



See a Social Security Number? Say Something!  
Report Privacy Problems to <https://public.resource.org/privacy>  
Or call the IRS Identity Theft Hotline at 1-800-908-4490



Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047
		<b>2011</b>
		<b>Open to Public Inspection</b>

<b>A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011</b>		
<b>B</b> Check if applicable <input type="checkbox"/> Address change  <input type="checkbox"/> Name change  <input type="checkbox"/> Initial return  <input type="checkbox"/> Terminated  <input type="checkbox"/> Amended return  <input type="checkbox"/> Application pending	<b>C</b> Name of organization Virginia Mason Medical Center  Doing Business As  Number and street (or P O box if mail is not delivered to street address) Room/suite 1100 Ninth Avenue  City or town, state or country, and ZIP + 4 Seattle, WA 98101	<b>D Employer identification number</b>  91-0565539
		<b>E Telephone number</b>  (206) 223-6600
		<b>G</b> Gross receipts \$ 961,125,968
	<b>F</b> Name and address of principal officer Gary Kaplan 1100 Ninth Avenue Seattle, WA 98101	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀(insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J Website:</b> ▶ www.virginiamason.org		
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 1934
		<b>M</b> State of legal domicile WA

Part I	Summary
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities Medical Centers mission is to improve the health and well-being of the patients it serves through the delivery of high quality, cost-effective care to its patients The Medical Center provides integrated health services through a teaching hospital and multi-specialty group practice, offering both primary and specialized care
	<b>2</b> Check this box <input checked="" type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . .
	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . .
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . .
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . .
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . .
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .
Net Assets or Fund Balances	<b>20</b> Total assets (Part X, line 16) . . . . .
	<b>21</b> Total liabilities (Part X, line 26) . . . . .
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .

<b>Part II Signature Block</b>				
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	
	Gary Kaplan Chairman and CEO Type or print name and title			
Paid Preparer's Use Only	Preparer's signature	Sue W Robison	Date	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP + 4	KPMG LLP 1918 Eighth Avenue Suite 2900 Seattle, WA 98101		Preparer's taxpayer identification number (see instructions)
			EIN ▶	Phone no ▶ (206) 913-4000
May the IRS discuss this return with the preparer shown above? (see instructions) . . . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

Virginia Mason Medical Centers the Medical Center mission is to improve the health and well-being of the patients it serves through the delivery of high quality, cost-effective care The Medical Center provides integrated health services through a teaching hospital licensed for 336 beds and multi-specialty group practice of more than full-time 386 physicians

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 \$ 723,676,117 including grants of \$ 203,524 ) (Revenue \$ 870,789,169 )

Health Care Services The Medical Center is a tertiary regional referral center which serves a patient community that includes Seattle and its surrounding suburbs, Western Washington and Alaska The main campus located in Seattle includes a hospital, an outpatient clinic, centers of excellence including the Center for Hyperbaric Medicine, Digestive Disease Institute, Floyd Delores Jones Cancer Institute, Heart Institute, Neuroscience Institute and Urology The Medical Center also operates seven regional clinics, and Bailey-Boushay House, a 35-bed skilled nursing facility During 2011, the Medical Center recorded 16,335 hospital inpatient admissions, 22,126 emergency room visits and 830,027 clinic visits The Medical Center provided charity care and unreimbursed Medicaid services to a total of 5,724 patients Continued on Schedule O

4b

(Code ) (Expenses \$ 21,902,664 including grants of \$ 3,450,000 ) (Revenue \$ 277,689 )

Education and Research The Medical Center is an independent academic medical center with a graduate medical education program that trains over 113 residents in five accredited programs in internal medicine, surgery, transitional year, radiology, and anesthesiology In addition, the Medical Center trains a number of fellows in areas such as Pain Management, Regional Anesthesia, Urology, Sports Medicine, Gynecology and Gastroenterology The Medical Center also provides training in clinical nursing education, allied health fields, continuing medical education and grand rounds In addition, the Medical Center conducts medical research through its affiliate Benaroya Research Institute at Virginia Mason, a scientific research institute qualified under Section 501c3 of the Internal Revenue Code Continued on Schedule O

4c

(Code ) (Expenses \$ 676,820 including grants of \$ ) (Revenue \$ 288,524 )

Community Health Education and Services The Medical Center contributes to improving the health of the community through sponsorship of community health education and services Community health education includes classes, forums, presentations and other programs held during the day and evening in the Medical Center neighborhood clinic communities and the Seattle main campus The Buse Diabetes Teaching Center provides a nationally recognized education program which includes classes covering every aspect of diabetes care including how to support long term health lifestyle habits and avoid long-term complications The education programs are open to everyone with diabetes and their family members Scholarships are available In 2011, the Medical Center provided 96,000 of support for the Teaching Center Continued on Schedule O

4d

Other program services (Describe in Schedule O )















(Expenses \$ 4,550,878 including grants of \$ 4,193,147 ) (Revenue \$ )

4e

Total program service expenses \$ 750,806,479

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> . . . . .	3	No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> . . . . .	5	
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? <i>If "Yes," complete Schedule D, Part I.</i> . . . . .	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> . . . .	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> . . . . .	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> . . . . .	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes
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? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	Yes
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	Yes
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> . . . . . 	14b	Yes
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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i> . . . .	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i> . . . .	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i> . . . . .	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> . . . . . 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <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		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <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	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
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		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> 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	Yes	
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	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
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	Yes	
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		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
36	<b>Section 501(c)(3) organizations.</b> 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? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	665			
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	6,147			
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?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a				
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b				
c	Enter the aggregate amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
1a	13		
b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	1b	11
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	Yes
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	Yes
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	Yes
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 <input checked="" type="checkbox"/> OR , GA
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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> 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 <input checked="" type="checkbox"/> MaryAnne Olmstead 1100 Olive Way Suite 605 Seattle, WA 98101 (206) 625-7371

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

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	14,809,305		3,417,868

**2** Total number of individuals (including but not limited to those listed \$100,000 of reportable compensation from the organization) 1,028

		Yes	No
<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>3</b> Yes	
<b>4</b>	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> . . . . .	<b>4</b> Yes	
<b>5</b>	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> . . . . .	<b>5</b>	No

## Section B. Independent Contractors

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
Pitney Bowes Management Svc P O Box 840851 Dallas, TX 75284	Mail Management Services	1,589,822
Skanska USA Building Inc 221 Yale Ave N Suite 400 Seattle, WA 98109	Construction Services	16,089,885
Crothall Services Group Inc 955 Chesterbrook Bld Ste 300 Wayne, PA 19087	Staffing Services	12,358,591
AMN Healthcare Inc 12400 High Bluff Drive San Diego, CA 92130	Staffing Services	3,456,280
NBBJ Group 223 Yale Ave N Seattle, WA 98109	Construction Services	623,700

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 46

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . .	1d	6,179,104				
	e	Government grants (contributions)	1e					
	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 . . . . .			6,179,104			
Program Service Revenue			Business Code					
	2a	Operating Revenues	561499	1,070,937,553	1,063,237,221	7,700,332		
	b	Medicare/Medicaid payments	621300	118,232,935	118,232,935			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .			863,679,342			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .			12,797,597	8,538,962	4,258,635	
	4	Income from investment of tax-exempt bond proceeds . . .			55,817		55,817	
	5	Royalties . . . . .						
	6a	(i) Real		(ii) Personal				
		1,326,271						
		1,008,475						
		317,796						
	d	Net rental income or (loss) . . . . .			317,796	98,423	219,375	
	7a	(i) Securities		(ii) Other				
		69,334,317		393,060				
		67,718,565		58,427				
		1,615,752		334,633				
	d	Net gain or (loss) . . . . .			1,950,385		1,950,385	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .		a				
	b	Less direct expenses . . . . .		b				
	c	Net income or (loss) from fundraising events . . .						
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .		a				
	b	Less direct expenses . . . . .		b				
	c	Net income or (loss) from gaming activities . . .						
	10a	Gross sales of inventory, less returns and allowances . . . . .		a				
b	Less cost of goods sold . . . . .		b					
c	Net income or (loss) from sales of inventory . . .			-2,216		-2,216		
Miscellaneous Revenue		Business Code						
11a	Cafeteria	722100	3,266,965			3,266,965		
b	Parking	721110	3,830,206			75,687	3,754,519	
c	Medical Records	561499	215,658				215,658	
d	All other revenue . . . . .		47,631				47,631	
e	Total. Add lines 11a-11d . . . . .			7,360,460				
12	Total revenue. See Instructions . . . . .			892,338,285	855,979,010	16,411,188	13,768,985	

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	7,846,671	7,846,671		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	11,393,876	6,547,647	4,846,229	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	426,074,329	370,965,681	55,108,648	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	22,353,631	19,462,402	2,891,229	
9	Other employee benefits	25,403,266	22,117,596	3,285,670	
10	Payroll taxes	21,503,595	18,722,310	2,781,285	
11	Fees for services (non-employees)				
a	Management	741,116	645,260	95,856	
b	Legal	1,440,672		1,440,672	
c	Accounting	413,669		413,669	
d	Lobbying	222,311		222,311	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	0			
g	Other	47,161,599	41,061,696	6,099,903	
12	Advertising and promotion	6,937,237	6,039,972	897,265	
13	Office expenses	161,806,864	140,878,690	20,928,174	
14	Information technology	26,172,709	22,787,519	3,385,190	
15	Royalties	0			
16	Occupancy	17,913,122	15,596,231	2,316,891	
17	Travel	3,153,868	2,745,945	407,923	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	636,786	554,424	82,362	
20	Interest	7,360,351	6,408,360	951,991	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	32,364,841	28,178,758	4,186,083	
23	Insurance	2,618,976	2,280,236	338,740	
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	Taxes	20,494,578	20,494,578		
b	Medical Purchase Services	535,692	466,405	69,287	
c	Dues and Subscriptions	2,111,165	1,838,106	273,059	
d	Bad Debt Expense	9,214,481	9,214,481		
e					
f	All other expenses	7,170,914	5,953,511	1,217,403	
25	Total functional expenses. Add lines 1 through 24f	863,046,319	750,806,479	112,239,840	0
26	Joint costs. Check here <input type="checkbox"/> 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 . . . . .			19,383,788	1	46,140,605
	2	Savings and temporary cash investments . . . . .			90,964,109	2	46,018,726
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			77,954,742	4	95,948,616
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .			12,923,192	8	13,052,072
	9	Prepaid expenses and deferred charges . . . . .			3,600,429	9	3,940,998
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	10a	848,072,404			
	b	Less: accumulated depreciation . . . . .	10b	342,153,064	471,064,093	10c	505,919,340
	11	Investments—publicly traded securities . . . . .			147,737,870	11	152,031,866
	12	Investments—other securities. See Part IV, line 11 . . . . .			300,651	12	722,801
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			58,263,399	15	53,240,748
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .			882,192,273	16	917,015,772
Liabilities	17	Accounts payable and accrued expenses . . . . .			108,617,613	17	122,772,702
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .			43,753	19	43,867
	20	Tax-exempt bond liabilities . . . . .			331,425,934	20	328,704,983
	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 . . . . .			31,906,116	23	30,737,154
	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 . . . . .			102,740,985	25	116,387,017
	26	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .			574,734,401	26	598,645,723
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>						
	27	Unrestricted net assets . . . . .			289,366,423	27	300,177,790
	28	Temporarily restricted net assets . . . . .			14,155,766	28	14,117,580
	29	Permanently restricted net assets . . . . .			3,935,683	29	4,074,679
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>						
	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	<b>Total net assets or fund balances</b> . . . . .			307,457,872	33	318,370,049
	34	<b>Total liabilities and net assets/fund balances</b> . . . . .			882,192,273	34	917,015,772

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	892,338,285
2	Total expenses (must equal Part IX, column (A), line 25)	2	863,046,319
3	Revenue less expenses Subtract line 2 from line 1	3	29,291,966
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	307,457,872
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-18,379,789
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	318,370,049

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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 <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> 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?		No
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		

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 Virginia Mason Medical Center	Employer identification number 91-0565539
---	--

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	(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	(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 0 %
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	<b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization	<input type="checkbox"/>
b	<b>33 1/3% support test—2010.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization	<input type="checkbox"/>
17a	<b>10%-facts-and-circumstances test—2011.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	<input type="checkbox"/>
b	<b>10%-facts-and-circumstances test—2010.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	<input type="checkbox"/>
18	<b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions	<input type="checkbox"/>

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 <b>stop here</b>						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	0 %
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	0 %
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 <b>stop here</b> . 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 <b>stop here</b> . 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

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Changes in endowment net assets for the year ended December 31, 2010 (in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,053	1,014	3,597	11,664
Investment return				
Investment income	199	120	—	319
Net appreciation (realized and unrealized)	<u>691</u>	<u>413</u>	<u>—</u>	<u>1,104</u>
Total investment return	890	533	—	1,423
Contributions	—	—	—	—
Appropriation of endowment assets for expenditure	<u>(275)</u>	<u>(140)</u>	<u>—</u>	<u>(415)</u>
Endowment net assets, end of year	<u><u>\$ 7,668</u></u>	<u><u>1,407</u></u>	<u><u>3,597</u></u>	<u><u>12,672</u></u>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) (in thousands)

	<u>2011</u>	<u>2010</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ <u>3,597</u>	<u>3,597</u>
Total endowment funds classified as permanently restricted net assets	<u><u>\$ 3,597</u></u>	<u><u>3,597</u></u>
Temporarily restricted net assets		
Term endowment funds	\$ 449	496
The portion of perpetual endowment funds subject to time restrictions		
With purpose restrictions	<u>748</u>	<u>911</u>
Total endowment funds classified as temporarily restricted net assets	<u><u>\$ 1,197</u></u>	<u><u>1,407</u></u>

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Virginia Mason Medical Center	Employer identification number 91-0565539
---	--

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

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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


Part II-A

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

- A

Check

☒

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

Check

☐

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)	122,311	122,311												
b	Total lobbying expenditures to influence a legislative body (direct lobbying)	100,000	100,000												
c	Total lobbying expenditures (add lines 1a and 1b)	222,311	222,311												
d	Other exempt purpose expenditures	862,824,008	917,357,997												
e	Total exempt purpose expenditures (add lines 1c and 1d)	863,046,319	917,580,308												
f	Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	1,000,000												
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)	250,000	250,000												
h	Subtract line 1g from line 1a If zero or less, enter -0-														
i	Subtract line 1f from line 1c If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No													

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	129,287	269,422	270,061	222,311	891,081
d Grassroots non-taxable amount	250,000	250,001	250,000	250,000	1,000,001
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,002
f Grassroots lobbying expenditures	129,287	152,146	151,772	122,311	555,516

Part II-B

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

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

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
II-A	A	Virginia Mason Medical Center, EIN 91-0565539, 1100 Ninth Avenue, Seattle, WA 98101 Election Member Grassroots Lobbying Expenditures 122,311 Direct Lobbying Expenditures 100,000 Excess Lobbying Expenditures 0 Tax year ending December 31, 1998 was the first year in which Virginia Mason Medical Center made the election under Section 501h The election was not revoked before the start of the tax year ending December 31, 2011
II-A	A continued	Virginia Mason Medical Center pays membership dues to Washington State Hospital Association, a portion of which was used for legislative and lobbying activities Virginia Mason Medical Center also pays membership dues to other professional health care organizations, a portion of which may be used for legislative and lobbying activities
II-A	A continued	Virginia Mason Health System, EIN 91-1351110, 1100 Ninth Avenue, Seattle, WA 98101 Non-electing member 0 Lobbying Expenditures Excess Lobbying Expenditures 0
II-A	A continued	Virginia Mason Institute, EIN 26-3763656, 1100 Ninth Avenue, Seattle, WA 98101 Non-electing member 0 Lobbying Expenditures Excess Lobbying Expenditures 0
II-A	A continued	Benaroya Research Institute at Virginia Mason, EIN 91-0653422, 1201 Ninth Avenue, Seattle, WA 98101 Non-electing member 0 Lobbying Expenditures Excess Lobbying Expenditures 0

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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.

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
91-0565539

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?	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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 ▶ \$ \_\_\_\_\_

**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
- d**

☐ Loan or exchange programs
- b**

☐ Scholarly research
- e**

☐ Other
- c**

☐ Preservation for future generations

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

**5** During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization’s collection? 

☐ **Yes**

☐ **No**

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

**1a** Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? 

☐ **Yes**

☐ **No**

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

	Amount
<b>1c</b>	
<b>1d</b>	
<b>1e</b>	
<b>1f</b>	

**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
<b>1a</b> Beginning of year balance . . . . .	12,672,073	11,663,690	9,444,928	13,624,798	
<b>b</b> Contributions . . . . .		20	230,704	500,931	
<b>c</b> Investment earnings or losses . . . . .	-146,637	1,423,022	2,265,200	-4,680,801	
<b>d</b> Grants or scholarships . . . . .	482,260	414,659	277,142		
<b>e</b> Other expenditures for facilities and programs . . . . .					
<b>f</b> Administrative expenses . . . . .					
<b>g</b> End of year balance . . . . .	12,043,176	12,672,073	11,663,690	9,444,928	

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

- a**

Board designated or quasi-endowment ▶ 60 190 %
- b**

Permanent endowment ▶ 29 870 %
- c**

Term endowment ▶ 9 940 %

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

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

**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
<b>1a</b> Land . . . . .		36,370,602		36,370,602
<b>b</b> Buildings . . . . .		454,440,193	115,730,103	338,710,090
<b>c</b> Leasehold improvements . . . . .		20,507,618	9,063,156	11,444,462
<b>d</b> Equipment . . . . .		318,698,163	216,806,108	101,892,055
<b>e</b> Other . . . . .		18,055,828	553,697	17,502,131
<b>Total.</b> Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i> . . . . . ▶				505,919,340



Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	892,338,285
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	863,046,319
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	29,291,966
4	Net unrealized gains (losses) on investments	4	-7,730,329
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-10,398,488
9	Total adjustments (net) Add lines 4 - 8	9	-18,128,817
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	11,163,149

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements . . . . .	1	872,880,530
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments . . . . .	2a	-7,730,329
b	Donated services and use of facilities . . . . .	2b	
c	Recoveries of prior year grants . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	-6,683,371
e	Add lines 2a through 2d . . . . .	2e	-14,413,700
3	Subtract line 2e from line 1 . . . . .	3	887,294,230
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	5,044,055
c	Add lines 4a and 4b . . . . .	4c	5,044,055
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	892,338,285

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements . . . . .	1	861,717,381
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	3,717,333
e	Add lines 2a through 2d . . . . .	2e	3,717,333
3	Subtract line 2e from line 1 . . . . .	3	858,000,048
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	5,046,271
c	Add lines 4a and 4b . . . . .	4c	5,046,271
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	863,046,319

Part XIVSupplemental 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
V	4	Support health care mission of Virginia Mason Medical Center and research mission of Benaroya Research Institute of Virginia Mason
X	2	The Medical Center adopted Financial Accounting Standards Board FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, FIN 48, included in FASB Accounting Standards Codification ASC Subtopic 740-10 - Income Taxes - Overall. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes.
X	2 continued	FIN 48 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.
X	2 continued	In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This guidance did not have a significant impact to the consolidated financial statements in 2011 or 2010.
XI	8	Additional Pension Adjustment 12,538,464 Restricted Capital Transfers 1,884,686 Virginia Mason Institute Revenues 2,254,289 Virginia Mason Institute Expenses 2,003,316 Donated capital 2,101 Cost of Goods Sold Adjustment 2,216
XII	2d	Restricted Capital Transfers 1,884,686 Virginia Mason Institute Revenues 2,254,289 Donated capital 2,101 Additional Pension Adjustment 12,538,464 Donation Transfers 1,714,017
XII	4b	Non-operating expenses 5,259,338 Financial reclasses 460,218 Rental Expenses 1,008,475 Loss on Disposal of Equipment 332,974
XIII	2d	Donation Transfers 1,714,017 Virginia Mason Institute Expenses 2,003,316
XIII	4b	Non-operating expenses 5,259,338 Financial reclasses 460,218 Rental expenses 1,008,475 Loss on Disposal of Equipment 332,974 Cost of Goods Sold Adjustment 2,216

Additional Data

Software ID: 11000218  
Software Version: 2011.0.0  
EIN: 91-0565539  
Name: Virginia Mason Medical Center

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	(b) Book value
Funds Held By Trustee	37,112,287
Interest Receivable Swap	200,000
Long Term Receivable	374,875
BB Cemetry Plots/Niches Donated Assets	20,077
Parking Rights	346,926
Winthrop Apartment	227,800
Equity Investment-HSCA	254,298
Deferred Financing Costs	8,887,485
Partnership Interest in National Purchasing Partners	1,698,670
Beneficial Interest	4,105,949
Start Up Costs-Madison	12,381



[illegible]

**3** Enter total number of other organizations or entities . . . . . ►

## Part III

**(a) Type of grant or assistance**

**(b) Region**

(c) Number of recipients

**(d)** Amount of cash grant

**(e) Manner of cash disbursement**

(f) Amount of non-cash assistance

**(g) Description  
of non-cash  
assistance**

**(h)** Method of valuation (book, FMV, appraisal, other)

**Part IV Foreign Forms**

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☐

Yes

☒

No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐

Yes

☒

No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☐

Yes

☒

No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☐

Yes

☒

No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☐

Yes

☒

No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐

Yes

☒

No

## Supplemental Information

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

[illegible]

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**  
Virginia Mason Medical Center

**Employer identification number**  
91-0565539

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 <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
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 <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> 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 . . . . . <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input checked="" type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> 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	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was 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) . . . . .		5,724	10,359,491		10,359,491	1 200 %
b Medicaid (from Worksheet 3, column a) . . . . .		4,888	29,842,288	23,942,288	5,900,000	0 680 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .		10,612	40,201,779	23,942,288	16,259,491	1 880 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .	7	465	1,466,108	66,281	1,399,827	0 160 %
f Health professions education (from Worksheet 5) . . . . .	16	639	10,223,025	6,198,295	4,024,730	0 470 %
g Subsidized health services (from Worksheet 6) . . . . .	2	466	728,323	420,889	307,434	0 040 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			4,268,660		4,268,660	0 490 %
j <b>Total</b> Other Benefits . . . . .	25	1,570	16,686,116	6,685,465	10,000,651	1 160 %
k <b>Total.</b> Add lines 7d and 7j . . . . .	25	12,182	56,887,895	30,627,753	26,260,142	3 040 %

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	2		352,579		352,579	0.040 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total	2		352,579		352,579	0.040 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	24,561,168	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5150,130,438	
6	Enter Medicare allowable costs of care relating to payments on line 5	6157,940,109	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-7,809,671	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9bYes	

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 %
1				
2				
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? 1

## 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)

Virginia Mason Federal Way

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

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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)

Virginia Mason Issaquah

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

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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)

Virginia Mason Kirkland

Name of Hospital Facility: \_\_\_\_\_

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

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2011)		
<b>1</b> 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)	<b>1</b>	
<b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input type="checkbox"/> Demographics of the community		
<b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b> <input type="checkbox"/> How data was obtained		
<b>e</b> <input type="checkbox"/> The health needs of the community		
<b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
<b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
<b>3</b> 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	<b>3</b>	
<b>4</b> 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 . . . . .	<b>4</b>	
<b>5</b> 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)	<b>5</b>	
<b>a</b> <input type="checkbox"/> Hospital facility's website		
<b>b</b> <input type="checkbox"/> Available upon request from the hospital facility		
<b>c</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
<b>a</b> <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
<b>b</b> <input type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
<b>d</b> <input type="checkbox"/> Participation in community-wide community benefit plan		
<b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input type="checkbox"/> Prioritization of health needs in the community		
<b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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	<b>7</b>	
<b>Financial Assistance Policy</b>		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
<b>8</b> Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>8</b>	
<b>9</b> 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 ____% If "No," explain in Part VI the criteria the hospital facility used	<b>9</b>	

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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)

Virginia Mason Lynnwood

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

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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)

Virginia Mason Bellevue

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

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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)

Bailey Boushay House

Name of Hospital Facility: \_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 6

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

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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)

Virginia Mason Winslow

Name of Hospital Facility: \_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A): \_\_\_\_\_7\_\_\_\_\_

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

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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)

Virginia Mason Sand Point Pediatrics

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 8

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

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 __% If "No," explain in Part VI the criteria the hospital facility used	10	
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 <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance? . . . . .	12	
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 <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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	
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> 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	
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	

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? 8

Name and address		Type of Facility (Describe)
1	Virginia Mason Federal Way 33501 First Way S Federal Way, WA 98003	0
2	Virginia Mason Issaquah 100 NE Gilman Blvd Issaquah, WA 98027	Outpatient Clinic
3	Virginia Mason Kirkland 11800 NE 128th St Suite 300 Kirkland, WA 98034	Outpatient Clinic
4	Virginia Mason Lynnwood 19116 33rd Ave W Lynnwood, WA 98036	Outpatient Clinic
5	Virginia Mason Bellevue 222 112th Ave NE Bellevue, WA 98004	Outpatient Clinic
6	Bailey Boushay House 2720 East Madison Seattle, WA 98112	Outpatient Clinic
7	Virginia Mason Winslow 380 Winslow Way E Bainbridge Island, WA 98110	Skilled Nursing Facility
8	Virginia Mason Sand Point Pediatrics 4575 Sand Point Way NE Suite 108 Seattle, WA 98105	Outpatient Clinic
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
Part I line 3c		Charity Care discounts that are less than 100 will be taken after any uninsured discounts are applied Additional full or partial Charity Care may be provided to patients with gross family incomes from 201 to 300 of the federal poverty level when circumstances as determined by the Medical Center indicate that full payment may cause financial hardship so as to significantly harm the patient or patients family

Identifier	ReturnReference	Explanation
Part I line 3c		continuedAdditional full or partial discounts may be provided to patients who are not otherwise eligible for Charity Care, i e , with gross family incomes above three hundred percent 300 of the federal poverty guidelines adjusted for family size Such discounts may be provided to patients with catastrophic costs or conditions when circumstances as determined by the Medical Center indicate that full payment may cause extraordinary financial hardship to the patient or the patients family

Identifier	ReturnReference	Explanation
Part I line 3c		continued The Medical Center shall determine, on a case by case basis, whether a patient qualifies as Medically Indigent pursuant to its policy and shall, through Patient Financial Services, determine the amount of the discount, if any Determinations shall be made expeditiously after submission of financial information by the patient, but shall not be subject to any appeal rights

Identifier	ReturnReference	Explanation
Part I line 7		The Medical Center used the direct expenses and revenues of the hospital to calculate the cost-to-charges ratio for the amounts included in the table reflected in Part I. The cost-to-charge ratios used was derived using Worksheet 2, Ratio of Patient Care Cost-to-Charge ratio per the instructions.

Identifier	ReturnReference	Explanation
Part II		The Medical Center supports community building activities by providing operational support to a daycare program which provides daycare for vulnerable populations The Medical Center supported a Day of Caring at non-profit organizations through United Way

Identifier	ReturnReference	Explanation
Part III line 4		Uninsured patients will receive a 25 discount off billed charges for designated services provided by the Medical Center Management of Patient Financial Services maintains a list of designated services eligible for the discount Uninsured Patients will not receive the uninsured discount on non-medically necessary care In addition to the uninsured discount, uninsured patients may apply for charity care

Identifier	ReturnReference	Explanation
Part III line 4		continued Uninsured patients who do not appear to qualify for charity care through an initial determination conducted by the Medical Center will be required to pay a deposit based on deposit guidelines established by the Medical Center Underinsured patients are eligible for the uninsured discount

Identifier	ReturnReference	Explanation
Part III line 4		continued If an account was determined to be eligible for partial charity, it would be reduced at the full service collection agency If an account was determined to be full charity, the Medical Center would cancel the the account at the full service collection agency and adjust the Medical Centers books to charity

Identifier	ReturnReference	Explanation
Part III line 4		continued An account is considered bad debt if 1 the Medical Center has no active address and 2 self pay portion is aged beyond 120 days and the Medical Center approved payment arrangements have not been established

Identifier	ReturnReference	Explanation
Part III line 4		continued If the patient indicates to the Medical Center or the agency that there is a financial hardship, the Medical Center would evaluate them for charity at this point in time Charity would be applied to an assigned balance

Identifier	ReturnReference	Explanation
Part III line 4		continued The costing methodology that was used for bad debts was the cost-to-charge ratio of direct expenses and revenue as derived using Worksheet 2, Ratio of Patient Care Cost-to-Charges

Identifier	ReturnReference	Explanation
Part III line 4		continued The Medical Centers financial statement includes the following statement on estimated uncollectibles The Medical Center provides an allowance for potential uncollectible patient accounts receivable whereby such receivables are reduced to their estimated net realizable value The Medical Center estimates this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors

Identifier	ReturnReference	Explanation
Part III line 4		continued There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of co-payments to be made by patients with insurance, and business practices related to collection efforts These factors continuously change and can have an impact on collection trends and the estimation process

Identifier	ReturnReference	Explanation
Part III line 8		The Medical Centers calculation of the Medicare shortfall related to Hospital based inpatient and outpatient services is 7,809,671 The Medical Center employs over 400 physicians who provide professional services to patients which is not covered in this number In addition, the Medical Center operates satellite clinics and ambulatory surgery centers which are not reported in the Medicare cost report

Identifier	ReturnReference	Explanation
Part III line 8		continued For all of its patient services, the Medical Center utilizes a comprehensive electronic cost reporting package which uses the directly assigned general ledger costs and allocates all overhead costs to operating costs using a model inspired by the Medicare cost report

Identifier	ReturnReference	Explanation
Part III line 8		continued This model shows that 28 million of Medicare revenue is not included in the traditional cost report with related costs of 72 million for a shortfall of 44 million primarily due to shortfall of Medicare professional fees versus costs

Identifier	ReturnReference	Explanation
Part III line 9b		Virginia Masons mission is to improve the health and well-being of the patients we serve To ensure the Medical Center continues to have the resources to fulfill our mission, we must balance the financial needs of our patients with those of the Medical Center In all instances, we will treat our patients with dignity, compassion and respect

Identifier	ReturnReference	Explanation
Part III line 9b		continued The Medical Center expects payment in full upon receipt of the patients first billing Patients will receive monthly Medical Center statements upon determination of the patients private responsibility A Virginia Mason Clinic statement will be sent representing the professional component of services provided

Identifier	ReturnReference	Explanation
Part III line 9b		continued If services were provided or processed at the downtown campus except the Health Resources Building, which is not licensed as part of the hospital, a Hospital statement will also be sent representing the facility/technical component of services As outstanding balances age, statement messages dunning, collection letters and/or telephone calls may be used at appropriate intervals as determined by the Medical Center

Identifier	ReturnReference	Explanation
Part III line 9b		continued Delinquent accounts may be forwarded to a third party where a series of collection contacts letters and phone calls will be initiated Delinquent self pay accounts that have not been paid in full or established an approved installment payment plan may be referred to a collection agency This occurs approximately 130 days from determination of patient responsibility

Identifier	ReturnReference	Explanation
Part III line 9b		continued Patient Financial Services management team has responsibility for determining under what circumstances a balance may be referred for collection agency resolution. The Medical Center recognizes there are occasions when a patient is not financially able to pay their medical bill in full. Those patients who indicate they are experiencing financial hardship will be offered the opportunity to apply for charity care assistance.

Identifier	ReturnReference	Explanation
Part III line 9b		continued Collection activity will be suspended pending eligibility determination If the patients income is greater than 300 of the current years federal poverty guideline FPG, charity is denied and alternative payment arrangement are discussed If the patients income is less than 300 of the current years FPG, the patient will complete the charity application and send supporting documentation

Identifier	ReturnReference	Explanation
Part III line 9b		continued If charity determination is approved, the charity care discount is applied to the outstanding account balance based on the FPG determination and a confirmatory letter is sent to the patient If charity is denied, the Medical Center will send a denial letter to the patient A summary report of collection activities taken will be provided to the Medical Center Board on an annual basis per the Washington State Hospital Association WSHA guidelines

Identifier	ReturnReference	Explanation
Part V		Line 19 - Virginia Mason is a participant in the Washington State Hospital Association Voluntary Effort on billing to the Uninsured. These guidelines developed in 2007 created a statewide standard for financial assistance consistent with Washington state law which provides that patients with gross family incomes at or below three hundred percent (300%) of the federal poverty guidelines (FPG) adjusted for family size are eligible for charity care according to a sliding fee schedule.

Identifier	ReturnReference	Explanation
Part V		Line 19 continued - The maximum amount charged to FAP-eligible individuals for emergency or other medically necessary care is based on a sliding fee scale determined by FPG Charity Care discounts that are less than 100 will be taken after a 25 uninsured discount is applied to the gross charges Patients who are between 201 and 250 of FPG receive an additional 50 discount for a total reduction in charges of 67 5

Identifier	ReturnReference	Explanation
Part V		Line 19 continued - Patients who are between 251 and 300 receive an additional 30 discount for a total reduction in charges of 52 5

Identifier	ReturnReference	Explanation
Part VI Line 2		At Virginia Mason, we are committed to improving the health and well-being of not only our patients, but also the people who reside in the communities we serve. Virginia Mason is on a three-year cycle for conducting its community health needs assessment. Our next assessment will be completed in 2012.

Identifier	ReturnReference	Explanation
Part VI Line 2		continued In 2009, the Medical Center enhanced its community needs assessment by utilizing data from Public Health - Seattle King County, United Way of King County, Snohomish County Health District, Kitsap County Health District, Northwest Area Foundation and Washington State Department of Health Local Public Health Indicators, and the U S Department of Health and Human Services Healthy People 2010 leading health indicators

Identifier	ReturnReference	Explanation
Part VI Line 2		continued Virginia Masons community is defined as King County and north Kitsap County Within King County, areas are identified as Seattle, north, south and east In several instances, the geographic areas are further broken down by city and neighborhood

Identifier	ReturnReference	Explanation
Part VI Line 2		continued Virginia Masons community health needs assessment serves as the foundation for the community benefit program which strives to achieve three basic goals 1 Improve our communitys health status and overall quality of life, 2 Reduce health disparities within the community, and 3 Increase access to preventive services

Identifier	ReturnReference	Explanation
Part VI Line 2		continued Our community benefit program focuses our resources on the needs of the community and the strengths of Virginia Mason For example, our support of Bailey-Boushay House assists community members with HIV/AIDS, the uninsured, homeless, those with drug addiction and mental health distress - all needs identified in our assessment

Identifier	ReturnReference	Explanation
Part VI Line 2		continued Likewise, we provide access to care for the uninsured through our partnership with Public Health - Seattle King County Community Health Services Division This partnership allows our residents to work at the Eastgate Community Clinic and other community clinics, while also supporting our graduate medical education program with a superior learning environment for our residents continuity clinic experience

Identifier	ReturnReference	Explanation
Part VI Line 2		continued We have expanded our partnership with Project Access Northwest PANW to help uninsured patients receive much needed specialty care in King and Snohomish counties Now, patients who receive their primary care in the community clinic system are referred to Virginia Mason for specialty care services

Identifier	ReturnReference	Explanation
Part VI Line 2		continued As the first health care facility to implement a mandatory staff influenza vaccine policy, Virginia Mason is viewed as a leader in protecting patients and staff from this potentially deadly virus For the past three years, Virginia Masons commitment to reducing influenza in our community has included participating in the King County United Way Community Resource Exchange and delivering free flu shots to Seattles homeless population

Identifier	ReturnReference	Explanation
Part VI Line 2		continued Virginia Masons community benefit program has also developed a comprehensive bilingual diabetes prevention program in response to the obesity and diabetes data from the needs assessment. Because the Latino population is considered one of the highest risk groups in our community, our program includes education and outreach at the two largest Latino health fairs each year, and interactive presentations six times a month at the Mexican Consulate in Seattle.

Identifier	ReturnReference	Explanation
Part VI Line 3		The Medical Center 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 Medical Centers charity care policy at various points beginning with scheduling and continuing through the patient billing process

Identifier	ReturnReference	Explanation
Part VI Line 3		continued At scheduling, if a patient indicates they are without insurance and unable to pay for the services, their account is flagged for a Patient Account Specialist to contact them to discuss assistance

Identifier	ReturnReference	Explanation
Part VI Line 3		continued At arrival for an appointment, the Medical Centers admissions lobby areas have signage regarding availability of charity care, a copy of the charity care policy and information regarding who to contact for assistance During the arrival process, the Medical Centers admissions personnel will confirm ability to pay

Identifier	ReturnReference	Explanation
Part VI Line 3		continued If financial need or financial hardship is indicated, Medical Center Financial Counselors will work with the patient to determine whether Medicaid, state program options, or charity care would be appropriate The Medical Centers charity policy and financial assistance contact information is also included in patient bills

Identifier	ReturnReference	Explanation
Part VI Line 3		continued The Medical Centers Patient Guide to Fees and Billings include information on charity availability and contact information to initiate an assessment The brochure is available in all patient lobbies for the patient to pick up The brochure is also sent out by Patient Account Services staff based on patients expressed concerns either via phone or letter

Identifier	ReturnReference	Explanation
Part VI Line 3		continued the Medical Centers website also includes information about charity availability and the contact information to initiate an assessment

Identifier	ReturnReference	Explanation
Part VI Line 4		Virginia Masons community is defined as King County and Kitsap County Within King County, areas are identified as Seattle, north, south, and east In several instances, the geographic areas are further broken down by city neighborhood The Medical Center services a geographic area that is considered both urban and suburban

Identifier	ReturnReference	Explanation
Part VI Line 4		continued The Medical Centers communities of King County and Pierce County has demographics of 78 White, 5 African American, 8 Asian, Native Hawaiian and other Pacific Islander, 5 Hispanic or Latino, 1 American Indian and Alaskan native, and 3 other races The average income of these counties is 86,000 with approximately 9 of the population below the federal poverty income guideline About 14 of the communitys patients are uninsured

Identifier	ReturnReference	Explanation
Part VI Line 4		continued there are 35 hospitals serving these two counties King County has 26 hospitals and specialty centers, and Pierce County has 9 hospitals

Identifier	ReturnReference	Explanation
Part VI Line 4		continued Several of these counties have federally-designated medically underserved areas or population present in the community per the Department of Health data Pierce County is federally-designated geographically in the communities of Longbranch, Buckley, and Eatonville/Roy

Identifier	ReturnReference	Explanation
Part VI Line 5		Virginia Masons community benefit program is designed to improve our communitys health status and overall quality of life, reduce health disparities within the community and increase access to preventive services To accomplish this, our organization contributes time, energy and money in the areas of improving health, providing free and subsidized care, health professionals education and research

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Uncompensated Care-As a non-profit organization, Virginia Mason is committed to serving patients who are uninsured, underinsured or otherwise unable to pay for their medical care

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Under Virginia Masons charity care policy, free or reduced-cost medically necessary care after all health insurance has been exhausted is provided to individuals making up to 300 percent of the federal poverty level in keeping with the Washington State Hospital Association voluntary guidelines on billing the uninsured

Identifier	ReturnReference	Explanation
Part VI Line 5		continued In 2011, Virginia Mason provided charity care to 5,724 patients at a cost of 10,359,491 In addition, Virginia Masons unreimbursed Medicaid was provided at a cost of 21,533,275

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Community Health Improvement Services - Improving health and quality of life extends beyond diagnosis and treatment. It also requires community health education and outreach services. Health improvement and outreach services provided by Virginia Mason include the following: 1. community health education, such as classes in the Buse Diabetes Teaching Center; 2. free health screenings at community health fairs.

Identifier	ReturnReference	Explanation
Part VI Line 5		continued 3 free flu shots and health screenings for the homeless in conjunction with United Way of King Countys Community Resource Exchange 4 sponsorship of many professionally facilitated support groups, including diabetes prevention and mangement 5 bereavement support through our Separation and Loss Services and 6 leadership roles in several community organizations, which focus on health care

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Health Professions Education - Virginia Mason strongly supports medical education to ensure our patients and the community benefit from advances in medical care Virginia Mason is a premier teaching hospital that offers postgraduate education programs through its Graduate Medical Education Department GME All GME postgraduate training programs are fully approved by the Accreditation Council on Graduate Medical Education ACGME Virginia Mason trains more than 100 residents and fellows annually VMs GME program is partnered with Public Health - Seattle King County Health Services Division, providing 12 residents for the Eastgate Public Health Center, as well as providing residents at the Carolyn Downs Family Medical Center, Pike Market Medical Clinic and North Public Health Center

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Virginia Masons collaboration with the Eastgate Public Health Center combines the Medical Centers commitment to teaching and community benefit through an innovative public-private program which allows residents to be more involved in the care of the underserved and uninsured The Eastgate clinic is the largest of three county public health clinics in east King County and offers a variety of primary care services to adults and children

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Appoximately 50 percent of patients seen at the clinic do not have insurance or the means to pay, and approximately the same percentage do not speack English and require interpretive services This resident clinic improves overall health in the community and gives back to our community in a meaningful way

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Virginia Mason serves as an internship site for students in a variety of other health programs, such as nursing, pharmacy, respiratory therapy and laboratory technology Also, Virginia Mason provides a 0.5 FTE faculty member every fall, winter and spring quarter for undergraduate clinical nursing instruction for the University of Washington School of Nursing

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Subsidized Health Services - Every community needs certain health care services that typically cost more to deliver than the provider of these services receives. These subsidized health services include 1. Bailey-Boushay House BBH, a nursing residence and Adult Day Health center for people living with HIV/AIDS and 2. Tender Loving Care, a day-care program for mildly ill children.

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Research - Virginia Mason conducts medical research through its affiliate, Benaroya Research Institute at Virginia Mason BRI BRI is a non-profit biomedical research institute that works to unlock the mysteries of the immune system Its team of world-renowned scientists is focused on identifying causes and cures for devastating diseases including diabetes, arthritis, heart disease and cancer In 2011, the Medical Center provided 3,450,000 to support research activities at BRI

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Environmental Improvements - Virginia masons environmental stewardship initiative, EnviroMason, provides the framework for making unique energy and waste management decisions, such as setting policies on reliability and use, making efficiency improvements, supporting capital planning and infrastructure design, and encouraging employee participation and innovation. The goal of EnviroMason is to reduce waste, recycle and conserve resources of our community. In 2011, we increased our overall recycling tonnage by 22 percent from 2010.

Identifier	ReturnReference	Explanation
Part VI Line 5		continued In 2011, Virginia Mason implemented a new campus-wide mixed recycling program throughout all public garages, contributing to our 22 percent increase in recycling for 2011 In 2011, Virginia Mason collaborated with a vendor to install three electric vehicle charging stations in one of our parking lots which helps promote this new technology and gives employees, patients and the general public a location to park and charge vehicles

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Medical Staff - Virginia Mason has 810 members on its active hospital staff, including Virginia Mason physicians, 238 Group Health physicians, 47 Pacific Medical Center physicians, and 48 other community physicians

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Accountability to the Community - The Medical Center is accountable to the public through its Board, the voting members of which are community members who represent the diverse populations and needs of communities served by the Medical Center The Medical Center is also accountable to the community through its sole voting member, the Health System whose Board is composed primarily of community members

Identifier	ReturnReference	Explanation
Part VI Line 5		continued In furtherance of its committment to responsible governance practices, the Medical Centers Audit and Compliance Committee, composed entirely of community members of the organizations Board, is charged with the overseeing the selection and discharge of the Medical Centers independent financial auditors and oversight of the Medical Centers compliance programs

Identifier	ReturnReference	Explanation
Part VI Line 5		continued In addition, the Medical Center has chartered a Governance Committee, responsible for reviewing and evaluating the organizations corporate governance policies and guidelines, and providing oversight of procedures for disclosure and management of conflict of interest The voting members of the Governance Committee are independent community members of the Medical Centers board

Identifier	ReturnReference	Explanation
Part VI Line 5		continued As a further mechanism for community involvement and leadership, Virginia Mason has established a Board of Governors, an advisory body of community representatives. The Board of Governors regularly participates in extensive tours of various areas of the Medical Center facilities and becomes involved in forums for in-depth discussion of issues of importance to these organizations and the communities they serve.

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Bailey-Boushay House, a division of the Medical Center which provides day health and skilled nursing facility services to individuals living with HIV/AIDS, also has an advisory board comprised primarily of representatives of the community who provide input and guidance on serving the community

Identifier	ReturnReference	Explanation
Part VI Line 5		continued Use of Financial Surpluses - All financial surpluses from the operation of the Medical center are used exclusively to further its charitable purposes. No individual receives any portion of the organizations respective surplus as a result of ownership or any other insider relationship.

Identifier	ReturnReference	Explanation
Part VI Line 5		continued The Compensation and Benefits Committee of the Medical Center Board, which directs the performance review and approves the compensation and benefits of the Medical centers senior leadership, is composed entirely of community members of the Board who have no financial ties to the Medical Center, either directly or through family or business relationships

Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Grants and Other Assistance to Organizations,  
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.  
▶ Attach to Form 990

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
91-0565539

Part I

General Information on Grants and Assistance

- 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 . . . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶

43

3

Enter total number of other organizations listed in the line 1 table . . . . . ▶

2

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
I	2	The funds provided to the Virgina Mason Health System and Benaroya Research Institute at Virginia Mason are for operational support or specific activities. Assistance provided to other non-profit organizations consisted of donations made to support specific events sponsored by the recipient organizations.

**Software ID:** 11000218  
**Software Version:** 2011.0.0  
**EIN:** 91-0565539  
**Name:** Virginia Mason Medical Center

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Virginia Mason Health System 1100 Ninth Avenue Seattle, WA 98101	91-1351110	501c3	3,595,171				Operating Support
Benaroya Research Institute at VM1201 Ninth Avenue Seattle, WA 98101	91-0653422	501c3	3,450,000				Operating Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
University of Washington Foundation1325 4th Ave Ste 2000 Seattle, WA 98101	94-3079432	501c3	134,000				General Support
JDRF Seattle Guild 1200 Sixth Ave Ste 605 Seattle, WA 98101	23-1907729	501c3	78,500				General Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
Seafair2200 Sixth Ave Ste 400 Seattle, WA 98121	91-0557448	501c4	73,000				General Support
Project Access Northwest1111 Harvard Ave Seattle, WA 98122	20-4377921	501c3	50,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Evergreen State Amateur Athletic Council701 Pike St Ste 800 Seattle, WA 98101	87-0715737	501c3	35,000				General Support
Foundation for Health Care Quality705 Second Av Ste 703 Seattle, WA 98104	91-1419327	501c3	25,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
United Way of King County720 Second Ave Seattle,WA 98104	91-0565555	501c3	25,000				General Support
University of Washington1325 4th Ave Ste 2000 Seattle,WA 98101	94-3079432	501c3	25,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
YWCA of Seattle-KC-Snohomish County1118 Fifth Ave Seattle, WA 98101	91-0482890	501c3	23,200				General Support
The First Tee of Greater Seattle 2340 Broadmoor Dr E Seattle, WA 98112	91-2116912	501c3	21,250				General Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
Country Doctor Community Health Centers2101 E Yesler Way Ste 210 Seattle, WA 98122	23- 7100868	501c3	20,000				General Support
Special Olympics Washington1809 7th Ave Ste 1509 Seattle, WA 98101	91- 0962383	501c3	17,000				General Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
Bellevue Community College 3000 Landerholm Circle SE Bellevue, WA 98007	91-1051671	501c3	15,000				General Support
Northwest Kidney CenterPO Box 3035 Seattle, WA 98114	91-6057438	501c3	15,000				General Support

**Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
American Jewish Committee1402 Third Ave Ste 405 Seattle, WA 98101	13-5563393	501c3	12,500				General Support
USO Puget Sound Area17801 International Blvd Seattle, WA 98159	91-0573116	501c3	12,500				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Medic One Foundation325 9th Ave MS 359747 Seattle,WA 98104	91-6183158	501c3	10,600				General Support
American Diabetes Association1730 Minor Ave Seattle,WA 98101	13-1623888	501c3	10,000				General Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
Enterprise Seattle 1301 Fifth Ave Suite 2500 Seattle, WA 98101	91- 1267597	501c4	10,000				General Support
National MS Society 192 Nickerson St Ste 100 Seattle, WA 98109	91- 0742424	501c3	10,000				General Support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Pancreatic Cancer Action Network 2141 Rosecrans Av Ste 7000 El Segundo, CA 90245	33-0841281	501c3	10,000				General Support
Susan G Komen for the Cure112 Fifth Ave N Seattle, WA 98109	91-1624040	501c3	10,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
The Hope Heart Institute1380 112th Ave NE Ste 200 Bellevue, WA 98004	91-1138000	501c3	10,000				General Support
American Heart Association710 Second Ave Ste 900 Seattle, WA 98104	13-5613797	501c3	8,500				General Support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Neighbor Care Health1537 Western Ave Seattle, WA 98101	91-0893287	501c3	8,000				General Support
College Success Foundation1605 NW Sammamish Ste 200 Issaquah, WA 98027	91-2036088	501c3	7,500				General Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
American Cancer Society1313 Broadway Ste 100 Tacoma, WA 98402	84-1316555	501c3	7,000				General Support
Museum of Flight9404 E Marginal Way S Seattle, WA 98108	91-0785826	501c3	7,000				General Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
Jewish Family Service1601 16th Ave Seattle, WA 98122	91-0565537	501c3	6,500				General Support
Greater Trinity Christian Learning Academy11229 4th Ave W Everett, WA 98201	91-1872298	501c3	5,500				General Support

**Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
ALS Association 19115 68th Ave S suite H-105 Kent, WA 98032	91-1950869	501c3	5,000				General Support
American Lung Association7420 SW Bridgeport Rd Ste 200 Seattle, WA 98224	93-0386887	501c3	5,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Red Cross1900 25th Ave S Seattle, WA 98224	91-0565554	501c3	5,000				General Support
Americans for UNFPA370 Lexington Ave Suite 720 New York, NY 10017	13-3996346	501c3	5,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
City Club1333 Fifth Ave Ste 24 Seattle, WA 98101	91-1148262	501c3	5,000				General Support
Downtown Emergency Service Center515 Third Ave Seattle, WA 98104	91-1275815	501c3	5,000				General Support

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
Encompass1407 Boalch Ave NW North Bend, WA 98045	91-0825232	501c3	5,000				General Support
Girls on the Run Puget Sound8757 15th Ave NW Seattle, WA 98117	84-1618574	501c3	5,000				General Support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Hope for Heroism 1201 Third Ave Ste 700 Seattle, WA 98101	91-2105756	501c3	5,000				General Support
King County Sexual Assault Resource Center 200 Mill Ave S Ste 10 Renton, WA 98057	91-0967255	501c3	5,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
National Multiple Sclerosis Society 192 Nickerson St Ste 100 Seattle, WA 98109	91-0742424	501c3	5,000				General Support
Robert Vasen Foundation2807 102n Ave SE Bellevue, WA 98004	20-8656415	501c3	5,000				General Support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Safe Crossings Foundation6548 51st Ave Seattle, WA 98115	75-2992774	501c3	5,000				General Support

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

Virginia Mason Medical Center

Employer identification number

91-0565539

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

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.

[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
I	1a	In recognition of her qualifications and prior experience with Virginia Mason Medical Center, the Medical Center entered into an employment agreement with its CIO/CFO. Pursuant to the terms of the agreement she received a cash payment designed to equal the retirement contributions made to employees with similar experience. To render it tax neutral to the employee, the payment was increased for the anticipated federal income tax liability. The payment will end April 2013.
I	1a	Social club dues are provided to two members of the senior leadership team who use the club memberships for business purposes. These payments are treated as non-taxable.
I	1b	The payment to the CIO/CFO referred to above was negotiated as part of an employment agreement which was reviewed and approved by the Medical Centers Board of Directors Compensation and Benefits Committee, a committee composed of independent board members to whom the Board has delegated authority to approve compensation and benefits for executive leaders of the Medical Center.
I	1b	All invoices for payment of social club dues and associated monthly expenses are paid pursuant to the Medical Center Business Expense Policy and Social Club Dues Policy.
I	4b	The Medical Center has a Supplemental Executive Retirement Plan (SERP). The SERP is a 457(f) nonqualified deferred compensation plan pursuant to which plan benefits are subject to a substantial risk of forfeiture. The plan was approved by the Boards Compensation and Benefits Committee, a committee composed of independent board members to whom the Board delegates the authority to approve compensation and benefits for the Medical Centers most senior executives.
I	4b continued	The Committee receives advice from an independent compensation consultant to ensure that compensation and benefits, including the SERP, are market competitive and reasonable. Supplemental Executive Retirement Plans such as this are customary for senior executives in the health care industry.

**Software ID:** 11000218  
**Software Version:** 2011.0.0  
**EIN:** 91-0565539  
**Name:** Virginia Mason Medical Center

## 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				
Gary Kaplan MD	(i) (ii)	935,516	331,324	29,171	1,703,993	28,795	3,028,799	
Suzanne Anderson	(i) (ii)	447,131	103,259	23,501	55,723	15,646	645,260	
Katerie Chapman	(i) (ii)	219,260	45,825	4,140	15,513	23,726	308,464	
Lucy Glenn MD	(i) (ii)	520,668	122,297	17,274	29,549	14,409	704,197	
Michael Glenn MD	(i) (ii)	580,740	131,745	17,274	127,422	13,070	870,251	
Fred Govier MD	(i) (ii)	560,728	126,861	17,274	68,021	28,718	801,602	
Kate Reed	(i) (ii)	64,733	75,780	182,396	10,472	14,924	348,305	
Andrew Jacobs MD	(i) (ii)	441,200	105,165	17,274	75,962	34,578	674,179	
Joyce Lammert MD	(i) (ii)	398,020	90,505	17,468	58,571	12,150	576,714	
Brian McDonald MD	(i) (ii)	297,749		877	32,702	19,425	350,753	
Sarah Patterson	(i) (ii)	472,296	105,494	3,960	110,998	26,539	719,287	
William Poppy	(i) (ii)	352,583	83,473	39,906	43,430	31,851	551,243	
Steve Rupp MD	(i) (ii)	474,674	109,484	774	30,968	19,731	635,631	
Donna Smith MD	(i) (ii)	377,906	86,973	15,914	64,522	11,201	556,516	
Charleen Tachibana RN	(i) (ii)	345,630	77,822	19,044	49,637	17,067	509,200	
Christopher L Fellows MD	(i) (ii)	1,173,564	227	774	49,613	21,726	1,245,904	
Ulrike I Ochs MD	(i) (ii)	964,430	12	813	29,105	17,979	1,012,339	
Richard A Kozarek MD	(i) (ii)	950,266	8	1,188	156,720	21,906	1,130,088	

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				
Keith Paige MD	(i) (ii)	803,029		270	61,988	29,163	894,450	
Edwin Rhim M D	(i) (ii)	785,020		180	15,512	22,644	823,356	
James P Cote	(i) (ii)	208,467	46,357	17,400	4,915	14,182	291,321	
Robert Mecklenburg MD	(i) (ii)	384,748	25	35,286	33,224	19,407	472,690	
Michael P Ondracek	(i) (ii)	205,338	46,852	600	598	26,561	279,949	
Craig Goodrich	(i) (ii)	286,359	69,324	19,080	43,700	19,301	437,764	
Catherine Potts	(i) (ii)	267,372	33,540	17,688	26,285	14,026	358,911	

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>										OMB No 1545-0047	
											<div>2011</div>	
	Department of the Treasury Internal Revenue Service	Name of the organization Virginia Mason Medical Center										Employer identification number 91-0565539

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Washington Health Care Facilities Authority	91-1108929	93978EH54	12-03-2007	316,302,277	Refund/Redeem, acquire, construct, remodel facility purchase equipment		X		X		X

Part II    Proceeds									
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	316,302,277							
4	Gross proceeds in reserve funds	25,471,181							
5	Capitalized interest from proceeds	22,315,769							
6	Proceeds in refunding escrow	86,774,645							
7	Issuance costs from proceeds	6,230,082							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	175,510,600							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2011							
		Yes	No						
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use											
				A		B		C		D	
				Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?				X						
2	Are there any lease arrangements that may result in private business use of bond-financed property?				X						

Part IIIPrivate Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 001 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %							
6	Total of lines 4 and 5	0 001 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IVArbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X							
b	Name of provider	Trinity Plus Funding Company LLC							
c	Term of GIC	0000000017 000000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?	X							

Part VProcedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☒ Yes ☐ No

Part VISupplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
91-0565539

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue								
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?								

Part III Private Business Use									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
91-0565539

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue								
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?								

Part III Private Business Use									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
91-0565539

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue								
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?								

Part III Private Business Use									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
91-0565539

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue								
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?								

Part III Private Business Use									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
91-0565539

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue								
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?								

Part III Private Business Use									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Virginia Mason Medical Center

Employer identification number  
  
91-0565539

Part I

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

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

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

2

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

\$

3

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

\$

Part II

Loans to and/or From Interested Persons.

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

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

Part III

Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

**Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Joan Lange	Sister of Bob Lemon	81,150	Employee		No
(2) The Seattle Times	Tod Hamachek	333,132	Goods and Services purchased		No

Part V

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

Identifier	Return Reference	Explanation
IV	2	Tod Hamacheck is a compensated director of Seattle Times

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

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

OMB No 1545-0047

**2011**

**Open to Public  
Inspection**

Name of the organization Virginia Mason Medical Center	<b>Employer identification number</b>  91-0565539
---	---

Identifier	Return Reference	Explanation
Form 990 Part III	1	The Medical Center also operates Bailey-Boushay House, a skilled nursing facility and day health center serving the HIV/AIDS community. The Medical Centers patient care services are integrated with and enhanced by education and research activities which include a graduate medical education program providing training to over 113 residents, fellows and medical students each year. In addition, the Medical Center sponsors training programs for pharmacy and a variety of other health services such as nursing, respiratory therapy, physical therapy, speech and language therapy and laboratory technology.

Identifier	Return Reference	Explanation
Form 990 Part III	4a	<p>The Medical Center is committed to subsidizing certain health services due to the demonstrated need for these services in the community. Since 1992, the Medical Center has addressed the treatment of HIV/AIDS by operating Bailey-Boushay House Bailey-Boushay, a 35-bed skilled nursing facility. The first facility in the nation built specifically for the care of people living with AIDS, Bailey-Boushay now also serves other individuals who need intensive nursing care, many of whom are Medicaid recipients. In addition to the care provided to its residential population, Bailey-Boushay provides day health services to 259 clients annually, allowing them to live independently with HIV/AIDS. The Medical Center also offers emergency services 24 hours a day, 7 days a week. The department is staffed by board-certified emergency physicians, physician assistants and certified emergency nurses.</p>

Identifier	Return Reference	Explanation
Form 990 Part III	4a continued	The Medical Center is committed to providing necessary medical services regardless of a patients ability to pay and without discrimination as to race, color, creed, national origin, religion, sex, sexual orientation, disability, age, source of income, or any other class protected by federal or Washington state law , or who have an emergency medical condition The Medical Center is a participating hospital in the Washington State Medicaid Contracting Program Charity Care is provided according to a sliding fee scale for patients with gross family incomes at or below 300 of the Federal poverty guidelines adjusted for family size as follows 1 Below the Federal Poverty Level Medicaid and/or 100 Discount 2 100 - 200 of Poverty Level 100 Discount 3 201 - 250 of Poverty Level 50 Discount 4 251 - 300 of Poverty Level 30 Discount

Identifier	Return Reference	Explanation
Form 990 Part III	4a continued	Full or partial charity care may be provided to patients with gross family incomes from 201 to 300 of the federal poverty level when circumstances indicate that full payment may cause financial hardship so as to significantly harm the patient or patients family Patients without health insurance are eligible for a twenty-five percent 25 discount on medically necessary services under the Medical Centers Discounts for Uninsured Patients Policy Charity care was provided at a cost of 10,359,491 during the year, along with 21,533,275 of Medicaid contractual allowances Charity care does not include bad debts which is the amount the Medical Center is not paid by patients deemed able to pay their bills

Identifier	Return Reference	Explanation
Form 990 Part III	4b	The Medical Centers graduate medical education program maintains education affiliation agreements with community clinics under which the Medical Centers residents provide care to patients at clinics serving low -income and uninsured patients The Medical Center has an affiliation with Eastgate Public Health Clinic operated by Seattle and King County Public Health to provide a resident clinic 4-days a week under the supervision of Medical Center physicians This affiliation has expanded access to health care for King County residents and enhanced the educational opportunities of internal medicine residents

Identifier	Return Reference	Explanation
Form 990 Part III	4b continued	The Clinical Nursing Education CNE program offered 25 CNE events in 2011 to 1,031 attendees. Participants include nurses, primary audience and advanced practice registered nurses (CNS, CNL, ARNP), as well as human resources, business partners, patient service and relations project managers, customer service representatives, patient flow coordinators, respiratory therapists, social workers, pharmacists and pharmacy interns, educators, nursing students, dietitians, specialized technicians, medical assistants, patient care technicians and physicians.

Identifier	Return Reference	Explanation
Form 990 Part III	4b continued	The Medical Center also serves as an internship site for students in a variety of allied health programs such as nursing, pharmacy, respiratory therapy, physical therapy, occupational therapy, social work, sleep disorders, medical insurance, speech and language therapy, radiology and laboratory technology. Successful relationships have been built with vocational training programs for medical assistants as well.

Identifier	Return Reference	Explanation
Form 990 Part III	4b continued	The Medical Center provides strong support for continuing medical education CME. The Medical Centers CME program is accredited by the Accreditation Council for Continuing Medical Education ACCME. In 2010, the program was reaccredited, receiving Accreditation with Commendation a designation achieved by the top 20 percent of CME programs in the country. In 2011, the CME department sponsored 14 courses either full-, half-, or multi-day which were attended by 668 participants, including 388 physicians. Together, participants in these activities completed 3,487 hours of continuing education.

Identifier	Return Reference	Explanation
Form 990 Part III	4b continued	During 2011, 37 one-hour Grand Rounds presentations were presented at the Medical Center, with the on-site audience averaging 135 attendees. The Grand Rounds series is also broadcast via videoconference to 15 off-site health care systems throughout Alaska and Washington State. In 2011, 3,484 AMA PRA Category 1 Credits TM were awarded to participants in this series. The CME department also supports Regularly Scheduled Series in Cancer Care, Cardiac Catheterization, Neuroscience Imaging, Competencies and Incidents, Vascular Surgery, GI Radiology, GI Pathology, and Pharmacy and Therapeutics.

Identifier	Return Reference	Explanation
Form 990 Part III	4b continued	Approximately 15 of our physicians have faculty appointments at the University of Washington, including 5 at the professorship level The Medical Center also maintains a medical library to support its education and research activities

Identifier	Return Reference	Explanation
Form 990 Part III	4c	The Medical Center provided support of Separation and Loss which provides services for adults and children ages 7-18 whose loved one has died as the result of a sudden, violent death by criminal act homicide, including terrorism, suicide or other types of violent death. Services available include therapy groups, short-term therapy, psychiatric consultation and medication management, community, workplace, family and school crisis response and professional training. In 2011, the Medical Center provided 83,000 toward support of Separation and Loss.

Identifier	Return Reference	Explanation
Form 990 Part III	4c continued	The Medical Center also supports Tender Loving Care TLC a day-care program for mildly ill children in King County. The program offers a cost-effective alternative for working parents with children who are mildly ill. TLC is open to the general public for a set fee and to employees of companies that contract for the service as part of their employee benefit package. The staff at TLC includes a full-time registered nurse and a team of teachers experienced in early childhood education and child development, as well as infection control and caring for mildly ill children. The Medical Center provided 261,000 toward the operating costs of TLC in 2011.

Identifier	Return Reference	Explanation
Form 990 Part III	4d	<p>The Medical Center provides funds and in-kind services to community organizations which are consistent with the Medical Centers charitable purpose. A list of community donations is included on Schedule I. The following is a description of selected recipients and is not all-inclusive.</p> <p>1. The Medical Center supported Go Red for Women Heart Awareness and the Annual HeartWalk which benefited the American Heart Association (AHA) in 2011. AHA's mission is to reduce coronary heart disease, stroke and risk by 25% by 2010.</p> <p>2. SEAFAIR and the Medical Center partnered to sponsor the BRI Triathlon, benefitting Autoimmune Research.</p> <p>3. The Medical Center was a sponsor of the JDRF Gala to benefit the Juvenile Diabetes Research Foundation (JDRF). The JDRF's mission is to find a cure for diabetes and its complications through the support of research.</p>

Identifier	Return Reference	Explanation
Form 990 Part III	4d continued	4 The Medical Center was a sponsor of Pancreatic Cancer Survivor Gala to benefit Pancreatic Cancer Action Network Pancreatic Cancer Action Network is a nationwide network of people dedicated to working together to advance research, support patients and create hope for those affected by pancreatic cancer 5 The mission of United Way is to improve peoples lives by mobilizing the caring power of communities The Medical Center provided support to the United Ways fundraising effort of 199,000 in 2011

Identifier	Return Reference	Explanation
Form 990 Part III	4d continued	6 The Medical Center health care providers and staff donated free prostate cancer screenings to 350 men in the Puget Sound region, in partnership with zerocancer.org, an organization that leads the fight to end prostate cancer, the most commonly diagnosed cancer among men. By promoting greater awareness of the need for early detection and leveraging public resources for life-saving research and new treatments for those with advanced disease.

Identifier	Return Reference	Explanation
Form 990 Part VI	2	Family relationship between key employees Michael Glenn, MD and Lucy Glenn, MD

Identifier	Return Reference	Explanation
Form 990 Part VI	4	<p>The organization created a position of Board Chair-Elect. The Chair-Elect is expected after a one 1 year term to assume the position of Chairman of the Board. The purpose of the Chair-Elect position is to provide an opportunity for the Chair-Elect to be appropriately oriented to the role and responsibilities of the Chairman of the Board, ensuring a smooth transition of the Board Chair position. The Chair-Elect shall be an independent director, as determined by the Board of Directors in accordance with the corporations policy regarding director independence. The Chair-Elect shall serve as an ex officio member of the Officers Committee without voting rights. The Chair-Elects responsibilities are in addition to any applicable responsibilities or voting rights of such individual as a board member, Committee Chair or officer.</p>

Identifier	Return Reference	Explanation
Form 990 Part VI	4 continued	The Bylaws were also amended to explicitly state that the Chairman shall be an independent director, as determined by the Board of Directors in accordance with the corporations policy regarding director independence

Identifier	Return Reference	Explanation
Form 990 Part VI	6, 7	Virginia Mason Health System VMHS is the sole corporate member of Virginia Mason Medical Center VMHS as the sole voting member has the following approval rights 1 Election and approval of Directors and Officers of the Board of Directors 2 Approval of the appointment of the Chief Executive Officer 3 Removal of Directors and Officers of the Board of Directors 4 Approval of all long-range plans proposed by the Board of Directors 5 Approval of the annual capital and operating budgets proposed by the Board of Directors 6 Approval of the borrowing of funds where the amount is in excess of Ten Million Dollars 7 Approval of the sale, lease, exchange, mortgage, pledge or disposal of all or substantially all of the property and assets 8 Approval of all amendments to the Articles of Incorporation or Bylaws

Identifier	Return Reference	Explanation
Form 990 Part VI	6,7 continued	All other rights and powers as specified in the Washington Nonprofit Corporation Act

Identifier	Return Reference	Explanation
Form 990 Part VI	11b	The Audit and Compliance Committee, a committee composed of independent community members of the Medical Center Board of Directors ACC is responsible for oversight of the annual VMMC Form 990 and 990-T preparation process including 1 selection, engagement, and performance of an independent tax preparer 2 review of the annual draft Form 990 and 990-T tax returns, and 3 recommending the final form 990 and 990-T tax returns for review to the VMMC Board of Directors At the ACC September meeting, management provided the ACC with an initial draft of the Form 990 and the tax preparer presented an overview of the Form 990 preparation process Following the September meeting, the ACC Chair updates the VMMC Board on the Form 990 preparation In October, a revised draft of the Form 990 is provided to the ACC Chair for further review and comment

Identifier	Return Reference	Explanation
Form 990 Part VI	11b continued	The final draft Form 990 is reviewed and approved by the ACC in November, and provided to the VMMC Board for review of the final Form 990 prior to filing. The final Form 990 and 990-T tax returns are provided to each member of the VMMC Board of Directors via electronic delivery by posting on a secure website which allows online viewing of Board documents.

Identifier	Return Reference	Explanation
Form 990 Part VI	12c	The Governance Committee of the Board has accountability for oversight of the process for disclosure, evaluation and management of conflicts of interest involving any member of the Board, executive leadership or key employees Covered Person Pursuant to the Conflicts of Interest Policy, an annual conflict of interest questionnaire is distributed to all Covered Persons In addition, a Covered Person has an on-going duty to disclose the existence of a conflict of interest at any time an actual or potential conflict arises

Identifier	Return Reference	Explanation
Form 990 Part VI	12c continued	Each Covered Person is required upon appointment and annually thereafter to attest to a statement that affirms that such person has 1 received a copy of the Conflicts of Interest Policy 2 has read and understands the Policy 3 has agreed to comply with the Policy and 4 understands that Virginia Mason is a charitable organization and that in order to maintain its federal tax exemption must engage primarily in activities that accomplish its tax-exempt purposes

Identifier	Return Reference	Explanation
Form 990 Part VI	12c continued	Written disclosures are review ed by the Governance Committee to determine if an actual or potential conflict of interest exists and if so, how it should be managed The Governance Committee informs the Covered Person in writing regarding the determination the Conflict of Interest Management Plan No Covered Person with an actual or potential conflict of interest shall engage in an activity on Virginia Masons behalf related to the disclosed actual or potential Conflict of Interest unless such activity is permitted by the Conflict of Interest Management Plan or until the Covered Person has undertaken all steps set forth in the Management Plan to manage, reduce or eliminate the conflict All Covered Persons have a duty to disclose the existence of any actual or potential conflict of interest with respect to meeting agenda items

Identifier	Return Reference	Explanation
Form 990 Part VI	12c continued	The Conflicts of Interest Policy requires that copies of the Conflict of Interest Questionnaires completed annually by each Covered Person and any Conflict of Interest Managaement Plan be maintained. In addition, the minutes of the board and all committees with board-delegated powers shall document the disclosure and resolution of any actual or potential conflict of interest disclosed at such meeting.

Identifier	Return Reference	Explanation
Form 990 Part VI	15	The Compensation and Benefits Board Committee, a committee composed solely of independent directors none of whom have a conflict of interest, is accountable for setting reasonable total compensation packages for each executive, including the CEO, officers and key employees Executives consistent with Virginia Masons philosophy and principles The Board develops and approves annual goals and performance criteria which are used in determining merit increases and variable compensation opportunities for the Virginia Mason Executives The Committee assesses performance against these goals The Committee selects and engages a qualified independent compensation consultant to review and analyze the total compensation and benefits packages to the Executives

Identifier	Return Reference	Explanation
Form 990 Part VI	15 continued	The Committee as part of its anlaysis obtains from the compensation consultant appropriate comparability data including total compensation paid by similarly situated for-profit and non-profit health care organizations for positions that are functionally comparable to each of the Executives With respect to those Executives below the level of Chair/Chief Executive Officer, the Committee requests that the Chair/Chief Executive Officer work with the compensation consultant to formulate a compensation recommendation for each such Executive, consistent with Virginia Masons compensation philosophy and principles

Identifier	Return Reference	Explanation
Form 990 Part VI	15 continued	Consistent with Virginia Masons compensation philosophy and principles, the Committee approves total compensation packages for each of the Executives based on information presented to the Committee, reasonableness and the best interests of Virginia Mason. The Committees decisions regarding compensation for each Executive are documented in written resolutions and minutes of the Committee. The Committee promptly reports its action to the Board which reports are reflected in the Boards minutes.

Identifier	Return Reference	Explanation
Form 990 Part VI	15 continued	The Executives that were reviewed in 2011 were Chief Executive Officer, Chief Operating Officer and Executive Vice President, Chief Information Officer/Chief Financial Officer and Senior Vice President, Senior Vice Presidents, Vice Presidents, Physician Chiefs, Clinic Medical Director, Hospital Medical Director

Identifier	Return Reference	Explanation
Form 990 Part VI	19	The organizations Articles, Bylaws and Conflicts of Interest Policy are made available on its public web site Financial statements are made available upon request

Identifier	Return Reference	Explanation
Form 990 Part VII	1a Column B	The estimated average hours per week devoted to a related organization are Alfred Lopus 2 hours, Andrew Jacobs 2 hours, Brian McDonald 0 hours, Carolyn Corvi 4 hours, Charleen Tachibana 0 hours, Christopher Fellows 0 hours, Craig Goodrich 1 hour, David Moffett 2 hours, Donna Smith 0 hours, Dorothy Mann 2 hours, Edwin Rhim 0 hours, Evelyn Cruz Sroufe 2 hours, Fred Govier 0 hours, Gary Kaplan 5 hours, James Cote 0 hours, James Orlikoff 4 hours, James Young 4 hours, Joshua Green 2 hours, Joyce Lammert 0 hours, Julie Morath 2 hours, Kate Reed 0 hours, Katerie Chapman 0 hours, Lonnie Edelheit 2 hours, Lucy Glenn 0 hours, Michael Glenn 0 hours, Michael Ondracek 0 hours, Keith Paige 0 hours, Richard Kozarek 0 hours, Richard Robbins 2 hours, Robert Lemon 5 hours, Robert Mecklenburg 25 hours, Sarah Patterson 4 hours, Steve Rupp 0 hours, Suzanne Anderson 4 hours, Tod Hamachek 2 hours

Identifier	Return Reference	Explanation
Form 990 Part VII	1a Column B	Ulrike Ochs 0 hours, William Poppy 0 hours

Identifier	Return Reference	Explanation
Form 990 Part XI	5	Donated Capital 2,101 Additional Pension Adjustment 12,538,463 Restricted Capital Transfers 1,884,687 Unrealized Gain and Loss on Investment 4,214,039 Other-than-temporary impairment 3,516,288 Cost of Goods Sold Adjustment 2,213

Identifier	Return Reference	Explanation
		<p>Form 990 Part III Line 1 The Medical Center also operates Bailey-Boushay House, a skilled nursing facility and day health center serving the HIV/AIDS community The Medical Centers patient care services are integrated with and enhanced by education and research activities which include a graduate medical education program providing training to over 113 residents, fellows and medical students each year In addition, the Medical Center sponsors training programs for pharmacy and a variety of other health services such as nursing, respiratory therapy, physical therapy, speech and language therapy and laboratory technology Form 990 Part III Line 4a The Medical Center is committed to subsidizing certain health services due to the demonstrated need for these services in the community Since 1992, the Medical Center has addressed the treatment of HIV/AIDS by operating Bailey-Boushay House Bailey-Boushay, a 35-bed skilled nursing facility The first facility in the nation built specifically for the care of people living with AIDS, Bailey-Boushay now also serves other individuals who need intensive nursing care, many of whom are Medicaid recipients In addition to the care provided to its residential population, Bailey-Boushay provides day health services to 259 clients annually, allowing them to live independently with HIV/AIDS The Medical Center also offers emergency services 24 hours a day, 7 days a week The department is staffed by board-certified emergency physicians, physician assistants and certified emergency nurses Form 990 Part III Line 4a continued The Medical Center is committed to providing necessary medical services regardless of a patients ability to pay and without discrimination as to race, color, creed, national origin, religion, sex, sexual orientation, disability, age, source of income, or any other class protected by federal or Washington state law, or who have an emergency medical condition The Medical Center is a participating hospital in the Washington State Medicaid Contracting Program Charity Care is provided according to a sliding fee scale for patients with gross family incomes at or below 300 of the Federal poverty guidelines adjusted for family size as follows 1 Below the Federal Poverty Level Medicaid and/or 100 Discount 2 100 - 200 of Poverty Level 100 Discount 3 201 - 250 of Poverty Level 50 Discount 4 251 - 300 of Poverty Level 30 Discount Form 990 Part III Line 4a continued Full or partial charity care may be provided to patients with gross family incomes from 201 to 300 of the federal poverty level when circumstances indicate that full payment may cause financial hardship so as to significantly harm the patient or patients family Patients without health insurance are eligible for a twenty-five percent 25 discount on medically necessary services under the Medical Centers Discounts for Uninsured Patients Policy Charity care was provided at a cost of 10,359,491 during the year, along with 21,533,275 of Medicaid contractual allowances Charity care does not include bad debts which is the amount the Medical Center is not paid by patients deemed able to pay their bills Form 990 Part III Line 4b The Medical Centers graduate medical education program maintains education affiliation agreements with community clinics under which the Medical Centers residents provide care to patients at clinics serving low-income and uninsured patients The Medical Center has an affiliation with Eastgate Public Health Clinic operated by Seattle and King County Public Health to provide a resident clinic 4-days a week under the supervision of Medical Center physicians This affiliation has expanded access to health care for King County residents and enhanced the educational opportunities of internal medicine residents Form 990 Part III Line 4b continued The Clinical Nursing Education CNE program offered 25 CNE events in 2011 to 1,031 attendees Participants include nurses primary audience and advanced practice registered nurses CNS, CNL, ARNP, as well as human resources business partners, patient service and relations project managers, customer service representatives, patient flow coordinators, respiratory therapists, social workers, pharmacists and pharmacy interns, educators, nursing students, dietitians, specialized technicians, medical assistants, patient care technicians and physicians Form 990 Part III Line 4b continued The Medical Center also serves as an internship site for students in a variety of allied health programs such as nursing, pharmacy, respiratory therapy, physical therapy, occupational therapy, social work, sleep disorders, medical insurance, speech and language therapy, radiology and laboratory technology Successful relationships have been built with vocational training programs for medical assistants as well Form 990 Part III Line 4b continued The Medical Center provides strong support for continuing medical education CME The Medical Centers CME program is accredited by</p>

Identifier	Return Reference	Explanation
		<p>the Accreditation Council for Continuing Medical Education ACCME. In 2010, the program was reaccredited, receiving Accreditation with Commendation a designation achieved by the top 20 percent of CME programs in the country. In 2011, the CME department sponsored 14 courses either full-, half-, or multi-day which were attended by 668 participants, including 388 physicians. Together, participants in these activities completed 3,487 hours of continuing education. Form 990 Part III Line 4b continued During 2011, 37 one-hour Grand Rounds presentations were presented at the Medical Center, with the on-site audience averaging 135 attendees. The Grand Rounds series is also broadcast via videoconference to 15 off-site health care systems throughout Alaska and Washington State. In 2011, 3,484 AMA PRA Category 1 Credits TM were awarded to participants in this series. The CME department also supports Regularly Scheduled Series in Cancer Care, Cardiac Catheterization, Neuroscience Imaging, Competencies and Incidents, Vascular Surgery, GI Radiology, GI Pathology, and Pharmacy and Therapeutics. Form 990 Part III Line 4b continued Approximately 15 of our physicians have faculty appointments at the University of Washington, including 5 at the professorship level. The Medical Center also maintains a medical library to support its education and research activities. Form 990 Part III Line 4c The Medical Center provided support of Separation and Loss which provides services for adults and children ages 7-18 whose loved one has died as the result of a sudden, violent death by criminal act homicide, including terrorism, suicide or other types of violent death. Services available include therapy groups, short-term therapy, psychiatric consultation and medication management, community, workplace, family and school crisis response and professional training. In 2011, the Medical Center provided 83,000 toward support of Separation and Loss. Form 990 Part III Line 4c continued The Medical Center also supports Tender Loving Care TLC a day-care program for mildly ill children in King County. The program offers a cost-effective alternative for working parents with children who are mildly ill. TLC is open to the general public for a set fee and to employees of companies that contract for the service as part of their employee benefit package. The staff at TLC includes a full-time registered nurse and a team of teachers experienced in early childhood education and child development, as well as infection control and caring for mildly ill children. The Medical Center provided 261,000 toward the operating costs of TLC in 2011. Form 990 Part III Line 4d The Medical Center provides funds and in-kind services to community organizations which are consistent with the Medical Centers charitable purpose. A list of community donations is included on Schedule I. The following is a description of selected recipients and is not all-inclusive. 1 The Medical Center supported Go Red for Women Heart Awareness and the Annual HeartWalk which benefited the American Heart Association AHA in 2011. AHAs mission is to reduce coronary heart disease, stroke and risk by 25 by 2010. 2 SEFAIR and the Medical Center partnered to sponsor the BRI Triathlon, benefitting Autoimmune Research. 3 The Medical Center was a sponsor of the JDRF Gala to benefit the Juvenile Diabetes Research Foundation JDRF. The JDRFs mission is to find a cure for diabetes and its complications through the support of research. Form 990 Part III Line 4d continued 4 The Medical Center was a sponsor of Pancreatic Cancer Survivor Gala to benefit Pancreatic Cancer Action Network. Pancreatic Cancer Action Network is a nationwide network of people dedicated to working together to advance research, support patients and create hope for those affected by pancreatic cancer. 5 The mission of United Way is to improve peoples lives by mobilizing the caring power of communities. The Medical Center provided support to the United Ways fu</p>

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**  
Virginia Mason Medical Center

**Employer identification number**  
91-0565539

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) 1000 Madison LLC 1100 Ninth Avenue Seattle, WA 98101 20-4018216	Real Estate	WA	1,180,735	24,108,126	Virginia Mason Medical Center
(2) 1005 Spring Street LLC 1100 Ninth Avenue Seattle, WA 98101 20-4816736	Real Estate	WA	1,374,987	4,910,369	Virginia Mason Medical Center
(3) Health Resource Services LLC 1100 Olive Way Seattle, WA 98101 26-2800944	Group Purchasing	WA	7,912,296	10,370,156	Virginia Mason Medical Center

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Virginia Mason Health System  1100 Ninth Avenue  Seattle, WA 98101 91-1351110	Fundraising	WA	501c3	7	N/A	Yes	
(2) Virginia Mason Institute  1100 Ninth Avenue  Seattle, WA 98101 26-3763656	Education/Research	WA	501 c 3	9	Virginia Mason Medical Center		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproporionate 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) Natl Purchasing Ptns LLC  1100 Olive Wy Seattle, WA 98101 20-3470995	Group Purchasing	WA	N/A	Unrelated	8,538,962	2,581,956		No		Yes		50 000 %

Part IV

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

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

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

No

No

No

No

Yes

Yes

No

No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds			
(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

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	
------------	------------------	-------------	--

Form

4562

Depreciation and Amortization  
(Including Information on Listed Property)

OMB No 1545-0172

2011

Attachment  
Sequence No 179

Department of the Treasury  
Internal Revenue Service (99)

See separate instructions. Attach to your tax return.

Name(s) shown on return Virginia Mason Medical Center	Business or activity to which this form relates 990T	Identifying number 91-0565539
--	---	----------------------------------

Part I Election To Expense Certain Property Under Section 179

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

1 Maximum amount (see instructions)	1	500,000
2 Total cost of section 179 property placed in service (see instructions)	2	59,153
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	500,000

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

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

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

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	59,153
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	37,945

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

Section A		
17 MACRS deductions for assets placed in service in tax years beginning before 2011	17	132,909
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System						
(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System					
20a Class life				S/L	
b 12-year			12 yrs	S/L	
c 40-year			40 yrs	MM	S/L

Part IV Summary (see instructions)

21 Listed property Enter amount from line 28	21	5,023
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	235,030
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V

Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)  
**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

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

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No						24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No			
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation/deduction	(i) Elected section 179 cost	
25Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25		
26 Property used more than 50% in a qualified business use									
		%					741		
		%							
27 Property used 50% or less in a qualified business use									
		%			S/L-		4,282		
		%			S/L -				
		%			S/L -				
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						28	5,023		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29		

Section B—Information on Use of Vehicles

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

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

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

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

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

Part VI Amortization

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

TY 2011 Affiliated Group Schedule

Name:

EIN:

Software ID:

Software Version:

Virginia Mason Medical Center

91-0565539

11000218

2011.0.0

Affiliated Group Business Name:		Virginia Mason Medical Center
Address. Either US or Foreign Type:		1100 Ninth Avenue Seattle, WA 98101
EIN:		91-0565539
Electing Organization Checkbox:		<input checked="" type="checkbox"/>
Total Grassroots Lobbying:	122,311	
Total Direct Lobbying:	100,000	
Total Lobbying Expenditures:	222,311	
Other Exempt Purpose Expenditures:	862,824,008	
Total Exempt Purpose Expenditures:	863,046,319	
Lobbying Nontaxable Amount:	940,568	
Grassroots Nontaxable Amount:	235,142	
Tot Lobbying Grassroot Minus Non Tx:	0	
Tot Lobby Expend Mns Lobbying Non Tx:	0	
Share Of Excess Lobbying:	0	
Affiliated Group Business Name:		Virginia Mason Health System
Address. Either US or Foreign Type:		1100 Ninth Avenue Seattle, WA 98101
EIN:		91-1351110
Electing Organization Checkbox:		<input type="checkbox"/>
Total Grassroots Lobbying:	0	
Total Direct Lobbying:	0	
Total Lobbying Expenditures:	0	
Other Exempt Purpose Expenditures:	14,369,012	
Total Exempt Purpose Expenditures:	14,369,012	
Lobbying Nontaxable Amount:	15,660	
Grassroots Nontaxable Amount:	3,915	
Tot Lobbying Grassroot Minus Non Tx:	0	
Tot Lobby Expend Mns Lobbying Non Tx:	0	
Share Of Excess Lobbying:	0	
Affiliated Group Business Name:		Virginia Mason Institute
Address. Either US or Foreign Type:		1100 Ninth Avenue Seattle, WA 98101
EIN:		26-3763656
Electing Organization Checkbox:		<input type="checkbox"/>
Total Grassroots Lobbying:	0	
Total Direct Lobbying:	0	
Total Lobbying Expenditures:	0	
Other Exempt Purpose Expenditures:	2,003,316	
Total Exempt Purpose Expenditures:	2,003,316	
Lobbying Nontaxable Amount:	2,183	
Grassroots Nontaxable Amount:	546	
Tot Lobbying Grassroot Minus Non Tx:	0	
Tot Lobby Expend Mns Lobbying Non Tx:	0	
Share Of Excess Lobbying:	0	
Affiliated Group Business Name:		Benaroya Research Institute at Virginia Mason
Address. Either US or Foreign Type:		1201 Ninth Avenue Seattle, WA 98101
EIN:		91-0653422
Electing Organization Checkbox:		<input type="checkbox"/>
Total Grassroots Lobbying:	0	
Total Direct Lobbying:	0	
Total Lobbying Expenditures:	0	
Other Exempt Purpose Expenditures:	38,161,661	
Total Exempt Purpose Expenditures:	38,161,661	
Lobbying Nontaxable Amount:	41,589	
Grassroots Nontaxable Amount:	10,397	
Tot Lobbying Grassroot Minus Non Tx:	0	
Tot Lobby Expend Mns Lobbying Non Tx:	0	
Share Of Excess Lobbying:	0	



**VIRGINIA MASON MEDICAL CENTER**

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPM G LLP  
Suite 900  
801 Second Avenue  
Seattle, WA 98104

## Independent Auditors' Report

The Board of Directors  
Virginia Mason Medical Center

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Medical Center'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virginia Mason Medical Center as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 2, 2012

**VIRGINIA MASON MEDICAL CENTER**

Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands)

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets		
Cash and cash equivalents	\$ 95,043	112,187
Patient accounts receivable, net of provision for uncollectible accounts of \$4,572 and \$4,456 in 2011 and 2010, respectively	83,181	70,790
Other receivables	12,961	7,626
Supplies inventory	13,052	12,923
Prepayments and other	3,941	3,600
Current portion of funds held by trustee	8,056	7,963
Current portion of board-designated investments	5,000	6,000
Total current assets	<u>221,234</u>	<u>221,089</u>
Assets whose use is limited		
Funds held by trustee, net of current portion	29,056	28,998
Board-designated investments for		
Capital improvements	113,907	105,978
Retirement plans	14,595	15,890
Professional liability	8,656	10,500
Other	14,602	16,017
Assets whose use is limited, net of current portion	<u>180,816</u>	<u>177,383</u>
Land, buildings, and equipment, net of accumulated depreciation	475,889	440,097
Property held for future use	28,379	29,342
Deferred financing costs, net of accumulated amortization	8,887	9,384
Beneficial interest and other assets	5,342	7,527
Total assets	<u>\$ 920,547</u>	<u>884,822</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 4,549	4,106
Accounts payable	36,259	33,035
Accrued liabilities		
Salaries, wages, and benefits	61,454	51,841
Interest	7,260	7,316
Other payables	7,799	6,426
Due to affiliates, net	4,931	5,262
Current portion of reserve for professional liability claims and other	5,000	6,000
Current portion of accrued retirement expense	2,518	2,426
Current portion of estimated third-party payor settlements, net	2,348	500
Line of credit	10,000	10,000
Total current liabilities	<u>142,118</u>	<u>126,912</u>
Other liabilities		
Reserve for professional liability claims and other, net of current portion	16,992	18,782
Accrued retirement expense, net of current portion	78,881	64,415
Estimated third-party payor settlements, net of current portion	8,203	7,192
Total other liabilities	<u>104,076</u>	<u>90,389</u>
Long-term debt, net of current portion	<u>354,893</u>	<u>359,226</u>
Total liabilities	<u>601,087</u>	<u>576,527</u>
Commitments and contingencies (note 9)		
Net assets		
Unrestricted	301,267	290,204
Temporarily restricted	14,118	14,155
Permanently restricted	4,075	3,936
Total net assets	<u>319,460</u>	<u>308,295</u>
Total liabilities and net assets	<u>\$ 920,547</u>	<u>884,822</u>

See accompanying notes to consolidated financial statements

**VIRGINIA MASON MEDICAL CENTER**

Consolidated Statements of Operations

Years ended December 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets		
Revenues, gains, and other support		
Net patient revenues	\$ 842,751	799,914
Other operating revenues	39,256	34,670
Net assets released from restriction used for operating purposes	<u>1,714</u>	<u>2,145</u>
Total revenues, gains, and other support	<u>883,721</u>	<u>836,729</u>
Expenses		
Salaries, wages, and benefits	512,365	483,405
Supplies	161,599	146,905
Purchased services and other expenses	109,205	109,407
Interest and amortization	5,856	3,587
Depreciation	31,820	28,426
Provision for bad debts	<u>9,214</u>	<u>9,465</u>
Total operating expenses	<u>830,059</u>	<u>781,195</u>
Federal, state, and local revenue and income taxes	<u>20,211</u>	<u>16,606</u>
Excess of revenues over expenses from operations	<u>33,451</u>	<u>38,928</u>
Nonoperating gains (losses)		
Investment income, net	5,658	6,869
Other-than-temporary impairment	(3,328)	(648)
Other, net	<u>(2,249)</u>	<u>(2,350)</u>
Nonoperating gains, net	<u>81</u>	<u>3,871</u>
Excess of revenues over expenses	33,532	42,799
Change in net unrealized gains and losses on investments	(3,971)	6,262
Change in accrued pension liability	(12,538)	4,088
Net assets released from restriction used for land, buildings, and equipment	1,887	7,727
Transfer to Benaroya Research Institute at Virginia Mason	(3,450)	(4,119)
Transfer to Virginia Mason Foundation	<u>(4,397)</u>	<u>(3,967)</u>
Increase in unrestricted net assets	\$ <u><u>11,063</u></u>	<u><u>52,790</u></u>

See accompanying notes to consolidated financial statements

**VIRGINIA MASON MEDICAL CENTER**  
Consolidated Statements of Changes in Net Assets  
Years ended December 31, 2011 and 2010  
(In thousands)

	<b>Unrestricted net assets</b>	<b>Temporarily restricted net assets</b>	<b>Permanently restricted net assets</b>	<b>Total</b>
Balance, December 31, 2009	\$ 237,414	16,559	3,933	257,906
Excess of revenues over expenses	42,799	—	—	42,799
Change in net unrealized gains and losses on investments	6,262	295	—	6,557
Change in accrued pension liability	4,088	—	—	4,088
Net assets released from restriction used for land, buildings, and equipment	7,727	(7,727)	—	—
Transfer to Benarova Research Institute at Virginia Mason	(4,119)	—	—	(4,119)
Transfer to Virginia Mason Foundation	(3,967)	—	—	(3,967)
Restricted donations	—	7,187	—	7,187
Change in beneficial interest in Virginia Mason Foundation	—	(14)	3	(11)
Net assets released from restriction used for operating purposes	—	(2,145)	—	(2,145)
Change in net assets	<u>52,790</u>	<u>(2,404)</u>	<u>3</u>	<u>50,389</u>
Balance, December 31, 2010	<u>290,204</u>	<u>14,155</u>	<u>3,936</u>	<u>308,295</u>
Excess of revenues over expenses	33,532	—	—	33,532
Change in net unrealized gains and losses on investments	(3,971)	(431)	—	(4,402)
Change in accrued pension liability	(12,538)	—	—	(12,538)
Net assets released from restriction used for land, buildings, and equipment	1,887	(1,887)	—	—
Transfer to Benarova Research Institute at Virginia Mason	(3,450)	—	—	(3,450)
Transfer to Virginia Mason Foundation	(4,397)	—	—	(4,397)
Restricted donations	—	6,346	—	6,346
Change in beneficial interest in Virginia Mason Foundation	—	(2,351)	139	(2,212)
Net assets released from restriction used for operating purposes	—	(1,714)	—	(1,714)
Change in net assets	<u>11,063</u>	<u>(37)</u>	<u>139</u>	<u>11,165</u>
Balance, December 31, 2011	<u>\$ 301,267</u>	<u>14,118</u>	<u>4,075</u>	<u>319,460</u>

See accompanying notes to consolidated financial statements

# VIRGINIA MASON MEDICAL CENTER

## Consolidated Statements of Cash Flows

Year ended December 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 11.165	50.389
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Restricted donations provided for property and other	(3.654)	(4.339)
Depreciation	32.490	29.019
Noncash interest expense	716	756
Loss (gain) on disposal of property	24	(168)
Realized losses (gains) on investments	1.471	(3.173)
Change in net unrealized losses (gains) on investments	4.402	(6.557)
Transfer to Benarova Research Institute at Virginia Mason	3.450	4.119
Transfer to Virginia Mason Foundation	4.397	3.967
Change in beneficial interest in Virginia Mason Foundation	2.212	11
Equity income of joint venture, net of cash distributions	2.493	(1.539)
Provision for bad debts	9.214	9.465
Change in operating assets and liabilities		
Patient accounts receivable, net	(21.605)	(13.418)
Other receivables, supplies inventory and prepayments, and other	(5.805)	(2.841)
Accounts payable, accrued salaries, wages and benefits, and other payables	14.487	4.245
Accrued interest	(56)	(59)
Accrued retirement expense	14.558	(1.064)
Estimated third-party payor settlements, net	2.859	(4.262)
Reserve for professional liability claims and other	(2.790)	(1.022)
Net cash provided by operating activities	<u>70.028</u>	<u>63.529</u>
Cash flows from investing activities		
Proceeds from sale of land, buildings, and equipment	249	118
Expenditures for land, buildings, and equipment	(67.869)	(108.388)
Proceeds from sale of board-designated investments	63.029	89.371
Purchases of board-designated investments	(73.769)	(108.084)
Proceeds from sale of trustee held funds investments	24.600	146.038
Purchases of trustee held investments	(24.752)	(84.263)
Change in other assets	(30)	199
Net cash used in investing activities	<u>(78.542)</u>	<u>(65.009)</u>
Cash flows from financing activities		
Repayment of long-term debt	(4.106)	(2.935)
Borrowings under line of credit	40.000	40.000
Repayment under line of credit	(40.000)	(40.000)
Transfer to Benarova Research Institute at Virginia Mason	(3.450)	(4.119)
Transfer to Virginia Mason Foundation	(4.397)	(3.967)
Change in due to due from affiliates, net	(331)	(6.166)
Restricted donations provided for property and other	3.654	4.339
Net cash used in financing activities	<u>(8.630)</u>	<u>(12.848)</u>
Net decrease in cash and cash equivalents	<u>(17.144)</u>	<u>(14.328)</u>
Cash and cash equivalents, beginning of year	<u>112.187</u>	<u>126.515</u>
Cash and cash equivalents, end of year	<u>\$ 95.043</u>	<u>112.187</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized	\$ 8.424	6.214

See accompanying notes to consolidated financial statements

## **VIRGINIA MASON MEDICAL CENTER**

### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

#### **(1) Organization and Related Parties**

Virginia Mason Medical Center (the Medical Center) is a controlled affiliate of Virginia Mason Health System (the Health System), both Washington not-for-profit corporations. The Health System is the sole corporate member of the Medical Center, has overlapping members on the Board of Directors, and reserves certain rights and responsibilities regarding governance, strategic plans, and transactions of the Medical Center. The Health System raises philanthropic support through a division, Virginia Mason Foundation (the Foundation), and has one other controlled affiliate, Benaroya Research Institute at Virginia Mason (BRI, a Washington not-for-profit corporation).

The Medical Center consists of a tertiary care hospital, licensed for 336 beds, and a multi specialty group practice of 386 full-time equivalent, salaried physicians, providing professional and technical diagnostic and treatment services. The Medical Center also operates a 35-bed skilled nursing facility primarily for AIDS patients. The Medical Center also includes the following controlled affiliates, which are consolidated in these financial statements:

- **1000 Madison, LLC** – On January 10, 2006, a limited liability company, 1000 Madison, LLC, was organized for the purpose of holding and managing real estate located at 1000 Madison, Seattle, Washington. The Medical Center is the sole member of 1000 Madison, LLC. On February 17, 2006, 1000 Madison, LLC purchased property located at 1000 Madison to be used for future expansion of the Medical Center for the amount of \$24,000,000. The Medical Center incurred long-term debt under the Master Trust Indenture of \$25,000,000 and contributed the proceeds to the 1000 Madison, LLC, which was used to purchase the property.
- **1005 Spring Street, LLC** – On May 11, 2006, a limited liability company, 1005 Spring Street, LLC, was organized for the purpose of holding and managing real estate located at 1005 Spring Street, Seattle, Washington. The Medical Center is the sole member of 1005 Spring Street, LLC. On June 1, 2006, 1005 Spring Street, LLC purchased property located at 1005 Spring Street to be used for future expansion of the Medical Center for the amount of \$6,075,000. The Medical Center incurred long-term debt under the Master Trust Indenture of \$7,000,000 and contributed the proceeds to the 1005 Spring Street, LLC, which was used to purchase the property.
- **Health Resource Services, LLC** – On July 1, 2008, a limited liability company, Health Resource Services, LLC was organized for the purpose of engaging in group purchasing and consulting services on behalf of healthcare facilities. The Medical Center is the sole member of Health Resource Services, LLC.
- **Virginia Mason Institute** – On October 29, 2008, a Washington not-for-profit corporation, Virginia Mason Institute, was organized with the purpose to promote health and education by providing educational services to healthcare organizations, and engaging in research related to the development of procedures and protocols for the delivery of specific healthcare services. The Medical Center is the sole member of Virginia Mason Institute.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The Medical Center and BRI share certain services and the Medical Center had the following transactions with BRI during the years ended December 31, 2011 and 2010 (in thousands)

	<u>2011</u>	<u>2010</u>
Accounts receivable from BRI	\$ 924	417
Accounts payable to BRI	174	78
Compensation and other payments reimbursed by BRI, net of payments made to BRI	4,943	4,417
Administrative services fee charged to BRI	165	165
Expense incurred by the Medical Center for parking rental	538	538

In 2011 and 2010, the Medical Center provided \$4,397,000 and \$3,967,000, respectively, of operational expense support to the Foundation. In 2011 and 2010, the Medical Center provided \$3,450,000 and \$4,119,000, respectively, of operational support to BRI. The support for these organizations is shown as a transfer of net assets and is excluded from the excess of revenues over expenses on the accompanying consolidated statements of operations.

### (2) Contractual Relationships with Group Health Cooperative of Puget Sound

In 1996, the Medical Center and Group Health Cooperative of Puget Sound (Group Health), a not-for-profit health maintenance organization, entered into a contractual relationship in order to serve their respective patients more efficiently and effectively. The current agreement continues through December 2015 when it becomes renewable through negotiation. Under this agreement, the Medical Center provides inpatient hospital services to Group Health members as well as outpatient and physician services. Net revenues from Group Health were approximately 19% and 16%, respectively, of the Medical Center's net patient revenues in 2011 and 2010.

### (3) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The consolidated financial statements include the financial statements of the Medical Center and its controlled affiliates. All significant intercompany balances and transactions have been eliminated in consolidation.

#### (b) Use of Estimates

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

## **VIRGINIA MASON MEDICAL CENTER**

### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

**(c) *Cash and Cash Equivalents***

Cash and cash equivalents include certain investments in highly liquid financial instruments with original maturities of three months or less at the date of purchase. The Medical Center maintains cash and cash equivalents on deposit at various institutions, which at times exceed the insured limits by the Federal Deposit Insurance Corporation. This exposes the Medical Center to potential risk of loss in the event the institution became insolvent. At December 31, 2011 and 2010, cash equivalents were \$47,072,000 and \$92,669,000, respectively.

**(d) *Supplies Inventory***

Supplies inventory consists principally of medical, surgical and pharmaceutical supplies, which are carried at the lower of cost (current price) or market.

**(e) *Assets Whose Use is Limited***

Assets whose use is limited include assets held by trustees under indenture agreements and designated unrestricted assets set aside by the Board of Directors for future capital improvements, retirement plans, and professional liability claims. Amounts required to meet current liabilities of the Medical Center have been reclassified as current in the accompanying consolidated balance sheets. Assets whose use is limited also include temporarily and permanently restricted assets due to donor restriction and are presented in other in the consolidated balance sheet. Assets whose use is limited include investments in joint ventures and are presented in capital improvements in the consolidated balance sheets, refer to note 14.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest, dividends, and other-than-temporary impairment losses) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities or are securities whose decline value is considered to be other-than-temporary impairment.

Investments are regularly reviewed for impairment and a charge is recognized when the fair value is below cost basis and is judged to be other-than-temporary. For investments managed by outside investment managers who do not need the Medical Center's management pre-approval for sales, all declines in value below cost are recognized as impairments that are other-than-temporary. These impairment losses are classified as nonoperating in the accompanying consolidated statements of operations. A new cost basis is then established for the security.

**(f) *Land, Buildings, and Equipment***

Land, buildings, and equipment are stated at cost or, in the case of assets acquired from the Mason Clinic and Mason Properties in 1986, appraised value. Improvements and replacements of buildings and equipment are capitalized. Maintenance and repairs are expensed as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in the accompanying consolidated statements of operations. Interest costs incurred during the construction of major capital projects, net of certain interest

## VIRGINIA MASON MEDICAL CENTER

### Notes to Consolidated Financial Statements

December 31, 2011 and 2010

income, are capitalized and depreciated as a component of the related assets. During 2011 and 2010, interest was capitalized in the amounts of \$12,156,000 and \$13,963,000, respectively.

The Medical Center assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the asset's carrying value unlikely. An impairment loss is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. In 2011 and 2010, there were no impairment charges.

In 2006, 1000 Madison, LLC and 1005 Spring Street, LLC purchased certain properties adjacent to the Medical Center's existing main Seattle campus that are currently held for future use in connection with the Medical Center's long-term campus planning.

#### **(g) Depreciation**

Depreciation is determined by the straight-line method, which allocates the cost of tangible property ratably over its estimated useful life. Leasehold improvements are amortized over the lesser of useful life or lease term. Estimated useful lives are summarized below:

Buildings	25 – 70 years
Leasehold improvements	3 – 25 years
Equipment	3 – 40 years

#### **(h) Deferred Financing Costs**

Financing costs are capitalized and amortized through interest expense using the effective interest method over the life of the bonds. Accumulated amortization was \$3,831,000 and \$3,496,000 at December 31, 2011 and 2010, respectively.

#### **(i) Temporarily and Permanently Restricted Net Assets**

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

#### **(j) Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Donor gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as other operating revenues in the consolidated statements of operations.

Gifts of long-lived assets such as land, buildings, or equipment without donor stipulations that specify how the assets must be used are reported as unrestricted support and are excluded from the excess of revenues over expenses. Gifts of long-lived or other assets with explicit restrictions that

## **VIRGINIA MASON MEDICAL CENTER**

### **Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

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 in service.

The Foundation solicits contributions on behalf of the Medical Center and collects amounts from donors intended for the Medical Center's use. The Medical Center recognizes an interest in the net assets of the Foundation that is recorded as beneficial interest and other assets on the consolidated balance sheets.

#### **(k) *Net Patient Revenues***

Significant portions of the Medical Center's services are provided to patients with coverage under Medicare, Medicaid, Group Health, or other third-party payor plans. These insurance plans, in many instances, limit the amount the Medical Center can receive in payment to amounts less than the standard charges for services. The basis for payment to the Medical Center under these agreements includes discounts from established charges, prospectively determined rates per discharge, and prospectively determined daily rates. Revenue is reported at the net amount expected to be collected from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. In 2011 and 2010, approximately 31% of the Medical Center's net patient revenues were derived from Medicare, Medicaid, and other governmental programs, the continuance of which is dependent upon governmental policies. In addition, approximately 15% and 16%, respectively, of net patient revenues were derived from Premier Blue Cross in 2011 and 2010, and approximately 13% and 14%, respectively, of net patient revenues in 2011 and 2010 were derived from Regence Blue Shield.

Under Medicare, the Medical Center is paid at prospectively determined rates per discharge for inpatient acute care services. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain other services related to Medicare beneficiaries are paid based on an annual cost report. Payments for Medicare outpatient services are provided based upon a prospective payment system. Payments are prospectively established and may be greater than or less than the Medical Center's actual charges for its services.

#### **(l) *Hospital Safety Net Assessment***

In 2009, the State of Washington (the State) enacted a safety net assessment program involving designated Washington State hospitals to provide matching funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. The safety net assessment was subject to approval by the Centers for Medicare and Medicaid Services (CMS) before it took effect. In 2010, CMS approved the two amendments required to fully enact the safety net assessment program.

In connection with the safety net assessment program, the Medical Center recorded estimated increases in net patient service revenue of \$1,500,000 and \$4,953,000 for 2011 and 2010, respectively, but incurred assessments of \$6,728,000 and \$4,953,000 for 2011 and 2010, respectively. The assessment was recorded in federal, state, and local revenue and income taxes on the consolidated statement of operations. As of December 31, 2011 and 2010, the Medical Center

## **VIRGINIA MASON MEDICAL CENTER**

### **Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

had receivables associated with this program of \$716,000 and \$3,142,000, respectively, which are included with other receivables on the consolidated balance sheets. The Medical Center received redistribution payment for the first biennium agreement through June 30, 2011. The amount of the redistribution funds for the second biennium agreement is unknown as of December 31, 2011.

The State has notified the Medical Center that it will reduce Medicaid payment rates for services provided on and after July 1, 2011. Medicaid will reprocess all claims for services provided on or after July 1, 2011. The Medical Center also had payables associated with this program of \$1,159,000 as of December 31, 2011, which is included with other payables and estimated third-party payor settlements, net on the consolidated balance sheets.

#### **(m) *Estimated Third-Party Payor Settlements***

The Medical Center has settled its Medicare cost reports through 2006. Retroactive adjustments under the Medical Center's cost reports are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined and new information becomes available.

Estimates of net settlements due to third-party payors were approximately \$10,600,000 and \$7,700,000 as of December 31, 2011 and 2010, respectively, and have been reflected within the accompanying consolidated balance sheets. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Net patient service revenue increased by approximately \$1,100,000 and \$2,300,000, respectively, for 2011 and 2010 to reflect third-party settlements and changes in the estimated third-party reserves for prior years.

#### **(n) *Estimated Uncollectibles***

The Medical Center provides an allowance for potential uncollectible patient accounts receivable whereby such receivables are reduced to their estimated net realizable value. The Medical Center estimates this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of co-payments to be made by patients with insurance, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process.

#### **(o) *Charity Care and Medicaid Allowances***

The Medical Center provides medically necessary care in the hospital or clinic for no fee or a discounted fee, based on the patient's demonstrated inability to pay. Patients may also be eligible for charity care according to a sliding fee scale to discount charges for patients with income at or below three hundred percent of the federal poverty guidelines adjusted for family size. The Medical Center maintains records to identify and monitor the amount of charges forgone for services furnished under its charity care policy. Because the Medical Center does not pursue collecting amounts determined to qualify as charity care, they are not reported as revenue. The Medical Center also estimates the costs to provide charity care based on the ratio of costs to gross charges. In addition to uninsured patients

## VIRGINIA MASON MEDICAL CENTER

### Notes to Consolidated Financial Statements

December 31, 2011 and 2010

qualifying for charity, the Medical Center monitors its allowances or the difference between charges and amounts paid by Medicaid. The following information summarizes the cost of charity care provided and Medicaid allowances during the years ended December 31, 2011 and 2010 (in thousands)

	<u>2011</u>	<u>2010</u>
Charity care (at cost)	\$ 11,155	8,971
Medicaid allowances (charges)	43,502	38,331

**(p) Federal, State, and Local Taxes**

The Medical Center has received a letter from the Internal Revenue Service indicating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income. The Medical Center is subject to state and local excise taxes on revenues and to property taxes on certain assets. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from revenues in the consolidated statements of operations.

The Medical Center adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes (FIN 48)*, included in FASB Accounting Standards Codification (ASC) Subtopic 740-10 – *Income Taxes – Overall*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This guidance did not have a significant impact to the consolidated financial statements in 2011 or 2010.

**(q) Excess of Revenues over Expenses from Operations**

Excess of revenues over expenses from operations excludes certain items that management deems to be outside the scope of its primary business. Items excluded consist primarily of investment income, other-than-temporary impairment, certain interest expense, and other income. Investment income consists of investment income from marketable securities. During 2011 and 2010, \$1,400,000 of interest expense related to debt on cash balances that management could have used to repurchase debt was classified as nonoperating. Other nonoperating gains (losses) include rental income and rental expense.

**(r) Excess of Revenues over Expenses**

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and

## VIRGINIA MASON MEDICAL CENTER

### Notes to Consolidated Financial Statements

December 31, 2011 and 2010

contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets)

**(s) Recently Adopted or New Issued Accounting Standards**

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*. This ASU is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. This ASU requires that cost, including direct and indirect costs, be used as the measurement basis for charity care disclosure purposes and that the method used to identify or determine such costs be disclosed. This ASU is effective for the Medical Center on January 1, 2011. The Medical Center adopted this guidance in 2011, as reflected in note 3, and it did not affect the presentation on the consolidated balance sheets.

In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. This ASU prohibits a health care entity from netting insurance recoveries against related claim liabilities for reporting purposes. Additionally, this ASU requires that the amount of the claim liability be determined without consideration of insurance recoveries. This ASU is effective for the Medical Center on January 1, 2011. The Medical Center adopted this standard in 2011, however, it did not affect the presentation on the consolidated balance sheets.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which provides financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts. The amendments require health care entities 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 their statement of operations. This standard is effective for the Medical Center beginning after December 15, 2011, with early adoption permitted. The adoption of this standard will affect the presentation of the consolidated statement of operations and disclosures in 2012.

**(4) Fair Value Measurements**

**(a) Fair Value of Financial Instruments**

The Medical Center generally reports the carrying amount of cash and cash equivalents and short-term investments and assets whose use is limited, excluding property held for sale, at fair value, which is based primarily on quoted market prices, if available, or estimated using quoted market prices for similar securities.

The carrying amounts reported in the consolidated balance sheets for accounts receivable, accounts payable, estimated third-party payor settlements, and other current liabilities approximate fair value due to the short-term nature of these instruments.

The fair value of long-term debt is estimated based on the quoted market prices for similar issues when available, or on the discounted value of the future cash flows using current rates for debt with the same remaining maturities, which are Level 2 inputs. As of December 31, 2011 and 2010, the

## VIRGINIA MASON MEDICAL CENTER

### Notes to Consolidated Financial Statements

December 31, 2011 and 2010

carrying value of long-term debt, including accrued interest, was \$366,702,000 and \$370,648,000, respectively. As of December 31, 2011 and 2010, the fair value of long-term debt, including accrued interest, was \$365,914,000 and \$353,908,000, respectively.

**(b) Fair Value Hierarchy**

In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price that would be received to sell an asset or paid to transfer between market participants at a measurement date. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuation is based upon quoted prices for identical assets in active markets. Cash and cash equivalents, equity, U.S. Treasury obligations, and mutual fund investments are included in this category.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques such as the present value of future cash flows adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions for which all significant assumptions are observable in the market. Certain fixed income investments and interest rate derivatives are included in this category.
- Level 3 – Certain types of securities are classified as Level 3 within the fair value hierarchy because these assets trade infrequently and, therefore, have little or no price transparency. Certain fixed income and real estate investments are included in this category.

ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Medical Center is the net asset value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by fund managers consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Medical Center reviews valuations and assumptions provided by fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The real estate investment fund is recorded at fair value where NAV was used as a practical expedient as of December 31, 2011 and 2010 and is reported in assets whose use is limited. The valuation of this investment is determined using accepted valuation techniques, including complete independent appraisals at least annually for each asset owned by the trust.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) at December 31, 2011 and 2010 (in thousands)

		Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2011			
Assets				
Cash and cash equivalents	\$ 51,142	51,142	—	—
Mutual funds-equity				
U S large capitalization	40,318	40,318	—	—
U S small capitalization	6,048	6,048	—	—
International	33,744	33,744	—	—
Mutual funds-commodities	2,461	2,461	—	—
Preferred securities	271	271	—	—
Real estate investment fund	2,064	—	—	2,064
Mutual funds-fixed income	15,525	15,525	—	—
U S Treasury obligations	2,690	2,690	—	—
U S Mortgage-backed securities-residential	15,845	—	15,845	—
Asset-backed securities	115	—	115	—
Corporate bonds				
Domestic	13,162	—	13,162	—
International	927	—	927	—
State and local obligations	2,375	—	2,375	—
Private debt obligations	1,224	—	1,224	—
Interest rate derivatives	200	—	200	—

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

		Fair value measurements at reporting date using		
	December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 50.823	50,823	—	—
Mutual funds-equity				
U S large capitalization	39,273	39,273	—	—
U S small capitalization	5,694	5,694	—	—
International	33,864	33,864	—	—
Mutual funds-commodities	2,708	2,708	—	—
Real estate investment fund	1,927	—	—	1,927
Mutual funds-fixed income	13,248	13,248	—	—
U S Treasury obligations	4,873	4,873	—	—
U S Mortgage-backed securities-residential	15,517	—	15,517	—
Asset-backed securities	135	—	135	—
Corporate bonds				
Domestic	12,482	—	12,482	—
International	474	—	474	—
State and local obligations	1,399	—	1,399	—
Private debt obligations	471	—	471	—
Interest rate derivatives	200	—	200	—

There were no significant transfers into or out of Level 1, Level 2, or Level 3 financial instruments during the year ended December 31, 2011

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The following table presents the Medical Center's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the years ended December 31, 2011 and 2010 (in thousands)

	<b>Real estate investment fund</b>
Beginning balance at January 1, 2010	\$ 1,726
Change in unrealized gains/losses	201
Realized gains/losses	—
Purchases	—
Sales	—
Ending balance at December 31, 2010	1,927
Change in unrealized gains/losses	137
Realized gains	7
Purchases	—
Sales	(7)
Ending balance at December 31, 2011	\$ 2,064

The total amount of losses included in income attributable to the change in unrealized gains relating to assets held at the reporting date is \$0 as of December 31, 2011 and 2010. The total amount of unrealized gains included in unrestricted net assets in the accompanying consolidated balance sheets relating to assets held at the reporting date is the real estate investment fund of \$137,000 and \$201,000 as of December 31, 2011 and 2010, respectively.

The real estate investment fund where the NAV was used as a practical expedient to measure the fair value at December 31, 2011 was valued at \$2,064,000 with redemption frequency of annually and redemption notice period of 90 days.

### (5) Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The composition of patient accounts receivable before allowance for contractual discounts and provision for bad debts at December 31, 2011 and 2010 is as follows:

	<b>2011</b>	<b>2010</b>
Medicare	21%	21%
Premiera blue cross	19	18
Group Health	21	17
Self-pay balances	11	11
Other third-party payors	28	33

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

### (6) Assets Whose Use is Limited

Funds have been established under the terms of the Revenue Bonds. The balances in the trustee-held funds at December 31, 2011 and 2010 are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Debt service funds	\$ 28,508	28,483
Principal and interest funds	8,604	8,478
	<u>\$ 37,112</u>	<u>36,961</u>

The composition of assets whose use is limited at December 31, 2011 and 2010 is set forth in the following table. Investments are stated at fair value, unless otherwise noted below (in thousands):

	<u>2011</u>	<u>2010</u>
Funds held by trustee		
Cash and cash equivalents	\$ 37,112	36,005
U S government agency securities	—	956
Total funds held by trustee	<u>\$ 37,112</u>	<u>36,961</u>
Board-designated investments		
Cash and cash equivalents and other	\$ 16,430	17,223
Corporate bonds	14,090	12,957
State and local obligations	2,375	1,399
U S Treasury obligations	2,690	3,917
U S mortgage backed securities	15,845	15,517
Asset backed securities	115	135
Private debt securities	1,224	471
Mutual funds – equity	80,111	78,831
Mutual funds – commodities	2,461	2,708
Mutual funds – fixed income	15,525	13,248
Preferred securities	271	—
Property held for sale, at cost, net of depreciation	1,660	1,660
Interest rate derivatives	200	200
Joint venture, at equity method	1,699	4,192
Real estate investment fund	2,064	1,927
Total board-designated investments	<u>\$ 156,760</u>	<u>154,385</u>

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Unrestricted fund investment income and change in net realized gains and losses on investments comprise the following for the years ended December 31, 2011 and 2010 (in thousands)

	<u>2011</u>	<u>2010</u>
Investment income		
Interest income	\$ 3,702	3,137
Net realized gains on sale of securities	1,956	3,732
Total investment income	<u>\$ 5,658</u>	<u>6,869</u>
Other changes		
Change in net unrealized gains and losses on investments	\$ (3,971)	6,262

During 2011 and 2010, the Medical Center recognized other-than-temporary impairment losses of \$3,328,000 and \$648,000, respectively, which are reported as other-than-temporary impairment in the accompanying consolidated statements of operations

During 2011 and 2010, the Medical Center recognized restricted investment income of \$223,000 and \$98,000, respectively, change in net unrealized losses on investments of \$431,000 and \$295,000, respectively, and other-than-temporary impairment losses of \$188,000 and \$112,000, respectively

### (7) Land, Buildings, and Equipment

At December 31, 2011 and 2010, the Medical Center had the following land, buildings, and equipment balances (in thousands)

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 12,745	12,716
Building and leasehold improvements	464,769	213,850
Equipment	317,650	276,350
Capital projects in process	16,684	246,156
	<u>811,848</u>	<u>749,072</u>
Less accumulated depreciation	<u>(335,959)</u>	<u>(308,975)</u>
Land, buildings, and equipment, net	<u>\$ 475,889</u>	<u>440,097</u>

## VIRGINIA MASON MEDICAL CENTER

### Notes to Consolidated Financial Statements

December 31, 2011 and 2010

At December 31, 2011 and 2010, the Medical Center had the following land, buildings, and equipment balances in property held for future use (in thousands)

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 24,247	24,071
Building and leasehold improvements	7,291	7,291
Equipment	181	181
Capital projects in process	<u>—</u>	<u>480</u>
	31,719	32,023
Less accumulated depreciation	<u>(3,340)</u>	<u>(2,681)</u>
Property held for future use, net	<u>\$ 28,379</u>	<u>29,342</u>

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to \$32,490,000 and \$29,019,000, respectively, including \$670,000 and \$593,000, respectively, of nonoperating depreciation

The Medical Center is constructing a new patient care tower, the Jones Pavilion, to the east of and adjacent to the Medical Center's existing inpatient care facility. The first phase of the project included an orthopedics unit, an emergency room, and a mechanical floor which were completed in 2011. Planned building construction, is to be built in several additional phases over a period of time. When fully complete, the new facilities will also include procedure and operating suites, intensive care unit, and replacement patient beds.

At December 31, 2011, the remaining commitment on the Jones Pavilion and other buildings is approximately \$12,000,000.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

### (8) Debt

Long-term debt at December 31, 2011 and 2010 consisted of the following (in thousands)

	<u>2011</u>	<u>2010</u>
Revenue Bonds, Series 1992, term bonds due annually to 2017, 6.30%, interest due in semi-annual installments, net of unamortized discount of \$36 in 2011 and \$48 in 2010, callable at any time	\$ 15,044	17,052
Revenue Bonds, Series 1997B, reoffered as term bonds in 2007, term bonds due annually to 2027, 5.00%, interest due in semi-annual installments	24,800	25,700
Revenue Bonds, Series 2007A, term bonds due annually to 2042, 5.00% to 6.25%, interest due in semi-annual installments, net of unamortized discount of \$1,480 in 2011 and \$1,557 in 2010, with term bonds callable in 2017	114,595	114,518
Revenue Bonds, Series 2007B, term bonds due annually to 2037, 5.75% to 6.00%, interest due in semi-annual installments, net of unamortized discount of \$733 in 2011 and \$766 in 2010, with term bonds callable in 2017	91,017	90,984
Revenue Bonds, Series 2007C, term bonds due annually to 2042, 5.375% to 5.500%, interest due in semi-annual installments, net of unamortized discount of \$1,751 in 2011 and \$1,828 in 2010, with term bonds callable in 2017	83,249	83,172
Term loan, variable rate loan due monthly until 2014, interest due monthly (1.5100% at December 31, 2011)	23,958	25,000
Term loan, variable rate loan due monthly until 2016, interest due monthly (1.5202% at December 31, 2011)	6,473	6,617
Nonrecourse loan, due 2031, with two five-year extensions	306	289
	<u>359,442</u>	<u>363,332</u>
Less current portion	<u>(4,549)</u>	<u>(4,106)</u>
	<u>\$ 354,893</u>	<u>359,226</u>

The Revenue Bonds were issued through the Washington Health Care Facilities Authority (the Authority) and are secured under the Master Trust Indenture, as amended and restated in 2007, and under Loan and Security Agreements with the Authority. The Master Trust Indenture contains certain covenants for the Medical Center, including maintaining a minimum debt service coverage ratio of 1.2 to 1.0 and days cash on hand of at least 70 days as of December 31, 2011. In addition, certain financial tests must be met before issuing additional debt or disposing of property. Interest expense, net of amounts capitalized, was \$6,880,000 and \$4,870,000 in 2011 and 2010, respectively.

## **VIRGINIA MASON MEDICAL CENTER**

### **Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

In February 2006, the Medical Center entered into a business loan agreement with a commercial bank to borrow \$25,000,000 to acquire property at 1000 Madison for future use. A renewal of the agreement in January 2011 calls for interest at prime rate or a short-term LIBOR rate plus the applicable margin of 1.25% for the term loan. Borrowings under the business loan agreement expire on January 31, 2014. The agreement is secured under the Master Trust Indenture, as amended and restated. Interest expense was \$390,000 and \$264,000 in 2011 and 2010, respectively.

In May 2006, the Medical Center entered into a business loan agreement with a commercial bank to borrow \$7,000,000 to acquire property at 1005 Spring Street for future use. The agreement calls for interest at prime rate or a short-term LIBOR rate plus the applicable margin of 1.25% for the term loan. Borrowings under the business loan agreement mature on June 1, 2016. The agreement is secured under the Master Trust Indenture, as amended and restated. Interest expense was \$99,538 and \$106,000 in 2011 and 2010, respectively.

As security for the repayment of the Revenue Bonds and the two business loan agreements, the Medical Center has granted the Master Trustee a security interest in certain of its accounts, including payment rights, receivables and general intangibles, and liens against certain of the facilities of the Medical Center. The amounts held in various trust funds by the bond trustees are also pledged to secure the repayment of the Revenue Bonds.

In December 2007, the Medical Center issued bonds in four series (including the reoffered Series 1997B Bonds), with a total face value of \$321,025,000. The proceeds of these bond issues were used for the following purposes: to refund, on an advanced and current basis, and to redeem the Series 1997A, to reissue the Series 1997B Bonds as fixed rate bonds, to pay costs of acquiring, constructing, remodeling, renovating, and equipping certain healthcare facilities, to pay interest on the Series 2007 Bonds during a portion of the construction period, to fund the initial deposits into respective debt service reserves for the Series 2007 Bonds, and to pay associated costs of issuing the Series 2007 Bonds. With respect to the Series 1997A Revenue Bonds, \$60,476,000 was deposited in an escrow account held by the bond trustee to defease the outstanding balance of the Bond Series 1997A. Portions of the defeased bonds were redeemed in 2008 with the remaining bonds redeemed in August 2009. Neither of the defeased debt nor the escrow account is shown on the consolidated balance sheets.

In April 2008, the Medical Center entered into a loan agreement with a municipal corporation to assume the promissory note of \$1,690,000, discounted at 6%, with the acceptance of land and building for a skilled nursing facility. The loan agreement matures on March 31, 2031. The note bears interest at 1%, which can be forgiven under the agreement. The discounted note had accretion of \$17,000 and \$16,000, respectively, in 2011 and 2010.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Maturities of long-term debt by year are as follows (in thousands)

	<b>Revenue bonds</b>	<b>Other</b>	<b>Total</b>
2012	\$ 3,145	1,404	4,549
2013	3,280	1,413	4,693
2014	3,525	21,632	25,157
2015	3,780	186	3,966
2016	3,940	207	4,147
Thereafter	315,035	5,895	320,930
	332,705	30,737	363,442
Less amount representing unamortized bond discount	(4,000)	—	(4,000)
	\$ 328,705	30,737	359,442

In June 2003, the Medical Center refunded the Series 1992 Bonds in a transaction, which involved a secondary market purchase and remarketing of the Series 1992 Bonds coupled with a fixed receiver swap with a five year duration. In August 2008, the Medical Center entered into a swap agreement with a two-year duration and renewal option unless terminated earlier by the Medical Center with 10 business days' notice. The Series 1992 Bonds were remarketed to Wells Fargo Bank, National Association (Wells Fargo) at a purchase price of par. The swap agreement was renewed in August 2010 with a two year duration with similar terms. The Medical Center can terminate with 10 business days notice. Wells Fargo may terminate the arrangement in August 2012. Under the agreement, the Medical Center receives 6.30% from Wells Fargo to offset the 6.30% coupon due on the underlying Series 1992 Bonds, and the Medical Center pays Wells Fargo for the premium equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap index plus 1.50% (1.60% at December 31, 2011). The swap transaction has not been designated as a hedge as it did not meet the criteria for hedge accounting treatment. At December 31, 2011 and 2010, the value of the swap of \$200,000 is included in board-designated investments for capital improvements on the consolidated balance sheets. Accordingly, any changes in fair values of the swap have been reflected within other nonoperating income on the accompanying consolidated statements of operations.

The Medical Center entered into a financing agreement with a commercial bank that permits the Medical Center to borrow up to \$10,000,000. The agreement calls for interest at 1.80% above the Daily One Month LIBOR Rate in effect from time to time. The Medical Center must pay an annual commitment fee of one-fourth of 1.00% on the average daily unused amount of the line of credit. Borrowings under the financing agreement mature on September 1, 2012. The agreement contains restrictions on unrestricted liquid assets and tangible net worth. In addition, certain financial tests must be met before issuing additional debt or disposing of property. In December 2011 and 2010, the Medical Center borrowed \$10,000,000 on the line of credit, which was subsequently repaid in January. Interest expense was \$19,000 and \$9,000 in 2011 and 2010, respectively.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

### (9) Commitments and Contingencies

#### (a) Operating Leases

The Medical Center leases facilities and equipment under operating leases expiring at various dates through 2024. Rent expense for the years ended December 31, 2011 and 2010 was \$5,419,000 and \$4,973,000, respectively. Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2011 are as follows (in thousands):

2012	\$	5,135
2013		5,253
2014		5,366
2015		5,166
2016		4,654
Thereafter		25,356
	\$	<u>50,930</u>

#### (b) Labor

Approximately 12% of the Medical Center's employees were covered under a collective bargaining agreement as of December 31, 2011. These employees provide inpatient nursing services at the Medical Center and the bargaining agreement is in effect until November 2013.

#### (c) Litigation

The Medical Center is involved in litigation and regulatory inquiries arising in the normal course of business. It is not possible at this time to make a judgment about the outcome of all litigation and regulatory matters. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's financial position or results from operations or cash flows.

#### (d) Information Services Contracts

The Medical Center contracts for licenses, services, and computer software expiring at various dates through 2015. Contract payments for the years ended December 31, 2011 and 2010 were \$3,813,000 and \$6,470,000, respectively. Future contract payments that have remaining noncancelable terms in excess of one year as of December 31, 2011 are as follows (in thousands):

2012	\$	2,642
2013		2,508
2014		1,772
2015		776
2016		—
Thereafter		—
	\$	<u>7,698</u>

## VIRGINIA MASON MEDICAL CENTER

### Notes to Consolidated Financial Statements

December 31, 2011 and 2010

#### *(e) Compliance with Laws and Regulations*

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government healthcare program participation requirements, regulations regarding reimbursement for patient services, and regulations regarding Medicare and Medicaid billing, fraud, and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by healthcare providers. Violations of certain of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Medical Center is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

#### **(10) Lease Revenue**

The Medical Center is the lessor for various facilities under operating leases expiring at various dates through 2014. Rent income included in other operating and nonoperating revenues in the accompanying consolidated statements of operations for the years ended December 31, 2011 and 2010 was \$1,438,000 and \$1,366,000, respectively. Future minimum rental receipts required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2011 are as follows (in thousands):

2012	\$	402
2013		144
2014		90
2015		—
2016		—
Thereafter		—
	\$	<u>636</u>

#### **(11) Retirement and Post-Retirement Benefit Plans**

##### *(a) Defined Benefit Plans*

The Medical Center has five defined benefit plans covering certain employee groups, and no new employees may enter these plans:

- A qualified defined benefit plan previously offered to hospital employees, which covers 133 existing employees and 710 retired and terminated employees, no new employees can enter this plan effective December 31, 1993. Financial information for the plan is shown in the hospital component in the table that follows.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

- The Medical Center assumed an obligation from The Mason Clinic at December 31, 1986 to pay physician partners amounts related to six months of prior average earnings in installments for 36 months at the time of retirement. The plan is not a qualified ERISA plan and is not funded, and is included in the physician component in the table that follows.
- The Medical Center has two nonqualified defined benefit plans for certain administrators and for physicians who were partners of The Mason Clinic at December 31, 1986. The two plans are included in the physician component in the table below that follows.
- The Medical Center assumed an obligation from The Mason Clinic at December 31, 1986 to pay retired physician partners certain defined benefits. At December 31, 2011, there were three participants in the plan and financial information is included in the physician component in the table below that follows.

The measurement date for the defined benefit plans is December 31, 2011 and 2010.

The following table sets forth the defined benefit plans' benefit obligations, fair value of plan assets, and funded status for the defined benefit plans (the board-designated assets of \$9,205,000 and \$11,220,000 at December 31, 2011 and 2010, respectively, for the physician plans are not considered in the computation of the liability) as follows (in thousands):

	<b>Physician</b>		<b>Hospital</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Benefit obligation at December 31	\$ 25,958	25,155	90,230	81,298
Fair value of plan assets at December 31	—	—	64,827	66,390
Funded status	<u><u>\$ (25,958)</u></u>	<u><u>(25,155)</u></u>	<u><u>(25,403)</u></u>	<u><u>(14,908)</u></u>
Amounts recognized in balance sheets consist of:				
Current liabilities	\$ (2,208)	(2,104)	—	—
Noncurrent liabilities	(23,750)	(23,051)	(25,403)	(14,908)
Net assets	614	(16)	11,441	(4,305)

Amounts included in unrestricted net assets are as follows (in thousands):

	<b>Physician</b>		<b>Hospital</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net loss	\$ 4,942	4,328	30,291	18,850

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Changes in amounts recognized in unrestricted net assets consist of the following (in thousands)

	<b>Physician</b>		<b>Hospital</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net actuarial (gain)/loss	\$ 1,173	426	13,558	(1,364)
Amortization of net loss	(559)	(442)	(2,117)	(2,941)
	<u>\$ 614</u>	<u>(16)</u>	<u>11,441</u>	<u>(4,305)</u>

Net periodic benefit cost recognized in salaries, wages and benefits expense in the consolidated statement of operations at December 31, 2011 and 2010 was (in thousands)

	<b>Physician</b>		<b>Hospital</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Service cost	\$ —	—	1,032	1,052
Interest cost	1,350	1,369	4,420	4,335
Expected (return) on plan assets	—	—	(5,259)	(4,614)
Amortization of net loss	<u>560</u>	<u>442</u>	<u>2,117</u>	<u>2,941</u>
Net periodic benefit cost recognized	<u>\$ 1,910</u>	<u>1,811</u>	<u>2,310</u>	<u>3,714</u>
Total recognized in net periodic benefit cost and net assets	\$ 2,524	1,795	13,751	(591)

The accumulated benefit obligation is the actuarial present value of all vested and nonvested benefits for employee service before year-end. The accumulated benefit obligation for the physician plans is \$25,677,000 and \$24,826,000 as of December 31, 2011 and 2010, respectively, and for the hospital plan is \$88,375,000 and \$79,328,000 as of December 31, 2011 and 2010, respectively.

The net loss for the defined benefit pension plans that will be amortized from net assets into net periodic benefit cost over the next fiscal year is \$723,000 for the physician plan and \$4,195,000 for the hospital plan. The benefit obligation at December 31, 2011 and 2010 was determined using an assumed discount rate of 4.8% and 5.6% in 2011 and 2010, respectively, and a projected increase in compensation levels of 3.0% for both plans. The net periodic benefit cost at December 31, 2011 and 2010 was determined using an assumed discount rate of 5.6% and 5.7% at December 31, 2011 and 2010, respectively, and a projected increase in compensation levels of 3.0%. The assumed long-term rate of return on plan assets is 8.0%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The following table summarizes benefit cost, employer contributions, and benefits paid during 2011 and 2010 (in thousands)

		Physician		Hospital	
		2011	2010	2011	2010
Benefit cost	\$	1,909	1,811	2,310	3,714
Employer contribution		1,721	1,723	3,255	4,000
Benefits paid		1,721	1,723	3,508	3,062

The following table sets forth by level, with the fair value hierarchy, the Medical Center's hospital defined benefit pension plan at December 31, 2011 (in thousands)

		Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2011			
Assets				
Cash and cash equivalents	\$ 671	671	—	—
Mutual funds-equity				
U S large capitalization	19,247	19,247	—	—
U S small capitalization	3,616	3,616	—	—
International	17,816	17,816	—	—
Mutual funds-commodities	1,899	1,899	—	—
Corporate equity-domestic	78	78	—	—
Real estate investment fund	4,480	—	—	4,480
Mutual funds-fixed income				
Domestic	4,749	2,545	—	2,204
International	1,883	1,883	—	—
U S Treasury obligations	194	194	—	—
U S Mortgage-backed securities-residential	4,520	—	4,520	—
Asset-backed securities	59	—	59	—
Corporate bonds				
Domestic	4,096	—	4,096	—
International	283	—	283	—
State and local obligations	673	—	673	—
Private equity	563	—	—	563
Total	\$ 64,827	47,949	9,631	7,247

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The following table sets forth by level, within the fair value hierarchy, the Medical Center's hospital defined benefit pension plan at December 31, 2010 (in thousands)

		Fair value measurements at reporting date using		
	December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>				
Cash and cash equivalents	\$ 592	592	—	—
Mutual funds-equity				
U S large capitalization	20,730	20,730	—	—
U S small capitalization	3,940	3,940	—	—
International	18,842	18,842	—	—
Mutual funds-commodities	2,068	2,068	—	—
Real estate investment fund	4,182	—	—	4,182
Mutual funds-fixed income	4,988	3,047	—	1,941
U S Treasury obligations	1,672	1,672	—	—
U S Mortgage-backed securities-residential	4,934	—	4,934	—
Asset-backed securities	74	—	74	—
Corporate bonds				
Domestic	3,731	—	3,731	—
International	209	—	209	—
State and local obligations	428	—	428	—
Total	\$ 66,390	50,891	9,376	6,123

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The following table presents the Medical Center's hospital defined benefit activity measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the year ended December 31, 2011 and 2010 (in thousands)

	<u>Real estate</u>	<u>Private equity</u>	<u>Mutual funds</u>	<u>Total</u>
Beginning balance at January 1, 2010	\$ 3,798	—	1,676	5,474
Actual return on plan assets				
Relating to assets held at year-end	384	—	265	649
Relating to assets sold during the year	—	—	—	—
Purchases	41	—	—	41
Sales	(41)	—	—	(41)
Ending balance at December 31, 2010	4,182	—	1,941	6,123
Actual return on plan assets				
Relating to assets held at year-end	298	(44)	63	317
Relating to assets sold during the year	1	(2)	—	(1)
Purchases	—	765	200	965
Sales	(1)	(156)	—	(157)
Ending balance at December 31, 2011	\$ <u>4,480</u>	<u>563</u>	<u>2,204</u>	<u>7,247</u>

The real estate investment fund was valued using NAV as a practical expedient to measure the fair value at December 31, 2011 and 2010, respectively, and was valued at \$4,480,000 and \$4,182,000 with redemption frequency of annually and redemption notice period of 90 days

The private equity was valued using NAV as a practical expedient to measure the fair value at December 31, 2011 and 2010 and was valued at \$563,000 and \$0, respectively, with no redemption frequency or period

The mutual fund was valued using NAV as a practical expedient to measure the fair value at December 31, 2011 and 2010, respectively, and was valued at \$2,204,000 and \$1,941,000 with redemption frequency of daily and redemption notice period of one day

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The weighted average and target asset allocation of the Medical Center's hospital defined benefit pension plan at December 31, 2011 and 2010 were as follows

	<u>2011</u>	<u>2010</u>	<u>Target</u>
Asset category			
Equity securities	63.90%	66.42%	60.00%
Debt securities	21.99	24.16	27.00
Real estate	6.91	6.30	7.00
Alternative Investments	7.20	3.12	6.00
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The Medical Center's investment goals are to maximize returns subject to specific risk management policies. Its risk management policies permit investments in mutual funds and direct investments in debt and equity securities. The Medical Center addresses diversification by the use of a variety of professional managers as well as mutual fund investments whose underlying investments are in domestic fixed income securities and domestic and international equity securities. These direct investments and mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

The Medical Center expects to contribute \$4,800,000 to its hospital defined benefit plan in 2012.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (in thousands):

	<u>Physician</u>	<u>Hospital</u>
2012	\$ 2.208	4.976
2013	2.156	5.361
2014	2.347	5.672
2015	2.067	5.934
2016	2.256	6.085
2017 – 2021	10.297	32.146

**(b) Other Postretirement Plans**

The Medical Center has a nonqualified executive supplemental retirement plan for certain of its executives. Benefits under this plan do not vest and become payable until the participants reach age 65 while still employed by the Medical Center, or until a participant is involuntarily terminated without cause. Retirement expense was \$835,000 and \$806,000 in 2011 and 2010, respectively, and an accrued liability of \$5,160,000 and \$3,641,000 has been recorded for this plan at December 31, 2011 and 2010, respectively, and is included in accrued retirement expense in the accompanying consolidated balance sheets. Financial information for the plan is shown in the supplemental component in the table below.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The Medical Center also has an unfunded postretirement benefit obligation for certain retired physicians and administrators. The net gain and prior service cost for the postretirement benefit plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year is \$344,000. Postretirement benefit expense was \$340,000 and \$335,000 in 2011 and 2010, respectively, and an accrued liability of \$3,517,000 and \$3,620,000 has been recorded for this plan at December 31, 2011 and 2010, respectively, and is included in accrued retirement expense in the accompanying consolidated balance sheets. Financial information for the plan is shown in the postretirement component in the table below.

The following table sets forth the other plans' benefit obligations, fair value of plan assets, and funded status for the executive supplemental retirement and postretirement benefit plans (in thousands).

	<b>Supplemental</b>		<b>Postretirement</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Projected benefit obligation at December 31	\$ 5,160	3,641	3,517	3,620
Fair value of plan assets	—	—	—	—
Funded status	<u>\$ (5,160)</u>	<u>(3,641)</u>	<u>(3,517)</u>	<u>(3,620)</u>
Amounts recognized in balance sheets consist of				
Current liabilities	\$ —	—	(310)	(322)
Noncurrent liabilities	(5,160)	(3,641)	(3,207)	(3,298)
Net assets	784	134	(300)	99

Amounts included in unrestricted net assets consist of (in thousands)

	<b>Supplemental</b>		<b>Postretirement</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net loss	\$ 1,517	733	819	822
Prior service cost	—	—	1,779	2,076
	<u>\$ 1,517</u>	<u>733</u>	<u>2,598</u>	<u>2,898</u>

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Changes in amounts recognized in unrestricted net assets consist of (in thousands)

		<b>Supplemental</b>		<b>Postretirement</b>	
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net actuarial loss	\$	931	234	43	405
Amortization of prior service cost		—	—	(297)	(297)
Amortization of net loss		(147)	(100)	(46)	(9)
	\$	<u>784</u>	<u>134</u>	<u>(300)</u>	<u>99</u>

Net periodic benefit cost recognized in salaries, wages and benefits expense in the consolidated statement of operation at December 31, 2011 and 2010 was (in thousands)

		<b>Supplemental</b>		<b>Postretirement</b>	
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Service cost	\$	384	341	—	—
Interest cost		204	165	194	184
Amortization of net loss		147	100	46	9
Amortization of prior service cost		—	—	297	297
Net periodic benefit cost recognized	\$	<u>735</u>	<u>606</u>	<u>537</u>	<u>490</u>
Total recognized in net periodic benefit cost and net assets	\$	1,519	740	237	589

The accumulated benefit obligation is the actuarial present value of all vested and nonvested benefits for employee service before year-end. The accumulated benefit obligation for the executive supplemental plan is \$4,434,000 and \$2,870,000 as of December 31, 2011 and 2010, respectively, and for the postretirement benefit plan is \$299,000 and \$301,000 as of December 31, 2011 and 2010, respectively.

The net loss for the executive supplemental retirement plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year is \$379,000. The benefit obligation at December 31, 2011 and 2010 was determined using an assumed discount rate of 4.80% and 5.60%, respectively, and a projected increase in compensation levels of 4.0%. The net periodic benefit at December 31, 2011 and 2010 was determined using an assumed discount rate of 5.6% and 5.7%, a projected increase in compensation of 4.0%.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The net loss and prior service cost for the postretirement benefits plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year are \$46,000 and \$297,000, respectively. The benefit obligation at December 31, 2011 and 2010 was determined using an assumed discount rate of 4.80% and 5.60%, respectively. For measurement purposes of the postretirement benefit plan, a 6.0% annual rate of increase in the per capita cost of covered benefits was assumed for 2011. The rate is assumed to remain at that level. The net periodic benefit cost at December 31, 2011 and 2010 was determined using an assumed discount rate of 5.6% and 5.7%, respectively.

The following table summarizes benefit cost, employer contributions, and benefits paid during 2011 and 2010 (in thousands)

	<b>Supplemental</b>		<b>Postretirement</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Benefit cost	\$ 735	606	537	490
Employer contribution	—	—	340	335
Benefits paid	—	—	340	335

The measurement date for supplemental and other postretirement plans is December 31, 2011 and 2010.

The Medical Center does not expect to contribute to its executive supplemental plan in 2012.

The following estimated benefit payments, which reflect expected future service, as appropriate are expected to be paid as follows (in thousands):

	<b>Supplemental</b>	<b>Postretirement</b>
2012	\$ —	310
2013	—	298
2014	—	288
2015	—	283
2016	8,487	281
2017 – 2020	—	1,307

**(c) Defined Contribution Plan**

The Medical Center has a defined contribution retirement plan covering substantially all employees. Maximum contributions are specified by the plan as a percentage of each employee's salary up to certain limits. Benefits are funded annually. Retirement expense for the defined contribution plan was \$17,718,000 in 2011 and \$16,540,000 in 2010.

## **VIRGINIA MASON MEDICAL CENTER**

### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

#### **(d) Other Plans**

The Medical Center also has a severance pay program for certain physicians and administrators who were not partners of The Mason Clinic. No new employees can enter the Plan effective January 1, 2001. The Medical Center recorded \$1,779,000 and \$1,903,000 in 2011 and 2010, respectively, as expense related to these plans. An accrued liability of \$16,761,000 and \$15,623,000 has been recorded for this program at December 31, 2011 and 2010, respectively, and is included in accrued retirement expense in the accompanying consolidated balance sheets.

The Medical Center has a supplemental savings plan for certain executives. The Medical Center incurs no cost under this plan. This plan qualifies as a "top hat" plan under ERISA. Participating employees are permitted to defer a portion of their salary until termination, retirement, death, or in the event of an unforeseen emergency. Under the terms of the plan, all deferred compensation, along with all property and rights purchased with those amounts and income attributed to those amounts, remain the property of the Medical Center until paid or made available to the employee or his or her beneficiary. Such amounts are subject to the claims of the Medical Center's general creditors. Participants' rights are equal to those of general creditors in an amount equal to the fair value of the deferred amount of each participant. An asset and an accrued liability of \$2,819,000 and \$2,480,000 have been recorded for this plan at December 31, 2011 and 2010, respectively. These investments are included in the board-designated investments for retirement plans in the accompanying consolidated balance sheet and are included in cash and cash equivalents as Level 1 in note 4.

The Medical Center has a deferred compensation plan for certain executives. The Medical Center recorded \$280,000 and \$380,000 in 2011 and 2010, respectively, as expense related to these plans. An accrued liability of \$1,481,000 and \$1,215,000 has been recorded for this program at December 31, 2011 and 2010, respectively, and is included in accrued retirement expense in the accompanying consolidated balance sheets. These investments are included in the board-designated investments for retirement plans in the accompanying consolidated balance sheet and are included in cash and cash equivalents as Level 1 in note 4.

#### **(12) Self-Insurance Programs**

The Medical Center maintains a self-insured retention layer under its professional liability insurance coverage of \$5,000,000 for each public and professional liability claim; the annual aggregate retention is \$23,000,000 through May 31, 2010. Beginning June 1, 2010, the annual aggregate retention is \$19,000,000. The Medical Center carries commercial insurance coverage on a claims-made basis.

The Medical Center accrues an actuarial estimate of self-insured losses and related expenses on an occurrence basis, including an estimate of incurred but not reported amounts. The estimated liability for professional liability claims was discounted using an assumed 1.0% and 2.0%, respectively, rate of return in 2011 and 2010. At December 31, 2011 and 2010, the Medical Center has recorded a liability of \$17,655,000 and \$20,500,000, respectively, included in reserve for professional liability claims and other.

The Medical Center is also self-insured for the deductible portion of workers' compensation, employee health, unemployment, and the deductible portion of general liability claims. The Medical Center accrues for the unpaid portion of claims that have been reported and estimates for claims that have been incurred but not reported are presented as accrued salaries, wages, and benefits in the consolidated balance sheets.

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

### (13) Beneficial Interest in Virginia Mason Foundation

The Foundation solicits contributions on behalf of the Medical Center and BRI, and collects amounts from donors intended for the Medical Center's use. The Medical Center recognizes an interest in the net assets of the Foundation. At December 31, 2011 and 2010, the Medical Center has recorded a beneficial interest in the Foundation of \$4,594,000 and \$6,318,000, respectively, included in other assets in the accompanying consolidated balance sheets, which corresponds to the assets held by the Foundation on the Medical Center's behalf.

The Medical Center recognizes the change in the beneficial interest as part of operations for unrestricted support and a change to the restricted net assets for the portion related to donor-stipulated restrictions.

At December 31, 2011 and 2010, \$18,210,000 and \$21,658,000, respectively, of the Foundation's net assets were donor designated for the Medical Center and BRI. The following is a summary of the Foundation's assets, liabilities, net assets, results of operations, and changes in net assets (in thousands):

	<u>2011</u>	<u>2010</u>
	(Unaudited)	
Assets, liabilities, and net assets		
Cash and cash equivalents, and marketable securities	\$ 19,290	20,949
Other assets, primarily pledges and affiliates receivables	21,044	24,391
Total assets	<u>\$ 40,334</u>	<u>45,340</u>
Liabilities	\$ 3,768	4,625
Unrestricted net assets	11,830	11,896
Temporarily restricted net assets	15,349	19,536
Permanently restricted net assets	9,387	9,283
Total liabilities and net assets	<u>\$ 40,334</u>	<u>45,340</u>
Results of operations and changes in net assets		
Unrestricted revenues, gains, and support	\$ 926	999
Restricted revenues, gains, and support	8,650	12,359
Total revenues, gains, and support	<u>9,576</u>	<u>13,358</u>
Distributions to Medical Center	8,743	9,389
Distributions to BRI	2,025	2,519
Other expenses	6,345	5,833
Total expenses	<u>17,113</u>	<u>17,741</u>
Deficit of revenues over expenses	(7,537)	(4,383)
Transfers from affiliates	4,397	3,967
Change in net unrealized gains and losses on investments	(1,009)	1,154
Net assets, beginning of year	40,715	39,977
Net assets, end of year	<u>\$ 36,566</u>	<u>40,715</u>

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The Medical Center has a receivable from the Foundation of \$791,000 and \$1,183,000 at December 31, 2011 and 2010, respectively, and a payable of \$6,399,000 and \$6,082,000 at December 31, 2011 and 2010, respectively, included in due to affiliates, net on the accompanying consolidated balance sheets

During 2007, the Foundation received a pledge receivable in the amount of \$20,000,000 from a major donor that is payable in increments of \$2,000,000 for 10 years and is discounted to its present value, using a discount rate of 5.02%. The pledge receivable balance at December 31, 2011 and 2010, respectively, was \$10,000,000 and \$12,000,000, before discount

### (14) Joint Venture

The Medical Center has a joint venture investment accounted for under the equity method consisting of 50% interest in National Purchasing Partners (NPP), a group purchasing program. The carrying amount of the investment in NPP was \$1,699,000 and \$4,192,000 at December 31, 2011 and 2010, respectively, included in board-designated investments on the accompanying consolidated balance sheets

The Medical Center has a payable to NPP of \$74,000 and \$702,000 at December 31, 2011 and 2010, respectively, included in due to affiliates, net on the accompanying consolidated balance sheets. Cash distributions received during 2011 and 2010, respectively, were \$11,034,000 and \$3,940,000. In March 2012, NPP made a cash distribution to the equity owners with the Medical Center receiving \$3,532,000

### (15) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2011 and 2010 (in thousands)

	<u>2011</u>	<u>2010</u>
Buildings and equipment	\$ 8,534	8,709
Patient care education	2,581	2,344
Clinical research	457	446
Staff education	2,546	2,656
	<u>\$ 14,118</u>	<u>14,155</u>

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following purposes at December 31, 2011 and 2010 (in thousands)

	<u>2011</u>	<u>2010</u>
Buildings and equipment	\$ 1,146	1,073
Patient care education	884	810
Clinical research	226	227
Staff education	1,819	1,826
	<u>\$ 4,075</u>	<u>3,936</u>

# **VIRGINIA MASON MEDICAL CENTER**

## **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

### **(16) Functional Expenses**

Annual expenses for the years ended December 31, 2011 and 2010 related to the services provided by the Medical Center are as follows (in thousands)

	<b>2011</b>	<b>2010</b>
Healthcare services	\$ 713.187	671.139
General and administrative	116.872	110.056
	<u>\$ 830.059</u>	<u>781.195</u>

### **(17) Endowment**

The Medical Center's endowment consists of approximately 33 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of December 31, 2011 (in thousands) is as follows:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 2,749	1,197	3,597	7,543
Board-designated endowment funds	4,500	—	—	4,500
Total funds	<u>\$ 7,249</u>	<u>1,197</u>	<u>3,597</u>	<u>12,043</u>

# VIRGINIA MASON MEDICAL CENTER

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Changes in endowment net assets for the year ended December 31, 2011 (in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,668	1,407	3,597	12,672
Investment return				
Investment income	225	133	—	358
Net appreciation (realized and unrealized)	<u>(317)</u>	<u>(188)</u>	<u>—</u>	<u>(505)</u>
Total investment return	(92)	(55)	—	(147)
Contributions	—	—	—	—
Appropriation of endowment assets for expenditure	<u>(327)</u>	<u>(155)</u>	<u>—</u>	<u>(482)</u>
Endowment net assets, end of year	<u>\$ 7,249</u>	<u>1,197</u>	<u>3,597</u>	<u>12,043</u>

Endowment net asset composition by type of fund as of December 31, 2010 (in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 2,989	1,407	3,597	7,993
Board-designated endowment funds	<u>4,679</u>	<u>—</u>	<u>—</u>	<u>4,679</u>
Total funds	<u>\$ 7,668</u>	<u>1,407</u>	<u>3,597</u>	<u>12,672</u>

## **VIRGINIA MASON MEDICAL CENTER**

### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

**(a) *Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original gifts and the amounts of subsequent donations. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies in 2011 or 2010 reported in unrestricted net assets.

**(b) *Return Objectives and Risk Parameters***

The Medical Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk. The Medical Center expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

**(c) *Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Medical Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**(d) *Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Medical Center has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior three-year rolling average in which the distribution is planned. In establishing this policy, the Medical Center considered the long-term expected return on its endowment. Accordingly, over the long term, the Medical Center expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Medical Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**(18) *Health Care Reform***

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (Reconciliation Act) were both signed into law in the first calendar quarter of 2010. The legislation went into effect upon signing with provisions to become effective over the next seven years. This legislation is expected to broadly impact the Medical Center's operations, including patient access, service reimbursement rates, and reporting requirements in the future. The Medical Center has evaluated those provisions that went into effect upon signing noting they did not have a significant impact on the 2011 or 2010 consolidated financial statements. The Medical Center has not yet determined the future financial statement impact that this legislation might cause as further provisions become effective.

**VIRGINIA MASON MEDICAL CENTER**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

**(19) Subsequent Events**

The Medical Center has evaluated the subsequent events from the consolidating balance sheet date through May 2, 2012, the date at which the consolidated financial statements were issued, and determined there are no other items to disclose

Additional Data

Software ID: 11000218  
Software Version: 2011.0.0  
EIN: 91-0565539  
Name: Virginia Mason Medical Center

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			
Carolyn Corvi Chairman	2 00	X		X				0	0	0
Joshua Jay Green III Director	2 00	X						0	0	0
Tod Hamachek Director	2 00	X						0	0	0
Robert Bob Lemon Director	2 00	X						0	0	0
Alfred A I E Lopus Director	2 00	X						0	0	0
Dorothy H Mann PhD Director	2 00	X						0	0	0
David Moffett Treasurer	2 00	X		X				0	0	0
James Jamie Orlikoff Director	2 00	X						0	0	0
Richard Dick J Robbins Director	2 00	X						0	0	0
Evelyn Cruz Sroufe Vice Chairman	2 00	X		X				0	0	0
Lonnie Edelheit PhD Director	2 00	X						0	0	0
James Jim Young Secretary	2 00	X		X				0	0	0
Gary Kaplan MD Chairman, CEO	50 00			X				1,296,011	0	1,732,788
Suzanne Anderson Senior Vice President, CIO/CFO	50 00			X				573,891	0	71,369
Katerie Chapman Vice President	50 00				X			269,225	0	39,239
Lucy Glenn MD Chief of Radiology	50 00				X			660,239	0	43,958
Michael Glenn MD Physician in Chief, Medical Director, Clinic	50 00				X			729,759	0	140,492
Fred Govier MD Chief of Surgery	50 00				X			704,863	0	96,739
Kate Reed Senior Vice President, Clinic Administrator	50 00				X			322,909	0	25,396
Andrew Jacobs MD Chief Medical Officer	50 00				X			563,639	0	110,540
Joyce Lammert MD Chief of Medicine	50 00				X			505,993	0	70,721
Brian McDonald MD Physician, Former Key Employee	50 00						X	298,626	0	52,127
Julie Morath RN Director	2 00	X						0	0	0
Sarah Patterson Executive Vice President, COO	50 00				X			581,750	0	137,537
William Poppy Senior Vice President, CTO	50 00				X			475,962	0	75,281

**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			
Steve Rupp MD Chief of Perioperative Services and Anesthesiology	50 00				X			584,932	0	50,699
Donna Smith MD Medical Director, Hospital	50 00				X			480,793	0	75,723
Charleen Tachibana RN Senior Vice President, Hospital Administrator	50 00				X			442,496	0	66,704
Christopher L Fellows MD Physician	50 00					X		1,174,565	0	71,339
Ulrike I Ochs MD Physician	50 00					X		965,255	0	47,084
Richard A Kozarek MD Physician	50 00					X		951,462	0	178,626
Keith Paige MD Physician	50 00					X		803,299	0	91,151
Edwin Rhim M D Physician	50 00					X		785,200	0	38,156
James P Cote Vice President	50 00				X			272,224	0	19,097
Robert Mecklenburg MD Physician, Former Board Director	50 00						X	420,059	0	52,631
Michael P Ondracek Vice President	50 00				X			252,790	0	27,159
Craig Goodrich Senior Vice President, Former Key Employee	50 00						X	374,763	0	63,001
Catherine Potts Chief, Primary Care	50 00				X			318,600	0	40,311