See a Social Security Number? Say Something!
Report Privacy Problems to https://public.resource.org/privacy
Or call the IRS Identity Theft Hotline at 1-800-908-4490

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493315022134

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 01-01-2013 , 2013, and ending 12-31-2013

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

C Name of organization
Methodist Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1420 Centerpoint Blvd Bldg C

City or town, state or province, country, and ZIP or foreign postal code
Knoxville, TN 379321960

D Employer identification number
62-0636239

E Telephone number
(865) 374-6864

G Gross receipts $ 191,503,451

F Name and address of principal officer
Anthony L Spezia
100 Ft Sanders W Blvd
Knoxville, TN 37922

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

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

H(c) Group exemption number ▶

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

J Website: ▶ http //www mmcoakridge com

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

L Year of formation 1959

M State of legal domicile TN

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Methodist Medical Center is a 301-bed full service, acute care hospital located in Oak Ridge, TN It is a member of the Covenant Health system

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	21
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	17
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	1,287
6	Total number of volunteers (estimate if necessary)	**6**	242
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	-77,140
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-77,140

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	259,046	116,169
9	Program service revenue (Part VIII, line 2g)	188,328,514	181,774,185
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,031,828	2,352,816
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,327,812	5,065,683
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	192,947,200	189,308,853
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	41,815	26,329
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	63,929,130	63,490,930
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	128,598,677	127,376,855
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	192,569,622	190,894,114
19	Revenue less expenses Subtract line 18 from line 12	377,578	-1,585,261

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	196,802,743	102,026,182
21	Total liabilities (Part X, line 26)	31,923,610	29,630,575
22	Net assets or fund balances Subtract line 21 from line 20	164,879,133	72,395,607

Part II Signature Block

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

Sign Here

****** | 2014-11-06
Signature of officer | Date

JOHN T GEPPI EVP/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Self Prepared				
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

See Schedule O Methodist Medical Center provides quality healthcare, in alignment with Covenant Health's mission to serve the community by improving the quality of life through better health regardless of a patient's ability to pay

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 $ 31,199,301 including grants of $) (Revenue $ 30,682,468)

Surgical Services See Schedule O Surgical Services Expenses - $31,199,301, Revenue - $30,682,468In 2013, surgeons at Methodist Medical Center performed procedures on 13,363 patients in various surgical specialty areas including gastroenterology, plastic, neurology and neurosurgery, general, urology, and vascular surgery Under the clinical leadership of a board-certified neurosurgeon with a doctorate in neuroscience/anatomy, Methodist Medical Center's neurosurgery staff is committed to restoring quality of life to the fullest extent possible Surgery is performed on patients with malignant, benign and metastatic brain tumors, aneurysms and malformations of the blood vessels, head and spinal injuries, herniated discs, epilepsy, and other conditions of the head, neck and back Sophisticated imaging tools such as Methodist Medical Center's 3Tesla MRI provide remarkably detailed views of the central nervous system However, images of the brain, spinal cord, nerves and muscles alone are not always enough when medical problems occur The medical center's neurodiagnostic services include a full-range of studies including EEGs, somatosensory and visual response tests, and nerve conduction and transcranial Doppler studies These tests allow physicians to gather more data to better diagnose and treat problems such as stroke, Parkinson's disease, Alzheimer's, cerebral palsy, brain tumors, spinal cord function, headaches, vision loss, and other conditions Vascular surgeons at Methodist perform procedures throughout the body to remove blockages in arteries, bypass diseased arteries, and replace vascular areas weakened by aneurysms Surgeons perform life-saving surgery for patients with carotid artery disease or inadequate blood flow to the kidneys or digestive organs, angiography, prosthetic grafts, balloon angioplasty, stents, and stent-grafts Board-certified surgeons on the medical staff routinely perform minimally invasive procedures such as knee and shoulder repairs, hernia repair, gallbladder removal, cystoscopy and removal of bladder tumors, D&C's, thermal ablation and laparoscopic tubal ligation in women, breast enlargement and reduction, sinus surgery and other ear, nose and throat procedures Patients may also have a number of other procedures performed through the Same Day Services Center at Methodist The majority of these are for diagnostic purposes and include the following myelograms for diagnosis related to back pain, CT-guided biopsies of the lung and liver, heart catheterizations to identify problems in the heart, cardioversions to restore the heart's normal rhythm, and arteriograms to diagnose problems in the arteries Prostate cancer is the second highest cause of cancer-related deaths in men The robotic surgical system at Methodist is striving to reduce this statistic by making robotic prostatectomy for localized prostate cancer available in East Tennessee Urologists at Methodist primarily perform three robotic procedures using the surgical robot, radical prostatectomy for prostate cancer, radical cystoprostatectomy for bladder cancer, and partial nephrectomy for kidney cancer

4b (Code) (Expenses $ 30,778,650 including grants of $) (Revenue $ 30,419,749)

Cardiovascular Services See Schedule O Cardiovascular Services Expenses - $30,778,650, Revenue - $30,419,749Methodist Medical Center offers a complete continuum of heart care beginning with prevention efforts such as education, exercise programs, diet and stress management, early detection, diagnosis, treatment and rehabilitation, and advanced new treatments The hospital treated 12,042 cardiac patients in 2013 Urgent Care - One of the first chest pain centers in the area - Average door-to-balloon times under 65 minutes (compared to national goal of 90 minutes) - 2012 Platinum Performance Award from American College of Cardiology ACTION Registry for urgent heart care that is 25 minutes faster than the national benchmark - First hospital in the area to implement a hypothermia protocol which lowers a patient's body temperature after cardiac arrest to reduce the risk of brain damage Diagnostic - Echocardiography lab - Cardiac stress lab - 64-slice CT which can capture images of the heart and coronary arteries in as little as five heartbeats Surgical Procedures - Open-heart procedures including multi-vessel coronary artery bypass - Endoscopic vein harvesting - Minimally invasive procedure for treatment of atrial fibrillation Interventional - Cardiac catherization lab - Electrophysiology services - First medical center in East Tennessee to use the Impella device, the world's smallest heart pump, for cardio septic shock and high-risk procedures Cardiac Rehabilitation - Cardiac rehab in Methodist Medical Center's 5000 square foot facility offers an individualized plan of monitored exercise and education in a medically supervised environment Methodist Medical Center's highly trained cardiologists, nurses and technicians combine their extensive skills with the latest technology in the areas of bypass surgery, procedures involving pacemakers, drug-eluting stents and cardiac defibrillators, angioplasty and emergency treatment They also perform echocardiograms, electrocardiograms and stress tests Telemetry monitoring is available for critical patients, and cardiac rehabilitation services, therapy, dietary consultation, and congestive heart failure education classes are also provided at the facility In addition, the facility offers heart screenings to the community and promotes cardiac education and wellness through community health fairs and seminars The organization's goal is to provide excellent care to an increasing number of cardiac patients in its service area

4c (Code) (Expenses $ 23,503,604 including grants of $) (Revenue $ 22,756,047)

Orthopedic Services See Schedule O Orthopedic Services Expenses - $23,503,604, Revenue - $22,756,047 Methodist Medical Center's board-certified orthopedic surgeons are skilled in diagnosing and treating bone, muscle and joint disorders Specialty areas include total hip and knee replacement, spinal surgeries, fractures, complex rotator cuff/shoulder repairs, and hand reconstruction The hospital treated 5,015 orthopedic surgery patients in 2013 Using a series of best practice guidelines and standard orders, the staff treats patients efficiently and provides the best opportunity for optimal outcomes Intense inpatient rehabilitation begins after surgery in a group setting It is one way of maximizing the patient's chance for a full recovery Outpatient therapy may be continued at Methodist Therapy Center, which offers advanced physical, speech, and occupational therapies for both adults and children The therapy staff specializes in treating a variety of orthopedic, neurological, and medical problems, with an emphasis on helping individuals overcome disability caused by disease, injury, developmental abnormality, or amputation The physical therapy staff at Methodist Medical Center provides care for orthopedic, neurological, and medical rehabilitation of individuals with neck, lower back, arm and leg injuries, sports and overuse injuries, arthritis, stroke, brain injury, and post-amputation needs Specialty programs include sports medicine and wound/burn care

(Code) (Expenses $ 100,319,330 including grants of $ 26,329) (Revenue $ 101,161,369)

As a full-service, acute care medical center, Methodist Medical Center treats patients across a broad spectrum of medical specialties in addition to those highlighted above

4d Other program services (Describe in Schedule O)

(Expenses $ 100,319,330 including grants of $ 26,329) (Revenue $ 101,161,369)

4e **Total program service expenses** ▶ 185,800,885

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		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? *If "Yes," complete Schedule I, Parts I and II*	**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? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**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? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	216		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	1,287		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

Check if Schedule O contains a response 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	**1a**	21		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	17		
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**			No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**			No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		Yes	

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

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

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

▶Nancy Beck 1420 Centerpoint Blvd Bldg C
Knoxville, TN 379321960 (865) 374-6864

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Anthony L Spezia President & CEO	0 00 50 00	X		X				0	1,543,512	228,486
(2) Gerald Boyd Director	0 00 1 00	X						0	1,445	0
(3) Dr Richard Brinner Director	0 00 1 00	X						0	1,576	0
(4) Dr Mitchell Dickson Director	0 00 1 00	X						0	1,873	0
(5) Pamela P Fansler Director	0 00 1 00	X						0	0	0
(6) James Fitzsimmons Director	0 00 1 00	X						0	1,461	0
(7) Kimberly Greene Director	0 00 1 00	X						0	0	0
(8) Wayne Heatherly Director	0 00 1 00	X						0	1,661	0
(9) Jim Johnson Jr Director	0 00 1 00	X						0	1,465	0
(10) Karla Lane Director	0 00 1 00	X						0	0	0
(11) Eddie Mannis Director	0 00 1 00	X						0	0	0
(12) Larry Mauldin Chairman	0 00 1 00	X						0	1,542	0
(13) Dr Joseph Metcalf Director	0 00 3 00	X						0	26,641	0
(14) George Miller Director	0 00 1 00	X						0	1,434	0
(15) Alvin Nance Director	0 00 1 00	X						0	1,464	0
(16) Linda Ogle Director	0 00 1 00	X						0	0	0
(17) Mitchell Steenrod Director	0 00 1 00	X						0	1,311	0

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Carl Storms Director	0 00 1 00	X						0	1,453	0
(19) Joseph E Sutter Director	0 00 1 00	X						0	1,761	0
(20) Richard Swanson Director	0 00 1 00	X						0	0	0
(21) Joe Ben Turner Director	0 00 1 00	X						0	1,636	0
(22) David Verble Director	0 00 1 00	X						0	1,362	0
(23) John T Geppi EVP / CFO	0 00 50 00			X				0	710,276	25,177
(24) Michael R Belbeck Jr President & CAO	50 00 0 00			X				0	395,793	32,339
(25) Julie G Utterback VP - Financial Services	35 00 15 00			X				159,444	0	31,634
(26) Susan K Harris VP - Chief Nursing Officer	50 00 0 00				X			165,237	0	19,575
(27) Connie B Martin VP - Support Services	50 00 0 00					X		123,283	0	18,923
(28) Stephen E Ellis MD Medical Director	40 00 0 00					X		215,899	0	25,403
(29) Shane West Senior Medical Physicist	50 00 0 00					X		186,676	0	29,415
(30) Samuel L Price Registered Nurse	53 00 0 00					X		108,378	0	9,900
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								958,917	2,697,666	420,852

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 6

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Cardinal Health 1330 Enclave Parkway Houston TX 77077	Pharmacy Management	10,470,956
Sodexo Inc & Affiliates PO Box 536922 Atlanta GA 303536922	Housekeeping Services	1,971,756
GE Healthcare PO Box 402076 Atlanta GA 303842076	Equipment Maintenance/Service	1,504,263
Medic Regional Blood Center 1601 Ailor Avenue Knoxville TN 379216702	Blood Processing	1,144,409
Accelecare Wound Centers Inc 10900 NE 4th St Ste 1900 Bellevue WA 98004	Wound Care Services	965,205

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 ▶ 24

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d	79,504			
	e	Government grants (contributions)	1e	35,595			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,070			
	g	Noncash contributions included in lines 1a-1f $		6,785			
	h	**Total.** Add lines 1a-1f . . . . . ▶		116,169			
Program Service Revenue			Business Code				
	2a	Medical Services	622110	181,281,300	181,281,300		
	b	Community Health	900099	322,253	322,253		
	c	Rental Inc - Exempt Affiliate	531120	142,390	142,390		
	d	Service to Exempt affilate	900099	28,242	28,242		
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		181,774,185			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		2,352,816			2,352,816
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real	(ii) Personal			
	6a	Gross rents	3,058,394				
	b	Less rental expenses	2,194,598				
	c	Rental income or (loss)	863,796				
	d	Net rental income or (loss) . . . . . ▶			863,796	276,101	587,695
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss) . . . . . ▶					
	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					
	c	Net income or (loss) from sales of inventory . . ▶					
Other Revenue		Miscellaneous Revenue	Business Code				
	11a	Meaningful Use	900099	3,192,943	3,192,943		
	b	Cafeteria Sales	722212	998,181			998,181
	c	Gift Shop	453220	139,937			139,937
	d	All other revenue		-129,174	52,505	-353,241	171,562
	e	**Total.** Add lines 11a–11d . . . . . ▶		4,201,887			
	12	**Total revenue.** See Instructions . . . . . ▶		189,308,853	185,019,633	-77,140	4,250,191

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	25,254	25,254		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	1,075	1,075		
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	375,891		375,891	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	48,108,979	47,291,048	817,931	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,229,285	1,214,627	14,658	
9 Other employee benefits	10,271,528	10,078,872	192,656	
10 Payroll taxes	3,505,247	3,431,165	74,082	
11 Fees for services (non-employees)				
a Management	12,487,662	11,888,877	598,785	
b Legal	678,177	178,177	500,000	
c Accounting				
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)	15,610,201	15,331,503	278,698	
12 Advertising and promotion	562,988	548,873	14,115	
13 Office expenses	6,011,670	5,831,421	180,249	
14 Information technology				
15 Royalties . .				
16 Occupancy	5,543,854	4,370,634	1,173,220	
17 Travel	23,517	21,706	1,811	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	128,236	97,951	30,285	
20 Interest	141,139	141,139		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	9,747,788	9,029,657	718,131	
23 Insurance	327,882	325,038	2,844	
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 UBI Tax	773		773	
b Supplies & Equipment	37,634,742	37,634,742		
c Bad Debts	16,134,492	16,134,492		
d Charity Care	16,130,891	16,130,891		
e All other expenses	6,212,843	6,093,743	119,100	
25 **Total functional expenses.** Add lines 1 through 24e	190,894,114	185,800,885	5,093,229	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) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		3,965	1	3,579
	2	Savings and temporary cash investments		-201,272	2	-802,219
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		16,214,979	4	16,180,306
	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			7	0
	8	Inventories for sale or use		5,228,212	8	4,771,508
	9	Prepaid expenses and deferred charges		1,165,645	9	1,406,539
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 247,683,017			
	b	Less accumulated depreciation	10b 168,418,513	82,854,940	10c	79,264,504
	11	Investments—publicly traded securities		90,374,697	11	0
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		533,153	13	413,566
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		628,424	15	788,399
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		196,802,743	16	102,026,182
Liabilities	17	Accounts payable and accrued expenses		22,549,022	17	20,499,095
	18	Grants payable			18	
	19	Deferred revenue		72,932	19	72,387
	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		83,817	23	23,272
	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		9,217,839	25	9,035,821
	26	**Total liabilities.** Add lines 17 through 25		31,923,610	26	29,630,575
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		164,879,133	27	72,395,607
	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		164,879,133	33	72,395,607
	34	Total liabilities and net assets/fund balances		196,802,743	34	102,026,182

Part XI Reconcilliation 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	189,308,853
2	Total expenses (must equal Part IX, column (A), line 25)	2	190,894,114
3	Revenue less expenses Subtract line 2 from line 1	3	-1,585,261
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	164,879,133
5	Net unrealized gains (losses) on investments	5	-7,136,625
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	-83,761,640
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	72,395,607

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493315022134

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 Medical Center

Employer identification number
62-0636239

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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	

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493315022134

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 Medical Center

Employer identification number
62-0636239

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	820,204	660,463	702,930	715,206	724,481
b	Contributions	200,455	279,801	199,562	232,442	260,401
c	Net investment earnings, gains, and losses	10,886	10,369	12,167	7,606	4,744
d	Grants or scholarships	100,753	118,250	249,832	249,656	269,842
e	Other expenditures for facilities and programs	41,504	12,178	4,364	2,668	4,578
f	Administrative expenses					
g	End of year balance	889,288	820,204	660,463	702,930	715,206

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

- a Board designated or quasi-endowment ▶ 15 580 %
- b Permanent endowment ▶ 43 500 %
- c Temporarily restricted endowment ▶ 40 920 %

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

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

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

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

Part VI Land, Buildings, and Equipment. 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		8,018,800		8,018,800
b Buildings		112,105,357	64,174,780	47,930,577
c Leasehold improvements		9,204,432	6,155,402	3,049,030
d Equipment		113,579,165	94,599,045	18,980,120
e Other		4,775,263	3,489,286	1,285,977
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				79,264,504

Part VII **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

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

Part VIII **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

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

Part IX **Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

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

Part X **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
Due to Affiliates, Net	3,755,496
Due to Third Party Payors	1,787,933
Long-term Deferred Compensation	592,991
Long-term Reserve for Workers Comp	2,813,657
Other Liabilities	85,744
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	9,035,821

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

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

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

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

Part XIII Supplemental Information

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 V, Line 4	Methodist Medical Center Foundation maintains four (4) permanent endowments for the purpose of providing a permanent source of income for the following programs at Methodist Medical Center The Hospitality Houses, The Wellness Place, and The Jane Manly Quiet Room The principal of all four permanent endowments will be kept intact in perpetuity Only the income generated will be distributed to Methodist Medical Center to provide support for the aforementioned programs
Part X, Line 2	Note B to the consolidated audited financial statements of Covenant Health, parent company to Methodist Medical Center, reads in part "Income Taxes Covenant and certain of its subsidiaries or controlled entities are exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code Accordingly, no provision for income taxes on qualifying activities has been made for these entities in the accompanying consolidated financial statements However, certain entities and operations are subject to income taxes which are accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes (see Note G)" Note G reads in part "Covenant had no unrecognized tax benefits at December 31, 2013 and 2012 As such, no interest or penalties were recognized in the Consolidated Statements of Operations related to unrecognized tax benefits At December 31, 2013, tax returns for 2010 through 2013 are subject to examination by the Internal Revenue Service Covenant has no uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles at December 31, 2013 or 2012 "

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493315022134

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 Medical Center

Employer identification number
62-0636239

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			11,968,626	3,755,324	8,213,302	4 700 %
b Medicaid (from Worksheet 3, column a)			39,588,665	26,521,637	13,067,028	7 480 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			177,768	138,332	39,436	0 020 %
d **Total** Financial Assistance and Means-Tested Government Programs			51,735,059	30,415,293	21,319,766	12 200 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			121,021	910	120,111	0 070 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			2,114,143		2,114,143	1 210 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			145,599		145,599	0 080 %
j **Total.** Other Benefits			2,380,763	910	2,379,853	1 360 %
k **Total.** Add lines 7d and 7j			54,115,822	30,416,203	23,699,619	13 560 %

Part II Community Building Activities Complete this 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			11,207		11,207	0 010 %
2	Economic development			16,478		16,478	0 010 %
3	Community support			130,840		130,840	0 070 %
4	Environmental improvements						
5	Leadership development and training for community members			9,043		9,043	0 010 %
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other			10,000		10,000	0 010 %
10	**Total**			177,568		177,568	0 110 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	16,134,492		
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	4,404,716		
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	52,544,276		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	54,502,995		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-1,958,719		
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 None				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, 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)

Name of hospital facility or facility reporting group Methodist Medical Center

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) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from 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**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) www.mmcoakridge.com			
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?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	11	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	12	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ 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?	14	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			

Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the 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?	17		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Methodist Medical Center	Part V, Section B, Line 3 Methodist Medical Center was aided in the data collection process by representatives of several community organizations Each brought a valuable perspective to the process in that they serve the broader community as well as the community's most vulnerable populations Assessment partners included the Director of the United Way of Anderson County, the Director of and health educators from the Anderson County Health Department, the Chair of the Anderson County Health Advisory Committee, executive leadership from Methodist Medical Center, the Director of the Anderson County Head Start program, the Medical Director of the Free Medical Clinic of Oak Ridge, the Director of the Anderson County Schools, the CEO of Ridgeview Behavioral Health Services, representatives from Anderson County Emergency Medical Services, and members of the Legal Aid Society They helped determine a list of key stakeholders to participate in interviews and focus groups Special attention was given to recruiting those who serve the uninsured, chronically ill and minority populations When it came time to analyze the data, a broad base of community leaders participated in distilling volumes of data into the most significant health issues in Anderson County
Methodist Medical Center	Part V, Section B, Line 4 Methodist Medical Center and Ridgeview Behavioral Health Services collaborated in the 2013 assessment process Ridgeview is a private, not-for-profit, community mental health provider based in Oak Ridge, Tennessee, that operates a 16-bed inpatient psychiatric hospital adjacent to Methodist Medical Center, as well as numerous outpatient clinics in a five-county geographic area
Methodist Medical Center	Part V, Section B, Line 7 Methodist Medical Center is committed to addressing four of the five significant health priorities identified in the CHNA report obesity, asthma, diabetes, and substance abuse The fifth priority area, mental health, is not a service line of the hospital but is central to the core mission and purpose of the hospital's assessment partner, Ridgeview Behavioral Health Services (see Part V, Section B, Line 4 above) The goal of Ridgeview's action plan is to measurably improve the issues of both mental health and substance abuse Between the collaboration of the two assessment partners, all significant health priorities will be addressed
Methodist Medical Center	Part V, Section B, Line 14g Please see the explanation to Part VI, Line 3
Methodist Medical Center	Part V, Section B, Line 20d Please see the explanation to Part III, Line 9b

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? **8**

	Name and address	Type of Facility (describe)
1	Cheyenne Outpatient Diagnostic Center 944 Oak Ridge Turnpike Oak Ridge, TN 37830	Diagnostic Imaging and Lab Services
2	MMC Radiation Oncology Center 102 Vermont Avenue Oak Ridge, TN 37830	Radiation Therapy Center
3	MMC Wound Treatment Center 160A West Tennessee Avenue Oak Ridge, TN 37830	Wound Care & Hyperbaric Oxygen Clinic
4	Oak Ridge Breast Center 3rd Floor Cheyenne Ambulatory Center Oak Ridge, TN 37830	Breast Imaging Center
5	Methodist Therapy 991 Oak Ridge Turnpike Oak Ridge, TN 37830	Physical, Occupational & Speech Therapy
6	Methodist Sleep Diagnostic Center 990 Oak Ridge Turnpike Oak Ridge, TN 37830	Sleep Diagnostic Center
7	MMC Healthworks Suite L-50 988 Oak Ridge Turnpike Oak Ridge, TN 37830	Occupational Health Services
8	MMC Cardiac Rehab Center Suite 360 Westmall Medical Park Oak Ridge, TN 37830	Cardiac Rehabilitation
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	Covenant Health, the parent company of Methodist Medical Center and other affiliated acute care hospitals, prepares an annual Report to the Community on behalf of the entire system
Part I, Line 7	Amounts on Lines 7a-7c and certain program costs included on Line 7g are from the hospital's cost accounting system, which addresses all patient segments Other community benefit expenses are at cost from the general ledger

Form and Line Reference	Explanation
Part I, Line 7g	The organization has included $2,114,143 in physician sponsorship fees in total subsidized health services
Part I, Line 7, Column (f)	The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 16,134,492

Form and Line Reference	Explanation
Part II, Community Building Activities	Methodist Medical Center cares for the whole person and recognizes that improved social and economic conditions may lead to the improved health and well-being of the community The hospital's community building activities and those of its parent organization, Covenant Health, address many of the root causes of health problems, such as poverty and homelessness, and help find solutions to alleviating the symptoms An allocation of the Parent's community building expenditures has been made to each member hospital in proportion to the financial contribution of each to the health system Covenant Health is not a hospital and does not file Schedule H with its Form 990 In 2013 contributions were made to organizations meeting the community's needs by providing *Affordable, permanent housing and case management services to foster self-sufficiency - Knoxville's Community Development Corporation (KCDC) *Innovative education and literacy programs fostering success in school life - Great Schools Partnership and Dollywood Foundation *The basic needs of life including temporary shelter, food and clothing - Catholic Charities, Family Promise, Ladies of Charity, United Way and others *Youth mentoring and development and after-school programs - Emerald Youth Foundation and Great Smoky Mountain Council, Boy Scouts of America *Business recruitment and marketing initiatives that boost economic development - Innovation Valley *Leadership development programs and workshops - Leadership Knoxville *Assistance and special programs for at risk, physically challenged, abused and neglected children - Emory Valley Center and Variety of Eastern Tennessee (local chapter of Variety-The Children's Charity)
Part III, Line 2	Bad debt expense on Line 2 is the amount recorded in the organization's financial statements Discounts and payments on patient accounts are netted against bad debt

Form and Line Reference	Explanation
Part III, Line 3	In 2011, the hospital reviewed all self-pay accounts receivable to identify patients who might have qualified for financial assistance As of year end, the hospital could not make a final determination as to some patients' qualification for financial assistance because not all requested financial information had been received but felt strongly that they were in need of some form of assistance Notes in the patient records were examined to see if a charity care application had been sent to the patients or guarantors or if the accounts were being analyzed by a business office employee for approval for charity care The percentage of patient accounts being analyzed as a percent of total self-pay accounts receivable has been applied to the current year total bad debt expense on Line 2 to arrive at the amount reported on Line 3 For the year ended 2013, the hospital sampled the self-pay accounts receivable to validate the percentage used in 2011 has remained the same This sample concluded the percentage was still valid and therefore the same percentage has been used for the year ended 2013 It is our belief that the amount of bad debt on Line 3 should be included as community benefit As a tax-exempt hospital, we must provide necessary services regardless of the patient's ability to pay for the service provided As a not-for-profit, patient care is provided to all, regardless of ability to pay for that care Making quality patient care available to all in our community, regardless of economic means, qualifies bad debts as a community benefit
Part III, Line 4	Note B to the 2013 Audited Consolidated Financial Statements of the Covenant Health system, of which Methodist Medical Center is a member, reads in part "Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare and other third-party payment programs The allowance for uncollectible accounts is estimated based upon the age of the patient accounts receivable, prior experience and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectability of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take Covenant's policy does not require collateral or other security for patient accounts receivable and Covenant routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies "

Form and Line Reference	Explanation
Part III, Line 8	Medicare Shortfall Methodist Medical Center believes that all of the $1 9 million shortfall reported in Line 7 should be considered as community benefit The IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in our community This year, Medicare patients accounted for 42% of total patient days (20,023 out of 48,257 total) The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries Costing Methodology Methodist Medical Center used a combination of sources in calculating Medicare allowable costs on Part III, Line 6 including its cost accounting system, general ledger accounting system, and facility-specific analyses and calculations
Part III, Line 9b	Self-pay patients automatically receive a minimum 43% discount on charges Federal poverty guidelines are utilized in the determination of charity care eligibility Patients who are unable to pay and have exhausted all sources of payment assistance may qualify for charity care A sliding scale is used for extending charity care utilizing the income levels reported under the federal poverty guidelines Patients/guarantors with income that falls below 200% of the federal poverty guidelines receive 100% charity care Patients/guarantors with income of 201-300% of the federal poverty guidelines receive 70% charity care For catastrophic illness, exceptions to income and asset limitations may be made on a case-by-case basis The amount considered for charity will be based upon the evaluation of the patient's/guarantor's ability to pay Patients/guarantors who qualify for partial financial assistance are responsible for paying any balance remaining after the charity adjustment and third party payments Once an account has been processed internally through routine collection channels, it may be assigned to an attorney or agency for collection The patient/guarantor will be billed for all collection costs as may be applicable Credit reports will be filed no earlier than 30 days following the assignment on all nonpaid balances

Form and Line Reference	Explanation
Part VI, Line 2	While the Community Health Needs Assessment is a formal means by which the health system assesses the needs of the community, there are many informal linkages that give the Covenant Health hospitals a sense of community issues and needs Methodist Medical Center obtains additional community information thru the service of its employees with organizations including the Anderson County Health Advisory Committee, Chamber of Commerce, and Rotary Clubs, thru its partnerships with the Free Medical Clinic of Oak Ridge and local businesses, and thru its work with Ridgeview Behavioral Health Services, a local behavioral health provider
Part VI, Line 3	Methodist Medical Center informs patients and other persons who may be billed for patient care about its financial assistance policies by posting signs in highly visible areas of the hospital and including information about the financial assistance policy in patient booklets placed in all inpatient rooms The following sign is posted in the main registration area, the Cheyenne Outpatient Diagnostic Center, and the Emergency Department registration entrance Financial Assistance Covenant Health is committed to providing quality health services in a caring environment It is the expressed philosophy of Covenant Health, and its member hospitals, that no one should be denied necessary medical care because of the inability to pay In conjunction with this philosophy, staffs of Methodist Medical Center are available to assist you with your financial needs If you are an uninsured person with no public or private source of payment for medical services, Methodist Medical Center, in compliance with Tennessee Code Annotated, Title 47, Chapter 18 and Title 68, will provide at a reduced rate, medically indicated services A financial counselor is available to assist you with these matters by calling 865-835-3600, Monday through Friday between the hours of 8 a m and 4 30 p m Signs are also posted at each registration desk and at Customer Service stating Financial Assistance It is Methodist Medical Center's philosophy that no one shall be denied medically necessary services based on an inability to pay Financial assistance applications for medically necessary services are available during the registration process or through our Financial Counselor's office To apply for financial aid, please ask our registration staff or contact the Counselor's office at 865-835-3600 The Financial Counselor is available Monday - Friday, 8 a m - 4 30 p m Methodist Medical Center employs full time financial counselors that meet with each uninsured patient In addition, Methodist Medical Center assists them with completion of a TennCare application and ensures the application is directed to the appropriate Department of Human Services The Charity Care Policy states that patients who are unable to pay and have exhausted all sources of payment assistance may be screened for potential charity care eligibility According to the policy, the financial counselors initiate screening of the patient and/or guarantor by obtaining income and other financial information to determine eligibility for charity care or discounted services

Form and Line Reference	Explanation
Part VI, Line 4	Methodist Medical Center defines its primary market as the counties of Anderson and Roane in East Tennessee Anderson is a bedroom community to the metropolitan Knoxville area but is itself a rural county Methodist is the only hospital in Anderson County but shares its primary market with Roane County Medical Center in bordering Roane County According to internal hospital data for 2012, about 43% of the inpatient discharges were Anderson County residents, and 23% were Roane County residents The following statistics are taken from 2008 data of the U S Census Bureau The combined two-county population totals about 129,307 people and is predominantly female (52%) and Caucasian (94%) Anderson County residents have a median income of $44,872 per household, while the figures for Roane County households are $43,129 Anderson County has a higher percentage (17 6%) of its population over the age of 65 than many of its peer counties Twenty-one percent of the county's residents are under the age of 18 In 2010, the total percentage of persons living below the poverty level was 17 6%, and the unemployment rate was 8 4% According to the 2013 County Health Rankings Report of the Robert Wood Johnson Foundation/ University of Wisconsin Population Health Institute, Anderson County residents have the following health indicators that are above the national benchmarks Anderson - TN - National Adult Smoking 24% - 23% - 13% Adult Obesity 31% - 32% - 25% Excessive Drinking 12% - 10% - 7% Teen Birthrate 46 - 50 - 21 of every 1,000 teenage girls Poor or Fair Health 18% - 19% - 10% Physical Inactivity 33% - 30% - 21%
Part VI, Line 5	Methodist Medical Center (MMC), in conjunction with its parent company, Covenant Health, uses any available surplus of receipts over disbursements to expand and modernize the facility and to support the education of healthcare professionals, both of which serve to improve patient care and serve the unmet needs of the community Covenant Health's Board of Directors serves as MMC's board It is comprised of independent community leaders with diverse educational and professional backgrounds The board sets policies and provides oversight of MMC MMC maintains an open medical staff, with privileges available to all qualified physicians Additionally, the hospital operates an active and accessible emergency department that accepts all patients regardless of ability to pay

Form and Line Reference	Explanation
Part VI, Line 6	Methodist Medical Center (MMC), as a member of the Covenant Health system, benefits from the collaboration among all affiliated organizations to promote quality improvement, patient safety and efficient delivery of care for the communities served As a system, Covenant Health assures that business processes are in place at each facility to measure and report quality, to increase the role of compliance, and to integrate risk management, utilization review, peer review, mandatory reporting and quality improvement into one cohesive function In this way the system is able to use analytic tools to help identify any systemic inability to satisfy the various requirements on the part of the facilities MMC patients benefit from the availability of and ease of access to Covenant Health affiliated entities for services not provided by the hospital itself Transfer or referral to such services is expedited and coordinated to help create a seamless continuum of care A full range of community mental health and psychiatric hospital services are available within the system which help support the hospital's emergency room as well as provide an accessible and efficient pathway for those patients who require such services post discharge Other specialized services such as inpatient rehabilitation, home health and hospice services are provided by affiliated entities The Covenant Health system also enhances the patient's access to care through the provision of outpatient services in a variety of settings located throughout the service area --A majority of Roane Medical Center's ER patients requiring transfer are sent to Methodist --Methodist transfers a high percentage of its patients who need home health care to Covenant Homecare --Fortress Corporation manages Methodist's physician office buildings --Covenant Medical Group manages the hospital's employed physicians --Covenant Health's corporate finance department completes Methodist's tax returns and cost reports and reports financials to the Board, etc --Covenant Health's corporate billing office bills Methodist's services to patients and insurance companies --Methodist's laboratory performs certain lab testing for other Covenant facilities --Methodist's Capacity Management Center takes calls for the Covenant Rapid Access Center for the system at night Foundation Support Methodist Medical Center Foundation was established in 1990 to acquire and accept charitable gifts for Methodist Medical Center to help all those in need receive the highest quality of care regardless of the ability to pay The Foundation is a separate, non-profit corporation which is governed by a volunteer Board of Directors, each of whom is a recognized leader in the communities MMC serves Signature Foundation events such as Casino Night, Acorn Classic Golf Tournament and Holiday Lights for Health make it possible for the medical center to provide many important services and technologies to the community including --Free lodging at the Hospitality Houses for patients and families far from home,--Assistance to patients, families or employees who find themselves in desperate situations, --Support of cancer and palliative care programs, advanced cardiac and robotics technology,--Educational and scholarship support for medical center employees, and--A special fund for the greatest area of need Through this combination of resources and the collective development, implementation and monitoring clinical protocols and other improvement initiatives, the affiliated entities of Covenant Health are able to deliver higher quality care in a more efficient manner than could be achieved working independently

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493315022134

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

▶ **Information about Schedule I (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 Medical Center

Employer identification number
62-0636239

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) Oak Ridge Chamber of Commerce 1400 Oak Ridge Turnpike Oak Ridge, TN 37830	62-0572006	501(c)(6)	10,000		Book value		Millenium Partnership Program

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 0

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

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

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

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	The Radiation Oncology department at Methodist Medical Center receives a grant from the American Red Cross to help provide transportation to patients requiring radiation treatments The total provided in 2013 was less than $5000 Additional contributions are distributed at the discretion of the Administration and Marketing departments for the purpose of enhancing and promoting healthcare within the local community The organization maintains records for check requests authorizing gifts and donations Recipients are trusted to use the funds for the purposes for which they were given

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493315022134

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 Medical Center

Employer identification number
62-0636239

Part I Questions Regarding Compensation

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

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)Anthony L Spezia	(i)	0	0	0	0	0	0	0
President & CEO	(ii)	955,101	443,088	145,323	214,000	14,486	1,771,998	0
(2)John T Geppi EVP /	(i)	0	0	0	0	0	0	0
CFO	(ii)	448,213	184,500	77,563	10,000	15,177	735,453	0
(3)Michael R Belbeck Jr	(i)	0	0	0	0	0	0	0
President & CAO	(ii)	288,041	82,986	24,766	10,000	22,339	428,132	0
(4)Julie G Utterback	(i)	133,743	16,000	9,701	6,468	25,166	191,078	0
VP - Financial Services	(ii)	0	0	0	0	0	0	0
(5)Susan K Harris VP -	(i)	124,791	16,000	24,446	6,183	13,392	184,812	0
Chief Nursing Officer	(ii)	0	0	0	0	0	0	0
(6)Stephen E Ellis MD	(i)	189,326	20,000	6,573	12,598	12,805	241,302	0
Medical Director	(ii)	0	0	0	0	0	0	0
(7)Shane West Senior	(i)	179,181	0	7,495	11,312	18,103	216,091	0
Medical Physicist	(ii)	0	0	0	0	0	0	0

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 1a	Tax gross-up payments and reimbursements of fees for personal services for legal and financial planning are provided to certain executives and managers These are treated as taxable compensation to the recipients
Part I, Line 3	Covenant Health, the parent company of Methodist Medical Center, used one or more of the methods listed in establishing the compensation of Anthony L Spezia Please see the statement to Core Part VI, Section B, Line 15a on Schedule O
Part I, Line 4b	Part I, Line 4b Anthony Spezia was a participant in two nonqualified deferred compensation plans, which will be referred to as Plan A and Plan B In 2011 Mr Spezia vested in Plan A, and the accumulated balance as of August 1, 2011 was included in his 2011 taxable income An Amendment to Plan A was adopted effective August 1, 2011 which terminated further accruals (contributions) to the plan However, the Amendment does allow the accrual of interest on undistributed amounts which will be subject to risk of forfeiture until such time as indicated in the Amendment Interest earned by Plan A in 2013 amounted to $77,542 and is not required to be reported in Part II, as Mr Spezia is not substantially vested in earnings accumulated after July 31, 2011 Plan B was established in 2011 Employer contributions to Plan B during 2013 totaled $204,000, which is reported in Column C of Schedule J, Part II Interest earned by Plan B during 2013 of $30,427 is not required to be reported in compensation in Part II, as Mr Spezia is not substantially vested in Plan B

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493315022134

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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization	Employer identification number
Methodist Medical Center	62-0636239

Return Reference	Explanation	
	Form 990, Part III, Line 1	REPORT TO THE COMMUNITY Covenant Health was formed in 1996 with the mission to serve its communities by improving the quality of life through better health The health system is nationally recognized as a top performer in many areas patient care, quality performance, cost, integration, information technology, finances, ethics and innovation Amid a challenging healthcare environment, Covenant Health has committed to these imperatives * Serving the communities as a not-for-profit health system * Leading in quality and service * Outstanding governance and leadership * An engaged work force with the right skill sets * Being the practice environment of choice for physicians * Reinvesting in the communities, providing programs, services, technologies and facilities that improve local healthcare services and patient care Covenant Health has invested well over a billion dollars in its communities since 2000 - a commitment no other healthcare organization has approached It has opened new hospitals, expanded services, and brought cutting-edge medical technology to the region * Meeting the challenges of the healthcare environment through effective strategic planning and wise use of resources * Providing excellent care to every patient, every time Covenant Health's Board of Directors and its administration are challenged by a complex and changing healthcare environment These challenges require strong collaboration and a common vision among all of Covenant Health's constituents employees, physicians, board members, patients and the communities served by Covenant Health Providing quality care and an excellent patient experience remain high priorities for the board, especially in a new era of reimbursement based on outcomes and patient satisfaction Because of the focused commitment of Covenant's administration and caregivers, the health system performs well in these areas Covenant Health is committed to maintaining its not-for-profit status while providing needed services to the communities Despite the increasing shift of responsibilities for charity care to the hospitals, Covenant Health remains strong in delivering care that improves the quality of life at the lowest possible cost It works closely with physicians to develop strategies for service lines and health system operations and has the financial strength to weather impending storms while investing in new technologies, people, and other opportunities as they arise In the face of today's challenges, Covenant Health has a firm foundation on which to stand, balancing lessons learned with strengths gained from a disciplined execution of thoughtful strategies The board has a clear vision of the importance of fulfilling the mission and is prepared to address challenges with determination, commitment, knowledge and community focus Covenant Health Member Organizations Covenant Health Board members and administrative leaders serve their communities through strategic planning and successful operation of these member organizations Hospitals and Other Healthcare Providers Claiborne Medical Center (joined the system April 1, 2014) Cumberland Medical Center (joined the system February 1, 2014) Covenant Homecare and Hospice Fort Loudoun Medical Center (Fort Loudoun) Fort Sanders Perinatal Center (Perinatal Center) Fort Sanders Regional Medical Center (Fort Sanders Regional) LeConte Medical Center (LeConte) Methodist Medical Center (Methodist) Morristown-Hamblen Healthcare System (Morristown-Hamblen) Parkwest Medical Center (Parkwest) Peninsula Hospital, a Division of Parkwest Medical Center (Peninsula) Roane County Medical Center (Roane) Thompson Cancer Survival Center Thompson Oncology Group Knoxville Heart Group Outpatient and Specialty Care Departments and Joint Ventures Hospital-based Therapy Centers Fort Sanders West Diagnostic Center Fort Sanders West Outpatient Surgery Center Morristown Regional Diagnostic Center Patricia Neal Rehabilitation Center Peninsula Outpatient Centers Thompson Cancer Survival Center hospital-based Infusion Centers Fort Sanders Sevier Nursing Home Foundations Fort Sanders Foundation Methodist Medical Center Foundation Morristown-Hamblen Hospital Foundation Thompson Cancer Survival Center Foundation Other Programs and Services Fortress Corporation Covenant Medical Management, Inc Covenant Health is also a partner in joint ventures with physicians that provide surgical and other services Recognized Excellence in Caring for Our Communities Covenant Health delivers quality care, with services designed to meet the specific needs of people in the communities it serves Nine acute care hospitals located in Knoxville and surrounding areas comprise the foundation of the health system The hospitals offer comprehensive care, including emergency care, specialty services, and a full range of diagnostics and treatment provided by board-certified medical staffs Three Covenant Health hospitals - Fort Sanders Regional, Methodist, an

Return Reference	Explanation	
	Form 990, Part III, Line 1	d Parkwest Medical Centers - were named among the top 10 hospitals in Tennessee in 2013 by U S News and World Report, recognizing excellence in both overall and specialty care Covenant Health hospitals also have been recognized for clinical accomplishments by VHA, Inc , a cooperative of non-profit healthcare organizations

Return Reference	Explanation	
	Form 990, Part III, Line 1	At the Forefront of Local Behavioral Health Care and Community Collaboration Following the closure of Lakeshore Mental Health Institute in 2012, patient volumes at Peninsula, a division of Parkwest Medical Center ("Peninsula") increased significantly Efforts are made to keep patients in the community in order to provide a better continuum of care While mental health resources are available in other Tennessee locations, outside transfers make a seamless transition and follow-up care more difficult Therefore the staff at Peninsula continue to work on internal process improvements to be able to care for more patients Outpatient treatment follows a 'best practice' model of care whereby new patients get immediate appointments with a nurse, therapist, physician or nurse practitioner If a patient misses an appointment, it is rescheduled for the same day or the next Patients have a better chance for success in treatment when there is no lag time As a result of this approach, outpatient "no show" rates have decreased and outpatient satisfaction rates are in the 90th percentile Other best practices include involving families or patient support systems in treatment plans and using a computerized call-back scheduling system so that phone calls are returned promptly Peninsula staff members take a yearly refresher in Therapeutic Crisis Intervention to help behavioral staff recognize and verbally de-escalate situations that could otherwise turn into a crisis Peninsula also works with police officers to help them recognize symptoms of mental illness among those they encounter as part of their work Police officers may encounter someone with mental illness as often as once every shift Peninsula also collaborates with other area mental health organizations and primary care physicians to enhance care and resources for behavioral health patients The goal is to help people get the mental health services they need, rather than winding up in the Emergency Department, on the streets or in prison The state of Tennessee provided funds for medications for indigent patients, transportation assistance and other outpatient programs United Way provided a grant to assist patients transitioning to independent living In addition to the 155-bed inpatient psychiatric hospital in Blount County, Peninsula also has outpatient facilities in Knox, Blount, Loudon, and Sevier counties The provision of care may include hospitalization, therapy sessions, visits with psychiatrists, medication management, intensive outpatient programs and support groups Covenant Health Hospitals Help Families Welcome New Babies More than 6,500 babies were born in a Covenant Health hospital in 2013 The health system offers a variety of birthing options and hospital amenities to help parents and families welcome their newborns Families come in all shapes and sizes and so do expectations and beliefs about childbirth Some mothers prefer minimum intervention Others are comforted that pain relief is available during labor and delivery Some mothers decide on an obstetrician before planning for their babies Others choose the hospital first and then choose a qualified physician who delivers at that hospital Covenant Health hospitals work to provide excellent care and comfort while accommodating patients' preferences for room-in or nursery care after delivery Maternity suites at Covenant hospitals are spacious, beautifully decorated and designed to maximize comfort and provide immediate access to technology Room options include private suites equipped with bassinets for rooming in and sleeper furniture for a family member Some hospitals also have post-partum rooms available Depending on the hospital, patients may have access to whirlpool tubs or entertainment units All maternity units are secured with monitored entries and exits Additional security devices and procedures are in place to monitor babies' safety Covenant Hospitals Recognized for Reducing Early Elective Deliveries In addition to overall excellence in maternity and newborn care, five Covenant Health hospitals that offer obstetrics services have been recognized by the Tennessee Hospital Association (THA) for reducing the number of babies born electively between 37 and 39 weeks gestation Fort Sanders Regional, Parkwest, LeConte, Methodist and Morristown-Hamblen medical centers each received recognition from the THA's Tennessee Center for Patient Safety for reducing elective early deliveries, thereby increasing babies' chances for better lifelong health All five hospitals met the goal of decreasing early elective deliveries to five percent or less, and maintained the goal level for a minimum of six consecutive months In 2011, about 12 percent of the hospitals' deliveries that occurred prior to 39 weeks gestation were considered elective By 2014 the number had dropped to less than one percent The Covenant hospitals are part of a statewide Healthy Tennessee Babies Are Worth the Wait init

Return Reference	Explanation	
	Form 990, Part III, Line 1	iative launched less than two years ago to increase awareness of the benefits of full-term delivery Among other initiatives such as patient and staff education programs, Covenant Health obstetrics departments adopted a strict policy that prohibits early elective delive ries before 39 weeks unless there is a clear medical risk to the mother or the baby The two-week wait dramatically increases the chances for good physical and developmental health for babies Babies born too early are at risk for respiratory distress, jaundice, hypogly cemia and other conditions or complications that require more medical care and put them at greater risk for death before their first birthdays Waiting until 39 weeks allows for be tter growth and development of vital organs such as the brain, lungs and liver Waiting is also better for the health and safety of the mother Covenant Health is proud to lead thi s effort to decrease the number of infants delivered electively before 39 weeks Two addit ional weeks may not seem like much time, but for an infant, it can mean the difference bet ween complications leading to lifelong health issues and a healthy and robust start Speci alized Services for High-Risk Deliveries Specialized services are available in cases of a high-risk pregnancy When a risk factor, either with the mother or unborn child, threatens a positive outcome it's important to know resources are available to discuss options and answer questions for concerned parents Covenant Health hospitals plan and prepare for the unexpected with nurses trained in critical newborn care, access to neonatal intensive car e services, and perinatologists at the Perinatal Center At the Perinatal Center, perinato logists work with women of all reproductive ages and backgrounds to help them deliver a he althy baby - or babies The referring physician, nurses, ultrasonographers, genetic counse lors and support staff work together to help mothers during a difficult time and to delive r a healthy baby Covenant Health has a comprehensive list of more than 50 physicians cred entialed to provide care during pregnancy and while in the hospital In addition, childbir th education classes are available to help parents prepare for their new arrival Covenant Health Hospitals are Stroke Ready For a patient having a stroke, the care received immedi ately after it happens is critical The hospitals of Covenant Health have been deemed "Str oke Ready" by the Healthcare Facilities Accreditation Program This means Covenant hospita ls are qualified to give patients the best initial care at the onset of a stroke The hosp itals of Covenant Health are working together to provide state-of-the-art emergency treatm ent and the most advanced stroke care in the region The risk factors for stroke - high bl ood pressure, smoking, sedentary lifestyle and a Southern diet of deep-fried food - are hi gh in this region In 2013, Fort Sanders Regional's Comprehensive Stroke Center treated an average of 35-40 strokes per month Stroke damage is often permanent and speed is vitally important to improving a patients' success at rehabilitation A decade ago there were no local physicians that could perform procedures inside the arteries of the brain Today, pa tients have access to highly qualified doctors and staff, and faster and more specialized procedures and care that significantly increase their chances of recovery Recognized by T he Joint Commission and the American Heart Association/American Stroke Association for its ability to care for stroke patients, Fort Sanders Regional is a referral center for compl ex stroke cases In addition to the comprehensive Stroke Center, for patients recovering f rom the effects of a stroke, the nationally renowned Patricia Neal Rehabilitation Center o ffers a full spectrum of rehabilitation services

Return Reference	Explanation	
	Form 990, Part III, Line 1	Excellence in Orthopedic Care The hospitals of Covenant Health offer comprehensive orthopedic care, including joint replacement surgery and follow-up rehabilitation services Specialized Joint Replacement Centers are located at Parkwest, Methodist, Fort Sanders Regional and Morristown-Hamblen medical centers The Joint Centers have teams of experienced orthopedic surgeons, nurses, clinicians and therapists who work together to provide care for hip or knee replacement patients When patients schedule joint replacement surgery they receive personalized care and a team approach that focuses on creating positive outcomes from the surgery Covenant Joint Center patients are prepared beforehand, guided through the process step by step, and given extraordinary care afterwards The first step is an educational program, with an optional tour Therapy following the surgery helps patients concentrate on developing strength in their new joints and regaining mobility The Covenant Joint Centers' unique approach emphasizes patient education, family involvement and group support during rehabilitation The expert team approach combined with a unique healing environment puts patients on the road to recovery faster and with fewer complications Performing as Promised in Local Communities As a not-for-profit organization governed by a voluntary Board of Directors, Covenant Health reinvests excess revenues after expenses in improving patient care Since 2000 Covenant Health has invested over $1 billion in facilities, technologies, programs and services No other health system in East Tennessee in this decade has approached Covenant Health's investment in clinical and medical information technology, and new, renovated and expanded hospitals and services Despite a challenging economic environment, Covenant Health's financial strength allows it to continue pursuing a strategy of excellence and a commitment to state-of-the-art facilities, medical technology and medical information systems Achieving Quality Partnerships with Physicians Covenant Health collaborates with physicians to accomplish its mission of improving the quality of life through better health Physicians partner with the health system in many ways including employment, as members of hospital medical staffs and Covenant's board of directors, in committee leadership roles, through joint ventures and in the development of service line strategies Covenant Medical Group, Inc (CMG) is the new name for the health system's employed physician practices Formerly Covenant Medical Management, CMG has grown substantially over the past several years and has more than 140 physicians in more than 70 practice locations CMG includes both primary care and specialty physicians, with significant growth among specialty physicians Physicians often struggle with the complexity of running a medical practice in the current healthcare environment A physician with a solo practice may struggle economically to make that practice work Many physicians consider employment by hospitals and health systems as an effective way to continue providing medical care in their communities Physicians who become part of CMG do so for more than just the economic aspect of practicing medicine, and often seek employment of Covenant Health for broader reasons Physicians who become employed by Covenant Health often decide to do so based on confidence in the health system's leadership team, because of Covenant's strategic direction and performance, and because of the quality of care delivered Other attributes that influence the decision include the health system's local governance and strong market position and relationships Covenant Health builds and maintains partnerships with physicians through joint ventures such as surgery centers and the development of service line strategies that focus on improving quality and cost of patient care Nearly 1500 physicians are affiliated with Covenant Health hospitals and member organizations as active or consulting members of the health system's medical staffs Overall, Covenant Health's desire for alignment with both employed and non-employed physicians is driven by the need to fully evolve as a healthcare system in today's environment The health system's goal is to work side by side with physicians to provide a seamless continuum of care and excellent outcomes for patients Connecting to Meet the Need through Philanthropy Covenant Health's Office of Philanthropy coordinates the philanthropic contributions of individuals and businesses throughout East Tennessee and beyond in support of health care in our region Fund raising efforts are led by volunteer boards and staff at four foundations Fort Sanders Foundation (serving the needs of Fort Sanders Regional, Fort Loudoun, Parkwest, Roane, Peninsula, and the Patricia Neal Rehabilitation Center), Methodist Medical Center Foundation, Morristown- Hamblen Hospital Foundation, and Thompson Cancer Survival Center Found

Return Reference	Explanation	
	Form 990, Part III, Line 1	ation The Dr Robert F Thomas Foundation is independent from Covenant Health but partner s with LeConte to serve the needs of that hospital During the past year the foundations o f Covenant Health received contributions of approximately $3 million from generous individ uals and businesses These donors are partnering with Covenant Health to meet the challeng es of providing the best health care possible for the communities served Funds are used t o provide new equipment and facilities at the hospitals, as well as for staff training, pa storal care and patient care programs Covenant Health strives to go beyond excellent care and to find ways of improving health on all levels - physical, mental and spiritual Past oral care is a critical part of healing body, mind and spirit for many of the patients and their families No patient is ever billed for the support and counseling offered by the h ospital chaplains In the health care environment, chaplains and volunteer spiritual couns elors are seen as partners in the healing process, and their services are underw ritten by many generous donors Each year, the Fort Sanders Regional and Parkw est pastoral care depa rtments host the Gammon-Heatherly Lecture Series w hich provides continuing education to ar ea ministers and other caregivers The annual event is provided through charitable gifts The series aims to be thought-provoking and insightful and provides a good netw orking oppo rtunity w ith clergy and laypersons from the community In May 2013 a new Serenity Garden w as dedicated at Roane County Medical Center The garden offers a quiet spot for reflection and respite just outside the hospital's front entrance It features specially engraved st one pavers recognizing generous community organizations, churches and individuals w ho supp orted the campaign for the new hospital and pastoral care services for patients and famili es Together w ith many generous members of our community, the Foundations of Covenant Heal th are meeting important physical and spiritual needs on the path to improved health for a ll Leadership Academy Welcomes Second Group of Participants for "Up Close" Healthcare Exp erience While the Office of Philanthropy staff coordinates community events and fund raise rs, local community leadership and involvement is critical to fund raising success To exp and the number of informed volunteer leaders in the community, the Office of Philanthropy launched a new program, Covenant Answ ers A Healthcare Leadership Academy Inaugural Acade my participants included representatives from the boards of Covenant Health, and Fort Sand ers and Thompson Cancer Survival Center Foundations Future Leadership Academy classes w il l include business and community representatives from throughout Covenant's service area During a five-month period class members attend half-day sessions at five different Covena nt hospitals Classes include behind-the-scenes tours and hands-on access to the latest te chnologies and treatments Participants have opportunities to discuss the challenges of th e current healthcare environment w ith leading Covenant physicians and clinicians, and spea k firsthand w ith patients w hose recovery hinges on the excellent care provided at one of t he Covenant hospitals The first group of participants w ere given the chance to try their hands at using adaptive rehab equipment and maneuvering a surgical robot

Return Reference	Explanation
Form 990, Part III, Line 1	Reaching Beyond Hospital Walls In addition to taking care of the patients and families who receive direct services, Covenant Health is committed to making a positive impact in the health of the surrounding community In all the communities Covenant Health serves, local initiatives and partnerships create opportunities to interact with people of all ages and encourage healthier lifestyles * In April 2013 approximately 7,000 people participated in the 9th anniversary of the Covenant Health Knoxville Marathon, which attracted local runners and hand cyclists, as well as competitors from throughout the U S and other countries * The Covenant Health Biggest Winner Weight Loss Challenge continued as a friendly competition that encourages East Tennesseans to get off the couch and get moving for a fit and healthy lifestyle Team members train together for five months, with the goal of crossing the finish line in Covenant Health Knoxville Marathon events Participants challenge other East Tennesseans to start a health journey that will change their lives for the better * Some of the funds raised through the Covenant Health Knoxville Marathon were contributed to The Patricia Neal Rehabilitation Center's Innovative Recreation Cooperative, a collaboration of groups and individuals who help disabled persons enjoy leisure and recreation activities such as water skiing and cycling * The Covenant Kids Run attracted over 1,000 children who participated in a "marathon" of activities over a period of several weeks, culminating in a run to Neyland Stadium on the day before the Covenant Health Knoxville Marathon * Covenant HomeCare Hospice helps children grieving the loss of a loved one through Katerpillar Kids Camp, offered with the support of Variety-The Children's Charity The camp is staffed by health system volunteers and helps children in grades 1-12 express their feelings in a supportive environment Each year participating children make quilt squares, which are later used to create quilts representing each camp session In 2013, several quilts were selected for display at the Oak Ridge Children's Museum * Covenant Health hospitals are partnering with local organizations to perform assessments of health status and to identify the primary health issues affecting our region Once assessments are complete, the hospitals will be developing local programs and communicating availability of existing services to help address some of these health issues Community Benefit Report One of the most tangible expressions of the charitable purpose of Covenant Health is providing care to people in need As a not-for-profit system, Covenant Health provides medically necessary services to people with limited resources Covenant Health actively participates in the state's TennCare program, and collaborates with other area providers to identify and support efforts to make community healthcare resources available for those in need Summary of System Community Benefit Totals for Uncompensated Care 2013 Charity Care $48 5 million TennCare* $40 5 million Medicare* $71 1 million Total Uncompensated Care $160 1 million Each hospital in the Covenant Health system reports its specific Uncompensated Care on its Form 990 *Care which costs more to provide than reimbursements from state and national programs cover Covenant Health provides community benefit that far exceeds the value of its tax-exempt status 2013 Summary of Additional Community Benefit Health Professions Education Continuing education, preparation of future healthcare professionals $1,558,904 Subsidized Health Services Clinical services provided to meet community needs despite financial loss $18,815,965 Donations, Medical Missions and Community Building Funds and in-kind services donated to the community, including funds to support charitable endeavors and address challenges such as poverty and homelessness, as well as mission trips to areas outside the U S $3,438,855 Total Contributions $183,913,724

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	Covenant Health is a large, integrated health system which files twelve Forms 990 Methodist Medical Center is one of those twelve entitites Annually, at the September Finance Committee meeting, one of the twelve 990s is selected (a different entity each year) for distribution to each member of the Committee Management then reviews in detail each of the Form 990 schedules and describes variances between entities, if any The remaining eleven Forms are made available for review by any committee member The same presentation is made to the Covenant Health Board of Directors at the October meeting All twelve Forms 990 are then made available to all Board members for their review throughout the month of October

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	Board members, officers and employees are required to adhere to rules and policies regarding conflicts of interest Covenant Health, the parent company of the organization, distributes a Board-approved Code of Conduct to all employees The Code covers among other subjects, conflicts of interest Additionally managers are required to complete and sign an annual management certification that addresses conflicts of interest Board members' conflicts of interests are dealt with in the corporate bylaws and Board members are required to complete and sign a conflict of interest questionnaire on an annual basis The Integrity Compliance Office maintains records that contain conflict of interest information obtained from Board members, officers and employees These records are available to be queried prior to engaging in business transactions The Integrity Compliance Officer initially reviews all conflict of interest data Based on this information, the officer determines what conflicts of interest exist at that point in time Between times when surveys are collected Board members are expected to disclose any new conflicts that have arisen that affect pending Board decisions As well, managers and other employees are expected to report conflicts to the Integrity Compliance Officer as they arise Depending on the nature of the conflict and the circumstances surrounding the conflict and transaction, the Integrity Compliance Officer, Senior Leadership, or the Board of Directors may review the conflict of interest Where appropriate these bodies may also consult legal counsel Restrictions imposed on persons with a conflict of interest are determined on a case by case basis For Covenant Health employees, the Integrity Compliance Officer, in conjunction with Executive Leadership determines how to appropriately handle the conflict In any conflict involving a Board member, such member is expected to excuse himself or herself from voting on matters that give rise to the conflict

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	Overall compensation policies for Methodist Medical Center, Covenant Health (Parent Company), and affiliates are set by the Compensation Committee of the Board of Directors ("the Committee"), which is comprised of independent members of the Board The Committee is guided in its decision-making process by an independent, nationally-recognized executive compensation consultant experienced in advising nonprofit hospital boards Compensation policies for Anthony Spezia and John Geppi are reported on the 2013 Form 990 of Covenant Health, EIN 62-1646734 Form 990, Part VI, Section B, Line 15b Base salary and annual bonus opportunities for Michael Belbeck, President and Chief Administrative Officer, are set by the Covenant Health CEO or Executive Vice President-Human Resources, subject to approval of the Compensation Committee of the Covenant Health Board of Directors ("the Committee"), after review by and discussion with the executive compensation consultant ("the Consultant") to ensure that total compensation is reasonable and within a fair market value range Salary ranges are based upon the recommendations of the Consultant made after comparison with similar jobs in similar size health systems across the nation Bonuses are recommended by the CEO and approved by the Committee conditioned upon receipt of a written opinion from the Consultant that total compensation for the executive is reasonable and consistent with fair market value Base salary is initially targeted at midpoint and may vary according to the individual's experience, market conditions and competition Annual bonuses are designed to award 0-35% of base salary based upon system performance and accomplishment of certain targets established by the CEO Base salaries and annual bonus opportunities for Julie Utterback, Vice-President of Financial Services, and Susan Harris, Vice-President and Chief Nursing Officer, are based on established targets to ensure that total compensation for each executive is reasonable and within a fair market value range Salary ranges are based upon comparison with similar jobs in similar size health systems across the nation Base salaries and bonuses are approved by Executive Leadership predicated upon performance, and are reasonable and consistent with fair market value Base salaries are initially targeted at midpoint and may vary according to the individual's experience, market conditions and competition Annual bonuses are designed to award 0-20% of base salary based upon system performance and accomplishment of certain targets established by Executive Leadership

Return Reference	Explanation
Form 990, Part VI, Section C, line 19	Methodist Medical Center files a Joint Annual Report containing financial information with the Tennessee Department of Health Per its tax-exempt bond provisions, Covenant Health, the parent company of the organization, is required to file quarterly and annual consolidated and obligated group financial statements in addition to other documentation, with various bond insurers and other agencies, including the Electronic Municipal Market Access (EMMA) service of the Municipal Securities Rulemaking Board (MSRB) Any member of such a repository has access to these financial statements

Return Reference	Explanation
Form 990, Part VI, Section B, Line 16b	Methodist Medical Center (MMC) entered into a partnership agreement with Oak Ridge Healthcare Associates, LLC (ORHA) on October 15, 2010 for the purpose of developing, owning, and operating an assisted living community in Oak Ridge, TN ORHA is the managing partner of the assisted living community, which goes by the name of Canterfield of Oak Ridge The transaction, as well as any joint venture entered into by the hospital, is reviewed by executive management and legal counsel Canterfield posted a loss for 2013 which is reported on the 2013 Form 990-T for Methodist Medical Center

Return Reference	Explanation
Form 990, Part VI,Section A, Line 9	Contact addresses for officers, directors, etc Anthony L Spezia Covenant Health 100 Fort Sanders West Blvd Knoxville, TN 37922 John T Geppi, Larry Mauldin and all Directors Covenant Health 1420 Centerpoint Blvd, Bldg C Knoxville, TN 37932 All other persons listed in Part VII, Section A may be contacted at the organization's address, which is Methodist Medical Center 990 Oak Ridge Turnpike Oak Ridge, TN 37830

Return Reference	Explanation
Form 990, Part XI, line 9	Fund Balance Transfer to Covenant Health (Parent) -83,995,294 Book/Tax Difference Canterfield Schedule K-1 233,654

Return Reference	Explanation
Form 990, Part XII, Line 2c	The Finance Committee of the Board of Directors assumes responsibility for oversight of the audit of the consolidated financial statements and selection of an independent accountant

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493315022134

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 Medical Center

Employer identification number
62-0636239

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
(1) MMC Healthworks LLC 988 Oak Ridge Turnpike Ste L-50 Oak Ridge, TN 37830 02-0712412	Occupational health	TN	822,435	1,017,259	Methodist Medical Center

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? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Endoscopy Center of Oak Ridge LLC 988 Oak Ridge Turnpike Ste 200 Oak Ridge, TN 37830 62-1667358	Outpatient medical facility	TN	N/A									
(2) Fort Sanders West OP Surgery Center LLC 210 Fort Sanders West Blvd Ste 200 Knoxville, TN 37922 62-1366907	Outpatient surgery center	TN	N/A									
(3) Fort Sanders West Associates 280 Fort Sanders West Blvd Ste 214 Knoxville, TN 37922 62-1384171	Building ownership	TN	N/A									
(4) Assoc of the Meridian Health OP Surgery Ctr LLC 908 W 4th North St Morristown, TN 37814 86-1167487	Outpatient surgery center	TN	N/A									
(5) KOSC Properties LLC 256 Ft Sanders W Blvd Ste 200 Knoxville, TN 37922 26-2444076	Building ownership	TN	N/A									
(6) Knoxville Orthopaedic Surgery Center LLC 256 Ft Sanders W Blvd Ste 200 Knoxville, TN 37922 26-2437385	Orthopaedic surgery	TN	N/A									

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	(i) No
(1) Fortress Corporation 280 Ft Sanders West Blvd Ste 214 Knoxville, TN 37922 62-1308885	Management company	TN	N/A	C				Yes	
(2) Covenant Medical Group Inc 1400 Centerpoint BlvdBldg A Suite 1 Knoxville, TN 37932 62-1282917	Physician practice management	TN	N/A	C				Yes	
(3) Knoxville Heart Group 1819 Clinch Ave Ste 108 Knoxville, TN 37916 27-1528941	Cardiology medical practice	TN	N/A	C					No
(4) East TN Cardiovascular Surgery Group Inc 9125 Cross Park Dr Ste 200 Knoxville, TN 37923 62-1018541	Cardiovascular surgery practice	TN	N/A	C				Yes	

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

		Yes	No
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 orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		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) Endoscopy Center of Oak Ridge LLC	A	87,438	FMV
(2) East TN Cardiovascular Surgery Group Inc	A	38,352	FMV
(3) Covenant Medical Group Inc	A	581,373	FMV
(4) Fortress Corporation	A	7,109	FMV

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

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

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

Part VII Supplemental Information

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

Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 62-0636239
Name: Methodist Medical Center

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) Covenant Health 1420 Centerpoint Blvd Bldg C Knoxville, TN 379321960 62-1646734	Supporting organization	TN	501(c)(3)	Line 11b, II	N/A		No
(1) Covenant Homecare 3001 Lake Brook Blvd Ste 101 Knoxville, TN 37909 62-1623114	Home health services	TN	501(c)(3)	Line 9	Covenant Health		No
(2) Fort Loudoun Medical Center 550 Fort Loudoun Medical Ctr Dr Lenoir City, TN 37772 62-1373691	Acute care hospital	TN	501(c)(3)	Line 3	Covenant Health		No
(3) Fort Sanders Regional Medical Center 1901 W Clinch Ave Knoxville, TN 37916 62-0528340	Acute care hospital	TN	501(c)(3)	Line 3	Covenant Health		No
(4) Fort Sanders Foundation 280 Ft Sanders West Blvd Ste 202 Knoxville, TN 37922 62-1748601	Fundraising and patient outreach	TN	501(c)(3)	Line 11b, II	Covenant Health		No
(5) Fort Sanders Perinatal Center Trustees Tower Ste 304 501 19th St Knoxville, TN 37916 04-3760551	High risk obstetrical services	TN	501(c)(3)	Line 3	Fort Sanders Regional Medical Center		No
(6) LeConte Medical Center 742 Middle Creek Road Sevierville, TN 37862 62-1114867	Acute care hospital	TN	501(c)(3)	Line 3	Covenant Health		No
(7) Morristown-Hamblen Hospital Assoc dba M-H Healthcare System 908 W 4th North Street Morristown, TN 37814 62-0545814	Acute care hospital	TN	501(c)(3)	Line 3	Covenant Health		No
(8) Parkwest Medical Center 9352 Park West Blvd Knoxville, TN 37923 58-1897274	Acute care hospital and behavioral health services	TN	501(c)(3)	Line 3	Covenant Health		No
(9) Roane Co Medical Ctr dba Roane Medical Center 8045 Roane Medical Center Dr Harriman, TN 37748 68-0673354	Acute care hospital	TN	501(c)(3)	Line 3	Covenant Health		No
(10) Thompson Cancer Survival Center 1915 White Ave Knoxville, TN 37916 62-1250943	Cancer treatment facility	TN	501(c)(3)	Line 3	Covenant Health		No
(11) Thompson Oncology Group 1915 White Ave Knoxville, TN 37916 62-1619239	Oncology services	TN	501(c)(3)	Line 3	Thompson Cancer Survival Center		No
(12) Methodist Medical Center Foundation 990 Oak Ridge Turnpike Oak Ridge, TN 37830 62-1414205	Fundraising and patient outreach	TN	501(c)(3)	Line 11a, I	N/A		No
(13) Thompson Cancer Survival Center Foundation 1915 White Ave Knoxville, TN 37916 58-2130450	Fundraising and patient outreach	TN	501(c)(3)	Line 11b, II	Covenant Health		No

COVENANT HEALTH

Audited Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

PYA
Certified Public Accountants

COVENANT HEALTH

Audited Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Audited Consolidated Financial Statements

PYA
Certified Public Accountants

PERSHING YOAKLEY & ASSOCIATES, P.C.
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
www.pyapc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Covenant Health:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Covenant'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 estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant Health as of December 31, 2013 and 2012 and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
April 14, 2014

COVENANT HEALTH

Consolidated Balance Sheets
(Dollars in Thousands)

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 55,399	$ 36,168
Short-term investments	404	550
Assets limited as to use	23,030	24,568
Patient accounts receivable, less estimated allowances for uncollectible accounts of approximately $94,300 in 2013 and $77,900 in 2012	96,912	93,541
Other current assets	44,018	44,341
TOTAL CURRENT ASSETS	219,763	199,168
ASSETS LIMITED AS TO USE, less amounts required to meet current obligations	24,703	41,842
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation and amortization	660,204	683,975
OTHER ASSETS		
Long-term investments	1,007,058	961,990
Bond and note issuance costs, net of accumulated amortization of $9,455 in 2013 and $8,333 in 2012	9,933	11,032
Goodwill	8,553	8,553
Other assets	11,158	12,818
TOTAL OTHER ASSETS	1,036,702	994,393
	$ 1,941,372	$ 1,919,378

COVENANT HEALTH

Consolidated Balance Sheets - Continued
(Dollars in Thousands)

	December 31, 2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Trade accounts payable, accrued expenses and other liabilities	**$ 120,593**	$ 131,132
Accrued salaries, wages, compensated absences and amounts withheld	**55,644**	51,142
Estimated third-party payer settlements	**9,119**	12,626
Current portion of long-term debt and capital lease obligations	**12,196**	21,771
TOTAL CURRENT LIABILITIES	**197,552**	216,671
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	**705,260**	728,622
OTHER LONG-TERM LIABILITIES	**51,799**	66,818
TOTAL LIABILITIES	**954,611**	1,012,111
COMMITMENTS, CONTINGENCIES AND OTHER - Note I		
NET ASSETS		
Unrestricted	**977,415**	897,789
Temporarily restricted	**9,346**	9,478
TOTAL NET ASSETS	**986,761**	907,267
	$ 1,941,372	$ 1,919,378

COVENANT HEALTH

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

	Year Ended December 31,	
	2013	***2012***
Change in unrestricted net assets:		
Unrestricted revenue and support:		
Patient service revenue, net of contractual adjustments and discounts	**$ 1,111,397**	$ 1,088,843
Provision for bad debts	**(101,014)**	(86,197)
Net patient service revenue	**1,010,383**	1,002,646
Other operating revenue	**63,954**	45,917
Net assets released from restrictions used for operations	**2,563**	2,552
TOTAL REVENUE AND SUPPORT	**1,076,900**	1,051,115
Expenses:		
Salaries and benefits	**513,013**	505,955
Supplies and other	**465,979**	457,576
Provision for depreciation and amortization	**70,301**	68,477
Interest	**14,076**	18,730
TOTAL OPERATING EXPENSES	**1,063,369**	1,050,738
INCOME FROM CONTINUING OPERATIONS	**13,531**	377
Non-operating gains (losses):		
Investment income	**26,977**	35,012
Gain (loss) on early extinguishment of debt - Note F	**309**	(3,242)
NET NON-OPERATING GAINS	**27,286**	31,770
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES FROM CONTINUING OPERATIONS	**40,817**	32,147
Additional gain on sale of discontinued operations - Note N	**-**	14,320
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	**40,817**	46,467
Change in net unrealized gains on investments	**37,990**	36,748
Contributions of property	**482**	925
Net assets released from restrictions for capital additions	**337**	271
INCREASE IN UNRESTRICTED NET ASSETS	**79,626**	84,411

COVENANT HEALTH

Consolidated Statements of Operations and Changes in Net Assets - Continued
(Dollars in Thousands)

	Year Ended December 31,	
	2013	***2012***
Change in temporarily restricted net assets:		
Restricted gifts and bequests	**2,598**	3,238
Investment income and realized/unrealized net losses on investments	**170**	107
Net assets released from restrictions	**(2,900)**	(2,823)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	**(132)**	522
INCREASE IN NET ASSETS	**79,494**	84,933
NET ASSETS, BEGINNING OF YEAR	**907,267**	822,334
NET ASSETS, END OF YEAR	**$ 986,761**	$ 907,267

COVENANT HEALTH

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31,	
	2013	*2012*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	**$ 79,494**	$ 84,933
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Provision for depreciation and amortization	**70,301**	68,477
Net realized and unrealized gains on investments and assets limited as to use	**(44,669)**	(53,775)
Discount amortization on capital appreciation bonds	**3,190**	10,974
Property contributions	**(482)**	(925)
Restricted contributions	**(2,598)**	(3,238)
Loss (gain) on early extinguishment of debt	**(309)**	3,242
Gain on sale of previously discontinued operations	**-**	(14,320)
Increase (decrease) in cash due to changes in:		
Patient accounts receivable	**(3,371)**	5,044
Other current assets	**323**	(218)
Other assets	**(1,017)**	(2,705)
Trade accounts payable, accrued expenses and other liabilities	**(7,673)**	4,709
Accrued salaries, wages, compensated absences and amounts withheld	**4,502**	3,378
Estimated third-party payer settlements	**(3,507)**	578
Other long-term liabilities	**(15,019)**	(18,115)
Total adjustments	**(329)**	3,106
NET CASH PROVIDED BY OPERATING ACTIVITIES	**79,165**	88,039
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(48,988)**	(105,454)
Proceeds from sale of property, plant and equipment	**376**	1,176
Purchases of investments	**(170,091)**	(231,315)
Proceeds from redemption or maturities of investments	**168,634**	226,585
Decrease in assets limited as to use	**19,881**	33,452
Investment in unconsolidated affiliates	**-**	(159)
Goodwill acquired	**-**	(6,522)
Distributions from unconsolidated affiliates	**2,294**	2,250
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(27,894)**	(79,987)

See notes to consolidated financial statements.

COVENANT HEALTH

Consolidated Statements of Cash Flows - Continued
(Dollars in Thousands)

	Year Ended December 31,	
	2013	***2012***
Additional gain on sale of discontinued operations	-	15,073
NET CASH USED IN INVESTING ACTIVITIES	**(27,894)**	(64,914)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	160,753
Redemption of debt	**(9,691)**	(159,636)
Repayment of debt and capital lease obligations	**(24,925)**	(21,057)
Payment of acquisition and financing costs	**(22)**	(804)
Proceeds from restricted contributions	**2,598**	3,238
NET CASH USED IN FINANCING ACTIVITIES	**(32,040)**	(17,506)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**19,231**	5,619
CASH AND CASH EQUIVALENTS, beginning of year	**36,168**	30,549
CASH AND CASH EQUIVALENTS, end of year	**$ 55,399**	$ 36,168
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	**$ 9,790**	$ 8,921
Capital additions in accounts payable	**$ 1,859**	$ 4,724
Equipment acquired through capital lease arrangements	**$ -**	$ 1,812

NOTE A--ORGANIZATION AND OPERATIONS

Covenant Health (Covenant) is a tax-exempt entity as described under Section 501(c)(3) of the Internal Revenue Code. The operations of Covenant and its subsidiaries consist predominantly of the delivery of healthcare and healthcare related services in East Tennessee. Covenant provides management services to, and is the sole member or majority shareholder of, numerous controlled or subsidiary entities, the most significant of which are:

Fort Sanders Regional Medical Center (FSRMC) operates a 541-bed acute care facility located in Knoxville, Tennessee.

Parkwest Medical Center (PMC) operates 462 acute care beds, consisting of a 307-bed acute care facility located in Knoxville, Tennessee, and a 155-bed inpatient behavior health facility located in Louisville, Tennessee and outpatient behavioral medicine facilities in various locations in East Tennessee.

Methodist Medical Center of Oak Ridge (MMC) operates a 301-bed acute care facility located in Oak Ridge, Tennessee, and sponsors *Methodist Medical Center Foundation* which was formed primarily to raise funds on behalf of MMC.

Morristown-Hamblen HealthCare System (MHHS) operates a 167-bed acute care hospital located in Morristown, Tennessee. MHHS is the sole member of *Morristown-Hamblen Health Foundation* whose purpose is primarily to raise funds on behalf of MHHS.

LeConte Medical Center (LMC) operates a 133-bed acute care and extended care facility located in Sevierville, Tennessee.

Roane Medical Center (RMC) operates a 54-bed acute care facility located in Harriman, Tennessee.

Fort Loudoun Medical Center (FLMC) leases and operates a 50-bed acute care facility located in Lenoir City, Tennessee (see Note I).

The Thompson Cancer Survival Center (TCSC) *and Subsidiary* is located in Knoxville, Tennessee, and operates specialty cancer treatment facilities and oncology physician practices. *The Thompson Cancer Survival Center Foundation* (TCSCF) has been established to support TCSC's operations.

Covenant HomeCare (CHC) is a not-for-profit entity which provides home health and hospice services in East Tennessee.

(Dollars in Thousands)

Covenant Medical Management (CMM) is a for-profit entity whose major operations include ownership of physician practices in East Tennessee and the provision of physician management and support services. CMM also has an ownership in three surgery center joint ventures.

Fortress Corporation (Fortress) is a for-profit entity located in Knoxville, Tennessee, whose operations include a daycare center, a health and fitness facility and real estate services. Fortress also holds an interest in a long-term care facility and has an ownership in other joint ventures and partnerships.

Fort Sanders Foundation (FSF) is a not-for-profit foundation formed to coordinate the fundraising and development activities of Covenant.

Covenant, FSRMC, PMC, MMC, LMC, FLMC, TCSC and CHC collectively comprise the Covenant Obligated Group (see Note F).

Covenant (or a subsidiary) is an owner in numerous partnerships or joint ventures which are accounted for under the equity method of accounting. Covenant's ownership in the equity of these entities is included as part of Other Assets and Covenant's equity in the income of these entities totaled $1,487 and $3,513 for the years ended December 31, 2013 and 2012, respectively, and is included in Other Operating Revenue in the accompanying consolidated financial statements. Certain owners in these joint ventures are physicians that practice at Covenant facilities.

The following is combined, condensed, unaudited financial information related to these entities as of and for the years ended December 31, 2013 and 2012:

	2013	*2012*
Total assets	$ 33,743	$ 34,288
Partner's capital/equity	12,873	12,491
Net income	5,474	5,340

Additionally, certain of Covenant's subsidiaries are obligated on all or a portion of the outstanding debt of several of these joint ventures totaling approximately $2,900 at December 31, 2013. Management believes it is unlikely Covenant or its subsidiaries will be required to fund any guarantees.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Covenant and its subsidiaries after elimination of all significant intercompany accounts and transactions.

Use of Estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents: Cash and cash equivalents includes cash on-hand and in bank deposit accounts, as well as investments with terms to maturity of less than ninety days when purchased, except amounts designated as assets limited as to use or amounts included in investment portfolios. Covenant has cash deposits significantly in excess of Federal Deposit Insurance Corporation limits at December 31, 2013. Management believes that credit risk related to these deposits is minimal.

Investments and Assets Limited as to Use: All debt securities and marketable equity securities with readily determinable fair values are valued at fair value based on quoted market prices of identical or similar securities as of the date of the Consolidated Balance Sheets. Investments in collective trust funds are also valued at estimated fair value as determined by the fund manager, based on quoted market prices of the underlying investments which have readily determinable market values. Investments in alternative investments do not have a readily determinable fair value and are stated at cost or estimated fair value if determined to be other-than-temporarily impaired. Investment portfolios are classified as current or long-term assets dependent upon the objectives of the portfolio relative to current operations.

Assets limited as to use are primarily those held by bond trustees and generally consist of bond proceeds designated for capital projects as well as amounts designated for debt service as required by bond indentures. Assets limited as to use also include amounts held related to employee benefit plans. Amounts required to meet current liabilities are shown as current assets in the Consolidated Balance Sheets.

Investment income, including realized gains or losses and any other-than-temporary unrealized losses, is reported as non-operating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets. Realized gains and losses are computed using the specific-identification method of cost determination. The change in unrealized gains and losses for other-

than-trading securities is excluded from "Excess of Revenue, Gains and Support Over Expenses and Losses from Continuing Operations" except for any other-than-temporary impairment losses.

Inventories: Inventories of medical supplies are stated at the lower of cost (average cost method) or market and are reported as other current assets in the Consolidated Balance Sheets.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost or, if donated, at fair market value on the date of gift. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets. Costs of maintenance and repairs are expensed as incurred.

Generally, costs incurred for internal use software related to design, installation and testing of the applications are capitalized as incurred. All other costs, including maintenance, minor upgrades, enhancements and training, are expensed as incurred.

Depreciation is provided over the estimated useful lives of the related assets principally under the straight-line method. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Such amortization is included in the provision for depreciation and amortization in the consolidated financial statements.

Covenant periodically reviews property for indicators of potential impairment. If this review indicates that the carrying amount of these assets may not be recoverable, Covenant estimates the future cash flows expected to result from the operations of the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, a write-down to estimated fair value is recorded.

Bond and Note Issuance Costs: Bond and note issuance costs are amortized over the terms of the related debt issues under the straight-line method. Amortization expense for bond and note issue costs totaled approximately $1,122 and $1,300 for the years ended December 31, 2013 and 2012, respectively.

Goodwill: Goodwill represents the excess purchase price over the assigned fair value of identifiable tangible assets and separately identified intangible assets acquired in the acquisition of various entities. Management annually evaluates goodwill for impairment and records any reduction in goodwill in the period such impairment is determined. Management believes no such impairment exists at December 31, 2013.

Temporarily Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. The majority of temporarily restricted net assets are restricted to programs of specific Covenant entities.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payers and estimated provisions for uncollectible accounts. Retroactive adjustments are reported on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or additional information is obtained.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare and other third-party payment programs. The allowance for uncollectible accounts is estimated based upon the age of the patient accounts receivable, prior experience and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectability of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take. Covenant's policy does not require collateral or other security for patient accounts receivable and Covenant routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Uncompensated Care: Covenant provides care without charge to patients who meet certain criteria under its charity care policy. Because Covenant does not pursue collection of amounts determined to qualify as charity care, or other standardized discounts, they are not reported as net patient revenue. Charges foregone, based on established rates, totaled approximately $109,700 and $110,500 in 2013 and 2012, respectively, including standardized discounts for certain uninsured patients. The estimated direct and indirect cost of providing these services totaled approximately $29,000 and $29,900 for the years ended December 31, 2013 and 2012, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated. In addition, Covenant provides a number of other services to benefit the indigent for which little or no payment is received. Medicare, TennCare and certain other programs do not cover the full cost of providing care to beneficiaries of those programs. Covenant also provides services to the community at large for which it receives little or no payment.

Estimated Malpractice Costs: The provision for estimated medical malpractice claims includes estimates of the ultimate costs for reported claims and includes an estimate for claims incurred but not reported (See Note I).

Income Taxes: Covenant and certain of its subsidiaries or controlled entities are exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes on qualifying activities has been made for these entities in the accompanying consolidated financial statements. However, certain entities and operations are subject to income taxes which are accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes* (See Note G).

Excess of Revenue, Gains and Support Over Expenses and Losses from Continuing Operations: The Consolidated Statements of Operations and Changes in Net Assets includes the caption "Excess of Revenue, Gains and Support Over Expenses and Losses from Continuing Operations." Consistent with industry practice, changes in unrestricted net assets which are excluded from this caption include, but are not limited to, unrealized gains and losses (except losses which are determined to be other-than-temporary and on trading securities) and capital contributions.

Fair Value of Financial Instruments: The fair value of Covenant's financial instruments, other than certain investments which are discussed in Note D and long-term debt discussed in Note F, approximates their carrying value due to the nature and terms of these assets and liabilities. Patient accounts receivable; other assets; accounts payable, accrued expenses, and other liabilities; accrued salaries, wages, compensated absences and other amounts withheld; and estimated third-party payer settlements have short maturities or will otherwise be settled within a short period of time. The fair value of financial instruments reported as part of other long-term liabilities is not estimable, due to the unpredictable timing of the payments and the nature of the estimates involved (primarily estimated professional and worker's compensation liabilities and deferred revenue from a provider agreement discussed in Note N.)

Subsequent Events: Covenant has evaluated all events or transactions that occurred after December 31, 2013 through April 14, 2014, the date the consolidated financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the consolidated financial statements other than as disclosed in Notes F and O.

NOTE C--NET PATIENT SERVICE REVENUE/RECEIVABLES

Covenant has agreements with various third-party payers that provide for payments at amounts different from established rates. The difference between the rates charged and the estimated payments from third-party payers is recorded as a reduction of gross patient charges. Amounts recorded under certain of these contractual arrangements are subject to review and final determination by various program intermediaries. Management believes that adequate provision

has been made for any adjustments which may result from such reviews. However, due to uncertainties in the estimates, it is at least reasonably possible that management's estimates will change in 2014, although the amount of the change cannot be estimated. Net patient service revenue for the years ended December 31, 2013 and 2012 increased by approximately $5,400 and $10,250, respectively, as a result of changes in or adjustments to prior years' estimates or final settlements of prior periods. The 2012 amount includes a payment from Medicare for the settlement of a lawsuit related to rural floor budget neutrality adjustment of approximately $8,700.

A summary of the payment arrangements with significant third-party payers follows:

Medicare: Services are rendered to patients under contractual arrangements with the Medicare program or its designated agents. At December 31, 2013 and 2012, approximately 56% and 53%, respectively, of Covenant's net patient accounts receivable were due from the Medicare program. The Medicare program pays for inpatient and most outpatient service on a prospective basis based upon the patient's clinical diagnosis and medical procedures utilized. Covenant also receives additional payments from Medicare based on the provision of services to a disproportionate share of TennCare and other low income patients, as well as other pass-through payments. The Medicare program continues to reimburse certain other services based on a percentage of cost up to predetermined cost limits. Certain other revenue, primarily from physician practices, is reimbursed based upon rate schedules.

The Recovery Audit Contractors (RAC) program was created by legislation to detect and correct improper payments under the Medicare and Medicaid programs. Management believes that any amounts payable related to audits through the RAC programs will not have a significant impact on the consolidated financial statements. However, due to the uncertainties involved, management's estimate could change in the future.

TennCare: The State of Tennessee's Medicaid waiver program (TennCare) provides coverage through managed care organizations (MCOs) and Covenant has contracts with several of these MCOs. At December 31, 2013 and 2012, approximately 10% and 11%, respectively of Covenant's net patient accounts receivable were from the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem rates. During 2013 and 2012, Covenant received additional distributions under the TennCare Essential Access program and other programs totaling approximately $6,750 and $8,410, respectively, designed to provide supplemental funding for services provided to TennCare patients. Future distributions under these programs are not guaranteed.

(Dollars in Thousands)

Other: Covenant has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. In addition, for uninsured patients, Covenant reduces charges from current rates based on average discounts provided to certain third-party payers.

Covenant also provides services to uninsured and underinsured patients that do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay for their responsible amounts for services provided and a significant provision for bad debts is recorded in the period services are provided. Management has determined that patient service revenue is generally recorded prior to assessing the patient's ability to pay and, as such, the entire provision for bad debts is deducted from net patient service revenue.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts) is composed of the following for the years ended December 31:

	2013	*2012*
Third-party payers	$ 1,027,351	$ 1,035,603
Self-pay patients	84,046	53,240
	$ 1,111,397	$ 1,088,843

Patient accounts receivable is recorded net of estimated allowances for uncollectible accounts as follows at December 31:

	2013	*2012*
Third-party payers	$ 24,791	$ 16,903
Self-pay patients	69,474	61,013
Total estimated allowances for uncollectible accounts	$ 94,265	$ 77,916

Covenant's estimated allowance for uncollectible accounts for self-pay patients increased from approximately 96% of self-pay accounts receivable at December 31, 2012 to approximately 98% of self-pay accounts receivable at December 31, 2013. Patient service revenue that has been written off as bad debt was approximately $64,900 and $60,100 for the years ended December 31, 2013 and 2012, respectively.

Covenant's estimated allowance for uncollectible accounts for the patient portion of third-party payers increased from approximately 67% of the patient portion of the accounts receivable at December 31, 2012, to approximately 81% of the patient portion of the accounts receivable at

(Dollars in Thousands)

December 31, 2013. The increase in the estimated allowance percentage is due to a deterioration in the historical collection experience for the patient portion of the account and impact related to the Affordable Care Act. The portion of patient service revenue from third-party payers which is the responsibility of the patient and that has been written off as bad debt was approximately $19,200 and $20,900 for the years ended December 31, 2013 and 2012, respectively.

NOTE D--INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use consist of the following at December 31:

	2013	*2012*
Short-Term Investment Portfolio		
Cash and cash equivalents	$ 6	$ 38
Other	398	512
	404	550
Long-Term Investment Portfolio		
Cash and cash equivalents	6,698	18,544
U.S. Government and Agency securities, including mortgage-backed securities	127,976	95,884
U.S. Government inflation indexed securities	78,255	81,345
Municipal bonds	50,347	59,897
Corporate debt	317,960	343,552
Stock mutual funds	274,870	234,104
International equity securities	26,059	20,598
Collective trust funds	41,836	37,063
Alternative investments (cost)	83,057	71,003
	1,007,058	961,990
Assets Limited as to Use		
Cash, cash equivalents and commercial paper	19,573	21,909
U.S. Government and Agency securities, including mortgage-backed securities	15,587	34,914
Other	12,573	9,587
	47,733	66,410
TOTAL INVESTMENTS AND ASSETS LIMITED AS TO USE	$ 1,055,195	$ 1,028,950

Collective trust funds and the alternative investments include ownership in various funds that are structured as limited liability companies, limited partnerships or offshore limited partnerships. The funds have a wide range of investment strategies with various levels of risk.

(Dollars in Thousands)

Certain investments are managed by a company, an officer of which is a member of Covenant's Board of Directors.

Unrestricted investment income, gains and losses on assets limited as to use, cash equivalents and investments consists of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Investment Income:		
Interest and dividends	$ 21,544	$ 19,400
Net realized gains:		
Securities carried at fair value	6,679	15,881
Securities carried at cost	-	1,045
	28,223	36,326
Less: Investment expenses	(1,246)	(1,314)
Investment income reported as non-operating	$ 26,977	$ 35,012
Other changes in unrestricted net assets:		
Change in net unrealized gains/losses on investments		
Debt and equity securities	$ 33,151	$ 40,349
Other investments	4,839	(3,601)
	$ 37,990	$ 36,748

The age of gross unrealized losses on investments and assets limited as to use that are not considered other-than-temporarily impaired as of December 31, 2013 and 2012 are as follows:

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2013						
U.S. Government and Agency securities	$ 80,929	$ (1,489)	$ 26,625	$ (899)	$ 107,554	$ (2,388)
Municipal bonds	3,161	(9)	-	-	3,161	(9)
Corporate debt	32,328	(298)	-	-	32,328	(298)
International equity securities	1,409	(360)	3,497	(830)	4,906	(1,190)
Alternative investments, at cost	-	-	7,242	(3,178)	7,242	(3,178)
	$ 117,827	$ (2,156)	$ 37,364	$ (4,907)	$ 155,191	$ (7,063)

(Dollars in Thousands)

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2012						
U.S. Government and Agency securities	$ 24,164	$ (56)	$ -	$ -	$ 24,164	$ (56)
Municipal bonds	3,617	(19)	-	-	3,617	(19)
Corporate debt	8,606	(223)	-	-	8,606	(223)
Equity mutual funds	-	-	29,853	(2,097)	29,853	(2,097)
International equity securities	2,145	(426)	4,206	(1,639)	6,351	(2,065)
Alternative investments, at cost	-	-	6,548	(3,872)	6,548	(3,872)
	$ 38,532	$ (724)	$ 40,607	$ (7,608)	$ 79,139	$ (8,332)

Management believes, based on their analysis, that investments listed above with unrealized losses at December 31, 2013 are not other-than-temporarily impaired. Such analysis includes industry outlooks and input from investment consultants. Due to uncertainties in the financial market, it is at least reasonably possible that management's estimate may change in 2014.

NOTE E--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31, 2013 and 2012:

	2013	2012
Land and land improvements	$ 74,503	$ 69,200
Buildings and leasehold improvements	752,863	700,996
Equipment	678,793	627,450
Equipment held under capital leases	7,290	7,185
	1,513,449	1,404,831
Less: allowances for depreciation and amortization	(865,983)	(796,485)
	647,466	608,346
Projects in progress - Note I	12,738	75,629
	$ 660,204	$ 683,975

During 2012, Covenant capitalized interest expense on construction projects totaling $2,126, which includes an arbitrage rebate of $2,325 and is net of investment earnings on acquisition fund assets of $717. No significant amount of interest expense was capitalized in 2013.

(Dollars in Thousands)

NOTE F--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations consist of the following:

Description	*Maturities (at December 2013)*	*Rates*	*Outstanding Balance 2013*	*2012*
2012 Bonds	$107,555 serially from 2019 through 2026, net of premium of $14,054 in 2013 and $15,226 in 2012	2.5% to 5%	$ 121,609	$ 122,781
2012 Note	$37,875 variable rate revenue note	Variable	37,875	37,875
2011 Bonds	$102,400 variable rate securities due through 2033	Variable	102,400	103,060
2011 Note	$135,500 variable rate revenue note	Variable	135,500	135,500
2006 Bonds	$46,245 capital appreciation bonds due through 2042, net of discount of $240 in 2013 and $249 in 2012	5.01% to 5.08%	65,398	62,200
	$125,000 variable rate bank note, final maturity in 2046, net of discount of $410 in 2013 and $423 in 2012	Variable	124,590	124,577
2002 Bonds	$94,200 auction rate securities, final maturity in 2023 and 2033	Variable	94,200	97,325
1993 Bonds	$31,340 serially through 2015, net of premium of $76 in 2013 and $230 in 2012	5.25% to 5.75%	31,416	60,475
Notes Payable	Maturing through 2018	Variable	3,745	4,817
Capitalized lease obligations	Maturing through 2015	3.0% to 5.25%	723	1,783
			717,456	750,393
Less: Current portion of long-term debt and capital lease obligations			(12,196)	(21,771)
			$ 705,260	$ 728,622

During 2012, Covenant issued $107,555 of Hospital Revenue Refunding Bonds, Series 2012 (the 2012 Bonds) through The Health, Educational and Housing Facility Board of the County of Knox, Tennessee. The 2012 Bonds are secured by an interest in the gross receipts of certain members of Covenant (the Obligated Group).

Additionally, during 2012 Covenant issued a revenue note in the amount of $37,875 through a lender with The Health, Educational and Housing Facility Board of the County of Knox, Tennessee (the 2012 Note). The 2012 Note bears interest, payable quarterly, at a rate equal to 70% of the one-month London Interbank Offered Rate (LIBOR) plus a margin (0.55% at December 31, 2013) based on the loan rating assigned by rating agencies. The variable rate averaged approximately 0.7% during 2013. The 2012 Note is secured by an interest in the gross receipts of the Obligated Group.

The proceeds of the 2012 Bonds and 2012 Note were used to redeem a portion of Covenant's outstanding 2002 Hospital Revenue Refunding and Improvement Bonds (the 2002 Bonds)

consisting of $145,316 of capital appreciation bonds and $14,320 of current interest bonds and were deposited into an irrevocable escrow fund in amounts sufficient to pay all applicable principal maturities refunded. Covenant recognized a loss on early extinguishment of the 2002 Bonds of $3,242 which includes unamortized insurance premiums and other bond issuance costs.

During 2011, Covenant issued $103,700 of Hospital Revenue Refunding Bonds, Series 2011 (the 2011 Bonds) through The Health, Educational and Housing Facility Board of the County of Knox, Tennessee. The 2011 Bonds bear interest at a variable rate, initially adjusted weekly, as determined by the remarketing agent. The average weekly rate was approximately 0.1% during 2013 and 0.2% during 2012, exclusive of remarketing fees. Mandatory sinking fund redemptions are due annually on January 1 at varying amounts ranging from $660 to $14,830 through 2033. The 2011 Bonds are secured by an interest in the gross receipts of the Obligated Group. The 2011 Bonds are subject to tender for purchase on any business day and are secured by irrevocable direct pay letters of credit which permit an amount to be drawn equal to the outstanding principal plus 52 days of interest. The credit facilities expire on March 24, 2014. Subsequent to yearend, the Bonds were converted to bank-held variable interest rate bonds. The bank-held bonds bear interest at a variable rate equal to 67% of the one-month LIBOR plus 54 basis points.

The proceeds of the 2011 Bonds were used to acquire $122,000 of the outstanding auction rate securities of Covenant's 2002 Bonds.

Additionally, during 2011 Covenant issued a revenue note in the amount of $135,500 through a lender with The Health, Educational and Housing Facility Board of the County of Knox, Tennessee (the 2011 Note). The 2011 Note bears interest, payable monthly, at the seven-day high-grade market index of tax-exempt variable rate demand obligations as published by the Securities Industry & Financial Markets Association (the SIFMA Index Rate) plus a margin (0.7% at December 31, 2013) based on the loan rating assigned by rating agencies. The average variable rate, including the margin, was approximately 0.8% and 0.9% during 2013 and 2012, respectively. The 2011 Note expires on September 16, 2016 and is secured by an interest in the gross receipts of the Obligated Group. On or before the expiration date, Covenant intends to renew, extend or replace this 2011 Note with available financing options with a final maturity in 2033.

The proceeds of the 2011 Note were used to refund a portion of Covenant's 2006 Hospital Revenue Refunding and Improvement Bond (the 2006 Bonds) totaling $35,500 and to provide financing for facility and equipment improvements.

During 2006, Covenant issued $206,745 of Hospital Revenue Refunding and Improvement Bonds (the 2006 Bonds) through The Health, Educational and Housing Facility Board of the County of Knox, Tennessee. The 2006 Bonds consisted of $46,245 of uninsured capital

appreciation bonds maturing through January 2042 and $160,500 of insured auction rate securities with a final maturity date of January 1, 2046. A portion of the proceeds from these bonds were used to refund portions of certain maturities of Covenant's 2002 Bonds and were deposited into an irrevocable escrow fund in amounts sufficient to pay all applicable principal maturities refunded. The principal amounts outstanding on the advanced refunded 2002 Bonds were redeemed on January 1, 2013, in accordance with the escrow deposit agreement. The remaining portion of the 2006 Bonds proceeds were deposited into an acquisition fund for capital improvements of Covenant or used to pay issuance costs.

During 2008, the 2006 auction rate securities were converted to a variable rate determined daily by the remarketing agent based upon comparable tax-exempt obligations. On September 15, 2011, $125,000 of these variable rate securities were converted to a bank-held variable interest rate note with a lender. The bank-held bonds bear interest at a variable rate equal to 75% of the one-month LIBOR plus an additional margin (0.6% at December 31, 2013) based on the credit rating of Covenant and the bond insurer, whichever is higher. The rate may also increase if the Federal Corporate Tax rate decreases. The average variable interest rate after the conversion was .07% and 0.8%, including the margin, during 2013 and 2012, respectively. The bank-held bonds interest rate period ends on September 16, 2016 at which point the bonds will be converted to another interest rate mode. The principal and interest payments are guaranteed by insurance policies.

With respect to the 2006 capital appreciation bonds, the maturity amount is $222,465. Covenant is accreting the difference between the principal amount and the maturity amount as interest expense over the term of the bonds using the bonds outstanding method. The capital appreciation bonds are subject to early redemption on or after January 1, 2017 at a redemption price equal to their compound accreted value as of the redemption date without premium. These 2006 capital appreciation bonds are secured by an interest in the gross receipts of the Obligated Group.

The 2006 Bonds are subject to extraordinary and early redemption. The 2006 Bonds are callable for redemption prior to maturity in the event of damage to or destruction of projects funded, as defined in the agreement. Covenant has requirements to make principal debt service payments on the outstanding 2006 Bonds ranging from $3,500 in 2026 to $28,755 in 2042.

During 2002, Covenant issued $374,957 of Hospital Revenue Refunding and Improvement Bonds (the 2002 Bonds) through The Health, Educational and Housing Facility Board of the County of Knox, Tennessee. The 2002 Bonds consisted of three issues of current interest bonds (both insured and uninsured) totaling $62,640 (redeemed during 2012); $82,617 of insured capital appreciation bonds (redeemed during 2012); and $229,700 of insured auction rate securities with final maturity dates of January 1, 2023 and 2033.

(Dollars in Thousands)

With respect to the remaining 2002 auction rate (variable rate) securities, Covenant may elect to convert these bonds to fixed rate debt at any interest payment date. The maximum bond interest rate for the 2002 auction rate securities is based on various published indices, not to exceed the maximum lawful rate and averaged approximately 0.2% and 0.3% for the years ended December 31, 2013 and 2012, respectively. In the event such conversion occurs, these bonds are subject to a mandatory tender to repurchase. Covenant refinanced a portion of these securities through the 2011 Bonds discussed earlier. Additionally, during 2013, Covenant redeemed $2,500 of these securities and recognized a gain of $309. The remaining 2002 auction rate securities are secured by an interest in the gross receipts of the Obligated Group.

Under the terms of the various bond indentures, Covenant is subject to a number of affirmative and negative covenants, including restrictions on the incurrence of additional debt, the maintenance of specific financial ratios, and restrictions on the transfer of assets. In the event such covenants are not met, Covenant may be required to fund a debt service reserve fund, pledge assets as collateral or take other actions as required under the Master Trust Indenture. Management believes Covenant is in compliance with all such requirements at December 31, 2013.

The scheduled maturities and mandatory principal debt service payments of the long-term debt and capital lease obligations (excluding interest), exclusive of net unamortized original issue discounts and premiums, are as follows:

Year Ending December 31,	
2014	$ 12,196
2015	22,950
2016	13,864
2017	14,332
2018	14,572
Thereafter	626,062
	703,976
Net premiums	13,480
	$ 717,456

NOTE G--INCOME TAXES

Fortress and CMM (the For-Profit Subsidiaries) file a group consolidated federal, and separate company state income tax returns and account for income taxes under the provisions of FASB Accounting Standards Codification 740, *Income Taxes*. As of December 31, 2013 and 2012, the For-Profit Subsidiaries have net operating loss carryforward for federal income tax purposes of

approximately $30,300 and $18,200, respectively, and for state purposes, approximately $73,000 and $59,200, respectively. These carryforward amounts relate to operating losses generated in prior years which expire through 2033. The remaining net operating loss carryforward may be offset against the future taxable income of each respective group or company.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of combined deferred taxes at December 31, 2013 and 2012 include deferred tax assets of approximately $15,050 and $10,030, respectively, related to net operating loss carryforwards. Other deferred tax assets total approximately $4,300 and $5,900 at December 31, 2013 and 2012, respectively, and relate to other temporary differences; primarily deferred salaries and book/tax differences in income from partnership investments.

Deferred tax liabilities of approximately $161 and $599 at December 31, 2013 and 2012, respectively, relate primarily to book/tax differences in depreciation and amortization. Valuation allowances have been established for all net deferred tax assets as of December 31, 2013 and 2012.

Covenant had no unrecognized tax benefits at December 31, 2013 and 2012. As such, no interest or penalties were recognized in the Consolidated Statements of Operations related to unrecognized tax benefits. At December 31, 2013, tax returns for 2010 through 2013 are subject to examination by the Internal Revenue Service. Covenant has no uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles at December 31, 2013 or 2012.

NOTE H--RETIREMENT PLANS

Covenant sponsors defined contribution plans (401(k) and 403(b) plans) for substantially all full-time employees meeting specified age and service requirements. Under these plans, during 2013 and 2012, Covenant made a discretionary matching contribution of up to 6% of participants' eligible wages. Additionally, Covenant sponsors a non-qualified retirement plan for certain members of management to defer a portion of their income. During 2013 and 2012, Covenant made a discretionary contribution of 4.5% of compensation, as defined, to this plan. Expenses related to all retirement plans totaled approximately $12,900 and $12,700 in 2013 and 2012, respectively.

NOTE I--COMMITMENTS, CONTINGENCIES AND OTHER

Professional Liability: Covenant and subsidiaries maintain insurance policies to protect from catastrophic medical malpractice or general liability exposure. The primary policy obligates

Covenant for the first $1,000 per occurrence for any claim (including claim expenses) made during the period per the Self-Insured Retention (SIR) policy. The total SIR obligation is $14,000 annually. Beyond the SIR obligation, Covenant's policy of insurance provides a $35,000 limit of insurance as protection for such insured liabilities. This limit of liability applies "per occurrence" and in the "annual aggregate" for any claims made during the policy period.

Additionally, Covenant maintains insurance policies for employed physicians of a minimum of $1,000 per incident with an annual aggregate of $3,000 per insured professional.

An estimated reserve for ultimate losses on claims reported and claims incurred but not reported is established (undiscounted) based upon an actuarial study and is included in accrued expenses or other long-term liabilities based on management's estimate of when such claims will be paid.

Covenant and its subsidiaries are named as defendants in various lawsuits and other actions claiming alleged damages. While the ultimate outcome of these proceedings is not presently determinable, it is the opinion of management that the claims will have no material adverse effect on the financial position or results of operations of Covenant.

Employee Benefits: Covenant is self-insured for worker's compensation claims and records estimated amounts for reported claims, as well as a reserve for claims incurred but not reported, based on an actuarial study. Management's estimate of the amount of claims that will be paid in any subsequent year is included in accrued expenses and the remaining liability is reported as other long-term liabilities. Covenant is required by the Tennessee Self-Insured Workers' Compensation Program to maintain an irrevocable Letter of Credit for $10,677 as collateral for workers' compensation claims.

Covenant maintains a self-funded healthcare plan to provide reimbursement for covered expenses incurred by eligible employees and covered dependents. Covenant has recorded an estimated reserve for unpaid claims and claims incurred but not yet reported at December 31, 2013 and 2012.

Projects in Progress: Certain subsidiaries of Covenant were engaged in construction, renovation and information technology projects at December 31, 2013. Projects on which commitments or contracts have been signed have an estimated cost to complete of approximately $4,000 at December 31, 2013.

Physician Agreements: Covenant (or its subsidiaries) has entered into contractual relationships with physicians. These contracts include management services agreements, employment contracts, clinical scholar agreements and practice assistance agreements. These contracts have terms of varying lengths. Some contracts include certain base annual payments and may include

(Dollars in Thousands)

additional incentives based on productivity levels.

Municipal Leases: FLMC leases its operating facility under a capital lease agreement with Loudon County, Tennessee (the County). Under the terms of the agreement with the County, Covenant acquired land and constructed a replacement facility on behalf of the County in 2004 and has transferred title to the County. However, FLMC is leasing the new facility from the County for twenty years (at a nominal annual amount) with two renewal options for five years each and has recognized this facility as an asset of Covenant.

Operating Leases: Covenant has entered into certain non-cancelable leases for office space and equipment which require payments through 2022. Total rental expense for operating leases was approximately $7,860 and $8,620 for the years ended December 31, 2013 and 2012, respectively.

The following is a schedule of future minimum lease payments under non-cancelable lease agreements with remaining terms of at least one year, net of subleases, for the years ending December 31:

2014	$	2,866
2015		1,514
2016		796
2017		796
2018		147
Thereafter		300
	$	6,419

In addition, Covenant leases office space to physicians and others under various lease agreements with terms in excess of one year. Rental revenue recognized in each of the years 2013 and 2012 totaled approximately $11,730. The following is a schedule of future minimum lease payments to be received for the years ending December 31:

2014	$	9,086
2015		7,638
2016		6,556
2017		5,645
2018		5,001
Thereafter		13,942
	$	47,868

Union Service Agreements: MMC participates in two separate union service agreements, the "RN Unit" agreement and the "Service and Technical Unit" agreement, which were signed in August 2011. The agreements are for a three-year period through October 2014. Both agreements provide a no strike and no lockout provision to protect both parties to the agreement.

Healthcare Industry: The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse and under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

In March 2010, Congress adopted comprehensive health care insurance legislation, *Patient Care Protection and Affordable Care Act* and *Health Care and Educational Reconciliation Act.* The legislation, among other matters is designated to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

NOTE J--FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurements and Disclosures,* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

(Dollars in Thousands)

- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table presents assets reported at fair value as of December 31, 2013 and 2012 and their respective classification under the valuation hierarchy:

	Carrying Value	*Level 1*	*Level 2*	*Level 3*
Assets Measured at Fair Value on a Recurring Basis at December 31, 2013				
Investments in debt and equity securities	$ 904,025	$ 301,327	$ 602,698	$ -
Investments in collective trust funds	41,836	-	41,836	-
Assets Measured at Fair Value on a Recurring Basis at December 31, 2012				
Investments in debt and equity securities	$ 880,393	$ 255,214	$ 625,179	$ -
Investments in collective trust funds	30,493	-	30,493	-

There were no liabilities measured at fair value at December 31, 2013 or 2012.

NOTE K--FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below. The following methods and assumptions were used to estimate the fair value of these other financial instruments:

Investments in Alternative Investments: The fair value of investments in alternative investments is determined based on the fair value of the underlying assets as determined by the fund manager, which would be classified in Level 3 of the fair value hierarchy described in Note J.

Long-Term Debt: The fair value of long-term debt is estimated based upon quotes from brokers for tax-exempt bonds and discounted future cash flows using current market rates for other debt. For long-term debt with variable interest rates, the carrying value approximates fair value. Long-term debt would be classified in Level 2 of the fair value hierarchy described in Note J.

Other Long-term Liabilities: Other long-term liabilities consist of reserves for professional and workers' compensation liabilities and deferred gains related to the sale of a subsidiary (See Note N). The fair value of other long-term liabilities is not estimable, due to the uncertainties in determining the future payment date of liability claims and the unique nature of the deferred gains.

(Dollars in Thousands)

The estimated fair value of Covenant's significant financial instruments which have carrying values different from fair value is as follows at December 31, 2013 and 2012:

	2013		*2012*	
	Carrying Value	*Estimated Fair Value*	*Carrying Value*	*Estimated Fair Value*
Investments in alternative investments	$ 83,057	$ 111,613	$ 71,003	$ 87,999
Long-term debt (excluding capital leases)	716,733	693,311	748,610	751,957

NOTE L--OTHER REVENUE

The American Recovery and Reinvestment Act of 2009 and the Health Information Technology for Economic and Clinical Health (HITECH) Act established incentive payments under the Medicare and Medicaid programs for certain healthcare providers that use certified Electronic Health Record (EHR) technology. To qualify for incentive payments, healthcare providers must meet designated EHR meaningful use criteria as defined by the Centers for Medicare & Medicaid Services (CMS). Incentive payments are awarded to healthcare providers who have attested to CMS that applicable meaningful use criteria have been met. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period.

Covenant recognizes revenue for EHR incentive payments when substantially all contingencies have been met. Covenant received and recognized approximately $18,755 of EHR incentive payments as Other Revenue for the year ended December 31, 2013. No significant amounts were recognized for the year ended December 31, 2012.

NOTE M--EXPENSES BY FUNCTIONAL CLASSIFICATION

Covenant does not present expenses based upon functional classification because its resources and activities are primarily related to providing healthcare services.

NOTE N--DISCONTINUED OPERATIONS AND RELATED DEFERRED GAIN

In 2008, Covenant sold all of the outstanding Class A common stock and Class C common stock of PHP Companies, Inc. (PHP), a for-profit organization that operated an insurance corporation, as well as a licensed health maintenance organization for commercial health insurance products and Medicare risk products, and managed a health maintenance organization under the State of Tennessee's TennCare program, to Humana, Inc. (Humana).

The purchase price was subject to adjustments based on final settlement of estimates included in the consolidated balance sheet of PHP at October 31, 2008, including those related to future claims payments and audits thereof by governmental authorities or their agents and other parties. During 2010, Covenant received $34,923 as additional payment on these contingent settlements. Covenant recognized $24,923 of this amount as additional gain on the sale of discontinued operations with the balance deferred in other current liabilities pending the result of additional claims audits and settlement of other matters.

In conjunction with the sale of PHP, Covenant entered into a seven-year Hospital System Participation Agreement (the Provider Agreement) with Humana. Under the terms of the Provider Agreement, Covenant agreed to reimbursement rates for individuals covered by Humana's commercial and Medicare plans at rates below those received from similar insurance programs, and has limits on future rate increases from Humana. As such, Covenant deferred the portion of the sale proceeds estimated to be compensation for entering into the Provider Agreement. Covenant estimated this deferral to be $71,000, which is being amortized as part of net patient service revenue over the term of the Provider Agreement. During 2013 and 2012, Covenant recognized net patient service revenue totaling $11,200 and $13,010, respectively, related to amortization of amounts deferred related to this Provider Agreement.

Additionally, as part of the sale of PHP, Covenant entered into an Administrative Services Agreement (ASO) with Humana for third-party health claims administration for Covenant employees under a self-insured health plan for a period of eight years beginning January 1, 2009. Under the terms of the ASO, Covenant agreed to pay a fixed rate for these services at a rate that was higher than the then current market rate. Covenant estimated the portion of the sale proceeds related to this agreement totaled $6,100 which is being amortized and reported as a reduction of health plan administration expenses over the term of the ASO Agreement. During 2013 and 2012, Covenant recognized $1,035 annually as a reduction of claims administration expense related to amortization of this ASO Agreement.

During 2012, Covenant entered into a final Settlement Agreement with Humana. The terms of the Settlement Agreement required Humana to make an additional payment of $15,073 to Covenant. The agreement also required certain amendments to the Provider Agreement. The first amendment provides for a further reduction in the payment rate related to services provided by Covenant to Humana's Medicare plan for the next two years. The second amendment requires Covenant to participate in a Humana select managed care product for a three-year period beginning January 1, 2013. Services provided to Humana members under this product will be reimbursed based on a fee schedule that provides for rates that are less than the rates paid under current Humana managed care plans. Covenant considers these amendments a required part of the Settlement Agreement and therefore has determined that a portion of the settlement proceeds should be reported as deferred revenue to offset the reduced reimbursement that will occur in

future years. Covenant estimated this deferral to be $11,607, which will be amortized as part of net patient service revenue during the term of the agreement. During 2013, Covenant recognized net patient service revenue totaling $4,850 related to amortization of amounts deferred related to this Settlement Agreement.

The final payment, net of the deferred amount, and previously unrecognized amounts have been recognized as an additional gain on the sale of discontinued operations in the Consolidated Statement of Operations and Changes in Net Assets for the year ended December 31, 2012. The Settlement Agreement releases both parties of any additional or future claims related to the original transaction and related agreements.

NOTE O--SUBSEQUENT EVENT

In accordance with a Definitive Agreement (the Agreement), Covenant became the sole member of Cumberland Medical Center (CMC) effective February 1, 2014. CMC is a 182-bed acute care facility in Crossville, Tennessee. Under the terms and conditions of the Agreement, Covenant has committed to invest $54,000 during the next six years for capital expenditures, physician recruitments, or payment of certain other settlements or liabilities.

Additionally, effective April 1, 2104, Covenant entered into an agreement with Claiborne County, Tennessee, to lease substantially all capital assets, purchase certain operating assets and intangible assets, and assume certain liabilities of Claiborne County Hospital and Nursing Home (CCH). CCH consists of an 85-bed acute care facility and 100-bed nursing home. The lease extends for an initial term of ten years with the option to renew for three five-year terms and requires an initial lease/purchase payment of $10,000.