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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
NORTON HOSPITALS INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
Accounting 224 E Broadway
5th Floor

City or town, state or country, and ZIP + 4
Louisville, KY 40202

D Employer identification number
61-0703799

E Telephone number
(502) 629-8263

G Gross receipts $ 1,488,683,553

F Name and address of principal officer
STEPHEN A WILLIAMS
4967 US Highway 42 Suite 100
Louisville, KY 40222

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW NORTONHEALTHCARE COM

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

L Year of formation 1969

M State of legal domicile KY

Part I Summary

1 Briefly describe the organization's mission or most significant activities
NORTON HOSPITALS, INC 'S PURPOSE IS TO PROVIDE QUALITY HEALTH CARE TO ALL THOSE WE SERVE, IN A MANNER THAT RESPONDS TO THE NEEDS OF OUR COMMUNITIES AND HONORS OUR FAITH HERITAGE

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	22
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	19
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	9,061
6	Total number of volunteers (estimate if necessary)	**6**	1,493
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	4,995,726
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-126,684

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	11,695,612	16,909,581
9	Program service revenue (Part VIII, line 2g)	1,369,464,955	1,464,215,618
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-44,885	-1,181,382
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,937,576	6,358,578
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,386,053,258	1,486,302,395
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	502,607,452	538,583,528
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	768,583,549	822,692,692
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,271,191,001	1,361,276,220
19	Revenue less expenses Subtract line 18 from line 12	114,862,257	125,026,175

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	961,472,634	1,090,945,217
21	Total liabilities (Part X, line 26)	80,980,602	85,442,814
22	Net assets or fund balances Subtract line 21 from line 20	880,492,032	1,005,502,403

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

****** | 2013-11-15
Signature of officer | Date

MICHAEL W GOUGH TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Rachel Spurlock				P00520729

Firm's name ▶ CROWE HORWATH LLP — Firm's EIN ▶

Firm's address ▶ 9600 Brownsboro Road, Suite 400, Louisville, KY 402411122 — Phone no (502) 326-3996

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 1,332,148,414 including grants of $) (Revenue $ 1,464,403,857)

NORTON HOSPITALS, INC (NORTON) WAS FORMED TO I) ESTABLISH AND MAINTAIN HOSPITALS OR HEALTH CARE FACILITIES, WITHIN AND/OR OUTSIDE THE COMMONWEALTH OF KENTUCKY, WITH PERMANENT FACILITIES THAT INCLUDE INPATIENT BEDS AND MEDICAL SERVICES TO PROVIDE DIAGNOSIS, CARE AND TREATMENT FOR PEDIATRIC AND ADULT PATIENTS, II) CARRY ON EDUCATIONAL ACTIVITIES RELATED TO RENDERING CARE TO THE SICK AND INJURED, III) PROMOTE AND CARRY ON SCIENTIFIC RESEARCH RELATED TO THE CARE OF THE SICK AND INJURED, IV) PARTICIPATE IN ANY ACTIVITY DESIGNED AND RENDERED TO PROMOTE THE GENERAL HEALTH OF THE COMMUNITY, AND V) PROVIDE ON A NONPROFIT BASIS, HOSPITAL OR HEALTH CARE FACILITIES AND SERVICES FOR THE CARE AND TREATMENT OF ILL AND INJURED PERSONS AND THOSE WHO OTHERWISE REQUIRE MEDICAL CARE AND RELATED SERVICES OF THE KIND CUSTOMARILY FURNISHED MOST EFFECTIVELY BY HOSPITALS OR HEALTH CARE FACILITIES NORTON HAS A TOTAL OF 1,837 LICENSED BEDS, NORTON HOSPITAL - 642 BEDS, KOSAIR CHILDREN'S HOSPITAL - 263 BEDS, NORTON AUDUBON HOSPITAL - 432 BEDS, NORTON SUBURBAN HOSPITAL - 373 BEDS, AND NORTON BROWNSBORO HOSPITAL - 127 BEDS THESE HOSPITALS OPERATE TWENTY-FOUR (24) HOURS A DAY, SEVEN (7) DAYS A WEEK IN 2012, NORTON'S HOSPITALS AND DIAGNOSTIC CENTERS SERVED 62,486 INPATIENTS, 418,102 OUTPATIENTS, AND 210,617 EMERGENCY ROOM VISITS IN ADDITION, NORTON'S OPERATING ROOMS CARED FOR 18,773 INPATIENT SURGICAL PATIENTS AND 32,333 OUTPATIENT SURGICAL PATIENTS ADDITIONALLY, 7,982 DELIVERIES WERE PERFORMED AT NORTON BIRTHING CENTERS UNDER ITS CHARITY CARE PROGRAM, NORTON PROVIDED FREE CARE TO 7,634 PATIENTS, AT A COST OF $11 2 MILLION ALSO, NORTON GRANTS PATIENTS A DISCOUNT FROM BILLED CHARGES TO ANY INDIVIDUALS THAT HAVE NO ACCESS TO PRIVATE HEALTH INSURANCE OR DO NOT QUALIFY FOR GOVERNMENT ASSISTANCE OR CHARITY CARE UNDER THIS PROGRAM, 37,597 PATIENTS CARE AT DISCOUNTED RATES OTHER CONTRIBUTIONS TO THE COMMUNITY WERE THE UNPAID COST OF MEDICAID AND THE KENTUCKY DISPROPORTIONATE SHARE PROGRAM SERVICES TOTALING $80 4 MILLION AND EDUCATIONAL SUPPORT OF $23 7 MILLION, PRIMARILY TO THE UNIVERSITY OF LOUISVILLE'S SCHOOL OF MEDICINE ALSO, COMMUNITY HEALTH IMPROVEMENT SERVICES TOTALED $10 2 MILLION, CONTRIBUTIONS TO COMMUNITY GROUPS WERE $976,000, PASTORAL CARE AND COUNSELING PROGRAMS WERE $1 8 MILLION, THE KENTUCKY POISON CONTROL CENTER WAS $1 9 MILLION, AND THE CHILD GUIDANCE AND ADVOCACY PROGRAM WAS $958,000

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 1,332,148,414

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		
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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI 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**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, 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**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or 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**		No
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**		No
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**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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	295		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	9,061		
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** 22			
	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** 19			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request ☐ 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

▶Helena Schulz 224 E Broadway louisville, KY (502)629-8263

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (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			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								6,995,427	9,605,281	2,829,846

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 ▶302

			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
MORRISON MANAGEMENT SPECIALIST PO BOX 102289 ATLANTA GA 30368	DIETARY SERVICES	7,066,624
UNIVERSITY OF LOUISVILLE 323 E CHESTNUT LOUISVILLE KY 40202	RESIDENCY PROGRAM	5,056,598
PEDIATRIC ANESTHESIA ASSOCIATION 462 S 4TH STREET LOUISVILLE KY 40202	ANESTHESIA SERVICES	3,756,586
ANESTHESIOLOGY CONSULT ENTERPRISES PO BOX 23354 LEXINGTON KY 405233354	ANESTHESIA SERVICES	2,983,805
ANESTHESIA ASSOCIATES OF LOUISVILLE PSC PO BOX 950279 LOUISVILLE KY 40202	ANESTHESIA SERVICES	2,784,500

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶142

Part VIII Statement of Revenue

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	10,134,372			
	e	Government grants (contributions)	1e	731,026			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	6,044,183			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		16,909,581			
Program Service Revenue			Business Code				
	2a	NET PATIENT REVENUE	621110	1,462,033,165	1,457,151,761	4,881,404	
	b	HEALTHCARE EDUCATION	611710	2,182,453	2,182,453		
	c			0			
	d			0			
	e			0			
	f	All other program service revenue		0	0	0	0
	g	**Total.** Add lines 2a–2f		1,464,215,618			
	3	Investment income (including dividends, interest, and other similar amounts)		8,064			8,064
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real / (ii) Personal				
	6a	Gross rents	1,142,755				
	b	Less rental expenses	1,057,734				
	c	Rental income or (loss)	85,021 / 0				
	d	Net rental income or (loss)		85,021			85,021
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	133,978				
	b	Less cost or other basis and sales expenses	1,323,424				
	c	Gain or (loss)	0 / -1,189,446				
	d	Net gain or (loss)		-1,189,446			-1,189,446
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	PURCHASING CO-OP INC	561499	2,623,790	2,509,468	114,322	
	b	PARKING INCOME	812930	1,089,592			1,089,592
	c	MEANINGFUL USE REIMBURSEMENT	621990	2,471,707	2,471,707		
	d	All other revenue		88,468	88,468	0	0
	e	**Total.** Add lines 11a–11d		6,273,557			
	12	**Total revenue.** See Instructions		1,486,302,395	1,464,403,857	4,995,726	-6,769

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	0			
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	2,754,486	2,754,486		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	229,680	229,680		
7 Other salaries and wages	423,773,508	423,773,508		
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	22,950,199	22,950,199		
9 Other employee benefits	60,160,363	60,160,363		
10 Payroll taxes	28,715,292	28,715,292		
11 Fees for services (non-employees)				
a Management	0			
b Legal	468	468		
c Accounting	0			
d Lobbying	48,591	48,591		
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)	109,591,083	109,591,083	0	0
12 Advertising and promotion	0			
13 Office expenses	4,287,926	4,287,926		
14 Information technology	0			
15 Royalties . .	0			
16 Occupancy	16,920,063	16,920,063		
17 Travel	1,195,727	1,195,727		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	0			
20 Interest	34,684,029	34,684,029		
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	56,561,588	56,561,588		
23 Insurance	35,798,935	35,798,935		
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 MEDICAL SUPPLIES	304,087,641	304,087,641		
b ALLOCATED SUPPORT	152,901,868	123,774,062	29,127,806	
c BAD DEBT	64,517,983	64,517,983		
d PROVIDER TAX	20,129,732	20,129,732		
e All other expenses	21,967,058	21,967,058	0	0
25 **Total functional expenses.** Add lines 1 through 24e	1,361,276,220	1,332,148,414	29,127,806	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)	0			

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		28,915	1	12,609
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		151,995,025	4	178,119,023
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			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			6	0
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		43,849,372	8	44,352,563
	9	Prepaid expenses and deferred charges		1,481,623	9	1,578,601
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 1,163,934,478			
	b	Less accumulated depreciation	10b 613,440,066	547,121,278	10c	550,494,412
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		4,446,271	14	7,715,022
	15	Other assets See Part IV, line 11		212,550,150	15	308,672,987
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		961,472,634	16	1,090,945,217
Liabilities	17	Accounts payable and accrued expenses		53,192,462	17	67,006,157
	18	Grants payable			18	
	19	Deferred revenue		4,465	19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	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			22	0
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		27,783,675	25	18,436,657
	26	**Total liabilities.** Add lines 17 through 25		80,980,602	26	85,442,814
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		871,062,342	27	996,745,075
	28	Temporarily restricted net assets		9,429,690	28	8,757,328
	29	Permanently restricted net assets			29	
		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		880,492,032	33	1,005,502,403
	34	Total liabilities and net assets/fund balances		961,472,634	34	1,090,945,217

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,486,302,395
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,361,276,220
3	Revenue less expenses Subtract line 2 from line 1	3	125,026,175
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	880,492,032
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-15,804
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	1,005,502,403

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	

Additional Data

Software ID: 12000266
Software Version: v2012.1.0
EIN: 61-0703799
Name: NORTON HOSPITALS INC

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

(A) Name and Title	(B) Average hours per week (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			
STEPHEN A WILLIAMS President/Trustee	10 00 40 00	X		X				0	4,686,492	287,592
CAROLYN GATZ Chair Emeritus	1 00 2 50	X						0	1,500	0
CHERYL BALKENHOL Trustee (partial year)	1 00 2 50	X						0	0	0
CRAIG D GRANT Trustee	1 00 2 50	X						0	1,500	0
DONALD H ROBINSON Trustee	1 00 5 50	X						0	0	0
EDIE NIXON Trustee	1 00 2 50	X						0	1,500	0
G H NIXON Chair Emeritus (Ex-Officio)	1 00 2 50	X						0	1,500	0
G HUNT ROUSAVALL Trustee	1 00 5 50	X						0	1,500	0
GAIL LYTTLE Trustee	1 00 2 50	X						0	1,500	0
GARY L STEWART Trustee	1 00 4 50	X						0	1,500	0
GREGORY E MAYES Trustee (partial year)	1 00 6 50	X						0	1,500	0
JAMES L SUBLETT MD Trustee	1 00 2 50	X						0	1,500	0
JOSEPH J MCGOWAN ED D Trustee	1 00 2 50	X						0	1,500	0
JOSEPH PARADIS III Chairman	1 00 11 50	X						0	0	0
KEVIN J HABLE Trustee	1 00 2 50	X						0	0	0
LOUIS S HEUSER MD Trustee	1 00 2 50	X						0	1,500	0
MARIA GERWING HAMPTON Vice Chair	1 00 7 50	X						0	1,500	0
MARIA L BOUVETTE Trustee	1 00 2 50	X						0	1,500	0
MARTHA K HEYBURN MD Trustee	1 00 3 50	X						0	1,500	0
MITCH NICHOLS Trustee	1 00 2 50	X						0	0	0
R K GUILLAUME Trustee	1 00 4 50	X						0	1,500	0
REV WILLIAM J SCHULTZ Trustee	1 00 4 50	X						0	1,500	0
RICHARD R IVEY Trustee	1 00 2 50	X						0	1,500	0
RICHARD S WOLF MD Trustee	1 00 3 50	X						0	1,500	0
ROBERT R GOODIN MD Trustee (partial year)	1 00 2 50	X						0	1,500	0

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

(A) Name and Title	(B) Average hours per week (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			
RONALD LEHOCKY MD Trustee (partial year)	1 00 4 50	X						0	1,500	0
WENDELL P WRIGHT Trustee	1 00 2 50	X						0	0	0
MICHAEL W GOUGH Treasurer	10 00 40 00			X				0	1,621,334	542,150
ROBERT B AZAR Secretary	10 00 40 00			X				0	537,060	94,939
RUSSELL F COX Vice President	10 00 40 00			X				0	1,984,644	876,355
DOUGLAS WINKELHAKE Hospital President	8 50 41 50				X			181,938	437,184	128,806
JOHN HARRYMAN Hospital President	50 00 1 00				X			610,260	0	131,118
KEVIN WARDELL Hospital President	50 00 0				X			644,794	0	129,769
ROBERT SHAW Hospital President	50 00 0				X			569,182	0	93,219
STEVEN MACLAUCHLAN Hospital President	50 00 0				X			487,047	0	151,063
THOMAS KMETZ Division President	50 00 1 00				X			669,481	0	138,461
DAVID DOERING Physician	50 00 0					X		744,144	0	43,517
JEFFREY GOLDBERG Physician	50 00 0					X		734,722	0	43,631
JOHN HAMM Physician	50 00 0					X		741,036	0	46,183
MARY GORDINIER Physician	50 00 0					X		741,139	0	18,763
STEVEN PURSELL Physician	50 00 0					X		816,428	0	31,827
JON COOPER Former VP Surgical Services	12 50 37 50						X	55,256	308,567	72,453

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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
NORTON HOSPITALS INC

Employer identification number
61-0703799

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

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

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

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

1 Provide a description of the organization's direct and indirect political campaign activities 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)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		903
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		48,591
j	Total Add lines 1c through 1i			49,494
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
Description of the activities reported on Lines 1a through 1i	Schedule C, Part II-B, Line 1	AN EMPLOYEE OF NORTON HOSPITALS, INC (NHI) IS ENGAGED IN LOBBYING HEALTH POLICY ISSUES AT THE STATE LEVEL WITH THE EXECUTIVE AND LEGISLATIVE BRANCHES OF KENTUCKY STATE GOVERNMENT NHI IS NOT REGISTERED TO LOBBY AT THE FEDERAL LEVEL LOBBYING COMPENSATION PAID AS REPORTED TO THE KENTUCKY LEGISLATIVE ETHICS COMMISSION IS $903 NHI PAYS DUES TO THE KENTUCKY HOSPITAL ASSOCIATION A PORTION OF THOSE DUES IN THE AMOUNT OF $48,591 IS SPENT ON LOBBYING

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 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
NORTON HOSPITALS INC

Employer identification number
61-0703799

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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	(b) (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		23,866,564		23,866,564
b Buildings		582,338,427	220,971,712	361,366,715
c Leasehold improvements				0
d Equipment		510,576,494	386,943,414	123,633,080
e Other		47,152,993	5,524,940	41,628,053
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				550,494,412

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
(1) MISCELLANEOUS RECEIVABLES	3,393,319
(2) INVESTMENT IN PREMIER PURCHASING PARTNERS LP	8,701,450
(3) RECEIVABLE FROM AFFILIATE	295,801,883
(4) PHYSICIAN GUARANTEE ASSET	776,335
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	308,672,987

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
DUE TO THIRD PARTY PAYORS	11,572,987
ASSET RETIREMENT OBLIGATION	6,087,335
PHYSICIAN GURANTEE LIABILITY	776,335
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	18,436,657

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	1,489,491,960
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	9,722,493		
e	Add lines **2a** through **2d**			2e	9,722,493
3	Subtract line **2e** from line **1**			3	1,479,769,467
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	6,532,928		
c	Add lines **4a** and **4b**			4c	6,532,928
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	1,486,302,395

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

1	Total expenses and losses per audited financial statements			1	1,369,809,265
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	8,533,045		
e	Add lines **2a** through **2d**			2e	8,533,045
3	Subtract line **2e** from line **1**			3	1,361,276,220
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	0		
c	Add lines **4a** and **4b**			4c	0
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	1,361,276,220

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
FIN 48 (ASC 740) footnote	Schedule D, Part X, Line 2	NORTON HEALTHCARE, INC AND AFFILIATES (NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, NORTON ENTERPRISES, INC , NORTON HEALTHCARE FOUNDATION, INC , NORTON PROPERTIES, INC , THE CHILDREN'S HOSPITAL FOUNDATION, INC) COMPLETED AN ANALYSIS OF ITS TAX POSITION AT DECEMBER 31, 2012 AND 2011, AND DETERMINED THAT NO MATERIAL AMOUNTS WERE REQUIRED TO BE RECOGNIZED UNDER ACCOUNTING STANDARDS CODIFICATION 740, INCOME TAXES, IN THE COMBINED FINANCIAL STATEMENTS AT DECEMBER 31, 2012 AND 2011
Other revenues in audited financial statements not in form 990	Schedule D, Part XI, Line 2d	RENTAL INCOME INTERNAL - 8533046, GAIN(LOSS) ON SALE OF ASSET - 1189447,
Other revenues in form 990 not in audited financial statements	Schedule D, Part XI, Line 4b	CONTRIBUTIONS & GRANTS - 6532928,
Other expenses in audited financial statements not in form 990	Schedule D, Part XII, Line 2d	RENTAL INCOME - 7475312, REIMBURSEMENT OF UTILITY EXPENSE - 238990, PHYSICIAN PRACTICE SUBSIDY - 818743,

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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
NORTON HOSPITALS INC

Employer identification number
61-0703799

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 300 %			
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		No
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other ____ %			
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)			11,247,096	0	11,247,096	0 870 %
b Medicaid (from Worksheet 3, column a)			282,272,877	201,835,861	80,437,016	6 200 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			9,184,772	4,085,730	5,099,042	0 390 %
d **Total** Financial Assistance and Means-Tested Government Programs	0	0	302,704,745	205,921,591	96,783,154	7 460 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			10,827,022	0	10,827,022	0 840 %
f Health professions education (from Worksheet 5)			27,996,332	3,803,991	24,192,341	1 870 %
g Subsidized health services (from Worksheet 6)			0	0	0	0 %
h Research (from Worksheet 7)			3,900,613	0	3,900,613	0 300 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,046,453	0	1,046,453	0 080 %
j **Total.** Other Benefits	0	0	43,770,420	3,803,991	39,966,429	3 090 %
k **Total.** Add lines 7d and 7j	0	0	346,475,165	209,725,582	136,749,583	10 550 %

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			0	0	0	0 %
2	Economic development			25,000	0	25,000	0 %
3	Community support			994,736	0	994,736	0 070 %
4	Environmental improvements			0	0	0	0 %
5	Leadership development and training for community members			0	0	0	0 %
6	Coalition building			1,904	0	1,904	0 %
7	Community health improvement advocacy			2,469	0	2,469	0 %
8	Workforce development			0	0	0	0 %
9	Other			0	0	0	0 %
10	**Total**	0	0	1,024,109	0	1,024,109	0 080 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	64,517,983		
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	5,709,822		
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	337,874,082
6	Enter Medicare allowable costs of care relating to payments on line 5	6	361,484,195
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-23,610,113
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?
5

	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	NORTON HOSPITAL 200 E CHESTNUT ST LOUISVILLE,KY 40202	X	X		X			X			A
2	KOSAIR CHILDREN'S HOSPITAL 231 E CHESTNUT ST LOUISVILLE,KY 40202	X	X	X	X			X			A
3	NORTON AUDUBON HOSPITAL ONE AUDUBON PLAZA DRIVE LOUISVILLE,KY 40217	X	X		X			X			A
4	NORTON SUBURBAN HOSPITAL 4001 DUTCHMANS LANE LOUISVILLE,KY 40207	X	X		X			X			A
5	NORTON BROWNSBORO HOSPITAL 4950 NORTON HEALTHCARE BLVD LOUISVILLE,KY 40241	X	X					X			A

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)

Name of hospital facility or facility reporting group A

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		No
	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 300% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**		No
If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
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?

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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
Eligibility criteria for free or discounted care	Schedule H, Part I, Line 3c	NORTON HOSPITALS, INC HAS A POLICY WHERE WE DISCOUNT CHARGES FOR ALL SELF PAY PATIENTS WITH NO INSURANCE COVERAGE REGARDLESS OF INCOME QUALIFICATIONS BECAUSE OF THIS POLICY, WE RESPONDED NO TO LINE 3B IN THAT WE DO NOT UTILIZE FEDERAL POVERTY GUIDELINES FOR PROVIDING DISCOUNTED CARE
Community benefit report prepared by related organization	Schedule H, Part I, Line 6a	COMMUNITY BENEFIT IS REPORTED UNDER NORTONHEALTHCARE COM, PARENT OF NORTON HOSPITALS, INC

Identifier	ReturnReference	Explanation
Costing Methodology used to calculate financial assistance	Schedule H, Part I, Line 7	THE COSTING METHODOLOGY USED TO CALCULATE THE COMMUNITY BENEFIT EXPENSES WERE TO CALCULATE THE COST BY HOSPITAL LOCATION (FIVE SEPARATE HOSPITAL LOCATIONS UNDER ONE MEDICARE PROVIDER NUMBER) THE COST WAS DETERMINED BASED ON A SPECIFIC LOCATION COST TO CHARGE RATIO THE COST TO CHARGE RATIO WAS ADJUSTED FOR BAD DEBT EXPENSE AND OTHER COSTS THE COST USED IN THE CALCULATION WAS REDUCED BY BAD DEBT EXPENSE, PROVIDER TAXES, GRADUATE MEDICAL EDUCATION EXPENSES, AND OTHER COSTS THE ADJUSTED COST TO CHARGE RATIO WAS THEN MULTIPLIED TIMES THE GROSS CHARGES FOR QUALIFIED FINANCIAL ASSISTANCE CHARGES, MEDICAID AND THE STATE DISPROPORTIONATE PROGRAM (OTHER MEANS TESTED GOVERNMENT PROGRAM) TO OBTAIN THE SPECIFIC COMMUNITY BENEFIT EXPENSE
COMMUNITY HEALTH IMPROVEMENT SERVICES AND COMMUNITY BENEFIT OPERATIONS	SCHEDULE H, PART I, LINE 7E	AMOUNTS PRESENTED ARE BASED ON ACTUAL SPENT FOR THOSE SERVICES AND BENEFITS PROVIDED DEEMED TO IMPROVE THE HEALTH OF THE COMMUNITIES IN WHICH WE SERVE AND CONFORM TO THE MISSION OF OUR EXEMPT PURPOSE

Identifier	ReturnReference	Explanation
Bad Debt Expense excluded from financial assistance calculation	Schedule H, Part I, Line 7, column(f)	64,517,983
HEALTH PROFESSIONS EDUCATION	SCHEDULE H, PART I, LINE 7F	AMOUNTS PRESENTED ARE BASED UPON ACTUAL SPEND AND ARE IN CONFORMITY WITH AGREED UPON COMMITMENTS WITH VARIOUS EDUCATIONAL PROGRAMS

Identifier	ReturnReference	Explanation
RESEARCH	SCHEDULE H, PART I, LINE 7H	AMOUNTS PRESENTED REPRESENT ACTUAL SPEND TO SUPPORT COMMUNITY HEALTH RESEARCH REGARDING OUTCOMES AND EFFECTIVENESS OF TREATMENTS
CASH AND IN-KIND CONTRIBUTIONS FOR COMMUNITY BENEFITS	SCHEDULE H, PART I, LINE 7I	IN KEEPING WITH OUR MISSION AND COMMITMENT TO THE COMMUNITIES IN WHICH WE SERVE, NORTON HOSPITALS, INC CONTINUES ITS TRADITION OF CONTRIBUTING MONIES TO NUMEROUS ORGANIZATIONS AMOUNTS PRESENTED REPRESENT ACTUAL MONIES CONTRIBUTED TO ORGANIZATIONS THROUGHOUT OUR COMMUNITIES

Identifier	ReturnReference	Explanation
Bad debt expense - methodology used to estimate amount	Schedule H, Part III, Line 2	BAD DEBT EXPENSE IS BASED ON MANAGEMENT ASSESSMENT OF EXPECTED NET COLLECTIONS CONSIDERING ECONOMIC CONDITIONS AND HISTORICAL BUSINESS, TRENDS IN HEALTHCARE COLLECTIONS AND INSURANCE COVERAGE, AND OTHER COLLECTION INDICATORS MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THIS REVIEW IS THEN USED TO MAKE CHANGES TO THE PROVISION FOR UNCOLLECTIBLE ACCOUNTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES THE BAD DEBT EXPENSE IS BASED ON THE NET ESTIMATED AMOUNT EXPECTED TO BE DUE FROM THE PATIENT/PAYOR BAD DEBT EXPENSE FALLS INTO THREE CATEGORIES, TRUE SELF PAY, PATIENT RESPONSIBILITY AFTER INSURANCE, AND OTHER * TRUE SELF PAY - FOR TRUE SELF PAY PATIENTS, THE SELF PAY DISCOUNT IS APPLIED TO THE ACCOUNT ASSUMING THE PATIENT DOES NOT QUALIFY FOR FINANCIAL ASSISTANCE THE BAD DEBT EXPENSE WRITE-OFF IS THE DISCOUNTED AMOUNT LESS ANY PAYMENTS MADE BY THE PATIENT * PATIENT RESPONSIBILITY AFTER INSURANCE - THE BAD DEBT EXPENSE WRITE-OFF FOR PATIENT'S RESPONSIBILITY AFTER INSURANCE IS BASED ON THE PATIENT'S LIABILITY PER THE EXPLANATION OF BENEFITS AND CONTRACT WITH THE INSURANCE COMPANY THE BAD DEBT EXPENSE WRITE-OFF IS THE EXPECTED AMOUNT DUE LESS ANY PAYMENTS MADE BY THE PATIENT * OTHER - THE OTHER CATEGORY IS FOR INSURANCE AMOUNTS DUE FROM PAYORS MOST EXPECTED PAYMENTS NOT RECEIVED FROM AN INSURANCE COMPANY AFTER INVESTIGATION INTO PAYMENT DIFFERENCE ARE WRITTEN OFF TO CONTRACTUAL ALLOWANCE/DENIAL CATEGORY
Bad debt expense - methodology used to estimate amount as community benefit	Schedule H, Part III, Line 3	THE METHOD USED TO DETERMINE THE AMOUNT THAT REASONABLY COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER OUR FINANCIAL ASSISTANCE POLICY IS BASED ON OUR OUTSIDE ELIGIBILITY VENDOR'S EXPERIENCE WITH QUALIFYING ACCOUNTS AS FINANCIAL ASSISTANCE MEDASSIST, OUR OUTSIDE VENDOR, SCREENS ALL SELF PAY ACCOUNTS AND BASED ON AN INITIAL SCREENING, WILL CLASSIFY THE ACCOUNT AS "PROBABLE" FINANCIAL ASSISTANCE IF THE ACCOUNTS APPEARS TO MEET NORTON HOSPITALS, INC 'S (NHI) FINANCIAL ASSISTANCE PROGRAM GUIDELINES THESE ACCOUNTS ARE THEN REQUIRED TO SUBMIT THE NECESSARY DOCUMENTATION TO ULTIMATELY BE CLASSIFIED AS A FINANCIAL ASSISTANCE ACCOUNT BASED ON ALL ACCOUNTS THAT ARE CLASSIFIED AS "PROBABLE FINANCIAL ASSISTANCE" BY MEDASSIST AND THEIR EXPERIENCE WITH GETTING ACCOUNTS QUALIFIED AS FINANCIAL ASSISTANCE, IT IS ESTIMATED THAT 75% OF THOSE ACCOUNTS CLASSIFIED AS PROBABLE FINANCIAL ASSISTANCE AND WHICH DO NOT SUBMIT THE REQUIRED DOCUMENTATION WOULD QUALIFY AS A NHI FINANCIAL ASSISTANCE ACCOUNT THE ESTIMATED COST OF ACCOUNTS THAT ARE ESTIMATED TO QUALIFY FOR OUR FINANCIAL ASSISTANCE PROGRAM IS CALCULATED BASED ON GROSS CHARGES FOR ACCOUNTS FOR THE YEAR THAT ARE PROBABLE, BUT DON'T SUBMIT THE NECESSARY DOCUMENTATION MULTIPLIED TIMES OUR COST TO CHARGE RATIO TIMES THE 75% ESTIMATED CONVERSION FACTOR

Identifier	ReturnReference	Explanation
Bad debt expense - financial statement footnote	Schedule H, Part III, Line 4	THE PROVISION FOR DOUBTFUL ACCOUNTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE MODIFICATIONS TO THE PROVISION FOR DOUBTFUL ACCOUNTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR DOUBTFUL RECEIVABLES
Community benefit & methodology for determining medicare costs	Schedule H, Part III, Line 8	THE COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COST WAS BASED ON THE MEDICARE PRINCIPLES USED IN COMPLETING THE MEDICARE COST REPORT ALL COST REPORTED CAME FROM THE MEDICARE COST REPORT NORTON HOSPITALS, INC (NHI) ACCEPTS ALL MEDICARE PATIENTS WITH THE KNOWLEDGE THAT THERE MAY BE SHORTFALLS AND OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY NHI BELIEVES THAT THE MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT BECAUSE MEDICARE DOES NOT FULLY COMPENSATE HOSPITALS FOR THE COST OF PROVIDING HOSPITAL CARE TO MEDICARE BENEFICIARIES NHI EXPERIENCED SIGNIFICANT LOSSES ($23 6 MILLION FOR THE FISCAL YEAR ENDING 2012) DUE TO UNDERPAYMENT FOR MEDICARE PATIENTS UNREIMBURSED MEDICARE COSTS REPRESENT A SIGNIFICANT VALUE THAT NONPROFIT HOSPITALS PROVIDE TO THE COMMUNITY AS THE HOSPITAL RELIEVES THE FEDERAL GOVERNMENT OF A FINANCIAL BURDEN WHEN IT PROVIDES ESSENTIAL HEALTHCARE SERVICES TO MEDICARE COVERED PATIENTS

Identifier	ReturnReference	Explanation
Collection practices for patients eligible for financial assistance	Schedule H, Part III, Line 9b	AFTER THE PATIENT'S INITIAL SCREENING FOR FINANCIAL ASSISTANCE, IF IT APPEARS THAT THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, NORTON HOSPITALS, INC WILL NOT START COLLECTION EFFORTS PENDING THE PATIENT SUBMITTING THE NECESSARY INFORMATION TO DOCUMENT MEETING THE FINANCIAL ASSISTANCE QUALIFICATIONS IF THE PATIENT SUBMITS THE NECESSARY DOCUMENTATION WITHIN A REASONABLE TIME PERIOD, THEN THERE WILL NOT BE ANY COLLECTION EFFORTS MADE TO COLLECT ANY AMOUNT FROM THE PATIENT THE PATIENT WILL RECEIVE A STATEMENT/BILL REFLECTING THE AMOUNT DUE THROUGH THE FINANCIAL ASSISTANCE APPLICATION PROCESS PENDING THE PATIENT'S FINANCIAL ASSISTANCE APPLICATIONS, BUT THERE WILL BE NO COLLECTION EFFORTS ONLY AFTER SEVERAL ATTEMPTS TO CONTACT THE PATIENT TO GET THE NECESSARY DOCUMENTATION FOR COMPLETING THE FINANCIAL ASSISTANCE APPLICATION AND THE PATIENT NOT RESPONDING, WILL COLLECTION EFFORTS BEGIN THERE IS AN ONGOING EFFORT THROUGHOUT THE COLLECTION PROCESS TO SCREEN FOR MEDICAID ELIGIBILITY, DSH, AND THE NEED FOR PROVIDING FINANCIAL ASSISTANCE APPLICATIONS TO PATIENTS WHEN A PATIENT IS APPROVED FOR FINANCIAL ASSISTANCE, THEIR ACCOUNT IS WRITTEN OFF
Used FPG to determine eligibility for providing discounted care criteria	Schedule H, Part V Section B, Line 11	(1) NORTON HOSPITAL - NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG AND COMPLETE THE APPLICATION PROCESS ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT ,(2) KOSAIR CHILDREN'S HOSPITAL - NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT ,(3) NORTON AUDUBON HOSPITAL - NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT ,(4) NORTON SUBURBAN HOSPITAL - NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT ,(5) NORTON BROWNSBORO HOSPITAL - NORTON HOSPITALS, INC (NHI) DOES NOT HAVE A SLIDING SCALE FOR FINANCIAL ASSISTANCE NHI PROVIDES TOTAL FREE CARE THAT IS DISCOUNTED 100% FOR INDIVIDUALS THAT MET THE FEDERAL POVERTY GUIDELINES (FPG) UP TO 300% OF THE FPG ALL SELF PAY FINANCIAL CLASS PATIENTS RECEIVE A SELF PAY DISCOUNT ,

Identifier	ReturnReference	Explanation
Other ways hospital publicized Financial Assistance Policy	Schedule H, Part V Section B, Line 14g	(1) NORTON HOSPITAL - SEE RESPONSE TO PART VI, LINE 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE ,(2) KOSAIR CHILDREN'S HOSPITAL - SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE ,(3) NORTON AUDUBON HOSPITAL - SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE ,(4) NORTON SUBURBAN HOSPITAL - SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE ,(5) NORTON BROWNSBORO HOSPITAL - SEE RESPONSE TO PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE ,
Other actions taken before collection actions	Schedule H, Part V Section B, Line 18e	(2) KOSAIR CHILDREN'S HOSPITAL - NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS ,(3) NORTON AUDUBON HOSPITAL - NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS ,(4) NORTON SUBURBAN HOSPITAL - NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS ,(5) NORTON BROWNSBORO HOSPITAL - NORTON HOSPITALS, INC (NHI) ATTEMPTS TO GET SELF PAY PATIENTS TO COMPLETE A FINANCIAL ASSISTANCE APPLICATION ALSO, MEDASSIST, THE OUTSIDE VENDOR CONTRACTED BY NHI ATTEMPTS TO GET PATIENTS QUALIFIED FOR FINANCIAL ASSISTANCE OUR EARLY OUT VENDOR HIRED BY NHI IS REQUIRED TO GIVE PATIENTS A COPY OF THE FINANCIAL ASSISTANCE APPLICATION TO COMPLETE WITH THE INITIAL BILLING STATEMENT THE BAD DEBT AGENCY CONTRACTED WITH NHI WILL SEND THE INITIAL NOTICE AS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICES ACT FIRST, AND THEN AFTER THE LETTER IS SENT, WILL SEND TO THE PATIENT A FINANCIAL ASSISTANCE APPLICATION WITH A LETTER OF INSTRUCTIONS ,

Identifier	ReturnReference	Explanation
Needs assessment	Schedule H, Part VI, Line 2	NORTON HOSPITALS, INC (NHI) REGULARLY AND CONSISTENTLY EVALUATES WORKFORCE AND COMMUNITY HEALTH CARE NEEDS THROUGH PARTNERSHIPS WITH LOCAL HEALTH DEPARTMENTS, EMERGENCY MEDICAL SERVICE, LOCAL AND STATE UNIVERSITIES, AND KENTUCKIANA WORKS, THE WORKFORCE INVESTMENT BOARD FOR THE SEVEN COUNTY REGION SURROUNDING LOUISVILLE PARTNERSHIPS WITH THESE ORGANIZATIONS, ALONG WITH NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS SUCH AS THE AMERICAN CANCER SOCIETY, AMERICAN HEART ASSOCIATION AND OTHERS, ALSO PROVIDE NHI IMPORTANT STATISTICS AND DATA TO USE IN EVALUATING COMMUNITY ACCESS TO HEALTH CARE SERVICES AND HEALTH CARE DISPARITIES ADDITIONALLY, NHI ACCESSES DATA FROM ORGANIZATIONS SUCH AS THE CENTERS FOR DISEASE CONTROL AND THE UNITED STATES CENSUS BUREAU TO ASSESS AREAS OF GREATEST ANTICIPATED POPULATION GROWTH AND LOW-INCOME AREAS - BOTH OF WHICH MAY BE IN GREATEST NEED FOR PREVENTION EDUCATION, FREE SCREENINGS AND ACCESS TO HEALTH CARE NHI INITIATED A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) FOR ALL HOSPITALS AND HAS SUBSEQUENTLY COMPLETED THE CHNA IN 2013 THE CHNA DEFINED THE PATIENT SERVICE AREA BY PATIENT ORIGIN FOR INPATIENT STAYS DEMOGRAPHIC, SOCIOECONOMIC, POPULATION, AND OTHER HEALTH RELATED INDICATORS WERE UTILIZED TO PROVIDE INFORMATION ON THE HEALTH STATUS OF THE COMMUNITY THE HEALTH NEEDS THAT WERE IDENTIFIED WERE PRIORITIZED AND ACTION PLANS DEVELOPED
Patient education of eligibility for assistance	Schedule H, Part VI, Line 3	NORTON HOSPITALS, INC (NHI) EMPLOYS AN OUTSIDE ELIGIBILITY VENDOR, MEDASSIST/FIRSTSOURCE ALL SELF PAY ACCOUNTS FOR THE ADULT FACILITIES ARE PLACED FOR ELIGIBILITY SCREENING WITH MEDASSIST/FIRSTSOURCE THEY SCREEN FOR NORTON FINANCIAL ASSISTANCE, MEDICAID, MEDICAID MANAGED CARE ORGANIZATIONS, AND DSH/KHCP IN ADDITION, THEY ALSO PROVIDE EDUCATION AND REFERRAL ASSISTANCE TO THE APPROPRIATE COUNTY/STATE DEPARTMENTS FOR FOOD STAMPS, RENT ASSISTANCE, HEATING ASSISTANCE, ETC , WITH THE PROCESS OF COMPLETING THE APPLICATION IS OFTEN PERFORMED BY MEDASSIST/FIRSTSOURCE THEMSELVES THEY PROTECT FILING DEADLINES BY SUBMITTING THE APPROPRIATE FORMS TO THE STATE/COUNTY, THEY FOLLOW UP TO SECURE PROOF OF INCOME DOCUMENTS FOR NORTON FINANCIAL ASSISTANCE, AND FOLLOW-UP WITH THE PATIENT'S ASSIGNED STATE CASEWORKER AS NEEDED MEDASSIST/FIRSTSOURCE ALSO MAKES OUTSIDE FIELD CALLS OR HOME VISITS TO THE PATIENTS TO SECURE THE NEEDED INFORMATION FOR ELIGIBILITY ASSISTANCE IF THEY ARE HOMEBOUND AS WELL AS PROVIDING ASSISTANCE WITH PATIENT TRANSPORTATION NEEDS SO THAT THE PATIENT CAN MAKE THEIR SCHEDULED APPOINTMENTS WITH THEIR CASEWORKER ALL OF THE SERVICES PROVIDED BY MEDASSIST/FIRSTSOURCE ELIGIBILITY ARE AT NO COST TO THE PATIENT NHI PAYS FOR THESE ELIGIBILITY SERVICES AT WELL OVER $1,000,000 PER YEAR NHI HAS A STAFF OF 11 FULL-TIME EMPLOYEES, INCLUDING A SUPERVISOR, THAT ARE DEDICATED TO MAKING OUT-BOUND CALL AND PROCESSING, REVIEWING, APPROVING THE HUNDREDS OF FINANCIAL ASSISTANCE APPLICATIONS THAT ARE RECEIVED EACH WEEK FINANCIAL ASSISTANCE FOR NORTON FINANCIAL ASSISTANCE OR KOSAIR CHARITIES FINANCIAL ASSISTANCE IS NOT LIMITED TO THE SELF PAY POPULATION EVEN PATIENTS WITH INSURANCE COVERAGE ARE ENCOURAGED TO APPLY FOR ASSISTANCE SO THAT THEIR DEDUCTIBLES, CO-PAYMENTS, AND CO-INSURANCE AMOUNTS ARE COVERED UNDER THE VARIOUS ASSISTANCE PROGRAMS FINANCIAL COUNSELORS/SOCIAL WORKERS AT THE ADULT FACILITIES AS WELL AS KOSAIR CHILDREN'S HOSPITAL ARE EDUCATED AND TRAINED TO ASSIST WITH COUNSELING PATIENTS AND DETERMINING AND EXPLAINING OUR FINANCIAL ASSISTANCE PROGRAMS THEY CONTINUE TO RECEIVE ON-GOING EDUCATION THROUGHOUT THE YEAR REGARDING ELIGIBILITY CHANGES AND ADDITIONS FOR NORTON FINANCIAL ASSISTANCE, KOSAIR CHARITIES, DSH/KHCP, MEDICAID, ETC THE FOUNDATION OFFICE SENDS POTENTIAL REFERRALS TO PATIENT FINANCIAL SERVICES TO SCREEN FOR POSSIBLE FINANCIAL ASSISTANCE AS THEY RECEIVE INQUIRIES IN THE FOUNDATION OFFICE IF A PATIENT DOES NOT QUALIFY FOR KOSAIR CHARITY, THEN THOSE DENIED APPLICATIONS ARE REFERRED TO THE DIRECTOR OF PATIENT FINANCIAL SERVICES FOR CONSIDERATION FOR SPECIAL FUNDING THROUGH THE CHILDREN'S FOUNDATION AS WELL AS OTHER PROGRAMS ON THE BACK OF EVERY HOSPITAL MONTHLY PATIENT ACCOUNT STATEMENT THAT IS SENT FROM NHI TO NON-OUTSOURCED ACCOUNTS, THE FINANCIAL ASSISTANCE APPLICATION IS PRINTED COLLECTION AGENCIES CHOSEN BY NHI PRINT ON THE BACK OF THEIR INITIAL PLACEMENT LETTER, OR AN INSERT IS MAILED WITH THE INITIAL PLACEMENT LETTER, A COPY OF THE FINANCIAL ASSISTANCE APPLICATION FOR THE GUARANTOR TO COMPLETE CONTAINED ON THE INITIAL NOTIFICATION LETTER THAT IS REQUIRED BY THE FAIR DEBT COLLECTION PRACTICE ACT THAT THE AGENCIES SEND TO THE GUARANTOR IS A PHRASE WRITTEN IN SPANISH THAT ALERTS SPANISH SPEAKING GUARANTORS TO CONTACT A SPECIFIC NUMBER TO SPEAK WITH A SPANISH SPEAKING COLLECTOR THAT SPANISH SPEAKING COLLECTOR WILL ALSO PROVIDE FINANCIAL ASSISTANCE INFORMATION NHI HAS TRANSLATED A SERIES OF FINANCIAL ASSISTANCE LETTERS IN SPANISH AND VIETNAMESE THESE LETTERS AND THE APPLICATION ARE MADE AVAILABLE TO THE COLLECTION AGENCIES TO USE WITH THOSE GUARANTORS TO APPLY FOR FINANCIAL ASSISTANCE NHI CUSTOMER SERVICE DEPARTMENT ROUTINELY INSTRUCTS AND SCREENS PATIENTS IN THE PROTOCOL REGARDING FINANCIAL ASSISTANCE THRU KOSAIR CHARITIES OR NORTON FINANCIAL ASSISTANCE BEGINNING IN 2007, NHI OFFERED AT THE TIME OF FINAL BILLING ALL TRUE SELF PAY PATIENTS A SIGNIFICANT DISCOUNT OFF OF TOTAL CHARGES THAT WERE REFLECTED ON THEIR MONTHLY STATEMENTS AN ADDITIONAL PROMPT PAY DISCOUNT IS ALSO PROVIDED IF THE REMAINING BALANCE IS PAID WITHIN 30 DAYS FROM DATE OF FIRST BILL CONTRACTED COLLECTION AGENCIES ARE REQUIRED TO SOLICIT CHARITY APPLICATIONS WHEN THE GUARANTOR/PATIENT INDICATES "CANNOT PAY" NHI PAYS A COMMISSION TO OUR CONTRACTED COLLECTION AGENCIES FOR EVERY APPROVED CHARITY APPLICATION THAT IS FINALIZED THIS COMMISSION IS AN INCENTIVE FOR THE REPRESENTATIVES TO OBTAIN CHARITY APPLICATIONS AND NOT JUST COLLECT MONEY OWED ON THE ACCOUNT IN 2012, NHI HAD EVENING HOURS FOR THEIR INTERNAL STAFF TO MAKE OUTBOUND PHONE CALLS AND TAKE INBOUND PHONE CALLS FROM GUARANTORS IN ORDER TO PROVIDE EVENING HOURS TO NOTIFY THEM AND ALLOW THEM TO APPLY FOR FINANCIAL ASSISTANCE NHI MANAGEMENT MONITORS THE NUMBER OF APPROVED FINANCIAL ASSISTANCE APPLICATIONS THAT ARE PROVIDED AS A DIRECT RESULT OF THE COLLECTION AGENCIES EFFORTS TRENDING IS REVIEWED AND INQUIRES ARE MADE BY NHI MANAGEMENT TO THE AGENCIES' MANAGEMENT WHEN THE MONTHLY NUMBERS SHOW A VARIANCE SHORT OF THE AVERAGE NUMBER APPROVED

Identifier	ReturnReference	Explanation
Community information	Schedule H, Part VI, Line 4	PRIMARY SERVICE AREA NORTON HOSPITALS INC 'S (NHI) PRIMARY SERVICE AREA POPULATION IS OVER ONE MILLION AND EXPECTED TO INCREASE 2 8% BETWEEN 2013 AND 2018 THE PRIMARY SERVICE AREA INCLUDES SEVEN COUNTIES, THREE OF WHICH ARE LOCATED ALONG THE OHIO RIVER BORDER IN KENTUCKY AND THE OTHER FOUR ARE BORDERING THE RIVER IN INDIANA EIGHTY-ONE PERCENT OF NHI'S PATIENTS ARE DERIVED FROM THIS SERVICE AREA APPROXIMATELY 27% OF THE POPULATION IS OVER 55 YEARS OLD, COMPARED TO 26% IN THE USA THIS PORTION OF THE POPULATION TENDS TO USE ADDITIONAL HEALTHCARE SERVICES THE PEDIATRIC POPULATION IN 2012 WAS ESTIMATED AT 269,702 AND IS EXPECTED TO INCREASE TO 274,242 WITHIN FIVE YEARS AND REPRESENTS 24% OF THE POPULATION THE NUMBER OF HOUSEHOLDS IN THE PRIMARY SERVICE AREA WAS ESTIMATED AT 462,907 IN 2012 AND IS EXPECTED TO INCREASE 2 8% BY 2018 CURRENTLY 13% OF THE ADULT POPULATION DOES NOT HAVE A HIGH SCHOOL DEGREE AND 27% OF THE HOUSEHOLD INCOME IS LESS THAN $25,000 A YEAR, THE AVERAGE HOUSEHOLD INCOME IS $62,515 COMPARED TO $69,637 FOR THE UNITED STATES NHI TREATS 45% OF THE ADULT INPATIENT CASES IN THE COMMUNITY AND ITS PAYOR MIX IS 38% MEDICARE, 8% MEDICAID/PASSPORT AND 4% SELF PAY THE LARGEST COUNTY IN THE SERVICE AREA IS JEFFERSON COUNTY AND ITS MAY 2013 PRELIMINARY NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATE WAS 8 3% COMPARED TO 8 3% FOR KENTUCKY AND 7 3% FOR THE UNITED STATES SECONDARY SERVICE AREA NHI'S SECONDARY SERVICE AREA POPULATION WAS 738,591 IN 2012 AND IS EXPECTED TO INCREASE 3 3% BETWEEN 2013 AND 2018 THE SECONDARY SERVICE AREA SPREADS ACROSS 22 KENTUCKY COUNTIES AND 4 INDIANA COUNTIES THE 55+ AGE COHORT REPRESENTS 27% OF THE SECONDARY SERVICE AREA POPULATION AND IS RELATIVELY CONSISTENT WITH KENTUCKY AND THE UNITED STATES THE PEDIATRIC POPULATION IN 2012 WAS ESTIMATED AT 177,661 AND EXPECTED TO INCREASE TO 181,479 BY 2018 ALTHOUGH THE PEDIATRIC POPULATION IS EXPECTED TO REMAIN FLAT THERE IS A NEED FOR CHILDREN TO HAVE ACCESS TO PEDIATRIC SPECIALTY CARE IN THE RURAL AREAS OF KENTUCKY THE NUMBER OF HOUSEHOLDS IN THE SECONDARY SERVICE AREA WAS ESTIMATED AT 286,341 IN 2012 AND IS EXPECTED TO INCREASE BY 10,307 BY 2018 ALMOST 89,000 ADULTS IN THIS SERVICE AREA DO NOT HAVE A HIGH SCHOOL EDUCATION AND THE HOUSEHOLD INCOME IS UNDER $25,000 FOR 32% OF THIS POPULATION THE AVERAGE HOUSEHOLD INCOME IS $51,972, LESS THAN KENTUCKY AND 20% LESS THAN THE PRIMARY SERVICE AREA
Promotion of community health	Schedule H, Part VI, Line 5	A THIRD OF THE ORGANIZATION'S MISSION STATEMENT SPEAKS TO THE COMMITMENT TO PROVIDE QUALITY HEALTHCARE THAT "RESPONDS TO THE NEEDS OF OUR COMMUNITIES " NORTON HOSPITALS, INC (NHI) ORGANIZATIONAL VALUES DIRECTLY ADDRESS THE NEED TO "CONTINUALLY IMPROVE CARE AND SERVICES" WHILE "DEMONSTRATING STEWARDSHIP OF RESOURCES " AS AN ORGANIZATION COMMITTED TO THE CONSTANT UNDERSTANDING AND ASSESSMENT OF THOSE SERVED, INITIATIVES AND PROGRAMS THAT ADDRESS THESE CONSTITUENTS ARE DEVELOPED AND IMPLEMENTED IN 2012 NHI'S TOTAL COMMUNITY BENEFIT WAS $137 8 MILLION, OVER $2 6 MILLION A WEEK, AND INCLUDES COMMUNITY INITIATIVES AND PROGRAMS SUCH AS FINANCIAL ASSISTANCE, EDUCATIONAL SUPPORT, UNPAID COSTS OF MEDICAID SERVICES, CORPORATE SPONSORSHIPS, PASTORAL CARE AND COUNSELING PROGRAMS, KENTUCKY POISON CONTROL CENTER AND CHILD GUIDANCE AND ADVOCACY PROGRAMS NHI EMPLOYEES PROVIDED NEARLY 5,500 COMMUNITY SERVICE HOURS THAT SUPPORTED 147 ORGANIZATIONS NHI PARTNERS WITH OTHER NON-PROFIT ORGANIZATIONS, LOCAL GOVERNMENT AND THE CENTERS FOR DISEASE CONTROL TO IMPROVE THE HEALTH STATUS OF OUR COMMUNITY THROUGH EVIDENCE-BASED INITIATIVES THE ORGANIZATION'S PUBLICLY ACCESSIBLE WEBSITE OFFERS AN ONLINE ASSESSMENT GUIDE TO IDENTIFY AND UNDERSTAND SYMPTOMS GET HEALTHY VIDEOS OFFER A VISUAL RESOURCE AND AID ABOUT MANY OF THE MOST WORRISOME HEALTH PROBLEMS IN THE COMMUNITY THROUGHOUT THE YEAR FREE SEMINARS PLACE CLINICAL EXPERTS WITH COMMUNITY AUDIENCES ON SUCH TOPICS AS DIABETES, JOINT PAIN, WEIGHT MANAGEMENT, CANCER ASSESSMENTS - ALL CONDITIONS THAT KENTUCKY, UNFORTUNATELY, LEADS THE NATION IN HAVING THE PUBLICLY AVAILABLE QUALITY REPORT ENSURES THAT THE COMMUNITY HAS ACCESS TO INFORMATION ABOUT THE QUALITY OF CARE PROVIDED BY THE ORGANIZATION THIS DATA NOT ONLY EMPOWERS COMMUNITY MEMBERS, BUT ALSO DRIVES THE HEALTHCARE QUALITY AGENDA IN THE COMMUNITY AN ESTIMATED 1 1 MILLION CONTACTS/EXPOSURES DICTATES THE ORGANIZATION'S OVERALL HEALTHCARE AGENDA FOR THE COMMUNITY THE OFFICE OF CHURCH AND HEALTH MINISTRIES (OFFICE) PROVIDES EDUCATIONAL PROGRAMS FOR CHURCH LEADERS AND MEMBERS TO LEARN ABOUT FAITH COMMUNITY NURSING, ETHICS, WHOLE-PERSON CARE AND OTHER TOPICS RELATED TO HEALTH MINISTRIES IN 2012, A FREE SEMINAR ABOUT HEART HEALTH WAS ATTENDED BY 92 MEMBERS OF THE CLERGY AND CHURCH STAFF AND A FREE WORKSHOP INTRODUCING THE REVISED STANDARDS OF PRACTICE FOR FAITH COMMUNITY NURSING WAS HELD FOR 50 ATTENDEES THE OFFICE HAS CREATED A NETWORK OF MORE THAN 170 FAITH COMMUNITIES THAT HAVE HEALTH AND WELLNESS ACTIVITIES FOR THEIR MEMBERS AND THE LARGER COMMUNITY STAFF MEMBERS, INCLUDING FOUR REGISTERED NURSES, TEACH THE CONCEPTS OF THE FAITH COMMUNITY NURSING SPECIALTY AND MENTOR CHURCH LEADERS AS THEY DEVELOP HEALTH AND WELLNESS INITIATIVES THE OFFICE FREQUENTLY PROVIDES COMMUNICATIONS ABOUT HEALTH AND WELLNESS ISSUES TO CHURCHES IN THE LOUISVILLE AND SOUTHERN INDIANA REGION FOR INSTANCE, THIS SUMMER, STAFF ISSUED AN ADVISORY EMAIL ABOUT HEART RELATED ILLNESS TO MORE THAN 170 FAITH COMMUNITIES IN THE ORGANIZATION'S HEALTH MINISTRIES NETWORK AN ELECTRONIC NEWS BULLETIN AND PRINTED NEWSLETTER FEATURING DISEASE PREVENTION AND WELLNESS NEWS AND EVENTS ARE SENT TO NEARLY 2000 INDIVIDUALS AND ORGANIZATIONS AND ALSO ARE WIDELY DISTRIBUTED THROUGHOUT THE REGION THE OFFICE CONTINUALLY PROMOTES NETWORKING OPPORTUNITIES AMONG CHURCHES WANTING TO LEARN HOW TO CREATE AND ENHANCE FAITH COMMUNITY NURSING AND HEALTH AND WELLNESS ACTIVITIES AN ANNUAL HEALTH MINISTRIES DIRECTORY FOR KENTUCKY AND SOUTHERN INDIANA IS PUBLISHED AND DISTRIBUTED BY THE OFFICE TO ENCOURAGE COLLABORATION IN PARTNERSHIP WITH NORTON UNIVERSITY, THE OFFICE OFFERS COMPLIMENTARY COURSES TO PASTORS AND STAFF OF CHURCHES IN THE ORGANIZATION'S FOUNDING FAITHS THE OFFICE SUPPORTED THE MID-KENTUCKY PRESBYTERY DISASTER PREPAREDNESS AND RESPONSE TEAM WHICH OFFERS PERSONAL AND FAITH COMMUNITY PREPAREDNESS REGIONAL TRAINING TO CHURCHES NORTON HEALTHCARE, INC (NORTON) HAS ESTABLISHED THE CENTERS FOR PREVENTION AND WELLNESS (CPW) TO SERVE AS AN UMBRELLA FOR PREVENTION, OUTREACH, AND WELLNESS ACTIVITIES FOR NORTON LED BY SANDRA E BROOKS, M D , MBA, SYSTEM VICE PRESIDENT OF PREVENTION AND RESEARCH, OUR STAFF OF ADVANCED PRACTICE AND REGISTERED NURSES, TECHNICIANS, SUPPORT STAFF AND COMMUNITY HEALTH OUTREACH WORKER PERFORMS EDUCATION, OUTREACH, SCREENING AND HEALTH PROMOTION FOR OUR COMMUNITY APPROXIMATELY 50% OF OUR COMMUNITY OUTREACH ACTIVITIES FOCUS ON MEDICALLY UNDERSERVED, UNDERINSURED AND UNINSURED INDIVIDUALS CPW USES EVIDENCE-BASED APPROACHES TO PROVIDE NO COST AND LOW COST SCREENINGS FOR MAMMOGRAM, PAP SMEAR, PROSTATE-SPECIFIC ANTIGEN, OR PSA TESTING, BLOOD PRESSURE, BODY MASS INDEX, GLUCOSE, CHOLESTEROL, COLON CANCER TESTING AND TOBACCO CESSATION RESOURCES- INCREASING ACCESS TO CARE IN THE COMMUNITY THROUGH THE MOBILE PREVENTION CENTER OUR MOBILE PREVENTION CENTERS (A 40-FOOT MOBILE UNIT) EQUIPPED WITH A DIGITAL MAMMOGRAPHY UNIT, CLINICAL EXAM ROOM, A SMALL LABORATORY AND AN EDUCATION CENTER IN 2012, OUR OUTREACH TEAM SCREENED MORE THAN 7,900 MEN AND WOMEN FOR CANCER AND CARDIOVASCULAR DISEASE WE PROVIDED OUTREACH IN 406 CHURCHES, SCHOOLS, NEIGHBORHOOD CENTERS, AND HEALTH CLINICS THROUGHOUT LOUISVILLE METRO WE NAVIGATED HUNDREDS OF INDIVIDUALS TO HEALTH RESOURCES AND PRIMARY CARE OR SPECIALIST APPOINTMENTS OF THOSE SCREENED, APPROXIMATELY 24% WERE ABNORMAL REQUIRING NURSE NAVIGATION TO DIAGNOSTIC OR MEDICAL INTERVENTION SINCE 2007, CPW HAS DIAGNOSED AND TREATED 94 INDIVIDUALS FOR PRE-INVASIVE AND INVASIVE CENTER KOSAIR CHILDREN'S HOSPITAL IS HOME TO THE KENTUCKY REGIONAL POISON CONTROL CENTER, WHERE IN 2012 OVER 64,000 CONCERNED INDIVIDUALS FROM ALL 120 COUNTIES IN KENTUCKY CALLED THE CENTER TO LEARN HOW TO CORRECTLY HANDLE EXPOSURES TO POISON AND FOR TREATMENT ADVICE NHI IS COMMITTED TO INVESTING IN THE COMMUNITY IT SERVES AND "DEMONSTRATING STEWARDSHIP OF RESOURCES" IS ONE OF OUR ORGANIZATIONAL VALUES WE DO THIS IN A VARIETY OF WAYS, SUCH AS WORKFORCE DEVELOPMENT EFFORTS, SUPPORTING LOCAL EDUCATIONAL INSTITUTIONS - INCLUDING THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE, OFFERING SCHOLARSHIPS TO STUDENTS, PROVIDING STUDENTS WITH FORGIVABLE LOANS FOR THEIR EDUCATION, PLACING MEDICAL PROFESSIONALS IN MEDICALLY-UNDERSERVED AREAS, PROVIDING FREE HEALTH SCREENINGS AND EDUCATION, CONTRIBUTING FUNDS TO OTHER NON-PROFIT HEALTH CARE ORGANIZATIONS, AND BUILDING A NEW HOSPITAL THAT FOLLOWS THE GREEN GUIDE TO HEALTH CARE, A BEST PRACTICES TOOL KIT FOR PLANNING, DESIGN, CONSTRUCTION, OPERATIONS AND MAINTENANCE OF NEW HOSPITALS IN AN EFFORT TO ENSURE THE BEST CARE FOR ITS PATIENTS, NHI GENERALLY EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY FOR SOME OR ALL OF ITS SERVICE LINES/DEPARTMENTS, AS APPLICABLE IN FACT, MORE THAN 2,000 PHYSICIANS ARE ON NHI MEDICAL STAFF NHI OPERATES SIX (6) FULL-TIME EMERGENCY ROOMS WHERE NO ONE REQUIRING EMERGENCY CARE IS DENIED TREATMENT NHI INVESTS IN ITS COMMUNITY BY APPLYING SURPLUS FUNDS TO IMPROVEMENTS IN PATIENT CARE - INCLUDING MANY FREE HEALTH CARE SCREENINGS AND EDUCATION PROGRAMS, MEDICAL EDUCATION AND RESEARCH NHI UTILIZES EXCESS FUNDS BY INVESTING IN THE EXPANSION AND REPLACEMENT OF EXISTING FACILITIES AND EQUIPMENT NHI PROVIDED $23 7 MILLION IN EDUCATIONAL SUPPORT, PRIMARILY TO THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE BY ESTABLISHING PARTNERSHIPS, NHI HELPS TO BUILD A STRONGER AND MORE COHESIVE COMMUNITY THAT WORKS TOGETHER FOR THE GOOD OF ITS CITIZENS BY INVESTING IN EDUCATION, NHI IS - IN ESSENCE - INVESTING IN OUR COMMUNITY'S FUTURE BY MAKING SURE THAT WELL-PREPARED GRADUATES ARE EXITING LOCAL COLLEGES AND UNIVERSITIES, ULTIMATELY TO WORK IN A VARIETY OF LOCAL BUSINESSES - INCLUDING HEALTH CARE BY PROVIDING FREE EDUCATION AND SCREENINGS AND PLACING MEDICAL PROFESSIONALS IN UNDERSERVED AREAS, NHI IS POSSIBLY PREVENTING MORE TRAGIC AND COSTLY MEDICAL EMERGENCIES AND DISEASES THAT MIGHT NOT HAVE OTHERWISE BEEN PREVENTED BY INVESTING IN ENVIRONMENTALLY-FRIENDLY AND PATIENT-FRIENDLY FACILITIES, NHI HELPS TO ENSURE THAT PATIENTS WILL FEEL COMFORTABLE SEEKING HEALTH CARE WHEN THEY NEED IT MOST, RATHER THAN WAITING UNTIL A MEDICAL SITUATION EXACERBATES THIS COMMITMENT ALSO ENSURES THAT WE DO OUR PART TO PRESERVE THE WORLD AND THE ENVIRONMENT IN WHICH WE LIVE

Identifier	ReturnReference	Explanation
Affiliated health care system	Schedule H, Part VI, Line 6	NORTON HEALTHCARE, INC (NHC), PARENT OF NORTON HOSPITALS, INC (NHI), IS INDEPENDENTLY OVERSEEN BY A 23 MEMBER BOARD OF TRUSTEES WITH THE EXCEPTION OF NHC'S PRESIDENT AND CHIEF EXECUTIVE OFFICER, NONE OF THESE INDIVIDUALS ARE EMPLOYEES OF THE ORGANIZATION ALL MEMBERS OF THE BOARD RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE ARE COMMUNITY MEDICAL ASSOCIATES, INC (CMA) IS ALSO A WHOLLY OWNED AFFILIATE OF NHC CMA'S PHYSICIANS PROVIDE CHARITY CARE FOR PATIENTS THAT MEET THE CHARITY GUIDELINES OF CMA
STATE FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, LINE 7	STATE FILING OF COMMUNITY BENEFIT REPORT, NOT REQUIRED AT THIS TIME

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☑ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☑ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the 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**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in 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

Identifier	Return Reference	Explanation
Tax indemnification and gross-up payments	Schedule J, Part I, Line 1a	TAX INDEMNIFICATION AND GROSS-UP PAYMENTS ARE TREATED AS TAXABLE COMPENSATION TO THE INTERESTED PERSONS LISTED BELOW AT TIME OF PAYMENT PAYMENTS ARE IN ACCORDANCE WITH EXISTING COMPENSATION POLICY GROSS-UP PAYMENTS SHALL BE MADE ONLY WHEN SPECIFIED IN AN EMPLOYEE'S EMPLOYMENT CONTRACT, OR AS APPROVED IN WRITING BY THE PRESIDENT AND CEO OF NORTON HEALTHCARE, EXECUTIVE VICE PRESIDENT OR CFO DURING 2012, GROSS-UP PAYMENTS WERE PROCESSED AS OUTLINED IN THE EMPLOYMENT CONTRACT FOR THE CEO SEE NARRATIVE PROVIDED IN SCHEDULE O, REFERENCING PART VI, LINE 15, WHICH DESCRIBES THE PROCESS FOR DETERMINING COMPENSATION FOR THE CEO, OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION ANNUITY - THE TAX GROSS-UP ASSOCIATED WITH THE ANNUITY BENEFIT IS $279,327 THIS PURCHASED ANNUITY REPRESENTS ACCUMULATED BENEFITS EARNED IN PRIOR YEARS RELATED TO A NON-QUALIFIED DEFINED BENEFIT PENSION RESTORATION PLAN IN EFFECT SINCE 1990 CONTRIBUTIONS TO THIS PLAN WERE MADE IN 2005, 2006, 2007, 2008, 2009, 2010, 2011 AND 2012 INCLUDED IN MR WILLIAMS COMPENSATION IN 2012 IS $356,953 WHICH IS THE COST OF THE PURCHASED ANNUITY THE TOTAL COST OF THE PURCHASED ANNUITY AND THE ASSOCIATED TAX GROSS-UP IS $636,280, WHICH WAS INCLUDED IN TAXABLE COMPENSATION TEMPORARY TOTAL DISABLITY COVERAGE AND LONG TERM DISABILITY- THIS COMBINED TRANSACTION CONSIST OF PARTIAL REFUND FOR PAYMENT PAID ON BEHALF OF MR WILLIAMS DURING THE 2011 TAX YEAR FOR TEMPORARY TOTAL DISABILITY AND ONE YEAR PREMIUM FOR LONG TERM DISABILITY THE TAX GROSS-UP CREDIT ASSOCIATED WITH THE REFUND AND PURCHASE OF THIS COVERAGE IS ($9,480) INCLUDED IN MR WILLIAMS COMPENSATION IN 2012 IS $(12,115) WHICH IS THE COST OF THE PURCHASED COVERAGE OF $6,911 AND REFUND OF $19,026 THE TOTAL COST /CREDIT AND THE ASSOCIATED TAX GROSS-UP IS CREDIT $21,595, WHICH WAS INCLUDED IN TAXABLE COMPENSATION
Discretionary spending account	Schedule J, Part I, Line 1a	DISCRETIONARY SPENDING ACCOUNTS ARE TREATED AS TAXABLE COMPENSATION THE ORGANIZATION PROVIDES A DISCRETIONARY SPENDING ACCOUNT FOR ELIGIBLE NORTON HEALTHCARE EXECUTIVES, EFFECTIVE OCTOBER 1, 2007 NORTON HEALTHCARE PROVIDES BENEFITS TO ITS IDENTIFIED EXECUTIVE STAFF TO PROVIDE A TOTAL COMPENSATION PACKAGE THAT IS COMPETITIVE WITH THE MARKET AND WHICH CONFORMS TO THE PHILOSOPHY AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES, THROUGH THE EXECUTIVE COMPENSATION PHILOSOPHY AND PROGRAMS THROUGH THE DISCRETIONARY SPENDING ACCOUNT POLICY, EXECUTIVES ARE FREE TO CHOOSE WHATEVER BENEFITS THEY FIND MOST USEFUL OR IMPORTANT TO THEM AND NORTON HEALTHCARE DOES NOT REIMBURSE FOR THE COST OF THOSE BENEFITS, AS THEY ARE PART OF THE DISCRETIONARY SPENDING ACCOUNT THE INTERESTED PERSONS LISTED BELOW RECEIVED THE BENEFIT OF A DISCRETIONARY SPENDING ACCOUNT IN 2012 STEPHEN A WILLIAMS - $57,229 RUSSELL F COX - 59,434 MICHAEL G GOUGH - 52,208 ROBERT B AZAR - 17,500 KEVIN WARDELL - 17,500 JOHN HARRYMAN - 17,500 THOMAS KMETZ - 17,500 DOUGLAS WINKELHAKE - 17,500 STEVEN MACLAUCHLAN - 17,500 ROBERT SHAW - 20,000 JON COOPER - 10,000
Arrangement used to establish the top management official's compensation	Schedule J, Part I, Line 3	NORTON HEALTHCARE INC (NHI) EIN 61-1028725 IS THE PARENT ORGANIZATION FOR NORTON HOSPITALS, INC AND THEREFORE ESTABLISHES COMPENSATION FOR THE CEO, OFFICERS AND KEY EMPLOYEES THROUGH ENGAGING WITH THE EXECUTIVE COMMITTEE OF NHI, AN INDEPENDENT COMPENSATION CONSULTANT,WRITTEN EMPLOYMENT AGREEMENTS, THIRD PARTY COMPENSATION SURVEYS AND APPROVAL BY THE EXECUTIVE COMMITTEE AND BOARD SEE NARRATIVE IN SCHEDULE O, REFERENCING PART VI, LINE 15 WHICH FURTHER DESCRIBES THE PROCESS FOR DETERMINING COMPENSATION FOR THE ORGANIZATION
ARRANGEMENT USED TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION	SCHEDULE J, PART I, LINE 3	NORTON HEALTHCARE INC (NHI) EIN 61-1028725 IS THE PARENT ORGANIZATION FOR NORTON HOSPITALS, INC AND THEREFORE ESTABLISHES COMPENSATION FOR THE CEO, OFFICERS AND KEY EMPLOYEES THROUGH ENGAGING WITH THE EXECUTIVE COMMITTEE OF NHI, AN INDEPENDENT COMPENSATION CONSULTANT, WRITTEN EMPLOYMENT AGREEMENTS, THIRD PARTY COMPENSATION SURVEYS AND APPROVAL BY THE EXECUTIVE COMMITTEE AND BOARD SEE NARRATIVE IN SCHEDULE O, REFERENCING PART VI, LINE 15 WHICH FURTHER DESCRIBES THE PROCESS FOR DETERMINING COMPENSATION FOR THE ORGANIZATION
Supplemental nonqualified retirement plan	Schedule J, Part I, Line 4b	THE FOLLOWING INTERESTED PERSONS PARTICIPATED IN OR RECEIVED PAYMENT FROM SUPPLEMENTAL NONQUALIFIED RETIREMENT PLANS AS DESCRIBED IN IRC SECTION 457(F) THE INTERESTED PERSONS BELOW MAY HAVE PARTICIPATED IN ONE OR MORE OF THE FOLLOWING PLANS THE EXECU-FLEX BENEFIT PLAN, THE EXECU-PLUS BENEFIT PLAN, DEFINED BENEFIT AND DEFINED CONTRIBUTION RESTORATION PLANS, AND THE PHYSICIAN DEFERRED PLAN THE "PAY CREDIT" OULINED BELOW REPRESENTS A REASONABLE ESTIMATE OF THE ANNUAL INCREASE IN ACTUARIAL VALUE OF THE PLANS, AND THEREFORE, REPRESENTS THE ORGANIZATION'S CONTRIBUTION TO THE VALUE OF THE BENEFITS NAME - PAY CREDIT STEPHEN A WILLIAMS - $ 130,924 RUSSELL F COX - 829,613 MICHAEL W GOUGH - 493,579 ROBERT AZAR - 70,050 GINGER FIGG - 71,214 WILLIAM RICHIE - 37,892 JON COOPER - 33,266 JOHN HARRYMAN - 83,767 THOMAS KMETZ - 90,379 STEVE MACLAUCHLAN - 74,410 ROBERT SHAW - 62,387 KEVIN WARDELL - 88,387 DOUGLAS WINKELHAKE - 80,742 THE "PAYMENT RECEIVED" OUTLINED BELOW REPRESENTS CASH PAYMENTS THAT THE EMPLOYEE RECEIVED DURING 2012 AND CAN BE COMPRISED OF PRIOR YEARS EMPLOYEE AND EMPLOYER CONTRIBUTIONS NAME - PAYMENT RECEIVED STEPHEN A WILLIAMS - $2,540,883 RUSSELL F COX - 108,074 MICHAEL W GOUGH - 93,007 ROBERT AZAR - 0 GINGER FIGG - 50,923 WILLIAM RICHIE - 28,257 JON COOPER - 25,548 JOHN HARRYMAN - 62,008 THOMAS KMETZ - 60,169 STEVE MACLAUCHLAN - 0 ROBERT SHAW - 75,901 KEVIN WARDELL - 56,263 DOUGLAS WINKELHAKE - 52,587

Additional Data

Return to Form

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Software Version: v2012.1.0
EIN: 61-0703799
Name: NORTON HOSPITALS INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
DAVID DOERING	(I)	398,095	327,500	18,548	21,698	21,819	787,660	0
	(II)	0	0	0	0	0	0	0
DOUGLAS WINKELHAKE	(I)	74,024	94,914	12,999	17,970	4,509	204,417	0
	(II)	361,582	0	75,601	87,778	18,549	543,511	47,040
JEFFREY GOLDBERG	(I)	405,422	327,500	1,800	20,996	22,635	778,353	0
	(II)	0	0	0	0	0	0	0
JOHN HAMM	(I)	411,988	327,500	1,548	27,531	18,652	787,219	0
	(II)	0	0	0	0	0	0	0
JOHN HARRYMAN	(I)	400,800	106,740	102,720	107,742	23,375	741,378	58,520
	(II)	0	0	0	0	0	0	0
JON COOPER	(I)	53,288	0	1,968	13,423	4,509	73,188	0
	(II)	155,309	99,976	53,283	39,120	15,401	363,088	24,576
KEVIN WARDELL	(I)	426,066	118,026	100,702	109,747	20,023	774,564	58,520
	(II)	0	0	0	0	0	0	0
MARY GORDINIER	(I)	396,099	327,500	17,540	12,787	5,976	759,902	0
	(II)	0	0	0	0	0	0	0
MICHAEL W GOUGH	(I)	0	0	0	0	0	0	0
	(II)	586,193	824,521	210,620	517,448	24,702	2,163,484	83,860
ROBERT B AZAR	(I)	0	0	0	0	0	0	0
	(II)	359,568	140,001	37,492	86,668	8,271	631,999	0
ROBERT SHAW	(I)	345,516	112,525	111,141	77,182	16,038	662,401	69,069
	(II)	0	0	0	0	0	0	0
RUSSELL F COX	(I)	0	0	0	0	0	0	0
	(II)	738,791	1,000,020	245,833	853,982	22,373	2,861,000	99,540
STEPHEN A WILLIAMS	(I)	0	0	0	0	0	0	0
	(II)	906,721	541,463	3,238,307	268,751	18,842	4,974,084	2,047,208
STEVEN MACLAUCHLAN	(I)	367,013	79,105	40,929	86,910	64,153	638,110	0
	(II)	0	0	0	0	0	0	0
STEVEN PURSELL	(I)	466,780	327,500	22,148	21,532	10,294	848,255	0
	(II)	0	0	0	0	0	0	0
THOMAS KMETZ	(I)	446,290	124,479	98,712	115,156	23,305	807,942	58,520
	(II)	0	0	0	0	0	0	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

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

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

1 (a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected? Yes	No

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

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) JASON NACAZEL	FAMILY MEMBER OF RONALD LEHOCKY, TRUSTEE	77,706	COMPENSATION		No
(2) ANNE ROBINSON	FAMILY MEMBER OF DONALD H ROBINSON, TRUSTEE	41,427	COMPENSATION		No
(3) AMY TONN	FAMILY MEMBER OF RUSSELL F COX, OFFICER	44,849	COMPENSATION		No
(4) PEDIATRIC ANESTHESIA ASSOCIATES PSC (PAA)	DR MARY BOUVETTE PARTNER IN PAA IS REALTED TO MARIA L BOUVETTE, TRUSTEE	1,919,732	PROFESSIONAL SERVICES		No
(5) BARBARA KMETZ	FAMILY MEMBER OF THOMAS KMETZ, KEY EMPLOYEE	65,698	COMPENSATION		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Identifier	Return Reference	Explanation
COMMON PAYING AGENT 1099S	FORM 990, PART V, LINE 1A	NORTON HEALTHCARE, INC , EIN 61-1028725 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC AND THEREFORE, ALL VENDORS, INCLUDING INDEPENDENT CONTRACTORS, ARE PAID AND REPORTED BY NORTON HEALTHCARE, INC ON BEHALF OF NORTON HOSPITALS, INC FOR PURPOSES OF PART V, LINE 1, THE NUMBER OF 1099S REPORTED AND FILED FOR 2012 BY NORTON HEALTHCARE, INC FOR NORTON HOSPITALS, INC , WAS APPROXIMATELY 295 NORTON HOSPITALS, INC , HAS APPROXIMATELY 142 INDEPENDENT CONTRACTORS EXCEEDING $100,000 FOR 2012

Identifier	Return Reference	Explanation
COMMON PAYING AGENT FOR EMPLOYEES	FORM 990, PART V, LINE 2A	NORTON HEALTHCARE, INC EIN 61-102875 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC THEREFORE, ALL APPLICABLE IRS TAX COMPLIANCE FILINGS ARE REPORTED BY NORTON HEALTHCARE, INC ON BEHALF OF NORTON HOSPITALS, INC NORTON HOSPITALS, INC AS APPROXIMATELY 9,061 EMPLOYEES

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

Identifier	Return Reference	Explanation
Family/business relationships amongst interested persons	Form 990, Part VI, Section A, Line 2	MR STEPHEN A WILLIAMS, PRESIDENT AND CEO OF NORTON HEALTHCARE, INC , IS ALSO AN OFFICER FOR NORTON HEALTHCARE, INC , NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, INC , AND NORTON PROPERTIES, INC MARIA L BOUVETTE, PRESIDENT AND CEO OF PORTER BANCORP, INC IS A TRUSTEE FOR NORTON HEALTHCARE, INC , NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, INC AND NORTON PROPERTIES, INC MR WILLIAMS IS A BOARD MEMBER OF PORTER BANCORP, INC - BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
Classes of members or stockholders	Form 990, Part VI, Section A, Line 6	NORTON HEALTHCARE, INC EIN 61-1028725 IS THE SOLE MEMBER OF NORTON HOSPITALS, INC

Identifier	Return Reference	Explanation
Review of form 990 by governing body	Form 990, Part VI, Section B, Line 11b	AT THE OCTOBER 3, 2013 FINANCE COMMITTEE MEETING OF NORTON HEALTHCARE, INC (NORTON), THE 990S WERE DISCUSSED AND COMMITTEE MEMBERS HAD AN OPPORTUNITY TO ASK QUESTIONS COINCIDING WITH THE FINANCE COMMITTEE MEETING, ELECTRONIC COPIES OF THE 990S WERE MADE AVAILABLE TO ALL MEMBERS OF THE FINANCE COMMITTEE AND BOARD OF TRUSTEES THROUGH THE DIRECTOR'S PORTAL SITE NORTON IS THE PARENT OF COMMUNITY MEDICAL ASSOCIATES, INC , NORTON HOSPITALS, INC , NORTON PROPERTIES, INC , NORTON HEALTHCARE FOUNDATION, INC AND THE CHILDREN'S HOSPITAL FOUNDATION, INC

Identifier	Return Reference	Explanation
Conflict of interest policy	Form 990, Part VI, Section B, Line 12c	THE ORGANIZATION REGULARLY AND CONSISTENTLY MONITORS AND ENFORCES COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY BY ANNUALLY DISTRIBUTING A QUESTIONNAIRE THAT REQUIRES OFFICERS, TRUSTEES, AND KEY EMPLOYEES TO DISCLOSE INTERESTS THAT MAY GIVE RISE TO CONFLICTS IF A CONFLICT ARISES, THE POLICY PROVIDES PROCEDURES FOR ADDRESSING CONFLICTS TO ENSURE DECISIONS ARE MADE IN THE BEST INTEREST OF THE ORGANIZATION

Identifier	Return Reference	Explanation
Process used to establish compensation of top management official	Form 990, Part VI, Section B, Line 15a	PLEASE SEE EXPLANATION PROVIDED FOR FORM 990, PART VI, LINE 15B

Identifier	Return Reference	Explanation
Process used to establish compensation of other officers/key employees	Form 990, Part VI, Section B, Line 15b	THE ORGANIZATION TAKES ALL NECESSARY STEPS TO ENSURE THAT COMPENSATION FOR ALL OFFICERS, DIRECTORS AND KEY EMPLOYEES IS REASONABLE AND APPROPRIATE FOR THE SERVICES PROVIDED TO THE ORGANIZATION THE ORGANIZATION PROVIDES A TOTAL COMPENSATION PACKAGE THAT IS ON PAR WITH COMPENSATION PROVIDED BY SIMILAR ORGANIZATIONS AND WHICH CONFORMS TO THE POLICIES AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES NORTON HEALTHCARE, INC (NHI) ENGAGES AN OUTSIDE INDEPENDENT COMPENSATION CONSULTANT, INTEGRATED HEALTHCARE STRATEGIES (IHS), TO PROVIDE COMPARABILITY DATA FOR NHI'S OFFICERS AND KEY EMPLOYEES ON TOTAL COMPENSATION FOR SIMILAR POSITIONS AT HEALTH SYSTEMS AND HOSPITAL ORGANIZATIONS SIMILAR IN SIZE, SCOPE OF SERVICES, AND CIRCUMSTANCES IN ADDITION, THE ORGANIZATION PARTICIPATES IN THIRD PARTY SURVEYS WHICH PROVIDE AGGREGATE, COMPARATIVE COMPENSATION DATA FOR OFFICERS AND KEY EMPLOYEES IN SIMILAR POSITIONS AT SIMILAR ORGANIZATIONS IHS CONSULTANTS PRESENTED AND DISCUSSED THIS COMPARABILITY DATA IN 2011 FOR THE 2012 COMPENSATION REVIEW AND MET IN 2012 FOR THE 2013 COMPENSATION REVIEW WITH THE COMMITTEE OF BOARD LEADERSHIP (NOW EXECUTIVE COMMITTEE) OF THE BOARD OF TRUSTEES (BOARD) THE COMMITTEE REVIEWED THE EXECUTIVE COMPENSATION AND BENEFITS PROGRAM, DETERMINED TOTAL COMPENSATION FOR THE CEO, AND APPROVED COMPENSATION FOR OTHER OFFICERS AND KEY EMPLOYEES THE COMMITTEE REVIEWED NHI'S VARIABLE COMPENSATION PROGRAM AND DETERMINED APPROPRIATE AWARDS FOR PERFORMANCE RELATIVE TO GOALS SET FOR THE YEAR AFTER THE COMMITTEE DETERMINED APPROPRIATE COMPENSATION AND BENEFITS FOR OFFICERS AND KEY EMPLOYEES, THE BOARD APPROVED THEIR TOTAL COMPENSATION EMPLOYMENT CONTRACTS FOR THE CEO, COO, AND CFO AND KEY EMPLOYEES ARE SIGNED, AND REVIEWED AS NECESSARY

Identifier	Return Reference	Explanation
Governing documents, conflict of interest policy and financial statements available to the public	Form 990, Part VI, Section C, Line 19	FINANCIAL STATEMENTS, GOVERNING DOCUMENTS, AND CONFLICTS OF INTEREST POLICIES ARE NOT REQUIRED DISCLOSURES PURSUANT TO INTERNAL REVENUE CODE (IRC) SECTION 6104 THESE DOCUMENTS ARE NOT AVAILABLE TO THE PUBLIC

Identifier	Return Reference	Explanation
BOARD MEMBER STIPEND PAYMENTS	FORM 990, PART VII, SECTION A, LINE 1A, COLUMN (E)	NORTON HEALTHCARE, INC (NHI) AND AFFILIATES (NORTON HOSPITALS, INC , COMMUNITY MEDICAL ASSOCIATES, INC , NORTON PROPERTIES, INC , NORTON HEALTHCARE FOUNDATION, INC , AND THE CHILDREN'S HOSPITAL FOUNDATION, INC) ENCOURAGES AND FACILITATES BOARD MEMBER ATTENDANCE AT EDUCATIONAL PROGRAMS AND CONFERENCES ON SUBJECTS RELEVANT TO NHI NHI'S TRAVEL POLICY FOR BOARD OF TRUSTEES PROVIDES THAT FOR EACH TRUSTEE THAT ATTENDS AT LEAST ONE OUT OF TOWN EDUCATIONAL CONFERENCE, A LUMP SUM STIPEND WILL BE PAID TO COVER UNREIMBURSED TRAVEL EXPENSE AND OTHER MISCELLANEOUS EXPENSES ASSOCIATED WITH CONFERENCE PREPARATION, ATTENDANCE OR FOLLOW UP IN COMPLIANCE WITH IRS REGULATIONS, NHI PROVIDES A FORM 1099 TO ANY TRUSTEE THAT RECEIVES A STIPEND THESE AMOUNTS HAVE BEEN REPORTED IN PART VII OR THE FORM 990 AS REPORTABLE COMPENSATION TO THE TRUSTEE RECEIVING STIPENDS IN 2012

Identifier	Return Reference	Explanation
Other changes in net assets or fund balances	Form 990 , Part XI, Line 9	AFFILIATE TRANSFER - -15804,

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

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
NORTON HOSPITALS INC

Employer identification number
61-0703799

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" 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

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) Section 512 (b)(13) controlled entity? No
(1) NORTON HEALTHCARE INC ACCOUNTING 224 E BROADWAY 5TH FLOOR LOUISVILLE, KY 40202	PROVIDE ADMINISTRATIVE AND SUPPORT SERVICES	KY	501(C)(3)	11 - Type II	NA		No
(2) COMMUNITY MEDICAL ASSOCIATES INC ACCOUNTING 224 E BROADWAY 5TH FLOOR LOUISVILLE, KY 40202	OPERATES A NETWORK OF PHYSICIAN PRACTICES	KY	501(C)(3)	9	NORTON HEALTHCARE INC		No
(3) NORTON PROPERTIES INC ACCOUNTING 224 E BROADWAY 5TH FLOOR LOUISVILLE, KY 40202	MAINTAIN OFFICE AND PARKING FACILITIES	KY	501(C)(3)	11 - Type I	NORTON HEALCARE INC		No
(4) THE CHILDREN'S HOSPITAL FOUNDATION INC ACCOUNTING 224 E BROADWAY 5TH FLOOR LOUISVILLE, KY 40202	GENERATE FUNDS TO SUPPORT PROGRAMS AND SERVICES	KY	501(C)(3)	7	NORTON HEALTHCARE INC		No
(5) NORTON HEALTHCARE FOUNDATION INC ACCOUNTING 224 E BROADWAY 5TH FLOOR LOUISVILLE, KY 40202	GENERATE FUNDS TO SUPPORT PROGRAMS AND SERVICES	KY	501(C)(3)	7	NORTON HEALTHCAREINC		No

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	

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

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

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

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

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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	

Additional Data

Return to Form

Software ID: 12000266
Software Version: v2012.1.0
EIN: 61-0703799
Name: NORTON HOSPITALS 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	

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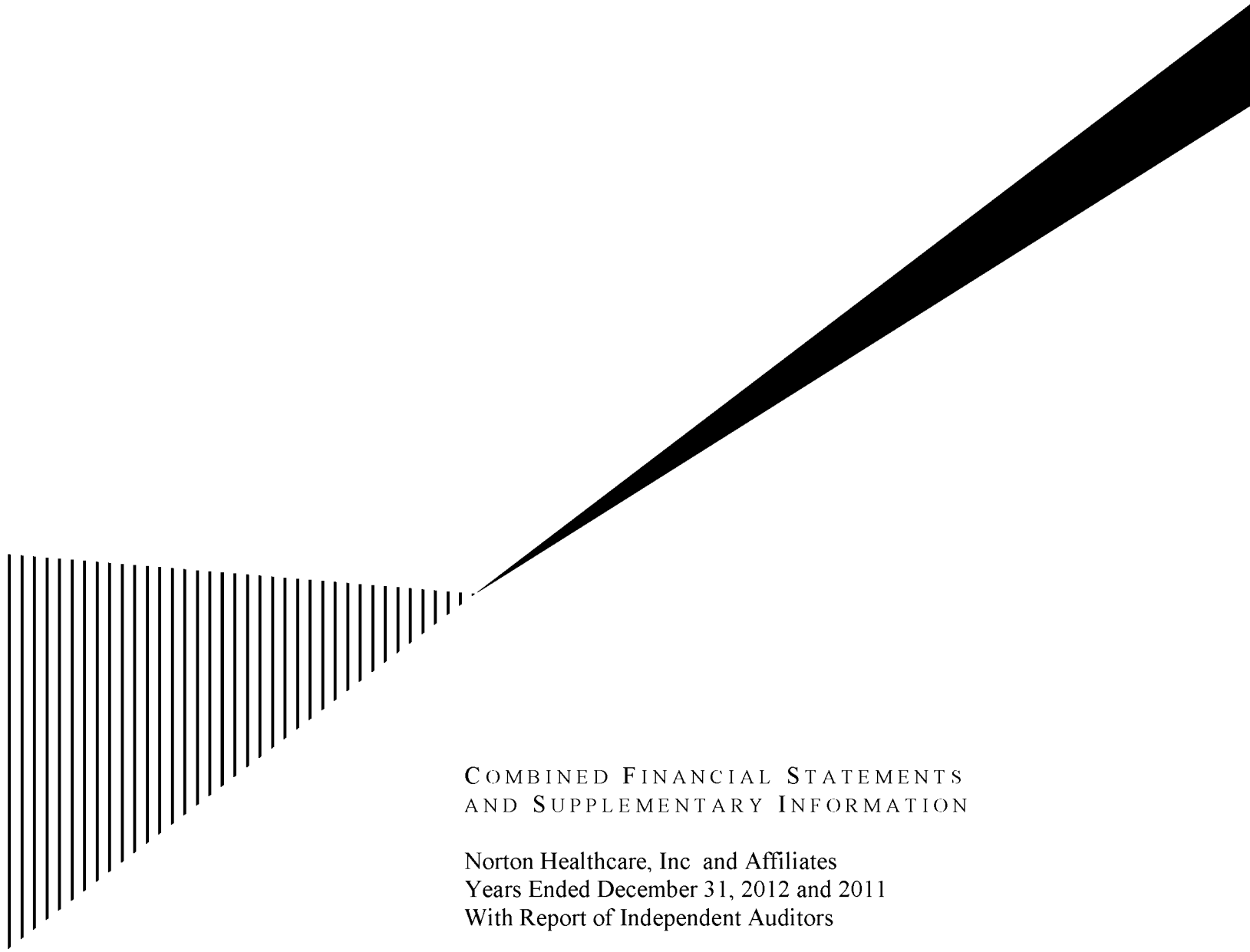


COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Norton Healthcare, Inc and Affiliates
Years Ended December 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

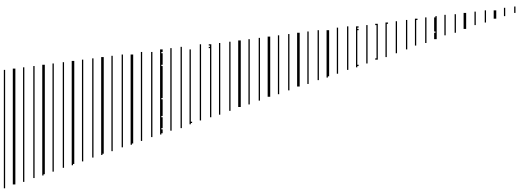
ERNST & YOUNG

Norton Healthcare, Inc. and Affiliates

Combined Financial Statements and Supplementary Information

Years Ended December 31, 2012 and 2011

Contents



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Report of Independent Auditors

The Board of Trustees
Norton Healthcare, Inc and Affiliates

We have audited the accompanying combined financial statements of Norton Healthcare, Inc and Affiliates, which comprise the combined balance sheets as of December 31, 2012 and 2011, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with US generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 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 combined financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements

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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Norton Healthcare, Inc and Affiliates at December 31, 2012 and 2011, and the results of their combined operations and changes in net assets, and their cash flows for the years then ended in conformity with US generally accepted accounting principles

Ernst & Young LLP

March 28, 2013

Norton Healthcare, Inc. and Affiliates

Combined Balance Sheets

	December 31	
	2012	**2011**
Assets		
Current assets		
Cash and cash equivalents	**$ 110,740,014**	$ 167,637,591
Marketable securities and other investments	**64,121,320**	63,536,820
Patient accounts receivable, less allowance for doubtful accounts of $82,946,000 for 2012 and $74,206,000 for 2011	**198,829,300**	175,987,443
Inventory	**46,907,160**	46,535,923
Prepaid expenses and other	**22,132,796**	16,877,224
Miscellaneous receivables	**19,408,370**	11,847,941
Current portion of assets limited as to use	**27,996,556**	27,962,776
Total current assets	**490,135,516**	510,385,718
Assets limited as to use, including securities lent of $0 for 2012 and $9,609,000 for 2011	**640,869,096**	592,773,574
Property and equipment, net	**686,845,981**	668,473,696
Other assets		
Investments in joint ventures	**11,726,089**	9,086,896
Pension	**25,068,720**	30,186,451
Pledges receivable, net	**24,687,175**	20,081,913
Beneficial interest in trusts held by others	**19,280,956**	18,119,328
Goodwill and intangible assets, net less accumulated amortization of $4,057,000 for 2012 and $3,025,000 for 2011	**20,576,859**	17,566,081
Deferred financing costs, net	**12,062,403**	13,074,144
Interest rate swap asset	**3,567,943**	–
Other	**19,131,949**	20,659,719
Total other assets	**136,102,094**	128,774,532
Total assets	**$ 1,953,952,687**	$ 1,900,407,520

	December 31	
	2012	**2011**
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 63,768,588**	$ 58,621,775
Accrued expenses and other	**113,300,503**	105,573,965
Accrued payroll and related items	**73,451,734**	65,964,382
Due to third-party payors	**11,572,987**	18,330,091
Accrued interest	**5,837,701**	6,205,671
Current portion of long-term debt	**28,143,000**	24,399,900
Total current liabilities	**296,074,513**	279,095,784
Other noncurrent liabilities		
Insurance liability	**112,541,791**	104,342,845
Interest rate swap liability	**–**	8,253,028
Other	**39,324,660**	47,502,375
Total other noncurrent liabilities	**151,866,451**	160,098,248
Long-term debt, net of current portion	**723,962,952**	744,937,627
Net assets		
Unrestricted	**682,236,919**	623,902,718
Temporarily restricted	**65,246,995**	58,973,722
Permanently restricted	**34,564,857**	33,399,421
Total net assets	**782,048,771**	716,275,861
Total liabilities and net assets	**$ 1,953,952,687**	$ 1,900,407,520

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2012	**2011**
Unrestricted revenue		
Net patient service revenue before provision for doubtful accounts	**$ 1,710,813,415**	$1,584,302,076
Provision for doubtful accounts	**(79,253,967)**	(67,081,710)
Net patient service revenue	**1,631,559,448**	1,517,220,366
Other revenue	**19,271,466**	14,737,723
Donations and contributions	**13,469,215**	13,342,285
Meaningful use incentive payments	**7,021,457**	–
Joint venture revenue	**3,404,765**	4,448,320
Total unrestricted revenue	**1,674,726,351**	1,549,748,694
Operating expenses		
Labor and benefits	**894,181,697**	814,442,983
Professional fees	**54,354,379**	45,361,128
Drugs and supplies	**327,436,089**	293,549,402
Fees and special services	**86,293,551**	88,601,857
Repairs, maintenance, and utilities	**55,067,924**	58,662,963
Rent and leases	**29,480,691**	26,932,828
Insurance	**44,659,232**	40,536,609
Provider tax	**20,129,732**	20,129,732
Electronic medical record implementation	**42,090,295**	–
Other	**13,605,607**	14,297,590
Total operating expenses	**1,567,299,197**	1,469,596,802
Earnings before fixed expenses and other gains (losses)	**107,427,154**	147,233,602
Fixed expenses		
Depreciation and amortization	**80,953,214**	76,550,638
Interest expense	**34,218,731**	37,039,697
Interest rate swap benefit, net	**(3,411,208)**	(4,551,585)
	111,760,737	109,038,750
Patient service margin	**(4,333,583)**	38,194,852

Continued on next page.

Norton Healthcare, Inc. and Affiliates

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

	Year Ended December 31	
	2012	**2011**
Patient service margin	**$ (4,333,583)**	$ 38,194,852
Investment gain	**23,786,708**	12,579,769
Operating gain	**19,453,125**	50,774,621
Nonoperating gains (losses)		
Change in net unrealized gains (losses) on investments	**27,872,526**	(20,779,571)
Change in interest rate swap value	**11,820,971**	6,495,347
Petersdorf Fund grants	**(54,894)**	(2,377,353)
Asset impairment	**–**	(1,448,081)
Loss on extinguishment of debt	**(541,835)**	(2,967,642)
Other nonoperating losses, net	**(1,252,647)**	(850,377)
Total nonoperating gains (losses)	**37,844,121**	(21,927,677)
Excess of revenue over expenses	**57,297,246**	28,846,944
Unrestricted net assets		
Change in pension plan asset	**(6,447,476)**	16,588,412
Net assets released from restrictions for equipment	**7,484,431**	688,919
Increase in unrestricted net assets	**58,334,201**	46,124,275
Temporarily restricted net assets		
Investment gain	**2,644,501**	1,659,545
Contributions, fees, grants, bequests, net	**13,040,685**	12,972,127
Change in beneficial interest in trusts held by others	**30,350**	586,616
Change in net unrealized gains (losses) on investments	**2,174,915**	(1,805,870)
Net assets released from restrictions	**(11,617,178)**	(3,274,184)
Increase in temporarily restricted net assets	**6,273,273**	10,138,234
Permanently restricted net assets		
Change in beneficial interest in trusts held by others	**1,131,278**	(1,269,859)
Investment gain	**38,620**	20,038
Contributions, fees, grants, bequests, net	**(79,862)**	(91,902)
Change in net unrealized gains (losses) on investments	**75,400**	(66,880)
Increase (decrease) in permanently restricted net assets	**1,165,436**	(1,408,603)
Increase in net assets	**65,772,910**	54,853,906
Net assets at beginning of year	**716,275,861**	661,421,955
Net assets at end of year	**$ 782,048,771**	$ 716,275,861

See accompanying notes

Norton Healthcare, Inc. and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31	
	2012	**2011**
Operating activities		
Increase in net assets	**$ 65,772,910**	$ 54,853,906
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	**80,953,214**	76,550,638
Discount accretion	**8,434,287**	8,230,464
Asset impairment	**–**	1,448,081
Change in net unrealized (gains) losses on investments	**(30,122,841)**	22,652,321
Change in interest rate swap value	**(11,820,971)**	(6,495,347)
Change in pension plan assets and obligation	**6,447,476**	(16,588,412)
Loss on extinguishment of debt	**541,835**	2,967,642
Restricted contributions and investment income	**(5,188,394)**	(10,602,381)
Changes in operating assets and liabilities		
Change in patient accounts receivable, net of provision for doubtful accounts	**(22,841,857)**	(24,326,059)
Change in assets limited as to use, net	**(18,006,461)**	(99,074,433)
Change in amounts due to third-party payors	**(6,757,104)**	1,378,082
Change in other current and noncurrent assets and liabilities	**(1,694,046)**	41,578,361
Net cash provided by operating activities	**65,718,048**	52,572,863
Investing activities		
Purchase of property and equipment	**(99,325,499)**	(90,654,260)
Change in joint ventures and other	**(2,639,193)**	(3,374,666)
Net cash used in investing activities	**(101,964,692)**	(94,028,926)
Financing activities		
Increase in long-term debt	**24,092,787**	157,476,661
Principal payments on long-term debt	**(29,399,974)**	(17,658,049)
Payment on 1997 bonds	**(20,358,675)**	(23,111,821)
Payment on 2000A bonds	**–**	(52,615,068)
Costs of long-term debt issuances	**(173,465)**	(1,294,780)
Restricted contributions and investment income	**5,188,394**	10,602,381
Net cash (used in) provided by financing activities	**(20,650,933)**	73,399,324
(Decrease) increase in cash and cash equivalents	**(56,897,577)**	31,943,261
Cash and cash equivalents at beginning of year	**167,637,591**	135,694,330
Cash and cash equivalents at end of year	**$ 110,740,014**	$ 167,637,591

See accompanying notes

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The accompanying combined financial statements of Norton Healthcare, Inc (the Corporation) include the transactions and accounts of Norton Healthcare, Inc (the controlling company) and Affiliates, including the following Norton Hospitals, Inc , Norton Enterprises, Inc , Norton Properties, Inc , The Children's Hospital Foundation, Inc , Norton Healthcare Foundation, Inc , and Community Medical Associates, Inc Norton Healthcare, Inc and Affiliates are collectively hereafter referred to as the Corporation The Corporation operates in the Louisville, Kentucky metropolitan area, and its operations include 1,837 licensed beds, 117 physician practice and Norton Immediate Care Center locations, and other ancillary healthcare services

All significant intercompany transactions and accounts have been eliminated in combination

Use of Estimates

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

Cash and Cash Equivalents

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

Marketable Debt Securities and Other Investments

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

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

Allowance for Doubtful Accounts

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

Inventory

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

Assets Limited as to Use and Investment Results

Assets limited as to use include a portfolio of investments that are set aside by the Board of Trustees (the Board) for future services, indigent care, education, research, and community health initiatives over which the Board retains control and may, at its discretion, subsequently use for other purposes This portfolio of investments also includes assets restricted by donors The Corporation utilizes a pooled investment program (Master Trust Fund) to manage this portfolio of investments Income is allocated to each entity based on their relative investment balance to the total investment balance by type of investment All entities which participate in the Master Trust Fund are included in these combined financial statements Other investments within assets limited as to use include assets held by trustees under a self-insurance trust agreement, assets under bond indenture trust agreements, and assets due under securities lending agreements Amounts required to meet current liabilities of the Corporation have been classified as current in the combined balance sheets at December 31, 2012 and 2011

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

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

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

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

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

Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

Property and Equipment

Property and equipment is recorded at cost Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method Land improvements are depreciated over 8 to 25 years Buildings are depreciated over 5 to 40 years Equipment is depreciated over 3 to 20 years Useful lives of assets are determined by consultation with the American Hospital Association's Life of Depreciable Hospital Assets and consideration of how the organization intends to use the asset or has used similar assets Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the combined financial statements

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

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

Investments in Joint Ventures

The Corporation maintains an ownership percentage of 50% or less in various joint ventures and other companies that do not require consolidation These investments are accounted for using the equity method of accounting Joint venture revenue of $3 4 million and $4 4 million in 2012 and 2011, respectively, is included in unrestricted revenue

Goodwill and Intangible Assets

The Corporation follows the provisions of ASC 958, *Not-for-Profit Entities* (ASC 958), which provides guidance for a not-for-profit entity with respect to goodwill and other intangible assets subsequent to an acquisition In accordance with ASC 958, the Corporation tests goodwill and indefinite-lived intangible assets for impairment on an annual basis (October 1) utilizing qualitative and quantitative factors and between annual tests in certain circumstances The Corporation has goodwill and indefinite-lived intangible assets recorded related to a pathology laboratory, several physician practices, diagnostic centers, a cardiology practice, and an ambulatory surgical center license totaling $20 3 million and $16 6 million at December 31, 2012 and 2011, respectively The annual impairment test performed in 2012 and 2011 resulted in no adjustments to recorded goodwill Separate intangible assets, net of accumulated amortization of $302,000 and $1 0 million at December 31, 2012 and 2011, respectively, that are not deemed to have an indefinite life, continue to be amortized over their useful lives

Deferred Financing Costs, Net

Deferred financing costs, net were $12 1 million and $13 1 million at December 31, 2012 and 2011, respectively The costs are being amortized over the life of the respective bond issues using the effective interest method for fixed rate bonds and the bonds outstanding method for variable rate bonds

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

Medical Malpractice and General Liability Self-Insurance

The Corporation is self-insured for medical malpractice and general liability claims The provision for estimated self-insured medical malpractice and general liability claims includes estimates of the ultimate costs of settlement for both reported claims and claims incurred but not reported The Corporation recorded insurance liabilities of $140 2 million and $131 3 million as of December 31, 2012 and 2011, respectively Additionally, the Corporation has recorded a receivable of $9 3 million and $7 8 million as of December 31, 2012 and 2011, respectively for anticipated reinsurance recoveries Insurance liabilities of $30 2 million and $30 0 million are included in accrued expenses and other current liabilities at December 31, 2012 and 2011, respectively, based on the expectation of the payout of claims in the subsequent year The Corporation has engaged independent actuaries to estimate the ultimate costs of the settlement of such claims Recorded medical malpractice and general liability self-insurance liabilities, discounted at 0 75% and 2 50% in 2012 and 2011, respectively, represent management's best estimate of ultimate costs

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

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

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

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

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

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

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined The Corporation recognizes a significant amount of net patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay As a result, the provision for doubtful accounts is presented as a deduction from net patient service revenue

Excess of Revenue Over Expenses

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

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

Charity Care

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

The Corporation follows ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure.* ASU 2010-23 requires that cost be used as the measurement for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing charity care ASU 2010-23 also requires corporations to disclose any reimbursement received to offset the cost of providing charity care The Corporation estimates charity care cost by calculating a ratio of cost to gross charges, and then multiplying the ratio by the gross charges attributable to patients that qualify for charity care, based on the Corporation's policy The cost associated with charity care provided in 2012 and 2011 was $20 4 million and $22 5 million, respectively These amounts are not included in net patient service revenue To offset the cost of charity care provided, the Corporation received state means program reimbursement of $4 1 million and private contributions of $5 5 million in 2012 and state means program reimbursement of $4 0 million and private contributions of $5 4 million in 2011

Donor-Restricted Gifts

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

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

Meaningful Use Incentive Payments

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health records (EHR) technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period An initial Medicaid incentive payment is available to providers that adopt, implement or upgrade certified EHR technology However, in order to receive additional Medicaid incentive payments in subsequent years, providers must demonstrate continued meaningful use of EHR technology The Corporation has opted to follow a gain contingency method, under ASC 450, *Contingencies*, which provides for recognition once attainment of program and attestation criteria has been achieved and amounts can be reasonably estimated The Corporation met the conditions of the meaningful use incentive program in 2012 and, as a result, the Corporation estimated and recorded revenue of approximately $7 0 million in the year ended December 31, 2012 Amounts recognized are subject to change, with such changes impacting operations in the period in which they occur

Beneficial Interest in Trusts Held by Others

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

Contributions Received and Pledges Receivable

Pledges received are recorded as revenue in the year made Unconditional donor pledges to give cash, marketable securities, and other assets are reported at present value, through a discounted cash flow approach, at the date the pledge is made Pledges receivable are discounted based on the nature of the individual pledge consistent with Corporation policy Discount rates ranged from 0 05% to 4 73% at December 31, 2012 (0 14% to 4 73% at December 31, 2011) Discount rates reflect the economic conditions of the year in which the pledge is made Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied Pledges received with donor restriction that limit the use of the donated assets are reported as either temporary or permanently restricted support until the donor restriction expires An allowance is recorded for amounts the Corporation has deemed uncollectible

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

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

	2012	2011
Gross pledges due		
In less than one year	**$ 6,683,311**	$ 5,432,004
In one to five years	**14,388,215**	5,595,513
In more than five years	**20,336,324**	24,193,932
	41,407,850	35,221,449
Allowance for uncollectible pledges	**(794,721)**	(552,871)
Discounting	**(10,037,364)**	(9,707,535)
Net pledges receivable	**$ 30,575,765**	$ 24,961,043

The current portion of pledges receivable, included in miscellaneous receivables, was approximately $5 9 million and $4 9 million at December 31, 2012 and 2011, respectively The remaining net pledges receivable balance is included in other assets

Asset Impairment

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

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

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

Income Taxes

Most of the income received by the Corporation is exempt from taxation under Section 501(a) of the Internal Revenue Code Some of the Corporation's affiliates are taxable entities and some of the income received by otherwise exempt entities is subject to taxation as unrelated business income The Corporation files federal and Kentucky state income tax returns The statute of limitations for tax years 2009 through 2011 remains open in the major U S taxing jurisdictions in which the Corporation is subject to taxation In addition, for all tax years prior to 2009 generating or utilizing a net operating loss (NOL), tax authorities can adjust the amount of NOL carryforward to subsequent years The Corporation has net operating loss carryforwards for income tax purposes of approximately $9 8 million that expire from 2018 to 2025 The Corporation completed an analysis of its tax positions at December 31, 2012 and 2011, and determined that no amounts were required to be recognized under ASC 740, *Income Taxes*, in the combined financial statements

As a result of the net operating loss carryforwards, the Corporation record a deferred income tax asset The deferred income tax asset was $4 3 million and $3 7 million at December 31, 2012 and 2011, respectively, and is included in other assets on the combined balance sheets

Recent Accounting Pronouncements

The FASB has issued ASU No 2011-04, *Fair Value Measurements (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosures Requirements in U.S. GAAP and IFRSs (*ASU 2011-04) The amendments in ASU 2011-04 change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements ASU 2011-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 The Corporation has adopted the provisions of ASU 2011-04 and made all required disclosures in the combined financial statements

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

The FASB has issued ASU No 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* ASU 2011-07 is intended to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts ASU 2011-07 requires certain health care entities to change the presentation of their statement of operations and changes in net assets by reclassifying the provision for doubtful accounts associated with net patient service revenue from an operating expense to a deduction from net patient service revenue Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing doubtful accounts The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 The Corporation adopted ASU 2011-07 in fiscal 2012, and as such, has reflected the provision for doubtful account as a deduction from net patient service revenue rather than an operating expense for all periods presented and made all required combined financial statement disclosures

Reclassifications

Certain 2011 amounts have been reclassified to conform with 2012 classifications, which had no impact on previously reported excess of revenue over expenses or net assets

2. Community Service (Unaudited)

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

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

2. Community Service (Unaudited) (continued)

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

	2012	2011
Charity care[A]	**$ 16,346,138**	$ 18,466,647
Educational support	**23,661,083**	23,410,390
Unpaid cost of Medicaid services	**80,437,016**	62,669,754
Sponsorships	**975,775**	967,385
Pastoral care and counseling programs	**1,772,366**	1,657,376
Kentucky Poison Control Center	**1,933,314**	2,064,796
Child guidance and advocacy program	**958,016**	1,108,233
Community cancer initiatives	**2,797,625**	4,495,338
Community service activities	**974,519**	1,140,011
Other community benefits	**7,899,665**	6,564,578
	$ 137,755,517	$ 122,544,508

[A] Consistent with IRS Form 990 requirements and CHA guidelines, this amount is to be reported net of state means programs only The Corporation received state means program reimbursement of $4 1 million and $4 0 million in 2012 and 2011, respectively

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

3. Property and Equipment

Property and equipment at December 31 consists of

	2012	2011
Land and land improvements	**$ 41,004,733**	$ 40,409,759
Buildings	**690,838,435**	664,429,563
Equipment	**809,821,033**	769,137,151
	1,541,664,201	1,473,976,473
Accumulated depreciation and amortization	**(943,577,893)**	(866,479,731)
	598,086,308	607,496,742
Construction in process	**88,759,673**	60,976,954
	$ 686,845,981	$ 668,473,696

4. Assets Limited as to Use and Investment Return

Asset Limited as to Use

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

	2012	2011
By Board of Trustees for indigent care, education, research, and community health initiatives (Petersdorf Fund)	**$ 105,186,117**	$ 95,571,086
By Board of Trustees	**367,502,042**	328,339,757
By self-insurance trust agreements	**124,615,737**	116,385,446
Less current portion	**(27,857,815)**	(27,866,122)
	96,757,922	88,519,324
By bond indenture trust agreements	**32,565,472**	32,426,285
Less current portion	**(138,742)**	(96,654)
	32,426,730	32,329,631
By securities lending agreements	–	9,608,924
By donors	**38,996,285**	38,404,852
	$ 640,869,096	$ 592,773,574

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

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

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

	2012	2011
Cash and cash equivalents	**5.5%**	7 7%
Marketable debt securities	**31.0**	30 7
Domestic equities	**11.0**	11 4
International equities	**10.9**	9 3
Global equities	**12.7**	12 0
Hedge funds	**13.9**	14 1
Real estate/real return	**15.0**	14 8
	100.0%	100 0%

Securities Lending Program

The Corporation participated in a securities lending program, whereby securities owned by the Corporation were loaned to the other institutions The Corporation required that collateral from the borrower, in an amount equal to 102% in the case of securities of U S issuers, and 105% in the case of securities of non-U S issuers, of the market value of the loaned securities be placed with a third-party trustee The Corporation maintained effective control of the loaned marketable securities through its custodian during the term of the arrangement in that they may be recalled at any time Under the terms of the arrangement, the borrower must return the same, or substantially the same, marketable securities that were borrowed The market value of cash collateral held for loaned marketable securities is reported as collateral held for securities lending agreement in assets limited as to use and a corresponding payable is reported for repayment of such collateral upon settlement of the securities lending arrangements and is part of other noncurrent liabilities The securities lending program was terminated in 2012, and as a result at December 31, 2012, there were no securities on loan and no collateral held At December 31, 2011, securities on loan totaled $9 6 million and the value of the collateral held was $9 9 million, including $9 6 million in cash collateral These amounts were treated as noncash items for purposes of the combined cash flow statements

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

Investment Return

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

	2012	2011
Investment gain by net asset class		
Unrestricted	**$ 23,786,708**	$ 12,579,769
Temporarily restricted	**2,644,501**	1,659,545
Permanently restricted	**38,620**	20,038
Total investment gain	**$ 26,469,829**	$ 14,259,352
Components of investment gain		
Interest and dividends	**$ 12,806,513**	$ 11,472,472
Income distributions from trusts	**851,302**	925,760
Investment fees	**(2,147,350)**	(1,761,780)
Net realized gains on investments recorded at fair value	**3,863,452**	4,478,410
Net realized gains on investments recorded at other than fair value	**1,363,735**	1,387,834
Change in net unrealized gains (losses) on investments recorded at other than fair value	**9,732,177**	(2,243,344)
Total investment gain	**$ 26,469,829**	$ 14,259,352

The unrestricted, temporarily restricted, and permanently restricted change in net unrealized gains (losses) on investments of $30 1 million and $(22 7) million for the years ended December 31, 2012 and 2011, respectively, is solely comprised of the change in net unrealized gains (losses) on investments recorded at fair value

5. Fair Value Measurements

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

	2012	2011	Level
Marketable securities and other investments at fair value			
Marketable debt securities (A)	**$ 64,121,320**	$ 63,536,820	2
Assets limited as to use at fair value			
By Board of Trustees and donors			
Mutual funds			
PIMCO Total Return (B)	**$ 61,366,228**	$ 55,606,359	1
Templeton Foreign Equity (C)	**33,126,498**	27,943,568	1
Artisan International (D)	**33,630,997**	26,766,765	1
Calamos (E)	**41,940,457**	39,075,865	1
PIMCO Real Return (F)	**28,056,489**	25,680,882	1
Wellington Diversified Inflation Fund (G)	**25,636,993**	24,500,862	2
Other publicly traded mutual funds (H)	**23,855,382**	21,414,844	1
Total mutual funds	**247,613,044**	220,989,145	
Separate accounts			
PNC (I)	**27,733,240**	32,187,849	2
Fairholme (J)	**22,894,496**	18,070,177	1
Baron (K)	**29,610,304**	25,408,056	1
Horizon (L)	**43,031,773**	35,710,685	1
Other (M)	**1,934,865**	1,195,500	1
Total separate accounts	**125,204,677**	112,572,267	
Total assets limited as to use by Board of Trustees and donors at fair value	**372,817,722**	333,561,412	

5. Fair Value Measurements (continued)

	2012	2011	Level
By self-insurance trust agreements			
Mutual funds			
International equity funds (N)	**3,229,870**	2,991,821	1
Domestic equity funds (O)	**9,549,551**	9,337,596	1
Total mutual funds	**12,779,421**	12,329,417	
Separate accounts			
Cash	**2,231,348**	3,887,684	1
Marketable debt securities (P)	**109,604,968**	100,168,345	2
Total separate accounts	**111,836,316**	104,056,029	
Total assets limited as to use by self-insurance trust agreements at fair value	**124,615,737**	116,385,446	
By bond indenture trust agreements			
Marketable debt securities (Q)	**32,565,472**	32,426,285	2
Total assets limited as to use by bond indenture trust agreements at fair value	**32,565,472**	32,426,285	
Securities lending collateral (R)	**–**	9,608,924	2
Total assets limited as to use at fair value	**529,998,931**	491,982,067	
Assets limited as to use by Board of Trustees and donors at net asset value			
Hedge funds (S)	**92,980,344**	87,231,204	N/A
Real estate funds (T)	**45,886,377**	41,523,079	N/A
Total assets limited as to use by Board of Trustees and donors at net asset value	**138,866,721**	128,754,283	
Less current portion of self-insurance trust and bond indenture trust	**(27,996,556)**	(27,962,776)	
Total assets limited as to use	**$ 640,869,096**	$592,773,574	
Other assets at fair value			
Beneficial interest in trusts held by others *(Note 1)*	**$ 19,280,956**	$ 18,119,328	2
Liabilities			
Interest rate swap asset (liability) *(Note 7)*	**$ 3,567,943**	$ (8,253,028)	2

(A) Investment grade, readily marketable domestic corporate and U S agency fixed income securities
(B) Mutual fund whose objective is to seek maximum total return while preserving capital Fund strives to exceed the Barclays Capital Aggregate index
(C) Mutual fund focused on international equities to achieve long term capital growth Fund strives to exceed the MSCI EAFE index
(D) Mutual fund focused on international growth companies and strives to exceed the MSCI EAFE Growth index
(E) Mutual fund focused on global companies that show growth and income potential and strives to exceed the MSCI World Growth index

5. Fair Value Measurements (continued)

(F) Mutual fund focused on inflation indexed bonds issued by the U S and non U S governments Fund strives to exceed the Barclays Capital U S Treasury U S TIPS Index
(G) Commingled fund whose objective is to maximize real return by investing in a variety of securities that offer strong relative performance in a rising inflation environment Fund seeks to exceed the DJ-AIG Commodity Total Return Index
(H) Various mutual funds consisting of money market, fixed income, domestic equity and international equity mutual funds The equity mutual funds are diverse in investment strategies, including both value and growth and a variety of market capitalizations
(I) Manager invests in portfolio of readily marketable corporate and US treasury fixed income securities that strives to provide a return better than traditional cash or money market portfolios
(J) Manager invests in domestic equities with a variety of market capitalizations with a value orientation and strives to exceed the Russell 3000 Value index
(K) Manager invests in domestic equities with a variety of market capitalizations with a growth orientation and strives to exceed the Russell 3000 Growth index
(L) Manager invests in publicly traded global equities and real return assets choosing investments with a value orientation and risk-averse management style Manager strives to exceed the MSCI World Value index
(M) Conglomeration of smaller accounts whose components are not deemed material for individual breakout Largest holding is money market fund
(N) Mutual funds focused on international equities to achieve long term capital growth and equities that provide a high total return from foreign companies in developing and emerging markets Funds strive to exceed the MSCI EAFE index
(O) Mutual funds focused on domestic equities, including both value and growth and a variety of market capitalizations
(P) Externally managed portfolio holding investment grade U S agency and U S treasury fixed income securities whose maximum maturity does not exceed five years
(Q) Externally managed portfolio holding readily marketable, investment grade corporate and US agency fixed income securities that strives to exceed the Bank of America/Merrill Lynch Treasury/Agency 1-5 year index
(R) Externally managed fund investing only in instruments which are eligible investments for a money market mutual fund under Rule 2a-7 promulgated pursuant to the Investment Company Act of 1940, as amended
(S) The hedge funds are comprised of fund of funds that seek to provide equity like returns over a full market cycle with reduced volatility and low correlation The managers are a core multi-strategy hedge fund of funds with a long/short equity bias and seeks to exceed the HFRI Fund of Funds Composite or Strategic index
(T) The real estate funds include an actively managed private REIT comprised of participating mortgages and wholly owned real estate investments A smaller portion of the holdings include a commingled real estate fund which includes the purchase of REITs, real estate properties, private equity funds, public debt securities and high yield private debt

5. Fair Value Measurements (continued)

Valuation

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

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

Beneficial interests in trusts held by others

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

Interest rate swap asset (liability)

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

5. Fair Value Measurements (continued)

Other Fair Value Measurements

Certain financial instruments are not required to be marked to fair value on a recurring basis and therefore the level disclosure is noted as not applicable The carrying value of long-term debt and pledges receivable is required to be disclosed at fair value under applicable accounting guidance Management has determined the carrying amount of the Corporation's variable rate bonds are representative of fair value as the interest rates associated with these bonds are set by market participants The fair value of the outstanding fixed rate bonds is determined by applying the yield of openly marketable bonds that have substantially the same characteristics as the tax-exempt bond obligations issued for the benefit of the Corporation (i e , bond rating, call provisions, maturity, etc) to outstanding amounts of the Corporation's bond issues The determination of fair value of the Corporation's long-term debt is consistent with a level 2 measurement under the fair value hierarchy The carrying amount and fair value of long-term debt was $752 1 million and $769 3 million at December 31, 2012, and $769 3 million and $776 1 million at December 31, 2011, respectively The fair value of the Corporation's pledges receivable, based on discounted cash flow analysis (Level 2 methodology in the fair value hierarchy based on observable inputs through formal pledge agreements and other similar documents) and adjusted for consideration of the donor's credit, is $30 6 million and $25 0 million at December 31, 2012 and 2011, respectively

6. Net Patient Service Revenue

Revenue is recorded during the period the health care services are provided, based on estimated amounts due from the patients and third-party payors Third party payors include federal and state agencies (under the Medicare, Medicaid, and other programs), managed care health plans, commercial insurance companies and employers Patient service revenue is reported at estimated net realizable amounts for services rendered The Corporation 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 that do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with the Corporation's policy

6. Net Patient Service Revenue (continued)

Net patient service revenue (net of contractual allowances and discounts), before provision for doubtful accounts recognized for the year ended December 31 from these major payor sources, is as follows

	2012	% of Total	2011	% of Total
Medicare	**$ 493,748,992**	**29%**	$ 425,947,775	27%
Medicaid	**221,364,786**	**13**	254,031,590	16
Commercial	**897,553,836**	**52**	836,014,421	53
Self-pay and other	**98,145,801**	**6**	68,308,290	4
Net patient service revenue before provision for doubtful accounts	**1,710,813,415**	**100%**	1,584,302,076	100%
Provision for doubtful accounts	**79,253,967**		67,081,710	
Net patient service revenue	**$ 1,631,559,448**		$ 1,517,220,366	

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing The Corporation has established a corporate compliance program to assist in maintaining compliance with such laws and regulations Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines and penalties and exclusion from the Medicare and Medicaid programs As a result, there is at least a reasonable possibility that current recorded estimates will change by material amounts in the near term

Medicare

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

6. Net Patient Service Revenue (continued)

Medicaid

Effective November 1, 2011, the Commonwealth of Kentucky contracted with three Medicaid Managed Care Organizations (MCO) to provide coverage to the Medicaid population residing outside the Louisville, Kentucky area Those organizations are Kentucky Spirit, Wellcare, and Coventry The Medicaid coverage in the Louisville, Kentucky area is provided by a managed care plan called Passport

Inpatient services rendered to MCO beneficiaries are based on a prospective DRGs system similar to the Medicare acute reimbursement methodology Outpatient services rendered to MCO beneficiaries are reimbursed under a mixed methodology consisting of prospectively set rates (similar to the Medicare APC methodology), fee schedules, and cost reimbursement Inpatient services rendered to Passport beneficiaries are based on a fixed per diem Outpatient services rendered to Passport beneficiaries are reimbursed under a mixed methodology consisting of prospective set rates (similar to the Medicare APC methodology) and fee schedules Components of Medicaid reimbursement are subject to annual retrospective review by the Medicaid program In the opinion of management, adequate provision has been made in the combined financial statements for any adjustments that may result from such reviews

Commercial

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

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

6. Net Patient Service Revenue (continued)

The Corporation recorded an increase in net patient service revenue before the provision for doubtful accounts of approximately $20 9 million and $1 7 million in 2012 and 2011, respectively, as a result of favorable changes in estimated settlements primarily with Medicare and Medicaid In 2012, Medicare finalized and published certain figures which allowed for the settlement of the 2007 through 2010 Medicare cost reports The settlement of those cost reports led to the change in estimate in the current year

Policy for Assessing the Timing and Amount of Uncollectible Net Patient Service Revenue and Patient Accounts Receivable

Patient service revenue is reduced by the provision for doubtful accounts and patient accounts receivable are reduced by an allowance for doubtful accounts These amounts are based on management's assessment of historical and expected net collections for each major payor, considering business and economic conditions, trends in healthcare coverage, and other collection indicators Management regularly reviews data about these major payor sources of net patient service revenue in evaluating the sufficiency of the allowance for doubtful accounts On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable to pay for the services provided Thus, the Corporation records a significant provision for doubtful accounts in the period services are provided related to self-pay patients, including both uninsured patients and patients with deductible and copayment balances due for which third-party coverage exists for a portion of their balance For patient account receivables associated with patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary Patient accounts receivable are written off after collection efforts have been followed in accordance with the Corporation's policies

6. Net Patient Service Revenue (continued)

The allowance for doubtful accounts was approximately $82 9 million and $74 2 million at December 31, 2012 and 2011, respectively These balances as a percent of patient accounts receivable net of contractual adjustments were approximately 29 4% and 29 6% (approximately 82% and 87% of self pay patient accounts receivable) as of December 31, 2012 and 2011, respectively The majority of the Corporation's allowance for doubtful accounts and the related provision for doubtful accounts relate to self-pay patient accounts receivable The following is a summary of the Corporation's allowance for doubtful accounts activity for the year ended December 31

	2012	2011
Balance at beginning of year	**$ 74,205,649**	$ 66,429,595
Additions charged to cost and expenses	**79,253,967**	67,081,710
Patient accounts written off, net of recoveries and other	**(70,513,403)**	(59,305,656)
Balance at end of year	**$ 82,946,213**	$ 74,205,649

7. Long-Term Debt

Long-term debt at December 31 consists of the following

	2012	2011
Louisville/Jefferson County Metro Government Health System Fixed Rate Revenue Refunding Bonds, dated October, 2012 (2012A Bonds)	**$ 21,100,000**	$ –
Louisville/Jefferson County Metro Government Health System Variable Rate Revenue Refunding Bonds, dated August, 2011 (2011 Bonds)	**142,845,000**	152,435,000
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2006 dated October 12, 2006 (2006 Bonds)	**301,185,000**	301,950,000
Kentucky Economic Development Finance Authority, Health System Revenue Bonds, Series 2000 dated October 1, 2000 (2000 Bonds)	**364,095,000**	376,715,000
County of Jefferson, Kentucky, Health System Revenue Bonds, Series 1997 dated September 15, 1997 (1997 Bonds)	**–**	21,305,000
	829,225,000	852,405,000
Less unamortized discounts	**(97,472,888)**	(106,323,500)
	731,752,112	746,081,500
Other debt and capital leases	**20,353,840**	23,256,027
	752,105,952	769,337,527
Less amounts due within one year	**(28,143,000)**	(24,399,900)
Total long term debt	**$ 723,962,952**	$ 744,937,627

7. Long-Term Debt (continued)

The 2000 Bonds are secured by a mortgage lien on the principal hospital facilities and parking garages of Norton Hospitals, Inc built before 2006 The net book value of these properties is $256 9 million and $216 2 million at December 31, 2012 and 2011, respectively All bonds, with the exception of the Series 2011D bonds are tax-exempt bond issues All bonds are secured by a security interest in certain pledged collateral, including the operating revenue of the Obligated Group (Norton Healthcare, Inc and Norton Hospitals, Inc) Principal and interest related to the bonds are payable solely by the Obligated Group

The Corporation has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees, and require the Corporation to maintain specific financial ratios The Corporation is in compliance with these covenants as of December 31, 2012

2012 Bonds

In 2012, the Corporation entered into a loan agreement with Louisville/Jefferson County Metro Government to issue $21 1 million of Series A uninsured fixed rate revenue bonds (2012A Bonds) Proceeds from 2012A were used to refund the remainder of the 1997 Bonds As a result of the refunding, the Corporation reported a loss on extinguishment of debt of $0 5 million during the year ended December 31, 2012 The 2012A Bonds is a direct placement issue, whose final maturity occurs in 2021, and the approximate cost of debt at December 31, 2012 was 2% The 2012A Bonds are subject to optional redemption by the Corporation at any time subject to "make whole" provisions

2011 Bonds

In 2011, the Corporation entered into loan agreements with Louisville/Jefferson County Metro Government to issue $35 0 million of Series A uninsured variable rate revenue bonds, $40 0 million of Series B uninsured variable rate revenue bonds, $23 8 million of Series C uninsured variable rate bonds and $53 7 million of Series D uninsured taxable variable rate bonds Proceeds from Series A and B were used to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating and equipping areas related to patient care and to pay certain expense in connection with the issuance of the bonds Proceeds from Series C were used to refund a portion of Series 1997 bonds and proceeds from Series D were used to refund all of Series 2000A Bonds As a result of the refunding, the Corporation reported a loss on extinguishment of debt of $3 0 million during the year ended December 31, 2011

7. Long-Term Debt (continued)

Series A and B are secured by an irrevocable direct-pay letter of credit issued by JPMorgan Chase Bank and their final maturity occurs in 2039 While bearing interest at weekly or daily interest rates, the Series A and B Bonds are subject to optional redemption prior to maturity at the direction of the Corporation at a redemption price of 100% of the principal amount, plus accrued interest The Series A and B Bonds have annual sinking fund deposits of various amounts annually beginning October 1, 2022 through their maturity At December 31, 2012, the applicable cost of the debt for Series A and B was approximately 1 0% Series C and D are a direct placement issue and are held entirely by PNC Bank and their final maturity occurs in 2021 At December 31, 2012, the applicable cost of debt was 1 3% and 1 4% for Series C and D, respectively Series C and D Bonds are subject to optional redemption at any time subject to "make whole" provisions

2006 Bonds

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

At December 31, 2012, the 2006 Bonds consist of fixed rate term bonds, maturing on October 1, 2026, with an interest rate of 5 00%, fixed term bonds maturing on October 1, 2030, with an interest rate of 5 00%, and fixed rate term bonds maturing on October 1, 2036, with an interest rate of 5 25% The 2006 Bonds have annual sinking fund deposits of various amounts annually on October 1 through 2036 Interest is payable on April 1 and October 1 Beginning October 1, 2016, the 2006 Bonds maturing on or after October 1, 2017 are subject to optional redemption prior to maturity for 100% of par

7. Long-Term Debt (continued)

2000 Bonds

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

At December 31, 2012, the remaining 2000 Bonds consist of Series B capital appreciation bonds with interest rates ranging from 5 63% to 6 23%, maturing through October 1, 2028, and Series C deferred income bonds with interest rates ranging from 5 60% to 6 15% maturing through October 1, 2028 Payment of principal and interest on Series 2000 B and 2000 C Bonds is guaranteed by National Public Finance Guarantee Corporation (formerly MBIA– Insurance Corporation)

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

7. Long-Term Debt (continued)

1997 Bonds

In 1997, the Corporation entered into a loan agreement with Jefferson County, Kentucky to issue $220 0 million of insured health system revenue bonds Proceeds from the 1997 Bonds and certain other available monies were used to legally defease the 1991 Bonds and a portion of certain outstanding 1992 Bonds issued on behalf of the Corporation and its Affiliates through deposits to an irrevocable trust pursuant to an escrow agreement, to pay or reimburse the Corporation for the payment of certain costs of acquiring, constructing, renovating, remodeling, and equipping health system facilities, and to pay certain expenses incurred in connection with the issuance of the 1997 Bonds and the legal defeasance of the 1991 and a portion of 1992 Bonds The escrowed funds, together with the interest earnings thereon, will be used to pay all subsequent installments of the defeased 1991 and 1992 Bonds The 1997 Bonds were partially defeased in connection with the issuance of the 2000 Bonds, partially refunded in connection with the issuance of the Series 2011C Bonds and fully refunded in connection with the issuance of the 2012A Bonds

Required debt service on all outstanding bonds is as follows

	Principal	Interest	Total
2013	$ 21,382,187	$ 33,612,356	$ 54,994,543
2014	21,720,471	33,315,392	55,035,863
2015	22,024,515	32,912,672	54,937,187
2016	20,499,043	32,466,777	52,965,820
2017	21,048,996	31,985,489	53,034,485
Thereafter	537,196,240	457,580,323	994,776,563
	$ 643,871,452	$ 621,873,009	$ 1,265,744,461

Included as part of the interest payments above is $5 8 million of Series 2000 B Bonds interest payable in 2013, which is paid at the maturity of the Series 2000 B Bonds For 2013 through final maturity of Series 2000 B Bonds, $185 4 million is included in interest payments, which is paid at the various maturities of the Series 2000 B Bonds For the variable rate bond series (2011Bonds) the future periods estimate interest using terms of the master trust indenture and is calculated using an average of Securities Industry and Financial Markets Association (SIFMA), for tax exempt issues, or London Interbank Offered Rate (LIBOR), the average interest rate charged when banks in the London interbank market borrow unsecured funds from each other, for taxable issues, over the last twenty years plus 1% to estimate liquidity, credit support and remarketing fees Thus utilizing, for purpose of this presentation, 3 42% for tax-exempt bond issues and 4 55% for taxable bond issues

7. Long-Term Debt (continued)

The Corporation paid interest of $28 6 million and $32 6 million during 2012 and 2011, respectively The Corporation capitalized interest costs of $1 1 million and $1 2 million during 2012 and 2011, respectively

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

	Principal	Interest	Total
2013	$ 963,032	$ 1,240,245	$ 2,203,277
2014	2,166,607	1,168,659	3,335,266
2015	2,243,485	1,091,782	3,335,267
2016	2,057,955	1,009,209	3,067,164
2017	1,348,136	920,507	2,268,643
Thereafter	11,574,625	3,704,046	15,278,671
	$ 20,353,840	$ 9,134,448	$ 29,488,288

Interest Rate Swaps

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

At December 31, 2012 and 2011, the Corporation holds the following interest rate swaps

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

7. Long-Term Debt (continued)

All of the Corporation's derivative contracts are with Citigroup and, consistent with industry practice, require posting of collateral should either party's cumulative mark-to-market liability exceed certain thresholds based upon the credit rating of the counterparty At December 31, 2012 and 2011, based upon the agreements with Citigroup, the Corporation's cumulative mark to market value at contract value was an asset of $1 9 million and a liability of $12 4 million, respectively Based upon the Corporation's A- credit rating, collateral must be posted for liabilities in excess of $25 0 million At December 31, 2012 and 2011, the Corporation had no collateral posted, and was not required to post any collateral Should the Corporation's credit rating fall below BBB, Citigroup would have the option of terminating some or all of the interest rate swaps at the market value Should the Corporation hold all interest rate swaps to maturity, as it intends, no cash settlement will be necessary, and at maturity, any posted interest rate swap collateral will be returned

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

7. Long-Term Debt (continued)

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

	Miscellaneous Receivable	Interest Rate Swap (Liability) Asset	Balance Sheet, net
December 31, 2010	$ 996,751	$ (14,748,375)	$ (13,751,624)
Interest rate swap benefit, net	4,551,585	–	4,551,585
Swap cash settlement received	(4,548,113)	–	(4,548,113)
Change in interest rate swap value	–	6,495,347	6,495,347
December 31, 2011	1,000,223	(8,253,028)	(7,252,805)
Interest rate swap benefit, net	**3,411,208**	–	**3,411,208**
Swap cash settlement received	**(3,646,571)**	–	**(3,646,571)**
Change in interest rate swap value	–	**11,820,971**	**11,820,971**
December 31, 2012	**$ 764,860**	**$ 3,567,943**	**$ 4,332,803**

8. Temporarily and Permanently Restricted Net Assets

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

	2012	2011
Temporarily restricted		
Health care services	**$ 65,246,995**	$ 58,973,722
Permanently restricted		
Investments to be held in perpetuity, the income from which is expendable to support health care services	**$ 16,190,890**	$ 16,156,731
Beneficial interest in trusts held by others, the income from which is expendable to support health care services	**18,373,967**	17,242,690
Total permanently restricted	**$ 34,564,857**	$ 33,399,421

9. Endowment Funds

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

Interpretation of Relevant Law

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

Investment Objectives and Policy

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

9. Endowment Funds (continued)

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

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

Funds With Deficiencies

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

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

9. Endowment Funds (continued)

In 2012, the Corporation had the following endowment-related activities

	Changes in Endowment Net Assets for the Year Ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net (deficit) assets, beginning of year	$ (78,420)	$ 310,027	$ 16,156,732	$ 16,388,339
Investment return				
Investment income	3,554	96,640	187	100,381
Net appreciation (realized and unrealized)	74,866	1,251,771	113,833	1,440,470
Total investment gain	78,420	1,348,411	114,020	1,540,851
Contributions less uncollectible pledges	–		(79,862)	(79,862)
Appropriation of endowment assets for expenditure	–	(86,011)	–	(86,011)
Endowment net assets, end of year	$ –	$ 1,572,427	$ 16,190,890	$ 17,763,317

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

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

10. Employee Benefit Plans

Defined Benefit Plan

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

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

	2012	2011
Interest cost	**$ 8,485,006**	$ 10,427,067
Expected return on plan assets	**(9,654,731)**	(11,220,028)
Net periodic benefit gain	**$ (1,169,725)**	$ (792,961)

Included in unrestricted net assets are $12 1 million and $5 8 million of unrecognized actuarial losses at December 31, 2012 and 2011, respectively that have not been recognized in net periodic benefit gain

Changes in plan assets and benefits obligations recognized in unrestricted net assets for the years ended December 31, 2012 and 2011 were comprised solely of actuarial gains of $6 3 million and $16 5 million, respectively

10. Employee Benefit Plans (continued)

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

	2012	2011
Change in projected benefit obligation		
Benefit obligation at beginning of year	**$ 227,788,267**	$ 215,549,797
Interest cost	**8,485,006**	10,427,067
Actuarial loss	**17,313,231**	13,507,409
Benefits paid	**(9,401,544)**	(11,696,006)
Projected benefit obligation at the end of year	**$ 244,184,960**	$ 227,788,267
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 257,974,718**	$ 228,417,041
Actual return on plan assets	**20,680,506**	42,171,314
Benefits paid	**(9,401,544)**	(11,696,006)
Administrative expenses and other	–	(917,631)
Fair value of plan assets at end of year	**269,253,680**	257,974,718
Funded status and net pension asset	**$ 25,068,720**	$ 30,186,451

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

Assumptions

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

	2012	2011
Discount rate	**3.25%**	3 875%

10. Employee Benefit Plans (continued)

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

	2012	2011
Discount rate	**3.875%**	5 00%
Expected long-term rate of return on assets	**3.875%**	5 00%

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

Plan Assets

100% of the Corporation's Plan weighted-average allocations and target asset allocations at December 31, 2012 and 2011 was marketable debt securities

Fair Value Measurements

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

10. Employee Benefit Plans (continued)

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

	2012	2011	Level
Mutual funds			
JP Morgan Core Bond Select (A)	$ **12,611,568**	$ 11,990,523	1
PIMCO Long Duration Total Return (B)	**79,891,207**	72,476,030	1
Vanguard Long Term Bond Index (C)	**81,288,628**	74,876,857	1
Vanguard Total Bond Market Index (D)	**12,551,372**	12,054,844	1
Total mutual funds	**186,342,775**	171,398,254	
Common and collective trusts			
Diversified Long Bond (E)	**82,153,767**	75,682,841	2
Diversified High Quality Bond (F)	–	10,893,623	2
Total common and collective trusts	**82,153,767**	86,576,464	
Other			
Edge Asset Management (G)	**171,595**	–	2
Money Market (H)	**585,543**	–	2
	$ **269,253,680**	$ 257,974,718	

(A) Actively managed fund is designed to maximize total return by investing in a portfolio of investment grade intermediate and long term debt securities The fund invests at least 80% of net assets in bonds The objective of the fund is to maximize total return

(B) Actively managed fund invests in a diversified portfolio of fixed income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements The portfolio seeks to maximize total return

(C) Passively managed portfolio seeks to track the performance of the Barclays Capital Aggregate Long Government Credit Long Index The portfolio has diversified exposure to the long-term, investment-grade U S bond market The objective of the portfolio is to provide high current income with high credit quality

(D) Passively managed portfolio seeks to track the performance of the Barclays Capital Aggregate Long Government Credit Long Index It holds a broadly diversified collection of securities that approximates the full index in terms of risk factors and other characteristics The fund invests at least 80% of assets in bonds held in the index The fund seeks to provide moderate current income with high credit quality

(E) Actively managed fund seeking to maximize total return through investment in a diversified portfolio of long duration fixed income securities, including long duration U S Government, agency and corporate securities, and to a lesser extent, asset-backed, and mortgage-backed holdings The fund seeks to exceed the Barclay's Capital Long Government Credit Index

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

(G) Actively managed fund of corporate and municipal fixed income securities whose return is meant to mirror the Barclay's Credit 1-3 Years Index

(H) Actively managed fund of corporate and municipal fixed income securities whose return is meant to mirror the Barclay's Treasury Bellweathers 3 Month Index

10. Employee Benefit Plans (continued)

Valuation

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

Cash Flows

The Corporation does not expect to contribute to the Plan in 2013 The following table sets forth the benefit payout projections for the next ten years

Year	
2013	$ 28,500,000
2014	14,660,000
2015	15,860,000
2016	15,250,000
2017	15,130,000
2018-2022	75,260,000

Defined Contribution Plans

403(b) 401(k) Plan

In addition to the Plan, the Corporation also has a defined contribution 403(b)/401(k) retirement plan (Defined Contribution Plans) The 403(b) Plan is available to all employees that work more than 1000 hours in a year The 401(k) Plan is available to all employees that work more than 581 5 hours in a year The Corporation matches contributions to participants employed on the last day of the fiscal year Under the terms of these Defined Contribution Plans, for the 2012 and 2011 plan year, the Corporation provides for a 100% matching contribution of the participant's first 4% of plan deferrals for those participants employed on December 31

10. Employee Benefit Plans (continued)

While the Plan was frozen effective January 1, 2010, additional discretionary employer contributions to the Defined Contribution Plans went into effect on the same date For fiscal years 2012 and 2011, these contributions were based on years of services according to the following grid

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

Total expense related to the Defined Contribution Plans was $34 1 million and $32 8 million for the years ended December 31, 2012 and 2011, respectively

11. Functional Expenses

The Corporation, through certain affiliates (principally the hospitals), provides general health care services to residents within its geographic location Approximately 86% and 88% of the Corporation's expenses relate to health care services for the years ended December 31, 2012 and 2011, respectively, and 14% and 12% of the Corporation's expenses relate to general and administrative expenses for the years ended December 31, 2012 and 2011, respectively

12. Affiliation Agreement

In accordance with the second restated Affiliation Agreement between the Corporation and Kosair Charities Committee, Inc (Kosair), Kosair agreed to contribute a total of $117 0 million to Kosair Children's Hospital from 2007 through 2026 Total contributions from Kosair were approximately $5 0 million and $4 9 million for the years ended December 31, 2012 and 2011, respectively These contributions are reported as donations and contributions Based on the terms of the agreements, this does not meet the accounting definition of a pledge receivable, and will be recorded in the year cash is received

12. Affiliation Agreement (continued)

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

13. Commitments and Contingency

The Corporation is in the process of improving and expanding its facilities Commitments related to renovation of existing facilities or construction of new facilities totaled $18 3 million and $14 6 million at December 31, 2012 and 2011, respectively This will be funded through cash flows from operations

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

14. Concentration of Credit Risk

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

	2012	2011
Medicare	**12%**	12%
Medicaid	**14**	15
Blue Cross plans	**15**	16
Other third-party payors	**27**	27
Self-pay accounts	**32**	30
	100%	100%

15. Electronic Medical Records Implementation

During 2012, the Corporation began the implementation of an electronic medical record system (EMR) The system is an integrated EMR system that allows seamless sharing of patient information among caregivers, patients and families All of the Corporation's physician practices, immediate care centers and hospitals will be connected and able to view electronic medical records using one system, rather than a variety of disparate systems Due to the significant non-capital implementation costs in 2012 ($42 1 million) and also anticipated costs for 2013, which include labor and benefits, training, supplies, fees and special services and other, the Corporation has broken out these operating costs in the combined statement of operations and changes in net assets into a separate line titled Electronic Medical Records Implementation During 2012 implementation encompassed 105 physician practice locations, 12 immediate care centers and two hospitals During 2013 the remaining three hospitals will be implemented As the implementation will be concluded by the end of 2013, ongoing costs of maintaining the system will be incurred and will be recorded in the operating expenses by their natural class

16. Asset Impairment

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

16. Asset Impairment (continued)

involvement of the State Attorney General of the Commonwealth of Kentucky, the Corporation, along with other UHC equity members, was asked to repay an amount previously received from UHC that represented the return of the Corporation's original equity investment The $1 4 million impairment loss represents that repayment

17. Subsequent Event

The Corporation has evaluated and disclosed any subsequent events through March 28, 2013, which is the date the combined financial statements were issued

Supplementary Information

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Report of Independent Auditors on Supplementary Information

The Board of Trustees
Norton Healthcare, Inc and Affiliates

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

Ernst & Young LLP

March 28, 2013

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet

December 31, 2012

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare, Foundation, Inc.	Eliminations	Combined Totals
Assets									
Current assets									
Cash and cash equivalents	$ 106,984,854	$ 12,609	$ 3,297,126	$ –	$ 346,830	$ 97,895	$ 700	$ –	$ 110,740,014
Marketable securities and other investments	64,121,320	–	–	–	–	–	–	–	64,121,320
Patient accounts receivable, less allowance for doubtful accounts of $82,946,000	–	178,119,023	14,895,081	–	5,815,196	–	–	–	198,829,300
Inventory	1,732,586	44,352,563	–	–	732,580	36,221	53,210	–	46,907,160
Prepaid expenses and other	19,172,013	1,578,601	262,674	963,928	41,122	114,458	–	–	22,132,796
Miscellaneous receivables	6,167,918	3,393,319	3,959,182	–	(639)	4,285,753	1,602,837	–	19,408,370
Current portion of assets limited as to use	27,996,556	–	–	–	–	–	–	–	27,996,556
Total current assets	226,175,247	227,456,115	22,414,063	963,928	6,935,089	4,534,327	1,656,747	–	490,135,516
Assets limited as to use									
By Board of Trustees	436,814,507	–	–	–	–	33,273,539	2,600,112	–	472,688,158
By bond indenture trust agreements	32,426,731	–	–	–	–	–	–	–	32,426,731
By self-insurance trust agreement	96,757,922	–	–	–	–	–	–	–	96,757,922
By donors and other restrictions	–	–	–	–	–	18,774,190	20,222,095	–	38,996,285
	565,999,160	–	–	–	–	52,047,729	22,822,207	–	640,869,096
Property and equipment, net	89,679,354	550,494,412	12,522,033	32,611,665	1,471,975	66,542	–	–	686,845,981
Other assets									
Investments in joint ventures	629,817	8,701,450	–	–	15,236,502	–	–	(12,841,680)	11,726,089
Pension	25,068,720	–	–	–	–	–	–	–	25,068,720
Pledges receivable, net	–	–	–	–	–	10,120,528	14,566,647	–	24,687,175
Beneficial interest in trusts held by others	–	–	–	–	–	13,420,183	5,860,773	–	19,280,956
Goodwill and intangible assets, less accumulated amortization of $4,057,000	–	7,715,022	3,184,659	–	9,677,178	–	–	–	20,576,859
Deferred financing costs, net	12,062,403	–	–	–	–	–	–	–	12,062,403
Interest rate swap asset	3,567,943	–	–	–	–	–	–	–	3,567,943
Other	(65,203,753)	296,578,218	(212,511,446)	1,433,644	(1,345,012)	(119,712)	300,010	–	19,131,949
	(23,874,870)	312,994,690	(209,326,787)	1,433,644	23,568,668	23,420,999	20,727,430	(12,841,680)	136,102,094
Total assets	$ 857,978,891	$ 1,090,945,217	$ (174,390,691)	$ 35,009,237	$ 31,975,732	$ 80,069,597	$ 45,206,384	$ (12,841,680)	$ 1,953,952,687

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

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet (continued)

December 31, 2012

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare, Foundation, Inc.	Eliminations	Combined Totals
Liabilities and net assets									
Current liabilities									
Accounts payable	$ 16,839,226	$ 44,538,780	$ 752,886	$ 1,111,275	$ 424,667	$ 45,292	$ 56,462	$ –	$ 63,768,588
Accrued expenses and other	79,563,972	20,013,500	12,774,628	186,127	490,055	201,736	70,485	–	113,300,503
Accrued payroll and related items	70,682,361	2,453,877	–	–	315,496	–	–	–	73,451,734
Due to third-party payors, net	–	11,572,987	–	–	–	–	–	–	11,572,987
Accrued interest	5,837,701	–	–	–	–	–	–	–	5,837,701
Current portion of long-term debt	27,180,000	–	–	963,000	–	–	–	–	28,143,000
Total current liabilities	200,103,260	78,579,144	13,527,514	2,260,402	1,230,218	247,028	126,947	–	296,074,513
Other noncurrent liabilities									
Insurance liability	112,541,791	–	–	–	–	–	–	–	112,541,791
Other	23,882,815	6,863,670	–	4,257,573	–	2,126,602	2,194,000	–	39,324,660
Total other noncurrent liabilities	136,424,606	6,863,670	–	4,257,573	–	2,126,602	2,194,000	–	151,866,451
Long-term debt, net of current portion	707,564,899	–	–	16,398,053	–	–	–	–	723,962,952
Net (deficit) assets									
Unrestricted	(186,503,895)	996,745,075	(188,022,504)	12,093,209	30,745,514	29,380,492	640,708	(12,841,680)	682,236,919
Temporarily restricted	390,021	8,757,328	104,299	–	–	30,126,179	25,869,168	–	65,246,995
Permanently restricted	–	–	–	–	–	18,189,296	16,375,561	–	34,564,857
Total net (deficit) assets	(186,113,874)	1,005,502,403	(187,918,205)	12,093,209	30,745,514	77,695,967	42,885,437	(12,841,680)	782,048,771
Total liabilities and net (deficit) assets	$ 857,978,891	$ 1,090,945,217	$ (174,390,691)	$ 35,009,237	$ 31,975,732	$ 80,069,597	$ 45,206,384	$ (12,841,680)	$ 1,953,952,687

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

Norton Healthcare, Inc. and Affiliates

Combining Statement of Operations and Changes in Unrestricted Net Assets

Year Ended December 31, 2012

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare, Foundation, Inc.	Eliminations	Combined Totals
Unrestricted revenue									
Net patient service revenue before provision for doubtful accounts	$ –	$ 1,462,033,165	$ 224,562,731	$ –	$ 30,261,048	$ –	$ –	$ (6,043,529)	$ 1,710,813,415
Provision for doubtful accounts	(13,945)	(64,517,983)	(12,222,751)	–	(2,499,288)	–	–	–	(79,253,967)
Net patient service revenue	(13,945)	1,397,515,182	212,339,980	–	27,761,760	–	–	(6,043,529)	1,631,559,448
Other revenue	4,103,756	11,978,580	16,053,835	28,630,822	4,025,415	318,156	538,099	(46,377,197)	19,271,466
Donations and contributions	979,437	10,384,717	9,398	477	3,678	11,814,249	2,768,909	(12,491,650)	13,469,215
Meaningful use reimbursement	–	2,471,707	4,549,750	–	–	–	–	–	7,021,457
Joint venture revenue	(237,889)	2,623,790	–	–	1,018,864	–	–	–	3,404,765
Total unrestricted revenue	4,831,359	1,424,973,976	232,952,963	28,631,299	32,809,717	12,132,405	3,307,008	(64,912,376)	1,674,726,351
Operating expenses									
Labor and benefits	102,110,140	543,353,860	229,114,393	1,004,154	16,864,960	1,261,725	472,465	–	894,181,697
Professional fees	33,477	59,241,099	1,533,862	–	–	64,094	–	(6,518,153)	54,354,379
Drugs and supplies	1,257,824	307,509,658	13,096,341	87,089	5,037,538	296,413	151,226	–	327,436,089
Fees and special services	35,074,238	45,872,464	9,467,528	804,895	5,553,904	380,329	181,589	(11,041,396)	86,293,551
Repairs, maintenance and utilities	28,553,480	21,487,857	2,862,015	1,837,104	300,494	18,575	8,399	–	55,067,924
Rent and leases	6,727,318	20,108,060	14,673,380	21,633,864	662,965	77,130	29,185	(34,431,211)	29,480,691
Insurance	78,561	35,798,936	8,111,812	175,977	396,330	77,440	20,176	–	44,659,232
Provider tax	–	20,129,732	–	–	–	–	–	–	20,129,732
Electronic medical record implemention	42,090,295	–	–	–	–	–	–	–	42,090,295
Other	1,156,590	7,642,131	2,903,532	428,702	534,783	11,531,261	2,330,224	(12,921,616)	13,605,607
Management allocation	(157,522,567)	152,901,868	1,540,010	389,148	2,691,541	–	–	–	–
Total operating expenses	59,559,356	1,214,045,665	283,302,873	26,360,933	32,042,515	13,706,967	3,193,264	(64,912,376)	1,567,299,197
Earnings before fixed expenses and other gains (loss)	(54,727,997)	210,928,311	(50,349,910)	2,270,366	767,202	(1,574,562)	113,744	–	107,427,154
Fixed expenses									
Depreciation and amortization	16,800,765	56,561,588	3,901,177	2,438,209	1,243,366	6,082	2,027	–	80,953,214
Interest (income) expense	(2,010,197)	34,684,029	–	1,306,911	237,988	–	–	–	34,218,731
Interest rate swap benefit, net	(3,411,208)	–	–	–	–	–	–	–	(3,411,208)
	11,379,360	91,245,617	3,901,177	3,745,120	1,481,354	6,082	2,027	–	111,760,737
Patient service margin	(66,107,357)	119,682,694	(54,251,087)	(1,474,754)	(714,152)	(1,580,644)	111,717	–	(4,333,583)
Investment gain	21,885,400	8,064	–	–	–	1,774,681	118,563	–	23,786,708
Operating (loss) gain	(44,221,957)	119,690,758	(54,251,087)	(1,474,754)	(714,152)	194,037	230,280	–	19,453,125

Norton Healthcare, Inc. and Affiliates

Combining Statement of Operations and Changes in Unrestricted Net Assets (continued)

Year Ended December 31, 2012

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare, Foundation, Inc.	Eliminations	Combined Totals
Nonoperating (losses) gains									
Change in net unrealized losses on investments	25,638,699	–	–	–	–	2,075,975	157,852	–	27,872,526
Change in interest rate swap value	11,820,971	–	–	–	–	–	–	–	11,820,971
Petersdorf Fund grants	(54,894)	–	–	–	–	–	–	–	(54,894)
Asset impairment	–	–	–	–	–	–	–	–	–
Loss on extinguishment of debt	(541,835)	–	–	–	–	–	–	–	(541,835)
Other nonoperating (losses) gains, net	(641,435)	(1,189,446)	(3,564)	8,455	573,343	–	–	–	(1,252,647)
Total nonoperating (losses) gains	36,221,506	(1,189,446)	(3,564)	8,455	573,343	2,075,975	157,852	–	37,844,121
Excess of (expenses over revenue) revenue over expens	(8,000,451)	118,501,312	(54,254,651)	(1,466,299)	(140,809)	2,270,012	388,132	–	57,297,246
Change in net unrealized gains and losses on investments									
Change in minimum pension liability									
Change in pension plan asset and obligation	(6,447,476)	–	–	–	–	–	–	–	(6,447,476)
Net assets released from restrictions for equipment	250,510	7,197,225	–	–	–	36,696	–	–	7,484,431
Other, net	(206,072)	(15,805)	(1,850)	–	–	310,451	(86,724)	–	–
(Decrease) increase in unrestricted net assets	$ (14,403,489)	$ 125,682,732	$ (54,256,501)	$ (1,466,299)	$ (140,809)	$ 2,617,159	$ 301,408	$ –	$ 58,334,201

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

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