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Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

1

Briefly describe the organization's mission

Improve the health of our patients and community through innovation and excellence in care, education, research and service

2

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

YesNo

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?

YesNo

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 \$ 279,730,230 including grants of \$ 3,000 ) (Revenue \$ 378,211,173 )

Indiana University Health Bloomington, Inc ("IU Health Bloomington") is a 293-bed full service hospital that offers a broad range of services to care for its patients without regard to their ability to pay IU Health Bloomington provides leading-edge care to patients in south-central Indiana Through its dedication to quality and innovation, IU Health Bloomington has earned a multitude of accreditations, awards, and certifications in its pursuit of improving the health of its patients and community

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 ▶ 279,730,230

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 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f	No
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 other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	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? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☐

		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	335			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	3,244			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? <i>If "No" to line 3b, provide an explanation in Schedule O.</i>	3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a				No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7 Organizations that may receive deductible contributions under section 170(c).						
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	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	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> 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? <b>Note.</b> 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? <i>If "No," provide an explanation in Schedule O.</i>	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 or note to any line 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 . . . . .	19	
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O		
1b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	13	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body? . . . . .	8a	Yes
8b	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
10b	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
12b	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	12b	Yes
12c	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?		
15a	a The organization's CEO, Executive Director, or top management official . . . . .	15a	Yes
15b	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
16b	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 IN
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization BROC BUDDE 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 (317) 962-4575

Check if Schedule O contains a response or note to any line in this Part VII . . . . . ☐

**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

[illegible]



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	▼			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	▼			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	▼	3,483,213	1,822,266	1,420,659

2 Total number of individuals (including but not limited to those list  
\$100,000 of reportable compensation from the organization. 116

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

## Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
PREMIER HEALTHCARE LLC, 550 S LANDMARK AVE BLOOMINGTON IN 47403	MEDICAL	3,199,165
WEDDLE BROTHERS BUILDING GROUP LLC, PO BOX 1330 BLOOMINGTON IN 47402	CONSTRUCTION	2,111,636
MAYO COLLABORATIVE SERVICES INC, PO BOX 1787 MINNEAPOLIS MN 55480	LABORATORY	1,158,609
IU HEALTH CARE ASSOCIATES INC, 950 N MERIDIAN ST STE 800 INDIANAPOLIS IN 46204	MEDICAL	878,213
TOTAL RENAL CARE INC, PO BOX 8500-1607 PHILADELPHIA PA 19178	MEDICAL	725,230

**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 ▶19

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . . 1a				
	b	Membership dues . . . . . 1b				
	c	Fundraising events . . . . . 1c				
	d	Related organizations . . . . . 1d				
	e	Government grants (contributions) 1e	1,558,919			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	153,963			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f . . . . .	1,712,882			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE				
		Business Code				
		621110	286,259,383	286,259,383	0	0
	b	REFERENCE LABORATORY	87,557,187	84,682,909	2,874,278	
	c	INCOME (LOSS) FROM PASS-THROUGH ENTITIES	532000	2,145,600	1,967,513	178,087
	d	ELECTRONIC HEALTH RECORDS INCENTIVE	900099	1,898,609		
	e	SHARED SERVICES	541900	309,214	280,834	28,380
	f	All other program service revenue	41,180	41,180		0
Other Revenue	g	Total. Add lines 2a-2f . . . . .	378,211,173			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . .	2,374,934			2,374,934
	4	Income from investment of tax-exempt bond proceeds . . . . .	0			
	5	Royalties . . . . .	0			
	6a	(i) Real				
		(ii) Personal				
		698,079				
	b	Less rental expenses				
	c	Rental income or (loss)	698,079	0		
	d	Net rental income or (loss) . . . . .	698,079		239,171	458,908
	7a	(i) Securities				
		(ii) Other				
		33,563,111	163,897			
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)	33,563,111	163,897		
	d	Net gain or (loss) . . . . .	33,727,008			33,727,008
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .				
	a					
	b	Less direct expenses . . . . . b				
	c	Net income or (loss) from fundraising events . . . . .	0			
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .				
	a					
	b	Less direct expenses . . . . . b				
	c	Net income or (loss) from gaming activities . . . . .	0			
	10a	Gross sales of inventory, less returns and allowances . . . . .				
	a					
	b	Less cost of goods sold . . . . . b				
	c	Net income or (loss) from sales of inventory . . . . .	0			
		Miscellaneous Revenue	Business Code			
	11a	CAFETERIA/FOOD SERVICE	722210	1,397,451		1,397,451
	b	VENDING	900099	280,153		280,153
	c	EDUCATION	900099	74,795		74,795
	d	All other revenue . . . . .		3,139,625		3,139,625
	e	Total. Add lines 11a-11d . . . . .	4,892,024			
	12	Total revenue. See Instructions . . . . .	421,616,100	375,130,428	3,319,916	41,452,874

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 or note to any line 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.	3,000	3,000		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	2,656,773	2,125,418	531,355	
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.	124,191,445	99,353,156	24,838,289	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	10,356,678	8,285,342	2,071,336	
9	Other employee benefits.	20,042,834	16,034,267	4,008,567	
10	Payroll taxes.	9,544,563	7,635,650	1,908,913	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	233,958		233,958	
c	Accounting.	252,029		252,029	
d	Lobbying.	12,477		12,477	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	217,038		217,038	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	22,731,958	18,185,566	4,546,392	
12	Advertising and promotion.	1,640,103	1,312,082	328,021	
13	Office expenses.	2,611,599	2,089,279	522,320	
14	Information technology.	6,579,156	5,263,325	1,315,831	
15	Royalties.	0			
16	Occupancy.	10,249,707	8,199,766	2,049,941	
17	Travel.	763,627	610,902	152,725	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	1,739,208	1,391,366	347,842	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	16,813,542	13,450,834	3,362,708	
23	Insurance.	1,934,930	1,547,944	386,986	
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	DRUGS AND MEDICAL SUPPLIES	57,751,805	57,751,805		
b	BAD DEBT	22,393,590	22,393,590		
c	NONCAPITALIZED EQUIPMENT	3,298,385	2,638,708	659,677	
d	UBI TAX (REFUND)	254,301		254,301	
e	All other expenses	14,308,056	11,458,230	2,849,826	
25	Total functional expenses. Add lines 1 through 24e.	330,580,762	279,730,230	50,850,532	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		20,538	1	0
	2	Savings and temporary cash investments		74,516,157	2	6,042,571
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		40,270,826	4	46,223,552
	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		5,373,660	8	2,809,771
	9	Prepaid expenses and deferred charges		4,794,621	9	4,971,820
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a383,099,756			
	b	Less accumulated depreciation	10b272,575,538	120,313,564	10c	110,524,218
	11	Investments—publicly traded securities		119,514,186	11	180,739,011
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		3,471,638	13	3,891,502
	14	Intangible assets		3,583,576	14	3,583,576
	15	Other assets See Part IV, line 11		14,017,873	15	18,903,613
	16	Total assets. Add lines 1 through 15 (must equal line 34)		385,876,639	16	377,689,634
Liabilities	17	Accounts payable and accrued expenses		35,525,268	17	23,249,339
	18	Grants payable		0	18	0
	19	Deferred revenue		13,826	19	0
	20	Tax-exempt bond liabilities		44,759,686	20	0
	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		3,113,941	23	6,203,495
	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		37,498,877	25	10,033,455
	26	Total liabilities. Add lines 17 through 25		120,911,598	26	39,486,289
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		260,860,194	27	333,386,021
	28	Temporarily restricted net assets		3,470,216	28	4,182,693
	29	Permanently restricted net assets		634,631	29	634,631
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> 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		264,965,041	33	338,203,345
	34	Total liabilities and net assets/fund balances		385,876,639	34	377,689,634

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	421,616,100
2	Total expenses (must equal Part IX, column (A), line 25)	2	330,580,762
3	Revenue less expenses Subtract line 2 from line 1	3	91,035,338
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	264,965,041
5	Net unrealized gains (losses) on investments	5	-17,633,514
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	1,000
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-164,520
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	338,203,345

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

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



**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			
STEVEN D DECKARD  VP, HR	50 0 0 0				X			200,898	0	60,092
LARRY R BAILEY  VP	8 0 32 0				X			48,528	194,111	59,172
LEE MCKINLEY MD  STAFF PHYSICIAN	50 0 0 0					X		296,067	0	62,974
AMARTYADEV GOSWANI MD  STAFF PHYSICIAN	50 0 0 0					X		294,945	0	39,933
CHARLES X MCCALLA MD  STAFF PHYSICIAN	50 0 0 0					X		252,634	0	58,752
A PERRY GRIFFITH MD  STAFF PHYSICIAN	50 0 0 0					X		234,583	0	29,469
MARK S MUNRO MD  STAFF PHYSICIAN	50 0 0 0					X		225,450	0	11,256

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.**  
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at**  
***www.irs.gov/form990.***

OMB No 1545-0047

2013

Open to Public Inspection

<b>Name of the organization</b> INDIANA UNIVERSITY HEALTH BLOOMINGTON INC	<b>Employer identification number</b> 35-1720796
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Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

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									

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2013



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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2012 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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).

<b>Facts And Circumstances Test</b>

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527  
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**  
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization  
INDIANA UNIVERSITY HEALTH BLOOMINGTON INC

Employer identification number  
35-1720796

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

- 1

Provide a description of the organization’s direct and indirect political campaign activities in Part IV
- 2

Political expenditures

▶ \$
- 3

Volunteer hours

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

- 1

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

▶ \$
- 2

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

▶ \$
- 3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year?

☐ Yes

☐ No
- 4a

Was a correction made?

☐ Yes

☐ No
- b

If "Yes," describe in Part IV

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

- 1

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

▶ \$
- 2

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

▶ \$
- 3

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

▶ \$
- 4

Did the filing organization file **Form 1120-POL** for this year?

☐ Yes

☐ No
- 5

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		12,477
j	Total. Add lines 1c through 1i.			12,477
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
Schedule C, Part II-B, Line 1i - Other Activities	Indiana University Health Bloomington, Inc. ("IU Health Bloomington") paid institutional membership dues to the American Hospital Association ("AHA"), Indiana Hospital Association ("IHA"), and Safety Net Hospitals for Pharmaceutical Access ("SNHFPA") during 2013 in the amount of \$36,854, \$56,770, and \$4,350, respectively. Each membership organization notified IU Health Bloomington that a portion of the dues it paid were used for lobbying purposes. The AHA used 23.98%, or \$8,838 of 2013 membership dues paid by IU Health Bloomington, for lobbying expenditures. The IHA used 5.26%, or \$2,986 of the 2013 membership dues paid by IU Health Bloomington, for lobbying expenditures. The SNHFPA used 15%, or \$653 of the 2013 membership dues paid by IU Health Bloomington, for lobbying expenditures. The total membership dues paid to these organizations by IU Health Bloomington during 2013 that were attributable to lobbying expenditures was \$12,477.

## Part IV

## Return Reference

### Explanation

SCHEDULE D  
(Form 990)

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. ▶ Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

<b>Name of the organization</b> INDIANA UNIVERSITY HEALTH BLOOMINGTON INC	<b>Employer identification number</b>  35-1720796
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area

☐ Protection of natural habitat ☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_



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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	4,104,847	3,571,184	4,313,701	4,108,745	3,703,110
b Contributions	712,477	533,663		204,956	405,635
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs			742,517		
f Administrative expenses					
g End of year balance	4,817,324	4,104,847	3,571,184	4,313,701	4,108,745

2

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

a

Board designated or quasi-endowment

0 %

b

Permanent endowment

13 174 %

c

Temporarily restricted endowment

86 826 %

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

3a

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

(i) unrelated organizations

3a(i)

Yes

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. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		19,707,250		19,707,250
b Buildings		157,624,719	108,771,217	48,853,502
c Leasehold improvements		6,201,448	4,564,206	1,637,242
d Equipment		196,628,694	159,240,115	37,388,579
e Other		2,937,645		2,937,645
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				110,524,218



**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

**Part XIII Supplemental Information**

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.

Return Reference	Explanation
Schedule D, Part V, Line 4 - Intended Uses of Org 's Endowment Funds	Temporarily and permanently restricted net assets are generally restricted for indigent and other patient care services, medical education and research programs, and medical supplies and equipment
Schedule D, Part X, Line 2 - FIN 48 (ASC 740) Footnote	Indiana University Health Bloomington, Inc. is a subsidiary in the consolidated financial statement of Indiana University Health, Inc., which adopted FIN 48 in 2007. No disclosures were required in 2013 under GAAP as Indiana University Health, Inc. does not have any material tax contingencies that required disclosures in the footnotes.

[illegible]

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.  
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
INDIANA UNIVERSITY HEALTH BLOOMINGTON INC

Employer identification number  
35-1720796

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . . .		13,595	12,184,093		12,184,093	3 950 %
b Medicaid (from Worksheet 3, column a) . . . . .		43,791	49,596,860	32,757,062	16,839,798	5 460 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .		4,064	2,729,356	2,395,906	333,450	0 110 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .		61,450	64,510,309	35,152,968	29,357,341	9 520 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .	35	58,418	1,899,829	245,991	1,653,838	0 540 %
f Health professions education (from Worksheet 5) . . . . .	3	3,097	349,752	7,422	342,330	0 110 %
g Subsidized health services (from Worksheet 6) . . . . .	3	20,544	23,110,980	18,382,406	4,728,574	1 530 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	4	32,323	402,510	356,360	46,150	0 010 %
j <b>Total</b> Other Benefits . . . . .	45	114,382	25,763,071	18,992,179	6,770,892	2 190 %
k <b>Total.</b> Add lines 7d and 7j . . . . .	45	175,832	90,273,380	54,145,147	36,128,233	11 710 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support	2	22	741		741	
4Environmental improvements	1	4	350		350	
5Leadership development and training for community members						
6Coalition building	1	597	21,394	8,949	12,445	
7Community health improvement advocacy	1	50	3,900	1,319	2,581	
8Workforce development						
9Other						
10Total	5	673	26,385	10,268	16,117	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

No

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

2

6,955,519

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

0

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements

Section B. Medicare

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

5

76,266,307

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

6

102,199,535

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

7

-25,933,228

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1S IN SURGERY CTR LLC	OUTPATIENT SURGERY	45.000 %	0 %	55.000 %
2S IN RADIOLOG ASSOC	RADIOLOGICAL SERVICES	50.000 %	0 %	50.000 %
3BLOOMINGTON ENDO CTR	GASTROINTESONAL TREATMENT	51.000 %	0 %	49.000 %
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, primary website address, and state license number

		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
	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 )  
IU HEALTH BLOOMINGTON HOSPITAL

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>HTTP //IUHEALTH ORG/GETSTRONG/</u>		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> 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 as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		



Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . 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	10	Yes
11	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care 200 % If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input checked="" type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance? . . . . .	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input checked="" type="checkbox"/> 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 individual's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
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 individual's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

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 individuals regarding the individuals' bills
- d

☒

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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



Part V

Facility Information (continued)

Section D. 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? 7

Name and address	Type of Facility (describe)
1 IUH BLOOMINGTON HOSP COMM HEALTH SVCS 333 E MILLER DR BLOOMINGTON,IN 47401	COMMUNITY HEALTH SERVICES
2 IUH BLOOMINGTON HOSP HOME HEALTH SVCS 333 E MILLER DR BLOOMINGTON,IN 47401	HOME HEALTH AGENCY
3 IUH BLOOMINGTON HOSP HOME MED EQUIP 1355 W BLOOMFIELD RD STE 4 BLOOMINGTON,IN 47403	DURABLE MEDICAL EQUIPMENT AND SUPPLIES
4 IUH BLOOMINGTON HOSPITAL HOSPICE 619 W FIRST ST BLOOMINGTON,IN 47403	HOSPICE
5 IUH BLOOMINGTON HOSP CTR OCCUP HEALTH 3443 W THIRD ST BLOOMINGTON,IN 47404	OCCUPATIONAL HEALTH PROGRAM
6 IUH BLOOMINGTON HOSP PROMPTCARE WEST 3443 W THIRD ST BLOOMINGTON,IN 47404	URGENT CARE CENTER
7 IUH BLOOMINGTON HOSP PROMPTCARE EAST 326 S WOODCREST DR BLOOMINGTON,IN 47401	URGENT CARE CLINIC
8	
9	
10	

Part VI Supplemental Information

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
Schedule H, Part I, Line 3c - Other Factors Used in Determining Elig	Eligibility for financial assistance is determined based upon a patient's household income and number of members in the household A patient is eligible for financial assistance, when the patient's - Household income is equal to or less than 200% of the Federal Poverty Guidelines ("FPG"), or - Household income is greater than 200% of the FPG, the patient is an uninsured patient, and qualifies based on an established sliding scale Additional requirements for eligibility include - When religious doctrine prohibits individuals from accepting government assistance, such as the Amish Religion, the prerequisite of applying for Medicaid prior to applying for financial assistance will be waived - If a patient becomes uncooperative during the eligibility process, the account will be sent through the normal collection process Accounts that have been referred to collection are eligible for financial assistance dating back one year from the receipt of eligibility paperwork - Other factors may be considered in determining financial assistance eligibility, including the timeliness with which a patient provides requested documentation and consistency between reported income and expenses
Schedule H, Part I, Line 6a - C B Report Prepared by a Related Org	Indiana University Health Bloomington, Inc 's community benefit and other investments, encompassing its total community investment, are included in the IU Health Community Benefit Report which is prepared on behalf of and includes IU Health and its related hospital entities in the State of Indiana ("IU Health Statewide System") The IU Health Community Benefit Report is made available to the public on IU Health's website at <a href="http://iuhealth.org/communitybenefit/">http //iuhealth org/communitybenefit/</a> The IU Health Community Benefit Report is also distributed to numerous key organizations throughout the State of Indiana in order to broadly share the IU Health Statewide System's community benefit efforts It is also available by request through the Indiana State Department of Health or IU Health

Form and Line Reference	Explanation
Schedule H, Part I, Line 7, Column (f) - Bad Debt Expense	The amount of bad debt expense included on Form 990, Part IX, Line 25, column (A), but subtracted for purposes of calculating the percentage of total expense on Line 7, column (f) is \$22,393,590
Schedule H, Part I, Line 7 - Total Community Benefit Expense	Schedule H, Part I, Line 7, Column (f), Percent of Total Expense, is based on column (e) Net Community Benefit Expense The percent of total expense based on column (c) Total Community Benefit Expense, which does not include direct offsetting revenue, is 29.29%

Form and Line Reference	Explanation
Schedule H, Part I, Line 7g - Subsidized Health Services	Indiana University Health Bloomington, Inc does not include any costs associated with physician clinics as subsidized health services
Schedule H, Part II - Promotion of Health in Communities Served	Indiana University Health Bloomington, Inc ("IU Health Bloomington") participates in a variety of community-building activities that address the social determinants of health in the communities it serves IU Health Bloomington is a subsidiary of Indiana University Health, Inc ("IU Health") IU Health and its related hospital entities across the State of Indiana ("IU Health Statewide System") invest in economic development efforts across the state, collaborate with like-minded organizations through coalitions that address key issues, and advocate for improvements in the health status of vulnerable populations This includes making contributions to community-building activities by providing investments and resources to local community initiatives that addressed economic development, community support and workforce development Several examples include IU Health's support of the following organizations and initiatives that focus on some of the root causes of health issues, such as lack of education, employment and poverty - College Mentors for Kids - Starfish Initiative - Teach for America - United Way Additionally, through the IU Health Statewide System's team member community benefit service program, "Strength That Cares", team members across the state make a difference in the lives of thousands of Hoosiers every year For example, in 2013, almost 80 team members from IU Health gathered to help build a new home for a family as part of a Habitat for Humanity build event

Form and Line Reference	Explanation
Schedule H, Part III, Line 2 - Methodology Used to Est Bad Debt Exp	The bad debt expense of \$6,955,519 reported on Schedule H, Part III, Line 2 is reported at cost, as calculated using the cost to charge ratio methodology
Schedule H, Part III, Line 4 - Bad Debt Expense	The provision for uncollected patient accounts, for all payors, is recognized when services are provided based upon management's assessment of historical and expected net collections, taking into consideration business and economic conditions, changes and trends in health care coverage and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon accounts receivable payor composition and aging, the significance of individual payors to outstanding accounts receivable balances, and historical write-off experience by payor category, as adjusted for collection indicators. The results of the review are then used to make any modifications to the provision for uncollected patient accounts and the allowance for uncollectible accounts. In addition, Indiana University Health Bloomington, Inc ("IU Health Bloomington") follows established guidelines for placing certain past due patient balances with collection agencies. Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of IU Health Bloomington and, in certain cases, are reclassified to charity care if deemed to otherwise meet financial assistance policies of IU Health Bloomington.



Form and Line Reference	Explanation
Schedule H, Part III, Line 8 - Medicare Shortfall	<p>The Medicare shortfall reported on Schedule H, Part III, Line 7 is calculated, in accordance with the Form 990 instructions, using "allowable costs" from the Indiana University Health Bloomington, Inc ("IU Health Bloomington") Medicare Cost Report. "Allowable costs" for Medicare Cost Report purposes are not reflective of all costs associated with IU Health Bloomington's participation in Medicare programs. For example, the Medicare Cost Report excludes certain costs such as billed physician services, the costs of Medicare Parts C and D, fee schedule reimbursed services, and durable medical equipment services. Inclusion of all costs associated with IU Health Bloomington's participation in Medicare programs would significantly increase the Medicare shortfall reported on Schedule H, Part III, Line 7. IU Health Bloomington's Medicare shortfall is attributable to reimbursements that are less than the cost of providing patient care and services to Medicare beneficiaries and does not include any amounts that result from inefficiencies or poor management. IU Health Bloomington accepts all Medicare patients knowing that there may be shortfalls, therefore it has taken the position that the shortfall should be counted as part of its community benefit. Additionally, it is implied in Internal Revenue Service Revenue Ruling 69-545 that treating Medicare patients is a community benefit. Revenue Ruling 69-545, which established the community benefit standard for nonprofit hospitals, states that if a hospital serves patients with governmental health benefits, including Medicare, then this is an indication that the hospital operates to promote the health of the community.</p>
Schedule H, Part III, Line 9b - Written Debt Collection Policy	<p>If a patient cannot satisfy standard payment expectations, a financial assistance screening process for alternative sources of balance resolution is completed. Those resolutions may include a discount on charges, Medicaid enrollment, interest-free loan or application for financial assistance. If a patient does not apply for financial assistance but otherwise meets the financial assistance guidelines established by Indiana University Health Bloomington, Inc. ("IU Health Bloomington"), IU Health Bloomington will waive charges and treat the cost of services as financial assistance.</p>

Form and Line Reference	Explanation
Schedule H, Part VI, Line 2 - Needs Assessment	Communities are multifaceted and so are their health needs. Indiana University Health Bloomington, Inc. ("IU Health Bloomington") understands that the health of individuals and communities are shaped by various social and environmental factors, along with health behaviors and additional influences. IU Health Bloomington assesses the health care needs of the communities it serves by conducting a Community Health Needs Assessment ("CHNA"). This assessment includes collaboration with other community organizations such as the Monroe County Health Department, the Indiana State Department of Health, the Centers for Disease Control and Prevention and the United Way of Monroe County.
Schedule H, Part VI, Line 3 - Patient Education of Eligibility for Assist	Indiana University Health Bloomington, Inc. ("IU Health Bloomington") goes to great lengths to ensure patients know that it treats all patients regardless of their ability to pay. IU Health Bloomington shares financial assistance information with patients during the admission process, billing process, and online. Helping patients understand that financial support for their care is available is a part of IU Health Bloomington's commitment to its mission. IU Health Bloomington's financial assistance policy exists to serve those in need by providing financial relief to patients who ask for assistance after care has been provided. During the admissions process, opportunities for financial assistance are discussed with patients who are identified as self-pay (uninsured) or if they request assistance information. The patient is also provided with an Admissions Packet that outlines information regarding IU Health Bloomington's financial assistance program. Financial counselors are onsite to assist with financial concerns or questions during the patient's stay. Patient Financial Services Customer Service representatives are also available after the patient's stay to help patients apply for financial assistance, understand their bills, explain what they can expect during the billing process, accept payment (if needed), update their insurance or payor information, and update their address or other demographic information. A plain language summary of the financial assistance policy is printed on the back of each patient statement, while the financial assistance application is mailed to all IU Health Bloomington patients with a patient balance due after insurance. Additionally, on the back of each patient statement is a telephone number that allows patients the ability to request financial assistance. Uninsured patients are also made aware of this process at the time of registration. IU Health Bloomington's financial assistance policy utilizes the federal poverty guidelines to determine eligibility. The goal is to make access to quality care within a patient's reach. The IU Health Bloomington Financial Assistance policy provides the following support to patients that qualify: - Free care for those earning up to 200% percent of federal poverty guidelines, - Discounted care on a sliding scale for families earning from 200% percent of federal poverty guidelines, and Patients are guided through their course of care with particular sensitivity, reviewing changing circumstances and allowing for financial assistance at any point during the relationship and billing process. For those inpatients that may qualify for the Medicaid program and have not applied, IU Health Bloomington financial counselors will assist patients with the Medicaid application. If a patient does not apply for financial assistance, but meets the financial assistance guidelines established by IU Health Bloomington, IU Health Bloomington will waive charges and treat the cost of services as financial assistance.

Form and Line Reference	Explanation
Schedule H, Part VI, Line 4 - Community Information	<p>Indiana University Health Bloomington, Inc ("IU Health Bloomington") is located in Monroe County, Indiana, a county located in south central Indiana. Monroe County includes ZIP codes within the towns of Bloomington, Ellettsville, and Unionville. Based on the most recent Census Bureau (2010) statistics, Monroe County's population is 137,974 persons with approximately 50% being female and 50% male. The county's population estimates by race are 85.8% White, 3.1% Hispanic or Latino, 3.4% Black, 5.6% Asian, 0.3% American Indian or Alaska Native, and 2.3% persons reporting two or more races. Monroe County has relatively high levels of educational attainment, as compared to other Indiana counties. Almost half of the population had an associate's, bachelor's or graduate/professional degree, a percentage that has increased slightly since 2000 (44.5% to 48%). An additional 18.8% had some college, but no degree. As of 2010, 24.3% of the population was a high school graduate or equivalent, however, this percentage has decreased by 1.9% since 2000.</p>
Schedule H, Part VI, Line 5 - Promotion of Community Health	<p>Indiana University Health Bloomington, Inc ("IU Health Bloomington") invests in its community to improve the quality of life of its community members. Several community benefit highlights are described below. In 2013, IU Health Bloomington continued outreach through its Get Onboard Active Living ("G O A L ") program. This family-focused community initiative targets childhood obesity by helping children and families live healthier lives. In May, the hospital hosted a preschool family night aimed at teaching both parents and children the basics of good childhood nutrition. More than 60 people attended the event. In addition, IU Health Bloomington launched its first after-school program affiliated with G O A L. This program, G O A L University, was piloted in five elementary schools in 2013 and impacted more than 175 children in the Bloomington Area. Collaborating with local school systems, IU Health Bloomington also sponsored "School Gardens", a program with a two-fold benefit to the community. The School Gardens program builds on-site, raised bed gardens for local schools to plant and harvest organic vegetables. Through a curriculum developed by the hospital, schools use the gardens to enhance learning in science and math. The harvested produce is then donated to a local food pantry to increased access to fresh fruits and vegetables. The Alzheimer's Resources Service, a part of the IU Health Bloomington Community Health Department, facilitated a training program for families and caregivers to help them understand the experience of living with dementia. This "Virtual Dementia Tour" is designed to simulate the perceptual experiences and communication difficulties associated with dementia. More than 60 caregivers attended these events in 2013. IU Health Bloomington also launched the "I'm Not a Runner" walking group in 2013 as a way to motivate the community to stay active. Each week, nearly 20 individuals participated in the event, which began in April and was co-sponsored by the City of Bloomington and Indiana Running Company.</p>

Form and Line Reference	Explanation
Schedule H, Part VI, Line 6 - Affiliated Health Care System	<p>Indiana University Health Bloomington, Inc is part of the IU Health Statewide System The IU Health Statewide system is Indiana's most comprehensive healthcare system A unique partnership with the Indiana University School of Medicine ("IU School of Medicine"), one of the nation's leading medical schools, gives patients access to innovative treatments and therapies IU Health is comprised of hospitals, physicians and allied services dedicated to providing preeminent care throughout Indiana and beyond National Recognition - Six hospitals designated as Magnet by the American Nurses Credentialing Center recognizing excellence in nursing care - Named to the 2013-2014 U S News &amp; World Report's Best Hospitals Honor Roll, their highest distinction - Eleven adult clinical programs ranked among the top 50 national programs in U S News &amp; World Report - Ten pediatric clinical programs ranked among the top 50 national programs in the U S News &amp; World Report Education and Research As an academic health center, IU Health works in partnership with the IU School of Medicine to train physicians, blending breakthrough research and treatments with the highest quality of patient care Research conducted by IU School of Medicine faculty gives IU Health physicians and patients access to the most leading-edge and comprehensive treatment options Collaborative Strategic Research Initiative Conceived by IU Health and the IU School of Medicine in 2012, the Strategic Research Initiative aims to enhance the institutions' joint capabilities in fundamental scientific investigation, translational research and clinical trials targeting innovative treatments for disease The two organizations committed to invest \$150 million over five years to this new research collaboration Established in 2013, the Center for Innovation and Implementation Science is partially supported by the Strategic Research Initiative The new center, launched by the IU School of Medicine and the Indiana Clinical and Translational Sciences Institute, focuses on increasing efficacy and reducing costs at IU Health With oversight of four specialized research and discovery units managed by IU School of Medicine researchers, the center will address problems with the potential to reduce costs or generate new revenue estimated at \$5 million per year or more IU Health Statewide System IU Health is a part of the IU Health Statewide System which continues to broaden its reach and positive impact throughout the state of Indiana IU Health is Indiana's most comprehensive academic health center and consists of IU Health Methodist Hospital, IU Health University Hospital, Riley Hospital for Children at IU Health, and IU Health Saxony Hospital Other hospitals in the IU Health Statewide System include the following - IU Health Arnett Hospital - IU Health Ball Memorial Hospital - IU Health Bedford Hospital - IU Health Blackford Hospital - IU Health Bloomington Hospital - IU Health Goshen Hospital - IU Health La Porte Hospital - IU Health Morgan Hospital - IU Health North Hospital - IU Health Paoli Hospital - IU Health Starke Hospital - IU Health Tipton Hospital - IU Health West Hospital - IU Health White Memorial Hospital Although each hospital in the IU Health Statewide System prepares and submits its own community benefits plan relative to the local community, the IU Health Statewide System considers its community benefit plan as part of an overall vision for strengthening Indiana's overall health A comprehensive community outreach strategy and community benefit plan is in place that encompasses the academic medical center downtown Indianapolis, suburban Indianapolis and statewide entities around priority areas that focus on health improvement efforts statewide IU Health is keenly aware of the positive impact it can have on the communities of need in the state of Indiana by focusing on the most pressing needs in a systematic and strategic way Some ways we address our community health priorities as a system include IU Health Day of Service The annual IU Health Day of Service is a high-impact, one-day event aimed at engaging IU Health team members in activities that address an identified community outreach priority Tackling the issue of obesity in the communities IU Health serves, the fifth annual Day of Service in 2013 focused on leaving behind key physical assets to help meet a statewide need for more venues for physical activity and recreation During the 2013 Day of Service - More than 1,500 IU Health team members gave their time to improve walking trails and park assets, which serve more than 63,000 residents across the state - 19 community parks were enhanced, IU Health team members spread mulch around play equipment to help ensure safety, put fresh coats of paint on park structures, and improved landscaping to boost aesthetic appeal - 40 fitness stations were installed to provide community members opportunities for fitness at parks - 300 sports balls were inflated and donated to the Indiana Sports Corporation to give more children equipment to support play and physical activity - IU Health Physicians also hosted a Day of Service called "Give Back Day," featuring 15 interactive stations located along a walking path that promoted fun, health-related family-friendly activities Participants enjoyed "walk with a doc," yoga, volleyball, cardio drumming and Zumba The event also featured a taste test of healthy snacks Fifty-two team members from IU Health Physicians, including 27 physicians, volunteered their time to engage in healthy activities with fellow community members Kindergarten Countdown As one of IU Health's signature programs and collaboration with United Way, Kindergarten Countdown helps hundreds of soon-to-be kindergartners improve their readiness for school In addition to providing health screenings and vaccinations to students, the program offers assistance to parents in registering their kindergartners for school Kindergarten Countdown summer camps are designed to provide at-risk youngsters the basic skills they need to succeed in their first year of school From "Get Ready to Read" pre- and post-tests, campers in the IU Health camps achieved a 21 percent average increase in scores from the beginning of the four-week camp to the end The program also creates positive impact by increasing awareness of kindergarten readiness, improving parent engagement and strengthening relationships between volunteers and team members at hospitals, schools and community organizations Clinical Research Clinical trials are conducted at the following IU Health locations Academic Health Center (IU Health Methodist Hospital, IU Health University Hospital, and Riley Hospital for Children at IU Health), IU Health Arnett Hospital, IU Health Bloomington Hospital, IU Health La Porte Hospital, IU Health North Hospital, IU Health Saxony Hospital and IU Health West Hospital There were approximately 2,200 clinical trials conducted in 2013 at IU Health Methodist Research Institute ("MRI") The Biorepository at MRI, under IRB approval, collects human biological materials (blood, bone, tissue, urine) vital for medical research to provide the best way to study a variety of diseases and their potential treatments Basic science researchers at MRI publish the results of their innovative grant-supported research in prestigious peer-reviewed journals Their work has been recognized both nationally and internationally as they participate in system-wide collaborative efforts within IU Health as well as with the IU School of Medicine Community Health Initiatives With investments in high-quality and impactful initiatives to address community health needs statewide, IU Health is helping Indiana residents improve their health and their quality of life In 2013, IU Health impacted many people statewide through presentations, health risk screenings, health education programs, and additional health educational opportunities made available to the community, especially to our community members in the greatest need of such services Examples of the types of programming and investment we make in the five community outreach areas include Access to Healthcare One of the first steps to improved health outcomes is having access to healthcare resources To show its commitment to providing affordable healthcare access, IU Health treats all patients regardless of their ability to pay IU Health is also working to raise awareness and works to identify individuals within our communities that have barriers to care and connect these individuals with better access and consistency of healthcare resources to meet their needs Some ways that these IU Health hospitals address Access to Healthcare include Veggies and Vaccines Leveraging existing partnerships from the successful IU Health Garden on the Go program, IU Health conducted a seasonal flu campaign for two weeks in October and November 2013 The free flu vaccines were</p>

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, line 23.  
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
INDIANA UNIVERSITY HEALTH BLOOMINGTON INC

Employer identification number  
35-1720796

Part I

Questions Regarding Compensation

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

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.

Return Reference	Explanation
Schedule J, Part I, Line 4b - Supplemental Nonqualified Retirement Plan	Mark E. Moore, James J. Myers, Kenneth E. Marshall, M.D., Ruth Ann Morris, R.N., Mark W. McMath, Steven D. Deckard, and Charles X. McCalla, M.D. participate in a supplemental executive retirement plan, provisions of which are designed to retain these critical employees. The plan provides for an additional retirement benefit for service through normal retirement or other key dates. If the executive leaves prior to retirement or other key dates, the benefit may be forfeited or reduced. With the exception of Ruth Ann Morris, R.N., each executive has an amount included in column c, deferred compensation, representing the current year increase in the accrued benefit and/or current year contribution. No amount was actually paid to these executives during the year. For Ruth Ann Morris, R.N., \$251,367 is included in column b(III), other reportable compensation, representing the amount received under her vested supplemental executive retirement plan. Daniel F. Evans, Jr. participates in a supplemental executive retirement plan of Indiana University Health, Inc., provisions of which are designed to retain its critical employees. The plan provides for an additional retirement benefit for service through normal retirement or other key dates. If the executive leaves prior to retirement or other key dates, the benefit may be forfeited or reduced. For Daniel F. Evans, Jr., the amount of this benefit has been included in column c, deferred compensation, representing the current year increase in the accrued benefit and/or current year contributions. No amount was actually paid to him during the year.
Schedule J, Part I, Line 7 - Non-Fixed Payments	Amounts disclosed in Column B(II) include incentives for certain executives. As part of Indiana University Health Bloomington, Inc.'s ("IU Health Bloomington") executive compensation plan, annual goals are set for each member of the senior leadership group with each member's annual incentive determined upon the degree of successful completion of his or her set goals. Any incentive payouts are made in the form of a lump sum payment and do not affect the executive's base pay. Alternatively, the executive may elect to defer any or all of the incentive compensation through IU Health Bloomington's 457(f) plan, subject to any plan restrictions. Any incentive amounts for the CEO must receive approval from the Compensation Committee. All other incentive amounts must receive approval from the CEO and the Compensation Committee.
Schedule J, Part III - Daniel F. Evans, Jr. - 2009 through 2013 Forms W-2c	Indiana University Health, Inc. ("IU Health") issued 2009, 2010, 2011, 2012, and 2013 Forms W-2c to Daniel F. Evans, Jr. in order to include previously excluded premiums it paid on a life insurance policy, in which Daniel F. Evans, Jr. was the insured party and a family member was the beneficiary, as taxable compensation. Furthermore, IU Health will amend its 2010, 2011, and 2012 Forms 990 to reflect the changes in Daniel F. Evans, Jr.'s taxable compensation.

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 35-1720796  
**Name:** INDIANA UNIVERSITY HEALTH BLOOMINGTON INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
DANIEL F EVANS JR DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	1,054,492	301,421	112,206	533,606	29,361	2,031,086	0
MARK E MOORE PRESIDENT & CEO	(i)	462,746	40,323	15,268	158,635	26,768	703,740	0
	(ii)	0	0	0	0	0	0	0
JAMES J MYERS VP & CFO (PARTIAL YEAR)	(i)	249,241	29,073	18,084	84,545	20,838	401,781	0
	(ii)	0	0	0	0	0	0	0
KENNETH E MARSHALL MD VP & CMO	(i)	323,042	29,981	4,468	44,787	28,683	430,961	0
	(ii)	0	0	0	0	0	0	0
RUTH ANN MORRIS RN VP & CNO	(i)	266,685	0	266,348	72,048	20,985	626,066	0
	(ii)	0	0	0	0	0	0	0
MARK W MCMATH VP & CIO	(i)	224,297	0	552	36,984	27,855	289,688	0
	(ii)	0	0	0	0	0	0	0
STEVEN D DECKARD VP, HR	(i)	189,314	0	11,584	39,265	20,827	260,990	0
	(ii)	0	0	0	0	0	0	0
LARRY R BAILEY VP	(i)	42,567	3,951	2,010	6,229	5,605	60,362	0
	(ii)	170,266	15,805	8,040	24,917	22,421	241,449	0
LEE MCKINLEY MD STAFF PHYSICIAN	(i)	294,433	0	1,634	41,970	21,004	359,041	0
	(ii)	0	0	0	0	0	0	0
AMARTYADEB GOSWANI MD STAFF PHYSICIAN	(i)	289,972	0	4,973	11,475	28,458	334,878	0
	(ii)	0	0	0	0	0	0	0
CHARLES X MCCALLA MD STAFF PHYSICIAN	(i)	222,690	0	29,944	38,242	20,510	311,386	0
	(ii)	0	0	0	0	0	0	0
A PERRY GRIFFITH MD STAFF PHYSICIAN	(i)	234,031	0	552	10,750	18,719	264,052	0
	(ii)	0	0	0	0	0	0	0
MARK S MUNRO MD STAFF PHYSICIAN	(i)	206,953	0	18,497	10,129	1,127	236,706	0
	(ii)	0	0	0	0	0	0	0
MICHAEL L CRAIG VP & CFO (PARTIAL YEAR)	(i)	0	0	0	0	0	0	0
	(ii)	159,484	0	552	13,916	0	173,952	0



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.  
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

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**2013**  
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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?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

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

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

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PREMIER HEALTHCARE LLC	SEE PART V	3,199,165	SEE PART V		No
(2) BLOOMINGTON ANESTHESIOLOGISTS PC	SEE PART V	724,700	SEE PART V		No
(3) IUH ASSURANCE LTD	SEE PART V	991,689	SEE PART V		No
(4) IU HEALTH RISK RETENTION GROUP INC	SEE PART V	997,719	SEE PART V		No
(5) OLD NATIONAL BANK	SEE PART V	440,132	SEE PART V		No
(6) IU HEALTH SOUTHERN IN PHYSICIANS	SEE PART V	1,040,634	SEE PART V		No

**Part V Supplemental Information**

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
Schedule L, Part IV, Line 1, Columns (b) and (d) - Relation and Descrip	James V Faris, M D served as a member and partial owner of Premier Healthcare, LLC Premier Healthcare, LLC performed services for Indiana University Health Bloomington, Inc ("IU Health Bloomington") and was compensated for such services on an arm's length basis Chad A Johnson, M D and Allen W Dunn, M D served as members of Bloomington Anesthesiologists, P C Bloomington Anesthesiologists, P C performed services for IU Health Bloomington and was compensated for such services on an arm's length basis Mark E Moore served on the board of directors of IUH Assurance, Ltd and IU Health Risk Retention Group, Inc IU Health Bloomington purchased insurance from IUH Assurance, Ltd and IU Health Risk Retention Group, Inc on an arm's length basis Christopher J Kroll served as a Regional President of Old National Bank Old National Bank performed commercial and other banking services for IU Health Bloomington and was compensated for such services on an arm's length basis Lynn Coyne served on the board of directors of Indiana University Health Southern Indiana Physicians, Inc Indiana University Health Southern Indiana Physicians, Inc performed services for IU Health Bloomington and was compensated for such services on an arm's length basis

**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.**  
**▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).**

OMB No 1545-0047

**2013**

**Open to Public  
Inspection**

Name of the organization  
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**Employer identification number**

35-1720796

Return Reference	Explanation
Part VI, Section A, Line 2 - Family or Business Relationships	Daniel F Evans, Jr and Daniel J Peterson served on the board of directors of BioCrossroads Chad A Johnson, MD and Allen W Dunn, MD served as members of Bloomington Anesthesiologists, P C

Return Reference	Explanation
Part VI, Section A, Lines 6, 7a and 7b - Members or Stockholders	<p>Line 6 The sole member of Indiana University Health Bloomington, Inc ("IU Health Bloomington") is Indiana University Health, Inc ("IU Health"), a 501(c)(3) tax-exempt organization Line 7A The Board of Directors of the IU Health Bloomington shall consist of nineteen (19) directors IU Health shall appoint and may remove ten (10) members of the Board At all times (a) at least two (2) IU Health appointed directors shall be members of the hospital's active Medical Staff, (b) at least one (1) IU Health appointed director shall be a member of the IU Health Board of Directors and (c) at least one (1) IU Health appointed director shall be a senior IU Health executive Line 7B IU Health Bloomington shall not, without the prior approval of IU Health, do the following - Authorize the establishment or acquisition of any subsidiaries, affiliates or joint venture arrangements or acquisition of all or substantially all of the assets of any other business entity, - Approve or amend any operating or capital budget, - Authorize any unbudgeted operating or capital budget item or deviations, including any issuance or guarantee of any unbudgeted debt, greater than the budgeted amount by \$1 million for any individual item or \$3 million per fiscal year in the aggregate, - Authorize any agreement to act as primary obligor, or to serve as a guarantor, surety or co-obligor with respect to the indebtedness of any other person or entity, to borrow amounts from third-party lenders or to loan money to any person or entity, - Approve any strategic plans and amendments thereto, which will be integrated with IU Health's strategic plan, - Subject to a supermajority vote of the Board and any approvals required, amend or repeal its Articles of Incorporation or By-Laws in any manner, including without limitation any change relating to the nonprofit purposes of the hospital, - Subject to a supermajority vote of the Board, authorize any merger, consolidation, reorganization, sale or transfer of all or substantially all of its assets, - Subject to a supermajority vote of the Board, authorize any voluntary declaration of bankruptcy, plan of dissolution, liquidating distribution of assets or other action related to its dissolution or liquidation, - Subject to a supermajority vote of the Board, authorize any pledge of, or grant any security interest or mortgage in, or otherwise encumber, any tangible assets in excess of \$1 million for any individual pledge, grant or encumbrance or \$3 million per fiscal year in the aggregate, other than in the ordinary course of business or pursuant to an approved budget, or - Subject to a supermajority vote of the Board, approve any management agreement for the management of all or a substantial part of the hospital's or any of its affiliate's operations</p>

Return Reference	Explanation
Part VI, Section B, Line 11b - Review of Form 990	Indiana University Health Bloomington, Inc. has established the following process for reviewing Form 990. The Form 990 and related schedules are reviewed by the Chief Financial Officer. After the Chief Financial Officer approves the Form 990 and related schedules, a finalized complete Form 990 is made available to each board member on a protected intranet site prior to filing the form with the IRS. Each member is informed of the availability of the tax department to answer any questions.

Return Reference	Explanation
Part VI, Section B, Lines 12, 13, 14, and 16 - Policies	Indiana University Health Bloomington, Inc ("IU Health Bloomington") is part of the Indiana University Health, Inc ("IU Health") system. As the sole member and controlling parent of IU Health Bloomington, IU Health and its board of directors have mandated that certain policies be followed to ensure greater standardization throughout the system. Thus, IU Health Bloomington's Board of Directors was not required to separately adopt a conflict of interest, whistleblower, document retention and destruction and joint venture policies because IU Health's Board of Directors had already adopted and required these policies to be followed by its subsidiaries.

Return Reference	Explanation
Part VI, Section B, Line 12c - Conflict of Interest Policy	<p>Indiana University Health Bloomington, Inc ("IU Health Bloomington") has a Conflict of Interest Policy, the purpose of which is, to protect IU Health Bloomington's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director. Each employee, including those employed by related entities, officer and member of the board of directors is required to annually sign a statement which affirms that such person (1) has received a copy of the conflict of interest policy, (2) has read and understands the policy, (3) has agreed to comply with the policy, and (4) understands and acknowledges that the Corporation is a tax-exempt organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes. The policy requires all forms be submitted for review and approval. Failure to complete and update the questionnaire and failure to disclose interests that should be disclosed, may subject the individual to disciplinary actions, including dismissal. Board members with a conflict of interest cannot participate in any decision related to that conflict.</p>

Return Reference	Explanation
Part VI, Section B, Line 15 - Process for Determining Compensation	<p>Indiana University Health Bloomington, Inc. has the following process for determining the compensation of its CEO/Top Management Official. IU Health Bloomington has a formal written policy governing the compensation for its CEO, CFO, and all other members of its senior leadership group ("SLG"). The policy provides that the compensation and/or benefits for the SLG are to be reviewed on an annual basis, with any changes approved, by the Compensation Committee. The Compensation Committee is comprised of independent members and members of IU Health Bloomington's administrative staff shall not be present while discussions are being held. Any proposed changes in compensation and/or benefits for the SLG that come before the Compensation Committee are required to be reasonable and market competitive based upon market comparability data supplied by an independent compensation consulting firm directly hired by the Compensation Committee. Written minutes of the Compensation Committee's meetings shall be kept, containing a list of the members involved in the decision-making process, documentation of the independence of such members, and what decisions were made. Following approval by the Compensation Committee, any changes are then disclosed to the Board of Directors at its next regularly scheduled meeting.</p>



Return Reference	Explanation
Part VI, Section C, Line 19 - Public Disclosure	Indiana University Health Bloomington, Inc 's ("IU Health Bloomington") Articles of Incorporation are available to the public through the Indiana Secretary of State's web-site IU Health Bloomington's conflict of interest policy is described on Form 990, Schedule O IU Health Bloomington is a consolidated subsidiary in the consolidated financial statements for Indiana University Health, Inc ("IU Health") The consolidated financial statements for IU Health are available to the public through its bond filings

Return Reference	Explanation
Part IX, Line 11g - Other Fees for Services	Line 11g includes amounts paid for the following Shared Services/Professional Fees \$22,731,958

Return Reference	Explanation
Part XI, Line 9 - Other Changes in Net Assets or Fund Balances	During 2013, Indiana University Health Bloomington, Inc. recorded the following other changes in net assets or fund balances: Change in Pension Obligation: \$26,713,846; Change in Interest in Net Assets of Foundation: \$712,477; Equity Transfers (Additional Paid-in-Capital): -\$27,590,843.

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.  
▶ Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
INDIANA UNIVERSITY HEALTH BLOOMINGTON INC

Employer identification number  
35-1720796

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

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

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

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

No

1b

Yes

1c

No

1d

No

1e

Yes

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

No

1l

No

1m

Yes

1n

No

1o

No

1p

No

1q

No

1r

Yes

1s

Yes

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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Additional Data

Software ID:

Software Version:

EIN: 35-1720796

Name: INDIANA UNIVERSITY HEALTH BLOOMINGTON INC

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) CLARIAN TRANSPLANT INSTITUTE INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 13-4350599	HEALTHCARE	IN	501(C)(3)	9	IUH	Yes	
(1) GOSHEN HEALTH SYSTEM INC  200 HIGH PARK AVE GOSHEN, IN 46527 35-1974765	HEALTHCARE	IN	501(C)(3)	11 I	IUH	Yes	
(2) GOSHEN HOSPITAL ASSOCIATION INC  200 HIGH PARK AVE GOSHEN, IN 46527 35-6001540	HEALTHCARE	IN	501(C)(3)	3	GHS	Yes	
(3) HEALTHLINC INC  714 S ROGERS ST BLOOMINGTON, IN 47403 26-3571507	HEALTHCARE	IN	501(C)(3)	9	IUHB	Yes	
(4) INDIANA RADIOLOGY PARTNERS INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 20-1017034	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(5) INDIANA UNIVERSITY HEALTH INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1955872	HEALTHCARE	IN	501(C)(3)	3	NA		No
(6) IU HEALTH ARNETT FOUNDATION INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-6079797	FUNDRAISING	IN	501(C)(3)	11 I	IUHA	Yes	
(7) IU HEALTH ARNETT INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-3162145	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(8) IU HEALTH BALL MEMORIAL HOSPITAL INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-0867958	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(9) IU HEALTH BALL MEMORIAL PHYSICIANS INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1925641	HEALTHCARE	IN	501(C)(3)	9	IUHBMH	Yes	
(10) IU HEALTH BEDFORD INC  2900 W 16TH ST BEDFORD, IN 47421 23-7042323	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(11) IU HEALTH BLACKFORD HOSPITAL INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 01-0646166	HEALTHCARE	IN	501(C)(3)	3	IUHBMH	Yes	
(12) IU HEALTH BMH FOUNDATION INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 31-1111784	FUNDRAISING	IN	501(C)(3)	11 I	IUHBMH	Yes	
(13) IU HEALTH CARE ASSOCIATES INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1747218	HEALTHCARE	IN	501(C)(3)	9	IUH	Yes	
(14) IU HEALTH LAPORTE HOSPITAL INC  PO BOX 250 LAPORTE, IN 46352 35-1125434	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(15) IU HEALTH LAPORTE PHYSICIANS INC  PO BOX 250 LAPORTE, IN 46352 31-1070868	HEALTHCARE	IN	501(C)(3)	3	IUHLH	Yes	
(16) IU HEALTH MORGAN HOSPITAL INC  2209 JOHN R WOODEN DR MARTINSVILLE, IN 46151 27-3533027	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(17) IU HEALTH NORTH HOSPITAL INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1932442	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(18) IU HEALTH PAOLI HOSP FOUNDATION INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 31-0992486	FUNDRAISING	IN	501(C)(3)	11 III-O	IUHP	Yes	
(19) IU HEALTH PAOLI INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-2090919	HEALTHCARE	IN	501(C)(3)	3	IUHB	Yes	

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						Yes	No
(21) IU HEALTH TIPTON HOSPITAL INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-2772226	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(1) IU HEALTH WEST HOSPITAL INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1814660	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(2) IU HEALTH WHITE MEMORIAL HOSPITAL INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 27-3532963	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(3) IU MEDICAL GROUP FOUNDATION INC  340 W 10TH ST NO FS5100 INDIANAPOLIS, IN 46202 20-1093251	FUNDRAISING	IN	501(C)(3)	11 II	NA		No
(4) METHODIST HEALTH FOUNDATION INC  1800 N CAPITOL AVE INDIANAPOLIS, IN 46202 35-6043086	FUNDRAISING	IN	501(C)(3)	11 I	IUH	Yes	
(5) METHODIST HEALTH GROUP INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-0876390	HEALTHCARE	IN	501(C)(3)	11 III-FI	NA		No
(6) METHODIST MEDICAL GROUP INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1945384	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(7) METHODIST OCCUP HEALTH CENTERS INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1844176	HEALTHCARE	IN	501(C)(3)	3	IUH	Yes	
(8) METHODIST RESEARCH INSTITUTE INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-2023710	HEALTHCARE	IN	501(C)(3)	11 I	IUH	Yes	
(9) MH HEALTHCARE INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1766531	HEALTHCARE	IN	501(C)(3)	3	MMG	Yes	
(10) MORGAN CO MEM HOSP FOUNDATION INC  2209 JOHN R WOODEN DR MARTINSVILLE, IN 46151 35-2035162	FUNDRAISING	IN	501(C)(3)	11 II	IUHMH	Yes	
(11) MORGAN CO MEM HOSP GUILD INC  2209 JOHN R WOODEN DR MARTINSVILLE, IN 46151 31-0886844	FUNDRAISING	IN	501(C)(3)	11 III-FI	IUHMH	Yes	
(12) MORGAN HEALTH SERVICES INC  1949 HOSPITAL DR MARTINSVILLE, IN 46151 35-1968564	HEALTHCARE	IN	501(C)(3)	3	IUHMH	Yes	
(13) IU HEALTH WHITE MEM HOSP FNTN INC  PO BOX 952 MONTICELLO, IN 47960 35-1671806	FUNDRAISING	IN	501(C)(3)	11 III-FI	IUHWMH	Yes	
(14) UNIVERSITY FAMILY PHYSICIANS INC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 23-7427350	HEALTHCARE	IN	501(C)(3)	9	IUHCA	Yes	
(15) REHABILITATION HOSPITAL OF INDIANA INC  4141 SHORE DR INDIANAPOLIS, IN 46254 35-1786005	HEALTHCARE	IN	501(C)(3)	3	MHH	Yes	
(16) RHI FOUNDATION INC  4141 SHORE DR INDIANAPOLIS, IN 46254 35-1932349	FUNDRAISING	IN	501(C)(3)	11 I	RHI	Yes	
(17) IU HEALTH GOSHEN FOUNDATION INC  200 HIGH PARK AVE GOSHEN, IN 46527 46-2565300	FUNDRAISING	IN	501(C)(3)	11 I	GHS	Yes	
(18) LAPORTE HOSPITAL FOUNDATION INC  PO BOX 250 LAPORTE, IN 46352 31-0952775	FUNDRAISING	IN	501(C)(3)	11 I	NA		No
(19) THE CHEER GUILD OF RILEY HOS FOR CHILD  705 RILEY HOSPITAL DR INDIANAPOLIS, IN 46202 35-6018517	FUNDRAISING	IN	501(C)(3)	11 III-FI	NA		No

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(41) INDIANA HEALTH INFO EXCHANGE INC  846 N SENATE AVE INDIANAPOLIS, IN 46202 36-4550324	HEALTHCARE	IN	501(C)(3)	11 I	NA		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
BALL OUTPATIENT SURGERY CENTER LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 27-0275794	HEALTHCARE	IN	BOSCH	N/A	0	0		No	0		No	0 %
BELTWAY SURGERY CENTERS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 35-2072586	HEALTHCARE	IN	BSCH	N/A	0	0		No	0		No	0 %
BLOOMINGTON ENDOSCOPY CENTERS LLC  PO BOX 1149 BLOOMINGTON, IN 47402 35-2117943	HEALTHCARE	IN	IUHB	RELATED	388,938	3,247,419		No	0		No	51 000 %
BOSC HOLDINGS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4147343	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
CARDINAL HEALTH INITIATIVES LLC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 30-0102702	PURCHASING	IN	IUHBMH	N/A	0	0		No	0		No	0 %
CHV FUND I LLC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-2523206	VENTURE CAPITAL	IN	IUH	N/A	0	0		No	0		No	0 %
CHV FUND MANAGEMENT LLC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-2523151	VENTURE CAPITAL	IN	CHV	N/A	0	0		No	0		No	0 %
CLARIAN HEALTH NETWORK LLC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-2055030	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
EAGLE HIGHLANDS SURGERY CENTER LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 35-2259204	HEALTHCARE	IN	EHSCH	N/A	0	0		No	0		No	0 %
EHSC HOLDINGS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4147879	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
HEALTH VENTURE MANAGEMENT LLC  950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 20-5740218	MANAGEMENT	IN	IUH	N/A	0	0		No	0		No	0 %
IEC HOLDINGS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4148032	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
INDIANA ENDOSCOPY CENTERS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 20-8398421	HEALTHCARE	IN	IECH	N/A	0	0		No	0		No	0 %
BSC HOLDINGS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-2314634	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
ROC SURGERY LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 27-1497960	HEALTHCARE	IN	ROCSH	N/A	0	0		No	0		No	0 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
ROCS HOLDINGS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4148369	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
SENATE STREET SURGERY CENTER LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 42-1709357	HEALTHCARE	IN	SSSCH	N/A	0	0		No	0		No	0 %
SSSC HOLDINGS LLC  3000 RIVERCHASE GALLERIA STE 500 BIRMINGHAM, AL 35244 45-4148167	HEALTHCARE	IN	IUH	N/A	0	0		No	0		No	0 %
CARDINAL HEALTH ALLIANCE LLC  2401 W UNIVERSITY AVE MUNCIE, IN 47303 35-1966281	MANAGED CARE	IN	IUHBMH	N/A	0	0		No	0		No	0 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b) (13) controlled entity?	
								Yes	No
BMH MEDICAL PAVILION ASSOCIATION INC 2525 W UNIVERSITY AVE MUNCIE, IN 47303 35-1858408	CONDO MANAGEMENT	IN	IUHBMH	C	0	0	0 %	Yes	
CARDINAL HEALTH VENTURES INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 35-1611424	MANAGEMENT	IN	IUHBMH	C	0	0	0 %	Yes	
CHV CAPITAL INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-0752507	VENTURE CAPITAL	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH ACO INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 45-4421020	HEALTHCARE	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH BOARD DESIGNATED TRUST 400 HOWARD ST SAN FRANCISCO, CA 94105 30-6309021	INVESTMENTS	IN	IUH	T	0	0	0 %	Yes	
IU HEALTH NTGI S&P500 FUND CF PO BOX 804358 CHICAGO, IL 60680 30-6298263	INVESTMENTS	IN	IUH	T	0	0	0 %	Yes	
IU HEALTH PLANS INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 26-2127080	HMO	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH RISK PURCHASING GROUP INC 151 MEETING ST STE 301 CHARLESTON, SC 29401 26-0202446	INSURANCE	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH RISK RETENTION GROUP INC 151 MEETING ST STE 301 CHARLESTON, SC 29401 20-1107674	INSURANCE	SC	IUH	C	0	0	0 %	Yes	
IU HEALTH SOUTHERN IN PHYSICIANS INC PO BOX 1149 BLOOMINGTON, IN 47402 35-1913875	HEALTHCARE	IN	IUHB	C	66,755,848	16,402,462	100 000 %	Yes	
IUH ASSURANCE LTD PO BOX 69 SOLARIS AVE GRAND CAYMAN CJ 98-0395429	INSURANCE	CJ	IUH	C	0	0	0 %	Yes	
OCC-HEALTH REVENUE SYSTEMS INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 20-3308057	WORK COMP PPO	IN	MOHC	C	0	0	0 %	Yes	
PARKMOR DRUG INC 1501 S MAIN ST GOSHEN, IN 46526 13-1394980	PHARMACY SALES	IN	GHS	C	0	0	0 %	Yes	
PILR INC 200 HIGH PARK AVE GOSHEN, IN 46526 20-4294750	DEVELOPMENT	IN	GHS	C	0	0	0 %	Yes	
RADIATION ONCOLOGY RESOURCES INC 200 HIGH PARK AVE GOSHEN, IN 46526 26-2008424	HEALTHCARE	IN	GHS	C	0	0	0 %	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
SCANS INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 45-3080392	HEALTHCARE	IN	CHVF1	C	0	0	0 %	Yes	
UNIVERSITY HEALTH MANAGEMENT INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 27-2891143	MANAGEMENT	IN	CHV	C	0	0	0 %	Yes	
UNIVERSITY HEALTH MGMT (CHINA) INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 27-3891311	MANAGEMENT	IN	CHV	C	0	0	0 %	Yes	
PROTEUO FUND LP PO BOX 31106 89 NEXUS WAY GRAND CAYMAN CJ 98-1075227	INVESTMENTS	CJ	IUH	C	0	0	0 %	Yes	
IU HEALTH PLANS HOLDING COMPANY INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 46-3794815	INSURANCE	IN	IUH	C	0	0	0 %	Yes	
IU HEALTH PLANS NFP INC 950 N MERIDIAN ST STE 800 INDIANAPOLIS, IN 46204 46-3803873	INSURANCE	IN	IUHPHC	C	0	0	0 %	Yes	
UNIV HLTH (SHANGHAI) MGT CON CO LTD 88 CENTURY AVE SHANGHAI CH	MANAGEMENT	CH	UHMC	C	0	0	0 %	Yes	
GUGGENHEIM HIGH-YIELD PLUS FUND SPC PO BOX 309 UGLAND HOUSE GRAND CAYMAN CJ	INVESTMENTS	CJ	IUH	C	0	0	0 %	Yes	

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
IU SOUTHERN INDIANA PHYSICIANS INC	B	27,590,843	FMV
IU HEALTH CARE ASSOCIATES INC	M	878,213	FMV
IU HEALTH SOUTHERN INDIANA PHYSICIANS INC	M	1,040,634	FMV
HEALTHLINC INC	M	326,666	FMV
IUH ASSURANCE LTD	R	991,689	FMV
IU HEALTH RISK RETENTION GROUP INC	R	997,719	FMV
BLOOMINGTON ENDOSCOPY CENTERS LLC	S	388,938	FMV



# CONSOLIDATED FINANCIAL STATEMENTS

Indiana University Health, Inc and subsidiaries  
Years Ended December 31, 2013 and 2012  
With Report of Independent Auditors

ENCLOSURE



Building a better  
working world

Indiana University Health, Inc. and subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

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## Report of Independent Auditors

The Board of Directors  
Indiana University Health, Inc. and subsidiaries

We have audited the accompanying consolidated financial statements of Indiana University Health, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Indiana University Health, Inc and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U S generally accepted accounting principles

*Ernst + Young LLP*

March 27, 2014

Indiana University Health, Inc. and subsidiaries

Consolidated Balance Sheets

(Dollars in Thousands)

	December 31	
	2013	2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 442,672	\$ 611,630
Patient accounts receivable, less allowance for uncollectible accounts of \$270,743 and \$250,604 at 2013 and 2012, respectively	659,402	617,548
Other receivables	126,552	161,947
Prepaid expenses	39,341	39,741
Inventories	75,340	84,341
Current portion of trustee-held funds	114	501
Total current assets	1,343,421	1,515,708
Assets limited as to use		
Board-designated investment funds and other investments	2,524,831	1,967,308
Donor-restricted investment funds	94,057	94,975
Trustee-held funds for construction and debt service, less current portion	10,242	13,769
Total assets limited as to use, less current portion	2,629,130	2,076,052
Property and equipment		
Cost of property and equipment in service	5,690,685	5,573,770
Less accumulated depreciation	(3,036,691)	(2,836,763)
	2,653,994	2,737,007
Construction-in-progress	115,053	44,467
Total property and equipment, net	2,769,047	2,781,474
Other assets		
Equity interest in unconsolidated subsidiaries	44,578	57,819
Interest in net assets of foundations	13,849	12,898
Unamortized bond issuance costs	6,659	7,197
Goodwill, intangibles, and other assets	244,390	224,717
Total other assets	309,476	302,631
Total assets	\$ 7,051,074	\$ 6,675,865

	December 31	
	2013	2012
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 466,772	\$ 380,336
Accrued salaries, wages, and related liabilities	269,641	278,052
Accrued health claims	57,684	55,593
Estimated third-party payor allowances	90,467	107,552
Current portion of long-term debt	116,149	60,853
Total current liabilities	1,000,713	882,386
Noncurrent liabilities		
Long-term debt, less current portion	1,682,649	1,824,831
Interest rate swaps	139,072	165,923
Accrued pension obligations	23,992	154,480
Accrued medical malpractice claims	61,438	64,642
Other	51,785	53,955
Total noncurrent liabilities	1,958,936	2,263,831
Total liabilities	2,959,649	3,146,217
Net assets		
Indiana University Health	3,802,631	3,257,945
Noncontrolling interest in subsidiaries	180,680	168,890
Total unrestricted	3,983,311	3,426,835
Temporarily restricted	41,554	36,549
Permanently restricted	66,560	66,264
Total net assets	4,091,425	3,529,648

Total liabilities and net assets	<u>\$ 7,051,074</u>	<u>\$ 6,675,865</u>
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*See accompanying notes.*

Indiana University Health, Inc. and subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended December 31	
	2013	2012
Revenues		
Patient service revenue (net of contractals and discounts)	\$ 5,228,038	\$ 5,449,405
Provision for uncollectible accounts	(343,136)	(284,883)
Net patient service revenue	4,884,902	5,164,522
Member premium revenue	156,564	150,646
Other revenue	205,416	263,108
Total operating revenues	5,246,882	5,578,276
Expenses		
Salaries, wages, and benefits	2,635,648	2,596,349
Supplies, drugs, purchased services, and other	1,750,948	1,773,395
Hospital assessment fee	82,442	179,834
Health claims to providers	94,446	96,132
Depreciation and amortization	248,825	266,941
Interest	61,019	64,358
Total operating expenses	4,873,328	4,977,009
Operating income before educational and research support	373,554	601,267
Educational and research support to Indiana University	(50,000)	(52,610)
Total operating income	323,554	548,657
Nonoperating income		
Investment income, net	191,083	147,902
Gains on interest rate swaps, net	11,379	17,054
Inherent contribution of acquired entities	—	3,062
Gain on sales and acquisitions and other	14,815	2,200
Total nonoperating income	217,277	170,218
Consolidated excess of revenues over expenses	540,831	718,875
Less amounts attributable to noncontrolling interest in subsidiaries	92,846	67,377
Excess of revenues over expenses attributable to Indiana University Health and subsidiaries	447,985	651,498

# Indiana University Health, Inc. and subsidiaries

## Consolidated Statements of Operations and Changes in Net Assets (continued) (Dollars in Thousands)

	December 31, 2013			December 31, 2012		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Unrestricted net assets						
Excess of revenues over expenses	\$ 540,831	\$ 447,985	\$ 92,846	\$ 718,875	\$ 651,498	\$ 67,377
Change in pension obligations	86,055	86,055	—	(28,226)	(28,226)	—
Contributions for capital expenditures	8,142	8,142	—	14,690	14,690	—
Distributions to noncontrolling interests	(82,838)	—	(82,838)	(56,663)	—	(56,663)
Issuance of noncontrolling interests related to acquisition	—	—	—	13,556	—	13,556
Contributions from noncontrolling interests	—	—	—	2,940	—	2,940
Fair value of initial noncontrolling interests in acquired entities	—	—	—	3,601	—	3,601
Other	4,286	2,504	1,782	(47)	502	(549)
	556,476	544,686	11,790	668,726	638,464	30,262
Temporarily restricted net assets						
Change in beneficial interest in net assets of foundations	642	642	—	568	568	—
Contributions	4,341	4,341	—	11,275	11,275	—
Investment return	3,252	3,252	—	2,921	2,921	—
Net assets released from restrictions	(3,230)	(3,230)	—	(13,220)	(13,220)	—
	5,005	5,005	—	1,544	1,544	—
Permanently restricted net assets						
Change in beneficial interest in net assets of foundations	52	52	—	68	68	—
Contributions and other	244	244	—	354	354	—
Investment return	—	—	—	(347)	(347)	—
	296	296	—	75	75	—
Increase in net assets before contributions of net assets of acquired organizations	561,777	549,987	11,790	670,345	640,083	30,262
Contributions of net assets of acquired organizations at April 1, 2012						
Temporarily restricted net assets of RHI	—	—	—	244	244	—
Increase in net assets	561,777	549,987	11,790	670,589	640,327	30,262
Net assets at beginning of year	3,529,648	3,360,758	168,890	2,859,059	2,720,431	138,628
Net assets at end of year	\$ 4,091,425	\$ 3,910,745	\$ 180,680	\$ 3,529,648	\$ 3,360,758	\$ 168,890

See accompanying notes



Indiana University Health, Inc. and subsidiaries

Consolidated Statements of Cash Flows

*(Dollars in Thousands)*

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>		
Increase in net assets	\$ 561,777	\$ 670,345
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in fair value of interest rate swaps	(26,851)	(32,294)
Change in pension liability	(86,055)	28,226
Income in unconsolidated subsidiaries	(1,145)	(3,603)
Provision for uncollected patient accounts	343,136	284,883
Issuance of noncontrolling interests and step up to fair value related to acquisitions	—	(17,157)
Contributions from noncontrolling interests	—	(2,940)
Inherent contribution of acquired entities	—	(3,062)
Gain on consolidation of acquired entities	—	(2,200)
Gain on sale of clinics	(12,734)	—
Impairment of unconsolidated subsidiaries	10,134	—
Depreciation and amortization	248,825	266,941
Amortization of deferred gain on sale of medical office buildings	(2,216)	(2,279)
Restricted contributions and investment return	(8,531)	(14,839)
Distributions to noncontrolling interests	82,838	56,663
Trading securities	(552,691)	(388,975)
Net changes in operating assets and liabilities		
Patient accounts receivable	(384,990)	(325,917)
Other assets	26,635	(52,772)
Accounts payable and accrued liabilities and other liabilities	40,936	18,219
Salaries, wages, and related liabilities	(8,411)	51,797
Estimated third-party payor allowances	(17,085)	20,407
Net cash provided by operating activities	213,572	551,443

Indiana University Health, Inc. and subsidiaries

Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

	Year Ended December 31	
	2013	2012
<b>Investing activities</b>		
Acquisition of subsidiaries, net of cash received	\$ —	\$ 5,509
Proceeds from sale of clinics	13,050	—
Purchase of property and equipment, net of disposals	(245,792)	(218,107)
Net cash used in investing activities	(232,742)	(212,598)
<b>Financing activities</b>		
Increase in restricted net assets	8,531	14,839
Repayments on long-term debt	(78,484)	(66,696)
Proceeds from issuance of long-term debt	3,003	—
Repayments on notes payable under line of credit, net of proceeds	—	(24,721)
Contributions from noncontrolling interests	—	2,940
Distributions to noncontrolling interests	(82,838)	(56,663)
Net cash used in financing activities	(149,788)	(130,301)
(Decrease) increase in cash and cash equivalents	(168,958)	208,544
Cash and cash equivalents at beginning of year	611,630	403,086
Cash and cash equivalents at end of year	\$ 442,672	\$ 611,630

See accompanying notes.

# Indiana University Health, Inc. and subsidiaries

## Notes to Consolidated Financial Statements (Thousands of Dollars)

December 31, 2013 and 2012

### Mission Statement

*The mission of Indiana University Health is to improve the health of our patients and community through innovation and excellence in care, education, research, and service*

*Indiana University Health will preserve, strengthen, and build upon these values*

*A patient's **total care**, including mind, body, and spirit*

*Excellence in **education** for health care providers*

*Quality of care and **respect** for life*

***Charity**, equality and justice in health care*

*Leadership in health promotion and **wellness***

*Excellence in **research***

*An internal community of **trust** and respect*

## 1. Organization and Nature of Operations

### History and Organization

Indiana University Health, Inc (Indiana University Health) and subsidiaries operate as a health care delivery system, which includes an academic health center affiliated with Indiana University, providing health care services throughout the state of Indiana. Health care services provided by Indiana University Health and its subsidiaries (hereinafter referred to as the Indiana University Health System) include acute, nonacute, tertiary, and quaternary care services on an inpatient, outpatient, and emergency basis, medical education and research, medical management services, health care diagnostic and treatment services for individuals and families in physician clinics and physician-group practices, and personal and home health care.

Indiana University Health was formed as an Indiana nonprofit corporation through a consolidation, as of January 1, 1997, under the terms of a Definitive Health Care Resources Consolidation Agreement, as amended (the Consolidation Agreement), and certain other related agreements by and between the Trustees of Indiana University and Methodist Health Group, Inc (successor to Methodist Hospital). The facilities and operations of Indiana University Health University Hospital (University Hospital), Riley Hospital for Children of Indiana University Health (Riley Hospital), and Indiana University Health Methodist Hospital (Methodist Hospital) (collectively, the Downtown Hospitals of the Academic Health Center) were merged and consolidated to form a single corporate entity, which was then licensed as a single acute care

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 1. Organization and Nature of Operations (continued)

hospital and operates as an academic health center. Members of the Board of Directors (the Board) of Indiana University Health are selected by its two classes of members: the Methodist Class (members of which are members of Methodist Health Group, Inc.) and the University Class (members of which are the individuals who are the Trustees of Indiana University).

The Consolidation Agreement requires that the salaries and related employee benefit costs be funded for medical doctor interns and residents of the Indiana University School of Medicine (the School of Medicine). The Board annually reviews and determines the level of support to the School of Medicine for these programs and the number of internships and residencies to be supported. The Consolidation Agreement also provides for additional support to the School of Medicine to recognize, as a result of the consolidation, the enhanced and increased level of services being provided, including services to the medically indigent through medical education and research. Annually (or more often), an appointed committee consisting of representatives of Indiana University Health, Methodist Health Group, Inc., and Indiana University determines the amount of such additional support to be provided to the School of Medicine.

#### Nature of Operations

The Indiana University Health System operates as an integrated health care delivery system comprising nonprofit and for-profit entities, with coordinated activities and policies designed to meet the mission of the Indiana University Health System. The principal operating activities of the Indiana University Health System are conducted at owned facilities or majority-owned or controlled subsidiaries and consist of the following:

**Downtown Hospitals of the Academic Health Center (Hospital Campuses)** – Consist of three acute, tertiary, and quaternary care, and diagnostic facilities, licensed as a single hospital, which constitutes the principal hospital activities of the academic health center and whose operations are located in the downtown area of Indianapolis, Indiana. These three hospitals, Methodist Hospital, University Hospital, and Riley Hospital, are located on or near the campus of Indiana University-Purdue University in Indianapolis and the School of Medicine.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 1. Organization and Nature of Operations (continued)

**Central Indiana Facilities (Indiana University Health West Hospital (West), Indiana University Health North Hospital (North), Indiana University Health Tipton Hospital (Tipton), Indiana University Health Saxony Hospital (Saxony), and Rehabilitation Hospital of Indiana (RHI))** – Consist of three acute care hospitals, a critical access hospital, and an acute care rehabilitation hospital located in the western and northern suburban areas of metropolitan Indianapolis, Indiana Saxony operates as a division of the academic health center

**Statewide Facilities** – Consist of acute care hospitals and health care systems located in Bedford, Bloomington, Goshen, Hartford City, Knox, Lafayette, LaPorte, Martinsville, Monticello, Muncie, and Paoli, Indiana Principal hospital subsidiaries include Indiana University Health Bedford Hospital (Bedford), Indiana University Health Arnett Hospital (Arnett), Indiana University Health LaPorte Hospital and subsidiaries (LaPorte) including Indiana University Health Starke (Starke), Indiana University Health Goshen and subsidiaries (Goshen), Indiana University Health Ball Memorial Hospital and subsidiaries (Ball Memorial) including Indiana University Health Blackford (Blackford), Indiana University Health Bloomington Hospital and subsidiaries (Bloomington) including Indiana University Health Paoli (Paoli), Indiana University Health Morgan Hospital (Morgan), and Indiana University Health White Memorial Hospital (White)

**Physician Operations** – Consist of physician offices and physician-group practices and clinics Principal subsidiaries or divisions include Indiana University Health Arnett Physicians, Indiana University Health Ball Memorial Physicians, Indiana University Health Southern Indiana Physicians, Indiana University Health LaPorte Physicians, Indiana University Health Goshen Physicians, Indiana University Health Radiology Partners, Inc., and Indiana University Health Transplant Institute Additionally, physician operations include Indiana University Health Physicians (IUHP), a nonprofit organization with locations primarily in Indianapolis, Indiana

**Ambulatory Care** – Consists of personal and home health care services, outpatient oncology services, and outpatient surgery centers, which are located throughout the state of Indiana Principal subsidiaries or divisions include Indiana University Health Home Care, Central Indiana Cancer Centers, and seven surgery centers

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 1. Organization and Nature of Operations (continued)

**Medical Risk** – Consists of the medical management of health care services of members whose health care coverage is provided by the managed care networks of the Indiana University Health System

**Foundations** – Indiana University Health is the sole corporate member of Methodist Health Foundation, Inc (Methodist Health Foundation), which aids and supports Methodist Hospital and other programs and areas of Indiana University Health Ball Memorial is the sole corporate member of Indiana University Ball Memorial Hospital Foundation (BMH Foundation), which aids in carrying out the mission of Ball Memorial Morgan is the sole corporate member of Indiana University Health Morgan Hospital Foundation (Morgan Foundation), which aids and supports Morgan Arnett is the sole corporate member of Indiana University Health Arnett Hospital Foundation (Arnett Foundation), which aids and supports Arnett RHI is the sole corporate member of Rehabilitation Hospital of Indiana Foundation (RHI Foundation), which aids and supports RHI Goshen is the sole corporate member of Indiana University Health Goshen Foundation (Goshen Foundation), which aids and supports Goshen

#### 2. Community Benefit and Charity Care

The Indiana University Health System provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, improve the health of low-income patients, and foster medical education and research through its affiliation with the School of Medicine In addition, the Indiana University Health System provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or those who are uninsured or underinsured Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the Indiana University Health System's benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than cost

The Indiana University Health System's financial assistance policies are designed to provide care to patients regardless of their ability to pay, and all uninsured patients are eligible for discounts from established charges Patients who meet certain criteria (generally based on up to 400% of federal poverty income guidelines, other patients who are victims of certain catastrophic events,

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **2. Community Benefit and Charity Care (continued)**

or those who meet criteria to be part of the Indiana University Health System's medical education and research programs) are provided care without charge or at amounts less than established rates

Patient service revenue is reported at estimated net realizable amounts for services rendered. The Indiana University Health System recognizes patient service revenue associated with patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with the uninsured discount policy.

The amount of charity care provided is determined based on the qualifying criteria, as defined in the financial assistance policies, through approved applications completed by patients and their families or beneficiaries, or based on analysis of patients without third-party insurance coverage who did not apply for charity and whose income was equal to or less than 200% of federal poverty income guidelines. No payment for services is anticipated for those patients whose charity care applications have been approved, as well as for those other patient accounts whose income is equal to or less than 200% of federal poverty income guidelines and meet certain other criteria. The cost to provide charity care using the consolidated cost to charge ratio was \$170,937 and \$204,420 for 2013 and 2012, respectively.

In addition, the Indiana University Health System provides a significant amount of uncompensated care to other uninsured and underinsured patients, which is included in the provision for uncollected patient accounts.

Enacted March 23, 2010, the Patient Protection and Affordable Care Act (the Affordable Care Act) required, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. The hospital organizations of the Indiana University Health System have adopted a financial assistance policy that conforms with the Affordable Care Act and includes financial assistance eligibility criteria, the basis for calculating amounts charged to patients, the method for applying for financial assistance, billing and collections policies with regard to actions that may be taken in the case of nonpayment, as well as measures to widely publicize the policy within the communities served. Additionally, the Indiana University Health System's hospital organizations have adopted policies requiring the organizations to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under their financial assistance policy. These hospital

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **2. Community Benefit and Charity Care (continued)**

organizations have also adopted policies to limit the amount charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under the organizations' financial assistance policy to not more than the amounts generally billed to individuals who have insurance covering such care

Reimbursements are received by the Indiana University Health System for Medicare and Medicaid beneficiaries in accordance with reimbursement agreements and related regulatory rules and regulations. Also, the Indiana University Health System receives certain additional Medicaid Disproportionate Share (DSH) payments and payments under the Medicaid Assessment Fee program from the state of Indiana (see Note 3). These reimbursements and payments are less than the cost of providing the related services.

The Indiana University Health System also provides education for health care providers, including support to the School of Medicine, counseling centers and chaplaincy programs that support patients' medical, spiritual, and emotional needs, programs to enhance quality of and respect for life, including neighborhood revitalization, community health clinics, and school-based health programs, charity, equality, and justice programs, including education programs available to independent health providers, and obesity prevention programs such as Garden on the Go and Indy Urban Acres, other medical research, and support to the Children's Values Fund, and fosters an internal community of trust, respect, and empowerment.

Through the statewide facility-by-facility community health needs assessments Indiana University Health conducted, the following community health needs were identified and selected as priority areas in which Indiana University Health will focus on community benefit efforts: access to affordable health care, behavioral health, obesity prevention, and Pre-K education. The costs of providing these programs and services are included in expenses in the accompanying consolidated statements of operations and changes in net assets.

#### **3. Summary of Significant Accounting Policies**

##### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Indiana University Health and all majority-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.



## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **3. Summary of Significant Accounting Policies (continued)**

##### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U S generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

##### **Fair Values of Financial Instruments**

Financial instruments include cash and cash equivalents, patient, other accounts receivable, assets limited as to use, accounts payable and accrued expenses, estimated third-party payor allowances, notes payable to banks, long-term debt, derivative financial instruments (i e , fixed payor and basis swaps), and certain other current assets and liabilities.

The fair values for cash and cash equivalents, patient, other accounts receivable, accounts payable and accrued expenses, estimated third-party payor allowances, and certain other current assets and liabilities approximate the carrying amounts reported in the consolidated balance sheets and, in the opinion of management, represent highly liquid assets or short-term obligations. The fair values for assets limited as to use, long-term debt, and derivative financial instruments are described in Notes 5, 7, 8, and 9.

##### **Derivative Financial Instruments**

The Indiana University Health System has entered into certain interest rate swap transactions (fixed-pay swaps and basis swaps). As of and for the years ended December 31, 2013 and 2012, the Indiana University Health System's fixed-pay swap and basis swap agreements did not qualify for hedge accounting. Therefore, the changes in fair value of these interest rate swaps during these years are reported with nonoperating income in the consolidated statements of operations and changes in net assets.

##### **Patient Service Revenue**

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others at the time services are rendered. Certain revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **3. Summary of Significant Accounting Policies (continued)**

future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known.

For the year ended December 31, 2013, the percentage of patient service revenue (net of contractuals and discounts) derived under Medicare, Medicaid, and managed care programs approximated 24%, 6%, and 58%, respectively (23%, 7%, and 55%, respectively, in 2012). A managed care provider represented 29% and 26% of net patient service revenue in 2013 and 2012, respectively. Provision has been made, by a charge to contractual allowances as an offset to patient service revenue, for the differences between gross charges for patient services and estimated reimbursement from these government and insurance programs.

Indiana University Health is a Medicaid DSH provider under Indiana law (IC 12-15-16(1-3)) and, as such, is eligible to receive state DSH payments. The amount of these additional state DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. For the years ended December 31, 2013 and 2012, state DSH payments have been made by the state of Indiana, and amounts were recorded as revenue based on data acceptable to the state of Indiana, less any amounts management believes may be subject to adjustment. State DSH payments by the state of Indiana are based on the fiscal year of the state, which ends June 30 of each year. State DSH reimbursement is recognized as revenue after eligibility is determined by the state and payments are probable and reasonably estimable. The 2012 through 2013 state DSH payments of \$63,261 recognized by Indiana University Health and certain subsidiaries during 2013 were recorded in net patient service revenue in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2013. The 2010 through 2012 state DSH payments of \$110,334 recognized by Indiana University Health and certain subsidiaries during 2012 were recorded in net patient service revenue in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2012.

During 2012, the Indiana General Assembly approved a hospital assessment fee program (Medicaid Assessment Fee). Under this program, the Office of Medicaid Policy and Planning (OMPP) collects a fee from eligible hospitals. The fee is used in part to increase reimbursement to eligible hospitals for services provided in both fee-for-service and managed care programs,

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 3. Summary of Significant Accounting Policies (continued)

and as the state share of DSH payments. The program was effective retroactively from July 1, 2011 and continued through June 30, 2013. During the year ended December 31, 2013, increased reimbursement related to the Medicaid Assessment Fee program totaled \$176,184, of which \$9,622 related to 2012. During the year ended December 31, 2012, increased reimbursement related to the Medicaid Assessment Fee program totaled \$474,235, of which \$161,802 related to 2011. During the year ended December 31, 2013, an assessment fee was recognized of \$82,442, of which \$11,574 related to 2012. During the year ended December 31, 2012, an assessment fee was recognized of \$179,834, of which \$59,936 related to 2011. This fee was recorded within the hospital assessment fee on the consolidated statements of operations and changes in net assets.

The Indiana General Assembly approved the extension of the Medicaid Assessment Fee program for another four years. As of December 31, 2013, this extension was awaiting approval from the Centers for Medicare and Medicaid Services. Because the approval had not been obtained as of December 31, 2013, no Medicaid Assessment Fee program revenue or assessment fee expense has been recorded for Medicaid claims with a service date of July 1, 2013 and after. Subsequently, on March 21, 2014, the Centers for Medicare and Medicaid Services approved the extension of the program for another four years. This approval reinstated the program retroactively to July 1, 2013. The Indiana University Health System will record the increased revenue and assessment fee expense related to claims occurring after July 1, 2013 in the first quarter of 2014, and such increased revenue is expected to be material, as it was during the first six months of 2013.

Laws and regulations governing Medicare, Medicaid, and other governmental programs are extremely complex, subject to interpretation, and sometimes provide for retroactive adjustments. As a result, there is a reasonable possibility that recorded estimated settlements could change by a material amount in the near term. The Indiana University Health System believes it is in compliance with applicable laws and regulations governing Medicare, Medicaid, and other governmental programs and that adequate provisions have been recorded for any adjustments that may result from final settlements. However, any adjustments to the currently estimated settlements are recorded in future periods.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 3. Summary of Significant Accounting Policies (continued)

During 2012, the Indiana University Health System received a settlement from the United States Department of Health & Human Services and Centers for Medicare & Medicaid Services related to underpayments for Medicare services dating back several years in the amount of \$22,570. The settlement was recorded within net patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

Patient service revenue, net of contractual allowances and discounts and before the provision for bad debts, recognized in the year from major payor sources is as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Third-party payors	\$ 5,041,753	\$ 5,294,741
Self-pay patients	186,285	154,664
Total payors	<u>\$ 5,228,038</u>	<u>\$ 5,449,405</u>

#### Member Premium Revenue and Health Claims

The Indiana University Health System has agreements to provide medical services to subscribing participants or members that generally provide for predefined payments (on a per member or per month basis) regardless of services actually performed. The cost to provide health care services under these agreements, and for self-insured health benefits to employees, is accrued in the period in which the health care services are provided to a member or covered employee based, in part, on estimates, including an accrual for medical services provided but not yet reported. Expenses to providers are reported as health claims to providers in the accompanying consolidated statements of operations and changes in net assets. The accrual for medical services provided but not yet reported is reflected as accrued health claims in the accompanying consolidated balance sheets.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **3. Summary of Significant Accounting Policies (continued)**

##### **Meaningful Use Revenue**

The American Recovery and Reinvestment Act of 2009 established incentive payments under Medicare and Medicaid programs for certain eligible professionals, hospitals, and critical access hospitals (Providers). Providers can receive incentive payments by adopting, implementing, and upgrading electronic health records (EHR) technology. Providers can also receive incentive payments for demonstrating meaningful use of EHR technology. Upon satisfaction of the meaningful use criteria, using a grant accounting model, the Indiana University Health System recognized \$22,215 and \$24,133 of these incentive payments within other revenue in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2013 and 2012, respectively. If specified meaningful use criteria are met in future periods, the Indiana University Health System may qualify for additional incentive payments.

##### **Cash Equivalents**

Investments in highly liquid instruments with an original maturity of three months or less when purchased, excluding assets limited as to use, are considered by management to be cash equivalents.

The Indiana University Health System routinely invests in money market funds, including both treasury and agency money market funds and prime money market funds that are considered by management to be cash equivalents. Such instruments, as well as bank deposits, are potentially subject to concentrations of credit risk. In order to mitigate such risk, the Indiana University Health System generally places its cash and cash equivalents with institutions of high credit quality and/or positions them such that they are insured by the Federal Deposit Insurance Corporation.

##### **Accounts Receivable and Allowance for Uncollectible Accounts**

The Indiana University Health System does not require collateral or other security for the delivery of health care services from its patients, substantially all of whom are residents of the state of Indiana. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 3. Summary of Significant Accounting Policies (continued)

The provision for uncollected patient accounts, for all payors, is recognized when services are provided based upon management's assessment of historical and expected net collections, taking into consideration business and economic conditions, changes and trends in health care coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon accounts receivable payor composition and aging, the significance of individual payors to outstanding accounts receivable balances, and historical write-off experience by payor category, as adjusted for collection indicators. The results of this review are then used to make any modifications to the provision for uncollected patient accounts and the allowance for uncollectible accounts. In addition, the Indiana University Health System follows established guidelines for placing certain past due patient balances with collection agencies. Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the Indiana University Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet financial assistance policies of the Indiana University Health System.

The composition of net patient accounts receivable is summarized as follows as of December 31

	<b>2013</b>	<b>2012</b>
Managed care	<b>54%</b>	51%
Medicare	<b>21</b>	21
Medicaid	<b>5</b>	7
Other third-party payors	<b>11</b>	12
Patients	<b>9</b>	9
	<b>100%</b>	100%

A managed care payor represented 23% and 24% of net patient accounts receivables at December 31, 2013 and 2012, respectively.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **3. Summary of Significant Accounting Policies (continued)**

The allowance for uncollectible accounts for self-pay patients, including self-pay discounts and charity care, was 86% of self-pay accounts receivable as of December 31, 2013 and 2012. Overall, the net of self-pay discounts and write-offs has not changed significantly for the years ended December 31, 2013 and 2012. The Indiana University Health System has not experienced significant changes in write-off trends and has not changed its financial assistance policy during the year ended December 31, 2013.

#### **Inventories**

Inventories consist primarily of drugs and supplies, are stated at the lower of cost or market, and are generally valued using the average cost method.

#### **Assets Limited as to Use**

Assets limited as to use include the following: (i) cash and cash equivalents and designated investment assets, including those funds held by the consolidated foundations, set aside by the Board for future capital improvements and for other purposes, over which the Board retains control and may, in certain circumstances, use for other purposes; (ii) donor-restricted investment assets, the use of which has been specified by the donor; (iii) assets held by trustees under bond or trust indenture agreements for construction and debt service; and (iv) cash and equivalents and designated investment assets set aside for near-term capital improvements and other purposes, over which management retains control and may use for other purposes and which are classified as other investments. Substantially all assets limited as to use are invested and managed by professional investment managers and are held in custody by financial institutions. These funds are classified as trading securities. Accordingly, changes in unrealized gains and losses in the fair value of investments are included in nonoperating income within investment income in the accompanying consolidated statements of operations and changes in net assets. The Indiana University Health System is a limited partner in certain funds that employ hedged investment strategies. These investments are accounted for using the equity method of accounting, based on the fund's financial information.

#### **Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Included in property and equipment are costs for software developed for internal use.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) *(Thousands of Dollars)*

#### **3. Summary of Significant Accounting Policies (continued)**

Property and equipment under capital lease obligations are amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation in the accompanying consolidated statements of operations and changes in net assets. Interest cost incurred on borrowed funds during the period of construction and other interest costs related to tax-exempt bonds are capitalized as a component of the cost of constructing the assets. In addition, interest earnings on unexpended borrowed funds related to tax-exempt financings offset capitalized tax-exempt interest. Repair and maintenance costs are expensed when incurred.

The Indiana University Health System evaluates when events or changes in circumstances have occurred that would indicate that the remaining estimated useful life of long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. If undiscounted cash flows are insufficient to recover the carrying value of the long-lived asset, such asset is written down to its fair value if its carrying value exceeds fair value.

#### **Equity Interest in Unconsolidated Subsidiaries**

Indiana University Health or its subsidiaries have also entered into certain limited liability company agreements with third parties that provide health care-related services. Where applicable, these arrangements are accounted for using the equity method of accounting. Indiana University Health's largest equity interest venture is a 50% membership interest in MDWise, Inc., which holds an HMO license and manages a network of health care providers serving Indiana Medicaid patients throughout the state of Indiana. The balance of this equity interest was \$17,574 and \$18,181 as of December 31, 2013 and 2012, respectively. Overall, equity interest in unconsolidated subsidiaries was \$44,578 and \$57,819 as of December 31, 2013 and 2012, respectively. The Indiana University Health System has recorded its equity in the income of its unconsolidated subsidiaries within other operating revenue, totaling \$1,145 and \$3,603 for the years ended December 31, 2013 and 2012, respectively.



## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **3. Summary of Significant Accounting Policies (continued)**

During 2013, Indiana University Health determined that the value of its investments in certain equity method investments was other-than-temporarily impaired and the investments were reduced to their estimated fair value, which is nominal, through the recording of \$3,028 and \$7,106 impairment changes included in other operating revenue and nonoperating income, respectively, in the accompanying consolidated statements of operations and changes in net assets

#### **Unamortized Bond Issuance Costs and Bond Discount or Premium**

Costs incurred in connection with the issuance of long-term debt and bond discounts or premiums are amortized or accreted using the effective interest rate method. Amortization and accretion are included in interest expense in the accompanying consolidated statements of operations and changes in net assets (see Note 7)

#### **Contributions**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give, including indications of an intention to give, are reported at fair value at the date the gift is received. If the gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as either temporarily or permanently restricted. Donor-restricted contributions for which restrictions are met in the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

#### **Noncontrolling Interest in Subsidiaries**

The Indiana University Health System attributed income of \$92,846 and \$67,377 for the years ended December 31, 2013 and 2012, respectively, to the noncontrolling interests based on the ownership percentage of the noncontrolling interests in certain of the Indiana University Health System's consolidated subsidiaries. These amounts are reflected in unrestricted net assets in the consolidated balance sheets.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **3. Summary of Significant Accounting Policies (continued)**

##### **Temporarily and Permanently Restricted Net Assets**

Temporarily and permanently restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose. These net assets are generally restricted for medical education and research programs, medical supplies and equipment, and patient care services.

Interests in net assets of unconsolidated foundations are included in other assets in the accompanying consolidated balance sheets. The underlying assets of these interests in foundations consist primarily of cash and cash equivalents, money market and mutual funds, and marketable equity and debt securities (see Note 14).

##### **Business Combinations**

The Indiana University Health System allocates the purchase price of an acquisition to the various components of the acquisition based upon the fair value of each component, which may be derived from various observable or unobservable inputs and assumptions. Also, the Indiana University Health System may utilize third-party valuation specialists. These components typically include buildings, land, and equipment and may also include intangibles related to noncompete agreements or other specifically identified intangible assets. The excess of the fair value of assets acquired over liabilities assumed and the fair value of any noncontrolling interest is recorded as an inherent contribution within the performance indicator. Goodwill is recorded to the extent that liabilities assumed and noncontrolling interests exceed the fair value of assets acquired.

##### **Goodwill and Intangible Assets**

In connection with business combinations, the Indiana University Health System has recorded goodwill and definite-lived intangible assets on the accompanying consolidated balance sheets.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 3. Summary of Significant Accounting Policies (continued)

The Indiana University Health System evaluates goodwill for impairment annually, or more frequently if events or changes in circumstances suggest that the carrying value of an asset may not be recoverable. The goodwill impairment analysis, performed at the reporting unit level, generally includes estimating the fair value and comparing that to the carrying value. If fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. These valuation methods require the Indiana University Health System to make estimates and assumptions regarding future operating results, cash flows, changes in working capital, capital expenditures, profitability, and the cost of capital.

The Indiana University Health System also reviews if events or changes in circumstances suggest impairment may have occurred related to the carrying value of the definite-lived intangible assets, which are amortized over periods of 5 to 35 years. It has been determined that there was no impairment to goodwill or definite-lived intangible assets during 2013 and 2012. Intangible assets included in other assets on the accompanying consolidated balance sheets as of December 31, 2013 and 2012, were \$182,339 and \$184,145, respectively, which include goodwill of \$166,559 and \$166,801, respectively.

#### Operating and Performance Indicators

The activities of the Indiana University Health System are primarily related to providing health care services, and accordingly, expense information by functional classification is not used as a basis for measuring performance. Furthermore, since substantially all resources are derived from providing health care services, similar to that if provided by a business enterprise, the following indicators are considered important in evaluating how well management has discharged its stewardship responsibilities.

**Operating Indicator (Operating Income)** – Includes all unrestricted revenue, gains, donor contributions to offset operating expenses, other support, equity income or loss of unconsolidated health care subsidiaries, and expenses directly related to the recurring and ongoing health care operations during the reporting period. The operating indicator excludes investment income or losses on assets limited as to use (including changes in unrealized gains and losses on investments), changes in the fair value of fixed-pay and basis swaps, gain or loss on the extinguishment of debt, inherent contribution of acquired entities, noncontrolling interest, and gains and losses deemed by management not to be directly related to providing health care services.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 3. Summary of Significant Accounting Policies (continued)

**Performance Indicator (Excess of Revenues Over Expenses)** – Includes operating income and nonoperating income (losses) The performance indicator excludes certain changes in pension obligations and contributions for capital expenditures, distributions, and net assets released from restricted funds

#### Income Taxes

The Internal Revenue Service (IRS) has determined that Indiana University Health and certain of its affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code

Certain subsidiaries of Indiana University Health are taxable entities The tax expense and liabilities of these subsidiaries are not material to the consolidated financial statements

#### Subsequent Events

For the consolidated financial statements as of and for the year ended December 31, 2013, management has evaluated subsequent events through March 27, 2014, the date that these consolidated financial statements were issued

#### 4. Significant Transactions

On October 1, 2013, Indiana University Health System announced a workforce reduction, including an early retirement program As of December 31, 2013, Indiana University Health System had paid \$6,295 in severance costs related to this reduction As of December 31, 2013, \$9,065 estimated self-insured unemployment costs, unpaid severance costs, and estimated benefit costs related to the retirees were accrued within accrued salaries, wages, and related liabilities

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 4. Significant Transactions (continued)

##### Indiana University Health Occupational Services

Effective July 1, 2013, Indiana University Health Occupational Services, a wholly owned subsidiary of Indiana University Health, sold the operations and related fixed assets of eight freestanding clinics located in Fishers, Indianapolis, Lebanon, and Muncie, Indiana, to U S Healthworks of Indiana, Inc. for a purchase price of \$14,500, of which \$13,050 was received in July. The remaining amount to be received is recorded within other receivables and is expected to be collected by December 2014. The gain related to this sale was \$12,734 and is recorded within other nonoperating income. Prior to this sale, on June 27, 2013, Indiana University Health, acting as Obligated Agent for Indiana University Health Obligated Group, effectuated the removal of Indiana University Health Occupational Services as an Obligated Group Affiliate under the Master Trust Indenture (as such terms are defined in the Master Trust Indenture). See Note 7 for further discussion on Indiana University Health Obligated Group.

##### Rehabilitation Hospital of Indiana

Effective April 9, 2012, the bylaws of RHI were amended to provide Indiana University Health with a 51% voting interest in participatory matters, so that Indiana University Health became the controlling member in RHI. Purchase accounting was applied to this transaction as Indiana University Health obtained control of the entity, which was previously accounted for under the equity method. As such, the assets, liabilities, and noncontrolling interests of RHI were recorded at fair value. Indiana University Health recorded the value of working capital and assets limited to use of \$14,613, property and equipment and other assets of \$13,713, and ownership interests of \$7,593. Long-term debt and other liabilities of \$20,733 were assumed.

Indiana University Health remeasured its previous equity method investment upon the change in control, which resulted in a gain of \$2,200 recorded within other nonoperating income in the accompanying consolidated statements of operations and changes in net assets, representing the fair value of Indiana University Health's equity interest in RHI in excess of its previous carrying value. The financial position of RHI was consolidated with Indiana University Health effective with the amendment, and the financial results of RHI were consolidated beginning on that date. The purchase price allocation was finalized during 2013 and there were no material changes from the preliminary allocations recorded in 2012.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **5. Assets Limited as to Use**

Board-designated and donor-restricted investment funds are invested in accordance with Board-approved policies. Trustee-held funds are generally invested in cash equivalents (including money market funds) and U S government and agency obligations, as defined by the debt agreements.

The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies. The methods and assumptions used to estimate the fair value of assets limited as to use are as follows: (i) cash and cash equivalents: the carrying amounts reported in the consolidated balance sheets approximate fair value, (ii) marketable securities: the fair values are based on quoted market prices or, if quoted market prices are not available, quoted market prices of comparable instruments and other observable inputs, and (iii) other investments, including alternative investments (such as hedge funds and private equity investments): accounted for using the equity method of accounting based upon the net asset values as determined by third-party administrators of each fund in consultation with and approval of the fund investment managers.

The Indiana University Health System is a limited partner in funds that employ hedged investment strategies and funds that employ investment strategies that require long holding periods to create value, both of which are designed to reduce overall portfolio volatility. In the case of hedged strategies, redemptions generally may be made quarterly with written notice ranging from 30 to 90 days, however, some funds employ lock-up periods that restrict redemptions or charge a redemption fee during the lock-up period. Lock-up periods range from one to three years with redemption charges of up to 5% of net asset value for redemptions made on or before the anniversary date of the initial investment or additional contribution. Upon complete redemption, many of the funds have “hold-back” provisions that allow the fund to retain up to 10% of the assets until the fund completes its audited financial statements for the

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **5. Assets Limited as to Use (continued)**

redemption period. These investments are accounted for using the equity method of accounting, based on the fund's financial information. In the case of long holding period strategies, capital is returned as monetization events occur which may be infrequent in nature. Generally, capital is committed to a partnership for a period of five to ten years with the ability of the general partner to extend the life of the fund one to three additional years. During the first three to five years of a fund life, the general partner, in order to facilitate its funding of investments, will call capital from the limited partners up to the amount of its commitment. As of December 31, 2013, there was \$25,259 of unfunded commitments relating to alternative investments, which is expected to be paid over the next four years. There were no material unfunded commitments as of December 31, 2012.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These include reliance on the skill of the fund managers, who often employ complex strategies utilizing various financial instruments, including futures contracts, foreign currency contracts, structured notes, and interest rate, total return, and credit default swaps. Additionally, alternative investments may provide limited information on a fund's underlying assets and have restrictive liquidity provisions. Management believes that the Indiana University Health System, in consultation with its investment consultants, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that these investments represent a prudent approach for use in its portfolio management.

The largest fund allocation to any fund manager, which is an alternative fund of funds investment, is \$161,109 at December 31, 2013, and there are no investments in any individual fund greater than 15.5% of that fund's net assets. Changes in the value of these funds are included in nonoperating income and losses in the accompanying consolidated statements of operations and changes in net assets.

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**5. Assets Limited as to Use (continued)**

The composition of assets limited as to use is set forth below

	December 31	
	2013	2012
Board-designated investments and trustee-held funds		
Cash and cash equivalents	\$ 62,424	\$ 58,634
Marketable securities		
U S government and agency obligations	138,649	111,826
U S corporate obligations	340,379	354,825
U S equity securities	438,318	351,908
Non-U S securities	451,671	272,789
Total marketable securities	1,369,017	1,091,348
Other Board-designated investments		
Alternative investments		
Hedged strategy (fund of funds)	439,343	423,480
Hedged strategy (direct)	275,979	118,168
Long holding period strategy	44,641	—
Real estate investment trusts and other	8,486	7,799
Total other Board-designated investments	768,449	549,447
Total Board-designated investments and trustee-held funds	2,199,890	1,699,429
Other investments		
Cash and cash equivalents	2,071	8,539
U S government and agency obligations	163,894	184,216
U S corporate obligations	219,698	162,252
Non-U S securities	43,691	22,117
Total other investments	429,354	377,124
Total assets limited to use	2,629,244	2,076,553
Less current portion	(114)	(501)
Total assets limited to use, less current portion	\$ 2,629,130	\$ 2,076,052



# Indiana University Health, Inc. and subsidiaries

## Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

### 5. Assets Limited as to Use (continued)

Assets limited as to use include funds held by the foundations whose fair values as of December 31, 2013, aggregated \$200,610, of which \$106,554 is considered Board-designated investment funds and \$94,057 is considered donor-restricted investment funds

The composition and presentation of investment income recognized in the accompanying consolidated statements of operations and changes in net assets are as follows

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Investment income		
Interest and dividend income	\$ 35,352	\$ 31,649
Investment management and administration fees	(6,101)	(3,063)
Realized gains on sales of investments, net	89,002	35,086
Unrealized gains on investments	63,199	62,358
Equity gains of hedged strategy funds	9,631	21,872
	<u>\$ 191,083</u>	<u>\$ 147,902</u>

### 6. Property and Equipment

The cost of property and equipment in service is summarized as follows

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Land and improvements	\$ 264,622	\$ 260,329
Buildings and improvements	3,234,771	3,241,646
Equipment (including software developed for internal use of \$234,604 in 2013 and \$221,309 in 2012)	2,191,292	2,071,795
	<u>\$ 5,690,685</u>	<u>\$ 5,573,770</u>

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**6. Property and Equipment (continued)**

Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association. Assets are depreciated on a straight-line basis beginning in the month when placed in service, with asset lives ranging as follows: 20-30 years for land improvements, 15-40 years for buildings and improvements, and 3-10 years for equipment, including software developed for internal use.

Construction-in-progress for assets currently under development is anticipated to extend through 2014 and includes commitments for the construction, refurbishment, and replacement of facilities and equipment. A summary of the construction-in-progress is as follows:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Software developed for internal use	\$ 79	\$ 13,772
Riley Simon Family Tower	70,941	13,294
Other facilities and equipment	44,033	17,401
	<u>\$ 115,053</u>	<u>\$ 44,467</u>

Firm commitments for construction-in-progress totaled \$36,737 at December 31, 2013.

Certain buildings, medical and computer equipment, and software are accounted for as capital leases expiring in various years through 2021 and are included in property and equipment. Amortization of assets under capital leases is included in depreciation expense.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 6. Property and Equipment (continued)

The following is a summary of property held under capital leases

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Software	\$ 1,985	\$ 1,985
Computer and office equipment	13,686	11,485
Medical equipment	23,565	28,542
Buildings	112,877	119,258
	<b>152,113</b>	161,270
Less accumulated amortization	<b>(33,172)</b>	(26,940)
	<b>\$ 118,941</b>	\$ 134,330

Interest rates are imputed based on the lower of the incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return

#### 7. Debt

##### Obligated Groups

The Indiana University Health System operates under three separate Master Trust Indentures (MTIs). Each indenture provides for the issuance of long-term debt under various obligated group structures. The obligated groups and their respective members consist of the specific separate entities so named in the indenture and are described as follows: (1) the Indiana University Health Obligated Group, which includes the Downtown Hospitals of the Academic Health Center, LaPorte, and Saxony (a division of Indiana University Health) as members, (2) the Ball Memorial Obligated Group, including Ball Memorial and Blackford as members, and (3) the Rehabilitation Hospital of Indiana Obligated Group, which includes RHI as the sole member. A fourth obligated group, the Bloomington Obligated Group, existed as of December 31, 2012, but made full payment and satisfaction of all its obligations during 2013. Each obligated group is required to meet certain covenants, and its members are jointly and severally liable for the obligations under their respective MTIs. Each is subject to financial performance covenants that, among other compliance requirements, require the maintenance of

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 7. Debt (continued)

debt service ratios and limit its ability to encumber certain of its respective assets. As of December 31, 2013, the Indiana University Health System was in compliance with all financial covenants.

#### Issuance and Extinguishment of Debt

##### *Indiana University Health Obligated Group*

On June 29, 2012, a direct bank loan (which was used to redeem Series 2003F bonds) was amended to defer the maturity date to June 30, 2014, with an interest rate based on one-month London Interbank Offered Rate (LIBOR). This agreement requires nominal principal payments during the term with all remaining principal due at maturity. As of December 31, 2013, the amount outstanding for this loan was \$40,000, which amount is classified under current portion of long-term debt on the December 31, 2013 consolidated balance sheet.

The Indiana University Health Obligated Group has executed direct-pay letter-of-credit agreements in support of all of its publicly remarketed variable-rate bond series, which require the credit provider to purchase bonds in the event the bonds are not remarketed. In addition, it has executed direct purchase agreements, whereby the credit provider purchases bonds for a predetermined period of time, after which the agreement must be extended or the bonds must be remarketed or reissued. In each of these two instances, the bonds have a longer nominal maturity than the agreement, but the existence and terms of these agreements allow for the long-term classification of the associated variable-rate bond series. None of these agreements expire during 2014.

##### *Ball Memorial Obligated Group*

On April 1, 2013, the Ball Memorial Obligated Group redeemed at par (\$5,495) all of the outstanding Hospital Authority of Delaware County Hospital Revenue Refunding Bonds, Series 1997. These bonds carried a fixed interest rate of 5.00%.

##### *Other Debt*

The Stonehenge Community Development VII, LLC, Fixed Rate, Unsecured New Market Tax Credit Notes A and B were called by the lender for a one-time payment of \$18,700 during the

# Indiana University Health, Inc. and subsidiaries

## Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

### 7. Debt (continued)

180 day period beginning February 15, 2014. Accordingly, \$18,700 of the \$25,000 obligation is classified under current portion of long-term debt on the December 31, 2013, consolidated balance sheet. The remaining \$6,300 is classified as long-term.

Long-term debt as of December 31, 2013 and 2012, consists of the following:

	2013	2012
<b>Indiana University Health Obligated Group</b>		
Indiana Finance Authority		
Fixed Rate, Tax-Exempt Hospital Revenue Refunding Bonds, Series 2011N Serial and Term Bonds, payable in varying principal installments through 2038, with interest rates ranging from 3.00% to 5.13% at December 31, 2013	\$ 184,215	\$ 197,960
Variable-Rate Demand Notes, Tax-Exempt Revenue Refunding Bonds, Series 2011A, B, C, D, E, H, I, L, and M, payable in varying installments through 2036, with variable interest rates ranging between 0.03% and 0.84% at December 31, 2013	449,820	457,320
Variable-Rate Demand Notes, Taxable Hospital Revenue Bonds, Series 2011J and K, payable in varying principal installments through 2033, with an interest rate of 0.08% at December 31, 2013	159,605	163,245
Indiana Health and Educational Facility Financing Authority		
Fixed Rate, Tax-Exempt Hospital Revenue Bonds, Series 2006A and 2006B Serial and Term Bonds, payable in varying principal installments through 2040, with interest rates ranging from 4.75% to 5.25% at December 31, 2013	666,500	672,285
Variable-Rate Commercial Bank Loan, expiring in 2014 with nominal principal installments through 2038, with an interest rate of 0.67% at December 31, 2013	40,000	40,900
Fixed Rate Commercial Bank Loan, payable in varying principal installments through 2016, with an interest rate of 4.75% at December 31, 2013	17,439	26,526

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

7. Debt (continued)

	2013	2012
<b>Ball Memorial Obligated Group</b>		
Hospital Authority of Delaware County, Indiana		
Fixed Rate, Tax-Exempt Revenue Refunding Bonds, Series 2009A, 2006, and 1997 Serial and Term Bonds, payable in varying principal installments through 2040, with interest rates ranging from 5.00% to 5.63% at December 31, 2013	\$ 83,800	\$ 91,840
<b>Bloomington Obligated Group</b>		
Hospital Authority of Monroe County, Indiana		
Variable-Rate, Tax-Exempt Equipment Financing Agreements, repaid in 2013	—	5,526
<b>Rehabilitation Hospital of Indiana Obligated Group</b>		
Indiana Finance Authority		
Variable-Rate Demand Notes, Tax-Exempt Hospital Revenue Bonds, Series 2011A, payable in varying principal installments through 2031, with an interest rate of 0.05% at December 31, 2013	15,550	16,070
Variable-Rate, Subordinated Promissory Note, principal payable in full at maturity in 2017, with an interest rate of 0.01% at December 31, 2013	1,500	1,500
<b>Other Debt</b>		
Bloomington, Variable-Rate, Taxable Revenue Bonds, Series 2008 Private Placement Bonds, payable in quarterly installments through 2019, variable interest rate of 0.72% at December 31, 2013	2,299	2,736
Stonehenge Community Development VII, LLC, Fixed Rate, Unsecured New Market Tax Credit Notes A and B, due in 2014 at an interest rate of 3.29%	25,000	25,000
Mortgage obligations (interest rates ranging from 1.42% to 6.00%)	6,101	9,497
Capital lease obligations	108,484	125,861
Other	24,024	33,789
Total long-term debt	1,784,337	1,870,055
Unamortized premium, net of unamortized discount	14,461	15,629
Less current portion	(116,149)	(60,853)
Long-term debt, less current portion	\$ 1,682,649	\$ 1,824,831

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**7. Debt (continued)**

The scheduled maturities and mandatory redemptions of long-term debt, assuming remarketing of variable-rate bonds, are as follows

	<b>Indiana University Health Obligated Group</b>	<b>Ball Memorial Obligated Group</b>	<b>RHI Obligated Group</b>	<b>Other</b>	<b>Total</b>
Year ending December 31					
2014	\$ 81,168	\$ 2,675	\$ 570	\$ 31,736	\$ 116,149
2015	41,101	2,810	615	9,203	53,729
2016	40,010	2,950	650	7,447	51,057
2017	41,800	3,110	2,195	4,952	52,057
2018	43,595	5,160	740	4,984	54,479
Thereafter	1,269,905	67,095	12,280	107,586	1,456,866
	<u>\$ 1,517,579</u>	<u>\$ 83,800</u>	<u>\$ 17,050</u>	<u>\$ 165,908</u>	<u>\$ 1,784,337</u>

The estimated valuation of the revenue bonds is obtained from a third-party pricing service and is derived by utilizing well-priced, liquid bonds with similar characteristics such as currency, market type, industry, and credit rating. Pricing data for these reference bonds incorporates simple averages of indicative and executable price quotes obtained from various contributors, including brokers and other market makers, over a specified time window. These prices are used to construct a fair value curve, which in turn is used to discount the future cash flows of the revenue bonds. Based on the inputs used in determining the estimated fair value of these securities, this liability would be classified as Level 2 in the fair value hierarchy described in Note 9.

The estimated fair value of the revenue bonds at December 31, 2013 and 2012, amounted to \$1,581,630 (which includes Ball Memorial – \$86,591 and RHI – \$15,550) and \$1,669,299 (which includes Ball Memorial – \$98,736 and RHI – \$16,070), respectively. The carrying value of the revenue bonds at December 31, 2013 and 2012, amounted to \$1,559,490 and \$1,598,720, respectively. The recorded value of all debt obligations not traded in the secondary credit markets approximated fair value at December 31, 2013 and 2012.

# Indiana University Health, Inc. and subsidiaries

## Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

### 7. Debt (continued)

During 2012, Indiana University Health renewed its \$86,000 secured line of credit, which is secured under the terms of its Obligated Group MTI, bears interest on a variable rate based on LIBOR, and matures June 30, 2015. As of December 31, 2013 and 2012, the Indiana University Health System maintained several lines of credit totaling \$91,000. There was no balance drawn on the lines of credit as of December 31, 2013 or December 31, 2012.

Total interest paid on long-term debt for the years ended December 31, 2013 and 2012, aggregated \$81,882 and \$81,342, respectively. Total interest capitalized during the years ended December 31, 2013 and 2012, amounted to \$4,773 and \$3,862, respectively.

### 8. Derivative Financial Instruments

Long-term interest rate swap arrangements have been entered into with the primary objective being to mitigate interest rate risk. The following fixed-pay swaps, stated at current notional amounts, remain in place as of December 31, 2013.

Notional Amount	Effective Date	Maturity Date	Rate Received	Rate Paid
\$ 52,000	11/15/2005	2/16/2021	62 30% LIBOR plus 0.24%	3.19%
60,195	6/23/2011	3/01/2036	62 30% LIBOR plus 0.24%	2.68
70,425	11/15/2005	2/15/2030	62 30% LIBOR plus 0.24%	3.35
70,725	6/20/2011	2/15/2030	62 30% LIBOR plus 0.24%	3.35
59,675	6/26/2003	3/01/2033	LIBOR	4.92
99,438	6/16/2011	3/01/2033	LIBOR	4.92
39,775	6/26/2003	3/01/2033	LIBOR	4.92
			Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA)	
9,900	1/27/2006	11/02/2020		3.98
1,968	6/01/2004	6/01/2024	LIBOR plus 1.50%	7.05
1,406	6/01/2006	6/01/2026	LIBOR plus 1.25%	7.15
161	10/01/1999	10/01/2019	Prime minus 1.86%	7.72



Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**8. Derivative Financial Instruments (continued)**

After giving effect to the above derivative transactions, the Indiana University Health System's variable-rate debt was approximately 11.4% and 11.1% of total debt outstanding as of December 31, 2013 and 2012, respectively.

In addition, long-term basis swap arrangements were entered into for the purpose of managing the effect of interest rates on cash flows and were in place as of December 31, 2013, as follows:

Notional Amount	Effective Date	Maturity Date	Swap Type	Rate Received	Rate Paid
\$ 140,446	3/10/2021	2/15/2033	Forward Starting	75.00% three-month LIBOR minus 0.05%	SIFMA
175,407	1/04/2008	2/15/2033	Basis	75.00% one-month LIBOR	SIFMA
175,407	2/15/2009	2/15/2021	Basis	72.00% three-month LIBOR minus 0.13%	SIFMA
309,200	3/10/2021	1/07/2033	Forward Starting	75.00% three-month LIBOR minus 0.04%	SIFMA
309,200	3/07/2009	3/07/2021	Basis	72.00% three-month LIBOR minus 0.12%	SIFMA
309,200	6/07/2011	1/07/2033	Basis	75.00% one-month LIBOR	SIFMA
250,000	3/01/2009	9/30/2038	Basis	77.00% three-month LIBOR minus 0.11%	SIFMA
250,000	3/01/2009	9/30/2038	Basis	77.00% three-month LIBOR minus 0.11%	SIFMA

Guidance on fair value accounting stipulates that a credit valuation adjustment (CVA) should be applied to the mark-to-market valuation position of interest rate swaps to more closely capture the fair value of such instruments. Collateral arrangements reduce the credit exposure and are considered in determining the CVA. As of December 31, 2013, the fair value of interest rate swaps was a liability of \$139,072, which is net of CVA of \$23,830. As of December 31, 2012, the fair value of interest rate swaps was a liability of \$165,923, which is net of CVA of \$33,378. The fair values of the swaps have been included with noncurrent liabilities in the accompanying consolidated balance sheets.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 8. Derivative Financial Instruments (continued)

As of December 31, 2013, interest rate swaps had a total notional amount of \$1,934,883, including \$465,668 of fixed-pay swaps and \$1,469,215 of basis swaps. Under agreements executed with counterparties, Indiana University Health is obligated to fund collateral amounts when the aggregate market value of swaps with a given counterparty exceeds a threshold set forth in the related agreement. The aggregate fair value of all derivative instruments, consisting of fixed-pay and basis swaps, with credit-risk-related contingent features that are in a liability position on December 31, 2013 and 2012, was \$146,194 and \$169,006, respectively. No collateral was posted as of December 31, 2013 and 2012.

The Indiana University Health System recorded the following gains (losses), within nonoperating income and losses, in the accompanying consolidated statements of operations and changes in net assets related to these derivative financial instruments:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Gains (losses) on interest rate swaps, net		
Unrealized gains on interest rate swaps	\$ 26,851	\$ 32,294
Realized losses on interest rate swaps	(15,472)	(15,240)
	<u>\$ 11,379</u>	<u>\$ 17,054</u>

#### 9. Fair Value Measurements

The accounting guidance for the application of fair value provides, among other matters, for the following: defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value, establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date, requires consideration of nonperformance risk when valuing liabilities, and expands disclosures about instruments measured at fair value. The three-level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 9. Fair Value Measurements (continued)

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date
- Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date
- Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, the Indiana University Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that, individually or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The following tables set forth by level within the fair value hierarchy the Indiana University Health System's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2013 and 2012. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, could be subject to change or variation, and may affect the valuation of fair value assets and liabilities and their classification within the fair value hierarchy levels.

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

9. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
<b>December 31, 2013</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 395,635	\$ —	\$ —	\$ 395,635
Trading securities				
U S government and agency obligations	274,950	27,593	—	302,543
U S corporate obligations	152,682	407,395	—	560,077
U S equity securities	433,279	5,039	—	438,318
Non-U S securities	126,776	368,586	—	495,362
Real estate investment trusts and other	5,589	2,897	—	8,486
Beneficial interests in charitable remainder and perpetual trusts	—	10,107	—	10,107
Total assets measured at fair value on a recurring basis	<u>\$ 1,388,911</u>	<u>\$ 821,617</u>	<u>\$ —</u>	<u>\$ 2,210,528</u>
<b>Liabilities</b>				
Interest rate swaps	\$ —	\$ —	\$ 139,072	\$ 139,072
Total liabilities measured at fair value on a recurring basis	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 139,072</u>	<u>\$ 139,072</u>
<b>December 31, 2012</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 543,923	\$ —	\$ —	\$ 543,923
Trading securities				
U S government and agency obligations	252,632	43,410	—	296,042
U S corporate obligations	161,651	355,426	—	517,077
U S equity securities	346,610	5,298	—	351,908
Non-U S securities	89,116	205,790	—	294,906
Real estate investment trusts and other	3,264	4,535	—	7,799
Beneficial interests in charitable remainder and perpetual trusts	—	9,192	—	9,192
Total assets measured at fair value on a recurring basis	<u>\$ 1,397,196</u>	<u>\$ 623,651</u>	<u>\$ —</u>	<u>\$ 2,020,847</u>
<b>Liabilities</b>				
Interest rate swaps	\$ —	\$ —	\$ 165,923	\$ 165,923
Total liabilities measured at fair value on a recurring basis	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 165,923</u>	<u>\$ 165,923</u>

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 9. Fair Value Measurements (continued)

The fair value of cash and cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 trading securities is based on quoted market prices from an active exchange. The fair value of Level 2 trading securities is based on third-party market quotes in an inactive market or similar securities in an active market and other observable inputs. The fair value of interest rate swaps is based upon forward interest rate curves, as adjusted for CVA (see Note 8).

Cash and cash equivalents not held in money market funds aggregated \$111,532 and \$134,880 as of December 31, 2013 and 2012, respectively, and are not included in the tables. The Indiana University Health System's \$759,963 and \$541,648 of alternative investments as of December 31, 2013 and 2012, respectively, are not included in the tables because they are accounted for using the equity method of accounting (see Note 5). The beneficial interests in charitable remainder and perpetual trusts are shown within other long-term assets on the accompanying consolidated balance sheets.

The following table is a rollforward of the amounts included in the consolidated balance sheets for financial instruments classified within Level 3 of the valuation hierarchy defined above.

	<b>Financial Liabilities for Derivative Financial Instruments</b>
Fair value at January 1, 2013	\$ 165,923
Unrealized gains	(26,851)
Fair value at December 31, 2013	<u>\$ 139,072</u>

Due to the significance of the CVA relative to the fair value of the swaps, whose inputs are not observable from objective sources, interest rate swaps are classified as Level 3 instruments. The Indiana University Health System engages a third party to assist in valuing the CVA. The CVA adjusts the fair value of each swap based on the credit risk of the party holding the swap in a liability position at that point in time. This credit risk is measured by taking the spread between

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### 9. Fair Value Measurements (continued)

the AAA-rated Municipal General Obligation (Muni GO) curve and the AA-rated Municipal Healthcare curve (or the AA+ rated Muni GO curve for the swaps insured by Assured Guaranty Municipal Corporation) and adjusting that spread to a taxable basis using the relevant SIFMA/LIBOR ratio. A credit risk adjusted mark-to-market is then calculated by adding the relevant taxable spread to the LIBOR swap curve and revaluing the swap using the adjusted curve.

The value of the CVA may vary depending upon the following factors:

- whether the Indiana University Health System is required to post collateral under the swap agreements,
- to the extent that the credit rating of the Indiana University Health System increases or decreases, in which case the CVA would decrease or increase, respectively (assuming the swaps are in a liability position), or
- to the extent that the spread between the swap curves discussed above expands or compresses.

Generally, swaps are transferred between Level 2 and Level 3 when the CVA exceeds 10% of the gross valuation of the swap. Transfers are generally recorded at the end of the reporting period. There were no material transfers between Level 1 and Level 2.

#### 10. Commitments and Contingencies

The Indiana University Health System is from time to time subject to various legal proceedings and claims arising in the ordinary course of business. The Indiana University Health System's management does not expect that the outcome in any of its currently ongoing legal proceedings or the outcome of any other claims, individually or collectively, will have a material adverse effect on the Indiana University Health System's financial condition, results of operations, or cash flow.

# Indiana University Health, Inc. and subsidiaries

## Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

### 10. Commitments and Contingencies (continued)

#### Leases

Buildings and medical and office equipment are leased under noncancelable operating and capital leases. Future minimum lease payments as of December 31, 2013, are as follows:

	<b>Operating Leases</b>	<b>Capital Leases</b>
Year ending December 31		
2014	\$ 49,349	\$ 15,326
2015	38,991	13,047
2016	32,942	9,893
2017	26,743	8,382
2018	19,971	8,218
Thereafter	59,297	180,230
Total minimum lease payments	<u>\$ 227,293</u>	235,096
Less amount representing interest		126,612
Present value of net minimum lease payments		<u>\$ 108,484</u>

Rent and lease expense, included in supplies, drugs, purchased services, and other expenses in the accompanying consolidated statements of operations and changes in net assets, amounted to \$74,376 and \$89,478 for the years ended December 31, 2013 and 2012, respectively.

### 11. Medical Malpractice

The Indiana University Health System's medical malpractice coverage is provided through a program of commercial insurance. The program of medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act (the Act), which limits the amount of individual claims to \$1,250 and annual aggregate claims to \$7,500, of which up to \$1,000 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and \$250 by the Indiana University Health System for each occurrence of malpractice. The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels. The Indiana University Health System has met these requirements and is a qualified provider under the Act, retaining risk of \$250 per occurrence and \$7,500 in the annual aggregate.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **11. Medical Malpractice (continued)**

The Indiana University Health System's medical malpractice program includes coverage offered by the captive insurance companies. Commercial insurance carriers also provide reinsurance for certain excess general liability coverage of the captive insurance companies on a claims-made basis (aggregating \$100,000).

Contributions for coverage provided by the captive insurance companies are expensed as incurred, and loss reserves are established for incurred but not yet reported claims. Laws in the jurisdictions in which the captive insurance companies are domiciled require, among other matters, that certain capital and funding requirements be met. The actuarially determined amount of accrued medical malpractice claims is included in noncurrent liabilities in the accompanying consolidated balance sheets.

#### **12. Retirement Plans**

##### **Defined-Contribution Plans**

Retirement benefits are provided to substantially all employees of the Indiana University Health System, primarily through defined-contribution plans. Contributions, which are included in benefits expense, to the defined-contribution plans are based on compensation of qualified employees and amounted to \$89,279 in 2013 and \$89,833 in 2012 (net of forfeitures of \$3,202 and \$2,547 in 2013 and 2012, respectively).

##### **Defined-Benefit Plans**

Defined-benefit pension plans sponsored by Indiana University Health, LaPorte, Ball Memorial, and Bloomington have been curtailed, with benefits generally frozen or limited, or no new participants are allowed. The defined-benefit pension plans applicable to Indiana University Health were principally limited to current and former employees who elected not to participate in the defined-contribution plan established at the time of Indiana University Health's formation and current and former executives who participated in a supplemental employee retirement plan of Indiana University Health.

Pension benefits are based on years of service and compensation of employees (as defined) and are actuarially determined. Where applicable, the funding policy is to annually contribute the contribution required to comply with applicable legislation and IRS regulations.



Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**12. Retirement Plans (continued)**

Adjustments to pension liabilities to reflect funded status are charged or credited to unrestricted net assets. A decrease to the pension liability of \$130,488 has been recorded in 2013 due to contributions of \$61,863 and higher discount rates assumed for net periodic pension costs and benefit obligation.

The following table sets forth the funded status of the defined-benefit pension plans and amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2013 and 2012. The discount rates used vary with each plan based on plan characteristics such as the average age of participants.

	<b>2013</b>	<b>2012</b>
Changes in benefit obligation of the plans		
Benefit obligation at beginning of year	\$ 498,114	\$ 438,884
Benefit obligation as of January 1, 2012, IUHP	—	8,691
Benefit obligation at the beginning of the year, as adjusted	498,114	447,575
Service cost and other	1,872	2,191
Interest cost	19,991	21,601
Actuarial (loss) gain	(46,819)	51,738
Benefits paid	(26,405)	(24,991)
Benefit obligation at end of year	<u>\$ 446,753</u>	<u>\$ 498,114</u>
Changes in assets of the plans		
Fair value of assets at beginning of year	\$ 343,634	\$ 299,882
Actual return on assets	43,669	30,992
Employer contributions	61,862	37,751
Benefits paid	(26,405)	(24,991)
Fair value of assets at end of year	<u>\$ 422,760</u>	<u>\$ 343,634</u>
Funded deficiency at December 31	<u>\$ (23,993)</u>	<u>\$ (154,480)</u>
Items not yet recognized as a component of net periodic pension cost		
Net actuarial loss	\$ 79,847	\$ 166,217
Prior service cost	—	(314)
	<u>\$ 79,847</u>	<u>\$ 165,903</u>

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**12. Retirement Plans (continued)**

	<b>2013</b>	<b>2012</b>
Components of net pension benefit cost		
Service cost	\$ 1,957	\$ 2,191
Interest cost	19,991	21,601
Expected return on assets	(23,512)	(22,927)
Amortization of unrecognized prior service cost	(314)	(283)
Amortization of unrecognized net loss	19,327	14,837
Amortization of transition obligation	—	80
Termination benefit and settlement (income) expense	(85)	886
Net periodic pension cost	<u>\$ 17,364</u>	<u>\$ 16,385</u>
Weighted-average actuarial assumptions to determine benefit cost		
Discount rate for net periodic pension cost	4.04%	4.90%
Discount rate for benefit obligations	4.91	4.10
Expected rate of return on plan assets	6.47	6.83
Rate of compensation increase	2.00	2.50
Accumulated benefit obligation	\$ 437,638	\$ 488,188
Fair value of assets at end of year	<u>422,760</u>	<u>343,634</u>
Accumulated benefit obligation exceeding fair value of plan assets	<u>\$ 14,878</u>	<u>\$ 144,554</u>
Expected future benefit payments		
2014		\$ 23,058
2015		24,445
2016		26,104
2017		27,580
2018		29,289
2019–2023		153,761

# Indiana University Health, Inc. and subsidiaries

## Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

### 12. Retirement Plans (continued)

Accumulated adjustments to unrestricted net assets at December 31, 2013, include amounts related to net actuarial loss and prior service costs that have not yet been recognized in net pension benefit cost. Expected amortization of amounts in unrestricted net assets is expected to increase net periodic pension costs by \$4,613 during the year ending December 31, 2014. Contributions are expected to aggregate \$581 to the defined-benefit pension plans during 2014.

The principal long-term determinant of a plan's investment return is its asset allocation. The plans' allocations are weighted toward growth-oriented assets versus duration-oriented investments. The expected long-term rate of return assumption is based on the mix of assets in the plans, the long-term earnings expected to be associated with each asset class, and any additional return expected through active management. These assumptions are periodically benchmarked against peer plans.

The weighted-average asset allocations of the plans at December 31, by asset category, are as follows:

	2013	2012
<b>Asset category</b>		
U S corporate obligations	30%	18%
U S equity securities	25	29
Non-U S securities	22	20
Hedged strategy (fund of funds)	20	20
Cash and cash equivalents	3	3
U S government and agency obligations	—	9
Real estate investment trusts and other	—	1
	<b>100%</b>	<b>100%</b>

The allocation strategy for the plans is currently composed of approximately 60% to 70% of growth-oriented investments and 30% to 40% of duration-oriented investments. The largest component of these growth-oriented assets is public equity securities that are diversified and invested in U S and international companies.

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**12. Retirement Plans (continued)**

The following tables present the plans' financial instruments as of December 31, 2013 and 2012, measured at fair value on a recurring basis within the fair value hierarchy as disclosed in Note 9

	Level 1	Level 2	Level 3	Total
<b>December 31, 2013</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 14,440	\$ —	\$ —	\$ 14,440
U S corporate obligations	126,810	7	—	126,817
U S equity securities	106,894	—	—	106,894
Non-U S securities	42,553	48,813	—	91,366
Hedged strategy (fund of funds)	—	83,243	—	83,243
Total assets measured at fair value on a recurring basis	<u>\$ 290,697</u>	<u>\$ 132,063</u>	<u>\$ —</u>	<u>\$ 422,760</u>
<b>December 31, 2012</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 12,375	\$ —	\$ —	\$ 12,375
U S government and agency obligations	18,364	12,709	—	31,073
U S corporate obligations	33,415	29,881	—	63,296
U S equity securities	97,806	686	—	98,492
Non-U S securities	50,885	18,424	—	69,309
Hedged strategy (fund of funds)	—	67,192	—	67,192
Real estate investment trusts and other	1,897	—	—	1,897
Total assets measured at fair value on a recurring basis	<u>\$ 214,742</u>	<u>\$ 128,892</u>	<u>\$ —</u>	<u>\$ 343,634</u>

The fair value of cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 investments is based on quoted market prices from an active exchange. The fair value of Level 2 investments is based on third-party quotes in an inactive market or similar securities in an active market and other observable inputs.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **12. Retirement Plans (continued)**

The plans invest in alternative investments for which the net asset value per share represents the fair value of the investment held. Risks and redemption restrictions for these investments are similar to the alternative investments described in Note 5.

#### **13. Endowments**

Endowment funds of Methodist Health Foundation and BMH Foundation consist of donor-restricted endowment funds held for various specific purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of both foundations have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the foundations classify as permanently restricted net assets the following: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundations in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the foundations consider the various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, such as the duration and preservation of the fund, the purposes of the foundations and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the investment policies of the foundations.

Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Thousands of Dollars)

**13. Endowments (continued)**

Changes in and composition of donor-restricted endowment net assets for both foundations for the years ended December 31, 2013 and 2012, were as follows

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at			
January 1, 2012	\$ 9,288	\$ 44,679	\$ 53,967
Investment return	5,031	227	5,258
Appropriation of endowment assets for expenditures	(3,379)	—	(3,379)
Endowment net assets at			
December 31, 2012	10,940	44,906	55,846
Investment return	5,477	244	5,721
Appropriation of endowment assets for expenditures	(1,782)	—	(1,782)
Endowment net assets at			
December 31, 2013	<u>\$ 14,635</u>	<u>\$ 45,150</u>	<u>\$ 59,785</u>

In 2012, Methodist Health Foundation and BMH Foundation transferred a total of \$600 from temporarily and permanently restricted net assets back to unrestricted net assets as a result of a 2011 transfer from unrestricted net assets to maintain donor-restricted endowment funds at the level required by the donor stipulations or law. In 2013, Methodist Health Foundation and BMH Foundation transferred \$362 from unrestricted net assets to temporarily restricted net assets to maintain donor-restricted endowment funds at the level required by the donor stipulations or law.

Methodist Health Foundation and BMH Foundation have adopted separate investment and spending policies for endowment assets. Policies for both foundations attempt to preserve capital, maximize the return within reasonable and prudent levels of risk, and provide a return to the restricted funds. Endowment assets are invested in a manner that is intended to produce results that exceed the initial recorded value of the investment and yield a targeted long-term rate while assuming a moderate level of investment risk. Distributions are made for the purposes of supporting various Indiana University Health and Ball Memorial program services. Each foundation has set a threshold for the amount available to distribute each year.

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **14. Related-Party Transactions**

##### **Indiana University School of Medicine**

The Consolidation Agreement requires that Indiana University Health fund salaries and related employee benefit costs for medical doctor interns and residents of the School of Medicine who provide services at the Indiana University Health System's facilities. These costs totaled \$43,862 and \$41,307 in 2013 and 2012, respectively, and have been reported with salaries, wages, and benefits expense in the accompanying consolidated statements of operations and changes in net assets.

The Consolidation Agreement also provides for additional support to the School of Medicine to recognize, as a result of the consolidation, the enhanced and increased level of services being provided, including services to the medically indigent through medical education and research. During 2013 and 2012, Indiana University Health expensed \$50,000 and \$52,610, respectively, related to educational and research support provided to the School of Medicine. As of December 31, 2013, \$40,000 of this support was recorded within accounts payable and accrued expenses in accompanying consolidated balance sheets and paid to the School of Medicine during the first quarter of 2014. The School of Medicine rents space at Indiana University Health's Fairbanks Hall, an educational and resource center, under a 34-year lease agreement with Indiana University Health. In 2008, the School of Medicine prepaid the rent, totaling \$4,887 under the agreement, and the income is being recognized over the term of the lease.

The Indiana University Health System purchases certain services from the School of Medicine. These expenses, principally for medical care case management services, utilities, laboratory services, and other services, totaled \$18,872 and \$19,030 for the years ended December 31, 2013 and 2012, respectively, and have been reported with supplies, drugs, purchased services, and other expenses in the accompanying consolidated statements of operations and changes in net assets.

In 2012, Indiana University Health committed to support ratably for a five-year period ending December 31, 2016, certain basic, clinical, and translational research programs of the School of Medicine. The total commitment aggregates \$75,000, subject to Board approval annually, and will be used to reimburse expenses incurred by the School of Medicine. For the years ended December 31, 2013 and 2012, the Indiana University Health System expensed \$15,000 under this agreement within supplies, drugs, purchased services, and other expenses in the accompanying consolidated statements of operations and changes in net assets, of which \$22,138

## Indiana University Health, Inc. and subsidiaries

### Notes to Consolidated Financial Statements (continued) (Thousands of Dollars)

#### **14. Related-Party Transactions (continued)**

and \$13,981 was accrued within accounts payable and accrued expenses at December 31, 2013 and 2012, respectively. Additionally, in 2012, the Board approved research grants in the amount of \$5,000, which was expensed through purchased services in the accompanying consolidated statement of operations and changes in net assets.

During 2012, IUHP received a grant from Indiana University Medical Group Foundation in the amount of \$45,000 to be used toward physician recruitment and transition for the purpose of expanding access to care to Medicaid and other underserved patient populations. As the grant restrictions were met as of December 31, 2012, the \$45,000 was recorded as other operating revenue in the accompanying consolidated statement of operations and changes in net assets in 2012.

#### **Other Foundations**

Bloomington Hospital Foundation, Tipton County Foundation, Indiana University Health White Memorial Hospital Foundation, and White County Community Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code; these foundations hold funds solely on behalf of Bloomington, Tipton, and White, respectively.

The financial statements of these foundations are not included in the consolidated financial statements. The interests in net assets of these other foundations, which totaled \$13,579 and \$12,898 at December 31, 2013 and 2012, respectively, are included with other assets and net assets in the accompanying consolidated balance sheets and principally represent donor-restricted funds. These foundations also hold other net assets that are subject to the direction of their respective Boards of Directors. Other changes in the net assets of these foundations are generally reflected within temporarily and permanently restricted net assets.

#### **15. Health Care Legislation and Regulation**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, participation requirements, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and security, privacy, and standards of health information. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and noncompliance with regulations.



Indiana University Health, Inc. and subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Thousands of Dollars)*

**15. Health Care Legislation and Regulation (continued)**

by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment.

In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the consolidated financial statements of the Indiana University Health System, however, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The Affordable Care Act and the Health Care and Education Reconciliation Act legislation, among other matters, is designed to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing Medicare and Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years, and accordingly, the specific impact of future regulations is not determinable.

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