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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 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
Memorial Hermann Health System

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
909 Frostwood
Suite 2100

City or town, state or country, and ZIP + 4
Houston, TX 77024

D Employer identification number
74-1152597

E Telephone number
(713) 338-4643

G Gross receipts $ 3,349,562,421

F Name and address of principal officer
Dan Wolterman
929 Gessner Suite 2700
Houston, TX 77024

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www memorialhermann org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1910 | **M** State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Memorial Hermann Health System is a not-for-profit,community-owned health care system with spiritual values, dedicated to providing high quality health services

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**	27
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	19
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	20,479
6	Total number of volunteers (estimate if necessary)	**6**	3,059
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	11,764,397
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	10,288,319	20,006,884
9	Program service revenue (Part VIII, line 2g)	2,878,657,345	3,090,398,545
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-22,049,639	82,934,522
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	91,335,021	92,001,954
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	2,958,231,046	3,285,341,905
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	1,148,795	1,432,901
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)	1,245,302,554	1,385,588,675
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	1,559,780,935	1,667,528,756
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	2,806,232,284	3,054,550,332
19	Revenue less expenses Subtract line 18 from line 12	151,998,762	230,791,573

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	4,235,751,217	4,480,604,151
21	Total liabilities (Part X, line 26)	2,331,389,383	2,274,374,490
22	Net assets or fund balances Subtract line 21 from line 20	1,904,361,834	2,206,229,661

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

****** | 2014-05-15
Signature of officer | Date

ANTHONY FRANK CHIEF ACCOUNTING OFFICER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ ERNST & YOUNG LLP US			Firm's EIN ▶	
Firm's address ▶ 401 CONGRESS AVE STE 1800 AUSTIN, TX 78701			Phone no (512) 478-9881	

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

MISSION AND VALUES MISSION MEMORIAL HERMANN Health SYSTEM IS A NOT-FOR-PROFIT, COMMUNITY-OWNED, HEALTH CARE SYSTEM WITH SPIRITUAL VALUES, DEDICATED TO PROVIDING HIGH QUALITY HEALTH SERVICES IN ORDER TO IMPROVE THE HEALTH OF THE PEOPLE IN SOUTHEAST TEXAS VALUES IN COLLABORATION WITH OTHERS, WE ARE COMMITTED TO ASSESSING AND CREATING HEALTHCARE SOLUTIONS WHICH MEET THE NEEDS OF INDIVIDUALS IN OUR DIVERSE COMMUNITIES WE ARE STEWARDS OF COMMUNITY RESOURCES AND ARE COMMITTED TO BEING MEDICALLY, SOCIALLY, FINANCIALLY, LEGALLY, AND ENVIRONMENTALLY RESPONSIBLE WE ARE DEVOTED TO PROVIDING SUPERIOR QUALITY AND COST-EFFICIENT, INNOVATIVE, AND COMPASSIONATE CARE WE COLLABORATE WITH OUR PATIENTS, FAMILIES, PHYSICIANS, EMPLOYEES, VOLUNTEERS, VENDORS, AND COMMUNITIES TO ACHIEVE OUR MISSION WE SUPPORT TEACHING PROGRAMS THAT DEVELOP THE HEALTH CARE PROFESSIONALS OF TOMORROW WE SUPPORT BIOMEDICAL RESEARCH AND IMPLEMENTATION OF INNOVATIVE TECHNOLOGY TO EXPAND OUR KNOWLEDGE AND LEARN HOW TO PROVIDE

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 $ 2,600,655,673 including grants of $ 1,432,901) (Revenue $ 3,178,875,993)

MEMORIAL HERMANN IS A NON-PROFIT COMMUNITY-OWNED, HEALTHCARE SYSTEM WITH SPIRITUAL VALUES, DEDICATED TO PROVIDING HIGH QUALITY HEALTHCARE SERVICES TO OUR COMMUNITIES ANNUAL DELIVERIES 23,939 ANNUAL INPATIENT ADMISSIONS 140,090 ANNUAL INPATIENT DAYS 1,433,574 ANNUAL EMERGENCY VISITS 476,909 ANNUAL OUTPATIENT SURGERIES 82,156 ANNUAL DIAGNOSTIC AND THERAPY 1,041,110

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** ▶ 2,600,655,673

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	1,071		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	20,479		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b			
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a** 27		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 19		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

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

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

▶ANTHONY FRANK 909 FROSTWOOD SUITE 2100 Houston, TX (713) 338-4643

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

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								25,449,153	1,161,252	4,651,371

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 ▶ 1,464

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
J E Dunn Construction , 3500 south Gessner Suite 200 HOUSTON TX 77063	Construction	8,404,052
Cerner DHT , 2800 Rockcreek Parkway KANSAS CITY MO 64117	Professional Service	11,830,546
Universal Hospital Services , PO Box 86 SDS 12-0940 MINNEAPOLIS MN 55486	Equipment Rental	63,041,028
Sodexo , 1669 Phoenix Parkway COLLEGE PARK GA 30349	Food Service	15,721,791
Crothall Healthcare , 13028 Collection Center Dr CHICAGO IL 60693	Housekeeping	38,072,718
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 ▶ 127		

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	14,339,888			
	e	Government grants (contributions)	1e	5,666,996			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		20,006,884			
Program Service Revenue			Business Code				
	2a	PATIENT SERVICE REVENUE	900099	3,090,398,545	3,090,398,545		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		3,090,398,545			
	3	Investment income (including dividends, interest, and other similar amounts)		81,113,656			81,113,656
	4	Income from investment of tax-exempt bond proceeds		1,820,866			1,820,866
	5	Royalties		740,366			740,366
			(i) Real	(ii) Personal			
	6a	Gross rents	47,086,884				
	b	Less rental expenses	60,933,376				
	c	Rental income or (loss)	-13,846,492	0			
	d	Net rental income or (loss)		-13,846,492			-13,846,492
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)		0			
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities		0			
	10a	Gross sales of inventory, less returns and allowances	a	8,153,375			
	b	Less cost of goods sold	b	3,287,140			
	c	Net income or (loss) from sales of inventory		4,866,235			4,866,235
		Miscellaneous Revenue	Business Code				
	11a	LAUNDRY SERVICES	812300	7,800,111		7,800,111	
	b	MANAGEMENT FEES	621500	3,067,977	1,137,220	1,930,757	
	c	SECURITY SERVICE	541900	1,871,192		1,871,192	
	d	All other revenue		87,502,565	87,340,228	162,337	
	e	**Total.** Add lines 11a–11d		100,241,845			
	12	**Total revenue.** See Instructions		3,285,341,905	3,178,875,993	11,764,397	74,694,631

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	1,432,901	1,432,901		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	20,356,330	10,386,010	9,970,320	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	1,129,438,039	968,623,619	160,814,420	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	57,217,464	46,445,176	10,772,288	
9 Other employee benefits	92,459,889	76,665,555	15,794,334	
10 Payroll taxes	86,116,953	70,623,986	15,492,967	
11 Fees for services (non-employees)				
a Management	0			
b Legal	4,442,124	317,633	4,124,491	
c Accounting	0			
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	0			
12 Advertising and promotion	12,786,613	7,295,570	5,491,043	
13 Office expenses	523,372,901	516,518,844	6,854,057	
14 Information technology	0			
15 Royalties . .	0			
16 Occupancy	86,648,231	75,128,485	11,519,746	
17 Travel	3,701,627	2,461,780	1,239,847	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	2,176,297	1,470,719	705,578	
20 Interest	69,855,675	41,171,414	28,684,261	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	192,543,224	161,603,090	30,940,134	
23 Insurance	9,458,256	6,067,436	3,390,820	
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 PROFESSIONAL & CONTRACT FEES	527,023,519	489,998,651	37,024,868	
b EQUIPMENT RENTAL & MAINTENANCE	127,122,823	109,573,036	17,549,787	
c MISCELLANEOUS & OTHER EXPENSE	97,473,723	4,707,697	92,766,026	
d PHYSICIAN INTERGRATION	7,253,267	7,253,267		
e All other expenses	3,670,476	2,910,804	759,672	
25 **Total functional expenses.** Add lines 1 through 24e	3,054,550,332	2,600,655,673	453,894,659	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		308,767,542	1	410,872,671
	2	Savings and temporary cash investments		39,217,160	2	24,011,070
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		446,696,279	4	565,733,981
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		20,888,565	8	24,481,563
	9	Prepaid expenses and deferred charges		34,635,078	9	25,390,709
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 4,462,603,594			
	b	Less accumulated depreciation	10b 2,346,126,764	2,112,000,700	10c	2,116,476,830
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		1,083,787,000	12	1,134,200,000
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		189,758,893	15	179,437,327
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		4,235,751,217	16	4,480,604,151
Liabilities	17	Accounts payable and accrued expenses		362,984,132	17	389,826,129
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		1,012,255,608	20	1,039,065,497
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		956,149,643	25	845,482,864
	26	**Total liabilities.** Add lines 17 through 25		2,331,389,383	26	2,274,374,490
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		1,891,644,449	27	2,193,681,643
	28	Temporarily restricted net assets		12,717,385	28	12,548,018
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		1,904,361,834	33	2,206,229,661
	34	Total liabilities and net assets/fund balances		4,235,751,217	34	4,480,604,151

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	3,285,341,905
2	Total expenses (must equal Part IX, column (A), line 25)	2	3,054,550,332
3	Revenue less expenses Subtract line 2 from line 1	3	230,791,573
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,904,361,834
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	71,076,254
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	2,206,229,661

Part XII Financial Statements and Reporting

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

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

Additional Data

Software ID:
Software Version:
EIN: 74-1152597
Name: Memorial Hermann Health System

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Alexander Charlotte B MD Director	1 0 0 0	X						0	0	0
Balasura Viren J MD Director/Med Staff Pres - WDL	1 0 0 0	X						0	0	0
Bennett R Gerald Director	1 0 0 0	X						0	0	0
Blackshear A T Jr Member and Director	1 0 0 0	X						0	0	0
Cali Joseph R MD Director	1 0 0 0	X						0	0	0
Cannon Deborah M Member,Director,Chairman 2012	1 0 0 0	X						0	0	0
Colasurado Giuseppe N MD Director	1 0 0 0	X						0	0	0
Cormier Rufus P Director	1 0 0 0	X						0	0	0
Croyle Robert G Member,Director,Chairman 2013	1 0 0 0	X						0	0	0
Dara Anil A MD Director Med Staff Pres - NE	1 0 0 0	X						0	0	0
Davis Joe R Director	1 0 0 0	X						0	0	0
Diaz-Gonzalez Irma Director	1 0 0 0	X						0	0	0
Easter William H III Director	1 0 0 0	X						0	0	0
Edmonds James T Director	1 0 0 0	X						0	0	0
Elliott Don H Director	1 0 0 0	X						0	0	0
Ewing J Randolph Director	1 0 0 0	X						0	0	0
Farris George R Director	1 0 0 0	X						0	0	0
Few Jason B Director	1 0 0 0	X						0	0	0
Galtney William F Jr Member and Director	1 0 0 0	X						0	0	0
Garrison Robert E II Director	1 0 0 0	X						0	0	0
Genty Carmen L Director Aux Representative	1 0 0 0	X						0	0	0
Giglio J Kevin MD Director	1 0 0 0	X						0	0	0
Gogola Jon R MD Director Med Staff Pres - MC	1 0 0 0	X						0	0	0
Graham David J Member and Director	1 0 0 0	X						0	0	0
Hearnsberger Roy G Director	1 0 0 0	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Holmes Ned S Director	1 0 0 0	X						0	0	0
Jackson Grover G Member and Director	1 0 0 0	X						0	0	0
James Argentina M Director	1 0 0 0	X						0	0	0
Kim Jin MD Director Med Staff Pres - SL	1 0 0 0	X						0	0	0
King Brent R MD Director Med Staff Pres - TMC	1 0 0 0	X						0	0	0
Manning Ramon Director	1 0 0 0	X						0	0	0
Martin Raymond A MD Director	1 0 0 0	X						0	0	0
McBride Ralph D Director	1 0 0 0	X						0	0	0
McCord Frederick R Director	1 0 0 0	X						0	0	0
McLean Scott J Member and Director	1 0 0 0	X						0	0	0
McClelland Scott B Director	1 0 0 0	X						0	0	0
Mir Gasper III Member and Director	1 0 0 0	X						0	0	0
Montague James R Director	1 0 0 0	X						0	0	0
Morey Daryl R Director	1 0 0 0	X						0	0	0
Noor Sohail I MD Director Med Staff Press - KT	1 0 0 0	X						0	0	0
Penland William E Jr Director	1 0 0 0	X						0	0	0
Perrin Melinda H Member and Director	1 0 0 0	X						0	0	0
Peterkin George A III MD Director Med Staff Pres - SW	1 0 0 0	X						0	0	0
Postl James J Director	1 0 0 0	X						0	0	0
Pouns Stephen H Member and Director	1 0 0 0	X						0	0	0
Raspino Louis A Director	1 0 0 0	X						0	0	0
Royer James R Member and Director	1 0 0 0	X						0	0	0
Simon Caralisa M Director	1 0 0 0	X						0	0	0
Sloan Robert B Jr Director	1 0 0 0	X						0	0	0
Strake George W III Director	1 0 0 0	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Strake Stephen D Director	1 0 0 0	X						0	0	0
Torres Ana M MD Director Med Staff Pres - NW	1 0 0 0	X						0	0	0
Vaduganathan Periyanan MD Director Med Staff Pres - SE	1 0 0 0	X						0	0	0
Villarreal Massey Director	1 0 0 0	X						0	0	0
Williams Willoughby C Jr Member and Director	1 0 0 0	X						0	0	0
Woo Donald M Director	1 0 0 0	X						0	0	0
Ytterberg Alan V Director	1 0 0 0	X						0	0	0
Wolterman Daniel J Director and President & CEO	50 0 1 0	X		X				3,399,400	0	1,839,882
Duco Bernard A Jr Chief Legal Officer & Secr	50 0 0 0			X				1,144,673	0	118,423
Laraway Dennis L CFO & Treasurer	50 0 0 0			X				1,337,764	0	81,212
McVeigh Dennis P CAO & Asst Treas	50 0 0 0			X				554,834	0	78,273
Reimer P Renee Chief Risk Officer & Asst Secr	50 0 0 0			X				481,299	0	57,797
Shabot M Michael MD Chief Medical Officer	50 0 0 0			X				1,029,317	0	132,181
Stokes Charles D Chief Operating Officer	50 0 0 0			X				1,364,931	0	267,855
Alexander Keith CEO Memorial City Campus	50 0 0 0				X			730,991	0	110,593
Brace Rodney Chief Regional Operations Offi	50 0 0 0				X			964,386	0	162,552
Bradshaw David Chief Information Planning & M	50 0 0 0				X			958,235	0	132,708
Brownawell H Jeffrey Chief Revenue Officer	50 0 0 0				X			1,099,272	0	116,003
Cordola Craig CEO TMC, MH TMC Campus	50 0 0 0				X			879,540	0	108,715
Garman Jim Chief Human Resource Officer	50 0 0 0				X			729,184	0	57,876
Gaston George H CEO Southeast Campus	50 0 0 0				X			708,215	0	102,226
Heins Marshall B Chief Facility Services Office	50 0 0 0				X			888,270	0	128,392
Metzger Pat System Executive, Care Managem	50 0 0 0				X			394,671	0	65,843
Paret Carol Chief Community Officer	50 0 0 0				X			461,536	0	85,635
Trevino Illeana V CEO Foundation	0 0 50 0				X			0	529,597	73,970

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Aulbaugh Carrol E Former Officer - Chief Financi	0 0 0 0					X		1,231,273	0	5,171
Barbe Scott CEO Katy	50 0 0 0					X		658,689	0	98,441
Sanders G Steven CEO Woodlands	50 0 0 0					X		840,210	0	139,708
Smith Louis G Jr CEO Northeast	50 0 0 0					X		617,775	0	83,154
FLANAGANTHOMAS J Former High 5 - COO TMC	50 0 0 0					X		534,620	0	73,250
Cross Mary A MD Former Member	0 0 0 0						X	0	157,114	19,700
Asprec Erin S Former Key EE - CEO Southeast	50 0 0 0						X	597,843	0	71,718
Brown James B Former Key EE- CEO OPID/ASC, M	50 0 0 0						X	519,417	0	69,182
Distefano Susan Former Key EE - CEO Children's	50 0 0 0						X	540,329	0	53,356
Josehart Carl E Former Key EE- TIRR MH CEO	50 0 0 0						X	480,187	0	63,694
Kerr Gary Former Key EE - CEO Northwest,	50 0 0 0						X	594,248	0	77,960
Lloyd Christopher Former Key EE -CEO, MHMD	50 0 0 0						X	0	474,541	60,099
McCracken Ayse Former Key EE - CEO, MHMG	50 0 0 0						X	497,787	0	40,878
Beckstett Douglas G Former Chief Human Resources O	50 0 0 0						X	805,097	0	8,962
PARKSWILLIAM B Former High 5 - Chief Medical	50 0 0 0						X	405,160	0	65,962

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	3,948,600	3,806,585	3,677,951	3,543,498	3,498,448
b	Contributions					
c	Net investment earnings, gains, and losses	231,546	219,373	172,286	148,951	65,990
d	Grants or scholarships					
e	Other expenditures for facilities and programs	69,638	69,624	38,574	7,116	14,460
f	Administrative expenses	5,913	7,734	5,078	7,382	6,480
g	End of year balance	4,104,595	3,948,600	3,806,585	3,677,951	3,543,498

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶ 100 000 %

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		87,563,444		87,563,444
b Buildings		2,528,194,860	1,079,709,151	1,448,485,709
c Leasehold improvements		325,778,204	131,571,322	194,206,882
d Equipment		1,392,476,612	1,112,182,676	280,293,936
e Other		128,590,474	22,663,615	105,926,859
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				2,116,476,830

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) FIXED INCOME	896,143,000	F
(B) EQUITY SECURITIES	236,457,000	F
(C) ALTERNATIVE INVESTMENTS	1,600,000	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	1,134,200,000	

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

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

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

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

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
ACCRUED LIABILITIES TO 3RD PARTY	140,114,864
CAPITALIZED LEASES	705,368,000
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	845,482,864

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

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
Intended Uses of the Organization's Endowment Funds	Supplemental Information for Schedule D, Part V Line 4	The endowment funds of Memorial Hermann Health System consist of permanent endowment funds obtained from donor initiatives for charitable contributions through last will and testament bequests The permanent funds consist of donations and investment income for which the donor's stipulations restrict the Foundation to using only the income resulting from the investment of the donation on a total return basis The assets of the permanent funds income may only be used to support the charitable exempt operations, programs and purposes of Memorial Hermann Hospital System through the purchase of supplies, equipment, and other expenditures necessary for the performance of those operations and programs
ASC 740 Audit Financial Statement Footnote Disclosure	Form 990, Schedule D, Part X as disclosed in Part XIII	Memorial Hermann Health System does not have an annual financial audit conducted The financial accounts of the Health System are included in the financial statements that are audited by an independent public accounting firm of the consolidated Memorial Hermann Health System entities and its related affiliates The paragraph included in the last issued audited financial statements of the Health System was Taxes The Health System, and certain other affiliates are Texas not-for-profit corporations and have been recognized as tax-exempt pursuant to section 501(c)(3) of the Internal Revenue code The Health System owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and, therefore, subject to tax Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the accompanying combined balance sheets

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			119,724,523		119,724,523	3 920 %
b Medicaid (from Worksheet 3, column a)			488,754,818	497,688,780	-8,933,962	
c Costs of other means-tested government programs (from Worksheet 3, column b)			43,518,792	30,002,895	13,515,897	0 440 %
d **Total** Financial Assistance and Means-Tested Government Programs			651,998,133	527,691,675	124,306,458	4 360 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			152,389,215		152,389,215	4 990 %
f Health professions education (from Worksheet 5)			49,995,508	13,663,072	36,332,437	1 190 %
g Subsidized health services (from Worksheet 6)			242,598,589	211,141,654	31,456,935	1 030 %
h Research (from Worksheet 7)			5,445,736	1,962,640	3,483,096	0 110 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,715,154		1,715,154	0 060 %
j **Total.** Other Benefits			452,144,202	226,767,366	225,376,837	7 380 %
k **Total.** Add lines 7d and 7j			1,104,142,335	754,459,041	349,683,295	11 740 %

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	164	2,047,717	652,690		652,690	0 020 %
8	Workforce development						
9	Other						
10	**Total**	164	2,047,717	652,690		652,690	0 020 %

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	627,604,589		
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	232,213,698		
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	823,015,027
6	Enter Medicare allowable costs of care relating to payments on line 5	6	1,150,783,025
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-327,767,998
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

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

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
11

	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	Memorial Hermann Katy Hospital 23900 katy freeway katy, TX 77494 www memorialhermann org	X	X					X			
2	Memorial Hermann Northeast Hospital 18951 Memorial North Humble, TX 77338 www memorialhermann org	X	X					X			
3	Memorial Hermann Northwest Hospital 1635 North loop west houston, TX 77008 www memorialhermann org	X	X					X			
4	Memorial Hermann Southeast Hospital 11800 astoria blvd houston, TX 77089 www memorialhermann org	X	X					X			
5	Memorial Hermann Southwest Hospital 7600 beechnut houston, TX 77074 www memorialhermann org	X	X		X			X			
6	Memorial Hermann Sugar Land Hospital 17500 west grand parkway south sugar land, TX 77479 www memorialhermann org	X	X					X			
7	Memorial Hermann Texas Medical Center 6411 fannin houston, TX 77030 www memorialhermann org	X	X		X			X			
8	Memorial Hermann Woodlands Hospital 9250 pinecroft the woodlands, TX 77381 www memorialhermann org	X	X					X			
9	Memorial Hermann Memorial City Hosp 921 gessner houston, TX 77024 www memorialhermann org	X	X					X			
10	Memorial Hermann Rehab Hospital Katy 909 Frostwood Suite 2100 houston, TX 77024 www memorialhermann org	X									
11	The Institute for Rehabilitation TIRR 1333 moursund street houston, TX 77030 www memorialhermann org	X					X				
	See Additional Data Table										

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)

Memorial Hermann Katy Hospital

Name of hospital facility or facility reporting group _____

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

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Northeast Hospital

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Northwest Hospital

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Southeast Hospital

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Southwest Hospital

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Sugar Land Hospital

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Texas Medical Center

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section 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)

Memorial Hermann Woodlands Hospital

Name of hospital facility or facility reporting group _____

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

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Memorial City Hosp

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Memorial Hermann Rehab Hospital Katy

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group The Institute for Rehabilitation TIRR

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		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)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☑ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

How many non-hospital health care facilities did the organization operate during the tax year?
21

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

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
Community Benefit Report	Schedule H Part I Line 6 a	Memorial Hermann Health System produces a single community benefit report that highlights all of our corporation's activities As a hospital system with multiple facilities in a major metropolitan area, our efforts are focused on meeting the needs of the greater community versus individual efforts associated with individual facilities By focusing on fewer, larger endeavors, the long term impact on the Houston community's health status is greater than would be on an individual basis In accordance with Texas Administrative code Title 25, Part 1, Chapter 13, Subchapter B, Rule 13 17, Memorial Hermann submits an annual report of Community Benefits Plan to the Texas Department of State Health Services annually
Financial Assistance and certain other Community Benefits	Schedule H Part I Line 7	Line 7a - Financial Assistance at cost is calculated as charity charges times CCR per worksheet 2 Line 7b - Medicaid is calculated as Medicaid charges times CCR per worksheet 2 Line 7c- Costs of other means-tested government programs is calculated as low income government charges times CCR per worksheet 2 Line 7e - Community health improvement services and community benefit operations is dollars spent with other community providers to improve the health of the community Line 7f- Health professions education is out patient physician/paramedical teaching expenses and revenues as reported per the Medicare Cost Report Line 7g- Subsidized health services includes the Air Ambulance Program, End Stage Renal Disease Program, and the Obstetrics and Delivery Program The losses calculated are from the Cost Accounting System These losses exclude Medicaid and Other indigent Programs but includes, all other services IP, OP, ER, Private Insurance, Medicare, the Uninsured, etc Line 7h- Research is research dollars serving the community The amount comes directly from the Medicare Cost Report Line 7i - Cash and in-kind contributions for community benefit is community programs not reported elsewhere, along with sponsorships of other organizations

Identifier	ReturnReference	Explanation
Community Building Activities	Schedule H Part II, Line 7	MEMORIAL HERMANN PROVIDED $652,690 IN PROGRAMS TO THE COMMUNITY FOR HEALTH EDUCATION AND PREVENTION FOR DISEASES AND CHRONIC CONDITIONS, SUPPORT GROUPS, NUTRITION AND FITNESS CLASSES, SCREENINGS FOR DISEASE, EDUCATION FOR CURRENT AND FUTURE HEALTH PROFESSIONALS, AND COMMUNITY EVENTS THAT PROMOTE AWARENESS OF HEALTH ISSUES TO THE PUBLIC
Bad Debt Methodology & footnote	Schedule H Part III Section A, Line 2 & 4	Patient accounts receivable are reported net of estimated allowances for contractual allowances, bad debt, and other discounts The System's recorded allowances for bad debt are based on expected net collections, after contractual adjustments, primarily from patients Management routinely assesses these recorded allowances relative to changes in payor mix, cash collections, write-offs, recoveries, and market dynamics At June 30, 2013 and 2012, the allowance for bad debt was $733,982,000 and $637,779,000, respectively Unpaid accounts are written off as bad debts upon reaching delinquent status Charity care accounts are written off as identified or qualified under the System's charity care policy Bad Debt Cost Reported on Line 2, is based on Bad Debt Charges written off during the reporting period, less any Bad Debt recoveries in the period Net amount was extended by RCC from Wks 2- Line 11 to impute cost

Identifier	ReturnReference	Explanation
Estimate organizations bad debt expense attributable to patients	Schedule H Part III Section B, Line 3	Since many of our patients do not complete the Financial Assistance Application Process until they see that their debt is going to outside collectors, there is a wave of older accounts that are in our bad debt status converting to Charity Each year we do a 2 year look back, and this has remained consistent averaging between 34-37% of accounts allowed in bad debt which do ultimately convert to Charity - Financial Assistance For the most recent review of Fiscal Year 2011 and Fiscal Year 2012 accounts converting in FY 2013, we see that 37% represents community benefit for FY 2013
Section B Shortfall costing methodology	Schedule H Part III Section B, Line 8	Memorial Hermann Health System operates 11 licensed Hospitals of which 7 are 340-B facilities and 4 are not When looking at the Medicare Revenue split between the 340-B and non-340-B facilities, we find that 73% of the patient revenues are generated in these safety-net facilities Therefore, please recognize 73% of the Medicare Loss as a community benefit

Identifier	ReturnReference	Explanation
Collection Policy	Schedule H Part III Section C, Line 9 b	If there is no coverage by a third party and the responsible party cannot pay any or part of the balance due or make acceptable financial arrangements, assistance is provided to the responsible party to complete financial assistance application forms, including application for Medicaid, Crime Victims Compensation, Harris County Hospital District or County Indigent Programs where appropriate If the patient meets predetermined financial criteria, assistance is provided to the responsible party to complete the charity application for a full or partial charity care write-off
Input from Representatives	Schedule H Section B Part V, Line 3	IN ITS MOST RECENT CHNA, MEMORIAL HERMANN INCLUDED FINDINGS FROM ELEVEN COMPREHENSIVE INTERVIEWS CONDUCTED WITH PEOPLE WHO REPRESENT A BROAD INTEREST IN THE COMMUNITIES, AND WHO HAVE SPECIAL KNOWLEDGE OF AND/OR EXPERTISE IN PUBLIC HEALTH THESE INDIVIDUALS INCLUDED CHUCK BEGLEY, PROFESSOR AT THE UNIVERSITY OF TEXAS SCHOOL OF PUBLIC HEALTH, STEPHANIE CONE, EXECUTIVE DIRECTOR AT UNITED WAY OF BRAZORIA COUNTY, CAROL EDWARDS, CEO OF FORT BEND FAMILY HEALTH CENTER, JEANNE HANKS, ASSISTANT DIRECTOR OF OPERATIONS AT ST LUKE'S EPISCOPAL HEALTH CHARITIES, RANDY JOHNSON, CEO OF MONTGOMERY COUNTY HOSPITAL DISTRICT, LOVELL A JONES, DIRECTOR OF THE CENTER FOR RESEARCH ON MINORITY HEALTH, UNIVERSITY OF TEXAS M D ANDERSON CANCER CENTER, JULIE MARTINEAU, PRESIDENT OF THE UNITED WAY OF MONTGOMERY COUNTY, STEVE MCKERNAN, CEO OF LONE STAR FAMILY HEALTH CENTER, DR HERMINIA PALACIO, EXECUTIVE DIRECTOR OF THE HEALTH AUTHORITY FOR HARRIS COUNTY AND HARRIS COUNTY PUBLIC HEALTH AND ENVIRONMENTAL SERVICES, CATHY SBRUSCH, DIRECTOR OF PUBLIC HEALTH SERVICES, BRAZORIA COUNTY HEALTH DEPARTMENT, AND STEPHEN WILLIAMS, DIRECTOR - DEPARTMENT OF HEALTH AND HUMAN SERVICES, CITY OF HOUSTON MEMORIAL HERMANN ALSO INCLUDED IN THE CHNA, FINDINGS FROM AN ELECTRONIC SURVEY DISTRIBUTED TO 550 INDIVIDUALS/ORGANIZATIONS WHO ARE MEMBERS OF THE GATEWAY TO CARE COLLABORATIVE IN HOUSTON

Identifier	ReturnReference	Explanation
Address Needs Identified in CHNA	Schedule H Part V Section B Line 6I	The CHNA was completed in Spring 2013 The implementation plan was finalized in the second quarter of the calendar year 2013 and progress will be reported on the subsequent reports as required On June 11, 2013 the Community relations committee of the Memorial Hermann Health system board approved the implementation plan The implementation plans are posted on the Memorial Hermann website at http //www memorialhermann org http //www memorialhermann org/locations/katy/community-health-needs-asses sment-katy/ http //www memorialhermann org/locations/memorial-city/community-health-ne eds-assessment-memorial-city/ http //www memorialhermann org/locations/northwest/community-health-needs- assessment-northwest/ http //www memorialhermann org/locations/southeast/community-health-needs- assessment-southeast/ http //www memorialhermann org/locations/southwest/community-health-needs- assessment-southwest/ http //www memorialhermann org/locations/sugar-land/community-health-needs -assessment-sugar-land/ http //www memorialhermann org/locations/the-woodlands/community-health-ne eds-assessment-the-woodlands/ http //www memorialhermann org/locations/texas-medical-center/community-he alth-needs-assessment-tmc/ http //tirr memorialhermann org/about-tirr-memorial-hermann/community-heal th-needs-assessment-tirr-memorial-hermann/ http //www memorialhermann org/locations/katy-rehab/community-health-needs -assessment-katy-rehab/
Did Hospital Address all needs identified	Schedule H Part V Section B Line 7	DURING THE CHNA, THE FOLLOWING EIGHT PRIORITIES WERE IDENTIFIED 1)EDUCATION AND PREVENTION FOR DISEASES AND CHRONIC CONDITIONS, 2) ADDRESS ISSUES WITH SERVICE INTEGRATION, SUCH AS COORDINATION AMONG PROVIDERS AND THE FRAGMENTED CONTINUUM OF CARE, 3) ADDRESS BARRIERS TO PRIMARY CARE, SUCH AS AFFORDABILITY AND SHORTAGE OF PROVIDERS, 4) ADDRESS UNHEALTHY LIFESTYLES AND BEHAVIORS, 5) ADDRESS BARRIERS TO MENTAL HEALTHCARE, SUCH AS ACCESS TO SERVICES AND SHORTAGE OF PROVIDERS, 6) DECREASE HEALTH DISPARITIES BY TARGETING SPECIFIC POPULATIONS, 7) INCREASED ACCESS TO AFFORDABLE DENTAL CARE, 8) INCREASED ACCESS TO TRANSPORTATION MEMORIAL HERMANN WILL ADDRESS THE TOP SIX OF THOSE EIGHT NEEDS THE NEED FOR "INCREASED ACCESS TO AFFORDABLE DENTAL CARE" AND THE NEED FOR "INCREASED ACCESS TO TRANSPORTATION," ARE NOT ADDRESSED LARGELY DUE TO THEIR POSITIONS (LAST AND SECOND TO LAST) ON THE PRIORITIZED LIST, THE FACT THAT DENTAL AND TRANSPORTATION SERVICES ARE NOT CORE BUSINESS FUNCTIONS OF THE HEALTH SYSTEM AND THE LIMITED CAPACITY OF EACH HOSPITAL TO ADDRESS THOSE NEEDS FURTHERMORE, THE HOSPITALS DO NOT HAVE THE EXPERTISE TO ADDRESS ACCESS TO TRANSPORTATION, AND THE SYSTEM VIEWS THIS ISSUE AS A LARGER CITY AND COUNTY INFRASTRUCTURE RELATED CONCERN MEMORIAL HERMANN FULLY SUPPORTS LOCAL GOVERNMENTS IN THEIR EFFORTS TO IMPACT THESE ISSUES

Identifier	ReturnReference	Explanation
Billing and Collections	Schedule H Part V Section B line 15	We do use reporting to credit agencies and lawsuits when there is a liability claim (i e MVA), but these are only put into play after we have made reasonable efforts to determine FAP ineligibility In situations where FAP is deemed to be available, these efforts are not used
Charity Calculation Worksheet	Schedule H Part V Section B Line 20	Memorial Hermann Charity Calculation Memorial Hermann Health System Worksheet Houston, Texas Patient Name _____ Account #'s _____ Step One Obtain patient's annual gross family income $_____ (A) Determine number of members in family _____ Step Two Determine income as percentage of Federal Poverty Guidelines _____% (B) Determine the percentage of account balance that is patient's responsibility_____% (C) (Use Hospital Gross Income Eligibility Table on back) Step Three Determine charity category (B) - Check one _____ Financially Indigent ____ Annual gross family income is less than 200% of federal poverty guideline ____ Adjusted Eligibility for Charity Care Criteria ____ Presumed Charity _____ _____ Medically Indigent Annual gross family income is between 201% & 400% of the federal poverty guidelines ____ Not Eligible Annual gross family income is greater than 400% of the federal poverty guidelines Step Four Determine percentage of account balance for which the patient is responsible _____ X 20% = _____(D) Annual Gross Income (A) Maximum Patient Responsibility _____ X _____% = _____(E) Account Balance Patient Percentage (C) Potential Patient Responsibility The lesser of amount (D) or (E) = _____ (F) Patient Responsibility Step Five Determine Charity Discount _____ minus _____ = _____ Account Balance Patient Responsibility (F) Charity Discount Completed by _____ _____ Hospital Representative Date Approved by _____ _____ Patient Access Department Director Date _____ _____ Hospital Financial Analyst Date

Identifier	ReturnReference	Explanation
Needs assessment	Schedule H Part VI, Line 2	Each decision made by Memorial Hermann to invest its people, resources, and talents in community benefit efforts is data driven Given that 30% of the Houston area is uninsured, numerous community needs analyses center around the University Of Texas School Of Public Health's Houston Area Hospital's Emergency Department Use Study, which Memorial Hermann has participated in since 2003 The study monitors hospital emergency department use in Houston hospitals and is a data source for numerous assessments to understand primary care-related ER use including the characteristics of these patients, particularly those who are children, who are uninsured, and who have Medicaid The study conducted in 2012 shows that 40 9% of all ER visits and 48 6% of all treated and released ER visits are primary care related With the desire to change emergency room use comes the need to identify available capacity of our existing safety-net clinics, and what is needed by each entity to increase its capacity to be able to respond to changes in ER usage our community efforts achieve This study, the Greater Houston Clinic Capacity Analysis, performed in early 2012 by Project Safety-Net and University of Texas School of Public Health, indicates that the community clinics are currently meeting about 30 percent of the demand for primary care visits by the low-income population and the rest is either met by private practice physicians or is left unmet Further, the study anticipates that safety net providers will only be able to meet 25 percent of the demand under the Affordable Care Act (ACA) It is important to be concerned because a shortage of primary care leads to more people experiencing serious illness requiring expensive specialty care, emergency services and hospitalization The Health of Houston Study, a recent comprehensive study conducted by the Institute for Health Policy of The University of Texas School of Public Health through stakeholder input and neighborhood surveying, is a continuing source to Memorial Hermann in continued program planning efforts by regularly assessing the health of Houstonians and tracking emerging health issues and health improvements AS REQUIRED BY THE COMMUNITY HEALTH NEEDS ASSESSMENT-SECTION 501 R (3)-REQUIREMENT OF THE ACA, MEMORIAL HERMANN CONDUCTED COMMUNITY NEEDS ASSESSMENTS FOR EACH OF ITS 11 HOSPITALS THE STUDIES INCLUDED DEMOGRAPHIC DATA OF HARRIS, FORT BEND, MONTGOMERY, AND BRAZORIA COUNTIES (COUNTIES THAT COMPOSE 89% OF MEMORIAL HERMANN DISCHARGES) A DESCRIPTION OF THE PROCESSES AND METHODOLOGIES, SURVEYS AND INTERVIEWS WITH PUBLIC HEALTH OFFICIALS WHERE PARTICIPATNTS WERE GIVEN THE OPPORTUNITY TO PRIORITIZE COMMUNITY HEALTH NEEDS AND RATE THE IMPORTANCE OF HEALTH CARE INITIATIVES, AND, IDENTIFICATION OF ALL COLLABORATING ORGANIZATIONS AND EXISTING HEALTH CARE FACILITIES AND OTHER RESOURCES WITHIN THE COMMUNITY AVAILABLE TO MEET THE NEEDS IDENTIFIED IN EACH OF THE COMMUNITY NEEDS ASSESSMENTS THE ANALYSIS INCLUDED A CAREFUL REVIEW OF THE MOST CURRENT HEALTH DATA AVAILABLE AND INPUT FROM NUMEROUS COMMUNITY REPRESENTATIVES WITH SPECIAL KNOWLEDGE OF PUBLIC HEALTH FINDINGS INDICATED THAT THERE WERE EIGHT MAIN NEEDS IN THE COMMUNITIES SERVED BY MEMORIAL HERMANN THE COMMUNITY HEALTH NEEDS ASSESSMENT TEAM, CONSISTING OF LEADERSHIP FROM MEMORIAL HERMANN HEALTH SYSTEM (MEMORIAL HERMANN), PRIORITIZED THOSE EIGHT NEEDS BY STUDYING THEM WITHIN THE CONTEXT OF THE HOSPITAL'S OVERALL STRATEGIC PLAN AND THE AVAILABILITY OF FINITE RESOURCES, WITH THE FOLLOWING PRIORITIZATION, IN DESCENDING ORDER, RESULTING 1) EDUCATION AND PREVENTION FOR DISEASES AND CHRONIC CONDITIONS, 2) ADDRESS ISSUES WITH SERVICE INTEGRATION, SUCH AS COORDINATION AMONG PROVIDERS AND THE FRAGMENTED CONTINUUM OF CARE, 3) ADDRESS BARRIERS TO PRIMARY CARE, SUCH AS AFFORDABILITY AND SHORTAGE OF PROVIDERS, 4) ADDRESS UNHEALTHY LIFESTYLES AND BEHAVIORS, 5) ADDRESS BARRIERS TO MENTAL HEALTHCARE, SUCH AS ACCESS TO SERVICES AND SHORTAGE OF PROVIDERS, 6) DECREASE HEALTH DISPARITIES BY TARGETING SPECIFIC POPULATIONS, 7) INCREASE ACCESS TO AFFORDABLE DENTAL CARE, 8) INCREASE ACCESS TO TRANSPORTATION FOLLOWING THE COMMUNITY NEEDS ASSESSMENT, EACH MEMORIAL HERMANN HOSPITAL ALONG WITH THE SUPPORT OF MEMORIAL HERMANN COMMUNITY BENEFIT DEPARTMENT DEVELOPED AN IMPLEMENTATION PLAN WITH SUPPORTING OBJECTIVES, AND IMPLEMENTATION ACTIVITIES AND METRICS THE PROCESS WILL BE REPORTED TO THE BOARD IN MARCH 2014 On behalf of Memorial Hermann, the Memorial Hermann Community Benefit Corporation (MHCBC) works with other healthcare providers, government agencies, business leaders and community stakeholders to ensure that all residents of the greater Houston area have access to the care they need to improve their quality of life and the overall health of the community MHCBC's programs are designed to provide care for uninsured and underinsured children, to reach those Houstonians needing low cost care, to support the existing infrastructure of non-profit clinics and FQHCs, and to educate individuals and their families on how to access the healthcare available to them Committed to making the greater Houston area a healthier and more vital place to live, MHCBC supports the following initiatives Memorial Hermann Health Centers for Schools, established in 1995, offers access to primary medical and mental health services to more than 40,500 underserved children at 50 schools in the Greater Houston area In 2012, asthma exacerbations, emergency room visits and hospitalizations were reduced by 84% Students receiving mental health therapy realized increase grade point averages, decreased absenteeism, and reduced suspensions/detentions The Memorial Hermann Mobile Dental Clinic, established in 2000, has two dental vans and provides access to preventative and restorative dental services at all six Health Centers for Schools' sites and is accessible as a "dental home" for 40,500 uninsured and underinsured students from 50 schools In 2012, no more than 8 1% of students age 4-11 and 6 4% of students age 12+ experienced caries at recall These outcomes are significant given 80% of initial patients are diagnosed with caries, 33% are diagnosed with five or more caries A dietitian is available through the Healthy Eating and Lifestyles Program (HELP) designed to educate Health Centers for Schools students and their families on the importance of proper nutrition and exercise The program is intensive and individual, meeting the student and family where they are on the "stage of change" continuum Memorial Hermann partnered with project fit America, GE, and Fields Elementary School to introduce a fitness program for students, grades 2nd through 5th, within the schools curriculum Serving the community since 2008, the Memorial Hermann ER Navigation program places certified Community Health Workers who have the training, cultural understanding and linguistic capacity to help the uninsured, who disproportionately use emergency rooms for healthcare, 'navigate' the complex health system, obtain a medical home, schedule appointments, secure needed social services and cope with future healthcare concerns A six month pre-post analysis of navigated patients resulted in a 78 2% decline in ER visits A 12 month pre-post analysis resulted in a 70% decline The Community Outreach for Personal Empowerment (COPE) program has a similar philosophy but operates with Masters Level Social Workers and focuses on 'frequent flyers' inpatient as well as ER The Memorial Hermann Neighborhood Health Centers are strategically located near three of Houston's busiest ERs and provide care to working families without access to insurance and who do not qualify for other programs The goal is to provide this population with a medical home for routine care, and prevent these cases from escalating to emergencies At $48/visit, with low cost labs and prescriptions, seven day a week access, and the provision of preventive, acute, as well as chronic care, they are an affordable medical home for newborns to the elderly Decreased hypertension, management of diabetes, and a place where women feel comfortable returning for their annual well-woman exams are examples of the continuity of care and improved health resulting Physicians of Sugar Creek is a Memorial Family Practice Residency Training site that offers sliding scale fees for the working poor of Fort Bend County MHCBC has played numerous and critical roles with a grass-roots Houston collaborative, Gateway to Care and its Provider Health Network (PHN) to recruit physicians, hospitals, and ancillary providers to provide specialty care to uninsured patients with incomes below 150% of poverty With one in every four primary care visits requiring a referral to a specialist, the Provider Health Network serves as a bridge, connecting uninsured people to the specialty care they desperately need to get well Recruiting is through numerous avenues-societies, insurance com
Patient Education	Schedule H Part VI, Line 3	All Memorial Hermann Acute Care facilities and Rehab facilities have Third Party Qualification vendors on-site or trained financial counselors Once someone requests or a financial counselor has determined through interaction with the patient and/or guarantor that the patient cannot pay for services, the financial counselors will either screen themselves or the patient/guarantor is referred to the Eligibility vendor on-site to screen for any Federal/State/Local Government program which may cover their services These vendors act as agents for the patient/guarantor and may at times go to hearings for Medicaid or Disability as a legal representative of the patient Also, all our entities, including service lines, have posted notices of a patient's right to request charity Our statements that are sent to patients have documentation on the back informing the patient of Memorial Hermann's Charity policy and their right to request such, (in English and Spanish) Accounts are referred to be processed either on a real time basis by the hospital staff while the patient is still in the hospital or by electronic referral via data download which occur weekly and after the patient has been discharged The goal is to make contact with the patient for financial screening to determine eligibility for governmental assistance as soon as possible TIRR Memorial Hermann has embedded case managers and social workers in the hospital-based physician clinic to help patients with their doctors and needs TIRR Memorial Hermann inpatients and outpatients require a great deal of assistance with a wide range of resources, and case management plays a significant role in providing supportive services to each patient Social workers provide not only case management, but behavioral counseling as well If needed, social workers can refer patients to TIRR Memorial Hermann's psychiatrist Counseling services are available to families as well as to patients Additional assistance for patients to take advantage of all appropriate health improvement programs available within the community are through Memorial Hermann's navigation services In 2008, Memorial Hermann launched the ER Navigation program as a response to the community need of educating patients on how to navigate through community resources, increasing access and using healthcare resources appropriately to reduce healthcare costs Today, the ER Navigation program places a Community Health Worker (CHW) or "navigator" on-site in Memorial Hermann's three busiest emergency rooms to educate patients on the importance of identifying and using a consistent health home rather than relying on emergency rooms for their primary care Patients eligible for the program are 18 months to age 65 who have accessed the ER for primary care related condition and are uninsured or on Medicaid Certified CHW training is offered by Memorial Hermann partner, Gateway to Care CHWs gain the trust of patients by being familiar with the community's culture, language and values and by sharing their knowledge about local healthcare services and programs CHWs identify clinics that are the best fit for an individual's location, income, language, work hours, bus routes and address issues that may push health care down the priority list--the need for food stamps, rental support and assistance with utilities They provide patients with clinic referrals, make appointments, arrange transportation, share information and referrals to community and safety net programs, educate about qualifying for and using public benefits and other payment resources, serve as a liaison between the patient and providers and tackle other challenges to appropriate care CHWs stress the importance of having a health home and provide support and guidance in making and keeping future health appointments While navigators initially meet with patients during the ER visit, much of their work is done in follow-up, ensuring that a clinic appointment was made, was successful and assisting with the paperwork required for qualification for Medicaid, CHIP or county indigent programs The primary goal of the ER Navigation program is to find an appropriate health home for patients and provide them with the resources to navigate through future medical concerns A secondary goal is to reduce the time of delivery of services in cases of chronic and serious illnesses Similar support of all Memorial Hermann Hospitals is also provided through the COPE (Community Outreach for Personal Empowerment) Program which provides empowering services for uninsured patients to improve their health and well being through education about and coordination with community health services COPE targets patients who have repetitively been inpatients and ER patients and exhibit the need for one-on-one support to identify, access, and obtain services in their own community Enrolling these populations into public benefits through all of these venues automatically increases their likelihood of obtaining regular primary and preventative care, the kind of care that ensures health and the potential for a prosperous future while concurrently eliminating the cost burden presently experienced by safety-net providers

Identifier	ReturnReference	Explanation
Community Information	Schedule H Part VI, Line 4	Memorial Hermann serves "greater Houston," a multi-county area along the Gulf Coast in southeast Texas-where several counties are without hospital district services The 5th largest metropolitan area in the United States, greater Houston is one of the fastest growing with a population of 6 million A source of strength in a global economy, Houston prizes its racial and ethnic diversity According to U S Census 2010 estimates, Houston is 25 6% White, 43 8% Hispanic, 23 7% Black or African American, 0 7% Native American, and 6 2% Asian/Pacific Islander Per capita income is $25,927 21% of all residents are living below the poverty line The largest employers in the community include Memorial Hermann Health System (20,479 employees), The University of Texas M D Anderson Cancer Center (15,000 employees), ExxonMobil (13,000 employees), Shell Oil Company (13,000 employees), and Kroger Company (12,000 employees) THE GREATER HOUSTON AREA IS ONE OF THE HARDEST HIT AREAS IN THE "UNINSURED" HEALTHCARE CRISIS with THIRTY PERCENT OF HOUSTON RESIDENTS UNINSURED HOUSTON'S FAST-GROWING HISPANIC POPULATION ACCOUNTS FOR A LARGE PERCENTAGE OF UNINSURED RESIDENTS THE RISING RATE OF OBESITY IS THE SINGLE BIGGEST THREAT TO THE GREATER HOUSTON AREA-MORE THAN ONE IN FOUR GREATER HOUSTON RESIDENTS IS OBESE HEALTH EDUCATION AND PREVENTION AND INCREASED ACCESS TO HEALTHCARE ARE VITAL TO IMPROVING THE OVERALL HEALTH OF RESIDENTS WHOSE LEADING CAUSES OF HEALTH ISSUES ARE MENTAL HEALTH PROBLEMS, DIABETES, OBESITY (ADULT), OBESITY (CHILDREN), SUBSTANCE ABUSE, HEART DISEASE/STROKE, CANCER AND HIGH BLOOD PRESSURE THE MOST PREVALENT CHRONIC DISEASES ARE DIABETES, OBESITY, HIGH BLOOD PRESSURE, CANCER, HEART FAILURE AND ASTHMA ONLY 28 4% OF THE POPULATION, AGE 25+, HAS A COLLEGE DEGREE SO VITAL TO THE WELL-BEING OF INDIVIDUALS AND FAMILIES, THE HOUSTON AREA'S UNEMPLOYMENT RATE IS 6 1%--DOWN FROM ITS HIGHEST LEVEL IN FEBRUARY 2010 AT 8 6%
Promotion of Community Health	Schedule H Part VI Line 5	Memorial Hermann's Promotion of Community Health includes activities conducted by Memorial Hermann staff for patients and the general public that promote disease prevention and education activities as well as healthy living and overall well-being such as health fairs, state-of-the-art disease screenings, health education conferences, seminars and webinars, support groups for a variety of diseases and health issues, newsletters and brochures and websites designed to provide community health information Strong referral patterns and connections with community resources and medical homes, and, recruitment of physician specialties that fill an identified community need To expand its community reach, these Memorial Hermann activities are often held in partnership with healthcare agencies, nonprofit organizations, workplaces, school districts, and civic associations Memorial Hermann also provides educational opportunities for health professionals and students pursing health careers Memorial Hermann's employee base is a leader in United Way contributions, Gulf Coast blood drives, and food, clothing, and toy donations Employees also participate in walks, marathons, and the MS150 MEMORIAL HERMANN USES THE SOFTWARE PROGRAM CBISA (COMMUNITY BENEFIT INVENTORY FOR SOCIAL ACCOUNTABILITY) TO TRACK ALL OF THE COMMUNITY BENEFIT ACTIVITIES CONDUCTED BY ITS 11 HOSPITALS AND ITS SUBSTANCE ABUSE TREATMENT CENTER IN A CENTRAL LOCATION

Identifier	ReturnReference	Explanation
Affiliated Health Care System	Schedule H Part VI, Line 6	MEMORIAL HERMANN HEALTH SYSTEM IS the SECOND LARGEST NOT-FOR-PROFIT HEALTH SYSTEM IN TEXAS AND SERVES THE GREATER HOUSTON COMMUNITY THROUGH (11) HOSPITALS, A VAST NETWORK OF AFFILIATED PHYSICIANS AND NUMEROUS SPECIALTY PROGRAMS AND SERVICES MEMORIAL HERMANN IS GOVERNED BY 11 BOARDS OF DIRECTORS, 8 COMMITTEES AND 2 SUBCOMMITTEES TOTALLING 156 MEMBERS REPRESENTATIVE OF THE GREATER HOUSTON BUSINESS, HEALTHCARE AND COMMUNITY LEADERSHIP MEMORIAL HERMANN COMMUNITY BENEFIT CORPORATION (MHCBC) IS CHARGED WITH TESTING AND MEASURING INNOVATIVE SOLUTIONS THAT REDUCE THE IMPACT OF THE LACK OF ACCESS TO CARE ON THE COMMUNITY, AND OPERATES AND SUPPORTS MANY OF THE INITIATIVES IN THIS APPLICATION MEMORIAL HERMANN FACILITIES INCLUDE MEMORIAL HERMANN-TEXAS MEDICAL CENTER, THE TEACHING HOSPITAL FOR THE UNIVERSITY OF TEXAS MEDICAL SCHOOL AT HOUSTON, AND HOME OF ONE OF THE NATION'S BUSIEST LEVEL I TRAUMA CENTERS, (8) SUBURBAN HOSPITALS, (3) PREMIER HEART & VASCULAR INSTITUTES, TIRR MEMORIAL HERMANN, ONE OF THE NATION'S TOP REHABILITATION AND RESEARCH HOSPITALS, MEMORIAL HERMANN REHABILITATION HOSPITAL - KATY, CHILDREN'S MEMORIAL HERMANN HOSPITAL, THE MEMORIAL HERMANN SPORTS MEDICINE INSTITUTE, THE MISCHER NEUROSCIENCE INSTITUTE, (7) CANCER CENTERS, (23) IMAGING CENTERS, (9) BREAST CARE CENTERS, (7) SPORTS MEDICINE AND REHABILITATION CENTERS, (7) WOUND CARE CENTERS, (9) PALLIATIVE CARE CENTERS (21) DIAGNOSTIC LABORATORIES, PARC, A SUBSTANCE ABUSE TREATMENT CENTER, (1) RETIREMENT/ NURSING CENTER, (1) HOME HEALTH AGENCY, AND A HOSPICE PROGRAM MEMORIAL HERMANN OPERATES THE LIFE FLIGHT AIR AMBULANCE PROGRAM AND ONE OF TWO OF THE CITY'S ONLY BURN TREATMENT CENTERS THE NATIONAL QUALITY FORUM (NQF) AND THE JOINT COMMISSION HAVE NAMED MEMORIAL HERMANN HEALTH SYSTEM THE 2012 RECIPIENT OF THE JOHN M EISENBERG PATIENT SAFETY AND QUALITY AWARD AT THE NATIONAL LEVEL (AND FIRST TEXAS HOSPITAL SYSTEM TO BE HONORED) MEMORIAL HERMANN WAS ALSO NAMED ONE OF THE TOP 5 LARGE HEALTH SYSTEMS IN THE NATION ACCORDING TO THE 15 TOP HEALTH SYSTEMS STUDY BY TRUVEN HEALTH (FORMERLY THOMSON REUTERS), A LEADING PROVIDER OF INFORMATION AND SOLUTIONS TO IMPROVE THE COST AND QUALITY OF HEALTHCARE MEMORIAL HERMANN WAS ELECTED BY THE HOUSTON BUSINESS JOURNAL AS ONE OF THE BEST PLACES TO WORK IN HOUSTON IN 2012 MEMORIAL HERMANN HAS 20,248 FULL-TIME EMPLOYEES, 9,824 MEDICAL STAFF MEMBERS, 1,712 PHYSICIANS-IN-TRAINING (RESIDENTS AND FELLOWS), 2,517 VOLUNTEERS PROVIDING 304,333 HOURS, 3,364 LICENSED BEDS, 130,598 ADMISSIONS, 924,764 OUTPATIENT VISITS, 76,845 OUTPATIENT SURGERIES, 450,010 EMERGENCY VISITS, 23,111 DELIVERIES, AND 3,197 LIFE FLIGHT AIR AMBULANCE MISSIONS TRANSPORTING 3,294 PATIENTS SPECIALTIES INCLUDE BURN TREATMENT, CANCER, CHILDREN'S HEALTH, DIABETES AND ENDOCRINOLOGY, DIGESTIVE HEALTH, EAR, NOSE AND THROAT, EMERGENCIES, HEART & VASCULAR, LYMPHEDEMA, NEUROSURGERY, NEUROLOGY, STROKE, NUTRITION, OPHTHALMOLOGY, ORTHOPEDICS, PHYSICAL AND OCCUPATIONAL THERAPY, REHABILITATION, ROBOTIC SURGERY, SLEEP STUDIES, AND SURGERIES, TRANSPLANT, WEIGHT LOSS, WOMEN'S HEALTH AND MATERNITY AND WOUND CARE
State Filing	Schedule H Part VI Line 7	Memorial Hermann Health System files a community benefit report in Texas that is available on the website http //communitybenefit memorialhermann org/about-us/

Identifier	ReturnReference	Explanation
Facility reporting groups	Schedule H Part VI Line 8	This is not applicable for this filing

Additional Data

Software ID:
Software Version:
EIN: 74-1152597
Name: Memorial Hermann Health System

Form 990 Schedule H, Part V Section A. Hospital Facilities

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?
11

	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	Memorial Hermann Katy Hospital 23900 katy freeway katy,TX 77494 www memorialhermann org	X	X					X			
2	Memorial Hermann Northeast Hospital 18951 Memorial North Humble,TX 77338 www memorialhermann org	X	X					X			
3	Memorial Hermann Northwest Hospital 1635 North loop west houston,TX 77008 www memorialhermann org	X	X					X			
4	Memorial Hermann Southeast Hospital 11800 astoria blvd houston,TX 77089 www memorialhermann org	X	X					X			
5	Memorial Hermann Southwest Hospital 7600 beechnut houston,TX 77074 www memorialhermann org	X	X		X			X			
6	Memorial Hermann Sugar Land Hospital 17500 west grand parkway south sugar land,TX 77479 www memorialhermann org	X	X					X			
7	Memorial Hermann Texas Medical Center 6411 fannin houston,TX 77030 www memorialhermann org	X	X		X			X			
8	Memorial Hermann Woodlands Hospital 9250 pinecroft the woodlands,TX 77381 www memorialhermann org	X	X					X			
9	Memorial Hermann Memorial City Hosp 921 gessner houston,TX 77024 www memorialhermann org	X	X					X			
10	Memorial Hermann Rehab Hospital Katy 909 Frostwood Suite 2100 houston,TX 77024 www memorialhermann org	X									
11	The Institute for Rehabilitation TIRR 1333 moursund street houston,TX 77030 www memorialhermann org	X					X				

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

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

How many non-hospital health care facilities did the organization operate during the tax year?
21

Name and address	Type of Facility (describe)
MH Endoscopy Center North Freeway 7333 N Freeway Suite 400 Houston,TX 77076	AMBULATORY SURGICAL CENTER
MH Endoscopy &Surg Ctr North Houston 275 Lantern Bend Suite 400 Houston,TX 77090	AMBULATORY SURGICAL CENTER
MH Surgery Center Katy 23920 Katy Freeway Suite 200 Katy,TX 77494	AMBULATORY SURGICAL CENTER
MH Surgery Center Kingsland 21720 Kingsland Blvd Suite 101 Katy,TX 77450	AMBULATORY SURGICAL CENTER
MH Surgery Center Memorial Village 12727 Kimberley Lane Suite 100 Houston,TX 77024	AMBULATORY SURGICAL CENTER
MH Surgery Center Northwest 1631 North Loop West Suite 300 Houston,TX 77008	AMBULATORY SURGICAL CENTER
MH Surgery Center Richmond 1517 Thompson Rd 100 Richmond,TX 77469	AMBULATORY SURGICAL CENTER
MH Surgery Center Southwest 7789 Southwest Freeway Ste 200 Houston,TX 77074	AMBULATORY SURGICAL CENTER
MH Surgery Center Sugar Land 17510 West Grand Parkway Suite 200 Sugar Land,TX 77479	AMBULATORY SURGICAL CENTER
MH Surgery Center Texas Med Center 6400 Fannin Suite 1500 Houston,TX 77030	AMBULATORY SURGICAL CENTER
MH Surgery Center Woodlands Parkway 1441 Woodstead Court 100 The Woodlands,TX 77380	AMBULATORY SURGICAL CENTER
MH Surgery Center The Woodlands 9200 Pinecroft Suite 200 The Woodlands,TX 77380	AMBULATORY SURGICAL CENTER
MH Surgery Hospital Kingwood 300 Kingwood Medical Drive Kingwood,TX 77339	AMBULATORY SURGICAL CENTER
West Houston Ambulatory Surgical Assoc 970 Campbell Rd Houston,TX 77024	AMBULATORY SURGICAL CENTER
Memorial Hermann 24-Hour Freestanding ER 9950 Woodlands Parkway Spring,TX 77382	AMBULATORY SURGICAL CENTER
Sugar Land Surgical Hospital 1211 Hwy 6 70 Sugar Land,TX 77478	AMBULATORY SURGICAL CENTER
TOPS Surgical Specialty Hospital 17080 Red Oak Drive Houston,TX 77090	AMBULATORY SURGICAL CENTER
Pasadena Doctors Outpatient Surgicenter 3534 Vista Blvd Pasadena,TX 77504	AMBULATORY SURGICAL CENTER
United Surgery Center Southeast 12700 N Featherwood 100 Houston,TX 77034	AMBULATORY SURGICAL CENTER
University Place 7480 Beechnut Houston,TX 77074	AMBULATORY SURGICAL CENTER
Memorial Hermann Prevention & Recovery 3043 Gessner Houston,TX 77080	AMBULATORY SURGICAL CENTER

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Part I General Information on Grants and Assistance

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

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

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

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

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

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 43

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 4

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

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

Part IV **Supplemental Information.**

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 74-1152597
Name: Memorial Hermann Health System

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Houston Baptist University 7502 Fondren Road Houston,TX 77074	74-1400699	501 c(3)	17,500				General support Sponsorship of fundraising event
GOOD SAMARITAN FOUNDATIONPO Box 271108 Houston,TX 772771108	74-1235398	501 c(3)	31,500				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
American Cancer SocietyP O BOX 572915 HOUSTON,TX 772572915	74-1185665	501 c(3)	25,000				General support Sponsorship of fundraising event
UNIVERSITY OF HOUSTON 4800 Calhoun Houston,TX 772046390	74-6041411	501 c(3)	6,500				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Boy Scouts of America1911 Bagby Houston,TX 770522786	74-1109732	501 c(3)	7,250				General support Sponsorship of fundraising event
Junior League Of Houston Inc1811 Briar Oaks Lane Houston,TX 77027	74-1185659	501 c(3)	10,000				General support Sponsorship of fundraising events

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Arthritis foundation3701 Kirby Dr Ste 1230 Houston,TX 770983926	74-1495594	501 c(3)	10,000				General support Sponsorship of fundraising event
American College of Healthcare1 N Franklin St Ste 1700 Chicago,IL 606063491	74-6132171	501 c(3)	10,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Volunteer Service921 Gessner Houston,TX 77024	23-7382611	501 c(3)	6,500				General support Sponsorship of fundraising event
Rice University6100 Main Street Houston,TX 770051892	74-1109620	501 c(3)	7,500				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
houston community college 3100 Main street Houston,TX 77002	74-1885205	501 c(3)	19,000				General support Sponsorship of fundraising event
FAITH IN PRACTICE7500 Beechnut St Suite 208 Houston,TX 77074	76-0415986	501 c(3)	10,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Interfaith Ministries For Greater Houston3217 Montrose Blvd Houston,TX 770063980	74-1488102	501 c(3)	6,500				General support Sponsorship of fundraising event
VHA Health FoundationPO Box 140429 Irving,TX 750140429	22-2710552	501 c(3)	15,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Houston Area Women's Center1010 Waugh Dr Houston,TX 77019	74-2029166	501 c(3)	26,000				General support Sponsorship of fundraising event
Houston Hospice8811 Gaylord 100 Houston,TX 770242923	74-2092951	501 c(3)	15,000				General support Sponsonship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Houston Symphony1220 August Suite 270 Houston,TX 77057	74-1157373	501 c(3)	20,000				General support Sponsorship of fundraising event
Finish Line Sports13895 Southwest Frwy Sugarland,TX 77478	76-0134642		15,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
CanCare of Houston Inc 9575 Katy Freeway Ste 428 Houston,TX 77024	76-0305357	501 c(3)	39,000				General support Sponsorship of fundraising event
Lake houston Family YMCA 2420 West Lake Houston Parkway Kingwood,TX 77345	74-1109737	501 c(3)	11,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Economic Development1400 Woodloch Forest Dr THE WOODLANDS,TX 77380	76-0360533	501 c(3)	15,000				General support Sponsorship of fundraising event
Fort Bend Junior Service LeaguePO Box 17387 Sugar Land,TX 77496	76-0664152	501 c(3)	30,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Eclipse Soccer Club3506 Hwy 6 S Ste 185 Sugar Land,TX 774784401	74-2425404	501 c(3)	45,000				General support Sponsorship of fundraising event
University of St Thomas 3800 Montrose Blvd Houston,TX 77006	74-1277664	501 c(3)	100,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Neighborhood Centers IncPO Box 271389 Houston,TX 77277	23-7062976	501 c(3)	10,000				General support Sponsorship of fundraising event
American Heart Association PO Box 15186 Austin,TX 78761	13-5613797	501 c(3)	160,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
The Men's Center Inc3809 Main Street Houston,TX 77002	74-1326185	501 c(3)	6,350				General support Sponsorship of fundraising event
THE ROSE12700 N Featherwood 260 Houston,TX 77034	76-0193812	501 c(3)	35,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
FORT BEND CARES14823 SOUTHWEST FREEWAY SUGAR LAND,TX 77478	33-1112246	501 c(3)	15,000				General support Sponsorship of fundraising event
Houston Ballet Foundation 601 Preston street Houston,TX 77002	74-1394920	501 c(3)	10,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
DR MARNIE ROSE FOUNDATION5090 Richmond Ave Pmb-291 Houston,TX 77056	23-7160400	501 c(3)	7,500				General support Sponsorship of fundraising event
Texas Executive Women 4295 San Felipe Suite 340 Houston,TX 77027	76-0270254	501 c(3)	5,150				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
UT Health Science700 Fannin Street Ste 1200 Houston,TX 77030	76-1761309	501 c(3)	7,000				General support Sponsorship of fundraising event
TEXAS RUSH SOCCER CLUB 2204 Timberloch Place THE WOODLANDS,TX 77380	76-0502935	501 c(3)	32,500				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Houston Childrens Charity 230 Westcott Suite 202 Houston,TX 77007	76-0135741	501 c(3)	25,000				General support Sponsorship of fundraising event
HERMANN PARK CONSERVANCY6201-A Golf Course Dr Houston,TX 77030	76-0327389	501 c(3)	10,000				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
OPPORTUNITY HOUSTON PO BOX 297653 HOUSTON,TX 77297	20-8179135	501 c(3)	25,000				General support Sponsorship of fundraising event
NATIONAL FUSION SOCCER CLUB5826 New Terr Blvd 301 Sugar Land,TX 77469	76-0641089	501 c(3)	33,750				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
FORT BEND YOUTH FOOTBALL1306 Ashwood Sugarland,TX 77478	26-2714233	501 c(3)	30,000				General support Sponsorship of fundraising event
LONE STAR COLLEGE FOUNDATION5000 RESEARCH FOREST DR THE WOODLANDS,TX 773814399	76-0336902	501 c(3)	70,060				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
The Living BankPO Box 6725 Houston,TX 772656725	74-1607315	501 c(3)	10,000				General support Sponsorship of fundraising event
IMG College LLCPO Box 16533 Paletine,IL 60055	20-4546788		7,500				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Food Allergy & Anaphylaxis 11781 Lee Jackson Hwy Ste 160 Fairfax,VA 22033	54-1605958	501 c(3)	6,500				General support Sponsorship of fundraising event
Masala Entertainment2721 Fieldstone Sugar Land,TX 77478	76-0475810		7,500				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Tournament MG LLC333 Clay St Ste 3600 Houston,TX 77002	27-2853480		15,000				General support Sponsorship of fundraising event
Lamar soccer Club IncPO Box 544 richmond,TX 77406	76-0570590	501 c(3)	8,250				General support Sponsorship of fundraising event

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Texas Firefighter Summer Games2109 Evergreen Plano,TX 75075	45-4400907	501 c(3)	10,000				General support Sponsorship of fundraising event

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☑ Compensation committee	☐ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☑ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Severance Payments	Form 990 Schedule J Line 4a - Severance Payments	Aulbaugh 624,998 Beckstett 494,998
Nonqualified Retirement Plans	Form 990 Schedule J Line 4b - Nonqualified Retirement Plans	Memorial Hermann Health System sponsors two nonqualified retirement plans for certain executives who are part of a select group of highly compensated or management employees The first plan is called the Memorial Hermann Supplemental Executive Retirement Plan (SERP) It is a make-up plan and provides for an annual payment (upon achieving full vesting in the qualified retirement plan) equivalent to the amount of the accrual from the employer that is lost to the employee due to the limits on compensation and benefits in the Internal Revenue Code The second plan is called the Memorial Hermann Health System Select Group 457(b) Deferred Compensation Plan (457) It allows for deferral of base salary for those executives who work for a tax exempt entity of Memorial Hermann and whose base salary is above the qualified plan limit Contributions to this plan are subject to the IRS federal limit No matching contributions are made on any deferrals under this plan Applicable SERP amounts accrued per person Alexander 15,216 Asprec 11,765 Aulbaugh 37,845 Barbe 14,418 Beckstett 27,688 Brace 30,040 Bradshaw 35,056 Brown 7,766 Brownawell 31,827 Cordola 22,056 Duco 17,494 Flanagan 15,376 Gaston 19,607 Heins 30,954 Josehart 5,583 Kerr 11,489 Lloyd 7,229 McVeigh 13,869 Metzger 6,014 Paret 15,858 Parks 4,877 Reimer 9,556 Sanders 15,159 Shabot 22,395 Smith 10,877 Stokes 32,039 Trevino 10,272 Wolterman 102,134 Applicable 457 amounts distributed per person Aulbaugh 103,978

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 74-1152597
Name: Memorial Hermann Health System

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				
Wolterman Daniel J	(I) (II)	1,106,756 0	1,231,649 0	1,060,995 0	1,824,754 0	15,128 0	5,239,282 0	953,958 0
Duco Bernard A Jr	(I) (II)	458,912 0	320,977 0	364,784 0	108,507 0	9,916 0	1,263,096 0	345,152 0
Laraway Dennis L	(I) (II)	675,916 0	456,556 0	205,292 0	67,824 0	13,388 0	1,418,976 0	0 0
McVeigh Dennis P	(I) (II)	289,078 0	195,128 0	70,628 0	73,266 0	5,007 0	633,107 0	32,260 0
Reimer P Renee	(I) (II)	285,552 0	185,505 0	10,242 0	52,750 0	5,047 0	539,096 0	0 0
Shabot M Michael MD	(I) (II)	504,050 0	383,787 0	141,480 0	119,215 0	12,966 0	1,161,498 0	92,531 0
Stokes Charles D	(I) (II)	705,690 0	575,836 0	83,405 0	256,179 0	11,676 0	1,632,786 0	44,189 0
Alexander Keith	(I) (II)	392,138 0	264,078 0	74,775 0	98,062 0	12,531 0	841,584 0	57,677 0
Brace Rodney	(I) (II)	514,628 0	362,490 0	87,268 0	152,546 0	10,006 0	1,126,938 0	53,156 0
Bradshaw David	(I) (II)	474,417 0	346,979 0	136,839 0	119,892 0	12,816 0	1,090,943 0	81,897 0
Brownawell H Jeffrey	(I) (II)	448,975 0	342,243 0	308,054 0	108,189 0	7,814 0	1,215,275 0	269,397 0
Cordola Craig	(I) (II)	498,710 0	291,412 0	89,418 0	95,837 0	12,878 0	988,255 0	42,577 0
Garman Jim	(I) (II)	479,923 0	246,907 0	2,354 0	49,215 0	8,661 0	787,060 0	0 0
Gaston George H	(I) (II)	389,379 0	244,982 0	73,854 0	89,711 0	12,515 0	810,441 0	40,148 0
Heins Marshall B	(I) (II)	444,101 0	344,746 0	99,423 0	118,679 0	9,713 0	1,016,662 0	48,140 0
Metzger Pat	(I) (II)	243,411 0	108,902 0	42,358 0	56,637 0	9,206 0	460,514 0	30,696 0
Paret Carol	(I) (II)	247,148 0	167,064 0	47,324 0	76,599 0	9,036 0	547,171 0	25,658 0
Trevino Illeana V	(I) (II)	0 288,304	0 186,365	0 54,928	0 61,801	0 12,169	0 603,567	0 40,259
Aulbaugh Carrol E	(I) (II)	99,979 0	111,295 0	1,019,999 0	1,744 0	3,427 0	1,236,444 0	107,307 0
Barbe Scott	(I) (II)	361,191 0	235,905 0	61,593 0	90,271 0	8,170 0	757,130 0	44,652 0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Beckstett Douglas G	(I)	24,602	66,557	713,938	6,929	2,033	814,059	86,005
	(II)	0	0	0	0	0	0	0
Sanders G Steven	(I)	416,981	318,376	104,853	129,935	9,773	979,918	60,797
	(II)	0	0	0	0	0	0	0
Smith Louis G Jr	(I)	344,392	224,163	49,220	70,798	12,356	700,929	30,425
	(II)	0	0	0	0	0	0	0
Cross Mary A MD	(I)	0	0	0	0	0	0	0
	(II)	136,970	0	20,144	12,710	6,990	176,814	0
Asprec Erin S	(I)	338,893	218,023	40,927	59,342	12,376	669,561	23,492
	(II)	0	0	0	0	0	0	0
Brown James B	(I)	289,049	186,600	43,768	58,689	10,493	588,599	34,662
	(II)	0	0	0	0	0	0	0
Distefano Susan	(I)	333,254	203,064	4,011	41,798	11,558	593,685	0
	(II)	0	0	0	0	0	0	0
Josehart Carl E	(I)	272,773	142,091	65,323	59,570	4,124	543,881	46,094
	(II)	0	0	0	0	0	0	0
Kerr Gary	(I)	310,825	223,896	59,527	69,887	8,073	672,208	40,340
	(II)	0	0	0	0	0	0	0
Lloyd Christopher	(I)	0	0	0	0	0	0	0
	(II)	254,911	166,624	53,006	55,194	4,905	534,640	37,588
McCracken Ayse	(I)	326,423	170,142	1,222	39,716	1,162	538,665	0
	(II)	0	0	0	0	0	0	0
FLANAGANTHOMAS J	(I)	307,649	162,891	64,080	68,156	5,094	607,870	31,349
	(II)	0	0	0	0	0	0	0
PARKSWILLIAM B	(I)	247,314	116,270	41,576	57,892	8,070	471,122	35,612
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Harris County Health Facilities Development Corp	56-1284201	414152QU5	04-08-2004	107,652,499	2004A Purchase Land and Equipment	X			X		X
B	Harris County Heath Facilities Development Corp	76-0337885	414152RT7	03-26-2008	184,800,000	2008A Refund Issue 03/11/1998		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0	0		
2	Amount of bonds legally defeased	63,800,000	0		
3	Total proceeds of issue	107,652,499	184,800,000		
4	Gross proceeds in reserve funds	8,807,655	0		
5	Capitalized interest from proceeds	0	0		
6	Proceeds in refunding escrows	0	180,324,091		
7	Issuance costs from proceeds	925,250	501,267		
8	Credit enhancement from proceeds	0	3,974,642		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	97,919,148	0		
11	Other spent proceeds	446	0		
12	Other unspent proceeds	0	0		
13	Year of substantial completion	2005	2008		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X	X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 00000%		0 00000%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 00000%		0 00000%		%		%	
6	Total of lines 4 and 5	0 00000%		0 00000%		%		%	
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0 00000%		0 00000%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?		X		X				
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X					

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X		X					
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X	X					
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X					
b	Name of provider	0		JP Morgan					
c	Term of hedge		19 2		19 2				
d	Was the hedge superintegrated?		X		X				
e	Was a hedge terminated?		X		X				

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b	Name of provider	0		0					
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X				
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X					

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation
Bond information see schedule o	0	

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Harris County Cultural EDU Facilities Fin Corp	76-0337885	414009BD1	11-25-2008	133,200,000	2008D Refund Issue 11/1/2005	X			X		X
B	Harris County Cultural Facilities Finance Corp	76-0337885	414009EM8	11-30-2010	72,206,221	2010A Refund Issue 3/12/1997		X		X		X
C	Harris County Cultural Facilities Finance Corp	76-0337885	414009ER7	01-05-2011	162,400,000	2010B Refund Issue 5/17/2001		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0	0	0	
2	Amount of bonds legally defeased	103,200,000	0	0	
3	Total proceeds of issue	133,200,000	72,206,221	162,400,000	
4	Gross proceeds in reserve funds	0	0	0	
5	Capitalized interest from proceeds	0	0	0	
6	Proceeds in refunding escrows	131,700,000	71,000,000	161,600,000	
7	Issuance costs from proceeds	1,405,258	1,206,221	800,000	
8	Credit enhancement from proceeds	94,742	0	0	
9	Working capital expenditures from proceeds	0	0	0	
10	Capital expenditures from proceeds	0	0	0	
11	Other spent proceeds	0	0	0	
12	Other unspent proceeds	0	0	0	
13	Year of substantial completion	2008	2010	2011	

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X		X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 00000%		0 00000%		0 00000%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 00000%		0 00000%		0 00000%		%	
6	Total of lines 4 and 5	0 00000%		0 00000%		0 00000%		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0 00000%		0 00000%		0 00000%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?		X		X		X		
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X		X		X			
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X			X	X			
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X			X	X			
b	Name of provider	JP Morgan		0		JP Morgan			
c	Term of hedge		20 6				28 4		
d	Was the hedge superintegrated?		X		X		X		
e	Was a hedge terminated?		X		X		X		

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider	0		0		0			
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Harris County Cultural Edu Fac Fin Corp	76-0337885	414009HD5	04-10-2013	103,585,000	2013C/D Refund Issue 11/25/2008		X		X		X
B	Harris County Cultural Edu Fac Fin Corp	76-0337885	414009GR5	03-28-2013	468,778,930	2013A/B Ref Issue 04/08/04, 11/13/		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0	0		
2	Amount of bonds legally defeased	0	0		
3	Total proceeds of issue	103,585,000	468,778,930		
4	Gross proceeds in reserve funds	0	0		
5	Capitalized interest from proceeds	0	0		
6	Proceeds in refunding escrows	103,200,000	465,149,448		
7	Issuance costs from proceeds	385,000	3,629,482		
8	Credit enhancement from proceeds	0	0		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	0	0		
11	Other spent proceeds	0	0		
12	Other unspent proceeds	0	0		
13	Year of substantial completion	2013	2013		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X					
15	Were the bonds issued as part of an advance refunding issue?		X	X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 00000%		0 00000%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 00000%		0 00000%		%		%	
6	Total of lines 4 and 5	0 00000%		0 00000%		%		%	
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0 00000%		0 00000%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?		X		X				
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X					

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X		X					
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X			X				
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X		X					
b	Name of provider	JP Morgan		JP Morgan					
c	Term of hedge		20 6		17 2				
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b	Name of provider	0		0					
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X				
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X					

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue				
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds				
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion				

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?								

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?								
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?								
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?								
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?								

Part IV Arbitrage

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

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
See Additional Data Table					

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 74-1152597
Name: Memorial Hermann Health System

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	**(b)** Relationship between interested person and the organization	**(c)** Amount of transaction	**(d)** Description of transaction	**(e)** Sharing of organization's revenues?	
				Yes	**No**
(1) Harmohinder Kochar MD	Medical Staff NW	160,642	Medical Staff Fees		No
(2) Christine Strake	Family Member	14,257	employment		No
(3) Angela Bell	Family Member	61,075	employment		No
(4) Adrienne Pouns	Family Member	34,169	employment		No
(5) Todd Aulbaugh	Family Member	76,517	employment		No
(6) Ashley McVeigh	Family Member	80,754	employment		No
(7) Casey Hedges	Family Member	59,226	employment		No
(8) Kerry Mobley	Family Member	57,926	employment		No
(9) Periyanan Vaduganathan	Medical Staff SE	63,490	Medical Staff Fee		No
(10) Bruce Myers	Family Member	32,770	employment		No
(11) Ana Torres	Medical Staff NW	60,912	Medical Staff Fee		No
(12) Anil Dara	Medical Staff NE	60,912	Medical Staff Fee		No
(13) Kevin Gogola	Medical Staff MC	53,299	Medical Staff Fee		No
(14) Sohail Noor	Medical Staff Katy	78,235	Medical Staff Fee		No
(15) Oscar Rosales	Medical Staff TMC	36,621	Medical Staff Fee		No
(16) Kevin Gigilio	Member	72,552	Fees from MHMD		No
(17) Raymond Martin	Member	12,000	Fees from MHMD		No
(18) George Peterkin	Medical Staff SW	227,425	on call pay and fees from MHMD		No

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

Identifier	Return Reference	Explanation
Corporate Conflict of Interest Policy	Form 990, Part VI, Section B, Line 12c	Memorial Hermann Health System utilizes conflict of interest surveys and has codified its procedure in a policy The policy is monitored by our Corporate Compliance Department through annual surveys of board members, corporate officers, management level employees, and other selected employees, physicians and vendors for all of its entities and related affiliates In addition to responding to the survey, each recipient affirms that they have received a copy of the policy, has read and understood it, has agreed to comply with it, and understands that Memorial Hermann is a charitable organization that must engage in primarily tax-exempt purpose activities The Corporate Compliance Department, Chief Legal Officer and the Corporate Audit Committee, consisting of independent board members, receive a report of all items disclosed The Audit Committee Chair reports the existence of any conflicts to the Corporate Board of Directors

Identifier	Return Reference	Explanation
Compensation Determination	Form 990, Part VI, Section B, Line 15a and 15b	The process for determining compensation for the Organization's CEO and other top management is described below in the following four sections *Compensation Philosophy *Components of Executive Compensation *Roles of Compensation Decision Makers *Summary Compensation Philosophy The Compensation Committee has established the following compensation philosophy Accountable for Business Performance Compensation should be tied to our long-term and short-term business strategies of each dimension of our business including, but not limited to, Quality & Safety, Service & Satisfaction, Operational Excellence, and Growth & People Attract, Retain and Motivate Compensation should reflect the competitive marketplace so the Company can attract, retain and motivate talented executives Accountable for Individual & Business Unit Performance Compensation should be tied to our individual and business unit performance Comply with IRC Section 4958 Compensation programs and pay levels should be "Reasonable" within the definition of IRC Section 4958 Balanced Approach We should balance any potential strategic, financial, operational and reputational risk with our pay-for-performance philosophy Components of Executive Compensation Compensation Component - Base Salary Description - Fixed compensation component Objectives - Attract, retain, and motivate executives by providing a competitive level of fixed compensation based on the executive's responsibilities Compensation Component - Management Incentive Plan Description - Variable and annual performance-based compensation component Target amounts for each executive are set by the Compensation Committee Actual payouts may be less than or greater than the target amounts based on the Company's performance against its short-term goals Goals are set at a significant "stretch" level such that target performance results in above median payouts Objectives Align short-term performance with the goals of the Company Ensure cost-effective and efficient use of Company assets by offering the appropriate amounts and mix of compensation Compensation Component - Long-Term Incentive Plan Description Variable and three-year performance-based compensation component Target amounts for each executive are set by the Compensation Committee Actual payouts may be less than or greater than the target amounts based on the Company's performance against its long-term goals Goals are set at a significant "stretch" level such that target performance results in above median payouts Objectives Promote retention, advance pay-for-performance, and reinforce the link between the interests of the executive and the overall long-term success of the Company Ensure cost-effective and efficient use of Corporate assets by offering the appropriate amounts and mix of compensation Compensation Component - Deferred Compensation Plan Description - Program designed to promote retention and long-term success of Memorial Hermann by acting as a backstop for our performance-based programs Objectives - Promote retention by tying the executive to Memorial Hermann for the vesting period As part of his compensation package, the Compensation Committee presented the CEO and President, Mr Wolterman, with a retention agreement Per the terms of this agreement, he will receive a lump sum payment in July 2016 This lump sum payment is being accrued over the life of the retention agreement (July 2009 to July 2016) The 2012 accrual is included in Column C of Part II on the attached Form 990 Schedule J If Mr Wolterman voluntarily leaves prior to July 2016, he does not receive any portion of this lump sum payment Under certain circumstances (e g , death or disability), Mr Wolterman, or his beneficiary, would be entitled to a prorated portion of this lump sum payment All employees are paid by the Corporation or an affiliate health system entity and no time or salary is allocated Corporate officers perform administrative activities for multiple related entities for which no inter-unit allocation of time or salary is made The Directors of the Board are voluntary citizens of the community who perform their duties without compensation for hours devoted to Board work Roles of Compensation Decisions Makers Role of Compensation Committee The Compensation Committee, which currently consists of ten independent persons, is responsible for the development of the philosophy, policy and objectives that guide our executive pay programs as well as establishing our performance standards and determining the compensation of our senior executives, namely our President's Council The Compensation Committee retains Towers Watson as their independent compensation consultant to assist the Compensation Committee in the continued development and evaluation of the Company's compensation policies and practices and the Committee's determination of compensation The Compensation Committee has the sole authority to retain and terminate the ind

Identifier	Return Reference	Explanation
Compensation Determination	Form 990, Part VI, Section B, Line 15a and 15b	ependent compensation consultant and to review and approve the consultant's fees and other retention terms Role of Board of Directors The Board has retained the authority to appr ove new executive compensation plans and material amendments to existing executive compens ation plans It has delegated its authority with respect to other executive compensation m atters to the Compensation Committee The Board receives reports from the Compensation Com mittee on its actions and recommendations follow ing every Compensation Committee meeting Role of Management Management provides data, analysis and recommendations for the Compens ation Committee's consideration regarding the Company's executive compensation programs an d policies and assists the Compensation Committee in carrying out its responsibilities Ma nagement also provides information to the Compensation Committee's independent compensatio n consultant in connection with the consultant's role in advising the Compensation Committ ee The CEO, CHRO and VP Compensation and Benefits typically attend the Committee meetings The Compensation Committee also meets regularly in executive session outside the presenc e of management While the Compensation Committee considers the recommendations of the CEO and the input received from its independent compensation consultant, all compensation dec isions for our executives are made by the Compensation Committee Role of Independent Comp ensation Consultant The Committee retains an independent compensation consultant to perfo rm the follow ing duties Conduct a comprehensive review of the total compensation provided to our executives related to competitive and comparable market practices Ensure that our compensation programs provide total compensation opportunities that are reasonable for pu rposes of Intermediate Sanctions (IRC Section 4958) Assess competitiveness of our compens ation programs with respect to Healthcare and general industry peer companies Assist the Compensation Committee with its charter review Review annual disclosures Review compensa tion of "disqualified persons" w hose compensation is subject to a reasonableness review un der IRC Section 4958 Provide a letter to the Committee regarding the reasonableness of th e compensation of our executives and other "disqualified persons" helping to create a rebu ttable presumption of reasonableness w ith regard to executive compensation Summary In sum mary, the process for determining compensation for our CEO and other top management balanc es input from various sources and ensures a focus on performance, risk management, complia nce w ith IRC Section 4958 and our ability to attract, retain and motivate our executives

Identifier	Return Reference	Explanation
Oversight Review of Financial Statements	Form 990, Part XII, Line 2c	Does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of independent accountant? Memorial Hermann Health System has independent committees for audits, governance, and compensation which perform their respective functions on a consolidated basis for all corporate entities The audit committee hires the independent accountants and oversees all audits that are conducted within all affiliated entities for financial information, grants and awards, and qualified plans

Identifier	Return Reference	Explanation
Members of Organization	Form 990, Part VI, Section A, Line 6	Memorial Hermann Health System has individual members

Identifier	Return Reference	Explanation
Election of Members	Form 990, Part VI, Section A, Line 7a	The members have the authority to annually elect board members of the organization and to fill any vacancies on the board whose terms have expired

Identifier	Return Reference	Explanation
Decisions of Governing Body	Form 990, Part VI, Section A, Line 7b	The members have approval authority to approve amendments to, and repeal of the bylaws and certificate of formation, the purchase or sale of all or substantialy all assets of the organization, and the merger or dissolution of the organization

Identifier	Return Reference	Explanation
Disclosure of Organizational Documents	Form 990, Part VI, Section C, Line 19	Describe how the organization makes its governing documents, conflict of interest policy, and financial statements available to the public The articles of incorporation, corporate bylaws, conflict of interest policy and financial statements of Memorial Hermann Health System and its affiliates are generally not made available to the public If the inquirer provided a valid reason for desiring a copy of the documents that are related to the business interests of any of the Memorial Hermann Health System corporate entities, we would consider doing so

Identifier	Return Reference	Explanation
Review of Form 990	Form 990, Part VI, Section B, Line 11b	MEMORIAL HERMANN HEALTH SYSTEM PROVIDES A COPY OF THE FORM 990 TO ALL MEMBERS OF THE GOVERNING BODY VIA A WEBSITE SET UP SPECIFICALLY FOR BOARD MEMBERS TO ACCESS VARIOUS BOARD MEMBER DOCUMENTS THE FORM 990 IS REVIEWED BY MEMORIAL HERMANN FINANCIAL ACCOUNTING STAFF, BY SPECIFIC DEPARTMENTS INVOLVED IN RELATED SECTIONS OF THE RETURN, BY THE MEMORIAL HERMANN CHIEF ACCOUNTING OFFICER, AND BY MEMORIAL HERMANN'S PUBLIC ACCOUNTING FIRM ERNST & YOUNG, PRIOR TO ITS FILING

Identifier	Return Reference	Explanation
Whistleblower Policy	Form 990, Part VI, Section B, Line 13	MHHS has established communication channels to report problems and concerns including a telephone Helpline Employee partners are encouraged to report problems or concerns either anonymously or in confidence via the Helpline when they deem appropriate The Helpline establishes an avenue for employee partners or interested parties to report suspected criminal activity, and illegal or unethical conduct occurring within the organization in the event other resolution channels are ineffective or the caller wishes to remain anonymous The Corporate Compliance Helpline is administered by an outside service in order to protect the anonymity of callers to the Helpline if they so desire to remain anonymous All those who are employed in the Helpline operation or contracted organizations administering the Helpline are expected to act with utmost discretion and integrity in assuring that information received is acted upon in a reasonable and proper manner MHHS has established a strict non-retaliation policy to protect, from retaliation, employee partners and others who report problems and concerns in good faith There shall be no retaliation against a MHHS employee, independent contractor, vendor, allied health professional or medical staff member for reporting or raising a question regarding MHHS's compliance with a law or regulation Those reporting suspected non-compliance who wish to remain anonymous may do so if they so choose All reports of suspected non-compliance will be addressed in a confidential manner The Corporate Compliance Officer or designee will always strive to maintain confidentiality during the compliance review and investigation process, however there may be a point where the identity of a reporter may need to be revealed where appropriate

Identifier	Return Reference	Explanation
Audited Financials	Form 990, Part IV, Line 12	Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? The Health System does not have its financial accounts separately audited nor receive audited financial statements For the consolidated entities of the Memorial Hermann Health System and its affiliates an independent audit is conducted and audited financial statements are prepared according to GAAP by an independent accounting firm, of which the financial accounts of the Health System is a part

Identifier	Return Reference	Explanation
Tax Exempt Bonds	Form 990, Schedule K, Part 1 (f)	2004A Bonds Reimbursement or payment of routine capital costs incurred in connection with the construction of various improvements to and the acquisition of capital equipment for healthcare facilities of MHHS and Continuing Care and renovation of Memorial Hermann Hospital Routine capital expenditures include the acquisition of land and additional equipment for existing hospital facilities, including, but not limited to, the upgrade of cardiac catheterization laboratories, renovation of nursing units and operating rooms, and installation and upgrade of CT scanners, MRIs, echocardiography systems and other imaging equipment at existing hospital facilities The Bonds also financed the expansion of inpatient and outpatient facilities at Memorial Hermann Hospital including the expansion of operating rooms, women's services, imaging services and the neonatal intensive care unit at that hospital 2008A Bonds Refunded the maturities of the Series 1998 Bonds and pay costs of issuance of the Series 2008A Bonds Expansion, renovation, and equipment for Southwest, Southeast, Northwest, The Woodlands, Hermann, Pasadena, Memorial City, Rehabilitation Hospital, Spring Shadows Glen, Spring Shadows Pines, Construction of inpatient/outpatient facilities, equipment and elderly care facilities at 1-10 & Eldridge Road and Highway 290 & FM 1960, Construction of proposed preventative health care facility and equipment at 7701-7737 Southwest Freeway, Construction and equipment for elderly care facilities at Southwest and Southeast 2008D Bonds Refunded the Series 2005 Bonds Renovations of, additions (including elderly care facilities) to and equipment for inpatient/outpatient facilities at Highway 290 & FM 1960, formerly owned and operated by Pasadena Hospital inpatient/outpatient facilities at 1-10 & Eldridge Road, Spring Shadows Pines and the Wellness Center 2010A Bonds Refund the Series 1997B Bonds and pay costs of issuance of the Series 2010A Bonds Renovation, equipment, and construction of elderly care facilities at Southwest & Southeast, renovation and equipment at Northwest, 100,000 sq ft expansion at the Woodlands, prior acquisition of, renovation and equipment for Pasadena, construction in inpatient/outpatient facilities, equipment and elderly care facilities at 1-10 & Eldridge and Highway 290 & FM 1960 2010B Bonds Redeemed all of the Series 2001B Bonds and pay costs of issuance of the 2010B Bonds Renovations of, additions (including elderly care facilities) to and equipment for acute care hospitals, rehabilitation hospital & Spring Shadows Glen and the proposed inpatient/outpatient facilities at Highway 290 & FM 1960 2013A Bonds Bonds were issued to advance refund a portion of the Series 2004A Bonds and all of the Series 2008B bonds Reimbursement or payment of routine capital costs incurred in connection with the construction of various improvements to and the acquisition of capital equipment for healthcare facilities of MHHS and Continuing Care and renovation of Memorial Hermann Hospital Routine capital expenditures include the acquisition of land and additional equipment for existing hospital facilities, including, but not limited to, the upgrade of cardiac catheterization laboratories, renovation of nursing units and operating rooms, and installation and upgrade of CT scanners, MRIs, echocardiography systems and other imaging equipment at existing hospital facilities The Bonds also financed the expansion of inpatient and outpatient facilities at Memorial Hermann Hospital including the expansion of operating rooms, women's services, imaging services and the neonatal intensive care unit at that hospital Renovations and replacements of, additions to and equipment for Hermann including Children's, Southwest including affiliated long-term acute facility, Southeast, Northwest, Memorial City, The Woodlands, Katy, MHCC Hospital Spring Shadows Pines, Prevention and Recovery Center, and the initial outpatient/inpatient primary healthcare facilities at SH 288 and FM 518, Pearland, Brazoria County 2013B Bonds Issued to refund the Series 2008C bonds and pay costs of issuance of the 2013B Bonds Previously financed projects 1) the construction and renovation of Northwest, excluding the chapel therein, 2) the construction and renovation of the Woodlands, 3) construction and renovation of inpatient/outpatient facilities at 1-10 & Eldridge and at Highway 290 & FM 1960 including construction and equipping elderly care facilities at such sites, 4) construction and renovation at Southeast and Southwest including construction of elderly care facilities and 544 parking spaces at Southeast, 5) reimbursement/payment of capital equipment for Southwest, Southeast, Northwest, The Woodlands, and Facilities in 3) and 4) 2013C Bonds Issued to refund the Series 2008D-1 and pay costs of issuance of the 2013C Bonds Renovations of, additions (including elderly care facilities) to and equipment for inpatient/outpatient facilitie

Identifier	Return Reference	Explanation
Tax Exempt Bonds	Form 990, Schedule K, Part 1 (f)	s at Highw ay 290 & FM 1960, formerly ow ned and operated by Pasadena Hospital, inpatient/ou tpatient facilities at 1-10 & Eldridge Road, Spring Shadow s Pines and the Wellness Center 2013D Bonds Refund Series 2008D-2 Bonds and pay costs of issuance for the Series 2013D B onds Renovations of, additions (including elderly care facilities) to and equipment for i npatient/outpatient facilities at Highw ay 290 & FM 1960, formerly ow ned and operated by Pa sadena Hospital, inpatient/outpatient facilities at 1-10 & Eldridge Road, Spring Shadow s P ines and the Wellness Center

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balance	990 Part XI Reconciliation of Net Assets Line 5	RECLASS OF FUND BALANCES OF AFFILIATED COMPANIES (7,738,746) CHANGE IN UNFUNDED PENSION Obligations 55,162,000 RECLASS OF CONTRIBUTIONS 22,100,000 CHANGE IN NONCONTROLLING INTERESTS 1,553,000 TOTAL CHANGES IN FUND BALANCES 71,076,254

Identifier	Return Reference	Explanation
Board Medical Plan	990 Part VII Directors	Our directors can purchase medical coverage, for themselves and their eligible family members, through our networks at 100% of the premium cost

Identifier	Return Reference	Explanation
Changes to governing documents	Form 990, Part VI, Section A, Line 4	IN CONNECTION WITH A CORPORATE GOVERANCE RESTRUCTURING, THE ORGANIZATION ADOPTED A RESTATED CERTIFICATE OF FORMATION EFFECTIVE JANUARY 3, 2013 AND AMENDED BYLAWS EFFECTIVE DECEMBER 31, 2012 THE ORGANIZATION SENT A "NO CHANGE" LETTER TO THE INTERNAL REVENUE SERVICE DESCRIBING THE GOVERNANCE RESTRUCTURING ON NOVEMBER 5, 2012

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Memorial Hermann Health System

Employer identification number
74-1152597

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) Memorial Hermann Community Benefits 909 Frostwood Suite 2100 Houston, TX 77024 68-0511504	Healthcare	TX	501 (c)3	9	MHHS	Yes	
(2) Memorial Hermann Medical Group 909 Frostwood Suite 2100 Houston, TX 77024 20-4923281	Healthcare	TX	501 (c)3	3	MHHS	Yes	
(3) MHS Physicians of Texas 909 Frostwood Suite 2100 Houston, TX 77024 76-0385980	Healthcare	TX	501 (c)3	3	MHHS	Yes	
(4) Memorial Hermann Foundation 909 Frostwood Suite 2100 Houston, TX 77024 74-1653640	Fundraising	TX	501 (c)3	11a I	MHHS	Yes	
(5) Memorial Hermann Information Exchange 909 Frostwood Suite 2100 Houston, TX 77024 02-0684202	Healthcare	TX	501 (c)3	3	MHHS	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) The Woodlands POB III LP 909 Frostwood Suite 2100 Houston, TX 77024 20-2184543	Manages Med Build	TX	na	related or exempt	-11,430	17,782,472		No			No	89 328 %
(2) Memorial HermannUSP Surgery Ctr III LP 15305 Dallas Parkway Suite 1600 L Addison, TX 75001 20-0707543	Surgery Center	TX	na	related or exempt	10,691,472	13,888,108		No		Yes		82 000 %
(3) Memorial Hermann Surgery Center Katy LLP 15305 Dallas Parkway Suite 1600 L Addison, TX 75001 20-3360737	Surgery Center	TX	na	related or exempt	886,118	942,723		No			No	27 000 %
(4) MH Katy Rehab Hospital LLC 909 Frostwood Suite 2100 Houston, TX 77024 26-3896057	Medical Servi	TX	NA	related or exempt	975,442	16,940,620		No		Yes		58 803 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) MHMD 909 Frostwood Suite 2100 Houston, TX 77024 76-0074819	Healthcare	TX	na	C corp	-16,675,321	3,391,886	100 000 %	Yes	
(2) The Health Professionals Ins Company LTD Barclays House 3rd Floor Grand Cayman CJ	Insurance	CJ	na	Foreign	10,593,386	62,066,293	100 000 %	Yes	
(3) Memorial Hermann Accountable Care Org 909 Frostwood Suite 2100 Houston, TX 77024 80-0778181	Insurance	TX	NA	C Corp	-606,379	0	100 000 %	Yes	
(4) Memorial Hermann Health Solutions Inc 909 Frostwood Suite 2100 Houston, TX 77024 26-4419989	Insurance	TX	NA	C corp	-5,563,777	8,153,341	100 000 %	Yes	
(5) Memorial Hermann Health Insurance Co 909 Frostwood Suite 2100 Houston, TX 77024 76-0646301	Insurance	TX	na	C corp	-999,547	13,475,899	100 000 %	Yes	
(6) Memorial Hermann Health Plan Inc 909 Frostwood Suite 2100 Houston, TX 77024 46-2707092	Insurance	TX	na	C Corp	0	0	100 000 %	Yes	

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

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

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

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Memorial Hermann Medical Group	R	47,504,903	FMV
(2) MHS Physicians of Texas	R	4,292,533	FMV

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

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

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

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 74-1152597
Name: Memorial Hermann Health System

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	

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TY 2012 Earnings and Profits Other Adjustments Statement

Name: Memorial Hermann Health System

EIN: 74-1152597

Description	Amount
Investment Income	3,584,480

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TY 2012 Earnings and Profits Other Adjustments Statement

Name: Memorial Hermann Health System

EIN: 74-1152597

Description	Amount
Fees and Commissions	280,059
General & Admin Expenses	837,538

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TY 2012 Itemized Other Current Liabilities Schedule

Name: Memorial Hermann Health System

EIN: 74-1152597

Corporation Name	Corporation EIN	Description	Beginning Amount	Ending Amount
		Accrued Expenses	472,965	209,742

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TY 2012 Itemized Other Assets Schedule

Name: Memorial Hermann Health System

EIN: 74-1152597

Corporation Name	Corporation EIN	Other Assets Description	Beginning Amount	Ending Amount
		Premium receivable	951,397	602,600
		Losses recoverable from reinsurers	4,207,585	2,157,912

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TY 2012 Itemized Other Current Assets Schedule

Name: Memorial Hermann Health System

EIN: 74-1152597

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
		Interest Receivable and Prepaid Exp	20,513	255,875

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TY 2012 Other Deductions Schedule

Name: Memorial Hermann Health System

EIN: 74-1152597

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
Losses and loss adjustment expense		9,475,789
Commission and fees		280,059
General and Administrative expense		837,538

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TY 2012 Itemized Other Investments Schedule

Name: Memorial Hermann Health System

EIN: 74-1152597

Corporation Name	Corporation EIN	Other Investments Description	Beginning Amount	Ending Amount
		Equity Securities	49,213,194	52,592,641

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TY 2012 Itemized Other Liabilities Schedule

Name: Memorial Hermann Health System

EIN: 74-1152597

Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
		Reserve for Losses	45,958,550	31,183,628
		Reserve for Retro Premium Adjustmnt	12,895,196	17,911,938
		Amounts Payable to Parent Corp	2,090,940	12,640,985

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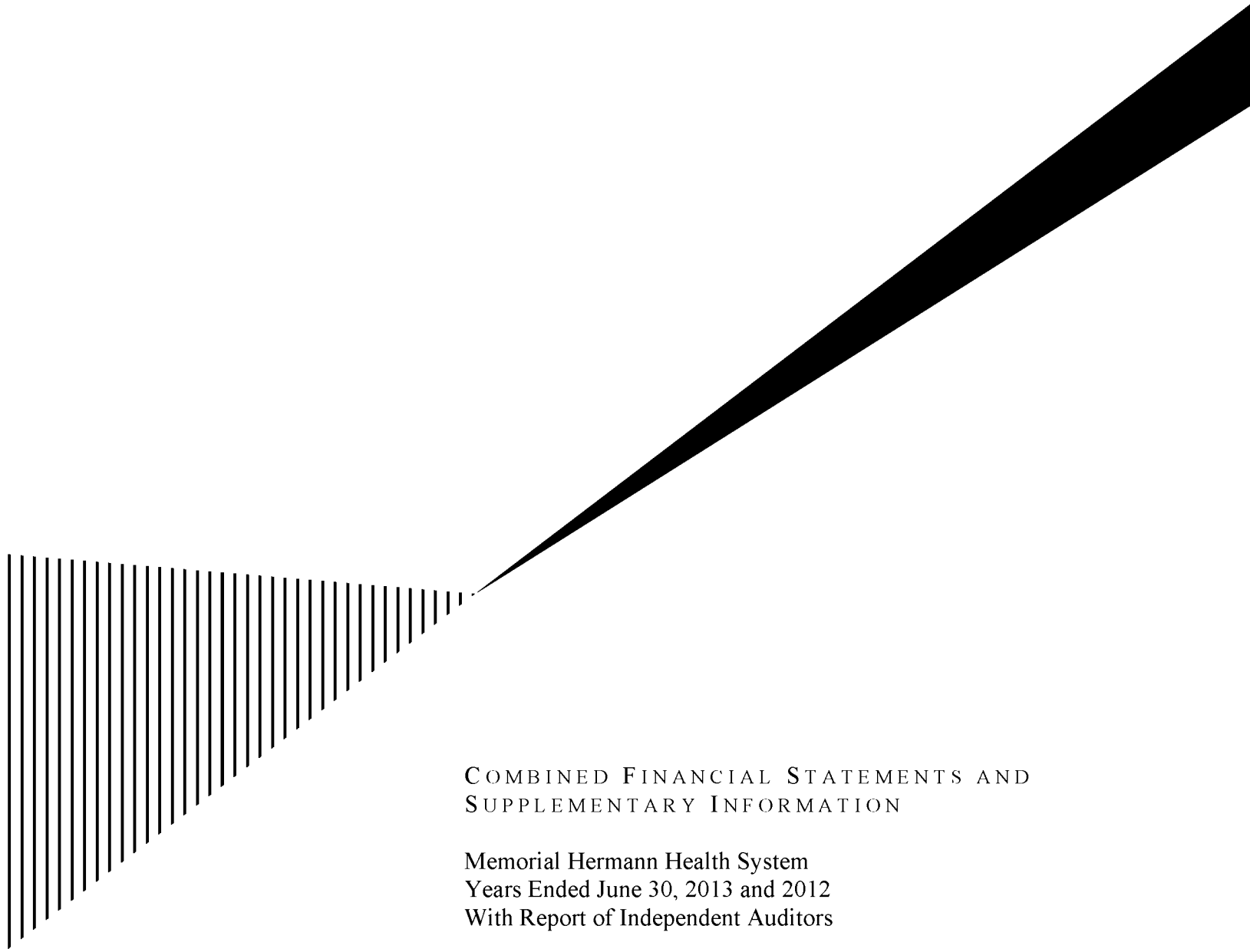
TY 2012 Other Income Statement

Name: Memorial Hermann Health System

EIN: 74-1152597

Description	Foreign Amount	Amount
Net Investment gains		3,584,480



COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Memorial Hermann Health System
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Memorial Hermann Health System

Combined Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

Contents

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Report of Independent Auditors

The Board of Directors
Memorial Hermann Health System

Report on the Financial Statements

We have audited the accompanying combined financial statements of Memorial Hermann Health System (the Health System), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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

A member firm of Ernst & Young Global Limited

Opinion

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

As discussed in Note 2 to the financial statements, the Health System changed the presentation of the provision for bad debts as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities,* effective July 1, 2012

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole The accompanying combined consolidating balance sheets and combined consolidating statements of operations and changes in net assets are presented for purposes of additional analysis and are 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 financial statements as a whole

Ernst + Young LLP

October 3, 2013

A member firm of Ernst & Young Global Limited

Memorial Hermann Health System

Combined Balance Sheets

	June 30 2013	2012
	(In Thousands)	
Assets		
Current assets		
Cash and cash equivalents, including $10,704 and $15,887 of assets limited as to use as of 2013 and 2012, respectively	**$ 447,695**	$ 348,300
Investments	**1,134,200**	1,083,787
Patient accounts receivable, net of allowances (2013 – $733,982, 2012 – $637,779)	**484,850**	445,663
Other current assets	**168,866**	109,287
Total current assets	**2,235,611**	1,987,037
Assets limited as to use, less current portion	**172,274**	196,570
Property, plant, and equipment, net	**2,205,407**	2,270,280
Other assets	**77,056**	77,058
Total assets	**$ 4,690,348**	$ 4,530,945
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 159,143**	$ 147,759
Accrued payroll and related expenses	**190,815**	179,707
Other accrued expenses	**100,357**	95,492
Current portion of long-term debt, including capital lease obligations	**40,258**	45,480
Long term debt subject to liquidity	**103,585**	–
Total current liabilities	**594,158**	468,438
Long-term debt, including capital lease obligations	**1,640,892**	1,716,071
Other long-term obligations	**219,435**	332,023
Total liabilities	**2,454,485**	2,516,532
Net assets, including noncontrolling interest of $12,399 and $10,846 in 2013 and 2012, respectively	**2,235,863**	2,014,413
Total liabilities and net assets	**$ 4,690,348**	$ 4,530,945

See accompanying notes.

Memorial Hermann Health System

Combined Statements of Operations and Changes in Net Assets

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Revenues, gains, and other support		
Net patient service revenue before bad debt	**$ 4,023,005**	$ 3,730,495
Provision for bad debt	**(634,172)**	(542,930)
Net patient service revenue	**3,388,833**	3,187,565
Other revenue	**189,657**	163,778
Total revenues, gains, and other support	**3,578,490**	3,351,343
Expenses		
Salaries, benefits, and related personnel costs	**1,561,732**	1,420,610
Services and other	**972,613**	904,994
Supplies and medicines	**581,640**	530,775
Depreciation and amortization	**220,866**	221,125
Interest	**75,787**	81,357
Total expenses	**3,412,638**	3,158,861
Operating income before recoveries attributable to hurricane	**165,852**	192,482
Recoveries attributable to hurricane	**–**	1,828
Operating income	**165,852**	194,310
Nonoperating activities		
Investment gains, net	**64,663**	42,363
Interest rate swap agreements	**18,739**	(85,237)
Loss on bond refundings	**(83,481)**	–
Other income, net	**4,048**	2,283
Revenues in excess of expenses	**169,821**	153,719
Revenues in excess of expenses attributable to noncontrolling interest	**(27,186)**	(26,736)
Revenues in excess of expenses attributable to the Health System	**142,635**	126,983
Other changes in net assets		
Change in unfunded pension obligation	**55,162**	(46,548)
Contributions and grants received and other changes in net assets, net	**22,100**	8,050
Change in noncontrolling interests	**1,553**	1,682
Change in net assets	**221,450**	90,167
Net assets at beginning of year	**2,014,413**	1,924,246
Net assets at end of year	**$ 2,235,863**	$ 2,014,413

See accompanying notes

Memorial Hermann Health System

Combined Statements of Cash Flows

	Year Ended June 30 2013	2012
	(In Thousands)	
Operating activities		
Cash received for patient services	**$ 3,349,646**	$ 3,143,966
Cash paid to or on behalf of employees	**(1,444,925)**	(1,441,939)
Cash paid for supplies and services	**(1,777,695)**	(1,439,909)
Other receipts from operations	**125,438**	159,876
Investment gains (losses) realized	**67,935**	(29,152)
Interest paid	**(74,319)**	(81,755)
Net cash provided by operating activities	**246,080**	311,087
Investing activities		
Capital expenditures, net	**(155,993)**	(168,141)
Change in assets limited as to use	**304**	(26,502)
Change in investments	**(30,497)**	(366,309)
Other	**(562)**	24
Net cash used in investing activities	**(186,748)**	(560,928)
Financing activities		
Proceeds of issuance of long-term debt and note payable	**518,520**	197,269
Payments on long-term debt and note payable	**(45,643)**	(229,408)
Refunding of long-term debt	**(451,600)**	–
Restricted contributions	**40,956**	31,492
Deferred financing costs	**3,463**	–
Noncontrolling interest	**(25,633)**	(25,054)
Net cash provided by (used in) financing activities	**40,063**	(25,701)
Net increase (decrease) in cash and cash equivalents	**99,395**	(275,542)
Cash and cash equivalents at beginning of year	**348,300**	623,842
Cash and cash equivalents at end of year	**$ 447,695**	$ 348,300
Supplemental information – reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	**$ 221,450**	$ 90,167
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**220,866**	221,125
Unrealized net gain on investments	**(19,515)**	(9,761)
Change in unfunded pension losses	**(55,162)**	46,548
Loss on bond refunding	**83,481**	–
Other changes in net assets	**8,268**	17,293
Change in patient accounts receivable	**(39,187)**	(43,599)
Change in other assets	**(59,015)**	(25,653)
Change in accounts payable, accrued payroll, and other accrued expenses	**(56,124)**	(20,250)
Change in other long-term obligations	**(58,982)**	35,217
	24,630	220,920
Net cash provided by operating activities	**$ 246,080**	$ 311,087
Supplemental information for noncash activities		
Additions to property, plant, and equipment obtained through capital leases	**$ 6,865**	$ 5,825

See accompanying notes

Memorial Hermann Health System

Notes to Combined Financial Statements

June 30, 2013

1. Mission and Organization

On September 6, 2012, the Board of Directors of the Memorial Hermann Healthcare System approved a corporate reorganization, which became effective on January 1, 2013 Under this reorganization, Memorial Hermann Hospital System was merged with Memorial Hermann Healthcare System, with the successor renamed Memorial Hermann Health System (the Health System) The Health System Board of Directors now exercises governance control for the Health System and retains significant reserved powers regarding its affiliates Several subsidiary organizations have also been merged to simplify the Health System's organizational structure All of these mergers were between Health System entities, there were no external organizations involved and no transfer of assets outside of the Health System The tax identification number of the former Memorial Hermann Hospital System (now Health System) and the hospital provider numbers survived

The Health System, a Texas nonprofit membership corporation, controls and coordinates the activities of certain other affiliates The Health System is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code The System now owns and operates 10 nonsectarian general acute care hospitals (including Memorial Hermann Texas Medical Center, the primary teaching hospital for The University of Texas Medical School at Houston), a research and rehabilitation hospital (TIRR) in the Texas Medical Center, a Medicare-certified home health agency, various professional office buildings, and a comprehensive ambulatory care network of facilities and services – all serving to position Memorial Hermann Health System as the market-share leader in the greater Houston, Texas, area The Health System includes one of the nation's largest Independent Practice Association (IPA) models, through which nearly 3,000 physicians are clinically integrated to the Health System for clinical practice standards, Accountable Care participation, and commercial payor contracting arrangements Additionally, the Health System is supported by the Memorial Hermann Foundation (the Foundation) The combined financial statements include the accounts of the Health System and its controlled affiliates All significant intercompany accounts and transactions have been eliminated

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements Because of the subjectivity inherent in this process, actual results may differ from those estimates

2. Significant Accounting Policies (continued)

Subsequent Events

The Health System evaluates the impact of subsequent events, events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the combined financial statements as of the balance sheet date or disclosure in the notes to the combined financial statements The Health System evaluated events occurring subsequent to June 30, 2013 through October 3, 2013, the date on which the accompanying combined financial statements were issued

Net Assets and Contributions

To ensure compliance with restrictions placed on the resources available to the Health System, the Health System's accounts are maintained in accordance with the principles of fund accounting This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purposes In the financial statements, funds that have similar characteristics have been combined into three net asset categories permanently restricted, temporarily restricted, and unrestricted

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently but permit the Health System to use the income derived from the donated assets for donor-specified purposes

- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified The restrictions are satisfied either by the passage of time or by actions of the Health System

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired or been met When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions

At June 30, 2013 and 2012, the Health System had $88,579,000 and $82,858,000, respectively, in temporarily restricted net assets and $9,076,000 and $9,060,000, respectively, in permanently restricted net assets For the years ended June 30, 2013 and 2012, the Health System received $40,569,000 and $31,492,000, respectively, in restricted contributions and income During 2013 and 2012, $40,488,000 and $29,052,000, respectively, in net assets were used for their restricted purpose

2. Significant Accounting Policies (continued)

Unrestricted and restricted donations are recognized when received Unrestricted and restricted pledges are reported as revenue in the period the pledge is made at the present value of estimated future cash flows Amortization of the discount is included in contribution income Pledges are recorded net of an allowance for uncollectibles This allowance is determined based upon historical collection and write-off experience Donor-restricted pledges and donations are recorded in the appropriate donor-restricted fund until restrictions are met, at which time they are contributed to the affiliate beneficiary Gifts of property other than cash are recorded at fair market value at the dates the gifts are received

The Health System holds donor-restricted endowment funds established primarily to fund specified activities for and within the System and the medical community as a whole Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

Contributions are recorded as revenue at the present value of estimated future cash flows when an unconditional promise is received At June 30, 2013 and 2012, the Health System had $22,601,000 and $20,432,000, respectively, in pledges receivable, net of discount and allowance for uncollectibles of $3,404,000 and $7,351,000, respectively Pledges receivable are recorded as assets limited as to use in the accompanying combined balance sheets and are due, based on gross pledges, as follows

	Pledges
June 30, 2014	$ 9,720,000
June 30, 2015	5,936,000
June 30, 2016	4,830,000
June 30, 2017	3,190,000
Thereafter	2,329,000

Grant Proceeds

Grant proceeds are recorded in the combined statements of operations and changes in net assets in the period the grant is received During fiscal year 2013, the Health System recorded receipts of $11,240,000 related to monies received from the Federal Emergency Management Agency related to costs incurred by the Health System in connection with Tropical Storm Allison, which occurred in 2001 These amounts have been included as an increase to contributions and grants

2. Significant Accounting Policies (continued)

received and other changes in net assets in the accompanying combined statement of operations and changes in net assets

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amounts from patients or third-party payors for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Patient accounts receivable are reported net of estimated allowances for contractual allowances, bad debt, and other discounts The Health System's recorded allowances for bad debt are based on expected net collections, after contractual adjustments, primarily from patients Management routinely assesses these recorded allowances relative to changes in payor mix, cash collections, write-offs, recoveries, and market dynamics Unpaid accounts are written off as bad debts upon reaching delinquent status Charity care accounts are written off as identified or qualified under the Health System's charity care policy The Health System's concentration of credit risk with respect to patient accounts receivable is limited due to the variety of customers and payors

Self-pay revenues are derived primarily from patients who do not have any form of health coverage The revenues associated with self-pay patients are generally reported at the Health System's gross charges The Health System evaluates these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid or other governmental assistance programs, as well as the Health System's policy for charity care The Health System provides care without charge to certain patients who qualify under its charity care policy The Health System's management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Health System's gross charity care charges provided

A summary of activity in the Health System's allowance for doubtful accounts is as follows (in thousands)

	Balances at Beginning of Year	Provision for Bad Debt, Net of Recoveries	Accounts Written Off	Balances at End of Year
Year ended June 30, 2013	**$ 637,779**	**$ 634,172**	**$ (537,969)**	**$ 733,982**
Year ended June 30, 2012	574,471	542,930	(479,622)	637,779

2. Significant Accounting Policies (continued)

For participants in the Medicare and Medicaid programs and certain managed care programs, the Health System ultimately collects amounts that are generally less than standard charges Medicare and Medicaid are federal and state programs generally designed to provide services to elderly and indigent patients Medicare and Medicaid together constituted 49% of the Health System's standard charges in 2013 and 2012

While laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation, the Health System intends to be in compliance with all applicable laws and regulations and, to that end, has implemented a comprehensive organization-wide corporate compliance policy The Health System is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing

Certain payments for services provided under the Medicare and Medicaid programs and other organizations are subject to review of the medical necessity of admission and propriety of discharge, diagnosis, and coding As part of the Tax Relief and Health Care Act of 2006, Congress directed the expansion of the Recovery Audit Contractors (RAC) reviews Management believes adequate allowance has been provided for possible adjustments that might result from retrospective billing reviews, including the ongoing or future RAC reviews

Annual retroactive settlements with the Medicare and Medicaid programs are subject to review by appropriate governmental authorities or their agents Settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined Accruals for possible settlements are calculated based on historical experience

The Health System's Medicare and Medicaid cost reports have been audited by the applicable fiscal intermediary generally through June 30, 2009 However, certain prior cost reports have been reopened by the fiscal intermediary for further review Additionally, from time to time, the Health System appeals decisions of the fiscal intermediary in order to recover funds it believes are appropriately due to the Health System for services rendered to Medicare and/or Medicaid beneficiaries Processes related to recovering these funds are often long and complex The Health System's policy is to record any funds received from appeals as income in the year in which the notice of cost report settlement is received

2. Significant Accounting Policies (continued)

At June 30, 2013 and 2012, aggregate accruals and allowances for possible settlements, and pending reviews, as discussed above, of $78,179,000 and $88,283,000, respectively, are included in the accompanying combined balance sheets in other accrued expenses (2013 $9,933,000, 2012 $13,018,000) and other long-term obligations (2013 $68,246,000, 2012 $75,265,000) It is reasonably possible that these estimates could differ from actual settlements and, thus, change in the near term by material amounts

During 2013 and 2012, the Health System recognized $30,474,000 and $31,845,000, respectively, in net patient service revenue from differences between estimated and actual cost report settlements and appeals In addition, in May 2012, the Health System recognized $16,000,000 in net patient service revenue relating to the Medicare Rural Floor Budget Neutrality settlement (Settlement) This Settlement with the Centers for Medicare and Medicaid Services involved approximately 2,200 hospitals nationwide and was made to resolve a challenge made by the plaintiff hospitals for underpayment of inpatient Medicare services dating back to 1999

Previously, the federal Medicaid rules allowed for hospitals to be reimbursed for some of the uncompensated cost of treating Medicaid and uninsured patients up to an Upper Payment Limit (UPL) UPL programs act as mechanisms to draw federal Medicaid dollars into local communities The Texas Medicaid program has chosen a county-specific UPL strategy to receive supplemental federal matching funds During 2012, the proposed changes to Medicaid in Texas under the Medicaid Transformation and Quality Improvement Program and the March 2012 legislatively-mandated expansion of Managed Medicaid resulted in the discontinuation of the UPL supplemental payment program in the state The new programs created going forward to continue these supplemental payments are Uncompensated Care (UC) and Delivery System Reform Incentive Payments (DSRIP) The historic UPL program continued to make distributions throughout fiscal year 2012 Medicaid supplemental funds, which include Medicaid Disproportionate Share and UPL payments, net of assessments, of approximately $104,648,000 and $72,433,000 were recorded in 2013 and 2012, respectively These funds are earned as a result of an increasing indigent patient population that is served by the Health System Net patient service revenue includes all Medicaid supplemental funds as a reduction of contractual allowances At June 30, 2013 and 2012, the Health System has receivables recorded of $80,392,000 and $23,900,000 for Medicaid supplement payments earned, respectively These amounts are included in other current assets in the accompanying combined balance sheets

2. Significant Accounting Policies (continued)

The Health System has also entered into multiple payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations (Managed Care companies) The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined fee schedules for episodic services Together, the revenues derived from under these agreements constituted 38% of the Health System's standard charges in 2013 and 2012 During 2012, the Health System recognized $48,027,000, respectively, in net settlements received from Managed Care companies for adjudication of amounts owed to the Health System related to underpaid or previously denied claims over a period of several years There were no significant net settlements received from Managed Care companies during 2013

The Health System's gross revenues by payor and approximate percentages of revenues were as follows for the years ended June 30 (in thousands)

	2013		2012	
	Amount	**Ratio**	**Amount**	**Ratio**
Managed Care	**$ 4,257,500**	**38%**	$ 3,799,548	38%
Medicare	**3,982,435**	**35**	3,536,299	35
Medicaid	**1,539,862**	**14**	1,370,630	14
Self Pay	**1,111,495**	**10**	962,514	10
Other	**380,648**	**3**	330,029	3
Total	**$ 11,271,940**	**100%**	$ 9,999,020	100%

2. Significant Accounting Policies (continued)

The Health System's gross accounts receivable by payor by percentage of total gross accounts receivable were as follows for the years ended June 30

	2013	2012
Managed Care	**26%**	26%
Medicare	**15**	15
Medicaid	**8**	8
Self Pay	**45**	46
Other	**6**	5
Total	**100%**	100%

The Health System's gross accounts receivable by aging category is as follows for the years ended June 30

	2013				
	Managed Care	**Medicare**	**Medicaid**	**Self Pay**	**Other**
0-60	**60%**	**81%**	**80%**	**34%**	**56%**
61-120	**11%**	**7%**	**4%**	**24%**	**13%**
121-180	**8%**	**3%**	**3%**	**21%**	**7%**
>180	**21%**	**9%**	**13%**	**21%**	**24%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

	2012				
	Managed Care	**Medicare**	**Medicaid**	**Self Pay**	**Other**
0-60	62%	85%	83%	32%	57%
61-120	11%	6%	5%	24%	13%
121-180	8%	3%	4%	20%	7%
>180	19%	6%	8%	24%	23%
Total	100%	100%	100%	100%	100%

Managed care accounts receivable over 180 days primarily are a result of the lengthy adjudication process for accounts which have been initially underpaid by managed care payors and for which management is pursuing additional collections

2. Significant Accounting Policies (continued)

Cash Equivalents

Liquid investments with an original maturity of three months or less are reported as cash equivalents

Investments and Investment Income

Investments are reflected as investments or assets limited as to use in the combined balance sheets and include fixed income, equity securities, and alternative investments Fixed income includes U S government securities, agency mortgage-backed securities, and corporate obligations in pooled funds and separate accounts Equity securities include domestic and international equities in pooled funds and separate accounts Pooled funds are professionally managed and include institutional mutual funds, fixed income funds, equity funds, and commingled accounts Investments in equity securities with readily determinable fair values and all debt securities are stated at fair value

Alternative investments include ownership interests in hedge funds and limited partnerships that may employ various investment strategies through the use of publicly traded securities, market neutral arbitrage, floating rate loans and debt securities, and fixed income swaps The Health System's alternative investments include certain investments whose reported values had been estimated by fund managers in the absence of readily available market values or cannot otherwise be substantiated Because of the inherent uncertainty of valuations, fund managers' estimates of fair value may differ from the values that would have been used had a ready market for the securities existed, and the differences could be material Additionally, risks in certain of the Health System's alternative investments include limited transparency where funds are not required to disclose the holdings in their portfolios to the Health System and limitations on liquidity as funds may impose lock-up periods or hold-back provisions that limit the Health System's ability to redeem those investments At June 30, 2013 and 2012, the Health System's investments in alternative investments are $9,019,000 and $6,701,000, respectively

Assets limited as to use are funds legally restricted by bond indentures, internally restricted in connection with self-insurance programs, externally restricted by donor specifications, restricted by resident agreements, or internally restricted for charity care or other purposes Assets limited as to use are classified as noncurrent assets, except for assets limited as to use that are required to meet current liabilities which are classified as current assets Investments have been classified as current assets based on the Health System's intent and ability to utilize these assets to meet current obligations, capital, and other cash flow needs

2. Significant Accounting Policies (continued)

Substantially all of the Health System's investments are designated as trading investments Investment income, including realized and unrealized gains and losses on investments, interest and dividend income, and equity in earnings of alternative investments, is recorded as a nonoperating activity and included in revenues in excess of expenses in the accompanying combined statements of operations and changes in net assets, unless the income or loss is restricted by donor or law Net purchases and sales of investments are reported as a component of net cash used in investing activities in the accompanying combined statements of cash flows as the net proceeds were used primarily to fund the Health System's acquisition of capital assets

Deferred Financing Costs

Costs associated with the issuance of revenue bonds have been capitalized and included with other assets and are amortized over the relevant terms of the respective bond issues on a straight-line basis, which approximates the effective-interest method Deferred financing costs net of accumulated amortization were $9,482,000 and $10,542,000 as of June 30, 2013 and 2012, respectively

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost or fair value at the time of donation and include expenditures for new facilities and equipment and those expenditures that substantially increase the useful life of existing facilities and equipment Ordinary maintenance and repairs are charged to expense when incurred Depreciation is provided using the straight-line method over 20 to 40 years for buildings, 5 to 10 years for improvements (limited to the term of the related lease, if applicable), and 3 to 12 years for equipment Assets accounted for as capital leases are amortized over the terms of the respective leases, and such amortization is included in depreciation and amortization expense When events, circumstances, or operating results indicate that the carrying values of certain long-lived assets might be impaired, the Health System prepares undiscounted projections of cash flows expected to result from the use of the assets and their eventual disposition If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value Fair value may be estimated based upon internal evaluations that include quantitative analysis of revenues and cash flows, reviews of recent sales of similar assets, and independent appraisals

2. Significant Accounting Policies (continued)

Property and equipment to be disposed of are reported at the lower of the carrying amounts or fair value less costs to sell or close The estimates of fair value are usually based upon recent sales of similar assets and market responses based upon discussions with and offers received from potential buyers

Interest Rate Swap Agreements

The Health System records net interest payments under swaps as a component of interest rate swap agreements on the combined statements of operations and changes in net assets

Investments in Joint Ventures

The Health System has entered into multiple joint venture and partnership arrangements for the provision of medical services to patients and the development and construction of certain facilities, including medical office buildings adjacent to its hospitals For those ventures where the Health System has a controlling interest through majority ownership, management control, or both, the ventures' assets, liabilities, and operating results have been consolidated into the combined financial statements of the Health System At June 30, 2013 and 2012, the Health System has recognized net assets attributable to noncontrolling interest of $12,399,000 and $10,846,000, respectively, representing the venture partners' interest in the equity and undistributed earnings of the consolidated ventures For those ventures where the Health System does not maintain a controlling interest, the Health System accounts for its investment under the equity method of accounting At June 30, 2013 and 2012, the Health System had investments representing its equity in these unconsolidated ventures of $5,060,000 and $8,175,000, respectively, recorded in other assets For the years ended June 30, 2013 and 2012, the Health System recognized a net gain of $1,686,000 and $3,349,000, respectively, recorded in investment gains in the accompanying combined statements of operations and changes in net assets relating to unconsolidated ventures

Goodwill

The Health System records goodwill arising from a business combination as the excess of the purchase price and related costs over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed At June 30, 2013 and 2012, the Health System had goodwill of $43,435,000 and $39,329,000, respectively, which relates to the purchase of several

2. Significant Accounting Policies (continued)

entities from 2009 to 2013 There was no impairment of goodwill or other indefinite-lived intangible assets recognized in 2013 or 2012 Beginning on July 1, 2011, the amortization of goodwill ceased and goodwill is tested at least annually for impairment at the reporting unit level Impairment is the condition that exists when the carrying value of goodwill exceeds its implied fair value

Meaningful Use of Certified Electronic Health Record (EHR)

The American Recovery and Reinvestment Act of 2009 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 ending in 2016 Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology Providers must demonstrate continued meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments

The Health System accounts for EHR incentive payments as other operating revenue The Health System utilizes a grant accounting model to recognize EHR incentive revenues and records incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that the respective eligible provider will meet the meaningful use objectives for the reporting period and that the grants will be received The EHR reporting period for hospitals is based on the federal fiscal year, which is from October 1 through September 30 The Health System attested for meaningful use and received incentive payments of approximately $8,177,000 and $22,621,000 during the years ended June 30, 2013 and 2012, respectively In addition, the Health System has recorded a receivable at June 30, 2013 of $9,113,000 related to Medicare EHR for which the Health System is reasonably assured that it will meet the meaningful use objectives for the reporting period There were no receivables recorded at June 30, 2012 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, the Health System's compliance with the meaningful use criteria is subject to audit by the federal government

2. Significant Accounting Policies (continued)

Taxes

The Health System, and certain other affiliates are Texas not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code The Health System owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and, therefore, subject to tax

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the accompanying combined balance sheets The tax returns are subject to Internal Revenue Service (IRS) review for three years subsequent to the dates they are filed There are no ongoing IRS tax reviews as of June 30, 2013 The Health System has net operating losses (NOL) tax carryforwards that will expire between 2014 and 2027 Due to the age of these NOLs and the fact that management is uncertain that the full amount of the NOLs will be realized in the future, no deferred tax asset has been recorded

Performance Indicator

The Health System's combined statements of operations and changes in net assets contain a performance indicator titled revenues in excess of expenses Revenues in excess of expenses include the Health System's results from operations and nonoperating activities, and exclude changes in noncontrolling interest, changes in unfunded pension obligations, restricted contributions and grants received, and certain other changes in net assets Health System activities directly related to the furtherance of the Health System's purpose, as discussed in Note 1, are considered to be operating activities Other activities that result in gains or losses are considered to be nonoperating and primarily include investment earnings, gains/losses on bond refinancing, and other nonoperating gains/losses, including unusual or infrequent recoveries or costs not directly related to operating activities

Accounting Pronouncements Adopted

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment* Previously, entities were required to test goodwill for impairment, on at least an annual basis, by first comparing the fair value of a reporting unit with its carrying amount, including goodwill If the resulting fair value of a reporting unit was less than its

2. Significant Accounting Policies (continued)

carrying amount, then the second step of the test would be performed to measure the amount of the impairment loss, if any ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary Additionally, ASU 2011-08 permits an entity to resume performing the qualitative assessment in any subsequent period The Health System adopted the provisions of ASU 2011-08 in 2012

In January 2010, the FASB released ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ASU 2010-06 was issued to improve disclosure requirements related to the fair value measurements and disclosures topic (overall Subtopic 820-10) of the Accounting Standards Codification (ASC) The new disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures in the rollforward of activity in Level 3 fair value measurements Those disclosures were effective for fiscal years beginning after December 15, 2010 Effective July 1, 2011, the Health System adopted this guidance and has included the additional required disclosures The adoption of ASU 2010-06 did not have an impact on the overall results of operations, financial position, or cash flows

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure.* ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs This ASU is effective for fiscal years beginning after December 15, 2010, with retrospective application required Effective July 1, 2011, the Health System adopted this guidance and has included the additional required retrospective disclosures The adoption of ASU 2010-23 did not have an impact on the overall results of operations, financial position, or cash flows

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* The amendments in the ASU clarify that a health entity may not net insurance recoveries against related claim liabilities In addition, the amount of the claim liability must be determined without consideration of insurance recoveries

2. Significant Accounting Policies (continued)

This ASU is effective for fiscal years beginning after December 15, 2010 Effective July 1, 2011, the Health System adopted this guidance The adoption of ASU 2010-24 did not have a material impact on the overall results of operations, financial position, or cash flows

In July 2011, the FASB released ASU 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* ASU 2011-07 requires health care entities to change the presentation of their statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction for patient service revenue (net of contractual allowances and discounts) Additionally, enhanced disclosures will be required surrounding the entity's policies for recognizing revenue and assessing bad debts ASU 2011-07 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2010 Effective July 1, 2012, the Health System adopted this guidance

Reclassifications

Certain amounts have been reclassified in the prior year's combined financial statements to conform with the current year presentation The net interest payments associated with the Health System's interest rate swap agreements are now presented as a component of nonoperating activities on the accompanying combined statement of operations and changes in net assets

3. Community Service

In accordance with its purpose and values, the Health System is committed to providing high-quality, cost-effective health services to the community, including such underserved groups as the indigent and the elderly Self-pay revenues are derived primarily from patients who do not have any form of health coverage The revenues associated with self-pay patients are generally reported at the Health System's gross charges The Health System evaluates these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, or qualifications for Medicaid or other governmental assistance programs, as well as the Health System's policy for charity care The Health System provides care without charge to certain patients who qualify under the local charity care policy For the years ended June 30, 2013 and 2012, the Health System estimates that its costs of care provided under its charity care programs approximated $135,945,000 and $131,050,000, respectively The Health System's management estimates its costs of care provided under its

3. Community Service (continued)

charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Health System's gross charity care charges provided The Health System's gross charity care charges include only services provided to patients who are unable to pay and qualify under the Health System's charity care policies To the extent the Health System receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Health System does not include these patient charges in its cost of care provided under its charity care program Additionally, the Health System does not report a charity care patient's charges in revenues or in the provision for doubtful accounts as it is the Health System's policy not to pursue collection of amounts related to these patients In addition to charity care provided to the community, the Health System's unreimbursed cost for the treatment of Medicaid patients was $240,964,000 and $182,094,000 for the fiscal years ended June 30, 2013 and 2012, respectively

In addition, the Health System operates emergency rooms at its hospitals that are open to the public 24 hours a day, 7 days a week The Health System also operates Life Flight, an air ambulance service based at the Memorial Hermann Hospital trauma center, a burn unit, a transplant center, and two Level III neonatal intensive care units that provide services to many infants whose mothers have not had access to appropriate prenatal care Additionally, the Health System provides various community screenings for the detection of diseases and disorders, as well as a forum for various wellness activities and community health education classes

The Health System funds various other projects as part of its ongoing community benefit plan These projects are targeted to specific community needs and locations and are in addition to the uncompensated care the Health System provides to patients Examples of projects funded include 5 school-based health centers serving 28 schools, a mobile dental program serving 9 schools, and providing financial support to numerous primary care clinics throughout the area that serve the community's uninsured population Additionally, the Health System supports various local, private, and city task forces committed to addressing the issue of health access for the underserved

As a part of its approval of the 1997 merger between Memorial Hermann Hospital System and Hermann Hospital Estate, a Harris County District Court entered an Agreed Order stipulating that the Health System will continue providing charity care and community service in the amount of 6% of net revenue or $22,500,000, whichever is greater This amount is an additional 1% above the percentage required of all Texas nonprofit hospitals under the charity care provision of the Texas Health & Safety Code During fiscal years 2013 and 2012, the Health System believes

3. Community Service (continued)

it has met all stipulations of the agreement Revenues of the other Health System entities are not obligated under the agreement Assets in a related charity endowment fund may be used to subsidize charity in excess of these amounts The charity endowment fund is classified as an asset limited as to use in the accompanying combined balance sheets and as of June 30, 2013 and 2012, had a value of $7,504,000 and $7,293,000, respectively

4. Cash, Cash Equivalents, Investments, and Assets Limited as to Use

Cash, Cash Equivalents, and Investments

The Health System maintains investments with various financial institutions and investment management firms, and its policy is designed to limit exposure to any one institution or investment, therefore reducing overall investment risks

The following is a summary of unrestricted cash, cash equivalents, and investments by classification

	June 30	
	2013	**2012**
	(In Thousands)	
Cash and cash equivalents	**$ 447,695**	$ 348,300
Fixed income	**896,143**	886,011
Equity securities	**236,457**	197,776
Alternative investments	**1,600**	–
Total cash, cash equivalents, and investments	**$ 1,581,895**	$ 1,432,087

Fixed income includes U S government securities, agency mortgage-backed securities, and corporate obligations in pooled funds and separate accounts Equity securities include domestic and international equities in pooled funds and separate accounts

4. Cash, Cash Equivalents, Investments, and Assets Limited as to Use (continued)

Assets Limited as to Use

The following table sets forth the restricted purpose of the Health System's assets limited as to use

	June 30	
	2013	**2012**
	(In Thousands)	
Bond indenture agreements	**$ 1,364**	$ 43,982
Self-insurance programs	**67,432**	60,034
Donor restrictions	**97,736**	91,387
Resident agreements	**8,462**	9,282
Charity care and depreciation funds	**7,984**	7,772
	182,978	212,457
Less current portion required for current liabilities	**(10,704)**	(15,887)
	$ 172,274	$ 196,570

Investment Income

Investment income related to unrestricted net assets comprises the following

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Interest and dividend income	**$ 39,567**	$ 26,578
Realized gains, net	**4,692**	3,187
Unrealized gains, net, including equity in earnings of alternative investments	**20,404**	12,598
	$ 64,663	$ 42,363

5. Property, Plant, and Equipment

Property, plant, and equipment consist of the following

	June 30	
	2013	**2012**
	(In Thousands)	
Buildings and improvements	**$ 2,292,104**	$ 2,264,869
Building and equipment under capital lease	**690,701**	688,079
Equipment	**1,479,251**	1,391,006
Less accumulated depreciation	**(2,444,825)**	(2,230,596)
	2,017,231	2,113,358
Land	**88,063**	88,044
Construction-in-progress	**100,113**	68,878
	$ 2,205,407	$ 2,270,280

At June 30, 2013, the Health System had remaining commitments for planned construction of approximately $45,346,000

6. Indebtedness

The Health System's indebtedness at June 30 is as follows

	June 30 2013	2012
	(In Thousands)	
Series 1997A serial and term bonds due each June 1 through 2024, at interest rate of 6 00%, including bond premiums, net, of $0 and $228, respectively	$ –	$ 10,093
Series 1998 serial and term bonds due each June 1 through 2027, at interest rate of 5 50%, including bond premiums, net, of $794 and $1,245, respectively	**20,909**	30,640
Series 2004A term bonds due each December 1 through 2024, at interest rates of 5 00% to 5 25%, including bond premiums, net, of $77 and $1,527, respectively	**9,567**	79,247
Series 2008A due each June 1, 2016 through 2027, at a variable rate	**184,800**	184,800
Series 2008B term bonds due each December 1, 2027 through 2035, at interest rates of 7 00% to 7 25%, including bond discount, net, of $0 and $742, respectively	–	226,258
Series 2008C due each June 1, 2014 through 2024 at a variable rate	–	121,400
Series 2008D due each June 1, 2025 through 2029 at a variable rate	**30,000**	133,200
Series 2010A serial and term bonds due each June 1 through 2024, at interest rates of 2 375% to 5 00%, including bond discount, net, of $144 and $138, respectively	**59,831**	64,217
Series 2010B due each June 1, 2029 through 2032, at a variable rate	**162,400**	162,400
Series 2013A term bonds due each December 1, 2015 through 2036, at interest rates of 3 00% to 5 00%, including bond premiums, net, of $23,898 and $0, respectively	**345,838**	–
Series 2013B due each June 1, 2014 through 2024, at a variable rate	**122,135**	–
Series 2013C due each June 1, 2025 through 2029, at a variable rate	**62,150**	–
Series 2013D due each June 1, 2025 through 2029, at a variable rate	**41,435**	–
Bank loan, due monthly through June 1, 2013, at a variable rate	–	9,167
Bank loan, due quarterly beginning October 1, 2012 through June 1, 2017, at interest rate of 2 65%	**9,588**	10,000
Capitalized lease obligations	**705,368**	702,265
Other notes	**30,714**	27,864
	1,784,735	1,761,551
Less current portion	**(143,843)**	(45,480)
	$ 1,640,892	$ 1,716,071

The interest rate on the Health System's variable rate bonds are based on various indices The interest rates at June 30, 2013 ranged from 0 11% to 0 92%

6. Indebtedness (continued)

Debt Obligations

The Health System has issued revenue bonds through the Harris County Health Facilities Development Corporation and the Harris County Education Facilities Finance Corporation Payments to the bondholders are funded by the issuing affiliates under a master trust indenture with the trustees of the respective bond issues The Health System and substantially all operating affiliates have agreed to arrangements and indentures related to the bonds to abide by guidelines regarding repayment, financial performance, organizational changes, reporting, and additional borrowing

On January 5, 2011, the Health System issued the Series 2010B variable rate demand bonds in the amount of $162 4 million to refund the $161 6 million Series 2001B auction-rate bonds These bonds were purchased by a bank and have no "put feature" for a term of five years

On September 13, 2011, the Health System converted the mode on the Series 2008A bonds from variable rate demand bonds supported by a standby Bond Purchase Agreement to floating-rate notes purchased directly by two banks These notes have no "put feature" for a term of five years

In addition, the bank notes associated with the Series 2010B bonds and the Series 2008A bonds contain certain criteria under which the respective banks can call for the repayment of the debt in advance of the stated maturities Management has evaluated these criteria and believes the debt is appropriately classified as long-term

On June 26, 2012, a majority-owned partnership (Katy Rehab LLC) entered into a $10 0 million bank note representing a 5-year (15-year amortization) loan The proceeds of the note repaid working capital loans provided to the venture by the Health System

On July 18, 2012, the Health System entered into a syndicated revolving line of credit agreement with seven banks in the amount of $230 0 million The purpose of this line of credit facility is to provide a source of liquidity in the case of emergency or disaster, or to provide a means of bridge-financing in advance of any permanent debt financing transaction As of June 30, 2013, there have not been any draws under this agreement

6. Indebtedness (continued)

On March 28, 2013, the Health System defeased a portion of the Series 2004A bonds ($63 8 million) and all of the Series 2008B bonds ($227 0 million) by issuing the Series 2013A fixed rate refunding bonds ($321 9 million) The Series 2013A bonds were sold at a net premium of $24 7 million In connection with this transaction, debt service reserve funds of $32 0 million were released This transaction resulted in a loss from bond financing of $81 9 million

Also on March 28, 2013, the Health System refinanced its Series 2008C variable rate demand bonds ($121 4 million) by issuing the Series 2013B refunding bonds ($122 1 million) This transaction resulted in a loss on bond refinancing of $781,000 The Series 2013B bonds were issued as floating rate notes

On April 10, 2013, the Health System refinanced its Series 2008D-1 and Series 2008D-2 variable rate demand bonds ($103 2 million) by issuing the Series 2013C ($62 15 million) and Series 2013D ($41 4 million) refunding bonds The Series 2013C and 2013D bonds were issued under the Health System's self-liquidity program and therefore have been classified as current liabilities The Health System will provide its own liquidity to purchase any tendered bonds that cannot be successfully remarketed These transactions resulted in a loss from bond refinancing of $777,000

Other notes consist of secured loans by financial institutions to finance the equipment purchases of the Health System's joint venture partnerships

As of June 30, 2013, scheduled principal payments for outstanding debt (excluding capital leases) for the next five fiscal years are as follows $133,345,000 in 2014, $30,760,000 in 2015, $34,340,000 in 2016, $35,420,000 in 2017, and $35,700,000 in 2018

The estimated fair value of the Health System's serial and term fixed-rate bonds and notes payable at June 30, 2013 and 2012, was approximately $1,056,922,000 and $1,113,721,000, respectively The valuation of the bonds is based on a combination of quoted market prices for identical securities when available, a Level 1 input, and quoted market prices for similarly rated healthcare revenue bond issues, a Level 2 input The valuation of the notes was derived from net present value calculations of future payments

6. Indebtedness (continued)

Leases

The Health System leases certain health facilities located in the Houston metropolitan area One such leasing arrangement, which is reflected as a capital lease in the accompanying combined financial statements, consists of a 520-licensed-bed general acute care hospital and rehabilitation care facility located in west Houston All revenues and income from the operation of the leased facilities during the lease term accrue to the Health System The Health System is responsible under the lease for ad valorem taxes, normal maintenance, utilities, and other operating costs

Additionally, in connection with the lease agreement discussed above, the Health System and the landlord entered into a lease agreement that became effective upon completion of construction of a new administration building and other renovations The lease, which was effective beginning in 2012, was capitalized at its commencement date

In June 2011, the Health System entered into 10-year lease agreements for additional floors of the Memorial City Medical Tower and for certain land, buildings, and improvements of medical offices currently existing near the Memorial City Medical Tower These agreements are being recorded as operating leases with rental payments reflected in the accompanying combined statements of operations and changes in net assets

The Health System leases certain other health facilities in the Houston metropolitan area consisting of a 255-licensed-bed general acute care hospital in north Houston All revenues and income from the operation of the leased facilities during the lease term accrue to the Health System The Health System is responsible under the lease for ad valorem taxes, normal maintenance, utilities, and other operating costs The lease is to expire on June 7, 2022, with a provision for two renewal term extensions of 10 years each This agreement is being recorded as an operating lease with rental payments reflected in the accompanying combined statements of operations and changes in net assets

The Health System also leases office space and equipment under noncancelable leases Rental expense under noncancelable leases, including the operating leases discussed above, aggregated $78,091,000 and $77,070,000 in 2013 and 2012, respectively

6. Indebtedness (continued)

Leases

As of June 30, 2013, minimum future rentals under noncancelable leases, for the next five fiscal years and in aggregate, are as follows

	Capital Leases	Operating Leases
2014	$ 42,990,010	$ 75,839,076
2015	44,556,516	69,523,253
2016	46,911,248	62,599,375
2017	46,647,883	45,758,125
2018–2046	1,650,148,496	180,538,375
Total minimum lease payments	1,831,254,153	$ 434,258,204
Less portion representing interest	(1,125,886,297)	
Capital lease obligations	$ 705,367,856	

7. Interest Rate Swap Agreements

The Health System periodically utilizes interest rate swap agreements to manage its interest rate exposure The following table summarizes the Health System's swap portfolio, the fair values at June 30, 2013 and 2012, the change in value, and the net amounts paid and received for the years ended June 30, 2013 and 2012, in thousands

Swap Description	Term Date	Interest Rate Agreements	Aggregate Notional Amount	Fair Value Liability June 30 2013	Fair Value Liability June 30 2012	Change in Fair Value June 30 2013	Change in Fair Value June 30 2012	Settlement Activity Paid June 30 2013	Settlement Activity Paid June 30 2012
LIBOR-based to Fixed (5 3425%)	2032	1	$ 113.120	$ (32,323)	$ (46.700)	$ 14,377	$ (24.801)	$ 5,554	$ 6.075
LIBOR-based to Fixed (3 629%)	2029	3	131.700	(23,463)	(33.690)	10,277	(17.155)	4,745	6.581
LIBOR-based to Fixed (3 635%)	2024	2	120.000	(14,837)	(20.025)	5,188	(6.316)	4,164	4.046
LIBOR-based to Fixed (3 685%)	2027	3	184.800	(28,788)	(39.003)	10,215	(15.765)	6,806	4.438
		9	$ 549.620	$ (99,411)	$ (139.418)	$ 40,057	$ (64.037)	$ 21,269	$ 21.140

7. Interest Rate Swap Agreements (continued)

The notional amounts under each of the interest rate swap agreements are reduced in conjunction with the Health System's principal payments on the associated bonds At June 30, 2013 and 2012, the fair value of swap agreements was a liability of $99,411,000 and $139,418,000, respectively, and has been included in other long-term liabilities As of June 30, 2013, none of the Health System's swap agreements include provisions that would require posting of collateral

The Health System reclassified the net interest cost on its interest rate swaps for the years ended June 30, 2013 and 2012, of $21,269,000 and $21,140,000, respectively, from services and other expenses to non-operating expenses in the combined statements of operations and changes in net assets

8. Fair Value Measurement

The Health System 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 The Health System'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

The Health System 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) in active markets for identical assets or liabilities on the reporting date

Level 2 – Inputs to the valuation methodology other than quoted market prices included in Level 1 that are observable for the asset or liability Level 2 pricing inputs include quoted

8. Fair Value Measurement (continued)

prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

Level 3 – Inputs that are unobservable for the asset or liability

Financial assets and liabilities measured at fair value on a recurring basis were determined using the following inputs at June 30, 2013 The following table presents financial instruments carried at fair value as of June 30, 2013 The table does not include cash and cash equivalents of $30,446,000, contributions receivable of $22,601,000, and real estate and other investments of $6,933,000, which are not carried at fair value and are included in assets limited as to use

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets				
Investments				
U S government securities	$ 127,123	$ 20,255	$ –	$ 147,378
Pooled funds				
Domestic equities	154,798	–	–	154,798
Global equities	34,438	–	–	34,438
Fixed income	452,895	–	–	452,895
Agency mortgage-backed securities	72,584	18,735	–	91,319
Corporate obligations	54,755	149,796	–	204,551
Corporate equities	29,825	–	–	29,825
Global equities	17,396	–	–	17,396
Assets limited as to use				
Pooled funds				
Domestic equities	18,729	–	–	18,729
Global equities	14,508	–	–	14,508
Fixed income	72,777	–	–	72,777
Hedge fund	–	–	7,419	7,419
Fixed maturity securities	222	–	–	222
Corporate obligations	71	–	–	71
Corporate equities	168	–	–	168
Total assets	$ 1,050,289	$ 188,786	$ 7,419	$ 1,246,494
Liabilities				
Interest rate swap agreements	$ –	$ 99,411	$ –	$ 99,411
Total liabilities	$ –	$ 99,411	$ –	$ 99,411

8. Fair Value Measurement (continued)

Financial assets and liabilities measured at fair value on a recurring basis were determined using the following inputs at June 30, 2012 The following table presents financial instruments carried at fair value as of June 30, 2012 The table does not include cash and cash equivalents of $38,123,000, contributions receivable of $20,432,000, and real estate and other investments of $5,832,000, which are not carried at fair value and are included in assets limited as to use

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets				
Investments				
U S government securities	$ 130,279	$ –	$ –	$ 130,279
Pooled funds				
Domestic equities	134,379	–	–	134,379
Global equities	39,392	–	–	39,392
Fixed income	442,940	–	–	442,940
Agency mortgage-backed securities	1,153	–	–	1,153
Corporate obligations	229,135	82,504	–	311,639
Corporate equities	24,005	–	–	24,005
Assets limited as to use				
U S government securities	26,382	–	–	26,382
Pooled funds				
Domestic equities	16,025	–	–	16,025
Global equities	12,266	–	–	12,266
Fixed income	68,566	–	–	68,566
Hedge fund	–	–	6,701	6,701
Fixed maturity securities	219	–	–	219
Other	100	–	–	100
Corporate obligations	1,750	–	–	1,750
Corporate equities	174	–	–	174
Total assets	$ 1,126,765	$ 82,504	$ 6,701	$ 1,215,970
Liabilities				
Interest rate swap agreements	$ –	$ 139,418	$ –	$ 139,418
Total liabilities	$ –	$ 139,418	$ –	$ 139,418

8. Fair Value Measurement (continued)

The fair values of the securities included in Level 1 were determined through quoted market prices and include money market funds, mutual funds, and marketable debt and equity securities The fair values of Level 2 securities were determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves and referenced credit spreads, and estimated prepayment rates, where applicable, are used for valuation purposes and are provided by third-party services where quoted market values are not available The fair values of Level 3 securities are determined primarily through information obtained from the relevant counterparties for such investments Information on which these securities' fair values are based is generally not readily available in the market

9. Pension Plans

The Health System sponsors a cash balance defined benefit pension plan covering all eligible employees The Health System's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Health System may determine to be appropriate from time to time Funding requirements are determined through consultation with an independent actuary Effective July 1, 2011, the Health System closed the plan to new participants Participants as of June 30, 2011, will continue to accrue benefits

The Health System recognizes the funded status (that is, the difference between the fair value of plan assets and the projected benefit obligations) of its plan in the combined balance sheet, with a corresponding adjustment to net assets Actuarial gains and losses that arise and are not recognized as net periodic pension cost in the same periods are recognized as a component of net assets

The assumptions used in calculating the pension amounts recognized in the Health System's combined financial statements include discount rates, interest costs, expected return on plan assets, retirement and mortality rates, inflation rates, salary growth, and other factors While the Health System believes the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect future pension obligations and expense

9. Pension Plans (continued)

The following tables set forth the plan's funding status as of the measurement dates, amounts recognized in the combined financial statements, and assumptions used For 2013 and 2012, the plan's measurement date was June 30, 2013 and 2012, with a participant census date of July 1, 2012 and 2011, respectively

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Change in projected benefit obligation		
Benefit obligation, beginning	**$ 509,869**	$ 462,412
Service cost	**36,020**	33,207
Interest cost	**20,847**	22,995
Actuarial (gain) loss, net	**(20,836)**	35,718
Benefits paid	**(35,096)**	(40,874)
Administrative expenses paid	**(2,704)**	(3,589)
Projected benefit obligation (including $478,798 and $476,109, respectively, in accumulated benefit obligation), at end of year	**$ 508,100**	$ 509,869
Change in plan assets		
Fair value of assets, beginning	**$ 512,122**	$ 474,111
Employer contributions	**30,000**	70,000
Return on plan assets	**56,483**	12,474
Benefits paid	**(35,096)**	(40,874)
Administrative expenses paid	**(2,704)**	(3,589)
Fair value of assets, at end of year	**$ 560,805**	$ 512,122
Funded status		
Prepaid pension cost recorded in other assets in the combined balance sheets	**$ 52,705**	$ 2,253

9. Pension Plans (continued)

At June 30, 2013, unrestricted net assets include $115,056,000 of primarily unrecognized actuarial losses of the Health System's defined benefit plan that have not yet been recognized in net periodic benefit cost Amounts recognized in unrestricted net assets expected to be recognized in net periodic benefit cost during fiscal 2014 are $8,658,000

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Components of net periodic cost		
Service cost	**$ 36,020**	$ 33,208
Interest cost	**20,847**	22,995
Expected return on plan assets	**(35,076)**	(33,574)
Amortization of prior service cost	**314**	389
Amortization of losses and other, net	**13,989**	9,533
Net periodic cost included in salaries, benefits, and related personnel costs in the combined financial statements	**$ 36,094**	$ 32,551
Weighted-average assumptions for determining benefit obligations at end of year and net periodic costs for the year		
Discount rates – benefit obligations	**4.93%**	4 29%
Discount rates – net periodic costs	**4.29**	5 41
Rates of increase in future compensation levels	**4.00**	4 00
Expected long-term rate of return on plan assets	**6.75**	7 25

The assumption for the expected return on assets is derived from a study conducted by the Health System's actuaries and financial management The study includes a review of the plan's asset allocation strategy, anticipated long-term performance of individual asset classes, risks and correlations of asset classes, and general economic conditions of the investment marketplace Because of revisions to the plan's investment policy, asset allocation strategy, and changes in professional managers utilized, historical returns performance of the plan was not a significant factor in the analysis

9. Pension Plans (continued)

The assets of the pension plan by weighted-average asset allocation categories are set forth in the following table

	2013	2012
Asset category		
Short term investments	**4%**	8%
Fixed income	**37**	39
Domestic equity	**39**	35
International equity	**10**	8
Alternative investments and other	**10**	10
Total	**100%**	100%

The plan's general investment objective is to seek to achieve attractive long-term total return from income and growth of capital over a full market cycle with a low-to-moderate level of risk, emphasizing, primarily, the preservation of principal and, secondarily, the real purchasing power of assets over the long term while maintaining adequate liquidity to meet benefits and expense cash flow requirements when due through the utilization of investments in a balanced and diversified portfolio of equity, fixed income, short-term liquid securities, and alternative investments Investments will be well-diversified across individual issuers, economic sectors, and asset classes to ensure a level of risk that is comparable to the general investment markets

The Plan's assets measured at fair value on a recurring basis were determined using the following inputs at June 30, 2013 (in thousands)

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 23,236	$ –	$ –	$ 23,236
Pooled funds				
Domestic equities	173,222	–	–	173,222
Global equities	36,406	–	–	36,406
Fixed income	208,193	–	–	208,193
Hedge fund	–	–	57,072	57,072
Corporate equities	44,268	–	–	44,268
Global equities	18,408	–	–	18,408
Total	$ 503,733	$ –	$ 57,072	$ 560,805

9. Pension Plans (continued)

For the year ended June 30, 2013, the changes in the fair value of the Plan's investments, for which Level 3 inputs were used, are as follows (in thousands)

Balance at July 1, 2012	$ 51,873
Purchases of investments	–
Sales of investments	–
Net change in unrealized appreciation on investments	5,199
Net realized investment income	–
Ending investments at fair value	$ 57,072

The Plan's assets measured at fair value on a recurring basis were determined using the following inputs at June 30, 2012 (in thousands)

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 41,229	$ –	$ –	$ 41,229
Pooled funds				
Domestic equities	143,640	–	–	143,640
Global equities	39,119	–	–	39,119
Fixed income	202,747	–	–	202,747
Hedge funds	–	–	51,873	51,873
Corporate equities	33,514	–	–	33,514
Total	$ 460,249	$ –	$ 51,873	$ 512,122

For the year ended June 30, 2012, the changes in the fair value of the Plan's investments, for which Level 3 inputs were used, are as follows (in thousands)

Balance at July 1, 2011	$ 52,499
Purchases of investments	–
Sales of investments	–
Net change in unrealized appreciation on investments	(634)
Net realized investment income	8
Ending investments at fair value	$ 51,873

9. Pension Plans (continued)

At June 30, 2013 and 2012, the Plan's investment in alternative investments of $57,072,000 and $51,873,000, respectively, is included in hedge funds Alternative investments include ownership interests in limited liability corporations and limited partnerships that may employ various investment strategies through the use of publicly traded securities, market neutral arbitrage, floating-rate loans and debt securities, and fixed-income swaps ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value

Management opted to use the net asset value per share, or its equivalent, as a practical expedient for fair value of the plan's interest in alternative investments Valuations provided by the respective investment's management consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price The majority of these funds have restrictions on the timing of withdrawals, which may reduce liquidity, in some cases for up to 12 months

All of the assets are managed by external investment managers and are maintained in actively managed security portfolios Derivative investments are not allowed except by fund managers who employ such techniques to offset or reduce the risk associated with an existing group of investments Based on funded status, management does not expect to make any contributions for fiscal year 2014

	Estimated *(In Thousands)*
Expected benefit payments estimated for fiscal years	
2014	$ 37,443
2015	38,529
2016	40,770
2017	41,615
2018	43,837
Subsequent five years combined	223,765

9. Pension Plans (continued)

In addition to the defined benefit plan discussed above, eligible employees participate in certain other retirement plans, including a defined contribution plan that resulted in additional employer matches of $22,269,000 and $20,654,000 for 2013 and 2012, respectively

10. Self-Funded Liabilities

The Health System is self-insured for general and professional liability, errors and omissions, and workers' compensation claims, and maintains excess insurance coverage at varying levels A provision is made for estimated losses and related expenses on risks not covered by insurance The provision includes estimated amounts for asserted claims, reported incidents for which a claim has not been asserted, and claims incurred but not reported The provision is based on specific claim loss estimates by the Health System's management and on estimates of total annual losses by an independent consulting actuary using the Health System and similar facility experience

The Health Professionals Insurance Company, Ltd (HePIC), a wholly owned subsidiary, is a captive insurance company that provides professional liability, general liability, and other insurance coverage for the Health System affiliates The Health System funds HePIC's required insurance reserves Funding amounts are based on actuarial recommendations The assets of HePIC and the established liability for self-funded losses are reported in the combined balance sheets Investment income from the assets and the provision for estimated self-funded losses and administrative costs are reported in the combined statements of operations and changes in net assets The Health System's established liability for self-funded losses was $55,752,000 and $78,109,000 as of June 30, 2013 and 2012, respectively, and is recorded in other long-term obligations in the accompanying combined balance sheets

11. Commitments and Contingencies

Litigation

From time to time, the Health System is subject to litigation in the ordinary course of its operations In management's opinion, any future settlements or judgments on asserted or unasserted claims will not have a material effect on the Health System's combined financial position

11. Commitments and Contingencies (continued)

Various federal and state agencies have initiated investigations regarding reimbursement claimed by the Health System and other matters 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 combined financial statements of the Health System

Other

The Health System has entered into prime vendor contracts with certain of its suppliers to provide medical, surgical, and pharmaceutical supplies, as well as medical and other equipment, at favorable prices over specific periods of time These contracts may include some special terms such as minimum purchase amounts, defined time periods, favorable pricing terms, or service fees The purposes of these arrangements are to maintain an orderly procurement process and to obtain favorable prices for the provision of the supplies and equipment that the Health System utilizes during the normal course of conducting business

Under terms of an agreement, as amended, dated January 1, 1968, the Health System and the University of Texas Health Science Center at Houston (the University) affiliated to operate and maintain a patient care, medical teaching, research, and community service facility The agreement specifies that Memorial Hermann Hospital will serve as the primary private hospital teaching site for the University and operate and maintain a fully accredited hospital while maintaining final authority over operational policy The University agrees to offer the hospital the opportunity to accommodate all teaching programs and clinical programs, maintain fully accredited educational programs, and conduct research activities while utilizing Memorial Hermann Hospital Mutual commitments include administrative appointments and sharing of certain operational and research costs Expenses for obligations to the University for the years ended June 30, 2013 and 2012, totaled $139,609,000 and $121,959,000, respectively This agreement expires on September 1, 2019, with automatic renewals for 10 consecutive one-year terms unless otherwise terminated by Memorial Hermann Hospital or the University

Letters of credit in the amount of $12,767,000 have been issued by the Health System for June 30, 2013 and 2012, in favor of certain insurance contracts to secure the Health System's liabilities under the reinsurance agreements The letter of credit at June 30, 2012 was supported to the extent needed by the pledging of certain fixed-maturity securities as collateral This letter of credit was renewed on July 6, 2012, and in the process of renewal the investments were

11. Commitments and Contingencies (continued)

released from collateralization in return for a guarantee by the Health System In addition, the Health System has a letter of credit of $6,505,000 at June 30, 2013 and 2012, associated with its obligations in connection with its participation in the UC program

In March 2010, the Patient Protection and Affordability Care Act (the Act), a comprehensive health reform bill, was signed into law The legislation is complex and will be phased in over several years, with the most significant parts beginning to take effect in 2014 The Health System is in the process of assessing the potential impact of this reform on its operations but does not have enough information or data to predict the effects with certainty

Supplementary Information

Memorial Hermann Health System

Combined Balance Sheet

June 30, 2013

	Healthcare Operations	University Place	Health Plan	The Health Professionals Insurance Company	Memorial Hermann Foundation	Other Supporting Operations	Reclasses and Eliminations	Memorial Hermann Health System
Assets								
Current assets								
Cash and cash equivalents	$ 442.747	$ 422	$ 2.818	$ 6.457	$ 65.233	$ 1.708	$ (71.690)	$ 447.695
Investments	1.134.200	–	–	52.593	–	–	(52.593)	1.134.200
Patient account receivable, net	485.000	–	–	–	–	(150)	–	484.850
Other current assets	163.520	28	2.928	3.017	22.601	1.332	(24.560)	168.866
Total current assets	2.225.467	450	5.746	62.067	87.834	2.890	(148.843)	2.235.611
Property, plant, and equipment, net	2.201.811	1.859	1.323	–	–	414	–	2.205.407
Assets limited as to use, less current portion	64.633	8.462	9.009	–	1.254	–	88.916	172.274
Other assets	71.146	64	5.551	–	–	295	–	77.056
Intercompany receivables	59.857	–	–	–	1.081	204.443	(265.381)	–
Total assets	$ 4.622.914	$ 10.835	$ 21.629	$ 62.067	$ 90.169	$ 208.042	$ (325.308)	$ 4.690.348
Liabilities and net assets								
Current liabilities								
Accounts payable	$ 154.950	$ 410	$ 580	$ 210	$ 116	$ 3.202	$ (325)	$ 159.143
Accrued payroll and related expenses	186.920	44	780	–	73	3.071	(73)	190.815
Other accrued expenses	89.238	760	4.692	–	–	8.160	(2.493)	100.357
Current portion of long term debt, including capital lease obligations	40.258	–	–	–	–	–	–	40.258
Long term debt subject to liquidity	103.585	–	–	–	–	–	–	103.585
Total current liabilities	574.951	1.214	6.052	210	189	14.433	(2.891)	594.158
Long term debt, including capital lease obligations	1.640.466	–	–	–	–	–	426	1.640.892
Other long term obligations	211.901	7.534	–	49.096	595	–	(49.691)	219.435
Intercompany payables	12.107	10.261	14.520	12.641	–	198.756	(248.285)	–
Total liabilities	2.439.425	19.009	20.572	61.947	784	213.189	(300.441)	2.454.485
Net assets, including noncontrolling interests	2.183.489	(8.174)	1.057	120	89.385	(5.147)	(24.867)	2.235.863
Total liabilities and net assets	$ 4.622.914	$ 10.835	$ 21.629	$ 62.067	$ 90.169	$ 208.042	$ (325.308)	$ 4.690.348

Memorial Hermann Health System

Combined Statement of Operations and Changes in Net Assets

Year Ended June 30, 2013

	Healthcare Operations	University Place	Health Plan	The Health Professionals Insurance Company	Memorial Hermann Foundation	Other Supporting Operations	Reclasses and Eliminations	Memorial Hermann Health System
Revenues, gains and other support								
Net patient service revenue before bad debt	$ 4,047,849	$ –	$ –	$ –	$ –	$ 5	$ (24,849)	$ 4,023,005
Provision for bad debts	(633,975)	–	–	–	–	(197)	–	(634,172)
Net patient service revenue	3,413,874	–	–	–	–	(192)	(24,849)	3,388,833
Other revenue	160,553	6,020	26,276	7,009	4,104	13,349	(27,654)	189,657
Total revenues, gains, and other support	3,574,427	6,020	26,276	7,009	4,104	13,157	(52,503)	3,578,490
Expenses								
Salaries, benefits, and related personnel costs	1,560,474	1,481	11,939	–	2,203	10,708	(25,073)	1,561,732
Services and other	948,632	3,124	20,552	10,593	1,499	17,592	(29,379)	972,613
Supplies and medicines	578,985	741	992	–	401	529	(8)	581,640
Depreciation and amortization	218,260	183	229	–	–	2,194	–	220,866
Interest	75,828	–	–	–	–	–	(41)	75,787
Total expenses	3,382,179	5,529	33,712	10,593	4,103	31,023	(54,501)	3,412,638
Operating income	192,248	491	(7,436)	(3,584)	1	(17,866)	1,998	165,852
Nonoperating activities								
Investment income, including interest rate swaps	83,159	275	8	3,584	–	–	(3,624)	83,402
Loss on bond refunding	(83,481)	–	–	–	–	–	–	(83,481)
Revenues attributable to noncontrolling interest	(27,186)	–	–	–	–	–	–	(27,186)
Other income, net	3,137	–	865	–	–	–	46	4,048
Revenues in excess of (less than) expenses	167,877	766	(6,563)	–	1	(17,866)	(1,580)	142,635
Other changes in net assets								
Change in unfunded pension obligation	55,162	–	–	–	–	–	–	55,162
Change in noncontrolling interests	1,553	–	–	–	–	–	–	1,553
Contributions and grants received and other changes in net assets	12,879	–	5,331	–	6,293	1	(2,404)	22,100
Change in net assets	237,471	766	(1,232)	–	6,294	(17,865)	(3,984)	221,450
Net assets at beginning of year	1,946,018	(8,940)	2,289	120	83,091	12,718	(20,883)	2,014,413
Net assets at end of year	$ 2,183,489	$ (8,174)	$ 1,057	$ 120	$ 89,385	$ (5,147)	$ (24,867)	$ 2,235,863

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