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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except 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](http://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

MULTICARE HEALTH SYSTEM

Doing Business As

Number and street (or P O box if mail is not delivered to street address) PO BOX 5299

Room/suite

City or town, state or province, country, and ZIP or foreign postal code TACOMA, WA 984150299

F Name and address of principal officer

ANNA LOOMIS

PO BOX 5299

TACOMA,WA 984150299

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:

WWW MULTICARE ORG

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other

L Year of formation 1987

M State of legal domicile WA

Part I	Summary																																																												
Activities & Governance	<div>1 Briefly describe the organization's mission or most significant activities</div> <div>MULTICARE HEALTH SYSTEM'S MISSION IS TO PROVIDE QUALITY PATIENT CARE</div> <div></div> <div></div> <div></div> <div></div> <div>2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div>																																																												
	<table><tr><td>3 Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>11</td></tr><tr><td>4 Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>8</td></tr><tr><td>5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>5</td><td>10,818</td></tr><tr><td>6 Total number of volunteers (estimate if necessary)</td><td>6</td><td>2,396</td></tr><tr><td>7a Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>6,014,728</td></tr><tr><td>7b Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>4,057,117</td></tr></table>	3 Number of voting members of the governing body (Part VI, line 1a)	3	11	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	8	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	10,818	6 Total number of volunteers (estimate if necessary)	6	2,396	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	6,014,728	7b Net unrelated business taxable income from Form 990-T, line 34	7b	4,057,117																																										
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Part II

Signature Block

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

Sign Here

Signature of officer

ANNA LOOMIS CFO

Type or print name and title

2014-11-11

Date

Paid Preparer Use Only

Prnt/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN P00712229

Firm's name

ERNST & YOUNG US LLP

Firm's EIN

34-6565596

Firm's address

178 S RIO GRANDE STREETSTE 400

SALT LAKE CITY, UT 84101

Phone no (801) 350-3300

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes☒ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

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

MULTICARE HEALTH SYSTEM'S MISSION IS TO PROVIDE QUALITY PATIENT CARE

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

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

4a	(Code) (Expenses \$ 1,152,751,879 including grants of \$ 6,217,035) (Revenue \$ 1,568,995,406)
MULTICARE HEALTH SYSTEM (MHS) OPERATES FIVE COMMUNITY BASED HOSPITALS WITH 1,048 LICENSED ADULT BEDS AND 82 LICENSED PEDIATRIC BEDS DURING 2013 MHS HOSPITALS ADMITTED 47,138 PATIENTS FOR A TOTAL OF 203,286 PATIENT DAYS, PERFORMED 32,719 SURGERIES AND DELIVERED 5,817 BABIES. THERE WERE 8,977 NEWBORN DAYS DURING 2013. THEY ALSO PROVIDED CARE FOR 267,030 OUTPATIENT VISITS AND 217,590 EMERGENCY ROOM VISITS, OF WHICH 629 WERE TRAUMA PATIENTS.	

4b	(Code) (Expenses \$ 84,012,524 including grants of \$ 0) (Revenue \$ 116,169,228)
MULTICARE HEALTH SYSTEM OPERATES MULTI-SPECIALTY CLINICS THROUGHOUT PIERCE AND SOUTH KING COUNTIES. DURING 2013 THESE CLINICS PROCESSED 417,156 LABORATORY WORKLOAD UNITS, 111,501 IMAGING RELATIVE UNITS, 108,486 ONCOLOGY RELATIVE VALUE UNITS, 19,069 THERAPY VALUE UNITS AND 933 PHARMACY WORKLOAD UNITS. THEY ALSO PROVIDED CARE FOR 145,556 OUTPATIENT VISITS AND PERFORMED 399 SURGERIES.	




















4c	(Code) (Expenses \$ 80,489,161 including grants of \$ 0) (Revenue \$ 63,305,067)
MULTICARE HEALTH SYSTEM OPERATES PRIMARY CARE PHYSICIAN PRACTICES THROUGHOUT PIERCE AND SOUTH KING COUNTIES. THESE PRACTICES PROVIDED 512,703 PATIENT VISITS DURING 2013.	

	(Code) (Expenses \$ 59,280,297 including grants of \$ 0) (Revenue \$ 58,440,330)
MULTICARE HEALTH SYSTEM'S OTHER PROGRAMS INCLUDE URGENT CARE CLINICS, BEHAVIORAL HEALTH, HOME HEALTH SERVICES AND HOSPICE, ADULT DAY HEALTH AND PSYCHOLOGY CHILDREN'S THERAPY UNIT. DURING 2013 THE CLINICS PROVIDED 175,154 URGENT CARE VISITS, 42,022 HOME HEALTH VISITS AND 6,619 PSYCHOLOGY CHILDREN'S THERAPY VISITS. THE HOME HEALTH AND HOSPICE PROGRAMS ADMITTED 3,906 AND 850 PATIENTS, RESPECTIVELY DURING 2013.	

4d	Other program services (Describe in Schedule O)
	(Expenses \$ 59,280,297 including grants of \$) (Revenue \$ 58,440,330)

4e	Total program service expenses ▶ 1,376,533,861
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Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1,160	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		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.	10,818	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		Yes	
3b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		Yes	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			No
4b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.			
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			
9b Did the organization make a distribution to a donor, donor advisor, or related person?			
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.			
13b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

Part VI

Governance, Management, and Disclosure

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

Check if Schedule O contains a response 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	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	8	
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
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶WA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶JASON MITCHELL 737 S FAWCETT TACOMA, WA 98402 (253) 459-8331

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) MATT DAVIS DIRECTOR	2.00 0.00	X						0	0	0
(2) JOHN FOLSOM CHAIR	2.00 0.00	X		X				0	0	0
(3) JOHN HALL DIRECTOR	2.00 0.00	X						0	0	0
(4) SALLY B LEIGHTON SECRETARY	2.00 0.00	X		X				0	0	0
(5) ROB R ROTH MD VICE CHAIR	2.00 0.00	X		X				0	0	0
(6) L DALE SOWELL DIRECTOR	2.00 0.00	X						0	0	0
(7) JANINE TERRANO DIRECTOR	2.00 0.00	X						0	0	0
(8) DEEDRA WALKEY DIRECTOR	2.00 0.00	X						0	0	0
(9) JOHN WIBORG TREASURER	2.00 0.00	X		X				0	0	0
(10) LUKE XITCO DIRECTOR	2.00 0.00	X						0	0	0
(11) ROBERT A YOST DIRECTOR	2.00 0.00	X						0	0	0
(12) DIANE CECCHETTINI PRESIDENT & CEO	57.00 3.00			X				1,401,374	0	41,038
(13) CHRIS KNACKSTEDT CHIEF FINANCIAL OFFICER	57.00 3.00			X				752,811	0	31,011
(14) FLORENCE CHANG EXECUTIVE VICE PRESIDENT	60.00 0.00				X			709,386	0	79,674
(15) CLAIRE SPAIN-REMY SR VICE PRESIDENT	60.00 0.00				X			516,251	0	52,862
(16) KATHERINE SMITH SR VICE PRESIDENT	60.00 0.00				X			577,230	0	41,696
(17) GLENN KASMAN REGIONAL PRESIDENT	60.00 0.00				X			550,138	0	52,764

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) SHELLY MULLIN REGIONAL PRESIDENT	60 00 0 00				X			489,173	0	46,565
(19) HUGH KODAMA VICE PRESIDENT - REGIONAL	60 00 0 00				X			251,145	0	54,158
(20) WILLIAM MORRIS PHYSICIAN	50 00 0 00					X		2,181,596	0	263,706
(21) DAVID COONS PHYSICIAN	50 00 0 00					X		1,288,582	0	67,494
(22) JOHN HUNG PHYSICIAN	50 00 0 00					X		984,084	0	49,883
(23) SURAJ SINGH PHYSICIAN	50 00 0 00					X		936,833	0	55,348
(24) MOHAMMED BACCORA PHYSICIAN	50 00 0 00					X		884,367	0	34,426
(25) VINCENT SCHMITZ CONSULTANT/FORMER OFFICER	40 00 0 00						X	106,974	678,221	0
(26) JOHN LONG CONSULTANT/FORMER OFFICER	40 00 0 00						X	119,995	0	22,672
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								11,749,939	678,221	893,297

2

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

1,407

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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	
TACOMA EMERGENCY CARE PHYSICIANS CO 4301 SPINE STREET400 TACOMA WA 98409	MEDICAL	11,704,038	
TACOMA ANESTHESIA ASSOCIATES INC PS 3633 PACIFIC AVE204 TACOMA WA 98418	MEDICAL	7,662,123	
SOUTH SOUND INPATIENT PHYSICIANS PLLC POBOX 742936 TACOMA WA 90074	MEDICAL	6,551,824	
TRAUMA TRUST POBOX 5299 TACOMA WA 98415	MEDICAL	6,238,938	
TACOMA-PIERCE COUNTY BLOOD BANK POBOX 2113 TACOMA WA 98401	MEDICAL	5,130,324	
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		133

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	9,425,945			
	e	Government grants (contributions) 1e	15,260,268			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	24,686,213			
Program Service Revenue	2a	HEALTHCARE SERVICES	622110	1,597,005,222	1,593,433,947	3,571,275
	b	AMBULATORY SRVS & UCC	621493	124,017,459	122,531,274	1,486,185
	c	OFFICES OF PHYSICIANS	621111	71,943,747	71,943,747	
	d	HOME HEALTH	621610	9,238,603	9,238,603	
	e	OUTPATIENT MENTAL HEAL	621420	7,354,099	7,354,099	
	f	All other program service revenue		3,306,198	2,408,361	897,837
	g	Total. Add lines 2a-2f	1,812,865,328			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	42,812,264		59,431	42,752,833
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross rents	(i) Real	(ii) Personal		
	b	Less rental expenses	97,243			
	c	Rental income or (loss)	61,770			
	d	Net rental income or (loss)	35,473			35,473
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
	b	Less cost or other basis and sales expenses	18,021,008			
	c	Gain or (loss)	0			
	d	Net gain or (loss)	18,021,008			18,021,008
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from fundraising events				
	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		130,090		130,090
		Miscellaneous Revenue	Business Code			
	11a					
	b					
	c					
	d	All other revenue				
	e	Total. Add lines 11a-11d				
	12	Total revenue. See Instructions	1,898,550,376	1,806,910,031	6,014,728	60,939,404

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.	6,217,035	6,217,035		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	5,247,508	4,418,970	828,538	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	812,363	812,363		
7	Other salaries and wages.	719,548,670	604,981,165	114,567,505	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	42,820,910	36,059,847	6,761,063	
9	Other employee benefits.	120,018,058	101,068,213	18,949,845	
10	Payroll taxes.	49,140,334	40,346,433	8,793,901	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	3,265,392		3,265,392	
c	Accounting.	215,468		215,468	
d	Lobbying.	150,000		150,000	
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).	77,396,337	17,056,947	60,339,390	
12	Advertising and promotion.	1,235,100	324,860	910,240	
13	Office expenses.	9,982,175	8,556,073	1,426,102	
14	Information technology.				
15	Royalties.				
16	Occupancy.	29,120,156	24,522,328	4,597,828	
17	Travel.	6,068,525	4,207,451	1,861,074	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	125,276	79,552	45,724	
20	Interest.	33,736,895	28,410,122	5,326,773	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	102,691,516	86,477,387	16,214,129	
23	Insurance.	16,034,608	13,502,878	2,531,730	
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	SUPPLIES	219,836,351	214,365,764	5,470,587	
b	PROVISION FOR BAD DEBTS	146,504,412	146,504,412		
c	UNRELATED BUSINESS INCO	1,563,637	1,563,637		
d	EQUIPMENT RENTAL/MAINT	27,094,016	18,980,077	8,113,939	
e	All other expenses	57,537,283	18,078,347	39,458,936	
25	Total functional expenses. Add lines 1 through 24e.	1,676,362,025	1,376,533,861	299,828,164	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		73,585,963	2	59,838,712
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		233,163,418	4	274,524,381
	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	
	8	Inventories for sale or use		21,397,177	8	23,087,682
	9	Prepaid expenses and deferred charges		10,116,231	9	11,042,815
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	2,201,322,285		
	b	Less accumulated depreciation	10b	901,536,591	1,239,914,009	10c1,299,785,694
	11	Investments—publicly traded securities		868,011,738	11	1,050,535,665
	12	Investments—other securities See Part IV, line 11		120,490,735	12	145,613,190
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		8,718,006	14	8,718,006
	15	Other assets See Part IV, line 11		74,404,194	15	113,303,921
	16	Total assets. Add lines 1 through 15 (must equal line 34)		2,649,801,471	16	2,986,450,066
Liabilities	17	Accounts payable and accrued expenses		225,237,971	17	247,017,350
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		872,628,415	20	901,867,566
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		361,570	24	274,174
	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		278,645,130	25	159,828,632
	26	Total liabilities. Add lines 17 through 25		1,376,873,086	26	1,308,987,722
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		1,272,928,385	27	1,677,462,344
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		1,272,928,385	33	1,677,462,344
	34	Total liabilities and net assets/fund balances		2,649,801,471	34	2,986,450,066

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,898,550,376
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,676,362,025
3	Revenue less expenses Subtract line 2 from line 1	3	222,188,351
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,272,928,385
5	Net unrealized gains (losses) on investments	5	63,767,824
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	118,577,784
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	1,677,462,344

Part XII Financial Statements and Reporting

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

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

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 MULTICARE HEALTH SYSTEM	Employer identification number 91-1352172
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Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

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

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

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

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

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

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

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

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

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

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

Name of the organization MULTICARE HEALTH SYSTEM	Employer identification number 91-1352172
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		150,000
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities?		No	
j Total. Add lines 1c through 1i.				150,000
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
PART II-B, LINE 1	LINE 1(G) - PAYMENTS TO LOBBYING FIRMS (INDEPENDENT CONTRACTORS) TO ACT AS OUR LIAISON WITH STATE AND FEDERAL GOVERNMENTS ON HEALTH CARE ISSUES AND THE PORTION OF MEMBERSHIP DUES PAID TO HOSPITAL ASSOCIATIONS WHICH IS USED FOR LEGISLATIVE AND LOBBYING ACTIVITIES

[illegible]

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

► 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.

Name of the organization MULTICARE HEALTH SYSTEM	Employer identification number 91-1352172
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Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

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

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

1

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

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

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

☐ Preservation of open space

2

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

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

3

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

4

Number of states where property subject to conservation easement is located ►

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$

(ii) Assets included in Form 990, Part X

► \$

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$

b

Assets included in Form 990, Part X

► \$

Part III

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

- 3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

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

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

☐ Yes

☐ No

Part IV

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

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

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

☐ Yes

☐ No
- b

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

☐

Part V

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

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

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

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.
- | Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land | | 54,708,339 | | 54,708,339 |
| b Buildings | | 1,327,281,266 | 403,283,579 | 923,997,687 |
| c Leasehold improvements | | 60,990,570 | 35,275,385 | 25,715,185 |
| d Equipment | | 644,354,625 | 462,977,627 | 181,376,998 |
| e Other | | 113,987,485 | | 113,987,485 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 1,299,785,694 |
- Schedule D (Form 990) 2013

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 X, LINE 2	THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF MULTICARE HEALTH SYSTEM FOOTNOTE READS "FINANCIAL ACCOUNTING STANDARD BOARD (FASB) ASC TOPIC 740-10, INCOME TAXES CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN MULTICARE HEALTH SYSTEM'S CONSOLIDATED FINANCIAL STATEMENTS ASC TOPIC 740-10 ALSO PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT STANDARD FOR THE FINANCIAL STATEMENT RECOGNITION AND MEASUREMENT OF AN INCOME TAX POSITION TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. ONLY TAX POSITIONS THAT MEET THE "MORE LIKELY THAN NOT" RECOGNITION THRESHOLD AT THE EFFECTIVE DATE MAY BE RECOGNIZED OR CONTINUE TO BE RECOGNIZED UPON ADOPTION. IN ADDITION, ASC TOPIC 740-10 PROVIDES GUIDANCE ON DERECOGNITION, CLASSIFICATION, INTEREST AND PENALTIES, ACCOUNTING IN INTERIM PERIODS, DISCLOSURE, AND TRANSITION. ASC TOPIC 740-10, RELATING TO ACCOUNTING FOR UNCERTAIN TAX POSITIONS, DID NOT HAVE A SIGNIFICANT IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MULTICARE HEALTH SYSTEM. OTHER THAN MEDIS INC., A TAXABLE CORPORATION, ALL OF THE OTHER ENTITIES HAVE OBTAINED DETERMINATION LETTERS FROM THE INTERNAL REVENUE SERVICE THAT THEY ARE EXEMPT FROM FEDERAL INCOME TAXES UNDER SECTION 501 (C)(3) OF THE INTERNAL REVENUE CODE, EXCEPT FOR TAX ON UNRELATED BUSINESS INCOME."

[illegible]

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

► 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*.

Name of the organization
MULTICARE HEALTH SYSTEM

Employer identification number
91-1352172

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other _____ 50000 0000000000 % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b Yes	
b	If "Yes," did the organization make it available to the public?	5c	No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a Yes	
		6b Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			48,507,725	0	48,507,725	3 170 %
b Medicaid (from Worksheet 3, column a)			318,704,000	241,551,000	77,153,000	5 040 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			3,616,000	2,210,000	1,406,000	0 090 %
d Total Financial Assistance and Means-Tested Government Programs . .			370,827,725	243,761,000	127,066,725	8 300 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	19	13,019	1,831,622	8,790	1,822,832	0 120 %
f Health professions education (from Worksheet 5)	9	4,053	8,688,872	502,113	8,186,759	0 540 %
g Subsidized health services (from Worksheet 6)	32	47,303	42,835,258	18,254,972	24,580,286	1 610 %
h Research (from Worksheet 7)	2	186	916,543	0	916,543	0 060 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	3	4,077	1,085,751	0	1,085,751	0 070 %
j Total Other Benefits	65	68,638	55,358,046	18,765,875	36,592,171	2 400 %
k Total . Add lines 7d and 7j . .	65	68,638	426,185,771	262,526,875	163,658,896	10 700 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing	2	950	1,412,595	204,734	1,207,861	0.080 %
2Economic development						
3Community support	8	60,125	8,770,642	194,567	8,576,075	0.560 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building	6	41,863	3,270,622	8,012	3,262,610	0.210 %
7Community health improvement advocacy	19	161,577	4,125,187	160,779	3,964,408	0.260 %
8Workforce development	2	1	5,353,862	26,710	5,327,152	0.350 %
9Other						
10Total	37	264,516	22,932,908	594,802	22,338,106	1.460 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1Yes

Yes

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

237,344,000

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

32,637,000

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

Section B. Medicare

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

5258,723,000

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

6286,947,000

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

7-28,224,000

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9aYes

Yes

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

9bYes

Yes

Part IV

Management Companies and Joint Ventures

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

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

Section A. Hospital Facilities

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

Schedule H (Form 990) 2013

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW MULTICARE ORG/COMMUNITY-HEALTH-NEEDS-</u>		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>500 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input type="checkbox"/> Asset level					
c <input checked="" type="checkbox"/> Medical indigency					
d <input checked="" type="checkbox"/> Insurance status					
e <input checked="" type="checkbox"/> Uninsured discount					
f <input checked="" type="checkbox"/> Medicaid/Medicare					
g <input checked="" type="checkbox"/> State regulation					
h <input type="checkbox"/> Residency					
i <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input type="checkbox"/> The policy was attached to billing invoices					
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input checked="" type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP					
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d

☒

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

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V

Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.MULTICARE.ORG/COMMUNITY-HEALTH-NEEDS-</u>		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No				
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes				
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes				
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>500 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes				
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes				
a <input checked="" type="checkbox"/> Income level							
b <input type="checkbox"/> Asset level							
c <input checked="" type="checkbox"/> Medical indigency							
d <input checked="" type="checkbox"/> Insurance status							
e <input checked="" type="checkbox"/> Uninsured discount							
f <input checked="" type="checkbox"/> Medicaid/Medicare							
g <input checked="" type="checkbox"/> State regulation							
h <input type="checkbox"/> Residency							
i <input type="checkbox"/> Other (describe in Part VI)							
13 Explained the method for applying for financial assistance?		13	Yes				
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes				
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website							
b <input type="checkbox"/> The policy was attached to billing invoices							
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms							
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices							
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility							
f <input checked="" type="checkbox"/> The policy was available upon request							
g <input checked="" type="checkbox"/> Other (describe in Part VI)							
Billing and Collections							
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes				
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP							
a <input type="checkbox"/> Reporting to credit agency							
b <input type="checkbox"/> Lawsuits							
c <input type="checkbox"/> Liens on residences							
d <input type="checkbox"/> Body attachments							
e <input type="checkbox"/> Other similar actions (describe in Section C)							
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?					17		No
If "Yes," check all actions in which the hospital facility or a third party engaged							
a <input type="checkbox"/> Reporting to credit agency							
b <input type="checkbox"/> Lawsuits							
c <input type="checkbox"/> Liens on residences							
d <input type="checkbox"/> Body attachments							
e <input type="checkbox"/> Other similar actions (describe in Section C)							

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d

☒

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

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

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.

Schedule H (Form 990) 2013

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? 23

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

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
PART I, LINE 7	THE AMOUNTS ARE CALCULATED BASED ON A COST-TO-CHARGE RATIO WHICH WAS CALCULATED BASED ON WORKSHEET 2 OF THE SCHEDULE H INSTRUCTIONS
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 \$ 146,504,412

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	<p>MULTICARE HEALTH SYSTEM PARTICIPATES IN A WIDE VARIETY OF COMMUNITY BUILDING ACTIVITIES WHICH PROMOTE THE HEALTH OF THE COMMUNITIES WE SERVE THESE INCLUDE -TACOMA TRAUMA TRUST IS A COLLABORATION OF MULTICARE, FRANCISCAN HEALTH SYSTEM AND MADIGAN ARMY MEDICAL CENTER TO PROVIDE TRAUMA CARE TO THE SOUTH PUGET SOUND REGION,-FALLS PREVENTION PROGRAM FOR THE ELDERLY,-TACOMA SOBERING CENTER PROVIDING OVERNIGHT HOUSING FOR INDIVIDUALS WITH DRUG AND ALCOHOL ISSUES, -SEXUAL ASSAULT PREVENTION PROGRAM AND THE FORENSIC NURSE EXAMINER PROGRAM, PROVIDING CARE TO ADULT VICTIMS OF SEXUAL ASSAULT,-BEHAVIORAL HEALTH CRISIS INTERVENTION PROGRAM,-MARY BRIDGE CENTER FOR CHILDHOOD SAFETY AND THE MARY BRIDGE CHILDREN'S ADVOCACY CENTER, -BRIDGES A CENTER FOR GRIEVING CHILDREN,-HOME HEALTH, HOSPICE AND PALLIATIVE CARE SERVICES,-GRIEF AND LOSS SERVICES,-FAMILY CAMP ERIN FOR CHILDREN SUFFERING LOSSES OF FAMILY MEMBERS,-CANCER CAMP FOR CHILDREN WITH CANCER,-WOMEN, INFANT AND CHILDREN (WIC) PROGRAM,-SAFE KIDS,-SAFE SHORES,-CENTER FOR HEALTHY LIVING NUTRITION AND FITNESS EDUCATION, WEIGHT MANAGEMENT, TOBACCO CESSATION AND COMMUNITY HEALTH IMPROVEMENT PROGRAMS,-PUGET SOUND ASTHMA COALITION,-DIABETES SERVICES,-CONSULTING NURSE TELEPHONE SERVICE,-CHRONIC DISEASE MANAGEMENT SUPPORT GROUPS,-WORKFORCE DEVELOPMENT PARTNERSHIPS WITH THE PIERCE COUNTY WORKFORCE DEVELOPMENT COUNCIL AND THE PIERCE COUNTY HEALTH CAREERS COUNCIL TO PREPARE PEOPLE FOR HEALTH CARE CAREERS,-PARTNERSHIPS WITH AREA COLLEGE NURSING PROGRAMS AND A NURSE RESIDENCY PROGRAM,-FREE SPORTS PHYSICALS FOR THE STUDENTS AT FIRST CREEK MIDDLE SCHOOL AND LINCOLN HIGH SCHOOL,- READY, SET, GO! 5-2-1-0, A COMMUNITY-WIDE PUBLIC-PRIVATE PARTNERSHIP INITIATIVE TO PROMOTE HEALTHY LIFESTYLES FOR CHILDREN, YOUTH AND FAMILIES,-SIBLING SUPPORT PROJECT TO BENEFIT SIBLINGS OF CHILDREN WITH SPECIAL HEALTHCARE NEEDS,-SCHOLARSHIPS FOR PARENT EDUCATION,-ASSISTIVE TECHNOLOGY PROGRAM- PROVIDING ADAPTATIONS TO THE ENVIRONMENT TO IMPROVE INDEPENDENCE,-"HOST SITE FOR PARENTS NIGHT OUT" FOR PARENTS WITH CHILDREN WITH SPECIAL NEEDS,-SIGN LANGUAGE CLASSES THROUGH PIERCE COUNTY LIBRARY</p>
PART III, LINE 4	<p>1 FOOTNOTES THE FOOTNOTE ON PAGE 13 OF THE AUDITED FINANCIAL STATEMENTS DESCRIBES THE PROVISION FOR BAD DEBT AND THE ALLOWANCE FOR DOUBTFUL ACCOUNTS 2 COSTING METHODOLOGY THE RATIO OF PATIENT CARE COST TO CHARGES IS APPLIED TO THE BAD DEBT ATTRIBUTABLE TO PATIENT ACCOUNTS TO CALCULATE THE ESTIMATED COST OF BAD DEBT ATTRIBUTABLE TO PATIENT ACCOUNTS THAT IS REPORTED ON LINE 2 DISCOUNTS AND PAYMENTS ON PATIENT ACCOUNTS ARE RECORDED AS AN ADJUSTMENT TO REVENUE, NOT BAD DEBT EXPENSE 3-4 RATIONALE FOR BAD DEBT AMOUNT ATTRIBUTABLE TO COMMUNITY BENEFIT IT IS OUR BELIEF THAT \$2,637,000 OF BAD DEBT 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 SERVICES PROVIDED AS A NOT-FOR-PROFIT, PATIENT CARE IS PROVIDED TO ALL, REGARDLESS OF THE ABILITY TO PAY FOR THAT CARE MAKING QUALITY PATIENT CARE AVAILABLE TO ALL IN OUR COMMUNITY, REGARDLESS OF THEIR ECONOMIC MEANS, QUALIFIES BAD DEBTS AS A COMMUNITY BENEFIT AS PART OF OUR COMMUNITY NEEDS ASSESSMENT, WE STUDIED THE INCOME CHARACTERISTICS OF THE UNINSURED POPULATION IN OUR COMMUNITY AS PART OF THIS STUDY, WE ALSO LOOKED AT WHAT PORTION OF UNINSURED INDIVIDUALS IN THE HOSPITAL'S SERVICE AREA WOULD BE ELIGIBLE FOR THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY WE APPLIED THIS PERCENTAGE TO OUR TOTAL AMOUNT OF BAD DEBT EXPENSE RECORDED TO ESTIMATE THE PORTION OF SELF-PAY BAD DEBT THAT WAS REASONABLY ATTRIBUTABLE TO INDIVIDUALS ELIGIBLE FOR THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY BUT NOT PREVIOUSLY RECORDED AS SUCH WE SUBTRACTED THE ACTUAL AMOUNT OF FINANCIAL ASSISTANCE RECORDED FROM THIS CALCULATED FIGURE THE RESULT IS OUR ESTIMATE OF THE AMOUNT THAT SHOULD BE CONSIDERED COMMUNITY BENEFIT COST AND IS ENTERED ON PART III, LINE 3</p>

Form and Line Reference	Explanation
PART III, LINE 8	<p>COSTING METHODOLOGY THE SOURCE USED TO CALCULATE THE MEDICARE ALLOWABLE COSTS FOR TACOMA GENERAL, ALLENMORE, GOOD SAMARITAN AND AUBURN HOSPITALS WAS THE 2013 MEDICARE COST REPORT SINCE MARY BRIDGE CHILDREN'S HOSPITAL FILES A LOW MEDICARE UTILIZATION COST REPORT, THE PROVIDER STATISTICAL AND REIMBURSEMENT SYSTEM REPORT (PS&R) WAS USED THE COST TO CHARGE RATIO, AS CALCULATED FROM THE INCOME STATEMENT, WAS APPLIED TO THE PS&R GROSS MEDICARE CHARGES TO CALCULATE THE MEDICARE ALLOWABLE COSTS REPORTED ON LINE 6 MARY BRIDGE COSTS REPRESENT LESS THAN 0.1% OF THE TOTAL MEDICARE SHORTFALL TREATED AS COMMUNITY BENEFIT THE HOSPITAL BELIEVES THAT ALL OF THE \$28.3 MILLION SHORTFALL 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 ACCOUNTED FOR 33.30% OF HOSPITAL REVENUES 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</p>
PART III, LINE 9B	<p>MULTICARE'S DEBT COLLECTION POLICY STATES THAT "MHS WILL ALSO CLEARLY COMMUNICATE TO PATIENTS AND APPLICABLE PARTIES THE VARIOUS ASSISTANCE PROGRAMS MHS OFFERS BASED ON THE SITE OF SERVICE " IF THE PATIENT FOLLOWS THROUGH WITH THE APPLICABLE ASSISTANCE APPOINTMENTS, I.E., MEETING WITH MEDICAID OR COUNTY AGENCIES TO COMPLETE THE NECESSARY APPLICATION PROCESS, MULTICARE WILL NOT SEND THE ACCOUNT TO A BAD DEBT COLLECTION AGENCY IF AN ACCOUNT DOES GET SENT TO A BAD DEBT COLLECTION AGENCY, AS LONG AS IT MEETS MULTICARE'S CHARITY AND FINANCIAL ASSISTANCE POLICY'S FEDERAL POVERTY GUIDELINES (FPG), GARNISHMENT OF WAGES WILL NOT BE PURSUED</p>

Form and Line Reference	Explanation
PART VI, LINE 2	MULTICARE WORKS COLLABORATIVELY WITH REGIONAL AGENCIES AND ORGANIZATIONS TO IDENTIFY THE HEALTH CARE NEEDS OF THE COMMUNITIES WE SERVE AND TO DEVELOP PROGRAMS AND SERVICES TO MEET THOSE NEEDS. COMMUNITY PARTNERS INCLUDE THE TACOMA-PIERCE COUNTY HEALTH DEPARTMENT, THE PIERCE COUNTY MEDICAL SOCIETY, THE UNITED WAY OF PIERCE COUNTY, YMCA OF PIERCE AND KITSAP COUNTIES, THE CITY OF TACOMA, THE TACOMA PUBLIC SCHOOL DISTRICT, AND MANY OTHERS. WE UTILIZE THE DATA FROM OUR COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA), THE HEALTH DEPARTMENT'S COMMUNITY HEALTH ASSESSMENT (CHA), AS WELL AS FEDERAL DATA TO DETERMINE THE MOST PRESSING HEALTH CARE NEEDS FOR OUR SERVICE AREAS. FOR 2013, TOP COMMUNITY HEALTH PRIORITIES FROM OUR CHNA WERE: PREVENTION AND TREATMENT OF CHRONIC DISEASES, IMPROVING ACCESS TO MEDICAL CARE, ADDRESSING NEEDS OF SPECIAL POPULATIONS (LOW-INCOME AND AGING), BEHAVIORAL HEALTH, CHILDHOOD AND ADULT OBESITY, TOBACCO PREVENTION AND CESSATION, AND CULTURAL DIVERSITY (HEALTH INEQUITIES AND COMMUNICATION NEEDS). MULTICARE ADDRESSED THESE PRIORITIES THROUGH COLLABORATIVE POLICY DEVELOPMENT AND FUNDING OF A SUSTAINABLE CHRONIC DISEASE MANAGEMENT PILOT PROGRAM AND THE PROJECT ACCESS PROGRAM, A PIERCE COUNTY MEDICAL SOCIETY CASE MANAGEMENT MODEL WHICH COORDINATES UNDER- OR UNINSURED PATIENT ACCESS TO VOLUNTEER HEALTH PROVIDERS. WE ALSO PROVIDE FINANCIAL SUPPORT FOR THE COUNTY'S SAFETY NET PROVIDER AND THE COMMUNITY HEALTH CARE CLINIC NETWORK. IN ADDITION, MULTICARE FUNDED AND OPERATED THE COMMUNITY MEDICAL CARE CLINIC FOR CHILDREN AT MARY BRIDGE CHILDREN'S HOSPITAL AND HEALTH CENTER AND THE TACOMA FAMILY MEDICINE CLINIC WHICH PROVIDES A RANGE OF PRIMARY CARE AND OB/GYN MEDICAL SERVICES TO LOW-INCOME INDIVIDUALS AND FAMILIES. FOR THE EAST PIERCE COUNTY COMMUNITY GOOD SAMARITAN HOSPITAL EXPANDED THE CARE TRANSITIONS PROGRAM TO ASSIST IN THE TRANSITION OF CHRONICALLY ILL PATIENTS BACK TO THE COMMUNITY AFTER THEIR HOSPITAL STAY. MULTICARE ALSO BEGAN THE PROCESS OF INTEGRATING BEHAVIORAL HEALTH SERVICES INTO THE TRADITIONAL MEDICAL CARE SETTING IN ORDER TO IMPROVE ACCESS TO BEHAVIORAL HEALTH CARE, INCLUDING CHEMICAL DEPENDENCY TREATMENT. BY BEING A UNIFIED HEALTHCARE SYSTEM, MULTICARE EASES THE USE, SPEEDS UP THE PROCESS AND PROVIDES CONSISTENCY IN SERVICES PROVIDED TO PATIENTS RESIDING IN PIERCE AND SOUTH KING COUNTIES. PATIENTS HAVE 24 HOURS A DAY ACCESS TO MYCHART, AN ELECTRONIC PATIENT HEALTH RECORD SYSTEM, WHERE THEY CAN VIEW THEIR MEDICAL RECORDS, TEST RESULTS, UPCOMING APPOINTMENTS, ETC. THEY ARE ALSO ABLE TO COMMUNICATE DIRECTLY WITH THEIR HEALTH CARE PROVIDER AND MAKE AN APPOINTMENT WITH A PROVIDER AT A CLINIC LOCATED CLOSE TO THEIR HOME. MULTICARE ADDRESSES THE GROWING PROBLEM OF CHILDHOOD AND ADULT OBESITY ON SEVERAL FRONTS. WE ARE A LEAD ORGANIZATION FOR THE READY, SET, GO! 5210 (RSG 5210), A COUNTYWIDE INITIATIVE SUPPORTED BY OTHER COMMUNITY ORGANIZATIONS. THE PROGRAM'S MISSION IS TO INCREASE PHYSICAL ACTIVITY AND HEALTHY LIFESTYLES CHOICES FOR CHILDREN, YOUTH AND FAMILIES. WE ARE ALSO AN ACTIVE PARTNER IN THE TACOMA-PIERCE COUNTY HEALTH DEPARTMENT COMMUNITY-WIDE, CDC-FUNDED COMMUNITY TRANSFORMATION GRANT (CTG) FROM THE CENTERS OF DISEASE CONTROL AND PREVENTION. THE COMMUNITY TRANSFORMATION PARTNERSHIP (CTP) WORKS WITH FIVE COMMUNITY COALITIONS (1)HEALTHY EATING AND PHYSICAL ACTIVITY, 2) ACTIVE TRANSPORTATION, 3)TOBACCO-FREE LIVING, 4) CLINICAL AND COMMUNITY HEALTH, AND 5)HEALTHY EQUITY) AND LOCAL LEADERS THAT ARE PARTNERING TO INCREASE OPPORTUNITIES FOR PEOPLE TO MAKE HEALTHY LIVING EASIER AND IMPROVE HEALTH IN COMMUNITIES. THROUGH THE HEALTHY COMMUNITIES OF PIERCE COUNTY, WE PARTNER WITH AREA AGENCIES AND HEALTH SYSTEMS TO PROVIDE EDUCATION FOR CHILDREN AND FAMILIES ON HEALTHY NUTRITION AND EXERCISE. MULTICARE CENTER FOR HEALTHY LIVING ALSO OPERATES A SCHOOL-BASED SUPPLEMENTAL NUTRITION EDUCATION PROGRAM (SNAP-ED) IN THE TACOMA PUBLIC SCHOOLS AND THE HEALTHY KIDS INITIATIVE WITH THE YMCA. IN PARTNERSHIP WITH THE TACOMA-PIERCE COUNTY HEALTH DEPARTMENT AND YMCA OF PIERCE AND KITSAP COUNTIES WE OFFER PIERCE COUNTY GETS FIT & HEALTHY, A MULTI-FACETED PROGRAM AIMED AT ENCOURAGING ADULTS TO MAKE HEALTHY LIFE CHOICES. OTHER COMMUNITY-BASED MULTICARE SERVICES INCLUDE NUTRITION CONSULTATION, WEIGHT MANAGEMENT, SPORTS NUTRITION, COMMUNITY OUTREACH, QUITSMART TOBACCO CESSATION PROGRAM, MOBILE IMMUNIZATION CLINICS, ADULT DAY HEALTH, PARENT PARTNERSHIP PROGRAMS FOR FAMILIES AT RISK, WIC, MOBILE MENTAL HEALTH OUTREACH SERVICES, PERINATAL OUTREACH SERVICES, SUPPORT GROUP FOR LGBTQ YOUTH, SENIOR WELLNESS AND CORPORATE WELLNESS PROGRAMS. THROUGH OUR RELATIONSHIP WITH THE REGIONAL UNITED WAY, WE REVIEW THEIR COMMUNITY NEEDS ASSESSMENT DATA AND SUPPORT PRIORITY PROGRAMS. IN 2013, EARLY LEARNING, EDUCATION, EMPLOYMENT, SAFETY, VOLUNTEERISM AND HOUSING WERE AREAS OF FOCUS. TO MEET THESE NEEDS, MULTICARE HAS PROVIDED DAYCARE SERVICES, READING PROGRAMS, CAREER PARTNERSHIPS, HEALTH CAREER EXPLORATION PROGRAMS, INCLUDING NURSE CAMP FOR HIGH SCHOOL STUDENTS, AND TRANSITION, A PROGRAM THAT PROVIDES CAREER OPPORTUNITIES FOR DISABLED, DISADVANTAGED YOUTH. MULTICARE EMPLOYEES PARTICIPATE IN A WIDE VARIETY OF VOLUNTEER PROGRAMS IN THE COMMUNITY, INCLUDING THE AMERICAN RED CROSS, THE PIERCE COUNTY DIABETES COALITION, AMERICAN HEART ASSOCIATION, MARCH OF DIMES, COMMUNITIES IN SCHOOLS, SAFE STREETS COALITION, THE YWCA WHICH OPERATES A DOMESTIC VIOLENCE SHELTER FOR WOMEN AND CHILDREN, THE AMERICAN CANCER SOCIETY, THE PLAN TO END CHRONIC HOMELESSNESS AND MANY OTHER ORGANIZATIONS. MULTICARE VALUES CULTURAL DIVERSITY. WE DELIVER EQUITABLE CARE TO ALL PATIENTS, REGARDLESS OF ETHNICITY, RACE, DISABILITY, OR SOCIOECONOMIC STATUS. BECAUSE LANGUAGE CAN SERVE AS A BARRIER FOR SOME PEOPLE TO ACCESS HEALTH CARE SERVICES, WE PROVIDE INTERPRETERS FOR A LARGE NUMBER OF FOREIGN LANGUAGES, AS WELL AS A TELECOMMUNICATIONS DEVICE TO HELP HEARING IMPAIRED PATIENTS. IN ADDITION, MANY PATIENT MATERIALS ARE AVAILABLE IN MULTIPLE LANGUAGES. WE CONTINUALLY ASSESS LANGUAGE AND COMMUNICATION NEEDS. FREE HEALTH SCREENINGS AND RESOURCES AND YOUTH SPORTS PHYSICALS ARE PROVIDED IN THE COMMUNITY, TARGETING LOW-INCOME, UNDERSERVED POPULATIONS.
PART VI, LINE 3	FINANCIAL ASSISTANCE INFORMATION IS PROVIDED IN A VARIETY OF WAYS. PRE-SERVICE CENTER STAFF STARTS CONVERSATIONS WITH PATIENTS ABOUT THEIR POTENTIAL FINANCIAL RESPONSIBILITY AND SHARE PAYMENT OPTIONS INCLUDING FINANCIAL ASSISTANCE INFORMATION WITH THE PATIENT DURING THIS INITIAL PHONE CALL. AT THE TIME OF REGISTRATION (WHETHER PRE-REGISTERED OR NOT), PATIENTS ARE NOTIFIED ABOUT THEIR INSURANCE COVERAGE AND FINANCIAL LIABILITIES. FINANCIAL COUNSELORS ARE AVAILABLE IF A NEED IS IDENTIFIED. IF A PATIENT DOES NOT HAVE INSURANCE, MULTICARE WORKS WITH PATIENTS TO VERIFY POTENTIAL STATE/FEDERAL ELIGIBILITY OR ROUTE THEM TO CHARITY OR FINANCIAL AID IF APPROPRIATE. FINANCIAL AID APPLICATIONS ARE HANDED OUT AT ALL SERVICE LOCATIONS UPON REQUEST OR WHEN A NEED IS IDENTIFIED BY STAFF. PATIENTS ARE ALSO GIVEN AN INFORMATIONAL BILLING HANDOUT AT REGISTRATION/ADMISSION WITH INFORMATION TO CONTACT FINANCIAL COUNSELORS IF THEY MAY HAVE DIFFICULTY PAYING THEIR HOSPITAL BILL.

Form and Line Reference	Explanation
PART VI, LINE 4	<p>MULTICARE HEALTH SYSTEM'S PRIMARY SERVICE AREA IS DEFINED AS PIERCE COUNTY WHICH INCLUDES TACOMA, PUYALLUP, UNIVERSITY PLACE, LAKEWOOD, PARKLAND AND GIG HARBOR SECONDARY SERVICE AREA IS DEFINED AS SOUTH KING COUNTY AND INCLUDES THE CITIES OF FEDERAL WAY, AUBURN, ENUMCLAW, COVINGTON AND KENT THE PRIMARY SERVICE AREA MULTICARE SERVES IS A MIX OF BOTH URBAN AND SUBURBAN COMMUNITIES THE POPULATION OF PIERCE COUNTY IS APPROXIMATELY 800,000 INDIVIDUALS A MAJOR MILITARY INSTALLATION -JOINT BASE LEWIS MCCHORD- IS LOCATED IN PIERCE COUNTY AND AS A RESULT, MULTICARE PROVIDES HEALTH CARE SERVICES TO A LARGE NUMBER OF ACTIVE AND RETIRED MILITARY PERSONNEL THE MEDIAN AGE IN PIERCE COUNTY IS 35 9 YEARS OLD SEVENTY PERCENT OF THE POPULATION IN PIERCE COUNTY IS OVER THE AGE OF TWENTY-ONE YEARS OLD 77% OF PIERCE COUNTY'S POPULATION IS CAUCASIAN, 9% IS LATINO/HISPANIC, 7% IS AFRICAN-AMERICAN, 6% IS ASIAN, AND 1% IS NATIVE-AMERICAN THE MEDIAN HOUSEHOLD INCOME FOR MULTICARE HEALTH SYSTEM'S PRIMARY SERVICE AREA IS \$57,869 AND FOR THE SECONDARY SERVICE AREA IS \$68,789 BASED ON THE 2010 WASHINGTON STATE POPULATION SURVEY, APPROXIMATELY 94,313 INDIVIDUALS IN PIERCE COUNTY (MULTICARE'S MAIN SERVICE AREA) ARE UNINSURED OVER 10 PERCENT OF INDIVIDUALS IN MULTICARE'S SERVICE AREA ARE LIVING BELOW THE POVERTY LEVEL MULTICARE HEALTH SYSTEM EMPLOYS THE LARGEST NUMBER OF PRIMARY AND SPECIALTY PROVIDERS IN THE REGION, OPERATES 1,130 BEDS, SEVERAL OUTPATIENT SURGICAL SITES AND OTHER URGENT CARE, PRIMARY CARE AND MULTISPECIALTY CLINICS MULTICARE HEALTH SYSTEM PROVIDES SERVICES DESIGNED TO MEET THE SPECIFIC HEALTHCARE REQUIREMENTS OF THE POPULATION, WITH A COMPREHENSIVE ARRAY OF INPATIENT AND OUTPATIENT PROGRAMS MADE AVAILABLE IN CONJUNCTION WITH THE RESOURCES OF OTHER COMMUNITY HEALTH PROVIDERS</p>
PART VI, LINE 5	<p>THE HOSPITALS OF THE AFFILIATED GROUP UTILIZE SURPLUS FUNDS TO MAINTAIN ACCESS TO PATIENT SERVICES AND TO EXPAND ACCESS POINTS OF CARE TO PATIENTS THROUGHOUT THE COMMUNITY INCLUDING, BUT NOT LIMITED TO THE FOLLOWING - EDUCATIONAL PROGRAMS PROVIDE CLASSES AND INFORMATION ON TOBACCO CESSATION, HEALTHY AGING, CHILDBIRTH, INFANT CARE, HEALTH AND WELLNESS, NUTRITION AND MORE,-FREE MAMMOGRAMS TO QUALIFYING INDIVIDUALS, FREE OR LOW COST SCREENINGS AT A VARIETY OF HEALTH FAIRS HELD THROUGHOUT THE YEAR, LOW COST IMMUNIZATIONS IN THE COMMUNITY, -EXPANSION OF THE EMERGENCY DEPARTMENTS TO ACCOMMODATE AN INCREASE IN EMERGENCY DEPARTMENT PATIENTS,- EXPANSION OF THE CANCER CENTER TO ACCOMMODATE AN INCREASE IN CANCER PATIENTS,-BUILDING OF THE PATIENT CARE TOWER IN PUYALLUP TO ACCOMMODATE FOR AN INCREASE IN THE POPULATION,-SENIOR MEMBERSHIP AFFINITY PROGRAM,-CANCER TRIALS AND RESEARCH,-CARE MANAGEMENT, POWER OF ATTORNEY, NOTARY SERVICE CHARITY MEDICATIONS, THE WAL-MART PROGRAM, -CHILDREN'S THERAPY UNIT, ASSISTIVE TECHNOLOGY PROGRAM "THE SMILE FACTORY"SIBSHOPS, ARK ANGELS, - COMMUNITY EDUCATION TRANSFUSION FREE MEDICAL & SURGICAL PROGRAM, TRAUMA NURSES TALK TOUGH, CELEBRATE SENIORITY COMMUNITIES IN SCHOOLS, MULTICARE GOOD SAMARITAN READERS, AMERICAN RED CROSS, MULTICARE GOOD SAMARITAN HOSPITAL PLAY PARK @ SOUTH HILL MALL, -FAMILY BIRTH CENTER LACTATION SUPPORT SERVICES, TEEN PARENT RESOURCE CENTER, MOM AND BABY SUPPORT CLASS, FAMILY BIRTH CENTER CLASSES, -MOBILE HEALTH SERVICES, PALLIATIVE CARE, PHYSICAL MEDICINE & REHABILITATION, VOLUNTEER SERVICES</p>

Form and Line Reference	Explanation
PART VI, LINE 6	MULTICARE HEALTH SYSTEM ("MULTICARE") IS A WASHINGTON NOT-FOR-PROFIT CORPORATION, AND ORGANIZED AS A TAX-EXEMPT ENTITY UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986. MULTICARE HAS THREE AFFILIATED FOUNDATIONS: MARY BRIDGE CHILDREN'S FOUNDATION, MULTICARE HEALTH FOUNDATION AND GOOD SAMARITAN FOUNDATION, ALL WASHINGTON NONPROFIT CORPORATIONS. MULTICARE IS ALSO THE SOLE SHAREHOLDER OF MEDIS CORPORATION, A WASHINGTON FOR-PROFIT CORPORATION AND MULTICARE CONSULTING SERVICES, LLC, A FOR-PROFIT PARTNERSHIP SPECIALIZED IN CONSULTING. MULTICARE HEALTH SYSTEM HAS FIVE ACUTE-CARE HOSPITALS INCLUDING LEVEL II ADULT AND PEDIATRIC TRAUMA CENTERS, THE REGION'S ONLY LEVEL III NEONATAL INTENSIVE CARE UNIT, THE REGION'S ONLY LEVEL I TRAUMA REHABILITATION CENTER, AN INTERNATIONALLY RENOWNED THERAPY UNIT FOR CHILDREN WITH SPECIAL NEEDS, AND SOUTHWEST WASHINGTON'S ONLY CHILDREN'S HOSPITAL. MULTICARE'S FIVE HOSPITALS SERVE INDIVIDUALS OF ALL AGES. MARY BRIDGE CHILDREN'S HOSPITAL AND HEALTH CENTER SERVES THE PEDIATRIC NEEDS OF THE COMMUNITY, TACOMA GENERAL HOSPITAL, GOOD SAMARITAN HOSPITAL, AUBURN HOSPITAL HAVE SPECIALTY SERVICES THAT FOCUS ON ADULT POPULATIONS AND ALLENMORE HOSPITAL HAS SPECIALTY HEALTHCARE SERVICES THAT FOCUS ON THE ELDERLY POPULATION. MULTICARE CONTINUALLY REINVESTS IN THE COMMUNITIES WE SERVE TO IMPROVE ACCESS TO HEALTHCARE. MULTICARE HEALTH SYSTEM IS GOVERNED BY A COMMUNITY-BASED BOARD OF DIRECTORS. EACH OF THE FOUNDATION BOARDS ARE ALSO GOVERNED BY COMMUNITY-BASED BOARD OF DIRECTORS AS WELL.
PART VI, LINE 7, REPORTS FILED WITH STATES	WA

Additional Data

Software ID:

Software Version:

EIN: 91-1352172

Name: MULTICARE HEALTH SYSTEM

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

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

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

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

Name and address	Type of Facility (describe)
1 COVINGTON AMBULATORY SURGERY CENTER 17700 SE 272ND STREET COVINGTON,WA 98042	OP SURGERY, RX, LAB
2 AUBURN LAB 735 12TH STREET SE AUBURN,WA 98002	OP SURGERY, RX, LAB
3 KENT LAB 222 STATE AVE NORTH KENT,WA 98031	OP SURGERY, RX, LAB
4 CEDAR MEDICAL LAB 1901 SOUTH CEDAR STREET SUITE B5 TACOMA,WA 98405	OP SURGERY, RX, LAB
5 GIG HARBOR MEDICAL PARK 4545 POINT FOSDICK DRIVE GIG HARBOR,WA 98335	OP SURGERY, RX, LAB
6 AUBURN IMAGING 202 CROSS STREET SE AUBURN,WA 98001	OP SURGERY, RX, LAB
7 AUBURN VASCULAR LAB 202 N DIVISION ST SUITE 300-301 AUBURN,WA 98001	OP SURGERY, RX, LAB
8 TACOMA FAMILY MEDICINE 521 MARTIN LUTHER KING JR WAY TACOMA,WA 98405	OP SURGERY, RX, LAB
9 OBSTETRICS ACCESS CLINIC 522 MARTIN LUTHER KING JR WAY TACOMA,WA 98405	OP SURGERY, RX, LAB
10 MULTICARE OBGYN ASSOCIATES 523 MARTIN LUTHER KING JR WAY TACOMA,WA 98405	OP SURGERY, RX, LAB
11 PODIATRY CLINIC 524 MARTIN LUTHER KING JR WAY TACOMA,WA 98405	OP SURGERY, RX, LAB
12 MATERNAL FETAL MEDICINE 524 MARTIN LUTHER KING JR WAY TACOMA,WA 98405	OP SURGERY, RX, LAB
13 SILVERDALE CLINIC 1780 NW MYRTLE RD SUITE G220 SILVERDALE,WA 98383	OP SURGERY, RX, LAB
14 OLYMPIA CLINIC 200 LILLY ROAD NE BUILDING C OLYMPIA,WA 98506	OP SURGERY, RX, LAB
15 PUYALLUP CLINIC 1803 SOUTH MERIDIAN SUITE B PUYALLUP,WA 98371	OP SURGERY, RX, LAB
16 CHILDREN'S THERAPY UNIT 402 15TH AVE SE PUYALLUP,WA 98372	OP SURGERY, RX, LAB
17 HEALTH RESOURCE CENTER 2622 S MERIDIAN PUYALLUP,WA 98372	OP SURGERY, RX, LAB
18 CARDIAC REHABILITATION CENTER 16515 MERIDIAN E SUITE 200B PUYALLUP,WA 98372	OP SURGERY, RX, LAB
19 PET-CT CLINIC 400 15TH AVE SE PUYALLUP,WA 98372	OP SURGERY, RX, LAB
20 MULTICARE REGIONAL CANCER CENTER AUBURN 121 N DIVISION ST STE 100 AUBURN,WA 98001	OP SURGERY, RX, LAB
21 MARY BRIDGE WOMAN'S & CHILDREN'S CLINIC 3504 12TH AVE NW OLYMPIA,WA 98506	OP SURGERY, RX, LAB
22 MULTICARE ORTHO&SPORTS MEDICINE MOUNTAIN 1550 S UNION AVE STE 210 TACOMA,WA 98405	OP SURGERY, RX, LAB
23 WESTGATE MULTICARE CLINIC & URGENT CARE 2209 N PEARL ST STE 100 TACOMA,WA 98406	OP SURGERY, RX, LAB

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
MULTICARE HEALTH SYSTEM

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number

91-1352172

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) MARY BRIDGE CHILDREN'S FOUNDATION PO BOX 5299 TACOMA, WA 98415	94-3030039	501(C)(3)	2,999,838	0			ASSISTANCE FOR OPERATING EXPENSES
(2) MULTICARE HEALTH FOUNDATION PO BOX 5299 TACOMA, WA 98415	91-1514257	501(C)(3)	1,810,356	0			ASSISTANCE FOR OPERATING EXPENSES
(3) GOOD SAMARITAN FOUNDATION PO BOX 5299 TACOMA, WA 98415	91-2004312	501(C)(3)	1,406,841	0			ASSISTANCE FOR OPERATING EXPENSES

2

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

3

3

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

0

Part III

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

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

Part IV

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

Return Reference	Explanation
PART I, LINE 2	MULTICARE HEALTH SYSTEM MAINTAINS SEPARATE GENERAL LEDGER ACCOUNTS FOR THE AMOUNTS FUNDED TO RELATED ORGANIZATIONS

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
MULTICARE HEALTH SYSTEM

Employer identification number
91-1352172

Part I

Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 1A	LINE 1A - HOUSING ALLOWANCE IS PAID TO GLENN KASMAN, THE AMOUNT IS ADDED TO THE TAXABLE WAGES AND REPORTED ON HIS W-2
PART I, LINE 4B	THE FOLLOWING REPORTED PEOPLE PARTICIPATED IN A 457(F) DEFERRED COMPENSATION PLAN AND RECEIVED A PAYOUT IN 2013: SHELLY MULLIN \$16,511, GLENN KASMAN \$12,504, KATHERINE SMITH \$13,583, HUGH KODAMA \$12,640, DAVID COONS \$18,444 AND WILLIAM MORRIS \$1,157,990. IRC SECTION 457(F) PLANS ALLOW PARTICIPANTS TO CHOOSE FROM A NUMBER OF DIFFERENT TYPES OF BENEFITS WITH A DEFAULT SELECTION INTO A 457(F) PLAN. THE PLAN COVERS EMPLOYEES WHO ARE PRIMARILY A SELECT GROUP OF MANAGEMENT OR HIGHLY COMPENSATED EMPLOYEES. THIS TYPE OF ARRANGEMENT CONTAINS A RISK OF FORFEITURE AND DEVICES SUCH AS NON-COMPETE CLAUSES, ROLLING RISK OF FORFEITURE AND OPTIONS THAT ADD SOME RISK OF LOSING THE BENEFIT.
PART I, LINE 6	THE COMPENSATION COMMITTEE SETS ANNUAL GOALS FOR THE INCENTIVE COMPENSATION PLAN COVERING SENIOR VICE PRESIDENTS, VICE PRESIDENTS, ADMINISTRATORS, DIRECTORS, MANAGERS AND SUPERVISORS. TARGETS IN QUALITY OF CARE, PATIENT SAFETY, CUSTOMER SERVICE, PEOPLE AND PERFORMANCE ALONG WITH A SYSTEM-WIDE OPERATING MARGIN GOAL MUST BE MET IN ORDER FOR THE INCENTIVE COMPENSATION PLAN PAYMENTS TO BE MADE. THE INCENTIVE COMPENSATION PLAN IS THEN CALCULATED AND PAID BASED ON THE ACHIEVEMENT OF THE IDENTIFIED SYSTEM AND INDIVIDUAL GOALS.
FORM 990, PART VII AND SCHEDULE J, PART III-SUPPLEMENTAL	THE REPORTABLE COMPENSATION FOR THE OFFICERS OF THE CORPORATION AND KEY EMPLOYEES IS BASED ON THE TOTAL AMOUNT PAID DURING THE YEAR FOR MANAGEMENT AND LEADERSHIP OF MULTICARE HEALTH SYSTEM ENTITIES (91-1352172, 91-1514257, 94-3030039, AND 91-2004312), INCLUDING CURRENT YEAR PAYMENTS OF AMOUNTS REPORTED IN PRIOR YEARS AS CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLANS, TOGETHER WITH INVESTMENT EARNINGS FROM THOSE PRIOR YEAR CONTRIBUTIONS. AS A RESULT, CERTAIN AMOUNTS HAVE BEEN REPORTED TWICE, BOTH IN PRIOR YEARS WHEN EARNED OR ACCRUED, AND AGAIN IN THE CURRENT YEAR WHEN PAID. THE AMOUNTS UNDER OTHER COMPENSATION INCLUDE DEFERRED COMPENSATION, AND THE VALUE OF MEDICAL, DENTAL, LIFE, DISABILITY INSURANCE, AND PENSION BENEFITS. COMPENSATION ON THIS TAX RETURN INCLUDES AMOUNTS THAT ARE NOT VESTED, ARE SUBJECT TO SUBSTANTIAL RISK OF FORFEITURE AND MAY NOT BE PAID OUT IN THE FUTURE. THE PROCESS FOR DETERMINING EXECUTIVE COMPENSATION AT MULTICARE HEALTH SYSTEM: (I) COMPLIES WITH IRS GUIDELINES FOR TAX-EXEMPT ORGANIZATIONS, (II) IS DETERMINED BY A SEPARATE COMMITTEE OF THE BOARD OF DIRECTORS WHOSE MEMBERS ARE ALL INDEPENDENT, DO NOT HAVE A CONFLICT OF INTEREST, AND ARE NON-PAID, AND (III) IS ANNUALLY EVALUATED IN THE CONTEXT OF COMPENSATION DATA GATHERED BY INDEPENDENT EXTERNAL CONSULTANTS FROM A PEER GROUP COMPRISED OF SIMILAR HIGH PERFORMING HEALTHCARE INSTITUTIONS, PRIMARILY INTEGRATED HEALTHCARE ORGANIZATIONS. COMPENSATION PAID IS DETERMINED TO BE REASONABLE AND NECESSARY BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS AND THE INDEPENDENT EXTERNAL CONSULTANT. IN ADDITION, A SIGNIFICANT PORTION OF COMPENSATION IS AT RISK AND BASED ON ACHIEVEMENT OF GOALS SET BY THE BOARD OF DIRECTORS AT THE START OF EACH YEAR IN AREAS SUCH AS PATIENT SAFETY, QUALITY, WORKFORCE DEVELOPMENT, FINANCE AND OTHER MISSION-RELATED AREAS. THE BOARD PLACES A HIGH PRIORITY ON THE NEED TO RECRUIT AND RETAIN A STRONG LEADERSHIP TEAM AND TO CREATE A HIGHLY MOTIVATED AND ENGAGED WORKFORCE TO DRIVE SUPERIOR ORGANIZATIONAL PERFORMANCE IN ORDER TO ACHIEVE TOP TIER INTEGRATED CARE DELIVERY SYSTEM STATUS. THE COMPENSATION COMMITTEE ROUTINELY REVIEWS BENEFITS AND RETIREMENT PROGRAMS TO ENSURE THE PLANS ARE MARKET-BASED AND OTHERWISE CONSISTENT WITH IRS GUIDELINES. THE OFFICERS OF MULTICARE HEALTH SYSTEM, 91-1352172, ALSO FULFILL OFFICER AND EXECUTIVE FUNCTIONS FOR ITS RELATED ENTITIES. COMPENSATION DISCLOSED IS REPORTED TO THE RELATED ENTITIES TAX RETURNS IN ACCORDANCE WITH IRS REGULATIONS, BUT IS NOT CHARGED TO THE SUBSIDIARY OR AFFILIATE. AN OFFICER LISTED DEVOTES AN AVERAGE OF 60 HOURS PER WEEK TO PERFORM HIS OR HER RESPONSIBILITIES.
SCHEDULE J, SUPPLEMENTAL	VINCENT SCHMITZ, FORMER CHIEF FINANCIAL OFFICER AND JOHN LONG, FORMER OFFICER ARE STILL EMPLOYED WITHIN THE MULTICARE HEALTH SYSTEM AS CONSULTANTS. IN 2013 THEY RECEIVED COMPENSATION.
SCHEDULE J, SUPPLEMENTAL	WILLIAM MORRIS, MD, RECEIVED A LARGER CAPITAL ACCUMULATION PAYOUT IN 2013. THE PAYMENT AMOUNT WAS THE RESULT OF CUMULATIVE ANNUAL CREDITS OVER THE DURATION OF HIS 5 YEAR RETENTION AGREEMENT.

Additional Data

Software ID:
Software Version:
EIN: 91-1352172
Name: MULTICARE HEALTH SYSTEM

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
DIANE CECCHETTINI PRESIDENT & CEO	(i)	853,616	293,567	254,191	27,540	13,498	1,442,412	0
	(ii)	0	0	0	0	0	0	0
CHRIS KNACKSTEDT CHIEF FINANCIAL OFFICER	(i)	499,752	150,000	103,059	1,938	29,073	783,822	0
	(ii)	0	0	0	0	0	0	0
FLORENCE CHANG EXECUTIVE VICE PRESIDENT	(i)	457,509	189,455	62,422	59,451	20,223	789,060	0
	(ii)	0	0	0	0	0	0	0
CLAIRE SPAIN-REMY SR VICE PRESIDENT	(i)	369,499	70,777	75,975	26,873	25,989	569,113	0
	(ii)	0	0	0	0	0	0	0
KATHERINE SMITH SR VICE PRESIDENT	(i)	381,755	98,533	96,942	27,540	14,156	618,926	13,583
	(ii)	0	0	0	0	0	0	0
GLENN KASMAN REGIONAL PRESIDENT	(i)	392,450	74,739	82,949	24,534	28,230	602,902	12,504
	(ii)	0	0	0	0	0	0	0
SHELLY MULLIN REGIONAL PRESIDENT	(i)	341,519	63,041	84,613	27,540	19,025	535,738	16,511
	(ii)	0	0	0	0	0	0	0
HUGH KODAMA VICE PRESIDENT - REGIONAL	(i)	195,195	27,998	27,952	35,637	18,521	305,303	12,640
	(ii)	0	0	0	0	0	0	0
WILLIAM MORRIS PHYSICIAN	(i)	975,280	28,357	1,177,959	244,087	19,619	2,445,302	1,157,990
	(ii)	0	0	0	0	0	0	0
DAVID COONS PHYSICIAN	(i)	1,261,327	6,511	20,744	40,643	26,851	1,356,076	18,444
	(ii)	0	0	0	0	0	0	0
JOHN HUNG PHYSICIAN	(i)	946,866	20,272	16,946	23,159	26,724	1,033,967	0
	(ii)	0	0	0	0	0	0	0
SURAJ SINGH PHYSICIAN	(i)	891,497	28,444	16,892	28,981	26,367	992,181	0
	(ii)	0	0	0	0	0	0	0
MOHAMMED BACCORA PHYSICIAN	(i)	853,136	14,339	16,892	14,843	19,583	918,793	0
	(ii)	0	0	0	0	0	0	0
VINCENT SCHMITZ CONSULTANT/FORMER OFFICER	(i)	22,331	84,643	0	0	0	106,974	0
	(ii)	205,836	472,385	0	0	0	678,221	0
JOHN LONG CONSULTANT/FORMER OFFICER	(i)	119,995	0	0	22,312	360	142,667	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization
MULTICARE HEALTH SYSTEM

Employer identification number
91-1352172

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WASHINGTON HEALTH CARE FACILITIES SERIES 2004 ABC	91-1108929	93978EL83	05-15-2008	150,977,057	TO REFUND THE ORIGINAL 04 BONDS ISSUED 6/22/04 THE CONSTR WAS COMPLET IN 05		X		X		X
B	WASHINGTON HEALTH CARE FACILITIES SERIES 2007 ABC	91-1108929	93978EE73	02-15-2007	210,365,000	CONSTR & EQUIPMENT TG EMERGENCY DEPT ,STEAM PLANT,GIG HARBOR MEDICAL PARK		X		X		X
C	WASHINGTON HEALTH CARE FACILITIES SERIES 2007 D	91-1108929	93978EF23	02-15-2007	105,635,000	CONSTR & EQUIPMENT TG EMERGENCY DEPT ,STEAM PLANT,GIG HARBOR MEDICAL PARK		X		X		X
D	WASHINGTON HEALTH CARE FACILITIES SERIES 2007 AB	91-1108929	93978EQ54	05-15-2008	158,492,602	\$157,450 000 WAS USED TO REFUND BONDS ISSUED ON 02/15/07		X		X		X

Part II Proceeds

				A	B	C	D
1	Amount of bonds retired			1,470,000	1,470,000	2,055,000	2,325,000
2	Amount of bonds legally defeased						
3	Total proceeds of issue			150,977,057	210,365,000	105,635,000	158,492,602
4	Gross proceeds in reserve funds						
5	Capitalized interest from proceeds						
6	Proceeds in refunding escrows						
7	Issuance costs from proceeds			977,057	1,147,268	465,412	1,042,602
8	Credit enhancement from proceeds			4,071,130	4,071,130	1,820,372	
9	Working capital expenditures from proceeds						
10	Capital expenditures from proceeds			205,146,602	205,146,602	103,349,215	
11	Other spent proceeds			150,000,000			157,450,000
12	Other unspent proceeds						
13	Year of substantial completion			2008	2009	2009	2008
14	Were the bonds issued as part of a current refunding issue?			Yes	No	Yes	No
				X			X
15	Were the bonds issued as part of an advance refunding issue?				X		X
16	Has the final allocation of proceeds been made?			X		X	X
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?			X		X	X

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X		X	
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X		X	
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X		X	
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 510 %		0 470 %		0 470 %		0 470 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 510 %		0 470 %		0 470 %		0 470 %	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X		X	

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
SCHEDULE K, PART IV, LINE 2C	FOR THE WASHINGTON HEALTH CARE FACILITIES AUTHORITY REVENUE BONDS SERIES 2004 ABC, 2007 AB AND 2008 ABC, MULTICARE HEALTH SYSTEM ENGAGED BARTHE & WAHRMAN PROFESSIONAL ASSOCIATION TO PERFORM A FIVE-YEAR ARBITRAGE REBATE CALCULATION ON 07/25/2013 AND THE RESULT WAS THERE IS NO REBATE DUE TO THE IRS

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MULTICARE HEALTH SYSTEM

Employer identification number
91-1352172

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WASHINGTON HEALTH CARE FACILITIES SERIES 2008 ABC	91-1108929	93978ES52	05-15-2008	130,081,316	CONSTRUCTION OF THE GOOD SAMARITAN TOWER		X		X		X
B	WASHINGTON HEALTH CARE FACILITIES SERIES 2008 AB	91-1108929	93978E2SO	02-26-2009	99,094,039	\$99,094,039 WAS USED TO REFUND BONDS ISSUED ON 05/15/2008		X		X		X
C	WASHINGTON HEALTH CARE FACILITIES SERIES 2009 AB	91-1108929	93978E3U4	05-01-2009	100,000,000	CONSTRUCTION OF THE GOOD SAMARITAN TOWER		X		X		X
D	WASHINGTON HEALTH CARE FACILITIES SERIES 2010 A	91-1108929	93978E6W7	01-05-2010	105,127,578	\$105,127,004 WAS USED TO REFUND THE WHCA SERIES 1998 ISSUED ON 08/13/1998		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	100,000,000		4,320,000				6,350,000	
2	Amount of bonds legally defeased								
3	Total proceeds of issue	130,081,316		99,094,039		100,000,000		105,127,578	
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	647,784				1,032,608			
8	Credit enhancement from proceeds	4,264,042				556,057		574	
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	125,169,491				98,411,336			
11	Other spent proceeds	99,094,039		99,094,039				105,127,004	
12	Other unspent proceeds								
13	Year of substantial completion	2009		2009		2010		2010	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X	X			X	X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X		X	
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X		X	
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X		X	
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 230 %		0 230 %		0 230 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 230 %		0 230 %		0 230 %		0 %	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X		X	

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
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Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MULTICARE HEALTH SYSTEM

Employer identification number
91-1352172

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A WASHINGTON HEALTH CARE FACILITIES SERIES 2012 AB	91-1108929	93978HHC2	11-13-2012	140,628,741	AUBURN AQUISITION,TG CAMPUS REFRESH,COVINGTON EMERGENCY DEPARTMENT		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	140,628,741							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,336,000							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	139,292,741							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2013							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?	X							
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X							
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	1 040 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %							
6	Total of lines 4 and 5	1 040 %							
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
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Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
MULTICARE HEALTH SYSTEM

Employer identification number
91-1352172

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

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

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

Part IV Business Transactions Involving Interested Persons.

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

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

Part V Supplemental Information

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

Return Reference	Explanation
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Additional Data

Software ID:
Software Version:
EIN: 91-1352172
Name: MULTICARE HEALTH SYSTEM

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) WESTERN WA PATHOLOGY	ROB ROTH/VICE CHAIRMAN	1,315,395	REIMBURSEMENT FOR PROFESSIONAL SERVICES ROB ROTH, MD, AN OFFICER OF THE MULTICARE HEALTH SYSTEM'S BOARD, OWNS 16 67% OF WESTERN WASHINGTON PATHOLOGY PS IN 2013 MULTICARE HEALTH SYSTEM ENGAGED WESTERN WASHINGTON PATHOLOGY PS FOR PROFESSIONAL SERVICES AND REIMBURSED AN AMOUNT OVER THE REPORTING TRESHOLD		No
(2) CAROLINE RUTTER MD	DAUGHTER OF ROB ROTH, VICE CHAIRMAN	769,765	EMPLOYEE OF MULTICARE HEALTH SYSTEM		No
(3) RICKY ROTH	WIFE OF ROB ROTH, VICE CHAIRMAN	42,598	EMPLOYEE OF MULTICARE HEALTH SYSTEM		No
(4) ASSOCIATED PETROLEUM PRODUCTS	LUKE XITKO/DIRECTOR	544,615	SUPPLIER OF GOODS AND SERVICES LUKE XITKO, A MEMBER OF THE MULTICARE HEALTH SYSTEM'S BOARD, OWNS 37 5% OF ASSOCIATED PETROLEUM PRODUCTS IN 2013 MULTICARE HEALTH SYSTEM ENGAGED ASSOCIATED PETROLEUM PRODUCTS FOR SERVICES AND/OR PRODUCTS AND REIMBURSED AN AMOUNT OVER THE REPORTING TRESHOLD		No
(5) EOSCENE	JOHN WIBORG/TREASURER	156,387	ANNUAL LICENSE FEE JOHN WIBORG, AN OFFICER OF THE MULTICARE HEALTH SYSTEM'S BOARD, IS CHAIRMAN AND ON THE BOARD OF DIRECTORS OF EOSCENE, A WA STATE CORPORATION IN 2013 HE HAS AN OWNERSHIP PERCENTAGE OF 15 51% IN EOSCENE ("INTERESTED PERSON") AND THE ORGANIZATION, MULTICARE HEALTH SYSTEM, PAID EOSCENE OVER THE REPORTING THRESHOLD		No
(6) MEDIS CORPORATION	SUBSIDIARY OF MULTICARE HEALTH SYSTEM	445,720	LEASE PAYMENTS FOR RENTED SPACE MULTICARE HEALTH SYSTEM IS LEASING SPACE FROM MEDIS AT THE BAKER CENTER AND IN 2013 MULTICARE HEALTH SYSTEM PAID MEDIS RENTS IN AN AMOUNT OVER THE REPORTING THRESHOLD		No
(7) MULTICARE CONSULTING SERVICES LLC	SUBSIDIARY OF MULTICARE HEALTH SYSTEM	617,984	OVERHEAD CORPORATE ALLOCATION FOR SHARED SERVICES		No

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.**

2013

**Open to Public
Inspection**

Name of the organization
MULTICARE HEALTH SYSTEM

Employer identification number

91-1352172

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	PROCESS USED BY MANAGEMENT AND/OR GOVERNING BODY TO REVIEW 990 THE FORM 990 IS PREPARED BY INTERNAL STAFF AND REVIEWED BY AN OUTSIDE ACCOUNTING FIRM INITIAL REVIEWS WERE PERFORMED BY LEVELS OF MANAGEMENT IN VARIOUS DEPARTMENTS THROUGHOUT THE ORGANIZATION, INCLUDING THE CHIEF EXECUTIVE OFFICER, AND THE CHIEF FINANCIAL OFFICER A REVIEW WAS THEN PERFORMED BY THE AUDIT COMMITTEE OF THE BOARD, AND INCLUDED A PRESENTATION BY THE OUTSIDE ACCOUNTING FIRM LASTLY, A COPY OF THE FINAL FORM 990, INCLUDING ALL REQUIRED SCHEDULES, WAS PROVIDED TO EACH VOTING MEMBER OF THE BOARD OF DIRECTORS FOR REVIEW, PRIOR TO ITS FILING WITH THE IRS

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 12C	<p>PROCESS USED TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST THE BOARD OF DIRECTORS HAS ACCOUNTABILITY FOR OVERSIGHT OF THE PROCESS FOR DISCLOSURE, EVALUATION, AND MANAGEMENT OF CONFLICTS OF INTEREST INVOLVING ANY DIRECTOR ON THE BOARD, EXECUTIVE LEADERSHIP, OR KEY EMPLOYEE IN ACCORDANCE WITH THE CONFLICTS OF INTEREST POLICY , THESE INDIVIDUALS ARE REQUIRED TO COMPLETE THE CONFLICTS OF INTEREST QUESTIONNAIRE AT LEAST ANNUALLY , AND HAVE AN ONGOING OBLIGATION TO UPDATE THE DISCLOSURE IN THE EVENT AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST ARISES THE CONFLICTS OF INTEREST QUESTIONNAIRE INCLUDES A STATEMENT THAT THE PERSON HAS RECEIVED A COPY OF THE CONFLICTS OF INTEREST POLICY , HAS READ AND UNDERSTANDS THE POLICY , HAS AGREED TO COMPLY WITH THE POLICY , AND UNDERSTANDS THAT THE ORGANIZATION MUST ENGAGE PRIMARILY IN ACTIVITIES THAT FURTHER ITS TAX EXEMPT PURPOSES WRITTEN DISCLOSURES ARE REVIEWED BY THE COMPLIANCE OFFICER, AND IN CERTAIN CIRCUMSTANCES, THERE IS FURTHER REVIEW BY THE GENERAL COUNSEL AND BOARD NO PERSON WITH A CONFLICT OF INTEREST PARTICIPATES IN AN ACTIVITY RELATED TO THE CONFLICT OF INTEREST UNLESS DISCLOSED, RESOLVED, AND PERMITTED IN ACCORDANCE WITH THE CONFLICT OF INTEREST POLICY CONFLICTS OF INTEREST ARE DOCUMENTED</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15	<p>A-B PROCESS USED TO DETERMINE COMPENSATION OF CEO THE BOARD, THROUGH ITS COMPENSATION COMMITTEE CONSISTING OF INDEPENDENT, NON-PAID, BOARD MEMBERS, IS ACCOUNTABLE FOR ENSURING AND APPROVING A REASONABLE TOTAL COMPENSATION PACKAGE, CONSISTENT WITH ITS COMPENSATION PHILOSOPHY, FOR THE CEO FOR HER MANAGEMENT AND LEADERSHIP OF MULTICARE HEALTH SYSTEM ENTITIES (91-1352172, 91-1514257, 94-3030039, AND 91-2004312) THE COMPENSATION COMMITTEE DIRECTS THE DEVELOPMENT AND IT APPROVES ANNUAL GOALS AND PERFORMANCE CRITERIA THAT ARE USED TO DETERMINE VARIABLE COMPENSATION OPPORTUNITIES FOR THE CEO THE COMPENSATION COMMITTEE ASSESSES PERFORMANCE AGAINST THESE GOALS AND PERFORMANCE CRITERIA, WHICH INCLUDE IMPROVING PATIENT CARE, CARE ACCESS TO THE UNDERSERVED, CLINICAL OUTCOMES, AND PATIENT SAFETY, AS WELL AS EARNING AN OPERATING MARGIN TO ENABLE INVESTMENT IN PEOPLE, TECHNOLOGY, AND FACILITIES THE COMPENSATION COMMITTEE SELECTS AND ENGAGES A QUALIFIED INDEPENDENT COMPENSATION CONSULTANT EACH YEAR TO REVIEW AND ANALYZE THE TOTAL COMPENSATION PACKAGE FOR ALIGNMENT WITH APPROPRIATE PRACTICES FOR SIMILAR NOT-FOR-PROFIT HEALTHCARE SYSTEMS THE COMPENSATION COMMITTEE, AS PART OF ITS ANALYSIS, OBTAINS FROM THE INDEPENDENT COMPENSATION CONSULTANT APPROPRIATE COMPARABILITY DATA, INCLUDING TOTAL COMPENSATION PAID BY SIMILARLY SITUATED NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS FOR POSITIONS THAT ARE FUNCTIONALLY COMPARABLE THE COMPENSATION DELIBERATION AND DECISIONS ARE CONTEMPORANEOUSLY DOCUMENTED THE LAST TIME THIS PROCESS WAS UNDERTAKEN WAS 2013</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST. ADDITIONALLY, THIS YEAR THE AUDITED FINANCIAL STATEMENTS ARE INCLUDED AS PART OF THE FORM 990.

Return Reference	Explanation
FORM 990, PART XI, LINE 9	UNFUNDED DB PENSION LIABILITY 119,203,896 TACOMA GENERAL ENDOWMENT FMV ADJUSTMENT -606,112 MULTICARE CONSULTING SERVICES, LLC DIVIDEND -20,000

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
MULTICARE HEALTH SYSTEM

Employer identification number
91-1352172

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) MULTICARE HEALTH FOUNDATION 409 S J STREET TACOMA, WA 98405 91-1514257	SOLICIT CONTRIBUTIONS	WA	501(C)(3)	LINE 7	MULTICARE HEALTH SYSTEM	Yes	
(2) MARY BRIDGE CHILDREN'S FOUNDATION 409 S J STREET TACOMA, WA 98405 94-3030039	SOLICIT CONTRIBUTIONS	WA	501(C)(3)	LINE 7	MULTICARE HEALTH SYSTEM	Yes	
(3) GOOD SAMARITAN FOUNDATION 402 15TH AVE SE SUITE 101 PUYALLUP, WA 98372 91-2004312	SOLICIT CONTRIBUTIONS	WA	501(C)(3)	LINE 7	MULTICARE HEALTH SYSTEM	Yes	

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) Disproporionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MULTICARE CONSULTING SERVICES LLC 1102 BROADWAY STE 510 TACOMA, WA 98402 45-4152765	HEALTHCARE CASH COLLECTIONS CONSULTING	WA	MULTICARE HEALTH SYSTEM	UNRELATED	3,850,426	5,734,058		No		Yes		100 000 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) MEDIS CORPORATION 315 S K STREET TACOMA, WA 98405 91-1111928	MEDICAL BUILDING RENTAL	WA	MULTICARE HEALTH SYSTEM	C	1,255,412	2,267,202	100 000 %	Yes	

Part V

Transactions With Related Organizations

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

- r** Other transfer of cash or property to related organization(s)
- s** Other transfer of cash or property from related organization(s)

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

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

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

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
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Additional Data

Software ID:
Software Version:
EIN: 91-1352172
Name: MULTICARE HEALTH SYSTEM

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
MULTICARE HEALTH FOUNDATION	B	1,810,356	FINANCIAL STATEMENTS
MARY BRIDGE CHILDREN'S FOUNDATION	B	2,999,838	FINANCIAL STATEMENTS
GOOD SAMARITAN FOUNDATION	B	1,406,841	FINANCIAL STATEMENTS
MULTICARE HEALTH FOUNDATION	C	2,223,703	FINANCIAL STATEMENTS
MARY BRIDGE CHILDREN'S FOUNDATION	C	5,288,340	FINANCIAL STATEMENTS
GOOD SAMARITAN FOUNDATION	C	1,913,902	FINANCIAL STATEMENTS
MEDIS CORPORATION	K	445,720	FINANCIAL STATEMENTS
MULTICARE HEALTH FOUNDATION	Q	665,515	FINANCIAL STATEMENTS
MARY BRIDGE CHILDREN'S FOUNDATION	Q	1,390,920	FINANCIAL STATEMENTS
GOOD SAMARITAN FOUNDATION	Q	604,783	FINANCIAL STATEMENTS
MEDIS CORPORATION	Q	574,451	FINANCIAL STATEMENTS
MULTICARE CONSULTING SERVICES LLC	Q	617,984	FINANCIAL STATEMENTS
MULTICARE CONSULTING SERVICES LLC	S	980,000	MCS, LLC K-1



MULTICARE HEALTH SYSTEM

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
MultiCare Health System

We have audited the accompanying consolidated financial statements of MultiCare Health System (a Washington nonprofit corporation), 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of MultiCare Health System as of December 31, 2013 and 2012, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with U S generally accepted accounting principles

KPMG LLP

Seattle, Washington
March 26, 2014

MULTICARE HEALTH SYSTEM

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets		
Cash and cash equivalents	\$ 60,505	74,252
Accounts receivable, less allowance for doubtful accounts of \$80,416 and \$74,252 in 2013 and 2012, respectively	255,299	215,315
Supplies inventory	23,088	21,397
Other current assets, net	32,693	28,857
Total current assets	371,585	339,821
Donor restricted assets held for long-term purposes	71,978	67,324
Investments	1,197,897	989,645
Property, plant, and equipment, net	1,303,593	1,243,913
Other assets, net	120,845	81,544
Total assets	<u>\$ 3,065,898</u>	<u>2,722,247</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 115,809	108,785
Accrued compensation and related liabilities	141,057	125,780
Accrued interest payable	12,766	12,451
Current portion of long-term debt	11,372	10,860
Total current liabilities	281,004	257,876
Accrued pension, professional liability, and other	83,319	185,818
Interest rate swap liabilities	34,006	58,861
Long-term debt, net of current portion	890,769	862,130
Total liabilities	<u>1,289,098</u>	<u>1,364,685</u>
Commitments and contingencies (note 15)		
Net assets		
Unrestricted	1,693,175	1,283,129
Temporarily restricted	27,688	21,769
Permanently restricted	55,937	52,664
Total net assets	<u>1,776,800</u>	<u>1,357,562</u>
Total liabilities and net assets	<u>\$ 3,065,898</u>	<u>2,722,247</u>

See accompanying notes to consolidated financial statements

MULTICARE HEALTH SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2013 and 2012

(In thousands)

	2013	2012
Unrestricted revenues, gains, and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 1,776,485	1,619,741
Provision for bad debts	(146,504)	(131,893)
Net patient service revenue less provision for bad debts	1,629,981	1,487,848
Other operating revenue	72,706	72,312
Net assets released from restrictions for operations	4,282	3,617
Total unrestricted revenues, gains, and other support	1,706,969	1,563,777
Expenses		
Salaries and wages	750,651	652,236
Employees benefits	158,616	160,709
Supplies	219,801	187,392
Purchased services	120,088	103,576
Depreciation and amortization	103,127	99,232
Interest	33,737	31,248
Other	158,476	170,065
Total expenses	1,544,496	1,404,458
Excess of revenues over expenses from operations	162,473	159,319
Other income (loss)		
Investment income	107,645	83,525
Gain (loss) and other expense on interest rate swaps	18,021	(1,387)
Other, net	4	(253)
Total other income, net	125,670	81,885
Excess of revenues over expenses	288,143	241,204
Other changes in unrestricted net assets		
Changes in accrued pension liability	119,204	(5,917)
Net assets released from restriction – capital acquisitions	2,718	5,536
Capital assets received and other	(19)	(6,551)
Increase in unrestricted net assets	410,046	234,272
Changes in temporarily restricted net assets		
Contributions and other	12,234	5,022
Income on investments	685	654
Net assets released from restriction – capital acquisitions	(2,718)	(5,536)
Net assets released from restrictions for operations	(4,282)	(3,617)
Increase (decrease) in temporarily restricted net assets	5,919	(3,477)
Changes in permanently restricted net assets		
Contributions and other	1,278	7,981
Income on investments	620	867
Increase in assets held in trust by others	1,375	5,373
Increase in permanently restricted net assets	3,273	14,221
Increase in net assets	419,238	245,016
Net assets, beginning of year	1,357,562	1,112,546
Net assets, end of year	\$ 1,776,800	1,357,562

See accompanying notes to consolidated financial statements

MULTICARE HEALTH SYSTEM

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(Dollars in thousands)

	2013	2012
Cash flows from operating activities		
Increase in net assets	\$ 419,238	245,016
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	103,127	99,232
Net realized and recognized gains and change in net unrealized (gains) losses on investments	(81,148)	(59,953)
Change in fair value of interest rate swap	(24,490)	(5,243)
Provision for bad debts	146,504	131,893
Loss on disposal of assets, net	80	—
Undistributed earnings on joint ventures	(1,539)	(1,176)
Restricted contributions for long-term purposes	(6,092)	(2,895)
Changes in operating assets and liabilities		
Accounts receivable	(186,488)	(158,356)
Supplies inventory and other current assets	(5,838)	(5,582)
Other assets, net	(35,730)	737
Accounts payable and accrued expenses and accrued interest payable	3,136	21,000
Accrued compensation and related liabilities	15,277	15,131
Accrued pension, professional liability, and other	(107,406)	(7,796)
Net cash provided by operating activities	238,631	272,008
Cash flows from investing activities		
Purchase of property, plant, and equipment	(159,046)	(120,204)
Purchase of Auburn Regional Medical Center assets	—	(95,537)
Proceeds from disposal of property, plant, and equipment	733	—
Distributions from joint ventures, net	1,233	1,026
Net purchases and sales of trading securities	(129,156)	(241,999)
Change in donor trusts	(1,972)	(440)
Net cash used in investing activities	(288,208)	(457,154)
Cash flows from financing activities		
Repayment of long-term debt	(10,742)	(10,351)
Proceeds from bond issuance	40,480	101,120
Payment of debt issue expenses	—	(2,303)
Restricted contributions for long-term purposes	6,092	2,895
Net cash provided by financing activities	35,830	91,361
Net decrease in cash and cash equivalents	(13,747)	(93,785)
Cash and cash equivalents, beginning of year	74,252	168,037
Cash and cash equivalents, end of year	\$ 60,505	74,252
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, net of amount capitalized	\$ 33,422	29,118
Noncash activities		
Increase in deferred compensation plans	4,751	6,431
Purchases of property, plant, and equipment included in accounts payable	4,203	2,983

See accompanying notes to consolidated financial statements

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

(1) Nature of Organization and Summary of Significant Accounting Policies

MultiCare Health System (MHS), a Washington nonprofit corporation, is an integrated healthcare delivery system providing inpatient, outpatient, and other healthcare services to the residents of Pierce and south King Counties and, with respect to pediatric care, much of the southwest Washington region. As of December 31, 2013, MHS operates 1,130 licensed inpatient beds, seven outpatient surgical sites, home health, hospice, and several other urgent care, primary care, and multispecialty clinics located throughout MHS' service area.

On October 1, 2012, as part of a plan to offer expanded services in south King County, MHS purchased substantially all of the assets of Auburn Regional Medical Center, a 195 bed general acute care hospital located in south King County from Universal Health Services and its affiliates for approximately \$95.5 million. The assets purchased included land, buildings, equipment and inventories and were recorded at their estimated fair values as determined based on standard asset appraisal techniques. MHS hired substantially all of the employees previously employed at Auburn Regional Medical Center. The following table summarizes the consideration paid for Auburn Regional Medical Center and its affiliates and the amounts of estimated fair value of the assets acquired at the acquisition date.

Recognized amounts of identifiable assets acquired	
Land, buildings and equipment	\$ 84,269
Intangible assets	680
Inventory	1,416
Joint venture and other	1,200
Total identifiable assets assumed	87,565
Recognized amount of goodwill assumed	
Goodwill	7,972
Total consideration paid in cash	\$ 95,537

The consolidated financial statements of MHS include five acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, and effective October 1, 2012, Auburn Medical Center) and a medical group that includes MultiCare Clinics, MultiCare Medical Associates, and Urgent Care Centers. MHS includes a wholly owned subsidiary, Medis, Inc. (conducts health related services within the for profit sector such as consulting, physician joint ventures, facilities management, and leasing), and three foundations (Mary Bridge Children's Foundation, MultiCare Health Foundation, and Good Samaritan Foundation).

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHS after elimination of all significant intercompany accounts and transactions.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

(b) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U S generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less at the date of purchase.

(d) *Accounts Receivable*

Accounts receivable are primarily comprised of amounts due for healthcare services from patients and third-party payors, and are recorded net of allowances for contractual adjustments and bad debts.

(e) *Supplies Inventory*

Supplies inventory consists of pharmaceutical, medical-surgical, and other supplies generally used in the operations of MHS. Supplies inventory is based on average cost, except for pharmacy, which uses the first-in, first-out (FIFO) method. Obsolete and unusable items are expensed at the time such determination is made.

(f) *Donor Restricted Assets*

The majority of the donor restricted assets are invested in MHS' pooled investments and are stated at fair value or estimated fair value. Donor restricted assets that are held outside MHS' pooled investments include perpetual trusts and charitable remainder uni-trusts that are invested in cash, mutual funds, fixed income securities, and equity securities. Those with readily determinable fair values are stated at fair value. Those investments for which quoted market prices are not readily available are carried at values provided by respective investment managers or trustees, which management believes approximate fair value.

Charitable gift annuities, which are included in donor restricted assets totaled \$2,997 and \$3,356 at December 31, 2013 and 2012, respectively. MHS has recorded a corresponding payable of \$1,706 and \$2,150 at December 31, 2013 and 2012, respectively, to pay for estimated future obligations to beneficiaries. The current portion of these obligations is included in accounts payable and accrued expenses, and the long-term portions are included in the accrued pension, professional liability, and other in the accompanying consolidated balance sheets. According to Washington State law, MHS, as a distinct legal entity holding charitable gift annuities, is required to maintain unrestricted net assets of at least \$500, which MHS has done for each of the periods presented.

(g) *Investments*

MHS accounts for its investment portfolio as a trading portfolio. Investments in fixed income securities and equity securities with a readily determinable fair value are stated at fair value, which

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

are determined based on quoted market prices or prices with observable inputs obtained from national securities exchanges. Other investments, including limited partnerships, commingled trust funds, limited liability partnerships, and hedge funds are carried at net asset value provided by the respective investment managers, which management believes approximates fair value. Valuations provided by investment managers consider variables such as valuation and financial performance of underlying investments, quoted market prices for similar securities, recent sale prices of underlying investments, and other pertinent information. Management reviews the valuations provided by investment managers and believes that the carrying values of these financial instruments are reasonable estimates of fair value.

Realized gains and losses are recorded using the average cost method. Investment income or loss (including realized gains and losses on investments, change in unrealized gains or losses, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

(h) Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost. Depreciation expense is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	25–50 years
Land improvements	8–20 years
Equipment	3–25 years

Maintenance and repairs are charged to operations as they occur. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Gains or losses upon sale or retirement of property, plant, and equipment are included in other operating revenue. 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.

MHS assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the carrying value of the assets unlikely. An impairment loss is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. In 2013 and 2012, there were no impairment charges.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

(i) *Estimated Third-Party Payor Settlements*

Medicare cost reports are filed annually by MHS with the Medicare intermediary and are subject to audit and adjustment prior to settlement. Estimates of net settlements due to Medicare were \$5,271 and \$5,587 as of December 31, 2013 and 2012, respectively, and have been reflected within accounts payable and accrued expenses in the accompanying consolidated balance sheets. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Net patient service revenue increased by \$4,943 and \$10,857 for 2013 and 2012, respectively, to reflect changes in the estimated Medicare settlements for prior years.

(j) *Interest Rate Swaps*

MHS records all interest rate swaps on the consolidated balance sheets at fair value. The accounting for changes in the fair value of these derivatives depends on whether those have been designated and qualify as part of a hedging relationship. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivatives was recognized in other changes in unrestricted net assets in the consolidated statements of operations and changes in net assets and subsequently recognized in other income when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized within other income (loss). As of December 31, 2013 and 2012, none of MHS's interest rate swaps have been designated as cash flow hedges and the changes in fair value are recognized within gain (loss) and other expense on interest rate swaps in the accompanying consolidated statements of operations and changes in net assets.

(k) *Temporarily and Permanently Restricted Net Assets*

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Temporarily restricted net assets are those whose use by MHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors and are maintained by MHS in perpetuity. When restricted funds to be used for operations are expended for their restricted purposes, these amounts are released from restrictions for operations and are included in unrestricted revenues, gains, and other support. When restricted funds are expended for the acquisition of property, plant, and equipment, these amounts are reflected in unrestricted net assets as net assets released from restriction – capital acquisitions.

MHS applies the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, related to using the present value technique to measure fair value of pledges receivable. In accordance with ASC Topic 820, MHS has applied the expected present value technique to pledges received after January 1, 2009 that adjusts for a risk premium to take into account the risks inherent in those expected cash flows. Pledges of financial support are recorded as pledges receivable when unconditional pledges are made and are stated at net realizable value. Pledges are reported net of an allowance for uncollectible pledges and pledges to be collected in future years are reflected at a discounted value. As of December 31, 2013 and 2012, MHS has recorded \$14,064 and \$11,224, respectively, of net pledge receivables, which are included in donor

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

restricted assets in the accompanying consolidated balance sheets. As of December 31, 2013, \$5,009 of pledges are due in one year or less, \$7,501 in two to five years and the remaining amounts within twenty years.

(l) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The basis for payment to MHS under the third-party governmental and private payor agreements includes prospectively determined rates per discharge, discounts from established charges, and per diems.

Net patient service revenues were billed to the following payors for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Payors		
Medicare and Medicaid	39%	37%
Regence	14	14
Premiera	15	15
First Choice	9	11
Other	23	23
	<u>100%</u>	<u>100%</u>

(m) Hospital Safety Net Assessment

In 2009, the State of Washington (the State) enacted a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. This safety net program, which was approved for a four-year period, concluded on June 30, 2013. A new assessment program was passed by the Washington State Legislature during 2013, however, the implementation of the new assessment program is dependent upon approval from the Centers for Medicare and Medicaid Services (CMS), which had not occurred as of December 31, 2013, and therefore, no amounts related to the new safety net program are included in the 2013 financial statements.

In connection with the original safety net assessment program, MHS recorded increases in net patient service revenue of \$13,717 and \$22,400 for 2013 and 2012, respectively, but incurred assessments of \$12,391 and \$22,522 for 2013 and 2012, respectively, which were recorded as part of other operating expenses in the accompanying consolidated statements of operations and changes in net assets. MHS has no outstanding receivables associated with this program as of December 31, 2013 and 2012 and payables of \$0 and \$6,440 as of December 31, 2013 and 2012, respectively, which are included with accounts payable and accrued expenses on the consolidated balance sheets.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

(n) *Charity Care*

MHS provides a variety of uncompensated healthcare services to the community within the purview of its mission. Patients who meet the criteria of its charity care policy are eligible to receive these services without charge or at an amount less than MHS's established rates. Because MHS does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The State of Washington provides guidelines for charity care provided by hospitals in the state. Hospitals are recommended to provide full charity care to patients who meet 100% of the federal poverty guidelines and a lesser amount to patients who meet up to 200% of the federal poverty guidelines. MHS provides full charity care to patients who meet 200% of the federal poverty guidelines. Mary Bridge Children's Hospital and Health Center provides full charity care to patient's families whose incomes are below 300% of the federal poverty guidelines. MHS also provides charity care on a sliding scale for patients whose income is between 201% (301% for Mary Bridge Children's Hospital and Health Center) and 500% of the federal poverty guidelines for true self-pay patients and patients with deductibles and coinsurance amounts in excess of six hundred dollars. The estimated cost of charity care provided was approximately \$47,000 and \$35,000 in 2013 and 2012, respectively. The cost estimate is calculated based on the overall ratio of costs to charges for MHS.

(o) *Other Operating Revenue*

Other operating revenue includes revenue from cafeteria sales, retail pharmacy, laboratory revenue from community providers, medical office rental income, unrestricted contributions, grant revenue, and other miscellaneous revenue.

The Health Information Technology for Economic and Clinical Health Act, part of the American Recovery and Reinvestment Act of 2009, created an incentive program, beginning in 2011, to promote the "meaningful use" of Electronic Health Records (EHR). To qualify, Medicare and/or Medicaid providers must attest to CMS that they are using certified EHR in a "meaningful" way by meeting objectives at established thresholds, as defined by CMS. Meaningful use revenues are recognized as grant revenue. Grant revenue is recognized when there is reasonable assurance that the grant will be received and that the organization will comply with the conditions attached to the grant. During 2013 and 2012, meaningful use revenues were \$8,645 and \$9,734, respectively, and were recognized in other operating revenue. The amounts recognized are based on management's best estimate and are subject to audit and potential retrospective adjustments.

(p) *Excess of Revenues over Expenses*

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from the excess of revenues over expenses, primarily include changes in accrued pension liability and net assets released from restrictions for capital acquisition.

(q) *Federal Income Taxes*

Financial Accounting Standards Board (FASB) ASC Topic 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in MHS' consolidated financial statements.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

ASC Topic 740-10 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the "more-likely-than-not" recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, ASC Topic 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. ASC Topic 740-10, relating to accounting for uncertain tax positions, did not have a significant impact on the consolidated financial statements of MHS. Other than Medis, Inc., a taxable corporation, all of the other entities have obtained determination letters from the Internal Revenue Service that they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3) of the Internal Revenue Code, except for tax on unrelated business income.

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

(2) Net Patient Service Revenue

MHS has agreements with third-party payors that provide for payments to MHS at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, which provides for reimbursement based on Medicare severity diagnosis-related groupings (MS-DRGs). These rates vary according to a patient classification system that is based on clinical diagnosis, acuity, and expected use of hospital resources. The majority of Medicare outpatient services are reimbursed under a prospective payment methodology, the Ambulatory Payment Classification System (APC), or fee schedules.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system similar to Medicare, however, Medicaid utilizes All Payor Diagnosis-Related Groups (AP-DRGs) as opposed to Medicare's MS-DRGs. Outpatient services are reimbursed through a prospective payment methodology similar to Medicare APC or fee schedules.

MHS has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to MHS under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates and fee schedules.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The basis for payment to MHS under the third-party governmental and private payor agreements includes prospectively determined rates per discharge, discounts from established charges, and per diems. MHS evaluates collectibility of revenue based on major payor groupings and uses historical experience to make estimates as required regarding expected levels of collection based on contractual rates with third-party payors.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

Net patient service revenue for the years ended December 31, 2013 and 2012 is as follows

	2013	2012
Gross patient service charges	\$ 5,650,777	4,747,286
Contractual discounts	(3,683,991)	(2,994,083)
Charity care (gross)	(190,301)	(133,462)
Provision for bad debts (gross)	(146,504)	(131,893)
Net patient service revenue	<u>\$ 1,629,981</u>	<u>1,487,848</u>

For receivables associated with self-pay patients (including those with no insurance and those who are paying deductibles or copayments), MHS records a significant provision for bad debts in the period of service on the basis of past experience, which indicates that many patients are unresponsive or are otherwise unwilling to pay the portion of their bill for which they are financially responsible. For those self-pay patients not meeting the criteria for MHS' charity care policy, MHS has recorded an allowance for doubtful accounts by estimating amounts of outstanding accounts receivable that may become uncollectible based on historical experience. MHS information systems classify accounts receivable in groupings based on who the current balance is expected to be paid by. For example, as amounts are paid by commercial insurance carriers and remaining balances become due from patients to satisfy co-payments or deductibles, those balances are reclassified within the accounts receivable groupings as self-pay after insurance. This grouping of accounts receivable is then evaluated based on historical write-off rates, including age of accounts, and estimates are made regarding expected collectibility of these balances. Approximately 7% of patient service revenue (net of contractual allowances and discounts) in 2013 and 2012 was derived from patients without insurance, while all other revenue is derived from patients with governmental or commercial insurance coverage. A portion of third-party receivables also have an associated allowance for uncollectibility as a portion of these balances, based on historical experience, are also periodically found to be uncollectible. Amounts are charged against the allowance for doubtful accounts after reasonable collection efforts have been exhausted. The following reflects the estimates made and changes affecting those estimates for the year 2013.

	2013	2012
Change in allowance for doubtful accounts		
Allowance for doubtful accounts at beginning of year	\$ 74,252	62,483
Write-offs of accounts due to deemed uncollectibility	(140,340)	(120,124)
Provision for bad debts	146,504	131,893
Allowance for doubtful accounts at end of year	<u>\$ 80,416</u>	<u>74,252</u>

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(3) Concentration of Credit Risk

MHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2013 and 2012 was as follows:

	2013	2012
Medicare	26%	28%
Medicaid	18	18
Regence	9	7
Other commercial insurance	31	30
Self-pay	16	17
	100%	100%

(4) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by MHS in estimating the fair value of its financial instruments:

Cash and Cash Equivalents – The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates its fair value.

Investments and Donor Restricted Assets – Investments in fixed income securities and equity securities with a readily determinable fair value are based on quoted market prices. The carrying amounts of investments for which quoted market prices are not readily available are based on values provided by investment managers, which management believes approximate fair value.

Receivables, Accounts Payable, and Accrued Expenses – The carrying amount reported in the consolidated balance sheets for receivables, accounts payable, and accrued expense approximates its fair value.

Long-Term Debt – The estimated fair value of MHS' total long-term debt at December 31, 2013 and 2012 was \$908,409 and \$922,976, respectively. The estimated fair values of outstanding bonds are based on dealer quoted market prices and are considered Level 2 liabilities as described below.

(b) Fair Value Hierarchy

In accordance with ASC Topic 820, Fair Value Measurements, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities.

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(Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that MHS has the ability to access at the measurement date. Level 1 securities generally include investments in marketable equity securities and mutual funds.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 securities generally include investments in fixed income securities (composed primarily of government, agency and corporate bonds), preferred stock, and interest rate swaps. Level 2 securities also include commingled trusts and limited liability partnerships that use net asset values (NAV) as a practical expedient to estimate fair value.

ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by MHS is the NAV per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by investment managers consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. MHS reviews valuations and assumptions provided by investment managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

- Level 3 inputs are unobservable inputs for the asset or liability. Level 3 securities include donor trusts, investments in hedge funds, and limited partnerships – private equity that use NAV as a practical expedient to estimate fair value. The transaction price is initially used as the best estimate of fair value. Accordingly, when a valuation is provided by a private equity fund administrator, the valuation is adjusted so that the value at inception equals the transaction price. The initial valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as transactions in similar securities, completed or pending third-party transactions in the underlying securities or comparable entities, offerings in the capital markets, and changes in financial results, data, or cash flows. For positions that are not traded in active markets or are subject to notice provisions, valuations are adjusted to reflect such provisions, and such adjustments are generally based on available market evidence.

The level in the fair value hierarchy within which a fair value measurement, in its entirety, falls is based on the lowest level input that is significant to the fair value measurement.

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The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at December 31, 2013 and 2012

Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2013			
Assets				
Trading securities				
Mutual funds – equity				
Information technology	\$ 54.885	54.885	—	—
Healthcare	37.316	37.316	—	—
Consumer discretionary	15.218	15.218	—	—
Financials	76.600	76.600	—	—
Other	159.050	159.050	—	—
Subtotal – mutual funds – equity	\$ 343.069	343.069	—	—
Equity securities				
U S large-cap				
Information technology	\$ 15.769	15.769	—	—
Healthcare	11.410	11.410	—	—
Consumer discretionary	16.791	16.791	—	—
Financials	14.347	14.347	—	—
Other	26.752	26.752	—	—
U S small-cap				
Information technology	5.445	5.445	—	—
Healthcare	2.786	2.786	—	—
Consumer discretionary	6.487	6.487	—	—
Financials	7.833	7.833	—	—
Other	18.150	18.150	—	—
Subtotal – equity securities	\$ 125.770	125.770	—	—

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Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2013			
Fixed income securities				
Mutual funds – fixed income	\$ 373.439	373.439	—	—
U S government obligations	24.691	—	24.691	—
State government obligations	4.848	—	4.848	—
Asset-backed securities	11.425	—	11.425	—
Corporate debt securities				
Domestic	22.166	—	22.166	—
Subtotal – fixed income securities	\$ 436.569	373.439	63.130	—
Hedge fund – private investment funds	\$ 61.939	—	—	61.939
Commingled trust fund- international equity	68.656	—	68.656	—
Limited liability partnership – international equity	107.673	—	107.673	—
Limited partnership – private equity	88.003	—	—	88.003
Interest rate swaps	1.182	—	1.182	—
Donor trusts	24.132	—	—	24.132
Liabilities				
Interest rate swaps	\$ 34.006	—	34.006	—

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Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2012			
Assets				
Trading securities				
Mutual funds – equity				
Information technology	\$ 40.283	40.283	—	—
Healthcare	26.083	26.083	—	—
Consumer discretionary	5.799	5.799	—	—
Financials	47.482	47.482	—	—
Energy	13.597	13.597	—	—
Other	102.183	102.183	—	—
Subtotal – mutual funds – equity	\$ 235.427	235.427	—	—
Equity securities				
U S large-cap				
Information technology	\$ 10.901	10.901	—	—
Healthcare	5.731	5.731	—	—
Consumer discretionary	6.564	6.564	—	—
Financials	6.557	6.557	—	—
Other	24.616	24.616	—	—
U S small-cap				
Information technology	4.257	4.257	—	—
Healthcare	3.462	3.462	—	—
Consumer discretionary	3.766	3.766	—	—
Financials	5.222	5.222	—	—
Other	13.796	13.796	—	—
Subtotal – equity securities	\$ 84.872	84.872	—	—

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Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2012			
Fixed income securities				
Mutual funds – fixed income	\$ 324.098	324.098	—	—
U S government obligations	46.164	—	46.164	—
State government obligations	1.548	—	1.548	—
Mortgage-back securities – residential	7.622	—	7.622	—
Asset-backed securities	19.967	—	19.967	—
Corporate debt securities				
Domestic	35.240	—	35.240	—
International	10.038	—	10.038	—
Subtotal – fixed income securities	\$ 444.677	324.098	120.579	—
Hedge fund – private investment funds	\$ 49.935	—	—	49.935
Commingled trust fund- international equity	52.580	—	52.580	—
Limited liability partnership – international equity	80.435	—	80.435	—
Limited partnership – private equity	74.717	—	—	74.717
Interest rate swaps	1.547	—	1.547	—
Donor trusts	23.102	—	—	23.102
Liabilities				
Interest rate swaps	\$ 58.861	—	58.861	—

There were no significant transfers into or out of Level 1, Level 2, or Level 3 financial instruments during the years ended December 31, 2013 and 2012

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The following tables present MHS' activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the years ended December 31, 2013 and 2012

Level 3 assets for the year ended December 31, 2013				
	Hedge funds	Limited partnerships	Donor trusts	Total
Balance at December 31, 2012	\$ 49,935	74,717	23,102	147,754
Realized gains (losses)	—	769	—	769
Net unrealized gains (losses)	5,004	4,896	1,030	10,930
Purchases	7,000	7,621	—	14,621
Sales	—	—	—	—
Balance at December 31, 2013	<u>\$ 61,939</u>	<u>88,003</u>	<u>24,132</u>	<u>174,074</u>

The amount of total gains or losses included in income attributable to the change in net unrealized gains or losses relating to assets still held at the reporting date

\$ 5,004	4,896	1,030	10,930
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Level 3 assets for the year ended December 31, 2012				
	Hedge funds	Limited partnerships	Donor trusts	Total
Balance at December 31, 2011	\$ 1,255	22,457	21,569	45,281
Realized gains (losses)	(388)	1,840	—	1,452
Net unrealized gains (losses)	435	(972)	1,518	981
Purchases	49,500	51,878	15	101,393
Sales	(867)	(486)	—	(1,353)
Balance at December 31, 2012	<u>\$ 49,935</u>	<u>74,717</u>	<u>23,102</u>	<u>147,754</u>

The amount of total gains or losses included in income attributable to the change in net unrealized gains or losses relating to assets still held at the reporting date

\$ 428	(966)	1,518	980
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The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2013 and 2012

		<u>Fair value at December 31, 2013</u>	<u>Fair value at December 31, 2012</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Hedge funds	\$	61,939	49,935	N A	N A	N A
Commingled trust fund		68,656	52,580	N A	Bi-monthly	5 business days prior to valuation date
Limited liability partnerships		107,673	80,435	N A	Daily	10 days
Limited partnerships		88,003	74,717	5,457	N A	N A

Hedge funds include investments in hedge fund-of-funds products with investments only in individual hedge fund managers. The fair values of the investments in this category have been estimated using the net asset value per share of the investment.

Commingled trust fund is an international equity commingled trust that invests in foreign equity securities. The underlying securities are primarily publicly traded non-U.S. stocks, whose principal markets are outside of the United States.

Limited liability partnerships include a limited liability partnership investing in publicly traded non-U.S. equity securities in both developed and emerging markets. The fund holds approximately 80 publicly traded foreign equity securities. As of December 31, 2013 and 2012, MHS' share of the total fund was approximately 29.5% and 17.2%, respectively.

Limited partnerships include investments in private equity and venture capital in both developed and emerging markets with 40% invested in private equity in developed markets, 33% in venture capital in developed markets, and 27% in private equity and venture capital in emerging markets. The fair values of the investments in this category have been estimated using the net asset value of MHS' ownership interest in partners' capital. These assets can never be redeemed with the funds. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the fund.

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(5) Donor Restricted Assets and Investment

	December 31, 2013		
	Donor restricted assets	Investments	Total
Securities whose values are based on quoted market prices or prices with observable inputs			
Mutual funds – equity	\$ 9,413	333,656	343,069
Equity securities	3,451	122,319	125,770
Fixed income securities	11,964	424,605	436,569
Commingled trust fund – international equity	1,884	66,772	68,656
Limited liability partnerships – international equity	2,954	104,719	107,673
	<u>29,666</u>	<u>1,052,071</u>	<u>1,081,737</u>
Securities whose values are based on estimated fair value provided by investment managers			
Hedge funds – private investment funds	1,702	60,237	61,939
Limited partnerships – private equity	2,414	85,589	88,003
Donor trusts	24,132	—	24,132
	<u>28,248</u>	<u>145,826</u>	<u>174,074</u>
Pledge receivables, net	<u>14,064</u>	<u>—</u>	<u>14,064</u>
	<u>\$ 71,978</u>	<u>1,197,897</u>	<u>1,269,875</u>

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	December 31, 2012		
	Donor restricted assets	Investments	Total
Securities whose values are based on quoted market prices or prices with observable inputs			
Mutual funds – equity	\$ 7,596	227,831	235,427
Equity securities	2,739	82,133	84,872
Fixed income securities	14,349	430,328	444,677
Commingled trust fund – international equity	1,697	50,883	52,580
Limited liability partnerships – international equity	2,595	77,840	80,435
	<u>28,976</u>	<u>869,015</u>	<u>897,991</u>
Securities whose values are based on estimated fair value provided by investment managers			
Hedge funds – private investment funds	1,611	48,324	49,935
Limited partnerships – private equity	2,411	72,306	74,717
Donor trusts	23,102	—	23,102
	<u>27,124</u>	<u>120,630</u>	<u>147,754</u>
Pledge receivables, net	<u>11,224</u>	<u>—</u>	<u>11,224</u>
	<u>\$ 67,324</u>	<u>989,645</u>	<u>1,056,969</u>

Fixed income securities include mutual funds, corporate bonds, mortgage-backed securities, asset-backed securities, U S government obligations, and state government obligations

Unrestricted investment income comprises the following for the years ended December 31, 2013 and 2012

	2013	2012
Investment income (losses)		
Interest and dividends	\$ 26,497	23,572
Net realized gains	17,380	19,187
Net change in unrealized gains (losses)	63,768	40,766
Total investment income	<u>\$ 107,645</u>	<u>83,525</u>

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(6) Property, Plant, and Equipment

A summary of property, plant, and equipment at December 31, 2013 and 2012 is as follows

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 67.907	67.636
Buildings	1,385.411	1,338.120
Equipment	644.149	627.034
	<u>2,097.467</u>	<u>2,032.790</u>
Less accumulated depreciation	<u>(907.861)</u>	<u>(846.278)</u>
	1,189.606	1,186.512
Construction in progress	113.987	57.401
Property, plant, and equipment, net	<u>\$ 1,303.593</u>	<u>1,243.913</u>

Depreciation expense charged to operations for the years ended December 31, 2013 and 2012 amounted to \$102,745 and \$98,429, respectively

(7) Other Assets

Other assets are as follows at December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Deferred financing costs, net	\$ 19.266	19.952
Investment in joint ventures (note 8)	14.578	14.623
Deferred compensation plan assets held in trust	25.530	20.779
Accrued pension asset (note 10)	36.691	—
Self-insured retention receivables (notes 11 and 12)	13.711	14.755
Interest rate swaps	1.182	1.547
Goodwill and other intangibles	9.718	9.718
Other	169	170
Other assets	<u>\$ 120.845</u>	<u>81.544</u>

Deferred compensation plan assets held in trust are participant managed investments consisting of equity and fixed income mutual funds with prices quoted in active markets and are therefore classified as Level 1 securities

(8) Investment in Joint Ventures

In 2008, MHS formed Carol Milgard Breast Center (CMBC) to offer an independent breast screening and diagnostic service for the benefit of the community. MHS is a 50% owner in this joint venture and accounts for it under the equity method. MHS' investment in CMBC was \$5.793 and \$5.606 as of

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December 31, 2013 and 2012, respectively, and is included in other assets in the accompanying consolidated balance sheets

In December 2008, MHS invested \$8,350 in Medical Imaging Northwest, LLP (MINW) to operate an outpatient diagnostic imaging center. MHS is a 50% owner in this joint venture and accounts for it under the equity method. MHS' investment in MINW was \$8,056 and \$8,023 as of December 31, 2013 and 2012, respectively. The investment in MINW is included in other assets in the accompanying consolidated balance sheets.

MHS also maintains ownership, at varying levels, in certain other joint ventures relating to imaging, medical office buildings, and other healthcare focused activities, which is included in other assets in the accompanying consolidated balance sheets.

(9) Accrued Pension, Professional Liability, and Other

Accrued pension, professional liability, and other are as follows at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Accrued pension liability (note 10)	\$ —	107,043
Professional liability, net of current portion (note 11)	39,129	38,827
Deferred compensation liability (note 7)	25,530	21,703
Workers' compensation liability, net of current portion (note 12)	12,674	12,593
Other	5,986	5,652
Accrued pension, professional liability, and other	<u>\$ 83,319</u>	<u>185,818</u>

(10) Retirement Plans

(a) Defined Benefit Pension Plans

MHS has two defined benefit pension plans (the Plans) covering eligible employees. The qualified defined benefit plan was closed to new employees effective after July 31, 2002, and the nonqualified physician restoration plan was closed to eligible employees hired after May 1998. The benefits are based on years of service and the employee's highest five consecutive years of compensation. MHS contributions to the Plans vary from year to year, but the minimum contribution required by law has been provided in each year.

In November 2012, the Board of Directors of MHS approved an amendment to freeze the qualified defined benefit plan as of December 31, 2015 for substantially all eligible employees. MHS incurred a curtailment gain in 2012, which resulted in a decrease in the projected benefit obligation of \$41,862, which is recorded in the changes in accrued pension liability in the accompanying consolidated statements of operations and changes in net assets. In conjunction with the freeze on December 31, 2015, participants will no longer accrue service credits under the plan.

In February 2012, the Board of Directors of MHS approved an amendment to freeze the nonqualified physician restoration plan as of February 22, 2012 with final payouts during 2012 and 2013. MHS

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incurred \$1.027 in curtailment and settlement gains in 2012, which resulted in a decrease in the projected benefit obligation of \$412, which is recorded in the changes in accrued pension liability in the accompanying consolidated statements of operations and changes in net assets. The final liabilities associated with the nonqualified plan were fully settled during 2013.

The following tables set forth the changes in projected benefit obligations, changes in fair value of plans assets, and components of net periodic benefit costs for the Plans, which have a measurement date of December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Change in projected benefit obligation		
Projected benefit obligations at beginning of year	\$ 583,550	517,806
Service cost	18,424	19,177
Interest cost	23,992	26,109
Actuarial (gain) loss	(89,546)	83,585
Curtailments and Settlements	—	(42,274)
Benefits paid	(35,109)	(20,853)
Projected benefit obligations at end of year	<u>\$ 501,311</u>	<u>583,550</u>
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	\$ 476,507	398,436
Actual gain on plan assets	51,500	52,854
Employer contribution	45,104	46,070
Benefits paid	(35,109)	(20,853)
Fair value of plan assets at end of year	<u>\$ 538,002</u>	<u>476,507</u>
Accrued benefit cost		
Funded status	\$ 36,691	(107,043)
Amount recognized in consolidated balance sheets consists of		
Asset (liability) for pension benefits	\$ 36,691	(107,043)
Amount recognized in unrestricted net assets		
Net loss	\$ 48,568	167,772
	<u>2013</u>	<u>2012</u>
Weighted average assumptions used to determine benefit obligations as of December 31		
Discount rate	5.30%	4.20%
Expected return on plan assets	7.00	7.00
Rate of compensation increase	3.50	3.50

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The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at MHS' determination of a composite expected return. A consulting actuary reviews the assumptions annually for reasonableness.

During the years ended December 31, 2013 and 2012, pension expenses of \$22,063 and \$28,853, respectively, were included in employee benefits in the consolidated statements of operations and changes in net assets. The components of net periodic benefit cost are as follows during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Components of net periodic benefit cost		
Service cost	\$ 18,424	19,177
Interest cost	23,992	26,109
Expected return on plan assets	(32,644)	(27,915)
Amortization of prior service cost	12,291	11,471
Recognized net actuarial loss	—	11
	<u>\$ 22,063</u>	<u>28,853</u>

The accumulated benefit obligation for the Plans was \$476,325 and \$549,869 at December 31, 2013 and 2012, respectively.

Cash Flows – Contributions

MHS expects to contribute at least \$14,000 to the Plans in 2014.

Estimated Future Benefit Payments

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Pension benefits</u>
2014	\$ 22,136
2015	24,816
2016	27,218
2017	30,041
2018	32,455
2019 – 2023	186,097

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The following table sets forth by level, within the fair value hierarchy, the Plans' investments at fair value as follows

	Fair value measurements at reporting date using			
	December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 9.684	9.684	—	—
Mutual funds – equity				
Information technology	26.012	26.012	—	—
Healthcare	18.639	18.639	—	—
Consumer discretionary	5.483	5.483	—	—
Financials	30.924	30.924	—	—
Energy	10.175	10.175	—	—
Other	47.208	47.208	—	—
Equity securities				
U S large-cap				
Information technology	11.038	11.038	—	—
Healthcare	7.987	7.987	—	—
Consumer discretionary	11.661	11.661	—	—
Financials	10.105	10.105	—	—
Other	18.781	18.781	—	—
U S small-cap				
Information technology	3.758	3.758	—	—
Healthcare	1.993	1.993	—	—
Consumer discretionary	4.633	4.633	—	—
Financials	5.685	5.685	—	—
Other	12.983	12.983	—	—
Commingled trust funds				
Real estate	32.347	—	32.347	—
International equity	28.961	—	28.961	—
U S government securities	51.962	—	51.962	—
Corporate bond fund				
Domestic	81.943	—	81.943	—
Hedge fund – private investment funds	25.409	—	—	25.409
Limited liability partnership – international equity	28.901	—	28.901	—

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(Dollars in thousands)

Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2013			
Limited partnership – private equity	\$ 39,386	—	—	39,386
	525,658	\$ 236,749	224,114	64,795
Broker receivables	15,275			
Broker payables	(2,931)			
Total fair value of plan assets	\$ 538,002			

Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2012			
Assets				
Cash and cash equivalents	\$ 7,142	7,142	—	—
Mutual funds – equity				
Information technology	22,262	22,262	—	—
Healthcare	15,103	15,103	—	—
Consumer discretionary	4,252	4,252	—	—
Financials	25,886	25,886	—	—
Energy	2,395	2,395	—	—
Other	55,326	55,326	—	—
Equity securities				
U S large-cap				
Information technology	9,471	9,471	—	—
Healthcare	5,001	5,001	—	—
Consumer discretionary	5,720	5,720	—	—
Financials	5,678	5,678	—	—
Other	21,475	21,475	—	—
U S small-cap				
Information technology	3,354	3,354	—	—

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Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2012			
Healthcare	\$ 2.702	2.702	—	—
Consumer discretionary	2.943	2.943	—	—
Financials	4.112	4.112	—	—
Other	10.855	10.855	—	—
Commingled trust funds				
Real estate	23.008	—	23.008	—
International equity	26.301	—	26.301	—
U S government securities	51.847	—	51.847	—
Corporate bond fund				
Domestic	85.435	—	85.435	—
Other bond, options and contracts	1.492	—	1.492	—
Hedge fund – private investment funds	23.180	—	—	23.180
Limited liability partnership – international equity	25.493	—	25.493	—
Limited partnership – private equity	35.833	—	—	35.833
	476.266	\$ 203.677	213.576	59.013
Broker receivables	766			
Broker payables	(525)			
Total fair value of plan assets	\$ 476.507			

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The table sets forth a summary of changes in the fair value of the Plans' Level 3 investments for the year ended December 31, 2013

	Level 3 assets for the year ended December 31, 2013		
	Hedge funds	Limited partnerships	Total
Balance, beginning of year	\$ 23,180	35,833	59,013
Actual return on plan assets			
Relating to assets sold during the year	—	350	350
Relating to assets held at year-end	2,229	2,907	5,136
Purchases	—	296	296
Sales	—	—	—
Balance, end of year	\$ 25,409	39,386	64,795

	Level 3 assets for the year ended December 31, 2012		
	Hedge funds	Limited partnerships	Total
Balance, beginning of year	\$ 632	32,888	33,520
Actual return on plan assets			
Relating to assets sold during the year	(192)	910	718
Relating to assets held at year-end	176	88	264
Purchases	23,000	2,167	25,167
Sales	(436)	(220)	(656)
Balance, end of year	\$ 23,180	35,833	59,013

There were no significant transfers into or out of Level 1, Level 2, or Level 3 financial instruments during the years ended December 31, 2013 and 2012

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The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2013 and 2012

		Fair value at December 31, 2013	Fair value at December 31, 2012	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Commingled trust funds						
Real estate	\$	32,347	23,008	N A	Quarterly	45 days
International equity		28,961	26,301	N A	Bi-monthly	5 business days prior to valuation date
Fixed income	\$	133,905	138,774	N A	Daily	3 business days prior to valuation date
Hedge funds	\$	25,409	23,180	N A	N A	N A
Limited liability partnerships		28,901	25,493	N A	Daily	7 days
Limited partnerships		39,386	35,833	2,831	N A	N A

Real estate is a real estate commingled trust that invests in U S commercial real estate. The fund owns real estate assets in U S office, industrial, residential, and retail sectors.

International equity is an international equity commingled trust that invests in foreign equity securities. The underlying securities are primarily publicly traded non-U S stocks, whose principal markets are outside of the United States.

Fixed income is a long-duration fixed income portfolio held by a registered investment company. The underlying securities are U S corporate and U S Treasury fixed-income securities.

Hedge funds include investments in hedge fund of funds product with investments only in individual hedge fund managers. The fair values of the investments in this category have been estimated using the net asset value per share of the investment.

Limited liability partnerships include a limited liability partnership investing in publicly traded non-U S equity securities in both developed and emerging markets. The fund holds approximately 80 publicly traded foreign equity securities. As of December 31, 2013 and 2012, MHS' share of the total fund was approximately 12.5% and 8.6%, respectively.

Limited partnerships include private equity and venture capital in both developed and emerging markets with 40% invested in private equity in developed markets, 33% in venture capital in developed markets, and 27% in private equity and venture capital in emerging markets. It also includes an investment in a hedge fund-of-funds manager. Investments are in underlying managers in equity, credit, merger and acquisition, arbitrage and commodity funds. The fair values of the investments in this category have been estimated using the net asset value of the Plans' ownership interest in partners' capital. These assets can never be redeemed with the funds. Instead, the nature of

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the investment in this category is that distributions are received through the liquidation of the underlying assets of the fund

Plan Assets

The defined benefit plan weighted average asset allocations at December 31, 2013 and 2012 by asset category are as follows

	<u>2013</u>	<u>2012</u>
Asset category		
Domestic equities	31%	26%
International equities	11	11
Emerging markets	5	6
Fixed income securities	25	30
Alternative investments	13	12
Real estate	5	5
Global asset allocation	10	10
	<u>100%</u>	<u>100%</u>

Investment Objectives

The investment objectives are to provide a total return, which over the long-term provides sufficient assets to fund the Plans' liabilities and to diversify investments within asset classes, which reduce the impact of losses in single investments. The Plans' performance objective is to outperform a hypothetical benchmark portfolio return at a comparable level of risk. The hypothetical benchmark portfolio return is developed by weighting passive investment alternatives by the asset deployment policy target allocations.

Target Allocations

The target asset allocation and allowable ranges for each asset class are summarized below

	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Asset class			
Domestic equities	25%	17%	33%
International equities	10	5	15
Emerging markets	5	2	8
Fixed income securities	30	20	40
Alternative investments	15	5	23
Real estate	5	2	8
Global asset allocation	10	5	15
	<u>100%</u>		

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Investment Categories

Equities

The strategic role of domestic equities is to provide higher expected returns (along with international equities) of the major asset classes, maintain a diversified exposure within the U S stock market through the use of multimanager portfolio strategies, and achieve returns in excess of passive indices through the use of active investment managers and strategies

The strategic role of international equities is to provide higher expected returns premium (along with domestic equities) of the major asset classes and diversify the Plans' overall equity exposure by investing in non-U S stocks that are less than fully correlated to domestic equities with similar return expectations, to maintain a diversified exposure within the international stock market through the use of multimanager portfolio strategies, and achieve returns in excess of passive indexes through the use of active investment managers and strategies

The strategic role of emerging markets is to diversify the portfolio relative to domestic equities and fixed income investments and to include specifically equity investment in selected global markets and may also include currency hedging for defensive purposes

Fixed Income

The strategic role of fixed income securities is to diversify the Plans' equity exposure by investing in fixed-income securities that exhibit a low correlation to equities and lower volatility, maintain a diversified exposure within the U S fixed income market through the use of multimanager portfolio strategies, and achieve returns in excess of passive indexes through the use of active investment managers and strategies. It also provides effective diversification against equities and a stable level of cash flow

Alternatives and Other

The strategic role of alternative investments is for diversification relative to equities and fixed-income investments, to add absolute return through the use of hedging strategies, and to achieve significant expected return premiums over longer holding periods. Alternative investments include investments in hedge funds, and private equities, and are under the supervision and control of investment managers. Hedge funds include investments in a variety of instruments including stocks, bonds, commodities, and a variety of derivative instruments. Private equities consist primarily of equity investments made in companies that are not quoted on a public stock market, which can include U S and non-U S venture capital, leveraged buy outs, and mezzanine financing

The strategic role of real estate is to diversify the Plans' portfolio relative to equities and fixed income investments to include a component of real property investment through a commingled fund structure and providing higher returns than benchmark investments of a similar class. Real estate investments may also include publicly and privately traded real estate investment trusts as well as direct investment through properties and mortgages

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The strategic role of global asset allocation is to add value through broad diversification among traditional asset classes and tactical allocation shifts. Global asset allocation includes investments in diversified multi-asset funds to achieve returns above other broad diversified benchmarks.

(b) Defined Contribution Plans

MHS currently maintains three defined contribution plans including the MHS 401(a) Retirement Account Plan (RAP), the MHS 403(b) Employee Savings Plan, and the Good Samaritan (GS) 401(k) Plan. Effective January 1, 2008, the GS 401(k) Plan, which includes both employee and MHS contribution components, was not open to new hires following that date. During 2012, the GS 401(k) Plan was further amended whereby no further contributions would be allowed into this plan effective December 31, 2015 and all participants would immediately become eligible to participate in the MHS 403(b) Employee Savings Plan and the RAP Plan. The MHS 403(b) Employee Savings Plan is 100% funded by employee contributions and the RAP Plan is 100% funded by MHS contributions. All employees hired as part of the Auburn Regional Medical Center acquisition were immediately eligible for participation in the MHS 403(b) Employee Savings Plan and the RAP Plan.

MHS' funding for the defined contribution plans is based on certain percentages of the employees' base pay and/or a percentage of their deferred contributions. Employer contributions to the defined-contribution plans for 2013 and 2012 were approximately \$21,061 and \$18,737, respectively, which were included with employee benefits in the accompanying consolidated statements of operations and changes in net assets.

(c) Other

In addition to defined benefit and the defined contribution plans described above, deferred compensation arrangements are maintained by MHS for the benefit of eligible employees. Substantially, all amounts deferred under these arrangements are held by a trustee until such time as these funds become payable to the participating employees.

(11) Professional Liability

MHS maintains a self-insurance program for professional liability with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability as of December 31, 2013 and 2012 which comprises estimated deductibles and retentions for known claims at year-end and a liability for incurred but not reported claims based on an actuarially determined estimate. At December 31, 2013 and 2012, the net professional liability was estimated at \$34,589 and \$32,529, respectively.

Self-insured retention receivables (including current and long-term portions) of \$14,602 and \$15,722 were recorded as of December 31, 2013 and 2012, respectively, and are included in other current assets, net and other assets, net. The associated liabilities (including current and long-term portions) of \$49,191 and \$48,251 for 2013 and 2012, respectively, are recorded in accounts payable and accrued expenses and accrued pension, professional liability, and other in the accompanying consolidated balance sheets.

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(12) Workers' Compensation and Employee Health Benefit Programs

MHS maintains a self-insurance program for workers' compensation with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability based on its actuarial estimate of future claims payments. At December 31, 2013 and 2012, the estimated net liability based on future claims cost totaled \$15,143 and \$15,036, respectively. The long term amounts are included in accrued pension, professional liability, and other, and the current portions are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These liabilities are secured by a letter of credit with the State of Washington. The liabilities (including both current and long term portions) total \$18,817 and \$18,421 as of December 31, 2013 and 2012, respectively, along with an offsetting receivable of \$3,674 and \$3,385 as of December 31, 2013 and 2012, respectively, which are included with other current assets, net and other assets, net for the respective estimated current and long term portions.

MHS maintains a self-insurance program for employee medical and dental insurance. Employees can elect to be included in the self-insurance plan as a part of their fringe benefit package. Premiums deducted from employees' wages are used in paying a portion of members' medical claims. The estimated liability for claims in 2013 and 2012 was \$7,549 and \$5,497, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.

(13) Interest Rate Swaps

MHS has several interest rate swap instruments that are used as part of management's strategy to reduce overall interest costs. As of December 31, 2013 and 2012, all interest rate swaps were not designated and did not qualify for hedge accounting treatment. The gains related to changes in fair value of these interest rate swaps for the years ended December 31, 2013 and 2012 of \$24,490 and \$5,243, respectively, is included in gain (loss) and other expense on interest rate swaps in other income (loss) in the consolidated statements of operations and changes in net assets. Also included in the gain (loss) and other expense on interest rate swaps is the net cash settlement amounts associated with the swaps of \$6,469 and \$6,630, respectively, for the years ended December 31, 2013 and 2012.

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(14) Long-Term Debt

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

	2013	2012
WHCFA Revenue bonds, 2012 Series A and B	\$ 140,000	99,520
WHCFA Revenue bonds, 2010 Series A	71,180	77,530
WHCFA Revenue bonds, 2009 Series A and B	98,130	98,130
WHCFA Revenue bonds, 2008 Series A, B, and C	125,680	126,590
WHCFA Revenue bonds, 2007 Series A, B, C, and D	309,135	312,660
WHCFA Revenue bonds, 2004 Series A, B, and C	150,000	150,000
Other	361	360
	894,486	864,790
Less		
Current portion	(11,372)	(10,860)
Bond issue premium and discount	7,655	8,200
Long-term debt, net of current portion	\$ 890,769	862,130

(a) *Washington Health Care Facility Authority (WHCFA) Revenue Bonds 2012 Series A and B*

In November 2012, MHS issued \$60,000 of 2012 Series A bonds. 2012 Series A bonds were issued as fixed rate bonds that bear interest ranging from 3.8% to 4.1%. Annual principal payments range from \$0 in 2013 to \$22,085 in 2045. At December 31, 2013, \$60,000 in Series A was outstanding.

Also in November 2012, MHS entered into an \$80,000 variable rate private placement agreement (Series B) with Wells Fargo Municipal Capital Strategies, LLC. Annual principal payments range from \$0 in 2013 to \$30,000 in 2047. The interest rate on the Series B variable rate bonds are reset monthly. At December 31, 2013 and 2012, \$80,000 and \$39,520, respectively, in Series B was outstanding.

(b) *Washington Health Care Facility Authority (WHCFA) Revenue Bonds 2010 Series A*

In January 2010, MHS exercised its option to call and redeem the Series 1998 bonds. The Series 1998 bonds were refunded with the issuance of Series 2010A bonds in the amount of \$100,150. The 2010 Series A bonds were issued as fixed rate bonds that bear interest ranging from 3.0% to 5.25%. Annual principal payments range from \$6,350 in 2013 to \$9,500 in 2022.

(c) *Washington Health Care Facility Authority (WHCFA) Revenue Bonds 2009 Series A and B*

In May 2009, MHS issued \$100,000 of 2009 Series A and B bonds that are backed by an irrevocable letter of credit equal to the aggregate principal and interest of the bonds. 2009 Series A and B bonds were issued as variable rate demand bonds for \$50,000 each. In July 2012, the 2009 A and B bonds were converted to \$98,130 of fixed rate bonds that bear interest ranging from 4.4% to 5.0%. Annual principal payments range from \$0 in 2013 to \$38,890 in 2044.

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(d) *Washington Health Care Facility Authority (WHCFA) Revenue Bonds 2008 Series A, B, and C*

In May 2008, MHS issued \$130,000 of 2008 Series A, B, and C bonds. 2008 Series A and B bonds were issued as variable rate demand bonds for \$50,000 each. Series C fixed rate term bonds of \$30,000 bear interest at 5.50%. In February 2009, the 2008 A and B bonds were converted to fixed rate bonds that bear interest ranging from 4.0% to 6.0%. Annual principal payments, including all three series of the 2008 bonds, range from \$910 in 2013 to \$12,830 in 2043.

(e) *WHCFA Revenue Bonds 2007 Series A, B, C, and D*

MHS issued \$316,000 2007 Series A, B, C, and D bonds in February 2007. 2007 Series A and B bonds were issued as auction rate securities for \$78,725 each and bore interest in the auction mode ranging from 3.60% to 15.00% in 2008. 2007 Series C bonds were issued as variable rate demand bonds for \$52,915 and bear interest in the weekly rate mode ranging from 0.02% to 0.21% in 2013. 2007 Series D bonds were issued as variable rate demand bonds for \$105,635 and bear interest in the daily rate mode ranging from 0.02% to 0.25% in 2013. In May 2008, MHS converted 2007 Series A and B bonds from auction rate securities to fixed rate bonds that bear interest ranging from 4.0% to 5.5%. Annual principal payments, including all four series of the 2007 bonds, range from \$3,525 in 2013 to \$30,225 in 2041.

The 2007 Series C and D variable rate demand bonds (2007C and D VRDBs) include portions that are remarketed both daily and weekly. If any of the remarketings were to fail, the 2007C and D VRDBs would be purchased under a letter of credit facility (LOC) that was entered into in October 2011. The LOC states that any of the 2007C and D VRDBs purchased and not remarketed will be repaid through semi-annual principal payments for five years starting the first of the month following 367 days after the purchase. Under the terms of the previous standby bond purchase agreement (SBPA), that was in effect until it was replaced by the LOC in October 2011, any of the 2007C and D VRDBs purchased would be repaid through monthly principal payments starting the first of the month following 90 days after the purchase and continuing through February 1, 2017.

(f) *WHCFA Revenue Bonds 2004 Series A, B, and C*

The 2004 Series A, B, and C bonds in the amount of \$150,000 were issued in June 2004 as auction rate debt. In May 2008, MHS converted Series 2004 bonds from auction rate debt to fixed rate bonds. The 2004 bonds bear interest ranging from 5.00% to 5.25%. Annual principal payments range from \$0 in 2013 to \$15,000 in 2034.

The revenue bond indentures require that MHS satisfy certain measures of financial performance as long as the bonds are outstanding. These measures include a debt service coverage ratio of 1.1 to 1.0, and a liquidity covenant of at least 90 days of cash and investments. MHS management believes that MHS is in compliance with these debt covenants at December 31, 2013 and 2012.

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Principal maturities on long-term debt are as follows

Year ending December 31	
2014	\$ 11,372
2015	11,832
2016	12,120
2017	12,648
2018	13,221
Thereafter	<u>833,293</u>
	<u>\$ 894,486</u>

A summary of interest costs is as follows during the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Interest cost		
Charged to operations – revenue bonds	\$ 33,717	31,222
Capitalized	2,082	—
Charged to operations – other	<u>20</u>	<u>26</u>
	<u>\$ 35,819</u>	<u>31,248</u>

(15) Commitments and Contingencies

(a) Operating Leases

MHS leases various equipment and facilities under operating leases expiring at various dates through December 2026. Total rental expense in years 2013 and 2012 for all operating leases was approximately \$20,272 and \$19,576, respectively.

The following is a schedule by year of future minimum lease payments under operating leases at December 31, 2013, which have initial or remaining lease terms in excess of one year

2014	\$ 14,009
2015	13,165
2016	11,603
2017	10,470
2018	9,131
Thereafter	<u>23,189</u>
	<u>\$ 81,567</u>

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(b) Collective Bargaining Agreements

Approximately 47% of MHS employees were covered under collective bargaining agreements as of December 31, 2013. These employees provide nursing, nursing support, pharmacy, imaging, lab, in/out patient therapies, housekeeping, food, laundry, maintenance, and inventory/distribution services to MHS. Collective bargaining agreements have various expiration dates extending through October 1, 2015. One of the collective bargaining agreements expired prior to December 31, 2013 and is currently being negotiated. Management does not expect a significant impact to the consolidated financial statements as a result of these negotiations.

(16) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 8,947	7,114
Endowment fund	—	272
Purchase of equipment	17,312	12,867
Indigent care	557	527
Health education	872	989
Total temporarily restricted net assets	<u>\$ 27,688</u>	<u>21,769</u>

(17) Endowment Funds

MHS' endowments consist of over 100 individual funds established for a variety of purposes. They include both donor-restricted endowment funds and unrestricted funds designated by the board of directors of its foundations to function as endowments (board-designated endowments). Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions and nature of restrictions, if any.

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The following tables present MHS' endowment net asset compensation as well as associated changes therein

	Unrestricted Board- designated	Temporarily restricted	Permanently restricted	Total
Endowment net assets, December 31, 2012	\$ 2,745	272	32,039	35,056
Investment return				
Investment income	61	351	386	798
Net appreciation – realized and unrealized	40	15	472	527
Total investment return	101	366	858	1,325
Contributions	—	—	1,081	1,081
Board appropriations	91	—	—	91
Appropriation of endowment assets for expenditure	(61)	(638)	(1,307)	(2,006)
Endowment net assets, December 31, 2013	\$ 2,876	—	32,671	35,547

	Unrestricted Board- designated	Temporarily restricted	Permanently restricted	Total
Endowment net assets, December 31, 2011	\$ 8,450	498	23,065	32,013
Investment return				
Investment income	255	324	372	951
Net appreciation – realized and unrealized	198	21	495	714
Total investment return	453	345	867	1,665
Contributions	—	—	1,816	1,816
Board appropriations	939	—	—	939
Net asset transfers	(6,762)	—	6,762	—
Appropriation of endowment assets for expenditure	(335)	(571)	(471)	(1,377)
Endowment net assets, December 31, 2012	\$ 2,745	272	32,039	35,056

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Perpetual trusts that are held and managed by third-party trustees are recorded as permanently restricted net assets on the consolidated balance sheets, however, they are not included as permanently restricted endowment net assets in the above presentation. Those perpetual trusts totaled \$21,265 and \$19,747, respectively, as of December 31, 2013 and 2012. Also excluded from the presentation of permanently restricted net assets are pledge receivables and other totaling \$2,001 and \$878, respectively, as of December 31, 2013 and 2012.

(a) *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original gifts and the amounts of subsequent donations accumulated at the funds. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies in 2013 or 2012.

(b) *Investment Policy – Including Return Objectives and Strategies to Achieve Objectives*

The majority of the endowment assets are invested in MHS' pooled investments, which include those assets of donor-restricted funds that MHS must hold in perpetuity as well as all of the board-designated endowment funds. MHS has adopted an investment policy for its pooled investments that attempt to provide income to support its operations and a stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, MHS relies on a total return strategy in which investment returns are achieved through both capital appreciation and interest and dividend income. MHS uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. There are some donor-restricted funds that are held outside of MHS' pooled investments. Those outside endowments are invested by donors in manners to provide funding for specific purposes as determined by donors.

(c) *Spending Policy*

In order to provide a stable and consistent level of funding for programs and services supported by the endowments, the foundations have determined that a spending rate of 5% of the endowment's average account value is prudent. In establishing the spending policies, the MHS foundations considered among other things, the expected total return on its endowments, effect of inflation, duration of the endowments to achieve its objective of maintaining the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth through new gifts and investment returns.

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(18) Functional Expenses

MHS provides inpatient and outpatient services, physician services, home health services, and fund-raising activities. Expenses related to providing these services are as follows for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 1,025,198	889,007
General and administrative	519,298	515,451
	<u>\$ 1,544,496</u>	<u>1,404,458</u>

(19) Litigation and Regulatory Environment

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in the imposition of significant fines and penalties, significant repayments for patient services previously billed, and/or expulsion from government healthcare programs. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

MHS is also involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to MHS's financial position.

(20) Health Care Reform

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (Reconciliation Act) were both signed into law in the first calendar quarter of 2010. The legislation went into effect upon signing with provisions to become effective over the next seven years. This legislation is expected to broadly impact MHS's operations, including patient access, service reimbursement rates, and reporting requirements in the future. MHS has evaluated those provisions which went into effect upon signing noting they did not have a significant impact on the 2013 or 2012 consolidated financial statements; however, it is expected that it will have a significant impact on future periods.

Effective January 1, 2014, coverage for eligible individuals, who elected coverage under the Washington State Health Benefit Exchange (the Exchange), began. It is expected that the Exchange, along with the expansion of Washington State Medicaid coverage, will reduce the numbers of uninsured patients, but will also increase the numbers covered under Medicaid programs, and will result in reduced reimbursement rates from traditional commercial insurance carriers. MHS has not yet determined the future financial statement impact that this legislation might cause as further provisions become effective.

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(21) Subsequent Events

MHS has evaluated the subsequent events from the balance sheet date through March 26, 2014, the date at which the consolidated financial statements were issued, and determined there are no other items to disclose