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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

☐ Yes ☒ No

1

Briefly describe the organization’s mission

METHODIST LE BONHEUR HEALTHCARE, IN PARTNERSHIP WITH ITS MEDICAL STAFFS, WILL COLLABORATE WITH PATIENTS AND THEIR FAMILIES TO BE THE LEADER IN PROVIDING HIGH QUALITY, COST-EFFECTIVE PATIENT-AND FAMILY-CENTERED CARE SERVICES WILL BE PROVIDED IN A MANNER WHICH SUPPORTS THE HEALTH MINISTRIES AND SOCIAL PRINCIPLES OF THE UNITED METHODIST CHURCH TO BENEFIT THE COMMUNITIES WE SERVE

2

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

☐ Yes ☒ No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 1,452,323,002 including grants of \$ 5,336,547) (Revenue \$ 1,623,245,089)

METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS A 501(C)(3) NON-PROFIT ORGANIZATION CONSISTING OF FIVE HOSPITALS WITHIN AN INTEGRATED HEALTHCARE DELIVERY SYSTEM BASED IN MEMPHIS, TENNESSEE THE FIRST METHODIST HOSPITAL IN THE SYSTEM WAS FOUNDED IN 1918 BY THE UNITED METHODIST CHURCH TO HELP MEET THE GROWING NEEDS FOR QUALITY HEALTHCARE IN THE MID-SOUTH AFFILIATED WITH THE MEMPHIS, MISSISSIPPI AND ARKANSAS CONFERENCES OF THE UNITED METHODIST CHURCH, METHODIST HEALTHCARE - MEMPHIS HOSPITALS COMBINE A DEDICATION TO THE ART OF HEALING WITH A CHRIST-CENTERED COMMITMENT TO MINISTER TO THE WHOLE PERSON

4b

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

PLEASE SEE OUR EXTENDED DESCRIPTION OF PROGRAM SERVICE ACCOMPLISHMENTS IN SCHEDULE O IN ADDITION, PLEASE VISIT OUR WEBSITE FOR A POSTING OF THE MOST CURRENT COMMUNITY BENEFIT REPORT AT WWW.METHODISTHEALTH.ORG/ARTICLES/COMMUNITY-INVOLVEMENT

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 1,452,323,002

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or 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	Yes	
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	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	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		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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.	611	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	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	10,621
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
b If "Yes," has it filed a Form 990-T for this year? <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 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? <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	25	
	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	19	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. Own website Another's website Upon request Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization SUE WAUGH 1211 UNION AVENUE MEMPHIS, TN 38104 (901) 516-0656

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

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	7,718,189	8,181,904	3,348,823

2 Total number of individuals (including but not limited to those listed in the table) who received more than \$100,000 of reportable compensation from the organization. 506

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
WEST CLINIC 100 N HUMPHREYS BLVD MEMPHIS TN 38120	PHYSICIAN SERVICES	51,962,569
UNIVERSITY OF TENNESSEE 910 MADISON AVENUE MEMPHIS TN 38163	PHYSICIAN SERVICES	31,380,147
UT MEDICAL GROUP 1407 UNION AVENUE MEMPHIS TN 38104	PHYSICIAN SERVICES	6,571,460
JOHNSON CONTROLS INC PO BOX 905240 CHARLOTTE NC 28201	MAINTENANCE SERVICES	5,693,032
MORRISON MANAGEMENT SPECIALISTS INC PO BOX 102289 ATLANTA GA 30368	FOOD SERVICE MANAGEMENT	5,003,136

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 ▶86

Part VIII

Statement of Revenue

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

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a	102,193				
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	3,895,324				
	e	Government grants (contributions)	1e	992,441				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f						
Program Service Revenue			Business Code					
	2a	NET PATIENT SERVICE	623000	1,450,847,722	1,450,847,722			
	b	OUTPATIENT LABS	900099	134,770,694	134,463,396	307,298		
	c	DRUG SALES	446110	18,648,692	18,648,692			
	d	HEALTHSOUTH	900099	1,254,458	27,005	1,227,453		
	e	SUBSIDIARY INCOME	623000	-1,468,817	-1,468,817			
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			1,604,052,749			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		22,810,592			22,810,592	
	4	Income from investment of tax-exempt bond proceeds . . .						
	5	Royalties						
	6a	(i) Real						
		(ii) Personal						
		5,411,483						
		89,834						
	b	Less rental expenses	0	0				
	c	Rental income or (loss)	5,411,483	89,834				
	d	Net rental income or (loss)		5,501,317			5,501,317	
	7a	(i) Securities						
		(ii) Other						
	b	Less cost or other basis and sales expenses		48,863				
	c	Gain or (loss)		-48,863				
	d	Net gain or (loss)		-48,863			-48,863	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . .						
	a							
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . . .						
	9a	Gross income from gaming activities See Part IV, line 19						
	a							
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . . .						
	10a	Gross sales of inventory, less returns and allowances . .						
	a							
	b	Less cost of goods sold . . .	b					319,611
	b	Less cost of goods sold . . .	b	33,500				
	c	Net income or (loss) from sales of inventory . . .		286,111			286,111	
	Miscellaneous Revenue			Business Code				
	11a	340B DRUG PROGRAM REVENUE		900099	20,727,091	20,727,091		
	b	CAFETERIA & VENDING		722210	342,842			342,842
c	EDUCATION & DAYCARE		900099	241,336			241,336	
d	All other revenue			6,884,672			6,884,672	
e	Total. Add lines 11a-11d			28,195,941				
12	Total revenue. See Instructions			1,665,787,805	1,623,245,089	1,534,751	36,018,007	

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.	5,336,547	5,336,547		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	4,829,582	3,622,187	1,207,395	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	66,133	66,133		
7	Other salaries and wages.	488,285,057	468,891,599	19,393,458	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	33,485,824	32,087,074	1,398,750	
9	Other employee benefits.	56,171,467	50,913,351	5,258,116	
10	Payroll taxes.	35,177,327	33,707,921	1,469,406	
11	Fees for services (non-employees):				
a	Management.	6,906,883	3,676,126	3,230,757	
b	Legal.	280,123	124,957	155,166	
c	Accounting.	421,981	47,013	374,968	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	156,917,153	106,054,450	50,862,703	
12	Advertising and promotion.	422,790	500	422,290	
13	Office expenses.	54,467,665	33,299,939	21,167,726	
14	Information technology.	1,368,260	1,170,441	197,819	
15	Royalties.				
16	Occupancy.	24,451,390	23,841,263	610,127	
17	Travel.	1,524,403	1,258,211	266,192	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	1,091,128	753,470	337,658	
20	Interest.	27,620,358	27,620,358		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	76,133,124	76,133,124		
23	Insurance.	13,021,550	1,604,363	11,417,187	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	MEDICAL SUPPLIES	308,703,541	308,703,541		
b	BAD DEBT EXPENSE	156,947,156	156,947,156		
c	CORPORATE OVERHEAD	115,557,738	115,557,738		
d	RECRUITMENT	4,467,912	655,398	3,812,514	
e	All other expenses	250,142	250,142		
25	Total functional expenses. Add lines 1 through 24e.	1,573,905,234	1,452,323,002	121,582,232	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		-5,924,813	1	-5,738,633
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		160,163,336	4	174,873,834
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		128,625	7	103,976
	8	Inventories for sale or use		20,692,391	8	21,532,010
	9	Prepaid expenses and deferred charges		2,932,515	9	5,228,556
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a1,497,496,750			
	b	Less accumulated depreciation	10b757,935,083	722,963,616	10c	739,561,667
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		7,625,406	13	10,042,329
	14	Intangible assets		777,211	14	856,976
	15	Other assets See Part IV, line 11		6,723,689	15	6,632,442
	16	Total assets. Add lines 1 through 15 (must equal line 34)		916,081,976	16	953,093,157
Liabilities	17	Accounts payable and accrued expenses		105,317,975	17	117,703,062
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		534,771	23	530,560
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		19,326,901	25	14,274,398
	26	Total liabilities. Add lines 17 through 25		125,179,647	26	132,508,020
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		790,902,329	27	820,585,137
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		790,902,329	33	820,585,137
	34	Total liabilities and net assets/fund balances		916,081,976	34	953,093,157

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	1,665,787,805
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,573,905,234
3	Revenue less expenses Subtract line 2 from line 1	3	91,882,571
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	790,902,329
5	Net unrealized gains (losses) on investments	5	8,006,208
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-70,205,971
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	820,585,137

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

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			
WILLIAM MAY CMO - LE BONHEUR HOSPITAL	50 00			X				327,136	0	27,519
GYASI CHISLEY SVP - NORTH HOSPITAL	50 00			X				126,742	0	9,756
RONALD MICHAEL PHYSICIAN	40 00					X		618,793	0	17,264
EDUARDO BASCO PHYSICIAN	40 00					X		650,280	0	39,408
CLARO DIAZ PHYSICIAN	40 00					X		791,779	0	40,303
JAMES LITZOW PHYSICIAN	40 00					X		733,977	0	39,943
GALEN VAN WYHE PHYSICIAN	40 00					X		870,172	0	38,303

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

Name of the organization METHODIST HEALTHCARE - MEMPHIS HOSPITALS	Employer identification number 62-0479367
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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 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 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).

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part III

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

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

☐ Yes

☐ No

Part IV

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a

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

☐ Yes

☐ No
- b

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

☐

Part V

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

- | | (a)Current year | (b)Prior year | b (c)Two years back | (d)Three years back | (e)Four years back |
|----|--|---------------|---------------------|---------------------|--------------------|
| 1a | Beginning of year balance | | | | |
| b | Contributions | | | | |
| c | Net investment earnings, gains, and losses | | | | |
| d | Grants or scholarships | | | | |
| e | Other expenditures for facilities and programs | | | | |
| f | Administrative expenses | | | | |
| g | End of year balance | | | | |
- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No
- 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		63,901,127		63,901,127
b Buildings		630,534,667	299,406,847	331,127,820
c Leasehold improvements		69,662,513	46,060,583	23,601,930
d Equipment		708,466,350	412,467,653	295,998,697
e Other		24,932,093		24,932,093
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				739,561,667

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.

1	Total revenue, gains, and other support per audited financial statements	1	1,446,674,386
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	8,006,208
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-227,153,127
e	Add lines 2a through 2d	2e	-219,146,919
3	Subtract line 2e from line 1	3	1,665,821,305
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	-33,500
c	Add lines 4a and 4b	4c	-33,500
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	1,665,787,805

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.

1	Total expenses and losses per audited financial statements	1	1,416,991,578
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	33,500
e	Add lines 2a through 2d	2e	33,500
3	Subtract line 2e from line 1	3	1,416,958,078
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	156,947,156
c	Add lines 4a and 4b	4c	156,947,156
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	1,573,905,234

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
PART X, LINE 2	THE ORGANIZATION CONSOLIDATES ITS AUDIT WITH ITS CORPORATE PARENT AND OTHER SUBSIDIARIES OF THE PARENT. THE FOLLOWING STATEMENT REFLECTS THE FIN 48 FOOTNOTE OF THE CONSOLIDATED GROUP: THE INTERNAL REVENUE SERVICE HAS DETERMINED THAT THE SYSTEM AND ALL OF THE NONPROFIT AFFILIATES FOR WHICH THE SYSTEM OR ITS BOARD OF DIRECTORS IS CONTROLLING MEMBER ARE EXEMPT FROM FEDERAL INCOME TAX UNDER INTERNAL REVENUE CODE (IRC) SECTION 501(A) AS ORGANIZATIONS DESCRIBED IN SECTION 501(C)(3) AS QUALIFIED TAX-EXEMPT ORGANIZATIONS, THE SYSTEM'S NONPROFIT AFFILIATES MUST OPERATE IN CONFORMITY WITH THE IRC TO MAINTAIN THEIR TAX-EXEMPT STATUS. INCOME TAX FROM THE OPERATIONS OF THE SYSTEM'S WHOLLY OWNED FOR-PROFIT SUBSIDIARY, AMBULATORY OPERATIONS, INC., AND ITS SUBSIDIARIES IS NOT SIGNIFICANT. THE SYSTEM APPLIES FASB ASC TOPIC 740 (TOPIC 740), ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES. TOPIC 740 CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAX POSITIONS AND PROVIDES GUIDANCE ON WHEN TAX POSITIONS ARE RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS AND HOW THE VALUES OF THESE POSITIONS ARE DETERMINED. THERE HAS BEEN NO IMPACT ON THE SYSTEM'S COMBINED FINANCIAL STATEMENTS AS A RESULT OF TOPIC 740.
PART XI, LINE 2D - OTHER ADJUSTMENTS	EQUITY TRANSFER TO AFFILIATES -70,205,971 BAD DEBT EXPENSE -156,947,156
PART XI, LINE 4B - OTHER ADJUSTMENTS	COST OF GOODS SOLD -33,500
PART XII, LINE 2D - OTHER ADJUSTMENTS	COST OF GOODS SOLD 33,500
PART XII, LINE 4B - OTHER ADJUSTMENTS	BAD DEBT EXPENSE 156,947,156

[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
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>12500 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☒ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b 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)			85,789,810	145,398	85,644,412	6 040 %
b Medicaid (from Worksheet 3, column a)			375,477,376	314,470,736	61,006,640	4 310 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			6,732,207	12,160,074	-5,427,867	0 %
d Total Financial Assistance and Means-Tested Government Programs			467,999,393	326,776,208	141,223,185	10 350 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			8,530,650	7,276,553	1,254,097	0 090 %
f Health professions education (from Worksheet 5)			31,981,632	10,960,654	21,020,978	1 480 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			14,508,203		14,508,203	1 020 %
j Total Other Benefits			55,020,485	18,237,207	36,783,278	2 590 %
k Total. Add lines 7d and 7j			523,019,878	345,013,415	178,006,463	12 940 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support		1,399,400		1,399,400	0 100 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development		4,455,573		4,455,573	0 310 %
9	Other					
10	Total		5,854,973		5,854,973	0 410 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

No

2

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

2

39,451,449

3

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

3

19,725,725

4

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

Section B. Medicare

5

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

5

342,917,740

6

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

6

314,408,808

7

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

7

28,508,932

8

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

☐

Cost accounting system

☒

Cost to charge ratio

☐

Other

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 NORTH SURGERY CENTER LP	OUTPATIENT SURGERY	60 500 %		39 500 %
2 2 METHODIST SURGERY CENTER - GERMANTOWN LP	OUTPATIENT SURGERY	55 000 %		45 000 %
3 3 MIDTOWN SURGERY CENTER LP	OUTPATIENT SURGERY	42 000 %		15 000 %
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Schedule H (Form 990) 2013

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?
5

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)
FACILITY REPORTING GROUP - A

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 ☒ A definition of the community served by the hospital facility		
b ☒ Demographics of the community		
c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d ☒ How data was obtained		
e ☒ The health needs of the community		
f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h ☒ The process for consulting with persons representing the community's interests		
i ☒ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j ☐ Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>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 ☒ Hospital facility's website (list url)		
b ☐ Other website (list url)		
c ☒ Available upon request from the hospital facility		
d ☐ 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 ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☒ Execution of the implementation strategy		
c ☒ Participation in the development of a community-wide plan		
d ☒ Participation in the execution of a community-wide plan		
e ☒ Inclusion of a community benefit section in operational plans		
f ☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☒ Prioritization of health needs in its community		
h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 125 0000000000000% 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 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	☒ Income level		
b	☐ Asset level		
c	☒ Medical indigency		
d	☐ Insurance status		
e	☒ Uninsured discount		
f	☐ Medicaid/Medicare		
g	☐ State regulation		
h	☐ Residency		
i	☐ Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
a	☒ The policy was posted on the hospital facility's website		
b	☐ The policy was attached to billing invoices		
c	☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	☒ The policy was posted in the hospital facility's admissions offices		
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility		
f	☒ The policy was available upon request		
g	☐ Other (describe in Part VI)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
a	☐ Reporting to credit agency		
b	☐ Lawsuits		
c	☐ Liens on residences		
d	☐ Body attachments		
e	☐ Other similar actions (describe in 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	☐ Reporting to credit agency		
b	☐ Lawsuits		
c	☐ Liens on residences		
d	☐ Body attachments		
e	☐ 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	Yes	
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	☐	
b	☐	
c	☐	
d	☐	
The hospital facility did not provide care for any emergency medical conditions		
The hospital facility's policy was not in writing		
The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
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	☐	
b	☐	
c	☐	
d	☒	
The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
Other (describe in Part VI)		
21		No
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		
22		No
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		

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? **40**

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

Part VI

Supplemental Information

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
PART I, LINE 6A	METHODIST HEALTHCARE-MEMPHIS HOSPITALS' COMMUNITY BENEFIT REPORT IS PREPARED PRIMARILY BY THE COMMUNICATIONS AND MARKETING DEPARTMENT, WITH SUPPORT FROM THE ACCOUNTING AND FINANCE DEPARTMENTS, OF METHODIST LE BONHEUR HEALTHCARE, THE HOME OFFICE/CORPORATE PARENT ENTITY OF THE HOSPITAL. THE HOSPITAL'S COMMUNITY BENEFIT REPORT CAN BE FOUND ON THE COMPANY'S WEBSITE AT WWW.METHODISTHEALTH.ORG UNDER THE "ABOUT US" SECTION.
PART I, LINE 7	WORKSHEET 2 OF THE 2013 SCHEDULE H INSTRUCTIONS WAS USED TO COMPUTE A COST-TO-CHARGES RATIO THAT WAS USED TO CALCULATE CHARITY CARE, UNREIMBURSED MEDICAID, AND OTHER MEANS-TESTED PROGRAM SHORTFALLS AT COST.

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	THE AMOUNT ON FORM 990, PART IX, LINE 25 CONTAINS A BAD DEBT EXPENSE OF \$ 156,947,156 THAT HAS BEEN REMOVED FOR PURPOSES OF CALCULATING PERCENT OF TOTAL EXPENSE ON SCHEDULE H, PART I, LINE 7, COLUMN (F)
PART III, LINE 4	THE ORGANIZATION'S FINANCIAL STATEMENTS DO NOT INCLUDE A FOOTNOTE ON BAD DEBTS, ACCOUNTS RECEIVABLE, OR ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS WORKSHEET 2 OF THE 2013 SCHEDULE H INSTRUCTIONS WAS USED TO COMPUTE A COST-TO-CHARGES RATIO THAT WAS USED TO CONVERT BAD DEBT TO APPROXIMATE COST WHEN A PORTION OF PATIENT CHARGES BECOME PATIENT RESPONSIBILITY, THE AMOUNT IS WRITTEN OFF TO BAD DEBTS AND THEN SENT TO OUR COLLECTION GROUP ANY PAYMENTS RECOUPED BY OUR COLLECTIONS GROUP ARE THEN APPLIED AGAINST THE BAD DEBT EXPENSE IT IS OUR ESTIMATION BASED ON HISTORICAL EXPERIENCE THAT ABOUT 50% OF THE REMAINING PORTION OF BAD DEBTS (AFTER RECOVERIES) COULD BE APPLICABLE TO PATIENTS WHO, ON ADDITIONAL REVIEW AND PROVIDING ALL RELEVANT INFORMATION, WOULD QUALIFY FOR FINANCIAL ASSISTANCE

Form and Line Reference	Explanation
PART III, LINE 8	THE ORGANIZATION USED ITS MEDICARE COST REPORT TO COMPUTE AMOUNTS PRESENTED ON LINES 5 AND 6
PART III, LINE 9B	METHODIST LE BONHEUR HEALTHCARE'S COLLECTION PROCESS BEGINS WITH THE ORGANIZATION'S REVENUE CYCLE TEAM MAKING INITIAL COLLECTION EFFORTS TO RECOUP ALL MONIES DUE FROM THE PATIENTS' INSURANCE PROVIDERS. WHEN THE AMOUNT DUE IS SOLELY THE PATIENT'S PORTION, THE ACCOUNT IS TRANSFERRED TO ANOTHER TEAM THAT SPECIALIZES IN PATIENT PORTION ACCOUNTS (EARLY-OUT PROGRAM). IT IS THIS PROGRAM THAT INITIALLY DETERMINES IF A PATIENT QUALIFIES FOR CHARITY CARE UNDER THE ORGANIZATION'S POLICY. IF QUALIFICATION IS UNCLEAR, THIS PROGRAM ATTENDS TO THE ACCOUNT FOR A PREDETERMINED TIME THROUGH LETTERS AND PHONE CALLS. THE DURATION IS DEPENDENT ON VARIOUS SCENARIOS THAT AFFECT ITS LENGTH, SUCH AS PAYMENT ARRANGEMENTS, DISPUTES, ETC. AFTER THE EARLY-OUT TIME PERIOD HAS EXPIRED, THE ACCOUNT IS THEN SENT TO OUR COLLECTIONS GROUP. AN ACCOUNT PLACED WITH OUR COLLECTION GROUP EXPERIENCES A CONTINUED AND THOROUGH COLLECTION PHASE. ONCE ALL COLLECTION EFFORTS HAVE BEEN EXHAUSTED AND IT IS DETERMINED THAT THE REMAINING BALANCE WILL NOT BE COLLECTED, THE ACCOUNT IS REEVALUATED ON THE CRITERIA USED TO DETERMINE FINANCIAL AID ELIGIBILITY.

Form and Line Reference	Explanation
PART VI, LINE 2	THE ORGANIZATION COMPLETED THE COMMUNITY HEALTH NEEDS ASSESMENT (CHNA) IN 2013 METHODIST HEALTHCARE - MEMPHIS HOSPITAL IS COMMITTED TO UNDERTAKING A COMMUNITY-WIDE PROCESS TO DEVELOP A COMPREHENSIVE CHNA REPRESENTING THE NEEDS IN OUR SERVICE AREA SECONDARY DATA FROM DEMOGRAPHICS AND SOCIOECONOMIC SOURCES, VITAL STATISTICS, DISEASE PREVALENCE AND HEALTH INDICATORS AND STATISTICS WERE COLLECTED ADDITIONALLY, MLH COMPLETED FOUR PRIMARY RESEARCH STUDIES TO DETERMINE THE HEALTH NEEDS OF ITS SERVICE AREA POPULATION THE NATIONAL RESEARCH CORPORATION (NRC) CONSUMER HEALTH REPORT WAS COMPLETED IN 2011 PROVIDING VALUABLE INFORMATION ABOUT THE MIDDLE AND UPPER INCOME POPULATIONS IN THE MLH SERVICE AREA THE NRC CONSUMER HEALTH REPORT WAS AN EMAILED SURVEY TO A RANDOM SAMPLE OF GREATER MEMPHIS AREA RESIDENTS BECAUSE THE SURVEY WAS EMAIL-BASED, WE BELIEVED THAT THE SURVEY MAY HAVE EXCLUDED THE NEEDS OF LOW-INCOME GROUPS WITH LESS ACCESS TO COMPUTERS AND INTERNET TO AUGMENT THE NRC CONSUMER HEALTH REPORT FINDINGS, METHODIST CONDUCTED A MAIL-BASED SURVEY TO INDIVIDUALS MAKING LESS THAN \$40,000 PER YEAR THE MAILED SURVEY WAS SENT TO A RANDOM SAMPLE OF LOW-INCOME CONSUMERS LIVING IN THE GREATER MEMPHIS AREA BECAUSE MEMPHIS IS HOME TO A RELATIVELY LARGE HOMELESS AND HOUSING-INSECURE POPULATION, SOUP KITCHEN INTERVIEWS WERE COMPLETED TO CAPTURE THE HEALTH NEEDS OF THIS HIGH-RISK POPULATION FINALLY, FOR ADDITIONAL INPUT FROM LOCAL EMPLOYERS, THE MLH CEO CONDUCTED ONE-ON-ONE INTERVIEWS WITH COMMUNITY LEADERS TO ASSESS THEIR NEEDS WE BELIEVE THE COMBINATION OF SURVEY METHODOLOGIES (MAIL, INTERNET AND PERSONAL INTERVIEWS) WAS THE BEST WAY TO ACCURATELY CAPTURE THE HEALTH NEEDS OF OUR ENTIRE, DIVERSE AND SOCIALLY/MEDICALLY COMPLEX COMMUNITY TOGETHER THE SURVEYS PROVIDE TOOLS TO STRENGTHEN THE HEALTH OF THE COMMUNITY BY ASSISTING IN THE FOLLOWING A MEASUREMENT AND EVALUATION OF HEALTH STATUS AND HEALTHCARE UTILIZATION WITHIN THE COMMUNITYB IDENTIFICATION OF THE PREVALENCE OF CHRONIC CONDITIONS WITHIN VARIOUS DEMOGRAPHIC AND GEOGRAPHIC SEGMENTS WITHIN THE COMMUNITYC IDENTIFICATION AND MAPPING OF HIGH-RISK POPULATIONSD IDENTIFICATION OF GAPS IN CARE AND PREVENTIVE HEALTH BEHAVIORS AMONG VARIOUS DEMOGRAPHIC AND GEOGRAPHIC SEGMENTS WITHIN THE COMMUNITYTHE INFORMATION WAS PRESENTED TO THE SENIOR LEADERSHIP CHARGED WITH DEFINING MLH'S STRATEGIC PRIORITIES AND A LIST OF THE HEALTH ISSUES THAT WERE IDENTIFIED IN BOTH PRIMARY AND SECONDARY DATA SOURCES WAS CREATED MANAGEMENT PRIORITIZED STRATEGY BASED UPON NEEDS IDENTIFIED AND RESOURCES AVAILABLE IDENTIFIED PRIORITIES WERE PRESENTED TO THE FAITH AND HEALTH AND QUALITY SUB-COMMITTEES OF THE MLH BOARD OF DIRECTORS
PART VI, LINE 3	METHODIST HEALTHCARE - MEMPHIS HOSPITALS UTILIZES THE FEDERAL POVERTY GUIDELINES (FPG) TO DETERMINE THE LEVEL OF DISCOUNT UNINSURED PATIENTS MAY RECEIVE THE LEVEL BY WHICH ASSISTANCE IS DETERMINED IS THROUGH THE SCALE SET BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS), WHICH INCLUDES FACTORS SUCH AS RESIDENTS PER HOUSEHOLD AND INCOME MHMH COMMUNICATES AND PROVIDES ASSISTANCE CONCERNING ELIGIBILITY FOR FINANCIAL ASSISTANCE IN SEVERAL WAYS CHARITY CARE POLICIES ARE POSTED AND UPDATED AS PART OF THE ORGANIZATION'S SYSTEM POLICIES AND ARE AVAILABLE TO ALL STAFF THROUGH THE COMPANY INTRANET CONNECTIONS IN ADDITION, PATIENT-FRIENDLY SUMMARIES OF THESE POLICIES ARE POSTED IN VISIBLE LOCATIONS THROUGHOUT ALL PUBLIC AREAS OF THE FACILITY AT THE TIME OF PATIENT REGISTRATION, MHMH PROVIDES FINANCIAL COUNSELING BASED ON THE AVAILABLE INSURANCE AND "ABILITY TO PAY" INFORMATION PROVIDED MHMH ALSO SUPPLIES CHARITY CARE APPLICATIONS AND OFFERS ASSISTANCE IN THE COMPLETION OF FORMS IN ALL INSTANCES WHERE THE "FINANCIAL PICTURE AS PRESENTED TO US" APPEARS TO WARRANT THAT SERVICE FINALLY, THE HOSPITAL DISCUSSES WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENTAL BENEFITS, SUCH AS MEDICAID OR OTHER STATE PROGRAMS, AND ASSISTS THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS, AS APPLICABLE LANGUAGE BARRIERS ARE TAKEN INTO ACCOUNT WITH ALL PATIENT COMMUNICATION ALL STAFF WITH PATIENT CONTACT, INCLUDING ADMISSION AND BILLING CLERKS, NURSES AND THE MEDICAL STAFF, SOCIAL WORKERS, CHAPLAINS, AND PATIENT ADVOCATES, ARE KNOWLEDGEABLE ABOUT THE CHARITY CARE POLICY AND ASSIST PATIENTS WHEN NECESSARY

Form and Line Reference	Explanation
PART VI, LINE 4	METHODIST HEALTHCARE - MEMPHIS HOSPITALS WAS FOUNDED BY THE MEMPHIS, ARKANSAS, AND MISSISSIPPI CONFERENCES OF THE UNITED METHODIST CHURCH TO SERVE ITS POPULATION IN THESE AREAS MMH HAS FOUR ADULT LOCATIONS AND A PEDIATRIC FACILITY, LE BONHEUR CHILDREN'S HOSPITAL THE PRIMARY SERVICE AREA IS SHELBY COUNTY, TENNESSEE, WITH AN URBAN POPULATION OF APPROXIMATELY ONE MILLION THE HOSPITAL FURNISHES TERTIARY SERVICES TO RURAL AREAS IN EASTERN ARKANSAS, WEST TENNESSEE, AND NORTH MISSISSIPPI THE POPULATION OF THE AREA IS EXPECTED TO GROW BY FOUR PERCENT OVER THE NEXT FIVE YEARS MMH IS THE LARGEST TENNCARE PROVIDER IN THE AREA WITH OVER 13,000 INPATIENTS SERVED EACH YEAR LE BONHEUR CHILDREN'S HOSPITAL IS THE ONLY PEDIATRIC HOSPITAL IN THE REGION SERVING CHILDREN'S PRIMARY AND TERTIARY CARE NEEDS AS AN ACADEMIC MEDICAL CENTER, MMH TRAINS HEALTH PROFESSIONALS AND FURNISHES SPECIALIZED HEALTHCARE SERVICES NOT OTHERWISE AVAILABLE IN THE REGION MMH IS THE PRIMARY PRACTICE LOCATION FOR THE UNIVERSITY OF TENNESSEE SCHOOL OF MEDICINE THIS DISTINCTION, ALONG WITH THE ACCOMPANYING RESEARCH, BENEFITS THE ENTIRE METROPOLITAN COMMUNITY
PART VI, LINE 5	AT METHODIST LE BONHEUR HEALTHCARE, WE TAKE OUR MISSION SERIOUSLY AND ARE COMMITTED TO GIVING BACK TO THE COMMUNITY IN A MEANINGFUL WAY OUR HOSPITALS ARE PART OF A SYSTEM THAT IS THE LARGEST PROVIDER OF TENNCARE SERVICES IN THE STATE, AND OUR FACILITIES PROVIDE FULL ACCESS TO ALL INDIVIDUALS IN OUR SERVICE AREA BECAUSE OUR FACILITIES ARE PLACED IN ALL QUADRANTS OF OUR GEOGRAPHIC SERVICE AREAS, WE PROVIDE ACCESS TO HEALTHCARE FOR ALL OF THE COMMUNITY AS EXAMPLES OF OUR GIVING BACK TO OUR COMMUNITIES, WE HOST HEALTH FAIRS AT BOTH OUR NORTH AND SOUTH HOSPITALS EACH YEAR WHICH INCLUDES A VARIETY OF HEALTH SCREENINGS, EDUCATION SEMINARS, COOKING CLASSES, ETC PROVIDED AT NO COST TO THE PARTICIPANTS WE ABSORB THE COST TO PROVIDE MEDICATIONS, DURABLE MEDICAL EQUIPMENT AND HOME HEALTH VISITS FOR MANY OF OUR INDIGENT PATIENTS AFTER DISCHARGE TO CONTINUE THEIR RECOVERY PROCESS EACH OF OUR FACILITIES ALSO ABSORBS THE COST OF TRANSPORTATION FOR MANY OF OUR PATIENTS BY CAB, BUS, OR AMBULANCE TO GET HOME AFTER DISCHARGE MEDICAL EDUCATION AND RESEARCHMETHODIST SUPPORTS VIA DIRECT SALARY AND BENEFIT CONTRIBUTIONS TO THE UNIVERSITY OF TENNESSEE HEALTH SCIENCE CENTER (UTHSC) FOR GRADUATE MEDICAL TRAINING POSITIONS (GME) AT METHODIST UNIVERSITY HOSPITAL, LE BONHEUR CHILDREN'S HOSPITAL, AND METHODIST LE BONHEUR GERMANTOWN HOSPITAL THESE GME RESIDENTS AND FELLOWS ARE EMPLOYEES AND TRAINEES AT THE UNIVERSITY OF TENNESSEE, BUT THEIR FINANCIAL SUPPORT FOR SALARIES AND BENEFITS COMES VIA METHODIST THESE TRAINEES SPEND TIME AT A METHODIST HOSPITAL DURING THE PERIODS OF METHODIST SUPPORT AND ARE INVOLVED IN PATIENT CARE IN ADDITION TO EDUCATIONAL ACTIVITIES CHURCH HEALTH CENTERAS AN EARLY SUPPORTER OF THE CHURCH HEALTH CENTER, METHODIST LE BONHEUR HEALTHCARE STRONGLY BELIEVES IN ITS MISSION TO SERVE THE WORKING POOR FROM ITS BEGINNINGS AS A PROJECT OF ST JOHN'S UNITED METHODIST CHURCH AND OF DR SCOTT MORRIS TO THE COMPREHENSIVE COMMUNITY RESOURCE IT IS TODAY, THE CHURCH HEALTH CENTER PROVIDES AFFORDABLE HEALTH CARE, DENTISTRY, OPTOMETRY, PASTORAL COUNSELING, AND HEALTH EDUCATION TO THOSE WHO NEED THESE SERVICES IN MEMPHIS METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS PROUD TO SUPPORT THIS WORTHY ENDEAVOR MMH HELPS SUPPORT THE CHURCH HEALTH CENTER BY PROVIDING PATIENT CARE FREE OF CHARGE LE BONHEUR COMMUNITY HEALTH & WELL-BEINGLE BONHEUR CHILDREN'S HOSPITAL'S COMMUNITY OUTREACH DIVISION WORKS TO EXTEND THE WORK OF THE HOSPITAL BEYOND ITS WALLS THROUGH A VARIETY OF PROGRAMS, WE MAKE A DIFFERENCE IN THE EVERYDAY LIVES OF CHILDREN IN COMMUNITIES THROUGHOUT THE REGION WHILE THESE PROGRAMS ARE LARGELY FUNDED BY GRANTS, METHODIST GAVE \$250,000 IN SUPPORT IN 2013 FOR DONATIONS TO SUPPORT THESE PROGRAMS THE SPIRIT OF FAITH AND HEALING PERVADES METHODIST LE BONHEUR HEALTHCARE AS A FAITH-BASED INSTITUTION, WE ARE WORKING TO DEFINE HOW WE CAN BETTER UTILIZE OUR FAITH RESOURCES AND OTHER ASSETS IN THE COMMUNITY TO IMPROVE HEALTH THAT MISSION HAS RESULTED IN A STRATEGY AROUND CONGREGATIONS AND OUR CONNECTION WITH THEM WE BELIEVE THAT CONGREGATIONS CAN PLAY A SIGNIFICANT ROLE IN HEALTHCARE WHEN THEY ARE STRATEGIC PARTNERS IN THEIR MEMBERS' HEALTH JOURNEYS TO THAT END, WE HAVE ENTERED INTO COVENANT RELATIONSHIPS WITH 350+ CONGREGATIONS TO IMPROVE THE ACCESS TO COMPREHENSIVE HEALTH SERVICES FOR ALL CITIZENS AND TO IMPROVE THE HEALTH STATUS OF THESE PATIENTS THE CENTER OF EXCELLENCE IN FAITH AND HEALTH (COE) IS HOUSED IN RENOVATED SPACE AT METHODIST UNIVERSITY HOSPITAL THE COE WILL ADVANCE HEALTH BY BRINGING FAITH AND HEALTH TOGETHER FOR THE IMPROVED WELLBEING OF THOUSANDS OF PATIENTS THE CENTER'S GOAL IS TO DRAMATICALLY ENHANCE QUALITY OF CARE AND SUPPORT FOR OUR PATIENTS AND THEIR FAMILIES WE BELIEVE THAT THE COUPLING OF FAITH AND HEALTH CAN NOT ONLY ELEVATE THE LEVEL OF CARE WE DELIVER TO OUR PATIENTS, BUT ALSO IMPROVE THE QUALITY OF LIFE FOR OUR COMMUNITY AND BEYOND THE ACTUAL CENTER OF EXCELLENCE SPACE TRANSFORMED THE PREVIOUSLY EXISTING INTENSIVE CARE WAITING ROOM INTO A STATE-OF-THE-ART FAMILY-CENTERED HEALING ENVIRONMENT WITH A QUIET AREA, RESOURCE ROOM, EDUCATION SPACES, MOVEABLE FURNITURE, AS WELL AS SPACE FOR LOCAL CLERGY TO COUNSEL THEIR MEMBERS IT ALSO HOUSES CREATIVE MEETING SPACE FOR ACADEMIC PARTNERS LOCALLY AND ACROSS THE GLOBE TO WORK WITH EACH OTHER, AS WELL AS PROVIDE TRAINING AND EDUCATION TO OUR ASSOCIATES, LOCAL CLERGY AND COMMUNITY HEALTH PARTNERS THE FOUNDATION RAISED OVER \$2 MILLION TO MAKE THIS PROJECT A REALITY METHODIST PLACES A STRONG VALUE ON EDUCATION THROUGH THE MEMPHIS CITY ADOPT-A-SCHOOL PROGRAM, MLH ASSOCIATES WORKED TO - TUTOR AND MENTOR STUDENTS - PROVIDE SPEAKERS FOR A NUMBER OF EVENTS INCLUDING CAREER DAYS - JUDGE EVENTS SUCH AS SCIENCE PROJECTS - PROCTOR TESTS - PROVIDE FINANCIAL SUPPORT FOR SPECIAL NEEDS AND PROGRAMSIN-KIND GOODS AND SERVICES MH-MH ASSOCIATES DONATED THOUSANDS OF HOURS TO MANY COMMUNITY GROUPS BY SERVING ON NUMEROUS BOARDS AND COMMITTEES, INCLUDING AMERICAN HEART ASSOCIATION, HABITAT FOR HUMANITY, AMERICAN PHARMACISTS ASSOCIATION, MARCH OF DIMES, SUBSIDIUM, TN HEALTH INFORMATION MANAGEMENT ASSOC , CHESTER COUNTY HEALTH COUNCIL, LIFEBLOOD, TN HOSPICE ORGANIZATION ALZHEIMER'S ASSOCIATION OF WEST TENNESSEE, MID-SOUTH ASSOCIATION OF CATHOLIC NURSES, UNIVERSITY OF MEMPHIS MENTORING PROJECT, BOYS AND GIRLS CLUB OF GREATER MEMPHIS RALEIGH COMMUNITY COUNCIL, MEMPHIS DISTRICT DIETETIC ASSOCIATION, MEMPHIS GAY AND LESBIAN COMMUNITY CENTER, AMERICAN COLLEGE OF HEALTHCARE EXECUTIVES, MID-SOUTH AMERICAN CANCER SOCIETY, HEALTHY MEMPHIS COMMON TABLE, LEADERSHIP GERMANTOWN, MEMPHIS DIABETES EDUCATORS ASSOCIATION, ARKANSAS CONFERENCE, THE UNITED METHODIST CHURCH, CARROLL COUNTY HEALTH COUNCIL, AMERICAN NURSES ASSOCIATION EMERGENCY NURSES ASSOCIATION, CROCKETT COUNTY HEALTH COUNCIL, LEADERSHIP FAYETTE, UNITED METHODIST NEIGHBORHOOD CENTERS, MISSISSIPPI CONFERENCE, THE UNITED METHODIST CHURCH, MILLINGTON ROTARY, BARTLETT CHAMBER OF COMMERCE, GERMANTOWN CHAMBER OF COMMERCE, MEMPHIS THEOLOGICAL SEMINARY, TN PHYSICAL THERAPY ASSOCIATION, POLYSOMNOGRAPHY PROFESSIONAL STANDARDS COMMITTEE, HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION, VOLUNTEER MID-SOUTH, EARLY SUCCESS COALITION, CHRISTIAN BROTHERS UNIVERSITY, TENNESSEE SLEEP SOCIETY, MEMPHIS ACADEMY OF HEALTH SCIENCES, MILLINGTON CHAMBER OF COMMERCE, TN ORGANIZATION OF NURSE EXECUTIVES, MEMPHIS AMERICAN SOCIETY OF PARENTERAL NUTRITION, OAKLAND CHAMBER OF COMMERCE, FRIENDS OF MEMPHIS PUBLIC LIBRARY, DELTA CONSORTIUM, MEMPHIS AND SHELBY CO CHILDREN AND YOUTH COUNCIL MOSES COALITION, TN GENERAL ASSEMBLY'S BLACK HEALTH CARE COMMISSION FAYETTE CHAMBER OF COMMERCE, MEMPHIS CONFERENCE, THE UNITED METHODIST CHURCH, BENTON COUNTY HEALTH COUNCIL, TN HOME VISITATION COALITION, TN PHARMACISTS ASSOCIATION, KIWANIS CLUB, SPECIAL KIDS AND FAMILIES, MCNAIRY COUNTY HEALTH COUNCIL, WHITEHAVEN ECONOMIC DEVELOPMENT CORP COMMUNITY-BASED CHILD ABUSE PREVENTION STATE ADVISORY BOARD, ROTARY CLUB TIPTON COUNTY HEALTH COUNCIL, DYER COUNTY HEALTH COUNCIL, MEMPHIS REGIONAL EARLY HOME VISITATION COLLABORATION, NORTHWEST MISSISSIPPI COMMUNITY COLLEGE WEST TN REGIONAL HEALTH COUNCIL, HARDIN COUNTY COMMUNITY HEALTH CENTER, HENDERSON COUNTY HEALTH COUNCIL, LAUDERDALE COUNTY HEALTH COUNCIL, TN SOCIETY FOR RESPIRATORY CARE, FAYETTE COUNTY HEALTH COUNCIL, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE (CUMBERLAND COUNTY), SHELBY COUNTY DCS, HARDEMAN COUNTY HEALTH COUNCIL, WEAKLEY COUNTY HEALTH COUNCIL, MATERNAL LEAGUE OF MEMPHIS, WEST TN ASSOCIATION OF SCHOOL NURSES, FUTURE LEADER'S ACADEMY HENRY COUNTY HEALTH COUNCIL, PEOPLE FIRST, TN CHILD PASSENGER SAFETY BOARD MADISON COUNTY HEALTH COUNCIL, HEAD START, TN ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, AMERICAN ASSOCIATION OF GRANT PROFESSIONALS-TN CHAPTER MID-SOUTH PERINATAL BEREAVEMENT COUNCIL, MEMPHIS URBAN LEAGUE, TN COUNCIL ON CHILDREN'S MENTAL HEALTH, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE, MID-SOUTH COALITION ON HIV/AIDS, TN INTEGRATED CORE INJURY PREVENTION AND CONTROL, AMERICAN COUNCIL OF GRANT PROFESSIONALS-NATIONAL, GERMANTOWN ATHLETIC COMMISSION, AND THE GIBSON COUNTY HEALTH COUNCIL A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE PRIMARY SERVICE AREA AND WHO ARE NEITHER EMPLOYEES OF NOR INDEPENDENT CONTRACTORS OF THE ORGANIZATION THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY

Form and Line Reference	Explanation
PART VI, LINE 6	METHODIST HEALTHCARE - MEMPHIS HOSPITALS, THE FILING ORGANIZATION, IS PART OF AN AFFILIATED HEALTH CARE SYSTEM, METHODIST LE BONHEUR HEALTHCARE (MLH) ALTHOUGH THIS FORM 990 ONLY INCLUDES THE CHARITY CARE AND COMMUNITY BENEFIT OF THIS ORGANIZATION, MLH INCLUDES THE FOLLOWING ENTITIES THAT ALSO PROVIDE CHARITY CARE AND COMMUNITY BENEFIT - METHODIST HEALTHCARE - FAYETTE HOSPITAL - METHODIST EXTENDED CARE HOSPITAL - ALLIANCE HEALTH SERVICES, INC - METHODIST HEALTHCARE COMMUNITY CARE ASSOCIATES - METHODIST HEALTHCARE - OLIVE BRANCH HOSPITALIN ADDITION, METHODIST HEALTHCARE FOUNDATION AND LE BONHEUR CHILDREN'S HOSPITAL FOUNDATION PROVIDE VALUABLE FINANCIAL SUPPORT TO THE OPERATIONS OF THE GROUP, ALLOWING IT TO PURSUE RESEARCH AND CONSTRUCTION PROJECTS TO PROVIDE ADDITIONAL BENEFITS TO THE COMMUNITY MLH OPERATES HOSPITALS, CLINICS, URGENT CARE CENTERS, AMBULATORY SURGERY CENTERS, AND OTHER NON-HOSPITAL FACILITIES THAT PROVIDED OVER \$175 MILLION IN CHARITY CARE AND COMMUNITY BENEFIT IN 2013 METHODIST HEALTHCARE - MEMPHIS HOSPITALS ALSO HAS A TEACHING AND RESEARCH AFFILIATION WITH THE UNIVERSITY OF TENNESSEE THE UNIVERSITY HAS A CLINICAL REACH THAT EXTENDS BEYOND THE LOCAL SERVICE AREA, PROVIDING HIGHLY SPECIALIZED SERVICES THAT ATTRACT PATIENTS FROM A MULTI-STATE SERVICE AREA MHMH HAD OVER 267 RESIDENTS, FELLOWS, NURSES, AND ALLIED HEALTH PROFESSIONALS THAT TRAINED IN OUR FACILITIES DURING 2013
PART VI, LINE 7, REPORTS FILED WITH STATES	TN

Additional Data

Software ID:

Software Version:

EIN: 62-0479367

Name: METHODIST HEALTHCARE - MEMPHIS HOSPITALS

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

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?

Name and address	Type of Facility (describe)
1 METHODIST HEALTHCARE OUTPATIENT SERVICES 100 NORTH HUMPHREYS BLVD MEMPHIS,TN 381202146	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
2 METHODIST HEALTHCARE OUTPATIENT SERVICES 7668 AIRWAYS BLVD SOUTHAVEN,MS 38671	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
3 METHODIST HEALTHCARE OUTPATIENT SERVICES 1588 UNION AVE MEMPHIS,TN 381043729	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
4 SUTHERLAND CARDIOLOGY 7460 WOLF RIVER BLVD GERMANTOWN,TN 38183	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
5 METHODIST DIAGNOSTIC CENTER- MIDTOWN 1801 UNION AVE MEMPHIS,TN 38104	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
6 METHODIST BREAST DIAGNOSTIC CENTER 7945 WOLF RIVER BLD 170 GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
7 METHODIST DIAGNOSTIC CENTER- GERMANTOWN 1377 SOUTH GERMANTOWN RD GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
8 METHODIST GERMANTOWN RADIATION ONCOLOGY 1381 SOUTH GERMANTOWN RD GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
9 METHODIST HEALTHCARE OUTPATIENT SERVICES 240 GRANDVIEW DRIVE BRIGHTON,TN 38011	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
10 NORTH COMPREHENSIVE WOUND HEALING CENTER 3950 NEW COVINGTON PIKE SUITE 350 AND 11 MEMPHIS,TN 38128	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
11 METHODIST GERMANTOWN RADIOLOGY 1363 BRIER BROOK ROAD GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
12 PROFESSIONAL BUILDINGOUTPATIENT CTR 51 N DUNLAP ST MEMPHIS,TN 38105	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
13 METHODIST SLEEP DISORDERS CENTER 5050 POPLAR AVE SUITE 300 MEMPHIS,TN 38157	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
14 LE BONHEUR OUTPATIENT REHAB 980 POPLAR AVE MEMPHIS,TN 381030000	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
15 METHODIST COMPREHENSIVE WOUND CARE CENTE 1251 WESLEY DRIVE SUITE 107 AND 141 MEMPHIS,TN 38116	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
16 METHODIST REGIONAL PET IMAGING CENTER 1388 MADISON AVENUE MEMPHIS,TN 38104	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
17 SOUTHWIND MEDICAL SPECIALISTS 3725 CHAMPION HILLS DR STE 2000 2400 MEMPHIS,TN 38125	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
18 SOUTHWIND MEDICAL SPECIALISTS 5182 SANDERLIN AVE SUITE 3 MEMPHIS,TN 38117	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
19 LE BONHEUR URGENT CARE - MEMPHIS 8071 WINCHESTER RD SUITE 2 MEMPHIS,TN 38125	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
20 LE BONHEUR CORDOVA URGENT CARE 8045 CLUB PARKWAY CORDOVA,TN 38016	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
21 EAST DIAGNOSTIC CENTER & URGENT CARE 806 ESTATE PLACE MEMPHIS,TN 38120	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
22 REHAB SERVICES-GERMANTOWN OR METHODIST G 7655 POPLAR AVENUE SUITE 250 GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
23 PEABODY FAMILY CARE & EASTMORELAND INTER 1325 EASTMORELAND SUITE 150 245 101 MEMPHIS,TN 38104	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
24 PENNMARC INTERNAL MEDICINE 6401 POPLAR RD STE 400 MEMPHIS,TN 38119	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
25 FOUNDATION MEDICAL GROUP 7690 WOLF RIVER CIRCLE GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
26 CARDIOVASCULAR PHYSICIANS 7691 POPLAR AVE GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
27 MCCLATCHY MEDICAL CENTER 7235 HACKS CROSS RD OLIVE BRANCH,MS 38654	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
28 KRAUS INTERNAL MEDICINE 7550 WOLF RIVER BLVD STE 103 GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
29 METHODIST HEALTHCARE OUTPATIENT SERVICES 1500 W POPLAR RD SUITE 304 COLLIERVILLE,TN 38017	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
30 MIDTOWN INTERNAL MEDICINE 1533 UNION AVE MEMPHIS,TN 38104	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
31 SHARIF ABDUL SALAAM MD JEAN-CLAUDE LOI 1264 WESLEY DR STE 302 304 MEMPHIS,TN 38116	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
32 LE BONHEUR THERAPY OUTREACH 77 STONEBRIDGE DR JACKSON,TN 38305	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
33 GERMANTOWN HOSPITAL REHAB CENTER 6560 POPLAR AVE MEMPHIS,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
34 JORDAN INTERNAL MEDICINE 3473 POPLAR AVE STE 103 MEMPHIS,TN 38111	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
35 LE BONHEUR REHABILITATION - GERMANTOWN 7714 POPLAR AVE STE 202 GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
36 WEST CLINIC COMPREHENSIVE BREAST CENTER 8000 WOLF RIVER BLVD GERMANTOWN,TN 38138	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
37 LAKELAND FAMILY MEDICINE 2961 CANADA ROAD LAKELAND,TN 38002	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
38 THADDEUS GAILLARD MD 7900 AIRWAYS BLVD BLD B SUITE 101 SOUTHAVEN,MS 38671	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
39 PEDIATRIC CARDIOLOGY 805 ESTATE PLACE STE 1 MEMPHIS,TN 38120	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC
40 PRIMARY HEALTH CARE 565 N ROBBINSON ST SENATOBIA,MS 38668	DIAGNOSTIC RADIOLOGY, CHEMOTHERAPY, CLINIC

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

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

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

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
62-0479367

Part I

General Information on Grants and Assistance

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) LE BONHEUR COMMUNITY HEALTH & WELL-BEING 50 PEABODY PLACE MEMPHIS,TN 38103	62-1251288	501(C)(3)	250,000				OPERATIONAL SUPPORT
(2) UNIVERSITY OF TENNESSEE 2407 RIVER RUN DRIVE ROOM A102 KNOXVILLE,TN 37996	62-6001636	501(C)(3)	5,000,000				OPERATIONAL SUPPORT OF PHYSICIAN CLINICS AT MHMH LOCATIONS

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

3 Enter total number of other organizations listed in the line 1 table 0

Part III

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

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

Part IV

Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	GRANTS ARE MADE ONLY TO OTHER CHARITABLE INSTITUTIONS WITH AN IRS TAX EXEMPTION GRANTS ARE MADE IN ACCORDANCE WITH THE METHODIST LE BONHEUR HEALTHCARE MISSION STATEMENT OF PROVIDING RESOURCES TO EXTEND HEALTH CARE THROUGH THE METHODIST LE BONHEUR HEALTHCARE SERVICE AREA ALL GRANT REQUESTS ARE REVIEWED AND APPROVED BY A GROUP OF EXECUTIVES CONSISTING OF THE CEO, COO, CFO AND EVP OF METHODIST LE BONHEUR HEALTHCARE

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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	
2	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?	2	Yes
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. ☒ Compensation committee ☒ Independent compensation consultant ☒ Form 990 of other organizations ☐ Written employment contract ☒ Compensation survey or study ☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization: a Receive a severance payment or change-of-control payment? b Participate in, or receive payment from, a supplemental nonqualified retirement plan? c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4a	No
		4b	Yes
		4c	No
5	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9. For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of: a The organization? b Any related organization? If "Yes," to line 5a or 5b, describe in Part III.	5a	No
		5b	No
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of: a The organization? b Any related organization? If "Yes," to line 6a or 6b, describe in Part III.	6a	No
		6b	No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	7	Yes
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

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

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

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

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

Part III Supplemental Information

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
PART I, LINE 3	NOTE THAT THE GOVERNING BODY OF METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS IDENTICAL TO THE GOVERNING BODY OF METHODIST LE BONHEUR HEALTHCARE, THE SOLE MEMBER AND CONTROLLING ORGANIZATION
PART I, LINE 4B	THE PURPOSE OF THE METHODIST LE BONHEUR HEALTHCARE CONSOLIDATED EXECUTIVE DEFERRED COMPENSATION PLAN IS TO PROVIDE RETIREMENT BENEFITS FOR CERTAIN EXECUTIVE LEVEL EMPLOYEES IN ADDITION TO THE BENEFITS PROVIDED THROUGH THE OTHER RETIREMENT PLANS THAT ARE SPONSORED BY THE COMPANY. IT IS INTENDED THAT THIS PLAN COMPLY WITH INTERNAL REVENUE CODE SECTION 457(F) AND QUALIFY FOR THE SHORT TERM DEFERRAL EXCEPTION TO CODE SECTION 409A. UNDER THE PLAN, CORPORATE EXECUTIVES AT OR ABOVE THE VICE PRESIDENT LEVEL ARE ELIGIBLE TO RECEIVE EXECUTIVE DEFERRED COMPENSATION CREDITS DEPENDING ON THEIR POSITION CLASSIFICATION [6%,8%,10%,12% OF BASE SALARY]. EACH PLAN YEAR, THE EXECUTIVE MUST ELECT A DEFERRED VESTING DATE TO BE APPLIED TO THE DEFERRED COMPENSATION CREDIT THAT WILL BE EARNED IN THAT PLAN YEAR. THE DEFERRED VESTING DATE IS SUBJECT TO A VESTING SCHEDULE THAT REQUIRES A MINIMUM DEFERRAL OF 5 YEARS TO BECOME VESTED UPON REACHING AGE 55, THE MINIMUM DEFERRAL IS REDUCED TO 3 YRS. UPON REACHING AGE 60, THE MINIMUM DEFERRAL IS REDUCED TO 2 YRS. AT AGE 64, A CASH EQUIVALENT IS PROVIDED TO THE EXECUTIVE AND NO ADDITIONAL DEFERRALS ARE MADE UNDER THIS PLAN. THE PLAN IS UNFUNDED WITH ALL BENEFITS PAID FROM THE COMPANY'S GENERAL ASSETS. HOWEVER, THE EXECUTIVE IS ALLOWED TO DIRECT THE INVESTMENTS OF HIS DEFERRED COMPENSATION CREDIT IN A MENU OF INVESTMENT ALTERNATIVES MADE AVAILABLE BY THE COMPANY. UPON VESTING, A DISTRIBUTION IS PROVIDED LESS APPLICABLE TAX. IN THE CASE OF A VOLUNTARY TERMINATION OF EMPLOYMENT BY THE EXECUTIVE OR INVOLUNTARY TERMINATION OF EMPLOYMENT FOR CAUSE BY THE COMPANY, THE NON-VESTED FUNDS ARE FORFEITED. ACCELERATED VESTING (100%) IS ALLOWED UPON DEATH, DISABILITY OR AN INVOLUNTARY TERMINATION BY THE COMPANY WITHOUT CAUSE. ALLOCATIONS TO THE PLAN FOR 2013 INCLUDE THE FOLLOWING - FROM A RELATED ORGANIZATION: GARY SHORB - \$ 99,428; MICHAEL UGWUEKE - 58,102; CHRISTOPHER MCLEAN - 63,438; NIKKI POLIS - 29,298; LYNN FIELD - 13,621; JOHN "MITCH" GRAVES - 36,933; DONNA ABNEY - 50,508; SUSAN THURMOND - 46,130; DAVID BAYTOS - 37,778; CAROL ROSS-SPANG - 37,192; EDWARD RAFALSKI - 29,158; WILLIAM BREEN JR. - 38,999; GEORGE MAYZELL - 11,692. FROM THE FILING ORGANIZATION: MERI AMOUR - 50,074; WILLIAM KENLEY - 44,158; KEVIN SPIEGEL - 13,654; LARRY SPRATLIN - 8,977; ROBIN WOMEODU - 16,874; JAMES CARTER JR. - 33,536; JAY ROBINSON - 28,454; GYASI CHISLEY - 8,200.
PART I, LINE 7	THE MANAGEMENT INCENTIVE PLAN INTENDS TO REWARD MANAGEMENT FOR THE ACHIEVEMENT OF PERFORMANCE AGAINST A PRE-ESTABLISHED SET OF BALANCED AND CHALLENGING GOALS. THE PLAN ALSO INCLUDES A PROVISION THAT DEFERS VESTING OF A PORTION OF THE AWARD SUBJECT TO CONTINUED EMPLOYMENT (WITH A SUBSTANTIAL RISK OF FORFEITURE) TO ENCOURAGE RETENTION OF EXECUTIVES. THIS PLAN IS REVIEWED BY AN EXTERNAL THIRD-PARTY CONSULTANT.

Additional Data

Software ID:

Software Version:

EIN: 62-0479367

Name: METHODIST HEALTHCARE - MEMPHIS HOSPITALS

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				
JIMMIE MANCELL MD BOARD MEMBER	(i) (ii)	318,976 0	0 0	0 0	28,201 0	23,945 0	371,122 0	0 0
HEATHER SWANSON MD BOARD MEMBER	(i) (ii)	308,361 0	0 0	0 0	5,316 0	7,755 0	321,432 0	0 0
GARY SHORB PRESIDENT & CEO	(i) (ii)	0 853,222	0 396,923	0 251,794	0 635,294	0 18,992	0 2,156,225	0 349,043
JEAN CLAUDE LOISEAU MD BOARD MEMBER	(i) (ii)	368,209 0	0 0	0 0	5,100 0	8,910 0	382,219 0	0 0
MICHAEL UGWUEKE CHIEF OPERATING OFFICER	(i) (ii)	0 448,899	0 130,784	0 37,586	0 100,574	0 24,575	0 742,418	0 29,266
CHRISTOPHER MCLEAN CFO/TREASURER	(i) (ii)	0 322,715	0 398,719	0 324,125	0 147,479	0 23,403	0 1,216,441	0 147,610
DONNA ABNEY EXECUTIVE VICE PRESIDENT	(i) (ii)	0 412,859	0 160,996	0 73,145	0 248,561	0 19,971	0 915,532	0 108,673
NIKKI POLIS SVP - CHIEF NURSING OFFICER	(i) (ii)	0 242,920	0 49,817	0 3,824	0 59,124	0 7,300	0 362,985	0 0
SUSAN THURMOND SVP - CHIEF QUALITY OFFICER	(i) (ii)	0 353,444	0 122,194	0 85,331	0 154,753	0 10,051	0 725,773	0 85,433
GEORGE MAYZELL SVP - PRESIDENT OF HEALTH CHOICE	(i) (ii)	0 4,324	0 0	0 179,239	0 26,167	0 14,904	0 224,634	0 113,790
DAVID BAYTOS SVP - MS	(i) (ii)	0 296,665	0 102,546	0 86,392	0 220,447	0 22,331	0 728,381	0 94,538
CAROL ROSS-SPANG SVP - HUMAN RESOURCES	(i) (ii)	0 282,244	0 95,927	0 68,280	0 98,629	0 21,224	0 566,304	0 67,707
CATO JOHNSON SVP - CORPORATE AFFAIRS	(i) (ii)	0 273,101	0 88,937	0 49,444	0 99,559	0 14,136	0 525,177	0 59,956
ALEXANDER MACGREGOR SVP - CMIO	(i) (ii)	0 367,518	0 113,262	0 98,948	0 82,150	0 17,117	0 678,995	0 115,657
WILLIAM BREEN SVP - PHYSICIAN ALIGNMENT	(i) (ii)	0 316,999	0 83,270	0 13,011	0 83,367	0 8,186	0 504,833	0 4,199
LYNN FIELD VP - CHIEF LEGAL OFFICER	(i) (ii)	0 207,694	0 34,963	0 52,117	0 43,974	0 13,680	0 352,428	0 32,172
JOHN MITCH GRAVES SVP - AFFILIATED AFFAIRS	(i) (ii)	0 290,136	0 53,073	0 56,839	0 83,011	0 20,574	0 503,633	0 43,083
EDWARD RAFALSKI SVP - MARKETING	(i) (ii)	0 239,272	0 57,087	0 1,319	0 62,766	0 14,907	0 375,351	0 0
WILLIAM KENLEY SVP - CEO GERMANTOWN HOSPITAL	(i) (ii)	362,046 0	102,654 0	36,528 0	95,374 0	22,283 0	618,885 0	67,347 0
JAMES CARTER JR SVP - COO/INTERIM CEO UNIVERSITY HOS	(i) (ii)	265,136 0	63,242 0	11,369 0	54,617 0	19,594 0	413,958 0	0 0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JAY ROBINSON SVP - CEO SOUTH HOSPITAL	(i) (ii)	241,832 0	11,196 0	1,337 0	38,285 0	19,432 0	312,082 0	0 0
MERI ARMOUR SVP - ADM LE BONHEUR HOSPITAL	(i) (ii)	405,386 0	133,606 0	106,115 0	139,246 0	20,572 0	804,925 0	101,270 0
KEVIN SPIEGEL SVP - UNIVERSITY	(i) (ii)	111,241 0	75,829 0	132,455 0	47,237 0	16,375 0	383,137 0	26,664 0
ROBIN WOMEDU CMO - UNIVERSITY	(i) (ii)	277,377 0	45,622 0	4,376 0	37,193 0	19,595 0	384,163 0	0 0
LARRY SPRATLIN VP - TREASURER	(i) (ii)	110,904 0	54,084 0	51,429 0	114,214 0	15,877 0	346,508 0	19,333 0
WILLIAM MAY CMO - LE BONHEUR HOSPITAL	(i) (ii)	260,753 0	38,124 0	28,259 0	10,643 0	16,876 0	354,655 0	16,006 0
RONALD MICHAEL PHYSICIAN	(i) (ii)	618,793 0	0 0	0 0	0 0	17,264 0	636,057 0	0 0
EDUARDO BASCO PHYSICIAN	(i) (ii)	551,561 0	98,719 0	0 0	15,300 0	24,108 0	689,688 0	0 0
CLARO DIAZ PHYSICIAN	(i) (ii)	680,023 0	111,756 0	0 0	15,300 0	25,003 0	832,082 0	0 0
JAMES LITZOW PHYSICIAN	(i) (ii)	628,344 0	105,633 0	0 0	15,300 0	24,643 0	773,920 0	0 0
GALEN VAN WYHE PHYSICIAN	(i) (ii)	754,248 0	115,924 0	0 0	15,300 0	23,003 0	908,475 0	0 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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

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) MARK YANCY	FAMILY RELATIONSHIP TO BOARD MEMBER LUKE YANCY	66,133	COMPENSATION FOR AN EMPLOYEE OF THE ORGANIZATION		No

Part V Supplemental Information
Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
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2013

Open to Public
Inspection

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.

Name of the organization

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number

62-0479367

Return Reference	Explanation	
	FORM 990, PART III, LINE 4A	CONTINUATION OF PROGRAM SERVICE ACCOMPLISHMENTS METHODIST WAS RECENTLY NAMED THE BEST HOS PITAL IN MEMPHIS BY U S NEWS AND WORLD REPORT FOR THE LAST SEVERAL YEARS, METHODIST HAS BEEN NAMED IN MODERN HEALTHCARE MAGAZINE, AS ONE OF THE TOP 100 INTEGRATED HEALTHCARE NETW ORKS IN THE COUNTRY THE FIVE (5) FACILITIES OF METHODIST HEALTHCARE - MEMPHIS HOSPITALS A RE LICENSED AS ONE HOSPITAL IT IS THE THIRD LARGEST HOSPITAL IN THE COUNTRY METHODIST HA S FOUR MAJOR AREAS OF FOCUS CARDIOLOGY, NEUROSCIENCES, TRANSPLANT, AND PEDIATRICS METHOD IST HEALTHCARE - MEMPHIS HOSPITALS OPERATES THE FOLLOWING HOSPITALS - METHODIST UNIVERSIT Y HOSPITAL, THE FLAGSHIP OF THE METHODIST HEALTHCARE SYSTEM, IS LOCATED IN THE HEART OF TH E MEMPHIS MEDICAL CENTER METHODIST IS FORMALLY AFFILIATED WITH THE UNIVERSITY OF TENNESSE E HEALTH SCIENCE CENTER AND SERVES AS ITS PRIMARY TEACHING SITE A TERTIARY CARE AND REFER RAL CENTER, METHODIST UNIVERSITY HOSPITAL HAS ONE OF THE LARGEST NEUROSCIENCES PROGRAMS IN THE COUNTRY THE TRANSPLANT PROGRAM SPECIALIZES IN SOLID ORGAN TRANSPLANTS OF THE KIDNEY, LIVER AND PANCREAS THE HOSPITAL IS HOME TO ONE OF TWO DA VINCI-S SURGICAL SYSTEMS WITHIN THE HEALTH SYSTEM DA VINCI IS THE MOST ADVANCED MINIMALLY-INVASIVE ROBOTIC SURGICAL SYST EM AVAILABLE - METHODIST NORTH HOSPITAL IS A COMMUNITY HOSPITAL SERVING RESIDENTS OF THE RALEIGH-BARTLETT AREA OF NORTH MEMPHIS AND SURROUNDING AREAS THE FACILITY OFFERS STATE-OF - THE-ART, COMPREHENSIVE CARDIAC SERVICES THE HOSPITAL HAS EXPANDED LASER SURGERY CAPABI LITIES AND SAME-DAY SURGERY SERVICES ON CAMPUS, AS WELL AS AN AFFILIATED REHABILITATION FACI LITY ON CAMPUS THE METHODIST TOTAL JOINT CENTER LOCATED ON THE METHODIST NORTH HOSPITAL C AMPUS IS THE ONLY DEDICATED JOINT CENTER IN THE REGION AND PROVIDES A UNIQUE ORTHOPAEDIC U NIT FOCUSED ON DELIVERING COMPREHENSIVE CARE TO PATIENTS UNDERGOING TOTAL KNEE OR HIP REPLACEMENTS THE HOSPITAL IS HOME TO ONE OF TWO DA VINCI-S ROBOTIC SURGICAL SYSTEMS WITHIN TH E HEALTH SYSTEM - METHODIST SOUTH HOSPITAL SERVES THE CITIZENS OF SOUTH MEMPHIS AND SURRO UNding AREAS THIS ACUTE CARE HOSPITAL INCLUDES A MATERNITY CENTER, A CANCER CENTER, A CRI TICAL CARE UNIT, A SAME-DAY SURGERY UNIT AND A COMPLETE ARRAY OF OUTPATIENT SERVICES THE METHODIST SOUTH HOSPITAL ALSO OFFERS STATE-OF-THE-ART CARDIAC SERVICES, INCLUDING CARDIAC CATHETERIZATION AND OPEN-HEART SURGERY - METHODIST LE BONHEUR GERMANTOWN HOSPITAL IS A CO MMUNITY HOSPITAL SERVING GERMANTOWN, COLLIERVILLE, EAST MEMPHIS AND NORTH MISSISSIPPI THE HOSPITAL OFFERS ACUTE INPATIENT CARE AND TREATMENT, EXTENSIVE SURGICAL SERVICES, WOMEN'S HEALTH SERVICES, CARDIAC SERVICES, CHILDREN'S SERVICES AND EMERGENCY SERVICES WITH URGENT AND EMERGENCY CARE FOR ADULTS AND CHILDREN - LE BONHEUR CHILDREN'S HOSPITAL IS THE MID-SO UTH'S FIRST AND ONLY COMPREHENSIVE PEDIATRIC MEDICAL FACILITY FOUNDED IN 1952, LE BONHEUR TREATS 130,000 CHILDREN FROM 47 STATES AND MANY COUNTRIES THE HOSPITAL IS HOME TO ONE OF THE NATION'S 10 BUSIEST PEDIATRIC EMERGENCY DEPARTMENTS AND HOSTS ONE OF THE LARGEST PEDI ATRIC SURGICAL BRAIN TUMOR PROGRAMS IT IS THE TEACHING SITE FOR THE UNIVERSITY OF TENNESSE EE DEPARTMENT OF PEDIATRICS AND HOME TO THE CHILDREN'S FOUNDATION RESEARCH CENTER OF MEMPH IS AT METHODIST LE BONHEUR HEALTHCARE, WE TAKE OUR MISSION SERIOUSLY AND ARE COMMITTED TO GIVING BACK TO THE COMMUNITY IN A MEANINGFUL WAY OUR HOSPITALS ARE PART OF A SYSTEM THAT IS THE LARGEST PROVIDER OF TENNCARE SERVICES IN THE STATE, AND OUR FACILITIES PROVIDE FUL L ACCESS TO ALL INDIVIDUALS IN OUR SERVICES AREA BECAUSE OUR FACILITIES ARE PLACED IN ALL QUADRANTS OF OUR GEOGRAPHIC SERVICE AREAS, WE PROVIDE ACCESS TO HEALTHCARE FOR ALL OF THE COMMUNITY ** * IN 2013, METHODIST LE BONHEUR HEALTHCARE PROVIDED \$178,000,000 OF NET CO MMUNITY BENEFIT EXPENSE TO CHARITY, MEDICAID, TENNCARE, MEDICAL EDUCATION, AND COMMUNITY S ERVICES NET COMMUNITY BENEFIT EXPENSE IS CALCULATED USING A STANDARD APPROACH AS REQUIRED FOR GOVERNMENT BENEFIT REPORTING MEDICAL EDUCATION AND RESEARCH METHODIST SUPPORTS VIA D IRECT SALARY AND BENEFIT CONTRIBUTIONS TO THE UNIVERSITY OF TENNESSEE FOR GRADUATE MEDICAL TRAINING POSITIONS (GME) AT METHODIST UNIVERSITY HOSPITAL, LE BONHEUR CHILDREN'S HOSPITAL, AND METHODIST LE BONHEUR GERMANTOWN HOSPITAL THESE GME RESIDENTS AND FELLOWS ARE EMPLOY EES AND TRAINEES AT THE UNIVERSITY OF TENNESSEE, BUT THEIR FINANCIAL SUPPORT FOR SALARIES AND BENEFITS COMES VIA METHODIST THESE TRAINEES SPEND TIME AT A METHODIST HOSPITAL DURING THE PERIODS OF METHODIST SUPPORT AND ARE INVOLVED IN PATIENT CARE IN ADDITION TO EDUCATIO NAL ACTIVITIES CHURCH HEALTH CENTER AS AN EARLY SUPPORTER OF THE CHURCH HEALTH CENTER, ME THODIST LE BONHEUR HEALTHCARE STRONGLY BELIEVES IN ITS MISSION TO SERVE THE WORKING POOR FROM ITS BEGINNINGS AS A PROJECT OF ST JOHN'S UNITED METHODIST CHURCH AND OF DR SCOTT MO RRIIS TO THE COMPREHENSIVE COMMUNITY RESOURCE IT IS TODAY, THE CHURCH HEALTH CENTER PROVIDE S AFFORDABLE HEALTH CARE, DENTISTRY, OPTOMETRY, PA

Return Reference	Explanation	
	FORM 990, PART III, LINE 4A	STORAL COUNSELING, AND HEALTH EDUCATION TO THOSE WHO NEED THESE SERVICES IN MEMPHIS METHO DIST HEALTHCARE - MEMPHIS HOSPITALS IS PROUD TO SUPPORT THIS WORTHY ENDEAVOR. MHMH HELPS SUPPORT THE CHURCH HEALTH CENTER BY PROVIDING PATIENT CARE FREE OF CHARGE. LE BONHEUR COMMUNITY HEALTH & WELL-BEING. LE BONHEUR CHILDREN'S HOSPITAL'S COMMUNITY OUTREACH DIVISION WORKS TO EXTEND THE WORK OF THE HOSPITAL BEYOND ITS WALLS. THROUGH A VARIETY OF PROGRAMS, WE MAKE A DIFFERENCE IN THE EVERYDAY LIVES OF CHILDREN IN COMMUNITIES THROUGHOUT THE REGION. WHILE THESE PROGRAMS ARE LARGELY FUNDED BY GRANTS, METHODIST GAVE \$250,000 IN SUPPORT IN 2013 FOR DONATIONS TO SUPPORT THESE PROGRAMS.

Return Reference	Explanation	
FORM 990, PART III, LINE 4A	CONTINUATION OF PROGRAM SERVICE ACCOMPLISHMENTS THE SPIRIT OF FAITH AND HEALING PERVADES METHODIST LE BONHEUR HEALTHCARE AS A FAITH-BASED INSTITUTION, WE ARE WORKING TO DEFINE HOW WE CAN BETTER UTILIZE OUR FAITH RESOURCES AND OTHER ASSETS IN THE COMMUNITY TO IMPROVE HEALTH THAT MISSION HAS RESULTED IN A STRATEGY AROUND CONGREGATIONS AND OUR CONNECTION WITH THEM WE BELIEVE THAT CONGREGATIONS CAN PLAY A SIGNIFICANT ROLE IN HEALTHCARE WHEN THEY ARE STRATEGIC PARTNERS IN THEIR MEMBERS' HEALTH JOURNEYS TO THAT END, WE HAVE ENTERED INTO COVENANT RELATIONSHIPS WITH 350+ CONGREGATIONS TO IMPROVE THE ACCESS TO COMPREHENSIVE HEALTH SERVICES FOR ALL CITIZENS AND TO IMPROVE THE HEALTH STATUS OF THESE PATIENTS THE CENTER OF EXCELLENCE IN FAITH AND HEALTH (COE) IS HOUSED IN RENOVATED SPACE AT METHODIST UNIVERSITY HOSPITAL THE COE WILL ADVANCE HEALTH BY BRINGING FAITH AND HEALTH TOGETHER FOR THE IMPROVED WELLBEING OF THOUSANDS OF PATIENTS THE CENTER'S GOAL IS TO DRAMATICALLY ENHANCE QUALITY OF CARE AND SUPPORT FOR OUR PATIENTS AND THEIR FAMILIES WE BELIEVE THAT THE COUPLING OF FAITH AND HEALTH CAN NOT ONLY ELEVATE THE LEVEL OF CARE WE DELIVER TO OUR PATIENTS , BUT ALSO IMPROVE THE QUALITY OF LIFE FOR OUR COMMUNITY AND BEYOND THE ACTUAL CENTER OF EXCELLENCE SPACE TRANSFORMED THE PREVIOUSLY EXISTING INTENSIVE CARE WAITING ROOM INTO A STATE-OF-THE-ART FAMILY-CENTERED HEALING ENVIRONMENT WITH A QUIET AREA, RESOURCE ROOM, EDUCATION SPACES, MOVEABLE FURNITURE, AS WELL AS SPACE FOR LOCAL CLERGY TO COUNSEL THEIR MEMBERS IT ALSO HOUSES CREATIVE MEETING SPACE FOR ACADEMIC PARTNERS LOCALLY AND ACROSS THE GLOBE TO WORK WITH EACH OTHER, AS WELL AS PROVIDE TRAINING AND EDUCATION TO OUR ASSOCIATES, LOCAL CLERGY AND COMMUNITY HEALTH PARTNERS THE FOUNDATION RAISED OVER \$2 MILLION TO MAKE THIS PROJECT A REALITY METHODIST PLACES A STRONG VALUE ON EDUCATION THROUGH THE MEMPHIS CITY ADOPT-A-SCHOOL PROGRAM, MLH ASSOCIATES WORKED TO - TUTOR AND MENTOR STUDENTS - PROVIDE SPEAKERS FOR A NUMBER OF EVENTS INCLUDING CAREER DAYS - JUDGE EVENTS SUCH AS SCIENCE PROJECTS - PROCTOR TESTS - PROVIDE FINANCIAL SUPPORT FOR SPECIAL NEEDS AND PROGRAMS IN-KIND GOODS AND SERVICES MH-MH ASSOCIATES DONATED THOUSANDS OF HOURS TO MANY COMMUNITY GROUPS BY SERVING ON NUMEROUS BOARDS AND COMMITTEES, INCLUDING TENNESSEE HOSPITAL ASSOCIATION, AMERICAN HEART ASSOCIATION, HABITAT FOR HUMANITY, AMERICAN PHARMACISTS ASSOCIATION, MARCH OF DIMES, SUBSIDIUM, TN HEALTH INFORMATION MANAGEMENT ASSOC , CHESTER COUNTY HEALTH COUNCIL, LIFE BLOOD, TN HOSPICE ORGANIZATION ALZHEIMER'S ASSOCIATION OF WEST TENNESSEE, MID-SOUTH ASSOCIATION OF CATHOLIC NURSES, UNIVERSITY OF MEMPHIS MENTORING PROJECT, BOYS AND GIRLS CLUB OF GREATER MEMPHIS RALEIGH COMMUNITY COUNCIL, MEMPHIS DISTRICT DIETETIC ASSOCIATION, MEMPHIS GAY AND LESBIAN COMMUNITY CENTER, AMERICAN COLLEGE OF HEALTHCARE EXECUTIVES, MID-SOUTH AMERICAN CANCER SOCIETY, HEALTHY MEMPHIS COMMON TABLE, LEADERSHIP GERMANTOWN, MEMPHIS DIABETES EDUCATORS ASSOCIATION, ARKANSAS CONFERENCE, THE UNITED METHODIST CHURCH, CARROLL COUNTY HEALTH COUNCIL, AMERICAN NURSES ASSOCIATION EMERGENCY NURSES ASSOCIATION, CROCKETT COUNTY HEALTH COUNCIL, LEADERSHIP FAYETTE, UNITED METHODIST NEIGHBORHOOD CENTERS, MISSISSIPPI CONFERENCE, THE UNITED METHODIST CHURCH, MILLINGTON ROTARY , BARTLETT CHAMBER OF COMMERCE, GERMANTOWN CHAMBER OF COMMERCE, MEMPHIS THEOLOGICAL SEMINARY , TN PHYSICAL THERAPY ASSOCIATION, POLYSOMNOGRAPHY PROFESSIONAL STANDARDS COMMITTEE, HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION, VOLUNTEER MID-SOUTH, EARLY SUCCESS COALITION, CHRISTIAN BROTHERS UNIVERSITY, TENNESSEE SLEEP SOCIETY, MEMPHIS ACADEMY OF HEALTH SCIENCES, MILLINGTON CHAMBER OF COMMERCE, TN ORGANIZATION OF NURSE EXECUTIVES, MEMPHIS AMERICAN SOCIETY OF PARENTERAL NUTRITION, OAKLAND CHAMBER OF COMMERCE, FRIENDS OF MEMPHIS PUBLIC LIBRARY , DELTA CONSORTIUM, MEMPHIS AND SHELBY CO CHILDREN AND YOUTH COUNCIL MOSES COALITION, TN GENERAL ASSEMBLY'S BLACK HEALTH CARE COMMISSION FAYETTE CHAMBER OF COMMERCE, MEMPHIS CONFERENCE, THE UNITED METHODIST CHURCH, BENTON COUNTY HEALTH COUNCIL, TN HOME VISITATION COALITION, TN PHARMACISTS ASSOCIATION, KIWANIS CLUB, SPECIAL KIDS AND FAMILIES, MCNAIRY COUNTY HEALTH COUNCIL, WHITEHAVEN ECONOMIC DEVELOPMENT CORP COMMUNITY-BASED CHILD ABUSE PREVENTION STATE ADVISORY BOARD, ROTARY CLUB TIPTON COUNTY HEALTH COUNCIL, DYER COUNTY HEALTH COUNCIL, MEMPHIS REGIONAL EARLY HOME VISITATION COLLABORATION, NORTHWEST MISSISSIPPI COMMUNITY COLLEGE WEST TN REGIONAL HEALTH COUNCIL, HARDIN COUNTY COMMUNITY HEALTH CENTER, HENDERSON COUNTY HEALTH COUNCIL, LAUDERDALE COUNTY HEALTH COUNCIL, TN SOCIETY FOR RESPIRATORY CARE FAYETTE COUNTY HEALTH COUNCIL, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE (CUMBERLAND COUNTY), SHELBY COUNTY DC S, HARDEMAN COUNTY HEALTH COUNCIL, WEAKLEY COUNTY HEALTH COUNCIL, MATERNAL LEAGUE OF MEMPHIS, WEST TN ASSOCIATION OF SCHOOL NURSES, FUTURE LEADER'S ACADEMY HENRY COUNTY HEALTH COUNCIL, PEOPLE FIRST, TN CHILD PASSENGER SAFETY BOARD	

Return Reference	Explanation	
	FORM 990, PART III, LINE 4A	MADISON COUNTY HEALTH COUNCIL, HEAD START, TN ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, AMERICAN ASSOCIATION OF GRANT PROFESSIONALS-TN CHAPTER MID-SOUTH PERINATAL BEREAVEMENT COUNCIL, MEMPHIS URBAN LEAGUE, TN COUNCIL ON CHILDREN'S MENTAL HEALTH, CHILD CARE RESOURCE AND REFERRAL ADVISORY COMMITTEE, MID-SOUTH COALITION ON HIV/AIDS, TN INTEGRATED CORE INJURY PREVENTION AND CONTROL, AMERICAN COUNCIL OF GRANT PROFESSIONALS-NATIONAL, GERMANTOWN ATHLETIC COMMISSION, AND THE GIBSON COUNTY HEALTH COUNCIL

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS A SUBSIDIARY OF METHODIST LE BONHEUR HEALTHCARE (MLH, 58-1454711), WITH THE PERSONS SERVING ON THE MLH BOARD OF DIRECTORS SERVING AS THE MEMBERS OF MHMH

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF METHODIST HEALTHCARE - MEMPHIS HOSPITALS IS COMPRISED OF THE SAME PERSONS AS METHODIST LE BONHEUR HEALTHCARE, THE PARENT ORGANIZATION

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B	THE MEMBERS SHALL, FROM TIME TO TIME, ADOPT AND PROMULGATE SUCH AMENDMENTS AS THEY SHALL DEEM APPROPRIATE TO THE BY LAWS AND TO THE GENERAL POLICIES AND GUIDELINES OF THE ORGANIZATION, ALL OF WHICH SHALL NOT BE INCONSISTENT WITH THE PURPOSES OF METHODIST LE BONHEUR HEALTHCARE. UPON REQUEST BY THE BOARD OF DIRECTORS OF THE CORPORATION AND AT SUCH TIMES AS THE MEMBERS MAY SELECT, THE MEMBERS SHALL REVIEW THE AFFAIRS OF THE CORPORATION AND TAKE SUCH ACTION AS THEY MAY DEEM APPROPRIATE IN ACCORDANCE WITH THESE BY LAWS. THE "CORPORATE LIMIT" REFERRED TO IN THE FOLLOWING ITEMS SHALL BE THE SUM OF ONE MILLION DOLLARS OR SUCH OTHER SUMS AS MAY FROM TIME TO TIME BE DESIGNATED BY ACTION OF THE MEMBERS, AND FOR THE PURPOSES OF THESE BY LAWS THE WORDS 'THE CORPORATION' SHALL MEAN METHODIST HEALTHCARE-MEMPHIS HOSPITALS. THE FOLLOWING ITEMS, AFTER BEING REVIEWED AND ACCEPTED BY THE BOARD OF DIRECTORS, SHALL BE SUBMITTED FOR APPROVAL BY THE MEMBERS - IN DECEMBER OF EACH YEAR, A STRATEGIC PLAN AND A ONE YEAR OPERATING BUDGET OF THE CORPORATION'S ENSUING FISCAL YEAR, AND, THEREAFTER, ANY ACTION WHICH WILL RESULT IN A SUBSTANTIAL CHANGE IN THE EXPENDITURES OR REVENUE FORECAST IN ANY SUCH PLAN OR BUDGET, - ANY CREATION OR SUBSTANTIVE AMENDMENT OF A CONTRACT, LEASE OR OTHER AGREEMENT OF WHICH THE CORPORATION IS A PARTY WHICH INVOLVES AN OBLIGATION, OR A POTENTIAL OBLIGATION, ON THE PART OF THE CORPORATION IN EXCESS OF THE CORPORATE LIMIT, UNLESS SUCH TRANSACTION HAS BEEN PREVIOUSLY APPROVED WITHIN THE CAPITAL OR OPERATING BUDGETS, - ANY SALE, EXCHANGE, GIFT, MORTGAGE, OPTION, LEASE WITH A TERM IN EXCESS OF ONE YEAR (EXCEPT TO DOCTORS FOR OFFICE SPACE), OR OTHER DISPOSITION OF ANY REAL PROPERTY OR INTEREST THEREIN OWNED BY THE CORPORATION, OR ANY OTHER ASSET OWNED BY THE CORPORATION WITH A VALUE IN EXCESS OF THE CORPORATE LIMIT, EXCEPT WITH RESPECT TO TRANSACTIONS SPECIFIED AND PREVIOUSLY APPROVED WITHIN THE CAPITAL OR OPERATING BUDGET, - ANY RELEASE OR CANCELLATION BY THE CORPORATION OF A CLAIM OR RIGHT OF ACTION AGAINST ANOTHER PARTY IN AN AMOUNT IN EXCESS OF THE CORPORATE LIMIT, - ANY APPLICATION FOR A GOVERNMENT GRANT, - ANY AMENDMENT OR RESTATEMENT OF THE CORPORATE CHARTER OR ANY PLAN OF MERGER, CONSOLIDATION OR DISSOLUTION OF THE CORPORATION, - ANY ACTION OR INACTION AT VARIANCE WITH THE STATED POLICIES OF THE CORPORATION WHICH POLICIES HAVE BEEN APPROVED BY THE MEMBERS, - THE SELECTION OF ANY BANKING INSTITUTION AS A DEPOSITORY OF CORPORATE FUNDS, AND - ANY OTHER MATTERS AS MAY BE REQUIRED BY LAW TO BE SUBMITTED TO THE MEMBERS OF A NOT-FOR-PROFIT CORPORATION

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM WITH INPUT FROM HUMAN RESOURCES, LEGAL, COMPLIANCE, AND FINANCE DEPARTMENTS AND EXTERNAL FINANCIAL CONSULTANTS. FINANCIAL INFORMATION IS RECONCILED TO AUDITED FINANCIAL STATEMENTS AS APPROPRIATE. THE INFORMATION TO BE DISCLOSED REGARDING COMPENSATION IS REVIEWED WITH THE COMPENSATION COMMITTEE OF THE BOARD. THE RETURN IS REVIEWED BY THE CHIEF FINANCIAL OFFICER OF MLH AND MANAGEMENT OF THE ORGANIZATION AS APPROPRIATE. A COPY OF THE RETURN IS MADE AVAILABLE TO ALL BOARD MEMBERS AND DISCUSSED AT A SCHEDULED BOARD MEETING PRIOR TO FILING WITH THE IRS.

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 12C	METHODIST LE BONHEUR HEALTHCARE, THE PARENT ORGANIZATION, EMPLOYS A COMPLIANCE OFFICER WHO MONITORS AND ENFORCES COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY FOR ALL VOTING BOARD MEMBERS AND APPLICABLE OFFICERS

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION FOR OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION IS DETERMINED BY THE BOARD OF DIRECTORS OF METHODIST LE BONHEUR HEALTHCARE, THE SOLE MEMBER ORGANIZATION. AN EXTERNAL INDEPENDENT CONSULTANT ADVISES THE BOARD COMPENSATION COMMITTEE ON EXECUTIVE SALARY AND INCENTIVE COMPENSATION BENEFITS ARE PERIODICALLY BENCHMARKED BY A SEPARATE EXTERNAL CONSULTANT AND ANY CHANGES ARE APPROVED BY THE BOARD OF DIRECTORS COMPENSATION COMMITTEE. THE COMPENSATION COMMITTEE IS COMPRISED OF INDEPENDENT MEMBERS AND IS A SUBGROUP OF THE FULL BOARD OF DIRECTORS. THE COMPENSATION CONSULTANT ANNUALLY DEVELOPS TOTAL CASH COMPENSATION COMPARISONS OF PEER NON-PROFIT SYSTEMS ESTABLISHED BY THE COMPENSATION COMMITTEE. THE COMPENSATION CONSULTANT INTERPRETS THE INFORMATION AND PROVIDES AN OPINION OF REASONABLENESS ON THE TOTAL CASH COMPENSATION PACKAGE. THE COMPENSATION COMMITTEE APPROVES ANY CHANGES TO THE COMPENSATION AND EXECUTIVE BENEFIT STRUCTURE OF THE CEO AND OTHER TOP EXECUTIVES, OTHERWISE KNOWN AS DISQUALIFIED CANDIDATES. ALL OTHER COMPENSATION DECISIONS ARE DETERMINED BY ARRANGEMENT AS DELEGATED BY THE BOARD OF DIRECTORS. THE COMMITTEE DOCUMENTS ALL DETERMINATIONS.

Return Reference	Explanation
FORM 990, PART VI, SECTION C, LINE 18	PHOTOCOPIES OF THE FORM 990 ARE AVAILABLE UPON REQUEST AT THE ORGANIZATION'S ADMINISTRATIVE OFFICE. IN ADDITION, RECENT FILINGS OF THE FORM 990 ARE AVAILABLE ONLINE AT OUR WEBSITE IN THE "ABOUT US" SECTION

Return Reference	Explanation
FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S FINANCIAL STATEMENTS ARE AUDITED IN A CONSOLIDATION WITH ITS CORPORATE PARENT, METHODIST LE BONHEUR HEALTHCARE, AND RELATED SUBSIDIARIES. INFORMATION ON FINANCIAL STATEMENTS IS AVAILABLE BY CONTACTING THE ORGANIZATION'S CORPORATE OFFICE. PLEASE SEE FORM 990, PART VI, LINE 20 FOR DETAILS. CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS FOR ALL AFFILIATES OF METHODIST LE BONHEUR HEALTHCARE ARE ALSO AVAILABLE BY REQUEST.

Return Reference	Explanation
FORM 990, PART VII, LINE 1	BOARD MEMBER COMPENSATION JIMMIE MANCELL, MD, HEATHER SWANSON, MD, AND JEAN CLAUDE LOISEAU, MD ARE COMPENSATED BY THE ORGANIZATION FOR SERVICES RENDERED TO THE HOSPITAL SYSTEM ALL PAYMENTS TO THESE INDIVIDUALS ON PART VII OF THE FORM 990 ARE FOR THEIR MEDICAL SERVICES RENDERED TO THE HOSPITAL SYSTEM

Return Reference	Explanation
FORM 990, PART XI, LINE 9	EQUITY TRANSFERS TO AFFILIATES -70,247,971 OTHER CHANGE IN NET ASSETS 42,000

Return Reference	Explanation
FORM 990, PART XII, LINE 2C	THE PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR

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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Employer identification number
62-0479367

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
See Additional Data Table					

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) Disproprtionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) DESOTO DIAGNOSTIC LLC 9085 SANDIDGE CTR CV OLIVE BRANCH, MS 38654 62-1802576	RADIOLOGY	MS	N/A									
(2) NORTH SURGERY CENTER LP 3960 NEW COVINGTON PIKE MEMPHIS, TN 38128 62-1685756	SURGERY CENTER	TN	N/A	RELATED	575,270	1,258,497		No		Yes		60 500 %
(3) METHODIST SURGERY CENTER- GERMANTOWN LP 1363 S GERMANTOWN ROAD GERMANTOWN, TN 38138 62-1659904	SURGERY CENTER	TN	N/A	RELATED	1,722,376	2,430,775		No		Yes		55 000 %
(4) HAMILTON EYE INSTITUTE SURGERY CENTER LP 930 MADISON AVE 3RD FLOOR MEMPHIS, TN 38103 20-2873438	SURGERY CENTER	TN	N/A	RELATED	215,835	803,195		No		Yes		35 400 %

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
(1) AMBULATORY OPERATIONS INC 1211 UNION AVENUE SUITE 600 MEMPHIS, TN 38104 62-1157166	MEDICAL SERVICES	TN	N/A	C					No
(2) SOLUS MANAGEMENT SERVICES INC 6400 SHELBY VIEW SUITE 101 MEMPHIS, TN 38134 62-1361349	HEALTH SERVICES MANAGEMENT	TN	N/A	C					No
(3) MEMPHIS PROFESSIONAL BUILDING INC 1211 UNION AVENUE SUITE 600 MEMPHIS, TN 38104 62-1847544	INVESTMENTS	TN	N/A	C					No

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

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) METHODIST SURGERY CENTER - GERMANTOWN LP	S	1,461,745	CASH
(2) NORTH SURGERY CENTER LP	S	565,555	CASH

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: 62-0479367
Name: METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Form 990, Schedule R, Part I - Identification of Disregarded Entities

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Total income	(e) End-of-year assets	(f) Direct Controlling Entity
(1) LE BONHEUR PATIENT TRANSPORTATION LLC 1265 UNION AVENUE MEMPHIS, TN 38104 20-3200654	MEDICAL TRANSPORT	TN	0	0	N/A
(1) METHODIST INPATIENT PHYSICIANS LLC 1265 UNION AVENUE MEMPHIS, TN 38104 47-0892411	PHYSICIANS	TN	0	0	N/A
(2) SPECIALTY PHYSICIAN GROUP LLC 1211 UNION AVENUE MEMPHIS, TN 38104 27-2097600	PHYSICIANS	TN	18,066,245	3,742,881	N/A
(3) PRIMARY CARE GROUP LLC 1265 UNION AVENUE MEMPHIS, TN 38104 27-3186375	PHYSICIANS	TN	38,642,077	12,022,099	N/A
(4) FOUNDATION PRIMARY CARE LLC 1265 UNION AVENUE MEMPHIS, TN 38104 27-4200498	HEALTHCARE	TN	0	0	PRIMARY CARE GROUP LLC
(5) UT METHODIST PHYSICIANS LLC 1211 UNION AVENUE SUITE 700 MEMPHIS, TN 38104 45-4853491	PHYSICIANS	TN	5,244,622	5,072,147	N/A
(6) LE BONHEUR PEDIATRICS LLC 50 N DUNLAP STREET MEMPHIS, TN 38103 46-1556529	PEDIATRICS	TN	2,178,898	1,887,781	N/A

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) METHODIST LE BONHEUR HEALTHCARE 1211 UNION AVENUE SUITE 700 MEMPHIS, TN 38104 58-1454711	SUPPORTING ORGANIZATION	TN	501(C)(3)	LINE 11B, II	N/A		No
(1) METHODIST HEALTHCARE - FAYETTE HOSPITAL 214 LAKEVIEW DRIVE SOMERVILLE, TN 38068 62-0862334	HOSPITAL	TN	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
(2) METHODIST EXTENDED CARE HOSPITAL INC 225 SOUTH CLAYBROOK MEMPHIS, TN 38104 62-1518342	HOSPITAL	TN	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
(3) METHODIST HEALTHCARE PRIMARY CARE ASSOCIATES 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 58-2078931	OUTPATIENT HEALTHCARE	TN	501(C)(3)	LINE 9	METHODIST LE BONHEUR HEALTHCARE		No
(4) METHODIST HEALTHCARE COMMUNITY CARE ASSOCIATES 6400 SHELBY VIEW SUITE 101 MEMPHIS, TN 38134 62-1403517	OUTPATIENT HEALTHCARE	TN	501(C)(3)	LINE 9	METHODIST LE BONHEUR HEALTHCARE		No
(5) ALLIANCE HEALTH SERVICES INC 6400 SHELBY VIEW SUITE 101 MEMPHIS, TN 38134 62-0841121	HEALTHCARE	TN	501(C)(3)	LINE 9	METHODIST LE BONHEUR HEALTHCARE		No
(6) METHODIST HEALTHCARE FOUNDATION 1211 UNION AVENUE SUITE 450 MEMPHIS, TN 38104 23-7320638	FOUNDATION	TN	501(C)(3)	LINE 11A, I	METHODIST LE BONHEUR HEALTHCARE		No
(7) LE BONHEUR CHILDREN'S HOSPITAL FOUNDATION 850 POPLAR AVENUE BLDG 2 MEMPHIS, TN 38105 62-1872938	FOUNDATION	TN	501(C)(3)	LINE 11A, I	METHODIST LE BONHEUR HEALTHCARE		No
(8) LE BONHEUR COMMUNITY HEALTH AND WELL-BEING 50 PEABODY PLACE MEMPHIS, TN 38103 62-1251288	FOUNDATION	TN	501(C)(3)	LINE 7	LE BONHEUR CHILDREN'S FOUNDATION		No
(9) METHODIST HEALTHCARE-JONESBORO HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 71-0499625	INACTIVE HOSPITAL	TN	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
(10) METHODIST HEALTHCARE-DYERSBURG HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 62-1155084	INACTIVE HOSPITAL	TN	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
(11) METHODIST HEALTHCARE CENTRAL MS MEDICAL ASSOCIATES 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 64-0884720	INACTIVE HOSPITAL	TN	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
(12) METHODIST HEALTHCARE-JACKSON HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 64-0794199	INACTIVE HOSPITAL	TN	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
(13) METHODIST HEALTHCARE-MIDDLE MISSISSIPPI HOSPITAL 1211 UNION AVENUE SUITE 657 MEMPHIS, TN 38104 64-0698911	INACTIVE HOSPITAL	TN	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No
(14) MEMPHIS MEDICAL CENTER AIR AMBULANCE SERVICES INC 1080 EASTMORELAND AVE MEMPHIS, TN 38104 62-1280261	AMBULATORY SERVICES	TN	501(C)(3)	LINE 11B, II	N/A		No
(15) METHODIST HEALTHCARE-OLIVE BRANCH HOSPITAL 1211 UNION AVENUE SUITE 700 MEMPHIS, TN 38104 64-0889822	HOSPITAL	MS	501(C)(3)	LINE 3	METHODIST LE BONHEUR HEALTHCARE		No



METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Financial Statements and Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Methodist Le Bonheur Healthcare:

Report on the Financial Statements

We have audited the accompanying combined financial statements of Methodist Le Bonheur Healthcare and Affiliates (the System), which comprise the combined balance sheets as of December 31, 2013 and 2012, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly in all material respects, the financial position of Methodist Le Bonheur Healthcare and Affiliates as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information contained in Schedule 1 and Schedule 2 is presented for the purposes of additional analysis of the 2013 combined financial statements and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Memphis, Tennessee
April 25, 2014

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Balance Sheets

December 31, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 35,310	71,677
Investments	778,974	746,608
Assets limited as to use – current portion	962	682
Net patient accounts receivable	210,819	190,102
Other current assets	57,374	49,373
Total current assets	1,083,439	1,058,442
Assets limited as to use, less current portion	39,495	40,616
Property and equipment, net	901,227	821,718
Other assets	60,639	54,956
Total assets	\$ 2,084,800	1,975,732
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 65,912	57,829
Accrued expenses and other current liabilities	93,486	91,583
Due to third-party payors	13,551	17,903
Long-term debt – current portion	15,637	15,658
Total current liabilities	188,586	182,973
Long-term debt, less current portion	584,454	600,833
Estimated professional and general liability costs	17,304	25,081
Accrued pension cost	49,328	197,608
Other long-term liabilities	55,694	88,743
Total liabilities	895,366	1,095,238
Net assets:		
Unrestricted	1,158,133	852,139
Temporarily restricted	23,103	20,282
Permanently restricted	3,504	3,351
Total net assets attributable to Methodist Le Bonheur Healthcare	1,184,740	875,772
Noncontrolling interests	4,694	4,722
Total net assets	1,189,434	880,494
Commitments and contingencies		
Total liabilities and net assets	\$ 2,084,800	1,975,732

See accompanying notes to combined financial statements.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Operations

Years ended December 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted revenues and other support:		
Net patient service revenue	\$ 1,653,966	1,562,285
Provision for uncollectible accounts	(154,171)	(135,201)
Net patient service revenue less provision for uncollectible accounts	1,499,795	1,427,084
Other revenue	69,719	55,200
Net assets released from restrictions used for operations	12,781	13,012
Total unrestricted revenues and other support	<u>1,582,295</u>	<u>1,495,296</u>
Expenses:		
Salaries and benefits	773,377	724,897
Supplies and other	634,842	599,393
Depreciation and amortization	89,108	85,345
Interest	25,874	27,287
Total expenses	<u>1,523,201</u>	<u>1,436,922</u>
Operating income	<u>59,094</u>	<u>58,374</u>
Nonoperating gains (losses):		
Investment income, net	40,979	24,012
Change in fair value of interest rate swaps	33,256	3,798
Unrealized gain on trading securities, net	39,536	37,984
Impairment of land	—	(332)
Impairment of goodwill	—	(928)
Total nonoperating gains losses, net	<u>113,771</u>	<u>64,534</u>
Revenues, gains and other support in excess of expenses and losses, before noncontrolling interests	172,865	122,908
Noncontrolling interests	<u>(1,646)</u>	<u>(1,424)</u>
Revenues, gains and other support in excess of expenses and losses	171,219	121,484
Other changes in unrestricted net assets:		
Accrued pension cost adjustments	133,080	(22,289)
Other	42	(68)
Net assets released from restrictions used for capital purposes	1,653	1,886
Increase in unrestricted net assets	<u>\$ 305,994</u>	<u>101,013</u>

See accompanying notes to combined financial statements.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended December 31 2013 and 2012

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Noncontrolling interests</u>	<u>Total</u>
Balances at December 31 2011	751 126	20 081	3 004	5 246	779 457
Revenues gains and other support in excess of expenses and losses	121 484	—	—	1 424	122 908
Distributions to minority shareholders	—	—	—	(1 948)	(1 948)
Accrued pension cost adjustments	(22 289)	—	—	—	(22 289)
Other	(68)	—	—	—	(68)
Donor-restricted gifts grants and bequests	—	14 502	347	—	14 849
Investment income net	—	597	—	—	597
Net assets released from restrictions used for operations	—	(13 012)	—	—	(13 012)
Net assets released from restrictions used for capital purposes	1 886	(1 886)	—	—	—
Change in net assets	101 013	201	347	(524)	101 037
Balances at December 31 2012	<u>\$ 852 139</u>	<u>20 282</u>	<u>3 351</u>	<u>4 722</u>	<u>880 494</u>
Revenues gains and other support in excess of expenses and losses	171 219	—	—	1 646	172 865
Distributions to minority shareholders	—	—	—	(1 674)	(1 674)
Accrued pension cost adjustments	133 080	—	—	—	133 080
Other	42	—	—	—	42
Donor-restricted gifts grants and bequests	—	16 432	153	—	16 585
Investment income net	—	823	—	—	823
Net assets released from restrictions used for operations	—	(12 781)	—	—	(12 781)
Net assets released from restrictions used for capital purposes	1 653	(1 653)	—	—	—
Change in net assets	305 994	2 821	153	(28)	308 940
Balances at December 31 2013	<u>\$ 1 158 133</u>	<u>23 103</u>	<u>3 504</u>	<u>4 694</u>	<u>1 189 434</u>

See accompanying notes to combined financial statements

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 308,940	101,037
Adjustments to reconcile change in net assets to net cash provided by operating activities, net of effects of acquisitions:		
Depreciation and amortization	89,108	85,345
Unrealized and realized gains on trading securities, net	(56,177)	(37,984)
Change in fair value of interest rate swaps	(33,256)	(3,798)
Provision for uncollectible accounts	154,171	135,201
Restricted contributions and investment income	(1,142)	(1,117)
Equity in net income (loss) of equity investees	(1,668)	1,401
Impairment of land	—	332
Impairment of goodwill	—	928
Gain on disposal of property and equipment	45	(70)
Accrued pension cost adjustments	(133,080)	22,289
Changes in operating assets and liabilities:		
Accounts receivable	(174,888)	(154,598)
Other current assets	(7,708)	(3,835)
Other assets	(5,091)	1,336
Accounts payable, accrued expenses and due to third-party payors	6,114	23,454
Other long-term liabilities, estimated professional and general liability costs and accrued pension costs	(22,770)	(15,418)
Net cash provided by operating activities	<u>122,598</u>	<u>154,503</u>
Cash flows from investing activities:		
Capital expenditures	(166,824)	(98,812)
Proceeds from sales of property and equipment	245	253
Sales of investments	1,422,011	1,815,103
Purchases of investments	(1,397,359)	(1,953,545)
Purchase of businesses	(2,521)	(74)
Net cash used in investing activities	<u>(144,448)</u>	<u>(237,075)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	100,500
Repayment of long-term debt	(15,659)	(18,926)
Restricted contributions and investment income	1,142	1,117
Net cash (used in) provided by financing activities	<u>(14,517)</u>	<u>82,691</u>
Net (decrease) increase in cash and cash equivalents	(36,367)	119
Cash and cash equivalents at beginning of year	<u>71,677</u>	<u>71,558</u>
Cash and cash equivalents at end of year	<u>\$ 35,310</u>	<u>71,677</u>

See accompanying notes to combined financial statements.

BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

Methodist Le Bonheur Healthcare and Affiliates (the System) is a not-for-profit healthcare system providing a continuum of healthcare services primarily to residents of Memphis, West Tennessee, North Mississippi, and East Arkansas through its acute care and specialty care facilities. The System operates eight hospitals and a home health agency, with over 12,400 employees and over 1,750 licensed beds. The significant accounting policies used by the System in preparing and presenting its combined financial statements follow:

(a) *Principles of Combination*

The accompanying combined financial statements include Methodist Le Bonheur Healthcare (Methodist Le Bonheur), all affiliates for which Methodist Le Bonheur or its board of directors is the controlling member, and its wholly owned subsidiaries. Such affiliates and subsidiaries of the System include:

- Methodist Healthcare – Memphis Hospitals (Methodist Healthcare – University Hospital, North Hospital, South Hospital, Germantown Hospital and Le Bonheur Children’s Hospital),
- Methodist Healthcare – Fayette Hospital,
- Methodist Healthcare – Olive Branch Hospital,
- Alliance Health Services, Inc.,
- Methodist Extended Care Hospital, Inc.,
- Methodist Le Bonheur Healthcare Foundation (comprised of Methodist Healthcare Foundation, Le Bonheur Children’s Hospital Foundation, and Le Bonheur Community Health and Well-Being),
- Methodist Healthcare Community Care Associates,
- Methodist Healthcare Primary Care Associates, and
- Ambulatory Operations, Inc.

All significant intercompany balances and transactions have been eliminated in combination.

(b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, reserves for general and professional liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, estimated third-party payor settlements, certain investments in alternative funds, and the actuarially determined benefit liability related to the System's pension plan. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

(c) *Cash Equivalents*

The System considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(d) *Investments and Investment Income*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investment income items (including realized and unrealized gains and losses on investments, interest, and dividends) are included in revenues, gains and other support in excess of expenses and losses unless the income or loss is temporarily or permanently restricted by donor or law. The System considers all of its investments to be trading securities.

The System also has investments in alternative funds, which represent investments in real estate through a private Real Estate Investment Trust (REIT) and hedge funds through direct and fund-of-funds structures generally organized as corporations or limited partnerships.

The System's investments in alternative funds are accounted for using the equity method, which generally approximates fair value. The change in carrying amount is reported as investment income or loss in the accompanying combined statements of operations.

Certain underlying holdings of alternative funds are typically valued by the general partner and/or trustee using quoted market prices for publicly traded securities and valuation estimates for derivative instruments. Other underlying holdings are typically valued at cost or adjusted value based on recent arms length transactions, appraisals by third parties of properties held, or other correspondence with the manager. The valuations provided by the general partners and trustees are reviewed by management, and management believes such values are reasonable.

(e) *Inventories*

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

(f) *Assets Limited as to Use*

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

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

(g) *Property and Equipment*

Property and equipment are stated at cost. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support and are excluded from revenues, gains and other support in excess of expenses and losses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted for the purchase of property and equipment for which restrictions are met within the same year as the contributions are received are reported as increases in unrestricted net assets in the combined financial statements.

(h) *Impairment of Long-lived Assets*

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Assets to be disposed of are separately presented in the accompanying combined balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the accompanying combined balance sheets.

(i) *Goodwill*

Goodwill, included in other assets, is the amount by which the purchase price exceeds the fair value of assets acquired and is included in other assets within the accompanying combined balance sheets. Goodwill totaled \$10,763,000 for both years ended December 31, 2013 and 2012. The System performs an impairment review of goodwill at least annually and when a triggering event occurs between annual impairment tests. The System recognized a loss on the impairment of goodwill of \$928,000 in 2012. This amount is reported in the accompanying combined statements of operations as a nonoperating loss. The system did not have impairment of goodwill in 2013.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions* (ASU 2010-07), which requires that all future acquired goodwill is generally nonamortizable and subject solely to routine impairment testing. Additionally, existing goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life continue to be amortized over their useful lives.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

ASU 2010-07 additionally requires that noncontrolling ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the combined balance sheets within net assets, but separate from the entity's net assets. In addition, ASU 2010-07 requires that a combined statement of changes in net assets attributable to the entity and noncontrolling interests be provide for each class of net assets for which a noncontrolling interest exists during the reporting period.

In September 2011, the FASB issued ASU 2011-08, *Testing of Goodwill for Impairment*. ASU 2011-08 permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step test for impairment of goodwill. If an entity concludes that it is more likely than not that the fair value of the reporting units is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The System adopted the provisions of ASU 2011-08 on January 1, 2012. The adoption had no impact on the combined financial statements.

(j) *Costs of Borrowing*

Bond discounts, premiums, and issuance costs are amortized over the terms of the related bond issues using the interest method.

The System capitalizes interest costs on qualified construction projects as a component of the cost of related projects.

(k) *Equity Investees*

Investments in the following affiliated companies, where the System's ownership interests range from 20% – 50%, are accounted for using the equity method (note 18):

- HealthSouth/Methodist Rehabilitation Hospital, L.P. (30% owned),
- Midtown Surgery Center, L.P. (32.65% owned),
- Le Bonheur East Surgery Center II, L.P. (34% owned),
- Hamilton Eye Institute Surgery Center, L.P. (33% owned),
- Health Choice, LLC (50% owned),
- Urology Ambulatory Surgery Center, LLC (30% owned),
- UT Le Bonheur Pediatric Specialists, Inc. (50% owned),
- Acorn Research, LLC (28% owned), and
- Rx Management Systems, LLC (50% owned).

(l) *Derivative Instruments and Hedging Activities*

On the date a derivative contract is entered into, the System designates the derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) or (2) a hedge of a forecasted transaction related to the variability of cash flows to be

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

received or paid related to a recognized asset or liability (cash flow hedge). The System formally assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the System discontinues hedge accounting prospectively.

The System does not currently apply hedge accounting with respect to any of its interest rate swaps. All of those swaps (including those originally dedesignated as hedges as a part of previous bond refinancing/conversion transactions) continue to be carried in the System's combined balance sheets at fair value, with related changes in fair value included as nonoperating gains or losses in the combined statements of operations.

(m) Pension Accounting Standard

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

Subtopic 715-20 additionally requires enhanced disclosures related to pension plan assets, including disclosures related to the fair value of the plan assets. These enhanced disclosures are included in these combined financial statements at note 13.

(n) Asset Retirement Obligations

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the System capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the combined statement of operations.

(o) Guarantees

The System follows the provisions of FASB ASC Topic 460 (Topic 460), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. Topic 460 requires entities to disclose additional information about certain guarantees, or groups of similar guarantees, even if the likelihood of the guarantor having to make any payments under the guarantee is remote. For certain guarantees, the interpretation also requires that a guarantor recognize a liability equal to the fair value of the guarantee upon its issuance. The provisions of Topic 460 have no impact on the combined financial statements and all additional disclosure requirements of Topic 460 have been included within the footnotes of the combined financial statements.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

(p) Net Patient Service Revenue and Patient Receivables

The FASB issued ASC Topic 954 (Topic 954), *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASC Topic 954 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered, even though they do not assess the patient's ability to pay, to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on the combined statements of operations.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive revenue adjustments (if necessary) due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates, subject to certain discounts as determined by the System. An estimated provision for uncollectible accounts is recorded that results in net patient service revenue being reported at the net amount expected to be received. The System has determined, based on an assessment at the combined entity level, that patient service revenue is primarily recorded prior to assessing the patient's ability to pay and as such, the entire provision for uncollectible accounts related to patient revenue is recorded as a deduction from patient service revenue in the accompanying combined statements of operations.

Patient receivables are reduced by an allowance for uncollectible accounts. The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, major payor sources and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System.

(q) Charity Care

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

The System follows the provisions of FASB ASU 2010-23, *Health Care Entities (Topic 954) - Measuring Charity Care for Disclosure*. ASU 2010-23 amends ASC Subtopic 954-605 for *Health Care Entities - Revenue Recognition* to require that cost be used as the measurement basis for

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services provided should also be disclosed.

(r) Revenues, Gains and Other Support in Excess of Expenses and Losses

Activities deemed by the System to be a provision of healthcare services are reported as unrestricted revenues, gains and other support, and expenses. Other activities that are peripheral to providing healthcare services are reported as nonoperating gains and losses.

The combined statements of operations include revenues, gains and other support in excess of expenses and losses. Changes in unrestricted net assets which are excluded from revenues, gains and other support in excess of expenses and losses include certain impacts of pension accounting adjustments, effects of defined accounting changes, and net assets released from restrictions used for capital purposes.

(s) Contributions

Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. Unconditional promises to give cash and other assets are reported at fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in other revenue in the accompanying combined statements of operations. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions for which restrictions are met within the same year as the contributions are received are reported as unrestricted contributions in the combined statements of operations. To the extent that restricted resources from multiple donors are available for the same purpose, the System expends such gifts on a "first-in, first-out" basis.

(t) Income Taxes

The System and all of the nonprofit affiliates for which the System or its board of directors is the controlling member are exempt from Federal and state income tax on related income under Internal Revenue Code (IRC) Section 501(a) as organizations described in Section 501(c)(3). As qualified tax-exempt organizations, the System's nonprofit affiliates must operate in conformity with the IRC to maintain their tax-exempt status. Income tax from the operations of the System's wholly owned for-profit subsidiary, Ambulatory Operations, Inc., is not significant.

The System applies FASB ASC Topic 740 (Topic 740), *Accounting for Uncertainty in Income Taxes*. Topic 740 clarifies the accounting for uncertainty in income tax positions and provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. Management has analyzed the tax positions taken by the System

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements.

(u) Functional Expense Classification

All expenses in the accompanying combined statements of operations were incurred for or related to the provision of healthcare services by the System.

(v) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use by the System is restricted by donors for a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

(w) Fair Value Measurements

The System applies FASB ASC Topic 820 (Topic 820), *Fair Value Measurements*, which establishes an enhanced framework for measuring fair value and expands disclosures about fair value measurements.

In May 2011 and February 2013, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure requirements in U.S. GAAP and IFRSs* and ASU 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Non public entities*, respectively. The new standards do not extend to the use of fair value, but rather, provide guidance about how fair value should be applied where it is already required or permitted under International Financial Reporting Standards (IFRS) or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. The System adopted the provisions of ASU 2011-04 in fiscal 2012 and ASU 2013-03 in fiscal 2013. Since these standards only affect fair value measurement disclosures, the adoption of these standards did not have an effect on the combined financial statements.

The carrying amounts of all applicable asset and liability financial instruments reported in the accompanying combined balance sheets approximate their fair values in all material respects, at December 31, 2013 and 2012. Fair value of a financial instrument is defined as the amount which would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date.

(x) Healthcare Industry Environment

The System's management monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While the System was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to impact the System in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

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Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of federal healthcare reform legislation which was passed in the spring of 2010 and upheld by the Supreme Court in June 2012. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

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

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

(y) Immaterial Error Correction

The combined statement of cash flows for the year ended December 31, 2012 has been revised to correct an immaterial error related to the reporting of the purchases and sales of assets limited as to use within the investing activities section of the cash flows statement. Under the current presentation these activities have been reported on a gross basis increasing the Sales of investments by \$149.9 million and Purchases of investments by \$149.6 million within the investing activities section of the cash flow statement. Previously these activities were reported on a net basis as a Change in assets limited as to use of \$0.3 million. This error correction has no effect on the total amount of cash used in investing activities. Management has concluded that this error was not material to the 2012 combined financial statements.

(2) Acquisitions

During 2013, the System completed fourteen practice acquisitions for a total purchase price of \$2,521,000. The various acquisitions included the addition of 103 physicians and 247 other clinical and administrative staff. Each acquisition was funded with cash on hand.

During 2012, the System completed three practice acquisitions, including two physician groups and one nurse practitioner, for a total purchase price of \$74,000. The various acquisitions included the addition of 2 physicians and 10 other clinical and administrative staff. Each acquisition was funded with cash on hand.

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Each of the acquisitions were accounted for at fair value under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, and allocated as indicated in the table below. The combined financial statements include the results of each acquired physician practice from the dates of acquisition.

(3) Investments and Assets Limited as to Use

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

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

In 2013, the System reallocated approximately \$65,300,000 from Level 1 and \$48,016,000 from Level 2 investments. These funds were reallocated into Level 1, Level 2 and Level 3 investments in the approximate amounts of \$78,016,000, \$34,000,000 and \$1,300,000, respectively. The System recognizes transfers between levels on the actual date of the event. In 2012, the System invested \$100,000,000 of new funds into the operating investment portfolio, which were from the 2012 fixed rate bond issuance (note 11). In addition the System reallocated approximately \$52,000,000 from a Level 1 money market. These additional funds from the 2012 bond issue and the Level 1 money market funds were reallocated into Level 1, Level 2 and Level 3 investments in the approximate amounts of \$27,000,000, \$95,000,000 and \$30,000,000, respectively. The System recognizes transfers between levels on the actual date of the event.

The System's Level 3 securities are comprised of alternative investments and bonds that have less liquidity, a stale quoted price, or varying prices from independent sources. The Level 3 bonds are priced using cash flow models, remittance data, and the investment manager's best estimate based on the likelihood of any cash flows. The System's Level 3 alternative investments' prices are obtained from the related fund manager. For the System's fund of funds, the manager receives account statements directly from independent administrators or the underlying hedge fund managers, who are responsible for the pricing of these funds. Before reliance on these valuations, the manager evaluates the investee fund's fair value estimation processes and control environment, the investee fund's policies and procedures for estimating fair value of underlying investments, the investee fund's use of independent third party valuation experts, the portion (approximately 97% for the System) of the underlying securities traded on active markets, and the professional reputation and standing of the investee fund's auditor. The System's private REIT investments are valued by the fund managers based upon third-party appraisals of the fund's properties.

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The System is subject to limitations on redemption of certain alternative investments. For the private REIT investments, redemption can only occur quarterly with at least 45 days notice given to the fund manager, or other times at the managers' discretion. The limited partnerships have specific redemption provisions, with most allowing redemptions quarterly upon 30 to 60 day notice. Certain limited partnerships have one or two year lockups and others may charge 3 – 5% redemption fees for withdrawals within the first year.

The composition of investments follows:

	2013	2012
	(In thousands)	
U.S. Treasury obligations	\$ 26,723	25,619
Equity securities	83,092	65,976
Federal mortgage-backed securities	35,555	45,503
Corporate bonds	353,330	366,164
Mutual funds	60,029	70,556
Real estate – private REIT	52,187	48,623
Hedge funds – limited partnerships	46,007	38,483
Commingled funds	122,051	85,684
Total	\$ <u>778,974</u>	<u>746,608</u>

In 2013, the System requested liquidation of one of their hedge fund investments within the operating investment portfolio, of approximately \$19,935,000, which would result in a transfer out of Level 3 investments.

At December 31, 2013, the System's remaining outstanding commitments to private equity interests totaled approximately \$17,900,000 in the operating investment portfolio. The outstanding commitment was funded in February of 2014 and resulted in an increase in Level 3 investments in fiscal year 2014. There are no other projected capital call commitments in 2014 and thereafter for the operating investment portfolio.

December 31, 2013 and 2012

	2013			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
U S Treasury obligations	\$ 26,723	—	—	26,723
Equity securities				
Consumer discretionary	12,199	—	—	12,199
Consumer staples	4,040	—	—	4,040
Energy	7,110	—	—	7,110
Financials	13,135	—	—	13,135
Healthcare	11,987	—	—	11,987
Industrials	11,090	—	—	11,090
Information technology	14,599	—	—	14,599
Materials	6,776	—	—	6,776
Telecommunication	1,091	—	—	1,091
Utilities	1,065	—	—	1,065
Federal mortgage-backed securities				
Residential	—	35,555	—	35,555
Corporate bonds				
Financials	—	117,297	13	117,310
Industrials	—	172,016	—	172,016
Utilities	—	34,240	—	34,240
Other	—	28,867	897	29,764
Mutual funds				
Equities	60,029	—	—	60,029
Real estate – private REIT	—	—	52,187	52,187
Hedge funds – limited partnerships	—	—	46,007	46,007
Commingled funds	—	122,051	—	122,051
Total	\$ 169,844	510,026	99,104	778,974

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December 31, 2013 and 2012

	2012			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
U S Treasury obligations	\$ 25,619	—	—	25,619
Equity securities				
Consumer discretionary	9,180	—	—	9,180
Consumer staples	3,192	—	—	3,192
Energy	6,188	—	—	6,188
Financials	10,716	—	—	10,716
Healthcare	9,306	—	—	9,306
Industrials	8,654	—	—	8,654
Information technology	11,278	—	—	11,278
Materials	5,646	—	—	5,646
Telecommunication	885	—	—	885
Utilities	931	—	—	931
Federal mortgage-backed securities				
Residential	—	45,503	—	45,503
Corporate bonds				
Financials	—	118,781	3	118,784
Industrials	—	185,086	—	185,086
Utilities	—	42,204	—	42,204
Other	—	18,821	1,269	20,090
Mutual funds				
Equities	70,556	—	—	70,556
Real estate – private REIT	—	—	48,623	48,623
Hedge funds – limited partnerships	—	—	38,483	38,483
Commingled funds	—	85,684	—	85,684
Total	\$ 162,151	496,079	88,378	746,608

The rollforward of Level 3 investments follows:

	2013	2012
	(In thousands)	
Beginning of year	\$ 88,378	55,168
Net realized and unrealized gains	3,418	4,080
Purchases	1,300	29,600
Sales	(2,644)	(2,850)
Dividends	8,652	2,380
End of year	\$ 99,104	88,378

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The composition of assets limited as to use follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Under bond indenture agreements-held by trustee (note 4):		
Cash and short-term investments	\$ 7,096	5,716
U.S. Treasury obligations	311	323
Corporate and municipal bonds	21,035	20,067
Agency securities	10,870	13,834
Asset-backed securities	274	376
Interest receivable	211	230
	<u>39,797</u>	<u>40,546</u>
Under other funding arrangements-held by trustees:		
Cash and short-term investments	4	19
U.S. Treasury obligations	98	145
Corporate bonds	300	293
Mortgage-backed securities	258	295
	<u>660</u>	<u>752</u>
Total assets limited as to use	40,457	41,298
Less amounts required to meet current obligations	<u>962</u>	<u>682</u>
	<u>\$ 39,495</u>	<u>40,616</u>

All amounts under bond indenture agreements held by trustee are maintained in accordance with revenue bond trust indentures as further described in note 11.

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The fair value hierarchy of assets limited as to use follows:

		2013			
		Level 1	Level 2	Level 3	Total
		(In thousands)			
Under bond indenture					
agreements-held by trustee					
Cash and short-term					
investments	\$	7,096	—	—	7,096
U S Treasury obligations		311	—	—	311
Municipal obligations		—	12,780	765	13,545
Corporate bonds					
Financials		—	2,072	—	2,072
Industrials		—	1,068	—	1,068
Other		—	4,350	—	4,350
Agency securities		—	10,870	—	10,870
Asset-backed securities		—	274	—	274
Interest receivable		211	—	—	211
		7,618	31,414	765	39,797
Under other funding					
arrangements-held by trustees					
Cash and short-term					
investments		4	—	—	4
U S Treasury obligations		98	—	—	98
Corporate bonds		—	300	—	300
Mortgage-backed securities		—	258	—	258
		102	558	—	660
Total assets limited as to use	\$	7,720	31,972	765	40,457

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Notes to Combined Financial Statements

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		2012			
		Level 1	Level 2	Level 3	Total
		(In thousands)			
Under bond indenture					
agreements-held by trustee					
Cash and short-term					
investments	\$	5,716	—	—	5,716
U S Treasury obligations		323	—	—	323
Municipal obligations		—	13,235	900	14,135
Corporate bonds					
Financials		—	1,955	—	1,955
Industrials		—	403	—	403
Other		—	3,574	—	3,574
Agency securities		—	13,834	—	13,834
Asset-backed securities		—	376	—	376
Interest receivable		230	—	—	230
		6,269	33,377	900	40,546
Under other funding					
arrangements-held by trustees					
Cash and short-term					
investments		19	—	—	19
U S Treasury obligations		145	—	—	145
Corporate bonds		—	293	—	293
Mortgage-backed securities		—	295	—	295
		164	588	—	752
Total assets limited as to use					
	\$	6,433	33,965	900	41,298

The Level 3 securities represent auction rate securities. The activity related to this investment during the 2013 fiscal year was an unrealized loss of approximately \$135,000. There is no activity related to this investment for the 2012 fiscal year. No other activity within this investment is noted for the 2013 and 2012 fiscal years; therefore a rollforward of the Level 3 investments is not provided.

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Investment income is comprised of the following:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Investment income:		
Interest and dividends	\$ 25,164	23,006
Realized gains on sales of securities	<u>16,641</u>	<u>1,603</u>
	41,805	24,609
Less investment income recognized in restricted net assets	<u>826</u>	<u>597</u>
Investment income in combined statements of operations	<u>\$ 40,979</u>	<u>24,012</u>

(4) Trusteed Bond Funds

The trusteed bond funds, included in assets limited as to use in the accompanying combined balance sheets (note 3), were established in accordance with the requirements of revenue bond indentures as further discussed in note 11.

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Debt service reserve funds	\$ 39,046	40,094
Interest funds	<u>751</u>	<u>452</u>
	<u>\$ 39,797</u>	<u>40,546</u>

The interest funds are used to pay principal and interest on the various bond issues. The debt service reserve funds secure any potential deficiencies in the interest funds.

(5) Patient Accounts Receivable

The composition of net patient accounts receivable follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Patient accounts receivable, net of contractual and other allowances	\$ 263,970	231,637
Less allowance for uncollectible accounts	<u>53,151</u>	<u>41,535</u>
	<u>\$ 210,819</u>	<u>190,102</u>

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(6) Other Current Assets

The composition of other current assets follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Other receivables, net of allowance for uncollectible accounts of \$407 and \$516 in 2013 and 2012, respectively	\$ 18,299	13,798
Inventories	25,578	23,177
Prepaid expenses and other current assets	10,309	7,727
Pledges receivable, net (note 8)	3,188	4,671
	<u>\$ 57,374</u>	<u>49,373</u>

(7) Property and Equipment

A summary of property and equipment follows:

	<u>Useful lives (years)</u>	<u>2013</u>	<u>2012</u>
		(In thousands)	
Land	—	\$ 78,178	73,114
Land improvements	5 – 20	32,102	25,536
Buildings and improvements	10 – 40	734,621	681,528
Fixed equipment	5 – 30	352,851	307,041
Movable equipment	3 – 20	565,328	523,293
Construction in progress	—	38,174	48,327
		1,801,254	1,658,839
Less accumulated depreciation		900,027	837,121
		<u>\$ 901,227</u>	<u>821,718</u>

Construction in progress as of December 31, 2013 is principally comprised of costs incurred for construction and renovation of the University emergency room. The estimated total remaining cost to complete the University emergency room construction and renovation as of December 31, 2013 is approximately \$18,300,000.

The System capitalized approximately \$2,307,000 and \$803,000 of interest expense and associated construction fund investment income as part of major construction and development projects in 2013 and 2012, respectively.

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(8) Other Assets

The composition of other assets follows:

	2013	2012
	<u>(In thousands)</u>	
Pledges receivable net, noncurrent	\$ 6,568	3,944
Note receivable	5,625	6,341
Unamortized bond issuance costs	12,652	13,519
Investments in equity investees (note 18)	15,409	10,729
Cash surrender value and prepaid life insurance premiums	2,084	1,677
Goodwill	10,763	10,763
Other	7,538	7,983
	<u>\$ 60,639</u>	<u>54,956</u>

Pledges receivable at December 31, 2013 are due as follows (in thousands):

Less than one year	\$ 3,188
One to five years	<u>6,568</u>
	<u>\$ 9,756</u>

(9) Leases

The System has entered into noncancelable operating leases for certain office space.

Rental expense for all operating leases for the years ended December 31, 2013 and 2012 was approximately \$15,494,000 and \$14,893,000, respectively. Future minimum payments under noncancelable operating leases as of December 31, 2013 follow (in thousands):

2014	\$ 11,904
2015	10,713
2016	9,121
2017	7,713
2018	6,404
Thereafter	<u>11,363</u>
Total	<u>\$ 57,218</u>

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(10) Accrued Expenses and Other Current Liabilities

The composition of accrued expenses and other current liabilities follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Accrued payroll and payroll taxes	\$ 39,643	34,863
Accrued compensated absences	29,602	27,257
Accrued self-insurance costs	15,997	19,636
Accrued interest	4,815	5,024
Other accrued expenses	3,429	4,803
	<u>\$ 93,486</u>	<u>91,583</u>

(11) Long-term Debt

A summary of long-term debt follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
The Health, Educational and Housing Facility Board (HEHFB) of the County of Shelby, Tennessee:		
Series 2004A/B, interest from 5.00% to 5.25%, through 2027	\$ 154,570	154,570
Series 2004C, interest of 4.00%, through 2014	950	2,525
Series 2008A/B, variable rate, through 2042	270,000	270,000
Series 2008C, interest from 4.00% to 5.25%, through 2018	55,995	69,285
Series 2012, interest from 4.00% to 5.00%, through 2042	98,260	98,260
	<u>579,775</u>	<u>594,640</u>
Other promissory notes, interest from 5.47% to 9.50%, through 2041	6,921	7,715
Total contractual long-term debt	586,696	602,355
Unamortized premiums and discounts, net	13,395	14,136
Total long-term debt	600,091	616,491
Less current portion of long-term debt	15,637	15,658
	<u>\$ 584,454</u>	<u>600,833</u>

The System utilizes interest rate swap agreements to synthetically convert certain of its variable rate long-term debt to fixed rate obligations. The maturity structure of such swaps generally corresponds with the maturity structure of the related debt.

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Future maturities of long-term debt consist of the following at December 31, 2013 (in thousands):

2014	\$	15,637
2015		15,335
2016		16,737
2017		19,643
2018		20,004
Thereafter		<u>499,340</u>
Total contractual long-term debt	\$	<u><u>586,696</u></u>

In June 2008, the System issued \$270,000,000 in HEHFB Series 2008A and 2008B variable rate revenue bonds (the Series 2008AB Bonds). The proceeds from the issuance were used to finance the cost of acquiring, constructing, and equipping certain renovations and improvements to health care facilities, refund \$65,615,000 in aggregate principal amount of Series 2004C variable rate bonds, fund a debt service reserve and pay certain expenses incurred in connection with the issuance.

The Series 2008AB Bonds bear interest at a variable rate for weekly rate periods, but either series may be converted at the option of the System, subject to certain restrictions, to a different rate period. In April 2013, the Series 2008AB Bonds were converted to a daily rate period. Holders of the Series 2008AB Bonds have the option to tender the bonds for purchase on any business day. The bonds are also subject to a mandatory tender for purchase upon the occurrence of certain events. Each remarketing agent has agreed to use its best efforts to solicit offers to purchase the tendered bonds, but in the event that there are insufficient funds available, no purchase of bonds of such series so tendered will be made. In such event (or any default, as defined), the System has in place a liquidity facility through March 31, 2015 to provide funds for the purchase of the tendered bonds that are not remarketed, which will bear interest from such date at a rate equal to the lesser of index rate of LIBOR plus 150 basis points for the first 90 days, and Prime Rate plus 100 basis points for any days thereafter, or the maximum lawful rate as defined in the indenture agreement until such default is cured or the bond is paid in full. Upon activation of the liquidity facility, the bonds will mature within five years, with payments due ratably in each of the five years of the maturity term. The bonds may be redeemed by the System, in whole or in part at any time during a daily rate period, at the principal amount of the bonds to be redeemed, plus accrued interest, and without premium. The average contractual interest rate on the 2008AB revenue bonds approximated 0.22% and 0.27%, for the years ended December 31, 2013 and 2012, respectively.

In June 2008, the System also issued \$107,020,000 in HEHFB Series 2008C fixed rate revenue bonds (the Series 2008C Bonds). The proceeds from the issuance were used to refund all of the current outstanding portion of the Series 1985C, 1995D, and 1998 Revenue Bonds, fund a debt service reserve and pay certain expenses incurred in connection with the issuance. The Series 2008C Bonds are not subject to optional redemption prior to maturity, other than optional redemption under certain defined extraordinary circumstances.

In June 2008, the System effected a fixed rate conversion of \$168,070,000 in HEHFB Series 2004ABC bonds to convert all of the then-outstanding Series 2004A and 2004B, and a portion of the 2004C, variable rate revenue bonds to fixed rate bonds. As noted above, the System also refunded the most significant

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portion of the Series 2004C Bonds through the issuance of Series 2008A and B Bonds. The Series 2004A, Series 2004B, and Series 2004C fixed rate bonds maturing on or after September 1, 2018 are subject to redemption prior to maturity on or after March 1, 2018, at redemption price equal to one hundred percent of the principal amount, plus accrued interest.

In May 2012, the System issued \$98,260,000 in HEHFB Series 2012 fixed rate revenue bonds (the Series 2012 Bonds). The proceeds from the issuance were used to finance the cost of acquiring, constructing, and equipping certain renovations and improvements to health care facilities and pay certain expenses incurred in connection with the issuance.

All of the HEHFB revenue bonds are collateralized by related trustee bond funds, certain municipal bond insurance policies and contribution agreements between the System and certain affiliates (the Combined Group, as defined). The System has also agreed under the Master Trust Indenture to subject the Combined Group to various operational and financial covenants typical of such agreements. In addition, the System has granted to the Master Trustee a deed of trust lien on three hospitals and a security interest in the Combined Group's accounts receivable to secure payment of the outstanding revenue bonds.

Included in other promissory notes is a note for the Memphis Professional Building in the amount of \$5,875,000 at December 31, 2013, due 2021.

At December 31, 2013, the System has two defeased bond issues, with outstanding principal balances of approximately \$35,755,000. Assets are held in trust, irrevocably restricted, to satisfy the debt service requirements of the defeased issues. These assets and related liabilities are not included in the accompanying combined balance sheets.

Interest paid totaled approximately \$28,330,000 and \$25,824,000 in 2013 and 2012, respectively.

(12) Interest Rate Swaps

In June 2004, the System entered into two forward-starting interest rate swaps with JP Morgan Chase Bank, N.A. (JP Morgan). Under these swap agreements, the System receives variable rate payments and makes fixed rate payments (which is known as a fixed payor swap). The total notional amount is \$161,400,000, with an effective date of September 15, 2004. The System's payments on these swaps are fully insured by Financial Security Assurance, Inc.

In August 2004, the System entered into a forward-starting fixed payor swap with JP Morgan. The original notional amount was \$23,450,000, with an effective date of September 15, 2004. The current notional amount is \$20,234,000.

In July 2007, the System entered into a forward-starting fixed payor swap with JP Morgan. The total notional amount is \$75,000,000, with an effective date of June 1, 2008. In August 2007, the System entered into an additional forward-starting fixed payor swap with JP Morgan. The total notional amount is \$25,000,000, with an effective date of June 1, 2008. Both swaps contain a "knockout" provision whereby on each monthly payment date, if the daily weighted average of the SIFMA Municipal Swap Index for the prior 180 days is equal to or greater than 6.00%, no payments shall be due to either party on the swap payment date. The System's payments on these swaps are fully insured by Assured Guaranty Corp.

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The System has the right to terminate the 2004 and 2007 fixed payor swaps at any time without notice. Termination of the agreements will result in market value settlement.

The System's credit risk involves the possible default of the counterparty. Collateral may be required in the future based on the System's credit rating, the insurer's credit rating, or market valuations of the swaps. At December 31, 2013 and through the date of these combined financial statements, no such collateral was required.

The swap fair values are included in other long-term liabilities in the accompanying combined balance sheets. The following is a summary of the contracts outstanding at December 31, 2013 and 2012 (in thousands):

2013						
Related bond issuance	Notional amount	Maturity date	Average variable rate (paid) received	Fixed rate (paid) received	Increase in interest expense	Swap fair value
2004	\$ 80,700	August 2027	0.55%	(3.80)%	\$ 2,597	(11,560)
2004	80,700	August 2027	0.55	(3.80)	2,605	(11,588)
2004	20,234	July 2024	0.19	(5.40)	1,072	(3,431)
2008	75,000	June 2042	0.13	(3.70)	2,675	(17,827)
2008	25,000	June 2038	0.13	(3.47)	835	(4,855)

2012						
Related bond issuance	Notional amount	Maturity date	Average variable rate (paid) received	Fixed rate (paid) received	Increase in interest expense	Swap fair value
2004	\$ 80,700	August 2027	0.58%	(3.80)%	\$ 2,598	(18,099)
2004	80,700	August 2027	0.58	(3.80)	2,589	(18,149)
2004	20,720	July 2024	0.24	(5.40)	1,116	(5,554)
2008	75,000	June 2042	0.16	(3.70)	2,649	(31,779)
2008	25,000	June 2038	0.16	(3.47)	826	(8,936)

In accordance with Topic 820, the System has also categorized its interest rate swaps into a three-level fair value hierarchy (as described in note 3). The interest rate swaps that have been entered into by the System are executed over the counter and are valued using the net present value of the cash flow streams as no quoted market prices exist for such instruments. For swaps that have an option component, the value will reflect the time value and intrinsic value of the option as well as whether the option was bought or sold. The value of the option is driven by its term to maturity, volatility, forward rates, and strike. The System also employs an independent third party to perform a fair value assessment on the swaps to assess the reasonableness of the valuations otherwise received by the System.

The fair value hierarchy of interest rate swaps at December 31, 2013 follows (in thousands):

	Level 1	Level 2	Level 3	Total
Swap liabilities	\$ —	(49,261)	—	(49,261)

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The fair value hierarchy of interest rate swaps at December 31, 2012 follows (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Swap liabilities	\$ —	(82,517)	—	(82,517)

(13) Employee Benefit Plans

(a) Pension Plan

The System sponsors a noncontributory defined benefit pension plan (the Plan) covering substantially all nonsupplemental employees hired prior to July 1, 2009. Benefits of the Plan are based on average monthly compensation and service with the System. The Plan assets primarily consist of United States Government securities, investment grade corporate bonds, equity securities, and hedge funds. The Plan has been determined to be a church plan under Section 414(e) of the IRC, and is therefore exempt from minimum funding and certain other requirements of the Employee Retirement Income Security Act of 1974.

The System's funding policy is to annually contribute an amount equal to the greater of accounting expense or an actuarially determined amount that amortizes unfunded past and future benefits as a level percent of payroll. In addition, this policy requires the System to contribute any additional amount necessary to ensure that accumulated benefits will be at least 100% funded within 5 years, using a long-term discount rate of 6.00%.

In February 2009, the System amended the Plan whereby employees hired subsequent to July 1, 2009 are not eligible for benefits under the Plan.

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The following table sets forth the Plan's funded status and amounts recognized in the accompanying combined balance sheets at December 31, 2013 and 2012:

	2013	2012
	(In thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 624,280	550,277
Service cost	13,287	12,791
Interest cost	24,056	24,714
Actuarial (gain)/loss	(67,395)	59,008
Benefits paid	(24,339)	(22,510)
Projected benefit obligation at end of year	<u>569,889</u>	<u>624,280</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	426,672	359,758
Actual return on plan assets	77,320	51,894
Employer contributions	40,908	37,530
Benefits paid	(24,339)	(22,510)
Fair value of plan assets at end of year	<u>520,561</u>	<u>426,672</u>
Funded status (deficit)	<u>\$ (49,328)</u>	<u>(197,608)</u>
Amounts recognized in unrestricted net assets:		
Net actuarial loss	\$ 126,275	260,827
Prior service cost	(222)	(1,694)
	<u>\$ 126,053</u>	<u>259,133</u>

The accumulated benefit obligation at December 31, 2013 and 2012 totaled \$544,267,000 and \$592,566,000, respectively.

Components of net periodic benefit cost follow:

	2013	2012
	(In thousands)	
Service cost	\$ 13,287	12,791
Interest cost	24,056	24,714
Expected return on plan assets	(31,655)	(29,752)
Amortization of prior service cost	(1,472)	(1,472)
Amortization of net loss	21,492	16,049
Net periodic benefit cost	<u>\$ 25,708</u>	<u>22,330</u>

The amount of net actuarial loss and prior service cost expected to be amortized in net periodic pension cost in 2014 is \$11,000,000 and \$(1,303,000), respectively.

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Additional information follows:

	<u>2013</u>	<u>2012</u>
Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets at December 31:		
Discount rate	4.77%	3.92%
Rate of compensation increase	2.50	2.50
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	3.92%	4.53%
Expected long-term rate of return on plan assets	7.00	7.50
Rate of compensation increase	2.50	2.50

The Plan's expected long-term rate of return on assets is determined by reviewing expected long-term returns by asset category. This review produces an annual return assumption for each asset category. The product of the annual return assumption and the Plan's target asset allocation percentage for each asset category equals the annual return attribution by asset category.

Plan Assets

The Plan's target minimum and maximum and weighted average asset allocations follow:

	<u>Target allocation</u>		<u>Plan assets at December 31</u>	
	<u>Minimum</u>	<u>Maximum</u>	<u>2013</u>	<u>2012</u>
Asset category				
Equity securities	20%	56%	38%	34%
Real estate – private REIT	—	13	5	6
International equity securities	10	32	17	17
Global equity securities	—	16	9	8
Hedge funds –				
fund-of-funds and direct	3	20	8	7
Debt securities*	15	50	22	24
Cash and cash equivalents*	—	—	1	4
Total			<u>100%</u>	<u>100%</u>

* Target is combined debt securities and cash and cash equivalents

In 2013, the Plan funded hedge fund managers for approximately \$7,125,000, which resulted in transfers from Level 1 to Level 3 investments. Additionally, the Plan had an asset reallocation of approximately \$20,000,000, which resulted in movement within Level 1 investments and a transfer of approximately \$18,000,000 in Level 2 investments. In 2012, the Plan funded a new hedge fund manager for approximately \$1,600,000, which resulted in transfer from Level 1 to Level 3.

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Additionally the Plan had an asset reallocation of approximately \$21,200,000, which resulted in movement within Level 1 investments and a transfer of approximately \$3,000,000 in Level 2. The System recognizes transfers of the Plan's assets between levels on the actual date of the event.

In 2013, the System requested liquidation of one of their hedge fund investments within the pension investment portfolio, of approximately \$16,172,000, which would result in a transfer out of Level 3 investments.

At December 31, 2013, the System's remaining outstanding commitments to private equity interests totaled approximately \$18,800,000 in the pension investment portfolio. Approximately \$14,500,000 of the outstanding commitment was funded in February of 2014 in relation to the liquidation of one of the hedge funds as noted above. Therefore, this resulted in an increase in Level 3 investments in fiscal year 2014.

There are approximately \$18,650,000, including the \$14,500,000 as explained above, in projected capital call commitments in 2014 and \$150,000 thereafter for the pension investment portfolio.

The Plan's investment objectives are to protect long-term asset values by applying prudent, low risk, high quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the investment policy. Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives.

Cash Flows

The System expects to contribute approximately \$20,795,000 to the Plan in 2014.

Expected Future Benefit Payments

The following benefit payments, which reflect future services as appropriate, are expected to be paid:

	Pension benefits
	(In thousands)
2014	\$ 26,452
2015	29,507
2016	30,595
2017	31,643
2018	34,938
2019 – 2022	195,184

Fair Value of Plan Assets

In accordance with Topic 715-20, the System has categorized its plan assets, based on Topic 820 and the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy as described in note 3.

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The fair value hierarchy of investments follows:

		2013			Total
		Level 1	Level 2	Level 3	
		(In thousands)			
Cash	\$	10,615	—	—	10,615
U S Treasury obligations		30,304	—	—	30,304
Equity securities					
Consumer discretionary		12,344	—	—	12,344
Consumer staples		1,786	—	—	1,786
Energy		4,460	—	—	4,460
Financials		9,804	—	—	9,804
Healthcare		11,457	—	—	11,457
Industrials		9,071	—	—	9,071
Information technology		14,080	—	—	14,080
Materials		2,351	—	—	2,351
Telecommunication		1,445	—	—	1,445
Residential agency mortgage backed securities		—	9,461	—	9,461
Commercial mortgage backed securities		—	4,639	—	4,639
Agency securities		—	2,627	—	2,627
Asset-backed securities		—	2,098	16	2,114
Residential nonagency mortgage backed securities		—	6,478	346	6,824
Corporate bonds					
Financials		—	25,160	13	25,173
Industrials		—	20,416	—	20,416
Utilities		—	4,424	—	4,424
Municipal obligations		—	929	—	929
Mutual funds					
Equities		60,772	—	—	60,772
Bonds		1,217	—	—	1,217
Real estate – private REIT		—	—	28,347	28,347
Hedge funds – limited partnerships		—	—	40,632	40,632
Commingled funds		—	205,269	—	205,269
Total	\$	<u>169,706</u>	<u>281,501</u>	<u>69,354</u>	<u>520,561</u>

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		2012			Total
		Level 1	Level 2	Level 3	
		(In thousands)			
Cash	\$	18,432	—	—	18,432
U S Treasury obligations		14,582	—	—	14,582
Equity securities					
Consumer discretionary		8,850	—	—	8,850
Consumer staples		793	—	—	793
Energy		3,888	—	—	3,888
Financials		7,224	—	—	7,224
Healthcare		7,964	—	—	7,964
Industrials		6,585	—	—	6,585
Information technology		9,398	—	—	9,398
Materials		2,690	—	—	2,690
Telecommunication		1,296	—	—	1,296
Residential agency mortgage backed securities		—	14,778	—	14,778
Commercial mortgage backed securities		—	5,686	—	5,686
Agency securities		—	1,389	—	1,389
Asset-backed securities		—	1,228	15	1,243
Residential nonagency mortgage backed securities		—	7,705	565	8,270
Corporate bonds					
Financials		—	22,698	3	22,701
Industrials		—	22,295	—	22,295
Utilities		—	5,212	—	5,212
Municipal obligations		—	1,259	—	1,259
Mutual funds					
Equities		79,286	—	—	79,286
Bonds		2,328	—	—	2,328
Real estate – private REIT		—	—	24,745	24,745
Hedge funds – limited partnerships		—	—	30,038	30,038
Commingled funds		—	125,740	—	125,740
Total	\$	163,316	207,990	55,366	426,672

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The rollforward of Level 3 investments follows:

	2013	2012
	(In thousands)	
Beginning of year	\$ 55,366	51,802
Net realized and unrealized gains	7,015	2,639
Purchases	7,125	1,575
Sales	(1,440)	(1,966)
Dividends	1,288	1,316
End of year	<u>\$ 69,354</u>	<u>55,366</u>

(b) *Defined Contribution Savings Plans*

The System also sponsors 403(b), 401(k) and 457(b) defined contribution savings plans (the defined contribution plans) for the System's employees, in which all employees meeting certain age and service requirements are eligible to participate. The defined contribution plans allow employees to contribute a portion of their compensation on a pre-tax basis in accordance with specific guidelines. For certain of the plans in 2008 and prior, additional matching contributions were made into the defined benefit pension plan. As required by regulations, these matching amounts were made into the defined contribution plan starting in 2009. The System contributed approximately \$18,794,000 and \$16,758,000 to the defined contribution plans during the years ended December 31, 2013 and 2012, respectively.

(c) *Supplemental Employee Retirement Plan*

The System also has an unfunded supplemental employee retirement plan (SERP) for certain senior executives that provide for defined benefit payments upon continued employment with the System to age 65. There is no obligation of the System to make payments to these individuals under the SERP in the event that employment voluntarily ceases prior to age 65. The related obligation, included in other long-term liabilities in the accompanying combined financial statements, was approximately \$3,236,000 and \$2,745,000 at December 31, 2013 and 2012, respectively.

(14) **Insurance Programs**

The System is self-insured for certain coverages related to employee health insurance. The employee health insurance liability (unfunded at both December 31, 2013 and 2012) was approximately \$5,229,000 and \$5,525,000 at December 31, 2013 and 2012, respectively, and is included in accrued expenses and other current liabilities in the accompanying combined balance sheets. The total expense for the years ended December 31, 2013 and 2012 was approximately \$59,999,000 and \$57,374,000, respectively, and is included in salaries and benefits expense in the accompanying combined statements of operations.

The System is routinely involved in litigation as part of its health system operations and is self-insured for a substantial portion of its workers' compensation and professional and general liability risks. The System's reserves for professional and general liability risks are based upon historical claims data, demographic considerations, severity factors and other actuarial assumptions, and advice from an independent consulting actuary.

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The reserve for workers' compensation risk (unfunded at both December 31, 2013 and 2012) was approximately \$2,268,000 and \$2,611,000 at December 31, 2013 and 2012, respectively, and is included in accrued expenses and other current liabilities in the accompanying combined balance sheets. The total expense for the years ended December 31, 2013 and 2012 was approximately \$1,425,000 and \$1,581,000, respectively, and is included in salaries and benefits expense in the accompanying combined statements of operations.

The System also has substantial excess liability coverage available under the provisions of certain claims-made policies. The excess policies currently expire on June 1, 2014. Management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

The reserve for professional and general liability claims (unfunded at both December 31, 2013 and 2012) was approximately \$25,804,000 and \$36,581,000 at December 31, 2013 and 2012, respectively, of which \$8,500,000 and \$11,500,000 is included in accrued expenses and other current liabilities in the accompanying combined balance sheets. The total expense of this coverage for the years ended December 31, 2013 and 2012 was approximately \$11,284,000 and \$11,459,000, respectively, and is included in supplies and other expense in the accompanying combined statements of operations. During 2013 and 2012, the System's recorded expense under its professional and general liability insurance program was positively impacted by certain actuarial reserving adjustments associated with the System's overall historical favorable experience in the program.

The FASB issued ASU 2010-24, *Health Care Entities (Topic 954) - Presentation of Insurance Claims and Related Insurance Recoveries*, in August 2010. ASU 2010-24 amends ASC Subtopic 954-450 for *Health Care Entities - Contingencies* to clarify that a healthcare entity should not net insurance recoveries against a related liability and the claim liability should be determined without consideration of insurance recoveries. The System adopted ASU 2010-24 in fiscal year 2011.

(15) Other Long-term Liabilities

The composition of other long-term liabilities follows:

	2013	2012
	(In thousands)	
Fair value of derivative instruments	\$ 49,261	82,517
Asset retirement obligations	1,838	2,065
Other	4,595	4,161
	<u>\$ 55,694</u>	<u>88,743</u>

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(16) Net Patient Service Revenue and Patient Receivables

Net patient service revenue before the provision for uncollectible accounts by major payor source for the years ended December 31, 2013 and 2012, are as follows (in thousands):

	2013		2012	
Medicare	\$ 499,084	30%	\$ 475,385	30%
Medicaid	249,034	15	273,963	18
Managed care	816,151	49	732,307	47
Self-pay	89,697	6	80,630	5
	<u>\$ 1,653,966</u>	<u>100%</u>	<u>\$ 1,562,285</u>	<u>100%</u>

For patient receivables associated with self-pay patients, including patients with deductible and copayment balances for which third-party coverage provides for a portion of the services provided, the System records an estimated provision for uncollectible accounts in the year of service. The System has experienced an increase in the provision for uncollectible accounts as a result of high unemployment, loss of employer-sponsored insurance plans and rising patient responsibility balances. Self-pay write-offs decreased \$594,000 in 2013 compared to 2012. The allowance for uncollectible accounts for self-pay patients as a percentage of self-pay accounts receivable increased from 91% at December 31, 2012 to 93% at December 31, 2013. The System does not maintain a material allowance for uncollectible from third-party payors.

The System has agreements with governmental and other third-party payors that provide for reimbursement to the System at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- *Medicare* – Substantially all acute care and skilled nursing facility services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive-determination methodologies. The System is paid for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the System. The System's Medicare cost reports for most of its hospitals have been audited and settled by the Medicare fiscal intermediary through December 31, 2010. Revenue from the Medicare program accounted for approximately 30% of the System's net patient service revenue for both the years ended December 31, 2013 and 2012.

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- *TennCare* – Under the TennCare program, patients traditionally covered by the State of Tennessee Medicaid program and certain members of the uninsured population enroll in managed care organizations that have contracted with the State of Tennessee to ensure healthcare coverage to their enrollees. The System contracts with the managed care organizations to receive reimbursement for providing services to these patients. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined per diem rates. Revenue from the TennCare program accounted for approximately 15% and 18% of the System's net patient service revenue for the years ended December 31, 2013 and 2012, respectively.

The System has historically received Essential Access payments associated with its participation in the TennCare Program. Amounts received by the System under this program were approximately \$14,013,000 and \$13,889,000 in 2013 and 2012, respectively. These amounts have been recognized as reductions in related contractual adjustments in the accompanying combined statements of operations. There can be no assurance that the System will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

In July 2010, the State of Tennessee instituted a hospital tax based on the hospital's net patient revenue. Because the hospital tax is in effect a vehicle for the State to appropriately access available federal matching funds, the System's policy is to recognize the net effect of the hospital tax as a reduction in contractual adjustments in the accompanying combined statements of operations. The System paid taxes totaling approximately \$70,084,000 and received a distribution of approximately \$70,084,000 in 2013. The System paid taxes totaling approximately \$51,936,000 and received a distribution of approximately \$51,936,000 in 2012.

- The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The reimbursement methodologies under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

Laws and regulations governing the Medicare, TennCare, and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare, TennCare, and Medicaid programs. Changes in the Medicare, TennCare and Medicaid programs and the reduction of funding could have an adverse impact on the System. Charges exceeding amounts reimbursed from these governmental programs and other third-party payor reimbursement arrangements and not included in net patient service revenue follow:

	2013	2012
	(In thousands)	
Medicare	\$ 1,347,340	1,290,758
Medicaid and TennCare	904,336	796,969
Other deductions	1,235,038	1,088,683
	<u>\$ 3,486,714</u>	<u>3,176,410</u>

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Changes in estimates related to prior cost reporting periods resulted in an increase of approximately \$14,670,000 and \$3,524,000 in net patient service revenue for the years ended December 31, 2013 and 2012, respectively.

(17) Charity Care

The System is an active, caring member of the community it serves. In carrying out its teaching and healing ministry, the System has established a policy under which it provides care to the needy members of its community. Following that policy, the System maintains records to identify and monitor the level of charity care it provides.

When defining charity care, the System employs the Federal Poverty Guideline (FPG) to determine the level of discount uninsured patients receive. The level by which assistance is determined is through the scale set by DHHS (Department of Health and Human Services), which includes factors such as residents per household and income. The System's methodology includes a sliding scale for patients that fall at or below the 200% FPG baseline. The System does not have a cap to which patients will not qualify for a discount. Additionally, the System's charity care guidelines provide for an expansive definition of charity care patients, including a discount from standard charges for uninsured patients.

In order to uphold its mission and dedication to its community, the System turns no patient away whether they possess or lack insurance. It is this commitment that enables the System to utilize its charity care policy. Once deemed charity, payments are no longer sought after and the amount is covered by the System at no cost to the patient or community.

Reported below as community commitment are charity care, Medicaid and other means tested programs, and unbilled community services at cost. Revenue received for each of these categories is substantially lower than the costs to operate. The revenue is offset against the community commitment to calculate net community commitment. A provider tax of 4.5% of net patient revenue from the fiscal year 2008 cost report was assessed during fiscal years 2013 and 2012. The provider tax assessment has been included in the Medicaid and other means tested programs section, while the reimbursement for the programs has been included in offsetting revenue. The unbilled community services section includes other services provided to the community at a net loss to the program; it includes programs such as educational programs, health fairs, and sponsorships among others.

	Charity care	Medicaid and other programs	Unbilled community service	Total
	(In thousands)			
Year ended December 31, 2013				
Community commitment	\$ 87,396	385,187	48,226	520,809
Offsetting revenue	(145)	(329,141)	(18,603)	(347,889)
Net community commitment	<u>\$ 87,251</u>	<u>56,046</u>	<u>29,623</u>	<u>172,920</u>

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	<u>Charity care</u>	<u>Medicaid and other programs</u>	<u>Unbilled community service</u>	<u>Total</u>
	(In thousands)			
Year ended December 31, 2012				
Community commitment	\$ 88,131	341,845	43,652	473,628
Offsetting revenue	<u>(143)</u>	<u>(318,393)</u>	<u>(11,423)</u>	<u>(329,959)</u>
Net community commitment	<u>\$ 87,988</u>	<u>23,452</u>	<u>32,229</u>	<u>143,669</u>

The System also provides healthcare services to a significant portion of the uninsured population in the surrounding community. While a portion of these patients may ultimately qualify for coverage under the Medicaid program or the charity care policy discussed above, the System pursues collection of amounts due but is unable to collect a significant portion of these accounts. Charges deemed uncollectible during 2013 and 2012 were approximately \$154,171,000 and \$135,201,000, respectively.

(18) Equity Investees

Equity investees consist mainly of affiliated surgery centers, rehabilitation facilities and other support service components. Summary combined unaudited financial information for the investee companies, in total, as of and for the years ended December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Total assets	\$ 54,656	52,115
Total liabilities	43,446	38,223
Total net operating revenues	103,635	102,693
Total net income (loss)	1,036	(2,047)

At December 31, 2013, the System has guaranteed approximately \$2,955,599 of indebtedness of certain of these affiliated healthcare providers and is generally obligated for its proportionate share of the investees' underlying debt. The System will become obligated to perform under these guarantee arrangements if the investee is unable to fulfill its responsibility as primary obligor. These guarantee arrangements do not have any recourse or security provisions included therein.

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(19) Commitments

In March 2002, the System entered into an agreement with a vendor to provide computer hardware and software along with implementation and maintenance services in connection with the upgrade of certain of the System's information systems. In September 2006, an additional agreement was entered into to provide a remote hosting option for certain information system applications. The agreements may not be terminated by either party without cause. In December 2009, both agreements were extended and now expire December 31, 2017. Future payments under the agreements at December 31, 2013 follow (in thousands):

2014	\$	7,774
2015		7,326
2016		7,326
2017		7,325
Total	\$	<u>29,751</u>

(20) Concentrations of Credit Risk

The System grants credit to patients, substantially all of whom reside in the System's service area as described in note 1. The System generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, TennCare, preferred provider arrangements, and commercial insurance policies).

The following table represents the composition of the System's accounts receivable balance by payor type:

	<u>2013</u>	<u>2012</u>
Medicare	35%	35%
Medicaid and TennCare	23	23
Blue Cross	11	9
Patient	4	4
Other third-party payors	27	29
	<u>100%</u>	<u>100%</u>

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provided temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions through December 31, 2012. Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000, per depositor. Included in cash and cash equivalents at December 31, 2013 are cash balances at multiple banking institutions in excess of FDIC coverage of approximately \$1,398,000.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

(21) Financial Instruments

Reported amounts of applicable asset and liability financial instruments as defined under relevant accounting standards, excluding long-term debt, approximate their estimated fair values, in all significant respects, at December 31, 2013 and 2012. Fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, as expanded by the previously described Topic 820.

The fair value of the System's long-term debt has been estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the System's long-term debt was approximately \$598,809,000 and \$636,597,000 at December 31, 2013 and 2012, respectively.

(22) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Le Bonheur capital campaign	\$ 3,776	5,293
Annuities	3,534	3,183
Specific patient care units	4,964	4,256
Education/Community Outreach	4,971	5,781
Professorships, research and scholarships	5,858	1,769
	<u>\$ 23,103</u>	<u>20,282</u>

Permanently restricted net assets are to be held in perpetuity, the income from which is expendable for education and research.

The System has historically and to-date received a limited amount of donor-restricted endowment funds, and does not maintain any Board-designated endowments. The System's Board has interpreted Tennessee's State Prudent Management of Institutional Funds Act (SPMIFA) 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. In all material respects, income from the System's donor-restricted endowment funds is itself restricted to specific donor-directed purposes, and is, therefore, accounted for within temporarily restricted net assets until expended in accordance with the donor's wishes. The System oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

The System invests donor-restricted endowment funds within the framework of the System's overall investment management program, as described elsewhere in the notes to the combined financial statements.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

(23) Related Parties

In 2001, the System entered into an agreement with Medical Center Associates, L.P. (MCA) to purchase the existing mortgage on a professional building in which the System leases space for its administrative and executive offices adjacent to the University Hospital campus. The financing arrangement resulted in the execution of a note receivable from MCA and the System entering into a mortgage on the building with a financial institution. At December 31, 2013 and 2012 the note receivable balance of \$6,342,000 and \$7,022,000, respectively, and the mortgage payable balance of \$5,875,000 and \$6,446,000, respectively, are both reflected on the books of Ambulatory Operations, Inc., a wholly owned subsidiary of the System.

In connection with this transaction, the System also recorded a deferred gain, which is being amortized over the life of the mortgage loan. The remainder of the gain still to be recognized at December 31, 2013 and 2012 is approximately \$466,000 and \$576,000, respectively.

(24) Subsequent Events

The System has evaluated subsequent events through April 25, 2014, the date at which the combined financial statements were issued, and determined that there are no subsequent events to be recognized in the combined financial statements related notes.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

(Combining Balance Sheet Information)

December 31, 2013

(In thousands)

Assets	Methodist Le Bonheur Healthcare	Methodist Healthcare Memphis Hospitals	Methodist Healthcare Fayette Hospital	Methodist Healthcare Olive Branch Hospital	Alliance Health Services, Inc.	Methodist Extended Care Hospital, Inc.	Methodist – Le Bonheur Healthcare Foundations	Methodist Healthcare – Community Care Associates	Methodist Healthcare – Primary Care Associates	Ambulatory Operations, Inc.	Combined
Current assets											
Cash and cash equivalents	\$ 37,839	(5,738)	(19)	(74)	47	(9)	(2,230)	189	—	5,305	35,310
Investments	740,819	—	—	—	—	—	38,155	—	—	—	778,974
Assets limited as to use – current portion	962	—	—	—	—	—	—	—	—	—	962
Net patient accounts receivable	36,631	163,645	381	3,308	3,767	1,795	—	1,294	—	(2)	210,819
Other current assets	10,568	36,404	54	1,513	3,080	136	3,201	904	—	1,514	57,374
Total current assets	826,819	194,311	416	4,747	6,894	1,922	39,126	2,387	—	6,817	1,083,439
Assets limited as to use – less current portion	38,835	660	—	—	—	—	—	—	—	—	39,495
Property and equipment, net	49,980	739,562	2,077	98,634	8,489	602	12	1,575	—	296	901,227
Other assets	17,320	18,560	—	1	1	—	8,060	4,790	—	11,907	60,639
Total assets	\$ 932,954	953,093	2,493	103,382	15,384	2,524	47,198	8,752	—	19,020	2,084,800
Liabilities and Net Assets											
Current liabilities											
Accounts payable	\$ 10,444	52,296	104	483	710	152	681	653	—	389	65,912
Accrued expenses and other current liabilities	35,860	52,171	289	1,124	1,338	707	691	591	—	715	93,486
Due to third-party payors	—	13,233	91	—	—	227	—	—	—	—	13,551
Long-term debt – current portion	14,966	5	—	—	—	—	—	52	—	614	15,637
Advances from (to) affiliates	(16,494)	9,964	(324)	6,768	38	(713)	380	193	—	188	—
Total current liabilities	44,776	127,669	160	8,375	2,086	373	1,752	1,489	—	1,906	188,586
Long-term debt – less current portion	578,667	526	—	—	—	—	—	—	—	5,261	584,454
Estimated professional and general liability costs	17,304	—	—	—	—	—	—	—	—	—	17,304
Accrued pension cost	49,328	—	—	—	—	—	—	—	—	—	49,328
Other long-term liabilities	53,372	1,856	—	—	—	—	—	—	—	466	55,694
Total liabilities	743,447	130,051	160	8,375	2,086	373	1,752	1,489	—	7,633	895,366
Net assets											
Unrestricted	189,507	820,588	2,333	95,007	13,298	2,151	18,839	5,023	—	11,387	1,158,133
Temporarily restricted	—	—	—	—	—	—	23,103	—	—	—	23,103
Permanently restricted	—	—	—	—	—	—	3,504	—	—	—	3,504
Total net assets attributable to Methodist Le Bonheur Healthcare and affiliates	189,507	820,588	2,333	95,007	13,298	2,151	45,446	5,023	—	11,387	1,184,740
Noncontrolling interests	—	2,454	—	—	—	—	—	2,240	—	—	4,694
Total net assets	189,507	823,042	2,333	95,007	13,298	2,151	45,446	7,263	—	11,387	1,189,434
Total liabilities and net assets	\$ 932,954	953,093	2,493	103,382	15,384	2,524	47,198	8,752	—	19,020	2,084,800

See accompanying independent auditors' report

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

(Combining Statement of Operations Information)

Year ended December 31, 2013

(In thousands)

	Methodist Le Bonheur Healthcare	Methodist Healthcare – Memphis Hospitals	Methodist Healthcare – Fayette Hospital	Methodist Healthcare – Olive Branch Hospital	Alliance Health Services, Inc.	Methodist Extended Care Hospital, Inc.	Methodist – Le Bonheur Healthcare Foundations	Methodist Healthcare – Community Care Associates	Methodist Healthcare – Primary Care Associates	Ambulatory Operations, Inc.	Eliminations and Reclassifications	Combined
Unrestricted revenues and other support												
Gross patient service revenue	\$ —	4,971,587	21,954	27,778	39,240	45,078	—	35,043	—	—	—	5,140,680
Contractual adjustments and other discounts	—	(3,385,967)	(15,473)	(19,008)	(14,967)	(28,249)	—	(22,272)	—	—	(778)	(3,486,714)
Net patient service revenue	—	1,585,620	6,481	8,770	24,273	16,829	—	12,771	—	—	(778)	1,653,966
Provision for uncollectible accounts	(169)	(156,947)	(1,633)	(2,898)	47	(194)	—	9	—	7,614	—	(154,171)
Net patient service revenue less provision for uncollectible accounts	(169)	1,428,673	4,848	5,872	24,320	16,635	—	12,780	—	7,614	(778)	1,499,795
Other revenue	5,774	56,315	226	(12)	591	5	1,906	1,633	—	3,281	—	69,719
Net assets released from restrictions used for operations	—	—	—	—	—	—	12,781	—	—	—	—	12,781
Total unrestricted revenues and other support	5,605	1,484,988	5,074	5,860	24,911	16,640	14,687	14,413	—	10,895	(778)	1,582,295
Expenses												
Salaries and benefits	91,492	624,826	3,656	7,063	15,173	9,195	8,106	7,569	—	6,297	—	773,377
Supplies and other	(86,577)	688,458	2,541	3,980	8,483	6,136	3,639	5,320	—	3,640	(778)	634,842
Depreciation and amortization	8,976	76,133	368	2,006	775	109	5	656	—	80	—	89,108
Interest	(2,267)	27,620	44	—	—	—	—	12	—	465	—	25,874
Total expenses	11,624	1,417,037	6,609	13,049	24,431	15,440	11,750	13,557	—	10,482	(778)	1,523,201
Operating income (loss)	(6,019)	67,951	(1,535)	(7,189)	480	1,200	2,937	856	—	413	—	59,094
Nonoperating gains												
Investment income, net	16,891	22,811	36	5	—	—	506	—	—	730	—	40,979
Change in fair value of interest rate swaps	33,256	—	—	—	—	—	—	—	—	—	—	33,256
Unrealized gain on trading securities, net	30,196	8,006	13	—	—	—	1,321	—	—	—	—	39,536
Total nonoperating gains, net	80,343	30,817	49	5	—	—	1,827	—	—	730	—	113,771
Revenues, gains and other support in excess of (less than) expenses and losses, before noncontrolling interest	74,324	98,768	(1,486)	(7,184)	480	1,200	4,764	856	—	1,143	—	172,865
Noncontrolling interest	—	(1,602)	—	—	—	—	—	(44)	—	—	—	(1,646)
Revenues, gains and other support in excess of (less than) expenses and losses	74,324	97,166	(1,486)	(7,184)	480	1,200	4,764	812	—	1,143	—	171,219
Other changes in unrestricted net assets												
Accrued pension cost adjustments	133,080	—	—	—	—	—	—	—	—	—	—	133,080
Net assets released from restrictions used for capital purposes	—	—	—	—	—	—	1,653	—	—	—	—	1,653
Contributions used for capital purposes	—	2,726	—	—	—	—	(2,726)	—	—	—	—	—
Contributions and other changes, net	(32,690)	(70,206)	1,461	102,191	493	(472)	—	(709)	(26)	—	—	42
Increase (decrease) in unrestricted net assets	\$ 174,714	29,686	(25)	95,007	973	728	3,691	103	(26)	1,143	—	305,994

See accompanying independent auditors' report