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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 06-01-2012 , 2012, and ending 05-31-2013

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

C Name of organization
OWENSBORO HEALTH INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1201 Pleasant Valley Road
Suite

City or town, state or country, and ZIP + 4
Owensboro, KY 42303

D Employer identification number
61-1286361

E Telephone number
(270) 417-2000

G Gross receipts $ 536,250,533

F Name and address of principal officer
Dr Jeff Barber
1201 Pleasant Valley Road
Owensboro, KY 42303

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

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

H(c) Group exemption number ▶

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

J **Website:** ▶ www owensborohealth org

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

L Year of formation 1995

M State of legal domicile KY

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
OWENSBORO HEALTH, INC EXISTS TO HEAL THE SICK AND IMPROVE the health OF THE COMMUNITIES WE SERVE

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	3,834
6	Total number of volunteers (estimate if necessary)	6	172
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	6,383,684
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-2,129,310

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	141,493	1,671,151
	9	Program service revenue (Part VIII, line 2g)	397,604,297	397,276,673
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5,006,912	7,844,109
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	7,995,060	13,333,625
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	410,747,762	420,125,558
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	1,573,213	2,136,463
	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)	162,147,279	169,245,382
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	205,111,194	245,749,931
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	368,831,686	417,131,776
	19	Revenue less expenses Subtract line 18 from line 12	41,916,076	2,993,782

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	1,044,932,854	1,059,315,250
	21	Total liabilities (Part X, line 26)	672,552,946	660,527,864
	22	Net assets or fund balances Subtract line 21 from line 20	372,379,908	398,787,386

Part II Signature Block

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

Sign Here

Signature of officer | Date 2013-10-15

John Hackbarth VP/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ ERNST & YOUNG US LLP			Firm's EIN ▶	
Firm's address ▶ 111 MONUMENT CIRCLE SUITE 2600 INDIANAPOLIS, IN 46204			Phone no (317) 681-7000	

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

Owensboro Health, inc exists to heal the sick and improve THE HEALTH OF THE COMMUNITY

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 255,619,249 including grants of $ 2,136,463) (Revenue $ 401,311,263)

Owensboro Health, inc ("OH") provides a broad range of general acute care services, including surgical, cardiac, oncology and emergency services to meet the healthcare needs of our regional community, serving 11 counties in western Kentucky and southern Indiana Our medical services are delivered by highly skilled physicians along with a caring and compassionate nursing staff OMHS supports our care teams with state-of-the art equipment to provide our patients with advanced medical treatments and procedures In the Fiscal Year ended May 31, 2013, OH had total admissions of 17,419, patient days of 81,123, and ER visits of 63,671

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 255,619,249

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	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)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	129			
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	3,834			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			2b	Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . **1a** 14			
	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** 14			
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	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9		No

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

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

Section C. Disclosure

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

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

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

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization
▶John Hackbarth 1201 Pleasant Valley Road Owensboro, KY (270)417-4814

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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

1b	**Sub-Total** ▶			
c	**Total from continuation sheets to Part VII, Section A** ▶			
d	**Total (add lines 1b and 1c)** ▶	5,585,521	0	660,736

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 ▶96

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Morrison Management Specialists , PO Box 102289 ATLANTA GA 30368	Food Services	5,312,382
Louisville Radiology Imaging Consul , 71 West 156th Street Suite 110 HARVEY IL 60426	In-patient Radiology	5,235,660
Owensboro Anesthesia Services PLLC , 815 E Parrish Avenue OWENSBORO KY 42303	Anesthesia Services	3,212,693
EA Health , 440 Stevens Avenue SOLANA BEACH CA 92075	er call coverage	1,901,205
Wyatt Tarrant and Combs , 500 West Jefferson St Suite 2800 LOUISEVILLE KY 40202	Legal Services	1,583,899

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 ▶66

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations . . . 1d	1,663,951				
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	7,200				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . ▶		1,671,151			
Program Service Revenue			Business Code				
	2a	Other Insurance Payments	622110	220,051,513	220,051,513		
	b	Medicare/Medicaid Payments	622110	178,766,275	178,766,275		
	c	REVENUE - OWENSBORO AMBULATORY SURGICAL	622110	1,001,390	1,001,390		
	d	REVENUE - OWENSBORO CANCER RESEARCH	622110	-902,561	-902,561		
	e	REVENUE - OWENSBORO MEDICAL CENTER LAB	622110	-1,639,944	-1,639,944		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . ▶		397,276,673			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . ▶		3,870,375			3,870,375
	4	Income from investment of tax-exempt bond proceeds . . ▶		0			
	5	Royalties . . . . ▶		0			
		(i) Real	(ii) Personal				
	6a	Gross rents 261,218					
	b	Less rental expenses					
	c	Rental income or (loss) 261,218	0				
	d	Net rental income or (loss) . . . . ▶		261,218			261,218
		(i) Securities	(ii) Other				
	7a	Gross amount from sales of assets other than inventory 119,886,447	10,672				
	b	Less cost or other basis and sales expenses 115,923,385					
	c	Gain or (loss) 3,963,062	10,672				
	d	Net gain or (loss) . . . . ▶		3,973,734			3,973,734
	8a	Gross income from fundraising events (not including $ ______ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶		0			
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . ▶		0			
	10a	Gross sales of inventory, less returns and allowances . a	395,824				
	b	Less cost of goods sold . . b	201,590				
	c	Net income or (loss) from sales of inventory . . ▶		194,234			194,234
		Miscellaneous Revenue	Business Code				
	11a	Kentucky Bio Processing	541700	5,990,693		5,990,693	
	b	CAFETERIA & VENDING MACHINE REVENUE	722210	2,459,899			2,459,899
	c	LAUNDRY & CATERING & OTHER 990T	812300	392,991		392,991	
	d	All other revenue		4,034,590	4,034,590		
	e	**Total.** Add lines 11a–11d . . . . ▶		12,878,173			
	12	**Total revenue.** See Instructions . . . . . ▶		420,125,558	401,311,263	6,383,684	10,759,460

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	1,948,112	1,948,112		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	188,351	188,351		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	5,041,632		5,041,632	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	328,754	328,754		
7	Other salaries and wages	120,764,717	93,011,436	27,753,281	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	11,778,410	11,717,592	60,818	
9	Other employee benefits	22,363,885	16,541,947	5,821,938	
10	Payroll taxes	8,967,984	4,995,014	3,972,970	
11	Fees for services (non-employees)				
a	Management	8,947,409	4,582,218	4,365,191	
b	Legal	1,934,009	2,219	1,931,790	
c	Accounting	175,638		175,638	
d	Lobbying	85,821	85,821		
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	317,506		317,506	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	30,228,077	19,421,532	10,806,545	
12	Advertising and promotion	3,612,991	6,665	3,606,326	
13	Office expenses	7,786,754	2,661,054	5,125,700	
14	Information technology	8,519,264	927,145	7,592,119	
15	Royalties . .	148,872	50,675	98,197	
16	Occupancy	6,785,325	738,487	6,046,838	
17	Travel	1,153,252	272,382	880,870	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	320,127	64,737	255,390	
20	Interest	4,765,640		4,765,640	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	62,542,265		62,542,265	
23	Insurance	3,891,123	4,257	3,886,866	
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	65,188,981	64,968,256	220,725	
b	BAD DEBT EXPENSE	30,968,784	30,968,784		
c	KENTUCKY PROVIDER TAX	3,838,544		3,838,544	
d	DIETARY	2,963,021	2,072,475	890,546	
e	All other expenses	1,576,528	61,336	1,515,192	
25	**Total functional expenses.** Add lines 1 through 24e	417,131,776	255,619,249	161,512,527	0
26	**Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X **Balance Sheet**

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

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	10,499	1	10,101
	2	Savings and temporary cash investments	106,717,969	2	54,532,284
	3	Pledges and grants receivable, net	0	3	0
	4	Accounts receivable, net	104,014,817	4	119,108,948
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	208,805	5	138,131
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L	0	6	0
	7	Notes and loans receivable, net	158,255	7	114,504
	8	Inventories for sale or use	7,761,188	8	9,278,834
	9	Prepaid expenses and deferred charges	9,783,322	9	11,532,671
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D — 10a: 908,698,168			
	b	Less accumulated depreciation — 10b: 305,052,346	471,767,555	10c	603,645,822
	11	Investments—publicly traded securities	138,513,956	11	160,144,343
	12	Investments—other securities See Part IV, line 11	0	12	0
	13	Investments—program-related See Part IV, line 11	28,130,469	13	25,576,897
	14	Intangible assets	12,559,681	14	12,431,777
	15	Other assets See Part IV, line 11	165,306,338	15	62,800,938
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	1,044,932,854	16	1,059,315,250
Liabilities	17	Accounts payable and accrued expenses	56,308,551	17	62,432,494
	18	Grants payable	0	18	0
	19	Deferred revenue	5,365,936	19	6,253,420
	20	Tax-exempt bond liabilities	507,225,368	20	507,370,881
	21	Escrow or custodial account liability Complete Part IV of Schedule D	0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L	0	22	0
	23	Secured mortgages and notes payable to unrelated third parties	9,099,330	23	3,095,888
	24	Unsecured notes and loans payable to unrelated third parties	0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	94,553,761	25	81,375,181
	26	**Total liabilities.** Add lines 17 through 25	672,552,946	26	660,527,864
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	372,379,908	27	398,787,386
	28	Temporarily restricted net assets	0	28	0
	29	Permanently restricted net assets	0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	372,379,908	33	398,787,386
	34	Total liabilities and net assets/fund balances	1,044,932,854	34	1,059,315,250

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	420,125,558
2	Total expenses (must equal Part IX, column (A), line 25)	2	417,131,776
3	Revenue less expenses Subtract line 2 from line 1	3	2,993,782
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	372,379,908
5	Net unrealized gains (losses) on investments	5	12,600,345
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	10,813,351
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	398,787,386

Part XII Financial Statements and Reporting

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

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

Additional Data

Software ID:
Software Version:
EIN: 61-1286361
Name: OWENSBORO HEALTH INC

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Bea Charles MD Board Member	3 0 0 0	X								
Blazar Suzanne Northern Board Member	3 0 0 0	X								
Carpenter Jeff Board Member (as of 11/1/12)	3 0 1 0	X								
Harris Susanne Board Member (as of 11/1/12)	3 0 0 0	X								
Henderson George Vice Chairman	3 0 1 0	X		X				0	0	0
Knight Robert MD Board Member	3 0 0 0	X								
Millsap Mark MD Board Member (as of 11/1/12)	3 0 0 0	X								
Nunley Deborah Chairman	3 0 1 0	X		X						
Presser Ron Board Member	3 0 0 0	X								
Rice Jeff Board Member	3 0 0 0	X								
Scherm Janice Secretary	3 0 0 0	X		X						
Woodward Terry Board Member	3 0 0 0	X								
Wells Jack Board Member (as of 11/1/12)	3 0 1 0	X								
Yeiser Michael MD Board Member (as of 11/1/12)	3 0 0 0	X						0		0
Poynter Gerald Board Member (until 10/31/12)	3 0 0 0	X								
Schell Robert MD Board Member (until 10/31/12)	3 0 0 0	X								
Smith Ted G Vice Chairman (until 10/31/12)	3 0 3 0	X		X						
BRADEN ALAN CHAIRMAN (until 10/31/2012)	3 0 0 0	X		X						
maddox tom MD board member (until 10/31/12)	3 0 0 0	X								
Barber Jeffrey President / CEO	46 0 4 0			X				912,715	0	80,813
Begley II Earnest E Chief Legal Officer	40 0 10 0				X			341,981		44,316
Hackbarth Jr John Chief Financial Officer	47 0 3 0				X			423,423		44,068
Jones Lisa Vice President of Clinical Svc	40 0 10 0				X			269,905		37,539
Medley Jr Richard W Chief Medical Officer	40 0 10 0				X			304,581		28,921
Mills Michael Vice President - Ancillary Svc	40 0 10 0				X			251,781		33,232

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): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
Ranallo Russell Vice President - Financial Svc	40 0 10 0				X			308,946		42,492
Stogsdill Vicki Vice President of Nursing Svc	40 0 10 0				X			413,008		43,833
Strahan Greg Chief Operations Officer	47 0 3 0				X			562,898		53,450
Suter Mia Chief Development Officer	40 0 10 0				X			390,103		32,206
Tyler MD Terry W Chief Outpatient Imag Officer	30 0 20 0				X			333,431		32,990
Chapman William Staff Psychiatrist	40 0 0 0					X		266,157		37,050
Danhauer David E Chief Medical Info Offier	40 0 10 0					X		256,487		53,025
Vaughn Rex C Executive Director - Info syst	40 0 10 0					X		197,392		33,655
Besier James L Director of Pharmacy	40 0 10 0					X		181,853		26,005
Taylor Joseph W Executive Director, Facilities	40 0 10 0					X		170,860		37,141

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SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OWENSBORO HEALTH INC

Employer identification number
61-1286361

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

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

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

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

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

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

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

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

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

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

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

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

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

(i) Name of supported organization	**(ii)** EIN	**(iii)** Type of organization (described on lines 1- 9 above or IRC section **(see instructions))**	**(iv)** Is the organization in col **(i)** listed in your governing document?		**(v)** Did you notify the organization in col **(i)** of your support?		**(vi)** Is the organization in col **(i)** organized in the U S ?		**(vii)** Amount of monetary support
			Yes	**No**	**Yes**	**No**	**Yes**	**No**	
Total									

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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.**

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2012

Open to Public Inspection

If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then
- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then
- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then
- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	**Employer identification number**
OWENSBORO HEALTH INC	61-1286361

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

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

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

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

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

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

b If "Yes," describe in Part IV

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ **Yes** ☐ **No**

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	**(a)** Filing organization's totals	**(b)** Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		

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

	(a)	(b)
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? ☐ **Yes** ☐ **No**

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		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?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		56,164
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		29,657
j	Total Add lines 1c through 1i			85,821
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
Supplemental Information	SCHEDULE C, PART II-B, LINE 1I	PERCENTAGE OF LOBBYING ACTIVITIES FROM KENTUCKY HOSPITAL ASSOCIATION DUES and AHA DUES SUPPLEMENTAL INFORMATION IRS INSUBSTANTIAL LOBBYING WITHIN THE CONTEXT OF GOVERNMENTAL, COMMUNITY AND LEGISLATIVE AFFAIRS, OH HAS ONE EMPLOYEE THAT ENGAGES IN LOBBYING ACTIVITIES OR ATTEMPTS TO INFLUENCE LEGISLATION HOWEVER, UNDER NO CIRCUMSTANCES IS THERE ANY ENGAGEMENT IN POLITICAL ACTIVITIES LOBBYING ACTIVITIES INCLUDE BOTH DIRECT LOBBYING AND GRASS ROOTS LOBBYING FROM A DIRECT LOBBYING PERSPECTIVE, THE EXECUTIVE DIRECTOR OF GOVERNMENTAL, COMMUNITY AND LEGISLATIVE AFFAIRS ENGAGES IN LOBBYING ACTIVITIES AT THE FEDERAL, STATE AND LOCAL LEVELS THE EXECUTIVE DIRECTOR DOES MEET WITH MEMBERS OF CONGRESS ON OCCASION DURING THE YEAR EITHER IN WASHINGTON OR IN OWENSBORO AT THE STATE LEVEL, THE EXECUTIVE DIRECTOR IS REGISTERED AS A LEGISLATIVE AGENT WITH THE KENTUCKY GENERAL ASSEMBLY LOBBYING EFFORTS ARE GENERALLY LIMITED TO THAT PERIOD OF TIME IN WHICH THE GENERAL ASSEMBLY IS IN SESSION THIS PERIOD INCLUDES A 30-DAY LEGISLATIVE SESSION IN ODD NUMBERED YEARS AND A 60-DAY LEGISLATIVE SESSION IN EVEN NUMBER YEARS IN ADDITION, LOBBYING AT THE LOCAL LEVEL IS GENERALLY CONFINED TO REGULATORY MATTERS AND IS NOT ONGOING FROM A GRASSROOTS LOBBYING PERSPECTIVE, THE EXECUTIVE DIRECTOR OVERSEES THE HEALTH IN ACTION NETWORK HEALTH IN ACTION IS AN ELECTRONIC EMAIL SYSTEM THAT PROVIDES OH EMPLOYEES WITH UPDATES ON LEGISLATION AND "CALLS TO ACTION" WHEN APPROPRIATE JOINING THE NETWORK AND CHOOSING TO RESPOND ARE VOLUNTARY THIS NETWORK IS ONLY ACTIVATED WHEN ISSUES OF CONCERN ARE BEING CONSIDERED AT THE FEDERAL AND STATE LEVELS IT IS ESTIMATED THAT DURING THE FISCAL YEAR ENDING MAY 31, 2013, ALL LOBBYING ACTIVITY BY THE EXECUTIVE DIRECTOR DID NOT EXCEED 30% OF TOTAL WORK-RELATED DUTIES AND RESPONSIBILITIES

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SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

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Name of the organization	Employer identification number
OWENSBORO HEALTH INC	61-1286361

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

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

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

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

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

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

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

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

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶______________

4 Number of states where property subject to conservation easement is located ▶______________

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶______________

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ ______________

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ ______________

(ii) Assets included in Form 990, Part X ▶ $ ______________

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ ______________

b Assets included in Form 990, Part X ▶ $ ______________

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

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

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ **Yes** ☐ **No**

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ **Yes** ☐ **No**

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

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

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

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

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

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

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

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Temporarily restricted endowment ▶

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		13,293,533		13,293,533
b Buildings		99,218,120	97,382,991	1,835,129
c Leasehold improvements		69,407,421	49,831,458	19,575,963
d Equipment		230,019,915	157,837,897	72,182,018
e Other		496,759,179		496,759,179
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* . . . . ▶				603,645,822

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

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

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

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

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

(a) Description	**(b)** Book value
(1) Cost of Issuance Series A 2010	2,360,361
(2) Cost of Issuance Series B 2010	264,910
(3) LTD Use Assets from Series A&B	59,825,126
(4) Key Executive Plan	350,541
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	62,800,938

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

1 **(a)** Description of liability	**(b)** Book value
Federal income taxes	0
Due to Third Party Payors	21,194,826
Accrued Pension	46,009,814
Workman's Comp Reserve	5,378,854
Malpractice Reserve	8,791,687
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	81,375,181

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

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES	FORM 990, PART X, LINE 2	The system APPLIES FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) ASC TOPIC 740 (TOPIC 740), ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES TOPIC 740 CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAX POSITIONS AND PROVIDES GUIDANCE ON WHEN TAX POSITIONS ARE RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS AND HOW THE VALUES OF THESE POSITIONS ARE DETERMINED THERE HAS BEEN NO IMPACT ON the system'S CONSOLIDATED FINANCIAL STATEMENTS AS A RESULT OF TOPIC 740

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OWENSBORO HEALTH INC

Employer identification number
61-1286361

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☐ 100% ☐ 150% ☐ 200% ☑ Other 225 %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 375 %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			22,151,518	1,950,632	20,200,886	5 230 %
b Medicaid (from Worksheet 3, column a)			49,180,115	33,523,543	15,656,572	4 050 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			71,331,633	35,474,175	35,857,458	9 280 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	637	498,962	2,103,826	5,761	2,098,065	0 540 %
f Health professions education (from Worksheet 5)	45	166	355,941	0	355,941	0 090 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)	1	0	798,631	0	798,631	0 210 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	235	166,302	1,073,680	212	1,073,468	0 280 %
j **Total.** Other Benefits	918	665,430	4,332,078	5,973	4,326,105	1 120 %
k **Total.** Add lines 7d and 7j	918	665,430	75,663,711	35,480,148	40,183,563	10 400 %

Part II Community 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
1	Physical improvements and housing	1	200	726		726	
2	Economic development	3	450	12,900		12,900	
3	Community support	11	107,366	115,750		115,750	0 030 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development	1	30	28,000		28,000	0 010 %
9	Other						
10	**Total**	16	108,046	157,376		157,376	0 040 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	30,968,784		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	15,484,392		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	121,039,273
6	Enter Medicare allowable costs of care relating to payments on line 5	6	143,931,823
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-22,892,550

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

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

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

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1	OWENSBORO CHN	PROVIDER NETWORK	50 000 %		44 000 %
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	owensboro health inc 1201 Pleasant Valley Road owensboro, KY 42303 www owensborohealth org	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)

Name of hospital facility or facility reporting group owensboro health inc

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 begining on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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	Yes	
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		No
5	Did the hospital facility make its CHNA report widely available to the public?	5	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes	
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		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that			
Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 225 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	11	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 375 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	12	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply) **a** ☑ Income level **b** ☑ Asset level **c** ☑ Medical indigency **d** ☑ Insurance status **e** ☑ Uninsured discount **f** ☑ Medicaid/Medicare **g** ☑ State regulation **h** ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	13	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	14	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply) **a** ☑ The policy was posted on the hospital facility's website **b** ☑ The policy was attached to billing invoices **c** ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms **d** ☑ The policy was posted in the hospital facility's admissions offices **e** ☑ The policy was provided, in writing, to patients on admission to the hospital facility **f** ☑ The policy was available upon request **g** ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP **a** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments **e** ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	17		No
If "Yes," check all actions in which the hospital facility or a third party engaged **a** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments **e** ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

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

Part V Facility Information *(continued)*

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?
1

	Name and address	Type of Facility (describe)
1	Owensboro Ambulatory Surgical Facility 1201 Pleasant Valley Road Owensboro, KY 42303	Multi-specialty surgery center
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
SUPPLEMENTAL INFORMATION		1 PART I, LINE 7 WHEN CALCULATING THE COMMUNITY BENEFIT PERCENTAGES IN PART I, LINE 7, BAD DEBT EXPENSE OF $30,968,784 WAS EXCLUDED 1 PART III, LINE 4 THERE IS NO FOOTNOTE TO THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE THE COSTING METHODOLOGY USED IS THE COST TO CHARGE RATIO CALCULATED IN WORKSHEET 2 OF PART I OF SCHEDULE H OF THIS 990 1 PART III, LINE 8 THE COSTING METHODOLOGY USED IS THE COST TO CHARGE RATIO CALCULATED IN WORKSHEET 2 OF PART I OF SCHEDULE H OF THIS 990 THE CHARGES AND PAYMENTS ARE FROM THE MEDICARE PAID CLAIMS REPORTS 1 PART III, LINE 9B THE POLICIES OF THE SYSTEM ATTEMPT TO ENSURE ALL UNINSURED PATIENTS OF THE SYSTEM HAVE OPPORTUNITY TO APPLY AND QUALIFY FOR FINANCIAL ASSISTANCE PROGRAMS THE HOSPITAL HAS FINANCIAL AID APPLICATIONS AVAILABLE AT REGISTRATION AREAS, VIA THE INTERNET, VIA PHONE, AND ARE SENT ROUTINELY VIA MAIL TO PATIENTS OF THE HOSPITAL THE HOSPITAL EMPLOYS FINANCIAL COUNSELORS AND CONTRACTS WITH AN OUTSIDE FIRM TO ENSURE PATIENTS ARE EVALUATED FOR ELIGIBILITY IN THE FINANCIAL ASSISTANCE PROGRAMS AVAILABLE THE HOSPITAL DOES NOT CONTRACT PRIMARY COLLECTION AGENCIES ALL SELF-PAY AND BALANCE AFTER INSURANCE ACCOUNTS ARE REVIEWED AND WORKED BY HOSPITAL STAFF TO ENSURE THAT THE PATIENT IS GIVEN EVERY OPPORTUNITY TO APPLY FOR FINANCIAL ASSISTANCE SELF-PAY DISCOUNTS ARE AVAILABLE TO ALL UNINSURED PATIENTS AS LONG AS THEY COMPLETE THE AID APPLICATION DISCOUNTS GIVEN ARE EQUIVALENT TO THE AVERAGE INSURANCE DISCOUNTS THE HOSPITAL CONTRACTS ALLOW ADDITIONALLY, PATIENTS WITH BALANCE ARE PERMITTED TO ESTABLISH PAYMENT PLANS THE HOSPITAL DOES NOT CHARGE INTEREST TO ITS PATIENTS 1 PART V, SECTION B, LINE 13 THE HOSPITAL HAS FINANCIAL AID APPLICATIONS AVAILABLE AT REGISTRATION AREAS, VIA THE INTERNET, VIA PHONE, VIA REQUEST OF PATIENT AND ARE SENT ROUTINELY VIA MAIL TO PATIENTS OF THE HOSPITAL THE HOSPITAL EMPLOYS FINANCIAL COUNSELORS AND CONTRACTS WITH AN OUTSIDE FIRM TO ENSURE PATIENTS ARE EVALUATED FOR ELIGIBILITY IN THE FINANCIAL ASSISTANCE PROGRAMS AVAILABLE AS WELL AS MEDICAID OR DISABILITY ELIGIBILITY THE PATIENT IS RESPONSIBLE FOR COMPLETING THE FINANCIAL AID APPLICATION AND RETURNING IT TO THE HOSPITAL IF THE PATIENT NEEDS ASSISTANCE COMPLETING THE APPLICATION, THERE ARE FINANCIAL COUNSELORS AVAILABLE TO HELP THE PATient COMPLETE THE FORMS THE FINANCIAL COUNSELORS REVIEW THE APPLICATIONS AND WORK WITH THE PATIENT TO MAKE SURE THE APPLICATIONS ARE COMPLETE ONCE COMPLETED, THE APPLICATIONS ARE REVIEWED AND DETERMINATION IS MADE IF THE PATIENT QUALIFIES FOR ANY LEVEL OF ASSISTANCE THE DECISION IS THEN COMMUNICATED TO THE PATIENT 1 PART V, SECTION B, LINE 14G IN ADDITION TO THE OTHER METHODS LISTED, OWENSBORO HEALTH, inc PUBLISHES AN ARTICLE ANNUALLY IN A REGIONAL HEALTH MAGAZINE THAT DESCRIBES AND PROVIDES INFORMATION ON HOW TO APPLY FOR THE FINANCIAL ASSISTANCE PROGRAMS THAT ARE AVAILABLE THE MAGAZINE IS DISTRIBUTED TO 100,000 HOMES IN THE REGION WE SERVE
2 NEEDS ASSESSMENTS		Owensboro health, Inc ("OH") ENGAGED THE HEALTHY COMMUNITIES INSTITUTE (HCI) TO DEVELOP A COMMUNITY HEALTH INDICATORS DATA BASE IN FISCAL YEAR 2012 THIS DATA BASE INCLUDES MORE THAN 100 HEALTH INDICATORS FROM THE PRIMARY SERVICE AREA THAT IS AVAILABLE TO THE GENERAL PUBLIC VIA THE OH WEBSITE WHILE OH FINANCED THE PROJECT, IT IS A COLLABORATIVE EFFORT WITH LOCAL ORGANIZATIONS WORKING WITH THESE ORGANIZATIONS, THE HCI DATA, ALONG WITH FINDINGS FROM THE GREEN RIVER DISTRICT HEALTH DEPARTMENT AND OTHER FINDINGS FROM A SECONDARY ANALYSIS OF THE ALL INPUT DATA, WAS USED TO ASSESS OUR HEALTH NEEDS AS A COMMUNITY AND TO DEVELOP OUR IMPLEMENTATION STRATEGY THE ASSESSMENT WAS COMPLETED AND APPROVED BY THE OH BOARD OF DIRECTIONS ON JANUARY 29, 2013 AND IS NOW PUBLISHED AND AVAILABLE ON THE OH WEBSITE IN COMPLIANCE WITH THE IRS FORM 990 - SCHEDULE H, THE OH COMMUNITY NEEDS ASSESSMENT REPORT PROVIDES (1) A DESCRIPTION OF THE COMMUNITY AND DEMOGRAPHICS SERVED, (2) A DESCRIPTION OF HOW THE REPORT'S DATA WAS OBTAINED INCLUDING INFORMATION GAPS THAT LIMIT oh'S ABILITY TO ASSESS ALL OF THE COMMUNITY'S HEALTH NEEDS, (3) THE HEALTH NEEDS IN THE COMMUNITY, INCLUDING THE PRIMARY AND CHRONIC DISEASE NEEDS AND OTHER HEALTH ISSUES OF UNINSURED PERSONS, LOW-INCOME PERSONS, AND MINORITY GROUPS, (4) THE PROCESS FOR IDENTIFYING AND PRIORITIZING COMMUNITY HEALTH NEEDS AND SERVICES TO MEET THE COMMUNITY HEALTH NEEDS, AND (5) A DESCRIPTION OF HOW THE HOSPITAL TOOK INTO ACCOUNT INPUT FROM PERSONS WHO REPRESENT THE BROAD INTERESTS OF THE COMMUNITY SERVED THE FINDINGS IN THIS REPORT ARE MEANT TO COMPLEMENT AND EXPAND ON THE EXISTING COMMUNITY HEALTH ASSESSMENT AND IMPROVEMENT EFFORTS CURRENTLY UNDERWAY IN DAVIESS COUNTY AND THE SURROUNDING AREA IN 2011 THE GREEN RIVER DISTRICT HEALTH DEPARTMENT (GRDHD), WHICH INCLUDES THE COUNTIES OF DAVIESS, HANCOCK, HENDERSON, MCLEAN, OHIO, UNION, AND WEBSTER, BEGAN A COMMUNITY-WIDE PROCESS TO ANALYZE COMMUNITY HEALTH NEEDS AND IDENTIFY THE HEALTH PRIORITIES FOR THE REGION THE COMMUNITY HEALTH ASSESSMENT, OR CHA, IS A FEDERAL REQUISITE FOR OBTAINING PUBLIC HEALTH ACCREDITATION GRDHD UTILIZED THE STRATEGIC PLANNING FRAMEWORK KNOWN AS MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHIPS, OR MAPP, DEVELOPED BY THE NATIONAL ASSOCIATION OF COUNTY & CITY HEALTH OFFICIALS (NACCHO) FOR ADDITIONAL INFORMATION GO TO HTTP //WWW HEALTHDEPARTMENT ORG/ THE INITIAL PLANNING PHASES OF THE MAPP PROCESS BEGAN IN LATE 2011 AND INITIATED IN JANUARY 2012 BY JUNE 2012 THE MAPP PROCESS HAD YIELDED THE THREE PRIORITY HEALTH ISSUES TO BE ADDRESSED BY THE GRDHD IN DAVIESS COUNTY THE ASSESSMENTS AND INFORMATION COLLECTED BY THE GRDHD INCLUDED A SECONDARY DATA ASSESSMENT, AN ON-LINE AND IN-PERSON SURVEY, AND COMMUNITY FORUMS TO OBTAIN INFORMATION AND COLLABORATE WITH STAKEHOLDERS, ALL OF WHICH INFORMED THE IDENTIFICATION OF KEY COMMUNITY HEALTH ISSUES THE SECONDARY DATA ASSESSMENT CONDUCTED BY THE GRDHD UTILIZED THE OH'S ONLINE COMMUNITY DASHBOARD (WWW OWENSBOROHEALTH ORG/HEALTHASSESSMENT) AFTER REVIEW OF THE SECONDARY DATA, THE GRDHD FOUND THAT IN DAVIESS COUNTY THERE WAS - HIGH TEEN BIRTH RATE - HIGH PREVALENCE OF SMOKING - HIGH RATE OF LUNG CANCER DEATHS - HIGH RATE OF STD'S - CHLAMYDIA - HOSPITALIZATIONS & ER RATES DUE TO ALCOHOL ABUSE A COMMUNITY PERCEPTION SURVEY ASSESSMENT WAS MADE AVAILABLE ONLINE AND IN-PERSON AT EACH OF THE SEVEN HEALTH CLINICS THROUGHOUT THE REGION APPROXIMATELY 500 PEOPLE COMPLETED THE SURVEY, AND THOSE INVOLVED WITH THE DATA COLLECTION AND ANALYSIS SAID THAT THE SURVEY TARGETED THE UNDERSERVED POPULATION THE SURVEY RESULTS GROUPED BY QUESTION WERE TOP ISSUES IDENTIFIED IN THE COMMUNITY PERCEPTION SURVEY - OBESITY (24%) - ACCESS TO CARE (21%) - MENTAL HEALTH (18%) - DIABETES (17%) - HEART DISEASE (16%) - ALSO CANCER, SMOKING, DRUG ABUSE, DENTAL HEALTH (4%) RISKS IDENTIFIED IN THE COMMUNITY PERCEPTION SURVEY - LACK OF SERVICES FOR LOW INCOME POPULATION (40%) - LACK OF HEALTHCARE/AFFORDABLE FOOD (27%) - UNEMPLOYMENT (22%) - SUBSTANCE ABUSE (11%) HEALTH RELATED THREATS AS A RESULT OF CHANGES IN COMMUNITY IDENTIFIED IN THE COMMUNITY PERCEPTION SURVEY - LOSS OF HEALTH INSURANCE/INCREASED INSURANCE COSTS (63%) - JOB LOSS (29%) - MOVING THE HOSPITAL - IMPACT ON ACCESS (5%) - CUTS IN FUNDING (3%) ADDITIONALLY, THE GRDHD FACILITATED TWO COMMUNITY FORUMS HELD IN THE FIRST HALF OF 2012 TO ENGAGE WITH COMMUNITY STAKEHOLDERS AND COLLECTEDTHEIR INPUT THE COMMUNITY FORUMS WERE ATTENDED BY BETWEEN 75 AND 100 COMMUNITY MEMBERS REPRESENTING A DIVERSE GROUP OF NON-GOVERNMENTAL ORGANIZATIONS, BUSINESSES, HEALTHCARE INSURERS AND PROVIDERS, AND GOVERNMENT AGENCIES THE FIRST FORUM WAS DESIGNED TO IDENTIFY HEALTH NEEDS AS WELL AS IDENTIFY ALL RESOURCES CURRENTLY AVAILABLE TO MEET THOSE NEEDS, AND WAS TITLED COMMUNITY HEALTH FORUM PARTICIPANTS WERE ASKED, "WHAT DO YOU THINK ARE THE PROBLEMS IN DAVIESS COUNTY?" BASED ON STAKEHOLDER INPUT THE FOLLOWING INFORMATION WAS COLLECTED AT THE FIRST COMMUNITY FORUM HEALTH STATUS CONCERNS - SMOKING/TOBACCO - OVERWEIGHT/OBESITY/NO PHYSICAL ACTIVITY - TEEN PREGNANCY - CRIME/SUBSTANCE ABUSE - STROKE/HYPERTENSION COMMUNITY RISKS - LACK OF SERVICES (HEALTHCARE, MENTAL HEALTH, HEALTHY FOOD) - UNEMPLOYMENT - BUILT ENVIRONMENT ISSUES - LIGHTS AT GREENBELT, SIDEWALKS,BIKE, fRIENDLY STREETS - LIFESTYLE CHOICES - EATING HABITS, SUBSTANCE ABUSE, ALCOHOL USE, TOBACCO USE COMMUNITY THREATS - UNKNOWN IMPACT OF MEDICAID MANAGED CARE AND HEALTHCARE LEGISLATION - IMPACT OF FUNDING CUTS ON SERVICES AND UNEMPLOYMENT ON ACCESS - LIFESTYLE CHANGES - IMPACT ON HEALTH AND FAMILY AT THE SECOND COMMUNITY FORUM, STAKEHOLDERS WERE PRESENTED COMPLETE RESULTS OF THE SECONDARY DATA ANALYSIS, THE COMMUNITY SURVEY, AND THE STAKEHOLDER INPUT FROMTHE COMMUNITY HEALTH FORUM THEY WERE ASKED TO DISCUSS AND PRIORITIZE BY DOT METHOD THE GREATEST COMMUNITY HEALTH ISSUES BASED ON THE ANALYSIS, COMMUNITY PERCEPTION SURVEY, AND STAKEHOLDER INPUT THE OUTCOME OF THIS MEETING WAS THE SELECTION OF THE TOP THREE HEALTH ISSUES IN DAVIESS COUNTY - SUBSTANCE ABUSE (ATOD ALCOHOL, TOBACCO, AND OTHER DRUGS) - OBESITY - ACCESS TO HEALTH SERVICES OH WAS A PARTICIPANT THROUGHOUT THE MAPP PROCESS, AND SUPPORTS THE OUTCOMES OF THE CHA CONDUCTED BY THE GRDHD BOTH PRIMARY AND SECONDARY DATA WAS USED IN THIS ANALYSIS THE SECONDARY DATA WAS DERIVED FROM OH'S HCI-CHNA SYSTEM, WWW OWENSBORO HEALTH ORG/HEALTHASSESSMENT THE SYSTEM INCLUDES THE MOST UP-TO-DATE PUBLICLY AVAILABLE DATA FOR APPROXIMATELY 140 COMMUNITY INDICATORS FROM OVER 20 SOURCES, COVERING OVER 20 TOPICS IN THE AREAS OF HEALTH, DETERMINANTS OF HEALTH, AND QUALITY OF LIFE ADDITIONAL PRIMARY DATA CONSISTED OF IN-DEPTH PHONE INTERVIEWS WITH NINE COMMUNITY INFORMANTS INCLUDING A PUBLIC HEALTH EXPERT, PHYSICIAN, PUBLIC SERVANT, AND HEALTHCARE AND SOCIAL SERVICE PROVIDERS WITH EXPERTISE AND SPECIAL KNOWLEDGE REGARDING THE NEEDS IN THE COMMUNITY WAS SOUGHT ONCE THE COMMUNITY PRIORITY AREAS WERE NAMED IN AN EFFORT TO PROVIDE AN EVEN DEEPER UNDERSTANDING OF THE HEALTH NEEDS IN THE COMMUNITY THE ADDITIONAL DATA COLLECTION REVEALED ADDITIONAL COMMUNITY NEEDS FROM THE ANALYSIS THAT WHILE NOT SELECTED AS PRIORITY HEALTH NEEDS WERE SO CLOSELY INTERREALTED AND INFLUENTIAL TO THE NAMED PRIORITY AREAS THOSE NEEDS WERE OFFERED AS ADDITIONAL AREAS OF CONCERN CANCER, HEART DISEASE, IMMUNIZATION AND INFECTIOUS DISEASES, MATERNAL, FETAL AND INFANT HEALTH/FAMILY PLANNING, MENTAL HEALTH AND MENTAL DISORDERS, OLDER ADULTS AND AGING, PREVENTION AND SAFETY, RESPIRATORY DISEASES, ECONOMOY POVERTY AND PUBLIC SAFETY IN ADDITION TO THE COMMUNITY NEEDS ASSESSMENT PROCESS, THROUGH OUR COMMUNITY BENEFIT GRANT PROGRAM, OH ADDRESSES THE HEALTH NEEDS OF OUR COMMUNITY THOUGH PARTNERSHIP WITH MORE THAN A HUNDRED COMMUNITY AND SOCIAL SERVICE ORGANIZATIONS FROM AROUND THE REGION TO BE ELIGIBLE FOR FUNDING, POTENTIAL GRANTEES MUST SUBMIT PROPOSALS FOR SPECIFIC PROGRAMS AND SERVICES THAT ADDRESS IDENTIFIED COMMUNITY HEALTH NEEDS SUCH AS THAT CONTAINED IN THE OH CHNA OR THAT ADDRESS ROOT CAUSES OF HEALTH PROBLEMS THAT IMPACT THE HEALTH OF OUR COMMUNITY TO QUALIFY, ACTIVITIES MUST REFERENCE THE IDENTIFIED HEALTH NEEDS FROM EXISTING NEEDS ASSESSMENTS AND MUST SEEK TO MAKE MEASURABLE IMPROVEMENT IN HEALTH STATUS, ACCESS, OR USE OF HEALTHCARE RESOURCES PROGRAMS OR PROJECTS MUST ALSO SERVE INDIVIDUALS IN THE OH SERVICE AREA BY VIRTUE OF ONGOING PARTNERSHIPS WITH THESE ORGANIZATIONS, OH GAINS FIRSTHAND KNOWLEDGE OF THE HEALTH NEEDS OF OUR REGION AND HOW WE CAN WORK COLLABORATIVELY WITH OTHER ORGANIZATIONS TO ADDRESS THESE NEEDS OH ALSO USES BUSINESS MODELING PRODUCTS FROM THOMSON REUTERS AND THE KENTUCKY HOSPITAL ASSOCIATION FOR ASSESSMENT PURPOSES MARKET EXPERT INPATIENT AND OUTPATIENT FORECASTER IS USED TO ACCESS RELIABLE DATA TO MAKE DECISIONS THAT SUPPORT BOTH THE FINANCIAL HEALTH OF OH AND THE HEALTH OF OUR COMMUNITY THIS INCLUDES DATA HEALTH STATUS DATA AND CONSUMER CHARACTERISTICS OUTPATIENT PROFILES IN AD

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OWENSBORO HEALTH INC

Employer identification number
61-1286361

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

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

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . ▶ 37

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

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
(1) tuition assistance	166	85,753			
(2) cancer center medical fund	98	27,887			
(3) patient medical fund	435	74,711			

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
DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS	SCHEDULE I, PART I, LINE 2	SERVICES AND ACTIVITIES MUST SERVE INDIVIDUALS IN THE OMHS SERVICE AREA, INCLUDING DAVIESS, HANCOCK, OHIO, HENDERSON, HOPKINS, MCLEAN, MUHLENBERG, BRECKINRIDGE AND WEBSTER COUNTIES IN KENTUCKY OR SPENCER AND PERRY COUNTIES, INDIANA APPLICATIONS MUST SPECIFICALLY DESCRIBE HOW THE ORGANIZATION'S SERVICES ADDRESS ROOT CAUSES OF HEALTH PROBLEMS AFFECTING THE HEALTH OF OUR COMMUNITY ELIGIBLE GROUPS INCLUDE ECONOMIC, EDUCATIONAL, CIVIC, ARTS AND CULTURAL ORGANIZATIONS

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-1286361
Name: OWENSBORO HEALTH INC

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Cancer Society 319 W 10th St Suite 101 Owensboro, KY 42301	13-1788491	501c(3)	12,000				Community Support In Kind Tuition Assistance Cancer Center Medical Fund Patient Medical Fund Community Support
American Red Cross416 W 3rd St 1B Owensboro, KY 42302	61-0944834	501c(3)	15,170				BENEFIT GRANT PROGRAM
Aubrey's Song FoundationPO Box 184 Philpot, KY 42366	20-4285398	501c(3)	16,000				COMMUNITY BENEFIT GRANT
Audubon Area Community Service1650 W Second St Owensboro, KY 42301	23-7364935	501c(3)	7,500				community support
Bicycle Owensboro8610 KY 405 Maceo, KY 42355	27-3132659	501c(3)	8,000				COMMUNITY SUPPORT
Care Net Pregnancy Center PO Box 9525 Owensboro, KY 42302	20-0736119	501c(3)	6,000				COMMUNITY SUPPORT
Casa Of Ohio Valley Inc415 St Ann St Owensboro, KY 42303	61-1303511	501c(3)	15,750				COMMUNITY SUPPORT
City of OwensboroPO Box 10003 Owensboro, KY 42302	61-6001888	governmental	17,500				COMMUNITY SUPPORT
Community Dental Clinic 2315 Mayfair Dr Ste 32 Owensboro Owensboro, KY 42301	26-2343126	501c(3)	50,000				COMMUNITY SUPPORT
Daviess Co Diabetes Coalition1501 Breckenridge St Owensboro, KY 42303	61-1328046	501c(3)	15,000				COMMUNITY SUPPORT
Daviess County Public SchoolsPO Box 21510 Owensboro, KY 42304	61-6001338	governmental	55,154				COMMUNITY SUPPORT
Dream Riders of KentuckyPO Box 172 Philpot, KY 42366	01-0802025	501c(3)	12,000				COMMUNITY SUPPORT
East Hartford Baptist Church PO Box 48 Hartford, KY 42347	61-0219040	501c(3)	10,600				COMMUNITY SUPPORT
Emergency Shelter for Women & Children530 Klutley Pk Plaza Dr henderson k Henderson, KY 42419	61-1335313	501c(3)	14,000				COMMUNITY SUPPORT
Greater Owensboro Chamber of CommercePO Box 825 Owensboro, KY 42302	61-0299925	501c(3)	10,000				COMMUNITY SUPPORT
Green River District Health DepartmentPO Box 309 Owensboro, KY 42302	61-1010686	GOVERNMENTAL	25,000				COMMUNITY SUPPORT
GRADD300 Gradd Way Owensboro, KY 42301	61-0706096	501c(3)	15,000				COMMUNITY SUPPORT
GRADSAPO Box 2301 Owensboro, KY 42302	61-1312541	501c(3)	12,000				COMMUNITY SUPPORT
Hopkins County Community Clinic435 N Kentucky Ave madisonville ky Madisonville, KY 42431	06-1710391	501c(3)	25,000				COMMUNITY SUPPORT
Hopkins County School System861 Pride Avenue Madisonville, KY 42431	61-6001319	governmental	6,300				COMMUNITY SUPPORT
International Bluegrass Music Museum207 East 2nd St Owensboro, KY 42303	61-1229037	501c(3)	20,000				COMMUNITY SUPPORT
Madisonville Lions ClubPO Box 39 Madisonville, KY 42431	61-6039247	501c(4)	12,250				COMMUNITY SUPPORT
Mentorkids Kentucky1700 Frederica St Owensboro, KY 42301	61-1222299	501c(3)	10,400				COMMUNITY SUPPORT
New Horizons320 Clay St Owensboro, KY 42303	45-2520952	501c(3)	5,250				COMMUNITY SUPPORT
Owensboro Community & Technical College1501 Frederica St Owensboro, KY 42303	61-6001218	governmental	128,244				COMMUNITY SUPPORT
Owensboro Dance Theater 2705 Breckenridge St Owensboro, KY 42303	61-1040701	501c(3)	20,000				community support
Owensboro Museum of Fine Art901 Frederica St Owensboro, KY 42301	61-1297343	501c(3)	45,000				COMMUNITY SUPPORT
Owensboro Museum of Science and History122 East 2nd St Owensboro, KY 42303	61-1164857	501c(3)	33,000				community support
Owensboro Public Schools PO Box 249 Owensboro, KY 42302	61-6001339	GOVERNMENTAL	17,428				community support
Owensboro Symphony Orchestra211 East 2nd St Owensboro, KY 42303	61-6055984	501c(3)	19,000				community support

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Puzzle Pieces IncPO Box 24 Owensboro,KY 42302	45-3042804	501c(3)	50,000				community support
River Valley Behavioral Health1000 Industrial Drive Owensboro,KY 42301	61-0668290	501c(3)	8,295				community support
Riverpark Center101 Daviess St Owensboro,KY 42303	61-1147328	501c(3)	20,000				community support
Susan G Komen Foundation 4424 Vogel Rd Ste 205 evansville in Evansville,IN 47715	75-2844632	501c(3)	15,000				community support
Theatre Workshop of Owensboro407 W Fifth St Owensboro,KY 42302	61-0968600	501c(3)	11,000				community support
United Way of Ohio Valley 403 Park Plaza Drive Owensboro,KY 42301	61-0675581	501c(3)	83,321				community support
Western Kentucky University - 1906College Hght 11022 Bowling green k Bowling Green,KY 42101	61-6055628	501c(3)	15,000				community support
Foundation for Health2211 Mayfair Ave ste 403 owensboro Owensboro,KY 42301	61-1251763	501c(3)	997,209				community support

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
OWENSBORO HEALTH INC

Employer identification number
61-1286361

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☑ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)			
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**		No
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☐ Compensation committee ☐ Independent compensation consultant ☐ Form 990 of other organizations ☐ Written employment contract ☐ Compensation survey or study ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	**4c**		No
	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? If "Yes," to line 5a or 5b, describe in Part III	**5b**		No
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? If "Yes," to line 6a or 6b, describe in Part III	**6b**		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Compensation Information		PREVIOUSLY, THE HEALTH CLUB DUES WERE TAXABLE BENEFITS FOR ADMINISTRATION THIS BENEFIT WAS PHASED OUT FOUR YEARS AGO AND ONLY ONE REMAINS (GRANDFATHERED)
Schedule J, Part I, Line 4B		457F PLAN TO EXECUTIVES (NONTAXABLE) JEFFREY BARBER $87,706, EARNEST BEGLEY $30,580, JOHN HACKBARTH $37,543, LISA JONES $22,885, RICHARD W MEDLEY $35,903, MICHAEL MILLS $22,878, RUSS RANALLO $27,122, VICKI STOGSDILL $31,320, GREG STRAHAN $46,271, MIA SUTER $31,866, TERRY W TYLER $21,116 SCHEDULE J, PART I, LINE 7 THE SUCCESS SHARING PLAN IS A PROGRAM DESIGNED TO FOCUS ON THE ACCOUNTABILITY OF ALL EMPLOYEES TO INFLUENCE THE FINANCIAL, QUALITY, PATIENT SATISFACTION AND EMPLOYEE DEVELOPMENT GOALS, AND TO REINFORCE THE OH CORE COMMITMENTS (RESPECT, INTEGRITY, INNOVATION, SERVICE, EXCELLENCE AND TEAMWORK) WHILE WORKING TO ACHIEVE THESE GOALS THE PLAN ACHIEVES THIS BY PROVIDING A DIRECT LINK BETWEEN ACHIEVEMENT OF ORGANIZATIONAL OBJECTIVES AND THE TOTAL COMPENSATION OF THOSE WHOSE DECISIONS AND ACTIONS ARE ACCOUNTABLE FOR THE OUTCOMES WHICH DRIVE THE ORGANIZATION'S SUCCESS ELIGIBILITY IS BASED ON HOURS WORKED IN THE YEAR, STAFF EMPLOYEES ARE PAID A PRO-RATED AMOUNT OF A DOLLAR MAXIMUM, MANAGEMENT IS PAID A FIXED PERCENTAGE OF ANNUAL SALARY BASED ON LEVEL OF MANAGEMENT PAYMENT IS PREDICATED ON BOARD APPROVAL

Additional Data | **Return to Form**

Software ID:
Software Version:
EIN: 61-1286361
Name: OWENSBORO HEALTH INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation (i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other 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
Barber Jeffrey	(i)	604,913	178,021	129,781	64,591	16,222	993,528	0
	(ii)	0	0	0	0	0	0	0
Begley II Earnest E	(i)	251,525	75,635	14,821	27,584	16,732	386,297	
	(ii)							
Hackbarth Jr John	(i)	310,735	92,733	19,955	27,982	16,086	467,491	
	(ii)							
Jones Lisa	(i)	190,291	56,603	23,011	21,750	15,789	307,444	
	(ii)							
Medley Jr Richard W	(i)	229,091	66,601	8,889	23,394	5,527	333,502	
	(ii)							
Mills Michael	(i)	189,047	56,584	6,149	20,384	12,848	285,013	
	(ii)							
Ranallo Russell	(i)	218,568	66,993	23,386	25,174	17,318	351,438	
	(ii)							
Stogsdill Vicki	(i)	278,397	78,300	56,312	31,421	12,412	456,841	
	(ii)							
Strahan Greg	(i)	391,289	114,598	57,012	41,822	11,628	616,348	
	(ii)							
Suter Mia	(i)	271,662	78,817	39,623	30,248	1,958	422,309	
	(ii)							
Tyler MD Terry W	(i)	226,559	91,503	15,369	25,879	7,110	366,420	
	(ii)							
Chapman William	(i)	214,314	51,255	588	25,383	11,667	303,207	
	(ii)							
Danhauer David E	(i)	242,425	12,693	1,369	41,537	11,488	309,512	
	(ii)							
Vaughn Rex C	(i)	171,466	25,671	255	23,428	10,227	231,047	
	(ii)							
Besier James L	(i)	157,814	22,898	1,142	12,097	13,908	207,858	
	(ii)							
Taylor Joseph W	(i)	147,001	22,776	1,083	20,956	16,184	208,000	
	(ii)							

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
OWENSBORO HEALTH INC

Employer identification number
61-1286361

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased Yes	(g) Defeased No	(h) On behalf of issuer Yes	(h) On behalf of issuer No	(i) Pool financing Yes	(i) Pool financing No
A	Kentucky Economic Development Finance Authority	61-0600439	49126KGX3	03-03-2010	512,772,595	See Schedule K, Part V		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0			
2	Amount of bonds legally defeased	0			
3	Total proceeds of issue	520,344,679			
4	Gross proceeds in reserve funds	37,912,800			
5	Capitalized interest from proceeds	71,313,996			
6	Proceeds in refunding escrows	58,975,719			
7	Issuance costs from proceeds	8,204,303			
8	Credit enhancement from proceeds	0			
9	Working capital expenditures from proceeds	0			
10	Capital expenditures from proceeds	343,937,861			
11	Other spent proceeds	0			
12	Other unspent proceeds	0			
13	Year of substantial completion	2013			

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D 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 Yes	A No	B Yes	B No	C Yes	C No	D Yes	D 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 %		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	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?		X						
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	0							
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)?								
b	Name of provider	0							
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
Description of Bond Proceeds	Schedule K, Part I	Proceeds financed 1)a 9-story replacement acute care hospital, 2)a 4-story support services bldg, 3)a one and a half story central energy plant, 4) parking lot In addition, proceeds refunded a portion of the Series 2001 Bonds and funded a portion of the Debt Service Reserve Fund

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Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OWENSBORO HEALTH INC

Employer identification number
61-1286361

Part I **Excess Benefit Transactions** (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II **Loans to and/or From Interested Persons.**
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
(1) douglas r adams	physician	recruitment loan		X	339,359	138,131		No		No	Yes	
Total			▶ $			138,131						

Part III **Grants or Assistance Benefitting Interested Persons.**
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	No
(1) MOLLIE MILLS	DAUGHTER OF MICHAEL MILLS	33,984	EMPLOYEE COMPENSATION		No
(2) VIRGINIA Bradford	DAUGHTER OF MICHAEL MILLS	76,958	EMPLOYEE COMPENSATION		No
(3) Jeremy Bradford	SIL of Michael Mills	139,406	EMPLOYEE COMPENSATION		No
(4) JENNIFER RANALLO	WIFE OF RUSSELL RENALLO	27,078	EMPLOYEE COMPENSATION		No
(5) WILLIAM J STRAHAN	SON OF GREG STRAHAN	51,328	EMPLOYEE COMPENSATION		No

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

Identifier	Return Reference	Explanation

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SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OWENSBORO HEALTH INC

Employer identification number
61-1286361

Identifier	Return Reference	Explanation
VOLUNTEERS	FORM 990, PART I, QUESTION 6	VOLUNTEER SERVICES SUPPORT THE MISSION AND GOALS OF OWENSBORO HEALTH, Inc ("OH") THEY STAFF THE PATIENT INFORMATION DESK, DELIVER FLOWERS, AND PLAY CRUCIAL ROLE AS LIAISON BETWEEN FAMILIES AND PHYSICIANS IN THE SURGERY WAITING AREAS VOLUNTEERS ARE AN ESSENTIAL PART OF THE CARE AND COMFORT OH PROVIDES SIGNIFICANT CHANGES TO GOVERNING DOCUMENTS FORM 990, PART VI, QUESTION 4 EFFECTIVE JUNE 1, 2013 Owensboro Medical Health System, INC CHANGED ITS NAME TO OWENSBORO HEALTH, INC MEMBERS OF THE GOVERNING BODY FORM 990, PART VI, QUESTION 7A OH IS GOVERNED BY A FOURTEEN-MEMBER BOARD OF DIRECTORS PURSUANT TO THE CORPORATION'S BYLAWS THREE (3) DIRECTORS ARE APPOINTED BY THE COUNTY JUDGE/EXECUTIVE OF DAVIESS COUNTY ("COUNTY JUDGE") WITH THE CONSENT OF THE DAVIESS COUNTY FISCAL COURT, THREE (3) DIRECTORS ARE APPOINTED BY THE MAYOR OF THE CITY OF OWENSBORO ("MAYOR") WITH THE CONSENT OF THE BOARD OF THE OWENSBORO CITY COMMISSION, ONE (1) DIRECTOR IS APPOINTED JOINTLY BY THE COUNTY JUDGE AND THE MAYOR, THREE (3) DIRECTOR POSITIONS ARE RESERVED FOR PHYSICIANS WHO ARE MEMBERS OF THE OH ACTIVE MEDICAL STAFF (2), AND FOUR (4) DIRECTORS ARE ELECTED OR APPOINTED BY THE BOARD OF DIRECTORS FROM THE COMMUNITY THE BOARD OF DIRECTORS IS RESPONSIBLE FOR OVERSEEING THE MANAGEMENT AND OPERATION OF OMHS THE BOARD MEMBERS SERVE THREE-YEAR TERMS, AND CAN SERVE NO MORE THAN THREE (3) CONSECUTIVE TERMS, BUT ARE ELIGIBLE FOR REAPPOINTMENT TO THE BOARD AFTER HAVING BEEN OFF OF THE BOARD FOR AT LEAST ONE (1) YEAR THE BOARD HAS REGULARLY SCHEDULED MONTHLY MEETINGS DSCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS FORM 990, PART VI, QUESTION 7B THE FOLLOWING CORPORATE ACTIONS SHALL REQUIRE THE AFFIRMATIVE ACT OF THE FISCAL COURT OF DAVIESS COUNTY ("COUNTY") AND THE COMMISSIONERS OF THE CITY OF OWENSBORO ("CITY") FOLLOWING A RECOMMENDATION THEREFORE BY THE BOARD OF DIRECTORS (1) THE ADMISSION OF ANY MEMBER TO THE CORPORATION, (2) THE TRANSFER OF ALL, OR SUBSTANTIALLY ALL, OF THE MANAGEMENT RESPONSIBILITY FOR THE CORPORATION TO A NONRELATED PERSON, (3) A MERGER, CONSOLIDATION OR OTHER SIMILAR ACTION THAT IS DILUTIVE OF THE ASSETS OF THE CORPORATION OR THAT ADVERSELY AFFECTS ANY RIGHTS OF THE COUNTY OR CITY PROVIDED FOR IN THE CORPORATION'S ARTICLES OF INCORPORATION OF THE BYLAWS, (4) ANY AMENDMENTS TO ARTICLES 4,5,7,8 AND 10 OF THE ARTICLES OF INCORPORATION, OR ANY AMENDMENT TO SECTION ARTICLES VII OF THE BYLAWS (5) THE DISSOLUTION OF THE CORPORATION, (6) ANY CHANGE OF THE NAME OF THE CORPORATION, (7) THE TRANSFER (IN ONE OR MORE RELATED TRANSACTIONS) DURING ANY TWELVE MONTH PERIOD OF 5% OR MORE OF THE TOTAL ASSETS OF THE CORPORATION TO AN UNAFFILIATED PERSON(S), "TOTAL ASSETS" SHALL MEAN THE AGGREGATE ASSETS FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE CORPORATION DSCR THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990 FORM 990, PART VI, QUESTION 11B THE RETURN IS REVIEWED BY JOHN HACKBARTH (CFO), RUBY JACILDO (CONTROLLER), AND RENEE ORANGE (ACCOUNTING MANAGER) BEFORE IT IS SIGNED THE CFO INFORMS THE GOVERNING BODY THAT THE 990 IS FILED AND THAT A COPY IS AVAILABLE UPON REQUEST AND/OR GUIDESTAR WEBSITE
DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST		FORM 990, PART VI, QUESTION 12C UNDER OUR CONFLICT OF INTEREST POLICY (#100-214), EACH BOARD DIRECTOR, OFFICER AND MEMBER OF A COMMITTEE WITH BOARD-DELEGATED POWER IS REQUIRED ANNUALLY TO COMPLETE THE FOLLOWING, (1) CONFIDENTIALITY STATEMENT, (2) DISCLOSURE CERTIFICATE, (3) INDEPENDENCE AND RELATED PARTY QUESTIONNAIRE THESE DISCLOSURES ARE REVIEWED AND RETAINED BY THE CHIEF LEGAL OFFICER, WHO IS ALSO IN THE APPROVAL CHAIN FOR ALL OMHS CONTRACTS ALL COMPLETED CONTRACTS ARE MAINTAINED BY THE LEGAL OFFICE IN A SEARCHABLE DATABASE (THROUGH MEDITRACT) THESE WILL BE REVIEWED AND MAINTAINED BY THE COMPLIANCE OFFICER THE COMPLIANCE OFFICER ALSO HAS ACCESS TO THE CONTRACT'S DATABASE AND COMPLETES AN OIG SANCTION CHECK FOR NEW CONTRACTs ONCE THE CONFLICT OF INTEREST DATA HAS BEEN COLLECTED, NEW CONTRACTS WILL BE SCREENED FOR POTENTIAL CONFLICTS OF INTEREST IN ADDITION, OH MAINTAINS A COMPLIANCE HOTLINE THROUGH WHICH ANYONE WITH KNOWLEDGE OF A CONFLICT OF INTEREST OR IMPROPER VENDOR RELATIONSHIP CAN ANONYMOUSLY REPORT SUSPECTED VIOLATIONS OF OH POLICY ON THOSE INDIVIDUALS FOUND TO HAVE A CONFLICT OF INTEREST, EMPHASIS IS MADE THAT THEY MAINTAIN IN CONFIDENCE ANY INFORMATION, KNOWLEDGE, OR DOCUMENTS ACQUIRED AS THE RESULT OF THEIR POSITION OR ATTENDANCE OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN FORM 990, PART VI, QUESTION 15A TOTAL COMPENSATION IS THE SUM OF EACH EXECUTIVE'S BASE SALARY, INCENTIVE OPPORTUNITY, BENEFITS, AND PERQUISITES - OUR TOTAL COMPENSATION PHILOSOPHY WILL APPLY TO CEO OF THE ORGANIZATION - CASH COMPENSATION AND BENEFITS PLANS PROVISIONS WILL BE, BASED ON MARKET DATA, COMPETITIVE WITH THOSE HEALTHCARE ORGANIZATIONS WITHIN WHICH WE COMPETE FOR EXECUTIVE TALENT OUR LABOR MARKET IS DEFINED AS SUCCESSFUL AND COMPARABLY SIZED HEALTHCARE ORGANIZATIONS ON A NATIONAL LEVEL SUCCESS IS MEASURED IN TERMS OF FINANCIAL AND OPERATIONAL PERFORMANCE AND MARKET LEADERSHIP - COMPETITIVE POSITIONING OF BASE SALARIES, AS REFLECTED BY THE SALARY RANGE MIDPOINTS, WILL BE AT THE 50TH PERCENTILE CEO MAY BE PLACED ABOVE OR BELOW THE SALARY RANGE BASED ON THE CEO'S KNOWLEDGE, COMPETENCIES, AND EXPERIENCE, PERFORMANCE OF THE CEO, THE CEO'S CONTRIBUTION TO THE ORGANIZATION'S OVERALL PERFORMANCE, INTERNAL EQUITY CONSIDERATIONS, THE FINANCIAL RESOURCES AVAILABLE, AND, CEO'S BASE SALARY INCREASES PROVIDED IN THE COMPETITIVE MARKET - ANNUAL MERIT INCREASE IS BASED ON JOB PERFORMANCE, REVIEWED BY FINANCE COMMITTEE, AND THEN APPROVED BY THE BOARD OF DIRECTORS - ANNUAL INCENTIVE OPPORTUNITIES WILL BE POSITIONED BETWEEN THE 50TH AND 75TH PERCENTILE DEPENDING ON THE DEGREE TO WHICH PERFORMANCE GOALS ARE MET OR EXCEEDED TOTAL CASH COMPENSATION, AS REFLECTED BY BASE SALARIES AND ANNUAL INCENTIVES, WILL ALSO BE POSITIONED BETWEEN THE 50TH AND 75TH PERCENTILES AND WILL BE INFLUENCED BY PERFORMANCE RESULTS AS MEASURED AGAINST ESTABLISHED GOALS INCENTIVE COMPENSATION PLAN REVIEWED BY FINANCE COMMITTEE, THEN APPROVED BY BOARD OF DIRECTORS - THE ORGANIZATION WILL PROVIDE APPROPRIATE AND COMPETITIVE SUPPLEMENTAL BENEFITS AND PERQUISITES DELIVERED IN A FLEXIBLE STRUCTURE TO ALLOW FOR INDIVIDUAL CHOICE AND BASED ON THE ORGANIZATION'S MISSION AND BUSINESS NEEDS - OUR EXECUTIVE TOTAL COMPENSATION PLAN WILL BE DESIGNED, MANAGED AND MAINTAINED IN A MANNER THAT WILL SUPPORT AND COMPLEMENT OUR MISSION, MANAGEMENT PHILOSOPHY, SHORT- AND LONG-TERM BUSINESS STRATEGIES, AND EMPLOYEE RELATIONS GOALS ATTRACT AND RETAIN EXECUTIVES WITH THE RIGHT SKILLS, ABILITIES AND MOTIVATION TO ACHIEVE OUR BUSINESS OBJECTIVE ENSURE THE EXECUTIVE TOTAL COMPENSATION IS REASONABLE AND COMPETITIVE - OUR CASH COMPENSATION AND BENEFITS PLANS WILL BE REVIEWED BY HR CONSULTING FIRM AND ADJUSTED PERIODICALLY TO MEET THE CHANGING BUSINESS AND ORGANIZATIONAL CHARACTERISTICS OF OUR ORGANIZATION AND ITS EXECUTIVE STAFF AS DIRECTED BY THE FINANCE COMMITTEE OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN FORM 990, PART VI, QUESTION 15B TOTAL COMPENSATION IS THE SUM OF EACH EXECUTIVE'S BASE SALARY, INCENTIVE OPPORTUNITY, BENEFITS, AND PERQUISITES - OUR TOTAL COMPENSATION PHILOSOPHY WILL APPLY TO ALL EXECUTIVES OF THE ORGANIZATION - CASH COMPENSATION AND BENEFITS PLANS PROVISIONS WILL BE, ON AVERAGE, COMPETITIVE WITH THOSE HEALTHCARE ORGANIZATIONS WITHIN WHICH WE COMPETE FOR EXECUTIVE TALENT OUR LABOR MARKET IS DEFINED AS SUCCESSFUL AND COMPARABLY SIZED HEALTHCARE ORGANIZATIONS ON A NATIONAL LEVEL SUCCESS IS MEASURED IN TERMS OF FINANCIAL AND OPERATIONAL PERFORMANCE AND MARKET LEADERSHIP - COMPETITIVE POSITIONING OF BASE SALARIES, AS REFLECTED BY THE SALARY RANGE MIDPOINTS, WILL BE AT THE 50TH PERCENTILE EXECUTIVES MAY BE PLACED ABOVE OR BELOW THE SALARY RANGE BASED ON THE EXECUTIVE'S KNOWLEDGE, COMPETENCIES, AND EXPERIENCE, PERFORMANCE OF THE EXECUTIVE'S AREA OF RESPONSIBILITY, THE EXECUTIVE'S CONTRIBUTION TO THE ORGANIZATION'S OVERALL PERFORMANCE, INTERNAL EQUITY CONSIDERATIONS, THE FINANCIAL RESOURCES AVAILABLE, AND, EXECUTIVE BASE SALARY INCREASES PROVIDED IN THE COMPETITIVE MARKET - ANNUAL INCENTIVE OPPORTUNITIES WILL BE POSITIONED BETWEEN THE 50TH AND 75TH PERCENTILE DEPENDING ON THE DEGREE TO WHICH PERFORMANCE GOALS ARE MET OR EXCEEDED TOTAL CASH COMPENSATION, AS REFLECTED BY BASE SALARIES AND ANNUAL INCENTIVES, WILL ALSO BE POSITIONED BETWEEN THE 50TH AND 75TH PERCENTILES AND WILL BE INFLUENCED BY PERFORMANCE RESULTS AS MEASURED AGAINST ESTABLISHED GOALS - THE ORGANIZATION WILL PROVIDE APPROPRIATE AND COMPETITIVE SUPPLEMENTAL BENEFITS AND PERQUISITES DELIVERED IN A FLEXIBLE STRUCTURE TO ALLOW FOR INDIVIDUAL CHOICE AND BASED ON THE ORGANIZATION'S MISSION AND BUSINESS NEEDS - OUR EXECUTIVE COMPENSATION PLAN WILL BE DESIGNED, MANAGED AND MAINTAINED IN A MANNER THAT WILL SUPPORT AND COMPLEMENT OUR MISSION, MANAGEMENT PHILOSOPHY, SHORT- AND LONG-TERM BUSINESS STRATEGIES, AND EMPLOYEE RELATION'S GOALS ATTRACT AND RETAIN EXECUTIVES WITH THE RIGHT SKILLS, ABILITIES AND MOTIVATION TO ACHIEVE OUR BUSINESS OBJECTIVE ENSURE THE EXECUTIVE TOTAL COMPENSATION IS REASONABLE AND COMPETITIVE - OUR CASH COMPENSATION AND BENEFITS PLANS WILL BE REVIEWED AND ADJUSTED PERIODICALLY TO MEET THE CHANGING BUSINESS AND ORGANIZATIONAL CHARACTERISTICS OF OUR ORGANIZATION AND ITS EXECUTIVE STAFF THE COMPENSATION OF EACH INDIVIDUAL EXECUTIVE WILL BE REVIEWED AND APPROVED IN A MANNER CONSISTENT WITH THE INTERMEDIATE SANCTION TAX REGULATIONS AVAILABILITY OF GOVERNMENT DOCUMENTS, CONFLICT OF INTEREST POLICY & FIN STATEMENTS TO GENERAL PUBLIC FORM 990, PART VI, QUESTION 19 DOCUMENTS AND POLICIES ARE MADE AVAILABLE UPON REQUEST FORM 990, PART XI, QUESTION 9 RECONCILIATION OF NET ASSETS PENSION ADJUSTMENT $7,905,298, AQUIRED INVESTMENT IN OWENSBORO MEDICAL CENTER LAB tax ID 61-0999592 FROM owensboro health medical group, inc OF -$1,062,417 97, TRANSFERRED INVESTMENT OF OH CARDIOVASCULAR,LLC tax ID 20-0800844 to owensboro health medical group, inc OF $3,970,199 30, MISC ADJUSTMENT OF $271 45

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
OWENSBORO HEALTH INC

Employer identification number
61-1286361

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) OH Cardiovascular 1201 Pleasant Valley Road Owensboro, KY 42303 20-0800844	Physician Prt	KY		18,685,234	NA
(2) Kentucky Bioprocessing LLC 3700 AIRPARK DRIVE OWENSBORO, KY 42301 20-4545241	Plant Bsd prt	KY	5,992,928	17,297,440	NA
(3) Commonwealth Medical Management LLC PO Box 20007 Owensboro, KY 42304 20-4796653	Phys Clnc Srv	KY		30,000	NA

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
(1) Foundation for Health Inc 1201 Pleasant Valley Road Owensboro, KY 42303 61-1251763	Healthcare	KY	501(C)(3)	7	oh	Yes	
(2) owensboro health medical group inc 1201 Pleasant Valley Road Owensboro, KY 42303 61-1197638	Healthcare	KY	501(c)(3)	9	oh	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Owensboro Am Sr Fac 1000 Brkrg owensboro ky 42303 Owensboro, KY 42303 75-2184992	Surgery Center	KY	NA	Investment Income	1,368,496	4,969,526		No	0	Yes		62 750 %

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	(i) No
(1) Owensboro Medical Center Laboratory Inc 1201 Pleasant Valley Road Owensboro, KY 42303 61-0999592	Med Laboratory	KY	NA	C Corp	3,270,314	439,754	100 000 %	Yes	

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

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

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

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) OWENSBORO MEDICAL CENTER LAB	P	3,376,977	FMV
(2) owensboro health medical group inc	P,K	44,259,578	FMV
(3) owensboro health medical group inc	A,J	774,836	FMV
(4) owensboro health medical group inc	S	27,115,675	FMV
(5) THE FOUNDATION FOR HEALTH INC	B	997,209	FMV
(6) THE FOUNDATION FOR HEALTH INC	C	1,663,951	FMV

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

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

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

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-1286361
Name: OWENSBORO HEALTH INC

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
OWENSBORO MEDICAL CENTER LAB	P	3,376,977	FMV
owensboro health medical group inc	P,K	44,259,578	FMV
owensboro health medical group inc	A,J	774,836	FMV
owensboro health medical group inc	S	27,115,675	FMV
THE FOUNDATION FOR HEALTH INC	B	997,209	FMV
THE FOUNDATION FOR HEALTH INC	C	1,663,951	FMV

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AMD
Alison Lundergan Grimes
Kentucky Secretary of State
Received and Filed
5/29/2013 2.15 PM
Fee Receipt $8 00

ARTICLES OF AMENDMENT
TO THE
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
OWENSBORO MEDICAL HEALTH SYSTEM, INC.

Pursuant to the provisions of KRS 273 263 and KRS 273.267, the undersigned corporation executes these Articles of Amendment to its Amended and Restated Articles of Incorporation

1. The name of the corporation is Owensboro Medical Health System, Inc (the "Corporation")

2 Article 1 of the Corporation's Amended and Restated Articles of Incorporation is amended to read in its entirety as follows·

> 1. NAME The name of the Corporation shall be Owensboro Health, Inc. (the "Corporation")

3. Other than the amendment above, all other Articles of the Corporation's Amended and Restated Articles of Incorporation have not been amended and shall remain in full force and effect

4. There being no members of the Corporation, the foregoing amendment was adopted and approved by the Board of Directors of the Corporation on April 22, 2013.

5 These Articles of Amendment to the Corporation's Amended and Restated Articles of Incorporation shall become effective at 12 01 a m. EDT on June 1, 2013.

[END OF TEXT; SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the undersigned duly authorized officer has executed these Articles of Amendment on May 15, 2013.

OWENSBORO MEDICAL HEALTH SYSTEM, INC

By: [signature]
Name: GREG R. STRAHAN
Title. COO

THIS INSTRUMENT PREPARED BY:

[signature]

Peter G. Diakov
WYATT, TARRANT & COMBS, LLP
500 West Jefferson Street, Suite 2800
Louisville, Kentucky 40202
(502) 589-5235

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KPMG

OWENSBORO MEDICAL HEALTH SYSTEM, INC. AND AFFILIATED ENTITIES

Consolidated Financial Statements and Supplemental Schedules

May 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Table of Contents

KPMG LLP
Suite 1000
401 Commerce Street
Nashville, TN 37219-2422

Independent Auditors' Report

The Board of Directors
Owensboro Medical Health System, Inc.:

We have audited the accompanying consolidated financial statements of Owensboro Medical Health System, Inc. and affiliated entities (the System), which comprise the consolidated balance sheets as of May 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Owensboro Medical Health System, Inc. and affiliated entities as of May 31, 2013 and 2012, 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

As discussed in note 2(r) to the consolidated financial statements, the System changed its presentation of provision for bad debts as a result of the adoption of Accounting Standards Update No. 2011-07: *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

KPMG

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole. The supplementary information included in schedule 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

August 28, 2013

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Balance Sheets

May 31, 2013 and 2012

(In thousands)

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	58,963	115,855
Investments		160,737	139,083
Patient accounts receivable, net of estimated uncollectibles of $30,740 and $37,411, respectively		53,846	58,353
Inventories		9,348	7,890
Prepaid expenses and other current assets		8,487	7,099
Assets limited as to use, current portion		21,828	16,218
Total current assets		313,209	344,498
Assets limited as to use, less current portion		37,997	146,093
Property and equipment, net		636,538	502,876
Deferred compensation plan assets		5,194	4,247
Other assets		18,469	18,103
Total assets	$	1,011,407	1,015,817
Liabilities and Net Assets			
Current liabilities:			
Current maturities of long-term debt	$	6,118	6,258
Accounts payable		26,750	17,612
Accrued payroll and related liabilities		18,630	21,793
Other current liabilities		33,879	33,591
Due to third-party payors		21,257	22,671
Total current liabilities		106,634	101,925
Deferred compensation plan obligations		5,194	4,247
Long-term debt, less current maturities		504,562	510,520
Accrued pension cost		46,010	51,644
Other long-term liabilities		987	6,469
Total liabilities		663,387	674,805
Net assets:			
Unrestricted		345,458	337,506
Temporarily restricted		1,872	2,270
Total net assets attributable to Owensboro Medical Health System, Inc.		347,330	339,776
Noncontrolling interests		690	1,236
Total net assets		348,020	341,012
Commitments and contingencies			
Total liabilities and net assets	$	1,011,407	1,015,817

See accompanying notes to consolidated financial statements.

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Statements of Operations

Years ended May 31, 2013 and 2012

(In thousands)

		2013	2012
Unrestricted revenue:			
Net patient service revenue	$	442,769	440,752
Provision for bad debts		(33,299)	(33,671)
Net patient service revenue less provision for bad debts		409,470	407,081
Other operating revenue		19,310	13,127
Total unrestricted revenue		428,780	420,208
Patient service and other expenses:			
Personnel		219,217	204,506
Professional fees		27,329	26,560
Drugs and supplies		81,808	80,973
Plant maintenance and operation		15,542	15,058
Kentucky provider tax		3,839	4,142
Other expenses		30,945	22,083
Depreciation and amortization		65,417	35,976
Interest expense		4,854	5,172
Total patient service and other expenses		448,951	394,470
Operating income (loss)		(20,171)	25,738
Nonoperating gains (losses):			
Investment income (loss), net		20,124	(2,031)
Contributions and other		747	(1,261)
Nonoperating gains (losses), net		20,871	(3,292)
Excess of revenue and gains over expenses and losses before noncontrolling interests		700	22,446
Noncontrolling interests		(653)	(1,016)
Excess of revenue and gains over expenses and losses		47	21,430
Accrued pension cost adjustment		7,905	(16,826)
Increase in unrestricted net assets	$	7,952	4,604

See accompanying notes to consolidated financial statements.

**OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES**

Consolidated Statements of Changes in Net Assets

Years ended May 31, 2013 and 2012

(In thousands)

		2013	2012
Unrestricted net assets:			
Excess of revenue and gains over expenses and losses	$	47	21,430
Accrued pension cost adjustment		7,905	(16,826)
Increase in unrestricted net assets		7,952	4,604
Temporarily restricted net assets:			
Contributions		382	1,091
Net assets released from restrictions used for operations		(780)	(387)
Increase (decrease) in temporarily restricted net assets		(398)	704
Noncontrolling interests:			
Excess of revenue and gains over expenses and losses		653	1,016
Partnership investment		(606)	(132)
Distributions to minority shareholders		(593)	(953)
Decrease in noncontrolling interests		(546)	(69)
Increase in total net assets		7,008	5,239
Net assets, beginning of year		341,012	335,773
Net assets, end of year	$	348,020	341,012

See accompanying notes to consolidated financial statements.

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Statements of Cash Flows

Years ended May 31, 2013 and 2012

(In thousands)

		2013	2012
Cash flows from operating activities:			
Increase in total net assets	$	7,008	5,239
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:			
Depreciation and amortization		65,417	35,976
Provision for bad debts		33,299	33,671
Distributions to noncontrolling interests		593	953
Noncash interest expense		105	180
Net unrealized (gains) losses on investments		(12,620)	6,702
(Gain) loss on disposal of property and equipment		(8)	28
Accrued pension cost adjustments		(7,905)	16,826
Increase (decrease) in cash due to changes in:			
Patient accounts receivable		(28,792)	(34,427)
Inventories		(1,458)	(159)
Prepaid expenses and other current assets		(1,388)	90
Other assets		(1,464)	(440)
Accounts payable		6,186	(2,010)
Accrued payroll and related liabilities		(3,163)	368
Accrued pension cost		2,271	(946)
Other liabilities		(4,247)	(925)
Due to third-party payors		(1,414)	(2,195)
Net cash provided by operating activities		52,420	58,931
Cash flows from investing activities:			
Acquisition and construction of property and equipment		(198,235)	(204,655)
Cash paid for acquisition		(3,739)	—
Purchases of investment securities		(90,976)	(58,603)
Proceeds from sales and maturities of investment securities		78,537	53,944
Change in assets limited as to use		105,891	178,783
Net cash used in investing activities		(108,522)	(30,531)
Cash flows from financing activity:			
Payments on long-term debt		(197)	(646)
Distributions to noncontrolling interests		(593)	(953)
Net cash used in financing activity		(790)	(1,599)
Net increase (decrease) in cash and cash equivalents		(56,892)	26,801
Cash and cash equivalents, beginning of year		115,855	89,054
Cash and cash equivalents, end of year	$	58,963	115,855
Supplemental disclosures of cash flow information:			
Assets purchased under previous capital lease obligations	$	5,901	—
Cash paid during the year for:			
Interest		33,167	33,168
Noncash activity:			
Accrued but unpaid costs of property and equipment additions		10,427	7,475

See accompanying notes to consolidated financial statements

(1) Organization and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Owensboro Medical Health System, Inc. (OMHS), a Kentucky nonstock, nonprofit corporation, and its affiliated entities (the System). OMHS' wholly owned and controlled affiliated entities include Cooperative Health Services, Inc. (CHS), Owensboro Medical Center Laboratory, Inc. (OMCL); The Foundation for Health, Inc.; OMHS Cardiovascular, LLC; Kentucky BioProcessing, LLC (KBP); and Commonwealth Medical Management, LLC (CMM). Owensboro Ambulatory Surgical Facility Ltd. (OASF), a 65.8% owned affiliated entity, is also included in the consolidated financial statements.

On March 29, 2006, KBP, a single-member LLC of OMHS, purchased the physical plant, equipment, and intellectual property of Large Scale Biology Corporation and Large Scale Bioprocessing, Inc. based in Owensboro, Kentucky. The KBP operation consists of a 30,000 square foot manufacturing space and 22,000 square feet of green houses, and manufactures plant-made pharmaceuticals and other plant-based proteins as a contract research and manufacturing organization.

The consolidated entity renders acute and other healthcare services in Daviess County and surrounding counties. The consolidated activities hereinafter are referred to as the System. All material intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt investments with maturities of three months or less at date of purchase.

(c) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value at the consolidated balance sheet date. Investment income or loss (including both unrealized and realized gains and losses on investments, interest, and dividends) is included in the excess of revenue and gains over expenses and losses, unless the income or loss is restricted by donor or law, as all investments are considered trading securities.

(d) Inventories

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

(e) ***Assets Limited as to Use***

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

(f) ***Property and Equipment***

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues and gains over expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(g) ***Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of***

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less estimated costs to sell.

(h) ***Other Assets***

Other assets consist primarily of goodwill, which represents the excess of the purchase price over the actual fair value of assets acquired, bond issuance costs incurred related to the 2010 Series A and B revenue bonds issued in March 2010, certain intangibles related to KBP, and other assets. Goodwill was approximately $13,195,000 at May 31, 2013 and 2012. The 2011 bond series issuance cost of approximately $2,705,000 is being amortized over the term of the bonds using the effective-interest method. Accumulated amortization is approximately $54,000 and $35,000 at May 31, 2013 and 2012, respectively. The intangibles related to KBP are being amortized over the life of the patent, approximately 15 years. Accumulated amortization is approximately $787,000 and $660,000 at May 31, 2013 and 2012, respectively.

(Continued)

(i) ***Basis of Accounting***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the System and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations. Such stipulations may be met either by actions of the System and/or by the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted net assets whose restrictions are met within the same year as received are reported as restricted net assets and as net assets released from restrictions in the accompanying consolidated financial statements.

(j) ***Excess of Revenue and Gains over Expenses and Losses***

The accompanying consolidated statements of operations include excess of revenue and gains over expenses and losses. Changes in unrestricted net assets, which are excluded from excess of revenue and gains over expenses and losses, consistent with industry practice, include the recognition of pension liability adjustments arising during the current period, the cumulative effect of accounting principle changes, permanent transfers of assets to and from nonconsolidated affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions that were restricted for the purposes of acquiring such assets).

(k) ***Net Patient Service Revenue***

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(l) ***Charity Care***

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

(Continued)

(m) Income Taxes

OMHS and its affiliated entities, CHS and the Foundation for Health, Inc., are nonprofit corporations and have been recognized as tax exempt under Section 501(a) of the Internal Revenue Code (IRC) as entities described in Section 501(c)(3) of the IRC. OMHS Cardiovascular, LLC, KBP, and CMM are single-member LLCs with 100% of their profits and losses attributable to OMHS. For OASF, a partnership, the liability for any income taxes is the responsibility of the OASF partners. OMCL is a for-profit corporation subject to federal income taxes. OMCL has incurred losses and has federal net operating loss carryforwards for income tax purposes, which have been fully reserved.

The System applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 (Topic 740), *Accounting for Uncertainty in Income Taxes*. Topic 740 provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is currently no impact on the System's consolidated financial statements as a result of the application Topic 740.

(n) Computer Software Costs

Certain costs related to the development or purchase of internal-use software are capitalized and amortized over the estimated life of the software. In addition, costs related to the preliminary project stage and the post implementation/operations stage in an internal-use computer software development project are expensed as incurred. The System capitalized approximately $10,955,000 and $28,216,000 in 2013 and 2012, respectively, of costs related to its development of new system software.

(o) Pension Accounting Standard

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

Subtopic 715-20 also requires that the System provide enhanced disclosures related to pension plan assets, including disclosures related to the fair value of the plan assets. These enhanced disclosures are included in these consolidated financial statements at note 12.

(p) Fair Value Measurements

The System follows the following financial accounting and reporting literature regarding fair value measurements:

- FASB ASC Topic 820 (Topic 820), *Fair Value Measurements*, which defines fair value, establishes an enhanced framework for measuring fair value, and expands disclosures about fair value measurements;
- FASB Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*, which amended Topic 820 and also requires that the System provide additional enhanced disclosures related to its fair value measurements; and

- The measurement provisions of FASB ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, as it applies to certain investments in funds that do not have readily determinable fair values – including private equity investments, hedge funds, real estate, and other funds. This guidance amends Topic 820 and permits, as a practical expedient, the use of net asset value or its equivalent for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to Topic 820.

(q) Noncontrolling Interests

Effective June 1, 2010, the System adopted ASU No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, which amends ASC Topic 958, *Not-for-Profit Entities* (NFP Entities). The amendments in this standard provide guidance on accounting for consolidation of NFP Entities. It defines a merger of NFP Entities as one in which one NFP Entity cedes control to another NFP Entity. In the case of a merger, the carryover method applies, which requires combining the assets and liabilities as of the merger date. Combinations are accounted for as acquisitions when consideration is transferred to the former owner or designee. Acquisitions are accounted for by applying fair market values to acquired assets and liabilities, including identifiable intangible assets and the recognition of goodwill in the case of NFP Entities with operations not predominately supported by contributions. Any resulting goodwill is analyzed for impairment annually, or if business conditions indicate an analysis is necessary, and is no longer amortized. The guidance requires that noncontrolling ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated balance sheets within net assets, but separate from the parent's net assets. In addition, the standard requires that a consolidated schedule of changes in net assets attributable to the parent and noncontrolling interests be provided for each class of net assets for which a noncontrolling interest exists during the reporting period.

(r) New Accounting Standards

The FASB issued ASC Topic 954 (Topic 954), *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU changed the System's presentation for provision for bad debts in the consolidated statements of operations from an operating expense to a deduction from net patient service revenue. It also expands disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for uncollectible accounts. The System adopted the provisions of the standard effective June 1, 2012, and retrospectively applied the presentation requirements to all periods presented.

(s) Healthcare Industry Environment

The U.S. economy appears to be slowly recovering from ongoing characteristics associated with the downturn of the past several years. System management monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While the System was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to

(Continued)

impact the System in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

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

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

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

(3) Charity Care

Self-pay revenues are primarily derived from patients who do not have any form of healthcare coverage and from patient responsibility after insurances have paid their obligations. The revenues associated with self-pay patients are generally reported at the System's gross charges. The System evaluates these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid, or other governmental assistance programs, as well as the System's policy for charity care. The System provides assistance in applying for Medicaid and/or other governmental assistance programs if the evaluation determines they may be eligible for such a program.

The System provides care without charge to patients that qualify under the System's charity care policy. The policy takes into consideration family size, income, and medical indigence in determining eligibility. Patients at 225% and below the Federal Poverty Income Level are eligible for 100% financial assistance with a sliding scale up to 375% of Federal Poverty Guidelines for eligibility of 25% financial assistance.

The System's management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of total costs (less bad debt expense) to gross charges multiplied by the System's gross charity care charges provided to charity patients for the period. The System's gross charity care charges include only services provided to patients who are unable to pay and qualify under the charity care policy. The System does not report a charity care patient's charges in net patient service revenue or in the estimated uncollectibles as it is the System's policy not to pursue collection of amounts related to these patients.

The following information measures the level of charity care provided during the years ended May 31, 2013 and 2012 (in thousands):

		2013	2012
Charges forgone, based on established rates	$	35,952	36,520
Estimated costs and expenses incurred to provide charity care		14,018	13,724
Equivalent percentage of charity care charges to all charges		4.0%	4.3%

The System received approximately $1,768,000 and $1,558,000 in 2013 and 2012, respectively, from the Commonwealth of Kentucky as a Disproportionate Share Hospital (DSH) payment for the provision of care to indigent citizens.

(4) Business and Credit Concentration

The System provides healthcare service through its inpatient and outpatient care facilities located primarily in Owensboro, Kentucky. The System grants credit to its patients and generally does not require collateral or other security in extending credit to patients. However, the System routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

Patient accounts receivable include net receivables from the federal government (Medicare), the Commonwealth of Kentucky (Medicaid), and Blue Cross at May 31, 2013 and 2012 as follows (in thousands):

		2013	2012
Medicare	$	16,706	18,815
Medicaid		6,325	4,547
Blue Cross		13,350	13,737
Total	$	36,381	37,099

At May 31, 2013 and 2012, the System had deposits at financial institutions of approximately $56,467,000 and $52,635,000, respectively, in excess of the Federal Deposit Insurance Corporation limits. Further, investments in U.S. government and U.S. government agency securities are not guaranteed by the U.S. government or otherwise insured.

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(5) Investments and Assets Limited as to Uses

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

When available, the System generally uses quoted market prices to determine fair value, and classifies such items as Level 1. The System's Level 2 securities are bonds whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. The System had no significant transfers of assets and liabilities into or out of Levels 1 and 2 during 2013 or 2012.

The System's Level 3 securities are comprised of alternative investments that have less liquidity, a stale quoted price, or varying price from independent sources. The System's Level 3 alternative investments' prices are obtained from the related fund manager. For the System's funds of funds, the manager receives account statements directly from independent administrators or the underlying hedge fund managers, who are responsible for the pricing of these funds. Before relying on these valuations, the System evaluates the fair value estimation processes and control environment, the investee fund's policies and procedures in estimating the fair value of underlying investments, the investee fund's use of independent third-party valuation experts, the portion (approximately 100% for the System) of the underlying securities traded on active markets and the professional reputation and standing of the investee fund's auditor.

Investments, stated at fair value, at May 31, 2013 and 2012 include the following (in thousands):

		2013	2012
Cash and cash equivalents	$	15,668	14,070
U.S. Treasury obligations		14,230	6,714
Federal mortgage-backed securities		1,961	5,430
Municipal obligations		160	—
Corporate bonds		36,386	36,750
Equity securities		16,342	12,055
Mutual funds		70,466	63,501
Certificates of deposit		5,283	283
Accrued interest receivable		241	280
Total investments	$	160,737	139,083

The fair value hierarchy of investments is as follows (in thousands):

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 15,668	—	—	15,668
U.S. Treasury obligations	14,230	—	—	14,230
Federal mortgage-backed securities:				
Residential	—	1,961	—	1,961
Municipal obligations	—	160	—	160
Corporate bonds:				
Domestic	—	24,477	—	24,477
International	—	11,909	—	11,909
Equity securities:				
Consumer discretionary	2,073	—	—	2,073
Consumer staples	344	—	—	344
Energy	2,315	—	—	2,315
Financial	5,031	—	—	5,031
Healthcare	3,223	—	—	3,223
Industrials	1,086	—	—	1,086
Information technology	1,750	—	—	1,750
Materials	294	—	—	294
Utilities	226	—	—	226
Mutual funds:				
Large cap equity securities	—	—	16,034	16,034
Small and mid cap equity securities	15,977	—	—	15,977
International equity securities	11,934	—	—	11,934
Bond funds	26,521	—	—	26,521
Certificate of deposit	5,283	—	—	5,283
Accrued interest receivable	241	—	—	241
	$ 106,196	38,507	16,034	160,737

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 14,070	—	—	14,070
U.S. Treasury obligations	6,714	—	—	6,714
Federal mortgage-backed securities:				
Residential	—	5,430	—	5,430
Corporate bonds:				
Domestic	—	25,770	—	25,770
International	—	10,980	—	10,980
Equity securities:				
Consumer discretionary	1,980	—	—	1,980
Consumer staples	321	—	—	321
Energy	1,032	—	—	1,032
Financial	3,117	—	—	3,117
Healthcare	2,131	—	—	2,131
Industrials	1,235	—	—	1,235
Information technology	1,771	—	—	1,771
Materials	130	—	—	130
Telecommunication services	133	—	—	133
Utilities	205	—	—	205
Mutual funds:				
Large cap equity securities	—	—	13,306	13,306
Small and mid cap equity securities	12,802	—	—	12,802
International equity securities	9,430	—	—	9,430
Bond funds	27,963	—	—	27,963
Certificates of deposit	283	—	—	283
Accrued interest receivable	280	—	—	280
	$ 83,597	42,180	13,306	139,083

The rollforward of Level 3 investments is as follows (in thousands):

	2013	**2012**
Beginning of year	$ 13,306	13,259
Net realized and unrealized gains (losses)	2,527	(144)
Purchases, sales, dividends, contributions, and withdrawals	201	191
Transfers into and/or out of Level 3	—	—
End of year	$ 16,034	13,306

Assets limited as to use, stated at fair value, at May 31, 2013 and 2012 include the following (in thousands):

		2013	2012
Cash and cash equivalents	$	59,824	53,009
U.S. Treasury obligations		—	108,539
Accrued interest receivable		1	763
Total assets limited as to use		59,825	162,311
Less amounts required to meet current obligations		21,828	16,218
	$	37,997	146,093

As of May 31, 2013 and 2012, all of assets limited as to use were considered Level 1 investments.

Assets limited as to use in the accompanying consolidated balance sheets were established in accordance with the requirements of the indentures related to the various revenue bond issues discussed in note 9, which require the following funds (in thousands):

		2013	2012
Debt service reserve funds	$	37,974	39,029
Interest funds		21,828	23,650
Construction funds		—	99,609
Expense funds		23	23
	$	59,825	162,311

The interest funds are used to pay interest on the various bond issues. The debt service reserve funds secure any potential deficiencies in the interest funds. Construction funds are restricted for the financing of capital projects and related expenditures as defined in associated bond documents. Expense funds are used to pay for expenses related to the issuance of the bonds.

(6) Investment Income (Loss)

Investment income (loss) comprised the following for the years ended May 31, 2013 and 2012 (in thousands):

		2013	2012
Investment income (loss):			
Interest and dividend income	$	3,855	3,488
Net realized gains on sales of securities		3,967	1,500
Net unrealized gains (losses) on trading securities		12,620	(6,702)
Management fees and other		(318)	(317)
Investment income (loss), net	$	20,124	(2,031)

(7) Property and Equipment

A summary of property and equipment at May 31, 2013 and 2012 is as follows (in thousands):

		2013	2012
Land	$	14,251	14,091
Land improvements		3,145	3,125
Buildings		217,896	213,405
Fixed equipment		36,393	37,900
Major movable equipment and capitalized software costs		206,056	192,058
		477,741	460,579
Less accumulated depreciation and amortization		338,635	275,635
		139,106	184,944
Construction in progress		497,432	317,932
	$	636,538	502,876

Construction in progress at May 31, 2013 consists primarily of costs incurred for the construction of a new replacement hospital. The replacement hospital will be a 9-story acute care hospital containing approximately 650,000 square feet of space located 2.5 miles from the existing hospital on a 147-acre parcel of land. The project was completed in June 2013. At May 31, 2013, the remaining commitments on construction contracts for the new replacement hospital approximated $7,752,000.

In conjunction with the completion of the replacement hospital, the Board has adopted a plan to demolish approximately half of the existing facility after the completion of the transfer of activities. In addition, the System identified fixed and major movable equipment that would no longer be utilized after the transfer to the new facility. The System has adjusted the useful lives of these assets to correspond to the transfer of activities and has, therefore, accelerated depreciation of the remaining book value of the building and equipment through May 31, 2013. The total accelerated depreciation as of May 31, 2013 and 2012 was approximately $41,963,000 and $9,300,000, respectively.

The System capitalized approximately $31,752,000 and $26,805,000 of interest expense and associated construction fund investment income as part of major construction and development projects in 2013 and 2012, respectively.

There was no property and equipment under capital lease obligations at May 31, 2013. Property and equipment (included above) under capital lease obligations at May 31, 2012 are as follows (in thousands):

		2012
Land	$	1,650
Buildings		2,550
Major movable equipment		1,743
		5,943
Less accumulated depreciation and amortization		1,968
	$	3,975

(8) Net Patient Service Revenue

OMHS and its affiliated entities (collectively the System) participate in the Medicare and Medicaid programs (the Programs). The Programs reimburse the System at amounts different from the established billing rates. Contractual adjustments under the Programs represent the difference between the System's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare – The System is paid for substantially all services rendered to inpatient Medicare Program beneficiaries under prospectively determined rates per discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The Medicare Program reimburses the System on a prospective payment system for hospital outpatient services known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into an APC category based on the CPT-4 Code for the service provided, and payment for the APC category is determined using prospectively determined federal payment rates adjusted for regional wage differences. Depreciation and other defined capital costs are reimbursed under a capital prospective payment system. Reimbursement is calculated based on a federal capital payment rate per discharge. The System receives cash payments at a tentative rate with final settlement determined after the System's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The System's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization with which the System is required by law to contract for the performance of such reviews. Revenue from the Medicare program total approximately 38% and

36% of the System's net patient service revenue for the years ended May 31, 2013 and 2012, respectively.

Medicaid – The System is paid for substantially all services rendered to inpatient Medicaid Program beneficiaries under prospectively determined rates per discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. Outpatient services, except for lab, emergency services, surgery, and certain radiology services, are reimbursed by the Medicaid program based upon a cost-reimbursement methodology. Final reimbursement rates are determined after submission of annual cost reports by the System and audits by third-party intermediaries. Lab, emergency services, surgery, and certain radiology services are reimbursed on a predetermined fee schedule based upon the CPT-4 Code for the service provided. Revenue from the Medicaid program total approximately 8% and 7% of the System's net patient service revenue for the years ended May 31, 2013 and 2012, respectively.

Other – The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred-provider organizations. The bases for payment to the System under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The Kentucky General Assembly enacted a temporary tax on all healthcare providers beginning July 1, 1993. The tax on hospitals is 2.5% of net patient service revenue and contributions received. The tax expense recognized was approximately $5,789,000 and $5,790,000 for 2013 and 2012, respectively. The legislation also provided payments to qualifying hospitals for the care of indigent patients. The System's tax was reduced by approximately $1,950,000 and $1,648,000 of such payments for 2013 and 2012, respectively.

Amounts due to third-party payors represent the excess of interim payments received or receivable over estimated final payment rates. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements on open years. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased approximately $1,510,000 and $2,273,000 for the years ending May 31, 2013 and 2012, respectively, as a result of prior year final settlements in excess of amounts previously estimated and the removal of liabilities related to prior years that are no longer necessary as such years are no longer subject to audits, reviews, and investigations. The increase for the year ended May 31, 2013 primarily consisted of approximately $1,076,000 in third-party estimates that were above actual amounts paid. The increase for the year ended May 31, 2012 primarily consisted of approximately $1,650,000 in third-party estimates that were above actual amounts paid.

The composition of net patient service revenue follows (in thousands):

		2013	2012
Gross patient service revenue	$	994,647	954,349
Less provision for contractual and other adjustments		551,878	513,597
Net patient service revenue	$	442,769	440,752

Patient accounts receivable are reduced by an allowance for bad debts. In evaluating the collectibility of accounts receivable, the System analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluation of the sufficiency of the allowance for bad debts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the System records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients decline to pay the portion of their bill for which they are financially responsible. The difference between the discounted rate and the amounts collected after all reasonable collection efforts have been exhausted is written off against the allowance for bad debts. The System's self-pay write-offs increased approximately $468,000 from $30,500,000 for fiscal year 2012 to approximately $30,968,000 for fiscal year 2013 as a result of negative trends experienced in the collection of amounts from self-pay patients in fiscal year 2013. The System has not changed it charity care or uninsured discount policies during fiscal year 2013 or 2012, but has adjusted the scales to meet Federal Poverty guidelines. The System maintains an allowance for estimated uncollectible accounts from other third-party payors, which is not material.

In the spring of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law by President Obama. The impact of the Health Care Acts is complicated and difficult to predict, but the System anticipates its reimbursement in the future will be affected by major elements of the Health Care Acts designed to (1) increase insurance coverage, (2) change provider and payor behavior, and (3) encourage alternative payment and delivery models. Many healthcare reform variables remain unknown and are, among other things, dependent on implementation by federal and state governments and reactions by providers, payors, employers, and individuals. The System continues to monitor developments in healthcare reform and participates actively in contemplating and designing new programs that are encouraged and/or required by the Health Care Acts.

The Health Information Technology for Economic and Clinical Health (HITECH) Act was enacted as part of the American Recovery and Reinvestment Act of 2009 and signed into law in February 2009. In the context of the HITECH Act, the System must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology. The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adaption of EHR technology. The System anticipates that its current enterprise-wide EHR will enable its compliance with the meaningful use objectives mandated in the HITECH legislation. The System has recorded approximately $3,767,000 in other revenue as of May 31, 2013, related to the HITECH Act.

(9) Long-Term Debt

A summary of long-term debt and capital lease obligations at May 31, 2013 and 2012 is as follows (in thousands):

	2013	2012
2010 revenue bonds, Series A, under a Master Trust Indenture, interest from 5.00% to 6.50%, through March 2045	$ 460,645	460,645
2010 revenue bonds, Series B, under a Master Trust Indenture, interest from 4.00% to 6.40%, through March 2040	66,695	66,695
Notes payable, bearing interest at 3.25% at May 31, 2013 and 2012. Principal payment due December 2019	3,096	3,494
Notes payable of OASF to co-general partner, bearing interest at 5.79% at May 31, 2013 and 2012 payable through 2016	213	296
Capital lease obligation, imputed interest between 5.74% and 6.11%, collateralized by equipment	—	447
Capital lease obligation, imputed interest of 13.96%, collateralized by leased land and building	—	5,314
Total contractual long-term debt	530,649	536,891
Unamortized premiums and discounts, net	(19,969)	(20,113)
Total long-term debt	510,680	516,778
Less current portion	6,118	6,258
	$ 504,562	510,520

In March 2010, the System, through the Kentucky Economic Development Finance Authority, issued Hospital Revenue Bonds, Series 2010A and Hospital Revenue Refunding Bonds, Series 2010B (collectively, 2010 revenue bonds) in the amount of $460,645,000 and $66,695,000, respectively, totaling $527,340,000. The proceeds from the issuance were used to provide funding to finance the cost of acquiring, constructing, and equipping a new 9-story replacement acute care hospital and related service buildings, refund $152,000,000 in aggregate principal amount of the 2001 revenue bonds, fund a debt service reserve fund to be used to pay down future debt service, fund a portion of the interest on the 2010 Series A bonds, and pay certain expenses incurred in connection with the issuance.

In June 2001, the System, through the City of Owensboro, Kentucky, issued Health System Variable Revenue Bonds Auction Rate Securities, 2001 Series A, B, and C (collectively, 2001 revenue bonds) in the amount of $70,400,000, $65,500,000, and $65,525,000, respectively, totaling $201,425,000. The funds were designated to reimburse the System for the cost of certain capital expenditures, certain future capital expenditures, certain advance refunding, and principal payments of the Series 1992 and 1996 bonds, and to pay the costs of issuance of the 2001 revenue bonds. The 2001 revenue bonds had interest at a variable rate following a 35-day auction period. The outstanding balance of $152,000,000 was refunded in March 2010 through the use of proceeds of the 2010 revenue bonds described above.

The 2010 revenue bonds are collateralized by related bond trust funds and pledged revenues. The System has also agreed under the Master Trust Indenture to subject the Obligated Group to various operational and financial covenants typical of such agreements. The Obligated Group includes OMHS and CHS, excluding its subsidiary, OMCL. In addition, the System has granted to the Master Trustee, a deed of trust lien on the land and buildings owned by OMHS and a security interest in OMH's accounts receivable to secure payment of the outstanding revenue bonds.

In January, 2013, the System, per the terms of their capital lease agreement, exercised its right to purchase the land and building for a fixed price of approximately $5,300,000.

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows (in thousands):

		Long-term debt
Year ending May 31:		
2014	$	6,118
2015		6,344
2016		6,551
2017		6,873
2018		7,216
Thereafter		497,547
	$	530,649

(10) Operating Leases

The System leases certain buildings and equipment under noncancelable operating leases with terms ranging from 2 to 10 years. Rent expense under these leases approximated $359,000 and $507,000 for the years ended May 31, 2013 and 2012, respectively. Rental expense, including short-term cancelable rentals was $1,487,000 and $1,694,000 for the years ended May 31, 2013 and 2012, respectively.

Future minimum lease payments under these noncancelable operating leases with initial or remaining terms in excess of one year are as follows (in thousands):

Year ending May 31:		
2014	$	207
2015		66
2016		23
2017		11
2018		—
Thereafter		—
Total minimum lease payments	$	307

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31, 2013 and 2012 are available for use as follows (in thousands):

		2013	2012
Cancer center	$	352	325
HOPE fund		57	77
Lifespring		2	4
Mammograms for Life		11	13
McAuley Clinic		132	148
Medicus		73	70
New Hospital Campaign		830	1,315
Owensboro Cancer Research Program		77	77
Palliative Care		18	18
Riherd Scholarship		43	41
School Health Services		42	46
Other		235	136
Total temporarily restricted net assets	$	1,872	2,270

(12) Retirement Plan

The System has a defined-benefit pension plan, the Owensboro Medical Health System Retirement Plan (the Plan), a single-employer pension trust fund. The Plan is available to employees age 21 or older who have completed one year of continuous service and have 1,000 hours of annual service. The benefits are based upon years of service and the employee's average monthly earnings.

The funding policy of the System is to contribute amounts to the Plan at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and subsequent amendments. The System expects to contribute approximately $8,911,000 to the Plan during fiscal year 2014.

(Continued)

The following table summarizes the allocation of the assets available for plan benefits at May 31:

	2013	2012
Cash and cash equivalents	10.0%	8.8%
Equities	58.4	54.7
Fixed income	31.6	36.5

The Plan utilizes an investment strategy that focuses on maximizing total return and places limited emphasis on generating income. The Plan's average asset allocation target is 60% equities, 38% fixed income, and 2% cash. The Plan's diversification offers the expectation of higher and more stable returns that will meet the obligations of the Plan.

The actuarially computed net periodic pension cost for 2013 and 2012 included the following components (in thousands):

	2013	2012
Service cost – benefits earned during the year	$ 8,300	6,851
Interest cost on projected benefit obligation	4,184	4,447
Expected return on plan assets	(4,887)	(4,724)
Net amortization and deferral	2,800	1,443
Net periodic pension cost	$ 10,397	8,017

The following are the estimated amounts that will be amortized from unrestricted net assets over the next fiscal year (in thousands):

Amortization of prior service cost	$ 8
Amortization of loss	2,008
	$ 2,016

The following tables set forth the Plan's funded status (measured at May 31, 2013 and 2012) and amounts recognized in the System's accompanying consolidated financial statements at May 31, 2013 and 2012 (in thousands):

		2013	2012
Accumulated benefit obligation	$	(95,149)	(87,749)
Change in projected benefit obligation:			
Projected benefit obligation at the beginning of measurement year	$	(116,961)	(97,198)
Service cost		(8,300)	(6,851)
Interest cost		(4,184)	(4,447)
Actuarial loss		(413)	(13,462)
Benefits paid		6,016	4,997
Projected benefit obligation at the end of measurement year	$	(123,842)	(116,961)

		2013	2012
Change in plan assets:			
Fair value of plan assets at the beginning of measurement year	$	65,317	61,434
Actual return on plan assets		10,405	(83)
Employer contributions		8,126	8,963
Benefits paid		(6,016)	(4,997)
Fair value of plan assets at the end of measurement year	$	77,832	65,317
Funded status	$	(46,010)	(51,644)
Unrecognized net actuarial loss		—	—
Unrecognized prior service cost		—	—
Accrued pension cost	$	(46,010)	(51,644)

		2013	2012
Employer contributions	$	8,126	8,963
Plan participants' contributions		—	—
Benefits paid		6,016	4,997

The benefits expected to be paid from the Plan in each year from 2014 to 2018 are approximately $10,902,000, $10,109,000, $10,919,000, $11,204,000, and $10,490,000, respectively. The aggregate expected benefits to be paid in the five years from 2019 to 2023 are approximately $58,704,000. The expected benefits to be paid are based on the same assumptions used to measure the Plan's benefit obligation at May 31 and include estimated future employee service.

(Continued)

Weighted average assumptions used to determine benefit obligation at May 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	4.05%	3.84%
Rate of compensation increase	4.00	4.00

Weighted average assumptions used to determine net periodic pension cost for the years ended May 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	3.84%	4.94%
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increase	4.00	4.00

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. This assumption is based on historical returns of the Plan. Unrecognized gains and losses in excess of 10% of the greater of the projected benefit obligation or market-related value of plan assets are amortized on a straight-line basis over the average remaining service period of participants expected to receive benefits under the Plan, which is 11 years at May 31, 2013 and 2012.

In accordance with Subtopic 715-20, the System has categorized its plan assets, based on Topic 820 and the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy as explained in note 5. All plan assets at May 31, 2013 and 2012 include the following (in thousands):

	2013	2012
Cash and cash equivalents	$ 7,822	6,245
Equity securities	16,193	12,031
Mutual funds	53,716	46,941
Accrued interest receivable	101	100
Total	$ 77,832	65,317

(Continued)

The fair value hierarchy of plan assets is as follows (in thousands):

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 7,822	—	—	7,822
Equity securities:				
Consumer discretionary	2,013	—	—	2,013
Consumer staples	342	—	—	342
Energy	2,292	—	—	2,292
Financial	4,987	—	—	4,987
Healthcare	3,212	—	—	3,212
Industrials	1,079	—	—	1,079
Information technology	1,751	—	—	1,751
Materials	292	—	—	292
Utilities	225	—	—	225
Mutual funds:				
Large cap equity securities	—	—	15,221	15,221
Small and mid cap equity securities	7,921	—	—	7,921
International equity securities	6,024	—	—	6,024
Debt securities	24,550	—	—	24,550
Accrued interest receivable	101	—	—	101
	$ 62,611	—	15,221	77,832

(Continued)

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 6,245	—	—	6,245
Equity securities:				
Consumer discretionary	2,002	—	—	2,002
Consumer staples	323	—	—	323
Energy	978	—	—	978
Financial	3,078	—	—	3,078
Healthcare	2,159	—	—	2,159
Industrials	1,269	—	—	1,269
Information technology	1,764	—	—	1,764
Materials	129	—	—	129
Telecommunication services	133	—	—	133
Utilities	196	—	—	196
Mutual funds:				
Large cap equity securities	—	—	12,631	12,631
Small and mid cap equity securities	5,925	—	—	5,925
International equity securities	4,760	—	—	4,760
Debt securities	23,625	—	—	23,625
Accrued interest receivable	100	—	—	100
	$ 52,686	—	12,631	65,317

The rollforward of Level 3 plan assets is as follows (in thousands):

	2013	2012
Beginning of year	$ 12,631	12,586
Net realized and unrealized gains (losses)	2,638	(136)
Purchases, sales, dividends, contributions, and withdrawals	(48)	181
Transfers into and/or out of Level 3	—	—
End of year	$ 15,221	12,631

Effective January 2006, the System adopted the Owensboro Medical Health System Nonqualified Supplemental Retirement Plan (Supplemental Retirement Plan). The Supplemental Retirement Plan was formed under Section 457(f) of the IRC of 1986, and management believes that it complies with all provisions applicable to a nonqualified deferred compensation plan under IRC Section 409A. Participants are eligible for employer contributions from 12% to 15% based on their position with the System. The employer contribution for each year is 100% vested after five years. Employer contributions occur each December 31. The System has accrued expenses related to the Supplemental Retirement Plan of approximately $185,000 and $180,000 as of May 31, 2013 and 2012, respectively, and is included in accrued payroll and related liabilities in the consolidated balance sheets.

(13) Risk Management and Self-Insured Liabilities

Effective January 1, 2003, the System maintains malpractice liability insurance with a commercial carrier on a claims-made basis for losses in excess of $250,000 per occurrence. The System is self-insured for the first $250,000 per occurrence. On January 1, 2004, the self-insured amount increased from $250,000 to $500,000 per occurrence. On January 1, 2005, the self-insured amount increased from $500,000 to $1,000,000 per occurrence. On January 1, 2012, the self-insured amount increased from $1,000,000 to $1,500,000 per occurrence. Accordingly, the System has made a provision in the accompanying consolidated financial statements for estimated unpaid malpractice claims, including incurred but not reported claims.

Through December 31, 2002, the System had professional liability insurance coverage with Reciprocal of America (ROA) on a claims-made basis. On April 30, 2003, the Commonwealth of Virginia filed an application to order ROA into liquidation. On June 20, 2003, the Virginia State Corporation Commission entered an Order of Liquidation declaring that ROA should be liquidated. Management believes that only a portion of all claims reported to ROA through December 31, 2002 will be paid through the ROA liquidation process. Management also believes that the System has adequately accrued for any potential shortfall for the payment of these reported claims and any incurred but not reported claims.

The System is self-insured up to the stop-loss amount of $300,000 annually per individual for its medical and other healthcare benefits provided to its employees and their families. Contributions by the System and participating employees are based on actual claims experience. A provision for known claims and estimated incurred but not reported claims for those employees in the self-insured plan has been provided in the accompanying consolidated financial statements.

The System is self-insured up to $500,000 per occurrence for workers' compensation claims and has purchased insurance to provide coverage for claims in excess of the self-insured retention. Such insurance coverage is on an occurrence basis. The System has made a provision in the accompanying consolidated financial statements for estimated workers' compensation claims known and estimated incurred but not reported claims.

The System is subject to various claims and lawsuits arising in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect in the System's accompanying consolidated financial statements. Additionally, management is unaware of any unasserted claims that would have a material impact on the accompanying consolidated financial statements.

(Continued)

(14) Functional Expenses

The System provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended May 31, 2013 and 2012 are as follows (in thousands):

		2013	2012
Healthcare services	$	269,266	262,430
General and administrative		179,685	132,040
Total functional expenses	$	448,951	394,470

(15) Financial Instruments

The carrying amounts of all applicable asset and liability financial instruments reported in the consolidated balance sheets, excluding long–term debt, approximate their fair values at May 31, 2013 and 2012. Fair value of financial instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

The fair value of the System's long-term debt has been estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the System's long-term debt was approximately $601,431,000 and $603,932,000 at May 31, 2013 and 2012, respectively.

(16) Related-Party Transactions

OMHS has a 50% ownership in Owensboro Community Health Network, Inc. (OCHN); the other 50% owner is Ohio Valley Physicians Association, Inc. OCHN was incorporated in August 1999 and operates a preferred provider organization in the Commonwealth of Kentucky by contracting with various providers to provide medical services to the employees of contracted employers. OMHS accounts for their OCHN investment on the equity method based on its ownership percentage and equal control. OMHS is an employer utilizing OCHN's network. For the year ended May 31, 2013, OMHS paid OCHN approximately $127,000 in network administration fees. For the year ended May 31, 2012, OMHS paid OCHN approximately $51,000 in access fees and approximately $418,000 in network administration fees. OMHS leases employees to OCHN for an amount equal to the employees' salaries plus benefits. For the years ended May 31, 2013 and 2012, OCHN reimbursed OMHS approximately $406,000 and $328,000, respectively, for the salaries and benefits of these leased employees. OMHS provides accounting functions to OCHN for a fee. Fees charged for the years ended May 31, 2013 and 2012 were approximately $10,000.

OMHS has a 65.8% ownership in OASF, with the remaining 34.2% owned by individual physicians and co-general partner Surgical Care Affiliates (SCA). OASF pays a management fee to SCA of 5.0% of net revenue, less bad debt expense. This management fee was approximately $373,000 and $446,000 for the years ended May 31, 2013 and 2012, respectively.

(Continued)

(17) Subsequent Events

Effective June 1, 2013, Owensboro Medical Health System, Inc. and Cooperative Health Services, Inc., changed their names to Owensboro Health, Inc. and Owensboro Health Medical Group, Inc., respectively.

The System has evaluated events subsequent to May 31, 2013 and through August 28, 2013, the date on which the consolidated financial statements were issued.

OWENSBORO MEDICAL HEALTH SYSTEM, INC AND AFFILIATED ENTITIES

Consolidating Schedule – Balance Sheet Information

May 31 2013

(In thousands)

Assets	OMHS	CHS	The Foundation for Health, Inc.	OMCL	OMHS Cardiovascular, LLC	CMM	KBP	Elimination entries	OMHS subtotal	OASF	OASF consolidation and elimination entries	Consolidated
Current assets												
Cash and cash equivalents	$ 54 052	1 969	1 763	98	—	—	490	—	58 372	591	—	58 963
Investments	160 144	—	593	—	—	—	—	—	160 737	—	—	160 737
Patient accounts receivable, net	49 631	3 268	—	494	—	—	—	—	53 393	453	—	53 846
Inventories	8 959	67	—	—	—	—	320	—	9 346	2	—	9 348
Prepaid expenses and other current assets	77 641	220	407	(153)	—	30	611	(70 258)	8 498	51	(62)	8 487
Assets limited as to use current portion	21 828	—	—	—	—	—	—	—	21 828	—	—	21 828
Total current assets	372 255	5 524	2 763	439	—	30	1 421	(70 258)	312 174	1 097	(62)	313 209
Assets limited as to use less current portion	37 997	—	—	—	—	—	—	—	37 997	—	—	37 997
Property and equipment net	588 893	32 180	15	—	—	—	14 753	—	635 841	697	—	636 538
Deferred compensation plan assets	5 194	—	—	—	—	—	—	—	5 194	—	—	5 194
Other assets	50 473	1 456	60	—	—	—	1 123	(34 120)	18 992	1 180	(1 703)	18 469
Total assets	$ 1 054 812	39 160	2 838	439	—	30	17 297	(104 378)	1 010 198	2 974	(1 765)	1 011 407
Liabilities and Net Assets												
Current liabilities												
Current maturities of long-term debt	$ 5 610	—	—	—	—	—	2 721	(2 331)	6 000	180	(62)	6 118
Accounts payable	24 298	1 988	25	92	—	—	212	—	26 615	135	—	26 750
Accrued payroll and related liabilities	18 350	—	—	—	—	—	147	—	18 497	133	—	18 630
Other current liabilities	32 557	64 976	121	3 050	—	87	962	(67 912)	33 841	38	—	33 879
Due to third-party payors	21 257	—	—	—	—	—	—	—	21 257	—	—	21 257
Total current liabilities	102 072	66 964	146	3 142	—	87	4 042	(70 243)	106 210	486	(62)	106 634
Deferred compensation plan obligations	5 194	—	—	—	—	—	—	—	5 194	—	—	5 194
Long-term debt, less current maturities	501 761	—	—	—	—	—	20 223	(17 517)	504 467	147	(52)	504 562
Accrued pension cost	46 010	—	—	—	—	—	—	—	46 010	—	—	46 010
Other long-term liabilities	987	—	—	—	—	—	—	—	987	—	—	987
Total liabilities	656 024	66 964	146	3 142	—	87	24 265	(87 760)	662 868	633	(114)	663 387
Net assets (deficit)												
Unrestricted	398 788	(27 804)	820	(2 703)	—	(57)	(6 968)	(16 618)	345 458	2 341	(2 341)	345 458
Temporarily restricted	—	—	1 872	—	—	—	—	—	1 872	—	—	1 872
Total net assets (deficit) attributable to Owensboro Medical Health System, Inc	398 788	(27 804)	2 692	(2 703)	—	(57)	(6 968)	(16 618)	347 330	2 341	(2 341)	347 330
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—	690	690
Total net assets (deficit)	398 788	(27 804)	2 692	(2 703)	—	(57)	(6 968)	(16 618)	347 330	2 341	(1 651)	348 020
Total liabilities and net assets (deficit)	$ 1 054 812	39 160	2 838	439	—	30	17 297	(104 378)	1 010 198	2 974	(1 765)	1 011 407

See accompanying independent auditors' report

Schedule 2

OWENSBORO MEDICAL HEALTH SYSTEM, INC
AND AFFILIATED ENTITIES

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended May 31 2013

(In thousands)

	OMHS	CHS	The Foundation for Health, Inc.	OMCL	OMHS Cardiovascular, LLC	CMM	KBP	Elimination entries	OMHS subtotal	OASF	OASF consolidation and elimination entries	Consolidated
Unrestricted revenue												
Net patient service revenue	$ 398,818	36 474	—	3 099	—	—	—	(3,410)	434 981	7 788	—	442,769
Provision for bad debts	(30 969)	(1 836)	—	(380)	—	—	—	—	(33 185)	(114)	—	(33 299)
Net patient service revenue less provision for bad debts	367 849	34 638	—	2 719	—	—	—	(3 410)	401 796	7 674	—	409,470
Other operating revenue	7 542	10 261	780	171	—	—	5 993	(4 930)	19 817	17	(524)	19 310
Total unrestricted revenue	375 391	44 899	780	2 890	—	—	5 993	(8 340)	421 613	7 691	(524)	428 780
Patient service and other expenses												
Personnel	170 357	44 355	350	—	—	—	2 007	(234)	216 835	2 382	—	219,217
Professional fees	23,363	5,245	24	191	—	—	332	(2,262)	26 893	436	—	27 329
Drugs and supplies	75 011	3,796	4	4,209	—	—	878	(3 761)	80,137	1 671	—	81,808
Plant maintenance and operations	13 149	3 277	34	5	—	—	796	(2 005)	15,256	810	(524)	15,542
Kentucky provider tax	3 839	—	—	—	—	—	—	—	3 839	—	—	3 839
Other expenses	27 778	2 236	2 474	123	—	—	1 229	(3 273)	30 567	378	—	30 945
Depreciation and amortization	60 509	2 668	3	—	—	—	1 992	—	65,172	245	—	65 417
Interest expense	4 712	3	—	—	—	—	1 057	(962)	4 810	68	(24)	4 854
Total patient service and other expenses	378 718	61 580	2 889	4 528	—	—	8 291	(12 497)	443 509	5 990	(548)	448 951
Operating income (loss)	(3 327)	(16 681)	(2 109)	(1 638)	—	—	(2 298)	4 157	(21 896)	1 701	24	(20 171)
Nonoperating gains (losses)												
Investment income (loss) net	21 098	—	12	—	—	—	—	(962)	20 148	—	(24)	20,124
Contributions and other	(2 176)	525	2 144	(2)	—	—	—	1 304	1 795	(46)	(1 002)	747
Nonoperating gains (losses) net	18 922	525	2 156	(2)	—	—	—	342	21 943	(46)	(1 026)	20 871
Excess (deficiency) of revenue and gains over expenses and losses before noncontrolling interests	15 595	(16,156)	47	(1 640)	—	—	(2 298)	4 499	47	1 655	(1 002)	700
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(653)	(653)
Excess (deficiency) of revenue and gains over expenses and losses	15 595	(16 156)	47	(1 640)	—	—	(2 298)	4 499	47	1 655	(1 655)	47
Accrued pension cost adjustment	7 905	—	—	—	—	—	—	—	7 905	—	—	7 905
Transfers to (from) related parties	2 908	(3 970)	—	—	3 970	—	—	(2 908)	—	—	—	—
Partnership investment	—	—	—	—	—	—	—	—	—	(606)	606	—
Partnership distributions	—	—	—	—	—	—	—	—	—	(1 446)	1 446	—
Increase (decrease) in unrestricted net assets	26 408	(20 126)	47	(1 640)	3 970	—	(2 298)	1 591	7 952	(397)	397	7 952
Temporarily restricted net assets												
Contributions	—	—	382	—	—	—	—	—	382	—	—	382
Net assets released from restrictions used for operations	—	—	(780)	—	—	—	—	—	(780)	—	—	(780)
Decrease in temporarily restricted net assets	—	—	(398)	—	—	—	—	—	(398)	—	—	(398)
Noncontrolling interests												
Excess of revenue and gains over expenses and losses	—	—	—	—	—	—	—	—	—	—	653	653
Partnership investment	—	—	—	—	—	—	—	—	—	—	(606)	(606)
Distributions to minority shareholders	—	—	—	—	—	—	—	—	—	—	(593)	(593)
Decrease in noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(546)	(546)
Increase (decrease) in total net assets	26 408	(20,126)	(351)	(1 640)	3 970	—	(2 298)	1,591	7 554	(397)	(149)	7,008
Net assets (deficit) beginning of year	372 380	(7 678)	3 043	(1 063)	(3 970)	(57)	(4 670)	(18 209)	339 776	2 738	(1 502)	341 012
Net assets (deficit) end of year	$ 398 788	(27 804)	2 692	(2 703)	—	(57)	(6 968)	(16 618)	347 330	2 341	(1 651)	348 020

See accompanying independent auditors report

OBLIGATED GROUP

Combining Schedule – Balance Sheet Information

May 31, 2013

(In thousands)

Assets		OMHS	CHS	Combination and elimination entries	Obligated Group
Current assets					
Cash and cash equivalents	$	54,052	1,969	—	56,021
Investments		160,144	—	—	160,144
Patient accounts receivable, net		49,631	3,268	—	52,899
Inventories		8,959	67	—	9,026
Prepaid expenses and other current assets		77,641	220	(64,828)	13,033
Assets limited as to use, current portion		21,828	—	—	21,828
Total current assets		372,255	5,524	(64,828)	312,951
Assets limited as to use, less current portion		37,997	—	—	37,997
Property and equipment, net		588,893	32,180	—	621,073
Deferred compensation plan assets		5,194	—	—	5,194
Other assets		50,473	1,456	(26,906)	25,023
Total assets	$	1,054,812	39,160	(91,734)	1,002,238
Liabilities and Net Assets					
Current liabilities					
Current maturities of long-term debt	$	5,610	—	—	5,610
Accounts payable		24,298	1,988	—	26,286
Accrued payroll and related liabilities		18,350	—	—	18,350
Other current liabilities		32,557	64,976	(64,828)	32,705
Due to third-party payors		21,257	—	—	21,257
Total current liabilities		102,072	66,964	(64,828)	104,208
Deferred compensation plan obligations		5,194	—	—	5,194
Long-term debt, less current maturities		501,761	—	—	501,761
Accrued pension cost		46,010	—	—	46,010
Other long-term liabilities		987	—	—	987
Total liabilities		656,024	66,964	(64,828)	658,160
Unrestricted net assets		398,788	(27,804)	(26,906)	344,078
Total liabilities and net assets	$	1,054,812	39,160	(91,734)	1,002,238

See accompanying independent auditors' report

Schedule 4

OBLIGATED GROUP

Combining Schedule – Statement of Operations and Changes in Net Assets Information

Year ended May 31, 2013

(In thousands)

		OMHS	CHS	Combination and elimination entries	Obligated Group
Unrestricted revenue					
Net patient service revenue	$	398,818	36,474	—	435,292
Provision for bad debts		(30,969)	(1,836)	—	(32,805)
Net patient service revenue less provision for bad debts		367,849	34,638	—	402,487
Other operating revenue		7,542	10,261	(1,488)	16,315
Total unrestricted revenue		375,391	44,899	(1,488)	418,802
Patient service and other expenses					
Personnel		170,357	44,355	(234)	214,478
Professional fees		23,363	5,245	(113)	28,495
Drugs and supplies		75,011	3,796	(307)	78,500
Plant maintenance and operation		13,149	3,277	(810)	15,616
Kentucky provider tax		3,839	—	—	3,839
Other expenses		27,778	2,236	(24)	29,990
Depreciation and amortization		60,509	2,668	—	63,177
Interest expense		4,712	3	—	4,715
Total patient service and other expenses		378,718	61,580	(1,488)	438,810
Operating income (loss)		(3,327)	(16,681)	—	(20,008)
Nonoperating gains (losses)					
Investment income (loss), net		21,098	—	—	21,098
Contributions and other		(2,176)	525	—	(1,651)
Nonoperating gains (losses), net		18,922	525	—	19,447
Excess (deficiency) of revenue and gains over expenses and losses		15,595	(16,156)	—	(561)
Accrued pension cost adjustment		7,905	—	—	7,905
Transfers to (from) related parties		2,908	(3,970)	—	(1,062)
Increase (decrease) in unrestricted net assets		26,408	(20,126)	—	6,282
Net assets, beginning of year		372,380	(7,678)	(26,906)	337,796
Net assets, end of year	$	398,788	(27,804)	(26,906)	344,078

See accompanying independent auditors' report

OWENSBORO MEDICAL HEALTH SYSTEM, INC
AND AFFILIATED ENTITIES

Hospital Utilization Statistics (Unaudited)

Years ended May 31

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Patient days										
Acute patient days	68 845	71 587	72 788	70 016	71 950	71 662	72 403	72,309	71 992	71,850
TCC patient days	8,823	8,757	9,334	7 960	7 801	8,626	8,736	8,567	8 569	7 687
Rehab patient days	3 455	3 701	3 845	3 854	3 725	3 738	4 145	4 873	4 811	5 183
Total patient days	81 123	84,045	85,967	81 830	83 476	84,026	85,284	85,749	85 372	84,720
Average adult daily census	222	230	236	224	229	230	234	235	234	232
Licensed beds	477	477	477	477	477	477	477	477	477	477
Average number of available beds	366	377	372	364	359	372	374	374	351	345
Average adult occupancy	61%	61%	63%	62%	64%	62%	63%	63%	67%	67%
Adult discharges										
Acute discharges	16 638	17 144	17 388	17 479	17 725	16 936	17,771	17 549	17 663	17 693
TCC discharges	669	642	645	569	585	551	587	607	600	503
Rehab discharges	300	317	311	307	314	315	304	373	356	364
Total adult discharges	17 607	18 103	18 344	18 355	18 624	17 802	18 662	18 529	18 619	18 560
Average adult length of stay										
Acute length of stay	4 1	4 2	4 2	4 0	4 1	4 2	4 1	4 1	4 1	4 1
TCC length of stay	13 2	13 6	14 5	14 0	13 3	15 7	14 9	14 1	14 3	15 3
Rehab length of stay	11 5	11 7	12 4	12 6	11 9	11 9	13 6	13 1	13 5	14 2
Total average adult length of stay	4 6	4 6	4 7	4 5	4 5	4 7	4 6	4 6	4 6	4 6
Number of deliveries	1,815	1,863	1 820	1 766	1 860	1,811	1,908	1,799	1,835	1,926
Surgical cases										
Inpatient	3 795	4,683	4 342	4 714	4 331	4 224	4 202	4,295	4 227	3 843
Outpatient	7,195	7,710	8,933	8 856	9 011	9,336	9,235	8,681	8 478	8,629
Endoscopy	4 930	4 395	5 190	5 234	5 362	5 600	5 684	5,527	5 916	6 689
ASC	6,140	7 000	6 103	5 784	5 085	5 148	4,909	N/A	N/A	N/A
Total surgical cases	22 060	23 788	24 568	24 608	23 789	24 308	24 030	18 503	18 621	19 161
Emergency room visits	63 671	63 901	63 043	63 592	63 298	65,185	66 217	65 068	63 428	63,297
Average number of visits per day	174	175	173	174	173	179	181	178	174	173

(Continued)

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Hospital Utilization Statistics (Unaudited)

Years ended May 31

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Outpatient visits										
Hospital physician clinics	220,301	206,951	191,907	143,311	96,048	83,002	N/A	N/A	N/A	N/A
Work Health	8,499	9,810	17,279	13,737	N/A	N/A	N/A	N/A	N/A	N/A
Outpatient ED visits	53 325	54 126	52 928	54,116	53 689	55 755	56,031	53 825	55 467	53,697
Convenient care visits	29,739	27,507	29,976	29,630	26 789	25,593	27,001	23,774	23,982	25,581
Observation visits	3 696	6 024	6 593	6 513	6 573	7 566	7 212	6 848	6 124	6,190
Outpatient surgery cases										
Hospital	7,195	7,710	8,933	8,856	9,011	8,948	9,235	8,681	8,478	8,629
ASC	6 140	7 000	6 103	5 784	5 085	5 148	4 909	N/A	N/A	N/A
Total outpatient surgery visits	13,335	14,710	15,036	14,640	14,096	14,096	14,144	8,681	8,478	8,629
Ancillary visits										
Lab	87,812	85,032	87,384	86,306	81,472	78 854	78 344	76,572	74,955	74,499
Physical therapy*	16,260	16,719	16,294	15,568	7,242	7,174	7,116	6,672	6,494	6,308
Wound care	2 952	2 914	1 262	1 105	908	784	755	676	586	591
Total ancillary visits	107 024	104,665	104,940	102,979	89 622	86,812	86,215	83,920	82,035	81,398
Diagnostic visits										
Radiology	116,512	118,265	117,720	116,316	90 355	87,226	83,599	79,523	76,716	77,307
Cath lab										
Inpatient cases	1 094	1 423	1 458	1 534	N/A	N/A	N/A	N/A	N/A	N/A
Outpatient cases	1 928	1 776	1 805	1 877	N/A	N/A	N/A	N/A	N/A	N/A
Total cath lab cases	3 022	3 199	3 263	3 411	2 936	3 470	3 534	3 503	3 335	3 127
Total diagnostic visits	119,534	121,464	120 983	119 727	93 291	90 696	87 133	83 026	80 051	80 434
Total outpatient visits	555 453	545 257	539 642	484 653	380 108	363 520	277 736	260 074	256 137	255 929
Employees										
Hospital	2,842	2,844	2,850	2,776	2,774	N/A	N/A	N/A	N/A	N/A
System	3 421	3 365	3 357	3,205	3 131	N/A	N/A	N/A	N/A	N/A
FTE's										
Hospital	2,598	2,544	2,466	2,323	2 289	N/A	N/A	N/A	N/A	N/A
System	3 020	3 038	2 881	2 695	2 598	N/A	N/A	N/A	N/A	N/A

* For the year ended May 31, 2010, these statistics were compiled utilizing visits versus billing units for the years ended May 31, 2004 through 2009

See accompanying independent auditors report