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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 01-01-2012 , 2012, and ending 12-31-2012

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

C Name of organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
950 N MERIDIAN STREET SUITE 800
Suite

City or town, state or country, and ZIP + 4
INDIANAPOLIS, IN 46204

D Employer identification number
26-3162145

E Telephone number
(317) 962-4575

G Gross receipts $ 399,570,160

F Name and address of principal officer
ALFONSO W GATMAITAN
950 N MERIDIAN ST STE 800
INDIANAPOLIS,IN 46204

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW IUHEALTH ORG

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

L Year of formation 2008

M State of legal domicile IN

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Improve the health of our patients and community through innovation and excellence in care, education, research and service

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	9
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	5
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	2,405
6	Total number of volunteers (estimate if necessary)	**6**	164
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	333,112
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	115,881

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	2,494,696	33,748
	9 Program service revenue (Part VIII, line 2g)	311,723,769	395,173,565
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	156,519	69,977
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,590,791	2,739,758
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	316,965,775	398,017,048
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	124,579	188,086
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	167,655,583	181,127,991
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	171,440,078	199,783,135
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	339,220,240	381,099,212
	19 Revenue less expenses Subtract line 18 from line 12	-22,254,465	16,917,836

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	244,621,436	250,745,644
	21 Total liabilities (Part X, line 26)	304,193,051	293,399,423
	22 Net assets or fund balances Subtract line 21 from line 20	-59,571,615	-42,653,779

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2015-07-10

CARA L BREIDSTER CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
JENNIFER D RHODERICK				
Firm's name ▶ ERNST & YOUNG US LLP			Firm's EIN ▶	
Firm's address ▶ 111 MONUMENT CIRCLE SUITE 4000 INDIANAPOLIS, IN 46204			Phone no (317) 681-7000	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Improve the health of our patients and community through innovation and excellence in care, education, research and service

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 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 $ 318,104,491 including grants of $ 188,086) (Revenue $ 395,173,565)

Indiana University Health Arnett, Inc ("IU Health Arnett") offers a variety of services to care for its patients during every phase of life without regard to ability to pay As an integrated health care system, IU Health Arnett strives to be the preeminent leader in clinical care, education, research and service in the region by providing its patients with access to primary care practitioners, specialists, numerous outpatient facilities, and a 191-bed full-service hospital united together under one umbrella

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 318,104,491

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	91		
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	2,405		
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, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

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

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this 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 ▶ IN

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

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

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 during the tax year

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

▶ BROC BUDDE 950 N MERIDIAN STREET SUITE 800 INDIANAPOLIS, IN (317) 962-4575

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) VICTOR L LECHTENBERG PHD CHAIRMAN	5 0 0 0	X		X				10,500	0	0
(2) ANDREW K EDWARDS MD VICE CHAIRMAN/STAFF PHYSICIAN	55 0 0 0	X						362,406	0	55,915
(3) SCOTT M BLACK DIRECTOR (01/01 - 08/10)	5 0 55 0	X						0	237,931	49,830
(4) THOMAS V EASTERDAY DIRECTOR	5 0 0 0	X						8,250	0	0
(5) DANIEL F EVANS JR DIRECTOR	5 0 55 0	X						0	1,431,721	865,442
(6) STEPHEN L HENSON MD DIRECTOR/STAFF PHYSICIAN	55 0 0 0	X						600,307	0	54,247
(7) MICHAEL B LOCKWOOD MD DIR/STAFF PHYS (01/01 - 08/05)	55 0 0 0	X						323,537	0	58,383
(8) CHRISTOPHER A MANSFIELD MD DIR/STAFF PHYS (12/06 - 12/31)	55 0 0 0	X						331,726	0	52,423
(9) RANDALL R MITCHELL DIRECTOR	5 0 2 0	X						12,000	2,700	0
(10) LARRY W PAMPEL DDS DIRECTOR	5 0 2 0	X						12,000	2,700	0
(11) KENNETH S STONE MD DIR/STAFF PHYS (01/01 - 08/05)	5 0 55 0	X						0	843,667	43,585
(12) REV KATE L WALKER DIRECTOR (08/10 - 12/31)	5 0 0 0	X						750	0	0
(13) ALFONSO W GATMAITAN CEO	55 0 0 0			X				542,844	0	124,748
(14) JEROME P KELLY SECRETARY	5 0 55 0			X				0	227,794	46,364
(15) JEFFREY R NAGY TREASURER/CFO (01/01 - 04/10)	25 0 0 0			X				53,656	0	2,683
(16) LORI A LUTHER INTERIM CFO (04/11 - 06/24)	55 0 55 0			X				111,260	136,511	17,057
(17) CARA L BREIDSTER TREASURER/CFO (06/25 - 12/31)	55 0 55 0			X				102,971	144,867	35,756

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) BRIAN T SHOCKNEY COO	55 0 0 0				X			207,463	0	51,529
(19) DONALD E CLAYTON MD CMD/PHYSICIAN	55 0 0 0				X			442,064	0	56,615
(20) KYLE L ALLEN CPO (10/08- 12/31)	55 0 55 0				X			42,366	174,167	23,719
(21) JAMES BIEN MD VP, QUALITY & SAFETY	55 0 0 0				X			271,566	0	61,610
(22) HAROLD D GEORGE JR ADMIN DIRECTOR	55 0 0 0				X			167,187	0	34,202
(23) JOSEPH E HUBBARD MD STAFF PHYSICIAN	55 0 0 0					X		789,281	0	28,274
(24) RYAN D LOYD MD STAFF PHYSICIAN	55 0 0 0					X		728,750	0	58,543
(25) ADIL KESKIN MD STAFF PHYSICIAN	55 0 0 0					X		638,908	0	58,873
(26) CHENG DU MD STAFF PHYSICIAN	55 0 0 0					X		628,244	0	64,973
(27) PETER A SEYMOUR MD STAFF PHYSICIAN	55 0 0 0					X		621,905	0	54,452
(28) MICHAEL W SKEHAN MD FORMER CEO	0 0 40 0						X	0	290,017	35,844

1b	**Sub-Total**			
c	**Total from continuation sheets to Part VII, Section A**			
d	**Total (add lines 1b and 1c)**	7,009,941	3,492,075	1,935,067

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 235

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
TURNER CONSTRUCTION COMPANY , 9190 PRIORITY WAY WEST DR SUITE 2 INDIANAPOLIS IN 46250	CONSTRUCTION	5,184,871
TRIMEDX INC , 5451 LAKEVIEW PKWY S DR INDIANAPOLIS IN 46268	CLINICAL ENGINEERING	2,564,065
SODEXO INC AFFILIATES , 4880 PAYSPHERE CIRCLE CHICAGO IL 60674	VARIOUS MANAGEMENT	2,240,059
HORIZON MEDICAL GROUP INC , 1345 UNITY PLACE SUITE 345 LAFAYETTE IN 47905	MEDICAL	2,157,492
THE CORNERSTONE COMPANIES INC , 3755 E 82ND STREET SUITE 270 INDIANAPOLIS IN 46240	CONSTRUCTION	1,984,744

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 ▶ 33

Part VIII Statement of Revenue

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

				(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				
	e	Government grants (contributions)	1e	10,270			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	23,478			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		33,748			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REVENUE	621111	390,457,432	390,457,432	0	0
	b	ELECTRONIC HEALTH RECORDS INCENTIVE	900099	2,303,324	2,303,324		
	c	PHARMACY	446110	903,532	778,907	124,625	0
	d	INCOME (LOSS) FROM PARTNERSHIPS	900099	675,241	466,754	208,487	0
	e	CLINICAL RESEARCH	541700	466,532	466,532	0	0
	f	All other program service revenue		367,504	367,504		0
	g	**Total.** Add lines 2a–2f		395,173,565			
	3	Investment income (including dividends, interest, and other similar amounts)		31,626			31,626
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)	0	0			
	d	Net rental income or (loss)		0			
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		1,591,463			
	b	Less cost or other basis and sales expenses		1,553,112			
	c	Gain or (loss)		38,351			
	d	Net gain or (loss)		38,351			38,351
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events		0			
	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		0			
	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		0			
		Miscellaneous Revenue	Business Code				
	11a	CAFETERIA/FOOD SERVICE	722320	1,040,081	0	0	1,040,081
	b	GIFT SHOP	453220	149,710	0	0	149,710
	c	VENDING	900099	9,668	0	0	9,668
	d	All other revenue		1,540,299	0	0	1,540,299
	e	**Total.** Add lines 11a–11d		2,739,758			
	12	**Total revenue.** See Instructions		398,017,048	394,840,453	333,112	2,809,735

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)

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	188,086	188,086		
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	3,826,877	3,337,323	489,554	
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	143,565,379	125,250,630	18,314,749	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	9,066,779	8,185,099	881,680	
9 Other employee benefits	15,877,933	13,852,373	2,025,560	
10 Payroll taxes	8,791,023	7,780,264	1,010,759	
11 Fees for services (non-employees)				
a Management	61,190		61,190	
b Legal	251,461		251,461	
c Accounting	19,176		19,176	
d Lobbying	9,698		9,698	
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	45,729,517	19,146,267	26,583,250	
12 Advertising and promotion	660,825	17,031	643,794	
13 Office expenses	2,902,575	804,748	2,097,827	
14 Information technology	2,444,009	494,834	1,949,175	
15 Royalties . .	0			
16 Occupancy	9,830,399	9,507,731	322,668	
17 Travel	406,899	341,723	65,176	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	7,742	6,893	849	
20 Interest	15,989,926	14,594,080	1,395,846	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	14,721,053	10,462,132	4,258,921	
23 Insurance	3,028,463	1,440,989	1,587,474	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a DRUGS AND MEDICAL SUPPLIES	60,364,589	60,364,589	0	0
b BAD DEBT	28,635,272	28,635,272	0	0
c RECRUITMENT	341,886	3,652	338,234	0
d NONCAPITALIZED EQUIPMENT	238,466	167,095	71,371	0
e All other expenses	14,139,989	13,523,680	616,309	
25 **Total functional expenses.** Add lines 1 through 24e	381,099,212	318,104,491	62,994,721	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		15,465	1	15,465
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		38,884,622	4	41,453,853
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		725,730	7	949,171
	8	Inventories for sale or use		3,004,209	8	3,001,543
	9	Prepaid expenses and deferred charges		2,098,912	9	2,122,647
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 264,456,859			
	b	Less accumulated depreciation	10b 62,445,046	198,535,987	10c	202,011,813
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		1,356,511	13	1,191,152
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		0	15	0
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		244,621,436	16	250,745,644
Liabilities	17	Accounts payable and accrued expenses		30,923,918	17	35,220,040
	18	Grants payable		0	18	0
	19	Deferred revenue		15,591	19	17,544
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		20,954,971	23	15,472,749
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	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		252,298,571	25	242,689,090
	26	**Total liabilities.** Add lines 17 through 25		304,193,051	26	293,399,423
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		-59,571,615	27	-42,653,779
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		-59,571,615	33	-42,653,779
	34	Total liabilities and net assets/fund balances		244,621,436	34	250,745,644

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	398,017,048
2	Total expenses (must equal Part IX, column (A), line 25)	2	381,099,212
3	Revenue less expenses Subtract line 2 from line 1	3	16,917,836
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	-59,571,615
5	Net unrealized gains (losses) on investments	5	0
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	-42,653,779

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Employer identification number
26-3162145

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

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

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

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

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

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

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

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

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

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

9 ☐ An organization that normally receives (1) more than 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 - Non-functionally integrated

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

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

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

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

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(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 monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

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

Section C. Computation of Public Support Percentage

15	Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

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, Part V, line 35c (Proxy Tax), then

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

Name of the organization	**Employer identification number**
INDIANA UNIVERSITY HEALTH ARNETT INC	26-3162145

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 in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ **Yes** ☐ **No**

b If "Yes," describe in Part IV

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt 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? ☐ **Yes** ☐ **No**

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		9,698
j	Total Add lines 1c through 1i			9,698
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible 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, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1 Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Schedule C, Part II-B	Line 1i - Other Activities	Indiana University Health Arnett, Inc ("IU Health Arnett") paid institutional membership dues to the American Hospital Association ("AHA") and Indiana Hospital Association ("IHA") during 2012 in the amount of $35,687 and $16,901, respectively Each membership organization notified IU Health Arnett that a portion of the dues it paid were used for lobbying purposes The AHA used 24 60%, or $8,779 of 2012 membership dues paid by IU Health Arnett, for lobbying expenditures The IHA used 5 44%, or $919 of the 2012 membership dues paid by IU Health Arnett, for lobbying expenditures The total membership dues paid to these organizations by IU Health Arnett during 2012 that were attributable to lobbying expenditures was $9,698

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Employer identification number
26-3162145

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) 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 acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

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

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

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 XIII and complete the following table

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

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

b If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII . . . . . ☐

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

The percentages in lines 2a, 2b, and 2c should equal 100%

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	502,084		502,084
b Buildings	0	178,043,246	21,987,305	156,055,941
c Leasehold improvements	0	3,508,688	349,823	3,158,865
d Equipment	0	65,454,472	39,453,534	26,000,938
e Other	0	16,948,369	654,384	16,293,985
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				202,011,813

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

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

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

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

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

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
INTERCOMPANY PAYABLES (NET)	206,297,993
DUE TO THIRD-PARTY PAYORS	35,804,346
SELF-INSURANCE LIABILITIES	586,751
ALL OTHER LIABILITIES	0
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	242,689,090

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☐

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule D, Part X - Other Liabilities	Line 2 - FIN 48 (ASC 740) Footnote	Indiana University Health Arnett, Inc is a subsidiary in the consolidated financial statements of Indiana University Health, Inc ("IU Health") IU Health adopted FIN 48 in 2007 No disclosures were required in 2012 under GAAP as IU Health does not have any material tax contingencies that required disclosures in the footnotes

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Employer identification number
26-3162145

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 650 %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	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 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		21,335	11,380,897	0	11,380,897	3 230 %
b Medicaid (from Worksheet 3, column a)		67,395	39,041,584	27,015,721	12,025,863	3 410 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		88,730	50,422,481	27,015,721	23,406,760	6 640 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	12	7,232	94,883	0	94,883	0 030 %
f Health professions education (from Worksheet 5)	4	874	944,714	4,550	940,164	0 270 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	6	12,257	308,345	0	308,345	0 090 %
j **Total.** Other Benefits	22	20,363	1,347,942	4,550	1,343,392	0 390 %
k **Total.** Add lines 7d and 7j	22	109,093	51,770,423	27,020,271	24,750,152	7 030 %

Part II Community Building Activities Complete this if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support	1	438	23,339	0	23,339	0 010 %
4	Environmental improvements	1	27	3,951	0	3,951	
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy	1	0	360	0	360	
8	Workforce development						
9	Other						
10	**Total**	3	465	27,650	0	27,650	0 010 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	9,157,560		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	63,209,558
6	Enter Medicare allowable costs of care relating to payments on line 5	6	86,040,032
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-22,830,474
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year? **1**

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	IU HEALTH ARNETT HOSPITAL 5165 MCCARTY LANE LAFAYETTE,IN 47905 WWW IUHEALTH ORG/ARNETT/	X	X		X		X	X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

IU HEALTH ARNETT HOSPITAL

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1		
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ___			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public?	5		
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☐ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $_____			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 650 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 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?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- **d** ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☑ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
21 During the tax year, did the hospital facility charge any FAP-eligible individuals 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?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?
25

	Name and address	Type of Facility (describe)
1	See Additional Data Table	
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

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

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

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

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

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

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

8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
Schedule H, Part I - Financial Assistance	Line 3c	N/A
Schedule H, Part I - Financial Assistance	Line 6a - Community Benefit Report Prepared by Related Organization	Indiana University Health Arnett, Inc 's ("IU Health Arnett") community benefits and investments are included in the Indiana University Health ("IU Health") Community Benefit Report which is made available to the public on its website at www iuhealth org/getstrong The Community Benefit report is also distributed to numerous key organizations throughout the State of Indiana to broadly share IU Health's community benefit efforts and investments statewide, and is available by request through the Indiana State Department of Health or IU Health

Identifier	ReturnReference	Explanation
Schedule H, Part I - Financial Assistance	Line 7g - Subsidized Health Services	Indiana University Health Arnett, Inc does not include any costs associated with physician clinics as subsidized health services
Schedule H, Part I - Financial Assistance	Line 7, Column (f) - Bad Debt Expense	The amount of bad debt expense included on Form 990, Part IX, Line 25, column (A), but subtracted for purposes of calculating the percentage of total expense is $28,635,272 The bad debt expense of $9,157,560 on Schedule H, Part III, Line 2 is reported at cost

Identifier	ReturnReference	Explanation
Schedule H, Part I - Financial Assistance	Line 7 - Total Community Benefit Expense	Percentage of Total Expenses listed on Schedule H, Part I, Line 7, Column (f) is calculated based on Net Community Benefit Expense The Percentage of Total Expenses calculated based on Total Community Benefit Expense is 14 69%
Schedule H, Part II - Community Building Activities	Promotion of Health in Communities Served	IU Health Arnett participated in a variety of community-building activities that address the underlying quality of life in the communities it serves IU Health as a statewide healthcare system invested in economic development efforts across the state collaborated with like-minded organizations through coalitions that address key issues, and advocated for improvements in the health status of vulnerable populations IU Health contributed nearly $2 million to community-building activities in 2012, serving over 52,600 people statewide Locally, IU Health Arnett Hospital invested over $27,000 in community-building activities by providing investments and resources to local community initiatives that addressed economic development, community health improvement and workforce development A few examples of outreach activities 1) participating in our local United Way's Read to Succeed child mentoring program and 2) Habitat for Humanity Additionally, through IU Health's team member community benefit service program, Strength That Cares, team members across the state made a difference in the lives of thousands of Hoosiers In 2012, team members - Built 25 Habitat for Humanity home panels throughout Indiana Three of those homes were given to victims of the Henryville, Ind , tornado - Impacted the lives of just over 400 at-risk children by serving as camp or reading buddies in IU Health's Kindergarten Countdown program to prepare at-risk children for their first day of kindergarten

Identifier	ReturnReference	Explanation
Schedule H, Part III - Bad Debt, Medicare, & Collection Practices	Line 4 - Bad Debt Expense	Indiana University Health Arnett, Inc ("IU Health Arnett") is included in the consolidated audit report prepared for Indiana University Health, Inc ("IU Health") The provision for uncollected patient accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, changes and trends in health care coverage, and other collection indicators Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon accounts receivable payor composition and aging, and historical write-off experience by payor category, as adjusted for collection indicators The results of the review are then used to make any modifications to the provision for uncollected patient accounts and the allowance for uncollectible accounts In addition, the IU Health System follows established guidelines for placing certain past due patient balances with collection agencies Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the IU Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet charity care and financial assistance policies of the IU Health System The bad debt expense reported on Line 2 is calculated under the cost to charge ratio methodology IU Health Arnett provides health care services through various programs that are designed, among other matters, to enhance the health of the community and improve the health of low-income patients In addition, IU Health Arnett provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or are uninsured or underinsured
Schedule H, Part III - Bad Debt, Medicare, & Collection Practices	Line 8 - Medicare Shortfall	The Medicare shortfall reported on Schedule H, Part III, Line 7 is calculated, in accordance with the Form 990 instructions, using "allowable costs" from Indiana University Health Arnett, Inc 's ("IU Health Arnett") Medicare Cost Report "Allowable costs" for Medicare Cost Report purposes are not reflective of all costs associated with IU Health Arnett's participation in Medicare programs For example, the Medicare Cost Report excludes certain costs such as billed physician services, the costs of Medicare Parts C and D, fee schedule reimbursed services, and durable medical equipment services Inclusion of all costs associated with IU Health Arnett's participation in Medicare programs would significantly increase the Medicare shortfall reported on Schedule H, Part III, Line 7 IU Health Arnett's Medicare shortfall is attributable to reimbursements that are less than the cost of providing patient care and services to Medicare beneficiaries and does not include any amounts that result from inefficiencies or poor management IU Health Arnett accepts all Medicare patients knowing that there may be shortfalls, therefore it has taken the position that the shortfall should be counted as part of its community benefit Additionally, it is implied in Internal Revenue Service Revenue Ruling 69-545 that treating Medicare patients is a community benefit Revenue Ruling 69-545, which established the community benefit standard for nonprofit hospitals, states that if a hospital serves patients with governmental health benefits, including Medicare, then this is an indication that the hospital operates to promote the health of the community

Identifier	ReturnReference	Explanation
Schedule H, Part III - Bad Debt, Medicare, & Collection Practices	Line 9b - Written Debt Collection Policy and Financial Assistance	If a patient cannot satisfy standard payment expectations, financial assistance screening for alternative sources of balance resolution are completed Those resolutions may include a discount on charges, Medicaid enrollment, interest-free loan or application for charity care If a patient does not apply for charity care but meets the charity care guidelines established by Indiana University Health Arnett, Inc ("IU Health Arnett"), IU Health Arnett will waive charges and treat the costs of services as charity care
Schedule H, Part VI - Supplement Information	Line 2 - Needs Assessment	Communities are multifaceted and so are their health needs Indiana University Health Arnett, Inc ("IU Health Arnett") understands that the health of individuals and communities are shaped by various social and environmental factors, along with health behaviors and additional influences IU Health Arnett assesses the health care needs of the communities it serves by utilizing the detailed community needs assessments undertaken by organizations such as the Tippecanoe County Health Department, the Indiana State Department of Health, the Centers for Disease Control and Prevention and the United Way of Central Indiana

Identifier	ReturnReference	Explanation
Schedule H, Part VI - Supplemental Information	Line 3 - Patient Education of Eligibility for Assistance	Indiana University Health Arnett, Inc ("IU Health Arnett") goes to great lengths to ensure patients know that IU Health Arnett treats all patients regardless of their ability to pay IU Health Arnett shares financial assistance information with patients during the admission process, billing process and online Helping patients understand that financial support for their care is a part of IU Health Arnett's commitment to its mission IU Health Arnett's financial assistance policy exists to serve those in need by providing financial relief to patients who ask for assistance after care has been provided During the admissions process, opportunities for financial assistance are discussed with patients who are identified as uninsured, or requests assistance information The patient is also provided with an Admissions Packet that provides information regarding IU Health Arnett's financial assistance program Financial counselors are onsite to assist financial concerns or questions during the patient's stay Patient Financial Services - Customer Service representatives can help patients apply for financial assistance, understand their bills, explain what they can expect during the billing process, accept payment (if needed), update their insurance or payor information, and update their address or other demographics A summary of the financial assistance policy is printed on the back of each patient statement The financial assistance application is mailed to all uninsured IU Health Arnett patients at the conclusion of their treatment along with a summary of the incurred charges Additionally, on the back of each patient statement is a phone number that will allow patients the ability to request financial assistance Uninsured patients are also made aware of this process at the time of registration The IU Health Statewide System website (iuhealth org) has a page dedicated to financial assistance and offers an online application and phone numbers for customer service representatives to assist with the application process IU Health Arnett has an expansive financial assistance program, which aligns with IU Health Arnett's policy and utilizes the federal poverty guidelines to determine eligibility, making access to quality care within a patient's reach The IU Health Arnett Financial Assistance policy provides the following support to patients that qualify - Free care for those earning up to 200 percent of federal poverty guidelines, - Discounted care on a sliding scale for families earning from 200 to 400 percent of federal poverty guidelines, and - Discounted care on a sliding scale for uninsured families earning from 400 to 650 percent of federal poverty guidelines, and - Financial assistance to patients whose health insurance coverage, if any, does not provide full coverage for all of their medical expenses and whose medical expenses would make them indigent if they were forced to pay full charges Patients are guided through their course of care with particular sensitivity, reviewing changing circumstances and allowing for financial assistance at any point during the relationship and billing process with the patient For those inpatients that may qualify for the Medicaid program and have not applied, IU Health Arnett financial counselors will assist patients with the Medicaid application If a patient does not apply for financial assistance, but meets the financial assistance guidelines established by IU Health Arnett, IU Health Arnett will waive charges and treat the cost of services as financial assistance
Schedule H, Part VI - Supplemental Information	Line 4 - Community Information	Indiana University Health Arnett, Inc ("IU Health Arnett") is primarily located in Tippecanoe County but also has medical offices and serves patients in Benton, Carroll, Clinton, and White counties Tippecanoe County includes ZIP codes within the towns of Battle Ground, Clarks Hill, Dayton, Lafayette, Romney, West Lafayette and West Point Based on the most recent Census Bureau (2012) statistics, Tippecanoe County's population is 177,513 persons with approximately 49% being female and 51% male The county's population estimates by race are 86 6% White, 7 8% Hispanic or Latino, 6 5% Asian, 4 6% Black, 0 4% American Indian or Alaska Native, and 1 9% persons reporting two or more races Tippecanoe County has relatively moderate levels of educational attainment The level of education most of the population has achieved is a high school degree (90 5%) As of 2011, 35 8% of the population had a bachelor's degree or higher

Identifier	ReturnReference	Explanation
Schedule H, Part VI - Supplemental Information	Line 5 - Promotion of Community Health	Indiana University Health Arnett, Inc ("IU Health Arnett") is an affiliate of Indiana University Health, Inc ("IU Health"), a tax-exempt hospital, whose Board of Directors is composed of members, of which substantially all are independent community members IU Health Arnett also extends medical staff privileges to all qualified physicians in the community Additionally, IU Health Arnett invests in the community to improve the quality of the health of the community members IU Health Arnett is committed to providing our youth with a preeminent facility to learn from top physicians and other clinical staff Several community benefit highlights are described below IU Health Arnett Hospital hosted a Health and Safety Fair attended by approximately 400 local residents Participants took advantage of free bike helmet giveaways, and approximately 100 people received free child identification bands Eighty people benefited from complimentary blood pressure and cholesterol screenings with 33 people identified as high risk and referred for further evaluation Additionally, Child Passenger Safety Technicians at IU Health Arnett Hospital in Lafayette offered free inspections of infant and child car seats During the 30-minute checkups, technicians ensured that seats were appropriate and correctly installed for their child's age, size and weight, making recommendations for poor-fitting seats IU Health Arnett Hospital completed 1,039 free car seat checks in 2012 This resulted in approximately 520 hours of team members' time to help ensure children are properly secured when traveling in cars In June 2012, IU Health Arnett donated $2,500 to the American Cancer Society's ("ACS") Relay for Life in Tippecanoe County Team IU Health Arnett included approximately 100 members and raised more than $500 IU Health Arnett's donation of $2,500 was used to carry out the ACS' mission of eliminating cancer as a major health problem The hospital also donated more than $100,000 to non-profit community organizations in 2012 Some of the groups included the Lafayette Medical Education Foundation, the United Way of Greater Lafayette, the Indiana Blood Center Bone Marrow Registry, and the American Heart Association
Schedule H, Part VI - Supplemental Information	Line 6 - Affiliated Health Care System	Indiana University Health Arnett, Inc is part of the Indiana University Health, Inc ("IU Health") statewide healthcare system which continues to broaden its reach and positive impact throughout the state of Indiana IU Health is Indiana's most comprehensive healthcare system A unique partnership with Indiana University School of Medicine, one of the nation's leading medical schools, gives patients access to innovative treatments and therapies IU Health is comprised of hospitals, physicians and allied services dedicated to providing preeminent care throughout Indiana and beyond IU Health Arnett is a part of the IU Health statewide healthcare system which continues to broaden its reach and positive impact throughout the state of Indiana IU Health is Indiana's most comprehensive academic medical center and consists of IU Health Methodist Hospital, IU Health University Hospital, Riley Hospital for Children at IU Health, IU Health West Hospital, IU Health North Hospital, IU Health Ball Memorial, IU Health Blackford Hospital, IU Health Bloomington Hospital, IU Health Paoli Hospital, IU Health Bedford Hospital, IU Health Tipton Hospital, IU Health La Porte Hospital, IU Health Starke Hospital, IU Health Morgan, IU Health White, and IU Health Goshen Hospital Although each IU Health hospital prepares and submits its own community benefits plan relative to the local community, IU Health Arnett considers its community benefit plan as part of an overall vision for strengthening Indiana's overall health A comprehensive community outreach strategy and community benefit plan is in place that encompasses the academic medical center downtown Indianapolis, suburban Indianapolis and statewide entities around priority areas that focus on health improvement efforts statewide IU Health is keenly aware of the positive impact it can have on the communities of need in the state of Indiana by focusing on the most pressing needs in a systematic and strategic way After taking a careful look into IU Health's communities we serve, and by utilizing the detailed community needs assessments undertaken by public health officials and community partners, IU Health identified the following community health needs for 2012 Obesity Prevention To improve the lifestyle of Indiana residents, IU Health has utilized best practice methods to attack obesity in our communities IU Health is working to improve access to nutritious foods and physical activity in low-income neighborhoods, in addition to providing traditional health education and public advocacy efforts With these initiatives, IU Health strives to prevent chronic diseases such as obesity and diabetes and increase the awareness of the importance of making healthy choices, since Thirty-six percent of Hoosier adults are overweight and 29 5% are obese, costing the nations billions of dollars each year to treat these chronic health conditions Garden on the Go Year-round mobile produce delivery program, that aims to increase access to affordable, fresh fruits & vegetables for the city's most disadvantaged neighbors Garden on the Go reported 18,998 transactions to thousands of community members in underserved neighborhoods across Marion County in 2012 For just $7, Garden on the Go shoppers can purchase one pound of green beans, one pound of bananas, one pound of tomatoes, three pounds of potatoes, a bunch of greens, a head of lettuce, a couple of apples and a couple of oranges In 2012, Garden on the Go received the Indiana State Health Commissioner Award for Excellence in Public Health The award is given to programs that contribute to promoting, protecting and providing for the health of the people of Indiana Indy Urban Acres 8-acre organic urban farm that supplies low-income Hoosiers with healthy fruits and vegetables Produce grown at this site is given to Gleaners Food Bank In 2012, 1,000 people benefited from Indy Urban Acres produce The amount of fruits and vegetables generated by the farm and donated to Gleaners totaled 35,619 pounds To learn about gardening and the importance of good nutrition, 1,000 children from the Indy Parks summer program visited Indy Urban Acres in 2012 The food pantry at IPS #14 serves 40-50 families each week The produce from Indy Urban Acres helps provide fresh fruits and vegetables and expand the pantry's food supply, making it possible to better serve everyone who visits each week Food pantry patrons enjoy sharing their recipes of dishes that use fresh produce Power over Pounds IU Health Arnett provides a program called Power over Pounds to their community to help parents and caregivers make better nutritional choices and motivate their children (ages 5-15) to engage in healthier behaviors Each session is four weeks long and is free to all participants Power over Pounds is designed to help families overcome some of the barriers that exist in our society regarding healthy behaviors Access to Affordable Healthcare One of the first steps to improved health outcomes is having access to healthcare resources To show its commitment to providing affordable healthcare access, IU Health treats all patients regardless of their ability to pay IU Health is also working to raise awareness and working to identify individuals within our communities that have barriers to care and connect these individuals with better access and consistency of healthcare resources to meet their needs Injury Prevention IU Health strives to create safe communities by helping to reduce preventable injuries such as bicycle, motor vehicle, and fall related injuries, as injuries are the leading cause of death for people 1 - 44 years old The CDC reports 160,000 people die and 50 million people are injured each year, costing over $80 billion in medical costs IU Health works to provide the necessary to tools, such as helmets and education to communities of need to prevent injuries for youth and adults In 2012 IU Health partnered with CICOA Aging & In-Home Solutions and other area agencies on aging to conduct Safe at Home, a half-day event to assist older adults in making their homes safe and accessible for daily living Program Highlights and Impact include 1) Five hundred IU Health and other community volunteers made simple home modifications, such as installing bathroom grab bars, building ramps and repairing stairs to help decrease risk of accidents in the home 2) During the October event, 128 seniors in seven IU Health communities across Indiana benefited from Safe at Home K-12 Education Education plays a crucial role in health outcomes Level of education has an impact not only on personal health, but it has multigenerational implications as well Children with a solid educational foundation and parents who are involved in their education are more likely to embrace healthy lifestyles and habits and succeed generally in life Additionally, research from The National Center for Public Policy and Higher Education shows that greater educational attainment is associated with health-promoting behaviors, such as increased consumption of fruits and vegetables and other aspects of healthy eating, engaging in physical activity and refraining from smoking Realizing that educational disparities appear early, IU Health is committed to enhancing childhood education to improve health and lifelong quality of life Kindergarten Countdown As one of IU Health Arnett and IU Health's signature programs and a collaboration with United Way, Kindergarten Countdown helps hundreds of soon-to-be kindergartners improve their readiness for school In addition to providing health screenings and vaccinations to students, the program offers assistance to parents in registering their kindergartners for school Kindergarten Countdown summer camps are designed to provide at-risk youngsters the basic skills they need to succeed in their first year of school With support from IU Health, Kindergarten Countdown has expanded to 10 communities across Indiana Program Highlights and Impact include 1) Kindergarten Countdown improved the school readiness of 400 children in 2012 and 2) Campers achieved a 19 percent increase in Get Ready to Read scores from baseline testing conducted at the beginning of camp Community Revitalization As an opportunity to give back to the community, more than 2,200 IU Health team member volunteers across the state built Habitat for Humanity home panels during the system-wide "Day of Service" in May 2012 As a result, 25 homes were built, impacting the lives of 100 people in Indiana Four of the homes were given to victims of the devastating 2012 tornado in Henryville, Ind Additionally, IU Health recognizes that it can extend its impact farther by strategically supporting the efforts of community partners who share IU Health's mission of improving the health and well-being of our neighbors and our neighborhoods In 2012, IU Health directly invested in partners to carry out such diverse activitie

Additional Data

Software ID:
Software Version:
EIN: 26-3162145
Name: INDIANA UNIVERSITY HEALTH ARNETT INC

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

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?
25

Name and address	Type of Facility (describe)
IU HEALTH ARNETT - NORTH 2600 GREENBUSH STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT IMAGING CENTER 2403 LOY DR LAFAYETTE,IN 47909	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT CANCER CARE CENTER 420 N 26TH STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT - FERRY 2600 FERRY STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT - SALEM 1500 SALEM STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT CARDIOLOGY 1116 N 16TH STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT HORIZON ONCOLOGY 1345 UNITY PL STE 345 LAFAYETTE,IN 47905	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - WEST LAFAY 2995 SALISBURY STREET WEST LAFAYETTE,IN 47906	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT GYNECOLOGY 904 SOUTH ST LAFAYETTE,IN 47901	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - FRANKFORT 550 S HOKE AVE FRANKFORT,IN 46041	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT OCCUPATIONAL HLTH SRVCS 810 S 6TH ST STE A MONTICELLO,IN 47960	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS 1 WALTER SCHOLER DR LAFAYETTE,IN 47909	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PAIN MEDICINE 415 N 26TH STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT NEPHROLOGY 915 MEZZANINE LAFAYETTE,IN 47905	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT OBSTETRICS & GYNECOLOGY 938 MEZZANINE LAFAYETTE,IN 47905	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT FAMILY MEDICINE - FERRY 2800 FERRY STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - CARROLL 104 S HOWARD DR FLORA,IN 46929	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - MONTICELLO 720 S 6TH ST MONTICELLO,IN 47960	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - DELPHI 651 ARMORY RD DELPHI,IN 46923	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - OTTERBEIN 407 N MEADOW ST OTTERBEIN,IN 47970	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - ROSSVILLE 14 S PLANK ST ROSSVILLE,IN 46065	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT REHABILITATION 2601 FERRY STREET LAFAYETTE,IN 47904	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT PHYSICIANS - FLORA 203 DIVISION ST FLORA,IN 46929	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT OCCUPATIONAL HLTH SRVCS 3746 ROME DRIVE LAFAYETTE,IN 46905	PHYSICIAN OFFICE URGENT CARE CENTER
IU HEALTH ARNETT SLEEP LAB CASCADE CTR 3900 MCCARTHY LN STE 101 LAFAYETTE,IN 47905	PHYSICIAN OFFICE URGENT CARE CENTER

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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

2012

Open to Public Inspection

Name of the organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Employer identification number
26-3162145

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. Part II can be duplicated 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
(1) UNITED WAY OF GREATER LAFAYETTE 1114 E STATE ST LAFAYETTE,IN 47905	35-0891621	501(C)(3)	58,142	0	N/A	N/A	GENERAL SUPPORT
(2) RIGGS COMMUNITY HEALTH CENTER INC 1716 HARTFORD ST LAFAYETTE,IN 47904	35-1965865	501(C)(3)	52,000	0	N/A	N/A	RESIDENCY SUPPORT
(3) AMERICAN HEART ASSOCIATION INC PO BOX 4002902 DES MOINES,IA 50340	13-5613797	501(C)(3)	32,500	0	N/A	N/A	GENERAL SUPPORT
(4) LAFAYETTE MEDICAL EDUCATION FOUNDATION INC PO BOX 4083 LAFAYETTE,IN 47909	35-1314750	501(C)(3)	10,000	0	N/A	N/A	MEDICAL EDUCATION

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 4

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 0

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. Part III can be duplicated 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, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Schedule I, Part I - General Information on Grants and Assistance	Line 2 - Organization's Procedures for Monitoring the Use of Grant Funds	Although Indiana University Health Arnett, Inc does not monitor the use of grant funds once distributed, through due diligence the organization has reasonably confirmed that the entities to which the contributions are made are highly reputable in the community and use the funds for the purposes intended

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Employer identification number
26-3162145

Part I Questions Regarding Compensation

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

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

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

990 Schedule J, Supplemental Information

Identifier	Return Reference	Explanation
Schedule J, Part I - Questions Regarding Compensation	Line 3 - Compensation of the Organization's CEO/Executive Director	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 26-3162145
Name: INDIANA UNIVERSITY HEALTH ARNETT INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
ANDREW K EDWARDS MD	(I)	362,028	0	378	26,490	29,425	418,321	0
	(II)	0	0	0	0	0	0	0
SCOTT M BLACK	(I)	0	0	0	0	0	0	0
	(II)	227,675	0	10,256	21,020	28,810	287,761	0
DANIEL F EVANS JR	(I)	0	0	0	0	0	0	0
	(II)	1,043,576	313,408	74,737	838,555	26,887	2,297,163	0
STEPHEN L HENSON MD	(I)	594,973	0	5,334	33,000	21,247	654,554	0
	(II)	0	0	0	0	0	0	0
MICHAEL B LOCKWOOD MD	(I)	321,731	0	1,806	33,000	25,383	381,920	0
	(II)	0	0	0	0	0	0	0
CHRISTOPHER A MANSFIELD MD	(I)	331,390	0	336	26,490	25,933	384,149	0
	(II)	0	0	0	0	0	0	0
KENNETH S STONE MD	(I)	0	0	0	0	0	0	0
	(II)	841,861	0	1,806	28,197	15,388	887,252	0
ALFONSO W GATMAITAN	(I)	400,023	126,016	16,805	94,031	30,717	667,592	0
	(II)	0	0	0	0	0	0	0
JEROME P KELLY	(I)	0	0	0	0	0	0	0
	(II)	223,896	0	3,898	21,020	25,344	274,158	0
LORI A LUTHER	(I)	89,595	10,000	11,665	5,971	4,859	122,090	0
	(II)	117,949	0	18,562	2,515	3,712	142,738	0
CARA L BREIDSTER	(I)	92,327	0	10,644	5,335	10,232	118,538	0
	(II)	144,447	0	420	2,477	17,712	165,056	0
BRIAN T SHOCKNEY	(I)	205,218	0	2,245	26,199	25,330	258,992	0
	(II)	0	0	0	0	0	0	0
DONALD E CLAYTON MD	(I)	439,292	0	2,772	33,000	23,615	498,679	0
	(II)	0	0	0	0	0	0	0
KYLE L ALLEN	(I)	41,831	0	535	2,135	1,968	46,469	0
	(II)	159,631	0	14,536	12,294	7,322	193,783	0
JAMES BIEN MD	(I)	257,808	0	13,758	33,000	28,610	333,176	0
	(II)	0	0	0	0	0	0	0
HAROLD D GEORGE JR	(I)	165,087	0	2,100	17,688	16,514	201,389	0
	(III)	0	0	0	0	0	0	0
JOSEPH E HUBBARD MD	(I)	788,903	0	378	26,490	1,784	817,555	0
	(II)	0	0	0	0	0	0	0
RYAN D LOYD MD	(I)	728,330	0	420	33,000	25,543	787,293	0
	(II)	0	0	0	0	0	0	0
ADIL KESKIN MD	(I)	638,278	0	630	33,000	25,873	697,781	0
	(II)	0	0	0	0	0	0	0
CHENG DU MD	(I)	627,614	0	630	33,000	31,973	693,217	0
	(II)	0	0	0	0	0	0	0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
PETER A SEYMOUR	(I)	621,485	0	420	26,490	27,962	676,357	0
MD	(II)	0	0	0	0	0	0	0
MICHAEL W SKEHAN	(I)	0	0	0	0	0	0	0
MD	(II)	263,500	0	26,517	18,755	17,089	325,861	0

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Employer identification number
26-3162145

Identifier	Return Reference	Explanation
Part VI, Section A - Governing Body and Management	Line 2 - Family or Business Relationships	Scott M Black and Cara L Breidster served on the board of managers of Beltway Surgery Center, LLC and ROC Surgery, LLC No additional compensation was provided

Identifier	Return Reference	Explanation
Part VI, Section A - Governing Body and Management	Lines 6, 7a and 7b - Members or Stockholders	Line 6 The sole member of Indiana University Health Arnett, Inc ("IU Health Arnett") is Indiana University Health, Inc ("IU Health"), a 501(c)(3) tax-exempt hospital Line 7a The control and management of the affairs of IU Health Arnett is vested in a board of up to twelve (12) voting directors whom are appointed by IU Health, as the sole member of the organization Three (3) of the voting directors are nominated by the IU Health Arnett employed physicians One (1) of the voting directors is nominated by active medical staff members IU Health may only either accept director nominees from the IU Health Arnett employed physicians and active medical staff members or reject one or more of such nominees and request different nominees from the employed physicians and active medical staff members Line 7b The board of directors may not undertake certain actions without the prior approval of IU Health, as the sole member Actions that require prior approval include the following -Authorization of any merger, consolidation, reorganization, sale or transfer of all or substantially all of the assets of IU Health Arnett, -Authorization of any plan of dissolution of IU Health Arnett, any liquidating distribution of IU Health Arnett's assets or other action related to the dissolution or liquidation of IU Health Arnett, -Authorization of any voluntary declaration of bankruptcy of IU Health Arnett, -Amendment, repeal, revision or adoption of changes to the organization documents of IU Health Arnett, -Authorization of the consolidation of any entity with, or acquisition of any entity by IU Health Arnett, -Authorization of any agreement to act as a primary obligor, or to serve as a guarantor, surety or co-obligor with respect to the indebtedness of any other party, to borrow amounts from third-party lenders or to loan money to any person or entity, -Approval of strategic plans and amendments, -Authorization of any pledge of, or grant of any security interest or mortgage in, or otherwise encumber, any tangible assets in excess of an appropriate monetary threshold, other than in the ordinary course of business or pursuant to an approved budget or strategic plan, -Approval of any management agreement for the management of all or a substantial part of IU Health Arnett's operations, or -Authorization of the establishment or acquisition by IU Health Arnett of any subsidiaries, affiliates or joint venture arrangements or the acquisition by IU Health Arnett of the stock or other equity interest or substantially all the assets of any other business or entity

Identifier	Return Reference	Explanation
Part VI, Section A - Governing Body and Management	Line 11b - Form 990 Provided to Governing Body	Indiana University Health Arnett, Inc ("IU Health Arnett") has established the following process for the review of the Form 990 and related schedules before it is filed The Chief Financial Officer reviewed and approved the Form 990 and related schedules After the review and approval from the Chief Financial Officer, a complete copy of the Form 990 and related schedules was presented and approved by the Audit Committee After Audit Committee approval, a complete copy of the Form 990 and related schedules was made available to each board member on a secure intranet site Each member was informed of the availability of the Tax Department to answer any questions

Identifier	Return Reference	Explanation
Part VI, Section B - Policies	Lines 12, 13, 14, and 16b	Indiana University Health Arnett, Inc ("IU Health Arnett") is part of the Indiana University Health, Inc ("IU Health") system As the sole member and controlling parent of IU Health Arnett, IU Health and its Board of Directors have mandated that certain policies be followed to ensure greater standardization throughout the system Thus, IU Health Arnett's Board of Directors was not required to separately adopt a conflict of interest, whistleblower, document retention and destruction and joint venture policies because IU Health's Board of Directors had already adopted and required these policies to be followed by its subsidiaries

Identifier	Return Reference	Explanation
Part VI, Section B - Policies	Line 12c - Conflict of Interest Policy	Indiana University Health Arnett, Inc ("IU Health Arnett") has a Conflict of Interest Policy, the purpose of which is to protect IU Health Arnett's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, or employee Each employee that is manager level or above, including officers and directors, is required to annually sign a statement which affirms that such person (1) has received a copy of the conflict of interest policy, (2) has read and understands the policy, (3) has agreed to comply with the policy, and (4) understands and acknowledges that the Corporation is a tax-exempt organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes If an interest is disclosed, the form requires that the discloser's supervisor sign the form to indicate his/her knowledge and approval of the interest The form is then submitted to Corporate Compliance for review If the disclosure is by the CEO/President, it is reviewed by the board chairman for approval If the disclosure is by a member of the board of directors, the General Counsel/Chief Compliance Officer reviews the disclosures and determines whether to consent Board members with a conflict of interest cannot participate in any decision related to that conflict Breach of the conflict of interest policy, including failure to complete and update the questionnaire and failure to disclose an interest that should be disclosed, may subject an individual to disciplinary action, including dismissal

Identifier	Return Reference	Explanation
Part VI, Section B - Policies	Line 15 - Process for Determining Compensation	The CEO/Top Management Official for Indiana University Health Arnett, Inc ("IU Health Arnett") is employed by Indiana University Health, Inc ("IU Health") IU Health has the following process for determining compensation 1 The Board of Directors has established a Committee on Personnel and Compensation The individuals on this Committee are made up of individuals who are on the Board and who do not have a conflict of interest with Indiana University Health, Inc ("IU Health") There are no physicians or employees on this Committee This Committee develops and reviews annually the executive compensation philosophy, market analysis as to comparability and reasonableness One of the purposes of this Committee is to review, approve and make recommendations regarding executive compensation and benefits to the IU Health Board As deemed appropriate, this Committee also reviews the same detail with the Committee on Finance, Planning and Human Resources The Committee on Finance, Planning and Human Resources is represented by certain members of the Board as well 2 Each year the Committee on Personnel and Compensation engages an outside compensation consulting firm to conduct a compensation and benefits study for all senior vice presidents and above The current compensation advisor is the Hay Group Hay Group performs an independent compensation survey The relevant comparability data includes compensation and benefit levels paid by similarly situated organizations (both governmental and tax exempt) for functionally comparable positions as well as the availability of similar services in the geographic area The Committee reviews the entire compensation package including base compensation, short term and long term incentive plans, basic health and welfare benefits, qualified and nonqualified plans as well as any additional fringe benefits Further, Hay Group will provide recommendations based upon the reasonable compensation information as it relates to salary increases, bonuses and benefits that are consistent with the compensation philosophy of the Committee A separate analysis using the same methodology is done for the Chief Executive Officer 3 The Committee reviews the salary survey and, if appropriate, makes recommendations on increases in salary and any changes in bonuses or benefits The Committee's goal is to ensure that the total compensation and benefits package is reasonable based upon the independent data provided by Hay Group The Committee votes on any changes in compensation or benefits This review, discussion and vote are documented in the minutes for the meeting There are no executives present during the final discussion and approval of compensation 4 The Board reviews the report prepared by the Hay Group as well as the recommendations of the Committee on Personnel and Compensation as to changes in compensation approved by the Committee As requested, the Finance, Planning and Human Resources Committee also provides its review of recommendations on changes in executive compensation and benefits This review, discussion and vote are documented in the minutes 5 The Board then reviews the recommendations provided by the Committee on Personnel and Compensation and votes on the changes as well No additional compensation or benefits are paid to the executives until the changes have been approved by the Committee and the Board The discussion and approval are documented in the minutes of the meeting There are no executives present during the final discussion and approval of compensation The General Counsel prepares a formal written opinion reviewing the compensation and benefits approval process, comparing that process to the Intermediate Sanctions Test of IRC Section 4958 and, if the facts warrant, provides comments regarding the compensation and benefits approval process as this relates to meeting the requirements for a rebuttable presumption of reasonableness as provided in the Intermediate Sanctions Test 6 After the end of each year, the Committee and Board also reviews the achievements of the executive group as it relates to the long-term and short-term shared and individual goals developed by the executive and the Board These achievements may also be reviewed with the Committee on Finance, Planning and Human Resources The Board, at its discretion, may approve bonus payments based upon the achievement of the goals and the compensation survey The discussion and vote of the Committee and Board is documented in the minutes for each such meeting The bonuses are not paid until approval is made by the Board 7 The Committee on Personnel and Compensation and Audit Committee also review the required Form 990 disclosures related to executive compensation and benefits as well as compensation practices and approval processes prior to the filing of the Form 990 return with the Internal Revenue Service IU Health Arnett has a process in place to determine the compensation for the other o

Identifier	Return Reference	Explanation
Part VI, Section B - Policies	Line 15 - Process for Determining Compensation	fficers and key employees IU Health Arnett uses an ındependent compensatıon consultant w h o utılızes a varıety of methods and procedures to obtaın compensatıon ranges for comparabl e offıcer and employee posıtıons The ındependent compensatıon consultant provıdes IU Heal th Arnett w ıth recommended compensatıon ranges for ıts offıcers and other employees, w hıch are then used as a guıde for settıng reasonable compensatıon by management Management de cısıons w ıth regard to determınıng compensatıon are subject to the revıew and approval of the Executıve Committee and Board of Directors

Identifier	Return Reference	Explanation
Part VI, Section C - Disclosure	Line 19 - Public Disclosure	Indiana University Health Arnett, Inc 's ("IU Health Arnett") Articles of Incorporation are available for public inspection through the Indiana Secretary of State's web-site IU Health Arnett's conflict of interest procedures are disclosed on the Form 990, Schedule O IU Health Arnett is a consolidated subsidiary in the consolidated financial statements for Indiana University Health, Inc ("IU Health") The consolidated financial statements for IU Health are available to the public through its bond filings and attached to the Form 990

Identifier	Return Reference	Explanation
Part VII, Section A - Governing Body and Management	Line 1a, Column (B) - Average hours per week	During different parts of 2012, Lori A Luther devoted 55 hours per week as the Interim CFO/Chief Practice Officer ("CPO") of Indiana University Health Arnett, Inc and COO of Indiana University Health Ball Memorial Hospital, Inc During different parts of 2012, Cara L Breidster devoted 55 hours per week as the VP, Finance/Controller of Indiana University Health, Inc and Treasurer/CFO of Indiana University Health Arnett, Inc and CFO of IU Health White Memorial Hospital, Inc During different parts of 2012, Kyle L Allen devoted 55 hours per week as the VP, Primary Care of Indiana University Health Care Associates, Inc and CPO of Indiana University Health Arnett, Inc

Identifier	Return Reference	Explanation
Part IX - Statement of Functional Expenses	Line 11g - Other Fees for Services	Line 11g includes amounts paid for the following Shared Services/Professional Fees - $45,729,517

Identifier	Return Reference	Explanation
Statement on Amendment		During 2014, Indiana University Health Arnett, Inc issued a 2012 Form W-2c to Alfonso W Gatmaitan in order to include previously excluded travel and lodging expenses that were reimbursed to him as a taxable fringe benefit During 2014, Indiana University Health, Inc issued a 2012 Form W-2c to Daniel F Evans, Jr (board member of Indiana University Health Arnett, Inc) in order to include previously excluded premiums it paid on a life insurance policy, in which Daniel F Evans, Jr was the insured party and a family member was the beneficiary, as taxable compensation The total increase for Alfonso W Gatmaitan's and Daniel F Evans, Jr 's 2012 reportable compensation was $1,555 and $15,887 respectively This change is reflected on the following parts and schedules of the amended 2012 Form 990 Part I, Line 15 As Originally Filed $181,126,436 As Amended $181,127,991 Increase $1,555 Part I, Line 17 As Originally Filed $199,784,690 As Amended $199,783,135 Decrease $1,555 Part VII, Section A, Line (13), Column (D) As Originally Filed $541,289 As Amended $542,844 Increase $1,555 Part VII, Section A, Line (5), Column (E) As Originally Filed $1,415,834 As Amended $1,431,721 Increase $15,887 Part VII, Section A, Line 1b, Column (D) As Originally Filed $2,202,765 As Amended $2,204,320 Increase $1,555 Part VII, Section A, Line 1b, Column (E) As Originally Filed $2,730,626 As Amended $2,746,513 Increase $15,887 Part VII, Section A, Line 1d, Column (D) As Originally Filed $7,008,386 As Amended $7,009,941 Increase $1,555 Part VII, Section A, Line 1d, Column (E) As Originally Filed $3,476,188 As Amended $3,492,075 Increase $15,887 Part IX, Line 5, Column (A) As Originally Filed $3,825,322 As Amended $3,826,877 Increase $1,555 Part IX, Line 5, Column (C) As Originally Filed $487,999 As Amended $489,554 Increase $1,555 Part IX, Line 17, Column (A) As Originally Filed $408,454 As Amended $406,899 Decrease $1,555 Part IX, Line 17, Column (C) As Originally Filed $66,731 As Amended $65,176 Decrease $1,555 Schedule J, Part II, Line 3(ii), Column (B)(iii) As Originally Filed $58,850 As Amended $74,737 Increase $15,887 Schedule J, Part, II, Line 3 (ii), Column (E) As Originally Filed $2,281,276 As Amended $2,297,163 Increase $15,887 Schedule J, Part II, Line 8, Column (B)(iii) As Originally Filed $15,250 As Amended $16,805 Increase $1,555 Schedule J, Part II, Line 8, Column (E) As Originally Filed $666,037 As Amended $667,592 Increase $1,555

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
INDIANA UNIVERSITY HEALTH ARNETT INC

Employer identification number
26-3162145

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

(a) Name, address, and EIN (if applicable) 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) ARNETT CLINIC LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-2030653	HEALTHCARE	IN	119,107,971	0	IUHA
(2) CAH PHYSICIANS LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-2769447	HEALTHCARE	IN	0	0	IUHA
(3) CLARIAN-ARNETT OCCUP HEALTH CTRS LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 27-1973115	HEALTHCARE	IN	2,759,831	0	IUHA

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity? Yes	(g) No
See Additional Data Table							

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

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

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
See Additional Data Table									

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Software ID:
Software Version:
EIN: 26-3162145
Name: INDIANA UNIVERSITY HEALTH ARNETT INC

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 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) Disproprtionate allocations? No	(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner? Yes	(j) General or Managing Partner? No	(k) Percentage ownership
BALL OUTPATIENT SURGERY CENTER LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 27-0275794	HEALTHCARE	IN	BOSCH	N/A	0	0		No	0		No	0 %
BELTWAY SURGERY CENTERS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMIMGHAM, AL 35244 35-2072586	HEALTHCARE	IN	BSCH	N/A	0	0		No	0		No	0 %
BLOOMINGTON ENDOSCOPY CENTERS LLC PO BOX 1149 BLOOMINGTON, IN 47402 35-2117943	HEALTHCARE	IN	IUHB	N/A	0	0		No	0		No	0 %
BMH OUTPATIENT SURGERY SERVICES LLC 2401 W UNIVERSITY AVE MUNCIE, IN 47303 20-4567998	HEALTHCARE	IN	IUHBMH	N/A	0	0		No	0		No	0 %
BOSC HOLDINGS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4147343	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
CARDINAL HEALTH INITIATIVES LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 30-0102702	PURCHASING	IN	IUHBMH	N/A	0	0		No	0		No	0 %
CHV FUND I LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-2523206	VENTURE CAPITAL	IN	IUH	N/A	0	0		No	0		No	0 %
CHV FUND MANAGEMENT LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-2523151	VENTURE CAPITAL	IN	CHV	N/A	0	0		No	0		No	0 %
CLARIAN HEALTH NETWORK LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-2055030	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
EAGLE HIGHLANDS SURGERY CENTER LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 35-2259204	HEALTHCARE	IN	EHSCH	N/A	0	0		No	0		No	0 %
EHSC HOLDINGS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4147879	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
HEALTH VENTURE MANAGEMENT LLC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 20-5740218	MANAGEMENT	IN	IUH	N/A	0	0		No	0		No	0 %
IEC HOLDINGS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4148032	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
INDIANA ENDOSCOPY CENTERS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 20-8398421	HEALTHCARE	IN	IECH	N/A	0	0		No	0		No	0 %
BSC HOLDINGS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-2314634	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
MID-AMERICA SURGERY CENTER LLC 2401 W UNIVERSITY AVE MUNCIE, IN 47303 35-2002953	HEALTHCARE	IN	CDHV	N/A	0	0		No	0		No	0 %
ROC SURGERY LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 27-1497960	HEALTHCARE	IN	ROCSH	N/A	0	0		No	0		No	0 %
ROCS HOLDINGS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4148369	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
SENATE STREET SURGERY CENTER LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 42-1709357	HEALTHCARE	IN	SSSCH	N/A	0	0		No	0		No	0 %
SSSC HOLDINGS LLC 3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4148167	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
CARDINAL HEALTH ALLIANCE LLC 2401 W UNIVERSITY AVE MUNCIE, IN 47303 35-1966281	MANAGED CARE	IN	IUHBMH	N/A	0	0		No	0		No	0 %

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

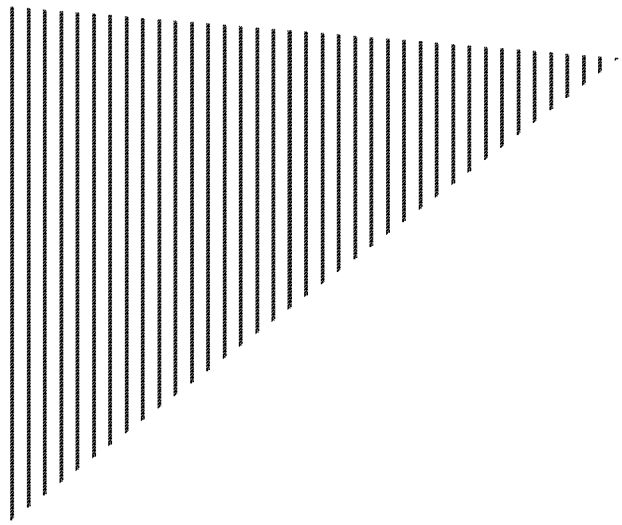
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
BMH MEDICAL PAVILION ASSOCIATION INC 2525 W UNIVERSITY AVE MUNCIE, IN 47303 35-1858408	CONDO MANAGEMENT	IN	IUHBMH	C	0	0	0 %	Yes	
CARDINAL HEALTH VENTURES INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1611424	MANAGEMENT	IN	IUHBMH	C	0	0	0 %	Yes	
CHV CAPITAL INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-0752507	VENTURE CAPITAL	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH ACO INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 45-4421020	HEALTHCARE	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH BOARD DESIGNATED TRUST 400 HOWARD ST SAN FRANCISCO, CA 94105 30-6309021	INVESTMENTS	IN	IUH	T	0	0	0 %	Yes	
IU HEALTH NTGI S&P500 FUND CF PO BOX 804358 CHICAGO, IL 60680 30-6298263	INVESTMENTS	IN	IUH	T	0	0	0 %	Yes	
IU HEALTH PLANS INC 1776 MERIDIAN ST STE 300 INDIANAPOLIS, IN 46202 26-2127080	HMO	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH RISK PURCHASING GROUP INC 151 MEETING ST STE 301 CHARLESTON, SC 29401 26-0202446	INSURANCE	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH RISK RETENTION GROUP INC 151 MEETING ST STE 301 CHARLESTON, SC 29401 20-1107674	INSURANCE	SC	IUH	C	0	0	0 %	Yes	
IU HEALTH SOUTHERN IN PHYSICIANS INC PO BOX 1149 BLOOMINGTON, IN 47402 35-1913875	HEALTHCARE	IN	IUHB	C	0	0	0 %	Yes	
IUH ASSURANCE LTD PO BOX 69 SOLARIS AVE , GRAND CAYMAN CJ 98-0395429	INSURANCE	CJ	IUH	C	0	0	0 %	Yes	
OCC-HEALTH REVENUE SYSTEMS INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 20-3308057	WORK COMP PPO	IN	MOHC	C	0	0	0 %	Yes	
PARKMOR DRUG INC 1501 S MAIN ST GOSHEN, IN 46526 13-1394980	PHARMACY SALES	IN	GHS	C	0	0	0 %	Yes	
PILR INC 200 HIGH PARK AVE GOSHEN, IN 46526 20-4294750	DEVELOPMENT	IN	GHS	C	0	0	0 %	Yes	
RADIATION ONCOLOGY RESOURCES INC 200 HIGH PARK AVE GOSHEN, IN 46526 26-2008424	HEALTHCARE	IN	GHS	C	0	0	0 %	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
SCANS INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 45-3080392	HEALTHCARE	IN	CHVF1	C	0	0	0 %	Yes	
UNIVERSITY HEALTH MANAGEMENT INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 27-2891143	MANAGEMENT	IN	CHV	C	0	0	0 %	Yes	
UNIVERSITY HEALTH MGMT (CHINA) INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 27-3891311	MANAGEMENT	IN	CHV	C	0	0	0 %	Yes	
PROTEUO FUND LP PO BOX 31106 89 NEXUS WAY, GRAND CAYMAN CJ 98-1075227		CJ	IUH	C	0	0	0 %	Yes	

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
IU HEALTH WHITE MEMORIAL HOSPITAL INC	K	194,372	FMV
IU HEALTH WHITE MEMORIAL HOSPITAL INC	L	243,050	FMV
INDIANA RADIOLOGY PARTNERS INC	M	307,347	FMV
IU HEALTH CARE ASSOCIATES INC	M	866,025	FMV
METHODIST OCCUPATIONAL HEALTH CENTERS INC	M	319,887	FMV
IU HEALTH RISK RETENTION GROUP INC	R	2,477,264	FMV
IUH ASSURANCE LTD	R	610,058	FMV



CONSOLIDATED FINANCIAL STATEMENTS

Indiana University Health, Inc and subsidiaries
Years Ended December 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Indiana University Health, Inc. and subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2012 and 2011

Contents

Ernst & Young LLP
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111 Monument Circle
Indianapolis, IN 46204
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www.ey.com

Report of Independent Auditors

The Board of Directors
Indiana University Health, Inc and subsidiaries

We have audited the accompanying consolidated financial statements of Indiana University Health, Inc and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Indiana University Health, Inc and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

Emphasis Matter

As discussed in Note 3 to the consolidated financial statements, Indiana University Health, Inc and subsidiaries changed its presentation of the provision for uncollectible accounts as a result of the adoption of Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, effective January 1, 2012

Ernst & Young LLP

March 28, 2013

Indiana University Health, Inc. and subsidiaries

Consolidated Balance Sheets

(Thousands of Dollars)

	December 31	
	2012	**2011**
Assets		
Current assets		
Cash and cash equivalents	**$ 611,630**	$ 403,086
Patient accounts receivable, less allowance for uncollectible accounts of $250,604 and $197,025 at 2012 and 2011, respectively	**617,548**	550,933
Other receivables	**161,947**	87,807
Prepaid expenses	**39,741**	34,726
Inventories	**84,341**	82,884
Current portion of trustee-held funds	**501**	54,430
Total current assets	**1,515,708**	1,213,866
Assets limited as to use		
Board-designated investment funds and other investments	**1,967,308**	1,528,549
Donor-restricted investment funds	**94,975**	88,107
Trustee-held funds for construction and debt service, less current portion	**13,769**	12,929
Total assets limited as to use, less current portion	**2,076,052**	1,629,585
Property and equipment		
Cost of property and equipment in service	**5,573,770**	5,353,044
Less accumulated depreciation	**(2,836,763)**	(2,738,368)
	2,737,007	2,614,676
Construction-in-progress	**44,467**	90,384
Total property and equipment, net	**2,781,474**	2,705,060
Other assets		
Equity interest in unconsolidated subsidiaries	**57,819**	72,254
Interest in net assets of foundations	**12,898**	12,251
Unamortized bond issuance costs	**7,197**	7,558
Goodwill, intangibles, and other assets	**224,717**	194,163
Total other assets	**302,631**	286,226
Total assets	**$ 6,675,865**	$ 5,834,737

	December 31	
	2012	**2011**
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	**$ 380,336**	$ 347,133
Accrued salaries, wages, and related liabilities	**278,052**	199,184
Accrued health claims	**55,593**	40,860
Estimated third-party payor allowances	**107,552**	86,754
Current portion of notes payable to banks	**–**	24,721
Current portion of long-term debt	**60,853**	101,131
Total current liabilities	**882,386**	799,783
Noncurrent liabilities		
Long-term debt, less current portion	**1,824,831**	1,730,290
Interest rate swaps	**165,923**	196,627
Accrued pension obligations	**154,480**	139,002
Accrued medical malpractice claims	**64,642**	57,287
Other	**53,955**	52,689
Total noncurrent liabilities	**2,263,831**	2,175,895
Total liabilities	**3,146,217**	2,975,678
Net assets		
Indiana University Health	**3,257,945**	2,619,481
Noncontrolling interest in subsidiaries	**168,890**	138,628
Total unrestricted	**3,426,835**	2,758,109
Temporarily restricted	**36,549**	34,761
Permanently restricted	**66,264**	66,189
Total net assets	**3,529,648**	2,859,059
Total liabilities and net assets	**$ 6,675,865**	$ 5,834,737

See accompanying notes.

Indiana University Health, Inc. and subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

(Thousands of Dollars)

	Year Ended December 31	
	2012	**2011**
Revenues		
Patient service revenue (net of contractuals and discounts)	**$ 5,449,405**	$ 4,326,593
Provision for uncollectible accounts	**(284,883)**	(255,554)
Net patient service revenue	**5,164,522**	4,071,039
Member premium revenue	**150,646**	135,692
Other revenue	**263,108**	115,861
Total operating revenues	**5,578,276**	4,322,592
Expenses		
Salaries, wages, and benefits	**2,596,349**	2,043,849
Supplies, drugs, purchased services, and other	**1,773,395**	1,596,664
Hospital assessment fee	**179,834**	–
Health claims to providers	**96,132**	94,059
Depreciation and amortization	**266,941**	252,293
Interest	**64,358**	51,178
Total operating expenses	**4,977,009**	4,038,043
Operating income before educational and research support	**601,267**	284,549
Educational and research support to Indiana University	**(52,610)**	(98,505)
Total operating income	**548,657**	186,044
Nonoperating income (losses)		
Investment income, net	**147,902**	2,727
Gains (losses) on interest rate swaps, net	**17,054**	(73,441)
Inherent contribution of acquired entities	**3,062**	48,714
Gain on acquisition and other	**2,200**	52,906
Total nonoperating income	**170,218**	30,906
Consolidated excess of revenues over expenses	**718,875**	216,950
Less amounts attributable to noncontrolling interest in subsidiaries	**67,377**	44,556
Excess of revenues over expenses attributable to Indiana University Health and subsidiaries	**651,498**	172,394

Continued on next page.

Indiana University Health, Inc. and subsidiaries

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

(Thousands of Dollars)

	December 31, 2012			December 31, 2011		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Unrestricted net assets						
Excess of revenues over expenses	$ 718,875	$ 651,498	$ 67,377	$ 216 950	$ 172 394	$ 44 556
Change in pension obligations	(28,226)	(28,226)	–	(49 887)	(49 887)	–
Contributions for capital expenditures	14,690	14,690	–	8 568	8 568	–
Distributions to noncontrolling interests	(56,663)	–	(56,663)	(27 480)	–	(27 480)
Issuance of noncontrolling interests related to acquisition	13,556	–	13,556	–	–	–
Contributions from noncontrolling interests	2,940	–	2,940	–	–	–
Purchase of noncontrolling interests	–	–	–	(39 294)	(26 993)	(12 301)
Fair value of initial noncontrolling interests in acquired entities	3,601	–	3,601	74 197	–	74 197
Sale of member interest to noncontrolling member	–	–	–	123 090	82 726	40 364
Other	(47)	502	(549)	(554)	(5 330)	4 776
	668,726	638,464	30,262	305 590	181 478	124 112
Temporarily restricted net assets						
Change in beneficial interest in net assets of foundations	568	568	–	(1 012)	(1 012)	–
Contributions	11,275	11,275	–	1 468	1 468	–
Investment return	2,921	2,921	–	222	222	–
Net assets released from restrictions	(13,220)	(13,220)	–	(3 096)	(3 096)	–
	1,544	1,544	–	(2 418)	(2 418)	–
Permanently restricted net assets						
Change in beneficial interest in net assets of foundations	68	68	–	12	12	–
Contributions and other	354	354	–	502	502	–
Investment return	(347)	(347)	–	–	–	–
	75	75	–	514	514	–
Increase in net assets before contributions of net assets of acquired organizations	670,345	640,083	30,262	303 686	179 574	124 112
Contributions of net assets of acquired organizations at April 1 2012						
Temporarily restricted net assets of RHI	244	244	–	–	–	–
Contributions of net assets of acquired organizations at July 1 2011						
Temporarily restricted net assets of White	–	–	–	53	53	–
Permanently restricted net assets of Morgan	–	–	–	560	560	–
Permanently restricted net assets of White	–	–	–	238	238	–
	–	–	–	851	851	–
Increase in net assets	670,589	640,327	30,262	304 537	180 425	124 112
Net assets at beginning of year	2,859,059	2,720,431	138,628	2 554 522	2 540 006	14 516
Net assets at end of year	$ 3,529,648	$ 3,360,758	$ 168,890	$ 2 859 059	$ 2 720 431	$ 138 628

See accompanying notes

Indiana University Health, Inc. and subsidiaries

Consolidated Statements of Cash Flows
(Thousands of Dollars)

	Year Ended December 31 2012	2011
Operating activities		
Increase in net assets	**$ 670,345**	$ 303,686
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in fair value of interest rate swaps	**(32,294)**	55,712
Change in pension liability	**28,226**	49,887
(Income) loss in unconsolidated subsidiaries	**(3,603)**	51,767
Provision for uncollected patient accounts	**284,883**	255,554
Issuance of noncontrolling interests and step up to fair value related to acquisitions	**(17,157)**	(74,197)
Contributions from noncontrolling interests	**(2,940)**	–
Inherent contribution of acquired entities	**(3,062)**	(48,714)
Fair value of initial noncontrolling interests in acquired entities		
Gain on consolidation of acquired entities	**(2,200)**	(61,411)
Depreciation and amortization	**266,941**	252,293
Amortization of deferred gain on sale of medical office buildings	**(2,279)**	(2,275)
Loss on extinguishment of debt	–	8,491
Restricted contributions and investment return	**(14,839)**	(2,043)
Purchase of noncontrolling interests	–	39,294
Proceeds from the sale of member interest to noncontrolling member	–	(123,090)
Distributions to noncontrolling interests	**56,663**	27,480
Trading securities	**(388,975)**	(280,457)
Net changes in operating assets and liabilities		
Patient accounts receivable	**(325,917)**	(303,551)
Other assets	**(52,772)**	(42,666)
Accounts payable and accrued liabilities and other liabilities	**18,219**	6,708
Salaries, wages, and related liabilities	**51,797**	3,864
Deferred state disproportionate share revenue	–	(119,781)
Estimated third-party payor allowances	**20,407**	36,931
Net cash provided by operating activities	**551,443**	33,482

Indiana University Health, Inc. and subsidiaries

Consolidated Statements of Cash Flows (continued)
(Thousands of Dollars)

	Year Ended December 31	
	2012	**2011**
Investing activities		
Acquisition of subsidiaries, net of cash received	**$ 5,509**	$ (20,991)
Purchase of property and equipment, net of disposals	**(218,107)**	(335,183)
Net cash used in investing activities	**(212,598)**	(356,174)
Financing activities		
Increase in restricted net assets	**14,839**	2,043
Proceeds from tax incremental financing contribution	**–**	9,240
Repayments on long-term debt	**(66,696)**	(815,457)
Proceeds from issuance of long-term debt	**–**	1,014,054
Repayments on notes payable under line of credit, net of proceeds	**(24,721)**	(45,445)
Contributions from noncontrolling interests	**2,940**	–
Purchase of noncontrolling interests	**–**	(39,294)
Proceeds from the sale of members' interest to noncontrolling member	**–**	123,090
Distributions to noncontrolling interests	**(56,663)**	(27,480)
Net cash (used in) provided by financing activities	**(130,301)**	220,751
Increase (decrease) in cash and cash equivalents	**208,544**	(101,941)
Cash and cash equivalents at beginning of year	**403,086**	505,027
Cash and cash equivalents at end of year	**$ 611,630**	$ 403,086

See accompanying notes.

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements
(Thousands of Dollars)

December 31, 2012 and 2011

Mission Statement

The mission of Indiana University Health is to improve the health of our patients and community through innovation and excellence in care, education, research, and service

Indiana University Health will preserve, strengthen and build upon these values
*A patient's **total care**, including mind, body and spirit*
*Excellence in **education** for health care providers*
*Quality of care and **respect** for life*
***Charity**, equality and justice in health care*
*Leadership in health promotion and **wellness***
*Excellence in **research***
*An internal community of **trust** and respect*

1. Organization and Nature of Operations

History and Organization

Indiana University Health, Inc (Indiana University Health) and subsidiaries operate as a health care delivery system, which includes an academic health center affiliated with Indiana University, providing health care services throughout the state of Indiana Health care services provided by Indiana University Health and its subsidiaries (hereinafter referred to as the Indiana University Health System) include acute, nonacute, tertiary, and quaternary care services on an inpatient, outpatient, and emergency basis, medical education and research, medical management services, health care diagnostic and treatment services for individuals and families in physician clinics and physician-group practices, occupational health care for businesses, and personal and home health care

1. Organization and Nature of Operations (continued)

Indiana University Health was formed as an Indiana nonprofit corporation through a consolidation, as of January 1, 1997, under the terms of a Definitive Health Care Resources Consolidation Agreement, as amended (the Consolidation Agreement), and certain other related agreements by and between the Trustees of Indiana University and Methodist Health Group, Inc (successor to Methodist Hospital) The facilities and operations of Indiana University Health University Hospital (University Hospital), Riley Hospital for Children of Indiana University Health (Riley Hospital), and Indiana University Health Methodist Hospital (Methodist Hospital) (collectively, the Downtown Hospitals of the Academic Health Center) were merged and consolidated to form a single corporate entity, which was then licensed as a single acute care hospital and operating as an academic health center Members of the Board of Directors (the Board) of Indiana University Health are selected by its two classes of members the Methodist Class (members of which are members of Methodist Health Group, Inc) and the University Class (members of which are the individuals who are the Trustees of Indiana University)

The Consolidation Agreement requires that the salaries and related employee benefit costs be funded for medical doctor interns and residents of the Indiana University School of Medicine (the School of Medicine) The Board annually reviews and determines the level of support to the School of Medicine for these programs and the number of internships and residencies to be supported The Consolidation Agreement also provides for additional support to the School of Medicine to recognize, as a result of the consolidation, the enhanced and increased level of services being provided, including services to the medically indigent through medical education and research Annually (or more often), an appointed committee consisting of representatives of Indiana University Health, Methodist Health Group, Inc , and Indiana University determines the amount of such additional support to be provided to the School of Medicine

Nature of Operations

The Indiana University Health System operates as an integrated health care delivery system comprising nonprofit and for-profit entities, with coordinated activities and policies designed to meet the mission of the Indiana University Health System The principal operating activities of the Indiana University Health System are conducted at owned facilities or majority-owned or controlled subsidiaries and consist of the following

1. Organization and Nature of Operations (continued)

Downtown Hospitals of the Academic Health Center (Hospital Campuses) – Consist of three acute, tertiary and quaternary care, and diagnostic facilities, licensed as a single hospital, which constitutes the principal hospital activities of the academic health center and whose operations are located in the downtown area of Indianapolis, Indiana These three hospitals, Methodist Hospital, University Hospital, and Riley Hospital are located on or near the campus of Indiana University-Purdue University in Indianapolis and the School of Medicine

Suburban Facilities (Indiana University Health West Hospital (West), Indiana University Health North Hospital (North) including Indiana University Health Tipton Hospital (Tipton), Indiana University Health Saxony Hospital (Saxony), and Rehabilitation Hospital of Indiana (RHI)) – Consist of three acute care hospitals, a critical access hospital, and an acute care rehabilitation hospital located in the western and northern suburban areas of metropolitan Indianapolis, Indiana Saxony opened on December 1, 2011 Saxony operates as a division of the academic health center. RHI was consolidated into operations effective April 9, 2012 (see Note 4)

Statewide Facilities – Consist of acute care hospitals and health care systems located in Bedford, Bloomington, Goshen, Hartford City, Knox, Lafayette, LaPorte, Martinsville, Monticello, Muncie, and Paoli, Indiana Principal hospital subsidiaries include Indiana University Health Bedford Hospital (Bedford), Indiana University Health Arnett Hospital (Arnett), Indiana University Health LaPorte Hospital and subsidiaries (LaPorte) including Indiana University Health Starke (Starke), Indiana University Health Goshen and subsidiaries (Goshen), Indiana University Health Ball Memorial Hospital and subsidiaries (Ball Memorial) including Indiana University Health Blackford (Blackford), Indiana University Health Bloomington Hospital and subsidiaries (Bloomington) including Indiana University Health Paoli (Paoli), Indiana University Health Morgan Hospital (Morgan), and Indiana University Health White Memorial Hospital (White) Morgan and White were consolidated into operations effective July 1, 2011 (see Note 4).

Physician Operations – Consist of physician offices and physician-group practices and clinics Principal subsidiaries or divisions include Indiana University Health Arnett Physicians, Indiana University Health Ball Memorial Physicians, Indiana University Health Southern Indiana Physicians, Indiana University Health LaPorte Physicians, Indiana

1. Organization and Nature of Operations (continued)

University Health Goshen Physicians, Indiana University Health Radiology Partners, Inc., Indiana University Health Transplant Institute, and Heart Partners of Indiana, LLC

Additionally, physician operations include Indiana University Health Physicians (IUHP), a nonprofit organization with locations primarily in Indianapolis, Indiana IUHP was developed by integrating Indiana University Health owned or operated physician practices with newly acquired privately owned physician practices and practice plans of the School of Medicine. IUHP employs all of its physicians and operates as a delivery model that facilitates access, coordinates care, and improves quality, all designed to provide a better health care experience for patients IUHP was consolidated into operations effective January 1, 2012 (see Note 4)

Ambulatory Care – Consists of occupational, personal, and home health care services and outpatient oncology services, which are located throughout the state of Indiana Principal subsidiaries or divisions include Indiana University Health Occupational Services, Indiana University Health Home Care, and Central Indiana Cancer Centers

Medical Risk – Consists of the medical management of health care services of members whose health care coverage is provided by the managed care networks of the Indiana University Health System

Foundations – Indiana University Health is the sole corporate member of Methodist Health Foundation, Inc (Methodist Health Foundation), which aids and supports Methodist Hospital and other programs and areas of Indiana University Health Ball Memorial is the sole corporate member of Indiana University Ball Memorial Hospital Foundation (BMH Foundation), which aids in carrying out the mission of Ball Memorial Morgan is the sole corporate member of Indiana University Health Morgan Hospital Foundation (Morgan Foundation), which aids and supports Morgan Arnett is the sole corporate member of Indiana University Health Arnett Hospital Foundation (Arnett Foundation), which aids and supports Arnett RHI is the sole corporate member of Rehabilitation Hospital of Indiana Foundation (RHI Foundation), which aids and supports RHI

1. Organization and Nature of Operations (continued)

Indiana University Health or its subsidiaries have also entered into certain limited liability company agreements with physicians and other third parties for the operation of ambulatory surgery and diagnostic centers (located throughout the state of Indiana), network or management arrangements with several other hospitals to provide or operate hospital, rural outreach, or other medical services and programs (located in Columbus, Evansville, Greensburg, Kokomo, South Bend, and Terre Haute, Indiana), a 50% membership interest with a county governmental institution (located in Indianapolis, Indiana) in a nonprofit corporation that holds a health maintenance organization license and manages networks serving Medicaid patients, and a 50% membership interest in Indiana University Health Proton Therapy Center, LLC, a nonprofit entity owned with Indiana University Research and Technology Corporation, in a specialized cancer treatment and diagnostic clinic (located in Bloomington, Indiana) Where applicable, these arrangements are accounted for using the equity method of accounting

2. Community Benefit and Charity Care

The Indiana University Health System provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, improve the health of low-income patients, and foster medical education and research through its affiliation with the School of Medicine In addition, the Indiana University Health System provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or those who are uninsured or underinsured. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the Indiana University Health System's benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than cost

2. Community Benefit and Charity Care (continued)

The Indiana University Health System's financial assistance policies are designed to provide care to patients regardless of their ability to pay, and all uninsured patients are eligible for discounts from established charges Patients who meet certain criteria (generally based on up to 400% of federal poverty income guidelines, other patients who are victims of certain catastrophic events, or those who meet criteria to be part of the Indiana University Health System's medical education and research programs) are provided care without charge or at amounts less than established rates

Patient service revenue is reported at estimated net realizable amounts for services rendered The Indiana University Health System recognizes patient service revenue associated with patients who have third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients who do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with the financial assistance policy

The amount of charity care provided is determined based on the qualifying criteria, as defined in the financial assistance policies, through approved applications completed by patients and their families or beneficiaries, or based on analysis of patients without third-party insurance coverage who did not apply for charity and whose income was equal to or less than 200% of federal poverty income guidelines. No payment for services is anticipated for those patients whose charity care applications have been approved, as well as for those other patient accounts whose income is equal to or less than 200% of federal poverty income guidelines and meet certain other criteria. The cost to provide charity care using the consolidated cost to charge ratio was $204,420 and $148,995 for 2012 and 2011, respectively In addition, the Indiana University Health System provides a significant amount of uncompensated care to other uninsured and underinsured patients, which is included in the provision for uncollected patient accounts

Enacted March 23, 2010, the Patient Protection and Affordable Care Act (the Affordable Care Act) required, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. The hospital organizations of the Indiana University Health System have adopted a financial assistance policy that conforms with the Affordable Care Act and includes financial assistance eligibility criteria, the basis for calculating amounts charged to patients, the method for applying for financial assistance, billing and collections policies with regard to actions that may be taken in the case of nonpayment, as well as measures to widely publicize the policy within the communities served Additionally, the Indiana University Health System's hospital organizations have adopted policies requiring the organizations to provide, without discrimination, care for emergency medical conditions to

2. Community Benefit and Charity Care (continued)

individuals regardless of their eligibility under their financial assistance policy. These hospital organizations have also adopted policies to limit the amount charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under the organizations' financial assistance policy to not more than the amounts generally billed to individuals who have insurance covering such care

Reimbursements are received by the Indiana University Health System for Medicare and Medicaid beneficiaries in accordance with reimbursement agreements and related regulatory rules and regulations Also, the Indiana University Health System receives certain additional Medicaid Disproportionate Share (DSH) payments and payments under the Medicaid Assessment Fee program from the state of Indiana (see Note 3). These reimbursements and payments are less than the cost of providing the related services

The Indiana University Health System also provides education for health care providers, including support to the School of Medicine, counseling centers and chaplaincy programs that support patients' medical, spiritual, and emotional needs, programs to enhance quality of and respect for life, including neighborhood revitalization, community health clinics, and school-based health programs, charity, equality, and justice programs, including education programs available to independent health providers, and obesity prevention programs such as Garden on the Go and Indy Urban Acres, other medical research, and support to the Children's Values Fund, and fosters an internal community of trust, respect, and empowerment The costs of providing these programs and services are included in expenses in the accompanying consolidated statements of operations and changes in net assets

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Indiana University Health and all majority-owned or controlled subsidiaries The equity method of accounting is used for investments in partnerships and companies where control is participatory or less than 50% All significant intercompany balances and transactions have been eliminated in consolidation

3. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with U S generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes Actual results could differ from those estimates

Reclassification

The Indiana University Health System has reclassified the 2011 provision for uncollectible accounts to conform with the current year's presentation, as Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, has been adopted as of January 1, 2012 The reclassification had no effect on operating income or excess of revenues over expenses as previously reported.

Fair Values of Financial Instruments

Financial instruments include cash and cash equivalents, patient, other accounts receivable, assets limited as to use, accounts payable and accrued expenses, estimated third-party payor allowances, notes payable to banks, long-term debt, derivative financial instruments (i e , fixed payor and basis swaps), and certain other current assets and liabilities.

The fair values for cash and cash equivalents, patient, other accounts receivable, accounts payable and accrued expenses, estimated third-party payor allowances, notes payable to banks, and certain other current assets and liabilities approximate the carrying amounts reported in the consolidated balance sheets and, in the opinion of management, represent highly liquid assets or short-term obligations The fair values for assets limited as to use, long-term debt, and derivative financial instruments are described in Notes 5, 7, 8, and 9.

Derivative Financial Instruments

The Indiana University Health System has entered into certain interest rate swap transactions (fixed-pay swaps and basis swaps) As of and for the years ended December 31, 2012 and 2011, the Indiana University Health System's fixed-pay swap and basis swap agreements did not

3. Summary of Significant Accounting Policies (continued)

qualify for hedge accounting. Therefore, the changes in fair value of these interest rate swaps during these years are reported with nonoperating income in the consolidated statements of operations and changes in net assets

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others at the time services are rendered. Certain revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known

For the year ended December 31, 2012, the percentage of net patient service revenue derived under Medicare, Medicaid, and managed care programs approximated 23%, 7%, and 55%, respectively (24%, 7%, and 59%, respectively, in 2011) A managed care provider represented 26% and 30% of net patient service revenue in 2012 and 2011, respectively Provision has been made, by a charge to contractual allowances as an offset to patient service revenue, for the differences between gross charges for patient services and estimated reimbursement from these government and insurance programs

Indiana University Health is a Medicaid DSH provider under Indiana law (IC 12-15-16(1-3)) and, as such, is eligible to receive state DSH payments. The amount of these additional state DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors For the years ended December 31, 2012 and 2011, state DSH payments have been made by the state of Indiana, and amounts were recorded as revenue based on data acceptable to the state of Indiana, less any amounts management believes may be subject to adjustment State DSH payments by the state of Indiana are based on the fiscal year of the state, which ends June 30 of each year State DSH reimbursement is recognized as revenue after eligibility is determined by the state and payments are probable and reasonably estimable. The 2010 through 2012 state DSH payments of $110,334 recognized by Indiana University Health and certain subsidiaries during 2012 were recorded in net patient service revenue in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2012 The 2011 state DSH payments of $221,623 recognized by Indiana University Health and

3. Summary of Significant Accounting Policies (continued)

certain subsidiaries during 2011 were recorded in net patient service revenue in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2011

During April 2012, the Indiana General Assembly approved a hospital assessment fee program Under this program, the Office of Medicaid Policy and Planning (OMPP) collects an assessment fee from eligible hospitals The fee will then be used in part to increase reimbursement to eligible hospitals for services provided in both fee-for-service and managed care programs and as the state share of DSH payments This program is effective retroactively from July 1, 2011, and will continue through June 30, 2013 During the year ended December 31, 2012, the Indiana University Health System recognized increased reimbursement of $474,235, of which $161,802 related to 2011 This increased reimbursement was recorded within net patient service revenue on the consolidated statements of operations and changes in net assets The Indiana University Health System also recognized an assessment fee of $179,834, of which $59,936 related to 2011 This fee was recorded within hospital assessment fee on the consolidated statements of operations and changes in net assets

Laws and regulations governing Medicare, Medicaid, and other governmental programs are extremely complex, subject to interpretation, and sometimes provide for retroactive adjustments As a result, there is a reasonable possibility that recorded estimated settlements could change by a material amount in the near term The Indiana University Health System believes it is in compliance with applicable laws and regulations governing Medicare, Medicaid, and other governmental programs and that adequate provisions have been recorded for any adjustments that may result from final settlements However, any adjustments to the currently estimated settlements are recorded in future periods

During 2012, the Indiana University Health System received a settlement from the United States Department of Health & Human Services and Centers for Medicare & Medicaid Services related to underpayments for Medicare services dating back several years in the amount of $22,570. The settlement was recorded within net patient service revenue on the consolidated statements of operations and changes in net assets

3. Summary of Significant Accounting Policies (continued)

Patient service revenue, net of contractual allowances and discounts and before the provision for bad debts, recognized in the year from major payor sources is as follows

	Year Ended December 31 2012
Third-party payors	$ 5,294,741
Self-pay patients	154,664
Total payors	$ 5,449,405

Member Premium Revenue and Health Claims

The Indiana University Health System has agreements to provide medical services to subscribing participants or members that generally provide for predefined payments (on a per member/per month basis) regardless of services actually performed. The cost to provide health care services under these agreements, and for self-insured health benefits to employees, is accrued in the period in which the health care services are provided to a member or covered employee based, in part, on estimates, including an accrual for medical services provided but not yet reported Expenses to providers are reported as health claims to providers in the accompanying consolidated statements of operations and changes in net assets The accrual for medical services provided but not yet reported is reflected as accrued health claims in the accompanying consolidated balance sheets.

Meaningful Use Revenue

The American Recovery and Reinvestment Act of 2009 established incentive payments under Medicare and Medicaid programs for certain eligible professionals, hospitals, and critical access hospitals (Providers) Providers can receive incentive payments by adopting, implementing, and upgrading electronic health records (EHR) technology. Providers can also receive incentive payments for demonstrating meaningful use of EHR technology Upon satisfaction of the meaningful use criteria, using a grant accounting model, the Indiana University Health System recognized $24,133 and $23,957 of these incentive payments within other revenue on the consolidated statements of operations and changes in net assets for the years ended December 31, 2012 and 2011, respectively If specified meaningful use criteria are met in future periods, the Indiana University Health System may qualify for additional incentive payments.

3. Summary of Significant Accounting Policies (continued)

Cash Equivalents

Investments in highly liquid instruments with an original maturity of three months or less when purchased, excluding assets limited as to use, are considered by management to be cash equivalents

The Indiana University Health System routinely invests in money market funds, including both treasury and agency money market funds and prime money market funds. Such instruments, as well as bank deposits, are potentially subject to concentrations of credit risk In order to mitigate such risk, the Indiana University Health System generally places its cash and cash equivalents with institutions of high credit quality and/or positions them such that they are insured by the Federal Deposit Insurance Corporation

Accounts Receivable and Allowance for Uncollectible Accounts

The Indiana University Health System does not require collateral or other security for the delivery of health care services from its patients, substantially all of whom are residents of the state of Indiana However, assignment of benefit payments payable under patients' health insurance programs and plans (e g , Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice

The provision for uncollected patient accounts, for all payors, is recognized when services are provided based upon management's assessment of historical and expected net collections, taking into consideration business and economic conditions, changes and trends in health care coverage, and other collection indicators Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon accounts receivable payor composition and aging, the significance of individual payors to outstanding accounts receivable balances, and historical write-off experience by payor category, as adjusted for collection indicators The results of this review are then used to make any modifications to the provision for uncollected patient accounts and the allowance for uncollectible accounts In addition, the Indiana University Health System follows established guidelines for placing certain past due patient balances with collection agencies Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the Indiana University Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet financial assistance policies of the Indiana University Health System.

3. Summary of Significant Accounting Policies (continued)

The composition of net patient accounts receivable is summarized as follows as of December 31.

	2012	2011
Managed care	**51%**	49%
Medicare	**21**	22
Medicaid	**7**	8
Other third-party payors	**12**	12
Patients	**9**	9
	100%	100%

A managed care payor represented 24% and 25% of net patient accounts receivables at December 31, 2012 and 2011, respectively.

The allowance for uncollectible accounts for self-pay patients, including self-pay discounts and charity care, was 86% and 85% of self-pay accounts receivable as of December 31, 2012 and 2011, respectively Effective January 1, 2011, Indiana University Health adopted a financial assistance policy as required by the Affordable Care Act. The Affordable Care Act has resulted in an increase in self-pay discounts, which are a reduction of patient service revenue, and a corresponding decrease in self-pay write-offs that are included in the provision for bad debts. Overall, the net of self-pay discounts and write-offs has not changed significantly for the years ended December 31, 2012 and 2011 The Indiana University Health System has not experienced significant changes in write-off trends and has not changed its financial assistance policy during the year ended December 31, 2012

Inventories

Inventories consist primarily of drugs and supplies, are stated at the lower of cost or market, and are generally valued using the average cost method

3. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use

Assets limited as to use include the following. (i) cash and cash equivalents and designated investment assets, including those funds held by the consolidated foundations, set aside by the Board for future capital improvements and for other purposes, over which the Board retains control and may, in certain circumstances, use for other purposes, (ii) donor-restricted investment assets, the use of which has been specified by the donor, (iii) assets held by trustees under bond or trust indenture agreements for construction and debt service, and (iv) cash and equivalents and designated investment assets set aside for near-term capital improvements and other purposes, over which management retains control and may use for other purposes and which are classified as other investments Substantially all assets limited as to use are invested and managed by professional investment managers and are held in custody by financial institutions These funds are classified as trading securities Accordingly, changes in unrealized gains and losses in the fair value of investments are included in nonoperating income within investment income in the accompanying consolidated statements of operations and changes in net assets The Indiana University Health System is a limited partner in funds that employ hedged investment strategies These investments are accounted for using the equity method of accounting, based on the fund's financial information

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets Included in property and equipment are costs for software developed for internal use

Property and equipment under capital lease obligations are amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter Such amortization is included with depreciation in the accompanying consolidated statements of operations and changes in net assets. Interest cost incurred on borrowed funds during the period of construction and other interest costs related to tax-exempt bonds are capitalized as a component of the cost of constructing the assets In addition, interest earnings on unexpended borrowed funds related to tax-exempt financings offset capitalized tax-exempt interest Repair and maintenance costs are expensed when incurred

3. Summary of Significant Accounting Polices (continued)

The Indiana University Health System evaluates when events or changes in circumstances have occurred that would indicate that the remaining estimated useful life of long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group If undiscounted cash flows are insufficient to recover the carrying value of the long-lived asset, such asset is written down to its fair value if its carrying value exceeds fair value

Unamortized Bond Issuance Costs and Bond Discount or Premium

Costs incurred in connection with the issuance of long-term debt and bond discounts or premiums are amortized or accreted using the effective interest rate method Amortization and accretion are included in interest expense in the accompanying consolidated statements of operations and changes in net assets (see Note 7)

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give, including indications of an intention to give, are reported at fair value at the date the gift is received If the gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as either temporarily or permanently restricted. Donor-restricted contributions for which restrictions are met in the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements

Noncontrolling Interest in Subsidiaries

The Indiana University Health System attributed income of $67,377 and $44,556 for the years ended December 31, 2012 and 2011, respectively, to the noncontrolling interests based on the ownership percentage of the noncontrolling interests in certain of the Indiana University Health System's consolidated subsidiaries These amounts are reflected in unrestricted net assets in the consolidated balance sheets.

3. Summary of Significant Accounting Polices (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose These net assets are generally restricted for medical education and research programs, medical supplies and equipment, and patient care services

Interests in net assets of unconsolidated foundations are included in other assets in the accompanying consolidated balance sheets. The underlying assets of these interests in foundations consist primarily of cash and cash equivalents, money market and mutual funds, and marketable equity and debt securities (see Note 14)

Business Combinations

The Indiana University Health System allocates the purchase price of an acquisition to the various components of the acquisition based upon the fair value of each component, which may be derived from various observable or unobservable inputs and assumptions Also, the Indiana University Health System may utilize third-party valuation specialists These components typically include buildings, land, and equipment and may also include intangibles related to noncompete agreements or other specifically identified intangible assets The excess of the fair value of assets acquired over liabilities assumed and the fair value of any noncontrolling interest is recorded as an inherent contribution within the performance indicator Goodwill is recorded to the extent that liabilities assumed and noncontrolling interests exceed the fair value of assets acquired

3. Summary of Significant Accounting Policies (continued)

Goodwill and Intangible Assets

In connection with business combinations, the Indiana University Health System has recorded goodwill and definite-lived intangible assets on the accompanying consolidated balance sheets The Indiana University Health System evaluates goodwill for impairment annually, or more frequently if events or changes in circumstances suggest that the carrying value of an asset may not be recoverable The goodwill impairment analysis, performed at the reporting unit level, generally includes estimating the fair value and comparing that to the carrying value. If fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired These valuation methods require the Indiana University Health System to make estimates and assumptions regarding future operating results, cash flows, changes in working capital, capital expenditures, profitability, and the cost of capital The Indiana University Health System also reviews if events or changes in circumstances suggest impairment may have occurred related to the carrying value of the definite-lived intangible assets, which are amortized over periods of 5 to 35 years. It has been determined that there was no impairment to goodwill or definite-lived intangible assets during 2012 and 2011 Intangible assets included in other assets on the accompanying consolidated balance sheets as of December 31, 2012 and 2011, were $184,145 and $166,300, respectively, which include goodwill of $166,801 and $147,395, respectively The increase in goodwill during 2012 primarily relates to a surgery center acquisition

Operating and Performance Indicators

The activities of the Indiana University Health System are primarily related to providing health care services and, accordingly, expense information by functional classification is not used as a basis for measuring performance Further, since substantially all resources are derived from providing health care services, similar to that if provided by a business enterprise, the following indicators are considered important in evaluating how well management has discharged its stewardship responsibilities.

Operating Indicator (Operating Income) – Includes all unrestricted revenue, gains, donor contributions to offset operating expenses, other support, equity income or loss of unconsolidated health care subsidiaries, and expenses directly related to the recurring and ongoing health care operations during the reporting period. The operating indicator excludes investment income or losses on assets limited as to use (including changes in unrealized gains and losses on investments), changes in the fair value of fixed-pay and basis swaps, gain

3. Summary of Significant Accounting Policies (continued)

or loss on the extinguishment of debt, inherent contribution of acquired entities, noncontrolling interest, and gains and losses deemed by management not to be directly related to providing health care services

Performance Indicator (Excess of Revenues Over Expenses) – Includes operating income and nonoperating income (losses) The performance indicator excludes certain changes in pension obligations and contributions for capital expenditures, distributions, and net assets released from restricted funds.

Income Taxes

The Internal Revenue Service (IRS) has determined that Indiana University Health and certain of its affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code

Certain subsidiaries of Indiana University Health are taxable entities The tax expense and liabilities of these subsidiaries are not material to the consolidated financial statements

Subsequent Events

For the consolidated financial statements as of and for the year ended December 31, 2012, management has evaluated subsequent events through March 28, 2013, the date that these consolidated financial statements were issued

4. Business Combinations and Other Strategic Transactions

Indiana University Health Physicians

Effective January 1, 2012, the bylaws of IUHP were amended and restated to, among other items, eliminate certain participatory rights of the noncontrolling members With this change to the bylaws, Indiana University Health is deemed to control IUHP The transaction was accounted for as an acquisition, and acquired assets and liabilities were recorded at fair value At January 1, 2012, Indiana University Health recorded the value of working capital of $7,460, property and equipment of $10,947, and other long-term assets of $9,081, net of pension liabilities assumed of $8,691 No material debt was assumed Indiana University Health also adjusted its preexisting equity interest in IUHP of $15,349 This transaction resulted in a contribution of $3,062, which was recorded within nonoperating income in the consolidated statements of operations and changes in net assets. There was no material remeasurement gain recorded upon obtaining control of this investee The financial position of IUHP was consolidated with Indiana University Health effective January 1, 2012, and the financial results of IUHP have been consolidated beginning on that date. The consolidation of IUHP had no impact on revenues in excess of expenses because Indiana University Health had been recognizing 100% of IUHP's net loss due to funding all of its operating losses in prior periods

Rehabilitation Hospital of Indiana

Effective April 9, 2012, the bylaws of RHI were amended to provide Indiana University Health with a 51% voting interest in participatory matters, so that Indiana University Health became the controlling member in RHI Purchase accounting was applied to this transaction as Indiana University Health obtained control of the entity, which was previously accounted for under the equity method As such, the assets, liabilities, and noncontrolling interests of RHI were recorded at fair value Indiana University Health recorded the value of working capital and assets limited to use of $14,613, property and equipment and other assets of $13,713, and ownership interests of $7,593 Long-term debt and other liabilities of $20,733 were assumed Indiana University Health remeasured its previous equity method investment upon the change in control, which resulted in a gain of $2,200 recorded within other nonoperating income on the consolidated statements of operations and changes in net assets, representing the fair value of Indiana University Health's equity interest in RHI in excess of its previous carrying value The financial position of RHI was consolidated with Indiana University Health effective with the amendment, and the financial results of RHI were consolidated beginning on that date The recorded amounts

4. Business Combinations and Other Strategic Transactions (continued)

for assets and liabilities are provisional and subject to change pending the finalization of purchase price allocation However, Indiana University Health does not expect any future adjustments will be material

White Hospital

On April 26, 2011, Indiana University Health entered into an Affiliation and Asset Purchase Agreement (the White Agreement) with White County Memorial Hospital, a 25-bed critical access hospital located in Monticello, Indiana, whereby effective July 1, 2011, White County Memorial Hospital transferred certain of its assets and liabilities to Indiana University Health White Memorial Hospital (White), a newly created nonprofit organization, and Indiana University Health is the sole corporate member of White White has obtained tax-exempt status The purchase price was $955, payable over ten years, plus the assumption of liabilities The White Agreement was designed to enable both organizations to better position themselves to serve patients and the community and to provide White with certain support services.

As the sole corporate member of White, Indiana University Health has control of White through appointment of the majority of the Board of Directors The transaction was accounted for as an acquisition, and acquired assets and liabilities were recorded at fair value At July 1, 2011, Indiana University Health recorded the value of working capital and assets limited to use of $8,202 and property and equipment of $34,975, net of long-term debt assumed of $37,304, resulting in a contribution of $4,627, which was recorded within nonoperating income on the consolidated statement of operations and changes in net assets On July 1, 2011, Indiana University Health extinguished long-term debt of $24,901 assumed in the transaction and replaced it with an intercompany note that is eliminated in consolidation Indiana University Health also recorded restricted net assets of $291 as part of the acquisition The financial position of White was consolidated with Indiana University Health effective July 1, 2011, and the financial results of White have been consolidated beginning on that date

Morgan Hospital

On June 28, 2011, Indiana University Health entered into an Affiliation and Asset Purchase Agreement (the Morgan Agreement) with Morgan Hospital and Medical Center, a 106-bed not-for-profit hospital located in Martinsville, Indiana, whereby effective July 1, 2011, Morgan Hospital and Medical Center transferred certain of its assets and liabilities to Indiana University Health Morgan Hospital (Morgan), a newly created tax-exempt nonprofit organization. Indiana

4. Business Combinations and Other Strategic Transactions (continued)

University Health is the sole corporate member of Morgan. In connection with the transaction, Morgan became the sole corporate member of Indiana University Health Morgan Hospital Foundation (formerly Morgan County Hospital Foundation) The Morgan Agreement was designed to enable both organizations to better position themselves to serve patients and the community, promote economic development and job preservation in Morgan County, and to provide Morgan with certain support services

As the sole corporate member of Morgan, Indiana University Health has control of Morgan through appointment of the majority of the Board of Directors The transaction was accounted for as an acquisition, and acquired assets and liabilities were recorded at fair value At July 1, 2011, Indiana University Health recorded the value of working capital and assets limited to use of $12,416 and property and equipment of $32,977, net of long-term debt assumed of $746, resulting in a contribution of $44,087, which was recorded within nonoperating income on the consolidated statement of operations and changes in net assets Indiana University Health also recorded restricted net assets of $560 as part of the acquisition. The financial position of Morgan was consolidated with Indiana University Health effective July 1, 2011, and the financial results of Morgan have been consolidated beginning on that date

Indiana University Health Saxony Hospital

Saxony, located in Fishers, Indiana, opened on December 1, 2011 The hospital's focus is surgical services for cardiovascular, orthopedic, and spine. The hospital construction was completed during November 2011 at an aggregate cost of approximately $224,242, which was recorded as property and equipment at December, 31, 2012 In addition, start-up, organization, and development costs aggregated $5,740 for the year ended December 31, 2011, and were charged to operations Saxony operates as a division of the academic health center An adjacent ambulatory surgery center, Indiana University Health Saxony Surgery Center, LLC, opened during the first quarter of 2012

Purchase of Noncontrolling Interests in West

Effective April 29, 2011, West redeemed 100% of its physician-owned membership interests for $9,430 Prior to this redemption, Indiana University Health held a 76 9% membership interest in West Upon the purchase, Indiana University Health became the sole corporate member of West West became a separate tax-exempt organization in 2012. The purchase price paid to physicians in excess of the carrying amount of noncontrolling interest was recorded to unrestricted net assets

4. Business Combinations and Other Strategic Transactions (continued)

Purchase of Noncontrolling Interests in North

Effective November 1, 2011, 100% of North's physician-owned membership interests were purchased by Indiana University Health for $29,864 Prior to this purchase, Indiana University Health held a 63 8% membership interest in North Upon the purchase, Indiana University Health became the sole corporate member of North North became a separate tax-exempt organization in 2012 The purchase price paid to physicians in excess of the carrying amount of noncontrolling interest was recorded to unrestricted net assets.

Central Indiana Cancer Centers

Effective June 1, 2011, Indiana University Health purchased the business operations of Central Indiana Cancer Centers (CICC) for $12,000 CICC operates community-based cancer centers providing comprehensive cancer care services and treatments The transaction was accounted for as a purchase with assets acquired of $3,263, which includes property and equipment of $2,495 and a definite-lived intangible asset related to noncompete agreements recognized for $3,510 The purchase resulted in goodwill of $5,227 recorded in other assets on the accompanying consolidated balance sheets.

Surgery Centers

Effective July 1, 2011, Indiana University Health purchased one additional membership unit in Beltway Surgery Center (BSC) and Eagle Highlands Surgery Center (EHSC) and, as a result, Indiana University Health became the controlling member in these surgery centers Purchase accounting was applied to this transaction, as these surgery centers were previously accounted for under the equity method As such, the assets, liabilities, and ownership interests of these two entities were recorded at fair value, resulting in goodwill of $122,799, which is classified in other long-term assets At July 1, 2011, Indiana University Health recorded the value of working capital of $16,927, property and equipment of $6,931, and ownership interests (controlling and noncontrolling) of $146,383 No material debt was assumed Indiana University Health recorded its controlling investment in BSC and EHSC at fair value, which resulted in a gain of $61,411 recorded within other nonoperating income, representing the fair value of Indiana University Health's preexisting equity interests in BSC and EHSC in excess of the carrying values

4. Business Combinations and Other Strategic Transactions (continued)

Also effective July 1, 2011, Indiana University Health entered into a Membership Interest Purchase Agreement with Surgical Care Affiliates, LLC (SCA) whereby SCA purchased a noncontrolling 49% ownership interest in six holding companies, controlled subsidiaries that own and control BSC, EHSC, and four other surgery centers, for $123,090 SCA, under very limited circumstances, can put its interests to Indiana University Health, however, because of the contingent nature of these rights and, in management's view, the remote possibility of such contingencies occurring, the SCA noncontrolling interests are reflected within unrestricted net assets.

The sale of 49% of the interests in the holding companies to SCA did not result in a change of control and therefore was accounted for as an equity transaction The difference between the fair value of the consideration received from SCA and the amount by which the noncontrolling interest is adjusted was recognized in equity attributable to the parent As reflected in the consolidated statement of operations and changes in net assets, $40,364 of the $123,090 consideration received was reflected as SCA's noncontrolling interest in the holding companies, and the remaining $82,726 was recorded as an increase to unrestricted net assets

Neuroscience Center of Excellence (NCOE)

In June 2012, construction was completed on the NCOE medical office building, and it opened to patients in August 2012 Upon completion, Indiana University Health entered into a 25-year lease with the NCOE developer. Because Indiana University Health obtains ownership of the medical office building at the end of the lease term, this is recorded as a capital lease Additionally, Indiana University Health has a call option in year five of the lease to acquire the project for the then-current balance of amounts owed under the capital lease At December 31, 2012, the value of the asset was $91,705 and the capital lease obligation was $93,153, which were recorded within property and equipment and long-term debt, respectively on the consolidated balance sheets.

5. Assets Limited as to Use

Board-designated and donor-restricted investment funds are invested in accordance with Board-approved policies Trustee-held funds are generally invested in cash equivalents (including money market funds) and U S government and agency obligations, as defined by the debt agreements

The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies The methods and assumptions used to estimate the fair value of assets limited as to use are as follows. cash and cash equivalents — the carrying amounts reported in the consolidated balance sheets approximate fair value, marketable securities — the fair value amounts of marketable securities are based on quoted market prices or, if quoted market prices are not available, quoted market prices of comparable instruments and other observable inputs, and other investments, including alternative investments (such as hedge funds and private equity investments) are accounted for using the equity method of accounting based upon the net asset values as determined by third-party administrators of each fund in consultation with and approval of the fund investment managers.

5. Assets Limited as to Use (continued)

The Indiana University Health System is a limited partner in funds that employ hedged investment strategies, which are designed to reduce overall portfolio volatility Generally, redemptions may be made quarterly with written notice ranging from 30 to 95 days, however, some funds employ lock-up periods that restrict redemptions or charge a redemption fee during the lock-up period Lock-up periods range from one to three years with redemption charges of up to 5% of net asset value for redemptions made on or before the anniversary date of the initial investment or additional contribution Upon complete redemption, many of the funds have "hold-back" provisions that allow the fund to retain up to 10% of the assets until the fund completes its audited financial statements for the redemption period These investments are accounted for using the equity method of accounting, based on the fund's financial information

Alternative investments include certain other risks that may not exist with other investments that are more widely traded These include reliance on the skill of the fund managers, who often employ complex strategies utilizing various financial instruments, including futures contracts, foreign currency contracts, structured notes, and interest rate, total return, and credit default swaps Additionally, alternative investments may provide limited information on a fund's underlying assets and have restrictive liquidity provisions Management believes that the Indiana University Health System, in consultation with its investment consultants, has the capacity to analyze and interpret the risks associated with alternative investments and with this understanding, has determined that these investments represent a prudent approach for use in its portfolio management

The largest fund allocation to any fund manager, which is an alternative fund of funds investment, is $157,048 at December 31, 2012, and there are no investments in any individual fund greater than 13 5% of that fund's net assets As of December 31, 2012, there are no material unfunded commitments relating to alternative investments Changes in the value of these funds are included in nonoperating income and losses in the accompanying consolidated statements of operations and changes in net assets

5. Assets Limited as to Use (continued)

The composition of assets limited as to use is set forth below.

	December 31	
	2012	**2011**
Board-designated investments and trustee-held funds.		
Cash and cash equivalents	**$ 58,634**	$ 183,065
Marketable securities		
U S government and agency obligations	**111,826**	99,952
U S corporate obligations	**354,825**	315,815
U S equity securities	**351,908**	260,438
Non-U S securities	**272,789**	173,537
Total marketable securities	**1,091,348**	849,742
Other Board-designated investments		
Alternative investments:		
Hedged strategy (fund of funds)	**423,480**	312,294
Hedged strategy (direct)	**118,168**	70,871
Real estate investment trusts and other	**7,799**	7,638
Total other Board-designated investments	**549,447**	390,803
Total Board-designated investments and trustee-held funds	**1,699,429**	1,423,610
Other investments		
Cash and cash equivalents	**8,539**	6,672
U S government and agency obligations	**184,216**	153,449
U S corporate obligations	**162,252**	88,107
Non-U S securities	**22,117**	12,177
Total other investments	**377,124**	260,405
Total assets limited to use	**2,076,553**	1,684,015
Less current portion	**(501)**	(54,430)
Total assets limited to use, less current portion	**$ 2,076,052**	$ 1,629,585

5. Assets Limited as to Use (continued)

Assets limited as to use include funds held by the Foundations whose fair values as of December 31, 2012, aggregated $179,963, of which $84,988 is considered Board-designated investment funds and $94,975 is considered donor-restricted investment funds

The composition and presentation of investment income (losses) recognized in the accompanying consolidated statements of operations and changes in net assets are as follows

	Year Ended December 31	
	2012	**2011**
Investment income.		
Interest and dividend income	**$ 31,649**	$ 23,601
Investment management and administration fees	**(3,063)**	(2,141)
Realized gains on sales of investments, net	**35,086**	9,867
Unrealized gains (losses) on investments	**62,358**	(27,377)
Equity gains (losses) of hedged strategy funds	**21,872**	(1,223)
	$ 147,902	$ 2,727

6. Property and Equipment

The cost of property and equipment in service is summarized as follows.

	December 31	
	2012	**2011**
Land and improvements	**$ 260,329**	$ 230,192
Buildings and improvements	**3,241,646**	3,001,364
Equipment (including software developed for internal use of $221,309 in 2012 and $219,842 in 2011)	**2,071,795**	2,121,488
	$ 5,573,770	$ 5,353,044

6. Property and Equipment (continued)

Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association Assets are depreciated on a straight-line basis beginning in the month when placed in service, with asset lives ranging as follows 20–30 years for land improvements, 15–40 years for buildings and improvements, and 3–10 years for equipment, including software developed for internal use

Construction-in-progress for assets currently under development is anticipated to extend through 2014 and includes commitments for the construction, refurbishment, and replacement of facilities and equipment A summary of the construction-in-progress is as follows.

	December 31	
	2012	**2011**
Software developed for internal use	**$ 13,772**	$ 7,842
NCOE	**–**	21,220
Riley Simon Family Tower	**13,294**	16,242
Other facilities and equipment	**17,401**	45,080
	$ 44,467	$ 90,384

Firm commitments for construction-in-progress totaled $103,616 at December 31, 2012 However, other amounts aggregating approximately $163,459 are anticipated to be incurred but are not legally required or committed and are subject to change or authorization by the Board

6. Property and Equipment (continued)

Certain buildings, medical and computer equipment, and software are accounted for as capital leases expiring in various years through 2021 and are included in property and equipment Amortization of assets under capital leases is included in depreciation expense

The following is a summary of property held under capital leases

	December 31	
	2012	**2011**
Software	**$ 1,985**	$ 22,870
Computer and office equipment	**11,485**	7,472
Medical equipment	**28,542**	24,931
Buildings	**119,258**	13,281
	161,270	68,554
Less accumulated amortization	**(26,940)**	(34,672)
	$ 134,330	$ 33,882

Interest rates are imputed based on the lower of the incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return

7. Debt

Obligated Groups

The Indiana University Health System operates under four separate Master Trust Indentures (MTIs) Each indenture provides for the issuance of long-term debt under various obligated group structures The obligated groups and their respective members consist of the specific separate entities so named in the indenture and are described as follows (1) the Indiana University Health Obligated Group, which includes the Downtown Hospitals of the Academic Health Center, LaPorte, and Saxony (a division of Indiana University Health) as members, (2) the Ball Memorial Obligated Group, including Ball Memorial and Blackford as members, (3) the Bloomington Obligated Group, which includes Bloomington as the sole member, and (4) the Rehabilitation Hospital of Indiana Obligated Group, which includes RHI as the sole member These groups are required to meet certain covenants, and their members are jointly and severally liable for the obligations under their respective MTIs The obligated groups are also subject to financial performance covenants that, among other compliance requirements, require

7. Debt (continued)

the maintenance of debt service ratios and limit each obligated group's ability to encumber certain of its respective assets As of December 31, 2012, the Indiana University Health System was in compliance with all financial covenants

Issuance and Extinguishment of Debt

Indiana University Health Obligated Group

On May 26, 2011, a direct bank loan (which was used to redeem Series 2003F bonds) was amended to defer the maturity date to June 30, 2012, with an interest rate based on one-month London Interbank Offered Rate (LIBOR) On June 29, 2012, the loan was further amended to defer the maturity date to June 30, 2014 As of December 31, 2012, the amount outstanding for this loan was $40,900

On April 19, 2011, Indiana University Health issued at par $228,195 of Series 2011A, B, C, D, and E tax-exempt variable-rate bonds Proceeds were used to currently refund the Series 2008A, C, and D tax-exempt variable-rate bonds outstanding in the amount of $110,475, to repay a $46,980 line-of-credit draw that had been used to refinance the Series 2008B bonds, to repay a $21,947 line-of-credit draw that had been used to refinance the Tipton Adjustable Rate Demand Economic Development Revenue Bonds, Series 2006A, to pay expenses related to the issuance, and to fund project costs (including costs related to Saxony) of $48,513

On May 5, 2011, Indiana University Health issued at par $274,815 of Series 2011F, G, H, and I tax-exempt variable-rate bonds Proceeds were used to currently refund the Series 2005A, B, C, and D tax-exempt variable-rate bonds outstanding in the amount of $273,925 and to pay certain expenses related to the issuance On May 5, 2011, Indiana University Health issued at par $166,660 of Series 2011J and K taxable variable-rate bonds Proceeds were used to currently refund the Series 2003E and G taxable variable-rate bonds outstanding in the amount of $166,125 and to pay certain expenses related to the issuance.

7. Debt (continued)

On May 25, 2011, Indiana University Health issued at par $111,435 of Series 2011L and M tax-exempt variable-rate bonds to fund project costs (including costs related to Saxony) in the amount of $111,071 and to pay certain expenses related to the issuance

On December 7, 2011, Indiana University Health issued at par $209,980 of Series 2011N tax-exempt fixed rate bonds at a premium of $11,637 Proceeds were used to currently refund the Series 2011F and G tax-exempt variable-rate bonds outstanding in the amount of $128,395, to currently refund a portion ($21,496) of the Series 2011E tax-exempt variable-rate bonds outstanding, to repay a portion of the line of credit in the amount of $34,012, to refund the Hospital Authority of Monroe County Hospital Revenue Bonds, Series 1999B (Bloomington Hospital Obligated Group) outstanding in the amount of $35,565, and to pay certain expenses related to the issuance As of December 31, 2012, $386 of proceeds from this bond issuance remained in current portion of trustee-held funds

The refinancings during 2011 were accounted for as debt extinguishments, which resulted in a loss for the write-off of unamortized bond costs and expenses of the refunded bonds of $8,491 This loss is shown with other nonoperating income on the consolidated statements of operations and changes in net assets

The Indiana University Health Obligated Group has executed stand-by purchase and direct-pay letter-of-credit agreements in support of its variable-rate bond series, which require the credit provider to purchase bonds in the event the bonds are not remarketed. The existence of these agreements allows for the long-term classification of the associated variable-rate bond series None of these agreements expires during 2013

7. Debt (continued)

Long-term debt as of December 31, 2012 and 2011, consists of the following.

	2012	2011
Indiana University Health Obligated Group		
Indiana Finance Authority.		
Fixed Rate, Tax-Exempt Hospital Revenue Refunding Bonds, Series 2011N Serial and Term Bonds, payable in varying principal installments through 2038, with interest rates ranging from 2 00% to 5 13% at December 31, 2012	**$ 197,960**	$ 209,980
Variable-Rate Demand Notes, Tax-Exempt Revenue Refunding Bonds, Series 2011A, B, C, D, E, H, I, L, and M, payable in varying installments through 2036, with variable interest rates ranging between 0 10% and 0 91% at December 31, 2012	**457,320**	464,550
Variable-Rate Demand Notes, Taxable Hospital Revenue Bonds, Series 2011J and K, payable in varying principal installments through 2033, with an interest rate of 0 21% at December 31, 2012	**163,245**	166,660
Indiana Health and Educational Facility Financing Authority		
Fixed Rate, Tax-Exempt Hospital Revenue Bonds, Series 2006A and 2006B Serial and Term Bonds, payable in varying principal installments through 2040, with interest rates ranging from 4 75% to 5.25% at December 31, 2012	**672,285**	677,650
Variable-Rate Commercial Bank Loans, payable in varying principal installments through 2038, with an interest rate of 0 71% at December 31, 2012	**40,900**	66,471
Fixed Rate Commercial Bank Loan, payable in varying principal installments through 2016, with an interest rate of 4 75% at December 31, 2012	**26,526**	35,192

7. Debt (continued)

	2012	2011
Ball Memorial Obligated Group		
Hospital Authority of Delaware County, Indiana		
Fixed Rate, Tax-Exempt Revenue Refunding Bonds, Series 2009A, 2006, and 1997 Serial and Term Bonds, payable in varying principal installments through 2040, with interest rates ranging from 5 00% to 5 63% at December 31, 2012	**$ 91,840**	$ 93,820
Bloomington Obligated Group		
Hospital Authority of Monroe County, Indiana		
Variable-Rate, Tax-Exempt Equipment Financing Agreements, payable in varying installments through 2016, with interest rates ranging from 1.22% to 1.34% at December 31, 2012	**5,526**	7,172
Rehabilitation Hospital of Indiana Obligated Group		
Indiana Finance Authority		
Variable-Rate Demand Notes, Tax-Exempt Hospital Revenue Bonds, Series 2011A, payable in varying principal installments through 2031, with an interest rate of 0 15% at December 31, 2012	**16,070**	–
Variable-Rate, Subordinated Promissory Note, principal payable in full at maturity in 2017, with an interest rate of 0 13% at December 31, 2012	**1,500**	–

7. Debt (continued)

	2012	2011
Other Nonobligated Group Debt		
Bloomington, Variable-Rate, Taxable Revenue Bonds, Series 2008 Private Placement Bonds, payable in quarterly installments through 2019, variable interest rate of 0 77% at December 31, 2012	**$ 2,736**	$ 3,175
Stonehenge Community Development VII, LLC, Fixed Rate, Unsecured New Market Tax Credit Notes A and B, due in 2014 at an interest rate of 3 29%	**25,000**	25,000
Mortgage obligations (interest rates ranging from 1 46% to 6 24%)	**9,497**	12,375
Capital lease obligations	**125,861**	38,302
Other	**33,789**	39,173
Total long-term debt	**1,870,055**	1,839,520
Unamortized premium	**15,629**	16,622
Less current portion	**(60,853)**	(125,852)
Long-term debt, less current portion	**$ 1,824,831**	$ 1,730,290

The scheduled maturities and mandatory redemptions of long-term debt, assuming remarketing of variable-rate bonds, are as follows

	Indiana University Health Obligated Group	Ball Memorial Obligated Group	Bloomington Obligated Group	RHI Obligated Group	Other	Total
Year ending December 31						
2013	$ 40.657	$ 4.095	$ 1.670	$ 348	$ 14.083	$ 60.853
2014	42.143	4.300	1.513	572	38.501	87.029
2015	42.151	4.510	1.397	615	10.369	59.042
2016	41.110	3.570	946	650	8.953	55.229
2017	43.000	3.110	–	2.195	6.717	55.022
Thereafter	1.349.175	72.255	–	13.190	118.260	1.552.880
	$ 1.558.236	$ 91.840	$ 5.526	$ 17.570	$ 196.883	$ 1.870.055

7. Debt (continued)

The estimated valuation of the revenue bonds is obtained from a third-party pricing service and is derived by utilizing well-priced, liquid bonds with similar characteristics such as currency, market type, industry, and credit rating Pricing data for these reference bonds incorporates simple averages of indicative and executable price quotes obtained from various contributors, including brokers and other market makers, over a specified time window These prices are used to construct a fair value curve, which in turn is used to discount the future cash flows of the revenue bonds Based on the inputs used in determining the estimated fair value of these securities, this liability would be classified as Level 2 in the fair value hierarchy.

The estimated fair value of the revenue bonds at December 31, 2012 and 2011, amounted to $1,669,299 (which includes Ball Memorial – $98,736 and RHI – $16,070) and $1,624,299, respectively The carrying value of the revenue bonds at December 31, 2012 and 2011, amounted to $1,598,720 and $1,612,660, respectively The recorded value of all debt obligations not traded in the secondary credit markets approximated fair value at December 31, 2012 and 2011

During 2012, Indiana University Health renewed its $86,000 secured line of credit, which is secured under the terms of its Obligated Group MTI, bears interest on a variable rate based on LIBOR, and matures June 30, 2015 As of December 31, 2012 and 2011, the Indiana University Health System maintained several lines of credit totaling $91,000 and $97,000, respectively There was no balance drawn on the lines of credit as of December 31, 2012 A balance of $24,721 was drawn and outstanding and included within notes payable to bank in the consolidated balance sheets at December 31, 2011.

Total interest paid on long-term debt for the years ended December 31, 2012 and 2011, aggregated $81,342 and $79,031, respectively Total interest capitalized during the years ended December 31, 2012 and 2011, amounted to $3,862 and $9,744, respectively

8. Derivative Financial Instruments

During 2011, Indiana University Health amended its interest rate swap arrangements to allow transfers of swaps to other counterparties and to limit the posting of collateral, and several interest rate swaps were transferred to other counterparties

Long-term interest rate swap arrangements have been entered into with the primary objective being to mitigate interest rate risk The following fixed-pay swaps, stated at current notional amounts, remain in place as of December 31, 2012

Notional Amount	Effective Date	Maturity Date	Rate Received	Rate Paid
$ 58,075	11/15/2005	2/16/2021	62 30% LIBOR plus 0 24%	3 19%
60,195	6/23/2011	3/01/2036	62 30% LIBOR plus 0 24%	2 68%
71,650	11/15/2005	2/15/2030	62 30% LIBOR plus 0 24%	3 35%
71,950	6/20/2011	2/15/2030	62 30% LIBOR plus 0 24%	3 35%
61,025	6/26/2003	3/01/2033	LIBOR	4 92%
101,700	6/16/2011	3/01/2033	LIBOR	4 92%
40,675	6/26/2003	3/01/2033	LIBOR	4 92%
10,900	1/27/2006	11/02/2020	Securities Industry and Financial Markets Association (SIFMA)	3 98%
800	6/30/2008	6/30/2013	LIBOR plus 1.75%	6.00%
2,091	6/01/2004	6/01/2024	LIBOR plus 1 50%	7 05%
1,519	6/01/2006	6/01/2026	LIBOR plus 1 25%	7 15%
182	10/01/1999	10/01/2019	Prime minus 1 86%	7 72%

After giving effect to the above derivative transactions, the Indiana University Health System's variable-rate debt was approximately 11 1% and 12 2% of total debt outstanding as of December 31, 2012 and 2011, respectively.

8. Derivative Financial Instruments (continued)

In addition, long-term basis swap arrangements were entered into for the purpose of managing the effect of interest rates on cash flows and were in place as of December 31, 2012, as follows

Notional Amount	Effective Date	Maturity Date	Swap Type	Rate Received	Rate Paid
$ 140,446	3/10/2021	2/15/2033	Forward Starting Basis	75 00% three-month LIBOR minus 0 05%	SIFMA
178,449	1/04/2008	2/15/2033	Basis	75 00% one-month LIBOR	SIFMA
178,449	2/15/2009	2/15/2021	Basis	72 00% three-month LIBOR minus 0 13%	SIFMA
309,200	3/10/2021	1/07/2033	Forward Starting Basis	75 00% three-month LIBOR minus 0 04%	SIFMA
309,200	3/07/2009	3/07/2021	Basis	72 00% three-month LIBOR minus 0 12%	SIFMA
309,200	6/07/2011	1/07/2033	Basis	75 00% one-month LIBOR	SIFMA
250,000	3/01/2009	9/30/2038	Basis	77 00% three-month LIBOR minus 0 11%	SIFMA
250,000	3/01/2009	9/30/2038	Basis	77 00% three-month LIBOR minus 0 11%	SIFMA

Guidance on fair value accounting stipulates that a credit valuation adjustment (CVA) should be applied to the mark-to-market valuation position of interest rate swaps to more closely capture the fair value of such instruments Collateral arrangements reduce the credit exposure and are considered in determining the CVA As of December 31, 2012, the fair value of interest rate swaps was a liability of $165,923, which is net of CVA of $33,378 As of December 31, 2011, the fair value of interest rate swaps was a liability of $196,627, which is net of CVA of $32,639 The fair values of the swaps have been included with noncurrent liabilities in the accompanying consolidated balance sheets.

8. Derivative Financial Instruments (continued)

As of December 31, 2012, interest rate swaps had a total notional amount of $1,956,060, including $480,762 of fixed-pay swaps and $1,475,298 of basis swaps Under agreements executed with counterparties, Indiana University Health is obligated to fund collateral amounts when the aggregate market value of swaps made with each counterparty exceeds certain thresholds The aggregate fair value of all derivative instruments, consisting of fixed-pay and basis swaps, with credit-risk-related contingent features that are in a liability position on December 31, 2012 and 2011 was $169,006 and $198,179, respectively No collateral was posted as of December 31, 2012 and 2011.

The Indiana University Health System recorded the following losses, within nonoperating income and losses, in the accompanying consolidated statements of operations and changes in net assets related to these derivative financial instruments

	Year Ended December 31	
	2012	**2011**
Gains (losses) on interest rate swaps, net		
Unrealized gains (losses) on interest rate swaps	**$ 32,294**	$ (55,712)
Realized losses on interest rate swaps	**(15,240)**	(17,729)
	$ 17,054	$ (73,441)

9. Fair Value Measurements

Accounting guidance addresses aspects of the expanding application of fair value accounting The fair value accounting guidance provides, among other matters, for the following defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value, establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date, requires consideration of nonperformance risk when valuing liabilities, and expands disclosures about instruments measured at fair value The three-level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined

9. Fair Value Measurements (continued)

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability These two types of inputs create the following fair value hierarchy

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date

- Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date

- Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources In evaluating the significance of inputs, the Indiana University Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that, individually or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities These inputs may be used with internally developed methodologies that result in management's best estimate of fair value

The following tables set forth by level within the fair value hierarchy the Indiana University Health System's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2012 and 2011 The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement The assessment of the significance of a particular input to the fair value measurement requires judgment, could be subject to change or variation, and may affect the valuation of fair value assets and liabilities and their classification within the fair value hierarchy levels

9. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2012				
Assets				
Cash and cash equivalents	**$ 543,923**	**$ –**	**$ –**	**$ 543,923**
Trading securities				
U S government and agency	**252,632**	**43,410**	**–**	**296,042**
U S corporate obligations	**161,651**	**355,426**	**–**	**517,077**
U S equity securities	**346,610**	**5,298**	**–**	**351,908**
Non-U S securities	**89,116**	**205,790**	**–**	**294,906**
Real estate investment trusts and other	**3,264**	**4,535**	**–**	**7,799**
Beneficial interests in charitable remainder and perpetual trusts	**–**	**9,192**	**–**	**9,192**
Total assets measured at fair value on a recurring basis	**$ 1,397,196**	**$ 623,651**	**$ –**	**$ 2,020,847**
Liabilities				
Interest rate swaps	**$ –**	**$ –**	**$ 165,923**	**$ 165,923**
Total liabilities measured at fair value on a recurring basis	**$ –**	**$ –**	**$ 165,923**	**$ 165,923**

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Assets				
Cash and cash equivalents	$ 189.737	$ –	$ –	$ 189.737
Trading securities				
U S government and agency	220.666	32.735	–	253.401
U S corporate obligations	251.907	152.015	–	403.922
U S equity securities	260.102	336	–	260.438
Non-U S securities	84.992	100.722	–	185.714
Real estate investment trusts and other	3.949	3.689	–	7.638
Beneficial interests in charitable remainder and perpetual trusts	–	8.668	–	8.668
Total assets measured at fair value on a recurring basis	$ 1.011.353	$ 298.165	$ –	$ 1.309.518
Liabilities				
Interest rate swaps	$ –	$ –	$ 196.627	$ 196.627
Total liabilities measured at fair value on a recurring basis	$ –	$ –	$ 196.627	$ 196.627

9. Fair Value Measurements (continued)

The fair value of cash and cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 trading securities is based on quoted market prices from an active exchange The fair value of Level 2 trading securities is based on third-party market quotes for similar securities and other observable inputs The fair value of interest rate swaps is based upon forward interest rate curves, as adjusted for CVA (see Note 8)

Cash and cash equivalents not held in money market accounts aggregated $134,880 and $403,086 as of December 31, 2012 and 2011, respectively, and are not included in the tables The Indiana University Health System's $541,648 and $383,165 of alternative investments as of December 31, 2012 and 2011, respectively, are not included in the tables because they are accounted for using the equity method of accounting (see Note 5) The beneficial interests in charitable remainder and perpetual trusts are shown within other long-term assets on the accompanying consolidated balance sheets

The following table is a rollforward of the amounts included in the consolidated balance sheets for financial instruments classified within Level 3 of the valuation hierarchy defined above.

	Financial Liabilities for Derivative Financial Instruments
Fair value at January 1, 2012	$ 196,627
Transfers into Level 3	1,590
Unrealized gains	(32,294)
Fair value at December 31, 2012	$ 165,923

9. Fair Value Measurements (continued)

Due to the significance of the CVA relative to the fair value of the swaps, whose inputs are not observable from objective sources, interest rate swaps are classified as Level 3 instruments The Indiana University Health System engages a third party to assist in valuing the CVA The CVA adjusts the fair value of each swap based on the credit risk of the party holding the swap in a liability position at that point in time This credit risk is measured by taking the spread between the AAA-rated Muni GO curve and the A-rated Muni Healthcare curve (or the AA+ rated Muni GO curve for the swaps insured by Assured Guaranty Municipal Corporation) and adjusting that spread to a taxable basis using the relevant SIFMA/LIBOR ratio. A credit risk adjusted mark-to-market is then calculated by adding the relevant taxable spread to the LIBOR swap curve and revaluing the swap using the adjusted curve

The value of the CVA may vary depending upon the following factors

- whether the Indiana University Health System is required to post collateral under the swap agreements,
- to the extent that the credit rating of the Indiana University Health System increases or decreases, in which case the CVA would decrease and increase, respectively (assuming the swaps are in a liability position), or
- to the extent that the spread between the swap curves discussed above expands or compresses

Generally, swaps are transferred between Level 2 and Level 3 when the CVA exceeds 10% of the gross valuation of the swap Transfers are generally recorded at the end of the reporting period There were no transfers between Level 1 and Level 2

10. Commitments and Contingencies

Leases

Buildings and medical and office equipment are leased under noncancelable operating and capital leases Future minimum lease payments as of December 31, 2012, are as follows:

	Operating Leases	Capital Leases
Year ending December 31.		
2013	$ 58,253	$ 19,936
2014	45,356	16,113
2015	35,349	14,427
2016	28,761	11,501
2017	23,376	10,124
Thereafter	74,343	192,031
Total minimum lease payments	$ 265,438	264,132
Less amount representing interest		138,271
Present value of net minimum lease payments		$ 125,861

Rent and lease expense, included in supplies, drugs, purchased services, and other expenses, amounted to $89,478 and $78,505 for the years ended December 31, 2012 and 2011, respectively

11. Medical Malpractice

The Indiana University Health System's medical malpractice coverage is provided through a program of commercial insurance with a self-insured retention for claims made prior to July 1, 2002, and coverage through wholly owned captive insurance companies effective July 1, 2002 The program of medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act (the Act), which limits the amount of individual claims to $1,250 and annual aggregate claims to $7,500, of which up to $1,000 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and $250 by the Indiana University Health System for each occurrence of malpractice. The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels The Indiana University Health System has met these requirements and is a qualified provider under the Act, retaining risk of $250 per occurrence and $7,500 in the annual aggregate

The Indiana University Health System's medical malpractice program includes coverage offered by the captive insurance companies. Commercial insurance carriers also provide reinsurance for certain excess general liability coverage of the captive insurance companies on a claims-made basis (aggregating $100,000)

Contributions for coverage provided by the captive insurance companies are expensed as incurred, and loss reserves are established for incurred but not yet reported claims Laws in the jurisdictions in which the captive insurance companies are domiciled require, among other matters, that certain capital and funding requirements be met. The actuarially determined amount of accrued medical malpractice claims is included in noncurrent liabilities in the accompanying consolidated balance sheets.

12. Retirement Plans

Defined Contribution Plans

Retirement benefits are provided to substantially all employees of the Indiana University Health System, primarily through defined contribution plans Contributions, which are included in benefits expense, to the defined contribution plans are based on compensation of qualified employees and amounted to $89,833 in 2012 and $79,871 in 2011 (net of forfeitures of $2,547 and $2,650 in 2012 and 2011, respectively)

12. Retirement Plans (continued)

Defined Benefit Plans

Defined benefit pension plans sponsored by Indiana University Health, LaPorte, Ball Memorial, and Bloomington have been curtailed, with benefits generally frozen or limited, or no new participants are allowed The defined benefit pension plans applicable to Indiana University Health were principally limited to current and former employees who elected not to participate in the defined contribution plan established at the time of Indiana University Health's formation and current and former executives who participated in a supplemental employee retirement plan of Indiana University Health

Pension benefits are based on years of service and compensation of employees (as defined) and are actuarially determined Where applicable, the funding policy is to annually contribute the contribution required to comply with applicable legislation and IRS regulations

Adjustments to pension liabilities to reflect funded status are charged or credited to unrestricted net assets An increase to the pension liability of $15,478 has been recorded in 2012 due primarily to the consolidation of IUHP and lower discount rates assumed for net periodic pension costs and benefit obligation.

The following table sets forth the funded status of the defined benefit pension plans and amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2012 and 2011. The discount rates used vary with each plan based on plan characteristics such as the average age of participants The amounts in the following table for 2012 include the pension plan sponsored by IUHP, which was consolidated as of January 1, 2012

12. Retirement Plans (continued)

	2012	2011
Changes in benefit obligation of the plans		
Benefit obligation at beginning of year	**$ 438,884**	$ 404,445
Benefit obligation as of January 1, 2012, IUHP	**8,691**	–
Benefit obligation at the beginning of the year, as adjusted	**447,575**	404,445
Service cost and other	**2,191**	2,420
Interest cost	**21,601**	21,646
Actuarial loss	**51,738**	26,757
Benefits paid	**(24,991)**	(16,384)
Benefit obligation at end of year	**$ 498,114**	$ 438,884
Changes in assets of the plans.		
Fair value of assets at beginning of year	**$ 299,882**	$ 309,865
Actual return on assets	**30,992**	(3,480)
Employer contributions	**37,751**	9,882
Benefits paid	**(24,991)**	(16,385)
Fair value of assets at end of year	**$ 343,634**	$ 299,882
Funded deficiency at December 31	**$ (154,480)**	$ (139,002)
Items not yet recognized as a component of net periodic pension cost		
Net actuarial loss	**$ 166,217**	$ 136,365
Prior service cost	**(314)**	(597)
	$ 165,903	$ 135,768

12. Retirement Plans (continued)

	2012	2011
Components of net pension benefit cost		
Service cost	**$ 2,191**	$ 2,420
Interest cost	**21,601**	21,646
Expected return on assets	**(22,927)**	(24,811)
Amortization of unrecognized prior service cost	**(283)**	(283)
Amortization of unrecognized net loss	**14,837**	5,444
Amortization of transition obligation	**80**	–
Termination benefit and settlement expense	**886**	–
Net periodic pension cost	**$ 16,385**	$ 4,416
Weighted-average actuarial assumptions to determine benefit cost.		
Discount rate for net periodic pension cost	**4.90%**	5 50%
Discount rate for benefit obligations	**4.10**	4.95
Expected rate of return on plan assets	**6.83**	7.55
Rate of compensation increase	**2.50**	2.50
Accumulated benefit obligation	**$ 488,188**	$ 437,710
Fair value of assets at end of year	**343,634**	299,882
Accumulated benefit obligation exceeding fair value of plan assets	**$ 144,554**	$ 137,828
Expected future benefit payments		
2013		$ 28,627
2014		23,325
2015		24,777
2016		26,613
2017		27,909
2018–2022		149,247

12. Retirement Plans (continued)

Accumulated adjustments to unrestricted net assets at December 31, 2012, include amounts related to net actuarial loss and prior service costs that have not yet been recognized in net pension benefit cost Expected amortization of amounts in unrestricted net assets is expected to increase net periodic pension costs by $18,437 during the year ending December 31, 2013 Contributions are expected to aggregate $34,771 to the defined benefit pension plans during 2013

The principal long-term determinant of a plan's investment return is its asset allocation. The plans' allocations are heavily weighted toward equity assets versus other investments The expected long-term rate of return assumption is based on the mix of assets in the plans, the long-term earnings expected to be associated with each asset class, and any additional return expected through active management These assumptions are periodically benchmarked against peer plans

The weighted-average asset allocations of the plans at December 31, by asset category, are as follows:

	2012	2011
Asset category		
U S equity securities	**29%**	29%
Hedged strategy (fund of funds)	**20**	21
Non-U S securities	**20**	20
U S. corporate obligations	**18**	18
U S. government obligations	**9**	9
Cash and cash equivalents	**3**	2
Real estate investment trusts and other	**1**	1
	100%	100%

The allocation strategy for the plans is currently composed of approximately 50% to 85% of equity investments and 15% to 50% of fixed-income investments The largest component of these equity instruments is public equity securities that are diversified and invested in U S and international companies

12. Retirement Plans (continued)

The following tables present the plans' financial instruments as of December 31, 2012 and 2011, measured at fair value on a recurring basis within the fair value hierarchy as disclosed in Note 9

	Level 1	Level 2	Level 3	Total
December 31, 2012				
Assets				
Cash and cash equivalents	**$ 12,375**	**$ –**	**$ –**	**$ 12,375**
U S government and agency	**18,364**	**12,709**	**–**	**31,073**
U S corporate obligations	**33,415**	**29,881**	**–**	**63,296**
U S equity securities	**97,806**	**686**	**–**	**98,492**
Non-U S securities	**50,885**	**18,424**	**–**	**69,309**
Hedged strategy (fund of funds)	**–**	**67,192**	**–**	**67,192**
Real estate investment trusts and other	**1,897**	**–**	**–**	**1,897**
Total assets measured at fair value on a recurring basis	**$ 214,742**	**$ 128,892**	**$ –**	**$ 343,634**

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Assets				
Cash and cash equivalents	$ 4,614	$ –	$ –	$ 4,614
U S government and agency	13,766	12,291	–	26,057
U S corporate obligations	32,746	21,520	–	54,266
U S equity securities	89,552	386	–	89,938
Non-U S securities	41,864	17,334	–	59,198
Hedged strategy (fund of funds)	–	63,695	–	63,695
Real estate investment trusts and other	2,114	–	–	2,114
Total assets measured at fair value on a recurring basis	$ 184,656	$ 115,226	$ –	$ 299,882

The fair value of cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1 The fair value of Level 1 investments is based on quoted market prices from an active exchange The fair value of Level 2 investments is based on third-party quotes based on quoted market prices of similar securities and other observable inputs.

The plans invest in alternative investments for which the net asset value per share represents the fair value of the investment held Risks and redemption restrictions for these investments are similar to the alternative investments described in Note 5

13. Endowments

Endowment funds of Methodist Health Foundation and BMH Foundation consist of donor-restricted endowment funds held for various specific purposes As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

The Board of Directors of both foundations have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this interpretation, the foundations classify as permanently restricted net assets the following. (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundations in a manner consistent with the standard of prudence prescribed by UPMIFA In accordance with UPMIFA, the foundations consider the various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, such as the duration and preservation of the fund, the purposes of the foundations and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the investment policies of the foundations.

Changes in and composition of donor-restricted endowment net assets for both foundations for the years ended December 31, 2012 and 2011, were as follows

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at January 1, 2011	$ 10,470	$ 44,349	$ 54,819
Investment return	(171)	330	159
Appropriation of endowment assets for expenditures	(1,011)	–	(1,011)
Endowment net assets at December 31, 2011	9,288	44,679	53,967
Investment return	**5,031**	**227**	**5,258**
Appropriation of endowment assets for expenditures	**(3,379)**	–	**(3,379)**
Endowment net assets at December 31, 2012	**$ 10,940**	**$ 44,906**	**$ 55,846**

13. Endowments (continued)

In 2011, Methodist Health Foundation and BMH Foundation transferred $709 from unrestricted net assets to temporarily restricted net assets to maintain donor-restricted endowment funds at the level required by the donor stipulations or law In 2012, Methodist Health Foundation and BMH Foundation transferred a total of $600 from temporarily and permanently restricted net assets back to unrestricted net assets as a result of a 2011 transfer from unrestricted net assets to maintain donor-restricted endowment funds at the level required by the donor stipulations or law

Methodist Health Foundation and BMH Foundation have adopted separate investment and spending policies for endowment assets Policies for both foundations attempt to preserve capital, maximize the return within reasonable and prudent levels of risk, and provide a return to the restricted funds Endowment assets are invested in a manner that is intended to produce results that exceed the initial recorded value of the investment and yield a targeted long-term rate while assuming a moderate level of investment risk. Distributions are made for the purposes of supporting various Indiana University Health and Ball Memorial program services Each foundation has set a threshold for the amount available to distribute each year.

14. Related-Party Transactions

Indiana University School of Medicine

The Consolidation Agreement requires that Indiana University Health fund salaries and related employee benefit costs for medical doctor interns and residents of the School of Medicine who provide services at the Indiana University Health System's facilities These costs totaled $41,307 and $38,987 in 2012 and 2011, respectively, and have been reported with salaries, wages, and benefits expense in the accompanying consolidated statements of operations and changes in net assets

The Consolidation Agreement also provides for additional support to the School of Medicine to recognize, as a result of the consolidation, the enhanced and increased level of services being provided, including services to the medically indigent through medical education and research During 2012 and 2011, Indiana University Health expensed $52,610 and $98,505, respectively, related to educational and research support provided to the School of Medicine The School of Medicine rents space at Indiana University Health's Fairbanks Hall, an educational and resource center, under a 34-year lease agreement with Indiana University Health The School of Medicine prepaid the rent, totaling $4,887 under the agreement, and the income is being recognized over the term of the lease.

14. Related-Party Transactions (continued)

The Indiana University Health System purchases certain services from the School of Medicine. These expenses, principally for medical care case management services, utilities, laboratory services, and other services, totaled $21,981 and $21,269 for the years ended December 31, 2012 and 2011, respectively, and have been reported with supplies, drugs, purchased services, and other expenses in the accompanying consolidated statements of operations and changes in net assets

In 2012, Indiana University Health committed to support ratably for a five-year period ending December 31, 2016, certain basic, clinical, and translational research programs of the School of Medicine The total commitment aggregates $75,000, subject to Board approval annually, and will be used to reimburse expenses incurred by the School of Medicine For the year ended December 31, 2012, the Indiana University Health System expensed $15,000 under this agreement within supplies, drugs, purchased services, and other expenses in the accompanying consolidated statement of operations and changes in net assets, of which $13,981 was accrued within accounts payable and accrued expenses at December 31, 2012. Additionally, in 2012 and 2011, the Board approved research grants in the amount of $5,000 and $3,000, respectively, which were expensed through purchased services in the accompanying consolidated statements of operations and changes in net assets

During 2012, IUHP received a grant from Indiana University Medical Group Foundation in the amount of $45,000 to be used toward physician recruitment and transition for the purpose of expanding access to care to Medicaid and other underserved patient populations. As the grant restrictions have been met as of December 31, 2012, the $45,000 has been recorded as other operating revenue on the consolidated statements of operations and changes in net assets

Other Foundations

Bloomington Hospital Foundation, Tipton County Foundation, Indiana University Health White Memorial Hospital Foundation, and White County Community Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, these foundations hold funds solely on behalf of Bloomington, Tipton, and White, respectively The financial statements of these foundations are not included in the consolidated financial statements The interests in net assets of these other foundations, which totaled $12,898 and $12,251 at December 31, 2012 and 2011, respectively, are included with other assets and net assets in the accompanying consolidated balance sheets and principally represent donor-restricted funds These foundations also hold other net assets that are subject to the direction of their respective Boards of Directors.

14. Related-Party Transactions (continued)

Other changes in the net assets of these foundations are generally reflected within temporarily and permanently restricted net assets

Other Equity Interest Ventures

Prior to consolidation effective January 1, 2012, Indiana University Health held a 51% ownership interest in IUHP but did not control IUHP Due to Indiana University Health funding all operating losses of IUHP, Indiana University Health recorded 100% of IUHP's net losses in 2011 (see Note 4)

The Indiana University Health System also has arrangements with other entities for the operation of cancer treatment and diagnostic clinics The Indiana University Health System has an investment in the operation of a long-term rehabilitative care hospital, which was consolidated when Indiana University Health became the controlling member in 2012 with 51% voting interest (see Note 4).

Indiana University Health has a 50% membership interest in MDWise, Inc , a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code, which holds an HMO license and manages a network of health care providers serving Indiana Medicaid patients throughout the state of Indiana MDWise, Inc provides administrative and health claims payment processing for these networks, including Carewise, a division of the Indiana University Health System

Summarized financial information for 2012 and 2011 is presented below For 2012, the information includes MDWise, Inc and the cancer treatment and diagnostic clinics For 2011, the information includes MDWise, Inc , IUHP, which was consolidated as of January 1, 2012, the rehabilitative hospital, which was consolidated as of April 1, 2012, and the cancer treatment and diagnostic clinics

	2012	2011
	(Unaudited)	
Net assets	**$ 43,728**	$ 66,945
Total revenues	**466,079**	811,361
Excess (deficit) of revenues over expenses	**391**	(62,008)

14. Related-Party Transactions (continued)

In the accompanying consolidated financial statements, the Indiana University Health System has recorded its equity in the income (loss) of its unconsolidated subsidiaries that provide health care-related services within other operating revenue, totaling $3,603 and $(51,767) for the years ended December 31, 2012 and 2011, respectively

Cash and cash equivalents held and managed by Indiana University Health on behalf of organizations that are not consolidated aggregated $1,211 and $1,384 at December 31, 2012 and 2011, respectively, and are included within accounts payable and accrued expenses in the consolidated balance sheets.

15. Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, participation requirements, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and security, privacy, and standards of health information Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and noncompliance with regulations by health care providers Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment.

In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the consolidated financial statements of the Indiana University Health System, however, 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

The Affordable Care Act and the Health Care and Education Reconciliation Act legislation, among other matters, is designed to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance Changes to existing Medicare and Medicaid coverage and payments are also expected to occur as a result of this legislation Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of future regulations is not determinable.

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