunication	761	—	—	761
Residential agency mortgage backed securities	—	15,825	—	15,825
Commercial mortgage backed securities	—	7,233	—	7,233
Agency securities	—	5,570	—	5,570
Asset-backed securities	—	833	15	848
Residential non-agency mortgage backed securities	—	8,072	1,072	9,144
Corporate bonds				
Financials	—	22,611	—	22,611
Industrials	—	20,299	—	20,299
Utilities	—	5,116	—	5,116
Municipal obligations	—	1,551	—	1,551
Mutual funds				
Equities	56,022	—	—	56,022
Bonds	1,834	—	—	1,834
Real estate – private REIT	—	—	24,271	24,271
Hedge funds – limited partnerships	—	—	26,444	26,444
Commingled funds	—	104,092	—	104,092
Total	\$ 116,754	191,202	51,802	359,758

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2011 and 2010

	2010			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Cash	\$ 10,719	—	—	10,719
U S Treasury obligations	18,306	—	—	18,306
Equity securities				
Consumer discretionary	20,440	—	—	20,440
Consumer staples	7,603	—	—	7,603
Energy	16,843	—	—	16,843
Financials	17,293	—	—	17,293
Healthcare	18,156	—	—	18,156
Industrials	17,059	—	—	17,059
Information technology	32,100	—	—	32,100
Materials	6,938	—	—	6,938
Telecommunication	2,155	—	—	2,155
Utilities	2,573	—	—	2,573
Other	3,154	—	—	3,154
Residential agency mortgage backed securities	—	22,986	—	22,986
Commercial mortgage backed securities	—	5,155	—	5,155
Agency securities	—	5,626	—	5,626
Asset-backed securities	—	3,319	—	3,319
Residential non-agency mortgage backed securities	—	2,847	—	2,847
Corporate bonds				
Financials	—	9,420	—	9,420
Industrials	—	1,556	—	1,556
Utilities	—	1,803	—	1,803
Other	—	19,184	589	19,773
Municipal obligations	—	1,023	—	1,023
Mutual funds				
Equities	44,317	—	—	44,317
Bonds	4,212	—	—	4,212
Real estate – private REIT	—	—	22,741	22,741
Hedge funds – limited partnerships	—	—	36,325	36,325
Total	\$ 221,868	72,919	59,655	354,442

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2011 and 2010

The rollforward of Level 3 investments follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Beginning of year	\$ 59,655	54,701
Net realized and unrealized gains	444	5,083
Purchases	—	—
Sales	(3)	(221)
Dividends	1,594	1,091
Contributions	—	—
Withdrawals	—	(965)
Transfers into Level 3	14,000	—
Transfers out of Level 3	(23,888)	(34)
End of year	<u>\$ 51,802</u>	<u>59,655</u>

(b) *Defined Contribution Savings Plans*

The System also sponsors 403(b), 401(k) and 457(b) defined contribution savings plans (the defined contribution plans) for the System's employees, in which all employees meeting certain age and service requirements are eligible to participate. The defined contribution plans allow employees to contribute a portion of their compensation on a pre-tax basis in accordance with specific guidelines. For certain of the plans in 2008 and prior, additional matching contributions were made into the defined benefit pension plan. As required by recent regulations, these matching amounts were made into the defined contribution plan in 2009. The System contributed approximately \$14,519,000 and \$12,999,000 to the defined contribution plans during the years ended December 31, 2011 and 2010, respectively.

(c) *Supplemental Employee Retirement Plan*

The System also has an unfunded supplemental employee retirement plan (SERP) for certain senior executives that provide for defined benefit payments upon continued employment with the System to age 65. There is no obligation of the System to make payments to these individuals under the SERP in the event that employment voluntarily ceases prior to age 65. The related obligation, included in other long-term liabilities in the accompanying combined financial statements, was approximately \$2,355,000 and \$1,906,000 at December 31, 2011 and 2010, respectively.

(14) Insurance Programs

The System is self-insured for certain coverages related to employee health insurance. The employee health insurance liability (unfunded at both December 31, 2011 and 2010) was approximately \$4,529,000 and \$4,478,000 at December 31, 2011 and 2010, respectively, and is included in accrued expenses and other current liabilities in the accompanying combined balance sheets. The total expense for the years ended December 31, 2011 and 2010 was approximately \$46,429,000 and \$50,287,000, respectively, and is included in salaries and benefits expense in the accompanying combined statements of operations.

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Notes to Combined Financial Statements

December 31, 2011 and 2010

The System is routinely involved in litigation as part of its health system operations and is self-insured for a substantial portion of its workers' compensation and professional and general liability risks. The System's reserves for professional and general liability risks are based upon historical claims data, demographic considerations, severity factors and other actuarial assumptions, and advice from an independent consulting actuary.

The reserve for workers' compensation risk (unfunded at both December 31, 2011 and 2010) was approximately \$2,981,000 and \$2,891,000 at December 31, 2011 and 2010, respectively, and is included in accrued expenses and other current liabilities in the accompanying combined balance sheets. The total expense for the years ended December 31, 2011 and 2010 was approximately \$1,767,000 and \$1,530,000, respectively, and is included in salaries and benefits expense in the accompanying combined statements of operations.

The System also has substantial excess liability coverage available under the provisions of certain claims-made policies. The excess policies currently expire on June 1, 2012. Management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

The reserve for professional and general liability claims (unfunded at both December 31, 2011 and 2010) was approximately \$40,392,000 and \$54,642,000 at December 31, 2011 and 2010, respectively, of which \$15,000,000 and \$13,000,000 is included in accrued expenses and other current liabilities in the accompanying combined balance sheets. The total expense of this coverage for the years ended December 31, 2011 and 2010 was approximately \$6,923,000 and \$12,248,000, respectively, and is included in supplies and other expense in the accompanying combined statements of operations. During 2011 and 2010, the System's recorded expense under its professional and general liability insurance program was positively impacted by certain actuarial reserving adjustments associated with the System's overall historical favorable experience in the program.

(15) Other Long-term Liabilities

The composition of other long-term liabilities follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Fair value of derivative instruments	\$ 86,315	48,231
Asset retirement obligations	2,038	2,028
Other	4,095	3,970
	<u>\$ 92,448</u>	<u>54,229</u>

(16) Net Patient Service Revenue

The System has agreements with governmental and other third-party payors that provide for reimbursement to the System at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2011 and 2010

services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- *Medicare* – Substantially all acute care and skilled nursing facility services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive-determination methodologies. The System is paid for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the System. The System's Medicare cost reports for most of its hospitals have been audited and settled by the Medicare fiscal intermediary through December 31, 2006. Revenue from the Medicare program accounted for approximately 29% of the System's net patient service revenue for both the years ended December 31, 2011 and 2010.

- *TennCare* – Under the TennCare program, patients traditionally covered by the State of Tennessee Medicaid program and certain members of the uninsured population enroll in managed care organizations that have contracted with the State of Tennessee to ensure healthcare coverage to their enrollees. The System contracts with the managed care organizations to receive reimbursement for providing services to these patients. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined per diem rates. Revenue from the TennCare program accounted for approximately 18% and 19% of the System's net patient service revenue for the years ended December 31, 2011 and 2010, respectively.

The System has historically received Essential Access payments associated with its participation in the TennCare Program. Amounts received by the System under this program were approximately \$10,621,000 and \$9,593,000 in 2011 and 2010, respectively. The System also received a distribution of \$1,553,000 and \$1,568,000 from a federal match pool in 2011 and 2010, respectively. These amounts have been recognized as reductions in related contractual adjustments in the accompanying combined statements of operations. There can be no assurance that the System will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

In July 2010, the State of Tennessee instituted a hospital tax based on the hospital's net patient revenue. Because the hospital tax is in effect a vehicle for the State to appropriately access available federal matching funds, the System's policy is to recognize the net effect of the hospital tax as a reduction in contractual adjustments in the accompanying combined statements of operations. The System paid taxes totaling approximately \$41,245,000 and received a distribution of approximately \$41,245,000 in 2011. The System paid taxes totaling \$18,114,000 and received a distribution of \$18,114,000 in 2010.

- The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The reimbursement

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2011 and 2010

methodologies under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates

Laws and regulations governing the Medicare, TennCare, and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare, TennCare, and Medicaid programs. Changes in the Medicare, TennCare and Medicaid programs and the reduction of funding could have an adverse impact on the System. Charges exceeding amounts reimbursed from these governmental programs and other third-party payor reimbursement arrangements and not included in net patient service revenue follow:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Medicare	\$ 1,059,929	990,494
Medicaid and TennCare	668,510	611,187
Other deductions	924,558	855,360
	<u>\$ 2,652,997</u>	<u>2,457,041</u>

Changes in estimates related to prior cost reporting periods resulted in an increase of \$3,400,000 and \$50,000 in net patient service revenue during the years ended December 31, 2011 and 2010, respectively, which were associated with increased reimbursement from Medicare and Medicaid. These changes in estimates were due to changes in previously estimated allowances as a result of final settlement, closure on years that are no longer subject to audits, resolution of reviews and investigations, and prior year retroactive adjustments.

(17) Charity Care

The System is an active, caring member of the community it serves. In carrying out its teaching and healing ministry, the System has established a policy under which it provides care to the needy members of its community. Following that policy, the System maintains records to identify and monitor the level of charity care it provides.

When defining charity care, the System employs the Federal Poverty Guideline (FPG) to determine the level of discount uninsured patients receive. The level by which assistance is determined is through the scale set by DHHS (Department of Health and Human Services), which includes factors such as residents per household and income. The System's methodology includes a sliding scale for patients that fall at or below the 200% FPG baseline. The System does not have a cap to which patients will not qualify for a discount. Additionally, the System's charity care guidelines provide for an expansive definition of charity care patients, including a discount from standard charges for uninsured patients.

In order to uphold its mission and dedication to its community, the System turns no patient away whether they possess or lack insurance. It is this commitment that enables the System to utilize its charity care policy. Once deemed charity, payments are no longer sought after and the amount is covered by the System at no cost to the patient or community.

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December 31, 2011 and 2010

Reported below as community commitment are charity care, Medicaid and other means tested programs, and unbilled community services at cost. Revenue received for each of these categories is substantially lower than the costs to operate. The revenue is offset against the community commitment to calculate net community commitment. A provider tax of 3.5% for the first 2 quarters and 4.5% for the last 2 quarters of net patient revenue from the fiscal year 2008 cost report was assessed during 2011. The provider tax assessment has been included in the Medicaid and other means tested programs section, while the reimbursement for the programs has been included in offsetting revenue. The unbilled community services section includes other services provided to the community at a net loss to the program, it includes programs such as educational programs, health fairs, and sponsorships among others.

	Charity Care	Medicaid and Other Programs	Unbilled Community Service	Total
	(In thousands)			
For year ended December 31, 2011				
Community commitment	\$ 90,821	323,326	41,043	455,190
Offsetting revenue	(110)	(292,903)	(11,131)	(304,144)
Net community commitment	<u>\$ 90,711</u>	<u>30,423</u>	<u>29,912</u>	<u>151,046</u>
	Charity Care	Medicaid and Other Programs	Unbilled Community Service	Total
	(In thousands)			
For year ended December 31, 2010				
Comm commitment	\$ 80,531	279,257	36,945	396,733
Offsetting revenue	(112)	(251,191)	(10,698)	(262,001)
Net community commitment	<u>\$ 80,419</u>	<u>28,066</u>	<u>26,247</u>	<u>134,732</u>

The System also provides healthcare services to a significant portion of the uninsured population in the surrounding community. While a portion of these patients may ultimately qualify for coverage under the Medicaid program or the charity care policy discussed above, the System pursues collection of amounts due but is unable to collect a significant portion of these accounts. Charges deemed uncollectible during 2011 and 2010 were approximately \$109,570,000 and \$90,558,000, respectively.

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December 31, 2011 and 2010

(18) Equity Investees

Equity investees consist mainly of affiliated surgery centers, rehabilitation facilities and other support service components. Summary combined unaudited financial information for the investee companies, in total, as of and for the years ended December 31, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Total assets	\$ 52,236	39,787
Total liabilities	35,058	25,520
Total net operating revenues	96,862	60,031
Total net income	5,398	15,019

At December 31, 2011, the System has guaranteed approximately \$1,729,000 of indebtedness of certain of these affiliated healthcare providers and is generally obligated for its proportionate share of the investees' underlying debt. The System will become obligated to perform under these guarantee arrangements if the investee is unable to fulfill its responsibility as primary obligor. These guarantee arrangements do not have any recourse or security provisions included therein.

The System is a 29%-share participant in an air ambulance provider with other local health systems. During fiscal 2010, all of the participants in this venture determined that their investment was impaired and recorded associated write-downs. The System's impairment charge totaled \$3,961,000 and has been recognized as a nonoperating loss in the accompanying 2010 combined statement of operations.

(19) Commitments

In March 2002, the System entered into an agreement with a vendor to provide computer hardware and software along with implementation and maintenance services in connection with the upgrade of certain of the System's information systems. In September 2006, an additional agreement was entered into to provide a remote hosting option for certain information system applications. The agreements may not be terminated by either party without cause. In December 2009, both agreements were extended and now expire December 31, 2017. Future payments under the agreements at December 31, 2010 follow (in thousands):

2012	\$ 7,536
2013	7,570
2014	7,542
2015	7,093
2016	7,093
Thereafter	7,093
Total	<u>\$ 43,927</u>

(20) Concentrations of Credit Risk

The System grants credit to patients, substantially all of whom reside in the System's service area as described in note 1. The System generally does not require collateral or other security in extending credit.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

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to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, TennCare, preferred provider arrangements, and commercial insurance policies)

The following table represents the composition of the System's accounts receivable balance by payor type

	2011	2010
Medicare	32%	33%
Medicaid and TennCare	26	27
Blue Cross	10	9
Patient	4	4
Other third-party payors	28	27
	100%	100%

Federal deposit insurance is unlimited on all noninterest bearing accounts as of December 31, 2011

(21) Financial Instruments

Reported amounts of applicable asset and liability financial instruments as defined under relevant accounting standards, excluding long-term debt, approximate their estimated fair values, in all significant respects, at December 31, 2011 and 2010. Fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, as expanded by the previously described Topic 820

The fair value of the System's long-term debt has been estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the System's long-term debt was approximately \$546,292,000 and \$546,445,000 at December 31, 2011 and 2010, respectively.

(22) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes

	2011	2010
	(In thousands)	
Le Bonheur capital campaign	\$ 10,524	13,347
Annuities	2,548	2,435
Specific patient care units	2,661	2,667
Education/Community Outreach	2,960	2,716
Professorships, research and scholarships	1,388	1,578
	\$ 20,081	22,743

Permanently restricted net assets are to be held in perpetuity, the income from which is expendable for education and research

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Notes to Combined Financial Statements

December 31, 2011 and 2010

The System has historically and to-date received a limited amount of donor-restricted endowment funds, and does not maintain any Board-designated endowments. The System's Board has interpreted Tennessee's State Prudent Management of Institutional Funds Act (SPMIFA) 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. In all material respects, income from the System's donor-restricted endowment funds is itself restricted to specific donor-directed purposes, and is, therefore, accounted for within temporarily restricted net assets until expended in accordance with the donor's wishes. The System oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

The System invests donor-restricted endowment funds within the framework of the System's overall investment management program, as described elsewhere in the notes to the combined financial statements.

(23) Related Parties

In 2001, the System entered into an agreement with Medical Center Associates, L.P. (MCA) to purchase the existing mortgage on a professional building in which the System leases space for its administrative and executive offices adjacent to the University Hospital campus. The financing arrangement resulted in the execution of a note receivable from MCA and the System entering into a mortgage on the building with a financial institution. At December 31, 2011 and 2010 the note receivable balance of \$7,667,000 and \$8,279,000, respectively, and the mortgage payable balance of \$6,975,000 and \$7,467,000, respectively, are both reflected on the books of Ambulatory Operations, Inc., a wholly owned subsidiary of the System.

In connection with this transaction, the System also realized a deferred gain, which is being amortized over the life of the mortgage loan. The remainder of the gain still to be recognized at December 31, 2011 and 2010 is approximately \$692,000 and \$812,000, respectively.

(24) Subsequent Events

The System has evaluated subsequent events through April 16, 2012, the date at which the combined financial statements were issued, and determined that there are no additional subsequent events to be recognized in the combined financial statements related notes.

Additional Data

Software ID:

Software Version:

EIN: 62-0479367

Name: METHODIST HEALTHCARE - MEMPHIS HOSPITALS

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			
RONALD A BELZ BOARD CHAIRMAN	2 00	X		X				0	0	0
LUKE YANCY BOARD VICE CHAIRMAN	2 00	X		X				0	0	0
SHIRLEY RAINES BOARD SECRETARY	2 00	X		X				0	0	0
ED ROBERSON BOARD MEMBER	2 00	X						0	0	0
DAVID BECKLEY PHD BOARD MEMBER	2 00	X						0	0	0
REV HARRY DURBIN SR BOARD MEMBER (PARTIAL YEAR)	2 00	X						0	0	0
CHADD DURRETT JR BOARD MEMBER	2 00	X						0	0	0
BILL EVANS BOARD MEMBER	2 00	X						0	0	0
ALAN GRAF JR BOARD MEMBER	2 00	X						0	0	0
KENT INGRAM BOARD MEMBER	2 00	X						0	0	0
DENNIS SPENCE BOARD MEMBER	2 00	X						0	0	0
HARRY A JOHNSON III BOARD MEMBER (PARTIAL YEAR)	2 00	X						0	0	0
REV CHESTER JONES BOARD MEMBER (PARTIAL YEAR)	2 00	X						0	0	0
MARY JO KIRPATRICK BOARD MEMBER	2 00	X						0	0	0
MARK MEDFORD BOARD MEMBER	2 00	X						0	0	0
JACKSON MOORE BOARD MEMBER	2 00	X						0	0	0
BEVERLY ROBERTSON BOARD MEMBER	2 00	X						0	0	0
EMBRA JACKSON BOARD MEMBER	2 00	X						0	0	0
DAVID STEVENS BOARD MEMBER	2 00	X						0	0	0
RONALD STIMPSON BOARD MEMBER	2 00	X						0	0	0
JOSE 'VELAZ' QUEZ BOARD MEMBER	2 00	X						0	0	0
STEVE WISHNIA BOARD MEMBER	2 00	X						0	0	0
CYNTHIA DAVIS BOARD MEMBER	2 00	X						0	0	0
CARTER TOWNE BOARD MEMBER	2 00	X						0	0	0
JIMMIE MANCELL BOARD MEMBER	2 00	X						479,176	0	41,302

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			
JEAN CLAUDE LOISEAU MD BOARD MEMBER	2 00	X						0	0	0
RUSH WALLER MD BOARD MEMBER	2 00	X						0	0	0
STEVE SCHWAB MD BOARD MEMBER	2 00	X						0	0	0
GARY SHORB PRESIDENT & CEO	50 00	X		X				0	1,116,469	592,112
CHRISTOPHER MCLEAN EXEC VICE PRES & CFO	50 00			X				0	621,300	136,733
DONNA ABNEY EXEC VICE PRESIDENT	50 00			X				0	589,167	184,826
JERRY MALIOT SVP - CHIEF QUALITY OFFICER	50 00			X				0	591,061	41,745
SUSAN THURMOND SVP - CLINICAL EFFECTIVENESS	50 00			X				0	508,751	152,509
STEVE WEST SVP - COMMUNITY BENEFIT	50 00			X				0	417,051	89,839
GEORGE MAYZELL SVP - CHIEF PATIENT CARE OFFICER	50 00			X				0	442,376	78,937
ANDREW FOWLER SVP - INFORMATION SYSTEMS	50 00			X				0	371,417	55,116
DAVID BAYTOS SVP - MS & INTERNATIONAL HEALTHCARE SERVICES	50 00			X				0	419,414	105,017
CAROL ROSS-SPANG SVP - HUMAN RESOURCES	50 00			X				0	372,380	86,277
CATO JOHNSON SVP - CORPORATE AFFAIRS	50 00			X				0	426,148	68,016
ALEXANDER MACGREGOR SVP - CHIEF MEDICAL INFORMATION OFFICER	50 00			X				0	446,214	89,164
LYNN FIELD VP - CHIEF LEGAL OFFICER	50 00			X				0	226,932	47,534
GARY GUNDERSON SVP - FAITH & HEALTH	50 00			X				0	223,720	62,439
WILLIAM BREEN JR SVP - PHYSICIAN ALIGNMENT	50 00			X				0	383,583	72,608
DONNA HERRIN GRIFFITH FORMER SVP - CHIEF NURSING OFFICER	50 00			X				0	44,051	5,907
EDWARD RAFALSKI SVP - STRATEGIC PLANNING & MARKETING	50 00			X				0	271,982	56,064
STEPHEN MILLER SVP - MEDICAL RESEARCH & EDUCATION	50 00			X				435,301	0	33,340
MERI ARMOUR SVP - PEDIATRIC DIVISION	50 00				X			534,575	0	98,442
WILLIAM KENLEY SVP - ADMINSTRATOR GEMANTOWN HOSPITAL	50 00				X			417,136	0	99,098
KEVIN SPIEGEL SVP - ADMINSTRATOR UNIVERSITY HOSPITAL	50 00				X			445,595	0	107,037
MICHAEL UGWUEKE SVP - NORTH & SOUTH HOSPITALS	50 00				X			453,001	0	107,193

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			
LARRY SPRATLIN TREASURER	50 00				X			276,095	0	62,960
WILLIAM MAY CMO - LEBONHEUR	40 00				X			474,933	0	24,988
ROBIN WOMEDU CMO - UNIVERSITY	40 00				X			291,567	0	31,716
GALEN VAN WHYHE PHYSICIAN	40 00					X		1,097,431	0	28,001
JAMES LITZOW PHYSICIAN	40 00					X		994,785	0	28,001
CLARO DIAZ PHYSICIAN	40 00					X		937,910	0	28,001
MIKE MCDONALD PHYSICIAN	40 00					X		821,989	0	25,320
ANDREW WATSON PHYSICIAN	40 00					X		716,862	0	23,730