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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)	OMB No 1545-0047 2012 Open to Public Inspection
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization Providence Hospital		D Employer identification number 38-1358212
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 16001 West Nine Mile Road	Room/suite	E Telephone number (248) 849-5707
	City or town, state or country, and ZIP + 4 Southfield, MI 48037		G Gross receipts \$ 647,749,532
	F Name and address of principal officer Michael Wiemann 16001 West Nine Mile Road Southfield, MI 48037		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 ▶ 0928
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (insert no) ☐ 4947(a)(1) or ☐ 527			
J Website: ▶ www.stjohn.org/providence			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Our Catholic Health Ministry is dedicated to spiritually centered, holistic care		
	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	16
	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	5,261
	6 Total number of volunteers (estimate if necessary)	6	845
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	11,771
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	10,771
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 584,852	Current Year 533,769
	9 Program service revenue (Part VIII, line 2g)	625,545,780	621,904,116
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,166,420	10,396,406
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	15,475,839	13,157,190
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	644,772,891	645,991,481
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
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)		269,741,954	265,924,496
16a Professional fundraising fees (Part IX, column (A), line 11e)		0	0
b Total fundraising expenses (Part IX, column (D), line 25) <u>1,636,926</u>			
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		335,258,987	343,120,501
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		605,000,941	609,044,997
19 Revenue less expenses Subtract line 18 from line 12		39,771,950	36,946,484
Net Assets or Fund Balances	Beginning of Current Year		End of Year
	20 Total assets (Part X, line 16)	831,021,280	891,854,987
	21 Total liabilities (Part X, line 26)	229,542,110	252,370,153
	22 Net assets or fund balances Subtract line 21 from line 20	601,479,170	639,484,834

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				2014-05-13	
	Douglas Winner Chief Financial Officer Type or print name and title				Date	
Paid Preparer Use Only	Print/Type preparer's name Alicia Janisch		Preparer's signature		Date	
	Check ☐ if self-employed		PTIN P00741382			
	Firm's name  Deloitte Tax LLP				Firm's EIN  86-1065772	
	Firm's address  250 East Fifth Street Suite 1900 Cincinnati, OH 45202				Phone no (513) 784-7100	

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

St John Providence Health System, as a Catholic Health Ministry, is committed to providing spiritually centered, holistic care which sustains and improves the health of individuals in the communities we serve, with special attention to the poor and vulnerable

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 \$ 515,863,567 including grants of \$) (Revenue \$ 631,538,646)

In furtherance of its mission and in an effort to reduce the government's financial burden, Providence Hospital provides essential health care services, such as outpatient clinics, emergency rooms, ambulatory facilities that serve low-income patients as well as community services Providence Hospital also provides preventative therapeutic and rehabilitative services for inpatient and ambulatory patients in a service-oriented and cost effective manner regardless of ability to pay See Community Benefit Report on Schedule O

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

515,863,567

Form 990 (2012)

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 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? 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.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	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?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter:		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	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.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	16	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	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	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	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		
8a	The governing body?	8a	Yes
8b	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
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
11b	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
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	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?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	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
16b	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
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 Kevin Smith 28000 Dequindre Warren, MI (586) 753-0171

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Raymond Buratto	1 00	X		X				0	0	0
Chairman	0 00									
(2) Blair Bowman	1 00	X		X				0	0	0
Vice Chair, Treasurer	0 00									
(3) Helen Habib	1 00	X		X				0	0	0
Secretary	0 00									
(4) Max Berlin	1 00	X						0	0	0
Board Member	0 00									
(5) Shukri David MD	1 00	X						0	0	0
Board Member	0 00									
(6) Grenai Dudley PhD	1 00	X						0	0	0
Board Member	0 00									
(7) Dan Elsea	1 00	X						0	0	0
Board Member	0 00									
(8) Sr Betty Granger CSJ Sch O	1 00	X						0	0	0
Board Member	3 00									
(9) Brenda Lawrence	1 00	X						0	0	0
Board Member	0 00									
(10) Joan Ryan	1 00	X						0	0	0
Board Member	0 00									
(11) Kathleen Ryan	1 00	X						0	0	0
Board Member	0 00									
(12) Stephen Shaya MD MS	1 00	X						0	0	0
Board Member	0 00									
(13) Richard Suhrheinrich	1 00	X						0	0	0
Board Member	0 00									
(14) Cherolee Trembath MD Sch O	50 00	X						244,384	0	21,770
Board Member	0 00									
(15) Joe Walker	1 00	X						0	0	0
Ex-Officio	0 00									
(16) Michael Wiemann MD	50 00	X		X				778,493	0	23,313
Pres Prov Hosp, SVP SJPHS	3 00									
(17) Douglas Winner	50 00			X				331,354	0	23,313
Chief Financial Officer	0 00									

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Peter Karadjoff President - Providence Park Hospital	50 00 0 00			X				242,056	0	22,172
(19) Maria Strom VP Nursing Services/CNO	50 00 0 00				X			331,818	0	4,394
(20) Gerald Gilman VP Medical Staff Dev	50 00 0 00				X			238,356	0	21,866
(21) Joseph Hurshe VP Operations	50 00 1 00				X			304,670	0	23,313
(22) Robert Welch Chairman - OB/GYN	50 00 0 00					X		642,287	0	22,063
(23) William B Blessed Med Dir - Maternal/Fetal Med	50 00 0 00					X		490,423	0	21,169
(24) Laurence Cheung Chairman - Surgery	50 00 0 00					X		446,761	0	22,063
(25) Andrew Vosburgh Med Dir Assoc Health	50 00 0 00					X		416,315	0	22,063
(26) Bradley Rowens Med Dir Sleep Disorder	50 00 0 00					X		415,597	0	22,063
(27) Diane Radloff Sch O Former President SJPHS	0 00 0 00						X	0	777,581	3,337
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								4,882,514	777,581	252,899

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▶283

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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
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 ▶0		

Part VIII

Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	533,769				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f			533,769			
Program Service Revenue			Business Code					
	2a	Net Patient Revenue	622110	618,950,563	618,950,563			
	b	Ancillary Revenue	900099	2,134,571	2,134,571			
	c	Rental Income	532000	818,982	818,982			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			621,904,116			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		9,871,817		-4,395	9,876,212	
	4	Income from investment of tax-exempt bond proceeds . . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		2,994,640						
		1,675,163						
		1,319,477						
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)		1,319,477		16,166	1,303,311	
	7a	(i) Securities		(ii) Other				
				607,477				
				82,888				
				524,589				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss)		524,589			524,589	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
	a							
	b	Less direct expenses						
	c	Net income or (loss) from fundraising events . . .						
	9a	Gross income from gaming activities See Part IV, line 19						
	a							
	b	Less direct expenses						
	c	Net income or (loss) from gaming activities . . .						
	10a	Gross sales of inventory, less returns and allowances						
	a							
	b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory . . .							
Miscellaneous Revenue		Business Code						
11a	Medicaid EHR Incentive	923130	4,184,508	4,184,508				
b	Dietary Revenue	722210	2,203,183			2,203,183		
c	Resident Income	561000	255,771	255,771				
d	All other revenue		5,194,251	5,194,251				
e	Total. Add lines 11a-11d			11,837,713				
12	Total revenue. See Instructions			645,991,481	631,538,646	11,771	13,907,295	

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.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	2,290,145		2,290,145	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	234,876,354	229,985,248	4,891,106	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	-3,552,982	-3,445,327	-107,655	
9	Other employee benefits.	15,835,152	15,355,347	479,805	
10	Payroll taxes.	16,475,827	16,032,656	443,171	
11	Fees for services (non-employees):				
a	Management.	12,573,040		12,573,040	
b	Legal.	366,126		366,126	
c	Accounting.	327,060		327,060	
d	Lobbying.	25,703	25,703		
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	2,191,688		2,191,688	
12	Advertising and promotion.	112,900		112,900	
13	Office expenses.	890,752	801,183	89,569	
14	Information technology.				
15	Royalties.				
16	Occupancy.	17,122,467	10,740,690	6,381,777	
17	Travel.	1,292,647	1,153,305	139,342	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	6,149,856		6,149,856	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	41,011,737	35,024,023	5,987,714	
23	Insurance.	3,577,027	3,577,027		
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	Purchased Services	129,356,916	81,594,526	47,762,390	
b	Supplies for Services	81,889,616	81,616,109	273,507	
c	Physician Guarantees	32,112,222	32,112,222		
d	Repairs & Maintenance	3,221,174	2,028,211	1,192,963	
e	All other expenses	10,899,570	9,262,644		1,636,926
25	Total functional expenses. Add lines 1 through 24e.	609,044,997	515,863,567	91,544,504	1,636,926
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)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		14,676,908	2	14,641,821
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		56,671,350	4	54,925,855
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		4,628,481	7	4,608,780
	8	Inventories for sale or use		5,923,609	8	6,751,898
	9	Prepaid expenses and deferred charges		10,445,680	9	7,269,496
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	737,312,823		
	b	Less accumulated depreciation	10b	426,683,178	355,965,684	10c 310,629,645
	11	Investments—publicly traded securities		176,252,119	11	
	12	Investments—other securities See Part IV, line 11		1,232,663	12	
	13	Investments—program-related See Part IV, line 11		19,610,554	13	19,315,855
	14	Intangible assets			14	21,666,905
	15	Other assets See Part IV, line 11		185,614,232	15	452,044,732
	16	Total assets. Add lines 1 through 15 (must equal line 34)		831,021,280	16	891,854,987
Liabilities	17	Accounts payable and accrued expenses		43,679,845	17	43,128,613
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		185,862,265	25	209,241,540
	26	Total liabilities. Add lines 17 through 25		229,542,110	26	252,370,153
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		600,246,506	27	638,170,992
	28	Temporarily restricted net assets		1,232,664	28	1,313,842
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		601,479,170	33	639,484,834
	34	Total liabilities and net assets/fund balances		831,021,280	34	891,854,987

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	645,991,481
2	Total expenses (must equal Part IX, column (A), line 25)	2	609,044,997
3	Revenue less expenses Subtract line 2 from line 1	3	36,946,484
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	601,479,170
5	Net unrealized gains (losses) on investments	5	5,944,766
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	-4,885,586
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	639,484,834

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

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.

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
Providence Hospital

Employer identification number
38-1358212

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 33¹/₃% 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 33¹/₃% 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?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2011 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

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

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Providence Hospital	Employer identification number 38-1358212
---	--

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															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ 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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		25,703
j	Total. Add lines 1c through 1i.			25,703
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Lobbying expenses represent the portion of dues paid to national and state hospital associations that is specifically allocable to lobbying. Providence Hospital does not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Providence Hospital	Employer identification number 38-1358212
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ 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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶\$ _____

(ii) Assets included in Form 990, Part X

▶\$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

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	1,346,671	1,304,694	1,304,485	1,283,817	1,257,593
b Contributions	4,300	19,011	21,789	55	12,140
c Net investment earnings, gains, and losses	68,729	66,117	64,261	64,198	62,584
d Grants or scholarships					
e Other expenditures for facilities and programs	48,235	43,151	85,841	43,585	48,500
f Administrative expenses					
g End of year balance	1,371,465	1,346,671	1,304,694	1,304,485	1,283,817

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

89 000 %

c

Temporarily restricted endowment

11 000 %

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

3a

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

(i)

unrelated organizations

3a(i)		No
-------	--	----

(ii)

related organizations

3a(ii)	Yes	
--------	-----	--

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b	Yes	
----	-----	--

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		31,552,967		31,552,967
b Buildings	200,000	499,798,296	278,524,473	221,473,823
c Leasehold improvements	100,000	6,761,213	4,589,662	2,271,551
d Equipment		191,995,975	143,569,043	48,426,932
e Other		6,904,372		6,904,372
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				310,629,645

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
Description of Intended Use of Endowment Funds	Part V, Line 4	Endowment funds are created to support the healthcare ministry of St. John Health System Hospitals. The distributions from an endowment provide a dependable source of income each year to help St. John continue to meet the community's healthcare needs.
Description of Uncertain Tax Positions Under FIN 48	Part X, Line 2	From the consolidated audited financial statements of St. John Providence Health System ("SJPHS") (which include the activity of Providence Hospital). The member health care entities of SJPHS are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). SJPHS accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
Providence Hospital

Employer identification number
38-1358212

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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b		No
b	If "Yes," did the organization make it available to the public?	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			7,278,649		7,278,649	1 200 %
b Medicaid (from Worksheet 3, column a)			54,488,403	37,977,918	16,510,485	2 710 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			61,767,052	37,977,918	23,789,134	3 910 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			2,493,922	29,436	2,464,486	0 400 %
f Health professions education (from Worksheet 5)			19,672,826	14,072,233	5,600,593	0 920 %
g Subsidized health services (from Worksheet 6)			876,215		876,215	0 140 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			40,112		40,112	0 010 %
j Total Other Benefits			23,083,075	14,101,669	8,981,406	1 470 %
k Total. Add lines 7d and 7j			84,850,127	52,079,587	32,770,540	5 380 %

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					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

39,708,096

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

9,048,005

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

235,292,484

6

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

6

234,465,938

7

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

7

826,546

8

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

Section C. Collection Practices

9a

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

9a

Yes

9b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
2

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Providence Hospital 16001 W Nine Mile Southfield, MI 48037 stjohnprovidence.org	X	X		X			X			A
2	Providence Park Hospital 47601 Grand River Avenue Novi, MI 48374 stjohnprovidence.org	X	X		X			X			A

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Facility Reporting Group - A

Name of hospital facility or facility reporting group

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
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 <u>12</u>		
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 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
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	No
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 <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
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? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

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

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

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

8

Name and address	Type of Facility (describe)
1 Providence CT Center 30055 Northwestern Hwy Farmington Hills, MI 48334	Physician Group
2 Family Medical Center 210 N Lafayatt South Lyon, MI 48178	Physician Group
3 Dr Sharp Crumley & Moore 21700 Northwestern Hwy Southfield, MI 48075	Physician Group
4 Geriatric Clinical Services 25800 W Eleven Mile Southfield, MI 48034	Clinic
5 Internal Medicine 24430 Ford Road Dearborn Heights, MI 48127	Physician Group
6 Michigan Urgent Care 37595 Seven Mile Road Livonia, MI 48152	Urgent Care Center
7 The Bowman Center 20548 Fenkell Detroit, MI 48223	Physician Group
8 Providence Cardiac Surgery Institute 22151 Moross Detroit, MI 48236	Physician Group
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		Part I, Line 3c Providence Hospital provides medically necessary care to all patients, regardless of race, color, creed, ethnic origin, gender, disability or economic status The organization uses a percentage of Federal Poverty Level (FPL) to determine free and discounted care At a minimum, patients with income less than or equal to 200% of the FPL, which may be adjusted for cost of living utilizing the local wage index compared to national wage index, will be eligible for 100% charity care write off of charges for services that have been provided to them Also, at a minimum, patients with incomes above 200% of the FPL but not exceeding 300% of the FPL, subject to adjustments for cost of living utilizing the local wage index compared to national wage index, will receive a discount of 70% on the services provided to them Additionally, for any Pure Self Pay patient (someone presenting with no insurance regardless of income), there is a 40% Uninsured Discount automatically applied against total charges
		Part I, Line 6a The organization is part of a community benefit report which is prepared by St John Providence Health System on a consolidated basis

Identifier	ReturnReference	Explanation
		Part I, Line 7 The cost of providing charity care, means tested government programs, and community benefit programs is estimated using internal cost data, and is calculated in compliance with Catholic Health Association (CHA) guidelines The organization uses a cost accounting system that addresses all patient segments (for example, inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured or self pay) The best available data was used to calculate the amounts reported in the table For certain categories in the table, this was a cost accounting system, in other categories, a specific cost-to-charge ratio was applied
		Part II Community Building Activities are critical to the five counties that St John Providence Health System serves St John Providence Health System's size means we have a stronger voice when advocating for those who have no voice to the uninsured and poor Through partnerships, coalitions, and program development and support, our innovative programs increase access to health care services and empower individuals to make informed health choices Our community health programs include parish nursing, school-based health centers, a grieving children's program, literacy program and infant mortality initiative We improve access to health care through our community health centers, health screenings and health education In addition, St John Providence Health System provided more than \$100 million in uncompensated care in the past year It is our calling to serve, and we do it with pride Our staff of professionals combines the skills of medical experts in more than 50 specialties and the talented, compassionate clinical staff to heal, to serve, together In addition, the St John Providence Health System family includes thousands of volunteers and donors who support our health care mission with their generosity Inventories of some of St John Providence's community building activities include ST JOHN HOSPITAL & MEDICAL CENTER ("SJHMC") COMMUNITY BUILDING ACTIVITIESPHYSICAL IMPROVEMENTSSJHMC Maintenance and Engineering Department provides physical improvements by annually beautifying a main intersection on the Detroit-Grosse Pointe border COMMUNITY SUPPORTSJHMC in-patient pharmacy restocks the medical supplies for EMS that come to their facility Their Work Life Service Department (Human Resources) also provides mentoring and job shadowing programs for high school students COMMUNITY HEALTH IMPROVEMENT ADVOCACYAdministrative leaders support advocacy efforts through their membership and participation on various task-forces and committees PROVIDENCE HOSPITALS, SOUTHFIELD AND NOVI COMMUNITY BUILDING ACTIVITIESCOMMUNITY SUPPORT The hospital provides disaster recovery above and beyond the normal requirements They also provide mentoring to students interested in health careers COMMUNITY HEALTH IMPROVEMENT ADVOCACYThe hospital was sponsor of the "On My Own" Foundation Gala fundraiser This foundation works to increase independence for people with disabilities The Radiology Department provides community support and a mentoring program Administrative leaders support advocacy efforts through their membership and participation on various task-forces and committees ST JOHN MACOMB-OAKLAND HOSPITAL COMMUNITY BUILDING ACTIVITIESPHYSICAL IMPROVEMENTS/HOUSINGThe hospital helped to build and improve houses through the local Habitat for Humanity and for low-income families They also helped to develop a barrier-free environment for individuals with disabilities COMMUNITY SUPPORT The hospital provided medical support for the annual "gold cup" boat races in Detroit ST JOHN RIVER DISTRICT HOSPITAL COMMUNITY BUILDING ACTIVITIESCOALITION BUILDINGThe hospital participates on the Great Parents-Great Start Coalition which supports services for children 0-5 years in St Clair County The Richmond Physician Office supported the "Recycled Paper Project" and donated recycled paper to the Richmond School District so that they can earn money to support their educational programs WORKFORCE DEVELOPMENT The hospital mentors high school students in St Clair County and educates them about careers in the medical fields They also assist with college course selection of medical careers and/or assist in streamlining technical students BRIGHTON COMMUNITY BUILDING ACTIVITIESWORKFORCE DEVELOPMENTTThe hospital's administration participated in community mentoring programs by working with students at the high school or college level to assist them in their future endeavors, particularly in the health care field LEADERSHIP DEV/TRAINING FOR COMMUNITY MEMBERSThe hospital's administration participated in Executive Women International and the medical department participated in Leadership Development Training for community members in the process of addiction recovery COALITION BUILDINGThe hospital provides professional support to the Farmington/Farmington Hills community, law enforcement, community leaders, parent groups, teachers, schools and administrators, city governments, and mental health treatment centers to bring awareness of drug and violence prevention efforts and to decrease gaps and fragmentation in information and resources Their goal is for community groups to decrease gaps and fragmentation within drug and violence prevention efforts ST JOHN PROVIDENCE HEALTH SYSTEM ("SJPHS") COMMUNITY BUILDING ACTIVITIESECONOMIC DEVELOPMENT SJPHS Administration is active in various Chambers of Commerce throughout our service area COALITION BUILDINGSJPHS Business Development Department participated in Coalition Building Eastwood Clinics also participates on the "Save Our Youth" Coalition whose goal is to prevent substance abuse among youth in Royal Oak SJPHS Community Health participates on the infant morality task force, state coalition of school-based health centers and youth violence prevention task force WORKFORCE DEVELOPMENT/JOB CREATION AND TRAINING PROGRAMSSJPHS Work Life Services partners with area schools, universities and technical schools to mentor students and educate them about careers in healthcare They also provide assistance with resume writing and interviewing techniques COMMUNITY HEALTH IMPROVEMENT ADVOCACY Eastwood Clinics participates on the Behavioral Health Legislative Drug Court Committee which partners with judges and prosecutors from counties throughout Michigan and provides advocacy and support for drug and alcohol treatment for legislative staff

Identifier	ReturnReference	Explanation
		Part III, Line 4 The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies Providence Hospital's bad debt deduction in 2013 was \$39,708,096 at charges
		Part III, Line 8 Ascension Health and related health ministries follow the Catholic Health Association (CHA) guidelines for determining community benefit

Identifier	ReturnReference	Explanation
		Part III, Line 9b The organization has a written debt collection policy that also includes a provision on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance If a patient qualifies for charity or financial assistance certain collection practices do not apply
		Part VI, Line 2 A community health needs assessment of the St John Providence Health System service area is completed every three years The current assessment was led by a steering committee composed of members with diverse health professional backgrounds representing the services provided by St John Providence Health System Members included professionals with backgrounds in Finance, Marketing, Nursing, Social Work, Medicine, Pharmacy and Public Health to name a few The process was based on the 6 steps outlined by the Association for Community Health Improvement (ACHI) Each county in the service area was determined to be the focus of the assessment Data was collected from a variety of reliable sources including but not limited to CDC, Michigan Department of Public Health, local health departments, and the US Census Data was collected and organized by county for analysis The University of Wisconsin State and County Health Rankings of 2011 were also discussed after it was released The latter was consistent with the data collected The data collected was discussed and input received from several stakeholder groups including the health system board of directors, advisory committee and other local agencies The process resulted in a ranking of the health needs by county and then three were selected as priority areas of focus These three are 1) Diabetes Prevention and Management, 2) Infant Mortality Prevention, 3) Access to Primary Care for Underinsured and Uninsured The risk factors related to these three, when addressed will have a positive impact on the other major community health needs related to heart failure, kidney failure, cancer early identification and treatment, asthma education and treatment, infant mortality, and obesity in children and adults Subcommittees were formed and led by community health staff The subcommittees consisted of SJPHS staff, county health department representatives and community members A strategic plan was developed, approved by the steering committee, and will now go to the hospitals for individual tactics to help meet the strategies listed below For Infant Mortality, the overall strategies are to - Increase connectivity and resources for pregnant women and their families- Provide enhanced nutrition information and services, and improve the health of high-risk babies- Improve inter-conceptual care Diabetes Prevention/Diabetes strategies include - Increase opportunities for healthy lifestyle activities- Increase education of Diabetes prevention, early identification and disease management Access to Care strategies are - Reduce barriers to the full access of healthcare services which are components of and constitute a continuum of quality patient care- Continue to address the need for access to care through the SJPHS initiative "Call to Action" which provides care to the underinsured and uninsured residents in the SJPHS service area The identification of the health needs of the community resulting from previous CHNA was used to affirm and/or modify the existing St John Providence Health System community health programs and partnerships For example, an identified unmet need of accessible primary care for low-income uninsured adults in the city of Detroit resulted in the establishment of a St John Providence Health System Safety Net Health Center, a partnership with a local Federally Qualified Health Center (FQHC) agency, and creation of a volunteer network of physician specialists to improve access to care for this population who are enrolled in the primary care program Consequently, the establishment of two new FQHCs and recruitment of more than 400 volunteer physicians has increased access and capacity to serve this population in the St John Providence Health System service area

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Financial assistance staff is trained on how to qualify patients for Medicaid, SCHIP and other such programs During the pre-registration, registration, admissions, and discharge processes, the hospital attempts to identify all self pay patients who may be eligible for government programs or for discounted care through the health system charity care policy A financial assistance counselor is provided to all patients identified as eligible for charity care and the process and paper work is explained by the counselor Patients with limited English proficiency are provided with a translator as needed Those who are deemed eligible for government programs are provided with the needed information, forms and contact information including assistance in filling out forms as needed The Hospital's charity care policy is posted on the website A summary of the policy along with financial assistance contact information is provided to patients in the emergency department and inpatients upon discharge Self pay patients are also provided with referrals to partner FQHCs or free primary care clinics in the area as well as locations to obtain low cost pharmaceuticals A written summary of financial guidelines/charity policy and contact information is also provided in all communications with patients regarding bills and accounts Non-English speaking patients receive translation assistance as needed All third parties that work on behalf of the organization to collect fees (such as collection agencies and legal firms) are required to follow the hospital's policies regarding patient notification about the availability of financial assistance including its guidelines for collection of payment
		Part VI, Line 4 St John Providence Health System and its five hospital campuses comprised of seven hospital "facilities" (as that term is defined for Schedule H) including one specialty hospital are located in a five-county area of southeastern Michigan The health system campuses are organized as follows Providence/Providence Park Hospitals, St John Macomb-Oakland Hospital, St John Hospital & Medical Center, St John River District Hospital, and Brighton Hospital The community served by the organization includes Wayne, Oakland, Macomb, Livingston and St Clair counties The city of Detroit is part of Wayne County This service area is predominately urban and suburban with pockets of rural in St Clair and Livingston counties Also, there is one Medical Underserved Area (MUA) in St Clair county, two in Macomb county, and one in Oakland county Almost the entire city of Detroit is either a MUA or Health Professional Shortage Area (HPSA) or both In the remaining part of Wayne County, there are three areas designated as MUAs There are no MUA's in Livingston County There are six other health systems represented in the service area One is a for-profit entity and the others remain nonprofit The East Community includes Macomb and St Clair Counties, and parts of Wayne and Oakland Counties The West Community includes Livingston county, most of Oakland county and parts of Wayne County Total population in the West Community (2010 Thompson Reuters) is 1,633,906 with 57.7% White, 34.7% Black, 0.2% American Indian and Alaska native, 0.2% Hispanic, 4.3% Asian/Pacific Islander and 0.7% other Total estimated population in the East Community is 1,432,398 with 70.7% White, 23.0% Black, 0.3% Hispanic, 2.9% Asian/Pacific Islander, and 0.5% other Note the following additional information by county Unless otherwise indicated, the data is from the U.S. Census Bureau - Wayne County has a total population of 1,820,575 with 13.2% of the population over age 65, median household income is \$41,504, 23.8% of households are in poverty with 19.6% of individuals with incomes below 200% of the federal poverty level, 10.3% are uninsured and 23.7% (including Detroit) are enrolled in Medicaid (State of Michigan, June 2010) The city of Detroit has a total population of 713,777 and 11.5% of the population is over age 65, median household income of \$26,955, 38.1% of the population in poverty, 48.5% are below 200% of the federal poverty level and 21% uninsured (State of Michigan, June 2010) Wayne County includes 54.4% White, 40.1% Black, 2.8% Asian, and 5.5% Hispanics The city of Detroit's population is 10.6% White, 82.7% Black, 1.1% Asian and 6.8% Hispanic/Latino - Oakland County has a total population of 1,202,362 with 14.2% of its population over 65 years of age, the median household income is \$65,637, 9.9% of the households are in poverty, 14.5% of individuals are below 200% of the federal poverty level, 7.5% are uninsured and 9.5% are Medicaid enrollees (State of Michigan, June 2010) Population includes 77.3% White, 14.3% Black, 6.1% Asian, and 3.7% Hispanic/Latino - Macomb County has a total population of 840,978 with 15.0% of the population over the age of 65, median household income is \$53,628, 11.8% of households live in poverty, 16.3% of individuals live below 200% of the federal poverty level, 11.2% are uninsured and 13% are Medicaid enrollees (State of Michigan, June 2010) Population includes 84.5% White, 9.9% Black, 3.3% Asian, and 2.4% Hispanic/Latino - St Clair County has a total population of 163,040 with 15.6% of the population over age 65, median household income of \$47,877, 14.3% of households in poverty, 21.9% of individuals have incomes below 200% of the federal poverty level, 9.1% uninsured and 16.8% enrolled in Medicaid (State of Michigan, 2010) Population includes 94.5% White, 2.5% Black, and 3.0% Hispanic/Latino - Livingston County has a total population of 180,967, with 13.4% of the population over age 65, median household income of \$72,396, 6.3% of households live in poverty, 10.4% of individuals live below 200% of the federal poverty level, 9.3% uninsured, and 7.1% enrolled in Medicaid (State of Michigan, June 2010) Population includes 96.9% White, 0.6% Black, 0.9% Asian, and 2.1% Hispanic or Latino In summary these counties represent the southeastern Michigan region of the state The total population is approximately 4 million, which represents 41% of the state's population and accounts for 46% of the federal monies received Seventeen percent of the service area population is represented by the city of Detroit Approximately 90% of Detroit consists of minorities, compared to 21% for the state Thirty-eight percent of Detroiters live below the poverty level compared to 16% statewide The average income for Detroit is \$26,955 while the statewide average is almost double that at \$48,471 In Detroit, 22% of residents are uninsured compared to a statewide total of 11.7% The city's unemployment rate is nearly double the state and national rate Historically, auto manufacturing, government and health care are the largest employers In each of these areas, heart disease followed by cancer is the leading cause of death Further, congestive heart failure and bacterial pneumonia are some of the leading causes of preventable hospitalizations Additionally, Detroit has higher rates of illness and chronic disease than other parts of the state, and a lack of access to primary care and a shortage of health care professionals St John Providence Health System provides many community based programs and services Services provided include safety net primary care, through ten school-based health centers and two adult primary care centers, HIV/AIDS treatment, health education and screening referral support services and faith community nursing to name a few Additionally, the hospitals in Detroit, Wayne, Oakland and Macomb serve a disproportionate share of uninsured or Medicaid beneficiaries Access to primary care for the uninsured and underinsured remains a challenge in most of the service area Partnership with local FQHCs is improving access and the health system hospitals support their expansion

Identifier	ReturnReference	Explanation
		Part VI, Line 5 ST JOHN PROVIDENCE HEALTH SYSTEMThe health system provides internship opportunities for administrative, marketing, finance, information technology, and public health and medical billing professionals St John Providence Health System administrators and staff have provided leadership and participated on collaborative initiatives with Voices of Detroit Initiative, Greater Detroit Area Health Council, Wayne County Health Department, The City of Detroit Department of Health and Wellness Promotion, Wayne County Health Authority, Tomorrow's Child, The Michigan Department of Community Health, Michigan Primary Care association and area Federally Qualified Health Centers, and other community organizations to identify community needs and address community problems The health system has a model program that serves the vulnerable and poor in our community and is not offered by any other hospitals in this area called Physicians Who Care (PWC) The program is a network of St John Providence Health System (SJPHS) credentialed specialty physicians who volunteer their time to provide health care services to uninsured adults It is designed to ensure a continuum of care exists for "the working poor" in the communities SJPHS serves Each physician pledges to see a self-defined number of eligible patients per year Currently, more than 400 physicians are registered in a common database using a web-based specialty referral network, which is maintained by the Physicians Who Care staff The patient load is spread equally among all physicians that have agreed to participate in the project The program provides diagnostics and hospitalizations, and prescription drugs St John Providence Health System has a demonstrated history and strong foundation built upon its Mission, Vision, and Values It is this spirit that leads the institution and drives health care services Often patients, family members, friends, and the like, are pleased with our position on care - to heal the body, mind, and spirit, have experienced it first-hand, and wish to show their appreciation by making a gift to support care of others that are vulnerable The spiritual essence that's woven into the fabric of our daily operations allows members of the community to comfortably and directly impact the lives of others through philanthropy We work to create an ethical legacy for emphasizing the important value of community and encourage the compassionate generosity of others to make gifts that enhance the exemplary care St John Providence Health System has become recognized for MEDICAL STAFF PRIVILEGESSt John Providence Health System extends medical staff privileges to all qualified physicians in its community for some or all of its departments Physicians who apply for St John Providence staff membership and privileges go through a credentialing process CLINICAL RESEARCH FUNDED BY FOR-PROFIT COMPANIESThe majority of clinical research conducted at SJPHS is funded by for-profit organizations such as pharmaceutical and medical device companies that test the efficacy and safety of health products Examples include research projects funded by Boston Scientific, Eli Lilly & Company and Medtronic BOARD MEMBERSHIPSt John Providence Health System board membership is comprised of persons who reside in the five counties that represent SJPHS's primary service area
		Part VI, Line 6 Providence Hospital is part of the St John Providence Health System ("SJPHS") St John Providence Health System ("SJPHS") is a member of Ascension Health In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St Vincent de Paul in the United States, St Louise Province, the Congregation of St Joseph, the Congregation of the Sisters of St Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province American Province, and the Sisters of the Sorrowful Mother of the Third Order of St Francis of Assisi US/Caribbean Province SJPHS located in Southeast Michigan is a nonprofit acute care hospital SJPHS operates five acute care hospitals and various other health care entities in Southeastern Michigan SJPHS provides inpatient, outpatient, and emergency care services for the residents of Southeastern Michigan Admitting physicians are primarily practitioners in the local area SJPHS is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of SJPHS are related to providing health care services The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay The System uses four categories to identify the sources utilized for the care of persons living in poverty and community benefit programs - Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured - Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons - Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome - Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs The cost of providing care to persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS) The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense, was approximately \$31,372 thousand and \$32,797 thousand for the years ended June 30, 2013 and 2012, respectively The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information

Identifier	ReturnReference	Explanation
		PROVIDENCE HOSPITAL & PROVIDENCE HEALTH FOUNDATIONCOMMUNITY BENEFIT REPORTFISCAL YEAR END JUNE 30, 2013This report illustrates the significant degree to which Providence Hospital contributes to the positive health status of the communities it serves. As a member of Ascension Health, the nation's largest Catholic healthcare system, Providence Hospital continues to build and strengthen sustainable collaborative efforts that benefit the health of individuals, families, and society as a whole. The goal of Providence Hospital is to perpetuate the healing mission of the church. Providence Hospital furthers this goal through delivery of patient services, care to the elderly and indigent, patient education and health awareness programs for the community, and medical research. Our concern for all human life and dignity of each person leads the organization to provide medical services to all people in the community without regard to the patient's race, creed, national origin, economic status, or ability to pay. FINANCIAL INFORMATIONThe financial information presented below was prepared in accordance with the Catholic Health Association's (CHA) community benefit reporting guidelines. These guidelines recommend the following: Report care of the poor at cost, not charges - Do not include bad debt, contractual allowances, and quick pay discounts as part of care of the poor expense - Do not count Medicare shortfall as a community benefit - Report the net expense for community benefit services, i.e., the total community benefit expense minus any associated revenue from patients, payers, and other external sources. The CHA reporting guidelines reflect a conservative approach to reporting quantifiable community benefit. The goal of the reporting guidelines is to produce community benefit financial reports that reflect true costs and that describe community benefit activities that increase access to health care and improve community health. Providence Hospital information for fiscal year ended June 30, 2013: 1) Care of the poor (at cost) = \$7,278,6492) Other programs for persons living in poverty and other vulnerable persons = \$876,2153) Unpaid cost of public indigent care programs (includes Medicaid, SCHIP, and other safety net programs, does not include Medicare shortfalls) = \$16,510,4854) Community benefit programs (net expense) = \$8,105,191Total quantifiable community benefit, as determined in accordance with CHA reporting guidelines = \$32,770,540 SUPPLEMENTAL INFORMATIONBad debt costs attributable to charity = \$9,048,005Medicare shortfall = -\$826,546Total quantifiable community benefit, including bad debt and Medicare shortfall = \$40,991,999 CHARITY CARENearly 11.7% of Michigan residents or 1.2 million people lacked health insurance in 2013. The uninsured are likely to seek care in hospital emergency rooms. The Hospital had 112,100 Emergency Department (ED) visits in fiscal 2013, an increase of nearly 3% over FY12. Increasingly, patients are experiencing limited abilities to pay for health care services or qualify for state and federally funded programs like Medicaid and Medicare programs that cover only a portion of the cost of services provided. Providence Hospital provides a substantial portion of its services to the elderly and poor. During the fiscal year ending June 30, 2013, approximately 41% of the value of services rendered was to elderly patients under the Medicare program, and approximately 9% of the services were provided to patients who were deemed indigent under state, county, or Medical Center Guidelines. ORGANIZATIONAL COMMITMENT TO PROVIDING COMMUNITY BENEFITProvidence Hospital and Medical Center is made up of a 392-bed teaching hospital located in Southfield, Michigan and a 218-bed hospital located in Novi, Michigan. Providence Hospital seeks to improve the physical, mental, social and spiritual health status of its surrounding community. In addition to providing health care services to all individuals who require medical attention, Providence Hospital has developed the following programs to help achieve its mission: HEALTH ACCESSSupport of the Thea Bowman Community Health Center, located in Northwest Detroit, the St. Vincent DePaul Clinic in Northwest Detroit, Physicians Who Care Program, donation of pharmaceuticals to the World Medical Relief program, and donations of supplies through materials management. Since 2003, Providence Hospital, along with our partner Advantage Health, has provided support for the Thea Bowman Community Health Center, located in Northwest Detroit. Thea Bowman has provided access to quality primary care, dental care, social workers and behavioral medicine. These services are offered on a sliding fee scale. PHYSICIANS WHO CAREProvidence physicians have enrolled in Physicians Who Care. The goal of this program is to link uninsured patients with medical specialists, who have agreed to provide medical services at no charge. Providence Hospital covers testing and hospitalization costs. SCHOOL PROGRAMSPartners in Prevention program, Partnership with Southfield Schools Medical and Natural Sciences Academy, and volunteer opportunities with numerous students. PHILOSOPHY OF SERVICE COMMITTEEIce cream social, Manna Meal Soup Kitchen, Providence Choir, Christmas Store, Crisis Assistance Program, and various other charitable drives during the year. THE INFANT MORTALITY PROJECTServes Detroit and Wayne County. Providence donated \$35,000 toward this program. In FY13 the IMP mentored 184 mothers and 75 parents graduated from Jubilee Parenting Classes. Other positive results were prevention of low birth babies and premature infant births among our clients. SHALOM PROVIDENCE PROJECTProvidence partnered with the Jewish Hospice & Chaplaincy Network in FY08 to start up Shalom Providence. Rabbi's come in 4 days per week to visit the Jewish patients. The program includes education for associates, a dedicated phone line to the Director and a library of Jewish Prayer books and symbols for the bedside. Shalom Providence Project Manager of Spiritual care. PARISH NURSINGProvidence Hospital contributes \$90,000 to the Parish Nurse Program. A Parish Nurse is a RN who practices under the Faith Community Nursing Standards and focuses on the intentional care of the spirit as part of the process of promoting holistic health and preventing or minimizing illnesses within a faith community. The nurses provide numerous screening and educational programs at the churches. GRADUATE MEDICAL EDUCATION PROGRAM- The residents provide care to those who are economically disadvantaged in a variety of specialties including Family Practice, Internal Medicine, Cardiovascular, OB/GYN, Gastrointestinal, Plastic Surgery, General Surgery, Neurosurgery, and Hematology/Oncology. - Work with various public schools to provide health education and screening. - Provide care at the St. Vincent De Paul Health Center and to the elderly at several nursing homes. - Residents participated in Cover the Uninsured Health Fair. Residents participated in the Southfield Senior Appreciation Day, Strides For Breast Cancer, AHA Heart Walk, and the Thea Bowman Health Fair. - Provide care at the St. Vincent De Paul Health Center (IHM), East-side Pavilion Practice and to the elderly at several nursing homes. - Participate in a variety of medical missionary trips. OUR LADY OF PROVIDENCE LEAGUE VOLUNTEERS- 320 Active Volunteers work with Providence Hospital. - The "No One Dies Alone" Program continues. Interested volunteers sit at the bedside of patients, who are dying, to provide families respite or are there for those who have no family. - A new program, Therapy Dog Program', has been started. Each hospital has a dog that visits with patients, families and associates (with a trained volunteer handler) to enhance their day and healthcare experience. SUMMARYProvidence Hospital furthers its charitable purposes by providing a broad array of services to meet the healthcare needs of patients and organizations in the community. We provide essential medical services to the community, train and recruit healthcare professionals to serve the needs of the broader community, provide appropriate charity services to those patients who are not able to pay for their own healthcare needs, provide services to other organizations that allow them to provide quality services to their patients or constituents, and present education information classes and activities to the community in order to improve its overall health status.
Part V, Line 8 Facility Reporting Group A		See below

Identifier	ReturnReference	Explanation
Facility 1 -- Providence Hospital	Part V, Section B, line 1j	The CHNA Steering Committee proceeded with a prioritization process of selecting priority health areas for system-wide focus, and to recommend the same priority health areas for inclusion in the SJPHS Strategic Plan for fiscal years 2014 - 2016. A Problem Importance Worksheet was utilized to facilitate the prioritization process. Among the multitude of community health care needs, the Steering Committee utilized a prioritization process to narrow down indicators and ultimately select the recommended priority health areas. The criteria utilized to rank the identified health concerns included 1) The magnitude of the problem, 2) The seriousness of the consequences and potential burden to the community, 3) The feasibility of addressing or correcting the problem and 4) The potential yield of measurable data of process or outcome improvement. Using this criteria, the three priority areas selected are 1) Diabetes Prevention, 2) Infant Mortality Reduction and, 3) Access to Care.
Facility 1 -- Providence Hospital	Part V, Section B, line 3	The CHNA was conducted with the guidance and oversight of a Steering Committee composed of professionals with a diversity of expertise in health care operations, administration and management, community health, health planning, medicine and other related health disciplines. The co-chairs were the Vice President of Mission Integration and the Vice President of Community Health. Additional input from approximately 100+ people was received as a result of a survey and focus group of local health department officials, community stakeholders, and community advocates. The 6-Step model developed by the Association of Community Health Improvement was utilized to organize and facilitate the process of developing this CHNA. Further extensive data from global, national, state and local levels including hospital specific data was reviewed and discussed by the committee as part of the assessment process.

Identifier	ReturnReference	Explanation
Facility 1 -- Providence Hospital	Part V, Section B, line 4	Providence Hospital conducted its community health needs assessment with the following other facilities 1 St John Hospital & Medical Center2 Providence Park Hospital3 St John Macomb-Oakland Hospital4 St John River District Hospital5 Brighton Recovery Center
Facility 1 -- Providence Hospital	Part V, Section B, line 5c	The Community Health Needs Assessment ("CHNA") of the hospital facility can be located at the following web address http //www stjohnprovidence org/Documents/CommunityHealth/CHNA -Providence-Hospital-2013 pdf

Identifier	ReturnReference	Explanation
Facility 1 -- Providence Hospital	Part V, Section B, line 7	Providence Hospital will not address certain identified health needs and concerns because other programs are currently offering an array of services for the community and those particular health needs and concerns are listed below with the resources, agencies and services currently established to address them - Cardiovascular Disease This is widely addressed through St John Providence Health System and its Cardiovascular Centers of Excellence, the American Heart Association, and other programs such as the Project Healthy Living multi-county screening program - Cancer St John Providence Health System has 4 cancer centers with 2 located in the service area. Additionally, the American Cancer Society, primary care standards of practice, and other cancer centers in the area provide screening and community-based education. Further, the state of Michigan with its BCCCP (Breast and Cervical Cancer Control Program) provides for routine mammograms for low-income and uninsured women- Asthma Asthma is predominately a condition of children and youth in the service area. Through the SJPHS school-based health centers and other school-based health centers in the area, this is being addressed. Asthma education, asthma screening, and summer asthma camps are provided along with the handling of acute episodes in the school clinics with parental consent - Obesity It is well-known that obesity is a precursor to the development of type II diabetes. There are several model programs in the service area that address childhood obesity in addition to what is available for adults - Behavioral health/substance abuse/mental illness Medicaid and other state funding for behavioral health largely comes through the state to the county-based community mental health agencies and local health departments. These agencies continue to provide the lead on addressing these issues. The aforementioned services, programs and resources are sufficiently equipped and duly established to provide community-based resources to address cardiovascular disease, cancer, asthma, obesity, behavioral health, substance abuse, and mental illness.
Facility 1 -- Providence Hospital	Part V, Section B, line 14g	Information regarding the availability of the financial assistance policy is on the website and included on the billing statements.

Identifier	ReturnReference	Explanation
Facility 1 -- Providence Hospital	Part V, Section B, line 18e	Question 18 is more appropriately answered as not applicable as the Billing and Collections Policy of Providence Hospital does not allow a hospital to engage in extraordinary collection actions before the organization made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy. Reasonable efforts taken include but are not limited to - Notifying individuals of the financial assistance policy on admission,- Notifying individuals of the financial assistance policy prior to discharge,- Notifying individuals of the financial assistance policy in communications with the patients regarding the patients' bills,- Documenting its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy.
Facility 1 -- Providence Hospital	Part V, Section B, line 20d	Uninsured patients receive a discount off charges which is comparable to the discount provided to the highest paying payor, accounting for at least 3% of the population as measured by volume or gross patient revenue. In addition, uninsured patients with income greater than 300% of the FPL may receive an additional discount based on a "Means Test".

Identifier	ReturnReference	Explanation
Facility 2 -- Providence Park Hospital	Part V, Section B, line 1j	The CHNA Steering Committee proceeded with a prioritization process of selecting priority health areas for system-wide focus, and to recommend the same priority health areas for inclusion in the SJPHS Strategic Plan for fiscal years 2014-2016. A Problem Importance Worksheet was utilized to facilitate the prioritization process. Among the multitude of community health care needs, the Steering Committee utilized a prioritization process to narrow down indicators and ultimately select the recommended priority health areas. The criteria utilized to rank the identified health concerns included 1) The magnitude of the problem 2) The seriousness of the consequences and potential burden to the community 3) The feasibility of addressing or correcting the problem and 4) The potential yield of measurable data of process or outcome improvement. Using this criteria, the three priority areas selected are 1) Diabetes Prevention, 2) Infant Mortality Reduction and, 3) Access to Care.
Facility 2 -- Providence Park Hospital	Part V, Section B, line 3	The CHNA was conducted with the guidance and oversight of a Steering Committee composed of professionals with a diversity of expertise in health care operations, administration and management, community health, health planning, medicine and other related health disciplines. The co-chairs were the Vice President of Mission Integration and the Vice President of Community Health. Additional input from approximately 100+ people was received as a result of a survey and focus group of local health department officials, community stakeholders, and community advocates. The 6-Step model developed by the Association of Community Health Improvement was utilized to organize and facilitate the process of developing this CHNA. Further extensive data from global, national, state and local levels including hospital specific data was reviewed and discussed by the committee as part of the assessment process.

Identifier	ReturnReference	Explanation
Facility 2 -- Providence Park Hospital	Part V, Section B, line 4	Providence Park Hospital conducted its community health needs assessment with the following other facilities 1 Providence Hospital2 St John Hospital & Medical Center3 St John Macomb-Oakland Hospital4 St John River District Hospital5 Brighton Recovery Center
Facility 2 -- Providence Park Hospital	Part V, Section B, line 5c	The Community Health Needs Assessment ("CHNA") of the hospital facility can be located at the following web address http //www stjohnprovidence org/Documents/CommunityHealth/CHNA -Providence- Park-Hospital-2013 pdf

Identifier	ReturnReference	Explanation
Facility 2 -- Providence Park Hospital	Part V, Section B, line 7	Providence Park Hospital will not address certain identified health needs and concerns because other programs are currently offering an array of services for the community and those particular health needs and concerns are listed below with the resources, agencies and services currently established to address them - Cardiovascular Disease This is widely addressed through St John Providence Health System and its Cardiovascular Centers of Excellence, the American Heart Association, and other programs such as the Project Healthy Living multi-county screening program - Cancer St John Providence Health System has 4 cancer centers with 2 located in the service area Additionally, the American Cancer Society, primary care standards of practice, and other cancer centers in the area provide screening and community-based education Further, the state of Michigan with its BCCCP (Breast and Cervical Cancer Control Program) provides for routine mammograms for low-income and uninsured women- Asthma Asthma is predominately a condition of children and youth in the service area Through the SJPHS school-based health centers and other school-based health centers in the area, this is being addressed Asthma education, asthma screening, and summer asthma camps are provided along with the handling of acute episodes in the school clinics with parental consent - Obesity It is well-known that obesity is a precursor to the development of type II diabetes There are several model programs in the service area that address childhood obesity in addition to what is available for adults - Behavioral health/substance abuse/mental illness Medicaid and other state funding for behavioral health largely comes through the state to the county-based community mental health agencies and local health departments These agencies continue to provide the lead on addressing these issues The aforementioned services, programs and resources are sufficiently equipped and duly established to provide community-based resources to address cardiovascular disease, cancer, asthma, obesity, behavioral health, substance abuse, and mental illness
Facility 2 -- Providence Park Hospital	Part V, Section B, line 14g	Information regarding the availability of the financial assistance policy is on the website and included on the billing statements

Identifier	ReturnReference	Explanation
Facility 2 -- Providence Park Hospital	Part V, Section B, line 20d	Uninsured patients receive a discount off charges which is comparable to the discount provided to the highest paying payor, accounting for at least 3% of the population as measured by volume or gross patient revenue. In addition, uninsured patients with income greater than 300% of the FPL may receive an additional discount based on a "Means Test"

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Providence Hospital

Employer identification number
38-1358212

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. ☐ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☐ Compensation survey or study ☐ Form 990 of other organizations ☐ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment?	4a		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement? 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		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 3	St John Health, a related organization of Providence Hospital, uses the following to establish the compensation of the organization's President - Compensation Committee - Independent Compensation Consultant - Compensation Survey or Study - Approval by the Board of Compensation Committee
	Part I, Line 4b	Eligible executives participate in a program that provides for supplemental retirement benefits. The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the organization. Benefits under the program are unfunded and non-vested. Due to the substantial risk of forfeiture provision, there is no guarantee that these executives will ever receive any benefit under the program. Any amount ultimately paid under the program to the executive is reported as compensation on Form 990, Schedule J, Part II, Column B in the year paid. Maria Strom - \$12,426 Diane Radloff - \$49,259

Software ID:
Software Version:
EIN: 38-1358212
Name: Providence Hospital

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Cherolee Trembath MD Sch O	(i)	234,552	9,832	0	9,707	12,063	266,154	0
	(ii)	0	0	0	0	0	0	0
Michael Wiemann MD	(i)	517,851	239,570	21,072	11,250	12,063	801,806	0
	(ii)	0	0	0	0	0	0	0
Douglas Winner	(i)	254,814	74,140	2,400	11,250	12,063	354,667	0
	(ii)	0	0	0	0	0	0	0
Peter Karadjoff	(i)	220,768	21,288	0	10,109	12,063	264,228	0
	(ii)	0	0	0	0	0	0	0
Maria Strom	(i)	227,494	104,324	0	4,394	0	336,212	12,426
	(ii)	0	0	0	0	0	0	0
Gerald Gilman	(i)	175,850	62,506	0	9,803	12,063	260,222	0
	(ii)	0	0	0	0	0	0	0
Joseph Hurshe	(i)	216,210	67,460	21,000	11,250	12,063	327,983	0
	(ii)	0	0	0	0	0	0	0
Robert Welch	(i)	446,084	194,424	1,779	10,000	12,063	664,350	0
	(ii)	0	0	0	0	0	0	0
William B Blessed	(i)	381,404	109,019	0	9,106	12,063	511,592	0
	(ii)	0	0	0	0	0	0	0
Laurence Cheung	(i)	446,761	0	0	10,000	12,063	468,824	0
	(ii)	0	0	0	0	0	0	0
Andrew Vosburgh	(i)	313,745	102,570	0	10,000	12,063	438,378	0
	(ii)	0	0	0	0	0	0	0
Bradley Rowens	(i)	315,597	100,000	0	10,000	12,063	437,660	0
	(ii)	0	0	0	0	0	0	0
Diane Radloff Sch O	(i)	0	0	0	0	0	0	0
	(ii)	142,961	633,485	1,135	3,337	0	780,918	49,259

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Providence Hospital	Employer identification number 38-1358212
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 2	
	Form 990, Part VI, Section A, line 6	Providence Hospital has a single corporate member, St John Health
	Form 990, Part VI, Section A, line 7a	Providence Hospital has a single corporate member, St John Health, who has the ability to elect members to the governing body of Providence Hospital
	Form 990, Part VI, Section A, line 7b	All decisions that have a material impact to Providence Hospital financial information or corporation as a whole are subject to approval by its sole corporate member, St John Health
	Form 990, Part VI, Section B, line 11	Management works diligently to complete the Form 990 and attached schedules in a thorough manner Prior to filing the return all board members are provided the Form 990 and management team members are available to answer any board members questions
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with the conflict of interest policy in that any director, officer, key employee, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the committees with governing board delegated powers considering the proposed transaction or arrangement The remaining individuals on the governing board or committee will decide if conflicts of interest exist Each director, principal officer and member of a committee with governing board delegated powers annually signs a statement which affirms such person has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its exempt purpose
	Form 990, Part VI, Section B, line 15	In determining compensation of the organization's President, the process, performed by St John Health, a related organization of Providence Hospital, included a review and approval by independent persons, comparability data and contemporaneous substantiation of the deliberation and decision Management reviewed and approved the compensation In the review of the compensation, the President was compared with individuals at other organizations in the area who hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the board minutes Individual was not present when his compensation was decided In determining compensation of other officers or key employees of the organization, the process, performed by St John Health, a related organization of Providence Hospital, included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision Management reviewed and approved the compensation In the review of the compensation, the other officers or key employees of the organizations were compared to individuals at other organizations in the area who hold the same title Wage bands are adjusted annually and wages paid for all positions are within those bands During the review and approval of the compensation, documentation of the decision was recorded in the committee minutes
	Form 990, Part VI, Section C, line 19	The organization will provide any documents open to public inspection upon request
	Form 990,Part VII, Section A	Where noted with a "(Sch O)" reference, the compensation listed is for services provided to this organization or a related organization in an employee capacity and not for participation in this organization's board Amounts paid for the services of Sister Betty Granger are paid directly to her religious province, Therefore, her compensation on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees is zero
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Deferred Pension Costs 922,474 Transfer to Affiliates -6,239,352 Other 1,218,292 Transfer to Sponsor -787,000

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Providence Hospital

Employer identification number
38-1358212

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) Hospital Consolidated Laboratories 28000 Dequindre Road Warren, MI 48092 38-3318428	Laboratory Tests	MI	0	0	Providence Hospital and Medical Center

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Dispropportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Advent Partners LP 28000 Dequindre Road Warren, MI 48092 38-3494197	Rental Real Estate	MI	N/A									
(2) Open MRI of Michigan 28000 Dequindre Road Warren, MI 48092 38-3544539	Diagnostic Imaging Center	MI	N/A									

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Advent Inc 28000 Dequindre Warren, MI 48092 38-2971743	Real Estate Development	MI	N/A	C					No
(2) Affiliated Health Services Inc 28000 Dequindre Warren, MI 48092 38-2292922	Medical Services	MI	N/A	C					No

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

	Yes	No
1a		No
1b		No
1c		No
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k		No
1l		No
1m		No
1n		No
1o	Yes	
1p	Yes	
1q	Yes	
1r	Yes	
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
See Additional Data Table			

Schedule R (Form 990) 2012

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

[illegible]

Software ID:

Software Version:

EIN: 38-1358212

Name: Providence Hospital

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
--> Form 990, Schedule R, Part V - Transactions With Related Organizations			
(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Brighton Hospital	Q	51,999	Actual Amount Paid
Eastwood Community Clinics	P	114,504	Actual Amount Paid
Eastwood Community Clinics	R	51,572	Actual Amount Paid
St John Macomb-Oakland Hospital	O	51,837	Actual Amount Paid
St John Macomb-Oakland Hospital	Q	288,966	Actual Amount Paid
St John Macomb-Oakland Hospital	S	1,065,145	Actual Amount Paid
Medical Resources Group	O	199,297	Actual Amount Paid
Medical Resources Group	P	9,617,978	Actual Amount Paid
Medical Resources Group	R	12,967,760	Actual Amount Paid
Providence Health Foundation	R	715,479	Actual Amount Paid
Providence Health Foundation	P	1,250,113	Actual Amount Paid
Providence Health Foundation	R	2,798,368	Actual Amount Paid
St John Community Health Investment Corporation	R	1,053,572	Actual Amount Paid
St John Community Health Investment Corporation	R	1,402,846	Actual Amount Paid
St John Health	O	154,115,533	Actual Amount Paid
St John Health	P	422,308,849	Actual Amount Paid
St John Health	R	541,505,060	Actual Amount Paid
St John Home Care	Q	843,030	Actual Amount Paid
St John Home Care	S	1,071,231	Actual Amount Paid
St John Hospital & Medical Center	J	495,628	Actual Amount Paid
St John Hospital & Medical Center	O	88,095	Actual Amount Paid
St John Hospital & Medical Center	P	2,135,208	Actual Amount Paid
St John Hospital & Medical Center	R	2,151,035	Actual Amount Paid
St John Hospital Foundation	R	385,675	Actual Amount Paid
Affiliated Health Services Inc	P	635,617	Actual Amount Paid

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
Affiliated Health Services Inc	R	858,882	Actual Amount Paid
Open MRI of Michigan	O	508,090	Actual Amount Paid
Open MRI of Michigan	Q	70,648	Actual Amount Paid
Open MRI of Michigan	S	548,301	Actual Amount Paid

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

St John Providence Health System
Member of Ascension Health, a Subsidiary
of Ascension Health Alliance
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP



St. John Providence Health System

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

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Report of Independent Auditors

The Board of Trustees
St John Providence Health System

We have audited the accompanying consolidated financial statements of St John Providence Health System, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of St John Providence Health System at June 30, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

Adoption of ASU No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities

As discussed in Note 2 to the consolidated financial statements, St John Providence Health System changed the presentation of the provision for bad debts as a result of the adoption of the amendments to the Financial Accounting Standards Board's Accounting Standards Codification resulting from Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

September 18, 2013

St John Providence Health System

Consolidated Balance Sheets (In Thousands)

	June 30	
	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 39,223	\$ 39,558
Interest in investments held by Ascension Health Alliance	—	20,112
Accounts receivable, less allowances for doubtful accounts (\$120,579 and \$121,352 in 2013 and 2012, respectively)	183,562	204,403
Current portion of assets limited as to use	4,897	3,424
Estimated third-party payor settlements	16,769	26,554
Inventories	26,954	25,401
Assets related to discontinued operations	—	275
Other	58,277	41,649
Total current assets	329,682	361,376
Assets limited as to use and other long-term investments	13,307	14,327
Interest in investments held by Ascension Health Alliance	987,897	857,267
Property and equipment, net	687,409	722,728
Other assets		
Investment in unconsolidated entities	28,458	24,491
Other intangibles	58,256	78,139
Other	82,594	62,336
Total other assets	169,308	164,966
Total assets	<u>\$ 2,187,603</u>	<u>\$ 2,120,664</u>

See accompanying notes.

	June 30	
	2013	2012
Liabilities and net assets		
Current liabilities		
Current portion of long-term debt	\$ 9,306	\$ 5,330
Accounts payable and accrued liabilities	228,722	242,909
Estimated third-party payor settlements	60,196	67,081
Current portion of self-insurance liabilities	16,766	17,373
Liabilities related to discontinued operations	—	2,425
Other	15,777	14,553
Total current liabilities	330,767	349,671
Noncurrent liabilities		
Long-term debt	596,701	605,764
Self-insurance liabilities	24,107	25,124
Pension and other postretirement liabilities	76,743	88,232
Other	62,363	47,854
Total noncurrent liabilities	759,914	766,974
Total liabilities	1,090,681	1,116,645
Net assets		
Unrestricted.		
Controlling interest	1,048,108	956,720
Noncontrolling interests	2,211	2,425
Unrestricted net assets	1,050,319	959,145
Temporarily restricted	36,140	34,699
Permanently restricted	10,463	10,175
Total net assets	1,096,922	1,004,019
Total liabilities and net assets	\$ 2,187,603	\$ 2,120,664

See accompanying notes.

St John Providence Health System

Consolidated Statements of Operations and Changes in Net Assets (In Thousands)

	June 30	
	2013	2012
Operating revenue		
Net patient service revenue	\$ 1,937,284	\$ 1,958,627
Less provision for doubtful accounts	130,422	119,279
Net patient service revenue, less provision for doubtful accounts	1,806,862	1,839,348
Other revenue	144,420	135,793
Income from unconsolidated entities	6,147	6,280
Net assets released from restrictions for operations	4,945	4,702
Total operating revenue	1,962,374	1,986,123
Operating expenses		
Salaries and wages	826,116	862,433
Employee benefits	133,354	143,849
Purchased services	214,190	200,543
Professional fees	129,656	130,243
Supplies	277,283	280,813
Insurance	9,830	15,799
Interest	19,658	20,612
Depreciation and amortization	94,222	93,441
Other	188,471	174,503
Total operating expenses before impairment, restructuring, and nonrecurring gains, net	1,892,780	1,922,236
Income from operations before impairment, restructuring, and nonrecurring (losses) gains, net	69,594	63,887
Impairment, restructuring, and nonrecurring (losses) gains, net	(10,167)	25,276
Income from operations	59,427	89,163
Nonoperating gains (losses)		
Investment return (loss)	63,779	(16,601)
Other	(14,625)	(13,694)
Total nonoperating gains (losses), net	49,154	(30,295)
Excess of revenues and gains over expenses and losses	108,581	58,868
Income (loss) from noncontrolling interests	15	(175)
Excess of revenues and gains over expenses and losses attributable to controlling interest	108,596	58,693

Continued on next page

St John Providence Health System

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

	June 30	
	2013	2012
Unrestricted net assets		
Excess of revenues and gains over expenses and losses	\$ 108,596	\$ 58,693
Pension and other postretirement liability adjustments	6,667	(47,801)
Transfers to sponsor and other affiliates, net	(29,492)	(19,669)
Net assets released from restrictions for property acquisitions	5,617	7,786
Increase (decrease) in unrestricted net assets, controlling interest, before loss from discontinued operations	91,388	(991)
Loss from discontinued operations	—	(2,563)
Increase (decrease) in unrestricted net assets, controlling interest	91,388	(3,554)
Unrestricted net assets, noncontrolling interests		
(Deficit) excess of revenues and gains over expenses and losses	(15)	175
Other	(199)	(145)
(Decrease) increase in unrestricted net assets, noncontrolling interests	(214)	30
Temporarily restricted net assets, controlling interest		
Contributions and grants	11,516	12,217
Investment return	587	532
Net assets released from restrictions	(10,562)	(12,488)
Other	(100)	—
Increase in temporarily restricted net assets, controlling interest	1,441	261
Permanently restricted net assets, controlling interest		
Contributions	188	1,070
Other	100	—
Increase in permanently restricted net assets, controlling interest	288	1,070
Increase (decrease) in net assets	92,903	(2,193)
Net assets, beginning of year	1,004,019	1,006,212
Net assets, end of year	\$ 1,096,922	\$ 1,004,019

See accompanying notes

St John Providence Health System

Consolidated Statements of Cash Flows (In Thousands)

	June 30	
	2013	2012
Operating activities		
Increase (decrease) in net assets	\$ 92,903	\$ (2,193)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	94,222	93,441
Provision for bad debts	130,422	119,279
Interest, dividends, and net (gains) losses on investments	(63,779)	16,601
(Gain) loss on sale of assets, net	(169)	317
Impairment and nonrecurring expenses	—	9,026
Pension and other postretirement benefits	(6,667)	47,801
Transfers to sponsor and other affiliates, net	29,492	19,669
Equity earnings in unconsolidated entities	(6,147)	(6,280)
Restricted contributions, investment return, and other restricted activity	(12,291)	(13,819)
(Increase) decrease in		
Accounts receivable	(109,581)	(111,289)
Inventories and other current assets	(18,181)	(27,359)
Investments classified as trading, including interest in investments held by Ascension Health Alliance	(45,384)	(144,344)
Assets related to discontinued operations	275	9,827
Increase (decrease) in		
Accounts payable and accrued liabilities	(14,187)	12,015
Estimated third-party payor settlements	2,900	(14,429)
Other current liabilities	1,224	(6,083)
Liabilities related to discontinued operations	(2,425)	(3,760)
Other noncurrent liabilities	(11,341)	(11,653)
Net cash provided by (used in) operating activities	61,286	(13,233)
Investing activities		
Property and equipment additions	(36,675)	(45,986)
Proceeds from sale of property and equipment	774	5,992
(Decrease) increase in self-insurance, net	(1,702)	1,935
Decrease in restricted net assets	(1,730)	(1,333)
Net cash used in investing activities	(39,333)	(39,392)
Financing activities		
Issuance of long-term debt	—	21,000
Repayment of long-term debt	(5,087)	(4,760)
Transfers to sponsors and other affiliates, net	(29,492)	(19,669)
Restricted contributions, investment income, and other	12,291	13,819
Net cash (used in) provided by financing activities	(22,288)	10,390
Net decrease in cash and cash equivalents	(335)	(42,235)
Cash and cash equivalents at beginning of year	39,558	81,793
Cash and cash equivalents at end of year	\$ 39,223	\$ 39,558

See accompanying notes

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

June 30, 2013

1. Organization and Mission

Organizational Structure

St. John Providence Health System (SJPHS) is a member of Ascension Health. In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia. In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries. Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province, the Congregation of St. Joseph, the Congregation of the Sisters of St. Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province, and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

SJPHS located in Southeast Michigan is a nonprofit acute care hospital. SJPHS operates five acute care hospitals and various other health care entities in Southeastern Michigan. SJPHS provides inpatient, outpatient, and emergency care services for the residents of Southeastern Michigan. Admitting physicians are primarily practitioners in the local area. SJPHS is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of SJPHS are related to providing health care services.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the sources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.
- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.
- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care to persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS).

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

1. Organization and Mission (continued)

The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense, was approximately \$31,372 and \$32,797 for the years ended June 30, 2013 and 2012, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by SJPHS or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation.

Investments in entities where SJPHS does not have operating control are recorded under the equity or cost method of accounting. For entities recorded under the equity method of accounting, the following reflects SJPHS's interest in unconsolidated entities in the consolidated balance sheets, as well as income or loss for such entities included in the consolidated excess of revenues and gains over expenses and losses in the accompanying consolidated statements of operations and changes in net assets.

	Investment Recorded in Consolidated Balance Sheets as of June 30		Effect on Consolidated Excess of Revenues and Gains Over Expenses and Losses for the Years Ended June 30	
	2013	2012	2013	2012
PMHC Cancer Center	\$ 10,524	\$ 10,636	\$ 1,138	\$ 1,472
Mission Health Corporation	6,177	6,303	(51)	(147)
Partners In Care	1,975	—	1,642	—
North Macomb MRT Center	1,686	1,185	500	397
Reverence Home Health	1,630	—	6	—
Tri-Hospital Emergency Medical Services Corp	1,556	1,593	(37)	55
Providence Ventures LLC	1,385	984	791	618
Other	3,525	3,790	2,158	3,885
	<u>\$ 28,458</u>	<u>\$ 24,491</u>	<u>\$ 6,147</u>	<u>\$ 6,280</u>

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

2. Significant Accounting Policies (continued)

SJPHS's equity in the net income (loss) of unconsolidated entities is recorded in other operating revenue. SJPHS recorded \$6,147 and \$6,280 in other operating revenue for the years ended June 30, 2013 and 2012, respectively.

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments classified other than current assets and current liabilities are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less.

Interest in Investments held by Ascension Health Alliance, Investments, and Investment Return

Prior to April 2012, SJPHS held a significant portion of its investments through the Ascension Legacy Portfolio (formerly the Health System Depository, or HSD), an investment pool of funds in which the System and a limited number of nonprofit health care providers participated. The Ascension Legacy Portfolio investments were managed primarily by external investment managers within established investment guidelines. The value of SJPHS's investment in the Ascension Legacy Portfolio represented SJPHS's pro rata share of the Ascension Legacy Portfolio's funds held for participants.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

2. Significant Accounting Policies (continued)

During the year ended June 30, 2012, the CHIMCO Alpha Fund, LLC (Alpha Fund) was created to hold primarily all investments previously held through the Ascension Legacy Portfolio Catholic Healthcare Investment Management Company (CHIMCO), a wholly owned subsidiary of Ascension Health Alliance, acts as manager and serves as the principal investment advisor for the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. In April 2012, a significant portion of the assets in the Ascension Legacy Portfolio was transferred to the Alpha Fund, in which Ascension Health Alliance has an investment interest, as a member of the Alpha Fund. Ascension Health Alliance invests funds in the Alpha Fund on behalf of SJPHS. As of June 30, 2013 and 2012, SJPHS has an interest in investments held by Ascension Health Alliance, which is reflected in the consolidated balance sheet, and represents the SJPHS's pro rata share of Ascension Health Alliance's investment interest in the Alpha Fund.

SJPHS also invests in corporate obligations and marketable equity securities that are locally managed. Most of these funds are held in locally managed foundations where SJPHS has control over foundation assets.

SJPHS reports its interest in investments held by Ascension Health Alliance in the accompanying consolidated balance sheets as short or long term, based on liquidity needs, which, prior to June 30, 2013, were directed by SJPHS and, as of June 30, 2013, are directed by Ascension Health Alliance. SJPHS's interest in investments held by Ascension Health Alliance is also classified based on whether such investments are restricted by law or donors or designated for specific purposes by a governing body of the System. SJPHS reports its other investments, including foundation investments in the accompanying balance sheets, based upon the long or short term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of SJPHS.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

2. Significant Accounting Policies (continued)

SJPHS's investments, excluding its interest in investments held by Ascension Health Alliance, are measured at fair value and are classified as trading securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments, which are required to be recorded at fair value, are classified as trading securities and include pooled short-term investment funds, U S government, state, municipal, and agency obligations, corporate and foreign fixed income securities, asset-backed securities, and equity securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments also include alternative investments and other investments, which are valued based on the net asset value of the investments. In addition, the Alpha Fund participates, and the Ascension Legacy Portfolio participated, in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns are comprised of dividends, interest, and gains and losses on SJPHS's investments, as well as SJPHS's return on its interest in investments held by Ascension Health Alliance, and are reported as nonoperating gains (losses) in the consolidated statements of operations and changes in net assets, unless the return is restricted by donor or law.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets on the consolidated balance sheets and are comprised of the following.

	June 30	
	2013	2012
Capitalized computer software costs	\$ 265,380	\$ 262,480
Less accumulated amortization	207,124	184,341
Capitalized software costs, net	<u>\$ 58,256</u>	<u>\$ 78,139</u>

Amortization for capitalized computer software costs is determined on a straight-line basis using estimated useful lives of 5 to 8 years. Amortization expense in 2013 and 2012 was \$22,833 and \$22,300, respectively.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2013 and 2012, is as follows:

	June 30	
	2013	2012
Land and improvements	\$ 59,439	\$ 59,458
Building and equipment	1,826,098	1,812,083
	<u>1,885,537</u>	<u>1,871,541</u>
Less accumulated depreciation	1,207,758	1,156,573
	<u>677,779</u>	<u>714,968</u>
Construction in progress	9,630	7,760
Total property and equipment, net	<u>\$ 687,409</u>	<u>\$ 722,728</u>

St. John Providence Health System

Notes to Consolidated Financial Statements

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Depreciation, including amounts related to capital leases, is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2013 and 2012 was \$71,389 and \$71,141, respectively.

Estimated useful lives by asset category are as follows: land improvements – 20 years, buildings – 8 to 40 years, and equipment – 4 to 15 years. Interest costs incurred as part of related construction are capitalized during the period of construction.

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$23,208 as of June 30, 2013.

Noncontrolling Interest

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned or controlled entities. SJPHS controls in accordance with applicable accounting guidance. Accordingly, SJPHS has reflected a noncontrolling interest for the portion of net assets not owned or controlled by SJPHS separately on the consolidated balance sheets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, results of discontinued operations, and contributions of property and equipment.

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

SJPHS's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to SJPHS's primary mission are considered to be nonoperating, consisting primarily of investment activity. Several primary care clinics that are not associated with an acute care hospital and that rely significantly on contributions from foundations are also considered nonoperating.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately \$26,270 and \$70,582 for the years ended June 30, 2013 and 2012, respectively.

St. John Providence Health System

Notes to Consolidated Financial Statements

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The percentage of net patient service revenue earned by payor for the years ended June 30, 2013 and 2012, is as follows

	Year Ended June 30	
	2013	2012
Medicare	39%	41%
Medicaid	11	11
Blue Cross of Michigan	23	23
Self Pay	4	1
Other	23	24
	100%	100%

SJPHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at June 30, 2013 and 2012, are as follows.

	Year Ended June 30	
	2013	2012
Medicare	25%	27%
Medicaid	10	12
Blue Cross of Michigan	6	6
Self Pay	20	16
Other	39	39
	100%	100%

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

2. Significant Accounting Policies (continued)

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies. See Adoption of New Accounting Standards section for change in accounting presentation of the provision for doubtful accounts in the accompanying consolidated statements of operations and changes in net assets.

For patient receivables associated with self-pay patients, including patients with deductibles and copayment balances for which third-party coverage provides for a portion of the services provided, SJPHS records an estimated provision for uncollectible accounts in the year of service. SJPHS has experienced an increase in the provision for uncollectible accounts as a result of high unemployment, loss of employer-sponsored insurance plans, and rising patient responsibility balances. Self-pay write-offs increased \$21,000 in 2013 compared to 2012. The methodology for determining the allowance for uncollectible accounts and related write-offs for self-pay patients has remained consistent with the prior year. SJPHS does not maintain a material allowance for uncollectible accounts from third-party payors.

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

2. Significant Accounting Policies (continued)

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

SJPHS accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as revenue after the System has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. SJPHS recognized revenue from Medicaid incentive payments after it adopted certified EHR technology. Incentive payments totaling \$10,475 and \$10,877 for the years ended June 30, 2013 and 2012, respectively, are included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. In addition, SJPHS's compliance with the meaningful use criteria is subject to audit by the federal government.

Impairment, Restructuring, and Nonrecurring Expenses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

2. Significant Accounting Policies (continued)

During the years ended June 30, 2013 and 2012, SJPHS recorded total impairment, restructuring, and nonrecurring expenses (income) of \$10,167 and \$(25,276), respectively. For the year ended June 30, 2013, this amount was made up of nonrecurring expenses of approximately \$9,530, including approximately \$5,389 of nonrecurring expenses related to work force reduction and severance costs, and \$4,141 related to litigation costs. For the year ended June 30, 2012, this amount was made up of long-lived asset impairments of approximately \$9,026 related to River District Hospital to write down assets due to expected continued negative cash flow for the facility and restructuring and nonrecurring income of approximately \$(34,303). The restructuring and nonrecurring income for the year ended June 30, 2012, included approximately \$(40,555) related to the pension curtailment adjustment.

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Health Ministry Income Taxes

The member health care entities of SJPHS are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). SJPHS accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by SJPHS. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined, however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of SJPHS.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Subsequent Events

SJPHS evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2013, SJPHS evaluated subsequent events through September 18, 2013, representing the date on which the financial statements were available to be issued. During this period, there were no subsequent events that required recognition in the consolidated financial statements. In addition, there were no nonrecognized subsequent events that required disclosure.

Adoption of New Accounting Standards

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debt and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This accounting standards update requires healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered even though it does not assess the patient's ability to pay to present the provision for doubtful accounts related to patient service revenue adjacent to patient service revenue in the statement of operations and changes in net assets rather than as an operating expense. Additional disclosures relating to sources of patient service revenue and the allowance for doubtful accounts are also required. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011.

SJPHS recognizes a significant amount of patient service revenue at the time services are rendered in certain settings such as the emergency room, even though the patient's ability to pay is not initially assessed. The System assessed the significance of adopting this accounting standards update at the consolidated level. The System adopted this guidance as of July 1, 2012, and retrospectively applied the presentation requirements to all periods presented. The adoption of this guidance resulted in the reclassification of the System's provision for doubtful accounts for the year ended June 30, 2012, decreasing total operating revenue and total operating expenses before impairment, restructuring, and nonrecurring losses, net by \$119,279.

St. John Providence Health System

Notes to Consolidated Financial Statements

(Dollars in Thousands)

3. Discontinued Operations

In prior years, SJPHS management undertook the action to sell several of their facilities, including Father Murray Nursing Center, St John Senior Community, Detroit Riverview Hospital, and the Connor Creek facility. These operations are considered discontinued operations for financial reporting purposes.

Revenues and net gain for the St John Senior Community, Connor Creek facility, Detroit Riverview Hospital, and Father Murray Nursing Center included in the results of discontinued operations for the year ended June 30, 2012, were \$2,421 and (\$2,563) respectively.

Major classes of assets and liabilities comprising assets and liabilities for discontinued operations within the consolidated balance sheets as of June 30, 2012, are as follows:

	<u>June 30, 2012</u>
Assets related to discontinued operations	
Accounts receivable, net	\$ (136)
Estimated third-party payor settlements	340
Other receivables and prepaid expenses	70
Other investments	1
Total assets related to discontinued operations	<u>\$ 275</u>
Liabilities related to discontinued operations	
Accounts payable and accrued liabilities	\$ 1,810
Estimated third-party payor settlements, net	266
Other current liabilities	261
Self insurance liability	88
Total liabilities related to discontinued operations	<u>\$ 2,425</u>

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-term Investments

At June 30, 2013 and 2012, SJPHS investments are comprised of its interest in investments held by Ascension Health Alliance and certain other investments. Assets limited as to use primarily include investments restricted by donors. SJPHS's cash, cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments are reported in the accompanying consolidated balance sheets as presented in the following table:

	June 30	
	2013	2012
Cash and cash equivalents	\$ 39,223	\$ 39,558
Current portion of assets limited as to use	4,897	3,424
Assets limited as to use and other long-term investments		
Donor restricted	13,307	14,327
	<u>57,427</u>	<u>57,309</u>
Interest in investments held by Ascension Health Alliance	987,897	877,379
Total	<u>\$ 1,045,324</u>	<u>\$ 934,688</u>

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-term Investments (continued)

The composition of cash and investments classified as cash and cash equivalents, short-term investments, assets limited as to use, and other investments is summarized as follows.

	June 30	
	2013	2012
Cash and cash equivalents	\$ 40,495	\$ 40,694
U S government, state, municipal, and agency obligations	2,559	1,986
Corporate and foreign fixed income securities	1,716	1,811
Asset-backed securities	252	739
Equity securities	1,821	1,754
Pledges receivable, net	10,448	10,203
Other assets limited as to use	136	122
Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and other long-term investments	57,427	57,309
Interest in investments held by Ascension Health Alliance	987,897	877,379
Cash and cash equivalents, short-term investments, interest in investments held by Ascension Health Alliance, assets limited as to use, and other long-term investments	\$ 1,045,324	\$ 934,688

As of June 30, 2013 and 2012, the composition of total Alpha Fund investments is as follows

	June 30	
	2013	2012
Cash, cash equivalents, and short-term investments	3.3%	4.7%
U S government obligations	24.7	32.1
Asset-backed securities	8.6	10.3
Corporate and foreign fixed income investments	12.0	9.0
Equity securities	17.4	13.1
Alternative investments and other investments		
Private equity and real estate funds	5.8	5.7
Hedge funds	21.9	18.7
Commodities funds and other investments	6.3	6.4
Total	100.0%	100.0%

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-term Investments (continued)

Investment return (loss) recognized by SJPHS is summarized as follows

	Years Ended June 30	
	2013	2012
Return on interest in investments held by Ascension Health Alliance and investment return in Ascension Legacy portfolio	\$ 63,482	\$ (16,412)
Interest and dividends	914	297
Net gains on investments reported at fair value	189	299
Total investment return (loss)	<u>\$ 64,585</u>	<u>\$ (15,816)</u>
Investment return included in operating income	\$ 219	\$ 253
Investment return (loss) included in nonoperating gains (losses)	63,779	(16,601)
Increase in restricted net assets	587	532
Total investment return (loss)	<u>\$ 64,585</u>	<u>\$ (15,816)</u>

5. Fair Value Measurements

SJPHS categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. SJPHS's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

5. Fair Value Measurements (continued)

SJPHS follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows.

Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quoted for identical or similar investments in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

As of June 30, 2013 and 2012, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments are primarily comprised of commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, and credit rating, interest rate, and par value. Cash and cash equivalents and additional short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

5. Fair Value Measurements (continued)

Pooled short term investment funds

The fair value of pooled short-term investment funds is based on cost plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

U.S. government, state, municipal, and agency obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate and foreign fixed income securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

5. Fair Value Measurements (continued)

Alternative investments and other investments

Alternative investments consist of hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of alternative investments is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

As discussed in the Significant Accounting Policies and the Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-term Investments notes, the System has an interest in investments held by Ascension Health Alliance. As of June 30, 2013, 20%, 42%, and 37% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100%, and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively. As of June 30, 2012, 17%, 52%, and 31% of total HSD assets that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100%, and 0% of total HSD liabilities that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

5. Fair Value Measurements (continued)

The following tables summarizes fair value measurements, by level, at June 30, 2013 and 2012, for all other financial assets and liabilities that are measured at fair value on a recurring basis in the consolidated financial statements.

	Level 1	Level 2	Level 3	Total
June 30, 2013				
Cash and cash equivalents	\$ 1,372	\$ —	\$ —	\$ 1,372
U S government, state, municipal, and agency obligations	—	2,559	—	2,559
Corporate and foreign fixed income securities	—	1,716	—	1,716
Marketable equity securities	1,637	436	—	2,073
Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and other long-term investments	3,009	4,711	—	7,720
Deferred compensation assets, included in other noncurrent assets, invested in				
Guaranteed pooled fund	—	—	3,051	3,051
Total	\$ 3,009	\$ 4,711	\$ 3,051	\$ 10,771

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

5. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Cash and cash equivalents	\$ 2,011	\$ —	\$ —	\$ 2,011
U S government, state, municipal, and agency obligations	—	1,986	—	1,986
Corporate and foreign fixed income securities	—	1,811	—	1,811
Marketable equity securities	1,598	961	—	2,559
Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and other long-term investments	3,609	4,758	—	8,367
Deferred compensation assets, included in other noncurrent assets, invested in Guaranteed pooled fund	—	—	2,875	2,875
Total	\$ 3,609	\$ 4,758	\$ 2,875	\$ 11,242

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The System uses techniques consistent with the market approach and income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

5. Fair Value Measurements (continued)

During the years ended June 30, 2013 and 2012, the changes in the fair value of the guaranteed pool fund measured using significant unobservable inputs (Level 3) were comprised of the following

	Year ended June 30,	
	2013	2012
Beginning balance	\$ 2,875	\$ 2,812
Purchases	2,160	56
Sales	(1,846)	(24)
Transfers into Level 3	551	32
Transfers out of Level 3	(689)	(1)
Ending balance	<u>\$ 3,051</u>	<u>\$ 2,875</u>

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur

6. Long-Term Debt

Long-term debt consists of the following.

	June 30,	
	2013	2012
Intercompany debt with Ascension Health Alliance, payable in installments through November 2052, interest (3.54% and 3.79% at June 30, 2013 and 2012, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	\$ 598,035	\$ 602,504
Obligations under capital leases	7,972	8,590
	<u>606,007</u>	<u>611,094</u>
Less current portion	9,306	5,330
Long-term debt, less current portion	<u>\$ 596,701</u>	<u>\$ 605,764</u>

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

6. Long-Term Debt (continued)

Scheduled principal repayments of long-term debt are as follows.

Year ending June 30.	
2014	\$ 9,306
2015	9,187
2016	8,002
2017	9,630
2018	9,846
Thereafter	560,036
Total	<u>\$ 606,007</u>

Certain members of Ascension Health Alliance formed the Ascension Health Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, senior designated affiliate, or senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health Alliance. Though senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, Ascension Health Alliance may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including repayment of the outstanding obligations. In addition, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health Alliance with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation. The System is a senior obligated group member under the terms of the Senior MTI.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

6. Long-Term Debt (continued)

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Health Alliance. Though subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, Ascension Health Alliance may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. In addition, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with Ascension Health Alliance, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation. The System is a subordinate obligated group member under the terms of the Subordinate MTI.

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 39 years.

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions. In addition, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities. Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations. Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member.

The carrying amounts of intercompany debt with Ascension Health Alliance and other debt approximate fair value based on a portfolio market valuation provided by a third party.

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

6. Long-Term Debt (continued)

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio

As of June 30, 2013, the Senior Credit Group has a line of credit of \$1,000,000, which may be used as a source of funding for unremarketed variable rate debt (including commercial paper) or for general corporate purposes, toward which bank commitments totaling \$1,000,000 extend to November 9, 2014. As of June 30, 2013 and 2012, there were no borrowings under the line of credit.

As of June 30, 2013, the Subordinate Credit Group has a \$75,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$75,000 extends to November 27, 2013. As of June 30, 2013, \$49,990 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit.

The outstanding principal amount of all hospital revenue bonds of Senior and Subordinate Credit Group members is \$5,196,235, which represents 40% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at June 30, 2013.

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt, which can be as short as 30 days or as long as 27 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees and other commitments at June 30, 2013 is approximately \$377,000.

During the years ended June 30, 2013 and 2012, interest paid was approximately \$21,931 and \$22,327, respectively.

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

7. Pension Plans

SJPHS participates in the Ascension Health Pension Plan (the Ascension Plan), the Ascension Health Defined Contribution Plan, the St John Health System Retirement Plan (the St John Plan), and the Brighton Hospital Retirement Plan (the Brighton Plan) Details of these plans are as follows

Ascension Health Pension Plan

SJPHS participates in the Ascension Health Pension Plan, (the Ascension Plan), a noncontributory defined benefit pension plan which covers substantially all eligible employees of certain SJPHS entities Benefits are based on each participant's years of service and compensation The Ascension Plan's assets are invested in the Ascension Health Master Pension Trust (the Trust), a master trust consisting of cash and cash equivalents, equity, fixed income funds, and alternative investments The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants Net periodic pension (credit) cost of \$(10,648) in 2013 and \$(6,041) in 2012 was charged to the System The service cost (credit) component of net periodic pension cost charged to the System is actuarially determined while all other components are allocated based on the System's pro rata share of Ascension Health's overall projected benefit obligation.

During the year ended June 30, 2012, the System approved and communicated to employees a redesign of associate retirement benefits, which affects the Ascension Plan, as well as provides an enhanced comprehensive defined contribution plan These changes became effective January 1, 2013 These changes resulted in the System's recognition of a nonrecurring curtailment gain of \$40,555 during the year ended June 30, 2012 These changes also resulted in one-time decreases to the projected benefit obligation of \$28,001 The projected benefit obligation is included in pension and other postretirement liabilities in the accompanying consolidated balance sheets.

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

7. Pension Plans (continued)

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities. In the event participating entities are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so. As of June 30, 2013, the Ascension Plan had a net unfunded liability of \$187,362. The System's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying consolidated balance sheets at June 30, 2013 and 2012, was \$18,846 and \$7,275, respectively. As a result of updating the funded status of the Plan, Ascension Health transferred an additional pension asset (liability) of \$(1,210) and \$(35,337) to the System during 2013 and 2012, respectively.

As of June 30, 2013 and 2012, the fair value of the Ascension Plan's assets available for benefits was \$3,849,706 and \$3,948,293, respectively. As discussed in the Fair Value Measurements note, the Ascension Plan, as well as SJPHS, follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of June 30, 2013, 21%, 39%, and 40% of the Ascension Plan's assets, which are measured at fair value on a recurring basis, were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 0%, 0%, and 100% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2013. In addition, as of June 30, 2012, 16%, 51%, and 33% of the Ascension Plan's assets, which are measured at fair value on a recurring basis, were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 6%, 87%, and 7% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2012.

St. John Providence Health System

Notes to Consolidated Financial Statements

(Dollars in Thousands)

7. Pension Plans (continued)

St. John Health System Retirement Plan

System entities, with the exception of Providence and Brighton, participate in the St. John Health System Retirement Plan (the St. John Plan), a noncontributory defined benefit pension plan, which substantially all employees are eligible to participate. St. John Plan benefits are based on each participant's years of service and compensation during the last five years of credited service. During the year ended June 30, 2012, the System approved and communicated to employees a redesign of associate retirement benefits, which affects the St. John Plan, as well as provides an enhanced comprehensive defined contribution plan. These changes will become effective January 1, 2013. St. John Plan assets are invested principally in equity and fixed income funds. Contributions to the St. John Plan are equal to an amount necessary to meet or exceed the minimum funding requirements of the Employee Retirement Income Security Act (ERISA). Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

The following table provides a reconciliation of the changes in the St. John Plan benefit obligation and fair value of assets for the years ended June 30, 2013 and 2012, and a statement of the funded status as of June 30, 2013 and 2012

	Years Ended June 30	
	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 697,051	\$ 635,658
Service cost	11,826	24,247
Interest cost	30,306	34,248
Actuarial loss	(4,324)	1,363
Amendments and assumptions	(34,944)	97,957
Curtailment	—	(72,331)
Benefits paid	(30,736)	(24,091)
Benefit obligation at end of year	<u>669,179</u>	<u>697,051</u>
Change in plan assets		
Fair value of plan assets at beginning of year	609,041	562,462
Actual return on plan assets	14,357	70,669
Benefits paid	(30,736)	(24,091)
Fair value of plan assets at end of year	<u>592,662</u>	<u>609,040</u>
Funded status and accrued benefit cost	<u>\$ 76,517</u>	<u>\$ 88,011</u>
Accumulated benefit obligation at end of year	<u>\$ (669,179)</u>	<u>\$ (691,888)</u>

Included in unrestricted net assets at June 30, 2013 and 2012, respectively, are the following amounts that have not yet been recognized in net periodic pension cost.

	Years Ended June 30	
	2013	2012
Unrecognized prior service credit	\$ 1,341	\$ 13
Unrecognized net loss	(60,374)	(64,406)
Net amount recognized	<u>\$ (59,033)</u>	<u>\$ (64,393)</u>

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

The adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service credit which were previously netted against SJPHS's funded status in SJPHS's consolidated balance sheets pursuant to the provisions of Accounting Standards Codification (ASC) 715. These amounts will be subsequently recognized as net periodic pension cost pursuant to the SJPHS's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. These amounts will be subsequently recognized as a component of net periodic pension costs on the same basis as the amounts recognized in unrestricted net assets.

Changes in plan assets and obligations recognized in unrestricted net assets during 2013 and 2012 include

	Years Ended June 30	
	2013	2012
Current year actuarial loss (gain)	\$ 3,568	\$ (1,660)
Amortization of actuarial loss	464	3,234
Current year prior service (credit)/cost	1,341	—
Amortization of service cost	(13)	(221)
Net amount recognized	<u>\$ 5,360</u>	<u>\$ 1,353</u>

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

The assumptions used to determine the accrued pension cost are set forth below.

	Years Ended June 30	
	2013	2012
Weighted-average discount rate	4.95%	4.45%
Weighted-average rate of compensation increase	N/A	4.00%

	Years Ended June 30	
	2013	2012
Components of net periodic benefit cost		
Service cost	\$ 11,826	\$ 24,247
Interest cost	30,305	34,248
Expected return on plan assets	(48,716)	(45,340)
Curtailment	—	(194)
Amortization of prior year service cost	(13)	(27)
Amortization of actuarial loss	464	3,234
Net St. John Plan pension benefit (credit) cost	\$ (6,134)	\$ 16,168

The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ended June 30, 2013, is \$(200).

The assumptions used to determine net periodic pension cost are set forth below.

	Years Ended June 30	
	2013	2012
Weighted-average discount rate	4.45%	5.65%
Weighted-average rate of compensation increase	N/A	4.00%
Weighted-average rate of expected long-term rate of return on plan assets	8.5%	8.50%

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

Asset Allocation

The weighted-average asset allocation for the St. John's plan at the end of fiscal 2013 and 2012, and the target allocation for fiscal 2014, by asset category, is as follows

Asset category	Target Allocation 2014	Percentage of Plan Assets at Year End	
		2013	2012
Growth	50%	52%	49%
Recession/deflation	30	29	32
Inflation	20	19	19
Total	100%	100%	100%

The Trust has entered into a series of interest rate swap agreements with a net notional amount of approximately \$2,699,100. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 75% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

Investment Strategy

The St. John Plan pension assets are commingled with the Ascension Health Pension Plan assets and are managed by Ascension Health. The Ascension Health Pension Plans' asset allocation and investment strategies are designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of large losses. Derivatives may be used to bridge specific exposure, reduce transaction costs, or modify the portfolio's duration or yield. Ascension Health uses investment management specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines, which include allowable and/or prohibited investment types. Ascension Health regularly monitors manager performance and compliance with investment guidelines.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

Expected Rate of Return

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Ascension Health Pension Plans' investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Expected Cash Flows

Information about the expected cash flows for the pension plans follows:

Expected employer contributions in 2014	\$	—
Expected benefit payments		—
2014		40,600
2015		40,800
2016		42,000
2017		44,100
2018		45,000
2019–2023		219,200

The contribution amounts above include amounts paid to the trust. The benefit payment amounts above also reflect the total benefits expected to be paid from the trust.

As discussed in the Fair Value Measurements note, the St. John Plan follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of June 30, 2013, 21%, 39%, and 40% of the Plan's assets, which are measured at fair value on a recurring basis, were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Plan's liabilities measured at fair value on a recurring basis, 0%, 0%, and 100% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2013.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

As discussed in the Significant Accounting Policies note, SJPHS adopted the FASB's authoritative disclosure guidance on reporting for assets of postretirement benefit plans for the fiscal year ended June 30, 2013. The majority of the Plan's assets are included in the Trust. The following tables summarize fair value measurements at June 30, 2013 and 2012, by asset class and by level, for the St. John Health System Retirement Plans' assets and liabilities, which are not included in the Trust, in accordance with that guidance.

	Level 1	Level 2	Level 3	Total
June 30, 2013:				
Corporate and foreign fixed income investments	\$ —	\$ 6,263	\$ —	\$ 6,263
Equity securities	20,138	—	1,288	21,426
Fair value of plan assets, excluded from Trust	<u>\$ 20,138</u>	<u>\$ 6,263</u>	<u>\$ 1,288</u>	<u>\$ 27,689</u>
	Level 1	Level 2	Level 3	Total
June 30, 2012:				
Corporate and foreign fixed income investments	\$ —	\$ 6,261	\$ —	\$ 6,261
Equity securities	16,256	—	1,510	17,766
Fair value of plan assets, excluded from Trust	<u>\$ 16,256</u>	<u>\$ 6,261</u>	<u>\$ 1,510</u>	<u>\$ 24,027</u>

For the years ended June 30, 2013 and 2012, the changes in the fair value of the St. John Plan's assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Year Ended June 30	
	2013	2012
Beginning balance	\$ 1,510	\$ 1,701
Total actual loss on plan assets	(222)	(191)
Ending balance	<u>\$ 1,288</u>	<u>\$ 1,510</u>

St. John Providence Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

7. Pension Plans (continued)

Ascension Health Defined Contribution Plan

SJPHS participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory, defined contribution plan sponsored by Ascension Health, which covers all eligible associates. There are three primary types of contributions to the Defined Contribution Plan: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and increase over specified periods of employee service. These benefits are funded annually and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period and participants become fully vested in all employer contributions immediately. Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was \$27,585 and \$14,116 for the years ended June 30, 2013 and 2012, respectively.

Brighton Hospital Retirement Plan

Brighton Hospital (Brighton) participates in the Brighton Hospital Retirement Plan (the Brighton Plan), a noncontributory defined benefit pension plan, which covers all eligible employees of Brighton Hospital. Benefits are based on each participant's years of service and compensation. The Brighton Plan assets are invested principally in equity and fixed income funds. Contributions to the Brighton Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

The following table provides a reconciliation of the changes in the Brighton Plan benefit obligation and fair value of assets for the years ended June 30, 2013 and 2012, and a statement of the funded status as of June 30, 2013 and 2012

	Year Ended June 30	
	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 6,817	\$ 6,003
Interest cost	296	327
Actuarial (gain) loss	(441)	823
Benefits paid	(364)	(336)
Benefit obligation at end of year	<u>6,308</u>	<u>6,817</u>
Change in plan assets		
Fair value of plan assets at beginning of year	5,840	6,100
Actual return on plan assets	270	76
Employer contributions	—	—
Benefits paid	(364)	(336)
Fair value of plan assets at end of year	<u>5,746</u>	<u>5,840</u>
Funded status and accrued benefit cost	<u>\$ (562)</u>	<u>\$ (977)</u>

Included in unrestricted net assets are unrecognized net gains of \$1,184 and \$1,899 at June 30, 2013 and 2012, respectively

The adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service credits which were previously netted against SJPHS's funded status in SJPHS's consolidated balance sheets pursuant to the provisions of ASC 715. These amounts will be subsequently recognized as net periodic pension cost pursuant to the SJPHS's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. These amounts will be subsequently recognized as a component of net periodic pension costs on the same basis as the amounts recognized in unrestricted net assets.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

Changes in plan assets and obligations recognized in unrestricted net assets during 2013 and 2012 include

	Year Ended June 30	
	2013	2012
Current year actuarial loss (gain)	\$ 426	\$ (1,221)
Amortization of actuarial loss	289	118
Net amount recognized	<u>\$ 715</u>	<u>\$ (1,103)</u>

The assumptions used to determine the accrued pension cost are set forth below

	June 30	
	2013	2012
Weighted-average discount rate	5.00%	4.45%

	Year Ended June 30	
	2013	2012
Components of net periodic benefit cost		
Interest cost	\$ 296	\$ 327
Expected return on plan assets	(283)	(475)
Amortization of actuarial loss	289	118
Net Brighton Hospital pension benefit cost (credit)	<u>\$ 302</u>	<u>\$ (30)</u>

The actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ended June 30, 2014, is \$200. The assumptions used to determine net periodic pension cost are set forth below

	Year Ended June 30	
	2013	2012
Weighted-average discount rate	4.45%	5.60%
Weighted-average rate of expected long-term rate of return on plan assets	5.00%	8.00%

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

Investment Strategy

The Brighton Plans' asset allocation and investment strategies are designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of large losses. Derivatives may be used to bridge specific exposure, reduce transaction costs, or modify the portfolio's duration or yield. Brighton Hospital uses investment management specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines, which include allowable and/or prohibited investment types. Brighton Hospital regularly monitors manager performance and compliance with investment guidelines.

Expected Rate of Return

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Brighton Plans' investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Expected Cash Flows

Information about the expected cash flows for the pension plans follows:

Expected employer contributions in 2014	\$	—
Expected benefit payments		
2014		400
2015		400
2016		400
2017		400
2018		400
2019–2023		2,100

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

7. Pension Plans (continued)

The contribution amounts above include amounts paid to the trust. The benefit payment amounts above also reflect the total benefits expected to be paid from the trust

As discussed in the Fair Value Measurements note, the Brighton Plan follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of June 30, 2013, 21%, 39%, and 40% of the Plan's assets, which are measured at fair value on a recurring basis, were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Plan's liabilities measured at fair value on a recurring basis, 0%, 0%, and 100% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2013.

As discussed in the Significant Accounting Policies note, SJPHS adopted the FASB's authoritative disclosure guidance on reporting for assets of postretirement benefit plans for the fiscal year ended June 30, 2013. As of June 30, 2013, the majority of the Brighton Plan's assets are included in the Trust, with the exception of \$22 in cash and short-term investments, which were transferred to the Trust after June 30, 2013. The following table summarizes fair value measurements at June 30, 2012, by asset class and by level, for the Brighton Hospital Retirement Plans' assets and liabilities, which were not included in the Trust, in accordance with that guidance.

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Cash and short-term investments	\$ 264	\$ —	\$ —	\$ 264
Corporate obligations	—	3,152	—	3,152
International securities	753	—	—	753
Marketable equity securities	1,565	—	—	1,565
Asset-backed securities	—	106	—	106
Fair value of plan assets	\$ 2,582	\$ 3,258	\$ —	\$ 5,840

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

8. Other Postretirement Benefits

In addition to the retirement plan described above, Providence Hospital sponsors a defined benefit health care plan (Providence Plan) for employees hired prior to June 1, 1990, that provides postretirement medical benefits to employees who reached the age of 55 and satisfy certain service requirements. Employees hired subsequent to June 1, 1990, are not eligible to participate in the plan. The Providence Plan is contributory for retirees who retired after June 30, 1991, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance based on where the medical benefits are received within the Providence Hospital network. Providence Hospital has fully funded the benefit with an actuarially determined deposit to an irrevocable trust fund. The total benefit obligation at June 30, 2013 and 2012, is approximately \$4,183 and \$4,496, respectively. The net prepayment recognized in the consolidated balance sheets at June 30, 2013 and 2012, is \$10,405 and \$9,062, respectively.

As discussed in the Significant Accounting Policies note, SJPHS adopted the FASB's authoritative disclosure guidance on reporting for assets of postretirement benefit plans for the fiscal year ended June 30, 2013. The following tables summarize fair value measurements at June 30, 2013 and 2012, by asset class and by level, for the Providence Plans' assets and liabilities in accordance with that guidance.

	Level 1	Level 2	Level 3	Total
June 30, 2013				
Cash and short-term investments	\$ 1,847	\$ —	\$ —	\$ 1,847
U S government obligations	—	1,538	—	1,538
Corporate obligations	—	2,505	—	2,505
International securities	535	—	—	535
Marketable equity securities	6,545	—	—	6,545
Asset-backed securities	—	1,535	—	1,535
Fair value of plan assets	\$ 8,927	\$ 5,578	\$ —	\$ 14,505

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

8. Other Postretirement Benefits (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Cash and short-term investments	\$ 1,248	\$ —	\$ —	\$ 1,248
U S government obligations	—	1,681	—	1,681
Corporate obligations	—	2,023	—	2,023
International securities	467	—	—	467
Marketable equity securities	5,643	—	—	5,643
Asset-backed securities	—	2,447	—	2,447
Fair value of plan assets	\$ 7,358	\$ 6,151	\$ —	\$ 13,509

For the year ended June 30, 2013, there was no change in the fair value of the Providence Plans' assets measured using significantly unobservable inputs (Level 3)

9. Self-Insurance Programs

SJPHS participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2013 and 2012. In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

9. Self-Insurance Programs (continued)

Professional and General Liability Programs

SJPHS participates in Ascension Health's professional and general liability self-insured program, which provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company, Ascension Health Insurance, Ltd (AHIL), with a self-insured retention of \$10,000 per occurrence with no aggregate. SJPHS has a deductible of \$100 per claim. Excess coverage is provided through AHIL with limits up to \$185,000. AHIL retains \$5,000 per occurrence and \$5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first \$25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of \$10,183 and \$16,051 for the years ended June 30, 2013 and 2012, respectively. For the year ended June 30, 2013, the expense has been reduced by \$16,712 of excess premiums previously retained by Ascension Health's professional and general liability self-insured program, which has been returned to the Health Ministry. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are liabilities for deductibles and reserves for claims incurred but not yet reported of approximately \$36,557 and \$37,918, at June 30, 2013 and 2012, respectively.

Workers' Compensation

SJPHS participates in Ascension Health's workers' compensation program, which provides occurrence coverage through a grantor trust. The trust provides coverage up to \$1,000 per occurrence with no aggregate. On July 1, 2004, SJPHS implemented a \$100 deductible, thereby assuming responsibility for indemnity and expenses for each and every claim occurring and reported after that date, up to the deductible amount. The trust provides a mechanism for funding the workers' compensation obligations of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of \$4,593 and \$5,936 for the years ended June 30, 2013 and 2012, respectively. Included in current self-insurance liabilities on the accompanying consolidated balance sheets are workers' compensation loss reserves of \$4,316 and \$4,928 at June 30, 2013 and 2012, respectively.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

10. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows

Year ending June 30	
2014	\$ 14,785
2015	12,975
2016	8,780
2017	5,222
2018	2,419
Thereafter	3,123
Total	<u>\$ 47,304</u>

SJPHS has subleased certain of its space under the operating leases reported above. Total future minimum rents to be received under noncancelable subleases with terms of one year or more are \$1,301.

In addition, SJPHS is a lessor under certain operating lease agreements, primarily ground leases related to third-party owned medical office buildings on land owned by SJPHS.

Future minimum rental receipts under all noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30	
2014	\$ 2,572
2015	2,488
2016	2,103
2017	1,933
2018	1,725
Thereafter	50,626
Total	<u>\$ 61,447</u>

Rental expense under operating leases amounted to \$32,011 and \$30,973 in 2013 and 2012, respectively.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

10. Lease Commitments (continued)

During 2007, SJPHS sold condo units in a medical office building and leased back certain space within these buildings to support their ongoing operations for a period of five to seven years. Such leases are considered operating leases based on their terms.

Future minimum payments under these leases are included in the payment amounts above. In connection with this sale, St. John Health System recognized immediate operating gains and deferred a gain of \$1,960, which is being recognized as operating gains over the related leaseback term. The net remaining deferred gain as of June 30, 2013, is \$28.

During 2009, SJPHS sold a medical office building (MOB) to a third party and contemporaneously leased back certain space in the building to support ongoing ministry operations for a period of five years. These space leases are being accounted for as operating leases based on their terms, and future minimum lease payments under these leases are included in the amounts reported above. The building sales were accounted for under ASC 840. As of June 30, 2013 and 2012, net deferred gains of \$17 and \$118, respectively, were included in other noncurrent liabilities in the accompanying consolidated balance sheets. These gains are being recognized as operating income over the related leaseback terms.

11. Related-Party Transactions

SJPHS utilized various centralized programs and overhead services of Ascension Health or its other sponsored organizations, including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to SJPHS for these services represent both allocations of common costs and specifically identified expenses that are incurred by Ascension Health on behalf of SJPHS. Allocations are based on relevant metrics such as the System's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of Ascension Health. The amounts charged to SJPHS for these services may not necessarily result in the net costs that would be incurred by SJPHS on a stand-alone basis. The charges allocated to SJPHS were approximately \$14,767 and \$13,007 for the years ended June 30, 2013 and 2012, respectively.

St. John Providence Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

11. Related-Party Transactions (continued)

In addition to the charges discussed above, SJPHS made payments to Ascension Health of \$17,987 and \$16,420 for the years ended June 30, 2013 and 2012, representing SJPHS's share of costs to fund a System-wide information technology and process standardization project that is expected to continue through December 2015. These payments are included in transfers to sponsor and other affiliates, net, in the accompanying statements of operations and changes in net assets.

Throughout fiscal years 2013 and 2012, SJPHS transferred cash and investments of \$29,492 and \$19,669, respectively, in support of Ascension Health's strategic initiatives, including the information technology project described above. These transfers are included in transfers to sponsor and other affiliates, net, in the accompanying consolidated statements of operations and changes in net assets.

The System incurred expenses with various Ascension Health affiliates. These services included medical equipment maintenance, internal audit, and information systems. These expenses amount to \$100,395 and \$102,139 for the years ended June 30, 2013 and 2012, respectively.

12. Contingencies and Commitments

In addition to professional liability claims, SJPHS is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on SJPHS's consolidated balance sheets.

In March 2013, Ascension Health Alliance and some of its subsidiaries were named as defendants to litigation surrounding the Church Plan status of the Ascension Plan. The System does not believe that this matter would have a material adverse effect on the System's financial position or results of operations.

St. John Providence Health System

Notes to Consolidated Financial Statements

(Dollars in Thousands)

12. Contingencies and Commitments (continued)

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICDs) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, SJPHS will be reviewing applicable medical records for response to the DOJ. The DOJ's investigation spans a time frame beginning in 2004 and extending through the present time. Through September 30, 2013, the DOJ has not asserted any claims against SJPHS. Ascension Health and SJPHS continue to fully cooperate with the DOJ in its investigation.

Supplementary Information

Report of Independent Auditors on Supplementary Information

The Board of Trustees
St. John Providence Health System

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of net cost of providing care of persons living in poverty and community benefit programs is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 18, 2013

St. John Providence Health System

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs *(Dollars in Thousands)*

The net cost excluding the provision for bad debt expense of providing care of persons living in poverty and community benefit programs is as follows

	Year Ended June 30	
	2013	2012
Traditional charity care provided	\$ 31,372	\$ 32,797
Unpaid cost of public programs for persons living in poverty	27,035	35,673
Other programs for persons living in poverty and other vulnerable persons	2,484	2,760
Community benefit programs	39,788	50,117
Care of persons living in poverty and community benefit programs	<u>\$ 100,679</u>	<u>\$ 121,347</u>

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