



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





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

AS A PROUD MEMBER OF MEDSTAR HEALTH, MEDSTAR WASHINGTON HOSPITAL CENTER'S (MWHC) MISSION IS TO DELIVER EXCEPTIONAL PATIENT FIRST HEALTH CARE TO THE REGION WITH THE HIGHEST QUALITY AND LATEST MEDICAL ADVANCES THOUGH EXCELLENCE IN PATIENT CARE, EDUCATION AND RESEARCH MWHC IS AN ACUTE CARE TEACHING AND RESEARCH HOSPITAL LOCATED IN NORTHWEST WASHINGTON, D C IT IS THE LARGEST PRIVATE HOSPITAL IN THE NATION'S CAPITAL AND AMONG THE 50 LARGEST HOSPITALS IN THE NATION IN FISCAL YEAR 2014, MWHC HAD 39,598 INPATIENT ADMISSIONS, 396,457 OUTPATIENT VISITS, AND 87,475 EMERGENCY VISITS

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 \$ 749,829,429 including grants of \$ ) (Revenue \$ 1,037,323,092 )

MEDSTAR WASHINGTON HOSPITAL CENTER'S IS THE CITY'S LARGEST AND BUSIEST HOSPITAL, PROVIDING ACUTE CARE SERVICES TO THE COMMUNITIES OF NORTHEAST WASHINGTON, D C AND THE SURROUNDING AREAS IN ADDITION TO THE PROGRAM SERVICE EXPENSES LISTED ABOVE, MWHC INCURRED \$251.3M OF MANAGEMENT AND GENERAL EXPENSES IN PROVIDING SERVICES TO ITS COMMUNITIES IT OFFERS PRIMARY, SECONDARY AND TERTIARY HEALTH SERVICES TO ADULT AND NEONATAL PATIENTS IT IS A MAJOR REFERRAL CENTER FOR THE MOST COMPLEX TERTIARY SERVICES AND OPERATES THE REGION'S ONLY ADULT BURN CENTER SEE SCHEDULE O

4b

(Code ) (Expenses \$ 55,508,974 including grants of \$ ) (Revenue \$ 22,181,594 )

MEDSTAR WASHINGTON HOSPITAL CENTER PROVIDED \$55.5M IN HEALTH PROFESSIONS EDUCATION IN FISCAL YEAR 2014 THIS CATEGORY INCLUDES TRAINING IN GRADUATE MEDICAL EDUCATION, AND EDUCATION FOR PHYSICIANS, MEDICAL STUDENTS, NURSES, AND OTHER HEALTH PROFESSIONS

4c

(Code ) (Expenses \$ 28,233,068 including grants of \$ ) (Revenue \$ 19,962,395 )

MEDSTAR WASHINGTON HOSPITAL CENTER PROVIDED \$28.2M IN SUBSIDIZED (MISSION DRIVEN) HEALTH SERVICES IN FISCAL YEAR 2014 THESE CRITICAL SERVICES, WHICH ARE DRIVEN BY COMMUNITY NEEDS, OPERATE AT A LOSS THEY ADDRESS PRIORITIES PRIMARILY THROUGH DISEASE PREVENTION AND IMPROVEMENT OF HEALTH STATUS

4d


















Other program services (Describe in Schedule O )

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

4e

Total program service expenses 833,571,471

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
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 Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f 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		No
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	0
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	7,592
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .	18	
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 . . . . .	10	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body? . . . . .	8a	Yes
8b	Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶DC
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. Own website    Another's website    Upon request    Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶JOEL BRYAN 5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 (410) 772-6721

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

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

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

• List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

• List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

• List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

• List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

[illegible]



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	12,458,046	3,614,294	347,687

956

<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .
<b>4</b>	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .
<b>5</b>	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .

## Section B. Independent Contractors

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
NURSEFINDERS, PO BOX 910742 DALLAS TX 753910742	Staffing Services	14,228,351
DIAMOND HLTHCR OF NORTHERN VA, PO BOX 85050 RICHMOND VA 23285	Medical Staffing	11,394,188
MORRISON MANAGEMENT SPECIALIST, 5801 PEACHTREE DUNWOODY ROAD ATLANTA GA 30342	Nutrition Services	8,504,452
REIMBURSEMENT TECHNOLOGIES, 1000 Schuylkill River Trail CONSHOHOCKEN PA 19428	Billing Services	4,294,127
DC METRO AVIATION, 7940 Airpark Road GAITHERSBURG MD 20879	Aviation Services	4,094,011

\$100,000 of compensation from the organization ➡52

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . . 1a				
	b	Membership dues . . . . . 1b				
	c	Fundraising events . . . . . 1c				
	d	Related organizations . . . . . 1d				
	e	Government grants (contributions) 1e 6,033,397				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 3,894,637				
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f . . . . .	9,928,034			
Program Service Revenue	2a	PATIENT SERVICE REVENUE				
		Business Code 900099	1,071,285,093	1,071,285,093		
	b	PHARMACY	6,542,975	5,280,983	1,261,992	
	c	MEANINGFUL USE INCOME	2,901,005	2,901,005		
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f . . . . .	1,080,729,073			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .	1,106,804			1,106,804
	4	Income from investment of tax-exempt bond proceeds . . . . .	0			
	5	Royalties . . . . .	0			
	6a	Gross rents				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss) . . . . .	342,407			342,407
	7a	Gross amount from sales of assets other than inventory				
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss) . . . . .	3,689,160			3,689,160
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .				
	b	Less direct expenses . . . . .				
	c	Net income or (loss) from fundraising events . . . . .	0			
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .				
	b	Less direct expenses . . . . .				
	c	Net income or (loss) from gaming activities . . . . .	0			
	10a	Gross sales of inventory, less returns and allowances . . . . .				
	b	Less cost of goods sold . . . . .				
	c	Net income or (loss) from sales of inventory . . . . .	0			
		Miscellaneous Revenue				
	11a	Sale of Steam	4,909,667		4,909,667	
	b	Parking	4,664,921			4,664,921
	c	Rebate Income	2,809,930			2,809,930
	d	All other revenue . . . . .	-470,740		113,467	-584,207
	e	Total. Add lines 11a-11d . . . . .	11,913,778			
	12	Total revenue. See Instructions . . . . .	1,107,709,256	1,079,467,081	6,285,126	12,029,015

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.	0			
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	3,440,854	3,062,563	378,291	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	461,623,229	410,871,793	50,751,436	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	7,035,186	6,261,729	773,457	
9	Other employee benefits.	77,365,854	68,860,155	8,505,699	
10	Payroll taxes.	33,635,211	28,809,383	4,825,828	
11	Fees for services (non-employees):				
a	Management.	95,730,215	22,236,232	73,493,983	
b	Legal.	11,730		11,730	
c	Accounting.	17,400	17,400		
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	59,995,579	35,429,651	24,565,928	
12	Advertising and promotion.	4,387,534	121,869	4,265,665	
13	Office expenses.	36,871,974	32,146,169	4,725,805	
14	Information technology.	-15,977		-15,977	
15	Royalties.	0			
16	Occupancy.	5,984,874	5,096,210	888,664	
17	Travel.	2,883,665	1,540,651	1,343,014	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	650,242	477,488	172,754	
20	Interest.	10,695,030		10,695,030	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	39,609,569	23,121,102	16,488,467	
23	Insurance.	28,912,966	523,000	28,389,966	
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	Med /Surg Supplies	127,556,299	127,220,254	336,045	
b	Implants/Prostheses	37,016,134	37,016,134		
c	FOOD SERVICES	7,018,526	5,862,345	1,156,181	
d	Maintenance Contracts	9,817,167	8,789,353	1,027,814	
e	All other expenses	34,631,156	16,107,990	18,523,166	
25	Total functional expenses. Add lines 1 through 24e.	1,084,874,417	833,571,471	251,302,946	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	<b>1</b>	Cash—non-interest-bearing . . . . .		30,000	<b>1</b>	318,471
	<b>2</b>	Savings and temporary cash investments . . . . .		0	<b>2</b>	0
	<b>3</b>	Pledges and grants receivable, net . . . . .		0	<b>3</b>	0
	<b>4</b>	Accounts receivable, net . . . . .		151,164,006	<b>4</b>	139,379,627
	<b>5</b>	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .		0	<b>5</b>	0
	<b>6</b>	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L . . . . .		0	<b>6</b>	0
	<b>7</b>	Notes and loans receivable, net . . . . .		0	<b>7</b>	0
	<b>8</b>	Inventories for sale or use . . . . .		16,527,744	<b>8</b>	16,109,088
	<b>9</b>	Prepaid expenses and deferred charges . . . . .		1,892,434	<b>9</b>	2,218,239
	<b>10a</b>	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	<b>10a</b> 799,935,199	198,175,265	<b>10c</b>	216,032,493
	<b>b</b>	Less: accumulated depreciation . . . . .	<b>10b</b> 583,902,706			
	<b>11</b>	Investments—publicly traded securities . . . . .		0	<b>11</b>	0
	<b>12</b>	Investments—other securities. See Part IV, line 11 . . . . .		24,905,429	<b>12</b>	31,735,901
	<b>13</b>	Investments—program-related. See Part IV, line 11 . . . . .		0	<b>13</b>	0
	<b>14</b>	Intangible assets . . . . .		0	<b>14</b>	0
	<b>15</b>	Other assets. See Part IV, line 11 . . . . .		112,545,438	<b>15</b>	153,940,792
	<b>16</b>	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .		505,240,316	<b>16</b>	559,734,611
Liabilities	<b>17</b>	Accounts payable and accrued expenses . . . . .		103,298,775	<b>17</b>	69,368,651
	<b>18</b>	Grants payable . . . . .		0	<b>18</b>	0
	<b>19</b>	Deferred revenue . . . . .		0	<b>19</b>	0
	<b>20</b>	Tax-exempt bond liabilities . . . . .		0	<b>20</b>	0
	<b>21</b>	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .		0	<b>21</b>	0
	<b>22</b>	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .		0	<b>22</b>	0
	<b>23</b>	Secured mortgages and notes payable to unrelated third parties . . . . .		0	<b>23</b>	0
	<b>24</b>	Unsecured notes and loans payable to unrelated third parties . . . . .		0	<b>24</b>	0
	<b>25</b>	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 . . . . .		131,196,088	<b>25</b>	169,031,082
	<b>26</b>	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .		234,494,863	<b>26</b>	238,399,733
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117 (ASC 958), check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>					
	<b>27</b>	Unrestricted net assets . . . . .		255,049,807	<b>27</b>	304,911,895
	<b>28</b>	Temporarily restricted net assets . . . . .		9,416,345	<b>28</b>	9,955,802
	<b>29</b>	Permanently restricted net assets . . . . .		6,279,301	<b>29</b>	6,467,181
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>					
	<b>30</b>	Capital stock or trust principal, or current funds . . . . .			<b>30</b>	
	<b>31</b>	Paid-in or capital surplus, or land, building or equipment fund . . . . .			<b>31</b>	
	<b>32</b>	Retained earnings, endowment, accumulated income, or other funds . . . . .			<b>32</b>	
	<b>33</b>	<b>Total net assets or fund balances</b> . . . . .		270,745,453	<b>33</b>	321,334,878
	<b>34</b>	<b>Total liabilities and net assets/fund balances</b> . . . . .		505,240,316	<b>34</b>	559,734,611

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	1,107,709,256
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	1,084,874,417
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	22,834,839
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	270,745,453
5	Net unrealized gains (losses) on investments . . . . .	5	4,752,563
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	-393,333
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	23,395,356
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	321,334,878

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	

## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 52-1272129  
**Name:** WASHINGTON HOSPITAL CENTER CORPORATION

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
James D Murphy Jr BOARD MEMBER	40 0	X						118,303		9,194
Micheal C Pistole BOARD MEMBER	1 0	X								
KENNETH A SAMET BOARD MEMBER	1 0 39 0	X							3,334,799	61,007
John Sullivan BOARD MEMBER/PRESIDENT	39 0 1 0	X		X				1,249,231		20,195
Carmella A Cole BOARD MEMBER	40 0	X						294,442		25,204
Neal M KURZROK BOARD MEMBER	1 0	X								
Benjamin I Lee BOARD MEMBER	40 0	X						572,064		19,697
Robert C Lowery Jr BOARD MEMBER	40 0	X						346,328		14,939
Elizabeth Ross BOARD MEMBER	40 0	X						251,738		
Arthur St Andre Board Member	40 0	X						438,802		36,452
Sandra M Swain Board Member	40 0	X						504,727		8,469
Robin B Martin BOARD MEMBER	1 0	X								
David S Bender BOARD MEMBER	1 0	X								
Theresa M Dupart BOARD MEMBER	1 0	X								
N William Jarvis BOARD MEMBER	1 0	X								
Carol R Joynt BOARD MEMBER	1 0	X								
Eric W Price BOARD MEMBER	1 0	X								
John A Sargent BOARD MEMBER	1 0	X								
Stanley J Gutkowski BOARD MEMBER	1 0	X								
N William Jarvis BOARD MEMBER	1 0	X								
William M Kelly BOARD MEMBER	1 0	X								
Linda Taylor SECRETARY	40 0			X				112,841	0	8,170
Catherine Monge SENIOR VP OF OPERATIONS	40 0				X			385,175		13,334
Ammar Bafi PHYSICIAN	40 0					X		1,577,339		13,799
Steven Boyce PHYSICIAN	40 0					X		1,722,977		17,045

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Paul Corso SECTION DIRECTOR	40 0					X		1,000,637		14,696
Praful Ramineni PHYSICIAN	40 0					X		1,202,936		19,712
AUGUSTO PRICHARD PHYSICIAN	40 0					X		947,125	0	20,301
JANIS ORLOWSKI former officer	40 0						X	1,374,244		33,310
HARRISON RIDER FORMER OFFICER	40 0						X	0	279,495	0
Douglas Zehner former officer	40 0						X	359,137		12,163

2013

Open to Public Inspection

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](http://www.irs.gov/form990).

Name of the organization WASHINGTON HOSPITAL CENTER CORPORATION	Employer identification number 52-1272129
--	--

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	<input type="checkbox"/>	A church, convention of churches, or association of churches described in <b>section 170(b)(1)(A)(i).</b>
2	<input type="checkbox"/>	A school described in <b>section 170(b)(1)(A)(ii).</b> (Attach Schedule E )
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in <b>section 170(b)(1)(A)(iii).</b>
4	<input type="checkbox"/>	A medical research organization operated in conjunction with a hospital described in <b>section 170(b)(1)(A)(iii).</b> Enter the hospital's name, city, and state _____
5	<input type="checkbox"/>	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in <b>section 170(b)(1)(A)(iv).</b> (Complete Part II )
6	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in <b>section 170(b)(1)(A)(v).</b>
7	<input type="checkbox"/>	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in <b>section 170(b)(1)(A)(vi).</b> (Complete Part II )
8	<input type="checkbox"/>	A community trust described in <b>section 170(b)(1)(A)(vi)</b> (Complete Part II )
9	<input type="checkbox"/>	An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See <b>section 509(a)(2).</b> (Complete Part III )
10	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See <b>section 509(a)(4).</b>
11	<input type="checkbox"/>	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 <b>section 509(a)(3).</b> Check the box that describes the type of supporting organization and complete lines 11e through 11h <b>a</b> <input type="checkbox"/> Type I <b>b</b> <input type="checkbox"/> Type II <b>c</b> <input type="checkbox"/> Type III - Functionally integrated <b>d</b> <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? <b>(i)</b> A person who directly or indirectly controls, either alone or together with persons described in <b>(ii)</b> and <b>(iii)</b> below, the governing body of the supported organization? <b>(ii)</b> A family member of a person described in <b>(i)</b> above? <b>(iii)</b> A 35% controlled entity of a person described in <b>(i)</b> or <b>(ii)</b> above?
h	<input type="checkbox"/>	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	
------------------	-------------	--

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](http://www.irs.gov/form990).

Name of the organization WASHINGTON HOSPITAL CENTER CORPORATION	Employer identification number 52-1272129
--	--

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

▶ \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2013

**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)

b

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

3b

4

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

**Part VI Land, Buildings, and Equipment.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .				
b Buildings . . . . .		374,827,774	273,831,312	100,996,462
c Leasehold improvements . . . . .		4,195,840	2,496,084	1,699,756
d Equipment . . . . .		352,045,438	268,741,866	83,303,572
e Other . . . . .		68,866,147	38,833,444	30,032,703
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				216,032,493



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
FIN 48 FOOTNOTE	SCHEDULE D, PART X INCOME TAXES ARE ACCOUNTED FOR UNDER THE ASSET AND LIABILITY METHOD. DEFERRED TAX ASSETS AND LIABILITIES ARE RECOGNIZED FOR THE FUTURE TAX CONSEQUENCES ATTRIBUTABLE TO DIFFERENCES BETWEEN THE FINANCIAL STATEMENT CARRYING AMOUNTS OF EXISTING ASSETS AND LIABILITIES AND THEIR RESPECTIVE TAX BASES AND OPERATING LOSS AND TAX CREDIT CARRYFORWARDS. DEFERRED TAX ASSETS AND LIABILITIES ARE MEASURED USING ENACTED TAX RATES EXPECTED TO APPLY TO TAXABLE INCOME IN THE YEARS IN WHICH THOSE TEMPORARY DIFFERENCES ARE EXPECTED TO BE RECOVERED OR SETTLED. THE EFFECT ON DEFERRED TAX ASSETS AND LIABILITIES OF A CHANGE IN TAX RATES IS RECOGNIZED IN THE PERIOD THAT INCLUDES THE ENACTMENT DATE. ANY CHANGES TO THE VALUATION ALLOWANCE ON THE DEFERRED TAX ASSET ARE REFLECTED IN THE YEAR OF CHANGE. THE CORPORATION ACCOUNTS FOR UNCERTAIN TAX POSITIONS IN ACCORDANCE WITH THE FASB ACCOUNTING STANDARDS CODIFICATION (ASC) TOPIC 740, INCOME TAXES. THERE WAS NO LIABILITY RECORDED FOR UNCERTAIN TAX POSITIONS AS OF JUNE 30, 2014.

[illegible]



SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
► Attach to Form 990. ► See separate instructions.  
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
WASHINGTON HOSPITAL CENTER CORPORATION

Employer identification number  
52-1272129

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 _____ %	3a Yes	
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 checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	3b Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	4 Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	5b Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c	No
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a Yes	
b	If "Yes," did the organization make it available to the public? . . . . .	6b Yes	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.			

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . . .			11,388,109	0	11,388,109	1 000 %
b Medicaid (from Worksheet 3, column a) . . . . .			181,524,603	166,786,554	14,738,049	1 400 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			5,352,146	2,675,876	2,676,270	0 200 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			198,264,858	169,462,430	28,802,428	2 600 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			1,988,386	0	1,988,386	0 180 %
f Health professions education (from Worksheet 5) . . . . .			55,508,974	22,181,594	33,327,380	3 000 %
g Subsidized health services (from Worksheet 6) . . . . .			28,233,068	19,962,395	8,270,673	1 000 %
h Research (from Worksheet 7) . . . . .			1,248,867	0	1,248,867	0 120 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			55,332	24,381	30,951	
j <b>Total</b> Other Benefits . . . . .			87,034,627	42,168,370	44,866,257	4 300 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			285,299,485	211,630,800	73,668,685	6 900 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support			22,565	0	22,565	
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			655	0	655	
7Community health improvement advocacy			28,897	0	28,897	
8Workforce development						
9Other						
10Total			52,117	0	52,117	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

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.

2

71,755,258

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

3

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

Section B. Medicare

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

5

317,015,382

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

6

330,227,704

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

7

-13,212,322

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

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

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

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

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 )1

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
<b>1</b> 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)	<b>1</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input checked="" type="checkbox"/> Demographics of the community		
<b>c</b> <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		
<b>d</b> <input checked="" type="checkbox"/> How data was obtained		
<b>e</b> <input checked="" type="checkbox"/> The health needs of the community		
<b>f</b> <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b> <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a CHNA 20 <u>11</u>		
<b>3</b> 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 . . . . .	<b>3</b> Yes	
<b>4</b> Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	<b>4</b>	No
<b>5</b> 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)	<b>5</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.MEDSTARWASHINGTON.ORG</u>		
<b>b</b> <input type="checkbox"/> Other website (list url) _____		
<b>c</b> <input checked="" type="checkbox"/> Available upon request from the hospital facility		
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>6</b> 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)		
<b>a</b> <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b> <input checked="" type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b> <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b> <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input checked="" type="checkbox"/> Prioritization of health needs in its community		
<b>h</b> <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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 . . . . .	<b>7</b>	No
<b>8a</b> 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)? . . . . .	<b>8a</b>	No
<b>b</b> If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	<b>8b</b>	
<b>c</b> 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		
<b>9</b>	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?	<b>9</b> Yes			
<b>10</b>	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</u> % If "No," explain in Part VI the criteria the hospital facility used	<b>10</b> Yes			
<b>11</b>	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>400</u> % If "No," explain in Part VI the criteria the hospital facility used	<b>11</b> Yes			
<b>12</b>	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)	<b>12</b> Yes			
<b>a</b>	<input checked="" type="checkbox"/> Income level				
<b>b</b>	<input checked="" type="checkbox"/> Asset level				
<b>c</b>	<input checked="" type="checkbox"/> Medical indigency				
<b>d</b>	<input checked="" type="checkbox"/> Insurance status				
<b>e</b>	<input checked="" type="checkbox"/> Uninsured discount				
<b>f</b>	<input checked="" type="checkbox"/> Medicaid/Medicare				
<b>g</b>	<input type="checkbox"/> State regulation				
<b>h</b>	<input type="checkbox"/> Residency				
<b>i</b>	<input type="checkbox"/> Other (describe in Part VI)				
<b>13</b>	Explained the method for applying for financial assistance? . . . . .	<b>13</b> Yes			
<b>14</b>	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)	<b>14</b> Yes			
<b>a</b>	<input type="checkbox"/> The policy was posted on the hospital facility's website				
<b>b</b>	<input type="checkbox"/> The policy was attached to billing invoices				
<b>c</b>	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms				
<b>d</b>	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices				
<b>e</b>	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility				
<b>f</b>	<input checked="" type="checkbox"/> The policy was available upon request				
<b>g</b>	<input type="checkbox"/> Other (describe in Part VI)				
<b>Billing and Collections</b>					
<b>15</b>	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? . . . . .	<b>15</b> Yes			
<b>16</b>	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				
<b>a</b>	<input type="checkbox"/> Reporting to credit agency				
<b>b</b>	<input type="checkbox"/> Lawsuits				
<b>c</b>	<input type="checkbox"/> Liens on residences				
<b>d</b>	<input type="checkbox"/> Body attachments				
<b>e</b>	<input type="checkbox"/> Other similar actions (describe in Section C)				
<b>17</b>	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? . . . . .			<b>17</b>	No
	If "Yes," check all actions in which the hospital facility or a third party engaged				
<b>a</b>	<input type="checkbox"/> Reporting to credit agency				
<b>b</b>	<input type="checkbox"/> Lawsuits				
<b>c</b>	<input type="checkbox"/> Liens on residences				
<b>d</b>	<input type="checkbox"/> Body attachments				
<b>e</b>	<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
<b>19</b> 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	
<div><b>a</b> <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions</div> <div><b>b</b> <input type="checkbox"/> The hospital facility's policy was not in writing</div> <div><b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)</div> <div><b>d</b> <input type="checkbox"/> Other (describe in Part VI)</div>		

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

<b>20</b> 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		
<div><b>a</b> <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged</div> <div><b>b</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</div> <div><b>c</b> <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged</div> <div><b>d</b> <input type="checkbox"/> Other (describe in Part VI)</div>		
<b>21</b> 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
<b>22</b> 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 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.

[illegible]

**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? \_\_\_\_\_

Name and address	Type of Facility (describe)
<b>1</b> _____	
<b>2</b> _____	
<b>3</b> _____	
<b>4</b> _____	
<b>5</b> _____	
<b>6</b> _____	
<b>7</b> _____	
<b>8</b> _____	
<b>9</b> _____	
<b>10</b> _____	



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
CHARITY CARE AND CERTAIN OTHER BENEFITS AT COST	PART I, LINE 7 MEDICARE COST REPORT DATA AS WELL AS COST-TO-CHARGE RATIO WERE USED TO CALCULATE FIGURES REPORTED (WHERE APPLICABLE) THE COST-TO-CHARGE RATIO WAS DERIVED FROM WORKSHEET 2 RATIO OF PATIENT CARE COST-TO-CHARGES BAD DEBT PART III, LINE 4 MEDSTAR HEALTH AND ITS AFFILIATED ORGANIZATIONS REPORT BAD DEBT EXPENSE IN ACCORDANCE WITH ASU 2011-07, WHICH REQUIRES CERTAIN HEALTHCARE ENTITIES TO CHANGE THE PRESENTATION OF THEIR STATEMENT OF OPERATIONS BY RECLASSIFYING THE PROVISION FOR BAD DEBTS ASSOCIATED WITH PATIENT SERVICE REVENUE FROM AN OPERATING EXPENSE TO A DEDUCTION FROM PATIENT SERVICE REVENUE (NET OF CONTRACTUAL ALLOWANCES AND DISCOUNTS) HOWEVER, MEDSTAR AND ITS AFFILIATED ENTITIES DO NOT MAKE A DETERMINATION AS TO WHETHER SELF PAY AMOUNTS ARE COLLECTIBLE IN DETERMINING REVENUE RECOGNITION RESERVE MODELS, WHICH HAVE BEEN DEVELOPED BASED ON HISTORICAL COLLECTION RESULTS AND WHICH ARE ADJUSTED PERIODICALLY BASED ON ACTUAL COLLECTIONS EXPERIENCE, ARE USED TO ESTIMATE UNCOLLECTIBLE AMOUNTS ACROSS ALL PAYORS INCLUDING SELF PAY BAD DEBT DETERMINATIONS ARE MADE ONLY AFTER SUFFICIENT EVIDENCE IS OBTAINED TO SUPPORT THAT AN AMOUNT IS NOT COLLECTIBLE MEDICARE PART III, LINE 8 MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION (HSCRC) DETERMINES PAYMENT THROUGH A RATE-SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE AS SUCH, THE NET EFFECT FOR MEDICARE EXPENSES AND REVENUES IN MARYLAND IS ZERO

Form and Line Reference	Explanation
MEDICARE	<p>PART III, LINE 8 THE AMOUNT REPORTED ON PART III, LINE 6 WAS DETERMINED USING THE COST DATA FROM THE FY 2013 MEDICARE COST REPORT DEBT COLLECTION POLICY PART III, LINE 9 IF IT IS DETERMINED THAT A PATIENT MAY POTENTIALLY QUALIFY FOR A CHARITABLE/FINANCIAL PROGRAM, A HOLD IS PLACED ON THE ACCOUNT TO PREVENT IT FROM BEING REPORTED AS BAD DEBT UNTIL PROGRAM APPROVALS HAVE BEEN OBTAINED IF IT IS APPROVED, THE ACCOUNT IS DOCUMENTED AND THE NECESSARY ADJUSTMENTS ARE MADE TO CLOSE THE ACCOUNT CHNA INPUT Part V, Section B, Line 3 Hospital Lead Role Description The Community Health Needs Assessment (CHNA) Hospital Lead serves as the coordinator of all aspects of the community health assessment process He/she helps establish and coordinate the activities of the Advisory Task Force The Lead also helps produce the hospital's Community Health Needs Assessment and Implementation Strategy He/she works collaboratively with representatives from the Corporate Community Health Department and Georgetown University The Lead also works closely with the writer He/she reviews all narratives prior to publication Name of Hospital Lead Christopher King Executive Sponsor Role Description The Executive Sponsor serves as the conduit between the Advisory Task Force and the Senior Management Team The sponsor is an active participant of the Advisory Task Force and he/she communicates the hospital's clinical strengths and program priorities to diverse audiences Name of Executive Sponsor Jim Hill Advisory Task Force Role Description The Advisory Task Force (ATF) reviews primary/secondary data and local/state/federal community health goals Based on findings, the ATF provides input into the hospital's three-year implementation strategy As ambassadors for the CHNA process, the ATF members support efforts to optimize community participation Note The ATF should be a combination of community representatives and staff Community representatives should makeup at least 50% of total participants NAME TITLE AFFILIATION WITH HOSPITAL (I E, BOARD MEMBER, EMPLOYEE VOLUNTEER, COMMUNITY (YES/NO) ADVOCATE, STAFF) SHIRLEY DEWIT NEUROSCIENCE INSTITUTE NEUROSCIENCE INSTITUTE, YES CLINICIAN WHC MARY FARMER ANC COMMISSIONER WARD 5 06 ALLEN JACQUEDA CHAIR COMMISSION ON AGING NO ARGUELESS C DIANNE ANC Commissioner WARD 5E 09 NO BARNES RICHARD T ASSOCIATE DIRECTOR STROKE CENTER, MWHC YES BENSON, MD Khay Bullock COMMUNITY RELATIONS COMMUNITY RELATIONS, YES HENRY MANAGER MWHC Cleopatra EXECUTIVE DIRECTOR NEIGHBORS OF SEATON PLACE, NO Jones COMMUNITY EMPOWERMENT SPECIALIST, WARD 5 GRACE LEWIS PRESIDENT NORTH MICHIGAN PAR CIVIC NO ASSOCIATION MARSHALL ANC COMMISSIONER WARD 5C 08 EDGE WOOD NO PHILLIPS, SR COMMUNITY MICHAEL C PRESIDENT MEDICAL AND DENTAL STAFF, YES PISTOLE, MD MEDICAL AFFAIRS, MWHC DAWN DIRECTOR SEABURY WARD 5 AGING NO QUATTLEBAUM SERVICES HEATHER A PERFORMANCE IMPROVEMENT OFFICER OF DIRECTOR, NO REFFETT MANAGER DC DEPARTMENT OF HEALTH ROLAND LATINO COMMUNITY LEADER WARD 14 NO ROEBUCK ROMAINE FORMER PRESIDENT AARP FOR THE DISTRICT OF NO THOMAS COLUMBIA</p>

Form and Line Reference	Explanation
NEEDS ASSESSMENT	<p>PART V, SECTION B, LINE 7 The implementation strategies serve as a roadmap for how community benefit resources will be allocated and deployed MedStar's hospitals will be able to measure our contribution to improving the health of underserved and vulnerable populations in the regions we serve Three-year implementation strategies with measurable objectives were developed for each hospital's community benefit service area - a specific community or target population of focus Priorities were based on community need as determined by quantitative data and community input, as well as on hospital expertise, resources, strengths of existing programming and partnerships, and alignment with national, state, and local health goals The MedStar Health Corporate Community Health Department will provide system-wide coordination and oversight of community benefit programming PART VI, LINE 2 In FY12, MedStar Washington Hospital Center (the Hospital Center) conducted a Community Health Needs Assessment (CHNA) in accordance with the guidelines established by the Patient Protection and Affordable Care Act and the Internal Revenue Service The hospital's CHNA was led by 24 Advisory Task Force (ATF) members, which was comprised of a diverse group of individuals, including community residents, faith-based leaders, hospital representatives and public health experts The ATF reviewed quantitative and qualitative community health data, as well as local, regional and national health goals Based on their findings, the ATF designed a survey to identify trends in how participants perceived the severity of key health issues in the following categories wellness and prevention, access to care, quality of life, and environment Community members responded to the survey by attending a community input session or completing it online or via hardcopy Based on the ATF's recommendation, the hospital identified District of Columbia Ward 5 as its Community Benefit Service Area (CBSA) - a geography with a high density of low-income or vulnerable residents within close proximity of the hospital Health priorities for the CBSA include heart disease, diabetes, and obesity The hospital's FY12 CHNA and 3-year Implementation Strategy was endorsed by the Hospital Center's Board of Directors and approved by the MedStar Health Board of Directors The document became available on the hospital's official website on June 30, 2012 As a proud member of MedStar Health, representatives from the Hospital Center routinely participate in the MedStar Health community benefit workgroup The workgroup is comprised of community health professionals who represent all ten MedStar hospitals The team analyzes local and regional community health data, establishes system-wide community health programming performance and evaluation measures and shares best practices</p>

Form and Line Reference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	<p>PART VI, LINE 3 As one of the region's leading not-for-profit healthcare systems, MedStar Health is committed to ensuring that uninsured patients within the communities we serve who lack financial resources have access to necessary hospital services. MedStar Health and its healthcare facilities will " Treat all patients equitably, with dignity, with respect and with compassion " Serve the emergency health care needs of everyone who presents at our facilities regardless of a patient's ability to pay for care " Assist those patients who are admitted through our admissions process for non-urgent, medically necessary care who cannot pay for part of all of the care they receive " Balance needed financial assistance for some patients with broader fiscal responsibilities in order to keep its hospitals' doors open for all who may need care in the community. In meeting its commitments, MedStar Health's facilities will work with their uninsured patients to gain an understanding of each patient's financial resources prior to admission (for scheduled services) or prior to billing (for emergency services). Based on this information and patient eligibility, MedStar Health's facilities will assist uninsured patients who reside within the communities we serve in one or more of the following ways " Assist with enrollment in publicly-funded entitlement programs (e g , Medicaid) " Assist with enrollment in publicly-funded programs for the uninsured (e g , D C Healthcare Alliance) " Assist with consideration of funding that may be available from other charitable organizations " Provide charity care and financial assistance according to applicable guidelines " Provide financial assistance for payment of facility charges using a sliding scale based on patient family income and financial resources " Offer periodic payment plans to assist patients with financing their healthcare services. Each MedStar Health facility (in cooperation and consultation with the finance division of MedStar Health) will specify the communities it serves based on the geographic areas it has served historically for the purpose of implementing this policy. Each facility will post the policy, including a description of the applicable communities it serves, in each major patient registration area and in any other areas required by applicable regulations, will communicate the information to patients as required by this policy and applicable regulations and will make a copy of the policy available to all patients. MedStar Health believes that its patients have personal responsibilities related to the financial aspects of their healthcare needs. The charity care, financial assistance, and periodic payment plans available under this policy will not be available to those patients who fail to fulfill their responsibilities. For purposes of this policy, patient responsibilities include " Completing financial disclosure forms necessary to evaluate their eligibility for publicly-funded healthcare programs, charity care programs, and other forms of financial assistance. These disclosure forms must be completed accurately, truthfully, and timely to allow MedStar Health's facilities to properly counsel patients concerning the availability of financial assistance " Working with the facility's financial counselors and other financial services staff to ensure there is a complete understanding of the patient's financial situation and constraints " Completing appropriate applications for publicly-funded healthcare programs. This responsibility includes responding in a timely fashion to requests for documentation to support eligibility " Making applicable payments for services in a timely fashion, including any payments made pursuant to deferred and periodic payment schedules " Providing updated financial information to the facility's financial counselors on a timely basis as the patient's circumstances may change.</p>

Form and Line Reference	Explanation
COMMUNITY INFORMATION	<p>PART VI, LINE 4 Geographic The Hospital Center's community benefit activities focus on Ward 5 (ZIP codes 20001, 20002, 20009, 20010, 20011), though some do extend throughout the Metropolitan area Ward 5, which is located in the northeastern quadrant of the District of Columbia, was selected as the priority area due to its proximity to the hospital, coupled with an opportunity to build upon pre-existing programs and services for the community Demographic Ward 5 is the home of approximately 74,308 residents, 83% are adults age 18 and older The majority of residents are black (77%) Fifteen percent (15%) are white and 6.3% are Hispanic The average household income in Ward 5 (\$75,559) is less than the city average (\$115,016) The percent of adults without a high school diploma (19%) is greater than the city average (15%) The Edgewood neighborhood is a historic hilltop neighborhood that enjoys both modern conveniences and its links to the past, including deco apartments, DC vernacular row homes, a commercial district with local and national retailer's services and along the historic Metropolitan Branch Rail line today is a Metro Station and a new biking and walking trail The Bloomingdale neighborhood is a small residential neighborhood in the Northwest area of the District with residents, young professionals and their families Brookland has developed into a neighborhood fairly integrated among economic classes, races and has a small thriving business community, including prominent community diversity Promotion of community health Part VI, line 5 As a community partner, MedStar Washington Hospital Center engages in a number of community benefit activities to improve and promote the health and wellbeing of the community Examples include, but are not limited to cancer support groups, aerobics classes, walking programs, and routine blood pressure and diabetes screening services The Hospital Center's Medical House Call Program provides primary care and support services to a growing aging population and the Teen Alliance for Prepared Parenting's mission is to prevent subsequent cases of teen pregnancy Through its partnership with the American Association of Retired Persons, classes are offered to promote safe driving habits among senior citizens In partnership with the Washington National Eye Care Center, the Hospital Center serves as the region's leading eye care referral center for persons who are uninsured</p>

Form and Line Reference	Explanation
AFFILIATED HEALTH CARE SYSTEM	PART VI, LINE 6 As a proud member of MedStar Health, MedStar Washington Hospital Center is able to expand its capacity to meet the needs of the community by partnering with other MedStar hospitals and associated entities. MedStar Health resources assist the hospital in community health planning to meet the needs of the uninsured and other vulnerable populations. Through its community health function, MedStar Health provides the Hospital Center with technical support to enhance community health programming and evaluation. MedStar's corporate philanthropy division identifies public and private funding sources to ensure the availability of high quality health services, regardless of ability to pay.

Form and Line Reference	Explanation
State filing of community benefit report	PART VI, LINE 7 The community benefit report for MedStar Washington Hospital Center is only filed in the District of Columbia





Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.  
▶ Attach to Form 990. ▶ See separate instructions.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
WASHINGTON HOSPITAL CENTER CORPORATION

Employer identification number  
52-1272129

Part I Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain.</div></div>	1b	
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	2	
<div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.</div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</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>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	Yes
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4b	Yes
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.</div>	4c	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:</div></div>		
<div><div>a</div><div>The organization?</div></div>	5a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III.</div>	5b	No
<div><div>6</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:</div></div>		
<div><div>a</div><div>The organization?</div></div>	6a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III.</div>	6b	No
<div><div>7</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.</div></div>	7	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 IIISupplemental 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
OTHER REPORTABLE COMPENSATION	SCHEDULE J, PART I, LINES 4A AND 4B JANIS ORLOWSKI Janis Orlowskis Other reportable compensation in Part II, Column (B) (iii) includes \$527,500 representing severance payments received by Ms Orlowski Harrison Rider Harrison Rider's Other reportable compensation in Part II, Column (B) (iii) includes \$279,495 representing the amount of supplemental retirement benefit payments relating to prior years of service

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 52-1272129  
**Name:** WASHINGTON HOSPITAL CENTER CORPORATION

**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				
KENNETH A SAMET BOARD MEMBER	(i) (ii)	1,447,427	1,873,804	13,568	41,896	19,111	3,395,806	
John Sullivan BOARD MEMBER/PRESIDENT	(i) (ii)	696,739	552,492		7,500	12,695	1,269,426	
Carmella A Cole BOARD MEMBER	(i) (ii)	269,442	25,000		19,870	5,334	319,646	
Benjamin I Lee BOARD MEMBER	(i) (ii)	415,261	156,803		7,500	12,197	591,761	
Robert C Lowery Jr BOARD MEMBER	(i) (ii)	296,099	50,229		2,235	12,704	361,267	
Elizabeth Ross BOARD MEMBER	(i) (ii)	251,738					251,738	
Arthur St Andre Board Member	(i) (ii)	383,698	55,104		26,326	10,126	475,254	
Sandra M Swain Board Member	(i) (ii)	469,727	35,000		7,500	969	513,196	
Ammar Bafi PHYSICIAN	(i) (ii)	781,365	795,974		3,542	10,257	1,591,138	
Steven Boyce PHYSICIAN	(i) (ii)	972,840	750,137		4,048	12,997	1,740,022	
Paul Corso SECTION DIRECTOR	(i) (ii)	625,633	375,004		4,260	10,436	1,015,333	
Praful Ramineni PHYSICIAN	(i) (ii)	289,955	912,981		7,500	12,212	1,222,648	
Catherine Monge SENIOR VP OF OPERATIONS	(i) (ii)	263,729	121,446		7,500	5,834	398,509	
JANIS ORLOWSKI former officer	(i) (ii)	448,175	286,799	639,270	12,638	20,672	1,407,554	
Douglas Zehner former officer	(i) (ii)	272,879	86,258			12,163	371,300	
AUGUSTO PRICHARD PHYSICIAN	(i) (ii)	947,125 0	0 0	0 0	7,500 0	12,801 0	967,426 0	0 0
HARRISON RIDER FORMER OFFICER	(i) (ii)	0 0	0 0	0 279,495	0 0	0 0	0 279,495	0 0

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

**Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.**

**▶ Attach to Form 990 or 990-EZ.**

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

**2013**

**Open to Public  
Inspection**

Name of the organization  
WASHINGTON HOSPITAL CENTER CORPORATION

**Employer identification number**

52-1272129

Return Reference	Explanation
EXEMPT PURPOSE ACHIEVEMENTS	PART III, LINE 4A MEDSTAR HEART & VASCULAR INSTITUTE, HEADQUARTERED AT MWHC, IS A NATIONAL LEADER IN THE RESEARCH, DIAGNOSIS AND TREATMENT OF CARDIOVASCULAR DISEASE AND LAST YEAR ENTERED INTO A CLINICAL AND RESEARCH ALLIANCE WITH THE SYDELL AND ARNOLD MILLER FAMILY HEART & VASCULAR INSTITUTE AT CLEVELAND CLINIC MWHC'S ORGAN TRANSPLANTATION CAPABILITIES INCLUDE HEART, PANCREAS AND KIDNEY TRANSPLANTS ITS CANCER CENTER OFFERS CANCER TREATMENT, THERAPIES AND ACCESS TO CLINICAL TRIALS THE HOSPITAL OPERATES THE LARGEST, PRIVATE, HOSPITAL-BASED GROUND AND AIR AMBULANCE SHOCK-TRAUMA SERVICE IN THE REGION IT ALSO OFFERS COMPREHENSIVE AMBULATORY CARE THROUGH A WIDE RANGE OF MEDICAL AND SURGICAL SPECIALTY OUTPATIENT CLINIC PROGRAMS MWHC OPERATES THE REGION'S ONLY JOINT COMMISSION-DESIGNATED COMPREHENSIVE STROKE CENTER AND CARDIAC VENTRICULAR ASSIST DEVICE PROGRAM IN FISCAL YEAR 2014, U S NEWS & WORLD REPORT RECOGNIZED MWHC AS ONE OF THE NATION'S TOP 50 HOSPITALS IN CARDIOLOGY AND HEART SURGERY

Return Reference	Explanation
ORGANIZATION MEMBERS	PART VI, LINE 6 THE ORGANIZATION IS AN AFFILIATE AND SUBSIDIARY OF MEDSTAR HEALTH, INC , A TAX-EXEMPT MARYLAND NON-STOCK CORPORATION MEDSTAR HEALTH, INC , OR ONE OF ITS AFFILIATES AND SUBSIDIARIES, IS THE SOLE MEMBER OF THE ORGANIZATION DESCRIPTION OF MEMBERS PART VI, LINE 7A AS AN AFFILIATE AND SUBSIDIARY OF MEDSTAR HEALTH, INC , A TAX-EXEMPT MARYLAND NON-STOCK CORPORATION, THE ORGANIZATION MAY RECOMMEND PERSON(S) FOR MEMBERSHIP ON THE ORGANIZATION'S GOVERNING BODY ANY SUCH RECOMMENDATION BY THE ORGANIZATION IS SUBJECT TO APPROVAL BY THE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS OF MEDSTAR HEALTH, INC THE BOARD OF MEDSTAR HEALTH, INC HAS DELEGATED CERTAIN APPROVAL AUTHORITY TO THE GOVERNANCE COMMITTEE AND THE PRESIDENT & CEO OF MEDSTAR HEALTH, INC

Return Reference	Explanation
DECISION OF GOVERNING BODY	PART VI, LINE 7B AS AN AFFILIATE AND SUBSIDIARY OF MEDSTAR HEALTH, INC , A TAX-EXEMPT MARYLAND NON-STOCK CORPORATION, THE BYLAWS OF THE ORGANIZATION ARE SUBJECT TO CERTAIN RESERVED POWERS, WHICH PROVIDE THAT THE SOLE MEMBER OF THE ORGANIZATION MUST APPROVE CERTAIN DECISIONS, INCLUDING BUT NOT LIMITED TO MATTERS CONCERNING THE SALE OR PURCHASE OF REAL OR PERSONAL PROPERTY , CAPITAL BUDGETS, STRATEGIC PLANNING, INVESTMENTS, AND CORPORATE GOVERNANCE

Return Reference	Explanation
PROCESS FOR REVIEWING FORM 990	PART VI, LINE 11 THE PROCESS FOR REVIEWING THE FORM 990 INCLUDED EDUCATION AND TRANSPARENCY SENIOR FINANCIAL EXECUTIVES, WORKING WITH INDEPENDENT OUTSIDE EXPERTS, THOROUGHLY REVIEWED FORM 990 AND ACCOMPANYING INSTRUCTIONS IN ADDITION, SENIOR EXECUTIVES REVIEWED THE RELEVANT SECTIONS OF THE FORM 990 WITH THE FOLLOWING COMMITTEES OF THE ORGANIZATION'S GOVERNING BODY FINANCE, AUDIT, GOVERNANCE, STRATEGIC PLANNING, AND EXECUTIVE COMPENSATION FOLLOWING THESE MEETINGS, THE GOVERNING BODY WAS PROVIDED A COPY OF THE FORM 990 IN ITS FINAL FORM AND GIVEN AN OPPORTUNITY TO PROVIDE ANY INPUT OR COMMENTS RELATING TO THE FORM 990 PRIOR TO ITS FILING



Return Reference	Explanation
CONFLICT OF INTEREST POLICY	<p>PART VI, LINE 12C APPOINTMENT OF BOARDS OF DIRECTORS MEDSTAR HEALTH (AND ITS SUBSIDIARIES) REQUIRE ALL NOMINATED DIRECTORS, PRIOR TO THEIR APPOINTMENT OR ELECTION, TO DISCLOSE THE EXISTENCE OF (OR POTENTIAL EXISTENCE OF) ANY TRANSACTION WITH MEDSTAR THAT WOULD RESULT IN A CONFLICT OF INTEREST SUCH DISCLOSURES (IF ANY) ARE REVIEWED BY THE GOVERNANCE COMMITTEE OF THE MEDSTAR HEALTH BOARD OF DIRECTORS WHICH DETERMINES HOW THE MATTER SHOULD BE RESOLVED ANNUAL DISCLOSURES - ALL OFFICERS, DIRECTORS, AND SENIOR MANAGERS ALL OFFICERS, DIRECTORS AND SENIOR MANAGERS ARE REQUIRED, NOT LESS THAN ANNUALLY, TO COMPLETE A SURVEY OF QUESTIONS CONCERNING ANY TRANSACTIONS OR RELATIONSHIPS WHICH WOULD OR COULD REPRESENT A CONFLICT OF INTEREST SUCH DISCLOSURES (IF ANY) RELATED TO DIRECTORS ARE REVIEWED BY THE GOVERNANCE COMMITTEE OF THE MEDSTAR HEALTH BOARD OF DIRECTORS WHICH DETERMINES HOW THE MATTER SHOULD BE RESOLVED SUCH DISCLOSURES (IF ANY) RELATED TO OFFICERS AND SENIOR MANAGERS ARE REVIEWED BY AN APPROPRIATE EXECUTIVE WHO DETERMINES HOW THE MATTER SHOULD BE RESOLVED IN ADDITION, OFFICERS AND DIRECTORS OF MARYLAND HOSPITALS AND NURSING CENTERS ARE REQUIRED TO ANNUALLY DISCLOSE ADDITIONAL INFORMATION RELATING TO POTENTIAL CONFLICTS OF INTEREST AND SUCH DISCLOSURES ARE REPORTED TO THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION (HSCRC)</p>

Return Reference	Explanation
EXECUTIVE COMPENSATION PROCESS	<p>PART VI, LINE 15 THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF MEDSTAR HEALTH, INC (THE "COMMITTEE") HAS OVERSIGHT OVER THE EXECUTIVE COMPENSATION PROGRAM (THE "PROGRAM") OF MEDSTAR HEALTH, INC AND ITS AFFILIATES. TOTAL COMPENSATION FOR THE TOP MANAGEMENT OFFICIALS, OFFICERS AND KEY EMPLOYEES OF MEDSTAR HEALTH, INC AND ITS AFFILIATES ARE REVIEWED AND APPROVED BY THE COMMITTEE WITH ASSISTANCE AND GUIDANCE FROM AN INDEPENDENT THIRD PARTY ADVISOR. THE MEMBERS OF THE COMMITTEE ARE INDEPENDENT FROM ALL OF THE PARTICIPANTS IN THE PROGRAM. THE MAIN OBJECTIVE OF THE PROGRAM IS TO PROVIDE MARKET COMPETITIVE TOTAL COMPENSATION THAT IS INTERNALLY EQUITABLE AND HAS A STRONG PAY-FOR-PERFORMANCE LINKAGE. PERFORMANCE IS EVALUATED AT THE SYSTEM, OPERATING UNIT, AND INDIVIDUAL LEVELS. THE OVERALL TOTAL COMPENSATION PHILOSOPHY IS MANAGED AT THE 75TH PERCENTILE OF THE COMPETITIVE MARKET FOR COMPARABLE SIZE (NET REVENUE) AND TYPE ("TAX-EXEMPT HEALTHCARE ORGANIZATIONS") WHERE APPROPRIATE, ADDITIONAL INDUSTRY DATA IS CONSIDERED (GENERAL BUSINESS AND/OR TAXABLE HEALTHCARE) FOR SELECTED POSITIONS THAT CAN BE RECRUITED FROM OR POTENTIALLY LOST TO THESE INDUSTRIES (E.G., INFORMATION TECHNOLOGY, FINANCE, ETC.). THE COMMITTEE HAS ENGAGED ERNST &amp; YOUNG LLP ("E&amp;Y") TO SERVE AS AN ADVISOR ON THE REASONABLENESS AND COMPETITIVENESS OF THE PROGRAM. IN DETERMINING REASONABLENESS AND COMPETITIVENESS, E&amp;Y REVIEWS MARKET PRACTICES AND TRENDS, AND MAKES RECOMMENDATIONS RELATED TO THE PROGRAM. E&amp;Y UTILIZES INFORMATION FROM CUSTOM SURVEYS, NATIONAL COMPENSATION SURVEYS, PROPRIETARY DATABASES, AND CLIENT EXPERIENCES TO DETERMINE ITS FINAL RECOMMENDATIONS. E&amp;Y PRESENTS THEIR FINDINGS AND RECOMMENDATIONS TO THE COMMITTEE. THE COMMITTEE MAKES THE FINAL DECISIONS ON ALL OF THE COMPENSATION DETERMINATIONS OF THE PROGRAM. ALL DECISIONS MADE BY THE COMMITTEE ARE CONTEMPORANEOUSLY DOCUMENTED.</p>

Return Reference	Explanation
FINANCIAL STATEMENT AVAILABILITY	PART VI, LINE 19 MEDSTAR HEALTH POSTS ITS ANNUAL FINANCIAL AUDIT AND QUARTERLY FINANCIAL REPORTS TO THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) SYSTEM THE ORGANIZATION ALSO E-MAILS ITS ANNUAL AND QUARTERLY DISCLOSURES TO HOLDERS OF THE COMPANY'S PUBLICLY TRADED DEBT THE COMPANY'S GOVERNANCE DOCUMENTS AND CONFLICTS OF INTEREST POLICIES ARE AVAILABLE UPON REQUEST THROUGH ITS CORPORATE (OR AS APPLICABLE ENTITY) PUBLIC INFORMATION OFFICES

Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	PART XI, LINE 9 EQUITY TRANSFERS - NET ASSETS (\$23,395,356)

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
WASHINGTON HOSPITAL CENTER CORPORATION

Employer identification number  
52-1272129

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

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

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Surgicenter at Pasadena LLC  5565 Sterrett Place 5th Floor Columbia, MD 21044 52-2009504	Medical Servi	MD	NA					No				
(2) Physician Imaging of Washington Hospital  6525 Belcrest Road Suite G 50 Hyattsville, MD 20782 56-2616090	Lab Services	MD	NA	RELATED				No	0			51 000 %

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
See Additional Data Table									

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

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

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

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

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

Additional Data

Software ID:

Software Version:

EIN: 52-1272129

Name: WASHINGTON HOSPITAL CENTER CORPORATION

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) CHURCH HOME CORPORATION  5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 23-7374724	MEDICAL FUND	MD	501(c)(3)	PF	NA	Yes	
(1) FRANKLIN SQUARE HOSPITAL CENTER INC  9000 FRANKLIN SQUARE DRIVE BALTIMORE, MD 21237 52-0608007	HOSPITAL	MD	501(c)(3)	3	NA	Yes	
(2) HARBOR HOSPITAL INC  3001 SOUTH HANOVER STREET BALTIMORE, MD 21225 52-0491660	HOSPITAL	MD	501(c)(3)	3	NA	Yes	
(3) MEDSTAR HEALTH INC  5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 52-2087445	MEDICAL SVCS	MD	501(c)(3)	11b II	NA		No
(4) MONTGOMERY GENERAL HOSPITAL  18101 PRINCE PHILIP DRIVE OLNEY, MD 20832 52-0646893	HOSPITAL	MD	501(c)(3)	3	NA	Yes	
(5) THE GOOD SAMARITAN HOSPITAL OF MARYLAND  5601 LOCH RAVEN BLVD BALTIMORE, MD 21239 52-0591607	HOSPITAL	MD	501(c)(3)	3	NA	Yes	
(6) THE UNION MEMORIAL HOSPITAL  201 EAST UNIVERSITY PARKWAY BALTIMORE, MD 21218 52-0591685	HOSPITAL	MD	501(c)(3)	3	NA	Yes	
(7) MEDSTAR HEALTH RESEARCH INSTITUTE  108 IRVING STREET NW WASHINGTON, DC 20010 52-6056274	HOSPITAL	DC	501(c)(3)	3	NA	Yes	
(8) THE MEDSTAR-GEORGETOWN MEDICAL CENTER I  HOPSITAL ADMIN 1 MAIN BLDG WASHINGTON, DC 20007 52-2218584	HOSPITAL	DC	501(c)(3)	3	NA	Yes	
(9) HH MEDSTAR HEALTH INC  5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 52-1542230	MEDICAL SVCS	MD	501(c)(3)	11b II	NA	Yes	
(10) MEDSTAR AMBULATORY SERVICES INC  5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 52-1132992	FOUNDATION	MD	501(c)(3)	11a I	NA	Yes	
(11) BAY LIFE SERVICES INC  5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 52-1496539	MENTAL HEALTH	MD	501(c)(3)	9	NA	Yes	
(12) MEDSTAR SURGERY CENTER INC  4061 POWDERMILL ROAD SUITE 210 CALVERTON, MD 20705 52-1061679	MEDICAL SVCS	MD	501(c)(3)	9	NA	Yes	
(13) CHURCH HOME AND HOSPITAL OF THE CITY OF  5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 52-0591600	MEDICAL FUND	MD	501(c)(3)	11B II	NA	Yes	
(14) FRANKLIN SQUARE HOSPITAL CENTER FOUNDATI  9000 FRANKLIN SQUARE DRIVE BALTIMORE, MD 21237 52-2329546	FOUNDATION	MD	501(c)(3)	7	NA	Yes	
(15) GOOD SAMARITAN HOSPITAL FOUNDATION INC  5601 LOCH RAVEN BLVD BALTIMORE, MD 21239 52-2307122	FOUNDATION	MD	501(c)(3)	11a I	NA	Yes	
(16) GOOD SAMARITAN NURSING CENTER INC  5601 LOCH RAVEN BLVD BALTIMORE, MD 21239 52-1672866	MEDICAL SVCS	MD	501(c)(3)	9	NA	Yes	
(17) GS HOUSING INC  5601 LOCH RAVEN BLVD BALTIMORE, MD 21239 52-1481656	ELDER HOUSING	MD	501(c)(3)	9	NA	Yes	
(18) GS PROPERTIES INC  5601 LOCH RAVEN BLVD BALTIMORE, MD 21239 52-1429853	ADMIN SVCS	MD	501(c)(3)	11a I	NA	Yes	
(19) HARBOR HOSPITAL FOUNDATION INC  3001 SOUTH HANOVER STREET BALTIMORE, MD 21225 52-1284532	FOUNDATION	MD	501(c)(3)	11a I	NA	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(21) MEDSTAR HEALTH INFUSION INC  4061 POWDERMILL ROAD SUITE 210 CALVERTON, MD 20705 52-1980510	MEDICAL SVCS	MD	501(c)(3)	9	NA	Yes	
(1) MEDSTAR HEALTH VISITING NURSES ASSOCIATI  4061 POWDERMILL ROAD CALVERTON, MD 20705 53-0196597	MEDICAL SVCS	MD	501(c)(3)	9	NA	Yes	
(2) MEDSTAR VNA HEALTHCARE  4061 POWDERMILL ROAD SUITE 210 CALVERTON, MD 20705 52-1458516	MEDICAL SVCS	MD	501(c)(3)	9	NA	Yes	
(3) MGH COMMUNITY HEALTH INC  18101 PRINCE PHILIP DRIVE OLNEY, MD 20832 52-1372467	MEDICAL SVCS	MD	501(c)(3)	9	NA	Yes	
(4) MGH HEALTH FOUNDATION INC  18101 PRINCE PHILIP DRIVE OLNEY, MD 20832 52-1129959	FOUNDATION	MD	501(c)(3)	7	NA	Yes	
(5) MGH HEALTH SERVICES INC  18101 PRINCE PHILIP DRIVE OLNEY, MD 20832 52-1366812	FOUNDATION	MD	501(c)(3)	11 B II	NA	Yes	
(6) MGH WOMEN'S BOARD  18101 PRINCE PHILIP DRIVE OLNEY, MD 20832 52-6039600	FOUNDATION	MD	501(c)(3)	11 a I	NA	Yes	
(7) NATIONAL REHABILITATION HOSPITAL  102 IRVING STREET NW WASHINGTON, DC 20010 52-1369749	HOSPITAL	DC	501(c)(3)	3	NA	Yes	
(8) REGIONAL REHAB AT OLNEY INC  18101 PRINCE PHILIP DRIVE OLNEY, MD 20832 52-2310902	MEDICAL SVCS	MD	501(c)(3)	3	NA	Yes	
(9) SUBURBAN NRH MEDICAL REHABILITATION I  102 IRVING STREET NW WASHINGTON, DC 20010 52-1931151	MEDICAL SVCS	DC	501(c)(3)	3	NA	Yes	
(10) THE THOMAS O'NEIL CATHOLIC HEALTH CARE F  5601 LOCH RAVEN BLVD BALTIMORE, MD 21239 52-1104382	FOUNDATION	MD	501(c)(3)	11 D III	NA	Yes	
(11) UNION MEMORIAL HOSPITAL FOUNDATION INC  201 EAST UNIVERSITY PARKWAY BALTIMORE, MD 21218 52-1446828	FOUNDATION	MD	501(c)(3)	11 a I	NA	Yes	
(12) VNA INC  4061 POWDERMILL ROAD SUITE 210 CALVERTON, MD 20705 52-1332411	ADMIN SVCS	MD	501(c)(3)	11 a I	NA	Yes	
(13) WHC FOUNDATION INC  110 IRVING STREET NW WASHINGTON, DC 20010 52-1791670	FOUNDATION	DC	501(c)(3)	11 a I	NA	Yes	
(14) WOODBOURNE WOODS INC  5601 LOCH RAVEN BLVD BALTIMORE, MD 21239 52-2299070	ELDER HOUSING	MD	501(c)(3)	9	NA	Yes	
(15) HOSPICE OF ST MARY'S INC  PO BOX 527 LEONARDTOWN, MD 20650 52-2153926	SUPPORT ORG	MD	501(c)(3)	11 A I	NA	Yes	
(16) ST MARY'S HOSPITAL OF ST MARY'S COUNTY  25500 POINT LOOKOUT ROAD LEONARDTOWN, MD 20650 52-0619006	HOSPITAL	MD	501(c)(3)	3	NA	Yes	
(17) ST MARY'S HOSPITAL FOUNDATION INC  PO BOX 527 LEONARDTOWN, MD 20650 52-1051368	SUPPORT ORG	MD	501(c)(3)	11 A I	NA	Yes	
(18) MEDSTAR SOUTHERN MD HOSPITAL CENTER  7503 SURRATTS ROAD CLINTON, MD 20735 46-0726303	HOSPITAL	MD	501(C)(3)	3	NA	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b) (13) controlled entity?	
								Yes	No
MedStar Pharmacies Inc 5565 Sterrett Place 5th Floor Columbia, MD 21044 52-1513056	Drug Sales	MD	NA	C Corp					
ExtenCare Inc 5565 Sterrett Place 5th Floor Columbia, MD 21044 52-1556228	Medical Servi	MD	NA	C Corp					
Helix Resources Management Inc 5565 Sterrett Place 5th Floor Columbia, MD 21044 52-1913070	Admin Service	MD	NA	C Corp					
HelixCare Medical Group LLC 5565 Sterrett Place 5th Floor Columbia, MD 21044 52-1955580	Medical Servi	MD	NA	C Corp					
HelixCare Properties LLC 5565 Sterrett Place 5th Floor Columbia, MD 21044 52-1966695	Medical Servi	MD	NA	C Corp					
Parkway Ventures Inc 5565 Sterrett Place 5th Floor Columbia, MD 21044 52-1893569	Holding Compa	MD	NA	C Corp					
Physicians Administrative Services Inc 5565 Sterrett Place 5th Floor Columbia, MD 21044 23-7042074	Billing Servi	MD	NA	C Corp					
MedStar Family Choice Inc 5565 Sterrett Place 5th Floor Columbia, MD 21044 52-1995521	Managed Care	MD	NA	C Corp					
Medstar Enterprises Inc 4061 Powdermill Road Suite 210 Calverton, MD 20705 52-2139841	Admin Service	MD	NA	C Corp					
SITEL INC 5565 STERRETT PLACE 5TH FLOOR COLUMBIA, MD 21044 90-0753340	Medical Servi	MD	NA	C Corp					
Star Billing Inc 4061 Powdermill Road Suite 210 Calverton, MD 20705 52-1850113	Billing Servi	MD	NA	C Corp					
Washington Risk Network Management Inc 4061 Powdermill Road Suite 210 Calverton, MD 20705 52-2132677	Medical Servi	MD	NA	C Corp					
Washington Hospital Center Physician Hos 100 Irving Street NW Washington, DC 20010 52-1931000	Medical Servi	MD	NA	C Corp					
Medstar Physician Partners Inc 4061 Powdermill Road Suite 210 Calverton, MD 20705 52-2030809	Medical Servi	MD	NA	C Corp					
Franklin Square Drive Land Condo Associa 5565 Sterrett Place 5th Floor Columbia, MD 21044 76-0756352	Condo Owner A	MD	NA	C Corp					

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
MGH Diversified Services Inc 18101 Prince Philip Drive Olney, MD 20832 52-1943602	Medical Servi	MD	NA	C Corp					
St Mary's Health Alliance Inc 25500 Point Lookout Road Leonardtwn, MD 20650 52-1930331	Medical Servi	MD	NA	C Corp					
Greenspring Financial Insurance Limited 23 LIME TREE BAY AVENUE PO BOX 1051 KY1-1102, GRAND CAYMAN CJ 98-0188617	Insurance	CJ	NA	C Corp					
ST MARY'S CONDO ASSN 25500 POINT LOOKOUT RD LEONARDTOWN, MD 20650 27-3377216	CONDOMINIUMS	MD	NA	C CORP					

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
HH Medstar Health	Q	21,695,669	FMV
Franklin Square Hospital Center	Q	1,109,864	FMV
The Union Memorial Hospital	Q	790,880	FMV
Harbor Hospital	Q	454,186	FMV
The Medstar-Georgetown Medical Center	Q	2,029,225	FMV
Medstar Health Research Institute	Q	113,046	FMV
HelixCare Medical Group LLC	Q	13,646,678	FMV
Extencare	P	-54,811	FMV
Parkway Ventures Inc	Q	813,848	FMV



**MEDSTAR HEALTH, INC.**

Consolidated Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

# **MEDSTAR HEALTH, INC.**

## **Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8





KPMG LLP  
1 East Pratt Street  
Baltimore, MD 21202-1128

## **Independent Auditors' Report**

The Board of Directors  
MedStar Health, Inc

We have audited the accompanying consolidated financial statements of MedStar Health, Inc (the Corporation), which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U S generally accepted accounting principles. this responsibility 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 MedStar Health, Inc. as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*KPMG LLP*

October 6, 2014

**MEDSTAR HEALTH, INC.**

## Consolidated Balance Sheets

June 30, 2014 and 2013

(Dollars in millions)

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current assets		
Cash and cash equivalents	\$ 599.9	445.4
Investments	61.4	61.6
Assets whose use is limited or restricted	61.3	64.7
Receivables		
From patient services (less allowances for uncollectible accounts of \$188.8 in 2014 and \$204.3 in 2013)	558.0	546.3
Other	69.6	51.2
	<u>627.6</u>	<u>597.5</u>
Inventories	56.3	57.0
Prepays and other current assets	31.8	38.4
	<u>1,438.3</u>	<u>1,264.6</u>
Total current assets		
Investments	869.5	733.6
Assets whose use is limited or restricted	548.9	483.9
Property and equipment, net	1,152.9	1,137.1
Interest in net assets of foundation	64.9	54.8
Goodwill and other intangible assets, net	226.5	202.0
Other assets	146.8	135.8
	<u>4,447.8</u>	<u>4,011.8</u>
Total assets	\$	

**MEDSTAR HEALTH, INC.**

## Consolidated Balance Sheets

June 30, 2014 and 2013

(Dollars in millions)

<b>Liabilities and Net Assets</b>	<b>2014</b>	<b>2013</b>
Current liabilities		
Accounts payable and accrued expenses	\$ 419.6	357.4
Accrued salaries, benefits, and payroll taxes	304.9	281.5
Amounts due to third-party payors, net	85.7	66.7
Current portion of long-term debt	60.5	61.2
Current portion of self insurance liabilities	86.3	87.5
Other current liabilities	125.3	87.3
Total current liabilities	1,082.3	941.6
Long-term debt, net of current portion	1,192.6	1,207.2
Self insurance liabilities, net of current portion	312.4	253.2
Pension liabilities	234.3	304.9
Other long-term liabilities, net of current portion	137.6	140.0
Total liabilities	2,959.2	2,846.9
Net assets		
Unrestricted net assets		
MedStar Health, Inc	1,322.2	1,017.4
Noncontrolling interests	5.2	9.4
Total unrestricted net assets	1,327.4	1,026.8
Temporarily restricted	121.8	99.0
Permanently restricted	39.4	39.1
Total net assets	1,488.6	1,164.9
Total liabilities and net assets	\$ 4,447.8	4,011.8

See accompanying notes to consolidated financial statements

**MEDSTAR HEALTH, INC.**

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2014 and 2013

(Dollars in millions)

	<b>2014</b>	<b>2013</b>
Operating revenues		
Net patient service revenue		
Hospital inpatient services	\$ 2,240.1	2,240.8
Hospital outpatient services	1,558.7	1,444.1
Physician services	315.1	290.5
Other patient service revenue	114.8	124.5
Total net patient service revenue	4,228.7	4,099.9
Provision for bad debts	193.2	214.5
Total net patient service revenue, net of provision for bad debts	4,035.5	3,885.4
Premium revenue	357.9	138.2
Other operating revenue	234.7	193.6
Net operating revenues	4,628.1	4,217.2
Operating expenses		
Personnel	2,455.3	2,310.7
Supplies	696.7	658.9
Purchased services	682.6	562.1
Other operating	426.3	393.9
Interest expense	50.1	45.7
Depreciation and amortization	181.4	167.1
Total operating expenses	4,492.4	4,138.4
Earnings from operations	135.7	78.8
Nonoperating gains (losses)		
Investment income	13.3	15.5
Net realized gains on investments	68.6	24.9
Unrealized gains on derivative instrument	1.4	6.7
Unrealized gains on investments, net	91.6	64.0
Income tax (provision) benefit	(3.9)	1.9
Other nonoperating losses	(2.0)	(6.1)
Total nonoperating gains	169.0	106.9
Excess of revenues over expenses	\$ 304.7	185.7

**MEDSTAR HEALTH, INC.**

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2014 and 2013

(Dollars in millions)

	<u>2014</u>	<u>2013</u>
Unrestricted net assets		
Excess of revenues over expenses	\$ 304.7	185.7
Change in funded status of defined benefit plans	(2.1)	106.9
Distributions to noncontrolling interests	(3.7)	(6.3)
Net assets released from restrictions used for purchase of property and equipment and other	1.7	4.9
Increase in unrestricted net assets	<u>300.6</u>	<u>291.2</u>
Temporarily restricted net assets		
Contributions	17.1	17.4
Realized net gains on restricted investments	3.1	1.8
Change in unrealized gains on restricted investments	3.4	1.9
Increase in net assets of foundation	10.1	6.3
Net assets released from restrictions	(10.9)	(8.9)
Increase in temporarily restricted net assets	<u>22.8</u>	<u>18.5</u>
Permanently restricted net assets		
Contributions	—	1.5
Realized net gains on marketable restricted investments	0.1	0.1
Change in unrealized gains on restricted investments	0.2	0.1
Increase in permanently restricted net assets	<u>0.3</u>	<u>1.7</u>
Increase in net assets	323.7	311.4
Net assets, beginning of year	<u>1,164.9</u>	<u>853.5</u>
Net assets, end of year	<u>\$ 1,488.6</u>	<u>1,164.9</u>

See accompanying notes to consolidated financial statements

**MEDSTAR HEALTH, INC.**  
Consolidated Statements of Cash Flows  
Years ended June 30, 2014 and 2013  
(Dollars in millions)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 323.7	311.4
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	181.4	167.1
Amortization of bond financing costs, premiums and discounts	(1.2)	(0.3)
Loss (gain) on sale of property and equipment	0.2	(0.1)
Change in funded status of defined benefit plans	2.1	(106.9)
Realized net gains on marketable investments	(71.8)	(26.8)
Change in unrealized gains of marketable investments	(95.2)	(66.1)
Increase in net assets of foundation	(10.1)	(6.3)
Unrealized gain on derivative instrument	(1.4)	(6.7)
Net settlement payment on derivative instrument	3.7	3.9
Loss on extinguishment of debt	—	2.5
Distributions to noncontrolling interests	3.7	6.3
Deferred income tax provision (benefit)	3.6	(1.8)
Provision for bad debts	193.2	214.5
Temporarily and permanently restricted contributions	(17.1)	(18.9)
Gain on sale of consolidated joint venture, net of noncontrolling interests	(1.2)	—
Changes in operating assets and liabilities		
Receivables	(224.3)	(188.5)
Inventories and other assets	(28.5)	(44.5)
Accounts payable and accrued expenses	107.0	50.2
Amounts due to third-party payors	19.0	(4.9)
Other liabilities	25.0	(45.5)
Net cash provided by operations	<u>411.8</u>	<u>238.6</u>
Cash flows from investing activities		
Proceeds (purchases) of investments and assets whose use is limited or restricted, net	81.5	(106.0)
Purchases of alternative investments	(240.7)	(77.0)
Proceeds from sales of alternative investments	128.8	2.8
Proceeds from sale of consolidated joint venture	5.4	—
Net settlement payment on derivative instrument	(3.7)	(3.9)
Purchases of property and equipment, acquisition of Southern Maryland Hospital Center and other	(221.3)	(427.1)
Net cash used in investing activities	<u>(250.0)</u>	<u>(611.2)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	—	498.9
Repayments of long-term borrowings	(20.5)	(18.5)
Repayments of refinanced bonds and other borrowings	—	(240.6)
Payment of deferred issuance costs	(0.2)	(3.0)
Temporarily and permanently restricted contributions and other	17.1	18.9
Distributions to noncontrolling interests	(3.7)	(6.3)
Net cash (used in) provided by financing activities	<u>(7.3)</u>	<u>249.4</u>
Increase (decrease) in cash and cash equivalents	154.5	(123.2)
Cash and cash equivalents at beginning of year	445.4	568.6
Cash and cash equivalents at end of year	<u>\$ 599.9</u>	<u>445.4</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 50.8	44.8
Noncash investing and financing activities		
Accounts payable for fixed asset purchases	\$ 17.0	19.2

See accompanying notes to consolidated financial statements

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

#### **(1) Description of Organization and Summary of Significant Accounting Policies**

##### ***(a) Organization***

MedStar Health, Inc. (MedStar or the Corporation) is a tax-exempt, Maryland membership corporation which, through its controlled entities and other affiliates, provides and manages healthcare services in the region encompassing Maryland, Washington D C and Northern Virginia. The Corporation became operational on June 30, 1998 by the transfer of the membership interests of Helix Health, Inc. (Helix – a not-for-profit Maryland Corporation) and Medlantic Healthcare Group, Inc. (Medlantic – a not-for-profit Delaware Corporation) in exchange for the guarantee of the debt of both Helix and Medlantic by the Corporation. The trade names of the principal tax-exempt and taxable entities of the Corporation are

##### **Tax-Exempt**

- MedStar Ambulatory Services (formerly known as Bay Development Corporation)
- MedStar Franklin Square Medical Center
- MedStar Georgetown University Hospital
- MedStar Good Samaritan Hospital
- MedStar Harbor Hospital
- MedStar Health Research Institute
- MedStar Health Visiting Nurse Association, Inc
- MedStar Medical Group, LLC
- MedStar Montgomery Medical Center
- MedStar National Rehabilitation Network
- MedStar Southern Maryland Hospital Center
- MedStar St Mary's Hospital
- MedStar Surgery Center, Inc
- MedStar Union Memorial Hospital
- MedStar Washington Hospital Center
- Church Home and Hospital of the City of Baltimore, Inc
- HH MedStar Health, Inc

##### **Taxable**

- Greenspring Financial Insurance, LTD
- MedStar Enterprises, Inc and Subsidiaries



## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

- MedStar Family Choice, Inc
- MedStar Physician Partners, Inc
- Parkway Ventures, Inc and Subsidiaries

#### ***(b) Acquisition of Southern Maryland Hospital, Inc.***

On December 10, 2012, the Corporation and Southern Maryland Hospital, Inc (the Hospital) closed on an asset purchase agreement, whereby the Corporation purchased substantially all of the assets and assumed certain obligations of the Hospital. The Hospital is a 263-bed acute care hospital located in Clinton, Maryland in Prince George's County. As a result of the transaction, the Corporation recognized approximately \$80.0 of property, plant and equipment, approximately \$150.0 of goodwill and other intangible assets, and working capital amounts. In December 2012, the Corporation entered into a \$180.0 bridge loan, that was replaced by permanent financing in May 2013 (see note 6), and used the proceeds to fund the acquisition. The asset purchase agreement provided for certain adjustments to the purchase price and net working capital calculations, which were settled and recorded during fiscal 2014. The consolidated financial statements include the operations of the Hospital since the closing date.

Due to significant changes in the legal, organizational and reporting structure of the Hospital subsequent to the purchase, the Corporation determined that the presentation of supplemental pro forma results for the year ended June 30, 2013 was impracticable. The net operating revenues and total operating expenses of the Hospital are less than 3% of consolidated operating revenues and expenses for the year ended June 30, 2013, which are not considered significant to the Corporation's operations for the year ended June 30, 2013.

#### ***(c) Basis of Presentation***

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). All majority owned subsidiaries, direct member entities and controlled affiliates are consolidated. All entities where the Corporation exercises significant influence but for which it does not have control are accounted for under the equity method. All other entities are accounted for under the cost method. All significant intercompany accounts and transactions have been eliminated.

#### ***(d) Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant changes to estimates resulting from the above referenced settlement associated with the purchase of the Hospital and amounts related to settled, or tentatively settled, prior year third party cost reports (see note 9) resulted in gains of approximately \$20.0 and \$16.0 during the years ended June 30, 2014 and 2013, respectively. Future results could differ from those estimates.

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

**(e) *Cash Equivalents***

All highly liquid investments with a maturity date of three months or less when purchased are considered to be cash equivalents

**(f) *Investments and Assets whose use is Limited or Restricted***

The Corporation's investment portfolio is considered trading, with the exception of the alternative investments, and is classified as current or noncurrent assets based on management's intention as to use. All securities are reported at fair value principally based on quoted market prices in the consolidated balance sheets. The Corporation has elected to use the fair value option to account for its alternative investments. The fair value of alternative investments is determined based on the Net Asset Value (NAV) of the shares in each investment company or partnership. Purchases and sales of securities are recorded on a trade-date basis.

Investments in unconsolidated affiliates are accounted for under the cost or equity method of accounting, as appropriate, and are included in other assets in the consolidated balance sheets. The Corporation utilizes the equity method of accounting for its investments in entities over which it exercises significant influence. The Corporation's equity income or loss is recognized in other operating revenue on the consolidated statements of operations and changes in net assets.

Assets whose use is limited or restricted include assets held by trustees under bond indenture, self-insurance trust arrangements, assets restricted by donor, and assets designated by the Board of Directors for future capital improvements and other purposes over which it retains control and may, at its discretion, use for other purposes. Amounts from these funds required to meet current liabilities have been classified in the consolidated balance sheets as current assets.

Investment income (interest and dividends) and realized gains and losses on investment sales are reported as nonoperating gains and losses in the excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets unless the income or loss is restricted by the donor or law. Investment income and realized gains and losses on funds held in trust for self-insurance purposes is included in other operating revenue. Investment income and net gains and losses that are restricted by the donor are recorded as a component of changes in temporarily or permanently restricted net assets, in accordance with donor imposed restrictions. Realized gains and losses are determined based on the specific security's original purchase price or adjusted cost if the investment was previously determined to be other-than-temporarily impaired. Unrealized gains and losses are included in nonoperating gains and losses within the excess of revenue over expenses.

**(g) *Inventories***

Inventories, which primarily consist of medical supplies and pharmaceuticals at many of the operating entities, are stated at the lower of cost or market, with cost being determined primarily under the average cost or first-in, first-out methods.

## MEDSTAR HEALTH, INC.

### Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

#### *(h) Property and Equipment*

Property and equipment acquisitions are recorded at cost and are depreciated or amortized over the estimated useful lives of the assets. Estimated useful lives range from three to forty years. Amortization of assets held under capital leases is computed using the shorter of the lease term or the estimated useful life of the leased asset and is included in depreciation and amortization expense. 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. Depreciation is computed on a straight-line basis. Major classes and estimated useful lives of property and equipment are as follows:

Leasehold improvements	Lease term
Buildings and improvements	10–40 years
Equipment	3–20 years

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.

Management routinely evaluates the carrying value of its long-lived assets for impairment. No impairment charges were recorded against the carrying value of the Corporation's long-lived assets during the years ended June 30, 2014 and 2013.

#### *(i) Interest in Net Assets of Foundation*

The Corporation recognizes its rights to assets held by a recipient organization, which accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation's economic interests in the financially interrelated organization are recognized in the consolidated statements of operations and changes in net assets as a component of changes in temporarily restricted net assets.

#### *(j) Goodwill and Other Intangible Assets*

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. As of June 30, 2014 and 2013, the Corporation had one reporting unit, which included all subsidiaries of the Corporation and held goodwill, net on its balance sheet of \$190.2 and \$163.8, respectively. Goodwill is evaluated for impairment annually using a qualitative assessment to determine whether there are events or circumstances that indicate it is more likely than not that the reporting unit's fair value is

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

less than its carrying amount. Based on this qualitative assessment, the Corporation determined that there was no goodwill impairment for the years ended June 30, 2014 and 2013.

Other intangible assets recorded at fair value and amortized over their estimated useful lives. Other intangible assets were \$42.4 and \$41.9 as of June 30, 2014 and 2013, respectively, and related accumulated amortization was \$6.1 and \$3.7, respectively. The Corporation recognized amortization expense of \$2.4 and \$2.0 for the years ended June 30, 2014 and 2013, respectively, related to identifiable intangible assets.

**(k) Internal-Use Software**

The Corporation capitalizes the direct costs, including internal personnel costs, associated with the implementation of new information systems for internal use. The Corporation capitalized \$0.9 and \$4.6 during the years ended June 30, 2014 and 2013, respectively. Capitalized amounts are amortized over the estimated lives of the software, which is generally three to five years.

**(l) Financing Costs**

Financing costs incurred in issuing bonds have been capitalized and are included in other assets on the consolidated balance sheets. These costs are being amortized over the estimated duration of the related debt using the effective interest method. Accumulated amortization totaled \$5.6 and \$4.7 as of June 30, 2014 and 2013, respectively.

**(m) Estimated Professional Liability Costs**

The provision for estimated self-insured professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. These estimates are based on actuarial analysis of historical trends, claims asserted and reported incidents. The receivables related to such claims are recorded at their net realizable value.

**(n) Leases**

Lease arrangements, including assets under construction, are capitalized when such leases convey substantially all the risks and benefits incidental to ownership. Capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to capital leases is included in the consolidated statements of operations and changes in net assets within depreciation and amortization expense.

**(o) Derivative**

The Corporation utilizes a derivative financial instrument to manage its interest rate risks associated with tax-exempt debt. The Corporation does not hold or issue derivative financial instruments for trading purposes. The derivative instrument is recorded on the consolidated balance sheets at its fair value. The Corporation's current derivative investment does not qualify for hedge accounting, therefore, the changes in fair value have been recognized in the accompanying consolidated statements of operations and changes in net assets as mark-to-market adjustments in nonoperating

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

gains (losses) The fair market value of the derivative instrument is included in other long-term liabilities in the accompanying consolidated balance sheets

**(p) *Net Patient Service Revenue and Net Patient Accounts Receivable***

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews and investigations. The differences between the estimated and actual amounts are recorded as part of net patient service revenue in future periods as the amounts become known, or as years are no longer subject to audit, review or investigation. Payment arrangements include prospectively determined rates per discharge, fee-for-service, discounted charges, and per diem payments. Hospital inpatient services, hospital outpatient services, the physician component of physician/managed care networks, and other patient service revenues are recognized when the services are rendered based on billable charges. Other patient service revenue primarily consists of home care, long-term care and other non-hospital patient services.

The Corporation's policy is to write-off all patient receivables which are identified as uncollectible. Patient accounts receivable are reduced by an allowance for uncollectible accounts to reserve for accounts which are expected to become uncollectible in future years. In evaluating the collectability of accounts receivable, the Corporation analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue and amounts due from patients to estimate the appropriate allowance for uncollectible accounts and provision for bad debts.

Premium revenue consists of amounts received from the State of Maryland and the District of Columbia by the Corporation's managed care organization for providing medical services to subscribing participants, regardless of services actually performed. The managed care organization provides services primarily to enrolled Medicaid beneficiaries. This revenue is recognized ratably over the contractual period for the provision of services. Medical expenses of the managed care organization include a provision for incurred but unreported claims and are included in purchased services on the consolidated statements of operations.

**(q) *Charity Care***

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

**(r) *Grants***

Federal grants are accounted for as either an exchange transaction or as a contribution based on terms and conditions of the grant. If the grant is accounted for as an exchange transaction, revenue is recognized as other operating revenue when earned. If the grant is accounted for as a contribution, the revenues are recognized as either other operating revenue, or as temporarily restricted contributions depending on the restrictions within the grant.

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

**(s) Contributions**

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions in other operating revenue. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted net assets and reported within other operating revenue in the accompanying consolidated financial statements.

**(t) Meaningful Use Incentives**

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians and certain other professionals (Providers) when they adopt, implement or upgrade certified electronic health record (EHR) technology and become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety and effectiveness of care. Incentive payments will be paid out over varying transitional schedules depending on the type of incentive (Medicare and Medicaid) and recipient (hospital or eligible provider). Eligible hospitals can attest for both Medicare and Medicaid incentives, while physicians must select to attest for either Medicare or Medicaid incentives. For Medicare incentives, eligible hospitals receive payments over four years while eligible physicians receive payments over five years. For Medicaid incentives, eligible hospitals receive payments based on the relevant State adopted payment structure and physicians receive payments over six years.

The Corporation recognizes EHR incentives when it is reasonably assured that the Corporation will successfully demonstrate compliance with the meaningful use criteria. During the years ended June 30, 2014 and 2013, certain hospitals and physicians satisfied the meaningful use criteria. As a result, the Corporation recognized \$23.4 and \$16.6 of EHR incentives during fiscal year 2014 and 2013, respectively, in other operating revenue.

**(u) Excess of Revenues over Expenses**

The consolidated statements of operations and changes in net assets include a performance indicator, which is the excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, include contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets), contributions from and distributions to noncontrolling interests, and defined benefit obligations in excess of recognized pension cost, among others.

**(v) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the

## MEDSTAR HEALTH, INC.

### Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change. The Corporation accounts for uncertain tax positions in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*.

**(w) *Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Corporation or individual operating units has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation or individual operating units in perpetuity.

**(x) *Fair Value of Financial Instruments***

The following methods and assumptions were used to estimate the fair value of financial instruments:

*Cash and cash equivalents, receivables, other current assets, other assets, current liabilities and long-term liabilities.* The carrying amount reported in the consolidated balance sheets for each of these assets and liabilities approximates their fair value.

The fair value of investments, assets whose use is limited or restricted and the interest rate swap is discussed in note 3. The fair value of long term debt is discussed in note 6.

**(y) *New Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued *Accounting Standards update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal year 2018. The Corporation expects to record a decrease in net patient service revenue and a corresponding decrease in bad debt expense upon adoption of the standard.

**(z) *Reclassifications***

Certain prior year amounts have been reclassified to conform with current period presentation, the effect of which is not material.

**MEDSTAR HEALTH, INC.**

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

**(2) Investments and Assets Whose Use is Limited or Restricted**

Investments and assets whose use is limited or restricted as of June 30, 2014 and 2013, at fair value consist of the following

	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 82.8	98.5
Fixed income securities and funds	356.2	393.1
Equity securities	559.3	509.8
Alternative investments		
Commingled equity funds	194.2	103.3
Inflation hedging equity, commodity, fixed income fund	72.4	62.6
Hedge fund of funds and private equity	276.2	176.5
Total investments and assets whose use is limited or restricted	1,541.1	1,343.8
Less short-term investments and assets whose use is limited or restricted	(122.7)	(126.3)
Long-term investments and assets whose use is limited or restricted	\$ 1,418.4	1,217.5

Assets whose use is limited or restricted as of June 30, 2014 and 2013, included in the table above, consist of the following

	<b>2014</b>	<b>2013</b>
Funds held by trustees	\$ 60.5	71.1
Self-insurance funds	256.6	216.8
Funds restricted by donors for specific purposes and endowment	86.1	69.7
Funds designated by board and management	207.0	191.0
Total assets whose use is limited or restricted	610.2	548.6
Less assets required for current obligations	(61.3)	(64.7)
Long-term assets whose use limited or restricted	\$ 548.9	483.9



# MEDSTAR HEALTH, INC.

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

Investment income and realized and unrealized gains for assets whose use is limited, cash equivalents and investments are comprised of the following for the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Other operating revenue		
Investment income and realized gains	\$ 8 5	4 9
Nonoperating gains		
Investment income	13 3	15 5
Net realized gains on investments	68 6	24 9
Unrealized gains on investments	<u>91 6</u>	<u>64 0</u>
	173 5	104 4
Other changes in net assets		
Realized net gains on temporarily and permanently restricted net assets	3 2	1 9
Change in unrealized gains on temporarily and permanently restricted net assets	<u>3 6</u>	<u>2 0</u>
Total investment return	<u>\$ 188 8</u>	<u>113 2</u>

### (3) Fair Value of Financial Instruments

The Corporation follows the guidance within FASB ASC Topic 820, *Fair Value Measurement (ASC 820)*, which defines fair value and establishes methods used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Observable inputs other than quoted prices for the asset, either directly or indirectly observable, that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of the Corporation.
- Level 3 – Unobservable inputs that reflect the Corporation's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances.

The Corporation has incorporated an Investment Policy Statement (IPS) into the investment program. The IPS, which has been formally adopted by the Corporation's Board of Directors, contains numerous standards designed to ensure adequate diversification by asset class and geography. The IPS also limits all investments by manager and position size, and limits fixed income position size based on credit ratings, which serves to further mitigate the risks associated with the investment program. At June 30, 2014 and 2013, management believes that all investments were being managed in a manner consistent with the IPS.

# MEDSTAR HEALTH, INC.

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

The following table illustrates the actual allocations of the investment portfolio as of June 30

	<b>Actual allocation June 30, 2014</b>	<b>Actual allocation June 30, 2013</b>
Publicly traded equities – domestic	26%	29%
Publicly traded equities – international	14	14
Fixed income securities	16	22
Alternative investments		
Commingled equity funds	12	9
Inflation hedging equity, commodity, fixed income fund	9	9
Hedge funds	20	13
Private equities	1	2
Cash	2	2
Total	<u>100%</u>	<u>100%</u>

The table below presents the Corporation's investable assets and liabilities as of June 30, 2014, aggregated by the three level valuation hierarchy

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 682.7	—	—	682.7
U.S. Treasury bonds	71.1	—	—	71.1
U.S. agency mortgage backed securities	92.8	—	—	92.8
Corporate bonds	—	82.1	—	82.1
Fixed income mutual funds	0.8	76.9	—	77.7
All other fixed income securities	5.4	27.1	—	32.5
Equity mutual funds & ETF's	121.8	—	—	121.8
Common stocks	437.5	—	—	437.5
Alternative investments				
Commingled equity funds	—	194.2	—	194.2
Inflation hedging equity, commodity, fixed income fund	—	72.4	—	72.4
Private equity	—	—	17.0	17.0
Hedge funds	—	—	259.2	259.2
Total assets	<u>\$ 1,412.1</u>	<u>452.7</u>	<u>276.2</u>	<u>2,141.0</u>
<b>Liabilities</b>				
Interest rate swap	\$ —	15.0	—	15.0
Total liabilities	<u>\$ —</u>	<u>15.0</u>	<u>—</u>	<u>15.0</u>

**MEDSTAR HEALTH, INC.**

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

The table below presents the Corporation's investable assets and liabilities as of June 30, 2013, aggregated by the three level valuation hierarchy

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$	543.9	—	—	543.9
U S Treasury bonds		60.6	—	—	60.6
U S agency mortgage backed securities		124.2	—	—	124.2
Corporate bonds		—	90.7	—	90.7
Fixed income mutual funds		0.7	78.2	—	78.9
All other fixed income securities		4.8	33.9	—	38.7
Equity mutual funds & ETF's		101.8	—	—	101.8
Common stocks		408.0	—	—	408.0
<b>Alternative investments</b>					
Commingled equity funds		—	103.3	—	103.3
Inflation hedging equity, commodity, fixed income fund		—	62.6	—	62.6
Private equity		—	—	16.4	16.4
Hedge funds		—	—	160.1	160.1
Total assets	\$	<u>1,244.0</u>	<u>368.7</u>	<u>176.5</u>	<u>1,789.2</u>
<b>Liabilities</b>					
Interest rate swap	\$	<u>—</u>	<u>16.4</u>	<u>—</u>	<u>16.4</u>
Total liabilities	\$	<u>—</u>	<u>16.4</u>	<u>—</u>	<u>16.4</u>

For the years ended June 30, 2014 and 2013, there were no significant transfers between Levels 1, 2 or 3

# **MEDSTAR HEALTH, INC.**

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

Changes to the fair values based on the Level 3 inputs are summarized as follows

	<b>Private equity</b>	<b>Hedge funds</b>	<b>Total</b>
Balance as of June 30, 2012	\$ 19.4	117.6	137.0
Additions			
Contributions/purchases	0.9	26.7	27.6
Disbursements			
Withdrawals/sales	(2.8)	—	(2.8)
Net change in value	(1.1)	15.8	14.7
Balance as of June 30, 2013	16.4	160.1	176.5
Additions			
Contributions/purchases	1.4	204.3	205.7
Disbursements			
Withdrawals/sales	(3.4)	(125.4)	(128.8)
Net change in value	2.6	20.2	22.8
Balance as of June 30, 2014	\$ 17.0	259.2	276.2

The following summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2014

	<b>Fund 1</b>	<b>Fund 2</b>	<b>Fund 3</b>	<b>Fund 4</b>
Redemption timing				
Redemption frequency	Quarterly	95% within 1 year <sup>(1)</sup> 5% in 1 year or longer	Quarterly	Quarterly
Required notice	70 days	up to 90 days	90 days	65 days
Audit reserve				
Percentage held back for audit reserve	10%	up to 10%	10%	10%
Gates				
Potential gate holdback	—	up to 7.5%	—	—
Potential gate release timeframe	—	—	—	—

(1) One-third of this fund is redeemable within 90 days and the remainder of the investment is redeemable within one year

Investments in hedge fund-of-funds are typically carried at estimated fair value. Fair value is based on the Net Asset Value (NAV) of the shares in each investment company or partnership. Such investment companies or partnerships mark-to-market or mark-to-fair value the underlying assets and liabilities in accordance with U.S. GAAP. Realized and unrealized gains and losses of the investment companies and

# MEDSTAR HEALTH, INC.

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

partnerships are included in their respective operations in the current year. Changes in unrealized gains or losses on investments, including those for which partial liquidations were effected in the course of the year, are calculated as the difference between the NAV of the investment at year-end less the NAV of the investment at the beginning of the year, as adjusted for contributions and redemptions made during the year and certain lock-up provisions. Generally, no dividends or other distributions are paid.

The following summarizes the status of contributions to the private equity fund-of-funds vehicles held as of June 30, 2014:

	<u>Total commitment</u>	<u>Percentage of commitment contributed</u>	<u>Percentage of commitment remaining</u>
Fund 1	\$ 11.0	92.7%	7.3%
Fund 2	7.1	95.0	5.0
Fund 3	7.1	81.5	18.5
Fund 4	10.0	6.3	93.7
Total	<u>\$ 35.2</u>		

Investments in private equity funds, typically structured as limited partnership interests, are carried at fair value using NAV or equivalent as determined by the General Partner in the absence of readily ascertainable market values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. It is expected to take up to ten years to fully distribute the proceeds of those assets. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment. Security values of companies traded on exchanges, or quoted on NASDAQ, are based upon the last reported sales price on the valuation date. Security values of companies traded over the counter, but not quoted on NASDAQ, and securities for which no sale occurred on the valuation date are based upon the last quoted bid price. The value of any security for which a market quotation is not readily available may be its cost, provided however, that the General Partner adjusts such cost value to reflect any bona fide third party transactions in such a security between knowledgeable investors, of which the General Partner has knowledge. In the absence of any such third party transactions, the General Partner may use other information to develop a good faith determination of value. Examples include, but are not limited to, discounted cash flow models, absolute value models, and price multiple models. Inputs for these models may include, but are not limited to, financial statement information, discount rates, and salvage value assumptions.

The valuation of both marketable and nonmarketable securities may include discounts to reflect a lack of liquidity or extraordinary risks, which may be associated with the investment. Determination of fair value is performed on a quarterly basis by the General Partner. Because of the inherent uncertainty of valuation, the determined values may differ significantly from the values that would have been used had a ready market for those investments existed.

**MEDSTAR HEALTH, INC.**  
Notes to Consolidated Financial Statements  
June 30, 2014 and 2013  
(Dollars in millions)

**(4) Property and Equipment**

Property and equipment as of June 30, 2014 and 2013 is as follows

	<b>2014</b>	<b>2013</b>
Land	\$ 83.8	70.4
Buildings and improvements	1,281.9	1,249.4
Equipment	1,746.4	1,646.3
	<u>3,112.1</u>	<u>2,966.1</u>
Less accumulated depreciation and amortization	<u>(2,025.6)</u>	<u>(1,914.1)</u>
	1,086.5	1,052.0
Construction-in-progress	<u>66.4</u>	<u>85.1</u>
	<u>\$ 1,152.9</u>	<u>1,137.1</u>

Construction-in-progress includes a variety of ongoing capital projects at the Corporation as of June 30, 2014 and 2013. Depreciation and amortization expense related to property and equipment amounted to \$178.5 and \$165.1 for the years ended June 30, 2014 and 2013, respectively.

**(5) Other Assets**

Other assets as of June 30, 2014 and 2013 consist of the following

	<b>2014</b>	<b>2013</b>
Deferred financing costs, net	\$ 13.1	13.8
Investments in unconsolidated entities	15.2	15.0
Reinsurance receivables	47.3	44.6
Deferred tax asset	26.3	28.4
Other assets	<u>44.9</u>	<u>34.0</u>
	<u>\$ 146.8</u>	<u>135.8</u>

The Corporation has investments in other healthcare related organizations that are accounted for under the equity method which total \$15.2 and \$15.0 at June 30, 2014 and 2013, respectively. Under the equity method, original investments are recorded at cost and adjusted by the Corporation's share of the undistributed earnings or losses of these organizations. The related ownership interest in these organizations ranges from 8% to 50%. The Corporation's share of earnings in these organizations was \$3.1 and \$4.2 for the years ended June 30, 2014 and 2013, respectively, and are recognized in other operating revenue in the consolidated statements of operations and changes in net assets. Certain other nonconsolidated entities are recorded under the cost method.

# **MEDSTAR HEALTH, INC.**

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

### **(6) Debt**

As of June 30, 2014 and 2013, the Corporation's outstanding borrowings include the following

	<b>2014</b>	<b>2013</b>
<b>Maryland Health and Higher Educational Facilities</b>		
Authority revenue bonds		
5 25% Term bonds (Series 1998A, due 2038)	\$ 82 0	82 0
5 25% Term bonds (Series 1998B, due 2038)	57 0	57 0
4 25% – 5 75% Serial bonds (Series 2004, due 2009 – 2025)	21 6	25 8
5 375% Term bonds (Series 2004, due 2024)	49 7	49 7
5 50% Term bonds (Series 2004, due 2033)	80 1	80 1
4 75% Term bonds (Series 2007, due 2042)	56 0	56 0
5 25% Term bonds (Series 2007, due 2046)	89 0	89 0
2 00% – 5 00% Serial bonds (Series 2011, due 2012 – 2023)	44 7	51 8
5 00% Term bonds (Series 2011, due 2031)	5 6	5 6
5 00% Term bonds (Series 2011, due 2041)	35 4	35 4
2 19% Direct Purchase (Series 2012, due 2017 – 2022)	38 6	38 6
3 00% – 5 00% Serial bonds (Series 2013A, due 2016 – 2028)	60 9	60 9
5 00% Term bonds (Series 2013A, due 2038)	17 3	17 3
5 00% Term bonds (Series 2013A, due 2041)	25 0	25 0
4 00% Term bonds (Series 2013A, due 2041)	14 6	14 6
3 00% – 5 00% Serial bonds (Series 2013B, due 2025 – 2033)	60 8	60 8
4 00% Term bonds (Series 2013B, due 2038)	45 0	45 0
5 00% Term bonds (Series 2013B, due 2038)	44 0	44 0
Plus unamortized net premium	28 0	30 0
	<b>855 3</b>	<b>868 6</b>
<b>District of Columbia Hospital Revenue Bonds</b>		
Multimodal revenue bonds		
0 03% – 0 08% at June 30, 2014 Serial bonds (Series 1998A due 2008-2038) (and 0 04% – 0 12% at June 30, 2013)	125 9	128 9
2 75% – 5 00% Serial bonds (Series 1998B, due 2008 – 2019)	9 6	11 0
5 00% Term bonds (Series 1998B, due 2028)	20 2	20 2
5 00% Term bonds (Series 1998B, due 2038)	33 9	33 9
2 75% – 5 00% Serial bonds (Series 1998C, due 2008 – 2019)	9 7	11 0

# **MEDSTAR HEALTH, INC.**

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

	<u>2014</u>	<u>2013</u>
5.50% Term bonds (Series 1998C, due 2028)	\$ 20.1	20.1
5.00% Term bonds (Series 1998C, due 2038)	34.0	34.0
Less unamortized net discount	<u>(1.3)</u>	<u>(1.2)</u>
	<u>252.1</u>	<u>257.9</u>
Other		
Notes payable to financial institutions or state agencies under mortgages (floating rates ranging between 0.9% – 6.2%) and other	15.9	12.1
Line of credit due August 2016 (0.18% – 0.80% at June 30, 2014 and 0.25% – 0.90% at June 30, 2013)	<u>129.8</u>	<u>129.8</u>
	<u>145.7</u>	<u>141.9</u>
Total debt	1,253.1	1,268.4
Less current portion of long-term debt	<u>(60.5)</u>	<u>(61.2)</u>
Long-term debt, net	<u>\$ 1,192.6</u>	<u>1,207.2</u>

Scheduled maturities on borrowings, for the next five fiscal years and thereafter are as follows

2015	\$ 60.5
2016	19.3
2017	151.1
2018	22.3
2019	23.4
Thereafter	<u>949.8</u>
	<u>\$ 1,226.4</u>

The fair value of outstanding tax exempt bonds is estimated to be \$1,145.4 and \$1,122.4 as of June 30, 2014 and 2013, respectively. The fair value of other long-term debt approximates its carrying value.

In December 1998, the Maryland Health and Higher Education Facilities Authority (MHHEFA) and the District of Columbia (District) issued bonds (Series 1998 Bonds) on behalf of the Corporation. Bond proceeds of approximately \$588.6 were loaned to the Corporation under separate loan agreements with MHHEFA and the District upon execution of obligations pursuant to the Master Trust Indenture. The District issued \$300.0 of Multimodal Revenue Bonds, including \$150.0 Series 1998A (\$27.2 repaid through August 2014), \$75.0 Series 1998B (\$12.7 repaid through August 2014), and \$75.0 Series 1998C (\$12.7 repaid through August 2014).

The District Series 1998A bonds, which consist of three tranches totaling \$122.9 at August 2014, trade as uninsured Variable Rate Demand Obligations backed by bank letters of credit. The Series 1998A Tranche I bonds which remained outstanding in August 2014 consisted of approximately \$41.0 bonds trading in a



## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

daily mode backed by a letter of credit issued by Wells Fargo Bank, National Association (formerly Wachovia Bank, National Association) and remarketed by J P Morgan Securities Inc. The letter of credit expires in March 2017. In the event of a failed remarketing, the Tranche I bonds would be tendered to the bank and repaid over a four-year period, beginning 367 days following the date of the failed remarketing. The Series 1998A Tranche II bonds totaled \$41.0 in August 2014. These bonds trade in a weekly mode and are remarketed by Citigroup Global Markets Inc. The letter of credit backing these bonds was issued by JPMorgan Chase Bank, N.A. and expires in May 2015 and accordingly is included in the current portion of long-term debt. In the event of a failed remarketing, the Tranche II bonds would be tendered to the bank and repaid over a four-year period, beginning 367 days following the failed remarketing. The Series 1998A Tranche III bonds totaled \$41.0 in August 2014. These bonds trade in a weekly mode and are remarketed by Citigroup Global Markets Inc. The letter of credit backing these bonds was issued by PNC Bank, National Association. The term of the letter of credit is five years, and expires in May 2017. In the event of a failed remarketing, the Tranche III bonds would be tendered to the bank and repaid over a four-year period, beginning 367 days following the failed remarketing. No portion of the Series 1998A bonds has been put at June 30, 2014 and 2013, respectively. The \$62.3 Series 1998B and \$62.3 Series 1998C bonds (as of August 2014) are at a fixed rate, insured by Assured Guaranty, Ltd. (Assured, formerly Financial Security Assurance, Inc.) The reimbursement obligation with respect to the letters of credit are evidenced and secured by obligations issued by the Corporation under the Master Trust Indenture.

MHHEFA issued \$283.5 of Revenue Bonds, including the \$166.6 Series 1998A (\$82.0 outstanding after August 2014) and \$116.9 Series 1998B (\$57.0 outstanding after August 2014). All Series 1998 MHHEFA bonds were issued at fixed rates. Principal and interest under the Series 1998 MHHEFA bonds are insured under municipal insurance policies with Assured and Ambac. Of the original Series 1998 MHHEFA bonds, \$51.7 was refinanced in March 2013 in conjunction with the MHHEFA Series 2013A financing described below.

Related to the District borrowings, the Corporation entered into an interest rate swap with Wells Fargo Bank, National Association in a notional amount totaling \$150.0 (reduced to \$97.5 at August 2014). The swap agreement expires in fiscal year 2027. The interest rate swap is part of a comprehensive and long-term capital structure strategy. The purpose of the swap is to mitigate the effect of potential interest rate volatility and minimize the variability of the Corporation's average cost of capital. Under the terms of the swap, the Corporation pays a fixed rate and receives a variable rate. Collateral is only required to be posted under the swap in the event that the Corporation's credit ratings are downgraded by two rating agencies below the BBB – or Baa2 – level. To date, no collateral postings have been required. As of June 30, 2014 and 2013, the variable interest rate under these agreements was 0.10% and 0.13%, respectively. The fixed rate was 3.6875% as of June 30, 2014 and 2013. The variable rates are capped at 14.0%. The change in fair value of the swap is reported in nonoperating gains (losses) in the statements of operations and changes in net assets.

In February 2004, MHHEFA issued \$170.3 in bonds (Series 2004 Bonds) on behalf of the Corporation. The proceeds of the Series 2004 Bonds were loaned to the Corporation pursuant to a loan agreement with MHHEFA upon execution of an obligation pursuant to the Master Trust Indenture. The Series 2004 Bonds were issued as \$40.5 serial bonds maturing 2009 through 2025 (\$23.3 repaid through August 2014), \$49.7 term bonds maturing 2024, and \$80.1 term bonds maturing 2033. Such bonds were issued at fixed rates.

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

Series 2004 Bonds maturing on or after August 2015 are subject to redemption or purchase at the option of the Corporation

In January 2007, MHHEFA issued \$145.0 in bonds (Series 2007 Bonds) on behalf of the Corporation. The Series 2007 Bonds were issued at a premium, resulting in total proceeds of \$148.6. The proceeds of the Series 2007 Bonds were loaned to the Corporation pursuant to a loan agreement with MHHEFA upon execution of an obligation pursuant to the Master Trust Indenture. The Series 2007 Bonds were issued as \$56.0 term bonds maturing 2042 and \$89.0 term bonds maturing 2046. Such bonds were issued at fixed rates. Series 2007 Bonds maturing on or after May 2042 are subject to redemption or purchase at the option of the Corporation prior to maturity beginning in 2016.

In November 2011, MHHEFA issued \$94.9 in bonds (Series 2011 Bonds) on behalf of the Corporation. The proceeds of the Series 2011 Bonds were loaned to the Corporation pursuant to a loan agreement with MHHEFA upon execution of an obligation pursuant to the Master Trust Indenture. The Series 2011 Bonds were issued as \$53.9 serial bonds maturing 2012 through 2023 (\$16.5 repaid through August 2014), \$5.6 term bonds maturing 2031, and \$35.4 term bonds maturing 2041. The Series 2011 Bonds maturing on or after August 2022 are subject to redemption or purchase at the option of the Corporation prior to maturity beginning in 2021. The Series 2011 Bonds were issued at fixed rates. The proceeds from the transaction were used to refund \$20.2 of the Series 1998 A&B bonds, to refund debt outstanding on the Corporation's Revolving Credit Facility, and to refund certain debt associated with MedStar St. Mary's Hospital.

In June 2012, the Corporation entered into a \$38.6 MHHEFA Direct Purchase financing transaction with JP Morgan Chase Bank, N.A. (the Series 2012 Bond). The proceeds from the transaction were used to redeem certain outstanding MHHEFA Series 1998A bonds that were due to mature in 2018 as well as a portion of the outstanding MHHEFA Series 1998 A&B bonds due to mature in 2028. The repayment of the Series 2012 Bond is evidenced by an obligation issued under the Master Trust Indenture. The term of the Series 2012 Bond is ten years and the repayment terms approximate the previous repayment terms of the Series 1998 bonds that were refunded. Covenants, conditions, and security for the Series 2012 Bond is similar to the revolving credit agreement.

In March 2013, MHHEFA issued \$117.8 in bonds (Series 2013A Bonds) on behalf of the Corporation. The Series 2013A Bonds were issued at a premium, resulting in total proceeds of \$128.7. The proceeds of the Series 2013A Bonds were loaned to the Corporation pursuant to a loan agreement with MHHEFA upon execution of an obligation pursuant to the Master Trust Indenture. The Series 2013A Bonds were issued as \$60.9 serial bonds maturing 2016 through 2028, \$17.3 term bonds maturing 2038, \$25.0 term bonds due 2041, and \$14.6 term bonds maturing 2041. The Series 2013A Bonds maturing on or after August 2024 are subject to redemption or purchase at the option of the Corporation prior to maturity beginning in 2023. The Series 2013A Bonds were issued at fixed rates. The proceeds from the transaction were used to refund \$51.7 of the Series 1998 A&B bonds, to fund various capital projects and capitalized interest on those projects.

In May 2013, MHHEFA issued \$149.8 in bonds (Series 2013B Bonds) on behalf of the Corporation. The Series 2013B Bonds were issued at a premium, resulting in total proceeds of \$159.4. The proceeds of the Series 2013B Bonds were loaned to the Corporation pursuant to a loan agreement with MHHEFA upon execution of an obligation pursuant to the Master Trust Indenture. The Series 2013B Bonds were issued as

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

\$60.8 serial bonds maturing 2025 through 2033, \$45.0 term bonds maturing 2038, and \$44.0 term bonds maturing 2038. The Series 2013B Bonds maturing on or after August 2024 are subject to redemption or purchase at the option of the Corporation prior to maturity beginning in 2023. The Series 2013B Bonds were issued at fixed rates. The proceeds from the transaction were used to refinance a portion of the bridge loan put in place when MedStar acquired the assets of Southern Maryland Hospital Center in December 2012.

The Corporation, which is currently the sole member of an "obligated group" as defined in the Master Trust Indenture, is bound by the provisions of the Master Trust Indenture for payment of any outstanding obligations under existing loan agreements. All of the hospitals and certain other affiliates (the guarantors) of the Corporation are parties to a guaranty agreement pursuant to which they jointly and severally guaranty the payment and performance of the obligations under the Master Trust Indenture. The obligations of the guarantors under the Guaranty Agreement are collateralized by deeds of trust granted by the hospitals. Under the Master Trust Indenture and the deeds of trust, as collateral for the payments due thereunder, the Corporation and its hospital affiliates, have granted a security interest in their revenues subject to permitted encumbrances.

Under the Master Trust Indenture, the Corporation is required to maintain, among other covenants, a maximum annual debt service coverage ratio of not less than 1.10. Under the loan agreements relating to the Series 1998 Bonds, the Corporation is required to maintain a historical debt service coverage ratio of not less than 2.0 and to maintain at least 65 days cash on hand. In the event the Corporation does not meet either of these requirements, it is required to fund a trustee-held debt service reserve fund securing the Series 1998 Bonds. The amount to be deposited shall equal the lesser of 10% of the principal amount of such outstanding bonds, or the largest annual debt service with respect to such bonds in any future year, or 125% of the average annual debt service of future years. As of June 30, 2014 and 2013, there were no funds required to be held in the debt service reserve fund for the Series 1998 Bonds.

The Corporation maintains a \$250.0 revolving credit agreement provided by a group of banks. The facility has a three-year term expiring in August 2016. The facility is evidenced by an obligation issued under the Master Trust Indenture. The outstanding balance on the facility was \$129.8 at June 30, 2014 and 2013. The facility includes certain covenants, including a requirement to maintain Days Cash on Hand of 70 days, measured semi-annually at each June 30 and December 31, and a Debt Service Coverage ratio of 1.25, measured quarterly on a rolling four quarters basis. In addition, the Corporation is required to maintain a minimum credit rating of Baa2 from Moody's Investor's Service, and BBB from Standard & Poor's and Fitch Ratings. In addition, the Corporation maintains a \$30.0 letter of credit facility, provided by a single lender, which is also evidenced by an obligation issued under the Master Trust Indenture. This facility is principally used to securitize certain regulatory obligations under various insurance programs, and has terms and conditions similar to the revolving credit agreement. The facility has a three-year term expiring in August 2016. However, the standby letters of credit issued under the facility can be canceled at the bank's option each year. As of June 30, 2014 and 2013, standby letters of credit issued pursuant to the facility were \$18.2. No amounts have been drawn by the beneficiaries under the standby letters of credit.

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

#### **(7) Retirement Plans**

The Corporation has two qualified defined benefit pension plans (MedStar Health, Inc. Pension Equity Plan (PEP) and MedStar Health, Inc. Cash Balance Retirement Plan (CBRP)) covering substantially all full-time employees hired before 2005. MedStar St. Mary's Hospital also has a defined benefit plan that substantially covers all employees of MedStar St. Mary's Hospital. Participation in all plans has been closed to new entrants and all plans are frozen to future benefit accruals.

Benefits under the plans are substantially based on years of service and the employees' career earnings. The Corporation contributes to the plans based on actuarially determined amounts necessary to provide assets sufficient to meet benefits to be paid to plan participants and to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, and Internal Revenue Service regulations. Effective July 1, 2000, employees of the Transferred Businesses (note 17) became participants in one of the Corporation's pension plans and are reflected in the pension information provided below.

The Corporation's investment policies are established by the MedStar Health, Inc.'s Investment Committee, which is comprised of members of the Board of Directors, other community leaders, and management. Among its responsibilities, the Investment Committee is charged with establishing and reviewing asset allocation strategies, monitoring investment manager performance, and making decisions to retain and terminate investment managers. Assets of each of the Corporation's pension plans are managed in a similar fashion by the same group of investment managers. The Corporation has incorporated an Investment Policy Statement (IPS) into the investment program. The IPS, which has been formally adopted by the Corporation's Board of Directors, contains numerous standards designed to ensure adequate diversification by asset class and geography. The IPS also limits all investments by manager and position size, and limits fixed income position size based on credit ratings, which serves to further mitigate the risks associated with the investment program. As of June 30, 2014 and 2013, management believes that all investments were being managed in a manner consistent with the IPS.

# **MEDSTAR HEALTH, INC.**

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

The following table illustrates the actual allocations as of June 30

	<b>Actual allocation June 30, 2014</b>	<b>Actual allocation June 30, 2013</b>
Publicly traded equities – domestic	30%	34%
Publicly traded equities – international	10	12
Fixed income securities	16	21
Alternative investments		
Commingled equity funds	14	9
Inflation hedging equity, commodity, fixed income fund	5	5
Hedge funds	18	13
Private equities	2	2
Cash	5	4
<b>Total</b>	<b>100%</b>	<b>100%</b>

The table below presents the Corporation's pension plans' investable assets as of June 30, 2014 aggregated by the three level valuation hierarchy

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 50.1	—	—	50.1
U.S. Treasury bonds	42.8	—	—	42.8
U.S. agency mortgage backed securities	24.0	—	—	24.0
Corporate bonds	—	37.2	—	37.2
Fixed income mutual funds	—	47.2	—	47.2
All other fixed income securities	1.2	13.2	—	14.4
Equity mutual funds and ETF's	74.5	—	—	74.5
Common stocks	346.1	—	—	346.1
Alternative investments				
Commingled equity funds	—	145.2	—	145.2
Inflation hedging equity, commodity, fixed income fund	—	55.4	—	55.4
Private equity	—	—	17.0	17.0
Hedge funds	—	—	193.0	193.0
<b>Total assets</b>	<b>\$ 538.7</b>	<b>298.2</b>	<b>210.0</b>	<b>1,046.9</b>

**MEDSTAR HEALTH, INC.**

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

The table below presents the Corporation's pension plans' investable assets as of June 30, 2013 aggregated by the three level valuation hierarchy

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$	36.2	—	—	36.2
U.S. Treasury bonds		34.3	—	—	34.3
U.S. agency mortgage backed securities		31.5	—	—	31.5
Corporate bonds		—	43.8	—	43.8
Fixed income mutual funds		—	60.1	—	60.1
All other fixed income securities		0.6	16.4	—	17.0
Equity mutual funds and ETF's		80.5	—	—	80.5
Common stocks		326.1	—	—	326.1
Alternative investments					
Commingled equity funds		—	75.2	—	75.2
Inflation hedging equity, commodity, fixed income fund		—	47.9	—	47.9
Private equity		—	—	17.0	17.0
Hedge funds		—	—	111.4	111.4
Total assets	\$	<u>509.2</u>	<u>243.4</u>	<u>128.4</u>	<u>881.0</u>

For the years ended June 30, 2014 and 2013, there were no significant transfers between Levels 1, 2 or 3

**MEDSTAR HEALTH, INC.**

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

Changes to the fair values based on the Level 3 inputs are summarized as follows

	<b>Private equity</b>	<b>Hedge funds</b>	<b>Total</b>
Balance as of June 30, 2012	\$ 17.1	82.4	99.5
Additions			
Contributions/purchases	0.9	20.2	21.1
Disbursements			
Withdrawals/sales	(2.6)	(0.3)	(2.9)
Net change in value	1.6	9.1	10.7
Balance as of June 30, 2013	17.0	111.4	128.4
Additions			
Contributions/purchases	1.3	149.3	150.6
Disbursements			
Withdrawals/sales	(3.4)	(83.2)	(86.6)
Net change in value	2.1	15.5	17.6
Balance as of June 30, 2014	\$ 17.0	193.0	210.0

The following summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2014

	<b>Fund 1</b>	<b>Fund 2</b>	<b>Fund 3</b>	<b>Fund 4</b>
Redemption timing				
Redemption frequency	Quarterly	95% within 1 year <sup>(1)</sup> 5% in 1 year or longer	Quarterly	Quarterly
Required notice	70 days	up to 90 days	90 days	65 days
Audit reserve				
Percentage held back for audit reserve	10%	up to 10%	10%	10%
Gates				
Potential gate holdback	—	up to 7.5%	—	—
Potential gate release timeframe	—	—	—	—

(1) One-third of this fund is redeemable within 90 days and the remainder of the investment is redeemable within one year

Investments in hedge fund-of-funds are typically carried at estimated fair value. Fair value is based on the Net Asset Value (NAV) of the shares in each investment company or partnership. Such investment companies or partnerships mark-to-market or mark-to-fair value the underlying assets and liabilities in accordance with U.S. GAAP. Realized and unrealized gains and losses of the investment companies and

# MEDSTAR HEALTH, INC.

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

partnerships are included in their respective operations in the current year. Changes in unrealized gains or losses on investments, including those for which partial liquidations were effected in the course of the year, are calculated as the difference between the NAV of the investment at year-end less the NAV of the investment at the beginning of the year, as adjusted for contributions and redemptions made during the year and certain lock-up provisions. Generally, no dividends or other distributions are paid.

The following summarizes the status of contributions to the private equity fund-of-funds vehicles held as of June 30, 2014:

	<u>Total commitment</u>	<u>Percentage of commitment contributed</u>	<u>Percentage of commitment remaining</u>
Fund 1	\$ 9.0	92.9%	7.1%
Fund 2	8.5	95.0	5.0
Fund 3	8.5	81.5	18.5
Fund 4	5.0	8.0	92.0
Fund 5	5.0	—	100.0
Total	<u>\$ 36.0</u>		

Investments in private equity funds, typically structured as limited partnership interests, are carried at fair value using NAV or equivalent as determined by the General Partner in the absence of readily ascertainable market values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. It is expected to take up to ten years to fully distribute the proceeds of those assets. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment. Security values of companies traded on exchanges, or quoted on NASDAQ, are based upon the last reported sales price on the valuation date. Security values of companies traded over the counter, but not quoted on NASDAQ, and securities for which no sale occurred on the valuation date are based upon the last quoted bid price. The value of any security for which a market quotation is not readily available may be its cost, provided however, that the General Partner adjusts such cost value to reflect any bona fide third party transactions in such a security between knowledgeable investors, of which the General Partner has knowledge. In the absence of any such third party transactions, the General Partner may use other information to develop a good faith determination of value. Examples include, but are not limited to, discounted cash flow models, absolute value models, and price multiple models. Inputs for these models may include, but are not limited to, financial statement information, discount rates, and salvage value assumptions.

The valuation of both marketable and nonmarketable securities may include discounts to reflect a lack of liquidity or extraordinary risks, which may be associated with the investment. Determination of fair value is performed on a quarterly basis by the General Partner. Because of the inherent uncertainty of valuation, the determined values may differ significantly from the values that would have been used had a ready market for those investments existed.



# MEDSTAR HEALTH, INC.

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

The Corporation has established a long-term investment return target of 7.75% and 8.00% for both PEP and CBRP in 2014 and 2013, respectively. These assumptions are based on historical returns achieved in the investment portfolios over the last ten years and represent the return that can reasonably be expected to be generated on a similarly structured portfolio in the future.

The Corporation recognizes the funded status of defined benefit pension plans in the consolidated balance sheets and the recognition in unrestricted net assets of unrecognized gains or losses, prior service costs or credits and transition assets or obligations. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation of the plan. The measurement date for the plans is June 30.

By letter dated March 12, 2012, the Internal Revenue Service (IRS) notified the plan administrator that it had selected the plans for a routine examination. The examination initially covered the plan year ended December 31, 2010. During the examination, the IRS extended the examination to include additional years for some of the plans. By letter dated October 31, 2013, the IRS notified the plan administrator that it had completed the examination and had found that the plans were in compliance and that it had accepted all of its returns as filed.

The following are deferred pension costs which have not yet been recognized in periodic pension expense but instead are accrued in unrestricted net assets, as of June 30, 2014 and 2013. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected future lifetime for active employees with frozen benefits.

	<b>Amounts in unrestricted net assets to be recognized during the next fiscal year</b>	<b>Amounts recognized in unrestricted net assets as of June 30, 2014</b>	<b>Amounts recognized in unrestricted net assets as of June 30, 2013</b>
Net actuarial loss	\$ 16.4	549.4	547.2

# **MEDSTAR HEALTH, INC.**

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

The following table sets forth the plans' funded status and amounts recognized in the accompanying consolidated financial statements as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,183 0	1,244 1
Interest cost	59 1	55 9
Actuarial loss (gain)	89 9	(74 2)
Benefits paid	(53 2)	(42 8)
Benefit obligation at end of year	<u>1,278 8</u>	<u>1,183 0</u>
Change in plan assets		
Plan assets at fair value at beginning of year	881 0	773 8
Actual return on plan assets	143 2	81 4
Company contributions	75 9	68 6
Benefits paid	(53 2)	(42 8)
Plan assets at fair value at end of year	<u>1,046 9</u>	<u>881 0</u>
Funded status/net amount recognized	<u>\$ (231 9)</u>	<u>(302 0)</u>

The amounts recognized in the consolidated financial statements consist of the following as of June 30

	<u>2014</u>	<u>2013</u>
Pension assets (included in other assets)	\$ 2 4	2 9
Pension liabilities	(234 3)	(304 9)

The Corporation has estimated \$55.7 for its defined benefit contributions for the fiscal year ending June 30, 2015. The accumulated benefit obligation is \$1,278.8 and \$1,183.0 at June 30, 2014 and 2013, respectively.

Expected fiscal year benefit payments for all defined benefit plans is as follows

2015	\$ 59 5
2016	58 0
2017	61 7
2018	65 9
2019	68 6
2020–2024	<u>392 5</u>
Total	<u>\$ 706 2</u>

# MEDSTAR HEALTH, INC.

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

Net periodic pension expense for the years ended June 30, 2014 and 2013 is as follows

	<u>2014</u>	<u>2013</u>
Interest cost on projected benefit obligation	\$ 59.1	55.9
Return on plan assets	(69.6)	(65.3)
Recognized actuarial loss	<u>14.2</u>	<u>16.7</u>
Net periodic pension expense	<u>\$ 3.7</u>	<u>7.3</u>

The assumptions used in determining net periodic pension expense and accrued pension costs shown above are as follows

	<u>2014</u>	<u>2013</u>
Discount rates for obligations at year end		
MedStar Health, Inc. Pension Equity Plan	4.65%	5.20%
MedStar Health, Inc. Cash Balance Retirement Plan	4.50	5.05
MedStar St. Mary's Hospital Pension Plan	4.25	5.00
Discount rates for pension cost		
MedStar Health, Inc. Pension Equity Plan – July 1 – June 30	5.20%	4.60%
MedStar Health, Inc. Cash Balance Retirement Plan – July 1 – June 30	5.05	4.55
MedStar St. Mary's Hospital Pension Plan – July 1 – June 30	5.00	4.35
Expected long-term rate of return on plan assets – PEP and CBRP	7.75%	8.00%
Expected long-term rate of return on plan assets – MedStar St. Mary's Hospital	7.50	7.50

The Corporation also has various contributory, tax deferred annuity and savings plans with participation available to certain employees. The Corporation matches employee contributions up to 3.0% of compensation in certain plans. The Corporation contributed approximately \$27.3 and \$26.1 during the years ended June 30, 2014 and 2013, respectively.

### (8) Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities located in the State of Maryland, the District of Columbia and Northern Virginia. The Corporation generally does not require collateral or other security in extending credit, however it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross, Workers' Compensation, health maintenance organizations (HMOs) and commercial insurance policies).

# **MEDSTAR HEALTH, INC.**

## **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

The Corporation estimates the allowance for uncollectible accounts based on the aging of accounts receivable, historical collection experience, payor mix and other relevant factors. A significant portion of the allowance for uncollectible accounts relates to self-pay patients, as well as co-payments and deductibles owed by patients with insurance. There are various factors that can impact collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients. Other factors include the volume of patients through the emergency departments and the increased level of co-payments and deductibles due from patients with insurance. These factors continuously change and can have an impact on collection trends and the estimation process.

The activity in the allowance for uncollectible accounts is summarized as follows for the years ended June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Beginning balance	\$ 204.3	189.7
Provision for bad debts	193.2	214.5
Write-offs, net of recoveries	(208.7)	(199.9)
Ending balance	<u>\$ 188.8</u>	<u>204.3</u>

As of June 30, 2014 and 2013, the Corporation's allowance for uncollectible accounts was approximately 25.3% and 27.2%, respectively, as a percentage of patient service receivables. The Corporation's provision for bad debts represents 4.6% and 5.2% of net patient service revenue for the years ended June 30, 2014 and 2013, respectively.

A summary of net patient service revenue by major category of payor for the years ended June 30, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
Medicare and Medicare HMO	37%	36%
Medicaid and Medicaid HMO	11	10
Carefirst Blue Cross Blue Shield	19	19
Other commercial and managed care payors	24	26
Self-pay	9	9
	<u>100%</u>	<u>100%</u>

## MEDSTAR HEALTH, INC.

### Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

A summary of net patient receivables by major category of payor as of June 30, 2014 and 2013 is as follows

	2014	2013
Medicare and Medicare HMO	28%	27%
Medicaid and Medicaid HMO	20	19
Carefirst Blue Cross Blue Shield	13	13
Other commercial and managed care payors	30	29
Self-pay	9	12
	100%	100%

Certain Maryland-based hospital charges are subject to review and approval by the Health Services Cost Review Commission (HSCRC). The HSCRC has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services (CMS). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act.

Under the Maryland HSCRC rate methodology, amounts payable for services in 2014 and 2013 to Maryland hospital patients under the Medicare and Medicaid insurance programs are computed at 94% of regulated charges. This discount amount does not include MCO granted discounts for medical education. Hospital patients under the Blue Cross and approved health maintenance organization insurance programs are computed at 98% of regulated charges. Maryland accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the payable amounts.

In January 2014, CMS approved Maryland's new waiver for a five-year period beginning January 1, 2014 for inpatient and outpatient hospital services. The new waiver ties hospital per capita revenue growth to the state's economic growth of 3.58% and requires Medicare spending in Maryland to be 0.5% below the national average. CMS can require the State to submit a corrective action plan if targets for a given performance year are not met. The new waiver also imposes quality measures and encourages population health management.

In connection with the new waiver, the HSCRC introduced new revenue arrangements, including the Global Budget Revenue (GBR) model. This new model for Maryland Hospitals moves payment to hospitals from each individual service to a total revenue for each hospital or a combination of hospitals to provide hospitals flexibility in the objectives of better care for individuals, higher levels of overall population health, and improved health care affordability. It removes the financial incentive from increasing volume and provides incentive to work with partners to provide care in the appropriate setting. The Company entered into a GBR arrangement covering five of its seven Maryland hospitals during the year ended June 30, 2014. In August 2014, the Company also entered into GBR arrangements for its remaining two Maryland hospitals. The GBR arrangement is expected to be in place at least three years, but will be renewed annually unless terminated by either party with 180 days prior notice. The Company recognized hospital inpatient and outpatient revenue under the new arrangement for the year ended June 30, 2014. For the fiscal year ended June 30, 2013, the Company recognized hospital inpatient and

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

outpatient revenue under its previous agreements with the HSCRC. These agreements included reimbursement on a charge per episode target, defining episode as inpatient care provided within 30 days.

The Budget Control Act of 2011 (the Budget Control Act) mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. As part of this legislation, a 2% reduction in Medicare spending, known as Sequestration, was implemented beginning April 1, 2013, and the Corporation's Medicare payments subsequent to that date were reduced by the mandatory 2%. It is not possible to determine how future congressional actions to reduce the federal deficit in order to end Sequestration will impact the Corporation's revenues.

Through its MedStar Family Choice, Inc. subsidiary, the Corporation enters into fee-for-service and capitation agreements with independent health professionals and organizations to provide covered services to eligible enrollees where such services cannot be provided by its employed physicians or controlled entities. Medical and clinical expenses from these agreements include claim payments, capitation payments, and estimates of outstanding claims liabilities for services provided prior to the balance sheet date. The estimates of outstanding claims liabilities (\$52.2 and \$17.0 as of June 30, 2014 and 2013, respectively), are based on management's analysis of historical claims paid reports and as well as review of health services utilization during the period and are included in accounts payable and accrued expenses on the consolidated balance sheets. Changes in these estimates are recorded in the period of change. Claims payments and capitation payments are expensed in the period services are provided to eligible enrollees.

#### **(9) Certain Significant Risks and Uncertainties**

The Corporation provides general healthcare services in the State of Maryland, the District of Columbia and Northern Virginia. As a healthcare provider, the Corporation is subject to certain significant inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs.
- Regulation of hospital rates by the State of Maryland HSCRC.
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes, and,
- Lawsuits alleging malpractice or other claims.

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated financial statements and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues and the Corporation's operations are subject to a variety of other federal, state and local regulatory requirements. In addition, changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation. Similarly, failure by the Corporation to maintain required regulatory approvals and licenses and/or changes in related regulatory requirements could have a significant adverse effect.

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. Management periodically reviews recorded amounts receivable from or payable to third-party payors and may adjust these balances as new information becomes available. In addition, revenue received under certain third-party agreements is subject to audit. During 2014 and 2013, certain of the Corporation's prior year third-party cost reports were audited and settled, or tentatively settled, by third-party payors. Adjustments resulting from such audits and management reviews of unaudited years and open claims are reflected as adjustments to revenue in the year that the adjustment becomes known. Although certain other prior year cost reports submitted to third-party payors remain subject to audit and retroactive adjustment, management does not expect any material adverse settlements.

The healthcare industry is subject to numerous laws and regulations from federal, state and local governments, and the government has increased enforcement of Medicare and Medicaid anti-fraud and abuse laws, as well as physician self-referral laws (STARK laws and regulation). The Corporation's compliance with these laws and regulations is subject to periodic governmental review, which could result in enforcement actions unknown or unasserted at this time. The Corporation is aware of certain asserted and unasserted legal claims by the government, and has provided requested information. The final outcomes of these government investigations cannot be determined at this time.

Recent federal initiatives have prompted a national review of federally funded healthcare programs. To this end, the federal government, and many states, implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. Since June 2010, the Corporation's hospitals have received audit requests from the Medicare Recovery Audit Contractor (RAC) program. These RAC audit requests have focused on medical necessity of inpatient admissions and hospital coding practices. In addition, the hospitals have continued to receive routine audit requests from other Medicare contractors and the Office of Inspector General. The Corporation's hospitals have cooperated with each of these audit requests and implemented a program to track and manage their effect.

As a result of recently enacted and pending federal healthcare reform legislation, rules and regulations, substantial changes are occurring in the United States healthcare system. These include numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not significantly affect the 2014 or 2013 consolidated financial statements.

The Corporation, in the normal course of business, is a party to legal and regulatory proceedings. These include a lawsuit filed in June 2011 by several MedStar Washington Hospital Center (MWHC) employees alleging violations by the Corporation of wage-hour laws. The plaintiffs in this action are seeking certification of a class that would include hourly employees at all of the Corporation's hospitals. The Corporation is opposing class certification and taking other steps to defend itself and the hospitals in this litigation. The final outcome of this litigation cannot be determined at this time. In April 2014, another lawsuit was filed in federal court alleging similar wage-hour violations as the 2011 action. This lawsuit seeks to certify a class to include hourly employees at six of the Company's hospitals. The Company will oppose class certification and otherwise defend itself and the hospitals in this matter.

## MEDSTAR HEALTH, INC.

### Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

In June 2014, MWHC agreed on a new collective bargaining agreement with the union that represents its service employees, SEIU, Local 722. In September 2014, MWHC began negotiations with National Nurses United, the union that represents the hospital's nurses. The existing collective bargaining agreement will expire on November 15, 2014.

The Corporation, in the normal course of business, is a party to a number of legal and regulatory proceedings. Management does not expect that the results of these proceedings will have a material adverse effect on the consolidated financial position or results of operations of the Corporation.

#### (10) Self-Insurance Programs

The Corporation maintains self-insurance programs for professional and general liability risks, employee health and workers' compensation. Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims. The combined accrued liabilities for these programs at June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Professional and general liability	\$ 345.4	285.9
Employee health	18.9	21.9
Workers' compensation	<u>34.4</u>	<u>32.9</u>
Total liabilities	398.7	340.7
Less current portion	<u>(86.3)</u>	<u>(87.5)</u>
	<u>\$ 312.4</u>	<u>253.2</u>

The Corporation's self insurance program for professional and general liability is responsible for the following exposures as of June 30, 2014:

- (a) For professional liability during the periods of July 1, 2012 to June 30, 2013 and July 1, 2013 to June 30, 2014, for all MedStar entities except MedStar Montgomery Medical Center (MMC) and MedStar St. Mary's Hospital (MSMH), the Corporation is responsible for the first \$5.0 exposure for each and every claim plus an additional exposure above the \$5.0 self-insured retention referred to as an "inner aggregate."

For the period July 1, 2011 to December 31, 2012, the applicable inner aggregate was an inner aggregate that was in effect for the 24 month period January 1, 2010 through December 31, 2012. This inner aggregate exposes the Corporation to up to \$2.5 per claim with an aggregate for the 24 month period of \$5.0 above the \$5.0 per claim self-insured retention for all claims incurred during the period January 1, 2011 through December 31, 2012.

For the period January 1, 2013 to June 30, 2013, the applicable inner aggregate was the inner aggregate in effect for the 12 month period January 1, 2013 through December 31, 2013. This inner aggregate exposes the Corporation to up to \$3.0 per claim with an annual aggregate of \$6.0 above



## MEDSTAR HEALTH, INC.

### Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

the Corporation's \$5.0 per claim self-insured retention for all claims incurred during the period January 1, 2013 through December 31, 2013

For the period January 1, 2014 to June 30, 2014, the applicable inner aggregate was in effect for the 12 month period of January 1, 2014 to December 31, 2014. This inner aggregate exposes the Corporation to up to \$3.0 per claim with a \$6.0 annual aggregate above the Corporation's \$5.0 per claim self-insured retention for all claims incurred during the period January 1, 2014 to December 31, 2014.

Effective December 10, 2012, Southern Maryland Hospital joined the Corporation as MedStar Southern Maryland Hospital Center (MSMHC). MSMHC is covered for all professional liability exposure for activities on or after December 10, 2012 under the same program of coverage described above. The Corporation did not assume responsibility for MSMHC exposure or any tail claims that might arise in future years related to activities that occurred prior to the acquisition by the Corporation.

For MMC and MSMH, the Corporation is responsible for the first \$2.0 exposure for each claim (not subject to the inner aggregate structures noted above).

- (b) For general liability, the Corporation is responsible for the first \$3.0 exposure for each claim (for MMC and MSMH, the first \$2.0 exposure for each claim). General liability claims are not subject to the inner aggregate excess retention as described above. MSMHC is covered for general liability exposure for activities on or after December 10, 2012 under the Corporation's general liability program.
- (c) Commercial excess re-insurance has been purchased above the self-insured retentions described above in multiple layers and in twin towers, one for professional and one for general liability. During the period of July 1, 2011 to December 31, 2012, each tower has seven layers of excess re-insurance coverage which provides coverage of up to \$100.0 per claim and \$100.0 in the annual aggregate. Effective January 1, 2013, the Corporation purchased an additional layer of commercial excess re-insurance. During the period of January 1, 2013 through June 30, 2014, each tower has eight layers of excess re-insurance which provides coverage of up to \$125.0 per claim and \$125.0 in the annual aggregate. The Corporation maintains reinsurance contracts with various "A" rated commercial insurance companies.

The professional and general liabilities as of June 30, 2014 and 2013 have been discounted at a rate of 1.75%. The workers' compensation liabilities as of June 30, 2014 and 2013 have been discounted at a rate of 1.50%.

Assets available to fund these liabilities are held in separate accounts (see note 2). Contributions required to fund professional and general liability, employee health benefits and workers' compensation programs are determined by the plans' administrators based on appropriate actuarial assumptions. The professional and general liability programs are administered through an offshore wholly owned captive insurance company, Greenspring Financial Insurance Limited (GFIL), which is domiciled in the Grand Cayman Islands.

# **MEDSTAR HEALTH, INC.**

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

### **(11) Unrestricted Net Assets**

The Corporation accounts for and presents noncontrolling interests in a consolidated subsidiary as a separate component of the appropriate class of consolidated net assets. The income attributable to noncontrolling interests is included within operating income on the consolidated statements of operations and changes in net assets. The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the Corporation's controlling interest and noncontrolling interest, including amounts such as the performance indicator and other changes in unrestricted net assets as of and for the years ended June 30, 2014 and 2013.

	<b>MedStar Health, Inc.</b>	<b>Noncontrolling interests</b>	<b>Total unrestricted net assets</b>
Balance as of June 30, 2012	\$ 726.9	8.7	735.6
Excess of revenues over expenses	180.6	5.1	185.7
Change in funded status of defined benefit plans	106.9	—	106.9
Net assets released for property and equipment and other	3.0	1.9	4.9
Distributions to noncontrolling interests	—	(6.3)	(6.3)
Increase in unrestricted net assets	290.5	0.7	291.2
Balance as of June 30, 2013	1,017.4	9.4	1,026.8
Excess of revenues over expenses	302.4	2.3	304.7
Change in funded status of defined benefit plans	(2.1)	—	(2.1)
Net assets released for property and equipment and other	4.5	(2.8)	1.7
Distributions to noncontrolling interests	—	(3.7)	(3.7)
Increase (decrease) in unrestricted net assets	304.8	(4.2)	300.6
Balance as of June 30, 2014	\$ 1,322.2	5.2	1,327.4

# **MEDSTAR HEALTH, INC.**

## Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

### **(12) Temporarily and Permanently Restricted Net Assets**

Temporarily and permanently restricted net assets as of June 30, 2014 and 2013 are available for the following purposes

	<u>2014</u>	<u>2013</u>
Temporary restrictions		
Interest in net assets of foundation	\$ 64.9	54.8
Other	56.9	44.2
	<u>\$ 121.8</u>	<u>99.0</u>
Permanent restrictions		
Investments to be held in perpetuity, the income from which is available to support healthcare services	\$ 39.4	39.1

Temporarily restricted net assets are available for the purposes of purchasing property and equipment, providing health education, research and other healthcare services

### **(13) Endowment Net Assets**

The Corporation's endowments consist of individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

#### **(a) Interpretation of Relevant Law**

The Corporation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

- (1) The duration and preservation of the fund
- (2) The purposes of the Corporation and the donor-restricted endowment fund
- (3) General economic conditions

**MEDSTAR HEALTH, INC.**

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Corporation
- (7) The investment policies of the Corporation

**(b) Endowment Net Assets Consist of the Following as of June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	6.6	39.4	46.0
Total endowed net assets	\$ —	6.6	39.4	46.0

**(c) Endowment Net Assets Consist of the Following as of June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	3.6	39.1	42.7
Total endowed net assets	\$ —	3.6	39.1	42.7

**(d) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Corporation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2014 and 2013.

**(e) Investment Strategies**

The Corporation has adopted policies for corporate investments, including endowment assets, that seek to maximize risk-adjusted returns with preservation of principal. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s). The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account. The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose.

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2014 and 2013

(Dollars in millions)

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation structure to achieve its long-term return objectives within prudent risk constraints.

The Corporation monitors the endowment funds returns and appropriates average returns for use. In establishing this practice, the Corporation considered the long-term expected return on its endowment. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### **(14) Income Taxes**

The Corporation and the majority of its subsidiaries are not-for-profit corporations as defined in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes under Section 501(a) of the Code. The Corporation's tax-exempt businesses generate nominal amounts of unrelated business income subject to income tax. For corporate income tax purposes, the Corporation has two consolidated groups of for-profit, taxable entities. The parent companies of these groups are Parkway Ventures, Inc. and MedStar Enterprises, Inc.

The Corporation's taxable subsidiaries have approximately \$221.5 of net operating loss (NOL) carryforwards as of June 30, 2014, which expire in varying periods through 2034, available to offset future taxable income. This NOL carryforward represents \$84.2 of gross deferred tax assets. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. During the years ended June 30, 2014 and 2013, the Corporation decreased and increased its net deferred tax asset by \$3.6 and \$1.8 respectively, which was recorded in nonoperating income. The remaining amount of the deferred tax asset considered realizable, \$27.9 as of June 30, 2014, could be reduced if estimates of future taxable income during the carry forward period are reduced. The current tax provisions for the years ended June 30, 2014 and 2013 were immaterial.

#### **(15) Charity Care**

The Corporation's hospitals utilize a cost to charge ratio methodology to convert charity care to cost. The estimated cost of services provided is determined based on the relationship of total operating costs to gross charges. Total operating costs for purposes of this ratio exclude bad debt expense as well as costs associated with community benefit activities. Total gross patient charges are then offset with any related reimbursements. The Corporation provided \$45.5 and \$51.5 of charity care at cost during the years ended June 30, 2014 and 2013, respectively, based on the cost to charge ratio.

In addition to charity care, the Corporation funds numerous programs designed to benefit the healthcare interests of the communities it serves, examples of which are health education programs and services.

## MEDSTAR HEALTH, INC.

### Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in millions)

health information and referral services, school-based clinics, public health screenings and home care. The costs associated with these programs are recorded in the appropriate operating expense categories.

#### (16) Leases

The Corporation is obligated under various operating leases with initial terms of one year or more. Aggregate future minimum payments as of June 30, 2014 are as follows:

2015	\$	53.2
2016		44.9
2017		36.6
2018		28.2
2019		22.4
2020 and Thereafter		<u>41.8</u>
Total minimum lease payments	\$	<u><u>227.1</u></u>

Certain leases include provisions allowing the minimum rental payments to be adjusted annually for increases in operating costs and, in some cases, real estate taxes attributable to leased property. Total rental expense for all operating leases amounted to approximately \$65.9 and \$56.0 during the years ended June 30, 2014 and 2013, respectively.

#### (17) Commitments and Contingencies

In February 2000 and on June 30, 2000, the Corporation and Georgetown University (the University) signed certain definitive agreements whereby the Corporation would receive through purchase or capital lease substantially all of the assets (including working capital) owned by the University that constitutes the MedStar Georgetown University Hospital, the Community Practice Network, the Faculty Practice Group and certain office buildings and a parking lot on the campus (collectively referred to as the Transferred Businesses). These agreements became effective July 1, 2000 and transferred control of the identified physical plant and other real property assets of the Transferred Businesses to the Corporation for use as an academic medical center for a minimum of ninety-eight years. At the end of the one hundred and fifty year lease term (including a fifty-two year renewal), the University shall convey all leased assets, excluding the underlying land, to the Corporation for a nominal amount and enter into a rent-free ground lease for the Corporation's use. This transaction was accounted for under the purchase method of accounting effective July 1, 2000.

In recognition of the value of the transaction, the Corporation shall annually pay the University 50% of the amount by which the combined operating earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the asset purchase agreement, of certain entities of the Corporation in the Washington D.C. area (collectively referred to as the Washington Clinical Enterprises) exceeds \$60.0, subject to certain adjustments. These additional payments expire when cumulative payments reach \$70.0. The Corporation has paid \$36.7 to the University as of June 30, 2014.

## **MEDSTAR HEALTH, INC.**

### **Notes to Consolidated Financial Statements**

**June 30, 2014 and 2013**

**(Dollars in millions)**

The Corporation also entered into an Academic Affiliation and Operations Agreement (Affiliation Agreement) with the University. The purpose of this agreement is to make available to the University the facilities of the Transferred Businesses and provide the Corporation with a first-class University medical center. The University shall make payments to the Corporation determined by multiplying the University School of Medicine's total undergraduate tuition revenue by 36% for providing teaching services. The Corporation recognized \$12.3 and \$12.8 of tuition revenue during the years ended June 30, 2014 and 2013, respectively. In support of academic programs at the University, for each fiscal year following the termination of the additional payment terms in the asset purchase agreement described above, the Corporation shall pay to the University 17.5% of the operating EBITDA of the Washington Clinical Enterprises in excess of \$60.0, subject to certain adjustments. No amounts have been paid under this Affiliation Agreement through June 30, 2014.

The Corporation and the University also entered into a Research Agreement to sustain and advance a program of health-related University research at the Transferred Business facilities. Under this agreement, the University is required to reimburse the Corporation for certain costs incurred by the Corporation in support of University sponsored research. Amounts reimbursed to the Corporation were \$2.7 and \$3.1 for the years ended June 30, 2014 and 2013, respectively.

MedStar Georgetown University Hospital and the University are parties to a fixed fee shared services agreement. Georgetown University provided to MedStar Georgetown University Hospital the following services: utilities, telephone/IT services, transportation services and library services. Expenses charged for such services were \$13.6 and \$12.2 for the years ended June 30, 2014 and 2013, respectively.

The MedStar Washington Hospital Center campus is subject to the lien of a Permitted Encumbrance in the amount of \$21.5 to the United States government. This encumbrance was created in the deed of the hospital property from the United States government to MedStar Washington Hospital Center in February 1960. There is no repayment date for this lien stated in the deed. Under enabling legislation, repayment could be required after a determination that the property is no longer required for hospital services or the property is disposed of, in which event all or a portion of the lien may be payable to the government. This lien is subordinated to the Deed of Trust on the MedStar Washington Hospital Center campus.

**MEDSTAR HEALTH, INC.**  
Notes to Consolidated Financial Statements  
June 30, 2014 and 2013  
(Dollars in millions)

**(18) Functional Expenses**

The Corporation considers integrated health services, research and management and general to be its primary functional categories for purposes of expense classification. Management and general include information systems, general corporate management, advertising and marketing. Functional categories of expenses for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Integrated health services	\$ 3,532.4	3,319.9
Management and general	924.7	782.9
Research	30.4	31.0
Fundraising	4.9	4.6
	<u>\$ 4,492.4</u>	<u>4,138.4</u>

**(19) Subsequent Events**

Management evaluated all events and transactions that occurred after June 30, 2014 and through October 6, 2014. The Corporation did not have any events that were required to be recognized or disclosed.