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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047 <div> <div>2012</div> <div>Open to Public Inspection</div> </div>
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

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

<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input checked="" type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Providence St Joseph Medical Center		<b>D</b> Employer identification number  81-0463482
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 1801 Lind Avenue SW No 9016	Room/suite	<b>E</b> Telephone number  (425) 525-3985
	City or town, state or country, and ZIP + 4 Renton, WA 980579016		<b>G</b> Gross receipts \$ 27,397,423
	<b>F</b> Name and address of principal officer Rod Hochman MD 1801 Lind Avenue SW No 9016 Renton, WA 980579016		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀(Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		<b>H(c)</b> Group exemption number ▶ 0928	
<b>J</b> Website: ▶ www.saintjoes.org			

**Part I**      **Summary**

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Healthcare with special concern for the poor and vulnerable in Polson, MT		
	2 Check this box <input type="checkbox"/> 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	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	16
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	350
	6 Total number of volunteers (estimate if necessary)	6	36
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	174,839
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	73,240
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	41,584	506,421
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	24,532,272	25,633,598
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	46,609	15,997
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,134,749	1,241,407
		25,755,214	27,397,423
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	92,291	77,616
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	14,178,997	14,520,708
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	11,697,061	12,110,548
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	25,968,349	26,708,872
	19 Revenue less expenses Subtract line 18 from line 12	-213,135	688,551
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	18,744,482	19,386,279
	21 Total liabilities (Part X, line 26)	16,745,407	17,646,363
	22 Net assets or fund balances Subtract line 21 from line 20	1,999,075	1,739,916

## 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.

<b>Sign Here</b>	<div> <div></div> <div>Signature of officer</div> </div>				<div> <div></div> <div>2015-01-29</div> </div>			
	<div> <div></div> <div>Todd Hofheins EVP/CFO</div> </div>							
Type or print name and title								
<b>Paid Preparer Use Only</b>	<div> <div></div> <div>Print/Type preparer's name</div> <div>Sara Elizabeth J Hyre CPA</div> </div>		<div> <div></div> <div>Preparer's signature</div> </div>		<div> <div></div> <div>Date</div> </div>		<div> <div></div> <div>Check <input type="checkbox"/> if self-employed</div> </div>	<div> <div></div> <div>PTIN</div> <div>P00235495</div> </div>
	<div> <div></div> <div>Firm's name</div> <div>Clark Nuber PS</div> </div>					<div> <div></div> <div>Firm's EIN</div> <div>91-1194016</div> </div>		
	<div> <div></div> <div>Firm's address</div> <div>10900 NE 4th Suite 1700</div> <div>Bellevue, WA 98004</div> </div>					<div> <div></div> <div>Phone no</div> <div>(425) 454-4919</div> </div>		

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

Part IIIStatement 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

As People of Providence, we reveal God’s love for all, especially the poor and vulnerable, through our compassionate service Healthcare w/ special concern for the poor & vulnerable in Polson, MT

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?




















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 \$ 9,842,552 including grants of \$ 0 ) (Revenue \$ 12,282,977 )
	Acute - Outpatient - 32,511 VisitsSt Joseph Medical Center is a 22 bed acute care hospital providing a wide range of medical services to the community without regard to the patients ability to pay for these services OUR MISSION - As people of Providence, we reveal God’s love for all, especially the poor and vulnerable, through our compassionate service OUR CORE VALUES - Respect, Compassion, Justice, Excellence, and Stewardship Providence Cares Whether tenderly holding a special-needs child who requires round-the-clock care, or easing the way for a stroke patient who faces both physical and financial struggles, the people of Providence are called to a mission of service Our lifework is to provide excellent care for everyone, at all stages of life, regardless of ability to pay This has been the Providence mission since the Sisters of Providence arrived on the shores of the Columbia River 150 years ago, committed to the care and healing of poor and vulnerable frontier neighbors On March 13, 1984, after 67 years serving the Polson community so well and lovingly, the Hospitaller Sisters transferred sponsorship of the local hospital to the Presentation Health System In 1990, St Joseph Hospital was in dire economic circumstances The Sisters of Providence assumed responsibility for the hospital on March 1, allowing St Joseph’s to continue providing health care services to the community Under the sponsorship of Providence Health & Services, St Joseph Medical Center participates as a member of a system of hospitals and an affiliate of St Patrick Hospital in Missoula Expansion of services, shared purchasing and management expertise provide fundamental value to the community through the services St Joseph Medical Center provides The Sisters of Providence understand that the hospital is vital to the well being of the community Indeed, St Joseph Medical Center belongs to the community Faced with an old building in need of extensive upgrades to meet standards and maintain its operating license, the St Joseph Hospital Board of Directors reviewed options and concluded that new construction was the solution The options included closing St Joseph Medical, renovating and upgrading the existing facility, joining with St Luke Community Hospital in Ronan to build a replacement facility in Pablo, or doing nothing Clearly, closure of St Joseph Medical Center would deny essential access to excellent health care to the people of Polson Today, people need to access health care services in ways compatible with their changing lifestyles and the capabilities of the information age Physicians and patients need modern diagnostic imaging equipment, outpatient surgery, physical therapy, cardiovascular rehabilitation, home health services, and wellness and fitness programs In short, today’s patients need ready access to outpatient services, modern technology, and skilled staff and physicians more than they need long halls of patient rooms The resulting vision was one of the hospital and doctors working together to continue to provide primary health care services in a state-of-the-art facility, designed to meet the health care needs of the area’s growing, diverse and aging population The plan included replacing the 1933 building with a new structure that includes a modern imaging suite, a new emergency room, a new surgical suite, patient rooms, medical office space and administrative office areas The cost of the project was estimated at \$10 million The community, combined with donations from foundations, generously contributed \$1 6 million The balance of the project was financed through a Providence Bond Issue We watched the old building go down and the new one rise in its place with great anticipation The new building, St Joseph Medical Center, allows us to have “one-stop-shopping” for medical services, patient convenience for doctor visits, added a complete retail pharmacy, which is available 6 days a week, and closer proximity to testing laboratories so folks don’t have to leave the building We expanded our Family Maternity Center to promote a wonderful experience with closer family interaction The new hospital takes full advantage of the beautiful views of Flathead Lake and is filled with lots of natural light, which combined with the care, competence and training of our staff, make this a special healing place
4b	(Code ) (Expenses \$ 4,892,352 including grants of \$ 0 ) (Revenue \$ 6,136,406 )
	Primary Care - 29,112 VisitsSEE PART III, Line 4a
4c	(Code ) (Expenses \$ 4,030,263 including grants of \$ 0 ) (Revenue \$ 5,016,482 )
	Acute Inpatient - 677 AdmissionsAcute Patient Days - 2,281SEE PART III, Line 4a
	(Code ) (Expenses \$ 1,803,331 including grants of \$ 0 ) (Revenue \$ 2,244,612 )
	LTC/Hospice/Housing & Assisted Living - 14,196 Days for Long-Term Care/Asst St Joseph Assisted Living is the first phase of St Joseph Retirement Community, a multi-phase senior retirement campus located on the grounds of St Joseph Hospital in Polson, MT The Assisted Living Center was thoughtfully designed with the purpose of creating a warm and comfortable atmosphere The library/living area is an irresistble gathering place where the warmth of fireplaces mingles with beautiful art and furnishings The centrally located dining room serves nutritious, home cooked meals three times a day in a pleasant and social environment The Assisted Living Program is based on the principles of choice, dignity, independence, privacy, individuality and homelike surroundings The program is designed for seniors who desire or need to have some additional personal assistance with managing their daily activities
	(Code ) (Expenses \$ 77,616 including grants of \$ 77,616 ) (Revenue \$ 0 )
	Grants & Allocations
4d	Other program services (Describe in Schedule O )
	(Expenses \$ 1,880,947 including grants of \$ 77,616 ) (Revenue \$ 2,244,612 )
4e	Total program service expenses ▶ 20,646,114

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	No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d 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? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	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)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . .	35b		
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> 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.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
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.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	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)?		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?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
7a	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?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	<b>Sponsoring organizations maintaining donor advised funds.</b>		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	<b>Section 501(c)(7) organizations.</b> Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	<b>Section 501(c)(12) organizations.</b> Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
13a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		
13b	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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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	16	
	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	16	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	Yes	

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		No
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		

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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 Karl E Fritschel CPA 1801 Lind Ave SW 9016 Renton, WA (425) 525-3339	

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

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

Form **990** (2012)



## Part VII

(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			
<b>1b</b> Sub-Total . . . . .										
<b>c</b> Total from continuation sheets to Part VII, Section A . . . . .										
<b>d</b> Total (add lines 1b and 1c) . . . . .								1,845,621	21,331,224	4,779,911

**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 ▶18

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

## **Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
Mission Valley Anesthesia Assoc Glacier Bank 49430 Highway 93 Polson MT 59860	Anesthesiology	580,900
Pathology Assoc Med Lab-Paclab PO Box 2720 Spokane WA 99220	Lab Services	132,288
Thomas Cuisine Corporation 500 W Broadway Street Missoula MT 59802	Catering Services	113,855
Cross Country Travcor Staffing LA Lockbox File 50941 Los Angeles CA 90074	Staffing Services	110,344

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 ►4

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues . . . . .	1b				
	c	Fundraising events . . . . .	1c				
	d	Related organizations . . . .	1d				
	e	Government grants (contributions)	1e	506,421			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .		506,421			
Program Service Revenue			Business Code				
	2a	Acute - Outpatient	621400	12,282,977	12,282,977		
	b	Primary Care	621110	6,089,527	6,089,527		
	c	Acute - Inpatient	622110	5,016,482	5,016,482		
	d	LTC/Home Care	621610	2,244,612	2,244,612		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		25,633,598			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .	15,997			15,997	
	4	Income from investment of tax-exempt bond proceeds . . .					
	5	Royalties . . . . .					
	6a	(i) Real					
		(ii) Personal					
		Gross rents	40,578				
	b	Less rental expenses	0				
	c	Rental income or (loss)	40,578				
	d	Net rental income or (loss) . . . . .	40,578			40,578	
	7a	(i) Securities					
		(ii) Other					
		Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss) . . . . .					
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a				
	b	Less direct expenses . . . . .	b				
	c	Net income or (loss) from fundraising events . . .					
9a	Gross income from gaming activities See Part IV, line 19 . . . . .	a					
b	Less direct expenses . . . . .	b					
c	Net income or (loss) from gaming activities . . .						
10a	Gross sales of inventory, less returns and allowances . . . . .	a					
b	Less cost of goods sold . . . . .	b					
c	Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code					
11a	Pharmacy Revenue	446110	920,207		174,839	745,368	
b	Dietary	900099	130,483			130,483	
c	Contracted Services	900099	84,237			84,237	
d	All other revenue . . . . .		65,902	46,879		19,023	
e	Total. Add lines 11a-11d . . . . .		1,200,829				
12	Total revenue. See Instructions . . . . .		27,397,423	25,680,477	174,839	1,035,686	

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.	77,616	77,616		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	245,696		245,696	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	11,046,057	9,999,170	1,046,887	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	771,618	683,924	87,694	
9	Other employee benefits.	1,636,187	1,459,521	176,666	
10	Payroll taxes.	821,150	727,827	93,323	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	12,309		12,309	
c	Accounting.				
d	Lobbying.	280		280	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	2,319,638	1,750,100	569,538	
12	Advertising and promotion.	196,038	196,038		
13	Office expenses.	1,214,021	821,661	392,360	
14	Information technology.	440,667	47,013	393,654	
15	Royalties.				
16	Occupancy.	387,803	248,194	139,609	
17	Travel.	119,090	61,900	57,190	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	45,364	36,734	8,630	
20	Interest.	441,055	441,055		
21	Payments to affiliates.	2,388,562		2,388,562	
22	Depreciation, depletion, and amortization.	968,688	619,960	348,728	
23	Insurance.	227,704	227,704		
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.	2,076,911	2,076,911		
b	Bad Debts.	1,064,090	1,064,090		
c	Provider Tax.	49,725	49,725		
d	UBI Taxes.	25,932		25,932	
e	All other expenses.	132,671	56,971	75,700	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	26,708,872	20,646,114	6,062,758	0
26	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		1,185	1	1,235
	2	Savings and temporary cash investments		3,140,721	2	2,888,310
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		3,202,199	4	3,668,017
	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	
	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	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		664,857	8	629,169
	9	Prepaid expenses and deferred charges		166,937	9	152,555
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a23,136,585			
	b	Less accumulated depreciation	10b13,808,881	8,993,053	10c	9,327,704
	11	Investments—publicly traded securities		287,630	11	286,681
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		25,385	13	144,443
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		2,262,515	15	2,288,165
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34)		18,744,482	16	19,386,279
Liabilities	17	Accounts payable and accrued expenses		1,771,574	17	2,581,056
	18	Grants payable			18	
	19	Deferred revenue		695,007	19	101,262
	20	Tax-exempt bond liabilities		10,251,338	20	9,763,714
	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	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		643,231	24	641,890
	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		3,384,257	25	4,558,441
	26	<b>Total liabilities.</b> Add lines 17 through 25		16,745,407	26	17,646,363
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117 (ASC 958), check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>					
	27	Unrestricted net assets		1,958,183	27	1,579,967
	28	Temporarily restricted net assets		40,892	28	159,949
	29	Permanently restricted net assets			29	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		1,999,075	33	1,739,916
	34	Total liabilities and net assets/fund balances		18,744,482	34	19,386,279

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	27,397,423
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	26,708,872
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	688,551
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	1,999,075
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	-2,500
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	-945,210
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	1,739,916

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? 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 <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? 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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2c	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? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	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		

Additional Data

Software ID:

Software Version:

EIN: 81-0463482

Name: Providence St Joseph Medical Center

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			
Lucille Dean SP Chair of the Board	20 12 90	X		X				0	0	0
M Adrian Davis LCM -Dcd 512 Director	20 2 70	X						0	0	0
Mary Conta Heid RSM Director	20 5 40	X						0	0	0
Michael A Stein Director	20 6 10	X						0	18,300	0
Michael Holcomb Director	20 7 50	X						0	19,050	0
Dana A Rasmussen Director	20 5 80	X						0	18,300	0
James S Roberts MD Director	20 8 90	X						0	20,500	0
Peter J Snow Director	20 5 60	X						0	20,500	0
Jeffrey B Clode MD -Thru 612 Director	20 6 90	X						0	8,750	0
Sallye Lner Director	20 4 00	X						0	15,300	0
Owen B Robinson Director	20 5 30	X						0	15,300	0
Cheryl M Scott Director	20 4 50	X						0	15,000	0
Ellen L Wolf Director	20 7 60	X						0	15,300	0
Isiaah Crawford Director	20 4 00	X						0	15,000	0
Martha Diaz Aszkenazy Director	20 7 60	X						0	15,175	0
Kirby McDonald Director	20 4 50	X						0	15,175	0
Dave Olsen Director	20 5 40	X						0	15,175	0
Charles Chuck Watts Director	20 6 00	X						0	15,175	0
John Nordstrom - Thru 712 Director	20 60	X						0	0	0
John F Koster MD President/CEO PH&S	20 53 80			X				0	4,069,812	382,715
Jeffrey W Rogers Corporate Secretary	20 49 80			X				0	623,631	319,793
Todd Hofheins SVP/CFO	20 59 80			X				0	555,725	40,426
James R Kiser II CEO - PSJMC	45 00 0 00			X				235,220	0	22,626
Michael L Butler Group President	0 00 65 00				X			0	1,406,031	890,844
Rod Hochman MD Group President	0 00 65 00				X			0	1,438,710	332,177

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			
John V Fletcher VP/Operations Support	0 00 55 00				X			0	1,575,373	259,253
Janice J Jones SVP/CAO	0 00 55 00				X			0	1,031,256	204,051
Myron Berdischewsky MD SVP/CMQO	0 00 60 00				X			0	2,359,308	166,605
Cindra R Syverson SVP/CHRO	0 00 60 00				X			0	562,260	220,668
Terry L Smith SVP/Management Svcs	0 00 60 00				X			0	1,012,414	349,119
Ray Williams SVP/Physician Svcs	0 00 55 00				X			0	1,240,435	162,999
Cindy Strauss VP/Legal Affairs	0 00 55 00				X			0	621,810	205,922
Phil Jackson VP/Physician Svc & PMG	0 00 55 00				X			0	609,104	157,689
John O Mudd SVP/Mission Leadership	0 00 55 00				X			0	505,083	114,350
Claudia Haglund VP/Governance & Spons	0 00 50 00				X			0	501,085	219,670
Joel S Gilbertson VP/Gov't & Public Affairs	0 00 60 00				X			0	456,934	105,567
David Brown VP/Strat & Bus Develop	0 00 55 00				X			0	360,109	137,998
Orest Holubec VP/ Communications	0 00 55 00				X			0	410,499	53,484
Debbie Burton VP/CNO	0 00 65 00				X			0	405,452	233,827
Michael Righetti MD Physician	50 00 0 00					X		539,533	0	24,557
Nathaniel Buffington MD ER Physician	50 00 0 00					X		273,021	0	20,002
Adam T Smith MD Physician	50 00 0 00					X		310,789	0	31,336
Ronald S Gardner MD Physician	50 00 0 00					X		256,619	0	26,835
Jeremy P Mitchell MD Physician	50 00 0 00					X		230,439	0	25,378
Eugene Al Parrish Former/SVP/RCE Alaska Region	0 00 0 00						X	0	485,519	57,205
John Kenagy Former VP/CIO	0 00 0 00						X	0	858,674	14,815

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 Providence St Joseph Medical Center	Employer identification number 81-0463482
---	--

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<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% 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?  

(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?

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of 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 IIISupport 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

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 Providence St Joseph Medical Center	Employer identification number 81-0463482
---	--

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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

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

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
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															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes	<input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 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)	(b)	
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
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?	Yes		280
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total. Add lines 1c through 1i.			280
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
Explanation of Lobbying Activities	Part II-B, Line 1	Payment of dues to MHA to represent healthcare interests with government entities

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Providence St Joseph Medical Center	Employer identification number 81-0463482
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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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

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

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part 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

(i) unrelated organizations . . . . .

(ii) related organizations . . . . .

	Yes	No
3a(i)		
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 . . . . .		235,295		235,295
b Buildings . . . . .		9,699,810	4,582,272	5,117,538
c Leasehold improvements . . . . .		714,150	599,790	114,360
d Equipment . . . . .		11,789,259	8,626,819	3,162,440
e Other . . . . .		698,071		698,071
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				9,327,704





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

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

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

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

**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
Description of Uncertain Tax Positions Under FIN 48	Part X, Line 2	The Health System recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

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  
Providence St Joseph Medical Center

Employer identification number  
81-0463482

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  <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> 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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> 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"? . . . . .	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b	Yes	
b	If "Yes," did the organization make it available to the public? . . . . .	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

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) . . . . .	0	0	489,520		489,520	1 910 %
b Medicaid (from Worksheet 3, column a) . . . . .	0	0	4,047,987	4,975,188	-927,201	0 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .	0	0	8,474	8,361	113	0 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			4,545,981	4,983,549	-437,568	1 910 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .	0	0	4,199		4,199	0 020 %
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .	0	0	240		240	0 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .	0	0	6,771		6,771	0 030 %
j <b>Total.</b> Other Benefits . . . . .			11,210		11,210	0 050 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			4,557,191	4,983,549	-426,358	1 960 %

Part IICommunity Building Activities

Complete this table 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
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements	0	0	40		40	0 %
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			40		40	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1

Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

1,064,090

3Enter 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

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

5

9,521,310

6Enter Medicare allowable costs of care relating to payments on line 5.

6

9,710,108

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-188,798

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?

9a

Yes

bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9b

Yes

Part IVManagement Companies and Joint Ventures

(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 %
11NONE				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Providence St Joseph Medical Center 6 Thirteenth Ave East Polson, MT 59860	X	X			X		X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Providence St Joseph Medical Center

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply) <b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility <b>b</b> <input type="checkbox"/> Demographics of the community <b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community <b>d</b> <input type="checkbox"/> How data was obtained <b>e</b> <input type="checkbox"/> The health needs of the community <b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups <b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs <b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests <b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs <b>j</b> <input type="checkbox"/> Other (describe in Part VI)	1		
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? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply) <b>a</b> <input type="checkbox"/> Hospital facility's website <b>b</b> <input type="checkbox"/> Available upon request from the hospital facility <b>c</b> <input type="checkbox"/> Other (describe in Part VI)	5		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date) <b>a</b> <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA <b>b</b> <input type="checkbox"/> Execution of the implementation strategy <b>c</b> <input type="checkbox"/> Participation in the development of a community-wide plan <b>d</b> <input type="checkbox"/> Participation in the execution of a community-wide plan <b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans <b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA <b>g</b> <input type="checkbox"/> Prioritization of health needs in its community <b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community <b>i</b> <input type="checkbox"/> Other (describe in Part VI)			
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
<b>9</b> 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?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input checked="" type="checkbox"/> Asset level			
<b>c</b> <input checked="" type="checkbox"/> Medical indigency			
<b>d</b> <input checked="" type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input checked="" type="checkbox"/> State regulation			
<b>h</b> <input type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input checked="" type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> 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			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged		<b>17</b>	No
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> 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? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> 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? . . . . . If "Yes," explain in Part VI		No
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? . . . . . If "Yes," explain in Part VI		No



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?

1

Name and address		Type of Facility (describe)
1	Prov St Joseph Assisted Living Ctr 11 Seventeenth Ave East Polson,MT 59660	Assisted Living
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
		Part I, Line 6a In addition to providing its own smaller Community benefit Report, St Joseph's Community benefit information is included in the consolidated report for Providence Health & Services Please see <a href="http://montana.providence.org/about/community-benefit/">http://montana.providence.org/about/community-benefit/</a>
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is \$ 1064090

Identifier	ReturnReference	Explanation
		PART I, LINE 7BThis facility is reimbursed 100% of cost by Medicaid In addition, they received a sizable Disproportionate Share Hospital bonus to cover the cost of the uninsured
		Part III, Line 4 It is Providence's policy to exclude all bad debts from Community benefit information The Consolidated Audited Financial Statements do not contain a footnote specific to Bad Debt Expense Bad debt expense is reported in the audited financials as a separate line item within expenses from operations Bad debt expense represents the amount of gross charges for patients who do not have insurance and which Providence was unable to qualify for assistance under either government programs or our internal charity care policy

Identifier	ReturnReference	Explanation
		Part III, Line 8 It is Providence's policy to exclude any Medicare shortfall from Community Benefit information The amount reported on Part III, Section B, Line 6 was determined by applying the Cost-to-Charge ratio to the Medicare revenue
		Part III, Line 9b Billing and Collection Practices Providence has written policies about when and under whose authority patient debt is advanced for collection, and uses its best efforts to ensure that patient accounts are processed fairly and consistently Providence ensures that practices to be used by their outside (non-hospital) collection agencies conform to the standards set forth in this policy, and obtains written commitments from such agencies that they will adhere to those standards Providence also conducts an assessment of each collection agency's adherence to the policy Such assessments are conducted at least annually At time of billing, we provide to all low-income uninsured patients the same information concerning services and charges provided to all other patients who receive care at the hospital When sending a bill to a patient, Providence includes a) a statement that indicates that if the patient meets certain income requirements the patient may be eligible for a government-sponsored program or for financial assistance from the hospital, and b) a statement that provides the patient with the name and telephone number of a hospital employee or office from whom or which the patient may obtain information about Providence's financial assistance policies for patients and how to apply for such assistance Any patient seeking financial assistance from Providence (or the patient's legal representative) provides the individual facility with information concerning health benefits coverage, financial status (i e income, assets) and any other information that is necessary for the hospital to make a determination regarding the patient's status relative to Providence's financial assistance policy, discounted payment policy, or eligibility for government-sponsored programs For patients who have an application pending determination for either government-sponsored coverage or for the hospitals own financial assistance program, Providence will not knowingly send that patient's bill to a collection agency Eligibility for financial assistance will be determined as closely as possible to the date of service

Identifier	ReturnReference	Explanation
Providence St Joseph Medical Center		Part V, Section B, Line 14g Brochures given to every uninsured pateint at check in, web-sites, all materials in 4 languages, all call center and self pay follow-up staff trained in explaining and offering charity applications, collection agencies contracts require them to offer charity
Providence St Joseph Medical Center		Part V, Section B, Line 18e Financial Assistance information along with payment options are given on each billing statement to the patient

Identifier	ReturnReference	Explanation
Providence St Joseph Medical Center		Part V, Section B, Line 20d The hospital used the average of the largest negotiated commercial insurance rates
		Part VI, Line 2 We recognize that caring for the poor and vulnerable is not a task we can do on our own On a routine basis we conduct a formal community assessment to determine who in our communities is experiencing the greatest need This outreach connects us to many not-for-profits and social service agencies as well as care providers and their clients in the communities To ensure that we conduct a comprehensive assessment, our process includes research, meetings, interviews, focus groups and surveys Additionally, Providence ministries have community and foundation boards The civic leaders that serve on Providence Boards connect our Mission with a local perspective on community needs Our assessment findings are assembled to make certain we understand and respond to local and regional needs, which often vary from one city or county to another Identified areas of need not only guide our community benefit giving, but also guide our strategic planning We believe meaningful community needs assessment provides insight into the complete community benefit that is required, beyond just free and discounted care

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 3 Communication to the Public Providence hospitals post notices regarding the availability of financial assistance to low-income uninsured patients. These notices are posted in visible locations throughout the hospital such as admitting/registration, billing office, emergency department and other outpatient settings. Every posted notice regarding financial assistance policies contains brief instructions on how to apply for financial assistance or a discounted payment. The notices also include a contact telephone number that a patient or family member can call to obtain more information. Providence ensures that appropriate staff members are knowledgeable about the existence of the hospital's financial assistance policies. Training is provided to staff members (i.e., billing office, financial department, etc.) who directly interact with patients regarding their hospital bills. When communicating to patients regarding their financial assistance policies, Providence attempts to do so in the primary language of the patient, or his/her family, if reasonably possible, and in a manner consistent with all applicable federal and state laws and regulations. Providence shares their financial assistance policies with appropriate community health and human services agencies and other organizations that assist such patients.</p>
		<p>Part VI, Line 4 Providence St. Joseph Medical Center is a 22-bed acute care, Joint Commission accredited, critical access hospital located on the Flathead Indian Reservation in Polson, Montana, which is about one and a half hours north of Missoula. Providence St. Joseph Medical Center provides community hospital care for the 28,947 residents of Lake County. At Providence St. Joseph Medical Center, 39.8% of patients are covered by Medicare, another 13.4% are covered by Medicaid and 7.5% are self-pay and uninsured. Providence St. Joseph Medical Center serves a higher percentage of older adults, with 17.3% of the primary service area's population over the age of 65. With approximately 21.5% of the population living in poverty, the community is characterized by lower income levels than the national average. The service area where Providence St. Joseph Medical Center is located encompasses rural communities from Lake, Lincoln, Flathead and Sanders counties with approximately 151,254 residents living in an area of 12,951 square miles. Each of these counties is designated a Mental Health Professional Shortage Area by the U.S. Department of Health &amp; Human Services. The Median Household Income is \$35,929 or 18% below the median for Montana. From the 2011 U.S. Census Quick Facts for Montana, these counties have a higher percentage (19.1%) of residents who are older than 65 living in the four-county service area compared with the state (15.2%).</p>

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 5 Providence St Joseph Medical Center management is directed by an independent governing board which helps direct the hospital in its endeavors The composition of the governing board represents the diversity of the community by having representatives from local government, social service agencies, medical providers, independent business representatives and interested community members The St Joseph Medical Center Board of Directors reviews and develops the community benefit plan, providing information and insight into community needs and resources and helping set priorities for what community needs are to be addressed They also receive regular updates on the overall community benefit strategy and specific programs to assess whether the organization is having an impact on the health of the community The providers and staff and St Joseph Medical Center provide education to the broader community on certain health benefits, risks and preventative medicine and is provided at no cost The hospital has been serving the needs of the community since 1916 and has expanded over the years in response to the growing population and changes in health care As a ministry of Providence Health &amp; Services, Providence St Joseph Medical Center participates in shared purchasing, information systems and financial management support that benefits the community hospital In 2012, the medical center had 677 total admissions, 4,411 emergency visits and 61,623 outpatient visits Providence St Joseph Medical Center also includes St Joseph Retirement Community, an assisted living center providing 14,196 days of care Providence Medical Group manages 32 primary care and specialty provider practices, employing 133 total providers Providence St Joseph Medical Center and Providence Medical group collectively build and support coordinated services across the continuum of care to meet regional residents' needs, while mutually supporting organizational, operational, and fiscal health Joint ventures include research collaborations (cardiac, neuroscience and oncology) with the University of Montana, affiliations with long term care facilities, a community based mental health center and the Indian Health services clinic, among others</p>
		<p>Part VI, Line 6 Providence Health &amp; Services owns or operates 32 general acute care hospitals, three ambulatory care centers, five medical groups, six long-term care facilities, seven homecare and hospice entities, five assisted living facilities, a children's nursing center and Montessori school, a high school, a university, 13 low-income housing projects, the Health Plan, a health services contractor, two programs of all inclusive care for the elderly, and 21 controlled fundraising foundations The Health System provides inpatient, outpatient, primary care, and home care services in Alaska, Washington, Montana, Oregon and Southern California The Health System operates these businesses primarily in the greater metropolitan areas of Anchorage, Alaska, Everett, Seattle, Edmonds, Spokane and Olympia, Washington, Missoula, Montana, Portland and Medford, Oregon, and Los Angeles, California In addition to acute inpatient care, Providence St Joseph Medical Center provides primary care and specialty physician clinics As a ministry of Providence Health &amp; Services, Providence St Joseph Medical Center is guided by a Mission and set of core values based on Catholic health care and inspired by the legacy of the Sisters of Providence As one Catholic health system committed to caring for the poor and vulnerable, Providence Health &amp; Services has developed a single framework for consistently reporting charity care and community benefit Our responsibility to stewardship drives us to a standardized approach to supply chain so that we can deliver excellent patient care while reducing the cost of delivered supplies Our commitment to respect and fairness means Providence has a system-wide compensation policy Locally, Providence St Joseph Medical Center is empowered to apply these policies to meet the local needs of their community Providence St Joseph Medical Center conducts local assessments to make sure the needs of the community are met The community board of directors oversees and approves the annual community benefit plan that addresses the health care disparities within the community The community benefit plan is developed and reviewed annually to ensure that the proposed outcomes are being met This plan is implemented in concert with others in the community to increase the accountability that we share with them to improve the health of our community and to not duplicate services</p>



Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	MT



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

OMB No 1545-0047

# 2012

## Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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

Name of the organization

Providence St Joseph Medical Center

Employer identification number

81-0463482

## Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

**Part II** **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

- |          |   |   |          |
|----------|---|---|----------|
| <b>2</b> | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . |  | <u>2</u> |
| <b>3</b> | Enter total number of other organizations listed in the line 1 table . . . . .                            |  | 0        |

**Part III**

**Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
Part III can be duplicated if additional space is needed.

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

Part IV Supplemental Information.		
Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information		
Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Grant procedures include the following 1 ) Program summary and budget 2 ) Regular status updates 3 ) Documentation supporting tax-exempt status 4 ) Provide, upon request, financial reporting of the budgeted use of grant funds

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  
Providence St Joseph Medical Center

Employer identification number  
81-0463482

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	<div><input type="checkbox"/> First-class or charter travel</div> <div><input type="checkbox"/> Travel for companions</div> <div><input type="checkbox"/> Tax idemnification and gross-up payments</div> <div><input type="checkbox"/> Discretionary spending account</div>	<div><input type="checkbox"/> Housing allowance or residence for personal use</div> <div><input type="checkbox"/> Payments for business use of personal residence</div> <div><input type="checkbox"/> Health or social club dues or initiation fees</div> <div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	<div><input checked="" type="checkbox"/> Compensation committee</div> <div><input checked="" type="checkbox"/> Independent compensation consultant</div> <div><input type="checkbox"/> Form 990 of other organizations</div>	<div><input checked="" type="checkbox"/> Written employment contract</div> <div><input checked="" type="checkbox"/> Compensation survey or study</div> <div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a		No
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in 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
	Part I, Line 1a	<p>The reporting organization did not provide any of the benefits listed in Part I, Line 1a. However, as part of Providence's philosophy of transparency, the narrative that follows relates to the compensation and benefits provided by the related organization. Providence Health &amp; Services Expense Reimbursement Procedures include the following policies: First Class Travel or Charter Travel or Travel of Companions. Air travel is reimbursable for tourist or economy class and should be at the least expensive airfare, which permits departures and arrivals at reasonable times and reasonable distance traveled. Employees are encouraged to plan in advance to get available discounts. Airline frequent flyer upgrades will never be reimbursed. First class air travel will only be reimbursed when tourist or economy class air travel is not available and business travel is mandated by a supervisor. In the rare circumstance that an executive must fly on a first class full fare ticket, their senior level supervisor must approve this expense. Companion travel will only be reimbursed by the organization for travel related to relocation, and should not exceed two relocation-related visits, unless approval by the SVP/Chief Human Resources Officer. During 2012, a total of one first-class ticket was purchased for disclosed personnel. Tax Indemnifications or Gross-Up Payments: Providence Health &amp; Services follows the federal and state taxation laws related to relocation expenses paid to the employee or to a third party on the employee's behalf. They are considered income and are therefore subject to payroll taxes. Based on the way Providence has chosen to pay the relocation expenses, Providence reports reimbursements and payments to vendors as income and these expense payments are reflected on the executive's Form W-2. Providence will gross-up the relocation benefits to offset the personal tax burden to the employee for IRS allowable expenses. During 2012, the following Key Employees received gross-up payments: Arnold R. Schaffer - Relocation; Phil Jackson - Relocation; Bruce Lamoureux - Gift Card. The amounts reported for these gross-up payments are included on Schedule J, Part II, Column B (iii) - Other Reportable Compensation. Discretionary Spending Account: Providence Health &amp; Services provides an executive flex spending allowance per year (paid bi-weekly). This benefit is provided as discretionary spending because the organization does not reimburse for or provide additional executive benefits, such as a car allowance, additional executive life or disability insurance, or other market-based executive benefits practices. This benefit was discontinued for Calendar Year 2012. Housing Allowance or Residence for Personal Use: Providence Health &amp; Services provides housing allowances for purposes of relocation assistance only. Providence may pay temporary living expenses for the employee up to a maximum of 90 calendar days. Covered expenses are rent (excluding "rent" which may be paid in order to occupy a new permanent residence until the title clears) and utilities, including heat, electricity, gas, water, local internet and local telephone and garbage services. The SVP/Chief Human Resources Officer may approve temporary housing assistance for up to six months when family relocation is delayed to accommodate the school year or equivalent circumstances. Only in extenuating circumstances is housing extended beyond this six month period. During 2012, the following Key Employees received relocation/housing program payments: Arnold R. Schaffer, Phil Jackson, Terry L. Smith, Ray Williams. The amounts reported for these relocation payments are included on Schedule J, Part II, Column B (iii) - Other Reportable Compensation.</p>

Identifier	Return Reference	Explanation
	Part I, Lines 4a-b	<p>b) ESP Interest Credit - \$96,202 c) SERP Interest Credit - \$240,115 6) Arnold R Schaffer a) Taxable SERP Earned but not Paid - \$819,315 b) SERP Interest Credit - \$157,753 7) John V Fletcher a) Taxable SERP Earned but not Paid - \$511,574 b) Taxable CBRP Earned but not Paid - \$5,997 c) ESP Interest Credit - \$50,355 d) SERP Interest Credit - \$122,030 8) Janice J Jones a) Taxable SERP Earned but not Paid - \$147,676 b) Taxable CBRP Earned but not Paid - \$264 c) Non-Taxable SERP Earned - \$1 d) SERP Interest Credit - \$144,057 9) Myron Berdischewsky, MD a) Taxable SERP Earned but not Paid - \$1,522,140 b) Non-Taxable SERP Earned - \$43,658 c) SERP Interest Credit - \$82,406 10) Michael Hunn a) Taxable SERP Earned but not Paid - \$222,462 b) SERP Interest Credit - \$44,426 11) Cndra R Syverson a) SERP Interest Credit - \$33,544 b) SERP Earned but not Vested - \$148,036 12) Terry L Smith a) Taxable SERP Earned but not Paid - \$68,857 b) Taxable CBRP Earned but not Paid - \$673 c) ESP Interest Credit - \$67,068 d) SERP Interest Credit - \$164,038 13) Craig L Wright, MD a) SERP Interest Credit - \$95,974 b) SERP Earned but not Vested - \$241,654 14) Bruce Lamoureux a) Taxable SERP Earned but not Paid - \$895,277 b) Taxable CBRP Earned but not Paid - \$970 c) Non-Taxable SERP Earned - \$1 d) SERP Interest Credit - \$47,391 15) Ray Williams a) SERP Earned but not Vested - \$119,753 16) Kevin Brown a) NQ - \$60,000 b) SERP Earned but not Vested - \$114,573 17) Jack Friedman a) Taxable SERP Earned but not Paid - \$47,618 b) SERP Interest Credit - \$144,595 18) Cindy Strauss a) NQ - \$48,000 b) SERP Earned but not Vested - \$161,294 19) Phil Jackson a) SERP Interest Credit - \$9,748 b) SERP Earned but not Vested - \$85,986 20) David T Brooks a) SERP Interest Credit - \$44,009 b) SERP Earned but not Vested - \$161,703 21) Medrice Coluccio a) SERP Interest Credit - \$55,860 b) SERP Earned but not Vested - \$341,617 22) Eugene "Al" Parrish a) Taxable SERP Earned but not Paid - \$293,361 b) Non-Taxable SERP Earned - \$39,762 23) John Kenagy a) Taxable SERP Earned but not Paid - \$417,225 NONQUALIFIED RETIREMENT PLANS A) SERP = Supplemental Executive Retirement Plan B) CBRP = Cash Balance Restoration Plan C) ESP = Elective Survivor Plan D) SOP = Share Option Plan E) NQ = Non-Qualified 409(a) Payout 1) John F Koster, MD a) Taxable SERP Earned but not Paid- \$1,872,867 b) SERP Interest Credit - \$327,363 2) Jeffrey W Rogers a) Taxable SERP Earned but not Paid - \$44,273 b) ESP Interest Credit - \$87,150 c) SERP Interest Credit - \$136,048 3) Michael L Butler a) SERP Interest Credit - \$301,732 b) SERP Earned but not Vested - \$527,516 4) Rod Hochman, MD a) NQ - \$202,400 b) SERP Earned but not Vested - \$284,676 5) Gregory Van Pelt a) Taxable SERP Earned but not Paid - \$183,330</p>



Identifier	Return Reference	Explanation
	Part I, Lines 4a-b	SEVERANCE 1) John Kenagy - \$188,084

Identifier	Return Reference	Explanation
Supplemental Information	Part III	<p>FORM 990, SCHEDULE J, PART II - EXECUTIVE PERFORMANCE AWARDS PROGRAM The Providence Executive Performance Awards Program provides a lump sum award annually as a percent of the executive's base pay. Percent opportunities are aligned with our total compensation philosophy as outlined in Part VI, Section B, Line 15 (Process for determining compensation of top management, officers &amp; key employees). The performance award is based on the level of accomplishment of annual system objectives and personal objectives. In 2012, 50 percent of the participant awards were based on pre-determined organizational goals consistent with Providence's five strategic priorities of mission driven, financially responsible, people centered, service oriented and quality focused. In 2012 the percent allocation for each of these strategic priorities was: Mission driven 10%, Financially responsible 10%, People centered 10%, Service oriented 10%, Quality focused 10%. To ensure affordability of the program, the organization (system, region or entity) must meet a threshold of 50 percent of budgeted net operating income.</p>



Software ID:  
Software Version:  
EIN: 81-0463482  
Name: Providence St Joseph Medical Center

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
John F Koster MD	(i)	0	0	0	0	0	0	0
	(ii)	1,257,618	2,794,425	17,769	353,700	29,015	4,452,527	339,126
Jeffrey W Rogers	(i)	0	0	0	0	0	0	0
	(ii)	444,646	178,408	577	300,735	19,058	943,424	48,099
Todd Hofheins	(i)	0	0	0	0	0	0	0
	(ii)	362,360	175,788	17,577	18,701	21,725	596,151	0
James R Kiser II	(i)	185,967	32,253	17,000	10,476	12,150	257,846	0
	(ii)	0	0	0	0	0	0	0
Michael L Butler	(i)	0	0	0	0	0	0	0
	(ii)	873,495	516,168	16,368	863,387	27,457	2,296,875	435,962
Rod Hochman MD	(i)	0	0	0	0	0	0	0
	(ii)	986,310	250,000	202,400	307,076	25,101	1,770,887	0
John V Fletcher	(i)	0	0	0	0	0	0	0
	(ii)	547,460	1,010,144	17,769	238,549	20,704	1,834,626	388,497
Janice J Jones	(i)	0	0	0	0	0	0	0
	(ii)	593,458	370,591	67,207	180,325	23,726	1,235,307	154,703
Myron Berdischewsky MD	(i)	0	0	0	0	0	0	0
	(ii)	496,463	1,828,076	34,769	142,532	24,073	2,525,913	404,844
Cindra R Syverson	(i)	0	0	0	0	0	0	0
	(ii)	396,975	164,708	577	197,231	23,437	782,928	130,173
Terry L Smith	(i)	0	0	0	0	0	0	0
	(ii)	620,095	326,004	66,315	326,854	22,265	1,361,533	69,195
Ray Williams	(i)	0	0	0	0	0	0	0
	(ii)	491,804	452,500	296,131	137,253	25,746	1,403,434	0
Cindy Strauss	(i)	0	0	0	0	0	0	0
	(ii)	376,810	180,000	65,000	173,813	32,109	827,732	0
Phil Jackson	(i)	0	0	0	0	0	0	0
	(ii)	393,919	165,118	50,067	134,924	22,765	766,793	0
John O Mudd	(i)	0	0	0	0	0	0	0
	(ii)	359,051	128,263	17,769	94,957	19,393	619,433	0
Claudia Haglund	(i)	0	0	0	0	0	0	0
	(ii)	338,715	144,793	17,577	202,296	17,374	720,755	0
Joel S Gilbertson	(i)	0	0	0	0	0	0	0
	(ii)	337,209	102,148	17,577	84,156	21,411	562,501	0
David Brown	(i)	0	0	0	0	0	0	0
	(ii)	279,529	80,003	577	117,392	20,606	498,107	0
Orest Holubec	(i)	0	0	0	0	0	0	0
	(ii)	279,042	119,255	12,202	33,565	19,919	463,983	0
Debbie Burton	(i)	0	0	0	0	0	0	0
	(ii)	303,518	84,357	17,577	214,734	19,093	639,279	0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Michael Righetti MD	(i)	499,533	40,000	0	11,250	13,307	564,090	0
	(ii)	0	0	0	0	0	0	0
Nathaniel Buffington MD	(i)	203,294	52,621	17,106	5,562	14,440	293,023	0
	(ii)	0	0	0	0	0	0	0
Adam T Smith MD	(i)	279,415	31,374	0	16,401	14,935	342,125	0
	(ii)	0	0	0	0	0	0	0
Ronald S Gardner MD	(i)	256,619	0	0	11,250	15,585	283,454	0
	(ii)	0	0	0	0	0	0	0
Jeremy P Mitchell MD	(i)	203,461	26,978	0	10,573	14,805	255,817	0
	(ii)	0	0	0	0	0	0	0
Eugene Al Parrish	(i)	0	0	0	0	0	0	0
	(ii)	83,787	399,842	1,890	49,393	7,812	542,724	56,382
John Kenagy	(i)	0	0	0	0	0	0	0
	(ii)	75,228	518,535	264,911	8,047	6,768	873,489	115,387

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Providence St Joseph Medical Center

Employer identification number  
81-0463482

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Montana Facility Finance Authority	81-0302402	61204KCB5	06-22-2006	10,589,455	Refunded Series 1999 Bonds - 7/20/99, Refunded Series 2002 Bonds - 8/7/02		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	10,589,455							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	113,191							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	10,476,264							
12	Other unspent proceeds								
13	Year of substantial completion	2002							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%							
6	Total of lines 4 and 5	0 00000%							
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X						
b	Exception to rebate?		X						
c	No rebate due?	X							
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X						
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	X							

Part VI

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

Identifier	Return Reference	Explanation
Schedule K Part IV, Arbitrage, Line 2c	Date Rebate Computation Performed	Issuer Name Montana Facility Finance Authority Date the Rebate Computation was Performed 07/21/2011



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 Providence St Joseph Medical Center	Employer identification number  81-0463482
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	The sole Corporate Member of the Corporation is St Patrick Hospital and Health Sciences Center

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	The powers of the Corporate Member include the provision to appoint the number of Directors, appoint the Board of Directors and to remove such Directors at any time with or without cause. Additionally, the Member may appoint and remove the President/CEO with or without cause after consultation with the Board.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	The following powers reside with the Member To adopt or change the mission, philosophy, and values of the Corporation To amend or repeal the Articles of Incorporation and the Bylaws of the Corporation To approve the acquisition of assets, the incurrence of indebtedness or the lease, sale, transfer, assignment or encumbering of the assets, in excess of a specified amount To approve the dissolution and/or liquidation or the consolidation or merger of the Corporation To approve the annual operating and capital budget and approval any deviations from the budget exceeding a specified amount To appoint the Corporation's certified public accountants after receiving recommendation of the Board of Directors To approve the lending of Corporate funds, other than the purchase of publicly traded securities, to unaffiliated organizations To approve the closure of any institution or major ministry or work within this Corporation

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The Form 990 is prepared internally by experienced staff and reviewed by the internal Director of Taxes and external tax advisors. The Board of Directors reviewed the Form 990 prior to filing with the IRS.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Providence Health & Services maintains a conflict of interest policy that applies to board members and management of all Providence-related organizations. The purpose of the policy is to guide and direct those serving the Providence Health & Services' corporations and other legal entities so they can (1) fulfill their fiduciary responsibilities and exercise stewardship in ways that promote and protect the best interests of Providence and, (2) avoid situations that create a conflict, or the appearance of a conflict, between the interests of an individual associated with Providence and Providence. On an annual basis, each board member and management level employee must complete and submit an updated conflict of interest statement. Conflict of interest disclosures are reviewed by the System Integrity Department working in conjunction with the Department of Legal Affairs. If it is determined that an actual conflict exists, appropriate follow-up action is taken with the individual to rectify the conflict.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	<p>It is Providence's intention to make financial information accessible and transparent. Although the filing of Form 990 provides insight into how Providence achieves its Mission, delivers its programs and stewards its finances, deciphering the information directly from Form 990 can be challenging. The following paragraphs provide further information about the process we use to determine compensation for top management, officers and key employees.</p> <p>Providence has a single fiduciary Board, with responsibility for financial oversight associated with fulfillment of the Providence Mission, developing system policies, protecting the assets entrusted to the organization and overseeing the strategic and operational affairs of Providence's legal entities. Providence also maintains a network of community ministry boards with responsibility for quality of care oversight, community relations, advocacy and community needs assessments. Providence has a consistent compensation philosophy for all of its employees, including our senior executives. Salaries for senior executives are determined by the Providence Board's Human Resources Committee and approved by the full Board of Directors, none of whom is a Providence employee. The Board retains an independent consultant each year to review salaries of those in the most significant leadership roles in the organization. Part of the consultant's role is to review an extensive array of compensation surveys of large, not-for-profit health care systems in the United States. Providence is one of the larger health systems in the country, and as such, the Board benchmarks executive compensation against other large, not-for-profit health systems whose revenue is similar to that of Providence. Base salaries for Providence executives are set at the median level of the market, as identified by the independent consultant and reviewed with the Human Resources Committee. Each year, the Board Chair conducts a formal performance evaluation of the President/CEO that considers input from the other directors and senior leaders reporting to the President. The evaluation is discussed with the Human Resources Committee and then a recommendation is made by the committee to the full Board. The Board Chair and the Chair of the Human Resources Committee also meet with an independent consultant to develop a salary recommendation, which is reviewed and approved first by the committee and then by the Board of Directors. Additionally, the President/CEO utilizes the market information provided by the consultant along with formal performance evaluations, to determine salary recommendations for other senior executives. This process includes a rigorous analysis of those recommendations with the Human Resources Committee as a part of the review and approval process.</p> <p>Performance incentives allow executives to earn additional compensation if they achieve specific organizational and individual goals for furthering Providence operating principles - advancing the Providence Mission and core values, meeting benchmarks for charity care, achieving quality targets, delivering top-rated customer satisfaction, meeting employee satisfaction goals and reaching financial performance objectives. The Board of Directors conducts a thorough process to ensure performance incentives are aligned with appropriate practices for not-for-profit health care systems. The Board's process for executive compensation fully complies with IRS standards and mirrors the best practices recommended in the "Report to Congress and the Nonprofit Sector on Governance, Transparency, and Accountability" submitted to the Senate Finance Committee by the Panel on the Nonprofit Sector.</p>

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Public disclosure of governing documents, conflict of interest policy and 990 filings are made available to the public upon written request. Financial statements are available on our public Internet site <a href="http://www.providence.org">www.providence.org</a> . All governing policies including the conflict of interest policy, as well as 990 filings are available to employees on the Intranet site.

Identifier	Return Reference	Explanation
Contact Addresses for Officers, Directors, Etc	Form 990, Part VII	James R Kiser II - 6 Thirteenth Avenue East, Polson, MT 59860



Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Recipient Organization Adjustment 119,057 Capital Net Asset Transfers - 1,064,269 Rounding 2

Identifier	Return Reference	Explanation
	FORM 990 - EXPLANATION FOR AMENDED RETURN	The 2012 Form 990 is being amended to reflect the correct UBTI on Part I, Line 7b

Identifier	Return Reference	Explanation
RELATED ORGANIZATION COMPENSATION	FORM 990, PART VII, SECTION A	Compensation paid by a related organization for those individuals listed on Part VII, was paid by Providence Health & Services - Washington dba Health System Office EIN# 91-0725998 and not by the reporting organization

Identifier	Return Reference	Explanation
VOLUNTEERS	FORM 990, PART I, LINE 6	Gift Shop Volunteers Surgery Reception Preparation of OB Care Bags Distribute/Replace Hospital Care Notes Purchasing Clerk Oncology Reception/Lab Delivery Medical Records Clerk Visiting Doctor Reception Cardiac Rehab Equipment Cleaning/Assist Patients as needed Knit 200 new born baby hats

Identifier	Return Reference	Explanation
AUDIT & COMPLIANCE	FORM 990, PART XII, LINE 2C	The Providence Health & Services Audit and Compliance Committee assists the Board of Directors with the oversight of the integrity of the financial statements and reporting, the audit process and the internal financial controls and policies, compliance with ethical, legal and regulatory standards and requirements, the independence, qualifications and performance of the internal and external auditors, the System's investment committee, and informs the Board of Directors of critical risk areas and recommended mitigation

Identifier	Return Reference	Explanation
RELIGIOUS COMMUNITY MEMBERS	FORM 990, PART VII	As members of the Religious Community, each Sister has taken a vow of poverty as a compulsory part of her religious life. Any compensation for services of a Sister inures only for the benefit of the Community, not the individual members. All payments for services are made directly to the Religious Community.

Identifier	Return Reference	Explanation
ISSUANCE OF FORM 1099	FORM 990, PART V, LINE 1	All 1099s for 2012 were issued by Providence Health & Services - WA #51-0216586 Therefore, none are shown for the reporting organization

Identifier	Return Reference	Explanation
AFFILIATION AGREEMENTS	FORM 990, SCHEDULE R - RELATED ORGANIZATIONS	<p>On February 1, 2012, Providence Health &amp; Services (the Health System) and Swedish Health Services (Swedish) effected an affiliation Agreement, which integrated the operations of the two health systems. The Health System and Swedish have affiliated to create a fully integrated, nonprofit, charitable health care system serving the communities throughout Western Washington. No cash or other purchase consideration was transferred to effect the affiliation. Effective July 1, 2012, Providence Health System - Southern California entered into an affiliation agreement with Facey Medical Foundation and Facey Medical Group. The Facey Medical Foundation is a nonprofit medical foundation, which operates ten clinics in the North San Fernando, Santa Clarita, San Gabriel and Simi Valleys. These sites are staffed by the Facey Medical Group physicians pursuant to a professional services agreement. No cash or other purchase consideration was transferred to effect the affiliation.</p>



SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Providence St Joseph Medical Center

Employer identification number  
81-0463482

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	No
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
See Additional Data Table												

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
See Additional Data Table									

Part V

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

Yes

1m

No

1n

No

1o

No

1p

Yes

1q

No

1r

No

1s

No

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

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

Schedule R (Form 990) 2012

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

[illegible]



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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Center for Specialty Surgery LLC  11782 SW Barnes Rd Portland, OR 97225 26-3638838	Ambulatory Surgery Center	OR	PH&S - OR	Related				No			No	
Oregon Outpatient Surgery Center  7300 SW Childs Rd Tigard, OR 97224 22-3883387	Ambulatory Surgery Center	OR	PH&S - OR	Related				No			No	
ProvidenceUSP Santa Clarita GP LLC  11550 Indian Hills Road 160 Mission Hills, CA 91345 20-2829660	Ambulatory Surgery Center	CA	PHS - So California	Related				No			No	
ProvidenceUSP Surgery Ctrs LLC  11550 Indian Hills Road 160 Mission Hills, CA 91345 20-0905938	Ambulatory Surgery Center	CA	PHS - So California	Related				No			No	
Alpha Medical Laboratory LLC  611 N Perry Spokane, WA 99202 91-2017347	Outpatient Lab	ID	PAML LLC	Related				No			No	
Canby Medical Center I LLC  2747 Pence Loop SE Salem, OR 97302 20-5470937	Real Estate - MOB	OR	PH&S - OR	Related				No			No	
Greater Valley Medical Building LP  501 S Buena Vista St Burbank, CA 91505 95-4570858	Real Estate - MOB	CA	PHS - So California	Investment				No			No	
Medalia Healthcare LLC  1801 Lind Ave SW 9016 Renton, WA 98057 91-1660459	Physician Benefits	WA	PH&S - WA	Investment				No			No	
Prov Radiation Oncology Develop Assn LLC  1235 NE 47th Ave Portland, OR 97213 26-0682491	Real Estate - MOB	OR	PH&S - OR	Investment				No			No	
ProvidenceSilverton Rehab LLC  1235 NE 47th Ave 260 Portland, OR 97213 48-1287267	Rehab Services	OR	PH&S - OR	Related				No			No	
Southern Idaho Regional Laboratory LLC  611 N Perry Spokane, WA 99202 82-0511819	Outpatient Lab	ID	PAML LLC	Related				No			No	
Tri-Cities Laboratory LLC  611 N Perry Spokane, WA 99202 91-1773986	Outpatient Lab	WA	PAML LLC	Related				No			No	
Providence Partners for Health LLC  501 S Buena Vista St Burbank, CA 91505 45-4041798	Clinical Quality & Integration	CA	PHS - So California	Related				No			No	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Providence Health Ventures Inc  4101 Torrance Blvd Torrance, CA 90503 33-0122216	Investment	CA	N/A	C					No
Caron Health Corporation  510 W Front St Missoula, MT 59802 81-0486082	Medical Physician Service	MT	N/A	C					No
Providence Health Care Ventures Inc  101 W 8th Ave TAF C- 9 Spokane, WA 99204 90-0155714	Clinical/Medical Lab	WA	N/A	C					No
Providence Physician Services Co  101 W 8th Ave TAF C- 9 Spokane, WA 99204 91-1216033	Clinical/Medical Lab	WA	N/A	C					No
Yakima Medical Arts Inc  611 N Perry 100 Spokane, WA 99202 91-0787963	Rental Real Estate	WA	N/A	C					No
Bourget Health Services Inc  PO Box 2687 Spokane, WA 99220 91-1354431	Clinical/Medical Lab	WA	N/A	C					No
1221 Madison Street Owners Assoc  747 Broadway Seattle, WA 98122 20-1954319	Owners' Association	WA	N/A	C					No
Washington Cancer Centers PC  1560 N 115th G-16 Seattle, WA 98133 91-1792791	Cancer Treatment	WA	N/A	C					No



**PROVIDENCE HEALTH & SERVICES**

Combined Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)





**KPMG LLP**  
Suite 2900  
1918 Eighth Avenue  
Seattle, WA 98101

## **Independent Auditors' Report**

The Board of Directors  
Providence Health & Services

We have audited the accompanying combined financial statements of Providence Health & Services, which comprise the combined balance sheets as of December 31, 2012 and 2011, and the related combined statements of operations, 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 combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 financial position of Providence Health & Services as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



### **Emphasis of Matter**

Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information, included on pages 40 and 41 is presented for the purpose of additional analysis and is 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

**KPMG LLP**

Seattle, Washington  
April 8, 2013

# PROVIDENCE HEALTH & SERVICES

## Combined Balance Sheets

December 31, 2012 and 2011

(In thousands of dollars)

Assets	2012	2011
Current assets		
Cash and cash equivalents	\$ 706.664	378.521
Short-term management-designated investments	452.082	417.210
Assets held under securities lending	51.220	86.987
Accounts receivable, less allowance for bad debts of \$371.097 in 2012 and \$214.433 in 2011	1,261.094	935.604
Other receivables, net	271.133	213.527
Supplies inventory	155.736	125.157
Other current assets	108.150	82.540
Current portion of funds held by trustee	87.366	75.745
Total current assets	3,093.445	2,315.291
Assets whose use is limited		
Management-designated cash and investments	3,541.564	2,713.050
Gift annuities, trusts, and other	50.345	35.545
Funds held by trustee	125.146	160.243
Assets whose use is limited, net of current portion	3,717.055	2,908.838
Property, plant, and equipment, net	6,236.213	4,679.181
Other assets	367.005	276.369
Total assets	\$ 13,413.718	10,179.679

# PROVIDENCE HEALTH & SERVICES

## Combined Balance Sheets

December 31, 2012 and 2011

(In thousands of dollars)

Liabilities and Net Assets	2012	2011
Current liabilities		
Current portion of long-term debt	\$ 63,376	46,205
Master trust debt classified as short-term	480,201	454,200
Accounts payable	423,307	331,685
Accrued compensation	581,645	431,724
Payable to contractual agencies	131,761	110,594
Liabilities under securities lending	52,708	89,183
Retirement plan obligations	164,709	154,120
Current portion of self-insurance liability	96,445	74,944
Other current liabilities	239,869	199,885
Total current liabilities	2,234,021	1,892,540
Long-term debt, net of current portion	2,943,152	1,797,350
Other long-term liabilities		
Self-insurance liability, net of current portion	238,408	236,126
Pension benefit obligation	1,192,650	771,183
Other liabilities	131,779	81,783
Total other long-term liabilities	1,562,837	1,089,092
Total liabilities	6,740,010	4,778,982
Net assets		
Unrestricted		
Controlling interest	6,319,188	5,116,354
Noncontrolling interest	73,857	62,625
Temporarily restricted	201,961	151,886
Permanently restricted	78,702	69,832
Total net assets	6,673,708	5,400,697
Total liabilities and net assets	\$ 13,413,718	10,179,679

See accompanying notes to combined financial statements

# PROVIDENCE HEALTH & SERVICES

## Combined Statements of Operations

Years ended December 31, 2012 and 2011

(In thousands of dollars)

	<u>2012</u>	<u>2011</u>
Operating revenues		
Net patient service revenues	\$ 9,055,945	6,995,220
Provision for bad debts	(389,890)	(318,334)
Net patient service revenues less provision for bad debts	8,666,055	6,676,886
Premium and capitation revenues	1,333,584	1,215,142
Other revenues	608,610	528,819
Total operating revenues	<u>10,608,249</u>	<u>8,420,847</u>
Operating expenses		
Salaries and wages	4,430,130	3,402,777
Employee benefits	1,170,276	883,232
Purchased healthcare	733,975	694,273
Professional fees	390,427	280,550
Supplies	1,473,398	1,138,637
Purchased services	802,418	698,682
Depreciation	584,609	407,117
Interest and amortization	120,096	76,236
Other	698,834	600,450
Total operating expenses	<u>10,404,163</u>	<u>8,181,954</u>
Excess of revenues over expenses from operations	<u>204,086</u>	<u>238,893</u>
Net nonoperating gains		
Contribution from Swedish affiliation	766,252	—
Contribution from Facey affiliation	38,546	—
Loss on extinguishment of debt	(53,596)	(2,303)
Investment income, net	290,884	157,836
Pension settlement costs and other	(29,656)	(32,699)
Total net nonoperating gains	<u>1,012,430</u>	<u>122,834</u>
Excess of revenues over expenses	1,216,516	361,727
Net assets released from restriction for capital	17,460	16,909
Change in noncontrolling interests in consolidated joint ventures	11,232	19,215
Pension related changes	(2,862)	(129,236)
Contributions, grants, and other	(28,280)	542
Increase in unrestricted net assets	<u>\$ 1,214,066</u>	<u>269,157</u>

See accompanying notes to combined financial statements

**PROVIDENCE HEALTH & SERVICES**

Combined Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

(In thousands of dollars)

	<b>Unrestricted: controlling interest</b>	<b>Unrestricted: noncontrolling interest</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total net assets</b>
Balance, December 31, 2010	\$ 4,866,412	43,410	159,865	67,135	5,136,822
Excess of revenues over expenses	361,727	—	—	—	361,727
Contributions, grants, and other	542	—	39,947	2,697	43,186
Net assets released from restriction	16,909	—	(47,926)	—	(31,017)
Change in noncontrolling interests in consolidated joint ventures	—	19,215	—	—	19,215
Pension related changes	(129,236)	—	—	—	(129,236)
Increase (decrease) in net assets	249,942	19,215	(7,979)	2,697	263,875
Balance, December 31, 2011	5,116,354	62,625	151,886	69,832	5,400,697
Excess of revenues over expenses	1,216,516	—	—	—	1,216,516
Restricted contribution from Swedish affiliation	—	—	37,377	6,670	44,047
Contributions, grants, and other	(28,280)	—	66,791	2,200	40,711
Net assets released from restriction	17,460	—	(54,093)	—	(36,633)
Change in noncontrolling interests in consolidated joint ventures	—	11,232	—	—	11,232
Pension related changes	(2,862)	—	—	—	(2,862)
Increase in net assets	1,202,834	11,232	50,075	8,870	1,273,011
Balance, December 31, 2012	\$ 6,319,188	73,857	201,961	78,702	6,673,708

See accompanying notes to combined financial statements

# PROVIDENCE HEALTH & SERVICES

## Combined Statements of Cash Flows

Years ended December 31, 2012 and 2011

(In thousands of dollars)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,273,011	263,875
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contribution from Swedish affiliation	(810,299)	—
Contribution from Facey affiliation	(38,546)	—
Depreciation and amortization	588,630	411,831
Provision for bad debt	389,890	318,334
Loss on extinguishment of debt	53,596	2,303
Equity income from joint ventures	(37,394)	(61,083)
Restricted contributions and investment income received	(69,411)	(40,048)
Net realized and unrealized gains on investments	(214,616)	(77,419)
Distributions from joint ventures	32,933	70,588
Changes in certain current assets and current liabilities	(189,059)	(298,188)
Change in certain long-term assets and liabilities	(2,591)	158,782
Net cash provided by operating activities	<u>976,144</u>	<u>748,975</u>
Cash flows from investing activities		
Property, plant, and equipment additions	(726,365)	(816,534)
Proceeds from disposal of property, plant, and equipment	5,427	16,268
Purchases of investments	(3,680,180)	(4,893,104)
Proceeds from sales of investments	3,650,523	4,696,454
Change in securities lending collateral	35,767	52,933
Change in other long-term assets and other	41,389	(39,942)
Change in funds held by trustee, net	(46,718)	10,823
Net cash used in investing activities	<u>(720,157)</u>	<u>(973,102)</u>
Cash flows from financing activities		
Proceeds from restricted contributions and restricted income	69,411	40,048
Debt borrowings	2,216,664	1,007,449
Debt payments	(2,168,727)	(919,749)
Change in securities lending payable	(36,475)	(53,162)
Payment of deferred financing costs and other	(8,717)	359
Net cash provided by financing activities	<u>72,156</u>	<u>74,945</u>
Increase (decrease) in cash and cash equivalents	328,143	(149,182)
Cash and cash equivalents, beginning of year	<u>378,521</u>	<u>527,703</u>
Cash and cash equivalents, end of year	<u>\$ 706,664</u>	<u>378,521</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	\$ 89,193	68,370

See accompanying notes to combined financial statements

## **PROVIDENCE HEALTH & SERVICES**

### **Notes to Combined Financial Statements**

December 31, 2012 and 2011

#### **(1) Organization**

##### **(a) *Sisters of Providence***

Sisters of Providence (the Congregation), a religious congregation of Roman Catholic women, was founded in 1843. The religious congregation's central headquarters is in Montreal, Quebec, Canada. Sisters of Providence – Mother Joseph Province (the Province) was formed in 2000 through the combination of the Sacred Heart Province (founded in 1856) and the St. Ignatius Province (founded in 1891). The activities of the Province include apostolic works in healthcare, social services, and education. Members of the Province serve in these works through related and unrelated organizations. The Province is compensated for the services of its members. The Province has 139 professed members and maintains provincial administration offices in Renton, Washington. The members of the Province represent the Congregation in the following:

- Archdiocese of Los Angeles, California
- Archdiocese of Port-au-Prince, Haiti
- Archdiocese of Portland, Oregon
- Archdiocese of Seattle, Washington
- Diocese of Baker, Oregon
- Diocese of Boise, Idaho
- Diocese of Cubao, Philippines
- Diocese of Great Falls – Billings, Montana
- Diocese of Orlando, Florida
- Diocese of Spokane, Washington
- Diocese of Yakima, Washington
- Diocese of Montreal, Canada
- Diocesis Santiago de Maria, El Salvador

##### **(b) *Providence Health & Services***

The Public Juridic Person, Providence Ministries, is the sole Member of Providence Health & Services and controls certain aspects of the various corporations comprising Providence Health & Services through certain reserved rights.

Providence Ministries sponsors various corporations comprising Providence Health & Services including:

- Providence Health & Services – Washington
- Providence Health & Services – Oregon



## **PROVIDENCE HEALTH & SERVICES**

### **Notes to Combined Financial Statements**

December 31, 2012 and 2011

- Providence Health System – Southern California (cosponsored by the Congregation and the American Province of the Little Company of Mary Sisters)
- Providence Health & Services – Montana
- Providence St. Joseph Medical Center
- St. Thomas Child and Family Center Corporation
- University of Great Falls
- Providence Plan Partners
- Providence Health Plan (the Health Plan)
- Providence Health Assurance
- Providence Health System Housing, The St. Luke Association, The Lundberg Association, Providence St. Francis Association, Providence Blanchet Association, Providence Rossi Association, Providence Peter Claver Association, The Gamelin Association, The Gamelin Oregon Association, The Gamelin California Association, Providence St. Elizabeth House Association, Gamelin Washington Association, Providence Gamelin House Association
- Providence Oregon Management Corporation
- Providence Ventures, Inc.
- Providence Assurance, Inc.

Providence Ministries and Western HealthConnect (as defined below) are co-Members of Providence Health & Services – Western Washington

The Health System (as defined below) owns or operates 32 general acute care hospitals, three ambulatory care centers, five medical groups, six long-term care facilities, seven homecare and hospice entities, five assisted living facilities, a high school, a university, 13 low-income housing projects, the Health Plan, a health services contractor, two programs of all inclusive care for the elderly, and 21 controlled fundraising foundations

The Health System (as defined below) provides inpatient, outpatient, primary care, and home care services in Alaska, Washington, Montana, Oregon, and Southern California. The Health System operates these businesses primarily in the greater metropolitan areas of Anchorage, Alaska, Everett, Seattle, Edmonds, Spokane, and Olympia, Washington, Missoula, Montana, Portland and Medford, Oregon, and Los Angeles, California.

#### ***(c) Organizational Changes***

##### **Swedish Health Services Affiliation**

On February 1, 2012, Providence Health & Services (Providence) and Swedish Health Services (Swedish) (Providence and Swedish are collectively referred to as the Health System) effected an Affiliation Agreement, which financially, clinically, and operationally integrated the two health systems. Pursuant to the Affiliation, Western HealthConnect, which as mentioned above, is a

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

co-Member (with Providence Ministries) of Providence Health & Services – Western Washington, became Swedish's sole Member. Additionally, the Affiliation requires that respective Boards of Directors and corporate officers of Providence, Western HealthConnect, Swedish, and Providence Health & Services – Western Washington are comprised of the same individuals to facilitate co-governance and management oversight of these fully integrated entities. Providence and Swedish have affiliated to create a fully integrated, nonprofit, charitable health care system serving communities throughout Western Washington.

Swedish provides comprehensive inpatient, outpatient, and emergency healthcare services through five acute care hospitals, a network of primary care medical clinics, two emergency service centers, and other medical organizations, primarily in Seattle and the surrounding Washington area. Swedish also operates the Swedish Medical Center Foundation to provide fundraising to further the charitable, educational, healthcare, and scientific activities of Swedish. The results of operations of these entities have been included in the combined statements of operations of the Health System since the February 1, 2012 effective date of the Affiliation.

This transaction was accounted for as an acquisition under Accounting Standards Codification (ASC) 958-805, *Not-for-Profit Entities – Business Combinations*. No consideration was paid by the Health System to acquire the net assets of Swedish. The affiliation resulted in an excess of assets acquired over liabilities assumed, reported as a contribution from Swedish to the Health System of approximately \$810,299,000. The unrestricted portion of the contribution of \$766,252,000 is included in net nonoperating gains in the accompanying combined statement of operations. The remaining \$44,047,000 of the contribution was restricted and is recorded in restricted net assets in the combined statement of changes in net assets.

The following table summarizes the fair value estimates of the Swedish assets acquired and liabilities assumed as of February 1, 2012 (in thousands of dollars):

Cash and cash equivalents	\$ 68,184
Accounts receivable	286,571
Other receivables	28,884
Other current assets	35,085
Property, plant, and equipment	1,435,836
Management designated investments	579,885
Intangible assets	61,439
Other assets	53,787
Other current liabilities	(288,987)
Long-term debt, net of current portion	(978,965)
Pension benefit obligation	(392,538)
Self-insurance liability	(37,551)
Other liabilities	(41,331)
Total identifiable net assets assumed/contribution	<u>\$ 810,299</u>

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

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The following are the financial results of Swedish included in the Health System's 2012 combined statement of operations during the eleven-month period from the date of the affiliation through December 31, 2012 (in thousands of dollars)

Total operating revenues	\$ 1,759,045
Excess of revenues over expenses from operations	44,014
Excess of revenues over expenses	330,219

The following pro forma combined financial information presents the Health System's results as if the affiliation had been reported as of the beginning of the Health System's fiscal year of January 1, 2011

	2012			2011	
	Actual	Pro forma		Actual	Pro forma
Total operating revenues	\$ 10,608,249	10,743,408	(1)	8,420,847	10,206,914
Excess of revenues over expenses from operations	204,086	198,924	(1)	238,893	177,691
Excess of revenues over expenses	1,216,516	465,685	(1)	361,727	1,070,646

(1) Includes the historical results of Swedish for the one-month period ended January 31, 2012 prior to the affiliation, including the impact of purchase accounting adjustments

(2) Includes additional depreciation related to the fair value adjustments and useful life adjustments recorded related to the affiliation

(3) Includes the net contribution from the affiliation, in accordance with applicable accounting guidance

### **Facey Medical Foundation and Facey Medical Group Affiliation**

Effective July 1, 2012, Providence Health System – Southern California entered into an affiliation agreement with Facey Medical Foundation and Facey Medical Group. The Facey Medical Foundation is a nonprofit medical foundation, which operates ten clinics in the North San Fernando, Santa Clarita, San Gabriel and Simi Valleys. These sites are staffed by the Facey Medical Group physicians pursuant to a professional services agreement. No cash or other purchase consideration was transferred to effect the affiliation. The results of operations of these entities have been included in the combined statements of operations of the Health System effective as of the date of affiliation. The affiliation resulted in an excess of assets acquired over liabilities assumed, or a contribution from Facey to the Health System of approximately \$38,546,000.

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

**(d) *Affiliated Transactions***

**Inter-affiliate Borrowings**

The Health System has a policy to loan funds among its affiliates at various interest rates. These transactions eliminate upon consolidation.

**Self-Insurance Liability**

The Health System has established self-insurance programs for professional and general liability and workers' compensation insurance coverage. These programs provide insurance coverage for healthcare institutions associated with the Health System. The Health System also operates an insurance captive, Providence Assurance, Inc., to self-insure certain layers of professional and general liability risk.

**(2) Summary of Significant Accounting Policies**

**(a) *Basis of Presentation***

The financial statements of the Health System are presented on a combined basis due to the operational interdependence of the organization and because the respective Boards of Directors and corporate officers of Providence and Swedish are comprised of the same individuals. All significant transactions and accounts between divisions and combined affiliates of the Health System have been eliminated. The Health System has performed an evaluation of subsequent events through April 8, 2013, which is the date these combined financial statements were issued.

**(b) *Use of Estimates***

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Cash and cash equivalents include investments in highly liquid debt instruments with an original or remaining maturity of three months or less when acquired.

**(d) *Supplies Inventory***

Supplies inventory is stated at the lower of cost (first-in, first-out) or market.

**(e) *Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized. Maintenance and repairs are expensed. The cost of the property, plant, and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized at the time of disposal.

## **PROVIDENCE HEALTH & SERVICES**

### **Notes to Combined Financial Statements**

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The Health System assesses potential impairment to their long-lived assets when there is evidence that events or changes in circumstances have made recovery of the carrying value of the assets unlikely. An impairment loss, equal to the excess, if any, of the carrying value over the fair value less disposal costs, is recognized when the sum of the expected future undiscounted net cash flows from the use and disposal of the asset is less than the carrying amount of the asset.

**(f) Depreciation**

The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property equally over its estimated useful life or lease term.

**(g) Capitalized Interest**

Interest capitalized on amounts expended during construction in process is a component of the cost of additions to be allocated to future periods through the provision for depreciation. Capitalization of interest ceases when the addition is substantially complete and ready for intended use. The Health System capitalized \$19,274,000 and \$27,200,000 of interest costs during the years ended December 31, 2012 and 2011, respectively.

**(h) Financing Costs**

Financing costs are recorded in other assets and are amortized using the effective-interest method over the term of the related debt, or to the earliest date at which a creditor can demand payment.

**(i) Goodwill and Indefinite Lived Intangible Assets**

Goodwill and indefinite lived intangible assets, which are not amortized as they are considered to have an indefinite life, are recorded in other assets as the excess of cost over fair value of the acquired net assets. Goodwill and indefinite lived intangible assets are tested at least annually for impairment. As a result of the Swedish affiliation transaction, approximately \$56,406,000 was assigned to indefinite lived intangible assets.

**(j) Assets Whose Use Is Limited**

The Health System has designated all of its investments in debt and equity securities as trading. All investments in debt and equity securities are reported on the combined balance sheets at fair value.

Assets whose use is limited primarily include assets held by trustees under indenture agreements, self-insurance funds, funds held for the payment of health plan medical claims, assets held by related foundations, and designated assets set aside by the management of Providence Health & Services for future capital improvements and other purposes, over which management retains control. Amounts required to meet current liabilities of the Health System have been reclassified as current in the combined balance sheets at December 31, 2012 and 2011.

**(k) Net Assets**

Unrestricted net assets are those that are not subject to donor imposed stipulations. Amounts related to the Health System's noncontrolling interests in certain joint ventures are included in unrestricted net assets. Temporarily restricted net assets are those whose use by the Health System has been

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

limited by donors to a specific time period and/or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity. Unless specifically stated by donors, gains and losses on temporarily and permanently restricted net assets are recorded as temporarily restricted.

**(l) Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Health System 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 contributions if they are received with donor stipulations that limit the use of the donated assets. When the terms of a donor restriction are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported as other revenues in the combined statements of operations or changes in net assets as net assets released from restriction.

**(m) Net Patient Service Revenues**

The divisions of the Health System have agreements with governmental and other third-party payors that provide for payments to the divisions at amounts different from the Health System's established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, predetermined rates per HMO enrollee per month, or other methods.

Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with governmental payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as appropriate. Adjustments from finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in net patient service revenues of \$11,017,000 and \$12,647,000 for the years ended December 31, 2012 and 2011, respectively. During 2012, the Health System received \$36,805,000 related to a settlement from Centers for Medicare & Medicaid Services (CMS).

The composition of significant third-party payors for the years ended December 31, 2012 and 2011, as a percentage of net patient service revenues, is as follows:

	2012	2011
Commercial and other insurance	53%	49%
Medicare	31	32
Medicaid	12	14
Self-pay	4	5
	100%	100%

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

**(n) *Provision for Bad Debts***

The Health System provides for an allowance against patient accounts receivable for amounts that could become uncollectible. The Health System estimates this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of copayments to be made by patients with insurance coverage and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process used by the Health System. The Health System records a provision for bad debts in the period of services on the basis of past experience, which has historically indicated that many patients are unresponsive or are otherwise unwilling to pay the portion of their bill for which they are financially responsible. The estimates made and changes affecting those estimates for the years ended December 31, 2012 and 2011 are summarized below.

	<b>2012</b>	<b>2011</b>
	(In thousands of dollars)	
Changes in allowance for doubtful accounts:		
Allowance for doubtful accounts at beginning of year	\$ 214,433	171,047
Write-off of uncollectible accounts, net of recoveries	(233,226)	(274,948)
Provision for bad debts	389,890	318,334
Allowance for doubtful accounts at end of year	<u>\$ 371,097</u>	<u>214,433</u>

**(o) *Premium Revenues, Premiums Receivable, Unearned Premiums, and Capitation Revenues***

Health plan revenues consist of premiums paid by employers, individuals, and agencies of the federal and state governments for healthcare services. Health plan revenues are received on a prepaid basis and are recognized as revenue during the month for which the enrolled member is entitled to healthcare services. Premiums received for future months are recorded as unearned premiums. Capitation revenues consist of payments made at the beginning of the period and obligate the Health System to render covered services during the period.

**(p) *Meaningful Use***

The Health Information Technology for Economic and Clinical Health Act, part of the American Recovery and Reinvestment Act of 2009, created an incentive program, beginning in 2011, to promote the "meaningful use" of Electronic Health Records (EHR). To qualify, providers must attest that they are using certified EHR in a "meaningful" way by meeting objectives at established thresholds, as defined by CMS. Meaningful use revenues are recognized as grant revenue. Grant revenue is recognized when there is reasonable assurance that the grant will be received and that the organization will comply with the conditions attached to the grant. \$54,542,000 and \$24,503,000 in meaningful use revenues were recognized for the years ended December 31, 2012 and 2011, respectively, and are included in other operating revenues in the accompanying combined statement of operations. The amount recognized is based on management's best estimate and is subject to audit and potential retrospective adjustments.

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

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**(q) Other Operating Revenue**

Other operating revenue includes rental revenue, equity earnings from joint ventures, contributions released from restrictions, cafeteria revenue, and other miscellaneous revenue

**(r) Charity and Un-sponsored Community Benefit Costs**

The divisions of the Health System have policies that provide for serving those without the ability to pay. The policies also provide for discounted sliding scale payments based on the income and assets of the person responsible for the bill. In addition to uncompensated care, the Health System's divisions also provide services that benefit the poor and others in the communities they serve.

Information for the Health System for the years ended December 31, 2012 and 2011 is summarized below:

	<b>2012</b>	<b>2011</b>
	(In thousands of dollars)	(In thousands of dollars)
Cost of charity care provided	\$ 272,460	203,660
Unpaid cost of Medicaid services	344,601	256,568
Education and research programs, net cost	89,809	76,229
Nonbilled services, net cost	40,249	28,996
Negative margin services and other, net cost	75,875	85,749
Un-sponsored community benefit costs	<u>\$ 822,994</u>	<u>651,202</u>
Percentage of total operating expenses, excluding purchased healthcare	8.5%	8.7%

The cost of charity care provided is calculated based on each division's aggregate relationship of costs to charges. The unpaid cost of Medicaid services is the cost of treating Medicaid patients in excess of government payments. Education includes the unpaid cost of training health professionals, such as medical residents in excess of payments received from Medicare and Medicaid for Graduate Medical Education programs. Research programs include the unpaid cost of controlled studies of therapeutic protocols and development of new treatment protocols. Nonbilled services include the cost of services for which neither the patient or insurance is billed or for which a nominal fee has been assessed. Negative margin services include programs for which net patient service revenue is less than cost incurred to provide the service to meet a need in the community. Unpaid cost of Medicaid services, education and research programs, nonbilled services, and negative margin services are net of revenues of \$1,134,189,000 and \$940,527,000 for the years ended December 31, 2012 and 2011, respectively.

**(s) Net Nonoperating Gains**

Net nonoperating gains primarily include investment income, income from recipient organizations, and other income. Additionally, contributions from affiliations with Swedish and Facy are included in net nonoperating gains in 2012.



## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

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

Excess of revenues over expenses includes all changes in unrestricted net assets, except for net assets released from restriction for the purchase of property, certain changes in funded status of postretirement benefit plans, net changes in noncontrolling interests in combined joint ventures, and other

**(u) *Income Taxes***

The Health System and substantially all of the various corporations within the Health System have been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(c)(3) of the Internal Revenue Code (IRC).

For the taxable corporations, deferred income taxes are provided for the future tax consequences of temporary differences between financial and tax reporting. Deferred tax assets and liabilities are measured based on enacted tax laws and rates expected to apply to taxable income in the years in which temporary differences are expected to be recorded or settled. Income taxes did not have a material impact on the combined financial position or results of operations of the Health System as of and for the years ended December 31, 2012 and 2011.

The Health System recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Providence Plan Partners, Providence Health Plan, and Providence Health Assurance are not-for-profit entities and have been recognized as exempt from federal income taxes, except on unrelated business income, as social welfare organizations under Section 501(c)(4) of the IRC.

**(v) *Recently Issued or Adopted Accounting Standards***

In 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which provides financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts. The amendments require health care entities to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. This standard was effective for the 2012 fiscal year and was applied on a retrospective basis to 2011.

**(w) *Health Care Reform***

As enacted, the Health Reform Law will change how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital (DSH) payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the law reforms certain aspects of health insurance, expands existing efforts

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

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to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. Further, it provides for a value-based purchasing program, the establishment of Accountable Care Organizations (ACO's) and bundled payment pilot programs. On June 28, 2012, the United States Supreme Court upheld the constitutionality of the individual mandate provisions of the Health Reform Law but struck down the provisions that would have allowed Health and Human Services (HHS) to penalize states that do not implement the Medicaid expansion provisions with the loss of existing federal Medicaid funding. States that choose not to implement the Medicaid expansion will forego funding established by the Health Reform Law to cover most of the expansion costs.

#### (x) *Reclassifications*

Certain reclassifications have been made to prior year amounts to conform to the current year presentation to more consistently present financial information between years.

#### (3) **Fair Value of Financial Instruments**

ASC Topic 820 (Topic 820), *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The fair value of management-designated cash and investments, funds held for long-term purposes, and funds held by trustee, which are the amounts reported in the combined balance sheets, are estimated based on quoted market prices. For long-term debt, the fair value is based on Level 2 inputs, such as the discounted value of the future cash flows using current rates for debt with the same remaining maturities, considering the existing call premium and protection. The carrying value and fair value of long-term debt, including accrued interest, was \$3,460,347,000 and \$3,758,316,000, respectively, as of December 31, 2012, and \$2,310,466,000 and \$2,464,850,000, respectively, as of December 31, 2011.

## PROVIDENCE HEALTH & SERVICES

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Other financial instruments of the Health System include cash and cash equivalents and other receivables. The carrying amount of these instruments approximates fair value because these items mature in less than one year. The carrying amount of other long-term investments approximates fair value.

**(a) *Collective Investment Funds***

Collective investment funds include investments that are held by a trust company that handles a pooled group of trust accounts. The Health System holds seven funds and has no unfunded commitments or provisions significantly impacting liquidity at December 31, 2012. The underlying holdings of these funds are primarily comprised of publicly traded domestic equity and debt securities, whose fair value is readily determinable.

The fair value estimates of the collective investment funds are estimates determined by management using various information sources, including information provided by the fund managers. The collective investment funds classified in Level 2 consist of shares or units in the investment funds as opposed to direct interests in the fund's underlying holdings, which are marketable securities. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Health System's interest therein, its classification in Level 2 is based on the Health System's ability to redeem its interest at or near the balance sheet date. The classification in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

**(b) *Securities Lending Agreements***

The Health System has securities lending agreements with financial institutions that serve as the lending agent. These agreements authorize the lending agents to lend securities owned by the Health System to an approved list of borrowers. Under the agreements, the lending agents are responsible for negotiating each loan for an unspecified term while retaining the power to terminate the loan at any time. At the time each loan is made, the lending agents require collateral equal to 102% of the market value of the loaned securities and accrued interest. While any securities are loaned, the Health System retains all rights of ownership, except it waives its right to vote such securities. The collateral related to the securities loaned totaled \$51,220,000 and \$86,987,000 at December 31, 2012 and 2011, respectively. In connection with securities lending activities the Health System has recognized a net investment loss of \$1,365,000 and \$1,984,000, for the years ended December 31, 2012 and 2011, respectively. Net investment gains and losses are included in net nonoperating gains in the accompanying combined statements of operations.

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

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The following table presents assets (other than management-designated cash and investments and funds held by trustee) and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) at December 31, 2012:

	<b>December 31, 2012</b>	<b>Fair value measurements at reporting date using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		<b>(In thousands of dollars)</b>		
Assets				
Assets under securities lending	\$ 51,220	48,675	2,545	—
Gift annuities, trusts and other	50,345	22,316	7,260	20,769
Liabilities:				
Liabilities under securities lending	\$ 52,708	37,127	15,581	—

The following table presents assets (other than management-designated cash and investments and funds held by trustee) and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) at December 31, 2011:

	<b>December 31, 2011</b>	<b>Fair value measurements at reporting date using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		<b>(In thousands of dollars)</b>		
Assets				
Assets under securities lending	\$ 86,987	81,089	5,898	—
Gift annuities, trusts and other	35,545	16,180	8,363	11,002
Liabilities:				
Liabilities under securities lending	\$ 89,183	80,456	8,727	—

# **PROVIDENCE HEALTH & SERVICES**

## Notes to Combined Financial Statements

December 31, 2012 and 2011

The following table presents the Health System's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Topic 820 for the years ended December 31, 2012 and 2011 (in thousands of dollars)

	<b>Gift annuities, trusts, and other</b>	<b>Management designated cash and investments</b>
Balance at December 31, 2010	\$ 2,966	—
Total realized and unrealized (losses) gains, net	99	—
Total purchases	3,329	—
Total sales	(872)	—
Transfers into Level 3	5,480	—
Balance at December 31, 2011	11,002	—
Total realized and unrealized gains (losses), net	312	(1,639)
Total purchases	12,584	3,465
Total sales	(3,518)	—
Transfers into Level 3	389	2,699
Balance at December 31, 2012	\$ <u>20,769</u>	<u>4,525</u>

There were no significant transfers between assets classified as Level 1 and Level 2 during the year ended December 31, 2012

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

Level 3 assets include charitable remainder trusts and real property. Fair values of charitable remainder trusts were estimated using an income approach. Fair values of real property were estimated using a market approach.

### (4) Investments

#### (a) *Management-Designated Cash and Investments and Funds Held by Trustee*

The composition of management-designated cash and investments and funds held by trustee at December 31, 2012 is set forth in the following tables. Investments are stated at fair value.

	December 31, 2012	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Assets				
Management-designated cash and investments				
Cash and cash equivalents	\$ 179.814	179.814	—	—
Domestic equity securities				
Mutual funds				
Large capitalization	306.540	306.540	—	—
Med-small capitalization	83.149	83.149	—	—
Other	342.961	342.961	—	—
Capital goods	33.602	33.602	—	—
Consumer services	85.563	85.563	—	—
Energy	31.720	31.720	—	—
Financial services	48.984	48.984	—	—
Technology	47.758	47.758	—	—
Healthcare and other	138.778	138.778	—	—
Foreign equity securities				
Mutual funds	291.637	291.637	—	—
Other industries	26.059	26.059	—	—
Collective investment funds	378.646	—	378.646	—
Debt securities – U.S. Treasury and agency	983.836	624.831	359.005	—
Debt securities – State Treasury	36.773	1.415	35.358	—
Domestic corporate debt securities	600.114	11.144	588.970	—
Foreign corporate debt securities	193.237	296	192.941	—
Mortgage-backed securities				
Commercial	42.511	—	42.511	—
Residential	62.379	—	62.379	—
Collateralized debt obligations	60.116	—	60.116	—
Other	19.469	1.702	13.242	4.525
Total	\$ 3,993.646	2,255.953	1,733.168	4.525

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

	December 31, 2012	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Funds held by trustee				
Cash and cash equivalents	\$ 45.574	45.574	—	—
Domestic equity securities				
Mutual funds	30.957	30.957	—	—
Debt securities – U.S. Treasury	67.465	67.465	—	—
Domestic corporate debt securities	34.046	—	34.046	—
Foreign corporate debt securities	17.526	—	17.526	—
Mortgage-backed securities	9.775	—	9.775	—
Other	7.169	2.812	4.357	—
Total	\$ 212.512	146.808	65.704	—

The composition of management-designated cash and investments and funds held by trustee at December 31, 2011 is set forth in the following tables. Investments are stated at fair value.

	December 31, 2011	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Assets				
Management-designated cash and investments				
Cash and cash equivalents	\$ 216.418	216.418	—	—
Domestic equity securities				
Mutual funds				
Large capitalization	118.524	118.524	—	—
Med-small capitalization	94.171	94.171	—	—
Other	56.544	56.544	—	—
Capital goods	30.162	30.162	—	—
Consumer services	60.469	60.469	—	—
Energy	37.486	37.486	—	—
Financial services	27.760	27.760	—	—
Technology	34.279	34.279	—	—
Healthcare and other	36.647	36.647	—	—

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

	December 31, 2011	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Foreign equity securities				
Mutual funds	\$ 248,210	248,210	—	—
Other industries	29,453	29,453	—	—
Collective investment funds	426,215	—	426,215	—
Debt securities – U.S. Treasury and agency	950,651	409,492	541,159	—
Debt securities – State Treasury	26,636	1,503	25,133	—
Domestic corporate debt securities	425,254	4,122	421,132	—
Foreign corporate debt securities	159,898	—	159,898	—
Mortgage-backed securities				
Commercial	62,279	—	62,279	—
Residential	29,460	—	29,460	—
Collateralized debt obligations	46,149	—	46,149	—
Other	13,595	10,470	3,125	—
<b>Total</b>	<b>\$ 3,130,260</b>	<b>1,415,710</b>	<b>1,714,550</b>	<b>—</b>
Funds held by trustee				
Cash and cash equivalents	\$ 68,720	68,720	—	—
Domestic equity securities				
Mutual funds	38,037	38,037	—	—
Debt securities – U.S. Treasury	62,150	62,150	—	—
Domestic corporate debt securities	29,256	—	29,256	—
Foreign corporate debt securities	20,497	—	20,497	—
Mortgage-backed securities	8,868	—	8,868	—
Other	8,460	3,998	4,462	—
<b>Total</b>	<b>\$ 235,988</b>	<b>172,905</b>	<b>63,083</b>	<b>—</b>

The Health System's funds held by trustee are segregated from other cash and investments for various purposes. Included in funds held by trustee as of December 31, 2012 and 2011, respectively, are \$3,052,000 and \$33,145,000 obtained from borrowings under the Health System's master trust indenture for construction and other ongoing projects. The Health System also includes in funds held by trustee \$192,299,000 and \$185,742,000 at December 31, 2012 and 2011, respectively, related to the self-insurance and pension trusts. Within the self-insured trusts, the balance is based on management's assessment of annual need. Any additional investments are considered management-designated.

The Health System has designated its investment portfolio as trading, which results in all gains and losses being recognized currently as nonoperating activity.



# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

Investment income from management-designated cash and investments and funds held by trustee are included in net nonoperating gains and are comprised of the following for the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
	(In thousands of dollars)	
Interest income	\$ 82,124	77,086
Net realized gains on sale of investments	128,744	54,347
Net unrealized gains on trading securities	80,016	26,403
Total	<u>\$ 290,884</u>	<u>157,836</u>

### (5) Property, Plant, and Equipment

Property, plant, and equipment and the total accumulated depreciation at December 31, 2012 and 2011 are shown below

	<u>Approximate useful life (years)</u>	<u>2012</u>	<u>2011</u>
		(In thousands of dollars)	
Land	—	\$ 570,026	358,741
Buildings and improvements	5 – 60	4,870,030	3,868,159
Equipment			
Fixed	5 – 25	894,992	863,707
Major movable and minor	3 – 20	3,283,715	2,504,566
Rental property	15 – 40	866,229	862,905
Construction in progress	—	648,574	567,645
		<u>11,133,566</u>	<u>9,025,723</u>
Less accumulated depreciation		<u>4,897,353</u>	<u>4,346,542</u>
Property, plant, and equipment, net		<u>\$ 6,236,213</u>	<u>4,679,181</u>

Rental property represents buildings and related improvements that are owned by the Health System, the majority of which are medical office buildings that are leased to nonemployed physicians

Construction in progress primarily represents renewal and replacement of various facilities in the Health System's operating divisions, as well as costs capitalized related to software development

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

#### (6) Other Assets

Other assets at December 31, 2012 and 2011 are as follows

	<u>2012</u>	<u>2011</u>
	(In thousands of dollars)	
Unamortized financing costs, net	\$ 29,144	20,427
Investment in non-consolidated joint ventures	88,597	81,648
Interest in noncontrolled foundations	20,655	20,563
Notes receivable	54,353	55,070
Long-term reinsurance receivable	26,500	24,225
Goodwill and intangibles	125,660	54,038
Other	22,096	20,398
Total other assets	<u>\$ 367,005</u>	<u>276,369</u>

The Health System participates in various joint ventures for the purpose of furthering its healthcare mission. These joint ventures exist in all geographic locations in which the Health System operates. The primary purposes of the ventures are to provide outpatient services such as laboratory, outpatient surgery, and medical imaging. Various joint ventures, throughout the Health System, are controlled and consequently are combined in the financial statements of the Health System. All other joint ventures are accounted for under the equity method of accounting. The Health System recorded earnings from equity method investees of \$37,394,000 and \$61,083,000 for the years ended December 31, 2012 and 2011, respectively, the majority of which are included in other operating revenues in the accompanying combined statements of operations.

#### (7) Short-Term and Long-Term Debt

The Health System has borrowed Master Trust debt issued through the following

- California Health Facilities Financing Authority (CHFFA)
- Alaska Industrial Development and Export Authority (AIDEA)
- Hospital Facilities Authority of Multnomah County (HFAMC)
- Washington Health Care Facilities Authority (WHCFA)
- Montana Facility Finance Authority (MFFA)
- Oregon Facilities Authority (OFA)

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

Short-term and long-term unpaid principal at December 31, 2012 and 2011 consists of the following

	Maturing through	Coupon rates	Unpaid principal	
			2012	2011
			(In thousands of dollars)	
Master trust debt				
Fixed				
Series 1996, CHFFA Revenue Bonds	2016	5.40%	\$ 3,865	4,710
Series 1997, Direct Obligation Notes	2017	7.72	3,245	5,210
Series 2003H, AIDEA Revenue Bonds	2015	5.00	18,500	27,800
Series 2004, HFAMC Revenue Bonds	2024	5.25	84,355	89,355
Series 2005, Direct Obligation Notes	2030	4.93	49,855	51,510
Series 2006A, WHCFA Revenue Bonds	2036	5.00	210,555	210,555
Series 2006B, MFFA Revenue Bonds	2026	4.00	65,175	68,430
Series 2006C, WHCFA Revenue Bonds	2033	5.25	69,425	69,425
Series 2006D, WHCFA Revenue Bonds	2033	5.25	69,275	69,275
Series 2006E, WHCFA Revenue Bonds	2033	5.25	26,350	26,350
Series 2006H, AIDEA Revenue Bonds	2036	5.00	54,355	54,355
Series 2008C, CHFFA Revenue Bonds	2038	5.00	276,725	279,225
Series 2009A, Direct Obligation Notes	2019	5.05	250,000	250,000
Series 2009B, CHFFA Revenue Bonds	2039	5.50	150,000	150,000
Series 2010A, WHCFA Revenue Bonds	2039	4.875	174,240	174,240
Series 2011A, AIDEA Revenue Bonds	2041	5.00	122,720	122,720
Series 2011B, WHCFA Revenue Bonds	2021	2.00	83,345	91,170
Series 2011C, OFA Revenue Bonds	2026	2.00	22,355	22,355
Series 2012A, WHCFA Revenue Bonds	2042	2.00	511,370	—
Series 2012B, WHCFA Revenue Bonds	2042	4 – 5.00	100,000	—
Total fixed			2,345,710	1,766,685
Variable				
Series 2003D, E. F. G. HFACC Revenue Bonds	2033	0.18	200,200	200,200
Series 2012C, WHCFA Revenue Bonds	2042	0.13	80,000	—
Series 2012D, WHCFA Revenue Bonds	2042	0.13	80,000	—
Series 2012E, Direct Obligation Notes	2042	0.22	239,760	—
Total variable			599,960	200,200
Commercial Paper, Series 2008A	2013	0.22	194,000	194,000
U S Bank Credit Facility	2013	0.56	86,001	60,000
Unpaid principal, master trust debt			3,225,671	2,220,885
Premiums and discounts, net		\$	57,399	11,395
Master trust debt, including premiums and discounts, net			3,283,070	2,232,280
Other long-term debt			203,659	65,475
Total debt		\$	3,486,729	2,297,755

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
	(In thousands of dollars)	
Current portion of long-term debt	\$ 63,376	46,205
Long-term debt subject to short-term remarketing agreements	200,200	200,200
Short-term master trust debt	280,001	254,000
Long-term debt, classified as a long-term liability	<u>2,943,152</u>	<u>1,797,350</u>
Total debt	<u>\$ 3,486,729</u>	<u>2,297,755</u>

Providence Health & Services – Washington, Providence Health & Services – Western Washington, Western HealthConnect, Swedish Health Services, Providence Health & Services – Oregon (exclusive of Providence Plan Partners), Providence Health System – Southern California (exclusive of Medical Institute of Little Company of Mary, Lifecare Ventures, Inc., and Trinity Care Hospice), Providence St. Joseph Medical Center, and Providence Health & Services – Montana, exclusive of related housing projects financed by the U.S. Department of Housing and Urban Development and foundations, are the members of an Obligated Group formed for issuing debt under a master trust indenture. Members of the Obligated Group are jointly and severally responsible for all borrowings under the master trust indenture of the Obligated Group. The master trust indenture and bond trust indentures for each debt issue require the Obligated Group to meet certain financial covenants.

In July 2012, the Health System issued \$1,011,130,000 of WHCFA fixed rate and variable rate bonds. A portion of the proceeds were used to redeem \$821,844,000 of existing Swedish debt. In connection with these redemptions, Swedish Health Services (exclusive of Swedish Edmonds and the Swedish Medical Center Foundation), became a member of the Obligated Group. The Series 2012C, D, and E bonds are variable rate demand bonds (VRDBs) and bear interest at weekly rates. These bonds are supported by stand-by bond purchase agreements, the terms of which define material adverse changes and mitigate subjectivity and provide liquidity beyond one year, and accordingly result in long-term classification on the accompanying combined balance sheets.

In connection with the Series 2012A-E issuances and the Series 2011C issuance, the Health System recorded losses due to extinguishment of debt of \$53,596,000 and \$2,303,000 in 2012 and 2011, respectively, which were recorded in net nonoperating gains in the accompanying combined statement of operations.

**(a) Master Trust Debt Classified as Short-Term**

**Hospital Facility Authority of Clackamas County, Oregon Revenue Bonds, Series 2003D, E, F, and G**

The Series 2003D, E, F, and G bonds were issued in May 2003 as auction rate bonds. In October 2008, the bonds were converted to a unit pricing mode pursuant to the Series 2003 D, E, F, and G Trust Indenture. Under the unit pricing mode, the interest reset period varies with each remarketing and ranges between one and 270 days. In connection with the revised terms under the unit pricing mode, the remaining balance was reclassified to short-term debt due to the reset periods and remarketing, therefore the balance could become due and payable in 2013. The average interest

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

rate in effect on December 31, 2012 was 0.18%. Annual scheduled principal payments range from \$3,500,000 in 2016 to \$18,175,000 in 2033.

#### Commercial Paper, Series 2008A

The Health System participates in a commercial paper program. During 2012, the Health System made principal and interest payments on matured commercial paper and reissued new commercial paper, maintaining a balance ranging between \$144,000,000 and \$194,000,000 throughout the year. The average interest rate in effect during 2012 was 0.22%.

#### U.S. Bank Credit Facility

The Health System has a \$150,000,000 Credit Facility with U.S. Bank, of which \$86,001,000 in borrowings was outstanding at December 31, 2012. The interest rate in effect on December 31, 2012 was 0.56%, and the maturity date is September 30, 2013. The interest rate is based on LIBOR plus 0.35%.

#### (b) Other Long-Term Debt

Other long-term debt primarily includes bonds that are not under the master trust indenture, capital leases, and notes payable. Other long-term debt at December 31, 2012 and 2011 consists of the following:

	<b>2012</b>	<b>2011</b>
	(In thousands of dollars)	
Capital leases	\$ 136,371	13,088
Notes payable	55,000	36,151
Bonds not under master trust indenture and other	12,288	16,236
Total other long-term debt	<u>\$ 203,659</u>	<u>65,475</u>

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

Scheduled principal payments of long-term debt, considering all obligations under the master trust indenture as due according to their long-term amortization schedule, for the next five years and thereafter are as follows

	<u>Master trust</u>	<u>Other</u>	<u>Total</u>
	(In thousands of dollars)		
2013	\$ 36,980	26,396	63,376
2014	123,650	25,298	148,948
2015	40,300	16,893	57,193
2016	107,265	18,651	125,916
2017	44,400	8,785	53,185
Thereafter	<u>2,593,075</u>	<u>107,636</u>	<u>2,700,711</u>
Scheduled principal payments of long-term debt	2,945,670	\$ <u>203,659</u>	<u>3,149,329</u>
Short-term master trust debt	<u>280,001</u>		
Total master trust debt	\$ <u>3,225,671</u>		

## Leases

The Health System leases various medical and office equipment and buildings under operating leases. Future minimum lease commitments under noncancelable operating leases for the next five years and thereafter are as follows (in thousands of dollars)

2013	\$ 101,962
2014	86,947
2015	67,345
2016	55,370
2017	50,815
Thereafter	<u>481,178</u>
	\$ <u>843,617</u>

Rental expense was \$166,407,000 and \$91,604,000 for the years ended December 31, 2012 and 2011, respectively, and is included in other expenses in the accompanying combined statements of operations

## (8) Retirement Plans

### (a) Defined Benefit Plans

#### Cash Balance Retirement Plan

The Health System had a noncontributory cash balance plan covering substantially all Providence employees called the Providence Health & Services Cash Balance Retirement Plan Trust (the Cash

## **PROVIDENCE HEALTH & SERVICES**

### **Notes to Combined Financial Statements**

December 31, 2012 and 2011

Balance Plan) The plan was frozen effective December 31, 2009. The plan benefits are based on defined average compensation and years of service. The plan has a five year cliff vesting schedule. The Health System's funding policy is based on the actuarially determined cost method, and includes normal service cost and prior service costs amortized over a 20-year period. Under the Cash Balance Plan, each employee carries an individual account balance. The Health System makes an annual contribution and provides an annual interest credit to each employee's account.

#### **Supplemental Executive Retirement Plan**

The Health System has a noncontributory supplemental executive retirement plan (the SERP) covering certain employees who were employed in certain key positions or pay grades or that have been designated by the Health System. The plan was frozen effective December 31, 2009. The plan benefits were based on defined average compensation and years of service. The vesting period for the plan requires an executive attain age 55 with at least five years of eligible service. The Health System's funding policy is based on the actuarially determined cost method, and includes normal service cost and prior service costs amortized over a 20-year period. Under the SERP, each employee carries an individual account balance. The Health System makes an annual contribution and provides an annual interest credit to each employee's account.

#### **Swedish Health Services Pension Plan**

The Swedish Health Services Pension Plan (the Pension Plan) is a noncontributory plan covering a majority of Swedish employees, and provides benefits based on number of years of credited service and compensation earned during the participation in the Pension Plan. The Pension Plan is frozen to all former and existing nonrepresented employees and to all new participants. Only represented employees that were active in the plan on December 31, 2009 remain in the plan actively accruing benefits. Swedish makes annual contributions to the Pension Plan.

#### **Willamette Falls Pension Plan**

The Willamette Falls Pension Plan is also a noncontributory plan covering a majority of employees at Providence Willamette Falls. The plan was frozen effective February 2008. The plan benefits are based on years of service and compensation during an employee's period of employment. The funding policy is based on the actuarially determined cost method, and includes normal service cost and prior service costs amortized over a 20-year period. Under the Willamette Falls Pension Plan, each employee carries an individual monthly annuity benefit.

The Cash Balance Plan, the SERP, the Pension Plan, and the Willamette Falls Pension Plan are collectively "the defined benefit plans."

The Health System's contributions to these defined benefit plans for the years ended December 31, 2012 and 2011 were \$89,983,000 and \$49,474,000, respectively.

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

The measurement dates for the defined benefit plans are December 31, 2012 and 2011, respectively. A rollforward of the change in benefit obligation and change in the fair value of plan assets for the defined benefit plans is as follows:

	<b>2012</b>	<b>2011</b>
	(In thousands of dollars)	
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$ 1,884,190	1,856,001
Swedish affiliation	891,599	—
Service cost	24,149	4,215
Interest cost	126,393	91,186
Plan amendments	—	11,330
Actuarial loss	147,887	65,594
Benefits paid and other	(178,201)	(144,136)
Projected benefit obligation at end of year	<u>2,896,017</u>	<u>1,884,190</u>
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	1,107,543	1,213,114
Swedish affiliation	499,061	—
Actual return on plan assets	177,751	(10,909)
Employer contributions	89,983	49,474
Benefits paid and other	(178,201)	(144,136)
Fair value of plan assets at end of year	<u>1,696,137</u>	<u>1,107,543</u>
Funded status	(1,199,880)	(776,647)
Unrecognized net actuarial loss	574,703	570,581
Unrecognized prior service cost	10,070	11,330
Net amount recognized	<u>\$ (615,107)</u>	<u>(194,736)</u>
Amounts recognized in the consolidated balance sheets consist of:		
Current liabilities	\$ (7,230)	(5,464)
Noncurrent liabilities	(1,192,650)	(771,183)
Unrestricted net assets	<u>584,773</u>	<u>581,911</u>
Net amount recognized	<u>\$ (615,107)</u>	<u>(194,736)</u>
Weighted average assumptions:		
Discount rate	4.10%	4.90%
Rate of increase in compensation levels	3.09	3.29
Long-term rate of return on assets	7.00	7.00



# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

Net periodic pension cost for the defined benefit plans for 2012 and 2011 includes the following components

	<u>2012</u>	<u>2011</u>
	(In thousands of dollars)	
Components of net periodic pension cost.		
Service cost	\$ 24,149	4,215
Interest cost	126,393	91,241
Expected return on plan assets	(106,509)	(83,566)
Amortization of prior service cost	1,259	—
Recognized net actuarial loss	38,553	23,215
Settlement expense	33,971	32,500
	<u>117,816</u>	<u>67,605</u>
Net periodic pension cost	\$ 117,816	67,605

Total expense for all of the Health System's defined benefit plans for the years ended December 31, 2012 and 2011 was \$117,816,000 and \$67,605,000, respectively. Included in the total expense is \$33,971,000 and \$32,500,000 of settlement costs that were incurred in 2012 and 2011, respectively, related to settlements that were greater than the sum of the service cost and interest cost components of net periodic pension cost. This settlement expense is included in net nonoperating gains in the accompanying combined statements of operations. The remaining expense is included in employee benefits in the accompanying combined statements of operations.

The accumulated benefit obligation was \$2,833,430,000 and \$1,884,190,000 at December 31, 2012 and 2011, respectively.

The following pension benefit payments reflect expected future service. Payments expected to be paid over the next 10 years are as follows (in thousands of dollars):

2013	\$ 191,105
2014	198,422
2015	198,339
2016	200,987
2017 – 2022	1,162,347
	<u>\$ 1,951,200</u>

The Health System expects to contribute approximately \$74,000,000 to the defined benefit plans in 2013.

The expected long-term rate of return on plan assets is the expected average rate of return on the funds invested currently and on funds to be invested in the future in order to provide for the benefits included in the projected benefit obligation. The Health System used 7.0% in calculating the 2012 and 2011 expense amounts. This assumption is based on capital market assumptions and the plan's target asset allocation.

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

The Health System continues to monitor the expected long-term rate of return. If changes in those parameters cause 7.0% to be outside of a reasonable range of expected returns, or if actual plan returns over an extended period of time, suggest that general market assumptions are not representative of expected plan results, the Health System may revise this estimate prospectively.

Target asset allocation and expected long-term rate of return on assets (ELTRA) at December 31 was as follows

	<b>2012 and 2011 Target</b>	<b>2012 ELTRA</b>	<b>2011 ELTRA</b>
Cash and cash equivalents	5%	0.5% – 2%	0.5% – 2%
Equity securities	35	5% – 8%	5% – 8%
Debt securities	50	3% – 4%	3% – 4%
Other securities	10	7% – 10%	7% – 10%
Total	100%	7.00%	7.00%

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

The following table presents the Health System's defined benefit plan assets measured at fair value at December 31, 2012

	December 31, 2012	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Assets				
Cash and cash equivalents	\$ 53,774	53,774	—	—
Domestic equity securities				
Mutual funds				
Large capitalization	280,326	280,326	—	—
Medium-small cap and other	1,635	1,635	—	—
Capital goods	46,574	46,574	—	—
Consumer services	45,601	45,601	—	—
Technology	36,065	36,065	—	—
Other	65,597	65,597	—	—
Foreign equity securities				
Mutual funds				
Large capitalization	96,270	96,270	—	—
Capital goods	40,885	40,885	—	—
Consumer services	17,626	17,626	—	—
Energy	23,309	23,309	—	—
Financial services	16,912	16,912	—	—
Healthcare	15,041	15,041	—	—
Technology and other	9,814	9,814	—	—
Debt securities – state and government	138,185	—	138,185	—
Domestic corporate debt securities	305,820	—	305,820	—
Foreign corporate debt securities	20,488	—	20,488	—
Mortgage-backed securities				
Commercial	15,601	—	15,601	—
Residential	106,266	—	106,266	—
Asset-backed securities	14,240	—	14,240	—
Hedge funds	165,667	—	165,667	—
Collective investment funds	177,100	—	177,100	—
Other	3,341	3,341	—	—
Total	\$ 1,696,137	752,770	943,367	—

# PROVIDENCE HEALTH & SERVICES

## Notes to Combined Financial Statements

December 31, 2012 and 2011

The following table presents the Health System's defined benefit plan assets measured at fair value at December 31, 2011

	December 31, 2011	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Assets				
Cash and cash equivalents	\$ 22.119	22.119	—	—
Domestic equity securities				
Mutual funds				
Large capitalization	53.729	53.729	—	—
Medium-small cap and other	1.450	1.450	—	—
Capital goods	45.708	45.708	—	—
Consumer services	30.890	30.890	—	—
Technology	25.712	25.712	—	—
Other	51.882	51.882	—	—
Foreign equity securities				
Mutual funds				
Large capitalization	5.157	5.157	—	—
Capital goods	45.784	45.784	—	—
Consumer services	20.201	20.201	—	—
Energy	22.484	22.484	—	—
Financial services	15.098	15.098	—	—
Healthcare	20.565	20.565	—	—
Technology and other	7.914	7.914	—	—
Debt securities – state and government	129.888	—	129.888	—
Domestic corporate debt securities	182.479	—	182.479	—
Foreign corporate debt securities	22.921	—	22.921	—
Mortgage-backed securities				
Commercial	6.873	—	6.873	—
Residential	136.386	—	136.386	—
Asset-backed securities	6.754	—	6.754	—
Hedge funds	122.915	—	122.915	—
Collective investment funds	125.418	—	125.418	—
Other	5.216	4.998	218	—
Total	\$ 1,107,543	373,691	733,852	—

The fair value estimates of certain funds are estimates determined by management using various information sources, including information provided by the fund managers. Certain funds classified in Level 2 consist of shares or units in the investment funds as opposed to direct interests in the fund's underlying holdings, which are marketable securities. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Health System's interest therein, its classification in Level 2 is based on the Health System's ability to redeem its interest at or

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

near the balance sheet date. The classification in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following table presents the Health System's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2012 (in thousands of dollars):

	<u>Venture capital/ partnerships</u>
Balance at December 31, 2010	\$ 1,476
Total realized and unrealized (losses) gains, net.	
Included in income	<u>(1,476)</u>
Balance at December 31, 2011	—
Total realized and unrealized (losses) gains, net	
Included in income	<u>—</u>
Balance at December 31, 2012	<u><u>\$ —</u></u>

#### **(b) Defined Contribution Plans**

##### **401(a) Service Plan**

The Health System sponsors the Providence Health & Services 401(a) Service Plan (the Service Plan). The Service Plan covers substantially all Providence employees, with contributions based on defined eligible compensation and years of service. The plan has a five year cliff vesting schedule. The Health System contributed \$135,195,000 to the Service Plan in 2012 related to 2011, and has accrued a liability of \$138,439,000 as of December 31, 2012 related to contributions, which has been included in the current portion of retirement plan obligations on the accompanying combined balance sheets.

##### **403(b) Value Plan**

The Health System also sponsors the Providence Health & Services 403(b) Value Plan (the Value Plan). The plan is a defined contribution plan, which includes a qualified cash or deferred arrangement, for the benefit of eligible employees. Vesting is immediate. Total Value Plan expense, primarily related to contributions, was \$80,465,000 and \$53,602,000 in 2012 and 2011, respectively.

#### **(9) Self-Insurance Liability**

The Health System accrues estimated self-insured professional and general liability and workers' compensation insurance claims based on management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred-but-not-reported. Insurance coverage in

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

excess of the per occurrence self-insured retention, has been secured with insurers or reinsurers for specified amounts for professional, general and workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

At December 31, 2012 and 2011, the estimated liability for future costs of professional and general liability claims was \$190,934,000 and \$178,854,000, respectively. At December 31, 2012 and 2011, the estimated workers' compensation obligation was \$143,919,000 and \$132,216,000, respectively, in the accompanying combined balance sheets. At December 31, 2012 and 2011, \$238,408,000 and \$236,126,000, respectively, of these amounts were included as self-insurance liability, net of current portion, with the remainder included within current portion of self-insurance liability, in the accompanying combined balance sheets.

#### (10) Commitments

Firm purchase commitments, primarily related to construction, software, and supplies, at December 31, 2012, were approximately \$226,000,000.

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

Temporarily restricted net assets are available for the following purposes at December 31, 2012 and 2011.

	<b>2012</b>	<b>2011</b>
	<u>(In thousands of dollars)</u>	<u></u>
Program support	\$ 135,119	100,656
Low-income housing	26,612	27,533
Capital acquisition and other	40,230	23,697
Total temporarily restricted net assets	<u>\$ 201,961</u>	<u>151,886</u>

The Health System's fundraising foundations have obtained contributions to support the various programs offered by the Health System. Many of these contributions remain temporarily restricted as of December 31, 2012 and 2011 because the time or purpose restrictions stipulated by the donor have not been met. Total fundraising expenses were \$10,742,000 and \$8,731,000 for the years ended December 31, 2012 and 2011, respectively. Generally, program support consists of items that will defray the cost of operating certain patient care activities of the Health System.

Other revenues included \$36,633,000 and \$31,017,000 of assets released from restriction for operations for the years ended December 31, 2012 and 2011, respectively.

Permanently restricted net assets are restricted to investments in perpetuity, the income of which is expendable primarily for program support.

## PROVIDENCE HEALTH & SERVICES

### Notes to Combined Financial Statements

December 31, 2012 and 2011

#### (12) Litigation and Contingencies

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government monitoring and enforcement activity continues with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed. Institutions within the Health System are subject to similar regulatory reviews.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's combined financial statements.

#### (13) Functional Expenses

The Health System provides healthcare services to residents within its geographic service areas. Expenses related to providing these services for the years ended December 31, 2012 and 2011 are as follows:

	<b>2012</b>	<b>2011</b>
	<b>(In thousands of dollars)</b>	
Healthcare expenses	\$ 7,598,002	6,146,425
Purchased healthcare expenses	733,975	694,273
General and administrative expenses	2,072,186	1,341,256
Total operating expenses	<u>\$ 10,404,163</u>	<u>8,181,954</u>

## PROVIDENCE HEALTH &amp; SERVICES

Supplemental Schedule – Balance Sheet Information

December 31, 2012 (with combined totals for 2011)

(In thousands of dollars)

Assets	Alaska	Washington	Montana	Oregon	Providence Plan Partners	Southern California	System office, eliminations, and other	2012 Total Health System	2011 Total Health System
<b>Current assets</b>									
Cash and cash equivalents	\$ 26,173	266,238	6,831	97,667	30,032	108,339	171,384	706,664	378,521
Short-term management-designated investments	—	—	—	283,038	—	13,788	155,256	452,082	417,210
Assets held under securities lending	—	—	—	—	—	—	51,220	86,987	86,987
Accounts receivable, net	126,638	633,103	43,023	277,175	—	230,631	(49,476)	1,261,094	935,604
Other receivables, net	17,007	1,340,475	31,264	86,906	19,545	82,668	(1,306,732)	271,133	213,527
Supplies inventory	14,057	64,862	6,044	35,348	—	25,461	9,964	155,736	125,157
Other current assets	1,840	44,876	2,374	24,956	3,047	14,148	16,909	108,150	82,540
Current portion of funds held by trustee	25	3,016	—	1,221	—	—	83,104	87,366	75,745
<b>Total current assets</b>	<b>185,740</b>	<b>2,352,570</b>	<b>89,536</b>	<b>806,311</b>	<b>52,624</b>	<b>475,035</b>	<b>(868,371)</b>	<b>3,093,445</b>	<b>2,315,291</b>
<b>Assets whose use is limited</b>									
Management-designated cash and investments	396,504	1,034,371	44,330	724,564	540,711	199,834	601,250	3,541,564	2,713,050
Gift annuities, trusts, and other	454	7,472	2,058	24,066	—	13,659	2,636	50,345	35,545
Funds held by trustee	—	—	—	1,484	14,372	—	109,290	125,146	160,243
<b>Assets whose use is limited, net</b>	<b>396,958</b>	<b>1,041,843</b>	<b>46,388</b>	<b>750,114</b>	<b>555,083</b>	<b>213,493</b>	<b>713,176</b>	<b>3,717,055</b>	<b>2,908,838</b>
Property, plant, and equipment, net	618,570	2,746,175	90,898	1,176,011	77,262	876,930	650,367	6,236,213	4,679,181
Other assets	61,193	269,127	29,475	71,199	765	95,866	(160,620)	367,005	276,369
<b>Total assets</b>	<b>\$ 1,262,461</b>	<b>6,409,715</b>	<b>256,297</b>	<b>2,803,635</b>	<b>685,734</b>	<b>1,661,324</b>	<b>334,552</b>	<b>13,413,718</b>	<b>10,179,679</b>
<b>Liabilities and Net Assets</b>									
<b>Current liabilities</b>									
Current portion of long-term debt	\$ 11,765	25,290	3,775	8,068	—	13,812	666	63,376	46,205
Master trust debt classified as short-term	39,350	82,136	640	201,680	—	—	156,395	480,201	454,200
Accounts payable	18,017	194,409	11,993	68,359	2,457	75,226	52,846	423,307	331,685
Accrued compensation	41,650	217,984	10,394	148,251	—	79,236	84,130	581,645	431,724
Payable to contractual agencies	4,594	68,548	1,582	29,095	7,816	20,126	—	131,761	110,594
Liabilities under securities lending	—	—	—	—	—	—	52,708	52,708	89,183
Retirement plan obligations	—	1,894	—	—	—	—	162,815	164,709	154,120
Current portion of self-insurance liability	—	13,342	—	—	—	—	83,103	96,445	74,944
Other current liabilities	6,960	1,409,687	28,172	52,919	164,289	78,508	(1,500,666)	239,869	199,885
<b>Total current liabilities</b>	<b>122,336</b>	<b>2,013,290</b>	<b>56,556</b>	<b>508,372</b>	<b>174,562</b>	<b>266,908</b>	<b>(908,003)</b>	<b>2,234,021</b>	<b>1,892,540</b>
<b>Long-term debt, net of current portion (1)</b>	<b>287,913</b>	<b>1,947,372</b>	<b>65,354</b>	<b>118,424</b>	<b>—</b>	<b>551,883</b>	<b>(27,794)</b>	<b>2,943,152</b>	<b>1,797,350</b>
<b>Other long-term liabilities</b>	<b>15,722</b>	<b>514,184</b>	<b>6,909</b>	<b>42,050</b>	<b>741</b>	<b>25,707</b>	<b>957,524</b>	<b>1,562,837</b>	<b>1,089,092</b>
<b>Total liabilities</b>	<b>425,971</b>	<b>4,474,846</b>	<b>128,819</b>	<b>668,846</b>	<b>175,303</b>	<b>844,498</b>	<b>21,727</b>	<b>6,740,010</b>	<b>4,778,982</b>
<b>Net assets</b>									
Unrestricted	825,791	1,834,049	123,085	2,061,634	510,431	763,040	275,015	6,393,045	5,178,979
Temporarily restricted	9,263	81,613	3,470	44,225	—	32,603	30,787	201,961	151,886
Permanently restricted	1,436	19,207	923	28,950	—	21,183	7,023	78,702	69,832
<b>Total net assets</b>	<b>836,490</b>	<b>1,934,869</b>	<b>127,478</b>	<b>2,134,789</b>	<b>510,431</b>	<b>816,826</b>	<b>312,825</b>	<b>6,673,708</b>	<b>5,400,697</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,262,461</b>	<b>6,409,715</b>	<b>256,297</b>	<b>2,803,635</b>	<b>685,734</b>	<b>1,661,324</b>	<b>334,552</b>	<b>13,413,718</b>	<b>10,179,679</b>

(1) The Obligated Group debt is joint and several for the Obligated Group members, however, the balance sheets of the individual entities only include their allocated portions

See accompanying independent auditors' report



**PROVIDENCE HEALTH & SERVICES**  
**Supplemental Schedule – Statement of Operations Information**  
December 31, 2012 (with combined totals for 2011)  
(In thousands of dollars)

	Alaska	Washington	Montana	Oregon	Providence Plan Partners	Southern California	System office, eliminations, and other	2012 Total Health System	2011 Total Health System
Operating revenues									
Net patient service revenues	\$ 719,363	4,427,890	291,529	2,309,558	—	1,652,385	(344,780)	9,055,945	6,995,220
Provision for bad debts	(38,430)	(230,276)	(15,613)	(55,186)	—	(50,432)	47	(389,890)	(318,334)
Net patient service revenues less provision for bad debts	680,933	4,197,614	275,916	2,254,372	—	1,601,953	(344,733)	8,666,055	6,676,886
Premium and capitation revenues	—	30,278	—	68,293	1,119,573	115,440	—	1,333,584	1,215,142
Other revenues	49,781	333,690	24,609	191,927	48,285	65,151	(104,833)	608,610	528,819
Total operating revenues	730,714	4,561,582	300,525	2,514,592	1,167,858	1,782,544	(449,566)	10,608,249	8,420,847
Operating expenses									
Salaries and wages	274,506	1,904,448	104,736	1,093,516	580	689,080	363,264	4,430,130	3,402,777
Employee benefits	78,702	500,295	30,083	269,938	1,864	194,320	95,074	1,170,276	883,232
Purchased healthcare	—	20,811	—	24,344	1,004,088	34,429	(349,697)	733,975	694,273
Professional fees	12,048	136,519	10,154	79,728	6,129	121,191	24,658	390,427	280,550
Supplies	101,873	718,020	50,252	370,290	503	218,375	14,085	1,473,398	1,138,637
Purchased services	91,591	610,717	65,612	333,193	106,706	201,461	(606,862)	802,418	698,682
Depreciation	51,885	255,350	11,786	120,054	1,888	84,239	59,407	584,609	407,117
Interest and amortization	9,069	70,288	3,500	6,534	—	36,390	(5,685)	120,096	76,236
Other	27,603	257,544	11,336	148,687	26,212	154,131	73,321	698,834	600,450
Total operating expenses	647,277	4,473,992	287,159	2,446,284	1,147,970	1,733,616	(332,435)	10,404,163	8,181,954
Excess (deficit) of revenues over expenses from operations	83,437	87,590	13,066	68,308	19,888	48,928	(117,131)	204,086	238,893
Net nonoperating gains	19,339	326,098	2,015	89,796	26,672	52,382	496,128	1,012,430	122,834
Excess of revenues over expenses	102,776	413,688	15,081	158,104	46,560	101,310	378,997	1,216,516	361,727
Net assets released from restriction	145	8,739	—	3,326	—	4,307	943	17,460	16,909
Change in noncontrolling interests in consolidated joint ventures	(57)	10,778	—	389	—	122	—	11,232	19,215
Pension related changes	—	(55,810)	—	(2,386)	—	—	—	(2,862)	(129,236)
Interdivision transfers	(16,433)	(155,290)	(18,332)	(158,812)	(3,000)	(35,657)	387,524	—	—
Contributions, grants, and other	(139)	450,322	(30)	(1,951)	—	(948)	(475,514)	(28,280)	542
Increase (decrease) in unrestricted net assets	\$ 86,292	672,427	(3,301)	(1,330)	43,560	69,134	347,284	1,214,066	269,157

See accompanying independent auditors' report